SHARPE
PATEL CPA

Atul USA, Inc.

Financial Statements and Supplementary Information

For the Years Ended March 31, 2022 and 2021

ATUL USA, INC.
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SHARPE PATEL CPA

Independent Auditors' Report

To the Board of Directors
Atul USA, Inc.
Charlotte, North Carolina

Opinion

We have audited the accompanying financial statements of Atul USA, Inc. (a North Carolina corporation), which comprise the balance sheets as of March 31, 2022 and 2021, and the related statements of income, shareholder's equity, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Atul USA, Inc. as of March 31, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Atul USA and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

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Auditor's Responsibilities for the Audit of Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Atul USA Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Atul USA Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Supplementary Information

Our audit was conducted for the purposes of forming an opinion on the financial statements as a whole. The 2022 and 2021 Schedule of Selling, General, and Administrative Expenses on pages 14 is presented for purposes of additional analysis and is not a required part of the financial statements of Atul USA Inc. Such information is the responsibility of management and was derived from and related 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 themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole

Sharpe Patel PLLC

Charlotte, North Carolina
April 11, 2022

ATUL USA, INC.
Balance Sheets
March 31, 2022 and 2021

	2022	2021
ASSETS		
Current assets:		
Cash	$ 266,394	$ 278,218
Accounts receivable	12,304,478	6,628,212
Accounts receivable - related parties	611,518	184,465
Inventories	1,310,671	1,056,309
Prepaid expenses	-	17,806
Other current assets	85	1,211
Total current assets	14,493,146	$ 8,166,221
Fixed assets:		
Property and equipment - at cost, less accumulated depreciation of $177,178 and $162,938	236,613	250,852
Other assets:		
Loan costs, less accumulated amortization of $1,197 and $898	299	598
Deposit	468	468
Total other assets	767	1,066
Total assets	$ 14,730,526	$ 8,418,139
LIABILITIES AND SHAREHOLDER'S EQUITY		
Current liabilities:		
Accounts payable	$ 160,307	$ 281,942
Accounts payable - related parties	8,831,376	3,608,932
Current maturities of long-term debt	14,611	13,865
Income taxes payable	172,848	4,440
Deferred tax liability	4,643	6,277
Total current liabilities	9,183,785	3,915,456
Long-term debt:		
Note payable, less current portion	90,263	104,782
Total liabilities	9,274,048	4,020,238
Shareholder's equity		
Common stock	2,000,000	2,000,000
Retained earnings	3,456,478	2,397,901
Total shareholder's equity	5,456,478	4,397,901
Total liabilities and shareholder's equity	$ 14,730,526	$ 8,418,139

The accompanying notes to the financial statements are an integral part of these statements.

ATUL USA, INC.
Statements of Income
For the Years Ended March 31, 2022 and 2021

	2022		2021	
	Amount	% To Net Sales	Amount	% To Net Sales
Net sales	$ 55,362,961	100.00%	$ 34,934,389	100.00%
Cost of goods sold	53,513,736	96.66%	33,743,548	96.59%
Gross profit	1,849,225	3.34%	1,190,841	3.41%
Operating expenses:				
Selling, general, and administrative	427,956	0.77%	420,152	1.20%
Operating income	1,421,269	2.57%	770,689	2.21%
Other income and (expenses):				
Other income	85,582	0.15%	51,071	0.15%
Financial expense, interest expense	(5,952)	-0.01%	(6,666)	-0.02%
Other expense	-	0.00%	(34)	0.00%
Total other income and (expenses)	79,630	0.14%	44,371	0.13%
Income before taxes	1,500,899	2.71%	815,060	2.33%
Provision for income taxes				
Current tax expense	442,731		197,703	
Deferred tax expense (benefit)	(409)		(2,964)	
	442,322		194,739	
Net income	$ 1,058,577		$ 620,321	

The accompanying notes to the financial statements are an integral part of these statements.

