



Certificate on translated version of material subsidiary audited financial statements

Date: 15-December-2023

To,

**The Board of Directors
Emcure Pharmaceuticals Limited**

Plot No. P-1 & P-2, IT-BT Park
Phase-II, M.I.D.C.
Hinjawadi, Pune – 411 057
Maharashtra, India

Marcan Pharmaceuticals Inc.

2 Gurdwara Road, Suite #112
Ottawa, ON, K2E 1A2,
Canada

Re: Proposed initial public offering of equity shares (the “Equity Shares”) of Emcure Pharmaceuticals Limited (the “Company” and such offering, the “Offer”)

Dear Sirs,

We have verified the translated version of the audited standalone financial statements of **Marcan Pharmaceuticals Inc.** (the “Company”) for the years ended March 31, 2023, March 31, 2022 and March 31, 2021 (“Financial Years”). These financial statements have been translated by the Company in Indian Rupee in accordance with Ind AS 21, ‘The Effect of Changes in Foreign Currency Rates’. The work carried out by us is in accordance with the Standard on Related Services (SRS) 4400, “Engagements to Perform Agreed-upon Procedures regarding Financial Information” issued by the Institute of Chartered Accountants of India.

As required under Schedule VI Part A item no.(11)(I)(A)(ii)(b) of Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018, as amended (“SEBI ICDR Regulations”), we have verified the translated financial information contained in the Annexure attached to this certificate which is proposed to be uploaded on the website of **Emcure Pharmaceuticals Limited** in connection with its proposed initial public offering of equity shares of Rs. 10/- each (the “Offer”).

We did not audit the standalone financial statements of **Marcan Pharmaceuticals Inc.** These financial statements have been audited by other audit firms, whose reports have been furnished to us by the Company.

These translated financials should not in any way be construed as a reissuance or re-dating of any of the previous audit reports, nor should these be construed as a new opinion on any of the audited standalone financial statements referred to herein.

These translated financials are intended solely for use of the management for uploading on website of **Emcure Pharmaceuticals Limited** in connection with its proposed initial public offering of equity shares of Rs. 10/- each.



Based on our examination, we confirm that the information in this certificate is true, fair, correct, accurate and there is no untrue statement or omission which would render the contents of this certificate misleading in its form or context.

Restriction on use

This certificate has been provided by M/s. R.B. Sharma and Co., Chartered Accountants, at the request of Emcure Pharmaceuticals Limited and solely for the information of **Kotak Mahindra Capital Company Limited, Axis Capital Limited, Jefferies India Private Limited, J.P. Morgan India Private Limited** and any other book running lead managers appointed by Emcure Pharmaceuticals Limited (collectively referred to as the "Book Running Lead Managers" or the "BRLMs") to assist them in conducting their due-diligence and documenting their investigations of the affairs of Emcure Pharmaceuticals Limited in connection with the proposed Offer. This certificate may be relied on by the BRLMs, their affiliates and legal counsel in relation to the Offer.

This certificate is not intended for general circulation or publication and is not to be reproduced or used for any other purpose without our prior consent in writing, other than for the purpose stated above. We, however, hereby give consent for inclusion of our name and this information (in full or in part) in the Draft Red Herring Prospectus, Updated Draft Red Herring Prospectus, Red Herring Prospectus and Prospectus proposed to be filed by Emcure Pharmaceuticals Limited with the Securities and Exchange Board of India ("SEBI"), the stock exchanges where the Equity Shares of Emcure Pharmaceuticals Limited are proposed to be listed (the "Stock Exchanges") and the Registrar of Companies, Maharashtra at Pune ("RoC") and any other material used in connection with the Offer and submission of this certificate to SEBI, Stock Exchanges, or RoC in connection with the proposed Offer, as the case may be. Additionally, we hereby give our consent for the submission of this certificate to any other regulatory authority as may be required under applicable law in connection with the proposed Offer, as the case may be.

Yours Sincerely,

For

M/s R.B. Sharma and Co.

Chartered Accountants

ICAI Firm Registration No:109971W



Madhavan N Iyengar

Partner

Membership No. 044366

UDIN: 23044366BGUUA16399



CC:

Khaitan & Co

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Marcan Pharmaceuticals Inc.
Translated Version of Audited Balance Sheet

Balance Sheet	Note	CAD			INR (million)		
		31.03.2023	31.03.2022 (As restated note 2)	31.03.2021 (As restated note 2)	31.03.2023	31.03.2022 (As restated note 2)	31.03.2021 (As restated note 2)
ASSETS							
Current assets:							
Cash and cash equivalent		1,591,414	905,876	3,061,072	96.57	55.00	178.19
Trade and other receivable	5	41,799,867	39,730,143	28,050,609	2,536.57	2,412.01	1,632.88
Inventories	6	27,622,407	24,210,190	23,441,062	1,676.23	1,469.80	1,364.55
Prepaid expenses and other deposits		3,213,879	5,149,010	5,155,545	195.03	312.60	300.11
Total current assets		74,227,567	69,995,219	59,708,288	4,504.40	4,249.41	3,475.73
Future income taxes	7	4,090,879	3,882,183	3,619,295	248.25	235.69	210.69
Property and equipment	8	278,038	396,220	225,428	16.87	24.05	13.14
Intangible assets	9	8,630,297	11,927,666	15,225,035	523.72	724.13	886.28
Intangible assets under development	10	973,204	-	-	59.06	-	-
Goodwill		31,793,610	31,793,610	31,793,610	1,929.35	1,930.19	1,850.77
Total assets		119,993,595	117,994,898	110,571,656	7,281.65	7,163.47	6,436.61
Liabilities and Shareholders' Equity							
Current liabilities:							
Bank indebtedness	4	17,142,496	10,963,412	-	1,040.27	665.59	-
Accounts payable and accrued liabilities	12	41,800,875	43,118,662	38,049,148	2,536.62	2,617.74	2,214.92
Income taxes payable		-	289,837	2,002,169	-	17.60	116.55
Current portion of long-term debt	13	6,888,194	8,755,593	9,240,000	418.00	531.55	537.88
Loan payable	11	-	-	7,500,000	-	-	436.59
Total current liabilities		65,831,565	63,127,504	56,791,317	3,994.89	3,832.48	3,305.94
Long-term debt	13	18,271,784	29,520,725	8,860,881	1,108.80	1,792.22	515.81
Due to related parties	14	395,000	17,000,000	-	23.97	1,032.07	-
Preferred shares	16	-	-	47,254,496	-	-	2,750.78
Total liabilities		84,498,349	109,648,229	112,906,694	5,127.66	6,656.77	6,572.53
Shareholder's equity							
Share capital	15	43,785,001	24,480,001	24,380,001	2,483.54	1,308.44	1,302.49
Additional paid in capital	17	572,398	413,370	200,084	33.04	23.38	10.71
Accumulated deficit		(8,862,153)	(16,546,702)	(26,915,123)	(222.41)	(689.12)	(1,305.27)
Foreign currency translation reserve		-	-	-	(140.18)	(136.00)	(143.85)
Total shareholder's equity		35,495,246	8,346,669	(2,335,038)	2,153.99	506.70	(135.92)
Total liabilities and shareholder's equity		119,993,595	117,994,898	110,571,656	7,281.65	7,163.47	6,436.61

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

M/s. R.B. Sharma and Co.
Chartered Accountants
ICAI Firm Registration No: 109971W

Judhvan

Madhavan N Iyengar
Partner
Membership No. 044366
Date: 15 December 2023
Place: Pune



For and on behalf of Marcan Pharmaceuticals Inc.

