

# BSR & 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 annual consolidated 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 2018 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 the figures for the quarter ended 31 March 2018 and the corresponding quarter ended in the previous year as reported in these consolidated 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 upto the end of the third quarter has only been reviewed and not subjected to audit.

These consolidated financial results have been prepared from annual consolidated financial statements and reviewed quarterly consolidated financial results upto the end of third quarter, which are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial results based on our audit of such annual consolidated 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 financial results, whose annual financial statements reflect total assets of Rs. 16,501.5 million as at 31 March 2018 as well as the total revenues of Rs. 11,321.1 million for the year ended 31 March 2018, 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 the other auditors. Our opinion is not modified in respect of this matter.



**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.

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 and on other information of the subsidiaries as aforesaid, these consolidated annual financial results:

- (i) includes 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 2018.

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

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



**Sadashiv Shetty**  
*Partner*

Membership No: 048648

Mumbai  
30 May 2018

## Annexure

### 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.	Alkem Pharma GmbH, Germany	Wholly Owned Subsidiary
13.	Ascends Laboratories SDN BHD., Malaysia	Wholly Owned Subsidiary
14.	Ascends 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 2018

(₹ in Million except per share data)

Particulars	Quarter ended			Year ended	
	31.03.2018 Audited	31.12.2017 Unaudited	31.03.2017 Audited	31.03.2018 Audited	31.03.2017 Audited
<b>1 Income</b>					
(a) Revenue from Operations	15,132.3	17,404.7	12,514.0	64,311.8	58,525.0
(b) Other Income	178.7	245.8	246.1	959.5	1,120.1
<b>Total Income</b>	<b>15,311.0</b>	<b>17,650.5</b>	<b>12,760.1</b>	<b>65,271.3</b>	<b>59,645.1</b>
<b>2 Expenses</b>					
(a) Cost of materials consumed	4,183.3	4,394.6	3,679.8	15,672.3	14,493.2
(b) Purchases of stock-in-trade	2,510.6	3,528.0	2,331.4	10,358.9	10,618.1
(c) Changes in inventories of finished goods, work-in-progress and stock-in-trade	(533.6)	(1,658.7)	(1,403.3)	(902.2)	(2,896.0)
(d) Employee benefits expense	2,986.8	3,113.7	2,285.0	11,916.4	10,038.5
(e) Finance costs	104.4	144.8	114.5	553.3	451.6
(f) Depreciation and amortisation expense	403.3	375.0	263.7	1,430.3	1,011.7
(g) Other expenses (refer note 7)	4,847.7	4,429.0	4,128.5	16,982.5	16,281.7
<b>Total Expenses</b>	<b>14,502.5</b>	<b>14,326.4</b>	<b>11,399.6</b>	<b>56,011.5</b>	<b>49,998.8</b>
<b>3 Profit before exceptional item and tax (1) - (2)</b>	<b>808.5</b>	<b>3,324.1</b>	<b>1,360.5</b>	<b>9,259.8</b>	<b>9,646.3</b>
<b>4 Exceptional item</b>	-	-	-	-	-
<b>5 Profit before tax (3) - (4)</b>	<b>808.5</b>	<b>3,324.1</b>	<b>1,360.5</b>	<b>9,259.8</b>	<b>9,646.3</b>
<b>6 Tax expense / (Credit)</b>					
Current tax	122.2	918.2	355.9	2,425.2	2,452.8
Deferred tax	23.0	597.2	(365.0)	450.4	(1,853.2)
<b>Total Tax expense</b>	<b>145.2</b>	<b>1,515.4</b>	<b>(9.1)</b>	<b>2,875.6</b>	<b>599.6</b>
<b>7 Profit for the period (5) - (6)</b>	<b>663.3</b>	<b>1,808.7</b>	<b>1,369.6</b>	<b>6,384.2</b>	<b>9,046.7</b>
<b>8 Other Comprehensive Income (net of tax)</b>					
Items that will not be reclassified to profit or loss	(117.7)	27.7	25.1	(105.4)	(64.5)
Income tax relating to items that will not be reclassified to profit or loss	41.3	(9.6)	(8.5)	37.1	22.3
Items that will be reclassified to profit or loss	53.2	(203.2)	(319.5)	(121.3)	(189.4)
Income tax relating to items that will be reclassified to profit or loss	-	-	-	-	-
<b>Total other Comprehensive Income (net of tax)</b>	<b>(23.2)</b>	<b>(185.1)</b>	<b>(302.9)</b>	<b>(189.6)</b>	<b>(231.6)</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>640.1</b>	<b>1,623.6</b>	<b>1,066.7</b>	<b>6,194.6</b>	<b>8,815.1</b>
<b>10 Profit attributable to</b>					
a) Owners of the Company	670.8	1,716.4	1,370.1	6,309.4	8,920.3
b) Non-Controlling Interest	(7.5)	92.3	(0.5)	74.8	126.4
<b>11 Other Comprehensive Income attributable to</b>					
a) Owners of the Company	(24.3)	(174.3)	(300.4)	(190.7)	(229.2)
b) Non-Controlling Interest	1.1	(10.8)	(2.5)	1.1	(2.4)
<b>12 Total Comprehensive Income attributable to</b>					
a) Owners of the Company	646.5	1,542.1	1,069.7	6,118.7	8,691.1
b) Non-Controlling Interest	(6.4)	81.5	(3.0)	75.9	124.0
<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>48,398.6</b>	<b>44,437.3</b>
<b>15 Earnings Per Share of (₹2 each (not annualised for quarters))</b>					
(a) ₹ (Basic)	5.61	14.36	11.46	52.77	74.61
(b) ₹ (Diluted)	5.61	14.36	11.46	52.77	74.61

