

# Directors' Report

Your Directors are pleased to present the Forty First Annual Report together with the Audited Standalone and Consolidated Financial Statements for the year ended March 31, 2019.

## OVERVIEW

Jubilant Life Sciences Limited (the 'Company' or 'Jubilant') is an integrated global pharmaceutical and life sciences company engaged in Pharmaceuticals, Life Science Ingredients and Other businesses including Drug Discovery & Development Solutions and India Branded Pharmaceuticals. The Pharmaceuticals segment, through its wholly owned subsidiary Jubilant Pharma Limited, is engaged in manufacturing and supply of Active Pharmaceutical Ingredients (APIs), Solid Dosage Formulations, Radiopharmaceuticals, Allergy Therapy Products and Contract Manufacturing of Sterile Injectables

and Non-sterile products through 6 US Food and Drug Administration ('USFDA') approved manufacturing facilities in the US, Canada and India and a network of over 50 Radiopharmacies in the US. The Life Science Ingredients segment is engaged in Specialty Intermediates, Nutritional Products and Life Science Chemicals through five manufacturing facilities in India. The Drug Discovery & Development Solutions business provides proprietary in-house innovation and collaborative research and partnership for out-licensing through two world class research centers in India. Jubilant Life Sciences Limited has a team of around 7,600 multicultural people across the globe and is committed to deliver value to its customers across over 100 countries. The Company is well recognized as a 'Partner of Choice' by leading pharmaceuticals and life sciences companies globally. For more information, please visit the Company's website [www.jubl.com](http://www.jubl.com).

## RESULTS OF OPERATIONS AND STATE OF COMPANY'S AFFAIRS

### FINANCIAL RESULTS

(₹/ Million)

Particulars	Standalone		Consolidated	
	Year ended March 31, 2019	Year ended March 31, 2018	Year ended March 31, 2019	Year ended March 31, 2018
Total Revenue from Operations	34,386	33,430	91,108	75,578
Total Operating Expenditure	31,177	28,037	73,718	60,394
EBITDA	3,209	5,393	17,390	15,184
Other Income	780	462	357	400
EBITDA including Other Income	3,989	5,855	17,747	15,584
Depreciation, Amortisation and Impairment Expense	865	826	3,709	4,150
Finance Costs	1,290	1,352	2,198	2,843
Exceptional Items	-	-	2,802	-
Profit before Tax	1,834	3,677	9,038	8,591
Tax Expenses	358	1,043	3,268	2,247
Reported Net Profit After Tax	1,476	2,634	5,770	6,344
Attributable to:				
Shareholders of the Company	-	-	5,745	6,428
Non-Controlling Interests	-	-	25	(84)
Other Comprehensive Income	(5)	(25)	(138)	654
Total Comprehensive Income for the period	1,471	2,609	5,632	6,998
Retained Earnings brought forward from previous year	9,517	7,836	26,397	20,939
Adjustment on account of consolidation of Jubilant Employees Welfare Trust	-	-	11	11
Retained Earnings available for appropriation which the Directors have appropriated as follows:	10,982	10,442	32,142	27,349
- Dividend on Equity Shares	478	478	478	478
- Tax on Dividend on Equity Shares	83	72 <sup>1</sup>	83	97
- Transfer to Debenture Redemption Reserve	552	375	552	375
- Transfer to Legal Reserve	-	-	3	2
Retained Earnings to be carried forward	9,869	9,517	31,026	26,397

<sup>1</sup>After reversal of dividend distribution tax of ₹ 24.57 Million on account of dividend received during the year from a subsidiary company.

## (i) Standalone Financials

### Revenue from Operations

In the Financial Year 2018-19, on standalone basis, the Company recorded total revenue from operations of ₹ 34,386 Million.

### International Revenues

International business contributed 33% to the net revenue from operations at ₹ 11,184 Million.

### EBITDA

For the year ended March 31, 2019, Earnings before Interest, Taxes, Depreciation and Amortisation ('EBITDA') stood at ₹ 3,989 Million with EBITDA margins at 12%.

### Reported Net Profit after Tax and EPS

Reported Net Profit after Tax was ₹ 1,476 Million in the Financial Year 2018-19. Basic Earnings Per Share ('EPS') stood at ₹ 9.27.

## (ii) Consolidated Financials

The Consolidated Financial Statements, prepared in accordance with the provisions of the Companies Act, 2013 (the 'Act'), the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (the 'Listing Regulations') and Indian Accounting Standards (Ind-AS) as per the Companies (Indian Accounting Standards) Rules, 2015 notified under Section 133 of the Act, form part of the Annual Report.

### Performance Review

The Company reported record performance in revenue and profitability in Financial Year 2018-19 led by robust growth in our Pharmaceuticals segment. Our strategic focus on de-risked business model and being closer to customer with leadership position in key products has driven this growth. Our global competitive edge due to low cost and vertical integration and capacity additions with commitment to ensure high level of compliance will further strengthen our businesses.

Revenue from operations was the highest ever at ₹ 91,108 Million, up 21% 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. Within this segment, Specialty Pharma revenues grew 42% YoY, constituting 53% of total Pharma segment revenues. This consistent growth is a testimony to our strategy and differentiated business model wherein we have been able to build multiple levers of businesses with significant barriers to entry which have helped the business deliver robust performance. Life Science Ingredients revenue stood at ₹ 35,452 Million, up 5% YoY and contributing 39% to the revenues. Revenue from Other businesses stood at ₹ 2,416 Million contributing 3% of the revenue.

EBITDA was 14% higher YoY at record ₹ 17,747 Million, with margins at 19% as against 21% in the Financial Year 2017-18. Adjusted EBITDA after adjusting one-time expense stood at ₹ 19,321 Million as against ₹ 16,487 Million in the Financial Year 2017-18. Pharmaceuticals segment reported EBITDA of ₹ 13,858 Million, a margin of 26% as against the margin of 25% achieved last year. The growth in EBITDA was led by a 38% YoY increase in Pharmaceutical segment EBITDA, led by growth in Generics, CDMO and Specialty Pharma businesses. The Pharmaceuticals segment now contributes about 78% to the overall EBITDA.

