



INTEGRATED SOLUTIONS FOR PHARMACEUTICALS & LIFE SCIENCES

ANNUAL REPORT
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Standing Left to Right: Shyamsundar Bang, Rahul Yadav, S N Singh, R Sankaraiah, Vishal Marwaha, Dr. J M Khanna, Abhay Havaladar, Surendra Singh, Dr. Naresh Trehan
Sitting Left to Right: Arabinda Ray, Shyam S Bhartia, Hari S Bhartia, H K Khan

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
Shyamsundar Bang

Directors

Arabinda Ray
Surendra Singh
H K Khan
Dr. Naresh Trehan
Abhay Havaladar
Rahul Yadav
Vishal Marwaha (Alternate to
Rahul Yadav)

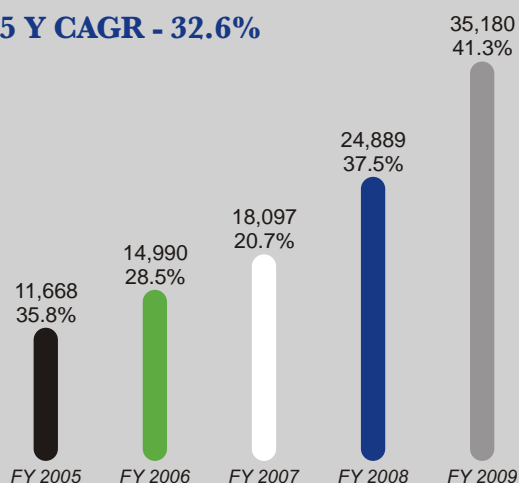
Executive Director - Finance
R Sankaraiah