ATUL USA, INC.
Statements of Shareholder's Equity
For the Years Ended March 31, 2022 and 2021

	Common Stock	Retained Earnings	Total
Balance at April 1, 2020	$ 2,000,000	$ 1,777,580	$ 3,777,580
Net income	-	620,321	620,321
Balance at March 31, 2021	2,000,000	2,397,901	4,397,901
Net income	-	1,058,577	1,058,577
Balance at March 31, 2022	$ 2,000,000	$ 3,456,478	$ 5,456,478

The accompanying notes to the financial statements are an integral part of these statements.

ATUL USA, INC.
Statements of Cash Flows
For the Years Ended March 31, 2022 and 2021

	2022	2021
Cash flows from operating activities		
Net income	$ 1,058,577	$ 620,321
Adjustments to reconcile net income to net cash provided (used) by operating activities		
Amortization	298	323
Depreciation	14,240	30,471
Deferred income taxes	(1,634)	(2,964)
Changes in noncash operating assets and liabilities:		
(Increase) Decrease in accounts receivable	(5,676,266)	617,389
(Increase) Decrease in accounts receivable - related parties	(427,053)	(61,948)
(Increase) Decrease in income tax refund	-	-
(Increase) Decrease in inventories	(254,362)	756,334
(Increase) Decrease in prepaid expenses	17,806	710,451
(Increase) Decrease in other current assets	1,126	(1,211)
Increase (Decrease) in accounts payable	(121,635)	2,818
Increase (Decrease) in accounts payable - related parties	5,222,444	(2,599,102)
Increase (Decrease) in income taxes payable	168,408	(15,524)
Total adjustments	(1,056,628)	(562,963)
Net cash provided (used) by operating activities	1,949	57,358
Cash flows from capital activities:		
Acquisition of fixed assets	-	(11,522)
Net cash used in capital activities	-	(11,522)
Cash flows from financing activities:		
Payments on debt	(13,773)	(13,060)
Net cash used in financing activities	(13,773)	(13,060)
Net increase in cash	(11,824)	32,776
Cash at beginning of the year	278,218	245,442
Cash at end of the year	$ 266,394	$ 278,218
Supplementary disclosure of cash flow information:		
Cash paid for interest	$ 5,952	$ 6,666
Cash paid for income taxes	$ 249,068	$ 195,748

The accompanying notes to the financial statements are an integral part of these statements.

NOTE 1 – NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Business
Atul USA, Inc. (the Company), which is a wholly-owned U.S. subsidiary of Atul Ltd. (a corporation of the country of India), is engaged primarily in the distribution of chemical dyes used mainly in the textile industry. Sales are made primarily in the Southeastern United States of America.

Basis of Accounting
The accompanying financial statements have been prepared on the accrual basis of accounting, whereby revenue is recognized when earned and expenses are recognized when incurred.

Use of Estimates
The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and 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 could differ from those estimates.

Revenue Recognition
Revenue is recognized when the merchandise is shipped in accordance with the terms of shipment, which represents the point when the risks and rewards of ownership are transferred to the customer. Sales are shown net of estimated returns and discounts.

Accounts Receivable and Allowance for Doubtful Accounts
Accounts receivable are recognized at the sales price less any purchase discounts extended at the time of sale. Accounts receivable are past due or delinquent when payment is not received within the credit term extended to the customer, ranging from 30 days to 270 days. The Company does not charge customers late fees or interest on delinquent accounts receivable. The Company's domestic accounts receivable are insured through a provider at a rate of 100%, provided certain conditions are met.

The Company uses the allowance method to account for uncollectible trade receivable balances. Under the allowance method, if needed, an estimate of uncollectible balances is made upon specific account balances that are considered uncollectible. As of March 31, 2022 and 2021, the Company considered all accounts fully collectable and, therefore, did not provide an allowance for doubtful accounts.

Inventory
Inventories are stated at the lower of cost (average cost) or market.

