

JUBILANT ORGANOSYS LIMITED



Company Background

Jubilant Organosys Ltd., headquartered at Noida, near New Delhi in India, was set up as Vam Organic Chemicals Ltd. in 1978. Jubilant Organosys is a part of the group, Jubilant Corporation, which operates in four business areas – life science products and specialty chemicals, oil and gas (exploration and production), food, and services. As the company made its transition from a bulk and specialty chemicals company to an integrated pharmaceutical company, it changed its corporate identity by renaming itself as Jubilant Organosys in 2001, to reflect the company's changed business profile.

Jubilant Organosys is one of India's largest Custom Research and Manufacturing Services (CRAMS) companies. The company is a drug discovery and development services provider along with being a leading active pharmaceutical ingredients (API) company in India. It operates in three business lines – pharmaceuticals and life science products, Industrial products, and Performance polymers. The company's product offerings include APIs, such as 'carbamazepine', 'oxcarbazepine' and 'citalopram', 'pyridine' and its derivatives, a range of fine chemicals, dosage forms, solid polyvinyl acetate, vinyl pyridine latex, binders and organic intermediates such as ethyl acetate and acetic anhydride which are mainly marketed in the US and European markets.

Jubilant Organosys has its manufacturing locations in India and the USA. The company sells its products in both regulated and unregulated

markets spanning 50 countries. It has a manufacturing facility approved by the US FDA for dosage forms in Maryland, USA and APIs in Nanjangud near Mysore. The company operates in India through its three subsidiaries – Jubilant Biosys Ltd. (for bio/chemo informatics databases and drug discovery services), Jubilant Chemsys Ltd. (for medicinal chemistry services) and Clinsys India Ltd. (for clinical research). The company also has its subsidiaries in the USA (Jubilant Pharmaceuticals, Inc., Clinsys, Inc.), Belgium (PSI, PSI N.V.) and China.

In the financial year ending 31 March 2006, Jubilant Organosys had net sales of EUR 280 million, thus registering a 28.6 per cent growth over the previous year. The company's revenues from international markets grew at 41.6 per cent in FY 2005-06.

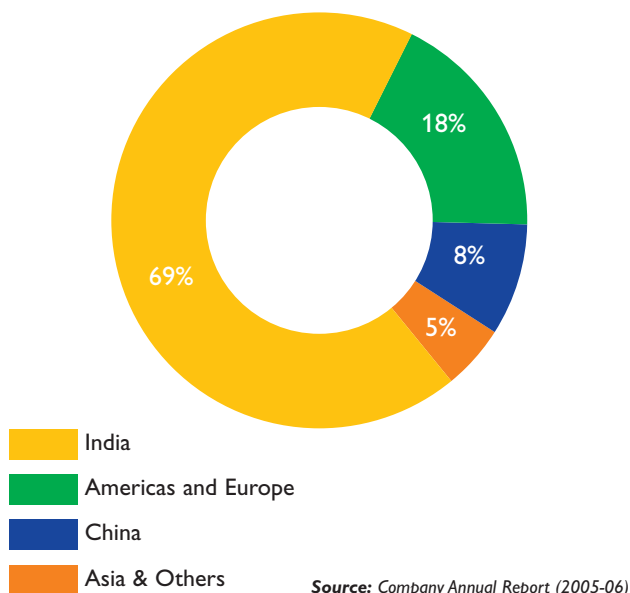
Jubilant Organosys in the European Union (EU)

Jubilant Organosys has a strong presence in the European Union. Europe is the largest market for Jubilant Organosys outside of India contributing 33.3 per cent to its international sales in the FY 2005-06. The Company is exporting its range of advance intermediates and fine chemicals, APIs, acetyls and select performance polymers to Europe for more than a decade.

Jubilant Organosys forayed into European market in FY 2005 with the acquisition of two pharmaceutical companies in Belgium. In FY 2006, the company generated 18 per cent of its total revenues from

the Americas and Europe, as depicted in the figure below:

Jubilant Organosys' Revenue Break-up by Geography : FY06



Jubilant Organosys in Belgium

In FY 2005, Jubilant Pharma NV, a subsidiary of Jubilant Organosys, acquired an 80-per cent stake in two pharmaceutical companies in Belgium, to venture into the formulations and regulatory services market. The companies were Pharmaceutical Services Inc. (PSI) NV, which offers regulatory affairs services to generic pharmaceutical companies, and PSI Supply NV, which deals in the development and supply of generic dosage forms to European markets. In FY 2006, PSI NV and PSI Supply NV generated revenues of EUR 2.43 million and EUR 2.18 million, respectively. With these acquisitions, Jubilant aims to establish a strong foothold in the European formulation market.

Factors for Success

Presence across the Value Chain

Jubilant Organosys is present throughout the value chain in the pharmaceuticals business. This vertical integration enables the company to offer multiple

services to the same client. The company supplies its speciality chemicals, such as pyridines and its derivatives which are used as building blocks and advance intermediates, to major pharmaceutical and agrochemical companies, and simultaneously taps these companies for providing contract manufacturing and research services. Thus, vertical integration not only helps the company in the cost reduction of drugs but also helps in developing a good rapport with its customers, which is a prerequisite in contract manufacturing.

Increased Trend of Outsourcing

Europe has strict government norms on prescription drug prices, making it imperative for pharmaceutical companies to deliver low-cost drugs in the market. This has led to increased outsourcing in the pharmaceutical industry from Europe to India and China due to their inherent advantages such as low-cost manufacturing, rich talent pool and weak environmental laws. In such a scenario, Jubilant Organosys, with its strong R&D base, robust manufacturing infrastructure, expertise in chemical reaction technologies and related core areas, and presence across the value chain, has an edge over its competitors. It is capitalising on this opportunity by tying up with the companies in Europe, thereby increasing its presence in the EU.

Innovation-driven Growth

One of the key parameters in Jubilant's rapid growth has been its knowledge-driven, innovation-based approach, which enables it to provide high-quality customer-specific solutions and services at competitive costs. In the process, the company has made massive investments in modern technologies and R&D activities.

Future Plans

Investment Plans

Jubilant Organosys has ambitious investment plans in the near future. The company plans to invest

approximately EUR 46.5 million in FY 2007 in capital expenditure, with the investment in its subsidiaries amounting to nearly EUR 14 million. The company has recently raised EUR 160 million by issuing zero coupon foreign currency convertible bonds, which will be used for acquisitions and capital expenditure in the pharma and life sciences business.

Focus on Regulated Markets

In the past few years, most of Jubilant Organosys' success has emanated from the regulated markets of the USA, Europe and Japan. The company expects this trend to continue, as an increasing number of European firms are now scouting for alliances with Indian companies. Therefore, Jubilant Organosys plans to focus on the regulated markets in the future.

Globalising Its Clinical Research Operations

Jubilant Organosys perceives clinical research as one of the high growth areas in pharma outsourcing. It acquired Target Research Associates, Inc. (renamed Clinsys, Inc.), a Clinical Research Organization (CRO) in the USA, to make the most of the existing opportunity. The company now wants to expedite its clinical research operations and is in the process of building a global organisation focussing on clinical research with multiple facilities in the USA, Europe and India.

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