

Consolidated Balance Sheet

Fiscal year ended March 31, 2022

(Amounts in thousands USD)

	As at March 31, 2022	As at March 31, 2021
ASSETS		
Current Assets :		
Cash and Cash Equivalents	\$ 2,884	\$ 416
Accounts receivable:		
Trade, net	\$ 35,295	\$ 59,016
Related parties (Note 12)	\$ 22,271	\$ 18,627
Other receivables from related parties (Note 12)	\$ 1,726	\$ 2,851
Inventories (Note 4)	\$ 74,837	\$ 67,392
Prepaid expenses & Other Current Assets	\$ 1,216	\$ 442
Total current assets	<u>\$ 1,38,229</u>	<u>\$ 1,48,744</u>
Non-Current Assets :		
Property, Plant and Equipment - Net (Note 5)	\$ 10,960	\$ 10,145
Operating Lease right-to-use assets, net	\$ 11,380	\$ 8,473
Other Non Current Assets:		
Deposits	\$ 230	\$ 338
Other Assets	\$ 496	-
Deferred tax assets (Net) (Note 8)	\$ 1,756	\$ 1,430
Total other non current assets	<u>\$ 2,482</u>	<u>\$ 1,768</u>
Total assets	<u><u>\$ 1,63,051</u></u>	<u><u>\$ 1,69,130</u></u>
LIABILITIES AND STOCKHOLDER'S EQUITY		
Current Liabilities:		
Accounts payable:		
Trade payable	\$ 4,636	\$ 3,695
Trade payables to related parties (Note 12)	\$ 66,035	\$ 80,998
Bank line of credit (Note 6)	\$ 39,722	\$ 39,019
Operating Lease Liability	\$ 2,382	\$ 1,319
Accrued customer incentives	\$ 10,308	\$ 10,193
Accrued liabilities	\$ 6,878	\$ 5,578
Total current liabilities	<u>\$ 1,29,961</u>	<u>\$ 1,40,802</u>
Non-Current Liabilities:		
Operating Lease Liability	\$10,057	\$7,736
Total non-current liabilities	<u>\$ 10,057</u>	<u>\$ 7,736</u>
Total liabilities	\$ 1,40,018	\$ 1,48,538
Stockholders' Equity	\$ 23,033	\$ 20,592
Total liabilities and stockholders' equity	<u><u>\$ 1,63,051</u></u>	<u><u>\$ 1,69,130</u></u>

See accompanying notes to Consolidated Financial Statements.

Abhijit Datar
Abhijit Datar
Chief Operating Officer

Gaurav Bidasaria
Gaurav Bidasaria
Director, Finance

ANKIT GUPTA
Ankit Gupta
General Manager Finance & Legal

Consolidated Statement of Income

Fiscal year ended March 31, 2022

(Amounts in thousands USD)

	Year ended March 31, 2022	Year ended March 31, 2021
Revenue		
Net Sales	\$ 3,21,695	\$ 2,59,896
Commission income (Note 12)	\$ 6,197	\$ 5,988
Total Revenues [A]	\$ 3,27,892	\$ 2,65,884
Cost of Sales [B]	\$ 2,81,399	\$ 2,28,575
Gross Profit [C = A-B]	\$ 46,493	\$ 37,309
Operating, selling, general and administrative expenses [D]	\$ 43,132	\$ 33,959
Operating Income [E = C-D]	\$ 3,361	\$ 3,350
Non operating Income / (Expense)		
Other income	\$ 682	\$ 826
Interest expense (Note 6)	(\$ 712)	(\$ 693)
Total non-operating Income / (Expense) [F]	(\$ 30)	\$ 133
Income - Before income taxes [G = E-F]	\$ 3,331	\$ 3,483
Income Tax Expense (Note 8) [H]	\$ 890	\$ 827
Net Income [G-H]	\$ 2,441	\$ 2,656

See accompanying notes to Consolidated Financial Statements.

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Welspun USA, Inc.

Consolidated Statement of Stockholders' Equity

Fiscal year ended March 31, 2022

(Amounts in thousands USD)

	Common Stock	Additional Paid-in Capital	Retained Earnings	Total
Balance - March 31, 2020	\$ 224	\$ 9,174	\$ 8,538	\$ 17,936
Net income	-	-	\$ 2,656	\$ 2,656
Stocks issued during the year	-	-	-	-
Balance - March 31, 2021	\$ 224	\$ 9,174	\$ 11,194	\$ 20,592
Net income	-	-	\$ 2,441	\$ 2,441
Stocks issued during the year	-	-	-	-
Balance - March 31, 2022	\$ 224	\$ 9,174	\$ 13,635	\$ 23,033

See accompanying notes to Consolidated Financial Statements.

