

# 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

## Independent Auditors' Report

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

#### Report on the audit of the Standalone Annual Financial Results

##### Opinion

We have audited the accompanying standalone annual financial results of Alkem Laboratories Limited (hereinafter referred to as the "Company") for the year ended 31 March 2021, attached herewith, being submitted by the Company pursuant to the requirement of Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended ('Listing Regulations').

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone annual financial results:

- a. are presented in accordance with the requirements of Regulation 33 of the Listing Regulations in this regard; and
- b. give a true and fair view in conformity with the recognition and measurement principles laid down in the applicable Indian Accounting Standards, and other accounting principles generally accepted in India, of the net profit and other comprehensive income and other financial information for the year ended 31 March 2021.

##### Basis for Opinion

We conducted our audit in accordance with the Standards on Auditing ("SAs") specified under section 143(10) of the Companies Act, 2013 ("the Act"). Our responsibilities under those SAs are further described in the *Auditor's Responsibilities for the Audit of the Standalone Annual Financial Results* section of our report. We are independent of the Company, in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Act, and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained, is sufficient and appropriate to provide a basis for our opinion on the Standalone annual financial results.

##### Management's and Board of Directors' Responsibilities for the Standalone Annual Financial Results

These standalone annual financial results have been prepared on the basis of the standalone annual financial statements

The Company's Management and the Board of Directors are responsible for the preparation and presentation of these standalone annual financial results that give a true and fair view of the net profit/ loss and other comprehensive income and other financial information in accordance with the recognition and measurement principles laid down in Indian Accounting Standards prescribed under Section 133 of the Act and other accounting principles generally accepted in India and in compliance with Regulation 33 of the Listing Regulations.

Registered Office:

## **Independent Auditors' Report (Continued)**

### **Alkem Laboratories Limited**

#### **Management's and Board of Directors' Responsibilities for the Standalone Annual Financial Results (Continued)**

This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring accuracy and completeness of the accounting records, relevant to the preparation and presentation of the standalone annual financial results that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the standalone annual financial results, the Management and the Board of Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Company's financial reporting process

#### **Auditor's Responsibilities for the Audit of the Standalone Annual Financial Results**

Our objectives are to obtain reasonable assurance about whether the standalone annual financial results as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these standalone annual financial results.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the standalone annual financial results, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under Section 143(3) (i) of the Act, we are also responsible for expressing our opinion through a separate report on the complete set of financial statements on whether the company has adequate internal financial controls with reference to financial statements in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures in the standalone financial results made by the Management and Board of Directors.

## Independent Auditors' Report *(Continued)*

### Alkem Laboratories Limited

#### Auditor's Responsibilities for the Audit of the Standalone Annual Financial Results *(Continued)*

- Conclude on the appropriateness of the Management and Board of Directors use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the appropriateness of this assumption. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the standalone annual financial results or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the standalone annual financial results, including the disclosures, and whether the standalone annual financial results represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

#### Other Matters

The standalone annual financial results include the results for the quarter ended 31 March 2021 being the balancing figure between the audited figures in respect of the full financial year and the published unaudited year to date figures up to the third quarter of the current financial year which were subject to limited review by us

For **B S R & Co. LLP**  
*Chartered Accountants*  
Firm's Registration No.101248W/W-100022

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**Sadashiv Shetty**  
Partner

Membership Number:048648  
UDIN: 21048648AAAAAZ7085

Mumbai  
25 May 2021

**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

**Statement of Audited Standalone Financial Results for the Quarter and Year ended 31 March 2021**

(₹ in Million except per share data)

