

JINDAL TUBULAR USA LLC

Financial Statements

*For the Year Ending
March 31, 2016*

Braj Aggarwal, CPA, P.C.
Certified Public Accountants

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Jindal Tubular USA LLC

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Braj Aggarwal, CPA, P.C.
Certified Public Accountants

REPORT OF INDEPENDENT AUDITORS

To the Board of Members
Jindal Tubular USA LLC
Bay St. Louis, MS

We have audited the accompanying financial statements of Jindal Tubular USA LLC which comprise the balance sheets as of March 31, 2016, and related statements of operations, changes in member's equity and cash flows for the year then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial positions of Jindal Tubular USA LLC as of March 31, 2016, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matter

The financial statements of Jindal Tubular USA LLC as of March 31, 2015 were audited by another auditor whose report dated April 20, 2015, expressed an unqualified opinion on those statements. We have not performed any of the procedures.

Braj Aggarwal, CPA, P.C.

Hicksville, New York
May 29, 2016

FINANCIAL STATEMENTS

Jindal Tubular USA LLC

Balance Sheet

As of March 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Assets		
Current		
Cash and cash equivalents	\$ (1,100,992)	\$ 4,103,008
Accounts receivables	2,652,888	9,109,496
Inventories:		
Inventories	16,795,708	12,219,267
Goods in transit	510,298	-
Prepaid expense & other current assets	855,441	406,861
Total current assets	<u>19,713,344</u>	<u>25,838,632</u>
Property, plant & equipments, net	103,789,672	103,449,592
Other Assets		
Deferred tax assets	8,413,887	1,357,030
Loan fees, net	1,890,389	2,135,863
Goodwill	1,088,773	2,162,343
Total other assets	<u>11,393,049</u>	<u>5,655,236</u>
Total assets	<u>\$ 134,896,065</u>	<u>\$ 134,943,460</u>

See Notes to Financial Statements

Jindal Tubular USA LLC

Balance Sheet

As of March 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Liabilities and Member's Equity		
Current Liabilities		
Line of credit	\$ 6,500,000	\$ 11,500,000
Account payable - trade	5,868,963	1,723,187
Accrued expenses	1,564,436	639,345
Deferred revenue	-	4,271,707
Other current liabilities	1,714,269	-
Total current liabilities	<u>15,647,668</u>	<u>18,134,239</u>
Long-term debt, net of current portions :		
Long term debt	38,000,000	38,000,000
Bonds Payable	76,820,000	76,820,000
Total long-term debt	<u>114,820,000</u>	<u>114,820,000</u>
Total liabilities	<u>130,467,668</u>	<u>132,954,239</u>
Member's Equity		
Preferred units	10,000,000	-
Common units	(5,571,603)	1,989,221
Total member's equity	<u>4,428,397</u>	<u>1,989,221</u>
Total liabilities and member's equity	<u>134,896,065</u>	<u>134,943,460</u>

See Notes to Financial Statements

Jindal Tubular USA LLC
Statement of Income
for the year ended March 31, 2016 and 2015

	<u>2016</u>	<u>Sep 2014 to Mar 2015</u>
Net Sales	\$ 31,674,906	\$ 7,625,796
Cost of sales - materials, labor and other costs	37,391,397	7,239,518
Gross Profit	<u>(5,716,491)</u>	<u>386,278</u>
Selling, general and administrative expenses		
Selling, general and administrative expenses	7,413,874	2,765,118
Total selling, general and administrative expenses	<u>7,413,874</u>	<u>2,765,118</u>
Operating income (expenses):	<u>(13,130,365)</u>	<u>(2,378,840)</u>
Other Income (Expenses):		
Scrap Income	199,814	28,062
Interest expense	(4,687,129)	(1,027,031)
Total other income (expenses), net	<u>(4,487,315)</u>	<u>(998,969)</u>
Income before income taxes	<u>(17,617,680)</u>	<u>(3,377,809)</u>
Income Taxes		
Current income tax benefit	7,056,857	1,357,030
Net Income (loss)	<u>(10,560,823)</u>	<u>(2,020,779)</u>

See Notes to Financial Statements

Jindal Tubular USA LLC
Statement of Changes of Member's Equity
for the year ended March 31, 2016 and 2015

