LUPIN INC. AND SUBSIDIARIES

Consolidated Financial Statements As of and for the Years Ended March 31, 2021 and 2020

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Independent Auditors' Report

The Board of Directors Lupin Inc. and
Subsidiaries:

We have audited the accompanying consolidated financial statements of Lupin Inc. and Subsidiaries, which comprise the consolidated balance sheets as of March 31, 2021 and 2020, and the related consolidated statements of operations, changes in stockholders' deficit, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Lupin Inc. and Subsidiaries as of March 31, 2021 and 2020, and the results of their operations and their cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Baltimore, Maryland
May 7, 2021

LUPIN INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(in thousands)

	March 31, 2021		March 31, 2020	
ASSETS				
Current assets:				
Cash and cash equivalents	$	20,819	$	18,589
Accounts receivable, net		427,891		571,226
Intercompany receivables		12,469		19,541
Inventories		145,429		119,451
Income taxes receivable		2,949		8,218
Prepaid expenses and other current assets		16,165		11,664
Total current assets		625,722		748,689
Property, plant and equipment, net		62,583		69,453
Goodwill		95,089		95,089
Intangible assets, net		195,680		217,623
Other assets		15,071		73,405
Total assets	$	994,145	$	1,204,259
LIABILITIES AND STOCKHOLDER'S DEFICIT				
Current liabilities:				
Accounts payable	$	29,514	$	28,597
Accrued expenses		33,311		41,876
Intercompany payables		297,431		391,269
Income taxes payable		4,543		5,685
Short-term debt		583,300		565,916
Other current liabilities		69,602		126,046
Total current liabilities		1,017,701		1,159,389
Long term debt, net		—		233,274
Other liabilities		44,322		110,542
Series A mandatorily redeemable preferred stock		280,000		280,000
Total liabilities		1,342,023		1,783,205
Commitments and contingencies				
Stockholder's deficit:				
Common stock		577,000		310,000
Additional paid-in capital		230,050		230,050
Accumulated deficit		(1,158,119)		(1,121,504)
Total Lupin Inc. stockholder's deficit		(351,069)		(581,454)
Noncontrolling interest		3,191		2,508
Total stockholder's deficit		(347,878)		(578,946)
Total liabilities and stockholder's deficit	$	994,145	$	1,204,259

See accompanying notes to consolidated financial statements.

LUPIN INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(*in thousands*)

	Year Ended March 31,	
	2021	**2020**
Product revenues	$ 712,013	790,072
Service and other revenues	29,152	25,067
Profit sharing revenues	1,317	2,525
Total revenues	742,482	817,664
Costs and expenses:		
Cost of product revenues	596,957	705,129
Cost of service and other revenues	27,150	23,130
Selling, general and administrative	123,403	166,461
Research and development	22,936	26,003
Intangible asset impairment charges	581	187,951
Gain on legal settlement	(10,250)	—
Legal expense reimbursement	(5,504)	—
(Loss) from operations	(12,791)	(291,010)
Interest expense, net	24,939	39,974
Other income, net	(2,617)	(3,428)
(Loss) from operations before income taxes	(35,113)	(327,556)
Provision for income taxes	819	390
Net (Loss)	(35,932)	(327,946)
Less: net income attributable to noncontrolling interest	683	525
Net (Loss) attributable to Lupin Inc.	$ (36,615)	$ (328,471)

See accompanying notes to consolidated financial statements.

LUPIN INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDER'S DEFICIT
(*in thousands*)

	Stockholder's Deficit					
	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Non-controlling Interest	Total Stockholder's Deficit
	Shares	Amount				
Balance at April 1, 2020	31,000	$ 310,000	$ 230,050	$ (1,121,504)	$ 2,508	$ (578,946)
Common stock issued	26,700	267,000	—	—	—	267,000
Net loss attributable to Lupin Inc.	—	—	—	(36,615)	—	(36,615)
Net income attributable to noncontrolling interests	—	—	—	—	683	683
Balance at March 31, 2021	57,700	577,000	230,050	(1,158,119)	3,191	(347,878)

See accompanying notes to consolidated financial statements.

LUPIN INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(*in thousands*)

	Year Ended March 31	
	2021	**2020**
Operating activities:		
Net loss	$ (35,932)	$ (327,946)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation of property, plant and equipment	10,313	10,681
Amortization of intangible assets	22,112	36,805
Amortization of operating lease right-of-use assets	3,231	3,604
Loss on disposal of property and equipment	—	13
Provision for doubtful accounts	5,234	2,740
Change in inventory provision	2,379	(6,093)
Amortization of debt issuance costs	750	4,653
Intangible asset impairment charges	581	187,951
Changes in operating assets and liabilities:		
Accounts receivable	138,101	(40,777)
Intercompany receivables	7,072	(1,357)
Inventory	(28,357)	54,515
Prepaid expenses and other assets	52,575	(5,237)
Accounts payable	917	2,963
Accrued expenses and other liabilities	(125,702)	(21,012)
Intercompany payables	(93,838)	(25,949)
Income taxes receivable/payable	4,127	(2,334)
Net cash used in operating activities	(36,437)	(126,780)
Investing activities:		
Purchases of property, plant and equipment	(3,443)	(5,468)
Net cash used in investing activities	(3,443)	(5,468)
Financing activities:		
Issuance of common stock	267,000	300,000
Proceeds from issuance of short-term debt	90,000	126,000
Repayments of debt	(306,640)	(300,000)
Posaconazole milestone payment	(750)	—
Solosec acquisition milestone payment	(7,500)	—
Net cash provided by financing activities	42,110	126,000
Net change in cash and cash equivalents	2,230	(6,248)
Cash and cash equivalents-beginning of period	18,589	24,837
Cash and cash equivalents-end of period	$ 20,819	$ 18,589
SUPPLEMENTAL INFORMATION		
Cash paid for interest	$ 9,084	$ 31,625
Cash paid for preferred shares dividend	$ 12,075	—
Cash paid for taxes	$ 36,771	$ 981
Cash (received) for taxes	$ (41,325)	—
Issuance of preferred stock for intercompany asset acquisition	—	280,000

See accompanying notes to consolidated financial statements.

Note 1. Organization and Description of the Business

Lupin Inc., including its consolidated subsidiaries, (collectively, the Company) was incorporated in the United States of America (USA) under the Laws of the State of Maryland on June 27, 2013 as a Maryland Corporation and converted to a Delaware Corporation on March 8, 2016. The Company was a consolidated subsidiary of Lupin Atlantis Holdings, S.A. (LAHSA), who is wholly owned by Lupin Limited (LL), the Company's ultimate parent company. On March 31, 2020, LAHSA entered into a Stock Purchase Agreement with Nanomi B.V. (Nanomi), which is also a wholly owned subsidiary under LL, to sell 100% of its ownership interests in the Company to Nanomi. As a result, the Company became a wholly owned subsidiary of Nanomi, effective March 31, 2020.

The Company's core business as a distributor is to trade in pharmaceutical products and to render marketing and ancillary services related thereto.

Note 2. Summary of Significant Accounting Policies

Basis of Presentation and Consolidation

The accompanying consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP). Any reference in these notes to applicable guidance is meant to refer to GAAP as found in the Accounting Standards Codification (ASC) and Accounting Standards Update (ASU) of the Financial Accounting Standards Board (FASB). Lupin Pharmaceuticals, Inc. (LPI) is owned 97% by the Company; the remaining 3% interest is owned by LL directly and presented as a noncontrolling interest herein. The consolidated financial statements include the accounts of controlled subsidiaries after the elimination of intercompany accounts and transactions.

