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VANTAGE PLUS
REPORT

ALEMBIC PHARMACEUTICALS LIMITED

D&B D-U-N-S® Number: 65-057-4663

Methodology

Financial information from the audited annual reports of Alembic Pharmaceuticals Limited (hereinafter also referred to as "the Company" or "Alembic") was studied and analyzed for a five-year period from FY (Financial Year) 2019 to 2023. Report has been prepared based on the information available from public sources like Company's website, business trade sites, Ministry of Corporate Affairs (MCA), etc. Relevant information from previous reports has been retained wherever updated information was not available.

On 13th July 2023, Mr. Mitanshu Shah – (Head Finance) provided the relevant information in this report during management discussion.

On 29th March 2022, the Board of Directors approved amalgamation of Aleor Dermaceuticals Limited with Alembic, effective date being 1st April 2022. Hence the standalone numbers of FY 2022 are not comparable with that of earlier years.

Financial statements of FY 2023 are as provided by the management. The same are yet to be approved by the shareholders in the annual general meeting.

Scope of the Report

- History and legal background
- Existing operations
- Industry overview
- Management background
- Macroeconomics Summary
- Financial statements and analysis
- Banker
- Media articles

Information Sources

Information given in this report is compiled on the basis of information obtained from the following sources:

- Annual reports
- Information from the website
- Corporate communiqué
- Banker Letter
- Management Discussion

Date of the Report: 25th July 2023

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EXECUTIVE SUMMARY

Revenue
INR 50,031million (Standalone)
INR 54,998 million (Consolidated)

3 API facilities/6 formulation facilities
Manufacturing Facilities

Presence in
India, United States of America, Europe, Canada, Australia, Brazil, South Africa amongst others

5,000+
Medical Representatives
FY 2023

Led by
Mr. Chirayu Ramanbhai Amin
(Chairman and CEO)

Brief Overview

Business Overview	
Line of Business: Engaged in manufacturing APIs/ bulk drugs and pharmaceutical formulations, both branded as well as generics, for acute as well as chronic therapies. It also manufactures veterinary products. The Company has also recently ventured into dermatological therapeutic segment through acquisition of Aleor Dermaceuticals Limited.	
Revenue	54,998
Tangible Net worth	43,704
Operating Profit Margin	7.87
Net Profit Margin	6.78
ROCE	8.56
Total DE Ratio	0.17

Company Details	
Incorporation Date	16th June 2010
Industry	Pharmaceuticals
Key Executive	Mr. Chirayu Ramanbhai Amin
Website	www.alembicpharmaceuticals.com
Head Office	Alembic Road, Vadodara -390003 Gujarat, India
Contact Details	Tel: 91 265 6637000 91 265 6637300 Fax: 91 265 2281508
Employees	14,593 (FY 2023)
Email ID	manisha.saraf@alembic.co.in infoal@alembic.co.in apl.investors@alembic.co.in
D&B Rating	5A2 and Good

Note: INR in million (consolidated)

Brief History and Operations

Date	Event
2010	Alembic Pharmaceuticals Limited was incorporated on 16th June 2010 as a public limited company under the name of Alembic Pharma Limited. Alembic was formed as a result of demerger of the pharmaceutical business of Alembic Limited, which was established in the year 1907. On 24th January 2011, the High Court of Gujarat sanctioned the demerger. Subsequently, on 12th March 2011, the name of the Company was changed to its present name.
2013	Launched first NDA with a partner.
	Commenced filing in EU, Australia and Brazil.
2014	Formed a JV in Algeria – Alembic MAMI SPA to explore African market.
2015	Launched Aripiprazole on Day-1.
	Established the USA front-end, transition to own marketing in USA
2016	Formed JV 60:40 with Orbicular – "Aleor Dermaceuticals Limited" for developing Dermatology Products for international markets.
2017	Shri. Vijay Rupani – Hon'ble Chief Minister of Gujarat, inaugurates the manufacturing facility for Oncology medicines (oral solids and liquid injectable vials).
	Acquired Orit Laboratories LLC, USA
2018	FDA approved Aleor's dermatology facility
	Highest ever investment commitment across four new manufacturing facilities
2019	Formed a JV to enter China
	US FDA approves Oncology oral solid facility
2020	USA front-end achieved milestone of USD 250 million sales in FY 2020
2021	Rhazes's out-licensed, novel molecule "Umbralisib (UKONIQ)" is launched by TG Therapeutics USA for MZL and FL
2022	Azithral ranked 14th highest selling brand in IPM with sales reflection of over INR 450 crore as per ORG IMS, MAT December 2021
	Amalgamation of Aleor Dermaceuticals Limited with the Company
	Received 10 US FDA observations at Kokradi unit (injectable), none of which is related to data integrity
2023	Started commercialization of products from Injectable and Oncology facilities
	ISOFIT is the 2nd Best launch amongst 3072 new launches in 12M IPM.1

- The Company functions on a global scale and manages its operations with its four subsidiaries, seven step down subsidiaries and four affiliates (hereinafter, will be referred to as "the Alembic Group" or "the Group" on a consolidated level).

- The Group's business is broadly divided into 3 divisions is International Generics Formulations (~42.88%*), Domestic Branded Formulations (~36.49%*) and APIs (~20.63%*)
  **As a percentage of revenue in FY 2023*

- The Group has a robust product portfolio developed across business divisions. It has presence in both domestic as well as overseas market. It majorly exports to countries likes the USA, Europe, Canada, Australia, Brazil, South Africa, amongst other markets.

Company Vision & Mission

VISION

"We are Consistent and Flexible as a time-tested value creator for all."

MISSION

"To Improve Healthcare with Innovation, Commitment & Trust"

Key Strengths

- Long track record of operations and extensive experience of management driving business growth
- Strong research and development capabilities ensuring strong product pipeline and ANDA approvals across therapeutic segments
- Underleveraged capital structure and adequate liquidity profile providing financial flexibility

Key Constraints

- Declining profitability in FY 2022 as well as FY 2023 resulting from pricing pressure
- Working capital intensive nature of operations

Capital Market Overview

As on 25th July 2023 (INR in crore)
Face Value: INR 2
Market Cap: 13,546
Free Float Market Cap: 3,792.92
Earnings per share (EPS): 23.84
PE: 28.77
Return on equity (ROE): 10.62

Source: BSE and value research

BUSINESS OVERVIEW

- ABOUT THE COMPANY
- MANAGEMENT
- SHAREHOLDING PATTERN

BUSINESS OPERATIONS

The Group is engaged in manufacturing of APIs or bulk drugs and pharmaceutical formulations, both branded as well as generics, for acute as well as chronic therapies. It also manufactures veterinary products. In April 2007, Alembic Limited acquired Dabur Pharma Limited's non-oncology business, thereby gaining access to the lifestyle related therapeutic segments such as cardiovascular, diabetic, gastrointestinal and gynaecology. The Group through Aleor Dermaceuticals is also focused on strengthening its dermatology segment in the US market. It has also recently diversified into oncological, injectables and ophthalmic products.

The Group has three business divisions:

International generics

This is the flagship division for the Group and contributed 42.88% of its revenue in FY 2023. Under this division, the Group's generic formulations cater to regulated markets like the USA and Ex-USA markets (RoW markets including Europe, Canada, South Africa, Brazil and Australia). While currently the Group mostly manufactures oral solids, newer units have been setup for ophthalmology, general injectables, oncology injectables and oral solids, mainly for the USA market.

Location	Dosage Form	Last UDFDA Audit
International Generics		
F1-Panelav	General oral solids	March 2020
F2-Panelav	Oncology oral solids	June 2019
	Oncology injectables	October 2022
F3-Karkhadi	General injectables ophthalmic	March 2023
F4-Jarod	General oral solids	December 2022
F5-Karkhadi	Dermaceuticals	March 2023

USA has largest share in the total international generics business of the Group contributing 65% of the revenue in FY 2023. US generics contributed around 28% of the total revenue of the Group during FY 2023. The Group has 120+ products in the US market as on 31st March 2023. During FY 2023, the Company filed 20 ANDAs and received approvals for 22 ANDAs taking the total filed ANDAs to 245 and pending approval to 66 as on March 31, 2023. The Group launched 18 products for US market during FY 2023. During FY 2023, the Group received the US FDA approval for its F2 (for oncology Oral Solid Dosage & Injectables) and F3 (general injectables & Ophthalmic) facilities. It has received cumulative eight product approvals for its F2 and F3 plants. It has also received approval of four product for F4 and plans to commercialize its plant in FY 2024. Further, it plans to file 15-20 products in FY 2024 and every subsequent year thereafter over the next 2-3 years. As informed by management, the US market is still facing the pricing pressure and hence the focus would be on increasing the volumes backed by new product approvals.

During FY 2017, Alembic founded Aleor Dermaceuticals Limited together with Orbicular Pharmaceuticals Technologies Private Limited, holding 60% stake in this venture. This alliance enabled the Group to foray in dermatology segment. The Group continues to remain focused on strengthening its presence in the dermatology segment in the US market. With this objective, it acquired balance 40% of Aleor Dermaceuticals Limited, making it a wholly owned subsidiary of the Company.

Domestic branded formulations

Under domestic branded formulation division, the Group has product portfolio for both acute as well as chronic ailments. While the focus of the Group lies on the chronic segment targeting the cardiology, diabetes, gynaecology and ophthalmology therapeutic segments, in acute segment the Group targets cough & cold, pain management and anti-infective segments.

During FY 2023, the Group derived 36.49% of its revenue from the India branded formulations segment with the chronic segment contributing 64%. With a total portfolio of 185 products, the prominent brands under the division are Azithral, Althrocin, Wikoryl, Roxid, Rekool, Zeet, Tellzy, Ulgel and Gestofit, amongst others. Over the years, the Group has added new divisions in the form of gynaecology, cardiology, GI and urology with several successful launches including brands such as Tellzy, Rekool, Gestofit, Ovigyn D, Rosave, Richar etc. As per IQVIA MAT – March 2023, the Group has 1.5% market share in India (domestic branded generics), and it has 3 brands in top 500 brands in the domestic market. As informed, the Group is expected to register growth of around 13% to 15% over the near to medium term.

The Group also has a small presence in the veterinary products market. These products mainly cater to the poultry industry.

It has extensive range of branded formulations, in compliance with international and national regulations that cater to diverse therapeutic segments are:

- Anti-Diabetic
- Cardiology
- Gynaecology: Major brands are Gestofit SR, Richar CR, New Vehycal, Ovigyn DSR, Crina NCR, amongst others.
- Gastrology: Major brands include Rekool, Ulgel, Freego and Rafle.
- Ophthalmology: Major brands are Veldrop, Veldrop Gel, Pegtears and Omegared.
- Dermatology: Grocapix, Altris, Advan, Oryza and Canvaz.
- Urology
- Orthopaedic
- Hospital care
- Acute: Major brands include Althrocin, Wikoryl, Brozeet and Zeet.
- Animal Health: Major brands are Althrocin FS 10%, Althrocin FS 20%, Azithral P, Xceft injection, Q4ALL.
- Anti-Infective
- Cold & Cough
- Nephro/Uro

As informed, the major therapeutic segments for the Group are cardio, gynecology and diabetology. It is also increasing its presence in ophthalmology and dermatology. During FY 2023, the Group has launched various new products, especially in the gynaecology and anti-diabetic spaces. It has also launched various new SKUs during the year, which generated respectable business.

APIs

The Group's API business represents critical backward integration that makes it possible to formulate niche products that find global acceptability. It contributes 20.63% to the Group's revenue. At present, ~32% of the APIs manufactured are used for captive consumption while the rest are sold to external formulators. The Group has three API manufacturing facilities (two at Panelav and one at Karkhadi), which cumulatively manufacture more than 100 APIs that find acceptance with customers globally. The Group filed for 6 DMF applications taking the cumulative filing count to 131 as on 31st March 2023.

Location	Last USFDA Audit
API	
API I & II -Panelav	December 2018
API III -Karkhadi	January 2020

Manufacturing Facilities and Process

The Group has 6 facilities for manufacturing formulations and 3 for APIs across India. These are located at Panelav, Karkhadi and Sikkim. While the Panelav and Karkhadi facility cater to the international markets, the Sikkim plant caters to the domestic market. APIs are manufactured at Panelav and Karkhadi units. As informed, capacity utilization of API's is around 50% to 55% and this segment is likely to grow at 10% to 12% rate in FY 2024.

The Group has also set up greenfield unit at Jarod (Gujarat) for manufacturing of solid oral dosages and oral suspension products, however, is awaiting regulatory clearance.

Usage	Plant
General oral solids	F1
Oncology oral solids & injectibles	F2
General injectables ophthalmic	F 3
General oral solids & oral suspension	F 4

The Aleor Dermaceuticals Limited facility is also located in Karkhadi. Besides the manufacturing facilities for APIs and Formulations, the Group also has two R&D centres located in Vadodara (Gujarat) and Hyderabad (Telangana).

For the Group's F3 injectable unit, the USFDA after inspection, concluded with 2 two procedural observations, none of which were related to data integrity. The inspection was conducted from 16 March to 24 March 2023. As informed, the Group has submitted the necessary responses with the authorities.

API Plant-1 Panelav, Gujarat

API Plant-2 at Panelav, Gujarat

API Plant at Karkhadi, Gujarat

Research Centre at Vadodara, Gujarat

A G Research Centre at Hyderabad, Andhra

Bio Equivalence Centre at Vadodara, Gujarat

F-II, Panelav, Gujarat

F-III, Karkhadi, Gujarat

F-IV, Jarod, Gujarat

F-I, Panelav, Gujarat

Aleor, Karkhadi, Gujarat

Source: Company website, Annual report 2023 and information retained from previous report and as provided by management

About the Group

The Company has a parent, four subsidiaries, seven step down subsidiaries, four affiliates, two joint venture and thirteen group companies.

Acquisitions and amalgamations

Alembic established a joint venture with Orbicular Pharmaceuticals Technologies Private Limited namely, "Aleor Dermaceuticals Limited". It was incorporated on 23rd May 2016 with the Company holding 60% stake in the venture (making it a subsidiary of the Company) and the rest being held by Orbicular Pharmaceuticals Technologies Private Limited. Aleor Dermaceuticals has an USFDA approved manufacturing plant. It has filed 11 ANDAs and has received 5 approvals till 31st March 2021. It has started commercial production in FY 2020. The Company continues to remain focused on strengthening its presence in the dermatology segment in the US market. With this objective, under the Scheme of Arrangement, with appointment date of 1st April 2021, the Company acquired balance 40% of Aleor Dermaceuticals Limited, making it a wholly owned subsidiary.

Further, the Board of Directors of the Company had at their meeting held on 29th March 2022 inter alia approved the Scheme of Arrangement in nature of Amalgamation of Aleor Dermaceuticals Limited. ('the Transferor Company'/'Aleor') which is engaged in business of pharmaceuticals with Alembic Pharmaceuticals Limited. ('the Transferee Company') and their respective shareholders ('the Scheme') with effect from the appointed date, that is, 1st April 2021. The said Scheme has been sanctioned by the Hon'ble National Company Law Tribunal; Ahmedabad Bench ("NCLT") vide its Order dated 29th August 2022. The Scheme is now effective upon filing of the certified copy of the said Order with Registrar of Companies, Gujarat/Ministry of Corporate Affairs. Accordingly, the Board has approved the financial statements after giving effect to the Scheme.

As per Ind AS - 103, the financial information in the financial statements in respect of prior period is required to be restated as if the business combination had occurred from the beginning of the preceding period in the financial statements, irrespective of the actual date of the combination, Accordingly the Company has restated the financials of the comparative period, on account of Amalgamation of Aleor. The transaction does not have any impact on the consolidated financial statement. The Standalone Financial Statements for the year ended 31st March 2022 were earlier approved by Board of Director on 2nd May 2022 on pre-Amalgamation basis. Pursuant to the approval of the Scheme by Hon'ble NCLT, Standalone Financial Statement for the year ended 31st March 2022 have been revised as per scheme by applying the principles as set out in Appendix C of Ind As 103 "Business Combination" and intercompany balances and inter-company investments between both companies shall stand cancelled. The financial statements of Aleor for the year ended on 31st March 2022 and 31st March 2021 were audited by statutory auditor of Aleor.

Joint Venture

Alembic established a joint venture namely, "Rhizen Pharmaceuticals AG (formerly known as Rhizen Pharmaceuticals SA)". It was incorporated in 2012 with the Company holding 50% stake in the venture (making it an affiliate of the Company) and the rest being held by the other JV partner. During FY 2022, Rhizen Pharmaceuticals AG entered into an out-licensing agreement for TGR-1202 (Umbralisib) with TG Therapeutics in September 2014. In FY 2021, it has received USFDA accelerated approval for adult patients with relapsed of refractory MZL and FL.
Source: Company website, MCA and Annual report 2023

MANAGEMENT

Mr. Chirayu Ramanbhai Amin – Chairman, Chief Executive Officer and Whole Time Director

Mr. Chirayu Ramanbhai Amin is a Chairman, Chief Executive Officer and Whole Time Director. He has completed Bachelor of Science and Master's in Business Administration and has more than five decades of related experience.

Other Board of Directors

Mr. Chirayu Ramanbhai Amin (DIN: 00242549)
Chairman and Chief Executive Officer
Qualification - Bachelor of Science
Master's in Business Administration
Relevant Experience: 55 years

Other Indian Directorships

- Alembic Limited
- Paushak Limited
- Shreno Limited
- Nirayu Limited

Mr. Pranav Chirayu Amin (DIN: 00245099)
Managing Director
Qualification - Bachelor of Science
Bachelor of Economics/ Industrial Management
Master of Business Administration - International
Relevant Experience: 22 years

Other Indian Directorships

- Viramya Packlight LLP
- Elecon Engineering Company Limited
- Max Healthcare Institute Limited
- Incozen Therapeutics Private Limited
- Shreno Engineering Limited

Honoured with "Transformational Leader Award" by the Asian Centre for Corporate Governance and Sustainability.

Mr. Shaunak Chirayu Amin (DIN: 00245523)
Managing Director
Qualification - Graduate from University of Massachusetts, (Economics Major)
Relevant Experience: 19 years

Other Indian Directorships

- Incozen Therapeutics Private Limited
- Shreno Limited

Honored with "Transformational Leader Award" by the Asian Centre for Corporate Governance and Sustainability.

Mr. Paresh Manilal Saraiya (DIN: 00063971)
Independent and Non-Executive Director
Qualification - Bachelor of Engineering (Mechanical)
Relevant Experience: 45 years

Other Indian Directorships

- Muellerunifab Packaging LLP
- Asteria Ventures LLP
- Excel Genetics Limited
- Dinesh Remedies Limited
- Technokraft Products Private Limited
- Vantage Chemical Industries Private Limited
- Siamp India Private Limited
- Silox India Private Limited
- Shroffs Engineering Private Limited
- Aatapi Seva Foundation

Mr. Krishnapuram Gopalakrishnan Ramanathan (DIN: 00243928)
Independent and Non-Executive Director
Qualification - Post-graduate in Physics
Retired IAS Officer
Relevant Experience: Over 55 years

Other Indian Directorships

- None

Mr. Pranav Natverlal Parikh (DIN: 00318726)
Independent and Non-Executive Director
Qualification - Bachelor of Commerce
Business Administration Program (Harvard University)
Relevant Experience: Over 55 years

Other Indian Directorships

- Technova Ventures Private Limited
- Technova Prepress Solutions Private Limited
- Lee And Muirhead Private Limited
- Shree Luxmi Woollen Mills Estate Limited
- Technova Imaging Systems Private Limited
- Technova Foundation

Mr. Rajkumar Shreeram Baheti (DIN: 00332079)
Director (Finance) and Chief Financial Officer
Qualification - Bachelor of Commerce
Fellow member of Institute of Chartered Accountants of India
Fellow member of Institute of Company Secretaries of India
Relevant Experience: 41 years

Other Indian Directorships

- None

Dr. Archana Niranjan Hingorani (DIN: 00028037)
Independent and Non-Executive Director
Qualification - Bachelor of Arts (Economics)
Master of Business Administration
PhD. in Corporate Finance
Relevant Experience: 37 years

Other Indian Directorships

- Siana Capital Management LLP
- Raiin Resources LLP
- Grindwell Norton Limited
- 5paisa Capital Limited
- Den Networks Limited
- Balaji Telefilms Limited
- SBI Mutual Fund Trustee Company Private Limited
- Sidbi Venture Capital Limited
- Neewee Analytics Private Limited

Mr. Ashok Kumar Barat (DIN: 00492930)
Independent and Non-Executive Director
Qualification - Fellow Member of the Institute of Chartered Accountants of India
Fellow Member of the Institute of Company Secretaries of India
Relevant Experience: Over 40 years

Other Indian Directorships

- Merx Business Advisors LLP
- Bata India Ltd
- Huhtamaki India Limited
- Birlasoft Limited
- Mahindra Accelo Limited

Associate Member of the Institute of Chartered Accountants of England & Wales and CPA, Australia

Mr. Jai Shishir Diwanji (DIN: 00910410)
Additional Director
Qualification - University of Cambridge (U.K.) with a B.A. in Law degree in the year 1997
B.S.M. degree from Tulane University (U.S.A.)
Relevant Experience: 25 years

Other Indian Directorships

- Nesco Limited
- Onward Technologies Limited
- Kaira Can Company Limited
- Elecon Engineering Company Limited
- Indifoss Analytical Private Limited
- Pardi Investments Private Limited
- St. Jude India Childcare Centres

Source: MCA and as provided by the management

SHAREHOLDING PATTERN

Shareholding Pattern as on 31st March 2023

Part	Particulars	Number of Shares	% Holdings
(A)	**Shareholding of Promoter and Promoter Group**		
	Nirayu Limited	70,035,435	35.63
	Alembic Limited	56,097,544	28.54
	Other Promoter and Promoter Group	10,695,274	5.44
	Sub Total (A)	**136,828,253**	**69.61**
(B)	**Public Shareholding**		
I	**Institutions**		
	Mutual Funds	12,715,096	6.47
	Alternate Investment Funds	501,913	0.26
	NBFCs registered with RBI	1,620	0.00
	Financial Institutions/ Banks	70,000	0.04
	Insurance Companies	12,866,384	6.55
	Foreign Portfolio Investors Category I	8,725,654	4.44
	Foreign Portfolio Investors Category II	218,993	0.11
	Other Institutions	3,569	0.00
	Sub Total (B-I)	**35,103,229**	**17.86**
II	**Non Institutions**		
	Directors and their relatives (excluding independent directors and nominee directors)	2,482,490	1.26
	Investor Education and Protection Fund (IEPF)	1,379,451	0.70
	Resident Individuals holding nominal share capital up to INR. 2 lakhs	16,261,764	8.27
	Resident Individuals holding nominal share capital in excess of INR. 2 lakhs	1,592,798	0.81
	Non Resident Indians (NRIs)	1,315,873	0.67
	Bodies Corporate	797,688	0.41
	Director or Director's Relatives	27,034	0.01
	Clearing Members	34,885	0.02
	LLP	47,176	0.02
	Trusts	7,350	0.00
	Unclaimed or Suspense or Escrow Account	76,895	0.04
	HUF	608,238	0.31
	Sub Total (B-II)	**24,631,642**	**12.53**
	Total Public Shareholding (B) = (B-1)+ (B-11)	**59,734,871**	**30.39**
	Total (A+B)	**196,563,124**	**100.00**

Total number of shareholders : 99,522

Source: BSE website

COMPANY PERFORMANCE (FY 2019-23)

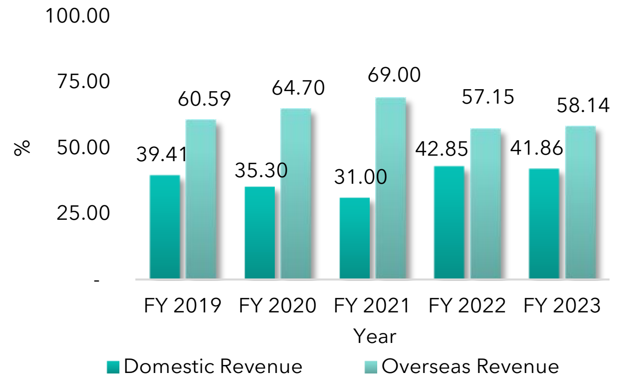
- GEOGRAPHICAL AND SEGMENTAL PERFORMANCE
- STAKEHOLDER DETAILS
- COUNTRY RISK INSIGHT
- FUTURE PLANS

GEOGRAPHICAL PERFORMANCE

Y-o-y Revenue increase with marginal dip in FY 2022

The contribution from export business witnessed y-o-y improvement barring FY 2022. Revenue of the Group dipped marginally by less than a percentage in FY 2022 because of the decline in US business and API segment, although partially offset by increase in the domestic branded generics.

In terms of geographical split, revenue from exports accounts for an average of ~62% of total revenue during the review period.



**Includes revenue obtained from veterinary sales*

Geographical Reach

Export countries/regions: The United States of America, Europe, Canada, Australia, Singapore etc.

Import countries/regions: People's Republic of China, Europe, Germany, Italy, Canada etc.

Source: Annual Reports and as provided by management

STAKEHOLDER DETAILS

Customer Details

The Group has more than 100 customers and more than 5,000 distributors.

Top Customers

Name of Customers	Location	% of Total Revenue	Length of Relationship (Years)
Sandoz Group Companies	Multiple Locations	5.60	More than 5
Breckenridge Pharmaceutical, Inc.	Multiple Locations	2.05	More than 5
Pfizer Inc.	United states of America	2.00	More than 5
Apotex Pty. Limited	Australia	1.78	More than 5
Stada Group Companies	Europe	1.67	More than 5

Supplier Details

Top Suppliers

Name of Suppliers	Location	% of Total Purchases	Length of Relationship (Years)
Sinobright Import and export	People's Republic of China	4	More than 9 years
Signet Excipients Private Limited	India	3	More than 3 years
Roy + Leclair Packaging Inc	Canada	2	More than 3 years
Cory Organics Private Limited	India	2	More than 10 years
Ningbo LSCHEM International Trade	People's Republic of China	2	More than 10 years

Source: As provided by the management

MARKETING STRATEGY

Domestic market: The Group has marketing team of ~5,000+ field executives to facilitate PAN India reach. It caters to ~225,000 doctors in India.

International market: In USA, the Group operated under B2B business model wherein, the pharmaceutical companies had out licensed their research and manufacturing operations to the Group. However, in FY 2017, it established its marketing office in USA for direct sales to pharmacist. It has employed team of 10 marketing personnel and has signed master service agreements with distributors to ensure reach across the USA market. In other geographies, the Group has subsidiaries and works through tendering process.

Source: Information retained from previous report

FUTURE PLANS

The Group plans to file 15-20 products in FY 2024 and every subsequent year thereafter over the next 2-3 years. This strategy will optimize its R&D spend from around INR 700-750 crore a year to INR 500 crore in FY 2024. During FY 2023, R&D spend was around 10% of the revenue, which the management expects to bring down to single digit in the coming years. Also, the Group is working on establishing a presence in Mexico and Chile in FY 2024 and has received order worth INR 400 million from Chile market.

The Group had an on-going capex for its 2 facilities F3 (general injectables – ophthalmic) and F4 (general oral solids and oral suspension). As informed, F3 unit commenced operations from March 23, whereas F4 unit is yet to commence operations. Majority of the capex has been completed by the Group. For FY 2024 and FY 2025, it has capex for setting up facility at Pithampur for India branded generics, cost of which is likely to be around INR 220 crore. Around INR 110 crore would be incurred in FY 2024 and the balance in FY 2025 which would be entirely funded through internal accruals.

Further, the Group has plans to penetrate to Chile, Mexico to mitigate the risk of pricing pressure in US market. The emerging markets are expected to grow exorbitantly in coming future which will open more opportunities for the Group to tap and support its top line as well as bottom line. As on date, the Group has order book of around INR 40 crore from Chile market.

Source: Annual Report FY 2023 and as provided by management

COUNTRY RISK INSIGHT

Any firm, entity or individual who conducts cross-border transactions is exposed to country risk, the risk associated with a country's overall political, economic and commercial performance. **D&B's Country Risk Indicator (DCRI)** provides a comparative, cross-border assessment of the risk of doing business in a country. Essentially, the **DCRI** seeks to encapsulate the risk that country-wide factors pose to the predictability of export payments and investment returns over a time horizon of two years. The **DCRI** comprises a composite index of four overarching country risk categories:

a) Political Risk
b) Commercial Risk
c) Macroeconomic Risk
d) External risk

The **DCRI** is supplemented with a rating trend, which encapsulates whether the risk environment in a country is improving, deteriorating or stable.

