

Rane Holdings America, Inc.

Financial Statements

March 31, 2020 and March 31, 2019

KNAV P.A.

Certified Public Accountants

One Lakeside Commons, Suite 850,

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America Counts on CPAs

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Independent Auditor's Report

Board of Directors
Rane Holdings America, Inc.

We have audited the accompanying financial statements of Rane Holdings America, Inc. ('the Company'), a Delaware corporation, which comprise the balance sheets as of March 31, 2020 and March 31, 2019 and the related statements of income, stockholder's equity and cash flows for the years then ended and the related notes to financial statements.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States; 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.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the organization's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly in all material respects, the financial position of Rane Holdings America, Inc. as at March 31, 2020 and March 31, 2019 and the results of its operations and its cash flows for the years then ended, in accordance with the accounting principles generally accepted in the United States.

KNAV P.A.

Atlanta, Georgia
June 17, 2020

KNAV P.A.

Certified Public Accountants

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Rane Holdings America, Inc.
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Financial statements

Balance sheets

(All amounts are in United States Dollars unless otherwise stated)

ASSETS

Current assets

Cash and cash equivalents	117,335	149,896
Accounts receivable, due from related parties	98,163	51,255
Other current assets	7,311	10,259
Total current assets	222,809	211,410

Equipment, net

6,927 5,531

Other assets

1,490 1,368

Total assets

231,226 **218,309**

LIABILITIES AND STOCKHOLDER'S EQUITY

Current liabilities

Accounts payable, due to related parties	-	3,288
Other current liabilities	22,953	37,507
Total current liabilities	22,953	40,795

Deferred tax liability

1,931 490

Total liabilities

24,884 **41,285**

Stockholder's equity

Common stock (100,000 shares authorized, 20,000 shares issued and outstanding; par value \$1 per share)

20,000 20,000

Accumulated surplus

186,342 157,024

Total stockholder's equity

206,342 **177,024**

Total liabilities and stockholder's equity

231,226 **218,309**

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

Statements of income

(All amounts are in United States Dollars unless otherwise stated)

	For the year ended	
	March 31, 2020	March 31, 2019
Revenues		
Marketing service revenues	643,643	545,458
Other income	-	243
Total revenues	643,643	545,701
Costs and expenses		
Personnel cost	333,011	318,295
Depreciation	3,467	2,501
Selling, general and administrative costs	265,059	188,980
Total cost and expenses	601,537	509,776
Profit before income tax	42,106	35,925
Current tax expense	11,347	9,524
Deferred tax expense	1,441	61
Net income	29,318	26,340

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

Statements of changes in stockholder's equity

(All amounts in United States Dollars, except number of shares)

Particulars	Common stock		Common stock		Accumulated surplus	Total stockholder's equity
	Authorized Shares	Value US\$	Issued and outstanding Shares	Value US\$		
Balance as at March 31, 2018	100,000	100,000	20,000	20,000	130,684	150,684
Net income for the year	-	-	-	-	26,340	26,340
Balance as at March 31, 2019	100,000	100,000	20,000	20,000	157,024	177,024
Net income for the year	-	-	-	-	29,318	29,318
Balance as at March 31, 2020	100,000	100,000	20,000	20,000	186,342	206,342

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

Statements of cash flows

(All amounts in United States Dollars, unless otherwise stated)

Cash flow from operating activities

	For the year ended	
	March 31, 2020	March 31, 2019
Net income	29,318	26,340
Adjustments to reconcile net income to net cash (used in) provided by operating activities		
Depreciation	3,467	2,501
Deferred tax expense	1,441	61
Changes in assets and liabilities		
Accounts receivable, due from related parties	(46,909)	35,329
Other current assets	2,949	(2,090)
Accounts payable, due to related parties	(3,288)	3,287
Other current liabilities	(14,554)	10,823
Other assets	(122)	(167)
Net cash (used in) provided by operating activities	(27,698)	76,084

Cash flow from investing activities

Purchase of equipment	(4,863)	(4,256)
Net cash used in investing activities	(4,863)	(4,256)

