Granules USA, Inc. and its subsidiary

Consolidated financial statements for the years ended March 31, 2023, and March 31, 2022

KNAV P.A.

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CPA[SM]
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TABLE OF CONTENTS

Independent Accountant's Review Report

To Board of Directors,
Granules USA Inc. and its subsidiary

We have reviewed the accompanying consolidated balance sheets of Granules USA Inc. and its subsidiary ('the Company') as at March 31, 2023 and March 31, 2022, and the related consolidated statements of income, stockholder's equity and cash flows for the years then ended and the related notes to the consolidated financial statements. 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 consolidated financial statements as a whole. Accordingly, we do not express such an opinion.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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.

We are required to be independent of Granules USA, Inc. and its subsidiary and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our review.

Accountant's conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying consolidated 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
July 14, 2023

Consolidated Financial Statements

Consolidated balance sheets

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

	As at	
	March 31, 2023	**March 31, 2022**
ASSETS		
Current assets		
Cash and cash equivalents	1,901,739	4,380,023
Accounts receivable, net of allowances	15,977,173	12,852,741
Inventories	22,620,736	15,465,364
Due from related parties	489,897	97,393
Prepaid expenses and other current assets	150,898	212,554
Total current assets	**41,140,443**	**33,008,075**
Non-current assets		
Property and equipment, net	15,458	23,342
Capital work-in -progress	16,636,887	55,000
Operating lease right-of-use assets	7,577,831	-
Deferred tax assets	168,768	241,295
Other assets	678,959	2,620,804
Total assets	**66,218,346**	**35,948,516**
LIABILITIES AND STOCKHOLDER'S EQUITY		
Current liabilities		
Accounts payable	4,265,189	5,437,179
Line of credit	15,000,000	6,000,000
Due to related parties	33,758,914	21,656,288
Lease liability, current portion	812,595	-
Other current liabilities	2,355,370	544,329
Total current liabilities	**56,192,068**	**33,637,796**
Non-current liabilities		
Lease liability, net of current portion	7,146,952	-
Total non-current liabilities	**7,146,952**	**-**
Stockholder's equity		
Common Stock - $ 0.10 par value, 2,500,000 shares authorized as of March 31, 2023, and March 31, 2022; 700,000 shares issued and outstanding as of March 31, 2023, and March 31, 2022	70,000	70,000
Additional paid-in capital	180,000	180,000
Accumulated surplus	2,629,326	2,060,720
Total stockholder's equity	**2,879,326**	**2,310,720**
Total liabilities and stockholder's equity	**66,218,346**	**35,948,516**

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

Consolidated statements of income

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

	For the year ended	
	March 31, 2023	**March 31, 2022**
Revenue from operations	90,489,155	69,435,226
Cost of revenues	(80,862,864)	(60,396,262)
Gross profit	**9,626,291**	**9,038,964**
Operating expenses		
Selling, general and administrative expenses	9,221,704	8,415,045
Depreciation and amortization expenses	11,620	11,620
Total operating expenses	**9,233,324**	**8,426,665**
Operating income	**392,967**	**612,299**
Other income (expenses)		
Interest expenses	-	(26,544)
Other income	372,731	-
Income before income taxes	**765,698**	**585,755**
Income tax expense		
Current tax expense	124,266	290,122
Deferred tax expense (benefit)	72,826	(135,400)
Net income	**568,606**	**431,033**

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

Consolidated statements of stockholder's equity

For the years ended March 31, 2023 and March 31, 2022

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

	Common stock				Additional paid-in capital	Accumulated surplus	Total stockholder's equity
	Authorized		Issued and outstanding				
	Shares	Amount	Shares	Amount			
Balance as at April 01, 2021	**2,500,000**	**250,000**	**700,000**	**70,000**	**180,000**	**1,629,687**	**1,879,687**
Net income for the year	-	-	-	-	-	431,033	431,033
Balance as at March 31, 2022	**2,500,000**	**250,000**	**700,000**	**70,000**	**180,000**	**2,060,720**	**2,310,720**
Balance as at April 01, 2022	**2,500,000**	**250,000**	**700,000**	**70,000**	**180,000**	**2,060,720**	**2,310,720**
Net income for the year	-	-	-	-	-	568,606	568,606
Balance as at March 31, 2023	**2,500,000**	**250,000**	**700,000**	**70,000**	**180,000**	**2,629,326**	**2,879,326**

