Pidilite USA, Inc.

Financial Statements

March 31, 2022, and March 31, 2021

KNAV P.A.

Certified Public Accountants

One Lakeside Commons, Suite 850,

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KNAV

PARTNERS BEYOND BOUNDARIES

Independent Auditor's Report

Board of Directors
Pidilite USA, Inc.

Opinion

We have audited the accompanying financial statements of Pidilite USA Inc ('the Company'), which comprise the balance sheets as of March 31, 2022, and March 31, 2021, and the related statements of operations, stockholder's equity, and cash flows for the years then ended, and the related notes to the financial statements.

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, 2022, and March 31, 2021, and the results of its operations and its 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 financial statements section of our report. We are required to be independent of the Company 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 financial statements

Management is responsible for the preparation and fair presentation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the 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, including omissions, 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 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 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 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 Company's 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 financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's 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 audits.

Supplementary information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary financial information for March 31, 2022, and March 31, 2021, is presented for the purpose of additional analysis and is not a required part of the financial statements. This supplementary financial information is the responsibility of the Company's management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

KNAV P.A.

Atlanta, Georgia
April 28, 2022

Financial Statements

Balance sheets

(All amounts in United States Dollars, unless otherwise stated)	As at March 31, 2022	As at March 31, 2021
ASSETS		
Current assets		
Cash	6,097,455	4,541,666
Accounts receivable, net	3,399,281	4,378,180
Inventories	6,824,189	6,880,973
Prepaid expenses and other current assets	366,751	350,612
Investment	75,000	75,000
Total current assets	**16,762,676**	**16,226,431**
Property and equipment, net	528,828	757,714
Operating lease right-of-use assets	-	108,233
Goodwill and other intangibles, net	78,143	92,308
Deferred tax assets	247,451	380,571
Other assets	6,424	6,424
Total assets	**17,623,522**	**17,571,681**
LIABILITIES AND STOCKHOLDER'S EQUITY		
Current liabilities		
Accounts payable	1,493,885	1,650,103
Operating lease liability	-	103,479
Other current liabilities	642,001	870,745
Total current liabilities	**2,135,886**	**2,624,327**
Deferred tax liability	19,243	18,503
Total liabilities	**2,155,129**	**2,642,830**
Stockholder's equity		
Common stock	14,780,000	14,780,000
Accumulated surplus	688,393	148,851
Total stockholder's equity	**15,468,393**	**14,928,851**
Total liabilities and stockholder's equity	**17,623,522**	**17,571,681**

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

Statements of operations

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

	For the year ended March 31, 2022	For the year ended March 31, 2021
Revenues, net of allowances and rebates	18,926,212	20,743,224
Less: cost of revenues	13,411,233	13,733,760
Gross profit	**5,514,979**	**7,009,464**
Operating costs and expenses		
Selling, general and administrative expense	4,537,292	4,146,724
Depreciation and amortization	257,181	314,548
Impairment of investment	-	487,500
Total costs and expenses	**4,794,473**	**4,948,772**
Operating income	**720,506**	**2,060,692**
Interest expense	-	(1,956)
Other income, net	16,907	32,239
Income from operations before income tax	**737,413**	**2,090,975**
Current tax expense (benefit)	64,011	(116,391)
Deferred tax expense	133,860	369,841
Net income	**539,542**	**1,837,525**

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

Statements of stockholder's equity

For the years April 1, 2020, to March 31, 2021, and April 1, 2021, to March 31, 2022

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

	Common stock					
	Authorized		Issued and outstanding		Accumulated (deficit) surplus	Total stockholder's equity
Particulars	**Shares**	**Value in US$**	**Shares**	**Value in US$**		
Balance as on April 01, 2020	27,000,000	27,000,000	14,780,000	14,780,000	(1,688,674)	13,091,326
Net income for the year	-	-	-	-	1,837,525	1,837,525
Balance as on March 31, 2021	**27,000,000**	**27,000,000**	**14,780,000**	**14,780,000**	**148,851**	**14,928,851**
Balance as on April 01, 2021	27,000,000	27,000,000	14,780,000	14,780,000	148,851	14,928,851
Net income for the year	-	-	-	-	539,542	539,542
Balance as on March 31, 2022	**27,000,000**	**27,000,000**	**14,780,000**	**14,780,000**	**688,393**	**15,468,393**

