

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 2020 and year to date results for the period from 1 April 2020 to 30 September 2020 (“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
6.	S & B Pharma LLC (w.e.f. 8 April 2020)	Wholly Owned Subsidiary of ThePharmanetwork, LLC
7.	Alkem Laboratories (PTY) Ltd, South Africa	Wholly Owned Subsidiary

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Alkem Laboratories Limited

Sr. No.	Name of entity	Relationship
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.	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.	Connect 2 Clinic Private Limited (w.e.f. 12 June 2020)	Wholly Owned Subsidiary
23.	Ascend Laboratories S.A.S, Colombia	Wholly Owned Subsidiary

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 16,758 million as at 30 September 2020 and total revenues of Rs 3,709 million and Rs. 6,235 million, total net profit/(loss) after tax of Rs 37 million and Rs. (450) million and total comprehensive income / (loss) of Rs (23) million and Rs. (474) million, for the quarter ended 30 September 2020 and for the period from 1 April 2020 to 30 September 2020 respectively, and cash flows (net) of Rs 208 million for the period from 1 April 2020 to 30 September 2020, before giving effect of consolidation adjustments, 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 by the management 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 matter.

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7. The Statement includes the interim financial statements/ financial information/ financial results of thirteen subsidiaries which have not been reviewed whose interim financial statements/ financial information/ financial results reflect total assets of Rs. 3,746 million as at 30 September 2020 and total revenues of Rs. 253 million and Rs. 441 million, total net profit / (loss) after tax of Rs. (9) million and Rs. (59) million and total comprehensive income / (loss) of Rs. (58) million and Rs. (125) million for the quarter ended 30 September 2020 and for the period from 1 April 2020 to 30 September 2020, respectively, and cash flows (net) of Rs. 0.01 million for the period from 1 April 2020 to 30 September 2020, before giving effect to the consolidation adjustments, 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

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Sadashiv Shetty

Partner

Membership No: 048648

UDIN: 20048648AAAACQ1851

Mumbai
6 November 2020

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 2020

(₹ in Million except per share data)

Particulars	Quarter ended			Six months ended		Year ended
	30.09.2020 Unaudited	30.06.2020 Unaudited	30.09.2019 Unaudited	30.09.2020 Unaudited	30.09.2019 Unaudited	31.03.2020 Audited
1 Income						
(a) Revenue from Operations	23,628.0	20,034.9	22,640.3	43,662.9	41,135.3	83,443.6
(b) Other Income	355.4	435.0	314.2	790.4	488.9	1,042.2
Total Income	23,983.4	20,469.9	22,954.5	44,453.3	41,624.2	84,485.8
2 Expenses						
(a) Cost of materials consumed	4,736.9	5,386.7	5,284.7	10,123.6	10,738.4	21,318.3
(b) Purchases of stock-in-trade	3,680.8	3,468.2	3,668.2	7,149.0	7,112.1	14,430.6
(c) Changes in inventories of finished goods, work-in-progress and stock-in-trade	921.7	(1,516.3)	90.1	(594.6)	(1,689.3)	(2,299.5)
(d) Employee benefits expense	4,080.1	3,942.3	3,896.3	8,022.4	7,799.5	15,054.9
(e) Finance costs	180.4	171.0	177.5	351.4	338.7	650.6
(f) Depreciation and amortisation expense	702.4	668.3	564.0	1,370.7	1,122.3	2,527.6
(g) Other expenses	4,203.6	3,422.2	5,175.1	7,625.8	10,003.7	20,205.4
Total Expenses	18,505.9	15,542.4	18,855.9	34,048.3	35,425.4	71,887.9
3 Profit before exceptional items and tax (1) - (2)	5,477.5	4,927.5	4,098.6	10,405.0	6,198.8	12,597.9
4 Exceptional items	-	-	-	-	-	-
5 Profit before tax (3) - (4)	5,477.5	4,927.5	4,098.6	10,405.0	6,198.8	12,597.9
6 Tax expense / (credit)						
(a) Current tax	1,141.9	1,000.6	776.5	2,142.5	1,411.3	3,542.5
(b) Deferred tax	(479.5)	(305.0)	(483.1)	(784.5)	(890.6)	(2,123.9)
Sub-total (a + b)	662.4	695.6	293.4	1,358.0	520.7	1,418.6
(c) Tax adjustment of earlier periods	-	-	-	-	-	(313.8)
Total Tax Expense (a + b + c)	662.4	695.6	293.4	1,358.0	520.7	1,104.8
7 Profit for the period after tax (5) - (6)	4,815.1	4,231.9	3,805.2	9,047.0	5,678.1	11,493.1
8 Other Comprehensive Income (net of tax)						
(a) Items that will not be reclassified to profit or loss						
(i) Remeasurements of defined benefit plans	6.9	(12.6)	(20.8)	(5.7)	(33.4)	(280.9)
(ii) Tax on remeasurements of defined benefit plans	(2.1)	4.2	6.3	2.1	9.6	96.5
(b) Items that will be reclassified to profit or loss						
(i) Foreign currency translation difference of foreign operations	(241.1)	22.5	101.4	(218.6)	(30.0)	453.0
(ii) Tax on remeasurements of foreign currency translation difference of foreign operations	-	-	-	-	-	-
Total other Comprehensive Income (net of tax)	(236.3)	14.1	86.9	(222.2)	(53.8)	268.6
Total Comprehensive Income for the period (comprising Profit for the period after tax and Other Comprehensive Income (net of tax)) (7) + (8)	4,578.8	4,246.0	3,892.1	8,824.8	5,624.3	11,761.7
9						
10 Profit attributable to						
(a) Owners of the Company	4,720.6	4,220.1	3,708.5	8,940.7	5,563.2	11,270.7
(b) Non-Controlling Interest	94.5	11.8	96.7	106.3	114.9	222.4
11 Other Comprehensive Income attributable to						
(a) Owners of the Company	(237.8)	15.0	91.9	(222.8)	(46.3)	274.0
(b) Non-Controlling Interest	1.5	(0.9)	(5.0)	0.6	(7.5)	(5.4)
12 Total Comprehensive Income attributable to						
(a) Owners of the Company	4,482.8	4,235.1	3,800.4	8,717.9	5,516.9	11,544.7
(b) Non-Controlling Interest	96.0	10.9	91.7	106.9	107.4	217.0
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						61,367.6
15 Earnings Per Share of ₹2 each (not annualised for the periods)						
(a) ₹ (Basic)	39.48	35.30	31.02	74.78	46.53	94.26
(b) ₹ (Diluted)	39.48	35.30	31.02	74.78	46.53	94.26