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

Consolidated statements of cash flows

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

	For the year ended	
	March 31, 2023	**March 31, 2022**
Cash flow from operating activities		
Net income	568,606	431,033
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization expenses	11,620	11,620
Movement in provison for doubtful debts	297,556	-
Deferred tax expense (benefit)	72,826	(135,400)
Movement in provision for inventory obsolense	(640,234)	1,435,257
Changes in operating assets and liabilities:		
Accounts receivable, net	(3,421,988)	(361,166)
Inventories	(6,515,138)	(1,683,787)
Prepaid expenses and other current assets	61,656	157,628
Operating lease	381,716	-
Other assets	(160,170)	-
Accounts payable	(1,171,990)	4,928,387
Due from related parties	(392,504)	(89,768)
Due to related parties	12,102,626	(5,997,652)
Other current liabilities	1,810,742	290,193
Net cash provided by (used in) operating activities	**3,005,324**	**(1,013,655)**
Cash flow from investing activities		
Purchase of property and equipment and capital work in progress	(14,483,608)	(2,584,358)
Net cash used in investing activities	**(14,483,608)**	**(2,584,358)**
Cash flow from financing activities		
Proceeds from line of credit availed	9,000,000	6,000,000
Net cash provided by financing activities	**9,000,000**	**6,000,000**
Net (decrease) increase in cash and cash equivalents	**(2,478,284)**	**2,401,987**
Cash and cash equivalents at the beginning of the year	4,380,023	1,978,036
Cash and cash equivalents at the end of the year	**1,901,739**	**4,380,023**
Supplemental cash flow information		
Income tax paid	114,988	570,531

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

(See independent accountant's review report)

Notes to Consolidated Financial Statements

NOTE A - NATURE OF OPERATIONS

Granules USA, Inc. (the "Company" or "GUSA") is, domiciled in United States of America (USA), with its registered office situated at Delaware, USA. The Company was incorporated on March 05, 2003 and is a wholly owned subsidiary of Granules India Limited ('GIL'), a Company listed in India. GUSA acts as an exclusive front-end value chain for GIL and builds market for the products manufactured by GIL. The Company is primarily involved in selling of Finished Dosages (FDs) produced by GIL in the American market.

Granules Consumer Health, Inc. ("GCH") is also domiciled in USA, with its registered office situated at Delaware, USA. GCH has been incorporated on June 15, 2021 as a wholly owned subsidiary of GUSA. The purpose of this entity was to primarily focus on marketing over-the counter (OTC) medications to retailers. In the current year ended March 31, 2023, GCH opened a packaging facility which is FDA approved in Manassas, Virginia to support its business.

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 consolidated 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 consolidated financial position, consolidated results of operations, consolidated stockholder's equity, and consolidated cash flows.

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

   c. These consolidated financial statements are presented for the year ended March 31, 2023 and March 31, 2022.

   d. Certain reclassifications, regroupings, and reworking have been made in the consolidated financial statements of the prior year to conform to the classifications used in the current year. This has no impact on previously reported net income or stockholder's equity.

2. *Principles of consolidation*

   The accompanying consolidated financial statements include the financial statements of Granules USA, Inc. and its wholly owned subsidiary, Granules Consumer Health, Inc. ("GCH") . All inter-company accounts and transactions are eliminated on consolidation. Granules USA, Inc. and its subsidiary are collectively referred to as the Company, and these consolidated financial statements are referred to as the consolidated financial statements of the Company.

3. *Estimates and assumptions*

   The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America 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 consolidated balance sheet and the reported amounts of revenues and expenses during the reporting year. The Company's most significant estimates relate to the useful life of property plant and equipment, allowance for doubtful accounts receivable, and provision on inventory obsolescence. The management's estimates use historical information and other relevant factors available to management. Management believes that the estimates used in the preparation of the consolidated 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 to accounting estimates is recognized prospectively in the current and future periods.

