Granules Pharmaceuticals, Inc.

Financial Statements

March 31, 2019 and March 31, 2018

KNAV P.A.

Certified Public Accountants

One Lakeside Commons, Suite 850,

990 Hammond Drive NE, Atlanta, GA 30328

Table of Contents

Independent Accountant's Review Report

To Board of Directors,
Granules Pharmaceuticals, Inc.

We have reviewed the accompanying balance sheet of Granules Pharmaceuticals, Inc. ('the Company') as at March 31, 2019, and the related statements of income, stockholder's equity and cash flow for the year then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of company management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

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 financial statements that are free from material misstatement whether due to fraud or error.

Accountant's responsibility
Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's conclusion
Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Other matter
As at March 31, 2018, the financial statements were reviewed by other accountants and their report thereon, dated July 12, 2018, stated they were not aware of any material modifications that should be made to those statements for them to be in conformity with accounting principles generally accepted in the United States of America.

KNAV P.A.

Atlanta, Georgia
May 16, 2019

Financial Statements

Balance sheets

(All amounts are in United State Dollars, unless otherwise stated)

	As at March 31, 2019	As at March 31, 2018
ASSETS		
Current assets		
Cash and cash equivalents	3,437,955	1,184,233
Accounts receivable, net	7,455,774	-
Inventories	5,584,759	1,871,932
Prepaid expenses and other current assets	622,615	528,786
Total current assets	**17,101,103**	**3,584,951**
Property, plant & equipment, net	20,234,731	18,192,361
Intangible assets, net	2,686,340	2,360,555
Investment	5,481,847	4,936,879
Deferred tax assets	9,475,300	1,207,887
Other assets	1,572,062	2,076,107
Total assets	**56,551,383**	**32,358,740**
LIABILITIES AND STOCKHOLDER'S EQUITY		
Current liabilities		
Accounts payable	9,256,513	1,924,912
Other current liabilities	1,151,541	3,742,614
Loan and advances due to related parties	7,000,000	61,253,000
Total current liabilities	**17,408,054**	**66,920,526**
Total liabilities	**17,408,054**	**66,920,526**
Stockholder's equity		
Common stock	3,751	2,000
Additional paid in capital	65,500,124	1,998,000
Accumulated deficit	(26,360,546)	(36,561,786)
Total stockholder's equity (deficit)	**39,143,329**	**(34,561,786)**
Total liabilities and stockholder's equity	**56,551,383**	**32,358,740**

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

(See independent accountant's review report)

Statements of income (loss)

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

	Year ended March 31, 2019	Year ended March 31, 2018
Revenue from operations	27,559,722	27,952
Less: Cost of revenue	8,963,000	-
Gross profit	**18,596,722**	**27,952**
Operating cost and expenses		
Research and development expenses	11,681,966	11,720,371
Selling, general and administrative expenses	3,828,287	6,746,052
Depreciation and amortization	1,598,752	1,449,879
Total operating cost and expenses	**17,109,005**	**19,916,302**
Operating profit (loss)	**1,487,717**	**(19,888,350)**
Other income		
Interest income	107,351	134,184
Other income	392,347	365,114
Profit (loss) before taxes	**1,987,415**	**(19,389,052)**
Income tax expense		
Current tax expense	53,588	-
Deferred tax (benefit) expense	(8,267,413)	714,701
Net profit (loss)	**10,201,240**	**(20,103,753)**

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

(See independent accountant's review report)

Statement of stockholder's equity (deficit)

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

Particulars	Common stock Shares	Common stock Amount	Additional paid in capital	Accumulated deficit	Total stockholder's (deficit) equity
Balance as at April 01, 2017	**2,000**	**2,000**	**1,998,000**	**(16,458,033)**	**(14,458,033)**
Net loss for the year	-	-	-	(20,103,753)	(20,103,753)
Balance as at March 31, 2018	**2,000**	**2,000**	**1,998,000**	**(36,561,786)**	**(34,561,786)**
Balance as at April 01, 2018	**2,000**	**2,000**	**1,998,000**	**(36,561,786)**	**(34,561,786)**
Issue of shares	1,751	1,751	62,901,249	**-**	62,903,000
Stock-based compensation cost			600,875	-	600,875
Net profit for the year	-	-	-	10,201,240	10,201,240
Balance as at March 31, 2019	**3,751**	**3,751**	**65,500,124**	**(26,360,546)**	**39,143,329**