Consolidated Statement of Assets and Liabilities as at 30 September 2020

(₹ in Million)

Particulars	As at 30 September 2020 (Unaudited)	As at 31 March 2020 (Audited)
I. ASSETS		
1 Non-current assets		
(a) Property, plant and equipment	22,452.1	23,062.9
(b) Capital work-in-progress	3,640.3	3,629.7
(c) Goodwill	252.5	259.3
(d) Other Intangible assets	1,886.8	2,032.7
(e) Goodwill on consolidation	3,705.5	3,725.2
(f) Financial Assets		
(i) Investments	934.0	915.0
(ii) Loans	106.7	106.1
(iii) Others financial assets	1,971.9	466.8
(g) Deferred tax assets (net)	10,123.4	9,325.7
(h) Non-current tax assets (net)	189.9	419.5
(i) Other non-current assets	551.5	530.1
Total Non-current assets	45,814.6	44,473.0
2 Current assets		
(a) Inventories	19,818.3	18,188.2
(b) Financial Assets		
(i) Investments	1,805.3	1,698.9
(ii) Trade receivables	15,827.0	16,493.6
(iii) Cash and cash equivalents	1,725.6	1,759.4
(iv) Bank balances other than (iii) above	12,648.4	9,162.7
(v) Loans	294.8	279.7
(vi) Others financial assets	2,269.4	1,931.0
(c) Other current assets	5,039.1	5,266.0
(d) Non-current assets held for sale	168.4	180.8
Total Current assets	59,596.3	54,960.3
TOTAL ASSETS	105,410.9	99,433.3
II. EQUITY AND LIABILITIES		
1 Equity		
(a) Equity share capital	239.1	239.1
(b) Other Equity	69,726.9	61,367.6
Equity attributable to owners of the Company	69,966.0	61,606.7
(c) Non-controlling interest	1,589.8	1,483.0
Total Equity	71,555.8	63,089.7
2 Non-current liabilities		
(a) Financial Liabilities		
(i) Borrowings	1,301.6	1,592.4
(b) Provisions	2,375.1	2,220.4
(c) Other non-current liabilities	90.7	97.7
Total Non-Current liabilities	3,767.4	3,910.5
3 Current liabilities		
(a) Financial Liabilities		
(i) Borrowings	12,880.9	15,035.1
(ii) Trade payables		
Dues of Micro and Small Enterprises	600.1	1,025.0
Dues of Creditors other than Micro and Small Enterprises	6,482.6	8,515.5
(iii) Other financial liabilities	5,814.0	4,519.6
(b) Other current liabilities	1,136.5	1,035.1
(c) Provisions	2,318.4	1,847.0
(d) Current tax Liabilities (Net)	855.2	455.8
Total Current liabilities	30,087.7	32,433.1
TOTAL EQUITY AND LIABILITIES	105,410.9	99,433.3

