

**Report on the financial statements of Alkem Laboratories Korea Inc., South Korea, a foreign subsidiary of Alkem Laboratories Limited, India required for the purposes of its consolidation with the financial statements of the holding company as required by Section 129(3) of the Companies Act, 2013**

**Independent Auditor's Report**

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

**Report on the Standalone Ind AS Financial Statements:**

At the request of Alkem Laboratories Ltd., India the holding company of **Alkem Laboratories Korea Inc., South Korea** ('the Company'), we have audited the accompanying standalone Ind AS financial statements of the company **Alkem Laboratories Korea Inc., South Korea** which comprise the Balance Sheet as at 31<sup>st</sup> March, 2022, the statement of Profit & Loss (including Other Comprehensive Income), the Statement of Changes in Equity, the Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information (hereinafter referred to as "standalone Ind AS financial statements") prepared by its management in its reporting currency in Korean Won. These financial statements are translated by the management of the holding company Alkem Laboratories Ltd., India in Indian currency (INR) and are also presented in the formats and as per requirements of Division II of Schedule III to the Companies Act, 2013 and as per Ind AS, solely for the purpose of its consolidation with the financial statements of the holding company Alkem Laboratories Limited, India as required by Section 129(3) of the Companies Act, 2013.

**Management's Responsibility for the Standalone Financial Statements:**

The management of the holding company Alkem Laboratories Ltd., India and the Company's Board of Directors is responsible for preparation of these Ind AS standalone financial statements that give a true and fair view of the financial position, financial performance including other comprehensive income, changes in equity and cash flows of the Company in accordance with the accounting principles generally accepted in India including the Indian Accounting Standards (Ind AS) prescribed under Section 133 of the act read with relevant rules issued thereunder.

This responsibility also includes maintenance of adequate accounting records for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgements and estimates that are reasonable and prudent; relevant to the preparation and presentation of the standalone Ind AS financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.





**Auditor's Responsibility:**

Our responsibility is to express an opinion on these standalone Ind AS financial statements based on our audit.

We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India (ICAI) and in particular SA 800 'Special Considerations – Audits of Financial Statements Prepared in accordance with Special Purpose Frameworks'. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether these standalone Ind AS financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in these financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of these financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of those financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on these standalone Ind AS financial statements.

**Opinion:**

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone Ind AS financial statements give the information required in the manner so required and give a true and fair view in conformity with the Group Accounting Policies of Alkem Laboratories Ltd. and the accounting principles generally accepted in India including the Ind AS, of the financial position of the Company as at 31<sup>st</sup> March, 2022, and its financial performance including other comprehensive income, the changes in equity and its cash flows for the year ended on that date.

**Restriction on Distribution or Use:**

Without modifying our opinion, we draw your attention to the fact that these financial statements are Special Purpose Financial Statements and do not constitute a set of statutory financial statements in accordance with the local laws of the country in which the company is incorporated and are prepared in Indian currency (INR) and in the formats and as per requirements of Division II of Schedule III to the Companies Act, 2013 as per Ind AS solely for the purpose of its consolidation with the financial statements of the holding company as per the requirements of Section 129(3) of the Companies Act, 2013, and should not be



used for any other purpose. This is not a report under Section 143 of the Companies Act, 2013, and accordingly does not include any statement on the matters specified in and required by Section 143 (11), 143(3)(g) and 143(3)(i) of the Companies Act, 2013 and Rule 11 of the Companies (Audit and Auditors') Rules, 2014 including the Companies (Auditors' Report) Order, 2020.

For **R.S.SANGHAI & ASSOCIATES**

Chartered Accountants

Firm Registration No. 109094W



**R.S.SANGHAI**

Partner

Membership No.: 036931

Place: Mumbai

Date: 11<sup>th</sup> May, 2022

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ALKEM LABORATORIES KOREA INC. , SOUTH KOREA  
BALANCE SHEET AS AT 31ST MARCH, 2022