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Consolidated Statements of Cash Flows

Fiscal year ended March 31, 2022

(Amounts in thousands USD)

	Year ended March 31, 2022	Year ended March 31, 2021
Cash Flows from Operating Activities		
Net income	\$ 2,441	\$ 2,656
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation and amortisation	\$ 915	\$ 1,461
Unrealised foreign exchange (gain) / loss	\$ 1	(\$ 3)
Deferred income taxes	(\$ 327)	(\$ 120)
Changes in operating assets and liabilities:		
Accounts receivable and other receivables	\$ 21,203	\$ 3,787
Inventories	(\$ 7,445)	(\$ 17,419)
Prepaid expenses and other assets	(\$ 1,270)	(\$ 35)
Deposits	\$ 109	(\$ 36)
Accounts payable	(\$ 14,022)	\$ 10,716
Accrued customer incentives and liabilities	\$ 1,893	\$ 3,215
Net cash provided by operating activities	<u>\$ 3,498</u>	<u>\$ 4,222</u>
Cash Flows from Investing Activities		
Purchase of property, plant and equipment	(\$ 1,731)	(\$ 9,540)
Net cash used in investing activities	<u>(\$ 1,731)</u>	<u>(\$ 9,540)</u>
Cash Flows from Financing Activities		
Repayment on long-term debt	-	(\$ 14)
Net proceeds from revolving credit facilities	\$ 702	\$ 4,100
Net cash provided by financing activities	<u>\$ 702</u>	<u>\$ 4,086</u>
Effect of exchange rates on cash and cash equivalents	<u>(\$ 1)</u>	<u>\$ 3</u>
Net increase / (decrease) in cash and cash equivalents	\$ 2,468	(\$ 1,229)
Cash and cash equivalents at beginning of the period	\$ 416	\$ 1,645
Cash and cash equivalents at end of the period	<u><u>\$ 2,884</u></u>	<u><u>\$ 416</u></u>
Supplemental Cash Flow Information		
Interest paid	\$ 712	\$ 693
Income taxes paid	\$ 1,882	\$ 422

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 (formerly known as Welspun Retail 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

a) Basis of preparation

These special purpose consolidated financial statements for the year ended March 31, 2022 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 Ltd and its Subsidiaries and may not be suitable for any other purpose. All amounts are in thousands USD unless stated otherwise.

b) Principles of Consolidation

The Consolidated Financial Statements include the accounts of Welspun USA Inc. and Tilt Innovations Inc. and TMG (Americas) LLC (w.e.f. April 20, 2020), its 100% subsidiaries (collectively, the Group) as of and for the fiscal year ended March 31, 2022. Intercompany accounts and transactions have been eliminated in consolidation.

c) 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. Refer effect of Covid-19 outbreak in Note 15.

d) Cash and Cash Equivalents

The Company 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.

e) 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.

f) Accounts Receivable

Account receivable represent invoiced amounts owed to the Company and do not bear interest, which are expected to be collected within the next twelve months. Account receivable 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

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Fiscal year ended March 31, 2022

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 \$ 624 and \$ 604 as of March 31, 2022 and 2021, respectively.

The Company has an agreement with Insurance Companies to insure all its receivables except Costco, Walmart, Amazon and some other receivables including related party receivables. Approximately 45 percent and 67 percent of receivables was not covered by insurance for the years ended March 31, 2022 and 2021 respectively. A fixed percentage of sales is payable to the insurance company as a premium. The Company recognizes such premium expenses in the statement of income at the same time as revenue for sales of goods is recognized. The Company has incurred insurance premium expenses totaling \$ 543 and \$ 409 for the years ended March 31, 2022 and 2021, respectively, which is included in operating expenses.

g) Credit Risk and Major Customers

Sales are predominately to retail companies in the textile industry located throughout the United States and Canada. The Company extends trade credit to its customers on terms that are generally practiced in the industry. Two major customers accounted for approximately 43 and 65 percent of accounts receivable and 62 and 63 percent of sales as of and for the years ended March 31, 2022 and 2021, respectively.

h) Inventory

The Company 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.

i) Prepaid Expenses and Other Current

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

j) 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 income statement 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 Income statement. Both straight-line and accelerated methods are 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.

