

BSR & Co. LLP

Chartered Accountants

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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 2022, attached herewith, being submitted by the Holding Company pursuant to the requirement of Regulation 33 of the Securities and Exchange Board of India (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 financial statements of the subsidiaries, the aforesaid consolidated annual financial results:

- a. include the annual financial results of the entities mentioned in Annexure I to the Statement
- 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 2022.

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 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 irregularities; selection and application of appropriate

Registered Office:

BSR & Co. (a partnership firm with Registration No. EA51223) converted into BSR & Co. LLP (a Limited Liability Partnership with LLP Registration No. AA3-8181) with effect from October 14, 2013

14th Floor, Central B Wing and North C Wing, Nesco IT Park 4, Nesco Center, Western Express Highway, Goregaon (East), Mumbai - 400063

Independent Auditor's Report (Continued)

Alkem Laboratories Limited

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 Board of Directors of the Holding Company, as aforesaid.

In preparing the consolidated annual financial results, the respective Management and the Board of Directors 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 annual 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 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 results/ financial



Independent Auditor's Report (Continued)

Alkem Laboratories Limited

information of such entities included in the consolidated annual 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 sub paragraph no. (a) of the "Other Matters" paragraph 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 Securities and Exchange Board of India under Regulation 33(8) of the Listing Regulations, to the extent applicable.

Other Matters

- a. The consolidated annual financial results include the audited financial results of 18 subsidiaries, whose financial statements reflect total assets (before consolidation adjustments) of Rs. 16,067 million as at 31 March 2022, total revenue (before consolidation adjustments) of Rs. 16,689 million, total net profit after tax (before consolidation adjustments) of Rs. 407 million and net cash inflows (before consolidation adjustments) of Rs. 267 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 auditor's reports on financial statements of these entities have been furnished to us by the management.

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 reports of such auditors and the procedures performed by us as stated in paragraph above.

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.

- b. The consolidated annual financial results include the results for the quarter ended 31 March 2022 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



Balajirao Pothana

Partner

Mumbai

13 May 2022

Membership No.: 122632

UDIN:22122632AIWZSA1559

Independent Auditor's Report (Continued)

Alkem Laboratories Limited

Annexure I

List of entities included in consolidated annual financial results.

Sr. No	Name of component	Relationship
1	S & B Holdings B.V., Netherlands (S&B Holdings)	Wholly Owned Subsidiary
2	ThePharmaNetwork, LLC, USA (TPN)	Wholly Owned Subsidiary
3	Ascend Laboratories LLC, USA	Wholly owned Subsidiary of TPN
4	S & B Pharma LLC (w.e.f. 8 April 2020)	Wholly owned Subsidiary of TPN
5	S & B Pharma INC	Wholly Owned Subsidiary of TPN (upto 05 January 2022)
6	Pharmacor Pty Limited, Australia	Wholly Owned Subsidiary
7	Ascend Laboratories (PTY) Ltd, South Africa (formerly known as Alkem Laboratories (PTY) Ltd	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
16	Ascend Laboratories S.A. DE C.V., Mexico	Wholly Owned Subsidiary of Ascend Chile
17	Alkem Laboratories Korea Inc, Korea	Wholly Owned Subsidiary
18	Pharmacor Ltd., Kenya	Wholly Owned Subsidiary
19	The Pharma Network, LLP, Kazakhstan	Wholly Owned Subsidiary
20	Ascend Laboratories (UK) Ltd., UK	Wholly Owned Subsidiary
21	Ascend Laboratories Ltd., Canada	Wholly Owned Subsidiary
22	Alkem Foundation, India	Wholly Owned Subsidiary
23	Connect 2 Clinic Private Limited (w.e.f. 12 June 2020), India	Wholly Owned Subsidiary
24	Ascend Laboratories S.A.S, Colombia	Wholly Owned Subsidiary

ALKEM LABORATORIES LIMITED

CIN No.:L00305MH1973PLC174201

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Audited Statement of Consolidated Financial Results for the Quarter and Year ended 31 March 2022

(₹ in Million except per share data)

