

**WELSPUN PIPES, INC.
AND SUBSIDIARIES**

CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2025 AND 2024

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, 2025 and 2024, and the related consolidated statements of income, comprehensive income, 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, 2025 and 2024, 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.

HCT CPAs & Advisors, PLLC

Little Rock, Arkansas
April 24, 2025

FINANCIAL STATEMENTS

WELSPUN PIPES, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

MARCH 31, 2025 AND 2024

	<u>Assets</u>	
	<u>2025</u>	<u>2024</u>
Current Assets:		
Cash and Cash Equivalents	\$ 42,846,441	\$ 39,769,329
Certificates of Deposit	-	22,571,572
Accounts Receivable:		
Trade Receivable, Net	24,129,098	8,361,815
Related Party	51,592	313,447
Interest Receivable	264,091	444,354
Inventories, Net	200,920,830	45,282,525
Prepaid Expenses, Advances and Other	2,108,611	1,281,474
Other Current Receivables	159,052	1,014,058
Total Current Assets	<u>270,479,715</u>	<u>119,038,574</u>
Property & Equipment, Net	95,779,554	69,053,712
Other Assets:		
Certificates of Deposit - Long Term	20,000,000	-
Note Receivable - Related Party	24,081,890	24,081,890
Non-Current Advances to Vendors	3,805,589	-
Investment Securities - at Fair Value	11,539,604	11,101,650
Investment Securities - at Cost	3,768,110	3,768,110
Total Other Assets	<u>63,195,193</u>	<u>38,951,650</u>
	<u>\$ 429,454,462</u>	<u>\$ 227,043,936</u>
<u>Liabilities and Stockholders' Equity</u>		
Current Liabilities:		
Current Portion of Finance Lease Obligations	\$ -	\$ 125,967
Accounts Payable - Trade	97,391,026	22,990,128
- Related Party	1,049,743	288,400
Income Taxes Payable	3,337,378	21,448,140
Accrued Expenses	6,869,528	7,448,266
Deferred Revenue	138,214,440	4,463,057
Total Current Liabilities	<u>246,862,115</u>	<u>56,763,958</u>
Deferred Income Taxes	6,735,675	6,001,426
Stockholders' Equity:		
Common Stock - \$.0001 Par Value, 5,000 Shares Authorized, 1,000 Shares Issued and Outstanding in 2025 and 2024	1	1
Additional Paid in Capital - Common Stock	10,000	10,000
Retained Earnings	174,974,535	163,834,369
Accumulated Other Comprehensive Income	872,136	434,182
Total Stockholders' Equity	<u>175,856,672</u>	<u>164,278,552</u>
	<u>\$ 429,454,462</u>	<u>\$ 227,043,936</u>

See Accompanying Notes.

WELSPUN PIPES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
YEARS ENDED MARCH 31, 2025 AND 2024

	2025	2024
Sales	\$ 283,383,378	\$ 744,854,225
Other Revenue	435,220	763,814
Total Operating Revenue	283,818,598	745,618,039
Cost of Goods Sold	236,423,625	588,592,736
Gross Profit	47,394,973	157,025,303
Selling, General and Administrative Expenses	35,875,775	81,510,266
Income from Operations	11,519,198	75,515,037
Other Income (Expense):		
Interest Income	3,271,860	3,281,629
Interest Expense	(674,609)	(190,794)
Other Income	276,325	258,267
Total Other Income	2,873,576	3,349,102
Income Before Income Taxes	14,392,774	78,864,139
Income Tax Expense	3,252,608	18,592,659
Net Income	\$ 11,140,166	\$ 60,271,480

See Accompanying Notes.

WELSPUN PIPES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED MARCH 31, 2025 AND 2024

	<u>2025</u>	<u>2024</u>
Net Income	\$ 11,140,166	\$ 60,271,480
Other Comprehensive Income:		
Unrealized Gain on Available for Sale Debt Securities	<u>437,954</u>	<u>555,465</u>
Total Comprehensive Income	<u><u>\$ 11,578,120</u></u>	<u><u>\$ 60,826,945</u></u>

See Accompanying Notes.

WELSPUN PIPES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
YEARS ENDED MARCH 31, 2025 AND 2024

	Common Stock	Additional Paid-in Capital Common Stock	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
Balance at April 1, 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	1	10,000	163,834,369	434,182	164,278,552
Net Income	-	-	11,140,166	-	11,140,166
Other Comprehensive Income	-	-	-	437,954	437,954
Balance at March 31, 2025	<u>\$ 1</u>	<u>\$ 10,000</u>	<u>\$ 174,974,535</u>	<u>\$ 872,136</u>	<u>\$ 175,856,672</u>

See Accompanying Notes.