Particulars	Note No.	As at 31st March, 2022	As at 31st March, 2022	As at 31st March, 2021	As at 31st March, 2021
		WON	Rs.	WON	Rs.
<b>I. ASSETS</b>			-		
<b>1 Current assets</b>					
(a) Financial assets					
(i) Cash and Cash equivalents	2.1	69,79,583	4,35,526	1,30,38,010	8,40,952
(ii) Others	2.2	2,50,000	15,600	2,50,000	16,125
(b) Other current assets	2.3	2,75,000	17,160	5,25,000	33,862
<b>Total Current assets</b>		<b>75,04,583</b>	<b>4,68,286</b>	<b>1,38,13,010</b>	<b>8,90,939</b>
<b>TOTAL ASSETS</b>		<b>75,04,583</b>	<b>4,68,286</b>	<b>1,38,13,010</b>	<b>8,90,939</b>
<b>II. EQUITY AND LIABILITIES</b>					
<b>1 Equity</b>					
(a) Equity share capital	2.4	15,00,000	79,467	15,00,000	79,467
(b) Other equity ( Refer Statement of changes in equity)		(2,31,75,422)	(14,32,013)	(1,39,71,561)	(8,83,883)
<b>Total Equity</b>		<b>(2,16,75,422)</b>	<b>(13,52,546)</b>	<b>(1,24,71,561)</b>	<b>(8,04,416)</b>
<b>2 Non-Current Liabilities</b>					
(a) Financial Liabilities					
(i) Borrowings	2.5	2,61,55,005	16,32,072	2,21,59,571	14,29,292
<b>Total Non-current liabilities</b>		<b>2,61,55,005</b>	<b>16,32,072</b>	<b>2,21,59,571</b>	<b>14,29,292</b>
<b>3 Current liabilities</b>					
(a) Financial Liabilities					
(i) Other financial liabilities	2.6	30,25,000	1,88,760	41,25,000	2,66,063
<b>Total Current liabilities</b>		<b>30,25,000</b>	<b>1,88,760</b>	<b>41,25,000</b>	<b>2,66,063</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>75,04,583</b>	<b>4,68,286</b>	<b>1,38,13,010</b>	<b>8,90,939</b>

Significant accounting policies 1B  
Notes to the Financial Statements 2

The accompanying notes are an integral part of the financial statements

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 : **11 MAY 2022**



For and on behalf of the Board of  
**Alkem Laboratories Korea Inc.**

**Amit Ghare**  
Director

ALKEM LABORATORIES KOREA INC. , SOUTH KOREA  
STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31ST MARCH, 2022

Particulars	Note No.	For the Year ended 31st March, 2022	For the Year ended 31st March, 2022	For the Year ended 31st March, 2021	For the Year ended 31st March, 2021
		WON	Rs.	WON	Rs.
<b>1 Income</b>					
(a) Other Income	2.7	1,167	74	10,29,173	65,661
<b>TOTAL INCOME</b>		1,167	74	10,29,173	65,661
<b>2 Expenses</b>					
(a) Finance Costs	2.8	15,63,103	99,413	4,05,818	25,891
(b) Other expenses	2.9	76,41,925	4,86,026	58,37,500	3,72,433
<b>TOTAL EXPENSES</b>		92,05,028	5,85,439	62,43,318	3,98,324
<b>3 Profit before tax (1) - (2)</b>		(92,03,861)	(5,85,365)	(52,14,145)	(3,32,663)
<b>4 Tax expenses</b>					
(a) Current tax		-	-	-	-
		-	-	-	-
<b>5 Profit for the period (3) - (4)</b>		(92,03,861)	(5,85,365)	(52,14,145)	(3,32,663)
<b>6 Other Comprehensive Income</b>					
(a) Items that will be reclassified to profit or loss					
(i) Foreign Currency Translation Difference		-	37,235	-	(26,946)
<b>Total of Other Comprehensive Income for the period, net of tax</b>		-	37,235	-	(26,946)
<b>7 Total Comprehensive Income for the period (5) + (6)</b>		(92,03,861)	(5,48,130)	(52,14,145)	(3,59,609)
<b>8 Basic and diluted earnings per share</b>	2.10	(613.59)	(39.02)	(347.61)	(22.18)

Significant accounting policies 1B  
Notes to the Financial Statements 2

The accompanying notes are an integral part of the financial statements

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 : 11 MAY 2022



For and on behalf of the Board of  
**Alkem Laboratories Korea Inc.**

**Amit Ghare**  
Director



ALKEM LABORATORIES KOREA INC. , SOUTH KOREA  
STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31ST MARCH, 2022

WON

(a) Equity share capital	As at 31st March, 2022		As at 31st March, 2021	
	No. of Shares	Amount	No. of Shares	Amount
Balance at the beginning of the reporting year	15,000	15,00,000	15,000	15,00,000
Changes in equity share capital during the year	-	-	-	-
Balance at the end of the reporting year	15,000	15,00,000	15,000	15,00,000

Rs.

(a) Equity share capital	As at 31st March, 2022		As at 31st March, 2021	
	No. of Shares	Amount	No. of Shares	Amount
Balance at the beginning of the reporting year	15,000	79,467	15,000	79,467
Changes in equity share capital during the year	-	-	-	-
Balance at the end of the reporting year	15,000	79,467	15,000	79,467

Other Equity

WON

Particulars	Reserves and Surplus	Items of OCI	Total other equity
	Retained Earnings	Foreign Currency Translation Difference	
Balance at 1st April, 2020	(87,57,416)	-	(87,57,416)
<b>Total Comprehensive Income</b>			
Profit for the year	(52,14,145)	-	(52,14,145)
Other Comprehensive Income	-	-	-
<b>Balance at 31st March, 2021</b>	<b>(1,39,71,561)</b>	<b>-</b>	<b>(1,39,71,561)</b>
<b>Total Comprehensive Income</b>			
Profit for the year	(92,03,861)	-	(92,03,861)
Other Comprehensive Income	-	-	-
<b>Balance at 31st March, 2022</b>	<b>(2,31,75,422)</b>	<b>-</b>	<b>(2,31,75,422)</b>

Other Equity

Rs.

