Medquímica Indústria Farmacêutica Ltda.

Financial statements as of
March 31, 2021 and 2020
(Free-translation)

Contents

Independent auditors' report on the financial statements

To the Directors and Officers of

Medquímica Indústria Farmacêutica Ltda.

Juiz de Fora - MG

Opinion

We have audited the financial statements of Medquímica Indústria Farmacêutica Ltda (Company), which comprise the statement of financial position as of March 31, 2021, and the statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and the summary of significant accounting policies and other notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial and equity position of Medquimica Indústria Farmacêutica Ltda. as of March 31, 2021, and of its financial performance and its cash flows for the year then ended in accordance with Brazilian generally accepted accounting principles.

Basis for opinion

We conducted our audit in accordance with Brazilian and international auditing standards. Our responsibilities under those standards are further described in the "Auditors' Responsibilities for the Audit of the Financial Statements" section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Brazil, and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting practices adopted in Brazil, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. 'Reasonable assurance' is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Brazilian auditing standards and ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Brazilian auditing standards and ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

– Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

– Obtain an understanding of internal control relevant to the audit 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 Company's internal control.

– Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

– Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, then we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

– Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Belo Horizonte, June 11, 2021

KPMG Auditores Independentes
CRC SP-014428/O-6 F-MG
Free-translation – original version issued in Portuguese
Mateus Cunha Figueiredo
Accountant CRC MG-105612/O-0

Medquímica Indústria Farmacêutica Ltda.

Statements of financial position as of March 31, 2021 and 2020

(In thousands of Reais)

Assets	Note	31/03/2021	31/03/2020	Liabilities	Note	31/03/2021	31/03/2020
Cash and cash equivalents	7	6.146	9.662	Trade payables	15	60.907	42.254
Trade receivables	8	73.631	56.178	Loans and borrowings	16	195.545	163.621
Inventories	9	79.477	52.040	Leases		1.069	863
Recoverable taxes	10	3.910	6.607	Tax liabilities	17	5.405	3.632
Prepaid expenses		1.256	926	Payroll and labor obligations	18	4.831	5.096
Derivative financial instruments	29	224	8.538	Other debits	19	8.589	7.266
Other accounts receivable	11	8.429	7.135				
Total current assets		**173.073**	**141.086**	**Total current liabilities**		**276.346**	**222.732**
				Loans and borrowings	16	261	489
Recoverable taxes	10	-	40	Leases		1.708	199
Long-term investments	12	2.431	15.254	Taxes	17	610	-
Other long-term credits	11	3.024	2.389	Deferred tax liabilities	30	9.464	11.125
				Provision for contingencies	20	716	1.281
				Other debits	19	3.515	15.771
Total non-current assets		**5.455**	**17.683**	**Total non-current liabilities**		**16.274**	**28.865**
Property, plant and equipment	13	70.360	71.707				
Right of use		2.279	966	**Equity**	21		
Intangible assets	14	104.467	108.738	Capital		269.738	269.738
				Accumulated losses		(206.724)	(181.151)
Total non-current assets		**182.561**	**199.094**				
				Total equity		**63.014**	**88.583**
Total assets		**355.634**	**340.180**	**Total liabilities and equity**		**355.634**	**340.180**

See the accompanying notes to the financial statements.

Medquímica Indústria Famacêutica Ltda.

Statements of profit or loss

Years ended March 31, 2021 and 2020

(In thousands of Reais)

	Note	31/03/2021	31/03/2020
Revenue	23	238.720	177.162
Cost of sales	24	(160.063)	(126.551)
Gross profit		**78.657**	**50.611**
Selling expenses	25	(48.533)	(43.953)
Administrative expenses	26	(41.982)	(55.624)
Other net revenue (expenses)	27	(2.105)	4.253
Profit (loss) before net finance income (costs) and taxes		**(13.963)**	**(44.713)**
Financial revenue		9.193	34.467
Finance costs		(22.464)	(60.809)
Net finance income	28	**(13.271)**	**(26.342)**
Income before tax on net income		**(27.234)**	**(71.055)**
Deferred income and social contribution taxes	30	1.661	1.786
Current income and social contribution taxes	30	-	-
Income tax and social contribution		**1.661**	**1.786**
Loss for the year		**(25.573)**	**(69.269)**

See the accompanying notes to the financial statements.

Medquímica Indústria Famacêutica Ltda.

Statements of comprehensive income

Financial year ended March 31, 2021 and 2020

(In thousands of Reais)

	31/03/2021	31/03/2020
Net income/loss for the year	(25.573)	(69.269)
Other comprehensive income for the year	-	-
Comprehensive income for the year	(25.573)	(69.269)

See the accompanying notes to the financial statements.

Medquímica Indústria Famacêutica Ltda.

Statements of changes in equity

Financial years ended March 31, 2021 and 2020

(In thousands of Reais)

	Capital		Accumulated losses		Total equity
Balance at April 01, 2019	**208.800**		**(111.727)**		**97.069**
Parent company capital contribution	60.938		-		60.938
Initial adoption of CPC 06(R2) - Leases	-		(155)		(155)
Profit or loss for the year	-		(69.269)		(69.269)
Balance at March 31, 2020	**269.738**		**(181.151)**		**88.583**
Profit or loss for the year	-		(25.573)		(25.573)
Balance at March 31, 2021	**269.738**	**#**	**(206.724)**	**#**	**63.010**

See the accompanying notes to the financial statements.

Medquímica Indústria Farmacêutica Ltda.

Statements of cash flows

Years ended March 31, 2021 and 2020

(In thousands of Reais)

	Note	31/03/2021	31/03/2020
Cash flows from operating activities			
Loss for the year		(25.573)	(69.269)
Adjustments for:			
Depreciation and amortization		11.518	10.129
Allowance for doubtful accounts	8	1.712	859
Inventory impairment (Obsolescence)	9	3.540	3.700
Losses in inventory processing	27	1.253	-
Disposal of property, plant and equipment		11	3
Provision for sales commission		331	2.863
Provision for bonuses	19	3.807	3.472
Provision for product recalls	9	1.585	2.776
Provision for contingencies	20	(565)	312
Gain on derivatives	29	(224)	(13.149)
Provisions for returns	19	4.015	475
Provision for termination		504	-
Other provisions		(530)	-
Deferred income tax and social contribution	30	(1.661)	(1.786)
Net financial income		13.540	41.079
		13.263	**(18.536)**
Changes in:			
Trade receivables		(19.165)	(11.237)
Inventories		(33.066)	(9.818)
Recoverable taxes		2.737	(3.511)
Other credits and prepaid costs		(2.259)	(1.308)
Trade payables		18.653	12.067
Taxes		2.383	1.738
Payroll obligations		(265)	(748)
Provision for contingencies		-	(643)
Other debits		1.891	(3.933)
Cash used in operating activities		**(15.828)**	**(35.929)**
Interest paid	16	(8.364)	(11.132)
Interest received		85	165
Net cash flow used in operating activities		**(24.107)**	**(46.896)**
Cash flows from investing activities			
Cash resulting from disposal of property, plant and equipment		465	247
Acquisition of property, plant and equipment	13	(3.871)	(1.290)
Acquisition of intangible assets	14	(3.076)	(6.037)
Cash flow used in investing activities		**(6.482)**	**(7.080)**
Cash flows from financing activities			
Proceeds from issue of share capital		-	60.938
Funds from loans	16	181.128	186.074
Repayment of loans and borrowings	16	(159.889)	(190.664)
Commercial lease payment		(1.187)	(478)
Gain on derivatives		7.021	3.174
Net cash provided by financing activities		**27.073**	**59.044**
Net increase (decrease) in cash and cash equivalents		**(3.516)**	**5.068**
Cash and cash equivalents at beginning of period		9.662	4.594
Cash and cash equivalents at end of period		6.146	9.662
Net increase (decrease) in cash and cash equivalents		**(3.516)**	**5.068**

See the accompanying notes to the financial statements.

Notes to the financial statements

(In thousands of Reais)

1 Reporting entity

Medquímica Indústria Farmacêutica Ltda. (“Medquímica” or “Company”), is a limited company having its registered office in the municipality of Juiz de Fora - MG, and has been operating in the pharmaceutical segment for more than 40 years. On June 23, 2015 it became a part of Lupin Group, a global company in the pharmaceutical segment specializing in the production of active ingredients, generic medications, biosimilars, specialty and biotechnology products. Based in Mumbai, India, Lupin operates in the main global markets.

In the financial year ended March 31, 2021 the Company had losses recognized in the financial year of R$ 25,573 (R$ 69,269 as of March 31, 2020) and its current liabilities exceeded its current assets by R$ 103,273 (R$ 81,646 as of March 31, 2020). As of March 31, 2021 the Company also has an operating cash deficit of R$ 24,107 (R$ 46,896 as of March 31, 2020).

