

Torrent Pharma Inc.

Financial Statements
Together with the
Independent Auditor's Report
For the year ended 31 March 2023

Torrent Pharma Inc.

Financial statements together with the Independent Auditor's Report
for the year ended 31 March 2023

Contents

Independent Auditor's Report

Balance Sheet

Statement of profit and loss (including other comprehensive income)

Statement of changes in equity

Statement of cash flows

Notes to the financial statements

BSR & Co. LLP

Chartered Accountants

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Torrent Pharmaceuticals Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Torrent Pharma Inc. ("the Company"), which comprise the balance sheet as at 31 March 2023, and the statement of profit and loss (including other comprehensive income), statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of the significant accounting policies and other explanatory information.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give a true and fair view in accordance with the Indian Accounting Standards (Ind AS) prescribed under section 133 of the Companies Act, 2013 ('the Act') read with the Companies (Indian Accounting Standards) Rules, 2015 (as amended from time to time) and other accounting principles generally accepted in India, of the state of affairs of the Company as at 31 March 2023, and profit / loss and other comprehensive income, changes in equity and its cash flows for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with the Standards on Auditing ('SAs') specified under section 143 (10) of the Act. Our responsibilities under those SAs are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on the financial statements.

Other Matter

These financial statements do not constitute a set of statutory financial statements in accordance with the local laws in which the Company is incorporated and are prepared for the sole purpose of consolidation of the financial statements of TPI with the Holding Company – Torrent Pharmaceuticals Limited.

Management's and Board of Directors' Responsibilities for the Financial Statements

The Company's management and Board of Directors are responsible for the preparation of these financial statements that give a true and fair view of the state of affairs, profit/loss (including other comprehensive income), changes in equity and cash flows of the Company in accordance with the Indian Accounting Standards (Ind AS) prescribed under section 133 of the Companies Act, 2013 ('the Act') read with the Companies (Indian Accounting Standards) Rules, 2015 (as amended from time to time) and presentation requirements of Schedule III (Division II) to the Companies Act, 2013, as applicable, to the financial statements. This responsibility also includes maintenance of adequate



B S R & Co. (a partnership firm with Registration No. BA61223) converted into B S R & Co. LLP
(a Limited Liability Partnership with LLP Registration No. AAB-8181) with effect from October 14, 2013

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Western Express Highway, Goregaon (East), Mumbai - 400063

accounting records for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring accuracy and completeness of the accounting records, relevant to the

preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

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

The Board of Directors is also responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Company's Internal Control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures in the financial statements made by the Management and Board of Directors.
- Conclude on the appropriateness of the Management and Board of Directors use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are

B S R & Co LLP

Torrent Pharmaceuticals Limited

23 May 2023

Page 3 of 3

based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

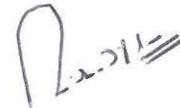
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

For **B S R & Co. LLP**

Chartered Accountants

Firm's Registration No. 101248W/W-100022



Nirav Patel

Partner

Membership No. 113327

ICAI UDIN: 23113327BGZLXJ8446

Place: Mumbai

Date: 23 May 2023

Torrent Pharma Inc.

Balance sheet

as at 31 March 2023

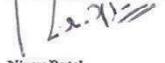
(Currency : USD million)

Assets	Note	31 March 2023	31 March 2022
Non-current assets			
(a) Property, plant and equipment	4	0.10	1.93
(b) Capital work-in-progress	4	-	-
(c) Right of use assets	4A	1.34	-
(d) Goodwill	5	-	-
(e) Other intangible assets	6	0.03	0.07
(f) Intangible assets under development	6	2.00	2.00
(g) Income tax assets		7.70	7.57
(h) Deferred tax assets	18	43.08	42.76
(i) Other non-current assets	10	-	0.13
Total Non-current assets		54.25	54.46
Current assets			
(a) Inventories	7	19.88	26.44
(b) Financial assets			
(i) Trade receivables	8	76.47	71.71
(ii) Cash and cash equivalents	9	5.95	8.59
(c) Other current assets	10	0.56	0.52
(d) Non-current assets held for sale	38	1.88	4.50
Total current assets		104.74	111.76
Total assets		158.99	166.21
Equity and liabilities			
Equity			
(a) Equity share capital	11	1.20	1.20
(b) Other equity	12	(101.03)	(101.13)
Total equity		(99.83)	(99.93)
Non-current liabilities			
(a) Financial liabilities			
(i) Borrowings	13	60.00	60.00
(ii) Lease obligations		1.26	-
(b) Provisions	14	5.41	5.38
Total non-current liabilities		66.67	65.38
Current liabilities			
(a) Financial liabilities			
(i) Borrowings	13	69.00	69.00
(ii) Lease obligations		0.17	-
(iii) Trade payables	16	107.61	111.47
(iv) Other financial liabilities	17	2.86	3.38
(b) Other current liabilities	15	0.23	0.32
(c) Provisions	14	12.28	16.59
Total current liabilities		192.15	200.76
Total liabilities		258.82	266.14
Total equity and liabilities		158.99	166.21

The accompanying notes form an integral part of the financial statements.

As per our report of even date attached.

For BSR & Co. LLP
Chartered Accountants
Firm's Registration No: 101248W/W-100022


Nirav Patel
Partner
Membership No: 113327

Mumbai
23-May-23

For and on behalf of the Board of Directors of
Torrent Pharma Inc.


Sanjay Gupta
Director

New Jersey, USA
23-May-23

Torrent Pharma Inc.

Statement of profit and loss
for the year ended 31 March 2023

(Currency : USD million)

	Note	For the Year ended	
		31 March 2023	31 March 2022
Continuing operations			
INCOME			
Revenue from operations		138.51	139.01
Other income	20	1.19	-
Total income		139.70	139.01
EXPENSES			
Cost of materials consumed	21	0.35	0.47
Purchase of stock-in-trade		101.33	102.16
Change in inventories of stock-in-trade	22	6.57	6.52
Employee benefits expense	23	7.16	8.07
Finance costs	24	7.16	-
Depreciation and amortization expense	29	0.20	1.72
Other expenses	25	17.15	13.36
Total expenses		139.92	132.30
(Loss)/profit from continuing operations before tax		(0.22)	6.71
Tax expense			
Current tax	31	-	-
Deferred tax (credit)	31	(0.73)	(17.60)
Short/(excess) provision for tax of earlier years	31	0.41	(2.38)
		(0.32)	(19.98)
Profit for the year from continuing operations		0.10	26.70
Discontinued operations			
(Loss) before tax from discontinued operations	35	-	(85.64)
Tax expense of discontinued operations		-	-
(Loss) for the year from discontinued operations (after tax)		-	(85.64)
Profit/(loss) for the year		0.10	(58.94)
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss		-	-
Income tax relating to items that will not be reclassified subsequently to profit or loss		-	-
Items that will be reclassified to profit or loss		-	-
Income tax relating to items that will be reclassified to profit or loss		-	-
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year		0.10	(58.94)
Earnings per equity share - continuing operations [nominal value of share USD 100 (previous year : USD 100)]			
Basic and diluted	26	8.51	2,224.63
Earnings per equity share - discontinued operations [nominal value of share USD 100 (previous year : USD 100)]			
Basic and diluted	26	-	(7,137.08)
Earnings per equity share - continuing and discontinued operations [nominal value of share USD 100 (previous year : USD 100)]			
Basic and diluted	26	8.51	(4,911.93)

The accompanying notes form an integral part of the financial statements.

As per our report of even date attached.

For B S R & Co. LLP
Chartered Accountants
Firm's Registration No. 101248W/W-100022

Nirav Patel
Partner
Membership No: 113327

Mumbai
23-May-23

For and on behalf of the Board of Directors of
Torrent Pharma Inc.



Sanjay Gupta
Director

New Jersey, USA
23-May-23

Torrent Pharma Inc.

Statement of changes in equity
for the year ended 31 March 2023

(Currency : USD million)

A. Equity share capital

Particulars	Note	Amount
Balance as at 31 March 2021	11	1.20
Changes in equity share capital during FY 2021-22		-
Balance as at 31 March 2022	11	1.20
Changes in equity share capital during FY 2022-23		-
Balance as at 31 March 2023	11	1.20

B. Other equity

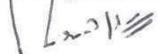
Particulars	Retained Earnings
As at 31 March 2021	(42.17)
(Loss) for the year	(58.94)
Total comprehensive loss	(58.94)
As at 31 March 2022	(101.11)
Profit for the year	0.10
Total comprehensive profit	0.10
As at 31 March 2023	(101.01)

Retained earnings : Retained earnings are the profits earned/ losses incurred till date, less any transfers to other reserves or dividends distributed.

The accompanying notes form an integral part of the financial statements.

As per our report of even date attached.

