



**Novartis India Limited** Annual Report 2012-2013

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## Board of Directors

|                |                                     |
|----------------|-------------------------------------|
| C. Snook       | Chairman                            |
| R. Shahani     | Vice Chairman and Managing Director |
| J. Hiremath    | Director                            |
| Dr R. Mehrotra | Director                            |

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Company Secretary and  
Compliance Officer

Girish Tekchandani

Telephone Nos.  
E-mail

+91 22 2495 8400 / 2495 8888  
girish.tekchandani@novartis.com

Registrar and Transfer Agents

Sharepro Services (India) Private Limited  
13 AB, Samhita Warehousing Complex  
2<sup>nd</sup> floor, Sakinaka Telephone Exchange  
Off Andheri-Kurla Road  
Sakinaka, Andheri  
Mumbai 400 072

Telephone Nos.  
E-mail

+91 22 6772 0300 / 6772 0400  
indira@shareproservices.com  
sharepro@shareproservices.com

Registered Office

Sandoz House  
Shivsagar Estate  
Dr Annie Besant Road  
Worli, Mumbai 400 018

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## Annual General Meeting

11.30 am, Thursday, July 25, 2013

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Hall of Culture  
Nehru Centre  
Dr Annie Besant Road  
Worli  
Mumbai 400 018

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Members are requested to bring their copy of the Annual Report to the meeting. Members are also requested to direct all correspondence relating to shares to the Company's Registrar and Transfer Agents, Sharepro Services (India) Private Limited, at the address above.

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The Novartis India Limited Board



C. Snook, Chairman; R. Shahani, Vice Chairman & Managing Director; Dr R. Mehrotra, Director, J. Hiremath, Director

Dear Shareholder

A critical step towards healthcare for all is the availability of effective medication. Modern advances in science have made it possible for diseases such as small-pox to be wiped out. Even cancer, once perceived as a life-threatening condition, can be treated effectively, with innovative drugs that prolong life-spans and improve the quality of life.

Providing healthcare for all in a country that has the highest child mortality rates in the world, where around 150 women die every day through childbirth-related complications, and thousands suffer silently from diseases that are wholly preventable, is a monumental task. If it is to be achieved, then multiple stakeholders need to come together, aligned to a common purpose of providing better on-ground infrastructure, more efficient distribution systems and generating greater awareness. Governments have a major role to play in this, at all levels.

Drug discovery is a long, difficult, expensive and risky process. It can take as long as fifteen to twenty years to get one product into the market, after years of research and clinical trials, and pharmaceutical companies can spend up to \$3 – 4 billion to bring a new molecule to market. Testing new treatments in clinical trials requires painstaking collaboration among pharmaceutical companies, government, healthcare professionals and patients themselves.

If pharma companies are to be encouraged to make such investments, they need to be confident that their patents will be protected, and that their intellectual property rights remain intact. Patents are fundamental to innovation. As the Organisation of Pharmaceutical Producers of India (OPPI) has pointed out to the Indian government, “only a strong Patent Law can encourage, stimulate and sustain innovation in the field of pharmaceuticals which is a research-based and technology intensive Industry.” A strong patent law would encourage technology transfers and foreign direct investment; it would also stimulate research by both Indian and international companies, benefiting patients in the process. Novartis believes that protecting innovation is the best protection for patients, because it lays the foundation for all the R&D investments that are required for medical progress.

For Novartis, the approach has always been patient-centric. We believe in creating value through responsible business. Initiatives like the Novartis Institute for Biomedical Research (NIBR), Novartis Institute for Tropical Diseases (NITD), and Novartis Vaccines Institute for Global Health (NVGH) ensure that medicines are discovered and developed and provided to those who need them the most; for instance, vaccines discovered by NVGH are provided to low-income patients at no profit to Novartis.

Novartis continues to discover innovative treatments for disorders ranging from cancer to degenerative disease and currently has one of the strongest and most productive pipelines in the industry, with more than 200 projects in clinical development, many of which are new molecular entities.

Novartis also has a multi-pronged strategic approach to ensure access to healthcare, even in some of the remotest and most under-privileged regions. Product donations address cancer and infectious diseases like malaria, TB and leprosy; a collaboration with the World Health Organisation offers leprosy treatment, and pioneering new business models like Arogya Parivar improve healthcare awareness and access to more than 40 million people in rural India. In April 2013, Novartis tied up with Malaria No More, a leading global charity determined to end malaria deaths, a major cause of mortality in many developing countries.

Over the years, Novartis has been deeply involved in these, and a number of other such successful partnerships to bring the goal of healthcare for all closer to reality. As a pharma company, Novartis has taken significant steps to improve access to healthcare. Most recently Novartis Group has entered into a development and licensing agreement with a company based in India for two vaccines to protect against typhoid and paratyphoid fevers. This agreement advances our goal to deliver accessible and affordable vaccines that address unmet medical needs in endemic regions.

To supplement such efforts, government must play a strongly supportive role, through favourable policies that encourage further research into the diseases of poverty that plague our country. Patentability, patent enforcement, compulsory licensing, clinical trials and drug pricing are areas of concern for the research-oriented pharma industry which ultimately impacts the patient and these need to be addressed - areas no government can afford to neglect.

Sincere thanks to all of you, our shareholders, for the support you have provided over the years.

Best regards  
Ranjit Shahani



# Healthcare for All

In the year 2000, when 147 world leaders joined hands and vowed to eradicate poverty and its ill effects by 2015 through the Millennium Development Goals (MDGs), they aimed at cutting maternal mortality by three-quarters and child mortality by two-thirds. The 1990 poverty baseline that they used to set these goals indicated that 43 per cent of the population of developing countries – 1.9 billion people – lived in extreme poverty, subsisting on less than \$1 a day.

The good news is that in a little over two decades, the global poverty rate has indeed been cut by half; the bad news is that according to the World Health Organisation (WHO), every day approximately 800 women die from preventable causes related to pregnancy and childbirth, with 99 per cent of all maternal deaths occurring in developing countries.

In 2013, as world leaders get together again

to chalk out new goals for a post-MDG world, one-third of the population still lacks regular access to essential drugs. WHO estimates this at being over 40% in low-income countries and more than 50% in the poorest countries of Asia and Africa; it is in these countries where many infectious diseases such as tuberculosis and AIDS are leading causes of death, despite the fact that they can be treated, or even prevented.

In India, the problem of healthcare access needs serious attention. Providing adequate access to medicines and healthcare remains one of the most challenging issues faced by India today.

While scientific knowledge has advanced exponentially in the last few decades, the fact remains that millions of people in the developing world continue to die from diseases that are preventable and curable simply because they lack access to basic





medicines and health infrastructure. The major contributing factors for lack of access to healthcare are inadequate infrastructure pertaining to healthcare facilities including diagnostics, distribution systems, and availability of trained healthcare professionals, to name a few.

Poverty, of course, plays a major role and so do lack of both awareness and education. Gender issues and cultural mindsets may also prevent both rural and urban poor from getting timely and effective medical care; one study found, for instance, that only 23% pregnant women take folic acid, which is available almost free of cost. The problem is worse in the case of diseases such as leprosy, which unfortunately have a stigma attached to them, as patients are often reluctant to seek appropriate treatment.

India's diverse and multi-cultural society, characterised by its overpopulation and economic inequities, compounds the problem. Most people spend out of pocket on healthcare and this can lead to indebtedness and severely impact the socio-economic profile of the family,

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Gender issues and cultural mindsets may prevent rural and urban poor from getting timely and effective medical care; the problem is worse in the case of diseases which have a stigma attached to them

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particularly the poor and the marginalised where the spend on healthcare as a percentage to their total income could be significant.

#### THE CHALLENGES

According to IMS Consulting Group, healthcare access has varying meanings in different countries, especially across



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Barely five kilometers off a tarmac road, some very real challenges must be met. They can be summed up in just four words – Availability, Accessibility, Affordability and Acceptability – but together, they encompass a huge range of issues

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developing and developed economies. In developed economies, the concept of healthcare access largely revolves around the availability of insurance. In developing economies such as India, the situation is far more complex; access to healthcare is viewed across two dimensions – affordability, and the physical reach of a healthcare facility, particularly in remote or rural areas.

In a large country like India, geographic distance is a significant issue, particularly when road connectivity and means of communication are limited. Direct effects of distance from a primary healthcare centre on childhood mortality have been well documented, and the problem is compounded in the case of mothers with less education.

Poor transportation, particularly in remote areas, also acts as a barrier to accessing healthcare facilities, and maternal mortality is much higher in areas that trained medical or paramedical personnel find difficult to reach.

One study published in *South Asian Journal of Preventive Cardiology* observes that the average distance travelled by urban and rural population to access health services was six and 19 km respectively and distances result

in significantly increasing the total cost of treatment.

Barely five kilometers off a tarmac road, some very real challenges must be met. They can be summed up in just four words – Availability, Accessibility, Affordability and Acceptability – but together, they encompass the myriad issues that must be dealt with at a fundamental level, with concerted action by government authorities, non-governmental organisations (NGOs), corporates, and individuals. It is a formidable task and much work remains to be done. Physical access – the creation of hospitals and medical professionals – is a major component, but access to healthcare also involves the breaking of several visible and invisible barriers.

#### FINDING SOLUTIONS

As developing countries start seriously addressing the problem of access to healthcare, it is vital to acknowledge the complexity of the issues involved – inter-related problems, including poverty, national development policies and underfunded, inequitable or otherwise inefficient health systems. In poorer countries, sustainable access to medicines will require adequate healthcare infrastructure, along with distribution and financing; governments must play a crucial role in addressing these problems. It is also essential to secure domestic and international funding through public-private partnerships; this is vital in order to purchase medicines and develop critical health system infrastructure and expertise. The broader social context can never be forgotten.

#### TECHNOLOGY TO THE RESCUE

The number of doctors in a country like India is woefully inadequate, particularly in rural areas, where the availability of qualified doctors is virtually non-existent. Innovative uses of technology, coupled with



frugal innovation, however, can help bridge the gap, with more effective outcomes at affordable costs.

Appropriate use of a simple device like the blood glucose monitor by paramedical staff, for instance, could help keep the number of people suffering from diabetes in check, particularly given that India has the dubious distinction of being the diabetes capital of the world. A device that requires practically no training, it can be operated by someone at the lowest level of the healthcare ladder.

Similarly, equipping health centres with basic diagnostic technology such as Rapid Diagnostic Kits, which are low cost and easy to use, and connecting them to a clinical decision support system can help in minimising the impact caused by the absence of a doctor.

Such a system can help those on ground take quick and timely decisions of either starting the right treatment or referring the patient to an appropriate treatment centre.

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Appropriate use of a simple device like the blood glucose monitor by paramedical staff could help keep the number of people suffering from diabetes in check; an easy-to-use device, it requires practically no training

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#### GOVERNMENT INITIATIVES

In recent times, the government has steadily increased its share of spend on total healthcare (21% in 2004, 31% in 2011), and has spent significantly on both awareness and delivery of healthcare through its key national level programs such as National Rural Health Mission (NRHM), National Urban Health Mission

## IMPROVING ACCESS AND HEALTH TAKES MUCH MORE THAN PRODUCTS



Source: Adapted from: Access to Health Care in Contexts of Livelihood Insecurity: A Framework for Analysis and Action; Brigit Obrist et al 2007.

disproportionate investment in urban cities, general lack of healthcare resources and infrastructure as compared to international standards, lack of quality treatment, and affordability. However, while there are pockets of improvement, gaps in public sector health infrastructure, resourcing and financing impact affordability of healthcare services and reduce access for large sections of the Indian population. Even with recent increases, spend by government as a percentage to GDP remains abysmally low.

### OUR COMMITMENT

Pharmaceutical companies like Novartis play a significant additive role in improving healthcare access. Novartis has several national and international patient assistance programs and other initiatives throughout the world, to enhance both access to and affordability of the company's products. These initiatives include full donation programs and co-pay programs for the less affluent. Novartis is also expanding its focus on innovation beyond the discovery of new medicines to encompass novel pricing

(NUHM), Rashtriya Swasthya Bima Yojana (RSBY), and Pradhan Mantri Swasthya Suraksha Yojana (PMSSY). These programs have addressed a range of issues, such as





#### THE NOVARTIS DIFFERENCE

Novartis has done a great deal to ensure greater access to medicine to treat a variety of diseases, some of which often go untreated because they carry a stigma, or because the treatment is unaffordable for many patients.

#### Leprosy

Since 2000 Novartis has provided free treatment for all leprosy patients worldwide in a pioneering collaboration with the WHO – leading to the cure of more than 4.5 million patients and near-elimination of the disease. Two of the three drugs used in multi-drug therapy (MDT), the treatment recommended by the WHO against leprosy, were developed in Novartis research laboratories. The global requirements of MDT are manufactured entirely at Novartis plants in India and the country with 70% of the world's case load for leprosy, is the largest recipient. In India, we go beyond providing treatment to looking at the holistic rehabilitation of the patient. We believe that thanks to these interventions, the dreaded disease is now close to being eradicated forever.

#### Rare cancers

In 2001 Novartis launched a landmark product in cancer medicine: Gleevec/Glivec® (imatinib). Glivec inhibits the principal causes of two forms of cancer – chronic myeloid leukemia (CML) and Kit (CD117) positive gastrointestinal stromal tumor (GIST), rare cancers affecting one to two people per 100,000 a year according to estimates. Today the Glivec global patient access programs range from full donation (Novartis donates the product) to a shared contribution model (local governments, charities or other payors share the cost of the medication with Novartis) and co-pay model (Novartis and the patient share the cost of the medication on a sliding scale, depending upon the patient's ability to pay). In India, more than 16,000 patients receive the drug absolutely free and Glivec valued at close to USD 2 billion has been distributed free of cost since late 2002. Novartis has since expanded its patient access programs to incorporate Tasigna® (nilotinib), a new product that has shown superior results to Glivec in patients with early-stage CML.

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## Novartis access programs are tailored to patient needs: from prevention to treatments, and from donations to shared contributions

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models. The company recognises that access to medicine is limited in developing countries, and aims to be a leader in finding and implementing solutions to close the access gap.

Novartis is committed to this mission, and has done a great deal in this regard at a global level. For instance, the company has two Memorandums of Understanding with the WHO, whereby we provide free treatment for all leprosy patients worldwide and an anti-malarial product at cost.

In addition to WHO, Novartis works with a

variety of other partners, from the public and private sectors, procurement agencies and non-governmental organisations. Our approach to healthcare access is patient-centric and designed to enable superior patient outcomes. Novartis access programs are tailored to patient needs: from prevention to treatment, from donations to shared contribution or co-pay models, depending on individual circumstances and need.

This approach results in some visible outcomes. According to internal estimates, during 2012, vaccines and medicines from Novartis were used to protect and treat more than 1.2 billion people globally, that's around the entire population of India! Access to eyecare alone was expanded for more than 700,000 patients. During the year, various Novartis access-to-medicine programs – valued at USD 2 billion – reached 100 million patients globally. Millions of patients across the globe benefit from our access-to-medicine initiatives that span the gamut from drug donation and research programs





During 2012, vaccines and medicines from Novartis were used to protect and treat more than 1.2 billion people globally; that's around the entire population of India!

for neglected diseases such as malaria, tuberculosis and leprosy in developing nations to patient assistance programs that help cancer patients receive the most innovative and effective treatments available.

Through the work of its Foundation for Sustainable Development ([www.novartisfoundation.org](http://www.novartisfoundation.org)), Novartis is also actively involved in developing innovative means by which to increase access to effective healthcare, supporting research into poverty-related diseases and the treatment available for them.

Novartis firmly believes that the combination of public-private partnerships, public funding of healthcare delivery systems and appropriate R&D financial incentives, will all play important roles in encouraging future drug research in poverty-related diseases. Novartis AG is one of the industry's biggest investors in research, having invested more than USD 9 billion in 2012. In fact, 21% of pharmaceutical global net sales were invested in R&D for pharmaceuticals.

### EXPANDING ACCESS TO HEALTHCARE IN 2012

Programs reached more than 100 million patients and were valued at USD 2 billion.

#### Research & Development

- 185 associates at NIBR, NITD and NVGH worked to find new treatments and vaccines for diseases like malaria, dengue and typhoid fever

#### Patient assistance

- Malaria Initiative reached 99.7 million patients with Coartem
- Access programs for cancer medicines reached 60,000+ patients
- Leprosy medicines provided to 2,50,000+ patients
- Alcon medical missions expanded access to eye care for 70,000+ patients

#### Health system strengthening

- The Novartis Foundation for Sustainable Development improved access to quality healthcare and social services for 4.6 million people
- Social business initiatives reached 2,40,000+ patients with Novartis products



The company's commitment to investing in R&D for greater healthcare access may be seen, for instance, in the fact that it opened a cutting-edge research centre in Singapore, the Novartis Institute for Tropical Diseases (NITD), which focuses on developing preventive and effective treatments for tuberculosis and dengue fever. Any therapies discovered at NITD will be made available without profit to poor patients in developing countries where these diseases are widespread.

Another R&D initiative is the vaccine research institute in Siena, Italy, with a non-profit mission to exclusively focus on the development of vaccines for diseases of the developing world.

The Novartis Vaccines Institute for Global Health (NVGH) is the first institute of its kind to be set up by a major vaccine manufacturer. All vaccines discovered by the institute that receive regulatory approval will be introduced first in developing countries and provided at an affordable, accessible price to developing world populations.

### **SAFEGUARDING INTELLECTUAL PROPERTY RIGHTS**

If facilitating healthcare access is to be truly viable for pharmaceutical companies, it is important to consider issues of medicine prices and intellectual property (IP) rights. One solution to the former is special pricing arrangements that allow prices for specific products to be adapted to the needs of developing countries; this would provide incentives for research and offer wider distribution of medicines. For this to work, it is vital to support such arrangements through important safeguards, including trade controls to prevent re-exportation of low-priced medicines to higher-priced markets and provisions to ensure that artificially low prices of medicines available in developing countries are not used subsequently as the basis for reference prices for drug reimbursement in developed countries.

Research-oriented pharma companies like Novartis make significant investments in order to bring a drug to market. It is a lengthy process that requires many years

of dedicated effort, without any surety of eventual success. Given the challenges that the process involves, it is necessary for the company's IP rights to be protected. In this connection, Novartis strongly supports the World Trade Organisation's TRIPS (Trade-related Aspects of Intellectual Property Rights) Agreement. We believe that TRIPS strikes a fair balance of providing IP protection to pharmaceutical companies, while allowing countries the flexibility to provide treatment to poor people in national emergencies.

Novartis believes that innovation is the key to medical progress and it is certainly core to our business. However, discovering, developing and successfully marketing innovative products require the right ecosystem and governmental support. In a country like India, effective patent laws will go a long way towards encouraging pharmaceutical companies to invest in R&D; this is a fundamental component of providing better access to healthcare.

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Universal access to healthcare is an attainable goal even in a country like India, with its many complexities and shortcomings. However, it can only become a reality if government works together with all stakeholders – pharmaceutical companies, international agencies and non-governmental organisations. As the deadline for the Millennium Development Goals draws closer, there is certainly no time to lose.



# Notice

NOTICE is hereby given that the 65<sup>th</sup> Annual General Meeting of NOVARTIS INDIA LIMITED will be held at Hall of Culture, Nehru Centre, Dr Annie Besant Road, Worli, Mumbai 400 018 on Thursday, July 25, 2013 at 11.30 a.m. to transact the following business:

## **Ordinary Business**

1. To receive, consider and adopt the Audited Profit and Loss Account for the year ended March 31, 2013 and the Balance Sheet as on that date together with the Reports of the Directors and the Auditors thereon.
2. To declare dividend for the year ended March 31, 2013.
3. To re-appoint M/s Lovelock & Lewes, Chartered Accountants, as Auditors of the Company, from the conclusion of this meeting until the conclusion of the next Annual General Meeting and to authorize the Audit Committee of the Board of Directors to fix the remuneration of the said Auditors.
4. To appoint Mr J. Hiremath as Director, who retires by rotation and being eligible, offers himself for re-appointment.

By Order of the Board of Directors

GIRISH TEKCHANDANI  
Company Secretary

## **Registered Office:**

Sandoz House, Shivsagar Estate  
Dr Annie Besant Road, Worli  
Mumbai 400 018

May 14, 2013

**Notes:**

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE ANNUAL GENERAL MEETING (“the Meeting”) IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND SUCH A PROXY NEED NOT BE A MEMBER.
2. THE INSTRUMENT APPOINTING PROXY/PROXIES IN ORDER TO BE EFFECTIVE MUST BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.

CORPORATE MEMBERS INTENDING TO SEND THEIR AUTHORIZED REPRESENTATIVE(S) TO ATTEND THE MEETING ARE REQUESTED TO SEND TO THE COMPANY, A DULY CERTIFIED BOARD RESOLUTION AUTHORIZING THEIR SAID REPRESENTATIVE(S) TO ATTEND AND VOTE ON THEIR BEHALF AT THE MEETING.

