

*GLENMARK PHARMACEUTICALS  
INC. USA*

*STATUTORY AUDIT REPORT  
FINANCIAL YEAR 2022-23*

*P. PARIKH & ASSOCIATES  
CHARTERED ACCOUNTANTS*

**GLENMARK PHARMACEUTICALS INC. , USA**  
**Balance sheet as on Mar 31, 2023**

| ASSETS   | Schedule | Mar 31, 2023<br>USD       | Mar 31, 2022<br>USD       |
|--|----------|---------------------------|---------------------------|
| <i>Current Assets</i>  |          |                           |                           |
| Cash and Cash equivalents  | 1        | 4,674,596                 | 11,198,441                |
| Accounts receivable  | 2        | 132,106,567               | 149,724,667               |
| Inventories  | 3        | 95,187,140                | 95,701,534                |
| Prepaid expenses and other current assets  | 4        | 60,227,826                | 32,279,104                |
| <i>Total current assets</i>  |          | <u>292,196,128</u>        | <u>288,903,747</u>        |
| Property, plant and equipments   | 5        | 149,524,058               | 163,133,006               |
| Intangible assets  | 5        | 7,325,746                 | 8,889,735                 |
| Right to use Assets  | 5        | 1,283,021                 | 3,867,053                 |
| Capital Work in Progress   | 5        | 108,017,146               | 88,377,895                |
| Certificate of Deposit   |          | 205,416                   | 205,416                   |
| Deferred Tax Assets  | 6        | 3,364,759                 | 963,027                   |
| <i>Total Assets</i>  |          | <u><u>561,916,275</u></u> | <u><u>554,339,879</u></u> |
| <b>LIABILITIES AND STOCKHOLDER'S EQUITY</b>  |          |                           |                           |
| <i>Current liabilities</i>   |          |                           |                           |
| Accounts payable   | 7        | 41,001,176                | 172,946,913               |
| Lease Liability - Short Term   |          | 1,124,827                 | 2,844,656                 |
| Other liabilities  | 8        | 4,418,609                 | 4,943,639                 |
| Interest on Loan from Glenmark Holding S.A., Switzerland   |          | 2,551,822                 | 1,404,863                 |
| <i>Total current liabilities</i>   |          | <u>49,096,435</u>         | <u>182,140,072</u>        |
| <i>Non current liabilities</i>   |          |                           |                           |
| Loan from Glenmark Generics Holding S.A., Switzerland  |          | -                         | -                         |
| Lease Liability  |          | 696,761                   | 1,826,592                 |
| <i>Total non current liabilities</i>   |          | <u>696,761</u>            | <u>1,826,592</u>          |
| <i>Total liabilities</i>   |          | 49,793,196                | 183,966,664               |
| <b>Stockholder's equity</b>  |          |                           |                           |
| Common stock, class A, \$0.01 par value, authorized 5000 shares, issued and outstanding' 817 (P. Y. Common stock authorized 5000 shares, issued and outstanding 667) |          |                           |                           |
|  |          | 8.17                      | 6.67                      |
| Reserves and Surplus   | 9        | 512,123,071               | 370,373,208               |
| Total Stockholder's equity   |          | <u>512,123,079</u>        | <u>370,373,215</u>        |
| <b>Total liabilities and stockholder's equity</b>  |          | <u><u>561,916,275</u></u> | <u><u>554,339,879</u></u> |

*The accompanying notes are an integral part of these financial statements*

For GLENMARK PHARMACEUTICALS INC.

Director

*Janper Desol*

Director

*Laura Lester*



**GLENMARK PHARMACEUTICALS INC. , USA**  
**Statement of Operations**

|   | Schedule | Year Ended<br>Mar 31, 2023<br>USD | Year Ended<br>Mar 31, 2022<br>USD |
|---|----------|-----------------------------------|-----------------------------------|
| Net Sales   | 10       | 354,090,138                       | 379,215,797                       |
| Cost of sales   | 12       | 254,300,454                       | 295,783,001                       |
| <b>Gross Profit</b>   |          | <b>99,789,683</b>                 | <b>83,432,795</b>                 |
| Operating Expenses, Selling, General and<br>Administrative Expenses | 14       | 93,986,699                        | 65,842,105                        |
| Depreciation / Amortisation   | 5        | 15,581,228                        | 13,302,358                        |
| <b>Operating Income/ (Loss)</b>                                     |          | <b>(9,778,244)</b>                | <b>4,288,332</b>                  |
| Interest Expense  | 13       | 6,458,015                         | 3,737,838                         |
| <b>Net Operating Income / (Loss)</b>                                |          | <b>(16,236,258)</b>               | <b>550,495</b>                    |
| Other Income  | 11       | 7,028,214                         | 5,022,463                         |
| <b>Profit/(Loss) Before Tax</b>                                     |          | <b>(9,208,044)</b>                | <b>5,572,958</b>                  |
| Tax Expense   | 15       | (957,908)                         | 929,828                           |
| <b>Net Income/(Loss)</b>  |          | <b>(8,250,136)</b>                | <b>4,643,130</b>                  |
| Basic Earnings/(Loss) per common share                              |          | (12,308)                          | 6,961                             |
| Face value per share  |          | 0.01                              | 0.01                              |
| Basic average number of shares outstanding                          |          | 670                               | 667                               |

*The accompanying notes are an integral part of these financial statements*

For GLENMARK PHARMACEUTICALS INC.

