

NRB BEARINGS (THAILAND) LTD.

**FINANCIAL STATEMENTS
FOR THE YEARS ENDED MARCH 31, 2020 AND 2019
AND
AUDITOR'S REPORT**

*EXPRESSED IN
THAI BAHT*



บริษัท อดิสรแอนด์แอสโซซิเอตส์ จำกัด Adisorn & Associates Ltd.

59 ซอยประชาราชภรณ์บำเพ็ญ 8 แยก 3 (ซอยสุจริต 1) แขวงห้วยขวาง เขตห้วยขวาง กรุงเทพฯ 10310

INDEPENDENT AUDITOR'S REPORT

To The Shareholders of NRB Bearings (Thailand) Ltd.

Opinion

I have audited the financial statements of NRB Bearings (Thailand) Ltd. (the Company), which comprise the statement of financial position as at March 31, 2020, and the statement of income, statement of cash flows and statement of changes in equity for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2020, and its financial performance and its cash flows for the year then ended in accordance with Thai Financial Reporting Standards for Non-Publicly Accountable Entities.

Basis for Opinion

I conducted my audit in accordance with Thai Standards on Auditing. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am independent of the Company in accordance with the Federation of Accounting Professions' Code of Ethics for Professional Accountants together with the ethical requirements that are relevant to my audit of the financial statements, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Thai Financial Reporting Standards for Non-Publicly Accountable Entities, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Thai Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Contact

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Services

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- ASNAF
Asia and Australasia

As part of an audit in accordance with Standards on Auditing, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.



Navamin Dherakasatechai
Certified Public Accountant (Thailand) No. 4775
ADISORN & ASSOCIATES LTD.

Bangkok
June 24, 2020

NRB Bearings (Thailand) Ltd.
Statements of Financial Position
As at March 31, 2020 and 2019

	Notes	2020 Baht	2019 Baht
Assets			
Current Assets			
Cash and cash equivalents	3	33,850,599	39,406,417
Trade and other receivables	4	21,160,072	31,751,322
Inventories, net	5	66,173,560	75,333,588
Account receivable - Revenue Department		1,474,623	1,365,616
Other current assets		2,609,530	1,598,803
Total Current Assets		<u>125,268,384</u>	<u>149,455,746</u>
Non-Current Assets			
Property, plant and equipment, net	6	149,635,954	132,723,239
Other non-current assets		802,900	766,800
Total Non-Current Assets		<u>150,438,854</u>	<u>133,490,039</u>
Total Assets		<u><u>275,707,238</u></u>	<u><u>282,945,785</u></u>

Per our report attached to the statement of financial position

For ADISORN & ASSOCIATES LTD.



Navamin Dherakasatechai

Certified Public Accountant (Thailand) No. 4775

For and on behalf of Board of Directors



H.S.Zaveri



S.C.Rangan



A.S.Kohli

Directors

Bangkok: June 24, 2020

Rayong: June 24, 2020

The notes to the financial statements are an integral part of these financial statements.

NRB Bearings (Thailand) Ltd.
Statements of Financial Position
As at March 31, 2020 and 2019

	Notes	2020 Baht	2019 Baht
Liabilities and Shareholders' Equity			
Current Liabilities			
Trade and other payables	7	67,936,565	83,076,351
Short-term loan from a financial institution	8	105,370,140	97,477,386
Short-term loan from a related company	9	75,350,000	80,000,000
Other current liabilities		362,648	226,450
Total Current Liabilities		<u>249,019,353</u>	<u>260,780,187</u>
Non-Current Liabilities			
Total Non-Current Liabilities		<u>-</u>	<u>-</u>
Total Liabilities		<u>249,019,353</u>	<u>260,780,187</u>
Shareholders' Equity			
Share capital	10		
Authorized share capital			
(Ordinary share 14,666,666 shares, Baht 10 par value)		146,666,660	146,666,660
Issued and paid-up share capital			
(Ordinary share 14,666,666 shares, Baht 10 par value)		146,666,660	146,666,660
Deficit		(119,978,775)	(124,501,062)
Total Shareholders' Equity		<u>26,687,885</u>	<u>22,165,598</u>
Total Liabilities and Shareholders' Equity		<u>275,707,238</u>	<u>282,945,785</u>

Per our report attached to the statement of financial position

For ADISORN & ASSOCIATES LTD.