Net (decrease) increase in cash and cash equivalents

Cash and cash equivalents at the beginning of the year	149,896	78,068
Cash and cash equivalents at the end of the year	117,335	149,896

Supplemental cash flow information

Income taxes paid	12,675	16,070
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(The accompanying notes are an integral part of these financial statements)

Notes to Financial Statements

NOTE A - NATURE OF OPERATIONS

Rane Holdings America Inc. (“the Company” or “RHAI”), was incorporated in the State of Delaware on August 25, 2011. The Company is a wholly owned subsidiary of Rane Holdings Limited (“RHL”). The Company provides marketing, customer relationship management and related support services to its fellow subsidiaries and affiliate companies: Rane (Madras) Limited (“RML”), Rane Engine Valve Limited (“REVL”), Rane Brake Lining Limited (“RBL”), Rane TRW Steering Systems Private Limited (“RTSS”) and Rane Light Metal Castings Inc. (Formerly known as Rane Precision Die Casting, Inc.) (“RPDC”).

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements are prepared in accordance with generally accepted accounting principles in the United States (“US GAAP”). The significant accounting policies are detailed below:

1. *Basis of preparation*
 - a. All amounts are stated in United States Dollars, except otherwise specified.
 - b. The financial statements are for the years ended March 31, 2020 and March 31, 2019.
 - c. Certain reclassifications, regroupings and reworking have been made in the financial statements of prior periods to conform to the classifications used in the current year. This has no impact on previously reported net income.

2. *Use of estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The management’s estimates for determination of useful lives for office equipment and estimation relating to unsettled transactions and events at the balance sheet date represent certain of these particularly sensitive estimates. Management believes that the estimates used in the preparation of the financial statements are prudent and reasonable. Actual results could differ from these estimates. Appropriate changes in estimates are made as management becomes aware of changes in circumstances surrounding the estimates. Any changes in accounting estimates are recognized prospectively in the current and future periods.

3. *Cash and cash equivalents*

Cash and cash equivalents include current balances on bank accounts and highly liquid, short-term deposits with an original maturity of three months or less. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of those financial instruments. Cash balances in bank accounts are insured by the Federal Deposit Insurance Corporation up to an aggregate of \$ 250,000.

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4. *Revenue recognition*

Revenue of the Company comprises of marketing, customer relationship management and related support service fees for services rendered to its fellow subsidiaries and affiliate companies; RML, REVL, RBL, RTSS and RPDC. Marketing service fees are charged on the basis of costs plus a reasonable mark-up for services rendered to RML, REVL, RBL, RTSS and RPDC. Please refer Note J “Revenue from contracts with customers” for further information on the Company’s revenue.

5. *Receivables and provision for doubtful debts*

Receivables relate to amounts receivable from affiliates and fellow subsidiaries on account of customer relationship management and support services provided by the Company. Based on the management’s review of outstanding receivable balances and historical collection information, management’s best estimate is that all balances will be collected. Accordingly, the Company has not established an allowance for doubtful accounts.

6. *Advertising costs*

Advertising costs are presented as part of selling, general, and administrative expenses in the statement of income. The amount of advertising and marketing costs incurred by the Company for the year ended March 31, 2020 amounts to \$986 (March 31, 2019: \$165).

7. *Income taxes*

In accordance with the provisions of Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) Topic 740 “Income Taxes,” income taxes are accounted for using 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 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 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. The deferred tax asset is reduced by a valuation allowance if it is more likely than not that some portion or all of the asset will not be realized.

8. *Equipment, net*

Equipment are stated at cost less accumulated depreciation and impairment. The costs of additions are capitalized and expenditures for repairs and maintenance are expensed in the period incurred. Depreciation is provided over the estimated useful life of the assets using the straight-line method. When assets are retired or otherwise disposed of, the cost of the asset and related depreciation are eliminated from the financial records. Any gain or loss on disposition is credited or charged to income.

