

B S R & Co. LLP

Chartered Accountants

5th Floor, Lodha Excelus,
Apollo Mills Compound
N. M. Joshi Marg, Mahalaxmi
Mumbai - 400 011
India

Telephone +91 (22) 4345 5300
Fax +91 (22) 4345 5399

Limited review report

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 2019 to 30 September 2019 ('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 recognised 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



Sadashiv Shetty
Partner

Mumbai
11 November 2019

Membership No: 048648
UDIN: 19048648AAAACN8608

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 Unaudited Standalone Financial Results for the Quarter and Six months ended 30 September 2019

(₹ in Million except per share data)

Particulars	Quarter ended			Six months ended		Year ended
	30.09.2019 Unaudited	30.06.2019 Unaudited	30.09.2018 Unaudited	30.09.2019 Unaudited	30.09.2018 Unaudited	31.03.2019 Audited
1 Income						
(a) Revenue from operations	18,946.5	14,985.1	14,402.0	33,931.6	27,101.0	57,140.9
(b) Other income	305.9	127.2	239.3	433.1	433.6	675.8
Total Income	19,252.4	15,112.3	14,641.3	34,364.7	27,534.6	57,816.7
2 Expenses						
(a) Cost of materials consumed	4,414.3	4,633.7	3,710.5	9,048.0	6,747.5	14,972.2
(b) Purchases of stock-in-trade	2,177.0	2,017.0	1,261.6	4,194.0	3,157.9	6,880.9
(c) Changes in inventories of finished goods, work-in-progress and stock-in-trade	839.3	(937.6)	568.2	(98.3)	579.4	865.6
(d) Employee benefits expense	2,755.0	2,835.8	2,283.5	5,590.8	4,711.1	9,600.9
(e) Finance costs	101.0	91.5	89.4	192.5	193.6	282.6
(f) Depreciation and amortisation expense	402.5	401.3	333.7	803.8	649.8	1,410.7
(g) Other expenses	3,910.4	3,785.0	3,546.7	7,695.4	7,071.4	14,364.2
Total Expenses	14,599.5	12,826.7	11,793.6	27,426.2	23,110.7	48,377.1
3 Profit before exceptional item and tax (1) - (2)	4,652.9	2,285.6	2,847.7	6,938.5	4,423.9	9,439.6
4 Exceptional item	-	-	-	-	-	-
5 Profit before tax (3) - (4)	4,652.9	2,285.6	2,847.7	6,938.5	4,423.9	9,439.6
6 Tax expense / (credit)						
Current tax	720.2	532.3	620.3	1,252.5	960.3	2,004.1
Deferred tax	(407.5)	(352.9)	(155.6)	(760.4)	(214.3)	(562.9)
Total Tax Expense	312.7	179.4	464.7	492.1	746.0	1,441.2
7 Profit for the period after tax (5) - (6)	4,340.2	2,106.2	2,383.0	6,446.4	3,677.9	7,998.4
8 Other Comprehensive Income (net of tax)						
Items that will not be reclassified to profit or loss	(5.9)	(5.8)	3.1	(11.7)	6.2	(64.3)
Income tax relating to items that will not be reclassified to profit or loss	2.1	2.0	(1.0)	4.1	(2.1)	22.5
Items that will be reclassified to profit or loss	-	-	-	-	-	-
Income tax relating to items that will be reclassified to profit or loss	-	-	-	-	-	-
Total Other Comprehensive Income (net of tax)	(3.8)	(3.8)	2.1	(7.6)	4.1	(41.8)
9 Total Comprehensive Income for the period (comprising Profit for the period (after tax) and Other Comprehensive Income (net of tax)) (7) + (8)	4,336.4	2,102.4	2,385.1	6,438.8	3,682.0	7,956.6
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						54,413.0
12 Earnings Per Share of ₹ 2 each (not annualised for the quarters)						
(a) ₹ (Basic)	36.30	17.62	19.93	53.92	30.76	66.90
(b) ₹ (Diluted)	36.30	17.62	19.93	53.92	30.76	66.90



