

B S R & Co. LLP

Chartered Accountants

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Review report

To Board of Directors of Alkem Laboratories Limited

We have reviewed the accompanying statement of unaudited consolidated financial results ('the Statement') of Alkem Laboratories Limited ('the Company') and its subsidiaries listed in Annexure I (the Company and its subsidiaries constitute 'the Group') for the quarter and nine months ended 31 December 2016 attached herewith, being submitted by the Company pursuant to the requirements of Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

This Statement is the responsibility of the Company's Management and has been approved by the Board of Directors. Our responsibility is to issue a report on these results based on our review.

We conducted our review in accordance with the Standard on Review Engagement (SRE) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity', issued by the Institute of Chartered Accountants of India. This standard requires that we plan and perform the review to obtain moderate assurance as to whether the financial statements are free of material misstatement. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and accordingly, we do not express an audit opinion.

We did not review the interim financial results of two subsidiaries included in the unaudited consolidated financial results, whose interim financial results reflect total revenues of Rs. 1,655.2 million and Rs. 5,174.3 million for the quarter and nine months ended 31 December 2016 respectively and total profit after tax of Rs 108.1 million and Rs. 236.0 million for the quarter and nine months ended 31 December 2016 respectively, as considered in the unaudited consolidated financial results. These financial results have been reviewed by other auditors whose reports have been furnished to us by the Management and our report on the Statement, in so far as it relates to the amounts and disclosures included in respect of these subsidiaries, is based solely on the reports of the other auditors.

The unaudited consolidated financial results includes the interim financial results of fourteen subsidiaries which have not been subjected to limited review by their auditors and have been presented based on the financial information compiled by the Company's management. Interim financial results of these subsidiaries reflect total revenues of Rs. 1,042.5 million and Rs. 2,523.5 million for the quarter and nine months ended 31 December 2016 respectively and total loss after tax of Rs. 380.7 million and Rs. 1,020.7 million for the quarter and nine months ended 31 December 2016 respectively, as considered in the unaudited consolidated financial results.

Review report (*Continued*)

Alkem Laboratories Limited

Based on our review conducted as above and based on the consideration of the reports of other auditors as highlighted above, nothing has come to our attention that causes us to believe that the accompanying Statement prepared in accordance with applicable accounting standards i.e. Indian Accounting Standards (Ind AS) prescribed under Section 133 of the Companies Act, 2013, read with relevant rules issued thereunder and other recognized accounting practices and policies generally accepted in India, has not disclosed the information required to be disclosed in terms of Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and SEBI Circular dated 5 July, 2016 including the manner in which it is to be disclosed, or that it contains any material misstatement.

For B S R & Co. LLP

Chartered Accountants

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



Sadashiv Shetty

Partner

Membership No: 048648

Mumbai

10 February 2017

Alkem Laboratories Limited

Annexure I to the Review report

1. List of Subsidiaries

Sr. No.	Name of Subsidiaries
1.	ThePharmaNetwork, LLC, USA
2.	S & B Pharma Inc., USA
3.	Alkem Laboratories (NIG) Limited, Nigeria
4.	Pharmacor Pty Limited, Australia
5.	Alkem Laboratories (PTY) Ltd, South Africa
6.	Enzene Biosciences Limited, India
7.	Cachet Pharmaceuticals Private Limited, India
8.	Indchemie Health Specialities Private Limited, India
9.	Alkem Laboratories Corporation, Philippines
10.	Alkem Pharma GmbH, Germany
11.	S & B Holdings B.V., Netherlands
12.	Ascends Laboratories SDN BHD., Malaysia
13.	Ascends Laboratories SpA, Chile
14.	Alkem Laboratories Korea Inc, Korea
15.	Pharmacor Ltd., Kenya
16.	The PharmaNetwork, LLP, Kazakhstan
17.	Ascend Laboratories (UK) Ltd., UK



ALKEM LABORATORIES LIMITED

CIN No.:L00305MH1973PLC174201

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Statement of Unaudited Consolidated Financial Results for the Quarter and Nine months ended 31 December 2016

(₹ in Million except per share data)