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NRB Bearings (Thailand) Ltd.**Statements of Income****For the years ended March 31, 2020 and 2019**

	2020	2019
	Baht	Baht
Revenues		
Sales	200,792,207	237,807,707
Other income	1,779,180	3,082,174
Total Revenues	<u>202,571,387</u>	<u>240,889,881</u>
Expenses		
Changes in inventories of finished goods, work in progress and raw material	9,336,159	(18,788,781)
Raw material, components and packing material consumed	64,207,504	112,967,701
Store & spares consumed	15,426,018	15,943,527
Processing charges	767,571	792,941
Staff cost	47,533,635	48,608,084
Director remuneration	1,131,837	1,316,028
Depreciation	12,206,881	11,650,889
Legal and professional fees	1,106,971	1,220,978
Business promotion	716,489	700,048
Traveling	2,708,609	2,670,462
Rental	1,137,479	373,855
Power and fuel	8,170,684	8,886,738
Audit fee	302,991	126,560
Loss on exchange rate	1,581,433	1,400,713
Others	20,243,911	21,592,312
Total Expenses	<u>186,578,172</u>	<u>209,462,055</u>
Profit (loss) before finance costs	15,993,215	31,427,826
Finance costs	<u>(11,470,928)</u>	<u>(11,827,272)</u>
Profit (loss) before income tax expenses	4,522,287	19,600,554
Income tax expenses	-	-
Net profit (loss) for the year	<u><u>4,522,287</u></u>	<u><u>19,600,554</u></u>

Per our report attached to the statement of financial position

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NRB Bearings (Thailand) Ltd.
Statements of Changes in Equity
For the years ended March 31, 2020 and 2019

	Note	Issued and Paid-up share capital Baht	Deficit Baht	Total Baht
Balance as at March 31, 2018		110,000,000	(144,101,616)	(34,101,616)
Increase share capital	10	36,666,660		36,666,660
Net profit for the year			19,600,554	19,600,554
Balance as at March 31, 2019		146,666,660	(124,501,062)	22,165,598
Net profit for the year			4,522,287	4,522,287
Balance as at March 31, 2020		146,666,660	(119,978,775)	26,687,885

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NRB Bearings (Thailand) Ltd.

Statements of Cash Flows

For the years ended March 31, 2020 and 2019

	2020	2019
	Baht	Baht
Cash flows from operating activities:		
Net profit before income tax expenses	4,522,287	19,600,554
Adjustments to net profit (loss) to determine cash provided by (used in) operating activities:		
Depreciation	12,206,881	11,650,889
Allowance for devaluation of inventory	787,857	438,114
(Gain) loss on disposal of fixed assets	-	(554,219)
Unrealized loss (gain) on exchange rate	2,176,151	281,947
Interest expenses	9,894,810	10,132,175
Decrease (Increase) in operating assets:		
Trade and other receivables	10,624,375	(9,918,712)
Deposits at bank used as collateral	-	-
Inventories, net	8,372,171	(18,513,163)
Account receivable - Revenue Department	(109,007)	1,841,142
Other current assets	(1,010,727)	238,595
Other non-current assets	(36,100)	-
Increase (Decrease) in operating liabilities:		
Trade and other payables	(16,901,458)	14,940,911
Other current liabilities	136,198	(9,499,769)
Net Cash Provided by (Used in) Operating Activities	<u>30,663,438</u>	<u>20,638,464</u>

Per our report attached to the statement of financial position

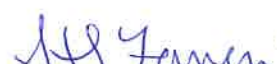
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Bangkok: June 24, 2020

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NRB Bearings (Thailand) Ltd.