	Particulars	Quarter ended			Year ended	
		31.03.2021 Audited (Refer Note 1)	31.12.2020 Unaudited	31.03.2020 Audited (Refer Note 1)	31.03.2021 Audited	31.03.2020 Audited
<b>1</b>	<b>Income</b>					
	(a) Revenue from Operations	19,174.7	17,787.5	16,875.2	72,196.8	66,770.8
	(b) Other Income	487.7	724.6	259.2	1,900.1	959.8
	<b>Total Income</b>	<b>19,662.4</b>	<b>18,512.1</b>	<b>17,134.4</b>	<b>74,096.9</b>	<b>67,730.6</b>
<b>2</b>	<b>Expenses</b>					
	(a) Cost of materials consumed	5,765.9	6,119.9	4,263.7	20,465.2	17,998.7
	(b) Purchases of stock-in-trade	2,073.9	2,448.4	1,786.0	9,197.9	7,843.8
	(c) Changes in inventories of finished goods, work-in-progress and stock-in-trade	(200.8)	(2,073.6)	775.8	(3,012.9)	(336.9)
	(d) Employee benefits expense	2,909.6	2,882.0	2,255.5	11,587.2	10,667.6
	(e) Finance costs	73.6	87.7	95.1	429.3	387.1
	(f) Depreciation and amortisation expense	493.8	500.8	637.6	1,989.3	1,868.4
	(g) Other expenses	4,462.0	3,979.1	4,256.4	14,470.1	15,921.1
	<b>Total Expenses</b>	<b>15,578.0</b>	<b>13,944.3</b>	<b>14,070.1</b>	<b>55,126.1</b>	<b>54,349.8</b>
<b>3</b>	<b>Profit before exceptional item and tax (1) - (2)</b>	<b>4,084.4</b>	<b>4,567.8</b>	<b>3,064.3</b>	<b>18,970.8</b>	<b>13,380.8</b>
<b>4</b>	<b>Exceptional items (Refer note 5)</b>	<b>(127.8)</b>	<b>-</b>	<b>-</b>	<b>(127.8)</b>	<b>-</b>
<b>5</b>	<b>Profit before tax (3) + (4)</b>	<b>3,956.6</b>	<b>4,567.8</b>	<b>3,064.3</b>	<b>18,843.0</b>	<b>13,380.8</b>
<b>6</b>	<b>Tax expense / (credit)</b>					
	(a) Current tax	709.4	800.7	942.0	3,318.3	2,783.3
	(b) Deferred tax	(380.2)	(242.7)	(629.0)	(1,326.1)	(1,732.9)
	<b>Sub-total (a + b)</b>	<b>329.2</b>	<b>558.0</b>	<b>313.0</b>	<b>1,992.2</b>	<b>1,050.4</b>
	(c) Tax adjustment of earlier periods	-	-	39.2	-	(313.8)
	<b>Total Tax Expense (a + b + c)</b>	<b>329.2</b>	<b>558.0</b>	<b>352.2</b>	<b>1,992.2</b>	<b>736.6</b>
<b>7</b>	<b>Profit for the period after tax (5 - 6)</b>	<b>3,627.4</b>	<b>4,009.8</b>	<b>2,712.1</b>	<b>16,850.8</b>	<b>12,644.2</b>
<b>8</b>	<b>Other Comprehensive Income (net of tax)</b>					
	(a) (i) Items that will not be reclassified to profit or loss	(65.7)	(3.6)	(248.1)	(76.7)	(265.6)
	(ii) Income tax relating to items that will not be reclassified to profit or loss	22.9	1.3	86.7	26.8	92.8
	(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	-	-	-	-	-
	<b>Total Other Comprehensive Income (net of tax)</b>	<b>(42.8)</b>	<b>(2.3)</b>	<b>(161.4)</b>	<b>(49.9)</b>	<b>(172.8)</b>
<b>9</b>	<b>Total Comprehensive Income for the period (7) + (8)</b>	<b>3,584.6</b>	<b>4,007.5</b>	<b>2,550.7</b>	<b>16,800.9</b>	<b>12,471.4</b>
<b>10</b>	<b>Paid-up Equity Share Capital</b> (Face Value ₹ 2 each fully paid up)	<b>239.1</b>	<b>239.1</b>	<b>239.1</b>	<b>239.1</b>	<b>239.1</b>
<b>11</b>	<b>Other Equity</b>				<b>76,018.4</b>	<b>62,565.3</b>
<b>12</b>	<b>Earnings Per Share of ₹ 2 each (not annualised for the quarters)</b>					
	(a) Basic (₹)	30.34	33.54	22.68	140.93	105.75
	(b) Diluted (₹)	30.34	33.54	22.68	140.93	105.75

**Statement of Assets and Liabilities as at 31 March 2021**

(₹ in Million)

