

# FINANCIAL STATEMENTS

## **Drill Pipe International, LLC** **Financial Statements**

**For the Quarter and Year Ended March 31, 2020 and 2019**  
**Along with Report of Independent Auditor**

### **Rakesh Jain, CPA PC**

Certified Public Accountant

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# **DRILL PIPE INTERNATIONAL, LLC**

## **FINANCIAL STATEMENTS**

**For the Quarter and Year Ended March 31, 2020 and 2019**

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## REPORT OF INDEPENDENT AUDITOR

To  
The Board of Managers,  
Drill Pipe International, LLC,  
Baytown, Texas

We have audited the accompanying financial statements of Drill Pipe International, LLC, a Minnesota Limited Liability Corporation (a single member LLC owned by Jindal SAW USA, LLC) and registered as Foreign Limited Liability Company in the state of Texas to transact business, which comprise the balance sheets as of March 31, 2020 and 2019, and related statements of operations, changes in member's capital and cash flows for the quarter and 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 controls 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 consolidated 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 in the first paragraph present fairly, in all material respects, the financial position of Drill Pipe International, LLC as of March 31, 2020 and 2019 and the results of its operations and its cash flows for the quarter and year then ended are in conformity with accounting principles generally accepted in the United States of America.

*Rakesh Jain, CPA PC*

Rakesh Jain, CPA  
Rakesh Jain, CPA PC  
Certified Public Accountant

Place: - Sugarland, TX  
Date: - May 19, 2020

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# **FINANCIAL STATEMENTS**

Drill Pipe International, LLC  
Balance Sheet  
As of March 31, 2020 and 2019

Particulars	As of March 31, 2020	As of March 31, 2019
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 34,629	\$ 577,615
Accounts receivables:		
Trade receivables (Net of provision for doubtful accounts \$3,244,143)	321,329	1,225,522
Trade receivables intercompany	155,135	135,021
Inventories	7,581,909	8,966,386
Advances and deposits	162,737	59,418
<b>Total current assets</b>	<b>8,255,739</b>	<b>10,963,962</b>
<b>Total Assets</b>	<b>\$ 8,255,739</b>	<b>\$ 10,963,962</b>

See Notes to Financial Statements

Drill Pipe International, LLC  
Balance Sheet  
As of March 31, 2020 and 2019

Particulars	As of March 31, 2020	As of March 31, 2019
<b>Liabilities and Member's Interest</b>		
<b>Current Liabilities</b>		
Accounts payable- Trade	\$ 232,215	\$ 199,412
Accounts payable- Intercompany	5,619,736	7,833,031
Interest payable- Intercompany	5,525	5,525
Advance from Customers	1,017,021	2,813,445
Other current liability	25,179	25,179
Accrued expenses	12,275	-
<b>Total Current Liabilities</b>	<b>6,911,951</b>	<b>10,876,592</b>
<b>Long-term debt, net of current portion:</b>		
Long- term debt - related party		
<b>Total long-term debt</b>	-	-
<b>Total Liabilities</b>	<b>6,911,951</b>	<b>10,876,592</b>
<b>Membership Interest</b>		
Membership interest	1,343,788	87,370
<b>Total member's interest</b>	<b>1,343,788</b>	<b>87,370</b>
<b>Total Liabilities and Member's Interest</b>	<b>\$ 8,255,739</b>	<b>\$ 10,963,962</b>

See Notes to Financial Statements

Drill Pipe International, LLC  
Statement of Income  
For the year ended March 31, 2020 and 2019

