Novartis India Limited Annual Report 2009-2010

NOVARTIS

caring and curing

CONTENTS

Board of Directors

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

Company Secretary & Head Investor Relations	H. K. Maniar
Telephone No.	2495 8807
E-mail	hemang.maniar@novartis.com
Registrar and Transfer Agents	Sharepro Services (India) Pvt Ltd 13 AB, Samhita Warehousing Complex, 2^{nd} floor Sakinaka Telephone Exchange Off Andheri-Kurla Road Sakinaka, Andheri Mumbai 400 072
Telephone Nos.	6772 0300 / 400
E-mail	indira@shareproservices.com sharepro@shareproservices.com
Registered Office	Sandoz House Shivsagar Estate Dr Annie Besant Road Worli, Mumbai 400 018

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, at the address above.

Annual General Meeting

11:00 am, July 30, 2010

Y.B. Chavan Auditorium
Yashwantrao Chavan Pratishthan
Gen. Jagannath Bhosale Marg
Next to Sachivalaya Gymkhana
Mumbai 400 021

“If I have seen further than others, it is by standing on the shoulders of giants.”

Sir Isaac Newton

Dear Shareholder

Medical science has made significant strides in the last century with most of the newer, more radical, therapies being invented in the last two decades. This pace of development has somewhat slowed in the last few years as diseases have got more complex and the time taken to bring a new drug to market has taken longer. Targeted therapies and customized medicines are the future of medicine. Scientists the world over are working to overcome some of the biggest threats to healthy living.

The greatest wealth is good health. While India is on the way to becoming a developed nation, there are several hurdles to overcome, notwithstanding the improving infrastructure, slowing down of population growth and decline in poverty. The sheer numbers and scale of the burden of disease means we are still some distance away from being called a developed nation.

India faces the dichotomy of a growing economy. We live 18th and 21st centuries back to back. At one end we have diseases associated with poverty and malnutrition and, at the other, diseases that are a result of changing lifestyles. The Indian pharmaceutical industry is among the most recognized in the world and has contributed significantly to improving the health of the nation. Equally important is the role played by research-driven pharmaceutical companies like Novartis that have been present in India and contributed to the economy and the health of the people since Independence and before.

For several decades, India disallowed product patents, in the mistaken belief that these would lead to higher costs of medicines. The linkage between product patents and pricing is fallacious given that we have over 30,000 brands competing in the market. The Indian Patent Act of 2005, which allowed product patents, was a step in the right direction. It provided encouragement to the Indian pharmaceutical industry to invest in research. It provided hope to the many Indian scientists who had made their home abroad to return to research opportunities here. It instilled confidence in budding scientists that they could be at the forefront of cutting-edge research through local and global collaboration and contribute to a healthier India.

It will be a proud moment when a drug for diseases inherent to the developing world comes out of a home-grown laboratory. In our desire to make this a reality we need to create an environment and a complete ecosystem that encourages innovation. Incremental research or innovation is the very life blood of scientific progress, as so eloquently yet pithily summarized above, by one of history's greatest scientists – Sir Isaac Newton. Incremental innovation is of particular significance in pharmaceutical research where discovery of compounds requires hundreds of step-by-step changes before they become usable drugs. Over 70% of medicines today were developed through incremental improvements on a base compound or existing medicine. In today's world of global pandemics, drug-resistant microbes and even biological weapons, what is needed is to shorten the time it takes to bring a medicine to the market.

Our annual report this year highlights how incremental innovation makes drugs safer, faster acting, easier to administer, allows multi-drug therapy, addresses specific needs of segments of population, is effective against new indications or just increases productivity and frees healthcare resources. Medicine prices and intellectual property are only two small pieces of a complex jigsaw that is India's healthcare puzzle. Other elements include issues related to inadequate health infrastructure, inefficient healthcare delivery systems, underfunding and poverty. We need multiple stakeholders to come together to solve this Sisyphean task. The pharmaceutical industry is but one of them. Let us work together to put in place this ecosystem that fosters innovation and encourages the magic of innovation to work. I count on each of you, our shareholders, to be ambassadors in spreading the message of innovation.

Best regards

Ranjit Shahani

The Magic of Innovation

"To raise new questions, new possibilities...to regard old problems from a new angle, requires creative imagination and marks real advance in science."

- Albert Einstein

The invention of the wheel was a breakthrough innovation in transportation. It freed humans from the constraints of distance, allowing them to travel hundreds of kilometers at higher speeds, in relative comfort and safety, while carrying greater loads. It may not be an exaggeration to say that the invention of the wheel was one of the key steps to the building of modern civilization.

The inventor of the bicycle simply combined two wheels with pedals and gears and revolutionized land travel by eliminating the need for a horse. Steam engines were added to the wheels and gears after their invention, offering an alternative power source for transportation.

Once a suitable gas-powered engine was perfected, this innovation replaced the earlier steam engine, creating the first automobile and revolutionizing personal transportation.

At no time in this process of invention did an innovator return to the drawing board to reinvent the wheel. Each used prior research and experimentation as a foundation, building on existing knowledge with additional creative thinking, research and trials. One base technology – the wheel – has been continuously modified to allow transportation to become what it is today.

Yet no one would argue that since the base technology is the same – the wheel – an oxcart is the same as a modern car in terms of speed, comfort, safety or carrying capacity.

It is then strange that this kind of an argument is not only accepted but is in fact the underlying basis for the Indian Patents (Amendment) Act 2005, when it comes to incremental innovation in pharmaceutical research.

Consider an example. Thalassemia is a genetic blood disorder particularly prevalent in the South Asia subcontinent. It causes the body to make fewer healthy red blood cells and less hemoglobin than normal. Hemoglobin is an iron-rich protein in red blood cells. It carries oxygen to all parts of the body. It also carries carbon dioxide (a waste gas) from the body to the lungs, where it's exhaled. It is often diagnosed in childhood and children with thalassemia need several blood transfusions.

Frequent transfusions result in iron accumulation in the body, which could eventually cause serious liver problems or lead to heart conditions. Novartis has a drug that is able to take the iron back out of the blood, but it has to be given in continuous intravenous infusion. That means these children had to have a pump bigger than a cellular phone on them all day and a needle going into one of their veins every few hours. Now if as a result of incremental innovation, someone were to develop a version of the same drug that could be taken as a pill, it would obviate the need of the pump and significantly enhance the quality of life of children with this unfortunate condition.

In the pharmaceutical industry, discovery of compounds requires hundreds of step-by-step changes before they become usable drugs

But if this innovator tried to patent this new pill in India, the Indian Patents (Amendment) Act of 2005 would in all likelihood not allow it unlike in other countries. This is because this Act discriminates against certain types of inventions and thus would force patent examiners to regard this pill as the same basic chemical that is presently being given intravenously – the major enhancement of the patient's quality of life notwithstanding.

THE IMPORTANCE OF INCREMENTAL INNOVATION

Incremental innovation is the lifeblood of any research-based industry. In the pharmaceutical industry, discovery of compounds requires hundreds of step-by-step changes before they become usable drugs – modifications that make a medicine administrable to patients, and then improve how it is administered, how it is processed by the body, and how effective it is. Incremental changes can also improve product stability, eliminating the need for temperature regulation, or they can increase manufacturing efficiency, lowering production cost.

There would also be almost no incentive for risking investment in research if scientists were forced back to square one for every new drug

The introduction of a new medicine is the result of intensive research and development activity taking anywhere between 10 to 15 years. Several years are gone by the time the compound passes pre-clinical testing – including toxicology studies – before the compound would be ready to test on humans.

It would take another couple of years before the drug could pass its Phase I clinical trials, comprising testing on healthy volunteers for safety and dosage. These volunteers are often researchers who have been involved in its development. Assuming the compound passes this phase, it would then need to pass the Phase II and Phase III clinical trials on progressively larger groups of volunteers. These volunteers are fully informed patients who are actually suffering from the disease in question. Hospitals and physicians all over the world cooperate to ensure that the widest possible variety of cases and outcomes are studied. This is so that adverse reactions, if any, as a result of long term use of the drug are monitored and studied. Even so there is no guarantee of success at the end.

If it survives the clinical testing phase, the drug would be ready to be submitted to the regulatory authorities for approval. Even after it receives such an approval and is introduced in the market, additional post-marketing testing continues for a couple of years.

At any point in time during this long process, the test results could be negative and researchers would be forced to abandon the compound altogether and return to the drawing board. It is worth remembering that for every new drug that makes it to the market, over 10,000 compounds are tested and abandoned for one reason or another. Pharmaceutical companies spend between USD 2-3 billion on research, development and testing, to create a single drug.

The pharmaceutical industry invests more than USD 65 billion per year in research and development, offering the single most important source of investment in health research. There would also be almost no incentive for risking this investment in research if scientists were forced back to square one for every new drug. More importantly, if drug discovery was forced back to the beginning each time a new medicine was needed, time and monetary investments would increase exponentially and significantly delay the delivery of medicines to patients.

By adding value to an existing compound or drug, pharmaceutical companies contribute to patients' quality of life without starting from scratch.

As global pandemics becomes a reality, biological weapons become a threat, and preventable diseases continue to take lives, the need of the hour is to shorten the time it takes to bring a product to market, not to lengthen it.

From improving a medicine's safety and side effect profile to increasing a country's productivity, incremental innovation provides exceptional value for patients and society. Over 70% of medicines on the market today were developed through incremental improvements on a base compound or existing medicine.

Over 70% of medicines on the market today were developed through incremental improvements on a base compound or existing medicine

INCREMENTAL INNOVATION AND PUBLIC HEALTH

The challenges of public health are complex and multi-faceted. But the biggest global healthcare challenge is economic in origin. Today about three billion people in the world subsist on less than two US dollars a day. About a billion barely manage to survive on less than one US dollar a day. According to estimates about three-quarters of a billion people receive inadequate nourishment and about 10 million children die from malnutrition each year.

Given this scenario it is then vital that all stakeholders – governments, non-governmental organizations, multi-lateral aid agencies as well as the pharmaceutical industry – ensure that they spend each dollar of investment in the most effective manner. Incremental innovation allows the pharmaceutical industry to do that in the area of research.

Improved safety, side effects, tolerability: Many medicines for ovarian cancer used to cause heart damage. A new cancer medicine, Doxorubicin, uses the same active ingredient as these previous medicines but encapsulates it in fat molecules in order to limit cardiac tissue damage. This important change dramatically improves the safety of this type of chemotherapy. An improved safety profile benefits patients already using a drug, and can also extend the possibility of treatment to others who, because of pre-existing conditions, were previously unable to use the drug.

Faster treatment: Insulin injections do not always work quickly enough for diabetes patients. Fast-acting insulins, like Insulin Aspart and Insulin Lispro, are similar to conventional diabetes medicines, but drastically improve speed of treatment. They build on proven safe and effective treatment options, but offer patients a faster reaction. Having a drug that acts as soon as patients need it can help avoid more radical treatment options, allowing patients to avoid unnecessary hospital visits and additional recovery.

Enhanced multi-drug therapy: Multi-drug therapy is really a combination of two or more drugs given together in one convenient dose. Combinations, such as those used for patients with HIV, are carefully researched and designed to avoid unsafe or efficacy-decreasing drug interaction. When compared to mono-therapy, or treatment with only one medication, combination therapy is proven to be more effective, to save additional lives and to decrease chances of resistance in infectious diseases. In addition, combinations are convenient, allowing patients to receive all of their medications in one dose. Added convenience nearly always leads to improved patient compliance. In addition, any improvements that lead to higher patient compliance in infectious diseases help limit drug resistance which in turn creates a constant need for new treatments.

Convenience for patients: Patients hope that treatment will improve a medical condition to the point that they can return to normal life; unfortunately medications requiring multiple doses each day or frequent, painful injections can be disruptive and reduce their quality of life. Medicines with reduced dosage, like the osteoporosis treatment Aclasta® that is administered only once per year, help patients to lead normal day-to-day lives, even as they undergo treatment to manage a disease.

Individualized treatment for special populations: Certain groups, including children or the elderly, need special formulations of medicines to meet their needs. Infants and children need smaller doses than adults, and new formulations allow them to be effectively treated with the correct fixed dosage. Because patients have varied responses to different drugs, it is essential to have options for patients in any therapeutic class. Drug allergies

It is commonly believed that according patent protection to incremental innovation would increase healthcare costs, but this is a fallacy

are prevalent, and in the absence of options certain populations would not be treatable. Often there is no explanation as to why drugs work differently for different patients, so options are extremely valuable, even if the variance between these options are not completely evident to all. More options allow drugs to be tailored to patients, instead of the other way around.

New indications: A medicine originally formulated for one use, like Infliximab for arthritis, has been applied to another disease with some reformulation and further testing. Creative application of one innovation can make a difference for thousands of patients with several seemingly unrelated diseases, as is the case with Infliximab. Patients with diseases including paediatric and adult Crohn's disease had few or no treatment options available before these indications were added to the profile of an existing medication.

Better quality of life, higher productivity, releasing other healthcare resources: By treating diseases with medicines, patients, doctors and payors can avoid more debilitating, invasive and costly in-hospital treatment. Reducing hospitalizations due to preventable and treatable conditions drives healthcare costs down and worker productivity up – benefiting both patients and the national economy. Over the past 40 years, the trend toward effectively controlling disease with medicines has resulted in a 50% reduction of hospital admissions for 12 major diseases. Without anti-hypertensive medicines, for example, more than 800,000 additional people would have been hospitalized in the US alone in 2002. Another study estimated that the US loses USD 2.4 billion to USD 4.6 billion per year due to decreased worker productivity caused by hay fever. Between 1965 and 1990, Gross Domestic Product (GDP) per capita of malaria-free countries was 38% higher than that of similar-sized countries where malaria was prevalent, lending credibility to the idea that healthy citizens help create a healthy economy. That medicines maintain health is clear, as is the fact that the vast majority of medicines that have changed the lives of patients globally were developed through incremental innovation.

While many diseases can be treated with medicines, medical researchers are still working toward curing more diseases with medicines. Problems with drug resistance are constantly increasing, particularly in the areas of tuberculosis, malaria and respiratory infections. Disease prevention is another area for expansion, contributing to global health by stopping disease before it starts. Of the 47 priority infectious diseases defined by World Health Organization (WHO) and the International Federation of Pharmaceutical Manufacturers & Associations (IFPMA), only nine have sufficient treatment or prevention options available. This lack of options represents unmet medical needs that must be addressed quickly. Thousands of public health needs go unmet each day, and industry and patients cannot depend on breakthrough innovations to address these needs at a quick enough pace.

Given the central role of incremental innovation in medical progress, the value that these types of advancement bring is exceptional. Without these building-block improvements, healthcare would not have progressed to where it is today.

Given the central role of incremental innovation in medical progress, the value that such advancements bring is exceptional

INCREMENTAL INNOVATION AND HEALTHCARE COSTS

One common belief is that according incremental innovation patent protection would increase healthcare costs. This is a fallacy.

For the 585 million people in India living on less than USD 1 per day, the price of a medicine is basically irrelevant. Nearly all medicines are out of reach, regardless of patents and regardless of price. On the other hand, India also has a booming middle-class which all estimates indicate is only going to explode further. India then, presents a typical globalization dilemma – two markets in one country.

For the poor, the central issue is access to healthcare and healthcare financing. Diluting patent laws will not help in addressing this key concern, since disallowing patent protection would only mean that global pharmaceutical companies would refrain from introducing innovative medicines in India, rather than risk putting their investments into costly research and development without any expectation of return on investment.

What is needed is for all stakeholders to come together to solve the complex problem of access. A range of underlying and related issues with respect to state of the health infrastructure, inefficient healthcare delivery systems, lack of financing, poverty, among other issues need to be tackled. Governments have a principal role to play in this, as do public-private partnerships. Tiered pricing, donation programs, public-private partnerships and corporate social responsibility activities can alleviate the problem to some extent.

Even in that section of Indian society, which generally depends on the private sector for its healthcare needs, an analysis of the cost structure shows that the amount spent on medicine is a fraction of that spent on diagnosis and doctors' fees. India is a formidable economic power with all the rights and responsibilities brought with this status and global companies like Novartis therefore pursue a dual patient focused strategy.

There has been a lot of discussion about basing pricing of drugs on income levels. This unfortunately is likely to be extremely difficult in practice, because reliable statistics on individual incomes are difficult to establish in India. In fact, only 3% of the population pays tax. The only way to optimize the system of differential pricing is to have an extremely reliable provider network. Government hospitals, NGOs and rural health centers could receive discounted drugs, while private clinics and hospitals could dispense drugs priced comparably to their global prices. Donation and differential pricing programs could work if a reliable public distribution framework is created to track the movement of drugs and safeguard against parallel import to other nations. What is needed is to devise a pricing system and an appropriate supply chain mechanism that will work for all socio-economic classes.

INCREMENTAL INNOVATION AND EVERGREENING

Opponents of patent protection for incremental innovation claim that it is nothing but evergreening. Evergreening refers to the practice in which some patent holders may seek to patent trivial modifications of an already existing molecule to extend its patent life beyond the period granted to the original patent.

