

# **Deepak Nitrite Corporation Inc.**

Financial Statements

March 31, 2016

**KNAV P.A.**

Certified Public Accountants

One Lakeside Commons, Suite 850

990 Hammond Drive NE, Atlanta, GA 30328



America Counts on CPAs

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## Independent Auditor's Report

To the Management of  
Deepak Nitrite Corporation, Inc.

We have audited the accompanying balance sheet of Deepak Nitrite Corporation, Inc. ("the Company") as of March 31, 2016 and the related statement of income, members' equity and cash flows for the year then ended and the related notes to the 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 generally accepted accounting principles 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.

### Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 the Company as at March 31, 2016 and the results of its operations, members' equity and cash flows for the year then ended, in conformity with the accounting principles generally accepted in the United States of America.

KNAV P.A.

Atlanta, Georgia  
April 29, 2016

**Deepak Nitrite Corporation Inc.**

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**Deepak Nitrite Corporation Inc.**

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**Balance sheet**

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

	<b>Notes</b>	<b>As at March 31, 2016</b>
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	B	7,524
Restricted cash	C	290,682
Accounts receivable	D	264,956
Other current assets	E	22,310
<b>Total current assets</b>	<b>\$</b>	<b>585,472</b>
<b>Total assets</b>	<b>\$</b>	<b>585,472</b>
<b>LIABILITIES AND STOCKHOLDER'S EQUITY</b>		
<b>Current liabilities</b>		
Accounts payable		152,899
Other current liabilities	F	324,191
<b>Total current liabilities</b>	<b>\$</b>	<b>477,090</b>
<b>Total liabilities</b>	<b>\$</b>	<b>477,090</b>
<b>Stockholder's equity</b>		
Common stock, of \$ 10 par value 10,000 shares authorized 7,500 shares issued and outstanding	K	75,000
Accumulated surplus		33,382
<b>Total stockholder's equity</b>	<b>\$</b>	<b>108,382</b>
<b>Total liabilities and stockholder's equity</b>	<b>\$</b>	<b>585,472</b>

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



**Deepak Nitrite Corporation Inc.**

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**Statement of income**

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

	<b>Notes</b>	<b>For the year ended March 31, 2016</b>
<b>Service revenue</b>		997,462
<b>Costs and expenses</b>		
Selling, general and administrative expenses		717,928
Legal and professional fees		238,010
<b>Total cost and expenses</b>		<u>955,938</u>
<b>Income before tax</b>		41,524
Income tax expense	<b>G</b>	8,142
<b>Net income</b>		<u>33,382</u>

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



**Deepak Nitrite Corporation Inc.**

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**Statement of stockholder's equity  
For the year ended March 31, 2016**

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

	Common stock				Accumulated surplus	Total stockholder's equity
	Authorized Shares	Value (\$)	Issued & outstanding Shares	Value (\$)		
Balance as of April 1, 2015	-	-	-	-	-	-
Issuance of common stock	10,000	100,000	7,500	75,000		75,000
Net income for the year					33,382	33,382
<b>Balance as of March 31, 2016</b>	<b>10,000</b>	<b>100,000</b>	<b>7,500</b>	<b>75,000</b>	<b>33,382</b>	<b>108,382</b>

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



**Deepak Nitrite Corporation Inc.**

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**Statement of cash flows**

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

**For the year ended  
March 31, 2016**

**Cash flow from operating activities**

Net income 33,382

**Adjustments to reconcile net income to net cash used in operating activities**

**Changes in assets and liabilities**

Accounts receivable (264,956)

Other current assets (22,310)

Accounts payable 152,899

Other current liabilities 33,509

**Net cash used in operating activities (67,476)**

**Cash flow from financing activities**

Proceeds from issue of common stock 75,000

**Net cash provided by financing activities 75,000**

Net increase in cash and cash equivalents 7,524

Restricted cash and cash equivalents 290,682

Cash and cash equivalents (including restricted cash) at the beginning of year -

**Cash and cash equivalents (including restricted cash) at the end of the year 298,206**

**Supplemental disclosure of cash flow information**

Income taxes paid -

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





# Notes to Financial Statements

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

## NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies applied in the preparation of the accompanying financial statements are as follows:

### 1. Business description

Deepak Nitrite Corporation Inc. (“DNCI” or “the Company”), incorporated on November 03, 2014, is a wholly owned subsidiary of Deepak Nitrite Limited (“DNL”), a public listed company in stock exchanges in India. DNL is engaged in business of manufacturing bulk chemicals and commodities, fine and specialty chemicals, fluorescent whitening agents, and other chemicals in India and selling products in domestic and international market. DNCI primarily provides marketing, business development, warehousing, distribution and Customer Relationship Management (“CRM”) services to DNL in the North America and Latin America. The Company also provides assistance in collecting the sales proceeds from the customers on behalf of DNL.

DNCI began its operations during April 2015.

### 2. Basis of preparation

- a. The accompanying financial statements are prepared under the historical cost convention on accrual basis of accounting in accordance with the accounting and reporting requirements of generally accepted accounting principles in the United States of America (“US GAAP”) to reflect the financial position, result of operations and cash flows of the Company.
- b. The financial statements presented are for the year April 01, 2015 to March 31, 2016 as the Company began its operations from April 01, 2015.
- c. All amounts are stated in United States Dollars, except as otherwise specified.

### 3. Significant accounting policies

#### a) Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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 allowance for doubtful debts 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.



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*b) Revenue recognition*

The Company derives revenue from rendering marketing, business development, warehousing, distribution and Customer Relationship Management (“CRM”) services to DNL, its parent company.

The Company recognizes the service revenue as services are rendered and measures it by charging a markup on all the costs incurred for providing the above services to its parent company Deepak Nitrite Limited.

*c) Cash and cash equivalents*

All liquid investments with remaining maturities, at the date of purchase or investment, of three months or less are considered as cash equivalents.

*d) Restricted cash*

Restricted cash does not form part of cash and cash equivalents. This represents bank balance held on behalf of DNL, the parent company.

*e) Accounts receivable & allowance for doubtful accounts*

Accounts receivable represent dues for service revenue from Deepak Nitrite Limited, the parent company. The parent company, DNL, carries the risk of shortfall in collection, if any, from the ultimate customers.

*f) Income taxes*

Income tax expense, deferred tax assets and liabilities and reserves for unrecognized tax benefits reflect management’s best assessment of estimated future taxes to be paid. The Company is subject to income taxes in the United States. Significant judgments and estimates are required in determining the income tax expense.

The Company accounts for deferred taxes under the liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statements carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the period 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 the statement of income in the period of change. Based on management’s judgment, the measurement of deferred tax assets is reduced, if necessary, by a valuation allowance for any tax benefits for which it is more likely than not that some portion or all of such benefits will not be realized.

*g) Fair values of financial instruments*

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.



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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.

*b) Operating lease*

Lease payments under operating leases are recognized as an expense on a straight line basis over the lease term in the statement of income.

*i) 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.

**NOTE B – CASH AND CASH EQUIVALENTS**

Cash and cash equivalents comprise the following:

	<b>As at</b>
	<b>March 31, 2016</b>
Bank balance	7,524
<b>Total</b>	<b>\$ 7,524</b>

Cash balances on deposits with bank are insured by the Federal Deposit Insurance Corporation up to an aggregate of \$ 250,000. As at March 31, 2016, the Company had \$ NIL cash at risk.

**NOTE C – RESTRICTED CASH**

Restricted cash comprise the following:

	<b>As at</b>
	<b>March 31, 2016</b>
Bank balance held on behalf of the parent company (Refer Note F)	290,682
<b>Total</b>	<b>\$ 290,682</b>

Cash balances on deposits with bank are insured by the Federal Deposit Insurance Corporation up to an aggregate of \$ 250,000. As at March 31, 2016, the Company had \$ 40,682 cash at risk.



