

**Jubilant Life Sciences Limited – Chairman’s speech**

**38<sup>th</sup> AGM – August 30, 2016**

Good morning ladies and gentlemen.

A warm welcome to 38th Annual General Meeting of Jubilant Life Sciences Limited.

The country witnessed a turnaround in Fiscal 2016 on the back of a pickup in economic growth. India has emerged as one of the few markets to buck the subdued global scenario, highlighting its strong fundamental base. The Indian economy is expected to grow by 7.6% in FY 2016–17 and further by 7.7% in FY 2017-18 as per projections of The World Bank.

The global pharmaceutical industry is expected to see good growth over the next year with robust fundamentals mitigating the adverse effect of a strong US Dollar and increasing regulation of drug prices. According to Business Monitor International, the global pharmaceutical market could be worth nearly US\$ 1.6 trillion by 2020. Within this, it is expected that companies focusing on complex therapeutic areas should see higher growth.

The Company has shown a turnaround in performance during the year with business related concerns successfully resolved. We are glad to state that

our company has built a robust long term sustainable business model with the growth engine of Pharmaceuticals and Drug Discovery Solutions segments. By creating focussed management teams for all the three segments of businesses, we are able to clearly define strategic initiatives with the right mix of capital allocation. We are also committed to safeguard the environment with a triple bottom line approach delivering an enhanced social, environmental and economic performance.

Income from Operations in FY 2016 stood at Rs. 58,023 million. Earnings before Interest, Taxes, Depreciation and Amortisation improved by 76% to Rs. 12,915 million translating to an EBITDA margin of 22.3%. Profit after Tax was at Rs. 4,315 million translated to an EPS of Rs. 27.09 per share for the year.

International revenues accounted for 73% of the revenue mix at Rs. 42,595 million. This is primarily driven by revenues from North America, Europe and Japan. The Company continues to expand its presence globally with its products and services reaching out to customers in over 100 countries across the globe.

In FY 2016, revenues from the Pharmaceuticals segment were at Rs. 30,548 million and contributed 53% to the overall Income from Operations. This

was on account of healthy growth in our Radiopharmaceuticals and APIs businesses.

In Solid Dosage Formulations business, we witnessed pricing pressures on account of supply chain consolidation and also delays in ANDA approvals by the USFDA in our main target market of USA. However, the Rest of the World market has shown a good improvement both in top line and bottom line.

All our facilities were successfully inspected by USFDA during the year. The Radiopharmaceuticals business reported robust performance on account of established portfolio of products and relationships with radiopharmacies. The CMO of Sterile Injectables business is delivering expected traction on the back of higher capacity utilisation levels after clearing the USFDA warning letters in about a year's time.

In FY 2016, Life Science Ingredients segment revenue stood at Rs. 27,475 million and contributed 47% to the overall Income from Operations. Life Science Chemicals performance was impacted mainly due to lower input prices from crude resulting in decrease in prices of finished products and lower demand. We witnessed lower demand of some of the end use products in the Specialty Intermediates and Nutritional Products business. Profitability has, however, increased significantly due to higher value added

sales in Fine Ingredients products and various cost cutting initiatives and process efficiencies achieved in the segment. We are also implementing various strategic initiatives to increase capacity utilisation specifically in the Specialty Intermediates business.

## **Dividend**

The Board has proposed a dividend of 300% per equity share of Re. 1 face value for the year which will result in a cash outgo of Rs. 575 million including tax.

## **Q1 FY 17 Results**

We have started the Year FY 2017 on a positive note delivering strong results led by the Pharmaceuticals segment in Q1 FY 17.

During Q1 FY 2017, our consolidated revenue stood at Rs. 1,4195 Million. We reported strong profitability with record EBITDA of Rs. 3724 Million, up 13% YoY, margins of 26.2% up from 22.7% last year and net profit of Rs. 1616 Million, up 22% YoY. I am happy to report that the Company repaid Rs. 2471 Million of debt in Q1 FY 2017.

Our Pharmaceuticals segment revenues grew 7% YoY led by growth in our Specialty Pharmaceuticals (Sterile Products) segment. The EBITDA in our Pharmaceuticals segment grew a healthy 13% YoY with margins of 34%. With R&D at 7% of our Pharmaceuticals segment sales, we have built up a robust pipeline of products which we believe will help us sustain the momentum in this business. Our Pharmaceutical segment now contributes 53% to total revenues and about 70% of the company's EBITDA.

In our Life Science Ingredients segment, Q1 FY 2017 revenues stood at Rs. 6180 Million, contributing 44% to the overall revenues. While businesses such as Fine Ingredients witnessed robust growth, overall sales declined 14% YoY led by lower crude prices which have resulted in decrease in prices of finished products. Additionally, our focus to improve profitability has also led to lower sales in some lower margin markets. EBITDA margins improved 181 bps YoY to 19% in Q1 FY 2017, led by focus on profitable sales, cost optimization initiatives and process efficiencies.

Drug Discovery Solutions revenues stood at Rs. 496 Million, growing 102% YoY and contributing 3% to total revenues. Drug Discovery Solutions EBITDA stood at Rs. 160 Million, including out-licensing income of US\$ 2 Million. Drug Discovery Solutions EBITDA margins stood at 32.2%.

## **Outlook**

To conclude, I would like to say that we are confident of maintaining the momentum going forward led by key initiatives in our segments. Revenue and profitability growth in Pharmaceuticals segment is expected to be led by new product launches in Generics with robust growth in rest of the world business, expected launch of Ruby-fill and strong pipeline in Radiopharmaceuticals and ramp up of operations in Sterile Injectables with new customer acquisitions and strong order book. The Life Science Ingredients segment is focused on generating operating cash by strategic initiatives of retrofitting plans for better capacity utilization with new product introductions and improved margin by cost optimization and better product mix. Our endeavor to reduce debt will result in free cash flow and improvement in key financial ratios.

We thank our stakeholders which include our customers, vendors, bankers and shareholders for continuing their support and maintaining their confidence and trust. We take this opportunity to thank Mr. Shardul S. Shroff, who resigned from our Board for his invaluable contribution. We would also like to express our earnest appreciation to our employees across geographies for their contribution and commitment towards achieving the organisational goals.

May the coming year be successful for all of us!

Thank you.