As the examples listed earlier demonstrate, incremental innovation is not trivial but provides significant tangible benefits to patients. Of the 240 drugs on the WHO Essential Drug List – a common global standard for medically essential therapies – 63% of the recommended medicines are the result of such incremental innovations.

What is needed is for India to develop a robust Intellectual Property Rights (IPR) infrastructure. It will allow the regulatory authorities to sift through patent applications, recognize genuine cases of incremental innovation and accord them the patent protection due. It requires political will and dedicated resources to improve the institutions and train the personnel needed to carry out IPR protection.

The Indian Patent Office is faced with a growing backlog of approximately 40,000 unexamined patent applications. Enforcement of IP protection is seriously lacking. Judicial delays mean that cases can take up to 10 years to see resolution and payment of damages on IPR violations. Familiarity with new IPR laws is also a challenge – for lawyers, the courts and the law enforcement authorities.

It is heartening to note that there has been some progress in the last few years. The Indian government is responding to the need for development of IPR infrastructure. A major modernization program is underway for patent office operations.

Several industries, including the software and entertainment industry, have taken up the issue of IPR protection and are working towards bringing the issue to the forefront of public consciousness.

What is needed is for India to develop a robust Intellectual Property Rights infrastructure

INCREMENTAL INNOVATION AND THE INDIAN PHARMACEUTICAL INDUSTRY

Another popular fallacy is that increased IPR protection will adversely affect the Indian pharmaceutical industry, since the bulk of its revenues comes from generics. The converse is in fact true.

Undoubtedly, generic medications fill an important role in global healthcare once patents expire, a fact that the research-based pharmaceutical industry recognizes and embraces. Generics manufacturers take over production of off-patent medicines, allowing research-based pharmaceutical companies to concentrate on their role of creating novel medicines. Without new, innovative medicines being invented and going off-patent, however, there would be no generics industry. However, because of their limited knowledge base, generics can only take medicine so far. Generic medicines are not enough to meet the growing need for new medicines to counter drug resistance, to fight new diseases, to treat specialized populations and to offer patients new and better alternatives.

The Indian pharmaceutical industry today is recognized as a world leader in the generics business, particularly because of their skills in manufacturing processes. But most major Indian pharmaceutical companies have correctly set their sights higher and have started investing substantial financial and human resources in research and development of New Chemical Entities. Their investments, however, need protection; without proper incentives for research and development, the domestic industry will be stifled. Indian pharmaceutical companies will find it more profitable to continue to imitate rather than realise their full potential as innovators.

Leaders at several Indian pharmaceutical companies have set goals to create their own, novel medicines. In India, we have the ingredients necessary to make these goals a reality – world-class researchers and high-standard manufacturing facilities – and have the added advantage of low production and labour costs. By capitalizing on these inherent strengths, the Indian pharmaceutical industry will be able to become a major competitor in both innovative and generic pharmaceuticals serving not only the Indian market, but also the global market.

Indian pharmaceutical companies are on the cusp of a great opportunity, creating novel medicines through incremental innovation

Indian pharmaceutical companies are on the cusp of a great opportunity – the opportunity to make a positive change in global health by creating novel medicines through radical and incremental innovation. They need to build upon the great wealth of creative and scientific resources available to them. If Indian pharmaceutical companies are distracted with constantly trying to reinvent the wheel, they will lose precious resources that could be focused on incremental innovation – innovation that will reduce suffering, innovation that will meet unmet medical needs, innovation that will bring real value to patients.

NOTICE is hereby given that the 62nd Annual General Meeting of NOVARTIS INDIA LIMITED will be held at Y.B. Chavan Auditorium, Yashwantrao Chavan Pratishthan, Gen. Jagannath Bhosale Marg, Next to Sachivalaya Gymkhana, Mumbai 400 021 on Friday, July 30, 2010 at 11:00 a.m. to transact the following business:

Ordinary Business

1. To receive, consider, approve and adopt the Profit & Loss Account for the year ended March 31, 2010, the Balance Sheet as on that date and to receive, consider and adopt the Directors' and Auditors' Reports thereon.
2. To declare dividend for the year ended March 31, 2010.
3. To re-appoint Messrs Price Waterhouse, Chartered Accountants, as Auditors of the Company from the conclusion of this meeting until the conclusion of the next Annual General Meeting and to authorise the Audit Committee of the Board of Directors to fix the remuneration of the said Auditors.
4. To elect Director in place of Dr R. Mehrotra who retires by rotation and being eligible, offers himself for re-appointment.
5. To elect Director in place of Mr J. Hiremath who retires by rotation and being eligible, offers himself for re-appointment.

Special Business

6. To consider, and, if thought fit, to pass, with or without modification(s), the following Resolution as an Ordinary Resolution:

   "RESOLVED THAT subject to the provisions of Sections 198, 269, 302 and 309 read with the provisions of Schedule XIII and other applicable provisions, if any of the Companies Act, 1956 (the "Act"), (including any statutory modifications or re-enactment thereof for the time being in force), consent of the Members be and is hereby accorded to the appointment of Mr R. Shahani as Vice Chairman and Managing Director of the Company for a period of 5 years commencing from November 1, 2010 and to the payment of remuneration and perquisites to him as follows:

   Overall Remuneration:

   The overall remuneration payable to Mr R. Shahani in any financial year shall not exceed 10% (ten per cent) of the net profits of the Company. In any financial year, during the tenure of Mr R. Shahani, if the Company has no profits or its profits are inadequate, then Mr R. Shahani will be paid in accordance with the provisions of Schedule XIII of the Act.

   Within the aforesaid ceiling, the remuneration payable to Mr R. Shahani shall be as follows:

   Salary:

   Annual Salary: Rs. 6,240,000/- with annual increments effective April 1 of each financial year commencing from April 1, 2011, as may be decided by the Board/Committee of the Board, subject to a ceiling of 20% per annum.

   Annual Performance Incentive:

   As may be decided by the Board/Committee of the Board, subject to a ceiling of 100% of salary.

   Perquisites:

   (a) Rent free furnished accommodation along with benefits of gas, fuel, water, electricity and telephone/fax as also upkeep and maintenance of the Company's furnished accommodation. Personal long distance calls will be billed to Mr R. Shahani.

   (b) Two Company cars with chauffeurs/reimbursement for personal chauffeurs.

   (c) Medical benefits: reimbursement of medical expenses for himself and his family as per Rules of the Company.

(d) Leave: As per Rules of the Company, subject to maximum 30 days leave each year with encashment of unavailed leave at the end of his tenure.

(e) Group Personal Accident Insurance: As per Rules of the Company.

(f) Club Membership: As per Rules of the Company.

(g) Contribution to Provident Fund, Superannuation Fund or Annuity Fund as per Company's policy.

(h) Gratuity to be payable as per the Rules of the Company.

(i) Mr R. Shahani will not be entitled to sitting fees for meetings of the Board/Committee of the Board attended by him.

Mr R. Shahani's remuneration will be subject to all applicable provisions of the Income Tax Act, 1961.

Mr R. Shahani's tenure will be subject to termination by six months' notice in writing on either side.

On the date Mr R. Shahani ceases to be Managing Director, he will also cease to be a Director of the Company.

7. To consider, and, if thought fit, to pass, with or without modification(s), the following Resolution as a Special Resolution:

"**RESOLVED THAT** pursuant to Section 163 and other applicable provisions, if any, of the Companies Act, 1956, ("the Act") approval of the members be and is hereby accorded to maintain and keep the Company's Register of Members, the Index of Members, the Register and Index of debentureholders and copies of all its annual returns prepared under Sections 159 and 160 and other applicable provisions, if any, of the Act together with the copies of certificates and documents required to be annexed thereto under Section 161 of the Act, on and from August 1, 2010 at the office of Sharepro Services, the Registrar and Transfer Agents of the Company situated at 13 AB Samhita Warehousing Complex, 2nd floor, Sakinaka Telephone Exchange Lane, Off Andheri-Kurla Road, Sakinaka, Andheri (East), Mumbai 400 072, and also at 912, Raheja Center, Free Press Journal Road, Nariman Point, Mumbai 400 021.

8. To consider, and, if thought fit, to pass, with or without modification(s), the following Resolution as an Ordinary Resolution:

"**RESOLVED THAT** subject to the provisions of the Companies Act, 1956, Securities Contracts (Regulation) Act, 1956 and rules made thereunder, the Listing Agreements, Securities Exchange Board of India (Delisting of Securities) Guidelines, 2009 and all other applicable laws, rules, regulations and guidelines and subject to such approvals, permissions and sanctions, as may be necessary and subject to such conditions and modifications as may be prescribed or imposed by the authorities while granting such approvals, permissions and sanctions, which may be agreed to by the Board of Directors, the consent of the Members of the Company be and is hereby accorded to the Board of Directors to delist equity shares of the Company from the Calcutta Stock Exchange Association Limited at Kolkata."

By Order of the Board of Directors

H. K. Maniar
Company Secretary &
Head Investor Relations

Regd Office:

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

May 7, 2010

Notes:

1. An Explanatory Statement as required under Section 173(2) of the Companies Act, 1956 pertaining to the business contained in Items 6, 7 & 8 above is annexed. All documents referred to in the Notice and Explanatory Statement are open for inspection at the Registered Office of the Company between 11.00 a.m. and 1.00 p.m. on all days except Saturdays, Sundays` and holidays until the date of the Annual General Meeting or any adjournment thereof.

2. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself and such a proxy need not be a member. Proxies in order to be effective must be received by the Company not less than 48 hours before the meeting.

3. Pursuant to Clause 49 of the Listing Agreement with Stock Exchanges, additional information related to Directors recommended for appointment/re-appointment at the Annual General Meeting appears in the Directors' Report and Accounts.

4. The Register of Members and the Share Transfer Books of the Company will remain closed from July 23, 2010 to July 30, 2010, both days inclusive.

5. Payment of dividend as recommended by the Directors, if approved at the Annual General Meeting, will be made payable on or after August 2, 2010 in respect of shares held in physical form to those members whose names appear in the Company's Register of Members as on July 22, 2010 and in respect of shares held in electronic form, to those "deemed members" whose names appear in the statement of Beneficial Ownership furnished by National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) at the close of business hours on July 22, 2010.

6. Pursuant to Section 205A of the Companies Act, 1956 (hereafter referred to as "the Act") the Central Government has established an "Investor Education and Protection Fund". Companies are required to transfer all amounts outstanding, under specified categories including dividends, for a period of seven years from the date of their payment, to this Fund. Amounts transferred to this Fund cannot be recovered. Members are therefore requested to encash their dividend warrants immediately on receipt.

   In compliance with Section 205A of the Act, unclaimed dividend for the financial year ended March 31, 2002 has been transferred to the "Investor Education and Protection Fund".

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 are requested to bring the admission slips along with their copies of the Annual Report to the Meeting.

9. 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/mandate/bank details
   ii. particulars of their bank account in case the same have not been sent earlier, and
   iii. share certificate(s) held in multiple accounts in identical names or joint accounts in the same order of names for consolidation of such shareholdings into one account.

10. Members holding shares in electronic form are advised that address/bank details as furnished to the Company by the respective Depositories, viz. NSDL & 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.

11. 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 Companies Act, 1956, are requested to submit details to the Registrar & Transfer Agents of the Company, in the prescribed Form 2B for this purpose.

12. Company's equity shares are listed on the Bombay Stock Exchange Limited, Mumbai, P.J. Towers, Dalal Street, Mumbai 400 001 and The Calcutta Stock Exchange Association Ltd, 7, Lyons Range, Kolkata 700 001. The Company has paid the annual listing fees for the financial year 2010-2011 to both Exchanges and also Annual Custody Fee payable to both depositories.
13. As required under Clause 49 of the Listing Agreement of the Bombay Stock Exchange Limited, the relevant details of persons seeking appointment/re-appointment as Directors are furnished in the Corporate Governance Report forming part of the Annual Report.

Explanatory Statement

[Pursuant to Section 173(2) of the Companies Act, 1956 in respect of Items 6,7 and 8 of the accompanying Notice dated May 7, 2010 convening the 62nd Annual General Meeting of the Company on July 30, 2010]

Item No. 6

Mr R. Shahani's existing appointment as Vice-Chairman & Managing Director of the Company for a period of 5 years is valid till October 31, 2010.

It is proposed that Mr R. Shahani be reappointed for a period of 5 years commencing from November 1, 2010.

The Board recommends the Resolution for members' favourable consideration.

Mr R. Shahani is a technocrat turned Management graduate. He has made significant contribution in consolidating the Company's Pharmaceuticals business during the critical integration phase pre and post formation of Novartis India Limited. As President of OPPI, he has been a torchbearer in spreading awareness of the challenges facing the Pharmaceuticals industry and necessity for patents and innovations as its growth drivers.

The Abstract and Memorandum, as prescribed under section 302 of the Companies Act, 1956, giving details of the salary and perquisites payable to Mr Shahani and outlined in the Resolution before the Members is being communicated separately.

In compliance with the applicable provisions of the Act, Ordinary Resolution in terms as set out in item no 6 of the accompanying Notice is now placed before the members in the Annual General Meeting for their approval.

The remuneration payable to Mr R. Shahani is within the permissible limits specified by the Companies Act, 1956 and is commensurate with his responsibilities of heading a Company of this size with its diversified business operations.

The agreement between the Company and Mr R. Shahani is open for inspection at the Registered Office of the Company between 11.00 a.m. and 1.00 p.m. on all days excepts Saturdays, Sundays and holidays, until the date of the Annual General Meeting or any adjournment thereof.

Except Mr R. Shahani, no other Director of the Company is interested in the said Resolution.

Item No. 7

Under the provisions of Section 163 of the Companies Act, 1956 ("the Act"), the Register of Members, the Index of Members, the Register and Index of debentureholders and copies of all annual returns prepared under Sections 159 and 160 of the Act together with the copies of certificates and documents required to be annexed thereto under Section 160 and 161, shall be kept at the Registered Office of the Company or with the approval of the shareholders at any place within the city, town or village in which the Registered Office is situated. The Special Resolution at Item No. 7 is proposed for the purpose of enabling the Company to keep the records at the premises of the Registrar and Transfer Agents at Andheri, Mumbai 400 072 and Nariman Point, Mumbai 400 021 as stated in the Resolution.

An advance copy of the proposed Special Resolution set out in item No. 7 will be delivered to the Registrar of Companies, Maharashtra, Mumbai.

The Board of Directors recommends the Resolution set out in item No. 7 for approval of the shareholders.

None of the Directors are interested in the Resolution.

Item No. 8

The equity shares of the Company have been listed and traded on the Stock Exchange, Mumbai (BSE) and Calcutta Stock Exchange Association Limited (CSE) for more than two decades. It is also among the scrips specified by Securities Exchange Board of India (SEBI) for compulsory settlement in dematerialized form. The annual trading of the equity shares of the Company on CSE has been negligible besides being infrequent. With the wide and extensive networking of BSE, the extension of BSE terminals to other cities and on-line trading facility provided by broking companies, investors are able to trade in the equity shares of the Company across the country, even if these are not listed on the local stock exchange like CSE. The Securities Exchange Board of India (Delisting of Securities) Guidelines, 2009 ("Delisting Guidelines"), allow companies to seek voluntary delisting of their securities with the prior approval of the Board of Directors and Members of the Company as long as the securities of such company continue to be listed on a stock exchange having nationwide trading terminals. In view of the above, the Board of Directors of the Company has approved the proposal for delisting of equity shares of the Company from CSE subject to the approval of Members and other approvals as may be required.

The proposed delisting, if and when it takes place, will not adversely affect any investors, including the Members located in the region where CSE is situated, as the Company's equity shares would continue to be listed and traded on BSE. Hence, no exit opportunity is required to be given as per Delisting Guidelines. The delisting will take effect after all approvals, permissions and sanctions are received. The exact date on and from which the delisting will take effect will be notified.

The proposed delisting is in the interest of the Company and the Board of Directors commend the Resolution for acceptance by the Members.

No Director is in any way concerned or interested in the Resolution at item No 8 of the Notice.

By Order of the Board of Directors

H. K. Maniar
Company Secretary &
Head Investor Relations

Mumbai, May 7, 2010

The Directors are pleased to present the Annual Report and the Audited Accounts for the financial year ended March 31, 2010.

Financial Results

	Rs million	
	2009-2010	**2008-2009**
Net Sales	**6241**	**5995**
Operating Profits		
Profit before tax	1798	1729
Profit after tax	1160	1037
Balance brought forward from previous year	**1917**	**1358**
Available for appropriation	**3077**	**2395**
The Directors have made the following appropriations:		
Dividend (Proposed)	320	320
Tax on distributed profits	53	54
General Reserve	116	104
Carry forward	2588	1917
	3077	**2395**

Dividend

Directors recommend payment of dividend @ 200% (Rs 10/- per share) for the year under review. The dividend, if approved, will result in an outflow of Rs 373 million including dividend tax.

