

Board's Report

Dear Members,

Your Directors have pleasure in presenting their 8th Annual Report together with the Audited Statement of Accounts for the year ended on 31st March, 2018.

1. Operations and State of Affairs of the Company:

₹ in Crores

Standalone basis		Particulars	Consolidated Basis	
2018	2017	For the year ended 31 st March	2018	2017
639.20	635.81	Profit for the year before Interest, Depreciation and Tax	650.13	617.30
		Adjusting therefrom:		
2.22	3.21	Interest (net)	3.40	5.23
101.76	82.90	Depreciation	105.46	82.97
113.23	119.08	Provision for taxation	120.36	122.19
-	-	Share of Profit/(Loss) of Associates, Joint Venture, Non-controlling Interest	(8.28)	(3.74)
(3.06)	(2.13)	Other Comprehensive Income	(3.20)	(4.67)
418.93	428.50	Total Comprehensive Income	409.43	398.50
691.58	653.84	Retained Earnings – Opening Balance	718.18	707.91
		Add:		
421.99	430.63	Profit for the year	412.63	403.16
		Less:		
75.41	75.41	Dividend paid on Equity Shares during the year	75.41	75.41
15.35	15.35	Corporate Dividend tax paid during the year	15.35	15.35
(3.06)	(2.13)	Other Comprehensive Income	(3.06)	(2.13)
100.00	300.00	Transfer to General Reserve	100.00	300.00
919.76	691.58	Balance carried forward to Balance Sheet	937.00	718.18

The break-up of consolidated sales including export incentives is as under:

₹ in Crores

Particulars		F.Y. 2017-18	F.Y. 2016-17
Formulations	India	1,273.83	1,254.47
	International	1,206.39	1,236.29
API	India	101.56	61.34
	International	549.03	582.51
Total		3,130.81	3,134.61

The Company has prepared the Standalone and Consolidated Financial Statements in accordance with the Companies (Indian Accounting Standards) Rules, 2015 prescribed under Section 133 of the Companies Act, 2013.

2. Transfer to Reserves:

An amount of ₹100 Crores from the net profits for the financial year under review is proposed to be carried to General Reserves.

3. Dividend:

Your Directors recommend Dividend at ₹4.00 per equity share (i.e. 200%) of face value ₹2/- each for the financial year ended 31st March, 2018 as against ₹4.00 per equity share (i.e. 200%) for the financial year ended 31st March, 2017.

4. Management Discussion and Analysis Report:

The Management Discussion and Analysis Report as required under Schedule V of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 is included in this Annual Report. Certain Statements in the said report may be forward looking. Many factors may affect the actual results, which could be different from what the Directors envisage in terms of the future performance and outlook.

5. USFDA Audit:

During the year under review, our following facilities were inspected and audited by USFDA:

- a) Bioequivalence located at Vadodara without any observation.
- b) Formulation Facility at Panelav with three observations. None of the observations were related to data integrity or repetitive in nature. The Company submitted its response on the observations with USFDA.

6. Subsidiaries, Associates and Joint Venture:

During the year under review, Orit Laboratories LLC and Okner Realty LLC became wholly-owned subsidiaries of the Company through its step down subsidiary. In accordance with third proviso of Section 136(1) of the Companies Act, 2013, the Annual Report of the Company, containing therein its standalone and the consolidated financial statements has been placed on the website of the Company, www.alembicpharmaceuticals.com. Further, as per fourth proviso of the said section, audited annual accounts of each of the subsidiary companies have also been placed on the website of the Company. Shareholders interested in obtaining a physical copy of the audited annual accounts of the subsidiary companies may write to the Company Secretary at the Company's Registered Office.

7. Directors:

In accordance with the provisions of the Companies Act, 2013 and the Articles of Association of the Company, Mr. R. K. Baheti, Director - Finance & CFO of the Company, will retire by rotation at the ensuing Annual General Meeting and being eligible offers himself for re-appointment.

