

Jubilant Life Sciences Limited – Chairman’s speech – AGM August 27, 2013

Good morning Ladies and Gentlemen,

Welcome to the Annual General Meeting of Jubilant Life Sciences Limited. The world economy is once again on the growth path. With financial conditions stabilizing, there is greater hope of a sustained uptrend, led by the US, the largest economy in the world, which delivered stronger than expected growth. The Government of India is making concerted efforts to boost economic growth by containing fiscal deficit, keeping current account deficit and inflation under check and by channelizing savings and increasing investments.

In Financial Year 2013, the Company’s Consolidated Income from Operations was at Rs. 5,161 Crore, growth of 21%. The EBITDA stood at Rs. 1,055 Crore, growth of 18% with EBITDA margins of 20.4%. Profits before Exceptional Items, Tax and Minority Interest were at Rs. 571 Crore, up 22%. The Profit after Tax (PAT) was reported at Rs. 153 Crore whereas the Normalised PAT after adjusting for exceptional items stood at Rs. 382 Crore.

The Pharmaceuticals segment witnessed a revenue increase of 22% at Rs. 2,658 Crore, contributing 52% to the overall Income from Operations and 66% to EBITDA. This robust growth is driven by volumes and new product introductions and a wider geographical footprint. Life Science Ingredients segment delivered revenue growth of 19% to Rs. 2,503 Crore thus contributing over 48% to the overall Income from Operations. Volume growth has been robust, in line with the capacity enhancements that were carried out over the last few years.

We continue to focus on our international business with our products and services now reaching out to clients in 98 countries of the world. International revenues account for over 74% of the revenue mix at Rs. 3,828 Crore with revenues from North America, Europe and Japan at an all-time high of Rs. 3,191 Crore.

Your Company has created an integrated business across the entire pharmaceuticals value chain for catering to global requirements, strongly supported by its inherent strength of low cost of production and low R&D costs with large installed capacities in and outside of India. We are one of the most cost competitive players in our chosen areas and being vertically-integrated across multiple businesses helps immensely. The effect of vertical integration on our performance is demonstrated by our Inter-Divisional Sales at 12% in FY 2013 and continued upward trend expected

going forward. The underlying objective in each business is to create a position of global leadership built through innovation, harnessing strength of integration benefits and creating global scale. We have a strong R&D team of 1,074 employees and we continue to make significant investments on R&D.

The focus has now been on generating free cash flows from operations to reduce the overall debt of the consolidated entity to strengthen the Balance Sheet.

The Board has appointed Committee to consolidate the Company's global pharmaceuticals segment, comprising of (a) Active Pharmaceutical Ingredients (APIs), Solid Dosage Formulations, Radiopharmaceuticals, Allergy Therapy Products, Sterile Injectable and Ointment, Cream and Liquid businesses (Pharmaceuticals Business) and (b) the Drug Discovery and Development Solutions business under two separate subsidiaries and to evaluate the options and opportunities for raising money by listing the Pharmaceuticals business as deemed appropriate by it, subject to receipt of all necessary approvals, in the best interests of the Company and all its stakeholders. This would result in focused growth in pharmaceuticals business and reduction of overall consolidated debt of the Company. The company has made necessary applications to obtain approvals for such consolidation and the work is in progress for necessary implementation of the defined activities.

Dividend

Following sustained performance on a consolidated basis, the Board has proposed a dividend of 300% per equity share of Rs. 1 face value for the year. If approved this will result in a cash outgo of Rs. 56 Crore.

Q1 FY 14 Results

In the first quarter of Financial Year 2014, the company reported revenue growth of 9% YoY, with EBITDA of Rs. 237 Crore and margins at 17.5%. Normalized PAT stood at Rs. 70 crores with margins at 5.1%, after adjusting for exceptional items. International revenues stood at Rs. 999 Crore, contributing 74% to the overall mix and up 10% YoY.

Pharmaceuticals Segment Income from operations stood at Rs 651 crore, showing growth of 2% YoY and contributing 48% to the revenue mix. The segment EBITDA was at Rs. 158 crore with EBITDA margins of 24.3%, contributing 59% to the overall EBITDA mix.

Life Science Ingredients segment Income from operations was at Rs. 706 crore better by 18% YoY and having 52% share in overall revenues. The segment EBITDA stood at Rs. 108 crore with EBITDA margins at 15.4%, contributing 41% to the overall EBITDA mix.

During the quarter, the PPES segment delivered healthy revenues on the back of good realisations. Nutrition Ingredients continued to expand volumes on the back of improved capacity utilisation whereas volume buoyancy was maintained in key acetyl products driven by geographic expansion in Emerging markets.

Products and services of the Company reach out to clients in 98 countries of the world.

Outlook

The growth momentum of the Company revenue and EBITDA is expected to continue to do well, with robust outlook. In the Pharmaceuticals segment, strategy of new product launches and geographic expansion will continue to drive growth while the key driver in the Life Science Ingredients segment will be higher capacity utilisation in the Nutrition Ingredients and Crop Science intermediates supported by backward integration of Pyridine.

We would like to utilise this opportunity to convey our deepest gratitude to every stakeholder including customers for reposing faith in our products and services, suppliers and vendors for consistently providing quality inputs within desired timelines, our bankers and shareholders for believing in us and showing confidence by being with us and to our Independent Directors for the guidance drawn from their vast experience and knowledge.

We take this opportunity to thank Mr. Surendra Singh, Mr. H. K. Khan and Dr. Naresh Trehan who resigned having completed 9 years' tenure as per Voluntary Corporate Governance policy implemented by the Company. We would also like to welcome Mr. S. Sridhar as an Independent Director on the Board. Finally, we would like to express a note of thanks to our employees worldwide for helping us deliver our broader agenda of profitable growth. Without their untiring efforts, we could not have delivered this kind of sustained performance.

Thank you.