WELSPUN PIPES, INC.
AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2022 AND 2021

WITH

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

HCJ CPAs & Advisors PLLC

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

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, 2022 and 2021, and the related consolidated statements of consolidated income, stockholder's 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, 2022 and 2021, 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. 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 19, 2022

FINANCIAL STATEMENTS

WELSPUN PIPES, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

MARCH 31, 2022 AND 2021

Assets

	2022	2021
Current Assets:		
Cash and Cash Equivalents	$ 13,608,536	$ 8,778,124
Certificate of Deposit - Restricted	-	2,469,967
Accounts Receivable - Trade, Net of Allowance	8,337,742	6,506,232
- Related Party	43,424	-
Current Portion of Note Receivable - Related Party	-	2,850,000
Interest Receivable - Related Party	-	1,339,787
Income Taxes Refundable	-	1,168,664
Inventories, Net	15,163,869	83,052,549
Prepaid Expenses, Advances and Other	674,976	1,509,311
Other Current Receivables	583,030	2,710,624
Advances - Related Party	-	16,592
Total Current Assets	38,411,577	110,401,850
Note Receivable - Related Party, Less Current Portion	27,850,000	25,000,000
Investment Securities - Trading Debt Securities	11,523,863	-
Net Property, Plant and Equipment	84,093,059	95,558,089
	$ 161,878,499	$ 230,959,939

Liabilities and Stockholders' Equity

	2022	2021
Current Liabilities:		
Current Portion of Long-Term Debt, Net of Issuance Costs	$ 210,320	$ 25,206,490
Current Portion of Capital Leases	1,037,044	1,131,919
Line of Credit, Net of Issuance Costs	-	9,905,014
Accounts Payable - Trade	943,955	38,070,042
- Related Party	-	1,204,644
Income Taxes Payable	4,612,150	4,990,523
Accrued Interest Payable	-	273,321
Accrued Expenses	1,209,158	2,809,366
Deferred Revenue	485,446	4,323,092
Total Current Liabilities	8,498,073	87,914,411
Deferred Income Taxes	10,617,234	11,579,045
Long-Term Debt, Less Current Maturities	85,057	294,479
Capital Leases, Less Current Maturities	564,509	1,591,027
Stockholders' Equity:		
Common Stock - $.0001 Par Value, 5,000 Shares Authorized, 1,000 Shares Issued and Outstanding in 2022 And 2021	1	1
Additional Paid in Capital - Common Stock	10,000	10,000
Retained Earnings	142,103,625	129,570,976
Total Stockholders' Equity	142,113,626	129,580,977
	$ 161,878,499	$ 230,959,939

See Accompanying Notes.

WELSPUN PIPES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

YEARS ENDED MARCH 31, 2022 AND 2021

	2022	2021
Sales	$ 144,156,237	$ 224,995,136
Other Revenue	4,186,956	11,273,751
Total Operating Revenue	148,343,193	236,268,887
Cost of Goods Sold	114,612,024	206,994,045
Gross Profit	33,731,169	29,274,842
Selling, General and Administrative Expenses	22,353,440	25,897,959
Income From Operations	11,377,729	3,376,883
Other Income (Expense):		
Interest Income	2,351,226	1,407,206
Interest Expense	(708,040)	(2,161,082)
Loss on Sale of Investment	(245,105)	-
Unrealized Loss on Trading Securities	(1,078,237)	-
Dividend Income	23,072	-
Government Grant Income	75,925	1,875,872
Arkansas Ready for Business Grant Income	-	100,000
Employee Retention Credit Income - CARES Act	976,294	1,704,956
Insurance Claim Income	1,101	3,678,746
Gain on Sale of Property and Equipment	-	65,352
Other Income	3,930,958	1,151,071
Total Other Income	5,327,194	7,822,121
Income Before Income Taxes	16,704,923	11,199,004
Income Tax Expense	4,172,274	771,659
Net Income	$ 12,532,649	$ 10,427,345

See Accompanying Notes.

WELSPUN PIPES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

YEARS ENDED MARCH 31, 2022 AND 2021

	Common Stock	Additional Paid-in Capital Common Stock	Retained Earnings	Total
Balance at April 1, 2020	$ 1	$ 10,000	$ 200,143,631	$ 200,153,632
Net Income	-	-	10,427,345	$ 10,427,345
Dividends Paid	-	-	(81,000,000)	(81,000,000)
Balance at March 31, 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

See Accompanying Notes.

