**UNITED STATES**
**SECURITIES AND EXCHANGE COMMISSION**
WASHINGTON, D.C. 20549

**FORM 10-K**

(Mark One)
☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended **March 31, 2021**

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from __________________ to __________________

Commission File Number: **000-51378**

# TechPrecision Corporation

(Exact name of registrant as specified in its charter)

| | |
|---|---|
| **Delaware** | **51-0539828** |
| (State or other jurisdiction of incorporation or organization) | (I.R.S. Employer Identification No.) |
| **1 Bella Drive Westminster, MA** | **01473** |
| (Address of principal executive offices) | (Zip Code) |
| Registrant's telephone number, including area code | **(978) 874-0591** |

Securities registered pursuant to Section 12(b) of the Act:

| Title of each class | Ticker symbol(s) | Name of each exchange on which registered |
|---|---|---|
| N/A | N/A | N/A |

Securities registered pursuant to Section 12(g) of the Act: Common stock, par value $0.001

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
☐ Yes ☒ No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act.
☐ Yes ☒ No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
☒ Yes ☐ No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).
☒ Yes ☐ No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company", and "emerging growth company" in Rule 12b-2 of the Exchange Act.

| | | | |
|---|---|---|---|
| Large accelerated filer | ☐ | Accelerated filer | ☐ |
| Non-accelerated filer | ☒ | Smaller reporting company | ☒ |
| | | Emerging growth company | ☐ |

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
☐ Yes ☒ No

The aggregate market value of the voting and non-voting common stock held by non-affiliates of the registrant as of September 30, 2020, the last business day of the registrant's most recently completed second fiscal quarter, was approximately $31.5 million.

The number of shares outstanding of the registrant's common stock as of June 3, 2021 was 29,498,662.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the proxy statement for the registrant's 2021 Annual Meeting of Stockholders to be filed with the Securities and Exchange Commission within 120 days after the close of the fiscal year are incorporated by reference in Part III of this Form 10-K, or, in the event that the registrant does not prepare and file such proxy statement within such time period, such information will be provided by an amendment to this report containing the applicable disclosures within 120 days after the close of the fiscal year covered by this report.

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## PART I

### Item 1. Business.

### Our Business

We are a manufacturer of precision, large-scale fabricated and machined metal structural components and systems. We offer a full range of services required to transform raw materials into precision finished products. We sell these finished products to customers in two main industry groups: defense and precision industrial. The finished products are used in a variety of markets including defense, aerospace, nuclear, medical and precision industrial. Our mission is to be a leading end-to-end service provider to our customers by furnishing custom, fully integrated solutions for complete products that require custom fabrication, precision machining, assembly, integration, inspection, non-destructive evaluation and testing.

We work with our customers to manufacture products in accordance with the customers' drawings and specifications. Our work complies with specific national and international codes and standards applicable to our industry. We believe that we have earned our reputation through outstanding technical expertise, attention to detail, and a total commitment to quality and excellence in customer service.

### About Us

We are a Delaware corporation organized in 2005 under the name Lounsberry Holdings II, Inc. On February 24, 2006, we acquired all of the issued and outstanding capital stock of our wholly owned subsidiary Ranor, Inc., or Ranor. Ranor, together with its predecessors, has been in continuous operation since 1956. Since February 24, 2006, our primary business has been the business of Ranor. On March 6, 2006, following the acquisition of Ranor, we changed our corporate name to TechPrecision Corporation. Our acquisition of Ranor was accounted for as a reverse acquisition.

Wuxi Critical Mechanical Components Co., Ltd., or WCMC, a limited company organized under the laws of the People's Republic of China, or China, located in Wuxi City, Jiangsu Province, China, is our other wholly owned subsidiary. Over five years ago, we made the decision to exit manufacturing components for the alternative energy markets in China. We have no customers in China, and we have initiated a plan of termination to legally dissolve this subsidiary.

In 2020, as previously disclosed, we formed Stadco New Acquisition, LLC, or NewCo, for the purpose of effecting the acquisition of the business of Stadco, a company that manufactures precision parts for the defense and aerospace industries. As of the date of this Annual Report, this acquisition has not closed, and NewCo has no assets, liabilities or operations, other than in connection with the proposed acquisition.

Our executive offices are located at 1 Bella Drive, Westminster, Massachusetts 01473, and our telephone number is (978) 874-0591. Our website is www.techprecision.com. Information on our website, or any other website, is not incorporated by reference in this annual report.

References in this annual report to the "Company," "we," "us," "our" and similar words refer to TechPrecision Corporation and its subsidiaries, Ranor, WCMC and NewCo, unless the context indicates otherwise, while references to "TechPrecision" refer to TechPrecision Corporation and not its subsidiaries.

### General

Our manufacturing operations within the United States are situated on approximately 65 acres in North Central Massachusetts. Our 145,000 square foot facility houses state-of-the-art equipment which gives us the capability to manufacture products as large as 100 tons. We offer a full range of services required to transform raw material into precision finished products. Our manufacturing capabilities include: fabrication operations (cutting, press and roll forming, assembly, welding, heat treating, blasting and painting) and machining operations including CNC (computer numerical controlled) horizontal and vertical milling centers. We also provide support services to our manufacturing capabilities: manufacturing engineering (planning, fixture and tooling development, and manufacturing), quality control (inspection and testing), materials procurement, production control (scheduling, project management and expediting), and final assembly.

All manufacturing is done in accordance with our written quality assurance program, which meets specific national codes, and international codes, standards, and specifications. Ranor holds several certificates of authorization issued by the American Society of Mechanical Engineers and the National Board of Boiler and Pressure Vessel Inspectors. The standards used for each customer project are specific to that customer's needs, and we have implemented such standards into our manufacturing operations.

**Products**

We manufacture a wide variety of products pursuant to customer contracts and based on individual customer needs. We can also provide manufacturing engineering services to assist customers in optimizing their engineering designs for manufacturing efficiency. We do not design the products we manufacture, but rather manufacture according to "build-to-print" requirements specified by our customers. Accordingly, we do not distribute the products that we manufacture on the open market and we do not market any specific products on an on-going basis. We do not own the intellectual property rights to any proprietary marketed product, and we do not manufacture products in anticipation of orders. Manufacturing operations do not commence on any project before we receive a customer's purchase order. We only enter into contracts that cover specific products within the capability of our resources.

Although we seek continuous production programs with predictable cost structures that provide long-term integrated solutions for our customers, our activities include a variety of both custom-based and production-based requirements. The custom-based work is typically either a prototype or unique, one-of-a-kind product. The production-based work is repeat work or a single product with multiple quantity releases.

Changes in market demand for our manufacturing expertise can be significant and sudden and require us to be able to adapt to the collective needs of the customers and industries that we serve. Understanding this dynamic, we believe we have developed the capability to transform our workforce to manufacture products for customers across different industries.

We serve customers in the defense, aerospace, nuclear, medical and precision industrial markets. Examples of products we have manufactured within such industries during recent years include, but are not limited to, custom components for ships and submarines, aerospace equipment, components for nuclear power plants and components for large scale medical systems.

**Coronavirus Disease (COVID-19) Pandemic Update**

Beginning with the new calendar year 2020, the novel strain of coronavirus known as COVID-19 spread worldwide, including to U.S jurisdictions where the Company does business, and became a global pandemic. The United States Government declared a national emergency and various state governments imposed "lockdown" and "shelter-in-place" orders intended to reduce the spread of COVID-19 that have severely restricted business, social activities and travel. The Governor of the Commonwealth of Massachusetts, in which jurisdiction the Company's manufacturing and executive offices are located, issued an emergency order on March 31, 2020, updated on April 28, 2020, imposing such an emergency order. This order was rescinded on May 15, 2020. As a designated "COVID-19 Essential Service" we continued our operations throughout the pendency of the order.

The full extent of the COVID-19 pandemic, related business and travel restrictions and changes to social behavior remain uncertain as the health crisis continues to evolve globally. Management has been closely monitoring the impact that the COVID-19 pandemic is having on the Company and is taking reasonable precautions and following state and federal guidelines to protect the health and welfare of our employees, so we can continue to perform and deliver the products our customers need. During the fiscal year 2021, the COVID-19 pandemic impacted all of the Company's customers, suppliers and labor force. Management observed impacts from certain of its customers halting operations entirely for a period of time, shifting to remote work, and suspending on-site inspections – which resulted in delays of customer acceptance of completed work, milestone payments and the ultimate delivery of finished goods. While work restrictions have abated during the latter part of fiscal year 2021, the Company believes that the potential exists for other customer slowdowns or shutdowns to occur.

During the fiscal year ended March 31, 2021, with respect to suppliers, the Company experienced extended lead-times for delivery of certain critical supplies, and with respect to the Company's labor force, we experienced a few issues related to employee attendance such as voluntary avoidance of work out of fear of contracting the coronavirus, certain employees becoming ill, and others self-quarantining as a result of potential exposure to other individuals with symptoms of COVID-19. To date, including the first quarter of fiscal 2022, this has had a minor impact on the Company's production levels, however, if more employees become ill in the future, the Company could experience a more significant disruption.

In light of the foregoing uncertainty caused by the COVID-19 pandemic, the Company determined it necessary to obtain additional funds. In this connection, as previously disclosed, on May 8, 2020, the Company, through Ranor, issued a promissory note, or the PPP Note, evidencing an unsecured loan in the amount of $1,317,100 made to Ranor under the Paycheck Protection Program, or the PPP. The PPP was established under the federal Coronavirus Aid, Relief, and Economic Security Act, or CARES Act, and is administered by the U.S. Small Business Administration, or SBA. The loan to Ranor was made through Berkshire Bank. The PPP Note provides for an interest rate of 1.00% per year and matures two years after the issuance date. Principal and accrued interest are payable monthly in equal installments commencing on the date that is six months after the date funds are first disbursed on the loan and continuing through the maturity date, unless the PPP Note is forgiven. To be available for loan forgiveness, the PPP Note may only be used for payroll costs, costs related to certain group health care benefits and insurance premiums, rent payments, utility payments, mortgage interest payments and interest payments on any other debt obligation that were incurred before February 15, 2020.

On June 5, 2020, the PPP was amended to give borrowers more time to spend loan proceeds and request loan forgiveness. The amendments extended the length of the covered period as defined in the CARES Act from eight to twenty-four weeks, while allowing borrowers that received PPP loans before June 5, 2020 to elect to use the original eight-week covered period. In addition, the amendments provide that if the borrower does not apply for forgiveness of a loan within ten months after the last day of the covered period, the PPP loan is no longer deferred and the borrower must begin paying principal and interest. The Company applied for loan forgiveness within the ten month period on March 26, 2021.

On May 12, 2021, as authorized by Section 1106 of the CARES Act, the SBA has remitted to Berkshire Bank, the lender of record for the PPP loan, a payment of principal and interest in the amounts of $1,317,000 and $13,207, respectively, for forgiveness of the Company's PPP loan. The funds credited to the PPP loan pay this loan off in full.

Given the speed and frequency of continuously evolving developments with respect to this pandemic, we cannot reasonably estimate the magnitude of the potential impact on our financial condition and results of operations, and, the impacts could grow and continue for a longer period of time. The full extent to which the COVID-19 pandemic may impact the Company's results of operations, financial condition or cash flows remains uncertain. Accordingly, we believe that future operating results, including the operating results for fiscal 2022, could potentially be materially impacted by the COVID-19 pandemic.

**Source of Supply**

Our manufacturing operations are partly dependent on the availability of raw materials. Most of our contracts with customers require the use of customer-supplied raw materials in the manufacture of their product. Accordingly, raw material requirements vary with each contract and are dependent upon customer requirements and specifications. We have established relationships with numerous suppliers. When we do buy raw materials, we endeavor to establish alternate sources of material supply to reduce our dependency on any one supplier.

Our projects include the manufacturing of products from various traditional as well as specialty metal alloys. These materials may include, but are not limited to: steel, nickel, monel, inconel, aluminum, stainless steel, and other alloys. Certain of these materials are subject to long-lead time delivery schedules. As noted above, since the beginning of calendar year 2020, we have experienced some adverse effects to our supply sources as a result of the COVID-19 pandemic. In particular, the Company has seen lead-times for delivery of certain critical supplies extended. While the overall situation has improved, we continue to experience sporadic delays and supply shortages for specific items. In the fiscal year ended March 31, 2021, or fiscal 2021, two suppliers accounted for 10% or more of our purchased material. In the fiscal year ended March 31, 2020, or fiscal 2020, two suppliers accounted for 10% or more of our purchased material.

**Marketing**

While we have significant customer concentration, we endeavor to broaden our customer base as well as the industries we serve. We market to our existing customer base and also initiate contacts with new potential customers through various sources including personal contacts, customer referrals, and referrals from other businesses. A significant portion of our business is the result of competitive bidding processes and a significant portion of our business is from contract negotiation. We believe that the reputation we have developed with our current customers represents an important part of our marketing effort.

Requests for quotations received from customers are reviewed to determine the specific requirements and our ability to meet such requirements. Quotations are prepared by estimating the material and labor costs and assessing our current backlog to determine our delivery commitments. Competitive bid quotations are submitted to the customer for review and award of contract. Negotiation bids typically require the submission of additional information to substantiate the quotation. The bidding process can range from several weeks for a competitive bid to several months for a negotiation bid before the customer awards a contract. However, the spread of the COVID-19 pandemic in the United States slowed our acquisition of new customer purchase orders during fiscal year 2021 because of the inability of Company representatives to visit current and potential customers and discuss new orders.

**Research and Product Development**

Many of our customers generate drawings illustrating their projected unit design and technology requirements. Our research and product development activities are limited and focused on delivering robust production solutions to such projected unit design and technology requirements. We follow this product development methodology in all our major product lines. For these reasons, we incurred no expenses for research and development in fiscal 2021 and fiscal 2020.

**Principal Customers**

A significant portion of our business is generated by a small number of major customers. The balance of our business consists of discrete projects for numerous other customers. As industry and market demand changes, our major customers may also change. Our ten largest customers generated approximately 99% and 97% of our total revenue in fiscal 2021 and fiscal 2020, respectively. Our group of largest customers can change from year to year. Our largest single customer in fiscal 2021 and fiscal 2020 was a prime defense contractor and accounted for 17% and 22% of our net sales during fiscal 2021 and fiscal 2020, respectively. Our defense customers are engaged in the development, delivery and support of advanced defense, security and aerospace systems, including the U.S. Navy's Virginia-class fast attack submarine program and the U.S. Navy's Columbia-class ballistic missile submarine program. We also serve customers who supply components to the nuclear power industry, and in our industrial sector, we build large-scale medical device components and assemblies for installation at certain medical institutions.

We historically have experienced, and continue to experience, customer concentration. A significant loss of business from our largest customer or a combination of several of our significant customers could result in lower operating profitability and/or operating losses if we are unable to replace such lost revenue from other sources. The revenue derived from all of our customers in the designated industry groups for the fiscal years ended March 31, 2021 and 2020 are displayed in the table below:

| *(dollars in thousands)* | 2021 | | | 2020 | | |
|---|---|---|---|---|---|---|
| **Net Sales** | | **Amount** | **Percent** | | **Amount** | **Percent** |
| Defense | $ | 12,651 | 81% | $ | 13,368 | 83% |
| Precision Industrial | $ | 2,945 | 19% | $ | 2,639 | 17% |

The following table displays revenue generated by individual customers in specific industry sectors that accounted for 10% or more of our revenue in either fiscal 2021 or fiscal 2020:

| *(dollars in thousands)* | 2021 | | | 2020 | | |
|---|---|---|---|---|---|---|
| **Net Sales** | | **Amount** | **Percent** | | **Amount** | **Percent** |
| Defense Customer 1 | $ | 2,705 | 17% | $ | 3,558 | 22% |
| Defense Customer 4 | $ | 2,683 | 17% | $ | * | *% |
| Defense Customer 2 | $ | 2,309 | 15% | $ | 2,759 | 17% |
| Defense Customer 3 | $ | 2,145 | 14% | $ | 2,063 | 13% |
| Precision Industrial Customer 1 | $ | * | *% | $ | 1,835 | 11% |

** Revenue from the customer in this market was less than 10% of our total revenue during the period.*

At March 31, 2021, we had a backlog of orders totaling approximately $18.6 million. We expect to deliver the backlog over the course of the next two to three fiscal years. The comparable backlog at March 31, 2020 was $16.8 million.

**Competition**

We face competition from both domestic and foreign entities in the manufacture of metal fabricated and machined precision components and equipment. The industry in which we compete is fragmented with no one dominant player. We compete against companies that are both larger and smaller than us in size and capacity. Some competitors may be better known, have greater resources at their disposal, and have lower production costs. For certain products, being a domestic manufacturer may play a role in determining whether we are awarded a certain contract. For example, we face limited foreign competition for our defense products. For other products and markets, we may be competing against foreign manufacturers who have a lower cost of production. If a contracting party has a relationship with a vendor and is required to place a contract for bids, the preferred vendor may provide or assist in the development of the specification for the product which may be tailored to that vendor's products. In such event, we would be at a disadvantage in seeking to obtain that contract. We believe that customers focus on such factors as the quality of work, the reputation of the vendor, the perception of the vendor's ability to meet the required schedule, and price in selecting a vendor for their products. We believe that our strengths in these areas allow us to compete effectively, and that as a result, we are one of a select group of companies that can provide the products and services we are able to provide.

**Government Regulations**

We provide a significant portion of our manufacturing services as a subcontractor to prime government contractors. Such prime government contractors are subject to government procurement and acquisition regulations which give the government the right to terminate these contracts for convenience, certain renegotiation rights, and rights of inspection. Any government action which affects our customers who are prime government contractors would affect us.

Because of the nature and use of our products, we are subject to compliance with quality assurance programs, compliance with which is a condition for our ability to bid on government contracts and subcontracts. We believe we are in compliance with all of these programs.

We are also subject to laws and regulations applicable to manufacturing operations, such as federal and state occupational health and safety laws, and environmental laws, which are discussed in more detail below under *"-Environmental Compliance*."

**Environmental Compliance**

We are subject to U.S. federal, state and local environmental laws and regulations that involve the use, disposal and cleanup of substances regulated by those laws and the filing of reports with environmental agencies, and we are subject to periodic inspections to monitor our compliance. We believe that we are currently in compliance with applicable environmental regulations. As part of our normal business practice, we are required to develop and file reports and maintain logbooks that document all environmental issues within our organization. We may engage outside consultants to assist us in keeping current on developments in environmental regulations. Expenditures for environmental compliance purposes during fiscal 2021 and 2020 were not material.

**Occupational Health and Safety Laws**

Our business and operations are subject to numerous federal, state and local laws and regulations intended to protect our employees. Due to the nature of manufacturing, we are subject to substantial regulations related to safety in the workplace. In addition to the requirements of the state government of Massachusetts and the local governments having jurisdiction over our plant, we must comply with federal health and safety regulations, the most significant of which are enforced by the Occupational Safety and Health Administration ("OSHA").

Further, our manufacturing and other business operations and facilities are subject to additional federal, state or local laws or regulations including supply chain transparency, conflict minerals sourcing and disclosure, transportation and other laws or regulations relating to health and safety requirements, including COVID-19 safety and prevention. Our operations are also subject to federal, state and local labor laws relating to employee privacy, wage and hour matters, overtime pay, harassment and discrimination, equal opportunity and employee leaves and benefits. We are also subject to existing and emerging federal and state laws relating to data security and privacy.

It is our policy and practice to comply with all legal and regulatory requirements and our procedures and internal controls are designed to promote such compliance. Expenditures for compliance with occupational health and safety laws and regulations during fiscal 2021 and 2020 were not material.

**Intellectual Property Rights**

Presently, we have no registered intellectual property rights other than certain trademarks for our name and other business and marketing materials. In the course of our business we develop know-how for use in the manufacturing process. Although we have non-disclosure policies in place with respect to our personnel and in our contractual relationships, we cannot assure you that we will be able to protect our intellectual property rights with respect to this know-how.

**Human Capital Resources**

The success of our business depends in large part on our ability to attract, retain, and develop a workforce of skilled employees at all levels of our organization. We provide our employees base wages and salaries that we believe are competitive and consistent with employee positions, and work with local, regional, and state-wide agencies to facilitate workforce hiring and development initiatives.

As of March 31, 2021, we had 93 employees, of whom all are full time employees, 23 are salaried and 70 are hourly. None of our employees are represented by a labor union.

In connection with the outbreak of COVID-19, our production and support workforce continued to work in-person at our facility to provide vital products and services to our customers, while many of our employees in support and administrative functions have effectively worked in-person and remotely since mid-March 2020.

**Available Information**

We maintain a website at techprecision.com. Information on our website is not incorporated by reference into this Annual Report on Form 10-K and does not constitute a part of this Annual Report on Form 10-K. We make available, free of charge, on our website our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC. These reports are also available at the SEC's website at www.sec.gov.

**Item 1A. Risk Factors.**

Our business, results of operations and financial condition and the industry in which we operate are subject to various risks. We have listed below (not necessarily in order of importance or probability of occurrence) the most significant risk factors applicable to us, but they do not constitute all of the risks that may be applicable to us. New risks may emerge from time to time, and it is not possible for us to predict all potential risks or to assess the likely impact of all risks. More information concerning certain of these risks is contained in other sections of this Annual Report on Form 10-K, including in "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations."

***Risks Related to Our Business and Industry***

*We face strong competition in our markets.*

We face competition from both domestic and foreign manufacturers in each of the markets we serve. No one company dominates the industry in which we operate. Our competitors include international, national, and local manufacturers, some of whom may have greater financial, manufacturing, marketing and technical resources than we do, or greater penetration in or familiarity with a particular geographic market than we have.

Some competitors may be better known or have greater resources at their disposal, and some may have lower production costs. For certain products, being a domestic manufacturer may play a role in determining whether we are awarded a certain contract. For other products, we may be competing against foreign manufacturers who have a lower cost of production. If a contracting party has a relationship with a vendor and is required to place a contract for bids, the preferred vendor may provide or assist in the development of the specification for the product which may be tailored to that vendor's products. In such event, we would be at a disadvantage in seeking to obtain that contract. We believe that customers focus on such factors as quality of work, reputation of the vendor, perception of the vendor's ability to meet the required schedule, and price in selecting a vendor for their products. Some of our customers have moved manufacturing operations or product sourcing overseas, which can negatively impact our sales. To remain competitive, we will need to invest continuously in our manufacturing capabilities and customer service, and we may need to reduce our prices, particularly with respect to customers in industries that are experiencing downturns, which may adversely affect our results of operations. We cannot provide assurance that we will be able to maintain our competitive position in each of the markets that we serve.

