

**JUBILANT**  
LIFESCIENCES

*Forty Glorious Years Of Caring Sharing Growing*

**Annual Report 2017-18**

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## OUR VISION

- To acquire and maintain global leadership position in chosen areas of businesses
- To continuously create new opportunities for growth in our strategic businesses
- To be among the top 10 most admired companies to work for
- To continuously achieve a return on invested capital of at least 10 points higher than the cost of capital

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## OUR VALUES

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## OUR PROMISE

*Caring, Sharing, Growing*

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

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# Board of Directors

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**Shyam S Bhartia**  
Chairman



**Hari S Bhartia**  
Co-Chairman and  
Managing Director



**Sudha Pillai**  
Director



**Dr. Ashok Misra**  
Director



**Sushil Kumar Roongta**  
Director



**S Sridhar**  
Director



**Vivek Mehra**  
Director



**Rajesh Kumar Srivastava**  
Whole-time Director



**Priyavrat Bhartia**  
Director



**Arjun Shanker Bhartia**  
Director

# Senior Leadership Team



**Shyam S Bhartia**  
Chairman



**Hari S Bhartia**  
Co-Chairman and  
Managing Director



**R Sankaraiah**  
Executive Director  
Finance



**Dr. Ashutosh Agarwal**  
Chief Scientific Officer



**Ajay Khanna**  
Group Ombudsman  
and Chief Strategic  
& Public Affairs



**Dr. Raju Mistry**  
Chief Human Resources  
Officer



**Siddhartha Pahwa**  
Chief of Supply Chain



**Pramod Yadav**  
CEO  
Jubilant Pharma



**Rajesh Kumar Srivastava**  
CEO  
Life Science Ingredients



**Marcel Velterop**  
President  
Drug Discovery Solutions & CDMO

# Chairmen's Message

## Dear Fellow Shareholders,

We have reported a record year in terms of sales and profitability, led by strong performance in Specialty Pharmaceuticals and Life Science Ingredients businesses. We have a well-defined strategy of being closer to our customers with an integrated value chain, to have a de-risked business model with a diversified portfolio and strong manufacturing capabilities from fully compliant sites. We are focused on driving business growth in Specialty Pharmaceuticals and better utilisation of our assets in all our businesses.

The International Monetary Fund (IMF) expects global growth to rise to 3.9% in 2018, as global economic activity starts picking up through recovery in investments. According to the IMF, US growth has picked up in CY 2018 to an estimated 2.9%. Exports & consumer spending has provided a substantial boost to US GDP. The World Bank group report on "Global Economic prospects" states that investments, trade and commodity prices are rebounding, which is expected to have a positive effect on growth, going forward.

Investment bank Goldman Sachs forecasts India's GDP growth at 7.6% for FY 2018-19 and at 8.3% for FY 2019-20 which would make India the world's fastest-growing economy in FY 2018-19. The Government is injecting a fair amount of stimulus into the economy and exports have also picked up considerably. Sturdy growth in global economy is expected to provide an impetus to India's exports.

In India, the first half of FY 2018 has witnessed the implementation of the landmark Goods and Services Tax (GST). In addition, the economy witnessed a recovery from the impact of demonetisation which was announced in FY 2017. These two major structural changes are expected

to provide immense benefits to the long-term growth trajectory of the country. Satisfactory monsoon has led to an improvement in agricultural and rural income which is expected to help drive consumption. Other favourable indicators such as moderate inflation levels, anticipated growth of industrial sector, greater stability in GST, recovery in investment levels and ongoing structural reforms are also positive factors which could propel India's economy to grow at an accelerated pace in the coming years. However, this could be offset by increase in crude oil prices and increasing levels of protectionism in some countries.

The Indian pharmaceutical market is the third largest in the global pharmaceutical industry in terms of volume as per report by the India Brand Equity Foundation. India is also the second largest contributor of global biotech and pharmaceutical workforce and labor costs here are lower than other manufacturing hubs. India also has the second highest number of US FDA approved facilities outside the US, which is a testament to the high quality and compliance which Indian pharmaceutical companies adhere to.

According to the Evaluate Pharma's annual 'World Preview', the global pharmaceutical industry is set to reach US\$ 1.06 trillion by 2022. The growth of complex therapeutic areas is projected to outpace the growth of the overall pharmaceutical market, emphasising the importance of increased R&D in the value chain. On the other hand, various dynamics in the international markets are eroding value from pure generic plays such as consolidation among distributors and pharmacy chains, increased product approvals and resultant competition in the generics space, drop in new launch sales and increasing price control and protectionism in various global markets.

“We have a well-defined strategy of being closer to our customers with an integrated value chain, to have a de-risked business model with a diversified portfolio and strong manufacturing capabilities from fully compliant sites.”



