



ALKEM

ALKEM LABORATORIES LIMITED

READY TO SCALE THE NEXT FRONTIER OF GROWTH



ANNUAL REPORT
2018-19

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01-23

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Key Figures - FY 2018-19

₹ **73,572** mn

Revenue From Operations

₹ **11,148** mn

EBITDA

₹ **7,605** mn

PAT

₹ **63.61**

EPS



To view the online version of this report or for other information, log on to:
www.alkemlabs.com

CORPORATE INFORMATION

BOARD OF DIRECTORS

Mr. Samprada Singh

Chairman Emeritus

Mr. Basudeo N. Singh

Executive Chairman

Mr. Sandeep Singh

Managing Director

Mr. Dhananjay Kumar Singh

Joint Managing Director

Mr. Balmiki Prasad Singh

Executive Director

Mr. Mritunjay Kumar Singh

Executive Director

Mr. Akhouri Maheshwar Prasad

Independent Director

Mr. Ranjal Laxmana Shenoy

Independent Director

Mr. Arun Kumar Purwar

Independent Director

Ms. Sangeeta Singh

Independent Director

Ms. Sudha Ravi

Independent Director

Dr. Dheeraj Sharma

Independent Director

KEY MANAGERIAL PERSONNEL

Mr. Rajesh Dubey

President & Chief Financial Officer

Mr. Manish Narang

President – Legal, Company Secretary and Compliance Officer

AUDITORS

M/s. B S R & Co. LLP, Chartered Accountants

BANKERS

Citibank N. A.

HDFC Bank Limited

HSBC Bank Limited

Kotak Mahindra Bank Limited

The Saraswat Co-op Bank Limited

State Bank of India

YES Bank Limited

DBS Bank Limited

BNP Paribas

Bank of Tokyo

Mizuho Bank Limited

REGISTERED OFFICE

Alkem House, Senapati Bapat Marg, Lower Parel,

Mumbai - 400 013, Maharashtra, India

CIN: L00305MH1973PLC174201

Telephone: +91 22 3982 9999

Fax: +91 22 2495 2955

Website: www.alkemlabs.com

Email: investors@alkem.com

REGISTRAR & SHARE TRANSFER AGENTS

M/s Link Intime India Private Limited

Unit: Alkem Laboratories Limited

C-101, 247 Park, L.B.S. Marg,

Vikhroli (West), Mumbai - 400 083

Telephone: +91 22 4918 6270

Fax: +91 22 4918 6060

E-mail id: rnt.helpdesk@linkintime.co.in

Website: www.linkintime.co.in

PLANT LOCATIONS

1. Unit I & II, Daman, India
2. Mandva, Gujarat, India
3. Ankleshwar, Gujarat, India
4. Unit I & II, Baddi, Himachal Pradesh, India
5. Kumrek, East Sikkim, India
6. Unit I, II & III, Samardung, South Sikkim, India
7. California, U.S.A.
8. Missouri, U.S.A.
9. Indchemie Health Specialities Private Limited, Somnath, Daman, India
10. Indchemie Health Specialities Private Limited, Amaliya, Daman, India
11. Indchemie Health Specialities Private Limited, Baddi, Himachal Pradesh, India
12. Unit I & II, Indchemie Health Specialities Private Limited, Kumrek, East Sikkim, India
13. Cachet Pharmaceuticals Private Limited, Baddi, Himachal Pradesh, India
14. Cachet Pharmaceuticals Private Limited, South Sikkim, India

MAJOR RESEARCH CENTRES

1. R&D Centre, MIDC, Taloja, Maharashtra, India
2. R&D Centre, Mandva, Gujarat, India
3. Enzene Biosciences Limited, Pune, Maharashtra, India
4. S&B Pharma Inc., California, U.S.A.
5. S&B Pharma Inc., Missouri, U.S.A.

ALKEM IS READY TO SCALE THE NEXT FRONTIER OF GROWTH

IT WAS A LANDMARK YEAR FOR THE COMPANY AS IT CROSSED THE REVENUE MILESTONE OF US\$ 1 BILLION. THE INTENSE FOCUS ON BUILDING MARKET-LEADING BRANDS, INVESTING IN STATE-OF-THE-ART MANUFACTURING AND R&D FACILITIES, ENSURING CONTINUAL ADHERENCE TO QUALITY AND COMPLIANCE, SETTING UP ROBUST SUPPLY CHAIN AND DISTRIBUTION NETWORK, PENETRATING DEEPER INTO KEY FOCUS MARKETS AND DRIVING EFFICIENCIES AND PRODUCTIVITY ENABLED IT TO ACHIEVE THIS SIGNIFICANT MILESTONE.

