

**Indian Seamless, Inc**  
**Financial Statements and**  
**Supplemental Information**  
**March 31, 2015 and 2014**

**Indian Seamless, Inc.**  
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**March 31, 2015 and 2014**

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### **Independent Auditors' Report**

To the Stockholder of  
Indian Seamless, Inc.

We have audited the accompanying balance sheets of Indian Seamless, Inc. (the "Company") as of March 31, 2015 and 2014 and the related statements of income and accumulated deficit and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Indian Seamless, Inc as of March 31, 2015 and 2014, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

*M. B. Jain*

New York, NY  
May 27, 2015

**Indian Seamless, Inc.**  
**Balance Sheets**  
**March 31, 2015 and 2014**

	<b>March 31,</b>	
	<b>2015</b>	<b>2014</b>
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 236,691	\$ 1,179,706
Accounts receivable, net of allowance	8,168,231	4,398,144
Advance to affiliate	2,420,000	2,420,000
Receivable - other	23,375	23,375
Inventory	615,577	1,010,363
Prepaid Expenses	-	-
Total current assets	<u>11,463,874</u>	<u>9,031,588</u>
<b>Total assets</b>	<u><b>\$ 11,463,874</b></u>	<u><b>\$ 9,031,588</b></u>
<b>Liabilities and stockholder's equity</b>		
Current liabilities		
Bank loan	\$ 2,500,000	\$ 2,500,000
Accounts payable	8,686,796	6,351,375
Accrued expenses	151,270	56,759
<b>Total current liabilities</b>	<u>11,338,066</u>	<u>8,908,134</u>
Commitments and contingencies		
Stockholder's equity		
Common stock, \$1 par value; 500,000 shares authorized; 317,900 shares issued	317,900	317,900
Accumulated deficit	(192,092)	(194,446)
<b>Total stockholder's equity</b>	<u>125,808</u>	<u>123,454</u>
<b>Total liabilities and stockholder's equity</b>	<u><b>\$ 11,463,874</b></u>	<u><b>\$ 9,031,588</b></u>

The accompanying notes are an integral part of these financial statements.

**Indian Seamless, Inc.**  
**Statements of Income and Accumulated Deficit**  
**Years Ended March 31, 2015 and 2014**

	<b>March 31,</b>	
	<b>2015</b>	<b>2014</b>
<b>Net sales</b>	<b>\$ 17,940,883</b>	<b>\$ 11,285,118</b>
<b>Cost of goods sold</b>	<b>17,777,537</b>	<b>11,083,254</b>
<b>Gross profit</b>	<b>163,346</b>	<b>201,864</b>
<b>Operating expenses</b>	<b>78,492</b>	<b>123,816</b>
<b>Operating income</b>	<b>84,854</b>	<b>78,048</b>
<b>Other expenses</b>		
Interest expense	<b>82,500</b>	<b>72,169</b>
<b>Income before taxes</b>	<b>2,354</b>	<b>5,879</b>
Income taxes	<b>-</b>	<b>(190)</b>
<b>Net income</b>	<b>2,354</b>	<b>6,069</b>
<b>Accumulated deficit, beginning</b>	<b>(194,446)</b>	<b>(200,515)</b>
<b>Accumulated deficit, ending</b>	<b>\$ (192,092)</b>	<b>\$ (194,446)</b>

The accompanying notes are an integral part of these financial statements.

**Indian Seamless, Inc.**  
**Statements of Cash Flows**  
**Years Ended March 31, 2015 and 2014**

	<b>March 31,</b>	
	<b>2015</b>	<b>2014</b>
<b>Cash flows from operating activities</b>		
Net income	\$ 2,354	\$ 6,069
Increase (decrease) in cash attributable to changes in operating assets and liabilities:		
Accounts receivable	(3,770,087)	(112,486)
Inventories	394,786	1,193,490
Prepaid expenses and other current assets	-	(3,452)
Advance from customer	-	-
Accounts payable	2,335,421	37,750
Accrued expenses	94,511	(78,167)
<b>Net cash provided by (used in) operating activities</b>	<b>(943,015)</b>	<b>1,043,204</b>
<b>Cash flows from financing activities</b>		
Advance to affiliate	-	(2,420,000)
Proceeds from bank loan	-	2,500,000
<b>Net cash provided by financing activities</b>	<b>-</b>	<b>80,000</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(943,015)</b>	<b>1,123,204</b>
<b>Cash and cash equivalents</b>		
Beginning	1,179,706	56,502
Ending	<b>\$ 236,691</b>	<b>\$ 1,179,706</b>

The accompanying notes are an integral part of these financial statements.