Life Science Ingredients reported EBITDA of ₹ 4,451 Million translating to EBITDA margin of 13%. EBITDA from Other businesses was ₹ 43 Million translating to EBITDA margin of 2%. Depreciation, amortization and impairment in the Financial Year 2018-19 was ₹ 3,709 Million as compared to ₹ 4,150 Million in the Financial Year 2017-18. Finance cost stood at ₹ 2,198 Million during the Financial Year 2018-19.

Net profit attributable to shareholders was ₹ 5,745 Million as compared to ₹ 6,428 Million in the Financial Year 2017-18 with a Basic EPS of ₹ 36.86 as compared to ₹ 41.25 in the Financial Year 2017-18.

## DIVIDEND

The Board is pleased to recommend a dividend of 450% i.e. ₹ 4.50 per fully paid up equity share of ₹ 1 for the year ended March 31, 2019. Total dividend payout of ₹ 864.10 Million includes tax on dividend of ₹ 147.33 Million. The payment of dividend is subject to approval of the shareholders at the forthcoming Annual General Meeting ('AGM') of the Company.

## CAPITAL STRUCTURE

### (a) Share Capital

During the year, there has been no change in the authorised, subscribed and paid-up share capital of the Company. As on March 31, 2019, the paid-up share capital stood at ₹ 159,281,139 comprising of 159,281,139 equity shares of ₹ 1 each.

### (b) Employees Stock Option Plans (ESOPs)

The Company has two employees stock option plans namely Jubilant Employees Stock Option Plan 2005 ('Plan 2005') and JLL Employees Stock Option Plan 2011 ('Plan 2011'). During the year, there was no material change in Plan 2005 and Plan 2011 and both the plans are in compliance with the SEBI (Share Based Employee Benefits) Regulations, 2014 (the 'SEBI ESOP Regulations').

Plan 2005: No Options were outstanding under the Plan 2005. The Board has decided that no further grants will be made under Plan 2005.

**Plan 2011:** During the year, 22,588 Options were exercised by the option holders. As on March 31, 2019, 9,628 Options were outstanding under the Plan 2011. Each Option entitles the holder to acquire one equity share of ₹ 1 each of the Company at the exercise price fixed at the time of grant, being the market value as per the erstwhile SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999.

No dilution of paid-up capital is expected due to exercise of Options as it is envisaged to transfer the shares held by Jubilant Employees Welfare Trust to the employees on exercise of Options.

The details pursuant to the SEBI ESOP Regulations have been placed on the website of the Company and weblink of the same is [https://www.jubl.com/Uploads/image/893imguf\\_esop\\_disclosure2019.pdf](https://www.jubl.com/Uploads/image/893imguf_esop_disclosure2019.pdf).

### (c) Debentures

During the year, the Company has offered, issued and allotted Secured Redeemable Non-Convertible Debentures ('NCDs') of ₹ 3,500 Million on a private placement basis. NCDs are listed on the Whole-sale Debt Market Segment of National Stock Exchange of India Limited ('NSE'). The net proceeds of the funds raised have been used for refinancing the existing debt, capital expenditure, maintenance capital expenditure, long term working capital and for other purposes in the normal course of business.

The NCDs of ₹ 4,950 Million issued in the financial year 2016-17 are also listed on the Whole-sale Debt Market Segment of NSE. During the year, the Company has redeemed NCDs of ₹ 1,000 Million upon maturity.

## SUBSIDIARIES

As on March 31, 2019, the Company had 50 subsidiaries. Brief particulars of the principal subsidiaries are given below:

### Jubilant Pharma Limited

Jubilant Pharma Limited, Singapore ('Jubilant Pharma') is a wholly-owned subsidiary of your Company. Jubilant Pharma holds the global pharmaceutical business of the Company through its subsidiaries in USA, Canada, Europe, India and rest of the world. These subsidiaries of Jubilant Pharma are engaged in manufacturing, marketing and distribution of various pharmaceutical products and services including APIs, oral dosage forms (tablets and capsules), contract manufacturing of sterile injectables, ointment, creams and liquids, allergy therapy products and radiopharmaceutical products. Jubilant Pharma also operates a network of radiopharmacies in the US, through its wholly-owned subsidiary with more than 50 pharmacies in 22 states of USA. Total income of the company during the Financial Year 2018-19 was ₹ 598.37 Million as compared to ₹ 192.19 Million during the Financial Year 2017-18.

During the year, Jubilant Pharma has raised US\$ 200 Million by offering 6% Rated Unsecured High Yield Bonds due for repayment in 2024 ('2024 Notes') under Regulation S of the

US Securities Act of 1933. The 2024 Notes are listed on the Singapore Exchange Securities Trading Limited.

Further, 4.875% Rated Unsecured High Yield Bonds of US\$ 300 Million issued in the financial year 2016-17 are also listed on the Singapore Exchange Securities Trading Limited.

During the year, Jubilant Pharma has 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 the mutual agreement. With the above payment of the convertible loan, all loans outstanding to IFC have been fully repaid.

### Jubilant Generics Limited

Jubilant Generics Limited ('JGL') is a wholly-owned subsidiary of the Company through Jubilant Pharma. JGL owns two manufacturing facilities; one at Nanjangud, Karnataka and another at Roorkee, Uttarakhand which are engaged in APIs and Dosage Forms business, respectively.

The manufacturing location at Nanjangud, Karnataka, spread over 69 acres, is engaged in manufacturing of APIs and caters to the sales worldwide primarily to regulated markets. The manufacturing facility is approved by global regulatory agencies, which include USFDA, Canadian Health Authority, Japanese PMDA, AFSSAPS France, National Institute of Pharmacy and Nutrition Hungary, TGA Australia, COFEPRIS Mexico, KFDA Republic of Korea, ANVISA Brazil among others. API portfolio is focused on Lifestyle driven Therapeutic Areas (CVS, CNS) and also targets complex and newly approved molecules. The company is market leader in four APIs and is amongst the top 3 players for another three APIs in its portfolio helping it to maintain a high contribution margin.

