

Novartis India Limited Annual Report 2011-2012

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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
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Annual General Meeting

11.30 am July 25, 2012

Hall of Culture
Nehru Centre
Worli
Mumbai 400 018

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



The Board of Directors (from left): C. Snook, Chairman; J. Hiremath, Director; R. Shahani, Vice Chairman and Managing Director; Dr R. Mehrotra, Director

Dear Shareholder

The uncertainty surrounding the new pharmaceutical policy and the regulatory environment continues to dampen the potential for the pharmaceutical industry at a very crucial juncture when India's health parameters do not compare favourably with other countries of the developing world. Targeting just drug prices and leaving other serious health issues is not the solution to affordable and accessible healthcare.

According to a 2011 report by Confederation of Indian Industry (CII) and Pricewaterhouse Coopers (PwC), the Indian pharma industry is today the third largest market globally in terms of volume and 14th largest by value. PwC states that the domestic pharma market is expected to grow at a CAGR of 15 to 20% annually to be a US \$49 billion to 74 billion market by 2020. In a scenario where the pharmaceutical industry the world over is seeing much volatility and slowing down of growth, Indian companies are being perceived as offering a ray of hope. "India's large domestic market, product development skills and scientific talent are being increasingly sought by pharma MNCs to tackle the challenges of growth and innovation," the report says. It also speaks of the importance of developing strategies for inclusive and sustainable growth.



For Novartis, innovation and inclusiveness have always been priorities. Initiatives like Arogya Parivar, the Glivec International Patient Assistance Program (GIPAP) and now Novartis Oncology Access (NOA) have done much to bring healthcare and hope to thousands of Indians. Since 2002 when we introduced GIPAP, for instance, Novartis has distributed Glivec valued at \$1.7 billion (> ₹9,500 crore) completely free to patients in India alone.

Novartis firmly believes that patents have helped to advance scientific innovation, which in turn has led to new medicines for people suffering from diseases without effective or in many cases, any treatment option. For example, Glivec, a breakthrough drug, has forever changed the way cancer is treated, replacing painful chemotherapy with an easy-to-swallow pill, significantly improving patients' quality of life in the process. It is therefore an irony that while the drug has received patents in 40 countries, it has been denied one in India. We are now before the Supreme Court in appeal. Novartis is seeking clarity on India's patent law to know what is patentable and what is not, and, further, to know whether India will follow a predictable norm for patentability. We believe that working through the judicial system is the appropriate approach to gaining clarity on the unique aspects of India's patent law and have complete confidence in the Indian legal system. Meanwhile, patients who have benefited from Glivec continue to espouse the efficacy of the drug that has made the key difference to their lives.

Imatinib, the first of a new class of drugs that act by specifically inhibiting a certain enzyme, was patented in 1993 in several countries - though not in India since we did not have a product patent law at that time. It was never a drug that was meant to be consumed. Novartis developed the beta crystal form of Imatinib mesylate to make it suitable for patients to be taken in pill form that would deliver consistent, safe and effective levels of the medicine. By no stretch of imagination can Glivec be considered merely as an attempt at 'evergreening', as some critics have tried to insist.

Some people believe that Glivec is unaffordable and its price must be reduced. However, I would like to stress that the cost of this drug is completely irrelevant because more than 95 per cent of those who are prescribed the medicine receive it absolutely free, while the others are on a very generous co-pay program. With forty per cent of India's population living on less than \$2 a day, medicines are unaffordable to them at any price, yet Novartis has endeavoured to ensure that treatment is available to them regardless.

India is home to one of the most vibrant generic industries in the world, but 65 per cent of its population has no access to modern healthcare. What is crucial is for all stakeholders to come together to address this larger goal of healthcare for all. Government needs to play a role here in addressing a host of issues including lack of diagnosis, healthcare infrastructure and distribution. If healthcare is to be easily available, much depends on the 'last mile' - trained healthcare staff and infrastructure, and accessibility of healthcare facilities.

In these difficult times, as the global pharmaceutical industry turns towards India for the next stage of growth, I believe our country can stake its claim to meeting not just our own healthcare needs but also becoming a leader in drug discovery and truly becoming the pharmacy of the world. With the right policies in place and a vibrant ecosystem which encourages innovation, this is certainly possible.

To you, our shareholders, my very sincere thanks for supporting us in all that we do.

