

Granules Pharmaceuticals, Inc.

Financial Statements

March 31, 2021 and March 31, 2020

KNAV P.A.

Certified Public Accountants

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America Counts on CPAs

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Independent Accountant's Review Report

To Board of Directors,
Granules Pharmaceuticals Inc.

We have reviewed the accompanying balance sheets of Granules Pharmaceuticals Inc. ('the Company') as at March 31, 2021 and March 31, 2020, and the related statements of income (loss), stockholder's equity and cash flows for the years 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 AICPA. 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.

KNAV P.A.

Atlanta, Georgia
June 11, 2021

KNAV P.A.

Certified Public Accountants

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2021-148-US

Financial Statements

Balance sheets

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

ASSETS

Current assets

Cash and cash equivalents	350,889	815,705
Accounts receivable, net	9,918,874	15,945,375
Inventories	45,687,056	10,226,442
Prepaid expenses and other current assets	1,072,823	863,133

Total current assets

57,029,642	27,850,655
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Property, plant & equipment, net

29,554,285 26,427,819

Intangible assets, net

5,247 635,502

Investment

2,481,847 2,481,847

Deferred tax assets, net

7,359,706 9,141,009

Other assets

1,861,999 1,525,330

Total assets

98,292,726 68,062,162

LIABILITIES AND STOCKHOLDER'S EQUITY

Current liabilities

Accounts payable	32,017,639	9,072,830
Short term borrowings	-	16,000,000
Other current liabilities	2,074,452	3,310,058

Total current liabilities

34,092,091 28,382,888

Total liabilities

34,092,091 28,382,888

Stockholder's equity

Common stock	4,180	3,751
Additional paid in capital	82,562,042	66,225,981
Accumulated deficit	(18,365,587)	(26,550,458)

Total stockholder's equity

64,200,635 39,679,274

Total liabilities and stockholder's equity

98,292,726 68,062,162

(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, 2021	Year ended March 31, 2020
Revenue from operations	68,291,985	41,653,412
Less: Cost of revenues	36,516,755	18,341,412
Gross profit	31,775,230	23,312,000
Operating cost and expenses		
Research and development expenses	5,139,008	8,073,643
Selling, general and administrative expenses	15,632,072	10,469,399
Interest expense	181,628	1,034,469
Impairment of investment	-	3,000,000
Depreciation and amortization	2,449,948	1,543,906
Total operating cost and expenses	23,402,656	24,121,417
Operating profit (loss)	8,372,574	(809,417)
Other income (expense)		
Loss on sale of assets	(3,246)	-
Interest income	90,247	102,170
Other income	1,491,592	1,019,393
Profit before taxes	9,951,167	312,146
Income tax expense		
Current tax (benefit) expense	(15,009)	167,769
Deferred tax expense	1,781,305	334,290
Net profit (loss)	8,184,871	(189,913)

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

(See independent accountant's review report)

Statements of stockholder's equity

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

Particulars	Common stock		Additional paid in capital	Accumulated deficit	Total stockholder's equity
	Shares	Amount			
Balance as at April 01, 2019	3,751	3,751	65,500,124	(26,360,545)	39,143,330
Stock-based compensation cost	-	-	725,857	-	725,857
Net loss for the year	-	-	-	(189,913)	(189,913)
Balance as at March 31, 2020	3,751	3,751	66,225,981	(26,550,458)	39,679,274
Balance as at April 01, 2020	3,751	3,751	66,225,981	(26,550,458)	39,679,274
Conversion of loan into equity	429	429	15,999,571	-	16,000,000
Stock-based compensation cost	-	-	336,490	-	336,490
Net profit for the year	-	-	-	8,184,871	8,184,871
Balance as at March 31, 2021	4,180	4,180	82,562,042	(18,365,587)	64,200,635