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

(See independent accountant's review report)

Statements of cash flows

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

	Year ended March 31, 2019	Year ended March 31, 2018
Cash flow from operating activities		
Net profit (loss)	10,201,240	(20,103,753)
Adjustments to reconcile net profit (loss) to net cash used in operating activities		
Depreciation and amortization	1,598,752	1,449,879
Deferred tax (benefit) expense	(8,267,413)	714,701
Stock-based compensation cost	600,875	-
Changes in current assets and current liabilities		
Accounts receivable, net	(7,455,774)	-
Inventories	(3,712,827)	(808,518)
Prepaid expenses and other current assets	(119,293)	46,215
Accounts payable	7,331,600	1,265,168
Other assets	529,510	151,515
Other current liabilities	(2,591,073)	2,381,470
Net cash used in operating activities	**(1,884,403)**	**(14,903,323)**
Cash flow from investing activities		
Investment in US Pharma Inc.	(544,968)	(2,862,546)
Purchase of property & equipment and intangible assets	(3,966,907)	(13,539,845)
Net cash used in investing activities	**(4,511,875)**	**(16,402,391)**
Cash flow from financing activities		
Proceeds from loans and advances from related party	8,650,000	32,353,000
Net cash provided by financing activities	**8,650,000**	**32,353,000**
Net increase in cash and cash equivalents during the year	**2,253,722**	**1,047,286**
Cash and cash equivalents at the beginning of the year	1,184,233	136,947
Cash and cash equivalents at the end of the year	**3,437,955**	**1,184,233**
Supplemental cash flow information		
Income tax paid	-	-
Interest paid	2,844,318	-
Conversion of loan to common stock	62,903,000	-

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

(See independent accountant's review report)

Notes to Financial Statements

(All amounts are in United State Dollars, unless otherwise stated)

NOTE A - NATURE OF OPERATIONS

Granules Pharmaceuticals, Inc ("GPI" the "Company") was incorporated in Delaware on October 21, 2014. The Company is a wholly owned subsidiary of Granules India Limited, a company incorporated in India. The Company will focus on research & development and manufacturing & distribution of pharmaceutical formulations and contract research services for others. The Company has commenced the commercial operations in the financial year 2017-2018.

NOTE B - 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. *Basis of preparation*

   a. The accompanying financial statements are prepared under the historical cost convention on the accrual basis of accounting in accordance with the accounting and reporting requirements of generally accepted accounting principles in the United States ('US GAAP') to reflect the financial position, results of operations and cash flows of the Company.

   b. All amounts are stated in United States dollars, except as otherwise specified.

   c. These financial statements are presented for the year ended March 31, 2019 and March 31, 2018.

2. *Estimates and assumptions*

   The preparation of financial statements and related disclosures 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 revenues and expenses during the period reported. Actual results could differ from those estimates. Significant items subject to such estimates and assumptions include the useful lives of property& equipment, allowances for doubtful accounts, recognition of deferred tax assets, amortization period of intangibles, valuation of inventories, provision for employee benefit obligations, and other contingencies. The estimates are made using historical information and other relevant factors available to management. 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 revision in an accounting estimate are recognized prospectively in the current and future period.

3. *Cash and cash equivalents*

   The Company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of those financial instruments. The Company believes it is not exposed to any significant risk on cash and cash equivalents.

4. *Accounts receivable & allowance for doubtful accounts*

Accounts receivable are recorded at the invoiced amount and do not bear interest. The Company maintains an allowance for doubtful accounts for estimated losses inherent in its accounts receivable portfolio. In establishing the required allowance, management considers historical losses adjusted to take into account current market conditions and the customers' financial condition, the amounts of receivables in dispute, and the current receivables ageing and current payment patterns. The Company reviews its allowance for doubtful accounts monthly. Past due balances over 180 days and over a specified amount are reviewed individually for collectability. Allowance for doubtful accounts is included in marketing and selling expenses in the statement of income. The Company charges off uncollectable amounts against the reserves in the period in which it determines they are uncollectable.

5. *Property,* plant *and equipment*

Property, plant & equipment are stated at cost less accumulated depreciation and impairment. Cost of items of property and equipment comprises cost of purchase and other costs necessarily incurred to bring it to the condition and location necessary for its intended use.

