

To,
The Board of Directors,
Alkem Laboratories Limited, India

Independent Accountant's Report on the financial statements of M/s S & B Pharma Inc., Delaware, USA, a foreign subsidiary of M/s Alkem Laboratories Limited, India (hereinafter referred to as "the holding company") on its translation in Indian currency and its presentation as per Division II of Schedule III to the Companies Act, 2013 and Ind AS required for the purposes of Section 129(3) of the Companies Act, 2013 and its consolidation with the financial statements of the holding company.

1. The financial statements of **M/s S & B Pharma Inc., Delaware, USA** for the year ended 31st March, 2019 (which comprises of its Balance Sheet as at 31st March, 2019, its Statement of Profit & Loss, the Statement of Changes in Equity, its Cash Flow Statement for the year then ended and a summary of the significant accounting policies and other explanatory information (hereinafter referred to as "the financial statements")) are prepared by its management in The United States of America in its reporting currency in US Dollar as per the requirements of the US Laws and US GAAPs and have been audited by its auditors M/s WDC & Associates, LLP, CPAs in United States of America.
2. Those financial statements have been translated by the management of its holding company M/s Alkem Laboratories Limited, India in Indian currency (INR) and is prepared in the formats as per the requirements of Division II of Schedule III to the Companies Act, 2013 and as per Ind AS, for the purpose of presenting to its shareholders as required by Section 129(3) of the Companies Act, 2013 and for the purpose of consolidation with the financial statements of the holding company.

Management's Responsibility for the Financial Statements

3. The Management of the holding company is responsible for translation of these financial statements in Indian currency and presentation as per Division II of Schedule III to the Companies Act, 2013 and as per Ind AS for the purpose of Section 129(3) of the Companies Act, 2013 and for the purpose of consolidation with the financial statements of the holding company.

Auditor's Responsibility

4. Our responsibility is to express an opinion on whether the financial statements dealt with by this report are translated from US Dollar to Indian Rupees by adopting the applicable rates of foreign currency for the period in accordance with Ind AS-21 prescribed by the Companies (Indian Accounting Standard) Rules, 2015 and is prepared in the formats as per the requirements of Division II of Schedule III to the Companies Act, 2013 and as per Ind AS.
5. We conducted our verification in accordance with the standards generally accepted in India and Standards on Auditing issued by the Institute of Chartered Accountants of India (ICAI). Those standards require that we plan and perform our verification to obtain reasonable assurance about whether the financial statements are translated in Indian currency by adopting appropriate rates of foreign currency and are prepared in the formats and in the manner



required by Division II to Schedule III to the Companies Act, 2013 and as per Ind AS. We believe that our verification provides a reasonable basis for our opinion.

Opinion

6. The financial statements dealt with by this report are prepared from and are in agreement with the financial statements of M/s S & B Pharma Inc., Delaware, USA prepared in US Dollars as per US GAAP and audited by its auditors M/s WDC & Associates, LLP, CPAs in United States of America for the year ended 31st March, 2019 which comprises its Balance Sheet as at 31st March, 2019, its Statement of Profit and Loss, the Statement of Changes in Equity, its Cash Flow Statement for the year then ended and a summary of significant accounting policies and other explanatory information;
7. In our opinion, the financial statements dealt with by this report are translated from US Dollar to Indian Rupees by adopting the applicable rates of foreign currency for the period in accordance with Ind AS-21 prescribed by the Companies (Indian Accounting Standard) Rules, 2015.
8. In our opinion and to the best of our information and according to the explanations given to us, the said financial statements read together with the significant accounting policies and notes thereto is prepared as per the formats and in the manner required by Division II of Schedule III to the Companies Act, 2013 and as per the requirements of Ind AS prescribed by the Companies (Indian Accounting Standard) Rules, 2015.

Restriction on Distribution and use

9. This report is issued solely for the purpose of the requirements of Section 129(3) of the Companies Act, 2013 to present these financial statements to the shareholders of the holding company M/s Alkem Laboratories Limited, India and for its consolidation with the financial statements of the holding company and should not be used for any other purpose.
10. This report is not a report under Section 143 of the Companies Act, 2013 including the Companies (Auditors) Report Order, 2016, and accordingly does not include any statement on the matters specified therein.

For **R.S.SANGHAI & ASSOCIATES**
Chartered Accountants
Registration No. 109094W



R.S.SANGHAI
Partner
Membership No.: 036931

Place: Mumbai
Date: 27th May, 2019

S & B PHARMA INC., (USA)
FINANCIAL STATEMENTS
BALANCE SHEET AS AT 31st MARCH 2019

Particulars	Note No.	As at 31st March, 2019	As at 31st March, 2019	As at 31st March, 2018	As at 31st March, 2018
		USD	Rs.	USD	Rs.
I. ASSETS					
1 Non-current assets					
(a) Property, plant and equipment	3.1	40,560,421	2,811,729,494	32,142,944	2,086,655,629
(b) Capital work in progress	3.1	3,427,750	237,618,484	5,820,897	377,880,959
(c) Goodwill		3,942,668	273,313,631	3,942,668	255,950,121
(d) Other intangible assets	3.1	-	-	142,500	9,250,815
(e) Deferred tax assets	3.2	281,000	19,479,482	281,000	18,241,958
(f) Other non-current assets	3.3	605,479	41,973,049	1,708,261	110,896,888
Total Non-current assets		48,817,318	3,384,114,140	44,038,270	2,858,876,370
2 Current assets					
(a) Inventories	3.4	5,227,321	362,368,351	5,275,063	342,446,570
(b) Financial assets					
(i) Investments	3.5	1,007,408	69,835,537	450,000	29,213,100
(ii) Trade receivables	3.6	4,753,548	329,525,437	4,995,038	324,267,879
(iii) Cash and cash equivalents	3.7	4,008,587	277,883,265	6,781,991	440,273,305
(iv) Other receivables	3.8	-	-	9,005	584,585
(c) Other current assets	3.9	504,748	34,990,133	513,167	33,313,795
Total current assets		15,501,612	1,074,602,723	18,024,264	1,170,099,234
TOTAL ASSETS		64,318,930	4,458,716,863	62,062,534	4,028,975,604
II. EQUITY AND LIABILITIES					
1 Equity					
(a) Equity share capital	3.10	836	51,362	685	41,111
(b) Other equity (refer statement of changes in equity)		27,415,506	1,900,504,250	16,584,901	1,076,661,985
Total equity		27,416,342	1,900,555,612	16,585,586	1,076,703,096
2 Non-Current Liabilities					
(a) Financial liabilities					
(i) Borrowings	3.11	28,500,000	1,975,677,000	25,000,000	1,622,950,000
Total non-current liabilities		28,500,000	1,975,677,000	25,000,000	1,622,950,000
3 Current liabilities					
(a) Financial liabilities					
(i) Borrowings	3.12	-	-	15,875,000	1,030,573,250
(ii) Trade payables					
total outstanding dues of micro enterprises & small enterprises	3.13	-	-	-	-
total outstanding dues of creditors other than micro enterprises & small enterprises	3.13	1,325,220	91,866,935	2,066,502	134,153,166
(iii) Other financial liabilities	3.14	6,090,606	422,212,982	908,307	58,965,511
(b) Other current liabilities	3.15	229,427	15,904,351	902,708	58,601,965
(c) Provisions	3.16	757,335	52,499,983	724,431	47,028,616
Total current liabilities		8,402,588	582,484,251	20,476,948	1,329,322,508
TOTAL EQUITY AND LIABILITIES		64,318,930	4,458,716,863	62,062,534	4,028,975,604

Significant Accounting Policies
Notes on Accounts

1B & 2
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The accompanying notes are an integral part of Financial statement.

As per our attached report of even date
For R.S.Sanghal & Associates
Chartered Accountants
Firm's registration Number: 109094W

R.S.Sanghal
Partner

Membership Number: 036931
Place : Mumbai
Dated : 27th May, 2019



Rajesh Dubey

Management Representative of Alkem Laboratories Ltd.

S & B PHARMA INC., (USA)
FINANCIAL STATEMENTS
STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31st MARCH 2019

Particulars	Note No.	For the Year ended 31st March, 2019	For the Year ended 31st March, 2019	For the Year ended 31st March, 2018	For the Year ended 31st March, 2018
		USD	Rs.	USD	Rs.
1 Income					
(a) Revenue from operations	3.17	25,470,314	1,774,213,918	27,654,138	1,781,180,674
(b) Other income	3.18	548,917	38,236,532	8,152	525,077
Total Income		26,019,231	1,812,450,450	27,662,290	1,781,705,751
2 Expenses					
(a) Cost of materials consumed	3.19	5,326,127	371,007,932	5,451,225	351,108,996
(b) Changes in inventories of finished goods, stock-in-trade and work-in-progress	3.20	669,739	46,652,752	434,679	27,997,315
(c) Employee benefits expenses	3.21	17,451,874	1,215,664,543	15,658,844	1,008,573,501
(d) Finance costs	3.22	1,395,023	97,174,654	1,006,759	64,844,521
(e) Depreciation and amortisation expense	3.1	4,147,741	288,923,792	2,529,036	162,893,192
(f) Other expenses	3.23	7,197,944	501,395,178	7,057,330	454,556,935
Total expenses		36,188,448	2,520,818,851	32,137,873	2,069,974,460
3 Profit before tax (1) - (2)		(10,169,217)	(708,368,401)	(4,475,583)	(288,268,709)
4 Tax expenses	3.32	-	-	-	-
5 Profit for the period (3) - (4)		(10,169,217)	(708,368,401)	(4,475,583)	(288,268,709)
6 Other Comprehensive Income					
(i) Foreign currency translation difference		-	106,862,795	-	1,328,481
Total of other comprehensive income for the period, net of tax		-	106,862,795	-	1,328,481
7 Total comprehensive Income for the period (5) + (6)		(10,169,217)	(601,505,606)	(4,475,583)	(286,940,228)
8 Basic and diluted earnings per share	3.28	(125.50)	(8,742.16)	(65.38)	(4,211.13)

Significant Accounting Policies
Notes on Accounts

1B & 2
3

The accompanying notes are an integral part of Financial statement.

As per our attached report of even date

For **R.S.Sanghai & Associates**

Chartered Accountants

Firm's registration Number: 109094W

R.S.Sanghai

Partner

Membership Number: 036931

Place : Mumbai

Dated : 27th May, 2019



Rajesh Dubey

Management Representative of Alkem Laboratories Ltd.

