

B S R & Co. LLP

Chartered Accountants

14th Floor, Central B Wing and North C Wing,
Nesco IT Park 4, Nesco Center,
Western Express Highway,
Goregaon (East), Mumbai - 400 063

Telephone: +91 22 6257 1000
Fax: +91 22 6257 1010

Limited review report on unaudited quarterly standalone financial results and standalone year-to-date results of Alkem Laboratories Limited under Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

To Board of Directors of Alkem Laboratories Limited

1. We have reviewed the accompanying Statement of unaudited standalone financial results of Alkem Laboratories Limited (“the Company”) for the quarter ended and year to date results for the period from 1 April 2021 to 30 September 2021 (“the Statement”).
2. This Statement, which is the responsibility of the Company’s management and approved by the 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 issue a report 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. This standard requires that we plan and perform the review to obtain moderate assurance as to whether the Statement is free of material misstatement. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and accordingly, we do not express an audit opinion.
4. Based on our review conducted as above, nothing has come to our attention that causes us to believe that the accompanying Statement, prepared in accordance with applicable accounting standards and other recognized accounting practices and policies has not disclosed the information required to be disclosed in terms of Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 including the manner in which it is to be disclosed, or that it contains any material misstatement.

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

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

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Balajirao Pothana
Partner

Membership No: 122632

UDIN No: 21122632AAAACY3363

Mumbai
12 November 2021

Registered Office:

ALKEM LABORATORIES LIMITED

CIN No.:L00305MH1973PLC174201

Regd. Office and Corporate Office: Alkem House, Senapati Bapat Marg, Lower Parel, Mumbai - 400013, Maharashtra, India.

Tel No:91 22 3982 9999 Fax No: +91 22 2492 7190

Website : www.alkemlabs.com, Email Id : investors@alkem.com

Unaudited Statement of Standalone Financial Results for the Quarter and Six months ended 30 September 2021

(₹ in Million except per share data)

Particulars	Quarter ended			Six months ended		Year ended
	30.09.2021 Unaudited	30.06.2021 Unaudited	30.09.2020 Unaudited	30.09.2021 Unaudited	30.09.2020 Unaudited	31.03.2021 Audited
1 Income						
(a) Revenue from Operations	23,639.9	22,786.7	19,841.0	46,426.6	35,234.6	72,196.8
(b) Other Income	432.1	392.1	248.4	824.2	687.8	1,900.1
Total Income	24,072.0	23,178.8	20,089.4	47,250.8	35,922.4	74,096.9
2 Expenses						
(a) Cost of materials consumed	6,967.5	6,538.1	3,915.4	13,505.6	8,579.4	20,465.2
(b) Purchases of stock-in-trade	2,987.2	2,629.7	2,573.8	5,616.9	4,675.6	9,197.9
(c) Changes in inventories of finished goods, work-in-progress and stock-in-trade	(670.5)	(41.6)	1,095.6	(712.1)	(738.5)	(3,012.9)
(d) Employee benefits expense	3,615.0	4,022.3	2,951.3	7,637.3	5,795.6	11,587.2
(e) Finance costs	85.0	90.6	147.6	175.6	268.0	429.3
(f) Depreciation and amortisation expense	538.2	517.2	516.2	1,055.4	994.7	1,989.3
(g) Other expenses	4,862.3	4,132.5	3,362.2	8,994.8	6,029.0	14,470.1
Total Expenses	18,384.7	17,888.8	14,562.1	36,273.5	25,603.8	55,126.1
3 Profit before exceptional items and tax (1) - (2)	5,687.3	5,290.0	5,527.3	10,977.3	10,318.6	18,970.8
4 Exceptional items (Refer Note 4)	-	-	-	-	-	(127.8)
5 Profit before tax (3) + (4)	5,687.3	5,290.0	5,527.3	10,977.3	10,318.6	18,843.0
6 Tax expense / (credit)						
(a) Current tax	989.6	916.2	974.9	1,905.8	1,808.2	3,318.3
(b) Deferred tax	(882.4)	(318.9)	(399.6)	(1,201.3)	(703.2)	(1,326.1)
Total Tax Expense (a + b)	107.2	597.3	575.3	704.5	1,105.0	1,992.2
7 Profit for the period after tax (5 - 6)	5,580.1	4,692.7	4,952.0	10,272.8	9,213.6	16,850.8
8 Other Comprehensive Income (net of tax)						
(a) (i) Items that will not be reclassified to profit or loss	(15.9)	(16.0)	2.4	(31.9)	(7.4)	(76.7)
(ii) Income tax relating to items that will not be reclassified to profit or loss	5.6	5.6	(0.8)	11.2	2.6	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)	(10.3)	(10.4)	1.6	(20.7)	(4.8)	(49.9)
9 Total Comprehensive Income for the period (7) + (8)	5,569.8	4,682.3	4,953.6	10,252.1	9,208.8	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	239.1
11 Other Equity						76,018.4
12 Earnings Per Share (not annualised for the periods)						
(a) Basic (₹)	46.67	39.25	41.42	85.92	77.06	140.93
(b) Diluted (₹)	46.67	39.25	41.42	85.92	77.06	140.93

