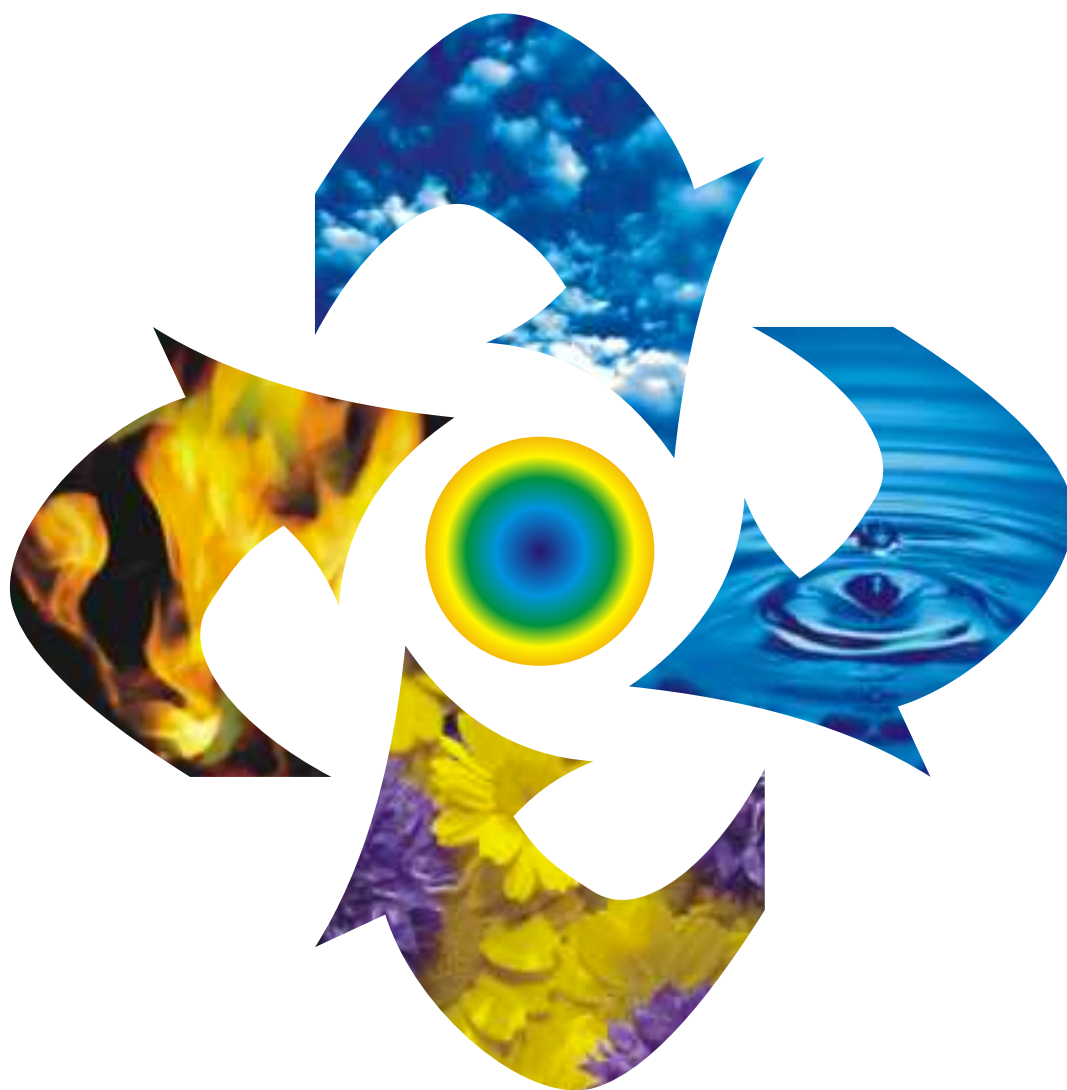




CORPORATE SUSTAINABILITY REPORT 2005-2006



Science of Jubilant
Partnerships

Jubilant Organosys Ltd.

SUSTAINABILITY POLICY

Jubilant Organosys Limited is a composite pharmaceuticals industry player, offering products and services to pharmaceuticals and life sciences industry. We, one of the country's leading CRAMS & API companies, having business interests in pharmaceuticals & life science chemicals, performance chemicals and industrial chemicals, believe in sustainability of growth.

Our approach to sustainable development focuses on the triple bottom lines of Economics, Environment and People.

As a business entity, we aim at improving stakeholder value through improved eco-efficiency of operations, economic upliftment of the communities we operate in, and efficient use of capital and natural resources.

The nature of our activities makes efficient utilisation of resources, environmental protection, operational and transportation safety and employee's health, significant components for long-term sustainability of our business and we stand committed to these.

Being responsible corporate citizens, we understand our role towards the society. We encourage and practise open dialogue with all our stakeholders and value their esteemed opinion, reflecting them in our strategic plans. We also recognise that development and empowerment of our human resources are crucial to achieving our stated objectives.

As in the past we shall continue to adopt a structured approach for implementation of the policy and regularly monitor the progress.



Shyam S Bhartia
Chairman & Managing Director



Hari S Bhartia
Co-Chairman & Managing Director



"We are a registered Organisational Stakeholder of the Global Reporting Initiative (GRI) and support the mission of the GRI to develop globally accepted sustainability reporting guidelines through a global, multi-stakeholder process."

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Chairmen's Message

"Our rapid growth over the past several years has been knowledge-driven and innovation-led, enabling us to extend our presence beyond Indian shores to partner some of the largest, most successful pharma and life science majors as our customers."

Dear Stakeholder,

With an objective to continuously enhance shareholders' wealth and to keep the public informed on our sustainability efforts, we have been publishing a detailed Corporate Sustainability Report since 2003, showing our achievements and the potential areas for improvement. This Report for FY2006 is the fourth such annual report that illustrates the road map of Jubilant Organosys sustainability. In doing so, we are observing the guidelines of the Global Reporting Initiative (GRI).

As an organization, we are conscious of the interdependence of economic, social and environmental interests. A company that is financially successful, has the resources to act positively for the environment and the society. Conversely, environmentally and socially compatible activity is a prerequisite for any Company's long-term business success. During the year under review, we made noticeable progress along all the three dimensions- economic, environmental and social.

During the financial year 2006, the Company further enhanced its profile through two acquisitions in

USA and several organic growth initiatives. These initiatives further strengthened our presence in the global market as outsourcing partner of choice. We are, today, an integrated pharmaceutical industry player offering products and services across the value chain.

As mentioned in our report last year, the safety and well-being of our workers and the communities around our manufacturing plants is a key focus area in our sustainability programme. During the year under review, our consistent focus on employee safety – which included the induction of international expertise- has yielded positive results. We believe that safety of employees and communities is paramount to our business growth. We have focused on achieving international safety standards in all parts of our operations and preventing safety lapses by educating our employees, contract workmen and the employees of our transporters. Our internal efforts during the year were supplemented by the external international experts who brought with them their global experience. We are glad to report that there has been a reduction in number of accidents per million man-hours worked and there was no fatal accident during FY2006. We



are committed to adhering to the highest standards of safety at the workplace and will continue to ensure that safe practices and processes remain an integral part of our work culture.

We further strengthened our ability to improve the quality of life of the families surrounding our manufacturing plants by working closely with them to understand their needs and supplement resources for sustained solutions. Our focus on creating a self-dependant society is in line with our philosophy of partnering with our stakeholders.

At Jubilant, 'quality' is a way of life and is reflected not only in our business operations, but also in our sustainability efforts. We make a conscious effort to ensure that all our sustainability initiatives are implemented with the same vigour and quality as our business initiatives. Such an approach has attracted international recognition for many of our social initiatives. During FY2006, our medical centre at Gajraula, where our largest manufacturing site is located, was accorded the status of a DOTS centre (Direct Observed Treatment Short-term) for treatment of TB by the World Health Organization (WHO) and the Government of India, making it the only privately managed healthcare centre in the region to receive such a recognition.

Water is an important natural resource and we recognise the need to conserve it. 80% of our water consumption is at Gajraula plant, our largest manufacturing site, where we initiated major activities to reduce consumption of water. As mentioned in last year's report, our water monitoring system continues to be robust along with water budgeting and water permit systems, which have now been implemented. These efforts have helped reduce overall water consumption. Further details are given in the report.

In chemical plants, odour is an area of concern. We have been working continuously on this issue and have engaged leading research institutions in the improvement process. We have achieved significant progress, however, there is need to work further to



Shyam S Bhartia
Chairman and Managing Director

minimise the impacts. At our Nira plant, we have reclaimed old bunds, which contained raw spent wash. This has significantly reduced the odour problem in the area. At our Gajraula plant, we have identified major odour causing vents and put in place systems to recover and reuse vapours. Work is in progress on balance vents to recover and reuse or incinerate the emissions.

In keeping with our leadership on issues pertaining to corporate governance and fairness to stakeholders, we have undertaken necessary measures to comply with revised Clause 49 of listing agreement with Indian stock exchanges during the year under review. We have also begun the process of becoming a Sarbanes-Oxley compliant Company by completing the documentation as per the requirement of the Act. This follows our previous initiatives of reporting our financial performance under both Indian and US GAAP and benchmarking ourselves with the best practice followed by global companies.

We have taken several initiatives to drive operational growth while delivering on social and environmental fronts. We are optimistic that our comprehensive and committed approach towards sustainable growth will enable better value creation for our stakeholders over the longer term.

We would like to thank all our employees and other partners including vendors, suppliers and financial institutions who are working towards the goal of sustainable development, whether as a part of their professional responsibilities or in their private lives, and urge them to continue these efforts.

This report has been prepared in accordance with the 2002 GRI Guidelines. It represents a balanced and reasonable presentation of our organisation's economic, environmental and social performance. It has been prepared in-house and audited by a reputed auditing agency.

Your feedback and suggestions will be of great assistance in further improving our performance and reporting of our corporate sustainability efforts.



Hari S Bhartia
Co-Chairman and Managing Director

Vision and Strategy

At Jubilant, our vision for sustainable growth encompasses business growth while ensuring that we undertake activities and initiatives that result in the betterment of the lives of communities in the proximity of our manufacturing facilities and minimise the impact of our business operations on the environment.

As a responsible business organisation, we recognize the need for ourselves, to embrace a wider role in society and engage with all our stakeholders to strike the right balance between achieving business goals and social and environmental objectives. For us, our major stakeholder group specifically includes our employees and shareholders, customers and consumers, suppliers, vendors and contractors, regulatory and government agencies, media and non-governmental organisations, bankers and financial institutions and members of the communities in which we operate.

We deal with issues of economic, social and environmental dimensions on a continual basis and

have set goals that are ambitious but fit our leadership status in the industry. We have been engaged in a two-way dialogue with our stakeholders on these issues, exchanging ideas and feedback on an ongoing basis. This, in turn, has made it possible for us to adapt our approach towards sustainability so as to make our efforts more effective and result-oriented.

Our commitment to the goals of long-term sustainability is an integral part of our operating matrix, with top management support and involvement. We have in place a system to measure performance and progress towards corporate sustainability, which we publicly report annually. As a knowledge-driven, innovation led Company, we leverage our capabilities to create new growth opportunities and at the same time deliver efficient solutions and products through prudent utilisation of resources, while also caring for society at large. These values are reflected in our 'Jubilant Vision' and our 'Jubilant Promise'.



Report Scope and Profile

The report is for the period 1st April 2005 to 31st March 2006 i.e. fiscal year 2006 (FY 2006). Our previous report on sustainability titled “Jubilant Partnership” was published for the financial year 2005 (FY2005), which covered the period April 2004 to March 2005.