Tajuddin

Tajuddin Shaikh
Authorised Signatory

Date: 15 December 2023
Place: Pune



Marcan Pharmaceuticals Inc.

Translated Version of Audited Statement of Earnings

	Note	CAD			INR (million)		
		31.03.2023	31.03.2022 (As restated note 2)	31.03.2021 (As restated note 2)	31.03.2023	31.03.2022 (As restated note 2)	31.03.2021 (As restated note 2)
Sales	14 (b)	113,157,399	109,457,958	110,512,175	6,872.76	6,504.67	6,209.49
Cost of sales	14 (b)	81,087,390	77,995,151	75,503,580	4,924.95	4,634.95	4,242.42
		32,070,009	31,462,807	35,008,595	1,947.81	1,869.72	1,967.07
Expenses							
Salaries and benefits		5,905,685	5,410,797	5,091,740	358.69	321.54	286.10
Testing and post approval costs		1,313,644	1,340,373	887,152	79.79	79.65	49.85
Head office corporate charges		1,236,164	1,006,825	1,235,750	75.08	59.83	69.43
Research and development		919,731	958,445	762,276	55.86	56.96	42.83
Professional fees		652,255	921,936	546,894	39.62	54.79	30.73
Licensing and fees		752,739	556,666	406,605	45.72	33.08	22.85
Bank charges and interest		1,558,226	550,228	392,996	94.64	32.70	22.08
Advertising and promotions		221,393	252,368	78,734	13.45	15.00	4.42
Rent		184,507	174,217	195,837	11.21	10.35	11.00
Office		165,167	164,198	150,289	10.03	9.76	8.44
Insurance		131,434	112,032	127,221	7.98	6.66	7.15
Depreciation of property and equipment		152,554	106,616	61,678	9.27	6.34	3.47
Other		135,366	62,757	154,204	8.22	3.73	8.66
Data report fees		45,004	43,306	40,893	2.73	2.57	2.30
Travel		187,995	47,614	7,186	11.42	2.83	0.40
Phone		18,077	13,878	6,639	1.10	0.82	0.37
Bad debts / (recovery)		142,699	12,143	(66,942)	8.67	0.72	(3.76)
		13,722,640	11,734,399	10,079,152	833.48	697.33	566.32
Earnings before the undernoted items and income taxes		18,347,369	19,728,408	24,929,443	1,114.33	1,172.39	1,400.75
Other income (expenses)							
Foreign exchange (loss) gain		(1,923,865)	197,271	(672,551)	(116.85)	11.72	(37.79)
Other income		339,045	134,980	194,199	20.59	8.02	10.91
Amortization on deferred financing fees		(244,235)	(496,570)	(175,339)	(14.83)	(29.51)	(9.85)
Interest on long-term debt		(2,369,402)	(1,781,654)	(934,716)	(143.91)	(105.88)	(52.52)
Amortization of intangible assets		(3,297,369)	(3,297,369)	(6,937,368)	(200.27)	(195.95)	(389.80)
Finance cost on notes payables		-	-	(890,240)	-	-	(50.02)
Finance cost on preferred shares		-	-	(1,932,204)	-	-	(108.57)
		(7,495,826)	(5,243,342)	(11,348,219)	(455.27)	(311.60)	(637.64)
Earnings before income taxes		10,851,543	14,485,066	13,581,224	659.06	860.79	763.11
Income taxes:							
Current		3,375,691	4,379,533	5,721,107	205.03	260.26	321.46
Future benefit		(208,697)	(262,888)	(905,862)	(12.68)	(15.62)	(50.90)
		3,166,994	4,116,645	4,815,245	192.35	244.64	270.56
Net earnings		7,684,549	10,368,421	8,765,979	466.71	616.15	492.55

The accompanying notes are an integral part of financial statements

M/s. R.B. Sharma and Co.
Chartered Accountants
ICAI Firm Registration No: 109971W



Madhavan N Iyengar
Partner
Membership No. 044366
Date: 15 December 2023
Place: Pune



For and on behalf of Marcan Pharmaceuticals Inc.



Tajuddin Shaikh
Authorised Signatory

Date: 15 December 2023
Place: Pune



Marcan Pharmaceuticals Inc.

Translated Version of Audited Statement of Deficit

	CAD		
	31.03.2023	31.03.2022 (As restated note 2)	31.03.2021 (As restated note 2)
Deficlt, beginning of year	(16,546,702)	(26,915,123)	(35,681,102)
Net earnings	7,684,549	10,368,421	8,765,979
Deficlt, end of year	(8,862,153)	(16,546,702)	(26,915,123)

	INR Mn		
	31.03.2023	31.03.2022 (As restated note 2)	31.03.2021 (As restated note 2)
(689.12)	(1,305.27)	(1,797.82)	
466.71	616.15	492.55	
(222.41)	(689.12)	(1,305.27)	

	CAD		
	31.03.2023	31.03.2022	31.03.2021
FCTR on Share Capital			
FCTR on ESOP			
FCTR on Deficit			
Total			

	INR Mn		
	31.03.2023	31.03.2022	31.03.2021
173.49	177.74	116.72	
1.70	1.72	0.68	
(315.37)	(315.46)	(261.25)	
(140.18)	(136.00)	(143.85)	

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

M/s. R.B. Sharma and Co.

Chartered Accountants

ICAI Firm Registratlon No: 109971W

Madhavan N Iyengar

Madhavan N Iyengar

Partner

Membership No. 044366

Date: 15 December 2023

Place: Pune



For and on behalf of Marcan Pharmaceuticals Inc.

