

**WELSPUN PIPES, INC.
AND SUBSIDIARIES**

CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2024 AND 2023

WITH

INDEPENDENT AUDITOR'S REPORT



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INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the accompanying consolidated financial statements of Welspun Pipes, Inc. and Subsidiaries, which comprise the consolidated balance sheets as of March 31, 2024 and 2023, and the related consolidated statements of operations, comprehensive income (loss), changes in stockholders' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Welspun Pipes, Inc. and Subsidiaries, as of March 31, 2024 and 2023, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Consolidated Financial Statements

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

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

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

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Welspun Pipes, Inc. and Subsidiaries, internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Welspun Pipes, Inc. and Subsidiaries, ability to continue as a going concern for a reasonable period of time.

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

JCJ CPAs & Advisors, PLLC

Little Rock, Arkansas
May 24, 2024

FINANCIAL STATEMENTS

WELSPUN PIPES, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

MARCH 31, 2024 AND 2023

Assets

	<u>2024</u>	<u>2023</u>
Current Assets:		
Cash and Cash Equivalents	\$ 39,769,329	\$ 25,324,645
Certificates of Deposit	22,571,572	-
Accounts Receivable:		
Trade Receivable	8,421,713	22,938,300
Related Party	313,447	42,339
Allowance for Credit Losses	(59,898)	(59,898)
Accounts Receivable, Net	<u>8,675,262</u>	<u>22,920,741</u>
Interest Receivable	444,354	70,396
Interest Receivable - Related Party	-	330,720
Inventories, Net	45,282,525	413,509,928
Prepaid Expenses, Advances and Other	1,281,474	2,264,374
Other Current Receivables	<u>1,014,058</u>	<u>70,426</u>
Total Current Assets	119,038,574	464,491,230
Note Receivable - Related Party	24,081,890	27,850,000
Investment Securities - at Fair Value	11,101,650	10,546,185
Investment Securities - at Cost	3,768,110	-
Property & Equipment, Net	<u>69,053,712</u>	<u>72,427,527</u>
	<u>\$ 227,043,936</u>	<u>\$ 575,314,942</u>

Liabilities and Stockholders' Equity

Current Liabilities:		
Current Portion of Long-Term Debt, Net of Issuance Costs	\$ -	\$ 85,057
Current Portion of Finance Lease Obligations	125,967	438,542
Accounts Payable - Trade	22,990,128	89,205,544
- Related Party	288,400	161,692
Income Taxes Payable	21,448,140	266,566
Accrued Expenses	7,448,266	3,711,255
Deferred Revenue	<u>4,463,057</u>	<u>336,187,610</u>
Total Current Liabilities	56,763,958	430,056,266
Deferred Income Taxes	6,001,426	8,681,102
Finance Lease Obligations, Less Current Maturities	-	125,967
Stockholders' Equity:		
Common Stock - \$.0001 Par Value, 5,000 Shares Authorized, 1,000 Shares Issued and Outstanding in 2024 And 2023	1	1
Additional Paid in Capital - Common Stock	10,000	10,000
Retained Earnings	163,834,369	136,562,889
Accumulated Other Comprehensive Income (Loss)	<u>434,182</u>	<u>(121,283)</u>
Total Stockholders' Equity	<u>164,278,552</u>	<u>136,451,607</u>
	<u>\$ 227,043,936</u>	<u>\$ 575,314,942</u>

See Accompanying Notes.

WELSPUN PIPES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
YEARS ENDED MARCH 31, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
Sales	\$ 744,854,225	\$ 185,175,832
Other Revenue	763,814	1,052,034
Total Operating Revenue	745,618,039	186,227,866
Cost of Goods Sold	588,638,736	165,942,923
Gross Profit	156,979,303	20,284,943
Selling, General and Administrative Expenses	81,464,266	28,814,720
Income (Loss) From Operations	75,515,037	(8,529,777)
Other Income (Expense):		
Interest Income	3,281,629	2,055,817
Interest Expense	(190,794)	(543,961)
Unrealized Loss on Trading Securities	-	(856,395)
Gain on Sale of Property and Equipment	-	27,328
Other Income	258,267	905,748
Total Other Income	3,349,102	1,588,537
Income (Loss) Before Income Taxes	78,864,139	(6,941,240)
Income Tax Expense (Benefit)	18,592,659	(1,400,504)
Net Income (Loss)	<u>\$ 60,271,480</u>	<u>\$ (5,540,736)</u>

See Accompanying Notes.