*Because most of our contracts are individual purchase orders and not long-term agreements, there is no guarantee that we will be able to generate a similar amount of revenue in the future.*

We must bid or negotiate each of our contracts separately, and when we complete a contract, there is generally no continuing source of revenue under that contract. As a result, we cannot assure you that we will have a continuing stream of revenue from any contract. Our failure to generate new business on an ongoing basis would materially impair our ability to operate profitably. Additionally, our reliance on individual purchase orders has historically caused, and may in future periods cause, our results of operations and cash flows to vary considerably and unpredictably from period to period. Because a significant portion of our revenue is derived from services rendered for the defense, aerospace, nuclear, large medical device and precision industrial markets, our operating results may suffer from conditions affecting these industries, including any budgeting, economic or other trends that have the effect of reducing the requirements for our services. The COVID-19 pandemic may also continue to reduce demand for our products and services as a result of delays or disruptions in our customers' ability to continue their own production, shutdowns of our customers' facilities and the continuation of remote work by our customers, which may result in slowed responses and resolutions to production issues.

*Our business may be impacted by external factors that we may not be able to control, including the COVID-19 pandemic.*

War, civil conflict, terrorism, natural disasters and public health issues including domestic or international pandemics, have caused and could cause damage or disruption to domestic or international commerce by creating economic or political uncertainties. Additionally, the volatility in the financial markets and disruptions or downturns in other areas of the global or U.S. economies could negatively impact our business. These events could result in a decrease in demand for our products, make it difficult or impossible to deliver orders to customers or receive materials from suppliers, affect the availability or pricing of energy sources or result in other severe consequences that may or may not be predictable. As a result, our business, financial condition and results of operations could be materially adversely affected.

At the beginning of calendar year 2020, the COVID-19 pandemic began to adversely affect our business and operations. The effects of the continuing pandemic and related governmental responses have included, and could in future periods include, extended disruptions to supply chains and capital markets, reduced labor availability and productivity and a prolonged reduction in demand for our services and overall global economic activity. In this connection, the United States Government declared a national emergency and various state governments have imposed various "lockdown" and "shelter-in-place" orders as a result of the COVID-19 pandemic, including the government of the Commonwealth of Massachusetts. The Company was designated as a provider of a "COVID-19 Essential Service" under the emergency order in Massachusetts and, accordingly, continued its operations during the pendency of the order, which was rescinded on May 18, 2021. However, the full extent of the COVID-19 pandemic, related business and travel restrictions and changes to social behavior remain uncertain as the health crisis continues to evolve globally. Management has been closely monitoring the impact that the COVID-19 pandemic is having on the Company. As of the date of this Annual Report on Form 10-K, the COVID-19 pandemic has negatively affected the Company's customers, suppliers and labor force. Customer impacts have included certain customers halting operations entirely for a period of time, shifting to remote work, and suspending on-site inspections – which delays customer acceptance of completed work, customer payment of milestone payments to us, and delivery of finished goods. Although these issues have abated somewhat since the commencement of vaccination efforts, the Company believes that the potential exists for other customer shutdowns or slow-downs. Supplier impacts have included difficulties experienced by the Company in ordering certain essential supplies. Labor impacts have included a few issues related to employee attendance such as voluntary avoidance of work out of fear of contracting the coronavirus, certain employees becoming ill, and others self-quarantining as a result of potential exposure to other individuals with symptoms of COVID-19. To date, this has had a minor impact on the Company's production levels, however, if more employees become ill in the future, the Company could experience more significant disruptions, which could have a material adverse effect on our results of operations, financial condition and cash flows.

However, given the speed and frequency of continuously evolving developments with respect to this pandemic, the extent to which COVID-19 may adversely impact our business depends on future developments, which are highly uncertain and unpredictable, including new information concerning the severity of the outbreak and the effectiveness of actions globally to contain or mitigate its effects. As a result, we cannot reasonably estimate the magnitude of the impact on our financial condition and results of operations.

*Because of our dependence on a limited number of customers, our failure to generate major contracts from a small number of customers may impair our ability to operate profitably.*

We have, in the past, been dependent in each year on a small number of customers who generate a significant portion of our business, and these customers change from year to year. For the year ended March 31, 2021 our three largest customers accounted for approximately 49% of our revenue. For the year ended March 31, 2020, our three largest customers accounted for approximately 52% of our revenue. In addition, our backlog at March 31, 2021 was $18.6 million, of which 80% was attributable to three customers.

As a result, we may have difficulty operating profitably if there is a default in payment by any of our major customers, we lose an existing order, or we are unable to generate orders from new or existing customers. Furthermore, to the extent that any one customer accounts for a large percentage of our revenue, the loss of that customer could materially affect our ability to operate profitably. For example, one customer in the fiscal years ended March 31, 2021 and 2020 accounted for 17% and 22% of our revenue, respectively. The loss of these customers could have a material adverse effect upon our business and may impair our ability to operate profitably. We anticipate that our dependence on a limited number of customers in any given fiscal year will continue for the foreseeable future. There is always a risk that existing customers will elect not to do business with us in the future or will experience financial difficulties. If our customers experience financial difficulties or business reversals, or lose orders or anticipated orders, which would reduce or eliminate the need for the products which they ordered from us, they could be unable or unwilling to fulfill their contracts with us.

There is also a risk that our customers will attempt to impose new or additional requirements on us that reduce the profitability of the orders placed by those customers with us. Further, even if the orders are not changed, these orders may not generate margins equal to our recent historical or targeted results. If we do not book more orders with existing customers, or develop relationships with new customers, we may not be able to increase, or even maintain, our revenue, and our financial condition, results of operations, business and/or prospects may be materially adversely affected.

*Our backlog figures may not accurately predict future sales or recognizable revenue.*

We expect to fill most items of backlog within the next three years. However, because orders may be rescheduled or canceled and a significant portion of our net sales is derived from a small number of customers, backlog is not necessarily indicative of future sales levels. Moreover, we cannot be sure of when during the future 36-month period we will be able to recognize revenue corresponding to our backlog nor can we be certain that revenues corresponding to our backlog will not fall into periods beyond the 36 month horizon.

*Any decrease in the availability, or increase in the cost, of raw materials could materially affect our earnings.*

The availability of certain critical raw materials, such as steel, nickel, monel, inconel, aluminum, stainless steel, and other alloys, is subject to factors that are not within our control. At any given time, we may be unable to obtain an adequate supply of these critical raw materials on a timely basis, at prices and other terms acceptable to us, or at all.

If suppliers increase the price of critical raw materials or are unwilling or unable to meet our demand, we may not have alternative sources of supply. In addition, to the extent that we have existing contracts or have quoted prices to customers and accepted customer orders for products prior to purchasing the necessary raw materials, we may be unable to raise the price of products to cover all or part of the increased cost of the raw materials.

The manufacture of some of our products is a complex process and requires long lead times. As a result, we may experience delays or shortages in the supply of raw materials, including delays or shortages caused by the COVID-19 pandemic and the government-imposed lockdowns. If we are unable to obtain adequate and timely deliveries of required raw materials, we may be unable to timely manufacture sufficient quantities of products. This could cause us to lose sales, incur additional costs, delay new product introductions or suffer harm to our reputation.

In addition, costs of certain critical raw materials have been volatile due to factors beyond our control. Raw material costs are included in our contracts with customers, but in some cases we are exposed to changes in raw material costs from the time purchase orders are placed to when we purchase the raw materials for production. Changes in business conditions could adversely affect our ability to recover rapid increases in raw material costs and may adversely affect our results of operations.

Additionally, changes in international trade duties and other aspects of international trade policy, both in the U.S. and abroad, could materially impact the cost of raw materials. For example, in March 2018, the U.S. imposed an additional 25% tariff under Section 232 of the Trade Expansion Act of 1962, as amended, on steel products imported into the U.S. The tariff has been imposed on all steel imports, although imports from certain countries were initially excluded, and the tariffs on steel and aluminum imports from Mexico and Canada have been lifted. The U.S. also imposed a 10% tariff on all aluminum imports into the United States, with initial exemptions for aluminum imported from certain U.S. trading partners. Such actions could increase steel and aluminum costs and decrease supply availability. Any increase in steel and/or aluminum prices that is not offset by an increase in our prices could have an adverse effect on our business, financial position, results of operations or cash flows. In addition, if we are unable to acquire timely steel or aluminum supplies, we may need to decline bid and order opportunities, which could also have an adverse effect on our business, financial position, results of operations or cash flows.

*All of our manufacturing and production is situated in a single location in Massachusetts, which increases our exposure to significant disruption to our business as a result of unforeseeable developments in a single geographic area.*

We operate a single manufacturing and production facility in Westminster, Massachusetts. It is possible that we could experience prolonged periods of reduced production due to unforeseen catastrophic events occurring in or around our manufacturing and production facility in Massachusetts. It is also possible that operations could be disrupted due to other unforeseen circumstances such as power outages, explosions, fires, floods, accidents and severe weather conditions. As a result, we may be unable to shift manufacturing capabilities to alternate locations, accept materials from suppliers, meet customer shipment needs or address other severe consequences that may be encountered, and we may suffer damage to our reputation. Our financial condition and results of our operations could be materially adversely affected were such events to occur.

*Our manufacturing processes are complex, must constantly be upgraded to remain competitive and depend upon critical, high cost equipment that may require costly repair or replacement.*

It is possible that we could experience prolonged periods of reduced production due to unplanned equipment failures, and we could incur significant repair or replacement costs in the event of those failures.

We must make regular capital investments and changes to our manufacturing processes to lower production costs, improve productivity, manufacture new or improved products and remain competitive. We may not be in a position to take advantage of business opportunities or respond to competitive pressures if we fail to update, replace or make additions to our equipment or our manufacturing processes in a timely manner. The cost to repair or replace much of our equipment or facilities could be significant. We cannot be certain that we will have sufficient internally generated cash or acceptable external financing to make necessary capital expenditures in the future.

*Our production facilities are energy-intensive and we rely on third parties to supply energy consumed at our production facilities.*

The prices for and availability of electricity, natural gas, oil and other energy resources are subject to volatile market conditions. These market conditions often are affected by political and economic factors beyond our control. Disruptions or lack of availability in the supply of energy resources could temporarily impair our ability to operate our production facility. Further, increases in energy costs, or changes in costs relative to energy costs paid by competitors, may adversely affect our profitability. To the extent that these uncertainties cause suppliers and customers to be more cost sensitive, increased energy prices may have an adverse effect on our results of operations and financial condition.

*The dangers inherent in our operations and the limits on insurance coverage could expose us to potentially significant liability costs and materially interfere with the performance of our operations.*

The fabrication of large steel structures involves potential operating hazards that can cause personal injury or loss of life, severe damage to and destruction of property and equipment and suspension of operations. The failure of such structures during and after installation can result in similar injuries and damages. Although we believe that our insurance coverage is adequate, there can be no assurance that we will be able to maintain adequate insurance in the future at rates we consider reasonable or that our insurance coverage will be adequate to cover future claims that may arise. Claims for which we are not fully insured may adversely affect our working capital and profitability. In addition, changes in the insurance industry have generally led to higher insurance costs and decreased availability of coverage. The availability of insurance that covers risks we and our competitors typically insure against may decrease, and the insurance that we are able to obtain may have higher deductibles, higher premiums and more restrictive policy terms.

*Our operating results may fluctuate significantly from quarter to quarter, and we cannot be certain that we will maintain profitability in every quarterly reporting period.*

Our operating results historically have been difficult to predict and have at times significantly fluctuated from quarter to quarter due to a variety of factors, many of which are outside of our control. As a result of these factors, comparing our operating results on a period-to-period basis may not be meaningful, and you should not rely on our past results as an indication of our future performance. Our operating expenses do not always vary directly with revenue and may be difficult to adjust in the short term. As a result, if revenue for a particular quarter is below our expectations, we may not be able to proportionately reduce operating expenses for that quarter, and therefore such a revenue shortfall would have a disproportionate effect on our operating results for that quarter.

*Demand in our end-use markets can be cyclical, impacting the demand for the products we produce.*

Demand in our end-use markets, including companies in the defense, aerospace, precision industrial, and nuclear industries, can be cyclical in nature and sensitive to general economic conditions, competitive influences and fluctuations in inventory levels throughout the supply chain. Our sales are sensitive to the market conditions present in the industries in which the ultimate consumers of our products operate, which in some cases have been highly cyclical and subject to substantial downturns.

As a result of the cyclical nature of these markets, we have experienced, and in the future we may experience, significant fluctuations in our sales and results of operations with respect to a substantial portion of our total product offering, and such fluctuations could be material and adverse to our overall financial condition, results of operations and liquidity.

*We could be adversely affected by reductions in defense spending.*

Because certain of our products are used in a variety of military applications, including ships and submarines, we derive a significant portion of our revenue from the defense industry. In fiscal 2021, approximately 81% of our revenue was derived from customers in the defense industry. Although many of the programs under which we sell products to prime U.S. government contractors extend several years, they are subject to annual funding through congressional appropriations. While spending authorizations for defense-related programs by the U.S. government have increased in recent years due to greater homeland security and foreign military commitments, these spending levels may not be sustainable and could significantly decline. Future levels of expenditures, authorizations, and appropriations for programs we support may decrease or shift to programs in areas where we do not currently provide services. Changes in spending authorizations, appropriations, and budgetary priorities could also occur due to a shift in the number, and intensity, of potential and ongoing conflicts, the rapid growth of the federal budget deficit, increasing political pressure to reduce overall levels of government spending, shifts in spending priorities from national defense as a result of competing demands for federal funds, or other factors. The COVID-19 pandemic, the government-imposed lockdowns and the economic dislocation therefrom may also lead to declines in governmental defense spending if national priorities shift from national defense to healthcare policy and economic recovery. Our business prospects, financial condition or operating results could be materially harmed among other causes by the following: 1) budgetary constraints affecting U.S. government spending generally, or specific departments or agencies in particular, and changes in available funding, such as federal government sequestration (automatic spending cuts); 2) changes in U.S. government programs or requirements; and 3) a prolonged U.S. government shutdown and other potential delays in the appropriations process.

*Failure to obtain and retain skilled technical personnel could adversely affect our operations.*

Our production facilities require skilled personnel to operate and provide technical services and support for our business. Competition for the personnel required for our business intensifies as activity increases. In periods of high utilization, it may become more difficult to find and retain qualified individuals, and there can be no assurance that we will be successful in attracting and retaining qualified personnel to fulfill our current or future needs. This could increase our costs or have other adverse effects on our results of operations.

*The extensive environmental, health and safety regulatory regimes applicable to our manufacturing operations create potential exposure to significant liabilities.*

The nature of our manufacturing business subjects our operations to numerous and varied federal, state, local and international laws and regulations relating to pollution, protection of public health and the environment, natural resource damages and occupational safety and health. Failure to comply with these laws and regulations, or with the permits required for our operations, could result in fines or civil or criminal sanctions, third party claims for property damage or personal injury, and investigation and cleanup costs. Potentially significant expenditures could be required in order to comply with environmental laws that may be adopted or imposed in the future.

We have used, and currently use, certain substances that are considered hazardous, extremely hazardous or toxic under worker safety and health laws and regulations. Although we implement controls and procedures designed to reduce continuing risk of adverse impacts and health and safety issues, we could incur substantial cleanup costs, fines and civil or criminal sanctions, and third party property damage or personal injury claims as a result of violations, non-compliance or liabilities under these regulatory regimes.

As a manufacturing business, we also must comply with federal and state environmental laws and regulations which relate to the manner in which we store and dispose of materials and the reports that we are required to file. We cannot assure you that we will not incur additional costs to maintain compliance with environmental laws and regulations or that we will not incur significant penalties for failure to be in compliance.

*Our systems and information technology infrastructure may be subject to security breaches and other cybersecurity incidents.*

We rely on the accuracy, capacity, and security of our information technology systems to obtain, process, analyze, and manage data, as well as to facilitate the manufacture and distribution of products to and from our facility. We receive, process and ship orders, manage the billing of and collections from our customers, and manage the accounting for and payment to our vendors. Maintaining the security of computers, computer networks, and data storage resources is a critical issue for us and our customers, as security breaches could result in vulnerabilities and loss of and/or unauthorized access to confidential information. We may face attempts by experienced hackers, cybercriminals, or others with authorized access to our systems to misappropriate our proprietary information and technology, interrupt our business, and/or gain unauthorized access to confidential information. The reliability and security of our information technology infrastructure and software, and our ability to expand and continually update technologies in response to our changing needs is critical to our business. To the extent that any disruptions or security breaches result in a loss or damage to our data, it could cause harm to our reputation. This could lead some customers to stop using us for building their products and reduce or delay future purchases of our products or use competing products. In addition, we could face enforcement actions by U.S. states, the U.S. federal government, or foreign governments, which could result in fines, penalties, and/or other liabilities and which may cause us to incur legal fees and costs, and/or additional costs associated with responding to the cyberattack. Increased regulation regarding cybersecurity may increase our costs of compliance, including fines and penalties, as well as costs of cybersecurity audits. Any of these actions could materially adversely impact our business and results of operations.

*We are subject to regulations related to conflict minerals which could adversely impact our business.*

We are subject to SEC rules regarding disclosure of the use of tin, tantalum, tungsten, gold and certain other minerals, known as conflict minerals, in products manufactured by public companies. These rules require that public companies conduct due diligence to determine whether such minerals originated from the Democratic Republic of Congo, or the DRC, or an adjoining country and whether such minerals helped finance the armed conflict in the DRC. These rules require ongoing due diligence efforts, along with annual conflict minerals reports. There are costs associated with complying with these disclosure requirements, including costs to determine the origin of conflict minerals used in our products.

In addition, these rules could adversely affect the sourcing, supply and pricing of materials used in our products. As there may be only a limited number of suppliers offering conflict-free minerals, we cannot be sure that we will be able to obtain necessary conflict minerals from such suppliers in sufficient quantities or at competitive prices. Also, we may face reputational challenges if the due diligence procedures we implement do not enable us to verify the origins for all conflict minerals or to determine that such minerals are DRC conflict-free. We may also encounter challenges to satisfy customers that may require all of the components of products purchased to be certified as DRC conflict-free because our supply chain is complex. If we are not able to meet customer requirements, customers may choose to disqualify us as a supplier.

We currently do not use any conflict minerals in the production of our products, but from time to time we may receive a customer order necessitating the use of conflict minerals. In the event we produce any products utilizing conflict minerals, we will be required to comply with the rules discussed above.

*Changes in delivery schedules and order specifications may affect our revenue stream.*

Although we perform manufacturing services pursuant to orders placed by our customers, we have in the past experienced delays in scheduling and changes in the specification of our products. Delays in scheduling have been and in the future may be caused by disruptions relating to the COVID-19 pandemic and government-imposed lockdowns, while changes in order specifications may result from a number of factors, including a determination by the customer that the product specifications need to be changed after receipt of an initial product or prototype. As a result of these changes, we may suffer a delay in the recognition of revenue from projects and may incur contract losses. We cannot assure you that our results of operations will not be affected in the future by delays or changes in specifications or that we will ever be able to recoup revenue which was lost as a result of the delays or changes. Further, if we cannot allocate our personnel to a different project, we will continue to incur expenses relating to the initial project, including labor and overhead. Thus, if orders are postponed, our results of operations would be impacted by our need to maintain staffing and other expense-generating aspects of production for the postponed projects, even though they were not fully utilized, and revenue associated with the project will not be recognized, during this period. We cannot assure that our operating results will not decline in future periods as a result of changes in customers' orders.

*Negative economic conditions may adversely impact the demand for our services and the ability of our customers to meet their obligations to us on a timely basis. Any disputes with customers could also have an adverse impact on our income and cash flows.*

Negative economic conditions, including tightening of credit in financial markets may lead businesses to postpone spending, which may impact our customers, causing them to cancel, decrease or delay their existing and future orders with us. Declines in economic conditions may further impact the ability of our customers to meet their obligations to us on a timely basis. If customers are unable to meet their obligations to us on a timely basis, it could adversely impact the realization of receivables, the valuation of inventories and the valuation of long-lived assets. Additionally, we may be negatively affected by contractual disputes with customers, which could have an adverse impact on our income and cash flows.

*If our customers successfully assert product liability claims against us due to defects in our products, our operating results may suffer and our reputation may be harmed.*

Due to the circumstances under which many of our products are used and the fact that some of our products are relied upon by our customers in their facilities or operations, we face an inherent risk of exposure to claims in the event that the failure, use or misuse of our products results, or is alleged to result, in bodily injury, property damage or economic loss. We have been subject to product liability claims in the past, and we may be subject to claims in the future. A successful product liability claim or series of claims against us, or a significant warranty claim or series of claims against us could materially decrease our liquidity and impair our financial condition and also materially and adversely affect our results of operations.

*We maintain a substantial amount of outstanding indebtedness, which could impair our ability to operate our business and react to changes in our business, remain in compliance with debt covenants and make payments on our debt.*

Our level of indebtedness could have important consequences, including, without limitation:

• increasing our vulnerability to general economic and industry conditions because our debt payment obligations may limit our ability to use our cash to respond to or defend against changes in the industry or the economy;

• requiring a substantial portion of our cash flow from operations to be dedicated to the payment of principal and interest on our indebtedness, therefore reducing our ability to use our cash flow to fund our operations, capital expenditures and future business opportunities;

• limiting our ability to obtain additional financing for working capital, capital expenditures, debt service requirements, acquisitions and general corporate or other purposes;

• limiting our ability to pursue our growth strategy, including restricting us from making strategic acquisitions or causing us to make non-strategic divestitures;

• placing us at a disadvantage compared to our competitors who are less leveraged and may be better able to use their cash flow to fund competitive responses to changing industry, market or economic conditions; and

• making us more vulnerable in the event of a downturn in our business, our industry or the economy in general.