The dosage formulations manufacturing location at Roorkee, Uttarakhand, with 5 acres of infrastructure, is USFDA, Japan PMDA, UK MHRA, TGA, WHO and Brazil ANVISA audited and approved. This facility primarily manufactures oral solids (Tablets and Capsules) with capabilities on complex processes like pallet coating, MUPS (Multi Unit Particulate System) and extended release technology based on Matrix formulations and functional coating. JGL's non-US finished formulation business is focussed on B2B business model in EU, Japan, Canada, Australia and it has also initiated B2C model in select countries of emerging markets. JGL's major therapy area includes Cardiovascular, CNS and Gastrointestinal products with special focus on backward integration and in-house API leading to greater competitiveness in the market place. JGL has capabilities to develop multiple dosage forms including Oral solid, injectable and ophthalmic dosage forms at its research and development centre at Noida, Uttar Pradesh.

During the year, USFDA inspected both the Roorkee and Nanjangud facilities of JGL. Pursuant to the inspection, USFDA has classified the inspection as "Official Action Indicated" (OAI). As a result, approvals of pending applications or supplements from the above facilities may be withheld. Further, USFDA has issued Warning Letter to the Roorkee facility. For Nanjangud facility, USFDA also stated that the facility might be subject to a cGMP

regulatory or enforcement action based on the inspection. However, this will not have any impact on the current manufacturing and distribution of the approved products at these plants. JGL is committed to implement the necessary corrective actions required to address the USFDA concerns and has provided a thorough and comprehensive response to the USFDA.

Total income of the company during the Financial Year 2018-19 was ₹ 12,006.33 Million as compared to ₹ 9,944.09 Million during the Financial Year 2017-18.

### **Cadista Holdings Inc. and Jubilant Cadista Pharmaceuticals Inc.**

- (i) Cadista Holdings Inc. ('Cadista'), a corporation incorporated in Delaware, USA is a wholly-owned subsidiary of Jubilant Pharma Holdings Inc.
- (ii) Jubilant Cadista Pharmaceuticals Inc., a corporation incorporated in Delaware, USA is a wholly-owned subsidiary of Cadista. This company is engaged in the business of manufacturing solid dosage forms of generic prescription pharmaceuticals at its USFDA approved manufacturing facility in Salisbury, Maryland, USA. Its customer base includes large wholesalers, retail and pharmacy chains. Besides manufacturing its own label products, it also provides product development and contract manufacturing services. As on March 31, 2019, there were 35 products marketed in the US with focus in the therapeutic areas of CVS, CNS, Anti Allergic, Steroids, etc. Total income of the company during the Financial Year 2018-19 was ₹ 7,719.24 Million as compared to ₹ 5,610.94 Million during the Financial Year 2017-18.

### **Jubilant HollisterStier LLC**

This subsidiary is based in Spokane, State of Washington, USA. It is a wholly-owned subsidiary of HSL Holdings Inc. This subsidiary has 2 businesses; Contract Manufacturing (CMO) and Allergenic Extracts.

In the contract manufacturing business of sterile injectables, this company provides a complete range of services to support drug manufacturing in the pharmaceutical and biopharmaceutical industries. Its contract manufacturing capabilities include aseptic liquid fill/ finishing and lyophilisation of small lot parenteral for commercial and clinical requirements. Its capabilities can be applied to a variety of projects from pre-clinical through commercial scale across a multitude of dosage forms including microspheres, suspensions, WFI/ diluents, biologics (proteins), lyophilized products and liposomes. Jubilant HollisterStier is approved across global regulated markets including USFDA (both CDER and CBER), Europe, Japan, Brazil and Canada. Its contract manufacturing business serves customers including innovators ranging from small biotechnology to large pharmaceutical companies.

Additionally, it is an innovator, manufacturer and distributor of allergenic extracts, targeted primarily at treating allergies.

With nearly 100 years of leadership in research, extract production and immunotherapy products, the organization is respected worldwide in the field of allergy. Currently, the business is comprised of allergenic extracts and mixes, along with specialized skin test diagnostic devices. The business lays special emphasis on innovation towards introducing new products to treat and cure allergies. Total income of the company during the Financial Year 2018-19 was ₹ 9,970.36 Million as compared to ₹ 7,968.58 Million during the Financial Year 2017-18.

### **Jubilant DraxImage Inc.**

Jubilant DraxImage Inc. ('JDI') is a wholly-owned subsidiary of the Company through Jubilant Pharma. JDI has a solid foundation in speciality pharma. JDI is headquartered in Montreal, Canada, where it operates a highly specialized manufacturing facility approved by both USFDA and Health Canada. JDI develops, manufactures and commercializes radiopharmaceuticals used in Nuclear Medicine for the diagnosis, treatment and monitoring of various diseases. It serves hospital-based customers (Nuclear Medicine Physicians, Nuclear Cardiologists and Technologists) in addition to specialized commercial radiopharmacies. JDI employs about 170 highly skilled professionals dedicated to providing high quality, reliable products and services to healthcare providers around the globe. The business is backed by a dedicated research and development team, specialized manufacturing, strong regulatory affairs and commercial operations. The areas of specialization include cardiac, pulmonary, skeletal and thyroid diseases.

JDI is a market leader in North America in several specialty niche products including I-131 Therapeutic and Diagnostic capsules for imaging and treatment of thyroid diseases and thyroid cancer, Methylene-Diphosphonate (MDP) for bone imaging, Macro-Aggregated Albumin (MAA) for lung imaging and Diethylene Triamine Penta-acetic Acid (DTPA) for renal, brain and functional pulmonary imaging. RubyFill®, a cutting edge technology for PET myocardial perfusion imaging (MPI) under rest and pharmacological stress conditions to evaluate regional myocardial perfusion in adult patients with suspected or existing coronary artery disease is approved by both USFDA and Health Canada. JDI has a strong vision to improve lives through nuclear medicine on a global scale, and continues to invest in the development of novel radiopharmaceutical products in the fields of diagnostics and radiotherapy "Theranostics", which will enable early and accurate diagnosis and treatment of diseases leading to better patient recovery across the globe. Total income of the company during the Financial Year 2018-19 was ₹ 12,806.34 Million as compared to ₹ 10,526.37 Million during the Financial Year 2017-18.

