Financial Results

Quarter Ended September 30, 2014

Disclaimer

Statements in this document relating to future status, events, or circumstances, including but not limited to statements about plans and objectives, the progress and results of research and development, potential product characteristics and uses, product sales potential and target dates for product launch are forward-looking statements based on estimates and the anticipated effects of future events on current and developing circumstances. Such statements are subject to numerous risks and uncertainties and are not necessarily predictive of future results. Actual results may differ materially from those anticipated in the forward-looking statements. Jubilant Life Sciences may, from time to time, make additional written and oral forward looking statements, including statements contained in the company's filings with the regulatory bodies and our reports to shareholders. The company assumes no obligation to update forward-looking statements to reflect actual results, changed assumptions or other factors.

NOTES:

1. *All Financial Data in this presentation is derived from audited Financial Results of the Consolidated entity*
2. *The numbers for the quarter have been reclassified and regrouped wherever necessary*
3. *Closing Exchange Rate for USD 1 at Rs. 62.60 as on September 30'13 & Rs. 61.75 as on September 30'14*
4. *The Exchange fluctuation on long term forex loans in Indian books have been amortized over the tenure of the loan period as recommended under Indian Accounting Standards*

Conference Call Details

Date : Tuesday, October 28, 2014
Time : 5:00 pm IST

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Q2’15 Results Analysis

Key Business Segments – Q2'FY15

JUBILANT LIFESCIENCES

Jubilant Life Sciences

Pharmaceuticals (45%)

- Generics
  - Active Pharmaceutical Ingredients
  - Solid Dosage Formulations
- Specialty Pharmaceuticals (Sterile Products)
  - Radiopharmaceuticals
  - Allergy Therapy Products
  - CMO of Sterile Injectables
- Drug Discovery and Development Solutions and Others

Life Science Ingredients (55%)

- Advanced Intermediates and Specialty Ingredients
- Nutritional Products
- Life Science Chemicals

Income Statement – Q2'FY15

Particulars	Q2'FY14	Q1'FY15	Q2'FY15	YoY Growth	QoQ Growth
	(Rs Crs)			(%)	
Total Income from Operations	**1,437**	**1,473**	**1,371**	**-5%**	**-7%**
Total Expenditure	1,165	1,328	1,260		
Other Income	4	4	26		
EBITDA including Other Income	**277**	**150**	**137**	**-50%**	**-8%**
Depreciation	71	73	69		
Finance Cost	67	63	74		
Interest Swap Cost	16	14	22		
Profit after Interest but before Exceptional Items	**123**	(1)	(28)		
Exceptional Item - Gain/(Loss)	(150)	(19)	5		
Tax Expenses (Net)	52	(29)	65		
Minority Interest	1	5	6		
Reported Net Profit After Tax and Minority Interest	**(81)**	**5**	**(94)**		
Normalized Net Profit After Tax	**70**	**23**	**(99)**		
Paid-up share capital (Face value per share Re.1)	15.93	15.93	15.93		
Earnings Per Share - Basic (Rs.)	(5.06)	0.30	**(5.91)**		
Normalised Earnings Per Share - Basic (Rs.)	4.37	1.47	**(6.20)**		
Promoters and promoter group shareholding	54%	54%	54%		
	(%)			(bps)	
EBITDA Margins	19.2%	10.2%	10.0%	-922	-14
Normalized Net Margins	4.8%	1.6%	-7.2%	-1205	-879

Financial Highlights – Q2'FY15

JUBILANT LIFESCIENCES

- **Income from Operations at Rs. 1,371 Crore**
  - Operations grew 13% YoY excluding CMO and Advanced Intermediates
  - Lower volumes offset 6% price increase
  - Indian markets grew 14% YoY to Rs 416 crore

- **EBITDA at Rs. 137 Crore**
  - EBITDA contribution from Pharmaceuticals segment at 69 crore and LSI at 62 crore
  - EBITDA includes profit on sale of land of Rs. 22 Crore and one time expenses of Rs. 35 Crore
  - EBITDA Margins at 10%; Normalized EBITDA margins at 11%

- **Profit After Tax at Rs. (94) Crore**
  - Earnings Per Share for Re. 1 FV equity share at Rs. (5.91)