S & B PHARMA INC., (CUSA)
FINANCIAL STATEMENTS
STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31ST MARCH, 2019
(a) Equity share capital

Balance at the beginning of the reporting period
Changes in equity share capital during the year
Balance at the end of the reporting period

As at 31st March, 2019		As at 31st March, 2018	
No. of Shares	Amount	No. of Shares	Amount
68,454	685	68,454	685
15,103	151	-	-
83,557	836	68,454	685

USD
(a) Equity share capital

Balance at the beginning of the reporting period
Changes in equity share capital during the year
Balance at the end of the reporting period

As at 31st March, 2019		As at 31st March, 2018	
No. of Shares	Amount	No. of Shares	Amount
68,454	41,111	68,454	41,111
15,103	10,251	-	-
83,557	51,362	68,454	41,111

Rs.
Note:

1. On 24 April 2018 and 24 May 2018, the parent shareholder made two equity investments in the amount totaling \$11,000,000 in exchange for 7,911 shares of the Company's common stock, par value \$.01 per share, issued with a premium of \$10,999,921. The proceeds received from the issuance of common stocks were utilized to pay off bank loans.

2. On 28 June 2018, the Board of Directors adopted a resolution converting \$9,999,973 of the parent shareholder's loan into 7,192 shares of the Company's common stock, par value \$.01 per share, with a share premium of \$ 9,999,901

3. The share premium from both transactions totaling \$20,999,822 was included in Additional Paid in Capital.

Other Equity
USD

Particulars	Reserves & surplus		Other comprehensive income	Total other equity
	Security Premium	Retained Earnings	Foreign Currency Translation Difference	
Balance as at 1st April, 2017	28,717,225	(7,656,741)	-	21,060,484
Total Comprehensive income for the year ended 31 March 2018				
Profit / (loss) for the year	-	(4,475,583)	-	(4,475,583)
Other Comprehensive Income	-	-	-	-
Balance as at 31st March, 2018	28,717,225	(12,132,324)	-	16,584,901
Total Comprehensive income for the year ended 31 March 2019				
Profit / (loss) for the year	-	(10,169,217)	-	(10,169,217)
Other Comprehensive Income				
Premium for issuing 7,192 shares	9,999,901	-	-	9,999,901
Premium for issuing 7,911 shares	10,999,921	-	-	10,999,921
Balance as at 31st March, 2019	49,717,047	(22,301,541)	-	27,415,506

Rs.
Other Equity

Particulars	Reserves & surplus		Other comprehensive income	Total other equity
	Security Premium	Retained Earnings	Foreign Currency Translation Difference	
Balance as at 1st April, 2017	1,850,571,530	(470,479,636)	(16,489,680)	1,363,602,214
Total Comprehensive income for the year ended 31 March 2018				
Profit for the year	-	(288,268,709)	-	(288,268,709)
Other Comprehensive Income	-	-	1,328,481	1,328,481
Balance as at 31st March, 2018	1,850,571,530	(758,748,345)	(15,161,199)	1,076,661,986
Total Comprehensive income for the year ended 31 March 2019				
Profit for the year ended 31st March, 2019	-	(708,368,401)	-	(708,368,401)
Other Comprehensive Income			106,862,795	106,862,795
Premium for issuing 7,192 shares	684,693,197	-	-	684,693,197
Premium for issuing 7,911 shares	740,654,673	-	-	740,654,673
Balance as at the end of the reporting period	3,275,919,400	(1,467,116,746)	91,701,596	1,900,504,250

The Description of the nature and purpose of each reserve within equity:

Security Premium: Security premium represents premium on shares issued.

Retained Earnings: Retained earnings are the profits that the company has earned till date, less any transfers to general reserve, dividends paid to shareholders.

As per our attached report of even date

For R.S.Sanghai & Associates

Chartered Accountants

Firm's registration Number: 109094W

R.S.Sanghai

Partner

Membership Number: 036931

Place : Mumbai

Dated : 27th May, 2019



Rajesh Dubey

Management Representative of Alkem Laboratories Ltd.

S & B PHARMA INC., (USA)
FINANCIAL STATEMENTS
CASHFLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2019

Particulars	Year ending 31st March, 2019		Year ending 31st March, 2018	
	USD	Rs.	USD	Rs.
A. Cash Flow from Operating activities				
Profit before Tax	(10,169,217)	(708,368,401)	(4,475,583)	(288,268,709)
Adjustments for :				
Depreciation	4,147,741	288,923,792	2,529,036	162,893,192
Loss on sale of property, plant and equipment	495,697	34,529,322	8,784	565,768
Bad Debts/Advances written off	-	-	190,627	12,278,121
Interest income	(15,458)	(1,076,756)	(4,500)	(289,810)
Interest expense	1,395,023	97,174,654	1,006,759	64,844,521
Operating profit before working capital changes	(4,146,214)	(288,817,390)	(744,877)	(47,976,917)
Adjustments for :				
Inventories	47,742	3,325,645	(1,529,503)	(98,514,058)
Trade receivable	241,491	16,821,788	2,234,194	143,902,642
Other current assets	17,424	1,213,751	(161,947)	(10,430,891)
Trade payables	(741,281)	(51,636,257)	882,138	56,817,825
Other current liabilities	4,509,017	314,089,593	(743,885)	(47,913,008)
Provision	32,904	2,292,034	44,688	2,878,301
Other non current assets	1,102,782	76,817,675	1,562,243	100,622,819
Net cash (used in) /generated from operating activities	1,063,865	74,106,840	1,543,051	99,386,713
B. Cash Flow from Investing activities				
Purchase of property, plant and equipment	(10,525,269)	(733,170,298)	(14,688,213)	(984,575,520)
Interest received	15,458	1,076,756	4,500	289,810
Investment made in shares	(557,408)	(38,827,987)	(450,000)	(30,164,254)
Net cash (used in) /generated from investing activities	(11,067,219)	(770,921,529)	(15,133,713)	(1,014,449,964)
C. Cash Flow from Financing activities				
Proceeds from long term borrowings	13,499,973	940,382,551	1,124,545	75,380,135
Proceeds from short term borrowings	(15,875,000)	(1,105,822,470)	9,875,000	661,937,787
Proceed from issue of shares	11,000,000	766,239,192	-	-
Interest paid	(1,395,023)	(97,174,654)	(1,006,759)	(67,484,729)
Net cash (used in) /generated from financing activities	7,229,950	503,624,619	9,992,786	669,833,193
Net increase/(decrease) in cash and cash equivalents	(2,773,404)	(193,190,070)	(3,597,876)	(245,230,058)
Cash and cash equivalents at the beginning of the year	6,781,991	440,273,305	10,379,866	672,063,094
Cash and cash equivalents at the end of the year	4,008,587	247,083,235	6,781,990	426,833,037

Notes :

1) Cash and cash equivalents include :

Particulars	As at 31st March, 2019		As at 31st March, 2018	
	USD	Rs.	USD	Rs.
Cash and cash equivalents (Refer Note 3.7)	4,008,587	277,883,265	6,781,991	440,273,305
Exchange difference (Unrealised (Gain) / Loss)	-	(30,800,030)	-	(13,440,268)
Total	4,008,587	247,083,235	6,781,991	426,833,037

2) The above Cash Flow Statement has been prepared under the "Indirect Method" as set out in the Indian Accounting Standard (Ind AS-7) on Cash Flow Statement.

As per our attached report of even date

For R.S.Sanghai & Associates

Chartered Accountants

Firm's registration Number: 109094W

R.S.Sanghai

Partner

Membership Number: 036931

Place : Mumbai

Dated : 27th May, 2019



Rajesh Dubey

Management Representative of Alkem Laboratories Ltd.

1A General Information

These financial statements are prepared solely for the purposes of consolidation by the holding company, Alkem Laboratories Ltd.

1B SIGNIFICANT ACCOUNTING POLICIES:**1.1 Basis of preparation of Financial Statements:****a) Statement of compliance**

The financial statements of the Company as at and for the year ended 31st March, 2019 have been prepared in accordance with Indian Accounting standards ('Ind AS') notified by the Ministry of Corporate Affairs in consultation with the National Advisory Committee on Accounting Standards, under section 133 of the Companies Act, 2013 ('Act') read with Rule 3 of the Companies (Indian Accounting Standards) Rules, 2015 and the relevant provisions of the Act.

The Financial statement are prepared in INR which is its presentation currency along with USD which is its functional currency.

b) Basis of preparation and presentation

The preparation of financial statements in accordance with Ind AS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 2. Actual results could differ from those estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The Company presents assets and liabilities in Balance Sheet based on current/non-current classification.

An asset is classified as current when it is:

- Expected to be realised or intended to be sold or consumed in normal operating cycle,
- Held primarily for the purpose of trading,
- Expected to be realised within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for atleast twelve months after the reporting period.

All other assets are classified as non-current.

A liability is classified as current when:

- it is expected to be settled in normal operating cycle,
- it is held primarily for the purpose of trading,
- it is due to be settled within twelve months after the reporting period, or
- there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Company classifies all other liabilities as non-current

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

1.2 Property, plant and equipment (PPE)

Property, plant and equipment are recorded at cost and depreciated using the straight-line method over the estimated useful lives of the related assets, ranging from 5 to 40 years. The cost comprises purchase price, borrowing costs and other directly related costs to bring the asset to its working condition for the intended use. Maintenance, repairs, and renewals that neither materially add to the value of the property, nor appreciably prolong its life, are charged to expense as incurred.

1.3 Intangible assets**Goodwill:**

The Company accounts for goodwill in accordance with the accounting guidance which requires that goodwill be tested for impairment annually or on an interim basis if events or circumstances indicate that the fair value of an asset has decreased below its carrying value. The Accounting Standards requires that goodwill be tested for impairment at the reporting unit level. Application of the goodwill impairment test requires judgement, including the identification of reporting units, assigning assets and liabilities to reporting units, assigning goodwill to reporting units, and determining the fair value. Significant judgement is required to estimate the fair value of reporting units which includes estimating future cash flows, determining appropriate discount rates and other assumptions. Changes in these estimates and assumptions could materially affect the determination of fair value and/or goodwill impairment.

When testing goodwill for impairment, the Company may assess qualitative factors for some or all of its reporting units to determine whether it is more likely than not (that is, a likelihood of more than 50 percent) that the fair value of a reporting unit is less than its carrying amount, including goodwill. Alternatively, the Company may bypass this qualitative assessment for some or all of the reporting units and perform a detailed quantitative test of impairment (step 1). If the Company performs the detailed quantitative impairment test and the carrying amount of the reporting unit exceeds its fair value, the Company would perform an analysis (step 2) to measure such impairment. The Company performed a qualitative assessment to identify and evaluate events and circumstances to conclude whether it was more likely than not that the fair value of the Company's reporting unit was less than its carrying amount. Based on the Company's qualitative assessments, the Company concluded that a positive assertion can be made from the qualitative assessment that it is not more likely than not that the fair value of the reporting unit is less than its carrying amount. In accordance with the Codification, the Company reviews the carrying value of its intangibles and other long-lived assets for impairment at least annually or whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of long-lived assets is measured by comparing the carrying amount of the asset or asset Company to the undiscounted cash flows that the asset or asset Company is expected to generate. If the undiscounted cash flows of such assets are less than the carrying amount, the impairment to be recognized is measured by the amount by which the carrying amount of the asset or asset Company, if any, exceeds its fair market value. No impairment was deemed to exist as at 31st March, 2019 and 2018.