4. *Cash and cash equivalents*

   Cash equivalents consist of highly liquid investments with an initial maturity of three months or less. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of those consolidated financial instruments. Cash balances in bank accounts are insured by Federal Deposit Insurance Corporation up to an aggregate of $250,000 per depositor at each financial institution.

5. *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.

6. *Property and equipment*

   Property and 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 and 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.

The estimated useful lives used to determine depreciation are:

Nature of assets	Estimated useful life of assets
Furniture and fixtures	3 to 7 years
Office equipment	3 to 5 years
Machinery and equipment	3 to 7 years
Vehicles	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*

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. The Company's global payment terms are typically between 30-75 days. Revenue is measured as the amount of consideration the Company expects to receive in exchange for transferring goods. A performance obligation is a promise in a contract to transfer a distinct good 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.

The Company's performance obligations are satisfied at a point in time. This includes sales of the Company's portfolio of paracetamols and other product. For most of these sales, the Company's performance obligation is satisfied upon delivery to the customer. Shipping and handling activities are fulfillment activities and are not considered to be a separate performance obligation.

Significant judgments

Provisions for sales discount, damaged product returns, exchanges of expired products are established as a reduction of product sales revenue at the time such revenues are recognized. Certain discount and rebate programs extended to customers pursuant to the industry standards, are recognized as a reduction from product sales revenue at the time of revenue recognition.

9. *Operating lease right-of-use assets*

Accounting Standard Update ("ASU") 2016-02, Leases. On April 1, 2022, the Company adopted Accounting Standards Codification 842 and all the related amendments ("new lease standard") using the modified retrospective method. The comparative information has not been restated and continues to be reported under the lease accounting standard in effect of those periods. The new lease standard requires all leases to be reported on the consolidated balance sheet as operating lease right-of-use assets and lease obligations. The Company elected the practical expedients permitted under the transition guidance of the new standard that retained the lease classification and initial direct costs for any leases that existed prior to adoption of the standard.

The Company's leases are classified as operating leases, which are included in operating lease right-of-use assets and operating lease liabilities in the Company's balance sheet. Right-of-use assets and lease liabilities are recognized based on the present value of the future minimum lease payments over the lease term at the commencement date for leases exceeding 12 months. Minimum lease payments include only the fixed lease component of the agreement, as well as any variable rate payments that depend on an index, initially measured using the index at the lease commencement date. Lease terms may include options to renew when it is reasonably certain that the Company will exercise that option.

The Company's estimation considers the market rates of the Company's outstanding collateralized borrowings and interpolations of rates outside of the terms of the outstanding borrowings, including comparisons to comparable borrowings of similarly rated companies with longer term borrowings. Operating lease expense is recognized on a straight-line basis over the lease term and is included in cost of revenue or general and administrative expense. Leases with a lease term of 12 months or less from the commencement date that do not contain a purchase option are recognized as an expense on a straight-line basis over the lease term. The Company notes that adopting the new standard resulted in recording a lease liability and right-of- use asset associated with the Company's facility lease agreement totalling $8,316,943, as of April 01, 2022.

<u>Operating leases as per old standard – ASC 840</u>

The Company leases certain facilities and equipment. Lease rent expenses on operating leases are charged to statement of income over the lease term. Certain of the Company's leases contain renewal options, rent escalation clauses, and/or landlord incentives. Renewal terms generally reflect market rates at the time of renewal. Rent expense for non-cancellable operating leases with scheduled rent increases and/or landlord incentives is recognized on a straight-line basis over the lease term, including any applicable rent holidays, beginning with the lease commencement date, or the date the Company takes control of the leased space, whichever is sooner. The excess of straight-line rent expense over scheduled payment amounts, and landlord incentives is recorded as a deferred rent liability. The company followed the accounting policy to account for leases for the year ended March 31, 2022.