Statements of Cash Flows

For the years ended March 31, 2020 and 2019

	2020	2019
	Baht	Baht
Cash flows from investing activities:		
Purchase of fixed assets	(29,119,596)	(9,714,810)
Cash received from sales of fixed assets	-	3,269,787
Net Cash Provided by (Used in) Investing Activities	<u>(29,119,596)</u>	<u>(6,445,023)</u>
Cash flows from financing activities:		
Interest paid	(11,123,147)	(13,610,184)
Cash received from increase in share capital	-	36,666,660
Increase (Decrease) in short-term loan from a related company	(4,650,000)	-
Increase (Decrease) in short-term loan from a financial institution	7,892,754	38,784,069
Increase (Decrease) in long-term loan from a related company	-	(40,536,329)
Net Cash Provided by (Used in) Financing Activities	<u>(7,880,393)</u>	<u>21,304,216</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(6,336,551)	35,497,657
Cash and Cash Equivalents, beginning of year	39,406,417	2,730,116
Effect of exchange rate changes on balances		
held in foreign currencies	<u>780,733</u>	<u>1,178,644</u>
Cash and Cash Equivalents, end of year	<u><u>33,850,599</u></u>	<u><u>39,406,417</u></u>

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Directors

Bangkok: June 24, 2020

Rayong: June 24, 2020

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1. General

NRB Bearings (Thailand) Ltd. is a limited company, incorporated and resident in Thailand.

NRB Bearings (Thailand) Ltd. is a wholly owned subsidiary of NRB Bearings Ltd., a company registered in India. The principal activities of the Company are to carry on the business of manufacturing and trading of bearings.

The Company's registered office is at 300/69 Moo 1, Tasit Sub-District, Pluakdaeng District, Rayong Province.

2. Accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below:

2.1 Basis of preparation

The financial statements have been prepared in accordance with Thai generally accepted accounting principles under the Accounting Act of B.E. 2543 being those Thai Accounting Standards issued under the Accounting Profession Act B.E. 2547 and made in compliance with the Thai financial reporting standard for non-publicly accountable entities ("TFRS for NPAEs").

The Company selected to adopt the Accounting Standard No.7 (revised 2018): Cash Flow Statements

2.2 Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and deposit at banks, and all highly liquid investments with an original maturity of three months or less and is not subject to any withdraw restrictions.

2.3 Trade receivables

Trade receivables are carried at anticipated realisable value. An allowance is recorded for doubtful receivables, which is equivalent to the estimated collection losses. Bad debts are written-off during the year in which they are identified.

2.4 Inventories

Inventories are stated at the lower of cost or net realizable value. Cost is determined by the weighted average method. The cost of purchase comprises both the purchase price and costs directly attributable to the acquisition of the inventory, such as import duties and transportation charges, less all attributable discounts, allowances or rebates. The cost of finished goods and work in progress comprises raw materials, direct labor and other related expenses. Net realizable value is the estimate of the selling price in the ordinary course of business, less the necessary costs of completion and selling expenses. Provision is made, where necessary, for obsolete, slow-moving or defective inventories.

2.5 Property, plant and equipment

Land is stated at historical cost.

Building and equipment are stated at historical cost less accumulated depreciation.

Depreciation is calculated so as to amortize the cost of each asset on a straight-line basis over the estimated useful life of the assets concerned as follows:

Building	30 years
Building improvement	30 years
Land improvement	10 years
Machinery	5, 20 years
Factory equipment	5 years
Furniture & Fixtures	5 years
Office equipment	5 years
Computer	5 years
Software	5 years
Electrical installation	5, 10 years

2.6 Revenue recognition

Sales are recognized based on the terms of shipment. Sales are shown net of sales taxes and trade discounts.

2.7 Employee benefits

Short-term employee benefits

Salaries, wages, bonuses and contributions to social security fund are recognized as expenses as and when incurred.

