UNIPARTS OLSEN INC.

Translated Report on the annual accounts 2018/2019

RAKESH BANWARI & CO.
NEW DELHI
CHARTERED ACCOUNTANTS

Uniparts Olsen Inc.
Translated Balance Sheets as at March 31, 2019 and March 31, 2018

(Amount in INR)

Particulars	As at March 31, 2019	As at March 31, 2018
Assets		
Current assets		
Cash	27,953	2,99,66,747
Accounts receivable, net	40,59,39,806	25,47,96,135
Inventories, net	1,25,54,03,494	99,13,40,444
Prepaid expenses	67,36,477	56,85,601
Other receivables	49,81,680	44,70,387
Due from parents	3,54,30,677	4,68,27,438
Total current assets	**1,70,85,20,087**	**1,33,30,86,752**
Property and equipments,net	16,05,93,242	12,51,06,064
Capitalized software cost	1,24,75,995	-
Other receivables, net of current portion	24,83,506	81,54,246
Goodwill	47,80,78,684	44,98,87,312
Total	**2,36,21,51,514**	**1,91,62,34,374**
Liabilities and Stockholder's Equity		
Current Liabilities		
Bank lines of credit	47,95,23,509	39,11,17,072
Accounts payable	32,71,32,397	23,64,87,853
Accrued expenses	6,47,66,545	4,69,46,589
Current portion of long-term debt	2,96,14,496	1,93,87,088
Total current liabilities	**90,10,36,947**	**69,39,38,602**
Long-term liabilities		
Long term debt, net of current Portion	5,88,88,993	3,39,20,618
Deferred rent	-	1,22,17,045
Deferred gain- leaseback	19,49,082	62,35,129
Deferred income tax	12,90,36,928	11,00,49,703
Total long-term liabilities	**18,98,75,003**	**16,24,22,495**
Stockholder's equity		
Common stock, \$1 @ Rs. 45.55 par value, 612,151 shares and \$1 @ Rs. 40.29 par value 612,150 shares authorized, issued and outstanding	5,25,47,002	5,25,47,002
Paid-in capital	11,50,32,296	11,50,32,296
Retained earnings	1,00,10,90,183	80,56,54,081
Foreign currency translation reserve	10,25,70,083	8,66,39,898
Total stockholder's equity	**1,27,12,39,564**	**1,05,98,73,277**
Total liabilities and stockholder's equity	**2,36,21,51,514**	**1,91,62,34,374**

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

RAKESH BANWARI & CO. NEW DELHI CHARTERED ACCOUNTANTS

Uniparts Olsen Inc.
Translated Statements of income for the year ended March 31, 2019 and March 31, 2018

(Amount in INR)

Particulars	For the Year ended March 31, 2019	For the Year ended March 31, 2018
Revenue, net	4,03,51,12,566	3,20,39,40,209
Cost of goods sold	3,55,51,48,350	2,83,97,45,932
Gross profit	**47,99,64,216**	**36,41,94,277**
Selling, general and administrative expenses	20,24,26,364	17,78,52,881
Income from operations	**27,75,37,852**	**18,63,41,396**
Other income (expense)		
Amortization of gain on dispositions of property and equipment	47,26,103	43,57,045
Interest expense	(2,43,37,684)	(1,48,67,506)
Total other expense	**(1,96,11,581)**	**(1,05,10,461)**
Income before income tax expense /(benefit)	**25,79,26,271**	**17,58,30,935**
Income tax expense (benefit)		
Current	4,57,07,334	3,47,33,562
Deferred	1,22,18,730	(3,65,72,348)
Total income tax expense (benefit)	**5,79,26,064**	**(18,38,786)**
Net income	**20,00,00,207**	**17,76,69,721**

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

RAKESH BANWARI & CO. CHARTERED ACCOUNTANTS
NEW DELHI

Uniparts Olsen Inc.
Translated Statement of Stockholder's Equity for the year ended March 31, 2019 and March 31, 2018

(Amount in INR)