(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, 2021	Year ended March 31, 2020
Cash flow from operating activities		
Net profit (loss)	8,184,871	(189,913)
Adjustments to reconcile net (loss) profit to net cash (used in) provided by operating activities		
Depreciation and amortization	2,449,948	1,543,906
Deferred tax expense	1,781,305	334,290
Stock-based compensation cost	336,490	725,857
Impairment loss on investments	-	3,000,000
Capital work-in-progress written off	100,000	1,994,218
Loss on sale of assets	3,246	-
<i>Changes in current assets and current liabilities</i>		
Accounts receivable, net	6,026,501	(8,489,601)
Inventories	(35,460,614)	(4,641,683)
Prepaid expenses and other current assets	(209,689)	(193,786)
Accounts payable	22,945,058	(183,682)
Other assets	(333,624)	-
Other current liabilities	(1,238,902)	2,158,517
Net cash provided by (used in) operating activities	4,584,590	(3,941,877)
Cash flow from investing activities		
Purchase of property and equipment, capital work in progress and intangible assets	(5,092,406)	(7,680,373)
Proceeds from sale of assets	43,000	-
Net cash used in investing activities	(5,049,406)	(7,680,373)
Cash flow from financing activities		
Proceeds of loan from parent company	-	9,000,000
Net cash provided by financing activities	-	9,000,000
Net decrease in cash and cash equivalents during the year	(464,816)	(2,622,250)
Cash and cash equivalents at the beginning of the year	815,705	3,437,955
Cash and cash equivalents at the end of the year	350,889	815,705
Supplemental cash flow information		
Income tax paid	373,362	179,570
Conversion of loan to common stock (Refer Note L)	16,000,000	-

(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 ("GIL"), a company incorporated in India. The Company focuses on research & development and manufacturing & distribution of pharmaceutical formulations and contract research services for others. The Company commenced 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 of America ("US GAAP") to reflect the financial position, results of operations and cash flows of the Company.
- b. These financial statements are presented for the year ended March 31, 2021 and March 31, 2020.
- c. Certain reclassifications, regroupings and reworking have been made in the financial statements of prior periods to conform to the classifications used in the current year. These changes had no impact on previously reported net loss or stockholder's equity.

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 and equipment, allowances for doubtful accounts, recognition of deferred tax assets, amortization period of intangibles, valuation of inventories and investments, 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 (loss). 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
Marketing 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 adopted Accounting Standards Update (“ASU”) No. 2014-09, Revenue from Contracts with Customers (Topic 606) as of April 1, 2019.

Revenue is recognized when obligations under the terms of a contract with a customer are satisfied; generally, this occurs with the transfer of control of the Company’s products or services. The Company’s payment terms are typically between 60-90 days. Revenue is measured as the amount of consideration the Company expects to receive in exchange for transferring goods or providing services. A performance obligation is a promise in a contract to transfer a distinct good or service to the customer and is the unit of account in the contract. A contract’s transaction price is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied. Some of the Company’s contracts have multiple performance obligations.

The majority of the Company’s performance obligations are satisfied at a point in time. This includes sale of generic pharmaceutical products and other dosage forms. For a majority of these sales, the Company’s performance obligation is satisfied upon dispatch or delivery of goods to the customer. Shipping and handling activities are considered to be fulfillment activities and are not considered to be a separate performance obligation.

Significant judgments

Revenues from product sales are recorded at the net sales price (transaction price), which includes estimates of variable consideration for reserves related to rebates, product returns, sales discounts, and wholesaler chargebacks. These reserves are based on estimates of the amounts earned or to be claimed on the related sales and are included in accounts receivable as contra accounts to the respective accounts receivable balances. Management’s estimates take into consideration historical experience, current contractual and statutory requirements, specific known market events and trends, industry data, and forecasted customer buying and payment patterns. Overall, these reserves reflect the Company’s best estimates of the amount of consideration to which it is entitled based on the terms of the contract using the expected value method. The amount of variable consideration included in the net sales price is limited to the amount that is probable not to result in a significant reversal in the amount of the cumulative revenue recognized in a future period.

