

FINANCIAL STATEMENTS



Jindal Saw USA, LLC

Stand-alone Financial Statements

March 31, 2019 and 2018
with report of independent auditor

Rakesh Jain, CPA PC

Certified Public Accountant

12440 Emily Ct., Suite 901,

Sugarland, TX 77478

Phone 832-844-5607

Fax: 972-961-7964

Web: www.jaincpa.us

Jindal Saw USA, LLC
STAND-ALONE FINANCIAL STATEMENTS
Years ended March 31, 2019 and 2018

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REPORT OF INDEPENDENT AUDITOR

To
The Board of Managers
Jindal Saw USA, LLC Baytown, Texas

We have audited the accompanying financial statements of Jindal Saw USA, LLC, a Texas limited liability corporation (a single member LLC owned by SV Trading Ltd., a Saint Kitts & Nevis Corporation), which comprise the balance sheets as of March 31, 2019 and 2018, and related statements of operations, changes in member's capital and cash flows for the years 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 accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the 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 entity'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 entity'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.

Basis for Qualified Opinion

As discussed in Note 2 to these financial statements, which are for Jindal Saw USA, LLC standalone financial statements, the Company reports its investment in Drill Pipe International, LLC, a 100 percent owned subsidiary on the cost method of accounting.

These financial statements do not consolidate the financial position or results of operations from its subsidiary in accordance with Generally Accepted Accounting Principles accepted in the United States of America and are not intended to be a full presentation under generally accepted accounting principles. In our opinion, disclosure of this information is required by accounting principles generally accepted in the United States of America.

Opinion

In our opinion, except for the effects of not consolidating 100% owned subsidiary, as discussed in the Basis for Qualified Opinion paragraph, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Jindal Saw USA, LLC as of March 31, 2019 and 2018 and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Rakesh Jain, CPA PC

Rakesh Jain, CPA

Rakesh Jain, CPA PC

Certified Public Accountant

Place: - Sugarland, TX

Date: - May 06, 2019

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Financial Statements

Jindal Saw USA, LLC

Balance Sheets

As of March 31, 2019 and 2018

Assets	2019	2018
Current		
Cash and cash equivalents	\$4,931,174	\$1,075,530
Accounts receivables:		
Trade receivables net of provision for doubtful accounts \$ 113,648 (Previous year - \$ 52,133)	3,649,762	6,620,812
Intercompany receivables	16,540,798	7,057,758
Intercompany receivables - Interest	5,525	5,525
Others	264,540	264,540
Advances and Deposits	-	3,500,000
Inventories	5,475,555	3,672,219
Prepaid expense	116,468	69,826
Loans and advances	5,148,382	1,273,808
Deferred Tax Asset	1,173,051	480,022
Intercompany Loans	-	3,000,000
Total current assets	37,305,254	27,020,040
Investment in Share Capital of DPI	7,464,769	7,464,769
Share Application money with Jindal Tubular USA LLC	750,000	-
Property, Plant & Equipments Net	41,283,271	42,879,158
Total Assets	86,803,295	77,363,967

See Notes to Financial Statements

Jindal Saw USA, LLC
 Balance Sheets
 As of March 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Liabilities and Member's Equity		
Current Liabilities		
Account payable - trade	\$ 3,931,323	\$ 3,278,205
Account payable trade - inter company	44,767	192,582
Interest payable - inter company	2,228,166	2,228,166
Current portion of long term loan	2,044,268	2,047,581
Accrued expenses	622,154	633,130
Current portion of intercompany loan payable	6,516,642	6,516,642
Advance from customers	11,871	321,280
Other current liabilities	474,638	-
Provision for taxes	2,448,848	1,409,265
Total Current Liabilities	<u>18,322,678</u>	<u>16,626,850</u>
Long-term debt, net of current portions :		
Long term loan	8,033,326	10,077,575
Total long-term debt	<u>8,033,326</u>	<u>10,077,575</u>
Deferred tax liability	3,829,487	4,608,913
Total Liabilities	<u>30,185,491</u>	<u>31,313,338</u>
Membership interest		
Membership interest	56,617,805	46,050,628
Total member's equity	<u>56,617,805</u>	<u>46,050,628</u>
Total Liabilities and Member's Equity	<u>\$86,803,295</u>	<u>77,363,967</u>