The company is taking a series of strategic measures which aim to reverse the losses generated in operations, reduce the liquidity risk, and improve working capital management, which include:

(1) Improving the cost management process;

(2) Developing effective sales strategies and introducing more profitable products;

(3) Enhancement of plant's process control procedures;

(4) Improving production efficiency and reviewing processes;

(5) Pursuing improvements to sales contracts to obtain better margins with distributors and customers; and

(6) Obtaining additional sources of funding from external creditors and related parties.

Management attributes the losses for the year ended March 31, 2021 to the time taken for new products to mature in Medquimica's sector and initiatives to expand the market which will yield returns in the future. There are also effects from the interruption of sales of imported Derma line products, because of the pandemic which resulted in social distancing and an economic slowdown in certain segments, especially aesthetic-dermatological treatment clinics. There are also exchange variance effects due to devaluation of the Brazilian real against the US dollar, as the Company has foreign currency financing and its products are either imported or contain imported consumables.

The impacts of the COVID-19 outbreak

One year into the pandemic Medquímica achieved better-than-expected results compared with its budget, mainly because certain portfolio products were directly and indirectly related to the treatment of COVID-19, as seen for the molecules Azithromycin, Hydrochlorothiazide and Gliconil. However, the Company did experience negative impacts on products whose consumption dropped due to social distancing (Gripnew, Deltametril, etc.) and the discontinuation of the Derma Cosmetics line due to the economic slowdown in this segment.

We emphasize that even during the severest periods of social distancing and lockdown, the company has always maintained stable operating flows, from the acquisition of raw materials, production and sales, continuing to implement the package of preventive measures including activation of its crisis plan at each business unit and implementation of recommendations issued by the World Health Organization and the Brazilian Ministry of Health.

The funds obtained from shareholders and other related initiatives described above are for the purpose of strengthening the Company's cash position and liquidity during this period of global uncertainty and volatility as a result of the COVID-19 pandemic.

In relation to the financial statements for the period ended March 31, 2021, Management has assessed the impacts from the COVID-19 pandemic on: (i) the use of the going concern assumption; (ii) liquidity management; (iii) exposure to customer credit risk and impacts on the Company's industry; and (iv) sensitivity assumptions used in testing the recoverable value of assets at the reporting date based on the revised budget reflecting the impacts from COVID-19, and has concluded that there are no impacts to be recognized in these financial statements other than the need for cash contributions from the Company's majority shareholder.

Lupin Group guarantees the funds necessary for the Company to continue as a going concern. The financial statements have been prepared on the assumption that the Company will continue as a going concern and do not include any adjustments related to this matter.

2 Basis of preparation

Statement of compliance (with CPC standards)

The financial statements have been prepared in accordance with accounting practices adopted in Brazil ("BR GAAP").

They were authorized for issue by the Executive Board on June 11, 2021.

Details about the accounting policies can be seen in note 6.

All material information related to the financial statements, and that alone, is being presented, which corresponds to that used by Management to run the company.

3 Functional and presentation currency

These financial statements are presented in Reais, which is the Company's functional currency. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

4 Use of judgments and estimates

The preparation of the financial statements in conformity with the accounting practices adopted in Brazil (CPC) requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in the following notes:

- **Note 8 – Trade receivables -** measurement of expected credit loss for accounts receivable requiring judgment and estimates, including the history of losses and future expectations.

- **Note 8 – Provision for returns:** estimate regarding expected return of sales and revenue returns.

- **Note 9** – **Inventory** – measurement of inventory with property of loss due to expiry or any nonconformity problems or issues related to inventory turnover, and assessment of net inventory impairment losses.

- **Note 10** – **Recoverable taxes** – expected realization of credits and classification of taxes as current assets.

- **Note 13 - Property, plant and equipment -** impairment testing; main assumptions for impairment testing, such as projected sales, costs and expenses, discount rates etc.;

- **Note 13 - Property, plant and equipment** – useful life of assets and depreciation estimates: assumptions related to determining the useful life of property, plant and equipment;

- **Note 14 – Intangible assets -** impairment tests for intangible assets and goodwill due to expected future earnings: main assumptions for impairment testing, such as projected sales, costs and expenses, discount rates etc.;

- **Note 14 - Intangible assets** – useful life of assets and amortization estimates: assumptions related to determining the useful life of definite-lived intangible assets; and

- **Note 19** – **Accounts payable arising from merger -** fair value of the consideration to be transferred to former shareholders (contingent payment), whose balances were recognized as from the merger.

- **Note 20 - Provision for contingencies -** recognition and measurement of provisions and contingencies: main assumptions regarding the probability and size of outflows.

5 Basis of measurement

The financial statements have been prepared on the historical cost basis, except for the following material items that are measured at each reporting date and recognized in the statements of financial position:

- derivative financial instruments are measured at fair value;
- non-derivative financial instruments at fair value through profit or loss are measured at fair value; and
- debt and equity securities at FVOCI are measured at fair value; and
- contingent consideration assumed in a business combination is measured at fair value.

6 Description of significant accounting policies

a. Foreign currency

(i) Foreign-currency transactions

Foreign-currency transactions are translated into the respective functional currencies at the exchange rates at the dates of the transactions. Cash assets and liabilities denominated in foreign currencies are retranslated into the functional currency at the exchange rate in force on that date. Foreign-currency gains or losses on monetary items consist of the difference in the amortized cost in the functional currency at the start of the year, adjusted for interest and payments made in the year, and the amortized cost in the foreign currency at the end of the reporting year. When applicable, non-monetary assets and liabilities that are measured at fair value in a foreign currency are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on retranslation are generally recognized in profit or loss.

b. Financial instruments

Recognition and initial measurement

Trade receivables and issued debt securities are initially recognized on the date they originate. All other financial assets and financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instrument.

A financial asset (except for trade receivables without a significant financing component) or financial liability is initially measured at fair value plus, for an item not measured at FVTPL, transaction costs directly attributable to its acquisition or issuance. A trade receivable without a significant financing component is initially measured at the operation price.

Classification and subsequent measurement

Financial Assets

On initial recognition, a financial asset is classified as measured: at amortized cost; FVOCI - debt instrument; or FVOCI – equity instruments; or at FVTPL.

Financial assets are not reclassified subsequently to initial recognition, unless the Company changes its business model to financial asset management. In this case all the affected financial assets are reclassified on the first day of the first period following the business model change.

A financial asset is measured at amortized cost if both of the following conditions are met and it is not stated as measured at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt instrument is measured at FVOCI if both of the following conditions are met and it is not stated as measured at FVTPL

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Upon initial recognition of an investment in an equity instrument that is not held for trading, the Company can elect to make irrevocable subsequent changes to the fair value of the investment in OCI. This choice is made for each investment. The Company does not have investments in equity instruments as of March 31, 2021 and 2020.

All financial assets not classified as measured at amortized cost or FVOCI, as described above, are classified as at FVTPL. This includes all derivative financial assets. Upon initial recognition, the Company irrevocably assigns a financial asset that would otherwise meet the requisites to be measured at amortized cost or FVOCI as FVTPL if this eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets - Assessment of the business model

The Company assesses the objective of the business model in which a financial asset is maintained in the portfolio which better reflects how the business is managed and the information is provided to Management. The information considered includes:

- the policies and objectives stipulated for the list and the practical functioning of these policies. These include whether Management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows, or realizing cash flows through the sale of the assets;
- how the portfolio’s performance is assessed and reported to Company Management;
- the risks affecting the performance of the business model (and the financial asset maintained in said business model) and how such risks are managed;

- how managers of the business are compensated, e.g., whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and

- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

  The transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales, in a way consistent with the ongoing recognition of the Company's assets.

  Financial assets held-for-trading or managed with performance assessed based on fair value are measured at fair value through profit or loss.

Financial assets - assessment as to whether the contractual cash flows are merely payments of principal and interest

When applicable, for the purpose of this assessment, the principal is defined as the fair value of the financial asset upon initial recognition. The interest is defined as a payment for the value of the money over time and the credit risk posed by the outstanding principal over a given period of time and the other underlying loan costs and risks (for example liquidity risk and administrative cost), in addition to a spread.

The Company examines the instrument's contractual terms to determine whether the contractual cash flows only entail payments of the principal and interest. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. When making this assessment the company takes into account:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- the terms limiting the Company's access to specific cash flows from specific assets (for example based on an asset's performance).

Prepayment is consistent with the criteria of paying the principal and interest if the prepayment mainly represents unpaid amounts of the principal and interest on the outstanding principal - which may include reasonable compensation for early termination of the contract. Furthermore, in relation to a financial asset acquired for an amount less than or greater than the nominal value of the contract, the permission or requirement for prepayment at an amount representing the nominal value of the contract plus the contractual interest (which may also include reasonable compensation for early termination of the contract) accumulated (but not paid) are treated as consistent with this criteria if the fair value of the prepayment is insignificant upon initial recognition.