Particulars	Reserves and Surplus	Items of OCI	Total other equity
	Retained Earnings	Foreign Currency Translation Difference	
Balance at 1st April, 2020	(5,17,383)	(6,891)	(5,24,274)
<b>Total Comprehensive Income</b>			
Profit for the year	(3,32,663)	-	(3,32,663)
Other Comprehensive Income	-	(26,946)	(26,946)
<b>Balance at 31st March, 2021</b>	<b>(8,50,046)</b>	<b>(33,837)</b>	<b>(8,83,883)</b>
<b>Total Comprehensive Income</b>			
Profit for the year	(5,85,365)	-	(5,85,365)
Other Comprehensive Income	-	37,235	37,235
<b>Balance at 31st March, 2022</b>	<b>(14,35,411)</b>	<b>3,398</b>	<b>(14,32,013)</b>

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

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

**Foreign currency translation difference reserve:** This reserve is created as per IND AS 21 for accounting of difference between presentation currency and functional currency i.e. Rupees and Korean WON respectively.

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 : 11 MAY 2022



For and on behalf of the Board of  
Alkem Laboratories Korea Inc.

**Amit Ghare**  
Director



ALKEM LABORATORIES KOREA INC. , SOUTH KOREA  
CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2022

Particulars	For the year ended 31st March, 2022		For the year ended 31st March, 2021	
	WON	Rs.	WON	Rs.
<b>A. Cash Flow from Operating activities</b>				
Profit before Tax	(92,03,861)	(5,85,365)	(52,14,145)	(3,32,663)
Adjustments for :				
Interest Expense	15,63,103	99,413	-	-
Operating Profit before Working Capital Changes	(76,40,758)	(4,85,952)	(52,14,145)	(3,32,663)
Adjustments for :				
(Increase) / decrease in Other current assets	2,50,000	15,900	(4,49,200)	(28,659)
Increase / (decrease) in Other financial liabilities	(11,00,000)	(69,960)	(38,83,800)	(2,47,786)
<b>Cash (used in) / Generated from Operations</b>	(84,90,758)	(5,40,012)	(95,47,145)	(6,09,108)
<b>Net cash (used in) /generated from operating activities</b>	(84,90,758)	(5,40,012)	(95,47,145)	(6,09,108)
<b>B. Cash Flow from Investing activities</b>	-	-	-	-
<b>C. Cash Flow from Financing activities</b>				
Proceeds from Long Term Borrowings	39,95,434	2,54,110	2,21,59,571	14,13,780
Interest Expense	(15,63,103)	(99,413)	-	-
<b>Net cash (used in) /generated from Financing activities</b>	24,32,331	1,54,697	2,21,59,571	14,13,780
<b>Net Increase/(decrease) in cash and cash equivalents (A + B + C)</b>	(60,58,427)	(3,85,315)	1,26,12,426	8,04,672
Cash and Cash Equivalents at the beginning of the year	1,30,38,010	8,30,756	4,25,584	26,084
Cash and Cash Equivalents at the end of the year	69,79,583	4,45,441	1,30,38,010	8,30,756

Notes :

1) Cash and Cash Equivalents include :

Particulars	As at 31st March, 2022		As at 31st March, 2021	
	WON	Rs.	WON	Rs.
Cash and Bank balances (Refer Note 2.1)	69,79,583	4,35,526	1,30,38,010	8,40,952
Exchange difference (Unrealised (Gain) / Loss)	-	9,915	-	(10,196)
<b>Total</b>	69,79,583	4,45,441	1,30,38,010	8,30,756

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 :

11 MAY 2022



For and on behalf of the Board of

**Alkem Laboratories Korea Inc.**

**Amit Ghare**  
Director



## 1A GENERAL INFORMATION

These financial statements are prepared solely for the purposes of consolidation by the holding company, Alkem Laboratories Ltd. The Company was incorporated on 7th August, 2012 in South Korea under the Corporations Act. Its core business is of selling and distribution of pharmaceutical products throughout South Korea and to provide marketing services. The Company is a wholly-owned subsidiary of 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, 2022 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 WON 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 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:

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

All other assets are classified as non-current.

A liability is classified as current when:

- a) it is expected to be settled in normal operating cycle,
- b) it is held primarily for the purpose of trading,
- c) it is due to be settled within twelve months after the reporting period
- d) 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 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

### 1.3 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.

### 1.4 Foreign currencies Transactions & Translation

#### 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 currency of the Company is South Korean Won.

#### 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 Indian Rupees. 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.





