

**ALKEM LABORATORIES LTD.****Regd. Office :** ALKEM HOUSE, Senapati Bapat Marg,

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• CIN: L00305MH1973PLC174201

05th June, 2020

The Corporate Relationship Department BSE Limited Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai 400 001. <i>Scrip Code: 539523</i>	National Stock Exchange of India Limited Exchange Plaza, Bandra Kurla Complex, Bandra East, Mumbai 400 051. <i>Scrip Symbol: ALKEM</i>
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Dear Sirs,

Sub: Outcome of the Board Meeting held on 05th June, 2020

Kindly refer to our intimation letter dated 26th May, 2020, pursuant to Regulation 30 read with Regulation 33 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations"), regarding holding of Board Meeting on 05th June, 2020 to *inter alia* approve the Audited Financial Results for the quarter and financial year ended 31st March, 2020 and to recommend dividend, if any. The Board of Directors at its meeting held today i.e. 05th June, 2020, has, *inter alia*:

1. approved the Standalone and Consolidated Audited Financial Statements of the Company for the quarter and financial year ended 31st March, 2020.
2. recommended a final dividend of Rs. 3/- (Rupees three only) per equity share of Rs. 2/- each for the financial year ended 31st March, 2020, for the approval of the shareholders of the Company at the ensuing Annual General Meeting.
3. fixed that the 46th Annual General Meeting of the Company shall be held on 18th August, 2020.
4. fixed 11th August, 2020 as the record date for the purposes of the Annual General Meeting and payment of final dividend. The dividend, if declared by the shareholders, shall be paid on and from 21st August, 2020.

Accordingly, we are enclosing herewith Standalone and Consolidated Audited Financial Results for the quarter and financial year ended 31st March, 2020 and the Auditor's Report thereon.

The Company hereby declares that the Auditors have expressed an unmodified opinion in the Audit Reports on Standalone and Consolidated Financial Results for the quarter and financial year ended 31st March, 2020.

The meeting of the Board of Directors of the Company commenced at 11.00 a.m. and concluded at 2.25 p.m.

Kindly take the same on record.

Sincerely,

For **Alkem Laboratories Limited**


Manish Narang
President - Legal, Company Secretary & Compliance Officer

Encl.: a/a

B S R & Co. LLP

Chartered Accountants

5th Floor, Lodha Excelus,
Apollo Mills Compound
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Independent Auditor's Report

To the Board of Directors of Alkem Laboratories Limited

Report on the Audit of the Consolidated Annual Financial Results

Opinion

We have audited the accompanying consolidated annual financial results of Alkem Laboratories Limited (hereinafter referred to as the "Holding Company") and its subsidiaries (Holding Company and its subsidiaries together referred to as "the Group"), for the year ended 31 March 2020, attached herewith, being submitted by the Holding Company pursuant to the requirement of Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended ('Listing Regulations').

In our opinion and to the best of our information and according to the explanations given to us and based on the consideration of reports of other auditors on separate audited financial statements financial results/ financial information of the subsidiaries, the aforesaid consolidated annual financial results:

- a. include the annual financial results of the following entities

Sr. No.	Name of entity	Relationship
1.	S & B Holdings B.V., Netherlands (S&B Holdings)	Wholly Owned Subsidiary
2.	ThePharmaNetwork, LLC, USA (TPN)	Wholly Owned Subsidiary of S & B Holdings
3.	Ascend Laboratories LLC, USA	Wholly Owned Subsidiary of TPN
4.	S & B Pharma Inc., USA	Wholly Owned Subsidiary
5.	Pharmacor Pty Limited, Australia	Wholly Owned Subsidiary
6.	Alkem Laboratories (NIG) Limited, Nigeria	Wholly Owned Subsidiary (Upto 6 May 2018)
7.	Alkem Laboratories (PTY) Ltd, South Africa	Wholly Owned Subsidiary
8.	Enzene Biosciences Ltd, India	Subsidiary
9.	Cachet Pharmaceuticals Pvt Ltd, India	Subsidiary
10.	Indchemie Health Specialities Pvt Ltd, India	Subsidiary
11.	Alkem Laboratories Corporation, Philippines	Wholly Owned Subsidiary
12.	Ascend GmbH, Germany	Wholly Owned Subsidiary
13.	Ascend Laboratories SDN BHD., Malaysia	Wholly Owned Subsidiary
14.	Ascend Laboratories SpA, Chile (Ascend Chile)	Wholly Owned Subsidiary
15.	Pharma Network SpA, Chile	Wholly Owned Subsidiary of Ascend Chile

Independent Auditor’s Report (Continued)**Alkem Laboratories Limited****Opinion (Continued)**

Sr. No.	Name of entity	Relationship
16.	Alkem Laboratories Korea Inc, Korea	Wholly Owned Subsidiary
17.	Pharmacor Ltd., Kenya	Wholly Owned Subsidiary
18.	The PharmaNetwork, LLP, Kazakhstan	Wholly Owned Subsidiary
19.	Ascend Laboratories (UK) Ltd., UK	Wholly Owned Subsidiary
20.	Ascend Laboratories Ltd., Canada	Wholly Owned Subsidiary
21.	Alkem Foundation	Wholly Owned Subsidiary
22.	Ascend Laboratories S.A.S, Colombia	Wholly Owned Subsidiary (w.e.f. 4 June 2019)

- b. are presented in accordance with the requirements of Regulation 33 of the Listing Regulations in this regard; and
- c. give a true and fair view in conformity with the recognition and measurement principles laid down in the applicable Indian Accounting Standards, and other accounting principles generally accepted in India, of consolidated net profit and other comprehensive income and other financial information of the Group for the year ended 31 March 2020.