For BSR & Co. LLP
Chartered Accountants
Firm's Registration No: 101248W/W-100022


Nirav Patel
Partner
Membership No: 113327

Mumbai
23-May-23

For and on behalf of the Board of Directors of
Torrent Pharma Inc.


Sanjay Gupta
Director

New Jersey, USA
23-May-23

Torrent Pharma Inc.

Cash Flow Statement

for the year ended 31 March 2023

(Currency : USD million)

	31 March 2023	31 March 2022
A Cash flows from operating activities		
(Loss)/Profit before tax		
Continuing operations	(0.22)	6.71
Discontinued operations	-	(83.20)
Adjustments for :		
Depreciation and amortization	0.20	4.26
Profit on sale of product licenses	(1.19)	-
Impairment of tangible & intangible assets / intangible assets under development & goodwill	-	55.19
Finance costs	7.16	4.23
	<u>5.95</u>	<u>(12.81)</u>
Adjustments for changes in working capital :		
(Increase) in trade receivables and other financial assets	(4.76)	(1.75)
(Increase)/decrease in other assets	(0.04)	1.51
Decrease in inventories	6.56	7.97
(Decrease) in trade payables and other financial liabilities	(4.87)	(12.44)
(Decrease)/increase in other liabilities	(0.09)	0.25
(Decrease) in provisions	(4.28)	(2.42)
Cash (used in) operations	<u>(1.53)</u>	<u>(19.69)</u>
Income taxes paid / (refunds)	0.14	(0.12)
Net cash (used in) operating activities	<u>(1.39)</u>	<u>(19.81)</u>
B Cash flows from investing activities		
Purchase of property, plant and equipment (including capital work in progress)	0.05	(5.24)
Proceeds from sale of product licenses	5.69	-
Net cash generated from / (used in) investing activities	<u>5.74</u>	<u>(5.24)</u>
C Cash flows from financing activities		
Proceed of short-term borrowings (net)	-	29.00
Payment of lease obligations	(0.07)	(0.14)
Finance costs paid	(6.85)	(4.34)
Net cash (used in) / generated from financing activities	<u>(6.92)</u>	<u>24.52</u>
Net (decrease) in cash and cash equivalents	<u>(2.57)</u>	<u>(0.53)</u>
Cash and cash equivalents at the beginning of the year	<u>8.59</u>	<u>9.12</u>
Cash and cash equivalents at the end of the year (refer note 9)	<u>6.02</u>	<u>8.59</u>

Torrent Pharma Inc.

Cash Flow Statement (Continued)

for the year ended 31 March 2023

(Currency : USD million)

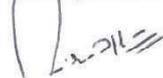
Notes :

	31 March 2023	31 March 2022
1. Component of cash and cash equivalents comprise of :		
Balance with bank:		
- Bank balances (in current accounts)	5.95	8.59
Cash and cash equivalents at the end of the year (refer note 9)	<u>5.95</u>	<u>8.59</u>
2. Changes in liabilities arising from financing activities :		
Long-term borrowings (Refer note 13) :		
Opening balance	60.00	40.00
Proceeds from long term borrowings	-	20.00
Closing balance	<u>60.00</u>	<u>60.00</u>
Lease obligations :		
Opening balance	-	0.15
Lease contracts entered during the year	1.47	-
Interest accrued during the year	0.04	-
Amount paid during the year	(0.07)	(0.14)
Closing balance	<u>1.43</u>	<u>-</u>
Short-term borrowings (Refer note 13) :		
Opening balance	69.00	60.00
Proceeds from short term borrowings	-	29.00
Amount repaid during the year	-	(20.00)
Closing balance	<u>69.00</u>	<u>69.00</u>

The accompanying notes form an integral part of the financial statements.

As per our report of even date attached.

For B S R & Co. LLP
Chartered Accountants
Firm's Registration No: 101248W/W-100022



Nirav Patel
Partner
Membership No: 113327

Mumbai
23-May-23

For and on behalf of the Board of Directors of
Torrent Pharma Inc.



Sanjay Gupta
Director

New Jersey, USA
23-May-23

Torrent Pharma Inc.

Notes to the financial statements (*Continued*)

for the year ended 31 March 2023

(Currency : USD million)

1. Company Overview

Torrent Pharma Inc. ('the Company') is a wholly-owned subsidiary of Torrent Pharmaceuticals Limited ('Torrent'), India. The Company was incorporated in the State of Delaware, United States of America in January 2004 to provide liaison, logistical, marketing, regulatory, and other support to Torrent in the United States of America.

In 2007, the Company began selling the generic drug products of Torrent. The Company's main office is located in Basking Ridge, New Jersey.

2. Basis of preparation

(i) *Statement of compliance*

The financial statements of the Company have been prepared in accordance with the Indian Accounting Standards (Ind AS) prescribed under section 133 of the Companies Act, 2013 ('the Act') read with the Companies (Indian Accounting Standards) Rules, 2015 (as amended from time to time) and presentation requirements of Schedule III (Division II) to the Companies Act, 2013, as applicable, to the financial statements.

The Company is not domiciled in India and hence was not incorporated under Companies Act, 2013 or under any previous Company law in India. These financial statements do not constitute a set of statutory financial statements in accordance with the local laws in which the Company is incorporated and are prepared for the sole purpose of consolidation of the financial statements of TPI with the Holding Company – Torrent Pharmaceuticals Limited, to comply with the requirements of the Act.

These financial statements have been prepared under the historical cost convention on an accrual and going concern basis except for certain financial assets and liabilities measured at fair value (refer accounting policy regarding financial instruments).

The accounting policies adopted in the preparation of these financial statements are consistent with those of the previous year except where a newly issued accounting standard is initially adopted or a revision to an existing accounting standard requires a change in the accounting policy.

All assets and liabilities have been classified as current and non-current as per the Company's normal operating cycle of 12 months. The Statement of cash flows has been prepared under indirect method.

(ii) *Functional and presentation currency*

These financial statements are presented in United States Dollar (USD), which is also the functional currency. All the amounts have been rounded off to the nearest USD Million, unless otherwise indicated.

Torrent Pharma Inc.

Notes to the financial statements (*Continued*)

for the year ended 31 March 2023

(Currency : USD million)

2. Basis of preparation (*Continued*)

(iii) *Use of estimates and judgements*

In preparing these financial statements, management has made estimates and assumptions that affect the reported amounts of assets, liabilities, incomes and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to the accounting estimates are recognised prospectively.

Judgements:

There are no significant judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the financial statements.

Assumptions and estimation uncertainties:

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in the following notes:

Note 3(h) - amounts deducted from revenue for the chargeback, sales returns, rebates, shelf stock adjustments and medicaid

Note 3(d) - the amount of inventory obsolescence reserve

Note 29(b) - the amount of provision for failure to supply

(iv) *Measurement of fair values*

Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- A. Level 1 - quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- B. Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e as prices) or indirectly (i.e derived from prices).
- C. Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Torrent Pharma Inc.

Notes to the financial statements (*Continued*)

for the year ended 31 March 2023

(Currency : USD million)

3. Significant accounting policies

(a) Financial instruments

i. Derivative financial instruments and hedge accounting

The Company enters into derivative financial instruments to manage its foreign exchange rate risk. Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently re-measured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in the statement of profit and loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in statement of profit and loss depends on the nature of the hedging relationship and nature of hedged items.

Derivative financial instruments that hedges foreign currency risk associated with highly probable forecasted transactions are designated as cash flow hedges and measured at fair value. The effective portion of such hedges is recorded in cash flow hedge reserve, as a component of equity, and re-classified to the statement of profit and loss in the period corresponding to the occurrence of the forecasted transactions. The ineffective portion of such hedges is recorded in the statement of profit and loss immediately.

Hedge effectiveness is tested both at the inception of the hedge relationship as well as on an ongoing basis. Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised or no longer qualifies for hedge accounting.

ii. Cash and cash equivalents

Cash and cash equivalents consists of cash on hand, short demand deposits and highly liquid investments, that are readily convertible into known amounts of cash and which are subject to an insignificant risk of change in value. Short term means investments with original maturities / holding period of three months or less from the date of investments. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalent for the purpose of statement of cash flow.

iii. Trade receivables

Trade receivables are amounts due from customers for sale of goods or services performed in the ordinary course of business. Trade receivables are initially recognized at its transaction price which is considered to be its fair value and are classified as current assets as it is expected to be received within the normal operating cycle of the business.

iv. Borrowings

Borrowings are initially recorded at fair value and subsequently measured at amortized costs using effective interest method. Transaction costs are charged to statement of profit and loss as financial expenses over the term of borrowing.

Torrent Pharma Inc.