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

Statements of cash flows

(All amounts in United States Dollars unless otherwise stated)

	For the year ended March 31, 2022	For the year ended March 31, 2021
Cash flow from operating activities		
Net income	539,542	1,837,525
Adjustments to reconcile net income to cash provided by operating activities		
Depreciation and amortization	257,181	314,548
Impairment of investment	-	487,500
Deferred tax expense	133,860	369,841
Allowance for doubtful accounts, net of reversal	(109,546)	27,416
Allowance (written back) for slow moving inventory (net of inventory written off)	(391,059)	5,969
Sundry balances written back	-	(27,143)
Sundry balances written off	-	14,970
Profit on sale of property and equipment	(6,000)	-
Changes in assets and liabilities		
Accounts receivable	1,088,445	(968,231)
Inventories	447,843	(266,883)
Prepaid expenses, other current assets, and operating lease right of use assets	92,093	139,612
Accounts payable	(156,218)	357,767
Other current liabilities and operating lease liabilities	(332,222)	(791,122)
Net cash provided by operating activities	**1,563,919**	**1,501,769**
Cash flow from investing activities		
Purchase of property, and equipment	(14,130)	(82,100)
Sale of property, and equipment	6,000	-
Net cash used in investing activities	**(8,130)**	**(82,100)**
Cash flow from financing activities		
Repayment of short-term line of credit	-	(471,741)
Net cash used in financing activities	**-**	**(471,741)**
Net increase in cash	1,555,789	947,928
Cash at the beginning of the year	4,541,666	3,593,738
Cash at the end of the year	**6,097,455**	**4,541,666**
Supplemental cash flow information		
Interest paid	-	1,956
Income taxes paid	200,473	278,193

(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 (parent company), 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.

b) *Use of estimates*

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 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. Appropriate changes in estimates are made as management becomes aware of changes in circumstances surrounding the estimates. Any revisions in accounting estimates are recognized prospectively in the current and future periods.

3. *Cash*

The Company considers all highly liquid investments and deposits, if any, with an original maturity of ninety days or less to be cash and cash equivalents. The Company maintains its cash balances in financial institutions which, at times, may exceed federally insured limits. The Company has not experienced any losses in such accounts and believes it is not exposed to any significant risk on cash balance.

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 for its parent company 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.

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 B. 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.

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. *Investment*

Investment is carried at cost and comprises 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 balance of receivable aging. Bad debt expense is included in selling, general and administrative expenses in the statement of operations.

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 operations 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 and equipment*

Property 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 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 judgement

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 the United States of America. 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.

NOTE B - ACCOUNTS RECEIVABLE

The accounts receivable as at March 31, 2022 are stated net of rebates, allowances for sales return and allowance for doubtful accounts. Accounts receivable as at March 31, 2022 of $ 3,399,281 (March 31, 2021: $ 4,378,180) represent dues from customers of the Company, representing amounts receivable on product sales. The Company maintains an allowance for doubtful accounts 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, 2022 comprise of dues from related parties of $ 143,188 (March 31, 2021: $ 130,953).

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, 2022**	**March 31, 2021**
Balance at the beginning of the year	154,076	486,239
Add: Provision for the year, net of reversal	(109,546)	27,416
Less: Bad debts written off	(5,661)	(359,579)
Balance at the end of the year	**38,869**	**154,076**

NOTE C - INVENTORIES

Major classes of inventory are as follows:

Particulars	As at March 31, 2022	As at March 31, 2021
Raw materials and packing materials	1,451,066	1,653,857
Work in process	157,427	235,453
Manufactured finished goods	920,622	1,536,581
Goods in transit	1,592,400	585,773
Traded finished goods:		
Art materials	3,083,492	3,641,186
Less: Allowance for slow moving inventory	(380,818)	(771,877)
Total	**6,824,189**	**6,880,973**

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

Particulars	Year ended March 31, 2022	Year ended March 31, 2021
Balance at the beginning of the year	771,877	765,908
Add: Reserve created during the year	146,185	80,531
Less: Reserve write back	(104,338)	(74,562)
Less: Inventory written off during the year	(432,906)	-
Balance at the end of the year	**380,818**	**771,877**

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

NOTE D - INVESTMENT

On September 29, 2014, the Company invested in convertible promissory notes of Optmed Inc., for an amount of $750,000. The conversion of these 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, 2021: $ 487,500) 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, if any, is recorded separately in the statements of operations. Investment as at March 31, 2022 and March 31, 2021 is $ 75,000 and $ 75,000, respectively.