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 consolidated financial statements carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carry forwards. 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. ASC 740 also provides guidance on measurement, de-recognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. 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. *Inventories*

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the monthly moving weighted average method, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their present location and condition. In the case of manufactured inventories and work-in-progress, cost includes an appropriate share of fixed production overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. The net realisable value of work-in-progress is determined with reference to the selling prices of related finished products.

Raw materials, components and other supplies held for use in the production of finished products are not written down below cost except in cases where material prices have declined and it is estimated that the cost of the finished products will exceed their net realisable value

The comparison of cost and net realisable value is made on an item-by-item basis.

13. *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.

14 *Recently issued accounting standards not yet adopted.*

In June 2016, the FASB issued ASU No. 2016-13, "Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments," or ASU No. 2016-13. The amendments in ASU No. 2016-13 introduce an approach based on expected losses to estimated credit losses on certain types of financial instruments, modify the impairment model for available-for-sale debt securities and provide for a simplified accounting model for purchased financial assets with credit deterioration since their origination. The new standard requires financial assets measured at amortized cost be presented at the net amount expected to be collected through an allowance for credit losses that is deducted from the amortized cost basis. The standard will be effective for the Company on April 1, 2023, with early application permitted. The Company is evaluating the impact of adopting this new accounting guidance on its consolidated financial statements.

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 receivables. 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, 2023 and March 31, 2022, 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 39% (previous year ended, three customers for 39%) of total accounts receivable. This is on account of majority of revenue contracts are entered with wholesale customers in the United States of America. One vendor having greater than 10% of accounts payable accounted for 94% (previous year ended, one vendor for 92%) of total accounts payable.

NOTE D - CASH AND CASH EQUIVALENTS

Cash and cash equivalents, include the following:

	As at	
	March 31, 2023	**March 31, 2022**
Balance with banks	1,901,739	4,380,023
Total	**1,901,739**	**4,380,023**

Balances on deposits with the banks are insured by the Federal Deposit Insurance Corporation up to an aggregate of $250,000. The Company believes it is not exposed to any significant risk on cash and cash equivalents.

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, 2023 and March 31, 2022 are stated net of provision for doubtful accounts and other allowances.

Accounts receivable, net includes the following:

	As at	
	March 31, 2023	**March 31, 2022**
Accounts receivable	16,274,729	12,852,741
Less: provision for discount and other allowances	(297,556)	-
Accounts receivable, net of allowances	**15,977,173**	**12,852,741**

The activity in provision for discount and other allowances is given below:

	March 31, 2023	**March 31, 2022**
Balance at beginning of the year	-	-
Provision for discount and other allowances	297,556	-
Balance at the end of the year	**297,556**	**-**

NOTE F - INVENTORIES

Inventories, include the following:

	As at	
	March 31, 2023	**March 31, 2022**
Packaging materials	2,064,788	961,285
Finished goods [includes finished goods-in-transit $10,950,488 and $9,239,006 as of March 31, 2023 and March 31, 2022]	21,445,879	16,034,244
Less: inventory reserves	(889,931)	(1,530,165)
Total	**22,620,736**	**15,465,364**

Movement in inventory reserve is shown as under:

	March 31, 2023	March 31, 2022
Balance at beginning of the year	**1,530,165**	**94,908**
Additional provision during the year	-	1,435,257
Revesal/utilization of provision during the year	(640,234)	-
Balance at the end of the year	**889,931**	**1,530,165**

NOTE G - PREPAID EXPENSES AND OTHER CURRENT ASSETS

Prepaid expenses and other current assets, include the following:

	As at	
	March 31, 2023	March 31, 2022
Income tax receivable	-	81,807
Prepaid insurance	83,910	63,057
Prepaid expenses	17,790	65,741
Revenue advances	49,198	1,949
Total	**150,898**	**212,554**

NOTE H - PROPERTY & EQUIPMENT, NET

Property & equipment, net comprises the following:

	As at	
	March 31, 2023	March 31, 2022
Vehicles	45,970	45,970
Furniture and fixtures	58,787	58,787
Leasehold improvements	26,952	26,952
Machinery and equipment	65,309	65,309
Office equipment	69,192	65,456
Total property, plant & equipment	**266,210**	**262,474**
Less: Accumulated depreciation	(250,752)	(239,132)
Total	**15,458**	**23,342**

Depreciation expense for the year ended March 31, 2022, and year ended March 31, 2022 was $11,620 and $11,620 respectively.