The Board of Directors at its meeting held on 31st January, 2018, re-appointed Mr. Shaunak Amin as Managing Director for a period of five years, effective from 2nd May, 2018, subject to approval of the members at the Annual General Meeting.

The first term of office of Mr. K. G. Ramanathan, Mr. Pranav Parikh, Mr. Pares Saraiya and Mr. Milin Mehta, as Independent Directors, will expire on 31st March, 2019. The Nomination and Remuneration Committee and the Board of Directors at their respective meetings held on 16th May, 2018 has recommended their re-appointment as Independent Directors of the Company for a second term of 5 (five) consecutive years, subject to the approval of the members by way of special resolution at the Annual General Meeting.

8. Key Managerial Personnel:

Mr. Chirayu Amin, Executive Chairman & CEO, Mr. Pranav Amin, Managing Director, Mr. Shaunak Amin, Managing Director, Mr. R. K. Baheti, Director - Finance & CFO and Mr. Ajay Kumar Desai, Senior Vice President - Finance & Company Secretary are Key Managerial Personnel of the Company.

9. Meetings of the Board:

Four (4) Board Meetings were held during the financial year ended 31st March, 2018. The details of the Board Meetings with regard to their dates and attendance of each of the Directors thereat have been provided in the Corporate Governance Report.

10. Independent Directors:

The Independent Directors of the Company have given the declaration to the Company that they meet the criteria of independence as provided in Section 149(6) of the Companies Act, 2013.

11. Performance Evaluation:

Pursuant to the provisions of the Companies Act, 2013 and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Board has carried out the annual performance evaluation of the Directors individually as well as evaluation of the working of the Board and of the Committees of the Board, by way of individual and collective feedback from Directors.

The following were the Evaluation Criteria:

- a) For Independent Directors:
 - Knowledge and Skills
 - Professional conduct
 - Duties, Role and functions
- b) For Executive Directors:
 - Performance as Team Leader/Member
 - Evaluating Business Opportunity and analysis of Risk Reward Scenarios
 - Key Set Goals and Achievements
 - Professional Conduct and Integrity
 - Sharing of Information with the Board

The Directors expressed their satisfaction with the evaluation process.

12. Audit Committee:

The Audit Committee consists of Independent Directors with Mr. Pares Saraiya as Chairman, Mr. Pranav Parikh, Mr. Milin Mehta and Dr. Archana Hingorani as members. The Committee inter alia reviews the Internal Control

System, Reports of Internal Auditors and Compliance of various regulations. The Committee also reviews the financial statements before they are placed before the Board.

13. Vigil Mechanism:

Pursuant to the provisions of Section 177(9) & (10) of the Companies Act, 2013 and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, a Vigil Mechanism or Whistle Blower Policy for directors, employees and other stakeholders to report genuine concerns has been established. The same is also uploaded on the website of the Company.

14. Internal Control Systems:

The Company's internal control procedures which includes internal financial controls, ensure compliance with various policies, practices and statutes and keeping in view the organization's pace of growth and increasing complexity of operations. The internal auditors' team carries out extensive audits throughout the year across all locations and across all functional areas and submits its reports to the Audit Committee of the Board of Directors.

15. Corporate Social Responsibility:

Alembic Group has been proactively carrying out CSR activities since more than fifty years. Alembic Group has established, nurtured and promoted various Non-Profit Organisations focusing on three major areas – Education, Healthcare and Rural Development.

In compliance with requirements of Section 135 of the Companies Act, 2013, the Company has laid down a CSR Policy. The composition of the Committee, contents of CSR Policy and report on CSR activities carried out during the financial year ended 31st March, 2018 in the format prescribed under Rule 9 of the Companies (Corporate Social Responsibility Policy) Rules, 2014 is annexed herewith as Annexure A.

