# WELSPUN PIPES, INC.
# AND SUBSIDIARIES

## CONSOLIDATED FINANCIAL STATEMENTS

## MARCH 31, 2023 AND 2022

## WITH

## INDEPENDENT AUDITOR'S REPORT

CPAs & Advisors PLLC

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# INDEPENDENT AUDITOR'S REPORT

The Stockholders of
Welspun Pipes, Inc. and Subsidiaries
Little Rock, Arkansas

## Opinion

We have audited the accompanying consolidated financial statements of Welspun Pipes, Inc. and Subsidiaries, which comprise the consolidated balance sheets as of March 31, 2023 and 2022, and the related consolidated statements of operations, comprehensive loss, stockholders' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Welspun Pipes, Inc. and Subsidiaries, as of March 31, 2023 and 2022, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of Welspun Pipes, Inc. and Subsidiaries, and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Welspun Pipes, Inc. and Subsidiaries, ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

## Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

hcjcpa.com

11025 Anderson Drive, Suite 300
Little Rock, AR 72212
PHONE: (501) 221-1000
FAX: (501) 221-9236

7300 Dollarway Road, Suite 103
White Hall, AR 71602
PHONE: (870) 267-1371
FAX: (870) 267-1471

221 W. Chestnut Street
Rogers, AR 72756
PHONE: (479) 636-3161
FAX: (479) 636-1251

2223 Browns Lane
Jonesboro, AR 72401
PHONE: (870) 935-2871
FAX: (870) 935-6374

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.

- Obtain an understanding of internal control relevant to the audit 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 Welspun Pipes, Inc. and Subsidiaries, internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Welspun Pipes, Inc. and Subsidiaries, ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

HCJ CPAs & Advisors, PLLC

Little Rock, Arkansas
May 17, 2023

# FINANCIAL STATEMENTS

# WELSPUN PIPES, INC. AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS

## MARCH 31, 2023 AND 2022

### Assets

| | 2023 | 2022 |
|---|---|---|
| **Current Assets:** | | |
| Cash and Cash Equivalents | $ 25,324,645 | $ 13,608,536 |
| Accounts Receivable - Trade, Net of Allowance | 22,948,798 | 8,337,742 |
| - Related Party | 42,339 | 43,424 |
| Interest Receivable - Related Party | 330,720 | - |
| Inventories, Net | 413,509,928 | 15,163,869 |
| Prepaid Expenses, Advances and Other | 2,264,374 | 674,976 |
| Other Current Receivables | 70,426 | 583,030 |
| Total Current Assets | 464,491,230 | 38,411,577 |
| **Note Receivable - Related Party** | 27,850,000 | 27,850,000 |
| **Investment Securities - At Fair Value** | 10,546,185 | 11,523,863 |
| **Property & Equipment, Net** | 72,427,527 | 84,093,059 |
| | $ 575,314,942 | $ 161,878,499 |

### Liabilities and Stockholders' Equity

| | 2023 | 2022 |
|---|---|---|
| **Current Liabilities:** | | |
| Current Portion of Long-Term Debt, Net of Issuance Costs | $ 85,057 | $ 210,320 |
| Current Portion of Finance Lease Obligations | 438,542 | 1,037,044 |
| Accounts Payable - Trade | 91,488,463 | 943,955 |
| - Related Party | 161,692 | - |
| Income Taxes Payable | 266,566 | 4,612,150 |
| Accrued Expenses | 1,428,336 | 1,209,158 |
| Deferred Revenue | 336,187,610 | 485,446 |
| Total Current Liabilities | 430,056,266 | 8,498,073 |
| **Deferred Income Taxes** | 8,681,102 | 10,617,234 |
| **Long-Term Debt, Less Current Maturities** | - | 85,057 |
| **Finance Lease Obligations, Less Current Maturities** | 125,967 | 564,509 |
| **Stockholders' Equity:** | | |
| Common Stock - $.0001 Par Value, 5,000 Shares Authorized, 1,000 Shares Issued and Outstanding in 2023 And 2022 | 1 | 1 |
| Additional Paid in Capital - Common Stock | 10,000 | 10,000 |
| Retained Earnings | 136,562,889 | 142,103,625 |
| Accumulated Other Comprehensive Loss | (121,283) | - |
| Total Stockholders' Equity | 136,451,607 | 142,113,626 |
| | $ 575,314,942 | $ 161,878,499 |

See Accompanying Notes.