Basis for Opinion

We conducted our audit in accordance with the Standards on Auditing (“SAs”) specified under section 143(10) of the Companies Act, 2013 (“the Act”). Our responsibilities under those SAs are further described in the *Auditor’s Responsibilities for the Audit of the Consolidated Annual Financial Results* section of our report. We are independent of the Group, in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Act, and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence obtained by us along with the consideration of audit reports of the other auditors referred to in sub paragraph (a) of the “Other Matters” paragraph below, is sufficient and appropriate to provide a basis for our opinion on the consolidated annual financial results.

Management’s and Board of Directors’ Responsibilities for the Consolidated Annual Financial Results

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

The Holding Company’s Management and the Board of Directors are responsible for the preparation and presentation of these consolidated annual financial results that give a true and fair view of the consolidated net profit/ loss and other comprehensive income and other financial information of the Group in accordance with the recognition and measurement principles laid down in Indian Accounting Standards prescribed under Section 133 of the Act and other accounting principles generally accepted in India and in compliance with Regulation 33 of the Listing Regulations. The respective Management and Board of Directors of the companies included in the Group are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of each company and for preventing and detecting frauds and other

Independent Auditor's Report (*Continued*)

Alkem Laboratories Limited

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

irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring accuracy and completeness of the accounting records, relevant to the preparation and presentation of the consolidated annual financial results that give a true and fair view and are free from material misstatement, whether due to fraud or error, which have been used for the purpose of preparation of the consolidated annual financial results by the Management and the Directors of the Holding Company, as aforesaid.

In preparing the consolidated annual financial results, the Management and the respective Board of Directors of the companies included in the Group are responsible for assessing the ability of each company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the respective Board of Directors either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

The respective Board of Directors of the companies included in the Group is responsible for overseeing the financial reporting process of each company.

Auditor's Responsibilities for the Audit of the Consolidated Annual Financial Results

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

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

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

Independent Auditor's Report (*Continued*)

Alkem Laboratories Limited

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

- Conclude on the appropriateness of the Management and Board of Directors use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the appropriateness of this assumption. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated annual financial results or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated annual financial results, including the disclosures, and whether the consolidated annual financial results represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial results/financial information of the entities within the Group to express an opinion on the consolidated annual financial results. We are responsible for the direction, supervision and performance of the audit of financial information of such entities included in the consolidated financial results of which we are the independent auditors. For the other entities included in the consolidated annual financial results, which have been audited by other auditors, such other auditors remain responsible for the direction, supervision and performance of the audits carried out by them. We remain solely responsible for our audit opinion. Our responsibilities in this regard are further described in para (a) of the section titled "Other Matters" in this audit report.

We communicate with those charged with governance of the Holding Company and such other entities included in the consolidated annual financial results of which we are the independent auditors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

We also performed procedures in accordance with the circular No CIR/CFD/CMD1/44/2019 issued by the SEBI under Regulation 33(8) of the Listing Regulations, as amended, to the extent applicable.

Other Matters

- (a) The consolidated annual financial results include the audited financial results of 19 subsidiaries, whose financial statements/financial results/ financial information reflect Group's share of total assets (before consolidation adjustments) of Rs. 20,238 million as at 31 March 2020, Group's share of total revenue (before consolidation adjustments) of Rs. 13,821 million and Group's share of total net (loss) after tax (before consolidation adjustments) of Rs. 1,449 million and Group's share of net cash outflows of Rs 2,877 million for the year ended on that date, as considered in the consolidated annual financial results, which have been audited by their respective independent auditors. The independent auditors' reports on financial results of these entities have been furnished to us by the management and our opinion on the consolidated annual financial results, in so far as it relates to the amounts and disclosures included in respect of these entities, is based solely on the report of such auditors and the procedures performed by us are as stated in paragraph above.

Independent Auditor's Report (Continued)

Alkem Laboratories Limited

Other Matters (Continued)

Our opinion on the consolidated annual financial results is not modified in respect of the above matters with respect to our reliance on the work done and the reports of the other auditors.

The consolidated annual financial results include the results for the quarter ended 31 March 2020 being the balancing figure between the audited figures in respect of the full financial year and the published unaudited year to date figures up to the third quarter of the current financial year which were subject to limited review by us.