With best wishes

Ranjit Shahani

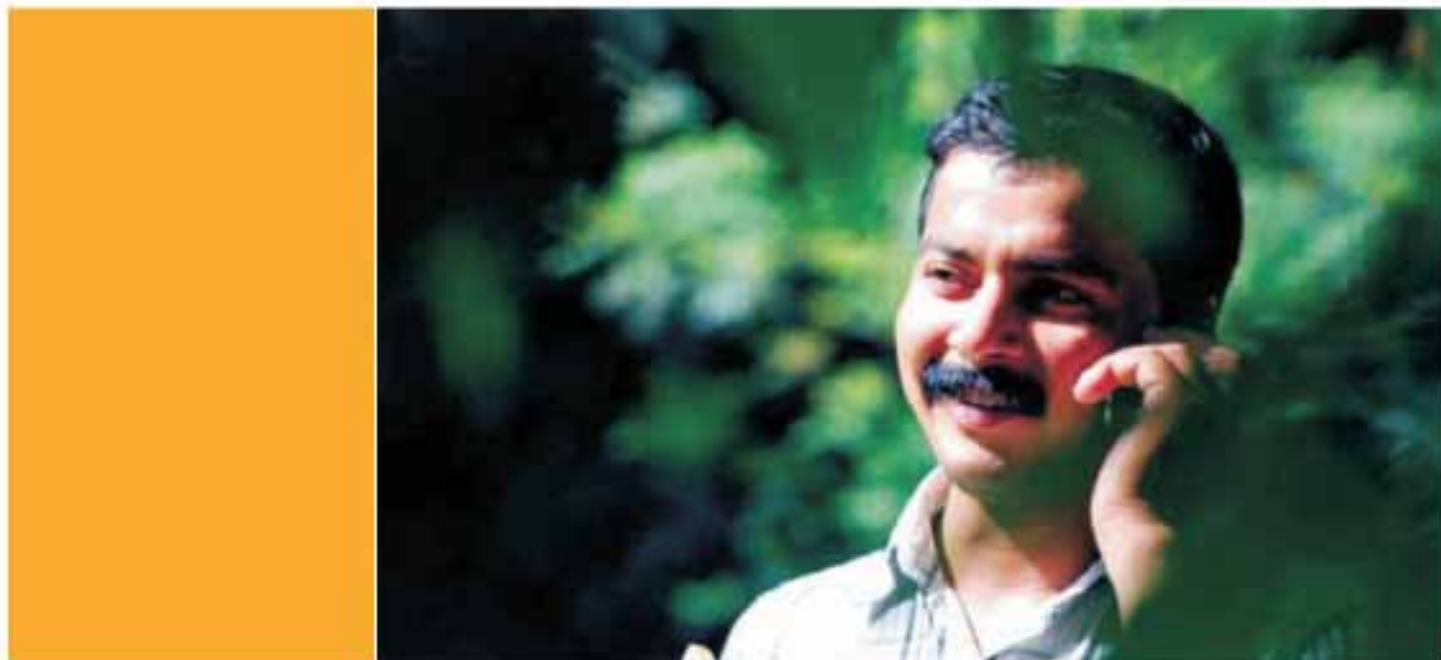
Celebrate Life!

A few steps away from Novartis India's headquarters in Mumbai, in a once non-descript basement of the adjoining building, is an unexpected burst of sunshine. Here, at the home of The Max Foundation, Novartis' partner in a Patient Assistance Program, the walls are alive with pictures of smiling people, and other images of hope, brought to life by cancer patients and their caregivers - a Tree of Life, painted in fresh and delicate shades of green; birds and flowers; rainbows and rivers; the sun peeking out of a mountain. Everywhere the message that comes through is: 'MAXimise Life!' - and there are many who are discovering that this is indeed possible. Several of these artworks celebrate the difference that Glivec has made to these patients' lives - an anti-cancer pill that they receive free of cost, through this unique partnership between Novartis and The Max Foundation, an

organisation that supports cancer patients worldwide.

There was a time when falling critically ill would leave patients with little hope, and cancer was the most dreaded illness of all. It was a death sentence, with a long period of waiting; of life punctuated with painful chemotherapy, with all its unnerving side-effects - falling hair, pain and debilitating fatigue.

In the last fifteen years of Novartis' existence and a history of 150 years of innovation, however, the change has been radical, and remarkable. Healthcare has been transformed dramatically, with new and modern medicines both preventing and curing diseases, while simultaneously improving the quality of life of patients, particularly those with cancer and other devastating illnesses.





Novartis has played an integral role in this transformation, not only by providing access to modern medicines, but also reaching out to these patients through the warmth of personal interaction.

Initiatives like Arogya Parivar have enriched lives in villages across the country, with enhanced access to medicines for over 50 million people across ten states, many of them living in remote rural pockets of India. As a responsible corporate citizen, working towards inspiring hope and restoring dignity, Novartis has also been at the forefront of the fight against other diseases like leprosy, tuberculosis and malaria. In India, thousands of leprosy patients have benefited from reconstructive surgery and rehabilitation programs conducted by Novartis Comprehensive Leprosy Care Association. Treatment of certain forms of cancer are also no longer as traumatic as they used to be, thanks to Novartis' 'magic bullet' - a name given by *Time* magazine - a tiny tablet called

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working towards
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and malaria

Glivec® (or Gleevec, as it is known in some parts of the world.) This is distributed free of cost through Novartis Oncology Access (NOA) Glivec previously known as the Glivec International Patient Assistance Program (GIPAP) for patients with Chronic Myeloid Leukemia (CML) and gastrointestinal stromal tumors (GIST).



At the heart of Novartis' access-to-medicines strategy is innovation, particularly in a country like India, where there is limited availability of healthcare

These programs are direct results of the two core beliefs on which Novartis' strong foundations are built; the first involves investing in cutting-edge research for innovative healthcare solutions, and the second is a commitment to increase access to medicines while protecting its intellectual property through patents.

At the heart of Novartis' access-to-medicines strategy is innovation, particularly in a country like India, where there is limited availability of healthcare personnel and facilities, in the face of poverty and a general lack of health awareness in many parts of the country. The Arogya Parivar initiative, for instance, is a novel award-winning business model, boosting Novartis' performance even as it performs a social objective of reaching out to millions of low-income people in rural India, where most people live on less than two dollars a day.

THE MAGIC 'BULLET'

Novartis Oncology Access (NOA) is one of the most comprehensive and far-reaching cancer access programs ever developed on a global scale, helping CML patients in 81 countries worldwide. At last count, 52,395 patients had received free Glivec through a full donation program administered by The Max Foundation.