NOTE 1 – NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment

Property and equipment are stated at cost. Depreciation is computed on a straight-line method over the estimated useful lives of the assets. Repairs and maintenance are charged to expense as incurred and major improvements are capitalized. Upon disposal, the accounts are relieved of the related costs and accumulated depreciation and the resulting gains and losses, if any, are reflected in operations. The estimated useful lives used for computing depreciation are as follows:

Building	40 years
Furniture and fixtures	7 years
Automobile	5 years
Software	3-5 years

Impairment of Long-lived Assets

The Company reviews the appropriateness of the carrying value of its long-lived assets whenever events or changes in circumstances indicate that the historical cost carrying value of an asset may no longer be appropriate. The Company assesses recoverability of the carrying value of the asset by estimating the future net cash flows expected to result from the asset, including eventual disposition. If the future net cash flows are less than the carrying value of the asset, an impairment loss is recorded equal to the difference between the asset's carrying value and fair value.

Income Taxes

The Company accounts for income taxes under the asset and liability method, which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statements. Under this method, deferred tax assets and liabilities are determined based on the differences between the financial statements and tax basis of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in income in the period that includes the enactment date.

The Company records net deferred tax assets to the extent it believes these assets will more likely than not be realized. In making such determination, the Company considers all available positive and negative evidences, including future reversals of existing taxable temporary differences, projected future taxable income, tax planning strategies and recent financial operations. In the event the Company were to determine that it would be able to realize its deferred income tax assets in the future in excess of its net recorded amount, the Company would make an adjustment to the valuation allowance which would reduce the provision for income taxes.

Management has determined that the Company does not have any uncertain tax positions and associated unrecognized benefits that materially impact the financial statements or related disclosures. Since tax matters are subject to some degree of uncertainty, there can be no assurance that the Company's tax returns will not be challenged by the taxing authorities and that the Company or its stockholders will not be subject to additional tax, penalties, and interest as a result of such challenge. The income tax returns are subject to examination by taxing authorities for a period of three years from the date they are filed.

NOTE 1 – NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reclassification
Certain comparative figures have been reclassified to conform to the current year presentation.

NOTE 2 – PROVISION FOR INCOME TAXES

The Company's provision for income taxes differs from applying the statutory U.S. federal income tax rate to income before income taxes. The primary differences result from providing for state income taxes and from deducting certain expenses for financial statement purposes but not for federal income tax purposes.

Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion of the deferred tax assets will not be realized. No valuation allowance was established as of March 31, 2021 and 2020, as full realization of the future deductions is anticipated.

The components of the provision for income taxes expense (benefit) for the years ended March 31, 2021 and 2020 are as follows:

	2022	2021
Current tax	$ (442,731)	$ (197,703)
Deferred tax	409	2,964
	$ (442,322)	$ (194,739)

The tax effects of temporary differences that give rise to significant portions of deferred tax assets and liabilities consist of the following:

	2022	2021
Depreciation	$ (1,283)	$ (9,294)

NOTE 3 – COMMITMENTS

Contracted Services
The Company has an agreement for warehouse and distribution services from a bonded warehouse for storage, receiving and shipment for the Company's inventory. These services are provided on a month to month basis and can be terminated at any time by providing thirty days' notice.

NOTE 4 – PROPERTY AND EQUIPMENT

Property and equipment are summarized as follow:

	March 31, 2022		
	Cost	Accumulated Depreciation	Book Value
Machinery and equipment	$ 124,635	$ 107,044	$ 17,591
Furniture and fixtures	5,269	4,657	612
Building	283,886	65,477	218,409
	$ 413,790	$ 177,178	$ 236,612

	March 31, 2021		
	Cost	Accumulated Depreciation	Book Value
Machinery and equipment	$ 124,635	$ 100,404	$ 24,231
Furniture and fixtures	5,269	4,154	1,115
Building	283,886	58,380	225,506
	$ 413,790	$ 162,938	$ 250,852

Depreciation amounted to $14,239 and $30,471 for the years ended March 31, 2022 and 2021, respectively.

NOTE 5 – LONG-TERM DEBT

Effective April 19, 2018, the Company refinanced the note payable, a term loan, payable in monthly installments of $1,644, commencing on June 3, 2018. Interest accrues on the outstanding principal balance at a fixed rate of 5.25%. The note matures on May 3, 2023 at which time all unpaid principal and accrued interest is due.