The Company incurred losses from operations during the 2021 and 2020 fiscal years, primarily attributable to costs related to the Solesec™ franchise and financing expenses associated with the acquisition of certain IP assets from LAHSA in the fourth quarter of fiscal 2018, requiring the issuance of common stock to its parent in fiscal 2020 and fiscal 2021. As of March 31, 2021, the Company had a working capital deficit of $392 million, primarily due to third-party loans of $583 million due within the next 12 months (see Note 10 for details). The Company's ultimate parent company, Lupin Limited, has provided guarantee towards these third-party loans of $583 million. Lupin Limited has also committed to fund the continued operations of the Company through May 8, 2022.

Use of Estimates

Management considers many factors in developing the estimates and assumptions that are used in the preparation of these consolidated financial statements. Management must apply significant judgment in this process. In addition, other factors may affect estimates, including expected business and operational changes, sensitivity and volatility associated with the assumptions used in developing estimates, and whether historical trends are expected to be representative of future trends. The estimation process often may yield a range of potentially reasonable estimates of the ultimate future outcomes and management must select an amount that falls within that range of reasonable estimates. This process may result in actual results differing materially from those estimated amounts used in the preparation of the financial statements if these results differ from historical experience, or other assumptions do not turn out to be substantially accurate, even if such assumptions are reasonable when made. The most significant estimates and assumptions relate to sales reserves and allowances, inventory valuation, valuation of goodwill and intangible assets, contingencies, and the recoverability of deferred tax assets.

Revenue Recognition

The Company recognizes revenue pursuant to ASC 606. The Company derives its revenue from product sales, services and profit sharing. Under ASC 606, a contract with a customer only exists when the parties to the contract have approved it and are committed to perform their respective obligations; the Company can identify each party's rights regarding the goods or services to be transferred; the Company can identify the payment terms for the goods or services to be transferred; the contract has commercial substance and it is probable that the Company will collect substantially all of the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the customer. We recognize revenue from the contracts meeting these criteria when we satisfy our performance obligations for such contracts by transferring control of the underlying promised goods or services to our customers. The amount of revenue we recognize reflects our estimate of the consideration we expect to be entitled to receive, excluding amounts collected on behalf of other third parties and sales taxes (if any). Payment terms of our contracts generally fall within 30 to 90 days of invoicing. The Company does not incur costs to obtain a contract or costs to fulfill a contract that would result in the capitalization of contract costs. The Company's revenue contracts do not generally give rise to contract liabilities as we do not generally receive consideration until the performance obligation is satisfied. Shipping and handling costs after control over a product has been transferred to a customer are accounted for as a fulfillment cost (if any).

Product sales

The majority of the Company's contracts related to product sales include only one performance obligation, which is to deliver products to customers based on purchase orders received. Revenue from sales of products is recognized at a point in time when control of the products is transferred to the customer, generally upon delivery, which the Company has determined is when physical possession, legal title and risks and rewards of ownership of the products transfer to the customer and the Company is entitled to payment. The amount of consideration the Company expects to be entitled includes a fixed amount of the transaction price, net of accruals for estimated variable considerations including, but not limited to, wholesaler chargebacks, distribution service fees, returns and allowances, discounts, rebates, sales incentives and other allowances. The Company utilizes the expected value method when estimating the amount of variable consideration. Variable consideration is included in the transaction price only to the extent that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. Reductions to revenue relating to amounts expected to be settled in payments to customers are recorded within other current liabilities when estimated and recorded in accounts payable when customer invoice is received and approved. Reductions to revenue that are expected to be netted against future outstanding customer accounts receivable are recorded as a reduction to accounts receivable. In addition, the Company reassesses variable consideration at each reporting period end.

The following describes the major variable consideration components and other reductions to the revenue and how they are estimated.

Chargebacks/Billbacks

Chargebacks are discounts that occur when a contracted customer purchases through an intermediary wholesaler (commonly referred to as indirect sales). In an indirect sale, the wholesalers are our customers, and the end customers who purchase products from the wholesalers are considered an extension of the customer. In the arrangement, the Company enters into a contract with its customers, establishing prices for certain products. While these arrangements are made between the Company and the customers, the customers independently select a wholesaler from which they purchase the product at their contracted prices. The wholesaler, in turn, charges the Company back for the difference between the price initially paid by the wholesaler and the contract price paid to the wholesaler by the customer. Billbacks also relate to indirect sales. The difference is the customers purchase the products from a wholesaler at the price agreed by the wholesaler, and then charge the Company back the difference between the price paid to the wholesaler and the contractual price with the Company. The provision for chargebacks/billbacks is based on expected sell-through levels by the Company's wholesale customers to contracted customers, as well as estimated wholesaler inventory levels.

Distribution Service Fees

Consistent with industry practices, the Company establishes contracts with wholesalers that provide services for fees under the wholesaler Distribution Services Agreements ("DSA fees"). Settlement of DSA fees generally occur monthly or quarterly based on net sales for the period. The DSA fees are accounted for as a reduction to transaction price. DSA fee accruals are based on contractual fees to be paid to the wholesale distributor when products are sold to the customer.

Right of Return

Consistent with industry practice, the Company maintains a return policy that allows its customers to return product within a specified period of time both subsequent to and prior to the product's expiration date. The Company's return policy generally allows customers to receive credit for expired products within six months prior to expiration and within one year after expiration. The primary factors considered in estimating potential product returns include: the shelf life or expiration date of each product, historical data of expired product returns, and external data with respect to inventory levels in the wholesale distribution channel. Due to the nature of the products, the Company's returned products cannot be re-sold and must be destroyed, the Company recognizes the estimated refund liability when product revenues are recognized and no expected returned assets are recorded in connection with those products.

Prompt Payment Discount

Prompt pay discounts are offered to some major customers to encourage timely payment. Discounts are estimated at the time of invoice based on historical discounts in relation to sales. Prompt pay discounts are almost always utilized by customers. As a result, the actual discounts do not vary significantly from the estimated amount.

Services and other revenues

Service and other revenues primarily consist of marketing services and R&D services provided to the related parties under Lupin Limited, the Company's ultimate parent company. The service contracts are time and materials based. The Company elected to use the "as invoiced" practical expedient, under which the Company recognizes revenue over time in the amount to which it has a right to invoice after the services are provided. The invoice amount generally represents the costs incurred to provide the service plus a markup specified by the service contract.

Profit sharing revenues

Profit sharing revenue relates to product sales. Occasionally, the Company provides contract manufacturing services to customers through its wholly owned subsidiary Novel Laboratories, Inc. ("Novel"). The manufacturing contracts generally contain profit sharing terms between the parties, which stipulate a percentage of profits of product sales that will be received by the Company. Profit sharing revenues are recognized at a point in time when related product revenues are recognized. The amount of profit sharing revenue is estimated using the expected value method based on contract terms and historical experience to the extent that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. The Company reassesses profit sharing revenue at each reporting period end.