2.8 Foreign currency transactions

Transactions in foreign currencies are recorded at the rates of exchange at the transaction date. Assets and liabilities denominated in foreign currencies outstanding at the statement of financial position date are translated into Thai Baht by the rate at that date. Gain or loss on foreign currency translation is included in the statements of income.

2.9 Income tax

Income tax is provided in the accounts at the amount expected to be paid to the taxation authorities, based on taxable profits determined in accordance with tax legislation.

NRB Bearings (Thailand) Ltd.
Notes to the Financial Statements
For the years ended March 31, 2020 and 2019

3. Cash and cash equivalents

	2020	2019
	Baht	Baht
Cash on hand	26,872	53,531
Deposits at financial institutions - current accounts	<u>33,823,727</u>	<u>39,352,886</u>
	<u>33,850,599</u>	<u>39,406,417</u>

4. Trade and other receivables

	2020	2019
	Baht	Baht
Trade receivables	8,891,268	12,259,227
Amounts due from related companies	-	8,283,170
Prepayments	1,818,622	2,024,946
Advance	<u>10,450,182</u>	<u>9,183,979</u>
	<u>21,160,072</u>	<u>31,751,322</u>

5. Inventories, net

	Unit	2020		2019	
		<u>Qty</u>	<u>Amount (Baht)</u>	<u>Qty</u>	<u>Amount (Baht)</u>
Spare part	Pcs	264,526	6,121,401	211,312	5,186,571
Raw material/ Component	Pcs	15,945,957	2,808,839	15,533,448	2,669,164
	Kg	227,516	14,667,650	359,702	23,592,096
Work in progress	Pcs	7,423,553	1,424,590	7,435,412	1,374,507
	Kg	56,957	5,312,798	133,838	8,063,439
Finished goods	Pcs	79,682,347	37,267,791	73,585,916	35,089,463
Goods in transit	Pcs		-		-
			<u>67,603,069</u>		<u>75,975,240</u>
Less: Allowance for devaluation of inventories			<u>(1,429,509)</u>		<u>(641,652)</u>
Inventories, net			<u>66,173,560</u>		<u>75,333,588</u>

NRB Bearings (Thailand) Ltd.

Notes to the Financial Statements

For the years ended March 31, 2020 and 2019

6. Property, plant and equipment, net

	Balance as at March 31, 2019 <u>Baht</u>	Increase <u>Baht</u>	Decrease <u>Baht</u>	Balance as at March 31, 2020 <u>Baht</u>
At Cost				
Land	10,454,400	-	-	10,454,400
Land improvement	499,155	-	-	499,155
Building	32,908,144	-	-	32,908,144
Building improvement	1,794,919	-	-	1,794,919
Machinery	125,563,726	8,824,360	-	134,388,086
Factory equipment	23,446,781	7,664,973	-	31,111,754
Furniture & Fixtures	16,242,930	708,731	-	16,951,661
Office equipment	1,056,528	59,560	-	1,116,088
Computer	2,920,098	91,950	-	3,012,048
Software	1,488,016	567,358	-	2,055,374
Electrical installation	10,321,621	531,410	-	10,853,031
Construction in progress	9,447,169	26,521,272	15,850,018	20,118,423
Total	<u>236,143,487</u>	<u>44,969,614</u>	<u>15,850,018</u>	<u>265,263,083</u>
Less : Accumulated depreciation				
Land improvement	492,429	-	-	492,429
Building	13,077,139	1,004,271	-	14,081,410
Building improvement	630,641	58,071	-	688,712
Machinery	42,974,261	6,557,914	-	49,532,175
Factory equipment	19,434,168	2,590,939	-	22,025,107
Furniture & Fixtures	14,621,888	677,542	-	15,299,430
Office equipment	949,806	47,592	-	997,398
Computer	2,258,316	233,676	-	2,491,992
Software	1,221,546	158,612	-	1,380,158
Electrical installation	7,760,054	878,264	-	8,638,318
Total	<u>103,420,248</u>	<u>12,206,881</u>	<u>-</u>	<u>115,627,129</u>
Net	<u>132,723,239</u>			<u>149,635,954</u>

Depreciation for the years ended March 31, 2020 and 2019 are in the amounts of Baht 12,206,881 and Baht 11,650,889, respectively.

