PAPER – 6
INTEGRATED BUSINESS SOLUTIONS

QUESTIONS

Case Study 1

Great Joy Pharmaceutical Limited (GJPL)

Great Joy Pharmaceutical Limited (GJPL) is a listed company headquartered in Mumbai, Maharashtra. Established in 1985, it is a specialty generic pharmaceutical company, with a wide product portfolio that has both branded and generic medicines. These medicines cover cardiology, gastroenterology, diabetology, oncology, ophthalmology, dermatology, nephrology, respiratory diseases, and over-the-counter medicines among others.

It is one of the largest pharmaceutical companies in India and is also considered a large pharmaceutical company globally. It has manufacturing facilities both within India and across the globe. For FY 2024-25, it reported revenue close to $7 Billion US Dollars, employing almost 50,000 people across the globe. They have market presence within India and in major markets abroad like United States, Canada, Australia, Japan and few other European countries.

The branded medicines are a portfolio of patent protected medicines, which has been nurtured by GJPL over many years by investing heavily in research and development. The aim of this evolving business is to improve medical outcomes for patients by either meeting unmet demands or by enhancing patient convenience through differentiated dosage forms. Due to better availability of skilled talent for research and development, this portfolio has

been built primarily from its research and development centers located within United States, Europe and India.

Generic medicines are those drugs that contain the same chemical composition as the originally patented (branded medicines). They work in the same way and provide the same clinical benefits as a branded drug. However, companies other than the original patent holder do not have the right to manufacture the drug until the patent expires. As stated above, the patent provides the original innovator with the first mover advantage and their reward in the form of this monopoly helps them recoup their investment made in researching and developing this medicine. However, once the patent expires, other players in the industry can use the technical know-how to manufacture medicines that provide the same efficacy and clinical outcomes – these "off-patented" medicines are ***generic medicines***. Unlike branded medicines, there are generally many companies that produce generic medicines and hence the competition is much higher.

Few examples of GJPL's product portfolio are given below:

i. ***Viva Light*** is a multivitamin tablet that is an over-the-counter generic medicine used for vitamin deficiencies. There are other companies that produce similar tablets that have the same efficacy and clinical treatment.

ii. ***Surgicure*** is a branded oncology product that is used in cancer treatment. Usage of this medicine has made remarkable improvements to clinical treatment of end user patients. GJPL is the original patent holder of this drug, the term of which has not yet expired thereby giving the company complete monopoly over the product production and sales.

iii. ***Soothing Touch*** is a generic medicine that is used to treat burn victims. This is an improvement of the original branded medicine Coldsalve, whose patent was until recently held by GJPL's competitor. Although similar to Coldsalve in its clinical efficacy, some improvements were made to the chemical composition during the development of Soothing Touch. This helped end user patients to benefit from faster recovery time as compared to Coldsalve.

Within the last two decades, India has developed as a major hub within the pharmaceutical industry, it is now known as the "Pharmacy of the World" as it supplies medicines across the world. As mentioned earlier, GJPL has a large

market presence in United States, Canada, Australia, Japan and few other European countries. Some of the products are exported from India, while some medicines are manufactured from facilities owned by GJPL in these countries.

There are certain other countries like Mexico, Brazil and Argentina, where GJPL does not have much presence. Therefore, it hires the services of sales agents in markets in order to sell the products that it exports from India to these countries. For their services, GJPL, Mumbai pays commission for their services.

Over these years the availability of skilled talent within India for specialized roles in pharmaceutical research has improved. Therefore, GJPL has been increasing its investment in its research and development center within India, which is located at Mumbai. In addition to spending on in-house research, the company provides grants to various Indian universities, government institutions and recognized companies to conduct certain research and development activities on its behalf. These grants are utilized for various scientific programs. For tax purposes, these are notified under relevant sections by approved income tax authorities.

Mr. Jay Pradhan has recently joined as an intern in the accounting team at the company headquarters. He has been assigned to the team that manages direct and indirect taxes operations of GJPL. Refer to *Annexure 1* for certain clarifications he needs from Ms. Hiral Mehta, his immediate senior and the manager of the team, regarding certain income tax issues.

Actions within GJPL that threaten public safety

CA. Shirish Madan, Director-Finance of Great Joy Pharmaceutical Limited (GJPL), in September 2025, came across certain suspicious payments made by Mr. Aakash Jain, Director-Research and Development. Upon further investigation, it was revealed that these payments were bribes made to a group of scientists and lab technicians to suppress adverse findings discovered during the clinical trials of Metapace, a neurological drug under development. According to the scientists, these adverse results indicated potential negative impacts on patient health, and they had recommended halting further development of the drug. However, GJPL had already invested approximately ₹150 crores in this project.

Under pressure to deliver path-breaking medicines and secure a significant share in the global branded drug market, Mr. Aakash Jain, between January

and June 2023, allegedly paid bribes and inducements to suppress reporting of the adverse results.

As a result of this suppression, the drug received regulatory approval, and a patent was registered in the name of GJPL in September 2024. GJPL has since commenced commercial production of Metapace from December 2024.

Licensing agreement between GJPL and YLL

The Indian pharmaceutical industry has been steadily growing in the last decade. GJPL has been expanding its manufacturing operations within India in order to take advantage of newer opportunities. In order to deliver better results, it has divided its portfolio into core-products and non-core products. All core products will be manufactured in-house, while some of the non-core products can be manufactured by third party manufacturers by licensing out the patent.

In FY 2024-25, GJPL's research and development team at Mumbai developed Healbeat, a new drug for patients with cardiac problems. It is a revolutionary drug that can bring substantial benefits for patients. The drug is now a registered patent in India under the Patents Act, 1970. The total cost of developing the drug was ₹ 100 crore. Out of this ₹ 80 crore was incurred in India, with the balance being incurred overseas.

GJPL considers cardiology related medical production was part of its "non-core" product portfolio. In order to concentrate on its core product portfolio, GJPL decided to license out its patent to Your Life Limited (YLL), another Indian pharmaceutical company for a period of 3 years. As per the agreement entered into in Jun 2025, GJPL will receive royalty income based on the sale of Healbeat. The royalty will approximately be 60% of the sale revenue generated under the agreement. This way it can recoup the cost of research and development that it incurred to discover and patent the medicine. YLL will have complete control of production, marketing and sales, including the pricing of the drug. YLL has been given the right to sell Healbeat only within India. Market for Healbeat was steady until reports started emerging of untoward incidents relating to quality of the medicine that resulted in deaths of end user patients. Please refer to Annexure 2 for further details.

Acquisition of Blueprint Pharmaceutical Limited (BPL)

GJPL acquired BPL, a rival pharmaceutical company for ₹230 crores on June 1, 2025. BPL is based in Kolkata, West Bengal, Its product portfolio is similar to that of GJPL. The plant was acquired in order to expand its operations in West Bengal and the eastern part of India, where it has limited presence. At the time of acquisition, BPL is the defendant in a court case whereby certain customers of BPL have alleged usage of one of their drugs, Clear Air which caused irreversible harm to the lungs. BPL is being sued for damages of ₹ 30 crores.