The Company depreciates property, plant & equipment over the estimated useful life using the straight-line method. Expenditures for maintenance and repairs are charged to expense. Upon retirement or disposal of assets, the cost and accumulated depreciation are eliminated from the accounts and the resulting gain or loss is credited to statements of income (loss).

The estimated useful lives used to determine depreciation are:

Nature of assets	Estimated useful life of assets
Furniture and fixtures	3 to 7 years
Computers	3 to 5 years
Equipment	3 to 7 years
Building	39 years
Vehicles	5 years
Improvements	15 years

6. *Intangible assets*

The Company amortizes intangible assets over their estimated useful lives unless such lives are determined to be indefinite. Amortizable intangible assets are amortized over their estimated useful lives in proportion to the economic benefits consumed in each period. Intangible assets with indefinite lives are tested at least annually for impairment and written down to the fair value as required.

Nature of assets	Estimated useful life of assets
Marketeting licenses	15 years
Software	3 to 5 years

7. *Impairment of long-lived assets*

Long-lived assets, including certain identifiable intangible assets, to be held and used are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. Such assets are considered to be impaired if the carrying amount of the assets is higher than the future undiscounted net cash flows expected to be generated from the assets. The impairment amount to be recognized is measured by the amount by which the carrying value of the assets exceeds its fair value.

8. *Revenue recognition*

The Company's revenue is recognized when significant risk and rewards in respect of ownership are transferred to the customer and when the following criteria are met: (i) written evidence that an arrangement exists; (ii) the service has been performed and the Company has no significant remaining obligation; (iii) the price to the buyer is fixed or determinable; and (iv) collectability is reasonably assured.

9. *Income taxes*

Income taxes are accounted for under the asset and 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 and operating loss and tax credit 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. A valuation allowance is recorded for deferred tax assets if it is more likely than not that some portion or all of the deferred tax assets will not be realized. All deferred tax assets and liabilities, along with any related valuation allowance, is classified as non-current on the balance sheets.

The Company recognizes liabilities for uncertain tax positions based on a two-step process. The first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates it is more likely than not that the position will be sustained on audit, including resolution of related appeals or litigation processes, if any. The second step is to measure the tax benefit as the largest amount which is more than 50% likely of being realized upon ultimate settlement. The Company recognizes interest and penalties related to uncertain tax positions within the provision for income taxes.

10. *Research and development*

Expenditures for research and development are expensed as incurred and include salaries, benefits, and other employee-related costs; clinical trial and related clinical manufacturing costs, pharmaceutical supplies and other outside service fees and facilities and overhead costs.

11. *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 disclosed in notes. Contingent assets are neither recognized nor disclosed.

12. *Retirement and employee benefits*

Contribution to defined contribution plans are charged to statements of income (loss) in the year in which they accrue.

13. *Stock-based compensation*

The Company accounts for stock-based compensation expense relating to stock options that have been issued by the Company to the employees. The Company computes the fair value of options granted using the Black Scholes option pricing model. An amount equal to such compensation expense for the year is credited to additional paid in capital of the Company.

The Company has used guidance in Accounting Standard Codification ("ASC") 718; "Compensation-Stock Compensation" to account for employee share-based payments. ASC 718 requires share-based payments to employees, including grants of employee stock options and purchases under employee stock purchase plans, to be recognized in statements of operations based on their fair values.

In accordance with ASC 718, the Company recognized stock-based compensation for awards granted, that the Company expects to vest on a straight-line basis over the requisite service period of the awards. In respect of awards that have graded vesting, the Company recognizes compensation expense over the service period for each separately vesting tranche of the award as though the award were in substance, multiple awards. In determining whether an award is expected to vest, the Company uses an estimated forfeiture rate based on historical rates. The estimated forfeiture rate is updated for actual forfeitures annually.

14. *Investments*

The Company elected to measure equity security without a readily determinable fair value that does not qualify for the practical expedient to estimate fair value in accordance with ASC paragraph 821-10-35-59 at its cost minus impairment, if any. Acquisition related expenditure, if any, is expensed in the year of incurring the same.

15. *Fair value measurements and 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.