The current report titled “Science of Jubilant Partnership” covers all four manufacturing sites in India. Additionally this year's report includes Head Office, Research & Development Centre and the Indian subsidiaries, which existed at the start of the financial year 2006.

The Company expanded its manufacturing facilities at Gajraula and Nanjangud during the reporting period. The Company also made two international acquisitions as mentioned in the Company profile.

The Assurance Statement of our previous report had stated that the Company is over estimating the sulphur di oxide emissions by taking the maximum sulphur content of the fuel. This year the sulphur di oxide emissions are reported on the basis of monitored emission values to give a more realistic picture. There have been, however, no significant changes in measurement methods from the previous year. Previous years' figures have been regrouped/rearranged wherever found necessary to conform to this year's (FY 2006) classification.

The current report has been prepared in accordance with the GRI guidelines (2002) and has taken cognizance of the Draft G3 guidelines also. In future, when the final version of G3 guidelines are released,

we shall report according to the new guidelines.

We have robust internal controls and audit procedures. The internal control systems were further upgraded during the current financial year by documenting internal control procedures. In a detailed exercise, key processes were identified which were further broken down into sub-processes and the control objectives were identified and described for each sub-process. For each control objective, the current control mechanism is identified and wherever required we are undertaking the control mechanism upgradation. The internal control systems also include quarterly, annual and longer term business plans which are reviewed by Board level committees. On the sustainability front, Chief of Environment, Health and Safety monitors the compliance and related activities of all the plants. At the plant level there are teams to carry out the related activities and in turn report to the corporate.

It is a regular practice in the Company to get an independent assurance for the report. This year's report also includes an independent assurance statement by Ernst & Young Pvt. Limited.

Additional information about the Company's economic, environmental and social activities can be obtained from the website or directly from Ashok Kumar Ghose (Chief of Environment, Health & Safety). The contact details are as follows:
Mail: 1A, Sector 16A, Noida, UP 201301, India
Tel: +91 120 2516601
email: ashok_ghose@jubl.com
Website: www.jubl.com



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Company Profile

Jubilant Organosys is an integrated pharmaceuticals industry player offering products and services to global life sciences sector by continuously moving up the value chain through innovation, cost leadership and wise investment decisions.

Our Profile

Jubilant Organosys is an integrated pharmaceuticals industry player offering products and services to global life sciences sector. Our growth strategy is to create incremental value by moving up the value chain, differentiate through innovation and relentless pursuit of new ideas and establish a strong presence in the market place.

Our growth strategy is to create incremental value by moving up the value chain, differentiate through innovation and relentless pursuit of new ideas and establishing a strong presence in the marketplace that assures customers and generates advantages of enhanced scale and footprint.

OPERATIONAL STRUCTURE

Our organizational structure comprises business and functional units, with the Board of Directors monitoring overall performance and providing strategic guidance. (Please refer to the section on “Corporate Governance and Structure” for more details.) Our business units are categorized into three main business segments Pharmaceutical and Life Science Chemicals; Industrial Chemicals; and Performance Chemicals. Each business division follows an independent strategy for growth, while the interlinkages between each of these businesses enable us to extract more value from the

resulting integrated nature of operations.

BUSINESS DIVISIONS AND PRODUCTS

The pharmaceutical and life science chemicals business focuses on providing products and services to the global life sciences industry. Our offerings in this business include Custom Research and Manufacturing Services for advance intermediates and fine chemicals; Active Pharmaceutical Ingredients; Dosage Forms; Food Polymers; and Drug Discovery & Development Services. During the year under review, we enhanced our presence across the value chain by entering the generic pharmaceutical market of USA through the acquisition of Trinity Laboratories, Inc. (renamed Trigen Laboratories, Inc.) and its wholly owned subsidiary Trigen Laboratories, Inc. (renamed Jubilant Pharmaceuticals, Inc.). We also acquired Target Research Associates (renamed Clinsys, Inc.), a clinical research organization (CRO) in the US during FY2006,



which will strengthen our ability to provide drug discovery and development services to global customers.

The Industrial Chemicals business is our oldest operation, whose output of organic intermediates are sold directly in the market and also consumed captively to produce value-added products through our pharma & life sciences and performance chemicals operations. The product range of this division's organic intermediates unit includes Acetic Acid, Acetic Anhydride, Ethyl Acetate and Vinyl Acetate Monomer. The agrovet unit produces agricultural and veterinary

inputs including single super phosphate (SSP) marketed in the state of Uttar Pradesh and adjoining states under the brand-name "Ramban" and choline chloride which is used as a nutrient in animal feed for cattle and poultry.

Our Performance Chemicals business went through a rationalization of its product portfolio during FY2006, with its focus on high value added products with differentiated technology. This will not only help improve margins in this business but also position Jubilant Organosys as a player offering value added products. Our consumer products such as

PRODUCT LINE	PRODUCTS	END USE INDUSTRIES
Pharmaceuticals and Life Science Chemicals		Total Production – 69104 MT
Active Pharmaceutical Ingredients	Carbamazepine, Oxcarbazepine, Citalopram, Azithromycin, Tramadol, Pinaverium Bromide and Simvasdatin	Pharmaceuticals
Dosage Forms	Supply of dosage forms alongwith regulatory affairs services	Pharmaceuticals
Discovery Services	Discovery Informatics, Discovery Research, Drug Development Services	Pharmaceuticals, Biotech
Chemistry Services	Medicinal chemistry services	Pharmaceuticals, Biotech
Clinical Research	Phase I-IV clinical studies, Bioequivalence, Bioavailability and Pharmacokinetic	Pharmaceuticals, Biotech
CRAMS	Fine chemicals (lutidines, collidines, piperidine, pyridine salts), Advance Intermediates (Pyridine and its derivatives), Vitamins	Pharma & Agrochem
Food Polymers	Solid Poly Vinyl Acetate	Chewing Gum
Performance Chemicals		Total production - 40661 MT
Application Polymers	Extensive range of polymeric binders and adhesives	Construction, tyre, textile and packaging
Consumer Products	Woodworking adhesives and wood polishes	Furniture industry, domestic use
Industrial Chemicals		Total Production – 594579 MT
Organic Intermediates	Acetic Acid, Acetic Anhydride, Ethyl Acetate, and Vinyl Acetate Monomer	Pharmaceuticals, Textiles, PTA, Packaging, Dyes
Agrovet	Single Super Phosphate, Organic Manure, Agrochemicals, Choline Chloride, Vitamin and Mineral Premixes	Agriculture, Horticulture, Poultry feed, Aqua culture



woodworking solutions, were able to build better brand equity through various in-market activities during the current year.

OUR OPERATIONAL FACILITIES AND CUSTOMERS

Jubilant caters to customers in both India and abroad, exporting products and services to customers in over 50 countries. Our operations are located in India, USA, Belgium and China where we have subsidiaries and offices. Being a knowledge-driven organization operating in a sector where the ability to innovate is an important success factor, we also have several R&D centres in India as well as in USA.

CAPITAL STRUCTURE AND OWNERSHIP

In terms of capital structure and ownership, Jubilant Organosys continues to be a Public Limited Company, with its shares traded at leading stock exchanges in India. We have also made FCCB issues to international investors in the past, and those are listed at Singapore Stock Exchange and the resulting GDSs on conversion of FCCBs at Luxembourg Stock Exchange.

Jubilant Organosys had 3,064 employees as on March 31, 2006. Jubilant Organosys and its subsidiaries on a consolidated basis reported net sales of Rs.15 billion in FY 2006. During FY 2006, we also implemented a sub-division of our equity shares with each share of

face value Rs.5 split into five equity shares of face value Re.1 each. At the end of the financial year our paid-up share capital was Rs.142.44 million with the total number of shares outstanding being 142,442,995. The total consolidated debt in our balance sheet was Rs 7.2 billion as on March 31, 2006.

OUR STAKEHOLDERS

We have recognised our customers, suppliers, employees, shareholders and other providers of capital such as institutional lenders, investors and bankers, communities surrounding our manufacturing sites, non-government organisations (NGOs), industry associations, research institutions and other local, state and central government agencies as our key stakeholders.

The identification of key stakeholders with respect to our operations and activities is an ongoing process and the outcome of formal and informal discussions among our business and functional managers. We engage with our stakeholders on an ongoing basis to achieve our goals of sustainable growth over the long-term. For a more detailed overview of our engagement with these stakeholders, please see the section on “Stakeholder Engagement”.



Governance Structure and Management Systems

The Business Unit heads are responsible for the functioning of their business and each business operates as an independent profit centre. They develop their business plans by engaging concerned stakeholders specifically including the employees and other officers of their section.

The Board gives the strategic direction to the Company and has delegated powers to the Managing Directors to conduct the regular business of the Company.

There are Board level committees to oversee specific function within the Company. The second tier of committees is the Executive Committees, which are headed by the Executive Directors. Under the policies framed at the Board level, these second tier committees work out the broad plans for implementing the strategic decisions.

The Business Unit heads are responsible for the functioning of their Business and each business operates as an independent profit centre. They develop their business plans by engaging concerned stakeholders specifically including the employees and other officers of their section. The consolidated annual plan for both revenue and capital expenditure are approved by the Board.

A majority, seven of the 12, Directors of our Board are non-executives and independent. An independent director is a non-executive director who apart from receiving director's remuneration does not have any material pecuniary relationship with the Company.

Non-executive directors are those who do not work with the Company in an executive capacity on a regular basis

The strategic direction of the Company is reviewed on annual basis, which focuses on the existing and new business areas, future markets, fund raising and investments to be made.

An assessment of desired board structure (including expertise, experience and age profile) that match the above areas in addition to the present activities is carried out.

As required by the law, one third of the Board members retire every year. Depending upon the strategy of the Company, if the need is felt for new expertise in the Board, new Board members are inducted. In case the expertise of the retiring directors is in line with the requirements assessed, it is proposed to reappoint such directors for a further term.

The major committees of the Board are the Audit Committee, the Investors Grievance Committee and the Remuneration Committee.

