WELSPUN PIPES, INC.

CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2011 AND 2010

WITH

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

CONTENTS

Hudson Cisne & Co. LLP
CERTIFIED PUBLIC ACCOUNTANTS

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

The Stockholders
Welspun Pipes, Inc.
Little Rock, Arkansas

We have audited the accompanying consolidated balance sheets of Welspun Pipes, Inc. and Subsidiaries as of March 31, 2011 and 2010, and the related consolidated statements of income, retained earnings 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 audits 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 audits provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Welspun Pipes, Inc. and Subsidiaries as of March 31, 2011 and 2010, and the results of its operations and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Hudson, Cisne + Co. LLP

May 20, 2011

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WELSPUN PIPES, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

MARCH 31, 2011 AND 2010

ASSETS

	2011	2010
Current assets:		
Cash	$ 13,408,310	$ 26,481,709
Restricted cash	634,690	169,661
Accounts receivable - trade	23,753,013	8,485,205
- related party	1,528,358	19,251,506
Inventories	75,586,557	96,685,336
Prepaid expenses, advances and other	59,753,545	17,408,418
Deferred income taxes	-	6,086,000
Total current assets	174,664,473	174,567,835
Net property, plant and equipment	148,313,774	142,411,186
Other assets	525,176	560,576
	$ 323,503,423	$ 317,539,597

LIABILITIES AND STOCKHOLDER'S EQUITY

	2011	2010
Current liabilities:		
Current portion of long-term debt	$ 16,308,050	$ 16,290,258
Note payable - bank	-	18,000,000
Accounts payable - trade	8,772,812	7,078,302
- related party	10,496,194	739,670
Accrued interest	697,799	681,258
Income taxes payable	2,110,571	1,225,000
Accrued expenses	1,313,635	1,237,187
Deferred income taxes	3,072,000	-
Current portion of deferred revenue	127,279,949	85,846,865
Total current liabilities	170,051,010	131,098,540
Deferred income taxes	15,889,000	14,941,000
Deferred revenue, less current portion	5,773,333	72,249,843
Long-term debt, less current portion	52,850,000	68,929,359
Stockholder's equity:		
Common stock - 1,000 shares of $.0001 par value, authorized, issued and outstanding	1	1
Preferred stock - 20,000 shares of $.0001 par value, authorized, 16,000 shares issued and outstanding, $1,000 per share liquidation preference	16,000,000	16,000,000
Additional paid in capital	10,000	10,000
Retained earnings	62,930,079	14,310,854
Total stockholder's equity	78,940,080	30,320,855
	$ 323,503,423	$ 317,539,597

See accompanying notes.

WELSPUN PIPES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

YEARS ENDED MARCH 31, 2011 AND 2010

	2011	2010
Sales	$ 422,996,883	$ 248,370,484
Cost of goods sold	292,232,054	175,390,894
Gross profit	130,764,829	72,979,590
Commission income	70,800	1,002,275
	130,835,629	73,981,865
Selling, general and administrative expenses	49,551,469	22,030,626
Income from operations	81,284,160	51,951,239
Other income (expense):		
Interest income	37,777	60,458
Interest expense	(4,380,298)	(11,170,373)
Inventory write-down	(4,584,695)	-
Other income	3,330,526	208,584
Loss on sale of building	(142,914)	-
Foreign exchange gain (loss)	49,169	(98,038)
Total other income (expense)	(5,690,435)	(10,999,369)
Income before income taxes	75,593,725	40,951,870
Income tax expense	26,974,500	10,080,000
Net income	$ 48,619,225	$ 30,871,870

See accompanying notes.

WELSPUN PIPES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

YEARS ENDED MARCH 31, 2011 AND 2010

Balance (deficit) at April 1, 2009	$ (16,561,016)
Net income	30,871,870
Balance at March 31, 2010	14,310,854
Net income	48,619,225
Balance at March 31, 2011	$ 62,930,079

See accompanying notes.