WELSPUN PIPES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
YEARS ENDED MARCH 31, 2024 AND 2023

	2024	2023
Net Income (Loss)	\$ 60,271,480	\$ (5,540,736)
Other Comprehensive Income (Loss):		
Unrealized Gain (Loss) on Available for Sale Debt Securities	555,465	(121,283)
Total Comprehensive Income (Loss)	\$ 60,826,945	\$ (5,662,019)

See Accompanying Notes.

WELSPUN PIPES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
YEARS ENDED MARCH 31, 2024 AND 2023

	Common Stock	Additional Paid-in Capital Common Stock	Retained Earnings	Accumulated Other Comprehensive (Loss) Income	Total
Balance at April 1, 2022	\$ 1	\$ 10,000	\$ 142,103,625	\$ -	\$ 142,113,626
Net Loss	-	-	(5,540,736)	-	(5,540,736)
Other Comprehensive Loss	-	-	-	(121,283)	(121,283)
Balance at March 31, 2023	1	10,000	136,562,889	(121,283)	136,451,607
Net Income	-	-	60,271,480	-	60,271,480
Dividends Paid to Stockholder	-	-	(33,000,000)	-	(33,000,000)
Other Comprehensive Income	-	-	-	555,465	555,465
Balance at March 31, 2024	<u>\$ 1</u>	<u>\$ 10,000</u>	<u>\$ 163,834,369</u>	<u>\$ 434,182</u>	<u>\$ 164,278,552</u>

See Accompanying Notes.

WELSPUN PIPES, INC. AND SUBSIDIARIES**CONSOLIDATED STATEMENTS OF CASH FLOWS****YEARS ENDED MARCH 31, 2024 AND 2023**

	<u>2024</u>	<u>2023</u>
Cash Flows from Operating Activities:		
Net Income (Loss)	\$ 60,271,480	\$ (5,540,736)
Adjustments to Reconcile Net Income to Net Cash Provided By Operating Activities:		
Depreciation	7,391,910	13,131,948
Gain on Sale of Property and Equipment	-	(27,328)
Unrealized Loss on Trading Debt Securities	-	856,395
Changes in Assets and Liabilities:		
Accounts Receivable - Trade	14,516,587	(14,606,466)
- Related Party	(271,108)	1,085
Interest Receivable	(373,958)	(4,590)
Interest Receivable - Related Party	330,720	(330,720)
Inventories, Net	368,227,403	(398,346,059)
Other Current Receivables	(943,632)	512,604
Prepaid Expenses, Advances and Other	982,900	(1,589,398)
Accounts Payable - Trade	(66,215,416)	90,544,508
- Related Party	126,708	161,692
Income Taxes Payable	21,181,574	(4,345,584)
Accrued Expenses	3,737,011	219,178
Deferred Revenue	(331,724,553)	335,702,164
Deferred Income Taxes	(2,679,676)	(1,936,132)
Net Cash Provided By Operating Activities	74,557,950	14,402,561
Cash Flows from Investing Activities:		
Net Purchases of Certificates of Deposit	(22,571,572)	-
Proceeds from Sale of Property & Equipment	-	27,328
Purchases of Property & Equipment	(4,018,095)	(1,466,416)
Net Cash Used in Investing Activities	(26,589,667)	(1,439,088)
Cash Flows from Financing Activities:		
Net Repayments on Finance Leases	(438,542)	(1,037,044)
Dividends Paid to Stockholder	(33,000,000)	-
Repayments of Long-Term Borrowings	(85,057)	(210,320)
Net Cash Used In Financing Activities	(33,523,599)	(1,247,364)
Net Change in Cash and Cash Equivalents	14,444,684	11,716,109
Cash and Cash Equivalents - Beginning of Year	25,324,645	13,608,536
Cash and Cash Equivalents - End of Year	\$ 39,769,329	\$ 25,324,645

See Accompanying Notes.

WELSPUN PIPES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1: Summary of Significant Accounting Policies

Nature of Operations

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

Welspun Tubular, LLC (“WTL”) was formed to build a pipe manufacturing plant in Little Rock, Arkansas. The plant has a manufacturing capacity of 350,000 MT of pipes sized 24 - 60 inches in diameter and up to 1 inch in wall thickness. In addition to the pipe manufacturing plant, WTL also constructed a coating facility. In 2012, the Company constructed a small diameter, high frequency induction welded (HFIW) pipe plant in close proximity to the existing large diameter spiral plant. The HFIW plant began full commercial production by the end of March 2013. It has an annual capacity of 175,000 MT of pipes sized 6-20 inches in diameter and up to 0.6 inches in wall thickness.