The estimated useful lives of assets are as follows:

Office equipment	3 years
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9. *Fair values measurements and financial instruments*

The Company applies fair value measurements to certain assets, liabilities and transactions that are periodically measured at fair value. Assets and liabilities recorded at fair value in the financial statements are categorized based upon the level of judgment associated with the inputs used to measure their fair value. Hierarchical levels which are directly related to the amount of subjectivity associated with the inputs to the valuation of these assets or liabilities are as follows:

Level 1 – unadjusted quoted prices in active markets for identical assets or liabilities that the Company has the ability to access as of the measurement date.

Level 2 – inputs other than quoted prices included within Level 1 that are directly observable for the asset or liability or indirectly observable through corroboration with observable market data.

Level 3 – unobservable inputs for the asset or liability only used when there is little, if any, market activity for the asset or liability at the measurement date.

This hierarchy requires the Company to use observable market data, when available, and to minimize the use of unobservable inputs when determining fair value.

10. *Commitments and contingencies*

Liabilities for loss contingencies arising from claims, assessments, litigations, fines, penalties, and other sources are recorded when it is probable that a liability has been incurred and the amount can be reasonably estimated. Legal costs incurred in connection with loss contingencies are expensed as incurred. Contingent liabilities are not recognized but are disclosed in the notes. Contingent assets are neither recognized nor disclosed in the financial statements.

11. *Recently issued accounting standards not yet adopted*

In August 2018, the FASB issued ASU 2018-13, Fair Value Measurement (Topic 820) Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement, which modifies the disclosure requirements on fair value measurements. The updated guidance is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. Early adoption is permitted for any removed or modified disclosures. The Company is currently assessing the impact of the adoption of this guidance on its financial statements and disclosures.

NOTE C - CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise of the following:

	As at	
	March 31, 2020	March 31, 2019
Bank balance	117,335	149,896
Total	117,335	149,896

NOTE D - ACCOUNTS RECEIVABLE, NET

Accounts receivable as at March 31, 2020 amounting to \$98,163 (March 31, 2019: \$51,255) represent amount receivable from related parties for marketing, customer relationship management and related support service fees.

NOTE E - EQUIPMENT, NET

Equipment comprise the following:

	As at	
	March 31, 2020	March 31, 2019
Office equipment	15,585	10,723
Less: Accumulated depreciation	(8,658)	(5,192)
Equipment, net	6,927	5,531

Depreciation expense for the year ended March 31, 2020 was \$3,467 (March 31, 2019: \$2,501).

NOTE F - OTHER CURRENT LIABILITIES

Other current liabilities comprise of:

	As at	
	March 31, 2020	March 31, 2019
Audit fees	7,000	7,000
Other payable	15,953	30,507
Total	22,953	37,507

NOTE G - INCOME TAXES

The Company files federal and state tax returns as per regulations applicable to Chapter C corporations in the United States. The provision for income tax expense is as follows:

	For the year ended	
	March 31, 2020	March 31, 2019
Current taxes		
- Federal	7,805	6,551
- State	3,542	2,973
Deferred taxes		
- Federal	991	46
- State	450	15
Total	12,788	9,585

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The items accounting for the difference between income taxes computed at the federal statutory rate and the provision for income taxes are as follows:

	For the year ended	
	March 31, 2020	March 31, 2019
Income tax at federal rate	8,796	6,597
State tax, net of federal effect	3,992	2,988
Total	12,788	9,585

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. Significant components of the Company's net deferred income taxes are as follows:

	As at	
Particulars	March 31, 2020	March 31, 2019
Equipment	1,441	490
Total deferred tax liabilities	1,441	490

During the year ended March 31, 2020 and 2019 the Company recognized no uncertain tax positions.

The tax years of 2016 through 2018 remain subject to examination by the taxing authorities.