NOTE I - OPERATING LEASE RIGHT-OF-USE ASSETS

Prior to the adoption of ASC 842, rent expense on operating leases was recognized on a straight-line basis over the term of the lease. In addition, certain of the Company's operating lease agreements for office space also include rent holidays and scheduled rent escalations during the initial lease term. The Company recorded the rent holidays as a deferred rent within other liabilities on the Consolidated Balance Sheets. The Company expects to record deferred rent liability and scheduled rent increase on a straight-line basis into rent expense over the lease term commencing on the date the Company took possession of the leased space.

General description of the lease: The Company facilities and office space under operating leases which have non-cancellable terms.

Non-lease components: Leases that contain non-lease components are accounted for as a single component and recorded on the balance sheet for certain asset classes including equipment. Non-lease components include, but are not limited to, common area maintenance and service arrangements.

Package of practical expedients: The Company will not reassess whether any expired or existing contracts are leases or contain leases, the lease classification for any expired or existing leases or any initial direct costs for any expired or existing leases as of the transition date.

Additional transition method: The Company adopted the standard using a modified retrospective approach, applying the standard's transition provisions at the beginning of the period of adoption and maintain previous disclosure requirements for comparative periods.

The Company used the following policies and/or assumptions in evaluating the lease population:

Lease determination: The Company considers a contract to be or to contain a lease if the contract conveys the right to control the use of identified property, plant, or equipment (an identified asset) for a period of time in exchange for consideration.

Discount rate: When the lease contracts do not provide a readily determinable implicit rate, the Company uses the estimated incremental borrowing rate based on information available at the inception of the lease. The discount rate is determined by asset class.

Variable payments: The Company includes payments that are based on an index or rate within the calculation of right of use leased assets and lease liabilities, initially measured at the lease commencement date. There are variable payments in the nature of origination fees for office equipment, machinery and equipment and therefore are not treated as a part of lease payments.

Purchase options: Certain leases include options to purchase the office equipment. The depreciable life of assets are limited by the expected lease term, unless there is a transfer of title or purchase option reasonably certain of exercise.

Renewal options: Most leases include one or more options to renew, with renewal terms that can extend the lease term from one or more years. The exercise of lease renewal options is at the Company's sole discretion.

Residual value guarantees, restrictions, or covenants: The lease agreements do not contain any material residual value guarantees or material restrictive covenants.

Short-term leases: Leases with an initial term of 12 months or less are not recorded on the balance sheet; the Company recognizes lease expense for these leases on a straight-line basis over the lease term and expense the associated operating lease costs to administrative expenses on the statements of income.

There are various office premises and facilities under non-cancelable operating leases that expire at various dates through February 2032. Some of the Company's leases contain one or more options to extend. The Company has considered the extention options while determining the lease term.

Operating lease expense for the year ended March 31, 2022 was $1,116,078. The Company records operating lease expense in the Consolidated Statement of Operations within selling, general and administrative expenses.

On adoption of topic ASC 842 "Leases", balance sheet information as of March 31, 2023 related to operating leases is shown below:

	March 31, 2023
Reported as:	
Assets	
Operating lease right-of-use assets	7,577,831
Liabilities	
Current	812,595
Non-current	7,146,952
Total operating lease liabilities	**7,959,547**

The components of total lease cost are as follows:

	Year ended March 31, 2023
Amortization of right-of-use assets	739,113
Interest cost on right-of-use assets	376,965
	1,116,078

The Company records operating lease expense in the consolidated statement of income under the head of 'selling, general and administrative expenses.'

