

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Welspun India Limited

Opinion

We have audited the consolidated financial statements of Welspun USA Inc. (hereinafter referred to as "the Company") and its subsidiaries (the Holding Company and its subsidiaries together referred to as "the Group"), which comprise the consolidated special purpose statement of financial position as at March 31, 2023, and the consolidated special purpose statement of comprehensive income, the consolidated special purpose statement of changes in equity and the consolidated special purpose statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (hereinafter referred to as "the consolidated financial statements").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at March 31, 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America ('US GAAP').

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

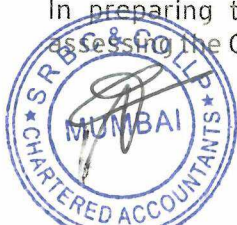
Basis of Preparation and Restriction on Distribution

We draw attention to Note 2.1 to the financial statements which describes the basis of accounting. These Consolidated financial statements are prepared solely for the purpose of submission to the lenders, potential business partners of Welspun India Limited and its subsidiaries and compliance with laws and regulations in India. As a result, the financial statements may not be suitable for another purpose. It is not to be used for the any other purpose, or referred to in any other document, or distributed to anyone else. Our opinion is not modified in respect of this matter.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

The management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with US GAAP, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters



Welspun USA Inc.

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related to going concern and using the going concern basis of accounting unless the management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

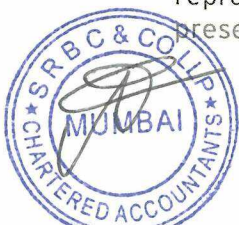
Those charged with governance are responsible for overseeing the Company's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. 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.
- 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 the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



S R B C & CO LLP

Chartered Accountants

Welspun USA Inc.

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We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

For S R B C & CO. LLP

Chartered Accountants

ICAI Firm Registration Number: 324982E/E300003



per Anil Jobanputra
Partner

Membership No.: 110759

UDIN: 23110759BGVZSX8391

Place: Mumbai

Date: June 15, 2023



Welspun USA, Inc.
Consolidated Balance Sheet
Fiscal year ended March 31, 2023

(Amounts in thousands USD)

	As at March 31, 2023	As at March 31, 2022
ASSETS		
Current Assets:		
Cash and cash equivalents	862	2,884
Accounts receivable:		
Trade, net	32,798	35,295
Related parties (Note 12)	12,322	22,271
Other receivables from related parties (Note 12)	1,417	1,726
Inventories (Note 4)	44,358	74,837
Prepaid expenses & other current assets	259	1,216
Total Current Assets [A]	92,016	1,38,229
Non Current Assets:		
Property, plant and equipment (Net) (Note 5)	10,028	10,960
Operating lease right-to-use assets (Net)	9,134	11,380
Other non current assets:		
Deposits	211	230
Other assets	703	496
Deferred tax assets (Net) (Note 8)	2,200	1,756
Total Non Current Assets [B]	22,276	24,822
Total Assets [C = A+B]	1,14,292	1,63,051
LIABILITIES AND STOCKHOLDER'S EQUITY		
Current Liabilities:		
Accounts payable:		
Trade payable	2,736	4,636
Trade payables to related parties (Note 12)	53,811	66,035
Bank line of credit (Note 6)	3,000	39,722
Operating lease liability	2,516	2,382
Accrued customer incentives	9,759	10,308
Accrued liabilities	9,974	6,878
Total Current Liabilities [A]	81,796	1,29,961
Non Current Liabilities:		
Operating lease liability	7,541	10,057
Total Non Current Liabilities [B]	7,541	10,057
Total Liabilities [C = A+B]	89,337	1,40,018
Stockholders' Equity [D]	24,955	23,033
Total Liabilities and Stockholders' Equity [E = C+D]	1,14,292	1,63,051

See accompanying notes to Consolidated Financial Statements.