Management Discussion and Analysis

The business operations of the Company comprise Pharmaceuticals, Generics, 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 USD 9 billion continues to be a highly fragmented market with more than 5000 players, the vast majority of which are in the unorganised sector. It is predominantly a "branded generics" market with over 25,000 brands and is growing at ~ 10% per annum. The dichotomy of an ageing population, changing disease patterns and a growing middle class on the one hand and an emerging global consensus in favour of generics and low-cost medicines on the other, continue to fuel this growth and consolidation within the pharmaceutical industry.

Introduction of a product patent regime was widely welcomed but an environment of world class intellectual property rights including data protection continue to be elusive. There is a need to foster an ecosystem that recognises, respects and rewards innovation.

The Pharmaceutical Policy 2002 which proposed to increase the scope of price control to all 354 drugs needs serious review. Industry hopes that its recommendations to government of price monitoring as opposed to price control of drugs will form the basis of the progressive new Pharmaceutical Policy.

OTC

The Indian over-the-counter (OTC) medicines market, valued at over USD 1.8 billion, is the 11th largest in the world. It is the second fastest growing market globally with a growth rate of around 9% per annum. The market has been performing well, partly due to switch of popular brands, from prescription to OTC. Cough and cold remedies posted steady growth in 2009 and are set to continue this trend in 2010.

Despite strong growth, the OTC market development is still held back by several factors. OTC per capita spend remains low for several reasons, including reliance on herbal home remedies, regulatory restrictions, counterfeit medicines and price control. Pharmacies are mainly concentrated in urban areas and while they are increasingly being found in rural areas, doctor-dispensing is still the norm.

Amendments to the Food Standards & Safety Act giving clear guidelines as to which supplements can be classified as food instead of drugs, allowing mass market sale, is likely to widen the wellness umbrella and help grow the market over the next few years leading to a 10 – 12% CAGR.

Animal Health

The Animal Health market is estimated to have grown by around 7% in 2009-2010. The industry was impacted due to erratic monsoon in key markets which resulted in a steep increase in feed costs. Cross-breeding of cattle, artificial insemination and Government focus on increasing milk production have all helped the cattle segment grow.

b. Performance

Sales for the year ended March 31, 2010 at Rs 6241 million represent a growth of 4.1%, reflecting competitive pressures in our business segments as detailed in the segment-wise performance given below.

Profit before tax for the year at Rs 1798 million is higher by 4% compared to the previous year due to improved margins mainly on account of lower advertising and sales promotion expenses and higher other income.

After providing for income tax of Rs 638.1 million, profit after tax is Rs 1160 million.

c. Segment-wise operational performance

Pharmaceuticals

The Pharmaceuticals business registered sales of Rs 4373 million representing a growth of 7.5% over the previous year. Higher sales of its flagship brand Voveran® was a key contributor to this growth.

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

Therapeutic Area	Product
Pain & Inflammation	Relmus™, Coderan™
Epilepsy	Vinlep™
Oncology	Glivec® HGC 100 mg

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

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

Generics

The generics business with sales of Rs 399 million declined by 36% over the previous comparable period. This decline was mainly due to no TB tender business during the period under review. The tender business is unpredictable and this coupled with unremunerative margins puts pressure on profitability reducing the attractiveness of this business.

OTC

During the year under review, the OTC business registered sales of Rs 860 million representing a growth of 6.3% over the previous year. The improved performance can be attributed mainly to the strong performance of the CoCoA (Cough, Cold, and Allergy) range of products. Growth would have been higher had it not been for the calcium range of products underperforming and losing ground in the Vitamins, Minerals and Supplements (VMS) category.

Our key brand Otrivin® continues to maintain leadership position in the Nasal Decongestant category and the T-minic® cough and cold range of products continues to fare well for the third consecutive year. Otrivin® was re-launched as an OTC remedy in a new spray format and positioned as a convenient alternative to tablets. A high-visibility media campaign for the spray was created in the winter season and initial reports on the brand have been encouraging.

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

Market Segment	Product
Nasal Decongestant	Otrivin® Spray (adult & paediatric)

Animal Health

During the year under review, the Animal Health business achieved sales of Rs 609 million representing a growth of 22.2% over the comparable previous period. Flagship brands of Natuzyme, Denagard™ and the Calcium group of products were main contributors to the double digit growth and increase in market share. Micro and Relationship marketing activities coupled with focus on Key Accounts also helped the growth rate.

New products introduced during the year were:

Market Segment	Product
Companion animal segment (Canine)	Cangrow™, Demotik™, Petpro™, Petromox™ Inj, Sancal™ Pet, Spick & Span, Youthful

d. Concerns

Pharmaceuticals and Generics

The Indian Pharma market is largely a self-pay market with health insurance still at a nascent stage. This coupled with the local culture serves as an impediment for consumers/patients to resort to long-term treatment for chronic conditions regardless of the value proposition.

The proposed Drug Policy aimed at increasing the scope of price control is likely to have a significant adverse impact on the entire operational efficiency of the pharmaceutical industry and eventually result in non-availability of these medicines. Drug prices in India are among the lowest in the world. The pharmaceutical industry is hopeful that government will review the various representations made by the industry associations to foster innovative partnerships for improving access to medicines and implement price monitoring as opposed to price control.

The research oriented pharmaceutical companies are going through a period of uncertainty. While introduction of product patents in 2005 offered renewed hope to the pharmaceutical industry, the areas of concern such as patentability and data protection are still to be addressed. The industry needs assurance that innovation will be respected and rewarded in the country.

The domestic TB business is facing pressures due to the business moving from the private sector to the government sector where the business is driven by tenders with very low margins.

OTC

The OTC business continues to operate in an uncertain regulatory environment due to lack of clear policy guidelines. High inflation in manufacturing and promotional costs continues to put pressure on margins and may result in a slow down in sales of the Calcium range of products.

Animal Health

Generic competition, frequent outbreak of avian influenza, shortage of corn coupled with inflationary pressures and increased feed cost pose a challenge to the business. Lack of adequate infrastructure facilities for cold storage affects the poultry industry and causes price fluctuations.

e. Outlook

Pharmaceuticals and Generics

Lack of world class intellectual property rights and inadequate health care infrastructure are proving to be impediments to the growth of the research based pharmaceutical industry which has the potential to grow in double digits.

The growing middle class with increasing disposable income, heightened health care awareness and increase in lifestyle related diseases is expected to lead the growth in this sector. An ageing population will also increase demand for chronic care.

The retail anti-TB business continues to face challenges with a shift to the tender business where margins are low.

OTC

The turnaround in the economy has increased the confidence of the consumers resulting in increased spending. This holds promise for the market as a whole and coupled with increased health awareness and changing lifestyles should contribute to the growth of the OTC market in particular.

Animal Health

The outlook for the Animal Health industry is encouraging. Farmers are able to get remunerative prices in spite of inflation and high input costs which enable them to spend more on farm management and medication. The dairy segment which is getting more and more organized creates opportunities for the Cattle segment.

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 unauthorized use or disposition. Company policies, guidelines and procedures are in place to ensure that all transactions are authorized, recorded and reported correctly as well as to provide for adequate checks and balances.

The internal audit department together with independent firms of Chartered Accountants reviews the effectiveness and efficiency of these systems and procedures. Audits are finalized and conducted based on internal risk assessment. Significant deviations are brought to the notice of the Audit Committee of the Board periodically and corrective measures recommended for implementation. All these steps facilitate timely detection of any irregularities and early remedial measures.

g. Personnel

The Industrial Relations scenario continued to be stable. The Company accords high priority to training and development of its employees.

Number of employees as on March 31, 2010 was 1018.

Information as per Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, forms part of this Report. However, as per the provisions of Section 219(1)(b)(iv) of the Companies Act, 1956, the Report and the Accounts are being sent to all shareholders, excluding the Statement of Particulars under Section 217(2A). Any shareholder, interested in obtaining a copy of this statement, may write to the Company Secretary.

Increase in shareholding of Novartis AG

During the period under review Novartis AG increased its shareholding from 16,277,437 equity shares (50.93% of equity capital) to 24,424,802 equity shares (76.42% of equity capital).

Corporate Citizenship

The Company continues to focus its attention on health and education of the underprivileged through various programs. During the year under review, the Company extended support to the NGO Akanksha, which works with slum children, through its participation in the Mumbai marathon. The scholarship to three deserving women at the Indian School of Business, Hyderabad continues. The Company successfully held its first Biotechnology Leadership Camp (BioCamp) for students in India and nominated three students to attend the Novartis International Biotechnology Leadership Camp in Cambridge, USA.

The annual Community Partnership Week celebrations grew with increasing number of associates participating in activities ranging from field visits for slum children to spending time with the sick, the differently abled and the elderly.

The Company's commitment to Health, Safety and Environment Protection continues to be a priority and includes occupational safety and health protection; building safety; process safety; product stewardship; environmental protection and conservation of natural resources and energy.

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, 2010 stood at Rs 2.69 million. The Company does not have any unclaimed or overdue deposits as of date.

Directors

Mr R. Shahani's existing appointment as Vice-Chairman & Managing Director of the Company is valid till October 31, 2010. It is proposed that Mr Shahani be reappointed for a period of 5 years commencing from November 1, 2010.

Mr Shahani is a technocrat turned Management graduate. He has made significant contribution in consolidating the Company's pharmaceuticals business during the critical integration phase pre and post formation of Novartis India Limited. As President of OPPI, he has been in the forefront in creating awareness of the challenges facing the Pharmaceuticals industry and how patents serve as innovation growth drivers.

Dr R. Mehrotra, who retires at the end of this meeting, has been on the Board of the Company from May 30, 2000, and offers himself for re-appointment. Dr Mehrotra is an Electrical and Mechanical Engineer with a Masters and Doctorate in Management and a rich experience in various functions. He has retired from the United Nations International Labour Organisation (ILO) as Senior Specialist on Employers' activities for South Asia. He is also on the Board of PAE Limited.

Mr J. Hiremath who also retires at the end of this meeting was appointed as Director effective January 28, 2006 and offers 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 has worked with Hindustan Lever Ltd. as Finance Manager from 1971 to 1974. In addition to being the Vice Chairman & Managing Director of Hikal Ltd, he is currently President of Indian Chemical Council and Chairman of the Chemicals Committee of Federation of Indian Chambers of Commerce & Industry (FICCI). He also represents Hikal on the board of National Safety Council of India. Mr Hiremath 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

Messrs Price Waterhouse, Chartered Accountants, retire at the end of this Annual General Meeting and, being eligible, offer themselves for reappointment. The Board recommends their appointment.

Cost Audit

The Directors have appointed Messrs N. I. Mehta and Co., Cost Accountants, as Cost Auditors to audit the accounts relating to drug formulations for the year ending March 31, 2011.

Energy, Technology Absorption and Foreign Exchange

Information required under Section 217(1)(e) of the Companies Act, 1956 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 Companies (Amendment) Act, 2000, 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, 2010 and of the profit of the Company for the year ended March 31, 2010;

(c) proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 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 incorporates appropriate standards for good Corporate Governance in line with the listing agreement as well as in line with parent company norms. The Company has complied in all material respects with the features of corporate governance as laid down by law.

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

General

The Directors commend the contribution made by employees to the continued satisfactory business performance during the year and the ongoing management support received from Novartis AG. The Directors place on record their appreciation to all stakeholders particularly shareholders, customers, suppliers, the medical community and business partners, who have contributed to the Company's continued success. The Directors also place on record the continued management support received from Novartis AG in the areas of Health, Safety and Environment and in terms of product and process know-how.

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, performance or achievements of the Company to be materially different from any future results, performance or achievements that may be expressed or implied by such forward looking statements.

On behalf of the Board of Directors

C. SNOOK
Chairman

Mumbai, May 7, 2010

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, 2010.

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

		Current Year	Previous Year
A.	**Power & Fuel Consumption**	Not applicable	Not applicable
B.	**Consumption – per unit of production**	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:**

		Rupees '000	
		Current Year	**Previous Year**
a.	Capital	Nil	Nil
b.	Revenue	1501	3094
c.	Total	1501	3094
d.	Total R&D expenditure as a percentage to total turnover	0.02%	0.05%

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. 16 to 19 of Schedule 18 to the Accounts.

On behalf of the Board of Directors

C. SNOOK

Mumbai, May 7, 2010 Chairman

Report on Corporate Governance
(Pursuant to Clause 49 of the Listing Agreement)

1. Company's philosophy

An affiliate of the global Novartis group, Novartis India Limited ("NIL") conforms to good corporate governance norms. NIL has complied in all material respects with the features of corporate governance specified in the Listing Agreement with the Mumbai and Kolkata Stock Exchanges.

2. Board of Directors

The Board of Directors ("the Board") of the Company oversees the business operations. The day to day business operations are managed by the Executive Committee which is lead by the Managing Director. He is supported by the heads of Finance, Legal and the various businesses. The Managing Director regularly updates the Board of the ongoing business challenges and operational strategies adopted by the business. The Board offers comments where appropriate and strategic plans are modified if required.

During the financial year under review, four Board meetings were held on the following dates: May 8, 2009; July 16, 2009; October 29, 2009 and January 19, 2010.

Constitution of Board of Directors and related information as on March 31, 2010

Name of the Director	Category	No. of Board Meetings attended	Attendance at last AGM	No. of outside Directorship(s)*	No. of outside Board Committee membership(s)*/ Chairmanship(s)*
Mr C. Snook	Chairman and Non-Executive	2	Yes	Nil	Nil
Mr R. Shahani**	Vice-Chairman & Managing Director Executive Director	4	Yes	Nil	Nil
Mr J. Hiremath#	Non-Executive and Independent	4	Yes	2	1
Dr R. Mehrotra@	Non-Executive and Independent	4	Yes	1	Nil

Note:

* excludes private, foreign companies and companies registered under Section 25 of the Companies Act, 1956.

** Mr R. Shahani is associated in different capacities with companies which are registered under Section 25 of the Companies Act such as Organisation of Pharmaceutical Producers of India (OPPI) where he is President, Bombay Chamber of Commerce & Industry (BCCI) and Indian Merchants' Chamber as member on the Managing Committee and Novartis Comprehensive Leprosy Care Association as Director.

\# Mr J. Hiremath is Vice-Chairman & Managing Director of Hikal Limited, Director in Acoris Research Ltd. (formerly Hikal Technologies Ltd.) and National Safety Council, President of Indian Chemical Council, Chairman of Chemicals Committee of Federation of Indian Chambers of Commerce and Industry (FICCI) and Member of Western Regional Council and National Committee on Chemicals and Drugs & Pharmaceuticals.

@ Dr R. Mehrotra is a Director in PAE Limited and a Member of its Remuneration Committee.

As on March 31, 2010, except for Dr R. Mehrotra no other Director and their relatives held shares in the Company. Dr R. Mehrotra continues to hold 270 shares of the Company which he held on March 31, 2010.

3. AUDIT COMMITTEE

During the period under review, the Audit Committee met on four occasions viz. May 8, 2009; July 16, 2009; October 29, 2009 and January 19, 2010.

Constitution of Audit Committee and related information

Name of Director	Category	No. of Meetings attended during the financial year ended March 31, 2010
Mr J. Hiremath	Chairman Non-Executive and Independent	4
Dr R. Mehrotra	Non-Executive and Independent	4
Mr C. Snook	Non-Executive	2

The Audit Committee has been empowered to do all acts to comply with the applicable provisions of the Listing Agreement and the Companies Act, 1956.

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.

The Company Secretary to act as Secretary to the Committee.

4. Remuneration Committee

The Board may, if it considers expedient, constitute a Remuneration Committee.

Remuneration of the Managing Director is within the limits approved by shareholders at the 57th and 58th Annual General Meeting of the Company.

The Board ensures that commission to Non-Executive Directors is within the overall limit approved by shareholders at the 59th Annual General Meeting of the Company and meets the Industry norms for commensurate challenges.

Directors' Remuneration details for the financial year ended March 31, 2010

Name of the Director	Salary (Rs '000)	Perquisites (Rs '000)	Performance Incentive (Rs '000)	Commission (Rs '000)	Total (Rs'000)
Mr C. Snook	Nil	Nil	Nil	Nil	Nil
Mr R. Shahani#	7,349	1,549	3,399	Nil	12,297
Dr R. Mehrotra	Nil	Nil	Nil	300	300
Mr J. Hiremath	Nil	Nil	Nil	300	300

Performance incentive approved by shareholders at the 57th and 58th Annual General Meetings is based on pre-agreed criteria subject to a limit of 100% of salary.

The present agreement with the Managing Director is for a period of five years and is effective upto October 31, 2010 and can be terminated by giving six months' notice in writing on either side. However, pursuant to a Resolution passed at the 61st Annual General Meeting, he is liable to retire by rotation.

The Company does not have any stock option scheme.