Particulars	Common Stock	Paid-in Capital	Retained Earnings	Foreign Currency Translation Reserve	Total Stockholder's Equity
Balance, March 31, 2017	5,25,47,002	11,50,32,296	62,80,63,184	-	**79,56,42,482**
Net income	-	-	17,76,69,721	-	17,76,69,721
Exchange difference			(78,824)	8,66,39,898	8,65,61,074
Balance, March 31, 2018	**5,25,47,002**	**11,50,32,296**	**80,56,54,081**	**8,66,39,898**	**1,05,98,73,277**
Net income	-	-	20,00,00,207	-	20,00,00,207
Exchange difference			(45,64,105)	1,59,30,185	1,13,66,080
Balance, March 31, 2019	**5,25,47,002**	**11,50,32,296**	**1,00,10,90,183**	**10,25,70,083**	**1,27,12,39,564**

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

RAKESH BANWARI & CO. NEW DELHI CHARTERED ACCOUNTANTS

Uniparts Olsen Inc.
Translated Statement of Cash Flows for the year ended March 31, 2019 and March 31, 2018

(Amount in INR)

Particulars	For the year Ended March 31, 2019	For the year Ended March 31, 2018
Cash Flow from Operating Activities		
Net Income	20,00,00,207	17,76,69,721
Adjustments to reconcile net income to net cash used by operating activities:		
Depreciation and amortization	2,77,61,380	2,92,18,178
Amortization of debt issue costs	-	12,75,212
Provision for doubtful accounts	-	16,11,500
Provision for obsolete inventory	-	32,23,000
Deferred income tax expense (benefit)	1,22,18,730	(3,65,72,348)
Amortization of gain on dispositions of property and equipment	(47,26,103)	(43,57,045)
Changes in operating assets and liabilities:	-	-
Accounts receivable	(13,66,03,543)	(1,41,19,061)
Inventories	(20,40,73,127)	(18,38,78,854)
Prepaid expenses	(7,01,927)	7,88,346
Other receivables	60,13,330	4,02,44,118
Due from parent	1,44,82,320	(1,47,01,134)
Accounts payable	7,66,25,468	2,04,27,052
Accrued expenses	58,47,270	(4,42,69,774)
Deferred rent	(1,31,19,579)	(69,29,450)
Net cash used by operating activities	**(1,62,75,574)**	**(3,03,70,539)**
Cash flows from investing activities		
Purchase of property and equipment	(2,11,06,680)	(1,13,51,664)
Acquisition of capitalized software	(34,19,787)	-
Net cash used by investing activities	**(2,45,26,467)**	**(1,13,51,664)**
Cash flows from financing activities		
Proceeds on bank line of credit, net	8,26,95,782	11,58,75,745
Repayments of debt	(2,08,19,309)	(4,00,48,418)
Net cash provided by financing activities	**6,18,76,473**	**7,58,27,327**
Net change in cash	**2,10,74,432**	**3,41,05,124**
Cash		
Beginning of year	2,99,66,747	1,03,192
Foreign currency translation reserve	(5,10,13,226)	(42,41,569)
End of year	**27,953**	**2,99,66,747**
Supplemental disclosure of cash flow information		
Cash paid for interest	2,20,79,757	1,36,13,565
Cash paid for income taxes	3,21,67,885	4,99,89,310
Supplemental disclosure of non-cash investing and financing activities		
Equipment acquired through capital expenditures debt facility	3,48,86,934	1,67,08,548
Conversion of capital expenditures debt facility to note payable	5,30,10,757	-
Acquisition of capitalized software	91,87,838	-

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

RAKESH BANWARI & CO.
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Uniparts Olsen Inc.
Translated Notes to the Financial Statements
March 31, 2019 and March 31, 2018

1. NATURE OF BUSINESS

The operations of Uniparts Olsen Inc. (the "Company") consist of the machining of metal parts and components. The Company sells its products primarily to agricultural and construction equipment manufacturers in North America on credit terms the Company establishes with each customer. The Company is a 100% owned subsidiary of Uniparts USA Ltd. (the "Parent").

2. SIGNIFICANT ACCOUNTING POLICIES

Cash and Cash Equivalents

The Company considers all highly liquid investments purchased with maturities of three months or less at the time of acquisition to be cash equivalents for financial statement purposes.

Accounts Receivable

Accounts receivable are uncollateralized, non-interest bearing customer obligations due under normal trade terms, usually within 30 days of services provided. Customer account balances with invoices dated over 90 days are considered delinquent. The Company applies collections of accounts receivable to specific invoices in accordance with customer specifications, or if unspecified, to the oldest outstanding invoices.

