

# B S R & Co. LLP

Chartered Accountants

5th Floor, Lodha Excelus,  
Apollo Mills Compound  
N. M. Joshi Marg, Mahalaxmi  
Mumbai - 400 011  
India

Telephone +91 (22) 4345 5300  
Fax +91 (22) 4345 5399

## Independent Auditor's Report

### To the Board of Directors of Alkem Laboratories Limited

#### Report on the Audit of the Consolidated Annual Financial Results

#### Opinion

We have audited the accompanying consolidated annual financial results of Alkem Laboratories Limited (hereinafter referred to as the "Holding Company") and its subsidiaries (Holding Company and its subsidiaries together referred to as "the Group"), for the year ended 31 March 2020, attached herewith, being submitted by the Holding Company pursuant to the requirement of Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended ('Listing Regulations').

In our opinion and to the best of our information and according to the explanations given to us and based on the consideration of reports of other auditors on separate audited financial statements financial results/ financial information of the subsidiaries, the aforesaid consolidated annual financial results:

- a. include the annual financial results of the following entities

Sr. No.	Name of entity	Relationship
1.	S & B Holdings B.V., Netherlands (S&B Holdings)	Wholly Owned Subsidiary
2.	ThePharmaNetwork, LLC, USA (TPN)	Wholly Owned Subsidiary of S & B Holdings
3.	Ascend Laboratories LLC, USA	Wholly Owned Subsidiary of TPN
4.	S & B Pharma Inc., USA	Wholly Owned Subsidiary
5.	Pharmacor Pty Limited, Australia	Wholly Owned Subsidiary
6.	Alkem Laboratories (NIG) Limited, Nigeria	Wholly Owned Subsidiary (Upto 6 May 2018)
7.	Alkem Laboratories (PTY) Ltd, South Africa	Wholly Owned Subsidiary
8.	Enzene Biosciences Ltd, India	Subsidiary
9.	Cachet Pharmaceuticals Pvt Ltd, India	Subsidiary
10.	Indchemie Health Specialities Pvt Ltd, India	Subsidiary
11.	Alkem Laboratories Corporation, Philippines	Wholly Owned Subsidiary
12.	Ascend GmbH, Germany	Wholly Owned Subsidiary
13.	Ascend Laboratories SDN BHD., Malaysia	Wholly Owned Subsidiary
14.	Ascend Laboratories SpA, Chile (Ascend Chile)	Wholly Owned Subsidiary
15.	Pharma Network SpA, Chile	Wholly Owned Subsidiary of Ascend Chile

**Independent Auditor's Report (Continued)****Alkem Laboratories Limited****Opinion (Continued)**

Sr. No.	Name of entity	Relationship
16.	Alkem Laboratories Korea Inc, Korea	Wholly Owned Subsidiary
17.	Pharmacor Ltd., Kenya	Wholly Owned Subsidiary
18.	The PharmaNetwork, LLP, Kazakhstan	Wholly Owned Subsidiary
19.	Ascend Laboratories (UK) Ltd., UK	Wholly Owned Subsidiary
20.	Ascend Laboratories Ltd., Canada	Wholly Owned Subsidiary
21.	Alkem Foundation	Wholly Owned Subsidiary
22.	Ascend Laboratories S.A.S, Colombia	Wholly Owned Subsidiary (w.e.f. 4 June 2019)

- b. are presented in accordance with the requirements of Regulation 33 of the Listing Regulations in this regard; and
- c. give a true and fair view in conformity with the recognition and measurement principles laid down in the applicable Indian Accounting Standards, and other accounting principles generally accepted in India, of consolidated net profit and other comprehensive income and other financial information of the Group for the year ended 31 March 2020.

**Basis for Opinion**

We conducted our audit in accordance with the Standards on Auditing (“SAs”) specified under section 143(10) of the Companies Act, 2013 (“the Act”). Our responsibilities under those SAs are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Annual Financial Results* section of our report. We are independent of the Group, in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Act, and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence obtained by us along with the consideration of audit reports of the other auditors referred to in sub paragraph (a) of the “Other Matters” paragraph below, is sufficient and appropriate to provide a basis for our opinion on the consolidated annual financial results.

**Management's and Board of Directors' Responsibilities for the Consolidated Annual Financial Results**

These consolidated annual financial results have been prepared on the basis of the consolidated annual financial statements.

The Holding Company's Management and the Board of Directors are responsible for the preparation and presentation of these consolidated annual financial results that give a true and fair view of the consolidated net profit/ loss and other comprehensive income and other financial information of the Group in accordance with the recognition and measurement principles laid down in Indian Accounting Standards prescribed under Section 133 of the Act and other accounting principles generally accepted in India and in compliance with Regulation 33 of the Listing Regulations. The respective Management and Board of Directors of the companies included in the Group are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of each company and for preventing and detecting frauds and other

## **Independent Auditor's Report (*Continued*)**

### **Alkem Laboratories Limited**

#### **Management's and Board of Directors' Responsibilities for the Consolidated Annual Financial Results (*Continued*)**

irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring accuracy and completeness of the accounting records, relevant to the preparation and presentation of the consolidated annual financial results that give a true and fair view and are free from material misstatement, whether due to fraud or error, which have been used for the purpose of preparation of the consolidated annual financial results by the Management and the Directors of the Holding Company, as aforesaid.

In preparing the consolidated annual financial results, the Management and the respective Board of Directors of the companies included in the Group are responsible for assessing the ability of each company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the respective Board of Directors either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

The respective Board of Directors of the companies included in the Group is responsible for overseeing the financial reporting process of each company.

#### **Auditor's Responsibilities for the Audit of the Consolidated Annual Financial Results**

Our objectives are to obtain reasonable assurance about whether the consolidated annual financial results as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated annual financial results.

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

- Identify and assess the risks of material misstatement of the consolidated annual financial results, 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. Under Section 143(3) (i) of the Act, we are also responsible for expressing our opinion through a separate report on the complete set of financial statements on whether the company has adequate internal financial controls with reference to financial statements in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures in the consolidated financial results made by the Management and Board of Directors.

## **Independent Auditor's Report (*Continued*)**

### **Alkem Laboratories Limited**

#### **Auditor's Responsibilities for the Audit of the Consolidated Annual Financial Results (*Continued*)**

- Conclude on the appropriateness of the Management and Board of Directors 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 appropriateness of this assumption. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated annual financial results 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 auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated annual financial results, including the disclosures, and whether the consolidated annual financial results represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial results/financial information of the entities within the Group to express an opinion on the consolidated annual financial results. We are responsible for the direction, supervision and performance of the audit of financial information of such entities included in the consolidated financial results of which we are the independent auditors. For the other entities included in the consolidated annual financial results, which have been audited by other auditors, such other auditors remain responsible for the direction, supervision and performance of the audits carried out by them. We remain solely responsible for our audit opinion. Our responsibilities in this regard are further described in para (a) of the section titled "Other Matters" in this audit report.

We communicate with those charged with governance of the Holding Company and such other entities included in the consolidated annual financial results of which we are the independent auditors 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

We also performed procedures in accordance with the circular No CIR/CFD/CMD1/44/2019 issued by the SEBI under Regulation 33(8) of the Listing Regulations, as amended, to the extent applicable.

#### **Other Matters**

- (a) The consolidated annual financial results include the audited financial results of 19 subsidiaries, whose financial statements/financial results/ financial information reflect Group's share of total assets (before consolidation adjustments) of Rs. 20,238 million as at 31 March 2020, Group's share of total revenue (before consolidation adjustments) of Rs. 13,821 million and Group's share of total net (loss) after tax (before consolidation adjustments) of Rs. 1,449 million and Group's share of net cash outflows of Rs 2,877 million for the year ended on that date, as considered in the consolidated annual financial results, which have been audited by their respective independent auditors. The independent auditors' reports on financial results of these entities have been furnished to us by the management and our opinion on the consolidated annual financial results, in so far as it relates to the amounts and disclosures included in respect of these entities, is based solely on the report of such auditors and the procedures performed by us are as stated in paragraph above.

## Independent Auditor's Report (*Continued*)

### Alkem Laboratories Limited

#### Other Matters (*Continued*)

Our opinion on the consolidated annual financial results is not modified in respect of the above matters with respect to our reliance on the work done and the reports of the other auditors.

The consolidated annual financial results include the results for the quarter ended 31 March 2020 being the balancing figure between the audited figures in respect of the full financial year and the published unaudited year to date figures up to the third quarter of the current financial year which were subject to limited review by us.

For **B S R & Co. LLP**

*Chartered Accountants*

Firm's Registration No.: 101248W/W-100022

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SHANKAR  
SHETTY

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SADASHIV SHANKAR  
SHETTY  
Date: 2020.06.05  
13:17:00 +05'30'

**Sadashiv Shetty**

*Partner*

Membership No: 048648

ICAI UDIN: 20048648AAAAAW2609

Mumbai  
5 June 2020

# ALKEM LABORATORIES LIMITED

CIN No.:L00305MH1973PLC174201

Regd. Office and Corporate Office: Alkem House, Senapati Bapat Marg, Lower Parel, Mumbai - 400013, Maharashtra, India.