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

SADASHIV
SHANKAR
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SADASHIV SHANKAR
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Date: 2020.06.05
13:17:00 +05'30'

Sadashiv Shetty
Partner

Membership No: 048648
ICAI UDIN: 20048648AAAAAAW2609

Mumbai
5 June 2020

ALKEM LABORATORIES LIMITED

CIN No.:L00305MH1973PLC174201

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Statement of Audited Consolidated Financial Results for the Quarter and Year ended 31 March 2020

(₹ in Million except per share data)

	Particulars	Quarter ended			Year ended	
		31.03.2020 Audited (Refer Note 1)	31.12.2019 Unaudited	31.03.2019 Audited (Refer Note 1)	31.03.2020 Audited	31.03.2019 Audited
1	Income					
	(a) Revenue from Operations	20,489.9	21,818.4	18,530.3	83,443.6	73,571.9
	(b) Other Income	274.7	278.6	288.3	1,042.2	877.0
	Total Income	20,764.6	22,097.0	18,818.6	84,485.8	74,448.9
2	Expenses					
	(a) Cost of materials consumed	5,085.7	5,494.2	5,100.8	21,318.3	18,111.4
	(b) Purchases of stock-in-trade	3,484.2	3,834.3	3,213.3	14,430.6	11,301.9
	(c) Changes in inventories of finished goods, work-in-progress and stock-in-trade	374.0	(984.2)	(558.3)	(2,299.5)	36.4
	(d) Employee benefits expense	3,299.2	3,956.2	3,488.0	15,054.9	13,624.6
	(e) Finance costs	141.5	170.4	65.9	650.6	546.3
	(f) Depreciation and amortisation expense	810.5	594.8	572.7	2,527.6	1,931.8
	(g) Other expenses	5,216.5	4,985.2	4,948.1	20,205.4	19,349.9
	Total Expenses	18,411.6	18,050.9	16,830.5	71,887.9	64,902.3
3	Profit before exceptional items and tax (1) - (2)	2,353.0	4,046.1	1,988.1	12,597.9	9,546.6
4	Exceptional items	-	-	-	-	-
5	Profit before tax (3) - (4)	2,353.0	4,046.1	1,988.1	12,597.9	9,546.6
6	Tax expense / (credit)					
	(a) Current tax	1,390.8	740.4	501.1	3,542.5	2,291.7
	(b) Deferred tax	(992.4)	(240.9)	(218.0)	(2,123.9)	(481.5)
	Sub-total (a + b)	398.4	499.5	283.1	1,418.6	1,810.2
	(c) Tax adjustment of earlier periods	39.2	(353.0)	-	(313.8)	-
	Total Tax Expense (a + b + c)	437.6	146.5	283.1	1,104.8	1,810.2
7	Profit for the period (5) - (6)	1,915.4	3,899.6	1,705.0	11,493.1	7,736.4
8	Other Comprehensive Income (net of tax)					
	(a) Items that will not be reclassified to profit or loss					
	(i) Remeasurements of defined benefit plans	(234.0)	(13.5)	(78.6)	(280.9)	(69.4)
	(ii) Tax on remeasurements of defined benefit plans	82.7	4.2	27.2	96.5	23.7
	(b) Items that will be reclassified to profit or loss					
	(i) Foreign currency translation difference of foreign operations	365.8	117.2	13.7	453.0	355.7
	(ii) Tax on remeasurements of foreign currency translation difference of foreign operations	-	-	-	-	-
	Total other Comprehensive Income (net of tax)	214.5	107.9	(37.7)	268.6	310.0
9	Total Comprehensive Income for the period (comprising Profit for the period (after tax) and Other Comprehensive Income (net of tax) (7) + (8))	2,129.9	4,007.5	1,667.3	11,761.7	8,046.4
10	Profit attributable to					
	(a) Owners of the Company	1,887.7	3,819.8	1,673.6	11,270.7	7,605.1
	(b) Non-Controlling Interest	27.7	79.8	31.4	222.4	131.3
11	Other Comprehensive Income attributable to					
	(a) Owners of the Company	209.8	110.5	(36.4)	274.0	311.1
	(b) Non-Controlling Interest	4.7	(2.6)	(1.3)	(5.4)	(1.1)
12	Total Comprehensive Income attributable to					
	(a) Owners of the Company	2,097.5	3,930.3	1,637.2	11,544.7	7,916.2
	(b) Non-Controlling Interest	32.4	77.2	30.1	217.0	130.2
13	Paid-up Equity Share Capital (Face Value ₹ 2 each fully paid up)	239.1	239.1	239.1	239.1	239.1
14	Other Equity				61,367.6	54,154.3
15	Earnings Per Share of ₹2 each (not annualised for)					
	(a) ₹ (Basic)	15.79	31.95	14.00	94.26	63.61
	(b) ₹ (Diluted)	15.79	31.95	14.00	94.26	63.61

Consolidated Statement of Assets and Liabilities as at 31 March 2020

(₹ in Million)

