

Price Waterhouse Chartered Accountants LLP

The Board of Directors
Welspun Corp Limited
Welspun House, 5th Floor,
Kamala City, Senapati Bapat Marg,
Lower Parel (West),
Mumbai – 400 013

Report on special purpose consolidated financial statements

1. This report is issued in accordance with the terms of our agreement dated January 20, 2021.
2. We have audited the accompanying special purpose consolidated financial statements of Welspun Pipes Inc. (the "Company") and its subsidiaries (the Company and its subsidiaries together referred to as the "Group"), subsidiaries of Welspun Corp Limited (the "Holding Company"), (refer Note 1.2 to the accompanying special purpose consolidated financial statements); which comprise of the balance sheet as at March 31, 2021, the statement of profit and loss (including other comprehensive income), statement of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory information prepared based on the relevant records (herein referred to as the "Financial Statements").

Management's responsibility for the special purpose consolidated financial statements

3. The Company's Management is responsible for the preparation of these special purpose consolidated financial statements to give a true and fair view of the consolidated financial position and consolidated financial performance in conformity with the recognition and measurement provisions laid down in the applicable accounting principles generally accepted in India including the Accounting Standards specified under Section 133 of the Companies Act, 2013 (the "Act"), and to the extent disclosure provisions considered relevant by it for the purpose for which these special purpose consolidated financial statements have been prepared (the "accounting principles generally accepted in India"). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the special purpose consolidated financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

4. Our responsibility is to express an opinion on this special purpose consolidated financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Companies Act, 2013 (the "Act") and other applicable authoritative pronouncements issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the special purpose consolidated financial statements are free from material misstatement.



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Price Waterhouse (a Partnership Firm) converted into Price Waterhouse Chartered Accountants LLP (a Limited Liability Partnership with LLP identity no: LLPIN AAC-5001) with effect from July 25, 2014. Post its conversion to Price Waterhouse Chartered Accountants LLP, its ICAI registration number is 012754N/NS00016 [ICAI registration number before conversion was 012754N]

Price Waterhouse Chartered Accountants LLP

Independent auditors' report

To the Board of Directors of Welspun Corp Limited

Report on the audit of special purpose consolidated financial statements of Welspun Pipes Inc. and its subsidiaries

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5. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the special purpose consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the special purpose consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Company's preparation and fair presentation of the special purpose consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on whether the Company has an adequate internal financial controls system over financial reporting in place and the operating effectiveness of such controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by Management, as well as evaluating the overall presentation of the special purpose consolidated financial statements.
6. We believe that the audit evidence obtained by us is sufficient and appropriate to provide a basis for our audit opinion on the special purpose consolidated financial statements.

Opinion

7. In our opinion and to the best of our information and according to the explanations given to us, the aforesaid special purpose consolidated financial statements, together with the notes thereon and attached thereto, give a true and fair view in conformity with the accounting principles generally accepted in India of the consolidated state of affairs of the Group as at March 31, 2021, and their consolidated profit for the year ended on that date.

Emphasis of matter

8. We draw attention to Note 1.1(a) to the special purpose consolidated financial statements, which describes the basis of its preparation. The special purpose consolidated financial statements are not the statutory financial statements of the Company, and are not intended to, and do not, comply with all the provisions applicable to statutory financial statements prepared in accordance with accounting principles generally accepted in the United States of America, as those are considered irrelevant by the Management and the intended users of the special purpose consolidated financial statements for the purposes for which those have been prepared.

Our opinion is not modified in respect of this matter.

Other matters

9. The special purpose consolidated financial statements dealt with by this report, have been prepared for the express purpose of preparing consolidated financial statements of the Holding Company pursuant to the terms of engagement with the Holding Company dated January 20, 2021.

Restrictions on use

10. Our obligations in respect of this report are entirely separate from, and our responsibility and liability is in no way changed by, any other role we may have (or may have had) as auditors of the Company or otherwise. Nothing in this report, nor anything said or done in the course of or in connection with the services that are the subject of this report, will extend any duty of care we may have in our capacity as auditors of any financial statements of the Company.



Price Waterhouse Chartered Accountants LLP

Independent auditors' report

To the Board of Directors of Welspun Corp Limited

Report on the audit of special purpose consolidated financial statements of Welspun Pipes Inc. and its subsidiaries

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11. This report is addressed to the Board of Directors of the Holding Company and has been prepared for and only for the purposes set out in paragraph 9 above. This report should not be otherwise used or shown to or otherwise distributed to any other party or used for any other purpose except with our prior consent in writing. Price Waterhouse Chartered Accountants LLP neither accepts nor assumes any duty, responsibility or liability to any other party or for any other purpose.

For Price Waterhouse Chartered Accountants LLP
Firm Registration Number: 012754N/N500016



Neeraj Sharma
Partner
Membership Number: 108391
UDIN: 21108391AAAADU1796

Place: Pune
Date: May 25, 2021

Welspun Pipes, Inc
Consolidated special purpose financial statements - March 31, 2021

Consolidated special purpose financial statements

- Consolidated balance sheet as at March 31, 2021
- Consolidated statement of profit and loss for the year ended March 31, 2021
- Consolidated statement of changes in equity for the year ended March 31, 2021
- Notes comprising significant accounting policies and other explanatory information

Welspun Pipes, Inc.
Consolidated Balance Sheet
 (All amounts in USD, unless otherwise stated)

	Notes	As at March 31, 2021	As at March 31, 2020
ASSETS			
Non-current assets			
Property, plant and equipment	3(a)	94,526,079	101,660,029
Capital work-in-progress	3(a)	1,327,948	1,999,281
Right-of-use asset	3(b)	4,000,569	4,350,835
Financial assets			
Loans	4(a)	25,476,026	24,691,026
Other non-current assets	5(a)	772,831	571,336
Total non-current assets		126,103,453	133,272,507
Current assets			
Inventories	6	83,052,549	116,506,497
Financial assets			
Trade receivables	7	6,502,559	75,601,937
Cash and cash equivalents	8	8,778,124	43,103,144
Bank balances other than cash and cash equivalents	9	2,473,640	2,303,740
Loans	4(b)	2,965,000	6,400,000
Other financial assets	10	1,339,787	724,736
Other current assets	5(b)	3,304,157	4,346,295
Assets classified as held for sale	11	-	15,000
Total current assets		108,415,816	249,001,349
Total assets		234,519,269	382,273,856
EQUITY AND LIABILITIES			
Equity			
Equity share capital	12	1	1
Other equity			
Reserve and surplus	13	132,577,439	204,367,110
Total equity		132,577,440	204,367,111
Liabilities			
Non-current liabilities			
Financial liabilities			
Borrowings	14(a)	294,478	14,831
Lease liabilities	3(b)	1,745,868	2,468,699
Deferred tax liabilities (net)	15	12,638,971	12,794,235
Other non-current liabilities	20(a)	274,891	-
Total non-current liabilities		14,954,208	15,277,765
Current liabilities			
Financial liabilities			
Borrowings	14(b)	10,020,110	2,522,046
Trade payables	16	28,622,260	91,374,866
Lease liabilities	3(b)	1,217,186	1,524,748
Other financial liabilities	17	34,949,650	30,978,358
Provisions	18	65,000	488,763
Current tax Liabilities (net)	19	3,821,860	5,064,239
Other current liabilities	20(b)	8,291,555	30,675,960
Total current liabilities		86,987,621	162,628,980
Total liabilities		101,941,829	177,906,745
Total equity and liabilities		234,519,269	382,273,856

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

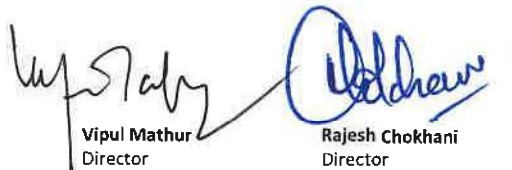
This is the consolidated balance sheet referred to in our report of even date.

For Price Waterhouse Chartered Accountants LLP
 Firm Registration No: 012754N / N500016



Neeraj Sharma
 Partner
 Membership No. 108391

For and on behalf of the Board



Vipul Mathur
 Director

Rajesh Chokhani
 Director

Place: Pune
 Date: May 25, 2021

Place: Mumbai
 Date: May 25, 2021

Place: Little Rock, Arkansas
 Date: May 25, 2021



Welspun Pipes, Inc.
Consolidated Statement of Profit and Loss
 (All amounts in USD, unless otherwise stated)

	Notes	Year ended March 31, 2021	Year ended March 31, 2020
Revenue from operations	21(a)	223,792,944	806,656,778
Other operating income	21(b)	21,239,462	7,482,711
Other income	22	1,498,911	1,859,789
Total Income		246,531,317	815,999,278
Expenses			
Cost of material consumed	23 (a)	108,833,100	515,216,211
Purchases of stock-in-trade	23 (b)	73,069,894	4,812,489
Changes in inventories of finished goods and work-in progress	24	(19,399,680)	5,811,770
Employee benefits expense	25	32,512,935	61,231,716
Depreciation expense	26	15,818,969	15,528,843
Other expenses	27	22,310,078	107,729,330
Finance costs	28	3,832,521	5,954,908
Total expenses		236,977,817	716,285,267
Profit before tax		9,553,500	99,714,011
Income tax expense			
	29		
Current tax		498,435	30,534,691
Deferred tax		(155,264)	(4,346,154)
Total income tax expense		343,171	26,188,537
Profit for the year (A)		9,210,329	73,525,474
Other comprehensive Income for the year, net of tax (B)			
Total comprehensive Income for the year (A+B)		9,210,329	73,525,474

The above consolidated statement of profit and loss should be read in conjunction with the accompanying notes.

This is the consolidated statement of profit and loss referred to in our report of even date.

For Price Waterhouse Chartered Accountants LLP
 Firm Registration No: 012754N / N500016



Neeraj Sharma
 Partner
 Membership No. 108391

For and on behalf of the Board



Vipul Mathur
 Director

Rajesh Chokhani
 Director

Place: Pune
 Date: May 25, 2021

Place: Mumbai
 Date: May 25, 2021

Place: Little Rock, Arkansas
 Date: May 25, 2021



Welspun Pipes, Inc.
 Consolidated statement of changes in equity
 (All amounts in USD, unless otherwise stated)

A. Equity share capital

Particulars	Notes	Amount
Balance as at April 01, 2019		1
Changes in equity share capital during the year	13	-
Balance as at March 31, 2020		1
Changes in equity share capital during the year	13	-
Balance as at March 31, 2021		1

B. Other equity

	Attributable to owners of Welspun Pipes, Inc.		
	Reserves and Surplus		Total other equity
	Securities Premium Reserve	Retained Earnings	
Balance as at April 01, 2019	10,000	170,131,636	170,141,636
Profit for the year	-	73,525,474	73,525,474
Total comprehensive Income for the year	-	73,525,474	73,525,474
Movement during the year:			
Dividends paid		(39,300,000)	(39,300,000)
Balance as at April 01, 2020	10,000	204,357,110	204,367,110
Profit for the year	-	9,210,329	9,210,329
Total comprehensive Income for the year	-	9,210,329	9,210,329
Movement during the year:			
Dividends paid	-	(81,000,000)	(81,000,000)
Balance as at March 31, 2021	10,000	132,567,439	132,577,439

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

This is the consolidated statement of changes in equity referred to in our report of even date.