3. The Register of Members and Share Transfer Books will remain closed on all days from Thursday, July 18, 2013 to Thursday, July 25, 2013 both days inclusive.
4. Payment of dividend for the year ended March 31, 2013 as recommended by the Board, if approved at the Meeting, will be made payable on or after July 30, 2013 in respect of shares held in physical form to those members whose names appear in the Company’s Register of Members as on July 18, 2013 and in respect of shares held in electronic form, to those who are “deemed members” whose names appear in the statement of beneficial owners furnished by National Securities Depository Limited (“NSDL”) and Central Depository Services (India) Limited (“CDSL”) at the close of business hours on July 17, 2013.
5. In terms of Sections 205A and 205C of the Companies Act, 1956 (“the Act”), dividend, which remains unclaimed for a period of seven years from the date of transfer to the Unpaid Dividend account is required to be transferred to the Investor Education and Protection Fund (“IEPF”) established by the Central Government.

In compliance with Sections 205A and 205C of the Act, unclaimed Dividend up to/for the financial year ended March 31, 2005 has been transferred to the IEPF.

Members who have not encashed dividend warrant(s) for the financial year ended March 31, 2006 onwards are requested to make their claims to the Company or to M/s Sharepro Services (India) Private Limited, without any delay.

**Due date for transfer of unclaimed dividend to IEPF**

| Year    | Dividend rate per share (₹) | Date of declaration | Due date for transfer to IEPF |
|---------|-----------------------------|---------------------|-------------------------------|
| 2005-06 | 15                          | 28.07.2006          | 03.09.2013                    |
| 2006-07 | 10                          | 17.03.2007          | 23.04.2014                    |
| 2007-08 | 10                          | 16.07.2008          | 22.08.2015                    |
| 2008-09 | 10                          | 17.07.2009          | 23.08.2016                    |
| 2009-10 | 10                          | 30.07.2010          | 05.09.2017                    |
| 2010-11 | 10                          | 26.07.2011          | 01.09.2018                    |
| 2011-12 | 10                          | 25.07.2012          | 31.08.2019                    |

6. Members/Proxies are requested to bring the attendance slip along with their copy of the Annual Report to the Meeting.
7. Members desirous of obtaining any information concerning the accounts and operations of the Company are requested to address their questions in writing to the Company Secretary at least seven days before the date of the Meeting, so that the information required may be made available at the Meeting.

8. Members holding shares in physical form are requested to notify/send the following to the Company's Registrar and Transfer Agents to facilitate better service:
  - i. Any change in their address
  - ii. Particulars of their bank accounts in case the same have not been sent earlier, for dividend payment through ECS mode and
  - iii. Share certificate(s) held in multiple accounts in identical names or joint accounts in the same order of the names for consolidation of such holdings into one account.
9. Members holding shares in electronic form are advised that address/bank details as furnished to the Company by the respective Depositories, viz. NSDL and CDSL will be printed on the dividend warrants. Members are requested to inform the concerned Depository Participants of any change in address, dividend mandate, etc.
10. Members holding shares in physical form and desirous of making a nomination in respect of their shareholding in the Company, as permitted under Section 109A of the Act, are requested to submit details to the Registrar and Transfer Agents of the Company, in the prescribed Form 2B for this purpose.
11. Pursuant to Clause 49 of the Listing Agreement with the Stock Exchange, additional information relating to the Director recommended for re-appointment at the Meeting appears in the Directors' Report.
12. In case of joint holders attending the Meeting, only such joint holder who is higher in the order of names will be entitled to vote.

By Order of the Board of Directors

GIRISH TEKCHANDANI  
Company Secretary

**Registered Office:**

Sandoz House, Shivsagar Estate  
Dr Annie Besant Road, Worli  
Mumbai 400 018

May 14, 2013

# Directors' Report

Your Directors are pleased to present the Annual Report and the Audited Accounts for the financial year ended March 31, 2013.

## Summary of the Financial Results

|   | ₹ million      |                |
|---|----------------|----------------|
|   | 2012-2013      | 2011-2012      |
| <b>Revenue from operations (Net)</b>                  | <b>9,033.6</b> | <b>8,442.9</b> |
| <b>Operating Profits</b>                              |                |                |
| Profit before tax                                     | 1,694.2        | 2,246.9        |
| Profit after tax                                      | 1,197.3        | 1,520.2        |
| <b>Balance brought forward from previous year</b>     | <b>4,533.9</b> | <b>3,537.1</b> |
| <b>Available for appropriation</b>                    | <b>5,731.2</b> | <b>5,057.3</b> |
| The Directors have made the following appropriations: |                |                |
| Dividend (Proposed)                                   | 319.6          | 319.6          |
| Tax on distributed profits                            | 54.3           | 51.8           |
| General Reserve                                       | 119.7          | 152.0          |
| Carry forward   | 5,237.6        | 4,533.9        |
|   | <b>5,731.2</b> | <b>5,057.3</b> |

## Dividend

The Board has recommended payment of dividend at ₹ 10 per equity share of ₹ 5 each for the financial year 2012-13. The dividend, if approved by the members at the Annual General Meeting, will result in a cash outflow of ₹ 373.9 million including dividend tax.

## Management Discussion and Analysis

The business operations of the Company comprise Pharmaceuticals, Generics, Over-The-Counter ("OTC") and Animal Health. This segmentation forms the basis for review of operational performance by the management.

### a. Industry structure and developments

#### Pharmaceuticals and Generics

The Indian Pharmaceuticals market, valued at around ₹ 612 billion (IMS, MAT March 2013), is a highly fragmented market with a large number of players spread across therapy segments. Growing at ~10 per cent per annum, it continues to be a predominantly "branded generics" market with more than 5,000 players and over 50,000 brands.

India is projected to be one of the fastest growing Pharmaceutical markets in the world. However, recent developments with respect to price controls (New Pharmaceutical Pricing Policy 2012), non-recognition of patents, compulsory licensing and lower GDP growth will serve to act as a dampener in the short and medium term and be to the long term detriment of the patient.

Increasing urbanization, rising life expectancy and sedentary lifestyles persists, resulting in a growing prevalence of lifestyle diseases such as cardiovascular ailments and diabetes. The gradual change in disease pattern from acute to chronic continues with the acute segment still playing a dominant role. Consequently, there is an increasing demand for products to treat these medical conditions.

## OTC

Ranked as the third fastest growing market among the top 15 markets globally in 2012, the OTC market in India is valued at ₹ 129.1 billion. It is the 12<sup>th</sup> largest market in the world and has grown at 12.7 per cent in 2012 (Nicholas Hall DB 2012).

Lack of regulatory guidelines for the OTC segment and the recent developments around price controls together with lower GDP growth are expected to impact growth in the short to medium term.

## Animal Health

The Animal Health market is estimated to have grown by around 6 per cent during this financial year. While the poultry industry was impacted mainly due to viral diseases and over production resulting in a temporary crisis, the cattle segment has been steady. There has been a spurt in the number of private dairy farms coming up across the country and farmers are being encouraged to cross-breed cattle for greater milk production.

### b. Performance

Net Revenue from Operations for the year ended March 31, 2013 was at ₹ 9,033.6 million representing a growth of 7 per cent over the previous year.

Profit before tax for the year was at ₹ 1,694.2 million representing a decline of 24.6 per cent over the previous year. The decline in profit was mainly caused by increase in costs of inputs due to inflation and depreciation in the value of the rupee resulting in higher cost of imports.

After providing for income tax of ₹ 496.9 million, profit after tax was ₹ 1,197.3 million.

### c. Segment-wise operational performance

#### Pharmaceuticals

The Pharmaceuticals business registered Net Revenue from Operations of ₹ 6,348.5 million representing a growth of 8.3 per cent over the previous year. Higher sales from some of the key brands were the primary contributors of this growth.

New product and line extensions introduced during the period under review were:

| <u>Therapeutic Area</u> | <u>Product</u>  |
|-------------------------|-----------------|
| Calcium Supplements     | Esosteo™        |
| Calcium Supplements     | Macalvit® Forte |

The business continues to hold leadership position in major therapeutic areas such as:

| <u>Therapeutic Area</u>    | <u>Rank</u> | <u>Product</u>     |
|----------------------------|-------------|--------------------|
| Pain & Inflammation        | 1           | Voveran®           |
| Transplantation/Immunology | 1           | Sandimmun® Neoral® |
| Central Nervous System     | 3           | Tegrital®          |

#### Generics

The Generics business recorded Net Revenue from Operations of ₹ 625.2 million representing a growth of 9.1 per cent over the previous year.

## OTC

The OTC business registered Net Revenue from Operations of ₹ 1,104.6 million, a decline of 5.7 per cent over the previous year as sales of select Calcium products were impacted by supply and distribution issues.

Other products of the OTC business in the Cough, Cold and Allergy range, Otrivin®, Otrinoz® and T-minic® continued strong sales growth over the previous year.

Otrivin® continues to be the No. 1 brand in the Nasal decongestant category with a market share of 35.4 per cent (IMS MAT March 2013).

New line extension introduced during the period under review was:

| <u>Market Segment</u> | <u>Product</u>         |
|-----------------------|------------------------|
| Nasal Decongestant    | Otrivin® Perfect Night |

#### **Animal Health**

During the year under review, the Animal Health business achieved Net Revenue from Operations of ₹ 955.3 million representing a growth of 14.1 per cent over the comparable previous period. Primary contributors to this growth were the flagship brands of Denagard®, Mifex®/Mifex® Oral, Calborol™ and Protexin. An increased reach and rural penetration activities were key to achieving this sales growth.

New products introduced during the year were:

| <u>Market Segment</u> | <u>Product</u>                  |
|-----------------------|---------------------------------|
| Cattle                | Comshot™, Oestrushot™, Panrely™ |

#### **d. Concerns**

##### **Pharmaceuticals and Generics**

The lack of health infrastructure in rural India in terms of number of qualified healthcare professionals, nursing staff, hospitals, diagnostic facilities and distribution of pharmaceutical products continues to be a matter of grave concern – resulting in limited access to modern medicines for the vast majority of the Indian population.

In the last one year the operating environment has toughened significantly with a slowdown in clearances of clinical trials and new drug approvals. Further, the impending expansion of the scope of price control (arising out of the New Pharmaceutical Pricing Policy 2012) in an already significantly competitive market, non-recognition of patents and the threat of compulsory licensing continue to create an unpredictable environment for the research oriented pharmaceutical industry. This coupled with lower economic growth may restrict overall progression of the Industry.

The Company is working towards identifying opportunities which can potentially negate the adverse impact of changes in the operating environment and continue to deliver strong performance.

##### **OTC**

Industry supply chain issues which in turn limit distribution reach continue to serve as constraints to the OTC business. Lack of clarity with regard to regulatory guidelines for the OTC industry and the uncertainties related to price control are areas of concern likely to impact the business.

##### **Animal Health**

Competition from generic players continues to significantly impact margins. Viral diseases, rising cost of feed, high inflation and adverse exchange rate are also areas of concern.

##### **General Concerns**

**Inflation:** The continuing high level of inflation in the Indian economy means increase in input and service costs resulting in negative impact on the margins of the Company.

**Currency rate fluctuation:** During the last financial year, the currency markets witnessed high volatility with the Indian rupee depreciating against major currencies. The Company imports some of its products for marketing/selling in India and depreciation in the value of the rupee may have an impact on the margins of the Company.

## e. Outlook

### Pharmaceuticals and Generics

Notwithstanding the strong long-term potential of the Indian Pharmaceutical Market given our large population base, increasing middle class population and increasing penetration of healthcare insurance, investments in the sector and profitability could be impeded in the short to medium term given the current operating environment. Changing demographics with increasing urbanization is leading to a rise in chronic and lifestyle diseases which could drive growth in these segments. Increasing healthcare awareness and growing income levels is likely to result in higher spends on medicines and healthcare products.

### OTC

A growing economy, higher disposable incomes, rapidly increasing middle class and greater health awareness is likely to translate in to higher spend on OTC products. Resulting revenue and increased profits will be offset by the proposed expansion of the scope of price control.

### Animal Health

Prediction of a normal monsoon means the cattle segment is expected to grow consistently. The Company expects the poultry sector to recover during the year. Both these developments should augur well for the Animal Health business.

## f. Internal control systems and their adequacy

The Company maintains appropriate systems of internal control, including monitoring procedures, to ensure that all assets are safeguarded against loss from unauthorised use or disposition. Company policies, guidelines and procedures are in place to ensure that all transactions are authorised, recorded and reported correctly as well as provide for adequate checks and balances.

The internal audit department together with a firm of Chartered Accountants reviews the effectiveness and efficiency of these systems and procedures to ensure that all assets are protected against loss and that the financial and operational information is accurate and complete in all respects. Audits are finalized and conducted based on internal risk assessment, and as per the plan annually approved and periodically reviewed during the year by the Audit Committee. Significant deviations are brought to the notice of the Audit Committee of the Board and corrective measures are recommended for implementation. All these steps facilitate timely detection of any irregularities and early remedial measures with no monetary loss.

## g. Personnel

The Industrial Relations scenario continued to be cordial. The Company regards its employees as its strength and accords high priority to training and development of employees. During the year under review, the Company continued its program called "Be Healthy" for its associates encouraging them to take charge of their health through a variety of measures including keeping track of their health scores, exercising and adopting a healthy diet.

Number of employees as on March 31, 2013 was 1,378.

Information as per Section 217(2A) of the Companies Act, 1956 ("the Act"), read with the Companies (Particulars of Employees) Rules, 1975, and Companies (Particulars of Employees) Amendment Rules, 2011 can be obtained by an interested shareholder by submitting a written request to the Company Secretary. This practice is followed as per the provisions of Section 219(1) (b) (iv) of the Act. Thus, the Report and the Accounts are being sent to all shareholders, excluding the Statement of Particulars under Section 217(2A).

## **Corporate Social Responsibility**

The Company continues to focus its attention on health and education of the underprivileged through its association with various non-government organisations. During the year under review, the Company maintained its support to the NGO Akanksha, which works with slum children. A scholarship to three deserving women at the Indian School of Business, Hyderabad continues.

The Company continues to grow the Biotechnology Leadership Camp (“BioCamp”) for students in Hyderabad and nominated three students to attend the Novartis International Biotechnology Leadership Camp in Basel, Switzerland.

Community Partnership Week continues to attract a rising number of associates who participate in a range of activities including spending time with abandoned children, the sick, the differently-abled and the elderly.

The Company’s commitment to Health, Safety and Environment (“HSE”) Protection continues to be an integral dimension of its overall corporate social responsibility and includes occupational safety and health protection; building safety; process safety; product stewardship; environmental protection and conservation of natural resources and energy. Managerial and operational responsibility for all HSE aspects lies with the businesses.

## **Fixed Deposits**

No fresh fixed deposits were accepted from the public during the year. However, deposits under the Voluntary Retirement Scheme 1992, continued to be accepted. Total deposits as at March 31, 2013 stood at ₹ 1.8 million. The Company does not have any unclaimed or overdue deposits as of date.

## **Directors**

Mr J. Hiremath retires at the end of this Annual General Meeting and has offered himself for re-appointment.

Mr Hiremath is a Chartered Accountant from England and has completed the ‘Owner President Management Program’ at Harvard University, Boston, USA. He is the Chairman & Managing Director of Hikal Limited and on the Board of the National Safety Council of India. He was the President of Indian Chemical Council from 2009 to 2010 and Chairman of the Chemicals Committee of Federation of Indian Chambers of Commerce & Industry (“FICCI”) from 2009 to 2011. He is currently on the Executive Committee of Indian Chemical Council (“ICC”). He is also a member of the National Committee on Chemicals of Confederation of Indian Industries (“CII”), and National Chemicals Committee of FICCI. He was nominated finalist for the Ernst & Young Entrepreneur of the year in 2000. In April 2005 he was awarded the prestigious ChemTech Award for ‘Business Leader of the Year – Chemicals’.

## **Auditors**

M/s Lovelock & Lewes, Chartered Accountants, retire at the end of this Annual General Meeting and, being eligible, offer themselves for re-appointment. The Board has recommended their re-appointment.

## **Cost Audit**

The Directors have re-appointed M/s N. I. Mehta and Co., Cost Accountants, as Cost Auditors to audit the accounts relating to drug formulations for the financial year ending March 31, 2014.

## **Energy, Technology Absorption and Foreign Exchange**

Information required under Section 217(1)(e) of the Act, read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988, with respect to conservation of energy, technology absorption and foreign exchange earnings/outgo is included in Annexures A and B.

## **Directors' Responsibility Statement**

Pursuant to Section 217(2AA) of the Act, the Directors confirm that:

- (a) In the preparation of the annual accounts, the applicable accounting standards have been followed;
- (b) Appropriate accounting policies have been selected and applied consistently and have made judgements and estimates that are reasonable and prudent, so as to give a true and fair view of the state of affairs of the Company as at March 31, 2013 and of the profit of the Company for the year ended March 31, 2013;
- (c) Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (d) The annual accounts have been prepared on a going concern basis.

## **Corporate Governance**

The Company is committed to good corporate governance in line with the Listing Agreement and Novartis Group corporate governance norms. The Company is in compliance with the provisions on corporate governance specified in the Listing Agreement with the Bombay Stock Exchange Limited.

A certificate of compliance from Dr K. R. Chandratre, a practicing Company Secretary and the report on Corporate Governance form part of this Directors' Report.

## **Acknowledgement**

The Board places on record the contribution made by employees to the continued satisfactory business performance during the period under review and the sustained management support received from the parent company, Novartis AG. The Board also places on record their appreciation of the support of all stakeholders particularly shareholders, customers, suppliers, the medical fraternity and business partners, all of whom have contributed to the Company's success.

## **Cautionary Note**

The statements forming part of the Directors' Report may contain certain forward looking remarks within the meaning of applicable securities laws and regulations. Many factors could cause the actual results, performances or achievements of the Company to be materially different from any future results, performances or achievements that may be expressed or implied by such forward looking statements.

On behalf of the Board of Directors

CHRISTOPHER SNOOK  
Chairman

Mumbai, May 14, 2013

# Annexure to the Directors' Report

Particulars required by the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 and forming part of the Directors' Report for the year ended March 31, 2013.

## Conservation of Energy

Measures taken, additional investments and impact on reduction of energy consumption

### FORM A

Form of Disclosure of particulars with respect to Conservation of Energy

|  | 2012-13        | 2011-12        |
|--|----------------|----------------|
| <b>A. Power and Fuel Consumption</b>           | Not applicable | Not applicable |
| <b>B. Consumption – per unit of production</b> | Not applicable | Not applicable |

### FORM B

Form of Disclosure of particulars with respect to Technology Absorption:

#### Research & Development (R&D)

##### 1. Specific areas in which R&D is carried out by the Company:

The scope of activities covers process development in Drugs and Pharmaceutical formulations.

##### 2. Benefits derived from R&D:

- Productivity and quality improvements
- Improved process performance and better cost management
- Enhancement of safety and better environmental protection

##### 3. Future plan of action:

Relevant R&D activity in the areas of business operations of the Company will continue with a view to adapt products and processes to improve performance and better meet the end user's needs.

##### 4. Expenditure on R&D:

|   | in ₹ million |         |
|---|--------------|---------|
|   | 2012-13      | 2011-12 |
| a. Capital  | —            | 0.2     |
| b. Revenue  | 2.2          | 2.7     |
| c. Total  | 2.2          | 2.9     |
| d. Total R&D expenditure as a percentage to Revenue from Operations (Net) | 0.02%        | 0.03%   |

#### Technology Absorption, Adaptation and Innovation

##### 1. Efforts in brief made towards technology absorption, adaptation and innovation:

Novartis AG, Switzerland continues to provide basic technology and technical know-how for introduction of new products and formulation development. These are adapted, wherever necessary, to local conditions.

**2. Benefits derived as a result of the above efforts:**

New product development, productivity and quality improvements, enhanced safety and environmental protection measures and conservation of energy.

**3. Technology imported:**

Novartis AG, Switzerland has provided technical know-how and technology relevant to the areas of business of the Company, as and when required, relating to products, quality, marketing and so on. This on-going process involves visits by employees of both companies to each other's office sites for discussions and training.

**Foreign Exchange earnings and outgo**

The information in this regard is provided in Note nos. 40 to 42 to the Accounts.

On behalf of the Board of Directors

CHRISTOPHER SNOOK  
Chairman

Mumbai, May 14, 2013

# Report on Corporate Governance

## 1. Company's philosophy on Code of Corporate Governance

Novartis India Limited ("the Company") strives to follow the best corporate governance practices, develop best policies/guidelines and communicate and train all its employees in order to foster a culture of compliance and obligation at every level of the organization. The Company is in compliance with the provisions on Corporate Governance specified in the Listing Agreement with the Bombay Stock Exchange Limited.

The Company is dedicated to meet the expectations of stakeholders as a responsible corporate citizen. The Novartis Code of Conduct contains the fundamental principles and rules concerning ethical business conduct.