NOTE E - PREPAID EXPENSES AND OTHER CURRENT ASSETS

Prepaid expenses and other current assets comprise the following:

Particulars	As at March 31, 2022	March 31, 2021
Advance to vendors	85,831	196,258
Advance taxes, net of provisions	199,867	66,715
Prepaid expenses	77,819	84,405
Other assets	3,234	3,234
Total	**366,751**	**350,612**

NOTE F - PROPERTY AND EQUIPMENT, NET

Property and equipment comprise the following:

Particulars	As at March 31, 2022	March 31, 2021
Leasehold improvement	198,350	198,350
Machinery and equipment	3,733,225	3,748,342
Office furniture and equipment	392,650	382,026
Vehicles	-	23,465
Total	**4,324,225**	**4,352,183**
Less: Accumulated depreciation	(3,795,397)	(3,594,469)
Property and equipment, net	**528,828**	**757,714**

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 $ 243,017 (March 31, 2021: $ 259,153).

NOTE G - GOODWILL AND OTHER INTANGIBLES, NET

Goodwill and other intangibles comprise the following:

	As at March 31, 2022		
Particulars	Gross carrying amount	Accumulated amortization	Net carrying amount
Trademark*	770,281	(770,281)	-
Goodwill	70,358	-	70,358
Software licenses	44,827	(37,042)	7,785
Non-compete	50,000	(50,000)	-
Total	**935,466**	**(857,323)**	**78,143**

	As at March 31, 2021		
Particulars	Gross carrying amount	Accumulated amortization	Net carrying amount
Trademark*	770,281	(760,433)	9,848
Goodwill	70,358	-	70,358
Software licenses	44,827	(32,725)	12,102
Non-compete	50,000	(50,000)	-
Total	**935,466**	**(843,158)**	**92,308**

*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 $ 14,164 (March 31, 2021: $ 55,395). 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
2023	2,684
2024	1,770
2025	1,328
2026 and beyond	2,003
Total	**7,785**

NOTE H - 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, 2021: $3,000,000). As at March 31, 2022 the Company has made withdrawals to the tune of $ NIL (March 31, 2021: $ NIL). Interest on the line of credit is payable at Secured Overnight Financing Rate (SOFR) plus 1.95% per annum, calculated at monthly intervals. As of March 31, 2022, the applicable rate of interest on the outstanding line of credit was 2.4% per annum (March 31, 2021: 2.4% per annum).

The line of credit to the extent of $3,000,000 is secured against all property and equipment, receivables, inventory, and other assets. Total interest expense on the line of credit for the year ended March 31, 2022, is $ NIL (March 31, 2021: $ 1,956). Interest is payable on a monthly basis and the line of credit is repayable on demand.

NOTE I - LEASES

The components of lease cost for operating lease for the year ended March 31, 2022, and March 31, 2021, are summarized below:

	Year ended	
	March 31, 2022	March 31, 2021
Operating lease cost (a)	110,664	110,664
Total	**110,664**	**110,664**

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

Other information

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

Supplemental cash flow information related to leases was as follows:

	Year ended	
	March 31, 2022	**March 31, 2021**
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from operating leases	113,957	111,119
Total	**113,957**	**111,119**

The following table reconciles the undiscounted cash flows for the Company's operating leases as of March 31, 2022, to the operating liabilities recorded on the Company's balance sheet:

Period range	**Lease payments**	**Imputed interest**	**Lease liabilities**
2022	-	-	-
Total	**-**	**-**	**-**

Renewal of the warehousing facility at Hazleton, post its expiry in March 2022 is under discussions. However, the Company continues to use the facility at an agreed rent, based on the expired lease agreement

NOTE J - OTHER CURRENT LIABILITIES

Other current liabilities comprise of the following:

	As at	
Particulars	**March 31, 2022**	**March 31, 2021**
Accrued expenses	230,180	377,207
Accrued salaries	91,290	89,221
Advance from customer*	84,657	81,048
Bonus payable	33,441	143,973
Accrued vacation pay	202,433	179,151
Others	-	145
Total	**642,001**	**870,745**

*The advance from customer balance as at March 31, 2022, comprises of advances from related parties of $ NIL (March 31, 2021: $ 54,693).