Please refer Note V “Revenue from contracts with customers” for further information on the Company’s revenue.

9. 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.

10. 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.

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 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. Government grants

Government grant is recognized only when there is a reasonable assurance that (a) entity will meet the terms attached to the grant and (b) the grant will be received. Accordingly, the Company recognizes grants as other income in the statement of income (loss) when all performance obligations have been satisfied and forgiveness is reasonably assured.

15. Investments

Investments are carried at cost. Acquisition related expenditure if any, is expensed in the year of incurring the same.

16. 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, short term borrowings and accrued liabilities. The estimated fair value of cash, accounts receivable, accounts payable, short term borrowings 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.

17. Recent Accounting Pronouncements

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, 2021, and interim periods within annual periods beginning after December 15, 2022. Early adoption is permitted. The Company is currently evaluating the impact of the same.

NOTE C - FINANCIAL INSTRUMENTS AND CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash equivalents and accounts receivable. By their nature, all accounts receivable involve risk including the credit risk of non-performance by counter parties. In management's opinion, as of March 31, 2021 and March 31, 2020, there was no significant risk of loss in the event of non-performance of the counter parties to these cash equivalents and accounts receivable.

Three customers having greater than 10% of accounts receivable (gross) accounted for approximately 89% (previous year end, three customers for 89%) of total accounts receivable (gross). This is majorly on account of majority of revenue contracts with wholesale customers in the United States.

One vendor having greater than 10% of the accounts payable accounted for 85% (previous year end, two vendors accounted for 60%) of total accounts payable.

NOTE D - CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise the following:

	As at March 31, 2021	As at March 31, 2020
Bank balance	350,889	815,705
Total	350,889	815,705

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 E - 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 as at March 31, 2021 and March 31, 2020 are stated net of provision for doubtful accounts and other allowances and includes trade receivables from related parties.

Accounts receivable, net, comprise the following:

	As at March 31, 2021	As at March 31, 2020
Due from customers	41,590,056	25,647,787
Less: provision for chargebacks, rebates, discount and others	(31,671,182)	(9,702,412)
Total	9,918,874	15,945,375

The activity in provision for charge backs, rebates, discount and others is given below:

	Year ended March 31, 2021	Year ended March 31, 2020
Balance at beginning of the year	(9,702,412)	(3,985,601)
Net provision for chargebacks, rebates and others	(86,991,470)	(48,454,920)
Chargeback, rebates and others, claimed and utilized	65,022,700	42,738,109
Balance at the end of the year	(31,671,182)	(9,702,412)

NOTE F - INVENTORIES

Inventories comprise the following:

	As at March 31, 2021	As at March 31, 2020
Raw material	5,435,443	3,133,557
Packaging material	309,390	153,862
Stores and spares	42,952	29,553
Semi-finished goods	817,005	673,300
Finished goods	39,082,266	6,236,170
Total	45,687,056	10,226,442

NOTE G - PREPAID EXPENSES AND OTHER CURRENT ASSETS

Prepaid expenses and other current assets comprise the following:

	As at March 31, 2021	As at March 31, 2020
Prepaid expenses	317,468	171,437
Interest receivable on loan to US Pharma Inc.	25,463	127,315
Advance for materials and services	729,892	564,381
Total	1,072,823	863,133

NOTE H - PROPERTY, PLANT AND EQUIPMENT, NET

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

	As at March 31, 2021	As at March 31, 2020
Vehicles	47,457	47,457
Buildings	9,002,088	9,002,088
Computers	344,097	138,039
Furniture & fixtures	158,027	149,137
Improvements	2,756,905	2,316,219
Land	2,609,165	2,609,165
Machinery & equipment	9,510,318	5,421,232
Office equipment	3,265	3,265
Less: Accumulated depreciation	(7,289,443)	(5,462,859)
Property, plant and equipment, net	17,141,878	14,223,743
Capital work in progress	12,412,407	12,204,076
Total	29,554,285	26,427,819

Depreciation expense for the year ended March 31, 2021 and year ended March 31, 2020 was \$1,911,070 and \$1,487,286 respectively.

