Pidilite USA, Inc.

Financial Statements

March 31, 2021 and March 31, 2020

KNAV P.A.

Certified Public Accountants

One Lakeside Commons, Suite 850,

990 Hammond Drive NE, Atlanta, GA 30328

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Independent Auditor's Report

Board of Directors
Pidilite USA, Inc.

We have audited the accompanying financial statements of Pidilite USA, Inc. ('the Company') which comprise the balance sheets as of March 31, 2021 and March 31, 2020 and the related statements of operations, stockholder's equity, and cash flows for the years then ended and the related notes to financial statements.

Management's responsibility for the financial statements

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

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the organization's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly in all material respects, the financial position of the Company as of March 31, 2021 and March 31, 2020 and the results of its operations and cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Supplementary information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary financial information for March 31, 2021 and March 31, 2020 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, 2021

Financial Statements

Balance sheets

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

	As at March 31, 2021	As at March 31, 2020
ASSETS		
Current assets		
Cash	4,541,666	3,593,738
Accounts receivable, net	4,378,180	3,430,405
Inventories	6,880,973	6,620,059
Prepaid expenses and other current assets	350,612	395,204
Investments	75,000	562,500
Total current assets	**16,226,431**	**14,601,906**
Property, and equipment, net	757,714	937,655
Operating lease right-of-use assets	108,233	212,161
Goodwill and other intangibles, net	92,308	144,815
Deferred tax assets	380,571	749,154
Other assets	6,424	6,424
Total assets	**17,571,681**	**16,652,115**
LIABILITIES AND STOCKHOLDER'S EQUITY		
Current liabilities		
Line of credit	-	471,741
Accounts payable	1,650,103	1,286,274
Operating lease liability, current portion	103,479	104,383
Other current liabilities	870,745	1,569,620
Total current liabilities	**2,624,327**	**3,432,018**
Deferred tax liability	18,503	17,245
Operating lease liability, non-current portion	-	111,526
Total liabilities	**2,642,830**	**3,560,789**
Stockholder's equity		
Common stock	14,780,000	14,780,000
Accumulated surplus (deficit)	148,851	(1,688,674)
Total stockholder's equity	**14,928,851**	**13,091,326**
Total liabilities and stockholder's equity	**17,571,681**	**16,652,115**

(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, 2021	For the year ended March 31, 2020
Revenues, net of allowances and rebates	20,743,224	17,967,276
Less: cost of revenues	13,733,760	12,696,445
Gross profit	**7,009,464**	**5,270,831**
Operating costs and expenses		
Selling, general and administrative expense	4,146,724	5,463,331
Depreciation and amortization	314,548	340,136
Impairment of investment	487,500	-
Total costs and expenses	**4,948,772**	**5,803,467**
Operating income (loss)	**2,060,692**	**(532,636)**
Interest expense	(1,956)	(44,572)
Other income, net	32,239	21,884
Income (loss) from operations before income tax	**2,090,975**	**(555,324)**
Current tax (benefit) expense	(116,391)	9,738
Deferred tax expense (benefit)	369,841	(210,398)
Net income (loss)	**1,837,525**	**(354,664)**

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

Statements of stockholder's equity

For the years April 1, 2019 to March 31, 2020 and April 1, 2020 to March 31, 2021

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

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

(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, 2021	**March 31, 2020**
Cash flow from operating activities		
Net income (loss)	1,837,525	(354,664)
Adjustments to reconcile net income (loss) to cash provided by operating activities		
Depreciation and amortization	314,548	340,136
Impairment of investment	487,500	-
Deferred tax expense (benefit)	369,841	(210,398)
Allowance for doubtful accounts	27,416	(11,081)
Allowance (written back) for slow moving inventory (net of inventory written off)	5,969	73,857
Sundry balances written back	(27,143)	-
Sundry balances written off	14,970	-
Changes in assets and liabilities		
Increase in accounts receivable	(968,231)	(141,131)
(Increase) decrease in inventories	(266,883)	520,328
Decrease (increase) in prepaid expenses, other current assets and operating lease right of use assets	139,612	(138,944)
Increase (decrease) in accounts payable	357,767	(25,527)
Decrease (increase) in other current liabilities and operating lease liabilities	(791,122)	1,309,795
Net cash provided by operating activities	**1,501,769**	**1,362,371**
Cash flow from investing activities		
Purchase of property, and equipment	(82,100)	(120,050)
Net cash used in investing activities	**(82,100)**	**(120,050)**
Cash flow from financing activities		
Repayment of short-term line of credit	(471,741)	(1,544,051)
Net cash used in financing activities	**(471,741)**	**(1,544,051)**
Net increase (decrease) in cash	947,928	(301,730)
Cash at the beginning of the year	3,593,738	3,895,468
Cash at the end of the year	**4,541,666**	**3,593,738**
Supplemental cash flow information		
Interest paid	1,956	44,572
Income taxes paid	348,845	19,125