Improving	↑	Indicates that the country's overall risk profile is improving as a result of favourable political, commercial, economic and / or external developments.
Deteriorating	↓	Indicates that the country's overall risk profile is deteriorating owing to adverse political, commercial, economic and / or external developments.
Stable	↔	Indicates that the country's overall risk has not changed appreciably, even though some minor changes to its political, commercial, macro-economic, and / or external risk environment may have occurred.

Exports Destination: DCRI Trend

Exports Destination	DCRI Trend		Headline News
Australia	Deteriorating	↓	The near-term economic outlook and market potential are clouded by still-high inflation, external headwinds and an ongoing energy crisis on the east coast.
Brazil	Stable	↔	The short-term economic outlook has improved modestly as services fuel a surprise boost to economic activity in Q1, but elevated prices and tighter financial conditions will pose downside risks.
Canada	Stable	↔	The economy is set to slow in Q2 as inflation and high interest rates dampen consumption, while wildfires caused by an unseasonably warm weather are disrupting businesses in Alberta and British Columbia.
South Africa	Deteriorating	↓	US accusations that South Africa supplied arms to Russia in December have chilled bilateral relations, raising the risk that existing bilateral trade might be affected.
United States of America	Deteriorating	↓	The migrant crisis on the southern border and a looming government showdown over the debt ceiling have increased political/insecurity risk, overshadowing the failure of First Republic Bank.

Imports Origin: DCRI Trend

Imports Origin	DCRI Trend		Headline News
China	Stable	↔	China's ban on the use of Micron semiconductors sends a strong signal in the ongoing 'chip war' with the US; supply chains of semiconductors are likely to be disrupted further.
Singapore	Stable	↔	A record fine on a US company and its Singaporean subsidiary for breaching US export restrictions with Huawei indicates growing compliance risks for exporters in the technology sector.
United Arab Emirates	Stable	↔	The impact of Saudi-Iran d├┌tente visible in Iranian delegations engaging the UAE soon after on conflict mitigation and financial cooperation.
United States of America	Deteriorating	↓	The migrant crisis on the southern border and a looming government showdown over the debt ceiling have increased political/insecurity risk, overshadowing the failure of First Republic Bank.

Source: D&B Country Risk Services (July 2023)

PEER ANALYSIS

- Financial Movement of Peers
- Capital Market Overview
- Stock Volatility Analysis
- D&B Peer Comparison

COMPETITOR DETAILS

As informed by the management, the Group operates in a widely competitive market. The competitors of the Group include Sun Pharmaceuticals Industries Limited, Ajanta Pharma Limited, Torrent Pharmaceuticals Limited, Aurobindo Pharma Limited, Cipla Limited, Dr. Reddy's Laboratories Limited, Ranbaxy Laboratories Limited amongst others. The competitive advantage of the Group is its vast experience and market share in the formulations segment, which has allowed it to develop new products across markets.

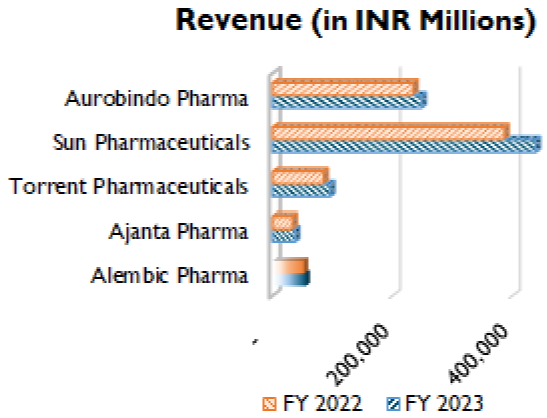
Source: Information retained from previous report

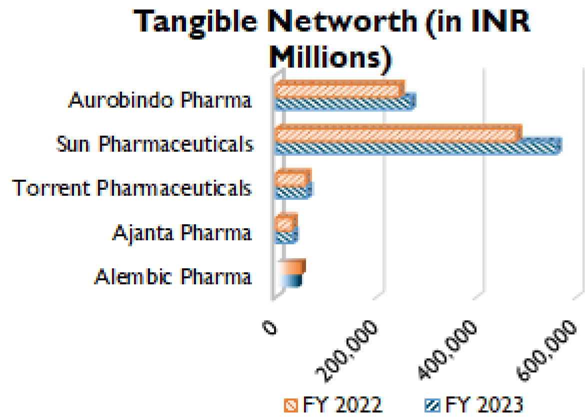
FINANCIAL MOVEMENT OF PEERS

The peer analysis has been based upon the consolidated financial performance of the closest peers provided by the Company.

Sr No	Name of the Company	Line of Business
1	Alembic Pharmaceuticals Limited	Engaged in manufacturing APIs/ bulk drugs and pharmaceutical formulations, both branded as well as generics, for acute as well as chronic therapies. It also manufactures veterinary products.
2	Ajanta Pharma Limited	Engaged in development, manufacturing and marketing of pharmaceutical formulations for both domestic as well as international markets.
3	Torrent Pharmaceuticals Limited	Engaged in manufacturing of branded and generic formulations.
4	Sun Pharmaceutical Industries Limited	Engaged in manufacturing of pharmaceutical formulations and active pharmaceutical ingredients
5	Aurobindo Pharma Limited	Engaged in manufacturing of generic pharmaceuticals and active pharmaceutical ingredients

The following is an analysis of the key consolidated financial indicators for these peers.

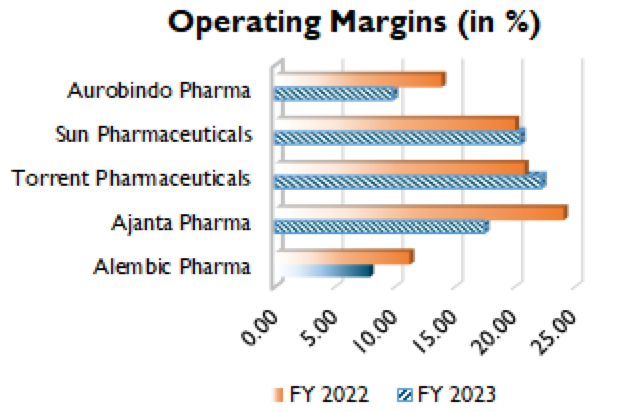


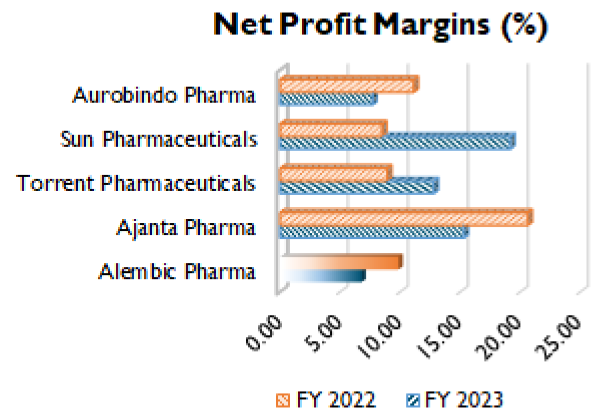


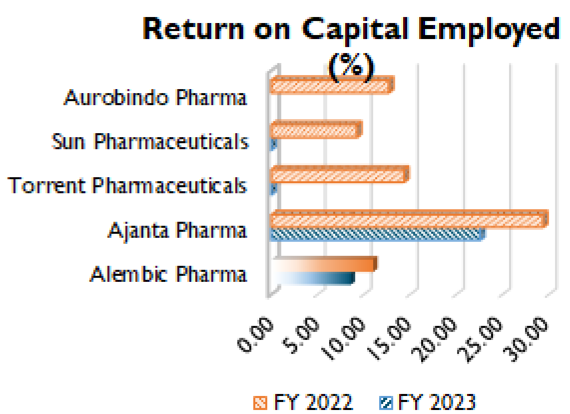
- The ability of the Group to gain big global orders and acquire benefits from economies of scale depends on its scale of operations. Further, the tangible net worth of the Group determines its ability to absorb systematic and unsystematic shocks with minimum risks to operations and survival.

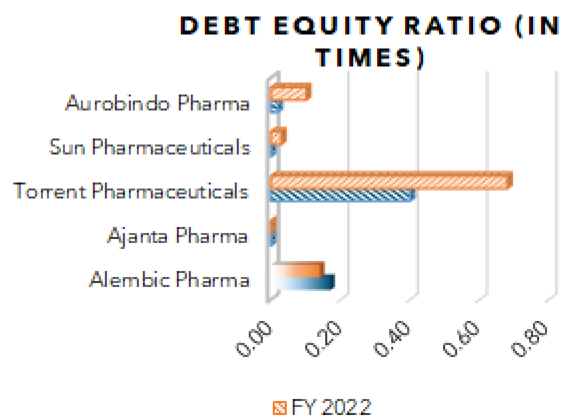
- Sun Pharma recorded the highest revenue during FY 2023 which was followed by Aurobindo and Torrent. Alembic's revenue stood moderate in comparison to its peers. However, it witnessed growth by ~5% during FY 2023. Subsequently, Sun pharma had the highest tangible net worth amongst the peers for FY 2022. net worth for was backed by increase in profits. Alembic had the fourth highest tangible net worth amongst the peers.

- Ajanta's margins at operating as well as net level margins remained highest amongst all the other players compared, given that majority of the revenue was derived from domestic market, mitigating the pricing pressure for generics. Alembic's profitability at operating and net level declined substantially during FY 2023 given the pricing pressure for its product portfolio (US generics), lower realisation for Sartan portfolio (although as informed, this portfolio now contributes miniscule to the overall revenue) and limited launches where the Alembic was not able to get the first mover advantage.









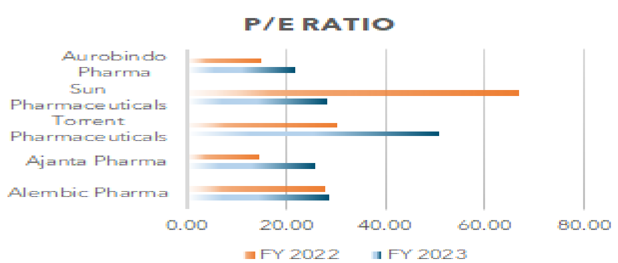
Note: ROCE for Aurobindo, Sun Pharma & Torrent for FY 2023 is not available in public domain as on date

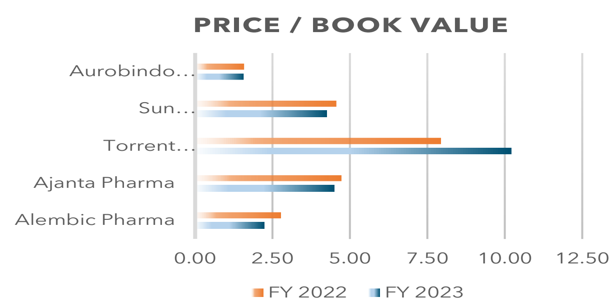
Except Torrent, all the other players had low debt on the books and the capital structure stood below 0.20 times over the past two years. This is because of healthy net worth levels and cash accruals generated through profits earned. Ajanta had the highest ROCE, followed by Torrent and Aurobindo which stood above 10% during FY 2022. Alembic's ROCE stood at 11% during FY 202.

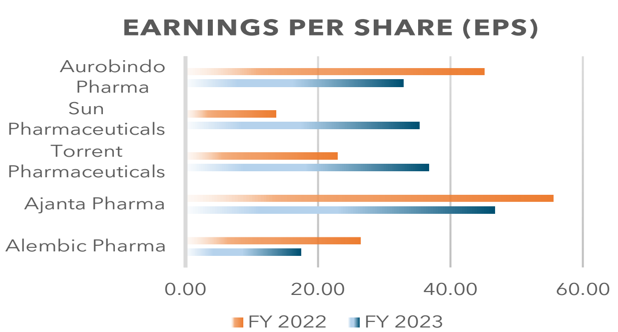
CAPITAL MARKET OVERVIEW

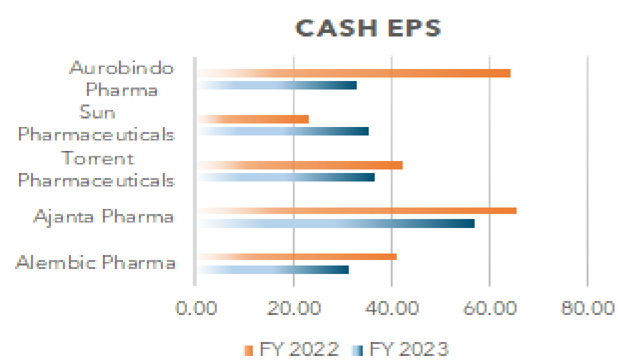
Market Statistics (27th June 2023)					
	Alembic	Ajanta	Torrent	Sun Pharma	Aurobindo
Date		27th June 2023			
Face Value (INR)	2.00	2.00	5.00	1.00	1.00
BSE Share Price as on 27th June 2023 (INR)	658.75	1498.10	1879.25	995.40	719.90
Market Cap (INR in crore)	12,948	18,863	63,599	238,824	42,181
Free Float M Cap (INR in crore)	3,625	6,413	17,171	107,470	20,247

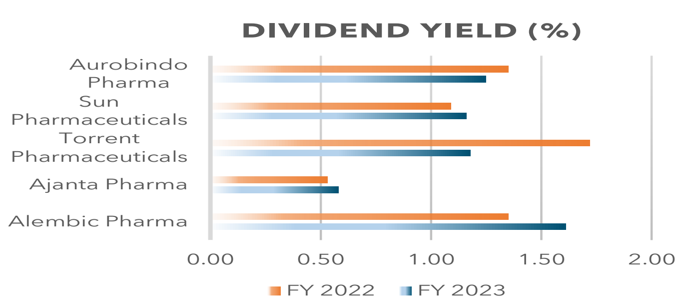
The equity performance indicators for the Company for FY 2022 and FY 2023 are shown in the graphs below.











STOCK VOLATILITY ANALYSIS

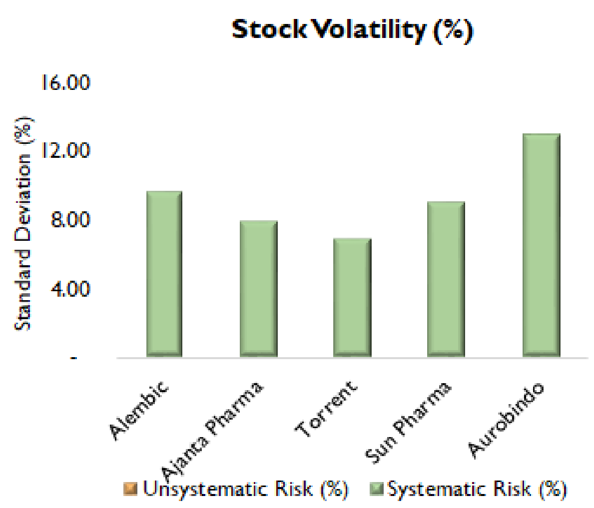
The past trend in stock prices of a Company can be analyzed to determine the standard deviation (SD) of the stock. Standard deviation is the statistical measure of market volatility, measuring how widely prices are dispersed from the average price. If prices trade in a narrow trading range, the standard deviation will return a low value that indicates low volatility. One way to measure investment risk is by looking at stock price volatility is by calculating the risk associated with the systematic risk and unsystematic risk as a part of SD.

Systematic risk is largely due to changes in macroeconomics. These are usually beyond the control of an individual Company and form an inherent feature of a market. Unsystematic risk, also known as company-specific risk, specific risk, diversifiable risk, idiosyncratic risk, and residual risk, represents risks of a specific corporation, such as management, sales, market share, product recalls, labor disputes, and name recognition. This type of risk is peculiar to an asset, a risk that can be eliminated by diversification.

The standard deviation (SD) of the Company along with each of the peers considered has been done for a period from January 2019 till June 2023 with the SD of the BSE Sensex corresponding to the same period to map a measure of the volatility in stock prices due to systematic and unsystematic risk for the Company along with its peers in the following table.

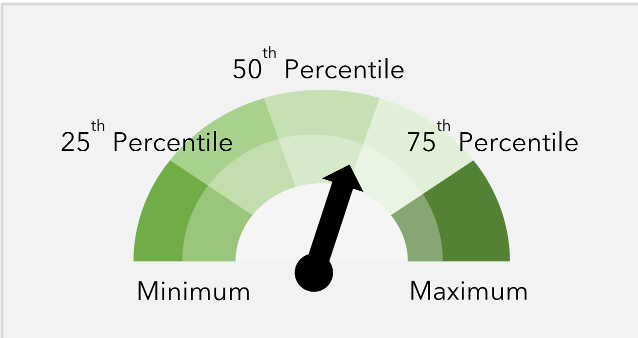
Name of the Company	Alembic	Ajanta Pharma	Torrent	Sun Pharma	Aurobindo
Unsystematic Risk (%)	0.08	0.08	0.06	0.08	0.12
Systematic Risk (%)	9.52	7.81	6.88	8.94	12.91
Standard Deviation (%)	9.60	7.89	6.94	9.02	13.03
Beta (Slope of stock vs BSE Sensex)	0.59	(0.01)	0.35	0.67	0.82

- Share price of Alembic had been the second most volatile during the reviewed period as visible from SD of 9.60% recorded for the share prices of the company during the period. The volatility was mostly related to change in BSE Sensex as 9.52% of the total SD was due to systematic risk as correlation between the BSE Sensex movement and the company movement appeared to be high.
- Amongst the mentioned peers Alembic appears to have experienced the 2nd highest share price volatility driven almost completely by the systematic risk as the Company appears to have been in sync with the BSE Sensex movement.

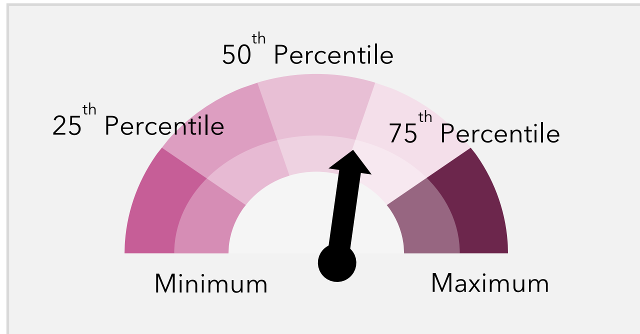


PEER PERFORMANCE – FY 2023

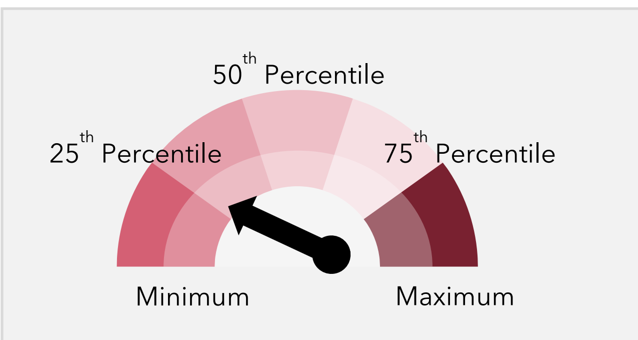
Number of Companies	13
Revenue Range	INR 7,954 million to INR 124,598 million



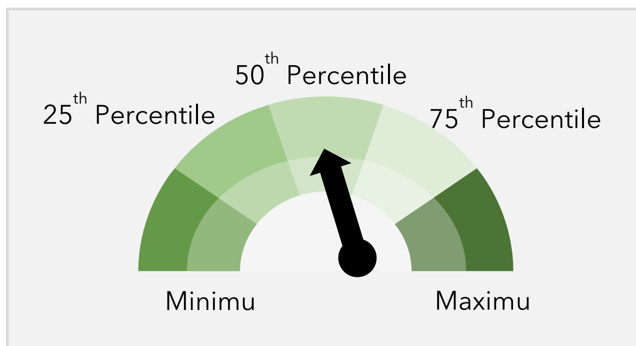
REVENUE



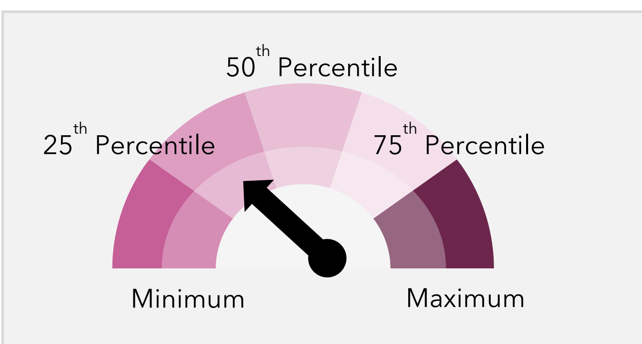
PROFIT AFTER TAX



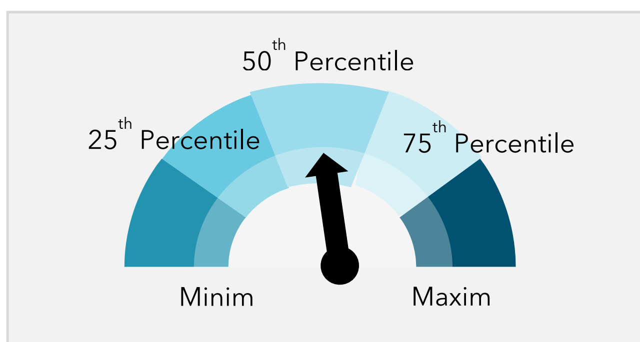
REVENUE GROWTH



CURRENT RATIO



TOTAL DEBT-EQUITY RATIO



RETURN ON CAPITAL EMPLOYED

FINANCIAL PERFORMANCE (FY 2019 -2023)

- FINANCIAL ANALYSIS
- SENSITIVITY ANALYSIS
- INCREMENTAL WORKING CAPITAL ANALYSIS
- FREE CASH FLOW ANALYSIS

KEY FINANCIAL ELEMENTS AND RATIOS (Consolidated)

Amount in INR million

Year	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	Trend
Number of Months	**12**	**12**	**12**	**12**	**12**	
Revenue	38,066	44,920	52,762	52,318	54,998	
Net Profit after Tax	5,926	8,005	11,148	5,157	3,729	
Tangible Networth	24,481	28,914	47,431	50,827	43,704	
Capital Employed	35,765	47,221	53,267	57,997	50,924	
Total Borrowings	11,284	18,307	5,836	7,170	7,220	
Investments	488	176	493	1,186	964	

Key Financial Ratios	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	Trend
GROWTH RATIOS						
Revenue Growth (%)	-	18.01	17.46	(0.84)	5.12	
Net Profit Growth (%)	-	35.08	39.26	(53.74)	(27.69)	
PROFITABILITY RATIOS						
Gross Profit Margin (%)	46.59	48.10	48.92	42.91	38.98	
Operating Profit Margin (%)	19.46	23.52	24.57	11.23	7.87	
OPBITDA (%)	22.48	27.03	28.05	16.71	12.88	
Net Profit Margin (%)	15.57	17.82	21.13	9.86	6.78	
Return on Tangible Networth (%)	24.21	27.69	23.50	10.15	8.53	
Return on Capital Employed (%)	21.47	22.67	25.98	11.00	8.56	
Return on Fixed Assets (%)	24.29	25.83	30.57	13.06	12.43	
Return on Total Assets (%)	13.15	14.07	17.46	7.40	6.03	
LIQUIDITY RATIOS						
Quick Ratio (Times)	0.65	0.71	0.88	0.71	0.84	
Acid-Test Ratio / Super Quick Ratio (Times)	0.47	0.54	0.35	0.51	0.69	
Current Ratio (Times)	1.31	1.41	2.07	1.67	1.78	
TURNOVER RATIOS						
Inventory Turnover Ratio (Times)	2.08	1.94	1.79	1.83	2.25	
Fixed Asset Turnover Ratio (Times)	1.56	1.45	1.45	1.33	1.83	
SOLVENCY RATIOS						
Long Term Debt Equity Ratio (Times)	0.29	0.33	0.12	0.05	0.02	
Total Debt Equity Ratio (Times)	0.46	0.63	0.12	0.14	0.17	
Adj. Debt Equity Ratio (excl. lease liabilities; Times)	0.46	0.60	0.11	0.12	0.15	
Total Liabilities to Tangible Networth (%)	84.14	96.79	34.62	37.08	41.47	
Interest Coverage Ratio (Times)	41.73	39.36	86.51	36.03	8.68	
EFFICIENCY RATIOS						
Payment Period (Days) (A)	146	129	117	129	95	
Collection Period (Days) (B)	47	70	24	56	69	
Inventory Days (C)	176	189	204	199	162	
Working Capital Cycle	77	130	111	127	137	

- Revenue of the Group witnessed y-o-y improvement barring FY 2022 wherein, it dipped marginally by 0.84% due to slight decline in US business and API segment, although partially offset by increase in the domestic branded generics. The Group recorded growth of 17.46% in FY 2021 due to significant growth of ~57% in non-US generics segment and ~35% in API segment. Non-US generics segment grew as the Group overcame the challenge of implementing serialization modules at facilities, whereas API segment grew mainly due to disruptions in supply chain led by China issues and increased supply of Azithromycin for the treatment of COVID-19 to the exports market. Also, US generics market grew by ~9% in FY 2021 which was mainly benefitted due to continued shortage of Sartan products in US market in first half of FY 2021. During FY 2023, it improved by 5.12% on account of higher volumes from existing portfolio along with addition of new products as well as customers. Also, during FY 2023, the branded business vertical sustained healthy growth in specialty and acute therapies which also led to increase in revenue. Strong growth was depicted in API segment with 24% growth driven by high off-take and better product mix. However, given the competitive industry in the US generics market, remained to be a challenge resulting in decline in US generic segment registering a de-growth of around 6% in FY 2023 against preceding year. As apprised, domestic branded business is expected to grow by ~13 to15% while international business (excluding US) and API segment is also likely to grow by ~10 to 12% over the near to medium term. This growth will be mainly attributed to product launches coupled with commencement of new unit.

- Profitability of the Group witnessed improvement at all levels till FY 2021 as a result of shortage of Sartan products in the USA market allowing higher realization for the drug and hence fetch higher margins. However, it witnessed decline during FY 2022 as well as FY 2023. The profitability depicted a decline in FY 2022 largely driven by pricing pressure for its US generics segment along with decline in revenue from US market. Further, apart from pricing pressure for its regular products, the Sartan portfolio also fetched lower margins given the increase in competition which earlier gained high realizations for 2-3 years. Moreover, as informed, despite product launches in FY 2022, the same did not gain the first mover advantage impacting the margins. Amalgamation of Aleor Dermaceuticals Limited during FY 2022 also impacted the margins as the recurring R&D expenses were charged to profit and loss account against the earlier method of amortization. Further, during FY 2023, the profitability further declined because of the continuing price erosion in the US markets, persisting inflationary headwinds and increasing energy costs. The Group also expensed out the previously amortized R&D expenses (in erstwhile Aleor – now the Derma division) amounting to INR 1,550 million in FY23. As informed by management, despite the pricing pressure, the margins are expected to improve during FY 2024. Further the Group is also trying to bring down R&D cost from 14% of revenue in FY 2023 to 10% of revenue in FY 2024. Also, going ahead there will not be any R&D expenses (in erstwhile Aleor – now the Derma division) charged to profit and loss account against the earlier method of amortization.

- The capital structure of the Group stood comfortable with debt equity ratio of below unity times throughout the review period. The Company has only short-term debt in the form of bank loans and loans in the form of commercial paper as on 31st March 2023. Despite large working capital requirements and y-o-y capex undertaken by the Group, dependence on borrowings remained low backed by strong cash accruals and healthy tangible net worth. Although the Group has plans to undertake capex to the tune of INR 2,220 million between FY 2024 and FY 2025, the same would be towards regular maintenance, given majority of the capex with respect to enhancing the capacities has been concluded. Thus, the capital structure is expected to remain underleveraged.

With low dependence on borrowings and adequate profitability at absolute level (decline in FY 2023), the interest coverage ratio also remained adequate at 8.68 times for FY 2023.

- The liquidity position remained adequate during the review period. The current and quick ratio were 1.78 times and 0.84 times as on 31st March 2023. The Company generated adequate net cash accruals of INR 6,483 million in FY 2023. The unencumbered cash balances stood at INR 755 million as on 31st March 2023. Since, there is no long-term debt as on 31st March 2023, there are no current debt obligations, thereby further providing comfort to its liquidity profile. Also, cash flow from operations stood positive at INR 7,239 million in FY 2023 vis-à-vis INR 5,523 million in FY 2022.

- The Group's operations are working capital intensive as evident from high inventory and moderate collection period. Inventory holding has remained high and increased y-o-y till FY 2021 as a result of management's discussion to keep higher stock to cater to the demand from US market in case of shortage of any particular drugs. Further, large product basket has also led to high inventory holding during the review period. Although the inventory days came down in FY 2022 and FY 2023, it still remained high at 162 days in FY 2023. Finished goods inventory accounted for more than 50% of the total stock held throughout the review period. Collection cycle remained moderate, albeit an increase as on FY 2023 to 69 days. The working capital requirements are funded through credit availed from suppliers, internal accruals, advances from customers and bank borrowings.