NOTE K - REVENUE FROM CONTRACT WITH CUSTOMERS

Disaggregation of revenue from contracts with customers

Revenue disaggregated by product line:

	Year ended	
	March 31, 2022	**March 31, 2021**
Product revenue	17,237,798	18,956,490
Service revenue	1,688,414	1,786,734
Total revenue by product line	**18,926,212**	**20,743,224**

Revenue disaggregated by timing of recognition:

	Year ended	
	March 31, 2022	March 31, 2021
Services transferred at a point in time	17,237,798	18,956,490
Services transferred over time	1,688,414	1,786,734
Total revenue by timing of recognition	**18,926,212**	**20,743,224**

NOTE L - OTHER INCOME, NET

Other income comprises of:

	For the year ended	
Particulars	March 31, 2022	March 31, 2021
Sundry balances written back	-	27,143
Others	16,907	5,096
Total	**16,907**	**32,239**

NOTE M - INCOME TAXES

Income tax expense is as follows:

	For the year ended	
Particulars	March 31, 2022	March 31, 2021
State		
Current	40,027	85,880
Deferred	40,528	39,504
Federal		
Current	23,984	(202,271)
Deferred	93,332	330,337
Total tax expense	**197,871**	**253,450**

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

	For the year ended	
Particulars	March 31, 2022	March 31, 2021
Income tax at federal rate	155,580	403,680
State tax, net of federal effect	77,082	107,221
Return to provision	15,459	(309,067)
Permanent differences	933	35,728
Change in net operating losses (NOLs)	-	221,639
Research and development credit	(51,183)	(205,751)
Total	**197,871**	**253,450**

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

	For the year ended	
Particulars	March 31, 2022	March 31, 2021
Deferred tax asset		
Accounts receivable	10,631	40,970
Inventory reserve	104,156	205,247
Accrued vacation	-	47,637
NOLs	72,511	92,340

Impairment of investment	184,616	179,487
Accrued royalties	48	-
Research and development (R&D) credit	607	-
Intangibles other than goodwill	-	(194)
Total	**372,569**	**565,487**
Less: Valuation allowance	-	-
Total deferred tax asset	**372,569**	**565,487**
Deferred tax liability		
Property and equipment	125,118	183,652
ASC 842- Lease adjustment	-	1,264
Deferred tax liability	**125,118**	**184,916**
Non-current deferred tax asset, net	**247,451**	**380,571**
Deferred tax liability		
Goodwill	(19,243)	(18,503)
Non-current deferred tax liability	**(19,243)**	**(18,503)**

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 $ 19,243 (March 31, 2021: $ 18,503) 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, 2022.

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was enacted in response to the COVID-19 pandemic. The CARES Act, among other things, permits NOL carryovers and carrybacks to offset 100% of taxable income for taxable years beginning before 2021. In addition, the CARES Act allows NOLs incurred in 2018, 2019, and 2020 to be carried back to each of the five preceding taxable years to generate a refund of previously paid income taxes. The Company carried back its NOLs for tax years 2018 and 2019 aggregating to $1,208,663. Consequently, the Company received a refund of $410,946 (including interest of $2,697) on account of such carryback of losses.

Accounting for uncertain tax position:

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

Due to carryback of NOLs, the tax years of 2015 through 2019 remain subject to examination by the taxing authorities for federal purpose.

The tax years of 2017 through 2020 remain subject to examination by the taxing authorities for state purpose.

NOTE N - 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	Pidilite International Pte. Ltd	Total
Transactions for the year ended March 31, 2022			
Purchases inclusive of goods in transit	928,690	-	**928,690**
Royalty expense	-	31,052	**31,052**
Legal fees paid	-	4,318	**4,318**
Service fees	1,688,414	-	**1,688,414**
Expense reimbursement	51,000	-	**51,000**
Balances as at March 31, 2022			
Accounts receivable	143,188	-	**143,188**
Accounts payable	308,160	-	**308,160**
Other receivable	-	174	**174**
Transactions for the year ended March 31, 2021			
Purchases inclusive of goods in transit	819,926	-	**819,926**
Royalty expense	-	37,422	**37,422**
Legal fees paid	-	1,725	**1,725**
Service fees	1,786,734	-	**1,786,735**
Expense reimbursement	51,000	-	**51,000**
Balances as at March 31, 2021			
Accounts receivable	130,953	-	**130,953**
Accounts payable	258,023	962	**258,985**
Other payable	54,693	-	**54,693**

NOTE O - 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 P - RETIREMENT PLANS

The Company contributes to two 401(k) plans for salaried and eligible hourly personnel. The contribution for the year ended March 31, 2022, is $ 102,324 (March 31, 2021: $ 98,703).