Notes to the financial statements (*Continued*)

for the year ended 31 March 2023

(Currency : USD million)

3. Significant accounting policies (*Continued*)

(a) Financial instruments (*Continued*)

v. Trade payables

Trade payables are amounts due to vendors for purchase of goods or services acquired in the ordinary course of business and are classified as current liabilities to the extent it is expected to be paid within the normal operating cycle of the business.

vi. Other financial assets and liabilities

Other non-derivative financial instruments are initially recognized at fair value and subsequently measured at amortized costs using the effective interest method.

vii. De-recognition of financial assets and liabilities

The Company derecognizes a financial asset when the contractual right to the cash flows from the asset expires, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction which substantially all the risk and rewards of ownership of the financial asset are transferred. If the Company retains substantially all the risk and rewards of ownership of a transferred financial asset, the Company continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled or expired; the difference between the carrying amount of derecognized financial liability and the consideration paid is recognized as profit or loss.

(b) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost, which includes capitalised borrowing costs, less accumulated depreciation, and accumulated impairment losses, if any.

Cost of an item of property, plant and equipment comprises its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates, any directly attributable cost of bringing the item to its working condition for its intended use and estimated costs of dismantling and removing the item and restoring the site on which it is located.

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognised in the statement of profit and loss.

Capital work in progress are those which are not ready for intended use are carried at cost less impairment loss, if any.

Torrent Pharma Inc.

Notes to the financial statements (*Continued*)

for the year ended 31 March 2023

(Currency : USD million)

3. Significant accounting policies (*Continued*)

(a) Property, plant and equipment (*Continued*)

(ii) Subsequent expenditure

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Company.

(iii) Depreciation

Freehold land is carried at historical cost and not depreciated. Depreciation is calculated on cost of items of property, plant and equipment less their estimated residual values over their estimated useful lives using the straight-line method, and is generally recognised in the statement of profit and loss.

The estimated useful lives of items of property, plant and equipment for the current and comparative periods are as follows:

Leasehold improvements	7 years
Vehicles	5 years
Plant and machinery	5-15 years
Furniture and fixtures	5 to 7 years
Office equipment	5 years
Building	5-40 years

Depreciation method, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate. Based on technical evaluation and consequent advice, the management believes that its estimates of useful lives as given above best represent the period over which management expects to use these assets.

Depreciation on additions (disposals) is provided on a pro-rata basis i.e. from (up to) the date on which asset is ready for use (disposed of).

(c) Intangible assets

(i) Other intangible assets

Other intangible assets including those acquired by the Company are initially measured at cost. Such intangible assets are subsequently measured at cost less accumulated amortisation and any accumulated impairment losses.

(ii) Amortisation

Amortisation is calculated to write off the cost of intangible assets less their estimated residual values over the estimated useful lives using the straight line method, and is included in depreciation and amortisation in statement of profit and loss.

Torrent Pharma Inc.

Notes to the financial statements (*Continued*)

for the year ended 31 March 2023

(Currency : USD million)

3. Significant accounting policies (*Continued*)

(c) Intangible assets (*Continued*)

(ii) Amortisation (*Continued*)

The estimated useful lives of intangible assets are as follows:

Product licenses	10-15 years
Non-compete fees	5 years
Software	3 years

Amortisation method, useful lives and residual values are reviewed at the end of each financial year and adjusted if appropriate.

(iii) Goodwill

Goodwill represents the excess of the consideration paid to acquire a business over underlying fair value of the identified assets acquired. Goodwill is carried at cost less accumulated impairment losses, if any. Goodwill is deemed to have an indefinite useful life and is tested for impairment annually or when events or circumstances indicate that the implied fair value of goodwill is less than its carrying amount.

For the purposes of impairment testing, goodwill is allocated to each of the Company's cash-generating units (CGUs) that is expected to benefit from the synergies of the combination. Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

(iv) Product development expenses

Product development costs including regulatory cost and legal expenses leading to registration and market authorization of the product are expensed as incurred unless technical and commercial feasibility of the project is demonstrated, future economic benefits are probable, the company has an intention and ability to complete and use or sell the product and the costs can be measured reliably.

Torrent Pharma Inc.

Notes to the financial statements (*Continued*)

for the year ended 31 March 2023

(Currency : USD million)

3. Significant accounting policies (*Continued*)

(d) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the moving average basis, and includes expenditure incurred in acquiring the inventories and other costs incurred in bringing them to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated selling expenses.

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

The Company considers various factors like shelf life, ageing of inventories, product discontinuation, price changes and other factors which impact the company's business in determining the allowance for obsolete, non-saleable and slow moving inventories. The company considers the above factor and adjusts the inventory provision to reflect its actual performance on periodic basis.

(e) Impairment

Financial assets

At each balance sheet date, the Company assesses whether a financial asset is to be impaired. Ind AS 109 requires the Company to apply expected credit loss model for recognition and measurement of impairment loss. In determining the allowances for doubtful trade receivables, the Company has used a practical expedient by computing the expected credit loss allowance for trade receivables based on a provision matrix. The provision matrix takes into account historical credit loss experience and is adjusted for forward looking information. The impairment loss is based on the ageing of the receivables that are due and allowance rates used in the provision matrix. For all other financial assets, expected credit losses are measured at an amount equal to the 12-months expected credit losses or at an amount equal to the life time expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition.

Non-financial Assets

(i) *Tangible and intangible assets*

Property, plant and equipment and intangible assets with finite life are evaluated for recoverability whenever there is any indication that their carrying amounts may not be recoverable. If any such indication exists, the recoverable amount (i.e. higher of the fair value less cost to sell and the value-in-use) is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. In such cases, the recoverable amount is determined for the cash generating unit (CGU) to which the asset belongs.

If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. An impairment loss is recognized in the statement of profit and loss to such extent. When an impairment loss subsequently reverses, the carrying amount of the asset (or CGU) is increased to the revised estimate of its recoverable amount, such that the increase in the carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or CGU) in prior years. A reversal of an impairment loss is recognised immediately in statement of profit and loss.

Torrent Pharma Inc.

Notes to the financial statements (*Continued*)

for the year ended 31 March 2023

(Currency : USD million)

3. Significant accounting policies (*Continued*)

(e) Impairment (*Continued*)

Non-financial Assets (*Continued*)

(ii) Goodwill

CGUs to which goodwill has been allocated are tested for impairment annually or more frequently when there is indication for impairment. If the recoverable amount of a CGU is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit.

Determination of recoverable amount of CGU requires the management to estimate the future cash flows expected to arise and a suitable discount rate in order to calculate the present value. An impairment loss recognised for goodwill is not reversed in subsequent periods.

(f) Employee benefits

(i) Short term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid e.g., under short-term cash bonus, if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the amount of obligation can be estimated reliably.

(ii) Defined contribution plan

Contribution in case of social security schemes is charged to the statement of profit and loss as and when it is incurred as employee benefits. The Company has an Internal Revenue Code Section 401 (k) retirement plan whereby the Company contributes 3% of all eligible employees' compensation.

(g) Provisions (other than employee benefits)

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows (representing the best estimate of the expenditure required to settle the present obligation at the balance sheet date) at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost. Expected future operating losses are not provided for.

(h) Revenue

Revenue is measured based on the transaction price adjusted for chargeback, discounts, shelf stock adjustments due to price revision and rebates, which is specified in a contract with customer. Revenue are net of estimated returns, medicaid payments and taxes collected from customers.

Torrent Pharma Inc.

Notes to the financial statements (*Continued*)

for the year ended 31 March 2023

(Currency : USD million)

3. Significant accounting policies (*Continued*)

(h) Revenue (*Continued*)

Revenue from sale of goods is recognized at point in time when control are transferred to the customer and it is probable that consideration will be collected. Control of goods is transferred upon the shipment of the goods to the customer or when goods are made available to the customer.

The transaction price is documented on the sales invoice and payment is generally due as per agreed credit terms with customer.

The consideration can be fixed or variable. Variable consideration is only recognised when it is highly probable that a significant reversal will not occur.

A chargeback is a claim made by the wholesaler for the difference between the price at which the product is initially invoiced to the wholesaler and the net price at which it is agreed to be procured from the company. Chargeback, rebates, returns, shelf stock adjustments due to price revision and medicaid payments are variable consideration that is recognised and recorded based on historical experience, market conditions and specific contractual terms. The methodology and assumptions used to estimate rebates and returns are monitored and adjusted regularly in line with contractual and legal obligations, trade practices historical trends, past experience and projected market conditions.

Income from out-licensing agreements typically arises from the receipt of upfront, milestone and other similar payments from third parties for granting a license to product-or technology-related intellectual property (IP). These agreements may be entered into with no further obligation or may include commitments to regulatory approval, co-marketing or manufacturing. These may be settled by a combination of upfront payments, milestone payments and other fees. These arrangements typically also consist of subsequent payments dependent on achieving certain milestones in accordance with the terms prescribed in the agreement. Milestone payments which are contingent on achieving certain clinical milestones are recognised as revenues either on achievement of such milestones, if the milestones are considered substantive, or over the period we have continuing performance obligations, if the milestones are not considered substantive. Whether to consider these commitments as a single performance obligation or separate ones, or even being in scope of Ind-AS 115 Revenues from Contracts with Customers, is not straightforward and requires some judgement. Depending on the conclusion, this may result in all revenue being calculated at inception and either being recognised at point in time or spread over the term of a longer performance obligation. Where performance obligations may not be distinct, this will be bundled with the subsequent product supply obligations.