### **Jubilant Pharma NV**

This is a wholly-owned subsidiary of the Company through JGL and Jubilant Pharma. This company holds shares of Jubilant Pharmaceuticals NV (99.81%) and PSI Supply NV (99.50%) along with Jubilant Pharma which holds the balance shares.

### Jubilant Pharmaceuticals NV

This is a wholly-owned subsidiary of the Company through Jubilant Pharma NV, Belgium, which holds 99.81% of its shares and Jubilant Pharma holds the balance shares. This company is engaged in the business of licensing generic dosage forms and providing regulatory services to generic pharmaceutical companies. Total income of the company during the Financial Year 2018-19 was ₹ 17.92 Million as compared to ₹ 5.83 Million during the Financial Year 2017-18.

### PSI Supply NV

This is a wholly-owned subsidiary of the Company. 99.50% of its shares are held by Jubilant Pharma NV and the balance by Jubilant Pharma. It is engaged in the supply of generic dosage forms to the European markets. Total income of the company during the Financial Year 2018-19 was ₹ 520.01 Million as compared to ₹ 470.40 Million during the Financial Year 2017-18.

### Jubilant Life Sciences NV

This is a wholly-owned subsidiary of the Company. 99.99% of its shares are held by the Company and the balance by Jubilant Infrastructure Limited. It is engaged in the supply of bulk chemicals such as ethyl acetate, acetic anhydride, etc. and vitamins (feed and food grade) to the European markets. Total income of the company during the Financial Year 2018-19 was ₹ 3,710.39 Million as compared to ₹ 3,723.21 Million during the Financial Year 2017-18.

### Jubilant Biosys Limited

Jubilant Biosys Limited ('Biosys') provides Drug Discovery Services to global pharmaceutical and biotech companies in:

- Standalone Service Model including functional services in the areas of Medicinal Chemistry, In Vitro Biology, In Vivo Biology, Structural Biology, DMPK, Toxicology and Discovery Informatics on Full Time Equivalent (FTE) or Fee For Service (FFS) based model;
- Collaborative/Partnership Model with integrated discovery program across a single or a portfolio of molecules;
- In-house proprietary model to develop assets that can be out-licensed under terms including research funding, payments for scientific milestones achieved through Discovery, Development and Commercialisation phases and royalties on successful commercialization of drugs.

During the year, Biosys has converted 18,66,20,000 12% Optionally Convertible Non-cumulative Redeemable Preference Shares ('OCPS') of ₹ 10 each held by the Company at par into 18,66,20,000 Equity Shares of ₹ 10 each, pursuant to the terms of issue of OCPS. Post conversion, Biosys became a direct subsidiary of the Company.

Total income of the company during the Financial Year 2018-19 was ₹ 1,584.07 Million as compared to ₹ 844.70 Million during the Financial Year 2017-18.

### Jubilant Chemsys Limited

Jubilant Chemsys Limited ('Chemsys') offers services in Synthetic Organic Chemistry, Combinatorial Chemistry, Medicinal Chemistry, Process Research and Development, Scale up services and GMP Manufacturing-Clinical Supply to drug discovery companies of US, Europe and rest of the world on Full Time Equivalent, Fee for Service and Hybrid Model.

It also works closely with Jubilant Biosys Limited in collaborative drug discovery research. Total income of the company during the Financial Year 2018-19 was ₹ 1,255.17 Million as compared to ₹ 1,014.15 Million during the Financial Year 2017-18.

During the year, Chemsys has converted 62,00,000 8% Optionally Convertible Non-cumulative Redeemable Preference Shares ('OCPS') of ₹ 10 each held by the Company at par into 62,00,000 Equity Shares of ₹ 10 each, pursuant to the terms of issue of OCPS. Post conversion, Chemsys continues to be a wholly-owned subsidiary of the Company (including through Jubilant Drug Development Pte. Ltd., Singapore).

### Jubilant Clinsys Limited

This is a wholly-owned subsidiary of the Company through Jubilant Chemsys Limited. Total income of the company during the Financial Year 2018-19 was ₹ 2.31 Million as compared to ₹ 9.66 Million during the Financial Year 2017-18.

### Jubilant Infrastructure Limited

This wholly-owned subsidiary of the Company has developed a Sector Specific Special Economic Zone ('SEZ') for Chemicals in Gujarat with the best in class infrastructure facilities and utility plants like Boiler, Gas Turbine, Effluent Treatment, Incinerator and DM Water.

The Company has two units in this SEZ. The finished products of Unit-1 and Unit-2 are fully backward integrated and are using in-house developed innovative technologies. During the year, the Company has entered into an agreement for taking on lease 10 acres of land for 25 years for upcoming Unit-4. This unit is now expected to become operational by the end of June, 2019.

The global scale plants of Vitamin B3 and 3-Cyanopyridine at the SEZ make your Company the largest producer of Vitamin B3 in India and the second largest globally. Total income of the company during the Financial Year 2018-19 was ₹ 862.32 Million as compared to ₹ 786.62 Million during the Financial Year 2017-18.

### Jubilant Life Sciences (USA) Inc.

This corporation incorporated in Delaware, USA is a wholly-owned subsidiary of the Company. It undertakes sales and distribution of advance intermediates, vitamins, life science chemicals and fine ingredients in North America. Total income of the company during the Financial Year 2018-19 was ₹ 1,428.16 Million as compared to ₹ 1,521.88 Million during the Financial Year 2017-18.

### Jubilant Life Sciences (Shanghai) Limited

This wholly-owned subsidiary of the Company is held through Jubilant Life Sciences International Pte. Limited. It undertakes sales and distribution of products in China. This company is engaged in trading of advance intermediates (pyridine and its derivatives), specialty ingredients and nutrition products. It is catering to pharmaceutical, animal feed and agrochemical industries in China. This subsidiary is also a sourcing hub of raw materials for your Company. Total income of the company during the Financial Year 2018-19 was ₹ 1,002.74 Million as compared to ₹ 1,310.89 Million during the Financial Year 2017-18.

### Jubilant DraxImage Radiopharmacies Inc.

Jubilant DraxImage Radiopharmacies Inc. ('JDRI') is a wholly-owned subsidiary of the Company through Jubilant Pharma Holdings Inc. JDRI undertakes radiopharmaceutical distribution business through a network of more than 50 pharmacies in the United States.