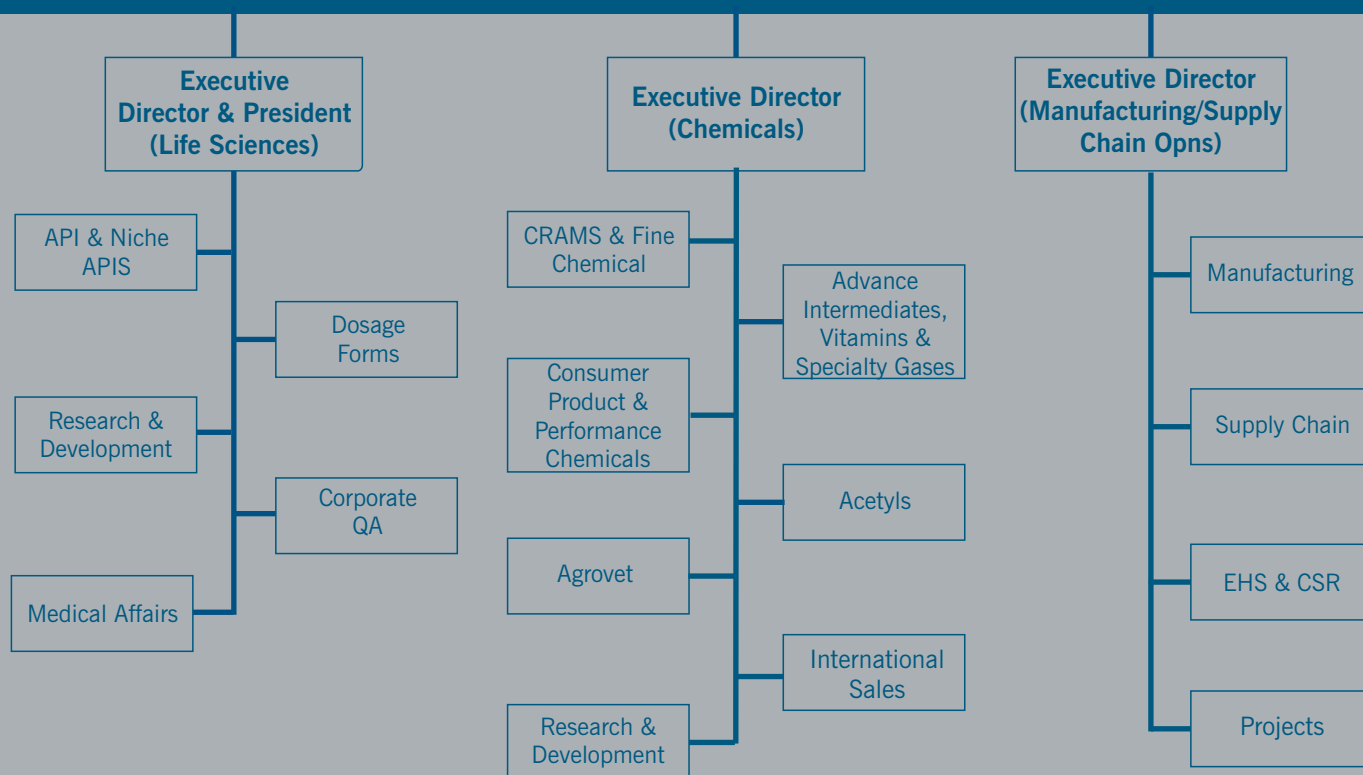


Governance Structure of the Company



Board of

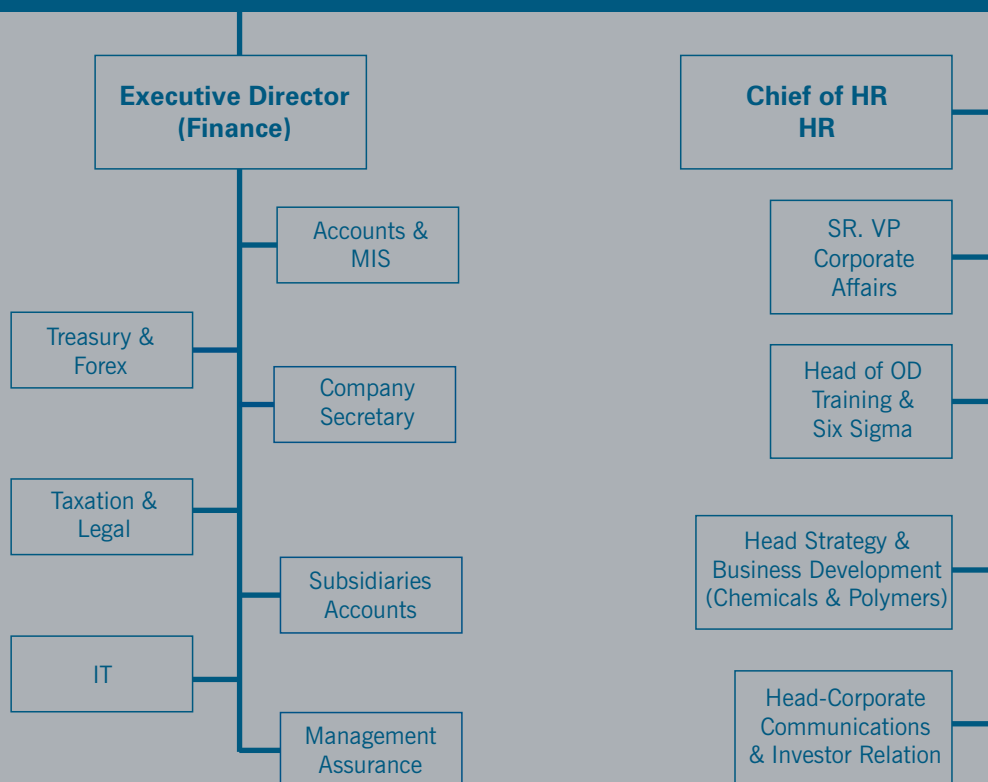
Chairman & Managing Director





Directors

Co-Chairman & Managing Director



The Audit Committee reviews all financial statements before submission to the Board. It also reviews internal controls, internal audit reports and related party transactions. The Investors Grievance Committee looks after share transfer and allied matters. It also looks into investor complaints. The Remuneration Committee reviews and recommends to the Board the remuneration of the Managing Directors and Whole Time Directors.

At the next level, various committees are constituted to monitor implementation of the Company's internal controls and to identify risks and opportunities. The committees include Supply Chain committee, Purchase committee and Capex committee, which meet on regular basis to address the concerned issues. In addition to these committees, CMDs and Executive Directors review the performance of each growth unit and functional division such as manufacturing, EHS, finance etc. on monthly and quarterly basis respectively. The triple bottom line approach is adopted in the quarterly EHS reviews.

Doing business in an ethical way is an underlying focus of the decisions made. About 66.5% of our exports of pharmaceutical and life science chemicals business are in the regulated markets, which demonstrates that we are using our own processes and technology and not infringe the IPRs.

There is a comprehensive appraisal system in the Company, which is divided in four parts. Three parts of the appraisal form are on non-financial parameters. The compensation is based on the appraisal, hence, it reflects the achievement of non-financial goals also.

Below the Board level, Chief of Environment, Health & Safety is directly responsible for setting and implementing environmental and social policies.

Each Business unit and the Functional area has its own Vision and Mission statement which aligns with the Vision and Mission statement of the Company. The Company has put in place the code of conduct for directors and senior executives.

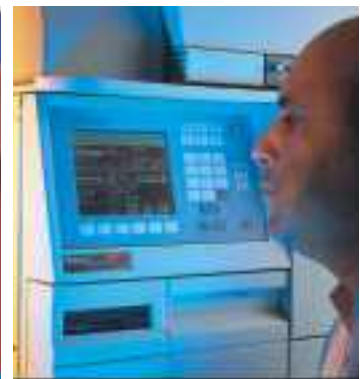
The Company obtains feedback from investors on various aspects of services rendered. Shareholders also give their suggestions, which if found reasonable and practical, are put up to the Board of Directors.

The Annual General Meeting of the shareholders provides an opportunity for the shareholders to share their suggestions and ideas with directors. Such suggestions and ideas are then reviewed and actions are taken, as appropriate. Shareholders sometimes do express their opinion through mails directed to the Company Secretary who forwards these to the concerned official(s) of the Company. However, it may be noted that the suggestions obtained in the General meetings are not specifically mentioned, since the minutes are prepared as per the legal requirement.





“The Annual General Meeting of the shareholders provides an opportunity for the shareholders to share their suggestions and ideas with directors. Shareholders sometimes express their opinion through mails directed to the Company Secretary.”



Stakeholder Engagement

As mentioned in our earlier reports, we engage a wide range of stakeholders for feedback. The objectives for engagement vary depending upon the stakeholder and their interaction with the Company. Thus, the frequency of engagement and the method of engagement are different for different stakeholders. The outcomes of these engagements are evaluated and where reasonable, reflected in our strategies and policies. Through this report we appeal to our stakeholders to adopt the triple bottom line approach in their respective activities. This would enable long-term sustainability of our relationship and business.

CUSTOMERS

Our customers continue to be the key group of stakeholders and we strive to ensure that they receive high quality products and services on time. Our endeavour is to continuously improve our performance and deliver more value added products to our customers. We proactively respond to our customers' requirements and work to meet their needs as desired through their supplier evaluation criteria. Custom Research and Manufacturing Services (CRAMS) and Drug Discovery & Development services are such businesses, which directly respond to the customers' requirements to offer customised solutions.

COMMUNITIES

In today's social environment, it is the community, which virtually gives the licence to the Company to carry out its operations. We engage at different levels and forms with the local community. Local farmers are

an important part of the community around our Gajraula and Nira plants, where treated distillery effluents from these units are gainfully utilised by these farmers for crop irrigation in their fields. Regular meets are organised to understand their needs and accordingly we share knowledge with them on technical issues and also help them procure good quality seeds. This engagement results in a win-win situation as the farmers benefit in terms of enhanced productivity and the Company gainfully utilises its treated effluent. Interaction with villagers by our community development team help identify the needs of the community and we accordingly take actions as described in the social section of the report.

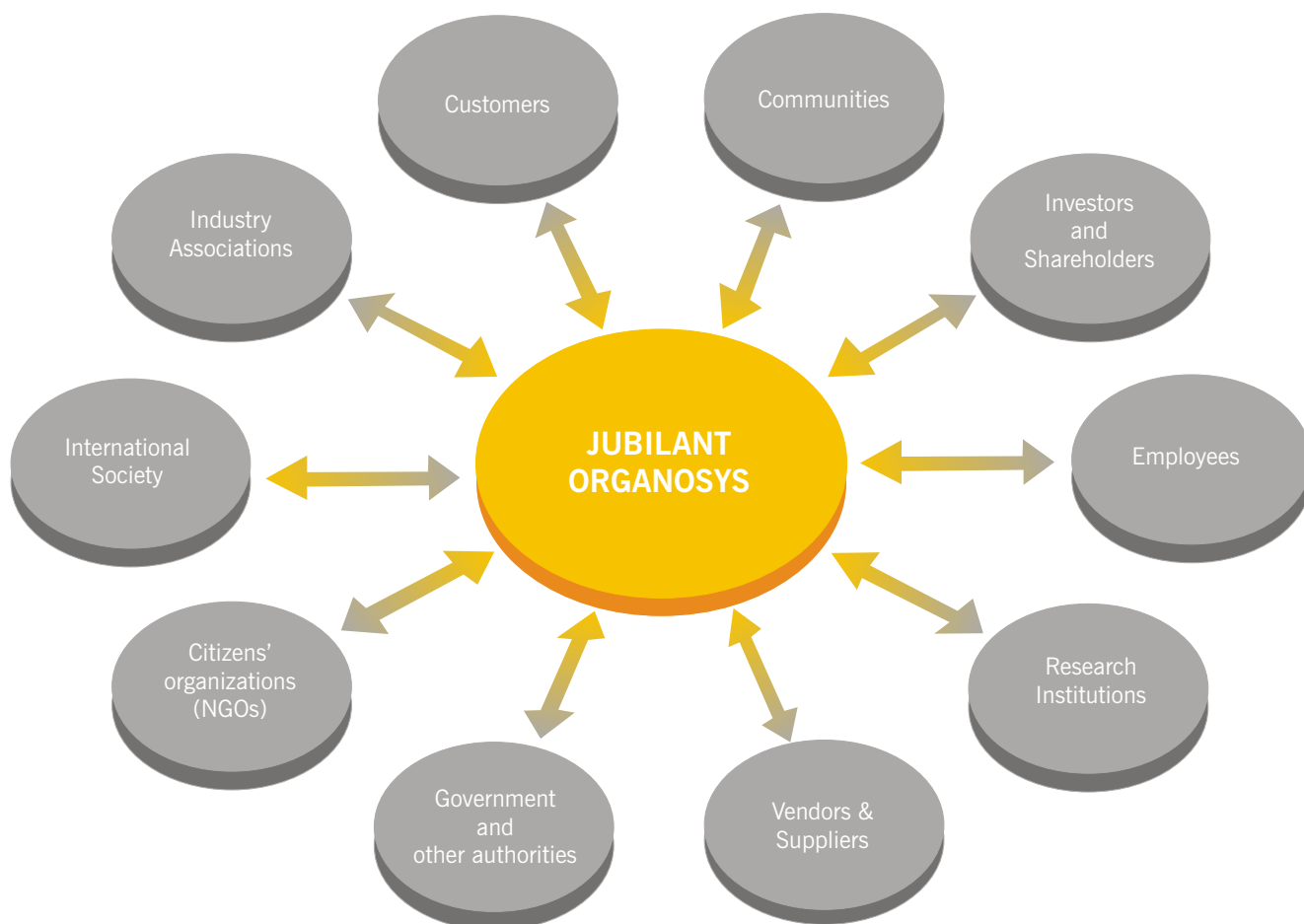
SHAREHOLDERS, INVESTORS AND PROVIDERS OF CAPITAL

The engagement with these stakeholders is on formal basis and regular exchange of information takes place. The financial performance of the Company is reported on quarterly basis through direct mails and through national and regional newspapers. Regular post results earnings calls and one on one meetings are conducted with the analysts and fund managers.

