

B S R & Co. LLP

Chartered Accountants

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Limited review report

To Board of Directors of Alkem Laboratories Limited

1. We have reviewed the accompanying Statement of unaudited consolidated financial results of Alkem Laboratories Limited (“the Parent”) and its subsidiaries (the Parent and its subsidiaries together referred to as “the Group”), for the quarter ended 30 September 2019 and year to date results for the period from 1 April 2019 to 30 September 2019 (“the Statement”), being submitted by the Parent pursuant to the requirements of Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended (‘Listing Regulations’).
2. This Statement, which is the responsibility of the Parent’s management and approved by the Parent’s Board of Directors, has been prepared in accordance with the recognition and measurement principles laid down in Indian Accounting Standard 34 “*Interim Financial Reporting*” (“Ind AS 34”), prescribed under 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. Our responsibility is to express a conclusion on the Statement based on our review.
3. We conducted our review of the Statement in accordance with the Standard on Review Engagements (SRE) 2410 “*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*”, issued by the Institute of Chartered Accountants of India. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

We also performed procedures in accordance with the circular issued by the SEBI under Regulation 33 (8) of the Listing Regulations, to the extent applicable.

4. The Statement includes the 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

Limited review report (Continued)**Alkem Laboratories Limited**

Sr. No.	Name of entity	Relationship
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	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
22.	Ascend Laboratories S.A.S, Colombia	Wholly Owned Subsidiary (w.e.f. 4 June 2019)

5. Based on our review conducted and procedures performed as stated in paragraph 3 above and based on the consideration of the review reports of other auditors referred to in paragraph 6 below, nothing has come to our attention that causes us to believe that the accompanying Statement, prepared in accordance with the recognition and measurement principles laid down in the aforesaid Indian Accounting Standard and other accounting principles generally accepted in India, has not disclosed the information required to be disclosed in terms of Regulation 33 of the Listing Regulations, including the manner in which it is to be disclosed, or that it contains any material misstatement.
6. We did not review the interim financial statements/ financial information/ financial results of seven subsidiaries included in the Statement, whose interim financial statements/ financial information/ financial results reflect total assets of Rs 16,316.3 million as at 30 September 2019 and total revenues of Rs 3,662.0 million and Rs. 6,585.8 million , total net loss after tax of Rs. 331.5 million and Rs 617.6 million and total comprehensive income of Rs (325.9) million and Rs (632.9) million, for the quarter ended 30 September 2019 and for the period from 1 April 2019 to 30 September 2019, respectively, and cash flows (net) of Rs 364.0 million for the period from 1 April 2019 to 30 September 2019, as considered in the consolidated unaudited financial results. These interim financial statements/ financial information/ financial results have been reviewed by other auditors whose reports have been furnished to us and our conclusion on the Statement, in so far as it relates to the amounts and disclosures included in respect of these subsidiaries, is based solely on the reports of the other auditors and the procedures performed by us as stated in paragraph 3 above.

Our conclusion on the Statement is not modified in respect of the above matters.



Limited review report (*Continued*)

Alkem Laboratories Limited

7. The Statement includes the interim financial statements/ financial information/ financial results of twelve subsidiaries which have not been reviewed, whose interim financial statements/ financial information/ financial results reflect total assets of Rs. 3,372.4 million as at 30 September 2019 and total revenue of Rs. 209.9 million and Rs. 407.2 million, total net loss after tax of Rs. 68.9 million and Rs. 145.5 million and total comprehensive income of Rs. (45.4) million and Rs. (133.1) million for the quarter ended 30 September 2019 and for the period from 1 April 2019 to 30 September 2019, respectively, and cash flows (net) of Rs. 10.9 for the period from 1 April 2019 to 30 September 2019, as considered in the Statement. According to the information and explanations given to us by the management, these interim financial statements/ financial information/ financial results are not material to the Group.

