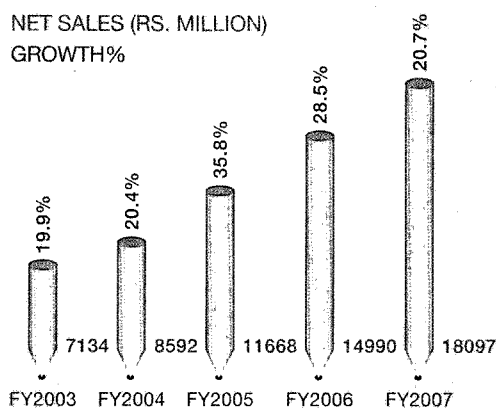


ANNUAL REPORT 2006 - 2007

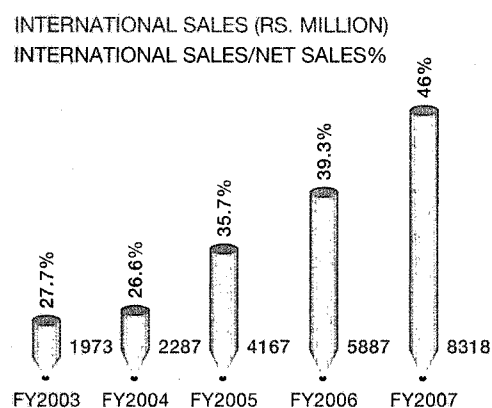
CREATING SUSTAINABLE PARTNERSHIPS IN OUTSOURCING

FINANCIALS AT A GLANCE

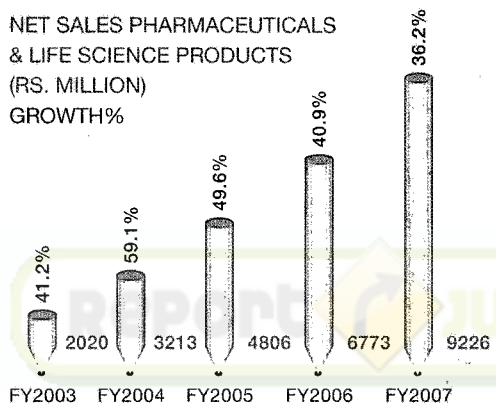
NET SALES (RS. MILLION)
GROWTH%



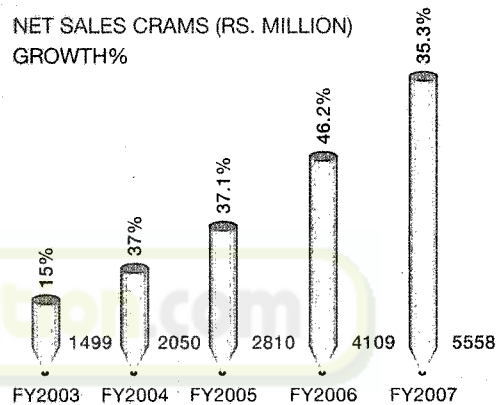
INTERNATIONAL SALES (RS. MILLION)
INTERNATIONAL SALES/NET SALES%



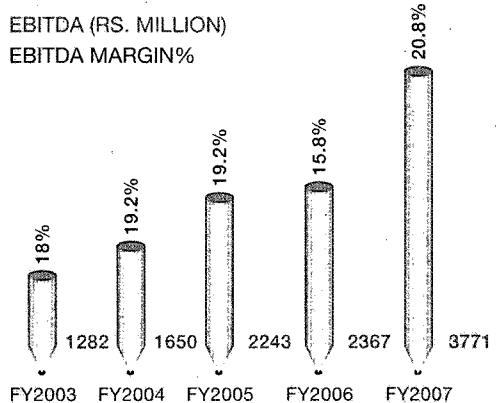
NET SALES PHARMACEUTICALS
& LIFE SCIENCE PRODUCTS
(RS. MILLION)
GROWTH%



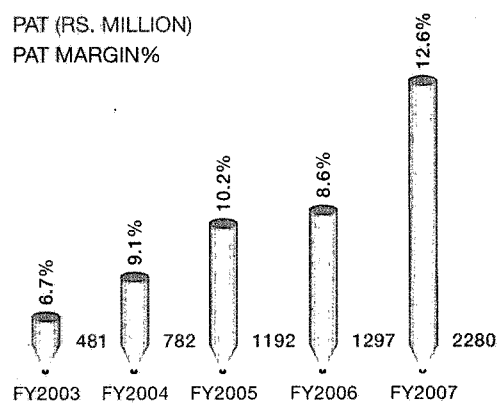
NET SALES CRAMS (RS. MILLION)
GROWTH%



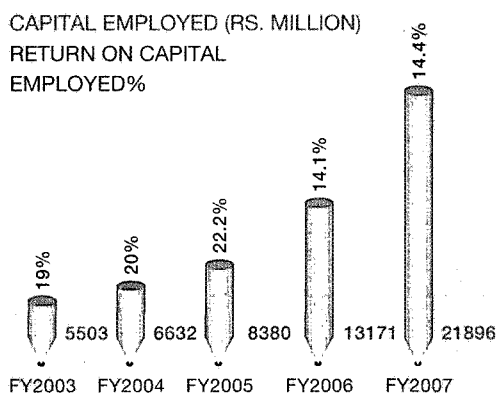
EBITDA (RS. MILLION)
EBITDA MARGIN%



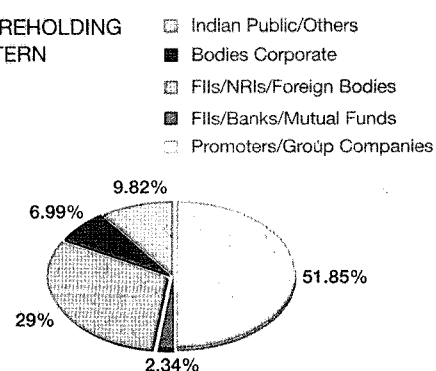
PAT (RS. MILLION)
PAT MARGIN%



CAPITAL EMPLOYED (RS. MILLION)
RETURN ON CAPITAL
EMPLOYED%



SHAREHOLDING
PATTERN



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CORPORATE INFORMATION

Registered Office

Bhartiagram, Gajraula
Distt. Jyotiba Phoolay Nagar 244223
Uttar Pradesh, India

Corporate Office

1A, Sector 16A, Noida 201301
Uttar Pradesh, India

Statutory Auditors

K N Gutguia & Co
11K Gopala Tower 25, Rajendra Place
New Delhi 110048, India

US GAAP Auditors

KPMG, 4B, DLF Corporate Park
DLF City Phase III
Gurgaon 122002, India

Cost Auditors

J K Kabra & Co.
552/1B, Arjun Street, Main Viswas Road
Viswas Nagar, Delhi 110032, India