5. Shareholders/Investors Grievance Committee

Chairman	:	Dr R. Mehrotra
Compliance Officer	:	Mr H. K. Maniar, Company Secretary & Head Investor Relations
No. of Complaints received by Company's Registrar & Transfer Agents during the financial year ended March 31, 2010	:	21
No of complaints resolved to the satisfaction of shareholders during the financial year ended March 31, 2010	:	21
No. of pending share complaints as on March 31, 2010	:	Nil

6. General Body Meetings

AGM for the financial year	Location of holding AGM	Date and Time of AGM
2008-2009	Y. B. Chavan Auditorium, Gen. Jagannath Bhosale Marg, Mumbai – 400 021	July 17, 2009 at 11:00 a.m.
2007-2008	Y. B. Chavan Auditorium, Gen. Jagannath Bhosale Marg, Mumbai – 400 021	July 16, 2008 at 11:00 a.m.
2006-2007	Y. B. Chavan Auditorium, Gen. Jagannath Bhosale Marg, Mumbai – 400 021	July 20, 2007 at 11:00 a.m.

At the AGM held on July 20, 2007, shareholders approved a Special Resolution for payment of commission to Non-Executive Directors @1% of the net profits of the Company subject to a ceiling of Rs 25,00,000.

Provision of postal ballot was not applicable at the last AGM of the Company. There is no item on the agenda of the forthcoming AGM that needs approval by postal ballot.

7. Disclosures

- There are no materially significant transactions made by the Company with its Promoters, Directors or Management, their subsidiaries or relatives etc., that may have a potential conflict with the interest of the Company at large. The Register of Contracts containing transactions in which Directors are interested is placed before the Board regularly for its approval.
- During the last three years, there were no strictures or penalties imposed by either SEBI or the Stock Exchanges or any statutory authority for non-compliance on any matter related to the capital markets. The Company has a process in place that meets the objectives of the whistle blower 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 has been providing the Chairman of the Company with the resources required to implement his role.
- The Company has had a Code of Conduct for its employees much before Clause 49 requirements. The Board members and Senior Management personnel of the Company affirm that they have complied with this Code.

8. Means of Communication

Quarterly, Half-Yearly and Annual results of the Company are published in leading newspapers such as The Indian Express, The Financial Express and Loksatta. Half-Yearly results with the Managing Director's observations were sent to all shareholders. These results are promptly submitted to the Stock Exchanges together with a copy of the Company's Press Release such that they can display the same on their website.

Before commencing a revamp of the Companies website, the Company's quarterly results were available on http://www.novartis.co.in.

Management Discussion and Analysis forms part of this Annual Report.

9. General shareholder information

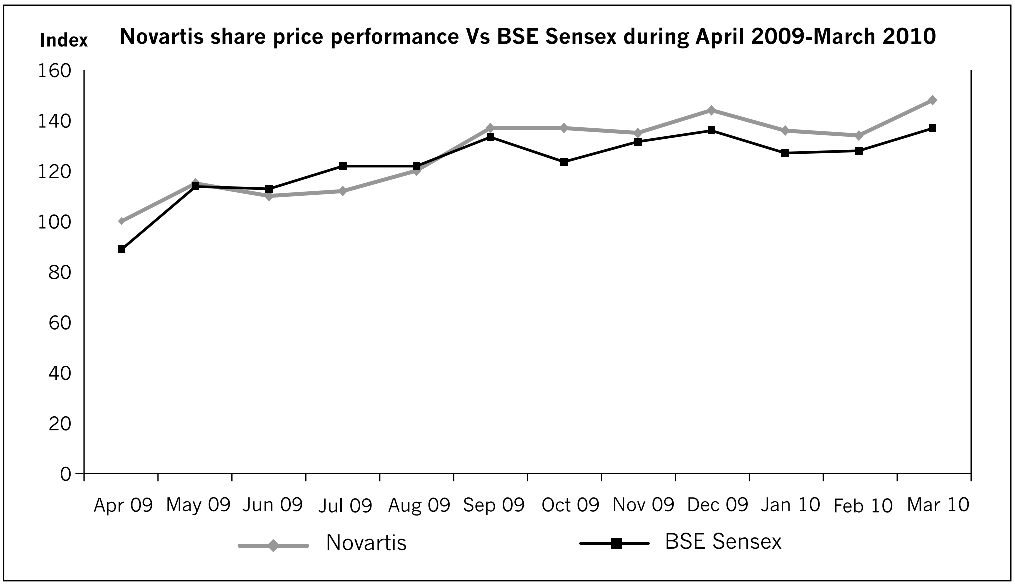
AGM date, venue and time	July 30, 2010, at Y. B. Chavan Auditorium, Gen. Jagannath Bhosale Marg, Mumbai 400 021 at 11:00 a.m.
Financial Calendar	April to March
First quarter results	last week of July 2010
Second quarter results	last week of October 2010
Third quarter results	last week of January 2011
Results for the year ending March 2011	end May 2011
Date of Book closure	July 23 till July 30, 2010 (both days inclusive)
Dividend payment date	on or after August 2, 2010
Listing on Stock Exchanges	Bombay Stock Exchange Limited, Mumbai The Calcutta Stock Exchange Association Limited, Kolkata
Stock Code	
Bombay Stock Exchange Limited, Mumbai	500672
The Calcutta Stock Exchange Association Limited, Kolkata	018247
Demat ISIN no. for CDSL and NSDL	INE234A01025

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

(Rupees)

	Bombay Stock Exchange Limited, Mumbai	
Month	**High**	**Low**
April 2009	409.00	360.05
May 2009	467.50	377.05
June 2009	451.00	398.15
July 2009	438.00	387.90
August 2009	474.00	423.60
September 2009	600.00	457.00
October 2009	594.50	495.00
November 2009	564.90	484.05
December 2009	600.00	513.65
January 2010	600.00	512.05
February 2010	544.75	511.00
March 2010	600.00	518.50

(source: Bombay Stock Exchange Limited, Mumbai – website)



Registrar & Transfer Agents	Sharepro Services (India) Private Limited 13 AB Samhita Warehousing Complex 2nd Floor, Sakinaka Telephone Exchange Lane Off Andheri - Kurla Road, Sakinaka Andheri, Mumbai - 400 072 Telephone Nos. 67720300, 67720400 Fax No. 28508927, 28591568 Sharepro Services (India) Private Limited 912 Raheja Centre, Free Press Journal Road Nariman Point, Mumbai - 400 021 Telephone Nos. 67720700, 67720709 Fax No. 22825484 E-mail: indira@shareproservices.com sharepro@shareproservices.com
Share Transfer System	Shareholders/Investors Grievance Committee also approves share transfers and meets at frequent intervals. Sharepro Services, the Company's Registrar & Transfer Agents process these transfers. Share transfers are registered and returned within 15 days from the date of lodgment if documents are complete in all respects.

Distribution of Shareholding as on March 31, 2010

Sr. No.	No. of equity shares held		Shareholder(s)		Shareholding(s)	
	From	To	Nos.	%	Nos.	%
1	Less Than	500	41,514	97.12	3,519,188	11.01
2	501	1000	699	1.64	513,964	1.61
3	1001	2000	265	0.62	386,364	1.21
4	2001	3000	95	0.22	239,879	0.75
5	3001	4000	36	0.08	128,831	0.40
6	4001	5000	26	0.06	116,374	0.36
7	5001	10000	49	0.12	353,259	1.11
8	10001 and above		61	0.14	26,702,938	83.55
	Total		**42,745**	**100.00**	**31,960,797**	**100.00**

Shareholding Pattern as on March 31, 2010

			Category	No. of shares held	Percentage of shareholding
A	**Promoters' Holding**				
	1	Promoters			
		— Indian Promoters		Nil	Nil
		— Foreign Promoters		24,424,802	76.42
	2	Persons Acting In Concert		Nil	Nil
			Sub-Total	**24,424,802**	**76.42**
B	**Non-Promoters' Holding**				
	3	Institutional Investors			
		a.	Mutual Funds and UTI	31,293	0.10
		b.	Banks, Financial Institutions, Insurance Companies (Central/ State Govt. Institutions/ Non-Govt. Institutions)	336,743	1.05
		c.	FIIs	69,428	0.22
			Sub-Total	**437,464**	**1.37**
	4	Others			
		a.	Private Corporate Bodies	709,852	2.22
		b.	Indian Public	6,198,309	19.39
		c.	NRIs / OCBs	190,100	0.60
		d.	Directors & their relatives	270	0.00
		e.	Any Other (NSDL Transit)	0	0.00
			Sub-Total	**7,098,531**	**22.21**
			Grand Total	**31,960,797**	**100.00**

Dematerialisation of shares and liquidity	Based on a SEBI directive, the Company's shares are traded in dematerialised form. As on March 31, 2010, 45.70% of the paid-up share capital of the Company was in dematerialised form. Novartis AG continues to hold most of its shares in physical form. If this holding is excluded, then 93.44% of the paid-up share capital was held in dematerialised form as on March 31, 2010.
Outstanding GDR/ADR/Warrants or any Convertible Instruments, conversion dates and likely impact on equity	N.A.
Plant location	N.A.
Address for correspondence	Shareholders should address their correspondence to the Company's Registrar & Transfer Agents at the address mentioned herein. Contact person: Ms Indira Karkera Shareholders may also contact Mr H. K. Maniar, Company Secretary & Head Investor Relations or Ms A. Anchan at the Registered Office of the Company for any assistance. Telephone No. 2495 8807/8810 E-mail: hemang.maniar@novartis.com asha.anchan@novartis.com

On behalf of the Board of Directors

C. SNOOK
Chairman

Mumbai, May 7, 2010

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 Stock Exchanges for the year ended on March 31, 2010.

In my opinion and to the best of my information and according to the explanations given to me, 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 adopted, and implementation thereof, by the Company for ensuring compliance with the conditions of Corporate Governance under Clause 49. The examination is neither an audit nor an expression of opinion on the financial statements 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 16, 2010

Auditors' Report to the Members of Novartis India Limited

1. We have audited the attached Balance Sheet of Novartis India Limited (the 'company'), as at 31st March, 2010, and the related Profit and Loss Account and Cash Flow Statement for the year ended on that date annexed thereto, which we have signed under reference to this report. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 as amended by the Companies (Auditor's Report) (Amendment) Order, 2004 (together the 'Order') issued by the Central Government of India in terms of sub-section (4A) of Section 227 of 'The Companies Act, 1956' of India (the 'Act') 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.
4. Further to our comments in the Annexure referred to in paragraph 3 above, 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, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
   (d) In our opinion, the Balance Sheet, Profit and Loss Account 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 31st March, 2010 and taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2010 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Act;
   (f) In our opinion and to the best of our information and according to the explanations given to us, the said financial statements together with the notes thereon and attached thereto give in the prescribed manner the information required by the Act and give a true and fair view in conformity with the accounting principles generally accepted in India:
      (i) in the case of the Balance Sheet, of the state of affairs of the company as at 31st March, 2010;
      (ii) in the case of the Profit and Loss Account, of the profit for the year ended on that date; and
      (iii) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

For Price Waterhouse
Firm Registration No. 007568S
Chartered Accountants

Himanshu Goradia
Partner
Membership No. 45668

Mumbai, 7th May 2010

Annexure to Auditors' Report

[Referred to in paragraph 3 of the Auditors' Report of even date to the members of Novartis India Limited on the financial statements for the year ended 31st March, 2010]

1. (a) The company is maintaining proper records showing full particulars including quantitative details and situation of fixed assets.
   (b) A substantial portion of fixed assets has been physically verified by the management during the year and no material discrepancies between the book records and the physical inventory have been noticed on such verification. In our opinion, the frequency of verification is reasonable.
   (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 has been physically verified by the management during the year. 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 granted unsecured loans to two companies covered In the register maintained under Section 301 of the Act during the year. The maximum amounts of such loans involved during the year aggregate to Rs. 4,836,037(000). However, the aforesaid companies are not covered in the register maintained under Section 301 of the Act as at the Balance Sheet date.
   (b) In our opinion, the rate of interest and other terms and conditions of such loans are not prima facie prejudicial to the interest of the company.
   (c) In respect of the aforesaid loans, the companies are regular in repayment of the principal amounts and are also regular in payment of interest.
   (d) In respect of the aforesaid loans, there is no overdue amount more than Rupees One Lakh.
   (e) 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, clauses (iii)(f) and (iii)(g) of paragraph 4 of the Order are not applicable to the company for the current year.

4. In our opinion, having regard to the explanation that certain items of inventory purchased are of special nature for which suitable alternative sources do not exist for obtaining comparative quotations, 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, carried out in accordance with the auditing standards generally accepted in India 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) In our opinion and according to the information and explanations given to us, the particulars of contracts or arrangements referred to in Section 301 of the Act have been entered in the register required to be maintained under that Section.

(b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Act and exceeding the value of Rupees Five Lakhs in respect of any party during the year, have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time. However, in respect of certain transactions including for purchases and sale of goods and services, prevailing market prices at the relevant time are not available as these transactions are of a special 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, 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 nature of its business.

8. We have broadly reviewed the books of account maintained by the company in respect of the 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 including provident fund, investor education and protection fund, employees' state insurance, income-tax, sales tax, wealth tax, service tax, customs duty, excise duty, cess and other material statutory dues as applicable with the appropriate authorities in India.

(b) According to the information and explanations given to us and the records of the company examined by us, there are no dues of income-tax, wealth-tax, service tax and cess which have not been deposited on account of any dispute. The particulars of dues of sales tax, customs duty and excise duty as at 31st March, 2010 which have not been deposited on account of a dispute, are as follows –

Name of the statute	**Nature of dues**	**Amount* Rs.'000**	**Period to which the amount relates**	**Forum where the dispute is pending**
The Kerala General Sales Tax Act, 1963	Sales tax on concessional sales	245	1997-1998	The High Court of Kerala
	Sales tax (including interest, where applicable) on free issues, sales returns, stock transfers and concessional sales	18,407	2000-2001 2001-2002 2003-2004 2004-2005 2006-2007 and 2007-2008	Deputy Commissioner (Appeals)

* Net of amounts paid under protest or otherwise

Name of the statute	Nature of dues	Amount* Rs.'000	Period to which the amount relates	Forum where the dispute is pending
The Gujarat Sales Tax Act, 1969	Sales tax on CSD sales and non submission of sales tax exemption forms and sales tax on tax free sales	2,568	1993-1994 and 2002-2003	Sales Tax Tribunal
	Sales tax on free issues and concessional sales and sales tax on enhanced turnover, non submission of sales tax exemption forms and non payment of purchase tax	10,611	2003-2004 and 2005-2006	Joint Commissioner
The Karnataka Sales Tax Act, 1957	Sales tax on sales returns and exempt sales	1,577	1998-1999	Joint Commissioner (Appeals)
	Sales tax on sales returns and exempt sales	3,235	2002-2003	Sales Tax Appellate Tribunal
	Sales tax paid but not considered by the authority	11,725	2004-2005	Deputy Commissioner of Commercial Taxes
The West Bengal Sales Tax Act, 1994	Sales tax (including penalty, where applicable) on enhanced turnover, non submission of sales tax exemption forms, sales returns, exempt sales and difference In turnover and purchase tax	34,169	2004-2005 and 2005-2006	Joint Commissioner
	Sales tax (including penalty, where applicable) on sales returns, exempt sales and difference in turnover and purchase tax	4,691	2000-2001	Deputy Commissioner (Appeals)
The Delhi Sales Tax Act, 1975	Non submission of sales tax exemption forms	1,349	2002-2003 and 2004-2005	Additional Commissioner (Appeals)
The Madhya Pradesh Commercial Tax Act, 1994	Sales tax on sales returns and non submission of sales tax exemption forms	114	2000-2001 and 2002-2003	Deputy Commissioner (Appeals)
The Rajasthan Sales Tax Act, 1994	Sales tax (including interest) on free quantity schemes and non submission of sales tax exemption forms	333	2002-2003 and 2003-2004	Deputy Commissioner (Appeals)
	Non submission of road permit	1,501	2000-2001	Sales Tax Tribunal
The Bihar Sales Tax Act, 1981	Sales tax on sales returns, non submission of sales tax exemption forms and export sales	3,893	2002-2003 to 2004-2005	Additional Commissioner (Appeals)
	Sales tax on sales returns, non submission of sales tax exemption forms and export sales	2,787	2005-2006 to 2007-2008	Commissioner of Commercial Taxes

* Net of amounts paid under protest or otherwise

Name of the statute	Nature of dues	Amount* Rs.'000	Period to which the amount relates	Forum where the dispute is pending
The Jammu and Kashmir General Sales Tax Act, 1962	Sales tax on rejection of claim for breakages, non submission of sales tax exemption forms and expiry of goods	822	2003-2004	Deputy Commissioner of Commercial Taxes (Appeals)
The Uttar Pradesh Trade Tax Act, 1948	Sales tax on exempt sales, sales returns, non submission of sales tax exemption forms and enhanced turnover	2,423	2005-2006 to 2007-2008	Deputy Commissioner of Commercial Taxes (Appeals)
The Central Sales Tax Act, 1956	Sales tax on sales returns, non submission of sales tax exemption forms and export sales	1,546	2005-2006 to 2007-2008	Commissioner of Commercial Taxes
	Sales tax on sales returns, difference in turnover, import of miscellaneous items, stock transfers and non submission of sales tax exemption forms	8,151	2001-2002 2002-2003 and 2004-2005 to 2007-2008	Deputy Commissioner (Appeals)
	Non submission of sales tax exemption forms	3,529	2003-2004 and 2004-2005	Additional Commissioner
	Non submission of sales tax exemption forms	700	2004-2005 and 2005-2006	Appellate Deputy Commissioner
	Sales tax on sales returns, difference in turnover, import of miscellaneous items, stock transfer and non submission of sales tax exemption forms	22,049	2001-2002 and 2003-2004 to 2005-2006	Joint Commissioner
	Non submission of sales tax exemption forms	3,262	2002-2003 and 2004-2005	Sales tax Appellate Tribunal
	Sales tax on sales returns, non submission of sales tax exemption forms and export sales	467	2004-2005	Additional Commissioner (Appeals)
The Customs Act, 1962	Countervailing Duty on disputed classification of goods	393	2002-2003	Deputy Commissioner of Customs
The Central Excise Act, 1944	Excise duty (including penalty) on rejection of claim for concessional rate of duty	2,351	August 1993 to December 1996	Customs, Excise & Service Tax Appellate Tribunal
	Excise Duty on difference in valuation due to non approval of price list of products	2,128	January 1987 to February 1993	Customs, Excise & Service Tax Appellate Tribunal
	Disallowance of Modified Value Added Tax utilised	494	June 1993 to October 1993	Commissioner of Central Excise
	Disallowance of refund of Excise Duty	57	1990	Assistant Commissioner of Central Excise

* Net of amounts paid under protest or otherwise

10. The company has no accumulated losses as at 31st March, 2010 and 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.
13. The provisions of any special statute applicable to chit fund/nidhi/mutual benefit fund/ societies are not applicable to the company.
14. In our opinion, the company is not a dealer or trader in shares, securities, debentures and other investments.
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,
16. In our opinion, the company has not obtained any term loans that were not applied for the purposes for which these were raised.
17. On the basis of an overall examination of the Balance Sheet of the company, in our opinion and according to the information and explanations given to us, there are no funds raised on short-term basis which 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.
19. The company has not issued any debentures.
20. The company has not raised any money by public issues during the year.
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 such case by the management.