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Statement of Assets and Liabilities as at 30 September 2019

(₹ in Million)

Particulars	As at 30 September 2019 (Unaudited)	As at 31 March 2019 (Audited)
I. ASSETS		
1 Non-current assets		
(a) Property, plant and equipment	15,535.2	15,737.6
(b) Capital work-in-progress	4,131.2	3,815.9
(c) Intangible assets	986.2	326.2
(d) Investment in subsidiaries	14,329.6	13,821.7
(e) Financial Assets		
(i) Investments	958.0	942.5
(ii) Loans	316.7	127.3
(iii) Others financial assets	776.2	161.2
(f) Deferred tax assets (net)	7,130.2	6,365.9
(g) Non current tax assets (net)	60.0	262.3
(h) Other non-current assets	848.8	554.1
Total Non-current assets	45,072.1	42,114.7
2 Current assets		
(a) Inventories	9,682.5	9,912.8
(b) Financial Assets		
(i) Investments	2,070.4	2,191.8
(ii) Trade receivables	12,697.9	9,666.4
(iii) Cash and cash equivalents	1,865.6	1,614.4
(iv) Bank balances other than (iii) above	4,564.5	2,365.0
(v) Loans	263.5	262.5
(vi) Others financial assets	1,426.4	1,010.4
(c) Other current assets	4,099.5	3,603.8
(d) Non-current assets held for sale	124.1	179.7
Total Current assets	36,794.4	30,806.8
TOTAL ASSETS	81,866.5	72,921.5
II. EQUITY AND LIABILITIES		
1 Equity		
(a) Equity share capital	239.1	239.1
(b) Other Equity	59,703.9	54,413.0
Total Equity	59,943.0	54,652.1
2 Non-current liabilities		
(a) Financial Liabilities		
(i) Borrowings	596.2	63.2
(b) Provisions	1,931.5	1,688.3
(c) Other non-current liabilities	86.7	92.3
Total Non-Current liabilities	2,614.4	1,843.8
3 Current liabilities		
(a) Financial Liabilities		
(i) Borrowings	7,609.6	4,966.4
(ii) Trade payables		
Dues of Micro and Small Enterprises	677.6	346.8
Dues of creditors other than Micro and Small Enterprises	5,609.5	7,194.1
(iii) Other financial liabilities	3,600.3	2,131.6
(b) Other current liabilities	704.3	742.0
(c) Provisions	1,107.8	1,037.8
(d) Current tax Liabilities (Net)	-	6.9
Total Current liabilities	19,309.1	16,425.6
TOTAL EQUITY AND LIABILITIES	81,866.5	72,921.5



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Notes :

- 1 The above unaudited standalone financial results of the Company were reviewed and recommended by the Audit Committee and subsequently approved by the Board of Directors at its meeting held on 11 November 2019. The figures for the quarter and six months ended 30 September 2019 have been subjected to limited review by the statutory auditors. The auditors have expressed an unmodified opinion on the financial results for the quarter and six months ended 30 September 2019.
- 2 Effective 1 April 2019, the Company has adopted Ind AS 116 "Leases" applicable to all contracts having lease components existing on 1 April 2019 using modified retrospective approach. This has resulted in recognising right of use asset and a corresponding lease liability of **Rs.646.2 million** as at 1 April 2019. In the statement of profit and loss for the current period, operating lease expenses has changed from lease rent to depreciation cost for the right of use asset and finance cost for interest accrued on lease liability. Due to this change, profit before tax for the quarter and six months ended 30 September 2019 is lower by **Rs.5.8 million** and **Rs.11.2 million** respectively. Consequent to adoption of Ind AS 116, there is no impact on retained earnings as on 1 April 2019 resulting in no restatement in results of comparative period.
- 3 Pursuant to the Taxation Law (Amendment) Ordinance, 2019 ('Ordinance') issued by Ministry of Law and Justice (Legislative Department) on 20 September 2019 which is effective 1 April 2019, domestic companies have the option to pay corporate income tax rate at 22% plus applicable surcharge and cess subject to certain conditions. The Company has made an assessment of the impact of the Ordinance and decided to continue with the existing tax structure until utilisation of accumulated minimum alternative tax (MAT) credit.
- 4 On 15 October 2019, the Company has acquired an industrial undertaking having facility of manufacturing liquid and food products, on a going concern basis from Cachet Pharmaceuticals Private Limited, a subsidiary of the Company for a total consideration of **Rs.518.5 million**.
- 5 The Board of Directors at its meeting held on 30 May 2019 had recommended a final dividend of ₹ 8 (Rupees eight only) per equity share (400.0 % on the face value of ₹ 2 each) for the financial year 2018-19 which was paid during the quarter ended 30 September 2019.
- 6 The Company operates in one reportable business segment i.e. "Pharmaceuticals", accordingly no separate disclosure of segment has been made.