Refer to annexure for details

Analysis of Working Capital Cycle

Working capital cycle of a Group is the direct function of its receivables, payables and inventory held and may be influenced by advances received from customers, advances given to suppliers and unbilled revenue. Accordingly, the calculation for working capital cycle of the Group is given below.

	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	Trend
EFFICIENCY RATIOS						
Payment Period (Days) (A)	146	129	117	129	95	
Collection Period (Days) (B)	47	70	24	56	69	
Inventory Days (C)	176	189	204	199	162	
Working Capital Cycle	77	130	111	127	137	
Customer Advances (Days) (D)	0.35	0.53	2	5	3	
Advances to Suppliers (Days) (E)	-	-	-	-	-	
Unbilled Revenue (Days) (F)	-	-	-	-	-	
Adjusted Working Capital Cycle (Days) (B + C + E + F - A - D)	**76**	**129**	**109**	**122**	**134**	

As evident from the above table, advance from customers is minimal, which makes receivables, inventory, payables and advances to suppliers as the key components of the working capital cycle for the Group.

An analysis on payment behavior (vis-à-vis Industry Payment Behavior), receivables management and inventory management are given below.

Supplier Industry Payment Behavior

Payment behavior analysis is based on customers' trade/payment experiences which are being shared by Trade Participants (suppliers) under the D&B India Trade Exchange Program. Trade/Payment experiences reflect how bills are met in relation to the terms granted. The payment behavior analysis by outstanding credit amount buckets provide insight on how entities in the Pharmaceutical Industry have dealt with credit amount falling into different buckets i.e. The percentage of credit amount falling into a particular bucket size (large, medium, small) was within terms, 1 to 30 days past due, 31 to 60 days past due, etc. (i.e., ageing buckets).

Note: *The payment behavior analysis should not be used as a substitute for predictive scores / indicators. Further, user's discretion is suggested since limited number of suppliers may be sharing data. Also, in some instances, payment beyond terms can be the result of disputes over merchandise, lost invoices, etc.*

Payment Behavior Analysis by Credit Amount Buckets (May 2022 to June 2023)

Credit Amount Buckets in INR	Credit Amount Bucket Size	% of Payment Experiences Instances	% of Total Value of Payment Experiences	Total Credit Amount	% of Total Credit Amount				
					Within Terms	1 - 30 days	31 - 60 days	61 - 90 days	91+ days
>10,000,000	Large	50%	99.48%	100.00%	71%	12%	6%	3%	8%
1,000,000 - 9,999,999				100.01%	67%	11%	5%	3%	14%
500,000 - 999,999	Medium	20%	0.41%	100.00%	64%	13%	6%	3%	14%
100,000 - 499,999				100.00%	72%	9%	5%	3%	11%
50,000 - 99,999	Small	31%	0.11%	100.01%	60%	12%	5%	4%	19%
<50,000				100.01%	68%	9%	2%	1%	20%
Total (Overall)		**100%**	**100%**	**100.01%**	67%	11%	5%	3%	14%

With regard to overall dues (without considering credit amount buckets), around 67% of total payables of **entities in the pharmaceutical sector** were within terms. Also, payables overdue with payments made beyond 91 days stood at 14%.

In case of credit amount falling into bucket size category > INR 10,000,000, it was observed that 71% of the total dues were within terms and for credit amount falling into bucket size category INR 1,000,000 - INR 9,999,999, 67% dues were within terms. Thus, the industry exhibited a tendency to pay off moderate chunk of dues within terms.

In case of credit amount falling into 'Medium' and 'Small' bucket size, within terms dues ranged from 64% to 72%. However, payables overdue with payments made beyond 91 days ranged between 11% to 20%. Thus, the industry exhibited a tendency to pay off low chunk of payables beyond 91 days.

Source: As provided by the management, Dun & Bradstreet Research and Annual Reports

SENSITIVITY ANALYSIS

For the purpose of undertaking sensitivity analysis, we have considered the impact of movement in certain key factors, on the profitability of the Company which are mentioned as below:

- Revenue
- Raw material costs (Cost of Materials and Finished Goods Consumed & Purchases for Resale)
- Interest cost

We have considered the below mentioned independent scenarios to measure sensitivity of the above factors on some of the key financial elements of the Company. In each of these scenarios, all other factors have been kept constant.

1. Increase in raw material costs by 5%	2. Decline in revenue by 5%	3. Decline in raw material costs by 5%	4. Increase in revenue by 5%	5. Increase in interest cost by 1%

SCENARIOS

Note: The data along with the different scenarios is only estimation

The results of the analysis are as follows and all the results have been compared with the base case scenario:

Particulars	Base	Scenario 1	Scenario 2	Scenario 3	Scenario 4	Scenario 5
Gross Profit Margin (%)	41.95%	39.57%	41.39%	44.32%	42.45%	41.95%
Operating Profit Margin (%)	11.77%	9.39%	9.63%	14.15%	13.71%	11.77%
Net Profit Margin (%)	10.20%	8.14%	8.34%	12.26%	11.87%	10.08%
Interest Coverage ratio (Times)	20.00	16.17	15.77	23.84	24.24	16.44

Note: Base case scenario is weighted average of financial elements of FY 2021 to FY 2023.

<u>Key Observations</u>

✓ Raw material along with salaries & wages cost account for ~47% of the total revenue of the Company. It can be observed that increase/decrease in the cost of raw materials and salaries & wages (Scenario 1 and 3) has higher impact on the profitability levels of the Company than increase or decrease in the revenue of the Company (Scenario 2 and 4). Thus, the profitability margins of the Company are more susceptible to the movement of raw materials as well as salaries & wages than revenue and hence the ability of the Company to pass any increase in price of material to end customers along with control of manpower cost remains important.

✓ Debt equity ratio of the Group has been underleveraged at 0.17 times as on 31st March 2023 and hence an increase in the interest cost (Scenario 5) has low impact on the interest coverage ratio and net profit margin of the Group.

Source: Annual reports

INCREMENTAL WORKING CAPITAL ANALYSIS

The working capital requirement of a Group is based on several parameters – Accounts receivables, inventory, advances to suppliers, unbilled revenue, contract assets, unearned revenue, customer advances and accounts payable. The working of the overall adjusted working capital cycle of the Group based on all of these parameters (as applicable to Group) is given below.

In Days	FY 2021	FY 2022	FY 2023	Weighted Average
Accounts Payable	117	129	95	110
Due to Customers	2	5	3	3
Accounts Receivable	24	56	69	58
Inventory	204	199	162	182
Advances to suppliers	-	-	-	-
Contract Assets	-	-	-	-
Working Capital Cycle	**109**	**122**	**134**	**126**

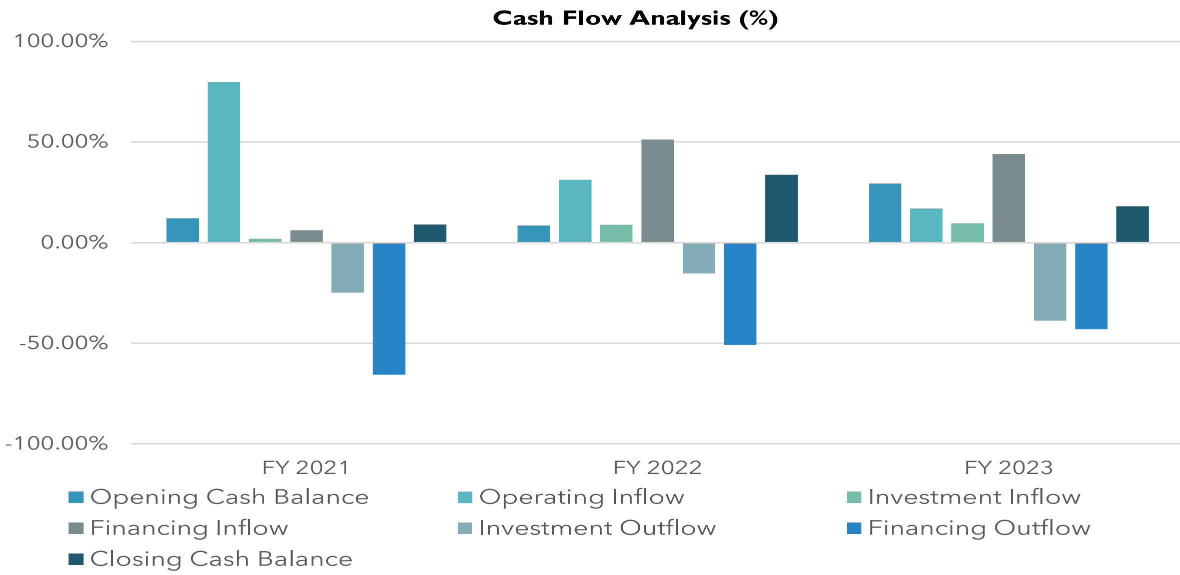
Using the historical adjusted working capital requirements while tweaking weights in favor of the most recent year, the overall working capital requirement of the Company per day is calculated and then extrapolated based on the adjacent scenarios.

Scenarios	Scenarios		
	Scenario 1	Scenario 2	Scenario 3
	10%↑	FY 2023	10%↓

Scenarios	Scenarios	Working capital requirement (INR in million)								
		1 day	10 days	30 days	45 days	60 days	90 days	120 days	150 days	180 days
	Scenario 1	174	1,741	5,224	7,836	10,448	15,672	20,896	26,120	31,344
	Scenario 2	158	1,583	4,749	7,124	9,498	14,247	18,996	23,745	28,494
	Scenario 3	142	1,425	4,274	6,411	8,548	12,822	17,097	21,371	25,645

Given that the weighted average adjusted working capital requirement of the Group is 126 days, working capital requirements for each scenario corresponding to higher than 126 days has been highlighted by a darker shade for easy reference.

FREE CASH FLOW ANALYSIS



Free Cash Flow to The Firm (FCFF) & Free Cash Flow to Equity (FCFE)

(INR in million)

Particulars / Year	FY 2021	FY 2022	FY 2023
Net Cash Generated in Operating Activities	14,634	5,524	7,239
Net Capital Expenditure (business assets)	3	14	19
Net Investments (others)	(8,391)	(3,733)	(4,495)
Free Cash Flow To the Firm (FCFF)	**6,246**	**1,805**	**2,763**
Less: Interest* (1 - Tax Rate)	511	363	348
Add: Net Borrowings	(13,314)	577	654
FCFE	**(7,579)**	**2,019**	**3,069**

Note: A tax rate of 30% has been assumed

FCFF[1] declined in FY 2022 on account of decline in net cash generated from operating activities. Owing to decline in net profit. However, it increased in FY 2023 on account of an increase in net cash generated from operating activities, despite increase in investments towards capex.

FCFE[2] of the Group depicted an increasing trend during the review period. It increased in FY 2022 on account of an increase in net borrowings despite decline in FCFF. It further increased in FY 2023 in line with an increase in FCFF coupled with an increase in net borrowings.

[1]FCFF indicates the amount of cash generated after meeting its operating expenses, taxes, changes in its net working capital requirements, capital expenditure and investing requirements. This indicates cash available with the Company for distribution among investors (both debt holders and equity holders). Free cash flow is important because it allows the Company to pursue opportunities that enhance shareholders' value.

[2]FCFE indicates the cash available to equity shareholders' post reinvestments, capex and repayment of debt obligations. FCFE is a measure of capital usage and used to determine the value of the Company.

KEY FINANCIAL ELEMENTS AND RATIOS (Standalone)

On 29th March 2022, the Board of Directors approved amalgamation of Aleor Dermaceuticals Limited with Alembic, effective date being 1st April 2022. Hence the standalone numbers of FY 2022 are not comparable with that of earlier years.

Amount in INR million

Year	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	Trend
Number of Months	**12**	**12**	**12**	**12**	**12**	
Revenue	35,338	40,195	49,500	49,875	50,031	
Net Profit after Tax	6,112	9,694	10,965	5,435	3,467	
Tangible Networth	27,125	33,460	47,780	51,355	44,143	
Capital Employed	37,717	51,162	53,616	58,416	51,242	
Total Borrowings	10,592	17,702	5,836	7,061	7,099	
Investments	5,147	8,416	1,561	2,194	2,293	

Key Financial Ratios	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	Trend
GROWTH RATIOS						
Revenue Growth (%)	-	13.74	23.15	0.76	0.31	
Net Profit Growth (%)	-	58.61	13.11	(50.43)	(36.21)	
PROFITABILITY RATIOS						
Gross Profit Margin (%)	44.14	45.27	46.15	40.50	35.81	
Operating Profit Margin (%)	21.34	26.28	25.59	12.51	7.82	
OPBITDA (%)	24.33	29.66	29.27	18.22	13.27	
Net Profit Margin (%)	17.30	24.12	22.15	10.90	6.93	
Return on Tangible Networth (%)	22.53	28.97	22.95	10.58	7.85	
Return on Capital Employed (%)	20.67	23.49	25.19	11.56	7.71	
Return on Fixed Assets (%)	27.99	34.16	30.18	13.86	11.64	
Return on Total Assets (%)	13.44	16.49	17.35	7.85	5.66	
LIQUIDITY RATIOS						
Quick Ratio (Times)	0.75	0.73	0.99	0.83	0.94	
Acid-Test Ratio / Super Quick Ratio (Times)	0.56	0.56	0.42	0.64	0.79	
Current Ratio (Times)	1.48	1.48	2.19	1.74	1.79	
TURNOVER RATIOS						
Inventory Turnover Ratio (Times)	2.19	2.02	1.96	2.10	2.49	
Fixed Asset Turnover Ratio (Times)	1.62	1.42	1.36	1.27	1.68	
SOLVENCY RATIOS						
Long Term Debt Equity Ratio (Times)	0.26	0.29	0.12	0.05	0.01	
Total Debt Equity Ratio (Times)	0.39	0.53	0.12	0.14	0.16	
Adj. Debt Equity Ratio (excl. lease liabilities; Times)	0.39	0.50	0.10	0.12	0.14	
Total Liabilities to Tangible Networth (%)	67.71	75.70	32.27	34.73	38.88	
Interest Coverage Ratio (Times)	52.32	47.70	103.90	39.71	8.06	
EFFICIENCY RATIOS						
Payment Period (Days) (A)	74	64	78	102	82	
Collection Period (Days) (B)	56	71	31	72	88	
Inventory Days (C)	167	181	186	174	147	
Working Capital Cycle	149	188	139	144	152	

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INDUSTRY OUTLOOK

- SECTOR OVERVIEW
- MACRO ECONOMIC SUMMARY
- OPPORTUNITIES AND CHALLENGES
- PORTERS FIVE FORCES

SECTOR OVERVIEW

Profile

Indian pharmaceutical industry is ranked as the third largest in the world, in terms of volumes of drugs manufactured and thirteenth largest, in terms of value. The Country is also the world's largest supplier of cost-effective generic drugs, and accounts for nearly one fifth of the global trade in generic drugs. India has achieved an enviable position in global generic drug market on the back of its strength in organic chemical synthesis and process engineering.

Indian pharmaceutical industry, which followed process patent structure for close to 30 years -till the amendment of Patent Act in 2005- was favorable for generic drug manufacturers. The process patent structure allowed industry to launch low-cost alternatives to innovator drugs, if the manufacturing process was different. India with its technically skilled labor force was able to reverse engineer patented drugs, and hence became one of the largest and most developed generic drug markets in the world.
The strong generic drug manufacturing infrastructure developed during the process patent regime helped India to become the leading exporter of generic drugs. Additionally, heavy investments in the manufacturing infrastructure which includes the highest number of US FDA certified facilities (outside the US), also ensured Indian drug manufacturers to meet the quality standards mandated by regulated drug markets like the US and EU.

Today India accounts for nearly 60% of the global vaccine production. This includes nearly 70% of WHO demand for vaccines to combat Diphtheria, Tetanus, Pertussis and BCG vaccine as well as nearly 90% of measles vaccine demand. Nearly 80% of the antiretrovirals drugs used to combat AIDS used globally is supplied by Indian pharmaceutical companies.

The change in pharmaceutical patent regime have resulted in increased focus on Research & Development initiatives. Today, in the field of innovator drugs as well as biologics, Indian pharmaceutical industry is considered a leader among developing economies.

Key segments in Indian pharmaceutical industry are:

- Active Pharmaceutical Ingredient / Bulk Drug Manufacturers
- Formulation Manufacturers
- Contract Research and Manufacturing Service Companies
- Biotechnology Companies

Regulatory Scenario

Indian pharmaceutical industry is guided by two notable regulatory aspects, namely The Patent (Amendment) Act 2005 and Drug (Control) Act, 1950. The former changed the intellectual property (IP) framework in Indian pharmaceutical industry, making it illegal to market generic formulations of drugs that are under patent protection.

Schemes to improve bulk drug production in India

The Government of India has notified a Production Linked Incentive (PLI) scheme for promoting the domestic production of Key Starting Materials (KSM)/Drug Intermediates (DI) / Active Pharmaceutical Ingredients (API). The gazette notification was published on 21 July 2020.

The need for PLI scheme: Despite being a major pharmaceutical manufacturing and export hub, India is dependent on imports for pharma raw materials (namely APIs). As per the data quoted in the notification, APIs accounted for nearly 63% of total pharmaceutical products imported to India in FY 2019. Industry sources cite that the domestic pharmaceutical industry meets more than 80% of its raw material demand through imports. This high import dependence is a major risk that has the potential to derail the growth prospect of the industry.

If India is to lay claim to the tag of pharmacy to the world, it is imperative that all aspect of drug making is concentrated in domestic market. Moreover, bulk of the raw materials imported comes from China. This high concentration of imports from a single market further increases the risk for the industry. All these factors have prompted the Government to initiate a policy that would encourage domestic API manufacturing. It is a known fact that the preference for imported raw materials was purely due to economic reason.

Domestic API firms are not able to match the low price offered by imports and thus eventually lost out to cheaper imports. The policy had to address this economic reason, and hence the need for an incentive structure. Moreover, the thrust on indigenization is in line with the Atmanirbhar Bharat scheme that is currently promoted by the Government.

The Scheme:

The PLI scheme provides incentives on the production of 41 eligible products notified by the Department of Pharmaceuticals. These 41 products cover the 53 APIs that is considered critical and is entirely met through imports. The scheme has outlined a minimum threshold investment and minimum annual production volume for each of these 41 products and has also capped the number of eligible applicants in each product category. These 41 products cover KSMs, DI and API that are made either through fermentation or chemical synthesis (4 fermentation based KSM/DI, 10 fermentation-based niche KSM/DI/API, 4 chemically synthesized KSM/DI and 23 chemical synthesis based KSM/DI/API).

The total incentive outlined by the policy is approximately INR 6,940 Crore while the incentive period is for production happening between FY 2021 and FY 2030. Considering the complexity involved in production process, a gestation period is allotted to the selected applicant to start manufacturing. This is 2 years in the case of fermentation-based compound and one year in the case of chemical synthesis. It is mandated that the incentive is applicable only on domestic sales, and the incentive would be calculated on the net sale of the eligible product made in the domestic market.

The incentive rate is flat 10% for chemically synthesized product throughout the term period while for fermentation-based product it is staggered into three buckets. For fermentation-based product the incentive rate of 20% is applied for period FY 2023-24 to FY 2026-27, 15% for period FY 2027-28 and 5% for the period FY 2028-29. The Government has also fixed the maximum incentive that can be disbursed for each of the year and for each class of product. The incentive is calculated on the sales price of the eligible product, which should be quoted by the applicant in the application. The quoted sales price is only for incentive calculation and need not be the actual sales price on which the product is sold by the applicant.

However, the quoted sales price in the application will remain fixed throughout the tenure of the scheme and is the maximum price on which incentive can be sought. For incentive calculation the incentive rate would be applied to net sales, calculated based on actual sales price or quoted sales price in the application, whichever is lower. Incentive disbursal can happen either twice a year (6-month period) or once a year.

Investment criteria: The policy has outlined committed investment & production capacity for each of the 41 products that is included in the scheme. The investment can include that incurred on setting up manufacturing infrastructure (plant & equipment and associated utilities), R&D infrastructure and buildings. However, there is a cap of 20% of total investment in the case of expense for setting up buildings to house the manufacturing infrastructure. The Government has also mandated that the plant & machinery and other utilities that would be used for manufacturing the eligible products cannot be old / second hand / refurbished. It can be either purchased upfront or leased in the name of the applicant.

The Impact of PLI scheme on Indian bulk drug industry

The API/ bulk drug manufacturing in India has been struggling, despite the strong growth in formulation business. Ideally the strong formulation segment is a clear indicator of strong bulk drug demand and a positive sign for domestic API manufacturers. However, in India's case this did not happen as domestic industry could not meet the competitive pricing set by imports. The liberal import regime in API segment meant low-cost manufacturing destinations like China could fully exploit the growing demand.

Chinese API industry can produce at low cost due to the subsidies and benefits provided by the Chinese Government. This subsidy cushion helps Chinese API firms to price their products at very low rate in Indian market. The economic consideration offered by low price have allured formulation makers to ditch domestic APIs in favor of imports. Indian API industry found it hard to match the import price, as the cost of production was high. Moreover, the industry did not have the subsidies and schemes to protect its bottom-line. This scenario continued and eventually domestic API industry lost out to imports, becoming just a foot note in the Indian pharmaceutical story.

Although bulk drug industry has long raised the matter, highlighting the risk of import dependency, very little was done to alleviate this risk. Although the Government unveiled a bulk drug policy, it has remained a non-starter. It took the covid pandemic to bring this issue to limelight. The covid disruptions in China during late last year and early this year led to suspension of API imports from that country. This led to a situation of severe deficit, resulting in spike in cost of various APIs used by the pharma industry, with some rising as high as 70 to 100%. This price rises seriously impacted the Indian pharmaceutical industry and threatened to disrupt the industry functioning. However, the improvement in covid scenario in China led to easing of situation as API imports resumed. Nevertheless, this short deficit and price hike scenario did raise uncomfortable questions on import dependency. The PLI launched could be construed as Government's response to those concerns.

The success of this program will depend on the response from the industry. On paper the incentive structure looks robust, however the effectiveness can only be measured once the program is implemented. The PLI scheme has a window of 120 days (from the date of notification) for applicants to apply. Approval and selection would happen only once this 120 day is over, which would be early 2021.

Scheme for Promotion of Bulk Drug Park
The Union Government in March 2020 approved a scheme titled "Promotion of Bulk Drug Parks", which was later notified via Government Gazette on 21 July 2020. As the name implies, the objective of this scheme is creation of bulk drug parks that would help in building a sustainable bulk drug product infrastructure in the country. The scheme focuses on providing the common infrastructure facilities (CIF) - associated with bulk drug manufacturing – in a dedicated space. The scheme has a budget outlay of INR 3,000 crore meant towards setting up three such parks, in three separate states. The financial support will be in the form of grant-in-aid, with nearly 90% of the cost in the case of Northeast state / Hilly terrain states and up to 70% support in case of other states.

The state governments would be taking the lead in setting up parks, by setting up a State Implementation Agency (SIA). The interested state governments can apply for this scheme, and on selected will be the provided the financial support in the form of a grant-in-aid. This financial assistance will be used for setting up the bulk drug park with CIF that will include effluent treatment, solvent recovery & distillation, steam generation & distribution, laboratories, testing centers, and other supporting units. The bulk drug units that will come up in the park can utilize these CIFs. The core objective of the scheme is to reduce the manufacturing cost involved in bulk drug production, which will accrue due to the usage of CIFs, optimization of resources and economies of scale that the park provides.

The time period for the scheme is FY 2020-21 to FY 2024-25, and all three bulk drug parks should be operational by then. Half of the area of the park will be reserved for bulk drug manufacturing units. It will not be open to formulation manufacturing. The units should be manufacturing either APIs/KSMs/DI, the list of which has been given by the scheme. The scheme lists out nearly 450 APIs and 24 KSM/DI as eligible products and the units should be manufacturing these products. Currently the country is dependent on imports for these products, and the bulk drug park is aimed at reducing the import dependence.

PLI Scheme: Current Status

According to the Government notification, pharmaceutical companies applying for the PLI will be grouped into three segments – Group A, B & C. The grouping is based on their Global Manufacturing Revenue (GMR). Criteria for segmenting applicants into three defined groups:
Group A: Applicants with GMR more than or equal of INR 5,000 Crore in FY 2020
Group B: Applicants with GMR between INR 500 Crore and INR 5,000 Crore in FY 2020
Group C: Applicants with GMR less than INR 500 Crore in FY 2020. This group will have a sub-group specifically for MSME applicants.

The overall incentive offered under the PLI is INR 15,000 Crore, and the incentive allocation pattern is INR 11,000 Crore for Group A, INR 2,250 Crore for Group B, and INR 1,750 Crore for Group C.
The Department of Pharmaceuticals have approved a total of 55 applicants for availing the incentive.

Group A	11 Companies (9 Domestic & 2 MNC)
Group B	9 Domestic
Group C	20 non-MSME & 15 MSME

Source: Department of Pharmaceuticals

PLI Scheme for Key Starting Materials (KSM)/ Drug Intermediates (DI) & Active Pharmaceutical Ingredients (API)

Department of Pharmaceutical have identified 41 compounds (KSM / DI / API), manufacturing of which will be eligible for PLI. These 41 compounded are classified into four segments, and a total of 50 companies has been approved to avail the incentive.

Target Segment	Description	Number of Approved Applicants
Segment A	Fermentation based KSM / Drug intermediates	4
Segment B	Fermentation based niche KSM / Drug Intermediates / API	6
Segment C	Key chemical synthesis based KSM / DI	5
Segment D	Other chemical synthesis based KSM / DI / API	35

Impact of Budget: Key policy measures and impact

The focus of budget this year – with respect to pharmaceutical and healthcare industry - is on strengthening mental healthcare infrastructure as well as improving digital penetration in the overall health infrastructure. The introduction of an integrated national digital health ecosystem will go a long way in bringing transparency to the Country's healthcare infrastructure. The classification of genomics & pharmaceuticals is a definite positive and will go a long way in attracting investments into critical Research & Development activities. In addition to these, the budget builds on to the infrastructure development initiatives that were launched / strengthened in the last year. This is reflected in the sizable increase in allocation towards various programs that are specifically tailored to develop the healthcare infrastructure in the country.

Genomics & pharmaceuticals identified as one of the sunrise opportunities sectors, making it eligible for supportive policies, light-touch regulations, facilitative Government actions to build domestic capacities and promotion of Research & Development activities.

The Government will launch a "National Tele Mental Health Programme", which will be comprised of a network of 23 tele-mental health centres of excellence. NIMHANS will be the nodal center while the technology support will be provided by International Institute of Information Technology-Bangalore.

The Government will be rolling out an open platform National Digital Health Ecosystem. This will consist of digital registries of health providers, health facilities, unique health identity, consent framework and universal access to health facilities.

Total budgetary allocation to the Ministry of Health and Family Welfare remained stagnant at Rs 830.00 bn in FY 23, compared to FY 22 RE

The Government increased capital outlay towards National Health Mission to Rs 378.00 bn in FY 23, a growth of 8.2% over FY 22 RE.

Government spending on developing healthcare infrastructure, under Pradhan Mantri Ayushman Bharat Health Infrastructure Mission (PMABHIM), increased to Rs 51.54 bn in FY 23, an astounding increase of 472.2% over FY 22 RE. This also include the outlay transferred to state Government / Union Territories towards implementation of the program.

Budgetary allocation towards Pradhan Mantri Swasthya Suraksha Yojana increased to Rs 100.00 bn in FY 23, an increase of 35.1% over FY 22 RE.

Indian Pharmaceutical Industry

Revenue turnover in Indian pharmaceutical industry is estimated to be INR 3,407 Bn in FY 2022. The year was one of the toughest for FY 2022, due to the disruptions caused by the spread of Covid-19 pandemic. Export revenue was severally hit, as freight movement came to a standstill. All this is estimated to have led to a lower growth in industry turnover in FY 2022, compared to previous year. The saving grace for the industry appears to be strong domestic demand, which followed after the spread of pandemic. Apart from drugs that were used as a first line of defense against the pandemic, there was also higher demand for all major formulations as customers stockpiled fearing a deficit in availability. The higher product price charged, in the wake of higher input prices too helped in strong domestic growth. This growth helped to offset the stagnant growth in exports.

Key Demand Drivers

The domestic demand for drugs & pharmaceuticals is driven by increasing number of old populations, higher spending on healthcare, penetration of health insurance products, as well as rise in incidence of diseases. Exports also plays a large part in shaping the demand scenario in the industry, as India is the largest exporter of generic medicines in the world.

Domestic Demand Scenario: Key Factors

Aging Population: Demand for healthcare products & services is highest among people aged 60 and above. Hence the size of this population segment has a significant impact on demand. According to population census conducted in 2011 there were 104 million people falling in the said age bracket, making up to nearly 8.6% of total population. By 2026 this population segment is expected to reach nearly 173 million.