Unaudited Statement of Standalone Assets and Liabilities as at 30 September 2021

(₹ in Million)

Particulars	As at 30 September 2021 (Unaudited)	As at 31 March 2021 (Audited)
I. ASSETS		
1 Non-current assets		
(a) Property, plant and equipment	17,812.2	16,486.0
(b) Capital work-in-progress	2,044.6	3,232.6
(c) Intangible assets	1,174.2	1,097.6
(d) Investment in subsidiaries	22,755.3	18,770.4
(e) Financial Assets		
(i) Investments	1,086.2	1,131.7
(ii) Loans	173.0	333.2
(iii) Others financial assets	2,135.7	221.3
(f) Deferred tax assets (net)	10,756.9	9,544.3
(g) Non current tax assets (net)	74.2	70.2
(h) Other non-current assets	609.2	524.6
Total Non-current assets	58,621.5	51,411.9
2 Current assets		
(a) Inventories	15,857.1	15,132.6
(b) Financial Assets		
(i) Investments	1,579.2	1,621.7
(ii) Trade receivables	19,043.7	15,565.5
(iii) Cash and cash equivalents	873.1	152.2
(iv) Bank balances other than (iii) above	19,122.8	16,581.4
(v) Loans	155.8	116.1
(vi) Others financial assets	2,013.6	2,377.0
(c) Other current assets	4,331.2	4,713.4
(d) Non-current assets held for sale	48.2	55.5
Total Current assets	63,024.7	56,315.4
TOTAL ASSETS	121,646.2	107,727.3
II. EQUITY AND LIABILITIES		
1 Equity		
(a) Equity share capital	239.1	239.1
(b) Other Equity	85,672.6	76,018.4
Total Equity	85,911.7	76,257.5
2 Non-current liabilities		
(a) Financial Liabilities		
(i) Lease liabilities	486.4	396.9
(b) Provisions	2,613.4	1,904.2
(c) Other non-current liabilities	67.3	69.3
Total Non-Current liabilities	3,167.1	2,370.4
3 Current liabilities		
(a) Financial Liabilities		
(i) Borrowings	16,312.3	13,328.4
(ia) Lease liabilities	113.7	109.8
(ii) Trade payables		
Dues of Micro and Small Enterprises	311.6	1,044.7
Dues of creditors other than Micro and Small Enterprises	8,155.7	8,484.5
(iii) Other financial liabilities	4,242.7	3,226.9
(b) Other current liabilities	936.1	918.5
(c) Provisions	1,944.0	1,936.5
(d) Current tax Liabilities (Net)	551.3	50.1
Total Current liabilities	32,567.4	29,099.4
TOTAL EQUITY AND LIABILITIES	121,646.2	107,727.3

Unaudited Statement of Standalone Cash Flow for the Six months ended 30 September 2021

(₹ in million)