Acquisitions

In a business combination, the acquisition method of accounting requires that the assets acquired and liabilities assumed be recorded as of the date of the acquisition at their respective fair values with limited exceptions. Assets acquired and liabilities assumed in a business combination that arise from contingencies are recognized at fair value if fair value can reasonably be estimated. If the acquisition date fair value of an asset acquired or liability assumed that arises from a contingency cannot be determined, the asset or liability is recognized if probable and reasonably estimable; if these criteria are not met, no asset or liability is recognized. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Any excess of the purchase price (consideration transferred) over the estimated fair values of net assets acquired is recorded as goodwill. Transaction costs and costs to restructure the acquired company are expensed as incurred. The operating results of the acquired business are reflected in the Company's consolidated financial statements after the date of the acquisition.

If the Company determines the assets acquired do not meet the definition of a business under the acquisition method of accounting, the transaction will be accounted for as an acquisition of assets rather than a business combination and, therefore, no goodwill will be recorded. Contingent consideration arising from the asset acquisition is recognized when probable and reasonably estimable and is recorded as an increase to the cost of the assets acquired.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash held in banks and all highly liquid investments with original maturities of three months or less.

Accounts receivable, net

Accounts receivables represent the Company's unconditional rights to consideration due from customers. Accounts receivables are recorded at the invoiced amount net of certain chargebacks, sales incentives and allowances, and do not bear interest.

Inventories

Inventories consist of raw materials, work-in-process and finished goods. The cost of inventories is determined using the weighted average method. Inventories are recorded at the lower of cost or net realizable value, include materials, labor, direct costs and indirect costs. Any net realizable value adjustment related to purchased inventory from LI is recorded as a reduction to Intercompany payables A net realizable value adjustment related to inventory manufactured by LPI is recorded as an expense in cost of revenue. Inventories also include certain finished goods produced in preparation for product launches that are considered to have a high probability of regulatory approval. In evaluating the recoverability of inventories produced in preparation for product launches, the Company considers the likelihood that revenue will be obtained from the future sale of the related inventory together with the status of the product within the regulatory approval process.

Intercompany Receivables and Payables

Intercompany receivables and payables represent balances due to and due from related parties which are consolidated subsidiaries of LL.

Property, Plant and Equipment

Property and equipment includes land, buildings, machinery and equipment, leasehold improvements, office equipment and computers, software, furniture and fixture, and construction in-progress. We record property and equipment at cost less accumulated depreciation. Property, plant and equipment are depreciated using the straight-line method over the estimated useful lives of the assets:

Buildings	25 - 40 years
Machinery and equipment	3 to 10 years
Leasehold improvements	5 - 7 years, not beyond the lease term
Office equipment and computers	2 - 3 years
Software	3 - 5 years
Furniture and fixtures	3 - 5 years

Maintenance and repairs are expensed as incurred. Upon disposal, retirement, or sale, the related cost and accumulated depreciation is removed from the accounts and any resulting gain or loss is included in the results of operations.

Intangible Assets

Goodwill

Goodwill represents the excess of the purchase price over the fair value of the net assets acquired when accounted for using the acquisition method of accounting for business combinations.

Intangible assets, net

The Company's intangible assets include both finite lived and indefinite lived assets. Finite lived intangible assets, consisting of Currently Marketing Products (CMPs), New Drug Applications (NDAs) and Approved Abbreviated New Drug Applications (ANDAs) are amortized on a straight-line basis over the estimated useful life of the assets. Indefinite-lived intangible assets consist of acquired in process research and development (IPR&D) product rights and filed ANDAs not yet approved by the Food and Drug Administration (FDA). IPR&D and Filed ANDA assets acquired in a business combination and those transferred in from entities under common control are recorded at fair value and at the transferring entity's historical cost basis at date of transfer, respectively. IPR&D and Filed ANDAs are considered indefinite-lived until the completion or abandonment of the associated research and development efforts. Amortization over the estimated useful life will commence at the time of the respective product's launch. Intangible assets are carried at cost less accumulated amortization and impairment losses, if any.

Goodwill and Other Indefinite-Lived Intangible Asset Impairment Testing

Goodwill and other indefinite-lived intangible assets are not amortized but are evaluated annually for impairment. The Company performs its evaluation of impairment for goodwill and other indefinite-lived intangible assets as of January 1, and when events or changes in circumstances indicate that the assets may be impaired. The Company may utilize a qualitative evaluation about the likelihood of impairment to determine whether it is necessary to perform the quantitative impairment test. If determined to be necessary, the quantitative impairment test shall be used to identify impairment and measure the amount of impairment loss to be recognized (if any). As part of our assessment, we estimate the fair values of our reporting unit and our intangible assets using an income approach that utilizes a discounted cash flow model. The discounted cash flow models are dependent upon our estimates of future cash flows and other factors. These estimates of future cash flows involve assumptions concerning (i) future operating performance, including future sales, long-term growth rates, operating margins, tax rates, variations in the amount and timing of cash flows and the probability of achieving the estimated cash flows and (ii) future economic conditions. The discount rates applied to the estimated cash flows are based on the overall risk associated with the particular assets and other market factors. If the fair value of the intangible asset is less than its carrying value, an impairment loss is recognized.

Long-Lived Asset Impairment Testing

Long-lived assets, including property, plant and equipment and finite-lived intangible assets, are assessed for impairment whenever events or changes in circumstances indicate the carrying amounts of the assets may not be recoverable. Recoverability of an asset that will continue to be used in our operations is measured by comparing the carrying amount of the asset to the forecasted undiscounted future cash flows related to the asset. In the event the carrying amount of the asset exceeds its undiscounted future cash flows and the carrying amount is not considered recoverable, impairment may exist. An impairment loss, if any, is measured as the excess of the asset's carrying amount over its fair value, generally based on a discounted future cash flow method, independent appraisals or preliminary offers from prospective buyers. An impairment loss would be recognized in the consolidated statements of operations in the period that the impairment occurs.

In December 2019, following its annual five-year planning process and renewed assessment of market competition, timing of product development, filing and approvals, the Company recorded asset impairment losses of $188.0 million related to other intangible assets. In March 2021, the Company recorded an additional asset impairment losses of $0.6 million related to intangible assets that are no longer actively commercialized in the market. See Note 9 for details.

Research and Development Expenses

Research and development costs are charged to expense as incurred. These costs include, but are not limited to, employee-related expenses, including salaries, benefits, and travel as well as expenses related to collaborations and contract research agreements; expenses incurred under agreements with contract research organizations and investigative sites that conduct preclinical and clinical studies; the cost of acquiring, developing and manufacturing clinical trial materials; facilities, depreciation and other expenses, which include direct and allocated expenses for rent and maintenance of facilities, insurance and other supplies; and costs associated with preclinical and clinical activities and regulatory operations.

Costs for certain development activities, such as preclinical and clinical studies, are recognized based on an evaluation of the progress to completion of specific tasks using data such as patient enrollment, preclinical site activations, or information provided to the Company by its vendors with respect to their actual costs incurred. Payments for these activities are based on the terms of the individual arrangements, which may differ from the pattern of costs incurred, and are reflected in the consolidated financial statements as prepaid or accrued research and development expense, as the case may be.

Under a Product Development Agreement, certain research and development costs are cross charged as intercompany invoices to LL. These transactions are reflected in cost of service and other revenues with a 10% markup. The Company's remuneration for such services is subject to an annual transfer pricing study.

Other Income, Net

Other income is comprised of related party billings for reimbursements of management fees, and other miscellaneous income (expense) from non-core businesses.