Internal Auditors

Ernst & Young Pvt. Ltd
Hindustan Times Building
6th Floor
18-20, Kasturba Gandhi Marg
New Delhi 110001, India

Company Secretary

Lalit Jain

Registrars & Transfer Agents

Alankit Assignments Ltd., Alankit House
2E/21, Jhandewalan Extension
New Delhi 110055, India
Tel: +91-11-23541234, 42541234

Bankers

ICICI Bank Ltd.
State Bank of India
Export Import Bank of India
Punjab National Bank
Corporation Bank
Canara Bank
ABN AMRO Bank N.V.
Standard Chartered Bank
ING Vysya Bank Ltd.



BOARD OF DIRECTORS

Chairman and Managing Director

Shyam S Bhartia

Co-Chairman and Managing Director

Hari S Bhartia

Executive Directors

Dr. J M Khanna

S N Singh

S Bang

Directors

Arabinda Ray

Bodhishwar Rai

Surendra Singh

H K Khan

Dr. Naresh Trehan

Ajay Relan

Abhay Havaladar

Vishal Marwah (alternate to Mr. Ajay Relan)



Executive Director - Finance

R Sankaraiah



CHAIRMEN'S MESSAGE

Dear Shareholders,

The financial year 2007 has validated Jubilant's growth strategy focused on the Pharmaceuticals & Life Science Products (PLSP) business. We are happy to take this opportunity to discuss with you the overall strategy to capture the growing needs of outsourcing from India by developed countries in Pharmaceuticals industry. We will also share with you key insights into the Company's operating performance and business outlook.