Tajuddin

Tajuddin Shaikh

Authorised Signatory

Date: 15 December 2023

Place: Pune



Marcan Pharmaceuticals Inc.
Translated Version of Audited Statements of cash flows

	CAD			INR (million)		
	31.03.2023	31.03.2022 (As restated note 2)	31.03.2021 (As restated note 2)	31.03.2023	31.03.2022 (As restated note 2)	31.03.2021 (As restated note 2)
Cash flows from operating activities:						
Net earnings (loss)	7,684,549	10,368,421	8,765,979	466.71	616.15	492.55
Items not involving cash:						
Amortization of deferred financing fees	244,235	496,570	175,339	14.83	29.51	9.85
Amortization of intangible assets	3,297,369	3,297,369	6,937,368	200.27	195.95	389.80
Amortization of property and equipment	152,554	106,616	61,678	9.27	6.34	3.47
Finance cost on notes payable	-	-	890,240	-	-	50.02
Finance cost on preferred shares	-	-	1,932,204	-	-	108.57
Future income taxes	(208,697)	(262,888)	(905,862)	(12.68)	(15.62)	(50.90)
Employee stock compensation expense	159,027	213,286	-	9.66	12.67	-
Provision for inventory obsolescence	84,273	484,697	-	5.12	28.80	-
Provision for doubtful accounts receivable	(188,134)	12,143	-	(11.43)	0.72	-
Exchange Gain/ (Loss) impact on translation	-	-	-	(4.16)	19.05	53.99
Changes in assets and liabilities:						
Trade and other receivable	(1,881,590)	(12,170,475)	(13,991,177)	(114.18)	(738.88)	(814.45)
Inventories	(3,496,489)	(1,253,825)	(1,935,517)	(212.18)	(76.12)	(112.67)
Prepaid expenses and deposits	1,935,131	485,333	2,320,349	117.43	29.47	135.07
Accounts payable and accrued liabilities	(3,185,185)	5,069,514	9,794,626	(193.29)	307.77	570.16
Income taxes payable	(289,837)	(1,712,332)	(388,982)	(17.59)	(103.96)	(22.64)
Net cash flows provided by operating activities - A	4,307,206	5,134,429	13,656,245	257.78	311.85	812.82
Cash flows from financing activities:						
Net advances of bank indebtedness	6,179,084	10,963,412	(2,869,871)	374.97	665.59	(167.06)
Repayment of long-term debt	(11,493,176)	(24,708,956)	(7,241,500)	(697.45)	(1,500.09)	(421.54)
Repayment of notes payable to related parties	-	-	(20,800,000)	-	-	(1,210.81)
Proceeds from loan payable	-	5,100,000	7,500,000	-	309.62	436.59
Repayment of loan payable	-	(12,600,000)	-	-	(764.95)	-
Proceeds from long term-debt	-	45,694,700	-	-	2,774.13	-
Deferred financing costs	-	(1,306,877)	-	-	(79.34)	-
Advances from related party	-	17,000,000	-	-	1,032.07	-
Issuance of share capital	2,700,000	100,000	11,500,000	167.45	5.95	651.57
Net cash flows (used in) provided by financing activities - B	(2,614,092)	40,242,279	(11,911,371)	(155.03)	2,442.98	(711.25)
Cash flows from investing activities:						
Purchase of property and equipment	(34,372)	(277,408)	(19,900)	(2.09)	(16.84)	(1.16)
Intangible assets under development	(973,204)	-	-	(59.06)	-	-
Purchase of preferred shares	-	(47,254,496)	-	-	(2,868.83)	-
Net cash flows used In Investing activities - C	(1,007,576)	(47,531,904)	(19,900)	(61.15)	(2,885.67)	(1.16)
Net Increase(decrease) in cash and cash equivalents-(A+B+C)	685,538	(2,155,196)	1,724,974	41.60	(130.84)	100.41
Cash and cash equivalents, beginning of year	905,876	3,061,072	1,336,098	55.00	178.19	71.50
Foreign currency translation reserve	-	-	-	(0.03)	7.65	6.28
Cash, end of year	1,591,414	905,876	3,061,072	96.57	55.00	178.19
Supplemental information						
Related party loan converted into equity	16,605,000	-	-	1,007.65	-	-

The accompanying notes are an integral part of financial statements)

M/s. R.B. Sharma and Co.
Chartered Accountants
ICAI Firm Registration No: 109971W

Madhavan N Iyengar

Madhavan N Iyengar
Partner
Membership No. 044366
Date: 15 December 2023
Place: Pune



For and on behalf of Marcan Pharmaceuticals Inc.

Tajuddin Shalkh

Tajuddin Shalkh
Authorised Signatory

Date: 15 December 2023
Place: Pune



Marcan Pharmaceuticals Inc.
Translated Version of Notes to Financial Statements

Marcan Pharmaceuticals Inc. (the "Company") is a private company incorporated on August 18, 2015 and subsequently amalgamated with a related entity by articles of amalgamation on November 9, 2015, under the laws of Ontario. The Company markets pharmaceutical products to wholesale distributors and retailers.

As discussed in Note 3, the Company amalgamated with three entities under common control on August 13, 2021. The amalgamated company was named Marcan Pharmaceuticals Inc. (the "Company"). Marcan Pharmaceuticals Inc is a wholly owned subsidiary of Emcure Pharmaceuticals Limited ("Parent company" or "Emcure").

1 Significant accounting policies:

A summary of the significant accounting policies applied in the preparation of the accompanying financial statements is as follows:

1. Basis of presentation

(a) The financial statements of the Company have been prepared by the management in accordance with Canadian accounting standards for private enterprises ("GAAP") to reflect the financial position, results of its operations and cash flows of the Company.

(b) The financial statements are presented for the years ended March 31, 2023, March 31, 2022 and March 31, 2021. All amounts are in Canadian dollars, unless otherwise stated.

2. Basis for measurement

The financial statements have been prepared on a historical cost basis.

3. Use of estimates

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Estimates include the allowance for doubtful trade receivable, the allowance for inventory obsolescence, the useful lives of intangible assets and property and equipment, accrual for professional allowances and program fees, allowance for sales returns and sales discounts, and valuation of future income tax asset. Actual results could differ from those estimates. Appropriate changes in estimates are made as management becomes aware of changes in circumstances surrounding the estimates.

4. Accounting policies

(a) Inventories:

Inventories of raw materials and finished goods are measured at the lower of cost and net realizable value. Cost includes purchase, conversion and other costs incurred in bringing the inventories to their present location and condition. The costs are assigned using the weighted average cost formula.

Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. A provision for obsolescence is calculated based on historical experience, unless new information indicates historical experience is not relevant for a product. Management reviews the provision annually to assess whether it is adequate.

(b) Property and equipment:

Property, plant and equipment ("PPE") are stated at cost, less accumulated amortization. Depreciation is provided on a pro-rata basis on the straight-line method ("SLM") over the estimated useful lives of the assets as determined by the management. Useful life of PPE is as follows:

	Useful life
Plant and machinery	3-15 years
Furniture and fixtures	5-10 years
Computer hardware	3 years
Computer software	3 years
Leasehold improvements	5 years
Computer hardware - server and Network	6 years

(c) Goodwill:

Goodwill is the residual amount that results when the purchase price of an acquired business exceeds the sum of the amounts allocated to the assets acquired, less liabilities assumed, based on their fair values. Goodwill is allocated, at the date of the business acquisition, to the Company's reporting units that are expected to benefit from the synergies of the business combination.

Goodwill is not amortized and is tested for impairment whenever changes in circumstances indicate that the carrying value of the reporting unit to which goodwill is assigned may exceed the fair value of the reporting unit. When the carrying amount of a reporting unit, including goodwill, exceeds its fair value, an impairment loss is recognized in an amount equal to the excess. An impairment loss is not subsequently reversed.

(d) Intangible assets:

Intangible assets resulting from a business acquisition are initially recorded at fair value. Separately acquired intangible assets are measured at cost.

For intangible assets with definite lives amortization is provided on a straight-line basis over their respective estimated useful lives.