For Price Waterhouse Chartered Accountants LLP
 Firm Registration No: 012754N / N500016



Neeraj Sharma
 Partner
 Membership No. 108391

For and on behalf of the Board



Vipul Mathur
 Director



Rajesh Chokhani
 Director

Place: Pune
 Date: May 25, 2021

Place: Mumbai
 Date: May 25, 2021

Place: Little Rock, Arkansas
 Date: May 25, 2021



Welspun Pipe Inc

Notes annexed to and forming part of the consolidated balance sheet as at March 31, 2021 and the consolidated statement of profit and loss for the year ended March 31, 2021

(All amounts in USD, unless otherwise stated)

General Information

Welspun Pipes, Inc. ("WPI" or "Company" or "Holding Company") and its wholly-owned subsidiaries (collectively, the "Group"), are organized and incorporated under the laws of the State of Delaware. WPI is a subsidiary of Welspun Corp Limited ("WCL" or the "Ultimate Holding Company"), a limited liability company registered in India and listed on Indian Stock Exchanges, BSE and NSE. WPI has two wholly-owned subsidiary companies i.e. Welspun Tubular, LLC and Welspun Global Trade, LLC (together known as 'subsidiaries').

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.

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

These consolidated financial statements were approved for issue by the Board of Directors of Welspun Corp Limited on May 25, 2021.

Recent Accounting Pronouncements

i) New and amended standards adopted by the Group

The Group has applied the following standards and its amendments for the first time for annual reporting period commencing April 01, 2020.

- Definition of Material – amendments to Ind AS 1 and Ind AS 8

Amendments are made to Ind AS 1- Presentation of Financial Statements and Ind AS 8 - Accounting Policies, Changes in Accounting Estimates and Errors, which use a consistent definition of materiality, clarify when information is material and incorporate some of the guidance in Ind AS 1 about immaterial information.

In particular, the amendments clarify:

- that the reference to obscuring information addresses situations in which the effect is similar to omitting or misstating that information, and that an entity assesses materiality in the context of the financial statements as a whole, and
- the meaning of 'primary users of general purpose financial statements' to whom those financial statements are directed, by defining them as 'existing and potential investors, lenders and other creditors' that must rely on general purpose financial statements for much of the financial information they need.

- Definition of a Business – amendments to Ind AS 103

The amended definition of a business requires an acquisition to include an input and a substantive process that together significantly contribute to the ability to create outputs. The definition of the term 'outputs' is amended to focus on goods and services provided to customers, generating investment income and other income, and it excludes returns in the form of lower costs and other economic benefits."

- COVID-19 related concessions – amendments to Ind AS 116

Amendments to Ind AS 116 Leases, provides a practical expedient to apply rent concessions occurring as a direct consequence of the COVID-19 pandemic. Lessee that makes this election shall account for any change in lease payments resulting from the rent concession the same way it would account for the change applying this Standard if the change were not a lease modification.



Welspun Pipe Inc

**Notes annexed to and forming part of the consolidated balance sheet as at March 31, 2021
and the consolidated statement of profit and loss for the year ended March 31, 2021**

(All amounts in USD, unless otherwise stated)

- Interest Rate Benchmark Reform – amendments to Ind AS 109 and Ind AS 107

The amendments made to Ind AS 109 Financial Instruments, and Ind AS 107 Financial Instruments: Disclosures provide certain reliefs in relation to interest rate benchmark reform. The reliefs relate to hedge accounting and have the effect that the reforms should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness should continue to be recorded in the income statement.

The amendments listed above did not have any material impact on Company's financial statements.

ii) Amended applicable from next Financial year

On March 24, 2021, the Ministry of Corporate Affairs ("MCA") through a notification, amended Schedule III of the Companies Act, 2013. The amendments revise Division I, II and III of Schedule III and are applicable from April 1, 2021. Key amendments relating to Division II which relate to companies whose financial statements are required to comply with Companies (Indian Accounting Standards) Rules 2015 are:

Balance Sheet:

- Lease liabilities should be separately disclosed under the head 'financial liabilities', duly distinguished as current or non-current.
- Certain additional disclosures in the statement of changes in equity such as changes in equity share capital due to prior period errors and restated balances at the beginning of the current reporting period.
- Specified format for disclosure of shareholding of promoters.
- Specified format for ageing schedule of trade receivables, trade payables, capital work-in-progress and intangible asset under development.
- If a company has not used funds for the specific purpose for which it was borrowed from banks and financial institutions, then disclosure of details of where it has been used.
- Specific disclosure under 'additional regulatory requirement' such as compliance with approved schemes of arrangements, compliance with number of layers of companies, title deeds of immovable property not held in name of company, loans and advances to promoters, directors, key managerial personnel (KMP) and related parties, details of benami property held, certain specified ratios etc.

Statement of profit and loss:

- Additional disclosures relating to Corporate Social Responsibility (CSR), undisclosed income and crypto or virtual currency specified under the head 'additional information' in the notes forming part of the standalone financial statements.

The amendments are extensive and the Group will evaluate the same to give effect to them as required by law.

Note 1: Significant Accounting Policies

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the Group consisting of the WPI and its subsidiaries.

1.1 Basis of preparation of financial statements

a) Compliance with Ind AS

The consolidated financial statements comply in all material aspects with recognition and measurement provisions of Indian Accounting Standards (Ind AS) notified under Section 133 of the Companies Act, 2013 (the "Act") [Companies (Indian Accounting Standards) Rules, 2015] and other applicable authoritative pronouncements issued by the Institute of Chartered Accountants of India ('ICAI'), and to the extent disclosure provisions considered relevant by it.

The special purpose consolidated financial statements are not the statutory financial statements of the Group, and are not intended to, and do not, comply with all the provisions applicable to statutory financial statements prepared in accordance with accounting principles generally accepted in the United States of America, as those are considered irrelevant by the Management and the intended users of the special purpose consolidated financial statements for the purposes for which those have been prepared.



Welspun Pipe Inc

Notes annexed to and forming part of the consolidated balance sheet as at March 31, 2021

and the consolidated statement of profit and loss for the year ended March 31, 2021

(All amounts in USD, unless otherwise stated)

This special purpose financial statements are prepared solely for the purpose of consolidating financial statement of Welspun Corp Limited.

b) Historical cost convention

The financial statements have been prepared on the accrual and going concern basis. The financial statements have been prepared on a historical cost basis except for certain financial assets and liabilities carried at fair value.

c) Current and non-current classification

All assets and liabilities have been classified as current or non-current as per the Group's normal operating cycle (i.e. 12 months) and other criteria set out in Schedule III (Division II) to the Act.

1.2 Principles of consolidation

Subsidiaries

Subsidiaries are all entities over which the Company has control. The Company controls an entity when the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the relevant activities of the entity. In assessing control, potential voting rights that currently are exercisable are taken into account. The Company re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Company.

The Company combines the financial statements of WPI and its subsidiaries line by line adding together like items of assets, liabilities, equity, income and expenses. Intercompany transactions, balances and unrealised gains on transactions between WPI and its subsidiaries are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Company.

The financial statements of the subsidiaries used in consolidation are drawn up to the same reporting date as that of the Company.

For list of subsidiaries consolidated, refer table below:

Name of the Subsidiaries	Country of Incorporation	Extent of Holding	
		As at March 31, 2021	As at March 31, 2020
Direct Subsidiaries			
Welspun Tubular, LLC	USA	100%	100%
Welspun Global Trade, LLC	USA	100%	100%

1.3 Foreign currency translations

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in USD, which is Group's functional and presentation currency.

a) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in profit or loss.



Welspun Pipe Inc

Notes annexed to and forming part of the consolidated balance sheet as at March 31, 2021

and the consolidated statement of profit and loss for the year ended March 31, 2021

(All amounts in USD, unless otherwise stated)

Foreign exchange differences regarded as an adjustment to borrowing costs are presented in the statement of profit and loss, within finance costs. All other foreign exchange gains and losses are presented in the statement of profit and loss on a net basis within other expenses or other income, as applicable.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the date of initial transaction.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss.

Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example: translation differences on non-monetary assets and liabilities such as equity instruments held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equity investments classified as FVOCI are recognised in other comprehensive income.

The Group has elected to apply the exemption from the transition date i.e. April 01, 2015 in respect of accounting policy followed for long term foreign currency monetary items. Accordingly, long term foreign currency monetary items in the financial statements have been accounted in accordance with the policy adopted under previous GAAP as given below:

- Foreign exchange differences on account of depreciable assets are adjusted in the cost of depreciable assets and depreciated over the balance life of the assets.
- In other cases, foreign exchange differences are accumulated in "Foreign Currency Monetary Item Translation Difference Account" and amortised over the balance period of such long term assets/ liabilities.

1.4 Revenue recognition

a) Sale of goods

The Group derives revenue principally from sale of pipes.

The Group recognises revenue when it satisfies a performance obligation in accordance with the provisions of contract with the 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 Group has the present right to payment, all of which occurs at a point in time upon shipment or delivery of the product. The Group considers freight activities as costs to fulfil the promise to transfer the related products and the customer payments for freight costs are recorded as a component of revenue.

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

In certain customer contracts, freight services are treated as a distinct separate performance obligation and the Group recognises revenue for such services when the performance obligation is completed.

The Group considers the terms of the contract in determining the transaction price. The transaction price is based upon the amount the Group 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, volume rebates, etc.

Revenue is recognized at a determined transaction price when identified performance obligations are satisfied. The bill and hold contracts are entered at the request of the customer. Revenue from bill and hold contracts is recognised at the agreed transaction price (determined price). The price for bill and hold contracts is determined at the time of entering into the transaction and the performance obligation is satisfied when goods have been appropriated towards the sale transaction (the control of asset is transferred to the customer).

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 excludes any taxes and duties collected on behalf of the government.



Welspun Pipe Inc

Notes annexed to and forming part of the consolidated balance sheet as at March 31, 2021

and the consolidated statement of profit and loss for the year ended March 31, 2021

(All amounts in USD, unless otherwise stated)

b) Sale of services

The Group also provides freight services to its customers.

Revenue from providing freight services is recognised in the accounting period in which the services are rendered.

The related freight costs incurred are included in freight expenses when the Group is acting as principal in the freight arrangement.