Segmental Revenue Analysis – Q2'FY15

Segmental Revenue Analysis	Revenue (Rs. Crs.)			Revenue Mix (%)	YoY Growth %	QoQ Growth %
	Q2'FY14	Q1'FY15	Q2'FY15			
Pharmaceuticals	693	604	614	45%	-11%	2%
Life Science Ingredients	744	869	757	55%	2%	-13%
Income from Operations	**1,437**	**1,473**	**1,371**	**100%**	**-5%**	**-7%**
Inter Divisional Sales (IDTs)	153	139	125		-18%	-10%
IDT as a % of Income	11%	9%	9%			

- **Pharmaceuticals segment revenue at Rs. 614 Crore, contributing 45% to the revenue mix**
  - Revenue growth of 8% YoY excluding CMO of Sterile Injectables
  - Revenue increase witnessed in key Radiopharmaceutical products

- **LSI segment revenue at Rs. 757 crs, up 2% YoY**
  - Adverse price impact on account of new capacities and regulatory changes in China in Advanced Intermediates business
  - Price and volume gains in Life Science Chemicals

Business Highlights – Q2'FY 15

JUBILANT LIFESCIENCES

Generics

Active Pharmaceutical Ingredients

- Continuous cost reduction through processes and yield improvement
- 37 commercial APIs, including 19 in North America, 24 in Europe and 26 in ROW
- Launched Quetiapine in Canada
- 2 approvals received including 1 CEP and 1 approval in Japan
- 6 filings during the quarter including 1 USDMF and 1 filing in Canada

Solid Dosage Formulations

- 47 commercial products, including 21 in North America, 27 in Europe and 23 in ROW
- Launched Zolmitriptan in Canada
- 21 filings during the quarter in ROW; 15 approvals received including 2 in Canada and 1 in Europe
- Expect multiple approvals across key markets in H2'FY15

Business Highlights – Q2'FY 15

JUBILANT LIFESCIENCES

Specialty Pharmaceuticals

Radiopharmaceuticals

- Revenue increases across key products in the business
- Aiming to launch Ruby-fill and Generic Magnevist in FY 2016, subject to regulatory approvals

CMO of Sterile Injectables

Montreal:

- Increase in proposals for new business opportunities, esp. in Ophthalmic dosage forms
- Three new contracts won from key customers

Spokane:

- Production restarted after the planned plant shut-down; business catching up on back-orders
- Ongoing clients have continued to maintain existing contracts
- Interactions with the USFDA continue for speedy resolution of the Warning Letter

Business Highlights – Q2'FY 15

JUBILANT LIFESCIENCES

India Branded Pharmaceuticals

- 30+ SKUs launched in the market; products available across 5,500 + retailers
- CVD division operational with 200+ field force across the country

Advanced Intermediates, Specialty Ingredients and Nutritional Products

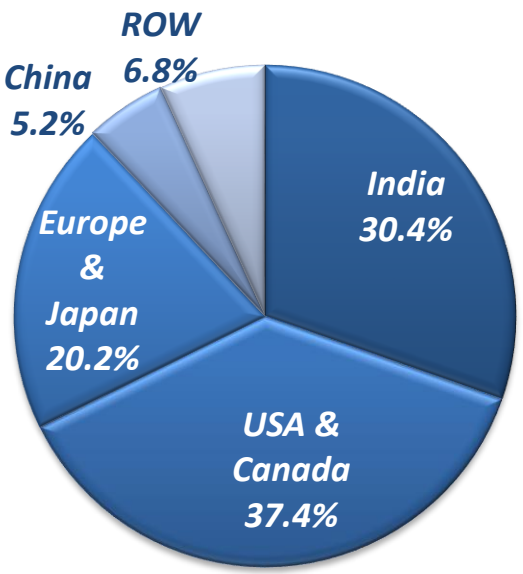
- Advanced Intermediates business performance temporarily impacted due to a few developments in the Chinese market
  - Changes in regulatory requirements for aqueous Paraquat formulation
  - Additional new players
  - Lower realization on account of anti-dumping duty
- Multiple new contracts won across products including first supply to Taiwan for Pyridine
- Robust demand and firm pricing for Symtet witnessed; production challenges continue

Life Sciences Chemicals

- New contracts won from both existing and new customers
- Pricing uptrend across markets witnessed for all key products
- Maintained majority market position in India for Acetic Anhydride and Ethyl Acetate