*Jayen Desai*

Director

*Laura Lester*

Director



**GLENMARK PHARMACEUTICALS INC. , USA**  
**Statement of cash flows**

|  | Year Ended<br>Mar 31, 2023<br>USD | Year Ended<br>Mar 31, 2022<br>USD |
|--|-----------------------------------|-----------------------------------|
| <b>A. Cash flow from operating activities</b>                                    |                                   |                                   |
| Net Income (Loss)  | (9,208,044)                       | 5,572,958                         |
| Adjustments to reconcile net income (loss) to net cash from operating activities |                                   |                                   |
| Depreciation/Amortization  | 15,581,228                        | 13,302,358                        |
| Reversal of Foreign withholding tax  | -                                 | -                                 |
| Profit/Loss on Sale of Fixed Assets  | 9,201                             |                                   |
| Interest income  | (7,055)                           | (226,346)                         |
| Interest expense on lease liability  | 165,382                           | 298,567                           |
| Interest expense   | 6,299,688                         | 3,665,616                         |
| <b>Operating profit before working capital changes</b>                           | <b>12,840,400</b>                 | <b>22,613,153</b>                 |
| <b>Adjustments for changes in working capital</b>                                |                                   |                                   |
| (Increase)/Decrease in Accounts Receivables                                      | 17,618,100                        | (77,906,851)                      |
| (Increase)/Decrease in Inventory   | 514,394                           | 14,229,302                        |
| (Increase)/Decrease in Other Current Assets                                      | (29,156,245)                      | 17,794,429                        |
| Increase/(Decrease) in Accounts Payable and other Current Liabilities            | (132,470,767)                     | 48,263,917                        |
| Taxes Paid   | (236,300)                         | (250,158)                         |
| <b>Net cash from operating activities</b>  | <b>(130,890,418)</b>              | <b>24,743,792</b>                 |
| <b>B. Cash flow from investing activities</b>                                    |                                   |                                   |
| Additions to fixed assets  | (20,206,740)                      | (45,225,352)                      |
| Sale of Fixed Assets   | 2,734,029                         |                                   |
| Certificate of Deposit   | -                                 | -                                 |
| Interest Income  | 7,055                             | 226,346                           |
| <b>Net cash generated from investing activities</b>                              | <b>(17,465,656)</b>               | <b>(44,999,007)</b>               |
| <b>C. Cash flow from financing activities</b>                                    |                                   |                                   |
| Issue of shares  | 150,000,000                       | -                                 |
| Loan taken/ (repaid)   | -                                 | -                                 |
| Payment for lease liabilities  | (3,015,041)                       | (2,884,026)                       |
| Interest paid  | (5,152,729)                       | (2,938,973)                       |
| <b>Net cash from financing activities</b>  | <b>141,832,230</b>                | <b>(5,822,999)</b>                |
| <b>Net increase/(decrease) in cash</b>   | <b>(6,523,845)</b>                | <b>(26,078,213)</b>               |
| <b>Cash and Cash equivalents:</b>  |                                   |                                   |
| Beginning of the year  | 11,198,441                        | 37,276,655                        |
| End of the year  | <b>4,674,596</b>                  | <b>11,198,441</b>                 |

The accompanying notes are an integral part of these financial statements

For GLENMARK PHARMACEUTICALS INC.

Director

*Jayesh Dew*

Director

*Laura Lester*



GLENMARK PHARMACEUTICALS INC., USA  
Statement of Stockholders' Equity

|                                 | Reserves and Surplus |  |                       | Amount in USD |
|---------------------------------|----------------------|--|-----------------------|---------------|
|                                 | Common Stock         | Securities Premium/<br>Additional Paid in<br>Capital | Profit & Loss Account |               |
| BALANCE as at March 31, 2022    | 6.67                 | 266,665,812  | 103,707,395           | 370,373,214   |
| Issue of shares during the year | 1.50                 | 149,999,999  |                       | 150,000,000   |
| Net income                      | -                    |  | (8,250,136)           | (8,250,136)   |
| BALANCE as at March 31, 2023    | 8.17                 | 416,665,811  | 95,457,259            | 512,123,078   |



**GLENMARK PHARMACEUTICALS INC. , USA**  
**Schedules to the financial statements**

|  | As at<br>Mar 31, 2023<br>USD | As at<br>Mar 31, 2022<br>USD |
|--|------------------------------|------------------------------|
| <b>1 Cash and Cash equivalents</b>                             |                              |                              |
| Cash   | 1,139                        | 1,139                        |
| Bank deposits  | 4,673,457                    | 11,197,302                   |
| <b>Total</b>   | <b>4,674,596</b>             | <b>11,198,441</b>            |
| <b>2 Accounts receivable</b>                                   |                              |                              |
| The age profile of accounts receivable is given below:         |                              |                              |
| <b>Period (in days)</b>  |                              |                              |
| 0 -90  | 126,723,386                  | 144,149,368                  |
| 90-180   | 1,376,908                    | 3,340,723                    |
| 180-365  | 3,191,822                    | 1,160,758                    |
| More than 365  | 814,451                      | 1,073,818                    |
| <b>Accounts receivable</b>                                     | <b>132,106,567</b>           | <b>149,724,667</b>           |
| <b>3 Inventories (Including stock in transit)</b>              |                              |                              |
| Raw Material   | 4,221,416                    | 4,625,299                    |
| Packing Material   | 4,899,702                    | 5,138,266                    |
| Semi Finished Goods  | 153,651                      | 153,651                      |
| Finished Goods Dosage  | 85,912,371                   | 85,784,318                   |
|  | <b>95,187,140</b>            | <b>95,701,534</b>            |
| <b>4 Prepaid expenses and other current assets</b>             |                              |                              |
| Receivable from Glenmark Generics S.A., Argentina              | 105,497                      | 105,497                      |
| Receivable from Glenmark Therapeutic Inc., USA                 | 55,929                       | -                            |
| Receivable from Glenmark Pharmaceuticals Canada Inc            | 104,480                      | 30,776                       |
| Receivable from Glenmark Pharmaceuticals Brazil                | 422,327                      | 191,007                      |
| Receivable from Glenmark Pharmaceuticals Europe Limited        | 1,478,533                    | -                            |
| Receivable from Glenmark Pharmaceuticals Limited, India        | 27,421,522                   | -                            |
| Short Term loan receivable from Glenmark Therapeutic Inc., USA | 404,011                      | -                            |
| Receivable from Ichnos Sciences Inc, USA                       | 1,698,468                    | 1,698,468                    |
| Deposits   | 352,816                      | 496,216                      |
| Prepaid expenses   | 25,363,341                   | 25,728,714                   |
|  | 57,406,923                   | 28,250,677                   |
| Advance Tax (Net of Provision for Tax)                         | 2,820,903                    | 4,028,427                    |
| <b>Total</b>   | <b>60,227,826</b>            | <b>32,279,104</b>            |
| <b>5 Property, plant and equipment, net.</b>                   |                              |                              |
| Leasehold Land/Premises  | 50,362,374                   | 50,362,374                   |
| Freehold Land  | 780,000                      | 780,000                      |
| Factory Building   | 28,641,094                   | 28,641,094                   |
| Plant & Machinery  | 90,360,355                   | 93,162,587                   |
| Equipments   | 13,704,836                   | 14,101,482                   |
| Furniture & Fixtures   | 7,272,174                    | 7,272,174                    |
|  | 191,120,833                  | 194,319,711                  |
| Accumulated depreciation                                       | (41,596,775)                 | (31,186,705)                 |
|  | <b>149,524,058</b>           | <b>163,133,006</b>           |
| Work In progress   | 108,017,146                  | 88,377,895                   |