NRB Bearings (Thailand) Ltd.
Notes to the Financial Statements
For the years ended March 31, 2020 and 2019

7. Trade and other payables

	2020	2019
	Baht	Baht
Trade payables	14,531,712	28,826,268
Amounts due to related companies	44,980,788	52,065,816
Advance from a related company	4,684,996	-
Accrued expenses	<u>3,739,069</u>	<u>2,184,267</u>
	<u>67,936,565</u>	<u>83,076,351</u>

8. Short-term loan from a financial institution

As at March 31, 2020 and 2019, short-term loan from a financial institution denominated in Thai Baht has interest at the rate of 4.65% - 4.90% per annum (2019: 4.85% - 4.90% per annum). During the year the Company paid interest of Baht 4.87 Million.

This loan is secured by Irrevocable Standby Letter of Credit (SBLC) issued by Citibank N.A, India in the amount of Baht 109.45 Million.

9. Short-term loan from a related company

This loan represents unsecured loan from NRB Bearings Ltd., India denominated in Thai Baht which has interest at the rate of 6.5% per annum. During the year the Company paid interest of Baht 6.24 Million.

10. Share capital

At an Extraordinary General Meeting of shareholders No. 1/2018 held on July 6, 2018, the shareholders authorized to increase the share capital of the Company from Baht 110,000,000 to Baht 146,666,660 by issuing additional 3,666,666 ordinary shares of Baht 10 each. The Company has registered the increase of share capital with the Ministry of Commerce on August 28, 2018.

11. Capacity and Production

	Unit	Installed capacity (Qty)		Production (Qty)	
		as at	as at	as at	as at
		31/03/2020	31/03/2019	31/03/2020	31/03/2019
Bearings	Sets	6,048,000	6,048,000	1,459,413	288,802
Needle Rollers	Pcs	1,000,000,000	1,000,000,000	677,040,959	705,236,955
Jigs and Fixtures	Pcs	2,520	2,520	-	-

NRB Bearings (Thailand) Ltd.
Notes to the Financial Statements
For the years ended March 31, 2020 and 2019

12. Commitment and contingent liabilities

As at March 31, 2020, the Company had commitment and contingent liabilities as follows:

12.1 The Company had an outstanding purchase order of approximately USD 0.18, EUR 0.03 Million and Baht 15.87 Million.

13. Investment promotion privileges

On March 7, 2007 the Company was granted a promotion certificate in accordance with the provisions of the Industrial Investment Promotion Act B.E. 2520 in respect of the manufacturing of bearings. The privileges include certain privileges among others, exemption from corporate income tax for the period of eight years from the start of commercial operations but not exceeding the Company's investment in capital excluding land and working capital, exemption of import duties for machinery, and exemption of import duties for raw materials imported for producing products for export for a period of five years.

However, the company has been granted the exemption of import duties for raw materials until February 2022.

As a promoted company, the Company must comply with certain conditions and restrictions provided for the promotion certificate.

Income for the years ended March 31, 2020 and 2019 are classified into promoted business and non-promoted business as follows:

	2020	2019
	Baht	Baht
BOI Promoted business	148,188,038	178,273,984
Non-BOI Promoted business	52,604,169	59,533,723

14. Approval of financial statements

These financial statements were approved by an authorized director of the Company on June 24, 2020.

Per our report attached to the statement of financial position

For **ADISORN & ASSOCIATES LTD.**



Navamin Dherakasatechai
Certified Public Accountant (Thailand) No. 4775

For and on behalf of Board of Directors



H.S.Zaveri



S.C.Rangani



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Directors

Rayong: June 24, 2020

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