Abhijit Datar
COO

Manish Bansal
CFO

Ankit Gupta
GM Finance & Legal

Consolidated Statement of Income

Fiscal year ended March 31, 2023

(Amounts in thousands USD)

	Year ended March 31, 2023	Year ended March 31, 2022
Revenue		
Net sales	2,88,540	3,21,695
Commission income (Note 12)	3,534	6,197
Total Revenues [A]	2,92,074	3,27,892
Cost of sales [B]	2,44,350	2,81,399
Gross Profit [C = A-B]	47,724	46,493
Operating, selling, general and administrative expenses [D]	44,137	43,132
Operating Income [E = C-D]	3,587	3,361
Non Operating Income / (Expense)		
Other income	496	682
Interest expense (Note 6)	(1,601)	(712)
Total Non Operating Income / (Expense) [F]	(1,105)	(30)
Income Before Income Taxes [G = E-F]	2,482	3,331
Income tax expense (Note 8) [H]	560	890
Net Income [G-H]	1,922	2,441

See accompanying notes to Consolidated Financial Statements.



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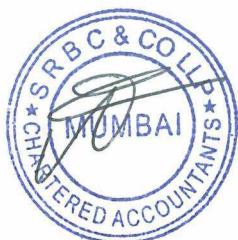
Consolidated Statement of Stockholders' Equity

Fiscal year ended March 31, 2023

(Amounts in thousands USD)

	Common Stock	Additional Paid-in Capital	Retained Earnings	Total
Balance as on March 31, 2021	224	9,174	11,194	20,592
Net income	-	-	2,441	2,441
Stocks issued during the year	-	-	-	-
Balance as on March 31, 2022	224	9,174	13,635	23,033
Net income	-	-	1,922	1,922
Stocks issued during the year	-	-	-	-
Balance as on March 31, 2023 (Note 7)	224	9,174	15,557	24,955

See accompanying notes to Consolidated Financial Statements.



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Consolidated Statements of Cash Flows

Fiscal year ended March 31, 2023

(Amounts in thousands USD)

	Year ended March 31, 2023	Year ended March 31, 2022
Cash Flows from Operating Activities		
Net income	1,922	2,441
Adjustments to reconcile net income to net cash from operating		
Depreciation and amortisation	1,018	915
Unrealised foreign exchange (gains)/Loss	(3)	1
Deferred income taxes	(444)	(327)
Changes in operating assets and liabilities		
Accounts receivable and other receivables	12,754	21,203
Inventories	30,479	(7,445)
Prepaid expenses and other assets	751	(1,270)
Deposits	19	109
Accounts payable	(14,124)	(14,022)
Accrued customer incentives and liabilities	2,410	1,893
Net Cash provided by Operating Activities [A]	34,782	3,498
Cash Flows from Investing Activities		
Purchase of property, plant and equipment	(86)	(1,731)
Net Cash used in Investing Activities [B]	(86)	(1,731)
Cash Flows from Financing Activities		
Net proceeds from revolving credit facilities	(36,721)	702
Net Cash provided by / (used in) financing activities [C]	(36,721)	702
Effect of exchange rates on cash and cash equivalents [D]	3	(1)
Net increase / (decrease) in cash and cash equivalents [E = A+B+C+D]	(2,022)	2,468
Cash and cash equivalents at beginning of the period [F]	2,884	416
Cash and cash equivalents at end of the period [G = E+F]	862	2,884
Supplemental Cash Flow Information		
Interest paid (Note 6)	1,601	712
Income taxes paid	703	1,882

See accompanying notes to Consolidated Financial Statements.



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Note 1 - Nature of Business:

Welspun USA, Inc. (the "Company" or Welspun USA) was incorporated in the state of Delaware on August 11, 2000. The Company is a subsidiary of Welspun Global Brands Limited (the "Parent" or Welspun Global), a foreign corporation incorporated in India, which owns a 66.90 percent interest in Welspun USA. The remaining 33.10 percent is held by Welspun India Limited (Welspun India). Welspun USA is engaged in the business of importing and distributing terry bath towels, beach towels, bath rugs, bed sheets, area rugs, and other bedding products. Most of the Company's inventory is sourced through related parties. The Company also sells to department stores and hotels throughout the United States, Canada, Europe, and the Middle East.

Note 2 - Summary of Significant Accounting Policies

2.1 Basis of preparation

This special purpose consolidated financial statements for the year ended March 31, 2023, have been prepared in accordance with accounting principles generally accepted in the United States of America ('US GAAP') for the purpose of submission to the bankers, potential business partners of the Welspun India Limited and its Subsidiaries and may not be suitable for any other purpose. All amounts are in thousands USD unless stated otherwise.