For Price Waterhouse
Firm Registration No. 007568S
Chartered Accountants

Himanshu Goradia
Partner
Membership No. 45668

Mumbai, 7th May 2010

Balance Sheet as at 31st March 2010

	Schedule	As at 31st March 2010		As at 31st March 2009	
		Rs '000	Rs '000	Rs '000	Rs '000
SOURCES OF FUNDS					
Shareholders' Funds					
Capital	1	159,804		159,804	
Reserves and Surplus	2	5,774,802		4,987,601	
			5,934,606		**5,147,405**
Loan Funds					
Unsecured Loans	3		2,690		2,980
	Total		**5,937,296**		**5,150,385**
APPLICATION OF FUNDS					
Fixed Assets	4				
Gross Block		233,475		227,999	
Less: Depreciation/Amortisation		155,522		141,758	
Net Block		**77,953**		**86,241**	
Capital Work-in-Progress (including advances for capital expenditure)		7,552		672	
			85,505		**86,913**
Investments	5		**157,505**		**233,929**
Deferred Taxation	6				
Deferred Tax Assets		154,959		138,886	
Less: Deferred Tax Liability		—		—	
			154,959		**138,886**
Current Assets, Loans and Advances					
Inventories	7	513,750		501,026	
Sundry Debtors	8	463,228		454,854	
Cash and Bank Balances	9	571,888		537,536	
Loans and Advances	10	5,658,590		4,740,017	
		7,207,456		**6,233,433**	
Less: Current Liabilities and Provisions					
Liabilities	11	996,914		892,400	
Provisions	12	671,215		650,376	
		1,668,129		**1,542,776**	
Net Current Assets			**5,539,327**		**4,690,657**
	Total		**5,937,296**		**5,150,385**
Notes to the Financial Statements	18				

Schedules 1 to 12 and 18 referred to above form an integral part of the Balance Sheet.

In terms of our report of even date

For Price Waterhouse
Firm Registration No. 007568S
Chartered Accountants

HIMANSHU GORADIA
Partner
Membership No. 45668

Mumbai, 7th May 2010

For and on behalf of the Board

C. SNOOK
Chairman

R. SHAHANI
Vice Chairman & Managing Director

H. K. MANIAR
Company Secretary & Head Investor Relations

J. HIREMATH
Dr R. MEHROTRA
} *Directors*

Mumbai, 7th May 2010

Profit and Loss Account for the year ended 31st March 2010

	Schedule	Year ended 31st March 2010		Year ended 31st March 2009	
		Rs '000	Rs '000	Rs '000	Rs '000
Income					
Gross Sales		6,252,303		6,025,230	
Less: Excise Duty on Sales		11,273		30,428	
Net Sales		6,241,030		5,994,802	
Other Income	13	779,584		659,985	
			7,020,614		6,654,787
Expenditure					
Materials	14	2,506,749		2,477,396	
Personnel Cost	15	850,965		704,855	
Other Expenses	16	1,845,159		1,756,234	
Interest	17	3,179		7,059	
Depreciation/Amortisation		22,513		26,884	
		5,228,565		**4,972,428**	
Less: Cost of services shared		5,956		46,759	
			5,222,609		4,925,669
Profit before Taxation			**1,798,005**		**1,729,118**
Provision for Taxation					
For the year					
Current Tax		630,000		605,000	
Deferred Tax		(16,073)		(10,501)	
Fringe Benefits Tax		—		51,079	
		613,927		645,578	
For earlier years – Current Tax (Net)		24,186		46,443	
			638,113		692,021
Profit after Taxation			**1,159,892**		**1,037,097**
Balance brought forward from previous year			1,917,291		1,357,829
			3,077,183		**2,394,926**
Appropriations					
Transfer to General Reserve			115,989		103,710
Proposed Dividend			319,608		319,608
Tax on Proposed Dividend			53,083		54,317
Balance carried to Balance Sheet			**2,588,503**		**1,917,291**
			3,077,183		**2,394,926**
Earnings per Share - Basic and Diluted [Rs. per Equity Share of Rs. 5 each] [Refer Note 25 of Schedule 18]			36.29		32.45
Notes to the Financial Statements	18				

Schedules 13 to 18 referred to above form an integral part of the Profit and Loss Account.

In terms of our report of even date

For and on behalf of the Board

For Price Waterhouse
Firm Registration No. 007568S
Chartered Accountants

C. SNOOK
Chairman

R. SHAHANI
Vice Chairman & Managing Director

HIMANSHU GORADIA
Partner
Membership No. 45668

H. K. MANIAR
Company Secretary & Head Investor Relations

J. HIREMATH
Dr R. MEHROTRA
Directors

Mumbai, 7th May 2010

Mumbai, 7th May 2010

Schedules forming part of the Balance Sheet as at 31st March 2010

	As at 31st March 2010		As at 31st March 2009	
	Rs '000	Rs '000	Rs '000	Rs '000
Schedule 1				
Capital				
Authorised				
64,000,000 Equity Shares of Rs. 5 each		**320,000**		**320,000**
Issued and Subscribed				
31,960,797 Equity Shares of Rs. 5 each fully paid-up		**159,804**		**159,804**

Of the above -

(a) 99,173 shares were allotted as fully paid-up on amalgamation of the erstwhile Ciba CKD Biochem Limited with the company.

(b) 5,300,004 shares were allotted as fully paid-up on amalgamation of the erstwhile Sandoz (India) Limited with the company.

(c) 140,000 shares were allotted as fully paid-up pursuant to a contract without payment being received in cash.

(d) 21,997,620 shares were allotted as fully paid-up bonus shares by capitalisation of General Reserve and Share Premium.

(e) 24,424,802 (Previous year – 16,277,437) shares are held by the holding company Novartis AG, Basel, Switzerland.

	Rs '000	Rs '000	Rs '000	Rs '000
Schedule 2				
Reserves and Surplus				
Capital Subsidy				
Balance as per last Balance Sheet		1,500		1,500
Share Premium				
Balance as per last Balance Sheet		228,774		228,774
General Reserve				
Balance as per last Balance Sheet	2,840,036		2,736,326	
Add: Transfer from Profit and Loss Account	115,989		103,710	
		2,956,025		2,840,036
Profit and Loss Account		2,588,503		1,917,291
		5,774,802		**4,987,601**

	Rs '000	Rs '000	Rs '000	Rs '000
Schedule 3				
Unsecured Loans				
Fixed Deposits [Amount repayable within one year Rs. 863(000) – Previous year Rs. 351(000)]		**2,690**		**2,980**

Schedule 4
Fixed Assets

(Rs '000)

Description	Gross Block (at cost)				Depreciation/Amortisation				Net Block	
	As at 1.4.2009	Additions	Deductions	As at 31.3.2010	As at 1.4.2009	For the year	On Deductions	As at 31.3.2010	As at 31.3.2010	As at 31.3.2009
Buildings	34,690	–	–	34,690	9,490	983	–	10,473	24,217	25,200
Plant and Machinery	135,254	10,028	7,478	137,804	99,906	14,881	6,366	108,421	29,383	35,348
Furniture and Fittings	31,584	2,801	1,034	33,351	16,528	3,735	999	19,264	14,087	15,056
Trade Marks@	12,395	–	–	12,395	10,466	437	–	10,903	1,492	1,929
Vehicles	14,076	2,543	1,384	15,235	5,368	2,477	1,384	6,461	8,774	8,708
	227,999	**15,372**	**9,896**	**233,475**	**141,758**	**22,513**	**8,749**	**155,522**	**77,953**	**86,241**
Previous year	233,746	22,816	28,563	227,999	141,634	26,884	26,760	141,758		
Capital Work-in-Progress (including advances for capital expenditure)									7,552	672
									85,505	**86,913**

@ Other than internally generated.

	As at 31st March 2010		As at 31st March 2009	
	Rs '000	Rs '000	Rs '000	Rs '000
Schedule 5				
Investments				
(Unquoted unless otherwise stated)				
Current – Non Trade				
In fully paid-up Units of Mutual Funds				
15,343,072 (Previous year – 22,808,645) Units of Rs. 10 each of HSBC Cash Fund – Institutional Plus – Weekly Dividend		157,093		233,517
Long-term – Non Trade				
In fully paid-up Equity Shares				
12 Shares of Rs. 10 each of Atul Limited – Quoted (#Rs. 336)	#		#	
20,000 Shares of Rs. 10 each of Housing Development Finance Corporation Limited – Quoted	245		245	
500 Shares of Rs. 10 each of HDFC Bank Limited – Quoted	5		5	
120 Shares of Rs. 50 each of The Malabar Hill Co-operative Housing Society Limited	6		6	
68 Shares of Rs. 50 each of The Palacimo Co-operative Housing Society Limited	3		3	
5 Shares of Rs. 50 each of Jaldarshan Co-operative Housing Society Limited (@Rs. 250)	@		@	
88 Shares of Rs. 50 each of New Gulistan Co-operative Housing Society Limited	4		4	
		263		263

Schedules forming part of the Balance Sheet as at 31st March 2010

	As at 31st March 2010		As at 31st March 2009	
	Rs '000	Rs '000	Rs '000	Rs '000
Schedule 5				
Investments				
(Unquoted unless otherwise stated)				
In partly paid-up Equity Shares				
1 Share 'A' of Rs. 120,000 - Rs. 118,000 paid-up of Hill Properties Limited		118		118
In fully paid-up $4^1/_8$% Bonds				
3 Loan Stock Bonds of Rs. 10,000 each of New Gulistan Co-operative Housing Society Limited	30		30	
12 Loan Stock Bonds of Rs. 50 each of New Gulistan Co-operative Housing Society Limited	1		1	
		31		31
		157,505		**233,929**
Aggregate amount of Quoted Investments		250		250
Aggregate amount of Unquoted Investments		157,255		233,679
		157,505		**233,929**
Aggregate Market Value of Quoted Investments		55,224		28,708
		Units		**Units**
Investments purchased and sold during the year				
– Units of Rs. 10 each of HSBC Cash Fund – Institutional Plus – Weekly Dividend		190,563,114		248,641,236

Schedule 6				
Deferred Taxation				
Deferred Tax Assets				
Depreciation	26,836		27,893	
Provision for Doubtful Debts and Advances	23,416		19,226	
Compensation under Voluntary Retirement Schemes	6,362		8,322	
Provision for Employee Benefits	56,226		50,246	
Provision for Non-sellable Sales Returns	32,130		30,520	
Others	9,989		2,679	
		154,959		138,886
Less: Deferred Tax Liability		—		—
		154,959		**138,886**

Schedules forming part of the Balance Sheet as at 31st March 2010

	As at 31st March 2010		As at 31st March 2009	
	Rs '000	Rs '000	Rs '000	Rs '000
Schedule 7				
Inventories				
(At lower of cost and net realisable value)				
Raw Materials		32,302		21,991
Packing Materials		4,455		6,643
Work-in-Progress		—		7
Finished Goods		476,993		472,385
		513,750		**501,026**

	As at 31st March 2010		As at 31st March 2009	
	Rs '000	Rs '000	Rs '000	Rs '000
Schedule 8				
Sundry Debtors				
Debts outstanding for a period exceeding six months				
Considered Good				
Secured	157		3,022	
Unsecured	32,537		2,113	
	32,694		**5,135**	
Considered Doubtful	51,781		38,538	
		84,475		43,673
Other Debts				
Considered Good				
Secured	1,356		6,891	
Unsecured	429,178		442,828	
	430,534		**449,719**	
Considered Doubtful	3,402		4,134	
		433,936		453,853
		518,411		**497,526**
Less: Provision for Doubtful Debts		55,183		42,672
		463,228		**454,854**

	As at 31st March 2010		As at 31st March 2009	
	Rs '000	Rs '000	Rs '000	Rs '000
Schedule 9				
Cash and Bank Balances				
Cash on Hand		9,600		2,219
Cheques on Hand		70,514		2,120
Balances with Scheduled Banks				
on Current Accounts	19,759		22,792	
on Deposit Accounts	472,015		510,405	
		491,774		533,197
		571,888		**537,536**

Schedules forming part of the Balance Sheet as at 31st March 2010

	As at 31st March 2010		As at 31st March 2009	
	Rs '000	Rs '000	Rs '000	Rs '000
Schedule 10				
Loans and Advances				
(Unsecured, Considered Good unless otherwise stated)				
Advances recoverable in cash or in kind or for value to be received				
Considered Good				
Secured	—		607	
Unsecured	581,243		557,361	
	581,243		**557,968**	
Considered Doubtful	15,310		13,891	
	596,553		**571,859**	
Less: Provision for Doubtful Advances	15,310		13,891	
		581,243		557,968
Inter-corporate Deposits		4,869,137		3,930,776
Balances with Customs, Excise and Port Trust		1,529		302
Current Taxation (Net of Provision) [Refer Note 7 of Schedule 18]		206,681		250,971
		5,658,590		**4,740,017**

	As at 31st March 2010		As at 31st March 2009	
Schedule 11				
Liabilities				
Sundry Creditors				
Micro and Small Enterprises [Refer Note 6 of Schedule 18]	202		212	
Others	650,474		603,060	
		650,676		603,272
Voluntary Retirement Costs [Refer Note 5(b) of Schedule 18]		12,238		15,047
Unpaid Dividend@		12,280		11,655
Book Overdraft		140,040		85,132
Other Liabilities		181,368		177,206
Interest accrued but not due on loans		312		88
		996,914		**892,400**

@There is no amount due and outstanding to be credited to Investor Education and Protection Fund.