Freight services may be considered a separate performance obligation if control of the goods transfers to the customer before goods reach to the agreed place of shipment, but the entity has promised to ship the goods (or arrange for the goods to be shipped). In contrast, if control of a good does not transfer to the customer before goods reach to the agreed place of shipment, freight service is not a promised service to the customer. This is because freight service is a fulfilment activity as the costs are incurred as part of transferring the goods to the customer.

The Group does not have any contracts where in the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

1.5 Contract assets and contract liabilities

When the Group performs a service or transfers a good in advance of receiving consideration, it recognises a contract asset or receivable.

A contract asset is a Group's right to consideration in exchange for goods or services that the Group has transferred to a customer. If the Group transfers control of goods or services to a customer before the customer pays consideration, the Group records a contract asset when the nature of the Group's right to consideration for its performance is other than passage of time. A contract asset will be classified as a receivable when the Group's right to consideration is unconditional (that is, when payment is due only on the passage of time). The Group shall assess a contract asset for impairment in accordance with Ind AS 109. Impairment of a contract asset is measured, presented and disclosed on similar basis as other financial asset in nature of trade receivable within the scope of Ind AS 109. The Group discloses contract assets under "Other Assets".

The Group recognises a contract liability if the customer's payment of consideration precedes the Group's performance. A contract liability is recognised if the Group receives consideration (or if it has the unconditional right to receive consideration) in advance of performance. The Group discloses contract liabilities under "Other Liabilities".

1.6 Segment reporting

The Board of Directors of the Holding Company assess the financial performance and position of the Group and makes strategic decisions. The chief operating decision makers are Directors of the Holding Company. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker.

1.7 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received, and the Group will comply with all attached conditions.

Grants related to assets are government grants whose primary condition is that an entity qualifying for them should purchase, construct or otherwise acquire long-term assets. Grants related to income are government grants other than those related to assets.

Government grants relating to income are deferred and recognised in the profit or loss over the period necessary to match them with the costs that they are intended to compensate and presented either under "other operating revenue" or are deducted in reporting the related expense. The presentation approach is applied consistently to all similar grants.

Government grants relating to the purchase of property, plant and equipment are included in liabilities as "Government grants" and are credited to profit or loss on a straight-line basis over the expected lives of the related assets and presented within "Other operating revenue". In case of disposal of such property, plant and equipment, related government grants included in the liabilities are written back and charged to the statement of profit and loss.



Welspun Pipe Inc

**Notes annexed to and forming part of the consolidated balance sheet as at March 31, 2021
and the consolidated statement of profit and loss for the year ended March 31, 2021**

(All amounts in USD, unless otherwise stated)

1.8 Income tax, deferred tax

The Income tax expense or credit for the year is the tax payable on the current year's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Current and deferred tax is recognised in the Statement of Profit and Loss except to the extent it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised in equity or other comprehensive income respectively.

a) Current income tax

Current tax charge is based on taxable profit for the year. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the Group operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Current tax assets and tax liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

b) Deferred tax

Deferred tax is provided using the liability method on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Such deferred tax assets and liabilities are computed separately for each taxable entity and for each taxable jurisdiction. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill. Deferred tax is determined using tax rates that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred tax assets is realized or deferred tax liability is settled.

Deferred tax are recognised for all deductible temporary difference and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting profit nor taxable profit (tax loss).

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and interests in jointly controlled entities, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are not recognised for temporary differences between the carrying amount and tax bases of investments in subsidiaries and associates and interest in joint arrangements where it is not probable that the differences will reverse in the foreseeable future and taxable profit will not be available against which the temporary difference can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and adjusted to reflect changes in probability that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred income tax assets and liabilities are off-set against each other and the resultant net amount is presented in the Balance Sheet, if and only when, (a) the Group has a legally enforceable right to set-off the current income tax assets and liabilities, and (b) the Deferred income tax assets and liabilities relate to income tax levied by the same taxation authority.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively



Welspun Pipe Inc

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1.9 Leases

a) as a Lessee

The Group leases various leasehold lands, buildings, vehicles, and office and other equipments. Rental contracts are typically made for fixed periods of one to ninety-nine years but may have extension options as described in note 3(b). Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Based on the notification released by MCA, Ind AS 116 has been made applicable w.e.f April 01, 2019. From April 01, 2019, leases are recognized as a right-of-use assets and a corresponding lease liability at the date at which the leased assets is available for the use by the Group.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments, as applicable:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the Group under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

Lease payment to be made under reasonably certain extension options are also included in the measurement of the liability. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following, wherever applicable:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term (including extension considering reasonable certainty), on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases of equipment and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets and short term lease assets comprises of dumpsite land, laptops and other office equipment's.

b) as a lessor

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term. Initial direct cost incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the balance sheet based on their nature. The Group did not need to make any adjustments to the accounting for assets held as lessor as a result of adopting the new leasing standard.



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1.10 Property, Plant and equipment

Freehold land is carried at historical cost. All other items of property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Cost of Capital Work-in-Progress ('CWIP') comprises amount paid towards acquisition of property, plant and equipment outstanding as of each balance sheet date and construction expenditures, other expenditures necessary for the purpose of preparing the CWIP for its intended use and borrowing cost incurred before the qualifying asset is ready for intended use. CWIP is not depreciated until such time as the relevant asset is completed and ready for its intended use.

Depreciation methods, estimated useful lives and residual value

Freehold land is not depreciated. Depreciation is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives as follows:

Assets	Estimated Useful Lives (in years)
Land improvements and Buildings	Ranging between 15 to 39 years
Plant and Machinery	3- 10 years
Office and other equipments	5 to 10 years
Vehicles	5 years
Furniture and fixtures	Ranging between 1 to 7 years

The residual values are not more than 5% of the original cost of the asset.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Estimated useful lives, residual values and depreciation methods are reviewed annually, taking into account commercial and technological obsolescence as well as normal wear and tear and adjusted prospectively, if appropriate.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss within other income or other expenses, as applicable.

1.11 Investment properties

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group, is classified as Investment property. Investment property is measured initially at its cost, including related transaction costs and where applicable borrowing costs. Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed when incurred. When part of an investment property is replaced, the carrying amount of the replaced part is derecognised.

1.12 Impairment of assets

All assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non- financial assets that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.



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1.13 Inventories

Raw materials, stores and spares, work in progress, traded goods and finished goods

Raw materials, stores and spares, work in progress, traded goods and finished goods are stated at the lower of cost and net realisable value. Cost of raw materials and traded goods comprises cost of purchases on moving weighted average basis. Cost of work-in progress and finished goods comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Cost of inventories also includes all other costs incurred in bringing the inventories to their present location and condition. Costs are assigned to individual items of inventory moving weighted average basis. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

1.14 Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

a) Financial assets

(I) Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss); and
- those measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income.

For investments in debt instruments, this will depend on the business model in which the investment is held.

For investments in equity instruments, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(II) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

(i) Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

• **Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt investment that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

• **Fair value through other comprehensive income (FVOCI):** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through other comprehensive income (FVOCI). Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit and loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/ (losses). Interest income from these financial assets is included in other income using the effective interest rate method.

• **Fair value through profit or loss (FVTPL):** Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss and presented net in the statement of profit and loss within other income or other expenses (as applicable) in the period in which it arises. Interest income from these financial assets is included in other income.



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(ii) Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss. Dividends from such investments are recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at fair value through profit or loss are recognised in the statement of profit and loss. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

(III) Impairment of financial assets

The Group assesses on a forward looking basis the expected credit losses associated with its assets carried at amortised cost and FVOCI debt instruments. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables only, the Group applies the simplified approach permitted by Ind AS 109 Financial Instruments, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

(IV) Derecognition of financial assets

A financial asset is derecognised only when

- The Group has transferred the rights to receive cash flows from the financial asset or
- retains the contractual rights to receive the cash flows of the financial asset, but assumes a contractual obligation to pay the cash flows to one or more recipients.

Where the entity has transferred an asset, the Group evaluates whether it has transferred substantially all risks and rewards of ownership of the financial asset. In such cases, the financial asset is derecognised. Where the entity has not transferred substantially all risks and rewards of ownership of the financial asset, the financial asset is not derecognised.

Where the entity has neither transferred a financial asset nor retains substantially all risks and rewards of ownership of the financial asset, the financial asset is derecognised if the Group has not retained control of the financial asset. Where the Group retains control of the financial asset, the asset is continued to be recognised to the extent of continuing involvement in the financial asset.

(V) Income recognition

(i) Interest income

Interest income from debt instruments is recognised using the effective interest rate method. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of a financial asset. When calculating the effective interest rate, the Group estimates the expected cash flows by considering all the contractual terms of the financial instrument (for example, prepayment, extension, call and similar options) but does not consider the expected credit losses.

(ii) Dividend income

Dividend income is recognised in profit or loss only when the right to receive payment is established, it is probable that the economic benefits associated with the dividend will flow to the Group, and the amount of the dividend can be measured reliably.

(VI) Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(VII) Trade receivables

Trade Receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method, less loss allowance.



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b) Financial liabilities

(I) Measurement

Financial liabilities are initially recognised at fair value, reduced by transaction (in case of financial liability not at fair value through profit or loss), that are directly attributable to the issue of financial liability. After initial recognition, financial liabilities are measured at amortised cost using effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash outflow (including all fees paid, transaction cost, and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. At the time of initial recognition, there is no financial liability irrevocably designated as measured at fair value through profit or loss. Liabilities from finance lease agreements are measured at the lower of fair value of the leased asset or present value of minimum lease payments.

(II) Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the de-recognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

(III) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in Statement of profit or loss as other income or other expenses (as applicable).

Where the terms of a financial liability are renegotiated and the entity issues equity instruments to a creditor to extinguish all or part of the liability (debt for equity swap), a gain or loss is recognised in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued.

Where there is a breach of a material provision of a long-term loan arrangement on or before the end of the reporting period with the effect that the liability becomes payable on demand on the reporting date, the entity does not classify the liability as current, if the lender agreed, after the reporting period and before the approval of the financial statements for issue, not to demand payment as a consequence of the breach.

(IV) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. Trade and other payables are recognised initially at, their fair value, and subsequently measured at amortised cost using effective interest rate method.

Trade payables includes acceptances arrangements where operational suppliers of goods are paid by banks while Group continues to recognise the liability till settlement with the banks.

1.15 Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. Other borrowing costs are expensed in the period in which they are incurred.



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1.16 Employee benefits

a) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the balance sheet.

b) Defined contribution plans

401(k) Retirement Savings Plan

The Group 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 Group may make discretionary matching contributions.

1.17 Provisions, contingent liabilities and contingent assets

a) Provisions

Provisions for legal claims are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small. Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

The measurement of provision for restructuring includes only direct expenditures arising from the restructuring, which are both necessarily entailed by the restructuring and not associated with the ongoing activities of the Group.

b) Contingent liabilities

Contingent liabilities are disclosed when there is a possible obligation arising from past events the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group or a present obligation that arises from past events where it is either not probable that an outflow of resources will be required to settle or a reliable estimate of the amount cannot be made.

c) Contingent assets

Contingent assets are disclosed, where an inflow of economic benefits is probable.

