

B S R & Co. LLP

Chartered Accountants

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Independent Auditor's 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 2023, attached herewith, (in which are included financial information from one branch) 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, 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:

- are presented in accordance with the requirements of Regulation 33 of the Listing Regulations in this regard; and
- 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 loss and other financial information for the year ended 31 March 2023.

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 obtained by us, 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

Sum

Independent Auditor's Report (Continued)

Alkem Laboratories Limited

of the Listing Regulations. 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 are 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 annual financial results made by the Management and Board of Directors.
- 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

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Independent Auditor's Report (Continued)

Alkem Laboratories Limited

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 Matter

The standalone annual financial results include the results for the quarter ended 31 March 2023 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

Sreeja Marar

Partner

Mumbai

19 May 2023

Membership No.: 111410

UDIN:23111410BGYAUM1079

ALKEM LABORATORIES LIMITED

CIN No.:L00305MH1973PLC174201

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Statement of Audited Standalone Financial Results for the Quarter and Year ended 31 March 2023

(₹ in Million except per share data)

Particulars	Quarter ended			Year ended	
	31.03.2023 Audited (Refer Note 1)	31.12.2022 Unaudited	31.03.2022 Audited (Refer Note 1)	31.03.2023 Audited	31.03.2022 Audited
1 Income					
(a) Revenue from Operations	22,379.9	22,967.2	20,063.1	90,545.5	88,298.1
(b) Other Income	766.0	607.4	542.3	2,662.9	1,998.9
Total Income	23,145.9	23,574.6	20,605.4	93,208.4	90,297.0
2 Expenses					
(a) Cost of materials consumed	6,588.8	6,887.8	7,660.0	26,297.8	28,497.5
(b) Purchases of stock-in-trade	2,349.8	2,688.9	2,458.9	9,431.3	10,770.4
(c) Changes in inventories of finished goods, work-in-progress and stock-in-trade	449.2	(383.4)	(1,148.7)	2,577.3	(3,609.0)
(d) Employee benefits expense	3,464.0	3,698.2	3,306.8	15,162.2	14,344.9
(e) Finance costs	217.4	226.2	130.8	864.0	379.0
(f) Depreciation and amortisation expense	571.6	581.4	550.1	2,298.5	2,189.8
(g) Other expenses	6,208.2	5,516.0	5,789.2	23,307.4	20,190.7
Total Expenses	19,849.0	19,215.1	18,747.1	79,938.5	72,763.3
3 Profit before exceptional items and tax (1) - (2)	3,296.9	4,359.5	1,858.3	13,269.9	17,533.7
4 Exceptional items	-	-	-	-	-
5 Profit before tax (3) + (4)	3,296.9	4,359.5	1,858.3	13,269.9	17,533.7
6 Tax expense / (credit)					
(a) Current tax	536.3	764.0	324.1	2,275.2	3,038.2
(b) Deferred tax	212.7	(293.4)	765.4	(350.0)	(917.0)
Total Tax Expense (a + b)	749.0	470.6	1,089.5	1,925.2	2,121.2
7 Profit for the period after tax (5 - 6)	2,547.9	3,888.9	768.8	11,344.7	15,412.5
8 Other Comprehensive Income (net of tax)					
(a) (i) Items that will not be reclassified to profit or loss	(14.8)	(6.3)	(26.8)	(33.7)	(74.7)
(ii) Income tax relating to items that will not be reclassified to profit or loss	5.2	2.2	9.4	11.8	26.1
(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)	(9.6)	(4.1)	(17.4)	(21.9)	(48.6)
9 Total Comprehensive Income for the period (7) + (8)	2,538.3	3,884.8	751.4	11,322.8	15,363.9
10 Paid-up Equity Share Capital (Face Value ₹ 2 each fully paid up)	239.1	239.1	239.1	239.1	239.1
11 Other Equity				93,259.4	87,197.5
12 Earnings Per Share (not annualised for the quarters)					
(a) Basic (₹)	21.31	32.53	6.43	94.88	128.90
(b) Diluted (₹)	21.31	32.53	6.43	94.88	128.90