BPL has indemnified GJPL for the losses, if any on account of the court case to the tune of ₹25 crores. The fair value of the liability is ₹22 crores.

Annexure 1

Jay Pradhan / Management Trainee, GJPL

From:	"Jay Pradhan" jaypradhan@gjpl.com;
Sent:	3rd May 2026 19:00
To:	"Hiral Mehta" <hiralm@gjpl.com>;
Cc:	
Subject:	Clarification on Tax Treatment of Certain Expenses
Date:	3rd May, 2025

Dear Ms. Mehta,

While reviewing the working files and records relating to direct and indirect taxes, I have come across certain items that require clarification. These include research and development payments made during F.Y. 2024-25, as well as two tax matters of F.Y. 2023-24 where the Assessing Officer has raised demands. I would be grateful for your guidance on their tax implications.

(i) Research and Development Expenditure - During F.Y. 2024-25, GJPL incurred various expenses towards research and development within India. A contribution of ₹5 crores was paid to the notified and approved Indian Institute of Science, Bangalore, which is a public university renowned for its scientific research activities. Another contribution of ₹ 4 crores was made to IIT, Delhi for an approved scientific research program. In addition, a grant of ₹ 2 crores was given to Healthy India Limited, a company registered in India with its principal objective being scientific research and development, duly approved by the prescribed authority. Further, the company incurred expenditure on its in-house scientific research and development facility approved by the prescribed authority, comprising revenue expenditure of ₹ 8 crores and capital expenditure of ₹ 25 crores, of which ₹ 10 crores relate to the cost of acquisition of land.

As discussed earlier, GJPL is governed by the normal provisions of the Income-tax Act and has not opted for the concessional regime under sections 115BAA or 115BAB.

(ii) Commission to Overseas Agents (F.Y. 2023-24)- In F.Y. 2023-24, GJPL paid commission to several agents abroad for facilitating sales of its products in markets such as Mexico, Brazil, and Argentina. These agents are non-residents, have no income accruing or arising in India, and hence are not liable to tax in India. Accordingly, no tax was deducted at source on such payments, nor was any application made under section 195(2) for nil deduction. On assessment, however, the Assessing Officer has taken the view that tax should have been deducted at source and has therefore proposed to disallow the commission expenditure of ₹ 25 crores. I seek your advice on whether this position is legally sustainable.

(iii) Freebies to Medical Practitioners (F.Y. 2023-24)- During the same year, GJPL incurred an expenditure of ₹ 5 crores towards providing freebies to medical practitioners within India. The Assessing Officer has disallowed this expense as not being deductible for tax purposes. Please advise whether this position is correct.

Thank you for your kind guidance.

Yours sincerely,

Jay Pradhan

Annexure 2

The News

Substandard drug tragically claims the lives of 25 patients

Mumbai, 15th October 2025 – Your Life Limited (YLL) is a pharmaceutical company that manufactures and sells the blockbuster drug Healbeat, a cardiovascular drug that has successfully transformed the lives of many patients. The original patent holder for Healbeat is Great Joy Pharmaceutical Limited (GJPL). As per the licensing agreement between the companies, YLL has exclusive rights to manufacture and market the drug. In return GJPL earns substantial royalty on sales.

Recently, the regulatory authorities have received various complaints about the quality of Healbeat medicine that is manufactured by YLL. On further investigation it was found that the certain Active Pharma Ingredient (API), which is the main chemical compound for the medicine, is of substandard quality. The API has been procured from an external supplier by YLL. Unfortunately, the use of substandard APIs in its production of Healbeat has resulted in certain tragic loss of lives in recent months. YLL now faces certain litigation and penalties filed against it with the regulatory authorities.

Multiple Choice Questions

1.1 Which of the following statements would be true regarding the competitive advantage of branded and generic products of GJPL's product portfolio:

(A) GJPL should follow cost leadership strategy for generic medicines and product differentiation strategy for branded medicines.

(B) GJPL should follow cost leadership strategy for branded medicines and product differentiation strategy for generic medicines.

(C) GJPL should follow cost leadership strategy for both generic products and branded medicines.

(D) GJPL should follow product differentiation strategy for both generic products and branded medicines.

1.2 Which of the following classification from GJPL's product portfolio is correct?

Sr. No.	Name of product	Sr. No.	Type of product
I	Viva Light	(i)	Revolutionary product
II	Surgicure	(ii)	Me Too product
III	Soothing Touch	(iii)	Evolutionary product

(A) I-(ii), II-(iii), III-(i)

(B) I-(ii), II-(i), III-(iii)

(C) I-(iii), II-(ii), III-(i)

(D) I-(i), II-(ii), III-(iii)

1.3 With reference to the royalties earned from sales of Healbeat, which of the following statements would be true regarding its taxation as per the Income Tax Act?

(A) GJPL would not be eligible for any concessional tax rate under the Income Tax Act for the royalties which it earns from licensing out the patent for Healbeat because there is no such provision available in the Act.

(B) GJPL would not be eligible for any concessional tax rate under the Income Tax Act for the royalties which it earns from licensing out the patent for Healbeat because some portion of the expense in developing the patent was not incurred in India.

(C) GJPL can avail concessional tax on the royalties earned from licensing out the patent for Healbeat because GJPL has incurred more than 75% of the expenditure for research and development in India and it is registered under the Patents Act, 1970.

(D) GJPL can avail concessional tax on royalties earned from licensing out the patent because under the agreement Healbeat is sold only within India.

1.4 With reference to the suppression of adverse results during the clinical trials of Metapace that can harm public safety, what are the actions that CA. Shirish Madan should take:

(A) Discuss the matter with the management or those charged with governance at GJPL. If further action is needed, using his professional judgment, disclose the matter immediately to an appropriate authority in order to prevent or mitigate the consequences of this imminent breach that can cause public harm.

(B) Production has already begun, CA. Shirish Madan is under no obligation to reveal and discuss this matter with anyone within or outside the company.

(C) CA. Shirish Madan can ignore this breach since these payments have not been authorized by him and are related to the research and development department of the company, therefore they are not under his purview.

(D) CA. Shirish Madan should consider resigning from his position as the bribes and inducements have a financial impact. As a Director of Finance he is also responsible for this fraud although he did not expressly authorize these payments.

1.5 The acquisition of BPL by GJPL is an example of:

(A) Backward integration

(B) Forward integration

(C) Horizontal integration

(D) Supply chain integration

1.6 How should GJPL account for the contingent liability and indemnification asset be recognized in its books for FY 2025-26?

(A) GJPL should measure the identifiable liability of entity BPL at ₹ 22 crores and a corresponding asset of ₹ 25 crores.

(B) GJPL should measure the identifiable liability of entity BPL at ₹ 22 crores and a corresponding asset of ₹ 22 crores.