WELSPUN PIPES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED MARCH 31, 2011 AND 2010

	2011	2010
Cash flows from operating activities:		
Net income	$ 48,619,225	$ 30,871,870
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	11,328,706	10,729,455
Loss on sale of building	142,914	-
Changes in assets and liabilities:		
Accounts receivable - trade	(15,267,808)	(9,447,740)
- related party	17,723,148	(6,005,354)
Prepaid expenses, advances and other	(42,345,127)	(12,880,912)
Inventories	21,098,779	(27,084,734)
Accounts payable - trade	(2,020,513)	1,184,731
- related party	9,756,524	(35,736,469)
Accrued interest	16,541	(931,551)
Income taxes payable	885,571	1,225,000
Accrued expenses	76,448	(306,363)
Deferred income taxes	10,106,000	8,855,000
Deferred revenue	(25,043,426)	158,096,708
Net cash provided by operating activities	35,076,982	118,569,641
Cash flows from investing activities:		
Proceeds from the sale of building	104,591	-
Purchases of property, plant and equipment	(13,728,376)	(15,879,396)
Net cash used in investing activities	(13,623,785)	(15,879,396)
Cash flows from financing activities:		
Borrowings from related party	-	37,500,000
(Repayments) borrowings from bank	(18,000,000)	18,000,000
Repayment of related party debt	-	(130,490,860)
Repayment of long-term debt	(16,061,567)	(5,430,413)
Net cash used in financing activities	(34,061,567)	(80,421,273)
Net change in cash	(12,608,370)	22,268,972
Cash and restricted cash - beginning of year	26,651,370	4,382,398
Cash and restricted cash - end of year	$ 14,043,000	$ 26,651,370
Reconciliation of cash and restricted cash to the consolidated balance sheets:		
Cash	$ 13,408,310	$ 26,481,709
Restricted cash	634,690	169,661
	$ 14,043,000	$ 26,651,370

See accompanying notes.

WELSPUN PIPES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1: Summary of significant accounting policies

Nature of operations

Welspun Pipes, Inc. ("WPI") and its wholly-owned subsidiaries (collectively, the "Company"), are organized and incorporated under the laws of the State of Delaware. WPI is a wholly-owned subsidiary of Welspun Corp Limited ("WCL" or the "Parent"), a limited liability company registered in India and listed on the Indian Stock Exchange. WPI was formed as a holding company only, and then formed two wholly-owned subsidiary companies, Welspun Tubular, LLC and Welspun Global Trade, LLC.

Welspun Tubular, LLC ("WTL") was formed to build a pipe manufacturing plant in Little Rock, Arkansas. The plant has a manufacturing capacity of 300,000 MT of pipes sized 24 - 64 inches in diameter and up to 1 inch in wall thickness. In addition to the pipe manufacturing plant, WTL also constructed a coating and double jointing facility. The project was funded with $180 million of revenue bonds issued by the City of Little Rock, Arkansas and by financing from the Parent.

Welspun Global Trade, LLC ("WGT") was formed to establish a marketing and sales presence in the United States. WGT is located in Houston, Texas.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) 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.

Significant estimates include: the valuation and write-down adjustment of certain raw material costs which was based on testing results and management's experience with similar high grade steel materials, and deferred tax assets, liabilities and income taxes payable which are based on the temporary differences between the carrying amounts of assets and liabilities for financial statement purposes and their tax bases including accumulated depreciation. It is at least reasonably possible that a change in these estimates will occur in the near future.

Principles of consolidation

The consolidated financial statements include the accounts of WPI and its subsidiaries. All significant intercompany balances and transactions have been eliminated.

Accounts receivable

Accounts receivable are reported at the amount management expects to collect from outstanding balances. Management provides for uncollectible amounts through the establishment of a valuation allowance based on its assessments of individual accounts. Uncollectible accounts are written off through the valuation allowance. There was no valuation allowance as of March 31, 2011 and 2010.

Inventories

Inventories consist of raw materials, work-in-process, and finished goods. Inventories are stated at the lower of cost or market using the weighted average cost method.

WELSPUN PIPES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1: Summary of significant accounting policies (continued)

Depreciation

Property, plant and equipment are carried at cost less accumulated depreciation. Depreciation is computed using the straight-line method. Estimated useful lives by major asset classification are as follows:

Description	Estimated useful life
Buildings and land improvements	15 - 39 years
Machinery and equipment	10 years
Furniture and fixtures	5 - 7 years
Vehicles	5 years
Computers and software	3 - 5 years

Depreciation expense totaled $11,293,306 for 2011 and $10,690,945 for 2010.