Statement of Audited Standalone Assets and Liabilities as at 31 March 2023

(₹ in Million)

Particulars	As at 31 March 2023 (Audited)	As at 31 March 2022 (Audited)
I. ASSETS		
1 Non-current assets		
(a) Property, plant and equipment	16,725.2	17,312.2
(b) Right of use assets	959.9	913.9
(c) Capital work-in-progress	1,851.0	2,324.5
(d) Other Intangible assets	565.8	594.6
(e) Intangible assets under development	436.5	-
(f) Investment in subsidiaries	25,502.6	22,770.2
(g) Financial Assets		
(i) Investments	1,427.0	1,164.3
(ii) Loans	83.4	178.5
(iii) Other financial assets	309.4	6,282.1
(h) Deferred tax assets (net)	10,849.2	10,487.4
(i) Non current tax assets (net)	381.9	330.5
(j) Other non-current assets	498.2	727.4
Total Non-current assets	59,590.1	63,085.6
2 Current assets		
(a) Inventories	17,246.6	19,757.3
(b) Financial Assets		
(i) Investments	3,125.9	1,351.6
(ii) Trade receivables	17,683.4	17,682.2
(iii) Cash and cash equivalents	50.1	818.2
(iv) Bank balances other than (iii) above	21,588.6	22,153.9
(v) Loans	16.8	145.3
(vi) Other financial assets	1,683.6	1,542.2
(c) Other current assets	6,327.1	5,138.1
(d) Non-current assets held for sale	-	17.3
Total Current assets	67,722.1	68,606.1
TOTAL ASSETS	127,312.2	131,691.7
II. EQUITY AND LIABILITIES		
1 Equity		
(a) Equity share capital	239.1	239.1
(b) Other Equity	93,259.4	87,197.5
Total Equity	93,498.5	87,436.6
2 Non-current liabilities		
(a) Financial Liabilities		
(i) Lease liabilities	450.6	378.4
(b) Provisions	2,841.7	2,576.3
(c) Other non-current liabilities	73.1	62.8
Total Non-Current liabilities	3,365.4	3,017.5
3 Current liabilities		
(a) Financial Liabilities		
(i) Borrowings	11,258.9	22,455.2
(ii) Lease liabilities	107.4	104.2
(iii) Trade payables		
Dues of Micro and Small Enterprises	980.1	794.4
Dues of creditors other than Micro and Small Enterprises	9,783.3	10,315.8
(iv) Other financial liabilities	4,904.2	4,799.1
(b) Other current liabilities	1,170.0	828.7
(c) Provisions	2,159.4	1,940.2
(d) Current tax Liabilities (Net)	85.0	-
Total Current liabilities	30,448.3	41,237.6
TOTAL EQUITY AND LIABILITIES	127,312.2	131,691.7

Statement of Audited Standalone Cash Flow for the year ended 31 March 2023

(₹ in million)