In addition, our current credit facilities contain, and any future credit facilities will likely contain, covenants and other provisions that restrict our operations. These restrictive covenants and provisions could limit our ability to obtain future financings, make needed capital expenditures, withstand a future downturn in our business, or the economy in general, or otherwise conduct necessary corporate activities, and may prevent us from taking advantage of business opportunities that arise in the future.

If we refinance our credit facilities, we cannot guarantee that any new credit facility will not contain similar covenants and restrictions.

Our liquidity is highly dependent on our available financing facilities and ability to improve our gross profit and operating income. Our failure to obtain new or additional financing, if required, could impair our ability to both serve our existing customer base and develop new customers and could result in our failure to continue to operate as a going concern. To the extent that we require new or additional financing, we cannot assure you that we will be able to get such financing on terms equal to or better than the terms of our credit facilities with Berkshire Bank. If we are unable to borrow funds under an existing credit facility, it may be necessary for us to conduct an offering of debt and/or equity securities on terms which may be disadvantageous to us or have a negative impact on our outstanding securities and the holders of such securities. In the event of an equity offering, it may be necessary that we offer such securities at a price that is significantly below our current trading levels which may result in substantial dilution to our investors that do not participate in the offering and a new low trading level for our common stock.

*We may need new or additional financing in the future to expand our business or refinance existing indebtedness, and our inability to obtain capital on satisfactory terms or at all may have an adverse impact on our operations and our financial results.*

We may need new or additional financing in the future to expand our business, refinance existing indebtedness or make strategic acquisitions, and our inability to obtain capital on satisfactory terms or at all may have an adverse impact on our operations and our financial results. As we grow our business, we may have to incur significant capital expenditures. We may make capital investments to, among other things, build new or upgrade our existing facilities, purchase or lease new equipment and enhance our production processes. If we are unable to access capital on satisfactory terms and conditions, we may not be able to expand our business or meet our payment requirements under our existing credit facilities. Our ability to obtain new or additional financing will depend on a variety of factors, many of which are beyond our control. We may not be able to obtain new or additional financing because we may have substantial debt, our current receivable and inventory balances may not support additional debt availability or because we may not have sufficient cash flows to service or repay our existing or future debt. In addition, depending on market conditions and our financial performance, equity financing may not be available on satisfactory terms or at all. Moreover, if we raise additional funds through issuances of equity or convertible debt securities, our current stockholders could suffer significant dilution, and any new equity securities we issue could have rights, preferences and privileges superior to those of holders of our common stock. If we are unable to access capital on satisfactory terms and conditions, this could have an adverse impact on our business, results of operations and financial condition.

*Any deterioration or disruption of the credit and capital markets may adversely affect our access to sources of funding.*

Disruptions in the credit markets have in the past severely restricted access to capital for companies. When credit markets deteriorate or are disrupted, our ability to incur additional indebtedness to fund a portion of our working capital needs and other general corporate purposes, or to refinance maturing obligations as they become due, may be constrained. This risk could be exacerbated by future deterioration in the Company's credit ratings. In addition, if the counterparty backing our existing credit facilities were unable to perform on its commitments, our liquidity could be impacted, which could adversely affect funding of working capital requirements and other general corporate purposes. In the event that we need to access the capital markets or other sources of financing, there can be no assurance that we will be able to obtain financing on acceptable terms or within an acceptable time, if at all. In addition, the COVID-19 pandemic has significantly disrupted world financial markets, increased volatility in U.S. capital markets, and may reduce opportunities for us to seek additional funding. Our inability to obtain financing on terms and within a time acceptable to us could have an adverse impact on our results of operations, financial condition, and liquidity.

***Risks Related to our Common Stock***

*Our common stock is quoted on the OTC Markets which may have an unfavorable impact on our stock price and liquidity.*

Our common stock is quoted on the OTC Markets. The OTC Markets is a significantly more limited market than the New York Stock Exchange or NASDAQ. The quotation of our shares on the OTC Markets may result in a less liquid market available for existing and potential stockholders to trade shares of our common stock, could depress the trading price of our common stock and could have a long-term adverse impact on our ability to raise capital in the future on favorable terms, or at all.

*Our stock price may fluctuate significantly.*

The stock market can experience significant volatility, and the volatility of stocks often does not relate to the operating performance of the companies represented by the stock. The market price of our common stock could be subject to significant fluctuations because of general market conditions and because of factors specifically related to our businesses.

Factors that could cause volatility in the market price of our common stock include market conditions affecting our customers' businesses, including the level of mergers and acquisitions activity, anticipated changes in spending on national defense by the U.S. Government, and actual and anticipated fluctuations in our quarterly operating results, rumors relating to us or our competitors, actions of stockholders, including sales of shares by our directors and executive officers, additions or departures of key personnel, and developments concerning current or future strategic alliances or acquisitions. Volatility in our stock price may also be enhanced by the fact that our common stock is often thinly traded. Additionally, the economic and other consequences of the COVID-19 pandemic have resulted in significant volatility in the equity capital markets as the economy begins to recover.

These and other factors may cause the market price and demand for our common stock to fluctuate substantially, which may limit or prevent investors from readily selling their shares of common stock at a profit and may otherwise negatively affect the liquidity of our common stock. In addition, in the past, when the market price of a stock has been volatile, holders of that stock have instituted securities class action litigation against the company that issued the stock. If any of our stockholders brought a lawsuit against us, even if the lawsuit is without merit, we could incur substantial costs defending the lawsuit. Such a lawsuit could also divert the time and attention of our management.

*The issuance of shares of our common stock as compensation may dilute the value of existing stockholders and may affect the market price of our stock.*

We may use, and have in the past used, stock options, stock grants and other equity-based incentives to provide motivation and compensation to our directors, officers, employees and key independent consultants. The award of any such incentives will result in immediate and potentially substantial dilution to our existing stockholders and could result in a decline in the value of our stock price. The exercise of these options and the sale of stock issued upon such exercise or pursuant to stock grants may have an adverse effect upon the price of our stock.

*Trading volume of our common stock has fluctuated from time to time and is typically low, which may make it difficult for investors to sell their shares at times and prices that investors feel are appropriate.*

To date, the trading volume of our common stock has fluctuated, and there is typically a low volume of trading in our common stock. Generally, lower trading volumes adversely affect the liquidity of our common stock, not only in terms of the number of shares that can be bought and sold at a given price, but also through delays in the timing of transactions and reduction in security analysts' and the media's coverage of us. This may result in lower prices for our common stock than might otherwise be obtained and could also result in a larger spread between the bid and asked prices for our common stock.

*Because of our cash requirements and restrictions in our debt agreements, we may be unable to pay dividends.*

In view of the cash requirements of our business, we expect to use any cash flow generated by our business to finance our operations and growth and to service our indebtedness. Further, we are subject to certain affirmative and negative covenants under our debt agreements which restrict our ability to declare or pay any dividend or other distribution on equity, purchase or retire any equity, or alter our capital structure. Accordingly, any return to stockholders will be limited to the appreciation of the value of their holdings of our stock.

*The rights of the holders of our common stock may be impaired by the potential issuance of preferred stock.*

Our certificate of incorporation gives our board of directors the right to create new series of preferred stock. As a result, the board of directors may, without stockholder approval, issue preferred stock with voting, dividend, conversion, liquidation or other rights that are superior to the rights associated with our common stock, which could adversely affect the voting power and equity interest of the holders of our common stock. Preferred stock, which could be issued with the right to more than one vote per share, could be utilized as a method of discouraging, delaying or preventing a change of control. The possible impact on takeover attempts could adversely affect the price of our common stock.

*We are limited by our inability to use a short form registration statement on Form S-3, which may affect our ability to access the capital markets, if needed.*

A registration statement on Form S-3 permits an eligible issuer to incorporate by reference its past and future filings and reports made under the Securities Exchange Act of 1934, as amended, or the Exchange Act. In addition, Form S-3 enables eligible issuers to conduct primary offerings "off the shelf" under Rule 415 of the Securities Act of 1933, as amended, or the Securities Act. The shelf registration process under Form S-3, combined with the ability to incorporate information on a forward basis, allows issuers to avoid additional delays and interruptions in the offering process and to access the capital markets in a more expeditious and efficient manner than raising capital in a standard offering on Form S-1.

For us to be eligible to use Form S-3 to conduct a registered offering of our securities to investors, either (1) the aggregate market value of our common stock held by non-affiliates would have to exceed $75 million or (2) our common stock would have to be listed and registered on a national securities exchange. Currently, we do not meet either of those eligibility requirements and are therefore precluded from using a Form S-3 in connection with a registered offering of our securities to investors.

Due to our present inability to use Form S-3, if we wanted to conduct a registered offering of securities to investors, we will be required to use long-form registration on Form S-1 and may experience delays. In addition, our ability to undertake certain types of financing transactions, such as at-the-market (ATM) offerings, may be limited or unavailable to us without the ability to use Form S-3. Furthermore, because of the delay associated with long form registration and the limitations on the financing transactions we may undertake, the terms of any financing transaction we are able to conduct may not be advantageous to us or may cause us not to obtain capital in a timely fashion to execute our business strategies.

***Risks Related to the Potential Acquisition of Stadco***

*Our ability to complete the acquisition of Stadco is subject to closing conditions, including the receipt of consents and approvals from third parties, which may impose conditions that could adversely affect us or cause the acquisition not to be completed.*

Our acquisition of Stadco and its affiliates is subject to a number of closing conditions as specified in the stock purchase agreement entered into with Stadco and its holding company. These include, among others, the entry into arrangements with certain lenders of Stadco and its affiliates and the absence of governmental restraints or prohibitions preventing the consummation of the acquisition. No assurance can be given that the required consents and approvals will be obtained or that the closing conditions will be satisfied in a timely manner or at all. Any delay in completing the acquisition could cause the combined company not to realize, or to be delayed in realizing, some or all of the benefits that we expect to achieve. In addition, we can provide no assurance that these conditions will not result in the abandonment or delay of the acquisition. The occurrence of any of these events could have a material adverse effect on our results of operations, cash flows, financial condition and/or the trading price of our common stock.

*We may not achieve the intended benefits of our acquisition of Stadco, and the acquisition may disrupt our current plans or operations.*

We may not be able to successfully integrate Stadco's business and assets or otherwise realize the expected benefits of the transaction, including anticipated annual operating cost and capital synergies to the extent currently anticipated, or at all. To realize these anticipated benefits, our business and Stadco's business must be successfully combined, which is subject to our ability to consolidate operations, corporate cultures and systems and our ability to eliminate redundancies and costs. Difficulties in integrating Stadco into our operations may result in the combined company performing differently than expected, in operational challenges or in the failure to realize anticipated synergies and efficiencies in the expected time frame or at all. The integration of the two companies may result in material challenges, including the diversion of management's attention from ongoing business concerns; retaining key management and other employees; retaining existing business and operational relationships, including customers and other counterparties, and attracting new business and operational relationships; the possibility of faulty assumptions underlying expectations regarding the integration process and associated expenses; consolidating corporate and administrative infrastructures and eliminating duplicative operations; coordinating geographically separate organizations; difficulties in the assimilation of employees and corporate cultures; unanticipated issues in integrating information technology, communications and other systems; as well as unforeseen expenses or delays associated with the acquisition. If we are not successful in integrating Stadco's business and assets or otherwise fail to realize the expected operating efficiencies, cost savings and other benefits currently anticipated from the Stadco acquisition, our results of operations, cash flows and financial condition may be materially adversely affected.

*Whether or not it is completed, the announcement and pendency of the acquisition of Stadco could cause disruptions in our business, which could have an adverse effect on our business and financial results*.

Whether or not it is completed, the announcement and pendency of our acquisition of Stadco could cause disruptions in our business: our and Stadco's current and prospective employees may experience uncertainty about their future roles with the combined company, which might adversely affect the ability to retain key employees; uncertainty regarding the completion of the acquisition may cause customers, suppliers, distributors, vendors, strategic partners or others to delay or defer entering into contracts, make other decisions or seek to change or cancel existing business relationships; and the attention of management may be directed toward the completion of the acquisition. If the acquisition is not completed, we will have incurred significant costs and diverted management resources, for which we will have received little or no benefit.

*We are expected to incur substantial expenses related to the acquisition of Stadco and its affiliates and the integration of their business with ours.*

We expect to incur substantial expenses in connection with the integration of our business with Stadco and its affiliates. There are a large number of processes, policies, procedures, operations, technologies and systems that must be integrated, including purchasing, accounting and finance, sales, payroll, pricing, revenue management, marketing and benefits. In addition, our and Stadco's businesses will continue to maintain a presence in Westminster, Massachusetts and Los Angeles, California, respectively. Some of these costs will be non-recurring expenses related to the acquisition itself, including legal and accounting costs and systems consolidation costs. We may also incur additional costs to attract, motivate or retain management personnel and other key employees. We have incurred and will continue to incur acquisition fees and costs related to formulating integration plans for the combined business, and the execution of these plans may lead to additional unanticipated costs.

*Our stockholders may not realize a benefit from the acquisition of Stadco commensurate with the ownership dilution they will experience in connection with the transaction.*

If the combined company is unable to realize the full strategic and financial benefits currently anticipated from the acquisition of Stadco and its affiliates, our stockholders will have experienced substantial dilution of their ownership interests without receiving any commensurate benefit, or only receiving part of the commensurate benefit to the extent the combined company is able to realize only part of the strategic and financial benefits currently anticipated from the acquisition.

*The market price of our common stock following the acquisition of Stadco may decline as a result of the transaction.*

The market price of our common stock may decline as a result of our acquisition of Stadco and its affiliates for a number of reasons, including if:

- investors react negatively to the prospects of the combined company's business and financial condition following the acquisition;
- the effect of the acquisition on the combined company's business and prospects is not consistent with the expectations of financial or industry analysts; or
- the combined company does not achieve the perceived benefits of the acquisition as rapidly or to the extent anticipated by management and the Company's investors, or at all.

***General Risk Factors***

*If securities analysts do not publish research or reports about our business, if they issue unfavorable commentary or downgrade their rating on our common stock, or if we fail to meet projections and estimates of earnings developed by such analysts, the price of our common stock could decline.*

The trading market for our common stock will rely in part on the research and reports that securities analysts publish about us and our business. The price of our common stock could decline if one or more analysts downgrade their rating on our common stock or if those analysts issue other unfavorable commentary or cease publishing reports about us or our business.

In addition, although we do not make projections relating to our future operating results, our operating results may fall below the expectations of securities analysts and investors. In this event, the market price of our common stock would likely be adversely affected.

*If we fail to maintain effective internal controls over financial reporting, our ability to produce accurate and timely financial statements could be impaired, which could harm our operating results, our ability to operate our business and investors' views of us.*

We are subject to the Sarbanes-Oxley Act, which requires public companies to include in their annual report a statement of management's responsibilities for establishing and maintaining adequate internal control over financial reporting, together with an assessment of the effectiveness of those internal controls. Ensuring that we have effective internal financial and accounting controls and procedures in place so that we can produce accurate financial statements on a timely basis is a costly and time-consuming effort that needs to be re-evaluated frequently. Our failure to maintain the effectiveness of our internal controls in accordance with the requirements of the Sarbanes-Oxley Act could have a material adverse effect on our business. We could lose investor confidence in the accuracy and completeness of our financial reports, which could have an adverse effect on the price of our common stock, and could result in us being the subject of regulatory scrutiny.

*Laws and regulations governing international operations, including the Foreign Corrupt Practices Act, or FCPA, may require us to develop and implement costly compliance programs and the failure to comply with such laws may result in substantial penalties.*

We must comply with laws and regulations relating to international business operations. The creation and implementation of compliance programs for international business practices is costly and such programs are difficult to enforce, particularly where reliance on third parties is required. Specifically, the Foreign Corrupt Practices Act, or FCPA, prohibits any U.S. individual or business from paying, authorizing payment or offering anything of value, directly or indirectly, to any foreign official, for the purpose of influencing any act or decision of the foreign official in order to assist the individual or business in obtaining or retaining business. The FCPA also obligates companies whose securities are listed in the United States to comply with certain accounting provisions requiring the company to maintain books and records that accurately and fairly reflect all transactions of the company, including international subsidiaries, and to devise and maintain an adequate system of internal accounting controls for international operations. The anti-bribery provisions of the FCPA are enforced primarily by the U.S. Department of Justice.

Compliance with the FCPA is expensive and difficult, particularly in countries in which corruption is a recognized problem. The failure to comply with laws governing international business practices may result in substantial penalties, including suspension or debarment from government contracting. Violation of the FCPA can result in significant civil and criminal penalties. Indictment alone under the FCPA can lead to suspension of the right to do business with the U.S. government until the pending claims are resolved. Conviction of a violation of the FCPA can result in long-term disqualification as a government contractor.

We are currently in the process of dissolving our WCMC subsidiary. Until such dissolution is complete, we will remain subject to Chinese laws that strictly prohibit bribery of government officials. Violations of Chinese anti-corruption laws may result in severe criminal or civil sanctions, and we may be subject to other liabilities, which could negatively affect our business, operating results and financial condition.

The termination of a government contract or customer relationship as a result of our failure to satisfy any of our obligations under laws governing international business practices would have a negative impact on our operations and harm our reputation and ability to procure government contracts. The SEC also may suspend or bar issuers from trading securities on U.S. exchanges for violations of the FCPA's accounting provisions.

**Item 1B. Unresolved Staff Comments.**

None.

**Item 2. Properties.**

We own approximately 145,000 square feet of office and manufacturing space under roof, situated on approximately 61 acres at 1 Bella Drive, Westminster, Massachusetts. Our current facilities in Westminster are adequate for our present operational requirements, with room for limited expansion. The manufacturing facilities include a fabrication plant and a machining plant, providing custom solutions through our core competencies in manufacturing engineering, materials management and traceability, fabrication, machining, assembly and testing, finishing and coating, and packaging. Our capabilities include 100+ ton crane capacity, 35 feet under hook, weld positioners up to 50 ton, 400+ approved weld procedures, multiple weld cells, stress relief ovens, blast rooms, and multiple precision machining centers. Our loans from Berkshire Bank are secured by a first lien on all personal and real property of Ranor, including our space in Westminster, Massachusetts.

**Item 3. Legal Proceedings.**

*Class Action Lawsuit*

On or about February 26, 2016, nine former employees, or plantiffs, of Ranor filed a complaint in the Massachusetts Superior Court, Worcester County, against Ranor and former and current executive officers of Ranor, alleging violations of the Massachusetts Wage Act, breach of contract and conversion based on a modification made to Ranor's personal time off policy. Plaintiffs claim that Ranor's modification to its personal time off, or PTO, policy in April 2014 caused these employees to forfeit earned PTO. Plaintiffs had sought relief in the form of monetary damages. Plaintiffs asserted their claims on behalf of a class of all current and former employees of Ranor who were affected by the modification to Ranor's PTO policy.

On March 16, 2020, the parties signed a Memorandum of Understanding wherein the parties agreed to a settlement of $495,000, to be paid within sixty (60) days following court approval of the settlement.

On March 15, 2021, the court approved the final class action settlement. As such, the plaintiffs' claims have been fully and finally dismissed, and the $495,000 payment to the plaintiffs' counsel was paid within 60 days, on May 10, 2021.

**Item 4. Mine Safety Disclosures**

Not applicable to the registrant.

**Item 4A. Executive Officers of the Registrant**

The following table sets forth certain information concerning our executive officers.

| Name | Age | Position |
|---|---|---|
| Alexander Shen | 59 | Chief Executive Officer |
| Thomas Sammons | 66 | Chief Financial Officer |

**Alexander Shen** was appointed Chief Executive Officer of TechPrecision on November 14, 2014. Since June 2014, Mr. Shen has served as President of our Ranor subsidiary, and he also serves as president of our WCMC subsidiary. Mr. Shen has experience in a broad range of industries including metal fabrication, automotive, contract manufacturing, safety and security, and industrial distribution. Prior to joining us, Mr. Shen served in 2013 as President of SIB Development and Consulting, a firm specializing in fixed, monthly cost reduction. Mr. Shen served as President of Tydenbrooks Security Products Group, a security products company, from July 2011 to December 2012. Mr. Shen served as President and Chief Executive Officer of Burgon Tool Steel Company between January 2009 and June 2011, and served as Chief Executive Officer of Ryerson Mexico & Vice President - International for Ryerson, Inc., a multi-national distributor and processor of metals, from 2007 to 2009. Mr. Shen was Division General Manager & Chief Operating Officer at Sumitomo Electric Group from 1998 to 2007, focused on automotive electrical and electronic products. Prior to 1998, he had a 10-year career at the Automotive Division of Alcoa Inc. with roles of increasing responsibility. Mr. Shen began his career with General Motors, moving to Chrysler, before joining Alcoa Inc. His career includes multiple international management roles in Japan, China, Mexico, and Europe, and he is fluent in the Chinese and Japanese languages and cultures. Mr. Shen holds a B.S. in Engineering from Michigan State University.

**Thomas Sammons** became our Chief Financial Officer in October 2015. Mr. Sammons has also served as Vice President, Finance, of our Ranor, Inc. subsidiary since March 9, 2015. Prior to joining TechPrecision, Mr. Sammons served as the financial controller of Xchanging Services, Inc., an international provider of technology-enabled business processing, technology and procurement services, from February 2012 through February 2015 and as international controller, and served as business unit controller at Ryerson, Inc., from May 2005 through January 2012. Mr. Sammons holds certifications as a Certified Management Accountant and a Certified Financial Manager and received his B.S. in Business Administration from SUNY, Empire State College and an M.B.A. from Cornell University.

There are no family relationships among any directors or executive officers.

# PART II

## Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

Our common stock is traded on the OTCQB Market under the symbol "TPCS". Any over-the-counter market quotations of the price of our common stock reflect inter-dealer prices, without retail mark-up, mark-down or commission and may not necessarily represent actual transactions.

As of May 24, 2021, we had approximately 1,435 record holders of our common stock. We were incorporated in 2005 and have never paid dividends on our common stock. Certain covenants in our Loan Agreement with Berkshire Bank prohibit us from paying dividends. We plan to retain future earnings, if any, for use in our business and do not anticipate paying dividends on our common stock in the foreseeable future.

### Securities Authorized for Issuance Under Equity Compensation Plans

Information regarding the securities authorized for issuance under our equity compensation plans can be found under Item 12 of this Annual Report on Form 10-K.