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**NOTE D – ACCOUNTS RECEIVABLE**

The Company's accounts receivables primarily relate to service revenues from DNL, its parent company.

	<u>As at</u> <u>March 31, 2016</u>
Account receivable from parent company	264,956
<b>Total</b>	<b>\$ 264,956</b>

**NOTE E – OTHER CURRENT ASSETS**

Other current assets comprise the following:

	<u>As at</u> <u>March 31, 2016</u>
Advances to employees	9,500
Other receivables	12,810
<b>Total</b>	<b>\$ 22,310</b>

**NOTE F – OTHER CURRENT LIABILITIES**

Other current liabilities comprise of the following:

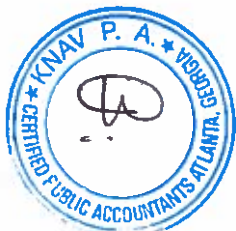
	<u>As at</u> <u>March 31, 2016</u>
Accrued expenses	25,367
Income taxes payable	8,142
Restricted bank balance payable to parent company (Refer Note C)	290,682
<b>Total</b>	<b>\$ 324,191</b>

**NOTE G – 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. As of March 31, 2016, no differences were noted.

The components of the provision for income taxes are as follows:

	<u>Year ended</u> <u>March 31, 2016</u>
<b>Federal tax</b>	
Current taxes	5,891
<b>State tax</b>	
Current taxes	2,251
<b>Total</b>	<b>\$ 8,142</b>



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**NOTE H – OPERATING LEASE**

The Company has a lease agreement for office premises for a term of one and half year, which commenced from February 16, 2015 and ends on August 31, 2016.

The Company conducts its operations from leased premises under commercial lease agreement.

The minimum rental commitment under this operating lease is approximately as follows:

<b>Year ending:</b>	<b>Amount (\$)</b>
March 31, 2017	3,750
<b>Total</b>	<b>3,750</b>

**NOTE I – RELATED PARTY TRANSACTIONS**

Related parties with whom transactions have taken place during the year:

- Deepak Nitrite Limited – Ultimate parent company

Summary of transactions with related parties are as follows:

	<b>March 31, 2016</b>	
<b><u>Deepak Nitrite Limited</u></b>		
<b>Transactions during the year</b>		
Service revenue	\$	997,462
Reimbursable expenses incurred on behalf of DNL	\$	15,000
<b>Balance at year end</b>		
Accounts receivable	\$	264,956
Restricted bank balance payable	\$	290,682
Custom duty refund payable	\$	43,391

The Company has the following contractual and other arrangements with its affiliates pursuant to which the above expenses, payments and services were incurred or paid:

1. **Agreement, dated April 22, 2015, between Deepak Nitrite Corporation Inc., and Deepak Nitrite Limited.**

- Marketing service arrangement:

Deepak Nitrite Corporation Inc., has been incorporated as marketing arm of Deepak Nitrite Limited to sell fluorescent whitening agent and other products. The Company promotes, markets and distributes the products of DNL in North America and Latin America. DNCI also assists in further processing of the products and collection of sales proceeds from the customers on behalf of DNL.



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- Terms of agreement:

The agreement is effective from April 01, 2015 for a period of five years. As a consideration for the services provided by the Company, DNL has agreed to pay an amount ranging from 5% to 10% on the marketing, promoting, distributing and incidental expenses incurred by the Company on monthly basis.

**NOTE J – CONCENTRATION OF RISK**

The Company earned its entire service revenue from its parent company, which accounts for 100% of accounts receivable as at March 31, 2016.

**NOTE K – STOCKHOLDER’S EQUITY**

*Common stock*

The authorized share capital of the Company is \$ 100,000 comprising of 10,000 shares of par value \$ 10 each, of which 7,500 common stock are issued and outstanding.

*Voting*

Each holder of common stock is entitled to one vote in respect of each share held by him 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 L – SUBSEQUENT EVENTS**

The Company evaluated all events and transactions that occurred after March 31, 2016 through April 29, 2016; 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.

