



Novartis India Limited Annual Report 2010-2011

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Board of Directors

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

Company Secretary and
Compliance Officer

Girish Tekchandani

Telephone Nos.
E-mail

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

Registrar and Transfer Agents

Sharepro Services (India) Private Limited
13 AB, Samhita Warehousing Complex
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Sakinaka, Andheri
Mumbai 400 072

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sharepro@shareproservices.com

Registered Office

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

Annual General Meeting

11:00 am July 26, 2011

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

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 Share Transfer Agents, Sharepro Services (India) Private Limited, at the address above.





Dear Shareholder

This year marks the 15th anniversary of the formation of Novartis by the global merger of Ciba-Geigy and Sandoz. We are fortunate to have the benefit of a rich drug discovery heritage that spans one-and-a-half centuries during which period we have made a significant contribution to the health of people around the world.

If I were to summarize two core attributes that define Novartis, these would be an unshakeable belief in investing in cutting-edge research to discover, develop, produce and market innovative healthcare solutions for unmet medical needs and a commitment to increase access to medicines while protecting its intellectual property through patents.

Novartis leads in healthcare research and its innovative therapies straddle one of the widest ranges of disease profiles not just in humans but animals as well. Through our business model we are able to offer people prevention of illness through vaccines and both the latest patented products and low-priced generics together with over-the-counter medicines that help keep us well.

Success on these fronts is possibly the strongest vindication of our firm belief that patents save lives by stimulating research which leads to innovative medicines. With effective patent laws companies such as Novartis continue to bring improvements and innovations to patients and societies. Access to medicines is a complex problem and must be addressed in a holistic way.

During the 15 years that we have been operational as Novartis, from 1996, India has changed immeasurably. From a country that was on the brink of an economic meltdown, just five years before the formation of Novartis, India has today emerged as a potential economic superpower. In its own way, Novartis has contributed to this transformation by continuing to innovate new therapies while improving access to medicines for the less privileged.

In this annual report, we present some of our key achievements in these areas. Novartis has been at the forefront in the fight against leprosy which has seen this ancient scourge being eliminated in all but two states of India. Now, along with focusing at subnational level for elimination, we are also directing our efforts towards disability prevention and medical rehabilitation to improve the quality of life, restore equal opportunities and dignity of all leprosy affected persons. The innovative approach of disability care service delivery, training and reconstructive surgery pioneered by Novartis Comprehensive Leprosy Care Association is gradually being adopted by the government and other NGOs.

Similarly, Novartis led or supported programmes have led to the successful treatment of thousands of TB patients. Our twin initiatives – Glivec International Patient Assistance Programme (GIPAP) and Novartis Oncology Access (NOA) – provide access to patients of two rare cancers, chronic myeloid leukemia (CML) and gastrointestinal stromal tumors (GIST). Another path-breaking social business initiative from the company – Arogya Parivar – has resulted in enhanced access to medicines for over 50 million people across ten states.

As we look ahead to the next decade, the pharmaceutical industry in India is on the cusp of a great opportunity to make a place for itself in the global arena. There are several challenges, no doubt, but I am hopeful that as India takes its rightful place as an economic superpower among the comity of nations, the Indian government will recognize that all stakeholders – government, multilateral agencies, civil society and the pharmaceutical industry – need to work together to address India's healthcare issues.

Protection of intellectual property and regulatory data protection that serve to spur innovation are as important as addressing issues of health infrastructure, efficiencies in health systems, underfunding of healthcare as well as the logistics of distribution of medicines for India to count herself among the top nations in the wellness quotient.

Your company looks to partner with all stakeholders in achieving the ultimate goal of wellness for all. It is our endeavour to rise to the occasion and see India take her rightful place on the global map. I am sure we can count on you for your continued engagement and support as we strive ahead.

With best wishes

Ranjit Shahani

The Wellness Quotient

In 1996, about five years after India embarked on a programme of economic liberalization its GDP was estimated to be about \$388 billion. As the effects of sustained, fast-paced growth set in, Indian GDP touched an estimated \$1.75 trillion by the end of FY11.

Health indicators and the healthcare system in the country have improved in the last few years but the arduous journey before India moves up the wellness quotient is far from over. There is reason to cheer in a few areas where the improvement has been marked. By November end 2010, there were only 41 polio cases in the country as compared to 633 cases in the corresponding period in 2009. According to the National AIDS Control Organisation (NACO), the estimated number of new annual HIV infections has declined by more than 50% over the past decade. The leprosy prevalence rate has been further reduced with only Bihar, Chhattisgarh and Dadra and Nagar Haveli yet to achieve elimination. TB mortality has also reduced

according to the WHO as also the prevalence of TB in the country.

Much remains to be accomplished in the area of healthcare and 15 years on India presents a dichotomy. At one end of the spectrum the enormous wealth creation over the last decade and half has propelled 55 Indians on the Forbes billionaires list. Analysts estimate that India has over 125,000 dollar millionaires and another 37 million households have annual incomes between Rs 180,000 to Rs one million. At the other end of the spectrum is the fact that an estimated 500 million people (about 42% of the population according to the World Bank) live on less than two dollars a day.

This disparity in wealth distribution presents unique healthcare challenges. The neo-affluent segments have shown a remarkable increase in lifestyle or metabolic diseases. A Boston Analytics report says that higher levels of work-related stress, increasing time constraints, and more sedentary





For the poor, the biggest healthcare issue will continue to be affordability and accessibility of medicine and healthcare facilities

lifestyles have increased the propensity of Indians to consume alcohol, tobacco, and fast foods/prepared foods. According to global consulting firm McKinsey & Co., the percentage of Indian population suffering from chronic diseases like coronary heart disease, diabetes, asthma, obesity and cancer are likely to show a 50-100% increase over the next decade.

For the poor, on the other hand, the biggest healthcare issue will continue to be affordability and accessibility of medicine and healthcare facilities. According to the UN, India's Maternal Mortality

Ratio – the annual number of deaths of women from pregnancy-related causes per 100,000 live births – stands at 230, among the highest in the world. The main causes of death among children are peri-natal conditions closely associated with poverty – diarrhoea, pneumonia and other lower respiratory tract conditions and malaria.

This represents a vicious cycle for the poor. Illnesses result in declining productivity which then adversely affects their chances of emerging out of poverty. To solve India's problems of poverty related access to healthcare requires a combined effort and alignment of the government, multi-lateral agencies, philanthropic organizations and the healthcare industry.

TOWARDS BETTER HEALTH

As a global leader in the healthcare industry, Novartis Group ("Novartis") has always accepted its twin responsibilities – to discover, develop, produce and market innovative healthcare solutions to diseases and at the same time continue to increase access to medicines while protecting its intellectual property through patents.



At the heart of Novartis' philosophy is the fact that healthy people are happy people and in turn contribute to the wellness of a nation

Novartis has a rich heritage of innovation nurtured over 150 years to draw upon. Novartis was formed in December 1996, through the merger of Ciba-Geigy and Sandoz - Ciba, founded around 1859 and Sandoz, established in 1886.

Over the past 15 years Novartis India Limited ("the Company") has contributed significantly to the overall health of the Indian people. The therapeutic areas addressed straddle a vast range of disease areas such as tuberculosis, heart disease, cancer, epilepsy and Alzheimer's disease. Areas of focus have been cardiovascular disease, the various cancers, particularly rare cancers, immunology to prevent rejection episodes in organ transplant, diseases of the bone such as osteoporosis, pain and inflammation, tuberculosis, gynaecology, eyecare and fungal infections. Novartis has also played a role in ensuring the health of companion animals, poultry and livestock with its ectoparasiticides for farm animals, probiotics for aquaculture, vitamins and feed supplements for cattle and poultry.

At the heart of Novartis' philosophy is the fact that healthy people are happy people and in turn contribute to the wellness of a nation. Over the last fifteen years, it is this belief that has spurred Novartis on to continue its focus on innovation in the rapidly expanding field of healthcare. In these fifteen years, Novartis has not only raised the bar in terms of the quality of healthcare that it provides, it has also gone far into the villages, successfully transforming the lives of rural Indians who, until recently, had little access to modern medicine. In fact, Novartis' contribution has gone beyond just marketing its innovative medicines to making medicines available to those who need it, particularly for diseases where there is a social impact.

In focus here are key initiatives where we believe we have made a tangible difference.

MAKING LEPROSY HISTORY

Probably no other disease invoked such a degree of social ostracism and stigma as leprosy. For

centuries, when the causes of the disease were unknown, it was thought to be as a result of witchcraft or sorcery or even an outcome of one's bad deeds and patients were cast out of societies. Decades after the causes and cure for the disease are well known the social stigma still continues due to the propensity of the disease to cause deformities.

Leprosy is caused by a bacillus, *Mycobacterium leprae*, which multiplies slowly and the disease has

It was an Indian Scientist, Shantaram Yawalkar, working for Novartis in Switzerland, who first thought of taking the MDT approach to treat leprosy

an incubation period of nearly five years or even more. Leprosy mainly affects the skin and nerves. If untreated, there may be progressive and permanent damage to the skin, nerves, limbs and eyes.

The treatment of leprosy initially consisted of prolonged – sometimes even lifelong – use of the drug Dapsone. Not only did this create issues with patient compliance, but by the late 1960s, it was found that the *M. Leprae* was developing resistance to Dapsone. The search for alternative therapies finally succeeded in 1981 when the World Health Organization (WHO) mandated that a combination of three drugs Lamprene® (clofazimine), Rimactane® (rifampicin) and Dapsone be used as a Multi-Drug Therapy (MDT) for the treatment of leprosy. Interestingly, it was an Indian Scientist – Shantaram Yawalkar – working for Novartis in Switzerland who first thought of taking this MDT approach to treat leprosy.

In the year 2000, Novartis decided to provide MDT, free of charge to all leprosy patients across the world through the aegis of WHO. Additionally Novartis also pledged to provide funds for managing the donation, transportation, insurance and independent quality control. The move had a dual significance for India. On one hand India had the largest population of leprosy patients in the world. The other was the fact that the drugs were manufactured at the India plant of Sandoz, the generics arm of Novartis.

Novartis donations have made a substantial difference in decreasing leprosy prevalence which has become less than 1 per 10,000 population all over India except for two states. Out of a total of 640 districts in the country, 540 i.e. 84.4% achieved a level of elimination and another 76 (11.9%) have a prevalence rate below 2/10,000. The ANCDR or annual new case detection rate which shows the number of new cases detected in the year has been around 130,000 cases for the past few years. However, this has come down to 126,800 cases in 2010.

The treatment completion rate, which should ideally

be 100% is somehow between 90 to 92% showing that there are a few patients who do not heed the advice regarding treatment completion and thus may not be fully cured.

Cases on record as on March 2011 are 87,190. Among the new case detection, MB (Multibacillary) cases are 48% of which only a small percentage of cases may be transmitting the disease. The percentage of females affected is 36% while the child proportion is 9.8% in the new cases. The deformity rate has gradually decreased over the last 10 years coming down to 3.1% in March 2011 from nearly 16% in 1991. Over 4.3 million people have been cured as a result of the intervention (WHO estimates) and disease prevalence has dropped by over 90%. Novartis intervention with MDT has meant that WHO could proclaim the elimination of leprosy as a public health problem. According to WHO elimination is defined as reducing the disease prevalence rate to less than 1 case per 10,000 inhabitants. The result has been a success story that has become a case study for partnership between governments, multi-lateral agencies and the healthcare industry. The free supply of high quality medicines has allowed general health services to



treat the disease instead of specialized clinics, thereby aiding millions of poor people who are particularly vulnerable. The fight against leprosy continues.

REDUCING THE BURDEN

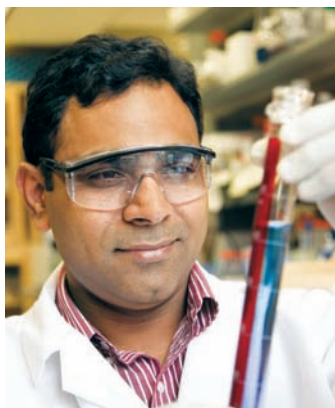
Despite success in eliminating leprosy and decreasing its prevalence, the most challenging problem of social stigma, which is mainly due to

Through the Novartis Comprehensive Leprosy Care Association, Novartis has endeavoured to correct deformities with surgical intervention

visible deformities in leprosy, remained. In order to supplement treatment with care of disabled persons (estimated by WHO as between 1-2 million) Novartis Foundation for Sustainable Development established Comprehensive Leprosy Care Project in 1989 in Mumbai, since renamed Novartis Comprehensive Leprosy Care Association (NCLCA). 'Comprehensive Care' entails making a significant and sustainable difference in the quality of life of those affected by leprosy through disability prevention, correction, including reconstructive surgery, and care as also their physical, economic and social rehabilitation.

NCLCA has been conducting Disability Prevention and Medical Rehabilitation (DPMR) camps to help thousands of leprosy affected patients across the country. These patients are provided with health education, teaching of the physiotherapy exercises, prefabricated hand and foot splints, self-care kits and grip-aids along with MCR footwear. This innovative approach of disability care service delivery, training and reconstructive surgery pioneered by NCLCA is gradually being adopted by the government and other NGOs.





In 2003, Novartis signed a partnership agreement with the WHO that sought to donate drugs aimed at helping more than half a million patients over a five-year period

THE FIGHT AGAINST TB

The fight against tuberculosis is likely to be longer and tougher given its wider spread and rising numbers of new patients. Novartis in partnership with WHO, is however at the forefront of this battle.