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. The Company's financial instruments consist of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities. The estimated fair value of cash, accounts receivable, accounts payable and accrued liabilities approximate their carrying amounts due to the short-term nature of these instruments. None of these instruments are held for trading purposes.

16. *Recent accounting pronouncements*

Effective December 15, 2017, FASB issued Accounting Standards Update ("ASU") 2014-09 Revenue from Contracts with Customers and related updates. This guidance replaces most existing revenue recognition guidance in U.S. GAAP. The core principle of the ASU is that an entity should recognize revenue for the transfer of goods or services equal to the amount that it expects to be entitled to receive for those goods or services. The ASU requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments. The guidance allows for both retrospective and modified retrospective methods of adoption.

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers (Topic 606). This ASU is the result of a joint project of the FASB and the International Accounting Standards Board ("IASB") to clarify the principles for recognizing revenue and to develop a common revenue standard for U.S. GAAP and

IFRS. The guidance in this ASU affects any entity that either enters into contracts with customers to transfer goods or services or enters into contracts for the transfer of nonfinancial assets unless those contracts are within the scope of other standards.

The ASU provides that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity should apply the following five-step process to recognize revenue:

Step 1: Identify the contract with a customer.
Step 2: Identify the performance obligations in the contract.
Step 3: Determine the transaction price.
Step 4: Allocate the transaction price to the performance obligations in the contract.
Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation.

For non-public entities, the amendments of ASU No. 2014-09 are effective for annual reporting periods beginning after December 15, 2018, and interim periods within annual periods beginning after December 15, 2019. Early application is permitted only as of (a) an annual reporting period beginning after December 15, 2016, including interim periods within that reporting period; (b) an annual reporting period beginning after December 15, 2016, and interim periods within annual periods beginning after December 15, 2017; or (c) an annual reporting period beginning after December 15, 2017, including interim periods within that reporting period. The Company will adopt the new guidance using the modified retrospective transition approach, reflecting the cumulative effect of initially applying the new standard to revenue recognition in the year ended March 31, 2020. The Company is currently evaluating the impact of the same.

In February 2016, the FASB issued ASU 2016-02, Leases, which requires lessees to recognize right-of-use assets, representing their right to use the underlying asset for the lease term, and lease liabilities on the balance sheet for all leases with terms greater than 12 months. The guidance also requires qualitative and quantitative disclosures designed to assess the amount, timing and uncertainty of cash flows arising from leases. The standard requires the use of a modified retrospective transition approach, which includes a number of optional practical expedients that entities may elect to apply. The guidance is effective for annual periods beginning after December 15, 2019, and interim periods within annual periods beginning after December 15, 2020. Early adoption is permitted. The Company is currently evaluating the impact of the same.

NOTE C - CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise the following:

	As at March 31, 2019	As at March 31, 2018
Bank balance	3,437,955	1,184,233
Total	**3,437,955**	**1,184,233**

Cash balances on deposits with banks in the United States are insured by the Federal Deposit Insurance Corporation up to an aggregate of $250,000.

NOTE D - ACCOUNTS RECEIVABLE, NET

The Company maintains an allowance for doubtful debts on all accounts receivable, based on present and prospective financial condition of the customer and aging of accounts receivable after considering historical experience and the current economic environment.

Accounts receivable, net, comprise the following:

	As at March 31, 2019	As at March 31, 2018
Due from customers	7,455,774	-
Less: Allowance for doubtful debts	-	-
	7,455,774	**-**

NOTE E - INVENTORIES

Inventories comprise the following:

	As at March 31, 2019	As at March 31, 2018
Raw material	1,725,735	1,827,714
Packaging material	62,638	35,324
Stores and spares	15,108	8,894
Finished goods	3,781,278	-
Total	**5,584,759**	**1,871,932**

NOTE F - PREPAID EXPENSES AND OTHER CURRENT ASSETS

Prepaid expenses and other current assets comprise the following:

	As at March 31, 2019	As at March 31, 2018
Prepaid expenses	120,794	26,343
Advance for materials and services	501,821	502,443
Total	**622,615**	**528,786**

NOTE G - PROPERTY, PLANT & EQUIPMENT, NET

Property, plant & equipment, net, comprises the following:

	As at March 31, 2019	As at March 31, 2018
Vehicles	47,457	47,457
Buildings	9,002,088	9,002,088
Computers	138,039	130,414
Furniture & fixtures	149,137	100,317
Improvements	2,316,219	2,331,000
Land	2,609,165	2,609,165
Machinery & equipment	5,421,232	5,365,432
Office equipment	3,265	3,265
Less: Accumulated depreciation	(3,975,573)	(2,451,036)
Property & equipment, net	**15,711,029**	**17,138,102**
Capital work in progress	4,523,702	1,054,259
Total	**20,234,731**	**18,192,361**

Depreciation expense for the year ended March 31, 2019 and year ended March 31, 2018 was $1,524,537 and $1,385,384, respectively.