CML is one of the four most common cancers of the blood cells, accounting for 15-20 per cent of all cases of adult leukemia. It is diagnosed in one or two people per 100,000 every year, the majority between the ages of 30 and 60. Patients may be asymptomatic for years, even as their bone marrow produces increasing numbers of white blood cells (leukocytes), which progressively change the composition of their blood. As the disease progresses, however, it causes fatigue, weight loss, and spleen enlargement, ultimately causing a breakdown in the immune system. Untreated, patients may not survive longer

Sachin Shukla

Bright-eyed, smiling and never at a loss for words, Sachin Shukla is a perky 14-year old from Kurali Anapur village 20 kilometres away from Allahabad. When he was 10, and running a fever, a local doctor examined him, and advised him to go "immediately" to Tata Hospital, a 1400-km journey to Mumbai. He also told the boy's father Rajendra Shukla, that it was quite possible the child would not make it. "You are not God," his father told the doctor. "Just give us the recommendation letter and leave the rest to us".

Sachin, who was diagnosed with CML, has now been on Glivec for more than three years, since July 14, 2008; as an eighth-standard student he leads an active life, studying his favourite subjects Hindi and Science with gusto and participating enthusiastically in tennis tournaments. "I was diagnosed with blood cancer, but now all my reports show up as normal," says the boy, who has come out so strong after his illness that he recently underwent stitches on his forehead without anaesthesia for a tennis injury.

For Sachin and his family, Glivec offered so much hope that they were even willing to battle wild animals for it. Returning home with the first ever precious packet of Glivec they had been given, the Shuklas were appalled to see it fall off the moving train. Sachin's uncle immediately pulled the chain, saying that he did not mind paying whatever penalty was involved since it was a question of his nephew's life. "It was 1.30 in the morning, and it was raining; we were in a jungle area, full of bears," Sachin recalls. The tablets were too precious to lose, however, so undeterred, they got off the train to look for them. Luckily, after a frantic search in the dark, they found the medicines!

Today, having watched his son regain his strength and enthusiasm for life, Sachin's father Rajendra says: "Life is so uncertain. But if by having a single tablet of Glivec, one can gain an additional 24 hours, then I am willing to have a thousand tablets!" His 14-year-old son smiles widely and agrees.



than a few months. Often, the disease is discovered accidentally, through medical examinations for job interviews or blood tests for fever and other seemingly minor ailments.

Novartis is working towards the day when cancer patients can lead normal, healthy lives, provided they have access to the right healthcare and medicine. Glivec is one of the first medicines to demonstrate this potential for cancer. The company has developed the beta crystal form of Imatinib mesylate to make it suitable for patients to be taken in pill form - an innovation that helps deliver consistent, safe and effective levels of the medicine in a palatable manner. Glivec (Gleevec) was a scientific breakthrough, making a fundamental difference to the quality of life of patients with CML and GIST around the world. For instance, Kerul Patel, who owns a manufacturing business, says: "Novartis has transformed my life. I am continuing to live life with dignity. There have been no changes in my day-to-day activities.

The company has developed the beta crystal form of Imatinib mesylate to make it suitable for patients to be taken in pill form - an innovation that helps deliver consistent, safe and effective levels of the medicine

I have been able to finally achieve my childhood dream of getting the black belt in karate. I would not have been able to do anything if it hadn't been for Novartis and Glivec." Patel adds: "For other people who are going through similar tough times I believe

you must live your life and dream, nothing is impossible if you put your mind and soul into whatever you truly believe in."

Until Glivec started making a difference to patients the world over, traditional treatments in the 1920s for CML involved radiation therapy, followed by various chemotherapy regimes in the 1950s, which could increase life expectancy by five years, provided it was caught at an early stage. Bone marrow transplantation in the 1970s and interferon alpha therapy in the next decade were among the newer treatments. These therapies had major disadvantages; bone marrow transplantation, for instance, involved finding suitable donors of healthy stem cells, and many patients died after the operation.

Sometime in the 1960s, researchers at the University of Pennsylvania, USA, discovered a genetic mutation among patients suffering from CML. In all cases, chromosome 22 was shortened, with the missing section appearing incorrectly on chromosome 9. Conversely a

smaller part of the latter could be found on chromosome 22. It was the first time in the history of medicine that defective genetic material resulting from translocation of genes had been identified as a trigger for cancer.

Another thirty years of research were required before scientists understood the mechanism by which this 'Philadelphia chromosome', as it became known, caused leukemia. By 1993, Ciba-Geigy, one of Novartis' predecessor companies, developed a substance which blocked the specific protein that triggered CML (a tyrosine kinase named BCR-Abl).

Successor company Novartis then picked up the challenge, with initial clinical trials in 1999, and by 2001, the company had produced several tonnes of Gleevec, which had proved to be a well tolerated drug. In February 2001, barely 32 months after the first clinical trials in humans, Novartis submitted applications to authorities worldwide for approval, completing the development phase in just half the time usually taken in the industry.



Novartis designed GIPAP to provide Glivec (imatinib) free of cost to eligible patients in developing countries who meet specific medical and socio-economic guidelines. Through The Max Foundation, patients, their family members and caregivers also receive information and referral assistance. Novartis' partnership with The Max Foundation began in 2001, a unique public-private partnership to sponsor medication for patients unable to access treatment. In India alone, since 2002 Novartis has distributed Glivec valued at \$ 1.7 billion (more than ₹ 9,500 crore) completely free.

Novartis designed GIPAP to provide Glivec (imatinib) free of cost to eligible patients in developing countries who meet specific medical and socio-economic guidelines

Vasamvada Shukla

On May 31, 2012, Vasamvada Shukla was in Mahableshwar celebrating her wedding anniversary, just a day later, on June 1, she would celebrate her birthday as well. At 61, Mrs Shukla has much to celebrate; she has been to hell and back, and come out smiling.