(C) GJPL should not measure the liability until the settlement of the case and accordingly not account for any corresponding asset either.

(D) GJPL should not measure the liability until the settlement of the case and measure the corresponding asset of ₹ 25 crores since BPL has committed to indemnify for loss to this extent.

Descriptive Questions

1.7 With reference to the information provided in the Annexure, advise Hiral Mehta on how she should guide Jay Pradhan in relation to the following issues under the provisions of the Income-tax Act:

i. Treatment of various research and development expenses incurred during F.Y. 2024-25.

ii. Whether to accept the Assessing Officer's position disallowing the commission expenditure of ₹ 25 crores incurred in F.Y. 2023-24.

iii. Whether to accept the Assessing Officer's position disallowing the expenditure of ₹ 5 crores incurred in F.Y. 2023-24 on providing freebies to medical practitioners.

1.8 Discuss why GJPL should attempt to address the issue of untoward clinical outcomes of Healbeat in patients, the patent of which it has licensed out to YLL.

Suggest some of the actions that the company can take to address this issue.

Case Study 2

Niramaya Pharma Limited

Niramaya Pharma Limited (with the motto "Serve Santu Niramaya" i.e., *may all be free from illness*), a registered supplier of bulk drugs, is headquartered in Mumbai, Maharashtra. The company manufactures bulk drugs and supplies them to both domestic and international markets. It qualifies as a medium-sized entity under the MSME legislation. Bulk drugs are supplied within Mumbai and to overseas markets directly from the company's warehouse located in Navi Mumbai. For supplies to other states in India, Niramaya Pharma Limited has appointed consignment agents in each such state. However, supplies to Aurangabad (Maharashtra) and Goa are made directly from the Navi Mumbai warehouse. The consignments meant for consignment agents are also dispatched from the Navi Mumbai warehouse.

The pharmaceutical industry in India is marked by a vast and diverse range of products, characterized by both extensive product lines and depth, along with numerous drugs under development. Niramaya Pharma Limited reflects this industry trend, maintaining a substantial portfolio in which the majority of products are still in development. The probability of success for new drugs is relatively low, as many fail to progress through clinical trials or are found economically unviable for launch. However, the potential returns from a successful new drug are significant, often making just a few marketable products sufficient to ensure strong profitability. At present, Niramaya has 132 drugs at various stages of development, including testing and clinical trials, before decisions are made regarding their market introduction. Only 15 products have been launched, of which four key products contribute substantially to the company's revenue, as detailed below –

Giapride, a medication developed to improve gastrointestinal function, has been available in the market for the past two months. Despite the presence of alternative treatments, Giapride is witnessing growth in both market size and relative market share. Its competitive pricing compared to existing alternatives further strengthens its position in the market.

Lifedipine, a drug used in the treatment of heart disease, has been available in the market for two years and has achieved considerable success during this period. However, its sales have now stabilized, and no significant increase is expected in the coming years.

Combi-Relief, an analgesic introduced over a decade ago, has established itself as a leading medication in its category. In a few months, its patent is set to expire, allowing other companies to produce generic versions. It is expected that Combi-Relief will continue to be sold for approximately twelve months after patent expiration before being phased out of the market.

Immunol is a specialized medication used in hospital settings for the treatment of severe infections. It is not available for use outside hospitals through doctors or pharmacists. Introduced only three months ago, Immunol has not yet achieved significant sales.

Additionally, Niramaya Pharma Limited provides drug development services to drug manufacturers across India, including testing of new drugs in its laboratory located in Mumbai. For testing of one of its products Niramaya Pharma Limited on 1st April 2025 acquired a new machine under the following lease agreement –

- 5 Annual payments of ₹2,00,000 will be due, commencing 1st April 2025.
- The interest rate implicit in the lease is 8%.
- The present value of the lease payments is ₹8,62,400.

Medicines sold by Niramaya Pharma Limited attract Goods and Services Tax (GST) at prescribed rates depending on their category. Bulk drugs are taxed at the rate of 2.5% CGST and 2.5% SGST, or 5% IGST in case of inter-state supply. On the other hand, drug development services are liable to GST at the rate of 9% CGST and 9% SGST, or 18% IGST for inter-state transactions. In January 2026, Niramaya Pharma Limited undertook multiple transactions. The company received an advance of ₹4,22,500 for drug development services to be provided to Jonson Biotech Ltd., a drug manufacturer based in Mumbai; the services were

rendered in February 2026 and the invoice was issued on 28th February 2026. An advance of ₹7,20,000 was also received for the supply of bulk drugs to ANZ Pharmaceuticals, a wholesale dealer located in Aurangabad, Maharashtra, with the invoice issued at the time of delivery in April 2026. During the month, bulk drugs worth ₹ 42,00,000 were supplied to wholesale dealers in Mumbai, while bulk drugs valued at ₹ 4,20,00,000 were exported under bond to Fizer Alberta Inc., Canada, with consideration received in convertible foreign exchange. In addition, drug development services amounting to ₹ 14,20,000 were provided to Bi-Con Life Ltd., a drug manufacturer in Mumbai.

Further, bulk drug consignments were sent to ZYD Pharma Pvt. Ltd., the company's agent in Haryana, and Arvind Medicos, its agent in Uttar Pradesh, who supplied them to medical stores in their respective states for ₹ 41,00,000 and ₹ 14,00,000. Moreover, bulk drugs were supplied to Niramaya Healthcare Pvt. Ltd., a wholesale dealer in Aurangabad, Maharashtra, for a consideration of ₹14,00,000. Since Niramaya Pharma Limited holds 62.5% ownership in Niramaya Healthcare Pvt. Ltd., and the latter is not eligible for full Input Tax Credit (ITC), the transaction value is determined based on the open market value of ₹ 24,00,000.

Niramaya Pharma Limited has a board composed of seasoned professionals who are well-known figures in the pharmaceutical industry. Even its functional executives hold prominent positions in their respective fields; for instance, the CFO is a former President of the All India Chambers of Commerce and Industry (AICCI). The Board is also balanced in terms of gender representation. To further enhance independence and transparency, Niramaya has appointed both Non-Executive and Independent Directors. Recently, Mr. Atul Gupta was appointed as the Independent Director of Niramaya Pharma Limited. He noted that the company is currently facing challenges related to the Inverted Duty Structure.

The directors of Niramaya Pharma Limited convene Board meetings approximately once a month to review the product portfolio and evaluate potential investment opportunities. To deliberate on the three investment proposals listed below, a Board meeting was scheduled on May 8, 2025, at 3:00 p.m. at the company's Registered Office in Nariman Point, Mumbai. However, no business could be conducted due to the absence of a quorum, resulting in the adjournment of the meeting. Considering the constraints on borrowing capacity, the three investment options are mutually exclusive. The options are as follows:

Option 1- The Board of Directors may choose to invest in an enhanced version of Combi-Relief, termed Combi-Instant-Relief, which offers superior performance compared to the standard formulation. This strategic initiative will allow Niramaya Pharma Limited to file a new patent for Combi-Instant-Relief, thereby sustaining the sales levels achieved by Combi-Relief for an additional ten years. Combi-Instant-Relief has successfully completed all clinical trials and is ready for immediate market launch.