Financial assets - Subsequent measurement and gains and losses

Financial assets at FVTPL	These assets are subsequently measured at fair value. The net income/loss, including interest or dividend revenue, is recognized in profit or loss. Derivatives designated as hedge instruments are not designated as a cash flow hedge.
Financial assets at amortized cost	These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced for impairment. Interest revenue, exchange variance gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.
Debt instruments at FVOCI	These assets are subsequently measured at fair value. Interest revenue calculated by the effective interest rate, exchange variance gains and losses and impairment are recognized in profit and loss. Other net income/loss is recognized in OCI. On derecognition, income/loss accumulated in OCI is reclassified to profit or loss. As of March 31, 2020 and 2019 the Company does not have any financial instruments in this category.
Equity instruments at FVOCI	These assets are subsequently measured at fair value. The dividends are recognized as a gain in profit or loss, unless the dividend clearly represents a recovery of part of the investment cost. Other net income/loss are recognized in OCI and never reclassified to profit or loss. As of March 31, 2020 and 2019 the Company does not have any financial instruments in this category.

Financial liabilities – classification, subsequent measurement and gains and losses

Financial liabilities were classified as measured at amortized cost or at FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for trading, is a derivative or is designated as such on initial recognition. Financial liabilities stated at FVTPL are measured at fair value and the net income/loss, including interest, is recognized in profit or loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

See the note below that specifically addresses financial liabilities designated as hedge instruments.

(ii) Derecognition

Financial assets

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or when the Company transfers the rights to receive the contractual cash flows of a financial asset in a transaction where essentially all the risks and rewards of ownership of financial assets are transferred or in which the Company neither transfers nor substantially retains all the risks and rewards of ownership of the financial asset nor retains control over the financial asset.

The Company makes transactions in which it transfers assets recognized in the statement of financial position but maintains all or most of the risks of the transferred assets. In these cases, the financial assets are not derecognized.

Financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged or canceled, or expire. The Company also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability is recognized based on the modified terms and recognized at fair value.

Upon derecognizing a financial liability, the difference between the former carrying amount and the amount paid (including assets transferred that do not flow through cash or undertaken liabilities) is recognized in profit or loss.

(iii) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company currently has a legally enforceable right to offset the amounts and intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

(iv) Derivative financial instruments and hedge accounting

Derivative financial instruments and hedge accounting
The Company holds derivative financial instruments to hedge its foreign currency risk exposures. When applicable, embedded derivatives are separated from the host contract and accounted for separately if the principal is not a financial asset and certain criteria are met.

Derivatives are measured initially at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognized in profit or loss.

The Company does not designate derivatives as hedge instruments to protect against changes in cash flow from highly probable transactions, due to changes in exchange rates. All derivative financial instruments therefore have effects recognized in profit and loss.

c. Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at the historic cost of acquisition or construction, less accumulated depreciation and impairment.

Cost includes expenditure that is directly attributable to the acquisition of an asset. The cost of assets built by the Company itself includes:

- The cost of materials and direct labor;
- Any other costs to bring the asset to its location and condition necessary so it can be operated as intended by Management;
- Loan costs on qualifying assets.

Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

(ii) Subsequent expenditure

Subsequent expenditure is capitalized only when it is probable that the future economic benefits associated with the expenditure will flow to the Company. Ongoing repairs and maintenance are expensed as incurred in profit or loss.

(iii) Depreciation

Items of property, plant and equipment are depreciated from the date they are available for use or, in respect of self-constructed assets, from the date that the asset is completed and ready for use.

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the straight-line basis over their estimated useful lives. Depreciation is generally recognized in profit or loss, unless the amount is included in the carrying amount of another asset. Leased assets are depreciated over the shorter of the lease term and their useful lives, unless the Company is reasonably sure it will acquire the property at the end of the lease. Land is not depreciated.

The estimated useful lives for current and comparative periods are as follows:

Buildings	33 - 46 years
Machinery and equipment	20 years
Vehicles	5 years
Computers and Peripheral Equipment	5 - 10 years
Furniture and fixtures	10 years
Industrial Facilities	5 - 10 years
Commercial facilities	10 years
Tools	10 years

d. Intangible assets

Goodwill

Goodwill arising on the acquisition of subsidiaries is measured at cost less accumulated impairment losses.

Other intangible assets

Other intangible assets that are acquired by the Company and have finite useful lives are measured at cost less accumulated amortization and any impairment losses.

Amortization

Intangible assets are amortized on a straight-line basis in profit or loss over their estimated useful lives, from the date that they are available for use. The estimated useful lives for the current and comparative years are as follows:

Software	5 years
Distributor relationships	13 years
ANVISA Registrations	9 years
Trademarks	Indefinite
Noncompetition agreement	5 years
Goodwill based on future earnings	Indefinite

e. Inventories

Inventories are measured at the lower of cost and net realizable value. Inventory is recorded at average cost and includes expenses incurred on the acquisition of inventory, production and transformation costs and other costs incurred to bring the inventories to their current status and location.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and estimated costs necessary to make the sale.

f. Impairment

Non-derivative financial assets

The Company recognizes provisions for expected credit losses on financial assets measured at amortized cost.

The Company measure the provision for loss at an amount equal to the expected credit loss for the entire life, except for bank balances, which are measured as expected credit loss for 12 months.

- The bank balances for which the credit risk (i.e. the risk of default over the expected lifetime of the financial instrument) has not significantly risen since initial recognition.

The provisions for losses on trade receivables are measured at an amount equal to the expected credit loss for the instrument’s entire life.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating the lifetime ECL, the Company considers reasonable and supportable information that is material and available without excessive cost or effort. This includes quantitative and qualitative information and analyses based on the Company’s historic experience, credit evaluation and forward-looking information.

The Company assumes a financial asset's credit risk has risen substantially if it is more than 60 days overdue.

The Company considers a financial asset to be in default when:

- it is highly unlikely that the debtor will pay all of its credit obligations to the Company without resorting to actions such as realizing the guarantee (if applicable); or

- the financial asset is more than 180 days overdue.

Measuring expected credit losses

Expected credit losses are estimates weighted by the credit loss probability. Credit losses are measured at present value based on all cash deficiencies (i.e. the difference between the cash flows owed to the Company according to the contract and the cash flows the Company expects to receive). ECLs are discounted by the financial asset's effective interest rate.

Impaired financial assets

At each reporting date, the Company evaluates whether the financial assets recorded at amortized cost are credit impaired. A financial asset is ‘impaired’ when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Objective evidence that a financial asset is impaired includes the following observable data:

- significant financial difficulty of the issuer;
- violation of contractual clauses, such as default or being more than 90 days overdue;
- restructuring of an amount due to the Company on terms that it would not consider otherwise; or
- the probability that the borrower will enter bankruptcy or other type of financial reorganization.

Presenting the provision for expected credit losses in the statement of financial position
The provision for financial asset losses measured at amortized cost is deducted from the gross carrying amount of the assets.

Write-off
The gross carrying amount of a financial asset is written off when the Company does not have a reasonable expectation to recover the financial asset in its entirety or in part. In relation to individual receivables, the Company follows the policy of writing down the gross carrying amount when the financial asset is more than 180 days overdue based on historic experience of recovering similar assets. The Company does not have a history of material losses in its financial assets, including trade receivables.

(iv) Non-financial assets
The carrying amounts of the Company's non-financial assets, other than inventory and deferred tax assets, are reviewed at each reporting date for signs of impairment. If any such evidence exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the Cash Generating Units (UGC), i.e., the smallest group of assets that generates cash inflows from ongoing use that are largely independent of the cash inflows of other assets or CGUs.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less selling costs. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses are recognized in profit or loss.

An impairment loss is reversed only to the extent that the asset's new carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

g. Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is possible that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Finance costs incurred are recognized in profit or loss.

h. Accounts payable under the merger

Accounts payable under the downstream merger in February 2016 are recognized as a variable consideration to be transferred to the Company's former shareholders. Changes in the fair value to be transferred or recognized against long-term investments linked to said transaction.

i. Leases

At the commencement of a contract the Company determines whether or not it is or contains a lease.

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Company uses the lease definition in CPC 06(R2) to assess whether a contract conveys the right to control the use of an identified asset.

As lessee

At the commencement or upon modification of a contract containing a lease component, the Company allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price. However, for property leases, when applicable, the Company opts not to separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease component.

The Company recognizes a right-of-use asset and a lease liability at the commencement date of the lease. The right-of-use asset is initially measured at cost, which comprises the initial measurement of the lease liability, adjusted for any lease payments made up to the commencement date, plus any initial direct costs incurred by the lessee and an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, less any lease incentives received.

The right-of-use asset is subsequently depreciated by the straight-line method from the commencement date until the end of the lease term, unless the lease transfers ownership of the underlying asset to the lessee by the end of the lease term or if the cost of the right-of-use asset reflects that the lessee will exercise a purchase option. In this case, the right-of-use asset will be depreciated during the underlying asset's useful life, which is determined on the same basis as the property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not made on the commencement date, discounted for the interest-rate embedded in the lease or, if this rate cannot be immediately determined, the Company's incremental loan rate. The Company generally uses its incremental rate on loans as a discount rate.