	2022	2021
Note Payable - Wells Fargo Bank, N.A., payable in monthly installments of $1,644 plus interest through April 3, 2023, final balloon payment due May 3, 2023 Interest at 5.25%, secured by a deed of trust on the building.	$ 104,874	$ 118,647
Less: Current portion	14,611	13,865
Long-term portion	$ 90,263	$ 104,782

NOTE 5 – LONG-TERM DEBT (Continued)

Maturities of long-term debt obligations are as follows:

Year Ended March 31,		
2023		14,611
2024		90,263
	$	104,874

NOTE 6 – RELATED PARTIES

The Company purchases a significant portion of its inventory from its Parent Company (Atul Ltd.) and from its affiliates Atul China Ltd. and Atul Europe, Ltd. Purchases from its Parent and affiliates for the years ended March 31, 2022 and 2021 was as follows:

	2022	2021
Atul Ltd.	$ 48,882,944	$ 27,314,575
Atul Europe Ltd.	42,717	-
Total	$ 48,925,661	$ 27,314,575

The Company sells inventory to its Parent company, for items purchased from vendors in the United States. Sales to the Parent and affiliates for the years ended March 31, 2022 and 2021 was as follows:

	2022	2021
Atul Ltd.	$ 47,605	$ 20,950
Atul Europe Ltd.	657,691	34,475
Atul Ltd. BI	-	1,089,753
Total	$ 705,296	$ 1,145,178

Accounts receivable from related parties consists of the following:

	2022	2021
Atul Ltd.	$ 404,829	$ 183,665
Atul Europe Ltd.	205,889	-
Atul China Ltd.	800	800
Total	$ 611,518	$ 184,465

Accounts payable to related parties consist of the following:

	2022	2021
Atul Ltd.	$ 8,831,376	$ 3,608,932

NOTE 7 – CREDIT AND CONCENTRATION RISKS

Cash Balances

The Company's policy is to maintain its cash balances in reputable financial institutions insured by the Federal Deposit Insurance Corporation (FDIC), which provides $250,000 of insurance coverage per depositor, per insured bank, for each account ownership category. At March 31, 2022 and 2021, the Company had uninsured deposits of $16,209 and $46,658, respectively. The Company has not experienced any losses in and believes it is not exposed to significant credit risk to cash.

Revenue

During the year ended March 31, 2021, sales to three customers (each over 10% of total sales) amounted to approximately $21,403,928 (39%). Sales to two customers (each over 10% of total sales) for the year ended March 31, 2021 amounted to approximately $13,387,877 (38%). The loss of any of these customers could have a significant impact on the Company's financial position.

NOTE 8 – DATE OF MANAGEMENT REVIEW

In preparing these financial statements, the Company has evaluated events and transactions for potential recognition or disclosure through April 11, 2022, the date the financial statements were available to be issued and believed the following is subject to disclosure:

> As of the date of issuance of the Company's review, there is a pandemic situation regarding the COVID-19 virus. The Company is monitoring the effect of this pandemic on its financial operations. At this time, management has evaluated the situation and has concluded no additional disclosures are warranted.

SUPPLEMENTARY INFORMATION

ATUL USA, INC.
Selling, General, and Administrative Expenses
For the Years Ended March 31, 2022 and 2021

	2022	2021
Salaries and wages	$ 200,595	$ 194,634
Payroll taxes and employee benefits	77,245	74,472
Travel and entertainment	160	-
Professional fees	41,808	25,887
Auditor's fees	30,138	30,928
Repairs and maintenance	1,766	-
Office supplies and postage	7,468	7,646
Insurance	13,438	16,033
Telephone	6,278	6,268
Amortization	299	323
Depreciation	14,239	30,471
Auto	724	556
Licenses and fees	5,329	5,797
Dues and subscriptions	-	1,285
Condo association fees	3,177	3,099
Utilities	2,161	2,597
Bank charges	13,788	11,118
Software costs	9,343	9,038
	$ 427,956	$ 420,152