Revenue recognition

Revenue from the sale of the Company's products is generally recognized as products are shipped to customers. The Company enters into multiple-element revenue arrangements, which may include a combination of goods and services. These arrangements are separated into more than one unit of accounting if the following criteria are met:

- The delivered items have value to the customer on a stand alone basis
- There is objective and reliable evidence of the fair value of the undelivered items, and
- Delivery or performance of the undelivered items is considered probable and substantially controlled by the Company

If these criteria are met, the arrangement's revenue is allocated to the separate units of accounting based on each unit's relative fair value. If these criteria are not met, revenue is generally recognized as products are shipped to customers.

Deferred revenue primarily represents amounts received in advance for unshipped orders. In addition, the Company has received approximately $6.8 million in advance from a customer for the exclusive right to store that customer's inventory and use certain land improvements of the Company for five years. These amounts will be recognized as income over the five year period.

Pre-operation expenses

U.S. GAAP requires all expenses incurred prior to the start of operations to be expensed as incurred. However, interest costs incurred during a construction period and bond issuance costs are two examples of items that should be capitalized under existing U.S. GAAP. Accordingly, the Company expensed all other pre-operation expenses as incurred.

Sales taxes

Taxable sales are reported net of taxes assessed by governmental authorities on revenue-producing transactions.

WELSPUN PIPES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1: Summary of significant accounting policies (continued)

Shipping and handling costs

The Company's shipping and handling costs are included in selling, general and administrative expenses and totaled $35,582,149 for 2011 and $5,467,904 for 2010.

Advertising costs

Advertising costs are expensed when incurred and totaled $72,834 for 2011 and $53,267 for 2010.

Concentration of credit risk

At various times during the year and at year end, the Company's deposits in Arkansas banks and international financial institutions exceeded federally insured limits. At March 31, 2011, the Company's uninsured cash balances totaled $12,548,469. However, the Company does not believe that it is subject to any unusual credit risk beyond the normal risk associated with commercial banking relationships.

Income taxes

The Company accounts for income taxes using an asset and liability approach. Deferred income taxes are recorded to reflect the tax consequences on future years of temporary differences between the financial and income tax basis of assets and liabilities. The Company recognizes accrued interest and penalties associated with uncertain tax positions, if any, as part of their income tax provision. The past three years of federal and state income tax returns and the current provision are subject to examination by taxing authorities.

During 2011, the Company's 2008, 2009 and 2010 income tax returns were selected for examination. The examination is not complete at the audit report date.

Statement of cash flows

The Company considers all highly liquid investments with original maturities of three months or less to be cash equivalents.

Cash payments for interest totaled $4,363,757 in 2011 and $12,101,924 in 2010.

Non-cash investing activities for 2011 include a total of $3,715,023 of capital work in process that is in accounts payable as of March 31, 2011.

Other assets

Other assets are made up of bond issuance costs of $653,548 that are being amortized over the lives of the related debt using the straight-line method, which approximates the effective yield method. Accumulated amortization totaled $128,372 at March 31, 2011 and $92,972 at March 31, 2010.

Estimated future annual amortization expense at March 31, 2011 follows:

2012	$	32,677
2013		32,677
2014		32,677
2015		32,677
2016		32,677
Thereafter		361,791
	$	525,176

WELSPUN PIPES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1: Summary of significant accounting policies (continued)

Reclassifications

Certain reclassifications have been made to the 2010 financial statements in order to conform with the 2011 presentation.

Subsequent events

The Subsequent Events Topic of the Accounting Standards Codification (ASC) establishes general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. The Company has evaluated all subsequent events for potential recognition and disclosure through May 20, 2011, the date these financial statements were available to be issued.

Note 2: Inventories

Inventories are composed of the following:

	2011	2010
Raw materials	$ 38,002,848	$ 48,400,705
Work-in-process	6,111,768	17,584,084
Finished units	16,823,777	8,326,657
Raw materials in transit	8,390,615	18,510,920
Stores and spares	6,257,549	3,862,970
	$ 75,586,557	$ 96,685,336

Note 3: Property, plant and equipment

The costs by major category of property, plant and equipment follows:

	2011	2010
Land	$ 4,781,981	$ 4,781,981
Land improvements	12,507,288	10,867,523
Buildings and improvements	48,769,776	49,195,042
Machinery and equipment	88,639,233	81,479,107
Furniture and fixtures	764,392	696,107
Vehicles	147,827	110,527
Capital work in process	10,461,885	2,003,760
Computers and software	654,433	650,972
Yard equipment	5,901,441	5,669,296
	172,628,256	155,454,315
Accumulated depreciation	(24,314,482)	(13,043,129)
Net property, plant and equipment	$ 148,313,774	$ 142,411,186

WELSPUN PIPES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 4: Operating leases

In 2009, the Company entered into three operating leases for equipment. The leases call for monthly payments ranging from $4,873 to $7,777 through June 2014.