Income Taxes

Income taxes are recorded in accordance with ASC Topic 740, *Income Taxes* (ASC 740), which provides for deferred taxes using an asset and liability approach. The Company recognizes deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the consolidated financial statements or tax returns. Deferred tax assets and liabilities are determined based on the differences between the consolidated financial statement and tax bases of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. Valuation allowances are provided, if based upon the weight of available evidence, it is more likely than not that some or all of the deferred tax assets will not be realized.

The Company accounts for uncertain tax positions in accordance with the provisions of ASC 740. When uncertain tax positions exist, the Company recognizes the tax benefit of tax positions to the extent that the benefit will more likely than not be realized. The determination as to whether the tax benefit will more likely than not be realized is based upon the technical merits of the tax position as well as consideration of the available facts and circumstances.

Contingencies

The Company records accruals for contingencies expected to be incurred in connection with a loss contingency when it is probable that a liability has been incurred and the amount can be reasonably estimated. If some amount within a range of loss appears at the time to be a better estimate than any other amount within the range, that amount is accrued. When no amount within the range is a better estimate

than any other amount, the minimum amount in the range is accrued. For contingencies that may arise from a business combination, the Company generally obtains indemnification from the sellers of a business upon acquisition for various contingent liabilities related to pre-acquisition events in order to protect itself from economic losses arising from such exposures. We recognize an indemnification asset at the same time and on the same basis as the related indemnified item, subject to any contractual limitations and to the extent that collection is reasonably assured, in accordance with ASC 805. We assess the realizability of the indemnification assets each reporting period.

Concentration of Credit Risk

Financial instruments that potentially subject the Company to a concentration of credit risk consist of cash and cash equivalents and accounts receivable. The Company's cash and cash equivalents are held by two financial institutions and the amounts on deposit were in excess of Federal Deposit Insurance Company insurance limits. The Company mitigates this risk by depositing its uninsured cash in major well capitalized financial institutions. Concentrations of credit risk with respect to accounts receivable are limited due to the number of customers, all of whom are creditworthy customers representing the FORTUNE 500. The Company derives the majority of revenue from sales to US-based supply chain distributors, pharmacies, etc. The following companies represent more than 10% of revenue for the years ended March 31, 2021 and 2020: AmerisourceBergen Health Corp, McKesson Financial Center, CVS and Cardinal Health. The following companies represent more than 10% of accounts receivable as of March 31, 2021 and 2020, respectively: AmerisourceBergen Health Corp and McKesson Financial Center.

Impact of Coronavirus Pandemic

Beginning in March 2020, the vast and accelerated spread of the coronavirus (COVID-19) has resulted in significant disruptions to the global economy. The Company has experienced and expects to continue to experience changes in customer demand as the COVID-19 pandemic evolves. Beginning in late March 2020, we experienced a significant increase in sales orders from the wholesalers in anticipation of supply chain issues due to the COVID-19 pandemic. During the first two months of fiscal year 2021, Lupin experienced a material decrease in product sales due to the wholesalers' stock-up in inventory in late March and an acute reduction in patient office visits and physician prescriptions. Later in the year, as the shelter-in-place orders began to be lifted in many states, our product sales have been increasing. Lupin's management is closely monitoring the impact of COVID-19 on our business. The Company remains confident in the fundamental underlying demand for its products and its prospects for long-term growth, though COVID-19- related disruptions to patients' ability to access health care providers will cause near-term challenges.

Debt Issuance Costs

Debt issuance costs are initially capitalized as a deferred cost and amortized to interest expense using the effective interest method over the expected term of the related debt. Unamortized debt issuance costs related to extinguishment of debt are expensed at the time the debt is extinguished and recorded in other income (expense), net in the consolidated statements of operations.

Leases

On April 1, 2019, the Company adopted ASU 2016-02, *Leases (Topic 842)* (ASC 842), which requires lessees to recognize assets and liabilities for the rights and obligations created by most leases on their balance sheet using a modified retrospective method. The standard provides companies with an optional transition method that allows for a cumulative-effect adjustment in the period of adoption. The Company elected this optional transition method and did not restate prior periods. In accordance with ASC 842, the Company also elected the package of practical expedients, which permits the Company to not reassess (1) whether any expired or existing contracts are or contain leases, (2) the lease classification for any expired or existing leases and (3) any initial direct costs for any existing leases as of the effective date.

The Company recognized operating lease right-of-use assets of $15.4 million and operating lease liabilities of $16.5 million on the Company's consolidated balance sheets as of April 1, 2019. The difference between the operating lease right-of-use (ROU) assets and operating lease liabilities primarily represents the existing deferred rent balance, resulting from historical straight-lining of operating leases, which were effectively reclassified upon adoption to reduce the measurement of the leased assets. There was no material impact to the consolidated statements of operations and no cumulative earnings effect adjustment upon adoption.

The Company leases real estate, fleet, and office equipment under non-cancelable operating leases for use in our operations. Our leases generally have lease terms of 1 to 10 years, some of which include options to renew for up to 5 to 10 years or on a month-to-month basis. We do not include the options in our minimum lease terms unless they are reasonably certain to be exercised.

Right-to-Use (ROU) assets and lease liabilities are established on the consolidated balance sheets for leases with an expected term greater than one year. ROU assets represent our right to use an underlying asset for the lease term and lease liabilities represent our

obligation to make lease payments arising from the lease. ROU assets and lease liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. Our variable lease payments primarily consist of non-lease services related to the lease. We have elected the practical expedient in the new standard to not separate non-lease components from lease components in calculating the amounts of ROU assets and lease liabilities for all underlying asset classes. Variable lease payments are excluded from the ROU assets and lease liabilities and are recognized in the period in which the obligation for those payments is incurred. The Company generally does not provide residual value guarantees in the operating leases with the exception of the lease of a vehicle fleet. No amounts related to this residual value guarantee have been deemed probable. As most of our leases do not provide an implicit rate, we use our estimated incremental borrowing rate (IBR) at the commencement date in determining the present value of lease payments. The IBR is estimated based on our parent company LL's credit standing and is adjusted by the guarantee fees we make to LL as the Company does not have its own treasury function, and all of its borrowings are negotiated and guaranteed by LL centrally. Leases with an initial term of 12 months or less are not recorded on the consolidated balance sheets.

Rental expense for lease payments related to operating leases is recognized on a straight-line basis over the lease term. On occasion, the Company subleases excess office facilities to third parties. Rental expense, net of sublease income, is included in the selling, general and administrative expense in the consolidated statements of operations.

Recent Accounting Pronouncements

Recently issued accounting pronouncements, not yet adopted

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments - Credit Losses (Topic 326)*: Measurement of Credit Losses on Financial Instruments. Subsequently, the FASB issued certain ASUs to update ASU 2016-13. The ASUs introduce the new current expected credit loss (CECL) approach to estimate credit losses on certain types of financial instruments, including, but not limited to, trade and other receivables, held-to-maturity debt securities, loans and net investments in leases. The ASUs are effective for fiscal years beginning after December 15, 2021, including interim periods within those fiscal years. Early adoption is permitted for all entities for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. The Company does not expect the adoption of this guidance to have material impact on the Company's consolidated financial statements.

In December 2019, the FASB issued ASU 2019-12, *Income Taxes (Topic 740)*, which simplifies the accounting for income taxes by removing certain exceptions to the general principles in ASC 740. The amendments also improve consistent application of and simplify GAAP for other areas of ASC 740 by clarifying and amending existing guidance. The guidance is effective for fiscal years beginning after December 15, 2022. Early adoption is permitted. The Company is currently evaluating the impacts of the adoption of this guidance on its consolidation balance sheet, statements of operations and cash flows.