**GLENMARK PHARMACEUTICALS INC. , USA**  
**Schedules to the financial statements**

|  | As at<br>Mar 31, 2023<br>USD | As at<br>Mar 31, 2022<br>USD |
|--|------------------------------|------------------------------|
| <b>Total</b>   | <b>257,541,204</b>           | <b>251,510,901</b>           |
| <b>Intangible assets</b>                             |                              |                              |
| Computer Software                                    | 12,388,518                   | 12,388,518                   |
| Product Development                                  | 66,975,757                   | 66,575,757                   |
|  | <u>79,364,275</u>            | <u>78,964,275</u>            |
| Amortization   | (72,038,529)                 | (70,074,540)                 |
|  | <u>7,325,746</u>             | <u>8,889,735</u>             |
| Right of Use   | 12,024,945                   | 12,024,945                   |
| Amortization   | (10,741,924)                 | (8,157,892)                  |
|  | <u>1,283,021</u>             | <u>3,867,053</u>             |
| <b>6 Deferred Tax Assets</b>                         |                              |                              |
| Deferred Tax Assets                                  | 3,364,759                    | 963,027                      |
| <b>Total</b>   | <b>3,364,759</b>             | <b>963,027</b>               |
| <b>7 Accounts payable</b>                            |                              |                              |
| Trade payable - domestic                             | 10,390,676                   | 8,586,881                    |
| Payable to Glenmark Specialty SA                     | 25,112,304                   | 38,417,937                   |
| Payable to Glenmark Life Sciences Limited, India     | 5,498,196                    | 3,778,877                    |
| Payable to Glenmark Therapeutics Inc., USA           | -                            | 15,417                       |
| Payable to Glenmark Pharmaceuticals Limited, India   | -                            | 122,147,801                  |
| <b>Total</b>   | <b>41,001,176</b>            | <b>172,946,913</b>           |
| <b>8 Other Liabilities</b>                           |                              |                              |
| Other Liabilities                                    | 4,418,609                    | 4,943,639                    |
| <b>Total</b>   | <b>4,418,609</b>             | <b>4,943,639</b>             |
| <b>9 Reserves &amp; Surplus</b>                      |                              |                              |
| <b>Securities Premium/Additional Paid in Capital</b> |                              |                              |
| Opening Balance                                      | 266,665,813                  | 266,665,813                  |
| Additions during the year                            | 149,999,999                  | -                            |
| Closing Balance                                      | <u>416,665,811</u>           | <u>266,665,813</u>           |
| <b>Profit &amp; Loss Account</b>                     |                              |                              |
| Opening Balance                                      | 103,707,396                  | 99,064,266                   |
| Additions during the year                            | (8,250,136)                  | 4,643,130                    |
| Closing Balance                                      | <u>95,457,260</u>            | <u>103,707,396</u>           |
| <b>Total</b>   | <b>512,123,071</b>           | <b>370,373,208</b>           |



**GLENMARK PHARMACEUTICALS INC. , USA**  
**Schedules to the financial statements**

|   | <b>Year Ended<br/>Mar 31, 2023<br/>USD</b> | <b>Year Ended<br/>Mar 31, 2022<br/>USD</b> |
|---|--|--|
| <b>10 Sales and Operating Income</b>      |  |  |
| Sale of goods and I P assets              | 354,090,138                                | 379,215,797                                |
|   | <u><u>354,090,138</u></u>                  | <u><u>379,215,797</u></u>                  |
| <b>11 Other Income</b>                    |  |  |
| Miscellaneous income                      | 7,028,214                                  | 5,022,463                                  |
|   | <u><u>7,028,214</u></u>                    | <u><u>5,022,463</u></u>                    |
| <b>12 Cost of Sales</b>                   |  |  |
| Purchase of Trading goods and other costs | 253,786,060                                | 281,553,699                                |
| (Increase) / decrease in inventory        | 514,394                                    | 14,229,302                                 |
|   | <u><u>254,300,454</u></u>                  | <u><u>295,783,001</u></u>                  |
| <b>13 Interest Expense</b>                |  |  |
| Interest Expenses (net)                   | 6,292,633                                  | 3,439,271                                  |
| Interest on Lease Liability               | 165,382                                    | 298,567                                    |
|   | <u><u>6,458,015</u></u>                    | <u><u>3,737,838</u></u>                    |