Revenue Analysis – Geography wise - Q2'FY15

Geo-wise Revenue (Rs crs)	Q2'FY14	Q1'FY15	Q2'FY15	Mix %	YoY %
India	**366**	**422**	**416**	**30%**	**14%**
International	**1,072**	**1,051**	**955**	**70%**	**-11%**
USA & Canada	561	490	513	37%	-9%
Europe & Japan	306	330	277	20%	-9%
China	110	144	72	5%	-35%
ROW	95	87	93	7%	-2%
Income from Operations	**1,437**	**1,473**	**1,371**	**100%**	**-5%**



- **70% of Income from International Markets, at Rs. 955 Crore**
  - Key developed markets share at 58% of revenue mix
  - Other international markets share stood at Rs. 165 crore, 12% of the revenue mix
- **30% Income from India at Rs. 416 Crore in the quarter, up by 14%**
  - Growth driven by Life Science Chemicals

Operating Expenditure Analysis – Q2'FY15

Expenses (Rs Crs)	Q2 FY14	% of Sales	Q1 FY15	% of Sales	Q2 FY15	% of Sales	YoY Growth %	QoQ Growth %
Material Cost	570	40%	719	49%	606	44%	6%	-16%
Power & Fuel Cost	103	7%	99	7%	100	7%	-2%	1%
Employee Cost	284	20%	272	18%	271	20%	-5%	0%
Other Expenses	208	14%	237	16%	283	21%	36%	19%
Total expenses	**1165**	81%	**1328**	90%	**1260**	92%	**8%**	**-5%**

- **Material Costs** as percentage of sales higher due to change in product mix and services
- **Power & Fuel** as percentage of sales stable for the quarter
- **Employee costs** stable for the quarter
- **Other expenses** higher as a percentage of sales on account of higher legal, professional and consultancy charges and freight and forwarding costs

EBITDA Analysis – Q2'FY15

EBITDA (Rs. Crs)					
Business Segments	**Q2'FY14**	**Q1'FY15**	**Q2'FY15**	**YoY Growth %**	**QoQ Growth %**
Pharmaceuticals	176	36	69	-61%	94%
Life Science Ingredients	125	133	62	-51%	-54%
Less: Corp Expenses	-25	-19	6		
Reported EBITDA	**276**	**150**	**137**	**-50%**	**-8%**
Margins (%)					
				YoY Variance (Bps)	**QoQ Variance (Bps)**
Pharmaceuticals	25.4%	5.9%	11.3%	-1418	536
Life Science Ingredients	16.8%	15.3%	8.2%	-865	-719
Reported EBITDA	**19.2%**	**10.2%**	**10.0%**	**-921**	**-14**

- EBITDA of Rs. 137 Crore in the quarter, Overall EBITDA Margins of 10%
- Pharmaceuticals segment EBITDA margins at 11.3%, impacted due to USFDA Warning Letter at our CMO facility in Spokane, Solid Dosage Formulations order postponement in Japan and delays in product approvals in the US. Excluding one-time expenses of Rs. 35 Crore, margins for the segment stood at 17%
- Life Science Ingredients EBITDA margins at 8.2%, impacted due to unabsorption cost in Symtet and temporary slowdown in the Advanced Intermediates business in Chinese market

Exceptional Items – Q2'FY15

JUBILANT LIFESCIENCES

Total exceptional items for Q2'FY15 – Rs. 5 Crore

- **Unrealized Mark to Market book loss - Rs. (21) Crore mainly on account of**
  - Currency movement of USD, from Rs. 60.18 as on June 30, 2014 to Rs. 61.75 as on September 30, 2014, with respect to Rupee Loan of Rs. 700 Crore swapped into USD Loan
- **FCMITDA Amortisation of Rs. (8) Crore**
  - Unrealised exchange loss on Long Term Foreign Currency Loan amortised over the tenure of the Loan, as recommended under Indian Accounting Standards
- **Others Rs. 34 Crore**
  - Forex gains at Rs. 22 Crore
  - Interest Swap gains of Rs. 12 Crore