	Member's Stated Capital Account	Additional Capital Contributed	Retained Earnings	Total Member's Equity
Balance at March 31, 2015	4,010,000		(2,020,780)	1,989,220
Net income/ capital contributed		3,000,000	(10,560,823)	(7,560,823)
Balance at March 31, 2016	4,010,000	3,000,000	(12,581,603)	(5,571,603)

See Notes to Financial Statements

Jindal Tubular USA LLC

Statement of Cash Flows

For the year ended March 31, 2016 and 2015

	2016	Sep 2014 to Mar 2015
Cash Flows From Operating Activities:		
Net income	\$ (10,560,823)	\$ (2,020,779)
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	1,425,346	679,215
Amortization	245,474	143,193
Changes in operating assets and liabilities:		
(Increase)/decrease trade receivables	6,456,608	(9,109,496)
(Increase)/decrease intercompany receivables		
(Increase)/decrease other receivables	1,073,570	
(Increase)/decrease inventories	(5,086,739)	(8,922,503)
(Increase)/decrease prepaid expenses and deposits	\$ (448,580)	(406,861)
Increase/(decrease) account payable - trade	4,145,776	1,723,187
Increase/(decrease) deferred revenue	(4,271,707)	4,271,707
Increase/(Decrease) accrued expenses	925,089	639,345
Increase/(Decrease) provision for taxes	(7,056,857)	(1,357,030)
Increase/(Decrease) Other current Liabilities	1,714,269	
Net cash provided (used) by operating activities	(11,438,574)	(14,360,022)
Cash Flows from Investing Activities:		
Increase in fixed assets	(1,765,426)	-
Net cash used in investing activities:	(1,765,426)	
Cash Flows from Financing Activities:		
Net change in borrowings on line of credit	(5,000,000)	11,500,000
Proceeds from long term debts	-	2,953,030
Proceeds from preferred units	10,000,000	-
Contributed capital	3,000,000	4,010,000
Net cash used in financing activities:	8,000,000	18,463,030
Net Increase/(decrease) in cash and cash equivalents	(5,204,000)	4,103,008
Cash and cash equivalents at the beginning of year	4,103,008	-
Cash and cash equivalents at the end of year	(1,100,992)	4,103,008
Supplemental Cash Flow Information		
Federal income taxes paid	-	
Interest paid	4,687,129	1,635,216

See Notes to Financial Statements

Jindal Tubular USA LLC
Notes to Financial Statements
March 31, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business Activity

Jindal Tubular USA LLC (the "Company") is a Mississippi based company formed on May 6, 2014, with operations beginning September 1, 2014. The term of the LLC shall be perpetual and no member shall be obligated personally for any debt, obligation, or liability of the LLC. The Company services the energy, water and structural industries. Customers include natural gas pipeline companies, large municipal water districts and structural contractors in North America.

Comparative Financial Statement

The financial statements presented along with the audit reports are in the comparative form but the last year financial figures only represent the data for the 7 month period as the company became operative on September 1, 2014.

Use of Estimates

In the preparation of the financial statements, management makes certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. It is at least reasonably possible that these estimates may change in the near term and ultimate results could differ from those estimates.

Cash and Cash Equivalents

The Company considers all short-term, highly liquid investments, primarily money market accounts that are readily convertible into known amounts of cash and have original maturities of three months or less, to be cash equivalents. The Company maintains cash in bank deposit accounts, which, at times, may exceed federally insured limits. The Company has not experienced any such losses related to this risk.

Accounts Receivable

Trade accounts receivable are stated at the amount the Company expects to collect. The Company maintains allowances for doubtful accounts for estimated losses resulting from the inability of its customers to make required payments. Management considers the following factors when determining the collectability of specific customer accounts: customer credit-worthiness, past transaction history with the customer, current economic industry trends, and changes in customer payment terms. If the financial condition of the Company's customers were to deteriorate, adversely affecting their ability to make payments, additional allowances would be required. Based on management's assessment, the Company provides for estimated uncollectible amounts through a charge to earnings and credit to a valuation allowance. Balances that remain outstanding after the

Jindal Tubular USA LLC
Notes to Financial Statements
March 31, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Company has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. An allowance account has not been provided in the accompanying financial statements because management believes that all accounts receivable are collectable.

Inventories

Inventories are valued by moving-average method or net realizable value method whichever is lower including provisions for obsolescence commensurate with known or estimated exposures. Inventories are shown net of a valuation reserve of \$0 at March 31, 2016. Cost includes material and applied labor and overhead.