The Company carries its accounts receivable at cost less an allowance for doubtful accounts. On a periodic basis, the Company evaluates its accounts receivable and establishes an allowance for doubtful accounts based on a history of past write-offs and collections, and current credit conditions. The Company will turn an account over for collection or write balances off as uncollectible based on the facts and circumstances of each situation. As of both March 31, 2019 and 2018, the allowance for doubtful accounts totalled Rs. 51,89,250/- and Rs. 48,83,250/- respectively.

Inventories

Inventories, which consist primarily of construction, agricultural and forestry equipment parts and supplies, are stated at the lower of cost or net realizable value and are net of an estimated allowance for obsolescence. Cost is determined using the average cost method and items are relieved from inventory on a first-in first-out basis. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to make the sale.

Property and Equipment

Property and equipment is carried at cost less accumulated depreciation. Leasehold improvements are amortized over the shorter of the term of the lease or the life of the assets. Depreciation is provided using the straight-line method over the estimated useful lives of the respective assets as follows:

	Estimated Life (Years)
Shop Equipment	3-25
Office Equipment	3-7

Expenditures for maintenance and repairs are charged to expense as incurred.

Capitalized Software Costs

The Company is in the process of developing an integrated software system and associated costs have been capitalized in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 350 "Intangibles – Goodwill and Other." Upon implementation of the system, the costs will be amortized over a period of five years.

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Goodwill

The Company evaluates goodwill when internal and external factors exist which indicate that the book value of goodwill could be impaired. Prior to the adoption of the accounting pronouncement relating to goodwill, the Company recorded accumulated amortization of goodwill of Rs. 10,84,52,834/-. Management has determined that no impairment analysis was required and believes goodwill is not impaired as of March 31, 2019 and 2018.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates are used in determining, among other items, accounts receivable allowance, inventory valuation (which includes allowance for obsolescence and standard labour and overhead rates capitalized in inventory), goodwill impairment, medical insurance accruals, useful lives of tangible assets, provision for warranty costs and deferred income taxes. Actual results could differ from those estimates.

Debt Issuance Costs

Debt issuance costs represent costs associated with the renewal of the Company's line of credit and are amortized to interest expense using a method which approximates the effective interest method over the term of the related borrowings. All debt issuance costs were fully amortized during the year ended March 31, 2018.

Valuation of Long-Lived Assets

The Company reviews long-lived assets, including property and equipment, for impairment whenever events or changes in business circumstances indicate that the carrying amount of the assets may not be fully recoverable. Management has determined that no impairment assessment was required for the periods presented in these financial statements.

Fair Value of Financial Instruments

The carrying value of financial instruments including cash, accounts receivable and accounts payable approximates fair value due to the short maturity of these instruments. The carrying amounts of long-term debt approximate fair value as the interest rates used approximate current interest rates available.

Revenue Recognition

The Company recognizes revenue, net of sales discounts, at the time the price is fixed or determinable, collectability is reasonably assured and title passes to the customer which is based on the terms of the customer's specific agreement and is generally when products are received.

Warranties

Provisions for warranty costs are recognized at the date of sale of the relevant products, at management's best estimate of the expenditure required to settle the Company's obligation, net of warranties provided by suppliers.

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Shipping and Handling Costs

The Company classifies freight billed to customers as sales revenue, which is generally included in the list price to the customer, and classifies the related freight costs as cost of goods sold.

Income Taxes

Income taxes are provided for tax effects of transactions reported in the financial statements and consist of taxes currently due plus deferred taxes related primarily to differences between the basis for accounts receivable, inventory, net property and equipment, net goodwill, accrued expenses and deferred rent for financial and income tax reporting. The Company's tax obligation is combined with the activities of its Parent in a consolidated return. The income tax provisions shown in the accompanying financial statements have been determined based solely on the operations of the Company. Current and deferred taxes are allocated to the Company using the separate return method. This method allocates income taxes to each member of the consolidated group based on its appointment. Other non-consolidated state income taxes are also computed on a separate company basis.

The deferred tax assets and liabilities represent the future tax return consequences of those differences, which will either be taxable or deductible when the assets and liabilities are expected to be recovered or settled. Deferred tax expense or benefit is recognized as a result of the change in the deferred tax assets or liabilities during the year.

The Company files consolidated tax returns in the U.S. federal jurisdiction and various states. Furthermore, the Company has no income tax related penalties or interest for the periods reported in these financial statements.