Particulars	As at 31 March 2020 (Audited)	As at 31 March 2019 (Audited)
I. ASSETS		
1 Non-current assets		
(a) Property, plant and equipment	23,062.9	21,056.2
(b) Capital work-in-progress	3,629.7	4,929.6
(c) Goodwill	259.3	231.5
(d) Other Intangible assets	2,032.7	442.6
(e) Goodwill on consolidation	3,725.2	3,574.1
(f) Financial Assets		
(i) Investments	915.0	957.4
(ii) Loans	106.1	136.3
(iii) Others financial assets	466.8	462.0
(g) Deferred tax assets (net)	9,325.7	7,076.3
(h) Non current tax assets (net)	419.5	392.7
(i) Other non-current assets	530.1	661.9
Total Non-current assets	44,473.0	39,920.6
2 Current assets		
(a) Inventories	18,188.2	14,998.7
(b) Financial Assets		
(i) Investments	1,698.9	2,278.8
(ii) Trade receivables	16,493.6	12,484.1
(iii) Cash and cash equivalents	1,759.4	2,490.5
(iv) Bank balances other than (iii) above	9,162.7	4,125.5
(v) Loans	279.7	308.0
(vi) Others financial assets	1,931.0	1,064.6
(c) Other current assets	5,266.0	4,293.8
(d) Non-current assets held for sale	180.8	117.3
Total Current assets	54,960.3	42,161.3
TOTAL ASSETS	99,433.3	82,081.9
II. EQUITY AND LIABILITIES		
1 Equity		
(a) Equity share capital	239.1	239.1
(b) Other Equity	61,367.6	54,154.3
Equity attributable to owners of the Company	61,606.7	54,393.4
(c) Non-controlling interest	1,483.0	1,326.1
Total Equity	63,089.7	55,719.5
2 Non-current liabilities		
(a) Financial Liabilities		
(i) Borrowings	1,592.4	2,313.0
(b) Provisions	2,220.4	1,737.2
(c) Deferred tax liabilities (Net)	-	3.0
(d) Other non-current liabilities	97.7	133.9
Total Non-Current liabilities	3,910.5	4,187.1
3 Current liabilities		
(a) Financial Liabilities		
(i) Borrowings	15,035.1	6,712.7
(ii) Trade payables		
Dues of Micro and Small Enterprises	1,025.0	606.3
Dues of Creditors other than Micro and Small Enterprises	8,515.5	9,016.2
(iii) Other financial liabilities	4,519.6	3,428.7
(b) Other current liabilities	1,035.1	852.1
(c) Provisions	1,847.0	1,538.2
(d) Current tax Liabilities (Net)	455.8	21.1
Total Current liabilities	32,433.1	22,175.3
TOTAL EQUITY AND LIABILITIES	99,433.3	82,081.9

Notes :

- 1 The above audited consolidated financial results of the Company were reviewed and recommended by the Audit Committee on 4 June 2020 and subsequently approved by the Board of Directors at its meeting held on 5 June 2020. The auditors have expressed an unmodified opinion on the financial results for the year ended 31 March 2020. The figures for the quarter ended 31 March 2020 and 31 March 2019 are balancing figures between audited figures in respect of the full financial year and the unaudited published year-to-date figures up to the third quarter ended 31 December 2019 and 31 December 2018 respectively, which were subjected to limited review.
- 2 In March 2020, the World Health Organisation declared COVID-19 to be a pandemic and several restrictions have been imposed by the Governments across the globe on travel, goods movement and transportation considering public health and safety measures. Considering the Group's products are classified as an 'essential commodity', management believes that the impact of the pandemic may not be significant. As of today, production facilities remain operational, following enhanced internal safety guidelines. The Group follows a multi-sourcing strategy for its raw materials allowing the Group to hedge supply risks and ensure reliable supply. The Group also maintains strategic safety stocks to ensure availability of raw materials and formulated products. The Group has considered internal and external information while assessing recoverability of its assets disclosed in the financial statement upto the date of approval of these financial results by the Board of Directors. Based on such assessment and considering the current economic indicators, the Group expects to recover the carrying amount of these assets. Board of Directors has also considered the impact of COVID-19 on the business for the foreseeable future and have concluded that the Group has sufficient resources to continue as a going concern. The impact of the global health pandemic may be different from that estimated as at the date of approval of these financial results and the Group will continue to closely monitor any material changes to future economic conditions.
- 3 Pursuant to the Taxation Law (Amendment) Ordinance, 2019 ('Ordinance') issued by Ministry of Law and Justice (Legislative Department) on 20 September 2019 which is effective 1 April 2019, domestic companies have the option to pay corporate income tax rate at 22% plus applicable surcharge and cess subject to certain conditions. The Company and its subsidiaries incorporated in India have made an assessment of the impact of the Ordinance and decided to continue with the existing tax structure until utilisation of accumulated minimum alternative tax (MAT) credit.
- 4 Effective 1 April 2019, the Group has adopted Ind AS 116 "Leases" applicable to all contracts having lease components existing on 1 April 2019 using modified retrospective approach. This has resulted in recognising right of use asset and a corresponding lease liability of **Rs.947.2 million** as at 1 April 2019. In the statement of profit and loss for the current period, operating lease expenses has changed from lease rent to depreciation cost for the right of use asset and finance cost for interest accrued on lease liability. Due to this change, profit before tax for the quarter and year ended 31 March 2020 is lower by **Rs.14.4 million** and **Rs.40.2 million** respectively. Consequent to adoption of Ind AS 116, there is no impact on retained earnings as on 1 April 2019 resulting in no restatement in results of comparative period.
- 5 The Group operates in one reportable business segment i.e. "Pharmaceuticals", accordingly no separate disclosure of segment has been made.
- 6 During the quarter ended 31 March 2020, the Company has paid an interim dividend of ₹ 22 (Rupees Twenty two only) per equity share (1100% on the face value of ₹ 2 each) for the financial year 2019-20. The Board of Directors at its meeting held on 5 June 2020 has recommended a final dividend of ₹ 3 (Rupees Three only) per equity share (150% on the face value of ₹ 2 each) for the financial year 2019-20.

