

**BKT EXIM US, INC. AND SUBSIDIARY**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**MARCH 31, 2019 AND 2018**

# **ANURAG PATEL & ASSOCIATES, LLC**

*CPAs & CONSULTANTS*

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## **INDEPENDENT ACCOUNTANTS' REVIEW REPORT**

To the Board of Directors and Stockholders of  
**BKT EXIM US, INC. AND SUBSIDIARY**

We have reviewed the accompanying consolidated financial statements of BKT Exim US, Inc. and Subsidiary (collectively the "Company") which comprise of consolidated balance sheets as of March 31, 2019 and 2018, and the related consolidated statements of operations and retained earnings and consolidated statements of cash flows for the year then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of company management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

### **Management's Responsibility for the Financial Statements**

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

### **Accountant's Responsibility**

Our responsibility is to conduct the review engagements in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

### **Accountant's Conclusion**

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

## Supplementary Information

The accompanying supplementary information included on page 12 to 15 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the financial statements. The supplementary information has been subjected to the review procedures applied in our reviews of the basic financial statements. We are not aware of any material modifications that should be made to the supplementary information. We have not audited the supplementary information, and do not express an opinion on such information.

*Omberg Patel & Associates, LLC*  
Certified Public Accountants

Holmdel, New Jersey  
May 11, 2019.

**BKT EXIM US, INC. AND SUBSIDIARY**  
**CONSOLIDATED BALANCE SHEETS**  
**MARCH 31,**

**2019**

**2018**

**ASSETS**

**Current Assets**

Cash	\$	270,662	\$	319,300
Accounts receivable		1,929,526		1,134,962
Inventory		8,681,602		3,876,987
Prepaid expenses		-		1,622
Prepaid taxes		-		54,819

<b>Total Current Assets</b>		<u>10,881,790</u>		<u>5,387,690</u>
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<b>Other Assets, security deposits</b>		<u>3,838</u>		<u>-</u>
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<b>TOTAL ASSETS</b>	\$	<u>10,885,628</u>	\$	<u>5,387,690</u>
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**LIABILITIES AND STOCKHOLDER'S EQUITY**

**Current Liabilities**

Bank line of credit		2,511,608		2,505,977
Accounts payable & accrued expenses		168,730		90,427
Accounts payable, related party		7,711,736		2,533,275
Due to affiliate		75,900		64,178
Income taxes payable		27,698		7,783

<b>Total Current Liabilities</b>		<u>10,495,672</u>		<u>5,201,640</u>
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**Stockholder's Equity**

Common stock, \$10 par value, 6,000 shares authorized, 6,000 shares issued and outstanding		60,000		60,000
Retained earnings		329,956		126,050

<b>Total Stockholder's Equity</b>		<u>389,956</u>		<u>186,050</u>
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<b>Total Liabilities and Stockholder's Equity</b>	\$	<u>10,885,628</u>	\$	<u>5,387,690</u>
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**BKT EXIM US, INC. AND SUBSIDIARY**  
**CONSOLIDATED STATEMENTS OF OPERATIONS & RETAINED EARNINGS**  
**FOR THE YEAR ENDED MARCH 31,**

	2019	2018
<b>Revenue</b>		
Tire sales	\$ 10,799,150	\$ 6,089,612
Marketing services	2,224,480	1,183,565
<b>Total Revenue</b>	13,023,630	7,273,177
<b>Cost of Tire Sales</b>	10,616,028	5,983,604
<b>Excess of Revenues over Costs</b>	2,407,602	1,289,573
<b>Operating Expenses</b>	1,991,126	1,046,146
<b>Net Income from Operations</b>	416,476	243,427
<b>Other Income/(Expenses)</b>		
Interest income	117	79
Interest expenses	(116,651)	(93,665)
<b>Total Other Expenses</b>	(116,534)	(93,586)
<b>Net Income before Income Taxes</b>	299,942	149,841
<b>Provision for Income Taxes</b>	(96,036)	(50,949)
<b>Net Income</b>	203,906	98,892
<b>Retained Earnings - April 01,</b>	126,050	27,158
<b>Retained Earnings - March 31,</b>	\$ 329,956	\$ 126,050

*See independent accountants' review report and notes to financial statements*

**BKT EXIM US, INC. AND SUBSIDIARY**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE YEAR ENDED MARCH 31,**

**2019**

**2018**

**Cash Flows from Operating Activities**

Net Income	\$	203,906	\$	98,892
Adjustments to reconcile net income to net Cash used in operating activities, Deferred income taxes				1,949
Changes in Current Assets and Liabilities:				
Accounts receivable		(794,564)		(27,774)
Inventory		(4,804,615)		(899,157)
Prepaid expense		1,622		(1,622)
Prepaid taxes		54,819		(19,139)
Security deposits		(3,838)		4,622
Accounts payable & Accrued Expenses		78,303		4,429
Accounts payable, related party		5,178,461		607,139
Income tax payable		19,915		(1,188)
<b>Net Cash Used in Operating Activities</b>		<u>(65,991)</u>		<u>(231,849)</u>

