

OUR PROMISE

Caring, Sharing, Growing

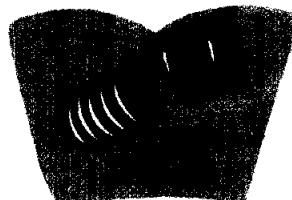
*We will, with utmost care for the environment,
continue to enhance value for our customers
by providing innovative products and
economically efficient solutions; and for
our shareholders through sales growth,
cost effectiveness and wise
investment of resources.*

OUR VALUES

Our Teamwork



Our Efficiency



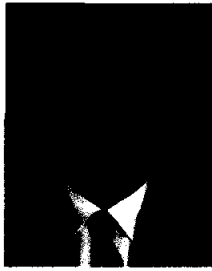
Our Knowhow



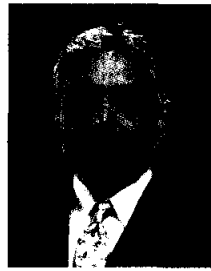
Our Delivery



S.S. Bhartla



H.S. Bhartla



S.N. Singh



Shyam Bang



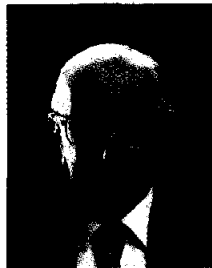
Arabinda Ray



Bodhishwar Rai



J.B. Dadachanji





formerly

Vam Organic
Chemicals Ltd

Directors

S.S. Bhartia	- Chairman & Managing Director
H.S. Bhartia	- Co-Chairman & Managing Director
Arabinda Ray	- Director
J.B. Dadachanji	- Director
Bodhishwar Rai	- Director
S.N. Singh	- Executive Director
Shyam Bang	- Executive Director

Secretary

Ajay Krishna

Auditors

K.N. Gutgutia & Co.
11K, Gopala Tower
25, Rajendra Place
New Delhi - 110048

Bankers

State Bank of India
Corporation Bank
Canara Bank
Bank of Baroda
Punjab National Bank
Centurian Bank Ltd.

Solicitors

Karanjawala & Company
J. Sagar Associates

Registrars and Transfer Agents

Alankit Assignments Ltd.
205-208, Anarkali Complex,
Jhandewalan Extension,
New Delhi - 110 055
Ph: 3610220-24

Corporate Office

I-A, Sector-16-A, Institutional Area, Noida, U.P. -201301, India
Tel.: +91 (120) 451 6601-11, Fax: +91 (120) 451 6629

Registered Office

Bhartiagram, Gajraula, Distt. Jyotiba Phoolay Nagar, U.P. - 244 223, India
Tel.: +91 (5924) 52351, 52353-60, Fax: +91 (5924) 52352

board of directors

chairmen's statement

Driven by our philosophy of 'Caring, Sharing, Growing' and our continuous endeavour to move up the value chain, we have, in the last fiscal year, refurbished our corporate identity from Vam Organic to Jubilant Organosys to reflect our changing corporate profile. We also experienced substantial operational and financial advancement in today's challenging environment. This business success, demonstrated by the company, strengthens our belief in robustness of our dynamic business model. The new corporate identity, a transformed business profile and R&D driven global focus would help us build the corporate brand equity as a Science Active company.

We strongly believe that our consumer centric initiatives aimed at enhancing consumer satisfaction and shareholder value has resulted in a strong performance by the company. This has motivated us to set new standards of efficiency, customer satisfaction and ever improving shareholder return, the commitment reflected in our promise:

We will, with utmost care for the environment, continue to enhance value: for our customers by providing innovative products and economically efficient solutions; and for our shareholders through sales growth, cost effectiveness and wise investment of resources.

Results

Jubilant Organosys followed up its last year's double digit growth performance, with another substantial increase in earnings, reflecting a growing contribution of value added products to our revenues. Operating profits of the company increased by 18.7% to reach Rs.889.4 million and profit after tax stood at Rs.236.4 million recording a growth of 77%.

Speciality chemicals business of the company continued to grow rapidly, increasing its contribution to overall business portfolio from 38% in previous year to 48% in financial year 2001-02. This is the true testimony to strong progress made by the company towards ascending the value chain. Speciality chemicals will continue to form core of our growth strategy as we move ahead.