Our conclusion on the Statement is not modified in respect of the above matter

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

Chartered Accountants

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



Sadashiv Shetty

Partner

Membership No: 048648

UDIN: 19048648AAAACO5689

Mumbai
11 November 2019

ALKEM LABORATORIES LIMITED

CIN No :L00305MH1973PLC174201

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Statement of Unaudited Consolidated Financial Results for the Quarter and Six months ended 30 September 2019

(₹ in Million except per share data)

Particulars	Quarter ended			Six months ended		Year ended
	30.09.2019 Unaudited	30.06.2019 Unaudited	30.09.2018 Unaudited	30.09.2019 Unaudited	30.09.2018 Unaudited	31.03.2019 Audited
1 Income						
(a) Revenue from operations	22,640.3	18,495.0	19,189.0	41,135.3	35,778.4	73,571.9
(b) Other income	314.2	174.7	245.2	488.9	512.9	877.0
Total Income	22,954.5	18,669.7	19,434.2	41,624.2	36,291.3	74,448.9
2 Expenses						
(a) Cost of materials consumed	5,284.7	5,453.7	4,484.2	10,738.4	8,323.3	18,111.4
(b) Purchases of stock-in-trade	3,668.2	3,443.9	2,167.8	7,112.1	4,943.8	11,301.9
(c) Changes in inventories of finished goods, work-in-progress and stock-in-trade	90.1	(1,779.4)	758.2	(1,689.3)	447.0	36.4
(d) Employee benefits expense	3,896.3	3,903.2	3,278.6	7,799.5	6,673.1	13,624.6
(e) Finance costs	177.5	161.2	164.0	338.7	326.6	546.3
(f) Depreciation and amortisation expense	564.0	558.3	457.7	1,122.3	882.2	1,931.8
(g) Other expenses	5,175.1	4,828.6	4,863.5	10,003.7	9,717.4	19,349.9
Total Expenses	18,855.9	16,569.5	16,174.0	35,425.4	31,313.4	64,902.3
3 Profit before exceptional items and tax (1) - (2)	4,098.6	2,100.2	3,260.2	6,198.8	4,977.9	9,546.6
4 Exceptional items	-	-	-	-	-	-
5 Profit before tax (3) - (4)	4,098.6	2,100.2	3,260.2	6,198.8	4,977.9	9,546.6
6 Tax expense / (credit)						
Current tax	776.5	634.8	702.5	1,411.3	1,098.3	2,291.7
Deferred tax	(483.1)	(407.5)	(46.5)	(890.6)	(97.3)	(481.5)
Total Tax Expense	293.4	227.3	656.0	520.7	1,001.0	1,810.2
7 Profit for the period (5) - (6)	3,805.2	1,872.9	2,604.2	5,678.1	3,976.9	7,736.4
8 Other Comprehensive Income (net of tax)						
Items that will not be reclassified to profit or loss	(20.8)	(12.6)	1.5	(33.4)	12.4	(69.4)
Income tax relating to items that will not be reclassified to profit or loss	6.3	3.3	(1.0)	9.6	(4.6)	23.7
Items that will be reclassified to profit or loss	101.4	(131.4)	436.5	(30.0)	716.0	355.7
Income tax relating to items that will be reclassified to profit or loss	-	-	-	-	-	-
Total Other Comprehensive Income (net of tax)	86.9	(140.7)	437.0	(53.8)	723.8	310.0
9 Total Comprehensive Income for the period (comprising Profit for the period (after tax) and Other Comprehensive Income (net of tax)) (7) + (8)	3,892.1	1,732.2	3,041.2	5,624.3	4,700.7	8,046.4
10 Profit attributable to						
a) Owners of the Company	3,708.5	1,854.7	2,544.7	5,563.2	3,906.2	7,605.1
b) Non-Controlling Interest	96.7	18.2	59.5	114.9	70.7	131.3
11 Other Comprehensive Income attributable to						
a) Owners of the Company	91.9	(138.2)	437.0	(46.3)	721.5	311.1
b) Non-Controlling Interest	(5.0)	(2.5)	-	(7.5)	2.3	(1.1)
12 Total Comprehensive Income attributable to						
a) Owners of the Company	3,800.4	1,716.5	2,981.7	5,516.9	4,627.7	7,916.2
b) Non-Controlling Interest	91.7	15.7	59.5	107.4	73.0	130.2
13 Paid-up Equity Share Capital (Face Value ₹ 2 each fully paid up)	239.1	239.1	239.1	239.1	239.1	239.1
14 Other Equity						54,154.3
15 Earnings Per Share of ₹2 each (not annualised for the quarters)						
(a) ₹ (Basic)	31.02	15.51	21.28	46.53	32.67	63.61
(b) ₹ (Diluted)	31.02	15.51	21.28	46.53	32.67	63.61