WHILE ALKEM HAS FIRMLY ESTABLISHED ITSELF AMONG THE LEADING PHARMACEUTICAL COMPANIES IN INDIA, THE DETERMINATION AND DRIVE TO OUTPERFORM ITSELF REMAINS AS HIGH AS EVER. THE COMPANY IS READY TO CONQUER NEW PEAKS OF PERFORMANCE, AND WITH PLENTY OF GROWTH LEVERS IN PLACE, IT MOVES AHEAD WITH CONFIDENCE AND CONVICTION TO SCALE THESE NEW GROWTH FRONTIERS.



In the domestic market, Alkem is amongst the prominent players in the acute therapy segments of anti-infective, gastro-intestinal, pain/analgesics and vitamins/minerals/nutrients. The Company looks to further consolidate its position in these therapy segments through market leading brands, comprehensive product portfolio, extensive marketing and supply chain reach and an experience of over 40 years. In the fast-growing chronic therapy segments of neuro/CNS, cardiology, anti-diabetes and dermatology, the Company is taking rapid strides to emerge as one of the faster growing companies in the country. The Company looks to outperform in the chronic segments on the back of new product launches including in-licensed products, effective sales and marketing strategies, improved sales force productivity and building strong brands.

In the US market, the Company has developed a healthy pipeline of products with over 120 ANDA filings of which more than half are yet to be commercialised. Continuous investments in R&D, adherence to quality and compliance and timely product approvals will be pivotal in taking growth to the next level, not only in the US market but also in other international markets.

Investments in biosimilars and its in-house manufacturing is another tactical lever for growth. The Company is also upbeat about unlocking greater efficiencies and optimising cost through the development of digital tools and improved processes across all the businesses.

ALL IN ALL, THE CAPABILITIES AND CAPACITIES ARE IN PLACE, BE IT PRODUCT OFFERINGS, MANUFACTURING, R&D, SUPPLY CHAIN, TECHNOLOGY OR CONTROL SYSTEMS. AT THE CORE OF THE COMPANY'S ABILITY TO REALISE AN EVEN STRONGER TOMORROW, IS THE UNSHAKEABLE COMPETITIVE DESIRE OF ITS TALENTED TEAM TO OUTPERFORM AND A WORK CULTURE THAT IS ALIGNED WITH ORGANISATIONAL GOALS. THESE STRATEGIC LEVERS WILL BOLSTER THE SUCCESSFUL PROGRESSION TO THE NEXT LEVEL.



ALKEM AT A GLANCE

ALKEM LABORATORIES IS A LEADING INDIAN PHARMACEUTICAL COMPANY WITH GLOBAL OPERATIONS, ENGAGED IN THE DEVELOPMENT, MANUFACTURE AND SALE OF PHARMACEUTICAL AND NUTRACEUTICAL PRODUCTS. THE COMPANY HAS CONSISTENTLY FEATURED AMONGST THE TOP TEN PHARMACEUTICAL COMPANIES IN INDIA FOR OVER A DECADE.

What it does

The Company produces high-quality branded generics, generic drugs, active pharmaceutical ingredients and nutraceuticals, which it markets in India and internationally. It has a comprehensive portfolio of over 800 brands covering all the major therapeutic segments.



How it operates

The Company has a robust infrastructure comprising 21 manufacturing facilities and 5 R&D centres located across India and the US. A well-established pan-India sales and distribution network, strong brand building and marketing capabilities and an experienced management underpin its operations.



Where it operates

The Company has a strong foothold in the domestic market and a growing presence in more than 50 international markets, with the US being its key overseas market.



Where it stands*

6th Largest

Pharmaceutical Company in India in terms of market share

**As per IQVIA MAT March '19 data*

No. 1

Anti-infectives Company in India for over 15 years

No. 3

Gastro-intestinal and analgesics Company in India

Iconic brand portfolio in Domestic market *

Top 2

The Company's top 10 brands feature amongst the top 2 ranked brands in India in their respective molecule category