The Company determines its incremental rate on loans by obtaining interest rates for various external financing sources and making certain adjustments to reflect the terms of the contract and type of asset being leased.

The lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the lessee under residual value guarantees; and
- the exercise price of a call option if the lessee is reasonably certain to exercise that option; and payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

The lease liability is measured at amortized cost using the effective interest rate method. It is remeasured if there is a change in future lease payments resulting from a change in an index or a rate, if there is a change in the amounts expected to be payable under a residual value guarantee, if the Company changes its evaluation, if it exercises the call, extension or termination option or if there is a fixed in-substance revised lease payment.

When the lease liability is remeasured in this manner, a corresponding adjustment is made to the carrying amount of the right-of-use asset or recognized in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Company has right-of-use assets that do not meet the definition of investment property as "Rights of use" and lease liabilities in "Leases" in the statement of financial position.

Low-value leases
The Company opted not to recognize right-of-use assets and lease liabilities for low-value lease assets and short-term leases, including IT equipment. The lease payments associated with these leases are expensed on a straight-line basis over the lease term.

As lessor
As of March 31, 2021 the Company does not have any lease contracts with third parties as lessor.

j. Revenue
Revenue is measured based on the consideration specified in the contract with the customer.
The Company recognizes revenue when it transfers the control over the product or service to the client.

The table below provides information about the nature and timing for performing obligations in contracts with customers, including significant payment conditions and related policies for recognizing revenue.

Revenue	**Nature and timing of performing obligations, including significant payment conditions**	**Revenue recognition**
Domestic sales/Overseas sales	Customers obtain control over goods when they leave the Company's warehouse. Invoices are issued and revenue is recognized at this moment. At each accounting close, the Company assesses whether adjustments to recognize revenue in the correct accrual period and adjustments for expected returns should be recognized to reduce the amount billed.	Revenue and cost are recognized when goods leave the Company's warehouse.

For certain clients the Company has the practice of carrying out promotional campaigns for its products and points of sale, classified in the financial statements as selling expenses. In accordance with the current accounting policies under CPC 47, these transactions are classified as a revenue reduction.

k. Finance income and finance costs
Finance income comprises interest income on funds invested and changes in the fair value of financial assets at fair value through profit or loss. Interest income or expense is recognized using the effective interest method.

Finance costs comprise include interest expenses on loans and other expenses related to bank operations. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in profit or loss using the effective interest method.

l. Income tax and social contribution
The income and social contribution taxes, both current and deferred, are calculated based on the rates of 15% plus a surcharge of 10% on taxable income in excess of R$ 240 thousand for income

tax and 9% on taxable income for social contribution on net income, and consider the offsetting of tax loss carryforwards and negative basis of social contribution limited to 30% of the taxable income.

Income tax and social contribution expense comprises current and deferred tax. They are recognized in profit or loss except to the extent that they relate to a business combination, or items recognized directly in equity or in OCI.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustments to tax payable in respect of previous years.

When determining its current and deferred income tax the Company takes into account the impact of uncertainties regarding the fiscal position undertaken and whether additional income tax and interest has to be paid. The Company believes that the provision for income tax in the liabilities is adequate for all the tax periods in progress, based on the evaluation of several factors, including the interpretation of tax legislation and past experience. This evaluation is based on estimates and assumptions that could involve a series of judgments about future events. New information could become available that leads to the Company to change its judgment about the adequacy of the existing provision; such changes would affect income tax expenses in the year in which they are made.

m. Measurement of Fair Value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk.

A number of the Company’s accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

When one is available, the Company measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Company uses valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

If an asset or a liability measured at fair value has a bid price and an ask price, then the Company measures assets and long positions at a bid price and liabilities and short positions at an ask price.

The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price - i.e. the fair value of the consideration given or received. If the Company determines that the fair value on initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique for which any unobservable inputs are judged to be insignificant in relation to the measurement, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value on initial recognition and the transaction price. Subsequently, that difference is recognized in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out, whichever happens first.

n. New standards and interpretations issued but not yet effective

A number of new standards are effective for annual periods beginning after 1 January 2021.

The Company has not adopted these standards in the preparation of the financial statements.

- Onerous Contracts – costs of fulfilling a contract (amendments to CPC 25);
- Interest rate benchmark reform - Phase 2 (amendments to CPC 48, CPC 38, CPC 40, CPC 11 and CPC 06);
- Other Standards: The following new or amended standards are not expected to have a significant impact on the financial statements:
  (i) COVID-19-related rent concessions (amendment to CPC 06);
  (ii) Property, plant and equipment: Proceeds before intended use (amendments to CPC 27);
  (iii) Reference to the Conceptual Framework (Amendments to CPC 15);
  (iv) Classification of Liabilities as Current or Noncurrent (Amendments to CPC 26); and
  (v) IFRS 17 Insurance Contracts.

7 Cash and cash equivalents

	03/31/2021	03/31/2020
Cash and banks	6,146	9,662
	6,146	**9,662**

The Company's exposure to interest rate risks and a sensitivity analysis for assets and liabilities can be seen in note 29.

8 Trade accounts receivable

	03/31/2021	03/31/2020
Third-party accounts receivable	80,986	62,322
Related-party accounts receivable	1,417	826
(-) Expected losses of accounts receivable	(8,682)	(6,970)
	73,631	**56,178**

The aging list of accounts receivable is as follows:

Breakdown by maturity	**03/31/2021**	**03/31/2020**
Outstanding	69,027	52,439

0 to 30 days overdue	2,726	1,139
31 to 90 days overdue	885	1,189
91 to 120 days overdue	424	473
Past due 121 to 180 days	1,175	477
More than 181 days overdue	8,166	7,431
	82,403	**63,148**

Based on historical analyses and after individually analyzing the overdue accounts receivable, the Company believes that invoices more than 180 days overdue should be provisioned for as a loss. This assessment is close to management expectations based on expected losses under CPC 48, and no additional provision was therefore recognized.

The changes in the allowance for doubtful accounts are as follows:

Change in provision for expected losses	**03/31/2021**	**03/31/2020**
Opening balance	**(6,970)**	**(6,111)**
Additions	(2,120)	(1,343)
Reversals	409	484
Closing balance	**(8,682)**	**(6,970)**

The Company's exposure to credit risks and losses due to impairment of trade receivables (expected loss) can be seen in note 29.

9 Inventories

The breakdown of inventory is presented in the following table:

	03/31/2021	**03/31/2020**
Finished goods	54,396	21,145
Work in progress	5,730	2,539
Raw materials	16,629	15,744
Packaging materials	5,750	12,668
Warehouse and other inventory	3,957	3,389
Estimated inventory losses	(6,985)	(3,445)
	79,477	**52,040**

The increase in inventory as of March 31, 2021 compared with the previous year is primarily due to advance purchases of consumables to mitigate any impact on the supply chain caused by COVID-19 and the strategy of building a safety inventory, to ensure compliance with production demand due to rising sales.

As of March 31, 2021 a provision for impairment losses was made for slow-moving (more than 180 days), expired and obsolete items in the inventory in the amount of R$ 6,985 (R$ 3,445 as of March 31, 2020).

In addition to the provisions for expired and obsolete materials or items that have not moved for longer than 180 days, the provisions for inventory losses in the year also include provisions of R$ 1,585 for compliance with the order issued by Brazil's National Health Surveillance Agency - ANVISA to recall products containing Ranitidine.

Changes in the provision for inventory devaluation

Balance at March 31, 2020	**3445**
Reversals of provisions	(504)
Provisions recognized	4044
Balance at March 31, 2021	**6985**

10 Recoverable taxes

	03/31/2021	**03/31/2020**
PIS / COFINS recoverable (a)	-	5,374
ICMS on property, plant and equipment	202	174
Recoverable IR/CS	3,566	1,099
Recoverable ICMS on Sports incentive	142	-
Other taxes	-	-
	3,910	**6,647**
Current	3,910	6,607
Non-current	-	40

(a) The increase to the PIS/COFINS balance includes amounts relating to tax credits obtained on purchases of consumables and products. All the credits were consumed in the financial year ended March 31, 2021 by offsetting against payable balances of contributions and offsetting against other federal taxes.

11 Other accounts receivable

	03/31/2021	**03/31/2020**
Judicial deposit	1,123	488
Credits towards former shareholders (a)	1,901	1,901
Advance to suppliers (b)	7,111	4,510
Advances to related parties (c)	1,082	1,262
Other receivables (d)	236	1,362
	11,453	**9,523**
Current	8,429	7,135
Non-current	3,024	2,389

(a) Under the contract with the former shareholders, liabilities arising from legal proceedings of the Company’s previous management will be reimbursed by them, thereby reducing the obligations towards such shareholders and releasing short-term investments guaranteeing this amount. In the event receipt proves impossible in the processes, the Company’s parent company will ensure the balance is reimbursed (see note 20). An extrajudicial agreement was made on December 22, 2017 to replenish the accounts receivable with former shareholders, to which an additional receivable was added for issues not embraced by the purchase agreement ("SPA"). This amount has been classified as non-current and will be paid as per the schedule established in the agreement.

