

Jubilant Life Sciences Limited – Chairmen’s Speech

41st AGM – September 25, 2019

Good morning ladies and gentlemen.

A very warm welcome to the 41st Annual General Meeting of Jubilant Life Sciences Limited.

The global economy is expected to grow at 3.2% and 3.5% in 2019 and 2020, respectively, as per the International Monetary Fund. Key economies such as the US, European Union and China are expected to witness slowdown in growth in 2019, which has resulted in governments and central banks of these economies adopting stimulus measures along with accommodative monetary policies to support economic growth.

The Indian economy has also witnessed weakness over the last few months due to challenges in several sectors such as Automobile, NBFC, Real Estate etc., resulting in sluggishness in the economic activity in the June 2019 quarter. It is expected that the easing of monetary policy, good monsoons and fiscal initiatives by the Government of India will lead to recovery from the current slowdown.

The global pharmaceutical industry is expected to grow at a compounded annual growth rate of 6.4% to reach US\$ 1.2 trillion by 2024, as per Evaluate Pharma’s annual ‘World Preview’ report. This growth is expected to be driven by novel therapies addressing key unmet needs, growth in core therapeutic areas and increase in access to medicines globally.

Performance Review

We reported strong financial performance in FY 2019 with record sales and profitability led by robust growth in the Pharmaceuticals segment. Our continued strong performance during the year was driven by our strategic focus on a de-risked business model and being closer to the customer with leadership in key products, and our global competitive edge due to vertical integration.

Total Revenue from Operations was up by 21% YoY to Rs. 9,111 Crore, with International revenue at Rs. 6,670 Crore, up 23% YoY and contributing 73% to the total revenue. Pharmaceuticals revenue was at Rs. 5,324 Crore, up 33% YoY and accounted for 58% of the company's revenue, mainly driven by the Specialty Pharmaceuticals business.

Life Science Ingredients revenue stood at Rs. 3,545 Crore up 7% YoY and contributing 39% to the company's revenue. Revenue of 'Others' segment that comprises Drug Discovery Solutions and India Branded Pharmaceuticals businesses was at Rs. 242 Crore, an increase of 24% YoY.

Company's EBITDA stood at a record Rs. 1,775 Crore in FY'19, up by 14% YoY with a margin of 19.5%. Pharmaceuticals segment reported an EBITDA of Rs. 1,386 Crore during the year with a margin of 26% and growth of 38% YoY. The Pharmaceuticals segment contributed to over 75% of the overall segment EBITDA in FY'19. Life Science Ingredients segment's EBITDA stood at Rs. 445 Crore with a margin of 13%.

Depreciation and amortisation in FY'19 stood at Rs. 371 Crore as compared to Rs. 415 Crore in FY'18. Finance cost was at Rs. 220 Crore vs. Rs. 284 Crore in FY'18.

Profit After Tax was at Rs. 574 Crore as compared to Rs. 643 Crore last year. Normalized Profit After Tax before the exceptional item of Stock Settlement Charge was at Rs. 855 Crore an increase of 20% YoY from Rs. 714 Crore last year.

From a balance sheet perspective, as on March 31, 2019 the Company's net debt on a constant currency basis was Rs. 3,370 Crore. Net Debt to EBITDA ratio improved to 1.9x from 2.1x as on March 31, 2018.

I would like to mention that in March 2019, the Company fully redeemed the outstanding zero coupon convertible loan of International Finance Corporation (IFC), Washington, US, on a one-time settlement of US\$ 135 mn based on mutual agreement. With this, all loans outstanding to IFC have been fully paid and the obligation to provide an exit to IFC by equity conversion of the convertible loan has been cancelled.

Dividend

The Board has proposed a dividend of Rs. 4.5 per equity share of Re. 1 for the year, which will result in a cash outgo of Rs. 86 Crore including tax.

Q1 FY'20 Results

I would like to briefly mention our Q1 FY'20 performance as well. We witnessed steady performance during the quarter. In Q1 FY'20, consolidated revenue stood at Rs. 2,182 Crore, up 5% YoY. This was led

by the Pharmaceuticals segment, which grew 12% YoY, while Life Science Ingredients revenue was down 5% YoY.

Reported EBITDA was at Rs. 444 Crore down 1% YoY and reported EBITDA margins were at 20.4% vs. 21.5% in Q1 last year. Net profit stood at Rs. 185 Crore down from Rs. 203 Crore in Q1 last year. EPS was at Rs. 11.6 vs. Rs. 13 in Q1'FY19. During the quarter there was reduction of Rs. 196 Crore in net debt on a constant currency basis.

Strategic Initiatives

The Board of Jubilant Lifesciences has constituted a committee to evaluate various options including reorganisation or demerger of the company's business undertakings on a going concern basis. The objectives of this exercise are to create focused entities for Pharmaceuticals and Lifescience Ingredients businesses to manage different risks, rewards and regulatory requirements; to enable strategic growth for these businesses with optimal capital structure and also to potentially unlock shareholder value with direct ownership in each of the business entities.

Any decision in this regard by the Board will be after due evaluation and consideration of the recommendations of the committee and subject to all necessary consents and approvals including shareholder approval.

Board Update

I would like to take this opportunity to welcome Mr. Arun Seth and Mr. Anant Pande on our Board. I would also 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 contribution and commitment towards this organisation.

May the coming year be successful for all of us!

Thank you.