Licensing Agreement - Net:

For the year ended 31 March 2018, included in intangible assets is the cost of a licensing agreement that allows the Company to use certain intellectual property owned by an unrelated third party. The licensing agreement is used in conjunction with the development of certain products the Company manufactures. Management adopted an amortization period based on the estimated useful life of the licensing agreement. Management believes a 5-year period is an appropriate period to amortize the licensing agreement.

During the year ended 31 March 2019, management terminated certain development projects that related to the licensing agreement. As a result, the rights under the licensing agreements were abandoned. The unamortized costs was written-off as an expense as of 31 March 2019



1.4 Financial Instruments**(a) Financial Assets**

The carrying amounts reported in the balance sheet for cash and cash equivalents, accounts receivable and accounts payable and accrued expenses approximate fair value based on the short term maturity of these instruments.

Fair value is defined as the price that would be received upon selling an asset or the price paid to transfer a liability on the measurement date. It focuses on the exit price in the principal or most advantageous market for the asset or liability in an orderly transaction between willing market participants. A three-tier fair value hierarchy is established as a basis for considering such assumptions and for inputs used in the valuation methodologies in measuring fair value. This hierarchy requires entities to maximize the use of observable inputs and minimize the use of unobservable inputs.

The three levels of inputs used to measure fair values are as follows:-

Level 1:- Observable prices in active markets for identical assets and liabilities.

Level 2:- Observable inputs other than quoted price in markets for identical assets and liabilities.

Level 3:- Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities.

Cash and cash equivalents

The Company considers all highly liquid securities purchased with original maturities of three months or less to be cash equivalents. From time to time the Company's cash account balances may be uninsured or in deposit accounts that exceed the Federal Deposit Insurance Corporation guarantee limit. The Company reduces its exposure to credit risk by maintaining its cash deposits with major financial institutions and monitoring their credit ratings.

Reclassification of financial assets

The Company determines classification of financial assets and liabilities on initial recognition. After initial recognition, no reclassification is made for financial assets which are equity instruments and financial liabilities. For financial assets which are debt instruments, a reclassification is made only if there is a change in the business model for managing those assets. Changes to the business model are expected to be infrequent. The Company's senior management determines change in the business model as a result of external or internal changes which are significant to the Company's operations. Such changes are evident to external parties. A change in the business model occurs when the Company either begins or ceases to perform an activity that is significant to its operations. If the Company reclassifies financial assets, it applies the reclassification prospectively from the reclassification date which is the first day of the immediately next reporting period following the change in business model. The Company does not restate any previously recognised gains, losses (including impairment gains or losses) or interest.

The following table shows various reclassifications and how they are accounted for

Original classification	Revised classification	Accounting treatment
Amortised cost	FVTPL	Fair value is measured at reclassification date. Difference between previous amortized cost and fair value is recognised in statement of profit and loss.
FVTPL	Amortised Cost	Fair value at reclassification date becomes its new gross carrying amount. EIR is calculated based on the new gross carrying amount
Amortised cost	FVTOCI	Fair value is measured at reclassification date. Difference between previous amortised cost and fair value is recognised in OCI. No change in EIR due to reclassification.
FVOCI	Amortised cost	Fair value at reclassification date becomes its new amortised cost carrying amount. However, cumulative gain or loss in OCI is adjusted against fair value. Consequently, the asset is measured as if it had always been measured at amortised cost.
FVTPL	FVTOCI	Fair value at reclassification date becomes its new carrying amount. No other adjustment is required.
FVTOCI	FVTPL	Assets continue to be measured at fair value. Cumulative gain or loss previously recognized in OCI is reclassified to statement of profit and loss at the reclassification date.



(b) Financial Liabilities

The Company determines the classification of its financial liabilities at initial recognition.

Classification

The Company classifies all financial liabilities as subsequently measured at amortised cost, except for financial liabilities at fair value through profit or loss. Such liabilities, including derivatives that are liabilities, shall be subsequently measured at fair value.

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, financial guarantee contracts and derivative financial instruments.

Financial liabilities at fair value through profit and loss

Financial liabilities at fair value through profit and loss include financial liabilities held for trading. The Company has not designated any financial liabilities upon initial recognition at fair value through profit and loss. Financial liabilities are classified as held for trading if they are acquired for the purpose of repurchasing in the near term. Derivatives are classified as held for trading unless they are designated as effective hedging instruments. At initial recognition, the Company measures financial liabilities at its fair value. Financial liabilities at fair value through profit and loss are carried in the Balance Sheet at fair value with changes recognised in the Statement of Profit and Loss.

Financial liabilities measured at amortised cost

Financial liabilities are initially recognised at fair value, net of transaction cost incurred and are subsequently measured at amortised cost, using the EIR method. Any difference between the proceeds net of transaction costs and the amount due on settlement or redemption of borrowings is recognised over the term of the borrowing.

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest charge over the relevant effective interest rate period. The effective interest rate is the rate that exactly discounts estimated future cash outflow (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the Statement of Profit and Loss.

(c) Offsetting financial Instruments

Financial assets and liabilities are offset and the net amount reported in the Balance Sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counter party.

1.5 Inventories:

Raw materials are stated at the lower of cost or market and determined by the first-in, first-out method (FIFO). The work-in-progress and finished goods portion of inventory, which include allocation of labour and overhead based on estimates, are stated at the lower of cost or market and determined using the average cost method.

1.6 Revenue Recognition:

Effective April 1, 2018, the Company has applied Ind AS 115: Revenue from Contracts with Customers which establishes a comprehensive framework for determining whether, how much and when revenue is to be recognised. Ind AS 115 replaces Ind AS 18 Revenue. The impact of the adoption of the standard on the financial statements of the Company is insignificant.

a) Revenue from sale of goods is recognised when control of the goods are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods. The Company assesses promises in the contract that are separate performance obligations to which a portion of transaction price is allocated.

Revenue is measured at fair value of the consideration received or receivable, after deduction of any trade discounts, allowances and any taxes or duties collected on behalf of the government such as goods and services tax, etc. Accumulated experience is used to estimate the provision for discounts, probable saleable and non-saleable return of goods from the customers. Revenue is only recognised to the extent that it is highly probable a significant reversal will not occur.

b) Revenue (including in respect of insurance or other claims, etc.) is recognised when it is reasonable to expect that the ultimate collection will be made.

c) Interest income is recognized using the effective interest rate (EIR) method.



1.7 Foreign currencies

i. Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currency of the Company at the exchange rates at the dates of the transactions. The functional and presentation currency of the Company is United States Dollar.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Foreign currency differences are generally recognised in profit or loss. Non-monetary items that are measured based on historical cost in a foreign currency are not translated.

However, foreign currency differences arising from the translation of the following items are recognised in OCI:

- equity investments measured at fair value through other comprehensive income (except on impairment, in which case foreign currency differences that have been recognised in OCI are reclassified to profit or loss);
- a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; and
- qualifying cash flow hedges to the extent that the hedges are effective.

ii. Foreign Operations:

The assets and liabilities of foreign operations, and fair value adjustments arising on acquisition, are translated into Indian Rupees at the exchange rates at the reporting date.

The income and expenses of foreign operations are translated into Rs. at the exchange rates at the dates of the transactions or an average rate if the average rate approximates the actual rate at the date of the transaction.

Foreign currency differences are recognized in OCI and accumulated in the translation reserve.

When a foreign operation is disposed of in its entirety or partially, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal.

1.8 Taxes on Income:

The Company accounts for income taxes pursuant to the asset and liability method which requires deferred tax assets and liabilities to be computed annually for temporary differences between the financial statement and tax bases of assets and liabilities that will result in taxable or deductible amounts in the future based on enacted tax laws and rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized. The income tax provision or benefit is the tax payable or refundable for the period plus or minus the change during the period in deferred tax assets and liabilities.

The Financial Accounting Standards Board ("FASB"), ASC Topic 740, prescribes a comprehensive model for the financial statement recognition, measurement, presentation and disclosure of uncertain tax positions taken or expected to be taken in income tax returns. The guidance also provides direction on derecognition, classification, interest and penalties, accounting in the interim periods, disclosure and transition.

Guidance is given regarding the presentation of an unrecognized tax benefit when a net operating loss carry forward or similar tax loss, or a tax credit carry forward exists. Consistent with such guidance, the Company is recognizing deferred tax assets and liabilities to the extent of estimated future anticipated tax benefits (assets) or costs (liabilities). The recognition of the deferred tax asset and liability is adjusted for an estimated allowance based on projected realizability. As such, given management's uncertainty about when future income will be generated to utilize the carry forward tax benefits, no tax benefit provision for net deferred tax assets were recorded for the years ended 31 March 2019 and 2018. As at 31st March, 2019 and 2018, no liability for unrecognized tax benefits was required to be reported. The Company's policy is to classify assessments, if any, for tax related interest as interest expense and penalties as selling, general and administrative expenses. The estimated benefit portion stemming from net operating losses and unused tax credits is shown as a deferred tax asset. The future anticipated costs are shown as deferred tax liabilities.

The beneficial tax positions taken or expected to be taken in the Company's income tax returns is recognized in the financial statements if such positions are more likely than not of being sustained.

1.9 Borrowing Costs:

Borrowing costs are interest and other costs incurred by the Company in connection with the borrowing of funds. Borrowing costs directly attributable to acquisition or construction of those Property, plant and equipment which necessarily take a substantial period of time to get ready for their intended use are capitalised. Other borrowing costs are recognised as an expense in the Statement of Profit and Loss of the period in which they are incurred.

1.10 Earnings per share ('EPS')

Basic EPS is computed using the weighted average number of equity shares outstanding during the period. Diluted EPS is computed using the weighted average number of equity and dilutive equity equivalent shares outstanding during the period except where the results would be anti-dilutive.

1.11 Use of Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and the accompanying notes. The most significant estimates relate to percentage-of-completion method of accounting for service contracts, and the fair value of long lived assets, intangible assets and goodwill. Actual results could differ from those estimates.



Note 2: Critical accounting judgements and key sources of estimation uncertainty

The Company prepares its financial statements in accordance with Ind AS as issued by the MCA, the application of which often requires judgments to be made by management when formulating the Company's financial position and results. The Directors are required to adopt those accounting policies most appropriate to the Company's circumstances for the purpose of presenting fairly the Company's financial position, financial performance and cash flows.

In determining and applying accounting policies, judgment is often required in respect of items where the choice of specific policy, accounting estimate or assumption to be followed could materially affect the reported results or net asset position of the Company should it later be determined that a different choice would be more appropriate.