In 1999, as a schoolteacher working at Marwari Vidyalaya High School, she began to experience severe shoulder pain - the first signs of a pineapple-sized tumour that had grown unnoticed until it started touching her diaphragm. Initial tests suggested it was not malignant and it was only at the operation theatre that the doctors realized that it was cancerous. The doctor told her, however, that she need not worry about a recurrence since he had removed the tumour, and also a part of her stomach.

For six months, all seemed well; then she started getting a pain in her back - pain that was so debilitating she could not go to school. This time, her spleen had been affected and she was advised surgery again; the operation was done at Tata Hospital and the spleen removed.

For another six months, everything seemed fine - until patches appeared on her liver. Since she had already been through two extremely painful surgeries in a year, she was advised not to undergo another one. The doctor said that while chemotherapy would not be effective in her case, he could remove the patches that were

visible. He also told her about a new treatment called Glivec, a drug that was not yet available in India.

The Shuklas decided to import the medicine from the United States, after getting all the permissions involved. Glivec gave her the confidence and the strength to continue working; after thirteen years of teaching Hindi, she became Principal of her school, a post she held for ten years, commuting long hours to the other end of town, and winning the Best Teacher Award from the Maharashtra Government, just days before her retirement in 2009. "I worked ten-hour days after taking Glivec," she says. Initially, she felt nauseous, but the doctor advised her to 'sandwich' the Glivec between her chappatis at mealtimes, and not touch water for at least 40 minutes afterward; so even that minor problem was solved.

Mrs Shukla has been on Glivec for close to 14 years; she paid for only 14 months of treatment. Now, with her husband also having retired, she no longer needs to worry about the cost of the treatment, which is provided free of charge by Novartis, through GIPAP, now NOA.

"The doctor had told me that if my liver was affected I would not have more than six months to live. But it has been 14 years and I have had no more surgeries; besides, all my reports are normal," she declares. "Now I tell other people who are also diagnosed with my kind of cancer - take Glivec regularly, pray to God and say *zindabad* to Novartis!"

More than 95% of all Glivec patients in India have received their medicine free of charge first through GIPAP and now through NOA

When the company launched its Patient Assistance Program in India, the first recipient was a resident of Dhule in Maharashtra, who had been importing Glivec

even before it had received marketing approval in India. The patient was finding it extremely difficult to fund the treatment and eventually managed to track down the Novartis office in Mumbai for support. Glivec had yet to be launched in the country at that time. Since then, more than 95% of all Glivec patients in India have received their medicine free of charge first through GIPAP and now through NOA. Most of the remaining five per cent are on a generous co-pay program.

"Glivec has turned a fatal condition into a chronic manageable disease for many patients," says Viji Venkatesh, Country Head of The Max Foundation. "That is the magic of Glivec." Viji Amma, as she is fondly known by

Pramod John George

In July 2003, Pramod John George's four-year-old daughter called him to say that residents of their building were being investigated because of a suspected dengue case among them. "They are asking if anyone has fever," she said.

It was through this chance incident that Pramod discovered he had CML. "I went through a test and my blood count showed up as 25,000, when it should have been 11,000," he recalls. The doctor advised him to do another test from another lab and this time, it was 27,000. "There was no pain, no physical ailment, and my wife was due for her second delivery so she was the priority, not I," he recalls. "I went to the hospital where my wife used to work to check with another doctor for a second opinion and he, like the earlier doctor, also referred me to a Hematologist, Dr M B Agarwal. Shortly after my wife was discharged, I visited Dr Agarwal, who said: 'Congratulations, you have a good cancer. Treatment is available for this!'" Pramod's second child Rubin had been born just 15 days prior to the final diagnosis.

Not yet 35, the young man also went through a cardiac arrest a couple of years later in 2005 - an unexpected occurrence while he was on the surgical table getting a corn in his leg removed.

Pramod has been on the Glivec program since

early 2004, and today, as the 41-year-old works from 9.30 a.m. to 8.30 p.m. in a newspaper job that allows no respite, he says: "My cancer is as old as my son - nine years - and I am leading the same life I used to earlier; only my faith in God has increased. One tablet of Glivec every day and I'm not bothered about anything else."

Pramod not only faces new challenges with a smile each day, he guided his wife and several others to safety in a delivery van on that horrific day, July 26, 2005, when Mumbai fell prey to floods. He was also actively involved in ensuring that the newspaper he worked for hit the stands despite the deluge - the only newspaper to do so that day. The fact that he was already under treatment for CML by then made no difference.

Today, Pramod says that cancer helped him realize what he might have missed out on life; as General Manager - Scheduling of Indian Express Group, he has a senior position in his career, and a happy family life. Far from having to undergo debilitating chemotherapy for the illness, his children, Riya and Rubin, count out his precious Glivec pills every night.

"If you have been diagnosed as having cancer," he says, "don't think about it. Don't confuse yourself with Internet searches on the disease; just leave it to the doctors - they know what to do. And remember, God has a plan for all of us".



Ashish Yadav

Thirty-year-old Ashish Yadav is from Sindhura near Varanasi and has been on Glivec since the year 2003. Yadav comes from a rural background, and was leading a strenuous life farming and running a Tata Sumo when he got investigated for weakness and found that his WBC count was three lakh. Looking back on that time now, he says: "People get scared when they hear the word 'cancer' but for me it is a *choti si bimari* (small illness)"

In the nine years that Yadav has had cancer, he has become a father of two - a six-year-old and a three-year-old. He says he leads a perfectly normal life, and now keeps buffaloes in order to run a milk business. "I got new life after meeting the people at Max Foundation and Novartis," he smiles. "People who don't know better think cancer will kill them. But it has been nine years since I have been on Glivec and I have realized that if you get the right treatment, there is nothing to worry about!"

the patients, says that while the drug is given completely free to those who cannot afford it - more than 15,000 patients at last count - even those on the co-pay program need to buy their daily medicine only for a maximum of eighty days in a year.