**Shyam S Bhartia**  
*Chairman*

**Hari S Bhartia**  
*Co-Chairman and Managing Director*

## Business Objectives

We pride ourselves as a global integrated pharmaceutical and life sciences company and have a successful track record spanning four decades. We are positioned as a one-stop-shop in the global pharmaceutical and life sciences industry, supplying products and services to customers in over 100 countries. We have a well-diversified portfolio across three major business segments namely Pharmaceuticals, Life Science Ingredients and Drug Discovery Solutions. We are globally recognised as a 'Partner of Choice' by leading pharmaceuticals and life sciences companies. Our strength lies in the unique offerings of pharmaceutical and life Sciences products and services, especially in Specialty segments. We are engaged in continuous improvement of products and processes to enhance the quality of production and cost competitiveness in order to build value for our customers. We are committed to safeguarding the environment and maintaining a triple bottom line approach of sustainability through delivering a high social, environmental and economic performance.

The Pharmaceuticals segment provides solutions to global pharmaceutical customers, offering a wide range of products & services through six US FDA approved facilities in India, US and Canada. We are engaged in development, manufacture, supply and distribution of APIs, Solid Dosage Formulations, Radiopharmaceuticals, and Allergy Therapy Products. We also provide services through Contract Manufacturing of Sterile Injectables, Ointments, Creams and Liquids. As of 31<sup>st</sup> March, 2018, the Company has a total of 1,008 filings across geographies including 929 filings in Dosage (Orals) and 79 filings in Sterile (Injectables & Ophthalmics). Of this, 680 Dosage (Orals) and 73 Injectables have been approved while 255 filings (249 Dosage (Orals) and 6 sterile products) are pending approval. The differentiated business model focusing on Specialty Pharmaceuticals enables us to deliver exceptional results and build a strong base for future growth in our Pharmaceuticals segment.

The Life Science Ingredients segment is engaged in Specialty Intermediates, Nutritional Products and Life Science Chemicals through five manufacturing facilities in India. This segment offers a broad portfolio of high quality ingredients that find application in wide range of industries. In this segment, we enjoy a strong position given our strengths in vertical integration, chemistry capabilities, low-cost manufacturing, best-in-class processes, and global leadership in key products.

The Drug Discovery Solutions segment provides proprietary in-house innovation for out-licensing purposes and collaborative research and partnership for Drug Discovery through two world-class research centers in India and the US.



## Performance Review

We have delivered another year of robust performance in FY 2017-18. We reported a record year in terms of sales and profitability, led by strong performance in Specialty Pharmaceuticals and Life Science Ingredients businesses.

Total Income from Operations stood at ₹ 75,578 million, growing 26% Year-on-Year (YoY), with International revenue at ₹ 54,169 million, contributing 72% of the total revenue. This performance was led by healthy growth in both Pharmaceuticals and Life Science Ingredients segments. Pharmaceuticals revenue were at ₹ 40,166 million, up 29% YoY and contributing 53% to the revenue. Within this segment, Specialty Pharmaceuticals displayed a growth of 59% YoY and revenue of ₹ 26,387 million during the year. Revenue in Generics business stood at ₹ 13,779 million, contributing 34% to the segment sales. Life Science Ingredients revenue stood at ₹ 33,649 million and contributed 45% to the revenue. Life Science Chemicals business has grown 39% YoY to ₹ 18,223 million while Nutritional Products have grown 22% YoY to ₹ 5,656 million. Specialty Intermediates business has grown 4% YoY to ₹ 9,770 million in FY 2018. Drug Discovery Solutions revenue at ₹ 1,763 million contributing 2% of the revenue.

Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA) was 14% higher YoY at record ₹ 15,584 million, with margin of 20.6% as against 22.8% in FY 2017. Pharmaceuticals segment reported EBITDA of ₹ 9,765 million with a margin of 24.3% as against the

margin of 31.3% achieved last year. The Pharmaceuticals segment now contributes about 63% to the overall EBITDA.

Life Science Ingredients EBITDA stood at ₹ 6,322 million with EBITDA margin of 18.8%, an increase from 16% in FY 2017. Drug Discovery Solutions EBITDA was at ₹ 185 million translating to EBITDA margin of 10.5%. Depreciation and amortisation in FY 2018 was at ₹ 4,150 million as compared to ₹ 2,914 million in FY 2017. Finance cost stood at ₹ 2,843 million, lower by 17% YoY.

Profit After Tax went up by 12% YoY at ₹ 6,428 million as compared to ₹ 5,756 million in FY 2017 with an Earning Per Share (EPS) of ₹ 41.25 as compared to ₹ 36.93 in FY 2017,

From a balance sheet perspective, in FY 2018 the Company repaid ₹ 6,278 million of debt and the net debt stood at ₹ 32,201 million.