## WELSPUN PIPES, INC. AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF OPERATIONS

### YEARS ENDED MARCH 31, 2023 AND 2022

| | 2023 | 2022 |
|---|---|---|
| **Sales** | $ 185,175,832 | $ 144,156,237 |
| **Other Revenue** | 1,052,034 | 4,186,956 |
| Total Operating Revenue | 186,227,866 | 148,343,193 |
| **Cost of Goods Sold** | 165,942,923 | 114,612,024 |
| Gross Profit | 20,284,943 | 33,731,169 |
| **Selling, General and Administrative Expenses** | 28,814,720 | 22,353,440 |
| (Loss) Income From Operations | (8,529,777) | 11,377,729 |
| **Other Income (Expense):** | | |
| Interest Income | 2,055,817 | 2,351,226 |
| Interest Expense | (543,961) | (708,040) |
| Realized Loss on Sale of Investment | - | (245,105) |
| Unrealized Loss on Trading Securities | (856,395) | (1,078,237) |
| Dividend Income | - | 23,072 |
| Government Grant Income | - | 75,925 |
| Employee Retention Credit Income - CARES Act | - | 976,294 |
| Insurance Claim Income | - | 1,101 |
| Gain on Sale of Property and Equipment | 27,328 | - |
| Other Income | 905,748 | 3,930,958 |
| Total Other Income | 1,588,537 | 5,327,194 |
| (Loss) Income Before Income Taxes | (6,941,240) | 16,704,923 |
| Income Tax (Benefit) Expense | (1,400,504) | 4,172,274 |
| **Net (Loss) Income** | $ (5,540,736) | $ 12,532,649 |

See Accompanying Notes.

# WELSPUN PIPES, INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

## YEARS ENDED MARCH 31, 2023 AND 2022

| | 2023 | 2022 |
|---|---|---|
| **Net (Loss) Income** | $ (5,540,736) | $ 12,532,649 |
| Other Comprehensive Income Loss: | | |
| Unrealized Loss on Available for Sale Debt Securities | (121,283) | - |
| **Total Comprehensive Loss** | $ (5,662,019) | $ 12,532,649 |

See Accompanying Notes.

## WELSPUN PIPES, INC. AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

### YEARS ENDED MARCH 31, 2023 AND 2022

| | Common Stock | Additional Paid-in Capital Common Stock | Retained Earnings | Accumulated Other Comprehensive Loss | Total |
|---|---|---|---|---|---|
| **Balance at April 1, 2021** | $ 1 | $ 10,000 | $ 129,570,976 | $ - | $ 129,580,977 |
| Net Income | - | - | 12,532,649 | - | 12,532,649 |
| **Balance at March 31, 2022** | 1 | 10,000 | 142,103,625 | - | 142,113,626 |
| Net Loss | - | - | (5,540,736) | - | (5,540,736) |
| Other Comprehensive Loss | - | - | - | (121,283) | (121,283) |
| **Balance at March 31, 2023** | $ 1 | $ 10,000 | $ 136,562,889 | $ (121,283) | $ 136,451,607 |

See Accompanying Notes.