Tel No:91 22 3982 9999 Fax No: +91 22 2492 7190

Website : www.alkemlabs.com, Email Id : investors@alkem.com

## Statement of Audited Consolidated Financial Results for the Quarter and Year ended 31 March 2020

(₹ in Million except per share data)

	Particulars	Quarter ended			Year ended	
		31.03.2020 Audited (Refer Note 1)	31.12.2019 Unaudited	31.03.2019 Audited (Refer Note 1)	31.03.2020 Audited	31.03.2019 Audited
<b>1</b>	<b>Income</b>					
	(a) Revenue from Operations	20,489.9	21,818.4	18,530.3	83,443.6	73,571.9
	(b) Other Income	274.7	278.6	288.3	1,042.2	877.0
	<b>Total Income</b>	<b>20,764.6</b>	<b>22,097.0</b>	<b>18,818.6</b>	<b>84,485.8</b>	<b>74,448.9</b>
<b>2</b>	<b>Expenses</b>					
	(a) Cost of materials consumed	5,085.7	5,494.2	5,100.8	21,318.3	18,111.4
	(b) Purchases of stock-in-trade	3,484.2	3,834.3	3,213.3	14,430.6	11,301.9
	(c) Changes in inventories of finished goods, work-in-progress and stock-in-trade	374.0	(984.2)	(558.3)	(2,299.5)	36.4
	(d) Employee benefits expense	3,299.2	3,956.2	3,488.0	15,054.9	13,624.6
	(e) Finance costs	141.5	170.4	65.9	650.6	546.3
	(f) Depreciation and amortisation expense	810.5	594.8	572.7	2,527.6	1,931.8
	(g) Other expenses	5,216.5	4,985.2	4,948.1	20,205.4	19,349.9
	<b>Total Expenses</b>	<b>18,411.6</b>	<b>18,050.9</b>	<b>16,830.5</b>	<b>71,887.9</b>	<b>64,902.3</b>
<b>3</b>	<b>Profit before exceptional items and tax (1) - (2)</b>	<b>2,353.0</b>	<b>4,046.1</b>	<b>1,988.1</b>	<b>12,597.9</b>	<b>9,546.6</b>
<b>4</b>	<b>Exceptional items</b>	-	-	-	-	-
<b>5</b>	<b>Profit before tax (3) - (4)</b>	<b>2,353.0</b>	<b>4,046.1</b>	<b>1,988.1</b>	<b>12,597.9</b>	<b>9,546.6</b>
<b>6</b>	<b>Tax expense / (credit)</b>					
	(a) Current tax	1,390.8	740.4	501.1	3,542.5	2,291.7
	(b) Deferred tax	(992.4)	(240.9)	(218.0)	(2,123.9)	(481.5)
	<b>Sub-total (a + b)</b>	<b>398.4</b>	<b>499.5</b>	<b>283.1</b>	<b>1,418.6</b>	<b>1,810.2</b>
	(c) Tax adjustment of earlier periods	39.2	(353.0)	-	(313.8)	-
	<b>Total Tax Expense (a + b + c)</b>	<b>437.6</b>	<b>146.5</b>	<b>283.1</b>	<b>1,104.8</b>	<b>1,810.2</b>
<b>7</b>	<b>Profit for the period (5) - (6)</b>	<b>1,915.4</b>	<b>3,899.6</b>	<b>1,705.0</b>	<b>11,493.1</b>	<b>7,736.4</b>
<b>8</b>	<b>Other Comprehensive Income (net of tax)</b>					
	(a) Items that will not be reclassified to profit or loss					
	(i) Remeasurements of defined benefit plans	(234.0)	(13.5)	(78.6)	(280.9)	(69.4)
	(ii) Tax on remeasurements of defined benefit plans	82.7	4.2	27.2	96.5	23.7
	(b) Items that will be reclassified to profit or loss					
	(i) Foreign currency translation difference of foreign operations	365.8	117.2	13.7	453.0	355.7
	(ii) Tax on remeasurements of foreign currency translation difference of foreign operations	-	-	-	-	-
	<b>Total other Comprehensive Income (net of tax)</b>	<b>214.5</b>	<b>107.9</b>	<b>(37.7)</b>	<b>268.6</b>	<b>310.0</b>
<b>9</b>	<b>Total Comprehensive Income for the period (comprising Profit for the period (after tax) and Other Comprehensive Income (net of tax) (7) + (8))</b>	<b>2,129.9</b>	<b>4,007.5</b>	<b>1,667.3</b>	<b>11,761.7</b>	<b>8,046.4</b>
<b>10</b>	<b>Profit attributable to</b>					
	(a) Owners of the Company	1,887.7	3,819.8	1,673.6	11,270.7	7,605.1
	(b) Non-Controlling Interest	27.7	79.8	31.4	222.4	131.3
<b>11</b>	<b>Other Comprehensive Income attributable to</b>					
	(a) Owners of the Company	209.8	110.5	(36.4)	274.0	311.1
	(b) Non-Controlling Interest	4.7	(2.6)	(1.3)	(5.4)	(1.1)
<b>12</b>	<b>Total Comprehensive Income attributable to</b>					
	(a) Owners of the Company	2,097.5	3,930.3	1,637.2	11,544.7	7,916.2
	(b) Non-Controlling Interest	32.4	77.2	30.1	217.0	130.2
<b>13</b>	<b>Paid-up Equity Share Capital (Face Value ₹ 2 each fully paid up)</b>	<b>239.1</b>	<b>239.1</b>	<b>239.1</b>	<b>239.1</b>	<b>239.1</b>
<b>14</b>	<b>Other Equity</b>				<b>61,367.6</b>	<b>54,154.3</b>
<b>15</b>	<b>Earnings Per Share of ₹2 each (not annualised for)</b>					
	(a) ₹ (Basic)	15.79	31.95	14.00	94.26	63.61
	(b) ₹ (Diluted)	15.79	31.95	14.00	94.26	63.61

**Consolidated Statement of Assets and Liabilities as at 31 March 2020**

(₹ in Million)

Particulars	As at 31 March 2020 (Audited)	As at 31 March 2019 (Audited)
<b>I. ASSETS</b>		
<b>1 Non-current assets</b>		
(a) Property, plant and equipment	23,062.9	21,056.2
(b) Capital work-in-progress	3,629.7	4,929.6
(c) Goodwill	259.3	231.5
(d) Other Intangible assets	2,032.7	442.6
(e) Goodwill on consolidation	3,725.2	3,574.1
(f) Financial Assets		
(i) Investments	915.0	957.4
(ii) Loans	106.1	136.3
(iii) Others financial assets	466.8	462.0
(g) Deferred tax assets (net)	9,325.7	7,076.3
(h) Non current tax assets (net)	419.5	392.7
(i) Other non-current assets	530.1	661.9
<b>Total Non-current assets</b>	<b>44,473.0</b>	39,920.6
<b>2 Current assets</b>		
(a) Inventories	18,188.2	14,998.7
(b) Financial Assets		
(i) Investments	1,698.9	2,278.8
(ii) Trade receivables	16,493.6	12,484.1
(iii) Cash and cash equivalents	1,759.4	2,490.5
(iv) Bank balances other than (iii) above	9,162.7	4,125.5
(v) Loans	279.7	308.0
(vi) Others financial assets	1,931.0	1,064.6
(c) Other current assets	5,266.0	4,293.8
(d) Non-current assets held for sale	180.8	117.3
<b>Total Current assets</b>	<b>54,960.3</b>	42,161.3
<b>TOTAL ASSETS</b>	<b>99,433.3</b>	82,081.9
<b>II. EQUITY AND LIABILITIES</b>		
<b>1 Equity</b>		
(a) Equity share capital	239.1	239.1
(b) Other Equity	61,367.6	54,154.3
<b>Equity attributable to owners of the Company</b>	<b>61,606.7</b>	54,393.4
(c) Non-controlling interest	1,483.0	1,326.1
<b>Total Equity</b>	<b>63,089.7</b>	55,719.5
<b>2 Non-current liabilities</b>		
(a) Financial Liabilities		
(i) Borrowings	1,592.4	2,313.0
(b) Provisions	2,220.4	1,737.2
(c) Deferred tax liabilities (Net)	-	3.0
(d) Other non-current liabilities	97.7	133.9
<b>Total Non-Current liabilities</b>	<b>3,910.5</b>	4,187.1
<b>3 Current liabilities</b>		
(a) Financial Liabilities		
(i) Borrowings	15,035.1	6,712.7
(ii) Trade payables		
Dues of Micro and Small Enterprises	1,025.0	606.3
Dues of Creditors other than Micro and Small Enterprises	8,515.5	9,016.2
(iii) Other financial liabilities	4,519.6	3,428.7
(b) Other current liabilities	1,035.1	852.1
(c) Provisions	1,847.0	1,538.2
(d) Current tax Liabilities (Net)	455.8	21.1
<b>Total Current liabilities</b>	<b>32,433.1</b>	22,175.3
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>99,433.3</b>	82,081.9

**Notes :**

- 1 The above audited consolidated financial results of the Company were reviewed and recommended by the Audit Committee on 4 June 2020 and subsequently approved by the Board of Directors at its meeting held on 5 June 2020. The auditors have expressed an unmodified opinion on the financial results for the year ended 31 March 2020. The figures for the quarter ended 31 March 2020 and 31 March 2019 are balancing figures between audited figures in respect of the full financial year and the unaudited published year-to-date figures up to the third quarter ended 31 December 2019 and 31 December 2018 respectively, which were subjected to limited review.
- 2 In March 2020, the World Health Organisation declared COVID-19 to be a pandemic and several restrictions have been imposed by the Governments across the globe on travel, goods movement and transportation considering public health and safety measures. Considering the Group's products are classified as an 'essential commodity', management believes that the impact of the pandemic may not be significant. As of today, production facilities remain operational, following enhanced internal safety guidelines. The Group follows a multi-sourcing strategy for its raw materials allowing the Group to hedge supply risks and ensure reliable supply. The Group also maintains strategic safety stocks to ensure availability of raw materials and formulated products. The Group has considered internal and external information while assessing recoverability of its assets disclosed in the financial statement upto the date of approval of these financial results by the Board of Directors. Based on such assessment and considering the current economic indicators, the Group expects to recover the carrying amount of these assets. Board of Directors has also considered the impact of COVID-19 on the business for the foreseeable future and have concluded that the Group has sufficient resources to continue as a going concern. The impact of the global health pandemic may be different from that estimated as at the date of approval of these financial results and the Group will continue to closely monitor any material changes to future economic conditions.
- 3 Pursuant to the Taxation Law (Amendment) Ordinance, 2019 ('Ordinance') issued by Ministry of Law and Justice (Legislative Department) on 20 September 2019 which is effective 1 April 2019, domestic companies have the option to pay corporate income tax rate at 22% plus applicable surcharge and cess subject to certain conditions. The Company and its subsidiaries incorporated in India have made an assessment of the impact of the Ordinance and decided to continue with the existing tax structure until utilisation of accumulated minimum alternative tax (MAT) credit.
- 4 Effective 1 April 2019, the Group has adopted Ind AS 116 "Leases" applicable to all contracts having lease components existing on 1 April 2019 using modified retrospective approach. This has resulted in recognising right of use asset and a corresponding lease liability of **Rs.947.2 million** as at 1 April 2019. In the statement of profit and loss for the current period, operating lease expenses has changed from lease rent to depreciation cost for the right of use asset and finance cost for interest accrued on lease liability. Due to this change, profit before tax for the quarter and year ended 31 March 2020 is lower by **Rs.14.4 million** and **Rs.40.2 million** respectively. Consequent to adoption of Ind AS 116, there is no impact on retained earnings as on 1 April 2019 resulting in no restatement in results of comparative period.
- 5 The Group operates in one reportable business segment i.e. "Pharmaceuticals", accordingly no separate disclosure of segment has been made.
- 6 During the quarter ended 31 March 2020, the Company has paid an interim dividend of ₹ 22 (Rupees Twenty two only) per equity share (1100% on the face value of ₹ 2 each) for the financial year 2019-20. The Board of Directors at its meeting held on 5 June 2020 has recommended a final dividend of ₹ 3 (Rupees Three only) per equity share (150% on the face value of ₹ 2 each) for the financial year 2019-20.