## 1.5 Financial instruments

Financial instruments are recognised when the Company becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Company commits to purchase or sell the asset.

### (a) Financial Assets

The Company determines the classification of its financial assets at initial recognition. The classification depends on the Company's business model for managing the financial assets and the contractual terms of the cash flows.

The financial assets are classified in the following measurement categories:

- Those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and
- Those to be measured at amortised cost.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held. For investments in equity instruments, this will depend on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss as incurred.

Subsequent measurement of debt instruments depends on the Company's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Company classifies its debt instruments.

The Company follows trade date accounting for all regular way purchase or sale of financial assets.

### (i) Amortised Cost

The Company classifies its financial assets as at amortised cost only if both of the following criteria are met:

- The asset is held within a business model with the objective of collecting the contractual cash flows, and
- The contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding.

Financial assets at amortised cost include loans receivable, trade and other receivables, and other financial assets that are held with the objective of collecting contractual cash flows. After initial measurement at fair value, the financial assets are measured at amortised cost using the effective interest rate (EIR) method, less impairment.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the statement of profit or loss. The losses arising from impairment are recognised in the Statement of Profit or Loss in other income.

### (ii) Fair value through other comprehensive income

Financial assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through other comprehensive income. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in other income using the effective interest rate method.

For equity instruments, the Company may make an irrevocable election to present in other comprehensive income subsequent changes in the fair value. The Company makes such election on an instrument by- instrument basis. The classification is made on initial recognition and is irrevocable.

If the Company decides to classify an equity instrument as at FVTOCI, then all fair value changes on the instrument, excluding dividends, are recognized in the OCI. There is no recycling of the amounts from OCI to profit and loss, even on sale of investment. However, the group may transfer the cumulative gain or loss within equity.

### (iii) Financial assets at fair value through profit or loss

The Company classifies the following financial assets at fair value through profit or loss:

- Debt investments that do not qualify for measurement at amortised cost;
- Debt investments that do not qualify for measurement at fair value through other comprehensive income; and
- Debt investments that have been designated at fair value through profit or loss.

Financial assets at fair value through profit or loss include financial assets held for trading, debt securities and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets at fair value through profit or loss are carried in the Balance Sheet at fair value with net changes in fair value presented as finance costs in profit or loss. Interests, dividends and gain/loss on foreign exchange on financial assets at fair value through profit or loss are included separately in other income.





If Company elects to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss. Dividends from such investments shall continue to be recognised in profit or loss as other income when the Company's right to receive payments is established. There are no impairment requirements for equity investments measured at fair value through other comprehensive income. Changes in the fair value of financial assets at fair value through profit or loss shall be recognised in other gain/(losses) in the statement of profit or loss as applicable.

Equity instruments included within the FVTPL category are measured at fair value with all changes recognized in the profit and loss.

#### **Derecognition of financial assets**

The Company derecognises a financial asset when the contractual rights to the cash flows from the assets expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of the transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

#### **Impairment of Financial Assets**

The Company applies expected credit loss (ECL) model for measurement and recognition of impairment loss on the following financial assets and credit risk exposure:

- a) Financial assets that are debt instruments and are measured at amortised cost e.g., loans, deposits, trade receivables and bank balance
- b) Trade receivables or any contractual right to receive cash or other financial asset that result from transactions that are within the scope of Ind AS 115

Expected credit losses is the probability-weighted estimate of credit losses (i.e. present value of all cash shortfalls) over the expected life of the financial asset. A cash shortfall is the difference between the cash flows that are due in accordance with the contract and the cash flows that the company expects to receive. The expected credit losses consider the amount and timing of payments and hence, a credit loss arises even if the Company expects to receive the payment in full but later than when contractually due. The expected credit loss method requires to assess credit risk, default and timing of collection since initial recognition. This requires recognising allowance for expected credit losses in profit or loss even for receivables that are newly originated or acquired.

Impairment of financial assets is measured as either 12 month expected credit losses or life time expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition. '12 month expected credit losses' represent the expected credit losses resulting from default events that are possible within 12 months after the reporting date. 'Lifetime expected credit losses' represent the expected credit losses that result from all possible default events over the expected life of the financial asset.

Trade receivables are of a short duration, normally less than 12 months and hence the loss allowance measured as lifetime expected credit losses does not differ from that measured as 12 month expected credit losses. The Company uses the practical expedient in Ind AS 109 for measuring expected credit losses for trade receivables using a provision matrix based on ageing of receivables.

The Company uses historical loss experience and derived loss rates based on the past twelve months and adjusts the historical loss rates to reflect the information about current conditions and reasonable and supportable forecasts of future economic conditions. The loss rates differ based on the ageing of the amounts that are past due and are generally higher for those with the higher ageing.

#### **Interest income**

For all financial instruments measured at amortised cost and interest bearing financial assets, interest income is recognised using the effective interest rate (EIR), which is the rate that discounts the estimated future cash receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset.