## Item 6. Selected Financial Data

As a smaller reporting company, we have elected not to provide the information required by this Item.

## Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

### Statement Regarding Forward Looking Disclosure

The following discussion of our financial condition and results of operations should be read in conjunction with our audited consolidated financial statements and the related notes, which appear elsewhere in this Annual Report on Form 10-K. This Annual Report on Form 10-K, including this section titled "Management's Discussion and Analysis of Financial Condition and Results of Operations," may contain predictive or "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. All statements other than statements of current or historical fact contained in this annual report, including statements that express our intentions, plans, objectives, beliefs, expectations, strategies, predictions or any other statements relating to our future activities or other future events or conditions are forward-looking statements. The words "anticipate," "believe," "continue," "could," "estimate," "expect," "intend," "may," "plan," "predict," "project," "will," "should," "would" and similar expressions, as they relate to us, are intended to identify forward-looking statements.

These forward-looking statements are based on current expectations, estimates and projections made by management about our business, our industry and other conditions affecting our financial condition, results of operations or business prospects. These statements are not guarantees of future performance and involve risks, uncertainties and assumptions that are difficult to predict. Therefore, actual outcomes and results may differ materially from what is expressed or forecasted in, or implied by, the forward-looking statements due to numerous risks and uncertainties. Factors that could cause such outcomes and results to differ include, but are not limited to, risks and uncertainties arising from:

- our reliance on individual purchase orders, rather than long-term contracts, to generate revenue;
- our ability to change the composition of our revenues and effectively control operating expenses;
- external factors, including the COVID-19 pandemic, that may be outside of our control;
- the impacts of the COVID-19 pandemic and government-imposed lockdowns in response thereto;
- the availability of appropriate financing facilities impacting our operations, financial condition and/or liquidity;
- our ability to receive contract awards through competitive bidding processes;
- our ability to maintain standards to enable us to manufacture products to exacting specifications;
- our ability to enter new markets for our services;
- our reliance on a small number of customers for a significant percentage of our business;
- competitive pressures in the markets we serve;
- changes in the availability or cost of raw materials and energy for our production facilities;
- operating in a single geographic location;
- restrictions in our ability to operate our business due to our outstanding indebtedness;
- government regulations and requirements;
- pricing and business development difficulties;
- changes in government spending on national defense;
- our ability to make acquisitions and successfully integrate those acquisitions with our business;
- general industry and market conditions and growth rates;
- the risk that the proposed acquisition of Stadco may not be completed in a timely manner or at all, which may adversely affect the Company's business and the price of Company's common stock;
- the failure of either party to satisfy any of the conditions to the consummation of the proposed acquisition of Stadco and uncertainties as to the timing of the consummation of the proposed acquisition;
- the occurrence of any event, change or other circumstance that could give rise to the termination of the securities purchase agreement governing the proposed acquisition of Stadco;
- the effect of the announcement or pendency of the proposed acquisition of Stadco on the Company's business relationships, operating results and business generally;
- risks related to diverting management's attention from the Company's ongoing business operations;
- unexpected costs, charges or expenses resulting from the proposed acquisition of Stadco; and
- those risks discussed in "Item 1A. Risk Factors" and elsewhere in this Annual Report on Form 10-K, as well as those described in any other filings which we make with the SEC.

Any forward-looking statements speak only as of the date on which they are made, and we undertake no obligation to publicly update or revise any forward-looking statements to reflect events or circumstances that may arise after the date of this Annual Report on Form 10-K, except as required by applicable law. Investors should evaluate any statements made by us in light of these important factors.

**Overview**

We offer a full range of services required to transform raw materials into precision finished products. Our manufacturing capabilities include: fabrication operations (cutting, press and roll forming, assembly, welding, heat treating, blasting and painting) and machining operations including CNC (computer numerical controlled) horizontal and vertical milling centers. We also provide support services to our manufacturing capabilities: manufacturing engineering (planning, fixture and tooling development, manufacturing), quality control (inspection and testing), materials procurement, production control (scheduling, project management and expediting) and final assembly.

All manufacturing is done in accordance with our written quality assurance program, which meets specific national and international codes, standards, and specifications. Ranor holds a certificate of authorization issued by the American Society of Mechanical Engineers and the National Board of Boiler and Pressure Vessel Inspectors. The standards used are specific to the customers' needs, and our manufacturing operations are conducted in accordance with these standards.

Because our revenues are derived from the sale of goods manufactured pursuant to a contract, and we do not sell from inventory, it is necessary for us to constantly seek new contracts. There may be a time lag between our completion of one contract and commencement of work on another contract. During such periods, we may continue to incur overhead expense but with lower revenue resulting in lower operating margins. Furthermore, changes in either the scope of an existing contract or related delivery schedules may impact the revenue we receive under the contract and the allocation of manpower. Although we provide manufacturing services for large governmental programs, we usually do not work directly for the government or its agencies. Rather, we perform our services for large governmental contractors. Our business is dependent in part on the continuation of governmental programs that require our services and products.

Our contracts are generated both through negotiation with the customer and from bids made pursuant to a request for proposal. Our ability to receive contract awards is dependent upon the contracting party's perception of such factors as our ability to perform on time, our history of performance, including quality, our financial condition and our ability to price our services competitively. Although some of our contracts contemplate the manufacture of one or a limited number of units, we continue to seek more long-term projects with predictable cost structures.

All of our sales were generated in the U.S. and we continue to experience customer concentration. For fiscal 2021, we had seven customers, who each generated in excess of $1.0 million in revenue for the Company, which accounted for approximately 89% of our revenue, in the aggregate. Our sales order backlog at March 31, 2021 was approximately $18.6 million compared with a backlog of $16.8 million at March 31, 2020.

For fiscal 2021, we recorded net sales and net income of $15.6 million and $0.3 million, respectively, compared with net sales of $16.0 million and net loss of $0.3 million, for fiscal 2020. Our gross margin for fiscal 2021 was 22.2% compared with gross margin of 19.6% in fiscal 2020. We generated $0.6 million of cash from operating activities in fiscal 2021 and had a cash balance of $2.1 million at March 31, 2021.

**Impact of COVID-19 Pandemic**

As discussed above (see "Business – COVID-19 Pandemic Update"), the COVID-19 pandemic and the government-imposed lockdowns have affected our business. On March 31, 2020, the Governor of the Commonwealth of Massachusetts, in which jurisdiction the Company's manufacturing and executive offices are located, issued an emergency order generally shutting down the economy. However, the Company had been designated as a provider of a "COVID-19 Essential Service" and, accordingly, has continued it operations during the pendency of the order, which was rescinded on May 18, 2020.

Over the course of fiscal year 2021 and up to the date of this Annual Report on Form 10-K, the COVID-19 pandemic has negatively affected the Company's customers, suppliers and labor force. With respect to customers, management has observed impacts from certain of its customers halting operations entirely for a period of time, shifting to remote work, and suspending on-site inspections – which delays customer acceptance of completed work, the making of milestone payments to us, and delivery of finished goods. The Company believes that the potential exists for other customer shutdowns or slowdowns to occur in the future. Management expects that the impact of the foregoing may negatively affect the Company's cash flows. With respect to suppliers, the Company has seen lead-times for delivery of certain critical supplies extended. Labor impacts have included a few issues related to employee attendance such as voluntary avoidance of work out of fear of contracting the coronavirus, certain employees becoming ill, and others self-quarantining as a result of potential exposure to other individuals with symptoms of COVID-19. Notwithstanding all of the above, this set of circumstances has had a minor impact on the Company's production levels, however if more employees were to become ill in the future, the Company could experience a more significant disruption.

Nevertheless, our production facilities continued to operate much as they had prior to the outbreak of the COVID-19 pandemic, other than the implementation of enhanced safety measures intended to prevent the spread of the virus. The remote working arrangements and travel restrictions imposed by applicable governmental authorities have not materially impaired our ability to maintain operations. Accordingly, our results of operations and cash flows during the fiscal year ended March 31, 2021 were not materially affected by the COVID-19 pandemic.

However, given the speed and frequency of continuously evolving developments with respect to this pandemic, the extent to which COVID-19 may adversely impact our business depends on future developments, which are highly uncertain and unpredictable, including new information concerning the severity of the outbreak and the effectiveness of actions globally to contain or mitigate its effects, we cannot reasonably estimate the magnitude of future impact on our financial condition and results of operations.

**Proposed Acquisition of Stadco**

In October 2020, we announced an agreement to purchase Stadco, a company that manufactures precision parts for the defense and aerospace industries. Incremental costs incurred for due diligence as a result of this agreement could impact earnings in future quarterly periods. Because of the size of this acquisition target relative to our business, following closing, we expect to report that our results of operations, cash flows and financial condition will differ materially from those reported to date. The acquisition agreement is subject to certain conditions, and may or may not be completed unless all of the conditions set forth in the agreement are completed. Failure to successfully integrate and realize the expected benefits of such acquisitions or to implement our acquisition strategy, including successfully integrating acquired businesses, could have an adverse effect on our business, financial condition and results of operations.

**Strategy**

We aim to establish our expertise in program and project management and develop and expand a repeatable customer business model in all of our markets. We concentrate our sales and marketing activities on customers under two main industry groups: defense and precision industrial. Our strategy is to leverage our core competence as a manufacturer of high-precision, large-scale metal fabrications and machined components to optimize profitability of our current business and expand with key customers in markets that have shown increasing demand.

*Defense*

Our Ranor subsidiary performs precision fabrication and machining for the defense and aerospace industries, delivering defense components meeting our customers' stringent design specifications, as well as quality and safety manufacturing standards specifically for defense component fabrication and machining. Ranor has in recent years delivered critical components in support of, among other projects, the U.S. Navy's Virginia-class fast attack submarine program and Columbia-class ballistic missile submarine program. In addition, the team at Ranor has successfully developed new, effective approaches to fabrication that continue to be utilized at our facility and at our customer's own defense component manufacturing facilities. We have endeavored to increase our business development efforts with large prime defense contractors. Based upon these efforts, we believe there are opportunities to secure additional business with existing and new defense contractors who are actively looking to increase outsourced content on certain defense programs over the next several years, especially in connection with the submarine programs. We believe that the military quality certifications Ranor maintains and its ability to offer fabrication and manufacturing services at a single facility position it as an attractive outsourcing partner for prime contractors looking to increase outsourced production. Sales to defense market customers have generated the largest proportion of our revenues for the last two fiscal years, and we expect sales to defense customers to be our strongest market during fiscal 2022 as well.

*Precision Industrial*

The customers within this market are impacted primarily by general economic conditions which may include changes in consumer consumption or demand for commercial construction for infrastructure. We serve a number of different customers in our precision industrial group.

For example, we manufacture large-scale medical device components for a customer in this group who installs their proprietary systems at certain medical institutions. In addition, we build components for customers in the power generation markets.

The power generation businesses among our energy market customers are impacted by pricing and demand for various forms of energy (e.g. coal, natural gas, oil, and nuclear). Our nuclear customers are typically dependent upon the need for new construction, maintenance, and overhaul and repair by nuclear energy providers. Also, changes in regulation may impact demand and supply. As such, we cannot assure that we will be able to develop any significant business from the nuclear industry. However, because of our manufacturing capabilities required to produce components for new nuclear power plants and our historic relationships with suppliers in the nuclear power industry, we believe that we are positioned to benefit from any increased demand in the nuclear sector.

**Critical Accounting Policies**

Our significant accounting policies are set forth in detail in Note 2 to the consolidated financial statements included under "*Item 8. Financial Statements and Supplementary Data*". We consider the policies relating to revenue recognition to be a critical accounting policy. There have been no significant changes to our critical accounting policies during the year ended March 31, 2021.

The preparation of the consolidated financial statements requires that we make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. We base our estimates on historical experience and various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. We continually evaluate our estimates, including those related to revenue recognition, inventories, recovery of long-lived assets, income taxes and the valuation of equity transactions. These estimates and assumptions require management's most difficult, subjective or complex judgments. Actual results may differ under different assumptions or conditions.

*Revenue and Related Cost Recognition*

Accounting Standards Codification Topic 606, or ASC 606, sets forth five steps for revenue recognition: identification of the contract, identification of any separate performance obligations in the contracts, determination of the transaction price, allocation of the transaction price to separate performance obligations, and revenue recognition when performance obligations are satisfied.

We recognize revenue over time based on the transfer of control of the promised goods or services to the customer, or at a point in time. This transfer will occur over time when the Company's performance does not create an asset that has an alternative use to the Company and we have an enforceable right to payment for performance completed to date. Otherwise, control to the promised goods or services transfers to customers at a point in time.

The majority of the Company's contracts have a single performance obligation and provide title to, or grant a security interest in, work-in-process to the customer. In addition, these contracts contain enforceable rights to payment, allowing the Company to recover both its cost and a reasonable margin on performance completed to date. The combination of these factors indicates that the customer controls the asset (and revenue is recognized) as the asset is created or enhanced. The Company measures progress for performance obligations satisfied over time using input methods (e.g., costs incurred, resources consumed, labor hours expended, time elapsed).

Under arrangements where the customer does not have title to, or a security interest in, the work-in-process, our evaluation of whether revenue should be recognized over time requires significant judgment about whether the asset has an alternative use and whether the entity has an enforceable right to payment for performance completed to date. When one or both of these factors is not present, the Company will recognize revenue at the point in time where control over the promised good or service transfers to the customer, i.e. when the customer has taken physical possession of the product the Company built for the customer.

When estimating contract costs, the Company takes into consideration a number of assumptions and estimates regarding risks related to technical requirements and scheduling. Management performs periodic reviews of the contracts to evaluate the underlying risks. Profit margin on any given project could increase if the Company is able to mitigate and retire such risks. Conversely, if the Company is not able to properly manage these risks, cost estimates may increase, resulting in a lower profit margin, or potentially, contract losses.

The cost estimation process requires significant judgment and is based upon the professional knowledge and experience of the Company's engineers, program managers, and financial professionals. Factors considered in estimating the work to be completed and ultimate contract recovery include the availability, productivity, and cost of labor, the nature and complexity of the work to be performed, the effect of change orders, the availability of materials, the effect of any delays in performance, the availability and timing of funding from the customer, and the recoverability of any claims included in the estimates to complete. Costs allocable to undelivered units are reported as work in process, a component of inventory, in the consolidated balance sheet. Pre-contract fulfillment costs requiring capitalization are not material.

Changes in job performance, job conditions, and estimated profitability are recognized in the period in which the revisions are determined. Costs incurred on uncompleted contracts consist of labor, overhead, and materials. Provisions for estimated losses on uncompleted contracts are made in the period in which such losses are determined.

*Income Taxes*

We provide for federal and state income taxes currently payable, as well as those deferred because of temporary differences between reporting income and expenses for financial statement purposes versus tax purposes. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between carrying amount of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Deferred tax assets and liabilities are measured using the enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recoverable. The effect of the change in the tax rates is recognized as income or expense in the period of the change. A valuation allowance is established, when necessary, to reduce deferred income taxes to the amount that is more likely than not to be realized.

In assessing the recoverability of deferred tax assets, we consider whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. If we determine that it is more likely than not that certain future tax benefits may not be realized, a valuation allowance will be recorded against deferred tax assets that are unlikely to be realized. Realization of the remaining deferred tax assets will depend on the generation of sufficient taxable income in the appropriate jurisdiction, the reversal of deferred tax liabilities, tax planning strategies and other factors prior to the expiration date of the carryforwards. A change in the estimates used to make this determination could require a reduction in the valuation allowance for deferred tax assets if they become realizable.

As of March 31, 2021, our federal net operating loss carryforward was approximately $7.3 million. U.S. tax laws limit the time during which these carryforwards may be applied against future taxes.

The Company has recorded a net deferred tax asset of $1.9 million, which includes the benefit of $2.2 million in loss carryforwards. Realization is dependent on generating sufficient taxable income prior to the expiration of the loss carryforwards. Although the realization is not assured, management believes it is more likely than not that the deferred tax assets will be realized. The amount of the deferred tax asset considered realizable, however, could be reduced in the near term if estimates of future taxable income during the carryforward period are reduced.

**Accounting Pronouncements**

*New Accounting Standards*

See Note 3, Accounting Standards Update, in the Notes to the Consolidated Financial Statements under "*Item 8. Financial Statements and Supplementary Data*", for a discussion of recently adopted new accounting guidance and new accounting guidance not yet adopted.

**Results of Operations**

Our results of operations are affected by a number of external factors including the availability of raw materials, commodity prices (particularly steel), macroeconomic factors, including the availability of capital that may be needed by our customers, and political, regulatory and legal conditions in the United States and in foreign markets. Generally, our product mix is made up of short-term contracts with a production timeline of twelve months, more or less. However, contracts for larger complex components can take up to thirty-six months to complete. Units manufactured under the majority of our customer contracts have historically been delivered on time and with a positive gross margin, with some exceptions. Our results of operations are also affected by our success in booking new contracts, the timing of revenue recognition, delays in customer acceptances of our products, delays in deliveries of ordered products and our rate of progress fulfilling obligations under our contracts. A delay in deliveries or cancellations of orders could have an unfavorable impact on liquidity, cause us to have inventories in excess of our short-term needs, and delay our ability to recognize, or prevent us from recognizing, revenue on contracts in our order backlog.

**Key Performance Indicators**

While we prepare our financial statements in accordance with U.S. generally accepted accounting principles, or U.S. GAAP, we also utilize and present certain financial measures that are not based on or included in U.S. GAAP. We refer to these as Non-GAAP financial measures. Please see the section titled "*EBITDA Non-GAAP financial measure*" below for further discussion of these financial measures, including the reasons why we use such financial measures and reconciliations of such financial measures to the most directly comparable U.S. GAAP financial measures.

**Fiscal Years Ended March 31, 2021 and 2020**

The following table sets forth information from our Consolidated Statements of Operations and Comprehensive Income (Loss), in dollars and as a percentage of revenue:

| | 2021 | | 2020 | | Changes | |
|---|---|---|---|---|---|---|
| ***(dollars in thousands)*** | **Amount** | **Percent** | **Amount** | **Percent** | **Amount** | **Percent** |
| Net sales | $ 15,596 | 100% | $ 16,007 | 100% | $ (411) | (3)% |
| Cost of sales | 12,132 | 78% | 12,868 | 80% | (736) | (6)% |
| Gross profit | 3,464 | 22% | 3,139 | 20% | 325 | 10% |
| Selling, general and administrative | 2,841 | 18% | 2,786 | 17% | 55 | 2% |
| Provision for claims | -- | --% | 495 | 3% | (495) | (100)% |
| Operating income (loss) | 623 | 4% | (142) | (1)% | 765 | 539% |
| Other expense, net | (197) | (1)% | (273) | (2)% | 76 | 28% |
| Income (loss) before taxes | 426 | 3% | (415) | (3)% | 841 | 203% |
| Provision (benefit) for income taxes | 105 | 1% | (73) | (1)% | 178 | 244% |
| Net income (loss) | $ 321 | 2% | $ (342) | (2)% | $ 663 | 194% |

**Net Sales**

Net sales were $15.6 million for fiscal 2021, or 3% lower when compared to net sales for fiscal 2020 of $16.0 million. Net sales in defense markets decreased by $0.7 million when compared to fiscal 2020, however, our defense backlog remains strong as new orders for components continue to flow down from our existing customer base of prime defense contractors. Net sales to industrial markets increased by $0.3 million when compared with fiscal 2020 as a sales increase to nuclear energy customers more than offset a decrease in sales to medical markets. We have experienced repeat business in the industrial markets, but the order flow can be uneven and difficult to forecast.

The Company records most of its revenue over time as it completes performance obligations. We measure progress for performance obligations satisfied over time using input methods (e.g., labor hours expended and time elapsed). Fiscal 2021 revenue recognized over time was $12.9 million, an increase of 2% when compared to fiscal 2020. Fiscal 2021 revenue recognized over time was generated by a favorable product mix that included more customer projects with profitable gross margins, consuming actual labor hours that were in-line with estimates to complete.

Remaining performance obligations reflect future revenue that will be recorded in subsequent periods as projects in progress are completed. At March 31, 2021, the Company had a backlog of $18.6 million, an increase of $1.8 million when compared with March 31, 2020.

**Cost of Sales and Gross Margin**

Gross profit was $3.5 million for the fiscal year ended March 31, 2021, or 10% higher when compared to the fiscal year ended March 31, 2020. Gross margin was 22.1% for the period ended March 31, 2021 and 19.6% for the period ended March 31, 2020.

Cost of sales consists primarily of raw materials, parts, labor, overhead and subcontracting costs. Our cost of sales for the fiscal year ended March 31, 2021 were $0.7 million lower when compared to the fiscal year ended March 31, 2020. The decrease in cost of sales was the result of lower contract losses and lower material costs offset in part by an increase in under-applied overhead.

In fiscal 2020, our cost of sales included an increase in expense of $1.0 million for losses on certain customer projects, which dampened gross profit and gross margin for the prior year period. The fiscal 2020 period was also marked by a higher number of new project startup activities, and more labor hours allocated to less profitable projects.

**Selling, General and Administrative Expenses**

Total selling, general and administrative expenses for the fiscal year ended March 31, 2021 increased by $55,549 as increases in expenses for share-based compensation, employee benefits, and office costs more than offset a decrease in professional fees and travel expenses due to the COVID-19 travel restrictions.

**Provision for Claims Settlement**

In fiscal 2020, we agreed to settle all outstanding claims for $495,000 under a civil class action brought by former employees against the Company for past wages claimed under a paid time-off program. The settlement was paid out in the first quarter of fiscal 2022. The Company was released from all claims raised in this litigation under the Massachusetts Wage Act.

