

# B S R & Co. LLP

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## **Independent Auditor's Report on Consolidated Financial Results of Alkem Laboratories Limited Pursuant to the Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015**

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

We have audited the accompanying consolidated annual financial results of Alkem Laboratories Limited ('the Company) and its subsidiaries (collectively, 'the Group') as listed in Annexure I, for the year ended 31 March 2019 ('consolidated annual financial results'), 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 ('Listing Regulations'). Attention is drawn to the fact that figures for the last quarter ended 31 March 2019 and the corresponding quarter ended in the previous year as reported in these consolidated annual financial results are the balancing figures between consolidated audited figures in respect of the full financial year and the published year to date consolidated figures up to the end of the third quarter of the relevant financial year. Also, the figures up to the end of the third quarter has only been reviewed and not subjected to audit.

These consolidated annual financial results have been prepared from consolidated annual financial statements and reviewed consolidated quarterly financial results up to the end of third quarter, which are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated annual financial results based on our audit of such consolidated annual financial statements which have been prepared in accordance with the recognition and measurement principles laid down in the Companies (Indian Accounting Standards) Rules, 2015 as per Section 133 of the Companies Act, 2013 and other accounting principles generally accepted in India and in compliance with Regulation 33 of the Listing Regulations.

We conducted our audit in accordance with the auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial results are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts disclosed as financial results. An audit also includes assessing the accounting principles used and significant estimates made by management. We believe that our audit provides a reasonable basis for our opinion.

We did not audit the financial statements of nineteen subsidiaries included in the consolidated annual financial results, whose annual financial statements reflect total assets of Rs. 18,208.8 million as at 31 March 2019 as well as the total revenues of Rs. 12,164.5 million for the year ended 31 March 2019, as considered in the consolidated annual financial results. These annual financial statements and other financial information have been audited by other auditors whose reports have been furnished to us, and our opinion on the consolidated annual financial results, to the extent they have been derived from such annual financial statements is based solely on the reports of such other auditors.



**Independent Auditor's Report on Consolidated Financial Results of Alkem Laboratories Limited Pursuant to the Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (Continued)**

**Alkem Laboratories Limited**

Certain of these subsidiaries are located outside India whose financial statements and other financial information have been prepared in accordance with accounting principles generally accepted in their respective countries and which have been audited by other auditors under generally accepted auditing standards applicable in their respective countries. The Company's management has converted the financial statements of such subsidiaries located outside India from accounting principles generally accepted in their respective countries to accounting principles generally accepted in India. We have audited these conversion adjustments made by the Company's management. Our opinion in so far as it relates to the balances and affairs of such subsidiaries located outside India is based on the report of other auditors and the conversion adjustments prepared by the Management of the Company and audited by us.

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.

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

- (i) include the annual financial results of the entities as listed in Annexure I;
- (ii) have been presented in accordance with the requirements of Regulation 33 of the Listing Regulations in this regard; and
- (iii) give a true and fair view of the net profit and other comprehensive income and other financial information for the year ended 31 March 2019.

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

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



**Sadashiv Shetty**  
*Partner*

Membership No: 048648

Mumbai  
30 May 2019

# Alkem Laboratories Limited

## Annexure I

### 1. List of Subsidiaries

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.	Alkem Laboratories (NIG) Limited, Nigeria	Wholly Owned Subsidiary
6.	Pharmacor Pty Limited, Australia	Wholly Owned Subsidiary
7.	Alkem Laboratories (PTY) Ltd, South Africa	Wholly Owned Subsidiary
8.	Enzene Biosciences Ltd, India	Wholly Owned 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.	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

# ALKEM LABORATORIES LIMITED

CIN No.:L00305MH1973PLC174201

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## Statement of Audited Consolidated Financial Results for the Quarter and Year ended 31 March 2019

(₹ in Million except per share data)