1.18 Contributed equity

Equity shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

1.19 Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

1.20 New standards and amendments

There are no new updates in the existing standards issued through the date of issuance of these financial statements. New standard if any issued post balance sheet date, does not have impact on the Group.



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Note 2: Critical estimates and judgments

The preparation of Group's financial requires management to make judgments, estimates and assumptions, that affect the application of accounting policies and the reported amounts of assets, liabilities, income, expenses and disclosures of contingent assets and liabilities at the date of these financial statements and the reported amounts of revenues and expenses for the years presented. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed at each balance sheet date. Revisions to accounting estimates are recognised in the period in which the estimate is revised and future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are included in the following accounting policies and/or notes:

Critical estimates and judgments

i) Estimation of useful life- PPE (Refer note 1.10)

The charge in respect of periodic depreciation is derived after determining an estimate of an asset's expected useful life and the expected residual value at the end of its life. Increasing an asset's expected life or its residual value would result in a reduced depreciation charge in the income statement.

The useful lives and residual values of the Group's assets are determined by management at the time the asset is acquired and reviewed annually for appropriateness. The lives are based on historical experience with similar assets as well as anticipation of future events which may impact their life such as changes in technology.

Historically changes in useful lives and residual values have not resulted in material changes to the Group's depreciation charge.

ii) Inventory (write down)

The Group writes down inventories to net realizable value based on an estimate of the realizability of inventories. Write downs on inventories are recorded where events or changes in circumstances indicate that the balances may not be realized. The identification of write-downs requires the use of estimates of net selling prices of the scrap inventories. Where the expectation is different from the original estimate, such difference will impact the carrying value of inventories and write-downs of inventories in the periods in which such estimate has been changed.

Write downs of inventories to net realisable value amounted to USD 343,672 (March 31, 2020: USD 5,031,681). These were recognised as an expense during the year and included in 'cost of material consumed', 'Changes in inventories of finished goods, stock-in-trade and work-in progress' and 'other expenses' in statement of Profit and Loss.



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3(a) Property, Plant and Equipment

Carrying amounts	Freehold land	Land Improvement	Buildings	Plant and machinery	Office and other equipments	Vehicles	Furniture and fixtures	Total
Year ended March 31, 2020								
Gross carrying amount	4,781,979	20,181,555	55,089,471	111,044,573	9,987,993	180,639	121,994	201,388,204
Balance as at April 1, 2019	-	425,928	209,079	1,722,388	1,013,553	39,727	-	3,410,675
Additions	-	-	-	-	(2,617,906)	-	-	(2,617,906)
Reclassification as Right-of-Use Assets (refer note 3(b))	-	-	-	-	122,406	-	-	122,406
Disposals	-	-	-	-	-	-	-	-
Gross carrying amount as at March 31, 2020	4,781,979	20,607,483	55,298,550	112,766,961	8,261,234	220,366	121,994	202,058,567
Year ended March 31, 2021								
Gross carrying amount	-	3,938,499	172,255	4,005,303	59,797	-	4,757	8,180,611
Additions	-	-	-	374,128	-	-	-	374,128
Disposals	-	-	-	-	-	-	-	-
Gross carrying amount as at March 31, 2021	4,781,979	24,545,982	55,470,805	116,398,136	8,321,031	220,366	126,751	209,865,050
Accumulated depreciation								
Year ended March 31, 2020								
Balance as at April 1, 2019	-	7,211,218	6,412,933	68,168,843	4,084,944	112,211	97,570	86,087,719
Depreciation charge during the year	-	1,849,532	1,627,676	10,150,603	891,104	26,286	13,965	14,559,166
Disposals	-	-	-	-	122,406	-	-	122,406
Reclassification as Right-of-Use Assets (refer note 3(b))	-	-	-	-	(125,941)	-	-	(125,941)
Accumulated depreciation as at March 31, 2020	-	9,060,750	8,040,609	78,319,446	4,727,701	138,497	111,535	100,398,538
Year ended March 31, 2021								
Depreciation charge during the year	-	1,938,992	1,633,155	11,493,789	178,942	28,325	9,710	15,282,913
Disposals	-	-	-	342,480	-	-	-	342,480
Accumulated depreciation as at March 31, 2021	-	10,999,742	9,673,764	89,470,755	4,906,643	166,822	121,245	115,338,971
Net carrying amount of property, plant and equipment								
As at March 31, 2020	4,781,979	11,546,733	47,257,941	34,447,515	3,533,533	81,869	10,459	101,660,029
As at March 31, 2021	4,781,979	13,546,240	45,797,041	26,927,381	3,414,388	53,544	5,506	94,526,079



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3(a) Property, Plant and Equipment (Contd....)

Capital work-in-progress

Opening balance as at April 01, 2019	946,830
Additions	5,876,782
Disposals	4,824,331
Closing balance as at March 31, 2020	1,999,281

Opening balance as at April 01, 2020	1,999,281
Additions	6,468,984
Disposals	7,140,317
Closing balance as at March 31, 2021	1,327,948

Major Capital work-in-progress comprises of Plant and Machinery improvements

- (i) For property, plant and equipment pledged as security (refer note 14).
- (ii) Contractual obligations
Refer note 31(i) for disclosure of contractual commitments for the acquisition of property, plant and equipment.

3(b) Leases

(i) Amount recognised in balance sheet

The Balance sheet shows the following amounts relating to leases

Right-of-use assets

	As at March 31, 2021	As at March 31, 2020
Buildings	185,284	233,619
Plant and machinery	-	454,017
Office and other equipments	3,780,268	3,617,900
Vehicle	35,017	45,299
Total Right-of-use assets	4,000,569	4,350,835

Lease Liabilities

	As at March 31, 2021	As at March 31, 2020
Current	1,217,186	1,524,748
Non Current	1,745,868	2,468,699
Total Lease liabilities	2,963,054	3,993,447

Net additions to the right-of-use assets during the current financial year were USD 185,790 (March 31, 2020: USD 1,117,619)

The Group leases various buildings, plant and machinery, vehicles, and office and other equipments. Rental contracts are typically made for fixed periods of two to five years but may have purchase option after the lease term.

(ii) Amount recognised in the statement of profit and loss

	Year ended March 31, 2021	Year ended March 31, 2020
Depreciation charge of Right-of-use assets		
Plant and machinery	62,021	597,097
Buildings	48,335	48,335
Vehicle	10,282	19,589
Office and other equipments	415,418	304,656
Total	536,056	969,677
Interest expense		
Interest expense on leases (included in finance cost)	110,594	194,716
Expense relating to short-term leases (included in other expenses)	550,654	1,305,304
Total	661,248	1,500,020

The total cash outflow for leases for the year ended March 31, 2021 is USD 1,655,967 (March 31, 2020 : USD 1,780,107)



Welspun Pipes, Inc.

Notes annexed to and forming part of the consolidated balance sheet as at March 31, 2021

and the consolidated statement of profit and loss for the years ended March 31, 2021

(All amounts in USD, unless otherwise stated)

	As at March 31, 2021	As at March 31, 2020
4 Loans		
4(a) Non-current		
Unsecured, considered good		
Loan to related party (refer note below and note 34)	25,000,000	24,100,000
Security Deposits	476,026	591,026
Total	25,476,026	24,691,026
<p>Loan carries interest due annually at the rate of 4.75% on principal amount. The principal amount to the extent of USD 25,000,000 (March 31, 2020: USD 24,100,000) is repayable on demand, however the Group does not intend to demand the loan in the next 12 months, accordingly the Group has classified this loan as non-current. Further it excludes an amount of USD 2,850,000 (March 31, 2020: 6,400,000) that has been transferred to current loans</p>		
4(b) Current		
Unsecured, considered good		
Loan to related party (refer note 4(a) and note 34)	2,850,000	6,400,000
Security Deposits	115,000	-
Total	2,965,000	6,400,000
	As at March 31, 2021	As at March 31, 2020
5 Other assets		
5(a) Non-current		
Capital advances	772,831	571,336
	772,831	571,336
Balance with statutory authorities:		
Indirect tax	621,775	621,775
Less: Allowance for doubtful balances with statutory authorities	(621,775)	(621,775)
Total	772,831	571,336
5(b) Current		
Advance to related party (Refer Note 34)	16,592	3,206,453
Advance to suppliers	377,414	967,132
Less: Allowance for doubtful advances	(265,943)	(265,750)
	128,063	3,907,835
Balance with statutory authorities:		
Indirect tax	2,568	122,064
Prepaid Expenses	465,470	316,397
Government grant receivable [refer note 21 (b) (i) and note 42]	2,708,056	-
Total	3,304,157	4,346,295
	As at March 31, 2021	As at March 31, 2020
6 Inventories (refer to note 14 (b))		
Raw materials	7,487,636	27,694,433
Goods-in-transit for raw-materials	-	30,854,400
Work-in-progress	1,095,618	155,576
Finished goods	62,698,636	44,238,998
Stores and spares	11,770,659	13,563,090
Total	83,052,549	116,506,497



Welspun Pipes, Inc.

Notes annexed to and forming part of the consolidated balance sheet as at March 31, 2021 and the consolidated statement of profit and loss for the years ended March 31, 2021 (All amounts in USD, unless otherwise stated)

	As at March 31, 2021	As at March 31, 2020
7 Trade receivables (refer to note 14 (b))		
Trade receivables	6,576,236	76,937,072
Less : Allowance for doubtful debts (net)	(73,677)	(1,335,135)
Total	6,502,559	75,601,937
Current	6,502,559	75,601,937
Break up of security details		
Trade receivables Considered good - Unsecured	6,502,559	75,601,937
Trade receivables Considered doubtful - Unsecured	73,677	1,335,135
Total	6,576,236	76,937,072
Allowance for doubtful debts (net)	(73,677)	(1,335,135)
Total	6,502,559	75,601,937

The Group's trade receivable do not carry a significant financing element. Accordingly the company has adopted a simplified approach for measurement of expected credit loss.

	As at March 31, 2021	As at March 31, 2020
8 Cash and cash equivalents		
Balances with banks:		
Current accounts	8,778,124	43,103,144
Total	8,778,124	43,103,144
9 Bank balances other than cash and cash equivalents		
Margin money deposits (Refer note below)	2,473,640	2,303,740
	2,473,640	2,303,740

Note : Fixed deposit of USD 2,473,640 (March 31, 2020: USD 23,03,740) represent earmarked balance with bank.

	As at March 31, 2021	As at March 31, 2020
10 Other financial assets		
Current		
Interest accrued on loan to related parties (refer note 34)	1,339,787	363,242
Other receivables from related parties (refer note 34)	-	360,400
Receivable towards claim	-	1,094
Total	1,339,787	724,736
11 Assets classified as held for sale		
Office and other equipments*	-	15,000
Total	-	15,000

*It includes office and other equipments which management sold in year ended March 31, 2021.