Other income

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future

Torrent Pharma Inc.

Notes to the financial statements (*Continued*)

for the year ended 31 March 2023

(Currency : USD million)

3. Significant accounting policies (*Continued*)

(h) Revenue (*Continued*)

cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Dividend income is recognized when the Company's right to receive the payment is established, it is probable that the economic benefits associated with the dividend will flow to the Company and the amount of dividend can be measured reliably.

(i) Income tax

Income tax comprises current and deferred tax. It is recognised in the statement of profit and loss except to the extent that it relates to a business combination or to an item recognised directly in equity or in other comprehensive income.

(i) *Current tax*

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax reflects the best estimate of the tax amount expected to be paid or received after considering the uncertainty, if any, related to income taxes. It is measured using tax rates (and tax laws) enacted or substantively enacted by the reporting date.

Current tax assets and current tax liabilities are offset only if there is a legally enforceable right to set off the recognised amounts, and it is intended to realise the asset and settle the liability on a net basis or simultaneously.

(ii) *Deferred tax*

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for taxation purposes. Deferred tax is also recognised in respect of carried forward tax losses and tax credits.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax assets - unrecognised or recognised, are reviewed at each reporting date and are recognised/reduced to the extent that it is probable/ no longer probable respectively that the related tax benefit will be realised.

Deferred tax is measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on the laws that have been enacted or substantively enacted by the reporting date.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets or liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different taxable entities, but they intend to settle current tax liabilities and assets on net basis or their tax assets and liabilities will be realised simultaneously.

Torrent Pharma Inc.

Notes to the financial statements (*Continued*)

for the year ended 31 March 2023

(Currency : USD million)

3. Significant accounting policies (*Continued*)

(j) Borrowing cost

Borrowing cost are interest and other costs (including exchange differences relating to foreign currency borrowings to the extent that they are regarded as an adjustment to interest cost) incurred in connection with the borrowing of funds. Borrowing costs directly attributable to acquisition or construction of asset which necessarily take a substantial period of time to get ready for their intended use are capitalised as part of cost of asset. Other borrowing costs are recognised as an expense in the period in which they are incurred.

(k) Leases

At inception of a contract, the Company assesses whether a contract is or contains a lease. A contract is or contains a lease if the contract conveys the right to control the use of an identified assets for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset the Company assesses whether contract involves the use of an identified asset, the Company has a right to obtain substantially all of the economic benefits from the use of the asset throughout the period of use and the Company has the right to direct the use of the asset.

At the inception date, right-of-use asset is recognised at cost which includes present value of lease payments adjusted for any payments made on or before the commencement of lease and initial direct cost, if any. It is subsequently measured at cost less accumulated depreciation, accumulated impairment losses, if any and adjusted for any remeasurement of the lease liability. Right-of-use asset is depreciated using the straight-line method from the commencement date over the earlier of useful life of the asset or the lease term. When the Company has purchase option available under lease and cost of right-of-use assets reflects that purchase option will be exercised, right-of-use asset is depreciated over the useful life of underlying asset. Right-of-use assets are tested for impairment whenever there is any indication that their carrying amounts may not be recoverable. Impairment loss, if any, is recognised in the statement of profit and loss.

At the inception date, lease liability is recognised at present value of lease payments that are not made at the commencement of lease. Lease liability is subsequently measured by adjusting carrying amount to reflect interest, lease payments and remeasurement, if any.

Lease payments are discounted using the incremental borrowing rate or interest rate implicit in the lease, if the rate can be determined.

The Company has elected not to apply requirements of Ind AS 116 to leases that has a term of 12 months or less and leases for which the underlying asset is of low value. Lease payments of such lease are recognised as an expense on straight-line basis over the lease term.

Torrent Pharma Inc.

Notes to the financial statements (*Continued*)

for the year ended 31 March 2023

(Currency : USD million)

3. Significant accounting policies (*Continued*)

(l) Non-current assets held for sale:

Non-current assets and disposal groups are classified as held for sale if their carrying amount is intended to be recovered principally through a sale (rather than through continuing use) when the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sale of such asset (or disposal group) and the sale is highly probable and is expected to qualify for recognition as a completed sale within one year from the date of classification. Non-current assets and disposal groups classified as held for sale are measured at lower of their carrying amount and fair value less costs to sell.

(m) Research and Development:

Expenditure on in-licensed development activities, whereby research findings are applied to a plan or design for the production of new or substantially improved products and processes, is capitalised, if the cost can be reliably measured, the product or process is technically and commercially feasible and the Company has sufficient resources to complete the development and to use and sell the asset. Payments to third parties that generally take the form of up-front payments and milestones for in-licensed products, compounds and intellectual property are capitalised since the probability of expected future economic benefits criterion is always considered to be satisfied for separately acquired intangible assets.

(n) Discontinued operations:

A discontinued operation is a component of the Company's business, the operations and cash flows of which can be clearly distinguished from the rest of the Company and which:

- represents a separate major line of business or geographic area of operations;
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographic area of operations; or
- is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be classified as held-for-sale.

When an operation is classified as a discontinued operation, the comparative statement of the statement of profit and loss and OCI is re-presented as if the operation had been discontinued from the start of the comparative year.

(o) Recent Accounting Pronouncements

Ministry of Corporate Affairs ("MCA") notifies new standard or amendments to the existing standards under Companies (Indian Accounting Standards) Rules as issued from time to time. On March 31, 2023, MCA amended the Companies (Indian Accounting Standards) Amendment Rules, 2023, applicable from 1 April 2023, as below:

Torrent Pharma Inc.

Notes to the financial statements (*Continued*)

for the year ended 31 March 2023

(Currency : USD million)

3. Significant accounting policies (*Continued*)

a) Ind AS 1 – Presentation of Financial Statements

The amendments require companies to disclose their material accounting policies rather than their significant accounting policies. Accounting policy information, together with other information, is material when it can reasonably be expected to influence decisions of primary users of general purpose financial statements. The Company does not expect this amendment to have any significant impact in its financial statements.

b) Ind AS 12 – Income Taxes

The amendments clarify how companies account for deferred tax on transactions such as leases and decommissioning obligations. The amendments narrowed the scope of the recognition exemption in paragraphs 15 and 24 of Ind AS 12 (recognition exemption) so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. The Company does not expect this amendment to have any significant impact in its financial statements.

c) Ind AS 8 – Accounting Policies, Changes in Accounting Estimates and Errors

The amendments will help entities to distinguish between accounting policies and accounting estimates. The definition of a change in accounting estimates has been replaced with a definition of accounting estimates. Under the new definition, accounting estimates are “monetary amounts in financial statements that are subject to measurement uncertainty”. Entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty. The Company does not expect this amendment to have any significant impact in its financial statements.

4A Right of use assets

	Building
Gross carrying amount as at 1 April 2021	0.70
Additions	-
Deletions	-
Gross carrying amount as at 31 March 2022	0.70
Gross carrying amount as at 1 April 2022	0.70
Additions	1.47
Deletions	-
Gross carrying amount as at 31 March 2023	2.17
Accumulated depreciation	
As at 1 April 2021	0.56
Additions	0.14
Deletions	-
As at 31 March 2022	0.70
As at 1 April 2022	0.70
Additions	0.13
Deletions	-
As at 31 March 2023	0.83
Carrying amount (net)	
As at 31 March 2022	-
As at 31 March 2023	1.34

- (i) Lease contracts entered by the Company pertains to buildings taken on lease to conduct its business in the ordinary course.
- (ii) Lease expenses of USD 0.09 million recognised in statement of profit and loss for the year ended 31 March 2023 (USD 0.17 million for the year ending 31 March 22) towards short-term leases, lease of low value assets and variable lease rental not included in measurement of lease liability.
- (iii) Extension and termination options are included in the lease contracts. These are used to maximise operational flexibility in terms of managing assets used in Company's operations.
- (iv) Lease obligations, interest expense on lease, maturity profile of lease obligation and payment of lease obligations are disclosed respectively in the balance sheet, finance cost (refer note 24), liquidity risk (refer note 34) and cash flow statement.

Torrent Pharma Inc.

Notes to the financial statements (Continued) as at 31 March 2023

(Currency : USD million)

	31 March 2023	31 March 2022
5 Goodwill		
Cost:		
Balance at beginning of year	-	11.09
Less : Impairment provision (Refer note 35)	-	11.09
Balance at end of year	<u>-</u>	<u>-</u>

The Company tests goodwill for impairment annually or based on an indicator and provides for impairment if the carrying amount of goodwill exceeds its recoverable amount. The recoverable amount was determined based on "value in use" calculations which is calculated as the net present value of forecasted cash flows of cash generating unit (CGU) to which the goodwill relates.