NOTE I - INTANGIBLE ASSETS, NET

Intangible assets, net, comprises the following:

	As at March 31, 2021	As at March 31, 2020
Market licenses	650,000	650,000
Software	107,050	92,645
Less: Accumulated amortization	(751,803)	(212,925)
Intangible assets, net	5,247	529,720
Capital work in progress	-	105,782
Total	5,247	635,502

Amortization expense for the year ended March 31, 2021 and year ended March 31, 2020 was \$538,878 and \$56,620, respectively.

NOTE J - INVESTMENTS

The Company has investments in US Pharma Inc amounting to \$5,481,847. The Company does not have any significant influence in US Pharma Inc. and is recorded at cost.

Investments comprises the following:

	As at March 31, 2021	As at March 31, 2020
Investment in US Pharma Inc.	2,481,847	5,481,847
Less: permanent diminution in value (impairment loss)	-	(3,000,000)
Total	2,481,847	2,481,847

The Company records an investment impairment charge, when management believes an investment has experienced a decline in value that is judged to be other than temporary. The Company monitors its investments for impairment by considering current factors including economic environment, market conditions and the operational performance and other specific factors relating to the business underlying the investment. Based on its assessment of its carrying value of investment, the Company impaired the carrying value of its investment in US Pharma Inc. and recorded permanent diminution in value in investment amounting to \$3,000,000 in the statement of (loss) income for the year ended March 31, 2020. The Company has evaluated the current business operation and the risk and uncertainties involved to determine recoverability of the Company's remaining cost.

NOTE K - OTHER ASSETS

Other assets comprise the following:

	As at March 31, 2021	As at March 31, 2020
Loan to US Pharma Inc.*	1,455,032	1,455,032
Security deposits	70,298	70,298
Other assets	336,670	-
Total	1,861,999	1,525,330

*The Company advanced a loan to US Pharma Inc. at 7% p.a. The Company earned an interest income amounting to \$101,852 (March 31, 2020: \$ 102,170).

NOTE L - SHORT TERM BORROWINGS

The Company has obtained short term loans from Granules India Limited (“GIL” or “Parent Company”). The following table summarizes the loan:

	As at March 31, 2021	As at March 31, 2020
Loan from parent company	-	16,000,000
Total	-	16,000,000

During the year ended March 31, 2021, the Company has converted the short-term borrowings payable to Granules India Limited amounting to \$16,000,000 into 429 shares at \$37,309 per share.

The Company, at the end of the year, has a short-term borrowing amounting to NIL (March 31, 2020: \$16,000,000) from GIL. The interest expense, for the year ended March 31, 2021 is \$ 181,628 (March 31, 2020: \$1,034,469). The interest accrued on this loan, as of March 31, 2021 is NIL (March 31, 2020: \$1,848,506).

NOTE M - OTHER CURRENT LIABILITIES

Other current liabilities comprise the following:

	As at March 31, 2021	As at March 31, 2019
Employee benefits	1,148,748	849,750
Payroll taxes	24,616	10,110
Accrued interest	-	1,421,835
Other payables and provisions	901,088	1,028,363
Total	2,074,452	3,310,058

NOTE N - RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses comprise the following:

	Year ended March 31, 2021	Year ended March 31, 2020
Cost of labor	1,614,681	3,282,009
Cost of supplies	2,145,635	4,174,773
Other contract research expenses	1,378,692	616,861
Total	5,139,008	8,073,643

NOTE O - 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, 2021 and March 31, 2020, was \$117,959 and \$51,323, respectively. The 401(k) contribution is charged to expense in the period in which incurred.