The company established its credentials as a recognized international player in specific business areas. This was indicated in increasing share of global revenues in our total revenues. Exports recorded a significant growth of 56.2% and accounted for 13.7% of total revenues, a feat made possible through a reach to our customers in over fifty countries across the world.

Dividend

The company believes that a healthy performance should directly translate into higher returns for our shareholders – a practice followed in past as well. In line with this tradition, the Directors have recommended a dividend of Rs.7.5 per share amounting to a distribution of Rs.58.2 million and a payout ratio of 24.6%.

Strategy

Streamlining the business: To streamline our operations and leverage complementary strengths, Jubilant Organosys, a year ago, re-organized its business in three integrated strategic business units (SBUs) – Organic Intermediates, Speciality and Fine Chemicals; Performance Chemicals; and Plant Health and Animal Nutrition. Today, each of these SBUs has multiple growth units which continue to invest significantly to further our traditional market-driven R&D

competencies. The products developed through this endeavour have increasingly found applications in industries as diverse as pharmaceuticals and agrochemicals on one end of the spectrum to construction, textiles, paper and packaging and food and beverages on the other. The new set up has also equipped the company to better utilize the opportunities available at the global arena.

High value global focus: Our distinct operating strengths, robust business plan and a committed team of professionals has ensured successful accomplishment of our strategic goal of becoming a global company. The company has significantly enhanced its global presence with the products of the company being marketed to over 50 countries worldwide. With a clear focus on value-added chemicals and increase in revenues from international markets, Jubilant Organosys has established a sustainable growth model. We have also established mutually satisfying and stable relationship with our global customers, which has been and will continue to be instrumental in driving demand and thereby augmenting our performance.

Leadership and growth: Operating excellence, focus on high end value added chemicals and the aim to be a global player has resulted in Jubilant Organosys achieving leadership status not only in India but at the global level too. Our integrated, multi purpose and strategically located plants, combined with flexible manufacturing processes make us the largest domestic producer of VAM, Pyridine, Picoline and their derivatives (globally ranked third), Acetaldehyde (globally ranked sixth), Acetic Acid, Acetic Anhydride (globally ranked ninth),

Ethyl Acetate (globally ranked eighth), Vinyl Pyridine Latex (globally ranked seventh) and Choline Chloride (globally ranked seventh). We also have to our credit the distinction of having Asia's largest distillery and bio gas plant. These manufacturing capabilities combined with our locational advantage of being present in the sugar belt of India, namely Uttar Pradesh and Maharashtra, have ensured that we continue to ride on growth crest and are geared up to meet the challenges of changing environment.

The leadership stance of the company not only reflects in the production capabilities but also in the quality of people the company employs. We built a strong pool of talent in all the management areas, be it marketing, finance, operations, IT, human resources or any other functional area.

Performance in innovation: Our focus on consumer centric growth has resulted in enhanced R&D efforts by the company. This increased R&D focus translated into launch of a record number of products in last financial year. The company has developed customized molecules to fulfil the needs of our global customers. This research orientation has not only helped us in expanding our market share but has also led to our being recognized as a critical vendor by our customers. This focus on research has helped us create a diverse range of related commercial revenue streams. The company has invested substantially in these emerging opportunities.

Efficient logistics: Improvement in logistics not only results in financial saving for the company but also helps build strong relations with customers through efficient servicing. During the last financial year, the company implemented an



information technology driven supply chain management system that substantially reduced working capital requirement and improved our servicing levels to our customers.

Future Growth

As we stand at the threshold of a new and exciting era of challenges, growth and globalization, we look with appreciation the enthusiasm and dedication demonstrated by our people. In today's dynamic and demanding markets, we continue to derive our competitive edge from the quality of our people and high level of professional commitment displayed by the entire Jubilant Organosys team.

We are convinced of the immense possibilities in our business and believe that there is considerable value that can be leveraged from our products and operations. We have built a strong edifice – a vision to be global leaders, clear growth strategy, a motivated and talented

workforce, commitment to quality and above all a desire to offer Science Active solutions to our customers.

We believe that at Jubilant Organosys, the achievements of last year is just a precursor to growth led performance that we will accomplish in coming years.