## 2. Board of Directors

### Composition of the Board of Directors

The Company is fully compliant with the Corporate Governance norms in terms of constitution of the Board of Directors ("the Board"). The Board of the Company is composed of eminent individuals from diverse fields. The Board acts with autonomy and independence in exercising its strategic supervision, discharging its fiduciary responsibilities and ensuring that the management observes the highest standards of ethics, transparency and disclosure. Every member of the Board, including the Non-Executive Directors, has full access to any information related to the Company.

The Board of the Company is composed of Executive and Non-Executive Directors. The strength of the Board is four Directors comprising of one Executive and three Non-Executive Directors including the Chairman of the Company. Fifty per cent of the Board comprises of Independent Directors.

The details of the Board are given below:

| Name           | Category (Director)                 | Date of joining the Board | No. of Directorships/Committee Memberships/Chairmanships (Including Novartis India Limited) |                     |                                      |  |
|----------------|-------------------------------------|---------------------------|---|---------------------|--------------------------------------|--|
|                |                                     |                           | Directorships under Section 275 <sup>(1)</sup>  | Other Directorships | Committee Memberships <sup>(2)</sup> | Committee Chairmanships <sup>(2)</sup> |
| Mr C. Snook    | Non-Executive Chairman              | 01.08.2008                | 1   | 44                  | 2                                    | —                                      |
| Mr R. Shahani  | Vice Chairman and Managing Director | 01.11.2002                | 1   | 4                   | 1                                    | —                                      |
| Mr J. Hiremath | Independent                         | 28.01.2006                | 3   | 8                   | 2                                    | 1                                      |
| Dr R. Mehrotra | Independent                         | 30.05.2000                | 2   | —                   | 4                                    | 2                                      |

(1) Directorships in companies other than in foreign companies/private companies/non-profit organisations.

(2) Membership/Chairmanship in Audit Shareholders'/Investors' Grievance and Remuneration Committees of all public limited companies, whether listed or not, including Novartis India Limited.

Except Dr R. Mehrotra, no Directors and their relatives hold shares in the Company. Dr R. Mehrotra holds 270 shares of the Company as on March 31, 2013.

### Board Meetings

The Board/Committee meetings are pre-scheduled and a tentative annual calendar of Board and Committee meetings is circulated to the Directors well in advance to enable them to plan their schedules and to ensure their meaningful participation in the meetings. However, in case of a special and urgent business need, the Board's approval is taken by circular resolution, which is ratified in the subsequent Board meeting.

During the financial year under review, four Board meetings were held on May 24, 2012; July 25, 2012; October 25, 2012 and January 23, 2013. The Company held one Board Meeting in each quarter as required under the Companies Act, 1956 ("the Act") and the gap between two Board meetings was in compliance with the provisions contained in the Listing Agreement.

Details of Directors and their attendance at the Board meetings and Annual General Meeting ("AGM") are given below:

| Name of the Director | Category  | No. of meetings held during the financial year ended March 31, 2013 | No. of meetings attended during the financial year ended March 31, 2013 | Attendance at last AGM |
|----------------------|---|---|---|------------------------|
| Mr C. Snook          | Non-Executive Chairman  | 4   | 4   | Yes                    |
| Mr R. Shahani        | Vice Chairman and Managing Director   | 4   | 4   | Yes                    |
| Mr J. Hiremath       | Independent Director and Chairman of the Audit Committee                              | 4   | 4   | Yes                    |
| Dr R. Mehrotra       | Independent Director and Chairman of the Shareholders'/Investors' Grievance Committee | 4   | 4   | Yes                    |

### 3. Audit Committee

The role of the Audit Committee is in accordance with the provisions of Clause 49 of the Listing Agreement and Section 292A of the Act.

The terms of reference for the Audit Committee include:

- Meeting and reviewing with External and Internal Auditors, reviewing of the Internal Control Systems and ensuring their compliance.
- Investigation of matters referred to it by the Board or as specified.
- Review of matters as required under the terms of the Listing Agreement.
- Access information contained in the records of the Company.
- Refer to external professionals for advice, if necessary.

Mr Girish Tekchandani, Company Secretary acts as Secretary to the Committee.

The Vice Chairman and Managing Director, Country Chief Financial Officer, Country General Counsel, Head Corporate Finance, Internal Auditor, Statutory Auditors and Cost Auditor are the invitees to the Audit Committee meetings.

During the period under review, the Audit Committee met four times on May 24, 2012; July 25, 2012; October 25, 2012 and January 23, 2013.

Details of constitution of Audit Committee and attendance details are given below:

| <b>Name of the Director</b> | <b>Category</b>   | <b>No. of meetings held during the financial year ended March 31, 2013</b> | <b>No. of meetings attended during the financial year ended March 31, 2013</b> |
|-----------------------------|---|--|--|
| Mr J. Hiremath              | Chairman of the Committee; Non-Executive and Independent Director | 4  | 4  |
| Dr R. Mehrotra              | Member; Non-Executive and Independent Director                    | 4  | 4  |
| Mr C. Snook                 | Member; Non-Executive Director                                    | 4  | 4  |

#### **4. Remuneration Committee**

The Board at its meeting held on May 24, 2012 constituted a Remuneration Committee to review and recommend Managerial remuneration.

Details of constitution of the Remuneration Committee:

| <b>Name of Director</b> | <b>Category</b>   |
|-------------------------|---|
| Dr R. Mehrotra          | Chairman of the Committee; Non-Executive and Independent Director |
| Mr J. Hiremath          | Member; Non-Executive and Independent Director                    |

The terms of reference for the Remuneration Committee include:

- Review the criteria of payment of Managerial remuneration.
- Review Managerial remuneration and recommend revision in the remuneration to the Board.

#### **Remuneration to Directors**

Mr C. Snook, Non-Executive Chairman of the Company does not get any remuneration from the Company.

The Vice Chairman and Managing Director gets a monthly salary, perquisites and performance pay as per the policies of the Company. In the event of the Managing Director desiring to leave the service of the Company, he shall give to the Company six months' notice. The Company may, at its sole discretion, relieve the Managing Director of his duties any time by giving six months' notice.

#### **The criteria for making payments to the Vice Chairman and Managing Director are:**

1. Salary, as recommended by the Remuneration Committee and approved by the Board and the shareholders of the Company. Perquisites, retirement benefits and performance pay are also paid / provided in accordance with the Company's compensation policies, as applicable to all employees and the relevant legal provisions.
2. Remuneration paid to the Vice Chairman and Managing Director is determined keeping in view the industry benchmarks and Novartis Group Policies.

Remuneration of the Vice Chairman and Managing Director is within the limits approved by the Board and the shareholders at the 62<sup>nd</sup> and 63<sup>rd</sup> AGMs of the Company.

#### **The criteria for making payments to Independent Directors are:**

1. Directors are not paid any sitting fees for attending the meetings of the Board and Committees.

2. Shareholders of the Company have approved payment of commission up to one per cent of net profits of the Company calculated in accordance with Section 198 of the Act collectively to all the Independent Directors at the 64<sup>th</sup> AGM of the Company. The Board ensures that commission to Non-Executive Directors is within the overall limit approved by shareholders and meets the industry norms for commensurate challenges.

The remuneration paid or payable to the Directors is given below:

in ₹ million

| Name of the Director | Salary | Perquisites | Performance Incentive | Commission | Total |
|----------------------|--------|-------------|-----------------------|------------|-------|
| Mr C. Snook          | —      | —           | —                     | —          | —     |
| Mr R. Shahani        | 7.6    | 7.6         | 5.0                   | —          | 20.2  |
| Dr R. Mehrotra       | —      | —           | —                     | 0.5        | 0.5   |
| Mr J. Hiremath       | —      | —           | —                     | 0.5        | 0.5   |

The Company has no stock option/pension plan for the Directors or employees of the Company. However, the Chairman and the Vice Chairman and Managing Director of the Company are entitled to Employee Stock Options, Stock Grants or any other Stock Linked Incentive Plans declared by Novartis AG, from time to time, as may be applicable to the employees of the Company as per Novartis Group policies.

## 5. Shareholders'/Investors' Grievances Committee

The Shareholders'/Investors' Grievances Committee attends to and redresses shareholders' and investors' complaints/grievances.

During the period under review, the Shareholders'/Investors' Grievances Committee met four times on May 24, 2012; July 25, 2012; October 25, 2012 and January 23, 2013.

Details of constitution and attendance details of the Committee and its meetings are given below:

| Name of the Director | Category  | No. of meetings held during the financial year ended March 31, 2013 | No. of meetings attended during the financial year ended March 31, 2013 |
|----------------------|---|---|---|
| Dr R. Mehrotra       | Chairman of the Committee; Independent Director | 4   | 4   |
| Mr C. Snook          | Member; Non-Executive Director                  | 4   | 4   |
| Mr R. Shahani        | Member; Vice Chairman and Managing Director     | 4   | 4   |

Mr Girish Tekchandani, Company Secretary is the Compliance Officer of the Company.

During the financial year, the Company/Company's Registrar and Transfer Agents received 11 complaints. There were no complaints from shareholders pending as on March 31, 2013.

## 6. General Body Meetings

- Details of AGM held during the last 3 years:

| AGM for the financial year | Location of holding AGM   | Date and Time of AGM        |
|----------------------------|---|-----------------------------|
| 2011-2012                  | Hall of Culture, Nehru Centre, Worli, Mumbai 400 018                    | July 25, 2012 at 11.30 a.m. |
| 2010-2011                  | Y. B. Chavan Auditorium, General Jagannath Bhosale Marg, Mumbai 400 021 | July 26, 2011 at 11.00 a.m. |
| 2009-2010                  | Y. B. Chavan Auditorium, General Jagannath Bhosale Marg, Mumbai 400 021 | July 30, 2010 at 11.00 a.m. |

All the resolutions set out in the respective Notices were passed by the requisite majority of the members attending the AGM.

- **Special Resolutions passed at the last 3 AGMs:**

At the AGM held on July 25, 2012, shareholders approved a Special Resolution unanimously by show of hands to pay remuneration by way of commission to Non-Executive Directors not exceeding 1 per cent of the net profits of the Company computed in the manner referred to in Section 198(1) of the Act for a further period of 5 years.

At the AGM held on July 30, 2010, shareholders approved a Special Resolution unanimously by show of hands to maintain Register of Members/documents under Sections 159 and 160 of the Act at the new address of the Company's Registrar and Transfer Agents.

No special resolution was passed through postal ballot in the last year. There is no item on the agenda of the forthcoming AGM that needs approval by postal ballot.

## **7. Disclosures**

- There are no materially significant related party transactions made by the Company with its Directors/Management or their relatives and Company's promoter and its subsidiaries that may have a potential conflict with the interest of the Company at large. The related party transactions entered into by the Company are disclosed in Note no. 46 of the Notes to Accounts. The Audit Committee has reviewed the related party transactions undertaken by the Company as mandatorily required under Clause 49 of the Listing Agreement. The said transactions are in the ordinary course of the business and at arm's length basis.
- During the last 3 years, there were no strictures or penalties imposed on the Company by either SEBI or the Stock Exchange or any statutory authority for non-compliance of any matter related to the capital markets.
- The Company has a process in place that meets the objectives of the whistle blower policy pursuant to which employees of the Company may raise their concerns about actual or suspected fraud, unethical behavior or violation of the Company's Code of Conduct or Ethics Policy. The Board reviews the findings and action taken on matters initiated through this mode. In the opinion of the Board, there are no cases, where a person was denied access to the grievance process set up by the Company.
- The Company is in full compliance with the mandatory requirements as contained in Clause 49 of the Listing Agreement. The Company has also adopted certain non-mandatory requirements of Clause 49 i.e. providing the Chairman of the Company with the resources required by him to discharge his responsibilities as Chairman of the Company while in India for attending the Company's Board meetings; adopting process to meet objectives of whistle blower policy and setting up of a Remuneration Committee.

## **8. Means of Communication**

Quarterly, Half-Yearly and Annual results of the Company are published in newspapers such as The Indian Express, The Financial Express and Loksatta. These results are promptly submitted to the Bombay Stock Exchange Limited together with a copy of the Company's Press Release thus facilitating them to display the same on their website.

The Company's results and Press Releases are available on the Company's website <http://www.novartis.in>

Management Discussion and Analysis Report forms part of this Annual Report.

## 9. General shareholder information

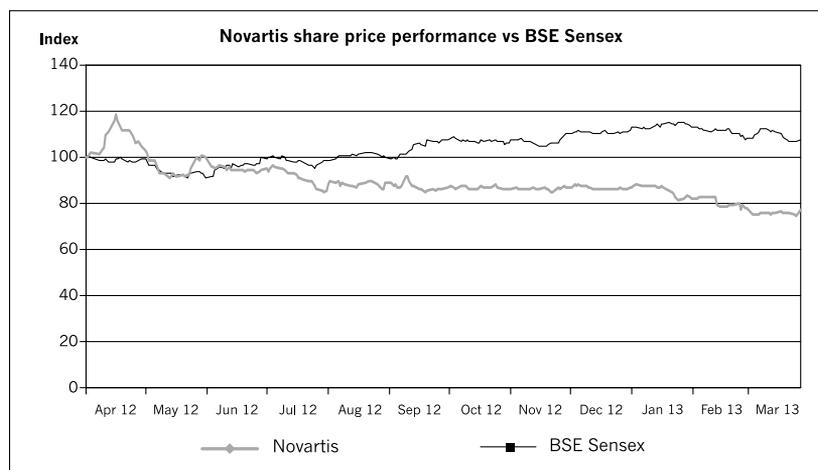
|   |   |
|---|---|
| AGM date, time and venue:               | July 25, 2013, at Hall of Culture, Nehru Centre Worli, Mumbai 400 018 at 11.30 a.m.             |
| Financial Year:                         | April 1 to March 31   |
| First quarter results:                  | Second fortnight of July 2013   |
| Second quarter results:                 | Second fortnight of October 2013  |
| Third quarter results:                  | Second fortnight of January 2014  |
| Results for the year ending March 2014: | Second fortnight of May 2014  |
| Date of Book closure:                   | July 18, 2013 till July 25, 2013<br>(Both days inclusive)                                       |
| Dividend payment date:                  | On or after July 30, 2013   |
| Listing on Stock Exchange:              | Bombay Stock Exchange Limited, Mumbai   |
| Payment of annual listing fees:         | The annual listing fees for year 2013-14 have been paid to Bombay Stock Exchange Limited 500672 |
| Stock Code (BSE):                       | 500672  |
| Demat ISIN No. for CDSL and NSDL:       | INE234A01025  |
| Payment of annual custody fees:         | The annual custody fees for year 2013-14 have been paid to CDSL and NSDL                        |

### Market price data: High/Low during each month in the financial year

(₹)

| Month          | Bombay Stock Exchange Limited, Mumbai |        |
|----------------|---------------------------------------|--------|
|                | High                                  | Low    |
| April 2012     | 934.20                                | 749.65 |
| May 2012       | 830.00                                | 700.05 |
| June 2012      | 788.50                                | 722.00 |
| July 2012      | 758.00                                | 655.00 |
| August 2012    | 709.00                                | 659.00 |
| September 2012 | 740.40                                | 655.00 |
| October 2012   | 693.00                                | 666.00 |
| November 2012  | 693.85                                | 655.00 |
| December 2012  | 690.00                                | 660.10 |
| January 2013   | 686.00                                | 631.10 |
| February 2013  | 648.90                                | 600.00 |
| March 2013     | 639.00                                | 565.05 |

(Source: Website of Bombay Stock Exchange Limited, Mumbai [www.bseindia.com](http://www.bseindia.com))



Note: The monthly closing prices of Sensex and Novartis' equity shares have been indexed to 100 as on April 1, 2012.

Registrar and Transfer Agents:

Sharepro Services (India) Private Limited  
13 AB Samhita Warehousing Complex  
2<sup>nd</sup> Floor, Sakinaka Telephone Exchange Lane  
Off Andheri-Kurla Road, Sakinaka  
Andheri, Mumbai 400 072

Telephone Nos: +91 22 6772 0300/6772 0400  
Fax No: +91 22 2859 1568

Sharepro Services (India) Private Limited  
912 Raheja Centre, Free Press Journal Road  
Nariman Point, Mumbai 400 021

Telephone Nos: +91 22 6772 0700/6772 0709  
Fax No: +91 22 2282 5484

E-mail: [indira@shareproservices.com](mailto:indira@shareproservices.com)  
[sharepro@shareproservices.com](mailto:sharepro@shareproservices.com)

Share Transfer System

Share transfers in physical form are processed by the Registrar and Transfer Agent, Sharepro Services (India) Private Limited and are approved by the Shareholders'/ Investors' Grievance Committee of the Company or the authorised signatories of the Company. Share transfers are registered and returned within 15 days from the date of lodgment if documents are complete in all respects. The depository system handles share transfers in dematerialised form.

#### Distribution of Shareholding as on March 31, 2013

| Sr. No.      | No. of equity shares held |       | Shareholder(s) |               | Shareholding(s)   |               |
|--------------|---------------------------|-------|----------------|---------------|-------------------|---------------|
|              | From                      | To    | Nos.           | %             | Nos.              | %             |
| 1            | 1                         | 500   | 39,036         | 97.06         | 3,296,325         | 10.31         |
| 2            | 501                       | 1000  | 660            | 1.64          | 485,622           | 1.52          |
| 3            | 1001                      | 2000  | 273            | 0.68          | 390,031           | 1.22          |
| 4            | 2001                      | 3000  | 86             | 0.21          | 214,949           | 0.67          |
| 5            | 3001                      | 4000  | 31             | 0.08          | 108,181           | 0.34          |
| 6            | 4001                      | 5000  | 31             | 0.08          | 135,337           | 0.42          |
| 7            | 5001                      | 10000 | 44             | 0.11          | 296,025           | 0.93          |
| 8            | 10001 and above           |       | 56             | 0.14          | 27,034,327        | 84.59         |
| <b>Total</b> |                           |       | <b>40,217</b>  | <b>100.00</b> | <b>31,960,797</b> | <b>100.00</b> |

## Shareholding Pattern as on March 31, 2013

| Category   | No. of shares held | Percentage of shareholding |
|--|--------------------|----------------------------|
| <b>A Promoters' Holding</b>  |                    |                            |
| 1 Promoters  |                    |                            |
| — Indian Promoters   | —                  | —                          |
| — Foreign Promoters  | 24,424,802         | 76.42                      |
| 2 Persons Acting In Concert  | —                  | —                          |
| <b>Sub-Total</b>   | <b>24,424,802</b>  | <b>76.42</b>               |
| <b>B Non-Promoters' Holding</b>  |                    |                            |
| 3 Institutional Investors  |                    |                            |
| a. Mutual Funds and UTI  | 18,185             | 0.06                       |
| b. Banks, Financial Institutions, Insurance Companies (Central/State Govt. Institutions/ Non-Govt. Institutions) | 296,745            | 0.93                       |
| c. FIs   | 658,549            | 2.06                       |
| <b>Sub-Total</b>   | <b>973,479</b>     | <b>3.05</b>                |
| 4 Others   |                    |                            |
| a. Private Corporate Bodies  | 739,435            | 2.31                       |
| b. Indian Public   | 5,659,150          | 17.71                      |
| c. NRIs/OCBs   | 162,217            | 0.51                       |
| d. Directors & their relatives   | 270                | 0.00                       |
| e. Any Others (NSDL Transit)   | 1,444              | 0.00                       |
| <b>Sub-Total</b>   | <b>6,562,516</b>   | <b>20.53</b>               |
| <b>Grand Total</b>   | <b>31,960,797</b>  | <b>100.00</b>              |

Dematerialisation of shares and liquidity

The Company's shares are traded compulsorily in dematerialised form on the stock exchange. As on March 31, 2013, 97.31 per cent of the paid-up share capital of the Company was in dematerialised form.

Outstanding GDR/ADR/Warrants or any Convertible Instruments, conversion dates and likely impact on equity

N.A.

Plant location

The Company does not have any manufacturing facility.

Address for correspondence

Shareholders should address their correspondence to the Company's Registrar and Transfer Agents at the address mentioned earlier.

Shareholders may also contact Mr Girish Tekchandani, Company Secretary and Compliance Officer at the Registered Office of the Company situated at Sandoz House, Shivsagar Estate, Dr Annie Besant Road, Worli, Mumbai 400 018.

Telephone Nos.: +91 22 2495 8888/2495 8400

E-mail: girish.tekchandani@novartis.com

## Declaration on adherence of Code of Conduct under Clause 49(I) D of the Listing Agreement

All the Board members and senior management personnel of the Company have confirmed adherence with the Code of Conduct of Novartis India Limited for the financial year ended March 31, 2013.

For Novartis India Limited

RANJIT SHAHANI  
Vice Chairman and  
Managing Director

Mumbai, May 8, 2013

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## Certificate on Compliance with Clause 49 of the Listing Agreement by Novartis India Limited

I have examined compliance by Novartis India Limited (the Company) with the requirements under Clause 49 of the Listing Agreement entered into by the Company with the Bombay Stock Exchange for the year ended on March 31, 2013.