Particulars	For the year ended 31 March 2023 (Audited)	For the year ended 31 March 2022 (Audited)
A. Cash Flow from Operating Activities:		
Profit before tax	13,269.9	17,533.7
<u>Adjustments for:</u>		
Depreciation and amortisation	2,298.5	2,189.8
Unrealised (gain) / loss on fair valuation of investments (net)	(329.8)	(37.6)
Profit on sale of investments (net)	(19.3)	(28.8)
Loss on sale / write off of property plant and equipment (net)	123.6	12.0
Dividend income	(36.3)	(36.8)
Interest income	(1,471.8)	(1,095.9)
Interest expenses	864.0	379.0
Allowances for doubtful debts	26.1	1.1
Liabilities no longer required written back	(10.7)	(140.8)
Unrealised foreign currency (gain) / loss on revaluation (net)	(155.4)	(162.1)
Subtotal of Adjustments	1,288.9	1,079.9
Operating profit before working capital changes	14,558.8	18,613.6
Adjustments for changes in working capital:		
(Increase) / Decrease in trade receivables	19.2	(1,728.6)
(Increase) / Decrease in loans, other financial assets and other assets	(838.5)	407.9
(Increase) / Decrease in inventories	2,510.7	(4,624.8)
Increase / (Decrease) in trade payable, other financial liabilities and other liabilities	82.6	3,195.0
Increase in provisions	283.0	478.8
Subtotal of Adjustments	2,057.0	(2,271.7)
Cash generated from operations	16,615.8	16,341.9
Less: Income taxes paid (net of refund)	(2,241.6)	(3,348.5)
Net cash generated from operating activities	14,374.2	12,993.4
B. Cash Flow from Investing Activities:		
Purchases of property, plant and equipment	(1,417.8)	(2,448.7)
Sale of property, plant and equipment	27.6	105.9
Proceeds from sale of / (Purchase of) investments (net)	(1,687.9)	304.0
Investments in subsidiaries	(2,732.4)	(3,999.8)
(Investment made in) / Redemption of bank deposits having maturity of more than 3 months (net)	6,515.1	(11,538.2)
Dividend received	36.3	36.8
Interest received	1,229.5	846.7
Net cash generated from / (used in) investing activities	1,970.4	(16,693.3)
C. Cash Flow from Financing Activities:		
(Repayment of) / Proceeds from current borrowings (net)	(11,029.5)	8,929.0
Repayment of lease liabilities (net)	(126.2)	(121.5)
Dividends paid	(5,260.9)	(4,184.8)
Interest paid	(696.1)	(256.8)
Net cash (used in)/generated from financing activities	(17,112.7)	4,365.9
D Net (decrease)/increase in cash and cash equivalents (A+B+C)	(768.1)	666.0
E Cash and cash equivalents as at beginning of the year	818.2	152.2
F Cash and cash equivalents as at end of the period (D+E)	50.1	818.2

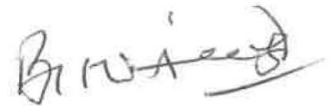
Notes:

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 audited standalone financial results of the Company were reviewed and recommended by the Audit Committee on 18 May 2023 and subsequently approved by the Board of Directors at its meeting held on 19 May 2023. The auditors have expressed an unmodified opinion on the financial results for the year ended 31 March 2023. The figures for the quarter ended 31 March 2023 and 31 March 2022 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 2022 and 31 December 2021 respectively, which were subjected to limited review.
- 2 The Company has entered into a Securities Subscription Agreement and Shareholders' Agreement dated 23 December 2022 with Enzene Biosciences Limited, a subsidiary of the Company ("Enzene"), Eight Roads Ventures India Healthcare IV, L.P. ("Eight Roads Ventures") and F-Prime Capital Partners Life Sciences Fund VI LP ("F-Prime Capital") towards subscription of Compulsorily Convertible Preference Shares ('CCPS') by Eight Roads Ventures and F-Prime Capital in Enzene for a consideration of Rs.1,614.8 million which is equivalent to 8% of the subsidiary's equity valuation.
- 3 During the quarter ended 31 March 2023, the Company has paid a Special Dividend of ₹ 25 (Rupees Twenty five only) per equity share. In addition to the Special Dividend, the Company has also paid an interim dividend of ₹ 15 (Rupees Fifteen only) per equity share amounting to a total interim dividend of ₹ 40 (Rupees Forty only) per equity share (2000% on the face value of ₹ 2 each) for the financial year ended 31 March 2023. The Board of Directors at its meeting held on 19 May 2023 has recommended a final dividend of ₹ 10 (Rupees Ten only) per equity share (500% on the face value of ₹ 2 each) for the financial year 2022-23.
- 4 The Company operates in one reportable business segment i.e. "Pharmaceuticals", accordingly no separate disclosure of segment has been made.

By Order of the Board
For Alkem Laboratories Limited



B.N. Singh
Executive Chairman
DIN: 00760310

Place: Mumbai
Date: 19 May 2023