Total income of the company during the Financial Year 2018-19 was ₹ 14,457.28 Million as compared to ₹ 7,701.06 Million during the Financial Year 2017-18.

### Jubilant Pharma SA (Pty) Limited

During the year, Jubilant Pharma SA (Pty) Limited was incorporated in South Africa as a wholly-owned subsidiary of Jubilant Pharma Limited. The proposed business activities of South African subsidiary includes importing of products from Jubilant Generics Limited and selling in the South African market and identifying opportunities for in-licensing business.

### Other subsidiaries are mentioned below:

Jubilant Pharma Holdings Inc.  
 Jubilant Pharma Australia Pty Limited  
 Jubilant Life Sciences International Pte. Limited  
 Jubilant Life Sciences (BVI) Limited  
 Jubilant Innovation Pte. Limited  
 Jubilant Innovation (USA) Inc.  
 Jubilant Innovation (India) Limited  
 Jubilant HollisterStier Inc.  
 Jubilant First Trust Healthcare Limited  
 Jubilant Drug Development Pte. Limited  
 Jubilant DraxImage Limited  
 Jubilant DraxImage (USA) Inc.  
 Jubilant Discovery Services LLC  
 Jubilant Clinsys Inc.  
 Jubilant Biosys (Singapore) Pte. Limited  
 Jubilant Biosys (BVI) Limited  
 HSL Holdings Inc.  
 Drug Discovery and Development Solutions Limited

Draxis Pharma LLC

Draximage Limited, Ireland

Draximage Limited, Cyprus

Draximage (UK) Limited

6981364 Canada Inc.

Vanthy's Pharmaceutical Development Private Limited

TrialStat Solutions Inc. (earlier known as Jubilant Drug Discovery & Development Services Inc.)

During the year, Jubilant Therapeutics India Limited, Jubilant Business Services Limited, Jubilant Therapeutics Inc., Jubilant Episcrite LLC, Jubilant Epicore LLC, Jubilant Prodel LLC and Jubilant Epipad LLC have been incorporated as wholly-owned subsidiaries of the Company. Further, Jubilant Pharma UK Limited has been incorporated on April 17, 2019 as a wholly-owned subsidiary of the Company through Jubilant Pharma Limited.

During the year, Jubilant Pharma Trading Inc. has been merged into Jubilant Pharma Holdings Inc. and 6963196 Canada Inc. has been merged into 6981364 Canada Inc.

### PERFORMANCE AND FINANCIAL POSITION OF SUBSIDIARIES

The performance and financial position of the subsidiaries are given in Form AOC-1 attached to the Financial Statements for the year ended March 31, 2019.

### PARTNERSHIPS

#### Jubilant HollisterStier General Partnership

It is a Canada based partnership managed by two subsidiaries of the Company - Jubilant HollisterStier Inc. and Draxis Pharma LLC. This partnership provides contract manufacturing services. It manufactures products in two categories: sterile products and non-sterile products. Sterile products include liquid and freeze-dried (lyophilized) injectables, ophthalmic tubes/ solutions and sterile ointments and creams. Non-sterile products include non-sterile ointments, creams and liquids. The products manufactured by this partnership are supplied to over 50 countries. The manufacturing location at Montreal, Quebec, Canada is approved by Health Canada, USFDA and other regulatory authorities.

#### Draximage General Partnership

It is a partnership based in Canada managed by two Canadian subsidiaries of the Company i.e. Jubilant Draximage Inc. (90%) and 6981364 Canada Inc. (10%).

### STATUTORY AUDITORS

In terms of provisions of Section 139 of the Act and the Rules made thereunder, the Shareholders of the Company have at the 40<sup>th</sup> AGM, approved the re-appointment of M/s. B S R & Co. LLP, Chartered Accountants as Statutory Auditors of the Company for another term of 5 years from conclusion of the 40<sup>th</sup> AGM of the Company till conclusion of the 45<sup>th</sup> AGM of the Company to be held in the year 2023.

The Auditors' Reports for the Financial Year 2018-19 do not contain any qualification, reservation, adverse remark or disclaimer.

### **COST AUDIT**

In terms of Section 134 of the Act read with Rule 8 of the Companies (Accounts) Rules, 2014, the cost accounts and records are prepared and maintained by the Company pursuant to the provisions of Section 148(1) of the Act.

Pursuant to Section 148 of the Act read with the Companies (Cost Records and Audit) Rules, 2014, the Central Government has prescribed audit of cost records for certain products. Accordingly, the Company carries out cost audit of its products. Based on the recommendations of the Audit Committee, the Board of Directors has re-appointed M/s J. K. Kabra & Co., Cost Accountants as Cost Auditors of the Company to conduct cost audit for the Financial Year 2018-19.

### **SECRETARIAL AUDIT**

The Board had appointed M/s Sanjay Grover & Associates, Company Secretaries to conduct Secretarial Audit pursuant to the provisions of Section 204 of the Act for the Financial Year 2018-19. The Report of the Secretarial Auditors is attached as **Annexure-1** to this Report and does not contain any qualification, reservation, adverse remark or disclaimer.

### **DIRECTORS AND KEY MANAGERIAL PERSONNEL**

Mr. Priyavrat Bhartia and Mr. Arjun Shanker Bhartia retire by rotation at the ensuing AGM and being eligible, offer themselves for re-appointment.

The Board has, at its meeting held on October 22, 2018, appointed Mr. Arun Seth as an Additional Director in the category of Independent Director. At the said meeting, the Board also appointed Mr. Anant Pande as Whole-time Director of the Company for a period of 5 years effective from October 22, 2018. Appointments of Mr. Seth and Mr. Pande are subject to approval of the Shareholders at the ensuing AGM.

The Shareholders have, at the 40<sup>th</sup> AGM of the Company held on September 26, 2018, approved re-appointment of Mr. S Sridhar, Ms. Sudha Pillai and Dr. Ashok Misra as Independent Directors for another term of 5 consecutive years effective from April 1, 2019.

### **MEETINGS OF THE BOARD**

Six meetings of the Board of Directors of the Company were held during the Financial Year 2018-19.