In my opinion and to the best of my information and according to the explanations given to me and the representation by the Directors and the management, I certify that the Company has complied with the conditions of Corporate Governance as stipulated in Clause 49 of the Listing Agreement.

The compliance of conditions of Corporate Governance is the responsibility of the management of the Company. My examination was limited to procedures and implementation thereof, adopted by the Company for ensuring compliance of the conditions of Corporate Governance under Clause 49. The examination is neither an audit nor an expression of opinion on the financial statements of the Company or the corporate governance report of the Company.

I state that no investor's grievance is pending unresolved by the Company for a period exceeding one month against the Company as per the records maintained by the Investor Grievance Committee.

I further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

Dr K. R. CHANDRATRE  
Practising Company Secretary  
FCS No. 1370  
Certificate of Practice No. 5144

Pune, April 26, 2013

# Independent Auditors' Report To the Members of Novartis India Limited

## Report on the Financial Statements

1. We have audited the accompanying financial statements of Novartis India Limited (the 'company'), which comprise the Balance Sheet as at 31<sup>st</sup> March, 2013 and the Statement of Profit and Loss and Cash Flow Statement for the year then ended and a summary of significant accounting policies and other explanatory information, which we have signed under reference to this report.

## Management's Responsibility for the Financial Statements

2. The company's management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the company in accordance with the Accounting Standards referred to in sub-section (3C) of Section 211 of 'The Companies Act, 1956' of India (the 'Act'). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

## Auditors' Responsibility

3. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion

6. In our opinion and to the best of our information and according to the explanations given to us, the accompanying financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
  - (a) in the case of the Balance Sheet, of the state of affairs of the company as at 31<sup>st</sup> March, 2013;
  - (b) in the case of the Statement of Profit and Loss, of the profit for the year ended on that date; and
  - (c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

## Report on Other Legal and Regulatory Requirements

7. As required by 'The Companies (Auditor's Report) Order, 2003', as amended by 'The Companies (Auditor's Report) (Amendment) Order, 2004', issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Act (hereinafter referred to as the 'Order') and on the basis of such checks of the books and records of the company as we considered appropriate and according to the information and explanations given to us, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
8. As required by Section 227(3) of the Act, we report that:
  - (a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - (b) In our opinion, proper books of account as required by law have been kept by the company so far as appears from our examination of those books;
  - (c) The Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this report are in agreement with the books of account;
  - (d) In our opinion, the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Act;
  - (e) On the basis of written representations received from the directors as on 31<sup>st</sup> March, 2013 and taken on record by the Board of Directors, none of the directors is disqualified as on 31<sup>st</sup> March, 2013 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Act.

For Lovelock & Lewes  
Firm Registration No. 301056E  
Chartered Accountants

Himanshu Goradia  
Partner  
Membership No. 45668

Mumbai, 14<sup>th</sup> May 2013

## Annexure to Independent Auditors' Report

[Referred to in paragraph 7 of the Independent Auditors' Report of even date to the members of Novartis India Limited on the financial statements as of and for the year ended 31<sup>st</sup> March, 2013]

1. (a) The company is maintaining proper records showing full particulars including quantitative details and situation of fixed assets.  
(b) The fixed assets are physically verified by the management according to a phased programme designed to cover all the items over a period of three years which, in our opinion, is reasonable having regard to the size of the company and the nature of its assets. Pursuant to the programme, a portion of the fixed assets has been physically verified by the management during the year and no material discrepancies have been noticed on such verification.  
(c) In our opinion and according to the information and explanations given to us, a substantial part of fixed assets has not been disposed of by the company during the year.
2. (a) The inventory (excluding stocks with third parties) has been physically verified by the management during the year. In respect of inventory lying with third parties, these have substantially been confirmed by them. In our opinion, the frequency of verification is reasonable.  
(b) In our opinion, the procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.  
(c) On the basis of our examination of the inventory records, in our opinion, the company is maintaining proper records of inventory. In our opinion, the discrepancies noticed on physical verification of inventory as compared to book records were not material.
3. (a) The company has not granted any loans, secured or unsecured, to companies, firms or other parties covered in the register maintained under Section 301 of the Act. Accordingly, the provisions of Clause 4(iii)(b) to 4(iii)(d) of the Order are not applicable to the company.  
(b) The company has not taken any loans, secured or unsecured, from companies, firms or other parties covered in the register maintained under Section 301 of the Act. Accordingly, the provisions of Clause 4(iii)(f) and 4(iii)(g) of the Order are not applicable to the company.
4. In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the company and the nature of its business for the purchase of inventory and fixed assets and for the sale of goods and services. Further, on the basis of our examination of the books and records of the company and according to the information and explanations given to us, we have neither come across nor have we been informed of any continuing failure to correct major weaknesses in the aforesaid internal control system.
5. (a) According to the information and explanations given to us, we are of the opinion that the particulars of all contracts or arrangements that need to be entered into the register maintained under Section 301 of the Act have been so entered.  
(b) In our opinion and according to the information and explanations given to us, in respect of the transactions made in pursuance of such contracts or arrangements and exceeding the value of Rupees Five Lakhs in respect of any party during the year, we are unable to comment whether these transactions have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time as there are no comparable market prices available since these transactions are of specialised/proprietary nature.
6. In our opinion and according to the information and explanations given to us, the company has complied with the provisions of Sections 58A and 58AA or any other relevant provisions of the Act and the Companies (Acceptance of Deposits) Rules, 1975 with regard to the deposits accepted from the public. According to the information and explanations given to us, no order has been passed by the company Law Board or National Company Law Tribunal or Reserve Bank of India or any Court or any other Tribunal on the company in respect of the aforesaid deposits.
7. In our opinion, the company has an internal audit system commensurate with its size and the nature of its business.
8. We have broadly reviewed the books of account maintained by the company in respect of products where, pursuant to the rules made by the Central Government of India, the maintenance of cost records has been prescribed under clause (d) of sub-section (1) of Section 209 of the Act and are of the opinion that, prima facie, the prescribed accounts and records have been made and maintained. We have not, however, made a detailed examination of the records with a view to determine whether they are accurate or complete.

9. (a) According to the information and explanations given to us and the records of the company examined by us, in our opinion, the company is generally regular in depositing undisputed statutory dues in respect of provident fund, sales tax and service tax though there has been a slight delay in a few cases and is regular in depositing undisputed statutory dues including investor education and protection fund, employees' state insurance, income-tax, wealth tax, customs duty, excise duty and other material statutory dues, as applicable, with the appropriate authorities.
- (b) According to the information and explanations given to us and the records of the company examined by us, there are no dues of wealth tax which have not been deposited on account of any dispute. The particulars of dues of income-tax, sales tax, service tax, customs duty and excise duty as at 31<sup>st</sup> March, 2013 which have not been deposited on account of a dispute, are as follows –

| Name of the statute                                      | Nature of dues  | Amount<br>₹ in Million* | Period to which the amount relates                           | Forum where the dispute is pending               |
|--|---|-------------------------|--|--|
| The Income-tax Act, 1961                                 | Income-tax  | 3.1                     | Assessment Years 1991–1992 and 2005–2006                     | Appellate Authority – up to Commissioner's level |
| The Central Sales Tax Act, 1956 and Local Sales Tax Acts | Sales tax including interest and penalty, as applicable | 23.0                    | Assessment Year 2006–2007                                    | Income Tax Appellate Tribunal                    |
|  |   | 235.0                   | 2000–2001 to 2010–2011 and August 2012                       | Appellate Authority – up to Commissioner's level |
|  |   | 19.3                    | 1993–1994, 2000–2001 to 2002–2003 and 2004–2005 to 2006–2007 | Tribunal   |
|  |   | 0.2                     | 1997–1998  | The High Court of Kerala                         |
| The Finance Act, 1994                                    | Service tax   | 4.5                     | September 2004 to September 2009                             | Appellate Authority – up to Commissioner's level |
| The Customs Act, 1962                                    | Customs Duty  | 0.4                     | 2002–2003  | Appellate Authority – up to Commissioner's level |
| The Central Excise Act, 1944                             | Excise duty including penalty, as applicable            | 0.6                     | 1990 and June 1993 to October 1993                           | Appellate Authority – up to Commissioner's level |
|  |   | 2.4                     | August 1993 to December 1996                                 | Customs, Excise & Service Tax Appellate Tribunal |

\* Net of amounts paid including under protest.

10. The company has no accumulated losses as at the end of the financial year and it has not incurred any cash losses in the financial year ended on that date or in the immediately preceding financial year.
11. According to the records of the company examined by us and the information and explanations given to us, the company has not defaulted in repayment of dues to any financial institution or bank or debenture holders as at the Balance Sheet date.
12. The company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities. Accordingly, the provisions of Clause 4(xii) of the Order are not applicable to the company.

13. As the provisions of any special statute applicable to chit fund/nidhi/mutual benefit fund/societies are not applicable to the company, the provisions of Clause 4(xiii) of the Order are not applicable to the company.
14. In our opinion, the company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of Clause 4(xiv) of the Order are not applicable to the company.
15. According to the information and explanations given to us, the company has not given any guarantee for loans taken by others from banks or financial institutions during the year. Accordingly, the provisions of Clause 4(xv) of the Order are not applicable to the company.
16. The company has not raised any term loans. Accordingly, the provisions of Clause 4(xvi) of the Order are not applicable to the company.
17. According to the information and explanations given to us and on an overall examination of the Balance Sheet of the company, we report that no funds raised on short-term basis have been used for long-term investment.
18. The company has not made any preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Act during the year. Accordingly, the provisions of Clause 4(xviii) of the Order are not applicable to the company.
19. The company has not issued any debentures during the year and does not have any debentures outstanding as at the beginning of the year and at the year end. Accordingly, the provisions of Clause 4(xix) of the Order are not applicable to the company.
20. The company has not raised any money by public issues during the year. Accordingly, the provisions of Clause 4(xx) of the Order are not applicable to the company.
21. During the course of our examination of the books and records of the company, carried out in accordance with the generally accepted auditing practices in India and according to the information and explanations given to us, we have neither come across any instance of material fraud on or by the company, noticed or reported during the year, nor have we been informed of any such case by the management.

Mumbai, 14<sup>th</sup> May, 2013

For Lovelock & Lewes  
Firm Registration No. 301056E  
Chartered Accountants  
  
Himanshu Goradia  
Partner  
Membership No. 45668

## Balance Sheet as at 31<sup>st</sup> March 2013

|                                | Note | As at<br>31 <sup>st</sup> March 2013 |                 | As at<br>31 <sup>st</sup> March 2012 |                 |
|--------------------------------|------|--------------------------------------|-----------------|--------------------------------------|-----------------|
|                                |      | in ₹ million                         | in ₹ million    | in ₹ million                         | in ₹ million    |
| <b>Equity and Liabilities</b>  |      |                                      |                 |                                      |                 |
| <b>Shareholders' Funds</b>     |      |                                      |                 |                                      |                 |
| Share Capital                  | 2    | 159.8                                |                 | 159.8                                |                 |
| Reserves and Surplus           | 3    | 8,842.3                              |                 | 8,018.9                              |                 |
|                                |      |                                      | <b>9,002.1</b>  |                                      | <b>8,178.7</b>  |
| <b>Non-Current Liabilities</b> |      |                                      |                 |                                      |                 |
| Long-term Borrowings           | 4    | —                                    |                 | 1.4                                  |                 |
| Other Long-term Liabilities    | 5    | 37.8                                 |                 | 38.7                                 |                 |
| Long-term Provisions           | 6    | 249.7                                |                 | 187.6                                |                 |
|                                |      |                                      | <b>287.5</b>    |                                      | <b>227.7</b>    |
| <b>Current Liabilities</b>     |      |                                      |                 |                                      |                 |
| Trade Payables                 | 7    | 1,195.9                              |                 | 979.1                                |                 |
| Other Current Liabilities      | 8    | 406.9                                |                 | 411.2                                |                 |
| Short-term Provisions          | 9    | 519.4                                |                 | 540.2                                |                 |
|                                |      |                                      | <b>2,122.2</b>  |                                      | <b>1,930.5</b>  |
| <b>Total</b>                   |      |                                      | <b>11,411.8</b> |                                      | <b>10,336.9</b> |
| <b>Assets</b>                  |      |                                      |                 |                                      |                 |
| <b>Non-Current Assets</b>      |      |                                      |                 |                                      |                 |
| <b>Fixed Assets</b>            |      |                                      |                 |                                      |                 |
| Tangible Assets                | 10   | 99.4                                 |                 | 100.5                                |                 |
| Intangible Assets              |      | 0.2                                  |                 | 0.6                                  |                 |
| Capital Work-in-Progress       |      | 2.7                                  |                 | 1.0                                  |                 |
|                                |      |                                      | <b>102.3</b>    |                                      | <b>102.1</b>    |
| Non-Current Investments        | 11   | 0.3                                  |                 | 0.3                                  |                 |
| Deferred Tax Assets            | 12   | 162.1                                |                 | 172.6                                |                 |
| Long-term Loans and Advances   | 13   | 810.9                                |                 | 711.4                                |                 |
| Other Non-Current Assets       | 14   | 0.9                                  |                 | 23.9                                 |                 |
|                                |      |                                      | <b>1,076.5</b>  |                                      | <b>1,010.3</b>  |
| <b>Current Assets</b>          |      |                                      |                 |                                      |                 |
| Inventories                    | 15   | 1,101.5                              |                 | 790.1                                |                 |
| Trade Receivables              | 16   | 824.4                                |                 | 699.5                                |                 |
| Cash and Bank Balances         | 17   | 393.0                                |                 | 828.9                                |                 |
| Short-term Loans and Advances  | 18   | 7,971.1                              |                 | 6,997.6                              |                 |
| Other Current Assets           | 19   | 45.3                                 |                 | 10.5                                 |                 |
|                                |      |                                      | <b>10,335.3</b> |                                      | <b>9,326.6</b>  |
| <b>Total</b>                   |      |                                      | <b>11,411.8</b> |                                      | <b>10,336.9</b> |

The Notes are an integral part of the Financial Statements.

In terms of our report  
of even date

For Lovelock & Lewes  
Firm Registration No. 301056E  
Chartered Accountants

HIMANSHU GORADIA  
Partner  
Membership No. 45668

Mumbai, 14<sup>th</sup> May 2013

For and on behalf of the Board

C. SNOOK  
Chairman

GIRISH TEKCHANDANI  
Company Secretary &  
Compliance Officer

Mumbai, 14<sup>th</sup> May 2013

R. SHAHANI  
Vice Chairman &  
Managing Director

J. HIREMATH  
Dr R. MEHROTRA } Directors

## Statement of Profit and Loss for the year ended 31<sup>st</sup> March 2013

|   | Note | Year ended<br>31 <sup>st</sup> March 2013 |                | Year ended<br>31 <sup>st</sup> March 2012 |                |
|---|------|---|----------------|---|----------------|
|   |      | in ₹ million                              | in ₹ million   | in ₹ million                              | in ₹ million   |
| <b>Revenue</b>  |      |   |                |   |                |
| Revenue from Operations (Gross)   | 23   | 9,065.0                                   |                | 8,468.0                                   |                |
| Less: Excise Duty   |      | 31.4                                      |                | 25.1                                      |                |
| Revenue from Operations (Net)   |      | 9,033.6                                   |                | 8,442.9                                   |                |
| Other Income  | 24   | 831.9                                     |                | 840.1                                     |                |
| <b>Total Revenue</b>  |      |   | <b>9,865.5</b> |   | <b>9,283.0</b> |
| <b>Expenses</b>   |      |   |                |   |                |
| Cost of Materials Consumed  | 25   | 403.6                                     |                | 313.9                                     |                |
| Purchases of Stock-in-Trade   |      | 3,579.3                                   |                | 3,023.8                                   |                |
| Changes in Inventories of Finished Goods and Stock-in-Trade                                   | 26   | (266.4)                                   |                | (222.9)                                   |                |
| Employee Benefits Expense   | 27   | 1,623.0                                   |                | 1,376.8                                   |                |
| Finance Costs   | 28   | 2.2                                       |                | 5.4                                       |                |
| Depreciation and Amortisation Expense   |      | 35.9                                      |                | 26.7                                      |                |
| Other Expenses  | 29   | 2,793.7                                   |                | 2,512.4                                   |                |
| <b>Total Expenses</b>   |      |   | <b>8,171.3</b> |   | <b>7,036.1</b> |
| <b>Profit before Tax</b>  |      |   | <b>1,694.2</b> |   | <b>2,246.9</b> |
| Tax Expense   |      |   |                |   |                |
| For the year  |      |   |                |   |                |
| Current Tax   |      | 570.0                                     |                | 745.0                                     |                |
| Deferred Tax  |      | 10.5                                      |                | (15.0)                                    |                |
|   |      | 580.5                                     |                | 730.0                                     |                |
| For earlier years   |      |   |                |   |                |
| Current Tax (Net)   |      | (73.7)                                    |                | (3.3)                                     |                |
| Fringe Benefits Tax   |      | (9.9)                                     |                | —   |                |
|   |      |   | <b>496.9</b>   |   | <b>726.7</b>   |
| <b>Profit for the year</b>  |      |   | <b>1,197.3</b> |   | <b>1,520.2</b> |
| Earnings per Share – Basic and Diluted<br>[₹ per Equity Share of ₹ 5 each]<br>[Refer Note 48] |      |   |                |   |                |
|   |      |   | 37.46          |   | 47.56          |

The Notes are an integral part of the Financial Statements.

In terms of our report  
of even date

For Lovelock & Lewes  
Firm Registration No. 301056E  
Chartered Accountants

HIMANSHU GORADIA  
Partner  
Membership No. 45668

Mumbai, 14<sup>th</sup> May 2013

For and on behalf of the Board

C. SNOOK  
Chairman

GIRISH TEKCHANDANI  
Company Secretary &  
Compliance Officer

Mumbai, 14<sup>th</sup> May 2013

R. SHAHANI  
Vice Chairman &  
Managing Director

J. HIREMATH  
Dr R. MEHROTRA

} Directors

## 1. Significant Accounting Policies

### (a) Basis of Preparation

The financial statements are prepared in accordance with the generally accepted accounting principles in India under the historical cost convention on accrual basis. The financial statements are prepared to comply in all material aspects with the accounting standards notified under sub-section (3C) of Section 211 of the Companies Act, 1956 (the 'Act') and the other relevant provisions of the Act.

All assets and liabilities are classified as current or non-current as per the company's normal operating cycle and other criteria set out in Schedule VI to the Act. Based on the nature of products and the time between the acquisition of assets for processing and their realisation in cash and cash equivalents, the company has ascertained its operating cycle as 12 months for the purpose of current – non-current classification of assets and liabilities.

### (b) Fixed Assets

Fixed assets are stated at cost of acquisition, including any attributable cost for bringing the asset to its working condition for its intended use, less accumulated depreciation and impairment loss.

Depreciation is provided on Straight Line Method, pro-rata to the period of use, at the rates based on useful lives of the assets as estimated by the management, which are higher than those specified in Schedule XIV of the Act. The estimated useful lives of the assets are as under:

| <u>Description</u>        | <u>Estimated Useful Life</u> |
|---------------------------|------------------------------|
| Tangible Assets           |                              |
| Buildings                 | 40 years                     |
| Plant and Equipment       |                              |
| Computers                 | 3 years                      |
| Quality Control Equipment | 5 years                      |
| Others                    | 12.5 years                   |
| Furniture and Fixtures    | 10 years                     |
| Vehicles                  | 5 years                      |
| Office Equipment          |                              |
| Mobile Handsets           | 2 years                      |
| Others                    | 5 years                      |
| Intangible Assets         |                              |
| Trade Marks               | 5 years                      |

Leasehold Improvements are amortised over the period of lease.

Impairment loss is provided to the extent the carrying amount of assets exceed their recoverable amount. Recoverable amount is the higher of an asset's net selling price and its value in use. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Net selling price is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

### (c) Investments

Long-term Investments are stated at cost. Provision is made to recognise a decline, other than temporary, in the value of Long-term Investments. Current Investments are stated at lower of cost and fair value.

## Notes forming part of the Financial Statements as at and for the year ended 31<sup>st</sup> March 2013

### (d) Inventories

Inventories are valued at lower of cost and net realisable value. Cost is determined on moving weighted average basis. Cost of work-in-progress and finished goods includes labour and manufacturing overheads, where applicable. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

### (e) Foreign Currency Transactions

Foreign currency transactions are recorded at the exchange rates prevailing on the date of the transaction. Gains and losses arising out of subsequent fluctuations are accounted for on actual payment or realisation. Monetary items denominated in foreign currency as at the Balance Sheet date are converted at the exchange rates prevailing on that date. Exchange differences are recognised in the Statement of Profit and Loss.

### (f) Revenue Recognition

Sales are recognised when the substantial risks and rewards of ownership in the goods are transferred to the customer and are recognised net of trade discounts, rebates, sales tax and excise duty.