**GLENMARK PHARMACEUTICALS INC. , USA**  
**Schedules to the financial statements**

|  | <b>Year Ended<br/>Mar 31, 2023<br/>USD</b> | <b>Year Ended<br/>Mar 31, 2022<br/>USD</b> |
|--|--|--|
| <b>14 Selling and Operating Expenses</b> |  |  |
| Salary and allowances                    | 33,572,887                                 | 25,133,011                                 |
| Sales promotion expenses (net)           | 664,615                                    | 488,288                                    |
| Travelling expenses                      | 779,169                                    | 507,415                                    |
| Telephone expenses                       | 59,213                                     | 68,511                                     |
| Rates and taxes                          | 44,822                                     | 69,521                                     |
| Bad Debts                                | 192,178                                    | -  |
| Insurance premium                        | 1,407,619                                  | 1,305,486                                  |
| Freight outward                          | 9,646,388                                  | 7,210,053                                  |
| Electricity charges                      | 993,119                                    | 320,303                                    |
| Rent                                     | 291,510                                    | 355,085                                    |
| Repairs & Maintenance                    | 980,203                                    | 128,363                                    |
| <b>Auditors' remuneration</b>            |  |  |
| Audit fees                               | 180,000                                    | 150,000                                    |
| Other operating expenses                 |  |  |
| Other Expenses                           | 4,294,841                                  | 3,065,615                                  |
| Conference Expenses                      | 705,524                                    | 744,440                                    |
| Printing & Stationery                    | 150,227                                    | 84,777                                     |
| Postage & Telegram                       | 8,677                                      | 8,119                                      |
| Legal & Professional Expenses            | 4,997,270                                  | 13,038,466                                 |
| Subscription                             | 445,493                                    | 589,342                                    |
| Recruitment                              | 790,016                                    | 305,097                                    |
| Bank Charges                             | 118,053                                    | 138,420                                    |
| Profit/(loss) on Sale of Fixed Assets    | 9,201                                      | -  |
| Projects Written off                     | -  | 2,056,588                                  |
| Legal Expenses                           | 10,959,953                                 | -  |
| Monroe Remediation                       | 22,695,721                                 | 9,106,883                                  |
| Monroe Inventory Write off provision     | -  | 968,322                                    |
| Sundry Balances writtten off / back      | -  | -  |
|  | <b>93,986,699</b>                          | <b>65,842,105</b>                          |



**GLENMARK PHARMACEUTICALS INC. , USA**  
**Schedules to the financial statements**

|                                 | <b>Year Ended<br/>Mar 31, 2023<br/>USD</b> | <b>Year Ended<br/>Mar 31, 2022<br/>USD</b> |
|---------------------------------|--|--|
| <b>15 Tax Expense</b>           |  |  |
| Current Tax                     | 1,443,824                                  | 239,315                                    |
| Deferred Tax Expense / (Credit) | (2,401,732)                                | 690,513                                    |
|                                 | <u><b>(957,908)</b></u>                    | <u><b>929,828</b></u>                      |



GLENMARK PHARMACEUTICALS INC., USA  
 SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT March 31, 2023

5 FIXED ASSETS

Amount in USD

|                               | GROSS BLOCK        |                 |                  | DEPRECIATION/AMORTISATION |                   |              | NET BLOCK          |                    |
|-------------------------------|--------------------|-----------------|------------------|---------------------------|-------------------|--------------|--------------------|--------------------|
|                               | As on              | Additions       | Disposals        | As on                     | For the           | As on        | As on              | As on              |
|                               | 1-4-2022           | during the year | during the year  | 1-4-2022                  | Year              | Mar 31, 2023 | Mar 31, 2023       | 31-03-2022         |
| <b>Tangible assets</b>        |                    |                 |                  |                           |                   |              |                    |                    |
| Leasehold Land/ Premises      | 50,362,374         | -               | -                | 4,323,382                 | 2,650,829         | -            | 6,974,211          | 43,388,163         |
| Freehold Land                 | 780,000            | -               | -                | -                         | -                 | -            | -                  | 780,000            |
| Factory Building              | 28,641,094         | -               | -                | 4,267,193                 | 1,388,808         | -            | 5,656,001          | 22,985,094         |
| Plant and Machinery           | 93,162,587         | -               | 2,802,232        | 17,374,724                | 5,337,359         | -            | 22,194,204         | 68,166,151         |
| Furniture and Fixtures        | 7,272,174          | -               | -                | 1,253,014                 | 477,269           | -            | 1,730,283          | 5,541,890          |
| Equipments                    | 14,101,482         | 167,490         | 564,135          | 3,968,392                 | 1,178,942         | -            | 5,042,076          | 8,662,760          |
| <b>Intangible assets</b>      |                    |                 |                  |                           |                   |              |                    |                    |
| - Computer software           | 12,388,518         | -               | -                | 8,295,002                 | 1,080,320         | -            | 9,375,322          | 3,013,196          |
| - Product Development/ Brands | 66,575,757         | 400,000         | -                | 61,779,538                | 883,669           | -            | 62,663,207         | 4,312,550          |
| - Right of Use                | 12,024,945         | -               | -                | 8,157,892                 | 2,584,032         | -            | 10,741,924         | 1,283,021          |
| <b>TOTAL</b>                  | <b>285,308,931</b> | <b>567,490</b>  | <b>3,366,367</b> | <b>109,419,137</b>        | <b>15,581,228</b> | <b>-</b>     | <b>124,377,228</b> | <b>158,132,825</b> |
| Previous Year                 |                    |                 |                  |                           |                   |              |                    | <b>175,889,794</b> |

Capital Work-in-process including Capital advances.