When a loan and receivable is impaired, the Company reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original EIR of the instrument, and continues unwinding the discount as interest income. Interest income on impaired financial asset is recognised using the original EIR.

#### **Cash and Cash Equivalents**

Cash and Cash Equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash, with original maturities of three months or less.

#### **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 group's operations. Such changes are evident to external parties. A change in the business model occurs when the group either begins or ceases to perform an activity that is significant to its operations. If the group 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 group 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.





#### 1.6 Equity instruments

Equity instruments issued by the Company are classified according to the substance of the contractual arrangements entered into and the definitions of an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities and includes no obligation to deliver cash or other financial assets. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issuance costs.

#### 1.7 Leases

The Company evaluates if an arrangement qualifies to be a lease as per the requirements of Ind AS 116. The Company uses significant judgement in assessing the lease term and the applicable discount rate. The Company determines the lease term based on the term mentioned in lease agreements. The renewal aspect has not been added to the lease term since the option to renew the lease lies with both the lessor and the lessee.

The discount rate is generally based on the incremental borrowing rate specific to the lease being evaluated or for a portfolio of leases with similar characteristics.

Leases of Property, Plant and Equipment where the Company, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in borrowings or the financial liabilities as appropriate. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the Statement of Profit and Loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The Company has elected not to apply the requirements of para 22 to 49 of Ind AS 116 to the short term leases and has opted for the exemption in accordance with para 5 of Ind AS 116 and has accounted the short term leases as per para 6 of the standard.





Particulars	As at 31st March, 2022	As at 31st March, 2022	As at 31st March, 2021	As at 31st March, 2021
	WON	Rs.	WON	Rs.
<b>2.1 : Cash and Cash Equivalents:</b>				
Balance with Banks:				
In Current accounts	69,79,583	4,35,526	1,30,38,010	8,40,952
<b>TOTAL</b>	<b>69,79,583</b>	<b>4,35,526</b>	<b>1,30,38,010</b>	<b>8,40,952</b>
<b>2.2 : OTHER CURRENT FINANCIAL ASSETS:</b>				
Security deposits	2,50,000	15,600	2,50,000	16,125
<b>TOTAL</b>	<b>2,50,000</b>	<b>15,600</b>	<b>2,50,000</b>	<b>16,125</b>
<b>2.3 : OTHER CURRENT ASSETS:</b>				
Balance with government authorities	2,75,000	17,160	5,25,000	33,862
<b>TOTAL</b>	<b>2,75,000</b>	<b>17,160</b>	<b>5,25,000</b>	<b>33,862</b>

Particulars	As at 31st March, 2022	As at 31st March, 2022	As at 31st March, 2021	As at 31st March, 2021
	WON	Rs.	WON	Rs.
<b>2.4 : EQUITY SHARE CAPITAL:</b>				
<b>Authorised:</b>				
15,000 Units of Won 100/- each	15,00,000	79,467	15,00,000	79,467
(Previous Year 15,000 Units of Won 100/-)	15,00,000	79,467	15,00,000	79,467
<b>Issued, subscribed &amp; paid-up :</b>				
15,000 Units of Won 100/- each	15,00,000	79,467	15,00,000	79,467
(Previous Year 15,000 Units of Won 100/-)	15,00,000	79,467	15,00,000	79,467
<b>TOTAL</b>	<b>15,00,000</b>	<b>79,467</b>	<b>15,00,000</b>	<b>79,467</b>

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

Particulars	As at 31st March, 2022		As at 31st March, 2021	
	Number	WON	Number	WON
At the commencement of the year	15,000	15,00,000	15,000	15,00,000
Add: Shares issued during the year	-	-	-	-
<b>At the end of the year</b>	<b>15,000</b>	<b>15,00,000</b>	<b>15,000</b>	<b>15,00,000</b>

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

Name of the shareholders:	As at 31st March, 2022		As at 31st March, 2021	
	Number of Shares	Percentage of Holding	Number of Shares	Percentage of Holding
Alkem Laboratories Limited	15,000	100.00%	15,000	100.00%

## (c) Promoter shareholding as on 31st March, 2022

Promoter name	No. of shares as at 31 March 2022	No. of shares as at 31 March 2021	% of total shares	% change during the year
Alkem Laboratories Limited	15,000	15,000	100%	0.0%
<b>Total</b>	<b>15,000</b>	<b>15,000</b>		

