

# LETTER OF OFFER

**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

This Letter of Offer is sent to you as a registered Equity Shareholder of **Novartis India Limited** (the “Company”) as on the Record Date in accordance with Securities and Exchange Board of India (Buy Back of Securities) Regulations, 1998, as amended from time to time. If you require any clarifications about the action to be taken, you should consult your stockbroker or investment consultant or the Manager to the Buyback Offer (Ambit Private Limited) or to the Registrar to the Buyback Offer (Link Intime India Private Limited). Please refer to the section on ‘Definitions’ for the definition of the capitalized terms used herein.

## NOVARTIS INDIA LIMITED

**Registered & Corporate Office:** Sandoz House, Shivsagar Estate, Dr Annie Besant Road, Worli, Mumbai – 400018, Maharashtra  
(Tel: +91 22 2495 8400; Fax: +91 22 2495 0221; Email: india.investors@novartis.com)  
**Corporate Identification No. (CIN)** – L24200MH1947PLC006104  
**Contact Person:** Monaz Noble, Compliance Officer  
(Tel: +91 22 2495 8400; Fax: +91 22 2495 0221;  
Email: india.investors@novartis.com; Website: www.novartis.in)



**CASH OFFER TO BUYBACK NOT EXCEEDING 38,20,000 (THIRTY EIGHT LAKHS AND TWENTY THOUSAND) FULLY PAID-UP EQUITY SHARES OF FACE VALUE ₹ 5 EACH, REPRESENTING 11.95% OF THE TOTAL NUMBER OF EQUITY SHARES IN THE PRESENT PAID-UP EQUITY SHARE CAPITAL OF THE COMPANY, FROM ALL THE EXISTING SHAREHOLDERS / BENEFICIAL OWNERS OF EQUITY SHARES OF THE COMPANY AS ON THE RECORD DATE I.E. FRIDAY, JULY 22, 2016, ON A PROPORTIONATE BASIS, THROUGH THE “TENDER OFFER” ROUTE AT A PRICE OF ₹ 760 (RUPEES SEVEN HUNDRED AND SIXTY ONLY) PER EQUITY SHARE FOR AN AGGREGATE MAXIMUM AMOUNT OF ₹ 290,32,00,000 (RUPEES TWO HUNDRED AND NINETY CRORES THIRTY TWO LAKHS ONLY)**

- 1) The Buyback is in accordance with Article 9A of the Articles of Association of the Company, provisions of Sections 68, 69, 179 and all other applicable provisions, if any, of the Companies Act, 2013 and in compliance with Securities and Exchange Board of India (Buy Back of Securities) Regulations, 1998 including any amendments, statutory modifications or re-enactments thereof, for the time being in force and subject to such other approvals, permissions and sanctions as may be necessary, from time to time from statutory and/or regulatory authorities including but not limited to Securities and Exchange Board of India, BSE Limited, Reserve Bank of India etc.
- 2) The Buyback Offer Size is 24.98% of the total paid-up capital and free reserves as per the audited accounts of the Company for the financial year ended March 31, 2016 (the last audited financial statements available as on the date of the Board meeting recommending the proposal of the Buyback) and is within the statutory limit of 25% of the total paid-up capital and free reserves as per the last audited financial statements of the Company.
- 3) This Letter of Offer is sent to the Equity Shareholder(s) / Beneficial Owner(s) of Equity Shares of the Company as on the Record Date i.e. Friday, July 22, 2016.
- 4) The procedure for tender and settlement is set out in paragraph 20 of this Letter of Offer. The Form of Acceptance-cum-Acknowledgement (“**Tender Form**”) is enclosed together with this Letter of Offer.
- 5) For mode of payment of consideration to the Equity Shareholders, please refer to paragraph 20.21 of Letter of Offer.
- 6) A copy of the Public Announcement, Draft Letter of Offer and this Letter of Offer (including Tender Form) is available on the website of Securities and Exchange Board of India at <http://www.sebi.gov.in>.
- 7) Equity Shareholders are advised to refer to paragraph 17 (Details of Statutory Approvals) and paragraph 21 (Note on Taxation) before tendering their Equity Shares in the Buyback.

**BUYBACK OPENS ON: THURSDAY, AUGUST 25, 2016**

**BUYBACK CLOSES ON: THURSDAY, SEPTEMBER 8, 2016**

**LAST DATE OF RECEIPT OF COMPLETED TENDER FORMS AND OTHER SPECIFIED DOCUMENTS INCLUDING PHYSICAL SHARE CERTIFICATES BY THE REGISTRAR TO THE BUYBACK OFFER: SATURDAY, SEPTEMBER 10, 2016 BY 5 PM**

**MANAGER TO THE BUYBACK OFFER**

**REGISTRAR TO THE BUYBACK OFFER**



### **Ambit Private Limited**

(formerly known as Ambit Corporate Finance Private Limited)  
Ambit House, 449, Senapati Bapat Marg,  
Lower Parel, Mumbai - 400 013  
**Tel:** +91 22 39821819; **Fax:** +91 22 39823020  
**Email:** novartisbuyback@ambitpte.com  
**SEBI Registration No.:** INM000010583  
**Website:** www.ambit.co  
**Contact Person:** Praveen Sangal



### **Link Intime India Private Limited**

C-13, Pannalal Silk Mills Compound,  
L.B.S.Marg, Bhandup (West),  
Mumbai – 400078  
**Tel:** +91 22 6171 5400;  
**Fax:** +91 22 2596 0329;  
**Email:** novartis.buyback@linkintime.co.in;  
**SEBI Registration No.:** INR000004058  
**Contact Person:** Ganesh Mhatre

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## 1. SCHEDULE OF THE ACTIVITIES OF THE OFFER

<b>Activity</b>	<b>Date</b>	<b>Day</b>
Date of Board Meeting approving the proposal of the Buyback Offer	May 26,2016	Thursday
Date of declaration of results of postal ballot for special resolution by the Equity Shareholders of the Company, approving the Buyback Offer	July 12, 2016	Tuesday
Date of publication of the Public Announcement for the Buyback Offer	July 14, 2016	Thursday
Record Date for determining the Buyback Entitlement and the names of Eligible Shareholders	July 22, 2016	Friday
Date of Opening of the Buyback Offer	August 25, 2016	Thursday
Date of Closing of the Buyback Offer	September 8, 2016	Thursday
Last date of receipt of completed Tender Forms and other specified documents including physical share certificates by the Registrar	September 10, 2016	Saturday
Last date of verification of Tender Forms by Registrar	September 19, 2016	Monday
Last date of providing Acceptance to the Stock Exchange by the Registrar	September 19, 2016	Monday
Last date of settlement of bids on the Stock Exchange	September 20, 2016	Tuesday
Last date of dispatch of share certificate(s) by Registrar / return of un-accepted demat shares by Stock Exchange to Selling Member	September 20, 2016	Tuesday
Last date of extinguishment of Equity Shares	September 27, 2016	Tuesday

Note: Where last dates are mentioned for certain activities, such activities may happen on or before the respective last dates.

## 2. DEFINITIONS

This Letter of Offer uses certain definitions and abbreviations which, unless the context otherwise indicates or implies or specified otherwise, shall have the meaning as provided below. References to any legislation, act, regulation, rules, guidelines or policies shall be to such legislation, act, regulation, rules, guidelines or policies as amended, supplemented, or re-enacted from time to time and any reference to a statutory provision shall include any subordinate legislation made from time to time under that provision.

The words and expressions used in this Letter of Offer, but not defined herein shall have the meaning ascribed to such terms under the Buyback Regulations, the Companies Act and the rules and regulations made thereunder.

<b>Term</b>	<b>Description</b>
Acceptance	Acceptance of Equity Shares, tendered by Eligible Persons in the Buyback Offer
Additional Shares / Additional Equity Shares	Additional Equity Shares tendered by an Eligible Person over and above the Buyback Entitlement of such Equity Shareholder upto the Eligible Equity Shares
Acquisition Window	The facility for acquisition of Equity Shares through mechanism provided by the Designated Stock Exchange in the form of a separate window in accordance with the SEBI circular bearing number CIR/CFD/POLICYCELL/1/2015 dated April 13, 2015
AOP	Association of Persons
BSE	BSE Limited
Board Meeting	Meeting of the Board of Directors held on May 26, 2016 approving the proposal for the Buyback Offer
Board of Directors	Board of directors of the Company
BOI	Body of Individuals
Buyback Committee	Buyback Committee comprising of Ranjit Shahani, Vice Chairman & Managing Director, Monaz Noble, Whole Time Director & Chief Financial Officer, Hitesh Bhambhani, Controller Treasury and Bhalchandra Bhogate, Manager Corporate Finance, as reconstituted and authorized by the Board of Directors for the purposes of the Buyback Offer pursuant to a resolution passed at the Board meeting held on July 28, 2016
Buyback Entitlement	The number of Equity Shares that an Equity Shareholder is entitled to tender in the Buyback Offer, based on the number of Equity Shares held by that Equity Shareholder on the Record Date and the ratio of Buyback applicable in the category to which such Equity Shareholder belongs
Buyback Offer / Buyback / Offer	Offer by Novartis India Limited to buyback not exceeding 38,20,000 fully paid-up equity shares of face value ₹ 5 each from all the existing shareholders / beneficial owners of Equity Shares of the Company, on a proportionate basis, through the Tender Offer route at a price of ₹ 760 per equity share
Buyback Offer Price	Price at which Equity Shares will be bought back from the Equity Shareholders i.e. ₹ 760 (Rupees Seven Hundred and Sixty only) per Equity Share, payable in cash
Buyback Offer Size	Maximum number of Equity Shares proposed to be bought back (i.e. 38,20,000 Equity Shares of face value of ₹ 5 each) multiplied by the Buyback Offer Price (i.e. ₹ 760 per Equity Share) aggregating to ₹ 290,32,00,000 (Rupees Two Hundred and Ninety Crores Thirty Two Lakhs only)
Buyback Regulations	Securities and Exchange Board of India (Buy Back of Securities)

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	Regulations, 1998 as amended from time to time
CDSL	Central Depository Services (India) Limited
Closing Date	Thursday, September 8, 2016
Companies Act	The Companies Act, 2013, as amended and applicable rules thereunder
Company's Broker	Ambit Capital Private Limited
Depositories	Collectively, National Securities Depository Limited and Central Depository Services (India) Limited
Designated Stock Exchange / Stock Exchange	BSE Limited
Draft Letter of Offer	The Draft letter of offer dated July 21, 2016 filed with SEBI through the Manager to the Buyback Offer, containing disclosures in relation to the Buyback as specified in Schedule III of the Buyback Regulations
DTAA	Double Taxation Avoidance Agreement
DP	Depository Participant
Eligible Equity Shares	Eligible Equity Shares means the lower of: 1. Total number of Equity Shares held by an Equity Shareholder as on the Record Date; or 2. Total number of Equity Shares tendered by an Eligible Person
Eligible Person(s)	Person(s) eligible to participate in the Buyback Offer and would mean all equity shareholders / beneficial owner(s) of Equity Shares of the Company as on Record Date i.e. Friday, July 22, 2016
Equity Shares / Shares	Fully paid-up equity shares of face value of ₹ 5 each of the Company
Equity Shareholder / Shareholder	Holders of the Equity Shares of the Company
Escrow Bank	BNP Paribas, Bandra Kurla Complex Branch
Escrow Agreement	The escrow agreement dated July 14, 2016 entered into between the Company, Escrow Bank and Ambit Private Limited.
Escrow Account	The escrow account opened with Escrow Bank in terms of the Escrow Agreement
FEMA	Foreign Exchange Management Act, 1999, as amended
FII(s)	Foreign Institutional Investor(s)
FPI(s)	Foreign Portfolio Investor(s)
Form / Tender Form	Form of Acceptance-cum-Acknowledgement
FY	Financial Year
HUF	Hindu Undivided Family
Income Tax Act	Income-tax Act, 1961, as amended
Letter of Offer / Offer Document	This Letter of Offer dated August 11, 2016 containing disclosures in relation to the Buyback as specified in Schedule III of the Buyback Regulations, including comments that were received from SEBI on the Draft Letter of Offer
Ltd.	Limited
Manager to the Buyback Offer	Ambit Private Limited (formerly known as Ambit Corporate Finance Private Limited)
Non-Resident Shareholders	Includes Non-Resident persons and bodies corporate, Non-Resident Indians (NRI), FII(s) / FPI(s) and erstwhile OCBs

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Novartis / NIL / Company	Novartis India Limited
NRI	Non Resident Indian being citizens of India or persons of Indian origin (as defined under section 115C of the Income Tax Act)
NSDL	National Securities Depository Limited
OCB	Overseas Corporate Bodies
Tendering Period	Period of ten working days from the date of opening of the Buyback Offer till its closure (both days inclusive)
Opening Date	Thursday, August 25, 2016
Promoter	Novartis AG
Public Announcement / PA	The public announcement of the Buyback dated July 13, 2016, which was published on July 14, 2016
PAN	Permanent Account Number
RBI	Reserve Bank of India
Record Date	The date for the purpose of determining the entitlement and the names of the Equity Shareholders, to whom this Letter of Offer will be sent and who are eligible to participate in the Buyback Offer in accordance with Buyback Regulations. This date shall be Friday, July 22, 2016
Registrar to the Buyback Offer / Registrar	Link Intime India Private Limited
SEBI	Securities and Exchange Board of India
Seller Member	A Stock broker (who is a member of the BSE) of an Eligible Person, through whom the Eligible Person wants to participate in the Buyback
Small Shareholder	An Equity Shareholder, who holds Equity Shares of market value not more than Rupees two lakhs, on the basis of closing price on the recognized stock exchange registering the highest trading volume, as on Record Date i.e. Friday, July 22, 2016
Takeover Regulations	The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011, as amended from time to time
Tender Offer	Method of buyback as defined in Regulation 2(1)(o) of the Buyback Regulations
TRS	Transaction Registration Slip generated by the exchange bidding system

### 3. DISCLAIMER CLAUSE

As required, a copy of this Letter of Offer has been submitted to Securities and Exchange Board of India (SEBI). It is to be distinctly understood that submission of the Letter of Offer to SEBI should not, in any way be deemed or construed that the same has been cleared or approved by SEBI. SEBI, does not take any responsibility either for the financial soundness of the Company to meet the Buyback commitments or for the correctness of the statements made or opinions expressed in the Offer Document. The Manager to the Buyback Offer, Ambit Private Limited has certified that the disclosures made in the Offer Document are generally adequate and are in conformity with the provisions of Companies Act and Buyback Regulations. This requirement is to facilitate investors to take an informed decision for tendering their Equity Shares in the Buyback.