Improvement in Affordability: The per capita income level in India has gone up substantially, as the industrial growth created hundreds of thousands of jobs. The disposable income level among Indians, particularly among urban population has improved considerably. This has directly resulted in increasing the pool of people who can access healthcare products and services.

Penetration of Health Insurance Products: It is estimated that nearly 70% of healthcare cost in India is met through out-of-pocket expenditure, creating a dent in the financial health of Indians. The health insurance penetration in India is estimated to be abysmally low at 20%. This high out of pocket expenditure is restricting a sizable segment of patients from accessing pharmaceutical products.

The recent move by the Government of India to launch National Health Protection Mission is expected to increase the health insurance penetration. The target of the program is to provide a health cover of INR 5 lakh per family, to about 10.7 crore families belonging to poor & vulnerable population segment. This would significantly improve the number of patients who can access healthcare products.

Higher Incidences of Lifestyle Diseases

As per a study by Confederation of Indian Industry (CII), approximately 5.8 million Indians die every year from heart disease, stroke, cancer, and diabetes. These medical conditions which are collectively labeled as a lifestyle disease, as their origin is often associated with changes in lifestyle to a consumption-oriented unhealthy lifestyle.

WHO puts the number of diabetes patients in India at 51 million, making it the diabetes capital of the world. The number of patients suffering from cardiovascular diseases is estimated at 25 million, accounting for 60% of total cardiovascular patients in the world.

Prevalence of Lifestyle Diseases in India: Snapshot	
Deaths attributed to lifestyle disease	6 million per annum
Number of diabetes patients	51 million
Number of patients with cardiovascular conditions	25 million
Prevalence of hypertension	30% of the total population
Number of cancer patients	2.5 million
Number of new cancer patients registered every year	700,000

Source: Dun & Bradstreet Research

These lifestyle diseases, which was once confined to older people is increasingly affecting the younger population, those typically in the age range of 25 to 44. In the national census conducted in 2011, the number of people in the age group 25 to 44 was estimated at 348 million. If the population growth in this segment continues its historical trend, by 2021 there would be close to 423 million people in the age group 25 to 44, translating into a larger base of patients with lifestyle diseases.

Drugs meant to treat these lifestyle diseases are some of the most expensive in the world. Consequently, the expenditure on drugs in the country with a sizable number of patients with lifestyle disease would be one of the highest in the world.

India with its rising number of patients with lifestyle diseases presents an attractive market for pharmaceutical companies. However, most drugs to treat lifestyle diseases are still under patent protection, making it out of bounds for Indian pharmaceutical companies. Nevertheless, the patent protection period of few of these medicines is reaching its end stages, presenting opportunities for generic drug manufacturers in India.

Export Demand

India exported nearly INR 1,012 Bn worth of drugs & pharmaceutical products in FY 2019, making it one of the major pharmaceutical exporters globally. Nearly 49 – 50% of this export goes into regulated markets including the US, UK and Japan. This includes exports of both on-patent and off-patent drugs. India's ascension to the top of global pharmaceutical product exports happened within a span of 10 to 12 years. Annual exports were only INR 90 Bn in FY 2005, but by FY 2019 it crossed INR 1,000 Bn. In fact, most of the major Indian pharmaceutical companies derive nearly half of their annual revenue from exports.

The total value of pharmaceutical exports is estimated to be 4.5% of India's total exports, which is an indication of the importance of the pharmaceutical sector to India's external trade. The penetration of Indian pharmaceutical industry in developed markets is evident by the fact that one in three generic pills consumed in the US and nearly 25% of medicines used in the UK are manufactured by Indian pharmaceutical Companies.

Impact of Budget

The heightened investment in Health Infrastructure and comprehensive approach to health demonstrate a firm commitment to fortifying the country's healthcare systems. The budget prioritizes the expansion of healthcare education with the establishment of new AIIMS and new nursing colleges. The Union Budget further outlines efforts to enhance the healthcare workforce by promoting skill development to address the shortage of skilled professionals in the medical devices sector. The budget has a stronger focus on pharma R&D through center of excellence and collaborative research which would boost innovation in the country. These policy pushes are essential as India pharma sector aim to move up the value chain.

The measures introduced ranges from increasing coverage on the immunization program, higher budgetary allocation to Government's flagship healthcare programs and initiatives to strengthen the healthcare delivery infrastructure (primarily in smaller towns and villages). Additionally, the Jan Aushadhi program – ensuring quality medicines at affordable prices – is expected to get a boost this year, as the budget proposes to expand the coverage. As per the proposal outlined, the Government aims to set up Jan Aushadhi Kendras across all the districts.

The cumulative impact of all these measures would be a general increase in the number of people accessing healthcare products and services. This will directly impact the pharmaceutical sector, as the consumption of medicines goes up.

Export of Formulations[3]

India is the leading exporter of generic formulations in the world, supplying low-cost pharmaceutical formulations to nearly 200 countries across the globe. These include highly regulated markets like US, EU and Japan as well semi-regulated markets across Asia, Africa, South America, Middle East and Africa. Generic drug formulation dominates the pharmaceutical exports from India, while those of biologics, and biosimilars are picking up (but still remain low). The export of API / bulk drugs from India is low, as domestic manufacturing volume well below demand.

[3] HS code 3002,3003 and 3004 are considered

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Pharmaceutical exports in FY 2022 totaled INR 1,414 Bn, which was almost in line with previous year's figures. The disruption in freight movement due to the Covid-19 pandemic during the first half of FY 2022 appears to have severally impacted pharma exports from the country. Although freight movement improved towards the second half of FY 2022, the pickup in pharma exports appears to be moderate (despite the weak currency). This stagnant growth comes after a 24% growth in exports registered in FY 2021, which was the highest during FY 2015-21.

During the first ten months of FY 2023 (April 2022 – January 2022), India exported nearly INR 1,276 Bn worth of pharmaceutical products

Import Dependency for Raw Materials

Despite the advances in pharmaceutical manufacturing, India remains completely dependent on imports for its Active Pharmaceutical Ingredient (API)/ Bulk Drug needs. According to Ministry of Chemicals and Fertilizers, India imports nearly USD 3.6 Bn worth of API/Bulk Drug for its pharmaceutical industry. Nearly two third of these imports comes from China. This indicates the overwhelming dependency of Indian pharmaceutical industry on Chinese API imports. More than 100,000 tons of API required for manufacturing antibiotics is imported to the country every year[4].
This dependency on China exposed the Indian pharmaceutical industry to risks earlier this year when API supply from China was disrupted due to Covid impact. Consequently, the price of common APIs used by the pharmaceutical industry went up several times causing significant financial strain to the domestic pharmaceutical industry.

Since then, the price level has come down, as supply disruption has been mitigated. Nevertheless, the covid pandemic has forced the pharmaceutical industry and Government to take steps to prevent any recurrence of such a scenario. The major step has been two key policies to improve the bulk drug / API manufacturing scenario in India, namely the Product Linked Incentive (PLI) scheme for bulk drug manufacturing and bulk drug park scheme.

Execution of Production Linked Scheme

PLI scheme for promotion of manufacturing of KSM / DI / API is widely expected to help Indian pharmaceutical industry to scale down its raw material imports. As per Department of Pharmaceuticals, Indian pharmaceutical industry is heavily dependent on import of 53 critical APIs, and the policy has been designed to specifically target the domestic production deficit of these crucial input materials.
Towards this, the department has identified 41 KSM / DI / API which needs to be manufactured at large scale If India is to reduce its import dependency. As a first step the department has identified 50

[4] https://pib.gov.in/PressReleaseIframePage.aspx?PRID=1606725

companies to manufacture these 41 compounds. Depending on the compound and the method of synthesis, the incentive scheme would run till the end of this decade. Given the wide scope of products eligible for PLI and the fairly long period of incentive support, the department of pharmaceutical is hoping to steadily decline API imports and by the end of this decade to become self-sufficient in raw materials or to drastically reduce the import dependency.

Competitive Scenario

Indian pharmaceutical industry is known as the generic drug manufacturing hub in the world. More than 10,000 generic drug manufacturers operate in the country, manufacturing anything from over-the-counter products to prescription drugs. Despite this fragmented nature of the industry, nearly half of the industry revenue is contributed by to 25 to 30 companies.

All the major pharmaceutical companies have considerable exposure to export market, particularly the US market. Presence of the largest base of US FDA approved manufacturers (outside of the US) as well as approvals from regulatory agencies like MHRA-UK, TGA-Australia, MCC-South Africa, among others.
The generic drug industry in India is dominated by home grown Companies like Sun Pharmaceuticals, Dr. Reddy's Laboratories, Lupin, Cadila Pharmaceuticals, Cipla, IPCA, Aurobindo, and Natco Pharmaceuticals, to name just a few.

However, the strength of Indian pharmaceutical companies in drug development is limited. The market for patented drugs for critical illnesses is dominated by multinational innovator pharmaceutical companies. High capital investment involved in developing an innovator compound has created a strong entry barrier in this sector. After the transition in patent regime, several large pharmaceutical companies have started to focus on drug development, but they are yet to make considerable progress in this area.

All major global innovator pharmaceutical companies, including Gilead Sciences, Bayer, AstraZeneca, GlaxoSmithKline, Merck, and Sanofi are present in India. These companies have established a dominant position in the lucrative lifestyle disease segment, where most of the drugs are under patent protection.

MACROECONOMIC SUMMARY

[A] Global Economy

Across economies, signs of an economic slowdown were evident in Q1 2023 GDP data. The Fed and the European Central Bank have pushed ahead with a 25-bps hike in their latest meetings (May); for the U.S., we expect a pause now. While inflation is still far from the Fed's stated target, it is largely moving in the right direction, discounting the frustratingly slow pace of growth. For the ECB, the banking jitters across the Atlantic have served as a cautionary tale, prompting them to dial down the pace of rate increments even when core inflation continues to remain high for the most part. If other central banks needed any indication to pause their aggressive hiking cycle, they now seem to have it.

With JP Morgan's rescue of First Republic Bank on May 1, three out of the four largest U.S. bank failures have now happened in the past two months. but the bigger issue at hand is the worsening credit conditions in the U.S. As a first step, these bank failures are likely to force all lenders and financial institutions to review their books closely to find parallels with the issues that plagued the failed institutions. This will create tighter credit conditions throughout the economy, particularly small and mid-sized banks – are likely to face far more stringent regulatory scrutiny. This will squeeze their operating margins and limit risk-taking. Sectors such as commercial real estate that are reliant on funding from mid-sized lenders in the US will face the pinch a bit more strongly than the rest. For businesses, the bottom line remains that access to financing is more difficult and costlier than last year.

After The Organization of the Petroleum Exporting Countries' (OPEC) decision to reduce production, the price of Brent crude oil appears to be stable at close to USD80/bbl; moreover, China's reopening has improved demand. Despite the resilience of Russian supply, around 1mb/d of Russian oil supply is at risk as the EU embargo on refined oil products came into force. Meanwhile, non-OPEC countries have limited spare capacity to offset OPEC's production cuts. Consequently, we could see oil prices edging higher toward USD100/bbl as the year progresses – which will be bad news for inflation and the global economy.

The armed conflict between rival factions in Sudan is a reminder of the risk posed by political instability in the region. This is especially critical in the wake of renewed global commercial interest for resource and commodity extraction. Apart from the humanitarian losses accompanying deadly violence, the conflict is also worth watching from the standpoint of regional stability.

North America

The economic picture in the region continues to give mixed signals. In Canada, the housing market and oil production continue to soften, whereas manufacturing and retail sales have managed to hold up well. In the US, private consumption remains an area of strength, whereas manufacturing continues to show sustained signs of weakness. In both the economies, labor markets are driving a large part of the economic resilience and making it harder to call which way the fight against inflation is going for now. The Canadian government announced spending plans in its 2023/24 Budget. Titled 'Made-in-Canada Plan', most proposals were designed to incentivize investment in clean energy technology and address the realignment of global trading patterns. In US, as credit conditions tighten further, we are likely to see downside risks to the economy becoming more prominent in the coming quarter, although an outright recession is still not our base case scenario. Apart from the banking system, the performance of the housing market in the coming quarter would be worth monitoring, when activity in the market usually peaks seasonally. Also, the performance of household consumption, particularly on services, as the excess savings of households have been considerably run down and services inflation remains a key driver of current inflation in the region.

Western and Central Europe

After avoiding a recession in 2022, lead indicators of economic growth for the Eurozone and UK economies continue to provide businesses with reasons for remaining mildly optimistic about Q2 2023. However, headwinds continue to cloud the outlook. First, while headline inflation is dropping rapidly in many Eurozone economies, core inflation is rising, which signals that the ECB will continue to increase interest rates, before possibly pausing in the second half of the year. Second, while being on a downward trajectory, the UK's headline inflation is taking longer than expected to come down and remains in double-digit territory, which will lead the Bank of England (BoE) on a hiking trajectory. Over the last year, interest rates have risen dramatically in both the UK and the Eurozone. However, all else equal, and with inflationary pressures still strong, interest rates are likely to increase further before possibly stabilizing. Rate cuts are unlikely in the short term. With higher interest rates feeding through European economies, credit risk increases significantly, and insolvencies become more frequent. In the EU, they rose 27% in Q4 2022, relative to Q3. In the UK, business liquidations continue to fare at substantially higher levels than in pre-pandemic years, consolidating a trend that started in 2021.

Asia Pacific

Growth in 2023 is set to be slower than 2022, with the notable exceptions of Mainland China, Hong Kong SAR, and Thailand. China is consolidating its gains from reopening and is likely to achieve its growth target of around 5% for 2023. Economies of Taiwan Region, South Korea, Vietnam, and Malaysia have all witnessed a slowdown in Q1 2023, accompanied by weak exports. The slowdown in Vietnam has even prompted the central bank to cut interest rates. Elsewhere, most central banks (except for Australia) have either hit the pause button or have given indications for one. The region's banking sector has, thus far, proved resilient to the financial market turmoil witnessed in the U.S. and Europe however, given the considerable global linkages in the financial system, a contagion in case of further distress cannot be ruled out.

Nordics

On average, the Nordic economies weathered the energy crise relatively well in 2022. However, in Q4 2022, the regional economies exhibited vastly different GDP performances, with strong growth in Iceland and Denmark (2.2% and 1.1%, respectively), mild growth in Norway (0.2%), and negative growth in both Finland (-0.2%) and Sweden (-0.6%). Although inflation seems to have peaked, it remains well above the target in all the economies of the region, possibly indicating that interest rates will rise further in H1 2023. At the same time, a prolonged banking turmoil represents an important risk for some economies, which are characterized by vulnerable housing markets. A multi-speed dynamic is likely to persist in the Nordic region in 2023, with demand remaining subdued and core inflation still upwards and possibly outpacing wage rates.

Latin America & Caribbean

The growth rate in Latin America is expected to slow down markedly in 2023. This is due to the implementation of restrictive monetary policies, weaker economic momentum in developed countries, and lower average prices for major commodity exports. Our projected growth for the region is 1.3% in 2023, before it picks up slightly to 2.1% in 2024. There will likely be some support in the form of increased visitor arrivals and recovering demand from China. Inflation in the region has already peaked and is expected to decrease later this year in most countries. There are also potential risks from further foreign exchange depreciation, extreme weather events, and socio-political instability that could increase inflation. More central banks in Latin America will consider rate cuts as economic activity declines, inflation eases, and inflation expectations return to the target range, regardless of concern over the direction of the global economy. In 2023, Latin American politics is likely to see high levels of uncertainty, and in the worst case, governance crises across several countries in the region.

Eastern Europe & Central Asia

The World Bank has raised its 2023 economic growth forecast for the Eastern Europe & Central Asia (EECA) region to 1.4% from an earlier 0.1%, citing improved outlooks for both Russia and Ukraine despite their ongoing war. Supply chain has significantly improved due to lower energy prices and easing supply bottlenecks. However, many countries in Eastern Europe are yet to see their inflation trajectory peak despite being ahead of the European Central Bank in raising interest rates. For Eastern European and Central Asian countries, financial stability is a key challenge in the wake of high and rising public debt, further accentuated by the high cost of debt servicing amid expectations of lower economic growth. As the budget deficit across Eastern Europe widens, the foreign borrowings have been near their all-time high, despite significantly higher borrowing costs. Real household income for all Eastern European nations has consistently declined since June 2022. Having said that, an all-out recession was avoided this winter thanks to low energy prices and government relief measures. Output in Eastern Europe, although expected to slow down sharply in 2023, would still be higher than average for Europe.

Middle East & North Africa

In a surprise move in April, OPEC+ reduced oil production, which will keep prices above the $80/bbl limit and retain GDP growth in the Middle East and North Africa (MENA) region above trend. We still expect notable moderation from 2022, especially in the oil exporting Gulf Cooperation Council (GCC) countries. The removal of COVID restrictions in China will increase demand for oil and boost tourism in MENA. However, the non-oil sectors may face headwinds due to a variety of factors, including rising inflation, labor shortages, and political instability. In particular, the ongoing conflict in Yemen and the recent political turmoil in Lebanon are potential risks to the region's stability and economic growth. In addition, an escalation in the fighting in Sudan between the forces of two rival generals could draw in foreign armed groups and regional powers, triggering a new refugee crisis.

Sub-Saharan Africa

Economic recovery in Sub-Saharan Africa has been restricted by the wider global slowdown and persistent inflation. While fuel prices are easing, 80% of economies in the region are experiencing double-digit food inflation, causing currency depreciation against the U.S. dollar – particularly across commodity-exporting countries such as Nigeria and South Africa. In turn, fall in local currency value has raised external debt costs and contributed to higher government debts. Inflation will ease through the coming quarters in some countries more than others. Violence has erupted in Sudan as the transitional government collapsed over disagreements on the integration of the paramilitary force, headed by Mohamed Hamdan Dagalo, into the national army, led by the President, Abdel Fattah al-Burhan. Should the fighting escalate, the conflict will have regional repercussions, adding to instability in an already volatile province, especially around the important trade route of the Red Sea. Given this difficult environment, growth in most other countries in Sub-Saharan Africa will slow this year. Policy space to address these challenges is thin since fiscal positions have deteriorated during the COVID crisis and monetary policy has had to contend with global central banks.

[B] Indian Economy

SHORT TERM OUTLOOK

India's economy will remain susceptible to spikes in financial market volatility as long as advanced economies continue to have high interest rates. India's banking system has adequate liquidity, supported by the safety buffer of the Statutory Liquidity Ratio (SLR) requirement, sound credit quality and a low NPA ratio. The economy is also supported by adequate FX reserves, while the current account deficit is expected to remain below 3% and the fiscal deficit remains under control. Going forward, the easing of retail inflation is likely to support household demand, and the significant moderation of wholesale inflation will ease input price pressures for corporates. Industrial output remains steady and the government's thrust on capital expenditure would sustain investment momentum.

Risks and Opportunities

We believe that support from pent-up domestic demand is likely to wane as demand reaches the pre-pandemic level. Moreover, exporters will continue to face challenges going forward as pressures from de-globalization will further add to the slowing of global growth and moderate global trade. Easing supply chain pressures and declines in commodity prices suggest that India's retail and wholesale inflation print will remain low. High interest rates, weak external demand and the impact of the El Nino on rural demand pose downside risks to industrial activity.

[A.2.a] Credit Environment Outlook

The softening of inflationary pressure is creating room for an extended pause in the policy interest rates.
In tandem with the 250 basis points increase in policy repo rates during May 2022 to February 2023, the weighted average lending rate (WALR) on sanctioned fresh rupee loans increased by 173 basis points (bps) and that on outstanding rupee loans by 95 bps.

Despite the increase in lending rates, the bank credit to the commercial sector is strengthening, current account deficit has eased, and inflation pressures have subsided, all of which indicate growing macroeconomic stability.

[A.2.b] Supply Environment Outlook

India now ranks 38th out of 139 nations on the World Bank's 2023 Logistics Performance Index (LPI), up six places as a result of significant investments in both technology and soft and hard infrastructure.

In order to lower transportation costs and strengthen the economy by 2024–25, the government has initiated the PM Gati Shakti programme, a National Master Plan for multimodal connectivity, in October 2021. In 2022, the prime minister launched the National Logistics Policy (NLP) to ensure quick last-mile delivery, end transport-related challenges, save time and money for the manufacturing sector and ensure desired speeds in the logistics sector.

The government intends to invest in projects for last-mile connectivity and coastal shipping in 2023, to reduce costs and boost supply chain infrastructure for homegrown manufacturers; to this end, the government has allocated INR750bn towards 100 critical transport infrastructure projects for last-and first-mile connectivity for the ports, coal, steel, fertilizer and food grains sectors.

[A.2.c] Market Environment Outlook

India has inked 13 free trade agreements along with 6 limited coverage preferential trade agreements and is negotiating new trade agreements with the European Union, UK, Canada, and Russia other countries on a fast-track basis.

India's New Foreign Trade Policy (FTP) 2023 is in Effect from April 1 targets US$2 trillion exports (goods and services) by 2030 with focus on incentive to remission, export promotion through collaboration, ease of doing business and thrust on emerging areas.

Under FTP new export hubs have been announced as well as measures targeting the e-commerce, dairy and apparel and clothing sectors, among others. The FTP also envisages to boost e-commerce exports to USD200bn-300bn by 2030.
The National Quantum Mission, with a corpus of INR60.03bn to scale-up scientific and industrial research and development for quantum technologies, will spur new R&Ds and innovations in areas of Quantum Technology and Quantum Computing benefiting various sectors including health, space applications and financial and energy.

A.2.d] Political Environment Outlook

Tensions between India and China continue as India rejects Chinese efforts to rename parts of the disputed border region. India and Australia are deepening security ties amid the former's tensions with its neighboring countries. India's focus on the defense sector has increased with the introduction of an open general export license policy, the launch of seven defense public sector units and the establishment of two defense industrial corridors.

India is a member of the World Bank Multilateral Investment Guarantee Agency (MIGA); the new-model bilateral investment treaty (BIT) means that India can accede to the Convention on the Settlement of Investment Disputes between States and Nationals of Other States (the Washington Convention).

SWOT

STRENGTH

- ✓ Long track record of operations and extensive experience of management driving business growth
- ✓ Strong research and development capabilities ensuring strong product pipeline and ANDA approvals across therapeutic segments
- ✓ Underleveraged capital structure and adequate liquidity profile providing financial flexibility

WEAKNESS

- ✓ Declining profitability in FY 2022 as well as FY 2023 resulting from pricing pressure
- ✓ Working capital intensive nature of operations

OPPORTUNITY

- ✓ Government initiatives to boost health and pharmaceuticals industry
- ✓ Long term growth potential in global and domestic healthcare market
- ✓ Expiry of patents opening up the generics market
- ✓ Penetration into newer geographies such as Mexico, Chile and others to offset the pressure from US market

THREAT

- ✓ Stringent regulatory approvals might impact the revenue stream
- ✓ Fragmented nature of industry resulting in a high degree of competition

OPPORTUNITIES & THREATS

OPPORTUNITIES

Long term growth potential in global and domestic healthcare market

By 2025, the market for pharmaceuticals is projected to be worth USD 1.7 trillion, increasing at a CAGR of 8%. The USA and emerging markets will continue to be the main growth areas. In the USA, new product adoption and brand price are two key elements that contribute to overall expenditure growth. However, patent expirations and the availability of generic products are expected to increase volume sales but result in lower realizations, slowing down total value sales.

In the domestic market, factors that affect the pharmaceutical market size include disease prevalence, drug affordability, consumer attitudes, government policies, technology and some supply-side factors. As a result of rising per capita income, increased healthcare awareness, an increase in the prevalence of lifestyle-related disorders such as chronic illnesses, and steadily expanding insurance coverage, India's pharmaceutical business has significant long-term potential. Additionally, the government's initiatives to offer healthcare for low-income and rural inhabitants are expected to open more opportunities for revenue development, however profitability in this market is predicted to remain constrained. Given its high-quality, USFDA-approved infrastructure, robust R&D product pipeline, and robust existing product base, the Group is well-positioned to take advantage of these prospects.

Also Post Apr'22 Indian & Australia signed the Comprehensive Economic Cooperation Agreement (CECA) which will allow the domestic pharmaceutical industry is seeing a plethora of opportunities for international trade

Further, the Group has plans to penetrate to Chile, Mexico to mitigate the risk of pricing pressure in US market. The emerging markets are expected to grow exorbitantly in coming future which will open more opportunities for the Group to tap and support its top line as well as bottom line. As on date, the Group has order book of around INR 40 crore from Chile market.

Global pandemic boost to R&D expenditure and PPP partnerships

The occurrence of Covid-19 global pandemic has raised an alarm around the preparedness to face such medical emergencies. Though initiatives to address such problems have frequently been emphasized in the healthcare community, the general public has rarely been made aware of them as it has been today. The increased realization by the masses is expected to strengthen the resolves for Governments across the globe to increase R&D spending in the healthcare sector through public private partnerships with leading pharmaceutical companies. This will present increased opportunities for the Group.

Expiry of patents opening up the generics market

There are around 51 drugs which are going off patent in 2023, and around 230 drugs between 2021-2025 where the patents would expire. This will push up the demand for low-cost generics which in turn will lead to an increase in the demand for the Group's products. Also, with the number of dosages going off patent, the Indian pharmaceutical companies have a good opportunity to file ANDA's which would enable them a six-month exclusivity right to market the drugs, giving the companies a competitive edge over its peers. Given the strong R&D pipeline, the Group is well poised to take advantage of several such opportunities.

Government schemes aiding growth in pharma industry

In the recent Budget for Fiscal Year 2023, Govt has introduced schemes for setting up for Bulk Drug Parks to focus on infrastructure of production of APIs and other bulk drugs with an assistance of INR 30,000 million and has also set up a provision of INR 390 Bn for Covid-19 Vaccine

The Government has launched several notable schemes to promote healthcare and grow the related industry in India. Some of these schemes are given below.

<u>PMBJP scheme:</u> The scheme is intended to ensure the availability of quality generic medicines at affordable prices. The scheme is currently implemented by a registered body – Bureau of Pharma PSUs of India (BPPI) – and covers more than 800 formulations and 154 surgical & consumables across major therapeutic segments including anti-infectives, anti-allergic, anti-diabetics, cardiovascular, anti-cancer, and gastro-intestinal medicines, among others. The medicines, at discounted price, is sold through PMBJP Kendra's that are spread across the country. As of 31st Mar 2023, nearly 9,303 such Kendra's are functioning across the country.

It is estimated that patients avail savings in the range of 50 – 90% on medicines purchased from such Kendra's.

The Scheme for Development of Pharmaceutical Industry: The scheme has been introduced with an objective to ensure drug security in the country, by increasing the competitiveness and efficiency of the domestic pharmaceutical industry. Indian pharmaceutical industry depends on imports for its bulk drug/API needs, bulk of which is sourced from China. The scenario is similar in the case of medical device industry. The scheme intends to reduce the import dependency. Several sub-schemes have been formulated to achieve this objective. These include Assistance to Bulk Drug Industry for Common Facility Center, Assistance to Medical Device Industry for Common Facility Center, Pharmaceutical Technology Upgradation Assistance Scheme, Assistance for Cluster Development and Pharmaceutical Promotion Development Scheme.

Foreign Direct Investments (FDI): The Government has opened pharmaceutical manufacturing to foreign players by relaxing the FDI cap by up to 100% under automatic route for greenfield project. For brownfield projects, FDI up to 100% is allowed under government approval process. However, up to 74%, FDI in brownfield projects does not require government approval.

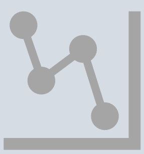
PLI Scheme: Under the PLI scheme for bulk drugs with a financial outlay of INR 69,400 million with an objective to boost domestic production of 41 select critical bulk drugs in the country, so far, 51 projects have been selected for the 34 notified bulk drugs. Out of this, 22 projects have been commissioned till date (for projects of fermentation-based APIs, the production year as per the scheme guidelines is FY 2023-24). The total incentive outlined by the policy is approximately INR 150,000 million, for a period of 6 years.

With increasing government focus on resolving relevant issues in the industry while also promoting healthcare in the country, the healthcare industry in India is expected to grow and provide further opportunities for pharmaceutical players in the future.

THREATS

Highly competitive and fragmented industry

Indian pharmaceutical sector, though organized, is highly fragmented in nature. Indian pharmaceutical market is characterized by generic formulation manufacturers, API manufacturers, and companies providing Contract Research and Manufacturing services. The industry is organized in nature with generic manufacturers enjoying a dominant position. Despite the stringent regulatory environment which poses an entry barrier, the sector has a large concentration of small and medium-sized manufacturing units. Also, the global pharmaceutical companies are beginning to focus on generic versions of drugs by acquiring leading Indian generic companies which further has increased the competition in the industry. This could create pricing pressure and negatively impact the Group's margins. Indian pharmaceutical companies face cost disadvantage as compared to China, Korea and Taiwan, which offer low-cost manufacturing base. This competition could drive down prices for the Group's products, thereby impacting its margins. As the Group generates majority of the revenue from manufacturing of formulations, increased competition could create pricing pressure for the APIs (primary raw material for formulations) thereby adversely affecting the Group's margins in case it is not able to pass on the price hike to its customers immediately.