## WELSPUN PIPES, INC. AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF CASH FLOWS

### YEARS ENDED MARCH 31, 2023 AND 2022

| | 2023 | 2022 |
|---|---|---|
| **Cash Flows from Operating Activities:** | | |
| Net (Loss) Income | $ (5,540,736) | $ 12,532,649 |
| Adjustments to Reconcile Net Income to Net Cash Provided By Operating Activities: | | |
| Depreciation | 13,131,948 | 13,738,017 |
| Gain on Sale of Property and Equipment | (27,328) | - |
| Loss on Sale of Investment | - | 245,105 |
| Unrealized Loss on Trading Debt Securities | 856,395 | 1,078,237 |
| Changes in Assets and Liabilities: | | |
| Accounts Receivable - Trade | (14,611,056) | (1,831,510) |
| - Related Party | 1,085 | (43,424) |
| Interest Receivable - Related Party | (330,720) | 1,339,787 |
| Inventories, Net | (398,346,059) | 67,888,680 |
| Income Taxes Refundable | - | 1,168,664 |
| Other Current Receivable | 512,604 | 2,127,594 |
| Prepaid Expenses, Advances and Other | (1,589,398) | 834,335 |
| Advances - Related Party | - | 16,592 |
| Accounts Payable - Trade | 90,544,508 | (37,126,087) |
| - Related Party | 161,692 | (1,204,644) |
| Income Taxes Payable | (4,345,584) | (378,373) |
| Accrued Interest Payable | - | (273,321) |
| Accrued Expenses | 219,178 | (1,600,208) |
| Deferred Revenue | 335,702,164 | (3,837,646) |
| Deferred Income Taxes | (1,936,132) | (961,811) |
| Net Cash Provided By Operating Activities | 14,402,561 | 53,712,636 |
| **Cash Flows from Investing Activities:** | | |
| Purchase of Trading Debt Securities | - | (15,100,560) |
| Proceeds from Trading Debt Securities | - | 2,253,355 |
| Net Proceeds of Certificate of Deposit | - | 2,469,967 |
| Proceeds from Sale of Property & Equipment | 27,328 | - |
| Purchases of Property & Equipment | (1,466,416) | (2,272,987) |
| Net Cash Used in Investing Activities | (1,439,088) | (12,650,225) |
| **Cash Flows from Financing Activities:** | | |
| Net Repayments on Lines of Credit | - | (9,905,014) |
| Net Repayments on Capital Leases | (1,037,044) | (1,121,393) |
| Repayments of Long-Term Borrowings | (210,320) | (25,205,592) |
| Net Cash Used In Financing Activities | (1,247,364) | (36,231,999) |
| **Net Change in Cash and Cash Equivalents** | 11,716,109 | 4,830,412 |
| Cash and Cash Equivalents - Beginning of Year | 13,608,536 | 8,778,124 |
| Cash and Cash Equivalents - End of Year | $ 25,324,645 | $ 13,608,536 |

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 subsidiary of Welspun Corp Limited ("WCL" or the "Parent"), a limited liability company registered in India and listed on Indian Stock Exchanges, BSE and NSE. WPI was formed as a holding company 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 350,000 MT of pipes sized 24 - 60 inches in diameter and up to 1 inch in wall thickness. In addition to the pipe manufacturing plant, WTL also constructed a coating 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. In 2012, the Company constructed a small diameter, high frequency induction welded (HFIW) pipe plant in close proximity to the existing large diameter spiral plant. The HFIW plant began full commercial production by the end of March 2013. It has an annual capacity of 175,000 MT of pipes sized 6-20 inches in diameter and up to 0.6 inches in wall thickness.

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

### Recently Adopted Accounting Standards

In February of 2016, the FASB issued ASU 2016-02, Leases (Topic 842) which sets out principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract (i.e. lessors and lessees). In June of 2020, the FASB issued ASU 2020-05, Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842), which defers the effective date of this standard to annual and interim periods beginning after December 15, 2021. The standard requires the following:

- Lessees – Leases are accounted for using a dual approach, classifying leases as either operating or finance based on the principle of whether or not the lease is effectively a financed purchase of the leased asset by the lessee. This classification determines whether the lease expense is recognized on a straight-line basis over the term of the lease (for operating leases) or based on an effective interest method (for finance leases). A lessee is also required to record a right-of-use asset and a lease liability on its balance sheet for all leases with a term of greater than 12 months regardless of their classification as operating or finance leases. Leases with a term of 12 months or less are accounted for similar to legacy guidance for operating leases in ASC 840, Leases ("ASC 840").

The Company adopted the provisions of the New Lease Standard as required April 1, 2022 using the modified retrospective adoption method, which requires all periods presented to adopt, utilizing the simplified transition option available in the New Lease Standard, which allows entities to continue to apply the legacy guidance in ASC 840, including its disclosure requirements, in the comparative periods presented in the year of adoption. The Company elected the package of practical expedients available under the transition provisions of the New Lease Standard, including (i) not reassessing whether expired or existing contracts contain leases, (ii) not reassessing lease classification, and (iii) not revaluing initial direct costs for existing leases.