Management considers the accounting estimates and assumptions discussed below to be its critical accounting estimates and, accordingly, provide an explanation of each below. The discussion below should also be read in conjunction with the Company's disclosure of significant accounting policies which are provided in note 1B to the financial statements, 'Significant accounting policies'.

a. Estimate of current and deferred tax

The Company's tax charge on ordinary activities is the sum of the total current and deferred tax charges. The calculation of the Company's total tax charge necessarily involves a degree of estimation and judgement in respect of certain items whose tax treatment cannot be finally determined until resolution has been reached with the relevant tax authority or, as appropriate, through a formal legal process. The final resolution of some of these items may give rise to material profits/losses and/or cash flows.

The complexity of the Company's structure makes the degree of estimation and judgement more challenging. The resolution of issues is not always within the control of the Company and it is often dependent on the efficiency of the legal processes in the relevant taxing jurisdictions in which the Company operates. Issues can, and often do, take many years to resolve. Payments in respect of tax liabilities for an accounting period result from payments on account and on the final resolution of open items. As a result there can be substantial differences between the tax charge in the Statement of Profit and Loss and tax payments.

b. Recognition of deferred tax assets

The recognition of deferred tax assets is based upon whether it is more likely than not that sufficient and suitable taxable profits will be available in the future against which the reversal of temporary differences can be deducted. To determine the future taxable profits, reference is made to the latest available profit forecasts. Where the temporary differences are related to losses, relevant tax law is considered to determine the availability of the losses to offset against the future taxable profits.

c. Estimation of useful life

The useful life used to amortize or depreciate intangible assets or property, plant and equipment respectively relates to the expected future performance of the assets acquired and management's judgement of the period over which economic benefit will be derived from the asset. The charge in respect of periodic depreciation is derived after determining an estimate of an asset's expected useful life and the expected residual value at the end of its life. Increasing an asset's expected life or its residual value would result in a reduced depreciation charge in the Statement of Profit and Loss.

The useful lives and residual values of Company's assets are determined by management at the time the asset is acquired and reviewed annually for appropriateness. The lives are based on historical experience with similar assets as well as anticipation of future events which may impact their life such as changes in technology.

d. Provision for trade and other receivables

Trade and other receivables are stated at their amortized cost as reduced by appropriate allowances for estimated irrecoverable amounts. Estimated irrecoverable amounts are based on the ageing of the receivable balances and historical experience. Individual trade receivables are written off when management deems them not to be collectible.

e. Provisions and contingent liabilities

The Company exercises judgement in measuring and recognizing provisions and the exposures to contingent liabilities related to pending litigation or other outstanding claims subject to negotiated settlement, mediation, arbitration or government regulation, as well as other contingent liabilities. Judgement is necessary in assessing the likelihood that a pending claim will succeed, or a liability will arise, and to quantify the possible range of the financial settlement. Because of the inherent uncertainty in this evaluation process, actual losses may be different from the originally estimated provision.



S & B PHARMA INC.

NOTE 3: NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2019

3.1 Property, Plant and Equipment, Other Intangible Assets and Capital Work in Progress

Particulars	Property, plant and equipment					Other Intangible assets		Capital work in progress
	Leasehold Land	Buildings	Plant and Machinery	Furniture and Fixtures	Office Equipments	Total	Other Intangible assets	
At Cost								
As at 1st April, 2017	1,855,156	6,250,025	9,474,009	208,592	979,153	18,766,935	-	-
Additions	-	9,713,346	7,446,396	30,822	1,403,471	18,593,835	150,000	150,000
Deletions/adjustments	-	(242,225)	(70,244)	(303)	(120,680)	(433,452)	-	-
As at 31st March, 2018	1,855,156	15,721,146	16,850,161	238,911	2,261,944	36,927,318	150,000	150,000
Additions	-	5,134,355	7,468,381	8,618	449,562	13,060,916	-	-
Deletions/adjustments	-	(40,394)	(750,014)	(34,787)	(130,378)	(955,573)	-	-
As at 31st March, 2019	1,855,156	20,815,107	23,568,528	212,742	2,581,128	49,032,661	150,000	150,000
Depreciation and Amortisation								
As at 1st April, 2017	-	343,949	1,679,759	67,146	187,071	2,277,925	-	-
Depreciation/amortisation charge for the year	-	360,349	1,887,364	36,384	237,438	2,521,536	7,500	7,500
Deductions	-	-	(14,708)	-	(379)	(15,087)	-	-
As at 31st March, 2018	-	704,298	3,552,415	103,530	424,130	4,784,374	7,500	7,500
Depreciation/amortisation charge for the year	-	504,877	2,894,934	32,710	572,720	4,005,241	142,500	142,500
Deductions	-	(2,206)	(214,750)	(15,852)	(84,567)	(317,375)	-	-
As at 31st March, 2019	-	1,206,969	6,232,599	120,388	912,283	8,472,240	150,000	150,000
Net Book Value								
As at 31st March, 2018	1,855,156	15,016,848	13,297,746	135,381	1,837,814	32,142,944	142,500	5,820,897
As at 31st March, 2019	1,855,156	19,608,138	17,335,929	92,354	1,668,845	40,560,421	-	3,427,750

Note:

During the year ended 31st March 2019, the Company terminated certain development projects that related to the licensing agreement. As a result, the rights under the licensing agreements were abandoned. The unamortized costs was written-off as an expense as of 31st March 2019



S & B PHARMA INC.
NOTE 3: NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2019

3.1 Property, Plant and Equipment, Other Intangible Assets and Capital Work in Progress

Particulars	Property, plant and equipment					Other Intangible assets		Capital work in progress
	Leasehold Land	Buildings	Plant and Machinery	Furniture and Fixtures	Office Equipments	Total	Other intangible assets	Total
At Cost								
As at 1st April, 2017	120,115,388	404,669,115	613,411,766	13,505,665	63,337,023	1,215,098,957	-	-
Additions	-	625,628,780	479,616,325	1,972,325	90,396,456	1,197,613,886	9,661,379	9,661,379
Deletions	-	(15,601,516)	(4,524,359)	(19,540)	(7,772,888)	(27,918,305)	-	-
Foreign Exchange Differences	317,603	5,888,991	5,374,998	51,170	820,294	12,453,086	76,321	76,321
As at 31st March, 2018	120,432,991	1,020,585,369	1,093,878,730	15,509,620	146,840,885	2,397,247,624	9,737,700	9,737,700
Additions	-	357,849,457	520,233,293	600,314	31,315,638	909,798,702	-	-
Deletions	-	(2,813,770)	(52,244,556)	(2,423,197)	(9,081,885)	(66,563,408)	-	-
Foreign Exchange Differences	8,170,105	67,523,804	71,950,009	1,060,959	9,854,320	158,559,201	660,600	660,600
As at 31st March, 2019	128,603,096	1,442,944,860	1,633,817,475	14,747,696	178,928,959	3,399,042,119	10,398,300	10,398,300
Depreciation and Amortisation								
As at 1st April, 2017	-	22,269,597	108,759,020	4,347,489	12,112,249	147,488,354	-	-
Depreciation/amortisation charge for the year	-	23,209,809	121,563,619	2,343,478	15,293,217	162,410,123	483,069	483,069
Deductions	-	-	(947,324)	-	(24,441)	(971,765)	-	-
Foreign Exchange Differences	-	242,233	1,240,333	30,008	152,644	1,665,283	3,816	3,816
As at 31st March, 2018	-	45,721,639	230,615,648	6,720,975	27,533,669	310,591,995	486,885	486,885
Depreciation/amortisation charge for the year	-	35,168,777	201,655,626	2,278,517	39,894,592	278,997,511	9,926,280	9,926,280
Deductions	-	(153,666)	(14,959,079)	(1,104,220)	(5,890,777)	(22,107,742)	-	-
Foreign Exchange Differences	-	2,932,778	14,744,002	450,281	1,703,797	19,830,861	(14,865)	(14,865)
As at 31st March, 2019	-	83,669,528	432,056,197	8,345,553	63,241,280	587,312,625	10,398,300	10,398,300
Net Book Value								
As at 31st March, 2018	120,432,991	974,863,730	863,263,082	8,788,645	119,307,216	2,086,655,629	9,250,815	377,880,959
As at 31st March, 2019	128,603,096	1,359,275,332	1,201,761,278	6,402,143	115,687,679	2,811,729,494	-	237,618,484



Particulars	As at 31st March, 2019	As at 31st March, 2019	As at 31st March, 2018	As at 31st March, 2018
	USD	Rs.	USD	Rs.
3.2 : DEFERRED TAX ASSETS				
Other Timing Differences (Carried Forward business losses)	281,000	19,479,482	281,000	18,241,958
TOTAL	281,000	19,479,482	281,000	18,241,958
3.3 : OTHER NON-CURRENT ASSETS:				
Capital Advances	605,479	41,973,049	1,708,261	110,896,888
TOTAL	605,479	41,973,049	1,708,261	110,896,888
3.4 : INVENTORIES:				
Raw and packing materials	3,663,070	253,931,325	3,041,073	197,420,390
Work-in-progress	1,405,777	97,451,284	973,388	63,190,392
Finished goods	158,474	10,985,742	1,260,602	81,835,788
TOTAL	5,227,321	362,368,351	5,275,063	342,446,570
3.5 : INVESTMENTS:				
Investment - publicly traded (500,000 shares) (1)	450,000	31,194,900	450,000	29,213,100
Investment - non-publicly traded (460,000 shares) (2)	557,408	38,640,637	-	-
TOTAL	1,007,408	69,835,537	450,000	29,213,100
<p>Note:</p> <p>1. Investment assets consist of 500,000 shares of publicly traded stock of a pharmaceutical company. For the year ended 31 March 2019, the securities are reported at their approximate fair market value based on market prices in an active market. Management classifies the securities as available-for-sale where any unrealized gain or loss is included in other comprehensive income. For the year ended 31 March 2018, the investment asset would normally be reported at fair market value based on quoted market price in an active market. The securities are valued using Level 1 measurement inputs. Under the terms of a subscription agreement between the Company and the issuer of the shares, the shares are subject to a six month trading restriction period which expires in June 2018. Because of the six month trading restriction on the asset at 31 March 2018, the fair market value of the security was deemed to equal to cost until the restriction laps.</p> <p>2. The investment resulted from the conversion of the unpaid portion of customer account receivable into the equity shares of the debtor. The investment asset is reported at fair market value using Level 3 measurement inputs which is approximately equal to the cost of the security.</p>				
3.6 : TRADE RECEIVABLES:				
Considered good - Unsecured	4,753,548	329,525,437	5,079,349	329,741,181
Considered doubtful	78,200	5,420,980	129,077	8,379,421
Less: Loss allowances	(78,200)	(5,420,980)	(213,388)	(13,852,722)
	4,753,548	329,525,437	4,995,038	324,267,879
Note				
Related party receivable CY USD 2,641,521				
Rs. 183,115,485 (PY USD 1,586,669 Rs. 103,003,375)				
(refer note 3.31)				
TOTAL	4,753,548	329,525,437	4,995,038	324,267,879



