Pidilite USA, Inc.

Financial Statements

March 31, 2020 and March 31, 2019

KNAV P.A.

Certified Public Accountants

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America Counts on CPAs

Table of Contents

KNAV
PARTNERS BEYOND BOUNDARIES

Independent Auditor's Report

Board of Directors
Pidilite USA, Inc.

We have audited the accompanying financial statements of Pidilite USA, Inc. ('the Company') which comprise the balance sheets as of March 31, 2020 and March 31, 2019 and the related statements of loss, stockholder's equity, and cash flows for the years then ended and the related notes to financial statements. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

Auditor's responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States and in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the organization's preparation and fair presentation of the financial statements 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 the organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements referred to above present fairly in all material respects, the financial position of the Company as of March 31, 2020 and March 31, 2019 and the results of its operations and cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States.

PARTNERS BEYOND BOUNDARIES

Other matter

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The supplementary financial information for March 31, 2020 and March 31, 2019 is presented for the purpose of additional analysis and is not a required part of the financial statements. This supplemental schedule is the responsibility of the Company's management. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

KNAV P.A.

Atlanta, Georgia
May 19, 2020

Financial Statements

Balance sheets

(All amounts in United States Dollars, unless otherwise stated)

	As at March 31, 2020	As at March 31, 2019
ASSETS		
Current assets		
Cash and cash equivalents	3,593,738	3,895,468
Accounts receivable, net of allowances	3,430,405	3,278,193
Inventories	6,620,059	7,214,244
Prepaid expenses and other current assets	395,204	474,845
Investments	562,500	562,500
Total current assets	**14,601,906**	**15,425,250**
Property, plant and equipment, net	937,655	1,111,355
Operating lease right-of-use assets	212,161	-
Goodwill and other intangibles, net	144,815	191,201
Deferred tax assets	749,154	536,702
Other assets	6,424	-
Total assets	**16,652,115**	**17,264,508**
LIABILITIES AND STOCKHOLDER'S EQUITY		
Current liabilities		
Line of credit	471,741	2,015,792
Accounts payable	1,286,274	1,311,801
Other current liabilities	1,674,003	475,734
Total current liabilities	**3,432,018**	**3,803,327**
Deferred tax liability	17,245	15,191
Operating lease liability	111,526	-
Total liabilities	**3,560,789**	**3,818,518**
Stockholder's equity		
Common stock	14,780,000	14,780,000
Accumulated deficit	(1,688,674)	(1,334,010)
Total stockholder's equity	**13,091,326**	**13,445,990**
Total liabilities and stockholder's equity	**16,652,115**	**17,264,508**

(The accompanying notes are an integral part of these financial statements)

Statements of loss

(All amounts in United States Dollars, unless otherwise stated)

	For the year ended March 31, 2020	For the year ended March 31, 2019
Revenues, net of allowances and rebates	17,967,276	16,920,310
Less: cost of revenues	12,696,445	12,182,081
Gross profit	**5,270,831**	**4,738,229**
Operating costs and expenses		
Selling, general and administrative expense	5,463,331	4,584,012
Depreciation and amortization	340,136	366,052
Impairment of investment	-	187,500
Interest expense	44,572	98,429
Total costs and expenses	**5,848,039**	**5,235,993**
Operating loss	**(577,208)**	**(497,764)**
Other (expense) income, net	21,884	(113,776)
Loss from operations before income tax	**(555,324)**	**(611,540)**
Current tax expense (benefit)	9,738	(36,138)
Deferred tax benefit	(210,398)	(152,044)
Net loss	**(354,664)**	**(423,358)**

(The accompanying notes are an integral part of these financial statements)

Statements of stockholder's equity

(All amounts are stated in United States Dollars, except number of shares or unless otherwise stated)

	Common stock					
	Authorized		Issued and outstanding			Total
Particulars	**Shares**	**Value in US$**	**Shares**	**Value in US$**	**Accumulated deficit**	**stockholder's equity**
Balance as on April 01, 2018	27,000,000	27,000,000	14,780,000	14,780,000	(210,652)	14,569,348
Net loss for the year	-	-	-	-	(423,358)	(423,358)
Dividend paid	-	-	-	-	(700,000)	(700,000)
Balance as on March 31, 2019	**27,000,000**	**27,000,000**	**14,780,000**	**14,780,000**	**(1,334,010)**	**13,445,990**
Balance as at April 01, 2019	27,000,000	27,000,000	14,780,000	14,780,000	(1,334,010)	13,445,990
Net loss for the year	-	-	-	-	(354,664)	(354,664)
Balance as on March 31, 2020	**27,000,000**	**27,000,000**	**14,780,000**	**14,780,000**	**(1,688,674)**	**13,091,326**

(The accompanying notes are an integral part of these financial statements)

Statements of cash flow

(All amounts in United States Dollars unless otherwise stated)	For the year ended March 31, 2020	For the year ended March 31, 2019
Cash flow from operating activities		
Net loss	(354,664)	(423,358)
Adjustments to reconcile net loss to cash provided by operating activities		
Depreciation and amortization	340,136	366,052
Impairment of investment	-	187,500
Interest receivable written off	-	157,562
Deferred tax benefit	(210,398)	(152,044)
Allowance for bad debts	17,396	(97,205)
Allowance (written back) for slow moving inventory (net of inventory written off)	(26,872)	268,471
Changes in assets and liabilities		
(Increase)/decrease in accounts receivable	(169,608)	585,846
Decrease in inventories	621,057	293,834
Decrease in prepaid expenses and other current assets	73,217	816,584
Increase in ROU asset	(212,161)	-
Increase in operating lease liability	215,909	-
Decrease in accounts payable	(25,527)	(481,410)
Increase/(decrease) in other current liabilities	1,093,886	(306,984)
Net cash provided by operating activities	**1,362,371**	**1,214,848**
Cash flow from investing activities		
Purchase of property, plant, and equipment	(120,050)	(361,339)
Net cash used in investing activities	**(120,050)**	**(361,339)**
Cash flow from financing activities		
Short-term line of credit	(1,544,051)	(253,482)
Dividend paid	-	(700,000)
Net cash used in financing activities	**(1,544,051)**	**(953,482)**
Net decrease in cash and cash equivalents	(301,730)	(99,973)
Cash and cash equivalents at the beginning of the year	3,895,468	3,995,441
Cash and cash equivalents at the end of the year	**3,593,738**	**3,895,468**
Supplemental cash flow information		
Interest paid	38,962	80,967
Income taxes paid	19,125	24,474