Property and Equipment

Property and equipment are carried at cost. Expenditures for major renewals and betterments, which substantially increase the useful lives of existing assets, are capitalized. Maintenance and repairs are charged to expenses as incurred.

The Company provides for depreciation of property and equipment utilizing both straight-line and accelerated methods over the estimated useful lives of the assets. Property and equipment are being depreciated for 39 years. Production equipment are being depreciated based upon the unit of production method (UOP). The UOP method of depreciation for production equipment is based on the assumption that depreciation of the respective assets are primarily a function of usage based on the rated capacity of the assets. The UOP method is based on the information obtained by continuing observation of the pattern of benefits derived from these machinery and equipment's and is preferable to a straight line method as it results in depreciation that is more reflective of consumption of the assets.

During the current year the company has refined the method of depreciation for its property, plant and equipment and reclassified the class of assets to the appropriate classification for the assets acquired in the previous year.

Goodwill

Goodwill is not amortized since it has an indefinite life. The company tests goodwill for impairment on an annual basis. During the year ended March 31, 2016, there has been no change in the goodwill due to impairment but there is reduction in amount of the goodwill due to certain amount received by the company in the current year which was pertaining to the pre-acquisition period.

Jindal Tubular USA LLC
Notes to Financial Statements
March 31, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Loan Fees

Intangible assets are recorded at cost and consist of loan fees. The loan fees paid at the time of acquisition are amortized using the straight-line method over the contractual periods, which range from 3 to 18 years.

Member Rights

The Company's one Member contributed cash to form the Company. Member units are not freely transferrable, and are subject to transfer restrictions as outlined in the membership control agreement. Net income and losses, as well as distributions, are allocated 100% to the Member. The Company shall be dissolved, and its affairs shall therefore be wound up and liquidated, upon the election of the Member.

Revenue Recognition

The Company recognizes revenue upon delivery of the finished good to a customer.

Shipping and Handling Costs

Shipping and handling costs charged to customers have been included in net sales. Shipping and handling costs incurred by the Company have been included in cost of goods sold.

Sales Tax

The Company collects sales tax. The amount received is credited to a liability account and as payments are made, this account is charged. At any point in time, this account represents the net amount owed to the taxing authority for amounts collected by not yet remitted.

Income Taxes

The Company is taxed as a C-corporation. The Company accounts for its income taxes using generally accepted accounting principles, which requires the establishment of deferred taxes for differences between financial statement and tax reporting purposes. As such, the Company's provision for income taxes is based on the asset and liability method of accounting whereby deferred tax assets and liabilities are recognized for future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases.

Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

Jindal Tubular USA LLC
Notes to Financial Statements
March 31, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Management has not identified any uncertain tax positions in filed income tax returns that require recognition or disclosure in the accompanying financial statements. The Company classifies income tax related interest and penalties in income tax expense, when incurred. There were no income tax related interest or penalties to be accrued at March 31, 2016.

Subsequent Events

Management evaluates events occurring subsequent to the date of the balance sheet in determining the accounting for and disclosure of transactions and events that affect the financial statements. Subsequent events have been evaluated through May 29, 2016, which is the date the financial statements were available to be issued.

NOTE 2 – INVENTORIES

Inventories consisted of the following as of March 31, 2016:

Raw materials and stores & spares	\$ 6,582,683
Goods in transit	510,298
Work in process	4,684,637
Finished goods	5,463,654
Scrap	64,734
	<u>\$ 17,306,006</u>

NOTE 3 – PROPERTY AND EQUIPMENT

The major categories of property and equipment at March 31, 2016 are summarized as follows:

Building	\$ 34,960,290
Leasehold improvements	1,396,698
Plant and machinery	69,357,478
Office equipment's	11,170
Computer and software	63,660
Furniture and fixtures	78,035
Vehicles	26,900
	<u>105,894,231</u>
Less: accumulated depreciation	(2,104,560)
Property and equipment, net	<u>\$ 103,789,671</u>

Depreciation expense was \$1,425,345 for the year ended March 31, 2016.