WELSPUN PIPES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED MARCH 31, 2025 AND 2024

	2025	2024
Cash Flows from Operating Activities:		
Net Income	\$ 11,140,166	\$ 60,271,480
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Depreciation	6,556,949	7,391,910
Changes in Assets and Liabilities:		
Accounts Receivable - Trade	(15,767,283)	14,516,587
- Related Party	261,855	(271,108)
Interest Receivable	180,263	(373,958)
Interest Receivable - Related Party	-	330,720
Inventories, Net	(155,638,305)	368,227,403
Other Current Receivables	855,006	(943,632)
Prepaid Expenses, Advances and Other	(827,137)	982,900
Non-Current Advances to Vendors	(3,805,589)	-
Accounts Payable - Trade	74,400,898	(66,215,416)
- Related Party	761,343	126,708
Income Taxes Payable	(18,110,762)	21,181,574
Accrued Expenses	(578,738)	3,737,011
Deferred Revenue	133,751,383	(331,724,553)
Deferred Income Taxes	734,249	(2,679,676)
Net Cash Provided by Operating Activities	33,914,298	74,557,950
Cash Flows from Investing Activities:		
Maturities of Certificates of Deposit	22,571,572	-
Purchases of Certificates of Deposit	(20,000,000)	(22,571,572)
Purchases of Property & Equipment	(33,282,791)	(4,018,095)
Net Cash Used in Investing Activities	(30,711,219)	(26,589,667)
Cash Flows from Financing Activities:		
Repayments on Finance Leases	(125,967)	(438,542)
Dividends Paid to Stockholder	-	(33,000,000)
Repayment on Line of Credit	(22,120,276)	-
Borrowings on Line of Credit	22,120,276	-
Repayments of Long-Term Borrowings	-	(85,057)
Net Cash Used in Financing Activities	(125,967)	(33,523,599)
Net Change in Cash and Cash Equivalents	3,077,112	14,444,684
Cash and Cash Equivalents - Beginning of Year	39,769,329	25,324,645
Cash and Cash Equivalents - End of Year	<u>\$ 42,846,441</u>	<u>\$ 39,769,329</u>

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 three wholly-owned subsidiary companies, Welspun Tubular, LLC, Welspun Global Trade, LLC, and Welspun Logistics, 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.

Welspun Logistics, LLC ("WLLLC") was formed to facilitate logistics services related to shipments of WTL's pipes. WLLLC is located in Little Rock, Arkansas.

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, (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 of accounts receivable, and (4) the valuation allowance for inventory held at year-end. It is at least reasonably possible that a change in these estimates will occur in the near future.

Principles of Consolidation

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

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.

WELSPUN PIPES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

At March 31, 2025, certificates of deposit totaling \$20,010,000 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 4.72% to 5.30%.

At March 31, 2025, certificates of deposit totaling \$20,000,000 have original maturities of more than three months and are included as certificates of deposit - long-term in the accompanying consolidated balance sheet. These certificates bear interest of 5.20%.

At March 31, 2024, 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%.

At March 31, 2024, 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, 2025, 2024, and 2023, trade accounts receivable are stated at their estimated realizable value, net of an allowance for credit losses. Gross trade accounts receivable totaled \$24,188,996, \$8,421,713 and \$ 22,938,300 at March 31, 2025, 2024, and 2023, 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, 2025, 2024, and 2023. There was no credit loss expense for the years ended March 31, 2025, 2024, and 2023.

Inventories

Inventories consist of stores and spares, raw materials, work-in-process, and finished goods. Inventories are stated at the lower of cost (weighted average method) and net realizable value. Where the expectation is different from the original estimate, such difference will impact the carrying value of inventories and write-down of inventories in the period in which such estimates have been changed. A reserve of \$1,635,521 and \$6,921,887 was recorded as of March 31, 2025 and 2024, respectively, 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 \$1,777,238 and \$2,271,059 was recorded as of March 31, 2025 and 2024, respectively, to reflect the market prices of stores and spares inventory items, and the change in the reserve amount is included in cost of goods sold.

Investment Securities

The Company 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.

WELSPUN PIPES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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 \$6,556,949 for 2025 and \$7,391,910 for 2024.

Leases

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

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

Revenue Recognition – Sale of Goods

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

WELSPUN PIPES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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 \$138,214,440 and \$4,463,057 at March 31, 2025 and 2024, 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 \$10,394,629 for 2025 and \$57,035,910 for 2024.

Advertising Costs

Advertising costs are expensed when incurred and totaled \$62,724 for 2025 and \$96,280 for 2024.

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, 2025 and 2024. 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.

WELSPUN PIPES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Statement of Cash Flows

Cash payments for interest totaled \$674,609 in 2025 and \$190,794 in 2024. Cash payments for income tax totaled \$20,629,121 in 2025 and \$276,948 in 2024.

For the year ended March 31, 2025, noncash investing activities consisted of unrealized gains on available-for-sale debt securities of \$437,954. 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.