Provision is made for the non-sellable returns of goods from the customers estimated on the basis of historical data of such returns. Such provision for non sellable sales returns is reduced from sales for the year.

Service income is accounted as and when services are rendered and are net of service tax.

Commission income is recognised in respect of sales made on behalf of consignee and are net of service tax.

Interest income is recognised on time proportion basis taking into account the amount outstanding and the rate applicable.

Dividend income is recognised when the right to receive dividend is established.

### (g) Employee Benefits

#### (i) Long-term Employee Benefits

##### (a) Defined Contribution Plans

The company has Defined Contribution Plans for post employment benefits in the form of Superannuation Fund and Employees' Pension Scheme which are recognised by the Income-tax authorities and administered through trustees and/or Life Insurance Corporation of India (LIC). Superannuation Fund which constitutes an insured benefit and Employees' Pension Scheme are classified as Defined Contribution Plans as the company has no further obligation beyond making the contributions. The company's contributions to Defined Contribution Plans are charged to the Statement of Profit and Loss as incurred.

##### (b) Defined Benefit Plans

The company has Defined Benefit Plans for post employment benefits in the form of Provident Fund (treated as a Defined Benefit Plan on account of guaranteed interest benefit), Gratuity, Leave Encashment, Non-Contractual Pension Plan (treated as a Defined Benefit Plan on account of guaranteed pension) and Post Retirement Medical Benefits. Provident Fund and Gratuity are recognised by the Income-tax authorities and administered through trustees and/or LIC. Liability for Defined Benefit Plans is provided on the basis of valuations, as at the Balance Sheet date, carried out by independent actuary.

The obligations are measured as the present value of estimated future cash flows discounted at rates reflecting the prevailing market yields of Indian Government securities as at the Balance Sheet date for the estimated term of the obligations. The estimate of future salary increases considered takes into account the inflation,

## Notes forming part of the Financial Statements as at and for the year ended 31<sup>st</sup> March 2013

seniority, promotion and other relevant factors. The expected rate of return of plan assets is the company's expectation of the average long-term rate of return expected on investments of the fund during the estimated term of the obligations. Plan assets are measured at fair value as at the Balance Sheet date. The actuarial valuation method used by independent actuary for measuring the liability is the Projected Unit Credit method.

### (c) Other Long-term Employee Benefit

The employees of the company are entitled to other long-term benefit in the form of Long Service Awards as per the policy of the company. Liability for such benefit is provided on the basis of valuation, as at the Balance Sheet date, carried out by independent actuary. The actuarial valuation method used by independent actuary for measuring the liability is the Projected Unit Credit method.

- (ii) Termination benefits are recognised as an expense as and when incurred.
- (iii) Actuarial gains and losses comprise experience adjustments and the effects of changes in actuarial assumptions and are recognised in the Statement of Profit and Loss in the year in which they arise.

### (h) Employee Share based Payments

Restricted Shares and Tradable Options granted under "Select" plan are accounted for as per the accounting treatment prescribed by the Guidance Note on Employee Share-based Payments issued by the Institute of Chartered Accountants of India. Amount incurred is charged to the Statement of Profit and Loss on straight line basis over the vesting period of the Restricted Shares and Tradable Options.

### (i) Expenditure on Research and Development

Revenue expenditure is recognised as expense in the year in which it is incurred and the expenditure on capital assets is depreciated over the useful lives of the assets.

### (j) Taxes on Income

Current tax is determined as the amount of tax payable in respect of estimated taxable income for the year.

Deferred tax is recognised for all the timing differences, subject to the consideration of prudence in respect of deferred tax assets. Deferred tax assets are recognised and carried forward only to the extent that there is a reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. Deferred tax assets and liabilities are measured using the tax rates and tax laws that have been enacted or substantively enacted by the Balance Sheet date.

### (k) Provisions and Contingent Liabilities

The company recognises a provision when there is a present obligation as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation and in respect of which reliable estimate can be made. A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. Where there is a possible obligation or a present obligation and the likelihood of outflow of resources is remote, no provision or disclosure is made.

### (l) Use of Estimates

The preparation of financial statements in accordance with the generally accepted accounting principles requires the management to make estimates and assumptions that affect the reported amounts of assets and liabilities as at the Balance Sheet date and the results of operations during the reporting period. The actual results could differ from these estimates. Any revision to such accounting estimates is recognized in the accounting period in which such revision takes place.

## Notes forming part of the Financial Statements as at and for the year ended 31<sup>st</sup> March 2013

|  | As at<br>31 <sup>st</sup> March 2013 | As at<br>31 <sup>st</sup> March 2012 |
|--|--------------------------------------|--------------------------------------|
|  | in ₹ million                         | in ₹ million                         |
| <b>2. Share Capital</b>                            |                                      |                                      |
| <b>Authorised</b>                                  |                                      |                                      |
| 64,000,000 Equity Shares of ₹ 5 each               | <b>320.0</b>                         | <b>320.0</b>                         |
| <b>Issued, Subscribed and Paid-up</b>              |                                      |                                      |
| 31,960,797 Equity Shares of ₹ 5 each fully paid-up | <b>159.8</b>                         | <b>159.8</b>                         |

(a) Reconciliation of the number of shares

|  | As at<br>31 <sup>st</sup> March 2013 |              | As at<br>31 <sup>st</sup> March 2012 |              |
|--|--------------------------------------|--------------|--------------------------------------|--------------|
|  | No. of<br>Shares                     | in ₹ million | No. of<br>Shares                     | in ₹ million |
| Number of shares outstanding as at the beginning of the year | 31,960,797                           | 159.8        | 31,960,797                           | 159.8        |
| Number of shares outstanding as at the end of the year       | <b>31,960,797</b>                    | <b>159.8</b> | <b>31,960,797</b>                    | <b>159.8</b> |

(b) The company has only one class of shares i.e. Equity Shares having a face value of ₹ 5 each. Each shareholder is eligible for one vote per share held. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting. In the event of liquidation, the equity shareholders are eligible to receive the remaining assets of the company after distribution of all preferential amounts, in proportion to their shareholding.

(c) Of the above, 24,424,802 shares are held by Novartis AG, Basel, Switzerland, the holding company.

(d) Shareholder holding more than 5% shares as at the Balance Sheet date

| Name of Shareholder             | As at<br>31 <sup>st</sup> March 2013 |                 | As at<br>31 <sup>st</sup> March 2012 |                 |
|---------------------------------|--------------------------------------|-----------------|--------------------------------------|-----------------|
|                                 | No. of<br>Shares                     | % of<br>Holding | No. of<br>Shares                     | % of<br>Holding |
| Novartis AG, Basel, Switzerland | 24,424,802                           | 76.42%          | 24,424,802                           | 76.42%          |

Notes forming part of the Financial Statements as at and for the year ended 31<sup>st</sup> March 2013

|   | As at<br>31 <sup>st</sup> March 2013 |                | As at<br>31 <sup>st</sup> March 2012 |                |
|---|--------------------------------------|----------------|--------------------------------------|----------------|
|   | in ₹ million                         | in ₹ million   | in ₹ million                         | in ₹ million   |
| <b>3. Reserves and Surplus</b>  |                                      |                |                                      |                |
| Capital Subsidy   |                                      | 1.5            |                                      | 1.5            |
| <b>General Reserve</b>  |                                      |                |                                      |                |
| Balance as at the beginning of the year   | 3,254.7                              |                | 3,102.7                              |                |
| Add: Transferred from Surplus in Statement of Profit and Loss   | 119.7                                |                | 152.0                                |                |
| Balance as at the end of the year   |                                      | 3,374.4        |                                      | 3,254.7        |
| <b>Securities Premium Account</b>   |                                      | 228.8          |                                      | 228.8          |
| <b>Surplus in Statement of Profit and Loss</b>  |                                      |                |                                      |                |
| Balance as at the beginning of the year   | 4,533.9                              |                | 3,537.1                              |                |
| Profit for the year as per Statement of Profit and Loss   | 1,197.3                              |                | 1,520.2                              |                |
|   | <b>5,731.2</b>                       |                | <b>5,057.3</b>                       |                |
| Less: Appropriations  |                                      |                |                                      |                |
| Proposed Dividend (Refer Note 22)   | 319.6                                |                | 319.6                                |                |
| Tax on Proposed Dividend  | 54.3                                 |                | 51.8                                 |                |
| Transfer to General Reserve   | 119.7                                |                | 152.0                                |                |
| Balance as at the end of the year   |                                      | 5,237.6        |                                      | 4,533.9        |
|   |                                      | <b>8,842.3</b> |                                      | <b>8,018.9</b> |
| <b>4. Long-term Borrowings (Unsecured)</b>  |                                      |                |                                      |                |
| Fixed Deposits  |                                      | —              |                                      | 1.4            |
| (Previous year – Repayable on maturity within the period from April 2013 to March 2014 along with interest at 7% to 8%) |                                      |                |                                      |                |
| <b>5. Other Long-term Liabilities</b>   |                                      |                |                                      |                |
| Voluntary Retirement Costs [Refer Note 31(b)]   |                                      | 4.7            |                                      | 5.8            |
| Security Deposits   |                                      | 33.1           |                                      | 32.9           |
|   |                                      | <b>37.8</b>    |                                      | <b>38.7</b>    |
| <b>6. Long-term Provisions</b>  |                                      |                |                                      |                |
| Provision for Employee Benefits   |                                      | 249.7          |                                      | 177.9          |
| Provision for Fringe Benefits Tax [Net of Payments – Nil (Previous year ₹ 38.6 million)]                                |                                      | —              |                                      | 9.7            |
|   |                                      | <b>249.7</b>   |                                      | <b>187.6</b>   |
| <b>7. Trade Payables</b>  |                                      |                |                                      |                |
| Micro and Small Enterprises [Refer Note 32]   |                                      | 3.6            |                                      | 4.4            |
| Others  |                                      | 1,192.3        |                                      | 974.7          |
|   |                                      | <b>1,195.9</b> |                                      | <b>979.1</b>   |

## Notes forming part of the Financial Statements as at and for the year ended 31<sup>st</sup> March 2013

|  | As at<br>31 <sup>st</sup> March 2013 | As at<br>31 <sup>st</sup> March 2012 |
|--|--------------------------------------|--------------------------------------|
|  | in ₹ million                         | in ₹ million                         |
| <b>8. Other Current Liabilities</b>                    |                                      |                                      |
| Current Maturities of Fixed Deposits<br>[Refer Note 4] | 1.8                                  | 0.5                                  |
| Interest accrued but not due on Borrowings             | 0.2                                  | 0.1                                  |
| Unpaid Dividends@                                      | 13.7                                 | 13.4                                 |
| Advances from Customers                                | 17.7                                 | 17.7                                 |
| Employee Benefits Payable                              | 214.0                                | 183.5                                |
| Statutory Dues   | 157.6                                | 150.3                                |
| Book Overdraft   | —                                    | 43.5                                 |
| Voluntary Retirement Costs<br>[Refer Note 31(b)]       | 1.9                                  | 2.2                                  |
|  | <b>406.9</b>                         | <b>411.2</b>                         |

@ There are no amounts due for payment to the Investor Education and Protection Fund under Section 205C of the Act as at the year end.

|  |              |              |
|--|--------------|--------------|
| <b>9. Short-term Provisions</b>  |              |              |
| Provision for Employee Benefits  | 27.3         | 63.1         |
| Provision for Fringe Benefits Tax<br>[Net of Payments of ₹ 117.8 million<br>(Previous year ₹ 117.8 million)] | 23.4         | 22.8         |
| Proposed Dividend (Refer Note 22)  | 319.6        | 319.6        |
| Tax on Proposed Dividend   | 54.3         | 51.8         |
| Provision for Non-sellable Sales Returns<br>[Refer Note 30]  | 94.8         | 82.9         |
|  | <b>519.4</b> | <b>540.2</b> |

## 10. Fixed Assets

(in ₹ million)

| Description                  | Gross Block (at cost) |             |             | Depreciation/Amortisation |                   |                 |                  | Net Block          |                    |                    |
|------------------------------|-----------------------|-------------|-------------|---------------------------|-------------------|-----------------|------------------|--------------------|--------------------|--------------------|
|                              | As at<br>1.4.2012     | Additions   | Deductions  | As at<br>31.3.2013        | As at<br>1.4.2012 | For the<br>year | On<br>Deductions | As at<br>31.3.2013 | As at<br>31.3.2013 | As at<br>31.3.2012 |
| <b>Tangible Assets</b>       |                       |             |             |                           |                   |                 |                  |                    |                    |                    |
| Buildings                    | 34.7                  | —           | —           | 34.7                      | 13.1              | 1.0             | —                | 14.1               | 20.6               | 21.6               |
| Plant and Equipment          | 86.6                  | 32.5        | 8.6         | 110.5                     | 67.4              | 19.5            | 7.0              | 79.9               | 30.6               | 19.2               |
| Furniture and<br>Fixtures    | 46.7                  | 1.5         | 1.7         | 46.5                      | 20.5              | 3.4             | 1.3              | 22.6               | 23.9               | 26.2               |
| Vehicles                     | 13.6                  | —           | 2.7         | 10.9                      | 9.9               | 1.8             | 2.2              | 9.5                | 1.4                | 3.7                |
| Office Equipment             | 40.2                  | 2.9         | 1.8         | 41.3                      | 19.6              | 6.2             | 1.8              | 24.0               | 17.3               | 20.6               |
| Leasehold<br>Improvements    | 11.3                  | —           | —           | 11.3                      | 2.1               | 3.6             | —                | 5.7                | 5.6                | 9.2                |
|                              | <b>233.1</b>          | <b>36.9</b> | <b>14.8</b> | <b>255.2</b>              | <b>132.6</b>      | <b>35.5</b>     | <b>12.3</b>      | <b>155.8</b>       | <b>99.4</b>        | <b>100.5</b>       |
| <b>Intangible Assets</b>     |                       |             |             |                           |                   |                 |                  |                    |                    |                    |
| Trade Marks@                 | 2.2                   | —           | —           | 2.2                       | 1.6               | 0.4             | —                | 2.0                | 0.2                | 0.6                |
|                              | 2.2                   | —           | —           | 2.2                       | 1.6               | 0.4             | —                | 2.0                | 0.2                | 0.6                |
|                              | <b>235.3</b>          | <b>36.9</b> | <b>14.8</b> | <b>257.4</b>              | <b>134.2</b>      | <b>35.9</b>     | <b>12.3</b>      | <b>157.8</b>       | <b>99.6</b>        | <b>101.1</b>       |
| Previous year                | 241.6                 | 51.1        | 57.4        | 235.3                     | 161.9             | 26.7            | 54.4             | 134.2              |                    |                    |
| Capital Work-in-<br>Progress |                       |             |             |                           |                   |                 |                  |                    | 2.7                | 1.0                |
|                              |                       |             |             |                           |                   |                 |                  |                    | <b>102.3</b>       | <b>102.1</b>       |

@ Other than internally generated.

Notes forming part of the Financial Statements as at and for the year ended 31<sup>st</sup> March 2013

|   | As at<br>31 <sup>st</sup> March 2013 |              | As at<br>31 <sup>st</sup> March 2012 |              |
|---|--------------------------------------|--------------|--------------------------------------|--------------|
|   | in ₹ million                         | in ₹ million | in ₹ million                         | in ₹ million |
| <b>11. Non-Current Investments</b>  |                                      |              |                                      |              |
| <b>(Non Trade, at Cost)</b>   |                                      |              |                                      |              |
| <b>Quoted</b>   |                                      |              |                                      |              |
| <b>Investments in fully paid-up Equity Instruments</b>  |                                      |              |                                      |              |
| 12 Shares of ₹ 10 each of Atul Limited (# ₹ 336)  | #                                    |              | #                                    |              |
| 100,000 Shares of ₹ 2 each of Housing Development Finance Corporation Limited                           | 0.2                                  |              | 0.2                                  |              |
| 2,500 Shares of ₹ 2 each of HDFC Bank Limited (@ ₹ 5,000)   | @                                    |              | @                                    |              |
|   |                                      | <b>0.2</b>   |                                      | <b>0.2</b>   |
| <b>Unquoted</b>   |                                      |              |                                      |              |
| <b>Investments in fully paid-up Equity Instruments</b>  |                                      |              |                                      |              |
| 120 Shares of ₹ 50 each of The Malabar Hill Co-operative Housing Society Limited (* ₹ 6,000)            | *                                    |              | *                                    |              |
| 68 Shares of ₹ 50 each of The Palacimo Co-operative Housing Society Limited (## ₹ 3,400)                | ##                                   |              | ##                                   |              |
| 5 Shares of ₹ 50 each of Jaldarshan Co-operative Housing Society Limited (@@ ₹ 250)                     | @@                                   |              | @@                                   |              |
| 88 Shares of ₹ 50 each of New Gulistan Co-operative Housing Society Limited (** ₹ 4,400)                | **                                   |              | **                                   |              |
|   |                                      | —            |                                      | —            |
| <b>Investment in partly paid-up Equity Instruments</b>  |                                      |              |                                      |              |
| 1 Share 'A' of ₹ 120,000 – ₹ 118,000 paid-up of Hill Properties Limited                                 |                                      | 0.1          |                                      | 0.1          |
| <b>Investments in fully paid-up 4<sup>1/8</sup>% Bonds</b>  |                                      |              |                                      |              |
| 3 Loan Stock Bonds of ₹ 10,000 each of New Gulistan Co-operative Housing Society Limited (### ₹ 30,000) | ###                                  |              | ###                                  |              |
| 12 Loan Stock Bonds of ₹ 50 each of New Gulistan Co-operative Housing Society Limited (@@@ ₹ 600)       | @@@                                  |              | @@@                                  |              |
|   |                                      | —            |                                      | —            |
|   |                                      | <b>0.3</b>   |                                      | <b>0.3</b>   |
| Aggregate amount of Quoted Investments  |                                      | 0.2          |                                      | 0.2          |
| Aggregate amount of Unquoted Investments  |                                      | 0.1          |                                      | 0.1          |
|   |                                      | <b>0.3</b>   |                                      | <b>0.3</b>   |
| Aggregate Market Value of Quoted Investments  |                                      | 84.1         |                                      | 68.7         |

## Notes forming part of the Financial Statements as at and for the year ended 31<sup>st</sup> March 2013

|  | As at<br>31 <sup>st</sup> March 2013 |                | As at<br>31 <sup>st</sup> March 2012 |              |
|--|--------------------------------------|----------------|--------------------------------------|--------------|
|  | in ₹ million                         | in ₹ million   | in ₹ million                         | in ₹ million |
| <b>12. Deferred Tax Assets</b>   |                                      |                |                                      |              |
| Deferred Tax Assets  |                                      |                |                                      |              |
| Depreciation/Amortisation  | 30.5                                 |                | 23.4                                 |              |
| Provision for Doubtful Debts and Advances  | 27.5                                 |                | 27.6                                 |              |
| Compensation under Voluntary Retirement Schemes  | 2.2                                  |                | 5.0                                  |              |
| Provision for Employee Benefits  | 94.2                                 |                | 78.2                                 |              |
| Others   | 7.7                                  |                | 38.4                                 |              |
|  |                                      | <b>162.1</b>   |                                      | <b>172.6</b> |
| Less: Deferred Tax Liability   |                                      | —              |                                      | —            |
|  |                                      | <b>162.1</b>   |                                      | <b>172.6</b> |
| <b>13. Long-term Loans and Advances</b>  |                                      |                |                                      |              |
| <b>(Unsecured, Considered Good unless otherwise stated)</b>                                |                                      |                |                                      |              |
| Security Deposits  |                                      | 54.7           |                                      | 57.9         |
| Advances recoverable in cash or in kind or for value to be received                        |                                      |                |                                      |              |
| Considered Good  | 403.9                                |                | 354.0                                |              |
| Considered Doubtful  | 35.5                                 |                | 32.3                                 |              |
|  | <b>439.4</b>                         |                | <b>386.3</b>                         |              |
| Less: Provision for Doubtful Advances  | 35.5                                 |                | 32.3                                 |              |
|  |                                      | <b>403.9</b>   |                                      | <b>354.0</b> |
| Current Taxation [Net of Provision of ₹ 5,437.2 million (Previous year ₹ 4,893.7 million)] |                                      | 351.5          |                                      | 299.5        |
| Fringe Benefits Tax [Net of Provision of ₹ 37.9 million (Previous year - Nil)]             |                                      | 0.8            |                                      | —            |
|  |                                      | <b>810.9</b>   |                                      | <b>711.4</b> |
| <b>14. Other Non-Current Assets</b>  |                                      |                |                                      |              |
| Deposits with Banks with more than 12 months maturity                                      |                                      | <b>0.9</b>     |                                      | <b>23.9</b>  |
| <b>15. Inventories</b>   |                                      |                |                                      |              |
| <b>(At lower of cost and net realisable value)</b>   |                                      |                |                                      |              |
| Raw Materials [including in-transit ₹ 21.3 million (Previous year ₹ 3.4 million)]          |                                      | 94.2           |                                      | 54.5         |
| Finished Goods   |                                      | 108.6          |                                      | 86.5         |
| Stock-in-Trade [including in-transit of ₹ 79.2 million (Previous year ₹ 24.5 million)]     |                                      | 886.1          |                                      | 641.8        |
| Packing Materials  |                                      | 12.6           |                                      | 7.3          |
|  |                                      | <b>1,101.5</b> |                                      | <b>790.1</b> |