108,017,146

88,377,895



GLENMARK PHARMACEUTICALS INC., USA  
 Fixed Assets Schedule As On March 31, 2023

| Assets   | Amount in USD  |               |                  |                   |                     |            |                   |                     |              |             |                    |
|--|----------------|---------------|------------------|-------------------|---------------------|------------|-------------------|---------------------|--------------|-------------|--------------------|
|  | Leasehold Land | Freehold Land | Factory Building | Plant & Machinery | Furniture & Fixture | Equipment  | Computer Software | Product Development | Right of Use | As on Total | Mar 31, 2022 Total |
| Net book value   |                |               |                  |                   |                     |            |                   |                     |              |             |                    |
| At the beginning of the year                               | 46,038,992     | 780,000       | 24,373,901       | 75,787,862        | 6,019,160           | 10,133,090 | 4,093,516         | 4,796,221           | 3,867,054    | 175,889,795 | 83,383,907         |
| Additions during the year                                  | -              | -             | -                | -                 | -                   | 167,490    | -                 | 400,000             | -            | 567,490     | 105,808,245        |
| disposal during the year (net of accumulated depreciation) | -              | -             | -                | 2,284,354         | 458,877             | -          | -                 | -                   | -            | 2,743,231   | -                  |
| Depreciation charge for the year                           | 2,650,829      | -             | 1,388,808        | 5,337,359         | 477,269             | 1,178,942  | 1,080,320         | 883,669             | 2,584,032    | 15,581,228  | 13,302,358         |
| Adjustments  | -              | -             | -                | -                 | -                   | -          | -                 | -                   | -            | -           | -                  |
| At the end of the year                                     | 43,388,163     | 780,000       | 22,985,094       | 68,166,149        | 5,541,890           | 8,662,760  | 3,013,196         | 4,312,551           | 1,283,022    | 158,132,825 | 175,889,794        |



# GLENMARK PHARMACEUTICALS INC., USA

## NOTES TO THE FINANCIAL STATEMENTS

### 1) BUSINESS ACTIVITY/ NATURE OF OPERATIONS

Glenmark Pharmaceuticals Inc., is a wholly owned subsidiary of Glenmark Holding S.A. (the "Holding"), a Company incorporated in Switzerland.

The Company distributes Formulations and Active Pharmaceutical Ingredients mainly to North America through alliances and agreements with other pharmaceutical companies. With strong ties to the Parent company, the Company will have unlimited resources in both research and development.

### 2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### a. Accounting Convention

These financial statements are in conformity with accounting principles generally accepted in the United States of America.

#### b. Depreciation on Fixed Assets

Fixed Assets are stated at cost less accumulated depreciation. The Company capitalizes all costs relating to the acquisition and installation of fixed assets. Depreciation is calculated using straight line method over the estimated useful lives of the assets. Useful lives of assets are as follows:

| CATEGORY               | YEARS |
|------------------------|-------|
| Software               | 3-5   |
| Equipment              | 3-7   |
| Furniture & Fixtures   | 3-7   |
| Leasehold Improvements | 5-8   |
| Buildings              | 39    |

#### c. Product Development Expenditure

Capital expenditure on research and development is capitalized as fixed assets. Development cost relating to the new and improved product and/or process development is recognized as an intangible asset to the extent that it is expected that such asset will generate future economic benefits.

Product Development cost is reviewed for impairment annually or whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Product development costs are amortized over the useful life, not exceeding 10 years, once the product to which they relate is commercialized.

Licenses and registration expenditures for the use of third-party products are capitalized and amortized on a straight-line basis over 5 years.



## GLENMARK PHARMACEUTICALS INC., USA

### d. Revenue Recognition

Net Sales are recognized when the product is shipped to customers, at which title and the risks and rewards of ownership pass to the customer.

Revenue is recognized when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods and the amount of revenue can be measured reliably. Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns, VAT and applicable trade discounts and allowances. Revenue includes shipping and handling costs billed to the customer.

Provisions for chargeback, rebates, discounts and medical aid payments are estimated and provided for in the year of sales and recorded as reduction of revenue. A chargeback claim 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. Provisions for such chargebacks are accrued and estimated based on historical average chargeback rate actually claimed over a period of time, current contract prices with wholesalers/other customers and estimated inventory holding by the wholesaler. Such provisions are presented as a reduction from revenues.

### e. Accounts Receivable

Accounts receivable are uncollateralized customer obligations due under normal trade terms requiring payment within various days from the invoiced date based on agreement with customers. The Company does not accrue interest on past due accounts receivable. The carrying amount of accounts receivable is reduced by an allowance that reflects management's best estimate of the amounts that will not be collected. Management reviews each accounts receivable balance that is past due and estimates the portion, if any, of the balance that will not be collected and records a general allowance to cover those amounts.

### f. Inventory

Inventories are stated at the lower of the cost (determined by first-in, first-out method) or market value.



## GLENMARK PHARMACEUTICALS INC., USA

### g. Leases

The Company has adopted the new accounting standard i.e. ASC 842, which has become effective from 1 April 2019 (transition date).

The adoption of this new Standard has resulted in the Company recognising a right-of-use asset and related lease liability in connection with all former operating leases except for those identified as low-value or having a remaining lease term of less than 12 months from the date of initial application.

The new Standard has been applied using the modified retrospective approach and therefore comparative periods have not been restated. The Company has recognised lease liability on the date of initial application at the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application. The Company has recognised a right-of-use asset on the date of initial application at an amount equal to lease liability, adjusted by the amount of prepaid or accrued lease payments relating to that lease recognised in the balance sheet immediately before the date of initial application. On transition to new accounting standard, the weighted average incremental borrowing rate applied to lease liabilities recognised was 5% p.a.

The difference between the future minimum lease rental commitments towards non-cancellable operating leases reported as at March 31, 2019 compared to the lease liability as accounted as at April 1, 2019 is primarily due to inclusion of present value of the lease payments for the cancellable term of the leases, reduction due to discounting of the lease liabilities as per the requirement and exclusion of the commitments for the leases to which the Company has chosen to apply the practical expedient as per the standard.