As of March 31, 2022, the future minimum lease payments under non-cancellable operating leases are as follows:

Year ended	March 31, 2023
March 31, 2024	812,595
March 31, 2025	924,060
March 31, 2026	947,896
March 31, 2027	972,320
March 31, 2028	921,830
Thereafter	5,879,980
Total operating lease payments	**10,458,681**
Less: Imputed interest	(2,499,134)
Total operating lease liabilities	**7,959,547**

	Year ended March 31, 2023
Weighted average remaining lease terms (years) – operating leases	10.68
Weighted average – discount rate	5.00%

NOTE J - OTHER ASSETS

Other assets, include the following:

	As at	
	March 31, 2022	March 31, 2021
Capital advances	481,701	2,583,716
Security deposits	102,828	37,088
Other receivables	94,430	-
Total	**678,959**	**2,620,804**

NOTE K - LINE OF CREDIT

Line of credit, include the following:

	As at	
	March 31, 2022	March 31, 2021
Line of credit	15,000,000	6,000,000
Total	**15,000,000**	**6,000,000**

Under a line of credit agreement (the "agreement") with a bank, the Company has available borrowings of $15,000,000, which is entirely drawn as of March 31, 2023. The principal and interest is repayable on the demand of the lender and therefore classified as current liability.

The interest rate as per the agreement was stipulated at 0.90% plus the applicable Compounded Reference Rate (an average effective rate of 1.20% for the year ended March 31, 2022 and March 31, 2023).

The interest expense for the year ended March 31, 2023 and March 31, 2022, was $77,223 and $26,544, respectively. For the year ended March 31, 2023, the entire interest of $77,223, is capitalized under the head 'Capital work-in-progress'. Accrued interest as of March 31, 2023 and March 31, 2022 is $77,223 and $26,544, respectively.

NOTE L - OTHER CURRENT LIABILITIES

Other current liabilities comprise the following:

	As at	
	March 31, 2023	March 31, 2022
Advance from customer	1,758,971	63,991
Employee benefits	370,134	446,124
Accrued interest	77,223	26,544
Income taxes payable	99,963	-
Other liabilities	49,079	7,670
Total	**2,355,370**	**544,329**

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, 2023 and March 31, 2022, was $119,421 and $42,702 respectively. The 401k contribution is charged to expense in the year in which they are incurred.

NOTE N - INCOME TAXES

For the year ended March 31, 2023, the Company will file 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, 2023	Year ended March 31, 2022
Current tax		
Federal	104,829	213,844
State	19,437	76,278
Total current tax expenses	**124,266**	**290,122**
Deferred tax		
Federal	40,515	(104,825)
State	32,311	(30,575)
Total deferred tax expenses (benefit)	**72,826**	**(135,400)**
Income tax expense	**197,092**	**154,722**

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, 2023	Year ended March 31, 2022
Income tax at federal rate	150,310	122,997
Deferred tax true up - federal	(38,667)	(2,795)
State tax, net of federal effect	86,422	34,599
Permanent differences	(973)	(79)
	197,092	**154,722**

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, 2023	As at March 31, 2022
Non-current deferred tax liabilities:		
- Depreciation and amortization	(2,376)	(2,492)
Total deferred tax liability	**(2,376)**	**(2,492)**
Non-current deferred tax assets:		
- Inventory	108,206	49,696
- Accrued bonus	62,938	90,246
- Net operating losses	-	24,634
- Provision for expiry stock	-	28,293
- Deferred revenue	-	1,783
- Organization cost	-	49,135
	171,144	**243,787**
Net deferred tax assets	**168,768**	**241,295**

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.

The Company has recognized deferred tax asset of $ 168,768 and $ 241,595 as of March 31, 2023 and March 31, 2022 on account of temporary differences arising out for tax purposes. The Company has no federal NOLs as at March 31, 2023 and March 31, 2022. The Company has NIL and $371,273 state net operating loss carryforwards as at March 31, 2023 and March 31, 2022 respectively.

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, 2023 and March 31, 2022. The tax years of 2019 through 2021 remain subject to examination by the taxing authorities.

NOTE O - COMMITMENTS AND CONTINGENCIES

Metformin Marketing and Sales Practices Litigation - NDMA Claims:

This litigation is an economic loss-consumer class action in which plaintiffs are seeking compensation for losses for purchases of allegedly contaminated Metformin. The litigation relies upon the testing completed by an independent lab, Valisure Laboratories, which found contamination of the prescription pharmaceutical Metformin with N-Nitrosodimethylamine ("NDMA") which has been found to cause liver damage, cancer, and death.

