



Jubilant Organosys Ltd. - Annual General Meeting

28th August 2009

Speech by the Chairman & Managing Director Mr. Shyam S Bhartia

A very good Morning to all of you. I am pleased to be joining you at the 31st Annual General Meeting of Jubilant Organosys Limited.

We are happy to have successfully positioned ourselves as the preferred outsourcing partner to the leading global Pharma & Life Sciences companies through value creation in each of our businesses, over the last decade. The transformation you have seen in the company is guided by a simple philosophy of moving up the value chain through vertical integration and in geographies. Today the Company is having strong business relationships with most of the major names in the pharma and life sciences with customers across more than 50 countries.

Our strategy of following the path of preferred partner in outsourcing with integrated plate-form has delivered rich dividends. Our earnings growth has been strong in the past and it continues to show good promise.

Jubilant overview

The Company is today the largest entity in the Custom Research and Manufacturing Services business –commonly known as CRAMS. Our revenues here stand at over Rs. 2,000 crore. Most of you would already know that we are the leaders world-wide in pyridines and its derivatives and remain top ranked in Contract Manufacturing Operations of Sterile Injectables in North America and major suppliers in the world for select APIs and generics and other key products.

We have built a considerable expertise in outsourcing and resultantly a large order book position. This stands at more than USD 800 million as on date. There is thus a strong visibility to growth.



Our global operation translates into a diverse and international workforce. The total strength stands at over 5,900 employees with 1,200 of these as scientists. These are people really responsible for translating our strategy into performance.

Within PLSPS our focus has been on premium regulated markets. For regulated market our strategy has been to constantly move-up the value-chain in terms of geographies so that we are present in more premium markets. The Regulated markets contribute 65% of PLSPS revenue resulting in higher margins and steady revenue growth. From the year 2003-2004 to 2008-2009, we have grown regulated market revenue share at 70% CAGR. North America remains the largest contributor to regulated markets for us. Our focus on these markets is helping us show steady revenue growth complimented by higher-margins.

Jubilant's integrated platform

Jubilant's integrated platform has two levels of integration.

First there is product integration where we have added higher capabilities within a product business. In Exclusive synthesis business, the integration is from gram scale to multi-tone commercial quantities. At Drug Discovery and Development Services business, we offer services from early drug discovery stage to drug development in clinical trials.

The next is the integration across the value-chain. Over the years through organic build-outs and acquisitions we have added specialized capabilities across the value-chain. In CMO business, we have done full-integration from solid dosages to sterile products. And further in the Pharma Finished products, we have offerings from APIs and intermediates to allergenic products and radiopharmaceuticals.

Through its integrated platform, Jubilant offers unique portfolio of compelling synergies and balanced risks.



Jubilant's Value proposition to big pharma and biotech companies

We have positioned Jubilant as an outsourcing partner of choice to the pharma and life sciences industry. There are four key challenges being faced by the pharma industry, all of which focus on doing more with lesser resources.

Firstly there is the challenge of increasing the pipeline of innovative products while at the same time reducing R&D spends. Jubilant providing high-quality and low-cost discovery and development services to help address this challenge for the companies which as a result can benefit from an enhanced pipeline of required products.

Secondly, the challenge of governmental activism is to contain costs. Jubilant has been stepping-in with its offering of products from the pre-clinical stages to finished forms at higher quality specifications and at lower comparable costs. The implication here being, that Jubilant is able to reduce the product and research costs of companies quite significantly.

One of the most important challenges is that companies, especially in the developed nations are realizing that it is cost-inefficient for them to continue to manufacture from high-cost locations. Jubilant offers a globally distributed production option for contract manufacturing at a cost that is substantially lower than the cost that a company would take to make the product in-house. Jubilant has thus demonstrated a way for companies to improve their margins by outsourcing.

The other challenge is the issue of expiration of patents of innovator products. By virtue of its integrated value-chain, Jubilant is able to provide complete life cycle management to today's innovators. Thus at the time of patent expiry companies really have a strong advantage in the form of a well-managed product.

Financials

Over the last 10 years the revenue has grown over 10 times to cross Rs.3500 crores. It is heartening to note that by strategically using organic and inorganic initiatives, our Pharma and Life Sciences business that has grown 60 times during the same period. This clearly demonstrates that



Jubilant strategic focus on Pharma and Life Science Business has yielded results. Our EBITDA during this period has grown at a CAGR of 25% and PAT has increased by 12 times over the last 10 years. I must add here that the profit growth has been primarily driven by our Pharma and Life Science business while the Industrial and Performance Products business has delivered steady cash earnings throughout this period.