#### **Practical expedient opted by Company:**

- The Company has elected not to include initial direct costs in the measurement of the right-of-use asset for operating leases in existence at the date of transition of ASC 842, being 1 April 2019.
- The Company has benefited from the use of hindsight for determining the lease term when considering options to extend and terminate leases.

#### **Exemptions availed by Company:**

The Company has elected not to recognise right-of-use assets in below mentioned cases but to account for the lease expense on a straight-line basis over the remaining lease term or on another systematic basis if that basis is more representative of the pattern of the Company's benefit:

- A lease that, at the commencement date, has a lease term of 12 months or less i.e. short-term leases and
- Leases for which the underlying asset is of low value

#### **Measurement and recognition of leases**

The Company considers whether contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that convey the right to use an asset (the underlying asset) for a period of time in exchange for consideration'.



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To apply this definition the Company assesses whether the contract meets three key evaluations which are whether:

- The contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Company
- The Company has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract.
- The Company has the right to direct the use of the identified asset throughout the period of use. The Company assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

### Company as a lessee

At lease commencement date, the Company recognises a right-of-use asset and a lease liability on the balance sheet. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Company and any lease payments made in advance of the lease commencement date.

The Company depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Company also assesses the right-of-use asset for impairment when such indicators exist.

At the commencement date, the Company measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Company's incremental borrowing rate.

When the lease liability is re-measured, the corresponding adjustment is reflected in the right-of-use asset or profit and loss account as the case may be.

The Company has elected to account for short-term leases and leases of low-value assets. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term or on another systematic basis if that basis is more representative of the pattern of the Company's benefit.

The Company's leased assets primarily consist of leases for office premises and warehouse. Leases of office premises and warehouse generally have lease term between 2 to 12 years. The Company has applied low value exemption for leases laptops, lease lines, furniture and equipment and accordingly are excluded. The leases includes non-cancelable periods and renewable option at the discretion of lessee which has been taken into consideration for determination of lease term.



## GLENMARK PHARMACEUTICALS INC., USA

- i) Set out below are the carrying amounts of right-of-use assets recognized and the movements during the period:

| Particulars                 | FY 2022-23       | FY 2021-22       |
|-----------------------------|------------------|------------------|
| <b>As at April 2022</b>     | <b>3,867,053</b> | <b>2,283,390</b> |
| Additions                   | -                | 4,525,049        |
| Depreciation expenses       | (2,584,032)      | (2,941,386)      |
| <b>As at March 31, 2023</b> | <b>1,283,021</b> | <b>3,867,053</b> |

- ii) Set out below are the carrying amounts of lease liabilities (included under other financial liabilities) and the movements during the period:

| Particulars                | FY 2022-23       | FY 2021-22       |
|----------------------------|------------------|------------------|
| <b>As at April 1, 2022</b> | <b>4,671,248</b> | <b>2,731,657</b> |
| Additions                  | -                | 4,525,049        |
| Accretion of interest      | 165,382          | 298,568          |
| Payments                   | (3,015,041)      | (2,884,026)      |
| <b>As at 31 March 2023</b> | <b>1,821,589</b> | <b>4,671,248</b> |
| Current                    | 1,124,828        | 2,844,656        |
| Non-current                | 696,761          | 1,826,592        |

- iii) The following are the amounts recognized in profit or loss:

| Particulars  | FY 2022-23       | FY 2021-22       |
|--|------------------|------------------|
| Depreciation expense of right-of-use assets                                    | 2,584,032        | 2,941,386        |
| Interest expense on lease liabilities  | 165,382          | 298,567          |
| Expense relating to short-term leases & low value (included in other expenses) | 291,510          | -                |
| <b>Total amount recognized in profit or loss</b>                               | <b>3,040,924</b> | <b>3,239,953</b> |

The Company had total cash outflows for leases in FY 2022-23 USD 3,306,551 and (USD 2,884,026 in FY 2021-22).

- iv) **The undiscounted maturity analysis of lease liabilities at 31 March 2023 is as follows:**

| Particulars      | within 1 year | 1-2 years | 2-3 years | Total     |
|------------------|---------------|-----------|-----------|-----------|
| <b>31-Mar-23</b> |               |           |           |           |
| Lease payments   | 1,184,514     | 710,655   | -         | 1,895,169 |
| Finance Charge   | 59,687        | 13,895    | -         | 73,582    |
| <b>31-Mar-22</b> |               |           |           |           |
| Lease payments   | 3,010,058     | 1,148,010 | 755,000   | 4,913,068 |
| Finance Charge   | 165,402       | 60,766    | 15,652    | 241,820   |



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### **h. Income Taxes**

Current tax is determined as the amount of tax payable in respect of taxable income for the year.

Deferred tax liabilities and assets are recognized at substantively enacted tax rates, subject to the consideration of prudence, on timing difference, being the difference between taxable income and accounting income that originate in one year and capable of reversal in one or more subsequent years.

The effect on deferred tax assets and liabilities because of a change in tax rates is recognized in statement of profit and loss using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date.

Deferred taxes are recognized and carried forward only to the extent that there is a reasonable certainty that sufficient future taxable income will be available against which deferred tax assets can be realized.

### **3) EMPLOYEE RETIREMENT PLAN**

The Company has 401(k) retirement savings plan which covers substantially all employees. The Company matches employee contributions up to specified limits. Company contributions totaled \$ 829,244 and \$ 1,247,537 during the years ended March 31, 2023 and 2022, respectively.

### **4) SEGMENT INFORMATION**

#### **Business Segment**

The Company is primarily engaged in a single business of marketing of pharmaceuticals products and is managed as one entity, for its various activities and is governed by a similar set of risks and returns.