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.

k) Leases

Under Topic 842, Company 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, Company consider only payments that are fixed and determinable at the time of commencement. As most of leases do not provide an implicit rate, Company use its incremental borrowing rate based on the information available at commencement

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Fiscal year ended March 31, 2022

date in determining the present value of lease payments. Company's incremental borrowing rate is a hypothetical rate based on understanding of what its credit rating would be. Company's lease terms may include options to extend or terminate the lease when it is reasonably certain that Company will exercise such options. When determining the probability of exercising such options, Company consider contract-based, asset-based, entity-based, and market-based factors. Company'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. Company'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.

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

m) Revenue Recognition

Revenue from Contracts with Customers

Sale of Goods

Company's revenue is recognized at a point-in-time, when control of the product transfers from the Company to the customer, in an amount that reflects the consideration expected to be entitled to in

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Fiscal year ended March 31, 2022

exchange for those goods. Based on the estimates Company recognises 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:

- (1) identification of the contract, or contracts, with the customer;
- (2) identification of the performance obligations in the contract;
- (3) determination of the transaction price;
- (4) allocation of the transaction price to the performance obligations in the contract; and
- (5) recognition of revenue when, or as, performance obligations are satisfied.

Commission Income

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

n) Cost of Sales

Cost of sales primarily includes the cost of goods including the related expenses such as freight-in and custom duties. The Company records shipping and handling costs for the delivery of finished goods in cost of sales in the statement of Income. One major vendor accounted for more than 85% & 90% of the purchases of the company for the years ended March 31, 2022 and 2021.

o) Operating, Selling, General and Administrative Expenses

Operating, selling, general and administrative expenses include all operating costs of the Company, 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.

p) 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 Company 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. 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 Company did not elect the fair value option for the measurement of any eligible assets or liabilities.

q) Currency translation

The Company uses the U.S. dollar as its functional currency. Assets and Liabilities denominated in Non-

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Fiscal year ended March 31, 2022

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.

r) Recent Accounting Pronouncements - not yet adopted

In June 2016, the FASB issued ASU 2016-13, Financial Instruments —Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments (ASU 2016-13), which requires the measurement of all expected credit losses for financial assets including trade receivables held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. ASU 2016-13 is effective for fiscal years beginning after December 15, 2022. The Company is currently evaluating the impact of this new guidance will have on the consolidated financial statements and the related disclosures upon adoption.

In December 2019, the FASB issued Accounting Standard Update No. 2019-12, Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes (ASU 2019-12), which simplifies the accounting for income taxes. This guidance will be effective for Company for year ending March 2023 on a prospective basis, and early adoption is permitted. The Company is currently evaluating the impact of this new guidance will have on the consolidated financial statements and the related disclosures upon adoption.

s) Subsequent Events

The financial statements and related disclosures include evaluation of events up through and including June 2, 2022, which is the date the financial statements were available to be issued.

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Fiscal year ended March 31, 2022
(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, 2022	Year ended March 31, 2021
Traded Goods	\$ 3,21,695	\$ 2,59,896
Commission Income	\$ 6,197	\$ 5,988
Total Revenue	<u>\$3,27,892</u>	<u>\$2,65,884</u>

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

	Year ended March 31, 2022	Year ended March 31, 2021
Revenue:		
United States & Canada	\$ 3,20,558	\$ 2,59,389
Rest of World	\$ 7,334	\$ 6,495
Total revenue	<u>\$3,27,892</u>	<u>\$2,65,884</u>

2) Contract balances

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

Particulars	As at March 31, 2022	As at March 31, 2021
Trade receivables*	\$ 35,295	\$ 59,016
Contract liabilities (advances from customers - included in other liabilities)	\$ 522	\$ 547
Refund liabilities (Rebates, discounts, chargebacks, markdowns, etc.)	\$ 10,308	\$ 10,193

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

Note 4 - Inventories

Inventory at March 31, 2022 and 2021 consists of the following:

	As at March 31, 2022	As at March 31, 2021
Trading Goods	\$ 74,318	\$ 67,104
Packing Materials	\$ 519	\$ 288
Total	<u>\$ 74,837</u>	<u>\$ 67,392</u>

As of March 31, 2022 and 2021, the Company recorded reserves for obsolescence and potential close-outs of inventory of \$3,181 and \$2,521, respectively. As of March 31, 2022 and 2021, the Company recorded in-transit inventory of \$22,731 and \$28,258 respectively.