The Company has not recognized any uncertain tax positions in the financial statements at March 31, 2019 and 2018.

Effects of Recently Issued Accounting Pronouncements

In January 2017, the FASB issued Accounting Standards Update 2017-04 Simplifying the Test for Goodwill Impairment (Topic 350) ("ASU 2017-04") to simplify how an entity is required to test goodwill for impairment by eliminating the second step in the two step goodwill impairment test. ASU 2017-04 is effective for fiscal years beginning after December 15, 2021. Early adoption is permitted for annual or interim goodwill impairment tests performed on testing dates after January 1, 2017. The Company is currently evaluating the impact on the financial statements of the possible adoption of the guidance in ASU 2017-04 and does not believe adoption will have a significant impact on the financial statements.

In February 2016, the FASB issued Accounting Standards Update 2016-02 Leases (Topic 842) ("ASU 2016- 02") to provide guidance on recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. ASU 2016-02 is effective for fiscal years beginning after December 15, 2019, and interim periods within fiscal years beginning after December 15, 2020. Early application of the amendments in ASU 2016-02 is permitted for all entities. The Company is currently evaluating the impact on the financial statements of the adoption of ASU 2016-02.

In May 2014, the FASB issued Accounting Standards Update No. 2014-09 "Revenue from Contracts with Customers (Topic 606)", which supersedes all existing revenue recognition requirements, including most industry-specific guidance. Together with subsequent amendments, this created Accounting Standards Codification Topic 606 ("ASC 606"). ASC 606 requires an entity to recognize revenue when it transfers goods or services to customers in an amount that reflects the consideration that the entity expects to receive for those goods or services. ASC 606 also expands disclosure requirements and will be effective for the Company beginning April 1, 2019. ASC 606 allows for either "full retrospective" adoption, meaning the standard is applied to all of the periods presented, or "modified retrospective" adoption, meaning the standard is applied only to the most current period presented in the financial statements. The Company is currently evaluating the impact of adoption of ASC 606. At this time, management believes that the adoption of ASC 606 will have a minimal impact on its financial statements because existing contractual performance obligations, which determine when and how revenue is recognized, are not materially changed under ASC 606.

Reclassifications

Certain amounts previously reported in the March 31, 2018 financial statements have been reclassified to conform to the March 31, 2019 presentation.

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Uniparts Olsen Inc.
Translated Notes to the Financial Statements
March 31, 2019 and March 31, 2018

3. INVENTORIES

The composition of inventories as of March 31, 2019 is as follows: **(Amount in INR)**

Particulars	Total	Obsolescence Allowance	Net Amount
Raw materials	36,12,40,229	-	36,12,40,229
Work-in-process	11,09,84,150	(69,19,000)	10,40,65,150
Finished goods	69,05,76,810	(2,07,57,000)	66,98,19,810
Supplies	12,02,78,305	-	12,02,78,305
Total	**1,28,30,79,494**	**(2,76,76,000)**	**1,25,54,03,494**

The composition of inventories as of March 31, 2018 is as follows: **(Amount in INR)**

Particulars	Total	Obsolescence Allowance	Net Amount
Raw materials	28,90,19,579	-	28,90,19,579
Work-in-process	17,37,64,070	(65,11,000)	16,72,53,070
Finished goods	44,58,73,671	(1,95,33,000)	42,63,40,671
Supplies	10,87,27,124	-	10,87,27,124
Total	**1,01,73,84,444**	**(2,60,44,000)**	**99,13,40,444**

4. PROPERTY AND EQUIPMENT

Property and equipment consist of the following: **(Amount in INR)**

Particulars	For the Year ended March 31, 2019	For the Year ended March 31, 2018
Leasehold improvements	1,46,86,754	1,32,93,313
Shop equipment	82,81,72,749	72,95,68,488
Office equipment	5,64,39,252	5,12,65,400
	89,92,98,755	**79,41,27,201**
Less: accumulated depreciation	(73,87,05,513)	(66,90,21,137)
Property and equipment, net	**16,05,93,242**	**12,51,06,064**

Total depreciation and amortization expense for the years ended March 31, 2019 and 2018 was Rs.2,77,61,380/- and Rs.2,92,18,178/-, respectively.