**Other Expense, net**

Interest expense was lower for the fiscal year ended March 31, 2021 when compared to the fiscal year ended March 31, 2020, and should continue to remain at current levels, barring any additional borrowings for working capital purposes under our revolving credit facility, or any new credit facility to meet our changing capital resource needs. Debt issue costs decreased as certain costs were retired in connection with amendments to the existing Berkshire loan agreement. Fiscal 2020 included a gain from the sale of retired machinery for $16,000. The following table presents costs for the fiscal years ended March 31:

| | 2021 | 2020 | $ Change | % Change |
|---|---|---|---|---|
| Other income, net | $ 4,600 | $ 22,750 | $ (18,150) | (80)% |
| Interest expense | $ (150,938) | $ (236,574) | $ 85,636 | 36% |
| Amortization of debt issue costs | $ (51,399) | $ (59,502) | $ 8,103 | 14% |

**Provision for Income Taxes**

For fiscal year 2021 the Company recorded tax expense of $104,880. In fiscal 2020, the Company recorded a tax benefit of $73,041. The fiscal 2021 tax expense was driven by certain reversing temporary differences, which reduced the amount of deferred tax assets.

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 and carryforwards are expected to be recovered or settled. The valuation allowance on deferred tax assets at March 31, 2021 was approximately $1.7 million. We believe that it is more likely than not that the benefit from certain state and foreign NOL carryforwards and other deferred tax assets will not be realized. In recognition of this risk, we continue to provide a valuation allowance on these items. In the event future taxable income is below management's estimates or is generated in tax jurisdictions different than projected, the Company could be required to increase the valuation allowance for deferred tax assets. This would result in an increase in the Company's effective tax rate.

**Net Income (Loss)**

As a result of the foregoing, for fiscal 2021, we recorded net income of $0.3 million, or $0.01 per share basic and fully diluted, compared with net loss of $0.3 million, or $0.01 per share basic and fully diluted in fiscal 2020.

**Liquidity and Capital Resources**

At March 31, 2021, we had cash and cash equivalents of $2.1 million and working capital of $5.2 million. We believe our available cash plus cash expected to be provided by operations during fiscal 2022, and borrowing capacity available under the Revolver Loan will be sufficient to fund our operations, capital expenditures and principal and interest payments under our debt obligations through the 12 months from the issuance date of our financial statements. However, following the closing of the potential acquisition of Stadco, or in connection therewith, we may need to reevaluate our financing needs in light of the significant changes we expect to the combined Company's capital resource needs. As a result, we may decide to seek new debt and/or equity financing.

The table below presents selected liquidity and capital measures at the fiscal years ended:

| *(dollars in thousands)* | **March 31, 2021** | **March 31, 2020** | **Change Amount** |
|---|---|---|---|
| Cash and cash equivalents | $ 2,131 | $ 931 | $ 1,200 |
| Working capital | $ 5,202 | $ 5,595 | $ (393) |
| Total debt | $ 3,829 | $ 2,587 | $ 1,242 |
| Total stockholders' equity | $ 9,942 | $ 9,469 | $ 473 |

The next table summarizes changes in cash by primary component in the cash flows statements for the fiscal years ended:

| *(dollars in thousands)* | **March 31, 2021** | **March 31, 2020** | **Change Amount** |
|---|---|---|---|
| Operating activities | $ 636 | $ 677 | $ (41) |
| Investing activities | (608) | (40) | (568) |
| Financing activities | 1,172 | (1,743) | 2,915 |
| Net increase (decrease) in cash | $ 1,200 | $ (1,106) | $ 2,306 |

*Operating activities*

Our primary sources of cash are from accounts receivable collections, customer advance payments and project progress payments. Our customers make advance payments and progress payments under the terms of each manufacturing contract. Our cash flows can fluctuate significantly from period to period as the composition of our receivables collections mix changes between advance payments and customer payments made after shipment of finished goods.

Cash provided by operations for fiscal 2021 was $0.6 million. Favorable timing with customer advance payments and progress payments resulted in higher amounts of cash generated in the fourth quarter of fiscal 2021. Fiscal 2020 was marked by an increase in customer project activity which resulted in $0.7 million of cash provided by operations.

*Investing activities*

We invested approximately $0.6 million in new factory machinery and equipment in fiscal 2021, and we estimate that we will spend approximately $1.1 million for new machinery and equipment in fiscal 2022. In fiscal 2020, we expended approximately $40,000 for new factory machinery and equipment.

*Financing activities*

On May 8, 2020 we borrowed $1.3 million under the CARES Act payroll protection program. On April 3, 2020 we borrowed $1.0 million under our Revolver loan, then paid down $1.0 million in principal on June 30, 2020.

For the fiscal year ended March 31, 2021 we made principal payments of $0.1 million in connection with our term debt and finance lease obligations.

In fiscal 2020, we used $1.6 million to repay in full Ranor's indebtedness under a capital equipment loan with People's Capital and Leasing Corp. In addition, we used $0.1 million for monthly principal payments in connection with our other debt obligations.

All of the above activity resulted in a net increase in cash of $1.2 million in fiscal 2021 compared with a decrease in cash of $1.1 million in fiscal 2020.

*Small Business Administration Loan*

On May 8, 2020, the Company, through Ranor, issued a promissory note, or the Note, evidencing an unsecured loan in the amount of $1,317,100 made to Ranor under the Paycheck Protection Program, or the PPP. The PPP was established under the CARES Act, and is administered by the U.S. Small Business Administration, or the SBA. The loan to Ranor was made through Berkshire Bank.

The Note provides for an interest rate of 1.00% per year and matures two years after the issuance date. Principal and accrued interest are payable monthly in equal installments commencing on the date that is approximately six months after the date funds are first disbursed on the loan and continuing through the maturity date, unless the Note is forgiven as described below. To be available for loan forgiveness, the Note may only be used for payroll costs, costs related to certain group health care benefits and insurance premiums, rent payments, utility payments, mortgage interest payments and interest payments on any other debt obligation that existed before February 15, 2020. The Note may be prepaid at any time prior to maturity with no prepayment penalties and contains events of default and other conditions customary for a Note of this type.

Under the terms of the CARES Act, PPP loan recipients can apply for and be granted forgiveness for all or a portion of loan granted under the PPP, with such forgiveness to be determined, subject to limitations, based on the use of the loan proceeds for payment of payroll costs, certain group health care benefits and insurance premiums, and any payments of mortgage interest, rent, and utilities. The terms of any forgiveness may also be subject to further requirements in any regulations and guidelines the SBA may adopt. While the Company currently believes that its use of the Note proceeds will meet the conditions for forgiveness under the PPP, no assurance is provided that the Company will obtain forgiveness of the Note in whole or in part.

On June 5, 2020, the PPP was amended to give borrowers more time to spend loan proceeds and still obtain loan forgiveness. The amendments extended the length of the covered period as defined in the CARES Act from eight to twenty-four weeks, while allowing borrowers that received PPP loans before June 5, 2020 to elect to use the original eight-week covered period. In addition, the amendments provide that if the borrower does not apply for forgiveness of a loan within ten months after the last day of the covered period, the PPP loan is no longer deferred and the borrower must begin paying principal and interest. The Company applied for loan forgiveness within the ten month period on March 26, 2021.

On May 12, 2021, the SBA remitted to Berkshire Bank, the lender of record of the PPP loan, a payment of principal and interest in the amounts of $1,317,000 and $13,207, respectively, for forgiveness of the Company's PPP loan. The funds credited to the PPP loan pay this loan off in full.

*Berkshire Bank Loan Facility*

On December 21, 2016, TechPrecision, through Ranor, closed on a Loan Agreement with Berkshire Bank. Pursuant to the Berkshire Loan Agreement, Berkshire Bank made a term loan to Ranor in the amount of $2,850,000, or the Term Loan, and made available to Ranor a revolving line of credit of $1,000,000, or the Revolver Loan. As amended, the Term Loan matures on December 20, 2021, with a balloon payment of approximately $2.4 million due under the terms of the Term Loan with Berkshire Bank. We anticipate that we will be able to refinance that debt with Berkshire Bank.

On December 23, 2019, TechPrecision, through Ranor, entered into a Third Modification to Loan Agreement, and an Amended and Restated Promissory Note with Berkshire Bank. Under the Third Modification, Ranor and Berkshire agreed to increase the maximum principal amount available under the Revolver Loan from $1,000,000 to $3,000,000.

The Company borrowed $1.0 million under the Revolver Loan on April 3, 2020 and repaid that principal on June 30, 2020. There were no borrowed amounts outstanding under the Revolver Loan at March 31, 2021 and March 31, 2020. Interest-only payments on advances made under the Revolver Loan during the twelve months ended March 31, 2021 totaled $6,664 at a weighted average interest rate of 2.67%.

On December 18, 2020, under the Fourth Modification, Ranor and Berkshire Bank agreed to revise the minimum interest rate payable on the Revolver Loan. Under the Line of Credit Note, the Company can elect to pay interest at an adjusted LIBOR-based rate or an Adjusted Prime Rate. Under the Fourth Modification, the minimum adjusted LIBOR-based rate is 2.75% and the Adjusted Prime Rate is the greater of (i) the Prime Rate minus 70 basis points or (ii) 2.75%. Interest-only payments on advances made under the Revolver Loan will continue to be payable monthly in arrears. The maturity date of the Revolver Loan was also extended to December 20, 2022. All other material terms of the Loan Agreement and Line of Credit Note were unchanged. Unused borrowing capacity at March 31, 2021 was $2.7 million.

The following table sets forth information as of March 31, 2021 as to our contractual obligations:

| *(dollars in thousands)* Contractual Obligations | Payments due by period Total | Less than 1 Year | 1-3 Years | 3-5 Years | After 5 Years |
|---|---|---|---|---|---|
| Debt obligations *(1)* | $ 3,829 | $ 3,792 | $ 27 | $ 10 | $ - |
| Interest on debt | 114 | 112 | 2 | - | - |
| Employee compensation | 496 | 496 | - | - | - |
| Purchase obligations | 1,286 | 1,286 | - | - | - |
| Claims settlement | 495 | 495 | - | - | - |
| Total | $ 6,220 | $ 6,181 | $ 29 | $ 10 | $ - |

*(1) Includes the finance lease and the PPP loan for $1,317 which was forgiven by the SBA in May 2021.*

**Off-Balance Sheet Arrangements**

We do not currently have, and have not had during the fiscal year ended March 31, 2021, any off-balance sheet assets, liabilities or arrangements.

**EBITDA Non-GAAP Financial Measure**

To complement our consolidated statements of operations and comprehensive income and consolidated statements of cash flows, we use EBITDA, a non-GAAP financial measure. Net income is the financial measure calculated and presented in accordance with U.S. GAAP that is most directly comparable to EBITDA. We believe EBITDA provides our board of directors, management and investors with a helpful measure for comparing our operating performance with the performance of other companies that have different financing and capital structures or tax rates. We also believe that EBITDA is a measure frequently used by securities analysts, investors and other interested parties in the evaluation of companies in our industry, and is a measure contained in our debt covenants. However, while we consider EBITDA to be an important measure of operating performance, EBITDA and other non-GAAP financial measures have limitations, and investors should not consider them in isolation or as a substitute for analysis of our results as reported under GAAP.

We define EBITDA as net income plus interest, income taxes, depreciation and amortization. Net income was $0.3 million for the fiscal year ended March 31, 2021, as compared to net loss of $0.3 million for the year ended March 31, 2020. EBITDA, a non-GAAP financial measure, was $1.3 million for the year ended March 31, 2021, as compared to $0.6 million for the year ended March 31, 2020. The following table provides a reconciliation of EBITDA to net income, the most directly comparable GAAP measure reported in our consolidated financial statements for the fiscal years ended:

| *(dollars in thousands)* | March 31, 2021 | March 31, 2020 | Change Amount |
|---|---|---|---|
| Net income (loss) | $ 321 | $ (342) | $ 663 |
| Income tax provision (benefit) | 105 | (73) | 178 |
| Interest expense *(1)* | 202 | 296 | (94) |
| Depreciation | 704 | 718 | (14) |
| EBITDA | $ 1,332 | $ 599 | $ 733 |

*(1) Includes amortization of debt issue costs.*

**Item 7A. Quantitative and Qualitative Disclosure About Market Risk.**

As a smaller reporting company, we have elected not to provide the information required by this Item.

**Item 8. Financial Statements and Supplementary Data.**

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Audit Committee of the
Board of Directors and Stockholders
of TechPrecision Corporation

**Opinion on the Financial Statements**

We have audited the accompanying consolidated balance sheets of TechPrecision Corporation (the “Company”) as of March 31, 2021 and 2020, the related consolidated statements of operations and comprehensive income (loss), stockholders’ equity and cash flows for each of the two years in the period ended March 31, 2021 and the related notes (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of March 31, 2021 and 2020 and the results of its operations and its cash flows for each of the two years in the period ended March 31, 2021, in conformity with accounting principles generally accepted in the United States of America.

**Basis for Opinion**

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB and in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provides a reasonable basis for our opinion.

**Critical Audit Matter**

The critical audit matter communicated below is a matter arising from the current period audit of the financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

As described in Note 2 of the consolidated financial statements, for those long-term fixed-price contracts for which control transfers over time, revenue is recognized based on the extent of progress towards completion of the performance obligation. The Company measures progress for performance obligations satisfied over time using input methods such as costs incurred, resources consumed, labor hours expended, and/or time elapsed. The estimation of progress toward completion is subject to assumptions and variables and requires significant judgment. Auditing the Company’s estimate of total expected contract costs and effort necessary to completion is especially challenging due to the judgmental and subjective nature of the estimation of costs to complete, including material, labor and subcontracting costs, among others, unique to each revenue arrangement. Revisions in contract estimates can materially affect the Company’s operating results.

We obtained an understanding of and evaluated the Company’s revenue recognition review procedures. To test the estimate of expected contract costs to complete and effort necessary to completion, our audit procedures included, among others, testing significant components of the estimate noted above, assessing the completeness of the cost estimates, reviewing changes in the estimates from previous periods and testing underlying data used by management. Further, our procedures included discussing project status with operations and finance management responsible for managing the contractual arrangements; inspecting evidence to support the assumptions made by management; evaluating the key assumptions utilized in development of the expected contract costs to complete the arrangement; and performing look-back procedures to assess previous estimates as well as performance on similar arrangements. We also reviewed documentation of management’s estimates as well as continued progress on open arrangements through the reporting date for evidence of changes that would affect estimates as of the balance sheet date.

/s/ Marcum LLP

We have served as the Company’s auditor since 2013.
Philadelphia, Pennsylvania
June 10, 2021

**TECHPRECISION CORPORATION**
**CONSOLIDATED BALANCE SHEETS**

| | March 31, 2021 | March 31, 2020 |
|---|---|---|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | $ 2,130,711 | $ 930,856 |
| Accounts receivable | 608,059 | 990,300 |
| Contract assets | 5,532,408 | 4,504,621 |
| Raw materials | 503,636 | 561,572 |
| Work-in-process | 767,520 | 656,041 |
| Other current assets | 379,437 | 606,151 |
| Total current assets | 9,921,771 | 8,249,541 |
| Property, plant and equipment, net | 4,063,209 | 4,182,861 |
| Deferred income taxes | 1,934,415 | 2,115,480 |
| Other noncurrent assets, net | 84,624 | 32,600 |
| Total assets | $ 16,004,019 | $ 14,580,482 |
| LIABILITIES AND STOCKHOLDERS' EQUITY: | | |
| Current liabilities: | | |
| Accounts payable | $ 500,848 | $ 185,065 |
| Accrued expenses | 1,526,270 | 1,554,524 |
| Contract liabilities | 218,152 | 805,049 |
| Current portion of long-term debt | 2,474,963 | 109,829 |
| Total current liabilities | 4,720,233 | 2,654,467 |
| Long-term debt, including finance lease | 1,341,938 | 2,456,560 |
| Commitments and contingent liabilities (see Note 14) | | |
| Stockholders' Equity: | | |
| Common stock - par value $.0001 per share, 90,000,000 shares authorized, 29,498,662 and 29,354,594 shares issued and outstanding at March 31, 2021 and 2020 | 2,949 | 2,935 |
| Additional paid in capital | 8,944,660 | 8,793,062 |
| Accumulated other comprehensive income | 21,838 | 21,688 |
| Retained earnings | 972,401 | 651,770 |
| Total stockholders' equity | 9,941,848 | 9,469,455 |
| Total liabilities and stockholders' equity | $ 16,004,019 | $ 14,580,482 |

See accompanying notes to the consolidated financial statements.

**TECHPRECISION CORPORATION**
**CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)**

| | Years ended March 31, | |
|---|---|---|
| | **2021** | **2020** |
| Net sales | $ 15,595,558 | $ 16,007,288 |
| Cost of sales | 12,131,274 | 12,868,086 |
| Gross profit | 3,464,284 | 3,139,202 |
| Selling, general and administrative | 2,841,036 | 2,785,486 |
| Provision for claims settlement | -- | 495,000 |
| Income (loss) from operations | 623,248 | (141,284) |
| Other income | 4,600 | 22,750 |
| Interest expense | (202,337) | (296,076) |
| Total other expense, net | (197,737) | (273,326) |
| Income (loss) before income taxes | 425,511 | (414,610) |
| Provision (benefit) for income taxes | 104,880 | (73,041) |
| Net income (loss) | $ 320,631 | $ (341,569) |
| Other comprehensive income (loss) before tax: | | |
| Foreign currency translation adjustments | 150 | (252) |
| Other comprehensive income (loss), net of tax | 150 | (252) |
| Comprehensive income (loss) | $ 320,781 | $ (341,821) |
| Net income (loss) per share – basic | $ 0.01 | $ (0.01) |
| Net income (loss) per share – diluted | $ 0.01 | $ (0.01) |
| Weighted average number of shares outstanding – basic | 29,447,085 | 29,258,692 |
| Weighted average number of shares outstanding – diluted | 31,035,355 | 29,258,692 |

See accompanying notes to the consolidated financial statements.

**TECHPRECISION CORPORATION**
**CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY**

| | Common Stock Outstanding | Par Value | Additional Paid in Capital | Accumulated Other Comprehensive Income (Loss) | Retained Earnings | Total Stockholders' Equity |
|---|---|---|---|---|---|---|
| Balance 3/31/2019 | 29,234,594 | $ 2,923 | $ 8,693,106 | $ 21,940 | $ 993,339 | $ 9,711,308 |
| Stock based compensation | | | 90,917 | | | 90,917 |
| Restricted stock award | 100,000 | 10 | (10) | | | -- |
| Shares issued under long-term incentive plan | 20,000 | 2 | 7,198 | | | 7,200 |
| Related party stock transaction | | | 1,851 | | | 1,851 |
| Net income | | | | | (341,569) | (341,569) |
| Foreign currency translation adjustment | | | | (252) | | (252) |
| Balance 3/31/2020 | 29,354,594 | $ 2,935 | $ 8,793,062 | $ 21,688 | $ 651,770 | $ 9,469,455 |
| Stock based compensation | | | 179,917 | | | 179,917 |
| Restricted stock award | 100,000 | 10 | (10) | | | -- |
| Shares issued under long-term incentive plan | 44,068 | 4 | (4) | | | -- |
| Taxes on exercised options | | | (28,305) | | | (28,305) |
| Net income | | | | | 320,631 | 320,631 |
| Foreign currency translation adjustment | | | | 150 | | 150 |
| Balance 3/31/2021 | 29,498,662 | $ 2,949 | $ 8,944,660 | $ 21,838 | $ 972,401 | $ 9,941,848 |

See accompanying notes to the consolidated financial statements.

**TECHPRECISION CORPORATION**
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

| | Years Ended March 31, | |
|---|---|---|
| | **2021** | **2020** |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net income (loss) | $ 320,631 | $ (341,569) |
| Adjustments to reconcile net income (loss) to net cash provided by operating activities: | | |
| Depreciation | 704,049 | 717,579 |
| Amortization of debt issue costs | 51,399 | 59,502 |
| Gain on disposal of equipment | (1,425) | -- |
| Stock based compensation expense | 179,917 | 90,917 |
| Change in contract loss provision | (121,316) | 227,688 |
| Deferred income taxes | 181,065 | (73,041) |
| Provision for claims settlement | -- | 495,000 |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | 382,241 | 20,143 |
| Contract assets | (1,027,787) | (113,789) |
| Inventories | (53,542) | 22,702 |
| Other current assets | 226,714 | (146,185) |
| Accounts payable | 315,783 | (424,017) |
| Accrued expenses | 65,018 | 77,747 |
| Contract liabilities | (586,897) | 64,102 |
| Net cash provided by operating activities | 635,850 | 676,779 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchases of property, plant and equipment | (546,890) | (39,831) |
| Proceeds from sale of fixed assets | 9,582 | -- |
| Deposit for fixed assets | (70,623) | -- |
| Net cash used in investing activities | (607,931) | (39,831) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Proceeds from stock transactions | -- | 9,051 |
| Proceeds from revolver loan | 1,000,000 | -- |
| Repayment of revolver loan | (1,000,000) | -- |
| Deferred loan costs | (24,610) | (41,628) |
| Proceeds from payroll protection program loan | 1,317,100 | -- |
| Repayment of long-term debt | (120,441) | (1,710,500) |
| Net cash provided by (used in) financing activities | 1,172,049 | (1,743,077) |
| Effect of exchange rate on cash and cash equivalents | (113) | 339 |
| Net increase (decrease) in cash and cash equivalents | 1,199,855 | (1,105,790) |
| Cash and cash equivalents, beginning of period | 930,856 | 2,036,646 |
| Cash and cash equivalents, end of period | $ 2,130,711 | $ 930,856 |
| SUPPLEMENTAL DISCLOSURES OF CASH FLOWS INFORMATION | | |
| Cash paid during the year for: | | |
| Interest | $ 135,320 | $ 232,492 |

See accompanying notes to the consolidated financial statements.

**SUPPLEMENTAL INFORMATION - NONCASH INVESTING AND FINANCING TRANSACTIONS:**

**Year Ended March 31, 2021**

On March 31, 2021, the Company entered into a new finance lease agreement for certain copy and print equipment for $45,663, which is included in property, plant and equipment, net on the balance sheet.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### NOTE 1 - DESCRIPTION OF BUSINESS

TechPrecision Corporation, or TechPrecision, is a Delaware corporation organized in February 2005 under the name Lounsberry Holdings II, Inc. The name was changed to TechPrecision Corporation on March 6, 2006. TechPrecision is the parent company of Ranor, Inc., or Ranor, Stadco New Acquisition, LLC, and Wuxi Critical Mechanical Components Co., Ltd., or WCMC, a wholly foreign owned enterprise. WCMC has no customers or operations, and we have initiated a plan of termination to legally dissolve this subsidiary. TechPrecision, WCMC, Stadco New Acquisition, LLC, and Ranor are collectively referred to as the “Company”, “we”, “us” or “our”.