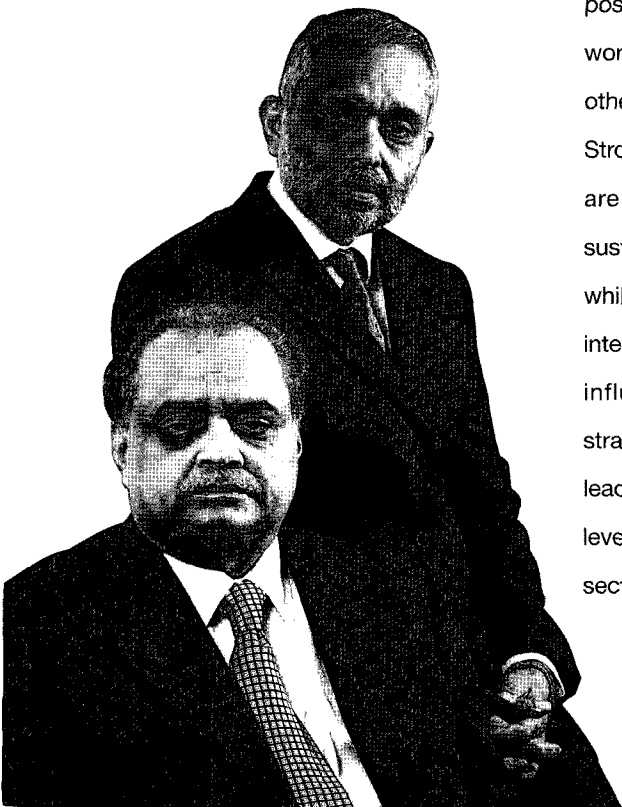
State of the economy

An average GDP growth rate of 8.6% per annum over the last four years has positioned India as a strong engine of world economic expansion, along with other emerging nations such as China. Strong trends in domestic consumption are bearing out the stability and sustainability of this economic progress, while helping spur global investment interest in our country. Indian corporate influence meanwhile continues to straddle global business boundaries, leading to the creation of international level conglomerates and often, worldwide sectoral leadership.

Trends in Pharmaceuticals and Life Science outsourcing

As Pharmaceuticals and Life Science majors move to conserve earnings and margin growth, they are increasingly favouring opportunities to outsource even core activities such as Research and Development. Also marketers of generic therapies are facing intense cost pressures today. Here, the practice of allowing 'authorized generics' continues to gain industry acceptance. Under this practice, the patent holding company co-opts a generic drugs manufacturer to produce generic versions of its patented drug at a low cost across key regulated markets.

We expect this trend to continue in the coming years and generate greater outsourcing opportunities for companies such as ours. Our optimism is based on two key developments among others. Firstly, there are frequent moves by industry regulators to strengthen disclosure standards relating to new drug development in order to address drug and patient safety concerns. Secondly, Governments in regulated markets are reducing budgetary support for publicly funded healthcare programmes. Such measures directly affect the cost economics of the Pharmaceuticals and Life Science industry, therefore impelling it towards creating a model based on outsourcing alliances for even core activities such as discovery/developmental research and manufacturing. This is a trend that Jubilant successfully continues to leverage upon.



In our vision, Jubilant will be at the centre of change across the Pharmaceuticals and Life Science industry and hopefully, become an agent of this change. Jubilant is an organisation, which is global, both in terms of scale and outcome and one that operates in total conformance with regulatory requirements everywhere.

The Company's performance during FY2007 has demonstrated the durability and suitability of a 'collaborative' model of drug discovery. In this model, innovating companies frequently choose to ally with knowledge leaders, such as Jubilant, with a view to not only accelerating drug development schedules but also to achieve this at a considerably lower cost to the stakeholders involved.

Jubilant-A Preferred Outsourcing Partner

India is an important and effective outsourcing partner to Global Pharmaceuticals and Life Science industry. Building on its competencies in manufacturing (India has the largest number of USFDA approved production facilities outside USA), the country is fast establishing a reputation as a destination of choice for high-end research to meet the needs of the Pharmaceuticals and Life Science industry. This is facilitated by the genetic diversity of the Indian population and the limited access that Indians have had to medical treatment.