	As at 31st March 2010		As at 31st March 2009	
Schedule 12				
Provisions				
Provision for Fringe Benefits Tax (Net of Payments)		32,533		38,835
Proposed Dividend		319,608		319,608
Tax on Proposed Dividend		53,083		54,317
Provision for Employee Benefits		169,265		147,825
Provision for Non-sellable Sales Returns [Refer Note 4 of Schedule 18]		96,726		89,791
		671,215		**650,376**

Schedules forming part of the Profit and Loss Account for the year ended 31st March 2010

	Year ended 31st March 2010		Year ended 31st March 2009	
	Rs '000	Rs '000	Rs '000	Rs '000
Schedule 13				
Other Income				
Service Income		302,301		85,153
Interest				
on Long-term Investments – Non Trade (Tax free)	—		417	
on Others – Inter-corporate Deposits, Income-tax and Wealth tax Refunds, Overdue Debts, Bank Deposits, etc. (Gross) [Tax deducted at source Rs. 50,934(000) – Previous year Rs. 88,459(000)]	319,332		405,949	
		319,332		406,366
Dividend on Current Investments – Non Trade (Tax free)		3,573		7,249
Profit on Sale/Redemption of Current Investments (Net)		19		2,040
Royalty (Gross) [Tax deducted at source Rs. 917(000) – Previous year – Rs. 299(000)]		3,435		6,149
Exchange Gain (Net)		6,717		—
Sales tax Set off for earlier years		1,560		29,312
Liabilities no longer required written back		9,301		5,201
Rent (Gross) [Tax deducted at source Rs. 18,765(000) – Previous year Rs. 24,174(000)]		115,340		105,078
Miscellaneous Income		18,006		13,437
		779,585		**659,985**

	Year ended 31st March 2010		Year ended 31st March 2009	
	Rs '000	Rs '000	Rs '000	Rs '000
Schedule 14				
Materials				
Raw Materials Consumed				
Opening Stock	21,991		72,347	
Add: Purchases	182,879		218,992	
	204,870		291,339	
Less: Closing Stock	32,302		21,991	
		172,568		269,348
Packing Materials Consumed		27,770		48,752
Purchases of Finished Goods		2,311,012		2,039,947
Decrease/(Increase) in Stocks				
Opening Stock				
Work-in-Progress	7		2,898	
Finished Goods	472,385		588,843	
	472,392		591,741	
Closing Stock				
Work-in-Progress	—		7	
Finished Goods	476,993		472,385	
	476,993		472,392	
		(4,601)		119,349
		2,506,749		**2,477,396**

Schedules forming part of the Profit and Loss Account for the year ended 31st March 2010

	Year ended 31st March 2010		Year ended 31st March 2009	
	Rs '000	Rs '000	Rs '000	Rs '000
Schedule 15				
Personnel Cost				
Salaries, Wages and Bonus [Refer Note 5(a) of Schedule 18]		736,109		591,899
Contribution to Provident and Other Funds		73,868		57,212
Contribution to Gratuity Fund		5,477		28,659
Pensions, etc.		1,016		1,951
Staff Welfare Expenses		34,495		25,134
		850,965		**704,855**
Schedule 16				
Other Expenses				
Consumption of Stores and Spare Parts		—		124
Power and Fuel		24,082		22,798
Water Charges		1,365		594
Rent		124,101		112,046
Repairs and Maintenance				
Buildings	3,513		1,754	
Plant and Machinery	4,205		1,731	
Others	4,949		9,101	
		12,667		12,586
Insurance		8,316		7,172
Rates and Taxes				
Excise Duty	1,763		(10,354)	
Others	22,572		32,640	
		24,335		22,286
Processing Charges		17,574		35,094
Legal and Professional Charges		117,353		66,556
Travelling and Conveyance		161,728		152,249
Other Outside Services		362,036		416,093
Auditors' Remuneration		6,328		6,370
Freight and Forwarding		153,836		164,934
Commission on Sales		21,699		27,472
Advertisement and Sales Promotion		472,254		376,977
Cash Discount		12,336		10,384
Royalty		78,186		76,110
Bad Debts and Advances written off	6,282		8,066	
Less: Provision	6,282		7,997	
		—		69
Provision for Doubtful Debts and Advances (Net)		20,212		14,673
Exchange Loss (Net)		—		11,072
Loss on Sale/Disposal of Fixed Assets (Net)		776		266
Miscellaneous Expenses		225,975		220,309
		1,845,159		**1,756,234**
Schedule 17				
Interest				
Fixed Deposits		271		286
Income – tax		545		4,061
Others		2,363		2,712
		3,179		**7,059**

Schedule 18

Notes to the Financial Statements

1. **Significant Accounting Policies**

The financial statements are prepared to comply in all material aspects with the applicable accounting principles in India, 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. The significant accounting policies are as follows:

(a) Basis of Accounting
The financial statements are prepared in accordance with the historical cost convention.

(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 specified in Schedule XIV of the Act or the rates based on useful lives of the assets as estimated by the management, whichever are higher. The rates based on useful lives of the assets in the following categories are estimated to be higher than those specified in Schedule XIV of the Act:

Description	Estimated Useful Life
Buildings	40 years
Plant and Machinery	
Computers	3 years
Office Equipment	5 years
Quality Control Equipment	5 years
Others	12.5 years
Furniture and Fittings	10 years
Vehicles	5 years

Trade Marks are amortised over the useful life of five years, as estimated by the management.

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.

(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.

(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 Profit and Loss Account.

(f) Forward Contracts
Premium or discount arising at the inception of forward contract is amortised as expense or income over the life of the contract. Exchange difference on forward contract is recognised in the Profit and Loss Account in the year in which the exchange rates change. Any profit or loss arising on cancellation or renewal of forward contract is recognised as income or expense in the Profit and Loss Account.

(g) Revenue Recognition
Sales are recognised when goods are supplied to customers and are recorded net of excise duty, sales tax, rebates and trade discounts.

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.

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

(h) 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 Profit and Loss Account 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, 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 Profit and Loss Account in the year in which they arise

Schedule 18

Notes to the Financial Statements

(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, subject to the consideration of prudence in respect of deferred tax assets, on timing differences, being the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods.

2. Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances) — Nil [Previous year Rs. 943(000)].

	As at 31st March 2010	As at 31st March 2009
	Rs '000	**Rs '000**
3. **Contingent Liabilities**		
(a) 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	305,766	303,699
(ii) Matters decided against the company in respect of which the company has preferred an appeal	128,649	119,618
Sales tax matters	180,762	166,097
Service tax matter	3,291	—
Excise matters	5,110	5,110
Claims from a third party manufacturer in respect of Excise matter	31,162	667
Claims from Consumers	1,758	1,758
Others	2,100	2,100
(b) Uncalled liability on partly paid share in Hill Properties Limited	2	2

Notes:

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

(ii) Future cash outflow in respect of (b) above is dependent on the call to be made by Hill Properties Limited.

	Year ended 31st March 2010	Year ended 31st March 2009
	Rs '000	**Rs '000**
4. **Provision for Non-sellable Sales Returns**		
As at 1st April	89,791	62,692
Provision made during the year	94,442	107,402
Amounts used during the year	87,507	80,303
As at 31st March	96,726	89,791

Schedule 18

Notes to the Financial Statements

5. (a) Salaries, Wages and Bonus include Rs. 2,800(000) [Previous year Rs. 5,253(000)] paid to employees under the Voluntary Retirement Schemes.

   (b) Voluntary Retirement Costs represent the actuarial value as at 31st March, 2010 of compensation payable under the Voluntary Retirement Schemes. Amount payable within one year approximately Rs. 3,124(000) [Previous year Rs. 3,956(000)].

6. Disclosures as required under the Micro, Small and Medium Enterprises Development Act, 2006. This information and that given in Schedule 11 — Liabilities 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 31st March 2010	Year ended 31st March 2009
	Rs '000	**Rs '000**
(a) The principal amount and the interest due thereon remaining unpaid to suppliers		
(i) Principal	109	145
(ii) Interest due thereon	93	67
	202	**212**
(b) (i) The delayed payments of principal amount paid beyond the appointed date during the entire accounting year.	3,846	3,647
(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	26	67
(ii) Total Interest accrued during the year and remaining unpaid	93	67

(e) Included in (d) above is Rs. 67(000) being interest on amounts outstanding as at the beginning of the accounting year.

	As at 31st March 2010	As at 31st March 2009
	Rs '000	**Rs '000**
7. **Current Taxation (Net of Provision) represents** –		
Current Taxation (Net of Provision)	268,236	278,121
Less: Provision for Taxation (Net of Payments)	61,555	27,150
	206,681	**250,971**

Schedule 18

Notes to the Financial Statements

8. Consumption of Raw Materials

	Unit	Year ended 31st March 2010 Quantity	Year ended 31st March 2010 Rs '000	Year ended 31st March 2009 Quantity	Year ended 31st March 2009 Rs '000
Calcium Gluconate	Tonnes	232.25	29,229	246.19	25,244
Tiamutin 80% Granules	Tonnes	18.54	77,040	9.73	43,923
Norethindrone Acetate USP/N	Kilo Grams	284.21	25,989	264.43	20,470
Rifampicin BP	Kilo Grams	—	—	20,668.30	71,171
Ethambutol BP	Kilo Grams	—	—	29,155.04	49,835
Others		—	40,310	—	58,705
			172,568		**269,348**

	%	Rs '000	%	Rs '000
Imported	52.02	89,773	16.36	44,062
Indigenous	47.98	82,795	83.64	225,286
	100.00	**172,568**	**100.00**	**269,348**

Notes:

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

(b) Components and spare parts referred to in Para 4D(c) of Part II of Schedule VI of the Act are assumed to be those forming part of the finished goods produced and not those used for maintenance of plant and machinery.

9. Capacities and Production#

	Unit	Year ended 31st March 2010 Installed Capacity Quantity	Year ended 31st March 2009 Installed Capacity Quantity	Year ended 31st March 2010 Production@ Quantity	Year ended 31st March 2009 Production@ Quantity
Generics					
Formulations – Tablets	Million Nos.	—	—	56.37	264.42
Animal Health					
Drug Formulations	Kilo Litres	—	—	1,061.31	1,134.81
	Tonnes	—	—	30.03	12.69
Feed Supplements	Tonnes	—	—	227.40	166.20

\# Licensed Capacity is not applicable as industrial licensing has been abolished for all Bulk Drugs, Intermediates and their Formulations vide Press Note No. 4 (1994 Series) dated 25th October 1994 issued by the Department of Industrial Development, Ministry of Industry, Government of India.

@ Represents quantities produced by third parties under contract with the company and includes samples.

10. Sales*

	Unit	Year ended 31st March 2010 Quantity	Year ended 31st March 2010 Rs '000	Year ended 31st March 2009 Quantity	Year ended 31st March 2009 Rs '000
Pharmaceuticals					
Formulations					
Tablets	Million Nos.	890.37	2,319,263	875.76	2,194,883
Capsules	Million Nos.	6.97	332,405	5.30	274,797
Liquid – Orals	Kilo Litres	532.52	219,293	545.22	219,229
Injectables	Kilo Litres	217.25	898,459	206.26	822,330
	Kilograms	151.32	255,135	92.29	225,490
Creams and Ointments	Tonnes	123.48	183,176	119.18	181,949
Patches	Million Nos.	0.37	21,445	0.32	15,078
Vials	Thousands	1,935.84	143,812	1,944.74	134,780
			4,372,988		**4,068,536**

Schedule 18

Notes to the Financial Statements

	Unit	Year ended 31st March 2010		Year ended 31st March 2009	
		Quantity	Rs '000	Quantity	Rs '000
Generics					
Formulations					
Tablets	Million Nos.	195.50	396,402	415.96	616,733
Liquid – Orals	Kilo Litres	7.22	2,728	7.26	2,549
			399,130		**619,282**
OTC					
Powders – VMS	Tonnes	18.27	15,244	14.11	11,434
Tablets	Million Nos.	217.08	310,953	249.57	318,204
Capsules	Million Nos.	5.80	7,972	11.41	13,511
Liquid – Orals	Kilo Litres	446.44	525,500	450.79	465,305
			859,669		**808,454**
Animal Health					
Drug Formulations	Tonnes	31.18	86,997	17.42	53,456
	Kilo Litres	1,300.45	222,435	1,243.43	205,035
	Million Nos.	0.87	10,563	0.55	6,555
Feed Supplements	Tonnes	1,451.11	248,578	1,397.42	203,591
	Kilo Litres	563.34	38,430	500.09	29,895
	Million Nos.@	0.32	2,240	#	(5)
Aqua Formulations	Tonnes	—	—	0.14	3
			609,243		**498,530**
			6,241,030		**5,994,802**

* Sales quantities include free issues.
@ Negative quantities and/or values are due to sales returns.
# (0.001) Million Nos.

	Unit	Year ended 31st March 2010		Year ended 31st March 2009	
		Quantity	Rs '000	Quantity	Rs '000
11. Purchases of Finished Goods					
Pharmaceuticals					
Formulations					
Tablets	Million Nos.	869.71	812,987	808.51	736,451
Capsules	Million Nos.	9.14	280,567	4.40	171,002
Liquid – Orals	Kilo Litres	561.44	145,566	575.11	145,383
Injectables	Kilo Litres	203.67	215,582	195.89	222,582
	Kilograms	153.08	191,789	80.65	165,244
Creams and Ointments	Tonnes	117.55	39,455	126.66	44,276
Patches	Million Nos.	0.46	18,895	0.31	11,663
Vials	Thousands	2,406.57	67,791	1,774.37	56,122
			1,772,632		**1,552,723**
Generics					
Formulations					
Tablets	Million Nos.	131.72	101,071	147.25	84,727
Liquid – Orals	Kilo Litres	9.63	1,402	7.38	1,078
			102,473		**85,805**
OTC					
Powders – VMS	Tonnes	24.25	7,564	17.76	7,613
Tablets	Million Nos.	215.95	60,842	287.82	83,854
Capsules	Million Nos.	7.12	2,239	8.09	3,135
Liquid – Orals	Kilo Litres	474.25	198,785	493.30	155,333
			269,430		**249,935**

	Unit	Year ended 31st March 2010		Year ended 31st March 2009	
		Quantity	Rs '000	Quantity	Rs '000
Animal Health					
Drug Formulations	Tonnes	2.33	9,338	3.66	11,869
	Kilo Litres	215.81	37,054	226.00	44,695
	Million Nos.	0.94	4,177	0.60	3,031
Feed Supplements	Tonnes	1,393.91	108,733	1,158.83	80,374
	Kilo Litres	519.73	23,662	630.90	24,642
	Million Nos.	0.88	1,425	—	—
			184,389		**164,611**
			2,328,924		**2,053,074**
Less: Sales tax set off			17,912		13,127
			2,311,012		**2,039,947**

12. **Opening Stock**

	Unit	Quantity	Rs '000	Quantity	Rs '000
Pharmaceuticals					
Formulations					
Tablets	Million Nos.	221.20	172,771	300.21	244,121
Capsules	Million Nos.	0.78	32,551	1.69	61,677
Liquid – Orals	Kilo Litres	126.47	30,886	114.35	29,106
Injectables	Kilo Litres	42.11	49,035	54.28	70,564
	Kilograms	24.25	38,690	36.09	37,270
Creams and Ointments	Tonnes	29.20	9,532	23.18	13,159
Patches	Million Nos.	0.06	2,987	0.08	2,148
Vials	Thousands	340.01	11,637	634.62	18,167
			348,089		**476,212**
Generics					
Formulations					
Tablets	Million Nos.	47.32	26,960	56.14	37,690
Liquid – Orals	Kilo Litres	0.68	88	1.50	221
			27,048		**37,911**
OTC					
Powders – VMS	Tonnes	3.74	1,182	2.05	845
Tablets	Million Nos.	66.62	19,191	50.12	15,390
Capsules	Million Nos.	1.10	361	6.15	2,999
Liquid – Orals	Kilo Litres	89.57	27,006	57.08	17,250
			47,740		**36,484**
Animal Health					
Drug Formulations	Tonnes	3.98	6,661	5.93	6,102
	Kilo Litres	205.03	21,992	118.23	12,666
	Million Nos.	0.22	1,151	0.19	1,217
Feed Supplements	Tonnes	112.00	12,282	200.52	16,101
	Kilo Litres	182.03	7,422	61.19	2,047
Aqua Formulations	Tonnes	—	—	2.63	103
			49,508		**38,236**
			472,385		**588,843**

	Unit	Year ended 31st March 2010 Quantity	Year ended 31st March 2010 Rs '000	Year ended 31st March 2009 Quantity	Year ended 31st March 2009 Rs '000
13. **Closing Stock***					
Pharmaceuticals					
Formulations					
Tablets	Million Nos.	188.92	169,826	221.20	172,771
Capsules	Million Nos.	2.92	44,089	0.78	32,551
Liquid – Orals	Kilo Litres	134.36	35,651	126.47	30,886
Injectables	Kilo Litres	24.97	33,948	42.11	49,035
	Kilograms	25.89	29,536	24.25	38,690
Creams and Ointments	Tonnes	20.62	7,062	29.20	9,532
Patches	Million Nos.	0.12	5,261	0.06	2,987
Vials	Thousands	682.40	12,544	340.01	11,637
			337,917		**348,089**
Generics					
Formulations					
Tablets	Million Nos.	35.12	24,015	47.32	26,960
Liquid – Orals	Kilo Litres	2.11	307	0.68	88
			24,322		**27,048**
OTC					
Powders – VMS	Tonnes	8.32	2,839	3.74	1,182
Tablets	Million Nos.	49.72	14,142	66.62	19,191
Capsules	Million Nos.	1.58	491	1.10	361
Liquid – Orals	Kilo Litres	97.01	28,379	89.57	27,006
			45,851		**47,740**
Animal Health					
Drug Formulations	Tonnes	5.14	13,577	3.98	6,661
	Kilo Litres	155.63	17,164	205.03	21,992
	Million Nos.	0.25	1,064	0.22	1,151
Feed Supplements	Tonnes	292.65	28,728	112.00	12,282
	Kilo Litres	133.78	7,542	182.03	7,422
	Million Nos.	0.52	828	—	—
			68,903		**49,508**
			476,993		**472,385**