From time to time, new accounting guidance is issued by the FASB or other standard setting bodies that is adopted by the Company as of the effective date or, in some cases where early adoption is permitted, in advance of the effective date. The Company has assessed the recently issued guidance that is not yet effective and, unless otherwise indicated above, believes the new guidance will not have a material impact on our consolidated balance sheets, statements of operations, or cash flows.

Note 3. Accounts Receivable, net

The composition of accounts receivable, net is as follows (*in thousands*):

	March 31, 2021	March 31, 2020
Gross accounts receivable	$ 618,524	$ 753,507
Less: chargeback reserve	(161,881)	(143,884)
Less: indirect reserve	(5,394)	(13,264)
Less: price protection	(3,285)	(3,255)
Less: distribution services reserve	(483)	(733)
Less: discount reserve	(15,514)	(15,733)
Less: POS couponing	(1,611)	(2,672)
Less: allowance for doubtful accounts	(2,465)	(2,740)
Accounts receivable, net	$ 427,891	$ 571,226

Note 4. Inventories

Inventories consist of (*in thousands*):

	March 31, 2021	March 31, 2020
Raw materials	$ 23,436	$ 18,693
Work in process	11,134	16,983
Finished goods	129,801	100,338
	164,371	136,014
Less: valuation reserve	(18,942)	(16,563)
Inventories	$ 145,429	$ 119,451

Note 5. Property, Plant and Equipment, net.

Property, plant and equipment, net consists of the following (*in thousands*):

	March 31, 2021	March 31, 2020
Land	$ 3,740	$ 3,740
Buildings	25,036	25,036
Machinery and equipment	47,831	45,867
Leasehold improvements	21,395	20,631
Office equipment and computers	7,316	7,181
Software	4,145	4,005
Construction in process	5,181	4,960
Furniture and fixtures	3,892	3,839
	118,536	115,259
Less: accumulated depreciation	(55,953)	(45,806)
Property, plant and equipment, net	$ 62,583	$ 69,453

Depreciation expense was $10.3 million and $10.7 million for the years ended March 31, 2021 and 2020, respectively.

Note 6. Accrued Expenses

Accrued expenses consist of the following (*in thousands*):

	March 31, 2021	March 31, 2020
Selling, general and administrative	$ 5,193	$ 6,629
Bonus and incentives	9,692	11,912
Freight	4,303	4,719
Legal costs	1,279	3,546
Accrued interest	618	2,758
Payroll and benefits	2,162	3,445
Product costs	681	5,731
Research and development	453	2,566
Profit share	8,930	570
Accrued expenses	$ 33,311	$ 41,876

Note 7. Other Current Liabilities

Other current liabilities consist of the following (*in thousands*):

	March 31, 2021	March 31, 2020
Accrued rebates	$ 26,906	$ 64,408
Accrued sales returns	20,802	40,366
Accrued medicaid	6,361	9,344
Accrued billback	2,775	8,522
Solosec acquisition milestone payment	10,000	—
Current portion of operating lease liabilities	2,758	3,406
Other current liabilities	$ 69,602	$ 126,046

Note 8. Asset Acquisition

Solosec™ Franchise

On October 10, 2017, the Company acquired all of the outstanding equity of Symbiomix Therapeutics LLC (Symbiomix), a privately held company focused on bringing innovative therapies to market for gynecologic infections that can have serious health consequences. The acquisition of Symbiomix's Solosec™ franchise was accounted for as an asset acquisition. The total consideration was $124.1 million, of which the Company made a $57.5 million upfront cash payment and will pay $66.6 million of other time-based payments through 2026. As of March 31, 2021, the Company made time-based payments totaling $37.5 million, including $30 million in fiscal 2019 and $7.5 million in fiscal 2021. As of March 31, 2021, and 2020, the discounted balance of other time-based payments was $39.5 million and $44.3 million respectively, of which the current portion of $10 million as of March 31, 2021, has been classified as other current liabilities and the remaining balances not due within twelve months were included in other liabilities on the consolidated balance sheet.

In addition to the total acquisition purchase price, the agreement also requires the Company to pay additional consideration contingent upon net sales of Solosec™ for a term not to exceed five years after the expiration of product's market exclusivity, which will be recognized when probable and estimable. Payment of additional consideration will be recorded as an adjustment to the cost of the asset.

Future undiscounted time-based payments are as follows (*in thousands*):

		12 Month Period Ended March 31,
2022	$	10,000
2023		10,000
2024		10,000
2025		10,000
2026		7,500
Total	$	47,500

Note 9. Goodwill and Other Intangibles

Goodwill

The table below provides a roll-forward of the goodwill balance (*in thousands*):

Goodwill balance at April 1, 2019	$	95,089
Fiscal 2020 activity		—
Goodwill balance at March 31, 2020		95,089
Fiscal 2021 activity		—
Goodwill balance at March 31, 2021	$	95,089

Other Intangibles

The following tables summarize the components of the Company's other intangible assets (*in thousands*):

Period Ended March 31, 2021		**Currently Marketed Products**		**Approved ANDAs**		**Filed ANDAs**		**In-process R&D**		**Total**
Balance at April 1, 2020	$	404,710	$	6,822	$	55,559	$	27,571	$	494,662
Fiscal 2021 activity		750		—		—		—		750
Balance at March 31,2021		405,460		6,822		55,559		27,571		495,412
Less: accumulated amortization		(108,876)		(2,324)		—		—		(111,200)
Less: impairment provision		(122,349)		—		(38,612)		(27,571)		(188,532)
Net carrying amount at March 31, 2021	$	174,235	$	4,498	$	16,947	$	—	$	195,680

Period Ended March 31, 2020		**Currently Marketed Products**		**Approved ANDAs**		**Filed ANDAs**		**In-process R&D**		**Total**
Balance at April 1, 2019	$	404,710	$	6,822	$	52,240	$	30,890	$	494,662
Transfers		—		—		3,319		(3,319)		—
Balance at December 31, 2019		404,710		6,822		55,559		27,571		494,662
Less: accumulated amortization		(87,523)		(1,565)		—		—		(89,088)
Less: impairment provision		(121,768)		—		(38,612)		(27,571)		(187,951)
Net carrying amount	$	195,419	$	5,257	$	16,947	$	—	$	217,623

Amortization expense was $22.1 million and $36.8 million for the years ended March 31, 2021 and 2020, respectively.

During the third quarter of fiscal year 2020, following its annual five-year planning process and renewed assessment of market competition, timing of product development, filing and approvals, the Company recorded intangible asset impairment losses of $188.0 million, which are included in Intangible asset impairment charges in the Consolidated Statements of Operations. These charges relate primarily to certain CMPs, filed ANDAs and IPR&D. During the fourth quarter of fiscal year 2021, the Company recorded an additional intangible asset loss of $0.6 million, primarily due to CMPs that are considered dormant and no longer actively marketed by the Company.