2.2 Principles of Consolidation

The consolidated financial statements include the accounts of Welspun USA Inc. and Tilt Innovations Inc. and TMG (Americas) LLC, its 100% subsidiaries (collectively, the Group) as of and for the fiscal year ended March 31, 2023. Intercompany accounts and transactions have been eliminated in consolidation.

2.3 Use of Estimates

The consolidated financial statements have been prepared in conformity with U.S. generally accepted accounting principles. Those principles require management to make estimates and assumptions that affect the reported amounts of assets and liabilities. Management's estimates and assumptions also affect depreciations and amortisation, current tax and deferred tax, customer incentives, 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. Actual results may differ from those estimates.

2.4 Cash and Cash Equivalents

The Group classifies all investments, with an original maturity at the date of purchase of three months or less and that are readily convertible to known amounts of cash, to be cash equivalents.

2.5 Borrowings and Borrowing costs

Term loans and short-term borrowings under Line of credit are classified as borrowings and interest cost for the period is classified under finance cost.

2.6 Accounts Receivable

Account receivable represent invoiced amounts owed to the Group and do not bear interest, which are expected to be collected within the next twelve months. Account receivables are stated at net invoice amounts. An allowance for doubtful accounts is established based on a specific assessment of all invoices that remain unpaid following normal customer payment periods. All amounts deemed to be



Notes to the Consolidated Financial Statements

Fiscal year ended March 31, 2023

(Amounts in thousands USD)

uncollectible are charged against the allowance for doubtful accounts in the period that determination is made. The allowance for doubtful accounts on accounts receivable balances was \$ 179 and \$ 624 as of March 31, 2023, and March 31, 2022, respectively.

The Group has an agreement with Insurance Companies to insure all its receivables except Costco, Walmart, Amazon and some other receivables including related party receivables. Approximately 59 percent and 45 percent of receivables was not covered by insurance for the years ended March 31, 2023, and March 31, 2022, respectively. A fixed percentage of sales is payable to the insurance company as a premium. The Group recognizes such premium expenses in the consolidated statement of income at the same time as revenue for sales of goods is recognized. The Group has incurred insurance premium expenses totaling \$ 267 and \$ 543 for the years ended March 31, 2023, and March 31, 2022, respectively, which is included in operating expenses.

2.7 Credit Risk and Major Customers

Sales are predominately to retail companies in the textile industry located throughout the United States and Canada. The Group extends trade credit to its customers on terms that are generally practiced in the industry. Two major customers accounted for approximately 50 and 43 percent of accounts receivable and 62 and 62 percent of sales as of and for the years ended March 31, 2023, and March 31, 2022, respectively.

2.8 Inventory

The Group values its inventories at the lower of cost, determined by the weighted average cost method, or net realizable value. A valuation allowance is provided for obsolete and slow-moving inventory to write cost down to net realizable value (market), if necessary.

2.9 Prepaid Expenses and Other Current

Assets Prepaid expenses include advance payments made by the Group for routine expenses, including inventory purchases, office expenses, insurance premiums and marketing expenses.

2.10 Property, Plant and Equipment

Property, plant, and equipment are recorded at cost including betterments which materially increase the useful lives or values of the assets. Repairs and maintenance are charged to consolidated statement of income when incurred. When property and equipment are sold or otherwise disposed, the asset and related accumulated depreciation accounts are relieved, and any gain or loss is included in consolidated statement of income. Straight-line method is used for computing depreciation and amortization. Assets are depreciated over their estimated useful lives.

Estimated useful lives are periodically reviewed and, when warranted, changes are made to them.

Property, plant, and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If circumstances require a property, plant, and equipment be tested for possible impairment, the Group first compares undiscounted cash flows expected to be generated by that property, plant, and equipment to its carrying value. If the carrying value is not recoverable on an undiscounted cash flow basis, an impairment is recognized to the extent that the carrying value exceeds its fair value. Fair value is determined through various valuation techniques including discounted cash flow models, quoted market values and third-party independent appraisals, as considered necessary. During the year ended March 31, 2023, and March 31, 2022, no impairment was recorded.



Fiscal year ended March 31, 2023

(Amounts in thousands USD)

Leasehold improvements are amortized on the straight-line basis over the shorter of the remaining lease term and estimated useful life of the asset. Amortization is included in depreciation and amortization expense. See Note 5 for further discussion of property and equipment.

