

B S R & 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 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 2022, attached herewith, being submitted by the 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, the aforesaid standalone annual financial results:

- are presented in accordance with the requirements of Regulation 33 of the Listing Regulations in this regard; and
- 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 loss and other financial information 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 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 obtained by us, 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.

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.

Registered Office:

B S R & Co. (a partnership firm with Registration No. BA61223) converted into B S R & Co. LLP (a Limited Liability Partnership with LLP Registration No. AAB-8181) with effect from October 14, 2013

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Independent Auditor's Report (Continued)
Alkem Laboratories Limited

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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures in the standalone 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 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.

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.



B S R & Co. LLP

Independent Auditor's Report (Continued)
Alkem Laboratories Limited

Other Matter

The standalone 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.: 101248WW-100022



Balajirao Pothana

Partner

Mumbai

13 May 2022

Membership No.: 122632

UDIN: 22122632AIXFBI9293

ALKEM LABORATORIES LIMITED

CIN No.:L00305MH1973PLC174201

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Audited Statement of Standalone 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	20,063.1	21,808.4	19,174.7	88,298.1	72,196.8
(b) Other Income	542.3	632.4	487.7	1,998.9	1,900.1
Total Income	20,605.4	22,440.8	19,662.4	90,297.0	74,096.9
2 Expenses					
(a) Cost of materials consumed	7,660.0	7,331.9	5,765.9	28,497.5	20,465.2
(b) Purchases of stock-in-trade	2,458.9	2,694.6	2,073.9	10,770.4	9,197.9
(c) Changes in inventories of finished goods, work-in-progress and stock-in-trade	(1,148.7)	(1,748.2)	(200.8)	(3,609.0)	(3,012.9)
(d) Employee benefits expense	3,306.8	3,400.8	2,909.6	14,344.9	11,587.2
(e) Finance costs	130.8	72.6	73.6	379.0	429.3
(f) Depreciation and amortisation expense	550.1	584.3	493.8	2,189.8	1,989.3
(g) Other expenses	5,789.2	5,406.7	4,462.0	20,190.7	14,470.1
Total Expenses	18,747.1	17,742.7	15,578.0	72,763.3	55,126.1
3 Profit before exceptional items and tax (1) - (2)	1,858.3	4,698.1	4,084.4	17,533.7	18,970.8
4 Exceptional items (Refer Note 3)	-	-	(127.8)	-	(127.8)
5 Profit before tax (3) + (4)	1,858.3	4,698.1	3,956.6	17,533.7	18,843.0
6 Tax expense / (credit)					
(a) Current tax	324.1	808.3	709.4	3,038.2	3,318.3
(b) Deferred tax	765.4	(481.1)	(380.2)	(917.0)	(1,326.1)
Total Tax Expense (a + b)	1,089.5	327.2	329.2	2,121.2	1,992.2
7 Profit for the period after tax (5 - 6)	768.8	4,370.9	3,627.4	15,412.5	16,850.8
8 Other Comprehensive Income (net of tax)					
(a) (i) Items that will not be reclassified to profit or loss	(26.8)	(16.0)	(65.7)	(74.7)	(76.7)
(ii) Income tax relating to items that will not be reclassified to profit or loss	9.4	5.5	22.9	26.1	26.8
(b) (i) Items that will be reclassified to profit or loss	-	-	-	-	-
(ii) Income tax relating to items that will be reclassified to profit or loss	-	-	-	-	-
Total Other Comprehensive Income (net of tax)	(17.4)	(10.5)	(42.8)	(48.6)	(49.9)
9 Total Comprehensive Income for the period (7) + (8)	751.4	4,360.4	3,584.6	15,363.9	16,800.9
10 Paid-up Equity Share Capital (Face Value ₹ 2 each fully paid up)	239.1	239.1	239.1	239.1	239.1
11 Other Equity				87,197.5	76,018.4
12 Earnings Per Share (not annualised for the quarters)					
(a) Basic (₹)	6.43	36.56	30.34	128.90	140.93
(b) Diluted (₹)	6.43	36.56	30.34	128.90	140.93