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

Notes to Financial Statements

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

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

1. *Business description*

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

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

2. *Financial statements*

a) *Basis of preparation*

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

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

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.

Effective April 1, 2019, the Company has adopted Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09, Revenue from Contracts with Customers (Topic 606). Results for the year ended March 31, 2021 and March 31, 2020 are presented under Topic 606. Please refer to Note K, "Revenue from Contracts with Customers" for further information on the Company's revenue recognition policies.

5. *Shipping and handling costs*

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

6. *Investments*

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

7. *Allowance for doubtful accounts*

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

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

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

NOTE B - ACCOUNTS RECEIVABLE

The accounts receivable as at March 31, 2021 are stated net of rebates, allowances for sales return and allowance for doubtful accounts. Accounts receivable as at March 31, 2021 of $ 4,378,180 (March 31, 2020: $ 3,430,405) 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, 2021 comprises of dues from related parties of $ 130,953 (March 31, 2020: $ 297,505).

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, 2021**	**March 31, 2020**
Balance at the beginning of the year	486,239	503,635
Add: Provision for the year, net of reversal	27,416	(11,081)
Less: Bad debts written off	(359,579)	(6,315)
Balance at the end of the year	**154,076**	**486,239**

NOTE C - INVENTORIES

Major classes of inventory are as follows:

Particulars	As at March 31, 2021	As at March 31, 2020
Raw materials and packing materials	1,653,857	1,810,090
Work in process	235,453	180,990
Manufactured finished goods	1,536,581	1,429,408
Goods in transit	585,773	657,480
Traded finished goods:		
Art materials	3,641,186	3,307,999
Less: Allowance for slow moving inventory	(771,877)	(765,908)
Total	**6,880,973**	**6,620,059**

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

Particulars	Year ended March 31, 2021	Year ended March 31, 2020
Balance at the beginning of the year	765,908	739,036
Add: Reserve created during the year	80,531	167,488
Less: Reserve write back	(74,562)	(93,631)
Less: Inventory written off during the year	-	(46,985)
Balance at the end of the year	**771,877**	**765,908**

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 $487,500 (March 31, 2020: $Nil) 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 statement of operations. Investment as at March 31, 2021 and March 31, 2020 is $ 75,000 and $ 562,500, respectively.

NOTE E - PREPAID EXPENSE AND OTHER CURRENT ASSETS

Prepaid expenses and other current assets comprise the following:

Particulars	As at March 31, 2021	March 31, 2020
Advance to vendors	196,258	287,738
Advance taxes, net of provisions	66,715	17,942
Prepaid expenses	84,405	89,524
Other assets	3,234	-
Total	**350,612**	**395,204**

NOTE F - PROPERTY AND EQUIPMENT, NET

Property and equipment comprise the following:

Particulars	As at March 31, 2021	March 31, 2020
Leasehold improvement	198,350	198,350
Machinery and equipment	3,748,342	3,676,217
Office furniture and equipment	382,026	374,939
Vehicles	23,465	23,465
Total	**4,352,183**	**4,272,971**
Less: Accumulated depreciation	(3,594,469)	(3,335,316)
Property and equipment, net	**757,714**	**937,655**

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 $ 259,153 (March 31, 2020: $ 286,233).