Granules USA, Inc. and Granules Pharmaceuticals, Inc. ("Granules") are named in the litigation. Granules also received Notices of Third-Party Claim, Indemnity and Tender of Defenses letter from Heritage Pharmaceuticals Inc., doing business as Avet Pharmaceuticals, Inc., and its parent company and Affiliate, Emcure Pharmaceuticals, Ltd. (collectively "Avet") in the litigation. On April 27, 2020, following review of the applicable Development, Supply and Marketing Agreement dated June 28, 2007 between Heritage and Granules, Granules conditionally accepted the tenders and agreed to defend and indemnify Avet by way of Tender Offer Letter. On April 29, 2020, Avet counter-signed the Tender Offer Letter.

The pleadings stage is now closed for all non-Foreign Defendants. After Motions to Dismiss the original Complaint and the First Amended Complaint were granted in part, a Second Amended Complaint was filed and a Motion to Dismiss the Second Amended Complaint was filed. The Court granted in part and denied in part the applicable Motion to Dismiss, allowing nearly all of Plaintiffs' claims to move forward against the manufacturing Defendants. Thus, an Answer to Plaintiffs' Second Amended Complaint was filed on behalf of Granules and Heritage, separately. Pleadings are now closed as to non-Foreign Defendants and the litigation is now in the discovery stage.

As to discovery, the Court ordered jurisdictional discovery as to Foreign Defendants, including Emcure, as the Court found insufficient evidence to determine whether it can exercise personal jurisdiction over the Foreign Defendants. Interrogatories and requests for admission have been answered and the parties are next preparing to begin scheduling depositions as necessary. Once jurisdictional discovery is complete, renewed motions to dismiss on behalf of the Foreign Defendants, including Emcure, will be filed if warranted and the Court will be asked to rule on personal jurisdiction. Otherwise, an Answer to the Second Amended Complaint will be filed by Emcure.

Previously, preliminary discovery was completed as to U.S. agency based communications regarding the recall of certain lots of Metformin from Defendants, including Granules and Heritage, and product identification discovery from Plaintiffs. Initial sets of interrogatories have been responded to by Granules and Heritage. The joint Defense group has submitted discovery to Plaintiffs for response. These responses are not yet due.

There has not been any settlement demand in this litigation.

Zantac (Ranitidine) Products Liability Litigation:

The case in Federal Court in Florida against the Company was dismissed. Plaintiffs have appealed this dismissal to the 11th Circuit Court of Appeals while the litigation has progressed at the trial level against
the remaining Defendants, including through a favorable decision on Daubert, wherein the Court found a failure on Plaintiffs' part to prove general causation in this case. This decision is up on appeal as well
and is pending before the 11th Circuit. No decision on any appeal has been made and there is no timeline for when such decisions will be made.

Importantly, as noted previously, over 100,000 claimants were exited from the federal registry in the Southern District of Florida for lack of certification. Since their exit, these claimants have filed state court level cases against various Defendants, including Granules, in various state venues across the country. The remaining claimants have also filed short form complaints in the Southern District of Florida MDL,some of which name Granules, though the legal effect of the complaints given the dismissal of all generic manufacturing Defendants from this litigation is contested. Plaintiffs have also been systematically,filing notices of appeal for these newly filed and previously filed short form complaints naming Generics. These cases continue to be docketed before the 11th circuit and are awaiting a decision regarding their relevance and whether any cases against the Generics can survive given the favorable Daubert ruling at the trial court level.At the state court level, Granules USA and/or Granules India are currently named in fifty-three (53) cases filed in California. Granules USA and/or Granules India are named in two (2) individual cases filed in the Philadelphia, Pennsylvania Mass Tort Program, including a Master Long Form Complaint against Generic Defendants. While Granules was previously named in several Illinois pleadings, an agreement was reached wherein Plaintiffs' counsel in Illinois agreed not to name Granules in any litigation going forward. The prior lawsuits naming Granules in Illinois have been dismissed and no new Illinois complaints naming Granules have been filed, per the agreement.