In July 2018, the FASB issued an amendment to the lease standard, which includes a practical expedient that provides lessees an option not to separate lease and non-lease components when certain criteria are met and instead account for those components as a single component under the leases standard. The amendment also provides a transition option that permits the application of the new guidance as of the adoption date rather than to all periods presented. The Company elected the practical expedient to account for both its lease and non-lease components as a single component under the leases standard and elected the new transition option as of the date of adoption effective April 1, 2022.

The adoption of this standard did not have a material impact on the Company's financial statements.

### 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 (1) the lives and methods used in computing depreciation expense and amortization of bond issuance costs, (2) the valuation of deferred tax assets and liabilities which are based on temporary differences between the carrying amounts of assets and liabilities for financial statement purposes and their tax bases, (3) allowance for uncollectible accounts receivable, and (4) the valuation allowance for inventory held at year-end. 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. The Company's valuation allowance was $59,898 as of March 31, 2023 and 2022.

Accounts receivable from a variety of customers potentially subjects the Company to concentrations of credit risk since the Company generally does not require collateral from its customers. Such credit risk is considered by management to be limited due to the Company's customer base and its customers' financial resources. At March 31, 2023, approximately 96% of accounts receivable was due from two customers and at March 31, 2022 approximately 80% of accounts receivable was due from two customers.

### Inventories

Inventories consist of stores and spares, raw materials, work-in-process, and finished goods. Inventories are stated at the lower of cost (weighted average method) and net realizable value. Where the expectation is different from the original estimate, such difference will impact the carrying value of inventories and write-down of inventories in the period in which such estimates have been changed. A reserve of $1,796,801 and $2,421,504 was recorded as of March 31, 2023 and 2022, respectively, to reflect the market prices of stores and spares inventory items and the change in the reserve amount is included in cost of goods sold.

### Investment Securities

On June 30, 2022, management re-evaluated the classification of the Company's investments in debt securities. Upon re-evaluation, the investments in these debt securities resulted in a transfer of the securities from classification as trading securities to available-for-sale ("AFS") securities. Beginning June 30, 2022, the Company's investments in marketable debt securities have been classified and accounted for as debt securities available-for-sale. AFS debt securities are stated at estimated fair value, with the unrealized gains and losses, net of tax, reported as a separate component of stockholders' equity and included in other comprehensive income on the consolidated statements of income and comprehensive income.

Purchases and sales of investment securities are recognized on their trade-date. Fair values for investment securities are based on quoted market prices, where available. If quoted market prices are not available, fair values are based on quoted market prices of comparable instruments. Gains or losses on the sale of investment securities are recognized by the specific identification method at the time of sale and are included as a separate component of other income on the consolidated statements of income.

For the year ended March, 31, 2022 and through June 29, 2022, the Company's investments in marketable debt securities have been classified and accounted for as trading debt securities. The amortization of premiums and accretion of discounts are recognized in interest income using methods approximating the interest method over the period to maturity. Trading debt securities are stated at estimated fair value, with the unrealized gains and losses reported as a separate component of other income on the consolidated statements of income.

Purchases and sales of investment securities are recognized on their trade-date. Fair values for investment securities are based on quoted market prices, where available. If quoted market prices are not available, fair values are based on quoted market prices of comparable instruments. Gains and losses on the sale of debt securities are recorded on the trade date and are determined using the specific identification method.

### Property and Equipment

Property 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 | 1 - 3 years |
| Yard Equipment | 3 - 10 years |

Depreciation expense totaled $13,131,948 for 2023 and $13,738,017 for 2022.

### Leases

The Company determines if an arrangement is a lease at inception. Operating leases are included in Operating Lease Right-of-Use Assets, Current Operating Lease Liabilities, and Noncurrent Operating Lease Liabilities in the Balance Sheets. Finance leases are included in Property and Equipment, Net, Current Portion of Finance Lease Obligations, and Finance Lease Obligations, Less Current Maturities in the Consolidated Balance Sheets.

The Company has elected ASC 842's practical expedient for all leases with terms of 12 months or shorter. Under this practical expedient, the Company will not apply the recognition requirements of ASC 842 to short-term leases. These short-term lease payments will be expensed monthly, and a right-of-use asset and related lease liability will not be recorded on the consolidated balance sheet.