Particulars	As at 31st March, 2019	As at 31st March, 2019	As at 31st March, 2018	As at 31st March, 2018
	USD	Rs.	USD	Rs.
3.7 : CASH AND CASH EQUIVALENTS:				
Cash on hand	809	56,048	800	51,934
Balance with Banks:				
In Current Accounts	3,881,491	269,072,698	4,650,261	301,885,627
In deposit account less than 3 months	126,288	8,754,519	2,130,930	138,335,744
TOTAL	4,008,588	277,883,265	6,781,991	440,273,305
3.8 : OTHER RECEIVABLES:				
Security Deposits	-	-	9,005	584,585
TOTAL	-	-	9,005	584,585
3.9 : OTHER CURRENT ASSETS:				
Prepaid Expenses	504,748	34,990,133	513,167	33,313,795
TOTAL	504,748	34,990,133	513,167	33,313,795
3.10 : EQUITY SHARE CAPITAL:				
Authorised:				
500,000 Equity Shares of USD 0.01/- each (Previous Year 500,000 Equity Shares of USD 0.01/- each)	5,000	3,200,055	5,000	3,200,055
	5,000	3,200,055	5,000	3,200,055
ISSUED, SUBSCRIBED & PAID-UP :				
83,557 Equity Shares of USD 0.01/- each out of which 12,898 shares issued for a consideration other than cash)	836	51,362	685	41,111
(Previous year 68,454 Equity Shares of USD 0.01/- each out of which 5,706 shares issued for a consideration other than cash)				
TOTAL	836	51,362	685	41,111

(a) Reconciliation of the number of equity shares outstanding at the beginning and at the end of the period:

Particulars	As at 31st March, 2019		As at 31st March, 2018	
	Number	USD	Number	USD
At the commencement of the year	68,454	685	68,454	685
Addition during the year	15,103	151	-	-
At the end of the year	83,557	836	68,454	685

(b) Details of shareholders holding more than 5% shares in the Company:

Name of the shareholders:	As at 31st March, 2019		As at 31st March, 2018	
	Number of Shares	Percentage of Holding	Number of Shares	Percentage of Holding
Alkem Laboratories Limited	83,557	100.00%	68,454	100.00%

Particulars	As at 31st March, 2019	As at 31st March, 2019	As at 31st March, 2018	As at 31st March, 2018
	USD	Rs.	USD	Rs.
OTHER EQUITY				
Security Premium	49,717,047	3,275,919,400	28,717,225	1,850,571,530
Retained Earnings:				
At the commencement of the period/year	(12,132,324)	(758,748,346)	(7,656,741)	(470,479,637)
Add: Profit for the period/year	(10,169,217)	(708,368,401)	(4,475,583)	(288,268,709)
	(22,301,541)	(1,467,116,747)	(12,132,324)	(758,748,346)
Other Comprehensive Income:				
At the commencement of the period/year	-	(15,161,199)	-	(16,489,679)
Add: Profit for the period/year	-	106,862,795	-	1,328,481
At the end of the period/year	-	91,701,596	-	(15,161,199)
TOTAL	27,415,506	1,900,504,250	16,584,901	1,076,661,985



Particulars	As at 31st March, 2019	As at 31st March, 2019	As at 31st March, 2018	As at 31st March, 2018
	USD	Rs.	USD	Rs.
3.11 : NON-CURRENT BORROWINGS:				
Unsecured:				
Loans and Advances from related parties	-	-	10,000,000	649,180,000
Loan from Citibank	28,500,000	1,975,677,000	15,000,000	973,770,000
TOTAL	28,500,000	1,975,677,000	25,000,000	1,622,950,000

Notes:

1. The Company has two credit facilities with its Parent company that allow the Company to obtain periodic borrowings on an as needed basis. Interest is calculated and accrued at 7% and 5% per annum. The balance represents the unpaid balance at 31st March 2019 and 2018, respectively. No principal payments are required. On 28th June 2018, the loan balance of USD 10,000,000 was converted to 7,192 shares of the Company's common stock.

2. USD 12,500,000 is due and payable on 15th August 2022, net of short term loan payable of USD 2,500,000 due on 15th February 2020. The outstanding principal balance of the loan shall be repaid in 6 equal semiannual installments beginning 15/02/2020. Quarterly interest only payments are required on the note until maturity at a variable rate equal to 1.25 percentage points over the 1-month LIBOR rate. The applicable monthly LIBOR rate at March 31, 2019 and 2018 was 2.4898% and 1.8175%, respectively.

3. USD 16,000,000 is due and payable on 7th December 2023. The outstanding principal balance of the loan shall be repaid in 6 equal semi-annual installments beginning 07/06/2021. Quarterly interest only payments are required on the note until maturity at a variable rate equal to 1.25 percentage points over the 1-month LIBOR rate. The applicable monthly LIBOR rate at March 31st, 2019 was 2.4898%.

4. The Citibank loan is secured by a letter of credit acquired by Alkem Laboratories, Ltd. (parent company) for the principal amount of the loan. The stand-by letter of credit fees paid by the parent company and reimbursed by The Company is approximately USD 337,000, which is included in the bank charges.

Particulars	As at 31st March, 2019	As at 31st March, 2019	As at 31st March, 2018	As at 31st March, 2018
	USD	Rs.	USD	Rs.
3.12 : CURRENT BORROWINGS:				
Secured				
Loans from Citibank - Current	-	-	15,875,000	1,030,573,250
TOTAL	-	-	15,875,000	1,030,573,250

Notes:

1. The Company has a line of credit with Citibank expiring on 19th April, 2019, which provides for secured borrowings of up to USD 3,975,000. The loan was renewed subsequent to the year and expires March 2020. Interest payments are required at a variable rate equal to 1.25 percentage points over the monthly LIBOR rate at both 31/03/2019 and 31/03/2018. The monthly LIBOR rate at March 31st, 2019 and 2018 was 2.4898% and 1.8175%, respectively. The balance outstanding as at 31st March, 2019 was USD 3,000,000. As stated in note 3.29 - subsequent events, the loan was renewed in April 2019.

2. USD 2,500,000 is due and payable on 15th February, 2020. Quarterly interest only payments are required at a variable rate equal to 1.25 percentage point over the 1-month LIBOR rate at 31/03/2019. The applicable monthly LIBOR rate at March 31st, 2018 was 2.4898%.

3. USD 5,950,000 was due and paid on 30th April, 2018 and became short term liability as of 31st March, 2018. Quarterly interest only payments are required at a variable rate equal to 1.25 percentage points over the LIBOR rate.

4. USD 9,925,000 was due and paid on 20th September, 2018 and became short term liability as of 31st March, 2018. Quarterly interest only payments are required at a variable rate equal to 1.25 percentage points over the LIBOR rate.

5. The Citibank loan are secured by a letter of credit acquired by Alkem Laboratories, Ltd. (parent company) for the principal amount of each loan.



S & B PHARMA INC.
NOTE - 3: NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2019

Particulars	As at 31st March, 2019 USD	As at 31st March, 2019 Rs.	As at 31st March, 2018 USD	As at 31st March, 2018 Rs.
3.13 : TRADE PAYABLES:				
total outstanding dues of micro enterprises & small enterprises	-	-	-	-
total outstanding dues of creditors other than micro enterprises & small enterprises	1,325,220	91,866,935	2,066,502	134,153,166
TOTAL	1,325,220	91,866,935	2,066,502	134,153,166
3.14 : OTHER FINANCIAL LIABILITIES				
Current maturities of long term borrowings (Refer Note 3.11 and 3.12)	5,500,000	381,271,000	-	-
Accrued Interest on due to related party	-	-	68,444	4,443,261
Interest accrued but not due on borrowings	119,034	8,251,699	172,188	11,178,101
Employee payables	382,563	26,520,027	383,305	24,883,402
Accrual for Expenses	89,009	6,170,256	284,370	18,460,748
TOTAL	6,090,606	422,212,982	908,307	58,965,512
3.15 : OTHER CURRENT LIABILITIES:				
Due to statutory authorities*	125,069	8,670,048	101,571	6,593,789
Advances from customers	104,358	7,234,304	801,136	52,008,176
* Statutory dues payable includes property tax payable and payroll tax payable				
TOTAL	229,427	15,904,352	902,707	58,601,965
3.16 : CURRENT PROVISIONS:				
Provision for employee benefits:				
Gratuity (Refer Note 3.25)	84,738	5,874,233	89,388	5,802,878
Compensated absences	672,597	46,625,750	635,043	41,225,738
TOTAL	757,335	52,499,983	724,431	47,028,616

Particulars	For the Year ended 31st March, 2019 USD	For the Year ended 31st March, 2019 Rs.	For the Year ended 31st March, 2018 USD	For the Year ended 31st March, 2018 Rs.
3.17 : REVENUE FROM OPERATIONS:				
Sale of products (including excise duty)	25,335,126	1,764,796,947	27,654,138	1,781,180,674
Other operating revenues:				
Miscellaneous income / receipts	135,188	9,416,972	-	-
TOTAL	25,470,314	1,774,213,919	27,654,138	1,781,180,674
3.18 : OTHER INCOME:				
Interest on bank deposits	15,458	1,076,756	4,500	289,810
Liabilities written back	533,459	37,159,776	-	-
Other Income	-	-	3,653	235,267
TOTAL	548,917	38,236,532	8,153	525,077
3.19 : COST OF MATERIALS CONSUMED				
Raw material consumed	5,326,127	371,007,932	5,451,225	351,108,996
TOTAL	5,326,127	371,007,932	5,451,225	351,108,996
3.20 : CHANGES IN INVENTORIES OF FINISHED GOODS, WORK-IN-PROGRESS AND STOCK-IN-TRADE:				
Opening Stock:				
Finished goods	1,260,602	81,835,788	209,265	13,549,237
Work-in-progress	973,388	63,190,392	2,459,404	159,238,550
	2,233,990	145,026,180	2,668,669	172,787,787
Less: Closing stock:				
Finished goods	158,474	10,985,742	1,260,602	81,835,788
Work-in-progress	1,405,777	97,451,284	973,388	63,190,392
	1,564,251	108,437,026	2,233,990	145,026,180
Exchange rate difference	-	10,063,598	-	235,708
TOTAL	669,739	46,652,752	434,679	27,997,315
3.21 : EMPLOYEE BENEFITS EXPENSE:				
Salaries, wages and bonus	15,245,000	1,061,937,828	13,491,424	868,971,746
Contribution to provident and other funds	446,403	31,095,623	412,129	26,544,890
Employees' welfare expenses	1,760,471	122,631,092	1,755,291	113,056,865
TOTAL	17,451,874	1,215,664,543	15,658,844	1,008,573,501



S & B PHARMA INC.
NOTE - 3: NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2019