Jindal Tubular USA LLC
Notes to Financial Statements
March 31, 2016

NOTE 4 – LOAN FEES

Debt issuance costs incurred in obtaining financing and related letters of credit and amortized over the original life of the debt are summarized as follows:

Loan fees	\$	2,135,863
Less: accumulated amortization		(245,474)
Loan fees, net		\$ 1,890,389

The estimated future annual amortization as on March 31, 2016 is as follows:

	2017	\$	245,474
	2018		234,696
	2019		226,998
	2020		199,432
	2021		179,741
	Thereafter		804,048
		\$	1,890,389

NOTE 5 – LINE OF CREDIT

The Company entered into line of credit agreement with ICICI Bank Limited, New York Branch (“ICICI Bank”) that provides for flexible line of credit based on the needs of the operations of the company. As on March 31, 2016 Company has facility of \$ 25,000,000 which are being secured by all real and personal property including cash, property and equipment, and inventory. Interest on borrowings under the line of credit is at the 3-month LIBOR plus 3.50% payable on a three month basis.

Jindal Tubular USA LLC
Notes to Financial Statements
March 31, 2016

NOTE 6 – LONG-TERM DEBT

Bank Debt

On August 29, 2014, the Company entered into a term note facility in the amount of \$38,000,000 with ICICI Bank for the purpose of acquiring PSL – North America, LLC as well as financing for the construction of buildings and machinery at its Bay St. Louis, MS facility. The interest rate is at the 3-month LIBOR rate plus 3.20%. The terms of the agreement call for annual principal payments equal to 50% of Excess Cash Flow, as defined in the agreement, with any remaining principal due at maturity in July 2019. Interest only payments are due on a three month basis. The agreement is secured by all real and personal property including cash, property and equipment, and inventory. This agreement is subject to certain restrictive covenants.

Bonds Payable

As of March 31, 2016 bonds payable consisted of the following:

MBFC Tax Exempt Variable Rate Demand Revenue Bonds, in the amount of \$ 68,000,000; secured by all loan payments received by the MBFC and a letter of credit from ICICI Bank; interest only payments due monthly with principal due in November 2032.	\$ 68,000,000		
MBFC Taxable Variable Rate Demand Revenue Bonds, in the amount of \$ 10,000,000; secured by all loan payments received by MBFC and a letter of credit from ICICI Bank; interest only payments due monthly with Principal due in November 2017.	8,820,000		
Total long-term debt	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="border-top: 1px solid black; border-bottom: 3px double black; width: 100%;"></td> <td style="text-align: right; border-top: 1px solid black; border-bottom: 3px double black;"> \$ 76,820,000 </td> </tr> </table>		\$ 76,820,000
	\$ 76,820,000		

Jindal Tubular USA LLC
Notes to Financial Statements
March 31, 2016

NOTE 6 – LONG-TERM DEBT (continued)

Annual maturities of long-term debt are as follows as of March 31, 2016:

Year ended March 31

	2017	\$	-	
	2018		8,820,000	
	2019		-	
	2020		-	
	2021		-	
	Thereafter		68,000,000	
			\$ 76,820,000	
			\$ 76,820,000	

NOTE 7 – LETTERS OF CREDIT

At March 31, 2016, the Company has an irrevocable letter of credit with ICICI Bank in the amount of \$77,556,630. This letter of credit expires in November 1, 2023 and is being maintained as security for the Company's bonds payable. The agreement provides for a maximum commitment of \$77,556,630 and requires commitment fee to be paid at 1.03% per annum.

NOTE 8 – INCOME TAXES

The provision for income taxes consisted of the following components for the years ended March 31, 2016:

Current:				
	Federal	\$	-	
	States		-	
Deferred				
	Federal		6,174,478	
	States		882,109	
	Total income tax benefit		\$ 7,056,587	
			\$ 7,056,587	

Jindal Tubular USA LLC
Notes to Financial Statements
March 31, 2016

NOTE 8 – INCOME TAXES (continued)

The deferred tax asset consists of mainly a net operating loss from the current year and the difference in depreciation methods being used for book versus tax purposes. Realization of the future tax benefits related to the net deferred tax assets is dependent on many factors including the Company's ability to generate taxable income. Management believes that, at a minimum, it is more likely than not that future taxable income will be sufficient to realize the recorded assets.

NOTE 9 – RELATED PARTY TRANSACTIONS

The company's member has ownership in various affiliated companies. The Company had transactions with two related party during for the period ended March 31, 2016 for which details are provided as follows:

Related Party	Transaction Type	Amount
Jindal Saw Limited (India)	Capital Purchases	887,696
Jindal Saw USA LLC	Material Purchase	22,172

The Company had outstanding payables to the related party amounting to \$ 619,236 at March 31, 2016.