### **DECLARATION OF INDEPENDENT DIRECTORS**

All Independent Directors have given declaration that they meet the criteria of independence as provided under Section 149 of the Act and Regulation 16 of the Listing Regulations.

### **APPOINTMENT AND REMUNERATION POLICY**

The Company has implemented Appointment and Remuneration Policy pursuant to the provisions of Section 178 of the Act and Regulation 19 read with Schedule II, Part D of the Listing Regulations. The Policy was revised during the year to align the same with the provisions of the revised Listing Regulations. Salient features of the Policy and other details have been disclosed in the Corporate Governance Report attached to this Report.

### **ANNUAL PERFORMANCE EVALUATION OF THE BOARD**

A statement on annual evaluation of the performance of the Board, its Committees and of individual Directors forms part of the Corporate Governance Report attached to this Report.

### **DIRECTORS' RESPONSIBILITY STATEMENT**

Your Directors, based on the representation received from the management, confirm that:

- (i) in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
  - (ii) the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as on March 31, 2019 and of the profits of the Company for the year ended March 31, 2019;
  - (iii) the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
  - (iv) the Directors have prepared the annual accounts on a going concern basis;
  - (v) the Directors have laid down internal financial controls to be followed by the Company and that such internal financial controls are adequate and are operating effectively.
- Based on the framework of internal financial controls including the Controls Manager for financial reporting and compliance systems established and maintained by the Company, work performed by the internal, statutory and secretarial auditors and the reviews performed by the management and the relevant Board committees, including the Audit Committee, the Board is of the opinion that the Company's internal financial controls were adequate and effective during the Financial Year 2018-19; and
- (vi) the Directors have devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems are adequate and operating effectively.

## COMPOSITION OF AUDIT COMMITTEE

As on date, the Audit Committee comprises Mr. S Sridhar, Chairman, Ms. Sudha Pillai, Dr. Ashok Misra, Mr. Vivek Mehra and Mr. Priyavrat Bhartia. The Board has accepted all the recommendations made by the Audit Committee.

## CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

Information relating to Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo required to be disclosed pursuant to Section 134 of the Act read with the Companies (Accounts) Rules, 2014 is given as **Annexure-2** and forms part of this Report.

## EMPLOYEES

Particulars of Directors and Employees as required under Section 197(12) of the Act read with the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 are given as **Annexure-3** and form part of this Report.

## RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS

Risk-taking is an inherent trait of any enterprise. However, if risks are not properly managed and controlled, they can affect the Company's ability to attain its objectives. Risk management and internal financial control systems play a key role in directing and guiding the Company's activities by continually preventing and managing risks. The Board, Audit Committee and Senior Management team collectively set the overall tone and risk culture of the Company by identifying the risks impacting the Company's business and documenting the process of risk identification, risk minimization and risk optimization as a part of the risk management policy through defined and communicated corporate values, clearly assigned risk responsibilities, appropriately delegated authority and a set of processes and guidelines.

There exists a critical risk management framework across the Company and the same is reviewed on a periodic basis by the Board. Some of the critical risks identified in various businesses of the Company are:

- Competition, Cost Competitiveness and Pricing
- Dependence on Certain Key Products and Customers
- Foreign Currency and Interest Rate Exposures
- Capacity Planning and Optimisation
- Manufacturing Operations
- Dependence on Single Manufacturing facility
- Research and Development (R&D) Effectiveness
- Supply Interruptions due to Single Source Supplier
- Limited Product Pipeline
- Failure to Supply to Customers
- Human Resources- Acquire and Retain Talent
- Compliance and Regulatory
- Environment, Health and Safety (EHS)
- Protecting Intellectual Property Rights (IPR)
- Information Technology (IT)
- Risk of changes in Tax Legislation
- Mergers and Acquisitions
- Political or Economic Instability or Acts of Terrorism
- Duties by Export Destination Countries
- Acceptance of Our Products in Market
- Policies regarding returns, allowances and charge backs in the United States
- Labour Unions
- Consolidation of Customer Base
- Business Interruption
- Dependence on Third Parties to conduct our Clinical Trials

The Company promotes strong ethical values and high levels of integrity in all its activities, which in itself is a significant risk mitigator. With the growth strategy in place, risk management holds the key to the success of the Company's journey of continued competitive sustainability in attaining the desired business objectives.

### Implementation of Internal Financial Controls

To compete globally, world class Corporate Governance and Financial Controls over operations are a must for the Company. The Internal Financial Controls as mandated by the Act not only require a certification from CEO-CFO but also put an obligation on the Board of Directors to ensure that the Internal Financial Controls are adequate and operating effectively. Besides this, the Statutory Auditors are also required to give an opinion on the adequacy and effectiveness of Internal Controls over Financial Reporting ('ICFR').

To make the Internal Financial Controls framework robust, the Company has worked on three lines of defense strategy which is as under:

- **First Line of Defense:** Build internal controls into operating processes – To this end, we have ensured that a detailed Delegation of Authority is issued, Standard Operating Procedures for the processes are created, financial decision making is done through Committees, IT controls are built into the processes, Segregation of Duties is done, strong budgetary control framework exists, the Entity level controls including Code of Conduct, Ombudsman Office, etc. are put in place, etc.
- **Second Line of Defense:** Create an efficient review mechanism – We have created a review mechanism under which all the business units and functions are reviewed for performance at least once in a month by the

respective CEOs and once in a quarter, by the Corporate team. The formats for these reviews are detailed and finalized with the help of global consulting firms.

- **Third Line of Defense:** Independent assurance – A Big Four firm has been appointed as our internal auditors to perform systematic independent audit of every aspect of the business to provide independent assurance on the effectiveness of the internal controls and highlight the gaps for continuous improvement.

We have implemented a programme under which more than 2,500 financial controls are established and certified on a quarterly basis by the relevant process owners before the financial results are closed for the quarter. A quarterly certification process is maintained through a work flow based IT tool called 'Controls Manager' and this certification is the basis of the CEO-CFO certification stipulated by Regulation 17(8) read with Part B of Schedule II to the Listing Regulations.