Notes :

- 1 The above unaudited consolidated financial results were reviewed and recommended by the Audit Committee on 5 November 2020 and subsequently approved by the Board of Directors at its meeting held on 6 November 2020. The figures for the quarter and six months ended 30 September 2020 have been subjected to limited review by the statutory auditors. The auditors have issued an unmodified report on the financial results for the quarter and six months ended 30 September 2020.
- 2 The Group has considered internal and external information while assessing recoverability of its assets 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. The 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 During the quarter ended 30 September 2020, the Company has paid 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.
- 4 The Group operates in one reportable business segment i.e. "Pharmaceuticals", accordingly no separate disclosure of segment has been made.

Statement of Consolidated Cash flow for the six months ended 30 September 2020

(₹ in million)

Particulars	For six months ended 30 September 2020 (Unaudited)	For six months ended 30 September 2019 (Unaudited)
A Cash Flow from Operating Activities:		
Profit before Tax	10,405.0	6,198.8
<u>Adjustments for:</u>		
Depreciation and amortisation expense	1,370.7	1,122.3
Profit on sale of investments	(14.6)	(0.5)
Unrealised (gain) / loss on fair valuation of investments (net)	(65.8)	(15.8)
(Profit) / Loss on sale of property plant and equipment (net)	4.0	(19.8)
Employee stock compensation expenses	0.6	1.4
Unrealised foreign currency (gain) / loss on revaluation (net)	206.4	171.7
Dividend Income	(0.1)	(0.8)
Impairment loss on property, plant and equipment	-	34.0
Interest Income	(407.5)	(262.7)
Interest expenses	351.4	338.7
Allowances for doubtful debts	52.2	-
Rent income	(4.2)	(2.7)
Subtotal of Adjustments	1,493.1	1,365.8
Operating profit before working capital changes	11,898.1	7,564.6
Changes in working capital:		
(Increase) / Decrease in trade receivables	(229.6)	(1,734.7)
(Increase) / Decrease in loans, other financial assets and other assets	(280.3)	(718.6)
(Increase) / Decrease in inventories	(1,698.0)	(1,203.4)
Increase / (Decrease) in trade payable, other financial liabilities and other liabilities	(1,038.3)	(934.6)
Increase / (Decrease) in provisions	625.2	381.0
Subtotal of adjustments	(2,621.0)	(4,210.3)
Cash generated from operations	9,277.1	3,354.3
Less: Income taxes paid (net of refund)	(1,520.2)	(1,201.6)
Net Cash generated from operating activities	7,756.9	2,152.7
B Cash Flow from Investing Activities:		
Purchase of property, plant and equipment	(676.7)	(1,768.9)
Sale of property, plant and equipment	5.9	93.9
Proceeds from sale of investments (net)	3.4	111.8
(Investment made) / Redemption of bank deposits having maturity of more than 3 months (net)	(4,994.2)	(2,870.6)
Dividend received	0.1	0.8
Interest received	318.3	268.3
Rent received	4.2	2.7
Net cash used in investing activities	(5,339.0)	(4,162.0)
C Cash Flow from Financing Activities:		
(Repayment of) / Proceeds from non-current borrowings (net)	(262.5)	641.5
(Repayment of) / Proceeds from current borrowings (net)	(1,437.3)	3,571.6
Dividends and corporate dividend tax paid	(358.7)	(1,182.7)
Repayment of lease liabilities (net)	(101.9)	(91.9)
Interest and bank charges paid	(296.8)	(338.6)
Net cash (used in) / generated from financing activities	(2,457.2)	2,599.9
D Net (decrease)/increase in Cash and Cash Equivalents (A+B+C)	(39.3)	590.6
E Cash & Cash Equivalents as at the beginning of the period	1,759.4	2,490.5
Add/Less: Effect of exchange difference on foreign currency cash and cash equivalents	5.5	(10.6)
F Cash & Cash Equivalents as at the end of the period (D+E)	1,725.6	3,070.5

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.

By Order of the Board
For Alkem Laboratories Limited

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Singh

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Basudeo Narayan
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Date: 2020.11.06
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B.N. Singh
Executive Chairman
DIN: 00760310

Place: Mumbai
Date: 6 November 2020