2.11 Leases

Under Topic 842, Group determines if an arrangement is a lease at inception. ROU assets and lease liabilities are recognized at commencement date based on the present value of remaining lease payments over the lease term. For this purpose, Group considers only payments that are fixed and determinable at the time of commencement. As most of leases do not provide an implicit rate, Group uses its incremental borrowing rate based on the information available at commencement date in determining the present value of lease payments. Group's incremental borrowing rate is a hypothetical rate based on understanding of what its credit rating would be. Group's lease terms may include options to extend or terminate the lease when it is reasonably certain that Group will exercise such options. When determining the probability of exercising such options, Group consider contract-based, asset-based, entity-based, and market-based factors. Group's lease agreements may contain variable costs such as common area maintenance, insurance, real estate taxes or other costs. Variable lease costs are expensed as incurred on the consolidated statements of income. Group's lease agreements generally do not contain any residual value guarantees or restrictive covenants.

Operating leases are included in operating lease ROU assets, operating lease liabilities, current and operating lease liabilities, non-current on consolidated balance sheets. Operating lease expense is recognized on a straight-line basis over the lease term. Leases with an initial term of 12 months or less off the balance sheet and recognize the associated lease payments in the consolidated statements of income on a straight-line basis over the lease term.

2.12 Income Taxes

Income taxes are accounted for under the balance sheet method. Deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases ("temporary differences"). Deferred tax assets and liabilities are measured using enacted tax rates in effect for the year 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 rate is recognized in income in the period that includes the enactment date.

Deferred tax assets are evaluated for future realization and reduced by a valuation allowance to the extent that a portion is not more likely than not to be realized. Many factors are considered when assessing whether it is more likely than not that the deferred tax assets will be realized, including recent cumulative earnings, expectations of future taxable income, carry forward periods, and other relevant quantitative and qualitative factors. The recoverability of the deferred tax assets is evaluated by assessing the adequacy of future expected taxable income from all sources, including reversal of taxable temporary differences, forecasted operating earnings and available tax planning strategies. These sources of income rely heavily on estimates.

In determining the provision for income taxes, an annual effective income tax rate is used based on annual income, permanent differences between book and tax income, and statutory income tax rates. Discrete events such as audit settlements or changes in tax laws are recognized in the period in which they occur.

The Group classifies interest and penalties associated with tax liabilities as income taxes in the accompanying consolidated financial statements. See Note 8 for further discussion of income taxes.



2.13 Revenue Recognition

Revenue from Contracts with Customers

Group's revenue is recognized at a point-in-time, when control of the product transfers from the Group to the customer, in an amount that reflects the consideration expected to be entitled to in exchange for those goods. Based on the estimates Group recognizes the variable consideration, i.e., rebates, trade discounts, allowances and other cash-based customer incentives which are netted off from revenue.

Revenue is recognized through the following steps:

- a) identification of the contract, or contracts, with the customer;
- b) identification of the performance obligations in the contract;
- c) determination of the transaction price;
- d) allocation of the transaction price to the performance obligations in the contract; and
- e) recognition of revenue when, or as, performance obligations are satisfied.

Commission Income

The Group earns 2 percent commission on sales by Welspun Global Brands Limited & 6 percent on Sales by Christy Lifestyle LLC directly to customers located in the United States. The Group recognizes the commission income when earned as sales are made to customers.

2.14 Cost of Sales

Cost of sales primarily includes the cost of goods including the related expenses such as freight-in and custom duties. The Group records shipping and handling costs for the delivery of finished goods in cost of sales in the consolidated statement of Income. One major vendor accounted for more than 92 percent & 85 percent of the purchases of the Group for the years ended March 31, 2023, and March 31, 2022.

2.15 Operating, Selling, General and Administrative Expenses

Operating, selling, general and administrative expenses include all operating costs of the Group, except cost of sales, as described above. Operating expenses generally include compensation expenses to sales, management, and other personnel, travel costs, royalty, credit insurance expenses, distribution expenses, depreciation on assets, rent, repairs, utilities, general insurance, advertising and marketing, professional fees, and other general expenses not attributable to cost of sales.

2.16 Fair Value Measurement

FASB ASC Topic 820, Fair Value Measurements, established a three-tier value hierarchy, which prioritizes the inputs used in the valuation methodologies in measuring the fair value.