Particulars	For six months ended 30 September 2021 (Unaudited)	For six months ended 30 September 2020 (Unaudited)
A. <u>Cash Flow from Operating Activities:</u>		
Profit before tax	10,977.3	10,318.6
<u>Adjustments for:</u>		
Depreciation and amortisation	1,055.4	994.7
Unrealised (gain) / loss on fair valuation of investments (net)	(38.7)	(53.3)
Profit on sale of investments (net)	(19.1)	(14.3)
Loss / (profit) on sale of property plant and equipment (net)	(4.9)	0.1
Dividend income	(35.7)	-
Interest income	(491.9)	(349.3)
Interest expenses	175.6	268.0
Allowances for doubtful debts	4.1	32.8
Liabilities no longer required , written back	(67.7)	-
Recovery of bad debts	-	(114.9)
Unrealised foreign currency (gain) / loss on revaluation (net)	(93.5)	202.8
Rent income	-	(11.3)
Subtotal of Adjustments	483.6	955.3
Operating profit before working capital changes	11,460.9	11,273.9
Adjustments for changes in working capital:		
Increase in trade receivables	(3,306.6)	(33.3)
(Increase) / Decrease in loans, other financial assets and other assets	968.4	(173.1)
Increase in inventories	(724.5)	(1,486.1)
Increase in trade payable, other financial liabilities and other liabilities	36.2	(746.4)
Increase in provisions	684.8	359.9
Subtotal of Adjustments	(2,341.7)	(2,079.0)
Cash generated from operations	9,119.2	9,194.9
Less: Income taxes paid (net of refund)	(1,408.8)	(1,126.8)
Net cash generated from operating activities	7,710.4	8,068.1
B. <u>Cash Flow from Investing Activities:</u>		
Purchases of property, plant and equipment	(1,168.3)	(512.9)
Sale of property, plant and equipment	18.0	3.1
Proceeds from sale of investments (net)	145.9	32.2
Investments in subsidiaries	(3,985.0)	(1,496.2)
Investment made in bank deposits having maturity of more than 3 months (net)	(4,444.1)	(4,991.3)
Dividend received	35.7	-
Interest received	334.4	260.0
Rent received	-	11.3
Net Cash used in investing activities	(9,063.4)	(6,693.8)
C. <u>Cash Flow from Financing Activities:</u>		
(Repayment of) / Proceeds from current borrowings (net)	2,906.6	(695.4)
Repayment of lease liabilities (net)	(80.0)	(51.2)
Dividends paid	(597.8)	(358.7)
Interest paid	(154.9)	(215.7)
Net cash (used in)/generated from financing activities	2,073.9	(1,321.0)
D Net (decrease)/increase in cash and cash equivalents (A+B+C)	720.9	53.3
E Cash and cash equivalents as at beginning of the year	152.2	206.9
F Cash and cash equivalents as at end of the period (D+E)	873.1	260.2

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 Standalone Financial results:

- 1 The above unaudited standalone financial results of the Company were reviewed and recommended by the Audit Committee on 11 November 2021 and subsequently approved by the Board of Directors at its meeting held on 12 November 2021. The auditors have issued an unmodified report on the financial results for the quarter and six months ended 30 September 2021.
- 2 The Company 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 Company 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 Company 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 Company will continue to closely monitor any material changes to future economic conditions.
- 3 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 04 October 2021 has consummated the transaction whereby TPNC acquired 100% shares of S&B from the Company in exchange of TPNC's shares.
- 4 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, during the year ended 31 March 2021, 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'.
- 5 During the quarter ended 30 September 2021, the Company paid a final dividend of ₹ 5 (Rupees five only) per equity share (250% on the face value of ₹ 2 each) for the financial year 2020-21.
- 6 The Company operates in one reportable business segment i.e. "Pharmaceuticals", accordingly no separate disclosure of segment has been made.
- 7 Previous period figures have been regrouped/reclassified wherever required, to make them comparable with the figures for the current period.

Place: Mumbai
Date: 12 November 2021

By Order of the Board
For Alkem Laboratories Limited

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B.N. Singh
Executive Chairman
DIN: 00760310