

Indian Seamless, Inc
Financial Statements and
Supplemental Information
March 31, 2016 and 2015

Indian Seamless, Inc.
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March 31, 2016 and 2015

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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, 2016 and 2015 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, 2016 and 2015, 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
April 20, 2016

Indian Seamless, Inc.
Balance Sheets
March 31, 2016 and 2015

	March 31,	
	2016	2015
Assets		
Current assets		
Cash and cash equivalents	\$ 184,127	\$ 236,691
Accounts receivable, net of allowance	667,746	8,168,231
Advance to affiliate	-	2,420,000
Receivable - other	23,375	23,375
Inventory	344,953	615,577
Total current assets	<u>1,220,201</u>	<u>11,463,874</u>
Total assets	<u>\$ 1,220,201</u>	<u>\$ 11,463,874</u>
Liabilities and stockholder's equity		
Current liabilities		
Bank loan	\$ -	\$ 2,500,000
Accounts payable	1,059,455	8,686,796
Accrued expenses	31,908	151,270
Total current liabilities	<u>1,091,363</u>	<u>11,338,066</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	(189,062)	(192,092)
Total stockholder's equity	<u>128,838</u>	<u>125,808</u>
Total liabilities and stockholder's equity	<u>\$ 1,220,201</u>	<u>\$ 11,463,874</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, 2016 and 2015

	March 31,	
	2016	2015
Net sales	\$ 2,618,361	\$ 17,940,883
Cost of goods sold	2,506,169	17,777,537
Gross profit	112,192	163,346
Operating expenses	100,057	78,492
Operating income	12,135	84,854
Other expenses		
Interest expense	8,147	82,500
Income before taxes	3,988	2,354
Income taxes	958	-
Net income	3,030	2,354
Accumulated deficit, beginning	(192,092)	(194,446)
Accumulated deficit, ending	\$ (189,062)	\$ (192,092)

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

Indian Seamless, Inc.
Statements of Cash Flows
Years Ended March 31, 2016 and 2015

	March 31,	
	2016	2015
Cash flows from operating activities		
Net income	\$ 3,030	\$ 2,354
Increase (decrease) in cash attributable to changes in operating assets and liabilities:		
Accounts receivable	7,500,485	(3,770,087)
Inventories	270,624	394,786
Accounts payable	(7,627,341)	2,335,421
Accrued expenses	(119,362)	94,511
Net cash provided by (used in) operating activities	27,436	(943,015)
Cash flows from financing activities		
Advance to affiliate	2,420,000	-
Proceeds from bank loan	(2,500,000)	-
Net cash used in financing activities	(80,000)	-
Net decrease in cash and cash equivalents	(52,564)	(943,015)
Cash and cash equivalents		
Beginning	236,691	1,179,706
Ending	\$ 184,127	\$ 236,691

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

Indian Seamless, Inc.
Notes to Financial Statements
Years Ended March 31, 2016 and 2015

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, 2016, 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 \$649,838 and \$724,763 during the years ended March 31, 2016 and 2015, 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, 2016 and 2015

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, 2016 and 2015, 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 March 31, 2016 and 2015.

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 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 outstanding balance as of March 31, 2014 of loan payable to bank was \$2,500,000. The loan was repaid on July 13, 2015.

The company has an agreement with ISMT Limited dated 17th 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.

Indian Seamless, Inc.
Notes to Financial Statements
Years Ended March 31, 2016 and 2015

4. Related Party Transaction

The Company purchases its entire merchandise from an affiliate. As of March 31, 2016 and 2015, balance outstanding to this affiliate was \$1,059,455 and \$8,686,796, 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>2016</u>	<u>2015</u>
Federal income tax	\$ -	\$ -
State income tax	<u>\$ 958</u>	<u>\$ -</u>
	<u>\$ 958</u>	<u>\$ -</u>

At March 31, 2016, the Company had approximately \$190,000 available net operating loss to carry forward.

6. Concentrations

Major Customers

Sales to five and three customers accounted for approximately 69% and 63% of net sales for the years ended March 31, 2016 and 2015, respectively. At March 31, 2016 and 2015, amounts due from these customers were approximately 30% and 56% of accounts receivable, respectively.

Major Supplier

Entire purchases for the years ended March 31, 2016 and 2015 were made from an affiliate company.

7. Subsequent Events

In preparing these financial statements, the Company has evaluated subsequent events through April 20, 2016, 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, 2016 and 2015, and our report thereon dated April 20, 2016, 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, 2016 and 2015, 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
April 20, 2016

Indian Seamless, Inc.
Schedules of Cost of Goods Sold and Operating Expenses
Years Ended March 31, 2016 and 2015

	March 31,	
	2016	2015
Cost of goods sold		
Inventory, beginning of year	\$ 615,577	\$ 1,010,363
Purchases	<u>2,235,545</u>	<u>17,382,751</u>
	2,851,122	18,393,114
Less: inventory, end of year	<u>(344,953)</u>	<u>(615,577)</u>
Cost of goods sold	<u>\$ 2,506,169</u>	<u>\$ 17,777,537</u>
	-	-
Operating expenses		
Bank service charges	\$ 20,140	\$ 25,783
Consulting	11,940	33,955
Office expenses	31,333	2,845
Professional fees	9,650	10,875
Property taxes	25,425	-
Telephone	1,569	1,923
Travel and entertainment	-	3,111
Operating expenses	<u>\$ 100,057</u>	<u>\$ 78,492</u>