(The accompanying notes are an integral part of these financial statements)

Notes to Financial Statements

(All amounts in United States Dollars, unless otherwise stated)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies applied in the preparation of the accompanying financial statements are as follows:

1. *Business description*

Pidilite USA, Inc. ("the Company") was incorporated in Delaware on May 12, 2006. The Company conducts business through its division Sargent Art. Sargent Art division manufactures and trades in art materials and is located in Hazleton, Pennsylvania.

Pidilite USA, Inc. is a wholly owned subsidiary of Pidilite Industries Limited, a public listed company in India.

2. *Financial statements*

a) *Basis of preparation*

The accompanying financial statements are prepared under the historical cost convention on accrual basis of accounting in accordance with the accounting and reporting requirements of generally accepted accounting principles in the United States of America ('US GAAP') to reflect the financial position, results of operations, stockholder's equity and cash flows.

All amounts are stated in US dollars, except as otherwise specified.

The current year financial statements are for the fiscal year April 1, 2019 to March 31, 2020. The previous year financial statements are for fiscal year April 1, 2018 to March 31, 2019. The amounts in the notes to the financial statements for the previous year ending March 31, 2019 are given in brackets. Certain reclassifications, regroupings and reworking have been made in the financial statements of prior periods to conform to the classifications used in the current year. These changes had no impact on previously reported net income or stockholder's equity.

b) *Estimates and assumptions*

In preparing the financial statements in conformity with US GAAP, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the 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. The important estimates made by the Company in preparing these financial statements include those on provision for product recall expenses, allowance for doubtful accounts receivable, inventory reserve, useful life of property, plant and equipment, the valuation and impairment of goodwill and other intangibles, the provision for rebates and allowances and realization of deferred taxes. Actual results could differ from those estimates.

3. *Cash and cash equivalents*

The Company considers all highly liquid investments and deposits with an original maturity of ninety days or less to be cash and cash equivalents. Cash and cash equivalents comprise cash on hand and balance with banks. The Company believes it is not exposed to any significant risk on cash and cash equivalents.

4. *Revenue recognition*

Revenue is recognized when obligations under the terms of a contract with a customer are satisfied; generally, this occurs with the transfer of control of the Company's products or services. Revenue is measured as the amount of consideration the Company expects to receive in exchange for transferring goods or providing services. A performance obligation is a promise in a contract to transfer a distinct good or service to the customer and is the unit of account in the contract. A contract's transaction price is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied.

The Company's contracts with customers are comprised of purchase orders along with standard terms and conditions. These contracts with customers typically consist of sale of products which represent single performance obligations that are satisfied upon transfer of control of the product to the customer at a point in time. Revenue from sale of goods is shown net of provisions for estimated sales returns, consumer and trade promotions, rebates, cash discounts, promotional reserve, and other deductions. Provisions for rebates to customers are provided in the same period that the sales are recorded.

The Company accounts for free products offered to customers as cost of sales and not netted off against revenue, based on the guidance provided in Accounting Standard Codification ("ASC") 606-10-25-1 as persuasive evidence of an arrangement does not exists.

The Company performs research and development services and charges service fee on a cost-plus mark-up basis for such services. The service fee is invoiced at a mark-up on the operating costs incurred for providing such services.

Effective April 1, 2019, the Company has adopted Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09, Revenue from Contracts with Customers (Topic 606). Revenue is recognized upon transfer of control of products or services promised to customers in an amount that reflects the consideration the Company expect to receive in exchange for these products or services. The adoption of this standard did not have a material impact on the Company's results of operations, cash flows, financial position, or disclosures. Please refer to Note T, "Revenue from Contracts with Customers" for further information on the Company's revenue recognition policies.

5. *Shipping and handling costs*

The Company classifies shipping and handling costs as expenses. Amounts billed to a customer in sales transaction related to shipping and handling are credited to shipping and handling costs.

6. *Investments*

Investments are carried at cost and comprise of investment in debt securities.

7. *Allowance for doubtful accounts*

The Company maintains an allowance for doubtful accounts using aging method i.e. longer an account balance is overdue, the less likely is the recoverability of the receivable. The Company applies a percentage overdue balances of receivable aging. Bad debt expense is included in general expenses in the statement of income.

8. *Goodwill and intangible assets*

In accordance with ASC 350, Goodwill and Other Intangible Assets, all assets and liabilities of the acquired business including goodwill are assigned to the reporting units. The Company does not amortize goodwill but instead tests goodwill for impairment at least annually.

For goodwill impairment tests, if the carrying value of a reporting unit exceeds its fair value, the Company will measure any goodwill impairment losses as the amount by which the carrying amount of a reporting unit exceeds its fair value, not to exceed the total amount of goodwill allocated to that reporting unit.

Intangible assets acquired individually, with a group of other assets or in a business combination are carried at cost less accumulated amortization. The intangible assets are amortized over their estimated useful lives in proportion to the economic benefits consumed in each period. The estimated useful lives of the intangible assets are as follows:

Trademark	5- 15 years
Software licenses	5 years

Payments made for non-compete covenants in a business combination are written off during the non- compete period, which is for 5 years.