Jubilant is one of India's largest global outsourcing recipients from the Pharmaceuticals and Life Science

As a preferred partner in outsourcing to the global Pharmaceuticals and Life Science Industry, Jubilant has today forged an identity as a true multinational, offering products and services across the entire value chain.

industry. With clearly defined focus areas for growth - CRAMS (Custom Research and Manufacturing Services) and DDDS (Drug Discovery and Development Services), we expect the Company to substantially enhance its business momentum over the following years.

At Jubilant, we have endeavoured to create a self-contained outsourcing option to the Global Pharmaceuticals and Life Science industry. The focus across the organisation is on in-house capturing of total value across the Pharmaceuticals and Life Science products and services chain with a view to improving outsourcing productivity and lowering associated costs. Our manufacturing operations are fully integrated from end-to-end, allowing us to scale up our product offerings from lab quantities to metric tonne levels, as per regulatory requirements.

At the core of the success of Jubilant's 'collaborative' model of outsourcing, is its ability to envisage and engineer product and service solutions ahead of anyone else. Research and Development

at Jubilant, in a manner of speaking, has been a way of life ever since it first started developing speciality/industrial chemicals.

Today, Jubilant is one of the leading providers of Drug Discovery and Development Services in the country and also one of the largest employers of research scientists in the developing world. FY2007 saw the establishment of the Jubilant Discovery Research Centre at Bangalore - manned by a team of 550 scientists. This was a logical extension and a critical milestone in the development of the Company's future growth platform, the Drug Discovery and Development Services (DDDS) business.

In furtherance of our strategy of strengthening the Company's growth in the CRAMS business globally, Jubilant has recently acquired Hollister-Stier Laboratories, LLC, USA. This acquisition provides Jubilant with a significant platform within the fast growing and high-value Injectables Contract Manufacturing segment. The addition of

“ The acquisition of Hollister-Stier, a contract manufacturer of sterile injectables, strengthens the company's growth in CRAMS business globally ”

Contract Manufacturing of sterile Injectables into its portfolio will enhance Jubilant's ability to provide “One-Stop Shop” capabilities to customers and substantially increase the size and scope of its CRAMS business.

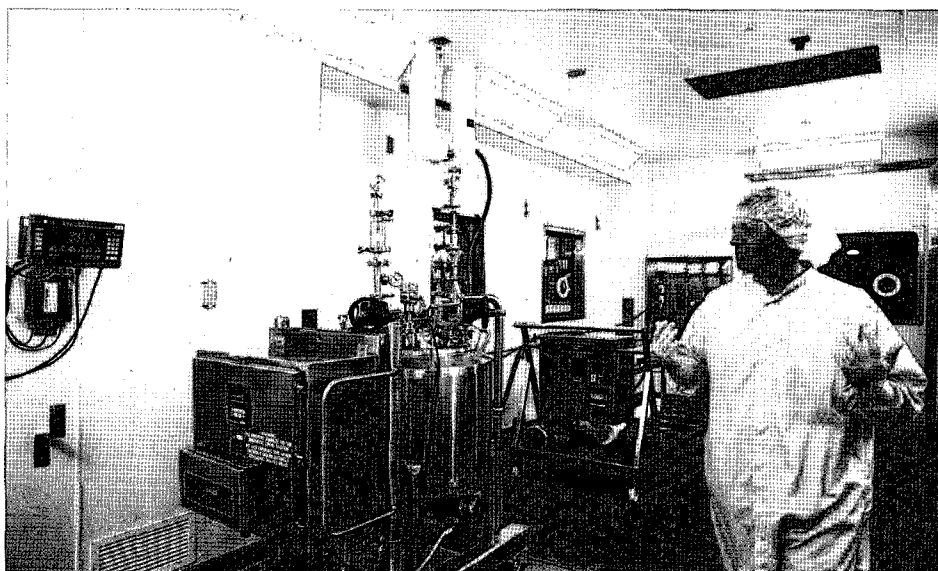
We remain pleased with the Company's success as a preferred partner in outsourcing to the Global Pharmaceuticals and Life Science industry. As we envisioned, Jubilant has emerged as a true multinational, whose influence extends beyond the boundaries of the business segments it operates in and which touches the lives of all stakeholders associated with it.

Outlook for the Company

The Company is presently implementing various initiatives in expanding capacities, including CRAMS facilities at Gajraula and Spokane, API facility at Nanjangud and finished Dosage Forms units at Roorkee and Salisbury.