Half Yearly Results Analysis

Income Statement – H1'FY15

Particulars	H1 FY14	H1 FY15	YoY Growth
	(Rs Crs)		(%)
Total Income from Operations	**2,797**	**2,844**	**2%**
Total Expenditure	2,286	2,588	
Other Income	10	31	
EBITDA including Other Income	**520**	**287**	**-45%**
Depreciation	139	142	
Finance Cost	131	138	
Interest Swap Cost	32	36	
Profit after Interest but before Exceptional Items	**218**	**-29**	
Exceptional Item - Gain/(Loss)	(261)	(14)	
Tax Expenses (Net)	83	35	
Minority Interest	6	11	
Reported Net Profit After Tax and Minority Interest	**-133**	**(89)**	
Normalised Net Profit After Tax	128	-75	
Paid-up share capital (Face value per share Re.1)	15.93	15.93	
Earnings Per Share - Basic (Rs.)	9.85	(5.61)	
Normalised Earnings Per Share - Basic (Rs.)	**8.05**	**-4.73**	
	(%)		(bps)
EBITDA Margins	18.6%	10.1%	-852
Normalized Net Margins	4.6%	-2.6%	-723

Financial Highlights – H1'FY15

- **Income from Operations at Rs. 2,844 crs**
  - International markets contribute 71% to the overall revenues
  - Growth driven by revenue increases in Radiopharmaceuticals and price and volume uptick in Life Science Chemicals

- **EBITDA at Rs. 287 crs**
  - Margins at 10.1% for the six months period; Normalized EBITDA margins at 10.9%

- **Profit After Tax at Rs. (89) crs in H1' FY15**
  - Earnings Per Share for Re. 1 FV equity share at Rs (5.61) for the six months

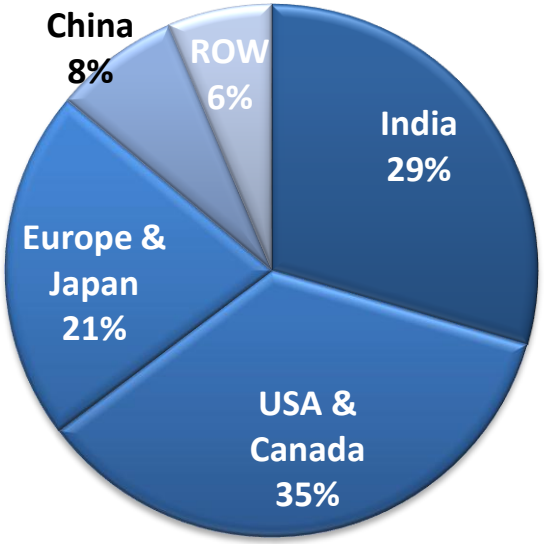
Segmental Revenue Analysis – H1'FY15

Segmental Revenue Analysis	Revenue (Rs. Crs.)		Revenue Mix (%)	YoY Growth %
	H1'FY14	H1'FY15		
Pharmaceuticals	1,346	1,218	43%	-9%
Life Science Ingredients	1,451	1,626	57%	12%
Income from Operations	**2,797**	**2,844**	**100%**	**2%**
Inter Divisional Sales (IDTs)	283	265		-6%
IDT as a % of Income	10%	9%		

- **Company reports 2% YoY growth in the six months**
  - Backed by 6% price increase and 1% volume growth
  - Adverse exchange rate impact of (6)%
- **Pharmaceuticals segment reports revenue of Rs 1,218 crs**
  - Contributes 43% to revenue mix
  - Revenue increases in Radiopharmaceuticals
- **LSI segment posts income of Rs 1,626 crs, 12% YoY growth**
  - Price and volume growth across all businesses

Revenue Analysis – Geography wise - H1'FY15

Geo-wise Revenue (Rs crs)	H1'FY14	H1'FY15	Mix %	YoY %
India	**714**	**839**	**29%**	**17%**
International	**2,072**	**2,006**	**71%**	**-3%**
USA & Canada	1,082	1,003	35%	-7%
Europe & Japan	579	607	21%	5%
China	233	216	8%	-7%
ROW	178	180	6%	1%
Income from Operations	**2,786**	**2,844**	**100%**	**2%**



- **71% of Income from International Markets, at Rs. 2,006 crs**
  - Regulated Markets - USA, Canada, Europe & Japan contribute 57% to revenue mix
- **29% Income from India at Rs. 839 crs in the six months, up 17% YoY**
  - Traction in Life Science Chemicals drives domestic growth