(b) Advance to raw material and consumables suppliers

(c) Advances to related parties are linked to the prepayment of raw material invoices to Lupin India.

(d) Other receivables include advances to employees of R$ 94 and a certified check for the rental of a commercial property in São Paulo of R$ 140.

12 Short-term investments

	03/31/2021	**03/31/2020**
Short-term investments	2,431	15,254
	2,431	**15,254**

Short-term investments securing balances payable to the former shareholders (see note 13) that cannot be used by the Company as part of its cash management. The movement in the balance in the financial year ended March 31, 2021 consists of amounts released in the amount of R$ 12,857 in July, September and December 2020 under the agreement between the Company and the former shareholders signed in the previous year. The remaining balance is maintained classified as non-current, consistently with the liability's nature, as the amounts released depend on future events and the Company does not expect these events to occur within the next 12 months.

The amounts are invested at Banco BNP Paribas Brasil S/A. in a fixed-income investment fund, primarily consisting of investments in government securities which in the year yielded an average of 54.86% of the Interbank deposit certificate rate – CDI (91.8% for the 12 months ended March 31, 2020).

13 Property, plant and equipment

	Balance at April 01, 2020	Additions	Transfers	Disposal - Cost	Write-off - Depreciation	Disposal - Depreciation	Balance at March 31, 2020
Land and Buildings	41,864	-	373	-	(729)	-	41,507
Machinery and Equipment	26,103	-	2,460	(85)	(3,294)	79	25,263
Vehicles	705	-	-	(1,137)	(203)	687	52
Computers and Peripheral Equipment	1,224	-	11	(17)	(455)	10	774
Furniture and Fixtures	729	-	21	(27)	(152)	13	585
Improvements to rented properties	105	-	-	-	(88)	-	18
Property, plant and equipment in progress	977	3,871	(2,864)	-	-	-	1,983
Advances to Suppliers	(0)	178	-	-	-	-	178
Total	**71,707**	**4,049**	**-**	**(1,265)**	**(4,920)**	**789**	**70,360**

	Balance at April 01, 2019	Additions	Transfers	Disposal - Cost	Write-off - Depreciation	Disposal - Depreciation	Balance at March 31, 2020
Land and buildings	41,948	-	632	-	(716)	-	41,864
Machinery and equipment	26,328	429	2,868	(355)	(3,172)	5	26,103
Vehicles	1,301	-	-	(703)	(333)	440	705
Computers and peripherals	1,679	35	-	-	(490)	-	1,224
Furniture and fixtures	896	-	-	(7)	(165)	5	729
Improvements to rented properties	192	-	-	-	(87)	-	105
Property, plant and equipment in progress	3,606	907	(3,500)	(36)	-	-	977
Advance to suppliers	53	-	-	-	(53)	-	(0)
Total	**76,003**	**1,371**	**-**	**(1,101)**	**(5,016)**	**450**	**71,707**

Cost and accumulated depreciation

The total cost of property, plant and equipment amounts to R$ 99,418 and accumulated depreciation amounts to R$ 29,058 as of March 31, 2021 (R$ 96,634 and R$ 24,927 as of March 31, 2020, respectively).

Useful life and residual value

The Company has not identified any material unpredicted wear or breakdowns, technological obsolescence or changes in market prices that could indicate the need to revise the residual value or useful life of assets in the last year.

Impairment test

The Company carried out impairment tests on its assets, including property, plant and equipment, which did not find impairment to be recognized in the statement of financial position. Comments about this impairment test and its assumptions can be seen in note 14.

Guarantees

As of March 31, 2021 part of the Company's assets were securing loans and financing (Finame Santander), and amount to R$ 549 (R$ 1,830 as of March 31, 2020).

Property, plant and equipment in progress

As of March 31, 2021 the property, plant and equipment under construction consists of operational improvements to the Company's industrial plant and to acquire Brazilian made machinery and equipment.

14 Intangible assets

	Balance at April 01, 2020	Additions	Transfers	Disposal - Cost	Write-offs - Amortization in the period	Disposal - Amortization in the period	Write-off - Advance	Balance at March 31, 2021
Trademarks/Licenses	6,705	-	-	-	(4)	-	-	6,701
Software	8	-	9,431	-	(1,008)	-	-	8,431
Goodwill based on future earnings	61,733	-	-	-	-	-	-	61,733
Noncompetition agreement/Dist. Relat.	6,936	-	-	-	(940)	-	-	5,996
ANVISA Registrations (a)	25,064	-	-	-	(3,457)	-	-	21,607
Software under development	6,355	3,076	(9,431)	-	-	-	-	-
Advances to Suppliers	1,938	-	-	-	-	-	(1,938)	-
Total	**108,738**	**3,076**	**-**	**-**	**(5,409)**	**-**	**(1,938)**	**104,467**

(a) Products registered at the National Health Surveillance Agency - ANVISA valued in the report allocating fair value to the acquisition by Lupin.

	Balance at April 01, 2019	Additions	Transfers	Disposal - Cost	Write-offs - Amortization in the period	Disposal - Amortization in the period	Balance at March 31, 2020
Trademarks	6,700	-	-	-	-	-	6,700
Software	21	-	-	(3)	(12)	2	8
Licenses	7	-	-	-	(2)	-	5
Goodwill based on future earnings	61,733	-	-	-	-	-	61,733
Distributor relationships	7,669	-	-	-	(837)	-	6,832
ANVISA Registrations	28,521	-	-	-	(3,457)	-	25,064
Noncompetition agreement	517	-	-	-	(413)	-	104
Software under development	2,255	4,100	-	-	-	-	6,355
Advances to suppliers	-	1,937	-	-	-	-	1,937
Total	**107,423**	**6,037**	**-**	**(3)**	**(4,721)**	**2**	**108,738**

Cost of intangible assets and accumulated amortization

The total cost of intangible assets amounts to R$ 162,586 and accumulated amortization amounts to R$ 58,119 as of March 31, 2021 (R$ 161,448 and R$ 52,710 as of March 31, 2020, respectively).

Asset impairment testing

The Company carried out impairment tests on its assets, including property, plant and equipment, which did not find impairment to be recognized in the statement of financial position.

Goodwill on future earnings was recorded under the acquisition denotes the goodwill paid on the acquisition of the investment transferred to the Company in accordance with the appraisal issued December 14, 2015.

The Company conducted impairment tests on goodwill, other intangible assets and property, plant and equipment. Our assessment did not result in any losses and used the main assumptions:

(i) Cash flow presented in Reais, which is the Company's functional currency.
(ii) Time frame premises for the projected flow of 10 years
(iii) Expected future sales based on the regular product line and new product lines - eg. Central Nervous System Products (SNC)
(iv) Launching of new products and market share gain in Brazil
(v) Expectations for operating costs based on estimated margins
(vi) Expectations for operating expenses including marketing, sales, administrative and other expenses that could impact operating results.
(vii) Depreciation and amortization projections for future periods
(viii) 2% estimates of property, plant and equipment for maintenance expenses (CAPEX)
(ix) We also estimated the effects of applicable income and social contribution taxes at the combined rate of 34%.
(x) The flows also included adjustments to estimate working capital.
(xi) The cash flow has also been adjusted for any impacts known and impacts estimated for period subsequent to the issuance of the financial statements relating to the COVID-19 pandemic.

15 Trade payables

	03/31/2021	**03/31/2020**
Domestic payables	11310	12142
Foreign payables	34834	23601
Provisions for supplier payments (a)	14763	6511
	60907	**42254**

(e) Provision for payment to suppliers to which the service was provided and/or goods delivered where the respective invoice has not yet been received by the Company.

For additional disclosures about related-party transactions see note 22.

16 Loans and borrowings

Current liabilities	**03/31/2021**	**03/31/2020**
Financing of assets	293	1,341
Working capital loans	195,252	152,024
Overdraft	-	10,256
	195,545	**163,621**
Non-current liabilities		
Financing of assets	261	489
	261	**489**
Total	**195,806**	**164,110**

Note 29 contains further information about the Company's exposure to interest and foreign-currency risk.

Balance at March 31, 2020	**164,110**
Loans and borrowings obtained	181,128
Net monetary and exchange variance	10,816
Financial charges provisioned for	8,005
Financial charges paid	(8,364)
Amortization of principal	(159,889)
Balance at March 31, 2021	**195,806**

For additional disclosures about related-party transactions see note 22.

a. Guarantees

The Company's loans and financing are secured by items of property, plant and equipment (see note 14) and trade receivables (see note 9).

b. Compliance with covenants

Management monitors contractual covenants and all loan covenants are being performed.

c. Debt terms and repayment schedule

The following statement provides information about the debt settlement schedules based on the loan and financing contracts recognized as of March 31, 2021 and 2020 which are measured at amortized cost.