### Revenue Recognition – Sale of Goods

The Company derives revenue principally from the sale of pipes based on customer contracts. The Company considers the terms of the contract in determining the transaction price. The transaction price is based upon the amount the Company expects to be entitled to in exchange for transferring of promised goods and services to the customer after deducting incentive programs, included but not limited to discounts and volume rebates. The Company recognizes revenue when it satisfies a performance obligation in accordance with the provisions of a contract with a customer. This is achieved when control of the product has been transferred to the customer, which is generally determined when title, ownership, risk of obsolescence and loss pass to the customer and the Company has the present right to payment, all of which occurs at a point in time upon shipment or delivery of the product. The Company usually considers freight activities as costs to fulfill the promise to transfer the related products and the customer payments for freight costs are recorded as a component of revenue. There are no assets or liabilities recorded in conjunction with revenue recognized, other than accounts receivable and deferred revenue.

At times bill and hold contracts are entered at the request of the customer. Revenue from bill and hold contracts is recognized at the agreed transaction price. The price for bill and hold contracts is determined at the time of entering into the transactions and the performance obligation is satisfied when the control of the pipes have been transferred to the customer.

### Revenue Recognition – Sale of Services

In certain customer contracts, the Company provides freight services to its customers and the Company recognizes revenue for such services when the performance obligation is completed. Revenue from providing freight services is recognized in the accounting period in which the services are rendered. The related freight costs incurred are included in freight expenses when the Company is acting as principal in the freight arrangement. The Company does not have any contracts with significant financing components where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds the credit period usually provided to customers in similar industry. As a consequence, the Company does not adjust any of the transaction prices for the time value of money.

Deferred revenue primarily represents consideration received from customers in advance for unshipped orders. Deferred revenue totaled $336,187,610 and $485,446 at March 31, 2023 and 2022, respectively.

### 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 is an example of an item that should be capitalized under existing U.S. GAAP. Accordingly, the Company expensed all other pre-operation expenses when incurred.

### Sales Taxes

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

### Shipping and Handling Costs

The Company's shipping and handling costs are included in selling, general and administrative expenses and totaled $11,842,782 for 2023 and $7,168,733 for 2022.

### Advertising Costs

Advertising costs are expensed when incurred and totaled $35,009 for 2023 and $2,546 for 2022.

### Cash Deposits in Excess of Insured Limits

At various times during the years and at year-end, the Company's deposits in Arkansas banks and international financial institutions exceeded federally insured limits. At March 31, 2023 and 2022, the Company's uninsured cash balances totaled $24,489,812 and $13,306,546, respectively. 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 tax assets and liabilities are recognized for the expected future tax consequences of temporary differences between the financial and income tax basis of assets and liabilities based on the tax law in effect at March 31, 2023 and 2022. The Company recognizes accrued interest and penalties associated with uncertain tax positions, if any, as part of their income tax provision. The previous three years of federal and Arkansas income tax returns and previous four years of Texas income tax returns are subject to potential examination by taxing authorities.

### 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 $543,961 in 2023 and $981,361 in 2022. Cash payments for income tax totaled $4,882,645 in 2023 and $5,815,503 in 2022.

For the year ended March 31, 2023, Non-cash investing activities consisted of unrealized losses on available-for-sale debt securities of $121,283.

### Subsequent Events

Accounting standards establish general guidelines 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 17, 2023, the date these financial statements were available to be issued.

## Note 2: Inventories

Net inventories are composed of the following at March 31:

| | 2023 | 2022 |
|---|---|---|
| Raw Materials | $ 193,256,811 | $ 1,593,021 |
| Work-in-Process | 8,146,988 | 325,546 |
| Finished Goods | 111,200,928 | 883,637 |
| Goods-in-Transit | 87,495,521 | - |
| Stores and Spares | 13,409,680 | 12,361,665 |
| | $ 413,509,928 | $ 15,163,869 |

## Note 3: Investment in Debt Securities

The Company reassessed classification of certain investments and effective June 30, 2022, the Company transferred $10,667,468 of corporate bonds from trading securities to available-for-sale securities. The transfer occurred at fair value on June 30, 2022.