NOTE G - GOODWILL AND OTHER INTANGIBLES, NET

Goodwill and other intangibles comprise the following:

	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**

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

*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 $ 55,395 (March 31, 2020: $ 53,903). 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
2022	14,840
2023	2,684
2024	1,770
2025	1,328
2026 and beyond	1,328
Total	**21,950**

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, 2020: $3,000,000). As at March 31, 2021 the Company has made withdrawals to the tune of $ NIL (March 31, 2020: $ 471,741). Interest on the line of credit is payable at LIBOR plus 3% per annum, calculated at monthly intervals. As of March 31, 2021, the applicable rate of interest on the outstanding line of credit was 2.4% per annum (March 31, 2020: 5.2% 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, 2021 is $ 1,956 (March 31, 2020: $ 44,572). 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, 2021 and March 31, 2020 are summarized below:

	Year ended	
	March 31, 2021	March 31, 2020
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	1 year
Weighted-average discount rate—operating leases	4.00%

Supplemental cash flow information related to leases was as follows:

	Year ended	
	March 31, 2021	**March 31, 2020**
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from operating leases	111,119	106,917
Total	**111,119**	**106,917**

The following table reconciles the undiscounted cash flows for the Company's operating leases as of March 31, 2021 to the operating liabilities recorded on the Company's balance sheet:

Period range	**Lease payments**	**Imputed interest**	**Lease liabilities**
2022	105,910	2,431	103,479
Total	**105,910**	**2,431**	**103,479**

NOTE J - OTHER CURRENT LIABILITIES

Other current liabilities comprise of the following:

	As at	
Particulars	**March 31, 2021**	**March 31, 2020**
Accrued expenses*	377,207	1,179,308
Accrued salaries	89,221	87,035
Advance from customer**	81,048	116,670
Bonus payable	143,973	-
Accrued vacation pay	179,151	164,088
Others	145	22,519
Total	**870,745**	**1,569,620**

* During the previous year, the Company was invoiced by the US Department of Customs for retroactive countervailing duties, imposed on pencil imports made by the Company from a Chinese producer, during the calendar years 2012 to 2015. These duties resulted from the finalization of administrative proceedings commenced in 2012 between US Department of Customs and the Chinese pencil exporter in first quarter of 2020, wherein it was determined that an incorrect tariff rate was applied to all pencil exports made by such exporter to the United States of America. As the importer of record, the Company is responsible for the additional duties under US law. The aggregate amount of such liability for the duties and interest thereon is assessed to be approximately $0.9 million and was adequately provided for as at March 31, 2020. In the current year, the Company has paid all assessed outstanding duties along with interest thereon.

**The advance from customer balances as at March 31, 2021 comprises of advances from related parties of $ 54,693 (March 31, 2020: $48,943).

NOTE K - REVENUE FROM CONTRACT WITH CUSTOMERS

Disaggregation of revenue from contracts with customers

Revenue disaggregated by product line:

	Year ended	
	March 31, 2021	**March 31, 2020**
Product revenue	18,956,490	16,051,051
Service revenue	1,786,734	1,916,225
Total revenue by product line	**20,743,224**	**17,967,276**

Revenue disaggregated by timing of recognition:

	Year ended	
	March 31, 2021	**March 31, 2020**
Services transferred at a point in time	20,743,224	17,967,276
Services transferred over time	-	-
Total revenue by timing of recognition	**20,743,224**	**17,967,276**

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.

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

	Year ended	
	March 31, 2021	**March 31, 2020**
Accounts receivable (Refer *Note B*)	4,378,180	3,430,405

NOTE L - OTHER INCOME, NET

Other income comprises of:

	For the year ended	
Particulars	**March 31, 2021**	**March 31, 2020**
Sundry balances written back	27,143	-
Others	5,096	21,884
Total	**32,239**	**21,884**

NOTE M - INCOME TAXES

Income tax expense (benefit) is as follows:

Particulars	For the year ended March 31, 2021	March 31, 2020
State		
Current	85,880	17,226
Deferred	39,504	(46,869)
Federal		
Current	(202,271)	(7,488)
Deferred	330,337	(163,529)
Total tax expense/(benefit)	**253,450**	**(200,660)**