	Useful life
Brand	10 years
Customer relationships	5 years
Product development	10 years
Product rights	10 years
Product pipeline	10 years

The Company capitalizes 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. Subsequent expenditures are capitalised only when they increase the future economic benefits embodied in the specific asset to which they relate. All other expenditures, including expenditures on internally generated intangible assets are expensed as incurred.

Intangible assets relating to products under development, other intangible assets not available for use and intangible assets having indefinite useful life are tested for impairment annually, or more frequently when there is an indication that the assets may be impaired. All other intangible assets are tested for impairment when there are indications that the carrying value may not be recoverable.

(e) Impairment of long-lived assets:

Long-lived assets, including property and equipment and intangible assets subject to amortization, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability is measured by a comparison of the asset's carrying amount to the estimated undercounted future cash flows expected to be generated by the asset. If the carrying amount of the asset exceeds its estimated future cash flows, an impairment charge is recognized for the amount by which the carrying amount of the asset exceeds the fair value of the asset. When quoted market prices are not available, the Company uses the expected future cash flows discounted at a rate commensurate with the risks associated with the recovery of the asset as an estimate of fair value.



(f) Income taxes:

The Company uses the future income taxes method of accounting for income taxes. Under the future income taxes method, future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the year that includes the date of enactment or substantive enactment. Refundable taxes that will be recovered on the payment of qualifying dividends are recognized as a future income tax asset.

A valuation allowance is recorded against any future income tax asset if it is more likely than not that the asset will not be realized. Income tax expense or benefit is the sum of the Company's provision for the current income taxes and the difference between the opening and ending balances of the future income tax assets and liabilities.

(g) Revenue recognition:

Revenue is recognized when the customer takes ownership and assumes risk of loss, collection of the related receivable is probable, persuasive evidence of an arrangement exists, and the sales price is fixed or determinable.

Sales made under agreements allowing for rights of return are recognized at the time of sale to the customer or distributor. Estimated returns and allowances are recorded as a reduction of revenue at the time of revenue recognition. Estimates are based on historical experience and other relevant factors.

Sales discounts are recorded as a reduction of revenue at the time of revenue recognition to the extent they are estimated to occur based on historical experience and other relevant factors. Any additional discounts incurred are recorded when incurred.

(h) Related party transactions:

Monetary and non-monetary related party transactions that have commercial substance are measured at the exchange amount when they are in the normal course of operations, except when the transaction is an exchange of a product or property held-for-sale in the normal course of operations. Where the transaction is not in the normal course of operations, it is measured at the exchange amount when there is a substantive change in the ownership of the item transferred and there is independent evidence of the exchange amount.

All other related party transactions are measured at the carrying amount.

(i) Foreign currency translation:

Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the exchange rate on the year end date. Non-monetary assets and liabilities are translated into Canadian dollars at the historical exchange rate prevailing when the assets were acquired, or liabilities incurred. Sales and expenses, with the exception of amortization, are translated at the rate prevailing at the date of the transaction. Amortization is translated at the same rates used in the translation of property and equipment. Translation gains or losses are included in the determination of income for the year.

(j) Financial instruments:

Financial instruments are recorded at fair value on initial recognition and are subsequently recorded at cost or amortized cost unless management has elected to carry the financial statements at fair value.

Financial instruments are adjusted by transaction costs incurred on the acquisition and financing costs. These costs are amortized using the straight-line method.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the Company determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Company expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future year, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

2 Restatement Of Previously Reported Financial Statements

(a) Year ended March 31, 2023

Subsequent to the issuance of prior year audited financial statements for the year ended March 31, 2022, it was noted that:

On June 14, 2013, the shareholders of Emcure, in their meeting pertaining to the Emcure-Employee stock option scheme 2013 ("Scheme"), agreed that eligible employees of Emcure group would be granted share options convertible into not more than 2,260,651 shares in one or more tranches. Certain employees of the Company were also granted share options on the shares of the Parent company. However, the Company had not recorded the compensation expense for such grant since 2013. The cumulative impact of not recording the compensation expense was material and thus the error is rectified retroactively and the prior year financial statements for the year ended March 31, 2022 have been restated to reflect the cumulative impact.

This was rectified, in the current year, thereby crediting additional paid in capital, for the year ended March 31, 2022, in the amount of \$ 413,370. \$159,027 is recorded as a compensation expense for the year ended March 31, 2023, under the head "Salaries and benefits" in the statements of earnings (See Note 17 – Employee Stock Options for detailed disclosure).

Restatement of balance sheets (extract)	CAD			INR (million)		
	March 31, 2022 (Original)	March 31, 2022 (Restated)	2022 adjustments	March 31, 2022 (Original)	March 31, 2022 (Restated)	2022 adjustments
Additional paid in capital – ESOP	-	413,370	(413,370)	-	25.10	(25.10)
Accumulated deficit	(16,133,332)	(16,546,702)	413,370	(979.46)	(1,004.56)	25.10
Restatement of statements of earnings (extract)	CAD			INR (million)		
	March 31, 2022 (Original)	March 31, 2022 (Restated)	2022 adjustments	March 31, 2022 (Original)	March 31, 2022 (Restated)	2022 adjustments
Salaries and benefits	5,197,511	5,410,797	(213,286)	308.87	321.54	(12.67)
Net earnings	10,581,707	10,368,421	213,286	628.83	616.16	12.67
Restatement of deficit (extract)	CAD			INR (million)		
	March 31, 2022 (Original)	March 31, 2022 (Restated)	2022 adjustments	March 31, 2022 (Original)	March 31, 2022 (Restated)	2022 adjustments
Accumulated deficit, beginning of year	(26,715,039)	(26,915,123)	200,084	(1,555.14)	(1,566.78)	11.64
Net earnings	10,581,707	10,368,421	213,286	628.83	616.16	12.67
Foreign currency translation reserve	-	-	-	(53.15)	(53.94)	0.79
Accumulated deficit, end of year	(16,133,332)	(16,546,702)	413,370	(979.46)	(1,004.56)	25.10
Restatement of cash flow statements (extract)	CAD			INR (million)		
	March 31, 2022 (Original)	March 31, 2022 (Restated)	2022 adjustments	March 31, 2022 (Original)	March 31, 2022 (Restated)	2022 adjustments
Employee stock compensation expense	-	213,286	(213,286)	-	12.67	(12.67)



Marcan Pharmaceuticals Inc.
Translated Version of Notes to Financial Statements

(b) Year ended March 31, 2022

During the year ended March 31, 2022, prior period errors were identified relating to calculation of the future income taxes relating to the Company's intangible assets recognized upon the acquisition of Marcan Pharmaceuticals Inc. by Emcure Pharmaceuticals Inc. in the period ending March 31, 2016. The cumulative impact from the period ending March 31, 2016 to March 31, 2021 is material to the prior period financial statements. The material error has been corrected retroactively and the comparative financial statements for the period ending March 31, 2021 have been restated to reflect the cumulative impact.