On March 31, 2020, the Company acquired certain intellectual property rights regarding various pharmaceutical products from LAHSA with zero historical costs. See Note 15 for details

The approximate estimated future amortization expense at March 31, 2021 is as follows (*in thousands*):

		12 Month Period Ended March 31,
2022	$	21,676
2023		21,676
2024		21,676
2025		21,676
2026		21,676
Thereafter		70,353
Total	$	178,733

Note 10. Debt

A summary of outstanding debt is as follows:

		March 31, 2021		March 31, 2020
$120 million Facilities Agreement, net	$	34,995	$	74,878
$680 million Novation Agreement, net		198,305		424,312
Total Facilities/Novation debt		233,300		499,190
Line of credit – SMBC		125,000		100,000
Line of credit – MUFG		225,000		200,000
Total debt		583,300		799,190
Less: short-term debt		583,300		565,916
Long-term debt, net	$	-	$	233,274

On March 31, 2016, the Company entered into a Facilities Agreement for loan assistance of $120.0 million, which is guaranteed by LL ("Guarantor"). The Facilities Agreement contains a six-year term with $40.0 million payable at May 2, 2020, $40.0 million payable at May 2, 2021 and $40.0 million payable at May 2, 2022. Interest is accrued on the note at the rate of 0.95% plus the three-month LIBOR rate. Interest is payable quarterly. Debt issue costs of approximately $1.8 million were capitalized and are being amortized over the term of the loan on a straight-line basis, which approximates the effective interest method, and is recorded as a component of long term debt, net on the consolidated balance sheets.

The Company entered into an agreement on March 1, 2018 to assume $673.5 million of third-party LAHSA debt, net of $6.5 million of debt issue costs, assigned through the Novation Agreement ("Novation Agreement") with LL, LAHSA and a consortium of banks signed on May 3, 2018. The debt is guaranteed by LL ("Guarantor"). The debt was assumed as consideration, in addition to $8.5 million of cash, for certain IP assets acquired from LAHSA. The debt contains a six-year term with $226.7 million payable at May 2, 2020, $226.7 million payable at May 2, 2021 and $226.7 million payable at May 2, 2022. Interest is accrued on the note at the rate of 0.95% plus the three-month LIBOR rate and is payable quarterly. The Company is responsible for interest payments after March 1, 2018. The debt issue costs of approximately $6.5 million were capitalized and are being amortized over the term of the loan on a straight-line basis,

which approximates the effective interest method, and is recorded as a component of long term debt, net on the consolidated balance sheets.

Pursuant to the Facility Agreement and the Novation Agreement (collectively, "Agreements") of the loans discussed above, if any member of the Borrower Group (the Company, the Guarantor and any material subsidiaries of the Guarantor) enters into a single transaction or a series of transactions to sell any assets, the proceeds of which exceed $50 million, the Company is required to prepay the loans in an amount equal to the disposal proceeds, net of any reasonable expenses related to the transactions, taxes and any reasonable amounts retained to cover indemnities and contingent liabilities in connection with the disposal ("Net Proceeds"). Any prepayment is applied to the installment payments in inverse chronological order (meaning, the prepayment is first applied to the May 2022 installment, and then the May 2021 installment, etc.). In November 2019, LL entered into a definitive agreement to sell its entire stake in Kyowa Pharmaceutical Industry Co. Ltd. ("Kyowa"), a Japanese subsidiary (material subsidiary as defined in the Agreements) to Unison Capital Partners IV, LPS and Unison Capital Partners IV (F). L.P. (collectively referred to as "Unison") for $344 million. According to the terms of the Agreements, the Company prepaid $300 million, which represented the Net Proceeds from the sale of Kyowa, for the loans in February 2020. In May 2020, the Company paid the first installment of the two loans when they became due. The payment was funded by issuing additional common stocks to Nanomi, the Company's parent. As of March 31, 2021, the outstanding principal of the two loans discussed above, net of the debt issuance costs, was $233.3 million, which is due in May 2021 and hence included in the Short-term debt on the consolidated balance sheets.

In August 2018, the Company entered into a $75 million uncommitted short-term revolving line of credit facility (RLOC) with Sumitomo Mitsui Banking Corporation Singapore Branch (SMBC). The RLOC was amended to increase the limit to $100 million in March 2020 and $125 million in March 2021. Borrowings under the facility are uncommitted and the credit facility can be terminated by SMBC on written notification. Upon such termination, all outstanding amounts under the facility shall be paid to SMBC. Advances made under the amended RLOC bear interest at corresponding LIBOR plus 50 bps per annum. The revolving loans are interest-only with principal due at maturity. The outstanding balances were $125 million and $100 million as of March 31, 2021 and 2020, respectively. The current loans mature in June 2021.

In November 2018, the Company entered into a $100 million short-term credit facility (the Facility) with MUFG Bank, Ltd., Singapore Branch. The Facility, which is guaranteed by LL, was first amended in March 2020 to increase the limit to $200 million, and further amended in March 2021 to increase the limit to $250 million. The Facility is available for drawdown during the period up to September, 2021. Loan advances drawn under the Facility bear interest rate of corresponding LIBOR plus 50 bps per annum. The principal, plus interest is due at maturity. The outstanding balances were $225 million and $200 million as of March 31, 2021 and 2020, respectively. The current loans mature in the second quarter of fiscal year 2022.

The Company recorded interest expense of $8.4 million and $34.0 million during the years ended March 31, 2021 and 2020, respectively. The aggregate outstanding principal and accrued interest balance at March 31, 2021 and 2020 were $584.0 million and $802.0 million, respectively.

Note 11. Leases

Rental expense for lease payments related to operating leases is recognized on a straight-line basis over the lease term. On occasion, the Company subleases excess office facilities to third parties. Rental expense, net of sublease income, is included in the selling, general and administrative expense in the consolidated statements of operations.

For operating leases, the ROU assets and liabilities are presented in the consolidated balance sheet as follows:

(*in thousands*)

	Balance Sheet Classification	Balance at March 31, 2021	
Right-of-use assets	Other assets	$	13,925
Lease Liabilities - current	Other current liabilities		2,758
Lease Liabilities - noncurrent	Other liabilities		12,945

The components of operating lease costs are as follows:

(*in thousands*)

		For the Year Ended March 31, 2021
Operating lease cost	$	3,269
Variable lease cost		1,859
Sublease income		(414)
Total lease cost	$	4,714

Supplemental balance sheet information related to leases is as follows:

	March 31, 2021
Weighted average remaining lease terms (in years)	6.50
Weighted average discount rate	4.8%

Other supplemental information includes the following:
(*in thousands*)

		For the year ended March 31, 2021
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from operating leases	$	3,299
Leased assets obtained for new operating lease liabilities		1,973

The table below reconciles the undiscounted cash flows for the first five years and total of the remaining years to the operating lease liabilities recorded in the consolidated balance sheet as of March 31, 2021:
(*in thousands*)

		For the year ended March 31,
2022	$	3,422
2023		3,116
2024		2,821
2025		1,985
2026		1,693
Thereafter		5,381
Total undiscounted lease payments		18,418
Less: imputed interest		2,715
Present value of minimum lease payments	$	15,703
Less: current portion		2,758
Noncurrent portion	$	12,945

Note 12. Contingencies

Legal Proceedings

Novel Indemnity Case

In March 2016, the Company acquired 100% of the equity interest in Gavis and Novel Laboratories, Inc. ("Novel") under a Share Purchase Agreement (SPA). As part of the SPA, the Company placed $48.4 million in an indemnity escrow account in case the sellers of Novel (Sellers) breach certain representations and warranties. Under the terms of the SPA, the Company is indemnified for the damages from such breaches under certain conditions. The Company and the Sellers disputed whether the escrowed funds should be released. In November 2020, the dispute was resolved amicably by all parties.