**Statement of Consolidated Cash flow for the year ended 31 March 2020**

(₹ in million)

Particulars	For the year ended 31 March 2020 (Audited)	For the year ended 31 March 2019 (Audited)
<b>A Cash Flow from Operating Activities:</b>		
Profit before Tax	12,597.9	9,546.6
<b>Adjustments for:</b>		
Depreciation and amortisation expense	2,527.6	1,931.8
Profit on sale of investments	(0.8)	(73.3)
Unrealised loss on fair valuation of investments (net)	172.2	45.5
(Profit) / Loss on sale of property plant and equipment (net)	(12.6)	54.8
Employee stock compensation expenses	1.5	5.8
Unrealised foreign currency (gain) / loss on revaluation (net)	(275.4)	(113.8)
Dividend Income	(1.1)	(1.2)
Impairment loss on property, plant and equipment	32.7	-
Interest Income	(631.2)	(412.8)
Interest expenses	650.6	546.3
Allowances for doubtful debts	101.7	185.9
Rent income	(6.5)	(5.3)
<b>Subtotal of Adjustments</b>	<b>2,558.7</b>	<b>2,163.7</b>
<b>Operating profit before working capital changes</b>	<b>15,156.6</b>	<b>11,710.3</b>
Changes in working capital:		
(Increase) / Decrease in trade receivables	(2,574.4)	(1,558.5)
(Increase) / Decrease in loans, other financial assets and other assets	(1,538.0)	156.8
(Increase) / Decrease in inventories	(2,817.4)	(373.0)
(Decrease) / Increase in trade payable, other financial liabilities and other liabilities	(37.4)	(109.5)
Increase / (Decrease) in provisions	495.2	481.5
<b>Subtotal of adjustments</b>	<b>(6,472.0)</b>	<b>(1,402.7)</b>
<b>Cash generated from operations</b>	<b>8,684.6</b>	<b>10,307.6</b>
Less: Income taxes paid (net of refund)	(2,833.8)	(2,511.1)
<b>Net Cash generated from operating activities</b>	<b>5,850.8</b>	<b>7,796.5</b>
<b>B Cash Flow from Investing Activities:</b>		
Purchases of property, plant and equipment	(3,630.9)	(5,291.6)
Sale of property, plant and equipment	154.5	22.3
Proceeds from sale of investments (net)	482.7	1,244.8
Purchase of Investments (net)	(25.2)	(10.1)
(Redemption) of / Investment in bank deposits having maturity of more than 3 months	(4,911.4)	427.5
Dividend received	1.1	1.2
Interest received	509.2	436.7
Rent received	6.5	5.3
<b>Net cash (used in) investing activities</b>	<b>(7,413.5)</b>	<b>(3,163.9)</b>
<b>C Cash Flow from Financing Activities:</b>		
(Repayment) of / Proceeds from non-current borrowings (net)	(1,810.5)	(70.6)
Proceeds / (Repayment) of from current borrowings (net)	7,841.2	(986.7)
Dividends and corporate dividend tax paid	(4,395.6)	(2,185.8)
Repayment of lease liabilities	(193.0)	-
Interest and bank charges paid	(650.6)	(546.3)
<b>Net cash generated from / (used in) financing activities</b>	<b>791.5</b>	<b>(3,789.4)</b>
<b>D Net (decrease)/increase in Cash and Cash Equivalents (A+B+C)</b>	<b>(771.2)</b>	<b>843.2</b>
<b>E Cash &amp; Cash Equivalents as at the beginning of the year</b>	<b>2,490.5</b>	<b>1,667.1</b>
Add/Less: Effect of exchange difference on foreign currency cash and cash equivalents	40.1	(19.8)
<b>F Cash &amp; Cash Equivalents as at the end of the year (D+E)</b>	<b>1,759.4</b>	<b>2,490.5</b>

**Notes:**

- The above Cash Flow Statement has been prepared under the "Indirect Method" as set out in the Indian Accounting Standard (Ind AS-7) - "Statement of Cash Flows".
- Purchase of Property, Plant and Equipment includes movements of capital work-in-progress (including capital advances) during the year.

By Order of the Board  
For Alkem Laboratories Limited

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Date: 2020.06.05  
12:52:25 +05'30'

Place: Mumbai  
Date: 5 June 2020

**B.N. Singh**  
**Executive Chairman**  
DIN: 00760310

# B S R & Co. LLP

Chartered Accountants

5th Floor, Lodha Excelus,  
Apollo Mills Compound  
N. M. Joshi Marg, Mahalaxmi  
Mumbai - 400 011  
India

Telephone +91 (22) 4345 5300  
Fax +91 (22) 4345 5399

## Independent Auditor's Report

### To the Board of Directors of Alkem Laboratories Limited

#### Report on the Audit of the Standalone Annual Financial Results

##### Opinion

We have audited the accompanying standalone annual financial results of Alkem Laboratories Limited (hereinafter referred to as the "Company") for the year ended 31 March 2020, attached herewith, being submitted by the Company pursuant to the requirement of Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended ('Listing Regulations').

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone annual financial results:

- a. are presented in accordance with the requirements of Regulation 33 of the Listing Regulations in this regard; and
- b. give a true and fair view in conformity with the recognition and measurement principles laid down in the applicable Indian Accounting Standards, and other accounting principles generally accepted in India, of the net profit and other comprehensive income and other financial information for the year ended 31 March 2020.

##### Basis for Opinion

We conducted our audit in accordance with the Standards on Auditing ("SAs") specified under section 143(10) of the Companies Act, 2013 ("the Act"). Our responsibilities under those SAs are further described in the *Auditor's Responsibilities for the Audit of the Standalone Annual Financial Results* section of our report. We are independent of the Company, in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Act, and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained, is sufficient and appropriate to provide a basis for our opinion on the Standalone annual financial results.

##### Management's and Board of Directors' Responsibilities for the Standalone Annual Financial Results

These standalone annual financial results have been prepared on the basis of the standalone annual financial statements.

## **Independent Auditor's Report (*Continued*)**

### **Alkem Laboratories Limited**

#### **Management's and Board of Directors' Responsibilities for the Standalone Annual Financial Results (*Continued*)**

The Company's Management and the Board of Directors are responsible for the preparation and presentation of these standalone annual financial results that give a true and fair view of the net profit/loss and other comprehensive income and other financial information in accordance with the recognition and measurement principles laid down in Indian Accounting Standards prescribed under Section 133 of the Act and other accounting principles generally accepted in India and in compliance with Regulation 33 of the Listing Regulations. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring accuracy and completeness of the accounting records, relevant to the preparation and presentation of the standalone annual financial results that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the standalone annual financial results, the Management and the Board of Directors are 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 the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Company's financial reporting process

#### **Auditor's Responsibilities for the Audit of the Standalone Annual Financial Results**

Our objectives are to obtain reasonable assurance about whether the standalone annual financial results as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these standalone annual financial results.

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

- Identify and assess the risks of material misstatement of the standalone annual financial results, 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. Under Section 143(3) (i) of the Act, we are also responsible for expressing our opinion through a separate report on the complete set of financial statements on whether the company has adequate internal financial controls with reference to financial statements in place and the operating effectiveness of such controls.

## Independent Auditor's Report (*Continued*)

### Alkem Laboratories Limited

#### Auditor's Responsibilities for the Audit of the Standalone Annual Financial Results (*Continued*)

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures in the standalone financial results made by the Management and Board of Directors.
- Conclude on the appropriateness of the Management and Board of Directors 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 appropriateness of this assumption. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the standalone annual financial results 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 auditor's 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 standalone annual financial results, including the disclosures, and whether the standalone annual financial results 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.

#### Other Matters

The standalone annual financial results include the results for the quarter ended 31 March 2020 being the balancing figure between the audited figures in respect of the full financial year and the published unaudited year to date figures up to the third quarter of the current financial year which were subject to limited review by us.

For **B S R & Co. LLP**

*Chartered Accountants*

Firm's Registration No.: 101248W/W-100022

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SHETTY

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Date: 2020.06.05  
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**Sadashiv Shetty**

*Partner*

Membership No: 048648

ICAI UDIN: 20048648AAAAAV9363

Mumbai  
5 June 2020

**ALKEM LABORATORIES LIMITED**

CIN No.:L00305MH1973PLC174201

Regd. Office and Corporate Office: Alkem House, Senapati Bapat Marg, Lower Parel, Mumbai - 400013, Maharashtra, India.