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Consolidated Statement of Assets and Liabilities as at 30 September 2019

Particulars	As at 30 September 2019 (Unaudited)	As at 31 March 2019 (Audited)
I. ASSETS		
1 Non-current assets		
(a) Property, plant and equipment	20,612.2	21,056.2
(b) Capital work-in-progress	5,770.8	4,929.6
(c) Goodwill	236.4	231.5
(d) Other Intangible assets	1,379.4	442.6
(e) Goodwill on consolidation	3,597.3	3,574.1
(f) Financial Assets		
(i) Investments	988.2	957.4
(ii) Loans	115.2	136.3
(iii) Others financial assets	879.0	462.0
(g) Deferred tax assets (net)	7,977.7	7,076.3
(h) Non current tax assets (net)	156.5	392.7
(i) Other non-current assets	741.9	661.9
Total Non-current assets	42,454.6	39,920.6
2 Current assets		
(a) Inventories	16,210.5	14,998.7
(b) Financial Assets		
(i) Investments	2,159.8	2,278.8
(ii) Trade receivables	14,286.4	12,484.1
(iii) Cash and cash equivalents	3,070.5	2,490.5
(iv) Bank balances other than (iii) above	6,554.8	4,125.5
(v) Loans	313.7	308.0
(vi) Others financial assets	1,516.5	1,064.6
(c) Other current assets	4,859.3	4,293.8
(d) Non-current assets held for sale	118.2	117.3
Total Current assets	49,089.7	42,161.3
TOTAL ASSETS	91,544.3	82,081.9
II. EQUITY AND LIABILITIES		
1 Equity		
(a) Equity share capital	239.1	239.1
(b) Other Equity	58,514.0	54,154.3
Equity attributable to owners of the Company	58,753.1	54,393.4
(c) Non-controlling interest	1,409.2	1,326.1
Total Equity	60,162.3	55,719.5
2 Non-current liabilities		
(a) Financial Liabilities		
(i) Borrowings	3,336.9	2,313.0
(b) Provisions	2,315.3	2,010.3
(c) Deferred tax liabilities (Net)	-	3.0
(d) Other non-current liabilities	88.1	133.9
Total Non-Current liabilities	5,740.3	4,460.2
3 Current liabilities		
(a) Financial Liabilities		
(i) Borrowings	10,802.6	6,712.7
(ii) Trade payables		
Dues of Micro and Small Enterprises	900.7	606.3
Dues of Creditors other than Micro and Small Enterprises	6,637.7	9,016.2
(iii) Other financial liabilities	5,078.8	3,428.7
(b) Other current liabilities	808.5	852.1
(c) Provisions	1,371.7	1,265.1
(d) Current tax Liabilities (Net)	41.7	21.1
Total Current liabilities	25,641.7	21,902.2
TOTAL EQUITY AND LIABILITIES	91,544.3	82,081.9



Notes :

- 1 The above unaudited consolidated financial results of the Company were reviewed and recommended by the Audit Committee and subsequently approved by the Board of Directors at its meeting held on 11 November 2019. The figures for the quarter and six months ended 30 September 2019 have been subjected to limited review by the statutory auditors. The auditors have expressed an unmodified opinion on the financial results for the quarter and six months ended 30 September 2019.
- 2 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 six months ended 30 September 2019 is lower by **Rs.6.3 million and Rs.11.9 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.
- 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 The Board of Directors at its meeting held on 30 May 2019 had 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 which was paid during the quarter ended 30 September 2019.
- 5 The Group operates in one reportable business segment i.e. "Pharmaceuticals", accordingly no separate disclosure of segment has been made.