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

Recently Adopted Accounting Standards

In June 2016, the FASB issued ASU No. 2016-13, Financial Instruments – Credit Losses (Topic 326). The ASU introduces a new credit loss methodology, Current Expected Credit Losses (CECL), which requires earlier recognition of credit losses, while also providing additional transparency about credit risk. Since its original issuance in 2016, the FASB has issued several updates to the original ASU. ASU 2016-13 became effective for private entities and nonprofit organizations for periods beginning after December 15, 2022.

The CECL methodology utilizes a lifetime “expected credit loss” measurement objective for the recognition of credit losses for loans, held-to-maturity securities and other receivables at the time the financial asset is originated or acquired. The expected credit losses are adjusted each period for changes in expected lifetime credit losses. The methodology replaces the multiple existing impairment methods in current GAAP, which generally require that a loss be incurred before it is recognized. For available-for-sale securities where fair value is less than cost, credit-related impairment, if any, is recognized through an allowance for credit losses and adjusted each period for changes in credit risk.

On April 1, 2023, the Company adopted the guidance; the adoption of this standard did not have a material impact on the Company’s financial statements and related disclosures.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Significant estimates include (1) the lives and methods used in computing depreciation expense and amortization of bond issuance costs, (2) the valuation of deferred tax assets and liabilities which are based on temporary differences between the carrying amounts of assets and liabilities for financial statement purposes and their tax bases, (3) valuation accounts receivable, and (4) the valuation allowance for inventory held at year-end. It is at least reasonably possible that a change in these estimates will occur in the near future.

WELSPUN PIPES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Principles of Consolidation

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

Cash and Cash Equivalents and Certificates of Deposits

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

Certificates of deposit with original maturities of three months or less are included in cash and cash equivalents. Certificates of deposit with original maturities over three months are classified as short-term investments.

Certificates of deposit totaling \$34,000,000 have original maturities of three months or less and are included in cash and cash equivalents in the accompanying consolidated balance sheet. These certificates bear interest ranging from 5.28% to 5.60%.

Certificates of deposit totaling \$22,571,572 have original maturities of more than three months and are included as certificates of deposit in the accompanying consolidated balance sheet. These certificates bear interest ranging from 3.50% to 5.55%.

Accounts Receivable

Trade accounts receivable consist of credit extended to the Company's customers in the normal course of business. At March 31, 2024, 2023, and 2022, trade accounts receivable are stated at their estimated realizable value, net of an allowance for credit losses. Trade accounts receivable totaled \$8,421,713, \$22,938,300 and \$ 8,331,834 at March 31, 2024, 2023, and 2022, respectively.

Allowance for Credit Losses

The Company recognizes an allowance for credit losses for financial assets carried at amortized cost to present the net amount expected to be collected as of the balance sheet date. Such allowance is based on the credit losses expected to arise over the life of the asset (contractual term).

Assets are written off when the Company determines that such financial assets are deemed uncollectible. Write-offs are recognized as a deduction from the allowance for credit losses. Expected recoveries of amounts previously written off, not to exceed the aggregate of the amount previously written off, are included in determining the necessary reserve at the balance sheet date.

The allowance for credit losses was \$59,898 at March 31, 2024, 2023, and 2022. There was no credit loss expense for the years ended March 31, 2024, 2023, and 2022.

Inventories

Inventories consist of stores and spares, raw materials, work-in-process, and finished goods. Inventories are stated at the lower of cost (weighted average method) and net realizable value. Where the expectation is different from the original estimate, such difference will impact the carrying value of inventories and write-down of inventories in the period in which such estimates have been changed. A reserve of \$5,512,481 was recorded as of March 31, 2024 for certain raw materials inventory items to adjust the value downward for non-moving items. The change in the reserve amount is included in cost of goods sold. A reserve of \$2,271,059 and \$1,796,801 was recorded as of March 31, 2024 and 2023, respectively, to reflect the

WELSPUN PIPES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

market prices of stores and spares inventory items, and the change in the reserve amount is included in cost of goods sold.

Investment Securities

The Company uses the cost method of accounting for its equity securities. Under the cost method, investments are carried at cost and only increased or decreased with additional contributions or distributions of capital.