	Particulars	Quarter ended			Year ended	
		31.03.2022 Audited (Refer Note 1)	31.12.2021 Unaudited	31.03.2021 Audited (Refer Note 1)	31.03.2022 Audited	31.03.2021 Audited
1	Income					
	(a) Revenue from Operations	24,838.6	26,189.8	21,921.6	106,341.9	88,650.1
	(b) Other Income	205.2	535.2	462.8	1,626.5	2,332.1
	Total Income	25,043.8	26,725.0	22,384.4	107,968.4	90,982.2
2	Expenses					
	(a) Cost of materials consumed	9,011.7	7,809.1	6,633.7	32,260.6	23,945.4
	(b) Purchases of stock-in-trade	3,020.0	3,788.8	3,456.0	14,897.1	14,377.6
	(c) Changes in inventories of finished goods, work-in-progress and stock-in-trade	(1,718.2)	(1,631.1)	(659.9)	(5,354.8)	(3,338.4)
	(d) Employee benefits expense	4,654.9	4,709.0	4,090.4	19,627.1	16,210.3
	(e) Finance costs	169.7	105.7	107.1	523.7	589.2
	(f) Depreciation and amortisation expense	831.4	774.6	685.1	3,039.6	2,745.8
	(g) Other expenses	6,497.9	6,529.5	5,490.4	24,382.7	18,031.3
	Total Expenses	22,467.4	22,085.6	19,802.8	89,376.0	72,561.2
3	Profit before exceptional items and tax (1) - (2)	2,576.4	4,639.4	2,581.6	18,592.4	18,421.0
4	Exceptional items (refer note 3)	(149.6)	-	-	(149.6)	-
5	Profit before tax (3) + (4)	2,426.8	4,639.4	2,581.6	18,442.8	18,421.0
6	Tax expense / (credit)					
	(a) Current tax	433.5	921.8	811.1	3,619.8	3,965.3
	(b) Deferred tax (Refer Note 2)	911.2	(1,615.9)	(721.7)	(1,980.2)	(1,722.0)
	Total Tax Expense (a + b)	1,344.7	(694.1)	89.4	1,639.6	2,243.3
7	Profit for the period (5) - (6)	1,082.1	5,333.5	2,492.2	16,803.2	16,177.7
8	Other Comprehensive Income (net of tax)					
	(a) (i) Items that will not be reclassified to profit or loss	(18.0)	(14.6)	(57.1)	(90.9)	(89.2)
	(ii) Income tax relating to items that will not be reclassified to profit or loss	6.7	4.5	20.3	33.2	29.9
	(b) (i) Items that will be reclassified to profit or loss	272.2	52.7	38.1	399.1	(283.7)
	(ii) Income tax relating to items that will be reclassified to profit or loss	-	-	-	-	-
	Total other Comprehensive Income (net of tax)	260.9	42.6	1.3	341.4	(343.0)
9	Total Comprehensive Income for the period (7) + (8)	1,343.0	5,376.1	2,493.5	17,144.6	15,834.7
10	Profit attributable to					
	a) Owners of the Company	1,075.8	5,256.6	2,399.9	16,456.2	15,850.2
	b) Non-Controlling Interest	6.3	76.9	92.3	347.0	327.5
11	Other Comprehensive Income attributable to					
	a) Owners of the Company	258.0	41.7	(1.5)	345.5	(339.6)
	b) Non-Controlling Interest	2.9	0.9	2.8	(4.1)	(3.4)
12	Total Comprehensive Income attributable to					
	a) Owners of the Company	1,333.8	5,298.3	2,398.4	16,801.7	15,510.6
	b) Non-Controlling Interest	9.2	77.8	95.1	342.9	324.1
13	Paid-up Equity Share Capital (Face Value ₹ 2 each fully paid up)	239.1	239.1	239.1	239.1	239.1
14	Other Equity				86,139.9	73,528.2
15	Earnings Per Share (not annualised for the quarters)					
	(a) Basic (₹)	9.00	43.96	20.07	137.63	132.57
	(b) Diluted (₹)	9.00	43.96	20.07	137.63	132.57

Audited Statement of Consolidated Assets and Liabilities as at 31 March 2022

(₹ in Million)