It should also be clearly understood that while the Company is primarily responsible for the correctness, adequacy and disclosure of all relevant information in the Offer Document, the Manager to the Buyback Offer is expected to exercise due diligence to ensure that the Company discharges its duty adequately in this behalf and towards this purpose, the Manager to the Buyback Offer, Ambit Private Limited has furnished to SEBI a due diligence Certificate dated July 21, 2016 in accordance with Buyback Regulations which reads as follows:

*“We have examined various documents and materials contained in the annexure to this letter, as part of the due-diligence carried out by us in connection with the finalization of the Public Announcement and the Draft Letter of Offer. On the basis of such examination and the discussions with the Company, we hereby state that:*

- *The Public Announcement and the Draft Letter of Offer are in conformity with the documents, materials and papers relevant to the Buyback Offer;*
- *All the legal requirements connected with the said Buyback Offer including Buyback Regulations, have been duly complied with;*
- *The disclosures in the Public Announcement and the Draft Letter of Offer are, to the best of our knowledge, true, fair and adequate in all material respects for the shareholders of the company to make a well informed decision in respect of the captioned Buyback Offer;*
- *Funds used for Buyback shall be as per the provisions of the Companies Act, 2013, as amended.”*

The filing of offer document with SEBI, does not, however, absolve the Company from any liabilities under the provisions of the Companies Act, as amended or from the requirement of obtaining such statutory or other clearances as may be required for the purpose of the proposed Buyback.

The promoter of the Company / Directors declare and confirm that no information / material likely to have a bearing on the decision of investors has been suppressed / withheld and / or incorporated in the manner that would amount to mis-statement / misrepresentation and in the event of it transpiring at any point of time that any information / material has been suppressed / withheld and / or amounts to a mis-statement / mis-representation, the promoter of the Company / Directors and the Company shall be liable for penalty in terms of the provisions of the Companies Act and the Buyback Regulations.

The promoter of the Company / Directors also declare and confirm that funds borrowed from Banks and Financial Institutions will not be used for the Buyback.

#### **Disclaimer for U.S. Persons**

The information contained in this Letter of Offer is exclusively intended for persons who are not U.S. Persons, as such term is defined in Regulation S of the U.S. Securities Act of 1933, as amended, and who are not physically present in the United States of America. This Letter of Offer does not in any way constitute an offer to sell, or an invitation to sell, any securities in the United States of America or in any other jurisdiction in which such offer or invitation is not authorized or to any person to whom it is unlawful to make such offer or solicitation. Potential users of the information contained in this Letter of Offer are requested to inform themselves

about and to observe any such restrictions.

**Disclaimer for Persons in other foreign countries**

This Letter of Offer does not in any way constitute an offer to sell, or an invitation to sell, any securities in any jurisdiction in which such offer or invitation is not authorized or to any person to whom it is unlawful to make such offer or solicitation. Potential users of the information contained in this Letter of Offer are requested to inform themselves about and to observe any such restrictions.

**4. TEXT OF THE RESOLUTION PASSED AT THE BOARD MEETING**

The Buyback through Tender Offer was considered and approved by the Board of Directors of the Company at their meeting held on May 26, 2016. The extracts of the Board resolution are as follows:

**“RESOLVED THAT** pursuant to the provisions of Sections 68, 69 and 179 and all other applicable provisions, if any, of the Companies Act, 2013, as amended (the “Companies Act”) and in accordance with Article 9A of the Articles of Association of the Company, the Companies (Share Capital and Debentures) Rules, 2014 (the “Share Capital Rules”) to the extent applicable, and in compliance with Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998, as amended (the “Buyback Regulations”), including any amendments, statutory modifications or re-enactments, for the time being in force and, subject to the approval of members by postal ballot and further, subject to such other approvals, permissions and sanctions as may be necessary and subject to such conditions and modifications, if any, as may be prescribed or imposed by the appropriate authorities while granting such approvals, permissions and sanctions, which may be agreed by the Board of Directors of the Company (hereinafter referred to as the “Board”, which expression shall include any Committee constituted by the Board to exercise its powers, including the powers conferred by this resolution), the Board hereby approves the buyback by the Company of up to 3,820,000 fully paid-up equity shares of Rs 5/- each of the Company (representing 11.95% of the total paid up equity share capital of the Company) at a price of Rs. 760 per equity share (Rupees Seven Hundred and Sixty Only) (“Buyback Offer Price”) payable in cash for an aggregate amount of Rs. 290.32 crores (Rupees two hundred and ninety crores thirty two lakhs only) (“Buyback Offer Size”) which is 24.98% of the aggregate of the fully paid-up equity share capital and free reserves as per the latest audited standalone accounts of the Company for the financial year ended March 31, 2016 from the equity shareholders of the Company, as on the record date, on a proportionate basis through the “Tender offer” route as prescribed under the Buyback Regulations (“Buyback”).

**RESOLVED FURTHER THAT** the Company shall implement the Buyback using the “Mechanism for acquisition of shares through Stock Exchange” notified by SEBI vide circular CIR/CFD/POLICYCELL/1/2015 dated April 13, 2015 and the Company shall approach the BSE Ltd. for facilitating the same.

**RESOLVED FURTHER THAT** as required under Regulation 6 of the Buyback Regulations, the Company shall buy back the equity shares from the shareholders on a proportionate basis under the Tender offer, provided 15% of the number of equity shares which the Company proposes to buy back or number of equity shares entitled as per the shareholding of small shareholders as on Record Date, whichever is higher, shall be reserved for small shareholders in accordance with the provisions of the Buyback Regulations.

**RESOLVED FURTHER THAT** the Company shall earmark adequate sources of funds for the purpose of the Buyback and the amount required by the Company for the Buyback is intended to be met out of the Company’s current balances of cash and cash equivalents and/ or internal accruals of the Company (and not from any borrowed funds) and on such terms and conditions as the board may decide from time to time at its absolute discretion.



**RESOLVED FURTHER THAT** the approval of the shareholders by Postal Ballot be sought and the Buyback Committee be and is hereby authorized to finalize the Notice for the Postal Ballot, the accompanying Explanatory Statement and carry out all incidental activities in connection with the obtaining approval of shareholders by a Special Resolution.

**RESOLVED FURTHER THAT** the Buyback from non-resident shareholders, Overseas Corporate Bodies (OCBs) and Foreign Institutional Investors (FIIs) and shareholders of foreign nationality, if any, etc. shall be subject to such approvals if, and to the extent necessary or required including approvals from the Reserve Bank of India under the applicable Foreign Exchange Management Act, 1999 and the rules, regulations framed there under, if any.

**RESOLVED FURTHER THAT** Mr. Girish Tekchandani, Company Secretary be and is hereby appointed as the Compliance Officer<sup>®</sup> for the Buyback.

**RESOLVED FURTHER THAT** the draft of the Declaration of Solvency placed before the meeting be and is hereby approved and Mr. Ranjit Shahani, Vice Chairman & Managing Director and any one of Mr. Jai Hiremath and Dr. R Mehrotra, Directors of the Company be and are hereby authorized to sign the same, for and on behalf of the Board and file the same with the Registrar of Companies and the Securities and Exchange Board of India in accordance with applicable law.

**RESOLVED FURTHER THAT** as required by Clause (x) of Part A of Schedule II under Regulation 5(1) of the Buyback Regulations, the Board hereby confirms that it has made a full enquiry into the affairs and prospects of the Company and has formed the opinion:

- a) that immediately following the date of the board meeting held on May 26, 2016 and the date on which the results of the Postal Ballot will be declared, there will be no grounds on which the Company could be found unable to pay its debts;
- b) that as regards the Company's prospects for the year immediately following the date of the board meeting held on May 26, 2016 as well as for the year immediately following the date on which the results of the Postal Ballot will be declared approving the Buyback, and having regard to the Board's intentions with respect to the management of the Company's business during that year and to the amount and character of the financial resources which will, in the Board's view, be available to the Company during that year, the Company will be able to meet its liabilities as and when they fall due and will not be rendered insolvent within a period of one year from the date of this Board Meeting or within a period of one year from the date on which the results of the Postal Ballot will be declared, as the case may be;
- c) that in forming its opinion aforesaid, the Board has taken into account the liabilities (including prospective and contingent liabilities) as if the Company was being wound up under the provisions of the Companies Act.

**RESOLVED FURTHER THAT** the Board hereby confirms:

- a) That all the equity shares of the Company are fully paid-up;
- b) That the Company has not completed a buyback of any of its securities during the period of one year immediately preceding the record date for this Buyback;
- c) That the Company has noted that the Company shall not issue and allot any Equity Shares including by way of bonus or convert any outstanding ESOPs/outstanding instruments into Equity Shares, till the date of closure of this Buyback;
- d) That the Company shall not buyback the locked-in shares or other specified securities and non-transferable shares or other specified securities till the pendency of the lock-in or till the shares or other specified securities become transferable.
- e) That the Company shall not raise further capital for a period of one year from the closure of Buyback offer except in discharge of its subsisting obligations;
- f) That the Company shall not buyback its shares from any person through negotiated deal whether on or off the Stock Exchanges or through spot transactions or through any private arrangement in the implementation of the Buyback;
- g) That the Company shall not directly or indirectly purchase its own equity shares:

- a. Through any subsidiary company including its own subsidiary companies or
- b. through any investment company or group of investment companies;
- h) That there are no defaults subsisting in the repayment of deposits, interest payment thereon, redemption of debentures or interest payment thereon or redemption of preference shares or payment of dividend due to any shareholder, or repayment of any term loans or interest payable thereon to any financial institution or banking company;
- i) there is no pendency of any scheme of amalgamation or compromise or arrangement pursuant to the provisions of the Companies Act, as on date;
- j) the Company shall not make any offer of buyback within a period of one year reckoned from the date of closure of this Buyback;
- k) That funds borrowed from Banks and Financial Institutions will not be used for the Buyback;
- l) That the aggregate amount of the Buyback i.e. Rs. 290.32 crores (Rupees two hundred and ninety crores thirty two lakhs only) does not exceed 25% of the aggregate of the total paid-up equity capital and free reserves of the Company as on March 31, 2016;
- m) That the ratio of the aggregate of secured and unsecured debts owed by the Company shall not be more than twice the paid-up equity share capital and free reserves after the Buyback.

**RESOLVED FURTHER THAT** no information / material likely to have a bearing on the decision of investors has been suppressed / withheld and / or incorporated in the manner that would amount to mis-statement / misrepresentation and in the event of it transpiring at any point of time that any information / material has been suppressed / withheld and / or amounts to a mis-statement / mis- representation, the Board of Directors and the Company shall be liable for penalty in terms of the provisions of the Companies Act and the Buyback Regulations.

**RESOLVED FURTHER THAT** a Committee be constituted ("**Buyback Committee**@") comprising of Mr. Ranjit Shahani, Ms. Monaz Noble and Mr. Girish Tekchandani. Further the Buyback Committee is hereby authorised to do all such acts, deeds, matters and things as it may, in its absolute discretion, deem necessary, expedient, usual or proper, as the Buyback Committee may consider to be in the best interests of the shareholders, including but not limited to:

- a) finalizing the terms of the Buyback like record date, entitlement ratio, the timeframe for completion of Buyback;
- b) the appointment and finalization of the merchant banker, solicitors, escrow agents, brokers, registrars, lawyers, depository participants, advertising agencies and other advisors/ consultants/ intermediaries/ agencies, as may be required, for the implementation of the Buyback;
- c) Decide and settle the remuneration for all such intermediaries/agencies/persons, including by the payment of commission, brokerage, fee, charges etc. and enter into agreements/letters in respect thereof;
- d) Preparation, signing and filing of the public announcement, the Draft letter of offer / Letter of Offer with the Securities and Exchange Board of India, the stock exchanges and other appropriate authorities;
- e) making all applications to the appropriate authorities for their requisite approvals including approvals as may be required from the Reserve Bank of India under the Foreign Exchange Management Act, 1999 and the rules, regulations framed thereunder;
- f) dealing with stock exchanges (including their clearing corporations), where the equity shares of the Company are listed, and to sign, execute, and deliver such documents as may be necessary or desirable in connection with implementing the Buyback using the "Mechanism for acquisition of shares through Stock Exchange" notified by SEBI vide circular CIR/CFD/POLICYCELL/1/2015 dated April 13, 2015;
- g) enter into escrow arrangements as required in terms of the Buyback Regulations;
- h) opening, operation and closure of all necessary accounts including escrow account, special payment account, demat escrow account as required in terms of the Buyback Regulations;
- i) obtaining all necessary certificates and reports from statutory auditors and other third parties as required under applicable law;

- j) extinguishment of dematerialized shares and physical destruction of share certificates in respect of the equity shares bought back by the Company and filing of certificates of extinguishment required to be filed in connection with the Buyback on behalf of the Company and/or the Board, as required under applicable law;
- k) do all such acts, matters and things incidental and in connection with the buyback and sign, execute and deliver such documents as may be necessary or desirable and execution of documents under the Common Seal of the Company as may be required;
- l) to settle and resolve any queries or difficulties raised by SEBI, stock exchanges, Registrar of Companies and any other authorities whatsoever in connection to any matter incidental to and ancillary to the Buyback;

**RESOLVED FURTHER THAT** the quorum for any meeting of the Buyback Committee for implementing the Buyback shall be any two members and the Buyback Committee may regulate its own proceedings and meet as often as required, to discharge its functions;

**RESOLVED FURTHER THAT** for the purpose of giving effect to this resolution, the Buyback Committee be and is hereby authorised to give such directions as may be necessary or desirable and to settle any questions or difficulties whatsoever that may arise in relation to the Buyback;

**RESOLVED FURTHER THAT** Ms. Monaz Noble, Chief Financial Officer and Mr. Girish Tekchandani, Company Secretary be and are hereby severally authorised to make all necessary regulatory filings, including filing necessary e-form with the Registrar of Companies, Maharashtra, Mumbai and to do all such acts, deeds and things as may be necessary to give effect to the above resolution.

**RESOLVED FURTHER THAT** nothing contained herein shall confer any right on any shareholder to offer and/or any obligation on the Company or the Board or the Buyback Committee to buyback any shares, and/or impair any power of the Company or the Board or the Buyback Committee to terminate any process in relation to such buyback, if so permissible by law.

**RESOLVED FURTHER THAT** Mr. Amit Trivedi, Practicing Company Secretary, who has given his consent to act as Scrutinizer, if so appointed, be and is hereby appointed as Scrutinizer to conduct the postal ballot at such remuneration, as may be determined by Mr. Girish Tekchandani, Company Secretary.

**RESOLVED FURTHER THAT** Mr. Amit Trivedi, Practicing Company Secretary, be and is hereby authorized to do all such acts, deeds and things as may be necessary to conduct the process in a fair and transparent manner and to submit his final report, ballot papers and other related papers and registers to the Board of Directors of the Company or its Committee formed for the purpose within the specified time period.

**RESOLVED FURTHER THAT** in compliance with Buyback Regulations, Ambit Corporate Finance Private Limited be appointed as the Merchant Banker for the proposed Buyback;

**RESOLVED FURTHER THAT** for the purpose of giving effect to this resolution, the Board be and is hereby authorized to accept and make any alteration(s), modification(s) to the terms and conditions as it may deem necessary, concerning any aspect of the Buyback, in accordance with the statutory requirements as well as to give such directions as may be necessary or desirable, to settle any questions, difficulties or doubts that may arise and generally, to do all acts, deeds, matters and things as it may, in its absolute discretion deem necessary, expedient, usual or proper in relation to or in connection with or for matters consequential to the Buyback without seeking any further consent or approval of the members or otherwise to the end and intent that they shall be deemed to have given their approval thereto expressly by the authority of this resolution."