9. *Inventories*

Inventories are stated at the lower of cost or market value. Cost is determined using weighted-average method for raw materials and packing materials, work in process, manufactured finished goods and the traded finished goods of art materials and adhesive segment and also to determine cost of the traded finished goods of car care products inventories. The Company provides an allowance for slow moving inventory based on detailed stock aging method considering the ageing of the inventory and the current market conditions.

10. *Income taxes*

The Company accounts for deferred taxes under the liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributed to differences between the financial statements carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the statement of income in the period of change. Based on management's judgment, the measurement of deferred tax assets is reduced, if necessary, by a valuation allowance for any tax benefits for which it is more likely than not that some portion or all of such benefits will not be realized.

The Company recognizes liabilities for uncertain tax positions based on a two-step process. The first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates it is more likely than not that the position will be sustained on audit, including resolution of related appeals or litigation processes, if any. The second step is to measure the tax benefit as the largest amount which is more than 50% likely of being realized upon ultimate settlement. The Company recognizes interest and penalties related to uncertain tax positions within the provision for income taxes.

11. *Property, plant, and equipment*

Property, plant, and equipment are stated at cost less accumulated depreciation and impairment. Depreciation is provided over the estimated useful life of the assets using the straight-line method. Expenditures for maintenance and repairs are expensed as incurred. When assets are retired or otherwise disposed of, the cost of the asset and related depreciation are eliminated from the financial records. Any gain or loss on disposition is credited or charged to income.

The estimated useful lives of assets are as follows:

Leasehold improvements	4-5 years
Machinery and equipment	7 years
Office furniture and equipment	3-5 years
Vehicles	5 years

12. *Commitments and contingencies*

Liabilities for loss contingencies arising from claims, assessments, litigation, fines, and penalties and other sources are recorded when it is probable that a liability has been incurred and the amount can be reasonably estimated. Legal costs incurred in connection with loss contingencies are expensed as incurred.

13. *Operating leases*

At the inception of a contract, the Company assesses whether the contract is, or contains, a lease. The Company's assessment is based on: (1) whether the contract involves the use of a distinct identified asset, (2) whether the Company obtains the right to substantially all the economic benefit from the use of the asset throughout the term of the contract, and (3) whether the Company has the right to direct the use of the asset. At the inception of a lease, the consideration in the contract is allocated to each lease component based on its relative standalone price to determine the lease payments. Leases entered into prior to April 1, 2019 have been accounted for under ASC 840 and were not reassessed.

Leases are classified as either finance leases or operating leases. A lease is classified as an operating lease if the following criteria are not met: (1) the lease transfers ownership of the asset by the end of the lease term, (2) the lease contains an option to purchase the asset that is reasonably certain to be exercised, (3) the lease term is for a major part of the remaining useful life of the asset or (4) the present value of the lease payments equals or exceeds substantially all of the fair value of the asset.

For all leases at the lease commencement date, a right-of-use ("ROU") asset and a lease liability are recognized. The lease liability represents the present value of the lease payments under the lease. Lease liabilities are initially measured as the present value of the lease payments not yet paid, discounted using the discount rate for the lease at lease commencement. The lease liabilities are subsequently measured on an amortized cost basis. The lease liability is adjusted to reflect interest on the liability and the lease payments made during the period. Interest on the lease liability is determined as the amount that results in a constant periodic discount rate on the remaining balance of the liability.

The ROU asset represents the right to use the leased asset for the lease term. The ROU asset for each lease initially includes the amount of the initial measurement of the lease liability adjusted for any lease payments made to the lessor at or before the commencement date, accrued lease liabilities and any lease incentives received or any initial direct costs incurred by the Company.

The ROU asset of operating leases is subsequently measured from the carrying amount of the lease liability at the end of each reporting period, and is therefore equal to the carrying amount of lease liabilities adjusted for (1) unamortized initial direct costs, (2) prepaid/(accrued) lease payments and (3) the unamortized balance of lease incentives received.

Leases with a lease term of 12 months or less from the commencement date that do not contain a purchase option are recognized as an expense on a straight-line basis over the lease term.

Significant judgements

The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Company has applied an incremental borrowing rate for the purpose of computing lease liabilities based on the rate prevailing in different geographies. Upon the Company's adoption of ASC 842, the Company applied an incremental borrowing rate to leases existing as of April 1, 2019, the date of initial application.

Changes in accounting policies

Except as described below, the Company has applied accounting policies consistently to all periods presented in these financial statements. The Company adopted Accounting Standards Codification Topic 842, Leases ("Topic 842"), effective April 1, 2019. The Company applied Topic 842 using the modified retrospective adoption approach, which involves recognizing new right-of-use ("ROU") assets and lease liabilities in its statement of financial position for various operating leases. Therefore, comparative information has not been adjusted and continues to be reported under ASC Topic 840.

As a result of the Company's adoption of this new standard, all leases are classified as either operating leases or finance leases and are recorded on the balance sheet. The Company has elected the "package of practical expedients," which allows the Company not to reassess, under the new standard, its prior conclusions about lease identification, lease classification and initial direct costs. The Company has also elected to not separate lease and non-lease components for all of its leases. As of April 1, 2019, the date of the Company's initial application of ASC 842, the Company recognized its lease liabilities measured as the present value of lease payments not yet paid, discounted using the discount rate for the lease as of the date of initial application. The ROU asset for each existing lease as of the date of initial application includes an initial measurement of the lease liability adjusted for any lease payments made to the lessor at or before the date of initial application, accrued lease payments and any lease incentives received or any initial direct costs incurred by the Company as of the date of initial application.

14. *Recently adopted accounting pronouncements*

The authoritative bodies release standards and guidance which are assessed by management for impact on the company's financial statements.