### **5) RELATED PARTY TRANSACTIONS**

#### **Related party relationship where transactions have taken place during the year**

- Glenmark Pharmaceuticals Ltd, India (Parent Company) (GPL)
- Glenmark Holding S.A., Switzerland (Holding Company) (GHSA)
- Ichnos S.A., Switzerland (Fellow Subsidiary Company) (GPSA)
- Glenmark Therapeutics Inc., USA (Fellow Subsidiary Company) (GTI)
- Glenmark Life Sciences Limited , India (Fellow subsidiary Company) (GLS)
- Glenmark Generics S.A.Argentina (Fellow subsidiary Company)(GGSA)
- Glenmark Pharmaceuticals (Europe) Limited, UK (Fellow subsidiary Company) (GPEL)
- Glenmark Pharmaceuticals Canada Inc. (Fellow Subsidiary Company) (GPCI)
- Glenmark Specialty S.A.Switzerland (Fellow Subsidiary Company) (GSSA)



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- Glenmark Farmaceutica Brazil Ltd. (Fellow Subsidiary Company) (GFL)
- Ichnos Sciences Inc. USA (Fellow Subsidiary Company)

### Key management personnel (including directors of the Company)

- Sanjeev Krishan
- Laura Lester

### Transactions with related parties during the year

(Amount in USD)

|   | <b>FY22-23</b> | <b>FY21-22</b> |
|---|----------------|----------------|
| <b>Transactions with related parties during the year</b>  |                |                |
| Transactions with GPL India                               | 204,461,093    | 241,437,486    |
| Transactions with GLS India                               | 5,571,709      | 6,021,814      |
| Transactions with GSSA-,Switzerland                       | 48,307,823     | 52,443,473     |
| Transactions with GTI-USA.                                | 55,897         | 4,992          |
| Transactions with GP-Brazil                               | 231,320        | -              |
| Transactions with GPEL-UK                                 | 1,523,150      | -              |
| Loan taken from GHSA                                      | 401,320,000    | 231,500,000    |
| Loan repaid to GHSA                                       | 251,320,000    | 231,500,000    |
| Loan given to GTI-USA during the year                     | 400,000        | 100,000        |
| Loan repaid by GTI-USA during the year                    | -              | 8,215,417      |
| Interest earned on Loan given to GTI-USA during the year. | 4,011          | 226,166        |
| Interest received on Loan given to GTI-USA                | 15,418         | 288,986        |
| Conversion of Loan into equity during the year            | 15,00,00,000   | -              |
| Interest payable on loan taken from GHSA                  | 6,299,688      | 3,665,617      |
| Interest paid during the year on loan from GHSA           | 5,152,729      | 2,938,973      |
| Transactions with GPCI,-Canada.                           | 73,703         | 26,001         |
| Remuneration to Key Management Personnel                  |                |                |
| Sanjeev Krishan   | 1,630,623      | 1,613,281      |
| Laura Lester  | 702,348        | 541,209        |
| Darshan Makhey  | 605,354        | 728,777        |
| Dmitrey Kuznetsov   | 985,573        | 791,884        |

### Related party balances – Receivable/ (Payable)

(Amount in USD)

| Related party balances                        | <b>FY21-22</b> | <b>FY21-22</b> |
|---|----------------|----------------|
| Glenmark Pharmaceuticals Limited, India (Net) | 27,421,522     | (122,147,801)  |
| Glenmark Life Sciences Limited , India (Net)  | (5,498,196)    | (3,778,877)    |
| Glenmark Speciality S.A.Switzerland           | (25,112,304)   | (38,417,937)   |
| Glenmark Pharmaceuticals Europe Ltd-UK        | 1,478,533      | -              |
| Glenmark Pharmaceuticals Canada Inc.          | 104,479        | 30,776         |
| Glenmark Therapeutic Inc., USA                | 55,929         | -              |
| Glenmark Generics S.A., Argentina             | 105,497        | 105,497        |
| Glenmark Farmaceutica Brazil Ltda.            | 422,327        | 191,007        |
| Loan & Interest receivable from GTI-USA       | 404,011        | (15,418)       |
| Ichnos Sciences Inc , USA                     | 1,698,469      | 1,698,469      |



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|  |             |             |
|--|-------------|-------------|
| Short Term Loan Interest Payable to GHSA | (2,551,822) | (1,404,863) |
|--|-------------|-------------|

**6) MAJOR CUSTOMERS AND SUPPLIERS**

The top five largest receivables represented about 84% of total accounts receivables and top five suppliers represented about 82% of total suppliers.

**7) EARNINGS PER SHARE**

Basic earnings per share is computed by dividing income available to common stock holders by number of shares of common stock outstanding for the year.

**8) COMMITMENTS AND CONTINGENCIES**

The company's pending litigation comprise of proceedings pending with various direct tax, indirect tax and other authorities. The company has reviewed all its pending litigations and proceedings and has adequately provided for where provisions are required and disclosed as contingent liabilities where applicable in its financial statements. The company does not expect the outcome of these proceedings to have materially adverse effect on its financial statements.