Stringent regulatory approvals might impact the revenue stream

The pharmaceutical sector is highly regulated with government authorities in India and abroad conducting stringent monitoring of manufacturing facilities and formulations. Authorities like US FDA and EU GMP have become more vigilant and stricter with respect to compliance and quality checks. Increasingly, many pharma companies are withstanding stringent actions of these authorities, sometimes as harsh as revoking the contract or banning the product from entering the country of export. Moreover, the Department of Pharmaceuticals (DoP), Government of India, has set up National Pharmaceutical Pricing Authority, which will ensure price control and stability in the industry for new drug launches (APIs and formulations). Under the mechanism, the Government will keep a floor and ceiling price for new drugs introduced by any pharma company.

The Group majorly operates in a regulated exports industry and the operations are subject to governmental regulations. The approval process for any new product registration is complex, lengthy, and expensive. Government regulations have become more vigilant and stricter with respect to compliances. Thus, the Group has to carry out its operations more diligently, as non-compliance of any regulations may severely impact the operations of the Group. Though manufacturing facilities of the

Group are approved by various regulatory authorities including US FDA, EDQM, UK MHRA, Australian TGA, Brazil – ANVISA, WHO, and TPD - Canada, any prohibitions or restrictions imposed by them on the manufacturing facilities in future can significantly affect the revenues of the Group. The recent focus of the FDA (Food and Drugs Administration) on the manufacturing processes of the Indian Pharmaceutical exporters and their ability to meet the stringent norms has caused various firms to receive various Form 483 observations. Further, Group's F3 unit (Karkhadi, injectables block) received 2 minor procedural observations from the audit team of the USFDA. The inspection was conducted from 16 March to 24 March 2023. However, the same were not related to data integrity. As mentioned, the team will focus all its energies for remediation of the block along with teams from other departments. As per the management, these changes will also be implemented in all other facilities, which are awaiting inspection by regulatory authorities – it will facilitate faster approval of the facilities. Also, all existing manufacturing plants of the Group are regularly audited by US FDA without any standing strict observations. Further, the Group has also filed for approvals of its new facilities.

PORTER'S FIVE FORCES MODEL

Threat from New Entrants (Low)

- Strict government regulations prevent entry of new players
- High fixed costs towards infrastructure and R&D expenses
- High gestation period (long breakeven and payback period for initial investments) enforces investment with long term vision only
- High working capital intensity
- Requirement of patented products for scaling up of operations

Threat from Substitutes (Low)

- Biotechnology based API development
- Major technology changes for process and cost efficiencies
- Homeopathy & Ayurveda medicines can act as substitute for limited products

Competitive Rivalry (High)

- 100 per cent FDI allowed under automatic route in Pharma Sector for greenfield project and in medical devices; 74% for brownfield projects and existing companies. Further government policies like Pharma Vision 2020 and other initiatives to provide growth opportunities
- Competition from large pharma companies with strong financial support and relevant approvals in place
- Growth opportunities for pharma companies are expected to increase in next few years, with many drugs going off-patent in the US and other countries but is also expected to increase competition due to rise in ANDA approvals y-o-y by US FDA
- Established position with market share of 1.51% in Indian market.
- Backward integration into API manufacturing helps stay ahead of competition

Bargaining Power of Suppliers (Medium)

- Product differentiation for ingredients is low
- The Group has long standing relationship with the suppliers, benefiting from the extended credit terms
- There is a risk of forward integration by the suppliers
- High competition for skilled labor and innovative technologies since the product is complex and needs expertise

Bargaining Power of Customers (Medium)

- Not directly governed by demand and supply scenario due to Government regulated pricing (for domestic market)
- End customers are price takers
- Brand identity exists but is highly influenced by doctors; strong recognition with doctors helps Alembic establish recognition with customers
- Consolidation of distribution channels

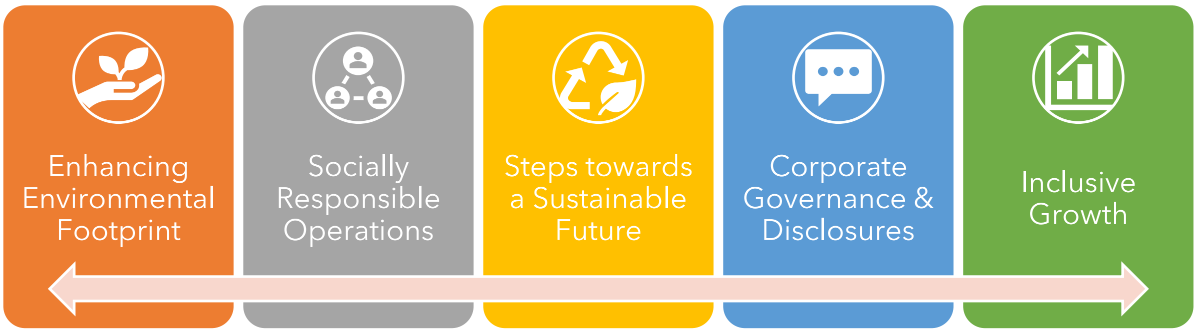
ESG INITIATIVES

- ENVIRONMENTAL, SOCIAL AND GOVERNANCE INITIATIVES
- CORPORATE SOCIAL RESPONSIBILITY SPENDING

ESG INITIATIVES

Overview

Environmental, social and governance (ESG) analysis is a manifestation of a company's operations that socially conscious stakeholders use to screen and/or select potential business partners. Environmental criteria consider how a company performs as a steward of nature and its resources. Social criteria examine how it manages relationships with its stakeholders viz. employees, suppliers, customers, and the communities where it operates. Governance deals with a company's leadership, transparency, credibility, audit trails, internal controls, and shareholder rights.



In last five years we have seen hundreds of new global regulatory measures being proposed to forward ESG initiatives, and a large chunk of these have are towards eliciting action from Corporates. Such initiatives have been actioned by the United Nations, USA, the European Commission and in India by the Central Government, National Stock Exchange of India Limited, BSE Limited, amongst others; with all of them reaffirming the importance of sustainable investments, with the release of new rules on disclosure requirements related to sustainable investments and sustainability risks.

ESG is also a hot topic in the investor community and, regardless of the regulatory requirements, therefore making it important to Companies across the value chain. ESG must be considered as an investment, rather than a cost. With investors now using ESG factors as a filter in their investment process, integrating sustainability elements into corporate strategy is bound to positively impact topline and investments of early movers along with added advantages of increased market trust and value for shareholders.

Key Inputs

Environmental

- Emission, Pollution, Waste Climate change
- Natual resources
- Environmental risk
- Energy consumtion & Renewable energy

Social

- Human capital
- Product liability
- Social opportunities
- Community engagement
- Customer and Supplier engagement

Governance

- Corporate governance
- Corporate behaviour
- Business sustainability
- Board composition & committees
- Audits & Reporting
- Disclosures & Stakeholder engagement

In last 5 years, ESG reporting has become a focus area through both regulatory as well as voluntary disclosure efforts. Last decade has seen a steady growth in number of companies with ESG disclosures as well as the institutional investors paying close attention to ESG Aspects of companies. ESG investing was once a niche thematic investment approach for crème de la crème institutions but has quickly grown into becoming a fundamental factor for all stakeholders i.e., regulatory bodies, government authorities, business partners and investors.

Sources of Data

Regulatory data sets

- Filings
- Actions by authorities
- Compliance to laws

News & media

- Media articles
- Whistleblower actions

Asset level data

- Plant level data
- Mines level data
- Subsidiary level assesssment

Information provided by Management

- Processes and SOPs
- Committees to implement and monitor

Note: These aspects are indicative of major inputs and sources. The list is not exhaustive.

Environmental Performance

Sanitation - For a clean and hygienic environment, the Company has facilitated the construction of 70 toilets around the Jarod region as part of the sanitation drive, under which more than 2,300 toilets were constructed over the last five years.

Energy Conservation: Alembic has embarked on an ambitious target of achieving Net Zero by 2040. The Company has focused on energy efficiency projects and strives to reduce its net energy use per unit of production. Considering the climate challenges humanity is struggling with, it has decided to go for Net zero for its Scope-1 and Scope-2 emissions, in line with the international COP26 declaration in Paris. To meet the objective, the Company is increasing its power dependence on renewables in a phased manner. Wherever permissible, the Company has deployed rooftop solar panels. The remaining demand will be met by a combination of Wind energy, Hybrid energy and our own Solar Parks. In the last year, energy consumption has reduced by 4%.

Water Management: The Company has provided separate Sewage Treatment Plants (STPs) besides ETPs to separately treat its sewage water and use the same for gardening. The Company has taken a target of Water Neutrality by 2027. Under this target, the company wants to recharge clean rainwater, equivalent to its total consumption (of fresh water) across all locations, back to the underground water table. Till March 2023, the company built a recharge capacity of 48% of its total water uses.

Over the period, the Company has worked on the philosophy of not having any effluent discharge connection and either operate as a Zero Liquid Discharge ("ZLD") plant or utilize the final effluent for gardening or any other application. This has reduced the load on freshwater consumption. Despite increase in production figures, the Company's net freshwater consumption has reduced by 12% in last three years. The Company's total effluent generation has also reduced by 10% in last three years. In the last year, the Company has collected 12,000 kl of rainwater and reused in various plants, at Panelav and has done a total of 186,969.30 MT recycled water utilization.

It has set up seven water ATMs in neighboring villages, benefitting more than ten thousand people. The Company has built a check dam close to Panelav with a storage capacity of four crores liters of water that assists in irrigation, recharging the groundwater base and meeting the daily requirements of the households. The Company has constructed wells around Jarod for the same purpose.

Plastic waste management: Alembic has appointed an agency to collect an equal amount of plastics that go into the marketplace because of its packaging and discards them responsibly. It also carries out awareness programs in nearby villages to minimize the use of plastics and segregate the same. Alembic carries out campaigns in villages to collect plastic waste and send the collected waste to recyclers. In the last year, 13338 MT of solid waste was recycled which includes hazardous and non- hazardous waste.

Social Performance

In FY 2023, the MR training was reverted to offline training with a focus on capability enhancing for better in-clinic performance. HR team also strengthened its online Learning Management System in collaboration with the product management team. The improved system was more comprehensive in providing more data to the MRs on product details. During the year, the HR team switched back to the face-to-face recruitment process. HR team is organizing an international trip to motivate the top performing MRs (of FY 23) after a gap of three years (owing to the pandemic and related restrictions).

In FY 2023, Alembic received the SHRM Award and stood at the Runner-Up position in the National Level HR Award. The Company participated in the Great Places to Work that recognizes high trust and high-performance culture at workplaces. Alembic has received the coveted certification and was ranked among the Top 10 under the category of the size of pharmaceutical companies by people.

As part of its people policies, the Company introduced paternity leave. Alembic through its various programmes namely Shiksha Setu and Vikas, support the education of nearly 1,000 students. The Company has set up a foster care home in Vadodara, where eight children are given complete support. Alembic has built five anganwadis-two in Panelav, one in Jarod and two in Karkhadi that take care of the nutrition and preschool education of community children of these villages.

Governance Performance

For Governance Performance, the Company is committed to values and ethical business code. Alembic endeavours to make its management team empowered to take the Company forward within the framework of effective accountability, which in turn enables the conversion of opportunities into achievements for the betterment of the Company and its stakeholders. The Company has advocated on various areas concerning economic reforms, best practices, new standards or regulatory development pertaining to pharmaceutical industry through the associations, from time to time.

Source: Company website, Annual Report and as provided by the management

CORPORATE SOCIAL RESPONSIBILITY (CSR)

As a responsible organisation, it believes in giving back to society and bringing about transformation in the lives of communities in the plant vicinity and people in the unorganised sector. All CSR initiatives are strategically designed and monitored to make a tangible difference to the communities and the environment in which it operates. When measured, the outcome of these activities stands as testimony to the Company being a responsible and caring organisation.

The Company's CSR Policy is in adherence to the provisions of Section 135 of the Act read with rules framed thereunder and provides for carrying out CSR activities in the area of Education, Healthcare including preventive healthcare, Rural Development, Sanitation, etc. either directly by the Company or through 'Non-Profit Organisations', viz. Alembic CSR Foundation, Bhailal Amin General Hospital, Rural Development Society, Uday Education Society and others or by way of contribution to Central / State Government Relief Funds.

A. Average net profit of the Company as per section 135(5): INR 10,780.10 million

B. Two percent of average net profit of the Company as per section 135(5): INR 215.60 million

C. Total CSR obligation for the financial year: INR 215.60 million

D. Amount spent on CSR Projects (Both Ongoing and other than ongoing Projects): INR 211.8 million

E. Amount spent in Administrative Overheads (including capital assets for administrative purpose): INR 3.5 million

F. Amount spent on Impact Assessment, if applicable: INR 0.5 million

G. Total amount spent for the Financial Year: INR 215.8 million

Source: Annual report 2023

RATING DRIVERS AND SENSITIVITIES

- RATING GLOSSARY
- RATING DRIVERS
- RATING SENSITIVITIES

RATING GLOSSARY

D&B Rating	
5A	2

D&B Indicative Risk Rating consists of two parts, the Financial Strength, and the Composite Appraisal. Financial Strength is an indication of the tangible networth. The Composite Appraisal is linked to the level of risk and is an overall evaluation of credit worthiness. It considers the financial condition and several factors such as trade reference history, legal structure, management experience and any adverse listings.

Indicative Risk Rating: D&B Indicative Risk Rating of '5A' implies that the Company has a tangible networth of INR 4,800,000,000 and above as per latest available audited financial statements.

Financial Strength	Tangible Networth
5A	INR 4,800,000,000 & Above
4A	Between INR 2,000,000,000 & INR 4,799,999,999
3A	Between INR 960,000,000 & INR 1,999,999,999
2A	Between INR 200,000,000 & INR 959,999,999
1A	Between INR 96,000,000 & INR 199,999,999
A	Between INR 48,000,000 & INR 95,999,999
B	Between INR 28,000,000 & INR 47,999,999
C	Between INR 14,000,000 & INR 27,999,999
D	Between INR 9,600,000 & INR 13,999,999
E	Between INR 4,800,000 & INR 9,599,999
F	Between INR 2,800,000 & INR 4,799,999
G	Between INR 1,200,000 & INR 2,799,999
H	Upto INR 1,199,999

Note: The Financial Strength component of D&B Rating is derived from Tangible Networth of the Company. The changes are being made to the ranges of monetary values of the Tangible Networth cut offs for both Current as well as Former assigned Financial Strength component. This change applies to all Indian businesses in the Dun & Bradstreet Data Cloud. The ranges are being updated to align with Dun & Bradstreet global standards from 21st April 2023.

Composite appraisal: '2' indicates that the overall status of the Company is 'Good'.

Composite Appraisal	
1 Strong Minimal Risk	Proceed with transaction – offer extended terms if required
2 Good Low Risk	Proceed with transaction
3 Fair Slightly greater than average Risk	Proceed with transaction but monitor closely
4 Limited Significant Level of Risk	Review each case before extending credit and obtain more information. Take suitable assurances before extending credit, guarantees may be needed

Alternate Ratings	Description
N	Negative Tangible Networth
ER	Certain lines of business, primarily banks, insurance companies and government entities do not lend themselves to classification under the D&B Rating system. Instead, we assign these types of businesses as Employee range symbol based on the number of people employees. No other significance should be attached to this symbol. ERN should not be interpreted negatively. It simply means we do not have information indicating how many people are employed at this firm.
NQ	Not Quoted. This is generally assigned when a business has been confirmed as no longer active at this location, or when D&B is unable to confirm active operations. It may also appear on some branch reports, when the branch is located in the same city as the headquarters.
-	Undetermined - Assigned to concerns where there is insufficient information available to express any opinion on the condition, financial soundness, or payment history of the concern. A concern with no telephone number will also be assigned a "– "condition.
NB	New Business: Less than 24 months

RATING DRIVERS

Long track record of operations and extensive experience of management driving business growth:

The Group has an established track record of more than 10 decades, which indicates its ability to survive economic and business cycles. The Company is currently controlled and managed by experienced management with Mr. Chirayu Ramanbhai Amin as Chairman and CEO of the Group. He has completed Bachelor of Science and Master's in Business Administration and has more than five decades of related experience. He is further supported by Mr. Pranav Chirayu Amin and Mr. Shaunak Chirayu Amin, who has an experience of 22 years and 19 years, respectively, in pharmaceutical industry. Other board members too are well qualified and have relevant industry experience. This relevant experience and qualification aids in building network and facilitates in driving the business growth of the Group.

While the long-standing experience of the promoters in the business has helped the Group to establish strong market position in the domestic formulations market (with a market share of 1.5% as per IQVIA MAT March 2023), its rapid growth in the international market is owing to the management's strong adaptability and implementation skills. Over the last five years the Group has successfully changed its market positions across markets, where increased R&D spending has helped it launch a broad product base in the USA market. At the same time, the Group has also expanded in the other markets like Europe, Canada and Australia through its strong and quality product base. Even in the domestic market, the Group has successfully changed its product mix to concentrate more on the chronic therapeutic segment against its earlier portfolio which focus on the acute segment.

Furthermore, the promoters' presence in the industry has helped the Group to establish healthy relationship of around a decade with reputed customers in international markets like Apotex Pty Ltd, Sandoz Group, Teva Canada Limited, amongst others. This ensures repeat orders from them. For domestic market, it has established strong marketing team to facilitate reach on pan India basis. Thus, long standing presence of the promoters, and established market position will help the Group to sustain its business profile and drive revenue growth.

Strong research and development capabilities ensuring strong product pipeline and ANDA approvals across therapeutic segments :

The Group has witnessed a significant growth in its business segments and has invested heavily in R&D which has led to year-on-year growth over the last couple of years. The R&D expenditure of the Group has increased from 6.7% of its revenue in FY 2015 to ~13% in FY 2023 (inclusive of R&D expenses charged on account of Amalgamation of Aleor amounting to INR 1,550 million in FY 2023). The Group has an R&D team of more than 1,200 plus qualified personnel with 2 R&D centres in Vadodara and Hyderabad. The Vadodara unit is the mainstay innovation centre, which develops non-oncology molecules. The Hyderabad unit, a more recent addition to the Group's innovation infrastructure develops both oncology and non-oncology molecules. The US unit is focused on developing and filing oral solids and liquid products. It adds complimentary skill sets in soft gelatin based oral solids and oral liquids. Currently, ~90% of the Group's R&D spending is directed towards the USA market. Going forward, the Group expects to maintain this momentum with an objective to build an even stronger product pipeline focusing the USA and also the ROW markets. A strong R&D focus has helped the Group enter several new therapeutic segments like injectables, oncology, dermatology, ophthalmology and NCEs within the last five years. The Groups' ANDA filings have remained notable during the last five years.

The Group has 120+ products in the US market as on 31st March 2023. During FY 2023, the Company filed 20 ANDAs and received approvals for 22 ANDAs taking the total filed ANDAs to 245 and pending approval to 66 as on March 31, 2023. The Group launched 18 products for US market during FY 2023. During FY 2023, the Group received the US FDA approval for its F2 (for oncology Oral Solid Dosage & Injectables) and F3 (general injectables & Ophthalmic) facilities. It has received cumulative eight product approvals for its F2 and F3 plants. It has also received approval of four product for F4 and plans to commercialize its plant in FY 2024. Overall utilisation of API capacities is around 50% to 55% and has further has spare capacity for formulations as well. Further, it plans to file 15-20 products in FY 2024 and every subsequent year thereafter over the next 2-3 years.

Alembic's robust R&D activities have also influenced its domestic growth with a large product portfolio of around 185 brands in the market. While majority of its portfolio in this market was tilted towards acute products during FY 2015, the Group has successfully maneuvered its stance as majority portfolio in the domestic market now caters to the chronic therapeutic segment, which contributes ~64% of the revenue from domestic branded segment in FY 2023. During FY 2023, the Group has launched various new products, especially in the gynaecology and anti-diabetic spaces. It has also launched various new SKUs during the year, which generated respectable business. Thus, on the back of strong R&D, the Group has witnessed a significant growth in its products portfolio thereby strengthening its business profile.

Underleveraged capital structure and adequate liquidity profile providing financial flexibility:

The capital structure of the Company remained underleveraged with total debt equity ratio less than unity throughout the review period on account of strong tangible net worth base The Company has only short-term debt in the form of bank loans and loans in the form of commercial paper as on 31st March 2023. A low debt component as compared to its healthy tangible networth provides financial flexibility to procure additional funds for further expansion. Further, it makes the Company more attractive to lenders as there is less risk in terms of the ability to service the loan. With low dependence on borrowings and adequate profitability at absolute level (decline in FY 2023), the interest coverage ratio also remained adequate at 8.68 times for FY 2023.

Although the Group has plans to undertake capex to the tune of INR 2,200 million for setting up unit at Pithampur over the next two years, along with regular maintenance, the same would be funded through internal funds and hence the capital structure is expected to remain underleveraged.

Further, financial profile of the Group remains supported by adequate liquidity profile. The Group generated adequate net cash accruals of INR 6,483 million in FY 2023. The unencumbered cash balances stood at INR 755 million as on 31st March 2023. Since, there is no long-term debt as on 31st March 2023, there are no current debt obligations, thereby further providing comfort to its liquidity profile. Also, cash flow from operations stood positive at INR 7,239 million in FY 2023 vis-à-vis INR 5,523 million in FY 2022. Thus, low debt levels and adequate liquidity position is expected to support the Group's financial profile to leverage further in case of any business exigencies or to fund its incremental working capital requirements.

Declining profitability in FY 2022 as well as FY 2023 resulting from pricing pressure:

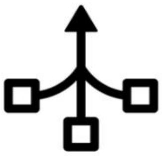
Revenue and profitability of the Group marked an increase y-o-y till FY 2021 and remained healthy with operating margins in the range of 16% to 25% over five-year period. The Group's revenue moderated during FY 2022 with marginal decline, mainly driven by the pricing pressure in the US market and revenue from API segment. The Group because of shortage was able to fetch good realisation and bank on the Sartan category of drugs in the US market till FY 2021. However, the Group's profitability depicted a decline in FY 2022 largely driven by pricing pressure for its US generics segment along with decline in revenue from US market. Further, apart from pricing pressure for its regular products, the Sartan portfolio also fetched lower margins given the increase in competition which earlier gained high realisations for 2-3 years. However, as indicated, currently, the Sartan portfolio contributes miniscule to the overall revenue of the Group. Moreover, as informed, despite product launches in FY 2022, the same did not gain the first mover advantage impacting the margins. Amalgamation of Aleor Dermaceuticals Limited during FY 2022 also impacted the margins as the recurring R&D expenses were charged to profit and loss account against the earlier method of amortization. Since the pricing pressure continued, the profitability further declined in FY 2023. The Company also expensed out the previously amortized R&D expenses (in erstwhile Aleor – now the Derma division) amounting to INR 1,550 million in FY 2023. Before Aleor's accelerated amortization, EBITDA margin Pre-R&D stood at 23% vis-à-vis EBITDA margin Post R&D of 14%.

Decline in profits also impacted the return ratios as reflected in return on tangible networth and return on capital employed of 8.53% and 8.56%, respectively, for FY 2023. As informed by management, despite the pricing pressure, the margins are expected to improve during FY 2024. Further the Group is also trying to bring down R&D cost from 13% of revenue in FY 2023 to single digit in FY 2024. Also, going ahead there will not be any R&D expenses (in erstwhile Aleor – now the Derma division) charged to profit and loss account against the earlier method of amortization. However, it remains crucial for the Group to improve and sustain profitability while scaling up of operations in near to medium term and will remain a key monitorable factor.

Working capital intensive nature of operations:

The Group's operations are working capital intensive as evident from high inventory and moderate collection period. Inventory holding has remained high and increased y-o-y till FY 2021 as a result of management's discussion to keep higher stock to cater to the demand from US market in case of shortage of any particular drugs. Further, large product basket has also led to high inventory holding during the review period. Although the inventory days came down in FY 2022 and FY 2023, it still remained high at 162 days. Finished goods inventory accounted for more than 50% of the total stock held throughout the review period. Collection cycle remained moderate, albeit an increase as on FY 2023 to 69 days. The working capital requirements are funded through credit availed from suppliers, internal accruals, advances from customers and bank borrowings. Going forward with scaling up of operations, the working capital requirements may increase and hence efficient management of same remains crucial.

Consolidation among retailers leading to pricing pressure for generic drug manufacturers



The drugstores in USA typically generate revenue by selling prescription drugs, over-the-counter medications, health and beauty products, and general merchandise. However, recently there is a trend of retail pharmacies acquiring medical clinics and pharmacy benefit management (PBM) companies (which process prescriptions for corporations and insurance companies and negotiate prices with drug manufacturers and retailers). The generic pharmaceutical manufacturers from India typically count a majority of these players as their customers. The top three drugstore companies in the USA, by store count, are Walgreens Boots Alliance (WBA), CVS Health (CVS), and Walmart (WMT) which account for more than 50% of the USA pharmacy market share.

Due to the recent consolidation trends, there is an increase in bargaining power with these retailers, thus affecting the pricing power of the generic drugs manufacturers in India leading to decline in the revenue and profitability of the Indian generics drug manufacturers. The same is reflected in the Group's performance during FY 2022 as well as FY 2023 wherein the US business has declined with impact on margins because of pricing pressure. However, the

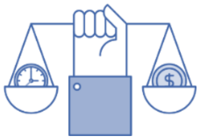
Group has built a solid product base in USA which allows it to capitalize on market opportunities.

RATING SENSITIVITIES

Improvement and sustenance in profit margins & returns while scaling up its operations:

Profitability of the Group witnessed decline in FY 2022 as well as FY 2023 because of the continuing price erosion in the US markets, persisting inflationary headwinds and increasing energy costs. The Group also expensed out the previously amortized R&D expenses (in erstwhile Aleor – now the Derma division). However, despite the pricing pressure, the margins are expected to improve during FY 2024 backed by improvement in other segment (Ex-US, domestic branded business and API) with product launches. Nevertheless, going forward, the ability of the Group to show sustained improvement in profit margins and returns while scaling up its operations remains crucial.

Prudent working capital management and improvement in liquidity position:



The Group's operations have remained working capital intensive largely driven from its high inventory holding and moderate collection cycle. Although the inventory days came down in FY 2022 and FY 2023, it still remained high at 162 days. Finished goods inventory accounted for more than 50% of the total stock held throughout the review period. Collection cycle remained moderate, albeit an increase as on FY 2023 to 69 days. Going forward any incremental working capital requirements because of uptick in scale, may have an impact on cash flows and hence efficient management of same remains crucial.

Ability to adhere to stringent regulatory requirements:

The Group majorly operates in a regulated exports industry and the operations are subject to governmental regulations. Further, Group's F3 unit (Karkhadi, injectables block) received 10 observations from the audit team of the USFDA while undergoing audit in FY 2022; however, the same were not related to data integrity. The Group has also filed for approvals for its new facilities. Thus, ability to adhere to stringent regulatory requirements remain crucial.