The Company has adopted the following recently released accounting standards:

The Company adopted ASC Topic 606, Revenue from Contracts with Customers, with a date of initial application of April 1, 2019 using the modified retrospective method. The adoption of this standard did not have a material impact on the Company's results of operations, cash flows, financial position or disclosures.

In February 2016, FASB established Topic 842, "Leases", by issuing ASU No. 2016-02, which requires lessees to recognize leases on-balance sheet and disclose key information about leasing arrangements. The ASU requires extensive qualitative and quantitative disclosures, including with respect to significant judgments made by management. Subsequently, the FASB issued ASU No. 2017-13, in September 2017, ASU No. 2018-01, in January 2018, ASU No. 2018-10, in July 2018, ASU No. 2018-11, in July 2018, ASU No. 2018-20, in December 2018 which amends and clarifies ASU 2016-02. The ASU will be effective for the Company beginning April 1, 2019, including interim periods in the fiscal year 2019. Early adoption is permitted. The Company adopted this standard w.e.f. April 1, 2019 as its date of initial application using a modified retrospective adoption approach. The following table summarizes the impact of the Company's adoption of Topic 842 on its financial statements as of April 1, 2019.

	As reported March 31, 2019	**Adoption of ASC 842 Increase/(decrease)**	**Balance as of April 1, 2019**
ROU asset	-	313,125	313,125
Lease liability	-	313,125	313,125

In March 2019, the Financial Accounting Standards Board (the "FASB") issued ASU 2019-01, Leases (Topic 842): Codification Improvement. The new standard contains several amendments to clarify the codification more generally and/or to correct unintended application of guidance. The changes in the new standard eliminate the requirement for transition disclosures related to Topic 250-10-50-3. The guidance is effective for fiscal years beginning after December 15, 2019, including interim periods within those years. Early application is permitted. The Company adopted ASU 2019-01 effective April 1, 2019 and no prior periods have been adjusted.

NOTE B - CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise of the following:

Particulars	**As at March 31, 2020**	**March 31, 2019**
Petty cash	399	261
Checking accounts	3,593,340	3,895,207
Total	**3,593,738**	**3,895,468**

Cash balances on checking accounts and payroll accounts with the bank are insured by the Federal Deposit Insurance Corporation up to an aggregate of $250,000 (March 31, 2019 $250,000) per depositor at each financial institution.

NOTE C - ACCOUNTS RECEIVABLE

The accounts receivable as at March 31, 2020 are stated net of rebates, allowances for sales return and allowance for doubtful accounts. Accounts receivable as at March 31, 2020 of $ 3,430,405 (March 31, 2019: $ 3,278,193) represent dues from customers of the Company, representing amounts receivable on product sales. The Company maintains an allowance for doubtful accounts and returns on all accounts receivable, based on present and prospective financial condition of the customer and ageing of accounts receivable after considering historical experience and the current economic environment. The accounts receivable balances as at March 31, 2020 comprises of dues from related parties of $ 297,487 (March 31, 2019: $ 185,468).

All the receivables are pledged as security for line of credit with a bank.

The movement in allowance for doubtful accounts during the year was as follows: -

	Year ended	
Particulars	**March 31, 2020**	**March 31, 2019**
Balance at the beginning of the year	503,635	551,602
Add: Provision for the year net of reversal	(11,081)	(97,205)
Less: Bad debts written off/back	(6,315)	49,238
Balance at the end of the year	**486,239**	**503,635**

At the end of fiscal year 2013 a major customer of the Sargent Art division filed for Chapter 11 bankruptcy protection. The Company filed its priority claim of $ 37,608 and non-priority claim of $ 448,348 with the Bankruptcy Court. Based on the Reorganization Plan ("Plan") approved by the Court, the Company received the full amount of its priority claim. With regard to the non-priority claim the Plan provided different options to the Company. The Company accepted the option to provide the customer agreed upon customary trade terms (same terms as were given pre-petition) till September 30, 2014. Since then the customer requested an extension of the due date of claim. Customer offered 10% upfront cash payment which was received in January 2020 and a 200-basis point increase in accrued interest rate of 10% per annum accrued quarterly and payable in the financial year 2020-21. The Company estimates further realization under this option would be approximately $ 345,047 in the year 2020-21. The Company believes that it has adequately provided for the account receivable from the customer.

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NOTE D - INVENTORIES

Major classes of inventory are as follows:

Particulars	As at March 31, 2020	As at March 31, 2019
Raw materials and packing materials	1,810,090	1,802,011
Work in process	180,990	150,730
Manufactured finished goods	1,429,408	1,097,417
Goods in transit	657,480	740,988
Traded finished goods:		
Art materials	3,307,999	4,162,134
Less: Allowance for slow moving inventory	(765,908)	(739,036)
Total	**6,620,059**	**7,214,244**

The movement in allowance for inventory during the year was as follows: -

Particulars	Year ended March 31, 2020	Year ended March 31, 2019
Balance at the beginning of the year	739,036	470,565
Add: Reserve created during the year	167,488	344,200
Less: Reserve write back	(93,631)	-
Less: Inventory written off during the year	(46,985)	(75,729)
Balance at the end of the year	**765,908**	**739,036**

All the inventories are pledged as security against the line of credit with a bank.

NOTE E - INVESTMENT

On September 29, 2014, the Company invested in convertible promissory notes of Optmed Inc., for an amount of $750,000. The conversion of the promissory notes is subject to various covenants. The conversion feature also includes an option to convert at the sole discretion of the Company upon certain future event. Management has considered and valued this investment as a 'debt instrument' and believes that the valuation of the option can be done only after the occurrence of the specific future event.