See Notes to Financial Statements

Jindal Saw USA, LLC
Statement of Income
for the years ended March 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Net Sales	\$ 108,591,787	\$ 32,809,547
Cost of Sales - Materials, Labor and Other Costs	90,696,531	20,405,275
Gross Profit	<u>17,895,256</u>	<u>12,404,272</u>
Selling, General and Administrative Expenses		
Selling, General and Administrative Expenses	3,113,570	2,794,450
Finance Charges	7,136	746
Depreciation Expense	2,595,245	2,687,827
Total Selling, General and Administrative Expenses	<u>5,715,951</u>	<u>5,483,023</u>
Operating Income (Expenses):	<u>12,179,305</u>	<u>6,921,249</u>
Other Income (Expenses):		
Other Income	(33,537)	(957,738)
Interest expense	514,096	590,114
Interest Income	(7,654)	(27,430)
Total Other Income (Expenses), net	<u>472,904</u>	<u>(395,054)</u>
Income before income taxes	<u>11,706,401</u>	<u>7,316,303</u>
Income Taxes		
Current income tax expense	2,448,848	1,409,265
Income tax - Prior years' tax adjustment	162,831	-
Deferred tax expense/(benefit)	(1,472,455)	(1,377,994)
Total Income Taxes	<u>1,139,224</u>	<u>31,271</u>
Net Income (loss)	<u>\$10,567,177</u>	<u>\$7,285,032</u>

See Notes to Financial Statements

Jindal Saw USA, LLC

Statement of Changes in membership interest

Years ending March 31, 2019 and 2018

	Member's Stated Capital Account	Additional Capital Contributed	Net Income for the year	Retained Earnings	Total Membership Interest
Balance at March 31, 2017	\$10,000,000	\$5,000,000	\$0	\$23,765,596	\$38,765,596
Profit and loss for the year 2017-18	-	-	7,285,032	-	\$7,285,032
Adjustment	-	-	(7,285,032)	7,285,032	\$0
Balance at March 31, 2018	10,000,000	5,000,000	-	31,050,628	46,050,628
Profit and loss for the year 2018-19	-	-	10,567,177	-	\$10,567,177
Balance at March 31, 2019	\$10,000,000	\$5,000,000	\$10,567,177	\$31,050,628	\$56,617,805