Particulars	As at 31 March 2022 (Audited)	As at 31 March 2021 (Audited)
I. ASSETS		
1 Non-current assets		
(a) Property, plant and equipment	22,871.0	22,339.3
(b) Capital work-in-progress	3,394.8	3,932.8
(c) Goodwill	4,030.9	3,953.9
(d) Other Intangible assets	2,115.4	1,636.6
(e) Financial Assets		
(i) Investments	2,316.7	1,539.5
(ii) Loans	80.2	80.2
(iii) Others financial assets	7,106.7	607.9
(f) Deferred tax assets (net)	13,092.6	11,079.1
(g) Non-current tax assets (net)	533.1	171.1
(h) Other non-current assets	796.2	564.0
Total Non-current assets	56,337.6	45,904.4
2 Current assets		
(a) Inventories	30,055.3	23,124.4
(b) Financial Assets		
(i) Investments	1,393.1	1,788.3
(ii) Trade receivables	18,846.0	16,072.1
(iii) Cash and cash equivalents	2,321.8	1,742.2
(iv) Bank balances other than (iii) above	23,464.0	18,162.3
(v) Loans	202.5	187.3
(vi) Others financial assets	1,731.5	2,606.0
(c) Other current assets	6,322.8	5,550.1
(d) Non-current assets held for sale	17.3	55.5
Total Current assets	84,354.3	69,288.2
TOTAL ASSETS	140,691.9	115,192.6
II. EQUITY AND LIABILITIES		
1 Equity		
(a) Equity share capital	239.1	239.1
(b) Other Equity	86,139.9	73,528.2
Equity attributable to owners of the Company	86,379.0	73,767.3
(c) Non-controlling interest	2,094.3	1,812.8
Total Equity	88,473.3	75,580.1
2 Non-current liabilities		
(a) Financial Liabilities		
(i) Borrowings	93.8	279.3
(ia) Lease liabilities	664.7	697.1
(b) Provisions	3,327.5	2,507.3
(c) Other non-current liabilities	79.2	88.3
Total Non-Current liabilities	4,165.2	3,572.0
3 Current liabilities		
(a) Financial Liabilities		
(i) Borrowings	25,707.4	16,727.9
(ia) Lease liabilities	216.0	215.5
(ii) Trade payables		
Dues of Micro and Small Enterprises	924.2	1,189.6
Dues of Creditors other than Micro and Small Enterprises	10,809.6	9,504.5
(iii) Other financial liabilities	5,993.8	4,653.9
(b) Other current liabilities	1,503.2	1,193.4
(c) Provisions	2,736.0	2,366.4
(d) Current tax Liabilities (Net)	163.2	189.3
Total Current liabilities	48,053.4	36,040.5
TOTAL EQUITY AND LIABILITIES	140,691.9	115,192.6

Audited Statement of Consolidated Cash flow for the Year ended 31 March 2022

(₹ in million)

Particulars	For the year ended 31 March 2022 (Audited)	For the year ended 31 March 2021 (Audited)
A Cash Flow from Operating Activities:		
Profit before Tax	18,442.8	18,421.0
<u>Adjustments for:</u>		
Depreciation and amortisation expense	3,039.6	2,745.8
Liabilities no longer required written back	(160.1)	-
Profit on sale of investments	(33.8)	(102.6)
Unrealised gain on fair valuation of investments (net)	69.0	(266.9)
Profit on sale of property plant and equipment (net)	14.3	(37.0)
Employee stock compensation expenses	-	1.1
Unrealised foreign currency (gain) / loss on revaluation (net)	(177.0)	9.7
Dividend Income	(1.9)	(0.2)
Recovery of bad debts	-	(114.9)
Profit on sale of brand (net)	-	(351.0)
Interest Income	(1,226.8)	(901.2)
Impairment loss on property, plant and equipment	11.2	-
Interest expenses	523.7	589.2
Allowances for doubtful debts	27.8	82.8
Rent income	-	(8.4)
Subtotal of Adjustments	2,086.0	1,646.4
Operating profit before working capital changes	20,528.8	20,067.4
Adjustments for changes in working capital:		
(Increase) in trade receivables	(2,217.5)	(257.6)
(Increase) / Decrease in loans, other financial assets and other assets	(435.8)	(926.5)
(Increase) in inventories	(6,731.4)	(4,977.0)
Increase / (Decrease) in trade payable, other financial liabilities and other liabilities	3,344.9	2,124.2
Increase in provisions	590.2	625.3
Subtotal of adjustments	(5,449.6)	(3,411.6)
Cash generated from operations	15,079.2	16,655.8
Less: Income taxes paid (net of refund)	(3,969.0)	(4,006.8)
Net Cash generated from operating activities	11,110.2	12,649.0
B Cash Flow from Investing Activities:		
Purchases of property, plant and equipment	(3,388.8)	(1,949.1)
Sale of property, plant and equipment	109.0	104.6
(Purchase of) / Proceeds from sale of investments (net)	(409.3)	(348.3)
Profit on sale of brand (net)	-	351.0
Investment made in bank deposits having maturity of more than 3 months (net)	(11,641.8)	(8,937.9)
Dividend received	1.9	0.2
Interest received	977.7	785.7
Rent received	-	8.4
Net cash used in investing activities	(14,351.3)	(9,985.4)
C Cash Flow from Financing Activities:		
Repayment of non-current borrowings (net)	(192.9)	(387.4)
(Repayment of) / Proceeds from current borrowings (net)	8,820.7	1,784.2
Dividends paid	(4,219.1)	(3,347.8)
Repayment of lease liabilities (net)	(211.7)	(230.3)
Interest and bank charges paid	(401.3)	(536.2)
Net cash used in financing activities	3,795.7	(2,717.5)
D Net (decrease)/increase in Cash and Cash Equivalents (A+B+C)	554.6	(53.9)
E Cash & Cash Equivalents as at the beginning of the year	1,742.2	1,759.4
Add/Less: Effect of exchange difference on foreign currency cash and cash equivalents	25.0	36.7
F Cash & Cash Equivalents as at the end of the period (D+E)	2,321.8	1,742.2