**Notes forming part of the Financial Statements as at and for the year ended 31<sup>st</sup> March 2013**

|   | As at<br>31 <sup>st</sup> March 2013 |              | As at<br>31 <sup>st</sup> March 2012 |              |
|---|--------------------------------------|--------------|--------------------------------------|--------------|
|   | in ₹ million                         | in ₹ million | in ₹ million                         | in ₹ million |
| <b>16. Trade Receivables</b>  |                                      |              |                                      |              |
| Outstanding for a period exceeding six months from the date they were due for payment |                                      |              |                                      |              |
| Secured, Considered Good  | 0.5                                  |              | 0.4                                  |              |
| Unsecured, Considered Good  | 19.5                                 |              | 6.8                                  |              |
| Unsecured, Considered Doubtful  | 45.5                                 |              | 52.9                                 |              |
|   | <u>65.5</u>                          |              | <u>60.1</u>                          |              |
| Less: Provision for Doubtful Debts  | 45.5                                 |              | 52.9                                 |              |
|   |                                      | <b>20.0</b>  |                                      | <b>7.2</b>   |
| Others  |                                      |              |                                      |              |
| Secured, Considered Good  | 1.5                                  |              | 1.5                                  |              |
| Unsecured, Considered Good  | 802.9                                |              | 690.8                                |              |
|   |                                      | <u>804.4</u> |                                      | <u>692.3</u> |
|   |                                      | <u>824.4</u> |                                      | <u>699.5</u> |

**17. Cash and Bank Balances**

|   |              |              |              |              |
|---|--------------|--------------|--------------|--------------|
| Cash and Cash Equivalents   |              |              |              |              |
| Balances with Banks   |              |              |              |              |
| Current Accounts  | 104.8        |              | 12.3         |              |
| Deposit Accounts (less than 3 months maturity)                              | 247.1        |              | 776.2        |              |
|   | <u>351.9</u> |              | <u>788.5</u> |              |
| Cheques on Hand   | 3.4          |              | 25.8         |              |
| Cash on Hand  | 0.1          |              | 0.7          |              |
|   |              | <b>355.4</b> |              | <b>815.0</b> |
| Other Bank Balances   |              |              |              |              |
| Long-term deposits with maturity more than 3 months but less than 12 months | 23.9         |              | 0.5          |              |
| Unpaid Dividend Accounts  | 13.7         |              | 13.4         |              |
|   |              | <u>37.6</u>  |              | <u>13.9</u>  |
|   |              | <u>393.0</u> |              | <u>828.9</u> |

**18. Short-term Loans and Advances**

|  |         |                |         |                |
|--|---------|----------------|---------|----------------|
| <b>(Unsecured, Considered Good)</b>  |         |                |         |                |
| Loans and Advances to Related Parties  |         |                |         |                |
| Inter-Corporate Deposits*  | 7,692.3 |                | 6,795.5 |                |
| Other Receivables  | 80.6    |                | 81.1    |                |
|  |         | <u>7,772.9</u> |         | <u>6,876.6</u> |
| Security Deposits  |         | 1.1            |         | 2.0            |
| Advances recoverable in cash or in kind or for value to be received                        |         | 93.4           |         | 78.4           |
| Balances with Customs, Excise and Port Trust   |         | 17.4           |         | 12.4           |
| Current Taxation [Net of Provision of ₹ 2,689.2 million (Previous year ₹ 2,730.4 million)] |         | 86.3           |         | 28.2           |
|  |         | <u>7,971.1</u> |         | <u>6,997.6</u> |

\* Guaranteed by Novartis AG, Basel, Switzerland, the holding company.

## Notes forming part of the Financial Statements as at and for the year ended 31<sup>st</sup> March 2013

|   | As at<br>31 <sup>st</sup> March 2013 |              | As at<br>31 <sup>st</sup> March 2012 |              |
|---|--------------------------------------|--------------|--------------------------------------|--------------|
|   | in ₹ million                         | in ₹ million | in ₹ million                         | in ₹ million |
| <b>19. Other Current Assets</b>                     |                                      |              |                                      |              |
| Unbilled Service Income                             |                                      | 45.1         |                                      | 3.7          |
| Interest accrued but not due on Deposits with Banks |                                      | 0.2          |                                      | 6.8          |
|   |                                      | <b>45.3</b>  |                                      | <b>10.5</b>  |

## 20. Contingent Liabilities

Claims against the company not acknowledged as debts

Income-tax matters

|  |  |       |  |       |
|--|--|-------|--|-------|
| (i) Matters decided in favour of the company but disputed further by the income-tax authorities  |  | 301.9 |  | 300.4 |
| (ii) Matters decided against the company in respect of which the company has preferred an appeal |  | 119.9 |  | 135.7 |
| Sales tax matters  |  | 287.5 |  | 282.7 |
| Service tax matters  |  | 4.5   |  | 3.3   |
| Excise matters   |  | 3.0   |  | 3.0   |
| Claims from third party manufacturers in respect of Excise matters                               |  | 36.3  |  | 34.6  |
| Claims from Consumers  |  | 0.2   |  | 0.2   |
| Others   |  | 2.1   |  | 2.1   |

Note:

Future cash outflows in respect of the above are determinable only on receipt of judgements/decisions pending with various authorities/forums and/or final outcome of the matters.

21. Estimated amount of contracts remaining to be executed on capital account and not provided for ₹ 0.8 million [Previous year ₹ 1.4 million].

|  | As at<br>31 <sup>st</sup> March 2013 |            | As at<br>31 <sup>st</sup> March 2012 |            |
|--|--------------------------------------|------------|--------------------------------------|------------|
|  |                                      |            |                                      |            |
| <b>22. Proposed Dividend</b>                           |                                      |            |                                      |            |
| Proposed Dividend (in ₹ million)                       |                                      | 319.6      |                                      | 319.6      |
| Number of shares outstanding as at the end of the year |                                      | 31,960,797 |                                      | 31,960,797 |
| Dividend per Share (₹ per Equity Share of ₹ 5 each)    |                                      | 10         |                                      | 10         |

**Notes forming part of the Financial Statements as at and for the year ended 31<sup>st</sup> March 2013**

|   | Year ended<br>31 <sup>st</sup> March 2013 |                | Year ended<br>31 <sup>st</sup> March 2012 |                |
|---|---|----------------|---|----------------|
|   | in ₹ million                              | in ₹ million   | in ₹ million                              | in ₹ million   |
| <b>23. Revenue from Operations</b>            |   |                |   |                |
| Sale of Products                              |   | 8,496.1        |   | 7,953.5        |
| Sale of Services                              |   | 396.3          |   | 367.3          |
| Other Operating Revenue                       |   |                |   |                |
| Commission Income                             | 172.4                                     |                | 147.1                                     |                |
| Sale of Scrap                                 | 0.2                                       |                | 0.1                                       |                |
|   |   | <b>172.6</b>   |   | <b>147.2</b>   |
| Revenue from Operations (Gross)               |   | 9,065.0        |   | 8,468.0        |
| Less: Excise Duty                             |   | 31.4           |   | 25.1           |
| Revenue from Operations (Net)                 |   | <b>9,033.6</b> |   | <b>8,442.9</b> |
| <b>24. Other Income</b>                       |   |                |   |                |
| Interest Income                               |   | 744.6          |   | 729.3          |
| Dividend Income                               |   |                |   |                |
| on Long-term Investments – Non Trade          | 1.1                                       |                | 0.9                                       |                |
| on Current Investments – Non Trade            | —   |                | 2.3                                       |                |
|   |   | 1.1            |   | 3.2            |
| Net Gain on Redemption of Current Investments |   | —              |   | 1.8            |
| Rent  |   | 59.3           |   | 67.5           |
| Insurance Claims                              |   | 0.8            |   | 12.9           |
| Liabilities no longer required written back   |   | 15.7           |   | 9.5            |
| Miscellaneous Income                          |   | 10.4           |   | 15.9           |
|   |   | <b>831.9</b>   |   | <b>840.1</b>   |
| <b>25. Cost of Materials Consumed</b>         |   |                |   |                |
| Raw Materials Consumed                        |   |                |   |                |
| Opening Stock                                 | 54.5                                      |                | 22.8                                      |                |
| Add: Purchases                                | 389.7                                     |                | 300.8                                     |                |
|   | 444.2                                     |                | 323.6                                     |                |
| Less: Closing Stock                           | 94.2                                      |                | 54.5                                      |                |
|   |   | <b>350.0</b>   |   | <b>269.1</b>   |
| Packing Materials Consumed                    |   |                |   |                |
| Opening Stock                                 | 7.3                                       |                | 8.0                                       |                |
| Add: Purchases                                | 58.9                                      |                | 44.1                                      |                |
|   | 66.2                                      |                | 52.1                                      |                |
| Less: Closing Stock                           | 12.6                                      |                | 7.3                                       |                |
|   |   | <b>53.6</b>    |   | <b>44.8</b>    |
|   |   | <b>403.6</b>   |   | <b>313.9</b>   |

Notes forming part of the Financial Statements as at and for the year ended 31<sup>st</sup> March 2013

|   | Year ended<br>31 <sup>st</sup> March 2013 |                | Year ended<br>31 <sup>st</sup> March 2012 |                |
|---|---|----------------|---|----------------|
|   | in ₹ million                              | in ₹ million   | in ₹ million                              | in ₹ million   |
| <b>26. Changes in Inventories of Finished Goods, and Stock-in-Trade</b> |   |                |   |                |
| Opening Stock   |   |                |   |                |
| Finished Goods  | 86.5                                      |                | 35.0                                      |                |
| Stock-in-Trade  | 641.8                                     |                | 470.4                                     |                |
|   |   | <b>728.3</b>   |   | <b>505.4</b>   |
| Closing Stock   |   |                |   |                |
| Finished Goods  | 108.6                                     |                | 86.5                                      |                |
| Stock-in-Trade  | 886.1                                     |                | 641.8                                     |                |
|   |   | <b>994.7</b>   |   | <b>728.3</b>   |
|   |   | <b>(266.4)</b> |   | <b>(222.9)</b> |
| <b>27. Employee Benefits Expense</b>                                    |   |                |   |                |
| Salaries, Wages and Bonus<br>[Refer Note 31 and 49]                     |   | 1,358.8        |   | 1,145.2        |
| Contributions to Provident and Other Funds                              |   | 112.9          |   | 106.6          |
| Contributions to Gratuity Fund  |   | 26.6           |   | 25.4           |
| Restricted Shares and Tradable Options                                  |   | 2.0            |   | —              |
| Staff Welfare Expenses  |   | 122.7          |   | 99.6           |
|   |   | <b>1,623.0</b> |   | <b>1,376.8</b> |
| <b>28. Finance Costs</b>  |   |                |   |                |
| Interest on Fixed Deposits  |   | 0.1            |   | 0.1            |
| Interest on Income-tax  |   | —              |   | 1.9            |
| Others  |   | 2.1            |   | 3.4            |
|   |   | <b>2.2</b>     |   | <b>5.4</b>     |
| <b>29. Other Expenses*</b>  |   |                |   |                |
| Power and Fuel  |   | 34.0           |   | 25.2           |
| Water Charges   |   | 1.7            |   | 1.2            |
| Rent  |   | 126.2          |   | 117.7          |
| Repairs and Maintenance   |   |                |   |                |
| Buildings   | 0.6                                       |                | 3.6                                       |                |
| Plant and Machinery   | 0.4                                       |                | 0.4                                       |                |
| Others  | 15.1                                      |                | 11.0                                      |                |
|   |   | 16.1           |   | 15.0           |
| Insurance   |   | 15.1           |   | 14.8           |
| Rates and Taxes   |   |                |   |                |
| Excise Duty   | 11.0                                      |                | 6.8                                       |                |
| Others  | 86.7                                      |                | 75.0                                      |                |
|   |   | <b>97.7</b>    |   | <b>81.8</b>    |

**Notes forming part of the Financial Statements as at and for the year ended 31<sup>st</sup> March 2013**

|   | Year ended<br>31 <sup>st</sup> March 2013 |                | Year ended<br>31 <sup>st</sup> March 2012 |                |
|---|---|----------------|---|----------------|
|   | in ₹ million                              | in ₹ million   | in ₹ million                              | in ₹ million   |
| Processing Charges  |   | 36.1           |   | 30.1           |
| Legal and Professional Charges                            |   | 95.1           |   | 71.8           |
| Travelling and Conveyance                                 |   | 310.3          |   | 232.2          |
| Other Outside Services                                    |   | 761.3          |   | 606.5          |
| Auditors' Remuneration [Refer Note 38]                    |   | 8.2            |   | 7.6            |
| Freight and Forwarding                                    |   | 296.9          |   | 268.8          |
| Commission on Sales                                       |   | 52.1           |   | 49.6           |
| Advertisement and Sales Promotion                         |   | 530.9          |   | 587.8          |
| Cash Discount   |   | 26.9           |   | 25.3           |
| Royalty   |   | 109.0          |   | 97.8           |
| Bad Debts and Advances written off                        | 11.6                                      |                | 21.3                                      |                |
| Less: Provision   | 11.6                                      |                | 21.3                                      |                |
|   |   | —              |   | —              |
| Provision for Doubtful Debts and Advances (Net)           |   | 7.4            |   | 31.9           |
| Loss on Sale/Disposal of Fixed Assets (Net)               |   | 1.4            |   | 2.8            |
| Net Loss on Foreign Currency Transactions and Translation |   | 7.3            |   | 21.0           |
| Miscellaneous Expenses                                    |   | 260.0          |   | 223.5          |
|   |   | <b>2,793.7</b> |   | <b>2,512.4</b> |

\* Net of expenses recharged to other companies - Refer Note 46

**30. Provision for Non-sellable Sales Returns**

|                                |       |      |
|--------------------------------|-------|------|
| As at 1 <sup>st</sup> April    | 82.9  | 86.8 |
| Provision made during the year | 110.1 | 82.3 |
| Amounts used during the year   | 98.2  | 86.2 |
| As at 31 <sup>st</sup> March   | 94.8  | 82.9 |

31. (a) Salaries, Wages and Bonus include ₹ 8.2 million [Previous year ₹ 2.8 million] paid/payable to employees under the Voluntary Retirement Schemes.

(b) Voluntary Retirement Costs represent the actuarial value as at 31<sup>st</sup> March 2013 of compensation payable under the Voluntary Retirement Schemes.

32. Disclosures as required under the Micro, Small and Medium Enterprises Development Act, 2006. This information and that given in Note 7 – Trade Payables regarding Micro and Small Enterprises has been determined to the extent such parties have been identified on the basis of information available with the company. This has been relied upon by the auditors.

|   | Year ended<br>31 <sup>st</sup> March 2013 | Year ended<br>31 <sup>st</sup> March 2012 |
|---|---|---|
|   | in ₹ million                              | in ₹ million                              |
| (a) The principal amount and the interest due thereon remaining unpaid to suppliers |   |   |
| (i) Principal   | 2.1                                       | 3.4                                       |
| (ii) Interest due thereon   | 1.5                                       | 1.0                                       |
|   | <b>3.6</b>                                | <b>4.4</b>                                |

## Notes forming part of the Financial Statements as at and for the year ended 31<sup>st</sup> March 2013

|  | Year ended<br>31 <sup>st</sup> March 2013 | Year ended<br>31 <sup>st</sup> March 2012 |
|--|---|---|
|  | in ₹ million                              | in ₹ million                              |
| (b) (i) The delayed payments of principal amount paid beyond the appointed date during the entire accounting year                                      | 35.5                                      | 65.7                                      |
| (ii) Interest actually paid under Section 16 of the Micro, Small and Medium Enterprises Development Act, 2006  | —   | —   |
| (c) (i) Normal Interest accrued during the year, for all the delayed payments, as per the agreed terms   | —   | —   |
| (ii) Normal Interest payable for the period of delay in making payment, as per the agreed terms  | —   | —   |
| (d) (i) Total Interest accrued during the year   | 0.5                                       | 0.9                                       |
| (ii) Total Interest accrued during the year and remaining unpaid   | 0.5                                       | 0.9                                       |
| (e) Included in (d) above is – * [Previous year – Nil] being interest on amounts outstanding as at the beginning of the accounting year (*. ₹ 34,888). |   |   |

|   | Year ended<br>31 <sup>st</sup> March 2013 |                     | Year ended<br>31 <sup>st</sup> March 2012 |                     |
|---|---|---------------------|---|---------------------|
|   | in ₹ million                              |                     | in ₹ million                              |                     |
| <b>33. Consumption of Raw Materials</b> |   |                     |   |                     |
| Calcium Gluconate                       | 40.0                                      |                     | 45.2                                      |                     |
| Tiamutin 80% Granules                   | 123.2                                     |                     | 151.7                                     |                     |
| Norethindrone Acetate USP/N             | 30.5                                      |                     | 30.4                                      |                     |
| Rifampicin                              | 37.0                                      |                     | -   |                     |
| Others                                  | 119.3                                     |                     | 41.8                                      |                     |
|   | <b>350.0</b>                              |                     | <b>269.1</b>                              |                     |
|   | <b>%</b>                                  | <b>in ₹ million</b> | <b>%</b>                                  | <b>in ₹ million</b> |
| Imported                                | 47.17                                     | 165.1               | 68.19                                     | 183.5               |
| Indigenous                              | 52.83                                     | 184.9               | 31.81                                     | 85.6                |
|   | <b>100.00</b>                             | <b>350.0</b>        | <b>100.00</b>                             | <b>269.1</b>        |

Note:

- (a) Consumption of Raw Materials represents consumption by third parties under contract with the company and consumption in respect of samples.