During the year, we completed the acquisition of the radiopharmacy business of Triad Isotopes in the US. Triad operates the second largest radiopharmacy network in the US with more than 50 pharmacies across more than 20 states, delivering more than 3 million doses annually to over 1,700 customers. This acquisition adds significant scale to our niche Radiopharmaceuticals business in the Specialty Pharmaceuticals vertical complementing our strategy of being a leading nuclear medicine player.

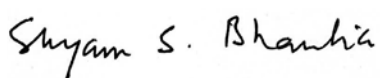
### Dividend

The Board has proposed a dividend of 300% per equity share of ₹ 1 face value for the year which will result in a cash outgo of ₹ 576 million including tax.

### Outlook

The Company has laid a strong foundation and a well-defined strategy for each business and the outlook is positive. We see a clear roadmap for growing our businesses in sales and profitability in FY 2019.

Wishing you the best for the coming year.



**Shyam S Bhartia**  
Chairman

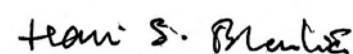
15<sup>th</sup> June, 2018

In Specialty Pharmaceuticals, we expect all our key verticals to deliver strong growth during the year. Growth in Radiopharmaceuticals is expected to come from new products and execution of existing contracts. Full year impact of Triad business in our operations with break-even profitability will also help in growth in FY 2019 numbers. Contract Manufacturing of Sterile Injectables business is expected to deliver better results due to healthy order book and new customer additions, supported by higher production and new capacities. Higher sales of existing products and new capacities will drive growth in Allergy Therapy Products. In Generics, we expect higher volumes from new product launches and new markets. Our Life Science Ingredients segment will benefit from better demand for existing products, new capacities from ongoing investments and de-bottlenecking initiatives, and launch of new products.

To meet the increased demand in our businesses, we plan to invest about ₹ 5,500 million in capital expenditure in FY 2019. In addition, we plan to invest ₹ 3,000 million in R&D during the year, including ₹ 1,500 million in product development expenditure. We will continue our efforts to strengthen balance sheet by reducing debt and improving financial ratios.

### Conclusion

We take this opportunity to welcome Mr. Rajesh Kumar Srivastava on our Board. We also thank Mr. Pramod Yadav who resigned from the Board consequent to his appointment as CEO of Jubilant Pharma Limited, a wholly owned subsidiary of Jubilant Life Sciences. We would like to thank all our valued stakeholders, including our customers, vendors, bankers and shareholders for continuing their support and upholding their confidence and trust in us. We remain deeply grateful to all our employees globally for their sincere contribution and commitment towards this organisation.



**Hari S Bhartia**  
Co-Chairman and  
Managing Director

# Management Discussion & Analysis

## Cautionary Statement

Statements in the annual report, particularly those which relate to Management Discussion & Analysis, describing the Company's objectives, projections, estimates and expectations, may constitute forward looking statements within the meaning of applicable laws and regulations. Although the expectations are based on reasonable assumptions, the actual results might differ significantly.

## Key Economic and Industry Trends

With global economic activity picking up through long-awaited cyclical recovery in investment, growth is expected to rise to 3.9% in CY 2018 as per International Monetary Fund (IMF). According to the IMF, US growth has picked up in CY 2018 to an estimated 2.9%. Exports & consumer spending has provided a substantial boost to US GDP. The World Bank group report on 'Global Economic prospects' states that investments, trade and commodity prices are rebounding, which is expected to have a positive effect on growth, going forward.

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According to a report by Federation of Indian Chambers of Commerce and Industry (FICCI), the Indian crop



protection chemicals industry is estimated to reach at US\$ 4.4 billion in FY 2019, with exports contributing to about 53% of the total value. The personal care ingredients market is valued at US\$ 17.33 billion by 2022 at a Compound Annual Growth Rate (CAGR) of 4.3% as per Markets and Markets report. The global animal nutrition market is estimated to grow at a rate of 5.4% to reach US\$ 18.9 billion by 2020 as per Industry ARC Report.

## Our Business Strategy

Our vision is to maintain global leadership position in chosen areas of business and to continuously create new opportunities for growth in our strategic business. The core business strategy is to nurture the Company to be an integrated global pharmaceuticals and a life sciences company. We are very confident of delivering a robust business performance driven by healthy demand in Specialty Pharmaceuticals and favourable price environment in Life Science Ingredients (LSI) segment.

Our business is classified into three broad segments:

1. Pharmaceuticals
2. Life Science Ingredients
3. Drug Discovery Solutions