Option 2- The directors may allocate resources to a major marketing campaign for Immunol, targeting specialist hospital staff. While this investment is expected to significantly boost Immunol's sales, Niramaya is aware that its competitor, Go-Well, is actively promoting a rival product with similar efficacy, which may affect the campaign's impact.

Option 3- The Board may invest in the final phase of clinical trials for Sanjeevini, a groundbreaking injection used in cancer treatment. Sanjeevini demonstrates significantly higher success rates compared to existing therapies and is part of the innovative field of immunotherapy (Refer Annexure). Niramaya's specialists overseeing its development anticipate completing the trials within six months. They recommend pricing Sanjeevini as low as possible to maximize societal benefits, in line with the company's motto "Sarve Santu Niramaya". Nonetheless, the marketing team believes that, due to its efficacy and innovative status, substantial profits can also be generated. Cancer remains a critical health challenge in India (Refer Annexure).

Niramaya Pharma Limited is an IT-enthusiastic organization, consistently staying at the forefront of technological adoption. While the company previously relied on an external ERP solution, it has now implemented an in-house developed ERP system to ensure greater data privacy and control. This ERP comprises multiple integrated modules, including Vendor Management, Store, Accounts, Control, HRM, CRM, SCM, and BCP, all developed by Niramaya's experienced IT team. Access to each module requires a mandatory User-ID and Password, with the User-ID corresponding to the employee's ID, ensuring secure and controlled access to sensitive data. This robust IT framework directly supports the investment options under consideration by the Board. For Combi-Instant-Relief (Option 1), the ERP can manage production, inventory, and sales tracking efficiently for the newly patented product. In the case of Immunol (Option 2), the system can support targeted marketing campaigns and monitor hospital sales performance in real time. For Sanjeevini (Option 3), the ERP enables

detailed tracking of clinical trial data, research documentation, and regulatory compliance, while safeguarding sensitive information critical for the success of this innovative therapy.

To fund the selected options out of three mentioned above; Niramaya Pharma Limited will issues ₹ 10 crore 5% loan notes on 1st April 2026, Incurring issue cost of 3%. These loan notes will be redeemable at premium, that would result in the effective rate of interest is 8% per annum. Niramaya is also considering option to borrow from US market because it has aspiration to go global in term of presence (by incorporating/ registering a subsidiary there and to open drug stores there); apart from an obvious reason that it is cheaper to borrow fund from US than borrowing in Indian Market.

Niramaya with valid FCRA registration receives ₹3 crore from a U.S.-based foundation to conduct free health awareness camps in rural India. Later, it transfers part of the funds to an unregistered NGO partner for community programs in violation of provision of FCRA and specifically the term and conditions of the certificate.

Annexure

The News

Niramaya Pharma Raises Awareness on Early Cancer Detection and Immunotherapy

Mumbai, February 5, 2025 – In a proactive initiative on World Cancer Day, Niramaya Pharma Limited conducted an awareness drive emphasizing the importance of early cancer detection and innovative treatment options, including immunotherapy.

Between 2012 and 2022, India's population grew by 11.2%, while cancer incidence rose sharply by 36%, increasing from 1.01 million cases in 2012 to 1.38 million in 2022. Experts note that in India, one in nine individuals is likely to develop cancer in their lifetime, with lung and breast cancers being the most prevalent among males and females, respectively.

Niramaya's campaign highlighted the critical need for early diagnosis and informed the public about modern treatment approaches, particularly immunotherapy. This cutting-edge treatment harnesses the patient's own immune system to identify and attack cancer cells, employing methods such as checkpoint inhibitors, vaccines, and CAR T-cell therapy.

The awareness drive received widespread appreciation from the medical community, reinforcing Niramaya Pharma's commitment to societal health and its motto, "Serve Santu Niramaya" i.e., may all be free from illness.

Multiple Choice Question

2.1 What will be recorded in Niramaya's Financial Statements at 31st March 2027 in respect of the lease liability (Round off to nearest ₹ 10)?

Option	Finance Cost	Non-Current Liability	Current Liability
A	41,230	3,56,620	2,00,000
B	52,990	5,15,390	2,00,000
C	53,120	5,17,120	2,00,000
D	58,510	4,37,090	2,00,000

2.2 Mr. Atul Gupta was recently appointed as Independent Director of Niramaya Pharma Limited. He is likely to be part of Audit Committee. Choose the appropriate option from the list below concerning Mr. Atul Gupta's declaration of his independence in accordance with the relevant sections of the Companies Act, 2013, following his appointment as an Independent Director.

(A) Mr. Atul Gupta is required to give declaration as to his independence on the first day of attending his office.

(B) Mr. Atul Gupta must provide a declaration of his independence during the initial Board Meeting in which he serves as an independent director.

(C) Mr. Atul Gupta is required to give declaration as to his independence within 30 days of his appointment as director.

(D) Mr. Atul Gupta is required to give declaration as to his independence at the first meeting of Audit Committee in which he participates as independent Director.

2.3 With reference to use of loan notes – a financial instrument to raise fund, what will be the finance cost to be shown in the statement of profit or loss for the year ended 31st March 2028?

(A) 82,40,000

(B) 77,60,000

(C) 79,80,800

(D) 80,00,000

2.4 In regard to financial statements generated by accounting module of ERP solution which is being used at Niramaya; the login is allowed only after punching User-ID and Password. The use of login credential ensures data integrity. What type of control it is?

(A) Test Control

(B) Detective Control

(C) Preventive Control

(D) Application Control

2.5 From the case scenario, it is evident that Niramaya called a Board Meeting on 8th May, 2025, at 3:00 p.m. at its Registered Office at Nariman Point, Mumbai. Due to the lack of quorum, no business could be conducted, and the meeting was adjourned. Please select the appropriate date, time, and location for the rescheduled meeting, assuming there are no conflicting stipulations in the Articles of Association of Niramaya, given that May 15, 2025, has been designated as a public holiday.

(A) The adjourned Board Meeting needs to be held on any day till 15th May, 2025, at 3:00 p.m. at the Registered Office of Niramaya at Nariman Point, Mumbai.

(B) The adjourned Board Meeting needs to be held on 14th May, 2025, at 3:00 p.m. at the Registered Office of Niramaya at Nariman Point, Mumbai.

(C) The adjourned Board Meeting needs to be held on 15th May, 2025, at 3:00 p.m. at the Registered Office of Niramaya at Nariman Point, Mumbai.

