

# B S R & Co. LLP

Chartered Accountants

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## **Independent Auditor's Report on Quarterly Standalone Financial Results and Standalone Year to Date Results of Alkem Laboratories Limited Pursuant to the Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.**

### **To the Board of Directors of Alkem Laboratories Limited**

We have audited the accompanying annual financial results of Alkem Laboratories Limited for the year ended 31 March 2017 attached herewith, being submitted by the Company pursuant to the requirement of Regulation 33 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('Listing Regulations'). Attention is drawn to the fact that the figures for the quarter ended 31 March 2017 and the corresponding quarter ended in the previous year as reported in these financial results are the balancing figures between audited figures in respect of the full financial year and the published year to date figures up to the end of the third quarter of the relevant financial year. Also, the year to date figures for the period from 1 April 2016 to 31 December 2016 have only been reviewed and not subjected to audit.

#### **Management's Responsibility for the Financial Results**

These financial results have been prepared on the basis of the annual financial statements and reviewed quarterly financial results up to the end of third quarter ended 31 December 2016, which is the responsibility of the Company's management and have been prepared in accordance with the recognition and measurement principles laid down in Accounting Standards prescribed, under Section 133 of the Companies Act, 2013 ('the Act') read with rule 3 of the Companies (Indian Accounting Standards) Rules, 2015 ('Ind AS') issued thereunder and other accounting principles generally accepted in India and in compliance with requirement of Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial results that give a true and fair view and are free from material misstatements, whether due to fraud or error.

#### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial results based on our audit of the annual financial results. We conducted our audit in accordance with the auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial results is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts disclosed as financial results. An audit also includes assessing the accounting principles used and significant estimates made by management. We believe that our audit provides a reasonable basis for our opinion.



**Independent Auditor's Report on Quarterly Standalone Financial Results and Standalone Year to Date Results of Alkem Laboratories Limited Pursuant to the Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. (Continued)**

**Alkem Laboratories Limited**

**Opinion**

In our opinion and to the best of our information and according to the explanations given to us, these financial:

- (i) are presented in accordance with the requirements of Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 in this regard; and
- (ii) give a true and fair view of the financial performance including other comprehensive income and other financial information for the year ended 31 March 2017.

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

*Chartered Accountants*

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



**Sadashiv Shetty**

*Partner*

Membership No: 048648

Mumbai

26 May 2017

**ALKEM LABORATORIES LIMITED**

CIN No.:L00305MH1973PLC174201

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**Statement of Audited Standalone Financial Results for the Quarter and Year ended 31 March 2017**

(₹ in Million except per share data)