In June 2010, the Company entered into an operating lease for office space in Houston, Texas. The lease has a term of seven years and calls for monthly payments starting at $4,888 and increasing every 12 months. The monthly payments range from $4,888 through May 2011 to $5,660 through May 2017.

Rent expense totaled $4,151,963 for 2011 and $2,754,495 for 2010.

Future minimum lease payments, as of March 31, 2011, are as follows:

2012	$ 525,467
2013	527,010
2014	482,297
2015	96,747
2016	66,113
Thereafter	78,976
	$ 1,776,610

Note 5: Note payable - bank

In October 2010, the Company paid off its $18,000,000 note payable, which was secured by accounts receivable and guaranteed by the Parent. The short term bank loan had an interest rate of one-year LIBOR plus 0.50%.

Note 6: Long-term debt

Long-term debt consists of the following:

	2011	2010
City of Little Rock, Arkansas, Series 2007-A, revenue bonds (A)	$ 10,050,000	$ 10,161,667
EXIM Bank loan (B)	37,500,000	47,500,000
Bank of India loan (C)	7,540,000	9,425,000
State Bank of India loan (D)	14,000,000	18,000,000
Taylor Northeast capital lease (E)	68,050	132,950
	69,158,050	85,219,617
Current maturities	(16,308,050)	(16,290,258)
Long-term debt	$ 52,850,000	$ 68,929,359

WELSPUN PIPES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 6: Long-term debt (continued)

(A) Bonds guaranteed by the Arkansas Development Finance Authority and the Arkansas Economic Development Commission are due through August 2027; payable $82,134 monthly, including interest, at various rates from 5.45% to 6.49%, secured by the Company's property, plant and equipment.

(B) Note maturing on November 1, 2014. Principal of $2,500,000 payable quarterly plus interest which accrues at 3.00% over the six-month LIBOR rate (3.46% as of March 31, 2011). The note is secured by the property, plant and equipment of Welspun Tubular, LLC, and guaranteed by the Parent.

(C) Note maturing on December 31, 2014. Interest accrues at 2.00% over the one-year LIBOR rate (2.78% as of March 31, 2011), payable in annual principal installments of $1,885,000. Interest is adjusted and payable annually. Secured by a pledge of secured bonds issued by the City of Little Rock in the name of the borrower, and guaranteed by the Parent.

(D) Note maturing June 30, 2014. Interest accrues at 2.25% over the six-month LIBOR rate (2.71% as of March 31, 2011), payable in semi-annual principal installments of $2,000,000. Secured by a pledge of the bonds issued by the City of Little Rock, and guaranteed by the Parent.

(E) Capital lease payable to Taylor Northeast, Inc., interest at 5.76%, payable $6,366 monthly, including interest, due February 2012, secured by equipment. The capital cost of this equipment at March 31, 2011 was $210,000. Accumulated depreciation at March 31, 2011 was $43,750.

Notes (C) and (D) contain restrictive covenants including a minimum net worth requirement and a net earnings requirement. These covenants also include restrictions on borrowings from others and a restriction on prepayment of the subordinated debt. The Company has met all covenants and restrictions.

Maturities of long-term debt at March 31, 2011 are:

2012	$ 16,308,050
2013	16,260,000
2014	16,280,000
2015	11,805,000
2016	445,000
Thereafter	8,060,000
	$ 69,158,050

Note 7: Income taxes

There are significant items such as depreciation expense and pre-operation expenses that are treated differently for financial reporting versus income tax reporting. Deferred income taxes are provided for on these items. The Company also has several income tax credits from the State of Arkansas. These credits are not included in deferred tax assets.

WELSPUN PIPES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 7: Income taxes (continued)

Income tax expense consists of:

	2011	2010
Current provision	$ 16,868,500	$ 1,225,000
Deferred provision	10,106,000	8,855,000
	$ 26,974,500	$ 10,080,000

Income tax expense varies from the statutory U.S. tax rate primarily due to state income taxes, utilization of net operating loss carryforwards, alternative minimum tax and non-deductible expenses.