Key assumptions for CGUs with significant amount of goodwill were as follows :

- Projected cash flows for five years based on financial budgets / forecasts in line with the past experience and new product introduction expected. The perpetuity value is taken based on the long term growth rate depending on macro economic growth factors
- Discount rate applied to projected cash flow is 12%.

6 Other intangible assets

	Computer software	Product license	Non-compete fees	Total
Cost				
As at 1 April 2021	0.66	15.00	0.70	16.36
Additions	0.99	-	-	0.99
Deletions/adjustments	(0.88)	(15.00)	(0.70)	(16.58)
As at 31 March 2022	<u>0.77</u>	<u>-</u>	<u>-</u>	<u>0.77</u>
As at 1 April 2022	0.77	-	-	0.77
Additions	-	-	-	-
Deletions	-	-	-	-
As at 31 March 2023	<u>0.77</u>	<u>-</u>	<u>-</u>	<u>0.77</u>
Accumulated amortization and impairment				
As at 1 April 2021	0.66	9.00	0.45	10.11
Additions	0.30	1.50	0.07	1.87
Impairment for the year (Refer note 35)	0.62	-	0.18	0.80
Deletions/adjustments	(0.88)	(10.50)	(0.70)	(12.08)
As at 31 March 2022	<u>0.70</u>	<u>-</u>	<u>-</u>	<u>0.70</u>
As at 1 April 2022	0.70	-	-	0.70
Additions	0.04	-	-	0.04
Deletions	-	-	-	-
As at 31 March 2023	<u>0.74</u>	<u>-</u>	<u>-</u>	<u>0.74</u>
Carrying amount (net)				
As at 31 March 2022	<u>0.07</u>	<u>-</u>	<u>-</u>	<u>0.07</u>
As at 31 March 2023	<u>0.03</u>	<u>-</u>	<u>-</u>	<u>0.03</u>
Intangible assets under development				
As at 1 April 2021				10.01
Additions				2.88
Impairment for the year (Refer note 35)				9.90
Deletions				0.99
As at 31 March 2022				<u>2.00</u>
As at 1 April 2022				2.00
Additions				-
Deletions				-
As at 31 March 2023				<u>2.00</u>

(i) Intangible assets under development ageing schedule for the year ended :

As at 31 March 2023	Amount in Intangible assets under development for a period of				
	Less than 1 year	1-2 yrs	2-3 yrs	More than 3 yrs	Total
Projects in Progress	-	-	-	-	-
Others	-	2.00	-	-	2.00
Projects temporarily suspended	-	-	-	-	-
As at 31 March 2022	Amount in Intangible assets under development for a period of				
	Less than 1 year	1-2 yrs	2-3 yrs	More than 3 yrs	Total
Projects in Progress	-	-	-	-	-
Others	2.00	-	-	-	2.00
Projects temporarily suspended	-	-	-	-	-

Torrent Pharma Inc.

Notes to the financial statements (Continued)

as at 31 March 2023

(Currency : USD million)

	31 March 2023	31 March 2022
7 Inventories		
Raw materials	0.15	0.14
Stock-in-trade	19.73	26.30
	<u>19.88</u>	<u>26.44</u>

During the year, the write-down of inventories to net realisable value amounted to USD 4.54 million (31 March 2022 : USD 8.57 million) and reversal of write down amounted to USD 2.25 million (31 March 2022 : USD 0.41 million). The write-down and reversal are included in cost of material consumed or changes in inventories of traded goods.

8 Trade receivables

a) Considered good	76.47	71.71
b) Credit-impaired	0.20	0.20
Less : Allowance for expected credit loss	(0.20)	(0.20)
	<u>76.47</u>	<u>71.71</u>

(i) The Company's exposure to credit risk and allowance for doubtful trade receivables related to trade receivables are disclosed in note 34

(ii) Movements in allowance for doubtful trade receivable :

Opening balance	0.20	0.20
Add : Provision made during the year (net of reversal)	-	-
Less: Provision utilised during the year	-	-
Closing balance	<u>0.20</u>	<u>0.20</u>

(iii) Trade receivable ageing schedule for the year ended as on 31 March 2023 and 31 March 2022

As at 31 March 2023	Outstanding for following periods from due date of payment						Total
	Not Due	Less than 6 months	6 months- 1 year	1-2 yrs	2-3 yrs	More than 3 yrs	
(i) Undisputed Trade receivables - considered good	76.47	-	-	-	-	-	76.47
(ii) Undisputed Trade Receivables - which have significant increase in credit risk	-	-	-	-	-	-	-
(iii) Undisputed Trade Receivables - credit impaired	-	-	-	-	-	0.20	0.20
(iv) Disputed Trade Receivables - considered good	-	-	-	-	-	-	-
(v) Disputed Trade Receivables - which have significant increase in credit risk	-	-	-	-	-	-	-
(vi) Disputed Trade Receivables - credit impaired	-	-	-	-	-	-	-
Less : Allowance for credit loss							(0.20)
Total Trade receivables							<u>76.47</u>

As at 31 March 2022	Outstanding for following periods from due date of payment						Total
	Not Due	Less than 6 months	6 months- 1 year	1-2 yrs	2-3 yrs	More than 3 yrs	
(i) Undisputed Trade receivables - considered good	71.71	-	-	-	-	-	71.71
(ii) Undisputed Trade Receivables - which have significant increase in credit risk	-	-	-	-	-	-	-
(iii) Undisputed Trade Receivables - credit impaired	-	-	-	-	0.05	0.15	0.20
(iv) Disputed Trade Receivables - considered good	-	-	-	-	-	-	-
(v) Disputed Trade Receivables - which have significant increase in credit risk	-	-	-	-	-	-	-
(vi) Disputed Trade Receivables - credit impaired	-	-	-	-	-	-	-
Less : Allowance for credit loss							(0.20)
Total Trade receivables							<u>71.71</u>

9 Cash and cash equivalents

Balances with banks		
- Current accounts	5.95	8.59
	<u>5.95</u>	<u>8.59</u>

Torrent Pharma Inc.

Notes to the financial statements (Continued)

as at 31 March 2023

(Currency : USD million)

	31 March 2023	31 March 2022
10 Other assets		
Non-current		
Capital advances	-	0.13
	<u>-</u>	<u>0.13</u>
Current		
Prepaid expenses	0.39	0.34
Advances to suppliers	0.17	0.18
	<u>0.56</u>	<u>0.52</u>

11 Equity share capital

Authorized

100,000 (31 March 2022 : 100,000) equity shares of USD 100 each

10.00 10.00

Issued, subscribed and paid up

12,000 (31 March 2022 : 12,000) equity shares of USD 100 each fully paid up

1.20 1.20

There is no movement in number of equity shares and amount of equity share capital for the year ended 31 March 2023 and 31 March 2022. All the equity shares are held by Torrent Pharmaceuticals Limited (Parent company) who is also the promoter of the Company.

Rights, preferences and restrictions attached to equity shares

The Company has single class of equity shares having a par value of USD 100 each. Every holder of equity share is entitled to one vote per share. The equity shares are entitled to receive dividends as declared from time to time.

12 Other equity

Retained earnings

At the commencement of the year

(101.13) (42.19)

Add: Profit/(loss) for the year

0.10 (58.94)

At the end of the year

(101.03) (101.13)

13 Borrowings

Non current

Loan from bank (Secured)*

20.00 20.00

Loan from related party (Unsecured)

40.00 40.00

60.00 60.00

Current

Other borrowings

Loan from bank (Unsecured)

69.00 69.00

Total current borrowings

69.00 69.00

*Secured term loan from bank carries variable interest rate. The said loan is secured by a continuing security interest in, and a lien upon the inventory, account receivables (including without limitation health-care-insurance receivables) and all proceeds of such inventory and accounts receivable as per section 2 of the Security Agreement. The term loan is guaranteed by Torrent Pharmaceuticals Limited (Parent company).

Average interest rate on borrowings is 5.34% for the year ended 31 March 2023 (previous year 2.95%).

Torrent Pharma Inc.