Particulars	For the Year ended 31st March, 2019 USD	For the Year ended 31st March, 2019 Rs.	For the Year ended 31st March, 2018 USD	For the Year ended 31st March, 2018 Rs.
3.22 : FINANCE COST:				
Interest on borrowings *	1,010,786	70,409,407	663,300	42,722,621
Other borrowing cost	384,237	26,765,247	343,459	22,121,900
* Interest on borrowings above is net of interest capitalised to construction in process amounting to USD 180,000 Rs. 12,538,460 (PY USD 275,000 Rs. 17,712,528)				
TOTAL	1,395,023	97,174,654	1,006,759	64,844,521
3.23 : OTHER EXPENSES:				
Power and fuel	780,355	54,358,079	818,809	52,738,842
Rent	350,903	24,443,243	344,908	22,215,256
Rates and taxes	1,283,591	89,412,504	1,522,937	98,091,155
Insurance	337,417	23,503,864	261,762	16,859,896
Marketing and promotions	-	-	1,939	124,894
Selling and distribution expenses	45,398	3,162,329	36,788	2,369,488
Legal and professional Fees	568,128	39,574,713	451,278	29,066,431
Commission and cash discount	91,039	6,341,587	262,369	16,898,995
Travelling and conveyance	130,894	9,117,817	94,237	6,069,730
Repairs:				
- Buildings	637,331	44,395,245	747,768	48,163,129
- Plant and machineries	497,817	34,676,974	193,819	12,483,699
- Others	225,294	15,693,540	155,533	10,017,763
Loss on sale of fixed assets (net)	495,697	34,529,322	8,784	565,768
Communication and printing expenses	86,802	6,046,492	71,379	4,597,484
Clinical and analytical charges	19,825	1,380,972	165,453	10,656,668
Bad Debts/Advances written off	-	-	190,627	12,278,121
License, registration & technology fees	762,734	53,130,580	646,762	41,657,389
Royalty Expenses	348,159	24,252,097	539,769	34,766,085
Office expenses	187,780	13,080,375	228,049	14,688,450
Miscellaneous expenses	348,781	24,295,446	314,360	20,247,695
TOTAL	7,197,945	501,395,178	7,057,330	454,556,938



3.24 Contingent Liabilities and Commitments**a) Contingent liabilities not provided for****Customer Agreement**

The Company entered into a five-year supply commitment agreement with a customer, expiring 31st December, 2021 to exclusively manufacture and supply a pharmaceutical product at a predetermined selling price subject to providing minimum annual quantities of the product. The agreement contains several production covenants.

In the event that the Company is not in compliance with the covenants, the Company is required to reimburse the customer for all out-of-pocket expenses associated with the noncompliance up to a predetermined amount.

As at 31st March 2019, the Company was in compliance with the covenants.

Sales Collaboration

The Company has various sales collaboration agreements with Snow Chemicals LLC, whereby Snow receives commissions on specified relevant sales and service contracts. Commissions are accrued and expensed when due and payable. A recent sale of API related to a collaboration agreement with Snow Chemical resulted in a commission due of \$91,039. This amount has been included in trade payable at 31 March 2019 and payment was subsequently made in April 2019.

b) Commitments

Sr.No.	Particulars	31st March, 2019	31st March, 2018
(i)	As at 31st March, 2019, the Company ordered USD 1,271,553 of equipment for which it has paid USD 605,479, with a commitment due of USD 666,074.	666,074	2,374,518
(ii)	The Company is currently engaged in research and development contracts to develop a formulation of a generic pharmaceutical product. The Company does not anticipate incurring additional expenses during the next 12 months for these outside research and development contractual agreements. The agreements are cancelable with 30 days' notice. For the years ended 31 March 2019 and 2018, the Company incurred research and development costs of USD 19,825 and USD 165,453, respectively.	19,825	165,453

3.25 Retirement Plan**i) Defined contribution plans:**

The Company sponsors a 401 (k) profit sharing plan that covers eligible employees at its Norac Pharma location. The profit sharing portion of the plan provides for discretionary contributions to eligible employees based on a percentage of total compensation, which is reviewed and determined annually. For the years ended

31st March, 2019 and 2018, the Company's contributions to the plan were **USD 365,734 (Rs. 25,353,412)** and **USD 318,662 (Rs. 20,686,900)**, respectively. Of these amounts, **USD 84,738 (Rs. 5,874,208)** and **USD 89,388 (Rs. 5,802,890)** were accrued and not paid as at 31st March, 2019 and 2018.

The Company sponsors a 401(k) plan that covers eligible employees at its Alkem-St. Louis location which provides for voluntary salary deferrals for eligible employees. The Company matches half (50%) of the employee's elective deferral up to 5% of eligible earnings, or a 2.5% maximum matching contribution. For

the years ended 31st March, 2019 and 2018, the Company's matching contributions accrued and paid were **USD 109,836 (Rs. 7,614,051)** and **USD 93,467 (Rs. 6,067,691)**, respectively.

3.26 The Company leases certain equipment and storage under non-cancellable operating leases expiring through December 2021.

Particulars	31st March, 2019	
	USD	Rs.
Lease Rent expense	350,903	24,443,243
Total	350,903	24,443,243

Particulars	31st March, 2018	
	USD	Rs.
Lease Rent expense	344,908	22,215,256
Total	344,908	22,215,256

The future minimum lease payments in respect of the non cancellable lease agreements as on the year end is as below:

Particulars	31st March, 2019	
	USD	Rs.
Not later than one year	240,194	16,731,460
Later than one year but not later than five years	787,991	54,889,962
Later than five years	-	-
Total	1,028,185	71,621,422

Particulars	31st March, 2018	
	USD	Rs.
Not later than one year	227,145	14,630,226
Later than one year but not later than five years	920,828	59,309,787
Later than five years	15,379	990,549
Total	1,163,352	74,930,562



S & B PHARMA INC.
NOTE - 3: NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2019

- 3.27 Research and experimental costs related to both future and present products are expensed as incurred. For the year ended 31st March 2019 and 2018, research and development costs were USD 19,825 and USD 165,453, respectively.

3.28 Earnings per share (EPS)

USD

Particulars			Year ended 31st March, 2019	Year ended 31st March, 2018
Profit /(loss) after tax attributable to equity shareholders	USD	A	(10,169,217)	(4,475,583)
Number of equity shares at the beginning of the year	Nos.		68,454	68,454
Equity shares issued during the period	Nos.		15,103	-
Number of equity shares outstanding at the end of the year	Nos.		83,557	68,454
Weighted average number of equity shares outstanding during the year	Nos.	B	81,029	68,454
Basic and diluted earnings per equity share	USD	(A / B)	(125.50)	(65.38)

Rs.

Particulars			Year ended 31st March, 2019	Year ended 31st March, 2018
Profit /(loss) after tax attributable to equity shareholders	Rs.	A	(708,368,401)	(288,268,709)
Number of equity shares at the beginning of the year	Nos.		68,454	68,454
Equity shares issued during the period	Nos.		15,103	-
Number of equity shares outstanding at the end of the year	Nos.		83,557	68,454
Weighted average number of equity shares outstanding during the year	Nos.	B	81,029	68,454
Basic and diluted earnings per equity share (Rs) -	Rs.	(A / B)	(8,742.16)	(4,211.13)

3.29 Subsequent events

The Company has evaluated subsequent events through 20th May, 2019 which is the date the financial statements were available to be issued.

On 29th April, 2019 the Company renewed a line of credit for USD 3,975,000 (Rs. 275,554,950)



3.30 Segment Reporting

The Company is in the pharmaceutical business. As the Company has a single reportable segment, the segment wise disclosure requirements of Ind AS 108 on Operating Segment is not applicable. In compliance to the said standard, entity-wise disclosures are as under :

Sr	Particulars	31st March, 2019		31st March, 2018	
		USD	Rs.	USD	Rs.
a)	Revenues from sale of products from external customers attributed to the country of domicile and attributed to all foreign countries from which the company derives revenues				
	Revenue from the Country of Domicile- USA	15,554,203	1,083,476,386	18,198,666	1,172,161,351
	Revenue from foreign countries	9,916,111	690,737,532	9,455,472	609,019,323
	Total	25,470,314	1,774,213,918	27,654,138	1,781,180,674

b) The external revenue from customers exceeding 10% of total revenue are as follows:

Related parties Alkem Laboratories Ltd. and Ascend Laboratories LLC accounted for 39% of revenues, or USD 9,916,111 (Rs. 690,737,534) and 22% of revenues, or USD 5,467,175 (Rs. 380,833,068), respectively. Additionally, one other customer of Norac's commercial products accounted for revenues of USD 6,621,187 (Rs. 4,61,219,361), or 26% of revenues.



3.31 Information on related party transactions as required by Indian Accounting Standard 24 (Ind AS 24) on related party disclosures for the year ended 31st March, 2019

List of related parties and their relationship

A Company whose control exists

Name of the Company	Country of Incorporation
Alkem Laboratories Ltd.	India

B Fellow Subsidiaries

Name of the Companies	Country of Incorporation
Cachet Pharmaceuticals Pvt. Ltd.	India
Indchemie Health Specialities Pvt. Ltd.	India
Enzene Biosciences Ltd.	India
Alkem Foundation	India
The Pharamanetwork, LLC (wholly owned subsidiary of S & B holdings B.V.)	United States of America
Ascend Laboratories, LLC (wholly owned by The Pharma Network, LLP)	United States of America
Pharmacor Pty Limited	Australia
Ascend Laboratories (UK) Ltd.	United Kingdom
S & B Holdings B.V.	Netherlands
Alkem Laboratories (PTY) Limited	South Africa
Ascend Laboratories Ltd.	Canada
The Pharma Network, LLP	Kazakhstan
Ascends Laboratories SpA	Chile
Pharma Network SpA (Wholly owned by Ascend Laboratories SpA)	Chile
Alkem Laboratories Corporation	Philippines
Ascend GmbH (formerly known as Alkem Pharma GmbH)	Germany
Ascends Laboratories SDN BHD.	Malaysia
Alkem Laboratories Korea Inc	Korea
Pharmacor Ltd.	Kenya
Alkem Laboratories (NIG) Limited (Liquidated on 6th May 2018)	Nigeria

C Key Managerial Personnel ("KMP")

Name of the KMP	Designation
Mr. Sandeep Singh	Director
Mr. Amit Ghare	Director
Mr. Michael Kent Gorman	Director
Mr. Richard Roland Green	Director
Mr. Daniel Levin	Director
Mr. Lester Stephen Ordway	Director

Details of Transactions with Related Parties

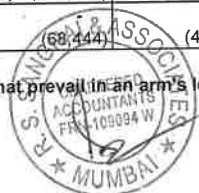
Sr. No.	Particulars	Holding Company		Fellow subsidiaries	
		USD	Rs.	USD	Rs.
1	Loans converted to Equity	9,999,973	684,698,121	-	-
2	Interest expense on loans taken	377,394 (292,240)	26,288,548 (18,822,942)	-	-
3	Analytical and development services(Sales)	9,916,111 (9,455,472)	690,737,532 (609,019,323)	-	-
4	Issue of Share Capital (including securities premium)	11,000,000	740,660,000	-	-
5	Sale of products	-	-	5,467,175 (6,613,570)	380,833,056 (425,974,694)
6	Cost of materials consumed	298	20,758	-	-
6	Royalty paid	348,159 (539,769)	24,252,097 (34,766,085)	-	-
7	Bank guarantee reimbursement charges	168,430 (111,307)	11,732,531 (7,169,203)	-	-
8	Reimbursement of expenses received from	-	-	-	-
8	Reimbursement of expenses received from	(79,167)	(5,099,082)	-	-
9	Reimbursement of expenses by made to	-	-	-	-
9	Reimbursement of expenses by made to	(124,137)	(7,995,564)	-	-

Balance due from / to the related Parties

Sr. No.	Particulars	Holding Company		Fellow subsidiaries	
		USD	Rs.	USD	Rs.
1	Trade Receivable	2,641,521 (1,586,669)	183,115,485 (103,003,375)	769,421 (1,393,769)	53,337,794 (90,480,696)
2	Trade payable	-	-	336,788	23,346,827
2	Borrowings	-	-	-	-
2	Borrowings	(10,000,000)	(649,179,987)	-	-
3	Interest Payable	(68,444)	(4,443,261)	-	-

* All the related party transactions were made on terms equivalent to those that prevail in an arm's length transactions.