NOTE H - RELATED PARTY TRANSACTIONS

A. The following are the related parties with whom transactions have taken place during the year with the Company having closing balances:

Name of the related party	Relationship
Rane Engine Valve Limited	Fellow subsidiary
Rane Brake Lining Limited	Fellow subsidiary
Rane (Madras) Limited	Fellow subsidiary
Rane TRW Steering Systems Private Ltd.	Affiliate company
Rane Light Metal Castings Inc. (Formerly known as Rane Precision Die Casting, Inc.)	Fellow subsidiary

B. Summary of transactions with related parties are as follows:

	March 31, 2020	March 31, 2019
<i>Transactions during the year</i>		
Marketing, customer relationship management and related support service fees charged to:		
• Rane (Madras) Limited	359,395	291,908
• Rane Engine Valve Limited	103,471	82,667
• Rane Brake Lining Limited	22,166	18,386
• Rane TRW Steering Systems Private Ltd.	116,644	107,260
• Rane Light Metal Castings Inc. (Formerly known as Rane Precision Die Casting, Inc.)	41,968	45,237

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Receivable at year end from:

• Rane (Madras) Limited	8,894	12,260
• Rane Engine Valve Limited	34,633	2,216
• Rane Brake Lining Limited	96	679
• Rane TRW Steering Systems Private Ltd.	823	-
• Rane Light Metal Castings Inc. (Formerly known as Rane Precision Die Casting, Inc.)	53,718	36,100

Payable at year end to:

• Rane TRW Steering Systems Private Ltd.	-	3,288
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NOTE I - STOCKHOLDER'S EQUITY

Common stock authorized, issued and outstanding

The Company's authorized share capital comprises of 100,000 common shares with a par value of \$1 each as at March 31, 2020 and March 31, 2019 of which 20,000 shares were issued as at that date. All shares are owned by Rane Holdings Limited ("RHL").

Voting

Each holder of common stock is entitled to one vote in respect of each share held in the records of the Company for all matters submitted to a vote.

Liquidation

In the event of liquidation of the Company, the holders of common stock shall be entitled to receive all of the remaining assets of the Company, after distribution of all preferential amounts, if any. Such amounts will be in proportion to the number of equity shares held by the shareholders.

NOTE J - REVENUE FROM CONTRACTS WITH CUSTOMER

The Company's contracts with customers (related parties) are comprised of services provided along with standard terms and conditions. These contracts with customers (related parties) typically consist of provision of service which represent single performance obligations that are satisfied through provision of service to the customer over a period of time. The Company adopted the new revenue recognition standard using the modified retrospective transition approach and determined that the existing revenue recognition practices are in compliance with ASC 606. Accordingly, there was no cumulative effect adjustment to the balance of accumulated surplus in the balance sheet for the year ended March 31, 2019, as the adoption did not result in a change to the timing of revenue recognition.

The following table presents revenue disaggregated by timing of recognition:

	For the year ended March 31, 2020
Services transferred over a period of time	643,643
Total	643,643

NOTE K - RISKS AND UNCERTAINTIES

The Company's future results of operations involve several risks and uncertainties.

Factors that could affect the Company's future operating results and cause actual results to vary materially from expectations include, deterioration in general economic conditions; the Company's ability to effectively manage operating costs; declines in revenues; the ability to attract and retain qualified employees and the Company's ability to execute on its business plan. The Company is dependent on related parties for earning its revenue.

Impact of pandemic

The extent of the impact of coronavirus (COVID 19) outbreak on operations of the Company will depend on future developments, including the duration and spread of the outbreak, related advisories and restrictions, government actions, the impact on financial markets and the overall economy, all of which are highly uncertain and cannot be predicted.

NOTE L - FAIR VALUE MEASUREMENTS

Financial assets and liabilities held by the Company are not measured at fair value on a recurring basis but are recorded at amounts that approximates fair value due to their liquid or short-term nature include cash and cash equivalents, accounts receivable, accounts payable, and accrued expenses.

NOTE M - SUBSEQUENT EVENTS

The Company evaluated all events and transactions that occurred after March 31, 2020 through June 17, 2020, the date the financial statements are issued. Based on the evaluation, the Company is not aware of any events or transactions that would require recognition or disclosure in the financial statements.