Particulars	Quarter ended			Year ended	
	31.03.2019 Audited	31.12.2018 Unaudited	31.03.2018 Audited	31.03.2019 Audited	31.03.2018 Audited
<b>1 Income</b>					
(a) Revenue from Operations	18,542.0	19,250.3	14,919.8	73,571.9	64,011.7
(b) Other Income	276.6	93.5	285.8	877.0	1,154.2
<b>Total Income</b>	<b>18,818.6</b>	<b>19,343.8</b>	<b>15,205.6</b>	<b>74,448.9</b>	<b>65,165.9</b>
<b>2 Expenses</b>					
(a) Cost of materials consumed	5,100.8	4,687.3	4,395.8	18,111.4	16,515.1
(b) Purchases of stock-in-trade	3,213.3	3,144.7	1,979.6	11,301.9	8,262.3
(c) Changes in inventories of finished goods, work in-progress and stock-in-trade	(558.3)	147.7	(581.3)	36.4	(949.9)
(d) Employee benefits expense	3,488.0	3,463.5	2,986.8	13,624.6	11,916.4
(e) Finance costs	65.9	153.8	104.4	546.3	553.3
(f) Depreciation and amortisation expense	572.7	476.9	403.3	1,931.8	1,430.3
(g) Other expenses	4,948.1	4,689.3	5,108.5	19,349.9	18,178.6
<b>Total Expenses</b>	<b>16,830.5</b>	<b>16,763.2</b>	<b>14,397.1</b>	<b>64,902.3</b>	<b>55,906.1</b>
<b>3 Profit before exceptional items and tax (1) - (2)</b>	<b>1,988.1</b>	<b>2,580.6</b>	<b>808.5</b>	<b>9,546.6</b>	<b>9,259.8</b>
<b>4 Exceptional items</b>	-	-	-	-	-
<b>5 Profit before tax (3) - (4)</b>	<b>1,988.1</b>	<b>2,580.6</b>	<b>808.5</b>	<b>9,546.6</b>	<b>9,259.8</b>
<b>6 Tax expense / (credit)</b>					
Current tax	501.1	692.3	122.2	2,291.7	2,425.2
Deferred tax	(218.0)	(166.2)	23.0	(481.5)	450.4
<b>Total Tax expense</b>	<b>283.1</b>	<b>526.1</b>	<b>145.2</b>	<b>1,810.2</b>	<b>2,875.6</b>
<b>7 Profit for the period (5) - (6)</b>	<b>1,705.0</b>	<b>2,054.5</b>	<b>663.3</b>	<b>7,736.4</b>	<b>6,384.2</b>
<b>8 Other Comprehensive Income (net of tax)</b>					
Items that will not be reclassified to profit or loss	(78.6)	(3.2)	(117.7)	(69.4)	(105.4)
Income tax relating to items that will not be reclassified to profit or loss	27.2	1.1	41.3	23.7	37.1
Items that will be reclassified to profit or loss	13.7	(374.0)	53.2	355.7	(121.3)
Income tax relating to items that will be reclassified to profit or loss	-	-	-	-	-
<b>Total other Comprehensive Income (net of tax)</b>	<b>(37.7)</b>	<b>(376.1)</b>	<b>(23.2)</b>	<b>310.0</b>	<b>(189.6)</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>1,667.3</b>	<b>1,678.4</b>	<b>640.1</b>	<b>8,046.4</b>	<b>6,194.6</b>
<b>10 Profit attributable to</b>					
a) Owners of the Company	1,673.6	2,025.3	670.8	7,605.1	6,309.4
b) Non-Controlling Interest	31.4	29.2	(7.5)	131.3	74.8
<b>11 Other Comprehensive Income attributable to</b>					
a) Owners of the Company	(36.6)	(374.0)	(24.3)	311.1	(190.7)
b) Non-Controlling Interest	(1.1)	(2.1)	1.1	(1.1)	1.1
<b>12 Total Comprehensive Income attributable to</b>					
a) Owners of the Company	1,637.0	1,651.3	646.5	7,916.2	6,118.7
b) Non-Controlling Interest	30.3	27.1	(6.4)	130.2	75.9
<b>13 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 Other Equity</b>				<b>54,154.3</b>	<b>48,398.6</b>
<b>15 Earnings Per Share of ₹2 each (not annualised)</b>					
(a) ₹ (Basic)	14.00	16.94	5.61	63.61	52.77
(b) ₹ (Diluted)	14.00	16.94	5.61	63.61	52.77

*B. V. A. S. S.*

**Consolidated Statement of Assets and Liabilities As at 31 March 2019**

(₹ in Million)