Statement of Consolidated Cash flow for the year ended 31 March 2020

(₹ in million)

Particulars	For the year ended 31 March 2020 (Audited)	For the year ended 31 March 2019 (Audited)
A Cash Flow from Operating Activities:		
Profit before Tax	12,597.9	9,546.6
<u>Adjustments for:</u>		
Depreciation and amortisation expense	2,527.6	1,931.8
Profit on sale of investments	(0.8)	(73.3)
Unrealised loss on fair valuation of investments (net)	172.2	45.5
(Profit) / Loss on sale of property plant and equipment (net)	(12.6)	54.8
Employee stock compensation expenses	1.5	5.8
Unrealised foreign currency (gain) / loss on revaluation (net)	(275.4)	(113.8)
Dividend Income	(1.1)	(1.2)
Impairment loss on property, plant and equipment	32.7	-
Interest Income	(631.2)	(412.8)
Interest expenses	650.6	546.3
Allowances for doubtful debts	101.7	185.9
Rent income	(6.5)	(5.3)
Subtotal of Adjustments	2,558.7	2,163.7
Operating profit before working capital changes	15,156.6	11,710.3
Changes in working capital:		
(Increase) / Decrease in trade receivables	(2,574.4)	(1,558.5)
(Increase) / Decrease in loans, other financial assets and other assets	(1,538.0)	156.8
(Increase) / Decrease in inventories	(2,817.4)	(373.0)
(Decrease) / Increase in trade payable, other financial liabilities and other liabilities	(37.4)	(109.5)
Increase / (Decrease) in provisions	495.2	481.5
Subtotal of adjustments	(6,472.0)	(1,402.7)
Cash generated from operations	8,684.6	10,307.6
Less: Income taxes paid (net of refund)	(2,833.8)	(2,511.1)
Net Cash generated from operating activities	5,850.8	7,796.5
B Cash Flow from Investing Activities:		
Purchases of property, plant and equipment	(3,630.9)	(5,291.6)
Sale of property, plant and equipment	154.5	22.3
Proceeds from sale of investments (net)	482.7	1,244.8
Purchase of Investments (net)	(25.2)	(10.1)
(Redemption) of / Investment in bank deposits having maturity of more than 3 months	(4,911.4)	427.5
Dividend received	1.1	1.2
Interest received	509.2	436.7
Rent received	6.5	5.3
Net cash (used in) investing activities	(7,413.5)	(3,163.9)
C Cash Flow from Financing Activities:		
(Repayment) of / Proceeds from non-current borrowings (net)	(1,810.5)	(70.6)
Proceeds / (Repayment) of from current borrowings (net)	7,841.2	(986.7)
Dividends and corporate dividend tax paid	(4,395.6)	(2,185.8)
Repayment of lease liabilities	(193.0)	-
Interest and bank charges paid	(650.6)	(546.3)
Net cash generated from / (used in) financing activities	791.5	(3,789.4)
D Net (decrease)/increase in Cash and Cash Equivalents (A+B+C)	(771.2)	843.2
E Cash & Cash Equivalents as at the beginning of the year	2,490.5	1,667.1
Add/Less: Effect of exchange difference on foreign currency cash and cash equivalents	40.1	(19.8)
F Cash & Cash Equivalents as at the end of the year (D+E)	1,759.4	2,490.5

Notes:

- The above Cash Flow Statement has been prepared under the "Indirect Method" as set out in the Indian Accounting Standard (Ind AS-7) - "Statement of Cash Flows".
- Purchase of Property, Plant and Equipment includes movements of capital work-in-progress (including capital advances) during the year.

By Order of the Board
For Alkem Laboratories Limited

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Place: Mumbai
Date: 5 June 2020

B.N. Singh
Executive Chairman
DIN: 00760310

B S R & Co. LLP

Chartered Accountants

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

Telephone +91 (22) 4345 5300
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Independent Auditor's Report

To the Board of Directors of Alkem Laboratories Limited

Report on the Audit of the Standalone Annual Financial Results

Opinion

We have audited the accompanying standalone annual financial results of Alkem Laboratories Limited (hereinafter referred to as the "Company") for the year ended 31 March 2020, attached herewith, being submitted by the Company pursuant to the requirement of Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended ('Listing Regulations').