WHO IS ELIGIBLE?

Specifically, NOA helps patients who are properly diagnosed with Philadelphia chromosome-positive (Ph+) CML patients and to patients with c-Kit (CD117) positive unresectable (inoperable) and/or metastatic malignant gastrointestinal stromal tumors (GISTs).

Based on the success of GIPAP, in 2011 Novartis introduced an expanded new access program for eligible Glivec patients in India. The new program, Novartis Oncology Access (NOA), is designed to provide access to Glivec for patients in India who can afford to contribute some (but not all) of the cost of their annual Glivec treatment, as well as for

Firoze Ansari

A thirty-rupee bus ride away from Nepal, at the centre point of Gorakhpur and Basti in Uttar Pradesh on the Faizabad-Gorakhpur road, is Khalilabad, famous for its handlooms. The region is cold, and Firoze Ansari, a local weaver born in 1948, found himself coughing quite frequently while seated at his spinning wheel making lungis. Then one day, the elderly gentleman coughed blood, and the doctor advised him to undergo tests in Mumbai. Ansari had two married daughters and two grown-up sons, but he undertook the 36-hour journey to Tata Hospital in Mumbai without telling his wife or any of his children the reason why. "I did not want to worry them," he says.

By the time Ansari's illness was discovered it was in quite an advanced stage, and he had to undergo three years of daily injections at Tata Hospital. Since October 2002, however, he has been on Glivec, and since then, he says, he has not suffered more coughing bouts or fever.

Ansari's monthly visits to Mumbai for his treatment have now reduced to once every four months "I don't feel I have any problem now," he says. "I don't feel tired the way I used to."

His advice to others who suffer from CML: "Take your medicine regularly. It will benefit you. And don't ever lose courage!"

those who cannot afford to pay anything. Financial evaluation criteria were developed in line with World Health Organization guidelines on access to medicines. Depending on their financial status, new patients are enrolled in full donation or in a co-pay plan in which the annual cost of the medicine is shared between the patient and Novartis.

NOA helps patients who are not insured, not reimbursed, cannot pay for some or all of their treatment privately, and are in developing countries that have minimal reimbursement capabilities.

More than a drug donation program, the goal of the access program is to optimize



successful Glivec treatment by providing patients with emotional support and increasing awareness within their communities. The Max Foundation, as Novartis' main partner in the administration of the full donation program, monitors patients to support the highest standard of patient care and protects confidential patient information and data received.

Beyond all this, they provide cancer patients with reasons to survive, instilling warmth and hope through a host of programs that help patients and their families connect and express themselves. The annual Maximise Life Art Project, for instance, aims at providing "a universal tool for expression of feelings related to the cancer journey, and specifically leading to recognizing positive consequences of the journey itself". The idea is to collect, display and share art created by people living with cancer, and their caregivers. *The Colors of Hope: Expressions from Cancer Survivors around the World*, provides concrete proof of patients' enthusiasm for life; the book, written by Viji Venkatesh, has been made possible by a Novartis sponsorship.

"Whether the medication Glivec is literally displayed in these pieces, or symbolically,

Sriram Ranganathan

Sriram Ranganathan was just 22 years old when he was diagnosed with CML. "Those were the pre-Glivec days and I was on some medicines and injections which had severe side effects (discoloration, flu like symptoms)," he says. Though he had the support of his family, these side effects made it difficult for him to cope with the demands of work, which were high at that time.

"There was no long term cure for CML before Glivec – that's what doctors told me," Sriram recalls. "When Glivec was introduced, I was not a part of the GIPAP program. Hence for almost a year it was financially very taxing. Later I got to know of the Novartis sponsored GIPAP program and got registered in 2003. From then till now, I must say, I have been blessed. For all these 10 years it's been hassle-free. I have been provided with free medicine through this Program since 2003, thanks to Novartis. I have also been reacting well to Glivec and my medical reports are very promising."

Sriram firmly believes that there is life after cancer, and one can carry on with one's regular lifestyle and work. Early detection and treatment is the key, he says. Periodic medical check-ups and having the medicines as prescribed is also important, he explains. "There are many like me who have 'Conquered' Cancer," Sriram declares. "In fact I got married after I was detected and I have a daughter who is two years old. Happiness is not what happens to you, it is how you perceive what happens to you."

Bharat Kaul

Actor Bharat Kaul is best known for his theatre and movies in Kolkata. He has done television shows such as *Mata ki Chowki*. Watching him perform, it would be difficult to believe that he has leukemia and in fact, Bharat was disbelieving too. "The Chronic Myelogenous Leukemia in my body was detected on April 1, 2004 and being April 1, I thought it was a prank," he recalls. "The initial 10 days were difficult. But, when you meet people, go to office, it all comes back. Your family plays a major role in supporting you through it," he explains.

Bharat had a biopsy on the 4th and on the 6th he was supposed to fly to London for a theatre show. "When I was in London, my first cousin who is a doctor made me meet a doctor in Queen's College." Bharat points out that while the initial days are always difficult, it is vital to have a good support system.

"Once you get to know about Novartis and Max Foundation and the good work they are doing, it helps you," he says. "It is basically a fight, and you cannot just sit down and take it. You have to fight your way through it. And with Novartis doing a great job, it's just better," he declares.



If a pharma company has to continue to make a difference to those who have been unfortunate enough to be diagnosed with cancer, its cutting-edge research must be safeguarded

where cocoons represent the medicine and emerging beautiful butterflies are newly born lives - for these people Glivec is a God-given rescue," writes Barbara Hege Mercer, a Washington-based artist, in her Foreword to the book.