See Notes to Financial Statements

Jindal Saw USA, LLC

Statement of Cash Flows

For the years ended March 31, 2019 and 2018

	2019	2018
Cash Flows From Operating Activities:		
Net income	\$ 10,567,177	\$ 7,285,032
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	2,595,245	2,687,827
Changes in operating assets and liabilities:		
(Increase)/decrease in trade receivables	2,971,050	(3,233,226)
(Increase)/decrease in intercompany receivables	(9,483,040)	453,480
(Increase)/decrease in advances and deposits	3,500,000	(3,500,000)
(Increase)/decrease in Interest Receivables- Intercompany	-	-
(Increase)/decrease in inventories	(1,803,338)	(138,911)
(Increase)/decrease in prepaid expenses and deposits	(46,642)	10,212
(Increase)/decrease in Loans and advances	(3,874,574)	2,506,801
(Increase)/decrease in inter company loans	3,000,000	-
(Increase)/decrease in Deferred Taxes	(693,029)	320,017
Increase/(decrease) in account payable - trade	653,119	863,505
Increase/(decrease) in account payable - trade (inter company)	(147,815)	192,582
Increase/(decrease) in intercompany loan payable	0	4,183,308
Increase/(decrease) in deferred tax liability	(779,426)	(1,698,010)
Increase/(decrease) in interest payable - intercompany	-	-
Increase/(decrease) in current portion of note payable to banks	(3,313)	10,601
Increase/(Decrease) in accrued expenses	(10,976)	(74,039)
Increase/(Decrease) in provision for taxes	1,039,583	1,409,265
Increase/(Decrease) in advance from customers	(309,409)	321,280
Increase/(Decrease) in other current liabilities	474,638	-
Net cash provided (used) by operating activities	7,649,251	11,599,724
Cash Flows from Investing Activities:		
Net Change in Fixed assets	(999,358)	1,039,843
Share application money with Jindal Tubular USA LLC	(750,000)	-
Net cash used in investing activities:	(1,749,358)	1,039,843
Cash Flows from Financing Activities:		
Increase/(Decrease) in Long term loan	(2,044,249)	(2,047,455)
Increase/(Decrease) in Long term intercompany loans	-	(11,183,308)
Notes payable to World Transload		
Proceeds from financing agreement	-	-
Additional equity	-	-
Net cash used in financing activities:	(2,044,249)	(13,230,763)
Net Increase/(decrease) in cash and cash equivalents	3,855,644	(591,196)
Cash and cash equivalents at the beginning of year	1,075,530	1,666,726
Cash and cash equivalents at the end of year	\$4,931,174	\$1,075,530
Supplemental Cash Flow Information		
Federal income taxes provision	\$2,448,848	\$1,409,265
Interest provided	\$514,096	\$590,114

See Notes to Financial Statements

Jindal Saw USA, LLC
Notes to financial statements
For the years ended on March 31, 2019 and 2018

Note 1 – Organization and operations

Jindal Saw USA, LLC (the "Company") is a Texas Limited Liability Company, which was incorporated in year 2007. The Company is a single member LLC which is 100% owned by SV Trading Ltd a saint kitts & Nevis corporation, which is indirectly owned by Jindal Saw Ltd., India. The operations consist of steel pipe double jointing and pipe coating facilities for steel up to 48 inches in diameter in Baytown Texas. The pipe processed is not owned by the Company but is processed for the customer based on specification required.

The Company made a net profit before tax of \$ 11,706,401 and \$ 7,316,303 during the years ending March 31, 2019 and 2018 respectively.

On May 22, 2014, the company acquired 100 percent interest in Drill Pipe International, LLC (a Minnesota limited liability company) and registered in the state of Texas as foreign corporation to transact business in Texas, which is in the business of drill pipe production and selling in Minnesota and Texas States.

The Company engages in business activities which involve various risks, and future success is dependent upon a number of factors which include, among others, generating sufficient revenues, the market demand and price for the company's products, the price of raw materials and obtaining the necessary funds.

Note 2 - Summary of Significant Accounting Policies

The financial statements are prepared under accounting principles generally accepted in the United States of America ("GAAP"), except that the subsidiary of the Company is recorded on the cost basis and not consolidated in these financial statements. The following notes describe the significant accounting policies:

Principles of Consolidation

The consolidated financial statements of Jindal Saw USA, LLC include the financial statements of the Company and its entire controlled subsidiary. All significant intercompany balances and transactions have been eliminated in consolidation. The Company did not have Variable interest entities ("VIE") as of March 31, 2019.

Jindal Saw USA, LLC
Notes to financial statements
For the years ended on March 31, 2019 and 2018

Note 2 - Summary of Significant Accounting Policies - continued

A VIE is an entity where less than 100% interest is owned, and through a series of tests, an owner is shown to have control over that entity and would be required to consolidate that entity. The subsidiary of Jindal Saw USA, LLC is wholly owned and require consolidation.

Reclassification of Prior Year Amounts

Certain prior year amounts have been reclassified to conform to the current year presentation. These reclassifications had no effect on previously reported results of operations.

Use of Estimates

The preparation of financial statements, in conformity with the Generally Accepted Accounting Principles (GAAP) used in the United States of America, requires management to make estimates and assumptions that affects the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Significant estimates include estimated future life in determining current depreciation rates under the depreciation method, estimated amounts for uncollectible accounts receivables and the estimated present value of the Company's note payable to seller. Actual results could differ from those estimates.