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

- a. are presented in accordance with the requirements of Regulation 33 of the Listing Regulations in this regard; and
- b. give a true and fair view in conformity with the recognition and measurement principles laid down in the applicable Indian Accounting Standards, and other accounting principles generally accepted in India, of the net profit and other comprehensive income and other financial information for the year ended 31 March 2020.

Basis for Opinion

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

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

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

Independent Auditor's Report (*Continued*)

Alkem Laboratories Limited

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

The Company's Management and the Board of Directors are responsible for the preparation and presentation of these standalone annual financial results that give a true and fair view of the net profit/loss and other comprehensive income and other financial information in accordance with the recognition and measurement principles laid down in Indian Accounting Standards prescribed under Section 133 of the Act and other accounting principles generally accepted in India and in compliance with Regulation 33 of the Listing Regulations. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring accuracy and completeness of the accounting records, relevant to the preparation and presentation of the standalone annual financial results that give a true and fair view and are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

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

Independent Auditor's Report (Continued)

Alkem Laboratories Limited

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures in the standalone financial results made by the Management and Board of Directors.

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

- Evaluate the overall presentation, structure and content of the standalone annual financial results, including the disclosures, and whether the standalone annual financial results represent the underlying transactions and events in a manner that achieves fair presentation.

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

Other Matters

The standalone annual financial results include the results for the quarter ended 31 March 2020 being the balancing figure between the audited figures in respect of the full financial year and the published unaudited year to date figures up to the third quarter of the current financial year which were subject to limited review by us.

For **B S R & Co. LLP**

Chartered Accountants

Firm's Registration No.: 101248W/W-100022

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Sadashiv Shetty

Partner

Membership No: 048648

ICAI UDIN: 20048648AAAAAV9363

Mumbai
5 June 2020

ALKEM LABORATORIES LIMITED

CIN No.:L00305MH1973PLC174201

Regd. Office and Corporate Office: Alkem House, Senapati Bapat Marg, Lower Parel, Mumbai - 400013, Maharashtra, India.

Tel No:91 22 3982 9999 Fax No: +91 22 2492 7190

Website : www.alkemlabs.com, Email Id : investors@alkem.com

Statement of Audited Standalone Financial Results for the Quarter and Year ended 31 March 2020

(₹ in Million except per share data)

Particulars	Quarter ended			Year ended	
	31.03.2020 Audited (Refer Note 1)	31.12.2019 Unaudited	31.03.2019 Audited (Refer Note 1)	31.03.2020 Audited	31.03.2019 Audited
1 Income					
(a) Revenue from Operations	16,875.2	15,964.0	14,681.5	66,770.8	57,140.9
(b) Other Income	259.2	267.5	187.6	959.8	675.8
Total Income	17,134.4	16,231.5	14,869.1	67,730.6	57,816.7
2 Expenses					
(a) Cost of materials consumed	4,263.7	4,687.0	4,261.0	17,998.7	14,972.2
(b) Purchases of stock-in-trade	1,786.0	1,863.8	1,901.6	7,843.8	6,880.9
(c) Changes in inventories of finished goods, work-in-progress and stock-in-trade	775.8	(1,014.4)	(103.2)	(336.9)	865.6
(d) Employee benefits expense	2,255.5	2,821.3	2,449.5	10,667.6	9,600.9
(e) Finance costs	95.1	99.5	14.5	387.1	282.6
(f) Depreciation and amortisation expense	637.6	427.0	409.8	1,868.4	1,410.7
(g) Other expenses	4,256.4	3,969.3	3,789.4	15,921.1	14,364.2
Total Expenses	14,070.1	12,853.5	12,722.6	54,349.8	48,377.1
3 Profit before exceptional item and tax (1) - (2)	3,064.3	3,378.0	2,146.5	13,380.8	9,439.6
4 Exceptional item	-	-	-	-	-
5 Profit before tax (3) - (4)	3,064.3	3,378.0	2,146.5	13,380.8	9,439.6
6 Tax expense / (credit)					
(a) Current tax	942.0	588.8	457.7	2,783.3	2,004.1
(b) Deferred tax	(629.0)	(343.5)	(219.4)	(1,732.9)	(562.9)
Sub-total (a + b)	313.0	245.3	238.3	1,050.4	1,441.2
(c) Tax adjustment of earlier periods	39.2	(353.0)	-	(313.8)	-
Total Tax Expense (a + b + c)	352.2	(107.7)	238.3	736.6	1,441.2
7 Profit for the period after tax (5 - 6)	2,712.1	3,485.7	1,908.2	12,644.2	7,998.4
8 Other Comprehensive Income (net of tax)					
(a) Items that will not be reclassified to profit or loss					
(i) Remeasurements of defined benefit plans	(248.1)	(5.8)	(73.5)	(265.6)	(64.3)
(ii) Tax on remeasurements of defined benefit plans	86.7	2.0	25.7	92.8	22.5
(b) Items that will be reclassified to profit or loss					
(i) Foreign currency translation difference of foreign operations	-	-	-	-	-
(ii) Tax on remeasurements of foreign currency translation difference of foreign operations	-	-	-	-	-
Total Other Comprehensive Income (net of tax)	(161.4)	(3.8)	(47.8)	(172.8)	(41.8)
9 Total Comprehensive Income for the period (comprising Profit for the period (after tax) and Other Comprehensive Income (net of tax) (7) + (8)	2,550.7	3,481.9	1,860.4	12,471.4	7,956.6
10 Paid-up Equity Share Capital (Face Value ₹ 2 each fully paid up)	239.1	239.1	239.1	239.1	239.1
11 Other Equity				62,565.3	54,413.0
12 Earnings Per Share of ₹ 2 each (not annualised for the quarters)					
(a) ₹ (Basic)	22.68	29.15	15.96	105.75	66.90
(b) ₹ (Diluted)	22.68	29.15	15.96	105.75	66.90