NOTE Q - CONCENTRATION RISK

The Company has concentration risk in respect of the 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 two customers which accounted for 20% and 11% revenues for the years ended March 31, 2022, and 27% and 15% for the years ended March 31, 2021. The Company's two customers accounted for 33% and 13% of the accounts receivable as at March 31, 2022, and 44% and 16% as at March 31, 2021.

NOTE R - RISK AND UNCERTAINITIES

The extent of the impact of coronavirus (COVID 19) outbreak on operations of the Company will depend on future developments, including the duration and spread of the outbreak, related advisories and restrictions, government actions, the impact on financial markets and the overall economy, all of which are highly uncertain and cannot be predicted. While many countries have begun the process of vaccinating their residents against COVID-19, the large scale and challenging logistics of distributing the vaccines, as well as uncertainty over the efficacy of the vaccines against new variants of the virus, may contribute to delays in economic recovery. Overall, the full duration and total impact of COVID-19 remains uncertain, and it is difficult to predict how the recovery will unfold for the business, going forward.

NOTE S - STOCKHOLDER'S EQUITY

The authorized share capital of the Company is 27,000,000 (March 31, 2021: 27,000,000 common shares) common shares of a par value of $1 each. The Company has issued 14,780,000 (March 31, 2021: 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 are available to be issued. Based on the evaluation, the Company is not aware of any events or transactions that would require recognition or disclosure in the financial statements.

Appendix A – Supplementary information

(All amounts in United States Dollars unless otherwise stated)

1. **Property and equipment, net**

Particulars	Machinery and equipment	Office equipment	Leasehold improvements	Vehicles	Total
Gross block					
As at April 01, 2020	3,676,217	374,939	198,350	23,465	4,272,971
Additions during the year	72,125	7,087	-	-	79,212
Deletions during the year	-	-	-	-	-
As at March 31, 2021 (C)	**3,748,342**	**382,026**	**198,350**	**23,465**	**4,352,183**
As at April 01, 2021	3,748,342	382,026	198,350	23,465	4,352,183
Additions during the year	3,506	10,624	-	-	14,130
Deletions during the year	18,623	-	-	23,465	42,088
As at March 31, 2022 (C)	**3,733,225**	**392,650**	**198,350**	**-**	**4,324,225**
Accumulated depreciation					
As at April 01, 2020	2,797,001	340,442	174,408	23,465	3,335,316
Charge for the year	233,947	14,507	10,699	-	259,153
Disposal	-	-	-	-	-
As at March 31, 2021 (D)	**3,030,948**	**354,949**	**185,107**	**23,465**	**3,594,469**
As at April 01, 2021	3,030,948	354,949	185,107	23,465	3,594,469
Charge for the year	220,969	14,896	7,151	-	243,016
Disposal	18,623	-	-	23,465	42,088
As at March 31, 2022 (D)	**3,233,294**	**369,845**	**192,258**	**-**	**3,795,397**
Net block					
As at March 31, 2021 (C-D)	**717,395**	**27,077**	**13,242**	**-**	**757,714**
As at March 31, 2022 (C-D)	**499,931**	**22,805**	**6,092**	**-**	**528,828**

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2. Goodwill and intangibles, net

Particulars	Trademark	Goodwill	Software	Non-compete	Total
Gross block					
As at April 01, 2020	770,281	70,358	41,939	50,000	932,578
Additions during the year	-	-	2,888	-	2,888
Deletions during the year	-	-	-	-	-
As at March 31, 2021 (C)	**770,281**	**70,358**	**44,827**	**50,000**	**935,466**
As at April 01, 2021	770,281	70,358	44,827	50,000	935,466
Additions during the year	-	-	-	-	-
Deletions during the year	-	-	-	-	-
As at March 31, 2022 (C)	**770,281**	**70,358**	**44,827**	**50,000**	**935,466**
Accumulated depreciation					
As at April 01, 2020	709,081	-	28,682	50,000	787,763
Charge for the year	51,352	-	4,043	-	55,395
Disposal	-	-	-	-	-
As at March 31, 2021 (D)	**760,433**	**-**	**32,725**	**50,000**	**843,158**
As at April 01, 2021	760,433	-	32,725	50,000	843,158
Charge for the year	9,848	-	4,317	-	14,165
Disposal	-	-	-	-	-
As at March 31, 2022 (D)	**770,281**	**-**	**37,042**	**50,000**	**857,323**
Net block					
As at March 31, 2021 (C-D)	**9,848**	**70,358**	**12,102**	**-**	**92,308**
As at March 31, 2021 (C-D)	**-**	**70,358**	**7,785**	**-**	**78,143**