ANNEXURE

- FINANCIAL STATEMENTS
- AUDITORS OBSERVATIONS
- BANK DETAILS
- GROUP DETAILS
- AWARDS, CERTIFICATIONS & MEMBERSHIPS
- MEDIA ARTICLES

FINANCIAL STATEMENTS - Consolidated

Five Year Balance Sheet

INR in million

LIABILITIES AS ON:	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Shareholders Fund					
Equity Share Capital	377	377	393	393	393
Capital Reserve	3	-	-	-	-
General Reserve	13,365	15,363	17,700	18,447	2
Debenture Redemption Reserve	416	833	1,250	500	-
Securities Premium Account	-	-	7,484	7,484	7,484
Foreign Exchange Adjustments	158	234	208	255	392
Retained Earnings	12,869	15,386	23,849	25,544	35,684
Minority Interest (Capital)	(8)	(289)	-	-	-
Other Reserves	-	-	(214)	(248)	(251)
Total Shareholders Fund	**27,180**	**31,904**	**50,670**	**52,375**	**43,704**
Non-Current Liabilities					
Long Term Bank Loans	2,000	3,875	2,999	1,999	-
Deferred Tax Liability	187	122	42	-	-
Debentures and Bonds	4,993	4,995	1,999	-	-
Provisions	521	745	855	958	1,062
Lease Liabilities (Long Term)	-	733	715	721	692
Less : Current Portion of Long Term Debt	(2,000)	-	(2,999)	(1,999)	-
Total Non-Current Liabilities	**5,701**	**10,470**	**3,611**	**1,679**	**1,754**
Current Liabilities and Provisions					
Accounts Payable	4,690	4,570	4,800	7,064	6,798
Creditors for Capital Goods	580	466	337	509	377
Other Payables / Accruals	1,754	1,689	1,888	989	739
Lease Liabilities	-	99	123	150	169
Bank Loans	1,791	3,105	-	1,800	5,359
Current Portion of Long Term Debt	2,000	-	2,999	1,999	-
Commercial Paper	2,500	5,500	-	2,500	1,000
Interest Accrued	115	108	103	54	3
Due to Customers	37	65	235	692	396
Trade Deposits	118	120	119	124	113
Unclaimed / Unpaid Dividends	48	73	60	65	64
Provision for Income Tax	36	-	21	-	-
Provision for Retirement Benefits	115	128	124	224	218
Other Provisions	209	255	396	412	483
Duties and Taxes Payable	213	419	537	584	459
Other Current Liabilities	691	920	1,067	-	192
Total Current Liabilities and Provisions	**14,897**	**17,517**	**12,809**	**17,166**	**16,370**
TOTAL LIABILITIES AND EQUITY	**47,778**	**59,891**	**67,090**	**71,220**	**61,828**

INR in million

ASSETS AS ON:	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Fixed Assets					
Land and Buildings	3,484	5,584	5,996	6,189	7,822
Plant and Equipment	5,276	7,158	8,209	8,314	13,271
Leasehold Land	94	92	93	-	-
Leasehold Improvements	-	-	-	7	7
Transportation Vehicles	77	75	66	90	80
Furniture, Fixtures and Fitting	162	221	215	209	221
Office Equipment	40	67	75	78	155
Capital Work in Progress	13,414	15,741	19,443	22,058	6,013
Laboratory Equipments	1,851	2,052	2,375	2,527	2,428
Total Fixed Assets	**24,398**	**30,990**	**36,472**	**39,472**	**29,997**
Intangible Assets					
Goodwill	36	-	-	-	-
Product Development	2,099	2,721	2,383	984	-
Other Intangibles	564	269	856	564	-
Total Intangible Assets	**2,699**	**2,990**	**3,239**	**1,548**	**-**
Investments					
Investment in Group Companies / Affiliates	158	172	484	543	247
Investment in Unquoted Shares	-	-	-	-	71
Investment in Shares	5	4	4	235	235
Investment in Joint Ventures and Partnerships	325	-	5	408	411
Total Investments	**488**	**176**	**493**	**1,186**	**964**
Other Assets					
Deferred Tax Asset	-	-	-	59	1,230
Other Assets	616	1,107	367	349	537
Total Other Assets	**616**	**1,107**	**367**	**408**	**1,767**
Current Assets					
Cash and Bank	1,991	718	981	611	755
Balance in Unclaimed Dividend Account	48	71	59	64	64
Fixed Deposit Account	18	18	-	-	-
Margin Deposit Account	-	-	19	19	4
Accounts Receivable	4,889	8,648	3,486	8,071	10,464
Inventory : Finished Goods	4,157	6,743	8,839	8,516	7,961
Inventory : Raw Material	3,002	2,941	4,408	5,069	4,522
Inventory : Work-in-Progress	500	554	668	886	751
Inventory : Trade Goods	1,440	906	636	1,172	1,076
Inventory : Others	573	731	311	454	443
Prepayments	182	281	357	370	553
Other Loans and Advances	925	863	687	563	585
Security Deposits (Current Assets)	91	87	89	90	98
Current Investments	-	-	1,870	-	-
TDS and Advance Tax	-	310	166	251	827
Balance with Customs, Port Trust And Excise Authorities	1,761	1,757	3,514	2,325	997
Other Current Assets	-	-	429	145	-
Total Current Assets	**19,577**	**24,628**	**26,519**	**28,606**	**29,100**
TOTAL ASSETS	**47,778**	**59,891**	**67,090**	**71,220**	**61,828**

Five Year Profit and Loss Statement

INR in million

For the period ended:	31/Mar/19	31/Mar/20	31/Mar/21	31/Mar/22	31/Mar/23
Number of Months	**12**	**12**	**12**	**12**	**12**
Revenue	**38,066**	**44,920**	**52,762**	**52,318**	**54,998**
Less: Direct Expenditure	**(20,331)**	**(23,312)**	**(26,953)**	**(29,868)**	**(33,559)**
Cost of Materials and Finished Goods Consumed	(9,388)	(10,256)	(12,331)	(13,438)	(15,922)
Purchases for Resale	(2,349)	(2,709)	(2,659)	(3,605)	(3,801)
Electricity / Power and Fuel and Water Expenses	(889)	(1,024)	(1,187)	(1,208)	(1,515)
Repairs and Maintenance - Plant and Machinery	(248)	(321)	(354)	(374)	(416)
Salaries and Wages	(7,261)	(8,826)	(10,198)	(11,054)	(11,396)
Other Manufacturing Expenses	(196)	(176)	(224)	(189)	(509)
Gross Profit	**17,735**	**21,608**	**25,809**	**22,450**	**21,439**
Add: Other Operating Income	1,281	1,138	1,170	739	1,529
Less: General and Administration Expenses	**(4,082)**	**(4,240)**	**(4,987)**	**(4,913)**	**(5,962)**
Staff Welfare Expenses	(206)	(238)	(314)	(276)	(295)
Insurance	(61)	(75)	(128)	(181)	(191)
Communication Expenses	(344)	(369)	(578)	(620)	(737)
Professional and Legal Fees	(1,385)	(1,488)	(1,990)	(1,928)	(2,119)
Repairs and Maintenance	(135)	(190)	(474)	(145)	(244)
Travelling and Conveyance Expenses	(1,340)	(1,318)	(1,076)	(1,258)	(1,713)
Expenses towards Community Development and Donations	-	(138)	(203)	(227)	(320)
Lease / Rent Charges	(173)	(23)	-	-	-
Other General Expenses	(289)	(401)	(224)	(278)	(343)
Less: Selling and Distribution Expenses	**(5,902)**	**(5,312)**	**(6,874)**	**(8,904)**	**(9,523)**
Advertising and Marketing Expenses	(4,706)	(3,980)	(5,017)	(6,341)	(6,810)
Freight Expenses	(1,196)	(1,332)	(1,857)	(2,563)	(2,713)
Less: Loss on Sale of Fixed Assets	-	(537)	-	-	(47)
Less: Bad Debts written off	(133)	(5)	(2)	(52)	(64)
Less: Provision for Bad Debts	(37)	(86)	(61)	(73)	-
Less: Research and Development Expenditure	(303)	(426)	(254)	(505)	(291)
Less: Depreciation / Amortization and Depletion	(1,152)	(1,573)	(1,835)	(2,868)	(2,754)
Operating Profit	**7,407**	**10,567**	**12,966**	**5,874**	**4,327**
Add: Other Non Operating Income	**271**	**139**	**875**	**504**	**30**
Lease Rent and Hire Charges	-	-	-	1	1
Interest Income	26	17	16	17	3
Profit on Sale of Fixed Assets	12	12	27	5	1
Profit on Sale of Investments	15	9	50	28	6
Profit on Foreign Exchange Transactions	175	85	773	443	-
Advances and Doubtful Debts written back	3	5	2	-	3
Insurance Claim Received	17	11	6	9	14
Miscellaneous Income	2	-	1	1	2
Earnings before Interest and Tax (EBIT)	**7,678**	**10,706**	**13,841**	**6,378**	**4,357**
Less: Interest Expenditure	**(184)**	**(272)**	**(160)**	**(177)**	**(502)**
Other Interest	(184)	(272)	(160)	(177)	(502)
Profit before Tax and Extraordinary Items	**7,494**	**10,434**	**13,681**	**6,201**	**3,855**
Add / Less Extraordinary Items Before Tax	**-**	**(437)**	**-**	**-**	**-**
Less: Total Tax Provision	**(1,568)**	**(1,992)**	**(2,533)**	**(1,044)**	**(126)**
Tax Provision	(1,741)	(2,035)	(2,629)	(1,279)	(34)
Add / (Less): Current Year Deferred Tax	173	43	96	235	(92)
Profit after Tax	**5,926**	**8,005**	**11,148**	**5,157**	**3,729**
Extraordinary Items : Others	(112)	(94)	28	53	(309)
Profit after Tax and Extraordinary Items	**5,814**	**7,911**	**11,176**	**5,210**	**3,420**
Prior Year Adjustment	(417)	(417)	(416)	-	-
Less: Minority Interests	11	282	-	(763)	-
Less: Dividends	(909)	(3,260)	-	(2,752)	(1,966)
Transfer to Reserves	(1,000)	(2,000)	(2,917)	-	8,686
Plus Retained Earnings b/f	9,370	12,869	15,386	23,229	24,924
Retained Earnings c/f	**12,869**	**15,385**	**23,229**	**24,924**	**35,064**

Five Year Cash Flow Statement

INR in million

For the period ended:	31/Mar/19	31/Mar/20	31/Mar/21	31/Mar/22	31/Mar/23
Months	**12**	**12**	**12**	**12**	**12**
Cash Flow From Operating Activities					
Net Profit Before Tax & Exceptional Items	**7,493**	**9,998**	**13,681**	**6,254**	**3,546**
Adjustments for:					
Depreciation and Amortisation	1,152	1,573	1,835	2,867	2,754
Interest charged	184	272	160	177	501
Share of (Profit)/Loss of Associates and Joint Ventures				(53)	309
Interest Income	(26)	(17)	(16)	(17)	(3)
Dividend Income /Gain on Sale of Investments	(21)	(9)	(50)	(29)	(6)
Product development expenses	-	-	-	801	984
Foreign Currency Translation Reserve	(238)	159	(939)	365	291
Fair value (gain)/ loss on financial instruments	-	-	(13)	-	(1)
Provision / write off for doubtful trade receivables	167	86	61	73	-
Impairment goodwill and other intangible assets	-	537	-	-	-
Impairment in value of investments (net)	-	336	-	-	-
Sundry balances written Back (net)	(6)	(28)	-	(2)	-
Remeasurement of Defined benefit obligations	(24)	(114)	-	-	-
Loss/(Profit) on sale of Asset	(12)	(12)	(14)	(5)	47
Operating Profit before Working Capital Changes	**8,669**	**12,781**	**14,705**	**10,431**	**8,422**
Adjustment for:					
(Increase) In Inventories	(2,333)	(2,203)	(2,986)	(1,236)	1,344
(Increase)/Decrease In Trade Receivables	362	(3,583)	5,109	(4,696)	(2,229)
(Increase)/Decrease In Other Assets	1,751	(189)	(1,462)	1,282	1,271
(Decrease) In Trade Payables	(503)	(211)	453	367	(282)
Increase /(Decrease) In Other Liabilities	1,771	(25)	1,034	432	(841)
Increase In Provisions	68	282	235	178	161
Cash Generated from Operations	**9,785**	**6,852**	**17,088**	**6,758**	**7,846**
Direct Taxes Paid (Net of Refunds)	(1,665)	(2,361)	(2,454)	(1,234)	(607)
Net Cash From Operating Activities (A)	**8,120**	**4,491**	**14,634**	**5,524**	**7,239**
Cash Flow From Investing Activities					
Proceeds from Sale Asset	13	6	3	14	19
Government assistance	171	-	-	-	
Interest received	26	17	16	17	3
Dividend Income /Gain on Sale of Investments received	21	9	50	29	6
Purchase of property, plant & equipments	(6,539)	(7,348)	(6,595)	(4,256)	(4,434)
Investment in Associate	(144)	-	(5)	(1,393)	(70)
Net cash outflow on acquisition of Subsidiary	-	-	-	-	-
(Purchase)/ sale of current investments (net)	-	-	(1,857)	1,870	-
Intangible assets under development	(1,104)	-	-	-	-
Net Cash Used in Investing Activities (B)	**(7,556)**	**(7,316)**	**(8,388)**	**(3,719)**	**(4,476)**
Cash Flow From Financing Activities					
Proceeds from issue of QIP	-	-	7,340	-	
Proceeds from borrowings	6,037	3,780	-	-	
Repayment of borrowings	(6,044)	(2,000)	(3,793)	(3,000)	(2,000)
Increase in other long Term Liabilities	-	-	-	-	
Net increase / (decrease) in working capital demand loans	2,213	4,314	(8,605)	4,299	2,059
Payment of lease liabilities	-	(175)	(187)	(201)	(231)
Increase in Restricted Bank Balances other than Cash & Cash Equivalents	(4)	-	1	(1)	15
Dividends paid (including distribution tax)	(909)	(3,260)	-	(2,752)	(1,966)
Interest and other finance costs (including borrowing cost	(703)	(1,111)	(730)	(519)	(497)
Net Cash Used in Financing Activities (C)	**590**	**1,548**	**(5,974)**	**(2,174)**	**(2,620)**
Net Increase in Cash and Cash Equivalents (A+B+C)	**1,154**	**(1,277)**	**272**	**(369)**	**143**
Effect of exchange rate changes on cash and cash equivale	(1)	4	(9)	-	-
Cash and Cash Equivalents (Opening Balance)	**837**	**1,991**	**718**	**981**	**612**
Cash and Cash Equivalents (Closing Balance)	**1,991**	**718**	**981**	**612**	**755**

AUDITOR'S COMMENTS & OBSERVATIONS - CONSOLIDATED

Observations from the auditors' report for the year ended 31st March 2023:

Other Matters

Auditor did not audit the financial statements of 3 subsidiaries included in the consolidated financial statements, whose financial statements for the year ended March 31, 2023, reflect as follows:

Particulars	INR in Million
Total Assets	12,536
Total Revenues	15,170
Total Net profit/(loss) after tax	(187)
Total Comprehensive Income	(50)
Total Cash Inflow / (Outflow) (net)	63

The financial statements of these 3 subsidiaries have been audited by other auditors whose reports have been furnished to auditor by the management and auditor opinion on the financial statements, 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.

Certain subsidiaries are located outside India whose financial statements and other financial information have been prepared in accordance with accounting principles generally accepted in the respective countries and which have been audited by other auditors under generally accepted auditing standards applicable in their respective countries. The Company's management has converted the financial statements of such subsidiaries located outside India from accounting principles generally accepted in its respective countries to accounting principles generally accepted in India. Auditor opinion in so far as it relates to the balances and affairs of such subsidiaries located outside India is based on the reports of other auditors and the conversion adjustments prepared by the management of the Company and audited by auditor.

The consolidated financial statements also include the Group's share of net profit after tax, and total comprehensive income for the year ended March 31, 2023, as mentioned below, in respect of 1 associate based on their financial statements which have not been audited by auditor. These financial statements have been audited by other auditor whose report has been furnished to auditor by the Management and auditor opinion on the consolidated financial statements, in so far as it relates to the amounts and disclosures included in respect of this associate, is based solely on the report of the other auditor.

Particulars	INR in Million
Total Net profit/(loss) after tax	2
Total Comprehensive Income	2

Auditor opinion on the consolidated financial statements is not modified in respect of the above other matters with respect to our reliance on the work done and the reports of the other auditors. Refer Annexure 1 for entities included in the consolidated financial statements.

Other Matter

Auditor aforesaid report under Section 143(3)(i) of the Act on the adequacy and operating effectiveness of the internal financial controls with reference to consolidated financial statements in so far as it relates to an associate company, which is company incorporated in India, is based on the corresponding report of the auditor of such company.

Source: Annual report 2023

Observations from the auditors' report for the year ended 31st March 2022:

Other Matters

(i) a. Auditor did not audit the financial statement of 1 subsidiary included in the consolidated financial statement, whose financial statements year ended 31st March 2022 reflect as follows:

Particulars	Amount not deposited (INR in Million)
Total Assets	12,318.60
Total Revenues	18,144.50
Total Net profit/(loss) after tax	426.80
Total Comprehensive Income	465.40
Total Cash Inflow / (Outflow) (net)	89.30

These financial statements have been audited by other auditor whose report have been furnished to auditor by the management and auditor conclusion on the Statement, in so far as it relates to the amounts and disclosures included in respect of the subsidiary is based solely on the report of the other auditor and procedure performed by auditor as stated in paragraph 3 above.

b. Auditor did not audit the financial statements of 1 subsidiary included in the consolidated financial statements, whose financial statements for the year ended 31st March 2022 reflect as follows:

Particulars	Amount not deposited (INR in Million)
Total Assets	680.80
Total Revenues	255.20
Total Net profit/(loss) after tax	98.30
Total Comprehensive Income	106.30
Total Cash Inflow / (Outflow) (net)	(5.77)

These financial statements have been reviewed by other auditors whose review report have been furnished to auditor by the management and auditor conclusion on the Statement, in so far as it relates to the amounts and disclosures included in respect of the subsidiary is based solely on the review report of the other auditors and procedure performed by auditor as stated in paragraph 3 above.

a. Auditor did not audit the financial statements of 1 step-down subsidiary included in the consolidated financial statements, whose financial statements for the year ended 31st March 2022 reflect as follows:

Particulars	Amount not deposited (INR in Million)
Total Assets	1.80
Total Revenues	-
Total Net profit/(loss) after tax	(0.20)
Total Comprehensive Income	(0.20)
Total Cash Inflow / (Outflow) (net)	(0.20)

This financial statements have not been audited/reviewed by other auditors. The financial statement is provided to auditor by the Management of the Company and auditor conclusion on the Statement, in so far as it relates to the amounts and disclosures included in respect of this step-down subsidiary is based solely on the financial statement provided by the Management. In auditor opinion and according to the information and explanations given to auditor by the Board of Directors, this financial statement is not material to the Group.

b. Certain subsidiaries are located outside India whose financial statements and other financial information have been prepared in accordance with accounting principles generally accepted in the respective country and which have been audited by other auditors under generally accepted auditing standards applicable in their respective country. The Company's management has converted the financial statements of such subsidiaries located outside India from accounting principles generally accepted in its respective country to accounting principles generally accepted in India. Auditor opinion in so far as it relates to the balances and affairs of such subsidiaries located outside India is based on the reports of other auditors and the conversion adjustments prepared by the management of the Company and audited by auditor.

(ii) The consolidated financial statement also include the Group's share of net profit / (loss) after tax, and total comprehensive income for the year ended 31st March 2022 as mentioned below, in respect of 1 associate based on their financial statements which has not been audited by auditor. This financial statement has been audited by other auditor whose report has been furnished to auditor by the Management and auditor opinion on the consolidated financial statements, in so far as it relates to the amounts and disclosures included in respect of this associate, is based solely on the reports of the other auditor and the procedures performed by auditor as stated in paragraph 3 above:

Particulars	Amount not deposited (INR in Million)
Total Net profit after tax	2.10
Total Comprehensive Income	2.10

Auditor opinion on the consolidated financial statement is not modified in respect of the above other matters with respect to auditor reliance on the work done and the reports of the other auditors. Refer Annexure 1 for entities included the annual consolidated financial statements.

- ✓ **Other Matter**

Auditor aforesaid report under Section 143(3)(i) of the Act on the adequacy and operating effectiveness of the internal financial controls over financial reporting in so far as it relates to one associate company, which is company incorporated in India, is based on the corresponding report of the auditor of such company incorporated in India.

Auditor opinion is not modified in respect of the above matter.

Source: Annual report 2022

Observations from the auditors' report for the year ended 31st March 2021:

Other Matters

The comparative financial information of the Group and its associate included in these consolidated financial statements, are based on the previously issued consolidated financial statements for the year ended 31st March 2020 which were audited by the predecessor auditors who, vide their report dated May 22, 2020, expressed an unmodified opinion.

Auditor did not audit the financial statements of 3 subsidiaries included in the consolidated financial statements, whose financial statements reflect as follows:

Particulars	Amount not deposited (INR in Million)
Total Assets	12,994.60
Total Revenues	23,283.10
Total Net profit/(loss) after tax	(402.50)
Total Comprehensive Income	(83.30)
Total Cash Inflow / (Outflow) (net)	10.00

These financial statements have been audited by other auditors whose reports have been furnished to us by the Management, and our opinion on the consolidated financial statements, in so far as it relates to the amounts and disclosures included in respect of these subsidiaries, and our report in terms of sub-sections (3) and (11) of Section 143 of the Act, in so far as it relates to the aforesaid subsidiaries, is based solely on the reports of the other auditors.

Certain subsidiaries are located outside India whose financial statements and other financial information have been prepared in accordance with accounting principles generally accepted in the respective country and which have been audited by other auditor under generally accepted auditing standards applicable in their respective country. The Company's management has converted the financial statements of such subsidiaries located outside India from accounting principles generally accepted in its respective country to accounting principles generally accepted in India. These converted financial statements have been either audited by us or certified by an Independent Chartered Accountant in India appointed by the Company for the specific purpose and have been relied upon by us. Auditors' opinion in so far as it relates to the balances and affairs of such subsidiaries located outside India is based on the reports of other auditors and the conversion adjustments prepared by the management of the Company and audited by the auditor or based on the report of independent Chartered Accountant as mentioned above.

The consolidated financial statements also include the Group's share of net profit / (loss) after tax, and total comprehensive income for year ended 31st March 2021 as mentioned below, in respect of 1 associate, whose financial statements have not been audited by auditor.

Particulars	Amount not deposited (INR in Million)
Total Net profit after tax	3.60
Total Comprehensive Income	3.60

These financial statements have been audited by other auditor whose report has been furnished to auditor by the Management and auditor opinion on the consolidated financial statements, in so far as it relates to the amounts and disclosures included in respect of this associate, and our report in terms of sub-sections (3) and (11) of Section 143 of the Act in so far as it relates to the aforesaid associate, is based solely on the reports of the other auditor.

Auditor opinion on the consolidated financial statements, and auditor report on Other Legal and Regulatory Requirements below, is not modified in respect of the above matters with respect to auditor reliance on the work done and the reports of the other auditors and the financial statements / financial information certified by the Management.

Re: Subsidiary Company, i.e., Aleor Dermaceuticals Limited. (Aleor)
Aleor's auditors have modified their audit opinion on year ended 31st March 2021 as under:

"Basis for Modified Opinion

As mentioned in Note no. 32(XV) and for the reasons stated therein, the company has measured its financial liability of Non-convertible Redeemable Debentures (NCRD) at cost and not as per amortised cost as mandated by Ind AS 109-Financial Instruments. Had the NCRD been measured at amortised cost, the borrowing cost for the period to be included in the Property, plant and equipment (PPE), intangible assets and qualifying asset Capital Work-in-Progress and Intangible asset under development would be higher by INR 540,135 thousand (PY. INR 497,112 thousand).

Further, the borrowing costs for the period to be recognised as expense would be higher by INR 393,606 thousand (PY. INR 161,378 thousand) on account of borrowing cost attributable to Property, plant and equipment (PPE) and Intangible assets capitalised during the year and accordingly Total Comprehensive Income and shareholders' funds both would have been lower by INR 393,606 thousand (PY. INR 161,378 thousand) with corresponding effect on Earning Per Share (EPS) of the Company for the Year ended 31st March 2021.

As a result of above, the amount of Property, Plant and Equipment, intangible assets and qualifying assets Capital Work-in-Progress and Intangible asset under development would be higher by INR 1,653,519 thousand (PY. INR 1,113,384 thousand) and the corresponding financial liability for the NCRD would have been higher by INR 2,208,503 thousand (PY. INR 1,274,762 thousand)."

Corresponding interest income for the period amounting to INR 933,700 thousand (cumulative interest income till date of INR 2,208,500 thousand) has not been recognized by the Holding Company and is considered as a contingent asset in separate financial statements of Holding Company. Further, the said NCRD have been carried at cost in separate financial statements of Holding Company as per Ind AS 27.

On consolidation of financial statements (a) the said investment by Holding Company and financial liability of Subsidiary and (b) borrowing cost of Subsidiary and interest income of Holding Company gets eliminated. Therefore, it does not have any financial impact on the Group's Consolidated Financial results. Auditor audit opinion is not modified in respect of this matter.

Source: Annual report 2021

Observations from the auditors' report for the year ended 31st March 2020:

Other Matters

The consolidated Financial Statements include the audited Financial Statements of 10 subsidiaries whose Financial Statements / financial information reflect total assets of INR 19,018 Million as at 31/03/2020, total revenue of INR 22,117 Million for the year ended on 31/03/2020 and cash flows (net cash outflow) of INR 230 Million for the period year ended on 31/03/2020, as considered in the consolidated Financial Statements, which have been audited/ subjected to limited review by their respective independent auditors. The independent auditors' reports on financial statements / financial information of these subsidiaries have been furnished to us and our opinion on the consolidated Financial Statements, 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.

The consolidated Financial Statements include the Group's share of net profit in 4 associates of INR 1 million for the year ended on 31/03/2020 which have been audited/ subjected to limited review by their respective independent auditors. The independent auditors' reports on financial statements /financial information of these associates have been furnished to us and our opinion on the consolidated Financial Statements, in so far as it relates to the amounts and disclosures included in respect of these associates, is based solely on the report of such auditors.

Audited financial statements for the year in respect of 1 Joint venture of the Group have not been received by the Group. No further share of loss in that joint venture is required to be borne by the Group as the entire Equity capital and loan given to it, is fully provided for, pending formal legal process for dis-association which is still to be initiated by the Group.

Re: Subsidiary company, i.e., Aleor Dermaceuticals Limited. (Aleor)

Aleor's auditors have modified their audit opinion in financial statements for the year ended on 31st March 2020 regarding the fact that Aleor has measured its financial liability of Non-convertible Redeemable Debentures (NCRD) issued to the Holding company is valued at cost and is not at amortized cost as mandated by Ind AS 109-Financial Instruments. Had the NCRD been measured at Amortized Cost,

The borrowing cost for the year to be included in the Property, plant and equipment (PPE), Intangible assets and qualifying asset Capital Work-in Progress and Intangible assets under development would have been higher by INR 497 million (PY: INR 404 million)

The borrowing costs for the year to be recognized as expense would be higher by INR 161 million (PY: INR Nil) on account of borrowing costs attributable to Property, plant and equipment and Intangible assets capitalized during the year.

As a result of the above, the amount of Property, plant and equipment, Intangible assets and qualifying assets of Capital work in progress and Intangible assets under development as on 31st March 2020 would be higher by INR 1,113 million (PY: INR 616 million) and the corresponding financial liability of NCRD would have been higher by INR 1,275 Million.

Corresponding interest income up to 31st March, 2020 of INR 1,275 million (PY: INR 616 million) has not been recognized by the Holding company (Alembic Pharmaceuticals Limited - APL) and is considered as contingent assets. The said NCRD have been carried at cost in separate financial statements of APL as per Ind AS 27.
On consolidation of financial statements (a) the said investment by APL and Financial liability of Aleor and (b) borrowing cost of Aleor and interest income of APL gets eliminated. Therefore, it does not have any financial impact on the Group's Consolidated Financial statements.

Auditor opinion on the consolidated financial statements, and our report on Other Legal and Regulatory Requirements below, is not modified in respect of the above matters.

Source: Annual report 2020

Observations from the auditors' report for the year ended 31st March 2019:

Other Matters

Auditor did not audit the financial statements / financial information of 11 subsidiaries whose financial statements / financial information reflect total assets of INR 10,793 million as on 31st March 2019, total revenues of INR 13,101 million and net cash out-flows amounting to INR 195 million for the year ended on that date, as considered in the consolidated financial statements. The consolidated financial statements also include the Group's share of net loss of INR 93 million for the year ended 31st March 2019, as considered in the consolidated financial statements, in respect of 1 associate, and 1 jointly controlled entity whose financial statements / financial information have not been audited by us. These financial statements / financial information have been audited by other auditors whose reports have been furnished to us by the Management and our opinion on the consolidated financial statements, in so far as it relates to the amounts and disclosures included in respect of these subsidiaries, jointly controlled entities and associates, and our report in terms of sub-section (3) of Section 143 of the Act, in so far as it relates to the aforesaid subsidiaries, jointly controlled entities and associates, is based solely on the reports of the other auditors.

Re: Subsidiary company, i.e., Aleor Dermaceuticals Limited. (Aleor)

Aleor's Auditors' have modified their audit opinion regarding the fact that the company has measured its financial liability of Non-convertible Redeemable Debentures (NCRD) at cost and not as per amortized cost as mandated by Ind AS 109-Financial Instruments. Had the NCRD been measured at amortized Cost, the borrowing cost for the year to be included in the qualifying asset [Capital Work-in Progress (CWIP)] would be higher by INR 403 million and corresponding financial liability for the NCRD and the cumulative capital work-in progress (CWIP) would be higher by INR 616 million.

Corresponding interest income has not been recognized by Holding company (Alembic Pharmaceuticals Limited - APL) and considered as contingent Assets. The said NCRD have been carried at cost in separate financial statements of APL as per Ind AS 27.