Statement of Assets and Liabilities as at 31 March 2020

(₹ in Million)

Particulars	As at 31 March 2020 (Audited)	As at 31 March 2019 (Audited)
I. ASSETS		
1 Non-current assets		
(a) Property, plant and equipment	16,892.5	15,737.6
(b) Capital work-in-progress	3,136.6	3,815.9
(c) Intangible assets	1,475.1	326.2
(d) Investment in subsidiaries	17,102.0	13,821.7
(e) Financial Assets		
(i) Investments	843.2	942.5
(ii) Loans	334.7	127.3
(iii) Others financial assets	49.4	161.2
(f) Deferred tax assets (net)	8,191.6	6,365.9
(g) Non current tax assets (net)	301.5	262.3
(h) Other non-current assets	514.0	554.1
Total Non-current assets	48,840.6	42,114.7
2 Current assets		
(a) Inventories	10,925.8	9,912.8
(b) Financial Assets		
(i) Investments	1,615.2	2,191.8
(ii) Trade receivables	15,550.7	9,666.4
(iii) Cash and cash equivalents	206.9	1,614.4
(iv) Bank balances other than (iii) above	7,449.2	2,365.0
(v) Loans	233.9	262.5
(vi) Others financial assets	1,815.3	1,010.4
(c) Other current assets	4,241.1	3,603.8
(d) Non-current assets held for sale	157.5	179.7
Total Current assets	42,195.6	30,806.8
TOTAL ASSETS	91,036.2	72,921.5
II. EQUITY AND LIABILITIES		
1 Equity		
(a) Equity share capital	239.1	239.1
(b) Other Equity	62,565.3	54,413.0
Total Equity	62,804.4	54,652.1
2 Non-current liabilities		
(a) Financial Liabilities		
(i) Borrowings	550.4	63.2
(b) Provisions	1,815.6	1,415.2
(c) Other non-current liabilities	80.9	92.3
Total Non-Current liabilities	2,446.9	1,570.7
3 Current liabilities		
(a) Financial Liabilities		
(i) Borrowings	12,030.6	4,966.4
(ii) Trade payables		
Dues of Micro and Small Enterprises	952.3	346.8
Dues of creditors other than Micro and Small Enterprises	7,171.1	7,194.1
(iii) Other financial liabilities	3,141.1	2,131.6
(b) Other current liabilities	815.2	742.0
(c) Provisions	1,498.4	1,310.9
(d) Current tax Liabilities (Net)	176.2	6.9
Total Current liabilities	25,784.9	16,698.7
TOTAL EQUITY AND LIABILITIES	91,036.2	72,921.5

Notes :

- 1 The above audited standalone financial results of the Company were reviewed and recommended by the Audit Committee on 4 June 2020 and subsequently approved by the Board of Directors at its meeting held on 5 June 2020. The auditors have expressed an unmodified opinion on the financial results for the year ended 31 March 2020. The figures for the quarter ended 31 March 2020 and 31 March 2019 are balancing figures between audited figures in respect of the full financial year and the unaudited published year-to-date figures up to the third quarter ended 31 December 2019 and 31 December 2018 respectively, which were subjected to limited review.
- 2 In March 2020, the World Health Organisation declared COVID-19 to be a pandemic and several restrictions have been imposed by the Governments across the globe on travel, goods movement and transportation considering public health and safety measures. Considering the Company's products are classified as an 'essential commodity', management believes that the impact of the pandemic may not be significant. As of today, production facilities remain operational, following enhanced internal safety guidelines. The Company follows a multi-sourcing strategy for its raw materials allowing the Company to hedge supply risks and ensure reliable supply. The Company also maintains strategic safety stocks to ensure availability of raw materials and formulated products. The Company has considered internal and external information while assessing recoverability of its assets disclosed in the financial statement upto the date of approval of these financial results by the Board of Directors. Based on such assessment and considering the current economic indicators, the Company expects to recover the carrying amount of these assets. Board of Directors has also considered the impact of COVID-19 on the business for the foreseeable future and have concluded that the Company has sufficient resources to continue as a going concern. The impact of the global health pandemic may be different from that estimated as at the date of approval of these financial results and the Company will continue to closely monitor any material changes to future economic conditions.
- 3 Pursuant to the Taxation Law (Amendment) Ordinance, 2019 ('Ordinance') issued by Ministry of Law and Justice (Legislative Department) on 20 September 2019 which is effective 1 April 2019, domestic companies have the option to pay corporate income tax rate at 22% plus applicable surcharge and cess subject to certain conditions. The Company has made an assessment of the impact of the Ordinance and decided to continue with the existing tax structure until utilisation of accumulated minimum alternative tax (MAT) credit.
- 4 Effective 1 April 2019, the Company has adopted Ind AS 116 "Leases" applicable to all contracts having lease components existing on 1 April 2019 using modified retrospective approach. This has resulted in recognising right of use asset and a corresponding lease liability of **Rs.646.2 million** as at 1 April 2019. In the statement of profit and loss for the current period, operating lease expenses has changed from lease rent to depreciation cost for the right of use asset and finance cost for interest accrued on lease liability. Due to this change, profit before tax for the quarter and year ended 31 March 2020 is lower by **Rs.9.0 million** and **Rs.25.6 million** respectively. Consequent to adoption of Ind AS 116, there is no impact on retained earnings as on 1 April 2019 resulting in no restatement in results of comparative period.
- 5 The Company operates in one reportable business segment i.e. "Pharmaceuticals", accordingly no separate disclosure of segment has been made.
- 6 During the quarter ended 31 March 2020, the Company has paid an interim dividend of ₹ 22 (Rupees Twenty two only) per equity share (1100% on the face value of ₹ 2 each) for the financial year 2019-20. The Board of Directors at its meeting held on 5 June 2020 has recommended a final dividend of ₹ 3 (Rupees Three only) per equity share (150% on the face value of ₹ 2 each) for the financial year 2019-20.