Investments in debt securities are reported at fair value in the consolidated statements of financial position. The Company's investments in marketable debt securities have been classified and accounted for as debt securities available-for-sale ("AFS"). AFS debt securities are stated at estimated fair value, with the unrealized gains and losses, net of tax, reported as a separate component of stockholders' equity and included in other comprehensive income on the consolidated statements of income and comprehensive income.

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

Property and Equipment

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

<u>Description</u>	<u>Estimated useful life</u>
Buildings and Land Improvements	15 - 39 years
Machinery and Equipment	10 years
Furniture and Fixtures	5 - 7 years
Vehicles	5 years
Computers and Software	1 - 3 years
Yard Equipment	3 - 10 years

Depreciation expense totaled \$7,391,910 for 2024 and \$13,131,948 for 2023.

Leases

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

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

WELSPUN PIPES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Revenue Recognition – Sale of Goods

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

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

Revenue Recognition – Sale of Services

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

Deferred revenue primarily represents consideration received from customers in advance for unshipped orders. Deferred revenue totaled \$4,463,057 and \$336,187,610 at March 31, 2024 and 2023, respectively.

Pre-Operation Expenses

U.S. GAAP requires all expenses incurred prior to the start of operations to be expensed as incurred. However, interest costs incurred during a construction period is an example of an item that should be capitalized under existing U.S. GAAP. Accordingly, the Company expensed all other pre-operation expenses when incurred.

Sales Taxes

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

Shipping and Handling Costs

The Company's shipping and handling costs are included in selling, general and administrative expenses and totaled \$57,035,910 for 2024 and \$11,842,782 for 2023.

WELSPUN PIPES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Advertising Costs

Advertising costs are expensed when incurred and totaled \$96,280 for 2024 and \$35,009 for 2023.

Income Taxes

The Company accounts for income taxes using an asset and liability approach. Deferred income tax assets and liabilities are recognized for the expected future tax consequences of temporary differences between the financial and income tax basis of assets and liabilities based on the tax law in effect at March 31, 2024 and 2023. The Company recognizes accrued interest and penalties associated with uncertain tax positions, if any, as part of their income tax provision. The previous three years of federal and Arkansas income tax returns and previous four years of Texas income tax returns are subject to potential examination by taxing authorities.

Statement of Cash Flows

Cash payments for interest totaled \$190,794 in 2024 and \$543,961 in 2023. Cash payments for income tax totaled \$276,948 in 2024 and \$4,882,645 in 2023.

For the year ended March 31, 2024, non-cash investing activities consisted of unrealized gains on available-for-sale debt securities of \$555,465 and the acquisition of equity securities in lieu of cash payment for the reduction of a note receivable from related party of \$3,768,110. For the year ended March 31, 2023, non-cash investing activities consisted of unrealized losses on available-for-sale debt securities of \$121,283.

Reclassifications

Certain reclassifications have been made to the 2023 consolidated financial statements to conform with the 2024 presentation.

Subsequent Events

Accounting standards establish general guidelines of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. The Company has evaluated all subsequent events for potential recognition and disclosure through May 24, 2024, the date these financial statements were available to be issued.

Note 2: Inventories

Net inventories are composed of the following at March 31:

	<u>2024</u>	<u>2023</u>
Raw Materials	\$ 14,684,574	\$ 193,256,811
Work-in-Process	932,274	8,146,988
Finished Goods	9,463,468	111,200,928
Goods-in-Transit	7,011,423	87,495,521
Stores and Spares	<u>13,190,786</u>	<u>13,409,680</u>
	<u>\$ 45,282,525</u>	<u>\$ 413,509,928</u>

WELSPUN PIPES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 3: Investment Securities

Investment in Debt Securities

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

	March 31, 2024			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Corporate Bonds - AFS	\$ 12,602,100	\$ -	\$ (1,500,450)	\$ 11,101,650

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

There were no proceeds from sale of debt securities for the years ended March 31, 2024 and 2023. There were no realized gains for the sale of debt securities for the years ended March 31, 2024 and 2023.

The amortized cost and estimated fair value of available-for-sale debt securities at March 31, 2024, by contractual maturity, are shown below. Expected maturities may differ from contractual maturities due to the issuers right to call or prepay obligations.