As of March 31, 2021:

Debt	**Collateral**	**Currency**	**Nominal interest rate p.a.**	**Year of maturity**	**Gross amount**
Citibank (USD 10MM)	Shareholders	USD	5.73%	2022	57,024
MUFG Brasil S.A.	Shareholders	BRL	5.80%	2021	17,091
MUFG Brasil S.A.	Shareholders	BRL	6.00%	2021	16,701
MUFG Brasil S.A.	Shareholders	BRL	5.40%	2021	17,191
Finame Santander	Financed item	BRL	6.60%	2022	261

Finame Santander	Financed item	BRL	6.60%	2022	293
Itaú	Shareholders	EUR	5.07%	2021	22,553
Itaú	Shareholders	USD	5.78%	2021	19,114
Nanomi	Shareholders	USD	3.00%	2022	45,578
Citibank (USD 10MM)	Shareholders	USD	5.73%	2022	57,024
MUFG Brasil S.A.	Shareholders	BRL	5.80%	2021	17,091
MUFG Brasil S.A.	Shareholders	BRL	6.00%	2021	16,701
MUFG Brasil S.A.	Shareholders	BRL	5.40%	2021	17,191
Finame Santander	Financed item	BRL	6.60%	2022	261
				Total loans and financing	**195,806**

As of March 31, 2020:

Debt	**Collateral**	**Currency**	**Nominal interest rate p.a.**	**Year of maturity**	**Gross amount**
Santander Factoring	Statutory assignment 100%	R$	16.01%	2020	28
Citibank (USD 10MM)	Shareholders	USD	3.40%	2021	52,023
Bank of Tokyo (USD 16.65MM)	Shareholders	USD	8.50%	2020	16,689
Bank of Tokyo (USD 17MM)	Shareholders	USD	7.83%	2020	17,281
Bank of Tokyo (USD 17MM)	Shareholders	USD	6.90%	2021	17,108
Itaú Finimp	Shareholders	EUR	2.72%	2022	810
Finame Santander	Financed item	R$	6.60%	2022	531
Finame Santander	Financed item	R$	6.60%	2020	489
Itaú (EUR 3.947MM)	Statutory assignment 50%	EUR	6.05%	2020	22,901
Bradesco Overdraft	Statutory assignment 100%	R$	10.47%	2020	6,000
Bradesco Overdraft	Statutory assignment 100%	R$	10.47%	2020	2,909
Nanomi (USD 5MM)	Shareholders	USD	2.50%	2021	25,994
				Total loans and financing	**164,110**

Flow of payments

In R$ thousand

Payments of up to 12 months (March/2022)	195,806
13 months – 24 months (March/2023)	-
25 months – 36 months (March/2024)	-
Total	**195,806**

17 Tax liabilities

	03/31/2021	**03/31/2020**
PIS/COFINS payable	833	561
ICMS payable	1,527	1,583
IPI payable	70	221

Financing: 12.098829600.69	759	-
IRRF payable	2,764	1,243
Other tax obligations	62	24
	6,015	**3,632**
Current	5,405	3,632
Non-current	610	-

18 Payroll and labor obligations

	03/31/2021	03/31/2020
Provision for vacations and 13th month salary	3,839	4,189
INSS	763	423
FGTS	202	115
Other payroll obligations	27	369
	4,831	**5,096**
Current	4,831	5,096
Non-current	-	-

19 Other debits

	03/31/2021	03/31/2020
Customer advances	(103)	257
Commercial representatives (a)	331	2,863
Former shareholder accounts payable (b)	3,515	15,771
Provision for bonuses (c)	3,807	3,499
Provision for sales returns (d)	4,015	475
Other liabilities	539	172
	12,104	**23,037**
Current	8,589	7,266
Non-current	3,515	15,771

(a) Commercial representatives consist of legal entities and are compensated based on sales commission. Balance deriving from the provision as of March 31, 2021.

(b) Lupin Farmacêutica do Brasil Ltda, a wholly-owned subsidiary of Lupin Group and holding company for the group’s operations in Brazil, acquired Medquimica on May 15, 2015 through a Share Purchase and Sale Agreement or SPA. As a part of this agreement, it was established that Medquímica's former shareholders were entitled to part of the payment withheld to cover labor and tax contingencies and other risks associated with the acquisition. A liability was therefore recognized for the obligation towards the former shareholders of Lupin do Brasil and its corresponding escrow account balance as a guarantee to be transferred to the shareholders following performance of the conditions established in the contract, which amongst things include payment of labor claims associated with the Company’s previous management.

In February 2016, Lupin do Brasil (holding company) was taken over by Medquimica and the obligations were transferred to the Company. A settlement agreement was signed on December 22, 2017 establishing the release of part of the funds and determining criteria for future releases. The balance is classified as non-current, as the amounts released depend on future events (such as legal decisions) and the Company does not expect these events to occur within the next 12 months.

The changes in the balance of obligations towards former shareholders are as follows:

Balance at March 31, 2020	**15,771**
Reversals of provisions	-
Releases and funds for shareholders	(12,526)
Provisions recognized	271
Balance at March 31, 2021	**3,515**

In Company Management's opinion, there is no reason to expect material deviations from the provisioned amount and the escrow account positions (Note 12) corresponding to the security for payment of the liabilities.

(c) Provision for payment of bonuses and profit shares to Company employees and officers.

(d) Provision for expected sales returns resulting in a revenue reduction.

20 Provision for contingencies

The Company is party to judicial and administrative proceedings in courts and government agencies, arising from the normal course of operations, basically involving labor and tax claims.

The Company recorded provisions for administrative lawsuits and claims pending with a probable unfavorable outcome and for which a present obligation existed at the reporting date. Company management believes that any outlays exceeding the provisions at the conclusion of the respective cases shall not materially affect the operating income and its financial position. Judicial proceedings rated as a probable defeat, especially labor claims, recognized in the provision for litigation amount to R$ 716 as of March 31, 2021 (R$ 1,281 as of March 31, 2020).

Balance at March 31, 2020	**1,281**
Reversals recorded in the year	(565)
Provisions recorded in the year	-
Restatement of case amount	-
Balance as of March 31, 2021	**716**

Note that in addition to the changes specified above, transactions have been provisioned for related to the obligations payable to former shareholders (Note 20). The cases on this item only consist of judicial and administrative cases not embraced by the share purchase and sale agreement by Lupin (SPA).

As of March 31, 2021 the judicial and administrative civil proceedings rated as a possible defeat amount to R$ 738 (R$ 1,416 as of March 31, 2020).

21 Equity

a. Capital

On February 19, 2021 a contractual amendment pursuant to the 18th amendment to the articles of incorporation registered at the Minas Gerais State Board of Trade under no. 8383634 on 02/19/2021.

As of March 31, 2021 the fully subscribed and paid-in capital in local currency is R$ 269,738, consisting of 269,738,261 shares with a unit value of R$ 1.00 each. The Company's shares are held in their entirety by Lupin Group.

22 Related parties

The outstanding balances and transactions impacting revenue, cost and expenses in profit or loss can be shown as follows:

	Balance sheet	**Balance sheet**
	03/31/2021	**03/31/2020**
Accounts receivable (c)	-	826
Advances (d)	1,082	1,262
	1,082	**2,088**
Trade payables (b)	29,112	20,687
Loans from shareholders (a)	45,578	25,994
Accounts payable	-	-
	74,690	**46,681**

	Result	**Result**
	03/31/2020	**03/31/2020**
Personnel expenses payment	13	(356)
Consultancy and related-party services	(4,606)	(5,142)
Licenses and technical support	(647)	(546)
Other net income and expenses	(2)	77
Interest and exchange variance, net	(136)	(2,459)
	(5,378)	**(8,426)**

Related-party transactions break down as follows:

(a) Foreign-currency loans from partners signed through contracts stating the principal and interest of 3.0% p.a. maturing in the next financial year.

(b) Balance of trade and accounts payable of R$ 29,612, primarily relating to the acquisition of goods and consumables.

(c) Advances for acquisitions of raw materials amounting to R$ 1,082; and

(d) Sales accounts receivable applying to the financial year.

Key management personnel compensation

Key management personnel received total compensation of R$ 4,856 in the period April 01, 2020 to March 31, 2021 (R$ 4,661 as of March 31, 2020). This amount includes salaries and charges, profit shares and benefits for the Company's key executives.