According to WHO, over two billion people, almost a third of the world's population, are infected by *Mycobacterium tuberculosis*, the bacteria causing tuberculosis. It is among the top ten causes of global mortality and kills over two million people each year.

What is worrying is that poor disease control programmes, the spread of HIV/AIDS – which makes patients susceptible to TB and migration have resulted in a growing global epidemic. The emergence of Multi Drug resistant (MDR) strains of the disease are adding to these worries. After four decades of declining numbers, TB related deaths are rising in Eastern Europe and Africa. The real battleground however continues to be India, which has the highest patient population in the world.

The challenges for control and cure of TB also lie in the long duration of treatment – between six to eight months – and multiple tablets that a patient needs to take. This naturally results in low patient compliance and the rise of MDR TB.

WHO's strategy to combat TB centres around Directly Observed Therapy Short Term (DOTS). This is a combination of five elements – Political commitment with increased and sustained financing, case detection through quality-assured bacteriology, standardized treatment with supervision and patient support, effective drug supply and management system and monitoring, evaluation and impact measurement. The core element is to ensure that patients take the right number of tablets every day for the full course of the treatment under the supervision of a health or community worker.

Novartis is working at two levels to combat TB. First it manufactures anti-TB Rifampicin containing Fixed

Dose Combinations (FDCs) for the initial and continuation phases of TB treatment in line with WHO guidelines. FDCs dramatically reduce the number of tablets to be taken by patients from the earlier 12-14 to 3-4 per day. Increased patient compliance is likely to have better cure rates and reduce chances of resistance. In 2003, Novartis signed a partnership agreement with the WHO that sought to donate drugs aimed at helping more than half a million patients over a five-year period. From 2004 – 2010 Novartis donated 250,000 patient treatments to the Global Alliance and this donation has been extended till 2012.

Novartis is one of the few companies investing in TB research and has opened another front in the battle against TB by conducting fundamental research to find alternative cures for TB at the Singapore-based Novartis Institute for Tropical Diseases (NITD). Using the latest techniques in genomics and bioinformatics, NITD researchers are working on new TB drugs that will be effective on strains of *M tuberculosis* including MDR TB. What is more, we are committed to make available any resultant anti-TB molecule from this research to the poor in developing countries, where the disease is endemic, at cost.

TWO RARE FORMS OF CANCER – ONE MAGIC BULLET

In December 2001 Novartis in India received marketing approval for Glivec® – Imatinib Mesylate – the world's first drug specifically designed to fight cancer causing molecules. Produced after several years of research and development, this little orange pill has proved to be particularly effective in combating two rare forms of cancer – chronic myeloid leukemia (CML) and gastrointestinal stromal tumors (GIST).

CML is a cancer of the white blood cells. It is a form of leukemia characterized by the increased and unregulated growth of predominantly myeloid cells in the bone marrow and the accumulation of these cells in the blood. It is a rare form of cancer affecting 1-2 per 100,000 people.



Arogya Parivar is based on the four pillars of awareness, adaptability, availability and affordability. These principles work in an integrated way to ensure long-term impact in rural areas

GIST belongs to a group of cancers called soft tissue sarcomas. Sarcomas are a rare type of cancer that can occur in connective tissues, bones, muscles, fat, nerves, blood vessels, and cartilage.

Given the huge time and resources expended in the research and development of Glivec, the treatment is however expensive. Recognizing that this could put this life-saving drug out of reach of a lot of patients, in 2002 Novartis launched one of its most ambitious patient support initiatives – Glivec International Patient Assistance Programme (GIPAP).

Under the aegis of this initiative, Novartis is committed to giving away Glivec free of cost to patients who cannot afford the drug and do not have insurance or any other form of reimbursement. Since the launch of this programme, Novartis has distributed Glivec valued at more than one billion dollars to patients who met the GIPAP criteria.

In India, close to 95% of the patients are covered under the terms of the GIPAP. The balance are on a co-pay programme called Novartis Oncology Access (NOA).

TAKING HEALTHCARE TO THE VILLAGES – AROGYA PARIVAR

According to WHO, 65% of India's population does not have access to affordable, modern medicines. These not-so-privileged people are deprived of their right to health with women and children being among the worst sufferers in the 600,000 + villages spread across the country. Low disease awareness, poor healthcare infrastructure, low income (50% live on less than a dollar a day), lack of an adequate distribution system exacerbates the issue.

Realising the gap between healthcare accessibility and awareness, Novartis India Limited started Arogya Parivar, a social business initiative that brings affordable medicines and health education to rural pockets.

Operational for over four years, the initiative has

demonstrated that it can be both a profitable business model and a force for improving quality of life for rural communities, who previously had limited access to healthcare.

The initiative was launched in 2006 as a pilot programme in the northern state of Uttar Pradesh and western Maharashtra. After a successful pilot phase, Arogya Parivar broadened its reach to a population of around 50 million villagers across ten states by end 2010.

This initiative is building a sustainable, profitable business that improves access to healthcare among the undeserved millions. The Company achieves this by creating awareness, enhancing local availability of drugs and designing affordable healthcare solutions. This approach represents a mix of corporate citizenship and creative entrepreneurship.

To make the programme effective, the Company incorporated learning from government agencies and also from non-governmental organisations. It also included practices of fast moving consumer goods companies and traditional detailing techniques.

Realising the gap between healthcare accessibility and awareness, Novartis started Arogya Parivar

Arogya Parivar is based on the four pillars of awareness, adaptability, availability and affordability. These principles work in an integrated way to ensure long-term impact in rural areas.

For spreading awareness, the Company conducts health education programmes at the grassroots level. To explain these concepts to villagers, the

To change the perception of medical care being expensive, medicines are provided in small packs at affordable prices

Company has recruited health educators from within their own communities. Backed by appropriate and intensive training from the Company, these health educators share information on preventive measures and educate the community on the benefits of good health. The programme works at two levels – empowering the people recruited as health educators, and ensuring that the message gains wider acceptability since it comes from a representative of their own community.

Your Company has customised its portfolio based on the local disease burden. The disease burden

changes from geography-to-geography. So, the Company maintains a different portfolio in different regions according to the local disease pattern. All communication is multi-lingual for easy understanding by the local population.

For the initiative, the Company has established strong linkages with doctors that ensure last-mile availability, and go far beyond traditional pharma practices, which focus on doctor detailing. The extended supply chain reaches out to the local pharmacy in the village.

Rural people with limited access to money often perceive medical care as expensive and inaccessible. To change this perception, medicines are provided in small packs at affordable prices.

This is all achieved by a unique model created to serve rural pockets. The Company has structured field operations into cells. Each cell covers a radius of 35-40 kilometres, serving approximately 100 villages, and around 1.5 – 2 lakh people. Every cell has a supervisor, who interacts with doctors and ensures stocks of medicines are updated. Supervisors and health educators work with local





authorities, such as the Gram Pradhan, to organise health camps for the village. This provides opportunities to the rural people to avail medical help at their doorstep.

In 2010, there were over 250 Arogya cells covering 189 districts across 10 states in India, including Uttar Pradesh, Uttaranchal, Bihar, Rajasthan, Gujarat, Maharashtra, Chhattisgarh, Andhra Pradesh, Tamil Nadu and Karnataka, offering improved healthcare access to 50 million people. The Company also has over 500 educators, and works with over 30,000 doctors and 20,000 pharmacies. This model is completely replicable and scalable.

During the pilot phase, Arogya Parivar focused on diseases where the Company could offer solutions with Pharma, Generics and OTC products. These included tuberculosis and other respiratory infections, cough, cold, allergies, skin and genital infections, mother and child malnutrition, diabetes, intestinal worms and digestive problems – important challenges in rural communities. The basket of products has been expanding since then to include products from partner firms, covering additional therapeutic areas such as anti-malarial bed nets.

The model is developed in a way that the Company can measure its commercial as well as social success. While sales are monitored through sell-out reports and invoices, social initiative is measured by the number of community level meetings conducted; footfalls for each meeting; number of health camps organised; and attendance at these camps.

The success of the initiative is also evident from the awards and accolades it has bagged. Arogya Parivar won the best rural marketing initiative for 2006-08 in India. For the initiative, Novartis has won the Highly Commended Company Award at the Responsible Business Summit in London, and also bagged the CMO Asia award for best rural brand in 2010 in Singapore.

THE HUMAN TOUCH

As the Indian economy powers ahead, India is at the threshold of becoming an economic powerhouse. Estimates on GDP numbers and time vary among analysts, but it seems almost certain that within the next one generation, India will emerge as an economic superpower and possibly the second largest economy in the world.

With great wealth however, comes great responsibility. While the economic growth will propel millions of Indians out of poverty, government and regulatory authorities will have to take a more innovative approach to aid those unfortunate millions who may not rise out of poverty and whose healthcare challenges could become more complex in a fast changing world.

The government will have to recognize that for the poor to have access to medicines action is needed on multiple fronts – political, financial and even logistical. It can only happen with trained healthcare staff, and infrastructure, cultural acceptability of treatments, accessibility of healthcare facilities, quality of care and affordability. The government will have to look beyond the issue of patents and focus on matters related to lack of diagnosis, infrastructure and distribution if it hopes to resolve the healthcare issues of India's teeming poor.

It will also have to create a regulatory environment that encourages innovation by research-based pharmaceutical companies – both Indian as well as

transnational. It is only such innovation and research that can result in newer therapies capable of treating unmet medical needs in ways that enhance the quality of life.

As the journey of the last 15 years demonstrates, Novartis is as committed to finding innovative solutions for healthcare challenges as it is to developing cutting-edge therapies and medicines. We have achieved a great deal, in terms of the medical advances through research, and the impact it has had on the community at all levels, making a difference to the daily lives of people across the country and the world. Illnesses can be debilitating, not just at a physical, but also at an emotional level, and Novartis has taken care to bring the human touch to its state-of-the-art medical expertise.

As India marches ahead confidently towards its destiny as an economic superpower, Novartis will continue to make its contribution by developing new and innovative therapies and endeavour to voluntarily put in place structures to provide the not-so-well-off patients with access to its life saving medicines.



Notice

NOTICE is hereby given that the 63rd 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 Tuesday, July 26, 2011 at 11:00 a.m. to transact the following business:

Ordinary Business

1. To receive, consider and adopt the Audited Profit and Loss Account for the year ended March 31, 2011 and the Balance Sheet as on that date together with the Reports of Directors and the Auditors thereon.
2. To declare dividend for the year ended March 31, 2011.
3. To appoint M/s Lovelock and Lewes, Chartered Accountants, as Auditors of the Company, from the conclusion of this meeting until the conclusion of the next Annual General Meeting in place of M/s Price Waterhouse, Chartered Accountants, the retiring Auditors, who have expressed their inability to continue as Statutory Auditors, and to authorise the Audit Committee of the Board of Directors to fix the remuneration of M/s Lovelock and Lewes, Chartered Accountants.
4. To appoint Mr R. Shahani as Director, who retires by rotation and being eligible, offers himself for re-appointment.

Special Business

5. Variation in the terms and conditions of appointment of the Vice Chairman and Managing Director.

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, 309 and 310 read with the provisions of Schedule XIII and other applicable provisions, if any of the Companies Act, 1956 (hereinafter referred to as “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 for the variation in the terms of appointment of Mr R. Shahani, Vice Chairman and Managing Director of the Company commencing from January 1, 2011 as follows:

Mr R. Shahani will also be eligible for grant of Employee Stock Options, Stock Grants or any other Stock Linked Incentive Plans whether existing or declared by the parent company Novartis AG as per Novartis Group policies and the cost thereof will be borne by the Company.”

By Order of the Board of Directors

Girish Tekchandani
Company Secretary and
Compliance Officer

Registered Office:

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

May 24, 2011

Notes:

1. 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.
THE INSTRUMENT APPOINTING PROXIES IN ORDER TO BE EFFECTIVE MUST BE RECEIVED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE MEETING.
2. An explanatory statement as required under Section 173(2) of the Act in respect of special business at Item No. 5 of the Notice is annexed. All the 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.
3. The Register of Members and Share Transfer Books will remain closed on all days from Wednesday, July 20, 2011 to Tuesday, July 26, 2011 both days inclusive.
4. Payment of dividend for the year ended March 31, 2011 as recommended by the Board, if approved at the Annual General Meeting, will be made payable on or after July 28, 2011 in respect of shares held in physical form to those members whose names appear in the Company's Register of Members as on July 19, 2011 and in respect of shares held in electronic form, to those who are "deemed members" whose names appear in the statement of beneficial owners furnished by National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) at the close of business hours on July 19, 2011.
5. In terms of Sections 205A and 205C of the Act, dividend, which remains unclaimed for a period of seven years from the date of transfer to the Unpaid Dividend account is required to be transferred to the "Investor Education and Protection Fund" established by the Central Government.
In compliance with Sections 205A and 205C of the Act, unclaimed Dividend for the financial year March 31, 2003 has been transferred to the "Investor Education and Protection Fund."
Members who have not encashed dividend warrant(s) for the financial year ended March 31, 2004 onwards are requested to make their claims directly to the Company or to M/s Sharepro Services (India) Private Limited, without any delay.
6. Members/Proxies are requested to bring the admission slips along with their copies of the Annual Report to the Meeting.
7. Members desirous of obtaining any information concerning the accounts and operations of the Company are requested to address their questions in writing to the Company Secretary at least seven days before the date of the meeting, so that the information required may be made available at the meeting.
8. Members holding shares in physical form are requested to notify/send the following to the Company's Registrar and Share Transfer Agents to facilitate better service:
 - i. Any change in their address/mandate/bank details
 - ii. Particulars of their bank accounts 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 the names for consolidation of such holdings into one account.
9. Members holding shares in electronic form are advised that address/bank details as furnished to the Company by the respective Depositories, viz. NSDL and CDSL will be printed on the dividend warrants. Members are requested to inform the concerned Depository Participants of any change in address, dividend mandate, etc.
10. Members holding shares in physical form and desirous of making a nomination in respect of their shareholding in the Company, as permitted under Section 109A of the Act, are requested to submit details to the Registrar and Share Transfer Agents of the Company, in the prescribed Form 2B for this purpose.

