JINDAL TUBULAR USA LLC

FINANCIAL STATEMENTS AND INDEPENDENT AUTITOR'S REPORT

March 31, 2015

FROEHLING ANDERSON

CPAs with Solutions

FROEHLING ANDERSON
1000 Shelard Parkway, Suite 400
Minneapolis, MN 55426
952-979-3100
www.fa-cpa.com

Jindal Tubular USA LLC
March 31, 2015

INDEX

www.fa-cpa.com

FROEHLING ANDERSON

1000 SHELARD PARKWAY, SUITE 400 ~ ST. LOUIS PARK MN 55426
OFFICE: 952-979-3100 ~ FAX: 952-979-3159

INDEPENDENT AUDITOR'S REPORT

To the Member and Management
Jindal Tubular USA LLC
Bay St. Louis, MS

We have audited the accompanying financial statements of Jindal Tubular USA LLC which comprise the balance sheet as of March 31, 2015, and the related statement of operations and member's equity, and cash flows for the period from inception (May 6, 2014) to March 31, 2015, 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 position of Jindal Tubular USA LLC as of March 31, 2015, and the results of its operations and cash flows for the period then ended in accordance with accounting principles generally accepted in the United States of America.

Froehling Anderson Ltd.

Minneapolis, Minnesota
April 20, 2015

Jindal Tubular USA LLC

FINANCIAL STATEMENTS

March 31, 2015

Jindal Tubular USA LLC
BALANCE SHEET
March 31, 2015

ASSETS		
CURRENT ASSETS		
Cash	$	4,103,008
Accounts receivable		9,109,496
Inventories		12,219,267
Prepaid expenses and other current assets		406,861
Total Current Assets		25,838,632
PROPERTY AND EQUIPMENT, Net		103,449,592
OTHER ASSETS		
Deferred tax assets		1,357,030
Loan fees, net		2,135,863
Goodwill		2,162,343
Total Other Assets		5,655,236
Total Assets	$	134,943,460

See Accompanying Notes to Financial Statements

LIABILITIES AND MEMBER'S EQUITY

CURRENT LIABILITIES	
Line of credit	$ 11,500,000
Accounts payable	1,723,187
Other accrued expenses	639,345
Deferred revenue	4,271,707
Total Current Liabilities	18,134,239
LONG-TERM LIABILITIES	
Long-term debt	38,000,000
Bonds payable	76,820,000
Total Long-Term Liabilities	114,820,000
Total Liabilities	132,954,239
MEMBER'S EQUITY	1,989,221
Total Liabilities and Member's Equity	$ 134,943,460

Jindal Tubular USA LLC
STATEMENT OF OPERATIONS AND MEMBER'S EQUITY
For the Period from Inception (May 6, 2014) to March 31, 2015

	Amount	Percent of Sales
NET SALES	$ 7,625,796	100.00 %
COST OF SALES	7,239,518	94.93
GROSS PROFIT	386,278	5.07
OPERATING EXPENSES	2,765,118	36.26
OPERATING LOSS	(2,378,840)	(31.19)
OTHER INCOME (EXPENSE)		
Scrap sales	28,062	0.37
Interest expense	(1,027,031)	(13.47)
TOTAL OTHER EXPENSES	(998,969)	(13.10)
LOSS BEFORE TAXES	(3,377,809)	(44.29)
INCOME TAX BENEFIT	1,357,030	17.80
NET LOSS	(2,020,779)	(62.09) %
MEMBER'S EQUITY		
Intitial capital contribution	4,010,000	
END OF PERIOD	$ 1,989,221	

See Accompanying Notes to Financial Statements

Jindal Tubular USA LLC
STATEMENT OF CASH FLOWS
For the Period from Inception (May 6, 2014) to March 31, 2015

CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	$	(2,020,779)
Adjustments to reconcile net loss to net cash flows from operating activities:		
Depreciation		679,215
Amortization		143,193
Deferred income tax		(1,357,030)
Changes in assets and liabilities:		
Accounts receivable		(9,109,496)
Inventories		(8,922,503)
Prepaid expenses and other current assets		(406,861)
Accounts payable		1,723,187
Other accrued expenses		639,345
Deferred revenue		4,271,707
NET CASH FLOWS FROM OPERATING ACTIVITIES		(14,360,022)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net change in borrowings on line of credit		11,500,000
Proceeds from long-term debt		2,953,030
Contributed capital		4,010,000
NET CASH FLOWS FROM FINANCING ACTIVITIES		18,463,030
NET CHANGE IN CASH		4,103,008
CASH - BEGINNING OF YEAR		-
CASH - END OF YEAR	$	4,103,008

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

Cash paid during the year for:

Interest	$	1,635,216

SUPPLEMENTAL SCHEDULE OF NON-CASH INVESTING AND FINANCING ACTIVITIES

Acquisition of PSL - North America, LLC (see note 13):		
Debt incurred in acquisition of PSL - North America, LLC's property, plant & equipment and inventory	$	19,129,107
Bonds assumed in acquisition	$	76,820,000
Loan fees incured in acquisition	$	2,279,056
Debt incurred to finance construction of new facility and purchase of equipment	$	12,648,350
Interest capitalized in construction of new facility	$	990,457

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 manufactures steel pipes used primarily in industrial infrastructure, oil and gas, and water pipeline industries as well as providing anti-corrosive coatings on steel pipes in the United States and Canada.

