

## Dear Fellow Shareholders,

The Company reported strong financial performance in FY 2019 with record sales and profitability driven by robust growth in the Pharmaceuticals segment. Our strategic focus on de-risked business model and being closer to the customer with leadership in key products, and our global competitive edge due to vertical integration drives our continued strong performance.

As per the International Monetary Fund (IMF), the global economy is expected to grow at 3.2% and 3.5% in 2019 and 2020. Key economies such as the US, European Union (EU) and China are expected to witness slowdown in growth in 2019, which has resulted in governments and central banks of these economies to adopt stimulus measures along with accommodative monetary policies to support economic growth.

On the other hand, India is the fastest growing major economy in the world for the second consecutive year. IMF expects India's GDP growth in FY 2020 and FY 2021 at 7.0% and 7.2%, respectively.

The global pharmaceuticals market is expected to grow at 6.4% Compound Annual Growth Rate (CAGR) between 2018-2024 to reach US\$ 1.2 trillion in 2024. This growth is expected to be driven by novel therapies addressing key unmet needs, growth in core therapeutic areas and increase in access to medicines globally.

The Indian pharmaceutical market is the third largest in the global pharmaceutical industry in terms of volume and the largest exporter of generic drugs in the world, accounting for about 20% of the global generic drug exports. 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 USFDA approved facilities outside the US.

## Business Objectives

We are an integrated global pharmaceutical and life sciences Company present across the entire pharmaceutical value chain. We take pride in our positioning as one-stop-shop in the global pharmaceutical and life sciences industry, supplying products and services to customers in over 100 countries. Our diversified businesses are segmented in three major verticals namely 'Pharmaceuticals', 'Life Science Ingredients' and 'Others' (Drug Discovery and Development Solutions and India Branded Pharmaceuticals). 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 Products. We are engaged in continuous improvement of products and processes to enhance quality and cost competitiveness in order to build value for our customers. As a responsible corporate citizen, 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 is engaged in manufacture and supply of Radiopharmaceuticals, Allergy Therapy Products, Active Pharmaceutical Ingredients (APIs), Solid Dosage Formulations, and in the Contract Manufacturing of Sterile and Non-Sterile products through six USFDA approved facilities in the US, Canada and India. We have created several competencies in the segment that includes an innovative product portfolio in specialty pharmaceuticals with high entry barriers and limited competition with strong R&D capabilities, global competitive edge due to low cost from vertically integrated operations, market leadership in key products and business segments, de-risked business model with low concentration risk and a consistent track record of regulatory approvals. The differentiated business model focusing on specialty pharmaceuticals enables us to deliver robust 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, our strength lies in our integrated business model, strong capabilities in chemistry, low cost of manufacturing through best in class processes and leadership position in key products on a global level.

The 'Others' segment includes the Drug Discovery & Development Solutions and India Branded Pharmaceuticals businesses. The Drug Discovery and Development Solutions business 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. The India Branded Pharmaceuticals is a formulations business that caters to the Indian market.



### Performance Review

The Company continued with its strong performance in FY 2019 and registered record revenue and profitability during the year on the back of growth in the Pharmaceuticals segment. Total Revenue from Operations was the highest ever at ₹ 91,108 million, up 21% Year-on-Year (YoY), with International revenue at ₹ 66,702 million, contributing 73% of the total revenue. Pharmaceuticals revenues were at ₹ 53,240 million, up 33% YoY and contributing 58% to the revenues. As emphasised earlier, this growth is a testimony to our strategy and the business model wherein we have been able to build multiple levers of exciting and differentiated businesses, which have helped the Company deliver robust performance.

During the year, our Solid Dosage Formulations facility at Roorkee received a Warning Letter and the APIs facility at Nanjangud received an Official Action Indicated (OAI) classification from the USFDA due to cGMP related observations. We are committed to maintain high compliance levels and are engaging with the USFDA to address their concerns and take corrective actions. We do not expect these events to have an impact on the current revenues from these facilities; however approvals of any new applications from our Roorkee or Nanjangud facilities maybe delayed.

Life Science Ingredients (LSI) revenue stood at ₹ 35,452 million up 5% YoY and contributed 39% to the revenue. 'Others' segment's revenue improved 24% YoY to ₹ 2,416 million contributing 3% of the revenue.

Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA) was 14% higher YoY at record ₹ 17,747 million, with a margin of 19%. This was led by the Pharmaceuticals segment, which reported EBITDA of ₹ 13,858 million, a growth of 38% YoY with a margin of 26%. The Pharmaceuticals segment now contributes over 75% to the overall EBITDA.

Life Science Ingredients reported EBITDA of ₹ 4,451 million translating to EBITDA margin of 13%. 'Others' segment EBITDA was at ₹ 43 million translating to EBITDA margin of 2%. Depreciation and amortisation in FY 2019 was at ₹ 3,709 million as compared to ₹ 4,150 million in FY 2018. Finance cost stood at ₹ 2,198 million vs. ₹ 2,843 million last year.

Profit After Tax stood at ₹ 5,745 million YoY with an Earning Per Share (EPS) of ₹ 36.86. During the year, Jubilant Pharma Limited (JPL), Singapore, a material wholly owned subsidiary of the Company fully redeemed the outstanding zero coupon convertible loan of International Finance Corporation (IFC), Washington, on a one-time settlement of US\$ 135 million based on