11. Company's equity shares are listed on the Bombay Stock Exchange Limited, P.J. Towers, Dalal Street, Mumbai 400 001. The Company has paid the Annual Listing Fees for the financial year 2011-12 to Bombay Stock Exchange Limited and also Annual Custody Fee payable to both Depositories.
12. Pursuant to Clause 49 of the Listing Agreement with the Stock Exchange, additional information relating to the Director recommended for re-appointment at the Annual General Meeting appears in the Directors' Report.
13. In case of joint holders attending the Meeting, only such joint holder who is higher in the order of names will be entitled to vote.

Explanatory Statement

[Pursuant to Section 173 (2) of the Act in respect of Item No. 5 of the accompanying Notice dated May 24, 2011 convening the 63rd Annual General Meeting of the Company on July 26, 2011]

Item No. 5

Mr R. Shahani was appointed as Managing Director of the Company for a period of 5 years with effect from November 1, 2010 and the terms and conditions of appointment, including remuneration were approved by the members at the 62nd Annual General Meeting of the Company held on July 30, 2010.

Mr R. Shahani retires by rotation as Director at the ensuing Annual General Meeting and has offered himself for re-appointment. His office as Managing Director does not suffer any break if he retires as a Director under Section 255 of the Act and is re-elected as a Director in the same meeting (Int. Cir. No. 3 (No.8/16(1)/61-PR), dated May 9, 1961).

It is proposed that Mr R. Shahani will also be eligible for grant of Employee Stock Options, Stock Grants or any other Stock Linked Incentive Plans whether existing or declared by the parent company Novartis AG as per Novartis Group policies and the cost thereof will be borne by the Company.

The Board of Directors of the Company has at its meeting held on May 24, 2011, subject to the approval of the shareholders at the Annual General Meeting, approved the variation in the perquisites of the Vice Chairman and Managing Director as explained above. Except the above additional benefit, the other terms and conditions of his appointment as approved by the members at the 62nd Annual General Meeting of the Company shall remain unchanged.

The draft addendum to 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 except Saturdays, Sundays and holidays, until the date of the Annual General Meeting or any adjournment thereof.

In compliance with the applicable provisions of the Act, Ordinary Resolution in the terms as set out in Item No. 5 of the accompanying Notice is now placed before the members in the Annual General Meeting for their approval.

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

By Order of the Board of Directors

Girish Tekchandani
Company Secretary and
Compliance Officer

Registered Office:

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

May 24, 2011

Directors' Report

Your Directors are pleased to present the Annual Report and the Audited Accounts for the financial year ended March 31, 2011.

Summary of the Financial Results

	Rs million	
	2010-2011	2009-2010
Net Sales	7086	6241
Operating Profits		
Profit before tax	2189	1798
Profit after tax	1467	1160
Balance brought forward from previous year	2588	1917
Available for appropriation	4055	3077
The Directors have made the following appropriations:		
Dividend (Proposed)	320	320
Tax on distributed profits	52	53
General Reserve	146	116
Carry forward	3537	2588
	4055	3077

Dividend

The Board has recommended payment of dividend at Rs 10 per equity share of Rs 5 each for the financial year 2010-11. The dividend, if approved by the members at the Annual General Meeting, will result in a cash outflow of Rs 372 million including dividend tax.

Management Discussion and Analysis

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

a. Industry structure and developments

Pharmaceuticals and Generics

The Indian Pharmaceuticals market valued at around US \$ 10.4 billion (IMS March 2011 SSA data) is the third largest market by volume and 13th largest in terms of value, growing at ~15.3 per cent per annum. It is one of the fastest growing markets in the world and is expected to become US \$ 20 billion by 2015 and US \$ 50 billion by 2020, as per a report produced by McKinsey & Company.

It continues to be predominantly a “branded generics” market with more than 5,000 players and several thousand brands. The pharmaceutical industry is increasingly looking at innovative ways to broaden access and grow the market.

While key health indicators are still poor they have improved significantly over the past 10-15 years. Rising longevity, alongside lifestyle changes resulting from rapid urbanisation has however begun to present new healthcare challenges with chronic age-related conditions being reported more widely resulting in increasing demand for products to treat these conditions. Cardiovascular disease is now responsible for one-third of all deaths

with diabetes and cancer contributing significantly to overall mortality. Demographic and epidemiological trends will have major implications for the pharmaceutical industry in the long term.

Introduction of a product patent regime a few years ago was widely acclaimed by the industry but we need an ecosystem that encourages innovation for the research oriented pharmaceutical industry to grow and make its mark on global health.

OTC

The Indian market for OTC products, valued at over US\$ 2.1 billion is the 12th largest in the world. It is the third fastest growing market (among top 20 markets) globally with a growth rate of nine per cent per annum with potential for further growth. The Cough, Cold and Allergy category was boosted by the removal of drugs dextromethorphan and chlorpheniramine from Rx Schedule H, which had restricted sale against doctor's prescription only, in August 2010.

Growth continues to be impeded by several factors including low OTC per capita spend due to low disposable income, regulatory restrictions, low spread of pharmacies in rural areas and presence of counterfeit products among others.

Animal Health

During this financial year, the Animal Health market is estimated to have grown by seven to eight per cent. Cross-breeding, artificial insemination and Government initiatives to increase milk production have continued to boost the growth of the cattle segment. Despite increased costs, the poultry segment has had another good year due to consolidation in the industry and increased demand for poultry produce.

b. Performance

Net Sales for the year ended March 31, 2011 were at Rs 7,086 million representing a growth of 13.6 per cent over the previous year.

Profit before tax for the year was at Rs 2,189 million representing a growth of 21.8 per cent over the previous year due to improved product mix and better price realizations.

After providing for income tax of Rs 722 million, profit after tax was Rs 1,467 million representing a growth of 26.5 per cent over the previous year.

c. Segment-wise operational performance

Pharmaceuticals

The Pharmaceuticals business registered sales of Rs 4,898 million representing a growth of 12.0 per cent over the previous year. Higher sales of its flagship brand Voveran continue to be the primary contributor of this growth.

New product introduced during the period under review was:

Therapeutic Area	Product
Anti Infective	Pactel™

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

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

Generics

The Generics business recorded sales of Rs 473 million representing a growth of 18.6 per cent over the previous year. The growth was primarily driven by increased sales of Regestrone and PZA-Ciba Inspira.

OTC

During the year under review, the OTC business registered sales of Rs 1,009 million representing a growth of 17.3 per cent over the previous year. The improved performance can be attributed mainly to the strong performance of the Cough, Cold, and Allergy range of products driven by Otrivin® and T-minic®.

New line extensions introduced during the period under review was:

Market Segment	Product
Nasal Decongestant	Otrinoz® Saline

Animal Health

During the year under review, the Animal Health business achieved sales of Rs 707 million representing a growth of 16.0 per cent over the comparable previous period. Flagship brands of Denagard, Larvadex, Fasinex/Endex and Protexin along with the Calcium group of products were primary contributors to this growth. Successful implementation of Sales Force Optimisation Project and Amplified Rural Penetration Programs have also played a role.

New products introduced during the year were:

Market Segment	Product
Poultry	Multi-Vitamin Premix and AD3EC Oral

d. Concerns

Pharmaceuticals and Generics

India's health infrastructure remains largely inadequate to meet the needs of a population that now numbers almost 1.2 billion. Per capita health spend continues to be abysmally low with the Indian pharmaceutical market being largely a self-pay market and health insurance as yet being the preserve of the privileged few. This serves as an impediment for consumers/patients to resort to long-term treatment of chronic conditions regardless of the value proposition.

Government appears to be oriented towards higher levels of price control. Your company is hopeful that deregulation in the form of price monitoring becomes the norm.

While introduction of product patents in 2005 offered renewed hope to the pharmaceutical industry, the areas of concern such as lack of well defined criteria for patentability and the absence of Regulatory Data Protection still need to be addressed. Your company hopes that legitimate innovation will be respected and rewarded and that government will take cognizance of the various representations made to it on the subject by industry representatives.

OTC

The OTC business is subjected to challenges in the distribution system thus limiting its reach. Promotional costs continue to be high putting undue pressure on margins.

Animal Health

Generic competition, scare of outbreak of bird flu, increasing feed cost and inflationary pressures continue to be areas of concern. Inadequate infrastructure and cold storage facilities impact prospects for exports and cause price fluctuations in the poultry segment.

e. Outlook

Pharmaceuticals and Generics

India remains a market with a huge long-term potential. With the Indian Pharmaceuticals market growth set to remain at double-digits for the next five years at least, India is an important market for the pharmaceutical industry. Increasing literacy rates and access to information will contribute to the overall growth of the industry. A progressive trend is seen from a product centric approach to patient centric initiatives.

Rising incomes combined with constrained increase in drug prices will drive consumption. Market growth will also be driven partly by the efforts of more companies to broaden their geographic coverage.

OTC

The Indian economy is on the rise and greater health awareness coupled with increasing disposable incomes will result in higher spend on OTC products. Given this backdrop, the future of the OTC market looks promising.

Animal Health

The poultry segment is expected to continue to grow at previous year's levels while the livestock industry is expected to continue to be in the growth phase. Productivity in the dairy segment is likely to see good growth given the favourable government policies for the sector. Overall demand for animal health products is projected to grow at a healthy pace.

f. Internal control systems and their adequacy

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

The internal audit department together with an independent firm of Chartered Accountants reviews the effectiveness and efficiency of these systems and procedures. Audits are finalised 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 are recommended for implementation. All these steps facilitate timely detection of any irregularities and early remedial measures with no monetary loss.

g. Personnel

The Industrial Relations scenario continued to be amicable. People are the strength of your company and high priority is accorded to training and development of employees.

Number of employees as on March 31, 2011 was 1220.

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

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 continued its support to the NGO Akanksha, which works with slum children. The scholarship to three deserving women at the Indian School of Business Hyderabad continues.

The Company successfully held its second Biotechnology Leadership Camp (BioCamp) in Hyderabad for students and nominated three participants to attend the Novartis International Biotechnology Leadership Camp in Basel, Switzerland, where two of the nominated students shone as individual and group winners respectively.

Community Partnership Week continues to draw an increasing number of associates participating in activities ranging from field visits for less privileged children to spending time with the sick, the differently-abled and the elderly.

The Company's commitment to Health, Safety and Environment (HSE) 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. Managerial and operational responsibility for all HSE aspects lies with the businesses.

Delisting of equity shares from Calcutta Stock Exchange Limited

The shareholders of the Company had approved delisting of the equity shares of the Company from Calcutta Stock Exchange Limited, Kolkata at the 62nd Annual General Meeting of the Company. After due compliance with the SEBI (Delisting of Equity Shares) Regulations, 2009, the equity shares of the Company were delisted from Calcutta Stock Exchange Limited with effect from January 11, 2011.

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, 2011 stood at Rs 1.97 million. The Company does not have any unclaimed or overdue deposits as of date.

Directors

Mr R. Shahani retires by rotation at the ensuing Annual General Meeting and being eligible offers himself for re-appointment.

Mr R. Shahani has been on the Board of the Company from November 1, 2002. He is a mechanical engineer from IIT Kanpur and MBA from JBIMS, Mumbai. He started his career with ICI in India in their businesses of fibres and specialty chemicals. Later, he rose to the position of General Manager with ICI/Zeneca in the U.K., overseeing their Asia Pacific and LatAm operations for their petrochemicals and plastics division. This was followed by a period as CEO at Roche Products Limited after which he moved to Novartis India Limited in 1997. Mr R. Shahani is also President of the Organisation of Pharmaceuticals Producers of India and the Swiss Indian Chamber of Commerce India.

Auditors

M/s Price Waterhouse, Chartered Accountants (Firm Registration No. 007568S) have expressed their inability to be re-appointed as Statutory Auditors of the Company at the ensuing Annual General Meeting.

M/s Lovelock & Lewes, Chartered Accountants (Firm Registration No. 301056E) have signified their consent to act as Statutory Auditors of the Company and hold office from the conclusion of the ensuing Annual General Meeting to the conclusion of the next Annual General Meeting.

Cost Auditors

The Directors have appointed M/s N. I. Mehta and Co., Cost Accountants, as Cost Auditors to audit the accounts relating to drug formulations for the financial year ending March 31, 2012.

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 Act, 1956, 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, 2011 and of the profit of the Company for the year ended March 31, 2011;
- (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 is committed to good corporate governance in line with the Listing Agreement and Novartis Group Corporate Governance norms. The Company is in compliance with the provisions on Corporate Governance specified in the Listing Agreement with the Bombay Stock Exchange Limited.

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

Acknowledgement

The Directors commend the contribution made by employees to the continued satisfactory business performance during the period under review and the unstinted management support received from the parent company, Novartis AG. The Board places on record its appreciation to all stakeholders particularly shareholders, customers, suppliers, the medical fraternity and business partners, who continue to contribute to the Company's success.

Cautionary Note

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

On behalf of the Board of Directors

Mumbai, May 24, 2011

C. SNOOK
Chairman

Annexure to the Directors' Report

Particulars required by the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 and forming part of the Directors' Report for the year ended March 31, 2011.