WELSPUN PIPES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED MARCH 31, 2022 AND 2021

	2022	2021
Cash Flows from Operating Activities:		
Net Income	$ 12,532,649	$ 10,427,345
Adjustments to Reconcile Net Income to Net Cash Provided By Operating Activities:		
Depreciation	13,738,017	14,036,162
Amortization of Bond Issuance Costs	-	147,966
Gain on Sale of Property and Equipment	-	(65,352)
Loss on Sale of Investment	245,105	-
Unrealized Loss on Trading Debt Securities	1,078,237	-
Changes in Assets and Liabilities:		
Accounts Receivable - Trade	(1,831,510)	66,399,214
- Related Party	(43,424)	-
Interest Receivable - Related Party	1,339,787	(976,546)
Inventories, Net	67,888,680	33,453,950
Income Taxes Refundable	1,168,664	(1,168,664)
Other Current Receivable	2,127,594	119,496
Prepaid Expenses, Advances and Other	834,335	229,592
Advances - Related Party	16,592	3,550,261
Other Assets	-	586,336
Accounts Payable - Trade	(37,126,087)	(63,515,529)
- Related Party	(1,204,644)	(209,656)
Income Taxes Payable	(378,373)	(73,717)
Accrued Interest Payable	(273,321)	(256,951)
Accrued Expenses	(1,600,208)	32,774
Deferred Revenue	(3,837,646)	(18,156,836)
Deferred Income Taxes	(961,811)	273,226
Net Cash Provided By Operating Activities	53,712,636	44,833,071
Cash Flows from Investing Activities:		
Purchase of Trading Debt Securities	(15,100,560)	-
Proceeds from Trading Debt Securities	2,253,355	-
Net Decrease in Note Receivable - Related Party	-	2,650,000
Proceeds from Sale of Property & Equipment	-	112,000
Net Proceeds (Purchases) of Certificate of Deposit	2,469,967	(176,698)
Purchases of Property & Equipment	(2,272,987)	(6,979,916)
Net Cash Used in Investing Activities	(12,650,225)	(4,394,614)
Cash Flows From Financing Activities:		
Net (Repayments) Borrowings on Lines of Credit	(9,905,014)	7,382,968
Net Repayments on Capital Leases	(1,121,393)	(1,022,405)
Dividends Paid to Shareholder	-	(81,000,000)
Repayments of Long-Term Borrowings	(25,205,592)	(124,039)
Net Cash Used In Financing Activities	(36,231,999)	(74,763,476)
Net Change in Cash and Cash Equivalents	4,830,412	(34,325,019)
Cash and Cash Equivalents - Beginning of Year	8,778,124	43,103,143
Cash and Cash Equivalents - End of Year	$ 13,608,536	$ 8,778,124

See Accompanying Notes.

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.

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 as of March 31, 2022 and 2021, was $59,898 and $73,677, respectively.

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, 2022, approximately 80% of accounts receivable was due from two customers and at March 31, 2021 approximately 64% of accounts receivable was due from three 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 $2,421,504 and $3,206,235 was recorded as of March 31, 2022 and 2021, 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

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.

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	1 - 3 years
Yard Equipment	3 - 10 years

Depreciation expense totaled $13,738,017 for 2022 and $14,036,162 for 2021.

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 $485,446 and $4,323,092 at March 31, 2022 and 2021, 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 $7,168,733 for 2022 and $5,324,111 for 2021.

Advertising Costs

Advertising costs are expensed when incurred and totaled $2,546 for 2022 and $1,894 for 2021.

Cash Deposits in Excess of Insured Limits

At various times during the years and at years end, the Company's deposits in Arkansas banks and international financial institutions exceeded federally insured limits. At March 31, 2022 and 2021, the Company's uninsured cash balances totaled $13,306,546 and $8,384,727, 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, 2022 and 2021. 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 $981,361 in 2022 and $2,418,033 in 2021. Cash payments for income tax totaled $623,575 in 2022 and $5,250,000 in 2021.

The Company had no non-cash investing and financing transactions during 2022. Non-cash investing and financing transactions included financing of fixed asset equipment additions through capital lease obligations totaling $521,319 and the financing of fixed asset equipment additions through long-term debt totaling $600,828 for 2021.

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 19, 2022, the date these financial statements were available to be issued.