We have implemented a web-based automated compliance management and reporting system. The objective of the system is to ensure that the compliances are effectively managed and controlled and that they support the Company's business objectives and corporate policy requirements. The system includes a comprehensive checklist for ensuring compliance with the laws and regulations applicable to all plants and offices of the Company. To ensure timely and effective compliances, the compliance status is monitored on a real-time basis by the Secretarial Team. The status is reviewed on a quarterly basis by the Senior Management and the Board of Directors. Pursuant to the Listing Regulations, the Company Secretary and Compliance Officer places a compliance report to the Board of Directors on a quarterly basis.

The Company regularly updates the controls library and Risk and Control Matrix. The exercise of review of controls was conducted during the year by the in-house process owners with the help of a Big Four firm. The revised control framework after such review was tested for operational effectiveness by the Statutory Auditors and they have given an affirmative opinion about the adequacy and effectiveness of the Internal Controls for Financial Reporting in the Company.

The Company has three business segments namely (a) Pharmaceuticals (b) Life Science Ingredients and (c) Others. The Segments have a complete management set up with CEO, CFO, Business leaders and other functional heads who are responsible for running the operations and report to the Chairman/Co-Chairman and Managing Director and the Corporate Committee.

To improve the controls in operations, we have established, for each line of business, the concept of financial decision making through operational committees.

A detailed note on Internal Control Systems and Risk Management is given under '**Management Discussion and Analysis Report**'.

## CERTIFICATIONS

The Corporate Office in Noida and Gajraula and Bharuch Manufacturing facilities are certified for Responsible Care®14001:2015 under the American Chemistry Council's (ACC) Responsible Care® program. Implementation of RC14001 and Responsible Care Management System by Jubilant demonstrates its commitment to employee health and safety, community and the environment.

Responsible Care initiative encompasses comprehensive environmental management system, occupational health and safety, product stewardship, security, community outreach and transportation safety and aims at achieving and sustaining high standards of performance.

Gajraula, Nira, Bharuch and Savli Manufacturing facilities are certified under Integrated Management System program for ISO 9001 (Quality Management System), ISO 14001 (Environmental Management System) and OHSAS 18001 (Occupational Health and Safety Management system).

The Corporate Office in Noida is certified for Information Security Management System ISO/IEC 27001:2013.

### Gajraula

Gajraula Quality Control Laboratory has also been accredited by National Accreditation Board for Testing and Calibration Laboratories in accordance with the ISO/ IEC 17025:2005. The Carbon Dioxide manufacturing facility is certified for FSSC 22000 (Food Safety System Certification) for production and dispatch of food grade Carbon Dioxide for Beverages. Carbon Dioxide product is approved by Food Safety and Standards Authority of India (FSSAI).

Gajraula manufacturing facility is Kosher and Halal Certified for key products used for human consumption.

Gajraula site is certified for Energy Management System Certification ISO 50001:2011 for Energy Conservation programme (ENCON).

### Savli

Animal Nutrition Unit at Savli is certified for FAMI-QS Code Version 5.1 in Feed Safety Management System.

### Ambernath

Ambernath Manufacturing facility is ISO 9001:2015 certified for Quality Management System.

### Bharuch

Bharuch Site is certified for Energy Management System Certification ISO 50001:2011 for Energy Conservation programme (ENCON).

Vitamins plant at Bharuch is certified for FAMI-QS Code Version 5.1 in Feed Safety Management System, Kosher, Halal-India, Halal-Malaysia, Halal-Indonesia, FSSC 22000 (Food Safety System Certification) and Good Manufacturing Practices ('GMP').

## Nira

Acetyl manufacturing facility at Nira has been certified for FSSC 22000 (Food Safety System Certification) for production and dispatch of Acetic Anhydride and Ethyl Acetate and also for storage, packaging and dispatch of Glacial Acetic Acid for food application. Manufacturing facility at Nira is Kosher and Halal certified for key products used for human consumption.

## HUMAN RESOURCES

Digitization is the buzzing concept in the corporate world, which is evolving rapidly in the dynamic and competitive environment. Digitization is not only about technological shift but also about a change in organisation intersecting technology, business and people.

At the helm of any transformation, it is employees who lead and bring the change across the organisation. We at Jubilant, are preparing for this transformation where we can utilize the big data, analyse it to draw inferences and conclusion to predict the future.

All our initiatives are backed by an action oriented development plan. The development initiatives lay the foundation of our talent pipeline.

In our journey towards building the Employee Experience, we have launched multiple priority initiatives at organizational and business levels. We have also conducted the Employee Experience survey in 2019 to understand the 'pulse' and the impact of the initiatives taken so far. The Employee Net Promoter Score (eNPS) has become a part of the performance KRAs of the business leaders and will encourage them to strive towards creating superior employee experience within the Company.

In the learning and development space, we launched "Learning Management System" providing online training courses on business, functional, management and leadership skills to hone and foster a culture of continuous learning in the organisation. Additionally, we have mandatory programs for employees on the Code of Conduct, Whistle Blower Policy and Policy on Prevention of Sexual Harassment at Workplace to reinforce our commitment to governance and adherence to the code of conduct and fair business practices. The Company has constituted Internal Complaints Committee in compliance with the provisions of the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013.

To strengthen the talent pipeline, we have been focusing on attracting the best talent from India's leading campuses to have a steady flow of fresh talent, thereby creating a strong pool of internal talent. We have engaged with management and engineering colleges across India in quiz competition "Mind Fizz" to increase our visibility. We have been focusing on digitization of our talent attraction and hiring platform by revamping and simplifying our internal talent acquisition process. We also ensure strong media presence, advertisement of position internally and externally to attract the right talent.

As on March 31, 2019, a total of 328 employees at our manufacturing plants at Savli, Nira and Gajraula were either members of unions or had collective bargaining capabilities. During the year, we enjoyed cordial relations with our employees and there have been no instances of labour unrest or disputes at any of the manufacturing sites. We have successfully closed long term wage settlements at Gajraula, Nira and Savli sites.

A detailed note on Human Resource Management is given in the '**Management Discussion and Analysis Report**'.