We see continued strong performance from the CRAMS business which recorded sales of Rs. 5558.1 million in FY2007 and expect it to lead growth within the Pharmaceuticals and Life Science Products (PLSP) segment going forward. The Company remains committed to realising the full potential of the API and Finished Dosage Forms businesses and is likely to increase the rate of ANDA/DMF/Dossier filings in the ensuing financial year.

Drug Discovery and Development Services (DDDS) continues to remain a



Compounding client's product prior to sterile filling



Jubilant Discovery Research Centre at Bangalore

promising prospect, with the business of our subsidiaries operating in this area now stabilising and remaining poised for significant growth, going forward. As global Pharmaceuticals companies eye India for its collaborative potential, Jubilant's strategy of becoming a value added and integrated drug discovery service provider and collaborator, is expected to yield long-term dividends and provide sustained expansion in operating margins - of the kind we have demonstrated over the past few years.

Among our other segments of operations, Industrial Products can be expected to maintain revenue and profitability performance in the coming year with prices of the key raw material- molasses expected to stabilise at current low levels. Performance Polymers business is witnessing better performance after the Company dropped low-value product lines and entered new markets. The benefits of this strategy are expected to accrue going forward.

At this point, we would like to convey our sincere gratitude to all stakeholders who have been with us through the years. We remain thankful to our independent Board members for their invaluable contribution. We would like to take this opportunity to express our appreciation towards our employees, customers, vendors, bankers/lenders, investors and shareholders for their commitment and belief in Jubilant's performance and seek their continued support for all our future endeavours.

Shyam S Bhartia
Chairman and Managing Director

Hari S Bhartia
Co-Chairman and Managing Director

EXECUTIVE DIRECTORS' MESSAGES

“We see incremental growth coming from these units as we step up the rate of product (ANDA) filings to 10 annually both across the U.S. and in Europe”

Jubilant continues to strengthen its presence in the existing APIs business. With a portfolio of successful products in the fields of Central Nervous System, Cardio Vascular System, Gastro Intestinal, Respiratory and Anti-Infectives, we are evaluating opportunities to accelerate the pace of revenue and earning expansion. On one hand we are tapping into volumes-driven, APIs market and on the other we are targeting niche areas such as Oncology for further development. Our plan going forward would thus include the introduction of 8 to 10 DMFs each year.

Our strategy of setting up a Dosage Forms plant in India is to utilise our strong research and integrated production capabilities in

India to drive our Dosage Forms subsidiary operations in the U.S. (through Cadista Pharmaceuticals, Inc.) and European (using Pharmaceuticals Services, Inc., NV and PSI Supply NV, Belgium) markets. We see incremental growth coming from these units as we step up the rate of product (ANDA) filings to 10 annually, both across the U.S. and in Europe.

The Company's CRAMS operations which form the backbone of the PLSP business segment, saw us increasing production capacities to specifically target key customers. Our focus here is on signing long term contracts while increasing the scope for value added services. We remain pleased with the addition of Hollister-Stier Laboratories, LLC, a contract manufacturer of injectables in the fast growing/high value CRAMS segment. Hollister is a profit-making company and can be expected to provide a boost to the already high-growth CRAMS business.

“With instinctive understanding of customer tendencies and sharp manufacturing acumen, the Company has consistently grown both its market reach and its market potential over the years”

Jubilant enjoys a long tradition of being a leader in the Industrial Products and Performance Polymers businesses. With a keen appreciation of customer requirements and sharp manufacturing acumen, the Company has consistently grown both its market reach and its market potential over the years. It has focused on the creation and nurturing of an array of strong brands into category leaders, thereby giving support and sustenance to its position in the marketplace.

The company's Industrial Products business demonstrated healthy growth trends during the year, aided by a favourable environment for key product (acetyls) realisations.

We expect that going forward, the trends in the pricing of molasses would continue giving support to the recovery in margins that this business has demonstrated over the last 12 months. Prices of acetyls products will remain firm in the coming year as the crude prices are forecast to remain strong for this period.

Within Performance Polymers, Jubilant has re-structured its portfolio to include products that have wider acceptance, which give better margins and which would help the Company retain and improve market share.

I maintain my optimism regarding the performance of these businesses and am confident that the Company would be able to carry forward the momentum demonstrated in the past year.



Dr. J M Khanna



S. N. Singh