EMPLOYEES

We firmly believe that the employees are crucial stakeholders in the conduct of the Company's business. A happy and satisfied workforce would give high productivity contributing to rapid growth of the Company. The employees are engaged right from the shop floor level. To encourage the employees to give





As mentioned in our earlier reports, we engage with a wide range of stakeholders. The reasons for engagement vary depending upon the stakeholder and their impact on the Company. Thus the frequency of engagement and the method of engagement are different for different stakeholders.



The Company manages its indirect economic, environmental and social impacts through regular engagement with the surrounding community and through policy implementation. The triple bottom line performance is monitored at the highest level in the Company on regular basis.



suggestions for improvements, reward and recognition schemes are in place. The Company focuses on the training needs of the employees and develops training programmes in consultation with the employees by identifying capability gaps to bring our employees abreast with latest international trends.

VENDORS AND SUPPLIERS

Jubilant has a wide supplier base of more than two thousand vendors. Our major raw materials, as mentioned under the raw materials consumed section, come from a limited number of large suppliers. For other smaller supplies, we have a large number of suppliers. We have regular and formal interactions with the suppliers through our Annual Suppliers Meet where the suppliers discuss various issues with the Company. The engagement, however, continues throughout the year on informal basis by one on one interactions or meetings in small groups.

NON-GOVERNMENTAL ORGANISATIONS

Being aware of our Company's social agenda, we are regularly approached by NGOs to work together. Where the issues match, we team up with NGOs to conduct the social activities jointly. Where we lack expertise, we engage NGOs to work with us in carrying out activities in specific areas. Some of such activities are HIV/AIDS programmes and other healthcare initiatives which are conducted jointly with the NGOs.

GOVERNMENT (LOCAL & NATIONAL)

We are in regular contact with the local authorities, state and central level Government agencies in the course of conducting our business. The engagements include direct interaction as well as through industry associations. We also interact with the Government when invited for discussions on policy issues. During

the current year, we were in regular interaction with the Ministry of Environment and Forest in connection with providing our comments and views on the Draft Environmental Clearance Policy. The Company engaged the local government (gram panchayat) for joint conduct of social activity programme to construct toilets in the villages near our Nira plant. Details of the project are available in the social section of this report.

INDUSTRY ASSOCIATIONS

Jubilant is a part of various associations and trade bodies such as CII, FICCI, PHDCCI, ASSOCHAM, AIDA, ICMA and IDMA. Our senior management members are office bearers in various industry associations and offer vital assistance in the activities of these associations. We present our requests and requirements through these associations to the Government.

RESEARCH INSTITUTIONS

We have a strong research and development base which caters to our regular needs. In addition, we are working with several research and academic institutions on specific projects related to different businesses and functions. We are implementing the deodourisation project at our Gajraula unit in association with a reputed research institution. The pilot project helped the institution test their newly developed technology and the Company to identify a possible solution to odour issue.

OVERARCHING POLICIES AND MANAGEMENT SYSTEMS

Risk management

The Company is signatory to 'Responsible Care' initiative of the chemical industry and is fulfilling the requirements of precautionary principle as required



under this. The Company is certified to voluntary standards such as ISO 9000 for quality, ISO 14001 for environmental management and OHSAS 18001 for occupational health and safety. The Company continued its support for sustainability reporting as an Organisational Stakeholder of GRI. In the social arena, the work in line with the 'Millennium Development Goals' of UN continued during the year. The details can be seen under the social section of the report.

The membership in industry and business associations can be found under the Stakeholder section where engagements with Industry associations are mentioned.

During the year under review, the Company through organic and inorganic initiatives entered some new businesses and enhanced its presence in the existing businesses. The details of these changes in operations are covered in details in the Company profile.

The Company had initiated working with the suppliers on improving their environmental and safety performance. The Company helped one of its suppliers in identifying agencies to help them implement ISO 14001 and OHSAS 18001. We also help our distribution partners in arranging funds.

The Company manages its indirect economic, environmental and social impacts through regular engagement with the surrounding community and through policy implementation. The Company has a policy to promote local contractors, wherever possible.

For example, contracts for irrigation of cropland using treated distillery effluents at its Gajraula and Nira plants are awarded to local entrepreneurs encouraged by the Company. The tankers used by these contractors are also fabricated locally thus bringing about further indirect economic benefits to the society. Need assessment studies are carried out to help the community around our operations, for mitigating any negative environmental impact and for supporting them in improving their living conditions.

The triple bottom line performance is monitored at the highest level in the Company on regular basis. There are reviews carried out on monthly basis by the executive directors and on quarterly basis by the managing directors of the Company. These are in addition to the Annual Strategy meet where triple bottom line issues are discussed with all the top officials of the Company. This year the first Environment, Health & Safety Corporate Social Responsibility (EHS-CSR) Meet was held to review the progress of the Company in these fields and to set targets for the next three year.

As mentioned earlier, the Gajraula, Nira and Nanjangud units are certified to ISO 14001 and OHSAS 18001. All the units are certified to ISO 9000. The Nanjangud unit is certified to USFDA also. These approvals ensure that an effective framework is in place, not only for high quality products and GMPs/GLPs but also for effective use of resources and waste minimization.





Economic Performance Indicators

“Our net sales for FY 2006 increased by 28.6% to Rs.15.1 billion, with revenues from international market rising by 41.7% to Rs.6 billion. The Pharmaceuticals and Life Science Chemicals business, which is the focus business area, was the fastest growing business recording a growth of 41.2%. PLSC business with revenue of Rs.6.8 billion contributed 45.4% of the net sales of the Company. Our contribution to the public exchequer in the form of corporate income tax and other taxes increased during the year.”

Economic Indicators

Direct Economic Impacts

CUSTOMERS

Our net sales for FY 2006 increased by 28.6% to Rs.15.1 billion, with revenues from international market rising by 41.7% to Rs.6 billion. The Pharmaceuticals and Life Science Chemicals business, which is the focus business area, was the fastest growing business recording a growth of 41.2%. Pharma Life Science business with revenue of Rs.6.8 billion contributed 45.4% of the net sales of the Company.

A significant part of Jubilant's revenues come from international markets. Europe, North America and China are the major international markets. The Company focuses on regulated markets of North America, Europe and Japan, which contributed 60.3% of the international sales.

SUPPLIERS

The volume of raw materials purchased increased in line with growth in sales and is summarized in the table under environmental performance indicators on material used. Molasses and alcohol, one of our key raw materials and some of the petroleum based raw materials witnessed increase in prices resulting in marginal increase in cost of material as percentage of net sales.

A large part of molasses and alcohol procurement is done by advance payment and other supplies are through letter of credit. We also import a large part of

our raw materials from international markets. The Company through its IT enabled ERP system has improved the procurement and logistics efficiency. We have further improved our processes, which ensure that payments of our supplier are made on time.

EMPLOYEES

The staff cost as a percentage of net sales has witnessed a sharp increase to 11.3% of net sales in FY 2006 as compared to 6.5% of the net sales in FY 2005. This was mainly due to voluntary addition of Superannuation Fund in salaries, annual increments and increase in salaries in the international subsidiaries involved in drug development business which is people oriented. The Company has moved into more knowledge-based business, which involves higher level of R&D work. The substantial increase in number of employees involved in R&D work also resulted in increase in staff cost.

PROVIDERS OF CAPITAL

The Company has been making dividend payments consistently over the past several years, as tabulated. During FY 2006, the Board of Directors of the Company has recommended 125% dividend payment, subject to the approval of the shareholders.

The Company's retained earnings and reserves increased by 69.2% to Rs. 8.46 billion due to increase in profitability, private equity placement of 990,000 shares at a premium of Rs.219 per share of Re.1 each, conversion of US\$ 30.2 million worth of FCCB 2009.



PUBLIC SECTOR

Jubilant is a profitable business, therefore, it is subject to corporate income tax and other taxes such as excise, service tax, sales tax, customs etc. The details of the Company's contribution to the public exchequer are given in the table.

The Company receives subsidies for the manufacture of fertilizers, which is an Agrovit product. During the year, the amount of subsidy, which we receive from the Government, was Rs.128.27 million.

DONATIONS TO COMMUNITY

We do not make any direct significant donations to the

EXPENDITURE DETAILS

ITEM	FY 2005	FY 2006
	(Rs in Millions)	
Purchases – Traded goods	257.36	451.19
Raw and Process materials consumed	5701.21	7141.62
Power and Fuel	1022.46	1162.39
Stores, spares, chemicals, catalyst & packaging material consumed	606.97	760.16
Processing charges	134.42	157.04
Advertisement, Publicity & Sales promotion	51.64	56.86
Printing & stationery	16.33	24.86
Communication expenses	45.85	56.03
Auditors Remuneration- As Auditors	1.72	1.65
For taxation matters	0.31	0.29
For certification/advices	0.84	1.52
Out of pocket expenses	0.10	0.11
Legal, Professional & Consultancy charges	85.19	129.49
Freight & Forwarding	250.83	396.13
Total	7152.67	10339.34

SEGMENT WISE SALES

Product Category	(04-05) (Rs in Million)	(05-06)	Growth (%)
Pharmaceuticals & Life Science Chemicals	4841.18	6837.19	41.22
Performance Chemicals	1667.75	1984.52	18.99
Industrial Chemicals	5193.72	6231.79	19.98
Total	11702.65	15053.50	28.63

community. However, our joint efforts and other activities are given in detail under the Society section in the Social performance indicators part of the report.

CONTRIBUTION TO PUBLIC ENCHEQUER

	FY 2005	FY 2006
	(Rs in Millions)	
Corporate Tax	370.11	403.02
Tax on Distributed Profits on Equity Shares	22.79	25.68
Central Excise, Sales Tax, Service Tax, Custom Duty	1938.84	2096.87
Total	2331.74	2525.57

EMPLOYEE COST

ITEM	FY 2005	FY 2006
	(Rs in Millions)	
Salaries, Wages, Bonus, Gratuity & Allowances	671.78	1225.36
Contribution to Provident Fund & Superannuation Fund	74.02	59.62
Staff Welfare Expenses	61.11	74.49
Total	806.91	1359.47

REGION WISE NET SALES

REGION	FY 2005	FY 2006
	(Rs in Millions)	
India	7501.00	9102.06
Americas & Europe	3052.47	3774.84
China	624.40	1415.30
Asia & Others	524.85	761.30
Total	11702.65	15053.50

DIVIDEND PAYOUT

Particular	FY 2003	FY 2004	FY 2005	FY 2006
Total dividend payout (Rs. Million)	74.44	95.11	184.75	203.03
% dividend (on face value of Rs. 5 except in FY 2006 on face value of Re.1)	90%	100%	125%	125%



Environmental Performance Indicators

At Jubilant, we appreciate that everyone shares the same planet and hence make all possible efforts to ensure that we use natural resources sensibly and undertake conservation and preservation to ensure that our operations do not affect the environment and surrounding communities.