**Indian Seamless, Inc.**  
**Notes to Financial Statements**  
**Years Ended March 31, 2015 and 2014**

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**1. Organization**

Indian Seamless, Inc. (“ISI” or the “Company”) commenced operations on April 2, 2001 as a wholly owned subsidiary of Indian Seamless Enterprises Limited, a foreign entity. Effective June 13, 2012, the Company became a wholly owned subsidiary of ISMT Limited, a foreign entity. ISI acts as a distributor for the products of ISMT Limited and sells wide spectrum of seamless tube products and a hands-on level of service for the diverse North American marketplace serving a range of industries including automotive, drilling, OCTG, bearings, mechanical, pressure tubes and heat exchangers.

**2. Summary of Accounting Policies**

**Cash and Cash Equivalents**

The Company considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. Cash balances which are maintained financial institutions are insured by the Federal Deposit Insurance Corporation (“FDIC”). At various times throughout the year, the Company’s cash balances exceeded the FDIC limit. As of March 31, 2015, the Company has no cash account balances in excess of the amount insured by the FDIC.

**Accounts Receivable**

Accounts receivable consist of trade receivables recorded at original invoice amount, less an estimated allowance for uncollectible accounts. Trade credit is generally extended on a short-term basis; thus trade receivables do not bear interest, although a finance charge may be applied to receivables that are past due. Trade receivables that are deemed uncollectible are offset against the allowance for doubtful accounts. The Company generally does not require collateral for trade receivables. The Company exclusively sells the merchandise of its parent company, ISMT Limited. The uncollectible receivables due to product quality issues are passed on to parent company and offset against the payable to parent company. Such uncollectible receivables amounted to \$724,763 and \$203,671 during the years ended March 31, 2015 and 2014, respectively.

**Inventories**

Inventories, which consist of finished goods, are stated at the lower of cost or market. Cost is determined by the first-in, first-out (“FIFO”) method. The Company reviews its inventory levels in order to identify slow-moving merchandise and establishes a reserve for such merchandise. Inventory reserves are established based on historical data and management’s best estimate. Inventory may be marked down below cost if management determines that the inventory stock will not sell at its currently marked price.

**Indian Seamless, Inc.**  
**Notes to Financial Statements**  
**Years Ended March 31, 2015 and 2014**

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**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Income Taxes**

Deferred income taxes are recognized for the tax consequences in future years of differences between financial reporting and income tax bases of assets and liabilities at each year-end using enacted laws and statutory tax rates applicable to the periods in which the differences are expected to be recovered or settled. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized.

Authoritative guidance relating to uncertainty in income taxes prescribes a comprehensive model for the manner in which a company should recognize, measure, present and disclose in its financial statements all material uncertain tax positions that they have taken or expect to take on a tax return. As of March 31, 2015 and 2014, the Company had no uncertain tax positions which affected its financial position and its results of operations or its cash flows, and will continue to evaluate for uncertain tax positions in the future. Generally, the Company's U.S. tax returns are subject to examination by Federal, state and local authorities for a period of three years from the later of the due date of such returns or the actual date the returns were filed. In the event that the Company concludes that it is subject to interest and/or penalties arising from uncertain tax positions, the Company will present interest and penalties as a component of income taxes. No amounts of interest or penalties were recognized in the Company's balance sheets or statements of income as of and for the years ended December 31, 2015 and 2014.