23 Revenue

	03/31/2021	03/31/2020
Gross revenue	273,306	218,401
(-) returns and discounts (a)	(3,566)	(11,851)
(-) sales taxes (b)	(31,020)	(29,388)
Net revenue	**238,720**	**177,162**

(a) Sales returns include R$ 1,585 corresponding to the provisions for inventories and costs to comply with the determination of Brazil's National Health Surveillance Agency - ANVISA to recall products containing Ranitidine. This provision includes the cost of writing off inventories of the products and recall costs at point-of-sale of batches following notifications by the Company to its distributors and press releases.

(b) Sales taxes consist of the following taxes and contributions on the sale of goods: PIS and COFINS, ICMS and IPI.

24 Costs of sales

The sales cost consists of the consumables used to produce the medication, direct labor and general manufacturing expenses. It breaks down as follows:

	03/31/2021	03/31/2020
Consumables	(118,824)	(89,824)
Direct labor	(8,690)	(11,361)
Depreciation	(3,559)	(3,150)
General production expenses (a)	(24,293)	(22,216)
Other costs (b)	(4,697)	-
	(160,063)	**(126,551)**

(a) General manufacturing expenses consist of indirect costs associated with the production process including:

- Indirect labor (R$ 15,768 at 03/31/2021 / R$ 12,652 at 03/31/2020);
- Electricity, water and other utilities (R$ 2,465 at 03/31/2021 / R$ 2,210 at 03/31/2020);
- Maintenance expenses (R$ 1,128 at 03/31/2021 / R$ 2,320 at 03/31/2020);
- Usage and consumption materials (R$ 4,826 at 03/31/2021 / R$ 2,755 at 03/31/2020); and
- Outsourced services (R$ 106 at 03/31/2021 / R$ 808 at 03/31/2020).

(b) Other costs comprise material and product obsolescence costs.

25 Sales expenses

	03/31/2021	03/31/2020
Sales commission - Commercial representatives	(3,094)	(2,639)
Freight on sales	(10,006)	(5,587)
Marketing expenses	(3,802)	(9,093)
Other sales expenses	(12,171)	(4,487)
Salaries and charges	(19,460)	(22,147)
	(48,533)	**(43,953)**

26 Administrative expenses

	03/31/2021	03/31/2020
Insurance	(214)	(238)
Depreciation and amortization	(6,834)	(7,652)
Maintenance, conservation and repairs	(1,970)	(824)
Consumables and Usage Materials	(1,393)	(904)
Taxes, Duties and Contributions	(2,243)	(2,909)
Professional services	(7,424)	(12,078)
Utilities and services	(262)	(778)
Legal expenses	(271)	(1,277)
General expenses	(4,302)	(11,746)
Salaries and charges	(17,069)	(17,218)
	(41,982)	**(55,624)**

27 Other net revenue (expenses)

	03/31/2021	03/31/2020
PIS and COFINS credit on property, plant and equipment	-	11
Revenue from scrap sales	36	104
Process from the disposal of property, plant and equipment	(11)	(218)
Obtaining PIS/COFINS credits (a)	-	5,644
Recoverable tax credits (IR/CS) (b)	-	1,431
Other expenses (e)	(1,066)	2,660
Provisions for inventory losses (c)	-	(3,700)
Research and Development Expenses (d)	(1,650)	(1,991)
Reversal of (provision for) contingencies	586	312
	(2,105)	**4,253**

(a) PIS/COFINS tax credits on credits obtained.

(b) Balance of recoverable IR/CS identified in credits obtained in the year.

(c) Provisions for obsolescence losses, slow-moving inventory or expiration losses.

(d) Balance of research and development (R&D) projects not qualifying for capitalization as intangible assets.

(e) Other expenses in the financial year ended March 31, 2021 mainly include losses of inventory being processed at third parties in the amount of R$ 1,253.

28 Net finance income

	03/31/2021	03/31/2020
Finance costs		
IOF	(56)	(528)
Interest paid	(8,005)	(12,479)
Discounts extended	-	(232)
Exchange variance losses	(11,170)	(36,618)
Monetary variance losses	-	(1)
Bank fees and expenses	(1,166)	(1,043)
Expenses on derivative instruments	(1,916)	(9,751)
Interest expenses on leases	(150)	(157)
	(22,464)	**(60,809)**
Finance income		
Interest earned	83	165
Discounts obtained	-	114
Yield on investment	-	4
Monetary variance gains	-	101
Exchange variance	172	11,183
Revenue on derivative instruments	8,937	22,900
	9,193	**34,467**
Net finance income	**(13,271)**	**(26,342)**

29 Financial instruments

Risk management and financial instruments

The company engages in transactions involving financial assets and liabilities to manage available financial resources generated by operations. The risks associated with these instruments are managed through conservative strategies aimed at ensuring liquidity, profitability and security. An assessment of such financial assets and liabilities with respect to market value was conducted on the basis of available information and appropriate assessment methods. However, the interpretation of market data and assessment methods requires considerable judgment and estimates to calculate the most appropriate realizable value. As a result, the estimates presented may differ if different assumptions and methods are used. Investments are always made in fixed income, in accordance with the indicated percentages published by the central bank and official government agencies.

The Company has exposure to the following risks arising from financial instruments:

- Credit risk;
- Liquidity risk, and
- Market risk.

a. *Credit risk*

Credit risk is the risk of the Company incurring losses as a result of a client or counterparty to a financial instrument not performing its contractual obligations. The risk essentially derives from trade receivables and financial instruments, as shown below.

Credit risk exposure

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the time of the financial statements was:

Financial assets	**Note**	**03/31/2021**	**03/31/2020**
Cash equivalents	7	6,146	9,662
Trade receivables	8	73,631	56,178
Short-term investments	12	2,431	15,254
Derivative financial instruments	29	224	8,538
Total Assets		**84,806**	**89,832**

Trade receivables

The Company has a credit policy aligned with its current planning. The company has credit approval guidelines in order to maintain the risk to the minimum possible. The receivables portfolio is dispersed among several clients and has low concentration. An in-depth monthly analysis of all active clients helps the Company mitigate existing risks by evaluating clients' credit quality, reputability and the historic financial capacity to amortize the debt to the Company, information which is gathered by the sellers, and market behavior. When a certain trigger is met, limits on client sales are generally interrupted. The Company do not expect any losses from non-payment, except for the allowance for doubtful accounts presented in note 06.

Cash and cash equivalents, short-term investments and derivative financial instruments

Cash and cash equivalents, short-term investments and derivative financial instruments are maintained with banks and financial institutions with the following ratings, based on Standard & Poor’s:

Financial Institution	**Brazil Rating**
Itaú (*)	AAA
Bradesco	B
Banco do Brasil	BB
Santander	B
CEF	B
BNP Paribas (***)	B
Citibank (**)	B

(*) Company has an NDF contract from this financial institution.

(**) Company has a Swap contract from this financial institution.

(***) Financial institution responsible for managing the escrow accounts

b. *Market risks*

- **Interest rate risk:** The associated risk stems from the possibility of the Company suffering losses due to variations to the interest rates, which increase financial expenses on loans and financing obtained in the market. The Company continually monitors market interest rates in order to evaluate the need to renegotiate its operations. All of the Company's credit facilities are currently fixed. The only material exposure as of March 31, 2021 consists of the screw account for the acquisition obligations - Note 12.

- **Currency risk:** The Company is exposed to a foreign exchange risk due to exposure to certain currencies, primarily the US dollar. The currency risk derives from future commercial operations and recognized assets and liabilities. Management established a policy requiring the management of its currency risk in relation to its functional currency (Real) and annual planning. In the event of exposure in respect of its annual planning, the Company is required to hedge (through swaps and NDFs) its loan positions with local banks. The Company's exposure as of March 31, 2021 is primarily related to the foreign currency loan, raw material imports and accounts payable to related parties.

A summary of the Company' risk exposure is as follows:

Exposure to USD	**03/31/2021**		**03/31/2020**	
	R$	**USD**	**R$**	**USD**
Accounts receivable	-	-	739	142
Trade payables	(29,189)	(5,123)	(23,601)	(4,540)
Loans	(121,438)	(21,315)	(129,095)	(24,832)
Accounts payable	-	-	-	-
Other debits/other credits	-	-	3,364	647
Net exposure of Statement of Financial Position	**(150,627)**	**(26,438)**	(148,593)	(28,582)
Balance of derivatives - Gain (Loss)	**(1,159)**	**(203)**	4,047	778
Net exposure	**(151,786)**	**(26,641)**	(144,546)	(27,804)

The following exchange rates were used:

Closing rate at the reporting date	
03/31/2021	**03/31/2020**
5.6973	5.1987

Exposure to EUR	**03/31/2021**		**03/31/2020**	
	R$	**EUR**	**R$**	**EUR**
Trade payable	(979)	(146)	-	-
Loans	(22,483)	(3,360)	(25,994)	(4,527)
Net exposure of Statement of Financial Position	**(23,462)**	**(3506)**	(25,994)	(4,527)
Balance of derivatives - Gain (Loss)	**1,383**	**206**	4,599	801
Net exposure	**(22,079)**	**(3,300)**	(21,395)	(3,726)

The following exchange rates were used:

Closing rate at the reporting date	
03/31/2021	**03/31/2020**
6.6915	5.7425

Derivative financial instruments

The derivative financial instruments in progress and their respective maturities and notional amounts can be seen below.