Conservation of Energy

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

FORM A

Form of Disclosure of particulars with respect to Conservation of Energy

	2010-11	2009-10
A. Power and 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:

	(Rs '000)	
	2010-11	2009-10
a. Capital	—	—
b. Revenue	1,701	1,501
c. Total	1,701	1,501
d. Total R&D expenditure as a percentage to total turnover	0.02%	0.02%

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 ongoing 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

Mumbai, May 24, 2011

C. SNOOK
Chairman

Report on Corporate Governance

1. Company's philosophy

Novartis India Limited ("the Company") is fully committed to good corporate governance in line with the Listing Agreement and Novartis Group Corporate Governance norms. The Board of Novartis India Limited reviews Company's governance practices and forwards its suggestions for improvement to the Executive Committee of the Management for implementation.

The Company is in compliance with the provisions on Corporate Governance specified in the Listing Agreement with the Bombay Stock Exchange Limited.

2. Board of Directors

The Board of Directors ("the Board") of the Company is composed of eminent individuals from diverse fields. The Board acts with autonomy and independence in exercising its strategic supervision, discharging its fiduciary responsibilities and ensuring that the management observes the highest standards of ethics, transparency and disclosure. Every member of the Board, including the Non-Executive Directors, has full access to any information related to the Company. The day-to-day business operations are managed by the Executive Committee consisting of various business and functional heads. The Executive Committee is led by the Vice Chairman and Managing Director.

The Board of the Company is composed of Executive and Non-Executive Directors. The strength of the Board is four Directors comprising one Executive and three Non-Executive Directors, including the Chairman of the Company. 50 per cent of the Board comprises of Independent Directors.

The details of the Board of Directors are given below:

Name	Category (Director)	No. of Directorships/Committee memberships/ Chairmanships (Including Novartis India Limited)			
		Directorships under Section 275 ⁽¹⁾	Other Directorships	Committee Memberships ⁽²⁾	Committee Chairmanships ⁽²⁾
Mr C. Snook	Non-Executive Chairman	1	45	2	—
Mr R. Shahani	Vice Chairman and Managing Director	1	5	1	—
Mr J. Hiremath	Independent	3	8	1	1
Dr R. Mehrotra	Independent	2	—	2	1

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

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

Except Dr R. Mehrotra, no Directors and their relatives hold shares in the Company. Dr R. Mehrotra holds 270 shares of the Company as on March 31, 2011.

3. Board meetings

During the financial year under review, four Board meetings were held on May 7, 2010; July 29, 2010; October 21, 2010 and January 31, 2011. The Company held one Board meeting in each quarter as required under the Companies Act, 1956 and the gap between two Board meetings was in compliance with the provisions contained in the Listing Agreement.

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

Name of the Director	Category	No. of meetings held during the financial year ended March 31, 2011	No. of meetings attended during the financial year ended March 31, 2011	Attendance at last AGM
Mr C. Snook	Non-Executive Chairman	4	4	Yes
Mr R. Shahani	Vice Chairman and Managing Director	4	4	Yes
Mr J. Hiremath	Independent Director and Chairman of the Audit Committee	4	4	Yes
Dr R. Mehrotra	Independent Director and Chairman of the Shareholders'/Investors' Grievance Committee	4	4	Yes

4. Audit Committee

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

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

During the period under review, the Audit Committee met four times on May 7, 2010; July 29, 2010; October 21, 2010 and January 31, 2011.

Constitution of Audit Committee and attendance details are given below:

Name of the Director	Category	No. of meetings held during the financial year ended March 31, 2011	No. of meetings attended during the financial year ended March 31, 2011
Mr J. Hiremath	Chairman of the Committee; Non-Executive and Independent Director	4	4
Dr R. Mehrotra	Member; Non-Executive and Independent Director	4	4
Mr C. Snook	Member; Non-Executive Director	4	4

5. Remuneration Committee

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

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

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

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

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

Remuneration of the Vice Chairman and Managing Director is within the limits approved by the Board and the shareholders at the 62nd Annual General Meeting of the Company.

The criteria for making payments to Independent Directors are:

1. Directors are not paid any sitting fees for attending the meetings of the Board and Committees.
2. Shareholders of the Company have approved payment of commission up to one per cent of net profits calculated in accordance with Section 198 of the Companies Act, 1956 collectively to all the Independent Directors at the 59th Annual General Meeting of the Company. The Board ensures that commission to Non-Executive Directors is

within the overall limit approved by shareholders and meets the industry norms for commensurate challenges.

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

Name of the Director	Salary and Allowances	Perquisites	Contribution to PF and Other Funds	Commission	Total
	(Rs '000)	(Rs '000)	(Rs '000)	(Rs '000)	(Rs'000)
Mr C. Snook	—	—	—	—	—
Mr R. Shahani	9735	2899	1685	Nil	14319
Dr R. Mehrotra	—	—	—	300	300
Mr J. Hiremath	—	—	—	300	300

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

6. Shareholders'/Investors' Grievances Committee

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

During the period under review, the Shareholders'/Investors' Grievances Committee met four times on May 7, 2010; July 29, 2010; October 21, 2010 and January 31, 2011.

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

Name of the Director	Category	No. of meetings held during the financial year ended March 31, 2011	No. of meetings attended during the financial year ended March 31, 2011
Dr R. Mehrotra	Chairman of the Committee; Independent Director	4	4
Mr C. Snook	Member; Non-Executive Director	4	4
Mr R. Shahani	Member; Vice Chairman and Managing Director	4	4

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

During the financial year, the Company/Company's Registrar and Share Transfer Agents received 25 complaints. There were no complaints from shareholders pending as on March 31, 2011.

7. General Body Meetings

AGM for the financial year	Location of holding AGM	Date and Time of AGM
2009-2010	Y. B. Chavan Auditorium, Gen. Jagannath Bhosale Marg, Mumbai-400 021	July 30, 2010 at 11:00 a.m.
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.

At the AGM held on July 30, 2010, shareholders approved a special resolution to maintain Register of Members/documents under Sections 159 and 160 at the new address of Company's Registrar and Share Transfer Agent.

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

8. Disclosures

- There are no materially significant transactions made by the Company with its Directors/Management or their relatives and Company's promoter and its subsidiaries that may have a potential conflict with the interest of the Company at large. The related party transactions entered into by the Company are disclosed in Note no. 23 of Schedule 18 of the Accounts.
- 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 is in full compliance with the mandatory requirements as contained in Clause 49 of the Listing Agreement. The Company has also adopted certain non-mandatory requirements of Clause 49 i.e. providing the Chairman of the Company with the resources required by him to discharge his responsibilities as Chairman of the Company while in India for attending Company's Board meetings, and adopting process to meet objectives of whistle blower policy.

9. Means of Communication

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

The Company's quarterly results are available on <http://www.novartis.in>

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

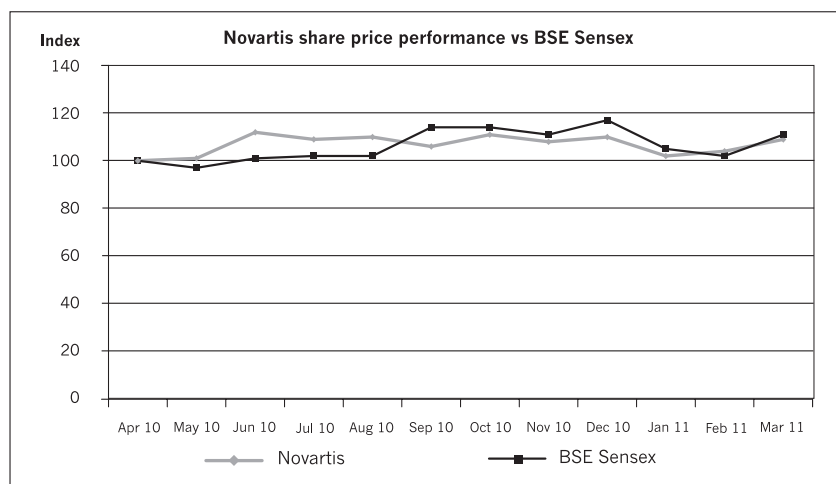
10. General shareholder information

AGM date, venue and time:	July 26, 2011, 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 2011
Second quarter results:	Last week of October 2011
Third quarter results:	Last week of January 2012
Results for the year ending March 2012:	End May 2012
Date of book closure:	July 20 till July 26, 2011 (Both days inclusive)
Dividend payment date:	On or after July 28, 2011
Listing on Stock Exchanges:	Bombay Stock Exchange Limited, Mumbai
Stock Code (BSE):	500672
Demat ISIN No. for CDSL and NSDL:	INE234A01025

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

(Rs)		
Bombay Stock Exchange Limited, Mumbai		
Month	High	Low
April 2010	633.00	546.05
May 2010	632.50	545.00
June 2010	689.00	590.00
July 2010	699.40	608.00
August 2010	680.05	608.05
September 2010	667.00	600.00
October 2010	693.00	611.30
November 2010	735.00	603.00
December 2010	674.95	620.10
January 2010	677.50	600.20
February 2010	659.00	585.05
March 2011	654.00	592.15

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



Note: The monthly closing prices of Sensex and Novartis equity shares have been indexed to 100 as on April 2010

Registrar & Share Transfer Agents: Sharepro Services (India) Private Limited
13 AB Samhita Warehousing Complex
2nd Floor, Sakinaka Telephone Exchange Lane
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Andheri, Mumbai-400 072

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E-mail: indira@shareproservices.com
sharepro@shareproservices.com

Share Transfer System Share transfers in Physical form are processed by the Share Transfer Agent, Sharepro Services (India) Private Limited and are approved by the Shareholders'/ Investors' Grievances Committee of the Company or the authorised signatories of the Company. Share transfers are registered and returned within 21 days from the date of lodgment if documents are complete in all respects. The depository system handles share transfers in dematerialised form.

Distribution of Shareholding as on March 31, 2011

Sr. No.	No. of equity shares held		Shareholder(s)		Shareholding(s)	
	From	To	Nos.	%	Nos.	%
1	Less Than	500	40,506	97.00	3,443,032	10.77
2	501	1000	710	1.70	526,114	1.65
3	1001	2000	273	0.66	394,716	1.24
4	2001	3000	99	0.24	247,387	0.77
5	3001	4000	34	0.08	120,105	0.38
6	4001	5000	22	0.05	96,733	0.30
7	5001	10000	46	0.11	307,820	0.96
8	10001 and above		67	0.16	26,824,890	83.93
Total			41,757	100.00	31,960,797	100.00

Shareholding Pattern as on March 31, 2011

Category	No. of shares held	Percentage of shareholding
A Promoters' Holding		
1 Promoters		
— Indian Promoters	—	—
— Foreign Promoters	24,424,802	76.42
2 Persons Acting In Concert	—	—
Sub-Total	24,424,802	76.42
B Non-Promoters' Holding		
3 Institutional Investors		
a. Mutual Funds and UTI	106,739	0.33
b. Banks, Financial Institutions, Insurance Companies (Central/State Govt. Institutions/ Non-Govt. Institutions)	314,614	0.99
c. FIIs	135,781	0.42
Sub-Total	557,134	1.74
4 Others		
a. Private Corporate Bodies	822,138	2.57
b. Indian Public	5,980,555	18.71
c. NRIs/OCBs	174,654	0.55
d. Directors & their relatives	270	0.00
e. Any Others	1,244	0.00
Sub-Total	6,978,861	21.83
Grand Total	31,960,797	100.00

Dematerialisation of shares and liquidity

The Company's shares are traded compulsorily in dematerialised form on the Bombay Stock Exchange. As on March 31, 2011, 45.89 per cent of the paid-up share capital of the Company was in dematerialised form. Novartis AG continues to hold 5,654,848 shares in physical form. If this holding is excluded, then 87.19 per cent of the paid-up share capital was held in dematerialised form as on March 31, 2011.

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

N.A.

Plant location

The Company does not have any manufacturing facility.

Address for correspondence

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

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

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

E-mail: girish.tekchandani@novartis.com
asha.anchan@novartis.com

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

All the Board members and senior management personnel of the Company have confirmed adherence with the Code of Conduct of Novartis India Limited for the financial year ended March 31, 2011.

For Novartis India Limited

R. Shahani
Vice Chairman and
Managing Director

Mumbai, May 24, 2011

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, 2011.

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

The compliance of conditions of Corporate Governance is the responsibility of the management of the Company. My examination was limited to procedures and implementation thereof, adopted by the Company for ensuring compliance of the conditions of Corporate Governance under Clause 49. The examination is neither an audit nor an expression of opinion on the financial statements 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, May 17, 2011

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, 2011, 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, 2011 and taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2011 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, 2011;
 - (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, 24th May, 2011

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, 2011]

1. (a) The company is maintaining proper records showing full particulars including quantitative details and situation of fixed assets.
(b) The fixed assets are physically verified by the management according to a phased programme designed to cover all the items over a period of three years which, in our opinion, is reasonable having regard to the size of the company and the nature of its assets. Pursuant to the programme, a portion of the fixed assets has been physically verified by the management during the year and no material discrepancies between the book records and the physical inventory have been noticed.
(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 not granted any loans, secured or unsecured, to companies, firms or other parties covered in the register maintained under Section 301 of the Act. Accordingly, clauses (iii)(b) to (iii)(d) of paragraph 4 of the Order are not applicable to the company for the current year.
(b) The company has not taken any loans, secured or unsecured, from companies, firms or other parties covered in the register maintained under Section 301 of the Act. Accordingly, 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 and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the company and the nature of its business for the purchase of inventory and fixed assets and for the sale of goods and services. Further, on the basis of our examination of the books and records of the company and according to the information and explanations given to us, we have neither come across nor have we been informed of any continuing failure to correct major weaknesses in the aforesaid internal control system.
5. (a) 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, in respect of 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, 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 wealth-tax, service tax and cess which have not been deposited on account of any dispute. The particulars of dues of income-tax, sales tax, customs duty and excise duty as at 31st March, 2011 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 Income-tax Act, 1961	Income-tax	23,128	Assessment Years 2006–2007 and 2007–2008	Appellate Authority – up to Commissioner's level
The Central Sales Tax Act, 1956 and Local Sales Tax Acts	Sales tax including interest and penalty, as applicable	223,986	2000–2001 to 2008–2009 and 2010–2011	Appellate Authority – up to Commissioner's level
		9,893	1993–1994, 2000–2001 to 2002–2003 and 2004–2005	Tribunal
		245	1997–1998	The High Court of Kerala
The Customs Act, 1962	Customs Duty	393	2002–2003	Appellate Authority – up to Commissioner's level
The Central Excise Act, 1944	Excise duty including penalty, as applicable	551	1990 and June 1993 to October 1993	Appellate Authority – up to Commissioner's level
		4,479	January 1987 to February 1993 and August 1993 to December 1996	Customs, Excise & Service Tax Appellate Tribunal

* Net of amounts paid including under protest.