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
<b>Net Sales</b>	\$ 7,132,697	\$ 3,667,673
Cost of sales - materials, labor and other costs	5,697,312	3,356,186
<b>Gross Profit</b>	<b>1,435,385</b>	<b>311,487</b>
<b>Selling, general and administrative expenses</b>		
Selling, general and administrative expenses	178,737	181,742
Finance Charges	230	-
<b>Total selling, general and administrative expenses</b>	<b>178,967</b>	<b>181,742</b>
<b>Operating Income (Expenses):</b>	<b>1,256,418</b>	<b>129,745</b>
<b>Other Income (Expenses):</b>		
Other Income	-	-
Interest expense	-	-
<b>Total Other Income (Expenses), net</b>	<b>-</b>	<b>-</b>
<b>Income before income taxes</b>	<b>1,256,418</b>	<b>129,745</b>
<b>Income Taxes</b>		
Income tax benefit/(expense)	-	-
Income tax benefit/(expense) - Prior year adjustment	-	-
Deferred tax benefit/(expense)	-	-
<b>Total Income Taxes</b>	<b>-</b>	<b>-</b>
<b>Net Income (loss)</b>	<b>\$ 1,256,418</b>	<b>\$ 129,745</b>

See Notes to Financial Statements

Drill Pipe International, LLC  
Statement of Changes in Membership Interest  
For the year ended March 31, 2020 and 2019

Particulars	Member's Stated Capital Account	Additional Capital Contributed	Retained Earnings	Total Membership Interest
<b>Balance as at March 31, 2018</b>	\$ 7,464,769	\$ -	\$ (7,507,145)	\$ (42,375)
Profit and loss for the year ended March 31, 2019			129,745	129,745
<b>Balance as at March 31, 2019</b>	<b>7,464,769</b>	<b>-</b>	<b>(7,377,400)</b>	<b>87,370</b>
Profit and loss for the year ended March 31, 2020			1,256,418	1,256,418
<b>Balance as at March 31, 2020</b>	<b>\$ 7,464,769</b>	<b>\$ -</b>	<b>\$ (6,120,982)</b>	<b>\$ 1,343,788</b>

See Notes to Financial Statements

**Drill Pipe International, LLC**  
**Statement of Cash Flows**  
**For the year ended March 31, 2020 and 2019**

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
<b>Cash Flows From Operating Activities:</b>		
Net income	\$ 1,256,418	\$ 129,745
Adjustments to reconcile net income to net cash provided by operating activities:		
Deferred tax expense/(benefit)		
Changes in operating assets and liabilities:		
(Increase)/decrease in trade receivables	904,193	(1,074,811)
(Increase)/decrease in trade receivables - Intercompany	(20,114)	17,929
(Increase)/decrease in inventories	1,384,477	168,001
(Increase)/decrease in Advances and deposits	(103,318)	(54,418)
Increase/(decrease) in account payable - trade	32,803	117,215
Increase/(decrease) in account payable - inter company	(2,213,295)	82,548
Increase/(decrease) in interest payable- inter company	-	(3,000,000)
Increase/(decrease) in advance from customers	(1,796,424)	2,539,108
Increase/(decrease) in Other current liability	-	14,853
Increase/(decrease) in Other current liability	12,274	-
<b>Net cash provided (used) by operating activities</b>	<b>(542,986)</b>	<b>(1,059,830)</b>
<b>Cash Flows from Investing Activities:</b>		
Capital work in progress	-	-
<b>Net cash used in investing activities:</b>	<b>-</b>	<b>-</b>
<b>Cash Flows from Financing Activities:</b>		
Additional equity	-	-
<b>Net cash used in financing activities:</b>	<b>-</b>	<b>-</b>
Net Increase/(decrease) in cash and cash equivalents	(542,986)	(1,059,830)
Cash and cash equivalents at the beginning of year	577,615	1,637,445
<b>Cash and cash equivalents at the year end</b>	<b>\$ 34,629</b>	<b>\$ 577,615</b>
<b>Supplemental Cash Flow Information</b>		
Federal income taxes paid	-	-
Interest paid		

See Notes to Financial Statements

**Drill Pipe International, LLC**  
**Notes to Financial Statements**  
**For the year ended March 31, 2020 and 2019**

**Note 1 – Organization and Operations**

Drill Pipe International, LLC (the "Company") is a single member LLC (a Minnesota limited liability company), and wholly owned subsidiary of Jindal Saw USA, LLC (a Texas limited liability Company and registered as Foreign Limited Liability Company in the state of Texas to transact business). The Company manufactures down hole tools for the water well, construction, mining, environmental, gas, oil and utility construction industries, to customers located throughout the world.