Particulars	As at 31 March 2021 (Audited)	As at 31 March 2020 (Audited)
<b>I. ASSETS</b>		
<b>1 Non-current assets</b>		
(a) Property, plant and equipment	16,486.0	16,892.5
(b) Capital work-in-progress	3,232.6	3,136.6
(c) Intangible assets	1,097.6	1,475.1
(d) Investment in subsidiaries	18,770.4	17,102.0
(e) Financial Assets		
(i) Investments	1,131.7	843.2
(ii) Loans	333.2	334.7
(iii) Others financial assets	221.3	49.4
(f) Deferred tax assets (net)	9,544.3	8,191.6
(g) Non current tax assets (net)	70.2	227.4
(h) Other non-current assets	524.6	514.0
<b>Total Non-current assets</b>	<b>51,411.9</b>	<b>48,766.5</b>
<b>2 Current assets</b>		
(a) Inventories	15,132.6	10,925.8
(b) Financial Assets		
(i) Investments	1,621.7	1,615.2
(ii) Trade receivables	15,565.5	15,550.7
(iii) Cash and cash equivalents	152.2	206.9
(iv) Bank balances other than (iii) above	16,581.4	7,449.2
(v) Loans	211.1	233.9
(vi) Others financial assets	2,282.0	1,815.3
(c) Other current assets	4,713.4	4,337.3
(d) Non-current assets held for sale	55.5	157.5
<b>Total Current assets</b>	<b>56,315.4</b>	<b>42,291.8</b>
<b>TOTAL ASSETS</b>	<b>107,727.3</b>	<b>91,058.3</b>
<b>II. EQUITY AND LIABILITIES</b>		
<b>1 Equity</b>		
(a) Equity share capital	239.1	239.1
(b) Other Equity	76,018.4	62,565.3
<b>Total Equity</b>	<b>76,257.5</b>	<b>62,804.4</b>
<b>2 Non-current liabilities</b>		
(a) Financial Liabilities		
(i) Borrowings	63.2	63.2
(ii) Other financial liabilities	333.7	487.2
(b) Provisions	1,904.2	1,825.0
(c) Other non-current liabilities	69.3	80.9
<b>Total Non-Current liabilities</b>	<b>2,370.4</b>	<b>2,456.3</b>
<b>3 Current liabilities</b>		
(a) Financial Liabilities		
(i) Borrowings	13,328.4	12,030.6
(ii) Trade payables		
Dues of Micro and Small Enterprises	1,044.7	952.3
Dues of creditors other than Micro and Small Enterprises	8,484.5	7,171.1
(iii) Other financial liabilities	3,336.7	3,141.1
(b) Other current liabilities	918.5	815.2
(c) Provisions	1,936.5	1,585.2
(d) Current tax Liabilities (Net)	50.1	102.1
<b>Total Current liabilities</b>	<b>29,099.4</b>	<b>25,797.6</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>107,727.3</b>	<b>91,058.3</b>

**Notes :**

- 1 The above audited standalone financial results of the Company were reviewed and recommended by the Audit Committee on 24 May 2021 and subsequently approved by the Board of Directors at its meeting held on 25 May 2021. The auditors have expressed an unmodified opinion on the financial results for the year ended 31 March 2021. The figures for the quarter ended 31 March 2021 and 31 March 2020 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 2020 and 31 December 2019 respectively, which were subjected to limited review.
- 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 During the year ended 31 March 2021, the Company has received net consideration of **Rs.351.0 Million** towards assignment of a trademark together with associated goodwill, business and commercial rights and the same has been recognised under Other Income. The same has been accrued in the quarter ended 31 December 2020.
- 4 For business synergies, ease of administration and simplification in the organization structure for its business operations in USA market, the Company's Board of Directors at its meeting held on 25 May 2021 has approved the proposed plan for restructuring of the USA business operations by bringing both the subsidiary entities namely, S & B Pharma Inc, USA ("S & B") (engaged in manufacturing of pharmaceutical products and contract research) and The PharmaNetwork LLC, USA ("TPNC") (engaged in sales & marketing of pharmaceuticals products) under a single umbrella by removing intermediary holding company S & B Holdings BV, Netherlands ("S & B BV"). This Board approved restructuring is subject to necessary statutory and regulatory approvals.
- 5 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 quarter ended 31 March 2021, an impairment loss of **Rs.127.8 Million** has been 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'.
- 6 The Company operates in one reportable business segment i.e. "Pharmaceuticals", accordingly no separate disclosure of segment has been made.
- 7 During the quarter ended 31 March 2021, the Company has paid an interim dividend of ₹ 25 (Rupees Twenty five only) per equity share (1250% on the face value of ₹ 2 each) for the financial year 2020-21. The Board of Directors at its meeting held on 25 May 2021 has recommended 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.
- 8 Previous year figures have been regrouped/reclassified wherever required, to make them comparable with the figures for the current year.