Reclassifications

Certain reclassifications have been made to the 2024 consolidated financial statements to conform with the 2025 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 April 24, 2025, the date these financial statements were available to be issued.

Note 2: Inventories

Net inventories are composed of the following at March 31:

	<u>2025</u>	<u>2024</u>
Raw Materials, net	\$ 87,932,866	\$ 14,684,574
Work-in-Process	4,278,641	932,274
Finished Goods	57,210,251	9,463,468
Goods-in-Transit	38,396,584	7,011,423
Stores and Spares, net	<u>13,102,488</u>	<u>13,190,786</u>
	<u>\$ 200,920,830</u>	<u>\$ 45,282,525</u>

Note 3: Investment Securities

Investment in Debt Securities

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

	<u>March 31, 2025</u>			
	<u>Amortized Cost</u>	<u>Gross Unrealized Gains</u>	<u>Gross Unrealized Losses</u>	<u>Fair Value</u>
Corporate Bonds - AFS	<u>\$ 12,602,100</u>	<u>\$ -</u>	<u>\$ (1,062,496)</u>	<u>\$ 11,539,604</u>

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

	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

There were no proceeds from sale of debt securities for the years ended March 31, 2025 and 2024. There were no realized gains for the sale of debt securities for the years ended March 31, 2025 and 2024.

The amortized cost and estimated fair value of available-for-sale debt securities at March 31, 2025, 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	\$ 8,785,680
Five To Ten Years	2,998,350	2,753,924
Totals	\$ 12,602,100	\$ 11,539,604

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, 2025			
	Less than 12 Months		12 Months or More	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
Corporate Bonds – AFS	\$ -	\$ -	\$ 11,539,604	\$ (1,062,496)

	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)

The debt securities were in an unrealized loss position at March 31, 2025 and 2024 due to the current interest rate environment. The Company does not believe that it is subject to any unusual credit risk beyond the normal credit risk associated with debt securities.

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.

WELSPUN PIPES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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, 2025 and 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>2025</u>	<u>2024</u>
Land	\$ 4,781,981	\$ 4,781,981
Land Improvements	33,129,803	33,129,803
Buildings and Improvements	64,391,872	64,231,807
Machinery and Equipment	167,202,831	163,586,314
Furniture and Fixtures	2,947,212	2,881,983
Vehicles	366,032	366,032
Capital Work in Process	30,729,084	1,891,833
Computers and Software	984,355	921,599
Yard Equipment	<u>18,704,915</u>	<u>18,163,940</u>
	323,238,085	289,955,292
Accumulated Depreciation	<u>(227,458,531)</u>	<u>(220,901,580)</u>
Property and Equipment, Net	<u>\$ 95,779,554</u>	<u>\$ 69,053,712</u>

During the year ended March 31, 2025, the Company commenced a new expansion initiative aimed at supporting its long-term growth strategy. This expansion includes the development of an additional manufacturing facility located in Little Rock, Arkansas which is expected to be completed in December 2025. Costs associated with this expansion are included in capital work in process at March 31, 2025.

Note 5: Available Line of Credit

At March 31, 2025, the Company has a \$95,000,000 credit facility with a commercial bank that matures on November 30, 2025. This credit facility includes the availability of up to \$20,000,000 of cash borrowings through a revolving line of credit and up to \$95,000,000 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, 2025. There were no outstanding borrowings on the line of credit at March 31, 2025 and 2024. At March 31, 2025, there were \$19,366,517 of outstanding letters of credit issued in the benefit of various vendors of the Company. 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 had two undisbursed letters of credit with an international bank in benefit of two overseas vendors of specialized equipment. These letters of credit were secured by certificates of deposit with the bank. The letters of credit were issued in the amount of 1,264,000 Euros and 160,000 Euros and expired in January 2025 and June 2024, respectively.

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Note 6: Finance Lease Obligations

The Company leased a piece of equipment under a finance lease agreement which had a term of 48 monthly installments. The interest rate contained in the finance lease was 3.49%. This lease expired March 1, 2025.

Note 7: 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>2025</u>	<u>2024</u>
Current Income Tax Provision	\$ 2,518,360	\$ 21,272,335
Deferred Expense (Benefit)	<u>734,248</u>	<u>(2,679,676)</u>
	<u>\$ 3,252,608</u>	<u>\$ 18,592,659</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 an estimate of underpayment interest for failure to pay estimated income tax payments for the year ended March 31, 2025 and 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 \$1,062,496 and \$1,500,450 in combined realized and unrealized capital losses at March 31, 2025 and 2024, 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, 2025 and 2024. 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 \$268,811 and \$387,116 against its deferred tax asset on capital losses at March 31, 2025 and 2024, respectively.