Particulars	As at 31st March, 2022	As at 31st March, 2022	As at 31st March, 2021	As at 31st March, 2021
	WON	Rs.	WON	Rs.
<b>OTHER EQUITY</b>				
<b>Retained Earnings:</b>				
At the commencement of the year	(1,39,71,561)	(8,50,046)	(87,57,416)	(5,17,384)
Add: Profit for the year	(92,03,861)	(5,85,365)	(52,14,145)	(3,32,663)
At the end of the year	(2,31,75,422)	(14,35,411)	(1,39,71,561)	(8,50,046)
<b>Other Comprehensive Income:</b>				
At the commencement of the year	-	(33,837)	-	(6,891)
Add: Profit for the year	-	37,235	-	(26,946)
At the end of the year	-	3,398	-	(33,837)
<b>TOTAL</b>	<b>(2,31,75,422)</b>	<b>(14,32,013)</b>	<b>(1,39,71,561)</b>	<b>(8,83,883)</b>





Particulars	As at 31st March, 2022	As at 31st March, 2022	As at 31st March, 2021	As at 31st March, 2021
	WON	Rs.	WON	Rs.
<b>2.5 : NON CURRENT BORROWINGS:</b>				
<u>Unsecured:</u>				
Loans from related parties	2,61,55,005	16,32,072	2,21,59,571	14,29,292
<b>TOTAL</b>	<b>2,61,55,005</b>	<b>16,32,072</b>	<b>2,21,59,571</b>	<b>14,29,292</b>
Notes:				
1. USD 20,000 (WON 21,795,889) from Alkem Laboratories Limited India was taken on 27th November, 2020 for a period of 10 years at an interest of 6.5% per annum.				
<b>2.6 : OTHER CURRENT FINANCIAL LIABILITIES</b>				
Other payables	30,25,000	1,88,760	41,25,000	2,66,063
<b>TOTAL</b>	<b>30,25,000</b>	<b>1,88,760</b>	<b>41,25,000</b>	<b>2,66,063</b>

Particulars	For the year ended 31st March, 2022	For the year ended 31st March, 2022	For the year ended 31st March, 2021	For the year ended 31st March, 2021
	WON	Rs.	WON	Rs.
<b>2.7: OTHER INCOME:</b>				
Bank Interest	1,167	74	920	59
Foreign currency transactions and translation gain (net)	-	-	10,28,253	65,602
<b>TOTAL</b>	<b>1,167</b>	<b>74</b>	<b>10,29,173</b>	<b>65,661</b>
<b>2.8 : FINANCE COST:</b>				
Interest on borrowings	15,31,787	97,422	3,63,682	23,203
Other borrowing cost	31,316	1,992	42,136	2,688
<b>TOTAL</b>	<b>15,63,103</b>	<b>99,413</b>	<b>4,05,818</b>	<b>25,891</b>
<b>2.9: OTHER EXPENSES:</b>				
Rent	30,50,000	1,93,980	27,75,000	1,77,045
Rates and taxes	62,500	3,975	62,500	3,988
Legal and professional Fees	20,00,000	1,27,200	30,00,000	1,91,400
Foreign currency transactions and translation loss (net)	25,29,425	1,60,871	-	-
<b>TOTAL</b>	<b>76,41,925</b>	<b>4,86,026</b>	<b>58,37,500</b>	<b>3,72,433</b>





## 2.10 Earnings per share (EPS)

WON

Particulars			For the year ended 31st March, 2022	For the year ended 31st March, 2021
Profit /(loss) after tax attributable to equity shareholders	WON	A	(92,03,861)	(52,14,145)
Weighted average number of equity shares outstanding during the year	Nos.	B	15,000	15,000
Basic and diluted earnings per equity share	WON	(A / B)	(613.59)	(347.61)

Rs

Particulars			For the year ended 31st March, 2022	For the year ended 31st March, 2021
Profit /(loss) after tax attributable to equity shareholders	Rs.	A	(5,85,365)	(3,32,663)
Weighted average number of equity shares outstanding during the year	Nos.	B	15,000	15,000
Basic and diluted earnings per equity share	Rs.	(A / B)	(39.02)	(22.18)

2.11 Average exchange rate for the year ended 31st March, 2022 considered for the purpose of translation as referred in note no. 1.4 is **Rs 0.0636/1 Won** (31st March, 2021 Rs. 0.0638/1 Won)

Closing exchange rate as on 31st March, 2022 considered for the purpose of translation as referred in note no. 1.4 is **Rs. 0.0624/1 Won** (31st March, 2021 Rs. 0.0645/1 Won)





**ALKEM LABORATORIES KOREA INC. , SOUTH KOREA**
**NOTE 2: NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2022**
**2.12 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, 2022**
**List of related parties and their relationship**
**A Company whose control exists**