Note 2: Inventories

Net inventories are composed of the following at March 31:

	2022	2021
Raw Materials	$ 1,593,021	$ 6,125,270
Work-in-Process	325,546	1,095,618
Finished Goods	883,637	64,061,002
Stores and Spares	12,361,665	11,770,659
	$ 15,163,869	$ 83,052,549

Note 3: Other Current Receivables

The Company had a financial incentive agreement in place with the Arkansas Economic Development Commission ("AEDC"). The agreement is a ten year agreement dated January 5, 2012 which was initiated in conjunction with the Company's expansion and building of their small diameter pipe manufacturing plant. The AEDC provides the Company with a cash incentive based on the amount of new full-time permanent employees. The grant is specifically for capital expansion. The amount listed as "Other Current Receivables" on the consolidated balance sheet represents the Company's accrual for AEDC incentive benefits and other government receivables related to fiscal year ended March 31, 2021.

Note 4: Investment in Debt Securities

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

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

Proceeds from the sale of debt securities were $2,253,355 the year ended March 31, 2022. Realized gains 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 year ended March 31, 2022. There were no trading debt securities held by the Company during the year ended March 31, 2021.

The amortized cost and estimated fair value of trading debt securities at March 31, 2022, 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	$ 3,501,000	$ 3,222,590
Five To Ten Years	9,101,100	8,301,273
Totals	$ 12,602,100	$ 11,523,863

Note 5: Property, Plant and Equipment

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

	2022	2021
Land	$ 4,781,981	$ 4,781,981
Land Improvements	32,231,987	32,023,718
Buildings and Improvements	63,948,128	63,909,890
Machinery and Equipment	160,641,667	161,270,057
Furniture and Fixtures	2,663,374	2,742,190
Vehicles	366,032	374,455
Capital Work in Process	2,204,200	1,327,948
Computers and Software	895,609	770,766
Yard Equipment	16,755,786	16,834,133
	284,488,764	284,035,138
Accumulated Depreciation	(200,395,705)	(188,477,049)
Net Property, Plant and Equipment	$ 84,093,059	$ 95,558,089

Note 6: Operating Leases

During 2022, the Company had two operating leases for copiers and office space, of which, the lease agreements for various equipment and copiers have expired. The operating lease for office space requires monthly payments ranging from $4,342 - $5,087 through June 2025.
Future minimum lease payments at March 31, 2022 are:

2023	$ 57,699
2024	59,188
2025	50,502
	$ 167,389

Rent expense totaled $270,781 for 2022 and $707,342 for 2021 and includes rent payments under operating leases, as well as other month-to-month equipment rentals.

Note 7: Available Lines of Credit

At March 31, 2022, the Company has a $50,000,000 line of credit agreement that was refinanced during the year which allows for $50,000,000 in cash borrowings with an interest rate at 3.75% over the six-month LIBOR rate (5.22% as of March 31, 2022). The $50,000,000 line of credit includes $45,000,000 in letters of credit issuances and $5,000,000 in guarantees or standby letters of credit as sub-limits. At March 31, 2021, the line of credit was for $100,000,000 in cash borrowings with an interest rate at 3.75% over the six-month LIBOR rate (3.95% as of March 31, 2021). The $100,000,000 line of credit included $100,000,000 in letters of credit issuances and $10,000,000 in guarantees or standby letters of credit as sub-limits.

Debt issuance costs incurred in connection with the $100,000,000 line of credit agreement totaled $187,545 at March 31, 2021. The deferred long-term issuance costs are being amortized over twelve months to match the life of the related debt in a method not materially different from the effective interest method. The amortization expense related to the issuance costs totaled $115,096 and $72,449 at March 31, 2022 and 2021.

The line of credit is subject to the borrowing base as defined in the borrowing agreement, matures in November 2022, and is secured by inventory and accounts receivable. At March 31, 2022 and 2021, the outstanding line of credit balance is $0 and $20,110, respectively. The line of credit is guaranteed by WCL.

At March 31, 2021, the Company had a $40,000,000 line of credit agreement which allowed for $40,000,000 in cash borrowings with an interest rate of 1.75%. At March 31, 2021, the outstanding line of credit balance was $10,000,000. The line of credit was secured by inventory. The line of credit matured in April 2021 and was not renewed.

In April of 2021, the Company obtained a $15,000,000 line of credit agreement which allowed for $15,000,000 in cash borrowings with an interest rate of 1.50%. The line of credit was secured by inventory. The line of credit matured in October of 2021 and was not renewed.