**As per IQVIA MAT March '19 data*

8

Brands with annual sales of more than ₹ 1 billion

4

Brands feature amongst the top 50 pharmaceutical brands in India

14

Brands feature amongst the top 300 pharmaceutical brands in India

Fast-growing International business

US\$ 300+ Mn

Of revenues from international business

127

Cumulative Abbreviated New Drug Applications (ANDAs) filings with the US FDA**

70

ANDA approvals*** from the US FDA

50+ Countries

Global presence

*** includes 1 NDA, as on 31st March, 2019*

**** includes 11 tentative approvals and 1 NDA, as on 31st March, 2019*

Advantage Alkem

21

Manufacturing facilities across India & the US

6

USFDA approved manufacturing facilities

5

Global R&D centres

>14,500

Alkemites working across the globe

500+

Scientists

9,000+

Field force in India

7,000+

Stockists in India

40+

Sales depots and warehouses in India

Manufacturing and R&D facilities



Manufacturing Facilities & Capabilities in India •

Location	No. of Facilities	Manufacturing Capabilities
Baddi	4	Formulations - Tablets, Injectables, Dry Syrup
Sikkim	8	Formulations - Tablets, Injectables, Dry Syrup
Daman	5	Formulations - Capsules, Tablets, Injectables, Dry Syrup
Mandva	1	Active Pharmaceutical Ingredients (APIs)
Ankleshwar	1	Active Pharmaceutical Ingredients (APIs)

R&D Facilities in India •

Location	No. of Facilities
Taloja	1
Pune	1
Mandva	1



Manufacturing Facilities & Capabilities in the US •

Location	No. of Facilities	Manufacturing Capabilities
California	1	Active Pharmaceutical Ingredients (APIs)
St. Louis (Missouri)	1	Formulations - Liquids, Nasal Sprays, Semi-solids, Solids

R&D Facilities in the US •

Location	No. of Facilities
California	1
St. Louis (Missouri)	1

Map not to scale. For illustrative purposes only.

Key Markets

India

Revenue ₹ **49,642** Mn

Contribution to revenue 67.5%

US

Revenue ₹ **18,979** Mn

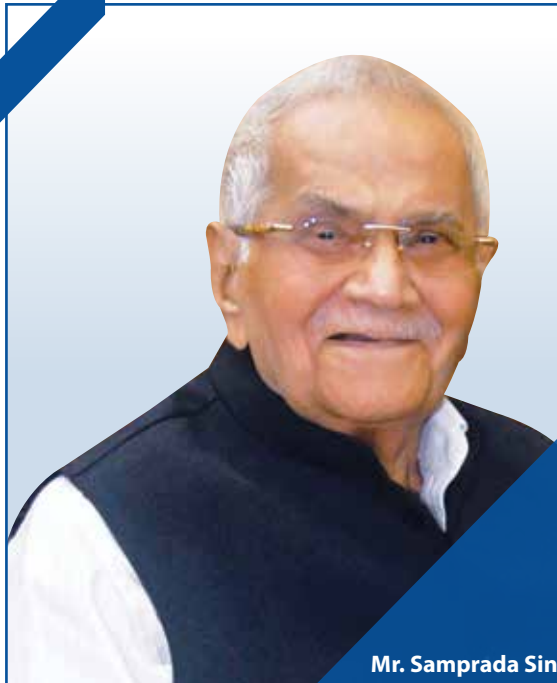
Contribution to revenue 25.8%

Other International Markets

Revenue ₹ **4,950** Mn

Contribution to revenue 6.7%

MESSAGE FROM THE FOUNDERS' DESK



Mr. Samprada Singh, Chairman Emeritus

“ THIS YEAR OUR REVENUES
HAVE CROSSED THE US\$ 1
BILLION MARK, GIVING US
A STRONG PLATFORM TO
FURTHER SCALE UP GROWTH
IN THE COMING YEARS ”

We have built a formidable global pharmaceutical company that has a well-entrenched presence across India and the US, and sales and distribution network in over 50 countries worldwide



Dear Shareholders,

We are delighted to share our thoughts with you, on the completion of the 45th year of our business. It has been a long and fulfilling journey, replete with achievements.

During this journey, we have built a formidable global pharmaceutical company that has 800+ brands, 21 manufacturing plants, a well-entrenched presence across India and the US, and sales and distribution network in over 50 countries worldwide. This year our revenues have crossed the US\$ 1 billion mark, giving us a strong platform to further scale up growth in the coming years.

We have come this far thanks to our vision, work culture, the pursuit of quality, and our dedicated workforce. It has always been our endeavour to deliver highly efficacious and quality drugs at affordable prices. These traits will be our foundation to take our growth story forward.

The pharmaceutical market of today is radically different from what it was when we began our journey. Both our key markets of India and the US has undergone significant changes in terms of regulatory landscape, competitive pressures and therapeutic mix. We have done relatively well in these evolving markets, credit of which goes to our resilient brands, our processes and most importantly our people.