Revenue Recognition

Revenue is recognized generally when the pipe double jointing or coating processes has been completed and accepted by the customer. The revenue is recognized when the following has been satisfied:

1. the Company has completed the processes and the customer has inspected and accepted the pipe;
2. the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;

Jindal Saw USA, LLC
Notes to financial statements
For the years ended on March 31, 2019 and 2018

Note 2 - Summary of Significant Accounting Policies - continued

3. the amount of revenue can be measured reliably;
4. it is probable that the economic benefits associated with the transaction will flow to the Company and the amount is collectible; and
5. the costs incurred, or to be incurred in respect of the transaction, can be measured reliably.

Allowance for Doubtful Accounts

Bad debts are provided by using the allowance method based upon historical experience and management's evaluation of outstanding accounts receivable at the balance sheet date for receivables that may not be fully collectible. Management's evaluation also includes potential non- payment due to product claims by customers. The Company's receivables are mainly receivables from trade receivables.

Management believes receivables are fully good and collectible after providing a suitable provision for doubtful debts of \$ 113,648 as of March 31, 2019 (Previous year - \$ 52,133).

Inventories

Inventories consist of raw materials, consumables, small tools, such as coating powder and paint used in the operations and is valued at the lower of cost or market using the first in first out cost method. Costs consist of price paid for the inventory plus costs incurred in bringing the products to present locations.

As at March 31, 2019 and 2018, inventories consisted of the followings:

	March 31, 2019	March 31, 2018
Raw Material	1,600,820	667,474
Stores & Spares	2,832,659	2,056,741
Loose Tools and others	150,784	149,413
Capital Items	660,810	569,452
Finished Goods	230,522	229,139
TOTAL	5,475,595	3,672,219

Jindal Saw USA, LLC
Notes to financial statements
For the years ended on March 31, 2019 and 2018

Note 2 - Summary of Significant Accounting Policies - continued

Property, Plant and Equipment

Property, Plant and Equipment are stated at cost less accumulated depreciation. Depreciation is calculated over the estimated useful lives of the assets using the straight-line method, however land is not depreciated.

The Company uses straight-line depreciation method for machinery and equipment in manufacturing and processing operations and for certain other manufacturing equipments. Expenditures for renewals and improvements are capitalized; repairs and maintenance are charged to expense as incurred.

The Company reviews property and equipment for impairment whenever events or changes in circumstances indicate the carrying value of an asset may not be fully recoverable. Based on periodic assessments of realizability of its long-term assets and the analysis of undiscounted cash flows for its long term assets, no impairment of long term assets need to be recognized by the company.

Federal Income Taxes

The Company has elected to be taxed as a corporation under the Federal tax laws. The company records income taxes pursuant to the liability method. Deferred tax assets and liabilities are recorded based upon differences between the financial statement and tax bases of assets and liabilities and the available tax carry forwards. A deferred tax valuation allowance is recorded to state deferred tax assets at the estimated net realizable value.

Fair Value

Financial Accounting Standards Board ("FASB") Accounting Standard Codification ("ASC") 825, Financial Instruments, requires the disclosure of the fair value of financial instruments, as defined. Substantially, all of the Company's financial assets and liabilities are either valued at market or estimated fair value, or because of their short term nature, approximate fair value. None of the company's assets or liabilities is subject to leveling under fair value hierarchy as required by ASC 820 Fair Value Measurements.

Jindal Saw USA, LLC
Notes to financial statements
For the years ended on March 31, 2019 and 2018

Note 2 - Summary of Significant Accounting Policies - continued

Advertising Costs

Advertising costs are expensed when incurred.

Concentration of Credit Risk

Financial instruments which potentially subject the Company to a concentration of credit risk consist principally of cash and accounts receivable. The Company maintains cash balances at financial institutions which may at times be in excess of federally insured levels. The Company has not incurred losses related to these balances to date.