Total gross deferred tax assets and gross deferred tax liabilities as of March 31, 2011 are as follows:

	Current	Noncurrent
Gross deferred tax assets	$ 1,007,500	$ 7,226,000
Gross deferred tax liabilities	(4,079,500)	(23,115,000)
	$ (3,072,000)	$ (15,889,000)

Total gross deferred tax assets and gross deferred tax liabilities as of March 31, 2010 are as follows:

	Current	Noncurrent
Gross deferred tax assets	$ 7,955,000	$ 5,542,000
Gross deferred tax liabilities	(1,869,000)	(20,483,000)
	$ 6,086,000	$ (14,941,000)

Note 8: Related party transactions

Substantially all 2011 and 2010 commission income was from the Parent or its subsidiaries, and accounts receivable - related party as of March 31, 2011 and 2010 represents the uncollected balance plus additional amounts receivable from WCL.

The Company has a total of $57,200,000 in advances to WCL as of March 31, 2011 for the purchase of steel that is contained in prepaid expenses, advances and other.

Accounts payable - related party results from raw material purchases from the Parent. Total raw material purchases from the Parent were $173,630,503 during 2011 and $96,115,719 during 2010.

The Company has a remaining inventory purchase commitment with the Parent for $40,837,554 as of March 31, 2011.

During 2011 and 2010, the Company paid $1,004,965 and $2,954,978, respectively to the Parent for guarantee fees relating to long-term debt. These amounts have been recognized as interest expense. As of March 31, 2011, $251,241 was unpaid and is included in accrued interest.

WELSPUN PIPES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 8: Related party transactions (continued)

During 2011 and 2010, the Company paid $2,224,685 and $4,178,014, respectively to the Parent for assignment fees, which represents a 2% commission for the amounts invoiced to date on the Company's two largest projects. As of March 31, 2011, there were no outstanding assignment fees. As of March 31, 2010, $55,623 was unpaid.

Since 2007, the City of Little Rock, Arkansas, has issued approximately $180,000,000 in industrial revenue bonds to fund the construction of the Company's manufacturing facilities. Welspun Tubular, LLC is the borrower of the bond proceeds. Welspun Pipes, Inc. purchased $169,000,000 of these bonds using proceeds from loans obtained from WCL, EXIM Bank, Bank of India, and State Bank of India. As disclosed in Note 5, some of these loans are secured by the City of Little Rock bonds and have been guaranteed by the Parent. The remaining indebtedness and related investment associated with these bonds were eliminated in consolidation.

Note 9: Inventory write-down

During 2011, the Company identified issues with the quality of certain raw materials in inventory. As of March 31, 2011, the Company estimated a reduction in the carrying value of these raw materials of $4,584,695 due to the raw materials not meeting customer specifications.

Note 10: Other income

Other income of $3,330,526 for 2011 and $208,584 for 2010 includes miscellaneous revenues earned throughout the year. In 2011, the Company earned approximately $2,400,000 of other income from extended storage and handling of bare pipes and various other services.

Note 11: Concentrations

As disclosed in Note 1, the Company's operations are focused on large projects relating to supplying pipe for the transportation of oil and gas. These projects generally span a period of several months, and sometimes several years. While the Company has multiple clients and projects, 75% of the revenues during 2011 have been generated from two projects and related to two specific customers, and 88% of the revenues during 2010 were generated from one project and related to one specific customer. The Company does not manufacture for stock and all production to date has been related to specific projects. Accordingly, the Company establishes delivery schedules with various clients based on their implementation plan, which normally extends several months for a specific project.

Note 12: Employee benefit plan

The Company has a 401(k) Retirement Savings Plan that covers substantially all employees upon hire. Participants may defer a portion of their salary and the Company may make discretionary matching contributions. During the plan years ended December 31, 2011 and 2010, the Company contributed a 100% match of employee deferrals up to 3% of the participant's salary. These matching contributions vest 20% after two years of service and 20% for each additional year of service and are fully vested after six years of service. Total retirement plan contributions by the Company for 2011 and 2010 were $242,975 and $125,783, respectively.

Note 13: Fair value

Accounting standards define fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. They also establish a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. Following are the three levels of inputs that may be used to measure fair value:

Level 1: Quoted prices in active markets for identical assets or liabilities

Level 2: Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities

Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities

The Company's only financial asset, cash, is measured using Level 1 inputs. At March 31, 2011 and 2010, cash totaled $14,043,000 and $26,651,370, respectively, which is reflected at its stated value. The Company did not have any financial liabilities required to be reported at fair value at March 31, 2011 or 2010.