3. Bifurcation of inventory allowance for slow moving items

Classes of inventory	As at March 31, 2022	March 31, 2021
Raw material	57,505	50,026
Packing material	102,400	169,838
Intermediate items	64,739	46,222
Finished goods – mfg.	40,783	51,684
Finished goods – trading	115,391	454,107
Total	**380,818**	**771,877**

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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, 2022	As at March 31, 2021
Tax effect of items constituting deferred tax liabilities		
Property and equipment	125,118	183,652
Intangible assets - goodwill	19,243	18,503
ASC 842 adjustment	-	1,264
Tax effect of items constituting deferred tax liabilities	**144,361**	**203,419**
Tax effect of items constituting deferred tax assets		
Provision for doubtful debts	10,631	40,970
Inventory & Inventory reserve	104,156	205,247
Intangibles other than goodwill	-	(194)
Accrued vacation	-	47,637
Accrued royalties	48	-
Research and development (R&D) credit	609	-
Impairment	184,616	179,487
Net operating losses	72,511	92,340
Tax effect of items constituting deferred tax assets	**372,569**	**565,487**
Total net deferred tax assets	**228,208**	**362,068**

Movement in deferred tax liability:

Particulars	Property and equipment	Intangible assets - goodwill	ASC 842 adjustment	Total
Balance as on April 1, 2020	**230,989**	**17,245**	**1,404**	**249,638**
(Charged)/Credited:				
to statements of operations	(47,337)	1,258	(140)	(46,219)
Balance as on March 31, 2021	**183,652**	**18,503**	**1,264**	**203,419**
(Charged)/Credited:				
to statements of operations	(58,534)	741	(1,264)	(59,057)
Balance as on March 31, 2022	**125,118**	**19,243**	**-**	**144,361**

Movement in deferred tax assets:

Particulars	Provision for doubtful debts	Inventory	Inventory reserve	Intangibles other than goodwill	Accrued vacation	Charitable contribution	S. 179 NOL	Net operating losses	Impairment	Accrued expense	R & D credit	Total
Balance as on March 31, 2020	**129,217**	**224,564**	**203,539**	**692**	**43,606**	**5,315**	**92,379**	**232,407**	**49,828**			**981,547**
(Charged)/Credited:												
to statements of operations	(88,247)	(224,564)	1,708	(886)	4,031	(5,315)	(92,379)	(140,067)	129,659			(416,060)
Balance as on March 31, 2021	**40,970**	**-**	**205,247**	**(194)**	**47,637**	**-**	**-**	**92,340**	**179,487**	**-**	**-**	**565,487**
(Charged)/Credited: to statements of operations	(30,339)	-	(101,091)	194	(47,637)	-	-	(19,829)	5,129	48	607	(192,918)
Balance as on March 31, 2022	**10,631**	**-**	**104,156**	**-**	**-**	**-**	**-**	**72,511**	**184,616**	**48**	**607**	**372,569**

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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, 2022	Year ended March 31, 2021
Income before tax	**740,858**	**2,090,975**
Income tax expense calculated at 21% #	155,580	439,107
Effect of expenses that is non-deductible in determining taxable profit	933	301
Changes in recognized deductible temporary differences	(93,940)	(6,819)
Changes in estimates related to prior years	38,950	(411,557)
Research and development credit	(50,575)	(205,751)
State taxes	13,063	68,328
	64,011	**(116,391)**
Income tax expense recognized in income or loss from continuing operations	**64,011**	**(116,391)**

#The tax rate used for March 31, 2022, and March 31, 2021, reconciliation above is the corporate federal tax rate of 21% payable by corporate entities in US on taxable profits per US tax laws.

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