Note 8: Long-Term Debt

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

	2022	2021
EXIM Import Bank of India loan, 2017 – ERW (A)	$ -	$ 14,024,390
EXIM Import Bank of India loan, 2017 – HSAW (B)	-	10,975,610
One Banc Loan (C)	5,054	13,933
De Lage Landen Financial equipment loan (D)	120,922	201,674
De Lage Landen Financial equipment loan (E)	120,922	201,674
John Deere Financial equipment loan (F)	48,479	83,688
	295,377	25,500,969
Current Maturities	(210,320)	(25,206,490)
Long-Term Debt, Net of Bond Issuance Costs, Less Current Maturities, Excluding Capital Leases	$ 85,057	$ 294,479

(A) Note maturing on February 23, 2022. Interest accrues at 3.25% over the three-month LIBOR rate (3.53% as of March 31, 2021), payable in four equal installments of $3,593,750, due every six months beginning August 31, 2020, secured by the Company's property, plant and equipment. As of March 31, 2022, the note was paid in full.

(B) Note maturing on February 23, 2022. Interest accrues at 3.25% over the three-month LIBOR rate (3.53% as of March 31, 2021), payable in four equal installments of $2,812,500, due every six months beginning August 31, 2020, secured by the Company's property, plant and equipment. As of March 31, 2022, the note was paid in full.

(C) 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.

(D) 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.

(E) 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.

(F) 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.

Maturities of long-term debt, excluding capital leases, at March 31, 2022 are:

For the Years Ending in:

2023	$ 210,320
2024	85,057
	$ 295,377

The bank notes 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. Under the note agreements, the Company has ninety days to recover from any noncompliance with covenants or restrictions that are not met.

The EXIM Import Bank of India loan, 2017 – ERW and the EXIM Import Bank of India loan, 2017 – HSAW are part of a loan agreement dated February 23, 2017 for $100,000,000 with the EXIM Import Bank of India. The issuance of this loan is in two different $50,000,000 issuances. On February 23, 2017, EXIM Bank of India issued the first issuance of $50,000,000 to the Company. On May 5, 2017, EXIM Bank of India issued the second issuance of $50,000,000 to the Company. As of March 31, 2022 there was no outstanding balance related to this loan. As of March 31, 2021, $25,000,000 was outstanding related to this loan.

The long-term debt issuance costs incurred in connection with the 2017 ERW loan and 2017 HSAW loan totaled $1,789,420 at March 31, 2022 and 2021. The deferred long-term debt issuance costs are being amortized over five years to match the life of the related bonds in a method not materially different from the effective interest method. There was no amortization expense related to these bond issuance costs as of March 31, 2022. Amortization related to these bond issuance costs totaled $147,964 as of March 31, 2021. The accumulated amortization related to these bond issuance costs was $1,789,421 as of March 31, 2022 and 2021.

Note 9: Capital Lease Obligations

The Company leases certain equipment under several capital lease agreements which have terms ranging from 24 to 60 monthly installments. Interest rates contained in the capital leases range from 3.49% to 6.18%.

Scheduled maturities of payments on capital lease obligations at March 31, 2022, are as follows:

For the Years Ending in:

2023	$ 1,080,203
2024	451,664
2025	128,176
	1,660,043
Amount Representing Interest	(58,490)
Present Value of Future Minimum Lease Payments	1,601,553
Current Portion	(1,037,044)
Long-Term Portion	$ 564,509

The cost and related accumulated depreciation of assets under capital leases are included in net property, plant, and equipment at March 31, 2022 as follows:

Equipment	$ 4,637,004
Accumulated Depreciation	(1,313,466)
	$ 3,323,538

Note 10: 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 expense consists of the following for the fiscal year ended March 31:

	2022	2021
Current Income Tax Provision	$ 5,134,085	$ 498,433
Deferred Benefit	(961,811)	273,226
	$ 4,172,274	$ 771,659

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 approximately $1,323,342 in capital loss carryforwards that can be used to offset future capital gain income. 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 $359,949 and $0 against its deferred tax asset on capital loss carryforwards at March 31, 2022 and 2021, respectively. Total net deferred tax liabilities as of March 31 are as follows:

	2022	2021
Deferred Tax Asset:		
Pre-Operative Costs	$ 430,847	$ 726,804
Provisions for Bad Debt	84,292	93,396
Other Benefits	310,418	331,246
Provision for Expense	-	760,471
Provision for Litigation	5,598	17,875
Inventory Write Down	658,649	1,096,896
Deferred Revenue	-	78,375
Unrealized/Realized Capital Losses	359,949	-
Valuation Allowance	(359,949)	-
Deferred Tax Liability:		
Depreciation	(12,107,038)	(14,684,108)
Net Deferred Income Tax Liability	$ (10,617,234)	$ (11,579,045)

Note 11: 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. 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, 2022 and 2021. Interest received totaled $1,322,875 for 2022 and $1,339,787 for 2021. As of March 31, 2022 and 2021, there was $0 and $1,339,787 of interest receivable related to the loan agreements, respectively.