Name of the Company	Country of Incorporation
Alkem Laboratories Limited	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
Connect 2 Clinic Private Limited (w.e.f. 12th June, 2020)	India
The PharmaNetwork, LLC (subsidiary of S & B Holdings B.V.)	United States of America
Ascend Laboratories, LLC (wholly owned by The PharmaNetwork, LLC)	United States of America
S & B Pharma LLC (wholly owned by The PharmaNetwork, LLC) (w.e.f. 8th April, 2020)	United States of America
S & B Pharma Inc. (wholly owned subsidiary of The PharmaNetwork, LLC from 4 October 2021 till 5 January 2022), dissolved on 5 January 2022	United States of America
Ascend Laboratories (UK) Ltd.	United Kingdom
S & B Holdings B.V.	Netherlands
Ascend Laboratories (PTY) Limited (formerly known as Alkem Laboratories (PTY) Limited)	South Africa
Ascend Laboratories Ltd.	Canada
The Pharma Network, LLP	Kazakhstan
Ascend Laboratories SpA	Chile
Pharma Network SpA (Wholly owned by Ascend Laboratories SpA)	Chile
Ascend Laboratories S.A. DE C.V. (Wholly owned by Ascend Laboratories SpA) (w.e.f. 2nd Sept, 2021)	Mexico
Alkem Laboratories Corporation	Philippines
Ascend GmbH	Germany
Ascend Laboratories SDN BHD.	Malaysia
Pharmacor Pty Limited	Australia
Pharmacor Ltd.	Kenya
Ascend Laboratories SAS	Colombia

**C Key Managerial Personnel ("KMP")**

Name of the KMP	Designation
Mr. Amit Ghare	Director

**Details of Transactions with Related Parties**

Sr. No	Particulars	WON	Rs.
1	Loans taken - Holding Company	-	-
		(2,17,95,889)	(13,90,578)
2	Interest Expenses - Holding Company	15,31,787	97,422
		(3,63,682)	(23,203)
3	Reimbursement of expenses done by Fellow subsidiary	-	-
		(90,83,800)	(5,79,546)

**Balance due from / to the related Parties**

Sr. No	Particulars	WON	Rs.
1	Borrowings (including Interest) - Holding Company	2,61,55,005	16,32,072
		(2,21,59,571)	(14,29,292)

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





ALKEM LABORATORIES KOREA INC. , SOUTH KOREA  
NOTE 2: NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2022

2.13 Financial instrument fair values and risk management  
A. Accounting classification and fair values

Particulars	As at 31st March, 2022							
	WON				Rs.			
	FVTPL	FVTOCI	Amortised Cost	Total	FVTPL	FVTOCI	Amortised Cost	Total
<b>Financial assets</b>								
Cash and cash equivalents	-	-	69,79,583	69,79,583	-	-	4,35,526	4,35,526
Other Current financial asset			2,50,000	2,50,000			15,600	15,600
	-	-	72,29,583	72,29,583	-	-	4,51,126	4,51,126
<b>Financial liabilities</b>								
Other current financial liabilities	-	-	30,25,000	30,25,000	-	-	1,88,760	1,88,760
Long term borrowings	-	-	2,61,55,005	2,61,55,005	-	-	16,32,072	16,32,072
	-	-	2,91,80,005	2,91,80,005	-	-	18,20,832	18,20,832

Particulars	As at 31st March, 2021							
	WON				Rs.			
	FVTPL	FVTOCI	Amortised Cost	Total	FVTPL	FVTOCI	Amortised Cost	Total
<b>Financial assets</b>								
Cash and cash equivalents	-	-	1,30,38,010	1,30,38,010	-	-	8,40,952	8,40,952
Other Current financial asset			2,50,000	2,50,000			16,125	16,125
	-	-	1,32,88,010	1,32,88,010	-	-	8,57,077	8,57,077
<b>Financial liabilities</b>								
Other current financial liabilities	-	-	41,25,000	41,25,000	-	-	2,66,063	2,66,063
Long term borrowings	-	-	2,21,59,571	2,21,59,571	-	-	14,29,292	14,29,292
	-	-	2,62,84,571	2,62,84,571	-	-	16,95,355	16,95,355

The Company has no exposure to the following risks arising from financial instruments:

- Credit 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.





## 2.13 Financial Instruments - Fair Value and Risk Management (continued)

## ii. 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.

31st March, 2022	Contractual cash flows						
	Carrying amount	Total	2 months or less	2-12 months	1-2 years	2-5 years	More than 5 years
WON							
Non-derivative financial liabilities							
Other current financial liabilities	30,25,000	30,25,000	30,25,000	-	-	-	-
Loan from related parties	2,61,55,005	3,87,33,597	-	-	-	-	3,87,33,597
Rs.							
Non-derivative financial liabilities							
Other current financial liabilities	1,88,760	1,88,760	1,88,760	-	-	-	-
Loan from related parties	16,32,072	24,16,976	-	-	-	-	24,16,976
31st March, 2021	Contractual cash flows						
	Carrying amount	Total	2 months or less	2-12 months	1-2 years	2-5 years	More than 5 years
WON							
Non-derivative financial liabilities							
Other current financial liabilities	41,25,000	41,25,000	41,25,000	-	-	-	-
Loan from related parties	2,21,59,571	2,72,59,511	-	-	-	2,72,59,511	-
Rs.							
Non-derivative financial liabilities							
Other current financial liabilities	2,66,063	2,66,063	2,66,063	-	-	-	-
Loan from related parties	14,29,292	17,58,238	-	-	-	17,58,238	-





**2.13 Financial Instruments - Fair Value and Risk Management (continued)****iii. 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. The Company is exposed to market risk primarily related to foreign exchange rate risk, interest rate risk and the market value of Company's investments. Thus, Company's 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 Company's foreign currency revenues and costs.