Welspun Pipes, Inc.

Notes annexed to and forming part of the consolidated balance sheet as at March 31, 2021 and the consolidated statement of profit and loss for the years ended March 31, 2021 (All amounts in USD, unless otherwise stated)

12 Equity share capital

Authorised share capital

As at April 01, 2019
 Movement during the year
 As at March 31, 2020
 Movement during the year
 As at March 31, 2021

Equity Shares		
Number of shares	Par value	Amount
5,000	0.0001	1
-	-	-
5,000	0.0001	1
-	-	-
5,000	0.0001	1

i) Movement in share capital

Issued, subscribed and paid up capital

As at April 01, 2019
 Movement during the year
 As at March 31, 2020
 Movement during the year
 As at March 31, 2021

Equity shares	
Number of shares	Amount
1,000	1 *
-	-
1,000	1 *
-	-
1,000	1 *

* rounded off on higher side

ii) Terms and rights attached to equity shares

Equity shares

The Company has only one class of equity shares having a par value of USD 0.0001 per share. Each holder of equity shares is entitled to one vote per share. The dividend when proposed by the board of directors is subject to the approval of the shareholders in the ensuing annual general meeting except in case of interim dividend.

In the event of liquidation of the company the holders of the equity shares will be entitled to receive remaining assets of the company after distribution of preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

iii) Details of shareholders holding more than 5% shares in the Company

As at March 31, 2021

No. of shares	% holding
1,000	100.00%

Equity shares held by
 Welspun Corp Limited

As at March 31, 2020

No. of shares	% holding
1,000	100.00%

Equity shares held by
 Welspun Corp Limited



Welspun Pipes, Inc.

Notes annexed to and forming part of the consolidated balance sheet as at March 31, 2021 and the consolidated statement of profit and loss for the years ended March 31, 2021 (All amounts in USD, unless otherwise stated)

	As at March 31, 2021	As at March 31, 2020
13 Other equity		
Reserve and Surplus		
(i) Securities premium	10,000	10,000
(ii) Retained earnings	132,567,439	204,357,110
Total	132,577,439	204,367,110
	As at March 31, 2021	As at March 31, 2020
(i) Securities premium		
Opening balance	10,000	10,000
Less: Movement during the year	-	-
Closing Balance	10,000	10,000
(ii) Retained earnings		
Opening Balance	204,357,110	170,131,636
Profit for the year	9,210,329	73,525,474
Dividend on equity shares (refer note 34 and note 36)	(81,000,000)	(39,300,000)
Closing Balance	132,567,439	204,357,110
	As at March 31, 2021	As at March 31, 2020
14 Borrowings (refer note 37)		
14(a) Non-current borrowings		
Secured		
Measured at amortised cost		
Term loan from bank [Refer note (i) to (v) below]	294,478	14,831
Total	294,478	14,831

- (i) Term loan from Bank of USD 25,000,000 (March 31, 2020: USD 24,852,036) secured against property, plant and equipment of the Group. The Loan carry interest @ three-month LIBOR + 325 basis point. The loan of USD 25,000,000 (March 31, 2020: USD 24,852,036) is transferred to current maturities of long-term borrowings since it is repayable on February 22, 2022.
- (ii) Vehicle term loan from financial institution of USD 13,933 (March 31, 2020: USD 24,178) secured against vehicle for which loan was obtained. The loan carry interest @ 4.50% per annum. The loan is repayable in equal monthly installment till September 25, 2022. The loan of USD 9,777 (March 31, 2020: USD 9,347) is transferred to current maturities of long-term borrowings.
- (iii) Term loan from financial institution of USD 403,348 (March 31, 2020: Nil) secured against equipment for which loan was obtained. The loan carry interest @ 4.59% per annum. The loan is repayable in equal monthly installment till September 01, 2023. The loan of USD 161,504 (March 31, 2020: Nil) is transferred to current maturity of long-term borrowings.
- (iv) Term loan from financial institution of USD 83,688 (March 31, 2020: Nil) secured against equipment for which loan was obtained. The loan carry interest @ 2.75% per annum. The loan is repayable in equal monthly installment till July 29, 2023. The loan of USD 35,210 is transferred to current maturity of long-term borrowings.
- (v) The borrowing (including current borrowings and Current maturities of long-term borrowings) does not include Interest accrued and due on borrowings of USD 231,262 (March 31, 2020: USD 530,272) which is separately classified under other financial liabilities - current.

	As at March 31, 2021	As at March 31, 2020
14(b) Current borrowings		
Secured		
Measured at amortised cost		
Working capital loan from banks (refer note (i) and (ii) below and note 14 (a)(v))	10,020,110	2,522,046
Total	10,020,110	2,522,046

- (i) Working Capital Loan from Bank of USD 20,110 (March 31, 2020: 2,522,046) secured by hypothecation of inventories and trade receivables of the Group. The loan is repayable on demand and carries an interest rate of six month LIBOR plus 375 points per annum.
- (ii) Working Capital loan from Bank of USD 10,000,000 (March 31, 2020: Nil) secured by first and exclusive charge over stocks and other current assets and related raw material for specific sales project for which loan was obtained. The loan carry interest @ base rate on the first day of interest period plus 1.75% per annum. The loan is repayable in six months from initial drawdown date. Subsequent to March 31, 2021, the Group has repaid total amount payable for this loan.



Welspun Pipes, Inc.

Notes annexed to and forming part of the consolidated balance sheet as at March 31, 2021 and the consolidated statement of profit and loss for the years ended March 31, 2021 (All amounts in USD, unless otherwise stated)

	As at March 31, 2021	As at March 31, 2020
15 Deferred tax liabilities (net) (refer note 38)		
The balance comprises temporary differences attributable to:		
Deferred Tax Liabilities:		
Property, plant and equipment	15,022,387	16,205,407
	<u>15,022,387</u>	<u>16,205,407</u>
Set-off of deferred tax assets pursuant to set-off provisions		
Deferred tax asset:		
State tax deduction	331,246	354,105
Allowance for doubtful debt and advances	294,614	1,107,328
Product compensation and claims	577,128	577,128
Inventory write down	1,096,896	1,363,113
Lease liabilities (net of right of use asset)	5,157	9,498
Deferred revenue	78,375	-
	<u>2,383,416</u>	<u>3,411,172</u>
Net Deferred Tax Liabilities	<u>12,638,971</u>	<u>12,794,235</u>
	As at March 31, 2021	As at March 31, 2020
16 Trade payables		
Trade payables for acceptances	24,178,079	43,810,078
Trade payable to related parties (refer note 34)	71,237	33,556
Trade payables to others	4,372,944	47,531,232
Total	<u>28,622,260</u>	<u>91,374,866</u>
	As at March 31, 2021	As at March 31, 2020
17 Other financial liabilities		
<u>Current</u>		
Current maturities of long-term borrowings [refer note 14(a)]	25,206,491	24,861,383
Interest accrued but not due on acceptances	42,059	209,445
Interest accrued and due on borrowings [refer note 14 (a)(v)]	231,262	530,272
Liability towards claims	8,319,839	4,993,925
Other payable to related parties (refer note 34)	1,149,999	383,333
Total	<u>34,949,650</u>	<u>30,978,358</u>
	As at March 31, 2021	As at March 31, 2020
18 Provisions		
Provision for Litigation	65,000	488,763
Total	<u>65,000</u>	<u>488,763</u>
Movement in provision for litigation:		
Opening Balance	488,763	-
Add: Additions during the year	-	488,763
Less: Utilised during the year	423,763	-
Closing balance	<u>65,000</u>	<u>488,763</u>
Note: There are uncertainties regarding the timing and amount of the provisions. Changes in underlying facts and circumstances for each provision could result in differences in the amounts provided for and the actual cash outflow.		
	As at March 31, 2021	As at March 31, 2020
19 Current tax Liabilities (net)		
Opening Balance	5,064,239	3,005,571
Add: Current tax (refer note 29)	498,435	30,534,691
Less: Tax paid (net of refund)	1,740,814	28,476,023
Closing Balance	<u>3,821,860</u>	<u>5,064,239</u>
	As at March 31, 2021	As at March 31, 2020
20 Other liabilities		
20(a) Non-current		
Statutory dues (refer note below)	274,891	-
Total	<u>274,891</u>	<u>-</u>
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. The total amount of liability deferred as at March 31, 2021 is USD 549,782 (March 31, 2020: Nil), out of which USD 274,891 (March 31, 2020: Nil) is disclosed within 'Statutory dues' under other current liabilities.		
20(b) Current		
Trade advances	4,323,093	22,479,929
Statutory dues [refer note 20 (a)]	2,828,451	6,457,197
Employee dues payable	1,140,011	1,738,834
Total	<u>8,291,555</u>	<u>30,675,960</u>



Welspun Pipes, Inc.

Notes annexed to and forming part of the consolidated balance sheet as at March 31, 2021 and the consolidated statement of profit and loss for the years ended March 31, 2021

(All amounts in USD, unless otherwise stated)

	Year ended March 31, 2021	Year ended March 31, 2020
21(a) Revenue from operations		
Revenue from contracts with customers (refer note (i) below)		
Sale of products		
Finished goods	148,951,531	794,302,627
Traded goods	73,113,265	4,972,800
Sale of services	1,728,148	7,381,351
Total	223,792,944	806,656,778

The Group has only one major product which is sale of pipes and revenue is derived from transfer of pipes at a point in time which is shown under sale of products as above.

(i) Reconciliation of revenue recognised with contract price:

Contract price	224,895,542	807,978,137
Adjustments for:		
Discount	(853,100)	-
Quality Claims	(249,498)	(1,321,359)
Revenue from operations	223,792,944	806,656,778

	Year ended March 31, 2021	Year ended March 31, 2020
21(b) Other operating income		
Scrap sale	2,336,069	7,447,933
Insurance claim received	3,678,746	-
Government grant:		
Payroll incentive income [refer note 42]	1,875,872	-
Employee retention credit [refer note (a) (i) below]	1,704,956	-
Arkansas Ready for Business Grant [refer note (a) (ii) below]	100,000	-
Energy Rebate [refer note (b) below]	140,570	-
Others	11,403,249	34,778
Total	21,239,462	7,482,711

- (a) 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 following the Covid-19 Pandemic:
- (i) The employee retention credit is a refundable tax credit against certain employment taxes equal to 50% of the qualified wages an eligible employers pays to employees after March 12, 2020, and before January 01, 2021. The credit increased to 70% of qualified wages paid starting January 01, 2021. Out of the total income of USD 1,704,956 (March 31, 2020: Nil) recognised by the Group during the year, an amount of USD 1,108,056 (March 31, 2020: Nil) is receivable as at March 31, 2021.
- (ii) During May 2020, the Company received USD 100,000 (March 31, 2020: Nil) 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 income as at March 31, 2021.
- (b) Incentive program to engage in energy efficient projects wherein incentive income is linked to the certain expenses incurred.