Notes forming part of the Financial Statements as at and for the year ended 31<sup>st</sup> March 2013

|  | Year ended<br>31 <sup>st</sup> March 2013 | Year ended<br>31 <sup>st</sup> March 2012 |
|--|---|---|
|  | in ₹ million                              | in ₹ million                              |
| <b>34. Sale of Products</b>            |   |   |
| <b>Pharmaceuticals</b>                 |   |   |
| Formulations                           |   |   |
| Tablets                                | 3,078.0                                   | 2,831.1                                   |
| Capsules                               | 511.1                                     | 424.3                                     |
| Liquid Orals                           | 238.0                                     | 244.0                                     |
| Injectables                            | 1,605.8                                   | 1,554.4                                   |
| Creams & Ointments                     | 202.4                                     | 189.9                                     |
| Patches                                | 37.4                                      | 30.2                                      |
| Vials                                  | 190.1                                     | 138.7                                     |
|  | <b>5,862.8</b>                            | <b>5,412.6</b>                            |
| <b>Generics</b>                        |   |   |
| Formulations                           |   |   |
| Tablets                                | 559.1                                     | 509.8                                     |
| Liquid – Orals                         | 2.5                                       | 3.3                                       |
|  | <b>561.6</b>                              | <b>513.1</b>                              |
| <b>OTC</b>                             |   |   |
| Powders – VMS                          | 0.4                                       | 15.4                                      |
| Tablets                                | 144.1                                     | 296.2                                     |
| Capsules                               | 3.4                                       | 5.3                                       |
| Liquid – Orals                         | 940.8                                     | 848.2                                     |
|  | <b>1,088.7</b>                            | <b>1,165.1</b>                            |
| <b>Animal Health</b>                   |   |   |
| Drug Formulations                      | 538.2                                     | 462.1                                     |
| Feed Supplements                       | 413.4                                     | 375.5                                     |
|  | <b>951.6</b>                              | <b>837.6</b>                              |
|  | <b>8,464.7</b>                            | <b>7,928.4</b>                            |
| <b>35. Purchases of Stock-in-Trade</b> |   |   |
| <b>Pharmaceuticals</b>                 |   |   |
| Formulations                           |   |   |
| Tablets                                | 1,361.9                                   | 1,052.6                                   |
| Capsules                               | 467.3                                     | 343.1                                     |
| Liquid – Orals                         | 137.4                                     | 172.2                                     |
| Injectables                            | 767.3                                     | 624.4                                     |
| Creams and Ointments                   | 58.6                                      | 54.9                                      |
| Patches                                | 36.8                                      | 23.1                                      |
| Vials                                  | 101.0                                     | 98.5                                      |
|  | <b>2,930.3</b>                            | <b>2,368.8</b>                            |

Notes forming part of the Financial Statements as at and for the year ended 31<sup>st</sup> March 2013

|                         | Year ended<br>31 <sup>st</sup> March 2013 | Year ended<br>31 <sup>st</sup> March 2012 |
|-------------------------|---|---|
|                         | in ₹ million                              | in ₹ million                              |
| <b>Generics</b>         |   |   |
| Formulations            |   |   |
| Tablets                 | 75.3                                      | 119.7                                     |
| Liquid – Orals          | 1.4                                       | 1.7                                       |
|                         | <b>76.7</b>                               | <b>121.4</b>                              |
| <b>OTC</b>              |   |   |
| Powders – VMS           | —   | 6.3                                       |
| Tablets                 | 32.7                                      | 71.0                                      |
| Capsules                | 0.8                                       | 1.3                                       |
| Liquid – Orals          | 276.0                                     | 244.2                                     |
|                         | <b>309.5</b>                              | <b>322.8</b>                              |
| <b>Animal Health</b>    |   |   |
| Drug Formulations       | 96.5                                      | 71.0                                      |
| Feed Supplements        | 194.1                                     | 179.5                                     |
|                         | <b>290.6</b>                              | <b>250.5</b>                              |
|                         | <b>3,607.1</b>                            | <b>3,063.5</b>                            |
| Less: Sales tax set off | 27.8                                      | 39.7                                      |
|                         | <b>3,579.3</b>                            | <b>3,023.8</b>                            |

### 36. Opening Stock

#### Pharmaceuticals

|                      |              |              |
|----------------------|--------------|--------------|
| Formulations         |              |              |
| Tablets              | 230.6        | 157.9        |
| Capsules             | 72.5         | 67.2         |
| Liquid – Orals       | 45.2         | 22.0         |
| Injectables          | 133.9        | 108.7        |
| Creams and Ointments | 12.2         | 9.5          |
| Patches              | 5.8          | 5.5          |
| Vials                | 49.1         | 16.0         |
|                      | <b>549.3</b> | <b>386.8</b> |

#### Generics

|                |             |             |
|----------------|-------------|-------------|
| Formulations   |             |             |
| Tablets        | 36.5        | 27.1        |
| Liquid – Orals | 0.5         | 0.2         |
|                | <b>37.0</b> | <b>27.3</b> |

Notes forming part of the Financial Statements as at and for the year ended 31<sup>st</sup> March 2013

|                      | Year ended<br>31 <sup>st</sup> March 2013 | Year ended<br>31 <sup>st</sup> March 2012 |
|----------------------|---|---|
|                      | in ₹ million                              | in ₹ million                              |
| <b>OTC</b>           |   |   |
| Powders – VMS        | 0.2                                       | 1.6                                       |
| Tablets              | 3.7                                       | 6.6                                       |
| Capsules             | 0.2                                       | 0.2                                       |
| Liquid – Orals       | 20.7                                      | 17.4                                      |
|                      | <b>24.8</b>                               | <b>25.8</b>                               |
| <b>Animal Health</b> |   |   |
| Drug Formulations    | 67.2                                      | 36.2                                      |
| Feed Supplements     | 50.0                                      | 29.3                                      |
|                      | <b>117.2</b>                              | <b>65.5</b>                               |
|                      | <b>728.3</b>                              | <b>505.4</b>                              |

37. Closing Stock\*

**Pharmaceuticals**

|                      |              |              |
|----------------------|--------------|--------------|
| Formulations         |              |              |
| Tablets              | 370.1        | 230.6        |
| Capsules             | 79.9         | 72.5         |
| Liquid – Orals       | 26.0         | 45.2         |
| Injectables          | 204.3        | 133.9        |
| Creams and Ointments | 13.6         | 12.2         |
| Patches              | 10.5         | 5.8          |
| Vials                | 49.6         | 49.1         |
|                      | <b>754.0</b> | <b>549.3</b> |

**Generics**

|                |             |             |
|----------------|-------------|-------------|
| Formulations   |             |             |
| Tablets        | 53.9        | 36.5        |
| Liquid – Orals | 0.7         | 0.5         |
|                | <b>54.6</b> | <b>37.0</b> |

**OTC**

|                |             |             |
|----------------|-------------|-------------|
| Powders – VMS  | —           | 0.2         |
| Tablets        | 5.8         | 3.7         |
| Capsules       | 0.2         | 0.2         |
| Liquid – Orals | 44.6        | 20.7        |
|                | <b>50.6</b> | <b>24.8</b> |

**Animal Health**

|                   |              |              |
|-------------------|--------------|--------------|
| Drug Formulations | 82.4         | 67.2         |
| Feed Supplements  | 53.1         | 50.0         |
|                   | <b>135.5</b> | <b>117.2</b> |
|                   | <b>994.7</b> | <b>728.3</b> |

\* Net of date expired stocks, damages, in-transit breakages, samples, etc.

**Notes forming part of the Financial Statements as at and for the year ended 31<sup>st</sup> March 2013**

|  | Year ended<br>31 <sup>st</sup> March 2013 | Year ended<br>31 <sup>st</sup> March 2012 |
|--|---|---|
|  | in ₹ million                              | in ₹ million                              |
| <b>38. Auditors' Remuneration</b>                              |   |   |
| (including service tax)  |   |   |
| Audit Fees   | 4.5                                       | 4.2                                       |
| Other Services   | 3.5                                       | 3.2                                       |
| Reimbursement of Expenses                                      | 0.2                                       | 0.2                                       |
|  | <b>8.2</b>                                | <b>7.6</b>                                |
| <b>39. CIF Value of Imports</b>                                |   |   |
| Raw Materials  | 168.3                                     | 183.5                                     |
| Stock-in-Trade   | 1,581.0                                   | 1,312.8                                   |
| <b>40. Expenditure in Foreign Currency</b>                     |   |   |
| Professional and Consultancy Fees                              | 0.1                                       | 0.7                                       |
| Travelling   | 15.1                                      | 15.3                                      |
| Other Outside Services   | 104.3                                     | 73.6                                      |
| Net Loss on Foreign Currency Transactions and Translation      | 7.3                                       | 21.0                                      |
| Others   | 16.7                                      | 15.7                                      |
| <b>41. Remittance of Dividend to Non-resident Shareholders</b> |   |   |
| Number of Shareholders   | 1   | 1   |
| Number of Equity Shares held                                   | 24,424,802                                | 24,424,802                                |
| Amount remitted (in ₹ million)                                 | 244.2                                     | 244.2                                     |
| Year to which the dividend related                             | 31 <sup>st</sup> March, 2012              | 31 <sup>st</sup> March, 2011              |
| <b>42. Earnings in Foreign Exchange</b>                        |   |   |
| FOB Value of Exports (excluding exports to Nepal)              | 50.2                                      | 45.1                                      |
| Sale of Services   | 29.0                                      | 14.2                                      |
| Freight and Insurance  | 4.8                                       | 2.7                                       |
| Expenses recharged to Other Companies                          | 40.6                                      | 23.5                                      |

Notes forming part of the Financial Statements as at and for the year ended 31<sup>st</sup> March 2013

|  | Year ended<br>31 <sup>st</sup> March 2013 | Year ended<br>31 <sup>st</sup> March 2012 |
|--|---|---|
|  | in ₹ million                              | in ₹ million                              |
| <b>43. Expenditure on Research and Development</b>   |   |   |
| Capital  | —   | 0.2                                       |
| Revenue  | 2.2                                       | 2.7                                       |
| <b>44. Employee Benefits</b>   |   |   |
| <b>(A) Defined Contribution Plans</b>  |   |   |
| The company has recognised the following amounts in the Statement of Profit and Loss:  |   |   |
| (i) Contribution to Employees' Superannuation Fund   | 30.0                                      | 29.5                                      |
| (ii) Contribution to Contractual Employees' Pension Scheme   | 6.6                                       | 5.8                                       |
| (iii) Contribution to Employees' Family Pension Scheme   | 2.5                                       | 2.2                                       |
| <b>(B) Defined Benefit Plans</b>   |   |   |
| Valuations in respect of Provident Fund, Gratuity, Leave Encashment, Non-Contractual Pension Plan and Post Retirement Medical Benefits have been carried out by independent actuary, as at the Balance Sheet date, based on the following assumptions: |   |   |
| (a) Discount Rate (per annum)  | 8.10%                                     | 8.60%                                     |
| (b) Rate of increase in Compensation Levels  | 10.00%                                    | 10.00%                                    |
| (c) Rate of Return on Plan Assets  | 8.25%                                     | 8.25%                                     |
| (d) Expected Average remaining working lives of employees in number of years   | 9   | 6   |



Notes forming part of the Financial Statements as at and for the year ended 31<sup>st</sup> March 2013

|   | Year ended<br>31 <sup>st</sup> March 2013 | Year ended<br>31 <sup>st</sup> March 2012 |
|---|---|---|
|   | in ₹ million                              | in ₹ million                              |
| <b>45. Segment Information</b>  |   |   |
| (A) Information in respect of Primary Segments                        |   |   |
| (I) Segment Revenue   |   |   |
| Pharmaceuticals   | 6,348.5                                   | 5,861.1                                   |
| Generics  | 625.2                                     | 573.1                                     |
| OTC   | 1,104.6                                   | 1,171.1                                   |
| Animal Health   | 955.3                                     | 837.6                                     |
|   | <b>9,033.6</b>                            | <b>8,442.9</b>                            |
| (II) Segment Result   |   |   |
| Pharmaceuticals   | 737.8                                     | 1,292.3                                   |
| Generics  | 220.8                                     | 190.4                                     |
| OTC   | 162.5                                     | 175.2                                     |
| Animal Health   | 40.2                                      | 74.9                                      |
|   | 1,161.3                                   | 1,732.8                                   |
| Unallocated Corporate Income net of Unallocated Corporate Expenditure | (210.6)                                   | (213.0)                                   |
| Operating Profit  | 950.7                                     | 1,519.8                                   |
| Finance Costs   | (2.2)                                     | (5.4)                                     |
| Interest and Dividend Income  | 745.7                                     | 732.5                                     |
| Tax Expense   | (496.9)                                   | (726.7)                                   |
| Profit for the year   | <b>1,197.3</b>                            | <b>1,520.2</b>                            |
| (III) Other Information   |   |   |
| (a) Segment Assets  |   |   |
| Pharmaceuticals   | 1,655.6                                   | 1,307.7                                   |
| Generics  | 220.0                                     | 121.9                                     |
| OTC   | 157.3                                     | 147.0                                     |
| Animal Health   | 461.5                                     | 394.4                                     |
|   | 2,494.4                                   | 1,971.0                                   |
| Unallocated Corporate Assets  | 8,917.4                                   | 8,365.9                                   |
|   | <b>11,411.8</b>                           | <b>10,336.9</b>                           |
| (b) Segment Liabilities   |   |   |
| Pharmaceuticals   | 1,396.8                                   | 1,165.3                                   |
| Generics  | 116.4                                     | 79.3                                      |
| OTC   | 211.1                                     | 174.3                                     |
| Animal Health   | 135.1                                     | 139.8                                     |
|   | 1,859.4                                   | 1,558.7                                   |
| Unallocated Corporate Liabilities                                     | 550.3                                     | 599.5                                     |
|   | <b>2,409.7</b>                            | <b>2,158.2</b>                            |
| (c) Capital Expenditure   |   |   |
| Pharmaceuticals   | 5.3                                       | 10.6                                      |
| Generics  | —   | 0.5                                       |
| OTC   | 0.6                                       | 0.3                                       |
| Animal Health   | 0.8                                       | 0.5                                       |
|   | 6.7                                       | 11.9                                      |
| Unallocated Corporate Capital Expenditure                             | 31.9                                      | 32.9                                      |
|   | <b>38.6</b>                               | <b>44.8</b>                               |

## Notes forming part of the Financial Statements as at and for the year ended 31<sup>st</sup> March 2013

|   | Year ended<br>31 <sup>st</sup> March 2013 | Year ended<br>31 <sup>st</sup> March 2012 |
|---|---|---|
|   | in ₹ million                              | in ₹ million                              |
| (d) Depreciation and Amortisation Expense                   |   |   |
| Pharmaceuticals   | 22.4                                      | 14.8                                      |
| Generics  | 0.3                                       | 0.3                                       |
| OTC   | 3.4                                       | 2.9                                       |
| Animal Health   | 2.5                                       | 3.4                                       |
|   | <u>28.6</u>                               | <u>21.4</u>                               |
| Unallocated Corporate Depreciation and Amortisation Expense | 7.3                                       | 5.3                                       |
|   | <u><b>35.9</b></u>                        | <u><b>26.7</b></u>                        |

Note: There are no non-cash expenses other than Depreciation and Amortisation Expense

### (B) Information in respect of Secondary Segments

#### (I) Segment Revenue

|                 |                       |                       |
|-----------------|-----------------------|-----------------------|
| India           | 8,902.5               | 8,345.5               |
| Other Countries | 131.1                 | 97.4                  |
|                 | <u><b>9,033.6</b></u> | <u><b>8,442.9</b></u> |

#### (II) Carrying amount of Segment Assets

|                 |                        |                        |
|-----------------|------------------------|------------------------|
| India           | 11,411.8               | 10,336.9               |
| Other Countries | —                      | —                      |
|                 | <u><b>11,411.8</b></u> | <u><b>10,336.9</b></u> |

#### (III) Capital Expenditure

|                 |                    |                    |
|-----------------|--------------------|--------------------|
| India           | 38.6               | 44.8               |
| Other Countries | —                  | —                  |
|                 | <u><b>38.6</b></u> | <u><b>44.8</b></u> |

Notes:

#### (a) Business Segments

The businesses comprise Pharmaceuticals, Generics, OTC and Animal Health. The operational performance of the business is reviewed by the management based on such segmentation.

- (i) The Pharmaceuticals segment comprises a portfolio of prescription medicines which are provided to patients through healthcare professionals. These are mainly products of original research of the Novartis Group.
- (ii) The Generics segment comprises Retail Generics products. The business unit primarily focuses on the therapeutic segments such as Anti-TB, Anti-DUB (Gynaecology), Anti-histamines, Antibiotics, Anti-ulcerants, Anti-diabetes and Cardiovascular.
- (iii) The Animal Health segment has a presence primarily in the cattle and poultry market segments.
- (iv) The OTC segment is mainly in the VMS (vitamins, minerals and nutritional supplements) and CoCoA (cough, cold and allergy) market segments.

#### (b) Geographical Segments

Revenue is segregated into two segments namely India (sales to customers within India) and Other Countries (sales to customers outside India) on the basis of geographical location of customers for the purpose of reporting geographical segments.

- (c) The accounting policies adopted for segment reporting are in line with the accounting policies adopted for the preparation of financial statements as disclosed in Note 1 above.

#### 46. Related Party Disclosures

- (A) Enterprise where control exists  
Holding Company Novartis AG, Basel, Switzerland
- (B) Other Related Parties with whom the company had transactions during the year
- (a) Fellow Subsidiaries
- Alcon Laboratories (India) Private Limited, India
  - Alcon Pharmaceuticals Limited, Switzerland
  - Befico Limited, Bermuda
  - Chiron Behring Vaccines Private Limited, India
  - Novartis (Bangladesh) Limited, Bangladesh
  - Novartis (Thailand) Limited, Thailand
  - Novartis Animal Health GmbH, Austria
  - Novartis Animal Health Inc., Switzerland
  - Novartis Animal Health US Inc., USA
  - Novartis Asia Pacific Pharmaceuticals Pte. Limited, Singapore
  - Novartis Consumer Health SA, Switzerland
  - Novartis Healthcare Private Limited, India
  - Novartis International AG, Switzerland
  - Novartis Pharma AG, Switzerland
  - Novartis Pharma GmbH, Germany
  - Novartis Pharma Services AG, Switzerland
  - Novartis Pharmaceuticals (HK) Limited, Hong Kong
  - Novartis Pharmaceuticals Australia Pty Limited, Australia
  - Novartis Pharmaceuticals Corporation Inc., USA
  - Novartis Vaccines and Diagnostics Inc., USA
  - PT Novartis Indonesia, Indonesia
  - Sandoz Private Limited, India
  - Shanghai Novartis Animal Health Co. Limited, China
- (b) Key Management Personnel
- R. Shahani
  - P. Gupta
  - A. Matai
  - V. Singhal
  - Dr. V. A. Kumar (From 1<sup>st</sup> January, 2012)
  - Dr. P. R. Rao (Up to 31<sup>st</sup> December, 2011)
  - A. Sharma (Up to 6<sup>th</sup> February, 2013)

- (C) Disclosure of transactions between the company and related parties and outstanding balances as at the year end:

|                               | Year ended<br>31 <sup>st</sup> March 2013 |              | Year ended<br>31 <sup>st</sup> March 2012 |              |
|-------------------------------|---|--------------|---|--------------|
|                               | in ₹ million                              | in ₹ million | in ₹ million                              | in ₹ million |
| (a) Holding Company           |   |              |   |              |
| Dividend paid                 |   | 244.2        |   | 244.2        |
| Royalty Expense               |   | 73.8         |   | 65.4         |
| Balance as at the year end –  |   |              |   |              |
| Outstanding Payable           |   | 33.1         |   | 30.1         |
| (b) Fellow Subsidiaries       |   |              |   |              |
| Purchases of Stock-in-Trade   |   |              |   |              |
| Alcon Pharmaceuticals Limited | 101.0                                     |              | 87.5                                      |              |
| Novartis Pharma AG            | 1,440.4                                   |              | 1,183.5                                   |              |
| Sandoz Private Limited        | 7.8                                       |              | 14.4                                      |              |
|                               |   | 1,549.2      |   | 1,285.4      |

**Notes forming part of the Financial Statements as at and for the year ended 31<sup>st</sup> March 2013**

|  | Year ended<br>31 <sup>st</sup> March 2013 |              | Year ended<br>31 <sup>st</sup> March 2012 |              |
|--|---|--------------|---|--------------|
|  | in ₹ million                              | in ₹ million | in ₹ million                              | in ₹ million |
| Purchases of Raw Materials                         |   |              |   |              |
| Novartis Animal Health GmbH                        | 24.5                                      |              | 135.1                                     |              |
| Novartis Animal Health Inc.                        | 78.4                                      |              | —   |              |
| Novartis Pharma AG                                 | 27.0                                      |              | 15.7                                      |              |
| Sandoz Private Limited                             | 62.8                                      |              | —   |              |
| Shanghai Novartis Animal Health Co. Limited        | 23.8                                      |              | 32.7                                      |              |
|  |   | 216.5        |   | 183.5        |
| Sale of Products                                   |   |              |   |              |
| Novartis (Bangladesh) Limited                      | 41.2                                      |              | 37.2                                      |              |
| Others   | 3.5                                       |              | 3.2                                       |              |
|  |   | 44.7         |   | 40.4         |
| Sale of Services                                   |   |              |   |              |
| Novartis Healthcare Private Limited                | 290.3                                     |              | 289.9                                     |              |
| Sandoz Private Limited                             | 77.8                                      |              | 63.2                                      |              |
| Others   | 28.2                                      |              | 14.2                                      |              |
|  |   | 396.3        |   | 367.3        |
| Commission Income                                  |   |              |   |              |
| Novartis Healthcare Private Limited                |   | 172.4        |   | 147.1        |
| Rent Income  |   |              |   |              |
| Novartis Healthcare Private Limited                |   | 19.7         |   | 21.9         |
| Commission on Sales                                |   |              |   |              |
| Sandoz Private Limited                             |   | 22.3         |   | 20.5         |
| Rent Expense                                       |   |              |   |              |
| Sandoz Private Limited                             |   | 14.9         |   | 13.5         |
| Purchase of Restricted Shares and Tradable Options |   |              |   |              |
| Befico Limited                                     |   | 24.1         |   | —            |
| Expense recharged by Other Companies               |   |              |   |              |
| Novartis Pharma AG                                 | 104.3                                     |              | 74.3                                      |              |
| Sandoz Private Limited                             | 90.5                                      |              | 86.2                                      |              |
| Novartis Healthcare Private Limited                | 95.8                                      |              | 49.6                                      |              |
| Others   | 14.4                                      |              | 16.6                                      |              |
|  |   | 305.0        |   | 226.7        |
| Expenses recharged to Other Companies              |   |              |   |              |
| Novartis Healthcare Private Limited                | 50.3                                      |              | 63.7                                      |              |
| Novartis Pharmaceuticals (HK) Limited              | 7.5                                       |              | 13.0                                      |              |
| Novartis Pharma AG                                 | 38.4                                      |              | 0.2                                       |              |
| Others   | 13.1                                      |              | 17.0                                      |              |
|  |   | 109.3        |   | 93.9         |

**Notes forming part of the Financial Statements as at and for the year ended 31<sup>st</sup> March 2013**

|  | Year ended<br>31 <sup>st</sup> March 2013 |              | Year ended<br>31 <sup>st</sup> March 2012 |              |
|--|---|--------------|---|--------------|
|  | in ₹ million                              | in ₹ million | in ₹ million                              | in ₹ million |
| Inter-corporate Deposits Placed                    |   |              |   |              |
| Alcon Laboratories (India) Private Limited         | 7,256.3                                   |              | 6,213.5                                   |              |
| Novartis Healthcare Private Limited                | 13,463.5                                  |              | 11,984.8                                  |              |
| Sandoz Private Limited                             | 27,699.4                                  |              | 22,184.3                                  |              |
|  |   | 48,419.2     |   | 40,382.6     |
| Interest Income on Inter-corporate Deposits Placed |   |              |   |              |
| Alcon Laboratories (India) Private Limited         | 231.0                                     |              | 118.4                                     |              |
| Novartis Healthcare Private Limited                | 137.8                                     |              | 71.7                                      |              |
| Sandoz Private Limited                             | 358.6                                     |              | 486.9                                     |              |
|  |   | 727.4        |   | 677.0        |
| Balances as at the year end –                      |   |              |   |              |
| Outstanding Receivables                            |   |              |   |              |
| Novartis Healthcare Private Limited                | 46.5                                      |              | 58.5                                      |              |
| Sandoz Private Limited                             | 104.8                                     |              | 81.3                                      |              |
| Alcon Laboratories (India) Private Limited         | 19.5                                      |              | 15.0                                      |              |
| Others   | 15.7                                      |              | 16.4                                      |              |
|  |   | 186.5        |   | 171.2        |
| Inter-corporate Deposits Receivable                |   |              |   |              |
| Alcon Laboratories (India) Private Limited         | 2,216.5                                   |              | 1,847.9                                   |              |
| Novartis Healthcare Private Limited                | 1,550.8                                   |              | 1,318.5                                   |              |
| Sandoz Private Limited                             | 3,925.0                                   |              | 3,629.1                                   |              |
|  |   | 7,692.3      |   | 6,795.5      |
| Outstanding Payables                               |   |              |   |              |
| Novartis Animal Health GmbH                        | —   |              | 30.1                                      |              |
| Novartis Pharma AG                                 | 215.1                                     |              | 70.5                                      |              |
| Novartis Healthcare Private Limited                | 70.3                                      |              | —   |              |
| Alcon Pharmaceuticals Limited                      | —   |              | 40.5                                      |              |
| Sandoz Private Limited                             | 39.5                                      |              | 15.6                                      |              |
| Others   | 56.3                                      |              | 29.0                                      |              |
|  |   | 381.2        |   | 185.7        |
| (c) Key Management Personnel                       |   |              |   |              |
| Remuneration@                                      |   |              |   |              |
| R. Shahani   | 18.1                                      |              | 16.9                                      |              |
| P. Gupta   | 13.7                                      |              | 12.1                                      |              |
| A. Matai   | 28.2                                      |              | 30.1                                      |              |
| V. Singhal   | 13.7                                      |              | 20.5                                      |              |
| Dr. P. R. Rao                                      | —   |              | 10.0                                      |              |
| Dr. V. A. Kumar                                    | 8.1                                       |              | 1.4                                       |              |
| A. Sharma  | 15.0                                      |              | 12.8                                      |              |
|  |   | 96.8         |   | 103.8        |

@Excludes Provision for Employee Benefits, Restricted Shares and Tradable Options.