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**Consolidated Statement of Assets and Liabilities As at 31 March 2018**

(₹ in Million)

Particulars	As at 31 March 2018 Audited	As at 31 March 2017 Audited
<b>I. ASSETS</b>		
<b>1 Non-current assets</b>		
(a) Property, plant and equipment	18,733.0	13,944.5
(b) Capital work-in-progress	3,809.7	2,992.6
(c) Goodwill on consolidation	3,454.0	3,448.4
(d) Other Intangible assets	649.0	577.5
(e) Financial Assets		
(i) Investments	1,964.7	2,594.4
(ii) Loans	222.2	215.0
(iii) Others financial assets	922.9	4,056.8
(f) Deferred tax assets (net)	6,556.1	6,962.7
(g) Income tax assets (net)	292.5	367.9
(h) Other non-current assets	900.3	1,349.3
<b>Total Non-current assets</b>	<b>37,504.4</b>	<b>36,509.1</b>
<b>2 Current assets</b>		
(a) Inventories	14,421.9	12,060.0
(b) Financial Assets		
(i) Investments	2,478.0	2,935.6
(ii) Trade receivables	10,805.0	7,136.4
(iii) Cash and cash equivalents	1,667.1	1,666.3
(iv) Bank balances other than (iii) above	4,100.7	2,326.3
(v) Loans	379.2	279.5
(vi) Others financial assets	1,567.4	1,119.5
(c) Current tax Assets (Net)	-	216.9
(d) Other current assets	3,732.6	1,412.7
(e) Assets held for sale	-	18.2
<b>Total Current assets</b>	<b>39,151.9</b>	<b>29,171.4</b>
<b>TOTAL ASSETS</b>	<b>76,656.3</b>	<b>65,680.5</b>
<b>II. EQUITY AND LIABILITIES</b>		
<b>1 Equity</b>		
(a) Equity share capital	239.1	239.1
(b) Other Equity	48,398.6	44,437.3
<b>Equity attributable to owners of the Company</b>	<b>48,637.7</b>	<b>44,676.4</b>
(c) Non-controlling interest	1,215.5	1,152.3
<b>Total Equity</b>	<b>49,853.2</b>	<b>45,828.7</b>
<b>2 Non-current liabilities</b>		
(a) Financial Liabilities		
(i) Borrowings	1,307.3	1,815.6
(b) Provisions	1,502.7	1,021.7
(c) Deferred tax liabilities (Net)	16.7	4.7
(d) Other non-current liabilities	143.3	112.9
<b>Total Non-Current liabilities</b>	<b>2,970.0</b>	<b>2,954.9</b>
<b>3 Current liabilities</b>		
(a) Financial Liabilities		
(i) Borrowings	7,612.7	4,723.7
(ii) Trade payables	9,607.1	7,413.7
(iii) Other financial liabilities	4,344.9	2,658.9
(b) Other current liabilities	855.5	733.6
(c) Provisions	1,239.4	1,244.4
(d) Current tax Liabilities (Net)	173.5	122.6
<b>Total Current liabilities</b>	<b>23,833.1</b>	<b>16,896.9</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>76,656.3</b>	<b>65,680.5</b>

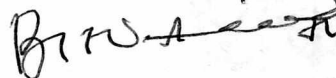
*[Handwritten Signature]*

**Notes :**

- 1 The above audited financial results of the Company were reviewed and recommended by the Audit Committee on 29 May 2018 and subsequently approved by the Board of Directors at its meeting held on 30 May 2018. The auditors have expressed an unmodified opinion on the financial results for the year ended 31 March 2018. The figures for the quarter ended 31 March 2018 and 31 March 2017 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 2017 and 31 December 2016 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 and as per Ind AS 18, Revenue from operations is disclosed net of GST. Revenue from operations for the quarter and for the year ended 31 March 2017 included excise duty which is now subsumed under GST. Revenue from operations for the year ended 31 March 2018 includes excise duty up to 30 June 2017. Accordingly, revenue from operations for the quarter and year ended 31 March 2018 are not strictly comparable with those of the previous periods 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 has 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 During the quarter and year ended 31 March 2018, the Group has utilized Minimum Alternate Tax ("MAT") credit amounting to **Rs.217.7 Million** derecognised in the year ended 31 March 2016. The current tax charge for the quarter and year ended 31 March 2018 is after MAT credit of said amount.
- 6 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.
- 7 During the year ended 31 March 2018, the Company has paid an interim dividend of ₹ 6 (Rupees six only) per equity share (300.0 % on the face value of ₹ 2 each) for the financial year 2017-18. The Board of Directors at its meeting held on 30 May 2018 has recommended a final dividend of ₹ 7 (Rupees seven only) per equity share (350.0 % on the face value of ₹ 2 each) for the financial year 2017-18.
- 8 Previous periods' figures have been regrouped/reclassified, where necessary, to make them comparable with the figures for the current period.

Place: Mumbai  
Dated: 30 May 2018

By Order of the Board  
For Alkem Laboratories Limited



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