We manufacture large-scale metal fabricated and machined precision components and equipment. These products are used in a variety of markets including defense and aerospace, nuclear, medical, and precision industrial. We consider our business to consist of one segment - metal fabrication and precision machining. All of our operations and customers are located in the United States.

### NOTE 2 - BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

*Basis of Presentation and Consolidation* - The accompanying consolidated financial statements include the accounts of TechPrecision, WCMC, Stadco New Acquisition, LLC and Ranor. Intercompany transactions and balances have been eliminated in consolidation.

*Use of Estimates in the Preparation of Financial Statements* - In preparing the consolidated financial statements in conformity with generally accepted accounting principles in the United States, or U.S. 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 consolidated financial statements and revenues and expenses during the reported period. We continually evaluate our estimates, including those related to contract accounting, accounts receivable, inventories, the recovery of long-lived assets, income taxes and the valuation of equity transactions. We base our estimates on historical and current experiences and on various other assumptions that we believe to be reasonable under the circumstances. Actual results could differ from those estimates.

*Cash and cash equivalents* - Holdings of highly liquid investments with maturities of three months or less, when purchased, are considered to be cash equivalents. Our deposit and money market accounts are maintained in a large U.S. regional bank.

*Accounts receivable and allowance for doubtful accounts* - Accounts receivable are comprised of amounts billed and currently due from customers. Accounts receivable are amounts related to any unconditional right the Company has to receive consideration and are presented as accounts receivables in the consolidated balance sheets. We maintain allowances for doubtful accounts for estimated losses resulting from the inability of our customers to make required payments. Management considers the following factors when determining the collectability of specific customer accounts: customer credit-worthiness, past transaction history with the customer, current industry trends, and changes in customer payment terms. Based on management’s assessment, we provide for estimated uncollectible amounts through a charge to earnings and a credit to a valuation allowance. Balances which remain outstanding after reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. Historically, the level of uncollectible accounts has not been significant. There was no bad debt expense recorded for the years ended March 31, 2021 and 2020.

*Inventories* - Work-in-process and raw materials are stated at the lower of cost or net realizable value. Cost is determined by the first-in, first-out (FIFO) method.

*Contract Assets* - Contract assets represent the Company’s rights to consideration for work completed but not billed as of the reporting date when the right to payment is not just subject to the passage of time. The amount of contract assets recorded in the consolidated balance sheet reflects revenue recognized on contracts less associated advances and progress billings. These amounts are billed in accordance with the agreed-upon contract terms or upon achievement of contract milestones.

*Property, plant and equipment, net* - Property, plant and equipment are recorded at cost less accumulated depreciation and amortization. Depreciation and amortization are accounted for on the straight-line method based on estimated useful lives. The amortization of leasehold improvements is based on the shorter of the lease term or the useful life of the improvement. Amortization of assets recorded under capital leases is included in depreciation expense. Betterments and large renewals, which extend the life of the asset, are capitalized whereas maintenance and repairs and small renewals are expensed as incurred. The estimated useful lives are: machinery and equipment, 5-15 years; buildings, 30 years; and leasehold improvements, 2-5 years. Upon sale or retirement of machinery and equipment, costs and related accumulated depreciation are eliminated and gains or losses are recognized in the statement of operations.

Interest is capitalized for assets that are constructed or otherwise produced for our own use, including assets constructed or produced for us by others for which deposits or progress payments have been made. Interest is capitalized to the date the assets are available and ready for use. When an asset is constructed in stages, interest is capitalized for each stage until it is available and ready for use. We use the interest rate incurred on funds borrowed specifically for the project. The capitalized interest is recorded as part of the asset to which it relates and is amortized over the asset's estimated useful life.

In accordance with Accounting Standards Codification (ASC) 360, *Property, Plant & Equipment*, our property, plant and equipment is tested for impairment when triggering events occur and, if impaired, written-down to fair value based on either discounted cash flows or appraised values. The carrying amount of an asset or asset group is not recoverable if it exceeds the sum of the undiscounted cash flows expected to result from the use and eventual disposition of the asset or asset group.

*Debt Issuance Costs* - Costs incurred in connection with obtaining financing for long-term debt are capitalized and presented as a reduction of the carrying amount of the related debt. Costs incurred in connection with obtaining financing for revolving credit facilities and lines of credit are capitalized and presented as other noncurrent assets. Loan acquisition costs are being amortized using the effective interest method over the term of the loan.

*Contract Liabilities* - Contract liabilities are comprised of advance payments, billings in excess of revenues, and deferred revenue amounts. Such advances are not generally considered a significant financing component because they are utilized to pay for contract costs within a one year period. Contract liability amounts are recognized as revenue once control over the underlying performance obligation has transferred to the customer.

*Fair Value Measurements* - We account for fair value of financial instruments in accordance with ASC 820, *Fair Value Measurement*, which defines fair value and establishes a framework to measure fair value and the related disclosures about fair value measurements. The fair value of a financial instrument is the amount that could be received upon the sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Financial assets are marked to bid prices and financial liabilities are marked to offer prices. Fair value measurements do not include transaction costs. The Financial Accounting Standards Board, or FASB, establishes a fair value hierarchy used to prioritize the quality and reliability of the information used to determine fair values. Categorization within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The fair value hierarchy is defined into the following three categories: Level 1: Inputs based upon quoted market prices for identical assets or liabilities in active markets at the measurement date; Level 2: Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data; and Level 3: Inputs that are management's best estimate of what market participants would use in pricing the asset or liability at the measurement date. The inputs are unobservable in the market and significant to the instruments' valuation. In addition, we will measure fair value in an inactive or dislocated market based on facts and circumstances and significant management judgment. We will use inputs based on management estimates or assumptions, or make adjustments to observable inputs to determine fair value when markets are not active and relevant observable inputs are not available.

The carrying amount of cash and cash equivalents, accounts receivable, accounts payable, and accrued expenses, as presented in the balance sheet, approximates fair value due to the short-term nature of these instruments. The carrying value of short and long-term borrowings approximates their fair value. The Company's short-term and long-term debt is all privately held with no public market for this debt and is considered to be Level 3 under the fair value hierarchy.

*Revenue Recognition* - The Company accounts for revenue under Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606),* or ASC 606, and related amendments. ASC 606 sets forth five steps for revenue recognition: identification of the contract, identification of any separate performance obligations in the contracts, determination of the transaction price, allocation of the transaction price to separate performance obligations, and revenue recognition when performance obligations are satisfied.

The Company recognizes revenue over time based on the transfer of control of the promised goods or services to the customer. This transfer occurs over time when the Company has an enforceable right to payment for performance completed to date, and our performance does not create an asset that has an alternative use to the Company. Otherwise, control to the promised goods or services transfers to customers at a point in time.

The majority of the Company's contracts have a single performance obligation and provide title to, or grant a security interest in, work-in-process to the customer. In addition, these contracts contain enforceable rights to payment, allowing the Company to recover both its cost and a reasonable margin on performance completed to date. The combination of these factors indicates that the customer controls the asset and revenue is recognized as the asset is created or enhanced. The Company measures progress for performance obligations satisfied over time using input methods (e.g., costs incurred, resources consumed, labor hours expended, and time elapsed).

Under arrangements where the customer does not have title to, or a security interest in, the work-in-process, our evaluation of whether revenue should be recognized over time requires significant judgment about whether the asset has an alternative use and whether the entity has an enforceable right to payment for performance completed to date. When one or both of these factors is not present, the Company will recognize revenue at the point in time where control over the promised good or service transfers to the customer, i.e. when the customer has taken physical possession of the product the Company has built for the customer.

The Company and its customers may occasionally enter into contract modifications, including change orders. The Company may account for the modification as a separate contract, the termination of an old contract and creation of a new contract, or as part of the original contract, depending on the nature and pricing of the goods or services included in the modification. In general, contract modifications - as well as other changes in estimates of sales, costs, and profits on a performance obligation - are recognized using the cumulative catch-up method of accounting. This method recognizes in the current period the cumulative effect of the changes in current and prior periods. A significant change in an estimate on one or more contracts in a period could have a material effect on the consolidated balance sheet or results of operations for that period. For the fiscal year ended March 31, 2021 and 2020, net cumulative catch-up adjustments were not material. No individual adjustment was material to the Company's consolidated statements of operations and comprehensive income for the fiscal year ended March 31, 2021 and 2020.

If incentives and other contingencies are provided as part of the contract, the Company will include in the initial transaction price the consideration to which it expects to be entitled under the terms and conditions of the contract, generally estimated using an expected value or most likely amount approach. In the context of variable consideration, the Company limits, or constrains, the transaction price to amounts for which the Company believes a significant reversal of revenue is not probable. Adjustments to constrain the transaction price, may be due to a portion of the transaction price being in excess of approved funding, a lack of history with the customer, a lack of history with the goods or services being provided, or other items.

Shipping and handling fees and costs incurred in connection with products sold are recorded in cost of sales in the consolidated statements of operations and comprehensive income (loss), and are not considered a performance obligation to our customers.

*Contract Estimates* - In estimating contract costs, the Company takes into consideration a number of assumptions and estimates regarding risks related to technical requirements and scheduling. Management performs periodic reviews of the contracts to evaluate the underlying risks. Profit margin on any given project could increase if the Company is able to mitigate and retire such risks. Conversely, if the Company is not able to properly manage these risks, cost estimates may increase, resulting in a lower profit margin, or potentially, contract losses.

The cost estimation process requires significant judgment and is based upon the professional knowledge and experience of the Company’s engineers, program managers, and financial professionals. Factors considered in estimating the work to be completed and ultimate contract recovery include the availability, productivity, and cost of labor, the nature and complexity of the work to be performed, the effect of change orders, the availability of materials, the effect of any delays in performance, the availability and timing of funding from the customer, and the recoverability of any claims included in the estimates to complete. Costs allocable to undelivered units are reported as work in process, a component of inventory, in the consolidated balance sheet. Pre-contract fulfillment costs requiring capitalization are not material.

*Selling, general and administrative* - Selling, general and administrative (SG&A) expenses include items such as executive compensation and benefits, professional fees, business travel and office costs. Advertising costs are nominal and expensed as incurred. Other general and administrative expenses include items for our administrative functions and include costs for items such as office rent, supplies, insurance, legal, accounting, tax, telephone and other outside services. SG&A consisted of the following for the fiscal years ended March 31:

| | **2021** | **2020** |
|---|---|---|
| Salaries and related expenses | $ 1,656,053 | $ 1,511,620 |
| Professional fees | 805,304 | 826,140 |
| Other general and administrative | 379,679 | 447,726 |
| Total Selling, General and Administrative | $ 2,841,036 | $ 2,785,486 |

*Stock-based Compensation* - Stock-based compensation represents the cost related to stock-based awards granted to our board of directors and employees. We measure stock-based compensation cost at the grant date based on the estimated fair value of the award and recognize the cost as expense on a straight-line basis over the requisite service period. We estimate the fair value of stock options using a Black-Scholes valuation model. Stock-based compensation included in selling, general and administrative expense amounted to $179,917 and $90,917 for the fiscal years ended March 31, 2021 and 2020, respectively. See Note 7 for additional disclosures related to stock based compensation.

*Net Income (Loss) per Share of Common Stock* - Basic net income (loss) per common share is computed by dividing net income (loss) by the weighted average number of shares outstanding during the year. Diluted net income (loss) per common share is calculated using net income (loss) divided by diluted weighted-average shares. Diluted weighted-average shares include weighted-average shares outstanding plus the dilutive effect of stock options calculated using the treasury stock method. See Note 6 for additional disclosures related to net income (loss) per share.

*Foreign currency translation* - The majority of our business is transacted in U.S. dollars; however, the functional currency of our subsidiary in China is the local currency, the Chinese Yuan Renminbi. In accordance with ASC 830, *Foreign Currency Matters*, foreign currency translation adjustments of subsidiaries operating outside the United States are accumulated in other comprehensive income, a separate component of equity. Foreign currency transaction gains and losses are recognized in the determination of net income, and were not material for each of the reportable periods.

*Income Taxes* - In accordance with ASC 740, *Income Taxes*, income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards.

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 and carryforwards are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

Valuation allowances are recorded to reduce deferred tax assets when it is more likely than not that a tax benefit will not be realized. We recognize the effect of income tax positions only if those positions are more likely than not to be sustained. Recognized income tax positions are measured at the largest amount that is greater than 50% likely of being realized. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs.

**NOTE 3 – ACCOUNTING STANDARDS UPDATE**

*New Accounting Standards Recently Adopted*

On April 1, 2020 we adopted ASU 2018-13, Fair Value Measurement (Topic 820): Disclosure Framework-Changes to the Disclosure Requirements for Fair Value Measurement. This ASU modifies the disclosure requirements in Topic 820 by removing, modifying or adding certain disclosures. The amendments for changes in unrealized gains and losses, the range and weighted average of significant unobservable inputs used to develop Level 3 fair value measurements, and the narrative description of measurement uncertainty are applied prospectively. All other amendments are applied retrospectively to all periods presented upon their effective date. The adoption did not impact our consolidated financial statement disclosures.

On April 1, 2019, we adopted ASU 2016-02, Leases, or ASC 842, and all the related amendments using the modified retrospective method. The most significant effects of the standard on our consolidated financial statements were (1) the recognition of new right-of-use asset and lease liability on our consolidated balance sheet for an operating lease, and (2) new disclosures about our leasing activities (see Note 13). We elected the policy of not recording leases on the balance sheet when the leases have terms of 12 months or less. The Company has one short-term operating lease with a term of twelve months.

We elected the practical expedients permitted under the transition guidance of the new standard that retained the lease classification and initial direct costs for any leases that existed prior to adoption of the standard. The adoption did not result in a cumulative-effect adjustment to retained earnings, and did not have a material impact on our results of operations, balance sheet or cash flows.

We also adopted the following ASUs effective April 1, 2019, none of which had a material impact to our financial statements or financial statement disclosures: ASU 2018-07, Compensation - Stock Compensation (Topic 718) Improvements to Nonemployee Share-Based Payment Accounting, and ASU 2018-02 Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income.

*Issued Standards Not Yet Adopted*

In December, 2019, the FASB issued ASU No. 2019-12, Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes, expected to reduce cost and complexity related to the accounting for income taxes. This ASU removes specific exceptions to the general principles in Topic 740 under U.S. GAAP and removes the limitation on the tax benefit recognized on pre-tax losses in interim periods. This guidance is effective for fiscal years, and interim periods within those years, beginning after December 15, 2020. The Company does not expect the amendments in this update to have a significant impact on its financial statements and disclosures.

**NOTE 4 - REVENUE**

The Company generates revenue primarily from performance obligations completed under contracts with customers in two main market sectors: defense and precision industrial. The period over which the Company performs its obligations can be between three and thirty-six months. The Company invoices and receives related payments based upon performance progress not less frequently than monthly.

Revenue is recognized over-time or at a point-in-time given the terms and conditions of the related contracts. The Company utilizes an inputs methodology based on estimated labor hours to measure performance progress. This model best depicts the transfer of control to the customer.

The Company's contract portfolio is comprised of fixed-price contracts and provide for product type sales only. The following table presents net sales on a disaggregated basis by market and contract type:

| Net Sales by market | Defense | Industrial | Totals |
|---|---|---|---|
| Year ended March 31, 2021 | $ 12,650,708 | $ 2,944,850 | $ 15,595,558 |
| Year ended March 31, 2020 | $ 13,367,764 | $ 2,639,524 | $ 16,007,288 |
| | | | |
| **Net Sales by contract type** | **Over-time** | **Point-in-time** | **Totals** |
| Year ended March 31, 2021 | $ 12,869,520 | $ 2,726,038 | $ 15,595,558 |
| Year ended March 31, 2020 | $ 12,637,728 | $ 3,369,560 | $ 16,007,288 |

As of March 31, 2021, the Company had $18.6 million of remaining performance obligations, of which $15.6 million were less than 50% complete. The Company expects to recognize all of its remaining performance obligations as revenue within the next thirty-six months.

We are dependent each year on a small number of customers who generate a significant portion of our business, and these customers change from year to year. The following table sets forth revenues from customers who accounted for more than 10% of our net sales for the fiscal years ended March 31:

| | **2021** | | **2020** | |
|---|---|---|---|---|
| **Customer** | **Amount** | **Percent** | **Amount** | **Percent** |
| Customer A | $ 2,704,985 | 17% | $ 3,558,477 | 22% |
| Customer B | $ 2,682,881 | 17% | $ * | *% |
| Customer C | $ 2,308,564 | 15% | $ 2,758,957 | 17% |
| Customer D | $ 2,145,465 | 14% | $ 2,063,409 | 13% |
| Customer E | $ * | *% | $ 1,835,362 | 11% |

**Less than 10% of total*

In our consolidated balance sheet, contract assets and contract liabilities are reported in a net position on a contract-by-contract basis at the end of each reporting period. In fiscal 2021, we recognized revenue of $0.8 million related to our contract liabilities at April 1, 2020. Contract assets consisted of the following at:

| | Unbilled | Progress payments | Total |
|---|---|---|---|
| March 31, 2021 | $ 11,392,948 | $ (5,860,540) | $ 5,532,408 |
| March 31, 2020 | $ 10,635,588 | $ (6,130,967) | $ 4,504,621 |

**NOTE 5 - INCOME TAXES**

We account for income taxes under ASC 740, *Income Taxes*. The following table reflects income and loss from continuing operations by location, and the provision for income taxes for the applicable fiscal years ended March 31:

| | **2021** | **2020** |
|---|---|---|
| U.S. operations | $ 435,534 | $ (403,419) |
| Foreign operations | (10,033) | (11,191) |
| Income (loss) before income taxes | 425,511 | (414,610) |
| Income tax provision (benefit) | 104,880 | (73,041) |
| Net income (loss) | $ 320,631 | $ (341,569) |

The components of the provision (benefit) for income taxes consists of the following as of March 31:

| | 2021 | 2020 |
|---|---|---|
| Current: | | |
| Federal | (76,185) | -- |
| State | -- | -- |
| Total Current | $ (76,185) | $ -- |
| Deferred: | | |
| Federal | 148,151 | (26,328) |
| State | 32,914 | (46,713) |
| Total Deferred | $ 181,065 | $ (73,041) |
| Income tax provision (benefit) | $ 104,880 | $ (73,041) |

On March 27, 2020, the U.S. federal government passed the Coronavirus Aid, Relief, and Economic Security Act, or CARES Act. Under the CARES Act, Alternative Minimum Tax, or AMT, credit refunds are accelerated and fully refundable in tax returns through the year 2019. As a result of this provision, the Company recovered all of the AMT credits as refunds in the amount of $121,000 over the last two fiscal years.

Our fiscal 2021 and 2020 taxes were measured at the U.S. statutory income tax rate of 21%. For the year ended March 31, 2021, the Company's tax expense was driven by certain reversing temporary differences, which reduced the Company's net deferred tax assets. A reconciliation between income taxes computed at the U.S. federal statutory rate to the actual tax expense for income taxes reported in the Consolidated Statements of Operations and Comprehensive Income (Loss) follows for fiscal years ended March 31:

| | 2021 | 2020 |
|---|---|---|
| U.S. statutory income tax | $ 89,358 | $ (87,068) |
| State income tax, net of federal benefit | 11,366 | (35,969) |
| Change in state NOL, net of federal benefit | (10,487) | 31,208 |
| Stock-based compensation | (4,830) | (17,587) |
| Change in valuation allowance | 20,484 | 9,340 |
| Global intangible income tax | -- | 28,045 |
| Other | (1,011) | (1,010) |
| Provision (benefit) for income taxes | $ 104,880 | $ (73,041) |
| Effective tax rate* | 24.6% | 17.6% |

**Effective tax rate is calculated by dividing the income tax provision by income (loss) before income taxes.*

The following table summarizes the components of deferred income tax assets and liabilities at March 31:

| | 2021 | 2020 |
|---|---|---|
| **Deferred tax assets:** | | |
| Net operating loss carryforward | $ 3,571,600 | $ 3,704,185 |
| Compensation | 347,742 | 341,900 |
| Stock based compensation awards | 238,120 | 213,854 |
| Other items not currently deductible | 189,728 | 88,090 |
| Depreciation | 38,490 | 68,486 |
| AMT tax credits | -- | 76,186 |
| Total deferred tax assets | 4,385,680 | 4,492,701 |
| Valuation allowance | (1,731,100) | (1,710,616) |
| Net deferred tax assets | 2,654,580 | 2,782,085 |
| **Deferred tax liabilities:** | | |
| Contract accounting methods | (720,165) | (666,605) |
| Total deferred tax liabilities | (720,165) | (666,605) |
| Deferred taxes, net | $ 1,934,415 | $ 2,115,480 |

In assessing the recoverability of deferred tax assets, we consider whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. We have determined that it is more likely than not that certain future tax benefits may not be realized. Accordingly, a valuation allowance has been recorded against deferred tax assets that are unlikely to be realized. Realization of the remaining deferred tax assets will depend on the generation of sufficient taxable income in the appropriate jurisdictions, the reversal of deferred tax liabilities, tax planning strategies and other factors prior to the expiration date of the

carryforwards. A change in the estimates used to make this determination could require an increase or a reduction the valuation allowance currently recorded against those deferred tax assets.

The valuation allowance on deferred tax assets was approximately $1.7 million at March 31, 2021 and 2020. We believe that it is more likely than not that the benefit from certain state and foreign NOL carryforwards and other deferred tax assets will not be realized. In the event future taxable income is below management's estimates or is generated in tax jurisdictions different than projected, the Company could be required to increase or decrease the valuation allowance for those deferred tax assets.

The following table summarizes carryforwards of net operating losses as of March 31, 2021:

| | Amount | Begins to Expire: |
|---|---|---|
| Federal net operating losses | $ 7,296,383 | 2026 |
| State net operating losses | $ 27,187,363 | 2032 |

The Internal Revenue Code provides for a limitation on the annual use of net operating loss carryforwards following certain ownership changes that could limit our ability to utilize these carryforwards on a yearly basis. We experienced an ownership change in connection with the acquisition of Ranor in 2006. Accordingly, our ability to utilize certain carryforwards relating to 2006 and prior is limited. Our remaining pre-2006 net operating losses total approximately $0.4 million. At March 31, 2021, we have approximately $6.9 million of federal post-2006 losses available for carryforward, without limitation. U.S. tax laws limit the time during which these carryforwards may be applied against future taxes. Therefore, we may not be able to take full advantage of these carryforwards for Federal or state income tax purposes.