In California, Plaintiffs' counsel has not yet adequately served any of the 53 cases naming Granules and, therefore, no responsive pleading date is set. In Pennsylvania, Company has coordinated efforts with all
other manufacturing Defendants to respond with Preliminary Objections to the Master Long Form Complaint. Plaintiffs have filed an opposition to same and oral argument is upcoming. A decision on the
Objections will be made by the Court thereafter. Since these cases are only in their very initial stages, no analysis as to liability is yet available. After discovery commences, a clearer picture of liability will be had.

Russel Hawkins:

The case was filed on behalf of one plaintiff, Russell Hawkins. Plaintiff alleged that he was prescribed Metformin in 2017 and after 2 years he was diagnosed with Multiple Myeloma in September 2019 causing his kidneys to fail. Plaintiff's counsel agreed that the case should be voluntarily withdrawn by his client and thus this case has been dismissed.

CEH:

The private plaintiff/CEH is a non-profit corporation that is suing a number of businesses in public interest. Plaintiff claims that the named defendants including GUSA manufactured and/or distributed for sale in California, over the counter ranitidine that were contaminated with NDMA. Plaintiff alleges that the defendants failed to provide with their products a clear and reasonable warning regarding the hazards of NDMA. On October 7, 2021, CEH timely filed its appeal from judgment the trial court entered as to Generics and Retailers. Generics and Retailers filed responses to the appeal on April 21, 2022 and extensive additional briefing took place. After extensive review and oral argument, the Court of Appeals of California ruled that Generics are bound by the duty of sameness and thus found CEH's action federally preempted,ruling in favor of Defendants, including Granules. CEH has now filed an appeal from this judgment in the form of a Petition for Review, and the matter is now before the Supreme Court of California.

NOTE P - RELATED PARTY TRANSACTIONS

A. The Company had transactions with:
Parent company:
1. Granules India Limited ('the Parent Company')

Other related parties where common control exists:
1. Granules Pharmaceuticals, Inc.('the Affiliate')

B. Summary of transactions and balances with related parties in the normal course of business are as follows:

	As at	
	March 31, 2023	March 31, 2022
Granules India Limited		
Transaction during the year ended		
- Purchase of goods	75,538,326	51,831,124
Balance		
- Accounts payable	33,758,914	21,656,288
Granules Pharmaceuticals, Inc		
Transaction during the year ended		
- Purchase of goods	214,294	-
- Expenses incurred by the company	49,686	91,875
- Reimbursement of expenses	150,990	2,066
- Sale of goods	2,033,611	1,110,317
Balance		
- Accounts receivable	489,897	97,393

NOTE Q - 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 following table disaggregates revenue by source of revenue:

	Year ended	
	March 31, 2023	**March 31, 2022**
Sale of goods	90,489,155	69,435,226
Total	**90,489,155**	**69,435,226**

The following table disaggregates revenue based on geographical regions.

	Year ended	
	March 31, 2023	**March 31, 2022**
United States of America	88,822,795	68,286,818
Canada	1,127,301	451,940
Belgium	340,029	617,640
India	199,030	78,828
Total	**90,489,155**	**69,435,226**

The following table presents revenue disaggregated by timing of recognition:

	Year ended	
	March 31, 2023	**March 31, 2022**
Products transferred at a point in time	90,489,155	69,435,226
Total	**90,489,155**	**69,435,226**

	As at	
	March 31, 2023	**March 31, 2022**
Accounts receivable	16,467,070	12,950,135

NOTE R - STOCKHOLDER'S EQUITY

Common Stock

The Company was incorporated on March 05, 2003, with an authorized capital of 2,500,000 shares of its common stock with a par value of $0.10 per share. Out of which, 700,000 shares are issued and outstanding as of March 31, 2023 and March 31, 2022.

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 S - SUBSEQUENT EVENTS

The Company evaluated all events and transactions that occurred after March 31, 2023, through the date the financial statements are available to be issued. Based on the evaluation, the Company is not aware of any subsequent events or transactions which would require recognition or disclosure in the consolidated financial statements.