Operating Expenditure Analysis – H1'FY15

Expenses (Rs Crs)	H1'FY14	% of Sales	H1'FY15	% of Sales	YoY Growth %
Material Cost	1152	41%	1326	47%	15%
Power & Fuel Cost	194	7%	199	7%	2%
Employee Cost	540	19%	543	19%	1%
Other Expenses	400	14%	520	18%	30%
Total expenses	**2286**	82%	**2588**	91%	**13%**

- **Material Costs** to Sales higher at 47% with increase in Raw Material Costs
- **Power & Fuel Costs** to sales stable
- **Staff Costs** stable for the first half
- **Other expenses** higher as a percentage of sales on account of higher legal, professional and consultancy charges and freight and forwarding costs

EBITDA Analysis - H1'FY15

EBITDA (Rs. Crs)			
Business Segments	**H1'FY14**	**H1'FY15**	**YoY Growth %**
Pharmaceuticals	327	105	-68%
Life Science Ingredients	234	195	-17%
Less: Corp Expenses	-40	-13	
Reported EBITDA	**520**	**287**	**-45%**
EBITDA Margins (%)			
			YoY Variance (Bps)
Pharmaceuticals	24.3%	8.6%	-1565
Life Science Ingredients	16.1%	12.0%	-411
Reported EBITDA	**18.6%**	**10.1%**	**-852**

- EBITDA of Rs. 287 crs in six months, Margins of 10.1%
- Pharma segment EBITDA at Rs. 105 Crs, Margins at 8.6%; impacted due to USFDA Warning Letter at our CMO facility in Spokane, Solid Dosage Formulations order postponement in Japan and delays in product approvals in the US. Excluding one-time expenses of Rs. 45 Crore, margins for the segment stood at 12.3%
- Life Science Ingredients EBITDA at Rs. 195 crs, 12% margins; impacted due to unabsorption cost in Symtet and temporary slowdown in the Advanced Intermediates business in Chinese market

Exceptional Items – H1'FY15

JUBILANT LIFESCIENCES

Total exceptional items for H1'FY15 at Rs (14) crs

- **Unrealized Mark to Market book loss Rs (19) crs on account of**
  - Currency movement of USD, from Rs 59.91 as on March 31, 2014 to Rs 61.75 as on September 30, 2014, with respect to Rupee Loan of Rs 700 crs swapped into USD Loan

- **FCMITDA Amortisation of Rs (32) crs**
  - Unrealised exchange loss on Long Term Foreign Currency Loan amortised over the tenure of the Loan, as recommended under Indian Accounting Standards

- **Others Rs 37 crs**
  - Interest Swap gains of Rs. 24 Crore
  - Forex gain of Rs. 13 Crore

Debt Profile

Particulars	30-Sep-13	30-Jun-14	30-Sep-14
Foreign Currency Loans	**($ Mn)**	**($ Mn)**	**($ Mn)**
Standalone	236	264	130
Swapped loan in Standalone	202	189	156
Subsidiaries	145	253	302
Total	**582**	**706**	**587**
Rupee Loans	**(Rs. Crs)**	**(Rs. Crs)**	**(Rs. Crs)**
Standalone	406	160	413
Subsidiaries	0	50	453
Total	**406**	**210**	**866**
Gross Debt	4,051	4,712	4,492
Cash & Equivalent	139	755	412
Net Debt	3,912	3,957	4,080
Change in debt on account of exchange rate difference from 30-Sep-13	0	125	37
Net Debt - Adjusted for foreign exchange difference	3,912	4,083	4,117
Working Capital Debt	1,120	1,722	1,449
Net Long Term debt	2,792	2,235	2,631
Closing Exchange Rate (Rs./USD)	62.60	60.18	61.75

- **Net debt** at Rs. 4,117 Crore compared to Rs. 3,912 Crore in Sep'13 post adjustment for fx difference
- **Average interest rate** for outstanding loans at 6% pa – Re loans @ 12% pa, $ loans @ 4%

Outlook

JUBILANT LIFESCIENCES

Expect to deliver stable performance in our business from Q4 FY 2015 onwards

- Pharmaceuticals segment to drive growth on account of:
  - Operations becoming normal in CMO business
  - Expected new launches in Solid Dosage Formulations
  - Better performance in Radiopharmaceuticals
- Life Science Ingredients performance to be driven by higher capacity utilization
- Prudence in Capital Expenditure to continue to conserve cash and reduce the debt levels

For more information

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