

## **Clarification on GMR**

### **2<sup>nd</sup> Set of FAQs**

**B.2. We have two more subsidiary outside India, which are in business of trading of capsule in US and Mexico, so kindly let us know, whether revenue by our Subsidiary will also be included i.e. Revenue on Standalone basis or Consolidated basis will be shown in GMR., kindly also clarify.**

GMR is consolidated global revenues of the applicant and Group Company, if any, from the sale of pharmaceutical goods and/ or in vitro diagnostic medical devices manufactured by the Group (in own plant/ contract manufacturing and loan licensing). Revenue on consolidated basis shall be considered after removing intra-group sales, if any, so as to prevent double counting. The trading revenue (that is to say revenue from products not manufactured by applicant and Group company in own plant/ contract manufacturing / loan licensing) shall not be considered while calculating the GMR.

**B.4. It is humbly prayed to include the revenue and investment carried out for contract manufacturing (by way of Loan Licensing or P2P), for the purpose of computation of following and to issue necessary clarification in this regard by way of FAQs: Global manufacturing revenue as defined under Clause 2.2 of the Scheme Operational Guidelines, dated 01st June 2021; and Incremental Sales defined under Para 7.2.5 of the Scheme Operational Guidelines, dated 01st June 2021 Eligible investment as defined under Para 2.15 and 6 of the Scheme Operational Guidelines, dated 01st June 2021**

In case the sales of products manufactured under contract manufacturing/ Loan Licensing that are booked as revenue in the books of accounts and Statutory Auditor's certificate is submitted by the applicant as per the Scheme, the same would be considered for calculating GMR. The trading revenue (that is to say revenue from products not manufactured by applicant and Group company in own plant/ contract manufacturing / loan licensing) shall not be considered while calculating the GMR.

However, revenue from sale of eligible products produced under contract manufacturing shall not be considered for calculating threshold/ incremental sales. Revenue from sale of eligible products produced under Loan Licensing shall be included while calculating threshold/ incremental sales. Investments made on the eligible plant & machinery [including expenditure on associated infrastructure] subject to capitalization of the expenditure in the books of accounts of the applicant and compliance to the conditions laid down in Para No. 2.15 and 6, are eligible under the scheme and shall be considered while calculating minimum cumulative investment.

**B.5. Manner of presenting Global Manufacturing Revenue (GMR) in case of a Limited Risk Distributorship (LRD) model for MNCs. Para 2.12 of the operational guidelines mentions GMR should be computed on the basis of Consolidated Global revenues of the applicant and the group companies from the manufacturing of pharmaceutical goods. In relation to the same, clarity is required on following: Whether in computing GMR of the applicant and Group company- margin earned by the group under the LRD model (distributorship model) has to be considered? We have explained the above using a small example and request the PMA to please provide their views for the same.**

Sr. No	Scenario	Value of sales
1	Applicant Manufactured pharmaceutical goods and Exported to group company outside India	100
2	The recipient group company adds its own margin under the Limited Risk Distributorship (LRD model)	50
3	The recipient group company sold the pharmaceutical goods so imported from applicant (after adding the margin	150

Now, since the definition of GMR as per para 2.12 provides computation of GMR as per consolidated global revenues from manufacturing of pharmaceutical goods, clarity is required as to in the above case, for computing GMR, revenue shall be computed as 100 or 150. Hence it is requested to clarify on the same.

Consolidated revenue i.e. Rs.150 shall be considered for calculation of GMR.

**B.11. As per 2.12, Gross Manufacturing Revenue means Consolidated Global Revenues of the applicant and Group Company, if any, from the manufacturing of pharmaceutical goods and/or in vitro diagnostic medical devices. In case, pharma goods manufactured by Applicant (A) are sold to the Group Company (B) and in-turn, the Group Company (B) sells the goods to the end customer, then for the purpose of Global Manufacturing Revenue (GMR), we understand that sale from A to B shall be counted (as manufacturing revenue) and sale from B to customer shall not be counted (since it is traded revenue)**

GMR is consolidated global revenues of the applicant and Group Company, if any, from the sale of pharmaceutical goods and/ or in vitro diagnostic medical devices. Revenue on consolidated basis shall be considered after removing intra-group sales, if any, so as to prevent double counting. The trading revenue (that is to say revenue from products not manufactured by applicant and Group company in own plant/ contract manufacturing / loan licensing) shall not be considered while calculating the GMR.

*NB- Any other query related to GMR, which are already published in the 1<sup>st</sup> and 2<sup>nd</sup> Set of FAQs, and not clarified here, shall have the same interpretation as above*