Environmental Performance Indicators

Over the years, we have undertaken various environmental conservation activities. We believe that there are plenty of opportunities available for further improvement. This will not only help us maintain our business but also help it grow in the long run.

MATERIALS

Percentage of materials used that are wastes from external sources

As evident from the table, two of the major raw materials used by the Company are molasses and press mud. These are waste materials from the sugar industry. Such gainful utilisation of these materials also solves the waste disposal problem of the sugar industry. Molasses is used for the manufacture of alcohol, which forms the basic raw material for other up-stream, value added chemicals and products manufactured by the Company. Press Mud is utilised in the production of Bio-Compost, which is produced by adding distillery effluent to press mud with the use of specific bio-culture. This is an organic process and the Company was certified to SGS Organic Production Standard for Compost Production.

ENERGY

The direct energy consumption for R&D centre, Head Office and other Indian subsidiaries have been included in this years report. The figures for HSD consumption have accordingly been modified for earlier years. Several initiatives have been implemented to reduce the energy consumption in the manufacturing units. Light sensors for automatically switching on and off the streetlights and a pilot solar light in the ferti-

TOTAL MATERIALS USE

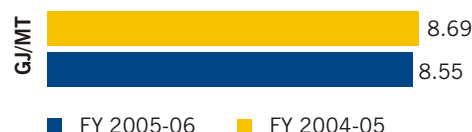
OTHER THAN WATER BY TYPE

Raw Material	FY 2005	FY 2006
Molasses(MT)	343513	418348
Press Mud (MT)	38677	70655
Alcohol (KL)	106360	118181
Process Chemicals (MT)	71552	66477
Rock Phosphate (MT)	70465	104032
Sulphur(MT)	29945	51556
Chemicals for Feed Additives (MT)	2534	2916
Latex chemicals (MT)	1892	2080
API Chemicals (MT)	5083	5375

INDIRECT ENERGY USE

	FY 2005	FY 2006
Electricity Purchased (KWH)	40177796	46167225
Energy Purchased (peta joules)	0.145	0.166

SPECIFIC ENERGY CONSUMPTION OVERALL



DIRECT ENERGY USE SEGMENTED BY PRIMARY SOURCE

SOURCE	PARAMETER	UNIT	04-05	05-06
Coal	Consumption energy	MT peta joule	222602 3.307	264478 3.878
LDO	Consumption energy	MT peta joule	2852 0.114	2522 0.101
RFO	Consumption energy	MT peta joule	25018 1.093	20359 0.889

SOURCE	PARAMETER	UNIT	04-05	05-06
HSD	Consumption energy	MT peta joule	232 0.005	486 0.008
FO	Consumption energy	MT peta joule	2108 0.086	2348 0.095
Bio-gas	Consumption energy	1000 Nm3 peta joule	41235 0.621	47645 0.717
Total direct energy		peta joule	5.226	5.688

irrigation area at Gajraula are some of the efforts to reduce energy in the non-production areas.

Examples of energy conservation in the production areas are:

In 3 CP Plant, feed before entering the reactor was heated by operating thermic fluid heater where LDO was used.

A scheme has now been implemented utilising process waste heat for preheating air. This hot air is mixed with other feed streams to maintain the feed mixture temperature at desired level at steady state condition of reactor, thus eliminating Thermic Fluid Heater. Now, Thermic Fluid Heater is operated only during start up of the reactor. This will result in reduction of LDO consumption norms from 0.135 KL/MT to 0.05 KL/MT.

This required a one time investment of Rs. 2.3 million and will give an annualised saving of Rs. 5.1 million.

In Cooling Tower-4 supplying cooling water to AC₂O and Ethyl Acetate by dedicated pumps resulted in power saving.

A scheme was implemented to optimise cooling water pumping efficiency. Earlier all the cooling water was pumped by high-pressure pumps. Now the main pumps have been replaced by two low head pumps and two booster pumps, to pump the necessary quantity of water to higher levels. Now all the cooling water is not pumped at high pressure resulting in reduced power consumption.

Power consumption reduced from 444 KW to 343 KW, resulting in a saving of 101 KW.

Total investment was Rs. 2.0 million and annualized saving achieved was Rs. 2.3 million.

ENERGY RECOVERY FROM WASTE INCINERATION



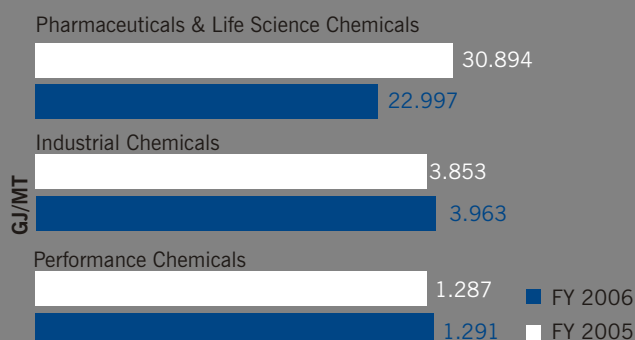
INDIRECT ENERGY USE

As mentioned earlier, there have been necessary corrections made in the figures for power purchased. Due to major expansion work at Nanjangud, the total electrical power consumed increased substantially in the unit, which is reflected in the total power purchased by the Company.

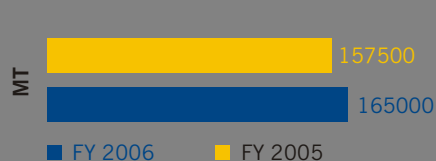
SPECIFIC ENERGY CONSUMPTION

The specific energy consumption in Pharmaceutical and Life Science Chemicals reduced during the year. There was a marginal increase in energy consumption in the Industrial Chemicals primarily because certain plant trials were being conducted during the year. These trials were performed to improve the product yield and during this period the production levels were lowered. However, the overall energy consumption remained almost the same. An increase was also observed in the Performance Chemicals due to the new monitoring method employed in some of the plants. Earlier, apportioned values were used and from this year actual measured values for power have been taken. This new method resulted in significant lowering of power consumption in the Pharmaceutical & Life Sciences segment whereas it increased marginally for other two segments. However, it may be observed that on the overall basis for the Company, the specific energy consumption has reduced during the year.

SPECIFIC ENERGY CONSUMPTION



STEAM GENERATION FROM WASTE HEAT

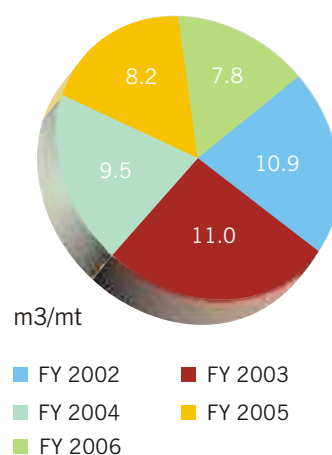


WATER

Several initiatives were undertaken during the year to reduce water consumption. As mentioned in the previous report, water budgets were prepared for different plants and close monitoring of the consumption was done at Gajraula. Water meters and water budget have brought in awareness, which helped us identify the wastages. By being more observant against wastage, most of the plants have reduced consumption. Additionally, the following efforts helped in reduction of consumption of water:

- A Reverse Osmosis plant was commissioned during the year at Gajraula unit for treating the distillery effluent. The process resulted in not only reducing the effluent load but also resulted in water conservation due to recycling of the treated water.
- Earlier the on / off switches were located at site at the borewell pumps which have now been provided in the Water Treatment Plant control room where the level indicator is located. This helped in prompt switching off of the pumps when not required and saved the time required by the operator to travel to the site to switch off the pump. Often due to other priorities, the operator could not go to the borewell at the required time thus resulting in over running of the pump.
- Wet permit system introduced to minimise the consumption of water usage for different purposes other than process requirement.
- Plate Heat Exchanger (PHE) cleaning in distillery started by immersing PHE plates in water trough in place of once thorough cleaning.
- Utilisation of cooling tower blow down water for flushing in some of the toilets and urinals.

TOTAL WATER USE
Specific Process Water Consumption



BIODIVERSITY

None of the Company's sites is located in biodiversity rich habitat or protected areas. Nanjangud unit is located in industrial area where as the other three units are located in industrial clusters far from any protected area. There have been no major impacts on biodiversity due to any of our products since majority of them are only intermediates. Our agrovet products, like animal nutrition compounds and biocompost are used directly. These are used to enhance the growth of animals and crops, hence the negative impacts are not expected but actual studies on the impact on biodiversity have not been carried out. Our activities and facilities, being away from protected areas, do not have any impact on such areas.

EMISSIONS, EFFLUENTS & WASTES

There are sources of waste heat generation in the Company's plants and during FY2006 the Company continued to utilise these sources of energy profitably by generating steam. This reduces the use of fuel,

TOTAL AMOUNT OF WASTE BY TYPE AND DESTINATION

METHOD	GAJRAULA	NANJANGUD	NIRA	SAMALYA	FINAL DESTINATION
Reprocessed and reused at site	498.5 MT(sulphur sludge)				In sulphuric acid & SSP plant
Sent to authorised reprocessors	33180 litres	2520 kl (Organic solvent) 2.68MT 2.422MT	8.51 MT (Used solvent and catalysts)		Used oil- sent to reprocessors Spent organic solvent - for recovery Catalysts- to suppliers / reprocessor
Sent to authorised treatment/ disposal facilities			21.249 MT	11.9 MT	Sent to Mumbai Waste Management and Nandeshwari Environment Control Ltd.
Sent for incineration	Solid-581 MT Raffinate-59523 m ³ Residue-3372 m ³	374.195 T Residues. 422.5 T of n- butanol (Semi solid)			Incinerated ash stored at site
Sent to storage site	4.67 MT (Non incinerable)	55 MT 600 L waste oil 109 MT ash			Stored at earmarked location

Estimated figures

which is primarily coal, a finite resource, for steam generation. This also leads to reduction in GHG emission. The coal quantity usage reduced by about 41,000 MT during the year.

USE AND ELIMINATION OF OZONE DEPLETING SUBSTANCES

We are not procuring any CFCs at any of our units. However, the use of HCFC which is permitted for use till 2016 continues. We are continually evaluating the techno-economic viability of replacing HCFCs with ODS free alternatives.

NOX, SOX, AND OTHER SIGNIFICANT AIR EMISSIONS BY TYPE

Till the previous year, keeping in view the 'precautionary principle' the Company reported the SO₂ emission based on the maximum sulphur content of the fuel as given in the specification. However, as per the observation made in the Assurance Statement, it was decided to report the SO₂ as per actual monitored values. The emission values are lower this year since the actual sulphur content is lower than the maximum value as given in the specification of the fuel. For the current year under review, figures are reported as per actual monitored values and hence show a significant reduction in emission.

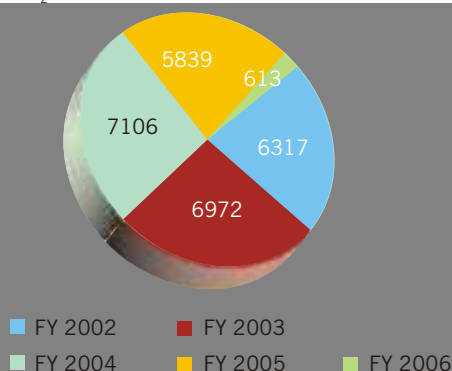
The particulate matter emission continued to reduce with the commissioning of the new 90 TPH boiler at Gajraula, which has significantly lower emissions as compared to the old boilers.