* Figures in the brackets are the corresponding figures of the previous year.



3.32 Tax expense

As at 31st March 2019 the company's deferred tax assets and liabilities consisted of the effects of temporary differences attributable to the following:

Particulars	As at 31st March, 2019		As at 31st March, 2018	
	USD	Rs.	USD	Rs.
Deferred tax assets:				
Net operating losses:	10,550,000	731,347,100	5,888,000	382,237,184
Other deductions	216,000	14,973,552	275,000	17,852,450
Valuation Allowance	(5,760,000)	(399,294,720)	(2,860,000)	(185,665,480)
Deferred tax assets, net of valuation allowance	5,006,000	347,025,932	3,303,000	214,424,154
Deferred tax liabilities:				
Excess of book over tax basis of:				
Property and equipment	(4,300,000)	(298,084,600)	(2,662,000)	(172,811,716)
Goodwill	(425,000)	(29,461,850)	(360,000)	(23,370,480.00)
Deferred tax liabilities	(4,725,000)	(327,546,450)	(3,022,000)	(196,182,196)
Deferred tax assets - net	281,000	19,479,482	281,000	18,241,958

As at 31 March 2019, the Company had approximately USD 40,000,000 of federal and state net operating loss carryovers ("NOL"), which begin to expire in 2032.

Below is a table of the deferred tax assets not recognized in the financial statements because the probability and taxable realizability of future profit to utilize the benefits therefrom is not predictable and foreseeably certain.

Unrecognised deferred tax assets

Particulars	As at 31st March, 2019		As at 31st March, 2018	
	Gross amount	Unrecognised tax effect	Gross amount	Unrecognised tax effect
Temporary Difference Deductible	40,000,000	10,550,000	21,400,000	6,000,000
Total	40,000,000	10,550,000	21,400,000	6,000,000

Below is a listing of the net operating loss incurred by the Company as of 31 March 2019. The listing shows the year the losses were incurred and the year the utilization of the net operating loss will expire.

Particulars	Expiration date	Amount as at 31 March 2019	Expiration date	Amount as at 31 March 2018
Brought forward losses (allowed to carry forward for specified period)	31-Mar-33	700,000	31-Mar-33	700,000
Brought forward losses (allowed to carry forward for specified period)	31-Mar-36	3,700,000	31-Mar-36	3,700,000
Brought forward losses (allowed to carry forward for specified period)	31-Mar-37	7,000,000	31-Mar-37	7,000,000
Brought forward losses (allowed to carry forward for specified period)	No expiration date	28,600,000	No expiration date	10,000,000
Total		40,000,000		21,400,000

In assessing the realization of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will be realized. The ultimate realization of the deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income and taxing strategies in making this assessment. The deferred tax liability related to goodwill cannot be used in when determining the realization of the deferred tax assets since goodwill is considered to be an asset with an indefinite life for financial reporting purposes. For the year ended 31st March, 2019, the Company recorded a valuation allowance to offset the deferred tax asset since the expected net tax benefit from the Company's use of the NOL's in future years is not predictable, foreseeable or certain.



3.33 Financial instruments - Fair values and risk management**A. Accounting classification and fair values**

The Company uses the following hierarchic structure of valuation methods to determine and disclose information about the fair value of financial instruments:

Level 1: Observable prices in active markets for identical assets and liabilities;

Level 2: Observable inputs other than quoted prices in active markets for identical assets and liabilities;

Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities

Particulars	As at 31st March, 2019							
	USD				Rs.			
	FVTPL	FVTOCI	Amortized cost	Total	FVTPL	FVTOCI	Amortized cost	Total
Financial assets								
Cash and Cash Equivalents	-	-	4,008,587	4,008,587	-	-	277,883,265	277,883,265
Investments *	1,007,408	-	-	1,007,408	69,835,537	-	-	69,835,537
Trade and other receivables	-	-	4,753,548	4,753,548	-	-	329,525,437	329,525,437
	1,007,408	-	8,762,135	9,769,543	69,835,537	-	607,408,702	677,244,239
Financial liabilities								
Long term borrowings (including current maturity of Long term borrowings)	-	-	34,000,000	34,000,000	-	-	2,356,948,000	2,356,948,000
Trade and other payables	-	-	1,325,220	1,325,220	-	-	91,866,935	91,866,935
Other Current financial liabilities	-	-	6,090,606	6,090,606	-	-	422,212,982	422,212,982
	-	-	41,415,826	41,415,826	-	-	2,871,027,917	2,871,027,917

* The carrying amount reports in the balance sheet for investments is the fair market value at the balance sheet date. The fair market value of investments is based on quoted prices in an active market based on level 1 inputs.

Particulars	As at 31st March, 2018							
	USD				Rs.			
	FVTPL	FVTOCI	Amortized cost	Total	FVTPL	FVTOCI	Amortized cost	Total
Financial assets								
Cash and Cash Equivalents	-	-	6,781,991	6,781,991	-	-	440,273,305	440,273,305
Investments *	450,000	-	-	450,000	29,213,100	-	-	29,213,100
Trade and other receivables	-	-	5,004,043	5,004,043	-	-	324,852,464	324,852,464
	450,000	-	11,786,034	12,236,034	29,213,100	-	765,125,769	794,338,869
Financial liabilities								
Long term borrowings (Including current maturity of Long term borrowings)	-	-	25,000,000	25,000,000	-	-	1,622,950,000	1,622,950,000
Short term borrowings	-	-	15,875,000	15,875,000	-	-	1,030,573,250	1,030,573,250
Trade and other payables	-	-	2,066,502	2,066,502	-	-	134,153,166	134,153,166
Other Current financial liabilities	-	-	908,307	908,307	-	-	58,965,511	58,965,511
	-	-	43,849,809	43,849,809	-	-	2,846,641,927	2,846,641,927

The Company has exposure to the following risks arising from financial instruments:

- Credit risk ;
- Liquidity risk ; and
- Market risk

i. Risk management framework

The Company's board of directors has overall responsibility for the establishment and oversight of the Company's risk management framework.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Board oversees how management monitors compliance with the company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The Board is assisted in its oversight role by internal audit. Internal audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Board.



S & B PHARMA INC.**NOTE - 3: NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2019****3.33 Financial instruments - Fair values and risk management****ii. Credit risk**

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and investments in debt securities.

The carrying amount of following financial assets represents the maximum credit exposure:

Trade and other receivables

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk of the industry and country in which customers operate.

The Company establishes an allowance for impairment that represents its estimate of expected losses in respect of trade and other receivables.

At March 31st, 2019, the maximum exposure to credit risk for trade and other receivables by geographic region was as follows.

Region	As at 31st March, 2019		As at 31st March, 2018	
	USD	Rs.	USD	Rs.
USA	2,112,027	145,522,115	3,408,370	222,071,815
Other regions	2,641,521	184,003,322	1,586,669	102,196,065
Total	4,753,548	329,525,437	4,995,038	324,267,879

The Company's two largest customers accounted for 46% and 20% of the accounts receivable as at 31st March 2019, or **USD 769,721 (Rs. 53,358,599)** and **USD 342,268 (Rs. 23,726,702)**, respectively.

Impairment

At 31st March, 2019, the ageing of trade and other receivables that were not impaired was as follows.

Particulars	As at 31st March, 2019		As at 31st March, 2018	
	USD	Rs.	USD	Rs.
Neither past due nor impaired	-	-	3,045,419	197,702,511
Past due 1-180 days	4,675,348	324,104,457	1,820,542	118,185,977
Past due more than 180 days	78,200	5,420,980	129,077	8,379,421
Total	4,753,548	329,525,437	4,995,038	324,267,879

Management believes that the unimpaired amounts that are past due by more than 180 days are still collectible in full, based on historical payment behaviour and extensive analysis of customer credit risk, including underlying customers' credit ratings if they are available.

The movement in the allowance for impairment in respect of trade and other receivables during the year was as follows.

Individual impairments	31st March, 2019		31st March, 2018	
	Individual impairments	Collective impairments	Individual impairments	Collective impairments
USD				
Balance as at 1st April, 2017	-	-	54,473	-
Impairment loss recognised	-	-	190,627	-
Amounts written off	-	-	31,712	-
Balance as at 31st March, 2018	213,388	-	213,388	-
Impairment loss recognised	-	-	-	-
Amounts written off / reversal	135,188	-	-	-
Balance as at 31st March, 2019	78,200	-	-	-
Rs.				
As at 1st April, 2017	3,526,949	-	3,526,949	-
Impairment loss recognised	-	-	12,375,113	-
Amounts written off	-	-	2,049,340	-
Balance as at 31st March, 2018	13,852,722	-	13,852,722	-
Impairment loss recognised	-	-	-	-
Amounts written off / reversal	8,431,742	-	-	-
Balance as at 31st March, 2019	5,420,980	-	-	-

Cash and cash equivalents

The Company held cash and cash equivalents of **USD 4,008,587 Rs. 277,883,265** at 31st March, 2019 (March 31, 2018: USD 67,81,991 Rs. 440,273,305). The cash and cash equivalents are held with banks.



3.33 Financial Instruments - Fair values and risk management

iii. Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

Exposure to liquidity risk

The following are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted, and include estimated interest payments and exclude the impact of netting agreements.