The Group uses fair value to measure financial assets and liabilities and certain non-financial assets and liabilities measured or defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. The fair value hierarchy established and prioritized fair value measurements into three levels based on the nature of the inputs. The hierarchy gives the highest priority to inputs based on market data from independent sources (observable inputs Level 1) and the lowest priority to a reporting entity's internal assumptions based upon the best information available when external market data is limited or unavailable (unobservable inputs-Level 3).

The fair value option allows entities to choose, at specified election dates, to measure eligible financial assets and financial liabilities at fair value that are not otherwise required to be measured at fair value.



Fiscal year ended March 31, 2023

(Amounts in thousands USD)

If an organization elects the fair value option for an eligible item, changes in that item's fair value in subsequent reporting periods must be recognized in current earnings. The Group did not elect the fair value option for the measurement of any eligible assets or liabilities.

2.17 Currency translation

The Group uses the U.S. dollar as its functional currency. Assets and Liabilities denominated in Non-US dollar are revalued into US dollar at current exchange rate for momentary assets and liabilities, and historical exchange rates for non-monetary assets and liabilities. Gains or losses from foreign currency transactions are included in the consolidated statement of income.

2.18 There are no standards that are effective but not adopted as on March 31, 2023.

2.19 Subsequent Events

The consolidated financial statements and related disclosures include evaluation of events up through and including June 15, 2023, which is the date the consolidated financial statements were available to be issued.



Notes to Consolidated Financial Statements

Fiscal year ended March 31, 2023

(Amounts in thousands USD)

Note 3 - Revenue from Contracts with Customers**1) Disaggregated revenue information**

Revenue disaggregated by revenue source consists of the following:

	Year ended March 31, 2023	Year ended March 31, 2022
Traded Goods	2,88,540	3,21,695
Commission Income	3,534	6,197
Total Revenue	2,92,074	3,27,892

Revenue disaggregated by geography, based on the billing address of our customers, consists of the following:

	Year ended March 31, 2023	Year ended March 31, 2022
Revenue		
United States & Canada	2,86,888	3,20,558
Rest of World	5,186	7,334
Total revenue	2,92,074	3,27,892

2) Contract balances

The following table provides information about receivables, contract liabilities and refund liabilities from contracts with customers.

Particulars	As at March 31, 2023	As at March 31, 2022
Trade receivables*	32,798	35,295
Refund liabilities (Rebates, discounts, chargebacks, markdowns, etc. - included in accrued customer incentives)	9,759	10,308
Contract liabilities (advances from customers - included in other liabilities)	1,081	522
Set out below is the amount recognised from:		
Amounts included in contract liabilities at the beginning of the year	491	501

* Trade receivables are non-interest bearing and are generally on terms of 30 to 120 days.

Note 4 - Inventories

Inventory consists of the following:

	As at March 31, 2023	As at March 31, 2022
Trading Goods	44,222	74,318
Packing Materials	136	519
Total	44,358	74,837

As of March 31, 2023 and March 31, 2022, the Group recorded reserves for obsolescence and potential close-outs of inventory of \$5,916 and \$3,181, respectively. As of March 31, 2023 and March 31, 2022, the Group recorded in-transit inventory of \$18,741 and \$22,731 respectively.



Fiscal year ended March 31, 2023

(Amounts in thousands USD)

Note 5 - Property, Plant and Equipment

Property, Plant and Equipment are summarized as follows:

	Depreciable Life (Years)	As at March 31, 2023	As at March 31, 2022
Furniture and fixtures	2 - 7	600	585
Leasehold improvements	3 - 10	3,079	3,070
Buildings	27.5	9,459	9,459
Office equipment	5 - 7	334	317
Machinery and equipment	7	925	925
Computer hardware	5	1,588	1,543
Computer software	3	240	240
Total cost		16,225	16,139
Accumulated depreciation and amortisation		6,197	5,179
Net Property, Plant and Equipment		10,028	10,960

Depreciation expense for the year ended March 31, 2023 and March 31, 2022 was \$1,018 and \$915, respectively.