Notes to the financial statements (Continued)

as at 31 March 2023

(Currency : USD million)

	31 March 2023	31 March 2022
14 Provisions		
Non-current		
Provision for sales returns (refer note 28a)	5.41	5.38
	<u>5.41</u>	<u>5.38</u>
Current		
Provision for sales returns (refer note 28a)	8.36	8.40
Provision for failure to supply (refer note 28b)	1.90	3.80
Provision for medicaid rebate (refer note 28c)	1.62	0.84
Provision for expenses (refer note 28d)	0.40	3.55
	<u>12.28</u>	<u>16.59</u>
15 Other liabilities		
Current		
Advances from customers	0.03	0.05
Statutory dues payable	0.20	0.27
	<u>0.23</u>	<u>0.32</u>
16 Trade payables		
Dues to related parties (refer note 32)	101.57	107.46
Dues to others	6.04	4.01
	<u>107.61</u>	<u>111.47</u>

Trade Payables ageing schedule for the year ended as on 31 March 2023 and 31 March 2022

As at 31 March 2023	Outstanding for following periods from due date of payment						Total
	Unbilled	Not Due	Less than 1 yr.	1-2 yrs	2-3 yrs	More than 3 yrs	
(i) Undisputed dues	3.95	54.19	49.42	0.05	0.00	-	107.61
(ii) Disputed dues	-	-	-	-	-	-	-
As at 31 March 2022	Outstanding for following periods from due date of payment						Total
	Unbilled	Not Due	Less than 1 yr.	1-2 yrs	2-3 yrs	More than 3 yrs	
(i) Undisputed dues	3.01	65.41	43.05	0.00	0.00	0.00	111.47
(ii) Disputed dues	-	-	-	-	-	-	-

17 Other financial liabilities

Current

Interest accrued but not due on borrowings	0.85	0.54
Bonus payable	2.00	2.41
Creditors for capital goods	-	0.41
Other payables	0.01	0.02
	<u>2.86</u>	<u>3.38</u>

Torrent Pharma Inc.

Notes to the financial statements (Continued)

as at 31 March 2023

(Currency : USD million)

	31 March 2023	31 March 2022
18 Deferred tax assets		
Deferred tax assets:		
Provision for chargebacks, sales returns and rebates	10.67	13.39
Provision for inventories	6.10	5.18
Provision for bonus	0.47	0.55
Difference in depreciation and amortization as per books and tax	11.89	11.60
Provision for failure to supply	0.44	0.71
Rent equalisation and others	0.58	0.10
State net operating losses and federal research and development credit carryforward	12.93	11.23
	<u>43.08</u>	<u>42.76</u>

In assessing the realization of deferred tax assets, management considers that ultimate realization of deferred tax depends on the generation of future taxable income during the period in which deferred tax assets become deductible. Based on the trend of historical taxable income and projection for future taxable income over the period in which the deferred tax assets are deductible, management believes that the Company will realize the benefits of those deductible differences. Accordingly, amount of deferred tax assets are considered realizable.

Torrent Pharma Inc.

Notes to the financial statements (Continued) for the year ended 31 March 2023

(Currency : USD million)

	Year ended 31 March 2023	Year ended 31 March 2022
19 Revenue from operations		
Sale of products	137.51	136.79
Other operating revenue		
Miscellaneous operating income	1.00	2.22
	<u>1.00</u>	<u>2.22</u>
	<u>138.51</u>	<u>139.01</u>
Reconciliation of revenue from operations with the contracted price :		
Contracted price	679.94	671.42
Adjustments :		
Chargeback, rebates and discounts	(526.02)	(524.28)
Sales return	(7.78)	(6.86)
Others	(8.63)	(3.49)
Sale of products	<u>137.51</u>	<u>136.79</u>
Add : Other operating revenue	<u>1.00</u>	<u>2.22</u>
Revenue from operations	<u>138.51</u>	<u>139.01</u>
20 Other income		
Profit on sale of product licenses	1.19	-
	<u>1.19</u>	<u>-</u>
21 Cost of materials consumed		
Inventory of raw materials and packing materials at the beginning of the year	0.17	0.12
Add : purchases of raw materials and packing materials	0.35	0.52
Less : inventory of raw materials at the end of the year	0.17	0.17
	<u>0.35</u>	<u>0.47</u>
22 Change in inventories of stock-in-trade		
Opening inventory:		
Stock-in-trade	26.30	32.82
Closing inventory:		
Stock-in-trade	19.73	26.30
Net decrease in inventory	<u>6.57</u>	<u>6.52</u>

Torrent Pharma Inc.

Notes to the financial statements (Continued)

for the year ended 31 March 2023

(Currency : USD million)

	Year ended 31 March 2023	Year ended 31 March 2022
23 Employee benefits expense		
Salaries and bonus	6.97	7.72
Contribution to statutory funds (refer note 27)	0.19	0.35
	<u>7.16</u>	<u>8.07</u>
24 Finance costs		
Interest expenses	5.78	-
Interest expense on lease	0.04	-
Other borrowing cost	1.34	-
	<u>7.16</u>	<u>-</u>
25 Other expenses		
Legal and professional fees	4.69	4.31
Freight, clearing, handling and forwarding charges	4.85	4.03
Product development expenses	2.86	0.87
Insurance	1.05	0.81
Registration expenses	0.38	0.53
Repairs and maintenance	0.21	-
Product recall expenses	0.05	0.47
Failure to supply charges (refer note 28b)	0.09	0.44
Royalty	0.45	0.41
Labour charges	0.41	0.33
Rates and taxes	0.09	0.13
Selling, publicity and medical literature expenses	0.18	0.11
Payment made to auditors		
-Audit fees	0.09	0.09
-Reimbursement of expenses	0.01	0.01
Travelling, conveyance and vehicle expenses	0.22	0.09
Communication expenses	0.05	0.06
Power and fuel	0.07	0.01
Miscellaneous expenses	1.40	0.67
	<u>17.15</u>	<u>13.36</u>

Torrent Pharma Inc.

Notes to the financial statements (Continued) for the year ended 31 March 2023

(Currency : USD million)

		Year ended 31 March 2023	Year ended 31 March 2022
26 Earnings per share			
Earnings per share from continuing operations:			
Net profit for the year (a)	(USD)	0.10	26.70
Weighted average number of equity shares (b)	(Nos.)	12,000	12,000
Earnings per share (basic and diluted) (a) / (b)	(USD)	8.51	2,224.63
Nominal value per equity share	(USD)	100	100
Earnings per share from discontinued operations:			
Net loss for the year (a)	(USD)	-	(85.64)
Weighted average number of equity shares (b)	(Nos.)	12,000	12,000
Earnings per share (basic and diluted) (a) / (b)	(USD)	-	(7,137.08)
Nominal value per equity share	(USD)	100	100

27 Retirement plan

The Company has an Internal Revenue Code Section 401(k) retirement plan whereby the Company contributes 3% of all eligible employees compensation. Company's contribution to the plan amounted USD 0.19 million for the year ended 31 March 2023 (previous year : USD 0.35 million)

28 (a) Provision for sales returns

The Company, as a trade practice accepts returns from market for formulations which are primarily in the nature of expired, damaged or near expiry products. Provision for such returns is estimated on the basis of historical experience, market conditions and specific contractual terms are provided for. Details of the provision is as under :

	Year ended 31 March 2023	Year ended 31 March 2022
Opening provision	13.78	18.45
Add: Additional provision	8.39	6.86
Less: Utilization during the year	8.40	11.53
Closing provision	<u>13.77</u>	<u>13.78</u>

(b) Provision for failure to supply

The Company has a contractual obligation towards its customers to pay compensation for item substitution by them in case of failure to supply products by the Company with the stipulated time. Provision for such claims from customers estimated on the basis of quantities non/short delivered by Company against orders from customers and on specific contractual terms are provided for. Details of the provision is as under :

	Year ended 31 March 2023	Year ended 31 March 2022
Opening provision	3.80	3.97
Add : Addition	1.07	5.74
Less: Reversal	(0.98)	(4.67)
Less: Utilization during the year	1.99	1.24
Closing provision	<u>1.90</u>	<u>3.80</u>

Torrent Pharma Inc.

Notes to the financial statements *(Continued)* for the year ended 31 March 2023

(Currency : USD million)

28 (c) Provision for Medicaid rebate

Pharmaceutical Companies whose products are covered by the Medicaid program are required to give rebate to each state in the form of a percentage of their average manufacturer's price for the products dispensed. Medicaid rebates are estimated based on historical trends of rebates paid. Details of the provision is as under :

	Year ended 31 March 2023	Year ended 31 March 2022
Opening provision	0.84	1.60
Add: Additional provision (net of reversal)	3.96	3.49
Less: Utilization during the year	3.18	4.25
Closing provision	<u>1.62</u>	<u>0.84</u>

(d) Provision for expenses

Provision is made towards certain contractual obligations and recall:

	Year ended 31 March 2023	Year ended 31 March 2022
Opening provision	3.55	0.37
Add: Additional provision *	-	3.47
Less: Utilization during the year*	3.15	0.29
Closing provision	<u>0.40</u>	<u>3.55</u>

*includes the impact of discontinued operations

29 Depreciation and amortization expense

Depreciation on Property, plant and equipment	0.03	0.04
Amortisation of right of use assets	0.13	0.14
Amortization of Intangible assets	0.04	1.54
	<u>0.20</u>	<u>1.72</u>

Torrent Pharma Inc.