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

Particulars	For the year ended March 31, 2021	March 31, 2020
Income tax at federal rate	403,680	(119,510)
State tax, net of federal effect	107,221	(30,652)
Return to provision	(309,067)	114,002
Permanent differences	35,728	5,257
Change in net operating losses (NOL's)	221,639	(169,757)
Research and development credit	(205,751)	-
Total	**253,450**	**(200,660)**

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

Particulars	For the year ended March 31, 2021	March 31, 2020
Deferred tax asset		
Accounts receivable	40,970	129,217
Inventories	-	224,563
Inventory reserve	205,247	203,539
Accrued vacation	47,637	43,606
NOL's	92,340	232,407
Impairment of investment	179,487	49,828
Charitable Contribution	-	5,315
S 179 carry over	-	92,379
Intangibles other than goodwill	(194)	693
Total	**565,487**	**981,547**
Less: Valuation allowance	-	-
Total deferred tax asset	**565,487**	**981,547**
Deferred tax liability		
Property and equipment	183,652	230,989
ASC 842- Lease adjustment	1,264	1,404
Deferred tax liability	**184,916**	**232,393**
Non-current deferred tax asset, net	**380,571**	**749,154**

	For the year ended	
	March 31, 2021	**March 31, 2020**
Deferred tax liability		
Goodwill	(18,503)	17,245
Non-current deferred tax liability	**(18,503)**	**17,245**

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 $ 18,503 (March 31, 2020: $ 17,245) 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, 2021.

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.

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 2019 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, 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**
Transactions for the year ended March 31, 2020			
Purchases inclusive of goods in transit	710,644	-	**710,644**
Royalty expense	-	43,866	**43,866**
Legal fees paid	-	2,897	**2,897**
Service fees	1,916,225	-	**1,916,224**
Expense reimbursement	97,016	-	**97,016**
Balances as at March 31, 2020			
Accounts receivable	297,505	-	**297,505**
Accounts payable	268,621	40,969	**309,590**
Other payable	48,943	-	**48,943**

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, 2021 is $ 98,703 (March 31, 2020: $ 95,404).

NOTE Q - CONCENTRATION RISK

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

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash and cash equivalents and accounts receivable. To reduce its credit risk, the Company performs ongoing credit evaluations of customers. The Company concentrates its revenue with a single customer which accounted for 27% and 15% revenues for the years ended March 31, 2021 and 25% and 18% for the years ended March 31, 2020. The Company's two customers accounted for 44% and 16% of the accounts receivable as at March 31, 2021 and 35% and 20% as at March 31, 2020.

NOTE R - RISK AND UNCERTAINITIES

In January 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a "Public Health Emergency of International Concern," which continues to spread throughout the world and has adversely impacted global commercial activity and contributed to significant declines and volatility in financial markets. The financial performance of the Company is subject to future developments related to the COVID-19 outbreak and possible government advisories and restrictions placed on the financial markets and business activities. The impact on financial markets and the overall economy, all of which are highly uncertain, cannot be predicted. If the financial markets and/or the overall economy are impacted for an extended period, it is reasonably possible that the Company's financial position may be materially affected. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

NOTE S - STOCKHOLDER'S EQUITY

The authorized share capital of the Company is 27,000,000 (March 31, 2020: 27,000,000 common shares) common shares of a par value of $1 each. The Company has issued 14,780,000 (March 31, 2020: 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, 2019	3,566,049	372,575	198,350	23,465	4,160,439
Additions during the year	110,168	2,364	-	-	112,532
Deletions during the year	-	-	-	-	-
As at March 31, 2020 (A)	**3,676,217**	**374,939**	**198,350**	**23,465**	**4,272,971**
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**
Accumulated depreciation					
As at April 01, 2019	2,548,216	324,122	153,280	23,465	3,049,083
Charge for the year	248,785	16,320	21,128	-	286,233
Disposal	-	-	-	-	-
As at March 31, 2020 (B)	**2,797,001**	**340,442**	**174,408**	**23,465**	**3,335,316**
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**
Net block					
As at March 31, 2020 (A-B)	**879,216**	**34,497**	**23,941**	**-**	**937,654**
As at March 31, 2021 (C-D)	**717,395**	**27,077**	**13,242**	**-**	**757,714**

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2. **Goodwill and intangibles, net**

