

Jubilant Life Sciences Limited – Chairmen’s Speech
40th AGM – September 26, 2018

Good morning ladies and gentlemen.

A warm welcome to the 40th Annual General Meeting of Jubilant Life Sciences Limited.

The International Monetary Fund (IMF) expects global growth to rise to 3.9% in 2018, led by uptick in global economic activity through recovery in investments. The World Bank group report on “Global Economic prospects” states that investments, trade and commodity prices are rebounding, which is expected to have a positive effect on growth, going forward.

Coming to India, Investment bank Goldman Sachs forecasts India’s GDP growth at 7.6% for FY ‘19 and at 8.3% for FY ‘20 which would make India the world’s fastest- growing major economy in FY ‘19. Strong growth in global economy is expected to provide an impetus to India’s exports.

Within the Pharma sector, according to the Evaluate Pharma’s annual ‘World Preview’ report, the global pharmaceutical industry is set to reach US\$ 1.06 trillion by 2022. The growth of complex therapeutic areas is projected to outpace the growth of the overall pharmaceutical market, emphasising the importance of increased R&D in the value chain.

Also, according to a report by Federation of Indian Chambers of Commerce and Industry (FICCI), the Indian agrochemicals industry is valued at US\$ 4.1 billion and is expected to grow at 8.3% to reach US\$

8.1 bn by FY '25. Exports are expected to grow at a faster rate of 8.6% and are expected to reach US\$ 4.2bn by 2025. Between 2017-2022, the personal care ingredients market is expected to grow at a CAGR of 4.3% to reach US\$ 17.3 bn, as per a Markets and Markets report. The global animal nutrition market is estimated to grow at a rate of 6.5% to reach US\$ 21.4 billion by 2022 as per a MarketWatch industry report.

Performance Review

We have delivered another year of robust performance in FY '18. We reported a record year in terms of sales and profitability, led by strong performance in Specialty Pharmaceuticals and Life Science Ingredients businesses.

Total Income from Operations stood at Rs. 7,558 Crore, growing 26% YoY, with International revenue at Rs. 5,417 Crore, contributing 72% to the total revenue. This performance was led by healthy growth in both Pharmaceuticals and Life Science Ingredients segments. Pharmaceuticals revenue at Rs. 4,017 Crore, was up by 29% YoY and contributed 53% to the company's revenue. Within this segment, Specialty Pharmaceuticals business' revenue stood at Rs. 2,639 Crore increasing by 59% YoY during the year. Revenue of Generics business stood at Rs. 1,378 Crore, contributing 34% to the Pharmaceuticals segment's sales. Life Science Ingredients revenue stood at Rs. 3,365 Crore and contributed 45% to the company's revenue. Life Science Chemicals business has grown by 39% YoY to Rs. 1,822 Crore while Nutritional Products business has grown by 22% YoY to Rs. 566 Crore. Specialty Intermediates business has grown by 4% YoY to Rs. 977 Crore in FY '18. Drug Discovery Solutions business' revenues stood at Rs 176 Crore, accounting for 2% of the total revenue.

Company's EBITDA stood at a record Rs. 1,558 Crore in FY '18, up by 14% YoY. Pharmaceuticals segment reported an EBITDA of Rs. 977 Crore during the year with a margin of 24.3%. The Pharmaceuticals segment contributed to about 63% to the overall EBITDA in FY '18.

Life Science Ingredients segment's EBITDA stood at Rs. 632 Crore with a margin of 18.8%, an improvement from 16% margin recorded in FY '17. Drug Discovery Solutions' EBITDA was at Rs 19 Crore translating into an EBITDA margin of 10.5%. Depreciation and amortisation in FY '18 stood at Rs. 415 Crore as compared to Rs. 291 Crore in FY '17. Finance cost stood at Rs. 284 Crore, down by 17% YoY.

Profit After Tax went up by 12% YoY to Rs. 643 Crore as compared to Rs 576 Crore in FY '17 with an Earning Per Share (EPS) of Rs. 41.25 as compared to Rs. 36.93 in FY '17.