Notes to the financial statements (Continued) for the year ended 31 March 2023

(Currency : USD million)

30 Segment reporting

The board of directors of the Company allocate resources and assess the performance of the Company, thus are the Chief Operating Decision Makers (CODM). The CODM, considering the nature of Company's business and operations, monitors the operating results of the Company as a one, hence there are no separate reportable segments (business and / or geographical) in accordance with the requirement of Indian Accounting Standard 108- "Operating Segments".

A. Information about products and services

The operations of the Company are limited to one segment viz. Pharmaceutical and related products. The products being sold under this segment are of similar nature and relate to the pharmaceutical products only.

B. Information about geographical areas

The Company has operations in the United States of America. The Company does not have geographical distribution of revenue and assets, hence, secondary segmental reporting based on geographical locations of its customers and assets is not applicable to the Company.

C. Information about major customers

The Company has 3 customers for the year ended 31 March 2023 and had 3 customers for the year ended 31 March 2022 which accounts for more than 10% of the total revenue.

31 Income tax expenses

	Year ended 31 March 2023	Year ended 31 March 2022
(a) Income tax expenses		
Current tax		
Current tax on profits for the year	-	-
Adjustment for the current tax of prior period	<u>0.41</u>	<u>(2.38)</u>
Total current tax expenses	<u>0.41</u>	<u>(2.38)</u>
Deferred Tax		
(Increase) in deferred tax assets (net)	<u>(0.73)</u>	<u>(17.60)</u>
Total deferred tax expenses	<u>(0.73)</u>	<u>(17.60)</u>
Income tax expenses	<u>(0.32)</u>	<u>(19.98)</u>
(b) Reconciliation of effective tax rate		
(Loss) before income taxes	<u>(0.22)</u>	<u>(78.93)</u>
Enacted tax rate in USA	<u>21.00%</u>	<u>21.00%</u>
Expected income tax expenses	<u>(0.05)</u>	<u>(16.58)</u>
Adjustments to reconcile expected income tax expense to reported income tax expense:		
State tax expense, net of federal benefit	<u>(0.19)</u>	<u>(1.18)</u>
Deferred tax impact on state taxes due to rate change	<u>(0.50)</u>	<u>-</u>
Cares Act NOL carryback tax rate differential	<u>-</u>	<u>(2.38)</u>
Others	<u>0.42</u>	<u>0.15</u>
Adjusted income tax expenses	<u>(0.32)</u>	<u>(19.98)</u>

Torrent Pharma Inc.

Notes to the financial statements (Continued) for the year ended 31 March 2023

(Currency : USD million)

31 Income tax expenses (Continued)

(c) Recognised deferred tax assets

Movement in temporary differences - 31 March 2023

Particulars	Balance as at 1 April 2022	Recognised in profit or loss during 2022-23	Recognised in OCI during 2022-23	Balance as at 31 March 2023
Provision for chargebacks, sales returns and rebates	13.39	(2.72)	-	10.67
Provision for inventories	5.18	0.92	-	6.10
Provision for bonus	0.55	(0.08)	-	0.47
Difference in depreciation and amortization as per books and tax	11.60	0.29	-	11.89
Provision for failure to supply	0.71	(0.27)	-	0.44
Rent equalisation and others	0.10	0.48	-	0.58
State net operating losses and federal research and development credit carryforward	11.23	1.70	-	12.93
	<u>42.76</u>	<u>0.32</u>	<u>-</u>	<u>43.08</u>

Movement in temporary differences - 31 March 2022

Particulars	Balance as at 1 April 2021	Recognised in profit or loss during 2021-22	Recognised in OCI during 2021-22	Balance as at 31 March 2022
Provision for chargebacks, sales returns and rebates	15.96	(2.57)	-	13.39
Provision for inventories	6.03	(0.85)	-	5.18
Provision for bonus	0.39	0.16	-	0.55
Difference in depreciation and amortization as per books and tax	5.03	6.57	-	11.60
Provision for failure to supply	0.45	0.26	-	0.71
Rent equalisation and others	0.03	0.07	-	0.10
State net operating losses and federal research and development credit carryforward	0.82	10.41	-	11.23
	<u>28.71</u>	<u>14.05</u>	<u>-</u>	<u>42.76</u>

Torrent Pharma Inc.

Notes to the Financial Statements (Continued) for the year ended 31 March 2023

(Currency : USD million)

32 Related party disclosures

The disclosures pertaining to related parties and transactions therewith are set out in the table below :

(A) Nature of transactions

Particulars	Holding Company		Other related parties		Total	
	31 March 2023	31 March 2022	31 March 2023	31 March 2022	31 March 2023	31 March 2022
Purchase of traded goods	101.10	102.01	-	-	101.10	102.01
Sales of intangible assets	5.69	-	-	-	5.69	-
Interest expense	-	-	1.90	1.90	1.90	1.90
Guarantee commission expense	1.34	1.03	-	-	1.34	1.03
Expenses reimbursement - (reversal)/received	(0.48)	0.48	-	-	(0.48)	0.48
Insurance claim - received	-	0.66	-	-	0.00	0.66
Expenses reimbursement - paid	0.44	0.99	-	-	0.44	0.99

(B) Balances at the end of the year

	31 March 2023	31 March 2022	31 March 2023	31 March 2022	31 March 2023	31 March 2022
Trade payables	101.57	107.46	-	-	101.57	107.46
Borrowings	-	-	40.47	40.47	40.47	40.47
Outstanding corporate guarantee obtained at the year end	101.00	101.00	-	-	101.00	101.00

Name of Holding Company Torrent Pharmaceuticals Limited

Other related parties Heumann Pharma Gmbh & Co. Generica KG (Fellow subsidiary)

All related party transactions entered during the year were in ordinary course of the business and are on an arm's length basis. Outstanding balances at the year end are unsecured and settlement occurs in cash.

Torrent Pharma Inc.

Notes to the financial statements (Continued)

for the year ended 31 March 2023

(Currency : USD million)

33 Financial Instruments

(i) Financial assets and liabilities

The following tables shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy as of 31 March 2023.

Particulars	Fair Value through P&L	Fair Value through OCI	Amortised Cost	Total carrying value
Financial assets:				
Cash and cash equivalents	-	-	5.95	5.95
Trade receivables	-	-	76.47	76.47
Total	-	-	82.42	82.42
Financial liabilities				
Borrowings	-	-	129.00	129.00
Trade payables	-	-	107.61	107.61
Other financial liabilities - current	-	-	2.86	2.86
Total	-	-	239.47	239.47

Particulars	Total carrying value	Level 1	Level 2	Level 3	Total
Financial assets:					
Cash and cash equivalents	5.95	-	-	-	-
Trade receivables	76.47	-	-	-	-
Total	82.42	-	-	-	-
Financial liabilities					
Borrowings	129.00	-	-	-	-
Trade payables	107.61	-	-	-	-
Other financial liabilities - current**	2.86	-	-	-	-
Total	239.47	-	-	-	-

** Management does not expect any significant change in liability on settlement.

The following tables shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy as of 31 March 2022.

(Currency : USD)

Particulars	Fair Value through P&L	Fair Value through OCI	Amortised Cost	Total carrying value
Statement of profit and loss				
Financial assets:				
Cash and cash equivalents	-	-	8.59	8.59
Trade receivables	-	-	71.71	71.71
Total	-	-	80.30	80.30
Financial liabilities				
Borrowings	-	-	129.00	129.00
Trade payables	-	-	111.47	111.47
Other financial liabilities - current	-	-	3.38	3.38
Total	-	-	243.85	243.85

(Currency : USD)

Particulars	Total carrying value	Level 1	Level 2	Level 3	Total
Financial assets:					
Cash and cash equivalents	8.59	-	-	-	-
Trade receivables	71.71	-	-	-	-
Total	80.30	-	-	-	-
Financial liabilities					
Borrowings	129.00	-	-	-	-
Trade payables	111.47	-	-	-	-
Other financial liabilities - current**	3.38	-	-	-	-
Total	243.85	-	-	-	-

Torrent Pharma Inc.

Notes to the financial statements (*Continued*)

for the year ended 31 March 2023

(Currency : USD million)

34 Financial Risk Management

The group has exposure to the following risks arising from financial instruments

- Credit Risk
- Liquidity Risk
- Market Risk

i. Risk Management Framework

The Company's activities are exposed to financial risks. These risks include market risk, credit risks and liquidity risk. The Company's overall risk management program seeks to minimize potential adverse effects on the financial performance of the Company through established policies and processes which are laid down to ascertain the extent of risks, setting appropriate limits and controls and continuous monitoring and compliance of the same.

ii Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers.

Other financial assets

The Company maintains its cash and cash equivalents with banks having good reputation, good past track record and high quality credit rating and also reviews their credit-worthiness on an on-going basis.