	Amortized Cost	Fair Value
One To Five Years	\$ 9,603,750	\$ 8,456,010
Five To Ten Years	2,998,350	2,645,640
Totals	\$ 12,602,100	\$ 11,101,650

The following reflects gross unrealized losses and the estimated fair value of investment securities, aggregated by investment category and length of time that individual investment securities have been in a continuous unrealized loss position:

	March 31, 2024			
	Less than 12 Months		12 Months or More	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
Corporate Bonds - AFS	\$ -	\$ -	\$ 11,101,650	\$ (1,500,450)

	March 31, 2023			
	Less than 12 Months		12 Months or More	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
Corporate Bonds - AFS	\$ -	\$ -	\$ 10,546,185	\$ (2,055,915)

WELSPUN PIPES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The debt securities were in an unrealized loss position at March 31, 2024 and 2023 due to the current interest rate environment and not increased credit risk.

Timely interest payments continue to be received from the issuer. The Company does not intend to sell these securities, and it is more likely than not that the Company will not be required to sell before a period of time sufficient to allow for any anticipated recovery in fair value.

In analyzing an issuer's financial condition, management considers whether downgrades by bond rating agencies have occurred and the results of reviews of the issuer's financial condition. All securities owned by the Company are payable at par at maturity.

Investment in Equity Securities

During 2024, Welspun Pipes, Inc. became a 2.57% investor in Welspun Mauritius Holdings Limited. Welspun Mauritius Holdings Limited's principal activity is the management of investment holdings. This investment is accounted for at cost. Investment at cost in Welspun Mauritius Holdings Limited as of March 31, 2024 is \$3,768,110.

Note 4: Property and Equipment

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

	<u>2024</u>	<u>2023</u>
Land	\$ 4,781,981	\$ 4,781,981
Land Improvements	33,129,803	33,129,803
Buildings and Improvements	64,231,807	64,167,206
Machinery and Equipment	163,586,314	162,065,388
Furniture and Fixtures	2,881,983	2,663,374
Vehicles	366,032	366,032
Capital Work in Process	1,891,833	908,593
Computers and Software	921,599	915,196
Yard Equipment	<u>18,163,940</u>	<u>16,946,706</u>
	289,955,292	285,944,279
Accumulated Depreciation	<u>(220,901,580)</u>	<u>(213,516,752)</u>
Property and Equipment, Net	<u>\$ 69,053,712</u>	<u>\$ 72,427,527</u>

Note 5: Available Line of Credit

At March 31, 2024, the Company has a \$60,000,000 credit facility with a commercial bank that matures on July 31, 2024. This credit facility includes the availability of up to \$20,000,000 of cash borrowings through a revolving line of credit and up to \$60,000,000 of letters of credit. The availability of these cash borrowings are reduced by any outstanding letters of credit. The line bears interest at a variable interest at the one month Secured Overnight Financing Rate (SOFR) plus 1.25% at March 31, 2024. There were no outstanding borrowings on the line of credit at March 31, 2024 and 2023. At March 31, 2024, there were \$5,866,330 of outstanding letters of credit issued in the benefit of various vendors of the Company.

At March 31, 2024, the Company also has two undisbursed letters of credit with an international bank in benefit of two overseas vendors of specialized equipment. These letters of credit are secured by certificates of deposit with the bank. The letters of credit are issued in the amount of 1,264,000 Euros and 160,000 Euros and expire in January 2025 and June 2024, respectively.

WELSPUN PIPES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 6: Long-Term Debt

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

	2024	2023
De Lage Landen Financial equipment loan (A)	\$ -	\$ 36,384
De Lage Landen Financial equipment loan (B)	-	36,384
John Deere Financial equipment loan (C)	-	12,289
	-	85,057
Current Maturities	-	(85,057)
Long-Term Debt, Less Current Maturities, Excluding Finance Leases	\$ -	\$ -

- (A) 4.59% note payable to De Lage Landen Financial, secured by equipment, \$7,360 of principal and interest due monthly plus final payment equal to all unpaid principal and accrued interest on September 1, 2023.
- (B) 4.59% note payable to De Lage Landen Financial, secured by equipment, \$7,360 of principal and interest due monthly plus final payment equal to all unpaid principal and accrued interest on September 1, 2023.
- (C) 2.75% note payable to John Deere Financial, secured by equipment, \$3,089 of principal and interest due monthly plus final payment equal to all unpaid principal and accrued interest on August 29, 2023.

Note 7: Finance Lease Obligations

The Company leases certain equipment under a finance lease agreement which has a term of 48 monthly installments. The interest rate contained in the finance lease is 3.49%.