**Statement of Cash Flow for the year ended 31 March 2021**

(₹ in million)

Particulars	For the year ended 31 March 2021 (Audited)	For the year ended 31 March 2020 (Audited)
<b>A. Cash Flow from Operating Activities:</b>		
Profit before tax	18,843.0	13,380.8
<u>Adjustments for:</u>		
Depreciation and amortisation	1,989.3	1,868.4
Unrealised (gain) / loss on fair valuation of investments (net)	(260.6)	148.0
Profit on sale of investments (net)	(17.7)	-
Loss / (profit) on sale of property plant and equipment (net)	23.1	(38.8)
Dividend income	-	(56.9)
Profit on sale of brand (net)	(351.0)	-
Interest income	(783.0)	(519.2)
Interest expenses	429.3	387.1
Allowances for doubtful debts	44.6	29.7
Recovery of Bad debts	(114.9)	-
Impairment of investment in subsidiaries	127.8	-
Unrealised foreign currency (gain) / loss on revaluation (net)	169.1	(384.8)
Rent income	(22.6)	(21.1)
<b>Subtotal of Adjustments</b>	<b>1,233.4</b>	<b>1,412.4</b>
<b>Operating profit before working capital changes</b>	<b>20,076.4</b>	<b>14,793.2</b>
Adjustments for changes in working capital:		
Increase in trade receivables	(599.8)	(4,986.7)
Increase in loans, other financial assets and other assets	(907.8)	(1,451.1)
Increase in inventories	(4,206.8)	(1,013.0)
Increase in trade payable, other financial liabilities and other liabilities	1,742.0	1,492.5
Increase in provisions	353.8	322.3
<b>Subtotal of Adjustments</b>	<b>(3,618.6)</b>	<b>(5,636.0)</b>
Cash generated from operations	16,457.8	9,157.2
Less: Income taxes paid (net of refund)	(3,213.0)	(2,339.4)
Net cash generated from operating activities	13,244.8	6,817.8
<b>B. Cash Flow from Investing Activities:</b>		
Purchases of property, plant and equipment	(1,308.1)	(2,820.9)
Sale of property, plant and equipment	10.5	151.6
Proceeds from sale of / (Purchase of) investments (net)	(16.8)	527.8
Profit on sale of brands (net)	351.0	-
Investments in subsidiaries	(1,796.2)	(3,280.1)
Investment made in bank deposits having maturity of more than 3 months	(9,139.5)	(5,005.3)
Dividend received	-	56.9
Interest received	666.6	397.2
Rent received	22.6	21.1
Net Cash used in investing activities	(11,209.9)	(9,951.7)
<b>C. Cash Flow from Financing Activities:</b>		
Proceeds from current borrowings (net)	1,757.6	6,541.1
Repayment of lease liabilities	(123.1)	(108.5)
Dividends and corporate dividend tax paid	(3,347.8)	(4,319.1)
Interest paid	(376.3)	(387.1)
Net cash (used in)/generated from financing activities	(2,089.6)	1,726.4
<b>D Net (decrease)/increase in cash and cash equivalents (A+B+C)</b>	<b>(54.7)</b>	<b>(1,407.5)</b>
<b>E Cash and cash equivalents as at beginning of the year</b>	<b>206.9</b>	<b>1,614.4</b>
<b>F Cash and cash equivalents as at end of the year (D+E)</b>	<b>152.2</b>	<b>206.9</b>

**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 year.

Place: Mumbai  
Date: 25 May 2021

By Order of the Board  
**For Alkem Laboratories Limited**

Basudeo  
Narayan  
Singh

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