The amortized cost and approximate fair values of debt securities are as follows:

| | March 31, 2023 | | | |
|---|---|---|---|---|
| | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Fair Value |
| Corporate Bonds - AFS | $ 12,602,100 | $ - | $ (2,055,915) | $ 10,546,185 |

| | March 31, 2022 | | | |
|---|---|---|---|---|
| | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | - Fair Value |
| Corporate Bonds - Trading | $ 12,602,100 | $ - | $ (1,078,237) | $ 11,523,863 |

There were no proceeds from sale of debt securities for the year ended March 31, 2023. Proceeds from the sale of debt securities were $2,253,355 the year ended March 31, 2022. There were no realized gains for the sale of debt securities for the year ended March 31, 2023. Realized losses for the sale of debt securities were $245,105 for the year ended March 31, 2022. Specific identification was utilized for the cost basis of the sales for the years ended March 31, 2023 and 2022.

The amortized cost and estimated fair value of available-for-sale debt securities at March 31, 2023, by contractual maturity, are shown below. Expected maturities may differ from contractual maturities due to the issuers right to call or prepay obligations.

| | Amortized Cost | Fair Value |
|---|---|---|
| One To Five Years | $ 9,603,750 | $ 7,986,135 |
| Five To Ten Years | 2,998,350 | 2,560,050 |
| Totals | $ 12,602,100 | $ 10,546,185 |

## Note 4: Property and Equipment

The costs by major category of property and equipment are as follows at March 31:

| | 2023 | 2022 |
|---|---|---|
| Land | $ 4,781,981 | $ 4,781,981 |
| Land Improvements | 33,129,803 | 32,231,987 |
| Buildings and Improvements | 64,167,206 | 63,948,128 |
| Machinery and Equipment | 162,065,388 | 160,641,667 |
| Furniture and Fixtures | 2,663,374 | 2,663,374 |
| Vehicles | 366,032 | 366,032 |
| Capital Work in Process | 908,593 | 2,204,200 |
| Computers and Software | 915,196 | 895,609 |
| Yard Equipment | 16,946,706 | 16,755,786 |
| | 285,944,279 | 284,488,764 |
| Accumulated Depreciation | (213,516,752) | (200,395,705) |
| Property and Equipment, Net | $ 72,427,527 | $ 84,093,059 |

## Note 5: Available Line of Credit

At March 31, 2023, the Company has a $30,000,000 line of credit agreement. The line of credit bears interest at a variable rate based on the secured overnight financing rate plus a spread to be determined at the time of each borrowing on the line. This line of credit matures on May 31, 2023. There were no outstanding borrowings on the line at March 31, 2023.

## Note 6: Long-Term Debt

Long-term debt, excluding finance leases, consists of the following at March 31:

| | 2023 | 2022 |
|---|---|---|
| One Banc Loan (A) | $ - | $ 5,054 |
| De Lage Landen Financial equipment loan (B) | 36,384 | 120,922 |
| De Lage Landen Financial equipment loan (C) | 36,384 | 120,922 |
| John Deere Financial equipment loan (D) | 12,289 | 48,479 |
| | 85,057 | 295,377 |
| Current Maturities | (85,057) | (210,320) |
| Long-Term Debt, Less Current Maturities, Excluding Finance Leases | $ - | $ 85,057 |

(A) 4.50% note payable to One Banc, secured by vehicle, $854 of principal and interest due monthly plus final payment equal to all unpaid principal and accrued interest on September 25, 2022.

(B) 4.59% note payable to De Lage Landen Financial, secured by equipment, $7,360 of principal and interest due monthly plus final payment equal to all unpaid principal and accrued interest on September 1, 2023.

(C) 4.59% note payable to De Lage Landen Financial, secured by equipment, $7,360 of principal and interest due monthly plus final payment equal to all unpaid principal and accrued interest on September 1, 2023.

(D) 2.75% note payable to John Deere Financial, secured by equipment, $3,089 of principal and interest due monthly plus final payment equal to all unpaid principal and accrued interest on August 29, 2023.

## Note 7: Finance Lease Obligations

The Company leases certain equipment under several finance lease agreements which have terms ranging from 48 to 60 monthly installments. Interest rates contained in the finance leases range from 3.49% to 6.18%.