NOTE P - 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 exercise price	Weighted average remaining contractual life (months)
As at April 01, 2020	228	16
Granted during the year	-	-
As at March 31, 2021	228	8

The grant date fair value of options has been estimated using the Black-Scholes single option pricing model. The Company has recognized \$336,490 and \$725,827 as stock-based compensation expenses for the year ended March 31, 2021 and March 31, 2020, respectively.

NOTE Q - GOVERNMENT GRANT

On May 28, 2020, the Company received loan proceeds for an amount of \$1,403,900 under the Paycheck Protection Program (“PPP”). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (“CARES Act”), provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loans and accrued interest are forgivable after twenty-four weeks (“the covered period”) as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the covered period.

The Company has already received forgiveness for the loan and therefore, the Company has recognized the entire loan proceeds of \$1,403,900 as other income during the year ended March 31, 2021.

	As at March 31, 2021
Paycheck protection program loan proceeds (A)	1,403,900
Total payroll cost incurred during covered period (B)	1,343,260
Business rent & lease payments during covered period (C)	-
Business utility payments during covered period (D)	70,507
Total eligible expenses incurred E= (B+C+D)	1,413,767
Forgiveness amount (Lower of A & E)	1,403,900

NOTE R - INCOME TAXES

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

	Year ended March 31, 2021	Year ended March 31, 2020
Current tax		
State	(15,009)	167,769
Deferred tax		
Federal	1,585,827	245,997
State	195,478	88,293
Income tax expense	1,766,296	502,059

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

	Year ended March 31, 2021	Year ended March 31, 2020
Income tax at federal rate	2,088,286	74,351
State tax, net of federal effect	205,064	55,836
Changes in research and development credit	(280,857)	(566,686)
Permanent differences	(222,470)	152,679
Change in valuation allowance	(55,623)	780,895
Federal true up	(59,617)	232,782
Change in net operating losses	91,514	(227,798)
Income tax expense	1,766,296	502,059

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, 2021	As at March 31, 2020
Deferred tax liability		
- Property, plant and equipment	(965,674)	(177,047)
Total	(965,674)	(177,047)
Deferred tax assets		
- Net operating losses	5,509,209	6,982,662
- UNICAP 263A	265,084	-
- Research credit	2,087,509	1,806,650
- Disallowed interest	-	481,163
- Provision for medicaid	143,910	38,945
- Provision for sales returns	122,938	8,636
- Accrued bonus	195,133	-
- Charitable contributions	1,596	-
- Impairment loss	725,272	780,895
Total	9,050,651	10,098,951
Deferred tax assets, net	8,084,978	9,921,904
Less: valuation allowance	(725,272)	(780,895)
Deferred tax assets, net	7,359,706	9,141,009

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.

As of March 31, 2021, the Company owns 9.25% interest in US Pharma Inc. For the year ended March 31, 2020, the management has recorded impairment of loss of \$3,000,000 for the investment in US Pharma Inc. Since this loss will be treated as capital loss as per IRC 165, the management believes that it is more likely that the deferred tax assets may not be realized during foreseeable future and accordingly, a valuation allowance of \$725,272 and \$ 780,895 was recognized as at March 31, 2021 and March 31, 2020 respectively. The Company has recognized deferred tax assets, net of \$7,359,706 and \$9,141,009, respectively, as of March 31, 2021 and March 31, 2020 on account of temporary differences.

The Company has federal net operating loss carryforwards of \$23,434,941 and \$29,556,639 as at March 31, 2021 and March 31, 2020, respectively. The net operating losses generated till tax year 2017, if unutilized, will expire by the year 2037 and the net operating losses generated from tax year 2018 will be carried forward indefinitely.

The Company has state net operating loss carryforwards of approximately \$12,402,346 and \$16,918,885 as at March 31, 2021 and March 31, 2020, 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, 2021 and March 31, 2020.

The tax years of 2017 through 2019 remain subject to examination by the taxing authorities.