Restatement of balance sheets (extract)	CAD			INR (million)		
	March 31, 2021 (Original)	March 31, 2021 (Restated)	2021 adjustments	March 31, 2021 (Original)	March 31, 2021 (Restated)	2021 adjustments
Future income taxes	9,566,849	3,619,295	5,947,554	580.55	219.63	360.92
Goodwill	29,175,000	31,793,610	(2,618,610)	1,770.44	1,929.35	(158.91)
Deficit	23,386,095	26,715,039	(3,328,944)	1,419.15	1,621.16	(202.01)

Restatement of statements of earnings (extract)	CAD			INR (million)		
	March 31, 2021 (Original)	March 31, 2021 (Restated)	2021 adjustments	March 31, 2021 (Original)	March 31, 2021 (Restated)	2021 adjustments
Future income taxes	(1,310,748)	(905,862)	(404,886)	(73.65)	(50.90)	(22.75)
Net earnings	(9,170,865)	(8,765,979)	(404,886)	(515.30)	(492.55)	(22.75)

Restatement of deficit (extract)	CAD			INR (million)		
	March 31, 2021 (Original)	March 31, 2021 (Restated)	2021 adjustments	March 31, 2021 (Original)	March 31, 2021 (Restated)	2021 adjustments
Accumulated deficit, beginning of year	32,556,960	35,481,018	(2,924,058)	1,742.32	1,898.80	(156.48)
Net earnings	(9,170,865)	(8,765,979)	(404,886)	(515.30)	(492.55)	(22.75)
Foreign currency translation reserve				192.13	214.91	(22.78)
Accumulated deficit, end of year	23,386,095	26,715,039	(3,328,944)	1,419.15	1,621.16	(202.01)

Restatement of cash flow statements (extract)	CAD			INR (million)		
	March 31, 2021 (Original)	March 31, 2021 (Restated)	2021 adjustments	March 31, 2021 (Original)	March 31, 2021 (Restated)	2021 adjustments
Net earnings	9,170,865	8,765,979	404,886	515.30	492.55	22.75
Future income taxes	(1,310,748)	(905,862)	(404,886)	(73.65)	(50.90)	(22.75)

3 Amalgamation

In July 2021, Emcure Pharmaceuticals Limited. Incorporated a wholly owned subsidiary named Emcure Canada Inc. On August 11, 2021, Emcure Canada Inc., a company under common control with Marcan Pharmaceuticals Inc., acquired all of the issued and outstanding shares of Arsh Holdings Inc. and Rs313 Holdings Ltd. in exchange for \$47,254,496 (INR 2,868.83 million). Arsh Holdings Inc. and Rs313 Holdings Ltd. held all of the outstanding Class "A" preferred shares of the Company. Emcure Canada Inc. financed the acquisition with a \$17,000,000 (INR 1,032.07 million) note payable to the Parent company, and a \$25,475,000 (INR 1,930.75 million) USD term loan from a lender.

Subsequently, Marcan Pharmaceuticals Inc., Emcure Canada Inc., Arsh Holdings Inc., and Rs313 Holdings Ltd., were amalgamated on August 13, 2021 and the name of the amalgamated company was Marcan Pharmaceuticals Inc.

The amalgamation has been accounted for under the continuity of interest method and these financial statements reflect the earnings, assets, and liabilities of the amalgamated companies for the entire year in which the amalgamation occurred. No gains or losses were recognized in the statements of earnings as a result of the amalgamation transaction.

As a result of the amalgamation, the Company amalgamated assets of \$49,060,428 (INR 2,855.91 million), liabilities of \$48,915,349 (INR 2,847.46 million), common shares of \$100,000 (INR 5.82 million), and a deficit of \$45,079 (INR 2.53 million).

See Note 15 and Note 16 for the impact of the amalgamation on the common shares and preferred shares of the Company, respectively.

4 Bank Indebtedness

During the year March 31, 2022, the Company obtained a \$12,500,000 (INR 758.88 million) revolving credit facility commitment from Canada Imperial Bank of Commerce ("CIBC") that is due on demand and bears interest at prime plus 0.75% for prime loans and prime plus 2.5% for bankers' acceptance loans. In the current year, the credit limit has been extended to \$20,000,000 (INR 1,213.67 million). As at March 31, 2023 the Company had \$17,142,496 (INR 1,040.27 million) drawn under this facility as a prime loan. The facility is secured by a corporate guarantee from the Parent company.



5 Trade and Other Receivable

	CAD			INR (million)		
	31.03.2023	31.03.2022	31.03.2021	31.03.2023	31.03.2022	31.03.2021
Trade receivables	39,822,721	38,063,594	26,275,352	2,416.59	2,310.84	1,529.54
Trade and other receivables - parent company	1,981,679	1,859,216	1,731,719	120.26	112.87	100.81
Government remittances	-	-	224,062	-	-	13.04
Allowance for doubtful accounts	(4,533)	(192,667)	(180,524)	(0.28)	(11.70)	(10.51)
	41,799,867	39,730,143	28,050,609	2,536.57	2,412.01	1,632.88
Balance at the beginning of the year	192,667	180,524	263,308	11.70	10.51	14.09
Provision made during the year (net of reversal)	142,699	12,143	(66,942)	8.67	0.72	(3.76)
Bad debts written-off	(330,833)	-	(15,842)	(20.09)	-	(0.89)
Foreign currency translation reserve	-	-	-	0.00	0.47	1.07
Balance at the end of the year	4,533	192,667	180,524	0.28	11.70	10.51

6 Inventories

	CAD			INR (million)		
	31.03.2023	31.03.2022	31.03.2021	31.03.2023	31.03.2022	31.03.2021
Finished Goods	30,253,827	26,757,337	25,332,794	1,835.91	1,624.44	1,474.67
Raw Material	-	-	170,718	-	-	9.94
Allowance for Inventory Obsolescence	(2,631,420)	(2,547,147)	(2,062,450)	(159.68)	(154.64)	(120.06)
	27,622,407	24,210,190	23,441,062	1,676.23	1,469.80	1,364.55

7 Future Income Taxes

Significant components of the Company's net future income tax asset are as follows:

	CAD			INR (million)		
	31.03.2023	31.03.2022	31.03.2021	31.03.2023	31.03.2022	31.03.2021
Property and equipment	(19,031)	(61,874)	(22,645)	(1.15)	(3.76)	(1.32)
Intangible assets	3,915,891	3,724,552	3,471,109	237.63	226.12	202.06
Deferred financing fees	(21,677)	(11,595)	(73,255)	(1.32)	(0.70)	(4.26)
Accounting reserves	215,696	231,100	244,086	13.09	14.03	14.21
	4,090,879	3,882,183	3,619,295	248.25	235.69	210.69

8 Property and equipment

As of March 31, 2023

	CAD			INR (million)		
	Cost	Accumulated depreciation	Net book value	Cost	Accumulated depreciation	Net book value
Machinery and equipment	182,716	69,569	113,147	11.09	4.22	6.87
Furniture and fixture	163,661	101,056	62,605	9.93	6.13	3.80
Computer hardware	102,534	90,560	11,974	6.22	5.50	0.72
Computer software	329,053	278,917	50,136	19.97	16.93	3.04
Leasehold improvement	98,011	89,949	8,062	5.95	5.46	0.49
Capital work-in-progress	32,114	-	32,114	1.95	-	1.95
	908,089	630,051	278,038	55.11	38.24	16.87