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

	<u>2025</u>	<u>2024</u>
Deferred Tax Asset:		
Provisions for Bad Debt	\$ 78,404	\$ 79,954
Other Benefits	164,705	386,390
Provision for Litigation	5,207	5,310
Inventory Write Down	953,249	2,240,353
Unrealized/Realized Capital Losses	268,811	387,116
Valuation Allowance	(268,811)	(387,116)
Deferred Tax Liability:		
Depreciation	<u>(7,937,240)</u>	<u>(8,713,433)</u>
Net Deferred Income Tax Liability	<u>\$ (6,735,675)</u>	<u>\$ (6,001,426)</u>

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Note 8: 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. During the year ended March 31, 2025, the balances from the two notes were consolidated into the second note agreement disclosed above; therefore, the entire balance is considered to have a maturity date of June 30, 2026. The related party has borrowed \$24,081,890 from the loan agreement and is included as a note receivable – related party as of March 31, 2025 and 2024. Interest income totaled \$1,143,890 for 2025 and \$1,218,964 for 2024. As of March 31, 2025 and March 31, 2024, there was no interest receivable related to the loan agreement.

The Company's accounts receivable – related party results from certain material supplies and other expenses paid. As of March 31, 2025, the Company had \$51,592 in related party receivables from Welspun Specialty Solutions Limited for reimbursement of salary and other expenses. 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.

The Company's accounts payable – related party results from certain expenses such as freight, supplies, salary and consulting fees. As of March 31, 2025, the Company had \$1,038,432 in related party payable to WCL for expenses paid on the Company's behalf and \$11,105 in related party payable to Welspun Transformation Services Limited for professional 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.

Total material purchases from WCL were \$9,982,428 and \$1,198,026 during 2025 and 2024, respectively. Total material purchases from Welspun U.K. Limited were \$16,656 in 2025. The Company paid expenses on behalf of WCL totaling \$280,374 in 2025. The Company received reimbursements of expenses from WCL totaling \$10,907 in 2024. The Company made payments for corporate guarantee fees to WCL related to long-term debt, totaling \$629,167 and \$440,833 during 2025 and 2024, respectively. The Company paid \$87,412 in brand royalty fees to Welspun Corp Limited in 2025. 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 \$47,105 and \$48,488 in related party purchases of services from Welspun Transformation Services Limited in 2025 and 2024, respectively. The Company paid expenses on behalf of Welspun Specialty Solutions Limited totaling \$201,012 and \$104,995 in 2025 and 2024, respectively.

At March 31, 2025 and 2024, the Company had \$28,269,366 and \$1,268,412 of open purchase orders outstanding with WCL, respectively. At March 31, 2025, the Company had \$4,503 of open purchase orders outstanding with Welspun U.K. Limited.

The Company paid director sitting fees of \$4,000 and \$5,000 during the years ended March 31, 2025 and 2024, respectively. The Company paid director remuneration fees of \$195,000 during the year ended March 31, 2025.

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Note 9: 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 51% of the revenues during 2025 were generated from four customers and approximately 76% of the revenues during 2024 were generated from one customer. At March 31, 2025, two customers made up approximately 84% of trade receivables. At March 31, 2024, one customer made up approximately 81% of trade receivables.

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, 2025 and 2024, the Company's uninsured cash balances totaled \$22,310,194 and \$7,086,526, respectively.

Additionally, the Company had \$40,010,000 in uninsured certificate of deposit balances at March 31, 2025. \$20,010,000 of these certificates of deposit are included in cash and cash equivalents on the consolidated balance sheet, and \$20,000,000 of these certificates of deposit are held in a foreign financial institution and are included as certificates of deposit - long-term 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 10: 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 2025 and 2024 were \$1,270,005 and \$1,136,939, respectively.

Note 11: 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

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

The following table presents the Company's hierarchy for its assets and liabilities measured at fair value as of March 31, 2025:

	<u>Carrying Amount</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
<u>Assets:</u>				
Debt Securities: AFS	\$ 11,539,604	\$ -	\$ 11,539,604	\$ -

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>
<u>Assets:</u>				
Debt Securities: AFS	\$ 11,101,650	\$ -	\$ 11,101,650	\$ -

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 12: Commitments and Contingencies

At March 31, 2025, the Company had an open purchase commitment to a vendor for a piece of manufacturing equipment. The total purchase price of the equipment included in the commitment is \$3,850,000. At March 31, 2025, the Company has advanced \$2,695,000 to the vendor related to this piece of equipment. This advance is included in Non-Current Advances to Vendors on the Consolidated Balance Sheets.

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.

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

Note 13: Foreign Currency Transactions

At March 31, 2024 the Company maintained a cash account holding Euros. These holdings were used for purchases of specialized equipment from an overseas manufacturer that required 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 income. At March 31, 2025, the Company had no cash accounts held in foreign currencies.