31 March 2019	Contractual cash flows						
	Carrying amount	Total	2 months or less	2-12 months	1-2 years	2-5 years	More than 5 years
Non-derivative financial liabilities							
USD							
Local currency term loans from banks	28,500,000	29,475,000	975,000	-	5,000,000	23,500,000	-
Loans from related party	-	-	-	-	-	-	-
Trade and other payables	1,325,220	1,325,220	988,432	336,788	-	-	-
Other financial liability	6,090,606	6,090,606	590,606	5,500,000	-	-	-
Rs.							
Local currency term loans from banks	1,975,677,000	2,043,265,950	67,588,950	-	346,610,000	1,629,067,000	-
Loans from related party	-	-	-	-	-	-	-
Trade and other payables	91,866,935	68,520,108	68,520,108	-	-	-	-
Other Financial liability	422,212,982	40,941,982	40,941,982	-	-	-	-
Contractual cash flows							
31 March 2018	Carrying amount	Total	2 months or less	2-12 months	1-2 years	2-5 years	More than 5 years
USD							
Non-derivative financial liabilities							
Local currency term loans from banks	30,875,000	32,445,000	5,964,875	10,523,875	13,259,375	2,696,875	-
Loans from related party	10,000,000	13,500,000	-	-	-	-	13,500,000
Trade and other payables	2,066,502	2,066,502	2,066,502	-	-	-	-
Other financial liability	908,307	908,307	908,307	-	-	-	-
Rs.							
Local currency term loans from banks	2,004,343,250	2,106,264,510	387,227,755	683,188,917	860,772,106	175,075,731	-
Loans from related party	649,180,000	876,393,000	-	-	-	-	876,393,000
Trade and other payables	134,153,166	134,153,177	134,153,177	-	-	-	-
Other financial liability	58,965,511	58,965,481	58,965,481	-	-	-	-

The contractual cash flow includes cash outflow from the loan of USD 6,000,000 as mentioned in notes of Subsequent events.

The gross inflows/(outflows) disclosed in the above table represent the contractual undiscounted cash flows relating to derivative financial liabilities held for risk management purposes and which are not usually closed out before contractual maturity. The disclosure shows net cash flow amounts for derivatives that are net cash-settled and gross cash inflow and outflow amounts for derivatives that have simultaneous gross cash settlement



3.33 Financial instruments - Fair values and risk management**iv. Market risk**

Market risk is the risk that changes in market prices – such as foreign exchange rates, interest rates and equity prices – will affect the Company's income or the value of its holdings of financial instruments. Market risk is attributable to all market risk sensitive financial instruments including foreign currency receivables and payables and long term debt. We are exposed to market risk primarily related to foreign exchange rate risk, interest rate risk and the market value of our investments. Thus, our exposure to market risk is a function of investing and borrowing activities and revenue generating and operating activities in foreign currency. The objective of market risk management is to avoid excessive exposure in our foreign currency revenues and costs.

Interest rate risk

Interest rate risk can be either fair value interest rate risk or cash flow interest rate risk. Fair value interest rate risk is the risk of changes in fair values of fixed interest bearing investments because of fluctuations in the interest rates. Cash flow interest rate risk is the risk that the future cash flows of floating interest bearing investments will fluctuate because of fluctuations in the interest rates.

Exposure to Interest rate risk

Company's interest rate risk arises from borrowings. The interest rate profile of the Company's interest-bearing financial instruments as reported to the management of the Company is as follows.

Particulars	As at 31st March, 2019	As at 31st March, 2019	As at 31st March, 2018	As at 31st March, 2018
	USD	Rs.	USD	Rs.
Fixed-rate instruments				
Financial liabilities	-	-	10,000,000	649,180,000
	-	-	10,000,000	649,180,000
Variable-rate instruments				
Financial liabilities	28,500,000	1,975,677,000	30,875,000	2,004,343,250
Total	28,500,000	1,975,677,000	40,875,000	2,004,343,250

Fair value sensitivity analysis for fixed-rate instruments

The Company does not account for any fixed-rate financial liabilities at fair value through profit or loss. Therefore, a change in interest rates at the reporting date would not affect profit or loss.

A change of 100 basis points in interest rates would not have any material impact on the equity.

Cash flow sensitivity analysis for variable-rate instruments

A reasonably possible change of 100 basis points in interest rates at the reporting date would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency exchange rates, remain constant.

Particulars	Profit or loss *		Equity (net of tax) *	
	100 bp Increase	100 bp decrease	100 bp Increase	100 bp decrease
USD				
31st March, 2019				
Variable-rate instruments	(238,000)	238,000	(238,000)	238,000
Cash flow sensitivity (net)	(238,000)	238,000	(238,000)	238,000
Rs.				
Variable-rate instruments	(16,578,630)	16,578,630	(16,578,630)	16,578,630
Cash flow sensitivity (net)	(16,578,630)	16,578,630	(16,578,630)	16,578,630
31st March, 2018				
USD				
Variable-rate instruments	(100,000)	100,000	(100,000)	100,000
Cash flow sensitivity (net)	(100,000)	100,000	(100,000)	100,000
Rs.				
Variable-rate instruments	(6,440,919)	6,440,919	(6,440,919)	6,440,919
Cash flow sensitivity (net)	(6,440,919)	6,440,919	(6,440,919)	6,440,919

* Assuming a combined US tax rate for federal and state of 30%.



3.34 Capital Management

The Company's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Management monitors the return on capital as well as the level of dividends to ordinary shareholders.

The Company monitors capital using a ratio of 'adjusted net debt' to 'adjusted equity'. For this purpose, adjusted net debt is defined as total liabilities, comprising interest-bearing loans and borrowings and obligations under finance leases, less cash and cash equivalents. Adjusted equity comprises all components of equity.

The Company's adjusted net debt to equity ratio at March 31, 2019 was as follows.

Particulars	As at 31st March, 2019	As at 31st March, 2019	As at 31st March, 2018	As at 31st March, 2018
	USD	Rs.	USD	Rs.
Total borrowings (including current maturities of long term borrowings)	34,000,000	2,356,948,000	40,875,000	2,653,523,250
Less : Cash and cash equivalent	4,008,587	277,883,265	6,781,991	440,273,305
Adjusted net debt	29,991,413	2,079,064,735	34,093,009	2,213,249,945
Total equity	27,416,342	1,900,555,612	16,585,586	1,076,703,096
Adjusted equity	27,416,342	1,900,555,612	16,585,586	1,076,703,096
Adjusted net debt to adjusted equity ratio	1.09	1.09	2.06	2.06

3.35 Disclosure As per Indian Accounting Standard 115 :

Reconciliation the amount of revenue recognised in the statement of profit and loss with the contracted price:

Particulars	As at 31st March, 2019		As at 31st March, 2018	
	USD	Rs.	USD	Rs.
Revenue as per contracted price	25,868,585	1,801,956,723	27,654,138	1,781,180,674
Adjustments:				
Sales Return	-	-	-	-
Discount	-	-	-	-
Rebates/refunds	-	-	-	-
Revenue from contract with customers	25,868,585	1,801,956,723	27,654,138	1,781,180,674
Other operating revenue	135,188	9,416,972	-	-
Revenue from Operations	26,003,774	1,811,373,695	27,654,138	1,781,180,674

3.36 Payment to auditors

Particulars	As at 31st March, 2019		As at 31st March, 2018	
	USD	Rs.	USD	Rs.
As Auditor				
Audit fees	92,248	6,425,821	88,462	5,697,766
In other capacity				
In any other services such as certification, etc.	10,278	715,946	10,000	644,092
Total	102,526	7,141,767	98,462	6,341,858

3.37 Average exchange rate as on 31st March, 2019 considered for the purpose of translation is Rs. 69.658/1 USD (Rs. 64.409/1 USD).
Closing exchange rate as on 31st March, 2019 considered for the purpose of translation Rs. 69.322/1 USD (Rs. 64.918/1 USD).

3.38 Recent accounting pronouncements

Ministry of Corporate Affairs ("MCA") through Companies (Indian Accounting Standards) Amendment Rules, 2018 has notified the following new and amendments to Ind ASs which the Company has not applied as they are effective for annual periods beginning on or after 1 April 2019:

Ind AS 116, Leases

The Company is required to adopt Ind AS 116, Leases from 1 April 2019. The Company has assessed the estimated impact that initial application of Ind AS 116 will have on its standalone financial statements, as described below:

Ind AS 116 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases. It replaces existing leases guidance, Ind AS 17, Leases.

The Company will recognise new assets and liabilities for its operating leases of offices, warehouse and factory facilities. The nature of expenses related to those leases will now change because the Company will recognise a depreciation charge for right-of-use assets and interest expense on lease liabilities.

Previously, the Company recognised operating lease expense on a straight-line basis over the term of the lease, and recognised assets and liabilities only to the extent that there was a timing difference between actual lease payments and the expense recognised.

No significant impact is expected for the Company's finance leases.

Based on the information currently available, the Company estimates that it will recognise additional lease liabilities of USD 993,602 equivalent to Rs.68,877,505 as at 1st April, 2019.



S & B PHARMA INC.

NOTE - 3: NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2019

The Company plans to apply Ind AS 116 initially on 1 April 2019, using the modified retrospective approach. Therefore, the Company records the lease liability as the present value of the remaining lease payments, discounted at the incremental borrowing rate and the right of use asset as an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments related to that lease recognised under Ind AS 17 immediately before the date of initial application.

The Company has elected certain available practical expedients on transition.

In addition to the above, the following amendments to existing standards have been issued, are not yet effective and are not expected to have a significant impact on the Company's standalone financial statements:

- Amendments to **Ind AS 103, Business Combinations**, and **Ind AS 111, Joint Arrangements**: This interpretation clarifies how an entity accounts for increasing its interest in a joint operation that meets the definition of a business.

- Amendments to **Ind AS 109, Financial Instruments**: amendments relating to the classification of particular pre payable financial assets

- Amendments to **Ind AS 12, Income Taxes**, clarify that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognized consistently with the transactions that generated the distributable profits – i.e. in profit or loss, other comprehensive income or equity. Further Appendix C, uncertainty over income tax treatments has been added to clarify how entities should reflect uncertainties over income tax treatments, in particular when assessing the outcome a tax authority might reach with full knowledge and information if it were to make an examination.

- Amendment to **Ind AS 19, Employee Benefits** - The amendment to Ind AS 19 clarifies that on amendment, curtailment or settlement of a defined benefit plan, the current service cost and net interest for the remainder of the annual reporting period are calculated using updated actuarial assumptions – i.e. consistent with the calculation of a gain or loss on the plan amendment, curtailment or settlement. This amendment also clarifies that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognized in profit or loss. The entity then determines the effect of the asset ceiling after plan amendment, curtailment or settlement. Any change in that effect is recognized in other comprehensive income (except for amounts included in net interest).

- Amendments to **Ind AS 23, Borrowing Costs**, clarify that the general borrowings pool used to calculate eligible borrowing costs excludes only borrowings that specifically finance qualifying assets that are still under development or construction.

As per our attached report of even date

For R.S.Sanghal & Associates

Chartered Accountants

Firm's registration Number: 109094W

R.S.Sanghal

Partner

Membership Number: 036931

Place : Mumbai

Dated : 27th May, 2019



A handwritten signature of Rajesh Dubey in black ink.

Rajesh Dubey

Management Representative of Alkem Laboratories Ltd.