Tel No:91 22 3982 9999 Fax No: +91 22 2492 7190

Website : www.alkemlabs.com, Email Id : investors@alkem.com

**Statement of Audited Standalone Financial Results for the Quarter and Year ended 31 March 2020**

(₹ in Million except per share data)

Particulars	Quarter ended			Year ended	
	31.03.2020 Audited (Refer Note 1)	31.12.2019 Unaudited	31.03.2019 Audited (Refer Note 1)	31.03.2020 Audited	31.03.2019 Audited
<b>1 Income</b>					
(a) Revenue from Operations	16,875.2	15,964.0	14,681.5	66,770.8	57,140.9
(b) Other Income	259.2	267.5	187.6	959.8	675.8
<b>Total Income</b>	<b>17,134.4</b>	<b>16,231.5</b>	<b>14,869.1</b>	<b>67,730.6</b>	<b>57,816.7</b>
<b>2 Expenses</b>					
(a) Cost of materials consumed	4,263.7	4,687.0	4,261.0	17,998.7	14,972.2
(b) Purchases of stock-in-trade	1,786.0	1,863.8	1,901.6	7,843.8	6,880.9
(c) Changes in inventories of finished goods, work-in-progress and stock-in-trade	775.8	(1,014.4)	(103.2)	(336.9)	865.6
(d) Employee benefits expense	2,255.5	2,821.3	2,449.5	10,667.6	9,600.9
(e) Finance costs	95.1	99.5	14.5	387.1	282.6
(f) Depreciation and amortisation expense	637.6	427.0	409.8	1,868.4	1,410.7
(g) Other expenses	4,256.4	3,969.3	3,789.4	15,921.1	14,364.2
<b>Total Expenses</b>	<b>14,070.1</b>	<b>12,853.5</b>	<b>12,722.6</b>	<b>54,349.8</b>	<b>48,377.1</b>
<b>3 Profit before exceptional item and tax (1) - (2)</b>	<b>3,064.3</b>	<b>3,378.0</b>	<b>2,146.5</b>	<b>13,380.8</b>	<b>9,439.6</b>
<b>4 Exceptional item</b>	-	-	-	-	-
<b>5 Profit before tax (3) - (4)</b>	<b>3,064.3</b>	<b>3,378.0</b>	<b>2,146.5</b>	<b>13,380.8</b>	<b>9,439.6</b>
<b>6 Tax expense / (credit)</b>					
(a) Current tax	942.0	588.8	457.7	2,783.3	2,004.1
(b) Deferred tax	(629.0)	(343.5)	(219.4)	(1,732.9)	(562.9)
<b>Sub-total (a + b)</b>	<b>313.0</b>	<b>245.3</b>	<b>238.3</b>	<b>1,050.4</b>	<b>1,441.2</b>
(c) Tax adjustment of earlier periods	39.2	(353.0)	-	(313.8)	-
<b>Total Tax Expense (a + b + c)</b>	<b>352.2</b>	<b>(107.7)</b>	<b>238.3</b>	<b>736.6</b>	<b>1,441.2</b>
<b>7 Profit for the period after tax (5 - 6)</b>	<b>2,712.1</b>	<b>3,485.7</b>	<b>1,908.2</b>	<b>12,644.2</b>	<b>7,998.4</b>
<b>8 Other Comprehensive Income (net of tax)</b>					
(a) Items that will not be reclassified to profit or loss					
(i) Remeasurements of defined benefit plans	(248.1)	(5.8)	(73.5)	(265.6)	(64.3)
(ii) Tax on remeasurements of defined benefit plans	86.7	2.0	25.7	92.8	22.5
(b) Items that will be reclassified to profit or loss					
(i) Foreign currency translation difference of foreign operations	-	-	-	-	-
(ii) Tax on remeasurements of foreign currency translation difference of foreign operations	-	-	-	-	-
<b>Total Other Comprehensive Income (net of tax)</b>	<b>(161.4)</b>	<b>(3.8)</b>	<b>(47.8)</b>	<b>(172.8)</b>	<b>(41.8)</b>
<b>9 Total Comprehensive Income for the period (comprising Profit for the period (after tax) and Other Comprehensive Income (net of tax) (7) + (8)</b>	<b>2,550.7</b>	<b>3,481.9</b>	<b>1,860.4</b>	<b>12,471.4</b>	<b>7,956.6</b>
<b>10 Paid-up Equity Share Capital</b> (Face Value ₹ 2 each fully paid up)	<b>239.1</b>	239.1	239.1	<b>239.1</b>	239.1
<b>11 Other Equity</b>				<b>62,565.3</b>	54,413.0
<b>12 Earnings Per Share of ₹ 2 each (not annualised for the quarters)</b>					
(a) ₹ (Basic)	22.68	29.15	15.96	105.75	66.90
(b) ₹ (Diluted)	22.68	29.15	15.96	105.75	66.90

**Statement of Assets and Liabilities as at 31 March 2020**

(₹ in Million)

Particulars	As at 31 March 2020 (Audited)	As at 31 March 2019 (Audited)
<b>I. ASSETS</b>		
<b>1 Non-current assets</b>		
(a) Property, plant and equipment	16,892.5	15,737.6
(b) Capital work-in-progress	3,136.6	3,815.9
(c) Intangible assets	1,475.1	326.2
(d) Investment in subsidiaries	17,102.0	13,821.7
(e) Financial Assets		
(i) Investments	843.2	942.5
(ii) Loans	334.7	127.3
(iii) Others financial assets	49.4	161.2
(f) Deferred tax assets (net)	8,191.6	6,365.9
(g) Non current tax assets (net)	301.5	262.3
(h) Other non-current assets	514.0	554.1
<b>Total Non-current assets</b>	<b>48,840.6</b>	<b>42,114.7</b>
<b>2 Current assets</b>		
(a) Inventories	10,925.8	9,912.8
(b) Financial Assets		
(i) Investments	1,615.2	2,191.8
(ii) Trade receivables	15,550.7	9,666.4
(iii) Cash and cash equivalents	206.9	1,614.4
(iv) Bank balances other than (iii) above	7,449.2	2,365.0
(v) Loans	233.9	262.5
(vi) Others financial assets	1,815.3	1,010.4
(c) Other current assets	4,241.1	3,603.8
(d) Non-current assets held for sale	157.5	179.7
<b>Total Current assets</b>	<b>42,195.6</b>	<b>30,806.8</b>
<b>TOTAL ASSETS</b>	<b>91,036.2</b>	<b>72,921.5</b>
<b>II. EQUITY AND LIABILITIES</b>		
<b>1 Equity</b>		
(a) Equity share capital	239.1	239.1
(b) Other Equity	62,565.3	54,413.0
<b>Total Equity</b>	<b>62,804.4</b>	<b>54,652.1</b>
<b>2 Non-current liabilities</b>		
(a) Financial Liabilities		
(i) Borrowings	550.4	63.2
(b) Provisions	1,815.6	1,415.2
(c) Other non-current liabilities	80.9	92.3
<b>Total Non-Current liabilities</b>	<b>2,446.9</b>	<b>1,570.7</b>
<b>3 Current liabilities</b>		
(a) Financial Liabilities		
(i) Borrowings	12,030.6	4,966.4
(ii) Trade payables		
Dues of Micro and Small Enterprises	952.3	346.8
Dues of creditors other than Micro and Small Enterprises	7,171.1	7,194.1
(iii) Other financial liabilities	3,141.1	2,131.6
(b) Other current liabilities	815.2	742.0
(c) Provisions	1,498.4	1,310.9
(d) Current tax Liabilities (Net)	176.2	6.9
<b>Total Current liabilities</b>	<b>25,784.9</b>	<b>16,698.7</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>91,036.2</b>	<b>72,921.5</b>

**Notes :**

- 1 The above audited standalone financial results of the Company were reviewed and recommended by the Audit Committee on 4 June 2020 and subsequently approved by the Board of Directors at its meeting held on 5 June 2020. The auditors have expressed an unmodified opinion on the financial results for the year ended 31 March 2020. The figures for the quarter ended 31 March 2020 and 31 March 2019 are balancing figures between audited figures in respect of the full financial year and the unaudited published year-to-date figures up to the third quarter ended 31 December 2019 and 31 December 2018 respectively, which were subjected to limited review.
- 2 In March 2020, the World Health Organisation declared COVID-19 to be a pandemic and several restrictions have been imposed by the Governments across the globe on travel, goods movement and transportation considering public health and safety measures. Considering the Company's products are classified as an 'essential commodity', management believes that the impact of the pandemic may not be significant. As of today, production facilities remain operational, following enhanced internal safety guidelines. The Company follows a multi-sourcing strategy for its raw materials allowing the Company to hedge supply risks and ensure reliable supply. The Company also maintains strategic safety stocks to ensure availability of raw materials and formulated products. The Company has considered internal and external information while assessing recoverability of its assets disclosed in the financial statement upto the date of approval of these financial results by the Board of Directors. Based on such assessment and considering the current economic indicators, the Company expects to recover the carrying amount of these assets. Board of Directors has also considered the impact of COVID-19 on the business for the foreseeable future and have concluded that the Company has sufficient resources to continue as a going concern. The impact of the global health pandemic may be different from that estimated as at the date of approval of these financial results and the Company will continue to closely monitor any material changes to future economic conditions.
- 3 Pursuant to the Taxation Law (Amendment) Ordinance, 2019 ('Ordinance') issued by Ministry of Law and Justice (Legislative Department) on 20 September 2019 which is effective 1 April 2019, domestic companies have the option to pay corporate income tax rate at 22% plus applicable surcharge and cess subject to certain conditions. The Company has made an assessment of the impact of the Ordinance and decided to continue with the existing tax structure until utilisation of accumulated minimum alternative tax (MAT) credit.
- 4 Effective 1 April 2019, the Company has adopted Ind AS 116 "Leases" applicable to all contracts having lease components existing on 1 April 2019 using modified retrospective approach. This has resulted in recognising right of use asset and a corresponding lease liability of **Rs.646.2 million** as at 1 April 2019. In the statement of profit and loss for the current period, operating lease expenses has changed from lease rent to depreciation cost for the right of use asset and finance cost for interest accrued on lease liability. Due to this change, profit before tax for the quarter and year ended 31 March 2020 is lower by **Rs.9.0 million** and **Rs.25.6 million** respectively. Consequent to adoption of Ind AS 116, there is no impact on retained earnings as on 1 April 2019 resulting in no restatement in results of comparative period.
- 5 The Company operates in one reportable business segment i.e. "Pharmaceuticals", accordingly no separate disclosure of segment has been made.
- 6 During the quarter ended 31 March 2020, the Company has paid an interim dividend of ₹ 22 (Rupees Twenty two only) per equity share (1100% on the face value of ₹ 2 each) for the financial year 2019-20. The Board of Directors at its meeting held on 5 June 2020 has recommended a final dividend of ₹ 3 (Rupees Three only) per equity share (150% on the face value of ₹ 2 each) for the financial year 2019-20.