5. CAPITALIZED SOFTWARE COSTS

During the year ended March 31, 2019, the Company incurred Rs. 1,24,75,995/- of expenses related to software and implementation of a new ERP system. The ERP system was still in process as of the balance sheet date and therefore, amortization of the capitalized cost has not begun as of March 31, 2019. A portion of the costs related to the software was incurred by the Company's Ultimate Parent, Uniparts India Limited, and is included in accrued expenses on the balance sheet as of March 31, 2019.

6. RISK CONCENTRATIONS

Credit Risk

The Company's financial instruments that are exposed to concentration of credit risk consist primarily of trade accounts receivable.

For the year ended March 31, 2019, the Company's two largest customers accounted for approximately 78% of revenues. For the year ended March 31, 2018, the Company's two largest customers accounted for approximately 81% of revenues. Two customers accounted for approximately 72% and 67% of net accounts receivable as of March 31, 2019 and 2018, respectively. Generally, the Company does not obtain security from its customers in support of accounts receivable. Potential losses from concentrations of credit risk with respect to trade accounts receivable are considered to be limited due to the Company's ongoing credit evaluation of its customers.

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Foreign Risk

The Company purchases a significant amount of materials from affiliates located in India. This source of materials may be subject to unpredictable changes and delays due to legal, political, and climate conditions. See Note – 12 Related Party Transactions for further information.

Economic/Political Risk

The United States government has called for substantial changes to its trade policy and, in certain instances, has enacted and assessed tariffs on specific products imported from certain foreign countries; conversely, certain foreign countries have enacted tariffs on specific products exported by U.S. based companies.

The results of discussions and negotiations among these affected countries is subject to a number of factors and the magnitude of the impact on the Company cannot be predicted with any degree of certainty. Changes in international trade agreements, regulations, restrictions, and tariffs may increase the Company's operating costs and make it more difficult to compete in the U.S. markets; as a result, its business, demand for products, financial condition and results of operations could be adversely impacted. The Company is actively monitoring the status of these discussions and market reactions.

7. DEBT

Lines of Credit

On October 15, 2018, the Company modified the revolving line of credit agreement to increase the total proceeds available from Rs. 51,89,25,000/- to Rs. 65,73,05,000/- . In March 2019, the Company renewed its revolving line of credit to extend the term of the line to March 31, 2020. Additionally, the Company must pay a non-usage fee on the average daily unused portion of the facility at a rate of 0.25% per annum, payable in arrears within thirty days of the end of each calendar month for which the fee is due. The line of credit has a variable interest rate calculated as a "floating rate" which is a "base rate" determined by LIBOR plus a variable "margin rate" based on the utilization of the line. The rate at March 31, 2019 and 2018 was approximately 4.49% and 3.78%, respectively. The line is collateralized by substantially all assets of the Company and cross-collateralized with a term loan at the bank. This line of credit is secured by a corporate guaranty by the Parent. The Company has drawn down Rs. 47,95,23,509/- and Rs. 37,42,40,039/- on the line of credit as of March 31, 2019 and 2018, respectively. Interest expense relating to this line was Rs. 2,04,76,072/- and Rs. 1,08,67,311/- for the years ended March 31, 2019 and 2018, respectively.

Notes Payable

The Company had an instalment loan payable to a bank, due in monthly principal instalments of Rs. 20,75,700/- through May 1, 2018. Interest was charged at a rate of 2.25% plus an adjusted LIBOR. The debt was collateralized by substantially all assets of the Company. The loan was also secured by a corporate guaranty by the Parent. The Company repaid the instalment loan in full during fiscal 2019 and the loan had a balance of Rs. 19,53,300/- as of March 31, 2018.

The Company has a Rs. 6,91,90,000/- capital expenditures non-revolving note facility draw down availability ("capex line of credit") that expires March 24, 2024. The interest rate that is due monthly is 2.0% plus an adjusted LIBOR. The balance as of each March 24 (unless modified with the bank) will be amortized over a 60 month period. All interest and principal is payable in full at the end of the 60 month term. In March 2019, the agreement was modified to extend the expiration date to March 31, 2025. The capex line of credit has Rs. Nil and Rs. 1,68,77,033/- drawn down under the availability amount as of March 31, 2019 and 2018, respectively, resulting in Rs. 6,91,90,000/- and Rs. 4,82,32,967/- of availability under the current facility as of March 31, 2019 and 2018, respectively. The debt is collateralized by substantially all assets of the Company. The loan is also secured by a corporate guaranty by the Parent. There are four notes that were converted to term loans under the agreement that have varying monthly instalments and maturity dates included in the following table:

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(Amount in INR)

Particulars	For the Year ended March 31, 2019	For the Year ended March 31, 2018
Instalment Loan	-	19,53,300
Capital Expenditure Non-Revolving Notes Payable:		
Note payable of Rs. 3,58,05,825/- due in monthly instalments of Rs. 5,96,764/- bearing interest at 4.85% through March 2020	77,57,929	1,40,39,344
Note payable of Rs. 3,08,53,758/- due in monthly instalments of Rs. 5,14,220/- bearing interest at 4.85% through March 2021	1,22,72,299	1,73,55,526
Note payable of Rs. 2,59,57,044/- due in monthly instalments of Rs. 4,32,853/- bearing interest at 4.85% through April 2022	1,60,15,894	1,99,59,536
Note payable of Rs. 5,24,57,298/- due in monthly instalments of Rs. 8,74,285/- bearing interest at 4.49% through March 2024	5,24,57,367	-
Less: Current Portion	(2,96,14,496)	(1,93,87,088)
Total	**5,88,88,993**	**3,39,20,618**

In connection with the line of credit and the notes payable, the Company is subject to certain restrictive and financial covenants including limitations on additional borrowing, minimum fixed charge coverage ratio requirements, and maximum funded debt to EBITDA ratio requirements.

Future annual maturities of the long-term debt: (Amount in INR)

Year ending March 31:	Amount
2020	2,96,14,496
2021	2,17,87,377
2022	1,56,85,788
2023	1,09,24,340
2024	1,04,91,487
Total	**8,85,03,488**

8. SALE-LEASEBACK

In March 2002, Olsen Engineering, LP (predecessor to the Company) sold its operating facilities to Pin House, LLC resulting in a loss of Rs. 3,15,32,992/- to be recognized over the life of the lease in accordance with generally accepted accounting principles. The owners of Pin House, LLC owned approximately 87% of Olsen Holding, LP, the former 99% limited partner of Olsen Engineering, LP. These facilities were then leased back to the Company. The accumulated loss recognized through March 2007 was Rs. 1,04,15,075/-. The remaining deferred loss of Rs. 1,75,62,345/- will be recognized over the remaining lease period.

In August 2004, Pin House, LLC sold the operating facilities to a third party resulting in a gain of Rs. 6,82,63,807/-. In accordance with generally accepted accounting principles, the gain on the sale-leaseback is recognized over the fifteen-year lease period. The accumulated gain recognized through March 2007 was Rs. 1,11,83,344/- for Pin House, LLC. The remaining deferred gain of Rs. 5,37,52,357/- is being recognized over the remaining lease period.

The March 31, 2007 financial statements reported the deferred gain of Rs. 5,37,52,357/- from the leaseback under Pin House. The current year financial statements for the Company reflect the reporting of the Pin House deferred gain. In addition, the deferred loss of Rs. 1,75,62,345/- as of March 31, 2007 has been recorded as a reduction of the deferred gain. The net deferred gain of Rs. 3,61,90,012/- is being amortized by the Company over the remaining twelve year lease term. The gain recognized during each of the years ended March 31, 2019 and 2018 is Rs. 47,26,103/- and Rs. 43,57,045/- respectively. The unrecognized deferred gain with respect to this transaction is Rs. 19,49,082/- and Rs. 62,35,129/- as of March 31, 2019 and 2018, respectively.

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9. COMMITMENTS AND CONTINGENCIES

Commitments

The Company has various operating equipment leases and two building leases as of March 31, 2019. Total lease expense approximated Rs. 4,00,64,160/- and Rs. 4,79,58,240/- for the years ended March 31, 2019 and 2018, respectively. Under the terms of the building leases, the Company is responsible for all repairs, maintenance, insurance, real estate taxes and utilities on its respective lease. The following is a schedule by year of future minimum rental payments required under operating leases that have initial or remaining non-cancellable lease terms in excess of one year as of March 31, 2019, which includes the renewal of the office lease disclosed in Note 13:

(Amount in INR)

Year ending March 31:	Equipment	Buildings	Total
2020	72,89,651	4,32,52,676	5,05,42,327
2021	48,68,208	3,24,69,829	3,73,38,037
2022	53,761	2,51,76,442	2,52,30,203
2023	-	2,59,06,397	2,59,06,397
2024	-	2,59,06,397	2,59,06,397
Thereafter	-	15,89,23,826	15,89,23,826
Total	**1,22,11,620**	**31,16,35,567**	**32,38,47,187**

The Company has a standby letter of credit for Rs. 88,21,725/- with a bank at March 31, 2019 to secure the lease for the building. The letter of credit is secured by all assets of the Company and a guaranty by the Parent.