During the year, the Company recognized impairment amounting to $ Nil (March 31, 2019: $187,500) and has written off the accrued interest receivable on the promissory notes amounting to $ Nil (March 31, 2019: $157,562). The provision for impairment represents the difference between the net carrying cost and the estimated selling value based on best judgement. The Company has evaluated the current business operation and the risk and uncertainties involved to determine recoverability of the Company's remaining cost. Impairment loss is recorded separately in the consolidated statement of income. Investment as at March 31, 2020 and March 31, 2019 is $ 562,500 and $ 562,500, respectively.

NOTE F - PREPAID EXPENSE AND OTHER CURRENT ASSETS

Prepaid expenses and other current assets comprise the following:

Particulars	As at March 31, 2020	As at March 31, 2019
Advance to vendors	287,738	195,299
Advance taxes	17,942	176,281
Prepaid expenses	89,524	103,265
Total	**395,204**	**474,845**

NOTE G - PROPERTY, PLANT AND EQUIPMENT, NET

Property, plant, and equipment comprise the following:

Particulars	As at March 31, 2020	As at March 31, 2019
Leasehold improvement	198,350	198,350
Machinery and equipment	3,676,217	3,566,049
Office furniture and equipment	374,939	372,575
Vehicles	23,465	23,465
Total	**4,272,971**	**4,160,439**
Less: Accumulated depreciation	(3,335,316)	(3,049,084)
Property, plant and equipment, net	**937,655**	**1,111,355**

The carrying amounts of all tangible/intangible assets are pledged as security against the line of credit with the bank. Depreciation expense for the year is $ 286,233 (March 31, 2019: $ 298,059).

NOTE H - GOODWILL AND OTHER INTANGIBLES, NET

Goodwill and other intangibles comprise the following:

		As at March 31, 2020	
Particulars	Gross carrying amount	Accumulated amortization	Net carrying amount
Trademark*	770,281	(709,081)	61,200
Goodwill	70,358	-	70,358
Software licenses	41,939	(28,682)	13,257
Non-compete	50,000	(50,000)	-
Total	**932,578**	**(787,763)**	**144,815**

		As at March 31, 2019	
Particulars	Gross carrying amount	Accumulated amortization	Net carrying amount
Trademark*	770,281	(657,588)	112,693
Goodwill	70,358	-	70,358
Software licenses	33,301	(26,272)	8,149
Non-compete	50,000	(50,000)	-
Total	**923,941**	**(733,860)**	**191,201**

*The gross amount of trademarks includes registration and renewal costs of $51,787.

The Company amortized the non-compete covenants over the term of the non-compete, which was five years.

The Company has estimated the useful life of the trademarks to be 15 years. The Company capitalizes the registration and renewal costs incurred on the trademarks and the estimated useful life of such costs have been estimated at 5 years by the Company.

Intangible amortization expense for the year is $ 53,903 (March 31, 2019: $ 53,323). The Company's estimate of annual amortization expense for the next five years for the intangible assets is as follows:

Year ending March 31,	Amount
2021	54,527
2022	14,149
2023	2,684
2024	1,770
2025 and beyond	1,328
Total	**74,457**

NOTE I - LINE OF CREDIT

The Company has a working capital facility line of credit with a bank with a maximum permissible limit of $3,000,000 (March 31, 2019: $3,000,000). As at March 31, 2020 the Company has made withdrawals to the tune of $ 471,741 (March 31, 2019: $ 2,015,792). Interest on the line of credit is payable at LIBOR plus 2.57% per annum, calculated at monthly intervals. As of March 31, 2020, the applicable rate of interest on the outstanding line of credit was 5.2% per annum (March 31, 2019: 4.44% per annum).

The line of credit to the extent of $3,000,000 is secured against all receivables, inventory and other assets. Total interest expense on the line of credit for the year ended March 31, 2020 is $ 44,572 (March 31, 2019: $ 98,429). Interest is payable on a monthly basis and the line of credit is repayable on demand.

NOTE J - LEASES

The components of lease cost for operating lease for the year ended March 31, 2020 are summarized below:

	Year ended March 31, 2020
Operating lease cost (Note a)	110,664
Total	**110,664**

a) Included in "selling, general and administrative expenses" in the statements of income.

Other information

Weighted-average remaining lease term—operating leases	2 years
Weighted-average discount rate—operating leases	4.00%

Supplemental cash flow information related to leases was as follows:

	Year ended March 31, 2020
Cash paid for amounts included in the measurement of lease liabilities	
Operating cash flows from operating leases	106,917
Total	**106,917**

The following table reconciles the undiscounted cash flows for the Company's operating leases as of March 31, 2020 to the operating liabilities recorded on the Company's balance sheet:

Period range	Lease payments	Imputed interest	Lease liabilities
2021	111,119	6,736	104,383
2022	113,957	2,431	111,526
Total	**225,076**	**9,168**	**215,909**

NOTE K - OTHER CURRENT LIABILITIES

Other current liabilities comprise of the following:

	As at	
Particulars	**March 31, 2020**	**March 31, 2019**
Accrued expenses*	1,179,308	256,727
Accrued salaries	87,035	90,892
Advance from customer**	116,670	6,834
Accrued taxes	567	591
Bonus payable	-	-
Accrued vacation pay	164,088	104,349
Accrued interest	21,951	16,341
Operating lease liability	104,383	-
Total	**1,674,003**	**475,734**

* The Company has been invoiced for the first time in 2020 by the US Department of Customs for retroactive countervailing duties imposed on pencil imports made by the Company from a Chinese producer during calendar years 2012 to 2015. These duties resulted from the finalization of administrative proceedings commenced in 2012 between US Department of Customs and the Chinese pencil exporter earlier this year in which it was determined that an incorrect tariff rate was applied to all pencil exports made by such exporter to the United States. As the importer of record, the Company is responsible for the additional duties under US law. The aggregate amount of such liability for the duties is confirmed to be at least $ 899,877 to the best of Company's knowledge with a remote possibility of additional liability based on analysis conducted by expert trade advisors that could result in a higher amount, and also the possibility of a lower amount.