Financial performance - FY2009

Our Revenues in year 2008-09 grew by 41% to Rs. 3,518 crore driven by strong performance by the Pharma and Life Science business. Growth continued to come from outsourcing led businesses with revenue from CRAMS business standing at Rs. 2011 crore, being 57% of total revenue. The increase in revenues was especially due to CMO and Speciality Pharma businesses. Industrial and Performance Products revenues were at Rs. 1,194 crore up from Rs. 959 crore last year.

Revenues from International operations grew by 56% to Rs. 2,177 crore. Increment in International revenues came primarily from the North America. The EBITDA increased by 22% and was at Rs. 615 crore given the good results in the Pharma business. Our PBT was at Rs. 345 crore compared to Rs. 366 crore last year, given the effect of Exceptional Item pertaining to mark-to-market loss on forward covers taken. Profit After Tax was at Rs. 283 crore compared to Rs. 297 crore last year thus giving a Diluted EPS of Rs. 19.22 and Rs. 20.67 respectively.

Q1 FY2010 performance

Q1 FY 2010 revenues grew by 8% to Rs. 896 crores. Pharma and Life Sciences business led the growth in Q1 FY 2010. Revenues in this business grew by 18% to Rs. 617 crore in Q1 FY 2010. Growth came largely from the Contract manufacture of sterile injectables and non sterile products where sales grew by 59% to Rs. 131 crore. Strong contribution came from speciality pharmaceuticals where sales were at Rs. 60 crore compared to Rs. 35 crore last year same quarter, a growth of 70%. Net Profits were at Rs. 126 crore against Rs. 13 crore last year.



Dividend

I am very glad to share that the Board of Directors have recommended a dividend of 150%, which means Rs. 1.50 on each Re. 1 share for the year ended March 31, 2009. I am especially pleased to note that we have been consistent in sharing the results of our progress with our shareholders. I hope our shareholders will be glad too.

Outlook for FY 2010

In the 1st quarter of FY 2010 we signed two large contracts in Drug Discovery and Development business with Astra Zeneca and Endo Pharmaceuticals. Our continuous business development efforts have yielded excellent results and I am proud to say that we are in discussion with 4 -5 long / medium term outsourcing contracts with large Pharma & Life Science companies in Exclusive Synthesis, CMO and Drug Discovery & Development businesses. Some of these contracts are expected to materialise in next 3 – 6 months. These contracts would result in higher utilisation of existing capacities which were created a couple of years back in the area of CMO, Exclusive Synthesis and DDDS and therefore are likely be highly accretive. No further capex is required to implement these contracts.

We are enthused by the results shown by the pharma and life sciences business. We believe that outsourcing will deliver good results for us in the coming year. We have outlined a guidance of 15% revenue growth for the current year 2009-10. This is based on expected growth in our PLSPS business. We are extremely positive that the margins in the PLSPS business will be better and therefore believe that we shall have a 27% EBITDA margin in this business. For the overall business comprising of the PLSPS and IPP businesses we are expecting EBITDA margin of 20% for 2009-10. Within pharma the margin growth would be coming from proprietary products, exclusive synthesis, CMO of sterile injectables, and the drug discovery business.



Conclusion

We have an exciting opportunity ahead in terms of outsourcing. Given the continued good performance in these times I am reassured that our results for the coming year will turn out to be healthy.

We continue to deliver Innovative Solutions to Life Science customers using Advanced Science and Technology, by providing product and services to enhance existing products and assist in developing new products for better and healthy life.

I would like to use this opportunity to express our sense of gratitude to all our stakeholders, including customers, vendors, investors, employees, bankers & lenders. They have continued to support us and I trust will continue to do so. Thank You.

Disclaimer

Statements in this document relating to future status, events, or circumstances, including but not limited to statements about plans and objectives, the progress and results of research and development, potential product characteristics and uses, product sales potential and target dates for product launch are forward-looking statements based on estimates and the anticipated effects of future events on current and developing circumstances. Such statements are subject to numerous risks and uncertainties and are not necessarily predictive of future results. Actual results may differ materially from those anticipated in the forward-looking statements. Jubilant Organosys may, from time to time, make additional written and oral forward looking statements, including statements contained in the company's filings with the regulatory bodies and our reports to shareholders. The company assumes no obligation to update forward-looking statements to reflect actual results, changed assumptions or other factors.