FINANCIALS AT A GLANCE

Rs. million
Growth %

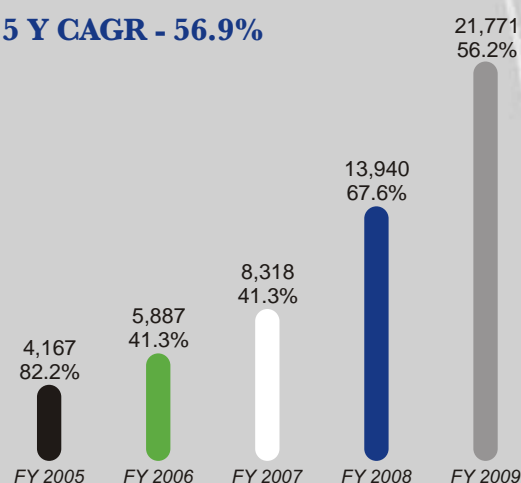
Revenue

5 Y CAGR - 32.6%



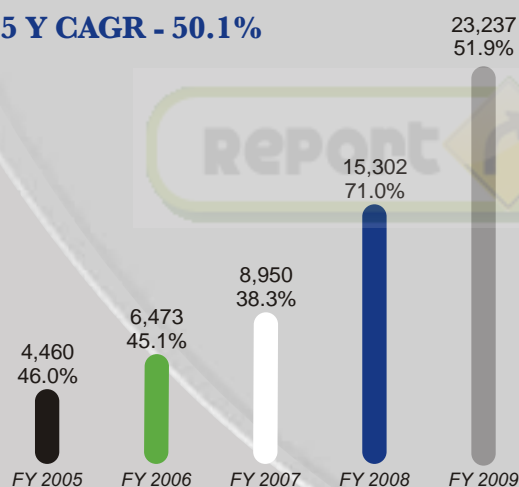
International Revenue

5 Y CAGR - 56.9%



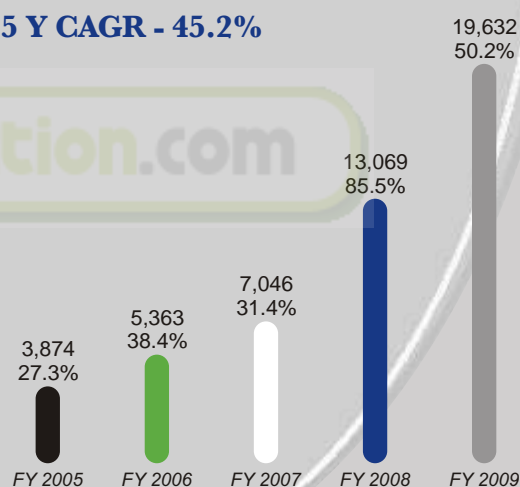
PLSPS Revenue

5 Y CAGR - 50.1%



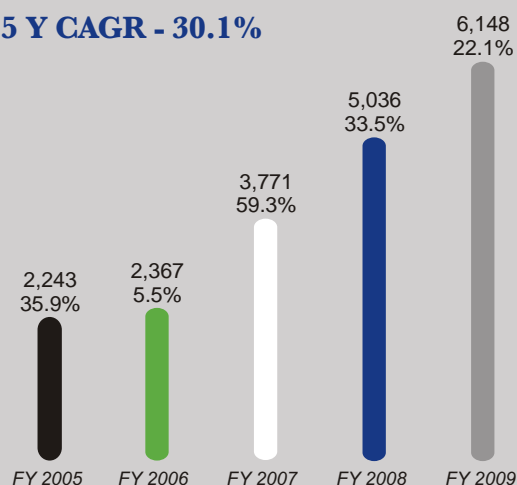
CRAMS Revenue

5 Y CAGR - 45.2%



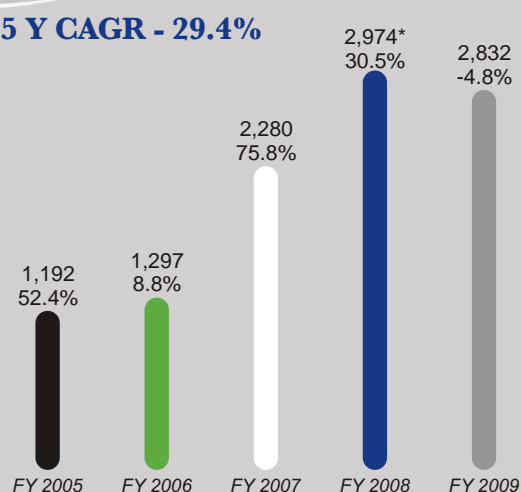
Operating EBITDA

5 Y CAGR - 30.1%



PAT

5 Y CAGR - 29.4%



* Adjusted for exchange gains.

CHAIRMEN'S MESSAGE



Hari S Bhartia
Co-Chairman and Managing Director

Shyam S Bhartia
Chairman and Managing Director

We are happy to conclude FY 2009 with record topline growth, which is fuelled by the robust performance of our Pharmaceuticals and Life Sciences business.

Leveraging the Integrated Business Solutions Model

Dear Shareholders,

The Financial Year 2008-09 has been an unprecedented year that has seen severe and sudden correction in the health of the world economy. Given the slowdown that has now spread across boundaries and industries, the growth engines of the world economy, India and China, are expected to post 5-8% growth this year. The response of Governments has been swift-there are a series of measures in place and on their way, to kick start growth and demand. The effects of the same will become apparent in the coming months.

The Innovator companies are increasingly looking for outsourcing and India emerges as a preferred outsourcing destination, since these companies are facing multiple challenges such as high R&D cost, declining sales volumes, drying of product pipeline, growing patent expiry, increase in generic competition and low availability of funds.

India as a cost-effective and high quality manufacturing and research hub offers multiple advantages like availability of a large talent pool, chemistry and biology skills, expertise in pre-clinical development, strengthened IPR environment, diverse patient profile and a large English speaking population. Indian Custom Research & Manufacturing Services (CRAMS) companies are expected to benefit from the global economic slowdown as big pharmaceutical companies step up outsourcing to cut



costs and improve their operational efficiency in these challenging times.

We are happy to conclude FY2009 with record topline growth, which is fuelled by the robust performance of our Pharmaceuticals and Life Sciences Products and Services (PLSPS) business. Despite the global economic slowdown, the Company has reported robust organic growth due to its strategic thrust on moving up the value chain in its PLSPS business. The earnings from this segment will be strengthened further with positive outcomes from the drug discovery and development services. Our focus on driving synergies in capacity utilisation and business collaboration with global pharmaceuticals and other life sciences companies will enable us to build future growth momentum.

Jubilant Strategy for Growth

The Company's core advantage is that it offers an integrated business model offering services at every stage of the pharmaceuticals value chain. Jubilant Organosys, the largest integrated Custom Research & Manufacturing Services (CRAMS) and a leading Drug Discovery and Development Services (DDDS) Company out of India has successfully translated the India advantages into value offerings for its customers.