@ The Board of Directors of the Company at its meeting held on July 28, 2016 approved appointment of Monaz Noble, Whole Time Director and Chief Financial Officer as the Compliance Officer for the purposes of the Buyback Offer with effect from July 28, 2016 and

reconstituted the Buyback Committee, constituted by the Board pursuant to a resolution passed at a meeting dated May 26, 2016, to comprise Ranjit Shahani, Vice Chairman & Managing Director, Monaz Noble, Whole Time Director & Chief Financial Officer, Hitesh Bhambhani, Controller Treasury and Bhalchandra Bhogate, Manager Corporate Finance.

## **5. DETAILS OF PUBLIC ANNOUNCEMENT**

In accordance with the provisions of Regulation 8(1) of the Buyback Regulations, the Company has made a Public Announcement dated July 13, 2016 in relation to the Buyback which was published on July 14, 2016 in the following newspapers:

<b>Publication</b>	<b>Language</b>	<b>Editions</b>
Financial Express	English	All Editions
Jansatta	Hindi	All Editions
Navshakti	Marathi	Mumbai Edition

The Public Announcement was issued within two working days from the date of passing the special resolution by the Equity Shareholders of the Company approving the Buyback through postal ballot, the result of which was declared on July 12, 2016.

For compliance with the requirements of Buyback Regulations, the Company will publish further notices or corrigenda in the above 3 newspapers in the editions as mentioned above – i.e. The Financial Express, Jansatta and Navshakti. In addition to the publications mentioned above, wherein the Public Announcement was published to comply with the statutory requirements under the Buyback Regulations, the Public Announcement was also published in the Financial Express (Gujarati – Ahmedabad Edition), on July 14, 2016.

The Public Announcement is available on the SEBI website at [www.sebi.gov.in](http://www.sebi.gov.in)

## **6. DETAILS OF THE BUYBACK**

- 6.1. The Company has announced the Buyback of not exceeding 38,20,000 Equity Shares from all the existing Shareholders / beneficial owners of Equity Shares, on a proportionate basis, through the Tender Offer route at a price of ₹ 760 (Rupees Seven Hundred and Sixty Only) per Equity Share payable in cash for an aggregate amount of ₹ 290,32,00,000 (Rupees Two Hundred and Ninety Crores Thirty Two Lakhs only). The maximum number of Equity Shares proposed to be bought back represents 11.95% of the total number of equity shares in the present paid-up share capital of the Company.
- 6.2. The Buyback is in accordance with Article 9A of the Articles of Association of the Company, Sections 68, 69, 179 and all other applicable provisions, if any, of the Companies Act and Regulation 4(1)(a) and other applicable provisions of the Buyback Regulations and subject to such other approvals, permissions and sanctions as may be necessary, from time to time from statutory authorities including but not limited to SEBI and the Stock Exchange where the Equity Shares of the Company are listed.
- 6.3. The Buyback shall be undertaken on a proportionate basis from the Shareholders as on the record date being July 22, 2016 through the Tender Offer. The Buyback will be implemented using the “Mechanism for acquisition of shares through Stock Exchange” notified by SEBI vide circular CIR/CFD/POLICYCELL/1/2015 dated April 13, 2015 and Notice Number 20150930-1 dated September 30, 2015 from BSE.
- 6.4. The Buyback Offer Size is 24.98% of the total paid-up capital and free reserves as per the audited accounts of the Company for the financial year ended March 31, 2016 (the last audited financial statements of the Company available as on the date of the Board meeting recommending the proposal of the Buyback) and is within the statutory limit of 25% of the fully paid-up equity share capital and free reserves as per the last audited financial statements of the Company. The Buyback Offer Size does not include any expenses incurred or to be incurred for the Buyback like SEBI filing fees, Stock Exchange fees, advisors fees, brokerage, securities transaction tax, Public Announcement publication expenses, printing &

dispatch expenses and other incidental and related expenses.

6.5. Details of shareholding of Promoter, the directors of the Promoter Company and the directors of the Company:

a) The aggregate shareholding of the Promoter who is in control of the Company as on the date of the Public Announcement (i.e. July 13, 2016) is as follows:

Sr. No.	Name	Equity Shares held	% of shareholding
1	Novartis AG	2,39,70,597	75.00
<b>Total</b>		<b>2,39,70,597</b>	<b>75.00</b>

b) The aggregate shareholding of the directors of the Promoter Company, as on the date of the Public Announcement (i.e. July 13, 2016), is as follows:

None of the directors of Novartis AG hold any Equity Shares in the Company.

c) Shareholding of the directors of the Company as on the date of the Public Announcement (i.e. July 13, 2016):

None of the directors of the Company hold any Equity Shares in the Company except the following:

Sr. No.	Name	Equity Shares held	% of shareholding
1	Dr Rajendra Nath Mehrotra	270	0.0008%
<b>Total</b>		<b>270</b>	<b>0.0008%</b>

d) There were no transactions, either purchase / sale / transfer, undertaken by the Promoter of the Company, directors of the Promoter Company during the period of six months preceding, and including the date of the Board Meeting at which the proposal for Buyback was approved i.e May 26, 2016 and from the date of the Board Meeting till the date of this Letter of Offer.

6.6. In terms of the Buyback Regulations, under the tender offer route, the promoters of the Company have the option to participate in the Buyback. In this regard, Novartis AG, being the promoter of the Company, has informed the Company vide its letter dated May 26, 2016 regarding its intention to participate in buyback to the extent of its shareholding in the Company as on the Record Date, or such lower number of shares as required in compliance with the Buyback Regulations / terms of the Buyback.

6.7. Assuming that Novartis AG, promoter of the Company, tenders upto 2,39,70,597 Equity Shares in the Buyback (in accordance with the declaration provided by them), the aggregate shareholding of the Novartis AG, post Buyback will increase to 75.62% of the post Buyback equity share capital of the Company if all the public Shareholders participate upto their entitlement (full acceptance) and will reduce to 71.61% of the post Buyback equity share capital of the Company if none of the public shareholders participate in the Buyback Offer.

6.8. Pursuant to the proposed Buyback and depending on the response to the Buyback, the voting rights of the Promoter in the Company may increase over the existing 75% holding in the total equity capital and voting rights of the Company. The Promoter of the Company is already in control over the Company and therefore such further increase in voting rights of the Promoter will not result in any change in control over the Company. The Promoter has undertaken that in case there is an increase in voting rights of the Promoter beyond 75% in the Company, necessary steps will be taken to reduce the voting rights of the Promoter in accordance with the timelines specified in proviso to Regulation 10(4)(c) of the Takeover Regulations within a period of ninety days from the date of closure of the Offer, so that the Company is in due compliance of the minimum public shareholding requirement. The Company and the Promoter have undertaken vide their letters dated August 5, 2016 to comply with the minimum public

shareholding requirements even after the Buyback.

## **7. AUTHORITY FOR THE BUYBACK**

The Buyback is in accordance with Article 9A of the Articles of Association of the Company, provisions of Sections 68, 69, 179 and all other applicable provisions, if any, of the Companies Act and Regulation 4(1)(a) and other applicable provisions of the Buyback Regulations and subject to such other approvals, permissions and sanctions as may be necessary, from time to time from statutory authorities including but not limited to SEBI and the Stock Exchange etc.

On May 26, 2016, the Board of Directors passed a resolution to buyback Equity Shares of the Company and sought approval of Shareholders, as a special resolution, through the postal ballot notice dated May 26, 2016. The Shareholders of the Company have approved the Buyback by way of a special resolution, through postal ballot, on July 12, 2016.

## **8. NECESSITY OF THE BUYBACK**

Share buyback is the acquisition by a company of its own equity shares. The objective is to return surplus cash to the Shareholders holding Equity Shares of the Company. The Board at its meeting held on May 26, 2016, considered the accumulated free reserves as well as the cash liquidity reflected in the audited accounts for the financial year ending March 31, 2016 and considering these, the Board decided to allocate a sum of ₹ 290,32,00,000 (Rupees Two Hundred and Ninety Crores Thirty Two Lakhs only) for distributing to the Equity Shareholders through the Buyback.

After considering several factors and benefits to the Equity Shareholders, the Board decided to recommend Buyback of not exceeding 38,20,000 (Thirty Eight Lakh Twenty Thousand) equity shares (representing 11.95% of the total number of equity shares in the present paid-up equity share capital of the Company) at a price of ₹ 760 (Rupees Seven Hundred And Sixty Only) per equity share for an aggregate consideration of ₹ 290,32,00,000 (Rupees Two Hundred and Ninety Crores Thirty Two Lakhs only). Buyback is a more efficient form of distributing surplus cash to the Shareholders holding Equity Shares of the Company, inter-alia, for the following reasons:

- i. The Buyback will help the Company to distribute surplus cash to its Equity Shareholders broadly in proportion to their shareholding, thereby, enhancing the overall return to Shareholders;
- ii. The Buyback, which is being implemented through the Tender Offer route as prescribed under the Buyback Regulations, would involve allocation of 15% of the outlay to Small Shareholders. The Company believes that this reservation of 15% for Small Shareholders would benefit a large number of public Shareholders, who would get classified as "Small Shareholder";
- iii. The Buyback would help in improving return on equity, by reduction in the equity base, thereby leading to long term increase in Shareholders' value; and
- iv. The Buyback gives an option to the Equity Shareholders, who can choose to participate and get cash in lieu of Equity Shares accepted under the Buyback Offer or they may choose not to participate and enjoy a resultant increase in their percentage shareholding, post the Buyback Offer, without additional investment.

## **9. MANAGEMENT DISCUSSION AND ANALYSIS OF THE LIKELY IMPACT OF BUYBACK ON THE COMPANY**

- 9.1. The Buyback is not likely to cause any material impact on the profitability / earnings of the Company except to the extent of reduction in the amount available for investment, which the Company could have otherwise deployed towards generating investment income. Assuming there is full response (100% acceptance) to the Buyback, the funds deployed by the Company towards the Buyback would be ₹ 290,32,00,000 (Rupees Two Hundred and Ninety Crores Thirty Two Lakhs only) excluding transaction costs viz. brokerage, applicable taxes such as securities transaction tax, service tax, stamp duty, etc. The Buyback will not in

## Letter of Offer

any manner impair the ability of the Company to pursue growth opportunities or meet its cash requirements for business operations.

9.2. In terms of the Buyback Regulations, under the tender offer route, the promoters of the Company have the option to participate in the Buyback. Novartis AG, being the promoter of the Company, has expressed its intention, vide its letter dated May 26, 2016, to participate in the Buyback and offer upto an aggregate maximum of 2,39,70,597 Equity Shares or such lower number of Equity Shares as required in compliance with the Buyback Regulations / terms of the Buyback.

9.3. As per the information provided by Novartis AG vide its letter dated May 26, 2016, details of the date and price of acquisition of the Equity Shares that they intend to tender are set-out below:

Date of Acquisition	No. of Equity Shares Acquired / (Sold)	Cost of Acquisition / Sale Consideration (₹ in Lakhs)	Nature of Transaction
Prior to 17-Oct-66	48,748	(Refer Note 1)	-
17-Oct-66	162,493	Nil	Bonus Issue
18-Oct-71	105,634	Nil	Bonus Issue
16-Apr-74	84,500	Nil	Bonus Issue
17-Jun-77	200,687	Nil	Bonus Issue
6-May-80	301,031	Nil	Bonus Issue
26-Apr-85	(194,783)	337.00	Sale of Shares
25-Jan-91	354,155	Nil	Bonus Issue
26-Sep-97	Sub division of face value of equity shares from ₹ 100 to ₹ 10 each		
29-Oct-97	2,700,000	Not Available	Allotment of shares post merger of Sandoz India Ltd ("SIL") with Hindustan Ciba Geigy Ltd. ("HCGL") through a court approved scheme of amalgamation. In consideration of transfer of the existing business of SIL in favour of HCGL, the promoters were allotted 10 equity shares of ₹ 10 each of the Company for every 15 shares of ₹ 10 each held in SIL.
3-Dec-98	2,921,800	56,552.27	Acquisition of shares from Ciba India Private Ltd. for effectuating a reorganization pursuant to a scheme of reconstruction.
12-Oct-00	Demerger of Syngenta and subsequent reduction of face value of the shares from ₹ 10 to ₹ 5		
1-Sep-01	30,987	Not Available	Allotment of shares post merger of Ciba CKD Biochem Ltd. ("CCBL") with Novartis India Ltd. through a court-approved Scheme of Arrangement. In consideration of transfer of the existing business of CCBL in favour of NIL, the promoters were allotted 1 equity share of ₹ 5 each of the Company for every 50 shares of ₹ 10 each held in CCBL.
25-Jun-09	8,147,365	36,663.14	Acquisition of equity shares pursuant to an open offer
30-May-13	(454,205)	(2,544.96)	Sale of shares pursuant to the offer for sale through stock exchange mechanism
<b>Total Current Holding</b>	<b>23,970,597</b>		

Notes:

- The relevant documents showing the exact date and cost of acquisition by the promoter between December 13, 1947 i.e. the date of incorporation of the Company and October 17, 1966 are not available.

- 9.4. Assuming that Novartis AG, promoter of the Company, tenders upto 23,970,597 Equity Shares in the Buyback (in accordance with the declaration provided by them) and
- All the public Shareholders participate upto their entitlement (full acceptance), then the aggregate shareholding of the Promoter of the Company, post Buyback will increase from 75.00% to 75.62% and the aggregate shareholding of the public in the Company shall decrease from 25.00% to 24.38% of the post Buyback equity share capital of the Company.
  - None of the public shareholders participate, then the aggregate shareholding of the Promoter of the Company, post Buyback will decrease from 75.00% to 71.61% and the aggregate shareholding of the public in the Company shall increase from 25.00% to 28.39% of the post Buyback equity share capital of the Company.
- 9.5. The Buyback shall not result in a change in control or otherwise affect the existing management structure of the Company.
- 9.6. Consequent to the Buyback and based on the number of Equity Shares bought back from the Non-Resident Shareholders, Indian financial institutions, banks, mutual funds and the public including other bodies corporate, their shareholding would undergo a change.
- 9.7. The debt-equity ratio post Buyback will be compliant with the permissible limit of 2:1 prescribed by the Companies Act, even if the response to the Buyback is to the extent of 100% of the Buyback Offer (full acceptance).
- 9.8. The Company shall not issue any equity shares or other securities (including by way of bonus) till the date of closure of the Buyback.
- 9.9. The Company shall not raise further capital for a period of one year from the closure of Buyback except in discharge of its subsisting obligations.
- 9.10. Salient financial parameters consequent to the Buyback based on the latest standalone audited results as on March 31, 2016 are as under:

Parameters	Pre-Buyback	Post-Buyback***
Networth (₹ Lakhs)*	116,198	87,166
Return on Networth (after extraordinary items) (%)	17.09	22.79
Earnings Per Equity Share - Basic & Diluted (before extraordinary items) (₹)	20.87	23.71
Earnings Per Equity Share - Basic & Diluted (after extraordinary items) (₹)	62.14	70.58
Book Value per Share (₹)	363.56	309.75
Price/Earnings (before extraordinary items) as per financial statements for the financial year ended March 31, 2016**	35.08	30.88
Price/Earnings (after extraordinary items) as per financial statements for the financial year ended March 31, 2016**	11.78	10.37
Total Debt / Equity Ratio	Nil	Nil

**Notes:**

- i. Pre and Post Buyback calculations are based on financial numbers as on March 31, 2016.
- ii. \* Networth = Equity Share Capital + Free Reserves (as defined under Section 2 (43) of the Companies Act)- Capital Subsidy.