**Statement of Cash Flow for the year ended 31 March 2020**

(₹ in million)

<b>Particulars</b>	<b>For the year ended 31 March 2020 (Audited)</b>	<b>For the year ended 31 March 2019 (Audited)</b>
<b>A. Cash Flow from Operating Activities:</b>		
Profit before tax	13,380.8	9,439.6
<u>Adjustments for:</u>		
Depreciation and amortisation	1,868.4	1,410.7
Fair valuation of investments	148.0	43.8
Profit on sale of investments (net)	-	(73.1)
(Profit) / Loss on sale of property plant and equipment (net)	(38.8)	18.1
Dividend income	(56.9)	(21.2)
Interest income	(519.2)	(330.1)
Interest expenses	387.1	282.6
Allowances for doubtful debts	29.7	118.7
Unrealised foreign currency (gain) / loss on revaluation (net)	(384.8)	(128.8)
Rent income	(21.1)	(20.1)
<b>Subtotal of Adjustments</b>	<b>1,412.4</b>	<b>1,300.6</b>
<b>Operating profit before working capital changes</b>	<b>14,793.2</b>	<b>10,740.2</b>
Changes in working capital:		
Adjustments for (increase)/decrease in:		
(Increase) / Decrease in trade receivables	(4,986.7)	(1,035.1)
(Increase) / Decrease in loans, other financial assets and other assets	(1,451.1)	83.8
(Increase) / Decrease in inventories	(1,013.0)	328.8
Increase / (Decrease) in trade payable, other financial liabilities and other liabilities	1,492.5	(1,021.2)
Increase / (Decrease) in provisions	322.3	399.4
<b>Subtotal of Adjustments</b>	<b>(5,636.0)</b>	<b>(1,244.3)</b>
Cash generated from operations	9,157.2	9,495.9
Less: Income taxes paid (net of refund)	(2,339.4)	(2,045.0)
Net cash generated from operating activities	<b>6,817.8</b>	<b>7,450.9</b>
<b>B. Cash Flow from Investing Activities:</b>		
Purchases of property, plant and equipment	(2,820.9)	(3,548.9)
Sale of property, plant and equipment	151.6	15.8
Proceeds from sale of investments (net)	527.8	1,289.0
Investments in subsidiaries	(3,280.1)	(1,740.8)
(Redemption) of / Investment in bank deposits having maturity of more than 3 months	(5,005.3)	460.5
Dividend received	56.9	21.2
Interest received	397.2	352.5
Rent received	21.1	20.1
Net Cash (used in) investing activities	<b>(9,951.7)</b>	<b>(3,130.6)</b>
<b>C. Cash Flow from Financing Activities:</b>		
Proceeds from / (Repayment) of current borrowings (net)	6,541.1	(316.8)
(Repayment) of / Proceeds from non current borrowings (net)	-	(0.1)
Repayment of lease liabilities	(108.5)	-
Dividends and corporate dividend tax paid	(4,319.1)	(2,158.0)
Interest paid	(387.1)	(282.6)
Net cash generated from / (used in) financing activities	<b>1,726.4</b>	<b>(2,757.5)</b>
<b>D Net (decrease)/increase in cash and cash equivalents (A+B+C)</b>	<b>(1,407.5)</b>	<b>1,562.8</b>
<b>E Cash and cash equivalents as at beginning of the year</b>	<b>1,614.4</b>	<b>51.6</b>
<b>F Cash and cash equivalents as at end of the year (D+E)</b>	<b>206.9</b>	<b>1,614.4</b>

**Notes:**

- The above Cash Flow Statement has been prepared under the "Indirect Method" as set out in the Indian Accounting Standard (Ind AS-7) - "Statement of Cash Flows"
- Purchase of Property, Plant and Equipment includes movements of capital work-in-progress (including capital advances) during the year.

By Order of the Board  
**For Alkem Laboratories Limited**

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by BASUDEO  
NARAIN NARAIN SINGH  
SINGH Date: 2020.06.05  
12:49:15 +05'30'

Place: Mumbai  
Date: 5 June 2020

**B.N. Singh**  
**Executive Chairman**  
DIN: 00760310





## ALKEM LABORATORIES LTD.

Regd. Office : ALKEM HOUSE, Senapati Bapat Marg,

Lower Parel (West), Mumbai - 400 013, Maharashtra, India.

• Phone: +91-22-3982 9999 • Fax: 022-2495 2955

• Email: [contact@alkem.com](mailto:contact@alkem.com) • Website: [www.alkemlabs.com](http://www.alkemlabs.com)

• CIN: L00305MH1973PLC174201

### Press Release

#### Alkem reports Q4FY20 and FY20 Results

**Mumbai, June 5, 2020:** Alkem Laboratories Ltd (Alkem) today announced its standalone and consolidated financial results for the fourth quarter & twelve months ending March 31, 2020. These results were taken on record by the Board of Directors at a meeting held in Mumbai today.

#### Key financial highlights of Q4FY20

- Revenue from Operations was ₹ 20,490 million, year-on-year growth of 10.6%
  - India sales were ₹ 12,576 million, year-on-year growth of 3.3%
  - International sales were ₹ 7,523 million, year-on-year growth of 23.4%
- Earnings before Interest, Tax, Depreciation and Amortization (EBITDA) was ₹ 3,030 million, resulting in EBITDA margin of 14.8% vs. 12.6% in Q4FY19. EBITDA grew by 29.6% YoY
- R&D expenses for the quarter was ₹ 1,253 million, or 6.1% of Revenue from Operations compared to ₹ 1,392 million in Q4FY19 at 7.5% of Revenue from Operations
- Profit before tax (PBT) was ₹ 2,353 million, a growth of 18.4% compared to Q4FY19
- Net Profit (after Minority Interest) was ₹ 1,888 million, year-on-year growth of 12.8%

#### Key financial highlights of FY20

- Revenue from Operations was ₹ 83,444 million, year-on-year growth of 13.4%
  - India sales were ₹ 54,540 million, year-on-year growth of 11.9%
  - International sales were ₹ 27,380 million, year-on-year growth of 14.5%
- Earnings before Interest, Tax, Depreciation and Amortization (EBITDA) was ₹ 14,734 million, resulting in EBITDA margin of 17.7% vs. 15.2% in FY19. EBITDA grew by 32.2% YoY
- R&D expenses for FY20 was ₹ 4,726 million, or 5.7% of Revenue from Operations compared to ₹ 4,622 million in FY19 at 6.3% of Revenue from Operations
- Profit before tax (PBT) was ₹ 12,598 million, a growth of 32.0% compared to FY19
- Net Profit (after Minority Interest) was ₹ 11,271 million, year-on-year growth of 48.2%

*Commenting on the results, Sandeep Singh, Managing Director, Alkem said, "Adjusting for the impact of delay in transportation due to lockdown which led to lower booking of sales in the month of March 2020, our India business delivered a healthy double digit growth during the quarter and the year. Our US business also complimented well with a robust growth on the back of new product launches and market share gains. The Company's EBITDA margins improved by more than 200 bps during the quarter and the year, thereby highlighting our ongoing efforts towards cost optimization and process improvement. While FY21 has started on a challenging note due to COVID-19, we are positive that the inherent business strengths that we have built over the years in terms of strong brands, marketing and distribution infrastructure and R&D investments, will help us to navigate through these testing times and deliver a sustainable and a profitable growth."*



## ALKEM LABORATORIES LTD.

**Regd. Office :** ALKEM HOUSE, Senapati Bapat Marg,  
Lower Parel (West), Mumbai - 400 013, Maharashtra, India.

• Phone: +91-22-3982 9999 • Fax: 022-2495 2955  
• Email: contact@alkem.com • Website: www.alkemlabs.com  
• CIN: L00305MH1973PLC174201

### Operational Highlights

#### India Business

In Q4FY20, the Company's India sales grew by 3.3% YoY, recording a sales of ₹ 12,576 million as compared to ₹ 12,176 million in Q4FY19. For FY20, the Company's India sales grew by 11.9% to ₹ 54,540 million compared to ₹ 48,742 million in FY19.

As per IQVIA data, during the quarter, the Company registered value growth of 8.8% YoY, compared to the Indian Pharmaceutical Market (IPM) growth of 9.6% YoY. For the twelve months ended March 2020, the Company's secondary sales grew by 16.9% YoY compared to IPM growth of 10.8% YoY. The outperformance during the year was mainly led by the anti-infectives segment in which the Company grew at more than 1.5x the therapy growth rate. Also in the vitamins / minerals / nutrient segment, the Company grew at more than 2x the therapy growth rate. In the chronic therapy segments like neuro / CNS, cardiac, anti-diabetes and derma, the Company continued to grow significantly ahead of the therapy growth rate, thereby gaining market share and improving its market ranking. This outperformance was driven by the Company's strong brands, effective sales and marketing strategies, robust supply chain and distribution network and contribution from new product launches.

The performance highlights in the key therapeutic segments in Q4FY20 and FY20 is as shown below:

Key Therapy segment	Q4FY20				FY20			
	Alkem Rank	YoY change in Rank*	YoY growth (Alkem)	YoY growth (IPM)	Alkem Rank	YoY change in Rank*	YoY growth (Alkem)	YoY growth (IPM)
Anti-infectives	1	Unchanged	11.1%	9.3%	1	Unchanged	21.4%	13.3%
Gastro Intestinal	3	Unchanged	0.0%	6.2%	3	Unchanged	10.8%	8.7%
Pain / Analgesics	3	Unchanged	4.2%	9.0%	3	Unchanged	10.8%	11.6%
Vitamins / Minerals / Nutrients	4	Unchanged	10.7%	6.3%	4	Unchanged	20.7%	10.0%
Neuro / CNS	7	Unchanged	9.1%	9.5%	7	Unchanged	13.6%	9.0%
Derma	16	+1	17.0%	6.3%	15	+2	14.7%	8.6%
Cardiac	27	-1	24.1%	14.7%	26	Unchanged	23.7%	11.8%
Anti-Diabetic	21	+1	23.5%	12.1%	21	+1	29.4%	11.8%
<b>Total</b>	<b>6</b>	<b>Unchanged</b>	<b>8.8%</b>	<b>9.6%</b>	<b>5</b>	<b>+1</b>	<b>16.9%</b>	<b>10.8%</b>

\*Positive change in rank reflects improvement over same period previous year

Source: IQVIA Data March 2020

#### International Business

In Q4FY20, the Company's International sales grew by 23.4% YoY, recording sales of ₹ 7,523 million as compared to ₹ 6,097 million in Q4FY19. For FY20, the Company's International sales grew by 14.5% to ₹ 27,380 million compared to ₹ 23,917 million in FY19.