Particulars	Quarter ended			Nine Month ended	
	31.12.2016 Unaudited	30.09.2016 Unaudited	31.12.2015 Unaudited	31.12.2016 Unaudited	31.12.2015 Unaudited
1 Income from Operations					
(a) Sales / Income from Operations (inclusive of Excise Duty)	14,622.3	16,150.1	12,717.4	45,395.8	38,517.0
(b) Other Operating Income	196.9	233.3	161.0	615.2	476.8
Total Income from Operations (inclusive of Excise Duty)	14,819.2	16,383.4	12,878.4	46,011.0	38,993.8
2 Expenses					
(a) Cost of materials consumed	3,716.1	3,685.5	2,369.1	10,813.4	8,373.4
(b) Purchases of stock-in-trade	2,167.8	2,942.5	2,020.1	8,286.7	7,046.9
(c) Changes in inventories of finished goods, work-in-progress and stock-in-trade	(479.0)	(214.3)	705.2	(1,492.7)	(87.5)
(d) Employee benefits expense	2,842.9	2,760.1	2,323.2	8,143.6	7,003.8
(e) Depreciation and amortisation expense	263.7	254.8	226.3	748.0	691.6
(f) Other expenses	3,890.2	4,104.9	3,103.5	11,763.1	9,683.4
Total Expenses	12,401.7	13,533.5	10,747.4	38,262.1	32,711.6
Profit from Operations before Other Income, Finance Costs and Exceptional Item (1-2)	2,417.5	2,849.9	2,131.0	7,748.9	6,282.2
3 Other Income	254.0	339.3	181.6	874.0	1,361.3
Profit from ordinary activities before Finance Costs and Exceptional Item (3+4)	2,671.5	3,189.2	2,312.6	8,622.9	7,643.5
5 Finance costs	117.2	120.3	184.6	337.1	611.8
Profit from ordinary activities after Finance Costs but before Exceptional Item (5+6)	2,554.3	3,068.9	2,128.0	8,285.8	7,031.7
8 Exceptional item	-	-	-	-	-
Profit from ordinary activities before tax (7+8)	2,554.3	3,068.9	2,128.0	8,285.8	7,031.7
10 Tax expense / (Credit)	191.7	187.4	225.5	608.7	374.8
Net Profit for the period from ordinary activities after tax (9 + 10)	2,362.6	2,881.5	1,902.5	7,677.1	6,656.9
12 Extraordinary Items (net of tax expense)	-	-	-	-	-
Net Profit for the period (11+12)	2,362.6	2,881.5	1,902.5	7,677.1	6,656.9
14 Minority Interest	(28.6)	(53.2)	(33.6)	(126.9)	(107.8)
Net Profit after taxes and minority interest (13+14)	2,334.0	2,828.3	1,868.9	7,550.2	6,549.1
16 Other Comprehensive Income (net of tax)	87.0	(62.0)	(9.9)	71.2	139.4
Total Comprehensive Income (after tax) (15 + 16)	2,421.0	2,766.3	1,859.0	7,621.4	6,688.5
18 Paid-up Equity Share Capital (Face Value ₹ 2 each fully paid up)	239.1	239.1	239.1	239.1	239.1
19 Earnings Per Share of ₹2 each (not annualised)					
(a) ₹ (Basic)	19.52	23.65	15.63	63.15	54.77
(b) ₹ (Diluted)	19.52	23.65	15.63	63.15	54.77

Bru A. Singh

Notes :

- 1 The above unaudited consolidated financial results of the Company were reviewed and recommended by the Audit Committee on 9 February 2017 and subsequently approved by the Board of Directors at its meeting held on 10 February 2017. The figures for the quarter and nine months ended 31 December 2016 have been subjected to limited review by the statutory auditors. The auditors have expressed an unmodified opinion on the limited review report for the quarter and nine months ended 31 December 2016.
- 2 Beginning 1 April 2016, the Company has for the first time adopted Indian Accounting Standard (Ind AS) with a transition date of 1 April 2015. Accordingly, these financial results have been prepared in compliance with Ind AS as notified by the Ministry of Corporate Affairs and prescribed under Section 133 of the Companies Act, 2013 read with relevant rules issued thereunder and other accounting pronouncements generally accepted in India. Accordingly, the figures for the corresponding quarter and nine months ended 31 December 2015 have been presented after incorporating the applicable Ind AS adjustments.
- 3 During the nine months ended 31 December 2015, the Company had sold brands and trademarks relating to its In Vitro Fertilisation (IVF) formulations for a total consideration of ₹ 205 million. The same is disclosed under 'Other income' in the results for the nine months ended 31 December 2015.
- 4 The Company's management, pursuant to Ind AS 108 - Operating Segments, has concluded that the Company has only one reportable segment which is Pharmaceuticals. Accordingly, no separate disclosures of segment information have been made.
- 5 An interim dividend of ₹ 6 (Rupees Six only) per equity share of the face value of ₹ 2 each was declared at the Board meeting held on 11 November 2016 and the same was paid during the quarter.
- 6 Reconciliation between financial results under previous Indian GAAP and Ind AS is as under:

Particulars	(₹ in Million)	
	Profit Reconciliation	
	Quarter Ended 31.12.2015 Unaudited	Nine Month Ended 31.12.2015 Unaudited
Net Profit (after tax) and minority interest under previous Indian GAAP	1,889.3	6,164.0
Add/ (less) : Adjustments for GAAP Differences		
(Loss)/profit on consolidation of Avenue Venture Real Estate Fund where control exists	(136.0)	106.0
Net gain arising on fair value accounting of financial assets	(5.5)	2.6
Net Actuarial loss on employee defined benefit plan reclassified to other comprehensive income	(0.1)	4.1
Restatement of provision for compensated absences	-	51.5
Reversal of Goodwill amortised under previous Indian GAAP	18.1	54.2
Others	(17.0)	2.2
Deferred Tax on above adjustments	7.3	(16.0)
Deferred tax on unrealised inventory reserve	112.8	180.5
Net Profit before Other Comprehensive Income as per Ind AS	1,868.9	6,549.1

- 7 Previous periods' figures have been regrouped/reclassified wherever required, to make them comparable with the figures for the current periods.

By Order of the Board
For Alkem Laboratories Limited



B.N. Singh
Executive Chairman
DIN: 00760310

Place: Mumbai
Dated: 10 February 2017