On March 27, 2017, AMRI Global, Inc., ("AMRI"), a pharmaceutical research and manufacturing organization filed a lawsuit against Novel for pre-acquisition behaviors. The Company recorded an accrued legal settlement and corresponding indemnification asset of $8.8 million in the second quarter of fiscal year 2020. During the third quarter of fiscal year 2020, the Company settled the case with AMRI for $8.8 million. Additionally, during the third quarter fiscal 2021, Lupin received $25 million dispersed from the indemnity escrow account, with the remaining balance dispersed to the Sellers. The Company recorded $16.2 million gain, net of the indemnification asset of $8.8 million, related to the case, of which $10.2 million was included in Gain on legal settlement, $5.5 million was included in Legal expense reimbursement and the remaining balance of $0.5 million was included in Selling, general and administrative on the Consolidated Statements of Operations.

Other Government Investigations

Lupin is involved in government investigations and litigation arising from the marketing and promotion of its pharmaceutical products in the United States.

Starting in fiscal 2018, the Company was named in both class action and individual cases based on allegations of anticompetitive behavior related to certain products. On April 17, 2018, Lupin and one of its employees received a non-party subpoena from the state of Connecticut Attorney General (CAG) related to a civil antitrust case they filed in 2016, requesting documents and other information. On May 10, 2019, 43 state attorneys general, led by the CAG, filed a second lawsuit against 19 companies (including Lupin Pharmaceuticals, Inc.) and 15 individuals (including the Lupin employee) with allegations of violations of federal and state antitrust laws. The states claim to have been injured by paying supra-competitive prices for the products they purchased or reimbursed. These civil lawsuits were combined into the collection of similar cases referred to as In Re Generic Pharmaceuticals Antitrust Litigation, located in Philadelphia, Pennsylvania. As the case is still in the early stage, an estimate of the possible loss or range of loss, if any, cannot be made.

In September 2019, several antitrust class actions were filed in the Northern District of California against the manufacturers (including LPI and LL) of diabetes treatment Glumetza. The lawsuits allege that a 2012 settlement of a patent litigation regarding Glumetza® delayed the availability of generic alternatives to Glumetza, which caused consumers to pay supracompetitive prices for the drug. The Company disputes the claims and intends to vigorously defend these matters. An estimate of the possible loss or range of loss, if any, cannot be made at this stage of the litigation.

Note 13. Income Taxes

The Company provides for income taxes under ASC 740. Under ASC 740, the asset and liability method is used in accounting for income taxes. Under this method, deferred tax assets and liabilities are determined based on differences between financial reporting and tax bases of assets and liabilities, and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse. The impact on deferred assets and liabilities of a change in tax rates is recognized in the period that the rate change is enacted. Valuation allowances are recorded when it is determined that it is more likely than not that a deferred tax asset will not be realized.

The Company's loss before income taxes was $35.1 million and $327.6 million for the years ended March 31, 2021 and 2020, and was generated entirely in the United States.

Income tax provision consists of (*in thousands*):

	2021		2020	
Current provision:				
U.S. federal	$	(1,313)	$	(5,845)
U.S. state and local		345		4,490
Foreign		1,787		1,745
Total current provision	$	819	$	390
Deferred benefit:				
U.S. federal		—		—
U.S. state and local		—		—
Total deferred benefit		—		—
Total current and deferred benefit	$	819	$	390

Income tax provision differed from the amounts computed by applying the U.S. federal income tax rate of 21.00% to pretax income as a result of the following (*in thousands*):

	Year Ended March 31,			
	2021		2020	
Loss before income tax	$	(35,113)	$	(327,556)
Statutory tax rate		21.00%		21.00%
Income tax benefit at statutory rate		(7,374)		(68,787)
U.S. state tax provision (benefit)		197		4,327
		(7,177)		(64,460)
Increase (decrease) in income tax provision resulting from:				
Non-deductible expenses		1,412		2,218
R&D tax credits (net of reserve)		(1,483)		(2,606)
Valuation allowance		11,064		67,810
Foreign taxes		1,787		1,745
Other		(4,784)		(4,317)
Income tax provision	$	819	$	390

The U.S. Government enacted the Coronavirus Aid, Relief and Economic Security (CARES) Act on March 27, 2020. The CARES Act provides for a five-year net operating loss (NOLs) carryback for NOLs incurred during tax years beginning before 2021. The CARES Act also provided for a technical correction to the 2017 Tax Act that allows for a two year carryback for NOLs created during the 2018 fiscal year. The Company carried back its federal NOLs from its fiscal years ended March 31, 2018 and 2019 to its tax years ended March 31, 2015, 2016 and 2017, and received $41.3 million in income tax refunds as a result. The Company intends to file an additional NOL refund claim of $2.9 million for its tax year ended March 31, 2017, which is reflected in the Company's fiscal year ended March 31, 2021 income tax receivable balance.

The Company is currently under examination for fiscal years ended March 31, 2015 and 2016. During fiscal year ended March 31, 2020, the Company effectively settled with the Internal Revenue Service (IRS) with regard to its chargeback liabilities and R&D credits, including a payment of approximately $29 million in fiscal year ended March 31, 2021. However, with the NOL carryback provisions under the CARES Act, the tax impact of the IRS adjustments was largely offset by the NOL carryback refund claims.

Deferred taxes arise out of basis differentials between financial statement accounting and tax amounts. The components of our deferred tax assets and liabilities include the following (*in thousands*):

	March 31, 2021		March 31, 2020	
Deferred tax assets:				
Accounts receivable returns and allowances	$	5,702	$	10,506
Inventory reserve		1,060		1,425
Research and development, net of reserve		12,588		13,999
State tax credits		3,501		3,876
Net operating loss		45,544		27,400
Accrued payroll		927		1,526
Acquisition costs		2,098		2,132
Chargebacks		33,602		33,089
IP		180,485		187,102
Other		20,182		18,739
Total deferred tax assets	$	305,689	$	299,794
Valuation allowance:		(256,283)		(258,840)
Deferred tax liabilities:				
Goodwill amortization	$	(2,871)	$	(2,899)
Intangible asset amortization		(14,787)		(16,140)
Depreciation/other amortization		(28,755)		(18,674)
Deferred interest		(1,695)		(1,722)
Other		(1,298)		(1,519)
Total net deferred tax liabilities	$	(49,406)	$	(40,954)
Net deferred tax liability	$	—	$	—

We have carryforward income tax NOLs related to our operations, which are available to reduce U.S. federal and/or state income taxes payable. Under the CARES Act NOL carryback provisions, the Company used $132 million of NOLs to offset fiscal years ended March 31, 2015 through 2017 of taxable income. In the case of NOL carryforwards, and for tax years beginning before 2021, we will be entitled to an NOL deduction of 100% of taxable income (rather than the 80 percent limitation under the 2017 Tax Cuts and Jobs Act). Moreover, these NOL carryforwards have an indefinite life, except for $18.9 million, which are subject to limitations under IRC Section 382.

The Company provides for a valuation allowance when it believes that deferred tax assets are not realizable based upon an assessment of future taxable income, and/or tax planning strategies implemented to realize the deferred tax assets. Based upon the Company's cumulative losses, we established a valuation allowance on our deferred tax accounts in fiscal year ended March 31, 2018, and continued through fiscal year ended March 31, 2021.