As on March 31, 2020 and March 31, 2019 Company Net profit and Net worth as follows:

<b>Particulars</b>	<b>As on March 31, 2020</b>	<b>As on March 31, 2019</b>
Net Profit	\$ 1,256,418	\$ 129,745
Net Worth	1,343,788	87,370
<b>Total</b>	<b>\$ 2,600,206</b>	<b>\$ 217,115</b>

**Note 2 – Summary of Significant Accounting Policies**

The financial statements of the Company have been prepared in accordance with the Generally Accepted Accounting Principles (GAAP) used in the United States of America. The following notes describe the significant accounting policies.

**2.1 Use of Estimates**

The preparation of financial statements, in conformity with accounting principles generally accepted in the United States, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates include the value of mineral reserves. Actual results could differ from those estimates.

Revenues and expenses are incurred during the reported period. Significant estimates include estimated future life in determining current depreciation rates under the depreciation method, estimated amounts for uncollectible account receivables and the estimated present value of the Company's note payable to seller. Actual results could differ from those estimates.

**2.2 Revenue Recognition**

Revenue is recognized generally when the drill pipe has been sold to customer. The revenue is recognized when the following has been satisfied:

- 1) The Company has transferred to the buyer the significant risks and rewards of ownership of the goods.
- 2) The Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- 3) The amount of revenue can be measured reliably.
- 4) It is probable that the economic benefits associated with the transaction will flow to the Company and the amount is
- 5) The costs incurred, or to be incurred in respect of the transaction, can be measured reliably.

**2.3 Cash and Cash Equivalents**

Cash equivalents include time deposits, certificates of deposits, sweep account and all highly-liquid debt instruments with original maturities of three months or less.

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**Drill Pipe International, LLC****Notes to Financial Statements****For the year ended March 31, 2020 and 2019**

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**2.4 Allowance for Doubtful Accounts**

Bad debts are provided by using the allowance method based upon historical experience and management's evaluation of outstanding accounts receivable at the balance sheet date for receivables that may not be fully collectible. Management's evaluation also includes potential non-payment due to product claims by customers.

**2.5 Inventories**

Inventories consist of raw materials, consumables; small tools used in the operations and are valued at the lower of cost or market using the first in first out cost method. Costs consist of price paid for the inventory plus costs incurred in bringing the products to present locations.

As on March 31, 2020 and March 31, 2019 Inventories consisted of the following:

<b>Particulars</b>	<b>As on March 31, 2020</b>	<b>As on March 31, 2019</b>
Raw material	\$ 4,570,320	\$ 5,659,212
Stores and spares	369,228	249,776
Finished goods	2,642,361	3,057,398
<b>Total</b>	<b>\$ 7,581,909</b>	<b>\$ 8,966,386</b>

**2.6 Property, Plant and Equipment**

The company does not own any fixed assets; however, it uses fixed asset of Jindal Saw USA, LLC in order to manufacture drill pipes.

**2.7 Federal Income Taxes**

For federal income tax purposes, the Company is a disregarded entity and files its return as a member of the consolidated return of Jindal Saw USA, LLC. During the year ended March 31, 2017, the company changed its accounting policy for tax calculation, as the result of change in the tax calculation will be made on consolidated basis in the books of holding company (Jindal Saw USA, LLC) instead of separate entity basis as it was prepared up to year ended on March 31, 2016.