- iii. *\*\* Price / Earnings ratio based on the closing market price as on July 14, 2016, the date of publication of Public Announcement, as quoted on BSE i.e ₹ 732.20.*
- iv. *\*\*\*The Post Buyback numbers are calculated by reducing the pre Buyback net worth by the proposed buyback amount (assuming full acceptance) without factoring any impact of reduction in the investment income (due to reduced amount available for investment post buyback) on the profit and loss account.*

#### **10. BASIS OF CALCULATING BUYBACK PRICE**

- 10.1. The Equity Shares of the Company are proposed to be bought back at a price of ₹ 760 (Rupees Seven Hundred and Sixty Only) per Equity Share.
- 10.2. The Buyback Offer price of ₹ 760 per Equity Share has been arrived at after considering various factors such as the volume weighted average price of the Equity Shares on BSE (where the Equity Shares are listed), the networth of the Company and the impact of the Buyback on the key financial ratios of the Company.
- 10.3. The Buyback Offer price represents a premium of 11.1% over the volume weighted average price of the Equity Shares on BSE for 3 months preceding the date of intimation to the BSE for the Board Meeting to consider the proposal of the Buyback and 5.0% over the volume weighted average price of the Equity Shares on BSE for 2 weeks preceding the date of intimation to the BSE for the Board Meeting to consider the proposal of the Buyback.
- 10.4. For trends in the market price of the Equity Shares, please refer to paragraph 16 of this Letter of Offer.
- 10.5. The closing market price of the Equity Shares as on May 23, 2016, the date of intimation to the BSE for the Board Meeting for considering the Buyback, was ₹ 711.10 on BSE.
- 10.6. The Buyback Offer price offers a premium of 109.04% over the Company's pre Buyback book value per share of ₹ 363.56 as at March 31, 2016.
- 10.7. The earning per share of the Company (before extraordinary items) pre-Buyback as on March 31, 2016 was ₹ 20.87 and post-Buyback will be ₹ 23.71 assuming full acceptance of the Buyback and subject to notes i and iv under paragraph 9.10.
- 10.8. The earning per share of the Company (after extraordinary items) pre-Buyback as on March 31, 2016 was ₹ 62.14 and post-Buyback will be ₹ 70.58 assuming full acceptance of the Buyback and subject to notes i and iv under paragraph 9.10.
- 10.9. The Return on Networth of the Company pre Buyback as on March 31, 2016 was 17.09% and post-Buyback will be 22.79% assuming full acceptance of the Buyback and subject to notes i and iv under paragraph 9.10.

#### **11. SOURCES OF FUNDS FOR THE BUYBACK**

- 11.1. Assuming full acceptance, the funds that would be utilized by the Company for the purpose of the Buyback of 38,20,000 Equity Shares at a price of ₹ 760 (Rupees Seven Hundred and Sixty Only) per Equity Share would be ₹ 290,32,00,000 (Rupees Two Hundred and Ninety Crores Thirty Two Lakhs only).
- 11.2. The funds for the Buyback will be sourced from cash balances available with the Company and/or liquidation of financial instruments held by the Company. These funds have been generated through internal accruals. The Company does not intend to raise additional debt for the explicit purposes of the Buyback. Accordingly, borrowed funds will not be used for the Buyback. However, if required, the Company may borrow funds in the ordinary course of its business and to fund inorganic growth opportunities.
- 11.3. The Buyback is not likely to cause any material impact on the profitability / earnings of the Company except to the extent of reduction in the amount available for investment, which the

Company could have otherwise deployed towards generating investment income.

## 12. DETAILS OF THE ESCROW ACCOUNT AND THE AMOUNT DEPOSITED THEREIN

- 12.1. In accordance with Regulation 10 of the Buyback Regulations, the escrow agreement dated July 14, 2016 has been entered into amongst the Company, Ambit Private Limited and the Escrow Bank having its branch at BNP Paribas House, 1 North Avenue, Maker Maxity, Bandra Kurla Complex, Bandra East, Mumbai 400053.
- 12.2. In accordance with the Escrow Agreement, the Company has opened an escrow account in the name and style "**Escrow Account – Novartis India Limited Buyback Offer**" bearing account number 0900911814100151 with the Escrow Bank. The Company has deposited cash of ₹ 44,03,20,000 (Rupees Forty Four Crores Three Lakhs and Twenty Thousand Only) in the Escrow Account. This amount of cash deposited is equal to the amount required to be deposited in terms of the Buyback Regulations. In terms of the Escrow Agreement, the cash as well as any fixed deposit created therefrom would form part of the Escrow Account. The Manager to the Buyback Offer has been duly authorised to realize the value of the Escrow Account and has been empowered to operate the Escrow Account, in terms of the Buyback Regulations.
- 12.3. Sandip Shah & Co., Chartered Accountants (Firm Registration Number: 133680W), having their office at B-402, 4<sup>th</sup> Floor, Sahayog Co. Op. Hsg. Soc. Ltd., S.V. Road, Kandivali (W), Mumbai - 400067, Tel: +91 22 6561 6681/82, signing through their proprietor Sandip Shah (Membership Number: 103125) have certified vide their certificate dated July 13, 2016, that the Company has adequate financial resources to fulfilling financial obligations arising out of the Buyback Offer.
- 12.4. Based on the above mentioned certificate, the Manager to the Buyback Offer has satisfied itself about the ability of the Company to implement the Buyback Offer in accordance with the Buyback Regulations.

## 13. CAPITAL STRUCTURE AND SHAREHOLDING PATTERN

- 13.1. The capital structure of the Company, as on the date of the Public Announcement, is as follows:

Particulars	No. of shares	Amount (₹ Lakhs)
Authorised Equity Shares	64,000,000	3,200
Issued, Subscribed and Paid-up Equity Shares before the Buyback	31,960,797	1,598
Issued, Subscribed and Paid-up Equity Shares after the Buyback*	28,140,797	1,407

\*Assuming full acceptance of Equity Shares in the Buyback offer in the ratio of Buyback.

- 13.2. The Company has not bought back any equity shares under any buyback programme during the 3 years preceding the date of the Public Announcement.
- 13.3. As on the date of the Public Announcement, there are no outstanding preference shares, partly paid-up equity shares or outstanding convertible instruments or calls in arrears.
- 13.4. There is no pending scheme of amalgamation or compromise or arrangement pursuant to any provisions of the Companies Act.
- 13.5. The Company shall not issue any equity shares or other securities (including by way of bonus) till the date of closure of the Buyback.

- 13.6. The shareholding pattern of the Company pre-Buyback, taken as on July 22, 2016 (the Record Date), as well as the post Buyback shareholding, is as shown below:

Particulars	Pre Buyback		Post Buyback#	
	No. of Equity Shares	% of the existing equity share capital	No. of Equity Shares	% of post buyback equity share capital
Promoter and persons acting in concert	23,970,597	75.00	21,279,709	75.62
Foreign Investors (including Non Resident Indians FIs and Foreign Mutual Funds)	251,421	0.79		
Financial Institutions / Banks & Mutual Funds promoted by Banks / Institutions	435,728	1.36	6,861,088	24.38
Others (Public, Public Bodies Corporate etc.)	7,303,051	22.85		
<b>Total</b>	<b>31,960,797</b>	<b>100</b>	<b>28,140,797</b>	<b>100</b>

# Assuming Novartis AG, promoter of the Company, tenders upto 23,970,597 Equity Shares in the Buyback (in accordance with the declaration provided by them) and all the public Shareholders participate upto their entitlement (full acceptance)

- 13.7. Assuming that Novartis AG, promoter of the Company, tenders upto 2,39,70,597 Equity Shares in the Buyback (in accordance with the declaration provided by them), the aggregate shareholding of the Promoter of the Company, post Buyback will increase to 75.62% of the post Buyback equity share capital of the Company if all the public Shareholders participate upto their entitlement (full acceptance) and will reduce to 71.61% of the post Buyback equity share capital of the Company if none of the public shareholders participate in the Buyback Offer.

#### 14. BRIEF INFORMATION ABOUT THE COMPANY

- 14.1. The Company was originally incorporated on December 13, 1947 as 'Ciba Pharma Private Limited'. On January 5, 1961, its name was changed to 'Ciba of India Limited'. On March 22, 1974, it was further changed to 'Ciba-Geigy of India Ltd.' and on January 1, 1983 it was changed to 'Hindustan Ciba-Geigy Ltd.'. The Company has been known as Novartis India Limited since October 21, 1997 as a result of the amalgamation of Sandoz (India) Ltd and Hindustan Ciba-Geigy Ltd.
- 14.2. The Company's registered and corporate office is situated at Sandoz House, Shivsagar Estate, Dr Annie Besant Road, Worli, Mumbai – 400018, Maharashtra. The Company's Corporate Identity Number (CIN) is L24200MH1947PLC006104.
- 14.3. The Company operates in the branded generics pharmaceutical segment. It operates in therapeutic areas of Pain & Inflammation, Central Nervous System, Transplant & Immunology, Oncology, Gynaecology and Anti-Tuberculosis.
- 14.4. For the financial years ended March 2016, 2015, 2014, 2013 and 2012, the Company recorded revenue from operations (net) of ₹ 80,832 Lakhs, ₹ 87,338 Lakhs, ₹ 86,223 Lakhs, ₹ 90,336 Lakhs and ₹ 84,429 Lakhs, respectively, and Profit after Tax of ₹ 19,861 Lakhs (after extraordinary items), ₹ 7,911 Lakhs, ₹ 9,853 Lakhs ₹ 11,973 Lakhs and ₹ 15,202 Lakhs, respectively on a standalone basis.
- 14.5. The Equity shares of the Company were listed on BSE Limited in 1983.

14.6. Details of the changes in share capital of the Company since listing is as follows:

Date of the allotment	No. of Equity Shares issued	% of Total Outstanding Equity Capital	Cumulative Equity share capital		Mode of Allotment
			No. of Equity Shares	₹ In Lakhs	
September 23, 1983	381,400 equity shares of ₹ 100/- each	21.54%	1,770,775	1,770.78	Allotment made on IPO
January 25, 1991	885,387 equity shares of ₹ 100/-each	33.33%	2,656,162	2,656.16	Bonus Issue
October 29, 1997	5,300,004* equity shares of ₹ 10/-each	16.63%	31,861,624	3,186.16	Allotment of shares to Shareholders of Sandoz India post merger of Sandoz India Ltd with Hindustan Ciba Geigy Ltd. and split in the face value of shares of Hindustan Ciba Geigy Ltd. from ₹ 100 per share to ₹ 10 per share through a court approved scheme of amalgamation
September 1, 2001	99,173 equity shares of ₹ 5/- each	0.31%	31,960,797	1,598.04 <sup>#</sup>	Allotment of shares post merger of Ciba CKD Biochem with Novartis India Ltd. through a court-approved Scheme of Arrangement**

**Notes:**

- \* As the scheme of Amalgamation was retrospectively effective from April 1, 1996 these shares were deemed to have been allotted from April 1, 1996.
- \*\* The Order also provided for reduction in the face value of Company's equity shares from ₹ 10 per share to ₹ 5 per share. This change was effective from April 1, 2000.
- # Effective April 1, 2001, the agribusiness undertaking of the Company was transferred to Syngenta India Private Limited. In terms of scheme of demerger, the issued, subscribed and paid up share capital reduced from ₹ 3,186.16 lakhs divided into 31,861,624 equity shares of ₹ 10 each to 31,861,624 shares of ₹ 5 each. Every shareholder was allotted from Syngenta one fully paid equity share of ₹ 5 each for every one fully paid equity share of ₹ 5 each held in the Company.
- The relevant documents for allotments made by the Company since the date of incorporation of the Company and September 23, 1983 are not available.

14.7. The Board of Directors of the Company as on the date of the Public Announcement:

Sr. No.	Name, Qualification, Occupation and Age	Date of Appointment / Re appointment	Designation	Other Directorships
1.	Christopher Snook <b>Qualification:</b> B.E. Mechanical Engineering <b>Occupation:</b> Employment <b>Age:</b> 62 years	August 1, 2008	Chairman	<ol style="list-style-type: none"> <li>Beijing Novartis Pharma Co., Ltd.</li> <li>China Novartis Institutes for BioMedical Research Co., Ltd.</li> <li>Gesa Properties (Pty) Ltd.</li> <li>Novartis (Singapore) Pte Ltd.</li> <li>Novartis (Taiwan) Co., Ltd.</li> <li>Novartis (Thailand) Ltd.</li> <li>Novartis Healthcare Philippines, Inc.</li> <li>Novartis Korea Ltd.</li> <li>Novartis New Zealand Ltd.</li> </ol>

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Sr. No.	Name, Qualification, Occupation and Age	Date of Appointment / Re appointment	Designation	Other Directorships
				10. Novartis Pharma (Pakistan) Ltd.
				11. Novartis Pharmaceuticals (HK) Ltd.
				12. Novartis Ringaskiddy Ltd.
				13. Novartis Services (Thailand) Ltd.
				14. Novartis Services, Inc.
				15. PT. CIBA Vision Batam
				16. Shanghai Novartis Trading Ltd.
				17. Suzhou Novartis Pharma Technology Co., Ltd.
				18. Alcon Pharma GmbH
				19. Novartis Pharma LLC
				20. Novartis Pharma Produktions GmbH
				21. Sandoz Polska Sp. z o.o.
				22. Alcon (China) Ophthalmic Product Co., Ltd.
				23. Alcon Canada Inc.
				24. Alcon Hong Kong Ltd.
				25. Alcon Korea Ltd.
				26. Alcon Laboratories (Australia) Pty Ltd.
				27. Alcon Laboratories (Malaysia) Sdn. Bhd.
				28. Alcon Laboratories (Philippines), Inc.
				29. Alcon Laboratories (Thailand) Ltd.
				30. Alcon Polska Sp. z o.o.
				31. Alcon Pte Ltd.
				32. Alcon Singapore Manufacturing Pte Ltd.
				33. Alcon Ukraine LLC
				34. CIBA Vision (Thailand) Ltd.
				35. CIBA Vision Asian Manufacturing and Logistics Pte Ltd.
				36. CIBA Vision Canada Inc.
				37. Lek S.A., Strykow
				38. Novartis (Bangladesh) Ltd.
				39. Novartis Asia Pacific Pharmaceuticals Pte Ltd.
				40. Novartis Australia Pty Ltd .
				41. Novartis Business Services GmbH,
				42. Novartis Corporation (Malaysia) Sdn. Bhd
				43. Novartis Ireland Ltd.
				44. Novartis Lateinamerika AG
				45. Novartis Middle East FZE
				46. Novartis Overseas Investments AG
				47. Novartis Pharma Schweiz AG
				48. Novartis Pharma Services