**Cash Flows From Financing Activities**

Bank line of credit		5,631		5,977
Due to affiliate		11,722		99,835
<b>Net Cash Provided by Financing Activities</b>		<u>17,353</u>		<u>105,812</u>
<b>Net Decrease in Cash and Cash Equivalents</b>		(48,638)		(126,037)
<b>Cash - Beginning of Period</b>		<u>319,300</u>		<u>445,337</u>
<b>Cash - End of Period</b>	\$	<u>270,662</u>	\$	<u>319,300</u>

*See independent accountants' review report and notes to financial statements*

**BKT EXIM US, INC. AND SUBSIDIARY**  
**CONSOLIDATED NOTES TO FINANCIAL STATEMENTS**  
**MARCH 31, 2019 AND 2018**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

A summary of significant accounting policies of BKT Exim US, Inc. and Subsidiary (the “Company”) consistently applied is presented to assist in understanding the financial statements. These accounting policies conform to accounting principles generally accepted in the United States of America.

*1. Nature of Business and Principles of Consolidation*

BKT Exim US, Inc. was incorporated in the State of Delaware and BKT Tires, Inc. was incorporated in the State of Tennessee, both on July 8, 2014. BKT Tires is the North American Sales Office for Balkrishna Industries Ltd. (the “Parent”), one of the world’s leading manufacturers of “Off-The-Road tires” in India. It produces tires for the niche tire segments of agriculture, construction, industrial, earthmover, all-terrain vehicles and turf care application markets. The Company also imports tires from its Parent and warehouses and sells to its customers and distributors.

The Company is a wholly owned subsidiary of Balkrishna Industries, Ltd., a corporation organized under the laws of India. As described in Note 5, the company has significant transactions with the Parent.

The combined financial statements include the accounts of BKT Exim US, Inc. (“BKT Exim”) and its wholly owned subsidiary BKT Tires, Inc. (“BKT Tires”). All significant intercompany transactions and balances have been eliminated in combination.

*2. Concentration of Credit Risk*

The Company maintains its cash balances at a financial institution, which, at times may exceed federally insured limits. The Company is subject to credit risk to the extent any financial institution with which it conducts business is unable to fulfil contractual obligations on its behalf.

*3. Revenue Recognition*

Revenue from sales and marketing services is recognized in the month services are rendered and expenses are incurred, net of any adjustments for prior periods.

Revenue from sale of tires is recognized when the title to the tires, ownership and risk of loss is transferred to the customer. A provision for payment discounts and product return allowances is recorded as a reduction of sales in the same period that the revenue is recognized.

*4. Inventory*

Inventory consists of tires, stated at the lower of cost or market, with cost determined by the weighted average cost method.

**BKT EXIM US, INC. AND SUBSIDIARY**  
**CONSOLIDATED NOTES TO FINANCIAL STATEMENTS**  
**MARCH 31, 2019 AND 2018**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

*5. Accounts Receivable*

Accounts receivable are generally due within 30-45 days and are stated at amounts due from customers net of allowance for doubtful accounts. Receivables outstanding for longer than the contractual payment terms are considered as past due. The Company determines its allowance by considering a number of factors, including the length of time trade accounts receivable are past due, the Company's previous loss history, the customer's current ability to pay its obligation to the Company and the condition of the general economy and the industry as a whole. The Company writes off accounts receivable when they become uncollectible, and payments subsequently received on such receivables are credited to the allowance for doubtful accounts. Accordingly, no allowance for doubtful accounts was recorded as at March 31, 2019 and March 31, 2018.

*6. Income Taxes*

The Company accounts for income taxes pursuant to the asset and liability method which requires deferred income tax assets and liabilities to be computed annually for differences between the financial statement and tax bases of assets and liabilities that will result in taxable or deductible amounts in the future based on enacted tax laws and rates applicable to the periods in which the differences are expected to affect taxable income. 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.

The Company recognizes and measures its unrecognized tax benefits in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 740, *Income Taxes*. Under that guidance, the Company assesses the likelihood, based on their technical merit, that tax positions will be sustained upon examination based on the facts, circumstances and information available at the end of each period. The measurement of unrecognized tax benefits is adjusted when new information is available or when an event occurs that requires a change. Management has evaluated the Company's tax positions and has concluded that the Company has taken no uncertain tax positions that require any adjustment to the financial statements for the year ended March 31, 2019.

With few exceptions, the Company is no longer subject to U.S. federal, state, and local income tax examinations by tax authorities for years before 2014.

*7. Use of Estimates*

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**BKT EXIM US, INC. AND SUBSIDIARY**  
**CONSOLIDATED NOTES TO FINANCIAL STATEMENTS**  
**MARCH 31, 2019 AND 2018**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

*8. Recently issued accounting pronouncements*

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers* (Topic 606), as amended (commonly referred to as "ASC 606") which requires an entity to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. ASC 606 replaces most existing revenue recognition guidance in GAAP, including industry specific guidance, when it becomes effective. For annual reporting periods, this standard is effective for the Company on April 1, 2019 and for interim periods within annual periods that begin one year later. The standard permits the use of either the retrospective or cumulative-effect transition method. The Company is currently completing its initial assessment of ASC 606 and determined that the standard will have no impact on the Company's consolidated financial statements and related disclosures.