10. The company has no accumulated losses as at 31st March, 2011 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.
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. 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 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, 24th May 2011

Balance Sheet as at 31st March 2011

	Schedule	As at 31 st March 2011		As at 31 st March 2010	
		Rs '000	Rs '000	Rs '000	Rs '000
Sources of Funds					
Shareholders' Funds					
Capital	1	159,804		159,804	
Reserves and Surplus	2	<u>6,870,072</u>		<u>5,774,802</u>	
			7,029,876		5,934,606
Loan Funds					
Unsecured Loans	3		1,971		2,690
	Total		<u>7,031,847</u>		<u>5,937,296</u>
Application of Funds					
Fixed Assets					
Gross Block	4	241,529		233,475	
Less: Depreciation/Amortisation		<u>161,963</u>		<u>155,522</u>	
Net Block		79,566		77,953	
Capital Work-in-Progress (including advances for capital expenditure)		<u>7,319</u>		<u>7,552</u>	
			86,885		85,505
Investments	5		412		157,505
Deferred Taxation					
Deferred Tax Assets	6	157,645		154,959	
Less: Deferred Tax Liability		<u>—</u>		<u>—</u>	
			157,645		154,959
Current Assets, Loans and Advances					
Inventories	7	536,116		513,750	
Sundry Debtors	8	603,824		463,228	
Cash and Bank Balances	9	884,656		571,888	
Loans and Advances	10	<u>6,571,232</u>		<u>5,658,590</u>	
		8,595,828		7,207,456	
Less: Current Liabilities and Provisions					
Liabilities	11	1,144,632		996,914	
Provisions	12	<u>664,291</u>		<u>671,215</u>	
		1,808,923		1,668,129	
Net Current Assets			6,786,905		5,539,327
	Total		<u>7,031,847</u>		<u>5,937,296</u>
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, 24th May 2011

For and on behalf of the Board

C. SNOOK
Chairman

GIRESH TEKCHANDANI
Company Secretary &
Compliance Officer

Mumbai, 24th May 2011

R. SHAHANI
Vice Chairman &
Managing Director

J. HIREMATH
Dr R. MEHROTRA

} Directors

Profit and Loss Account for the year ended 31st March 2011

	Schedule	Year ended 31 st March 2011		Year ended 31 st March 2010	
		Rs '000	Rs '000	Rs '000	Rs '000
Income					
Gross Sales		7,100,668		6,252,303	
Less: Excise Duty on Sales		14,242		11,273	
Net Sales		7,086,426		6,241,030	
Other Income	13	1,005,879		779,584	
			8,092,305		7,020,614
Expenditure					
Materials Cost	14	2,733,088		2,506,749	
Personnel Cost	15	1,063,764		847,859	
Other Expenses	16	2,081,584		1,848,265	
Interest	17	2,802		3,179	
Depreciation/Amortisation		23,823		22,513	
		5,905,061		5,228,565	
Less: Cost of services shared		1,873		5,956	
			5,903,188		5,222,609
Profit before Taxation					
Provision for Taxation			2,189,117		1,798,005
For the year					
Current Tax		735,000		630,000	
Deferred Tax		(2,686)		(16,073)	
		732,314		613,927	
For earlier years – Current Tax (Net)		(9,923)		24,186	
			722,391		638,113
Profit after Taxation					
			1,466,726		1,159,892
Balance brought forward from previous year			2,588,503		1,917,291
			4,055,229		3,077,183
Appropriations					
Transfer to General Reserve			146,673		115,989
Proposed Dividend			319,608		319,608
Tax on Proposed Dividend			51,848		53,083
Balance carried to Balance Sheet			3,537,100		2,588,503
			4,055,229		3,077,183
Earnings per Share – Basic and Diluted [Rs. per Equity Share of Rs. 5 each] [Refer Note 25 of Schedule 18]			45.89		36.29

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 Price Waterhouse
Firm Registration No. 007568S
Chartered Accountants

HIMANSHU GORADIA
Partner
Membership No. 45668

Mumbai, 24th May 2011

For and on behalf of the Board

C. SNOOK
Chairman

GIRESH TEKCHANDANI
Company Secretary &
Compliance Officer

Mumbai, 24th May 2011

R. SHAHANI
Vice Chairman &
Managing Director

J. HIREMATH

Dr R. MEHROTRA

} Directors

Schedules forming part of the Balance Sheet as at 31st March 2011

	As at 31 st March 2011		As at 31 st March 2010	
	Rs '000	Rs '000	Rs '000	Rs '000
Schedule 1				
Capital				
Authorised				
64,000,000 Equity Shares of Rs. 5 each		<u>320,000</u>		<u>320,000</u>
Issued and Subscribed				
31,960,797 Equity Shares of Rs. 5 each fully paid-up		<u>159,804</u>		<u>159,804</u>
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 shares are held by Novartis AG, Basel, Switzerland, the holding company.				
 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	2,956,025		2,840,036	
Add: Transfer from Profit and Loss Account	<u>146,673</u>		<u>115,989</u>	
		3,102,698		2,956,025
Profit and Loss Account		3,537,100		2,588,503
		<u>6,870,072</u>		<u>5,774,802</u>
 Schedule 3				
Unsecured Loans				
Fixed Deposits [Amount repayable within one year Rs. 1,968(000) – Previous year Rs. 863(000)]		<u>1,971</u>		<u>2,690</u>

Schedules forming part of the Balance Sheet as at 31st March 2011

Schedule 4

Fixed Assets

(Rs '000)

Description	Gross Block (at cost)				Depreciation/Amortisation				Net Block	
	As at 1.4.2010	Additions	Deductions	As at 31.3.2011	As at 1.4.2010	For the year	On Deductions	As at 31.3.2011	As at 31.3.2011	As at 31.3.2010
Intangible Asset@ Trade Marks	12,395	–	10,211	2,184	10,903	371	10,211	1,063	1,121	1,492
Tangible Asset										
Buildings	34,690	–	–	34,690	10,473	1,788	–	12,261	22,429	24,217
Plant and Machinery	137,804	19,339	6,219	150,924	108,421	14,590	5,614	117,397	33,527	29,383
Furniture and Fittings	33,351	7,368	1,444	39,275	19,264	4,286	689	22,861	16,414	14,087
Vehicles	15,235	178	957	14,456	6,461	2,788	868	8,381	6,075	8,774
	233,475	26,885	18,831	241,529	155,522	23,823	17,382	161,963	79,566	77,953
Previous year	227,999	15,372	9,896	233,475	141,758	22,513	8,749	155,522		
Capital Work- in-Progress (including advances for capital expenditure)									7,319	7,552
									86,885	85,505

@ Other than internally generated.

As at 31 st March 2011		As at 31 st March 2010	
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 Fund

Nil (Previous year – 15,343,072) Units
of Rs. 10 each of HSBC Cash Fund –
Institutional Plus – Weekly Dividend

— 157,093

Long-term – Non Trade

In fully paid-up Equity Shares

12 Shares of Rs. 10 each of Atul Limited
– Quoted (#Rs. 336)

#

100,000 Shares of Rs. 2 each (Previous
year – 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

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Schedules forming part of the Balance Sheet as at 31st March 2011

	As at 31 st March 2011		As at 31 st March 2010	
	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 4¹/₈% 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	
		<u>31</u>		<u>31</u>
		412		157,505
Aggregate amount of Quoted Investments		250		250
Aggregate amount of Unquoted Investments		162		157,255
		<u>412</u>		<u>157,505</u>
Aggregate Market Value of Quoted Investments		71,064		55,224
		<u>Units</u>		<u>Units</u>
Investments purchased and sold during the year				
– Units of Rs. 10 each of HSBC Cash Fund				
– Institutional Plus – Weekly Dividend		130,318,368		190,563,114
Schedule 6				
Deferred Taxation				
Deferred Tax Assets				
Depreciation/Amortisation	24,225		26,836	
Provision for Doubtful Debts and Advances	24,210		23,416	
Compensation under Voluntary Retirement Schemes	5,949		6,362	
Provision for Employee Benefits	56,282		56,226	
Provision for Non-sellable Sales Returns	28,173		32,130	
Others	18,806		9,989	
		<u>157,645</u>		<u>154,959</u>
Less: Deferred Tax Liability		<u>—</u>		<u>—</u>
		157,645		154,959

Schedules forming part of the Balance Sheet as at 31st March 2011

	As at 31 st March 2011		As at 31 st March 2010	
	Rs '000	Rs '000	Rs '000	Rs '000
Schedule 7				
Inventories				
(At lower of cost and net realisable value)				
Raw Materials		22,783		32,302
Packing Materials		7,960		4,455
Finished Goods		505,373		476,993
		<u>536,116</u>		<u>513,750</u>

Schedule 8

Sundry Debtors

Debts outstanding for a period exceeding six months

Considered Good				
Secured		297		157
Unsecured		35,042		32,537
		<u>35,339</u>		<u>32,694</u>
Considered Doubtful		58,129		51,781
			93,468	84,475
Other Debts				
Considered Good				
Secured		1,255		1,356
Unsecured		567,230		429,178
		<u>568,485</u>		<u>430,534</u>
Considered Doubtful		—		3,402
			568,485	433,936
		<u>661,953</u>		<u>518,411</u>
Less: Provision for Doubtful Debts		58,129		55,183
		<u>603,824</u>		<u>463,228</u>

Schedule 9

Cash and Bank Balances

Cash on Hand		2,166		9,600
Cheques on Hand		21,214		70,514
Balances with Scheduled Banks				
on Current Accounts		38,161		19,759
on Deposit Accounts		823,115		472,015
			861,276	491,774
		<u>884,656</u>		<u>571,888</u>

Schedules forming part of the Balance Sheet as at 31st March 2011

	As at 31 st March 2011		As at 31 st March 2010	
	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	663,392		581,243	
Considered Doubtful	16,491		15,310	
	679,883		596,553	
Less: Provision for Doubtful Advances	16,491		15,310	
		663,392		581,243
Inter-corporate Deposits*	5,703,500		4,869,137	
Balances with Customs, Excise and Port Trust	2,340		1,529	
Current Taxation (Net of Provision) [Refer Note 7 of Schedule 18]	202,000		206,681	
	6,571,232		5,658,590	
*Guaranteed by Novartis AG, Basel, Switzerland, the holding company.				
Schedule 11				
Liabilities				
Sundry Creditors				
Micro and Small Enterprises [Refer Note 6 of Schedule 18]	1,333		202	
Others	928,239		650,474	
		929,572		650,676
Voluntary Retirement Costs [Refer Note 5(b) of Schedule 18]		9,872		12,238
Unpaid Dividend@		12,959		12,280
Book Overdraft		35,247		140,040
Other Liabilities		156,547		181,368
Interest accrued but not due on loans		435		312
		1,144,632		996,914
@There is no amount due and outstanding to be credited to Investor Education and Protection Fund.				
Schedule 12				
Provisions				
Provision for Fringe Benefits Tax [Net of Payments of Rs. 155,900(000) – Previous year – Rs. 155,900(000)]		32,533		32,533
Proposed Dividend		319,608		319,608
Tax on Proposed Dividend		51,848		53,083
Provision for Employee Benefits		173,469		169,265
Provision for Non-sellable Sales Returns [Refer Note 4 of Schedule 18]		86,833		96,726
		664,291		671,215

**Schedules forming part of the Profit and Loss Account for the year ended
31st March 2011**

	Year ended 31 st March 2011		Year ended 31 st March 2010	
	Rs '000	Rs '000	Rs '000	Rs '000
Schedule 13				
Other Income				
Service Income		342,986		302,301
Interest on Inter-corporate Deposits, Income-tax Refunds, Overdue Debts, Bank Deposits, etc. (Gross) [Tax Deducted at Source Rs. 50,747(000) – Previous year Rs. 50,934(000)]		522,517		319,332
Dividend on Current Investments – Non Trade (Tax free)		5,252		3,573
Profit on Sale/Redemption of Current Investments (Net)		—		19
Rent (Gross) [Tax Deducted at Source Rs. 10,477(000) – Previous year Rs. 18,765(000)]		104,167		115,340
Royalty (Gross) [Tax Deducted at Source – Nil – Previous year Rs. 917(000)]		—		3,435
Exchange Gain (Net)		3,160		6,717
Insurance Claims		21,297		9,733
Sales tax Set off for earlier years		—		1,560
Liabilities no longer required written back		3,129		9,301
Miscellaneous Income		3,371		8,273
		<u>1,005,879</u>		<u>779,584</u>