Other than related party revenue, as at March 31, 2019 the Company had three customers, which represented 50%, 13% and 7% of the Company's total revenue, and these customers had balances 41%, 7% and 2%, respectively, of the total outstanding trade receivables. As at March 31, 2018 three customers represented 32%, 16% and 9% of the company's total revenue and these three customers had balances representing 49%, 19% and 2% of the outstanding trade receivables.

Note 3 - Property, Plant and Equipment

The Property, Plant and Equipment have been recorded at cost. The Property, Plant and Equipment as of March 31, 2019 and March 31, 2018 are as follows: -

Jindal Saw USA, LLC
Notes to financial statements
For the years ended on March 31, 2019 and 2018

	<i>Balances as of March 31, 2018</i>	<i>Additions During the Yr.</i>	<i>Retirements During the Yr.</i>	<i>Balance as of March 31, 2019</i>	<i>Estimated useful Life (in Yrs.)</i>
Land	5,866,150	0	0	5,866,150	
Building	21,254,020	1,700,707	0	22,954,727	5-40
Machinery & Equipment	28,868,386	0	(1,031,194)	27,837,192	7-30
Electric Installations	4,207,932	0	0	4,207,932	5-7
Office Equipment	154,530	0	0	154,530	3-10
Computer and Network	179,171	0	0	179,171	5
Furniture & Fixtures	353,631	0	0	353,631	3-10
Vehicles	965,599	0	0	965,599	5-7
Construction in progress	1,821,347	0	0	1,821,347	
Total property and equipment	63,670,766	1,700,707	(1,031,194)	64,340,279	
Less: Accumulated Dep.	20,791,608	2,595,245	329,846	23,057,007	
Net property and equipment	42,879,158	(894,539)	(1,361,040)	41,283,271	

Depreciation expenses for the period ending March 31, 2019 and 2018 were \$ 2,595,245 and \$ 2,687,827 respectively.

Jindal Saw USA, LLC
Notes to financial statements
For the years ended on March 31, 2019 and 2018

Note 4 - Debts:

The company's debts constitute of Equipment and Car leasing through financing companies.

<i>Particulars</i>	<i>Ope. Bal. as of Apr. 1, 2018</i>	<i>Additions during the year</i>	<i>Repayments during the years</i>	<i>Balance as of March 31, 2019</i>	<i>Ave. int. rate as of March 31, 2019</i>	
Vehicle Loan	26,420	0	14,856	11,564	2.86%	
BOA Equipment Loan - I	4,623,641	0	1,428,572	3,195,069	3.51%	
BOA Equipment Loan - II	1,058,427	0	254,134	804,293	3.70%	
BOA Real Estate Loan	6,416,667	0	350,000	6,066,667	4.74%	
<i>Repayment Schedule</i>	<i>2019-20</i>	<i>2020-21</i>	<i>2021-22</i>	<i>2022-23</i>	<i>2023-24</i>	<i>Thereafter</i>
Vehicle Loan	11,564	-	-	0	0	0
BOA Equipment Loan - I	1,428,571	1,428,571	337,927	0	0	0
BOA Equipment Loan - II	350,000	350,000	104,293	0	0	0
BOA Real Estate Loan	254,133	264,883	276,087	276,087	276,087	4,719,390
Total	2,044,268	2,043,454	718,307	276,087	276,087	4,719,390

Note 5 - Intercompany, Related Party and Affiliates Disclosure Information

In the current year, the Company has transactions with related parties including companies affiliated through common ownership of the member who owns the Company. The Company has transactions mainly with S.V. Trading Ltd., Jindal Saw Ltd., India, Jindal Saw Gulf Ltd, World Transload & Logistics, LLC and its subsidiary, Drill Pipe International, LLC and Jindal Tubular USA LLC.