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

	Year ended 31st March 2010 Rs '000	Year ended 31st March 2010 Rs '000	Year ended 31st March 2009 Rs '000	Year ended 31st March 2009 Rs '000
14. **Managerial Remuneration**				
Salary and Allowances		9,189		12,612
Contribution to Provident and Other Funds		1,559		2,136
Perquisites		1,549		2,156
Commission		600		400
		12,897		17,304

Schedule 18

Notes to the Financial Statements

	Year ended 31st March 2010 Rs '000	Year ended 31st March 2010 Rs '000	Year ended 31st March 2009 Rs '000	Year ended 31st March 2009 Rs '000
Computation of Net Profit for commission payable to Directors				
Profit before Taxation as per Profit and Loss Account		1,798,005		1,729,118
Add: Depreciation/Amortisation as per Profit and Loss Account	22,513		26,884	
Managerial Remuneration	12,897		17,304	
Provision for Doubtful Debts and Advances (Net)	13,930		6,676	
		49,340		50,864
Less: Depreciation under Section 350 of the Act	22,513		26,884	
Profit on Sale/Redemption of Current Investments (Net)	19		2,040	
Capital Profit on Sale of Fixed Assets	16		7	
		22,548		28,931
Net Profit under Section 349 of the Act		**1,824,797**		**1,751,051**
Commission payable to non-whole time Directors @1% of the Net Profit under Section 349 of the Act		18,248		17,511
Restricted by the Board of Directors to		600		400

15. **Auditors' Remuneration**
(including service tax, where applicable)

	Year ended 31st March 2010 Rs '000	Year ended 31st March 2009 Rs '000
Audit Fees	3,530	3,530
Other Services	2,713	2,759
Reimbursement of Expenses	85	81
	6,328	**6,370**

16. **CIF Value of Imports**

	Year ended 31st March 2010 Rs '000	Year ended 31st March 2009 Rs '000
Raw Materials	78,546	44,099
Goods for Resale	922,444	703,232

17. **Expenditure in Foreign Currency**

	Year ended 31st March 2010 Rs '000	Year ended 31st March 2009 Rs '000
Professional and Consultancy Fees	2,694	4,217
Travelling	12,458	10,648
Royalty (Net of taxes)	51,254	49,739
Exchange Loss (Net)	—	11,072
Others	24,722	16,923

18. **Remittance of Dividend to Non-resident Shareholders**

	Year ended 31st March 2010	Year ended 31st March 2009
Number of Shareholders	1	1
Number of Equity Shares held	24,424,802	16,277,437
Amount remitted	244,248	162,774
Year to which the dividend related	31st March 2009	31st March 2008

Schedule 18

Notes to the Financial Statements

	Year ended 31st March 2010 Rs '000	Year ended 31st March 2009 Rs '000
19. Earnings in Foreign Exchange		
FOB Value of Exports (excluding exports to Nepal)	31,702	26,512
Services Income	14,126	41,336
Interest	69	92
Exchange Gain (Net)	6,717	—
Freight and Insurance	1,286	1,056
Services Shared	—	1,989
Recovery of Expenses	15,216	19,982
Others	1,248	41
20. Expenditure on Research and Development		
Revenue	1,501	3,094

21. Employee Benefits

The company has classified various employee benefits as under:

(A) **Defined Contribution Plans**

The company has recognised the following amounts in the Profit and Loss Account for the year:

	Year ended 31st March 2010 Rs '000	Year ended 31st March 2009 Rs '000
(i) Contribution to Employees' Superannuation Fund	21,467	19,909
(ii) Contribution to Contractual Employees' Pension Scheme	4,107	3,799
(iii) Contribution to Family Pension Scheme	6,159	5,652

(B) **Defined Benefit Plans**

Valuations in respect of Provident Fund, Gratuity, Non-Contractual Pension Plan, Leave Encashment and Post Retirement Medical Benefits have been carried out by independent actuary, as at the Balance Sheet date, based on the following assumptions:

	Year ended 31st March 2010	Year ended 31st March 2009
(a) Discount Rate (per annum)	7.60%	7.30%
(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	20	20

Schedule 18

Notes to the Financial Statements

	Year ended 31st March 2010					Year ended 31st March 2009				
	Provident Fund	Gratuity	Leave Encashment	Non-Contractual Pension Plan	Post Retirement Medical Benefits	Provident Fund	Gratuity	Leave Encashment	Non-Contractual Pension Plan	Post Retirement Medical Benefits
	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000
(i) Changes in the Present Value of Obligation										
(a) Present Value of Obligation (opening)	620,333	131,753	115,784	44,413	25,120	561,896	103,019	106,263	43,878	25,026
(b) Interest Cost	51,824	9,288	8,018	3,744	1,727	47,005	8,024	8,253	3,521	1,954
(c) Past Service Cost	—	—	—	—	—	—	—	—	—	—
(d) Current Service Cost	102,499	9,944	15,250	4,594	205	89,122	8,224	16,023	4,105	186
(e) Curtailment Cost/(Credit)	—	—	—	—	—	—	—	—	—	—
(f) Settlement Cost/(Credit)	—	—	—	—	—	—	—	—	—	—
(g) Obligations transferred from previous employers	—	1,482	5,713	—	204	—	—	—	—	—
(h) Benefits Paid	(85,785)	(9,049)	(11,909)	(2,661)	(2,928)	(72,999)	(11,507)	(12,449)	(6,494)	(2,672)
(i) Actuarial (Gain)/Loss	(157)	(8,186)	2,138	647	513	(4,691)	23,993	(2,306)	(597)	626
(j) Present Value of Obligation (Closing)	688,714	135,232	134,994	50,737	24,841	620,333	131,753	115,784	44,413	25,120
(ii) Changes in the Fair value of Plan Assets										
(a) Present Value of Plan Assets (Opening)	617,678	106,311	—	44,413	—	552,009	100,051	—	43,846	—
(b) Expected Return on Plan Assets	51,630	8,850	—	3,744	—	46,189	8,034	—	3,520	—
(c) Actuarial Gain/(Loss)	124	(3,281)	—	647	—	1,405	3,548	—	(603)	—
(d) Employers' Contributions	39,888	10,962	—	2,297	2,928	36,820	6,185	—	2,092	2,672
(e) Employees' Contributions [including Rs. 8,895(000) — Previous year Rs. 5,641(000) transferred from previous employers in respect of Provident Fund]	62,183	—	—	2,297	—	54,254	—	—	2,052	—
(f) Benefits Paid	(85,785)	(9,049)	—	(2,661)	(2,928)	(72,999)	(11,507)	—	(6,494)	(2,672)
(g) Fair Value of Plan Assets (Closing)	685,718	113,793	—	50,737	—	617,678	106,311	—	44,413	—
(iii) Percentage of each Category of Plan Assets to total Fair Value of Plan Assets at the year end										
(a) Bank Deposits (Special Deposit Scheme, 1975)	51%	20%	—	—	—	55%	19%	—	—	—
(b) Debt Instruments	44%	25%	—	—	—	38%	26%	—	—	—
(c) Administered by Life Insurance Corporation of India	—	53%	—	100%	—	—	53%	—	100%	—
(d) Others	5%	2%	—	—	—	7%	2%	—	—	—
(iv) Reconciliation of the Present Value of Defined Benefit Obligation and the Fair Value of Assets										
(a) Present Value of Funded Obligation as at the year end	688,714	135,232	—	50,737	—	620,333	131,753	—	44,413	—
(b) Fair Value of Plan Assets as at the year end	685,718	113,793	—	50,737	—	617,678	106,311	—	44,413	—
(c) Funded (Asset)/Liability recognised in the Balance Sheet	2,996	21,439	—	—	—	2,655	25,442	—	—	—
(d) Present Value of Unfunded Obligation as at the year end	—	—	134,994	—	24,841	—	—	115,784	—	25,120
(e) Unrecognised Past Service Cost	—	—	—	—	(796)	—	—	—	—	(868)
(f) Unrecognised Actuarial (Gains)/ Losses	—	—	—	—	—	—	—	—	—	—
(g) Unfunded Net Liability recognised in the Balance Sheet	—	—	134,994	—	24,045	—	—	115,784	—	24,252
(v) Amount recognised in the Balance Sheet										
(a) Present Value of Obligation as at the year end	688,714	135,232	134,994	50,737	24,045	620,333	131,753	115,784	44,413	24,252
(b) Fair Value of Plan Assets as at the year end	685,718	113,793	—	50,737	—	617,678	106,311	—	44,413	—
(c) (Asset)/Liability recognised in the Balance Sheet	2,996	21,439	134,994	—	24,045	2,655	25,442	115,784	—	24,252
(vi) Expenses recognised in the Profit and Loss Account										
(a) Current Service Cost	102,499	9,944	15,250	4,594	205	89,122	8,224	16,023	4,105	186
(b) Past Service Cost	—	—	—	—	72	—	—	—	—	72
(c) Interest Cost	51,824	9,288	8,018	3,744	1,727	47,005	8,024	8,253	3,521	1,954
(d) Expected Return on Plan Assets	(51,630)	(8,850)	—	(3,744)	—	(46,189)	(8,034)	—	(3,520)	—
(e) Curtailment Cost/(Credit)	—	—	—	—	—	—	—	—	—	—
(f) Settlement Cost/(Credit)	—	—	—	—	—	—	—	—	—	—
(g) Net Actuarial (Gain)/Loss	(281)	(4,905)	2,138	—	513	(6,096)	20,445	(2,306)	6	626
(h) Employees' Contribution	(62,183)	—	—	(2,297)	—	(54,254)	—	—	(2,052)	—
(i) Total Expenses recognised in the Profit and Loss Account	40,229	5,477	25,406	2,297	2,517	29,588	28,659	21,970	2,060	2,838

(C) **Other Long-term Employee Benefit**

The liability for Long Service Awards as at the year end Rs. 7,230(000) [Previous year Rs. 5,134(000)].

Schedule 18

Notes to the Financial Statements

	Year ended 31st March 2010 Rs '000	Year ended 31st March 2009 Rs '000
22. **Segment Information**		
(A) Information in respect of Primary Segments		
(I) Segment Revenue (Sales to External Customers)		
Pharmaceuticals	4,372,988	4,068,536
Generics	399,130	619,282
OTC	859,669	808,454
Animal Health	609,243	498,530
	6,241,030	**5,994,802**
(II) Segment Result		
Pharmaceuticals	1,294,911	1,145,879
Generics	111,095	105,965
OTC	33,588	72,308
Animal Health	82,215	42,624
	1,521,809	1,366,776
Unallocated Corporate Income net of unallocated corporate expenditure	(43,530)	(44,214)
Operating Profit	1,478,279	1,322,562
Interest Expense	(3,179)	(7,059)
Interest/Dividend Income	322,905	413,615
Provision for Taxation	(638,113)	(692,021)
Profit after Taxation	**1,159,892**	**1,037,097**
(III) Other Information		
(a) Segment Assets		
Pharmaceuticals	1,119,704	961,687
Generics	104,738	121,797
OTC	157,219	177,504
Animal Health	259,613	221,140
	1,641,274	1,482,128
Unallocated Corporate Assets	6,025,706	5,238,183
	7,666,980	**6,720,311**
(b) Segment Liabilities		
Pharmaceuticals	675,268	642,428
Generics	86,740	77,746
OTC	100,857	106,026
Animal Health	84,143	91,939
	947,008	918,139
Unallocated Corporate Liabilities	785,366	654,767
	1,732,374	**1,572,906**
(c) Capital Expenditure		
Pharmaceuticals	15,365	10,409
Generics	154	—
OTC	304	2,284
Animal Health	3,710	4,090
	19,533	16,783
Unallocated Corporate Capital Expenditure	2,719	5,362
	22,252	**22,145**

	Year ended 31st March 2010 Rs '000	Year ended 31st March 2009 Rs '000
(d) Depreciation/Amortisation		
Pharmaceuticals	13,155	17,544
Generics	430	1,082
OTC	2,633	2,729
Animal Health	3,028	2,709
	19,246	24,064
Unallocated Corporate Depreciation/Amortisation	3,267	2,820
	22,513	**26,884**

Note: There are no non-cash expenses other than Depreciation/Amortisation.

	Year ended 31st March 2010 Rs '000	Year ended 31st March 2009 Rs '000
(B) Information in respect of Secondary Segments		
(I) Segment Revenue (Sales to External Customers)		
India	6,161,077	5,925,770
Other Countries	79,953	69,032
	6,241,030	**5,994,802**
(II) Carrying amount of Segment Assets		
India	7,666,980	6,720,311
Other Countries	—	—
	7,666,980	**6,720,311**
(III) Capital Expenditure		
India	22,252	22,145
Other Countries	—	—
	22,252	**22,145**

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.

23. 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

Hexal Pharma Private Limited
Novartis (Bangladesh) Limited, Bangladesh
Novartis (Thailand) Limited, Thailand
Novartis Animal Health GmbH, Austria
Novartis Asia Pacific Pharmaceuticals Pte. Ltd., Singapore
Novartis Consumer Health OTC, Hungary
Novartis Consumer Health, USA
Novartis Egypt S.A.E., Egypt
Novartis Farmaceutica S.A., Spain
Novartis Healthcare Philippines, Philippines
Novartis Healthcare Private Limited
Novartis International AG, Basel, Switzerland
Novartis Pharma (Pakistan) Limited, Pakistan
Novartis Pharma AG, Basel, Switzerland
Novartis Pharma Services Inc., Basel, Switzerland
Novartis Pharmaceuticals (HK) Limited, China
Novartis Pharmaceuticals Australia Pty. Ltd., Australia
Novartis Pharmaceuticals Corporation Inc., USA
Sandoz Phillipines Corporation, Phillipines
Sandoz Private Limited
Shanghai Novartis Animal Health Co. Limited, China

(b) Key Management Personnel

R. Shahani
P. Gupta
A. Matai
V. Singhal
Dr P. R. Rao
A. Sharma (From 6th January, 2010)

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

	Year ended 31st March 2010		Year ended 31st March 2009	
	Rs '000	Rs '000	Rs '000	Rs '000
(a) Holding Company				
Dividend paid		244,248		162,774
Royalty Expense		62,408		61,335
Balance as at the year end:				
Outstanding Payable		26,141		23,862
(b) Fellow Subsidiaries				
Purchases of Finished Goods				
Novartis Pharma AG	866,121		664,773	
Sandoz Private Limited	58		721	
		866,179		665,494
Purchases of Raw Materials				
Novartis Animal Health GmbH	64,081		35,961	
Sandoz Private Limited	—		56,491	
Shanghai Novartis Animal Health Co. Limited	13,038		7,253	
Others	1,427		672	
		78,546		100,377

Schedule 18

Notes to the Financial Statements

	Year ended 31st March 2010		Year ended 31st March 2009	
	Rs '000	Rs '000	Rs '000	Rs '000
Sale of Finished Goods				
Novartis (Bangladesh) Limited	28,593		23,854	
Others	1,079		42	
		29,672		23,896
Sale of Raw Materials				
Sandoz Private Limited		506		1,772
Services Shared				
Novartis Healthcare Private Limited	301,094		57,279	
Novartis Pharma AG	14,411		43,325	
Sandoz Private Limited	66,000		—	
		381,505		100,604
Rent Income				
Novartis Healthcare Private Limited	2,652		2,799	
Sandoz Private Limited	5,685		1,777	
		8,337		4,576
Services Availed				
Novartis Healthcare Private Limited	53,063		75,006	
Sandoz Private Limited	89,057		47,590	
		142,120		122,596
Rent Expense				
Sandoz Private Limited		7,644		668
Payment towards Share of Common Expenses				
Novartis Healthcare Private Limited	16,889		13,740	
Sandoz Private Limited	14,486		94,661	
		31,375		108,401
Miscellaneous Expenses (Promotional Materials, Training Courses, etc.)				
Novartis Farmaceutica S.A.	1,996		2,281	
Novartis International AG	3,484		1,081	
Novartis Pharma AG	5,145		4,356	
Sandoz Private Limited	7,670		1,512	
Novartis Healthcare Private Limited	—		3,637	
Others	4,552		2,870	
		22,847		15,737
Recovery of Expenses				
Novartis Healthcare Private Limited	13,675		11,304	
Sandoz Private Limited	16,532		43,061	
Others	7,302		9,386	
		37,509		63,751
Recovery towards share of Common Expenses				
Sandoz Private Limited	4,230		43,604	
Novartis Pharmaceuticals (HK) Limited	9,428		9,761	
Others	1,000		1,980	
		14,658		55,345

Schedule 18

Notes to the Financial Statements

	Year ended 31st March 2010		Year ended 31st March 2009	
	Rs '000	Rs '000	Rs '000	Rs '000
Inter-corporate Deposits Placed				
Hexal Pharma Private Limited	3,500		10,000	
Novartis Healthcare Private Limited	9,265,534		7,365,853	
Sandoz Private Limited	18,983,219		16,205,796	
		28,252,253		23,581,649
Interest Income on Inter-corporate Deposits Placed				
Hexal Pharma Private Limited	2,564		9,024	
Novartis Healthcare Private Limited	54,774		41,833	
Sandoz Private Limited	250,235		330,445	
		307,573		381,302
Balances as at the year end:				
Outstanding Receivables				
Novartis (Bangladesh) Limited	—		6,749	
Novartis Healthcare Private Limited	26,734		—	
Sandoz Private Limited	14,595		33,964	
Others	10,525		5,216	
		51,854		45,929
Inter-corporate Deposits Receivable				
Hexal Pharma Private Limited	—		96,700	
Novartis Healthcare Private Limited	1,200,479		513,055	
Sandoz Private Limited	3,668,658		3,321,021	
		4,869,137		3,930,776
Outstanding Payables				
Novartis Animal Health GmbH	13,258		14,976	
Novartis Healthcare Private Limited	—		65,317	
Novartis Pharma AG	85,000		54,942	
Others	5,864		7,523	
		104,122		142,758
(c) Key Management Personnel				
Remuneration				
R. Shahani	12,297		11,103	
A. Mirchandani	—		5,801	
P. Gupta	9,699		7,115	
A. Matai	21,402		14,646	
V. Singhal	16,990		15,122	
Dr. P. R. Rao	12,060		7,277	
A. Sharma	4,146		—	
K. N. Chandrasekaran	—		6,783	
		76,594		67,847
Sale of Fixed Assets				
A. Mirchandani		—		75
(d) Relative of Key Management Person				
Rent Expense		—		724

	Year ended 31st March 2010 Rs '000	2009 Rs '000
24. **Disclosures for Operating Leases**		
I. Disclosures in respect of residential/office premises (including furniture and fittings therein, as applicable) and vehicles taken on lease on or after 1st April 2001		
(a) Lease payments recognised in the Profit and Loss Account	37,917	36,825
(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 Rs. 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	18,453	13,330
(ii) Later than one year and not later than five years	31,706	23,324
(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 1st April 2001		
(a) Forming part of 'Buildings' in Schedule 4 – Fixed Assets, in respect of the aforesaid premises –		
(i) Gross carrying amount as at the year end	12,133	12,133
(ii) Accumulated Depreciation as at the year end	1,994	1,684
(iii) Depreciation recognised in the Profit and Loss Account for the period the premises are given on leave and licence basis	310	310
(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.		