The Company has guaranteed the liabilities of its Parent at the same financial institution as the debt disclosed in Note 7. The guaranty is unconditional as the primary obligor and performance is required for full and prompt payment of the debt when due, whether at stated maturity, by acceleration or otherwise. The Parent's liabilities balance at this institution was approximately Rs. 45,66,54,000/- and Rs. 38,41,49,000/- as of March 31, 2019 and 2018, respectively.

The Company utilized a third party warehouse to manage and store all of its finished goods. The warehouse agreement expired on October 31, 2017. The Company's monthly fee varied as it was determined by space usage and hourly rates for manual labourers and warehouse managers. There was no minimum monthly storage fee. Subsequent to the expiration of the warehouse agreement, the Company utilizes internal personnel to manage and store the finished goods.

Contingencies

During the year ended March 31, 2015, a major customer (the "Customer") of the Company informed the Company of a warranty claim issue relating to a specific part supplied by the Company that was not properly heat treated and thus allegedly caused defects in the assembly ultimately sold by the Customer to its end users. Although the Customer had been aware of claims arising from this product for nearly one year, the Company was first notified of a potential claim in August of 2014, the amount of which was then unknown. Based upon the data provided to the Company by the Customer in 2015, the Customer experienced the majority of claims relating to this item in 2012 and 2013. In 2016, the Company settled this claim for Rs. 11,13,16,800/- and recorded a liability for the full amount in accrued expense. The Company outsourced this specific part for heat treating and the Company expects to be reimbursed Rs. 2,81,60,500/- by its vendor. As of March 31, 2019 and 2018, the receivable from the vendor was approximately Rs.74,72,520/- and Rs. 1,26,31,340/-, respectively.

During the year ended March 31, 2018, the Company made warranty payments of Rs. 44,27,480/-, which settled the outstanding liability from the above mentioned warranty claims in full.

10. EMPLOYEE BENEFITS

The Company has a defined contribution plan ("the Plan") under Section 401(k) of the Internal Revenue Code which covers substantially all regular full-time employees who have attained the defined age and service requirements.

The Plan provides for employee and discretionary employer matching contributions. Employer contributions to the Plan approximated Rs. 58,03,360/- and Rs. 50,92,340/- for the years ended March 31, 2019 and 2018, respectively.

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The Company has elected to be self-insured for its group health and dental plan which covers all employees and their immediate families up to a maximum annual claim of Rs. 55,35,200/- per individual with an aggregate annual ceiling of approximately Rs. 8,30,28,000/-. Insurance coverage has been obtained for claims in excess of these levels. The amount of expenses relating to the Plan approximated Rs. 5,85,23,040/- and Rs. 3,55,17,460/- for the years ended March 31, 2019 and 2018, respectively. Claims incurred but not reported for which the Company is liable were approximately Rs. 1,05,16,880/- and Rs. 70,96,990/- as of March 31, 2019 and 2018, respectively. Incurred but not reported claims are included in accrued expenses in the accompanying balance sheets.

11. INCOME TAXES

The components of the provision (benefit) for income taxes consisted of the following:

(Amount in INR)

Particulars		For the Year ended March 31, 2019	For the Year ended March 31, 2018
Current			
Federal		2,87,61,802	3,13,02,807
State		1,69,45,532	34,30,755
	(A)	**4,57,07,334**	**3,47,33,562**
Deferred			
Federal		31,14,027	(3,74,41,978)
State		91,04,703	8,69,630
	(B)	**1,22,18,730**	**(3,65,72,348)**
Provision /(Benefit) for Income (A+B)		**5,79,26,064**	**(18,38,786)**

The Tax Cuts and Jobs Act was enacted on December 22, 2017. The Act reduced the US federal corporate tax rate from 35% to 21%. The Company remeasured deferred tax assets and liabilities based on the rates at which they are expected to reverse in the future, which is generally 21%. As a result of the federal corporate tax rate reduction to 21%, certain deferred tax assets and liabilities have been remeasured, which resulted in a reduction in the deferred tax liability of approximately Rs. 5,50,17,950/- as of March 31, 2018. Income tax expense differs from the amounts that would be obtained by applying Federal statutory rates to income before income tax expense because no tax benefit has been provided for non-deductible expenses, research and development credits have been used to reduce taxable income, the benefit of prior year accrual to actual deductions and state income taxes.