On consolidation of financial statements (a) the said investment by APL and Financial liability of Aleor and (b) borrowing cost of Aleor and interest income of APL gets eliminated. Therefore, it does not have any financial impact on the Group's Consolidated Financial statements.

Auditor opinion on the consolidated financial statements, and auditor report on Other Legal and Regulatory Requirements below, 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 and the financial statements / financial information certified by the Management.

Source: Annual report 2019

Contingent Liabilities:

INR in Million

Sr. No.	Particulars	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
1	**Contingent Liabilities**					
	Contingent liabilities not provided for					
a	Letter of credit and Guarantees	947	1,134	960	614	1,067
b	Liabilities Disputed in appeals filed with respect to Indirect tax	-	-	-	-	18
i	Excise duty	53	2	2	2	-
ii	Sales Tax	32	34	25	6	-
c	Claims against the company not acknowleged as debt	4	4	4	4	4
d	Export obligation against advance licence	-	-	10	0	0
e	Disputed liability in respect of Ministry of Industry, Department of Chemicals and Petrochemicals in respect of price of Rifampicin allowed in formulations and landed cost of import	4	3	4	4	4
	Total (1)	**1,039**	**1,177**	**1,004**	**629**	**1,092**
2	**Capital Commitment**					
a	Estimated amount of contracts net of advances remaining to be executed on capital accounts	1,569	2,692	2,497	1,653	2,087
	Total (2)	**1,569**	**2,692**	**2,497**	**1,653**	**2,087**
	TOTAL (1+2)	**2,608**	**3,869**	**3,501**	**2,282**	**3,180**

Source: Annual reports

FINANCIAL STATEMENTS - Standalone

Five Year Balance Sheet

INR in million

LIABILITIES AS ON:	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Shareholders Fund					
Equity Share Capital	377	377	393	393	393
Securities Premium Account	-	-	7,484	7,484	7,484
Retained Earnings	12,965	16,889	24,408	26,329	36,517
Total Shareholders Fund	**27,125**	**33,460**	**51,018**	**52,903**	**44,143**
Non-Current Liabilities					
Long Term Loans : Hire Purchase	-	-	-	-	-
Long Term Bank Loans	2,000	3,875	2,999	2,000	-
Deferred Tax Liability	453	458	461	464	-
Provisions	513	732	855	958	1,062
Less : Current Portion of Long Term Debt	(2,000)	-	(2,999)	(2,000)	-
Total Non-Current Liabilities	**5,959**	**10,793**	**4,031**	**2,042**	**1,648**
Current Liabilities and Provisions					
Accounts Payable	2,390	2,240	3,280	5,702	5,959
Creditors for Capital Goods	-	-	-	-	-
Other Payables / Accruals	3,523	2,701	3,264	1,497	1,115
Loans : Unsecured	-	-	-	-	-
Bank Loans	1,099	2,500	-	1,800	5,351
Current Portion of Long Term Debt	2,000	-	2,999	2,000	-
Interest Accrued	111	106	103	54	3
Due to Customers	36	65	236	692	396
Other Deposits	-	-	-	-	-
Provision for Income Tax	-	-	17	-	-
Provision for Retirement Benefits	115	172	124	224	217
Duties and Taxes Payable	196	397	536	584	458
Other Current Liabilities	62	355	131	-	192
Total Current Liabilities and Provisions	**12,407**	**14,535**	**11,386**	**15,795**	**15,513**
TOTAL LIABILITIES AND EQUITY	**45,491**	**58,788**	**66,435**	**70,740**	**61,304**

INR in million

ASSETS AS ON:	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Fixed Assets					
Land and Buildings	3,314	3,683	5,146	6,000	7,630
Plant and Equipment	5,235	5,775	8,151	8,254	13,271
Leasehold Land	94	92	93	-	-
Leasehold Improvements	-	-	-	-	-
Transportation Vehicles	77	75	66	90	80
Furniture, Fixtures and Fitting	160	164	214	199	209
Office Equipment	40	49	75	78	156
Computers / Servers / Printers and other IT Equipment	-	-	-	-	-
Capital Work in Progress	11,069	15,700	19,443	22,058	6,013
Total Fixed Assets	**21,840**	**28,381**	**36,327**	**39,206**	**29,787**
Intangible Assets					
Trademark / Copyright / Patent	-	-	-	-	-
Software	-	-	-	-	-
Other Intangibles	-	-	855	564	-
Total Intangible Assets	**-**	**-**	**3,238**	**1,548**	**-**
Investments					
Investment in Unquoted Shares	2	2	5	235	306
Investment Properties	84	84	-	-	-
Total Investments	**5,147**	**8,416**	**1,561**	**2,194**	**2,293**
Other Assets					
Security Deposits (Non Current)	-	-	-	-	-
Other Assets	142	477	364	349	640
Total Other Assets	**142**	**477**	**364**	**349**	**1,422**
Current Assets					
Cash and Bank	1,443	282	537	136	217
Margin Deposit Account	18	18	19	19	4
Accounts Receivable	5,398	7,841	4,219	9,883	12,012
Inventory : Finished Goods	4,157	5,891	7,115	6,465	5,968
Inventory : Raw Material	3,002	2,922	4,386	4,992	4,513
Inventory : Work-in-Progress	500	554	668	886	751
Inventory : Trade Goods	439	477	447	680	550
Inventory : Others	816	887	803	946	969
Prepayments	131	224	286	301	482
Other Loans and Advances	493	425	422	295	416
Due from Directors / Shareholders / Promoters	-	-	-	-	-
TDS and Advance Tax	67	81	88	221	767
Balance with Customs, Port Trust And Excise Authorities	1,760	1,756	3,513	2,324	996
Interest Receivable	-	-	-	-	-
Total Current Assets	**18,362**	**21,514**	**24,945**	**27,443**	**27,802**
TOTAL ASSETS	**45,491**	**58,788**	**66,435**	**70,740**	**61,304**

Five Year Profit and Loss Statement

INR in million

For the period ended:	31/Mar/19	31/Mar/20	31/Mar/21	31/Mar/22	31/Mar/23
Number of Months	**12**	**12**	**12**	**12**	**12**
Revenue	**35,338**	**40,195**	**49,500**	**49,875**	**50,031**
Less: Direct Expenditure	**(19,741)**	**(21,998)**	**(26,658)**	**(29,677)**	**(32,114)**
Cost of Materials and Finished Goods Consumed	(9,470)	(10,297)	(12,674)	(14,051)	(15,852)
Purchases for Resale	(2,305)	(2,443)	(2,793)	(3,533)	(3,372)
Electricity / Power and Fuel and Water Expenses	(884)	(974)	(1,183)	(1,205)	(1,512)
Sub Contract / Job Work Charges	(193)	(143)	(208)	(169)	(310)
Repairs and Maintenance - Plant and Machinery	(243)	(309)	(353)	(372)	(415)
Salaries and Wages	(6,646)	(7,832)	(9,447)	(10,347)	(10,653)
Gross Profit	**15,597**	**18,197**	**22,842**	**20,198**	**17,917**
Add: Other Operating Income	1,265	1,130	1,170	479	1,459
Less: General and Administration Expenses	**(3,827)**	**(3,901)**	**(4,803)**	**(4,601)**	**(5,636)**
Staff Welfare Expenses	(198)	(232)	(314)	(276)	(295)
Insurance	(38)	(50)	(95)	(142)	(145)
Communication Expenses	(261)	(276)	(480)	(513)	(602)
Professional and Legal Fees	(1,347)	(1,400)	(1,998)	(1,882)	(2,057)
Repairs and Maintenance	(129)	(181)	(457)	(138)	(225)
Travelling and Conveyance Expenses	(1,298)	(1,261)	(1,071)	(1,218)	(1,674)
Expenses towards Community Development and Donations	(149)	(138)	(198)	(223)	(315)
Lease / Rent Charges	(158)	(7)	-	-	-
Other General Expenses	(249)	(356)	(190)	(209)	(323)
Less: Selling and Distribution Expenses	**(4,228)**	**(3,181)**	**(4,459)**	**(6,479)**	**(6,799)**
Advertising and Marketing Expenses	(3,425)	(2,450)	-	-	-
Business Promotion Expenses	-	-	(3,309)	(5,071)	(5,512)
Freight Expenses	(803)	(731)	(1,150)	(1,408)	(1,287)
Less: Loss on Sale of Fixed Assets	-	-	-	-	(6)
Less: Bad Debts written off	-	-	(2)	-	(3)
Less: Provision for Bad Debts	(5)	(6)	(3)	(2)	-
Less: Research and Development Expenditure	(206)	(317)	(254)	(506)	(291)
Less: Depreciation / Amortization and Depletion	(1,056)	(1,357)	(1,825)	(2,849)	(2,730)
Operating Profit	**7,540**	**10,565**	**12,666**	**6,240**	**3,911**
Add: Other Non Operating Income	**255**	**1,455**	**841**	**510**	**38**
Dividend Income	-	1,302	-	-	-
Lease Rent and Hire Charges	4	4	-	-	-
Interest Income	14	16	17	17	8
Profit on Sale of Fixed Assets	12	12	27	5	2
Profit on Sale of Investments	15	3	50	29	6
Profit on Foreign Exchange Transactions	191	107	738	450	9
Advances and Doubtful Debts written back	-	-	2	-	3
Insurance Claim Received	17	11	6	9	8
Miscellaneous Income	2	-	1	-	2
Earnings before Interest and Tax (EBIT)	**7,795**	**12,020**	**13,507**	**6,750**	**3,949**
Less: Interest Expenditure	**(149)**	**(252)**	**(130)**	**(170)**	**(490)**
Other Interest	(149)	(252)	(130)	(170)	(490)
Profit before Tax and Extraordinary Items	**7,646**	**11,768**	**13,377**	**6,580**	**3,459**
Add / Less Extraordinary Items Before Tax	**-**	**(100)**	**-**	**-**	**-**
Less: Total Tax Provision	**(1,534)**	**(1,974)**	**(2,412)**	**(1,145)**	**8**
Tax Provision	(1,534)	(1,974)	(2,412)	(1,157)	-
Add / (Less): Current Year Deferred Tax	-	-	-	12	8
Profit after Tax	**6,112**	**9,694**	**10,965**	**5,435**	**3,467**
Extraordinary Items : Others	(19)	(93)	(732)	(763)	-
Profit after Tax and Extraordinary Items	**6,093**	**9,601**	**10,233**	**4,672**	**3,467**
Prior Year Adjustment	(417)	(417)	(417)	-	-
Less: Dividends	(909)	(3,260)	-	(2,751)	(1,965)
Transfer to Reserves	(1,000)	(2,000)	(2,917)	-	8,686
Plus Retained Earnings b/f	9,198	12,965	16,889	23,788	25,709
Retained Earnings c/f	**12,965**	**16,889**	**23,788**	**25,709**	**35,897**

Five Year Cash Flow Statement

INR in million

For the period ended:	31/Mar/19	31/Mar/20	31/Mar/21	31/Mar/22	31/Mar/23
Months	**12**	**12**	**12**	**12**	**12**
Cash Flow From Operating Activities					
Net Profit Before Tax & Exceptional Items	**7,646**	**11,668**	**13,377**	**6,580**	**3,459**
Adjustments for:					
Depreciation and amortisation	1,055	1,357	1,825	2,849	2,730
Interest charged	149	252	130	170	490
Interest Income	(14)	(16)	(17)	(17)	(8)
Dividend Income /Gain on Sale of Investments	-	(1,306)	(50)	(29)	(6)
Unrealised foreign exchange gain	(238)	161	(939)	365	291
Product development expenses	-	-	-	801	984
Fair value (gain)/ loss on financial instruments	-	-	(13)	-	(1)
Provision / write off for doubtful trade receivables	5	6	3	2	
Sundry balances written off / written Back	(6)	(28)	-	(2)	
Remeasurement of Defined benefit obligations	(24)	(113)	-	-	
Investment write-off	-	-	-	-	
Loss/(Profit) on sale of Asset	(12)	(12)	(13)	(6)	5
Operating Profit before Working Capital Changes	**8,561**	**11,969**	**14,303**	**10,713**	**7,944**
Adjustment for:					
(Increase) In Inventories	(2,215)	(1,818)	(2,635)	(549)	1,217
(Increase) / Decrease In Trade Receivables	969	(2,190)	3,678	(5,737)	(2,055)
(Increase) / Decrease In Other Assets	1,192	(15)	(1,605)	1,281	1,176
Increase / (Decrease) In Trade Payables	(667)	(822)	1,279	423	241
Increase / (Decrease) In Other Liabilities	1,760	(36)	1,021	432	(842)
Increase In Provisions	65	277	248	177	159
Cash Generated from Operations	**9,665**	**7,365**	**16,289**	**6,740**	**7,840**
Direct Taxes Paid (Net of Refunds)	(1,577)	(1,968)	(2,405)	(1,288)	(538)
Net Cash From Operating Activities (A)	**8,088**	**5,397**	**13,884**	**5,452**	**7,302**
Cash Flow From Investing Activities					
Proceeds from Sale of Asset	13	6	3	14	3
Government assistance	172	-	-	-	(95)
Interest received	14	16	16	17	3
Dividend /Gain on Sale of Investments received	-	1,306	50	29	6
Purchase of property, plant & equipments, intangible assets	(5,660)	(6,282)	(6,570)	(4,224)	(4,433)
Investment in LLP & Others	(2,075)	(3,269)	-	(1,393)	(70)
(Purchase)/ sale of current investments (net)	-	-	(1,856)	1,870	
Investment in subsidiary					(24)
Net Cash Used in Investing Activities (B)	**(7,536)**	**(8,223)**	**(8,357)**	**(3,687)**	**(4,610)**
Cash Flow From Financing Activities					
Proceeds from issue of QIP (net of expenses)	-	-	7,341	-	-
Proceeds from borrowings	5,866	3,780	-	-	-
Repayment of borrowings	(5,873)	(2,000)	(3,793)	(3,000)	(2,000)
Net increase / (decrease) in working capital demand loans	2,385	4,401	(8,000)	4,300	2,051
Payment of lease liabilities	-	(171)	(187)	(202)	(216)
Increase in Restricted Bank Balances other than Cash & Cash	(4)	-	(1)	-	15
Dividends paid (including distribution tax)	(909)	(3,260)	-	(2,752)	(1,965)
Interest and other finance costs (including borrowing costs c	(668)	(1,089)	(697)	(512)	(496)
Net Cash Used in Financing Activities (C)	**797**	**1,661**	**(5,337)**	**(2,166)**	**(2,611)**
Net Increase in Cash and Cash Equivalents (A+B+C)	**1,349**	**(1,165)**	**190**	**(401)**	**81**
Effect of exchange rate changes on cash and cash equivalent	(1)	5	(9)	-	
Cash and Cash Equivalents (Opening Balance)	**94**	**1,442**	**356**	**537**	**136**
Cash and Cash Equivalents (Closing Balance)	**1,442**	**282**	**537**	**136**	**217**

AUDITOR'S COMMENTS & OBSERVATIONS - STANDALONE

Observations from the auditors' report for the year ended 31st March 2023:

Emphasis of Matter

Attention is drawn to Note No. 27(27)(c) to the standalone financial statements which describes the fact that pending requisite approvals of the Draft Scheme of Arrangement, an amount of H868.63 crores has been transferred from General Reserve to the Retained Earnings under the head "Other Equity" during the financial year ended on March 31, 2023, for which there is no specific accounting treatment specified in Ind AS.

During the year, the Company has provided loans and extended guarantee to companies, firms, limited liability partnership or any other parties as follows:

Particulars	Loan (INR in Million)	Guarantee (INR in Million)
- Subsidiary	95.7	82.2
- Other party	-	33.1
Balance outstanding as at the Balance sheet date		
- Subsidiary	98.6	82.2

As disclosed in Note 27(7)J to the standalone financial statements, the Company has granted loan of INR 98.6 crore to subsidiary company with stipulated terms and conditions. The Company has not granted any loan or advance in nature of loan to any other party.

According to the information and explanations given to auditor, there are no disputed dues in respect of value added tax, income tax, goods and services tax and duty of customs which have not been deposited. The following are the particulars of sales tax, central sales tax, entry tax, professional tax, and excise duty as of March 31, 2023, which have not been deposited on account of dispute:

Nature of the Statute	Nature of disputed dues	Amount (INR in Million)	Period to which the amount relates	Forum where dispute is pending
Sales Tax	Sales Tax	0.2	1st April 2006 to 30th November 2008	Additional Commissioner
	Sales Tax	1.6	2015-16	Revisional Authority
Central Sales Tax	Central Sales Tax	0.2	1st April 2006 to 30th November 2008	Additional Commissioner Sales Tax
	Central Sales Tax	1.1	2006-07	Deputy Commissioner
Entry Tax	Entry Tax	0.3	2013-14	Revisional Authority
	Entry Tax	23.4	April 2006 to June 2017	West Bengal Taxation
Professional Tax	Professional Tax	0.4	2014-15	Joint Commissioner
Central Excise Act 1944	Excise duty	2.4	2013-14	Commissioner Appeals
Goods and Services Tax Act 2017	Goods and Service Tax	1.5	October 2018	Commissioner appeals
Customs Act 1962	Custom duty	9.00	2017-18 and 2020-2021	Commissioner appeals

Based on the examination of records and except for the effects of the matter described in Basis for Qualified Opinion paragraph in auditor Independent Auditors' Report, the company has not incurred cash losses during the financial year covered by auditor audit and the immediately preceding financial year. However, considering the impact of the aforesaid Qualification, we report that the Company has incurred cash losses of INR 343.7 Crore and INR NIL during the financial year covered by auditor audit and immediately preceding financial year respectively

<u>Observations from the auditors' report for the year ended 31st March 2022:</u>

Emphasis of Matter

Auditors refer to note 28.27 of these standalone financial statements, detailing the Scheme of Arrangement and it's effect in these financial statements. The Standalone financial statements for the year ended on March 31, 2022, subject to approval of the scheme of arrangement were earlier approved by Board of Directors on May 2, 2022. Auditor had issued their audit report with modified opinion on May 2, 2022. The Board of Directors of the Company had at their meeting held on 29th March, 2022 inter alia approved the Scheme of Arrangement in nature of Amalgamation of Aleor Dermaceuticals Ltd. ('the Transferor Company') with Alembic Pharmaceuticals Ltd. ('the Transferee Company') and their respective shareholders ('the Scheme') with effect from the appointed date i.e. 1st April, 2021 has been sanctioned by the Hon'ble National Company Law Tribunal, Ahmedabad Bench ('NCLT') vide its order dated August 29, 2022. The Scheme has become effective upon filing of the certified copy of order of the NCLT, sanctioning the Scheme with Registrar of Companies, Gujarat at Ahmedabad by way of filing required e-forms with Ministry of Corporate Affairs' portal on September 5, 2022. Basis the Order of NCLT approving the Scheme, these standalone financial statements for the year ended 31st March 2022 are prepared and presented after giving effect to the Scheme.

Auditor opinion is not modified in respect of this matter.

According to the information and explanations given to auditor, there are no disputed dues in respect of value added tax, income tax, goods and service tax and duty of customs which have not been deposited. The following are the particulars of sales tax, central sales tax, entry tax, professional tax, and excise duty as of 31st March 2022 which have not been deposited on account of dispute:

Nature of the Statute	Nature of disputed dues	Amount (INR in Million)	Period to which the amount relates	Forum where dispute is pending
Sales Tax	Sales Tax	0.8	2006-07	Joint Commissioner Appeals
	Sales Tax	0.8	2009-10	Maharashtra Tribunal
	Sales Tax	0.2	1st April 2006 to 30th November 2008	Additional Commissioner
	Sales Tax	1.6	2015-16	Revisional Authority
Central Sales Tax	Central Sales Tax	0.2	1st April 2006 to 30th November 2008	Additional Commissioner Sales Tax
	Central Sales Tax	0.1	2006-07	Joint Commissioner Appeals
	Central Sales Tax	1.1	2006-07	Deputy Commissioner
Entry Tax	Entry Tax	0.3	2013-14	Revisional Authority
	Entry Tax	23.4	April 2006 to June 2017	West Bengal Taxation Tribunal
Professional Tax	Professional Tax	0.5	2014-15	Joint Commissioner
Central Excise Act 1944	Excise duty	2.4	2013-14	Commissioner Appeals

<u>Observations from the auditors' report for the year ended 31st March 2021:</u>

<u>Other Matter</u>

The comparative financial information included in these standalone financial statements, are based on the previously issued standalone financial statements for the year ended 31st March 2020 which were audited by the predecessor auditors who, vide their report dated May 22, 2020, expressed an unmodified opinion. Our Opinion is not modified in respect of this matter.

According to the information and explanations given to us, there are no disputed dues in respect of value added tax, income tax, goods and service tax and duty of customs which have not been deposited. The following are the particulars of sales tax, central sales tax, entry tax, professional tax, and excise duty as of 31st March 2021 which have not been deposited on account of dispute:

Nature of the Statute	Amount not deposited (INR in Million)	Forum where dispute is pending	Period to which the amount relates
Sales Tax	1.30	High Court	1999-2000
	16.40	Asst. Commissioner	2003-04
	0.00	Additional Commissioner	2004-05
	0.08	Joint Commissioner Appeals	2006-07
	0.08	Maharashtra Tribunal	2009-10
	0.20	Additional Commissioner	1st April 2006 to 30th November 2008
	1.60	Revisional Authority	2015-16
Central Sales Tax	0.20	Addl. Commissioner Sales Tax	1st April 2006 to 30th November 2008
	0.10	Jt. Commissioner Appeals	2006-07
	0.30	Jt. Commissioner Appeals	2010-11
	1.10	Dy. Commissioner II	2006-07
Entry Tax	0.30	Revisional Authority	2013-14
Professional Tax	0.50	Jt. Commissioner	2014-15
Excise duty	2.40	Commissioner Appeals	2013-14

Observations from the auditors' report for the year ended 31st March 2020:

Dues of income tax or sales tax or service tax or duty of customs or duty of excise or value added tax or goods and service tax (GST) that have not been deposited on account of any dispute are as under:

Nature of the Statute	Amount not deposited (INR in Million)	Forum where dispute is pending	Period to which the amount relates
Sales Tax, interest and penalty	1.30	High Court	1999-2000
	16.40	Asst. Commissioner Demand	2003-04
	@	Additional Commissioner	2004-05
	0.20	Revisional Board (Tribunal)	2006-07
	2.10	Jt. Commissioner Appeals	2013-14
	0.80	Jt. Commissioner Appeals	2006-07
	0.80	Maharashtra Tribunal	2009-10
	0.20	Additional Commissioner	1st April 2006 to 30th November 2008
	1.50	Additional Commissioner	2007-08
	1.60	Revisional Authority	2015-16
	4.80	Revisional Authority	2012-13
Central Sales Tax	0.20	Addl. Commissioner Sales Tax	1st April 2006 to 30th November 2008
	0.10	Jt. Commissioner Appeals	2006-07
	0.30	Jt. Commissioner Appeals	2010-11
	1.10	Dy. Commissioner II	2006-07
Entry Tax	0.30	Revisional Authority	2013-14
Professional Tax	0.50	Jt. Commissioner	2014-15
Excise duty, interest & penalty	2.40	Commissioner Appeals	2013-14

@ INR 44,830/-

Observations from the auditors' report for the year ended 31st March 2019:

The title deeds of immovable properties are held in the name of the company except for Land having book value of INR 11.90 million still being held in the names of erstwhile demerged companies.

Dues of income tax or sales tax or service tax or duty of customs or duty of excise or value added tax or goods and service tax (GST) that have not been deposited on account of any dispute are as under:

Nature of the Statute	Amount not deposited (INR in Million)	Forum where dispute is pending	Period to which the amount relates
Sales Tax, interest and penalty	1.30	High Court	1999-2000
	16.40	Asst. Commissioner Demand	2003-2004
	0.05	Additional Commissioner	2004-2005
	0.20	Revisional Board (Tribunal)	2006-2007
	2.10	Jt. Commissioner Appeals	2013-2014
	0.80	Jt. Commissioner Appeals	2006-2007
	0.80	Tribunal	2009-2010
	0.20	Additional Commissioner	01-04-2006 to 30-11-2008
	1.50	Additional Commissioner	2007-2008

Nature of the Statute	Amount not deposited (INR in Million)	Forum where dispute is pending	Period to which the amount relates
Central Sales Tax	1.10	Deputy Commissioner II	2006-2007
	0.20	Additional Commissioner Sales Tax	1st April 2006 to 30th November 2008
	0.10	Jt. Commissioner Appeals	2006-2007
	0.30	Jt. Commissioner Appeals	2010-2011
Entry Tax	0.30	Revisional Authority	2013-2014
Professional Tax	0.50	Jt. Commissioner	2014-2015
Excise Duty, interest and penalty	21.40	CESTAT	2005-2006
	1.00	CESTAT	2011-12
	0.02	Remand Back	2007-2008
	0.20	CESTAT	1998-1999
	0.04	Commissioner Appeal	2009-2010
	0.50	Supreme Court	2005-2006
	12.10	Supreme Court	2005-2006
	0.06	CESTAT	2008-2009
	0.10	CESTAT	2010-2011
	10.20	CESTAT	2006-2011
	2.40	Commissioner Appeals	2013-2014
	0.40	Commissioner Appeals	2013-2014
	0.30	CESTAT	2012-2013
	0.01	Commissioner Appeals	2011-2012
	0.10	Commissioner Appeals	2006-2011
	0.03	Commissioner Appeals	2008-2009
	0.03	Commissioner Appeals	2009
	0.05	Commissioner Appeals	2009-2010
	0.01	Commissioner Appeals	2007-2008

Source: Annual reports

Contingent Liabilities:

INR in Million

Sr. No.	Particulars	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
1	**Contingent Liabilities**					
	Contingent liabilities not provided for					
a	Letter of credit and Guarantees	2,501	1,859	912	614	1,149
b	Liabilities Disputed in appeals filed with respect to Indirect tax	-	-	-	-	18
i	Excise duty	54	3	2	2	-
ii	Sales Tax	32	34	25	6	-
c	Claims against the company not acknowleged as debt	4	4	4	4	4
d	Export obligation against advance licence	-	-	10	0	0
e	Disputed liability in respect of Ministry of Industry, Department of Chemicals and Petrochemicals in respect of price of Rifampicin allowed in formulations and landed cost of import	4	3	4	4	4
	Total (1)	**2,594**	**1,903**	**956**	**629**	**1,175**
2	**Capital Commitment**					
a	Estimated amount of contracts net of advances remaining to be executed on capital accounts	1,497	2,653	2,315	1,653	2,087
	Total (2)	**1,497**	**2,653**	**2,315**	**1,653**	**2,087**
	TOTAL (1+2)	**4,091**	**4,556**	**3,271**	**2,282**	**3,262**

iii Contingent Asset

Interest on Investments made in 10% Secured Redeemable Non-Convertible Debentures of INR 3,000 million, 10% & 12% Unsecured Redeemable Non-Convertible Debentures of INR 2,000 million and INR 4,140 million respectively and Warrants of INR 0.5 million of the wholly owned Subsidiary Company Aleor Dermaceuticals Limited which are carried at cost as per para 10 of Ind AS 27 'Separate Financial Statements'.

As per terms of the securities subscription agreement entered into between the Company and Aleor Dermaceuticals Limited "no interest shall accrue and be payable unless the subsidiary company earns cash profits". As at the Balance Sheet date, no cash profits have been earned by the subsidiary company. As per the cash flows and profitability projections made by the subsidiary company, there is no certainty of the date of the realization of interest and principal amounts.

In view of the aforesaid reasons and on the grounds of prudence, the Company has not recognized the interest income on the said investment. However, since Company has a conditional right to receive interest on the above investments at the specified coupon rate amounting to INR 1,190.3 million for the year and accumulated till the year-end of INR 3,398.8 million is considered as Contingent asset.

Source: Annual reports

BANK DETAILS

NAME : HDFC Bank Limited

ADDRESS : 1st Floor, Aviditya Complex
Opp. Arpan Complex
Nizampura Branch
Vadodara – 390 002
Gujarat
India

The Company deals with bank since July 2010.