SWAP

Contraparte	Data de Início	Data de Vencimento	Notional (BRL)	Notional (USD)	Paridade inicial	Index Passivo	Taxa	Juros	MTM
ITAÚ	04/03/2021	30/11/2021	22.695	3.360	6,7544	CDI	100,00%	5,18%	(748)
CITIBANK	12/03/2021	14/03/2022	56.296	10.000	5,6296	Libor 3M	100,00%	1,97%	(412)

NDF

Contraparte	Moeda Vendida	Moeda Comprada	Notional (BRL)	Notional (EUR)	Data de Cálculo	Inicio da Operação	Data de Vencimento	Paridade Contratada	MTM
Itaú	BRL	EUR	17.135	3.315	31/03/2021	30/12/2020	02/07/2021	5,2579	1.383
								Total MTM - Ativo (Passivo)	**224**

The Company’s hedge strategy is directly used to hedge against exchange variance on foreign currency loans (in Euros and US dollars). The hedged amount covers part of the balance in US dollars and Euros and reduces exposure to exchange variance, as demonstrated in the section below. When initially contracting these financial instruments, the Company decided that these derivatives should not be linked to a cash flow hedge, with all gains and losses recognized in profit and loss.

Sensitivity analysis of financial assets and liabilities

77.87% of the Company's liability consists of financing contracts linked to contract subject to exchange variance (Euro and US dollars) and exposure to foreign currencies. However, all of the loans are indexed to fixed interest rates and there is no exposure to interest-rate variance.

The Company's financial assets are exposed to the US dollar. Exposure to floating interest is primarily related to the escrow accounts held to pay acquisition obligations.

Exposure to foreign currency risk (US dollars)
For purposes of verifying the sensitivity of the Company's assets and liabilities to US dollar rate variance as of March 31, 2021, 3 different scenarios were estimated. We defined the scenario for 12 months as from the reporting date based on Banco Itaú projections which is forecasting the US dollar/Real exchange rate of 5.30 for 2022 (Scenario I). Based on Scenario I (Probable), we simulated an increase of 25% for Scenario II (Possible) and 50% for Scenario III (Remote). The results obtained following the scenarios described are as follows:

Risk	**Current**	**Probable**	**Possible**	**Remote**
Foreign Exchange Rate	**5.70**	**5.30**	**6.63**	**7.95**
Net exposure	(150,627)	(140,123)	(175,154)	(210,185)
Impact on profit or loss	-	10,504	(24,527)	(59,558)

Exposure to foreign currency risk (Euro)
For purposes of verifying the sensitivity of the Company's assets and liabilities to Euro rate variance as of March 31, 2021, 3 different scenarios were estimated. We defined the scenario for 12 months as from the reporting date based on Banco Itaú projections which is forecasting the Euro/Real exchange rate of 6.51 for 2022 (Scenario I). Based on Scenario I (Probable), we simulated an increase of 25% for Scenario II (Possible) and 50% for Scenario III (Remote). The results obtained following the scenarios described are as follows:

Risk	**Current**	**Probable**	**Possible**	**Remote**
Foreign Exchange Rate	**6.69**	**6.51**	**8.14**	**9.77**
Net exposure	(23,462)	(22,826)	(28,532)	(34,238)
Impact on profit or loss	-	636	(5,070)	(10,776)

Exposure to foreign currency risk (CDI)
For purposes of verifying the sensitivity of the Company's short-term investments (escrow account) to CDI rate variance as of March 31, 2021, 3 different scenarios were estimated. We defined the Probable Scenario for 12 months as from the reporting date based on Banco Itaú projections which is forecasting the annualized CDI rate of 5.76 for 2022 (Scenario I). Based on Scenario I (Probable), we simulated an increase of 25% for Scenario II (Possible) and 50% for Scenario III (Remote). The results obtained following the scenarios described are as follows:

Risk	Current	Probable	Possible	Remote
Interest Rate	**3.73%**	**5.76%**	**7.20%**	**8.64%**
Net exposure	2,431	2,572	2,607	2,642
Impact on profit or loss	-	141	176	211

c. *Liquidity risk*

The Company's risk is having insufficient funds to meet its financial commitments, as a result of a mismatch between receipts and payments. A financial planning is structured to mitigate this risk, projecting the cash flow for the 12-month period. By way of its planning the Company believes that the cash flows from operating activities, cash and cash equivalents and credit facilities available are sufficient to honor future financial commitments.

d. *Estimate of fair value*

The fair value of financial assets and liabilities is included at the amount by which the instrument could be swapped in a current transaction between parties willing to negotiate, and not in a forced sale or settlement. The following methods and assumptions were used to estimate the fair value.

Cash and cash equivalents, accounts receivable, accounts payable and other short-term obligations approximate their respective carrying amount primarily due to the fact that these instruments mature in the short term.

The fair value of the receivables does not materially differ from the carrying amounts, as the monetary correction is consistent with market rates and/or is adjusted for the provision for impairment.

The interest rates for loans and financing are not actively traded and is consistent with market practices; the carrying amounts informed are therefore close to the respective fair values.

The fair value of financial assets and liabilities along with the carrying amounts stated in the financial statement are as follows:

03/31/2021	Note	Carrying Amount	Fair Value
Amortized cost			
			Level 2
Cash equivalents	7	6,146	6,146
Trade receivables	8	73,631	73,631
Short-term investments	12	2,431	2,431
Fair value			
Derivative financial instruments	29	9,464	9,464
Total Assets		**91,672**	**91,672**
Other financial liabilities			
Trade payables	15	46,145	46,145

Loans and borrowings	16	195,545	195,545
Total Liabilities		**241,690**	**241,690**

03/31/2020	**Note**	**Carrying Amount**	**Fair Value**
Amortized cost			**Level 2**
Cash equivalents	7	9,662	9,662
Trade receivables	8	56,178	56,178
Short-term investments	12	15,254	15,254
Fair value			
Derivative financial instruments	29	8,538	8,538
Total Assets		**89,632**	**89,632**
Other financial liabilities			
Trade payables	15	35,743	35,743
Loans and borrowings	16	164,110	164,110
Total Liabilities		**199,853**	**199,853**

30 Income and social contribution taxes

For the financial years ended March 31, 2021 and 2020 the Company opted to use the Quarterly Taxable Income basis. Income taxes are calculated based on the taxable income, which under the existing legislation is different from the book profit due to adjustments required (additions and exclusions). See below details of the calculation and reconciliation of the effective rate:

	31/03/2021	31/03/2020
Statement of taxable income		
Results before taxes, net	**(25,574)**	**(69,269)**
(+) Additions	**23,655**	**11,705**
Provision for bad debt	1,712	859
Net realizable value of inventory	3,494	2,985
Provision for sales commissions	331	2,140
Non-deductible provisions	(1,119)	950
Other provisions	3,844	2,776
Depreciation of right of use – leases	326	1,520
Reduction of fair value adjustments	1,191	-
Provision for sales returns	3,541	475
Cut-off adjustments	773	-
Hedge – financial instruments	9,562	
(-) Exclusions	**(15,066)**	**(2,024)**
Provision for contingencies, net	-	(330)
Liability– leases	(1,187)	(1,612)
Provisoin for inventory losses	-	-
Goodwill amortization	(13,879)	-
Other provision	-	(82)
Fiscal loss	**(16,985)**	**(59,588)**
Current income taxes	**-**	**-**
Effective interest rate	**0%**	**0%**
Deferred taxes – Note (a)	**1,660**	**1,786**

As of March 31, 2021 the value of income tax losses and negative basis of social contribution not used, for which no deferred tax asset is being recognized in the statement of financial position is R$ 211,139 (R$ 198,985 as of March 31, 2020).

(a) The amount of R$ 1,661 as of March 31, 2021 (R$ 1,786 as of March 31, 2020) denotes the reversal of the provision for deferred tax liabilities on surplus value (allocation of fair value.

Change in deferred tax liability balance		**Deferred tax liabilities**		
		IRPJ 25%	**CSLL - 9%**	**Total**
Surplus value March 31, 2020	**32,720**	**8,180**	**2,945**	**11,125**
(-)Depreciation of surplus value	488	122	44	166
(-)Amortization of surplus value	4397	1,099	396	1,495
Surplus value March 31, 2021	**27,835**	**6,959**	**2,505**	**9,464**
Reversal of deferred tax liability provision		**1,221**	**440**	**1,661**

Temporary differences arising from provisions (temporary additions) that resulted in a deferred tax asset were not recognized in the amount of R$ 12,806 as at March 31, 2021 because management does not expect to realize them in the future.

31 Subsequent events

There are no subsequent events after the end of the year.