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Statement of Consolidated Cash Flow for the six months ended 30 September 2019

(₹ in million)

Particulars	For six months ended 30 September 2019 (Unaudited)	For six months ended 30 September 2018 (Unaudited)
A Cash Flow from Operating Activities:		
Profit before Tax	6,198.8	4,977.9
<u>Adjustments for:</u>		
Depreciation and amortisation expense	1,122.3	882.2
Profit on sale of investments	(0.5)	(42.7)
Unrealised (Profit) / loss on fair valuation of investments (net)	(15.8)	2.8
(Profit) / Loss on sale of property, plant and equipment (net)	(19.8)	5.6
Employee stock compensation expenses	1.4	1.8
Unrealised foreign currency loss on revaluation (net)	171.7	218.9
Dividend Income	(0.8)	(0.1)
Impairment loss on property, plant and equipment	34.0	-
Interest Income	(262.7)	(185.2)
Interest expenses	338.7	326.6
Allowances for doubtful debts	-	94.1
Rent income	(2.7)	(2.7)
Subtotal of Adjustments	1,365.8	1,301.3
Operating profit before working capital changes	7,564.6	6,279.2
Changes in working capital:		
Increase in trade receivables	(1,734.7)	(1,686.9)
(Increase) in loans, other financial assets and other assets	(718.6)	(204.6)
(Increase) / Decrease in inventories	(1,203.4)	401.6
Decrease in trade payable, other financial liabilities and other liabilities	(934.6)	(2,726.3)
Increase in provisions	381.0	267.6
Subtotal of adjustments	(4,210.3)	(3,948.6)
Cash generated from operations	3,354.3	2,330.6
Less: Income taxes paid (net of refund)	(1,201.6)	(1,159.6)
Net Cash generated from operating activities	2,152.7	1,171.0
B Cash Flow from Investing Activities:		
Purchases of property, plant and equipment	(1,768.9)	(3,478.0)
Sale of property, plant and equipment	93.9	5.8
Proceeds from sale of investments (net)	111.8	1,061.6
(Investment) in / Redemption of bank deposits having maturity of more than 3 months	(2,870.6)	1,545.5
Dividend received	0.8	0.1
Interest received	268.3	272.9
Rent received	2.7	2.7
Net cash (used in) investing activities	(4,162.0)	(589.4)
C Cash Flow from Financing Activities:		
Proceeds from non-current borrowings (net)	641.5	418.7
Proceeds from / (Repayment) of current borrowings (net)	3,571.6	(48.7)
Repayment of lease liabilities	(91.9)	-
Dividends and corporate dividend tax paid	(1,182.7)	(1,036.8)
Interest and bank charges paid	(338.6)	(325.2)
Net cash (used in)/generated from financing activities	2,599.9	(992.0)
D Net (decrease)/increase in Cash and Cash Equivalents (A+B+C)	590.6	(410.5)
E Cash & Cash Equivalents as at the beginning of the period	2,490.5	1,667.1
Add/Less: Effect of exchange difference on foreign currency cash and cash equivalents	(10.6)	77.1
F Cash & Cash Equivalents as at the end of the period (D+E)	3,070.5	1,333.8

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 period.



Place: Mumbai
Date: 11 November 2019

By Order of the Board
For Alkem Laboratories Limited

B.N. Singh

B.N. Singh
Executive Chairman
DIN: 00760310