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Fiscal year ended March 31, 2022
(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, 2022	As at March 31, 2021
Furniture and fixtures	2 - 7	\$ 585	\$ 568
Leasehold improvements	3 - 10	\$ 3,070	\$ 1,459
Buildings	27.5	\$ 9,459	\$ 9,459
Office equipment	5 - 7	\$ 317	\$ 306
Machinery and equipment	7	\$ 925	\$ 925
Computer hardware	5	\$ 1,543	\$ 1,451
Computer software	3	\$ 240	\$ 240
Total cost		\$ 16,139	\$ 14,408
Accumulated depreciation and amortisation		\$ 5,179	\$ 4,263
Net Property, Plant and Equipment		\$ 10,960	\$ 10,145

Depreciation expense for 2022 and 2021 was \$915 and \$1,461, respectively.

Note 6 - Line of Credit

The Company has line of credit with Citibank. Under the line of credit arrangement, the Company has available borrowings of \$59,500 & \$49,500 as at March 31, 2022 and 2021. Interest is payable monthly at a rate ranging from 1.45 percent above the one-month SOFR and a rate of 0.45 percent above the prime rate depending on the borrowing levels (effective rates from 1.6 percent to 3.95 percent at March 31, 2022 and an average interest rate of 1.77 percent for the year ended March 31, 2022). Outstanding borrowings are \$39,722 and \$39,019 as of March 31, 2022 and 2021, respectively. The line of credit is collateralized by Inventory, receivables and other current assets of the Company.

Under the line of credit agreement with the bank, the Company 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 the line of credit for March 31, 2022 and March 31, 2021 was \$712 and \$693, respectively.

Note 7 - Capital Stock

Common stock consists of 3,000 authorized shares of \$100 par value stock. As of March 31, 2022 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.

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 as follows:

	Year ended March 31, 2022	Year ended March 31, 2021
Current tax - Federal	\$ 822	\$ 1,265
Current tax - State and foreign	\$ 394	\$ 95
Deferred tax (recovery) — Federal	(\$ 226)	(\$ 526)
Deferred tax (recovery) - State and foreign	(\$ 100)	(\$ 7)
Total income tax expense	\$ 890	\$ 827

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

	Year ended March 31, 2022	Year ended March 31, 2021
Income tax expense, computed at 21% percent of pretax income	\$ 700	\$ 731
Effect of nondeductible expenses	\$ 8	\$ 1
Effect of state and foreign taxes	\$ 211	\$ 68
Adjustments for change in estimates and others	(\$ 29)	\$ 27
Total provision for income taxes	\$ 890	\$ 827

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Fiscal year ended March 31, 2022
(Amounts in thousands USD)

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

	As at March 31, 2022	As at March 31, 2021
Deferred Tax Assets		
Operating Lease Liability	\$ 3,154	\$ 2,152
Inventories	\$ 1,553	\$ 1,222
Foreign Tax Credit	\$ 728	\$ 552
Allowance for bad debts	\$ 158	\$ 144
Deferred finance charges	\$ 1	\$ 6
	<u>\$ 5,594</u>	<u>\$ 4,075</u>
Deferred Tax Liabilities		
Operating Lease right-to-use assets	(\$ 2,886)	(\$ 2,013)
Depreciation and amortization	(\$ 511)	(\$ 218)
Fixed assets Basis - TMG (Beginning)	(\$ 441)	(\$ 413)
	<u>(\$ 3,838)</u>	<u>(\$ 2,645)</u>
Net deferred tax asset	<u>\$ 1,756</u>	<u>\$ 1,430</u>

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.