**2.8 Fair Value**

Financial Accounting Standards Board ("FASB") Accounting Standard Codification("ASC")825, Financial Instruments, requires the disclosure of the fair value of financial instruments, as defined. Substantially all of the Company's financial assets and liabilities are either valued at market or estimated fair value, or because of their short-term nature, approximate fair value. None of the company's assets or liabilities are subject to levelling under fair value hierarchy as required by ASC 820 Fair Value

**2.9 Concentration of Credit Risk**

Financial instruments which potentially subject the Company to a concentration of credit risk consist principally of cash and accounts receivable. The Company maintains cash balances at financial institutions which may at times be in excess of federally insured levels. The Company has not incurred losses related to these balances to date.

Other than related party revenue, the Company has five customers which represent 46%, 10%, 6%, 5% and 4% of the Company's total revenue for the year ended March 31, 2020. For the year ended March 31, 2019, the company had four customers which represent 27%, 17%, 14% and 13% of revenue.

**Drill Pipe International, LLC****Notes to Financial Statements****For the year ended March 31, 2020 and 2019****Note 3 – Debt**

Company does not have any short term or long-term debt as of March 31, 2020

**Note 4 – Intercompany, Related Party and Affiliates Disclosure Information (payables)**

Intercompany balances relate to loan and other transactions between the Company and its parent Company, Jindal Saw USA, LLC and its ultimate parent company, Jindal Saw Limited. The Company purchases its raw material Ready to Well ("RTW") pipes from Jindal Saw India and tool joint raw material from Jindal Saw USA, LLC.

Following are the details of intercompany transactions during the year ended March 31, 2020 and 2019:

**4.1 Intercompany transactions with Jindal Saw USA, LLC**

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
Job work processing charges to Jindal Saw USA, LLC	\$ 932,306	\$ 748,222
Reimbursement of expenses to Jindal Saw USA, LLC	818,457	723,511
Raw Material Purchase from Jindal Saw USA, LLC	16,813	-

**4.2 Intercompany transactions with Jindal Saw Limited, India**

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
Raw Material Purchase	\$ 1,095,360	\$ 987,870
Expenses	23,185	-

**4.3 Intercompany transactions with Tube Technologies Inc. and Helical Anchors Inc.**

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
Sales to Helical Anchors, Inc.	\$ 41,688	\$ 23,373
Sales to Tube Technologies, Inc.	169,228	65,225
Purchases from Tube Technologies, Inc.	-	28,230
Subcontracting charges to Tube Technologies, Inc.	109,343	-
Expenses	\$ 4,780	-

**4.4 Intercompany Payables**

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
Jindal Saw USA, LLC Accounts Payable	\$ 5,325,285	\$ 7,363,851
Jindal Saw Limited – India Accounts Payable	294,452	440,950
Jindal Saw USA, LLC Loan and Interest Payable	5,525	5,525
Tube Technologies, Inc.	-	28,230

**Drill Pipe International, LLC****Notes to Financial Statements****For the year ended March 31, 2020 and 2019****4.5 Intercompany Receivables**

<b>Particulars</b>	<b>For the year ended March 31, 2020</b>	<b>For the year ended March 31, 2019</b>
Jindal Saw USA, LLC	\$ 1,151	\$ 552
Jindal Saw Limited – India	-	76,288
Tube Technologies, Inc.	139,021	34,808
Helical Anchors, Inc.	14,963	23,373

**Note 5 – Other Allocation Expenses**

The expenses charged in Drill Pipe International, LLC as allocation expense represents charges by Jindal Saw USA, LLC for manufacturing drill pipe as subcontracting jobs. These expenses include, proportionate depreciation on property, plant and equipment, financial charge of SV Trading investments, other charges and margin of Jindal Saw USA, LLC.

**Note 6 – Income Taxes**

The Company's deferred tax liabilities and deferred tax assets at March 31, 2020 and March 31, 2019 are considered at consolidated level.

**Note 7 – Commitments and Contingencies**

The contingent considerations are current liabilities which include, accounts payables and advances received from the customers at the time of acquisitions.

**Note 8 – Subsequent Events**

The Company has evaluated subsequent events through May 19, 2020 the issuance date of the financial statements.