- **US sales** for the quarter was ₹ 6,068 million, recording a year-on-year growth of 25.8%. For FY20, US sales was ₹ 21,997 million, up 16.0% compared to FY19.



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- **Other International Markets sales** for the quarter was ₹ 1,455 million, recording a year-on-year growth of 14.2%. For FY20, Other International Markets sales was ₹ 5,382 million, up 8.7% compared to FY19.

### R&D Investments

During the quarter, the Company filed 7 abbreviated new drug applications (ANDAs) with the US FDA and received 7 approvals (including 2 tentative approval). For FY20, the Company filed 18 ANDAs with the US FDA and received 22 approvals (including 6 tentative approval).

As on March 31, 2020, the Company filed a total of 142 ANDAs and 2 new drug applications (NDA) with the US FDA. Of these, it has received approvals for 87 ANDAs (including 13 tentative approvals) and 2 NDAs. The NDAs include the brand Marinol which the Company acquired from AbbVie Inc.

### Update on US FDA inspection

Facility	Capability	Last inspection	Status post last inspection
St. Louis (US)	Formulation	February 2020	EIR# received in May 2020, thereby successfully closing the inspection
Baddi (India)	Formulation	February 2020	EIR# received in March 2020, thereby successfully closing the inspection
Daman (India)	Formulation	August 2019	EIR# received in October 2019, thereby successfully closing the inspection
California (US)	API	August 2018	Successfully closed without any observations
Ankleshwar (India)	API	December 2016	EIR# received in March 2017, thereby successfully closing the inspection
Mandva (India)	API	September 2015	EIR# received in March 2016, thereby successfully closing the inspection

# EIR – Establishment Inspection Report



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### **Q4FY20 and FY20 Conference Call at 4:30pm IST, June 5, 2020**

Alkem will organize a conference call for investors and analysts on Friday, June 5, 2020 from 4:30pm to 5:30pm IST to discuss its Q4FY20 and FY20 financial results.

Alkem Laboratories Ltd. will be represented on the call by Mr. Sandeep Singh, Managing Director and the senior management team.

Motilal Oswal Securities will host the call.

#### **Details of the conference call are as under:**

**Time:** 4:30 pm to 5:30 pm IST (GMT + 5:30) on Friday, June 5, 2020.

#### **Dial in Details:**

India : +91 22 6280 1149 / +91 22 7115 8050

#### **International Toll Free**

USA : 1 866 746 2133

UK : 0 808 101 1573

Singapore : 800 101 2045

Hong Kong : 800 964 448

You are requested to dial in 10 mins ahead of the scheduled start time. A transcript of this conference call will also be available on our website [www.alkemlabs.com](http://www.alkemlabs.com)

#### **About Alkem Laboratories Ltd.**

Established in 1973 and headquartered in Mumbai, Alkem (NSE: ALKEM, BSE: 539523, Bloomberg: ALKEM.IN, Reuters: ALKE.NS) is a leading Indian pharmaceutical company with global operations, engaged in the development, manufacture and sale of pharmaceutical and nutraceutical products. The Company produces branded generics, generic drugs, active pharmaceutical ingredients (APIs) and nutraceuticals, which it markets in India and International markets. With a portfolio of more than 800 brands in India, Alkem is ranked the fifth largest pharmaceutical company in India in terms of domestic sales (Source: IQVIA data March 2020). The Company also has presence in more than 50 international markets, with the United States being its key focus market.

For more information on Alkem Laboratories Ltd., please visit [www.alkemlabs.com](http://www.alkemlabs.com)

#### **For further information or queries please contact**

#### **Gagan Borana**

Investor Relations – Alkem Laboratories Ltd.

Tel: +91 22 3982 9960 / Mobile: +91 98190 56333

E-mail: [gagan.borana@alkem.com](mailto:gagan.borana@alkem.com)



# Alkem Laboratories Limited

Investor Presentation Q4FY20  
June 5, 2020





# Safe Harbor Statement

This presentation contains forward-looking statements and information that involve risks, uncertainties and assumptions. Forward-looking statements are all statements that concern plans, objectives, goals, strategies, future events or performance and underlying assumptions and other statements that are other than statements of historical fact, including, but not limited to, those that are identified by the use of words such as “anticipates”, “believes”, “estimates”, “expects”, “intends”, “plans”, “predicts”, “projects” and similar expressions. Risks and uncertainties that could affect us include, without limitation:

- General economic and business conditions in India and other key global markets in which we operate;
- The ability to successfully implement our strategy, our research and development efforts, growth & expansion plans and technological changes;
- Changes in the value of the Rupee and other currency changes;
- Changes in the Indian and international interest rates;
- Allocations of funds by the Governments in our key global markets;
- Changes in laws and regulations that apply to our customers, suppliers, and the pharmaceutical industry;
- Increasing competition in and the conditions of our customers, suppliers and the pharmaceutical industry; and
- Changes in political conditions in India and in our key global markets.

Should one or more of such risks and uncertainties materialize, or should any underlying assumption prove incorrect, actual outcomes may vary materially from those indicated in the applicable forward-looking statements.

Any forward-looking statement or information contained in this presentation speaks only as of the date of the statement. We are not required to update any such statement or information to either reflect events or circumstances that occur after the date the statement or information is made or to account for unanticipated events, unless it is required by Law.



## Key Highlights of Q4FY20 and FY20

### Steady revenue growth accompanied by improvement in EBITDA margin

- **Revenue from Operations** in Q4FY20 grew by 10.6% YoY, accompanied by 220bps YoY improvement in EBITDA margin. Adjusting for the delay in transportation due to lockdown in the month of March 2020, the growth would have been higher
- **Profit After Tax** for the quarter grew by 12.8% compared to the previous year
- **India Business:** As per secondary sales data by IQVIA, the Company's secondary sales growth in Q4FY20 was 8.8% YoY. Similarly for the twelve months ended March 2020, secondary sales growth was 16.9% YoY
- **US Business** grew by 25.8% YoY in Q4FY20 and 16.0% YoY in FY20, largely driven by new product launches
  - The US business crossed an important revenue milestone of US\$300mn during the financial year
- **US FDA inspection** - All the 6 manufacturing facilities which have been inspected by the US FDA has an EIR
- **R&D expenses** during the quarter was at 6.1% of revenue from operations and 5.7% for the financial year
- **ANDA filings:** The Company filed 18 ANDAs and received 22 ANDA approvals (including 6 tentative) from the US FDA during the year