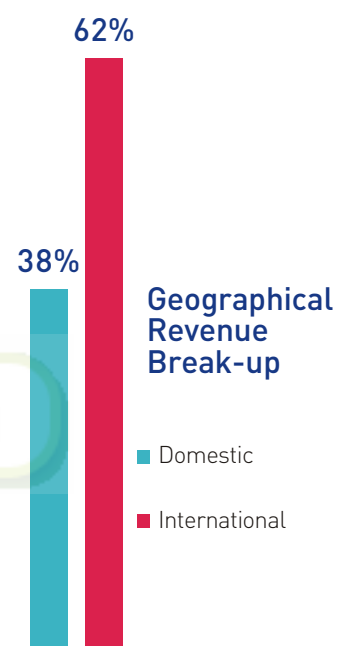
Jubilant's main strategy for growth has been to move up the value chain in terms of both value of products & services and geography. We have achieved this through vertical & horizontal integration for products & services. In terms of geography, we have moved up to high value regulated

markets of USA, EU & Japan.

The Company has built a strong sustainable business model through consistent organic growth and in-organic expansion by acquiring niche businesses in developed markets like USA, Canada and Europe.

Strategic Focus Areas

- The Company is leveraging upon its cost leadership and in-house research capabilities to enhance its global leadership position in pyridine and its derivatives.
- Jubilant is focusing on maximising capacity utilisation by becoming the preferred supplier to most of the major pharmaceutical and biotech companies by providing multi-location advantage.
- The Company is well-positioned to fortify the radiopharmaceuticals business by expanding its geographical reach and its niche product portfolio. Sestamibi, the key product, is expected to be launched in USA during Q1, FY2010 and is also approved in Canada, where it will be launched after patent expiry in July 2009. The launch of this product is expected to provide a fillip to this business.
- For allergenic products, the focus is on enhancing market share of the existing products and increasing the line-up of high margin products.
- The Company is scaling up its filings for Active Pharmaceutical Ingredients (APIs) and generic business as it is well placed to manufacture a wide range of formulations at its world class manufacturing facilities in India and USA.



The Company has built a strong sustainable business model through consistent organic growth and in-organic expansion by acquiring niche businesses in developed markets like USA, Canada and Europe.



The Company is now leveraging its capabilities to position itself as an 'Innovation Partner' of choice to the global innovator pharmaceutical companies

- DDDS is being developed as the next growth engine. Jubilant has already partnered with several leading pharmaceutical companies such as Amgen, Lilly, AstraZeneca, and many others for research collaborations. We intend to offer integrated drug discovery solutions by providing cost efficiencies in managing research collaborations.

The Company after establishing itself as an outsourcing partner of choice for pharmaceuticals and life sciences products is now leveraging its capabilities to position itself as an 'Innovation Partner' of choice to the global innovator pharmaceutical companies to help them accelerate their quest for discovering medicines for unmet medical needs.

Business Review

Focus on pharmaceuticals- Jubilant approach to growth

The all-round growth in outsourcing business is the outcome of our strategic focus on constantly moving up the value chain to offer value added Pharmaceuticals and Life Sciences Products and Services to our customers.

For FY2009, Jubilant recorded a topline growth of 41.3% at Rs. 35,180 million which was led by the robust performance of Pharmaceuticals and Life Sciences Products and Services (PLSPS) business which accounted for Rs. 23,237 million, recording a growth of 51.9%. Revenue from Industrial and Performance Products (IPP) business grew by 24.6% to Rs. 11,943 million. The operating EBITDA was at

Rs. 6,148 million with operating EBITDA margin of 17.5% overall. The PLSPS EBITDA margin was 23.9%, while IPP EBITDA margin was lower at 11.5%, as an outcome of the global slowdown.

For FY2009, the Board of Directors of the Company recommended a dividend of 150% (same as in the previous year) on fully paid up equity shares of Rs. 1 each, for the year ended March 31, 2009.

The growth of our **Pharmaceuticals and Life Sciences** business was largely driven by CRAMS business that grew by 50%. Despite the global challenges, our CRAMS business did not witness any slowdown during the year. The future of this business is assured as the Company has a strong order book position worth USD 750 million to be serviced over the next five years. We plan to invest Rs. 2,500 million to augment our capacities for APIs and Proprietary Products and to ensure the growth of this business.

We have further expanded our offerings through **Contract Manufacturing** of sterile injectables & non-sterile products and radiopharmaceuticals in North America. This was made possible through the integration of our two entities, Hollister-Stier and Draxis into two business verticals. The Company is now placed amongst the top 5 contract manufacturers of sterile injectables in North America.