16. Policy on Nomination and Remuneration:

In compliance with the requirements of Section 178 of the Companies Act, 2013 and Regulation 19 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Company has laid down a Nomination and Remuneration policy which has been uploaded on the Company's website. The web-link as required under Companies Act, 2013 is as under:

<http://www.alembicpharmaceuticals.com/wp-content/uploads/2018/investors/Nomination-and-Remuneration-Policy.pdf>

The salient features of the NRC Policy are as under:

- 1) Setting out the objectives of the Policy.
- 2) Definitions for the purposes of the Policy.
- 3) Policy for appointment and removal of Director, KMP and Senior Management which includes:
 - a) Appointment criteria and qualifications.
 - b) Term/Tenure.
 - c) Guidelines for:
 - i) Evaluation;
 - ii) Removal;
 - iii) Retirement.
- 4) Policy relating to the Remuneration for the Managerial Personnel, KMP, Senior Management Personnel & other employees, which includes:
 - a) General provisions relating to Remuneration.
 - b) Guidelines for:
 - i) Fixed Pay;
 - ii) Variable Pay;
 - iii) Commission;
 - iv) Minimum Remuneration;
 - v) Provisions for excess remuneration.
 - c) Separate criteria for remuneration to Company Secretary, Senior Management Personnel and other employees.
- 5) Remuneration to Non-Executive / Independent Director, with details regarding their:
 - a) General provisions relating to Remuneration
 - b) Guidelines for:
 - i) Sitting Fees;
 - ii) Commission.
 - c) Restriction on Stock options.

During the year, there is no change in the said policy.

17. Dividend Distribution Policy:

In compliance with the requirements of Regulation 43A of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Company has laid down a Dividend Distribution Policy, which is annexed herewith as Annexure B and has been uploaded on the Company's website. The web-link for the same is as under: <http://www.alembicpharmaceuticals.com/wp-content/uploads/2016/07/Dividend%20Distribution%20Policy.pdf>

18. Related Party Transactions:

Related party transactions that were entered into during the financial year were on arm's length basis and were in ordinary course of business. There are no materially significant related party transactions made by the Company which may have potential conflict with the interest of the Company.

There are no material related party transactions which are not in ordinary course of business or which are not on arm's length basis and hence there is no information to be provided as required under Section 134(3)(h) of the Companies Act, 2013 read with Rule 8(2) of the Companies (Accounts) Rules, 2014.

The Board has approved a policy for related party transactions which has been uploaded on the Company's website. The web-link as required under SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 is as under:
<http://www.alembicpharmaceuticals.com/wp-content/uploads/2016/07/05APL-RPT-policy.pdf>

19. Corporate Governance:

The Report on corporate governance as stipulated under Schedule V of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 forms part of the Annual Report.

The requisite certificate from M/s. Samdani Shah & Kabra, Practising Company Secretaries confirming compliance with the conditions of corporate governance as stipulated under the aforesaid Schedule V is attached to the Report on Corporate Governance.

20. Fixed Deposits:

As on 31st March, 2018, there were unclaimed deposits amounting to ₹0.06 Crore from 16 deposit holders which have been transferred to current liabilities. There has been no default in repayment of deposits or interest thereon. In the last 5 years, the Company has not accepted/renewed any deposits.

21. Listing of shares:

The Equity Shares of the Company are listed on the BSE Limited (BSE) and National Stock Exchange of India Limited (NSE) with security ID/symbol of APL LTD. The Company confirms that the annual listing fees to both the stock exchanges for the F.Y. 2018-19 have been paid.

22. Loans, Guarantees or Investments:

Details of Loans granted, Guarantees given and Investments made during the year under review, covered under the provisions of Section 186 of the Companies Act, 2013 is annexed herewith as Annexure C.

23. Auditors:

- a) Statutory Auditors:
In compliance with the Companies (Audit and Auditors) Rules, 2014, M/s. K. S. Aiyar & Co., Chartered Accountants, has been appointed

as Statutory Auditors of the Company till the conclusion of Annual General Meeting for the F.Y. 2018-19, as approved by the members at their 4th Annual General Meeting held on 28th July, 2014.

The Auditor's Report for the F.Y. 2017-18 does not contain any qualification, reservation or adverse remark. The Auditor's Report is enclosed with the financial statement in this Annual Report.