|   |  |
|---|--|
| 1 | The Department of Justice ("DOJ") of United States of America, as part of its investigation into various generic pharmaceutical companies regarding antitrust violations, filed an indictment in the United States District Court for the Eastern District of Pennsylvania, which charges Glenmark Pharmaceutical Inc. (GPI) with one count of conspiracy to restrain trade. The indictment asserts that GPI engaged in a conspiracy to suppress and eliminate competition by agreeing to increase and maintain prices of pravastatin and other unspecified generic drugs sold in the United States. A trial date is set May 6, 2024. These charges run contrary to the very essence of GPI's motto i.e. to drive down drug prices and improve patient access to medications. GPI will continue to vigorously defend against these charges.      |
| 2 | Glenmark Pharmaceutical Inc. (GPI) and 76 co-defendants, including distributors and manufacturers of generic drugs as well as multiple individuals have been sued by private and governmental entity plaintiffs in a multi-district litigation (MDL) proceeding pending in United States federal court for allegedly agreeing to fix the prices and allocate markets and customers of various generic drugs. Plaintiffs in these cases seek multiple forms of monetary relief, including disgorgement of alleged ill-gotten gains and compensatory damages. GPI disputes the allegations and is vigorously defending itself through motions to dismiss and discovery requests directed to the plaintiffs. Further, the Court issued an order selecting the State AG dermatology-centric complaint as the overarching conspiracy bellwether case. |
| 3 | In response to FDA action on Zantac and its generic equivalent (ranitidine) in late 2019 and early 2020, lawsuits were filed in various jurisdictions against brand-name and generic manufacturers, distributors, and retailers of Zantac and ranitidine, a number of which were consolidated in a Multidistrict Litigation (MDL) in the Southern District of Florida. Plaintiffs in all of the lawsuits allege that ranitidine potentially contains a probable human carcinogen, N-Nitrosodimethylamine (NDMA), that they have developed or will develop cancer as a result of their ingestion of ranitidine, and/or that they were otherwise injured. Glenmark Pharmaceuticals Ltd. (GPL) and Glenmark   |



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|   |  |
|---|--|
|   | <p>Pharmaceuticals Inc., USA (GPI) were named in the MDL but all claims against them were dismissed in June 2021 on the basis of federal preemption. Plaintiffs are appealing those dismissals in the United States Court of Appeals for the Eleventh Circuit, and those appeals remain pending. In addition to the MDL, GPI has also been named in several non-MDL cases that are proceeding in state court (New Mexico, Illinois, and Pennsylvania); such cases are in the early stages. GPL and GPI will continue to defend these cases vigorously.</p>   |
| 4 | <p>From time to time the Company and its certain subsidiaries are involved in various intellectual property claims and legal proceedings, which are considered normal to its business. Some of this litigation has been resolved through settlement agreements with the plaintiffs.</p> <p>i. A multiple putative class and individual action were filed in 2018 by purchasers of branded Zetia and generic Zetia (ezetimibe) against Glenmark Pharmaceuticals Ltd and Glenmark Pharmaceuticals Inc., before the United States District Court for the Eastern District of Virginia seeking relief under the US antitrust laws. The Plaintiffs allege that Glenmark Pharmaceuticals Ltd and Glenmark Pharmaceuticals Inc. and Merck &amp; Co Inc. ("Merck") violated the federal and state antitrust laws by entering into a so-called reverse payment patent settlement agreement in Hatch-Waxman patent litigation in May 2010 related to Merck's branded Zetia product. The lawsuits allege that the patent settlement agreement delayed the entry of generic which caused purchasers to pay higher prices. The Company and its US subsidiary (Glenmark Pharmaceuticals Inc., USA) have, subject to final documentation and approval of the Court, after the end of the accounting year, arrived at a settlement with Three Plaintiff Groups collectively representing all of the claims against the Company and Merck in relation to multiple antitrust and consumer protection lawsuits, including a class action, consolidated in the Eastern District of Virginia, US (the "Court") for a total amount of US\$ 87.5mn, payable over two financial years. The final settlements will be in accordance with the separate agreements entered into with each of the plaintiff groups and will be subject to the final approval by the Court. The settlements will make clear that the settlements are commercial settlements or civil liabilities and not on the basis of the Company having conceded or admitted any liability, offence, wrongdoing or illegality. Opt-out cases are still pending and timelines are yet to be determined.</p> <p>ii. Multiple putative class and individual actions were filed in July 2020 by purchasers of branded Bystolic (nebivolol) against Glenmark Pharmaceuticals Ltd., Glenmark Pharmaceuticals Inc. and Glenmark Pharmaceuticals S.A. (n/k/a Ichnos Sciences S.A.) (collectively, "Glenmark") in the United States District Court for the Southern District of New York. The Plaintiffs allege that Glenmark and Forest Laboratories, Inc. ("Forest") violated federal and state antitrust laws by entering into a so-called reverse-payment patent settlement agreement in Hatch-Waxman patent litigation in December 2012 related to Forest's Bystolic product. The lawsuits allege that the patent settlement agreement and mPEGS-1 collaboration agreement delayed the entry of Glenmark's generic nebivolol, which caused purchasers of branded Bystolic to pay higher prices. The Court granted Glenmark and defendants motion to dismiss with prejudice. Plaintiffs have filed appeals. Glenmark believes that its patent settlement agreement and mPEGS-1 collaboration agreement are lawful and will continue defending the case vigorously.</p> |

**GLENMARK PHARMACEUTICALS INC., USA**

**9) COMPARATIVE FIGURES**

Previous years' figures have been regrouped/ reclassified, where necessary, to conform to the presentation adopted in the current year.

The figures in these financial statements have been rounded off to the nearest US \$.

**For GLENMARKPHARMACEUTICALS INC.USA**

*Jayendra Desai*  
Director

*Lana Leste*  
Director





## Independent Auditor's Report

### To the Board of Directors and Shareholders of Glenmark Pharmaceuticals Inc.

We have audited the accompanying financial statements of **Glenmark Pharmaceuticals Inc.**, which comprise the balance sheet as of March 31, 2023, and the related statements of income, changes in stockholders' equity, and cash flows for the year then ended, and the related notes to the financial statements.

#### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **Glenmark Pharmaceuticals Inc.** as of March 31, 2023, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

*Govind Srivastava*

Govind Srivastava, Partner  
P. Parikh & Associates  
55, Wallstreet, Suite 530,  
New York, NY - 10005  
May 17, 2023