As of March 31, 2022

	CAD			INR (million)		
	Cost	Accumulated depreciation	Net book value	Cost	Accumulated depreciation	Net book value
Machinery and equipment	182,716	14,722	167,994	11.09	0.89	10.20
Furniture and fixture	161,405	83,743	77,662	9.80	5.08	4.72
Computer hardware	102,534	71,940	30,594	6.22	4.37	1.85
Computer software	329,053	236,496	92,557	19.98	14.36	5.62
Leasehold improvement	98,011	70,598	27,413	5.95	4.29	1.66
Capital work-in-progress	-	-	-	-	-	-
	873,719	477,499	396,220	53.04	28.99	24.05

As of March 31, 2021

	CAD			INR (million)		
	Cost	Accumulated depreciation	Net book value	Cost	Accumulated depreciation	Net book value
Machinery and equipment	-	-	-	-	-	-
Furniture and fixture	161,404	66,236	95,168	9.40	3.86	5.54
Computer hardware	87,187	50,641	36,546	5.08	2.95	2.13
Computer software	249,708	202,757	46,951	14.54	11.80	2.74
Leasehold improvement	98,011	51,248	46,763	5.71	2.98	2.73
Capital work-in-progress	-	-	-	-	-	-
	596,310	370,882	225,428	34.73	21.59	13.14
As of March 31, 2020	576,410	309,204	267,206	30.85	16.55	14.30

Depreciation expense

	CAD			INR (million)		
	31.03.2023	31.03.2022	31.03.2021	31.03.2023	31.03.2022	31.03.2021
Depreciation for the year	152,552	106,617	61,678	9.27	6.34	3.47
	152,552	106,617	61,678	9.27	6.34	3.47



9 Intangible assets

As of March 31, 2023	CAD			INR (million)		
	Cost	Accumulated amortization	Net book value	Cost	Accumulated amortization	Net book value
Customer relationships	31,200,000	31,200,000	-	1,893.33	1,893.33	-
Product rights	25,322,389	18,668,672	6,653,717	1,536.65	1,132.88	403.77
Brands	4,008,000	2,972,600	1,035,400	243.22	180.39	62.83
Product pipeline	3,340,000	2,477,170	862,830	202.68	150.32	52.36
Product development	303,300	224,950	78,350	18.41	13.65	4.76
	64,173,689	55,543,392	8,630,297	3,894.29	3,370.57	523.72
As of March 31, 2022						
Customer relationships	31,200,000	31,200,000	-	1,894.16	1,894.16	-
Product rights	25,322,388	16,136,432	9,185,956	1,537.32	979.64	557.68
Brands	4,008,000	2,571,800	1,436,200	243.33	156.13	87.20
Product pipeline	3,340,000	2,143,170	1,196,830	202.77	130.11	72.66
Product development	303,300	194,620	108,680	18.41	11.82	6.59
	64,173,688	52,246,022	11,927,666	3,895.99	3,171.86	724.13
As of March 31, 2021						
Customer relationships	31,200,000	31,200,000	-	1,816.21	1,816.21	-
Product rights	25,322,388	13,604,193	11,718,195	1,474.07	791.93	682.14
Brands	4,008,000	2,171,000	1,837,000	233.31	126.38	106.93
Product pipeline	3,340,000	1,809,170	1,530,830	194.43	105.32	89.11
Product development	303,300	164,290	139,010	17.66	9.56	8.10
	64,173,688	48,948,653	15,225,035	3,735.68	2,849.40	886.28
As of March 31, 2020	64,173,688	42,011,285	22,162,403	3,434.32	2,248.28	1,186.04
Amortization expense						
	31.03.2023	31.03.2022	31.03.2021	31.03.2023	31.03.2022	31.03.2021
Amortization for the year	3,297,370	3,297,369	6,937,368	200.27	195.95	389.80
	3,297,370	3,297,369	6,937,368	200.27	195.95	389.80

10 Intangible Under Development

For intangible assets under development, ageing schedule as on March 31, 2023:

CAD	Less than 1 year	1-2 years	2-3 years	More than 3 years	Total
Product development	973,204	-	-	-	973,204
Total	973,204	-	-	-	973,204
INR (million)	Less than 1 year	1-2 years	2-3 years	More than 3 years	Total
Product development	59.06	-	-	-	59.06
Total	59.06	-	-	-	59.06

Amount of intangible assets under development as on March 31, 2022: \$ Nil and as on March 31, 2021: \$ Nil.

11 Loan payable

The Company had an authorized operating line of credit of \$8,000,000 (INR 485.68 million) which was terminated on September 1, 2020.

The Company had a \$ 7,600,000 (INR 461.40 million) facility commitment from Axis Bank Ltd. that was due on demand and bore interest at 2.9%, calculated and payable at each renewal period. The facility was secured by a corporate guarantee of the Parent company. The Company fully repaid the loan during the year ended March 31, 2022. At March 31, 2021, the Company had \$7,500,000 (INR 436.59 million) drawn under this facility.

12 Accounts Payable and Accrued Liabilities

	CAD			INR (million)		
	31.03.2023	31.03.2022	31.03.2021	31.03.2023	31.03.2022	31.03.2021
Accounts payable and accrued liabilities	22,257,653	23,425,710	11,403,494	1,350.67	1,422.18	663.82
Accounts payable – Parent company	18,591,928	18,820,878	25,724,575	1,128.23	1,142.62	1,497.48
Accounts payable – Affiliate company	137,351	-	-	8.33	-	-
Allowance for estimated returns	813,943	872,074	921,079	49.39	52.94	53.62
	41,800,875	43,118,662	38,049,148	2,536.62	2,617.74	2,214.92



13 Long-Term Debt

	CAD			INR (million)		
	31.03.2023	31.03.2022	31.03.2021	31.03.2023	31.03.2022	31.03.2021
Term loan of \$25,475,000 USD, due August 2027, interest of 3.65% plus LIBOR, payable in 12 equal semi-annual payments of \$2,122,917 USD commencing from the date 6 months after the first utilisation under the facility	22,983,546	26,527,967	-	1,394.72	1,610.52	-
Term loan of \$3,712,500 due January 2026, Interest of Prime plus 0.75% payable in 16 quarterly payments of \$ 285,577	3,141,346	12,937,500	-	190.63	785.44	-
Loan, due November 2022, interest of CDOR plus 3.35% payable quarterly, quarterly principal repayments representing 2% to 7% of the initial loan balance of \$42,000,000 in accordance with the schedule.	-	-	18,378,500	-	-	1,069.85
Deferred financing fees	(964,914)	(1,189,149)	(277,619)	(58.55)	(72.19)	(16.16)
	25,159,978	38,276,318	18,100,881	1,526.80	2,323.77	1,053.69
Less cash repayments required within 12 months	(6,888,194)	(8,755,593)	(9,240,000)	(418.00)	(531.55)	(537.88)
	18,271,784	29,520,725	8,860,881	1,108.80	1,792.22	515.81

These loans are secured by a corporate guarantee of the Parent company, and all current and non-current assets of the Company.