TOTAL AMOUNT OF WASTE BY TYPE AND DESTINATION

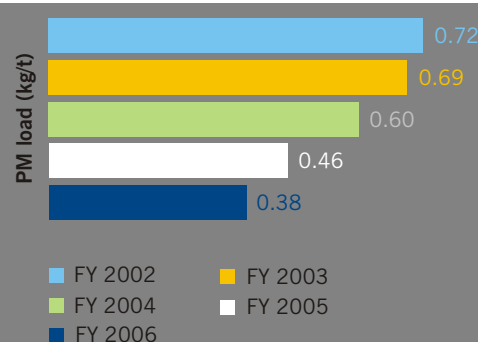
Hazardous waste management is a crucial issue for Chemical and Pharmaceutical industry. As mentioned in the last report, in the absence of common landfill site, we started the process for setting up our own secured landfill sites for safe disposal of hazardous wastes for our Gajraula and Nanjangud plants. The design work for these landfills has been completed. We expect necessary Government clearances soon and are ready to take up the implementation work at site. We believe that this will enable proper disposal of hazardous wastes and further our cause of effective waste management that encompasses reduction of wastes at source and appropriate treatment and disposal of any residual waste. We expect to update you on our progress in this regard in next year's Report.

The fly ash generated at Nira has been used for reclamation of the unlined lagoons as mentioned under the 'Reclamation of Old Lagoons' and the fermentor sludge is used in bio composting.

SO₂ LOAD TO ATMOSPHERE (MT)



PARTICULATE MATTER LOAD TO ATMOSPHERE



RECLAMATION OF OLD LAGOON

When Jubilant acquired the Nira unit in 1999, the distillery effluent management system there essentially consisted of impounding the untreated spent wash in lagoons and letting it evaporate which was original mode of treatment of distillery effluent. However, because of high levels of organics in these effluents, such arrangement had an odour issue. At Nira, these lagoons spread over an area of 30 acres creating an odour nuisance. This affected those living in the neighbourhood and posed difficulties in terms of complying with statutory norms.

In order to address this issue, a new system of distillery effluent management was envisaged by the Company, which comprised treating raw spent wash in two stages and utilising the treated effluent for bio-composting and crop-irrigation activities in scientific manner and as per Government guidelines. In this new scenario, storage of treated effluent in lined lagoons during the monsoon period was planned for which new lagoons were created. As this new system was being implemented, it was decided to erase the old lagoons and reclaim the land simultaneously. The obvious solution of using fresh soil to reclaim the lagoons was initially thought of. Since topsoils are precious resource to maintain life on our planet, the Company took up the challenge of accomplishing the work without the use of any fresh topsoil. Soil available in the embankment portions of the old lagoons and fly ash, which is a benign waste product of the Company's coal fired boilers, was used though it did take a little longer time. The activities conducted were as follows:

- The old lagoons were holding 165000 m³ of untreated spent wash. A time bound programme to empty out these lagoons was prepared.

- The spent wash from the lagoons was thus emptied out by using it for bio-composting.
- Following this, reclamation work was undertaken by spreading the embankment soil manually. Manual spreading of soil had some limitations, because it provided only a superficial layer of soil. This did not facilitate vehicle movements, which was essential for full-scale reclamation of the lagoons.
- To overcome these limitations, embankment soil and fly ash spreading was undertaken with the help of machines. This helped in compacting the reclaimed area, facilitating vehicle movements.
- Mechanised soil spreading, however, led to displacement of sludge, which was accommodated in an adjoining lagoon. We were finally left with part of last lagoon full of displaced sludge.
- This displaced sludge was utilised in two ways:
- Mixed with ash and dried mixture used for partial reclamation.
- Some of the sludge was supplied to brick kiln operators to be burnt as fuel.

This way the entire reclamation work was completed in 24 months by using available embankment soil, 61,700 m³ of fly ash, and about 200,000 manhours. Use of embankment soil and fly ash saved precious topsoil, which would have been required otherwise. The afore described initiative yielded the following results:

- 1) Odour problem solved in the area
- 2) 30 acres of land available for future activities
- 3) The Company's standing in the neighbouring community improved
- 4) Compliance with statutory requirements achieved



Significant discharges to water by type

Major effluent generation is from our distillery units at Gajraula and Nira where we have 100% utilisation plan. The effluent is used in bio-composting and part of the treated effluent is used gainfully in ferti irrigation. No significant spills of chemicals, oils and fuels occurred during the year under review.

Products & Services

All our principal products are intermediates and are used in manufacturing other products and hence have no direct environmental impacts. Moreover, as the products are intermediates they do not exist in their normal state, becoming part of other products instead. The majority of our products that are sold in the market are consumable products and so there is no recovery after useful life.

COMPLIANCE

There were no fines paid during the year for non-compliance. There was a Public Interest Litigation (PIL) against odour and other nuisance arising out of the stored spent wash in old lagoons at our Nira unit. The Company was issued certain directions by the State Pollution Control Board, including reclaiming the old lagoons. The Company completed the requirements during the year. There were inspections by the State Pollution Control Board (SPCB), after which they submitted their report to the Mumbai High Court. In the month of February 2006, the High Court considered the report of the SPCB and dismissed the afore-mentioned PIL case, since the Company had fulfilled all the requirements.





Social Performance Indicators

“As a responsible corporation, our social responsibility is spread across many areas such as ensuring effective management of all our processes to reduce impact on the environment, conservation of resources to the maximum and protecting health and safety of all our employees. Apart from this, we work with the adjoining community to improve their quality of life.”

Social Performance Indicators

“Being a responsible corporate citizen, we understand our role in society. Our efforts on community development align with the Millennium Development Goals of the United Nations and we continue to make our small contribution to the wider cause of sustainable development.”

As a responsible corporation, our social responsibility is spread across many areas such as ensuring effective management of all our processes to reduce impact on the environment, conservation of resources and protecting health and safety of all our employees. Apart from this, the Company is working with the neighbourhood community to improve their quality of life.

Labour Practices and Decent Work

EMPLOYMENT

The net employment creation during the year increased in line with the expansion of the Company's activities. The net employment creation was 437. The attrition rate in the Company reduced as compared to previous year and was at 13.93%.

LABOUR / MANAGEMENT RELATIONS

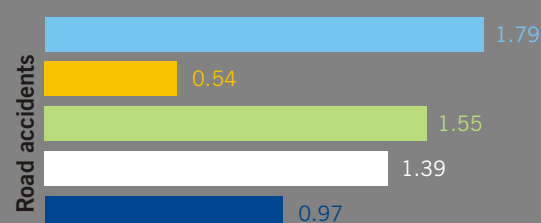
The Company enjoys cordial relations with the workmen in all its plants. All the employees are covered under the collective bargaining either through trade unions or workmen committees. We have a process of wage negotiations with the workmen every

THE UNIT/SUBSIDIARY-WISE BREAKUP OF OUR WORKFORCE IS TABULATED BELOW:

As on March 31, 2006

LOCATION	EXECUTIVE	WORKMEN	TOTAL
Jubilant Organosys			
HO/Branches	493		493
R&D Centre	185		185
Gajraula	552	400	952
Samlaya	58	53	111
Nira	93	180	273
Nanjangud	209	209	418
USA	4		4
LOCATION	EXECUTIVE	WORKMEN	TOTAL
Jubilant Organosys			
China	6		6
Roorkee	5		5
Total	1605	842	2447
Jubilant Chemsys	110		110
Jubilant Clinsys	53		53
Jubilant Biosys	454		454
GRAND TOTAL	2222	842	3064

TRANSPORT SAFETY PERFORMANCE



(Nos./100000 t product transported)

■ FY 2002 ■ FY 2003
■ FY 2004 ■ FY 2005 ■ FY 2006

year and ensure that their interests and the interests of the Company remain aligned at all times.

HEALTH & SAFETY

The Company has put in place a detailed procedure for Accident and Occupational Health recording and reporting. Whenever a person reports or brought to the Medical Centre following an incident, a communication is sent to safety department and HR. Necessary

treatment is arranged and the information is recorded in the accident register.

According to the Factories Act, there are 29 Notifiable Occupational diseases. At our Company, the employees are subjected to regular periodic medical examination. Systematic laboratory investigations are performed and the data is recorded in the periodic health examination files. If any notifiable occupational disease is detected,

HEALTH & SAFETY

S.NO.	LOCATION	COMPOSITION	COVERAGE
1	Gajraula	The plant has been divided into 8 zones and in each zone there are 10 workers and 10 management representatives	All the employees are covered under safety committee.
2	Samlaya	6 workers and 6 management representatives comprise the safety committee	All the employees are covered under safety committee.
3	Nira	9 members nominated by the management, 2 by the union and 7 from the plants	All the employees are covered under the safety committee
4	Nanjangud	Central and departmental safety committees have been formed comprising 17 management representatives and 49 workers	All employees are covered by this committee



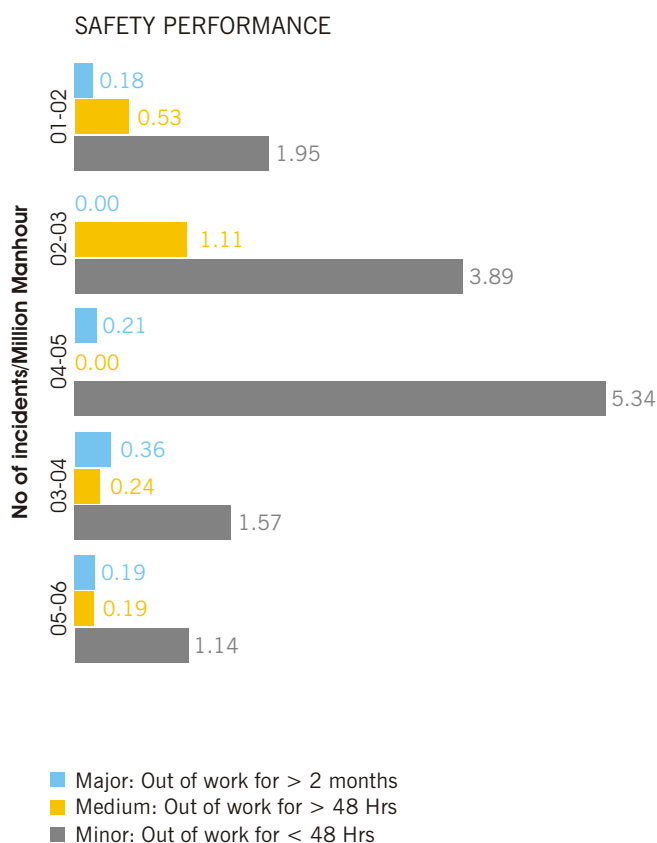
the information is sent to Chief Inspector of Factories. As of now, no notifiable occupational disease has been detected as specified under the Factories Act.