Schedule 14

Materials Cost

Raw Materials Consumed				
Opening Stock		32,302		21,991
Add: Purchases		193,657		182,879
		<u>225,959</u>		<u>204,870</u>
Less: Closing Stock		<u>22,783</u>		<u>32,302</u>
		203,176		172,568
Packing Materials Consumed		33,399		27,770
Purchases of Finished Goods		2,524,893		2,311,012
(Increase)/Decrease in Stocks				
Opening Stock				
Work-in-Progress		—		7
Finished Goods		476,993		472,385
		<u>476,993</u>		<u>472,392</u>
Closing Stock				
Finished Goods		<u>505,373</u>		<u>476,993</u>
		(28,380)		(4,601)
		<u>2,733,088</u>		<u>2,506,749</u>

**Schedules forming part of the Profit and Loss Account for the year ended
31st March 2011**

	Year ended 31 st March 2011		Year ended 31 st March 2010	
	Rs '000	Rs '000	Rs '000	Rs '000
Schedule 15				
Personnel Cost				
Salaries, Wages and Bonus [Refer Note 5(a) of Schedule 18]		883,829		736,109
Contribution to Provident and Other Funds		87,011		73,868
Contribution to Gratuity Fund		66,747		5,477
Pensions, etc.		613		1,016
Staff Welfare Expenses		25,564		31,389
		<u>1,063,764</u>		<u>847,859</u>
Schedule 16				
Other Expenses				
Power and Fuel		23,878		24,082
Water Charges		1,101		1,365
Rent		129,128		124,101
Repairs and Maintenance				
Buildings	2,088		3,513	
Plant and Machinery	1,109		4,205	
Others	8,773		4,949	
		11,970		12,667
Insurance		14,504		8,316
Rates and Taxes				
Excise Duty	2,362		1,763	
Others	35,765		22,572	
		38,127		24,335
Processing Charges		21,383		17,574
Legal and Professional Charges		114,454		117,353
Travelling and Conveyance		178,732		161,728
Other Outside Services		438,181		362,036
Auditors' Remuneration		6,933		6,328
Freight and Forwarding		162,184		153,836
Commission on Sales		22,436		21,699
Advertisement and Sales Promotion		524,513		477,680
Cash Discount		18,764		12,336
Royalty		89,201		78,186
Bad Debts and Advances written off	1,984		6,282	
Less: Provision	1,984		6,282	
		—		—
Provision for Doubtful Debts and Advances (Net)		6,111		20,212
Loss on Sale/Redemption of Current Investments (Net)		50		—
Loss on Sale/Disposal of Fixed Assets (Net)		731		776
Miscellaneous Expenses		279,203		223,655
		<u>2,081,584</u>		<u>1,848,265</u>
Schedule 17				
Interest				
Fixed Deposits		229		271
Income – tax		432		545
Others		2,141		2,363
		<u>2,802</u>		<u>3,179</u>

Schedule forming part of the Financial Statements for the year ended 31st March 2011

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:

<u>Description</u>	<u>Estimated Useful Life</u>
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.

Schedule 18

Notes to the Financial Statements

- (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) Rs.7,885(000) [Previous year – Nil].

	As at 31 st March 2011	As at 31 st March 2010
	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	301,612	305,766
(ii) Matters decided against the company in respect of which the company has preferred an appeal	147,103	128,649
Sales tax matters	227,408	180,762
Service tax matter	3,291	3,291
Excise matters	5,110	5,110
Claims from a third party manufacturer in respect of Excise matter	32,943	31,162
Claims from Consumers	1,758	1,758
Others	701,927	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 31 st March 2011	Year ended 31 st March 2010
	Rs '000	Rs '000
4. Provision for Non-sellable Sales Returns		
As at 1 st April	96,726	89,791
Provision made during the year	76,797	94,442
Amounts used during the year	86,690	87,507
As at 31 st March	86,833	96,726

Schedule 18

Notes to the Financial Statements

5. (a) Salaries, Wages and Bonus include Rs. 5,200(000) [Previous year Rs. 2,800(000)] paid to employees under the Voluntary Retirement Schemes.
- (b) Voluntary Retirement Costs represent the actuarial value as at 31st March, 2011 of compensation payable under the Voluntary Retirement Schemes. Amount payable within one year approximately Rs. 2,468(000) [Previous year Rs. 3,124(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.

	As at 31st March 2011	As at 31st March 2010
	Rs '000	Rs '000
(a) The principal amount and the interest due thereon remaining unpaid to suppliers		
(i) Principal	1,189	109
(ii) Interest due thereon	144	93
	<u>1,333</u>	<u>202</u>

	Year ended 31st March 2011	Year ended 31st March 2010
	Rs '000	Rs '000
(b) (i) The delayed payments of principal amount paid beyond the appointed date during the entire accounting year.	5,062	3,846
(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	51	26
(ii) Total Interest accrued during the year and remaining unpaid	51	26
(e) Included in (d) above is – Nil [Previous year – Nil] being interest on amounts outstanding as at the beginning of the accounting year.		

	As at 31st March 2011	As at 31st March 2010
	Rs '000	Rs '000
7. Current Taxation (Net of Provision) represents –		
Current Taxation (Net of Provision)	299,772	268,236
Less: Provision for Taxation (Net of Payments)	97,772	61,555
	<u>202,000</u>	<u>206,681</u>

Schedule 18

Notes to the Financial Statements

	Unit	Year ended 31 st March 2011		Year ended 31 st March 2010	
		Quantity	Rs '000	Quantity	Rs '000
8. Consumption of Raw Materials					
Calcium Gluconate	Tonnes	254.30	37,568	232.25	29,229
Tiamutin 80% Granules	Tonnes	21.81	91,408	18.54	77,040
Norethindrone Acetate USP/N	Kilo Grams	333.03	27,169	284.21	25,989
Others		—	47,031	—	40,310
			203,176		172,568
		%	Rs '000	%	Rs '000
Imported		51.43	104,495	52.02	89,773
Indigenous		48.57	98,681	47.98	82,795
		100.00	203,176	100.00	172,568

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 paragraph 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.

	Unit	Year ended 31 st March 2011		Year ended 31 st March 2010	
		Installed Capacity	Quantity	Production@	Quantity
9. Capacities and Production#					
Generics					
Formulations – Tablets	Million Nos.	—	—	65.89	56.37
Animal Health					
Drug Formulations	Kilo Litres	—	—	1,158.22	1,061.31
	Tonnes	—	—	38.47	30.03
Feed Supplements	Tonnes	—	—	234.90	227.40

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.

	Unit	Year ended 31 st March 2011		Year ended 31 st March 2010	
		Quantity	Rs '000	Quantity	Rs '000
10. Sales*					
Pharmaceuticals					
Formulations					
Tablets	Million Nos.	901.02	2,542,337	890.37	2,319,263
Capsules	Million Nos.	7.72	402,214	6.97	332,405
Liquid – Orals	Kilo Litres	527.64	224,628	532.52	219,293
Injectables	Kilo Litres	231.36	1,033,913	217.25	898,459
	Kilograms	145.04	313,031	151.32	255,135
Creams and Ointments	Tonnes	134.82	195,693	123.48	183,176
Patches	Million Nos.	0.40	24,514	0.37	21,445
Vials	Thousands	2,154.42	161,552	1,935.84	143,812
			4,897,882		4,372,988

Schedule 18

Notes to the Financial Statements

	Unit	Year ended 31 st March 2011		Year ended 31 st March 2010	
		Quantity	Rs '000	Quantity	Rs '000
Generics					
Formulations					
Tablets	Million Nos.	193.21	470,014	195.50	396,402
Liquid – Orals	Kilo Litres	7.97	3,399	7.22	2,728
			473,413		399,130
OTC					
Powders – VMS	Tonnes	18.58	14,955	18.27	15,244
Tablets	Million Nos.	219.27	313,462	217.08	310,953
Capsules	Million Nos.	4.62	6,211	5.80	7,972
Liquid – Orals	Kilo Litres	536.11	673,949	446.44	525,500
			1,008,577		859,669
Animal Health					
Drug Formulations	Tonnes	43.43	124,103	31.18	86,997
	Kilo Litres	1,396.34	249,741	1,300.45	222,435
	Million Nos.	1.31	14,022	0.87	10,563
Feed Supplements	Tonnes	1,400.50	265,661	1,451.11	248,578
	Kilo Litres	703.49	50,230	563.34	38,430
	Million Nos.	0.48	2,797	0.32	2,240
			706,554		609,243
			7,086,426		6,241,030

* Sales quantities include free issues.

11. Purchases of Finished Goods	Unit	Year ended 31 st March 2011		Year ended 31 st March 2010	
		Quantity	Rs '000	Quantity	Rs '000
Pharmaceuticals					
Formulations					
Tablets	Million Nos.	868.89	873,391	869.71	812,987
Capsules	Million Nos.	8.21	332,392	9.14	280,567
Liquid – Orals	Kilo Litres	497.14	122,762	561.44	145,566
Injectables	Kilo Litres	270.52	295,172	203.67	215,582
	Kilograms	218.78	246,894	153.08	191,789
Creams and Ointments	Tonnes	137.83	50,913	117.55	39,455
Patches	Million Nos.	0.40	17,052	0.46	18,895
Vials	Thousands	2,527.16	70,647	2,406.57	67,791
			2,009,223		1,772,632
Generics					
Formulations					
Tablets	Million Nos.	135.85	107,085	131.72	101,071
Liquid – Orals	Kilo Litres	7.41	1,078	9.63	1,402
			108,163		102,473
OTC					
Powders – VMS	Tonnes	17.65	7,468	24.25	7,564
Tablets	Million Nos.	202.01	56,995	215.95	60,842
Capsules	Million Nos.	4.17	1,213	7.12	2,239
Liquid – Orals	Kilo Litres	512.93	191,506	474.25	198,785
			257,182		269,430

Schedule 18

Notes to the Financial Statements

	Unit	Year ended 31 st March 2011		Year ended 31 st March 2010	
		Quantity	Rs '000	Quantity	Rs '000
Animal Health					
Drug Formulations	Tonnes	4.01	12,191	2.33	9,338
	Kilo Litres	231.56	43,560	215.81	37,054
	Million Nos.	1.72	6,254	0.94	4,177
Feed Supplements	Tonnes	1,054.26	85,015	1,393.91	108,733
	Kilo Litres	690.86	31,793	519.73	23,662
	Million Nos.	0.33	477	0.88	1,425
			179,290		184,389
			2,553,858		2,328,924
Less: Sales tax set off			28,965		17,912
			2,524,893		2,311,012

12. Opening 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	13,584	3.98	6,661
	Kilo Litres	155.63	17,171	205.03	21,992
	Million Nos.	0.25	1,065	0.22	1,151
Feed Supplements	Tonnes	292.65	28,709	112.00	12,282
	Kilo Litres	133.78	7,546	182.03	7,422
	Million Nos.	0.52	828	—	—
			68,903		49,508
			476,993		472,385

Schedule 18

Notes to the Financial Statements

	Unit	Year ended 31 st March 2011		Year ended 31 st March 2010	
		Quantity	Rs '000	Quantity	Rs '000
13. Closing Stock*					
Pharmaceuticals					
Formulations					
Tablets	Million Nos.	132.33	157,887	188.92	169,826
Capsules	Million Nos.	2.54	67,238	2.92	44,089
Liquid – Orals	Kilo Litres	86.85	21,956	134.36	35,651
Injectables	Kilo Litres	61.91	69,664	24.97	33,948
	Kilograms	55.35	38,978	25.89	29,536
Creams and Ointments	Tonnes	22.20	9,548	20.62	7,062
Patches	Million Nos.	0.11	5,490	0.12	5,261
Vials	Thousands	890.36	16,027	682.40	12,544
			386,788		337,917
Generics					
Formulations					
Tablets	Million Nos.	41.42	27,144	35.12	24,015
Liquid – Orals	Kilo Litres	1.10	160	2.11	307
			27,304		24,322
OTC					
Powders – VMS	Tonnes	5.53	1,613	8.32	2,839
Tablets	Million Nos.	22.95	6,603	49.72	14,142
Capsules	Million Nos.	0.66	197	1.58	491
Liquid – Orals	Kilo Litres	53.74	17,344	97.01	28,379
			25,757		45,851
Animal Health					
Drug Formulations	Tonnes	4.13	13,814	5.14	13,584
	Kilo Litres	125.86	19,511	155.63	17,171
	Million Nos.	0.62	2,940	0.25	1,065
Feed Supplements	Tonnes	174.36	21,114	292.65	28,709
	Kilo Litres	116.18	7,748	133.78	7,546
	Million Nos.	0.20	397	0.52	828
			65,524		68,903
			505,373		476,993

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

	Year ended 31 st March 2011		Year ended 31 st March 2010	
	Rs '000	Rs '000	Rs '000	Rs '000
14. Managerial Remuneration				
Salary and Allowances		9,735		9,189
Contribution to Provident and Other Funds		1,685		1,559
Perquisites		2,899		1,549
Commission		600		600
		14,919		12,897