## Notes forming part of the Financial Statements as at and for the year ended 31<sup>st</sup> March 2013

|   | <b>Year ended 31<sup>st</sup> March</b> |                     |
|---|---|---------------------|
|   | <b>2013</b>                             | <b>2012</b>         |
|   | <b>in ₹ million</b>                     | <b>in ₹ million</b> |
| <b>47. Disclosures for Operating Leases</b>   |   |                     |
| (I) Disclosures in respect of residential/office premises (including furniture and fixtures therein, as applicable) and vehicles taken on lease on or after 1 <sup>st</sup> April, 2001 |   |                     |
| (a) Lease payments recognised in the Statement of Profit and Loss   | 56.4                                    | 53.0                |
| (b) Significant leasing arrangements  |   |                     |
| (i) The Company has given refundable interest free security deposits under certain agreements.  |   |                     |
| (ii) Certain agreements provide for increase in rent.   |   |                     |
| (iii) One of the agreements provide for early termination by either party by paying lump sum compensation of ₹ 100,000.   |   |                     |
| (iv) Some of the agreements contain a provision for their renewal.  |   |                     |
| (c) Future minimum lease payments under non-cancellable agreements  |   |                     |
| (i) Not later than one year   | 5.6                                     | 5.7                 |
| (ii) Later than one year and not later than five years  | 5.3                                     | 7.3                 |
| (iii) Later than five years   | —                                       | —                   |
| (II) Disclosures in respect of residential premises owned by the company and given on leave and licence basis on or after 1 <sup>st</sup> April, 2001                                   |   |                     |
| (a) Forming part of 'Buildings' in Note 10 – Fixed Assets, in respect of the aforesaid premises –   |   |                     |
| (i) Gross carrying amount as at the year end  | 12.1                                    | 12.1                |
| (ii) Accumulated Depreciation as at the year end  | 2.9                                     | 2.6                 |
| (iii) Depreciation recognised in the Statement of Profit and Loss for the period the premises are given on leave and licence basis  | 0.3                                     | 0.3                 |
| (b) Significant leasing arrangements  |   |                     |
| (i) Either party shall be entitled at any time during the term to terminate the agreement by giving three months' prior notice in writing.  |   |                     |
| (ii) There is no provision for renewal.   |   |                     |

48. Basic earnings per share has been calculated by dividing profit for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year. The company has not issued any potential equity shares and accordingly, the basic earnings per share and diluted earnings per share are the same. Earnings per Share has been computed as under:

|   | <b>Year ended 31<sup>st</sup> March</b> |             |
|---|---|-------------|
|   | <b>2013</b>                             | <b>2012</b> |
| Profit for the year (in ₹ million)                                      | 1,197.3                                 | 1,520.2     |
| Weighted average number of shares                                       | 31,960,797                              | 31,960,797  |
| Earnings per Share (₹ per Equity Share of ₹ 5 each) – Basic and Diluted | 37.46                                   | 47.56       |

## Notes forming part of the Financial Statements as at and for the year ended 31<sup>st</sup> March 2013

### 49. Disclosures for Employee Share based Payments

The Institute of Chartered Accountants of India has issued a Guidance Note on “Accounting for Employee Share based Payments” (‘the Guidance Note’), which is applicable to employee share based payment plans, the grant date in respect of which falls on or after 1st April, 2005. The company offers its employees, share based payments in the form of a “Select” plan. The Equity Plan “Select” is a global equity incentive plan for eligible employees. This plan allows its participants to choose the form of their equity compensation in ‘Restricted Shares’ or ‘Tradable Options’ of the ultimate holding company, Novartis AG, Basel. The “Select” plan of the ultimate holding company is being managed and administered by the group company, Befico Limited, Bermuda, and the company is compensating Befico Limited for the grants made to the employees with effect from January 2013 and accordingly, these costs are being reflected in the financial statements. The information given below, in respect of the Select plan has been determined and provided by the ultimate holding company.

There are two schemes under which employees are granted stock options:

- (A) A Tradable Stock Options, as per which the employee can sell it to market maker once its vested. Tradable Options have a contractual life of 10 years from the date of grant.
- (B) Restricted Shares, which are the shares of its ultimate holding company. This does not have voting rights until vested to employees. Unlike Tradable Options, there is no time limit to sell the Restricted Shares once these are vested.

|   | Tradable Options                  |      | Restricted Shares                 |      |
|---|-----------------------------------|------|-----------------------------------|------|
|   | Year ended 31 <sup>st</sup> March |      | Year ended 31 <sup>st</sup> March |      |
|   | 2013                              | 2012 | 2013                              | 2012 |
| Type of Arrangement   |                                   |      |                                   |      |
| (i) Date of Grant   | @                                 | —    | @                                 | —    |
| (ii) Numbers Granted  | 22,040                            | —    | 5,170                             | —    |
| (iii) Contractual Life (in years)                           | 10                                | —    | —                                 | —    |
| (iv) Weighted average remaining contractual life (in years) | 10                                | —    | —                                 | —    |
| (v) Vesting Conditions                                      | 3 years                           | —    | 3 years                           | —    |
|   | @17th January, 2013               |      |                                   |      |

Details of movement of grants under the two stock option plans for the year:

|  | Tradable Options                  |      | Restricted Shares                 |      |
|--|-----------------------------------|------|-----------------------------------|------|
|  | Year ended 31 <sup>st</sup> March |      | Year ended 31 <sup>st</sup> March |      |
|  | 2013                              | 2012 | 2013                              | 2012 |
| (i) Balance at the beginning of the year | —                                 | —    | —                                 | —    |
| (ii) Granted                             | 22,040                            | —    | 5,170                             | —    |
| (iii) Grants forfeited                   | —                                 | —    | —                                 | —    |
| (iv) Grants expired                      | —                                 | —    | —                                 | —    |
| (v) Grants exercised                     | —                                 | —    | —                                 | —    |
| (vi) Balance at the end of the year      | 22,040                            | —    | 5,170                             | —    |

|   | in ₹ million | in ₹ million | in ₹ million | in ₹ million |
|---|--------------|--------------|--------------|--------------|
| Movement of amount recorded in Financial Statements:                  |              |              |              |              |
| Total amount incurred during the year                                 | 5.5          | —            | 18.6         | —            |
| Expenses arising*   | 0.5          | —            | 1.5          | —            |
| Balance amount to be expensed out over the remaining vesting period** | 5.0          | —            | 17.1         | —            |

\*Included under Employee Benefits Expense in Note 27

\*\*Included under Advances recoverable in cash or in kind or for value to be received in Notes 13 and 18

## Notes forming part of the Financial Statements as at and for the year ended 31<sup>st</sup> March 2013

50. The foreign currency outstanding balances that have not been hedged by any derivative instrument or otherwise as at the Balance Sheet date are as follows:

| Particulars |     | Year ended<br>31 <sup>st</sup> March 2013 |             | Year ended<br>31 <sup>st</sup> March 2012 |             |
|-------------|-----|---|-------------|---|-------------|
|             |     | Amount in<br>Foreign<br>Currency          | Amount in ₹ | Amount in<br>Foreign<br>Currency          | Amount in ₹ |
|             |     | million                                   | million     | million                                   | million     |
| Receivables | USD | 0.3                                       | 18.8        | 0.3                                       | 17.4        |
| Payables    | USD | 4.7                                       | 257.5       | 2.7                                       | 137.8       |
|             | CHF | 0.3                                       | 14.9        | 0.3                                       | 16.2        |
|             | KRW | —   | —           | 23.8                                      | 1.1         |
|             | SGD | —   | —           | 0.1                                       | 2.4         |
|             | EUR | #   | 1.2         | —   | —           |

# Amount is below the rounding off norm adopted by the company.

51. Previous year figures have been regrouped where necessary.

Signatures to Notes 1 to 51

|  |   |  |
|--|---|--|
| In terms of our report<br>of even date   | For and on behalf of the Board  |  |
| For Lovelock & Lewes<br>Firm Registration No. 301056E<br>Chartered Accountants | C. SNOOK<br><i>Chairman</i>   | R. SHAHANI<br><i>Vice Chairman &amp;<br/>Managing Director</i> |
| HIMANSHU GORADIA<br><i>Partner</i><br>Membership No. 45668                     | GIRISH TEKCHANDANI<br><i>Company Secretary &amp;<br/>Compliance Officer</i> | J. HIREMATH<br>Dr R. MEHROTRA } <i>Directors</i>               |
| Mumbai, 14 <sup>th</sup> May 2013  | Mumbai, 14 <sup>th</sup> May 2013   |  |

## Cash Flow Statement for the year ended 31<sup>st</sup> March 2013

|   | Year ended<br>31 <sup>st</sup> March 2013 |                | Year ended<br>31 <sup>st</sup> March 2012 |                |
|---|---|----------------|---|----------------|
|   | in ₹ million                              | in ₹ million   | in ₹ million                              | in ₹ million   |
| <b>A. Cash flow from operating activities</b>               |   |                |   |                |
| <b>Net Profit before Tax</b>                                |   | <b>1,694.2</b> |   | <b>2,246.9</b> |
| Adjustments for –   |   |                |   |                |
| Depreciation and Amortisation Expense                       |   | 35.9           |   | 26.7           |
| Interest Income   |   | (744.6)        |   | (729.3)        |
| Dividend Income   |   | (1.1)          |   | (3.2)          |
| Loss on Sale/Disposal of Fixed Assets (Net)                 |   | 1.4            |   | 2.8            |
| Net Gain on Redemption of Current Investments               |   | —              |   | (1.8)          |
| Interest Expense  |   | 2.2            |   | 5.4            |
| Unrealised Net (Gain)/Loss on Foreign Currency Translations |   | (3.4)          |   | 3.9            |
|   |   | (709.6)        |   | (695.5)        |
| <b>Operating profit before working capital changes</b>      |   | <b>984.6</b>   |   | <b>1,551.4</b> |
| Adjustments for –   |   |                |   |                |
| Trade and Other Receivables                                 |   | (253.5)        |   | (20.6)         |
| Inventories   |   | (311.4)        |   | (253.9)        |
| Trade and Other Payables                                    |   | 260.8          |   | 324.7          |
|   |   | (304.1)        |   | 50.2           |
| <b>Cash generated from operations</b>                       |   | <b>680.5</b>   |   | <b>1,601.6</b> |
| Direct Taxes paid (net of refund of taxes)                  |   | (606.2)        |   | (854.4)        |
| <b>Net cash from operating activities</b>                   |   | <b>74.3</b>    |   | <b>747.2</b>   |
| <b>B. Cash flow from investing activities</b>               |   |                |   |                |
| Purchase of Fixed Assets                                    |   | (38.6)         |   | (44.9)         |
| Sale of Fixed Assets  |   | 1.1            |   | 0.2            |
| Purchase of Current Investments                             |   | —              |   | (2,192.3)      |
| Sale of Current Investments                                 |   | —              |   | 2,194.1        |
| Inter-corporate Deposits placed                             |   | (48,419.2)     |   | (40,382.6)     |
| Refund of Inter-corporate Deposits placed                   |   | 47,522.4       |   | 39,290.6       |
| Interest received   |   | 772.6          |   | 704.6          |
| Dividend received   |   | 1.1            |   | 3.2            |
| <b>Net cash used in investing activities</b>                |   | <b>(160.6)</b> |   | <b>(427.1)</b> |

## Cash Flow Statement for the year ended 31<sup>st</sup> March 2013

|  | Year ended<br>31 <sup>st</sup> March 2013 |                | Year ended<br>31 <sup>st</sup> March 2012 |                |
|--|---|----------------|---|----------------|
|  | in ₹ million                              | in ₹ million   | in ₹ million                              | in ₹ million   |
| <b>C. Cash flow from financing activities</b>    |   |                |   |                |
| Proceeds from Long-term Borrowings               | —   |                | 0.4                                       |                |
| Repayment of Long-term Borrowings                | (0.1)                                     |                | (0.5)                                     |                |
| Interest paid                                    | (2.1)                                     |                | (3.8)                                     |                |
| Dividend paid                                    | (319.3)                                   |                | (319.2)                                   |                |
| Tax paid on Dividend                             | (51.8)                                    |                | (51.8)                                    |                |
| <b>Net cash used in financing activities</b>     |   | <b>(373.3)</b> |   | <b>(374.9)</b> |
| <b>Net decrease in cash and cash equivalents</b> |   | <b>(459.6)</b> |   | <b>(54.8)</b>  |
| Cash and Cash Equivalents – Opening Balance      |   | 815.0          |   | 869.8          |
| Cash and Cash Equivalents – Closing Balance      |   | 355.4          |   | 815.0          |

### Notes:

- The above Cash Flow Statement has been prepared under the 'Indirect Method' as set out in the Accounting Standard – 3 on Cash Flow Statements, notified under sub-section (3C) of Section 211 of the Companies Act, 1956.
- Previous year figures have been regrouped where necessary.

In terms of our report  
of even date

For Lovelock & Lewes  
Firm Registration No. 301056E  
Chartered Accountants

HIMANSHU GORADIA  
Partner  
Membership No. 45668

Mumbai, 14<sup>th</sup> May 2013

For and on behalf of the Board

C. SNOOK  
Chairman

GIRISH TEKCHANDANI  
Company Secretary &  
Compliance Officer

Mumbai, 14<sup>th</sup> May 2013

R. SHAHANI  
Vice Chairman &  
Managing Director

J. HIREMATH  
Dr R. MEHROTRA } Directors



# NOVARTIS INDIA LIMITED

Registered Office: Sandoz House, Shivsagar Estate, Dr Annie Besant Road, Worli, Mumbai 400 018

## ATTENDANCE SLIP

to be surrendered at the time of entry

Folio No./Client ID : \_\_\_\_\_ No. of Shares : \_\_\_\_\_

Name of Member/Proxy : \_\_\_\_\_

I hereby record my presence at the 65<sup>th</sup> Annual General Meeting of the Company on Thursday, July 25, 2013 at 11.30 a.m. at Hall of Culture, Nehru Centre, Dr Annie Besant Road, Worli, Mumbai 400 018.

\_\_\_\_\_  
Member's/Proxy's Signature

### Notes:

1. Members are requested to produce the above attendance slip, duly signed in accordance with their specimen signatures registered with the Company, for admission to the meeting.
2. Members are informed that no duplicate attendance slips will be issued at the hall.



# NOVARTIS INDIA LIMITED

Registered Office: Sandoz House, Shivsagar Estate, Dr Annie Besant Road, Worli, Mumbai 400 018

## FORM OF PROXY

I/We \_\_\_\_\_ of \_\_\_\_\_ being a Member(s) of Novartis India Limited hereby appoint \_\_\_\_\_ of \_\_\_\_\_ or failing him/her \_\_\_\_\_ of \_\_\_\_\_ or failing him/her \_\_\_\_\_ of \_\_\_\_\_ as my/our proxy to attend and vote for me/us on my/our behalf at the 65<sup>th</sup> Annual General Meeting of the Company on Thursday, July 25, 2013 at 11.30 a.m. at Hall of Culture, Nehru Centre, Dr Annie Besant Road, Worli, Mumbai 400 018, and at any adjournment thereof.

Signed on the \_\_\_\_\_ day of \_\_\_\_\_ 2013.

Folio No./Client ID : \_\_\_\_\_

No. of shares : \_\_\_\_\_

Name : \_\_\_\_\_

Address : \_\_\_\_\_

Signature

Affix  
required  
revenue  
stamp

Note : The Form of Proxy should be deposited at the Registered Office of the Company not less than 48 hours before the Meeting.



# FINANCIAL SUMMARY FOR 10 YEARS

in ₹ million

|   | 2012-13      | 2011-12 | 2010-11 | 2009-10 | 2008-09 | 2007-08 | 2006-07 | 2005-06 | 2004-05 | 2003-04 |
|---|--------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| <b>I. SALE, PROFIT &amp; DIVIDEND</b>   |              |         |         |         |         |         |         |         |         |         |
| Sale of Products (Net)                  | <b>8465</b>  | 7928    | 7086    | 6241    | 5995    | 5535    | 5422    | 5259    | 4715    | 5050    |
| Profit Before Tax (PBT)                 | <b>1694</b>  | 2247    | 2189    | 1798    | 1729    | 1543    | 1353    | 1489    | 1040    | 1179    |
| Profit After Tax (PAT)                  | <b>1197</b>  | 1520    | 1467    | 1160    | 1037    | 972     | 885     | 1079    | 651     | 1137    |
| Dividend                                | <b>320</b>   | 320     | 320     | 320     | 320     | 320     | 320     | 479     | 320     | 320     |
| Dividend – ₹ per share                  | <b>10.0</b>  | 10.0    | 10.0    | 10.0    | 10.0    | 10.0    | 10.0    | 15.0    | 10.0    | 10.0    |
| <b>II. SHAREHOLDERS' FUND</b>           |              |         |         |         |         |         |         |         |         |         |
| Share Capital                           | <b>160</b>   | 160     | 160     | 160     | 160     | 160     | 160     | 160     | 160     | 160     |
| Reserves and Surplus                    | <b>8842</b>  | 8019    | 6870    | 5775    | 4987    | 4324    | 3726    | 3216    | 2684    | 2398    |
| Net Worth (Shareholders' Fund)          | <b>9002</b>  | 8179    | 7030    | 5935    | 5147    | 4484    | 3886    | 3376    | 2844    | 2558    |
| <b>III. RATIOS</b>                      |              |         |         |         |         |         |         |         |         |         |
| Return on Sales (PAT) %                 | <b>14.1</b>  | 19.2    | 20.7    | 18.6    | 17.3    | 17.6    | 16.3    | 20.5    | 13.8    | 22.5    |
| Return on Shareholders' Funds (PAT) %   | <b>13.3</b>  | 18.6    | 20.9    | 19.5    | 20.1    | 21.7    | 22.8    | 32.0    | 22.9    | 44.5    |
| Earning Per Share (calculated on PAT) ₹ | <b>37.46</b> | 47.56   | 45.89   | 36.29   | 32.45   | 30.42   | 27.71   | 33.76   | 20.37   | 35.59   |



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