Since the Company's revenues are primarily derived from wholesale operations consisting of the sale of tires. The Company does not anticipate that the adoption of ASC 606 will have a significant impact on its recognition of these sales. However, the Company will be required to recognize expected income proportionately as reduced by estimated future discounts. The Company's current accounting policy of recognizing revenues after discounts applying the remote method will no longer be permitted. The adoption of ASC 606 will also expand the disclosures to enable users to better understand the nature, amount, timing, and uncertainty, if any, of revenues and cash flows arising from contracts with customers.

*9. Subsequent Events*

In accordance with FASB ASC 855, *Subsequent Events*, the Company has evaluated all material subsequent events through May 11, 2019, the date these financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosure in these financial statements.

**NOTE 2 - LINE OF CREDIT**

The Company entered into a loan and security agreement (the "Agreement") with a financial institution which provides the Company with a \$3,000,000 revolving line of credit (the "Line"). Borrowings under the Line bear interest at the published LIBOR rate plus 1.4% per annum. The payment of all amounts outstanding under the Line is guaranteed by the Company's parent and borrowings are collateralized by substantially all of the assets of the Company. Balances outstanding on this Line of Credit at March 31, 2019 and 2018 were \$2,511,608 and \$2,505,977 and the interest rates were 3.9015% and 3.28688%, respectively.

**BKT EXIM US, INC. AND SUBSIDIARY**  
**CONSOLIDATED NOTES TO FINANCIAL STATEMENTS**  
**MARCH 31, 2019 AND 2018**

**NOTE 3 – INCOME TAXES**

The provision for income taxes for the year ended March, 31 2019 and 2018 are summarized as follow:

Current	<u>2019</u>	<u>2018</u>
Federal	\$ 76,586	\$ 39,268
State	19,450	9,732
Deferred		
Federal	-	1,624
State	-	325
Total benefit income taxes	<u>\$ 96,036</u>	<u>\$ 50,949</u>

The actual provision for income taxes reflected in the statements of income for the year ended March 31, 2019 and 2018 differs from the provision computed at the Federal statutory tax rates. The principal differences between the statutory income tax and the actual provision for income taxes is summarized as follows:

	<u>2019</u>	<u>2018</u>
Computed income taxes at the statutory rate of 21%/34%	\$ 63,664	\$ 50,946
State and local income taxes, net of federal taxes	15,207	6,423
Increase (decrease) in taxes resulting from:		
Rate differential	16,985	(6,435)
Meals and entertainment	180	15
	<u>\$ 96,036</u>	<u>\$ 50,949</u>

The Company, for federal income tax purposes, files a consolidated federal income tax return with other entities commonly owned by the company's parent. The actual tax payment may differ from the provision for taxes due to any tax benefit from the other subsidiaries.

**NOTE 4 – RELATED PARTY TRANSACTIONS**

The Company receives all of its marketing services revenue from its Parent based on reimbursement of expenditures plus a standard markup percentage. The Company recognized \$2,224,480 and \$1,183,565 in revenue from its parent for services performed for the period ended March 31, 2019 and 2018, respectively. The amount due from the parent under this agreement is included in account receivable related party and was \$307,025 and \$351,870 at March 31, 2019 and 2018, respectively. All accounts receivable from Parent have been netted against the accounts payable, related party.

The company imported the tires inventory worth \$15,420,643 and \$6,882,761 for the period ended March 31, 2019 and 2018, respectively, from its Parent for resale to its distributors and customers. The company also paid its Parent \$21,240 as reimbursement of guarantee charge paid by them to guarantee the company's line of credit for the both the years ending March 31, 2019 and 2018.

Amounts payable to the Parent at March 31, 2019 and 2018 were \$7,711,736 and \$2,533,275, respectively net of accounts receivable from parent and included in account payable, related party.

*See Independent Accountants' Review Report*

**BKT EXIM US, INC. AND SUBSIDIARY**  
**CONSOLIDATED NOTES TO FINANCIAL STATEMENTS**  
**MARCH 31, 2019 AND 2018**

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**NOTE 5 – PENSION PLAN**

During the period ended March 31, 2019, the Company maintained a contributory profit sharing plan as defined under Section 401(k) of the U.S. Internal Revenue Code covering substantially all U.S. employees. Employees employed on July 8, 2014, (date of inception of business) and who have attained the age of 21 are eligible to participate after completing one full month of service with the Company. The Company contributed at a rate of 100% of the employee's elective deferral contribution up to a maximum of 3% of the employee's eligible compensation. The plan also provides for discretionary profit sharing contributions to be made at the election of the Company. The Company made no discretionary profit sharing contribution during the year. Total pension plan expense for the period ended March 31, 2019 and 2018 was \$6,450 and 3,900.

**NOTE 6 – COMMITMENTS**

The Company leases its office space from an unrelated party on a month-to-month basis starting January 16, 2019. Total rent paid under this operating lease for the year ended March 31, 2019 was \$5,127.