During the year ended March 31, 2023, the Company amended the loan agreement with CIBC wherein the term loan was reduced from \$ 13,800,000 (INR 837.43 million) to \$ 3,712,500 (INR 225.29 million) and the revolving credit facility limit was increased from \$ 12,500,000 (INR 758.55 million) to \$ 20,000,000 (INR 1,213.67 million). No gain or loss was accounted due to this transaction.

Under the terms of the term loans, the Company must comply with and maintain certain minimum financial ratios and covenants. At March 31, 2023 and March 31, 2021, the Company complied with the covenants. During the year ended March 31, 2022, the Company was not in compliance with certain covenants subsequent to which the Company obtained waivers of the covenant breaches from the lenders and therefore, classified a portion of the debts as long-term obligations.

Regular principal payments required on the loans for the next years are due as follows:

	CAD			INR (million)		
	31.03.2023	31.03.2022	31.03.2021	31.03.2023	31.03.2022	31.03.2021
2022	-	-	9,240,000	-	-	537.88
2023	-	8,755,593	9,138,500	-	531.55	531.97
2024	6,888,194	8,755,593	-	418.00	531.55	-
2025	6,888,194	8,755,593	-	418.00	531.55	-
2026	6,602,617	7,893,093	-	400.67	479.19	-
2027	5,745,887	5,305,595	-	348.68	322.10	-
	26,124,892	39,465,467	18,378,500	1,585.35	2,395.94	1,069.85

14 Related Party Transactions

(a) Related parties

Name of the related party	Nature of relationship
Emcure Pharmaceuticals Limited	Parent company
Avet Pharmaceuticals Inc	Affiliate company
Avet Pharmaceuticals Labs Inc. (Erstwhile "Heritage Pharma Labs Inc.")	Affiliate company

(b) Due to related parties:

	CAD			INR (million)		
	31.03.2023	31.03.2022	31.03.2021	31.03.2023	31.03.2022	31.03.2021
Note payable to related parties from the Parent company, bearing interest at 5.004%	395,000	17,000,000	-	23.97	1,032.07	-

During the year ended March 31, 2023, the outstanding loan balance amounting to \$ 16,605,000 (INR 1,007.65 million) was converted to equity. During the previous year ended March 31, 2022, the Parent company, advanced a \$ 17,000,000 (INR 1,032.07 million) note payable to Emcure Canada Inc., which was an entity under common control. The Company and Emcure Canada Inc. were amalgamated on August 13, 2021. The note payable bears interest at a rate of 5.004% per annum.

In the period ended March 31, 2021, the Company repaid two related party notes payable in the amount of \$10,400,000 (INR 605.40 million) each in full, for an aggregate payment of \$20,800,000 (INR 1,210.80 million). The notes payable were recorded at their present value using an effective interest rate of 7.5% and accreted to the principal amount. Annual accretion expense in fiscal 2021 totaled \$890,240 (INR 50.02 million).



(c) Related party transactions

	CAD			INR (million)		
	31.03.2023	31.03.2022	31.03.2021	31.03.2023	31.03.2022	31.03.2021
Purchases						
Emcure Pharmaceuticals Inc	32,049,069	21,862,716	24,151,399	1,946.54	1,299.22	1,357.03
Avet Pharmaceuticals Lab Inc	1,311,544	510,509	458,876	79.66	30.34	25.78
Reimbursement of expenses received						
Emcure Pharmaceuticals Inc	1,516,118	283,515	207,174	92.08	16.85	11.64
Avet Pharmaceuticals Inc	51,557	-	21,478	3.13	-	1.21
Avet Pharmaceuticals Labs Inc	-	19,225	-	-	1.14	-
Reimbursement of expenses Paid						
Emcure Pharmaceuticals Inc	2,003,021	1,109,912	985,926	121.66	65.96	55.40
Avet Pharmaceuticals Inc	-	12,668	439,274	-	0.75	24.68
Avet Pharmaceuticals Lab Inc	51,150	46,740	18,200	3.11	2.78	1.02
Interest expenses paid						
Emcure Pharmaceuticals Limited	223,153	562,394	-	13.55	33.42	-
Corporate guarantee fees paid						
Emcure Pharmaceuticals Limited	719,766	126,825	-	43.72	7.54	-
Processing fees paid						
Emcure Pharmaceuticals Limited	768,234	681,930	-	46.66	40.52	-

Unless specified, the related parties are companies under common control.

These transactions are in the normal course of operations and are measured at the exchange amount which is the amount of consideration established and agreed to by the related parties.

15 Share Capital

	CAD			INR (million)		
	31.03.2023	31.03.2022	31.03.2021	31.03.2023	31.03.2022	31.03.2021
Authorized:						
Unlimited common shares, voting, participating						
Issued:						
Common shares	43,785,001	24,480,001	24,380,001	2,483.54	1,308.44	1,302.49
	43,785,001	24,480,001	24,380,001	2,483.54	1,308.44	1,302.49

Emcure Canada Inc. was incorporated in July 2021 with an initial investment of \$ 100,000 (INR 5.95 million) from the Parent company. In exchange, the Parent company received 100,000 common shares of Emcure Canada Inc. These shares were converted to common shares of the amalgamated company upon amalgamation on August 13, 2021. The 24,380,001 common shares previously held by the Parent company in the capital of the Company before the amalgamation were also converted to common shares of the amalgamated company upon amalgamation.

During the year ended March 31, 2023, the Company raised equity capital amounting to \$ 19,305,000 (INR 1,175.10 million) from Parent company. Of the total shares issued, outstanding loan balance due to Emcure of \$ 16,605,000 (INR 1,007.65 million) was converted to equity.

During the year ended March 31, 2021, the Company issued 11,500,000 shares to Emcure Pharmaceuticals Inc. for cash consideration of \$11,500,000 (INR 651.57 million).

16 Preferred Shares

	CAD			INR (million)		
	31.03.2023	31.03.2022	31.03.2021	31.03.2023	31.03.2022	31.03.2021
Issued: 48,000,000 Class "A" preferred shares	-	-	47,254,496	-	-	2,750.78

Emcure Canada Inc. paid \$ 47,254,496 (INR 2,868.83 million) to purchase the issued and outstanding shares of Arsh Holdings Inc. and Rs313 Holdings Ltd. from their respective shareholders. Arsh Holdings Inc. and Rs313 Holdings Ltd. held the Class "A" preferred shares in the Company

Subsequently, upon amalgamation of Emcure Canada Inc., Arsh Holdings Inc., Rs313 Holdings Ltd., and the Company, the Class "A" preferred shares were eliminated and subsequently cancelled.

The Class "A" preferred shares were recorded at their present value using an effective Interest rate of 10% and were being accreted to their maximum future redemption value of \$48,000,000 (INR 2,914.08 million). The annual accretion expense totaled Nil [2022 - Nil, 2021 - \$1,932,204 (INR 108.57 million)].