**The advance from customer balances as at March 31, 2020 comprises of dues from related parties of $ 48,943.

NOTE L - REVENUE FROM CONTRACT WITH CUSTOMERS

Disaggregation of revenue from contracts with customers

Revenue disaggregated by product line:

	Year ended	
	March 31, 2020	**March 31, 2019**
Product revenue	16,051,051	14,816,419
Service revenue	1,916,224	2,103,891
Total revenue by product line	**17,967,276**	**16,920,310**

Revenue disaggregated by timing of recognition:

	Year ended	
	March 31, 2020	**March 31, 2019**
Services transferred at a point in time	17,967,276	16,920,310
Services transferred over time	-	-
Total revenue by timing of recognition	**17,967,276**	**16,920,310**

Contract Balances

The timing of revenue recognition, invoicing and cash collections results in billed receivables, contract assets and contract liabilities on the balance sheets. Contract assets represent sales recognized in excess of billings related to work completed but not yet billed for which revenue is recognized over time or amounts billed but not yet collected. Contract assets, whether billed or unbilled, are recorded as Accounts Receivables and are included in Note C. Unbilled receivables are typically generated from consulting contracts, which are billed upfront as a percentage of the total revenue, with the balance billed upon completion. Contract liabilities are customer deposits for which revenue has not been recognized. Customer deposits are recorded as other current liabilities. When consideration is received from a customer prior to transferring goods or services to the customer under the terms of a contract, a contract liability is recorded as deferred revenue. Contract liabilities are recognized as revenue after control of the goods and services are transferred to the customer and all revenue recognition criteria have been met.

The following table provides information about contract balances as of March 31:

	Year ended	
	March 31, 2020	**March 31, 2019**
Accounts receivable (Refer *Note C*)	3,430,405	3,278,193

NOTE M - OTHER (EXPENSE) INCOME, NET

Other income comprises of:

	For the year ended	
Particulars	**March 31, 2020**	**March 31, 2019**
Interest receivable written off	-	(157,562)
Other	21,884	43,786
Total	**21,884**	**(113,776)**

NOTE N - INCOME TAXES

Income tax expense (benefit) is as follows:

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
State		
Current	17,226	18,029
Deferred	(46,869)	(50,564)
Federal		
Current	(7,488)	(54,167)
Deferred	(163,529)	(101,480)
Total tax expense	**(200,660)**	**(188,182)**

The items accounting for the difference between income taxes computed at the federal statutory rate and the provision for income taxes are as follows:

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
Income tax at federal rate	(119,510)	(275,382)
State tax, net of federal effect	(30,652)	(33,831)
Return to provision	114,002	(28,812)
Permanent differences	5,257	149,844
Change in NOL's	(169,757)	-
Total	**(200,660)**	**(188,182)**

The following is the summary of items giving rise to deferred tax assets and liabilities:

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
Deferred tax asset		
Accounts receivable	129,217	127,087
Inventories	224,563	344,117
Inventory reserve	203,539	186,488
Accrued vacation	43,606	26,331
Net operating losses	232,407	65,106
Impairment	49,828	47,313
Charitable Contribution	5,315	-
S 179 Carry over	92,379	-
Intangibles other than goodwill	693	2,225
Total	**981,547**	**798,667**
Less: Valuation allowance	-	-
Total deferred tax asset	**981,547**	**798,667**
Deferred tax liability		
Property and equipment	230,989	261,965
ASC 842 adjustment	1,404	-
Deferred tax liability	**232,393**	**261,965**
Non-current deferred tax asset, net	**749,154**	**536,702**
Deferred tax liability		
Goodwill	17,245	15,191
Non-current deferred tax liability	**17,245**	**15,191**

In assessing the realization of deferred tax assets, the likelihood of whether it is more likely than not that some portion or all of the deferred tax assets will not be realized must be considered. The ultimate realization of deferred tax assets is dependent on the generation of future taxable income during the periods in which temporary difference become deductible.

Management considers the projected future taxable income and availability of taxable temporary differences in making this assessment. Additionally, the company has taxable income in prior carry back year(s)for which the carry back is permitted under the tax laws.

The Company has recognized deferred tax liability of $17,245 (March 31, 2019: $15,191) on account of temporary differences arising out of goodwill amortization for tax purposes. Such deferred tax liability may not be offset against deferred tax assets and hence has been recognized while preparing the financial statements.

Management believes that positive evidence outweighs the negative evidence and thus it is more likely than not that the benefit from deferred tax asset may be realized in foreseeable future. In view of this, valuation allowance has not been created as at March 31, 2020.

As at March 31, 2020, the Company has federal net operating loss (NOL's) carryforwards of approximately $437,174 generated in tax years 2018 and 2019 which will be carried forward indefinitely for utilization per Tax Cuts and Jobs Act. Per Coronavirus Aid, Relief, and Economic Security (CARES) Act, the said NOL's of $437,174 may also be carried back up to 5 years i.e., up to tax year 2013.

The Company recognizes the financial statement impact of a tax position when it is more likely than not that the position will be sustained upon examination. The adoption of this standard had no material effect on the Company's financial position, results of operation or cash flows

The tax years of 2016 through 2018 remain subject to examination by the taxing authorities.