Particulars	Trademark	Goodwill	Software	Non-compete	Total
Gross block					
As at April 01, 2019	770,281	70,358	34,421	50,000	925,060
Additions during the year	-	-	7,518	-	7,518
Deletions during the year	-	-	-	-	-
As at March 31, 2020 (A)	**770,281**	**70,358**	**41,939**	**50,000**	**932,578**
As at April 01, 2020	770,281	70,358	41,939	50,000	932,578
Additions during the year	-	-	2,887	-	2,887
Deletions during the year	-	-	-	-	-
As at March 31, 2021 (C)	**770,281**	**70,358**	**44,827**	**50,000**	**935,466**
Accumulated depreciation					
As at April 01, 2019	657,588	-	26,272	50,000	733,860
Charge for the year	51,493	-	2,410	-	53,903
Disposal	-	-	-	-	-
As at March 31, 2020 (B)	**709,081**	**-**	**28,682**	**50,000**	**787,763**
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**
Net block					
As at March 31, 2020 (A-B)	**61,200**	**70,358**	**13,257**	**-**	**144,815**
As at March 31, 2021 (C-D)	**9,848**	**70,358**	**12,102**	**-**	**92,308**

3. **Bifurcation of inventory allowance for slow moving items**

Classes of inventory	As at March 31, 2021	As at March 31, 2020
Raw material	50,026	55,231
Packing material	169,838	165,524
Intermediate items	46,222	24,115
Finished goods – mfg.	51,684	59,283
Finished goods – trading	454,107	461,755
Total	**771,877**	**765,908**

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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, 2021	As at March 31, 2020
Tax effect of items constituting deferred tax liabilities		
Property and equipment	183,652	230,989
Intangible assets - goodwill	18,503	17,245
ASC 842 adjustment	1,264	1,404
Tax effect of items constituting deferred tax liabilities	**203,419**	**249,638**
Tax effect of items constituting deferred tax assets		
Provision for doubtful debts	40,970	129,217
Inventory & Inventory reserve	205,247	428,103
Intangibles other than goodwill	(194)	692
Accrued vacation	47,637	43,606
Impairment	179,487	49,828
Charitable contribution	-	5,315
S. 179 net operating losses	-	92,379
Net operating losses	92,340	232,407
Tax effect of items constituting deferred tax assets	**565,487**	**981,547**
Total net deferred tax assets	**362,068**	**731,909**

Movement in deferred tax liability:

Particulars	Property and equipment	Intangible assets - goodwill	ASC 842 adjustment	Total
Balance as on April 1, 2019	**230,989**	**17,245**	**1,404**	**249,638**
(harged)/Credited:				
to profit or loss	(30,976)	2,054	1,404	(27,518)
Balance as on March 31, 2020	**230,989**	**17,245**	**1,404**	**249,638**
(Charged)/Credited:				
to profit or loss	(47,337)	1,258	(140)	(46,219)
Balance as on March 31, 2021	**183,652**	**18,503**	**1,264**	**203,419**

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	Total
Balance as on April 1, 2019	**127,086**	**344,118**	**186,487**	**2,225**	**26,331**	**-**	**-**	**65,107**	**47,313**	**798,667**
(Charged)/Credited:										
to Profit or loss	2,131	(119,554)	17,052	(1,533)	17,275	5,315	92,379	167,300	2,515	182,880
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 Profit or loss	(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**

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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, 2021	Year ended March 31, 2020
Income before tax from continuing operations	**2,090,975**	**(555,324)**
Income tax expense calculated at 21% #	439,107	(116,619)
Effect of expenses that is non-deductible in determining taxable profit	301	2,365
Changes in recognized deductible temporary differences	(6,819)	115,261
Changes in estimates related to prior years	(411,557)	4,939
R&D credit	(205,751)	-
State taxes	68,328	3,792
	(116,391)	**9,738**
Adjustments recognized in the current year in relation to the current tax of prior years	-	-
Income tax expense recognized in income or loss from continuing operations	**(116,391)**	**9,738**

#The tax rate used for March 31, 2021 and March 31, 2020 reconciliation above is the corporate federal tax rate of 21% payable by corporate entities in US on taxable profits under US tax laws.

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