PROTECTING THE PATENT

If a pharmaceutical company has to continue to make a difference to those who have been unfortunate enough to be diagnosed with cancer, its cutting-edge research must be safeguarded. Novartis believes that the granting of patents leads to better medicines for patients. For a research-based healthcare company, intellectual property protection is essential for sustainable success.

Unfortunately, in India, the life-saving Glivec has been caught up in a legal dispute, since Novartis' application for a patent was turned

down in the year 2006. Novartis challenged this decision, pointing out that Glivec (imatinib mesylate) is a treatment that has been recognized as one of the major medical breakthroughs of the 20th century, revolutionizing the way certain cancers are treated. In fact, Glivec has been granted a patent in 40 countries.

Novartis has pointed out that the imatinib molecule represented only the first step in developing Glivec as a viable treatment for cancer; by itself it could not be administered to patients. Novartis developed the mesylate salt of imatinib and then the beta crystal form of imatinib mesylate to make it suitable for patients to take in a pill form that would deliver consistent, safe and effective levels of medicine. This process, which took years was a breakthrough - and certainly cannot be interpreted as 'evergreening'.

Nikhil Batra

Nikhil Batra is from Kurukshetra, a small, peaceful city in Haryana. "Kurukshetra is the site of the great battle of the *Mahabharata* fought between the Pandavas and the Kauravas. My battle against CML also began there," he says. A software engineer by profession, Nikhil now works in Pune.

Nikhil got married on July 29, 2007. Fifteen days after he returned from his honeymoon, he felt feverish and met his family doctor. The doctor advised a blood test, and when the report arrived, he told Nikhil's father and brother to take him to a hospital in Chandigarh. Through a series of subsequent medical tests, no one was willing to tell Nikhil what was wrong. Eventually, when he did an Internet search for CML, he got the shock of his life when the results referred to leukemia. "It was the biggest jolt ever," Nikhil recalls. "I felt like everything was over. However, now I see that I was totally wrong at the time."

Nikhil's big worry was what this would mean for his bride. "I wondered why this had happened

just a few days after my marriage and felt guilty as if I had committed a serious crime," he says. Nikhil need not have worried; his wife took up the challenge and supported him whole-heartedly.

Dr Pankaj Malhotra, his doctor, told him that treatment for this illness was available, in oral form, and had shown good results. He told him about GIPAP and put him in touch with The Max Foundation. Nikhil began to receive medicines free, but more vitally, he learned he was not the only one suffering from leukemia.

Today, having regained normalcy in his life, Nikhil is a volunteer, contributing to the cause of cancer. "In January 09 I met all the FOM (Friends of Max) members in the Kolkata Meet," he says. "I saw an unusual bond among all the FOM members. It gives one great moral support to see that there were so many people with the same problem. Yet all of them were happy and living their lives to the best of their abilities."

"Glivec is such a marvellous medicine," Nikhil says. "Now CML is just like diabetes and a single tablet, taken daily, helps one lead a normal life."



The company has also pointed out that patents provide an incentive to the pharmaceutical industry to invest in the development of new medicines to treat diseases that are currently untreatable or incurable, and provide options when patients develop resistance to older drugs. Without pharmaceutical research and development leading to innovative medicines, poor people will continue to suffer and die.

Regardless of the outcome of this case, there is no doubt that Glivec has benefited thousands of people around the world, including in India. Before Glivec was launched world-wide in 2001, leukemia patients had little to hope for. In fact, as Dr Hagop Kantarjian, a Texas-based leukemia specialist, stated recently: "Before the year 2000, when we saw patients with chronic myeloid leukemia, we told them that they had a very bad disease, and their course was fatal, their prognosis was poor with a median survival of maybe three to six years ... Today when I see

Patents provide an incentive to the pharmaceutical industry to invest in the development of new medicines

patients with CML, I tell them that the disease is an indolent leukemia with an excellent prognosis, they will usually live their functional life span provided they take an oral medicine, Gleevec (known as Glivec outside the US), for the rest of their lives."

It is a drug that is transforming the everyday lives of Indian cancer patients as well, giving them every reason to want to celebrate life. Novartis considers it a privilege to be a part of this transformation.

Notice

NOTICE is hereby given that the 64th Annual General Meeting of NOVARTIS INDIA LIMITED will be held at Hall of Culture, Nehru Centre, Worli, Mumbai 400 018 on Wednesday, July 25, 2012 at 11.30 a.m. to transact the following business:

Ordinary Business

1. To receive, consider and adopt the Audited Profit and Loss Account for the year ended March 31, 2012 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, 2012.
3. To re-appoint M/s Lovelock & Lewes, Chartered Accountants, as Auditors of the Company, from the conclusion of this meeting until the conclusion of the next Annual General Meeting and to authorize the Audit Committee of the Board of Directors to fix the remuneration of the said Auditors.
4. To appoint Dr R. Mehrotra as Director, who retires by rotation and being eligible, offers himself for re-appointment.

Special Business

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

“RESOLVED THAT pursuant to Section 309(4) and other applicable provisions, if any, of the Companies Act, 1956 (“the Act”), the Board of Directors is hereby authorised to pay remuneration by way of commission to Non-Executive Directors not exceeding 1% of the net profits of the Company computed in the manner referred to in Section 198(1) of the Act, for a further period of five financial years commencing from April 1, 2012, per financial year of the Company or proportionate to the period for which the Director holds office in that year.”