25. 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:

	Year ended 31st March 2010	2009
Profit after Taxation (Rs '000)	1,159,892	1,037,097
Weighted average number of shares	31,960,797	31,960,797
Earnings per Share (Rs. per Equity Share of Rs. 5 each) – Basic and Diluted	36.29	32.45

26. Previous year figures have been regrouped where necessary.

Schedule 18

Notes to the Financial Statements

27. **Balance Sheet Abstract and Company's General Business Profile**

I. REGISTRATION DETAILS

REGISTRATION NO.	06104	STATE CODE	11
BALANCE SHEET DATE	31 03 10 (DATE MONTH YEAR)		

II. CAPITAL RAISED DURING THE YEAR (AMOUNT IN RS THOUSANDS)

PUBLIC ISSUE	RIGHTS ISSUE
NIL	NIL
BONUS ISSUE	PRIVATE PLACEMENT
NIL	NIL

III. POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS (AMOUNT IN RS THOUSANDS)

TOTAL LIABILITIES	TOTAL ASSETS*
5,937,296	5,937,296

SOURCES OF FUNDS

PAID-UP CAPITAL	RESERVES & SURPLUS
159,804	5,774,802
SECURED LOANS	UNSECURED LOANS
NIL	2,690

APPLICATION OF FUNDS

NET FIXED ASSETS	INVESTMENTS
85,505	157,505
NET CURRENT ASSETS	MISC. EXPENDITURE
5,539,327	NIL
ACCUMULATED LOSSES	
NIL	

*TOTAL ASSETS INCLUDE DEFERRED TAXATION OF RS 154,959 THOUSANDS.

IV. PERFORMANCE OF COMPANY (AMOUNT IN RS THOUSANDS)

TURNOVER			TOTAL EXPENDITURE		
7,020,614			5,222,609		
+	–	PROFIT/LOSS BEFORE TAX	+	–	PROFIT/LOSS AFTER TAX
✓		1,798,005	✓		1,159,892

(PLEASE TICK APPROPRIATE BOX + FOR PROFIT, – FOR LOSS)

EARNING PER SHARE IN RS	DIVIDEND RATE %
36.29	200

Schedule 18

Notes to the Financial Statements

V. GENERIC NAMES OF THREE PRINCIPAL PRODUCTS/SERVICES OF COMPANY (AS PER MONETARY TERMS)

ITEM CODE NO. (ITC CODE)	3004 90 66
PRODUCT DESCRIPTION	DICLOFENAC SODIUM
ITEM CODE NO. (ITC CODE)	3004 40 40
PRODUCT DESCRIPTION	METHYL ERGOMETRINE MALEATE
ITEM CODE NO. (ITC CODE)	3004 90 99
PRODUCT DESCRIPTION	XYLOMATAZOLINE

Signatures to Schedules 1 to 18

For and on behalf of the Board

C. SNOOK
Chairman

R. SHAHANI
Vice Chairman &
Managing Director

H. K. MANIAR
Company Secretary &
Head Investor Relations

J. HIREMATH
Dr R. MEHROTRA
} *Directors*

Mumbai, 7th May 2010

Cash Flow Statement for the year ended 31st March 2010

		Year ended 31st March 2010		Year ended 31st March 2009	
		Rs '000	Rs '000	Rs '000	Rs '000
A.	**Cash flow from operating activities**				
	Net Profit before Taxation		**1,798,005**		**1,729,118**
	Adjustments for –				
	Depreciation/Amortisation	22,513		26,884	
	Interest Income	(319,332)		(406,366)	
	Dividend Income	(3,573)		(7,249)	
	Loss on Sale/Disposal of Fixed Assets (Net)	776		266	
	Profit on Sale/Redemption of Current Investments (Net)	(19)		(2,040)	
	Interest Expense	3,179		7,059	
	Unrealised Exchange (Gain)/Loss (Net)	(83)		945	
			(296,539)		(380,501)
	Operating profit before working capital changes		**1,501,466**		**1,348,617**
	Adjustments for –				
	Trade and Other Receivables	(34,132)		(98,527)	
	Inventories	(12,724)		175,539	
	Trade and Other Payables	132,290		195,252	
			85,434		272,264
	Cash generated from operations		**1,586,900**		**1,620,881**
	Direct Taxes paid (including Fringe Benefits Tax and net of refund of taxes)		(612,233)		(685,641)
	Net cash from operating activities		**974,667**		**935,240**
B.	**Cash flow from investing activities**				
	Purchase of Fixed Assets (including advances for capital expenditure)	(22,252)		(22,262)	
	Sale of Fixed Assets	371		1,537	
	Purchase of Current Investments	(2,107,963)		(2,761,749)	
	Sale of Current Investments	2,184,406		2,712,681	
	Sale of Long-term Investment	—		37,253	
	Inter-corporate Deposits placed	(28,252,253)		(23,581,649)	
	Refund of Inter-corporate Deposits placed	27,313,892		23,053,173	
	Interest received	315,910		386,002	
	Dividend received	3,573		7,249	
	Net cash used in investing activities		**(564,316)**		**(167,765)**

Cash Flow Statement for the year ended 31st March 2010

	Year ended 31st March 2010		Year ended 31st March 2009	
	Rs '000	Rs '000	Rs '000	Rs '000
C. Cash flow from financing activities				
Proceeds from Long-term Borrowings	62		528	
Repayment of Long-term Borrowings	(352)		(1,944)	
Interest paid	(2,409)		(6,828)	
Dividend paid	(318,983)		(319,386)	
Tax paid on Dividend	(54,317)		(54,317)	
Net cash used in financing activities		**(375,999)**		**(381,947)**
Net increase in cash and cash equivalents		**34,352**		**385,528**
Cash and Cash Equivalents – Opening Balance		537,536		152,008
Cash and Cash Equivalents – Closing Balance [Refer Note 2 below]		571,888		537,536

Notes:

1. 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.
2. Cash and Cash Equivalents — Closing Balance include balances aggregating to Rs. 12,280(000) [Previous year Rs. 11,655(000)] with scheduled banks on current accounts in respect of unpaid dividend, which are not available for use by the company
3. Previous year figures have been regrouped where necessary.

In terms of our report of even date

For Price Waterhouse
Firm Registration No. 007568S
Chartered Accountants

HIMANSHU GORADIA
Partner
Membership No. 45668

Mumbai, 7th May 2010

For and on behalf of the Board

C. SNOOK
Chairman

R. SHAHANI
Vice Chairman & Managing Director

H. K. MANIAR
Company Secretary & Head Investor Relations

J. HIREMATH
Dr R. MEHROTRA
Directors

Mumbai, 7th May 2010

Notes

To
SHAREPRO SERVICES (INDIA) PRIVATE LIMITED
Samhita Complex, Plot No. 13AB
Off Andheri-Kurla Road
Sakinaka
Mumbai 400 072

Unit: NOVARTIS INDIA LIMITED

Dear Sirs

(A) **Payment of dividend through Electronic Clearing Service (ECS) for shareholders holding shares in physical form**

I wish to participate in the Electronic Clearing Service introduced by Reserve Bank of India. As requested, I give below details of my bank account, to which you may electronically credit payment of dividend due to me against the reference folio number mentioned below.

1. Ref. Folio No. :
2. Particulars of the Bank
   (a) Name of the Bank :
   (b) Branch Address :
   * (c) 9 digit code Number of the Bank and Branch as appearing on the MICR cheque issued by the Bank : | | | | | | | | | |
   (d) Account type (Please tick) : ☐ Savings ☐ Current ☐ Cash Credit
   (e) Ledger Folio No. (if any) of your bank account : | | | | | | | | | | | | | | |
   (f) Account No. : | | | | | | | | | | | | | | |

I hereby declare that the above particulars are correct and complete. I undertake to inform any subsequent changes in the above particulars before the relevant book closure date(s). If the payment transaction is delayed or not effected at all for any reason(s), beyond the control of the Company, I would not hold the Company responsible.

* The nine digit code number of your bank and branch is mentioned on the MICR band next to the cheque number.

PLEASE ENCLOSE PHOTOCOPY OF BLANK CANCELLED CHEQUE

(B) **Bank details of shareholders holding shares in physical form**

BANK PARTICULARS TO BE INCORPORATED ON THE DIVIDEND WARRANT

Bank Name	
Bank Address	
A/c. No. & Type	

Date ______________________

Place ______________________

____
Signature of the first holder

Notes: 1. Please send the form to the address mentioned above.
2. In case the ECS Scheme does not meet the desired response or due to any other operational reasons, it is found to be unworkable, the Company reserves the right to pay dividend by issue of Warrants.

Cut Here

NOVARTIS INDIA LIMITED

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

May 11, 2010

Dear Sir/Madam

Re: Updation of signature(s) of shareholder(s) holding shares in physical form

The Company is in the process of updating its signature records of shareholders holding shares in physical form. We therefore request you to KINDLY RETURN THIS LETTER DULY COMPLETED AND SIGNED to our Registrar and Transfer Agents, Sharepro Services (India) Private Limited, at Samhita Complex, Plot No. 13AB, Off Andheri-Kurla Road, Sakinaka, Mumbai 400 072, to enable us to update our records suitably. Please ensure that all Registered Holders of the shares (including joint-holders) sign this letter.

We look forward to your cooperation and support to enable us to serve you better.

Thanking you

Yours truly
For Novartis India Limited

H.K. Maniar
Company Secretary &
Head Investor Relations

Folio Number : ____

Name(s) of Registered Holder(s)	Signature of Registered Holder(s)
1.	
2.	
3.	

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 62nd Annual General Meeting of the Company on 30th July 2010 at 11.00 a.m. at Y. B. Chavan Auditorium, Yashwantrao Chavan Pratishthan, Gen. Jagannath Bhosale Marg, Next to Sachivalaya Gymkhana, Mumbai 400 021.

____

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.

Cut Here

Cut Here

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 62nd Annual General Meeting of the Company on 30th July 2010 at 11.00 a.m. at Y. B. Chavan Auditorium, Yashwantrao Chavan Pratishthan, Gen. Jagannath Bhosale Marg, Next to Sachivalaya Gymkhana, Mumbai 400 021, and at any adjournment thereof.

Signed the __________ day of __________ 2010

Folio No./Client ID : ____________________

No. of shares : ____________________

Name : ____________________ Signature

Affix fifteen paise revenue stamp

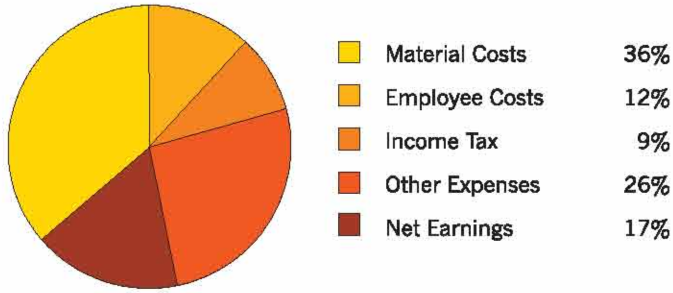
Address : ____________________

Note : The Form of Proxy should be deposited at the Registered Office of the Company not less than forty-eight hours before the meeting.

Financial Highlights

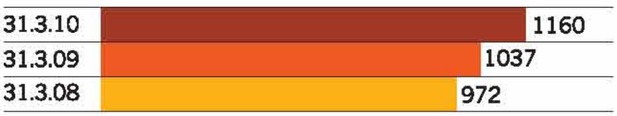
Sales (excluding excise duty) (Rs million)

Distribution of Income

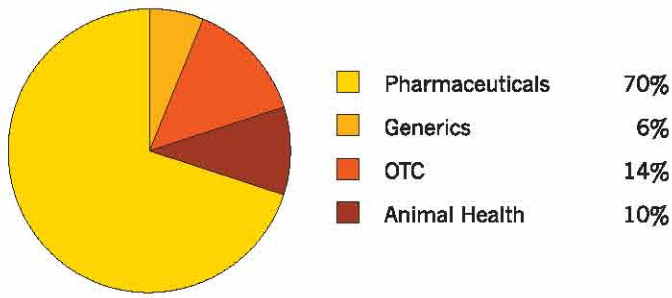


Profit Before Tax (Rs million)

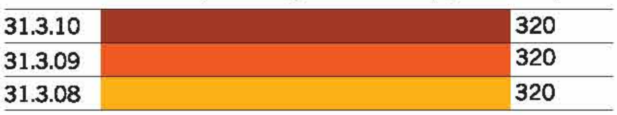
Profit After Tax (Rs million)



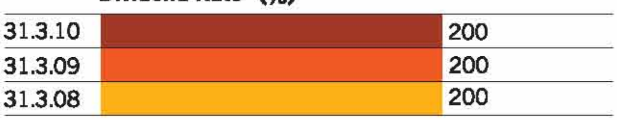
Sales by Segment



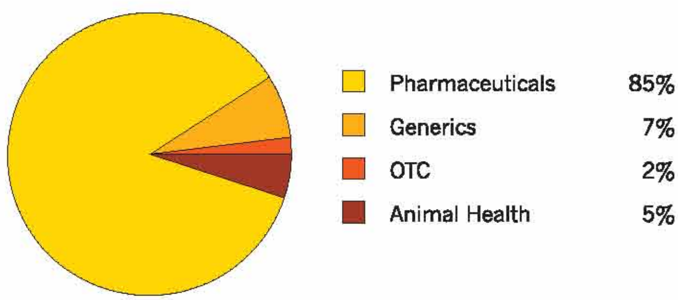
Dividend (excluding dividend tax) (Rs million)



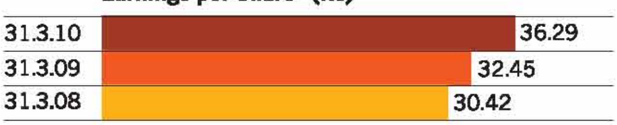
Dividend Rate* (%)



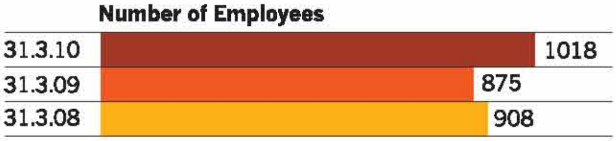
Results by Segment



Earnings per Share* (Rs)



Number of Employees



Key Ratios

	31.3.10	31.3.09	31.3.08
Return on Sales (PAT/Sales)	18.6%	17.3%	17.6%
Return on Shareholders' funds (PAT/Shareholders' funds)	21%	22%	23%
Debt/Equity ratio	0.000:1	0.001:1	0.001:1
Current ratio	4.32:1	4.04:1	4.03:1

* Nominal value of Share – Rs 5/- each.

NOVARTIS

The Source/Vakils