Trade receivables

Trade receivables of the Company are typically unsecured. Credit risk is managed through credit approvals and periodic monitoring of the creditworthiness of customers to which company grants credit terms in the normal course of business. The Company performs ongoing credit evaluations of its customers' financial condition and monitors the creditworthiness of its customers to which it grants credit terms in the normal course of business. The allowance for provision for doubtful debts of trade receivables is created to the extent and as and when required, based upon the expected collectability of accounts receivables.

The maximum exposure to credit risk was USD 82.42 million (31 March 2022 USD 80.30 million) being the total of the carrying amount of trade receivables and balances with banks.

Torrent Pharma Inc.

Notes to the financial statements (Continued) for the year ended 31 March 2023

(Currency : USD million)

34 Financial Risk Management (Continued)

iii. Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The parent Company has guaranteed the debt of the Company as well as agreed to support the subsidiary in case of any liquidity requirement of the Company.

Exposure to liquidity risk

The following are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted, and include estimated interest payments and exclude the impact of netting agreements.

As at 31 March 2023	Due in Year 1	Due in Year 2	Due in Year 3 to 5	Due in more than 5 Year	Total
Liabilities :					
Trade and other payables*	107.61	-	-	-	107.61
Borrowings	69.00	60.00	-	-	129.00
Lease liabilities	0.17	0.18	0.62	0.46	1.43
Other Liabilities	2.86	-	-	-	2.86
Total	179.64	60.18	0.62	0.46	240.90

*Includes USD 101.57 million payable to parent Company.

As at 31 March 2022	Due in Year 1	Due in Year 2	Due in Year 3 to 5	Due in more than 5 Year	Total
Liabilities :					
Trade and other payables*	111.47	-	-	-	111.47
Borrowings	69.00	-	60.00	-	129.00
Lease liabilities	-	-	-	-	-
Other Liabilities	3.38	-	-	-	3.38
Total	183.85	-	60.00	-	243.85

*Includes USD 107.46 million payable to parent Company.

iv. Market risk

Market risk refers to risk of fluctuation in fair values or future cash flows because of changes in market rates or prices. The Company's exposure from market risks is primarily on account of interest rate risk.

Interest rate risk

The company's 31% of the borrowings is at fixed rate and remaining at floating interest rate. This is achieved partly by entering into fixed-rate instruments and partly by borrowing at a floating rate and using interest swaps as hedges of the variability in cash flows attributable to interest rate risk. Borrowings amounting to USD 89 million are at floating interest rate.

Sensitivity analysis for floating rate of interest loans

In respect of borrowings, the outstanding loan with variable rate of interest is not significant as compared to total amount of borrowings and hence interest rate sensitivity has not been performed.

Torrent Pharma Inc.

Notes to the financial statements (Continued) for the year ended 31 March 2023

(Currency : USD million)

35 Discontinued operations

The management has assessed the financial viability of its liquid business taking into account the potential revenues from the current marketed products, time required for bringing the pipeline products into the market, the increase in competition intensity over the last few years and the incremental investments required over the foreseeable future. The management's assessment indicates that the incremental investments required will exceed the economic benefits over the foreseeable future and therefore it would be prudent to discontinue the liquid facility operations. Since the liquid facility operations constitute a major line of business, this has been disclosed as discontinued operations. Corresponding profit or loss for the comparative period have also been restated as discontinued operations.

a) Results of discontinued operations

Particulars	For the Year ended	
	31 March 2023	31 March 2022
Total Revenue	-	0.65
Expenses	-	22.66
Impairment of assets**	-	57.63
Provision for expenses [#]	-	6.00
(Loss) before tax from discontinued operations	-	(85.64)
Tax expense *	-	-
(Loss) from discontinued operations	-	(85.64)
Basic and diluted earnings per share	-	(7,137.08)

[#] Provisions include write down of inventory, certain contractual obligations and failure to supply expenses.

* Loss on discontinued operations will be eligible to offset against future taxable profit in continuing operation. Accordingly, resulting tax credits are recognised in continuing operations.

** Based on the management judgment and best estimate assumptions of the fair value of the assets of liquid facility, the company has recognised impairment aggregating to USD 57.63 million during the year ended 31 March 2022 as below :

	Year ended	
	31 March 2023	31 March 2022
Tangible assets	-	35.84
Intangible assets	-	0.80
Intangible assets under development	-	9.90
Goodwill	-	11.09
Total	-	57.63

The impairment loss has been determined by considering assets of liquid facility, intangible assets including assets under development and corresponding goodwill as a cash generating unit (CGU). Recoverable amount (i.e. higher of value in use and fair value less cost to sell) of CGU was compared to carrying value and impairment amount was arrived.

b) Cash flows from / (used) in discontinued operations

Particulars	For the Year ended	
	31 March 2023	31 March 2022
Cash flows from / (used) in operating activities	-	(23.83)
Cash flows from / (used) in investing activities	-	(0.85)
Cash flows from / (used) in financing activities	-	24.67
Net cash flows / (used) during the year	-	(0.01)

Torrent Pharma Inc.

Notes to the financial statements (Continued)

for the year ended 31 March 2023

(Currency : USD million)

36 Capital management

The capital structure of the Company consists of equity, debt, cash and cash equivalents. The Company's objective for capital management is to maintain the capital structure which will support the Company's strategy to maximize shareholder's value, safeguarding the business continuity and help in supporting the growth of the Company. The Company's parent Company is committed to support the Company in order to achieve an optimum capital management.

37 Contingencies

The Company is involved in certain legal proceedings, including product liability and other commercial matters, that arise from time to time in the ordinary course of business. It is difficult to ascertain the financial effect, if any, of such proceedings that will result from its ultimate disposition due to involvement of complex issues with substantial uncertainties and without any precedents. Additionally, many factors like stage of the proceedings, overall length and extent of discovery process; the entitlement of the parties to an action to appeal a decision; the extent of the claims; the possible need for further legal proceedings to establish the appropriate amount of damages, if any; the settlement posture of the other parties to the litigation; uncertainty in timing of litigation and any other factors that may have an implications on the ultimate outcome of the ongoing litigations. The Company assesses likely outcome based on internal assessment as well as considers views of legal counsel representing the Company.

38 Non-Current assets held for sale

Non-current assets or disposal groups comprising of assets and liabilities are classified as 'held for sale' when all the following criteria are met: (i) decision has been made to sell, (ii) the assets are available for immediate sale in its present condition, (iii) the assets are being actively marketed and (iv) sale has been agreed or is expected to be concluded within 12 months of the Balance Sheet date.

Subsequently, such non-current assets and disposal groups classified as 'held for sale' are measured at the lower of its carrying value and fair value less costs to sell. Non-current assets held for sale are not depreciated or amortised.

Particulars	31 March 2023
Group of assets held for sale (Refer note 4)	
Land (net of impairment)	1.88
Other property, plant and equipments (net of impairment)	-
Total	1.88

1. Carrying value of Levittown facility as described above has been classified as "Non-current assets held for sale". The same is considered to be highly probable and is expected to be sold within one year from the date of classification.

2. During the year, the Company has disposed off the product license to the Holding Company and recognised gain of USD 1.19 million which was classified as assets held for sale in previous year.

39 Going Concern

The negative net worth is mainly on account of impairment of acquired assets in earlier years. Management has prepared financial statements for year ended 31 March 2023 on a going concern basis and the management is confident of future growth of the business. The Company has been able to meet its obligations in the ordinary course of the business in the current year.

Torrent Pharma Inc.

Notes to the financial statements (Continued)
for the year ended 31 March 2023

40 Analytical ratios for the year ended 31 March 2023 and 31 March 2022

Ratios	As at	As at	Variance
	31 March 2023	31 March 2022	
(a) Current Ratio	0.55	0.56	2%
(b) Inventory turnover ratio* (Refer note)	5.94	4.49	-32%
(c) Trade Receivables turnover ratio	1.86	1.93	4%
(d) Trade payables turnover ratio	1.26	1.16	-8%

Note:

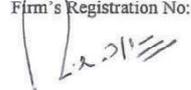
Lower purchases during the year resulted in rationalization in overall inventory.

In the light of discontinued operation in the previous year, and its consequential impact on the equity and the loss, certain ratios have not been provided.

Ratios have been computed as follows :-

- (a) Current Ratio : Current assets / Current liabilities
- (b) Inventory turnover : Net sales / Average Inventories
- (c) Trade Receivables turnover : Net sales / Average trade receivables
- (d) Trade payables turnover : Net sales / Average trade payables

For B S R & Co. LLP
Chartered Accountants
Firm's Registration No: 101248W/W-100022


Nirav Patel
Partner
Membership No: 113327

Mumbai
23-May-23

For and on behalf of the Board of Directors of
Torrent Pharma Inc.



Sanjay Gupta
Director

New Jersey, USA
23-May-23