**Currency risk**

The Company has certain transactions denominated in foreign currencies. Therefore, there is a risk of changes in exchange rates.

The Company is exposed to currency risk on account of its borrowings, cash & cash equivalents in foreign currency. The functional currency of the Company is WON. The Company has exposure to USD. The Company has not hedged this foreign currency exposure.

**Exposure to currency risk**

The currency profile of financial assets and financial liabilities as at 31st March, 2022 and 31st March, 2021 are as below:

Particulars	31st March, 2022 USD	31st March, 2021 USD
<b>Financial assets</b>		
Balance with Banks	63	63
	63	63
<b>Financial liabilities</b>		
Long term borrowings (including interest accrued)	21,625	20,325
	21,625	20,325

The following significant exchange rates have been applied during the year.

Particulars	Year-end spot rate	
	31st March, 2022	31st March, 2021
USD to WON	1,209.48	1,133.32

**Sensitivity analysis**

A reasonably possible strengthening (weakening) of the Indian Rupee against various foreign currencies at 31st March would have affected the measurement of financial instruments denominated in foreign currencies and affected equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecast sales and purchases.

Effect in WON	As at 31st March 2022		As at 31st March 2021	
	Profit or (loss) before tax Strengthening	Weakening	Profit or (loss) before tax Strengthening	Weakening
10% movement				
USD	26,07,919	(26,07,919)	22,96,373	(22,96,373)
	26,07,919	(26,07,919)	22,96,373	(22,96,373)
Effect in Rs.	As at 31st March 2022		As at 31st March 2021	
	Profit or (loss) before tax Strengthening	Weakening	Profit or (loss) before tax Strengthening	Weakening
10% movement				
USD	1,62,734	(1,62,734)	1,48,116	(1,48,116)
	1,62,734	(1,62,734)	1,48,116	(1,48,116)

**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**

The Company is not subject to interest rate risk as its borrowing are at fixed interest rate.

**2.14 Leases**

Particulars	For the year ended 31st March, 2022		For the year ended 31st March, 2021	
	WON	Rs.	WON	Rs.
<b>Amount recognised in profit or loss</b>				
Short term lease rent expenses	30,50,000	1,93,980	27,75,000	1,77,045

Note : The company has opted for the exemption in accordance with para 5 of Ind AS 116 for the short term leases





**2.15: 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 as at March 31, 2022 was as follows:

Particulars	As at 31st March, 2022		As at 31st March, 2021	
	WON	Rs.	WON	Rs.
Total borrowing	2,61,55,005	16,32,072	2,21,59,571	14,29,292
Less : Cash and cash equivalent	69,79,583	4,35,526	1,30,38,010	8,40,952
<b>Net debt</b>	<b>1,91,75,422</b>	<b>11,96,546</b>	<b>91,21,561</b>	<b>5,88,341</b>
Total equity	(2,16,75,422)	(13,52,546)	(1,24,71,561)	(8,04,416)
<b>Net debt to equity ratio</b>	<b>(0.88)</b>	<b>(0.88)</b>	<b>(0.73)</b>	<b>(0.73)</b>





## 2.16 Ratios

Sr. No.	Ratios	Numerator	Denominator	Mar-22	Mar-21	% Variance	Reason for variance
a)	Current Ratio	Current Assets	Current liabilities	2.48	3.35	-26%	Payment of outstanding liabilities of previous year.
b)	Debt-equity Ratio	Total Debt	Shareholder's equity	-1.21	-1.78	-32%	Due to increase in expenditure during the year
c)	Debt service coverage Ratio	Earnings available for debt service	Debt service	-0.29	-0.22	35%	Due to increase in expenditure during the year
d)	Return on equity Ratio	Net profit after taxes - Preference dividend (if any)	Average shareholder's equity	0.54	0.53	2%	-
e)	Return on capital employed	Earnings before interest and taxes	Capital employed	-1.71	-0.50	244%	Due to increase in expenditure during the year

Note: Ratios has been disclosed above are as applicable to the Company.

**Earnings available for debt service** = Net Profit after taxes + Non-cash operating expenses like depreciation and other amortizations + Interest + other adjustments like loss on sale of Fixed assets etc.

**Debt service** = Interest & Lease Payments + Principal Repayments

**Capital Employed** = Tangible Net Worth + Total Debt + Deferred Tax Liability

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 : 11 MAY 2022



For and on behalf of the Board of  
**Alkem Laboratories Korea Inc.**

**Amit Ghare**  
Director