Welspun Pipes, Inc.

Notes annexed to and forming part of the consolidated balance sheet as at March 31, 2021
and the consolidated statement of profit and loss for the years ended March 31, 2021

(All amounts in USD, unless otherwise stated)

	Year ended March 31, 2021	Year ended March 31, 2020
22 Other income		
Interest income on [refer note 40(iii)]:		
Loan to related party (refer note 34)	1,339,787	1,533,590
Fixed deposits	48,154	258,316
Income tax refund	19,265	-
Other non-operating income		
Profit on disposal of property, plant and equipment (Net)	65,352	8,950
Miscellaneous income	26,353	58,933
Total	1,498,911	1,859,789
	Year ended March 31, 2021	Year ended March 31, 2020
23 (a) Cost of material consumed		
Inventory at the beginning of the year	58,548,833	212,688,757
Add: Purchases during the year	57,771,903	361,076,287
	116,320,736	573,765,044
Less : Inventory at the end of the year	7,487,636	58,548,833
Total	108,833,100	515,216,211
23 (b) Purchases of traded goods		
Purchase of stock-in-trade	73,069,894	4,812,489
Total	73,069,894	4,812,489
	Year ended March 31, 2021	Year ended March 31, 2020
24 Changes in inventories of finished goods and work-in-progress		
Opening Balance		
Work-in-progress	155,576	3,198,025
Finished goods	44,238,998	47,008,319
	44,394,574	50,206,344
Closing Balance		
Work-in-progress	1,095,618	155,576
Finished goods	62,698,636	44,238,998
	63,794,254	44,394,574
Total	(19,399,680)	5,811,770
	Year ended March 31, 2021	Year ended March 31, 2020
25 Employee benefits expense		
Salaries, wages and bonus	31,852,572	59,840,614
Contribution to 401 (k) retirement savings plan (refer note 32)	584,299	1,167,667
Staff welfare expenses	76,064	223,435
Total	32,512,935	61,231,716
	Year ended March 31, 2021	Year ended March 31, 2020
26 Depreciation expense		
Depreciation of Property, plant and equipment	15,282,913	14,559,166
Depreciation of right-of-use assets	536,056	969,677
Total	15,818,969	15,528,843



Welspun Pipes, Inc.

Notes annexed to and forming part of the consolidated balance sheet as at March 31, 2021
and the consolidated statement of profit and loss for the years ended March 31, 2021

(All amounts in USD, unless otherwise stated)

	Year ended March 31, 2021	Year ended March 31, 2020
27 Other expenses		
Stores and spares consumed	5,893,181	18,943,040
Labour charges	149,106	8,597,554
Coating and other job charges	433,125	364,867
Power, fuel and water charges	2,946,500	5,756,474
Freight, material handling and transportation	5,324,111	56,916,387
Rent (refer note 3(b))	550,654	1,305,304
Rates and taxes	1,109,763	1,067,494
Repairs and maintenance		
Plant and machinery	944,289	1,151,209
Others	813,765	2,490,257
Travelling and conveyance expenses	211,501	1,254,779
Communication expenses	313,882	349,383
Legal and professional fees	1,505,696	1,837,499
Insurance	762,975	1,026,683
Directors' sitting fees (refer note 34)	4,000	1,000
Printing and stationery	62,924	930,027
Security charges	-	68,895
Membership and subscription	231,191	170,581
Exchange difference (Net)	38,480	94,494
Product compensation and claims	-	2,098,647
Sales promotion expenses	1,894	101,534
Bad debt expense	1,305,068	-
Less: allowance for doubtful debts	<u>(1,305,068)</u>	-
Allowance for doubtful debts (net)	43,610	1,272,141
Provision for litigation	-	488,763
Miscellaneous expenses	969,431	1,442,318
Total	<u>22,310,078</u>	<u>107,729,330</u>
	Year ended March 31, 2021	Year ended March 31, 2020
28 Finance costs		
Interest on financial liabilities not at fair value through Profit and loss		
Term borrowings	983,968	2,829,411
Current borrowings	253,214	57,538
Others	-	583
Interest on acceptances and charges on letter of credit	324,709	209,445
Corporate guarantee commission (refer note 34)	1,533,332	1,533,332
Interest and finance charges on lease liabilities	110,594	194,716
Other finance charges	626,704	1,129,883
Total	<u>3,832,521</u>	<u>5,954,908</u>



Welspun Pipes, Inc.

Notes annexed to and forming part of the consolidated balance sheet as at March 31, 2021 and the consolidated statement of profit and loss for the years ended March 31, 2021

(All amounts in USD, unless otherwise stated)

	Year ended March 31, 2021	Year ended March 31, 2020
29 Income Tax expense		
a) Income tax expense		
Current Tax		
Current tax on profit for the year	2,735,469	29,947,960
Adjustments for current tax of prior periods	(2,237,034)	586,731
Total	498,435	30,534,691
b) Deferred tax (refer note 38)		
Decrease/(Increase) in deferred tax assets	1,027,756	(2,676,021)
Decrease in deferred tax liabilities	(1,183,020)	(1,670,133)
Total deferred tax expense/ (benefit)	(155,264)	(4,346,154)
Total income tax expense	343,171	26,188,537
Reconciliation of tax expense and the accounting profit multiplied by USA's tax rate:		
Profit before income tax expenses	9,553,500	99,714,011
Tax Rate	27.50%	27.50%
Tax at normal rate	2,627,213	27,421,353
Tax effect of amounts which are not deductible (taxable) in calculating taxable income		
Expenses on which no deferred tax was required to be recognised	92,890	163,594
Income which is not taxable	(110,822)	-
Employment tax credits	(180,667)	(267,927)
State tax deduction	93,220	(1,727,404)
Adjustment for current tax of prior periods (refer note 45)	(2,237,034)	586,731
Others	58,372	12,190
Total income tax expense	343,171	26,188,537



Welspun Pipes, Inc.

Notes annexed to and forming part of the consolidated balance sheet as at March 31, 2021 and the consolidated statement of profit and loss for the years ended March 31, 2021

30 Contingent liabilities

There are no contingent liabilities as at March 31, 2021 and March 31, 2020, respectively.

31 Capital and other commitments

i) Capital commitments

Capital expenditure contracted for at the end of the reporting period but not recognised as liabilities is as follows:

	As at March 31, 2021	As at March 31, 2020
Property, plant and equipment (net of capital advances USD 772,831 (March 31, 2020: USD 447,503))	457,586	1,363,420

ii) Other commitments

	As at March 31, 2021	As at March 31, 2020
Outstanding letters of credit	1,246,747	1,768,172

32 Defined contribution plan :

Retirement Saving Plan - 401(k)

During the year, the Group has recognised the following amounts in the statement of profit and loss :

	Year ended March 31, 2021	Year ended March 31, 2020
Employer's Contribution to Retirement Saving Plan - 401(k)	584,299	1,167,667
	584,299	1,167,667

The Group 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 Group 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 Group for years ended March 31, 2021 and March 31, 2020 were USD 584,299 and USD 1,167,667, respectively.

33 Segment reporting

i) Description of segments and principle activities

The Holding Company's chief operating decision maker consist of the Board of Directors of the Holding Company who examines the company's performance only from the product perspective and has accordingly, identified only one reportable segment which is manufacturing and sale of pipes.

ii) The chief operating decision maker primarily uses a measure of profit before tax as included in the internal management report to assess the performance of the operating segment which is measured consistently with profit or loss in the consolidated financial statement.

iii) Revenue from operations from major external customers is as follow

For the year ended	Number of customers	Amount	% to revenue from operations
March 31, 2021	2	166,541,028	74%
March 31, 2020	1	570,705,396	71%

iv) The Group is domiciled in USA. The amount of its revenue from operations and other operating income from external customers broken down by location of the customers is shown in the table below :

Revenue and other operating income from external customers	Year ended March 31, 2021	Year ended March 31, 2020
USA	241,553,125	809,166,689
Other countries	3,479,281	4,972,800
Total	245,032,406	814,139,489

v) The total of non-current assets broken down by location of the assets, is shown below :

	Year ended March 31, 2021	Year ended March 31, 2020
USA	101,103,453	109,172,507
Other countries	25,000,000	24,100,000
Total non-current assets	126,103,453	133,272,507



Welspun Pipes, Inc.

Notes annexed to and forming part of the consolidated balance sheet as at March 31, 2021
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34 Related party transactions

a) Entity having Control over the Group

Name	Type	Ownership interest	
		As at March 31, 2021	As at March 31, 2020
Welspun Corp Limited, India	Immediate and ultimate parent entity	100%	100%

b) List of Others over which key management personnel or relatives of such personnel exercise significant influence or control and entities which are members of same group with whom transaction have taken place during the current year and previous year:

Welspun Mauritius Holdings Limited Welspun USA Inc	Mauritius USA
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c) Directors / Key Management Personnel

	Nature of Relationship
Mr. Balkrishan Goenka	Director (with effect from March 01, 2019 till August 27, 2019)
Mr. Dhruv Kaji	Director (with effect from March 01, 2019 till August 09, 2019)
Mr. Sandeep Singhal	Director (with effect from March 01, 2019 till July 02, 2019)
Mr. Russell Fisher	Director (with effect from March 01, 2019 till September 30, 2020)
Mr. Vipul Mathur	Director (with effect from March 01, 2019)
Mr. Deshraj Dogra	Director (with effect from September 14, 2019)
Mr. Rajesh Chokhani	Director (with effect from March 01, 2019)

d) Disclosure in respect of significant transactions with related parties during the year:

	Transactions	
	Year ended March 31, 2021	Year ended March 31, 2020
1) Sale of goods		
Welspun Corp Limited	66,029	-
Total	66,029	-
2) Other income		
Welspun Mauritius Holdings Limited	1,339,787	1,533,590
Total	1,339,787	1,533,590
3) Purchase of goods and expenses incurred		
Welspun Corp Limited	3,463,343	12,108,458
Total	3,463,343	12,108,458
4) Reimbursement of expenses (paid)/ recovered		
Welspun Corp Limited	(111,560)	(783,106)
Welspun USA Inc	-	360,400
Total	(111,560)	(422,706)
5) Corporate guarantee commission expense		
Welspun Corp Limited	1,533,332	1,533,332
Total	1,533,332	1,533,332
6) Director sitting fees		
Mr. Deshraj Dogra	4,000	1,000
Total	4,000	1,000
7) Dividend paid		
Welspun Corp Limited	81,000,000	39,300,000
Total	81,000,000	39,300,000
8) Loans given		
Welspun Mauritius Holdings Limited	-	25,000,000
Total	-	25,000,000
9) Loans repayment received		
Welspun Mauritius Holdings Limited	2,650,000	9,500,000
Total	2,650,000	9,500,000



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e) Disclosure of significant closing balances:

	As at March 31, 2021	As at March 31, 2020
1) Trade payables		
Welspun Corp Limited	71,237	33,556
Total	71,237	33,556
2) Other payables		
Welspun Corp Limited	1,149,999	383,333
Total	1,149,999	383,333
3) Other receivable		
Welspun Mauritius Holdings Limited	1,339,787	363,242
Welspun USA Inc	-	360,400
Total	1,339,787	723,642
4) Loans and advances given		
Welspun Mauritius Holdings Limited (loan)	27,850,000	30,500,000
Welspun Corp Limited (advance)	16,592	3,206,453
Total	27,866,592	33,706,453

f) Terms and conditions:

All transactions were made on normal commercial terms and conditions and at market rates

All outstanding balances are unsecured and are payable in cash.