**3. Bank Loan**

On July 15, 2013, the company had obtained a demand loan in the amount of \$2,500,000 against the stand by letter of credit issued by parent company's Indian bank which is now payable on July 3, 2015. The demand loan is also secured by corporate guarantee of the ISMT Limited, parent company. The loan proceed was utilized for payment of advance to ISMT Limited. The annual interest of approximately \$83,000 and \$72,000 was paid upfront calculated at 3.29% p.a. The outstanding balance as of March 31, 2014 of loan payable to bank was \$2,500,000.

The company has an agreement with ISMT Limited dated 17<sup>th</sup> June 2014 where by ISMT Limited agreed to supply products during the validity of the agreement. As per the terms of the agreement, the Company agreed to give advance of \$2,500,000 adjustable against the invoice payment or refundable by ISMT Ltd as per mutual agreement. The outstanding



**Indian Seamless, Inc.**  
**Notes to Financial Statements**  
**Years Ended March 31, 2015 and 2014**

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balance as of March 31, 2015 and 2014 of advance receivable from ISMT Limited was \$2,420,000.

**4. Related Party Transaction**

The Company purchases its entire merchandise from an affiliate. As of March 31, 2015 and 2014, balance outstanding to this affiliate was \$ 8,686,796 and \$6,351,375, respectively and included in accounts payable in the accompanying balance sheets.

**5. Income Taxes**

The income tax (benefit) / expense consist of the following for the years ended March 31:

	<u>2015</u>	<u>2014</u>
Federal income tax	\$ -	\$ (160)
State income tax	<u>\$ -</u>	<u>\$ (29)</u>
	<u>\$ -</u>	<u>\$ (190)</u>

At March 31, 2015, the Company had approximately \$209,000 available net operating loss to carry forward.

**6. Concentrations**

**Major Customers**

Sales to two and three customers accounted for approximately 63% and 59% of net sales for the years ended March 31, 2015 and 2014, respectively. At March 31, 2015 and 2014, amounts due from these customers were approximately 56% and 47% of accounts receivable, respectively.

**Major Supplier**

Entire purchases for the years ended March 31, 2015 and 2014 were made from an affiliate company.

**7. Subsequent Events**

In preparing these financial statements, the Company has evaluated subsequent events through May 27, 2015, which is the date the financial statement were available to be issued.

**SUPPLEMENTAL INFORMATION**

## **Independent Auditors' Report on Supplemental Information**

To the Stockholder of  
Indian Seamless, Inc.

We have audited the basic financial statements of Indian Seamless, Inc. for the years ended March 31, 2015 and 2014, and our report thereon dated May 27, 2015, which expressed an unqualified opinion on those financial statements, appears on page 1. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary schedules of cost of goods sold and general and administrative expenses for the years ended March 31, 2015 and 2014, which is the responsibility of management, are presented for purposes of additional analysis and are not a required part of the financial statements.

The supplementary schedules referred to in the preceding paragraphs have not been subjected to the auditing procedures applied in the audits of the basic financial statements and, accordingly, we do not express an opinion or provide assurance on them.

*M. B. Fair*

New York, NY  
May 27, 2015

**Indian Seamless, Inc.**  
**Schedules of Cost of Goods Sold and Operating Expenses**  
**Years Ended March 31, 2015 and 2014**

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	<b>March 31,</b>	
	<u>2015</u>	<u>2014</u>
<b>Cost of goods sold</b>		
Inventory, beginning of year	\$ 1,010,363	\$ 2,203,853
Purchases	<b>17,382,751</b>	9,889,764
	<b>18,393,114</b>	12,093,617
Less: inventory, end of year	<b>(615,577)</b>	(1,010,363)
Cost of goods sold	<b>\$ 17,777,537</b>	\$ 11,083,254
	-	-
<b>Operating expenses</b>		
Bank service charges	\$ 25,783	\$ 19,231
Consulting	<b>33,955</b>	68,750
Office expenses	<b>2,845</b>	6,005
Professional fees	<b>10,875</b>	10,906
Telephone	<b>1,923</b>	1,613
Travel and entertainment	<b>3,111</b>	17,311
Operating expenses	<b>\$ 78,492</b>	\$ 123,816