Jindal Saw USA, LLC
Notes to financial statements
For the years ended on March 31, 2019 and 2018

	March, 2019	March, 2018
Intercompany trade receivables Due From		
Jindal Saw Ltd., US Branch	-	(39,360)
Receivables from Drill Pipe International, LLC	7,363,851	7,030,605
Receivables from Jindal Tubular USA LLC	8,221,982	-
Drill Pipe International, LLC – Loan and int. receivable	5,525	3,005,525
Jindal Saw Ltd., India	954,966	66,513
Advance to Jindal Saw Ltd. – India	3,299,961	-
Intercompany Payables		
Loans from SV Trading Limited	6,516,642	6,516,642
Drill Pipe International, LLC	552	-
Accounts payable trade – Jindal Saw Ltd.	39,538	192,582
Accounts payable trade – WTL	4,677	-
Interest payable to SV Trading	2,228,166	2,228,166
Intercompany transactions:		
Sale/service of expenses reimbursement-Jindal Saw Ltd	172,312	1,078,668
Purchases from Jindal Saw Ltd., India	28,159,149	438,581
Asset sale to Jindal Saw Ltd., India	732,085	-
Sale of material/service to Drill Pipe International	-	181,487
Job work processing income from Drill Pipe International	249,954	427,569
Labor, utilities and other expenses payments by Drill Pipe Intern.	723,511	918,692
Sale/service to Jindal Tubular USA LLC	53,229,022	-
Coating charges received from Jindal Tubular USA LLC	46,225	-
Expense reimbursements from Jindal Tubular USA LLC	736	-
Interest received from Jindal Tubular USA LLC	7,654	-
Job work charges paid to from Jindal Tubular USA LLC	3,458,443	-
Share Application money paid to Jindal Tubular USA LLC	750,000	-
Sale/service to Jindal Saw Gulf Ltd.	43,322	-
Fixed Assets purchase from World Transload Logistics, LLC	4,677	-
Sale / service to Tube Technologies, Inc.	-	13,260
Intercompany interest transactions		
Interest expenses recorded and paid to World Transload Logistics	Nil	51,167

Jindal Saw USA, LLC
Notes to financial statements
For the years ended on March 31, 2019 and 2018

Note 6 - Income Taxes:

The company has elected to file as a Corporation for federal tax purposes along with Drill Pipe International, LLC (100% subsidiary) on consolidated basis. The calculation of provision for taxes and deferred tax has been made on consolidated basis as well. The Company's deferred tax liabilities and deferred tax assets at March 31, 2019 and 2018 are as follows: -

	March 31, 2019	March 31, 2018
Current deferred tax assets related to:		
Interest not currently deductible	467,915	469,075
Other	705,136	10,948
Total current deferred tax assets	1,173,051	480,023
Non-Current deferred tax asset related to:		
Net operating losses	-	-
Non-Current deferred tax liability related to:		
Tax depreciation greater than financial	3,829,487	4,608,913
Total non-current deferred tax (liability)	3,829,487	4,608,913
deferred tax assets/ (liability)	2,656,436	4,128,890

The Company would be subject to \$ 2,448,848(Previous year - \$ 1,409,265) corporate taxes on consolidated basis. The company's 100% subsidiary has earned a net profit of \$ 0.130 million (Previous year – Net loss of \$ 1.259 million).

Note 7 – Commitments and Contingencies

Operating Leases

Rental expense under operating leases totaled Nil for the period ended March 31, 2019 (Previous year - \$ Nil). The Company had two equipment rental agreements as of March 31, 2019 which are operating leases. The rental agreements are short-term and cancellable and are not capital leases.

Jindal Saw USA, LLC
Notes to financial statements
For the years ended on March 31, 2019 and 2018

Contingencies

The company is subject to certain disputes and claims, which has arisen in the ordinary course of business. These actions, when ultimately concluded and determined, will not, in the opinion of management, have a material adverse effect on the financial position or results of operations of the company.

Note 8 - Subsequent Events

The Company has evaluated subsequent events through May 06, 2019 the issuance date of the financial statements.