Particulars	Quarter ended			Year ended	
	31.03.2017 Audited	31.12.2016 Unaudited	31.03.2016 Audited	31.03.2017 Audited	31.03.2016 Audited
<b>1 Income</b>					
(a) Revenue from Operations	10,057.3	11,606.3	8,518.2	46,684.5	39,510.4
(b) Other Income	299.7	231.2	1,209.1	1,166.0	2,512.8
<b>Total Income</b>	<b>10,357.0</b>	<b>11,837.5</b>	<b>9,727.3</b>	<b>47,850.5</b>	<b>42,023.2</b>
<b>2 Expenses</b>					
(a) Cost of materials consumed	3,070.7	3,079.7	2,713.2	12,322.6	9,694.2
(b) Purchases of stock-in-trade	2,234.8	1,707.9	1,672.4	7,750.4	6,119.4
(c) Changes in inventories of finished goods, work-in-progress and stock-in-trade	(1,469.2)	(509.3)	(862.2)	(2,119.2)	(340.6)
(d) Employee benefits expense	1,590.0	1,987.1	1,225.8	7,222.5	6,266.3
(e) Finance costs	47.1	66.4	76.1	236.8	586.7
(f) Depreciation and amortisation expense	199.5	197.3	181.1	764.8	735.3
(g) Other expenses	3,538.2	3,134.6	2,921.5	12,728.3	10,573.4
<b>Total Expenses</b>	<b>9,211.1</b>	<b>9,663.7</b>	<b>7,927.9</b>	<b>38,906.2</b>	<b>33,634.7</b>
<b>3 Profit before exceptional item and tax (1) - (2)</b>	<b>1,145.9</b>	<b>2,173.8</b>	<b>1,799.4</b>	<b>8,944.3</b>	<b>8,388.5</b>
<b>4 Exceptional item</b>	-	-	-	-	-
<b>5 Profit before tax (3) - (4)</b>	<b>1,145.9</b>	<b>2,173.8</b>	<b>1,799.4</b>	<b>8,944.3</b>	<b>8,388.5</b>
<b>6 Tax expense / (Credit)</b>					
Current tax	282.6	468.7	166.2	1,909.4	1,610.0
Deferred tax	(365.0)	(432.0)	961.8	(1,796.7)	(223.4)
<b>Total Tax expense</b>	<b>(82.4)</b>	<b>36.7</b>	<b>1,128.0</b>	<b>112.7</b>	<b>1,386.6</b>
<b>7 Profit for the period after tax (5 - 6)</b>	<b>1,228.3</b>	<b>2,137.1</b>	<b>671.4</b>	<b>8,831.6</b>	<b>7,001.9</b>
<b>8 Other Comprehensive Income (net of tax)</b>					
Items that will not be reclassified to profit or loss	21.6	(12.6)	1.3	(56.1)	0.7
Income tax relating to items that will not be reclassified to profit or loss	(7.5)	4.4	(0.4)	19.4	(0.2)
<b>Total Other Comprehensive Income (net of tax)</b>	<b>14.1</b>	<b>(8.2)</b>	<b>0.9</b>	<b>(36.7)</b>	<b>0.5</b>
<b>9 Total Comprehensive Income for the period (comprising Profit for the period (after tax) and Other Comprehensive Income (net of tax)) (7) + (8)</b>	<b>1,242.4</b>	<b>2,128.9</b>	<b>672.3</b>	<b>8,794.9</b>	<b>7,002.4</b>
<b>10 Paid-up Equity Share Capital (Face Value ₹ 2 each fully paid up)</b>	<b>239.1</b>	<b>239.1</b>	<b>239.1</b>	<b>239.1</b>	<b>239.1</b>
<b>11 Other equity</b>				<b>43,687.4</b>	<b>35,755.9</b>
<b>12 Earnings Per Share of ₹ 2 each (not annualised for the quarters)</b>					
(a) ₹ (Basic)	10.27	17.87	5.62	73.86	58.56
(b) ₹ (Diluted)	10.27	17.87	5.62	73.86	58.56

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## Statement of Assets and Liabilities As at 31 March 2017

(₹ in Million)

Particulars	As at 31 March 2017 Audited	As at 31 March 2016 Audited
<b>I. ASSETS</b>		
<b>1 Non-current assets</b>		
(a) Property, plant and equipment	11,032.1	8,470.7
(b) Capital work-in-progress	2,184.4	1,465.5
(c) Intangible assets	224.2	276.1
(d) Financial Assets		
(i) Investments	12,412.3	8,847.5
(ii) Loans	404.4	1,386.4
(iii) Others financial assets	2,915.5	1,910.4
(e) Deferred tax assets (net)	5,910.0	4,093.9
(f) Other tax assets	269.9	404.2
(g) Other non-current assets	1,102.1	575.4
<b>Total Non-current assets</b>	<b>36,454.9</b>	<b>27,430.1</b>
<b>2 Current assets</b>		
(a) Inventories	8,587.6	5,900.3
(b) Financial Assets		
(i) Investments	2,764.1	2,729.2
(ii) Trade receivables	6,333.2	4,804.4
(iii) Cash and cash equivalents	199.9	74.7
(iv) Bank balances other than (iii) above	1,790.7	5,165.6
(v) Loans	144.9	82.0
(vi) Others financial assets	415.1	636.8
(c) Current Tax Assets (net)	214.6	-
(d) Other current assets	2,060.3	1,401.0
(e) Assets held for sale	18.2	-
<b>Total Current assets</b>	<b>22,528.6</b>	<b>20,794.0</b>
<b>TOTAL ASSETS</b>	<b>58,983.5</b>	<b>48,224.1</b>
<b>II. EQUITY AND LIABILITIES</b>		
<b>1 Equity</b>		
(a) Equity share capital	239.1	239.1
(b) Other Equity	43,687.4	35,755.9
<b>Total Equity</b>	<b>43,926.5</b>	<b>35,995.0</b>
<b>2 Non-current liabilities</b>		
(a) Provisions	810.6	659.7
(b) Deferred tax liabilities (Net)	0.0	0.0
(c) Other non-current liabilities	112.9	26.5
<b>Total Non-Current liabilities</b>	<b>923.5</b>	<b>686.2</b>
<b>3 Current liabilities</b>		
(a) Financial Liabilities		
(i) Borrowings	3,682.3	3,506.2
(ii) Trade payables	6,852.4	4,665.0
(iii) Other financial liabilities	1,946.2	2,054.6
(b) Other current liabilities	613.0	420.8
(c) Provisions	1,029.4	828.1
(d) Current tax Liabilities (Net)	10.2	68.2
<b>Total Current liabilities</b>	<b>14,133.5</b>	<b>11,542.9</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>58,983.5</b>	<b>48,224.1</b>