We have not accrued any penalties with respect to uncertain tax positions. We file income tax returns in the U.S. federal jurisdiction and various U.S. state jurisdictions. Our foreign subsidiary files separate income tax returns in China, the foreign jurisdiction in which it is located. Tax years 2017 and forward remain open for examination. We recognize interest and penalties accrued related to income tax liabilities in selling, general and administrative expense in our Consolidated Statements of Operations and Comprehensive (Loss) Income.

**NOTE 6 - CAPITAL STOCK and EARNINGS PER SHARE**

*Common Stock*

We had 90,000,000 authorized shares of common stock at March 31, 2021 and March 31, 2020. There were 29,498,662 and 29,354,594 shares of common stock outstanding at March 31, 2021 and March 31, 2020, respectively.

*Preferred Stock*

We have 10,000,000 authorized shares of preferred stock and our board of directors has broad power to create one or more series of preferred stock and to designate the rights, preferences, privileges and limitations of the holders of such series. There were no shares of preferred stock outstanding at March 31, 2021 and 2020.

*Earnings per Share*

Basic EPS is computed by dividing reported earnings available to stockholders by the weighted average shares outstanding. Diluted EPS also includes the effect of stock options that would be dilutive. The following table provides a reconciliation of the numerators and denominators reflected in the basic and diluted earnings per share computations, as required under FASB ASC 260.

| | March 31, 2021 | March 31, 2020 |
|---|---|---|
| *Basic EPS* | | |
| Net income (loss) | $ 320,631 | $ (341,569) |
| Weighted average shares | 29,447,085 | 29,258,692 |
| Net income (loss) per share | $ 0.01 | $ (0.01) |
| *Diluted EPS* | | |
| Net income (loss) | $ 320,631 | $ (341,569) |
| Dilutive effect of stock options | 1,588,270 | -- |
| Weighted average shares | 31,035,355 | 29,258,692 |
| Net income (loss) per share | $ 0.01 | $ (0.01) |

All potential common stock equivalents that have an anti-dilutive effect (i.e. those that increase income per share or decrease loss per share) are excluded from the calculation of diluted EPS. For the year ended March 31, 2021 there were 49,000 of potential common stock equivalents that were out-of-the-money and were not included in the EPS calculations. For the fiscal year ended March 31, 2020, there were 2,966,000 of potentially anti-dilutive stock options, none of which were included in the EPS calculations above.

**NOTE 7 - STOCK-BASED COMPENSATION**

Our board of directors, upon the recommendation of the compensation committee of our board of directors, approved the 2016 TechPrecision Equity Incentive Plan, or the 2016 Plan, on November 10, 2016. Our stockholders approved the 2016 Plan at the Company's Annual Meeting of Stockholders on December 8, 2016. The 2016 Plan succeeds the 2006 Plan and applies to awards granted after the 2016 Plan's adoption by the Company's stockholders. We have designed the 2016 Plan to reflect our commitment to having best practices in both compensation and corporate governance. The 2016 Plan provides for a share reserve of 5,000,000 shares of common stock.

The 2016 Plan authorizes the award of incentive and non-qualified stock options, restricted stock awards, restricted stock units, and performance awards to employees, directors, consultants, and other individuals who provide services to TechPrecision or its affiliates. The purpose of the 2016 Plan is to: (a) enable TechPrecision and its affiliated companies to recruit and retain highly qualified employees, directors and consultants; (b) provide those employees, directors and consultants with an incentive for productivity; and (c) provide those employees, directors and consultants with an opportunity to share in the growth and value of the Company. Subject to adjustment as provided in the 2016 Plan, the maximum number of shares of common stock that may be issued with respect to awards under the 2016 Plan is 5,000,000 shares (inclusive of awards issued under the 2006 Long-Term Incentive Plan, or the 2006 Plan, that remained outstanding as of the effective date of the 2016 Plan). Shares of our common stock subject to awards that expire unexercised or are otherwise forfeited shall again be available for awards under the 2016 Plan.

The fair value of the options we grant is estimated using the Black-Scholes option-pricing model based on the closing stock prices at the grant date and the weighted average assumptions specific to the underlying options. Expected volatility assumptions are based on the historical volatility of our common stock. The average dividend yield over the historical period for which volatility was computed is zero. The risk-free interest rate was selected based upon yields of five-year U.S. Treasury issues. We used the simplified method for all grants to estimate the expected life of the option. We assume that stock options will be exercised evenly over the period from vesting until the awards expire. We account for award forfeitures as they occur. As such, the assumed period for each vesting tranche is computed separately and then averaged together to determine the expected term for the award. At March 31, 2021, there were 1,421,000 shares available for grant under the 2016 Plan. The following table summarizes information about options granted during the two most recently completed fiscal years:

| | Number Of Options | Weighted Average Exercise Price | Aggregate Intrinsic Value | Weighted Average Remaining Contractual Life (in years) |
|---|---|---|---|---|
| Outstanding at 3/31/2019 | 2,938,000 | $ 0.416 | $ 1,869,200 | 6.74 |
| Exercised | (20,000) | 0.360 | | |
| Canceled | (2,000) | | | |
| Outstanding at 3/31/2020 | 2,916,000 | $ 0.415 | $ 2,546,800 | 6.21 |
| Exercised | (150,000) | 0.800 | | |
| Canceled | (47,000) | | | |
| Vested or expected to vest at 3/31/2021 | 2,719,000 | $ 0.372 | $ 2,476,300 | 5.62 |
| Exercisable and vested at 3/31/2021 | 2,719,000 | $ 0.372 | $ 2,476,300 | 5.62 |

The aggregate intrinsic value in the table above represents the total pre-tax intrinsic value (the difference between the closing stock price on the last trading day of the fourth quarter of fiscal 2021 and fiscal 2020 and the exercise price, multiplied by the number of in-the-money options) that would have been received by the option holders had all option holders exercised their options on March 31, 2021 and 2020. This amount changes based on the fair market value of the Company's common stock.

At March 31, 2021, there was no remaining unrecognized compensation cost related to stock options. The maximum contractual term is ten years for option grants. Other information relating to stock options outstanding at March 31, 2021 is as follows:

| Range of Exercise Prices: | Options Outstanding | Weighted Average Remaining Contractual Term | Weighted Average Exercise Price | Options Exercisable | Weighted Average Exercise Price |
|---|---|---|---|---|---|
| $0.01-$0.49 | 1,270,000 | 4.60 | $ 0.12 | 1,270,000 | $ 0.12 |
| $0.50-$1.00 | 1,400,000 | 6.14 | $ 0.55 | 1,400,000 | $ 0.55 |
| $1.01-$1.96 | 49,000 | 0.05 | $ 1.96 | 49,000 | $ 1.96 |
| Totals | 2,719,000 | | | 2,719,000 | |

*Restricted Stock Awards*

On September 1, 2020 we granted a total of 100,000 shares of restricted stock under the 2016 Plan to the board of directors. The stock-based compensation expense of $134,000 for service-based restricted stock was measured at fair value on the date of grant based on the number of shares expected to vest and the quoted market price of the Company's common stock. The shares of restricted stock fully vest and cease to be subject to forfeiture on August 31, 2021, or twelve months following the grant date. Each grantee must be serving as a director on the vesting date and must have been continuously serving in such capacity from the grant date through the vesting date for the shares of restricted stock to vest. Prior to the vesting date, the grantee is not permitted to sell, transfer, pledge, assign or otherwise encumber the shares of restricted stock and if the grantee's service with the Company terminates prior to the vesting date, the grantee's restricted stock will be forfeited automatically. Total recognized compensation cost related to the restricted stock award was $78,167 for the twelve months ended March 31, 2021. At March 31, 2021 there was $55,833 of unrecognized compensation cost related to these restricted stock awards.

On March 16, 2020 we granted a total of 100,000 shares of restricted stock under the 2016 Plan to the board of directors. The stock-based compensation expense of $111,000 for service-based restricted stock was measured at fair value on the date of grant based on the number of shares expected to vest and the quoted market price of the Company's common stock. The shares of restricted stock fully vested and ceased to be subject to forfeiture on September 1, 2020, or approximately six months following the grant date. Each grantee was serving as a director on the vesting date and had been continuously serving in such capacity from the grant date through the vesting date. Prior to that vesting date, the grantees were not permitted to sell, transfer, pledge, assign or otherwise encumber the shares of restricted stock. The aggregate fair value of the restricted stock expensed during the fiscal year ended March 31, 2021 was $101,750. At March 31, 2021 there was no unrecognized compensation cost related to the restricted stock awards.

**NOTE 8 - CONCENTRATION OF CREDIT RISK**

We maintain bank account balances, which, at times, may exceed insured limits. We have not experienced any losses with these accounts and believe that we are not exposed to any significant credit risk on cash.

At March 31, 2021, there were trade accounts receivable balances outstanding from two customers comprising 98% of the total trade receivables balance. The following table sets forth information as to trade accounts receivable from customers who accounted for more than 10% of our accounts receivable balance as of:

| | March 31, 2021 | | March 31, 2020 | |
|---|---|---|---|---|
| Customer | Dollars | Percent | Dollars | Percent |
| A | $ 399,692 | 66% | $ * | *% |
| B | $ * | *% | $ 365,636 | 37% |
| C | $ 193,368 | 32% | $ 254,637 | 26% |
| D | $ * | *% | $ 123,000 | 12% |

**less than 10% of total*

**NOTE 9 - OTHER CURRENT ASSETS**

| Other current assets included the following as of March 31: | 2021 | 2020 |
|---|---|---|
| Payments advanced to suppliers | $ 17,010 | $ 272,070 |
| Prepaid insurance | 312,669 | 250,073 |
| Prepaid subscriptions | 25,967 | 35,694 |
| Refundable AMT credits | -- | 22,748 |
| Employee advances | 16,526 | 18,173 |
| Other | 7,265 | 7,393 |
| Total | $ 379,437 | $ 606,151 |

## NOTE 10 - PROPERTY, PLANT AND EQUIPMENT, NET

| Property, plant and equipment, net consisted of the following as of March 31: | | 2021 | | 2020 |
|---|---|---|---|---|
| Land | $ | 110,113 | $ | 110,113 |
| Building and improvements | | 3,249,577 | | 3,249,577 |
| Machinery equipment, furniture and fixtures | | 10,695,578 | | 10,278,701 |
| Equipment under finance leases | | 45,663 | | 54,376 |
| Total property, plant and equipment | | 14,100,931 | | 13,692,767 |
| Less: accumulated depreciation | | (10,037,722) | | (9,509,906) |
| Total property, plant and equipment, net | $ | 4,063,209 | $ | 4,182,861 |

## NOTE 11 - ACCRUED EXPENSES

| Accrued expenses included the following as of March 31: | | 2021 | | 2020 |
|---|---|---|---|---|
| Accrued compensation | $ | 496,320 | $ | 383,555 |
| Provision for claims settlement | | 495,000 | | 495,000 |
| Provision for contract losses | | 164,164 | | 285,480 |
| Accrued professional fees | | 213,213 | | 279,657 |
| Accrued project costs | | 114,611 | | 76,059 |
| Other | | 42,962 | | 34,773 |
| Total | $ | 1,526,270 | $ | 1,554,524 |

Accrued compensation includes amounts for executive bonuses, payroll and vacation and holiday pay. Provisions for estimated losses on uncompleted contracts are made in the period in which such losses are determined. Changes in the provision are recorded in cost of sales. Accrued project costs are estimates for certain project expenses during the reporting period.

## NOTE 12 - DEBT

| Long-term debt included the following as of March 31: | | 2021 | | 2020 |
|---|---|---|---|---|
| Berkshire Term Loan due December 2021 | $ | 2,466,408 | $ | 2,564,389 |
| Berkshire SBA PPP loan at 1% interest, due May 2022 | | 1,317,100 | | -- |
| Obligations under finance lease | | 45,663 | | 22,460 |
| Total debt | $ | 3,829,171 | $ | 2,586,849 |
| Less: debt issue costs unamortized | $ | 12,270 | $ | 20,460 |
| Total debt, net | $ | 3,816,901 | $ | 2,566,389 |
| Less: Current portion of long-term debt | $ | 2,474,963 | $ | 109,829 |
| Total long-term debt, net | $ | 1,341,938 | $ | 2,456,560 |

The aggregate amount of scheduled principal maturities for our long-term debt in 2022 is $3,783,508. The maturities for obligations under a finance lease are: 2022 - $8,555, 2023 - $8,834, 2024 - $9,123, 2025 - $9,421 and 2026 - $9,730.

*Berkshire Bank Loan Facility*

On December 21, 2016, TechPrecision, through Ranor, closed on a Loan Agreement, or the Berkshire Loan Agreement, with Berkshire Bank. Pursuant to the Berkshire Loan Agreement, Berkshire Bank made a term loan to Ranor in the amount of $2,850,000, or the Term Loan, and made available to Ranor a revolving line of credit in the amount of $1,000,000, or the Revolver Loan, and together with the Term Loan, collectively, the Berkshire Loans. The Berkshire Loans are secured by a first lien on all personal and real property of Ranor. Payments on the Term Loan began on January 20, 2017 and will be made in 60 monthly installments of $19,260 each, inclusive of interest at a fixed rate of 5.21% per annum, with all outstanding principal and accrued interest due and payable on the maturity date. A prepayment penalty will apply during the loan term but will not apply if a prepayment is made from either casualty loss insurance proceeds or a condemnation award applicable to any collateral or if a full prepayment is made during the 45-day period immediately preceding the maturity date. Advances under the Revolver Loan were originally subject to a borrowing base equal to the lesser of (A) $1,000,000 and (B) the sum of (i) 80% of eligible accounts receivable, and (ii) the lesser of (a) 25% of eligible raw material inventory and (b) $250,000. Advances made under the Revolver Loan originally bore interest at a variable rate equal to one-month LIBOR plus 275 basis points. Interest-only payments on advances made under the Revolver Loan are payable monthly in arrears. Ranor's obligations under the Berkshire Loan Agreement are guaranteed by TechPrecision.

On December 19, 2018, the Company entered into a Second Modification to Loan Agreement and First Modification and Allonge to Promissory Note with Berkshire Bank, or the Modification. The Modification amended and modified the Berkshire Loan Agreement, and the related Promissory Note dated December 20, 2016 made by Ranor in favor of Berkshire in the stated principal amount of $1,000,000. As of the date of the Modification, there were no amounts outstanding under the Revolver Loan. The maturity date of the Revolver Loan was originally December 20, 2018. Under this Modification, the maturity date of the Revolver Loan was extended until December 20, 2020.

On December 23, 2019, TechPrecision, through Ranor, entered into a Third Modification to Loan Agreement, or the Third Modification, and an Amended and Restated Promissory Note with Berkshire Bank. Under the Third Modification, Ranor and Berkshire agreed to increase the maximum principal amount available under the Revolver Loan from $1,000,000 to $3,000,000. Advances under the Revolver Loan are now subject to a borrowing base equal to the lesser of (a) $3,000,000 or (b) the sum of (i) 80% of eligible accounts receivable, plus (ii) the lesser of (x) 25% of Eligible Raw Material Inventory, and (y) $250,000, plus (iii) 50% of the Appraised Value of the Eligible Equipment. The loan agreement is available for refinancing existing indebtedness and for working capital and general corporate purposes. Additionally, the parties agreed to lower the interest rate on advances made under the Revolver Loan at a variable rate equal to the one-month LIBOR plus 225 basis points. The Third Modification contains customary LIBOR replacement provisions. The Company pays, as consideration for the bank's commitment to make advances under the Revolver Loan, a nonrefundable commitment fee equal to 0.25% per annum on the average daily difference between the amount of $3,000,000 and the aggregate amount of all advances made under the Revolver Loan as of each quarterly period.

The Third Modification also excludes the balance of the Revolver Loan from the Loan-to-Value Ratio covenant calculations and excluded the Company's then-anticipated repayment of its obligations to People's Capital and Leasing Corp from the calculation of the financial covenants. The Company repaid People's Capital and Leasing Corp. in full in January 2020, and the debt service requirements related to the People's Capital and Leasing Corp. obligations was eliminated for purposes of the Debt Service Coverage Ratio covenant calculations and the debt service related to the People's Capital and Leasing Corp. financing was eliminated from covenant testing starting with the December 31, 2019 covenant test.

The Company paid $7,245 of expenses related to the execution of the Second Modification, and paid $41,628 in costs related to the execution of the Third Modification. These expenses were classified as other noncurrent assets, then amortized to interest expense through the period ended March 31, 2021.

On December 18, 2020, TechPrecision, through Ranor, entered into a Fourth Modification to Loan Agreement and First Modification and Allonge to Amended and Restated Promissory Note, or the Fourth Modification, with Berkshire Bank. The Modification amends and modifies the Berkshire Loan Agreement. The Fourth Modification also amends the Amended and Restated Promissory Note dated December 23, 2019 made by Ranor in favor of Berkshire in the stated principal amount of $3,000,000. As of the date of the Fourth Modification, there were no amounts outstanding under the Revolver Loan.

Under the Fourth Modification, Ranor and Berkshire agreed to revise the minimum interest rate payable on the Revolver Loan. Under the promissory note for the Revolver Loan, the Company can elect to pay interest at an adjusted LIBOR-based rate or an Adjusted Prime Rate. Under the Fourth Modification, the minimum adjusted LIBOR-based rate is 2.75% and the Adjusted Prime Rate is the greater of (i) the Prime Rate minus 70 basis points or (ii) 2.75%. Interest-only payments on advances made under the Revolver Loan will continue to be payable monthly in arrears. The maturity date of the Revolver Loan was also extended to December 20, 2022. All other material terms of the Berkshire Loan Agreement and the promissory note for the Revolver Loan were unchanged.

Interest payments on advances made under the Revolver Loan during the twelve months ended March 31, 2020 were $6,664 at a weighted average interest rate of 2.67%. Unused borrowing capacity at March 31, 2021 was $2.7 million. There were no borrowed amounts outstanding under the Revolver Loan at March 31, 2021 and March 31, 2020. Unamortized closing costs related to the Fourth Modification were $14,002 at March 31, 2021.

The Berkshire Loans may be accelerated upon the occurrence of an "Event of Default" (as defined in the Berkshire Loan Agreement). Events of Default include (i) the failure to pay any monthly installment payment before the tenth day following the due date of such payment; (ii) the failure of Ranor or TechPrecision to observe, perform or pay any obligations under the Berkshire Loan Agreement or any other obligation to Berkshire; (iii) the failure of Ranor or TechPrecision to pay any indebtedness in excess of $100,000 (other than the Berkshire Loans) when due; (iv) any representation or warranty of Ranor or TechPrecision in the Berkshire Loan Agreement and related documents, or the Loan Documents, being proven to have been incorrect, in any material respect, when made; (v) the failure of Ranor to discharge any attachment, levy or distraint on its property; (vi) any default by Ranor or TechPrecision under any of the collateral security documents executed in connection with the Berkshire Loan Agreement past any applicable grace period; (vii) the failure of Ranor or TechPrecision to file or pay taxes when due, unless such taxes are being contested in a manner permitted under the Loan Documents; (viii) a change in ownership or control of Ranor or change in management of Ranor where either the chief executive officer or chief financial officer as of December 21, 2016 is replaced without Berkshire Bank's prior consent; (ix) Ranor or TechPrecision ceasing to do business as a going concern, making an assignment for the benefit of creditors, or commencing a bankruptcy or other similar insolvency proceeding; and (x) the entry of a judgment against Ranor or TechPrecision in excess of $150,000. Some of the Events of Default are subject to certain cure periods. Subject to the lapse of any applicable cure period, a default under the Berkshire Loans could cause the acceleration of all outstanding obligations under the Berkshire Loans.

Pursuant to the Berkshire Loan Agreement, the Company covenants to cause its balance sheet leverage to be less than or equal to 2.50 to 1.00 for the fiscal year ending March 31, 2019 and each fiscal year end thereafter. The Berkshire Loan Agreement also contains a covenant whereby the Company is required to maintain a debt service coverage ratio, or DSCR, of at least 1.2 to 1.0 during the term of the Berkshire Loans. The DSCR is measured at the end of each fiscal quarter of the Company. The Company was in compliance with all of the financial covenants at March 31, 2021 and March 31, 2020. Other unamortized debt issue costs at March 31, 2021 and March 31, 2020 were $8,395 and $20,460, respectively.

Ranor's annual capital expenditures cannot exceed $1,500,000 for the fiscal year ending March 31, 2020 and each fiscal year thereafter. The Berkshire Loan Agreement contains an additional covenant whereby Ranor is required to maintain a loan to value ratio of not greater than 0.75 to 1.00, to be measured by appraisal not more frequently than one time during each 365-day period.

Collateral securing the above obligations comprises all personal and real property of TechPrecision and Ranor, including cash, accounts receivable, inventories, equipment, and financial assets.

*Small Business Administration Loan*

On May 8, 2020, the Company, through its wholly owned subsidiary Ranor, issued a promissory note, or the Note, evidencing an unsecured loan in the amount of $1,317,100 made to Ranor under the Paycheck Protection Program, or the PPP. The PPP was established under the CARES Act and is administered by the U.S. Small Business Administration, or the SBA. The loan to Ranor was made through Berkshire Bank.

Principal and accrued interest are payable monthly in equal installments commencing in September 2021 and continuing through the maturity date, unless the Note is forgiven as described below. To be available for loan forgiveness, the Note may only be used for payroll costs, costs related to certain group health care benefits and insurance premiums, rent payments, utility payments, mortgage interest payments and interest payments on any other debt obligations that existed before February 15, 2020. The Note may be prepaid at any time prior to maturity with no prepayment penalties and contains events of default and other conditions customary for a Note of this type. For example, the Note contains events of default relating to, among other things, payment defaults, making materially false and misleading representations to the SBA or Berkshire Bank, or breaching the terms of the loan documents. The occurrence of an event of default may result in the repayment of all amounts outstanding, collection of all amounts owing from the Company, or the SBA or Berkshire Bank filing suit and obtaining judgment against the Company and/or Ranor.