Note 9 - Leases

Company have entered into various non-cancelable operating lease agreement for certain of its offices and warehouses. Company's leases have original lease periods expiring 2024 and 2032. Some lease have option to renew. Company 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 for the year ended March 31, 2022 and 2021 are as follows:

	Year ended March 31, 2022	Year ended March 31, 2021
Operating lease cost	\$ 2,594	\$ 2,086
Short term lease cost	\$ 523	\$ 441
Variable lease cost	\$ 2,498	\$ 1,079
Sublease income (included in Other income)	(\$ 53)	(\$ 211)
Total lease cost	<u>\$ 5,562</u>	<u>\$ 3,395</u>
Weighted-average remaining lease term	6.5 years	7.7 years
Weighted-average discount rate	2.75%	2.70%

The following is a schedule, by years, of maturities of lease liabilities as of March 31, 2022:

	As at March 31, 2022	As at March 31, 2021
First Year	\$ 2,724	\$ 1,589
Second Year	\$ 2,784	\$ 1,653
Third Year	\$ 1,833	\$ 1,687
Fourth Year	\$ 1,792	\$ 707
Fifth Year	\$ 1,238	\$ 639
There After	\$ 3,338	\$ 3,993
Total undiscounted cash flows	<u>\$ 13,709</u>	<u>\$ 10,268</u>
Less: Imputed interest	(\$ 1,270)	(\$ 1,213)
Present value of lease liabilities	<u>\$ 12,439</u>	<u>\$ 9,055</u>

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Fiscal year ended March 31, 2022
(Amounts in thousands USD)

Lease liabilities, current	\$ 2,382	\$ 1,319
Lease liabilities, non-current	\$ 10,057	\$ 7,736
Present value of lease liabilities	<u>\$ 12,439</u>	<u>\$ 9,055</u>

As of March 31, 2022, Company does not have additional operating and finance leases that have not yet commenced.

Supplemental cash flow information related to leases for the year ended March 31, 2022 and March 31, 2021 are as follows:

	Year ended March 31, 2022	Year ended March 31, 2021
Cash paid for amounts included in the measurement of lease liabilities	\$ 2,118	\$ 2,153
Lease liabilities arising from obtaining right-of-use assets	\$ 5,167	\$ 5,613

Note 10 - Commitments and Contingencies.

a) License Commitments

The Company has trademark licensing agreements under which it can utilize certain trade names in marketing its products. The Company has future commitments to pay of \$ 8,328 and \$12,261 as of March 31, 2022 and 2021, respectively.

The company has an agreement for use of patent for a consideration ranging from 1% to 2% based on sales subject to a minimum of \$400,000 every calendar year. This agreement shall terminate on the expiration of date of patent provided or by separate mutual written agreement.

Royalty expenses were \$2,797 and \$2,370 for the years ended March 31, 2022 and 2021, respectively.

b) The Company 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, 2022.

Note 11 - Retirement Plans

The Company provides a defined contribution savings plan for substantially all employees. The plan provides for the Company to make a discretionary profit-sharing contribution and a required matching contribution. Expenses under the plan amounted to \$203 and \$187 for the years ended March 31, 2022 and 2021, 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 Company 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 sales of product, services, claim and rebates, commissions, and other receivables. Amount due to related parties are on account of purchase of inventory.

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Fiscal year ended March 31, 2022
(Amounts in thousands USD)

The following is a summary of transactions and balances with related parties for 2022 and 2021:

	March 31, 2022	March 31, 2021
Sales and services to related parties	\$ 6,631	\$ 6,319
Claims and rebates	\$ 31,707	\$ 22,291
Reimbursements of expenses incurred on behalf of related parties	\$ 2,828	\$ 3,213
Accounts receivables due from related parties	\$ 22,271	\$ 18,627
Other receivables due from related parties	\$ 1,726	\$ 2,851
Purchases from related parties	\$ 2,17,909	\$ 2,19,751
Due to related parties	\$ 66,035	\$ 80,998

The Company also earns a commission on sales to Welspun Global Brands Limited's & Christy lifestyle LLC customers in the United States. Amounts earned under the commission agreement were \$6,197 and \$5,988 for the years ended March 31, 2022 and 2021, respectively. These amounts are included in the sales to related parties in the above table.

Note 13 - Acquisition of TMG (Americas) LLC

Company had acquired TMG (Americas) LLC, USA during the previous year ended March 31, 2021 against purchase consideration of \$8,660 plus transaction cost of \$386. The acquisition has been treated as an asset acquisition and accordingly, the purchase consideration has been primarily allocated over the property, plant and equipment acquired. As required by ASC 740, the Company has recorded Deferred Tax Liability (DTL) of \$413, with corresponding increase in the value of property, plant and equipment acquired during the previous year ended March 31, 2021.

Abhijit Datar

Abhijit Datar
Chief Operating Officer

Gaurav Bidasaria

Gaurav Bidasaria
Director, Finance

ANKIT GUPTA

Ankit Gupta
General Manager Finance & Legal