- b) Secretarial Auditors:
The Board of Directors of the Company appointed M/s. Samdani Shah & Kabra, Practising Company Secretaries, Vadodara, to conduct Secretarial Audit for the F.Y. 2018-19.

The Secretarial Audit Report of M/s. Samdani Shah & Kabra, Practising Company Secretaries for the F.Y. 2017-18, is annexed herewith as Annexure D.

The Secretarial Audit Report does not contain any qualification, reservation or adverse remark.

During the year under review, the Company has generally complied with all the applicable provisions of the Secretarial Standards.

- c) Cost Auditors:
Mr. H. R. Kapadia, Cost Accountant, Vadodara, Cost Auditor of the Company has been appointed as Cost Auditor for conducting audit of the cost accounts maintained by the Company relating to Bulk Drugs and Formulations for the F.Y. 2018-19.

- d) Internal Auditors:
The Board of Directors appointed M/s. Ernst & Young LLP, Chartered Accountants as Internal Auditors of the Company for the F.Y. 2018-19.

24. Risk Management:

The Company has voluntarily constituted a Risk Management Committee and formulated Enterprise Risk Management Policy which functions as a guiding tool in fulfilling the management's responsibility towards risk management. Major risks identified by the businesses and functions are systematically addressed through mitigating actions on a continuing basis. These are discussed at the meetings of the Risk Management Committee, Audit Committee and the Board of Directors of the Company.

25. Directors' Responsibility Statement:

In terms of the provisions of Companies Act, 2013, the Directors state that:

- a) in preparation of the annual accounts for the financial year ended 31st March, 2018, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- b) the directors have selected such accounting policies as listed in Note 2 to the financial statements and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give true and fair view of the state of affairs of the Company at the end of the financial year as on 31st March, 2018 and of the profit of the Company for that period;
- c) the directors have taken proper and sufficient care for maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- d) the directors have prepared the annual accounts on a going concern basis; and
- e) the directors have laid down internal financial controls to be followed by the Company and that such internal financial controls are adequate and were operating effectively.
- f) the directors have devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

26. Material Changes:

There have been no material changes and commitments affecting the financial position of the Company since the close of financial year i.e. since 31st March, 2018. Further, it is hereby confirmed that there has been no change in the nature of business of the Company.

27. Extracts of Annual Return:

The extract of Annual Return required under Section 134(3)(a) of the Companies Act, 2013 read with Rule 12(1) of the Companies (Management and Administration) Rules, 2014, is placed on the Company's website. The web-link as required under Companies Act, 2013 is as under:
<http://www.alembicpharmaceuticals.com/noticescorrespondences/>

28. Conservation of Energy, Technology Absorption, Foreign Exchange Earnings and Outgo:

The information required under Section 134(3)(m) of the Companies Act, 2013 read with Rule 8(3) of the Companies (Accounts) Rules, 2014, is annexed herewith as Annexure E.

29. Particulars of employees and related disclosures:

Disclosures pertaining to remuneration and other details as required under Section 197(12) of the Companies Act, 2013 read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, is annexed herewith as Annexure F.

A statement showing the names and particulars of the employees falling within the purview of Rule 5(2) of the aforesaid rules are provided in the Annual Report. The Annual Report is being sent to the members of the Company excluding the aforesaid information. The said information is available for inspection at the Registered Office of the Company during working hours and the same will be furnished on request in writing to the members.

30. Details of Unclaimed Suspense Account:

Disclosure pertaining to Unclaimed Suspense Account as required under Schedule V of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, is annexed herewith as Annexure G. The voting rights on the equity shares which are transferred to Unclaimed Suspense Account shall remain frozen till the rightful owner of such equity shares claims the shares.

On behalf of the Board of Directors,

Sd/-
Chirayu Amin
 Chairman & CEO

16th May, 2018

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Note: As per the provisions of Rule 8(1) of the Companies (Accounts) Rules, 2014, the Board's Report has been prepared on standalone financial statements and a report on performance and financial position of each of the subsidiaries and associates is included in the financial statements.