(D) The adjourned Board Meeting needs to be held on 16th May, 2025, at 3:00 p.m. at the Registered Office of Niramaya at Nariman Point, Mumbai

2.6 Since violation of the terms and conditions of the certificate issued under FCRA is a valid ground for cancellation of certificate, hence certificate of registration of Niramaya under FCRA is cancelled. Advice Niramaya, regarding furnishing afresh application for grant of registration under FCRA, which of the following option is correct;

(A) Niramaya Pharma Limited will be allowed to register under FCRA at least after 5 years from date of default which caused cancellation of certificate

(B) Niramaya Pharma Limited will be allowed to register under FCRA at least after 3 years from date of default which caused cancellation of certificate

(C) Niramaya Pharma Limited will be allowed to register under FCRA at least after 5 years from date of cancellation of certificate

(D) Niramaya Pharma Limited will be allowed to register under FCRA at least after 3 years from date of cancellation of certificate

Descriptive Questions

2.7 APPLY the product life cycle model to product portfolio of Niramaya Pharma Limited and ANALYSE the balance therein; with detailing on current prominent 4 products.

2.8 EVALUATE the each of the three investment options that board of Niramaya Pharma Limited is considering along with potential impact thereof on the product portfolio of Niramaya Pharma Limited (without considering financing options).

2.9 DETERMINE the GST liability of Niramaya Pharma Limited for the month of January, 2026.

SUGGESTED ANSWERS

Answers to Multiple Choice Questions

1.1 The correct answer is (A) - GJPL should follow cost leadership strategy for generic medicines and product differentiation strategy for branded medicines.

Reason: Generic medicines are manufactured after the restriction of the original patent expires. Since the know-how can now be used without restriction, the number of competitors will be more. Therefore, GJPL will not have much scope to determine the price of the medicine. Consequently, product profitability will be driven by the costs. Therefore, GJPL has to follow a cost leadership strategy in case of generic drugs.

Branded medicines offer unique treatment solutions to the end user, due to which they are protected by patents. The grant of patent is an acknowledgment of this unique feature, due to which GJPL should follow a product differentiation strategy for branded medicines. Since branded medicines are protected by patents, GJPL can enjoy monopoly with respect to the medicine. This gives them the ability to price the medicine at a higher premium price, subject to any regulatory restrictions. Therefore, branded medicines can contribute to profitability of the company using the product differentiation strategy.

1.2 The correct answer is (B)- I-(ii), II-(i), III-(iii)

Reason: ***Viva Light*** is a Me-too product as it is a generic medicine that is also produced by other companies. There are similar products in the market, therefore it is a market follower, a Me-Too product.

Surgicare is a branded product over which GJPL has the patent which has not yet expired. This innovative medicine has provided remarkable improvement in the clinical treatment of end user patients, due to which GJPL has the coveted right of holding its patent. The drug is a market leader and therefore a Revolutionary product.

Soothing Touch is an upgraded, improved version of the originally branded medicine Coolsalve. Therefore, it is an evolutionary product.

1.3 **The correct answer is (C) -** GJPL can avail concessional tax on the royalties earned from licensing out the patent for Healbeat because GJPL has incurred more than 75% of the expenditure for research and development in India and it is registered under the Patents Act, 1970.

Reason: Under section 115 BBF, where the total income of the original patent holder includes any income by way of royalty in respect of a patent developed and registered in India, then such royalty shall be taxed at the rate of 10% (plus applicable surcharge and cess). For this purpose, developed in India means at 75% of the expenditure should be incurred in India for the invention in respect of which patent has been granted under the Patents Act, 1970.

GJPL incurred ₹ 100 crores in developing Healbeat out of which ₹ 80 crore has been incurred in India. The patent for this invention has been registered in India under the Patents Act, 1970. Therefore, GJPL will be eligible for a concessional tax of 10% (plus surcharge and cess) on the royalty earned from sale of Healbeat.

1.4 **The correct answer is (A) -** Discuss the matter with the management or those charged with governance at GJPL. If further action is needed, using his professional judgment, disclose the matter immediately to an appropriate authority in order to prevent or mitigate the consequences of this imminent breach that can cause public harm.

Reason: NOCLAR, under Code of Ethics is applicable to professional accountants in service as well and CA. Shirish Madan will be covered under this as he is a senior professional accountant in service as he is employed as Director of Finance, GJPL, a listed company. The ill-effects of consumption of Metapace can cause public harm, therefore CA. Shirish Madan is expected to take appropriate actions under the Code of Ethics that governs Chartered Accountants. The Code requires him to obtain an understanding of the matter, address it by discussing it with the management and those charged with governance. After taking appropriate guidance, if he determines further action is required, he can also disclose the matter immediately to an appropriate authority in order to prevent or mitigate the consequences of this imminent breach that can cause public harm. He should document all of these actions that may be needed in case there are future legal clarifications on account of this breach.

1.5 The answer is (C) - Horizontal integration.

Reason: Similar to GJPL, BPL is another pharmaceutical company producing similar medicines. The company wants to expand its operations in West Bengal and the markets in east India. This will increase its market share and potential for revenue generation. This makes GJPL's acquisition of BPL an example of Horizontal integration.

1.6 The correct answer is (B) - GJPL should measure the identifiable liability of entity BPL at ₹ 22 crores and a corresponding asset of ₹ 22 crores.

Reason: As per Ind AS 103, the acquirer shall recognize on the date of acquisition a contingent liability assumed in a business combination if it is a present obligation arising from past events and its fair value can be measured reliably. In this case, the contingent liability is arising out of pre - acquisition events. The fair value of this liability can be measured at ₹ 22 crores, which is within the indemnification limit of ₹ 25 crores that BPL is willing to cover on behalf of GJPL. Therefore, acquirer GJPL should recognize the liability and the corresponding indemnification asset in its books for FY 2025-26, while accounting for this business combination at ₹22 crores only.

Answers to Descriptive Questions

1.7 (i) Computation of deduction available under section 35 for A.Y. 2025-26

Particulars	₹	Section	% of deduction	Amount of deduction (₹)
Payment for scientific research to notified approved institutes/ company				
- Indian Institute of Science, Bangalore	5 crores	35 (1) (ii)	100.00%	5 crores
- IIT Delhi	4 crores	35 (2AA)	100.00%	4 crores
- Healthy India Limited	2 crores	35(1) (iia)	100.00%	2 crores

Expenditure incurred on in-house research and development facility				
- Revenue Expenditure	8 crores	35 (2AB)	100.00%	8 crores
- Capital Expenditure (excluding the cost of land)	15 crores	35 (2AB)	100.00%	15 crores
Total deduction available under section 35				**34 crores**

(ii) GLPL utilizes the services of many agents abroad, who arrange to sell the company's products from India in select markets like Mexico, Brazil and Argentina. For such services it had paid commission of ₹ 25 crores during F.Y. 2023-24 and claimed this as a business expense. Since it had not deducted TDS on such payments, the Assessing Officer is of the opinion that the commission of ₹ 25 crores paid during F.Y. 2023-24 should not be allowed as a business expenditure. GJPL has also not made any application u/s 195(2) for making deduction of tax at source at Nil rate.