Scheduled maturities of payments on finance lease obligations at March 31, 2023, are as follows:

| For the Years Ending in: | |
|---|---|
| 2024 | $ 451,664 |
| 2025 | 128,176 |
| | 579,840 |
| Amount Representing Interest | (15,331) |
| Present Value of Future Minimum Lease Payments | 564,509 |
| Current Portion | (438,542) |
| Long-Term Portion | $ 125,967 |

Average finance lease term and interest rate at March 31, 2023 was as follows:

| | |
|---|---|
| Remaining Lease Term (Years) | 1.25 |
| Interest Rate | 4.41% |

The cost and related accumulated depreciation of assets under finance leases are included in property and equipment, net at March 31, 2023 as follows:

| | |
|---|---|
| Equipment | $ 3,083,188 |
| Accumulated Depreciation | (1,251,013) |
| | $ 1,832,175 |

## Note 8: Income Taxes

There are significant items such as depreciation expense and pre-operative costs that are computed differently for financial versus income tax reporting. Deferred income taxes are provided for on these items.

Income tax (benefit) expense consists of the following for the fiscal year ended March 31:

| | 2023 | 2022 |
|---|---|---|
| Current Income Tax Provision | $ 535,628 | $ 5,134,085 |
| Deferred Benefit | (1,936,132) | (961,811) |
| | $ (1,400,504) | $ 4,172,274 |

The income tax expense varies from the statutory U.S. rate primarily due to state income taxes, federal tax credits, and certain non-deductible items.

Deferred income taxes are provided for the temporary differences between the financial reporting basis and the tax basis of the Company's assets and liabilities. The Company has $2,301,020 and $1,323,342 in combined realized and unrealized capital losses at March 31, 2023 and 2022, respectively. The realized capital losses can be carried forward and used to offset future capital gain income. The realized capital loss carry forward is $245,105 as of March 31, 2023 and 2022. Based on the weight of the available positive and negative evidence, the Company concluded that certain net deferred assets did not meet the standards of being more likely than not realizable. As such, the Company recognized a valuation allowance of $605,168 and $359,949 against its deferred tax asset on capital losses at March 31, 2023 and 2022, respectively.

Total net deferred tax liabilities as of March 31 are as follows:

| | 2023 | 2022 |
|---|---|---|
| Deferred Tax Asset: | | |
| Pre-Operative Costs | $ 138,093 | $ 430,847 |
| Provisions for Bad Debt | 81,503 | 84,292 |
| Other Benefits | 205,872 | 310,418 |
| Provision for Litigation | 5,413 | 5,598 |
| Inventory Write Down | 472,559 | 658,649 |
| Unrealized/Realized Capital Losses | 605,168 | 359,949 |
| Valuation Allowance | (605,168) | (359,949) |
| Arkansas Net Operating Loss | 13,229 | - |
| Deferred Tax Liability: | | |
| Depreciation | (9,597,771) | (12,107,038) |
| Net Deferred Income Tax Liability | $ (8,681,102) | $ (10,617,234) |

## Note 9: Related Party Transactions

On January 5, 2015, the Company entered into a loan agreement with a related party for an amount not to exceed $20,000,000. The agreement has been amended to be a demand deposit agreement in which the maturity is not later than ninety days from the execution date. On May 8, 2020, Company entered into a second loan agreement with the same related party for an amount not to exceed $25,000,000. This note was due on demand beginning June 30, 2020, and if no demand is made, the maturity date was set to be no later than seven years from the last draw down date of June 30, 2019. Since no demand was made, the note is due on June 30, 2026. The interest for both notes is due annually at a rate of 4.75%. The related party has borrowed $27,850,000 from the loan agreements and is included as a note receivable – related party as of March 31, 2023 and 2022. Interest income totaled $1,322,880 for 2023 and $1,322,875 for 2022. As of March 31, 2023 there was $330,720 of interest receivable related to the loan agreements. As of March 31, 2022 there was no interest receivable related to the loan agreements.

The Company's accounts receivable – related party results from certain material supplies and travel expenses paid. As of March 31, 2023, the Company had $42,339 in related party advances to WCL for material supplies. As of March 31, 2022, the Company had $43,424 in related party receivables from Welspun USA for travel expenses.

The Company's accounts payable – related party results from certain expenses such as freight, supplies and consulting fees. As of March 31, 2023, the Company had $128,292 in related party payable to WCL for expenses. As of March 31, 2023 the Company had $33,400 in related party payable to Welspun Transformation Services Limited for professional and consulting fees. At March 31, 2022, there were no outstanding payable balances.