NOTE H - INTANGIBLE ASSETS, NET

Intangible assets, net, comprises the following:

	As at March 31, 2019	As at March 31, 2018
Market licenses	650,000	650,000
Software	92,645	92,645
Less: Accumulated amortization	(156,305)	(82,090)
Intangible assets, net	**586,340**	**660,555**
Capital work in progress	2,100,000	1,700,000
Total	**2,686,340**	**2,360,555**

Amortization expense for the year ended March 31, 2019 and year ended March 31, 2018 was $74,215 and $64,495, respectively.

NOTE I - INVESTMENTS

The Company holds 11.99% holding in US Pharma Inc. with an investment of $5,481,847 as at March 31, 2019.

NOTE J - OTHER ASSETS

Other assets comprise the following:

	As at March 31, 2019	As at March 31, 2018
Loans and advances	1,473,802	2,000,000
Deposits	2,500	5,810
Interest receivable	25,463	-
Other assets	70,297	70,297
Total	**1,572,062**	**2,076,107**

NOTE K - OTHER CURRENT LIABILITIES

Other current liabilities comprise the following:

	As at March 31, 2019	As at March 31, 2018
Employee benefits	535,106	541,162
Payroll taxes	9,248	27,965
Advance from customers	-	312,668
Accrued interests	387,366	2,844,319
Other payables & provisions	219,821	16,500
Total	**1,151,541**	**3,742,614**

NOTE L - RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses comprise the following:

	Year ended March 31, 2019	Year ended March 31, 2018
Cost of labor	5,389,151	5,294,768
Cost of supplies	3,155,879	5,233,305
Other contract research expenses	3,136,936	1,192,298
Total	**11,681,966**	**11,720,371**

NOTE M - RETIREMENT BENEFITS

The Company has a 401(k) Defined Contribution Plan. Under the plan, each employee can elect to participate after meeting the minimum age requirement and other eligibility requirements set forth in the Adoption Agreement. The Company makes a matching contribution to the plan up to 2% of employee wages for those electing to participate in the plan. The total employer contribution for the year ended March 31, 2019 and March 31, 2018, was $53,225 and $44,445, respectively. The 401(k) contribution is charged to expense in the period in which incurred.

NOTE N - STOCK OPTION PLAN

The Company adopted an incentive stock option plan in accordance with section 422 of the Internal Revenue Code (the "Plan"), under which the employees of the Company may subscribe to incentive stock options. Under the Plan, incentive stock options to purchase the Company's common stock may be granted to employees at prices not lower than fair value at the date of grant. Stock options have a maximum term of 10 years. Activity under the Plan to the extent related to employees of the Company is as under:

	-----------Options----------		Weighted average remaining contractual life (Years)
	Outstanding	Weighted average exercise price	
Granted	238	19,149	3.25
Expired /forfeited	48		
As at March 31, 2019	**190**	**19,149**	**3.25**

The grant date fair value of options has been estimated using the Black-Scholes single option pricing model. The Company has recognized $600,875 as stock-based compensation expenses for the year ended March 31, 2019.

NOTE O - INCOME TAXES

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

	Year ended March 31, 2019	Year ended March 31, 2018
Current tax		
State	53,588	-
Deferred tax		
Federal	(8,768,729)	707,817
State	501,316	6,884
Income tax (benefit) expense	**(8,213,825)**	**714,701**

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

	Year ended March 31, 2019	Year ended March 31, 2018
Income tax at federal rate	422,435	-
State tax, net of federal effect	517,934	-
Impact of rate change (federal & state)	-	714,701
Changes in research and development credit	(1,095,504)	-
Permanent differences	126,184	-
Change in valuation allowance	(8,184,874)	-
	(8,213,825)	**714,701**