To assess this validity of this stance, reference can be made to the Delhi High Court case law ***CIT vs Maruti Suzuki India Limited (2018) 407 ITR 165 (Del)***. In the said case, it was held that the non-resident agent who operated outside India did not have any income arising in India. Accordingly, the commission earned by a non-resident agent who was in the business of selling Indian goods abroad, did not accrue or arise in India, and hence, no tax was deductible on such commission payment to a non-resident agent. Since the assessee has made payment to a non-resident agent and such income is not chargeable to tax in India, section 40(a)(i) could not be invoked to disallow deduction of such payment for non-deduction of tax at source while computing business income of the assessee.

On similar grounds, it can be concluded that the Assessing Officer is not justified in invoking section 40(a)(i) to disallow deduction of ₹ 25 crores paid as commission to non-resident agents selling products in various markets outside India on behalf of GJPL. Therefore, Hiral should advise that the ground for this disallowance is not justified.

(iii) During F.Y. 2023-24, GJPL had provided freebies to medical practitioners practicing within India. This was amounted to ₹5 crores. On assessment the income tax officer has disallowed this expenditure as a business expense.

To assess the validity of this stance, reference can be made to the Supreme Court case in ***Apex Laboratories Pvt. Ltd. Vs DCIT (2022) 442 ITR 1***. In this case it was held that the incentives (or freebies) given by the pharmaceutical company, to the doctors, had a direct result of exposing the recipients to the odium of sanctions, leading to a ban on their practice of medicine. These sanctions are mandated by law, as they are embodied in the code of conduct and ethics, which are normative and have legally binding effects. The conceded participation of the assessee – pharmaceutical company i.e. the provider or donor, was plainly prohibited, as far as their receipt by medical practitioners was concerned. That medical practitioners were forbidden from accepting such gifts or freebies was no less a prohibition on the part of their giver or donor i.e. the pharmaceutical company.

Explanation 3 inserted in section 37(1) is in consonance with the above Supreme Court judgment. Thus, pharmaceutical companies' gifting of freebies to doctors is clearly "prohibited by law" and not allowed to be claimed as a deduction under section 37(1). Doing so would undermine public policy.

From this it can be concluded the position of the income tax officer is correct. The expenditure of ₹ 5 crores incurred on freebies to doctors can be considered as expenses prohibited by the law and not allowed as a deductible expenditure on the hands of the GJPL under section 37(1) of the Income Tax Act. Therefore, Hiral should advise that the ground for this disallowance is justified.

Answers to Descriptive Questions

1.8 **(i)** GJPL is the original patent holder of Healbeat. However, since it has chosen to focus on its core product portfolio, the company licensed out the patent to YLL for the manufacture, marketing, and sale of Healbeat. GJPL does not exercise any control over YLL's activities and only earns substantial royalty income from the sales of Healbeat.

Although GJPL does not bear direct responsibility for the tragic loss of lives of patients caused by YLL's substandard production practices, modern organizations are expected to uphold a broader moral duty of care toward stakeholders, including those not directly connected to the company. In this case, GJPL owes a duty of care to the end-user patients consuming Healbeat, the patent of which it owns.

Due to inadequate quality control measures, YLL produced substandard medicines, resulting in patient deaths. End users have a right to safe and effective medicines for the treatment of their ailments. Since these fatalities are directly linked to the consumption of a drug patented by GJPL, the company should make efforts to address the issue. From a corporate perspective, such incidents can severely damage the company's brand image and reputation.

(ii) Some of the actions that GJPL can take are:

(a) GJPL can develop a comprehensive **Code of Conduct** outlining acceptable business standards. These standards should clearly specify the criteria that licensed manufacturers must follow, particularly in the selection of raw material suppliers, to ensure the quality of inputs. GJPL should mandate that manufacturers like YLL implement this Code of Conduct along with other compliance measures, and also require them to submit to periodic inspections by GJPL to verify adherence to these standards.

(b) GJPL should establish an **independent audit team** to periodically review the operations of contract manufacturers such as YLL. These audits should be conducted both at the pre-sourcing stage (before entering into any agreement) and at regular follow-up stages. GJPL should engage only with manufacturers willing to comply with its Code of Conduct, and contract manufacturing agreements should incorporate provisions for penalties or termination of contracts in the event of serious violations.

(c) As a leading player in the pharmaceutical industry, GJPL should work to build **transparency and agility within its supply chain**. This would involve having complete visibility over suppliers of critical raw materials such as APIs, potential alternative manufacturers for producing the patented drug, and the distribution channels used for its sale. Greater transparency fosters accountability across the supply chain. Moreover, in cases of repeated violations of the Code of Conduct, GJPL should retain the flexibility to shift production to alternate manufacturers who can ensure safety and efficacy. This approach will not only safeguard the continued production of important patented medicines—crucial for recovering the heavy investments made in research and development—but will also reinforce GJPL's commitment to ethical practices, thereby helping it maintain its reputation as a responsible corporate citizen.

Answers to the Multiple Choice Questions

2.1 The correct Option is (A) -

Finance Cost	Non-Current Liability	Current Liability
41,230	3,56,620	2,00,000

Reason: Initial value of lease liability is the present value of lease payments ₹ 8,62,400.

Year	Balance b/f	Payment	Subtotal	Interest @ 8%	Balance c/f
2025-26	8,62,400	(2,00,000)	6,62,400	52,992	7,15,392
2026-27	7,15,392	(2,00,000)	5,15,392	41,231	5,56,623
2027-28	5,56,623	(2,00,000)	3,56,623		

The non-current liability at end of 2026-27 is the figure to be paid beyond 2027-28 i.e. ₹ 3,56,623 which is round off to ₹ 3,56,620.

The current liability is the total liability of ₹ 5,56,623 less the non-current liability of ₹ 3,56,623 which is ₹ 2,00,000.

The finance cost is the figure in the interest column for 2026-27 ₹ 41,231 which is round off to ₹ 41,230.

2.2 The correct Option is (B) - Mr. Atul Gupta must provide a declaration of his independence during the initial Board Meeting in which he serves as an independent director.

Reason: Explanation - Section 149(7) of the Companies Act, 2013

Every independent director is required to declare at the initial Board meeting in which they participate, and subsequently at the first Board meeting of each financial year, or whenever there is a change in circumstances that may influence their status as an independent director, that they fulfil the independence criteria outlined in sub-section (6).

2.3 The correct Option is (C) - ₹79,80,800

Reason: The loan notes should initially be recorded at their net proceeds, being the ₹ 10 crores raised less the 3% issue costs, giving ₹ 9.7 crores. This should then be held at amortised cost, taking the effective rate of interest to the statement of profit or loss. The annual payment will be the coupon rate, which will be 5% × ₹ 10 crores = 50 lacs a year.

Applying this to an amortised cost table gives ₹ 79,80,800 as shown below.