Our statement would be incomplete without formally recognizing the invaluable contribution made by all of you to the success of Jubilant Organosys. We take this opportunity to thank all our stakeholders including our customers, employees, partners, suppliers, and above all our shareholders for their continued belief in us. It is their unstinted support that has helped the company achieve a cutting edge in the international market place.

With a strong foundation in place, we look ahead with confidence to the continued excellence in all the spheres of our activities and many more rewards for all of us.

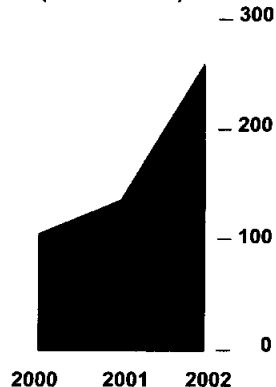


S.S. Bhartia

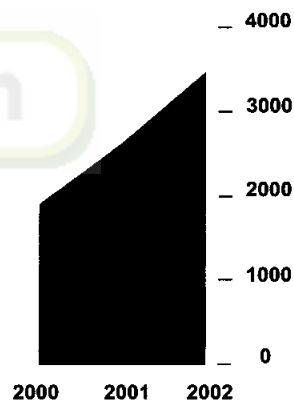


H.S. Bhartia

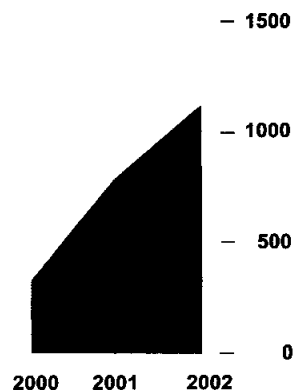
Profit After Tax
(Rs. in million)



Speciality & Fine Chemical Revenue
(Rs. in million)



Exports
(Rs. in million)



management discussion & analysis

I. Business Performance / Financial Overview

Jubilant Organosys Limited continued its growth in sales and profitability, reinforcing its leadership position in the domestic market. In addition, this year witnessed the company further strengthen its position in the international market as well. The total net sales i.e. gross sales excluding inter-divisional transfers and excise duty, for the year stood at Rs. 5951.1 million recording a growth of 9%. PBIDT at Rs. 877.9 million was up by 17.1% from the figure of Rs.749.5 million recorded last year.

The company recorded significant growth in profit mainly due to a favourable shift in the product mix from Bulk chemicals to Speciality chemicals and also due to a notable growth in Exports. Speciality chemicals contributed 57% to the net sales this year, up from last year's 49% and Exports increased by 56% to touch Rs.1185 million during the year. Our strategic initiatives in the Supply Chain function also contributed significantly to the increase in profits due to improved operational efficiency, which in turn yielded significant cost savings while improving the operating cash flow.

The Speciality chemicals business grew by 28% driven by our R&D capability as well as our deep understanding of customer needs, which enabled us to proactively identify products for development and thereby stay ahead of competition.

II. Industry Structure & Development

a) Business Outlook / Industry Outlook

For Jubilant Organosys, the Pharmaceuticals, Agribusiness, Textiles and Construction industries form the core customer end use segments.

The global resurgence in the pharmaceuticals and construction industries will enable strong and continued opportunities for participation by us.

The prices for Acetyls started firming up globally during the latter part of the last financial year and therefore led to better realizations for some of our Acetyl products. We expect this price trend to continue in the current financial year as well, which should result in improved profitability for our Acetyls business. Commercial produ-

ction at the newly commissioned multi-purpose Fine chemical plant has started. This will help accelerate the sales of Fine chemicals.

Jubilant Organosys is today, well-positioned in growth markets having promising growth prospects. As we continue to invest in developing new products and new markets, for both existing, as well as new products, we remain confident of delivering sustained growth

and improved manufacturing performance in all our businesses. The company is

also confident of delivering on its promise of high growth in profitability

through continuing thrust on Speciality Chemicals and Exports. In terms of end use segments, we expect growth to come from customers in the Pharmaceuticals, Agrochemicals and Construction sectors.

b) Growth Strategy

Our current strategy sets a clear charter for growth and expansion. This forms the very foundation for promoting a sustainable and profitable operation that continues to



PHARMACEUTICALS

create and deliver high value to all its stakeholders. The strong performance of Jubilant Organosys this year has been a result of the following:

- Intensive focus on the value-added Speciality and Fine chemicals business which has enabled us to strengthen our position in the international market by providing customised, cost-effective solutions to our global customers.
- Constant evaluation of growth opportunities in high-value Speciality chemicals for moving up the value chain through R&D driven internal efforts and utilisation of external opportunities through the mergers and acquisitions route.
- Comprehensive expansion programme undertaken to identify and capture global opportunities and to enhance the revenue contribution from Exports.
- Emphasis on R&D, which forms the basis of a distinct product and market development strategy, to expand the scope and depth of markets by developing new products and adopting a focussed market penetration approach.
- Unrelenting initiatives to augment internal operational efficiencies so as to provide cost-effective solutions and create better manufacturing processes, both of which play a vital role in initiating and sustaining key client relationships.

These initiatives make us confident of success in achieving a sustained increase in sales as well as the operating margins of

the Company.

c) Business Model

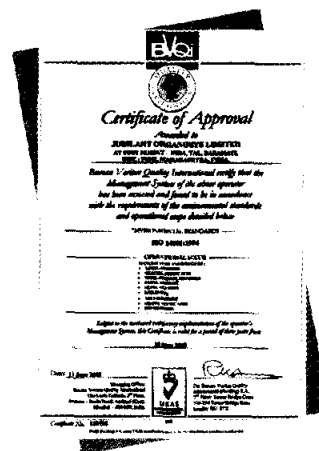
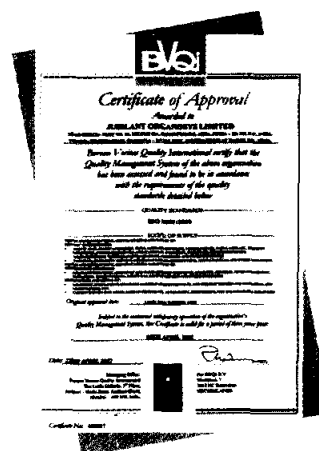
While Jubilant's growth strategy has allowed the Company to create and sustain a unique position within the Speciality and Fine chemicals business, our business model has enabled us to operate and grow independently within the Chemicals business. This has led to a focus on both, growth as well as effective and efficient operations. Simultaneously, it has helped define performance matrices that facilitate accurate monitoring and measurement of its success.

Our broad horizontal delineation between the Bulk chemical and Speciality and Fine chemical business is the consequence of our strategic decision to operate in the latter segment and to capitalise on its huge existing market potential. This is what underlies our emphasis on manufacturing high end value-added products, and this in turn, has also enabled us to enhance the contribution of the Speciality and Fine chemicals business to the growth trend.

Further, the vertical definition of the company's business operations into three independent divisions namely,

- Organic Intermediates, Speciality & Fine Chemicals
- Performance Chemicals
- Plant Health and Animal Nutrition

has allowed us to create distinct growth businesses, each with its own charter for progress. This, in turn provides a clear operating framework to all senior managers, empowers them and provides them flexibility in nurturing and growing individual



business units, while keeping them aligned with the overall corporate objective.

III. Division wise / Growth Unit wise / Opportunities & Threats / Segment wise Performance

a. Organic Intermediates, Speciality & Fine Chemicals Division (OI)

This is the largest division of the company and accounted for 66% of the Company's net sales in the financial year 2001-02. This translated into a sales growth of 7%. The net profit declined by 11% during the year due to low price realization in the Acetyls product segment, which is the largest growth unit of this division.

The OI division comprises three Growth Units (GU) each of which in turn has multiple product lines. To better understand their performance, as well as future outlook in the context of opportunities and threats, we have described each growth unit in detail:

▪ Acetyls

This is the largest product segment of the company and comprises Acetic Acid, Acetic Anhydride, Vinyl Acetate

Monomer and Ethyl Acetate. Acetyls' net sales in value terms declined by 2% because of a steep decline in international prices. In volume terms the Acetyls business recorded a growth of 7.72 %. The sales of the Acetyls products are spread over a diverse industry base with 20% of the sales coming from Pharmaceutical end use, 13% from Agrochemicals, 12% from Construction, 16% from Paper/Packaging, 25% from Textiles and 6% from Food & Beverages.