The Company has formal joint safety committees at all the locations. Issues related to safety and health are discussed in these committees. The table below summarizes the safety-related organization at each of our facilities:

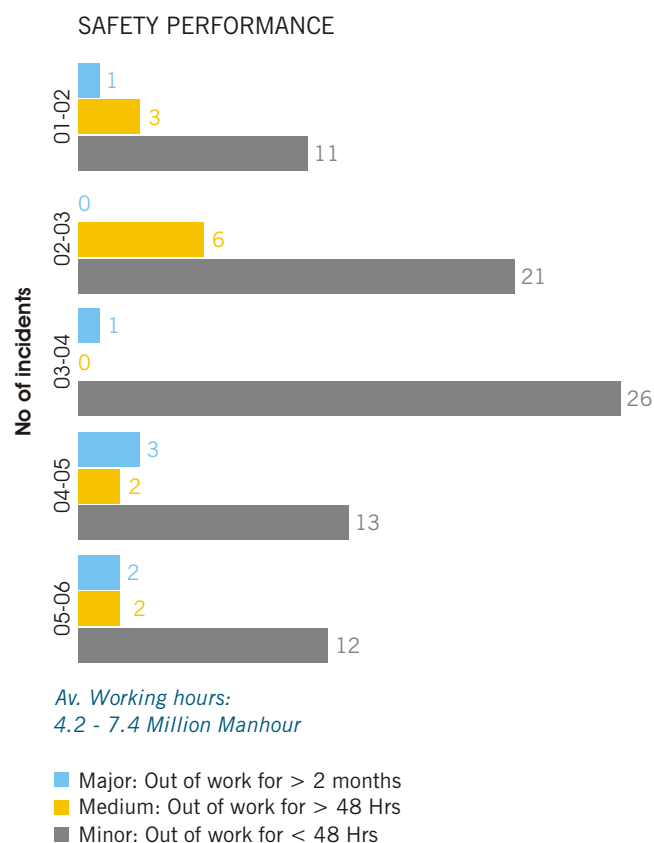
As mentioned in previous year's report, a major initiative was taken in capacity building exercise in safety with an internationally renowned consulting group. Under this project, an in-depth assessment of

is likely to take about 2 years has also been taken up. During the year under review, extensive trainings were imparted to Company employees on various aspects of safety including developing skills in safety auditing. The trained teams did detailed audits in the plants and took /initiated corrective actions which resulted in improvement in safety performance as is reflected in the following graphs.

The safety capacity building project also envisages covering supervisors and workmen to make the effort broad based and sustainable.



safety performance at the Company's major units at Gajraula and Nanjangud was taken up by experts from abroad as well as from India. Based on the findings, a detailed Road Map was drawn out to upgrade the safety performance to international levels. A major thrust was given for attitudinal change towards safety management. Implementation of the road map, which



HIV /AIDS

The Company recognises the menace of HIV/AIDS in the country and continues to help spread awareness for prevention of the diseases. As mentioned under the social section of the report, HIV/AIDS remains a focus area. The Company has a guiding policy on the subject.

JUBILANT ORGANOSYS LIMITED HIV/AIDS POLICY

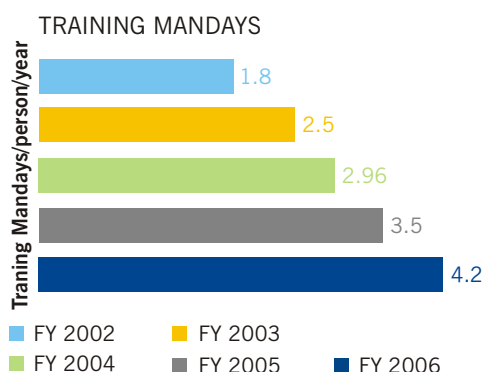
Jubilant Organosys is committed to create awareness on prevention of HIV/AIDS amongst its employees and their families through regular training programmes. The Company will not discriminate against any employee known or suspected to have HIV/AIDS. The information of any employee infected by HIV/AIDS will be kept confidential.

Pre-employment Medical Checkup and Occupational Health Checkup will not include HIV/AIDS test. Counseling services will be made available for the employees infected by HIV/AIDS and for their family members, if sought. The Company will extend help and support for care and treatment to the infected employees and their family members.

Education and awareness on prevention of HIV/AIDS will be extended to the surrounding community in partnership with government and non-governmental organisations.

Training & Education

Employees are an important group of stakeholders and valuable resource for the Company. There is a constant



endeavour to upgrade the skills of the employees. The training mandays during the year continued to increase.

HUMAN RIGHTS

The Company not only respects human rights but also takes steps to protect them. There is no formal documented policy as per ILO, but the Company addresses various features of these rights through separate policies like Freedom of Association, Excluding Child Labour, etc. We consider the human rights aspect in choosing suppliers and contractors for varied decisions made by us. We expect our suppliers and contractors to follow high standards of business ethics and try to influence them to upgrade their standards wherever required. We have also launched a proposal to work with our suppliers on the human rights issue.

COMMUNITY

Being a responsible corporate citizen, we understand our role in society. Our efforts on community development align with the Millennium Development Goals (MDGs) of the United Nations and we continue to make our small contribution to the wider cause of sustainable development. We encourage as well as practise open dialogue with our stakeholders especially the community around and share knowledge with them on various fronts, which are mentioned in the various activities in this section.

Goal 1: Eradicate extreme poverty and hunger

Agriculture in India is a major source of livelihood. Jubilant has taken initiatives in working towards agriculture development programme with Krishi Vighyan Kendra at Nanjangud through Front Line Demonstration programme with an aim to increase



crop production and improve soil fertility of the agricultural land. IR 30864, a salt tolerant paddy variety was introduced to 9 progressive farmers of Nanjangud. They were also provided with technical knowhow to grow this variety of paddy. This resulted in increased crop yield from 23,400 to 26,450 kg/acre in 2004 and 2005. This increase in crop production has motivated other farmers to use the tested seed so that more area could be covered under this variety thus helping them to have increased production from land.

Goal 2: Achieve universal primary education

The literacy rate in the country has increased from 18.33% in 1951 to 65.38% as per 2001 census. The female literacy rate has also increased from 8.86% in 1951 to 54.16%. In spite of this, India is still far from achieving full literacy. Today, education is considered a basic developmental right of every child. Jubilant has taken initiative by encouraging primary school students to get enrolled into higher education by providing scholarships – “Jubilant Pratibha Purushkar” - to poor and meritorious students. A cash prize of Rs. 1000 is given to 10 meritorious students of Kalahalli Primary School, so that they can get enrolled to higher classes.

Goal 3: Promote gender equality and empower women

Jubilant has always promoted women groups to come forward and become self reliant and feel confident to take independent decision in the field of social and economic development. There are constant efforts from the Company to share knowledge with the Self Help Groups (SHG) about the local bank under Swarn Jayanti Swarojgar Yojna, a self employment encouragement plan, so that they can apply for loan and initiate dairy farming and other income generating activities. In Gajraula, 36 SHGs are working

successfully, out of which 18 are from 'Below Poverty Line'. These groups have received a total of Rs. 9,05,000 as loan from banks which they have invested in Dairy Farming, Agriculture Development, Poultry Farming or Shop keeping. The primary role of the Company is to provide awareness, guidance and help in case of any problem in setting up the SHG. This way the women feel better ownership to the projects ensuring their long - term sustainability.

Goal 4: Reduce child mortality

Mortality has been declining all over the world partly as a result of advances in medical knowledge and technology as well as improvement in living conditions. In India, though progress has been made, we have yet to go a long way. Jubilant has contributed its efforts by joining hands with Rotary Club, Bhartiagram to work towards eradicating polio in District J P Nagar of UP state. In the year under review, the Company along with Rotary Club and its Medical Centre set up 169 booths in 9 rounds of National Immunisation drive. 96,942 children were immunized in this year through door-to-door visit and in booths.

Goal 5: Improve maternal health

Due to lack of awareness about personal hygiene and ante & post natal care, women in rural India are vulnerable to high risk associated with childbirth. With an aim to improve the health status of rural women and to equipped them with necessary information, Maternal & Child Health (MCH) programme was initiated in the month of August 2005 at Gajraula. Around 3,720 female and child patients were covered from local area and they were provided necessary knowledge in hygiene, health care, medicines and treatment. For regular treatment, the Company has retained a lady doctor at its community medical centre.



“JAN SANCHETNA”

“JAN SANCHETNA”, a safety awareness programme at Gajraula, was conceived by Jubilant with community participation in order to share knowledge with the community on safety issues. The mode for awareness generation was to target students who would become messengers and help educate their elders at home. It was decided to organise a written competition in schools and colleges so that awareness towards safety is developed in the future citizen of the town. The competition, based on the written examination, was conducted in the schools/colleges in three different groups: Senior Group (Standard 9 to 12), Junior Group (Standard 6 to 8), and Sub-Junior Group (below 6th standard).

To conduct the “JAN SANCHETNA” programme, a committee of 10 members was formed, with five members from the Company and five from the community.

A total of 12 schools and colleges were covered under the programme with around 2500 students participating in the programme.

The JAN SANCHETNA Committee along with the Fire Safety & Environment department developed the literature (in the form of a booklet) covering the following issues:

- Road Safety
- Home Safety- Electrical and Cooking Gas
- Industrial safety and Environment

Over 2,500 copies of this booklet were distributed to the participating students in the respective schools/colleges. Students were given 4 hours to read the booklet, after which all the students appeared in a one-hour written examination. The question paper had 10 objective type questions and 25 short answer type questions and the students were expected to respond based on their reading and understanding developed from the “Jan sanchetna” booklet.

To encourage the students, awards were given in each category at a function organised on the occasion of National Safety Day at Company's facility.



The Company also organised training programmes on healthy living to pregnant and lactating mothers and eligible couples by inviting trainers from Central Board for Worker's Education, Barielly, UP for Gajraula and JSS Medical College in Nanjangud

Goal 6: Combat HIV/AIDS, malaria and other diseases

HIV/AIDS has reached crisis proportions in India. Jubilant is doing its bit to increase awareness of this critical social malice by sharing knowledge on the subject. With an objective to continue its partnership with UNDP, INP+ and HDRN, a 3 days HIV/AIDS awareness programme was organised at Gajraula.

Around 11 training sessions were conducted - six sessions with employees, two for migrant workers and truck drivers, one each for families of Jubilant employees, community and Gajraula Industrial Associations. Around 1,200 individuals were covered in this three days programme.

World AIDS day was also observed across Jubilant by wearing red ribbon, distributing pamphlets carrying messages on prevention on HIV/AIDS, bringing out rallies, organising street plays, arranging film shows in the factory premises as well as in the community residing near by.

DOTS CENTER AT GAJRAULA SITE

The Ministry of Health, Government of India & WHO has taken up RNTCP (Revised National Tuberculosis Control Programme) to eradicate TB by setting up DOTS (Direct Observed Treatment Short term) centres across the country. The Community Medical Centre of Gajraula unit has been selected as one of the 12 centres, the only private sector centre, to provide treatment on TB to cover 100,000 population of Gajraula in the JP Nagar district of UP. As of date 314 cases were referred to Medical Centre for sputum examination, out of which 77 cases were identified as TB + cases. Treatment began for all 77 cases. There

were 6 defaulters where the individuals initiated treatment, but did not continue the treatment. Efforts are being made to bring them back to treatment fold. The balance 71 patients have continued treatment. The treatment is of 6 months duration. 12 patients have been cured till date. This programme has been hailed as a major success as patients were given full attention and necessary follow up was done from time to time. Government of India and the premier Industry Association in the country, CII, have recognised the efforts put in by the DOTS centre.



CONSTRUCTION OF TOILETS FOR COMMUNITY

The Company's Nira unit is located adjacent to village Nimbut. There are around 550 houses / families in the village. Most of the residents are farmers, small traders, and agricultural workers. Health and hygiene were low in the priority list for many of the villagers, as they were economically underprivileged. As a result, there were few toilets among the households, leading to a lot of inconvenience to the residents and even compelling them to use open spaces for toilet purposes – potentially creating the possibility of contagious ailments among villagers.

The need for toilet for each household was, therefore, very essential. However, as the economic condition of majority of the villagers was not sound, they were not in a position to construct toilets on their own.

The Jubilant Organosys team at Nira took the initiative as part of its ongoing community development activity and proposed and discussed a scheme with the Gram panchayat (village council) for construction of toilets. It was decided that one-third of the cost of construction of toilets would be borne by the beneficiary, one-third by the Gram panchayat, and one-third by the Company. The decision to have the beneficiary contribute one-third of the cost, instead of getting newly constructed toilets as free facility, was deliberated as that would create a sense of ownership. It was also felt that common toilets would lead to differences and issues regarding maintenance and/or cleaning, and thus it was resolved that separate units would be constructed for each family. As the separate toilet would be constructed

for each family, the responsibility of maintaining the same would rest with the respective household with no additional recurring cost to either the Gram panchayat or to the Company. However, in households where space was not available, it was agreed that the toilets would be constructed at a common place, but ownership of individual toilets would rest with individual families.