Schedule 18

Notes to the Financial Statements

	Year ended 31 st March 2011		Year ended 31 st March 2010	
	Rs '000	Rs '000	Rs '000	Rs '000
Computation of Net Profit for commission payable to Directors				
Profit before Taxation as per Profit and Loss Account		2,189,117		1,798,005
Add: Depreciation/Amortisation as per Profit and Loss Account	23,823		22,513	
Managerial Remuneration	14,919		12,897	
Provision for Doubtful Debts and Advances (Net)	4,127		13,930	
Loss on Sale/Redemption of Current Investments (Net)	50		—	
		42,919		49,340
Less: Depreciation under Section 350 of the Act	23,823		22,513	
Profit on Sale/Redemption of Current Investments (Net)	—		19	
Capital Profit on Sale of Fixed Assets	—		16	
		23,823		22,548
Net Profit under Section 349 of the Act		2,208,213		1,824,797
Commission payable to non-whole time Directors @1% of the Net Profit under Section 349 of the Act		22,082		18,248
Restricted by the Board of Directors to		600		600
15. Auditors' Remuneration (including service tax, where applicable)				
Audit Fees		3,750		3,530
Other Services		2,956		2,713
Reimbursement of Expenses		227		85
		6,933		6,328
16. CIF Value of Imports				
Raw Materials		87,667		77,119
Goods for Resale		1,002,155		923,871
17. Expenditure in Foreign Currency				
Professional and Consultancy Fees		4,015		2,694
Travelling		12,119		12,458
Royalty (Net of taxes)		59,082		51,254
Information Technology Charges		84,298		—
Others		43,892		24,722
18. Remittance of Dividend to Non-resident Shareholders				
Number of Shareholders		1		1
Number of Equity Shares held		24,424,802		24,424,802
Amount remitted		244,248		244,248
Year to which the dividend related		31 st March, 2010		31 st March, 2009

Schedule 18

Notes to the Financial Statements

	Year ended 31 st March 2011	Year ended 31 st March 2010
	Rs '000	Rs '000
19. Earnings in Foreign Exchange		
FOB Value of Exports (excluding exports to Nepal)	42,482	31,702
Services Income	20,442	23,554
Interest	—	69
Exchange Gain (Net)	3,160	6,717
Freight and Insurance	2,485	1,286
Recovery of Expenses	7,954	5,788
Others	—	1,248
20. Expenditure on Research and Development		
Revenue	1,701	1,501
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:		
(i) Contribution to Employees' Superannuation Fund	28,182	21,467
(ii) Contribution to Contractual Employees' Pension Scheme	5,518	4,107
(iii) Contribution to Family Pension Scheme	1,950	6,159
(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:		
(a) Discount Rate (per annum)	8.00%	7.60%
(b) Rate of increase in Compensation Levels	10.00%	10.00%
(c) Rate of Return on Plan Assets	8.25%	8.25%
(d) Expected Average remaining working lives of employees in number of years	6	6

Schedule 18

Notes to the Financial Statements

	Year ended 31 st March 2011					Year ended 31 st March 2010				
	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)	688,714	135,232	134,994	50,737	24,841	620,333	131,753	115,784	44,413	25,120
(b) Interest Cost	58,801	9,588	9,473	4,312	1,787	51,824	9,288	8,018	3,744	1,727
(c) Past Service Cost	—	47,506	—	—	—	—	—	—	—	—
(d) Current Service Cost	142,220	11,845	19,265	5,148	200	102,499	9,944	15,250	4,594	205
(e) Curtailment Cost/(Credit)	—	—	—	—	—	—	—	—	—	—
(f) Settlement Cost/(Credit)	—	—	—	—	—	—	—	—	—	—
(g) Obligations transferred from previous/(to subsequent) employers	—	(8,028)	(6,842)	(2,967)	(83)	—	1,482	5,713	—	204
(h) Benefits Paid	(91,769)	(18,135)	(20,702)	(2,091)	(2,641)	(85,785)	(9,049)	(11,909)	(2,661)	(2,928)
(i) Actuarial (Gain)/Loss	14,623	9,187	(1,714)	895	(2,120)	(157)	(8,186)	2,138	647	513
(j) Present Value of Obligation (Closing)	812,589	187,195	134,474	56,034	21,984	688,714	135,232	134,994	50,737	24,841
(ii) Changes in the Fair value of Plan Assets										
(a) Present Value of Plan Assets (Opening)	685,718	113,793	—	50,737	—	617,678	106,311	—	44,413	—
(b) Expected Return on Plan Assets	67,457	10,241	—	5,145	—	51,630	8,850	—	3,744	—
(c) Actuarial Gain/(Loss)	—	95	—	—	—	124	(3,281)	—	647	—
(d) Employers' Contributions	41,458	38,840	—	2,636	2,641	39,888	10,962	—	2,297	2,928
(e) Employees' Contributions [including Rs. 32,515(000) — Previous year Rs. 8,895(000) transferred from previous employers in respect of Provident Fund]	98,849	—	—	2,574	—	62,183	—	—	2,297	—
(f) Assets transferred from previous/(to subsequent) employers	—	(8,028)	—	(2,967)	—	—	—	—	—	—
(g) Benefits Paid	(91,769)	(18,135)	—	(2,091)	(2,641)	(85,785)	(9,049)	—	(2,661)	(2,928)
(h) Fair Value of Plan Assets (Closing)	801,713	136,806	—	56,034	—	685,718	113,793	—	50,737	—
(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)	45%	15%	—	—	—	51%	20%	—	—	—
(b) Debt Instruments	50%	39%	—	—	—	44%	25%	—	—	—
(c) Administered by Life Insurance Corporation of India	—	49%	—	100%	—	—	53%	—	100%	—
(d) Others	5%	1%	—	—	—	5%	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	812,589	187,195	—	56,034	—	688,714	135,232	—	50,737	—
(b) Fair Value of Plan Assets as at the year end	801,713	136,806	—	56,034	—	685,718	113,793	—	50,737	—
(c) Funded (Asset)/Liability recognised in the Balance Sheet	10,876	50,389	—	—	—	2,996	21,439	—	—	—
(d) Present Value of Unfunded Obligation as at the year end	—	—	134,474	—	21,984	—	—	134,994	—	24,841
(e) Unrecognised Past Service Cost	—	1,043	—	—	(724)	—	—	—	—	(796)
(f) Unrecognised Actuarial (Gains)/Losses	—	—	—	—	—	—	—	—	—	—
(g) Unfunded Net (Asset)/Liability recognised in the Balance Sheet	—	(1,043)	134,474	—	21,260	—	—	134,994	—	24,045
(v) Amount recognised in the Balance Sheet										
(a) Present Value of Obligation as at the year end	812,589	186,152	134,474	56,034	21,260	688,714	135,232	134,994	50,737	24,045
(b) Fair Value of Plan Assets as at the year end	801,713	136,806	—	56,034	—	685,718	113,793	—	50,737	—
(c) (Asset)/Liability recognised in the Balance Sheet	10,876	49,346	134,474	—	21,260	2,996	21,439	134,994	—	24,045
	Year ended 31st March, 2009					Year ended 31st March, 2008				
(a) Present Value of Obligation as at the year end	620,333	131,753	115,784	44,413	24,252	561,896	103,019	106,263	43,878	24,086
(b) Fair Value of Plan Assets as at the year end	617,678	106,311	—	44,413	—	552,009	100,051	—	43,846	—
(c) (Asset)/Liability recognised in the Balance Sheet	2,655	25,442	115,784	—	24,252	9,887	2,968	106,263	32	24,086
	Year ended 31st March, 2007									
(a) Present Value of Obligation as at the year end	503,946	95,876	107,346	—	23,015					
(b) Fair Value of Plan Assets as at the year end	503,951	95,518	—	—	—					
(c) (Asset)/Liability recognised in the Balance Sheet	(5)	358	107,346	—	23,015					
(vi) Expenses recognised in the Profit and Loss Account										
(a) Current Service Cost	142,220	11,845	19,265	5,148	200	102,499	9,944	15,250	4,594	205
(b) Past Service Cost	—	46,463	—	—	(724)	—	—	—	—	72
(c) Interest Cost	58,801	9,588	9,473	4,312	1,787	51,824	9,288	8,018	3,744	1,727
(d) Expected Return on Plan Assets	(67,457)	(10,241)	—	(5,145)	—	(51,630)	(8,850)	—	(3,744)	—
(e) Curtailment Cost/(Credit)	—	—	—	—	—	—	—	—	—	—
(f) Settlement Cost/(Credit)	—	—	—	—	—	—	—	—	—	—
(g) Net Actuarial (Gain)/Loss	14,623	9,092	(1,714)	895	(2,120)	(281)	(4,905)	2,138	—	513
(h) Employees' Contribution	(98,849)	—	—	(2,574)	—	(62,183)	—	—	(2,297)	—
(i) Total Expenses recognised in the Profit and Loss Account	49,338	66,747	27,024	2,636	(857)	40,229	5,477	25,406	2,297	2,517

(C) Other Long-term Employee Benefit

The liability for Long Service Awards as at the year end Rs. 6,859(000) [Previous year Rs. 7,230(000)].

Schedule 18

Notes to the Financial Statements

	Year ended 31 st March 2011	Year ended 31 st March 2010
	Rs '000	Rs '000
22. Segment Information		
(A) Information in respect of Primary Segments		
(I) Segment Revenue (Sales to External Customers)		
Pharmaceuticals	4,897,882	4,372,988
Generics	473,413	399,130
OTC	1,008,577	859,669
Animal Health	706,554	609,243
	7,086,426	6,241,030
(II) Segment Result		
Pharmaceuticals	1,425,595	1,294,911
Generics	210,395	111,095
OTC	54,031	33,588
Animal Health	56,927	82,215
	1,746,948	1,521,809
Unallocated Corporate Income net of unallocated corporate expenditure	(82,798)	(43,530)
Operating Profit	1,664,150	1,478,279
Interest Expense	(2,802)	(3,179)
Interest/Dividend Income	527,769	322,905
Provision for Taxation	(722,391)	(638,113)
Profit after Taxation	1,466,726	1,159,892
(III) Other Information		
(a) Segment Assets		
Pharmaceuticals	1,134,435	1,119,704
Generics	151,332	104,738
OTC	135,482	157,219
Animal Health	269,833	259,613
	1,691,082	1,641,274
Unallocated Corporate Assets	7,247,460	6,025,706
	8,938,542	7,666,980
(b) Segment Liabilities		
Pharmaceuticals	911,260	675,268
Generics	71,842	86,740
OTC	161,457	100,857
Animal Health	96,608	84,143
	1,241,167	947,008
Unallocated Corporate Liabilities	667,499	785,366
	1,908,666	1,732,374
(c) Capital Expenditure		
Pharmaceuticals	17,500	15,365
Generics	—	154
OTC	1,732	304
Animal Health	1,368	3,710
	20,600	19,533
Unallocated Corporate Capital Expenditure	6,052	2,719
	26,652	22,252

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Notes to the Financial Statements

	Year ended 31 st March 2011	Year ended 31 st March 2010
	Rs '000	Rs '000
(d) Depreciation/Amortisation		
Pharmaceuticals	15,038	13,155
Generics	460	430
OTC	1,994	2,633
Animal Health	3,293	3,028
	<u>20,785</u>	<u>19,246</u>
Unallocated Corporate Depreciation/Amortisation	3,038	3,267
	<u>23,823</u>	<u>22,513</u>
	<u><u>23,823</u></u>	<u><u>22,513</u></u>
Note: There are no non-cash expenses other than Depreciation/Amortisation.		
(B) Information in respect of Secondary Segments		
(I) Segment Revenue (Sales to External Customers)		
India	6,988,901	6,161,077
Other Countries	97,525	79,953
	<u>7,086,426</u>	<u>6,241,030</u>
	<u><u>7,086,426</u></u>	<u><u>6,241,030</u></u>
(II) Carrying amount of Segment Assets		
India	8,938,542	7,666,980
Other Countries	—	—
	<u>8,938,542</u>	<u>7,666,980</u>
	<u><u>8,938,542</u></u>	<u><u>7,666,980</u></u>
(III) Capital Expenditure		
India	26,652	22,252
Other Countries	—	—
	<u>26,652</u>	<u>22,252</u>
	<u><u>26,652</u></u>	<u><u>22,252</u></u>

Notes:

(a) **Business Segments**

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

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

(b) **Geographical Segments**

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

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

Schedule 18

Notes to the Financial Statements

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
Novartis (Bangladesh) Limited, Bangladesh
Novartis (Thailand) Limited, Thailand
Novartis Animal Health GmbH, Austria
Novartis Animal Health, USA
Novartis Asia Pacific Pharmaceuticals Pte. Ltd., Singapore
Novartis Healthcare Private Limited, India
Novartis International AG, Basel, Switzerland
Novartis Pharma AG, Basel, Switzerland
Novartis Pharmaceuticals (HK) Limited, Hong Kong
Novartis Pharmaceuticals Corporation Inc., USA
Sandoz Private Limited, India
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)
- (C) Disclosure of transactions between the company and related parties and outstanding balances as at the year end:

	Year ended 31 st March 2011		Year ended 31 st March 2010	
	Rs '000	Rs '000	Rs '000	Rs '000
(a) Holding Company				
Dividend paid		244,248		244,248
Royalty Expense		72,051		62,408
Balance as at the year end – Outstanding Payable		31,619		26,141
(b) Fellow Subsidiaries				
Purchases of Finished Goods				
Novartis Pharma AG	986,625		867,548	
Sandoz Private Limited	12,137		58	
		998,762		867,606
Purchases of Raw Materials				
Novartis Animal Health GmbH	74,024		64,081	
Shanghai Novartis Animal Health Co. Limited	13,643		13,038	
		87,667		77,119
Sale of Finished Goods				
Novartis (Bangladesh) Limited	36,961		28,593	
Others	6,328		1,079	
		43,289		29,672
Sale of Raw Materials				
Sandoz Private Limited		—		506
Services rendered/shared				
Novartis Healthcare Private Limited	334,662		301,094	
Novartis Pharma AG	9,957		14,411	
Sandoz Private Limited	80,400		66,000	
		425,019		381,505