Despite tough market conditions, we doubled the sales of Ethyl Acetate and now hold 28% market share in the domestic market. This was made possible due to the development of special grades

of ethyl acetate for use in printing ink and packaging, including food packaging, pharmaceuticals and paint industries. Due to its superior quality, our Ethyl

Acetate has been very well accepted both in the international as well as domestic market.

In Acetic Anhydride, we have the largest share of the domestic market at 46% besides being the ninth largest manufacturer

globally.

Similarly, in Vinyl Acetate Monomer, we have the largest share of the domestic market at 53%. In Acetic Acid, we have the second largest domestic market share at 22%.

Exports accounted for 10% of this business up from 5% last year. During this year, we expanded our base of customers for the Acetyls to several new countries as well.

We are also the sixth largest producers of Acetaldehyde in the world. This is the feedstock for Acetic Acid, Acetic Anhydride and Pyridine bases. For manufacturing Acetaldehyde the company uses captive natural ethanol for which we have the largest global capacity outside of Brazil and Canada. The scale of acetaldehyde and ethanol production provides us an excellent cost position and the ability to compete effectively, globally.

Future Outlook: With the firming up of international prices of bulk chemicals in the second half of the last financial year and

indications of this trend continuing in this financial year, we maintain a positive outlook for the Acetyls business. The company has consolidated its position in the higher value, speciality Ethyl Acetate where the increase in our manufacturing capacity has taken us to the eighth position globally.

■ Pyridine & Pyridine Derivatives

The products of this Growth Unit (GU) include Pyridines, Beta, Alpha and Gamma Picolines, Cyano Pyridines, Pyridine Hydrobromide, Pyridine Hydrochloride, Niacin and Niacinamide.

Sales of this growth unit increased by 27% over the previous year driven by our increasing presence in international markets. Exports accounted for 56% of the turnover of this GU up from last year's 53%. Products of this growth unit are used essentially in the Pharmaceuticals and Agrochemicals industry.

During the last financial year we entered the 'Vitamin B' market -

a value addition to our existing 3-Cyanopyridine. This market is growing at the rate of 6% - 7% per annum and thus offers significant opportunities for growth. In the area of Pyridine & Pyridine derivatives Jubilant Organosys is the world's third largest manufacturer. In order to continuously build and improve upon our ability to compete globally, the business focussed on reducing manufacturing costs by using improved technology.

Future Outlook: This business continues to hold promising prospects, reinforced by our expanding list of global customers for whom we are able to speedily develop new products. We are expanding our Cyanopyridine facilities to include the manufacture of 2-Cyanopyridine and 4-Cyanopyridine.

■ Fine Chemicals

The products of the Fine Chemicals Growth Unit comprise Lutidines, Collidines, Amino-pyridines, Tri-Ethyl Phosphate and Extra Neutral Alcohol.

This smallest yet fastest growing growth unit recorded an increase of 72% in sales over the previous

year. 91% of the sales of this growth unit are to the Pharmaceuticals segment and are driven both by increase in volumes of existing products and the introduction of new products. Amongst the new products introduced were -

- 2,3 Lutidine (an intermediate for Lansoprazole-Antiulcer drug).
- 2,6 Lutidine (an intermediate for Ampicillin & Amoxyciline),
- 2,4,6 Collidine (an intermediate for Vitamin - D3),
- 3,4 Lutidine (an intermediate for Pentazocine).

Exports accounted for 7% of the topline of this Growth Unit. During the year Phase I & Phase II of our multi-purpose plant has been successfully commissioned.

Future Outlook: Future for this GU is extremely positive, as the sales from new products will drive its growth in both domestic and international markets. We will be introducing additional new products such as 2,3,5 Collidine (an intermediate for Omeprazole), Piperidine and Amino-pyridines (widely used intermediates for several drugs and agrochemicals).

AGRO CHEMICALS



b. Performance Chemicals Division

This division accounted for 22% of the net sales last year. The net sales of the division grew by 12% and net profit recorded a growth of 42%.

This division is structured around seven Growth Units, each of which focuses on a high performance and often, application-intensive end use.

▪ Latex

This business continued on its high growth trajectory and grew its sales by 105% over the previous year. The sales increase was driven by a quantum jump in exports, which accounted for 34% of the turnover of this growth unit. While some large international tyre companies have become our regular customers, approval from the remaining global tyre companies is in progress. At present, almost all the sales of this growth unit are to the tyre manufacturers. We are the largest manufacturers of Latex in India.