NOTE S - COMMITMENTS AND CONTINGENCIES

Open litigation as of March 31, 2021

- a) During the year 2019-20, the Company faced a class action suit from a plaintiff stating that one of the products of the Company – Metformin had a carcinogenic element. However, the USFDA obtained test results from the Company and issued a clean report. As of March 31, 2021, the litigation is active. The legal attorneys are unable to state that an outcome unfavorable to the Company is either probable or remote, nor are they in a position to provide an estimate of the amount or range of potential loss in the event of an unfavorable outcome.
- b) This breach of contract matter arises out of a March 13, 2019 construction agreement between plaintiff, Tri Window Guys, LLC (“TWG”) and Granules Pharmaceuticals, Inc. (“GPI”). TWG has also set forth tortious interference and fraudulent inducement claims. Defendants, GPI, Karthikeyan Kumarasamy and Vijay Ramanavarapu, have answered Plaintiff’s first amended complaint, filed counterclaims and filed a third-party complaint. Defendants have propounded written discovery demands upon TWG, which are not yet due. GPI Management is aggressively defending this action and as indicated above has filed both counterclaims and third party claims relative to the contract and construction at issue. The Court dismissed Company’s petition in part and the hearing will be scheduled. The Company has filed another suit against TWG in Virginia.

NOTE T - 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

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

	March 31, 2021	March 31, 2020
Granules India Limited		
<i>Transactions during the year ended</i>		
- Purchase of goods	57,974,336	13,397,741
- Borrowings*	-	9,000,000
- Conversion of borrowings into equity stock	16,000,000	-
- Accrued interest on the borrowing	-	1,848,506
- Re-imbursement of expenses	37,065	-
<i>Balance</i>		
- Loan payable	-	16,000,000
- Accounts payable	28,735,615	5,423,059
Granules USA Inc.		
<i>Transactions during the year ended</i>		
- Purchase of goods	26,735	83,811
- Expenses incurred by the Company	5,000	32,651
<i>Balance</i>		
- Accounts payable	7,625	70,361

*During the year, the Company converted the loan of \$16,000,000 into 429 shares at \$37,309 per share

NOTE U - 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 4,180 and 3,751 shares issued and outstanding as of March 31, 2021 and March 31, 2020, 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 retrospective 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 V - REVENUE FROM CONTRACTS WITH CUSTOMERS

The Company's contracts with customers are comprised of purchase orders along with standard terms and conditions. These contracts with customers typically consist of sale of products which represent single performance obligations that are satisfied upon transfer of control of the product to the customer at a point in time. The Company adopted the new revenue recognition standard using the modified retrospective transition approach and determined that the existing revenue recognition practices are in compliance with ASC 606. Accordingly, there was no cumulative effect adjustment to the balance of accumulated surplus in the balance sheets for the year ended March 31, 2020, as the adoption did not result in a change in timing of revenue recognition.

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The following table disaggregates revenue by source of revenue.

	Year ended March 31, 2021	Year ended March 31, 2020
Sale of goods	68,291,985	41,653,412
Total	68,291,985	41,653,412

The following table disaggregates revenue based on geographical regions.

	Year ended March 31, 2021	Year ended March 31, 2020
United States	68,291,985	41,653,412
Total	68,291,985	41,653,412

The following table presents revenue disaggregated by timing of recognition:

	Year ended March 31, 2021	Year ended March 31, 2020
Products transferred at a point in time	68,291,985	41,653,412
Total	68,291,985	41,653,412

Contract balances

	As at March 31, 2021	As at March 31, 2020
Accounts receivable	9,918,874	15,945,375
Total	9,918,874	15,945,375

NOTE W - SUBSEQUENT EVENTS

The Company evaluated all events and transactions that occurred after March 31, 2021 up through June 11, 2021, the date the financial statements are available to be issued. Based on the evaluation, there are no material effects of the same on the financial statement as on June 11, 2021, that would require recognition or disclosure.