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Sr. No.	Name, Qualification, Occupation and Age	Date of Appointment / Re appointment	Designation	Other Directorships
				AG 49. Novartis Pharmaceuticals Australia Pty Ltd. 50. Novartis Pharmaceuticals UK Ltd. 51. Novartis UK Ltd. 52. PT. Novartis Indonesia 53. PT. Sandoz Indonesia 54. Sandoz (China) Pharmaceutical Co., Ltd. 55. Sandoz Korea Ltd. 56. Sandoz Pharmaceuticals AG 57. Sandoz Philippines Corporation 58. Sandoz Pty Ltd. 59. Sandoz Realty Corporation 60. Sandoz South Africa (Pty) Ltd. 61. Spinifex Pharmaceuticals Pty Ltd. 62. Spinifex Pharmaceuticals, Inc 63. Tianjin Hexal Pharmaceutical Co., Ltd. 64. Vivacta Ltd. 65. ZAO Sandoz
2.	Ranjit Shahani <b>Qualification:</b> B.E. Mechanical Engineering, P.G. Business Management <b>Occupation:</b> Employment <b>Age:</b> 66 years	November 1, 2002	Vice Chairman & Managing Director	1. Novartis Comprehensive Leprosy Care Association 2. Octopus Steel Private Limited 3. Organisation of Pharmaceutical Producers of India 4. Swiss Indian Chamber of Commerce India
3.	Monaz Noble <b>Qualification:</b> CS, ICWA, MBA <b>Occupation:</b> Employment <b>Age:</b> 48 years	June 13, 2016	Whole Time Director & Chief Financial Officer	Nil
4.	Jai Hiremath <b>Qualification:</b> CA <b>Occupation:</b> Business <b>Age:</b> 68 years	January 28, 2006	Independent Director	1. Hikal International B.V., the Netherlands 2. Ekadant Investment Pvt. Ltd. 3. Shri Badrinath Investment Pvt. Ltd. 4. Shri Rameshwara Investment Pvt. Ltd. 5. Iris Investment Pvt. Ltd. 6. Decent Electronics Pvt. Ltd. 7. Karad Engineering Consultancy Pvt. Ltd. 8. Rushabh Capital Services Pvt. Ltd. 9. Hikal Ltd 10. Acoris Research Ltd. 11. International Wine and Food Society

Sr. No.	Name, Qualification, Occupation and Age	Date of Appointment / Re appointment	Designation	Other Directorships
5.	Dr Rajendra Nath Mehrotra <b>Qualification:</b> B.E. Electrical & Mechanical Engineering & Master in Management & Doctorate <b>Occupation:</b> Professional <b>Age:</b> 71 years	May 30, 2000	Independent Director	Nil
6.	Sandra Martyres <b>Qualification:</b> Masters in Economics and Diploma in Business Administration <b>Occupation:</b> Consultant <b>Age:</b> 63 years	April 19, 2016	Independent Director	1. SG Wealth Mangement Solutions Private Limited 2. Daystar Travels Private Limited 3. Bank One Mauritius

14.8. The details of changes in the Board of Directors during the 3 years preceding the date of the Public Announcement are as follows:

Name of Director	Appointment/Resignation	Effective Date	Reasons
Dinesh Charak	Appointment	May 22, 2014	Appointment
Manisha Girotra	Appointment	May 22, 2014	Appointment
Manisha Girotra	Resignation	February 11, 2016	Resignation
Sandra Martyres	Appointment	April 19, 2016	Appointment
Dinesh Charak	Resignation	May 26, 2016	Resignation
Monaz Noble	Appointment	June 13, 2016	Appointment

14.9. The Buyback will not result in any benefit to any directors of the Company / Promoter of the Company / person in control / group company except to the extent of their intention to participate in the Buyback and the change in their shareholding as per the response received in the Buyback, as a result of the extinguishment of Equity Shares which will lead to a reduction in the Equity Share capital post Buyback.

## 15. FINANCIAL INFORMATION ABOUT THE COMPANY

15.1. The salient financial information of the Company, as extracted from the standalone audited results for the last three financial years is detailed below:

(₹ in Lakhs unless stated otherwise)

Particulars	For the year ended March 31, 2016	For the year ended March 31, 2015	For the year ended March 31, 2014
Income from operations	80,832	87,338	86,223
Other Income	8,294	10,764	9,512
<b>Total Income</b>	<b>89,126</b>	<b>98,102</b>	<b>95,735</b>
Total Expenditure excluding depreciation & amortisation, finance costs and exceptional items	78,490	87,724	86,353
Depreciation & amortisation	367	401	365
Finance costs			
(i) Interest Expense	-	0.1	0.4
(ii) Other Finance Costs	18.0	20.9	26.6
<b>Profit before Tax and exceptional items</b>	<b>10,251</b>	<b>9,956</b>	<b>8,990</b>
Exceptional Items – Income / (Expenses)	16,963	(633)	Nil

<b>Profit before Tax and after exceptional items</b>	27,214	9,323	8,990
Provision for Tax (including deferred tax) – (Income) / Expenses	7,353	1,412	(863)
<b>Profit after Tax</b>	19,861	7,911	9,853
Proposed Equity Dividend (Including dividend tax)	3,847	3,847	3,739
<b>As on</b>	<b>March 31, 2016</b>	<b>March 31, 2015</b>	<b>March 31, 2014</b>
Paid-up equity share capital	1,598	1,598	1,598
Reserves & Surplus	114,615	98,601	94,537
Net worth*	116,198	100,184	96,120
Total debt	Nil	Nil	Nil

**Notes:**

- \*excluding Capital Subsidy

**Key Financial Ratios:**

<b>Particulars</b>	<b>Year ended March 31, 2016</b>	<b>Year ended March 31, 2015</b>	<b>Year ended March 31, 2014</b>
Earnings Per Equity Share – Basic & Diluted (before extraordinary items) (₹)	20.87	26.28	30.83
Earnings Per Equity Share – Basic & Diluted (after extraordinary items)(₹)	62.14	24.75	30.83
Book Value per Equity Share (₹)	363.56	313.46	300.74
Return on Net Worth (after extraordinary Items) (%)	17.09	7.90	10.25
Debt / Equity Ratio	Nil	Nil	Nil
Total Debt/Networth	Nil	Nil	Nil

The key financial ratios have been computed as below:

<b>Key Ratios</b>	<b>Basis of Calculation</b>
Net worth	Equity Share Capital + Free Reserves (as defined under Section 2 (43) of the Companies Act) – Capital Subsidy
Earnings Per Equity Share	Net Profit after Tax Attributable to Equity Shareholders / Number of Equity Shares outstanding
Book Value	Net worth / Number of Equity Shares
Debt-Equity Ratio	Debt / Net worth
Return on Net Worth (%)	Net Profit after Tax Attributable to Equity Shareholders / Net worth

*The computation of the above ratios is based on the annual audited standalone financials of the Company and any discrepancy with the derived ratios from the table “Key Financials” is due to rounding off.*

- The Company shall comply with the Takeover Regulations, wherever and if applicable. The Company hereby declares that it has complied with Section 68, 69, 70 of the Companies Act.

**16. STOCK MARKET DATA**

- The Company's Equity Shares are listed and traded on the BSE. The high, low and average market prices in preceding three financial years (April to March period) and the monthly high, low and average market prices for the six months preceding the date of Public Announcement from January 1, 2016 to July 14, 2016 and the corresponding volumes on BSE are as follows:



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Period	High~ (₹)	Date of High	Number of Shares traded on that date	Low@ (₹)	Date of Low	Number of Shares traded on that date	Average Price # (₹)	Number of Shares traded in the period
<b>Preceding 3 years</b>								
FY 2013-14	604.80	1-Apr-2013	146,118	361.00	3-Sep-2013	5,841	451.50	3,929,247
FY 2014-15	760.00	9-Sep-2014	35,560	438.20	1-Apr-2014	5,674	615.50	7,221,446
FY 2015-16	982.00	20-Jul-2015	553,621	556.15	28-Apr-2015	22,300	759.12	11,792,807
<b>Preceding 6 months</b>								
January 2016	895.00	6-Jan-2016	149,845	730.25	21-Jan-2016	15,670	805.16	680,849
February 2016	813.75	1-Feb-2016	28,796	600.00	29-Feb-2016	15,152	691.50	317,322
March 2016	692.00	2-Mar-2016	23,054	620.00	29-Mar-2016 1-Mar-2016	23,230 10,107	650.65	480,016
April 2016	776.75	26-Apr-2016	18,439	642.00	1-Apr-2016	12,397	706.40	305,829
May 2016	855.00	25-May-2016	89,276	702.00	13-May-2016	5,345	738.94	910,830
June 2016	724.50	29-Jun-2016	12,077	696.10	24-Jun-2016	20,781	709.39	338,868
July 2016	737.40	11-Jul-2016	15,263	705.60	1-Jul-2016	38,055	722.18	151,036

*(Source: www.bseindia.com)*

~ High is the highest price recorded for the equity share of the Company during the said period  
 @ Low is the lowest price recorded for the equity share of the Company during the said period  
 # Average Price is the arithmetical average of closing prices during the said period

- 16.2. The closing market price of the Equity Shares of the Company on BSE as on May 25, 2016, i.e. the trading day before the date of the Board Meeting was ₹ 822.00 per Equity Share.
- 16.3. The closing market price of the Equity Shares of the Company on BSE on May 27, 2016, i.e. the trading day immediately after the Board Meeting was ₹ 724.80 per Equity Share.

**17. DETAILS OF STATUTORY APPROVALS**

- 17.1. The Buyback Offer is subject to approval, if any required, under the provisions of the Companies Act, the Buyback Regulations and/or such other applicable rules and regulations in force for the time being.
- 17.2. Non-Resident Shareholders (excluding OCBs) permitted under general permission under the consolidated Foreign Direct Investment policy issued by the Government of India read with applicable FEMA Regulations, are not required to obtain approvals from RBI.
- 17.3. As of date, there is no statutory or regulatory approval required to implement the Buyback Offer. If any statutory or regulatory approval becomes applicable subsequently, the Buyback Offer will be subject to such statutory or regulatory approval(s). In the event of any delay in receipt of any statutory / regulatory approvals, changes to the proposed timetable of the Buyback Offer, if any, shall be intimated to the BSE.

**18. DETAILS OF REGISTRAR TO THE BUYBACK OFFER**

Eligible Persons who wish to tender their Equity Shares in the Buyback Offer can either send it by registered post/courier or hand deliver the Tender Form, physical share certificate, TRS and other documents by superscribing the envelope as “**Novartis India Limited Buyback Offer 2016**” to the Registrar to the Buyback Offer at their below office, so that the same are received within 2 (two) days from the Closing Date i.e. latest by Saturday, September 10, 2016:

**Link Intime India Private Limited**  
C-13, Pannalal Silk Mills Compound,  
L.B.S.Marg, Bhandup (West),  
Mumbai – 400078  
Tel: +91 22 6171 5400;  
Fax: +91 22 2596 0329;  
Email: novartis.buyback@linkintime.co.in;  
Contact Person: Ganesh Mhatre

**TENDER FORM, TRS AND OTHER RELEVANT DOCUMENTS SHOULD NOT BE SENT TO THE COMPANY OR TO THE MANAGER TO THE BUYBACK OFFER.**

**19. PROCESS AND METHODOLOGY FOR THE BUYBACK**

- 19.1. The Company proposes to buyback not exceeding 38,20,000 Equity Shares from all the existing Shareholders / beneficial owners of Equity Shares of the Company, on a proportionate basis, through the Tender Offer route at a price of ₹ 760 (Rupees Seven Hundred and Sixty only) per Equity Share, payable in cash for an aggregate amount of ₹ 290.32 Crores (Rupees Two Hundred and Ninety Crores Thirty Two Lakhs only). The maximum number of Equity Shares proposed to be bought back represents 11.95% of the total present paid-up equity share capital of the Company. The Buyback is in accordance with Article 9A of the Articles of Association of the Company and subject to the provisions of Section 68 and all other applicable provisions, if any, of the Companies Act and in compliance with Buyback Regulations and subject to such other approvals, permissions and sanctions as may be necessary, from time to time from statutory authorities including but not limited to SEBI, BSE, RBI etc. The Buyback Offer Size is 24.98% of the fully paid-up equity share capital and free reserves as per the audited financial statements of the Company for the year ended March 31, 2016.
- 19.2. The aggregate shareholding of the Promoter as on the Record Date is 2,39,70,597 Equity Shares, which represents 75.00% of the existing Equity Share capital of the Company. In terms of the Buyback Regulations, under the Tender Offer route, the promoters of the Company have the option to participate in the buyback. In this regard, Novartis AG, being the promoter of the Company, has expressed its intention, vide its letter dated May 26, 2016, to participate in the Buyback and offer upto an aggregate maximum of 2,39,70,597 Equity Shares or such lower number of Equity Shares as required in compliance with the Buyback Regulations / terms of the Buyback.
- 19.3. Assuming that Novartis AG, promoter of the Company, tenders upto 2,39,70,597 Equity Shares in the Buyback (in accordance with the declaration provided by them), the aggregate shareholding of the Promoter of the Company, post Buyback will increase to 75.62% of the post Buyback equity share capital of the Company if all the public Shareholders participate upto their entitlement (full acceptance) and will reduce to 71.61% of the post Buyback equity share capital of the Company if none of the public shareholders participate in the Buyback Offer.
- 19.4. **Record Date, ratio of Buyback and entitlement of each Shareholder**
- a) The Buyback Committee in its meeting held on July 12, 2016 announced Friday, July 22, 2016 as the Record Date for the purpose of determining the entitlement and the names of the Shareholders, who are eligible to participate in the Buyback Offer.
- b) The Equity Shares proposed to be bought back by the Company shall be divided in two categories:
- Reserved category for Small Shareholders (“**Reserved Category**”); and
  - General category for all Shareholders other than Small Shareholders (“**General Category**”)

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- c) As defined in the Buyback Regulations, a "Small Shareholder" is a Shareholder who holds Equity Shares having market value, on the basis of closing price on BSE as on Record Date, of not more than ₹ 2,00,000 (Rupees Two Lakhs). As on the Record Date, the closing price on BSE was ₹ 721.90 per Equity Share, accordingly all Shareholders holding not more than 277 Equity Shares as on the Record Date are classified as 'Small Shareholders' for the purpose of the Buyback Offer.
- d) Based on the above definition, there are 42,119 Small Shareholders with aggregate shareholding of 3,036,336 Shares, as on the Record Date, which constitutes 9.50% of the outstanding paid up equity share capital of the Company and 79.49% of the number of Equity Shares which are proposed to be bought back as part of this Buyback Offer.
- e) In compliance with Regulation 6 of the Buyback Regulations, the reservation for the Small Shareholders, will be 5,73,000 Equity Shares which is higher of:
- Fifteen percent of the number of Equity Shares which the Company proposes to buyback i.e. 15% of 38,20,000 Equity Shares which works out to 5,73,000 Equity Shares; or
  - The number of Equity Shares entitled as per their shareholding as on Record Date i.e.  $(3,036,336 / 31,960,797) \times 3,820,000$  which works out to 3,62,907 Equity Shares.