**Mr. Basudeo N. Singh**, *Executive Chairman*

“OUR VISION, WORK CULTURE, THE PURSUIT OF QUALITY, AND OUR DEDICATED WORKFORCE WILL BE OUR FOUNDATION FOR THE GREAT LEAP FORWARD”

Briefly touching upon the year gone by, our India business faced multiple headwinds including the ban on certain Fixed Dose Combinations (FDCs), a relatively weak anti-infective season and a slow growth in our trade generic business due to tightening of credit terms set by us. However, on the positive side, our chronic business continued to grow significantly ahead of the market growth rate, leading to improvements in our market share and ranking in therapy segments of neuro and CNS, antidiabetics and even cardiac and dermatology. So, overall, while our India business has had a lot of challenges; there were opportunities of growth as well.

Our International Business mainly led by the US business delivered a robust performance on the back of new product launches and market share gains in our existing products. Medicine spending in the US is expected to grow at a steady clip and the region is also expected to witness a large number of products going off-patent over the next five years. Given this, we see a good headroom for growth in the US market. However, with the growing number of players entering into the generic business and the trend of raising grants of ANDA approvals, the prospect of increased price-based competition cannot be ruled out. Our Company is well placed in this growing market with more than 120 ANDAs filed with the USFDA, CGMP compliant manufacturing facilities and own front end to distribute and market our products. During the year, our R&D investment touched ₹ 4.6 billion, a growth of about 27% over last year.

With great satisfaction, I would like to share that, Alkem has also contributed substantially to the growth of communities we are part of. Health and education continues as our CSR priorities. Building of amenities and facilities to deliver better access to education and healthcare remains a key lever for bringing about a positive impact in the society.

We would like to offer sincere thanks to all our shareholders, partners and employees for being part of our growth story and contributing towards the fulfilment of our vision. Our growth is a testimony to the fact that with teamwork, motivation and sustained efforts, everything is possible.

Warm regards,

Mr. Samprada Singh
Chairman Emeritus

Mr. Basudeo N. Singh
Executive Chairman

MESSAGE FROM THE MD'S DESK



Mr. Sandeep Singh, *Managing Director*

“OVER THE PAST FEW YEARS, WE HAVE MADE SIGNIFICANT INVESTMENTS IN OUR PEOPLE, PROCESSES AND CAPABILITIES TO SEIZE THE EMERGING OPPORTUNITIES. I AM CONFIDENT THAT WE ARE NOW BETTER PREPARED TO SCALE THE NEW FRONTIERS OF GROWTH”

Dear Shareholders,

The financial year 2019 has been a landmark year for the Company, as we cross an important milestone of US\$ 1 billion in revenues. At this juncture, I would like to appreciate the hard work and commitment of more than 14,000 Alkemiters, without whom we could not have reached so far. I would also like to extend my gratitude towards our shareholders, partners and the medical fraternity for trusting our capabilities and supporting us in our work.

Even as we cross this milestone, we are preparing ourselves for a long journey ahead. Our commitment and determination to scale even greater heights is now stronger than ever.

As I highlighted in my previous message, the global pharmaceutical industry is undergoing a transformation. To stay relevant and drive sustainable growth in this changing landscape, companies are overhauling their strategies, products and processes. Over the past few years, we too have made significant investments in our people, processes and capabilities to seize the emerging opportunities. I am confident that we are now better prepared to scale the new frontiers of growth.

The year in retrospect

The financial year 2019 has been a mixed year for the Company. While our International business, mainly led by the US business, delivered a robust year-on-year revenue growth of 31.2%, our India business faced challenges on account of FDC ban

on select products, relatively weak anti-infective season and muted growth in our trade generic business due to tightening of credit terms by the Company. Our EBITDA margin dipped by 60 basis points compared to the previous year on account of higher API prices, increase in R&D cost and change in revenue mix. However, on the working capital front, we showed good improvement over the previous year, and that translated into better operating cash flows during the year.

As per the secondary sales data reported by IQVIA, for the twelve months ending March 2019, we continue to feature among the top 10 pharmaceutical companies in India. During the year, we outperformed the India Pharmaceutical Market (IPM) with a growth of 14.3% compared to IPM growth of 10.5%. This outperformance was broad-based, with the Company growing ahead of the therapy growth rate in almost all the major therapy areas. We maintained our leading positions in our established therapy areas of anti-infectives, gastro-intestinal, pain management and vitamins & nutrients. In the chronic segments, we grew significantly ahead of the market growth rate, thereby improving our market share and market rankings in therapy areas of neuro/CNS, anti-diabetes, cardiac and derma. Our market-leading brands, comprehensive product portfolio, extensive marketing, supply chain distribution network and an experience management have been the key drivers for this outperformance. Also, over the past two years, we have expanded our field force in India by adding more than 2,000 medical reps, as we look to further strengthen our reach across