From a balance sheet perspective, during FY '18 the Company's net debt reduced by Rs 406 crores to Rs. 3,220 Crore on a constant currency basis as on 31st March 2018.

During the year, we completed the acquisition of the Radiopharmacy business of Triad Isotopes in the US. Triad operates the second largest Radiopharmacy network in the US with more than 50 pharmacies across more than 20 states in the US. This acquisition adds significant scale to our niche Radiopharmaceuticals business in the Specialty Pharmaceutical vertical.

Dividend

The Board has proposed a dividend of Rs. 3 per equity share of Re. 1 for the year which will result in a cash outgo of Rs. 58 Crore including tax.

Q1 FY'19 Results

We have started the year on a strong note, with Pharmaceuticals business reporting healthy growth and margins.

In Q1 FY'19, consolidated revenue stood at Rs. 2,079 crore, up 34% YoY. EBITDA stood at Rs. 447 crore, a growth of 30% YoY and EBITDA margins were at 21.5%. Our Net profit stood at Rs. 203 crore, with a healthy growth of 38% YoY translating into Net Margins of 9.7% and an EPS of Rs. 13. We saw reduction in debt of Rs. 25 Crore during Q1 FY'19.

In Q1 FY'19, the Pharmaceuticals revenue improved 46% YoY to Rs. 1,181 crore and accounted for 57% of the Company's revenues. Growth in this segment was largely led by our Specialty Pharmaceuticals business.

Life Science Ingredients' revenue increased by 21% YoY to Rs. 847 Crore and accounted for 41% to company's revenue. This growth was primarily led by Life Science Chemicals business.

Strategic Initiatives

The Board of Directors of the Company has noted that pursuant to a resolution of the board of directors of Jubilant Pharma Limited ("JPL"), Singapore, a wholly-owned material subsidiary of the Company, dated July 23, 2018, the evaluation process for fund raising by JPL is on-going and that any fund raising which may be undertaken by JPL will be by

way of an initial public offering (“IPO”) and that the maximum dilution of the Company’s shareholding in JPL in the IPO (including any sale of shares of JPL by the Company) will be up to 20% of the fully diluted issued and paid-up equity share capital of JPL.

The Board of Directors of the Company approved that, should an opportunity be provided to the Company to participate in any fund raising by JPL, the Company may offer up to 5% of the ordinary equity share capital of JPL for sale.

Outlook

The Company has laid a strong foundation and a well-defined strategy for each business and the outlook is positive. We see a clear roadmap for growing our businesses in sales and profitability in FY ‘19.

In Specialty Pharmaceuticals, we expect all our key verticals to deliver strong growth during the year. Growth in Radiopharmaceuticals is expected to come from new products and execution of existing contracts and also through the full year impact of Triad business in our operations. The Contract Manufacturing business is expected to deliver better results due to healthy order book and new customer additions, supported by higher production and new capacities. Higher sales of existing products and new capacities will drive growth in Allergy Therapy Products. In Generics, we expect higher volumes from new product launches and new markets.

Our Life Science Ingredients segment will benefit from better demand for existing products, new capacities from ongoing investments and de-bottlenecking initiatives, and launch of new products.

To meet the increased demand in our businesses, we plan to invest about Rs. 550 Crore in capital expenditure in FY '19. In addition, we plan to invest Rs. 300 Crore in R&D during the year. We will continue our efforts to strengthen balance sheet by reducing debt and improving financial ratios.

We take this opportunity to welcome Mr. Rajesh Kumar Srivastava on our Board. We also thank Mr. Pramod Yadav who resigned from the Board consequent to his appointment as CEO of Jubilant Pharma Limited. We would like to thank all our valued stakeholders, including our customers, vendors, bankers and shareholders for continuing their support and upholding their confidence and trust in us. We remain deeply grateful to all our employees globally for their sincere contribution and commitment towards this organisation.

May the coming year be successful for all of us!

Thank you.