*B. W. A. Singh*

Notes :

- The above audited financial results of the Company were reviewed and recommended by the Audit Committee on 25 May 2017 and subsequently approved by the Board of Directors at its meeting held on 26 May 2017. The auditors have expressed an unmodified opinion on the Audit report for the year ended 31 March 2017. The figures for the quarter ended 31 March 2017 and 31 March 2016 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 2016 and 31 December 2015 respectively, which were subjected to limited review.
- 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 year ended 31 March 2016 have been presented after incorporating the applicable Ind AS adjustments.
- During the year ended 31 March 2016, the Company had sold brands and trademarks relating to its in Vitro Fertilisation (IVF) formulations for a total consideration of ₹ 205 million. The profit on the same is disclosed under 'Other income' in the results for the year ended 31 March 2016.
- 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.
- During the year ended 31 March 2017, the Company has paid an interim dividend of ₹ 6 (Rupees six only) per equity share (300.0 % on the face value of ₹ 2 each) for the financial year 2016-17. The Board of Directors in its meeting held on 26 May 2017 has recommended a final dividend of ₹ 9 (Rupees nine only) per equity share (450.0 % on the face value of ₹ 2 each) for financial year 2016-17.
- During the quarter ended 31 March 2016, considering future growth requirement of domestic business, the Company had commenced construction of new units at Sikkim which would be entitled for fiscal incentives including benefit under income tax. Further, Finance Act 2016 had partially extended income tax benefit on R&D expenditure up to fiscal year 2019-20. Considering that these factors could result in to lower utilisation of accumulated MAT credit entitlement to the extent of Rs.834.1 million as at 31 March 2016, the Company had charged off MAT credit entitlement to the extent of Rs.834.1 million under 'tax expense' in quarter and year ended 31 March 2016.
- Reconciliation between financial results under previous Indian GAAP and Ind AS is as under:

Particulars	Profit Reconciliation		Networth Reconciliation
	Quarter Ended	Year Ended	Year Ended
	31.03.2016 Audited	31.03.2016 Audited	31.03.2016 Audited
Net Profit (after tax)/Networth under previous Indian GAAP	145.1	6,384.4	35,567.0
Add/ (less) : Adjustments for GAAP Differences			
Net (loss)/gain arising on fair value accounting of financial assets	794.8	870.2	687.8
Net Actuarial loss on employee defined benefit plan reclassified to other comprehensive income	(1.3)	(0.7)	-
Restatement of provision for compensated absences as at 1 April 2015	-	51.5	-
Others	3.2	7.9	(33.4)
Deferred Tax on above adjustments	(270.4)	(311.4)	(226.4)
<b>Net Profit before Other Comprehensive Income/Networth as per Ind AS</b>	<b>671.4</b>	<b>7,001.9</b>	<b>35,995.0</b>

By Order of the Board  
For Alkem Laboratories Limited

  
B.N. Singh  
Executive Chairman  
DIN: 00760310

Place: Mumbai  
Dated: 26 May 2017