Audited Statement of Standalone 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	17,312.2	16,486.0
(b) Capital work-in-progress	2,324.5	3,232.6
(c) Intangible assets	1,508.5	1,097.6
(d) Investment in subsidiaries	22,770.2	18,770.4
(e) Financial Assets		
(i) Investments	1,164.3	1,131.7
(ii) Loans	178.5	333.2
(iii) Others financial assets	6,282.1	221.3
(f) Deferred tax assets (net)	10,487.4	9,544.3
(g) Non current tax assets (net)	330.5	70.2
(h) Other non-current assets	727.4	524.6
Total Non-current assets	63,085.6	51,411.9
2 Current assets		
(a) Inventories	19,757.3	15,132.6
(b) Financial Assets		
(i) Investments	1,351.6	1,621.7
(ii) Trade receivables	17,682.2	15,565.5
(iii) Cash and cash equivalents	818.2	152.2
(iv) Bank balances other than (iii) above	22,153.9	16,581.4
(v) Loans	145.3	116.1
(vi) Others financial assets	1,542.2	2,377.0
(c) Other current assets	5,138.1	4,713.4
(d) Non-current assets held for sale	17.3	55.5
Total Current assets	68,606.1	56,315.4
TOTAL ASSETS	131,691.7	107,727.3
II. EQUITY AND LIABILITIES		
1 Equity		
(a) Equity share capital	239.1	239.1
(b) Other Equity	87,197.5	76,018.4
Total Equity	87,436.6	76,257.5
2 Non-current liabilities		
(a) Financial Liabilities		
(i) Lease liabilities	378.4	396.9
(b) Provisions	2,576.3	1,904.2
(c) Other non-current liabilities	62.8	69.3
Total Non-Current liabilities	3,017.5	2,370.4
3 Current liabilities		
(a) Financial Liabilities		
(i) Borrowings	22,455.2	13,328.4
(ia) Lease liabilities	104.2	109.8
(ii) Trade payables		
Dues of Micro and Small Enterprises	794.4	1,044.7
Dues of creditors other than Micro and Small Enterprises	10,315.8	8,484.5
(iii) Other financial liabilities	4,799.1	3,226.9
(b) Other current liabilities	828.7	918.5
(c) Provisions	1,940.2	1,936.5
(d) Current tax Liabilities (Net)	-	50.1
Total Current liabilities	41,237.6	29,099.4
TOTAL EQUITY AND LIABILITIES	131,691.7	107,727.3

Audited Statement of Standalone 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:	17,533.7	18,843.0
Profit before tax		
<u>Adjustments for:</u>	2,189.8	1,989.3
Depreciation and amortisation		127.8
Impairment of investment in subsidiaries	(37.6)	(260.6)
Unrealised (gain) / loss on fair valuation of investments (net)	(28.8)	(17.7)
Profit on sale of investments (net)	12.0	23.1
Loss / (profit) on sale of property plant and equipment (net)	(36.8)	-
Dividend income	-	(351.0)
Profit on sale of brand (net)	(1,095.9)	(783.0)
Interest income	379.0	429.3
Interest expenses	1.1	44.6
Allowances for doubtful debts	(140.8)	-
Liabilities no longer required, written back	-	(114.9)
Recovery of bad debts	(162.1)	169.1
Unrealised foreign currency (gain) / loss on revaluation (net)	-	(22.6)
Rent income	1,079.9	1,233.4
Subtotal of Adjustments	18,613.6	20,076.4
Operating profit before working capital changes		
Adjustments for changes in working capital:		
(Increase) in trade receivables	(1,728.6)	(599.8)
(Increase) / Decrease in loans, other financial assets and other assets	407.9	(907.8)
(Increase) in inventories	(4,624.8)	(4,206.8)
Increase in trade payable, other financial liabilities and other liabilities	3,195.0	1,742.0
Increase in provisions	478.8	353.8
Subtotal of Adjustments	(2,271.7)	(3,618.6)
Cash generated from operations	16,341.9	16,457.8
Less: Income taxes paid (net of refund)	(3,348.5)	(3,213.0)
Net cash generated from operating activities	12,993.4	13,244.8
B. Cash Flow from Investing Activities:	(2,448.7)	(1,308.1)
Purchases of property, plant and equipment	105.9	10.5
Sale of property, plant and equipment	304.0	(16.8)
Proceeds from sale of / (Purchase of) investments (net)	-	351.0
Profit on sale of brands (net)	(3,999.8)	(1,796.2)
Investments in subsidiaries	(11,538.2)	(9,139.5)
Investment made in bank deposits having maturity of more than 3 months (net)	36.8	-
Dividend received	846.7	666.6
Interest received	-	22.6
Rent received	(16,693.3)	(11,209.9)
Net Cash used in investing activities		
C. Cash Flow from Financing Activities:	8,929.0	1,757.6
Proceeds from current borrowings (net)	(121.5)	(123.1)
Repayment of lease liabilities (net)	(4,184.8)	(3,347.8)
Dividends paid	(256.8)	(376.3)
Interest paid	4,365.9	(2,089.6)
Net cash (used in)/generated from financing activities	666.0	(54.7)
D Net (decrease)/increase in cash and cash equivalents (A+B+C)	152.2	206.9
E Cash and cash equivalents as at beginning of the year	818.2	152.2
F Cash and cash equivalents as at end of the period (D+E)		

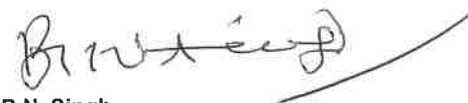
Notes:

- 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 Standalone Financial results:

- 1 The above audited standalone 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 the third quarter ended 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.
- 3 During the previous year, the Company has made an assessment of the recoverable value of investment in its subsidiaries taking into account the decline in operational performance, changes in the outlook of future profitability, weaker market conditions, among other potential indicators. Accordingly an impairment loss of Rs.127.8 Million was recognised towards investment in Alkem Laboratories Corporation, Philippines, a wholly owned subsidiary of the Company in accordance with IND AS 36 'Impairment of assets' and the same has been disclosed as an 'Exceptional item' in the previous year.
- 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 Company operates in one reportable business segment i.e. "Pharmaceuticals", accordingly no separate disclosure of segment has been made.

By Order of the Board
For Alkem Laboratories Limited



B.N. Singh
Executive Chairman
DIN: 00760310

Place: Mumbai
Date: 13 May 2022