Year	Balance b/f	Interest@8 %	Coupon Payment	Balance c/f
2026-27	9,70,00,000	77,60,000	50,00,000	9,97,60,000
2027-28	9,97,60,000	79,80,800		

2.4 The correct Option is (C) - Preventive control.

Reason: Explanation – Test control is not an standard audit term, instead it is test of control, which means any auditing procedure used to evaluate a company's internal controls. The aim of tests of control in auditing is to determine whether these internal controls are sufficient to detect or prevent risks of material misstatements.

Preventive controls help prevent things from going awry in the first place, hence preventive controls are designed to prevent issues or losses

from occurring whereas detective controls are the second line of defence.

Application Control is the IT relevant term it restricts which applications users are allowed to run and the code that runs in the system core.

2.5 **The correct Option is (D) -** The adjourned Board Meeting needs to be held on 16th May, 2025, at 3:00 p.m. at the Registered Office of Niramaya at Nariman Point, Mumbai.

Reason: According to Section 174(4) of the Companies Act 2013, if a Board meeting cannot be convened due to a lack of quorum, the meeting will automatically be adjourned to the same day and time in the following week, unless the company's articles specify otherwise. If that day falls on a national holiday, the meeting will be postponed to the next business day that is not a national holiday, at the same time and location.

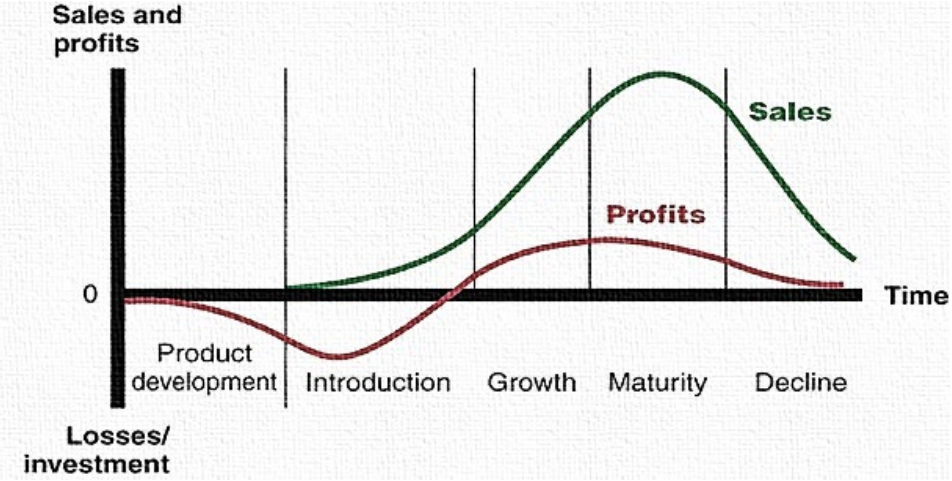
2.6 **The correct Option is (D) -** Niramaya Pharma Limited will be allowed to register under FCRA at least after 3 years from date of cancellation of certificate.

Reason: As per section 14(3) of the Foreign Contribution (Regulation) Act, 2010, Any person whose certificate has been cancelled under this section shall not be eligible for registration or grant of prior permission for a period of three years from the date of cancellation of such certificate.

Answer to the Descriptive Questions

2.7 The product life cycle model classifies products into four main phases - Introduction, Growth, Maturity, and Decline. It is important here to note that above mentioned phases are based upon the marketing of the product. In reality, there is one additional phase which takes place prior to the introduction of the product to market i.e. product development phase (in which R&D related to product take place).

Typically, the product life model is used to evaluate the overall balance of firm's product portfolio in terms of growth (new products replacing those at the end of their life cycle), risk (having some stable low-risk products to offset other high-risk ones), cash flow (positive cash flows from some products can assist fund those that are currently cash negative), and resource requirements.



The model can be applied to Niramaya as follows:

The product development phase of the product life cycle includes the 132 medications that are in different phases of development, either being tested or going through clinical trials. Despite being a major financial burden on the entity, they are a necessary component of the portfolio since they replace older medications that have reached the end of their useful lives, ensuring the company's continued profitability.

Giapride and Immunol are presently in the *advanced stages of the Introduction phase*, as they have not yet witnessed substantial growth in sales revenue. At this stage, the products are still working toward achieving breakeven sales revenue, which implies that they will continue to consume the company's financial resources until the breakeven point is attained. This reflects the typical scenario of the introduction phase, where *significant investments are required in product promotion, awareness, and distribution, while revenues remain insufficient to cover costs*.

Lifedipine, a drug used in the treatment of heart disease, has been on the market for the past two years and has achieved considerable success. However, its sales have now stabilized and are not expected to grow further, indicating that the product has reached the *maturity stage* of its life cycle. *Consequently, it is expected to generate steady net cash inflows that can be utilized to support other products in the portfolio that are currently operating at a loss (i.e., cash negative), rather than reinvesting in expanding Lifedipine's market presence. Nevertheless, while Lifedipine will continue to contribute cash, it is not expected to play a role in driving the company's future growth.*

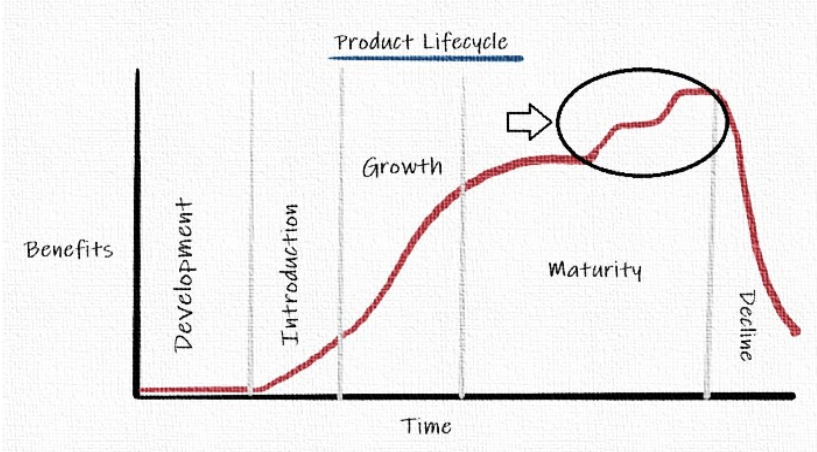
Combi-relief is *nearing the end of its maturity phase and is expected to enter the decline phase within the next 12 months*, coinciding with the expiry of its patent protection and the subsequent entry of generic alternatives into the market. *At present, the product continues to generate positive cash flows, which can be leveraged to finance new product development. However, beyond the upcoming year, Combi-relief is unlikely to contribute meaningfully either to cash generation or to the company's future growth.*

Overall, the portfolio demonstrates a satisfactory balance between future growth potential and cash flow generation. It is crucial that Giapride and Immunol achieve break-even, particularly *cash break-even*, in the coming years to contribute meaningfully to Niramaya's sales growth. Additionally, the successful transition of the remaining 132 medications, which are currently in various stages of development, from the development phase to market launch will be key to sustaining the company's long-term growth trajectory.