Particulars	As at 31 March 2019 (Audited)	As at 31 March 2018 (Audited)
<b>I. ASSETS</b>		
<b>1 Non-current assets</b>		
(a) Property, plant and equipment	21,056.2	18,733.0
(b) Capital work-in-progress	4,929.6	3,809.7
(c) Goodwill	231.5	210.6
(d) Other Intangible assets	442.6	438.3
(e) Goodwill on consolidation	3,574.1	3,454.0
(f) Financial Assets		
(i) Investments	957.4	984.5
(ii) Loans	136.3	222.2
(iii) Others financial assets	462.0	922.9
(g) Deferred tax assets (net)	7,076.3	6,556.1
(h) Non current tax assets (net)	392.7	292.5
(i) Other non-current assets	661.9	900.3
<b>Total Non-current assets</b>	<b>39,920.6</b>	<b>36,524.1</b>
<b>2 Current assets</b>		
(a) Inventories	14,998.7	14,421.9
(b) Financial Assets		
(i) Investments	2,278.8	3,458.2
(ii) Trade receivables	12,484.1	10,805.0
(iii) Cash and cash equivalents	2,490.5	1,667.1
(iv) Bank balances other than (iii) above	4,125.5	4,100.7
(v) Loans	308.0	379.2
(vi) Others financial assets	1,064.6	1,357.0
(c) Other current assets	4,293.8	3,943.1
(d) Non-current assets held for sale	117.3	-
<b>Total Current assets</b>	<b>42,161.3</b>	<b>40,132.2</b>
<b>TOTAL ASSETS</b>	<b>82,081.9</b>	<b>76,656.3</b>
<b>II. EQUITY AND LIABILITIES</b>		
<b>1 Equity</b>		
(a) Equity share capital	239.1	239.1
(b) Other Equity	54,154.3	48,398.6
<b>Equity attributable to owners of the Company</b>	<b>54,393.4</b>	<b>48,637.7</b>
(c) Non-controlling interest	1,326.1	1,215.5
<b>Total Equity</b>	<b>55,719.5</b>	<b>49,853.2</b>
<b>2 Non-current liabilities</b>		
(a) Financial Liabilities		
(i) Borrowings	2,313.0	1,307.3
(b) Provisions	2,010.3	1,502.7
(c) Deferred tax liabilities (Net)	3.0	16.7
(d) Other non-current liabilities	133.9	143.3
<b>Total Non-Current liabilities</b>	<b>4,460.2</b>	<b>2,970.0</b>
<b>3 Current liabilities</b>		
(a) Financial Liabilities		
(i) Borrowings	6,712.7	7,612.7
(ii) Trade payables		
Dues of Micro and Small Enterprises	606.3	1,228.7
Dues of Creditors other than Micro and Small Enterprises	9,016.2	8,378.4
(iii) Other financial liabilities	3,428.7	4,344.9
(b) Other current liabilities	852.1	855.5
(c) Provisions	1,265.1	1,239.4
(d) Current tax Liabilities (Net)	21.1	173.5
<b>Total Current liabilities</b>	<b>21,902.2</b>	<b>23,833.1</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>82,081.9</b>	<b>76,656.3</b>

*B. N. A. S.*

**Notes :**

- 1 The above audited consolidated financial results of the Company were reviewed and recommended by the Audit Committee and subsequently approved by the Board of Directors at their meeting held on 30 May 2019. The auditors have expressed an unmodified opinion on the financial results for the year ended 31 March 2019. The figures for the quarter ended 31 March 2019 and 31 March 2018 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 2018 and 31 December 2017 respectively, which were subjected to limited review.
- 2 The Group operates in one reportable business segment i.e. "Pharmaceuticals".
- 3 Post implementation of Goods and Service Tax ("GST") with effect from 1 July 2017, Revenue from operations is disclosed net of GST. Revenue from operations for the period prior to 1 July 2017 included excise duty which is now subsumed under GST. Accordingly, revenue from operations for the year ended 31 March 2019 are not strictly comparable with those of the previous corresponding period presented.
- 4 In the United States of America, The Tax Cuts and Jobs Act of 2017 was approved and enacted in to law on 22 December 2017. The law includes significant changes to the U.S. corporate income tax system, including a reduction in Federal corporate tax rate from 35% to 21%. Consequent to this enactment, the Group had re-measured its deferred tax assets and liabilities pertaining to the US operations based on the new tax law and this resulted in a one time charge of **Rs.448.7 million** for the quarter ended 31 December 2017 and year ended 31 March 2018.
- 5 Other Expenses for the quarter and year ended 31 March 2018 includes **Rs.282.5 million** and **Rs.263.1 million** respectively on account of net loss on fair valuation of current investments, including loss of **Rs.369.1 million** and **Rs.380.1 million** respectively on account of fair valuation of investment in real estate fund as per the report of independent valuers. Corresponding net loss on account of fair valuation of current investments for the quarter and year ended 31 March 2019 amounts to **Rs.22.5 million** and **Rs.45.5 million** respectively.
- 6 During the year ended 31 March 2019, the Company has paid an interim dividend of ₹ 8 (Rupees eight only) per equity share (400.0 % on the face value of ₹ 2 each) for the financial year 2018-19. The Board of Directors at its meeting held on 30 May 2019 has recommended a final dividend of ₹ 8 (Rupees eight only) per equity share (400.0 % on the face value of ₹ 2 each) for the financial year 2018-19.

Place: Mumbai  
Date: 30 May 2019

By Order of the Board  
For Alkem Laboratories Limited



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