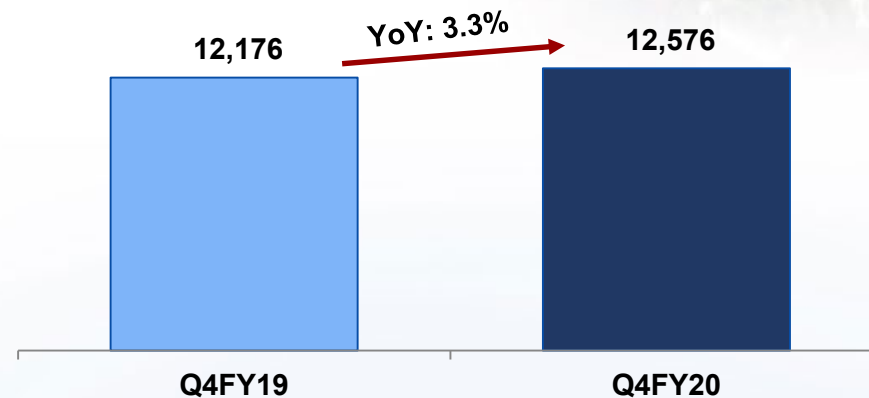
# Key Financial Highlights – Q4FY20

All figures in ₹ mn

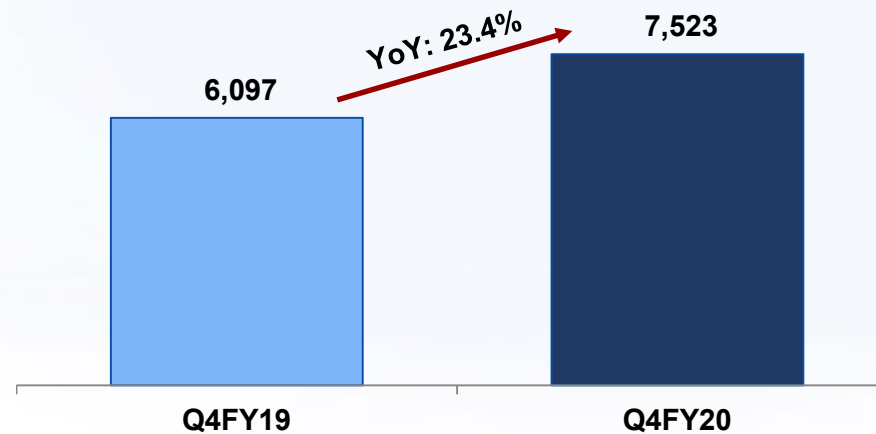
## Revenue from Operations



## India sales



## International sales

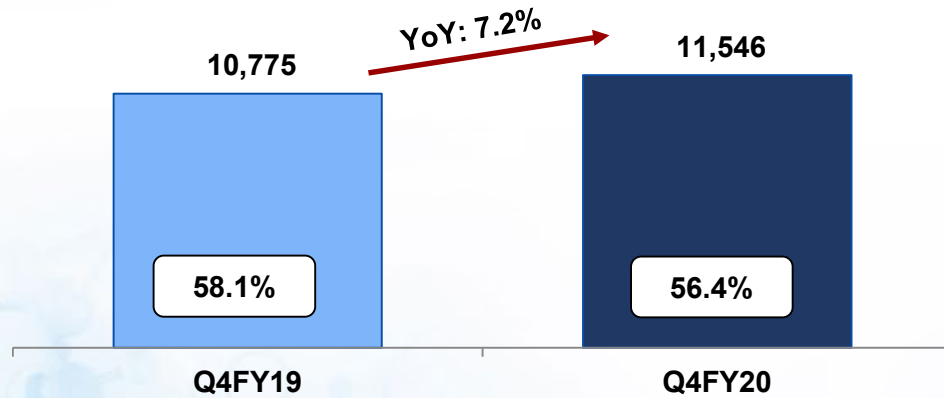




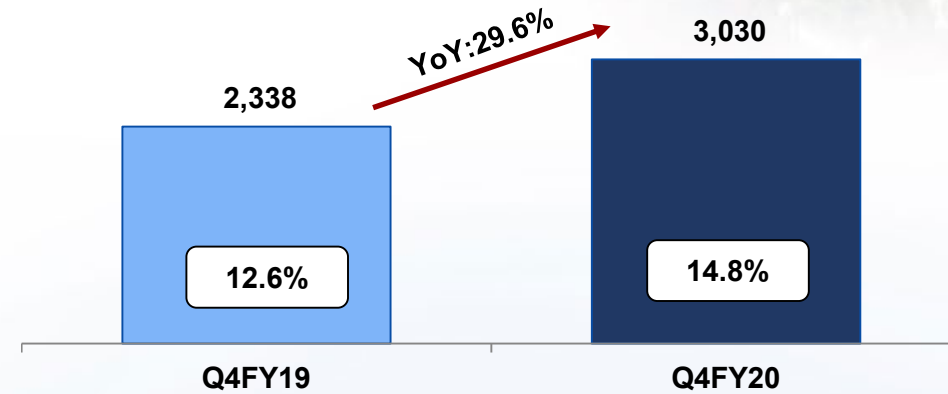
# Key Financial Highlights – Q4FY20

All figures in ₹ mn

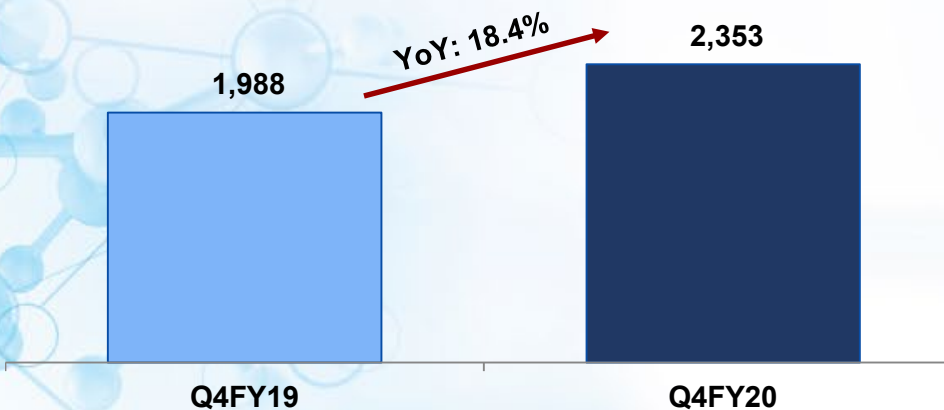
## Gross Profit and Gross Margin



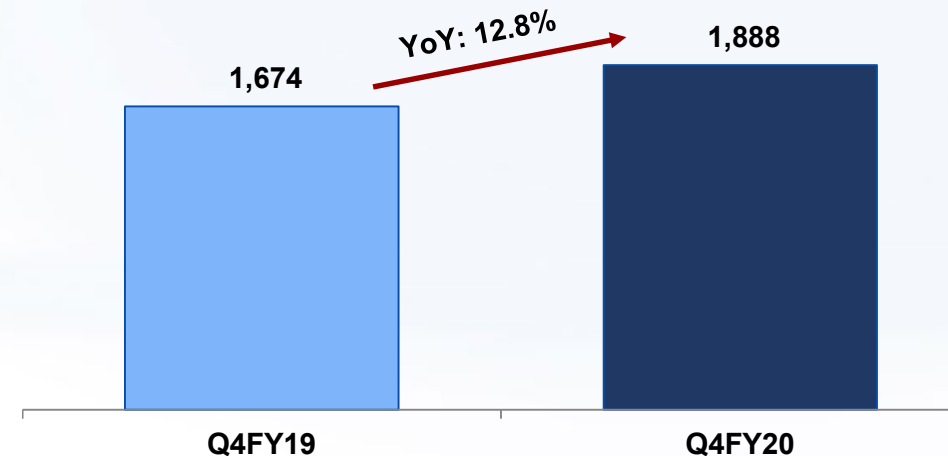
## EBITDA and EBITDA Margin



## PBT (before Minority Interest)



## PAT (after Minority Interest)



# Key Financial Highlights

## Consolidated Financials

Particulars (₹ mn)	FY20	FY19	YoY growth
Revenue from Operations	83,444	73,572	13.4%
Gross Profit	49,994	44,122	13.3%
Gross Profit margin	59.9%	60.0%	
EBITDA	14,734	11,148	32.2%
EBITDA margin	17.7%	15.2%	
PBT	12,598	9,547	32.0%
PBT margin	15.1%	13.0%	
PAT (After Minority Interest)	11,271	7,605	48.2%
PAT margin	13.5%	10.3%	
EPS (₹ / share)	94.26	63.61	

# India Business

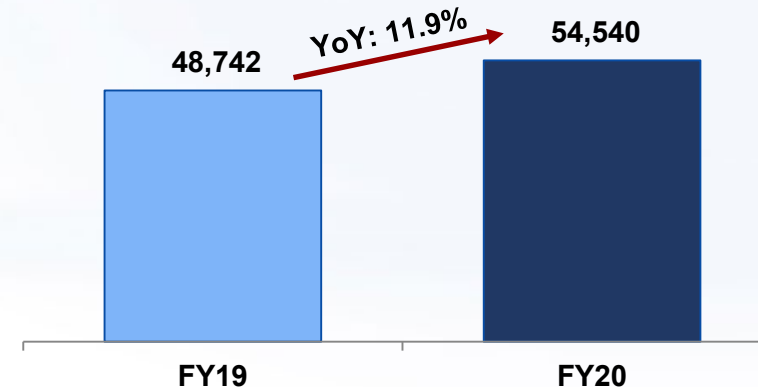
## India Business: Q4FY20 Sales of ₹ 12,576 million (3.3% YoY growth)

- India sales contributed 62.6% to total sales in Q4FY20
- In Q4FY20, Company's secondary sales grew by 8.8% YoY vs. IPM growth of 9.6% YoY. In FY20, the Company's secondary sales grew ahead of the IPM with growth of 16.9% vs. IPM growth of 10.8% (Source: IQVIA data)
- This outperformance during the year was mainly led by Anti-Infectives segment where the Company grew at more than 1.5x the therapy growth rate and maintained its leadership position. In Vitamins / Minerals / Nutrients segment also, the Company grew at 2x the therapy growth rate (Source: IQVIA data)
- During the year, the Company improved its ranking in the chronic therapy segments like Derma and Anti-Diabetes. In therapy areas of Neuro / CNS and Cardiac, the Company grew significantly ahead of the therapy growth rates (Source: IQVIA data)

Q4FY20 – India Sales (₹ mn)



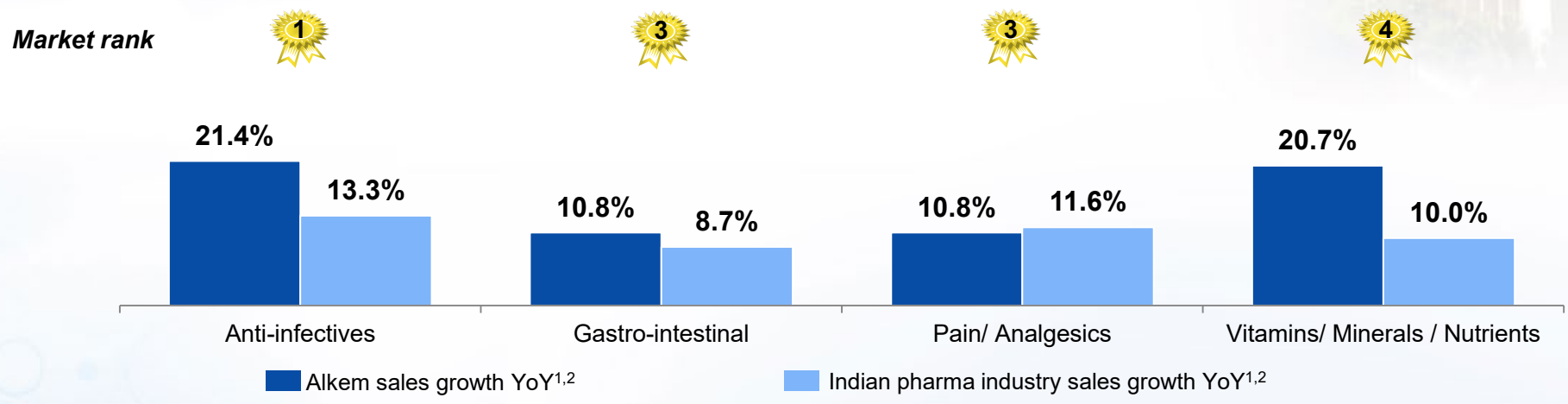
FY20 – India Sales (₹ mn)