Note 6 - Line of Credit

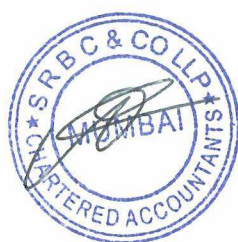
The Group has line of credit with Citibank. Under the line of credit arrangement, the Group has available borrowing limit of \$59,500 as at March 31, 2023 and March 31, 2022. Interest is payable monthly at a rate ranging from 1.45 percent per annum above the one-month SOFR and a rate of 0.45 percent per annum above the prime rate depending on the borrowing levels and a rate of 0.18 percent per annum of unutilised borrowing (effective rates from 6.23 percent per annum to 8.20 percent per annum at March 31, 2023 and an average interest rate of 4.41 percent per annum for the year ended March 31, 2023). Outstanding borrowings are \$3,000 and \$39,722 as of March 31, 2023 and March 31, 2022, respectively. The line of credit is collateralized by Inventory, receivables and other current assets of the Group.

Under the line of credit agreement with the bank, the Group is subject to financial covenants, including a quarterly minimum fixed-charge coverage ratio and a minimum accounts payable to related party balance.

Interest expense for the line of credit for March 31, 2023 and March 31, 2022 was \$1,601 and \$712, respectively.

Note 7 - Capital Stock

Common stock consists of 3,000 authorized shares of \$100 par value stock. As of March 31, 2023 there were 2,242 shares of \$ 100 each were issued and outstanding respectively. The company has one class of equity shares, each shareholder is eligible for one vote per share held. In the event of liquidation, the equity shareholders are eligible to receive remaining assets of the company after distribution of all preferential amounts, in proportion to their shareholding.



Fiscal year ended March 31, 2023

(Amounts in thousands USD)

Note 8 - Income Taxes

The components of the income tax provision included in the statement of operations are all attributable to continuing operations and are detailed for the year ended March 31, 2023 and March 31, 2022 as follows:

	Year ended March 31, 2023	Year ended March 31, 2022
Current tax - Federal	860	822
Current tax - State and foreign	144	394
Deferred tax (recovery) - Federal	(425)	(226)
Deferred tax (recovery) - State and foreign	(19)	(100)
Total income tax expense	560	890

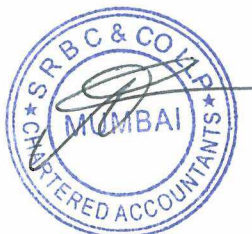
A reconciliation of the significant differences between the U.S. statutory tax rate and the effective income tax rate on pre-tax income is as follows:

	Year ended March 31, 2023	Year ended March 31, 2022
Income tax expense, computed at 21 percent of pre-tax income	521	700
Effect of non-deductible expenses	9	8
Effect of state and foreign taxes	94	211
Adjustments for change in estimates and others	(64)	(29)
Total provision for income taxes	560	890

The details of the net deferred tax assets are as follows:

	As at March 31, 2023	As at March 31, 2022
Operating Lease Liability	2,489	3,154
Inventories	1,866	1,553
Foreign Tax Credit	831	728
Allowance for bad debts	44	158
Deferred finance charges	-	1
Deferred Tax Assets	5,230	5,594
Operating Lease right-to-use assets	(2,260)	(2,886)
Depreciation and amortization	(357)	(511)
Fixed assets Basis - TMG (Beginning)	(413)	(441)
Deferred Tax Liabilities	(3,030)	(3,838)
Net deferred tax asset	2,200	1,756

Deferred income taxes results from the temporary difference between the tax basis of assets and liabilities and the reported amounts in the financial statements that will result in taxable or deductible amounts in future years. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply when these temporary differences are recovered or settled. No valuation allowance has been recognized for the deferred tax assets as management believes all deferred assets will be recoverable.



Fiscal year ended March 31, 2023

(Amounts in thousands USD)

Note 9 - Leases

Group have entered into various non-cancellable operating lease agreement for certain of its offices and warehouses. Group's leases have original lease periods expiring 2024 and 2032. Some lease have option to renew. Group do not assume renewals in determination of the lease term unless the renewals are deemed to be reasonable assured at lease commencement.