Total material purchases from WCL were $88,194 and $99,759 during 2023 and 2022, respectively. The Company paid reimbursements of expenses to WCL totaling of $171,024 and $163,961 in 2023 and 2022, respectively. The Company made payments for corporate guarantee fees to WCL related to long-term debt, totaling $116,250 and $325,000 during 2023 and 2022, respectively. The Company had $38,769 and $7,820 in related party purchases of services from Welspun Transformation Services Limited in 2023 and 2022, respectively.

At March 31, 2023, the Company had $157,547 of open purchase orders outstanding with WCL. At March 31, 2022, there were no open purchase orders with any related parties.

The Company paid director sitting fees of $4,000 to WCL during the years ended March 31, 2023 and 2022.

## Note 10: Concentrations

As disclosed in Note 1, the Company's operations are focused on large projects relating to supplying steel pipes 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, approximately 70% of the revenues during 2023 were generated from three customers and approximately 80% of the revenues during 2022 were generated from two customers.

## Note 11: Employee Benefit Plan

The Company has a 401(k) Retirement Savings Plan that covers substantially all employees after a 90-day service requirement. Participants may defer a portion of their salary and the Company may make discretionary matching contributions. In April 2019, the Plan Agreement was amended to change the employer matching contributions on employee contributions to 100% of employee deferrals up to 4%. These matching contributions vest 100% after one year of service. Total retirement plan contributions by the Company for 2023 and 2022 were $676,329 and $438,650, respectively.

## Note 12: Fair Value of Financial Instruments

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

In determining fair value, the Company uses various methods including market, income and cost approaches. The Company utilizes valuation techniques that maximize the use of observable inputs and minimizes the use of unobservable inputs.

The following table presents the Company's hierarchy for its assets and liabilities measured at fair value as of March 31, 2023:

| | Carrying Amount | Level 1 | Level 2 | Level 3 |
|---|---|---|---|---|
| **Assets:** | | | | |
| Debt Securities: AFS | $ 10,546,185 | $ - | $ 10,546,185 | $ - |

The following table presents the Company's hierarchy for its assets and liabilities measured at fair value as of March 31, 2022:

| | Carrying Amount | Level 1 | Level 2 | Level 3 |
|---|---|---|---|---|
| **Assets:** | | | | |
| Debt Securities: Trading | $ 11,523,863 | $ - | $ 11,523,863 | $ - |

The carrying amounts in the preceding tables are included in the consolidated balance sheet under the applicable captions.

The following methods and assumptions were used by the Company in estimating its fair value disclosures for financial instruments:

Debt securities: AFS: Fair values for debt securities: available-for-sale are valued by a third-party pricing service utilizing observable inputs. Observable inputs include market price quotations, recently executed transactions, and bond spreads.

Debt securities: trading: Fair values for debt securities: trading are valued by a third-party pricing service utilizing observable inputs. Observable inputs include market price quotations, recently executed transactions, and bond spreads.

## Note 13: Commitments and Contingencies

The Company is involved in various legal proceedings which have arisen in the ordinary course of its business and have not been finally adjudicated. These actions, when ultimately concluded or determined, will not, in the opinion of management, have a materially adverse impact upon the Company's consolidated financial position, results of operations or liquidity.

## Note 14: CARES Act Funding

On March 27, 2020, President Trump signed into law the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) as a relief package intended to assist many aspects of the American economy following the COVID-19 pandemic. Two provisions of the CARES Act, the employee retention credit and the deferral of employer-related FICA taxes, affected the Company for the year ended March 31, 2022.

The employee retention credit is a refundable tax credit against certain employment taxes equal to 50% of the qualified wages an eligible employer pays to employees after March 12, 2020, and before January 1, 2022. The credit increased to 70% of qualified wages paid starting January 1, 2022. The Company recognized $976,294 included as other income from the employee retention credit provision in the CARES Act as of March 31, 2022.

Employers are permitted to defer the employer share of social security taxes otherwise owed on dates beginning March 27, 2020 and ending on December 31, 2020. Half of the total deferred payments were due on December 31, 2021, and the remaining half of the payments were payable on December 31, 2022. Employer payroll tax deferrals of $275,011 were included in accrued expenses on the Company's consolidated balance sheets at March 31, 2022. This balance was paid prior to December 31, 2022.