Scheduled maturities of payments on finance lease obligations at March 31, 2024, are as follows:

<u>For the Years Ending in:</u>	
2025	\$ 128,176
Amount Representing Interest	(2,209)
Present Value of Future Minimum Lease Payments	125,967
Current Portion	125,967
Long-Term Portion	\$ -

Average finance lease term and interest rate at March 31, 2024 was as follows:

Remaining Lease Term (Years)	0.92
Interest Rate	3.49%

WELSPUN PIPES, INC. AND SUBSIDIARIES
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The cost and related accumulated depreciation of assets under finance leases are included in property and equipment, net at March 31, 2024 as follows:

Equipment	\$ 577,788
Accumulated Depreciation	<u>(182,834)</u>
	<u>\$ 394,954</u>

Note 8: Income Taxes

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

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

	<u>2024</u>	<u>2023</u>
Current Income Tax Provision	\$ 21,272,335	\$ 535,628
Deferred Benefit	<u>(2,679,676)</u>	<u>(1,936,132)</u>
	<u>\$ 18,592,659</u>	<u>\$ (1,400,504)</u>

The income tax expense varies from the statutory U.S. rate primarily due to state income taxes, federal tax credits, and certain non-deductible items. Current income tax expense includes \$942,314 of underpayment interest for failure to pay estimated income tax payments for the year ended March 31, 2024.

Deferred income taxes are provided for the temporary differences between the financial reporting basis and the tax basis of the Company's assets and liabilities. The Company has \$1,500,450 and \$2,301,020 in combined realized and unrealized capital losses at March 31, 2024 and 2023, respectively. The realized capital losses can be carried forward and used to offset future capital gain income. The realized capital loss carry forward is \$245,105 as of March 31, 2024 and 2023. Based on the weight of the available positive and negative evidence, the Company concluded that certain net deferred assets did not meet the standards of being more likely than not realizable. As such, the Company recognized a valuation allowance of \$387,116 and \$605,168 against its deferred tax asset on capital losses at March 31, 2024 and 2023, respectively.

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

	<u>2024</u>	<u>2023</u>
Deferred Tax Asset:		
Pre-Operative Costs	\$ -	\$ 138,093
Provisions for Bad Debt	79,954	81,503
Other Benefits	386,390	205,872
Provision for Litigation	5,310	5,413
Inventory Write Down	2,240,353	472,559
Unrealized/Realized Capital Losses	387,116	605,168
Valuation Allowance	(387,116)	(605,168)
Arkansas Net Operating Loss	-	13,229
Deferred Tax Liability:		
Depreciation	<u>(8,713,433)</u>	<u>(9,597,771)</u>
Net Deferred Income Tax Liability	<u>\$ (6,001,426)</u>	<u>\$ (8,681,102)</u>

WELSPUN PIPES, INC. AND SUBSIDIARIES
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Note 9: Related Party Transactions

On January 5, 2015, the Company entered into a loan agreement with a related party for an amount not to exceed \$20,000,000. The agreement has been amended to be a demand deposit agreement in which the maturity is not later than ninety days from the execution date. On May 8, 2020, Company entered into a second loan agreement with the same related party for an amount not to exceed \$25,000,000. This note was due on demand beginning June 30, 2020, and if no demand is made, the maturity date was set to be no later than seven years from the last draw down date of June 30, 2019. Since no demand was made, the note is due on June 30, 2026. The interest for both notes is due annually at a rate of 4.75%. During the year ended March 31, 2024, the Company acquired equity securities of the related party borrower in lieu of cash payment for the reduction of the note receivable of \$3,768,110. The related party has borrowed \$24,081,890 and \$27,850,000 from the loan agreements and is included as a note receivable – related party as of March 31, 2024 and 2023. Interest income totaled \$1,218,964 for 2024 and \$1,322,880 for 2023. As of March 31, 2024, there was no interest receivable related to the loan agreements. As of March 31, 2023, there was \$330,720 of interest receivable related to the loan agreements.

The Company's accounts receivable – related party results from certain material supplies and other expenses paid. As of March 31, 2024, the Company had \$208,452 in related party advances to WCL for material supplies and \$104,995 in related party receivables from Welspun Specialty Solutions Limited for reimbursement of salary and other expenses. As of March 31, 2023, the Company had \$42,339 in related party receivables from Welspun USA for travel expenses.