All the outstanding Equity Shares have been used for computing the entitlement of Small Shareholders since the Promoter also intends to offer Equity Shares held by them in the Buyback.

- f) Accordingly, the entitlement for General Category shall consist of 3,247,000 Equity Shares.
- g) Based on the above, the entitlement ratio of Buyback for both categories is decided as below:

Category	Indicative Entitlement Ratio of Buyback*
Reserved Category	4 (Four) Equity Shares out of every 21 (Twenty One) fully paid-up Equity Shares held on the Record Date
General Category	1 (One) Equity Shares out of every 9 (Nine) fully paid-up Equity Shares held on the Record Date

\*The above ratio of Buyback is approximate and providing indicative Buyback Entitlement. Any computation of entitled Equity Shares using the above ratio of Buy-back may provide a slightly different number due to rounding-off. The actual Buyback Entitlement for Reserved Category for Small Shareholders is 18.871% and General category for all other Eligible Shareholders is 11.226%.

### 19.5. Fractional Entitlements

If the entitlement under Buyback, after applying the abovementioned ratios to the Equity Shares held on Record Date, is not a round number (i.e. not in the multiple of 1 Equity Share) then the fractional entitlement shall be ignored for computation of entitlement to tender Equity Shares in the Buyback Offer, for both categories of Shareholders.

On account of ignoring the fractional entitlement, those Small Shareholders who hold 5 (Five) or less Equity Shares as on Record Date, will be dispatched a Tender Form with zero entitlement. Such Small Shareholders are entitled to tender additional Equity Shares as part of the Buyback Offer and will be given preference in the Acceptance of one Equity Share, if such Small Shareholders have tendered for additional Equity Shares.

### 19.6. Basis of Acceptance of Equity Shares validly tendered in the Reserved Category for Small Shareholders

Subject to the provisions contained in this Letter of Offer, the Company will accept the Shares tendered in the Buyback Offer by the Small Shareholders in the Reserved Category in the following order of priority:

- a) Full acceptance of Shares from Small Shareholders in the Reserved Category who have validly tendered their Shares, to the extent of their Buyback Entitlement, or the number of Shares tendered by them, whichever is less.
- b) Post the acceptance as described in paragraph 19.6 (a), in case, there are any Shares left to be bought back in the Reserved Category, the Small Shareholders who were entitled to tender zero Shares (on account of ignoring the fractional entitlement), and have tendered Additional Shares, shall be given preference and one Equity Share each from the Additional Shares tendered by these Small Shareholders shall be bought back in the Reserved Category.
- c) Post the acceptance as described in paragraph 19.6 (a) and (b), in case, there are any validly tendered unaccepted Shares in the Reserved Category (“**Reserved Category Additional Shares**”) and Shares left to be bought back in Reserved Category, the Reserved Category Additional Shares shall be accepted in a proportionate manner and the acceptances shall be made in accordance with the Buyback Regulations, i.e. valid acceptances per Shareholder shall be equal to the Reserved Category Additional Shares tendered by the Shareholder divided by the total Reserved Category Additional Shares and multiplied by the total number of Shares remaining to be bought back in Reserved Category. For the purpose of this calculation, the Reserved Category Additional Shares taken into account for such Small Shareholders, from whom one Equity Share has been accepted in accordance with paragraph 19.6 (b), shall be reduced by one.
- d) Adjustment for fractional results in case of proportionate acceptance, as described in paragraph 19.6 (c), will be made as follows:
  - For any Small Shareholder, if the number of Additional Shares to be accepted, calculated on a proportionate basis is not in the multiple of 1 and the fractional acceptance is greater than or equal to 0.50, then the fraction would be rounded off to the next higher integer.
  - For any Small Shareholder, if the number of Additional Shares to be accepted, calculated on a proportionate basis is not in the multiple of 1 and the fractional acceptance is less than 0.50, then the fraction shall be ignored.

19.7. **Basis of Acceptance of Equity Shares validly tendered in the General Category**

Subject to the provisions contained in this Letter of Offer, the Company will accept the Shares tendered in the Buyback Offer by Shareholders (other than Small Shareholders) in the General Category in the following order of priority:

- a) Full Acceptance of Shares from Shareholders in the General Category who have validly tendered their Shares, to the extent of their Buyback Entitlement, or the number of Shares tendered by them, whichever is less.
- b) Post the acceptance as described in paragraph 19.7 (a), in case, there are any validly tendered unaccepted Shares in the General Category (“**General Category Additional Shares**”) and Shares left to be bought back in General Category, the General Category Additional Shares shall be accepted in a proportionate manner and the acceptances shall be made in accordance with the Buyback Regulations, i.e. valid acceptances per Shareholder shall be equal to the General Category Additional Shares tendered by the Shareholder divided by the total General Category Additional Shares and multiplied by the total number of Shares remaining to be bought back in General Category.
- c) Adjustment for fractional results in case of proportionate acceptance, as described in paragraph 19.7 (b), will be made as follows:
  - For any Shareholder, if the number of Additional Shares to be accepted, calculated on a proportionate basis is not in the multiple of 1 and the fractional acceptance is greater than or equal to 0.50, then the fraction would be rounded off to the next higher integer.

- For any Shareholder, if the number of Additional Shares to be accepted, calculated on a proportionate basis is not in the multiple of 1 and the fractional acceptance is less than 0.50, then the fraction shall be ignored.

**19.8. Basis of Acceptance of Equity Shares between the two categories**

- a) After acceptances of tenders, as mentioned in paragraph 19.6 and 19.7, in case, there are any Shares left to be bought back in one category ("**Partially Filled Category**") and there are additional unaccepted validly tendered Shares ("**Further Additional Shares**") in the second category ("**Over Tendered Category**"), then the Further Additional Shares in the Over Tendered Category shall be accepted in a proportionate manner i.e. valid acceptances per Shareholder shall be equal to Further Additional Shares validly tendered by the Shareholder in the Over Tendered Category divided by the total Further Additional Shares in the Over Tendered Category and multiplied by the total Shares left to be bought back in the Partially Filled Category.
- b) If the Partially Filled Category is the General Category and the Over Tendered Category is the Reserved Category, then any Small Shareholder who has received a Tender Form with zero Buyback Entitlement and who has tendered Additional Shares shall be eligible for priority acceptance of one Equity Share before acceptance in paragraph 19.8 (a) out of the Shares left to be bought back in the Partially Filled Category provided no acceptance could take place from such Shareholder in accordance with paragraph 19.6.
- c) Adjustment for fraction results in case of proportionate acceptance, as defined in paragraph 19.8 (a):
  - For any Shareholder, if the number of Further Additional Shares to be accepted, calculated on a proportionate basis is not in the multiple of 1 and the fractional acceptance is greater than or equal to 0.50, then the fraction would be rounded off to the next higher integer.
  - For any Shareholder, if the number of Further Additional Shares to be accepted, calculated on a proportionate basis is not in the multiple of 1 and the fractional acceptance is less than 0.50, then the fraction shall be ignored.

**19.9. For avoidance of doubt, it is clarified that, in accordance with the clauses above:**

- **Shares accepted under the Buyback from each Eligible Person, shall be lower of the following:**
  - **the number of Shares tendered by the respective Shareholder and**
  - **the number of Shares held by the respective Shareholder, as on the Record Date**
- **Shares tendered by any Shareholder over and above the number of Shares held by such Shareholder as on the Record Date shall not be considered for the purpose of Acceptance.**

**20. PROCEDURE FOR TENDER OFFER AND SETTLEMENT**

- 20.1. The Buyback is open to all Equity Shareholders / beneficial owners of the Company holding Equity Shares either in physical and/or electronic form on the Record Date.
- 20.2. The Company proposes to effect the Buyback through Tender Offer route, on a proportionate basis. This Letter of Offer, outlining the terms of the Buyback Offer as well as the detailed disclosures as specified in the Buyback Regulations, will be mailed to Equity Shareholders of the Company whose names appear on the register of members of the Company, or who are beneficial owners of Equity Shares as per the records of Depositories, on the Record Date.
- 20.3. The Company will not accept any Equity Shares offered for Buyback where there exists any restraint order of a Court/ any other competent authority for transfer / disposal/ sale or where loss of share certificates has been notified to the Company or where the title to the Equity Shares is under dispute or otherwise not clear or where any other restraint subsists.

- 20.4. The Company shall comply with Regulation 19(5) of the Buyback Regulations which states that the Company shall not buyback locked-in Equity Shares and non-transferrable Equity Shares till the pendency of the lock-in or till the Equity Shares become transferrable.
- 20.5. Shareholders will have to transfer the Equity Shares from the same demat account in which they were holding the Equity Shares as on the Record Date and in case of multiple demat accounts, Shareholders are required to tender the applications separately from each demat account. In case of any changes in the demat account in which the Equity Shares were held as on Record Date, such Shareholders should provide sufficient proof of the same to the Registrar, and the such tendered shares may be accepted subject to appropriate verification and validation by the Registrar.
- 20.6. Shareholders' participation in Buyback will be voluntary. Shareholders can choose to participate, in part or in full, and get cash in lieu of the Shares accepted under the Buyback or they may choose not to participate and enjoy a resultant increase in their percentage shareholding, post Buyback, without additional investment. Shareholders may also accept a part of their Buyback Entitlement. Shareholders also have the option of tendering additional Shares (over and above their Buyback Entitlement) and participate in the shortfall created due to non-participation of some other Shareholders, if any. Acceptance of any Shares tendered in excess of the Buyback Entitlement by the Shareholder, shall be in terms of procedure outlined in section 19 of this Letter of Offer.
- 20.7. The maximum tender under the Buyback by any Shareholder cannot exceed the number of Equity Shares held by the Shareholder as on the Record Date.
- 20.8. The Buyback shall be implemented by the Company using the "Mechanism for acquisition of shares through Stock Exchange" notified by SEBI vide circular CIR/CFD/POLICYCELL/1/2015 dated April 13, 2015, Notice Number 20150930-1 dated September 30, 2015 from BSE and following the procedure prescribed in the Companies Act and the Buyback Regulations and as may be determined by the Board (including the Committee authorized to complete the formalities of the Buyback) and on such terms and conditions as may be permitted by law from time to time.
- 20.9. For implementation of the Buyback, the Company has appointed Ambit Capital Private Limited as the registered broker to the Company (the "**Company's Broker**") through whom the purchases and settlements on account of the Buyback would be made by the Company. The contact details of the Company's Broker are as follows:
- Ambit Capital Private Limited**  
Ambit House, 449, Senapati Bapat Marg, Lower Parel, Mumbai - 400 013  
Tel: + 91 22 3043 3000; Fax: + 91 22 3043 3100; Contact Person: Sameer Parkar
- 20.10. BSE has been appointed as the Designated Stock Exchange to provide a separate Acquisition Window to facilitate placing of sell orders by Shareholders who wish to tender their Equity Shares in the Buy-back. The details of the platform will be as specified by the BSE from time to time.
- 20.11. During the tendering period, all Eligible Persons may place orders for selling the Equity Shares in the Acquisition Window, through their respective stock brokers ("**Seller Member(s)**") during normal trading hours of the secondary market. In the tendering process, the Company's Broker may also process the orders received from the Shareholders.
- 20.12. Seller Members can enter orders for demat Shares as well as physical Shares.
- 20.13. Modification / cancellation of orders and multiple bids from a single Shareholder will be allowed during the Tendering Period of the Buyback offer. Multiple bids made by single Shareholder for selling the Shares shall be clubbed and considered as 'one' bid for the purposes of Acceptance.

- 20.14. The cumulative quantity tendered shall be made available on BSE Limited's website – [www.bseindia.com](http://www.bseindia.com) throughout the trading session and will be updated at specific intervals during the Tendering Period.
- 20.15. **Procedure to be followed by Equity Shareholders holding Equity Shares in the dematerialised form**
- a) Shareholders who desire to tender their Equity Shares in the electronic form under the Buyback would have to do so through their respective Seller Members by indicating to the concerned Seller Member, the details of Equity Shares they intend to tender under the Buyback.
  - b) The Seller Members would be required to place a bid on behalf of the Shareholders who wish to tender Equity Shares in the Buyback using the Acquisition Window of BSE. Before placing the bid, the concerned Seller Member would need to transfer the tendered Equity Shares to the special account of Clearing Corporation of India Limited ("Clearing Corporation"), by using the settlement number and the procedure prescribed by the Clearing Corporation. This shall be validated at the time of order / bid entry. The details of the settlement number for the Buyback shall be informed in the offer opening circular that will be issued by BSE.
  - c) For custodian participant orders for demat Equity Shares, early pay-in is mandatory prior to confirmation of order / bid by custodians. The custodian shall either confirm or reject the orders not later than the closing of trading hours on the last day of the Tendering Period. Thereafter, all unconfirmed orders shall be deemed to be rejected. For all confirmed custodian participant orders, any order modification shall revoke the custodian confirmation and the revised order shall be sent to the custodian again for confirmation.
  - d) Upon placing the bid, the Seller Member shall provide a Transaction Registration Slip ("TRS") generated by the exchange bidding system to the Shareholder on whose behalf the bid has been placed. TRS will contain details of order submitted like Bid ID No., Application No., DP ID, Client ID, No. of Equity Shares tendered etc.
  - e) All Eligible Persons shall also provide all relevant documents, which are necessary to ensure transferability of the Equity Shares in respect of the Tender Form to be sent. Such documents may include (but not be limited to):
    - 1) Duly attested power of attorney, if any person other than the Eligible Seller has signed the Tender Form;
    - 2) Duly attested death certificate and succession certificate/ legal heirship certificate, in case any Eligible Seller has expired; and
    - 3) In case of companies, the necessary certified corporate authorizations (including board and/ or general meeting resolutions).
  - f) Eligible Persons who have tendered their Equity Shares in the Buyback may deliver the Tender Form duly signed (by all Equity Shareholders in case shares are in joint names) in the same order in which they hold the shares, along with the TRS generated by the exchange bidding system either by registered post or courier or hand delivery to the Registrar to the Buyback Offer at the address mentioned on the cover page of this Letter of Offer) not later than 2 (two) days from the Closing Date i.e. latest by Saturday, September 10, 2016 (by 5 PM). The envelope should be superscribed as "**Novartis India Limited Buyback Offer 2016**". In case of non-receipt of the completed Tender Form and other documents, but receipt of Shares in the special account of the Clearing Corporation and a valid bid in the exchange bidding system, the Buyback shall be deemed to have been accepted, for demat Shareholders.
  - g) The Eligible Persons will have to ensure that they keep the DP Account active and unblocked to receive credit in case of return of Equity Shares due to rejection or partial acceptance.