Note: Directors of the Holding Company are also employed by the other entities of Welspun Corp Limited group and they have not been paid remuneration accordingly.

35 COVID-19

As of the date of the independent auditors' report, the outbreak and spread of a novel coronavirus (COVID-19) has had an adverse impact on both domestic and global financial markets and operations. The World Health Organization declared this virus a pandemic. The operations of the Group were impacted in Quarter 1 for FY 2020-21, due to shutdown of all plants and offices following social distancing guidelines announced by the State of Arkansas, the Group has resumed operations in April 2020. The Group has made detailed assessments of the recoverability and carrying values of its assets comprising property, plant and equipment, inventories, receivables, and other current assets as at March 31, 2021 and on the basis of evaluation has concluded that there is no significant impact on this consolidated financial statements as at March 31, 2021.

36 Dividend

On June 22, 2020, the Board of the Company declared a dividend of USD 31,000,000, payable in cash to the Company's shareholder, Welspun Corp Ltd. The Company paid the dividend on June 23, 2020 and remitted USD 4,650,000 of taxes to the U.S. Treasury on Welspun Corp Limited's behalf.

On April 20, 2020, the Board of the Company declared a dividend of USD 50,000,000, payable in cash to the Company's shareholder, Welspun Corp Ltd. The Company paid the dividend on April 21, 2020 and remitted USD 7,500,000 of taxes to the U.S. Treasury on Welspun Corp Limited's behalf.

On February 04, 2020, the Board of the Company declared a dividend of USD 4,300,000, payable in cash to the Company's shareholder, Welspun Corp Ltd. The Company paid the dividend on February 05, 2020 and remitted USD 645,000 of taxes to the U.S. Treasury on Welspun Corp Limited's behalf.

On May 08, 2019, the Board of the Company declared a dividend of USD 35,000,000, payable in cash to the Company's shareholder, Welspun Corp Ltd. The Company paid the dividend on May 29, 2019 and remitted USD 5,250,000 of taxes to the U.S. Treasury on Welspun Corp Limited's behalf.



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37 Net debt reconciliation

	As at March 31, 2021	As at March 31, 2020
Cash and cash equivalents	8,778,124	43,103,144
Non-current borrowings*	(25,721,360)	(25,406,486)
Current borrowings	(10,030,981)	(2,522,046)
Lease liabilities	(2,963,054)	(3,993,447)
	(29,937,271)	11,181,165

	Financial liabilities				Total
	Cash and cash equivalents (A)	Non-current borrowings* (C)	Lease liabilities (D)	Current borrowings (E)	
Net debt as at April 01, 2019	69,096,940	(80,408,298)	-	-	(11,311,358)
Recognised on adoption of IndAS 116	-	2,437,316	(4,148,243)	-	(1,710,927)
Cash flows (net)	(25,993,796)	53,815,712	1,780,107	-	29,602,023
Additions during the year	-	-	(1,430,595)	(2,522,046)	(3,952,641)
Interest expenses	-	(2,829,411)	(194,716)	(57,538)	(3,081,665)
Interest paid	-	2,299,139	-	57,538	2,356,677
Other non-cash movements	-	(720,944)	-	-	(720,944)
Net debt as at March 31, 2020	43,103,144	(24,876,214)	(3,993,447)	(2,522,046)	11,711,437
Interest accrued as at March 31, 2020	-	(530,272)	-	-	(530,272)
Cash flows (net)	(34,325,020)	124,037	1,655,967	32,501,936	(43,079)
Additions during the year	-	(600,828)	(514,980)	(40,000,000)	(41,115,808)
Interest expenses	-	(983,968)	(110,594)	(253,214)	(1,347,776)
Interest paid	-	1,293,849	-	242,343	1,536,192
Other non-cash movements	-	(147,964)	-	-	(147,964)
Net debts as at March 31, 2021	8,778,124	(25,500,969)	(2,963,054)	(10,020,110)	(29,706,009)
Interest accrued as at March 31, 2021	-	(220,391)	-	(10,871)	(231,262)

* Includes current maturities of long-term borrowings



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38 Movement in deferred tax liabilities and deferred tax assets (refer note 15)

	Deferred tax liabilities		Deferred tax assets							Net deferred tax liabilities	
	Property, plant and equipment	Total deferred tax liabilities	State tax deduction	Allowance for doubtful debt and advances	Product compensation and claims	Inventory write down	Lease liabilities (net of right of use asset)	Deferred revenue	Total deferred tax assets		Net deferred tax liabilities
As at April 01, 2019	17,875,540	17,875,540	649,078	86,073	-	-	-	-	735,151		17,140,389
Charged/ (Credited) - to profit and loss	(1,670,133)	(1,670,133)	(294,973)	1,021,255	577,128	1,363,113	9,498	-	2,676,021		(4,346,154)
As at March 31, 2020	16,205,407	16,205,407	354,105	1,107,328	577,128	1,363,113	9,498	-	3,411,172		12,794,235
Charged/ (Credited) - to profit and loss	(1,183,020)	(1,183,020)	(22,859)	(812,714)	-	(266,217)	(4,341)	78,375	(1,027,756)		(155,264)
As at March 31, 2021	15,022,387	15,022,387	331,246	294,614	577,128	1,096,896	5,157	78,375	2,383,416		12,638,971



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39 Financial risk management

The Group's activities expose it to market risk, liquidity risk and credit risk.

This note explains the sources of risk which the Group is exposed to and how the Group manages the risk and the impact in the financial statements.

Risk	Exposure arising from	Measurement	Management
Credit risk	Trade receivables and other financial assets	Aging analysis	Diversification of bank deposits, credit limits and letters of credit
Liquidity risk	Borrowings and other financial liabilities	Borrowings maturity and cash flow forecasts	Availability of committed credit lines and borrowing facilities
Market risk – interest rate risk	Borrowings	Sensitivity analysis	Management prefers to borrow through floating rate instruments

The Group's risk management is carried out by treasury department under policies approved by the Board of Directors of the Ultimate Holding Company. Treasury department identifies, evaluates and hedges financial risks. The board provides written principles for overall risk management, as well as policies covering specific areas, such as interest rate risk, credit risk, use of non-derivative financial instruments and investment of excess liquidity. There is no change in objectives, policies and process for managing the risk and methods used to measure the risk as compared to previous year.

(I) Credit risk

Credit risk is the risk that counterparty will not meet its obligation under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with bank and financial institution.

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition.

a) Trade receivables

Trade receivables are typically unsecured and are derived from revenue earned from customers. Credit risk has been managed by the Group through credit approvals, establishing credit limits and continuously monitoring the creditworthiness of customers to which the Group grants credit terms in the normal course of business. On account of adoption of Ind AS 109, the Group uses expected credit loss model to assess the impairment loss or gain.

Past exposure suggest a low/ minimum credit risk or allowances of debtors. Exposures of trade receivable (net of allowance) broken into ageing bucket is given below:

	0-120 Days	More than 120	Total
March 31, 2021	6,477,484	25,075	6,502,559
March 31, 2020	75,572,108	29,829	75,601,937

Reconciliation of allowance for doubtful debt on trade receivable:

	As at March 31, 2021	As at March 31, 2020
Opening balance	1,335,135	62,994
Change in allowance for doubtful debts	(1,261,458)	1,272,141
Closing balance	73,677	1,335,135

b) Other financial assets

The Group maintains exposure in cash and cash equivalents and term deposits with banks. The Group has diversified portfolio of investment with various number of counterparties which have good credit ratings, good reputation and hence the risk is reduced. Individual risk limits are set for each counterparty based on financial position, credit rating and past experience. Credit limits and concentration of exposures are actively monitored by the Group.

(II) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they become due. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities (comprising the undrawn borrowing facilities below), by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

(a) Financing arrangements

The Group had access to the following undrawn borrowing facilities for working capital at the end of the reporting period

	31-Mar-21	31-Mar-20
Floating rate		
Expiring within one year (bank overdraft and other facilities)	99,979,890	47,477,954
	99,979,890	47,477,954



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39 Financial risk management (Contd...)

(b) Maturities of Financial liabilities

The tables below analyse the Group's financial liabilities into relevant maturity groupings based on their contractual maturities for all non-derivative financial liabilities :

The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not material.

As at March 31, 2021

Contractual maturities of financial liabilities	< 1 Year	1- 3 years	3- 5 years	> 5 years	Total	Carrying value
Borrowings (includes interest accrued and current maturities of long-term debt)	36,252,238	294,478	-	-	36,546,716	35,752,341
Lease liabilities	1,303,659	1,648,578	167,027	-	3,119,264	2,963,054
Trade payables	28,622,260	-	-	-	28,622,260	28,622,260
Other financial liabilities	9,511,897	-	-	-	9,511,897	9,511,897
Total liabilities	75,690,054	1,943,056	167,027	-	77,800,137	76,849,552

As at March 31, 2020

Contractual maturities of financial liabilities	< 1 Year	1- 3 years	3- 5 years	> 5 years	Total	Carrying value
Borrowings (includes interest accrued and current maturities of long-term debt)	27,913,701	14,831	-	-	27,928,532	27,928,532
Lease liabilities	1,632,692	2,161,881	428,970	-	4,223,543	3,993,447
Trade payables	91,374,866	-	-	-	91,374,866	91,374,866
Other financial liabilities	5,586,703	-	-	-	5,586,703	5,586,703
Total liabilities	126,507,962	2,176,713	428,970	-	129,113,644	128,883,548

(iii) Interest rate risk

Cash flow and fair value interest rate risk

The Group had borrowed funds at both fixed and floating interest rates. The Group's interest rate risk arises from long-term borrowings with variable rates, which exposes the Group to cash flow interest rate risk. During March 31, 2020 and March 31, 2021, the Group's borrowings at variable rate were denominated in USD.

The Group's fixed rate borrowings are carried at amortised cost. They are therefore not subject to interest rate risk as defined in Ind AS 107, since neither the carrying amount nor the future cash flows will fluctuate because of a change in market interest rates.