## INVESTOR SERVICES

With a view to keep the investors well informed of its activities, the Company has taken the following initiatives:

- E-mailing quarterly results and press releases to the Shareholders soon after they are sent to the stock exchanges and e-mailing Annual Reports. Maintaining user friendly Investor Section on the website of the Company [www.jubl.com](http://www.jubl.com);
- A dedicated e-mail address viz. [investors@jubl.com](mailto:investors@jubl.com) for interacting on various matters with respect to share transfer, transmission, dividends and other related issues with the Company Secretary and Compliance Officer;
- The Company has placed an Investor Feedback form on its website [www.jubl.com](http://www.jubl.com) under the head 'Investor Feedback Form' to obtain valuable feedback and suggestions of the investors, by submitting the Form electronically;
- Earnings Presentation and Release detailing the quarterly results are uploaded on the website of the Company [www.jubl.com](http://www.jubl.com). Earnings call is typically conducted post announcement of results to the stock exchanges as per the schedule mentioned in the Concall Invite which is also uploaded on the website of the Company. Earnings call playback is made available on the Dial-in numbers shared in the Concall Invite and transcripts are uploaded on the website of the Company;
- The presentation and meeting schedule of Road shows attended by the Company are uploaded on its website after intimating the same to the Stock Exchanges; and
- Disclosures made to the Stock Exchanges are promptly uploaded on the website of the Company for information of the Investors.

## VIGIL MECHANISM

The details of Vigil Mechanism adopted by the Company have been disclosed in the Corporate Governance Report, which is attached to and forms an integral part of this Report.

## CORPORATE SOCIAL RESPONSIBILITY

Corporate Social Responsibility ('CSR') is an integral part of Jubilant's framework for sustainable development. The Company's approach towards sustainable development focuses on the triple bottom line of Economic, Environmental

and Social performance. The CSR activities at Jubilant are in line with the provisions of Section 135 read with Schedule VII to the Act. The Company's CSR initiatives thrust on creating value in the lives of the communities around its areas of operations. Jubilant as a responsible corporate works in the line of Sustainable Development Goals (SDGs) with a strong focus on social performance indicated in the CSR projects of the organization. The SDGs, otherwise known as the Global Goals, are a universal call to action to end poverty, protect the planet and ensure that all people enjoy peace and prosperity.

Following are the highlights of CSR at Jubilant:

- CSR is deeply imbibed in the Company's approach towards sustainable development. Jubilant considers community as one of its apex stakeholders and believes in inclusive growth.
- During the year, Jubilant continued its CSR initiatives in the realm of Education, Health, Livelihood, Rural Development and Social Entrepreneurship.
- Jubilant has been publishing its Corporate Sustainability Report every year from 2003 onwards. The report is externally verified and is in accordance with the Global Reporting Initiative ('GRI') guidelines.
- Acknowledged application level A+ by GRI for our Corporate Sustainability Report since 2007 onwards. Report from FY 2016-17 onwards is being prepared in line with GRI G4 Guidelines in accordance with 'Comprehensive' option. All our reports are available on the Company's website [www.jubl.com](http://www.jubl.com).
- CSR initiatives of the Company are conceptualized and implemented through Jubilant Bhartia Foundation ('JBF'), the social wing of Jubilant Bhartia Group, established in 2007 as a not-for-profit organization. JBF works on 4P model (Public-Private-People-Partnership) for empowering communities. JBF in partnership with Schwab Foundation for Social Entrepreneurship has been conferring Social Entrepreneur of the Year (SEOY) Award in India since the year 2010. The award celebrates mature-stage social entrepreneurs and their organizations that implement innovative, sustainable and large-scale solutions to address social issues. SEOY does not fall in the purview of CSR activities pursuant to the provisions of Schedule VII to the Act. The Company shall, however, continue to confer the SEOY award over and above CSR budget of the Company in view of the social benefits of the award.
- JBF's detailed activities are available on its website [www.jubilantbhartiafoundation.com](http://www.jubilantbhartiafoundation.com). Annual Report on CSR including contents of the CSR Policy is attached as **Annexure-4** to this Report. In compliance with the Listing Regulations, Business Responsibility Report forms part of the Annual Report.

## OTHER DISCLOSURES

- i. Extracts of Annual Return: Pursuant to the provisions of Section 92 of the Act read with Rule 12 of the Companies (Management and Administration) Rules, 2014, extract of the Annual Return is attached as **Annexure-5** to this Report.
- ii. Public Deposits: The Company has not accepted any deposits from the public during the year. The Company had no outstanding, overdue, unpaid or unclaimed deposits at the beginning and end of the Financial Year 2018-19.
- iii. Loans, Guarantees and Investments: Details of loans, guarantees/ securities and investments along with the purpose for which the loan, guarantee or security is proposed to be utilised by the recipient have been disclosed in Note nos. 5, 6 and 40 to the Standalone Financial Statements, as applicable.
- iv. Particulars of Contracts or Arrangements with the Related Parties: The Company has formulated a policy on Related Party Transactions ('RPTs'), dealing with the review and approval of RPTs. Prior omnibus approval is obtained for RPTs which are of repetitive nature. All RPTs are placed before the Audit Committee for review and approval.

All RPTs entered into during the Financial Year 2018-19 were in the ordinary course of business and on arm's length basis. No material RPTs were entered into during the Financial Year 2018-19 by the Company as defined in the Policy on Materiality of Related Party Transactions and Dealing with Related Party Transactions. Accordingly, the disclosure of RPTs as required under Section 134(3)(h) of the Act in Form AOC-2 is not applicable. Your Directors draw attention of the members to Note no. 37 to the Standalone Financial Statements which sets out the Related Party disclosures.

- v. Material Changes in Financial Position: No material change or commitment has occurred after the close of the Financial Year 2018-19 till the date of this Report, which affects the financial position of the Company.
- vi. Orders passed by Courts/ Regulators: No significant or material order has been passed by the regulators or courts or tribunals impacting the going concern status of the Company or its future operations.
- vii. Secretarial Standards: The Company has complied with Secretarial Standards issued by the Institute of Company Secretaries of India on Meetings of the Board of Directors and General Meetings.

## CORPORATE GOVERNANCE

As a responsible corporate citizen, the Company is committed to maintain the highest standards of Corporate