20.16. **Procedure to be followed by Registered Equity Shareholders holding Equity Shares in the Physical form**

- a) Shareholders who are holding physical Equity Shares and intend to participate in the Buyback will be required to approach their respective Seller Member along with the complete set of documents for verification procedures to be carried out before placement of the bid. Such documents will include:
- a) The Tender Form duly signed (by all Equity Shareholders in case shares are in joint names) in the same order in which they hold the shares.
  - b) Original share certificates
  - c) Valid share transfer form(s) duly filled and signed by the transferors (i.e. by all registered Shareholders in same order and as per the specimen signatures registered with the Company) and duly witnessed at the appropriate place authorizing the transfer in favor of the Company
  - d) Self-attested copy of the PAN Card(s) of all holders
  - e) Any other relevant documents such as (but not limited to):
    - i. Duly attested Power of Attorney if any person other than the Equity Shareholder has signed the relevant Tender Form
    - ii. Notarized copy of death certificate / succession certificate or probated will, if the original Shareholder has deceased
    - iii. Necessary corporate authorisations, such as Board Resolutions etc., in case of companies
  - f) In addition to the above, if the address of the Shareholder has undergone a change from the address registered in the Register of Members of the Company, the Shareholder would be required to submit a self-attested copy of address proof consisting of any one of the following documents: valid Aadhar Card, Voter Identity Card or Passport.
- b) Based on these documents, the concerned Seller Members shall place a bid on behalf of the physical Equity Shareholders who wish to tender Equity Shares in the Buyback, using the Acquisition Window of BSE. Upon placing the bid, the Seller Member shall provide a Transaction Registration Slip ('**TRS**') generated by the Exchange Bidding System to the Shareholder. TRS will contain the details of order submitted like Folio No., Certificate No., Distinctive No., No. of Equity Shares tendered etc.
- c) After placement of bid, as mentioned in Paragraph 20.16 (b) above, the Seller Member who places a bid for physical Equity Shares, must ensure delivery of Tender Form, TRS, original share certificate(s), valid share transfer form(s) & other documents (as mentioned in Paragraph 20.16 (a) above) either by registered post or courier or hand delivery to the Registrar to the Buyback Offer at the address mentioned on the cover page of this Letter of Offer) not later than 2 (two) days from the Closing Date i.e. latest by September 10, 2016 (by 5 PM). The envelope should be superscribed as "**Novartis India Limited Buyback Offer 2016**". One copy of the TRS will be retained by Registrar to the Buyback Offer and it will provide acknowledgement of the same to the Seller Member.
- d) Shareholders holding physical shares should note that physical Shares will not be accepted unless the complete set of documents is submitted. Acceptance of the physical Shares for Buyback by the Company shall be subject to verification as per the Buyback Regulations and any further directions issued in this regard. Registrar to the Buyback Offer will verify such bids based on the documents submitted on a daily basis and till such verification, the BSE shall display such bids as 'unconfirmed physical bids'. Once Registrar to the Buyback Offer confirms the bids, they will be treated as 'Confirmed Bids'.
- e) In case any person has submitted Equity Shares in physical form for dematerialisation, such Equity Shareholders should ensure that the process of getting the Equity Shares dematerialised is completed well in time so that they can participate in the Buyback Offer before Closing Date.



20.17. **In case of non-receipt of this Letter of Offer:**

- a) **In case the Equity Shares are in dematerialised form:** An Eligible Person may participate in the Offer by downloading the Tender Form from the website of the Company i.e www.novartis.in or by providing their application in writing on plain paper, signed by all Equity Shareholders, stating name & address of Shareholder(s), number of Equity Shares held as on the Record Date, Client ID number, DP Name/ID, beneficiary account number and number of Equity Shares tendered for the Buyback.
- b) **In case the Equity Shares are in physical form:** An Eligible Person may participate in the Offer by providing their application in writing on plain paper signed by all Equity Shareholders stating name, address, folio number, number of Equity Shares held, share certificate number, number of Equity Shares tendered for the Buyback Offer and the distinctive numbers thereof, enclosing the original share certificate(s), copy of Equity Shareholders' PAN card(s) and executed share transfer form in favour of the Company. The transfer form SH-4 can be downloaded from the Company's website www.novartis.in. Equity Shareholders must ensure that the Tender Form, along with the TRS and requisite documents (as mentioned in paragraph 20.16 (a)), reach the Registrar to the Buyback Offer not later than 2 (two) days from the Closing Date i.e. latest by September 10, 2016 (by 5 PM). If the signature(s) of the Equity Shareholders provided in the plain paper application differs from the specimen signature(s) recorded with the Registrar of the Company or are not in the same order (although attested), such applications are liable to be rejected under this Buyback Offer.

**Please note that Eligible Person(s) who intend to participate in the Buyback will be required to approach their respective Seller Member (along with the complete set of documents for verification procedures) and have to ensure that their bid is entered by their respective Seller Member or broker in the electronic platform to be made available by BSE before the Closing Date, otherwise the same are liable to be rejected.**

**The Company shall accept Equity Shares validly tendered by the Shareholder(s) in the Buyback on the basis of their shareholding as on the Record Date and the Buyback Entitlement. Eligible Person(s) who intend to participate in the Buyback using the 'plain paper' option as mentioned in this paragraph are advised to confirm their entitlement from the Registrar to the Buyback Offer, before participating in the Buyback.**

- 20.18. Non-receipt of this Letter of Offer by, or accidental omission to dispatch this Letter of Offer to any Eligible Person, shall not invalidate the Buyback Offer in any way.
- 20.19. All documents sent by shareholders will be at their own risk. Shareholders of the Company are advised to safeguard adequately their interests in this regard.
- 20.20. The acceptance of the Buyback Offer made by the Company is entirely at the discretion of the Equity Shareholders of the Company. The Company does not accept any responsibility for the decision of any Equity Shareholder to either participate or to not participate in the Buyback Offer. The Company will not be responsible in any manner for any loss of Share certificate(s) and other documents during transit and the Equity Shareholders are advised to adequately safeguard their interest in this regard.

20.21. **Method of Settlement**

Upon finalization of the basis of acceptance as per Buyback Regulations:

- i. The settlement of trades shall be carried out in the manner similar to settlement of trades in the secondary market.
- ii. The Company will pay the consideration to the Company's Broker on or before the pay-in date for settlement. For Equity Shares accepted under the Buyback, the Seller Member / Custodian Participant will receive funds payout in their settlement bank account. The Seller

Members / Custodian Participants would pay the consideration to their respective clients. The payment of consideration to all Shareholders validly participating in the Buyback will be made in Indian National Rupees.

- iii. The Equity Shares bought back in the demat form would be transferred directly to the escrow account of the Company (the “**Demat Escrow Account**”) provided it is indicated by the Company's Broker or it will be transferred by the Company's Broker to the Demat Escrow Account on receipt of the Equity Shares from the clearing and settlement mechanism of the Stock Exchange.
  - iv. Excess demat shares or unaccepted demat Shares, if any, tendered by the Shareholders would be returned to the respective Seller Members by Clearing Corporation as part of the exchange payout process, not later than Tuesday, September 20, 2016. In case of Custodian Participant orders, excess demat shares or unaccepted demat Shares, if any, will be returned to the respective Custodian Participant. The Seller Members / Custodian Participants would return these unaccepted shares to their respective clients on whose behalf the bids have been placed.
  - v. Physical Shares, to the extent tendered but not accepted, will be returned back to the concerned Shareholders directly by Registrar to the Buyback Offer. The Company will issue a new single share certificate for all the unaccepted physical shares and return the same to the sole/first Shareholder (in case of joint Shareholders). Share certificates in respect of unaccepted / rejected Shares and other documents, if any, will be sent by Registered Post / Speed Post at the Shareholders' sole risk to the sole/first Shareholder (in case of joint Shareholders), at the address recorded with the Company, not later than Tuesday, September 20, 2016.
  - vi. Every Seller Member, who puts in a valid bid on behalf of an Eligible Person, would issue a contract note & pay the consideration for the Equity Shares accepted under the Buyback and return the balance unaccepted demat Equity Shares to their respective clients. Company's Broker would also issue a contract note to the Company for the Equity Shares accepted under the Buyback.
- 20.22. Shareholders who intend to participate in the Buyback should consult their respective Seller Members for payment to them of any cost, charges and expenses (including brokerage) that may be levied by the Seller Member upon the selling Shareholders for tendering Equity Shares in the Buyback (secondary market transaction). The Buyback consideration received by the selling Shareholders from their respective Seller Members, in respect of accepted Equity Shares, could be net of such costs, charges and expenses (including brokerage) and the Company accepts no responsibility to bear or pay such additional cost, charges and expenses (including brokerage) incurred solely by the selling Shareholders.
- 20.23. The Equity Shares lying to the credit of the Demat Escrow Account and the Equity Shares bought back and accepted in physical form will be extinguished in the manner and following the procedure prescribed in the Regulations.

## 21. NOTE ON TAXATION

Disclosures in this paragraph are based on expert opinion sought by the Company.

**SHAREHOLDERS ARE ADVISED TO CONSULT THEIR TAX ADVISORS FOR THE APPLICABLE TAX PROVISIONS INCLUDING THE TREATMENT THAT MAY BE GIVEN BY THEIR RESPECTIVE ASSESSING OFFICERS IN THEIR CASE, AND THE APPROPRIATE COURSE OF ACTION THAT THEY SHOULD TAKE. THE COMPANY DOES NOT ACCEPT ANY RESPONSIBILITY FOR THE ACCURACY OR OTHERWISE OF SUCH ADVICE.**

Given below is a broad summarization of the applicable sections of the Income-tax Act, 1961 relating to treatment of income-tax in case of buyback of listed equity shares on the stock exchange, which is provided only as a guidance.

21.1. **CLASSIFICATION OF SHARES AND SHAREHOLDERS**

- a) **Based on the provisions of the Income Tax Act, shares can be classified under the following two categories:**
- a. Shares held as investment (Income from transfer taxable under the head "Capital Gains")
  - b. Shares held as stock-in-trade (Income from transfer taxable under the head "Profits and Gains from Business or Profession")
- b) **Based on the provisions of the Income Tax Act, shareholders can be classified under the following categories:**
- a. **Resident Shareholders being:**
    - Individuals, HUF, AOP and BOI
    - Others
  - b. **Non Resident Shareholders being:**
    - NRIs
    - Others:
      - Company
      - Other than Company

21.2. **SHARES HELD AS INVESTMENT**

- a) For non residents, taxability of capital gains would be subject to beneficial provisions of applicable DTAA.
- b) The taxability as per the provisions of the Income Tax Act is discussed below.

21.2.b.1. Nature of capital gains as per the provisions of the Income Tax Act

As per the provisions of the Income Tax Act, for the purpose of determining as to whether the capital gains are short-term or long-term in nature:

- a. Where a capital asset, being listed equity shares of the Company being bought back, is held for a period of less than or equal to 12 months prior to the date of transfer, the same shall be treated as a short-term capital asset, and the gains arising therefrom shall be taxable as short-term capital gains (STCG).
- b. Similarly, where listed equity shares are held for a period of more than 12 months prior to the date of transfer, the same shall be treated as a long-term capital asset, and the gains arising therefrom shall be taxable as long-term capital gains (LTCG).

21.2.b.2. Capital gains on buyback of shares are governed by the provisions of section 46A of the Income Tax Act. As per the provisions of section 46A, buyback of shares held as investment, would attract capital gains in the hands of shareholders as per provisions of section 48 of the Income Tax Act.

***Buyback of shares through a recognized stock exchange***

- c) Where transaction for transfer of such equity shares (i.e. buyback) is entered into through a recognized stock exchange and such transaction is chargeable to Securities Transaction Tax (STT), the taxability is as under (for all categories of shareholders):
- a. LTCG arising from such transaction would be exempt under section 10(38) of the Income Tax Act; and
  - b. STCG arising from such transaction would be subject to tax @ 15% under section 111A of the Income Tax Act.

Further, in case of resident Individual or HUF, the benefit of maximum amount which is not chargeable to income-tax is considered while computing the tax on such STCG.

**21.3. SHARES HELD AS STOCK-IN-TRADE**

a) If the shares are held as stock-in-trade by any of the Shareholders of the Company, then the gains would be characterized as business income. In such a case, the provisions of section 46A of the Income Tax Act would not apply.

**b) Resident Shareholders**

21.3.b.1. For individuals, HUF, AOP, BOI, profits would be taxable at slab rates.

21.3.b.2. For Domestic Companies, whose total turnover or gross receipt in the previous year 2014-15 is not exceeding ₹ 5 Crore, profits would be taxable at 29%.

21.3.b.3. For persons other than individuals, HUF, AOP, BOI and Domestic Companies (whose total turnover or gross receipt in the previous year 2014-15 is not exceeding ₹ 5 Crore) profits, would be taxable @ 30%.

21.3.b.4. No benefit of indexation by virtue of period of holding would be available in any case.

**c) Non Resident Shareholders**

21.3.c.1. For Non Residents, taxability of profits as business income would be subject to beneficial provisions of applicable DTAA.

21.3.c.2. Where DTAA provisions are not applicable:

- For non resident individuals, HUF, AOP, BOI, profits would be taxable at slab rates
- For foreign companies, profits would be taxed in India @ 40%
- For other non resident shareholders, such as foreign firms, profits would be taxed in India @ 30%

**21.4. TAX DEDUCTION AT SOURCE**

**a) In case of Resident Shareholders**

21.4.a.1. In absence of any specific provision under the Income Tax Act, the Company shall not deduct tax on the consideration payable to resident shareholders pursuant to the said Buyback.

**b) In the case of Non Resident Shareholders**

21.4.b.1. Since the buyback is through the stock exchange, the responsibility of discharge of the tax due on the gains (if any) is on the non resident shareholder. It is therefore recommended the non resident shareholder may consult their custodians/ authorised dealers/ tax advisors appropriately.

**21.5. THE TAX RATE AND OTHER PROVISIONS MAY UNDERGO CHANGES.**

**NOTES**

(i) In the above statement only basic tax rates have been enumerated and the same is subject to surcharge and education cess as under:

- In case of foreign companies: Surcharge @ 5% is leviable where the total income exceeds ₹ 10 Crore and @ 2% where the total income exceeds Rs 1 Crore and upto ₹ 10 Crore.
- In case of non-resident individuals, HUF, AOP, BOI: Surcharge @ 15% is leviable where the total income exceeds ₹ 1 crore.
- In case of other non-resident shareholders: Surcharge @ 12% is leviable where the total income exceeds ₹ 1 crore

- In case of domestic companies: Surcharge @ 12% is leviable where the total income exceeds ₹ 10 Crore and @ 7% where the total income exceeds ₹ 1 Crore and upto ₹ 10 Crore.
- In case of individuals, HUF, AOP, BOI: Surcharge @ 15% is leviable where the total income exceeds ₹ 1 crore.
- In case of other resident assessee: Surcharge @ 12% is leviable where the total income exceeds ₹ 1 Crore.

Further, Education Cess @ 2% and Secondary and Higher Education Cess @ 1% is leviable in all cases.