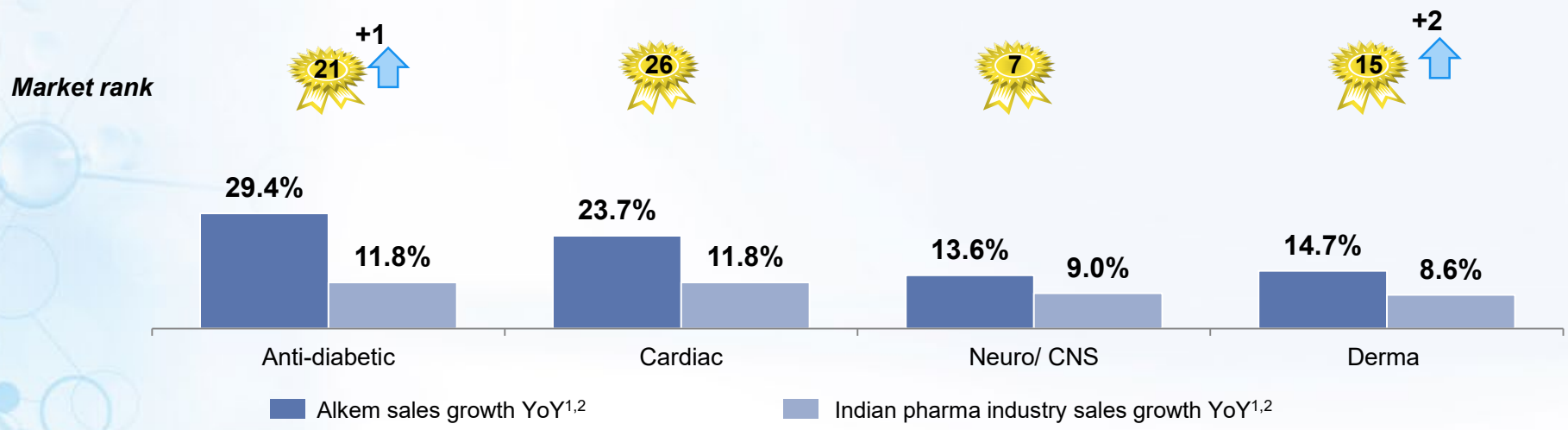
# Secondary Sales Performance

Outperformance across most of the major therapeutic areas in FY20

Established therapeutic areas of Alkem



Emerging therapeutic areas of Alkem



Source: IQVIA data <sup>1</sup> Domestic formulations sales; <sup>2</sup> For 12 months ended March 31, 2020

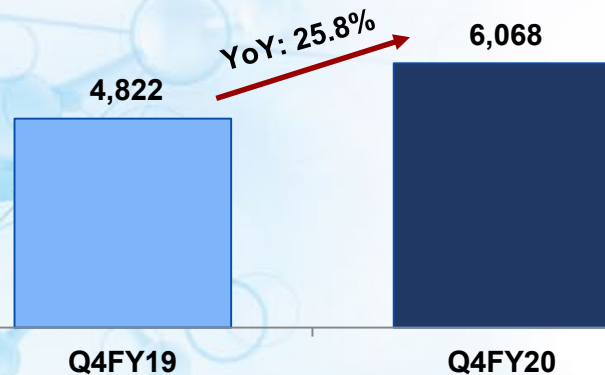


# US Business

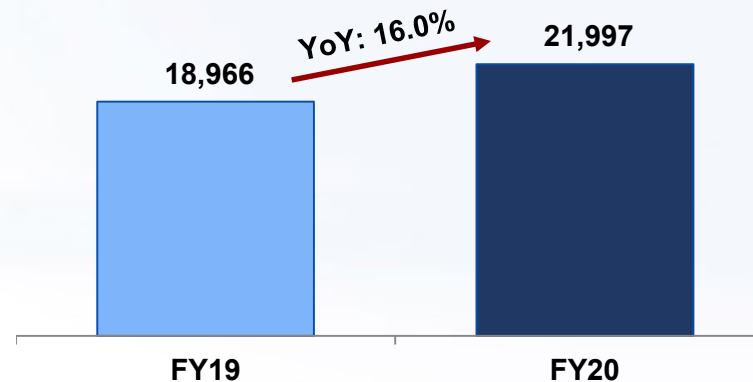
## US Business: Q4FY20 Sales of ₹ 6,068 million (25.8% growth YoY)

- US sales contributed 30.2% to total sales in Q4FY20
- Growth in US dollar terms was 22.7% YoY during the quarter - mainly driven by new product launches and market share gains
- The US business crossed revenue milestone of US\$300 mn during the financial year
- In Q4FY20, the Company filed 7 ANDAs with the US FDA and received 7 approvals (including 2 tentative approval)
- As on March 31, 2020, the Company has filed a total of 144 ANDAs (including 2 NDA) with the US FDA and has received 89 approvals (including 13 tentative approvals and 2 NDA)

Q4FY20 – US Sales (₹ mn)



FY20 – US Sales (₹ mn)



# Update on the US FDA inspection

## EIR for all the six facilities inspected by the US FDA

Facility	Scope	Last inspection	Status post last inspection
St. Louis (US)	Formulation	February 2020	EIR# received in May 2020, thereby successfully closing the inspection
Baddi (India)	Formulation	February 2020	EIR# received in March 2020, thereby successfully closing the inspection
Daman (India)	Formulation	August 2019	EIR# received in October 2019, thereby successfully closing the inspection
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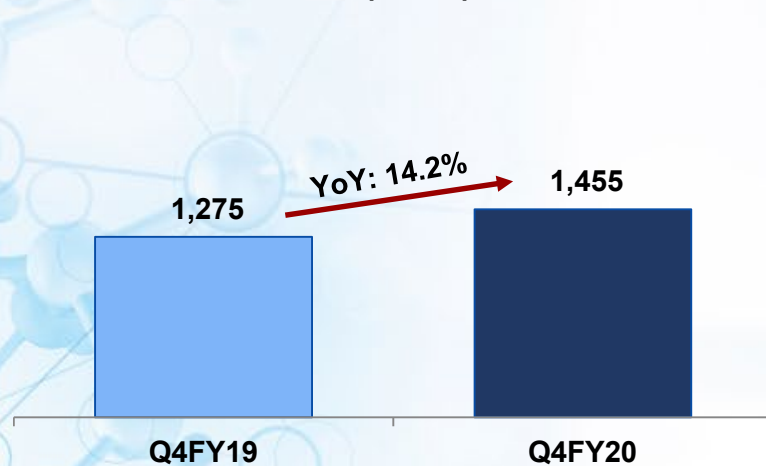
# EIR – Establishment Inspection Report

# Other International Business

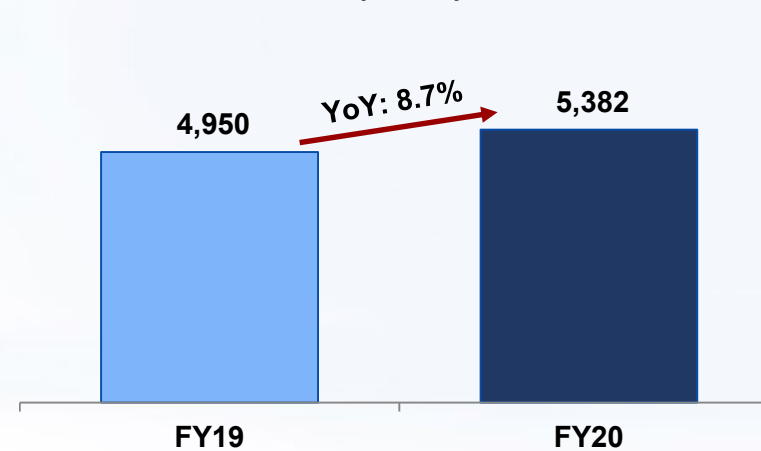
## Other International Business: Q4FY20 Sales of ₹ 1,455 million (14.2% growth YoY)

- Other International Market sales contributed 7.2% to total sales in Q4FY20
- The Company has presence in Australia, Europe, South East Asia, Latin America and Africa
- Company's key markets like Australia, Chile, Philippines and Kazakhstan registered healthy YoY growth during the quarter and FY20

**Q4FY20 – Other International Sales**  
(₹ mn)

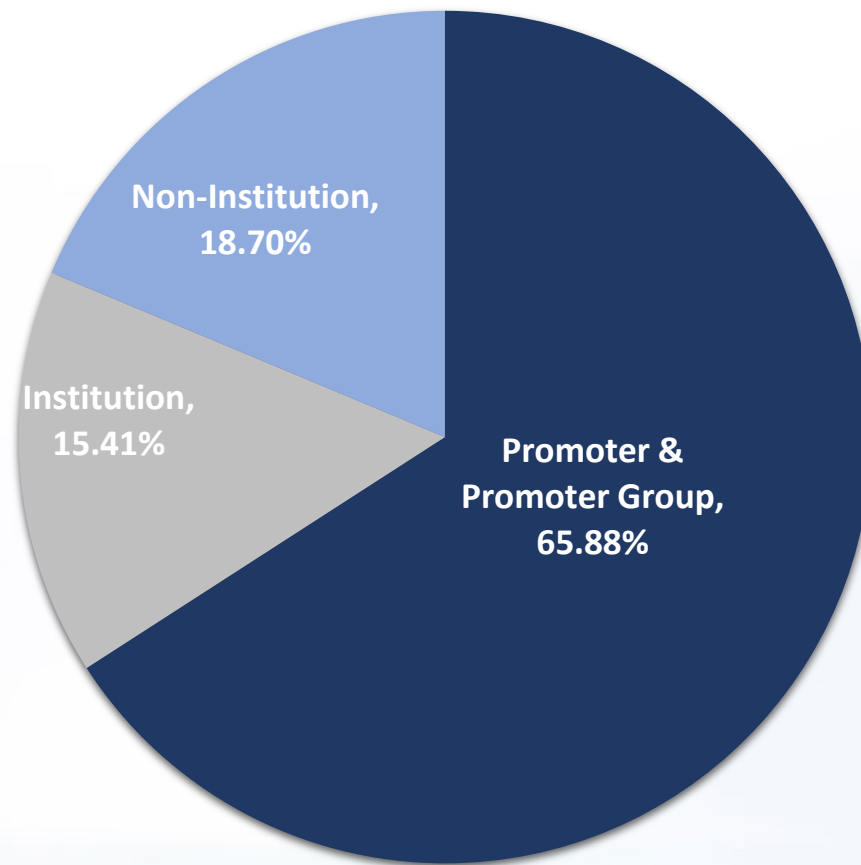


**FY20 – Other International Sales**  
(₹ mn)



# Latest Shareholding Pattern

Shareholding pattern as on March 31, 2020



*Institution – Mutual Funds, Alternate Investment Funds, Foreign Portfolio Investors, Financial Institutions / Banks*

*Non-Institution – Public, Other Bodies Corporates, Clearing Members, Non Resident Indians, Hindu Undivided Family and Trusts*





# Thank You

**For further information or queries please contact**

**Gagan Borana**

Investor Relations – Alkem Laboratories Ltd.

Tel: +91 22 3982 9960

E-mail: [gagan.borana@alkem.com](mailto:gagan.borana@alkem.com)