Statement of Cash Flow for the year ended 31 March 2020

(₹ in million)

Particulars	For the year ended 31 March 2020 (Audited)	For the year ended 31 March 2019 (Audited)
A. Cash Flow from Operating Activities:		
Profit before tax	13,380.8	9,439.6
<u>Adjustments for:</u>		
Depreciation and amortisation	1,868.4	1,410.7
Fair valuation of investments	148.0	43.8
Profit on sale of investments (net)	-	(73.1)
(Profit) / Loss on sale of property plant and equipment (net)	(38.8)	18.1
Dividend income	(56.9)	(21.2)
Interest income	(519.2)	(330.1)
Interest expenses	387.1	282.6
Allowances for doubtful debts	29.7	118.7
Unrealised foreign currency (gain) / loss on revaluation (net)	(384.8)	(128.8)
Rent income	(21.1)	(20.1)
Subtotal of Adjustments	1,412.4	1,300.6
Operating profit before working capital changes	14,793.2	10,740.2
Changes in working capital:		
Adjustments for (increase)/decrease in:		
(Increase) / Decrease in trade receivables	(4,986.7)	(1,035.1)
(Increase) / Decrease in loans, other financial assets and other assets	(1,451.1)	83.8
(Increase) / Decrease in inventories	(1,013.0)	328.8
Increase / (Decrease) in trade payable, other financial liabilities and other liabilities	1,492.5	(1,021.2)
Increase / (Decrease) in provisions	322.3	399.4
Subtotal of Adjustments	(5,636.0)	(1,244.3)
Cash generated from operations	9,157.2	9,495.9
Less: Income taxes paid (net of refund)	(2,339.4)	(2,045.0)
Net cash generated from operating activities	6,817.8	7,450.9
B. Cash Flow from Investing Activities:		
Purchases of property, plant and equipment	(2,820.9)	(3,548.9)
Sale of property, plant and equipment	151.6	15.8
Proceeds from sale of investments (net)	527.8	1,289.0
Investments in subsidiaries	(3,280.1)	(1,740.8)
(Redemption) of / Investment in bank deposits having maturity of more than 3 months	(5,005.3)	460.5
Dividend received	56.9	21.2
Interest received	397.2	352.5
Rent received	21.1	20.1
Net Cash (used in) investing activities	(9,951.7)	(3,130.6)
C. Cash Flow from Financing Activities:		
Proceeds from / (Repayment) of current borrowings (net)	6,541.1	(316.8)
(Repayment) of / Proceeds from non current borrowings (net)	-	(0.1)
Repayment of lease liabilities	(108.5)	-
Dividends and corporate dividend tax paid	(4,319.1)	(2,158.0)
Interest paid	(387.1)	(282.6)
Net cash generated from / (used in) financing activities	1,726.4	(2,757.5)
D Net (decrease)/increase in cash and cash equivalents (A+B+C)	(1,407.5)	1,562.8
E Cash and cash equivalents as at beginning of the year	1,614.4	51.6
F Cash and cash equivalents as at end of the year (D+E)	206.9	1,614.4

Notes:

- The above Cash Flow Statement has been prepared under the "Indirect Method" as set out in the Indian Accounting Standard (Ind AS-7) - "Statement of Cash Flows"
- Purchase of Property, Plant and Equipment includes movements of capital work-in-progress (including capital advances) during the year.

By Order of the Board
For Alkem Laboratories Limited

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Place: Mumbai
Date: 5 June 2020

B.N. Singh
Executive Chairman
DIN: 00760310