- (ii) The above note on taxation sets out the provisions of law in a summary manner only and is not a complete analysis or listing of all potential tax consequences of the disposal of equity shares.
- (iii) All the above benefits are as per the current tax laws (Including amendments made by the finance Act 2016), legislation, its judicial interpretation and the policies of the regulatory authorities are subject to change from time to time, and these may have a bearing on the benefits listed above. Accordingly, any change or amendments in the law or relevant regulations would necessitate a review of the above.
- (iv) Several of these benefits are dependent on the shareholders fulfilling the conditions prescribed under the provisions of the relevant sections under the relevant tax laws.

## **22. DECLARATION BY THE BOARD OF DIRECTORS**

Declaration as required under clause (ix) and clause (x) of Part A of Schedule II to the Buyback Regulations:

The Board of Directors made the aforementioned declaration as on the date of passing the board resolution approving the Buyback i.e. May 26, 2016. Subsequently, pursuant to the authority granted to the Buyback Committee by the Board of Directors of the Company, in terms of resolutions dated May 26, 2016, the Buyback Committee has confirmed on behalf of Board of Directors that:

- i. there are no defaults subsisting in the repayment of deposits, redemption of debentures or preference shares or repayment of any term loans to any financial institutions or banks.
- ii. Based on a full enquiry into the affairs and prospects of the Company and has formed the opinion that:
  - a) immediately following the date of the Letter of Offer, there will be no grounds on which the Company can be found unable to pay its debts;
  - b) as regards the Company's prospects for the year immediately following the date of the Letter of Offer that, having regard to their intentions with respect to the management of the Company's business during the said year and to the amount and character of the financial resources which will be available to the Company during the said year, the Company will be able to meet its liabilities as and when they fall due and will not be rendered insolvent within a period of one year from that date;
  - c) In forming its opinion aforesaid, the Buyback Committee has taken into account the liabilities (including prospective and contingent liabilities) as if the Company were being wound up under the provisions of the Companies Act.

This declaration is made and issued by the Buyback Committee (under the authority of the Board of Directors) in terms of the resolution passed at the meeting of the Buyback Committee held on August 11, 2016.

For and on behalf of the Board of Directors of Company

Sd/-

Ranjit Shahani  
Vice Chairman & Managing  
Director

Sd/-

Monaz Noble  
Whole Time Director & Chief  
Financial Officer

**23. AUDITORS CERTIFICATE**

**Report addressed to the Board of Directors by the Company's Auditors on the permissible capital payment:**

The text of the Report dated May 26, 2016 received from Lovelock & Lewes, Chartered Accountants, the Statutory Auditors of the Company, addressed to the Board of Directors of the Company is reproduced below:

*Quote*

The Board of Directors  
Novartis India Limited  
Sandoz House  
Shivsagar Estate  
Dr Annie Besant Road  
Worli, Mumbai 400 018

**Auditors' Report on Buy Back of Shares pursuant to the requirement of Schedule II to Securities and Exchange Board of India (Buy-back of Securities) Regulations, 1998**

1. This report is issued in accordance with our agreement dated May 24, 2016.
2. We have been engaged by Novartis India Limited (the "Company") to perform a reasonable assurance engagement on determination of the amount of permissible capital payment as detailed in the accompanying Annexure I in connection with the proposed buy back by the Company of its equity shares in pursuance of Section 68 and 70(1) of the Companies Act, 2013 (the "Act") and regulations as specified in the 'Securities and Exchange Board of India (Buy-back of Securities) Regulations, 1998' and amendments thereto (the "Regulations") and on the opinions expressed by the Board of Directors of the Company, as required under the Regulations. We have initialled the Annexure I for identification purposes only.

**Board of Directors Responsibility**

3. The Board of Directors of the Company is responsible for the following:
  - i) The amount of capital payment for the buy-back is properly determined; and
  - ii) It has made a full inquiry into the affairs and prospects of the Company and has formed the opinion that the Company will not be rendered insolvent within a period of one year from the date of declaration of results of the postal ballot for buyback of its equity shares by placing the results in the website of the Company (hereinafter referred to as the "Date of declaration of results").

**Auditor's Responsibility**

4. Pursuant to the requirement of the Regulations, it is our responsibility to obtain reasonable assurance on the following "Reporting Criteria":
  - i. whether the amount of capital payment for the buy-back is within the permissible limit computed in accordance with the provisions of Section 68 of the Act; and
  - ii. whether the Board of Directors has formed the opinion, as specified in Clause (x) of Schedule II to the Regulations, on reasonable grounds that the Company having regard to its state of affairs will not be rendered insolvent within a period of one year from the Date of declaration of results.
5. A reasonable assurance engagement involves performing procedures to obtain sufficient appropriate evidence on the Reporting Criteria. The procedures selected depend on the auditor's judgment, including the assessment of the risks associated with the Reporting Criteria. Within the scope of our work, we performed the following procedures:
  - i) Examined authorisation for buy back from the Articles of Association of the Company;

- ii) Examined that the amount of capital payment for the buy-back as detailed in Annexure I is within the permissible limit computed in accordance with the provisions of Section 68 of the Act;
  - iii) Examined that the ratio of secured and unsecured debt owned by the Company, if any, is not more than twice the capital and its free reserves after such buy-back;
  - iv) Examined that all the shares for buy-back are fully paid-up;
  - v) Inquired into the state of affairs of the Company with reference to the audited financial statements of the Company as at and for the year ended March 31, 2016 (the "Audited Financial Statements") which have been prepared by the Management of the Company; and examined budgets and projections prepared by the Management;
  - vi) Examined minutes of the meetings of the Board of Directors;
  - vii) Examined Directors' declarations for the purpose of buy-back and solvency of the Company; and
  - viii) Obtained appropriate representations from the Management of the Company.
6. We conducted our examination in accordance with the Guidance Note on Special Purpose Audit Reports and Certificates.
7. The financial statements referred to in paragraph 5 (v) above, have been audited by us on which we issued an unmodified audit opinion vide our report dated May 26, 2016. Our audit of these financial statements was conducted in accordance with the Standards on Auditing and other applicable authoritative pronouncements issued by the Institute of Chartered Accountants of India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. Our audits were not planned and performed in connection with any transactions to identify matters that may be of potential interest to third parties.

### **Opinion**

8. As a result of our performance of aforementioned procedures, we report that:
- i. The amount of capital payment of Rs. 2,903.2 million for the shares in question, as stated in the accompanying certified extract of the minutes of the Board of Directors' meeting held on May 26, 2016, which we have initialled for identification, is within the permissible capital payment of Rs. 2,904.9 million, as calculated in Annexure I based on the Audited Financial Statements, which, in our opinion, is properly determined in accordance with Section 68 of the Act; and
  - ii. The Board of Directors in their meeting held on May 26, 2016 has formed the opinion, as specified in Clause (x) of Schedule II to the Regulations, on reasonable grounds that the Company having regard to its state of affairs will not be rendered insolvent within a period of one year from the Date of declaration of results.

### **Restrictions on Use**

9. Our work was performed solely to assist you in meeting your responsibilities with reference to the Regulations. Our obligations in respect of this report are entirely separate from, and our responsibility and liability is in no way changed by any other role we may have (or may have had) as auditors of the Company or otherwise. Nothing in this report, nor anything said or done in the course of or in connection with the services that are the subject of this report, will extend any duty of care we may have in our capacity as auditors of the Company.
10. This report is addressed to and provided to the Board of Directors of the Company pursuant to the requirements of the Regulations solely to enable the Board of Directors of the Company to include in the:
- a. Explanatory statement to be included in the postal ballot notice to be circularised to the shareholders;
  - b. Public Announcement to be made to the shareholders of the Company, which will be filed with (a) the Registrar of Companies as required by the Regulations (b) the National Securities Depository Limited and the Central Depository Services (India) Limited for the purpose of

## Letter of Offer

- extinguishment of equity shares and (c) the authorised dealer for the purpose of capital payment
- c. The draft letter of offer to be filed with Securities and Exchange Board of India and Stock Exchange; and
  - d. The letter of offer to be given to the shareholders

and should not be used for any other purpose. Lovelock & Lewes does not accept or assume any liability or duty of care for any other purpose or to any other person to whom this report, or Public Announcement which includes our report, is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

For Lovelock & Lewes  
Firm Registration Number: 301056E  
Chartered Accountants

Asha Ramanathan  
Partner  
Membership Number: 202660  
Place: Mumbai  
Date: May 26, 2016

### Annexure I - Statement of Permissible Capital Payment for Buyback of Equity Shares:

Particulars	Rs. in Million
Issued, Subscribed and Paid-up share capital as at March 31, 2016 (31,960,797 equity shares of Rs. 5 each fully paid up)	159.8
Free reserves as at March 31, 2016:	
- General Reserve	3,472.9
- Securities Premium Account	228.8
- Statement of Profit and Loss	7,758.3
Total	11,619.8
Maximum amount permissible for buy-back i.e. 25% of the total paid-up capital and free reserves	2,904.9

Note:

- (1) Calculation in respect of Permissible Capital Payment for Buyback of Equity Shares is done on the basis of audited financial statements of the Company for the year ended March 31, 2016 which is not more than six months old from the proposed date of offer document.
- (2) The Company has no debt as at March 31, 2016 and hence, computation of debt equity ratio is not applicable.

For and on behalf of Novartis India Limited

Ranjit Shahani  
Vice Chairman & Managing Director

Monaz Noble  
Chief Financial Officer

Place: Mumbai  
Date: 26<sup>th</sup> May, 2016  
*Unquote*



**24. DOCUMENTS FOR INSPECTION**

The following material documents are available for inspection by Shareholders of Novartis India Limited at the corporate office of the Company at Sandoz House, Shivsagar Estate, Dr Annie Besant Road, Worli, Mumbai – 400018, Maharashtra from 10.30 AM to 1 PM on any day, except Saturdays, Sundays and public holidays, during the Tendering Period:

- i. Copy of the certificate of incorporation and the Memorandum and Articles of Association of the Company;
- ii. Copy of the annual reports of the Company for the financial years ended March 31, 2014, March 31, 2015 and March 31, 2016;
- iii. Copy of the resolution passed by the Board of Directors at the meeting held on May 26, 2016 approving proposal for Buyback;
- iv. Copy of certificate dated May 26, 2016 received from Lovelock & Lewes, the statutory auditors of the Company, in terms of clause (xi) of Part A to Schedule II of the Buyback Regulations;
- v. Copy of the postal ballot notice to the Equity Shareholders dated May 26, 2016, along with explanatory statement;
- vi. Copy of special resolution passed by the Equity Shareholders of the Company by Postal Ballot, the results of which were announced on July 12, 2016;
- vii. Copy of declaration of solvency and an affidavit in form SH-9 as prescribed under section 68(6) of the Companies Act;
- viii. Copy of escrow agreement dated July 14, 2016 between the Company, Escrow Bank, and Ambit Private Limited;
- ix. A confirmation letter dated July 18, 2016 from Escrow Bank confirming the balance to the credit of Escrow Account;
- x. Copy of the certificate from Sandip Shah & Co., Chartered Accountant dated July 13, 2016 certifying that the Company has made firm arrangements for fulfilling the obligations under the Buyback, in accordance with the Buyback Regulations;
- xi. Copy of Public Announcement published in the newspapers on July 14, 2016 regarding Buyback of Equity Shares;
- xii. Opinion dated June 23, 2016 obtained by the Company on taxation; and
- xiii. Copy of SEBI observation letter no. CFD/DCR/SKS/22287/1/2016 dated August 9, 2016.

**25. COMPLIANCE OFFICER**

Monaz Noble  
Whole Time Director & Chief Financial Officer  
Novartis India Limited  
Sandoz House, Shivsagar Estate, Dr Annie Besant Road, Worli, Mumbai,  
Maharashtra – 400018  
Tel: +91 22 2495 8400  
Fax: +91 22 2495 0221  
Email: india.investors@novartis.com

Investor may contact the Compliance Officer for any clarification or to address their grievances, if any, during office hours i.e. 10:00 AM and 5:00 PM on all working days except Saturday, Sunday and Public holidays

**26. DETAILS OF THE REMEDIES AVAILABLE TO THE SHAREHOLDERS / BENEFICIAL OWNERS**

- 26.1. In case of any grievances relating to the Buyback (i.e. non-receipt of the Buyback consideration, Share certificate, demat credit, etc.) the investor can approach the Compliance Officer and/or Manager to the Buyback and/or Registrar to the Buyback for redressal.
- 26.2. If the Company makes any default in complying with the provisions of Section 68 of the Companies Act or any rules made there-under, or any regulation or under clause (f) of sub-section (2) of Section 68 of the Companies Act, the Company or any officer of the Company

who is in default shall be punishable with imprisonment for a term and its limit, or with a fine and its limit or with both in terms of the Companies Act.

- 26.3. The address of the concerned office of the Registrar of Companies is as follows:

Registrar of Companies, Maharashtra, Mumbai  
100, Everest, Marine Drive, Mumbai – 400 002

**27. INVESTOR SERVICE CENTRE**

In case of any query, the shareholders may contact the Registrar & Transfer Agent on any day except Saturday, Sunday and public holidays between 10:00 AM and 4:30 PM at the following address:

**Link Intime India Private Limited**  
C-13, Pannalal Silk Mills Compound,  
L.B.S.Marg, Bhandup (West),  
Mumbai – 400078  
Tel: +91 22 6171 5400;  
Fax: +91 22 2596 0329;  
Email: [novartis.buyback@linkintime.co.in](mailto:novartis.buyback@linkintime.co.in);  
SEBI Registration No.: INR000004058  
Contact Person: Ganesh Mhatre

**28. MANAGER TO THE BUYBACK OFFER**



**Ambit Private Limited**  
(formerly known as Ambit Corporate Finance Private Limited)  
Ambit House, 449, Senapati Bapat  
Marg, Lower Parel, Mumbai- 400013  
Tel: +91 22 39821819;  
Fax: +91 22 39823020;  
Email: [novartisbuyback@ambitpte.com](mailto:novartisbuyback@ambitpte.com)  
Website: [www.ambit.co](http://www.ambit.co)  
Contact person: Praveen Sangal  
SEBI Registration No.: INM000010585

**29. DECLARATION BY THE DIRECTORS REGARDING AUTHENTICITY OF THE INFORMATION IN THE LETTER OF OFFER**

As per Regulation 19(1)(a) of the Buyback Regulations, the Board of Directors of the Company accept full responsibility for the information contained in this Letter of Offer or any other advertisement, circular, brochure, publicity material which may be issued and confirm that the information on such documents contain true, factual and material information and shall not contain any misleading information. The Letter of Offer is issued under the authority of the Board of Directors by the Buyback Committee through Resolution passed by the Buyback Committee meeting held on August 11, 2016.

For and on behalf of the Board of Directors of

**Novartis India Limited**

Sd/-

Ranjit Shahani  
Vice Chairman & Managing  
Director

Sd/-

Monaz Noble  
Whole Time Director & Chief  
Financial Officer

Sd/-

Girish Tekchandani  
Company Secretary

Date: August 11, 2016  
Place: Mumbai

Enclosure:

1. Form of Acceptance-cum-Acknowledgement