As of March 31, 2022, accounts payable – related party results from the corporate guarantee of long-term debt and certain expenses such as freight and supplies. At March 31, 2021 the outstanding payable balance was $1,204,644. At March 31, 2022 there was no outstanding payable balance. Total material purchases from WCL were $99,759 during 2022 and $3,463,343 during 2021.

The Company has no remaining capital asset purchase commitments from WCL as of March 31, 2022. The Company had remaining capital asset purchase commitments of $17,855 from WCL as of March 31, 2021.

The Company paid director sitting fees of $4,000 to WCL during the years ended March 31, 2022 and 2021.

In 2022, the Company had no related party sales of goods to WCL. In 2021, the Company had $66,029 of related party sales of goods to WCL. In 2022, the Company paid reimbursements of expenses to WCL totaling $163,961. In 2021, the Company paid reimbursements of expenses to WCL totaling $111,560. In 2022, the Company had $7,820 in related party purchases of services from Welspun Global Services. In 2021, the Company had no related party purchases of services.

In 2022, the Company had no related party advances to WCL for material supplies. In 2021, the Company had related party advances to WCL for material supplies totaling $16,592. In 2022, the Company had $43,424 in related party receivables from Welspun USA for travel expenses. In 2021, the Company had no related party receivables. The Company made payments for corporate guarantee fees to WCL related to long-term debt, totaling $325,000 and $1,533,332 during 2022 and 2021, respectively.

Since 2007, the City of Little Rock, Arkansas, has issued $311,494,167 in industrial revenue bonds to fund the construction of the Company's manufacturing facilities. During 2015, the City of Little Rock, Arkansas issued an additional $10,000,000 in industrial revenue bonds and loaned the proceeds to the Company. Welspun Tubular, LLC is the borrower of the bond proceeds. Welspun Pipes, Inc. purchased $299,994,167 of these bonds using proceeds from loans obtained from WCL, EXIM Import Bank of India, Bank of India, State Bank of India, Standard Chartered Bank, and Bank of Baroda. As disclosed in Note 7, these loans are secured by the City of Little Rock bonds and some have been guaranteed by WCL. Substantially all the indebtedness and related investment associated with these bonds are eliminated in consolidation.

Note 12: 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 80% of the revenues during 2022 were generated from two customers and approximately 74% of the revenues during 2021 were generated from one customer.

Note 13: 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 2022 and 2021 were $438,650 and $584,298, respectively.

Note 14: 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, 2022:

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

The following table presents the Company's hierarchy for its assets and liabilities measured at fair value as of March 31, 2021:

	Carrying Amount	Level 1	Level 2	Level 3
Assets:				
Certificates of Deposit	$ 2,469,967	$ -	$ 2,469,967	$ -

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:

Certificates of deposit – restricted: Fair values for Certificates of deposit – restricted are based on amortized cost or original cost, plus accrued interest.

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 15: Commitments and Contingencies

In 2013, the Company received a $4,500,000 grant from the City of Little Rock (the "City") to help fund the acquisition of new equipment used in the HFIW plant. The ultimate purpose of the grant is to create employment opportunities for Arkansas residents. Under the terms of the grant, the Company will be tested by the City through December 31, 2016 to determine if the job creation required by the grant has taken place. If the Company fails to meet the grant's employment thresholds at any testing date, they will be required to repay the City $22,500 for each unfilled position on that date, with the repayment not to exceed the original $4,500,000 grant received. As of March 31, 2022 and 2021, the Company has met the grant's employment thresholds and the funds have been received.

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 16: 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, 2021.

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, 2021. The credit increased to 70% of qualified wages paid starting January 1, 2021. The Company has recognized $976,294 and $1,704,956 included as other income from the employee retention credit provision in the CARES Act as of March 31, 2022 and 2021, respectively.

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 are due on December 31, 2021, and the remaining half of the payments are payable on December 31, 2022. Employer payroll tax deferrals of $275,011 and $549,782 are included in accrued expenses on the Company's consolidated balance sheets at March 31, 2022 and 2021, respectively.

During May 2020, the Company received $100,000 of advanced funding from the Arkansas Ready for Business Grant Program. The grant funds must be expended by December 30, 2020, for one-time expenses associated with reopening or resuming normal operations. Any unused funds are to be paid back. The Company used all funds according to the grant and has recognized the entire grant as other income at March 31, 2021.