The Company's accounts payable – related party results from certain expenses such as freight, supplies, salary and consulting fees. As of March 31, 2024, the Company had \$281,200 in related party payable to WCL for expenses paid on the Company's behalf and \$7,200 in related party payable to Welspun Transformation Services Limited for professional and consulting fees. As of March 31, 2023, the Company had \$128,292 in related party payable to WCL for expenses and \$33,400 in related party payable to Welspun Transformation Services Limited for professional and consulting fees.

Total material purchases from WCL were \$1,198,026 and \$88,194 during 2024 and 2023, respectively. The Company received reimbursements of expenses from WCL totaling of \$10,907 in 2024. The Company paid reimbursements of expenses to WCL totaling \$171,024 in 2023. The Company made payments for corporate guarantee fees to WCL related to long-term debt, totaling \$440,833 and \$116,250 during 2024 and 2023, respectively. The Company paid \$1,013,168 in brand royalty fees and \$33,000,000 in dividends to Welspun Corp Limited in 2024. The Company had \$48,488 and \$38,769 in related party purchases of services from Welspun Transformation Services Limited in 2024 and 2023, respectively. The Company paid expenses on behalf of Welspun Specialty Solutions Limited totaling of \$104,995 in 2024.

At March 31, 2024 and 2023, the Company had \$1,268,412 and \$157,547 of open purchase orders outstanding with WCL, respectively.

The Company paid director sitting fees of \$5,000 and \$4,000 to WCL during the years ended March 31, 2024 and 2023, respectively.

Note 10: Concentrations of Credit Risk

As disclosed in Note 1, the Company's operations are focused on large projects relating to supplying steel pipes for the transportation of oil and gas. These projects generally span a period of several months, and sometimes several years. While the Company has multiple clients and projects, approximately 76% of the revenues during 2024 were generated from one customer and approximately 70% of the revenues during 2023 were generated from three customers.

WELSPUN PIPES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Cash balances totaling \$1,371,572 at March 31, 2024 were held by a bank in a foreign currency. Those funds that are held in the denominations of the foreign country are subject to valuation adjustment based on exchange rates in effect at any given time. This cash account is not insured by the Federal Deposit Insurance Corporation and may not be insured by any other means. The Company maintains its other cash and cash equivalents at domestic financial institutions. At March 31, 2024 and 2023, the Company's uninsured cash balances totaled \$7,086,526 and \$24,489,812, respectively.

Additionally, the Company had \$56,571,572 in uninsured certificate of deposit balances at March 31, 2024. \$34,000,000 of these certificates of deposit are included in cash and cash equivalents on the consolidated balance sheet, and \$22,571,572 of these certificates of deposit are included as certificates of deposit on the consolidated balance sheet.

The Company does not believe that it is subject to any unusual credit risk beyond the normal credit risk associated with commercial banking relationships.

Note 11: Employee Benefit Plan

The Company has a 401(k) Retirement Savings Plan that covers substantially all employees after a 90-day service requirement. Participants may defer a portion of their salary and the Company may make discretionary matching contributions. In April 2019, the Plan Agreement was amended to change the employer matching contributions on employee contributions to 100% of employee deferrals up to 4%. These matching contributions vest 100% after one year of service. Total retirement plan contributions by the Company for 2024 and 2023 were \$1,136,939 and \$676,329, respectively.

Note 12: Fair Value of Financial Instruments

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

Following are the three levels of inputs that may be used to measure fair value:

- Level 1:** Quoted prices in active markets for identical assets or liabilities
- Level 2:** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities
- Level 3:** Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities

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

WELSPUN PIPES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The following table presents the Company's hierarchy for its assets and liabilities measured at fair value as of March 31, 2024:

	<u>Carrying Amount</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Assets:				
Debt Securities: AFS	\$ 11,101,650	\$ -	\$ 11,101,650	\$ -

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

	<u>Carrying Amount</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Assets:				
Debt Securities: AFS	\$ 10,546,185	\$ -	\$ 10,546,185	\$ -

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

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

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

Note 13: Commitments and Contingencies

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

Note 14: Foreign Currency Transactions

The Company maintains a cash account holding Euros. These holdings are used for purchases of specialized equipment from an overseas manufacturer that requires payments to be made in Euros. The Euro balance is converted to U.S. dollars at the exchange rate in effect at the consolidated balance sheet date. Foreign currency transaction gains and losses are credited or charged to income as incurred and are included in other income on the consolidated statements of operations.