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 March 31, 2019	As at March 31, 2018
Deferred tax liability		
- Property and equipment	(279,255)	(245,909)
	(279,255)	**(245,909)**
Deferred tax assets		
- Net operating losses	7,946,217	8,797,351
- Research credit	1,239,965	144,462
- Disallowed interest	508,466	696,858
- Provision for Medicaid	25,207	-
- Provision for sales returns	34,700	-
	9,754,555	**9,638,671**
Net deferred taxes	9,475,300	9,392,762
Less: Valuation allowance	-	(8,184,875)
Total	**9,475,300**	**1,207,887**

Realization of net deferred tax assets is dependent upon generation of sufficient taxable income in future years, benefit from the reversal of taxable temporary differences and tax planning strategies. Management assesses the available positive and negative evidence to estimate whether sufficient future taxable income will be generated to permit use of the existing deferred tax assets. The amount of net deferred tax assets considered realizable is subject to adjustment in future periods if estimates of future taxable income change.

Based on the projections received from the management for next three years, it is more likely than not that the deferred tax assets may be realized in foreseeable future and accordingly, the Company has recognized deferred tax asset of $9,475,300 and $1,207,887 as at March 31, 2019 and March 31, 2018, respectively, on account of temporary differences arising.

The Company has federal net operating losses of and $33,766,596 and $35,907,557 as at March 31, 2019 and March 31,2018, respectively. The net operating losses generated till 2018, if unutilized will expire by the year 2037 and the net operating losses generated after 2018 will be carry forwarded indefinitely.

The Company has state net operating loss carryforwards of approximately $34,790,398 and $35,907,557 as at March 31, 2019 and March 31, 2018, respectively, which if unutilized will expire based on the state statutes.

Accounting for uncertain tax positions

The Company recognizes the benefit of a tax position only after determining that the relevant tax authority would more likely than not sustain the position following an audit. For tax positions meeting the more-likely-than-not threshold, the amount recognized in the financial statements is the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement with the relevant tax authority. Interest and penalties, if incurred, are recognized in the statement of income. The Company has no unrecognized tax positions at March 31, 2019 and March 31, 2018.

The tax years of 2015 through 2017 remain subject to examination by the taxing authorities.

NOTE P - RELATED PARTY TRANSACTIONS

A. List of related parties with whom transactions have taken place:

No	Name of the party	Nature of relationship
1	Granules India Limited	Parent company
2	Granules USA Inc.	Affiliate company

B. The Company had transactions in the ordinary course of business with the following related parties:

	March 31, 2019	March 31, 2018
Granules India Limited		
Transactions during the year ended		
- Purchase of goods	7,087,246	157,600
- Borrowings*	8,650,000	32,353,000
- Interest accrued on the borrowings	814,013	2,005,759
- Withholding taxes paid by the Company	426,648	-
Balance		
- Loan payable as at	7,000,000	61,253,000
- Payable as at	4,636,309	-
- Receivables as at	426,648	-
Granules USA Inc		
Transactions during the year ended		
- Purchase of goods	29,550	5,400
- Services availed	2,220	-
- Expenses incurred by the Company	27,241	-
Balance		
- Receivable as at	-	-

* The Company has taken a loan from the parent company. The Company has accrued interest on the outstanding loan at the rate of 4% per annum for the year ended March 31, 2019. On April 30, 2018, the Company converted the loan of $62,903,000 into common stock.

NOTE Q - STOCKHOLDER'S EQUITY

Common stock
The Company was incorporated on October 20, 2014, with an authorized capital of 10,000,000 shares of its common stock with a par value of $0.001 per share. The Company had 3,751,000 and 2,000,000 shares issued and outstanding as of March 31, 2019 and March 31, 2018, respectively.

Effective July 26, 2018, the Company reduced its authorized shares from 10,000,000 shares of $0.001 each to 10,000 shares of $1 each. All share information for all years presented have been restated to give retroactive effect.

Voting
Each holder of common stock is entitled to one vote in respect of each share held by him/her 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 R - SUBSEQUENT EVENTS

The Company evaluated all events and transactions that occurred after March 31, 2019 up through May 16, 2019, the date the financial statements are issued. Based on the evaluation, there are no material effects of the same on the financial statement as on May 16, 2019, that would require recognition or disclosure.