

BKT EXIM US, INC. AND SUBSIDIARY
CONSOLIDATED FINANCIAL STATEMENTS
PERIOD ENDED MARCH 31, 2022 AND 2021

**BKT EXIM US, INC. AND SUBSIDIARY
CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2022 AND 2021**

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INDEPENDENT ACCOUNTANT'S 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, 2022 and 2021, and the related consolidated statements of operations and retained earnings and consolidated statements of cash flows for the years then ended and related notes to the consolidated financial statements. 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.

Adoption of New Accounting Pronouncements

As discussed in Note 1 to the financial statements, the Company adopted Accounting Standards Codification Topic 606, Revenue from Contracts with Customers ("ASC 606"), as of April 1, 2020, using the modified retrospective transition method. Our conclusion and opinion is not modified with respect to this matter.

anurag patel & associates, LLC
Certified Public Accountants

Holmdel, New Jersey
May 4, 2022

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

2022

2021

ASSETS

Current Assets

Cash	\$ 292,811	\$ 462,135
Accounts receivable	4,397,433	1,993,248
Accounts receivable - related party	94,955	57,090
Inventory	3,567,037	5,138,480
Prepaid expenses	17,931	17,786
Prepaid taxes	-	1,525

Total Current Assets	<u>8,370,167</u>	<u>7,670,264</u>
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Total Assets	<u>\$ 8,370,167</u>	<u>\$ 7,670,264</u>
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LIABILITIES AND STOCKHOLDER'S EQUITY

Current Liabilities

Bank line of credit	\$ 3,900,000	\$ 5,500,000
Accounts payable & accrued expenses	97,636	239,663
Accounts payable, related party	3,203,076	1,038,465
Loan payable, affiliate	30,825	30,825
Income taxes payable	75,369	37,493

Total Current Liabilities	<u>7,306,906</u>	<u>6,846,446</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	1,003,261	763,818

Total Stockholder's Equity	<u>1,063,261</u>	<u>823,818</u>
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Total Liabilities and Stockholder's Equity	<u>\$ 8,370,167</u>	<u>\$ 7,670,264</u>
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BKT EXIM US, INC. AND SUBSIDIARY**CONSOLIDATED STATEMENTS OF OPERATIONS & RETAINED EARNINGS****FOR THE YEARS ENDED MARCH 31,****2022****2021****Revenue**

Tire sales	\$ 20,379,695	\$ 10,769,624
Marketing services	990,110	1,134,081

Total Revenue	21,369,805	11,903,705
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Cost of Tire Sales	18,537,777	9,824,781
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Gross Profit	2,832,028	2,078,924
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Operating Expenses	2,420,628	1,686,064
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Net Income from Operations	411,400	392,860
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Other Income/(Expenses)

Interest income	89	87
Interest expenses	(104,375)	(82,626)

Total Other Expenses, net	(104,286)	(82,539)
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Net Income before Income Taxes	307,114	310,321
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Provision for Income Taxes	(67,671)	(81,310)
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Net Income	239,443	229,011
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Retained Earnings - April 01,	763,818	534,807
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Retained Earnings - March 31,	\$ 1,003,261	\$ 763,818
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BKT EXIM US, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED MARCH 31,

2022

2021

Cash Flows from Operating Activities

Net Income	\$ 239,443	\$ 229,011
Adjustments to reconcile net income to net Cash used in operating activities, Changes in Current Assets and Liabilities:		
Accounts receivable	(2,442,050)	(57,394)
Inventory	1,571,443	2,277,089
Prepaid expense	(145)	10,433
Prepaid taxes	1,525	23,101
Security deposits	-	3,838
Accounts payable and Accrued expenses	(184,507)	116,247
Accounts payable, related party	2,207,091	(6,566,302)
Income tax payable	37,876	37,493
Net Cash Provided by/(Used in) Operating Activities	<u>1,430,676</u>	<u>(3,926,484)</u>

Cash Flows From Financing Activities

Bank line of credit	(1,600,000)	3,298,040
Repayment to affiliate	-	(96,026)
Net Cash Provided by/(Used In) Financing Activities	<u>(1,600,000)</u>	<u>3,202,014</u>
Net Decrease in Cash	(169,324)	(724,470)
Cash - Beginning of Period	<u>462,135</u>	<u>1,186,605</u>
Cash - End of Period	<u>\$ 292,811</u>	<u>\$ 462,135</u>

See independent accountant's review report and notes to financial statements

BKT EXIM US, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2022 AND 2021

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 consolidated 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 consolidation.