ASC Topic 740 prescribes a minimum recognition threshold and measurement attribute methodology for the financial statement recognition and measurement of tax positions taken or expected to be taken in a tax return. The Company has evaluated all uncertain tax positions in accordance with ASC Topic 740. As of March 31, 2021 and 2020, the Company evaluated its tax positions for additional unrecognized tax benefits and associated interest and penalties, if applicable. There are many factors that are considered when evaluating these tax positions including: interpretation of tax laws, recent tax litigation on a position, past audit or examination history, and subjective estimates and assumptions, which have been deemed reasonable by management. The Company does not expect changes in unrecognized tax benefits, if any, within the next twelve months to have a material impact on the provision from income taxes or the effective tax rate.

Note 14. Common Stock

On March 9, 2021, the Board of Directors (the Board) of the Company approved a resolution to amend its Certificate of Incorporation (Amendment). Pursuant to the Amendment, the Company is authorized to issue up to 150,000 shares of all classes of stock, which are divided into two classes as follows: 100,000 shares of common stock, $10,000 par value per share (Common Stock), and 50,000 shares of preferred stock, $10,000 par value per share (Preferred Stock).

Note 15. Intellectual Assets Purchase and Preferred Stock

On March 31, 2020, the Company entered into an intercompany Asset Purchase Agreement (APA) with LAHSA to acquire certain intellectual property rights regarding various pharmaceutical products (Purchased Assets) for $280 million. A valuation analysis was performed by an independent third-party to assess the implications of the transfer pricing and it was concluded that the transfer price is substantially representative of the fair value of the Purchased Assets in an arm's length transaction. The consideration of the Purchased Assets was paid by issuing 28,000 shares of the Company's Series A Preferred Stock, with par value of $10,000 per share (Par Value) and a dividend rate of 5% of Par Value per annum, to LAHSA. In March 2021, the Board of Directors (the Board) of the Company approved a resolution to amend certain terms of the Series A Preferred Stock, including a reduction, effective as of January 1, 2021, in the dividend rate of the Series A Preferred Stock from 5% of Par Value per annum, to 2.25% of Par Value per annum, and a reduction in the maximum term of the Series A Preferred Stock from 15 years to 5 years.

As a result of the amendment, we assessed the value of the stock immediately prior to, and immediately after, the effective date of the amendment, and determined that the modification did not result in a substantial change to the terms of the original Series A Preferred Stock. Under US GAAP, a new effective interest rate was determined and the carrying value of the Series A Preferred Stock remained unchanged.

Pursuant to the Certificate of Designations of Series A Preferred Stock governing the terms of the Series A Preferred Stock, these Preferred Stocks cannot be convertible into shares of the Company's Common Stock, and have no voting rights. The term of the Preferred Stocks commenced on March 31, 2020 and ends on March 31, 2025; at the Company's option, these Preferred Stocks may be redeemed at an earlier date (collectively, Redemption Date). In March 2021, the Board declared cash dividends of $12.08 million to holders of the Series A Preferred Stock based on the applicable coupon rates for stocks held during the twelve months ended March 31, 2021. Future dividends will be accrued at the amended coupon rate of 2.25% and will be cumulative regardless of whether the Company has earnings, whether there are funds legally available therefor and/or whether declared. Upon redemption, the Preferred Stocks will be redeemed at an amount equal to the Par Value of such Preferred Stocks plus any dividends accrued but unpaid through the Redemption Date (Redemption Price).

The Preferred Stocks are accounted for as mandatorily redeemable financial instruments under ASC 480 and are classified as liabilities. These Preferred Stocks are initially recognized at Par Value which approximate their fair value and will be subsequently measured at their Redemption Price as of each reporting date.

Note 16. Related Party Transactions

The Company enters into transactions with related parties. Related parties are:

Companies where control exists:

- LL (Ultimate Parent Company)
- Nanomi BV, India (Nanomi BV) (Direct Parent Company)

Other Related Parties having transactions with the Company's fellow subsidiaries:

- Lupin GmbH, Switzerland (GmbH), Merged with (LAHSA)
- Lupin Pharma Canada Ltd., Canada (Canada)
- Lupin Atlantis Holdings S.A. (LAHSA)
- Lupin Latam, Inc., United States (LATAM)
- Laboratorios Grin S.A. de C.V. (Labs Grin)
- Medquimica Industria Farmaceutica LTDA, Brazil (MIFL)
- Multicare Pharmaceuticals Inc., Philippines (Multicare)
- Generic Health Pty Ltd (Generic)

Transactions, which take place at an arm's length between entities, range from clinical service charges, capital contributions, dividend payments, expense reimbursement, guarantee fees, management fees, research services, short term borrowings, asset transfers and tax sharing.

The following represents related party sales (*in thousands*):

	Year Ended March 31,	
	2021	2020
Sales to LL	$ 24,832	$ 19,741
Sales to LAHSA	1,631	4,296
Sales to MIFL	167	—
Sales to Labs Grin	167	—
Sales to Nanomi BV	1,849	734
Sales to Generic	275	—
Sales to Multicare	130	—
Sales to Canada	224	—
Sales to Latam	76	—
Sales to GmbH	—	329
Related party sales	$ 29,351	$ 25,100

In addition to the related party sales noted above, the Company earned an additional $1.9 million and $3.4 million in other income from related parties for management services for the years ended March 31, 2021 and 2020, respectively.

The following represents related party purchases (*in thousands*):

	Year Ended March 31,	
	2021	2020
Purchases from LL	$ 433,584	$ 438,355
Purchases from LAHSA	14,183	100,676
Purchases from GmbH	146	4,231
Related party purchases	$ 447,913	$ 543,262

The following represents due from/to balances with related parties (*in thousands*):

	March 31, 2021	March 31, 2020
Due from LL	$ 9,463	$ 16,750
Due from LAHSA	442	1,038
Due from Latam	281	18
Due from Labs Grin	167	—
Due from Canada	245	156
Due from Generic	212	—
Due from Nanomi BV	1,659	1,317
Due from GmbH	—	262
Intercompany receivables	$ 12,469	$ 19,541

	March 31, 2021	March 31, 2020
Due to LL	$ 291,114	$ 323,484
Due to LAHSA	6,203	66,276
Due to Latam	1	—
Due to GmbH	—	1,509
Due to Multicare	28	
Due to MIFL	85	
Intercompany payables	$ 297,431	$ 391,269

Refer to Note 14 and Note 15 for details of common stocks and preferred stocks issued or amended during the end year ended March 31, 2021.

Note 17. Employee Benefit Plan

The Company maintains a 401(k) plan, pursuant to which employees may make contributions which are not to exceed statutory limits. Employer matching contributions are equal to 100% of the first 3%, and 50% of the second 3% of employee contributions. For the years ended March 31, 2021 and 2020, the Company made matching contributions of $2.3 million and $2.8 million, respectively.

Note 18. Subsequent Events

The Company evaluates events or transactions that occur after the consolidated balance sheet date but prior to the issuance of consolidated financial statements. On April 9, 2021, the Company issued 23,400 ordinary shares of its common stock to Nanomi, B.V. and received $234 million in cash which it utilized to settle the outstanding principal and accrued interest on the Facilities and Novation loans discussed in Note 10 above. No other subsequent events have occurred through May 7, 2021 that require adjustment to or disclosure in the consolidated financial statements.