In case, an individual family had constructed a toilet on its own, the cost would have been around Rs. 5,000. However, construction at a large scale enabled better-cost negotiations and other economies of scale. In addition to that, this initiative triggered a sense of social responsibility among the local brick manufacturers and construction material suppliers, who were also the residents of the village, and they agreed to provide the necessary raw material at lower prices. All of this enabled to bring down the cost per toilet to Rs. 3,000, with Rs. 1,000 per toilet contributed by the beneficiary, Rs. 1,000 by us, and Rs. 1,000 by the Gram panchayat.

By March 2006, the construction of 150 toilet blocks had been completed and handed over to the beneficiaries. Jubilant Organosys has paid its share of contribution amounting to Rs.1,50,000. The construction of another 300 toilet blocks is under progress which is expected to be completed by June 2006, after which there will be no household without a toilet left in the village. This should increase the level of hygiene and improve overall health of the villagers.



Goal 7: Ensure Environmental sustainability

To create eco - friendly environment and to use barren land, Jubilant Ferti irrigation team planted Jetrophia plants. Over 7,000 saplings were planted around the effluent storage and lagoons in village Shabajpur at Gajraula. The effort would continue and the seeds from these plants would be used in a nursery to further develop saplings, which would be distributed to local farmers.

In our effort to work with the community, Jubilant helped to construct toilets for the villagers around its Nira unit.

Bribery and Corruption

Jubilant Organosys neither encourages nor tolerates unethical practices and acts, including bribery and other forms of corruption. The Company has a documented policy to address the issue.

Political Contributions

The Company does not make any political contributions or donations of any kind.

PRODUCT RESPONSIBILITY

The consumer directly uses some of the products manufactured in the Company and the Company tries

to reduce the risk involved in their usage. Example of this is the production of water-based adhesives and organically produced bio-compost. The other major products are intermediate industrial products and the Company provides the necessary information for safe usage of the products in the form of MSDS and other safety precautions to be followed.

Customer Health & Safety

Most of our products are intermediates and consumed or converted to other products in further processes. A large component of our revenues also come from services that include clinical research, drug discovery and development and other outsourcing activities for global customers.

Respect for Privacy

Jubilant Organosys caters to a large and sophisticated global customer base and is an outsourcing partner to the global life sciences sector. During this process, the Company utilises its own knowledge base and may have access to some IPR or related assets of some of its customers. We respect individual and corporate privacy and IPRs, as demonstrated by the Customer Privacy Policy that we have put in place.



The Path Forward

Odour Management: Odour continues to be an area of concern for the Company. Several initiatives have been implemented and work is in progress to further reduce odour. We are jointly conducting a programme with a leading research institute to reduce odour at our Gajraula plant and shall complete the project in 18 months time.

Hazardous waste: Treatment capacity at Nanjangud will be augmented and the old stock will be liquidated in two years time. Secured landfill sites at Gajraula and Nanjangud will be operational by the end of this financial year.

Fly ash: Possibilities have been explored for utilisation of fly ash in brick making and cement manufacturing. Since no feasible option was available, the Company is building an ash pond for disposal of fly ash, which shall be operational during the current year.

Zero Discharge: The Company shall ensure that all future projects, which will be set up, are based on zero effluent discharge design.

Water conservation: The Gajraula unit consumes about 80% of the total water consumed in the Company. We shall reduce the specific water consumption by 5% in the next year.

Solvent recovery: Several solvents are used in the API division and we shall improve the recovery of Acetone and Methanol by 60% during the year in our Azithromycin production process.

Safety: We shall continue our safety capacity building exercise and further strengthen our safety hardware in our existing plants and in future expansions.

Supply chain: The Company shall intensify its engagement within the supply chain and would cover 50% of the vendors during the year for mutual benefits and long-term business sustainability.

Formal community meet: The Company has been engaging with the community in several different forms. This year the Company shall start the process of formal community meet to provide a platform for engagement.



Assurance Statement

The Board of Directors of Jubilant Organosys Limited

1-A, Sector 16-A, NOIDA 201301

Engagement and objective of assurance, responsibilities

We have been engaged by Jubilant Organosys Limited (the 'Company') to review the contents of "Jubilant Sustainability Report 2005-06" (the 'Report') prepared under its responsibility. This engagement is aimed at providing 'limited assurance' to the report contents. However, this assurance report should not be taken as a basis for interpreting the Company's performance across the scope of issues covered in the Report.

The Report and its contents are the responsibilities of the Company and this assurance statement is the responsibility of Ernst & Young.

Reporting criteria

There is currently no statutory requirement in India for preparation and publication of sustainability report. We understand that the Company is voluntarily communicating to its identified stakeholders on sustainability matters through this report. The Company has stated in the "Report scope and profile" section of the Report that it has followed the Global Reporting Initiative 2002 guidelines, and has aimed at 'in accordance' reporting.

Approach and scope/limitation for assurance

Our assurance is in accordance with the International Standard on Assurance Engagement 3000 ('ISAE 3000') and our conclusions are for 'limited assurance'. The work to obtain limited assurance does not focus on the comprehensive gathering of evidence. The assurance engagement was performed by a multidisciplinary team of professionals in the field of environment, health and safety (EHS) and social matters, in conformity with the standard.

We understand that the 'economic performance indicators' included in the Report are derived from the Company's audited financial records. We have not performed any review of these data and information.

The scope of our work for this assurance statement was limited to verification of information pertaining to environment, health & safety (EHS) and social performance for the year April 2005 to March 2006. We have not performed review of the past years' information included in the Report.

The scope of our work was limited to physical verifications at the Company's head office at Noida and its two major manufacturing locations at Gajraula (Uttar Pradesh) and Nanjangud (Karnataka), while informations pertaining to the other two manufacturing facilities at Samlaya (Gujarat) and Nira (Maharashtra) were made available to us at Company's head office.

Procedure for assurance

- Our procedure was based on:
- Gaining an understanding of the sector, relevant issues and understanding the business



- Analysing the Company's sustainability plans and practices to ensure that the Report provides a fair representation on these aspects;
- Interviewing selected key officials of the Company responsible for EHS and social management to understand the activities and initiatives in this regard;
- Analysing selected documents and processes used to capture and collate information relating to EHS and social performance parameters.
- Visiting the Company's head office and other key plant facilities, to physically review the integrity of processes and activities relating to collection, collation and internal verification by the Company of such data;
- Reviewing of the information relating to EHS and social performance, specifically with respect to the key performance indicators, to substantiate the assertions made in the Report, including review of evidences against selected claims.

Conclusions

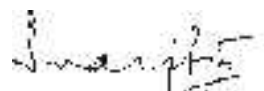
On the basis of the work undertaken, nothing has come to our attention that would cause us not to believe that:

- The report provides a relevant and rather complete description of sustainability performance of the Company.
- The quantitative data included in the report have been fairly stated, except for 'specific energy consumption' for the products, where the computational procedures need to be more robust.

Other observations

- During the course of our work, we have further observed that:
- The Company has demonstrated commitment in developing a structured process for stakeholder engagement, analyzing their needs and using the same in shaping their sustainability related activities;
- The Company has taken key initiatives in the area of safety and waste water management during the reporting period;
- The Company may consider documenting protocols used for collation and computation of the reported performance indicators, and include them in report for clearer comprehension of readers;
- There is scope for improvement in practices for storage of some of the hazardous wastes, like incinerated ash;
- Internal review and audit of reported data need to be better evidenced.

Ernst & Young Private Limited



Authorised Signatory
Kolkata, India
11th August 2006

List of Abbreviations

<i>3 CP</i>	3 Cyno Pyridine	<i>ICMA</i>	Indian Chemicals Manufacturers Association
<i>AIDA</i>	All India Distillers' Association	<i>IDMA</i>	Indian Drug Manufacturers Association
<i>AIDS</i>	Acquired Immunodeficiency Syndrome	<i>IMS</i>	Integrated Management System
<i>API</i>	Active Pharmaceutical Ingredients	<i>Inc</i>	Incorporated
<i>ASSOCHAM</i>	Associated Chambers of Commerce & Industry	<i>INP+</i>	India Network of People living with HIV & AIDS
<i>Capex</i>	Capital Expenditure	<i>IPR Protocol</i>	Intellectual Property Rights (IPR)
<i>CCMD</i>	Co-Chairman & Managing Director	<i>ISO</i>	International Standard Organisation
<i>CD</i>	Community Development	<i>IT</i>	Information & Technology
<i>CFC</i>	Chlor Fluoro Carbon	<i>JSS</i>	Jagatguru Shivarathreswara Swami
<i>cGMP</i>	current Good Manufacturing Practices	<i>Kg</i>	Kilo gram
<i>CII</i>	Confederation of Indian Industry	<i>Kl</i>	Kilo litre
<i>CMD</i>	Chairman & Managing Director	<i>LDO</i>	Light Diesel Oil
<i>CO2</i>	Carbon dioxide	<i>MPY</i>	Mandays per Person per Year
<i>CRAMS</i>	Custom Research & Manufacturing Services	<i>MSDS</i>	Material Safety Data Sheet
<i>CRO</i>	Clinical Research Organization	<i>MT</i>	Metric Tonnes
<i>CSR</i>	Corporate Social Responsibility	<i>NGO</i>	Non Government Organisation
<i>DOTS</i>	Direct Observed Treatment Short-term	<i>NOIDA</i>	New Okhla Industrial Development Authority
<i>EHS</i>	Environment Health & Safety	<i>ODS</i>	Ozone Depleting Substance
<i>ERP</i>	Enterprise Resource Planning	<i>OHSAS</i>	Occupational Health & Safety Assessment Series
<i>FCCB</i>	Foreign Currency Convertible Bonds	<i>OPD</i>	Out Patient Department
<i>FICCI</i>	Federation of Indian Chambers of Commerce & Industry	<i>VP Latex</i>	Vinyl Pyridine Latex
<i>FO</i>	Furnace Oil		
<i>FY</i>	Financial Year		
<i>GDS</i>	Global Depository Shares		
<i>GHG Protocol</i>	Greenhouse Gas Protocol Initiative		
<i>GJ</i>	Giga Joule		
<i>GIS</i>	Geographic Information Systems		
<i>GLP</i>	Good Laboratory Practices		
<i>GMP</i>	Good Manufacturing Practices		
<i>GRI</i>	Global Reporting Initiative		
<i>GU</i>	Growth Unit		
<i>HCFC</i>	Hydro Chloro Fluoro Carbon		
<i>HIV</i>	Human Immunodeficiency Virus		
<i>HSD</i>	High Speed Diesel		



FEEDBACK FORM FOR SUSTAINABILITY REPORT 2005-06

■ Relevance to sustainability of the issues covered in the Report

- ☐ High
☐ Medium
☐ Low

■ Clarity of information provided in the Report

- ☐ High
☐ Medium
☐ Low

■ The quality of design and layout of the Report

- ☐ Excellent
☐ Good
☐ Average
☐ Poor

■ Suggest what other issues should be covered in the Report

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.....
.....
.....

■ Suggest the areas, if any, where more details should be reported

.....
.....
.....
.....

Name :.....
Designation :.....
Organisation :.....
Contact Address :.....
.....

Please mail your feedback to:

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To find out more on what we can do for you, visit us at **www.jubl.com**
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