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. 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, 2022 and March 31, 2021.

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
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2022 AND 2021

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

5. Revenue Recognition

The Company adopted Revenue from contracts with customers (Topic 606) on April 1, 2020. Revenue from sale of tires is measured based on consideration specified in a contract with a customer, and excludes any sales incentives and amounts collected on behalf of third parties. The Company recognizes revenue when it satisfies a performance obligation by transferring control over a product or service to a customer. Taxes assessed by a governmental authority that are both imposed on and concurrent with a specific revenue-producing transaction, that are collected by the Company from a customer, are excluded from revenue. Shipping and handling costs associated with outbound freight after control over a product has transferred to a customer are accounted for as fulfillment costs and are included in cost of sales.

The majority of the Company's revenue originates from contracts with customers with a single performance obligation to provide the customer with a product at the time of pick up or shipment for industrial sales. The Company's standard payment terms do not exceed 60 days.

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

The Company records a contract asset when it has a right to payment from a customer that is conditional on events other than the passage of time. The Company also records a contract liability when a customer prepaids but the Company has not yet fulfilled its performance obligation. The Company did not have any material unsatisfied performance obligations, contract assets or liabilities as of March 31, 2022. The Company's revenue is reported as the determinable transaction price, net of rights to return the product, sales incentives and allowances, and any sales tax collected from a customer.

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.

BKT EXIM US, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2022 AND 2021

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

6. Income Taxes (continued)

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, 2022 and 2021.

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 2017.

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.

8. Subsequent events

The Company has evaluated subsequent events through May 4, 2022, the date on which 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 \$6,000,000 revolving line of credit (the "Line"). Borrowings under the Line bear interest at the published LIBOR rate plus 1.0% 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, 2022 and 2021 were \$3,900,000 and \$5,500,000 and the interest rates were 1.47045% and 1.15838%, respectively.

NOTE 3. INCOME TAXES

The provision for income taxes for the year ended March, 31 2022 and 2021 are summarized as follow:

Current	2022	2021
Federal	\$ 58,175	\$ 60,632
State	9,496	20,678
Deferred		
Federal	-	-
State	-	-
Total benefit income taxes	<u>\$ 67,671</u>	<u>\$ 81,310</u>

BKT EXIM US, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2022 AND 2021

NOTE 3. INCOME TAXES (continued)

The actual provision for income taxes reflected in the statements of income for the year ended March 31, 2022 and 2021 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:

	2022	2021
Computed income taxes at the statutory rate of 21%	\$ 64,495	\$ 65,167
State and local income taxes, net of federal taxes	3,176	16,058
Increase (decrease) in taxes resulting from:		
Meals and entertainment	-	85
	<u>\$ 67,671</u>	<u>\$ 81,310</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 \$990,110 and \$1,134,081 in revenue from its parent for services performed for the period ended March 31, 2022 and 2021, respectively. The amount due from the parent under this agreement is included in account receivable related party and was \$94,955 and \$57,090 at March 31, 2022 and 2021, respectively. All accounts receivable from Parent have been netted against the accounts payable, related party.

The company purchases tires worth \$17,553,367 and \$7,668,166 for the period ended March 31, 2022 and 2021, respectively, from its Parent for resale to and customers.

During the year ended March 31, 2022 and 2021, the Company paid \$11,924 and \$5,302 to its Parent for reimbursement of marketing material and advertising expenses respectively.

Amounts payable to the Parent as of March 31, 2022 and 2021 were \$3,203,076 and \$1,038,465, respectively and included in account payable, related party. This includes \$3,160,596 and \$995,985 for tires and \$42,480 and \$42,480 as reimbursement of guaranty charges paid by them to guarantee the company's line of credit included in interest expense for the years ended March 31, 2022 and 2021, respectively.

An affiliate by common ownership incurs certain expenses on behalf of the Company in regular course of business. These amounts reflect as loan payable affiliate on the balance sheet. This loan is non-interest bearing and due on demand and the balance outstanding was \$30,825 and \$30,825, as of March 31, 2022 and 2021, respectively.

BKT EXIM US, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2022 AND 2021

NOTE 5. PENSION PLAN

During the years ended March 31, 2022 and 2021, 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 years. Total pension plan expense for the years ended March 31, 2022 and 2021 was \$4,607 and \$4,671.