By Order of the Board of Directors

GIRISH TEKCHANDANI
Company Secretary

Registered Office:

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

May 24, 2012

Notes:

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

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

3. The Register of Members and Share Transfer Books will remain closed on all days from Friday, July 20, 2012 to Wednesday, July 25, 2012 both days inclusive.
4. Payment of dividend for the year ended March 31, 2012 as recommended by the Board, if approved at the Meeting, will be made payable on or after July 30, 2012 in respect of shares held in physical form to those members whose names appear in the Company's Register of Members as on July 20, 2012 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, 2012.
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" (IEPF) established by the Central Government.

In compliance with Sections 205A and 205C of the Act, unclaimed Dividend for the financial year March 31, 2004 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, 2005 onwards are requested to make their claims directly to the Company or to M/s Sharepro Services (India) Private Limited, without any delay.

Due date for transfer of unclaimed dividend to IEPF

Year	Dividend rate per share (₹)	Date of declaration	Due date for transfer to IEPF
2004-05	10	29.07.2005	04.09.2012
2005-06	15	28.07.2006	03.09.2013
2006-07	10	17.03.2007	23.04.2014
2007-08	10	16.07.2008	22.08.2015
2008-09	10	17.07.2009	23.08.2016
2009-10	10	30.07.2010	05.09.2017
2010-11	10	26.07.2011	01.09.2018

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

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

Explanatory Statement

[Pursuant to Section 173(2) of the Act in respect of Item No. 5 of the accompanying Notice dated May 24, 2012 convening the 64th Annual General Meeting of the Company scheduled to be held on July 25, 2012]

Item No. 5

At the 59th Annual General Meeting of the Company held on July 20, 2007, members had accorded their consent to the Board of Directors ("the Board") to remunerate the Non-Executive Directors of the Board with commission @1% of the net profits of the Company with an overall ceiling of ₹ 25,00,000/- (Rupees Twenty Five Lakhs only) per financial year for a period of five years commencing from October 2, 2007.

The Company's business requires expert advice from the Board from diverse backgrounds for the future growth plans of the Company. The position of a Non-Executive Director demands focused attention, increased time and more responsibility in their fiduciary capacity. In light of such a situation, the Board recommends that the Non-Executive Directors may be remunerated with commission not exceeding 1% of the net profits of the Company, computed in the manner referred to in Section 198(1) of the Act, per financial year for a further period of five financial years commencing from April 1, 2012.

The Board recommends that shareholders adopt the proposed resolution as a Special Resolution.

The Directors eligible to receive commission on net profits of the Company may be deemed to be interested in the said Resolution.

By Order of the Board of Directors

GIRISH TEKCHANDANI
Company Secretary

Registered Office:

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

May 24, 2012

Directors' Report

Your Directors are pleased to present the Annual Report and the Audited Accounts for the financial year ended March 31, 2012.

Summary of the Financial Results

	in ₹ million	
	2011-2012	2010-2011
Revenue from operations (Net)	8,442.9	7,512.1
Operating Profits		
Profit before tax	2,246.9	2,189.1
Profit after tax	1,520.2	1,466.7
Balance brought forward from previous year	3,537.1	2,588.5
Available for appropriation	5,057.3	4,055.2
The Directors have made the following appropriations:		
Dividend (Proposed)	319.6	319.6
Tax on proposed dividend	51.8	51.8
General Reserve	152.0	146.7
Carry forward	4,533.9	3,537.1
	5,057.3	4,055.2

Dividend

The Board has recommended payment of dividend at ₹ 10 per equity share of ₹ 5 each for the financial year 2011-12. The dividend, if approved by the members at the Annual General Meeting, will result in a cash outflow of ₹ 371.4 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 \$ 12.3 billion (IMS March MAT 2012) is a highly fragmented market with a large number of players spread across therapy segments. Growing at ~15 per cent per annum, it continues to be a predominantly “branded generics” market with more than 5,000 players and over 50,000 brands. As one of the fastest growing markets in the world, it has been projected by McKinsey & Company to become a US \$ 55 billion market by 2020 with a potential for much higher growth if the market grows aggressively.

Increasing urbanisation, rising life expectancy and adoption of a sedentary way of living has resulted in a growing prevalence of lifestyle diseases such as cardiovascular ailments and diabetes. There is also a change in disease pattern from acute to chronic although the acute segment continues to play a dominant role. Consequently, there is increased demand for products to treat these medical conditions.

An unpredictable product patent regime with the grant of the first compulsory license for a pharmaceutical product and uncertainties related to government pricing policies continue to create an unpredictable environment for the pharmaceutical industry.

OTC

Valued at about US \$ 2.1 billion, the Indian OTC market is the 13th largest in the world and estimated to grow at 10 per cent per annum over the next five years. It was ranked as the second fastest growing market among the top 20 markets in the world in 2011.

There is no clarity with regard to regulatory guidelines for the OTC segment and a potential threat of price control over some key products.

Animal Health

The Animal Health market is estimated to have grown by around 7 per cent during this financial year. Government support to the private sector to establish dairy co-operatives and a commitment to procure 65 per cent milk from them has boosted growth in this segment with large cross-bred dairy farms being set up across the country. The poultry industry has had a good year in spite of being impacted by viral diseases and a small slow down towards the end of the period. Government is making great efforts towards eradicating foot and mouth disease through a concerted vaccination campaign.

b. Performance

Revenue from Operations (Net) for the year ended March 31, 2012 was at ₹ 8,442.9 million representing a growth of 12.4 per cent over the previous year.

Profit before tax for the year was at ₹ 2,246.9 million representing a growth of 2.6 per cent over the previous year which was impacted by an unprecedented depreciation in the value of the rupee.