Under the terms of the CARES Act, PPP loan recipients can apply for and be granted forgiveness for all or a portion of loan granted under the PPP, with such forgiveness to be determined, subject to limitations, based on the use of the loan proceeds for payment of payroll costs, certain group health care benefits and insurance premiums, and any payments of mortgage interest, rent, and utilities. The terms of any forgiveness may also be subject to further requirements in any regulations and guidelines the SBA may adopt. While the Company currently believes that its use of the Note proceeds will meet the conditions for forgiveness under the PPP, no assurance is provided that the Company will obtain forgiveness of the Note in whole or in part.

On June 5, 2020, the PPP was amended to give borrowers more time to spend loan proceeds and still obtain loan forgiveness. The amendments extended the length of the covered period as defined in the CARES Act from eight to twenty-four weeks, while allowing borrowers that received PPP loans before June 5, 2020 to elect to use the original eight-week covered period. In addition, the amendments provide that if the borrower does not apply for forgiveness of a loan within ten months after the last day of the covered period, the PPP loan is no longer deferred and the borrower must begin paying principal and interest. The Company applied for loan forgiveness within the ten month period on March 26, 2021. Unamortized closing costs in connection with the PPP loan were $3,875 at March 31, 2021.

On May 12, 2021, the SBA remitted to Berkshire Bank a payment of principal and interest for forgiveness of the Company's PPP loan. See Note 15 for more information regarding this transaction.

*Finance Lease*

We leased certain office equipment during fiscal 2021 under an old finance lease that was cancelled in March 2021. We entered into a new capital lease on March 31, 2021 in the amount of $45,663 for certain office equipment. The lease term is for 60 months, bears interest at 3.2% and requires monthly payments of principal and interest of $825. The amount of the lease recorded as a right-of-use asset in property, plant and equipment was $45,663 as of March 31, 2021. Under the agreement, the lease on the old equipment was cancelled without penalty.

See Note 13 for more information regarding our obligations under the finance lease.

**NOTE 13 – LEASES**

Leases that are economically similar to the purchase of an asset are classified as finance leases. The leased, or right-of-use assets in finance lease arrangements are reported in net property, plant and equipment on our consolidated balance sheet. The following table lists our right-of-use assets and liabilities on our consolidated balance at:

| | March 31, 2021 | | March 31, 2020 | |
|---|---|---|---|---|
| *Finance lease:* | | | | |
| Property, plant and equipment | $ | 45,663 | $ | 54,376 |
| Accumulated depreciation | | -- | | 35,344 |
| Net property, plant and equipment | $ | 45,663 | $ | 19,032 |
| Current portion of long-term debt | $ | 8,555 | $ | 11,848 |
| Long-term debt | $ | 37,108 | $ | 10,612 |
| Total finance lease liabilities | $ | 45,663 | $ | 22,460 |

In December 2019, we signed a one-year operating lease for office space which expired in December 2020 and was amortized on a straight line basis. Since the expiration of the one-year term lease, we have continued to lease this office space on a month-to-month basis. Other supplemental information regarding our leases are contained in the following tables:

| *Components of lease expense for the year ended:* | March 31, 2021 | | March 31, 2020 | |
|---|---|---|---|---|
| Operating lease amortization | $ | 3,788 | $ | 2,860 |
| Finance lease amortization | $ | 10,875 | $ | 10,875 |
| Finance lease interest | $ | 1,275 | $ | 2,249 |

| *Weighted average lease term and discount rate at:* | March 31, 2021 | March 31, 2020 |
|---|---|---|
| Lease term (years) | 5.00 | 2.00 |
| Lease rate | 3.2% | 7.9% |

| *Supplemental cash flow information related to leases for the year ended:* | March 31, 2021 | | March 31, 2020 | |
|---|---|---|---|---|
| Cash used in operating activities | $ | 5,063 | $ | 5,109 |
| Cash used in financing activities | $ | 22,460 | $ | 10,951 |

**NOTE 14 - COMMITMENTS**

*Employment Agreements*

We have employment agreements with each of our executive officers. Such agreements provide for minimum salary levels, adjusted annually, and incentive bonuses that are payable if specified company goals are attained. The aggregate commitment at March 31, 2021 for future executive salaries was approximately $0.5 million. The aggregate commitment at March 31, 2021 was approximately $0.4 million for accrued payroll, vacation and holiday pay for the remainder of our employees.

*Purchase Commitments*

As of March 31, 2021, we had $1.1 million in purchase obligations outstanding, which primarily consisted of contractual commitments to purchase new materials and supplies.

*Retirement Benefits*

Ranor has a defined contribution and savings plan that covers substantially all Ranor employees who have completed 90 days of service. Ranor retains the option to match employee contributions. The Company contributed $85,359 and $81,333 for the years ended March 31, 2021 and 2020, respectively.

*Provision for claims settlement*

On March 16, 2020, the Company reached an agreement to settle all outstanding claims related to a civil class action brought by former employees for past wages claimed under a paid time-off program for a settlement amount of $495,000. The claim is to be paid within sixty days following Court approval of the settlement.

On March 15, 2021, the court approved the final class action settlement. As such, the plaintiffs' claims have been fully and finally dismissed, and the $495,000 payment to the plaintiffs' counsel was paid within 60 days on May 10, 2021.

**NOTE 15 – SUBSEQUENT EVENTS**

*Amended and Restated Loan Purchase and Sale Agreement*

On April 23, 2021, the parties to the Loan Purchase and Sale Agreement, dated as of January 29, 2021, or the Original Loan Purchase Agreement, the Company, Stadco New Acquisition, LLC, or Acquisition Sub, Stadco, Stadco Acquisition, LLC, or the Holdco, each stockholder of Holdco, and Sunflower Bank, N.A., entered into an Amended and Restated Loan Purchase and Sale Agreement or the Amended Agreement. The Amended Agreement is similar in all material respects to the Original Loan Purchase Agreement, except that the following changes were effected. The date on which the closing of the indebtedness purchase will take place has been amended from on or about February 15, 2021 to June 15, 2021. Acquisition Sub became required to pay Sunflower Bank, N.A. a non-refundable deposit of $50,000, or the Deposit, which amount was paid upon execution of the Amended Agreement. The Deposit will be applied against the purchase price of the indebtedness upon the closing of the transactions contemplated under the Amended Agreement. Alternatively, in the event the indebtedness sale does not close, then Sunflower Bank, N.A. will retain the Deposit. The purchase price to be paid by Acquisition Sub for the indebtedness was increased to $1.8 million less than the aggregate amount of the indebtedness on the date of the closing of the transactions contemplated under the Amended Agreement. The Amended Agreement provides that the purchase price increases by $100,000 on the first calendar day of each month following the date of the Amended Agreement until the closing of the transactions. The Amended Agreement also effected certain other immaterial changes to the Original Loan Purchase Agreement.

*Small Business Administration Loan*

On May 12, 2021, as authorized by Section 1106 of the CARES Act, the SBA remitted to Berkshire Bank, the lender of record, a payment of principal and interest in the amounts of $1,317,000 and $13,207, respectively, for forgiveness of the Company's Paycheck Protection Program (PPP) loan. The funds credited to the PPP loan pay this loan off in full. The Company applied for loan forgiveness with the SBA under the Paycheck Protection Program on March 26, 2021.

**Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.**

None.

**Item 9A. Controls and Procedures.**

*Evaluation of Disclosure Controls and Procedures.*

Disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) are controls and procedures that are designed to ensure that the information required to be disclosed in our reports filed or submitted under the Exchange Act, is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms, and includes controls and procedures designed to ensure that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

As of the end of the period covered by this report, an evaluation was carried out, under the supervision and with the participation of management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of our disclosure controls and procedures. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of March 31, 2021, our disclosure controls and procedures were effective at a reasonable assurance level.

*Inherent Limitations Over Internal Controls*

The Company's internal control over financial reporting is designed under the supervision of our Chief Executive Officer and Chief Financial Officer, and effected by our board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. generally accepted accounting principles, or GAAP. The Company's internal control over financial reporting includes those policies and procedures that: (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the Company's assets; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP, and that the Company's receipts and expenditures are being made only in accordance with authorizations of the Company's management and directors; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the financial statements.

Management, including the Chief Executive Officer and Chief Financial Officer, does not expect that the Company's internal controls will prevent or detect all errors and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of internal controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected. Also, any evaluation of the effectiveness of controls in future periods is subject to the risk that those internal controls may become inadequate because of changes in business conditions, or that the degree of compliance with the policies or procedures may deteriorate.

*Management's Report of Internal Control over Financial Reporting.*

Management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting as of March 31, 2021 based on the 2013 framework established by the Committee of Sponsoring Organizations of the Treadway Commission in *Internal Control - Integrated Framework*. Based on that assessment, management concluded that, as of March 31, 2021, the Company's internal control over financial reporting is effective based on the criteria established in *Internal Control - Integrated Framework*.

*Changes in Internal Control over Financial Reporting*

For the quarter ended March 31, 2021, there have been no changes in our internal control over financial reporting that have materially affected or are reasonably likely to materially affect, our internal control over financial reporting.

**Item 9B. Other Information.**

Not Applicable.

**PART III**

**Item 10. Directors, Executive Officers and Corporate Governance**

a) Directors of the Registrant.

Information with respect to Directors of the Company will be set forth under the heading "Corporate Governance - Election of Directors" in the Company's Proxy Statement for the 2021 Annual Meeting of Stockholders and is incorporated herein by reference.

b) Executive Officers of the Registrant.

Information with respect to executive officers of the Company is set forth under "Item 4A Executive Officers of the Registrant" in this Annual Report on Form 10-K.

c) Compliance with Section 16(a) of the Exchange Act.

Information concerning non-compliance with Section 16(a) of the Securities Exchange Act of 1934, if any, will be set forth under the heading "Delinquent Section 16(a) Reports" in the Company's Proxy Statement for the 2021 Annual Meeting of Stockholders and is incorporated herein by reference.

d) Identification of the Audit Committee.

Information concerning the audit committee of the Company will be set forth under the heading "Information About Our Board of Directors – Committees" in the Company's Proxy Statement for the 2021 Annual Meeting of Stockholders and is incorporated herein by reference.

e) Audit Committee Financial Expert.

Information concerning the audit committee financial expert of the Company will be set forth under the heading "Information About Our Board of Directors – Committees" in the Company's Proxy Statement for the 2021 Annual Meeting of Stockholders and is incorporated herein by reference.

f) Shareholder Nomination Process.

Information concerning any material changes to the way in which security holders may recommend nominees to the Company's Board of Directors will be set forth under the heading "Stockholders' Proposals for the 2021 Annual Meeting" in the Company's Proxy Statement for the 2021 Annual Meeting of Stockholders and is incorporated herein by reference.

g) Code of Ethics for Chief Executive Officer and Senior Financial Officers.

The Company has adopted a Code of Ethics for the principal executive officer, principal financial officer and principal accounting officer of the Company, which may be found on the Company's website at www.techprecision.com. Any amendments to the Code of Ethics or any grant of a waiver from the provisions of the Code of Ethics requiring disclosure under applicable SEC rules will be disclosed on the Company's website.

**Item 11. Executive Compensation**

Information regarding executive compensation will be set forth under the heading "Executive Compensation" in the Company's Proxy Statement for the 2021 Annual Meeting of Stockholders and is incorporated herein by reference.

**Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters**

Information regarding security ownership of certain beneficial owners and management will be set forth under the heading "Security Ownership of TechPrecision" in the Company's Proxy Statement for the 2021 Annual Meeting of Stockholders and is incorporated herein by reference.

**Item 13. Certain Relationships and Related Transactions, and Director Independence**

Information regarding transactions with related persons will be set forth under the headings "Related Party Transactions - Certain Relationships and Related Transactions" and "Information about our Board of Directors - Independence" in the Company's Proxy Statement for the 2021 Annual Meeting of Stockholders and is incorporated herein by reference.

**Item 14. Principal Accountant Fees and Services**

Information regarding fees paid to the Company's principal accountant will be set forth under the heading "Principal Accountant Fees" in the Company's Proxy Statement for the 2021 Annual Meeting of Stockholders and is incorporated herein by reference.

**Part IV**

**Item 15. Exhibits and Financial Statement Schedules.**

The following documents are filed as part of this report:

(1) Financial Statements, included in Part II, "*Item 8. Financial Statements and Supplementary Data*":

Report of Independent Registered Public Accounting Firm
Consolidated Balance Sheets as of March 31, 2021 and 2020
Consolidated Statements of Operations and Comprehensive Income (Loss) for the years ended March 31, 2021 and 2020
Consolidated Statement of Stockholders' Equity for the years ended March 31, 2021 and 2020
Consolidated Statements of Cash Flows for the years ended March 31, 2021 and 2020
Notes to Consolidated Financial Statements

(2) Financial Statement Schedules:

Financial statement schedules have been omitted because either they are not applicable or the required information is included in the financial statements or the notes thereto.

(3) List of Exhibits:

The following exhibits are filed herewith or are incorporated by reference to exhibits previously filed with the SEC.

**Exhibit Index**

| Exhibit No. | Description |
|---|---|
| 2.1 | Stock Purchase Agreement among TechPrecision Corporation, Stadco New Acquisition, LLC, Stadco, Stadco Acquisition, LLC, and the stockholders of Stadco, dated as of October 16, 2020, (incorporated by reference to Exhibit 2.1 to our Current Report on Form 8-K filed with the Commission on October 20, 2020. |
| 2.2 | Amendment to Stock Purchase Agreement, dated as of December 15, 2020, between TechPrecision Corporation, Stadco New Acquisition, LLC, Stadco, Stadco Acquisition, LLC and Douglas A. Paletz (incorporated by reference to Form 8-K filed with the Commission on February 3, 2021). |
| 3.1 | Certificate of Incorporation of the Registrant (incorporated herein by reference to Exhibit 3.1 to our registration statement on Form SB-2, filed with the Commission on August 28, 2006). |
| 3.2 | Amended and Restated By-laws of the Registrant (incorporated herein by reference to Exhibit 3.1 to our Current Report on Form 8-K, filed with the Commission on February 3, 2014). |
| 3.3 | Certificate of Designation for Series A Convertible Preferred Stock of the Registrant (incorporated herein by reference to Exhibit 3.1 to our Current Report on Form 8-K, filed with the Commission on March 3, 2006). |
| 3.4 | Certificate of Amendment to Certificate of Designation for Series A Convertible Preferred Stock of the Registrant (incorporated herein by reference to Exhibit 3.5 to our Quarterly Report on Form 10-Q, filed with the Commission on November 12, 2009). |
| 4.1 | Description of Securities (incorporated by reference to Exhibit 4.1 to our Annual Report on Form 10-K, filed with the Commission on June 11, 2020). |
| 10.1† | Non-Qualified Stock Option Award Agreement, dated as of December 27, 2016, from TechPrecision Corporation to Alexander Shen (incorporated herein by reference to Exhibit 10.3 to our Current Report on Form 8-K, filed with the Commission on December 28, 2016). |
| 10.2† | TechPrecision Corporation 2016 Equity Incentive Plan (incorporated herein by reference to Exhibit 10.4 to our Quarterly Report on Form 10-Q, filed with the Commission on February 14, 2017). |
| 10.3† | 2006 Long-term Incentive Plan, as restated effective November 22, 2010 (incorporated herein by reference to Exhibit 10.2 to our Quarterly Report on Form 10-Q, filed with the Commission on February 14, 2011). |
| 10.4† | Form of Option Award Agreement for Directors (incorporated herein by reference to Exhibit 10.1 to our Current Report on Form 8-K filed with the Commission on June 17, 2013). |
| 10.5† | Form of Restricted Stock Award Agreement (incorporated herein by reference to Exhibit 10.1 to our Current Report on Form 8-K, filed with the Commission on March 20, 2014). |
| 10.6† | Form of Restricted Stock Award (incorporated herein by reference to Exhibit 10.1 to our Current Report on Form 8-K, filed with the Commission on December 10, 2018). |
| 10.7† | Employment Agreement, dated November 14, 2014, between TechPrecision Corporation and Alexander Shen (incorporated herein by reference to Exhibit 10.1 to our Current Report on Form 8-K, filed with the Commission on November 20, 2014). |
| 10.8† | Employment Agreement, dated March 31, 2016, between TechPrecision Corporation and Thomas Sammons (incorporated herein by reference to Exhibit 10.1 to our Current Report on Form 8-K, filed with the Commission on April 6, 2016). |
| 10.9 | Loan Agreement, dated December 20, 2016, by and between Ranor, Inc. and Commerce Bank & Trust Company (incorporated herein by reference to Exhibit 10.1 to our Current Report on Form 8-K, filed with the Commission on December 28, 2016). |
| 10.10 | First Modification to Loan Agreement dated June 6, 2018 by and between Ranor, Inc. and Berkshire Bank (incorporated herein by reference to Exhibit 10.1 to our Current Report on Form 8-K, filed with the Commission on June 11, 2018). |
| 10.11 | Second Modification to Loan Agreement and First Modification and Allonge to Promissory Note (incorporated herein by reference to Exhibit 10.1 to our Current Report on Form 8-K filed with the Commission December 21, 2018.) |
| 10.12 | Third Modification to Loan Agreement dated December 23, 2019 by and between Ranor, Inc. and Berkshire Bank (incorporated herein by reference to Exhibit 10.1 to our Current Report on Form 8-K, filed with the Commission on December 30, 2019). |
| 10.13 | Promissory Note, dated May 8, 2020, made by Ranor, Inc. (incorporated herein by reference to Exhibit 10.1 to our Current Report on Form 8-K filed with the Commission on May 14, 2020). |
| 10.14 | Fourth Modification to Loan Agreement and First Modification and Allonge to Amended and Restated Promissory Note, dated December 18, 2020, between Ranor, Inc. and Berkshire Bank (incorporated by reference to Exhibit 10.1 filed with the Commission on December 21, 2020). |
| 10.15 | Amended and Restated Loan Purchase and Sale Agreement, dated as of April 23, 2021, between Stadco New Acquisition, LLC and Sunflower Bank, N.A. (incorporated herein by reference to Exhibit 10.1 to Form 8-K filed with the Commission on April 29, 2021). |
| 21.1 | Subsidiaries of the Company |
| 23.1 | Consent of Marcum LLP |
| 31.1 | Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 |
| 31.2 | Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 |

| | |
|---|---|
| 32.1 | Certification of Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 |
| 101 | The following financial information from this Annual Report on Form 10-K for the fiscal year ended March 31, 2021, formatted in XBRL (Extensible Business Reporting Language): (i) the Consolidated Balance Sheets at March 31, 2021 and 2020; (ii) the Consolidated Statements of Operations and Comprehensive Income for the years ended March 31, 2021 and 2020; (iii) the Consolidated Statements of Stockholders' Equity for the years ended March 31, 2021 and 2020; (iv) the Consolidated Statements of Cash Flows for the years ended March 31, 2021 and 2020; and (v) the Notes to the Consolidated Financial Statements. |

† Management contract or compensatory arrangement or plan.

**Item 16. Form 10-K Summary.**

None.

**SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

TechPrecision Corporation

June 10, 2021

By: /s/ Thomas Sammons
Thomas Sammons
Chief Financial Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the report has been signed by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

| Signature | Title | Date |
|---|---|---|
| /s/ Alexander Shen<br>Alexander Shen | Chief Executive Officer<br>(Principal Executive Officer) | June 10, 2021 |
| /s/ Thomas Sammons<br>Thomas Sammons | Chief Financial Officer<br>(Principal Financial and Accounting Officer) | June 10, 2021 |
| /s/ Richard S. McGowan<br>Richard S. McGowan | Chairperson | June 10, 2021 |
| /s/ Robert A. Crisafulli<br>Robert A. Crisafulli | Director | June 10, 2021 |
| /s/ Andrew A. Levy<br>Andrew A. Levy | Director | June 10, 2021 |
| /s/ Walter M. Schenker<br>Walter M. Schenker | Director | June 10, 2021 |

**Exhibit 21.1**

SUBSIDIARIES OF THE COMPANY

| | State or other Jurisdiction of Incorporation or Organization | Stock Ownership |
|---|---|---|
| Ranor, Inc. | Delaware | 100% |
| Stadco New Acquisition, LLC | Delaware | 100% |
| Wuxi Critical Mechanical Components | China | 100% |

**Exhibit 23.1**

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM’S CONSENT

We consent to the incorporation by reference in the Registration Statements of TechPrecision Corporation on Form S-8 (File No. 333-215028, 333-214541, 333-177315, and 333-148152) of our report dated June 10, 2021, with respect to our audits of the consolidated financial statements of TechPrecision Corporation as of March 31, 2021 and 2020 and for the years ended March 31, 2021 and 2020, which report is included in this Annual Report on Form 10-K of TechPrecision Corporation for the year ended March 31, 2021.

/s/ Marcum LLP

Marcum LLP
Philadelphia, Pennsylvania
June 10, 2021

**Exhibit 31.1**

CERTIFICATION

I, Alexander Shen, certify that:

1. I have reviewed this annual report on Form 10-K of TechPrecision Corporation for the year ended March 31, 2021;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: June 10, 2021

/s/ Alexander Shen
Alexander Shen
Chief Executive Officer (Principal Executive Officer)

**Exhibit 31.2**

CERTIFICATION

I, Thomas Sammons, certify that:

1. I have reviewed this annual report on Form 10-K of TechPrecision Corporation for the year ended March 31, 2021;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: June 10, 2021

/s/ Thomas Sammons

Thomas Sammons
Chief Financial Officer (Principal Financial Officer)

**Exhibit 32.1**

CERTIFICATION PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report on Form 10-K of TechPrecision Corporation (the “Company”) for the year ended March 31, 2021, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Alexander Shen, the Chief Executive Officer of the Company, and I, Thomas Sammons, the Chief Financial Officer of the Company, do hereby certify pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that:

(1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

| | |
|---|---|
| Dated: June 10, 2021 | /s/ Alexander Shen<br>Alexander Shen<br>Chief Executive Officer |
| Dated: June 10, 2021 | /s/ Thomas Sammons<br>Thomas Sammons<br>Chief Financial Officer (Principal Financial Officer) |