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 collectibility 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 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventories

Inventories are valued at the average cost using the moving-average method including provisions for obsolescence commensurate with known or estimated exposures. Inventories are shown net of a valuation reserve of $0 at March 31, 2015. 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 is being depreciated based upon the number of units produced relative to the estimated total life capacity of the machines.

Goodwill

Goodwill is not amortized since it has an indefinite life. The company tests goodwill for impairment on an annual basis. During the period ended March 31, 2015, there were no changes in the carrying amount of goodwill.

Loan Fees

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

Deferred Revenue

The Company recognizes revenues as earned. Amounts billed in advance of the period in which service is rendered are recorded as liability under "deferred revenue."

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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, 2015.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 April 20, 2015, which is the date the financial statements were available to be issued.

NOTE 2 – INVENTORIES

Inventories consisted of the following as of March 31, 2015:

Raw materials and machine spare parts	$	4,080,079
Work in process		1,845,544
Finished goods		6,181,271
Scrap		112,373
	$	12,219,267

NOTE 3 – PROPERTY AND EQUIPMENT

The major categories of property and equipment at December 31 are summarized as follows:

Building and equipment	$	40,738,719
Computer software		22,398
Shop equipment		63,367,690
		104,128,807
Less: accumulated depreciation		(679,215)
Property and equipment, net	$	103,449,592

Depreciation expense was $679,215 for the year ended March 31, 2015.

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	$	2,279,056
Less: accumulated amortization		(143,193)
Loan fees, net	$	2,135,863

The estimated future annual amortization as of March 31, 2015 is as follows:

Year ended March 31, 2016	$	245,474
2017		245,474
2018		234,696
2019		226,998
2020		199,432
Thereafter		983,789
	$	2,135,863

NOTE 5 – LINE OF CREDIT

On August 29, 2014, the Company entered into a line of credit agreement with ICICI Bank Limited, New York Branch (“ICICI Bank”) that provides for a maximum borrowing facility of $30,000,000. The agreement expires on July 27, 2015 and is 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% (3.73% at March 31, 2015) payable on a three month basis. This agreement is subject to certain restrictive covenants.

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 (see Note 13) 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% (3.43% at March 31, 2015). 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, bonds payable consisted of the following:

MBFC Tax Exempt Variable Rate Demand Revenue Bonds, Series 2007A; in the amount of $68,000,000; interest rate determined weekly by Merchant Capital; 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 2032.	$	68,000,000
MBFC Taxable Variable Rate Demand Revenue Bonds, Series 2007B; in the amount of $10,000,000; interest rate determined weekly by Merchant Capital; 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	$	76,820,000

NOTE 6 – LONG-TERM DEBT (continued)

Annual maturities of long-term debt are as follows as of March 31, 2015:

Year ended March 31, 2016	$	-
2017		-
2018		8,820,000
2019		-
2020		-
Thereafter		68,000,000
	$	76,820,000

NOTE 7 – LETTERS OF CREDIT

At March 31, 2015, 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 $78,000,000 and requires commitment fee to be paid at 1.03% per annum.

At March 31, 2015, the Company also has a stand-by letter of credit with ICICI Bank that provides for maximum commitment of the lesser of $30,000,000 or the outstanding amount of the line of credit (Note 5). The agreement is being maintained as security for the Company's line of credit and requires a commitment fee of 1.25% per annum.

NOTE 8 – INCOME TAXES

The provision for income taxes consisted of the following components for the years ended March 31, 2015:

Current:		
Federal	$	-
States		-
Deferred		
Federal		(1,175,930)
States		(181,100)
Total income tax benefit	$	(1,357,030)

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 one related party during for the period ended March 31, 2015 which included purchases of $2,578,913. The Company had payables to the related party that amounting to $1,446 at March 31, 2015.

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, 2015, the Company exceeded this employment requirement. The Company paid $1 of rent for the period ended March 31, 2015.

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, 2015:

Number of customers		5
Sales	$	7,418,596
Total sales	$	7,625,796
Percent of total revenue contributed		97%
Accounts receivable from these customers	$	9,016,540

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, 2015:

Number of vendors		1
Purchases	$	8,811,309
Total purchases	$	15,306,833
Percent of total purchases		58%
Accounts payable to these vendors	$	773,817

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 noncontrolling 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.

NOTE 12 – BUSINESS COMBINATION (continued)

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		(76,820,000)
Net assets acquired	$	19,129,107

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.