The components of lease costs, lease term and discount rate are as follows:

	Year ended March 31, 2023	Year ended March 31, 2022
Operating lease cost	2,588	2,594
Short term lease cost	5,111	2,498
Variable lease cost	1,206	523
Sublease income (included in Other income)	-	(53)
Total lease cost	8,905	5,562

	Year ended March 31, 2023	Year ended March 31, 2022
Weighted-average remaining lease term	5.9 years	6.5 years
Weighted-average discount rate	2.67%	2.75%

The following is a schedule by years of maturities of lease liabilities:

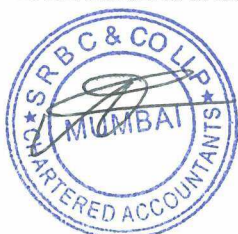
	As at March 31, 2023	As at March 31, 2022
First Year	2,784	2,724
Second Year	1,833	2,784
Third Year	1,792	1,833
Fourth Year	1,238	1,792
Fifth Year	671	1,238
There After	2,667	3,338
Total undiscounted cash flows	10,985	13,709
Less: Imputed interest	(928)	(1,270)
Present value of lease liabilities	10,057	12,439

Lease liabilities, current	2,516	2,382
Lease liabilities, non-current	7,541	10,057
Present value of lease liabilities	10,057	12,439

As of March 31, 2023, Group does not have additional operating and finance leases that have not yet commenced.

Supplemental cash flow information related to leases are as follows:

	Year ended March 31, 2023	Year ended March 31, 2022
Cash paid for amounts included in the measurement of lease liabilities	2,724	2,118
Lease liabilities arising from obtaining right-of-use assets	-	5,167



Note 10 - Commitments and Contingencies

a) License Commitments

The Group has trademark licensing agreements under which it can utilize certain trade names in marketing its products. The Group has future commitments to pay of \$ 6,114 and \$8,328 as of March 31, 2023 and March 31, 2022, respectively.

The Group has an agreement for use of patent for a consideration ranging from 1 percent to 2 percent based on sales subject to a minimum of \$400 every calendar year. This agreement shall terminate on the expiration of date of patent provided or by separate mutual written agreement.

Royalty expenses were \$4,312 and \$2,797 for the years ended March 31, 2023 and March 31, 2022, respectively.

b) The Group has issued a Standby Letter of Credit of \$1MN in favor of American Alternative Insurance Corporation against the custom duty liabilities, as at March 31, 2023 and March 31, 2022.

Note 11 - Retirement Plans

The Group provides a defined contribution savings plan for substantially all employees. The plan provides for the Group to make a discretionary profit-sharing contribution and a required matching contribution. Expenses under the plan amounted to \$205 and \$203 for the years ended March 31, 2023 and March 31, 2022, respectively.

Note 12 - Related Party Transactions

Name of the related parties where control exists irrespective of whether transaction have occurred or not:

Ultimate Holding Company	- Welspun Group Master Trust
Holding company of Parent Company	- Welspun India Limited
Parent Company	- Welspun Global Brands Limited

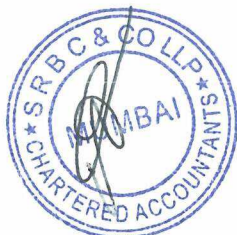
Name of the other related parties with whom transactions have taken place during the year.

Fellow Subsidiaries	- Welspun Flooring Limited
	- Christy lifestyle LLC.
	- Welspun UK Limited

The following is a description of transactions between the Group and related parties:

Sales and Purchases

Sales/services and Inventories are sold/purchased to/from Parent company, Holding company of the parent company and fellow subsidiaries. Amounts due from related parties are on account of sales of product, services, claim and rebates, commissions, and other receivables. Amount due to related parties are on account of purchase of inventory.



Notes to Consolidated Financial Statements

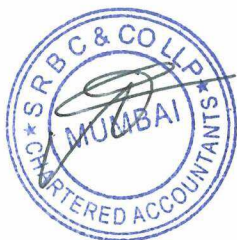
Fiscal year ended March 31, 2023

(Amounts in thousands USD)

The following is summary of transactions and balances with related parties:

	Year ended March 31, 2023	Year ended March 31, 2022
Sales and services to related parties	3,919	6,631
Claims and rebates	21,401	31,707
Reimbursements of expenses incurred on behalf of related parties	2,594	2,828
Accounts receivables due from related parties	12,322	22,271
Other receivables due from related parties	1,417	1,726
Purchases from related parties	1,89,002	2,17,909
Due to related parties	53,811	66,035

The Group also earns a commission on sales to Welspun Global Brands Limited & Christy lifestyle LLC customers in the United States. Amounts earned under the commission agreement were \$3,534 and \$6,197 for the years ended March 31, 2023 and March 31, 2022, respectively. These amounts are included in the sales to related parties in the above table.



Abhijit Datar
COO

Manish Bansal
CFO

Ankit Gupta
GM Finance & Legal