During the year a new reactor for SBR Latex was commissioned and different grades of SBR Latex suitable for applications like Paper coating and Carpet backing were introduced.

Future Outlook: With the growing global as well as domestic demand for the products of this Growth Unit, the future outlook remains extremely positive.

▪ Industrial Adhesives

This Growth Unit has five major product lines namely, Lamination Adhesives, Pressure Sensitive Adhesives, Packaging Adhesives, Polyurethane Adhesives and Hotmelt Adhesives. The sales of this Growth Unit grew by 19% over the previous year. 94% of

the sales of these Industrial Adhesives are to the paper / packaging industry. While margins came under pressure in the last financial year due to intense competition, the business was able to increase its market share due to its focus on new products and its ability to offer superior technical support to its customers. For Pressure Sensitive Adhesives and Lamination Adhesives the company has the largest market share in India.

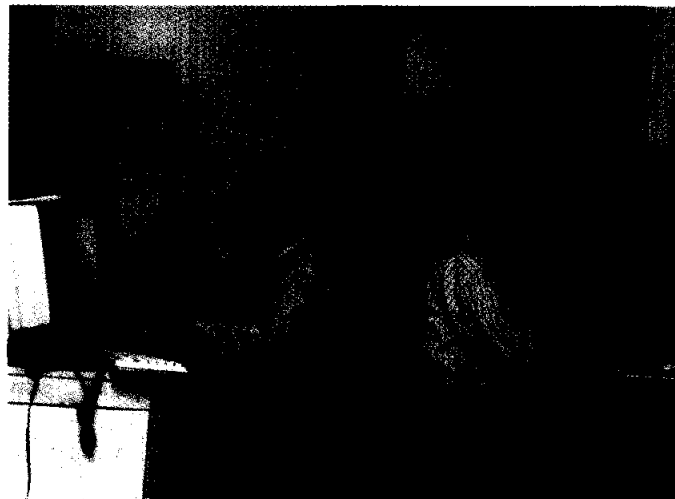
During the year the company commenced exports of all Industrial Adhesives and efforts are being stepped up to find new markets. A new reactor was also commissioned to augment capacity and new grades of Polyurethane (PU) were introduced to offer a versatile and extensive range to our customers.

Future Outlook: The future outlook is expected to be positive and increased sales of PU will drive both growth and profit upwards. Solvent-less Polyurethane and ultra-high performance Polyurethane adhesives, which will be introduced in current financial year, will add to the existing revenue streams for this Growth Unit.

▪ Coatings & Speciality Polymers

The products of this Growth Unit include Styrene Acrylic and VAM based emulsions for the Paints and Construction Industries and Solid PVA, which is used for making Chewing Gum.

This Growth Unit recorded a growth of 5% in sales over last



year. The prices and margins remained under pressure as the sales of the end-use Paints Industry slowed down during the second half of the year.

74% of the sales of this Growth Unit are to the Construction Industry including manufacturers of Paints and Construction Chemicals. The remainder 26% of sales goes to the Food Industry (i.e. to Confectionery products).

This Growth Unit focussed on developing the business with small-scale paint manufacturers by putting in place an extensive dealer network. Initiatives to establish a range of Construction Binders were undertaken successfully. Initial efforts towards tapping export markets were made and the Company plans to further this initiative in the current financial year.

The company established leadership position in the Solid PVA market and holds 75% share of the domestic market. A new grade of Solid PVA was introduced during the last quarter. Development work to augment the range and develop

customized products for international Chewing Gum base manufacturers continued during the year.

Future Outlook: The buoyant response both in the domestic and international market encouraged us to expand our capacity to become a global player in Solid PVA. The new plant, which conforms to international GMP requirements, is scheduled to go on-stream in the second half of the current financial year.

New products introductions are planned for the Coatings product line as well; namely, Dispersing Agents and Polymeric Opacifiers that will further strengthen the business.

▪ Textile Chemicals

This Growth Unit has four major product lines namely, Finishing, Non-woven, Flocking Agents and Printing Binders.

Net sales of this business grew by 11%. All the sales are currently to the domestic textile industry; however, opportunities have been identified for exports and will be developed in the current year.

New innovative products were introduced to strengthen our