Notes:

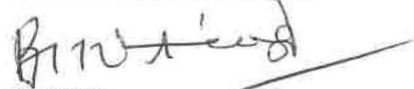
- The above Cash Flow Statement has been prepared under the "Indirect Method" as set out in the Indian Accounting Standard (Ind AS-7) - "Statement of Cash Flows".

Notes to the Consolidated Financial results:

- 1 The above audited consolidated financial results of the Company were reviewed and recommended by the Audit Committee on 12 May 2022 and subsequently approved by the Board of Directors at its meeting held on 13 May 2022. The auditors have expressed an unmodified opinion on the financial results for the year ended 31 March 2022. The figures for the quarter ended 31 March 2022 and 31 March 2021 are balancing figures between audited figures in respect of the full financial year and the unaudited published year-to-date figures up to 31 December 2021 and 31 December 2020 respectively, which were subjected to limited review.
- 2 Pursuant to the Board of Directors approval at its meeting held on 25 May 2021 on the proposed plan for restructuring of the USA business operations by bringing both the subsidiaries namely, S & B Pharma Inc, USA ("S & B") and The PharmaNetwork LLC, USA ("TPNC") under a single umbrella by removing intermediary holding company S & B Holdings BV, Netherlands ("S & B BV"), the Company on 4 October 2021 has consummated the transaction whereby TPNC acquired 100% shares of S&B from the Company in exchange of TPNC's shares. Subsequently, with effect from 5 January 2022, S & B now stands dissolved and all its assets and liabilities are now transferred by TPNC as capital contribution in its wholly owned subsidiary S & B Pharma LLC. Consequently, TPNC has recognised deferred tax asset on carry forward losses of erstwhile S & B amounting to Rs.1,086.0 million.
- 3 During the current quarter, the Group has fair valued one of its investments in the USA and considering the contingencies on business projections of the investee company an amount of Rs. 149.6 million has been debited to the Statement of Profit and Loss and disclosed as an exceptional item.
- 4 During the quarter ended 31 March 2022, the Company has paid an interim dividend of ₹ 30 (Rupees Thirty only) per equity share (1500% on the face value of ₹ 2 each) for the financial year 2021-22. The Board of Directors at its meeting held on 13 May 2022 has recommended a final dividend of ₹ 4 (Rupees Four only) per equity share (200% on the face value of ₹ 2 each) for the financial year 2021-22.
- 5 The Group operates in one reportable business segment i.e. "Pharmaceuticals", accordingly no separate disclosure of segment has been made.

Place: Mumbai
Date: 13 May 2022

By Order of the Board
For Alkem Laboratories Limited


B.N. Singh
Executive Chairman
DIN: 00760310