NOTE 10 – OPERATING LEASE

Upon the business combination discussed in Note 11, the Company assumed a lease agreement with Hancock County Port and Harbor Commission (“HCPHC”) for their manufacturing facility in Day St. Louis, Mississippi. The initial lease term is for 33 years, ending in June 2040. The Company may elect to extend the lease for two successive extensions of 33 years each. The lease payments are identified in the agreement as \$687,000 per year, abated to \$1 per year during any year in which the Company maintains the minimum levels of employment set forth in the agreed-upon Employment Commitment, as defined in the Project Agreement by and among the Company and the State of Mississippi, Hancock County, HCPHC, and certain authorities of or within the State of Mississippi dated as of April 25, 2007 and last amended on April 1, 2013.

The Employment Commitment requires the Company to employ at least 80 full time employees with an average annual salary of at least \$50,000. If the employment commitment is not met during the year, the Company shall be liable for an Employment Clawback and a Facility Lease Abatement Clawback. In the event of default of the Employment Commitment, the Employment Clawback requires the Company to pay HCPHC a sum arrived at by dividing the amount of Financial Commitment by the 80 employee requirement and then dividing the quotient by the total number of years in the initial term of the agreement (33 years). The Facility Lease Abatement Clawback would require the Company to pay HCPHC a sum equal to \$687,000 multiplied by a fraction, the 80 employment requirement less the average number of qualifying employees during the reporting period, divided by 80. At March 31, 2016, the Company exceeded this employment requirement. The Company paid \$1 of rent for the period ended March 31, 2016.

Jindal Tubular USA LLC
Notes to Financial Statements
March 31, 2016

NOTE 11 – CONCENTRATIONS

Customers

The Company had sales to customers that individually contributed in excess of 10% of total company sales for the period ended March 31, 2016:

Number of customers	3
Sales Total	\$ 21,998,933
sales	\$ 31,674,906
Percent of total revenue contributed	70%
Accounts receivable from these customers	\$ Nil

Vendors

The Company had purchases from one vendor that individually contributed in excess of 10% of total company purchases for the period ended March 31, 2016:

Number of vendors	1
Purchases	\$ 16,389,244
Total Purchases	\$ 29,188,058
Percent of total purchases	56%
Accounts payable to these vendors	\$ 1,818,584

NOTE 12 – BUSINESS COMBINATION

On August 29, 2014, the Company completed the purchase from PSL - North America, LLC (PSL NA) of substantially all of the assets and liabilities, or 100% of the equity, relating to a steel pipe manufacturing plant located in Bay St. Louis, Mississippi. The net purchase price paid was financed for \$19,091,607. In addition, the Company incurred \$482,774 of acquisition costs and capitalized \$2,279,056 of loans fees associated with the financing (see note 4)

GAAP defines the acquirer in a business combination as the entity that obtains control of one or more businesses in a business combination and establishes the acquisition date as the date that the acquirer achieves control. GAAP requires an acquirer to recognize the assets acquired, the liabilities assumed, and any non controlling interest in the acquiree at the acquisition date, measured at their fair values as of that date. GAAP also requires the acquirer to recognize contingent consideration at the acquisition date, measured at its fair value at that date.

Jindal Tubular USA LLC
Notes to Financial Statements
March 31, 2016

The purchase price allocation is based on the estimated fair values of assets acquired and liabilities assumed. The following table summarizes the fair values of the assets acquired and liabilities assumed at the acquisition date:

Assets purchased and liabilities assumed:

Inventory	\$ 3,296,764
Property and equipment	90,490,000
Goodwill	2,162,343
Bonds payable	<u>(76,820,000)</u>
Net assets acquired	<u>\$ 19,129,107</u>

Goodwill in the amount of \$2,162,343 was recognized in the acquisition of the business and is not amortized since it has an indefinite life.

Prior to the acquisition of the PSL NA, the company provided debtor in possession financing for PSL NA from May 6, 2014, the formation date of the Company, and the purchase date, August 29, 2014. The debtor in position financing was used by PSL NA to maintain the existing facility and for construction financing for facility expansion. This financing was repaid at the asset purchase closing date and is accounted for in the facility acquisition cost.