NOTE O - RELATED PARTY TRANSACTIONS

A. The following are the related parties with whom transactions have taken place during the year with the Company having closing balances:

   a. Pidilite Industries Limited – Parent Company
   b. Pidilite International Pte. Limited – Associate Company

B. Summary of transactions with related parties are as follows:

Particulars	Pidilite Industries Limited US$	Pidilite International Pte. Ltd US$	Total US$
Transactions for the year ended March 31, 2020			
Purchases inclusive of goods in transit	710,644	-	**710,644**
Royalty expense	-	43,866	**43,866**
Legal fees paid	-	2,897	**2,897**
Service fees	1,916,224	-	**1,916,224**
Expense reimbursement	97,016	-	**97,016**

	Pidilite Industries Limited US$	Pidilite International Pte. Ltd US$	Total US$
Balances as at March 31, 2020			
Accounts receivable	297,505	-	**297,505**
Accounts payable	268,621	40,969	**309,590**
Other payable	48,943	-	**48,943**
Transactions for the year ended March 31, 2019			
Purchases	876,747	-	**876,747**
Royalty expense	-	50,664	**50,664**
Legal fees	-	8,505	**8,505**
Service fees	2,103,845	-	**2,103,845**
Expense reimbursement	172,337	-	**172,337**
Balances as at March 31, 2019			
Accounts receivable	185,468	-	**185,468**
Accounts payable	261,157	42,159	**303,316**
Other payable	53,943	-	**53,943**

NOTE P - COMMITMENTS AND CONTINGENCIES

a) Employment contracts

The Company has employment agreements with key executive officers. These agreements provide for base salaries, bonus, perquisites, and fringe benefits as approved by the Board of Directors. The Company accrues for incentives payable to the key executive officers.

b) Contingencies

From time to time, the Company is engaged in certain legal matters arising in the ordinary course of business. In the opinion of management, the Company has adequate legal defenses with respect to these actions and believes that the ultimate outcomes will not have a material adverse effect on its financial statements.

NOTE Q - RETIREMENT PLANS

The Company contributes to two 401(k) plans for salaried and eligible hourly personnel. The contribution for the year ended March 31, 2020 is $ 95,404 (March 31, 2019: $ 94,103).

NOTE R - CONCENTRATION RISK

The Company's future results of operations involve a number of risks and uncertainties. Factors that could affect future operating results and cause actual results to vary materially from expectations include but are not limited to government regulations, competition, reliance on certain customers and credit risk.

The Company has concentration in respect of region in which it operates, which is the USA.

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash and cash equivalents and accounts receivable. To reduce its credit risk, the Company performs ongoing credit evaluations of customers. The Company concentrates its revenue with a single customer which account accounted for 25% and 18% revenues for the years ended March 31, 2020 and 17% and 17% for the years ended March 31, 2019. The Company's two customers accounted for 35% and 20% of the accounts receivable as at March 31, 2020 and 38% and 31% as at March 31, 2019.

NOTE S - STOCKHOLDER'S EQUITY

The authorized share capital of the Company is 27,000,000 (March 31, 2019: 27,000,000 common shares) common shares of a par value of $1 each. The Company has issued 14,780,000 (March 31, 2019: 14,780,000 common shares) common shares of $1 each. Each share carries an equal voting right and is entitled to an equal share in the assets of the Company at liquidation.

NOTE T - SUBSEQUENT EVENTS

The Company has evaluated subsequent events and transactions that occurred after the balance sheet date up to the date that the financial statements were issued. Based on the evaluation, except as stated below, the Company is not aware of any events or transactions that would require recognition or disclosure in the financial statements.

In January 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a "Public Health Emergency of International Concern," which continues to spread throughout the world and has adversely impacted global commercial activity and contributed to significant declines and volatility in financial markets. Management is currently evaluating the impact of this COVID-19 pandemic and has concluded that while it is reasonably possible that the virus could have a negative effect on the Company's financial position and results of its operations, the specific impact is not readily determinable as of the date of these financial statements. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Appendix A – Supplementary information

1. Property, plant and equipment, net

Particulars	Machinery and equipment	Office equipment	Leasehold improvements	Vehicles	Total
Gross block					
As at April 01, 2018	3,235,455	373,781	184,625	23,465	3,817,326
Additions during the year	330,594	13,465	13,725	-	357,784
Deletions during the year	-	14,671	-	-	14,671
As at March 31, 2019 (A)	**3,566,049**	**372,575**	**198,350**	**23,465**	**4,160,439**
As at April 01, 2019	3,566,049	372,575	198,350	23,465	4,160,439
Additions during the year	110,168	2,364	-	-	112,532
Deletions during the year	-	-	-	-	-
As at March 31, 2020 (C)	**3,676,217**	**374,939**	**198,350**	**23,465**	**4,272,971**
Accumulated depreciation					
As at April 01, 2018	2,281,140	316,442	129,977	23,465	2,751,024
Charge for the year	267,076	22,351	23,303	-	312,730
Disposal	-	14,670	-	-	14,670
As at March 31, 2019 (B)	**2,548,216**	**324,122**	**153,280**	**23,465**	**3,049,084**
As at April 01, 2019	2,548,216	324,122	153,280	23,465	3,049,083
Charge for the year	248,785	16,320	21,128	-	286,233
Disposal	-	-	-	-	-
As at March 31, 2020 (D)	**2,797,001**	**240,442**	**174,408**	**23,465**	**3,335,316**
Net block					
As at March 31, 2019 (A-B)	**1,017,833**	**48,452**	**45070**	**-**	**1,111,355**
As at March 31, 2020 (C-D)	**879,216**	**34,497**	**23,941**	**-**	**937,655**

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2. Goodwill and intangibles, net