It has following credit facilities from the bank as on 9th June 2023:

Amount in INR Million

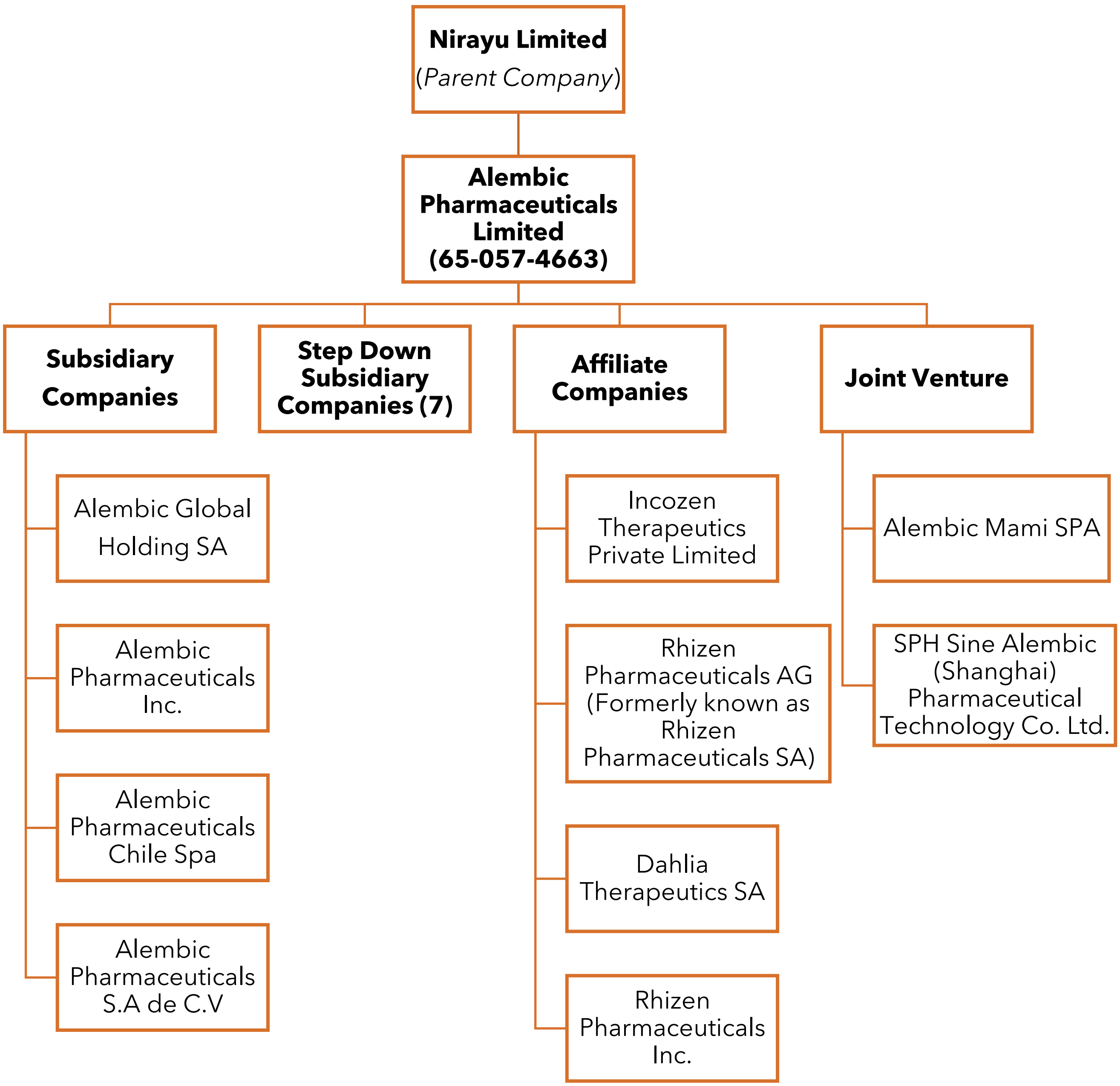
Nature of Facilities	Amount Sanctioned	Amount Disbursed	Amount Outstanding	Amount Overdrawn
Cash Credit / Working Capital Demand Loan	2,000	2,000	500	NA
Any Other fund base				NA
Non Fund Based	(250)*	(250)	221	NA
Total	**2,000**	**2,000**	**721**	**NA**

The Company also has banking relationship with the following banks:

- ✓ Axis Bank Limited
- ✓ Citibank N.A.
- ✓ The Hongkong and Shanghai Banking Corporation Limited
- ✓ Corporation Limited
- ✓ Kotak Mahindra Bank Limited
- ✓ J.P. Morgan
- ✓ ICICI Bank Limited
- ✓ Yes Bank Limited

Source: Annual report 2023, and information retained from previous report

CORPORATE PARENT LINKAGE



- Subsidiary Companies
- Step Down Subsidiaries Companies
- Affiliates
- Joint Ventures

GROUP DETAILS

Holding Company

Name of the Parent Company	Address	City	Pincode	State	Country	% Held
Nirayu Limited	C4/22-23, Baroda Industrial Estate, Gorwa	Vadodara	390 016	Gujarat	India	35.63

Subsidiaries

Name of the Subsidiary	Address	City	Pincode	Country	% Held
Alembic Global Holding SA	Rue Fritz-Courvoisier 40 CH – 2300	La Chaux-de-Fonds	-	Switzerland	100.00
Alembic Pharmaceuticals Inc	750 Highway 202, Bridgewater	New Jersey	8807	United States of America	100.00
Alembic Pharmaceuticals Chile Spa	-	-	-	Chile	100.00
Alembic Pharmaceuticals S.A de C.V	-	-	-	Mexico	99.00

Financials of the Subsidiary companies

INR in Million

Name of the Subsidiary	For the year ended	Revenue	Profit/(Loss) after Tax	Networth	Return on Networth (%)
Alembic Global Holding SA	31-Mar-23	59.30	(1,403.00)	333.30	-
Alembic Pharmaceuticals Inc	31-Mar-23	15,001.50	480.50	2,665.80	18.02
Alembic Pharmaceuticals Chile Spa	31-Mar-23	-	(24.10)	3.10	-
Alembic Pharmaceuticals S.A de C.V	31-Mar-23	-	-	-	-

Step Down Subsidiary Companies

Name of the Step Down Subsidiary	Address	City	Pincode	Country	% Held
Alembic Pharmaceuticals Australia Pty Limited	2 A Porter Road, Carnegie VIC 3163	Melbourne	-	Australia	100.00
Alembic Pharmaceuticals Europe Limited	103, Palazzo Pietro Stiges Strait Street	Valletta	VLT 1436	Malta	100.00
Alnova Pharmaceuticals SA	Rue Fritz-Courvoisier 40, 2300	La Chaux-de-Fonds		Switzerland	100.00
Alembic Pharmaceuticals Canada Limited	12 York St. Suite 2904	Toronto	ON M5J 0A9	Canada	100.00
Genius LLC	96 (N/P # 154) Koshitsa Str.	Kyiv	2068	Ukraine	100.00
Alembic Labs LLC (Formerly Known as Ori Laboratories LLC)	200 Fairfield Ave, West Caldwell	New Jersey	07006-6412	United States of America	100.00
Okner Realty LLC	200 Fairfield Ave, West Caldwell	New Jersey	07006-6412	United States of America	100.00

Financials of the Subsidiary companies

INR in Million

Name of the Step Down Subsidiary	For the year ended	Revenue	Profit/(Loss) after Tax	Networth	Return on Networth (%)
Alembic Pharmaceuticals Australia Pty Limited	31-Mar-23	-	(3.40)	24.20	(14.05)
Alembic Pharmaceuticals Europe Limited	31-Mar-23	-	1.20	36.20	3.31
Alnova Pharmaceuticals SA	31-Mar-23	-	(1.20)	13.30	(9.02)
Alembic Pharmaceuticals Canada Limited	31-Mar-23	-	(4.00)	(15.60)	25.64
Genius LLC	31-Mar-23	-	-	-	-
Alembic Labs LLC (Formerly Known as Orit Laboratories LLC)	31-Mar-23	69.70	(184.80)	21.50	-
Okner Realty LLC	31-Mar-23	-	(1.70)	73.00	(2.33)

Affiliate Companies

Name of the Affiliate	Address	City	Pincode	State	Country	% Held
Incozen Therapeutics Private Limited	Lab 223, 224, 1st Flr & 233,234 2nd Flr, Block -2, Alexandria Knowledge Park, Turkapally Shameerpet	Hyderabad	500 078	Telangana	India	50.00
Rhizen Pharmaceuticals AG (Formerly known as Rhizen Pharmaceuticals SA)	Rue Fritz-Courvoisier 40	La Chaux-de-Fonds	CH-2300	-	Switzerland	50.00
Dahlia Therapeutics SA	Rue Fritz-Courvoisier 40	La Chaux-de-Fonds	CH-2300	-	Switzerland	100.00
Rhizen Pharmaceuticals Inc.	500 W Office Center Dr #400	Fort Washington	PA 19034	-	United States of America	100.00

Joint Ventures

Name of the Joint Venture	% Held
Alembic Mami SPA	49.00
SPH Sine Alembic (Shanghai) Pharmaceutical Technology Co. Ltd.	44.00

Group Concerns

Name of the Group Company
Alembic Limited
Shreno Limited
Paushak Limited
Viramya Packlight LLP
Shreno Publications Limited
Rakshak Services Private Limited
Alembic City Limited
Bhailal Amin General Hospital
Alembic CSR Foundation
Shreno Engineering Limited
Alembic Pharmaceuticals Limited Provident Fund
Alembic Pharmaceuticals Limited Superannuation Scheme
Alembic Pharmaceuticals Limited EGGS

Source: Annual report 2023 and information retained from previous report

LOCATION DETAILS

DUNS Number	Address	Location Type	Type of Occupation
67-546-9974	2nd Floor, Prime Corporate Park Behind ITC, Grand Maratha Sheraton Sahar Road Andheri (East) Mumbai - 400 099 Maharashtra India	Mumbai Office	-
65-057-4689	Plot No. 21, 22, EPIP – Phase I Jhamajri, Baddi, Tehsil - Nalagarh Solan - 173 205 Himachal Pradesh India	Branded Formulation Plant	Owned
67-546-9975	Samardung Busty - 737126 Namthang South Sikkim India	Branded Formulations Plant	Owned
-	Survey No. 84, 87 and 88, Panelav Taluka Halol Panchmahal - 389 350 Gujarat India	Formulation Divisioı II	-
-	Plot No. 779P/790P Village - Karakhadi, Taluka - Padra Vadodara - 391 450 Gujarat India	Formulation Divisioı III	-
-	Plot 401, 406, 407, 408, 410, 411 412 & 415 Opp. Liva Pharmaceutical Ha Road, Jarod, Taluka Vaghodiya Vadodara - 391 510 Gujarat India	Formulation Divisioı IV	-
67-546-9976	Jarod, Waghodia - 391 510 Gujarat India	International Formulations Division	Owned
65-057-4671	Village Panelav, P.O. Tajpura Near Baska, Taluka Halol Panchmahal - 389 350 Gujarat India	International Formulations Division	Owned

DUNS Number	Address	Location Type
65-057-4697	Plot No 842-843 Village Karakhadi, PadraTaluka Vadodara - 391 450 Gujarat India	Injectables and API Plant III
65-057-4713	Village Panelav, P.O. Tajpura Near Baska, Taluka Halol Panchmahal - 389 350 Gujarat India	API Plant I and API Plant II
65-057-4705	Village Panelav, P.O. Tajpura Near Baska, Taluka Halol Panchmahal - 389 350 Gujarat, India	API Plant I and API Plant II
-	Genome Valley Shameerpet, Turkapally (V) Hyderabad - 500 078 Telangana India	Research and Development Center
65-056-4060	Alembic Road Gorwa Vadodara - 390 003 Gujarat India	Research Centre

Source: Information retained from previous report

AWARDS & CERTIFICATIONS

Awards

The Company has received the following award:

- ✓ Received SHRM Award and stood at Runner-up position in the National Level HR award.

Source: Annual report FY 2023

Certifications

The Company has received the following other certifications:

- ✓ The Company has been accredited with ISO 9001certification
- ✓ The Company has been accredited with ISO 14001 certification

Note: Physical/Renewal copies were not provided for verification

Source: information retained from previous report

Memberships

- ✓ The Company has member of –
- ✓ Federation of Gujarat Industries
- ✓ Federation of Indian Chambers of Commerce & Industry
- ✓ International Chamber of Commerce.
- ✓ Indian Drug Manufacturers' Association.
- ✓ Federation of Indian Export Organizations.
- ✓ Pharmaceutical Export Promotion Council of India.

Source: Annual report 2023 and information retained from previous report

OTHER DETAILS

Particulars	Details
CIN Number	L24230GJ2010PLC061123
AGM Date	11th November 2022
Auditor	K. C. Mehta & Co. Vadodara (Gujarat)

STANDARD INDUSTRIAL IDENTIFICATION CODES

SIC Codes

2834-0000

Manufactures pharmaceutical preparations

2834-0405

Manufactures syrups, pharmaceutical

2834-0801

Manufactures antibiotics, packaged

2834-9902

Manufactures druggists' preparations (pharmaceuticals)

2834-9903

Manufactures emulsions, pharmaceutical

2834-9905

Manufactures medicines, capsule or ampule

2834-9906

Manufactures pills, pharmaceutical

2834-9907

Manufactures powders, pharmaceutical

2834-9909

Manufactures solutions, pharmaceutical

2834-9910

Manufactures tablets, pharmaceutical

2834-9911

Manufactures veterinary pharmaceutical preparations

MEDIA ARTICLES

Alembic receives USFDA nod for Jarod plant Alembic bags establishment inspection report for facility in Jarod, Gujarat

11th May 2023

Alembic Pharmaceuticals said it has received the establishment inspection report (EIR) for its solid oral formulation facility (F-4) at Jarod, Gujarat, as per a regulatory filing. Alembic said the inspection was carried out by the US Food and Drug Administration (FDA) for the period between December 8 and December 16, 2022. Alembic Pharmaceuticals Q4 net jumps three-fold at ₹131 crore. The company said this was a pre-approval inspection to cover Alembic's solid oral drug products for which Abbreviated New Drug Applications (ANDAs) had been filed with the USFDA. The company has also started receiving approvals for products manufactured at this facility, it said.

Source: https://www.thehindubusinessline.com/news/alembic-receives-usfda-nod-for-jarod-plant/article66833479.ece

Alembic Pharmaceuticals receives USFDA Tentative Approval for Dasatinib Tablets, 20 mg, 50 mg, 70 mg, 80 mg, 100 mg, and 140 mg.

10th June 2022

Alembic Pharmaceuticals Limited (Alembic) today announced that it has received tentative approval from the US Food & Drug Administration (USFDA) for its Abbreviated New Drug Application (ANDA) for Dasatinib Tablets, 20 mg, 50 mg, 70 mg, 80 mg, 100 mg, and 140 mg. The tentatively approved ANDA is therapeutically equivalent to the reference listed drug product (RLD) Sprycel Tablets, 20 mg, 50 mg, 70 mg, 80 mg, 100 mg, and 140 mg, of Bristol Myers Squibb Company (BMS). Dasatinib Tablet is indicated for the treatment of adult patients with i) newly diagnosed Philadelphia chromosome-positive (Ph+) chronic myeloid leukaemia (CML) in chronic phase. ii) chronic, accelerated, or myeloid or lymphoid blast phase Ph+ CML with resistance or intolerance to prior therapy including imatinib. iii) Philadelphia chromosome-positive acute lymphoblastic leukaemia (Ph+ ALL) with resistance or intolerance to prior therapy. Dasatinib Tablets have an estimated market size of US$ 1465 million for twelve months ending Dec 2021 according to IQVIA. Alembic has a cumulative total of 168 ANDA approvals (144 final approvals and 24 tentative approvals) from USFDA.

Source: Company Website

Alembic Pharmaceuticals receives USFDA Final Approval for Pirfenidone Tablets, 267 mg and 801 mg.

24th May 2022

Alembic Pharmaceuticals Limited (Alembic) today announced that it has received final approval from the US Food & Drug Administration (USFDA) for its Abbreviated New Drug Application (ANDA) for Pirfenidone Tablets, 267 mg and 801 mg. The approved ANDA is therapeutically equivalent to the reference listed drug product (RLD) Esbriet Tablets, 267 mg and 801 mg, of Genentech, Inc. (Genentech). Pirfenidone Tablets are indicated for the treatment of idiopathic pulmonary fibrosis (IPF). Alembic had previously received tentative approval for this ANDA. Alembic was one of the first ANDA applicants to submit a substantially complete ANDA with a paragraph IV certification. It may not· be indicated for certain other uses due to unexpired exclusivities for the RLD for such uses.

Pirfenidone Tablets, 267 mg and 801 mg have an estimated market size of US$ 548 million for twelve months ending December 2021 according to IQVIA. Alembic has settled the case with Genetech and will launch its generic as per the terms of settlement. Alembic has a cumulative total of 167 ANDA approvals (144 final approvals and 23 tentative approvals) from USFDA.

Source: Company Website

Alembic Pharmaceuticals announces USFDA Final Approval for Arformoterol Tartrate Inhalation Solution, 15 mcg (base)/2 ml Unit-dose Vial.

11th May 2022

Alembic Pharmaceuticals Limited (Alembic) today announced that it has received final approval from the US Food & Drug Administration (USFDA) for its Abbreviated New Drug Application (ANDA) for Arformoterol Tartrate Inhalation Solution, 15 mcg (base)/2 ml Unit-dose Vial. The approved ANDA is therapeutically equivalent to the reference listed drug product (RLD), Brovana Inhalation Solution, 15 mcg/2 ml, of Sunovion Pharmaceuticals Inc. Arformoterol Tartrate Inhalation Solution is a long acting beta2-adrenergic agonist (beta2-agonist) indicated for long-term, twice daily (morning and evening) administration in the maintenance treatment of bronchoconstriction in patients with chronic obstructive pulmonary disease (COPD), including chronic bronchitis and emphysema.
This ANDA has been co-developed in partnership with Orbicular Pharmaceutical Technologies Private Limited.

Arformoterol Tartrate Inhalation Solution, 15 mcg (base)/2 ml Unit-dose Vial, has an estimated market size of US$ 251 million for twelve months ending Dec 2021 according to IQVIA. Alembic has a cumulative total of 167 ANDA approvals (143 final approvals and 24 tentative approvals) from USFDA, including this second inhalational ANDA approval.

Source: Company Website

Alembic Pharmaceuticals announces its wholly owned subsidiary, Aleor Dermaceuticals Limited receives USFDA Final Approval for Docosanol Cream, 10% (OTC).

4th May 2022

Alembic Pharmaceuticals Limited (Alembic) today announced that its wholly owned subsidiary, Aleor Dermaceuticals Limited (Aleor) has received final approval from the US Food & Drug Administration (USFDA) for its Abbreviated New Drug Application (ANDA) for Docosanol Cream, 10% (OTC). The approved ANDA is therapeutically equivalent to the reference listed drug product (RLD) Abreva Cream, 10% (OTC), of GlaxoSmithKline Consumer Healthcare. Docosanol Cream, 10% (OTC) is used for cold sore/fever blisters on the face or lips. Docosanol Cream, 10% (OTC) has an estimated market size of US$60 million for twelve months ending December 2021 according to IQVIA. Alembic has received a cumulative total of 166 ANDA approvals (142 final approvals and 24 tentative approvals) from USFDA.

Source: Company Website

Alembic Pharmaceuticals announces its wholly owned subsidiary, Aleor Dermaceuticals Limited receives USFDA Final Approval for Clobetasol Propionate Foam, 0.05%

25th April 2022

Alembic Pharmaceuticals Limited (Alembic) today announced that its wholly owned subsidiary, Aleor Dermaceuticals Limited (Aleor) has received final approval from the US Food & Drug Administration (USFDA) for its Abbreviated New Drug Application (ANDA) for Clobetasol Propionate Foam, 0.05%. The approved ANDA is therapeutically equivalent to the reference listed drug product (RLD) Olux Foam, 0.05%, of Mylan Pharmaceuticals Inc. Clobetasol Propionate Foam is a corticosteroid indicated for treatment of moderate to severe plaque psoriasis of the scalp and mild to moderate plaque psoriasis of non-scalp regions of the body excluding the face and intertriginous areas in patients 12 years and Older. Clobetasol Propionate Foam, 0.05% has an estimated market size of US$10 million for twelve months ending Dec 2021 according to IQVIA. Alembic has received a cumulative total of 165 ANDA approvals (141 final approvals and 24 tentative approvals) from USFDA.

Source: Company Website

Alembic Pharmaceuticals announces its wholly owned subsidiary, Aleor Dermaceuticals Limited receives USFDA Final Approval for Lidocaine and Prilocaine Cream USP, 2.5%/2.5%.

12th April 2022

Alembic Pharmaceuticals Limited (Alembic) today announced that its wholly owned subsidiary, Aleor Dermaceuticals Limited (Aleor) has received final approval from the US Food & Drug Administration (USFDA) for its Abbreviated New Drug Application (ANDA) for Lidocaine and Prilocaine Cream USP, 2.5%/2.5%. The approved ANDA is therapeutically equivalent to the reference listed drug product ·(RLD) EMLA Cream, 2.5%/2.5%, of Teva Branded Pharmaceutical Products R&D, Inc. Lidocaine 2.5% and Prilocaine 2.5% cream (a eutectic mixture of lidocaine 2.5% and prilocaine 2.5%) is indicated as a topical anaesthetic for use on normal intact skin for local analgesia and genital mucous membranes for superficial minor surgery and as pre-treatment for infiltration anaesthesia. Lidocaine 2.5% and Prilocaine 2.5% cream is not recommended in any clinical situation when penetration or migration beyond the tympanic membrane into the middle ear is possible because of the ototoxic effects observed in animal studies

Lidocaine and Prilocaine Cream USP, 2.5%/2.5% has an estimated market size of US$29 million for twelve months ending Dec. 2021 according to IQVIA. Alembic has received a cumulative total of 163 ANDA approvals (140 final approvals and 23 tentative approvals) from USFDA.

Source: Company Website

Alembic Pharmaceuticals receives USFDA Final Approval for Lacosamide Tablets USP, 50 mg, 100 mg, 150 mg, and 200 mg.

21st March 2022

Alembic Pharmaceuticals Limited (Alembic) today announced that it has received final approval from the US Food & Drug Administration (USFDA) for its Abbreviated New Drug Application (ANDA) for Lacosamide Tablets USP, 50 mg, 100 mg, 150 mg, and 200 mg. The approved ANDA is therapeutically equivalent to the reference listed drug product (RLD) Vimpat Tablets, 50 mg, 100 mg, 150 mg, and 200 mg, of UCB, Inc. Lacosamide Tablets are indicated for the treatment of partial-onset seizures in patients 4 years of age and older. It may not be indicated for certain other uses due to unexpired exclusivities for the RLD for such uses. Lacosamide Tablets of 50 mg, 100 mg, 150 mg, and 200 mg have an estimated market size of US$ 1.67 billion for twelve months ending December 2021 according to IQVIA. Alembic has received year to date (YTD) 23 approvals (16 final approvals and 7 tentative approvals) and a cumulative total of 161 ANDA approvals (139 final approvals and 22 tentative approvals) from USFDA

Source: Company Website

Alembic Pharmaceuticals receives USFDA Tentative Approval for Macitentan Tablets, 10 mg.

14th March 2022

Alembic Pharmaceuticals Limited (Alembic) today announced that it has received tentative approval from the US Food & Drug Administration (USFDA) for its Abbreviated New Drug Application (ANDA) for Macitentan Tablets, 10 mg. The tentatively approved ANDA is therapeutically equivalent to the reference listed drug product (RLD) Opsumit Tablets, 10 mg of Actelion Pharmaceuticals US, Inc. (Actelion). Macitentan Tablets are an endothelin receptor antagonist (ERA) indicated for the treatment of pulmonary arterial hypertension (PAH, WHO Group I) to delay disease progression. Disease progression included: death, initiation of intravenous (IV) or subcutaneous prostanoids, or clinical worsening of PAH (decreased 6-minute walk distance, worsened PAH symptoms and need for additional PAH treatment). Macitentan Tablets also reduced hospitalization for PAH. It may not be indicated for certain other uses due to unexpired exclusivities for the RLD for such uses."

Macitentan Tablets, 10 mg have an estimated market size of US$ 797 million for twelve months ending Dec 2021 according to IQVIA. Alembic has received year to date (YTD) 22 approvals (15 final approvals and 7 tentative approvals) and a cumulative total of 161 ANDA approvals (138 final approvals and 23 tentative approvals) from USFDA.

Source: Company Website

Alembic Pharmaceuticals announces its joint venture Aleor Dermaceuticals receives USFDA Final Approval for Nystatin and Triamcinolone Acetonide Ointment USP, 100,000 units/gram.

8th March 2022

Alembic Pharmaceuticals Limited (Alembic) today announced that its joint venture Aleor Dermaceuticals Limited (Aleor) has received final approval from the US Food & Drug Administration (USFDA) for its Abbreviated New Drug Application (ANDA) for Nystatin and Triamcinolone Acetonide Ointment USP, 100,000 units/gram. The approved ANDA is therapeutically equivalent to the reference listed drug product (RLD) Nystatin and Triamcinolone Acetonide Ointment USP, 100,000 U/g/0.1 %, of Taro Pharmaceuticals U.S.A. Inc. Nystatin and Triamcinolone Acetonide Ointment is indicated for the treatment of cutaneous candidiasis; it has been demonstrated that the nystatin-steroid combination provides greater benefit than the nystatin component alone during the first few days of treatment. Nystatin and Triamcinolone Acetonide Ointment has an estimated market size of US$4 million for twelve months ending Dec 2021 according to IQVIA. Alembic has received year to date (YTD) 21 approvals (15 final approvals and 6 tentative approvals) and· a cumulative total of 160 ANDA approvals (138 final approvals and 22 tentative approvals) from USFDA.

Source: Company Website

GLOSSARY FOR KEY RATIOS

KEY FINANCIAL RATIOS	FORMULAE
GROWTH RATIOS	
Revenue Growth (%)	% Change in revenue in the current year over the previous year
Net Profit Growth (%)	% Change in net profit in the current year over the previous year
PROFITABILITY RATIOS	
Gross Profit Margin (%)	(Net Revenue - Direct Expenditure/Net Revenue) *100
Operating Profit Margin (%)	(Operating Profit/Net Revenue) *100
Net Profit Margin (%)	(Net Profit after Tax/Net Revenue) *100
Return on Tangible Networth (%)	(Net Profit after Tax/Tangible Networth) *100
Return on Capital Employed (%)	(Earnings before Interest and Tax/Capital Employed) *100
Return on Fixed Assets (%)	(Net Profit after Tax/Fixed Assets) *100
Return on Total Assets (%)	(Net Profit after Tax/ (Current Assets + Other Tangible Assets)) *100
LIQUIDITY RATIOS	
Super Quick Ratio (Times)	(Cash and Bank Balance + Receivables)/Current Liabilities
Quick Ratio (Times)	(Current Assets - Inventory - Prepaid Expenses - Unbilled Revenue)/Current Liabilities
Current Ratio (Times)	Current Assets/Current Liabilities
TURNOVER RATIOS	
Inventory Turnover Ratio (Times)	(Direct Expenditure - Repairs & Maintenance - Plant & Machinery)/Total Inventory
Fixed Assets Turnover Ratio (Times)	Net Revenue/Fixed Assets
SOLVENCY RATIOS	
Long Term Debt Equity Ratio (Times)	Long Term Loans/Tangible Networth
Total Debt Equity Ratio (Times)	Total borrowings (Long term + Short term)/Tangible Networth
Total Liabilities to Tangible Networth (%)	{(Current Liabilities + Non-Current Liabilities)/Tangible Networth)} *100
Interest Coverage Ratio (Times)	Earnings before Interest and Tax/Interest Expenditure

EFFICIENCY RATIOS

KEY FINANCIAL RATIOS	FORMULAE
Payment Period (Days)	Accounts Payable/Total Purchases*365
Average Payment Period (Days)	Average Accounts Payable/Total Purchases*365
Collection Period (Days)	Accounts Receivable/Net Revenue*365
Average Collection Period (Days)	Average Accounts Receivable/Net Revenue*365
WORKING CAPITAL RATIOS	
Current Liabilities to Tangible Networth (%)	Current Liabilities/Tangible Networth*100
Working Capital Turnover Ratio (Times)	Net Revenue/ (Current Assets - Current Liabilities)
Inventory Days	365/Inventory Turnover Ratio
Working Capital Cycle	Collection Period (days) + Inventory Holding (Days) - Payment Period (Days)

OTHER KEY FINANCIALTERMS	
Direct Expenditure	Cost of material consumed or traded, salaries & wages, freight inward, job work charges, royalties/technical fees and other expenses directly related to manufacturing/rendering of services.
Operating Profit	Measure of profit or loss earned / incurred after charging all direct expenses plus indirect expenses from revenue and other operating income pertaining to core business activities. Taken as EBIT – non operating income.
Net Profit	Measure of net profit or loss earned/incurred after considering all incomes and expenses including interest expenditure and taxes.
Working Capital	Current Assets - Current Liabilities
Tangible Networth	Working Capital + Other Tangible assets - Non-Current Liabilities
Capital Employed	Tangible Networth + (Long-Term Borrowings + Short-Term Borrowings) + Minority Interests
Total Borrowings	Long Term (Secured & Unsecured) Loans + Short Term (Secured & Unsecured) Loans

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