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Components of the deferred tax assets and deferred tax liabilities consist of the following amounts:

(Amount in INR)

Particulars	For the Year ended March 31, 2019	For the Year ended March 31, 2018
Accrued Expenses	1,09,02,614	76,90,403
Bad Debts	13,41,456	12,00,824
Inventory	1,50,98,434	1,43,89,831
Deferred Rent	-	30,04,175
Deferred Gain	5,03,911	15,33,210
Goodwill	(12,35,86,279)	(11,06,27,294)
Prepaid Expenses	(9,38,562)	(4,36,042)
Property, Plant, and Equipment	(3,23,58,502)	(2,68,04,810)
Net Deferred Tax Liability	**(12,90,36,928)**	**(11,00,49,703)**

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12. RELATED PARTY TRANSACTIONS

The Company purchases materials from companies located in India that are affiliated through common ownership. Purchases from these related companies approximated Rs. 1,47,48,22,560/- and Rs. 1,07,84,15,800/- for the years ended March 31, 2019 and 2018, respectively. Additionally, there is approximately Rs. 16,79,24,130/- and Rs. 6,02,26,750/-, due to these companies for purchases of materials included in accounts payable as of March 31, 2019 and 2018, respectively. These amounts will be paid under normal trade terms with these affiliated companies. The Company provides minimal services to the aforementioned related companies. As of March 31, 2019 and 2018 and for the years then ended, sales to these related parties and the related accounts receivable are immaterial to the financial statements.

The Company files a consolidated tax return with its Parent. Cash is advanced from the Company to the Parent to pay the Company's share of Federal and state income tax liabilities. At March 31, 2019 and 2018 the Company was due Rs. 3,54,30,677/- and Rs. 4,68,27,438/- , respectively, from the Parent for advances for income taxes made in excess of actual liabilities. These advances are non-interest bearing and are due upon demand by the Company.

During 2019, the Company's Ultimate Parent, Uniparts India Limited, incurred costs related to the Company's purchase of software and the implementation of a new ERP system (see Note 5). There is Rs. 90,91,912/- due to the Ultimate Parent for reimbursement of these costs as of March 31, 2019.

13. SUBSEQUENT EVENTS

The Company has evaluated subsequent events through May 9, 2019, which is the date these financial statements were available to be issued. Based upon this evaluation the Company has determined that the following events require disclosure in these financial statements:

On April 1, 2019, the Company renewed the lease agreement for office space located in Iowa that extended the lease term through 2030.

14. TRANSLATION OF FINANCIAL STATEMENT INTO PRESENTATION CURRENCY

The Company's Financial Statements are prepared using its Functional Currency which is US Dollar. The same is translated into Indian Rupee in line with the requirement of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018, issued by the Securities and Exchange Board of India ('SEBI') as amended in pursuance of the Securities and Exchange Board of India Act, 1992; The following Foreign Currency Exchange rates were used while translating the Financial Statements.

i. All assets and liabilities are translated using closing foreign currency exchange rate as on the last day of relevant financial year.
ii. All incomes and expenditures are translated using average foreign currency exchange rate of the relevant financial year.
iii. Equity instruments i.e. paid up capital and common stock are translated using foreign currency exchange rate at the date of transaction.

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Uniparts Olsen Inc.
Supplementary Information
Translated Computation of Earnings Before Interest Expense, Income Taxes, Depreciation and Amortization (EBITDA)
March 31, 2019 and March 31, 2018

(Amount in INR)

Particulars	For the Year ended March 31, 2019	For the Year ended March 31, 2018
Net Income	20,00,00,207	17,76,69,721
Adjustments:		
Interest Expense	2,43,37,684	1,48,67,506
Income Tax Expense (benefit)	5,79,26,063	(18,38,786)
Depreciation and Amortization Expense	2,77,61,380	2,92,18,178
Total adjustments	**11,00,25,127**	**4,22,46,898**
EBITDA	**31,00,25,334**	**21,99,16,619**

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