(a) Interest rate risk exposure

The exposure of the Group's borrowing to interest rate changes at the end of the reporting period are as follows:

Particulars	As at March 31, 2021	As at March 31, 2020
Fixed rate borrowings	10,500,969	24,178
Floating rate borrowings	25,020,110	27,374,082
Total borrowings	35,521,079	27,398,260

As at the end of the reporting period, the Group had the following variable rate borrowings:

	As at March 31, 2021	As at March 31, 2020
Bank overdrafts, bank loans	25,020,110	27,374,082
Net exposure to cash flow interest rate risk	25,020,110	27,374,082

(b) Sensitivity

Profit or loss is sensitive to higher/lower interest expense from borrowings as a result of changes in interest rates.

	Impact on profit before tax	
	March 31, 2021	March 31, 2020
Increase by 50 basis points	125,101	136,870
Decrease by 50 basis points	(125,101)	(136,870)



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40 Fair Value Measurements

Financial instruments by category

	As at March 31, 2021		As at March 31, 2020	
	FVPL	Amortised Cost	FVPL	Amortised Cost
Financial Assets				
Trade Receivables	-	6,502,559	-	75,601,937
Loan to related party	-	27,850,000	-	30,500,000
Security deposits	-	591,026	-	591,026
Cash and cash equivalents	-	8,778,124	-	43,103,144
Bank balances other than cash and cash equivalents	-	2,473,640	-	2,303,740
Other financial assets	-	1,339,787	-	724,736
Total financial assets	-	47,535,136	-	152,824,583
Financial liabilities				
Borrowings (includes interest accrued and current maturities of long-term debt)	-	35,752,341	-	27,928,532
Trade payables	-	28,622,260	-	91,374,866
Other financial liabilities	-	9,511,897	-	5,586,703
Total financial liabilities	-	73,886,498	-	124,890,101

(i) Fair value hierarchy

This section explains the judgments and estimates made in determining the fair values of the financial instruments that are (a) recognised and measured at fair value and (b) measured at amortised cost and for which fair values are disclosed in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the company has classified its financial instruments into the three levels prescribed under the accounting standard. An explanation of each level follows underneath the table.

There are no financial assets and liabilities which are measured at fair value as at March 31, 2021 and March 31, 2020 respectively.

Assets and Liabilities which are measured at amortised cost for which fair value are disclosed at March 31, 2021

	Level 1	Level 2	Level 3	Total
Financial Assets				
Loans to related parties	-	-	27,850,000	27,850,000
Security deposits	-	-	591,026	591,026
Other financial assets	-	-	1,339,787	1,339,787
Total financial assets	-	-	29,780,813	29,780,813
Financial liabilities				
Borrowings (includes interest accrued and current maturities of long-term debt)	-	-	35,752,341	35,752,341
Other financial liabilities	-	-	9,511,897	9,511,897
Total financial liabilities	-	-	45,264,238	45,264,238



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Assets and Liabilities which are measured at amortised cost for which fair value are disclosed at March 31, 2020

	Level 1	Level 2	Level 3	Total
Financial Assets				
Loans to related parties	-	-	30,500,000	30,500,000
Security Deposits	-	-	591,026	591,026
Other financial assets	-	-	724,736	724,736
Total financial assets	-	-	31,815,762	31,815,762
Financial liabilities				
Borrowings	-	-	27,928,532	27,928,532
Other financial liabilities	-	-	5,586,703	5,586,703
Total financial liabilities	-	-	33,515,235	33,515,235

(ii) Fair value of Financial assets and liabilities measured at amortised cost

	As at March 31, 2021		As at March 31, 2020	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets				
Loans to related parties	27,850,000	27,850,000	30,500,000	30,500,000
Security Deposits	591,026	591,026	591,026	591,026
Other financial assets	1,339,787	1,339,787	724,736	724,736
Total	29,780,813	29,780,813	31,815,762	31,815,762
Financial liabilities				
Borrowings (includes interest accrued and current maturities of long-term debt)	35,752,341	35,752,341	27,928,532	27,928,532
Other financial liabilities	9,511,897	9,511,897	5,586,703	5,586,703
	45,264,238	45,264,238	33,515,235	33,515,235

The carrying amount of trade receivables, cash and cash equivalents, bank balances other than cash and cash equivalents, loans, other financial assets, borrowings, trade payables and other financial liabilities are considered to be the same as their fair value, due to their short-term nature.

The fair values and carrying value of loans and borrowings (other than those covered in above) are materially the same.

(iii) Classification of interest income by instrument category

	Year ended March 31, 2021	Year ended March 31, 2020
Interest income at amortised cost		
Loans to related party	1,339,787	1,533,590
Fixed deposits	48,154	258,316
Other interest income		
Income tax refund	19,265	-



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41 Capital management

(i) Risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the following gearing ratio:

	As at March 31, 2021	As at March 31, 2020
Net debt (total borrowings (including current maturities) and lease liabilities net of cash and cash equivalents and other bank balances)*	27,232,369	-
Total equity	132,577,440	204,367,111
Net debt to equity ratio	0.21	-

*During the previous year the Group had a surplus position of USD 14,015,177 and hence the net debt as at March 31, 2020 was shown as Rs. Nil.

Loan covenants

The Group has complied with all the loan covenants applicable, mainly debt equity ratio and fixed assets coverage ratio attached to the borrowings.

42 Government grant receivable

Payroll Incentive: The Group currently has 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 Group's expansion and building of their small diameter pipe manufacturing plant. The AEDC provides the Group with a cash incentive based on the amount of new full-time permanent employees.

In 2013, Group received a USD 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 Group 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 Group fails to meet the grant's employment thresholds at any testing date, they will be required to repay the City USD 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, 2021 and March 31, 2020, the Group has met the grant's employment thresholds and the funds have been received.

During current year AEDC amended limit of create rebate from USD 3,500,000 to USD 5,500,000, accordingly Group had applied cash incentives for Calender year 2019 and 2020. The amount of USD 1,600,000 (March 31, 2020: Nil) listed under "Government grant receivable" on the consolidated balance sheet represents the Group's accrual for AEDC incentive benefits till financial year ended March 31, 2021.



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43 Changes in accounting policies

INDAS 116

This note explains the impact of the adoption of Ind AS 116, Leases on the group's financial statements.

Impact on the financial statements - lessee accounting

In the previous year ended March 31, 2020, the Group had adopted Ind AS 116 retrospectively from April 01, 2019, using the modified approach at transition. Accordingly the Group had not restated comparatives for the year ended March 31, 2019, as permitted under as permitted under the specific transition provisions in the standard. During the year ended March 31, 2020, the reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on April 01, 2019.

On adoption of Ind AS 116, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of Ind AS 17 Leases after applying practical expedients for short-term leases and low value assets as detailed in (i) below. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of April 01, 2019.

The weighted average lessee's incremental borrowing rate applied to the lease liabilities on April 01, 2019 was 5.80%.

For leases previously classified as finance leases the entity recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right of use asset and the lease liability at the date of initial application. The measurement principles of Ind AS 116 were only applied after that date.

(i) Practical expedients applied

In applying Ind AS 116 for the first time, the Group had used the following practical expedients permitted by the standard, as applicable:

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics
- relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review-there were no onerous contracts as at April 01, 2019
- accounting for operating leases with a remaining lease term of less than 12 months as at April 01, 2019 as short-term leases
- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

(ii) Measurement of lease liabilities

Operating lease commitments disclosed as at 31 March 2019	832,626
Discounted using the lessee's incremental borrowing rate at the date of initial application	659,118
Add: finance lease liabilities recognised as at 31 March 2019	2,437,316
Add: contracts reassessed as lease contracts	1,057,837
Less: short-term leases not recognised as a liability	(6,028)
Lease liability recognised as at April 01, 2019	4,148,243
Of which are:	
Current lease liabilities	1,439,015
Non-current lease liabilities	2,709,228



43 Changes in accounting policies (Contd...)

(iii) Measurement of right-of-use assets

Right-of use assets were measured at the amount equal to the lease liability, adjusted by the amount of any previously recognised prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at March 31, 2019. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

(iv) Adjustments recognised in the balance sheet on April 01, 2019

The change in accounting policy affected the following items in the balance sheet on April 01, 2019:

Property, plant and equipment – decrease by	(2,491,965)
Right-of-use assets – increase by	4,202,892
Non-Current Borrowings – decrease by	(1,939,814)
Other financial liabilities - current - decreased by	(497,502)
Current lease liabilities – increase by	1,439,015
Non-current lease liabilities – increase by	2,709,228

There was no impact on the retained earnings on April 01, 2019 as the Group has applied modified approach

44 Subsequent events

- (a) During April 2021, the Group obtained initial approval for USD 40,000,000 working capital term loan with the EXIM Import Bank of India. The loan will accrue interest at 1.50% over the six-m LIBOR rate and is set to mature 18 months from the date of first disbursement. The loan will be guaranteed by WCL. The Group has not yet formalized the loan documentation as of the date of the audit report.
- (b) During April 2021, the Group obtained a USD 15,000,000 working capital term loan with HDFC Bank Limited. The note accrues interest at 1.50% over the six-month LIBOR rate and is set to mature 18 months from the date of first disbursement.

45 Impact on current tax due to introduction of Franchise Tax in Texas

Franchise tax in Texas was amended retrospectively to include receipts-based economic nexus rule on December 20, 2019 and mandatorily applies to each federal income tax accounting periods ending in 2019 or later. For Texas franchise tax, Group has entered into a Voluntary disclosure agreement with Comptroller of Public Accounts, State of Texas on February 05, 2021, for filing of amended Texas tax returns for 4 years starting from FY 2015-16 to 2018-19. Due date of filing of amended returns of these 4 years and original return for year FY 2019-20 is May 2021. Based on the franchise law in Texas the amount of tax paid by the Group in Arkansas can be claimed as refund by paying tax in Texas. For Arkansas Tax, Group has filed Preceding 3 years amended returns from FY 2017-18 to FY 2019-20 based on law of limitation in Arkansas State. Texas Franchise tax is calculated on gross margin at 0.75%, whereas Arkansas tax is calculated on net income at a higher income tax rate i.e. 6.5%. Hence there is a net refund position of USD 2,041,840 as at March 31, 2021

46 The figures for the previous year have been regrouped wherever necessary.

As per our attached report of even date.

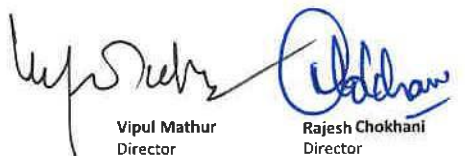
For Price Waterhouse Chartered Accountants LLP
 Firm Registration No: 012754N / NS00016



Neeraj Sharma
 Partner
 Membership No. 108391

Place: Pune
 Date: May 25, 2021

For and on behalf of the Board



Vipul Mathur
 Director

Rajesh Chokhani
 Director

Place: Mumbai
 Date: May 25, 2021

Place: Little Rock, Arkansas
 Date: May 25, 2021