2.8 The three options will affect the portfolio as follows:

Option 1 - Combi-instant-relief

The Combi-instant-relief has successfully concluded its clinical trials and is prepared for market introduction. This development will effectively prolong the patent protection for Combi-relief by an additional 10 years, thereby *averting its transition into the decline phase and extending the maturity phase*.



This measure is intended to maintain a balanced portfolio with respect to cash flow, as the Combi-instant-relief will produce revenue to support other products within the portfolio. Additionally, it will mitigate (if not entirely; then reduce) portfolio risk since the sales revenue from Combi-instant-relief is expected to be more reliable than the projected returns from other products that are presently under initial phase.

Option 2 - Immunol

Allocating resources to a marketing campaign for Immunol *has the potential to transition it into the growth phase*, thereby enhancing the immediate growth prospects of the portfolio. However, the presence of a close substitute in the market increases the risks associated with Immunol, which could result in lower-than-expected growth and delay its break-even point, as additional investments may be required to position Immunol competitively. *In the short term, Immunol may place greater demands on the portfolio's cash flow rather than contributing to it.*

Option 3 - Sanjeevini

If Sanjeevini successfully conclude the final clinical trials, it will swiftly transition from the development and launch phases into the growth stage. Anticipated demand is likely to drive significant growth, thereby enhancing the overall growth balance of the portfolio. Nevertheless, there is no assurance of Sanjeevini's success, making this the most precarious option available.

The effect on the total cash flow of the portfolio will be influenced, to a degree, by the established price and the resulting sales volumes. *If*

Sanjeevini proves to be a revolutionary product, it is possible to achieve both a premium price (though intent is to keep the prices low due to social significance of product) and substantial sales volume; however, there exists a risk that certain resource-constrained nations may manufacture generic versions of the medication prior to the expiration of the patent or *global patent can be obtained*.

Recommendation

Overall, investing in Combi-Instant-Relief appears to be the most secure strategy for sustaining cash flow within the portfolio, while Sanjeevini offers the greatest potential for growth and long-term profitability. However, the intent is not to generate substantial profits through premium pricing, as this aligns with the social mission of "Sarve Santu Niramaya." Ultimately, the final decision will depend on the directors' *risk tolerance* and *strategic priorities*.

2.9 Total GST Liability for January 2026

Particulars	CGST (₹)	SGST (₹)	IGST (₹)
Advance received for drug development services (to be provided to Jonson Biotech Ltd., Mumbai)	38,025	38,025	Nil
Supply of bulk drugs to wholesale dealers in Mumbai	1,05,000	1,05,000	Nil
Bulk drugs supplied to Fizer Alberta Inc., Canada (Export of goods)	Nil	Nil	Nil
Supply of drug development services to Bi-Con Life Ltd., Mumbai	1,27,800	1,27,800	Nil
Supply of bulk drugs to consignment agents – ZYD Pharma Pvt. Ltd. (Haryana) & Arvind Medicos (Uttar Pradesh)	Nil	Nil	2,47,500
Supply of bulk drugs to Niramaya Healthcare Pvt. Ltd. (Aurangabad, Maharashtra) (Related Party Transaction – Open Market Value ₹24,00,000 applied)	60,000	60,000	Nil
Total GST Liability for January 2026	**3,30,825**	**3,30,825**	**2,47,500**

Notes

1. Being an *intra-State supply of services*, supply of drug development services to Jonson Biotech Ltd. of Mumbai is subject to CGST and SGST @ 9% each.

   Further, *in terms of section 13(2) of the CGST Act, the time of supply of services is the earlier of the date of invoice or date of receipt of payment, if the invoice is issued within 30 days of the supply of service*.

   In the given case, invoice is issued within 30 days of the supply of service. Therefore, time of supply of services will be date of receipt of advance and hence, GST is payable on the advance received in January.

2. Being an *intra-State supply of goods*, supply of bulk drugs to ANZ Pharmaceuticals of Aurangabad, Maharashtra is subject to IGST @ 5%.

   Further, *in terms of section 12(2) of the CGST Act, the time of supply of goods is the earlier of the date of issue of invoice/last date on which the invoice is required to be issued or date of receipt of payment*.

   However, *Notification No. 66/2017 CT dated 15.11.2017 specifies that time of supply of goods for the purpose of payment of tax is the date of issue of invoice/last date of issue of invoice*.

   Thus, GST is not payable at the time of receipt of advance against supply of goods. The time of supply of the advance received for bulk drugs to be supplied to ANZ Pharmaceuticals is the time of issue of invoice, which is in April. Thus, said advance will be taxed in April and not in January.

3. Being an *intra-State supply of goods*, supply of bulk drugs to wholesale dealers of drugs in Mumbai is subject to CGST and SGST @ 2.5 % each.

4. *Section 2(5) of the IGST Act defines export of goods as taking goods out of India to a place outside India*.

   In view of the said definition, supply of the bulk drugs to Fizer Alberta Inc. of Canada under bond is export of goods.

   Export of goods is a zero-rated supply [Section 16(1) of the IGST Act]. A zero-rated supply under bond is made without payment of integrated tax [Section 16(3)(a) of IGST Act].

5. Being an *intra-State supply of services*, supply of drug development services to Bi-Con Life Ltd. of Mumbai is subject to CGST and SGST @ 9% each.

6. Value of supply of goods made through an agent is determined as per rule 29 of the CGST Rules. *Accordingly, the value of supply of goods between the principal and his agent is the open market value of the goods being supplied, or at the option of the supplier, is 90% of the price charged for the supply of goods of like kind and quality by the recipient to his unrelated customer, where the goods are intended for further supply by the said recipient.*

   In the given case, since open market value is not available, value of bulk drugs supplied to consignment agents - ZYD Pharma Pvt. Ltd. and Arvind Medicos – will be ₹ 49,50,000 [90% of (₹ 41,00,000 + ₹ 14,00,000)].

   Further, being an inter-State supply of goods, supply of bulk drugs to the consignment agents is subject to IGST @ 5%.

7. *If any person directly or indirectly controls another person, such persons are deemed as related persons. [Clause (a)(v) of explanation to section 15 of the CGST Act].*

   In the given case, since Niramaya Pharma Ltd. owns 62.5% shares of Niramaya Healthcare Pvt. Ltd., both are related persons.

   Value of supply of goods between related persons (other than through an agent) is determined as per rule 28 of the CGST Rules.

   Accordingly, the value of supply of goods between related persons is the open market value of such goods and not the invoice value.

   Furthermore, since Niramaya Health care Pvt. Ltd is not eligible for full input tax credit, value declared in the invoice cannot be deemed to be the open market value of the goods. Thus, open market value of the bulk drugs supplied to Niramaya Healthcare Pvt. Ltd., i.e. ` 24,00,000 is the value of supply of such goods.

   Further, being an intra-State supply of goods, supply of bulk drugs to Niramaya Healthcare Pvt. Ltd., is subject to CGST and SGST @ 2.5 % each.