Our **Active Pharmaceutical Ingredients (APIs)** business focussing on key therapeutic areas of Central Nervous System (CNS),



Cardiovascular System (CVS), Gastro-Intestinal (GI) and Anti-Infectives, recorded a remarkable growth of 36.6% during the year. This is expected to gain momentum on the back of 33 Drug Master Files (DMFs) and 17 European Drug Master Files (EDMFs) filed during the year in the US and Europe, respectively.

Our **Drug Discovery and Development Services (DDDS)** business has been well positioned to collaborate with large global innovator pharmaceuticals, biotech and life sciences companies. Through the integration of our three subsidiaries Jubilant Biosys Ltd., Jubilant Chemsys Ltd. and Clinsys Clinical Research Ltd. in this space, we have built robust capabilities in the areas of discovery technologies, discovery research and drug development. We offer functional capabilities to our partners and deliver outcomes in the most efficient, time effective and innovative manner with a focus on therapeutic value creation. This business made noteworthy progress during the year by entering into several collaborations with leading global innovator pharmaceutical companies. The revenues from this business stood at Rs. 2,415 million during FY2009. We are confident of DDDS business scaling up to become a powerful growth engine for the Company's pharmaceuticals and life sciences business.

Our Generics business which grew at 68% during the year currently focuses only on highly regulated markets of USA and Europe. It is poised to scale up further by leveraging upon our backward integration capabilities and

the Abbreviated New Drug Application (ANDA) pipeline.

During the year, we have also made significant progress in the healthcare business, the highest end of the pharmaceuticals value chain. The revenue from this business, though small at this moment, is a good beginning. Besides two functional hospitals, a new multi super speciality 120 bed hospital is likely to be commissioned in the state of West Bengal, in the first half of FY2010.

Industrial & Performance Products (IPP) Business

Given our integrated presence in the field, we have been able to achieve revenue growth of 24.6% from the IPP business, despite the overall slowdown in the latter half of FY2009. This business comprises three sub-segments: Acetyls; Food Polymers, Animal Nutrition & Fertilizers and Performance Polymers. The Acetyls business that was impacted the most is showing signs of recovery. In Food Polymers, Animal Nutrition & Fertilizers business, we have expanded our capacities to fuel future growth. In performance products business, we are rationalising our product portfolio to target better margins from this business in FY2010.

Outlook for FY2010

The Company is well placed to report a steady top-line growth of over 15% in FY2010, driven by the PLSPS business. The growth will be led by expected new product launches in the radiopharmaceuticals business, new customer approvals in the Contract Manufacturing Operations (CMO)

The Company is well placed to report a steady top-line growth of over 15% and EBITDA margin at 20% in FY2010.



business for sterile and non-sterile products and robust revenue stream from Drug Discovery & Development Services (DDDS).

There will be a steady growth in EBITDA margin in FY2010 at 20% driven by higher capacity utilisation, expanded global customer reach, efficient supply chain management, focus on working capital rationalisation & various initiatives for cost reduction and productivity enhancement through six-sigma measures. Our PLSPS segment is expected to post an EBITDA margin of 27% led by CRAMS and DDDS businesses, whereas the IPP segment EBITDA is expected to be at 11%, due to the current economic slowdown. The Capital expenditure for FY2010 at Rs. 2,500 million is planned to augment the existing CRAMS business capacities.

We stay committed to deliver value to our partners by leveraging upon innovation at every step of the pharmaceuticals value chain. We would like to thank our independent directors for their valuable contribution and our valued customers, vendors, bankers and shareholders for their continuous support.

On behalf of the Board, we pay tribute to Mr. Bodhishwar Rai, one of the Directors of the Company, who passed

away in October, 2008. He was associated with the Company for more than a decade. During his tenure as Director and Chairman of Audit Committee, the Company benefitted immensely from his vast experience and invaluable guidance.

As we bid farewell to Mr S N Singh, Executive Director, Chemicals, we would like to appreciate the contribution made by him during his 28 years of association with the Company and as a distinguished member of the board for the last ten years. He has played a significant role in shaping the Company as a leader in the Chemicals business. We would like to thank him for his valuable contribution towards the Company's remarkable growth during his tenure. We extend our best wishes to him for future and look forward to his continued association with the Company as a goodwill ambassador.

The progress of the Company during challenging times is an outcome of the efforts of our global employee base of close to 6,000 people, who work diligently to charter the success story of Jubilant Organosys and all related entities operating in India, China, USA, Canada and Europe. We expect our people, the human assets of the Company, to stretch further and deliver in line with the Company's growth ambitions.

Best Wishes & Regards,

Shyam S Bhartia
Chairman & Managing Director

Hari S Bhartia
Co-Chairman & Managing Director