17 Employee Stock Options

On June 14, 2013, the shareholders of Emcure in their meeting pursuant to the scheme Emcure-Employee stock option scheme 2013, agreed that eligible employees of Emcure group would be granted share options convertible into not more than 2,260,651 shares in one or more tranches. Broadly, the options granted under the Scheme would vest within a period of not less than one year and not more than five years. The specific Vesting schedule and conditions subject to which vesting would take place would be outlined in the letter of grant given to the option grantees. Certain employees of the Company were granted share options per the following tranches:

Grant date	No of options	Exercise price	Vesting
14-Mar-16	60,000	8.96	Equally over a period of 5 years
27-May-21	130,000	14.34	Equally over a period of 5 years

The following table summarizes the ESOP stock option activity for the fiscal year ended March 31, 2023, and March 31, 2022 (restated):

Description	No of options	Weighted average exercise price
Options outstanding as of March 31, 2021	60,000	8.96
Options granted	130,000	14.34
Options exercised	-	-
Options canceled, forfeited or expired	-	-
Options outstanding as of March 31, 2022 (restated)	190,000	12.64
Vested and exercisable as of March 31, 2022 (restated)	60,000	
Unvested as of March 31, 2022 (restated)	130,000	



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Description	No of options	Weighted average exercise price
Options outstanding as of March 31, 2022 (restated)	190,000	12.64
Options granted	-	-
Options exercised	-	-
Options canceled, forfeited or expired	-	-
Options outstanding as of March 31, 2023	190,000	12.64
Vested and exercisable as of March 31, 2023	86,000	
Unvested as of March 31, 2023	104,000	

The following table summarizes information about the equity settled share option grants outstanding as of March 31, 2023, and March 31, 2022 (restated), by exercise price:

Exercise price	March 31, 2023		March 31, 2022 (restated)	
	Remaining contractual term	No. of shares arising out of options	Remaining contractual term	No. of shares arising out of options
8.96	5	60,000	6	60,000
14.34	5	130,000	6	130,000

Emcure uses the Black Scholes Merton Option Pricing Model to determine the grant-date fair value of stock options. The determination of the fair value of stock options on the grant date is affected by the estimated underlying common stock price, as well as assumptions regarding a number of complex and subjective variables. These variables include expected stock price volatility over the term of the awards, actual and projected employee stock option exercise behaviours, risk-free interest rates, and expected dividends. The grant date fair value of Emcure's stock options granted to employees of the Company were estimated using the Black-Scholes option-pricing model with the following assumptions:

	2016 Grants	2021 Grants
Expected term	4.2 years	3 years
Expected volatility	29.90%	29.90%
Risk free interest rate	7.61%	5.38%
Annual dividend yield	1.00%	1.00%

During the year ended March 31, 2023, and March 31, 2022 (restated), the Company recorded a stock-based compensation expense of \$ 159,028 (INR 9.66 million) and \$ 213,286 (INR 12.67 million) within "Salaries and benefits" in the statement of earnings respectively.

As on March 31, 2023, and March 31, 2022 (restated), the unvested compensation expense amounts to \$ 339,685 (INR 20.61 million) and \$ 180,658 (INR 10.97 million) respectively.

18 Commitments

The Company leases office space under an operating lease which expires August 2028. The minimum aggregate rent payable for the next six years is:

	CAD			INR (million)		
	31.03.2023	31.03.2022	31.03.2021	31.03.2023	31.03.2022	31.03.2021
2022	-	-	180,411	-	-	10.50
2023	-	207,914	187,125	-	12.62	10.89
2024	96,890	87,948	79,134	5.88	5.34	4.61
2025	100,710	-	-	6.11	-	-
2026	103,741	-	-	6.30	-	-
2027	106,867	-	-	6.49	-	-
2028	110,060	-	-	6.68	-	-
2029	46,418	-	-	2.82	-	-

19 Contingent Liabilities

The Company, along with certain other generic drug companies, has entered into a tolling agreement, as requested by a defendant of a class action that was filed in 2015. The Company was originally not listed as a defendant in the class action claim. During the year ended March 31, 2021, the Company was named as a defendant, along with other companies in the class action claim. No provision has been made in the financial statements as the likelihood that the Company will incur a loss is undeterminable at this time.

20 Financial Risks

(a) Currency risk:

Approximately 17.2% (2022 - 16.2%, 2021 - 15.0%) of the Company's sales are in foreign currency. Consequently, some assets, liabilities, revenue, and expenses are exposed to foreign exchange fluctuations. The following amounts represent balances at year end denominated in USD which have been translated into Canadian dollars in the financial statements:

	CAD			INR (million)		
	31.03.2023	31.03.2022	31.03.2021	31.03.2023	31.03.2022	31.03.2021
Cash	1,175,919	723,429	433,190	96.63	54.83	31.67
Trade and other receivable	2,222,174	3,247,271	4,012,675	182.60	246.11	293.35
Accounts payable and accrued liabilities	(1,797,377)	(4,157,726)	(4,693,671)	(147.69)	(315.11)	(343.13)
Loans	(16,983,333)	(21,229,167)	-	(1,395.52)	(1,608.96)	-
Prepaid expenses and deposits	91,014	3,005,339	-	7.48	227.77	-
Advances to vendors	-	-	3,326,462	-	-	243.18



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(b) Credit risk:

The Company is exposed to credit risk in the event of non-performance by customers but does not anticipate such non-performance. The Company monitors credit risk and credit reporting of customers as a regular basis. The maximum credit exposure is the fair value of accounts receivable.

(c) Liquidity risk:

Liquidity risk is the risk that the Company will be unable to fulfil its obligations on a timely basis or at a reasonable cost. The Company manages its liquidity risk by monitoring its operating requirements. The Company prepares budgets and cash forecasts to ensure it has sufficient funds to fulfil its obligations.

(d) Interest rate risk:

The Company has debts with variable interest rates based on LIBOR and Prime plus a margin. As a result, the Company is exposed to interest rate risk due to fluctuations in the LIBOR and Prime rates. There have been no significant changes to the Company's exposure to financial risks and concentration of risks from March 31, 2021.

21 Subsequent Events

The Company evaluated all events and transactions that occurred after Balance sheet date, up to the date the financial statements were available to be issued.

22 Foreign Currency translation In Indian Rupees

Monetary Assets and liabilities of the Company have been translated to the Indian currency using exchange rates prevailing on the balance sheet date. Statement of profit and loss has been translated using average exchange rates. Share capital and Long term investments (if any) are translated into Indian currency at exchange rate prevalent on the date of transaction. Translation adjustments have been reported as foreign currency translation reserve in the other comprehensive Income which is presented within equity.

M/s. R.B. Sharma and Co.
Chartered Accountants
ICAI Firm Registration No: 109971W



Madhavan N Iyengar
Partner
Membership No. 044366
Date: 15 December 2023
Place: Pune



For and on behalf of Marcان Pharmaceuticals Inc.



Tajuddin Shaikh
Authorised Signatory

Date: 15 December 2023
Place: Pune