Particulars	Trademark	Goodwill	Software	Non-compete	Total
Gross block					
As at April 01, 2018	770,281	70,358	30,865	50,000	921,504
Additions during the year	-	-	3,556	-	3,556
Deletions during the year	-	-	-	-	-
As at March 31, 2019 (A)	**770,281**	**70,358**	**34,421**	**50,000**	**925,060**
As at April 01, 2019	770,281	70,358	34,421	50,000	925,060
Additions during the year	-	-	7,518	-	7,518
Deletions during the year	-	-	-	-	-
As at March 31, 2020 (C)	**770,281**	**70,358**	**41,939**	**50,000**	**932,578**
Accumulated depreciation					
As at April 01, 2018	606,236	-	24,301	50,000	680,537
Charge for the year	51,352	-	1,971	-	53,323
Disposal	-	-	-	-	-
As at March 31, 2019 (B)	**657,588**	**-**	**26,272**	**50,000**	**733,860**
As at April 01, 2019	657,588	-	26,272	50,000	733,860
Charge for the year	51,493	-	2,410	-	53,903
Disposal	-	-	-	-	-
As at March 31, 2020 (D)	**709,081**	**-**	**28,682**	**50,000**	**787,763**
Net block					
As at March 31, 2019 (A-B)	**112,693**	**70,358**	**8,149**	**-**	**191,200**
As at March 31, 2020 (C-D)	**61,200**	**70,358**	**13,257**	**-**	**144,815**

3. Bifurcation of inventory allowance for slow moving items

Classes of inventory	As at March 31, 2020	As at March 31, 2019
Raw material	55,231	52,886
Packing material	165,524	129,703
Intermediate items	24,115	22,216
Finished goods – mfg.	59,283	38,386
Finished goods – trading	461,755	495,845
Total	**765,908**	**739,036**

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4. Income taxes

The following is the summary of items giving rise to deferred tax assets and liabilities:

Particulars	As at March 31, 2020	As at March 31, 2019
Tax effect of items constituting deferred tax liabilities		
Property, plant, and equipment	230,989	261,965
Intangible assets - goodwill	17,245	15,191
ASC 842 adjustment	1,404	-
Tax effect of items constituting deferred tax liabilities	**249,638**	**277,156**
Tax effect of items constituting deferred tax assets		
Provision for doubtful debts	129,217	127,087
Inventory & Inventory reserve	428,102	530,605
Intangibles other than goodwill	693	2,225
Accrued bonus	-	13,676
Accrued vacation	43,606	26,331
Impairment	49,828	47,313
Charitable contribution	5,315	-
S. 179 net operating losses	92,379	-
Net operating losses	232,407	65,106
Tax effect of items constituting deferred tax assets	**981,547**	**798,667**
Total net deferred tax assets	**731,909**	**521,511**

Movement in deferred tax liability:

Particulars	Property, plant, and equipment	Intangible assets - goodwill	ASC 842 adjustment	Total
Balance as on April 1, 2018	**186,784**	**13,124**	**-**	**199,908**
(Charged)/Credited:			-	
to Profit or loss	75,181	2,067	-	77,248
to other comprehensive income	-	-	-	-
deferred tax on basis adjustment	-	-	-	-
Balance as on March 31, 2019	**261,965**	**15,191**	**-**	**277,156**
(Charged)/Credited:				
to Profit or loss	(30,976)	2,054	1,404	(27,518)
to other comprehensive income	-	-	-	-
deferred tax on basis adjustment	-	-	-	-
Balance as on March 31, 2019	**230,989**	**17,245**	**1,404**	**249,638**

Movement in deferred tax assets:

Particulars	Provision for doubtful debts	Inventory	Inventory reserve	Intangibles other than Goodwill	Accrued bonus	Accrued vacation	Charitable contribution	S. 179 NOL	Net operating losses	Impairment	Total
Balance as on April 1, 2018	**130,416**	**255,535**	**111,256**	**2,406**	**13,676**	**-**	**-**	**-**	**56,086**	**-**	**569,375**
(Charged)/Credited:											-
to Profit or loss	(3,329)	88,582	75,231	(182)	(13,676)	26,331	-	-	9,020	47,313	229,290
to other comprehensive income	-	-	-	-	-	-	-	-	-	-	-
deferred tax on basis adjustment	-	-	-	-	-	-	-	-	-	-	-
Balance as on March 31, 2019	**127,087**	**344,117**	**186,487**	**2,224**	**-**	**26,331**	**-**	**-**	**65,106**	**47,313**	**798,666**
(Charged)/Credited:											
to Profit or loss	2,131	(119,554)	17,052	(1,533)	-	167,300	5,315	92,379	167,300	2,515	182,880
to other comprehensive income	-	-	-	-	-	-	-	-	-	-	-
deferred tax on basis adjustment	-	-	-	-	-	-	-	-	-	-	-
Balance as on March 31, 2020	**129,217**	**224,564**	**203,539**	**692**	**-**	**232,407**	**5,315**	**92,379**	**232,407**	**49,828**	**981,546**

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Reconciliation of income tax expense and the accounting profit multiplied by Company's domestic tax rate:

Particulars	Year ended March 31, 2020	Year ended March 31, 2019
Profit before tax from continuing operations	**(555,324)**	**(1,311,345)**
Income tax expense calculated at 21% (2016: 34%) #	(116,619)	(275,382)
Effect of tax rates in foreign jurisdictions	-	-
Reduction in tax rate	-	-
Effect of income that is exempt from taxation	-	-
Effect of expenses that is non-deductible in determining taxable profit	2,365	149,844
Effect of tax incentives and concessions (research and development and other allowances)	-	-
Effect of current year losses for which no deferred tax asset is recognized	-	-
Effect of recognition of tax effect of previously unrecognized tax losses now recognized as deferred tax assets	-	-
Changes in recognized deductible temporary differences	115,261	135,109
Changes in estimates related to prior years	4,939	(50,583)
Unrecognized AMT Credit	-	-
Unrecognized foreign tax Credit	-	-
State taxes	3,792	4,876
	9,738	**(36,138)**
Adjustments recognized in the current year in relation to the current tax of prior years	-	-
Income tax expense recognized in profit or loss from continuing operations	**9,738**	**(36,138)**

#The tax rate used for March 31, 2020 reconciliation above is the corporate federal tax rate of 21% payable by corporate entities in US on taxable profits under US tax laws.

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