Statement of Cash Flow for the six months ended 30 September 2019

(₹ in Million)

Particulars	For six months ended 30 September 2019 (Unaudited)	For six months ended 30 September 2018 (Unaudited)
A Cash Flow from Operating Activities:		
Profit before tax	6,938.5	4,423.9
<u>Adjustments for:</u>		
Depreciation and amortisation	803.8	649.8
Fair valuation of investments	(20.9)	-
Profit on sale of investments (net)	-	(42.6)
(Profit)/Loss on sale of property, plant and equipment (net)	(40.3)	4.8
Dividend income	(26.1)	(20.5)
Interest income	(201.6)	(145.3)
Interest expenses	192.5	193.6
Allowances for doubtful debts	(9.3)	70.3
Unrealised foreign currency loss on revaluation (net)	178.4	143.4
Rent income	(10.1)	(10.0)
Subtotal of Adjustments	866.4	843.5
Operating profit before working capital changes	7,804.9	5,267.4
Changes in working capital:		
Adjustments for (increase)/decrease in:		
Increase in trade receivables	(3,022.2)	(646.5)
(Increase) / Decrease in loans, other financial assets and other assets	(1,104.3)	316.5
Decrease in inventories	230.3	298.2
increase / (Decrease) in trade payable, other financial liabilities and other liabilities	52.1	(2,729.1)
Increase in provisions	301.6	298.9
Subtotal of Adjustments	(3,542.5)	(2,462.0)
Cash generated from operations	4,262.4	2,805.4
Less: Income taxes paid (net of refund)	(1,056.9)	(955.8)
Net cash generated from operating activities	3,205.5	1,849.6
B Cash Flow from Investing Activities:		
Purchases of property, plant and equipment	(1,140.1)	(2,309.7)
Sale of property, plant and equipment	92.4	3.6
Proceeds from sale of investments (net)	126.9	1,083.8
Investment in subsidiaries	(508.0)	(740.8)
(Investment) in / Redemption of bank deposits having maturity of more than 3 months	(2,838.5)	1,439.4
Dividend received	26.1	20.5
Interest received	207.2	232.3
Rent received	10.1	10.0
Net Cash (used in) investing activities	(4,023.9)	(260.9)
C Cash Flow from Financing Activities:		
Proceeds from / (Repayment) of current borrowings (net)	2,464.8	(170.0)
Repayment of lease liabilities	(54.8)	-
Dividends and corporate dividend tax paid	(1,147.9)	(1,009.0)
Interest paid	(192.5)	(193.6)
Net cash generated / (used in) financing activities	1,069.6	(1,372.6)
D Net increase in cash and cash equivalents (A+B+C)	251.2	216.1
E Cash and cash equivalents as at beginning of the period	1,614.4	51.6
F Cash and cash equivalents as at end of the period (D+E)	1,865.6	267.7

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

Place: Mumbai
Date: 11 November 2019



By Order of the Board
For Alkem Laboratories Limited

B.N. Singh

B.N. Singh
Executive Chairman