Schedule 18

Notes to the Financial Statements

	Year ended 31 st March 2011		Year ended 31 st March 2010	
	Rs '000	Rs '000	Rs '000	Rs '000
Rent Income				
Novartis Healthcare Private Limited	5,345		2,652	
Sandoz Private Limited	<u>2,613</u>		<u>5,685</u>	
		7,958		8,337
Services availed				
Novartis Healthcare Private Limited	16,991		53,063	
Novartis Pharma AG	81,989		—	
Sandoz Private Limited	<u>95,757</u>		<u>89,057</u>	
		194,737		142,120
Rent Expense				
Sandoz Private Limited		8,340		7,644
Payment towards Share of Common Expenses				
Novartis Healthcare Private Limited	17,695		16,889	
Sandoz Private Limited	<u>5,833</u>		<u>14,486</u>	
		23,528		31,375
Miscellaneous Expenses (Promotional Materials, Training Courses, etc.)				
Novartis Asia Pacific Pharmaceuticals Pte. Ltd.	2,159		1,740	
Novartis Farmaceutica S.A.	—		1,996	
Novartis International AG	2,657		3,484	
Novartis Pharma AG	7,966		5,145	
Novartis Pharmaceuticals Corporation Inc.	2,567		2,007	
Sandoz Private Limited	422		7,670	
Others	<u>846</u>		<u>805</u>	
		16,617		22,847
Recovery of Expenses				
Novartis Healthcare Private Limited	42,835		13,675	
Sandoz Private Limited	5,853		16,532	
Others	<u>5,137</u>		<u>7,302</u>	
		53,825		37,509
Recovery towards share of Common Expenses				
Novartis Healthcare Private Limited	30,206		—	
Novartis Pharmaceuticals (HK) Limited	10,485		9,428	
Sandoz Private Limited	1,546		4,230	
Others	<u>559</u>		<u>1,000</u>	
		42,796		14,658

Schedule 18

Notes to the Financial Statements

	Year ended 31 st March 2011		Year ended 31 st March 2010	
	Rs '000	Rs '000	Rs '000	Rs '000
Inter-corporate Deposits Placed				
Hexal Pharma Private Limited	—		3,500	
Novartis Healthcare Private Limited	10,719,863		9,265,534	
Sandoz Private Limited	22,400,291		18,983,219	
		33,120,154		28,252,253
Interest Income on Inter-corporate Deposits Placed				
Hexal Pharma Private Limited	—		2,564	
Novartis Healthcare Private Limited	83,615		54,774	
Sandoz Private Limited	395,623		250,235	
		479,238		307,573
Balances as at the year end –				
Outstanding Receivables				
Novartis Healthcare Private Limited	38,831		26,734	
Sandoz Private Limited	42,066		14,595	
Others	10,700		10,525	
		91,597		51,854
Inter-corporate Deposits Receivable				
Novartis Healthcare Private Limited	973,500		1,200,479	
Sandoz Private Limited	4,730,000		3,668,658	
		5,703,500		4,869,137
Outstanding Payables				
Novartis Animal Health GmbH	5,376		13,258	
Novartis Pharma AG	116,127		85,000	
Others	18,107		5,864	
		139,610		104,122
(c) Key Management Personnel				
Remuneration				
R. Shahani	14,319		12,297	
P. Gupta	11,595		9,699	
A. Matai	18,793		21,402	
V. Singhal	18,511		16,990	
Dr. P. R. Rao	12,513		12,060	
A. Sharma	8,794		4,146	
		84,525		76,594

Schedule 18

Notes to the Financial Statements

	Year ended 31 st March	
	2011	2010
	Rs '000	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 1 st April, 2001		
(a) Lease payments recognised in the Profit and Loss Account	50,255	50,767
(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	18,615	19,803
(ii) Later than one year and not later than five years	20,290	32,091
(iii) Later than five years	—	—
(II) Disclosures in respect of residential premises owned by the company and given on leave and licence basis on or after 1 st 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	2,304	1,994
(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 31 st March	
	2011	2010
Profit after Taxation (Rs '000)	1,466,726	1,159,892
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	45.89	36.29

Schedule 18

Notes to the Financial Statements

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

Particulars	Year ended 31 st March 2011		Year ended 31 st March 2010		
	Amount in Foreign Currency	Amount in Rupees	Amount in Foreign Currency	Amount in Rupees	
	'000	'000	'000	'000	
Receivables	USD	277	12,350	276	12,433
	SGD	1	46	—	—
Payables	USD	3,302	147,353	2,870	129,525
	CHF	278	13,529	1	37
	EURO	—	—	14	695
	AUD	—	—	*	6

* 0.15 in '000

27. Previous year figures have been regrouped where necessary.

Signatures to Schedules 1 to 18

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	GIRISH TEKCHANDANI Company Secretary & Compliance Officer	J. HIREMATH Dr R. MEHROTRA
		} Directors
Mumbai, 24 th May 2011	Mumbai, 24 th May 2011	

Balance Sheet Abstract and Company's General Business Profile

I. Registration Details

Registration No.

0 6 1 0 4

State Code

1 1

Balance Sheet Date

3 1 0 3 1 1
Date Month Year

II. Capital raised during the year (Amount in Rs. Thousands)

Public Issue

N I L

Rights Issue

N I L

Bonus Issue

N I L

Private Placement

N I L

III. Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousands)

Total Liabilities

7 0 3 1 8 4 7

Total Assets*

7 0 3 1 8 4 7

Sources of Funds

Paid-up Capital

1 5 9 8 0 4

Reserves & Surplus

6 8 7 0 0 7 2

Secured Loans

N I L

Unsecured Loans

1 9 7 1

Application of Funds

Net Fixed Assets

8 6 8 8 5

Investments

4 1 2

Net Current Assets

6 7 8 6 9 0 5

Misc. Expenditure

N I L

Accumulated Losses

N I L

* Total Assets include Deferred Taxation of Rs. 157,645 thousands.

IV. Performance of Company (Amount in Rs. Thousands)

Turnover

8 0 9 2 3 0 5

Total Expenditure

5 9 0 3 1 8 8

Profit/Loss before tax

+ -
 2 1 8 9 1 1 7

Profit/Loss after tax

+ -
 1 4 6 6 7 2 6

(Please tick Appropriate box + for Profit, - for Loss)

Earning per share in Rs.

4 5 . 8 9

Dividend Rate %

2 0 0

Balance Sheet Abstract and Company's General Business Profile

v. Generic Names of Three Principal Products/Services of Company (as per monetary terms)

Item Code No.

3	0	0	4	9	0	6	6
---	---	---	---	---	---	---	---

(ITC Code)

Product Description

D	I	C	L	O	F	E	N	A	C	S	O	D	I	U	M				
---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	--	--	--	--

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Item Code No.

3	0	0	4	9	0	9	9
---	---	---	---	---	---	---	---

(ITC Code)

Product Description

X	Y	L	O	M	A	T	A	Z	O	L	I	N	E						
---	---	---	---	---	---	---	---	---	---	---	---	---	---	--	--	--	--	--	--

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Item Code No.

3	0	0	4	4	0	4	0
---	---	---	---	---	---	---	---

(ITC Code)

Product Description

M	E	T	H	Y	L	E	R	G	O	M	E	T	R	I	N	E			
---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	--	--	--

M	A	L	E	A	T	E													
---	---	---	---	---	---	---	--	--	--	--	--	--	--	--	--	--	--	--	--

For and on behalf of the Board

C. SNOOK
Chairman

R. SHAHANI
*Vice Chairman &
Managing Director*

GIRISH TEKCHANDANI
*Company Secretary &
Compliance Officer*

J. HIREMATH
Dr R. MEHROTRA } *Directors*

Mumbai, 24th May 2011

Cash Flow Statement for the year ended 31st March 2011

	Year ended 31 st March 2011		Year ended 31 st March 2010	
	Rs '000	Rs '000	Rs '000	Rs '000
A. Cash flow from operating activities				
Net Profit before Taxation		2,189,117		1,798,005
Adjustments for –				
Depreciation/Amortisation	23,823		22,513	
Interest Income	(522,517)		(319,332)	
Dividend Income	(5,252)		(3,573)	
Loss on Sale/Disposal of Fixed Assets (Net)	731		776	
Loss/(Profit) on Sale/Redemption of Current Investments (Net)	50		(19)	
Interest Expense	2,802		3,179	
Unrealised Exchange Gain (Net)	(903)		(83)	
		<u>(501,266)</u>		<u>(296,539)</u>
Operating profit before working capital changes		1,687,851		1,501,466
Adjustments for –				
Trade and Other Receivables	(195,317)		(34,132)	
Inventories	(22,366)		(12,724)	
Trade and Other Payables	142,064		132,290	
		<u>(75,619)</u>		<u>85,434</u>
Cash generated from operations		1,612,232		1,586,900
Direct Taxes paid (net of refund of taxes)		(706,764)		(612,233)
Net cash from operating activities		905,468		974,667
B. Cash flow from investing activities				
Purchase of Fixed Assets (including advances for capital expenditure)	(26,628)		(22,252)	
Sale of Fixed Assets	718		371	
Purchase of Current Investments	(1,334,526)		(2,107,963)	
Sale of Current Investments	1,491,569		2,184,406	
Inter-corporate Deposits placed	(33,120,154)		(28,252,253)	
Refund of Inter-corporate Deposits placed	32,285,791		27,313,892	
Interest received	480,256		315,910	
Dividend received	5,252		3,573	
Net cash used in investing activities		(217,722)		(564,316)

Cash Flow Statement for the year ended 31st March 2011

	Year ended 31 st March 2011		Year ended 31 st March 2010	
	Rs '000	Rs '000	Rs '000	Rs '000
C. Cash flow from financing activities				
Proceeds from Long-term Borrowings	43		62	
Repayment of Long-term Borrowings	(762)		(352)	
Interest paid	(2,247)		(2,409)	
Dividend paid	(318,929)		(318,983)	
Tax paid on Dividend	(53,083)		(54,317)	
Net cash used in financing activities		(374,978)		(375,999)
Net increase in cash and cash equivalents		312,768		34,352
Cash and Cash Equivalents – Opening Balance		571,888		537,536
Cash and Cash Equivalents – Closing Balance [Refer Note 2 below]		884,656		571,888

Notes:

- The above cash flow statement has been prepared under the 'Indirect Method' as set out in the Accounting Standard – 3 on Cash Flow Statements, notified under sub-section (3C) of Section 211 of the Companies Act, 1956.
- Cash and Cash Equivalents – Closing Balance include balances aggregating to Rs. 12,959(000) [Previous year Rs. 12,280(000)] with scheduled banks on current accounts in respect of unpaid dividend, which are not available for use by the company.
- Previous year figures have been regrouped where necessary.

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	GIRISH TEKCHANDANI Company Secretary & Compliance Officer	J. HIREMATH Dr R. MEHROTRA
		} Directors
Mumbai, 24 th May 2011	Mumbai, 24 th May 2011	

Dear Shareholder

Sub.: Green Initiative in Corporate Governance - Service of documents by electronic mode

The Ministry of Corporate Affairs (MCA) has taken a "Green Initiative in Corporate Governance" allowing paperless compliance by Companies. In accordance with the recent Circular no. 17/2011 dated 21.04.2011 and Circular no. 18/2011 dated 29.04.2011 issued by the MCA, Companies can now send various notices and documents, including the Annual Report, to its shareholders through electronic mode to the registered e-mail addresses of shareholders.

Your Company appreciates this initiative and would like to enable conservation of paper thereby contributing to a Greener Environment. This initiative presents the shareholders of Novartis India Limited with a unique opportunity to contribute towards Corporate Social Responsibility of the Company.

If you hold shares in demat form, we invite you to contribute to the cause by updating your email ID details with your depository participant. In case you hold shares in physical form please complete the form given below and send it back to us.

Please note that as a member of the Company you are entitled to receive all such communication in physical form, upon request.

Best regards

Girish Tekchandani
Company Secretary and Compliance Officer



E-COMMUNICATION REGISTRATION FORM

(In terms of Circular No. 17/2011 dated 21.04.2011 issued by the Ministry of Corporate Affairs)

To

Sharepro Services (India) Private Limited
Unit: **Novartis India Limited**
13 AB Samhita Warehousing Complex
2nd Floor, Sakinaka Telephone Exchange Lane
Off Andheri-Kurla Road, Sakinaka, Andheri, Mumbai-400 072

Dear Sir/ Madam

Re: Green Initiative in Corporate Governance - Service of documents by electronic mode

I/We agree to receive all communication from the Company in electronic mode. Please register my email id in your records for sending communication through email.

Folio No. : _____
DP ID : _____
Client ID : _____
Name of the First Holder : _____
Name of Joint Holder(s) : _____
Email ID (to be registered) : _____

I/We will keep the Company informed as and when there is any change in the e-mail address.

Date: _____ Signature of the first holder: _____

Important Notes:

1. Please fill in capital letters in legible handwriting.
2. Shareholders are requested to keep the Company informed as and when there is any change in the e-mail address. Unless the e-mail ID is changed by you by sending another communication in writing, the Company will continue to send all notices/documents to you at the above mentioned e-mail ID.

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 63rd Annual General Meeting of the Company on July 26, 2011 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.



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 63rd Annual General Meeting of the Company on July 26, 2011 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 _____ 2011

Folio No./Client ID : _____

No. of shares : _____

Name : _____

Address : _____

Signature

Affix
required
revenue
stamp

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



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