After providing for income tax of ₹ 726.7 million, profit after tax was ₹ 1,520.2 million representing a growth of 3.6 per cent over the previous year.

c. Segment-wise operational performance

Pharmaceuticals

The Pharmaceuticals business registered sales of ₹ 5,861.1 million representing a growth of 11.9 per cent over the previous year. Higher sales of its flagship brand Voveran® and the Oxytocsics group were the primary contributors of this growth.

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

Therapeutic Area	Product
Pain Management	Efetrax®
Pain Management	Voveran® 50 GE
Spasticity	Lioresal® Syrup

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

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

Generics

The Generics business recorded sales of ₹ 573.1 million representing a growth of 3.5 per cent over the previous year.

OTC

For the year under review, the OTC business registered sales of ₹ 1,171.1 million, a growth of 15.6 per cent over the previous year. The strong growth was attributable to the improved performance of the Cough, Cold and Allergy range of products driven by Otrivin® and T-minic®.

Otrivin® continues to be the No. 1 brand in the Nasal decongestant category with a market share of 35.4 per cent (IMS MAT Mar 2012)

New line extension introduced during the period under review was:

Market Segment	Product
Nasal Decongestant	Otrivin® Menthol Spray

Animal Health

During the year under review, the Animal Health business achieved sales of ₹ 837.6 million representing a growth of 18.5 per cent over the comparable previous period. Primary contributors to this growth were the flagship brands of Denagard®, Mifex®/Mifex® Oral, Larvadex® and Natuzyme. An expanded customer base in the rural market coupled with key account management also played a significant role.

New products introduced during the year were:

Market Segment	Product
Poultry	Enplus
Cattle	Dexbov™, Antifur™, Vayuhara, Vetimam™, Feedavit

d. Concerns

Pharmaceuticals and Generics

The Pharmaceutical industry in India is facing multiple operational and regulatory headwinds which serve to negate the favourable macro trends in the economy. The health infrastructure continues to be a matter of grave concern effectively putting healthcare out of reach of the burgeoning population, particularly in rural India.

The Government proposed a new pharmaceutical pricing policy in October 2011. The proposed policy is a major departure from the existing price control policy. If implemented as is, the policy could have an adverse impact on your Company's profitability. The Company is hopeful that de-regulation in the form of market based price monitoring becomes the norm.

Introduction of product patents in 2005 was a welcome step but the environment is still not conducive to innovation. Issue of the first compulsory license to a pharmaceutical product will only serve to impede investments in innovation. Your Company hopes that legitimate innovation will be recognised, rewarded and encouraged.

OTC

The OTC business is subjected to constraints from the Trade Associations which in turn limits its distribution reach. High promotional costs continue to put pressure on margins. Price control as proposed under the new drug policy is also an area of concern.

Animal Health

Generic competition, viral diseases, erratic monsoon, rising cost of feed, avian influenza and high inflation continue to be areas of concern. In addition, poor infrastructure facilities adversely impact prospects for exports.

General Concerns

Inflation: The Indian economy is facing a high level of inflation. It may be difficult for the Company to pass on the increase in the cost of various inputs/services to the consumers which may in turn have an impact on the margins of the Company.

Currency rate fluctuation: In the last financial year, the currency markets witnessed high volatility. In general, the value of the Indian Rupee has depreciated against major currencies. The Company imports some of its products for marketing/selling in India and sudden changes in currency values may have an impact on the margins of the Company.

e. Outlook

Pharmaceuticals and Generics

India remains a market with a huge long-term potential given the large population with low healthcare penetration and rising urbanisation. The Indian Pharmaceutical market is projected to witness strong growth over the next couple of years driven by growing disposable income, changing disease profile with increase in lifestyle diseases and market penetration of tier II, tier III and rural markets. Ever-increasing health awareness and gradual expansion of health insurance penetration will also drive growth of the segment.

OTC

The overall future of the OTC market looks promising. Growing economy, higher disposable incomes, rapidly increasing middle class and greater health awareness are likely to result in higher spends on OTC products.

Animal Health

With the monsoon expected to be normal, the cattle segment is expected to grow consistently as per projections given in the National Dairy Plan while the poultry industry is likely to undergo de-population due to frequent outbreak of viral diseases.

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 to ensure that all assets are protected against loss and that the financial and operational information is accurate and complete in all respects. Audits are 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 cordial. The Company regards its employees as its strength and accords high priority to training and development of employees. During the year under review, the Company introduced a global program called Be Healthy for its associates encouraging them to take charge of their health through a variety of measures including keeping track of their health scores, exercising and eating a healthy diet.

Number of employees as on March 31, 2012 was 1,359.

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 Responsibility

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

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

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

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

Dematerialisation of promoters shareholding

As per a requirement of the Securities and Exchange Board of India, the promoters of the Company dematerialized the remaining part of its total shareholding, earlier held in physical form. The entire promoters holding, being 76.42 per cent, is held in dematerialized form.

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, 2012 stood at ₹ 1.9 million. The Company does not have any unclaimed or overdue deposits as of date.

Directors

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

Auditors

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

Cost Audit

The Directors have re-appointed M/s N. I. Mehta and Co., Cost Accountants, as Cost Auditors to audit the accounts relating to drug formulations for the financial year ending March 31, 2013.

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 Act, the Directors confirm that:

- (a) in the preparation of the Annual Accounts, the applicable Accounting Standards have been followed;
- (b) appropriate accounting policies have been selected and applied consistently and have made judgements and estimates that are reasonable and prudent, so as to give a true and fair view of the state of affairs of the Company as at March 31, 2012 and of the profit of the Company for the year ended March 31, 2012;

- (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 practicing Company Secretary and the report on Corporate Governance form part of this Directors' Report.

Acknowledgement

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

Cautionary Note

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

On behalf of the Board of Directors

Mumbai, May 24, 2012

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, 2012.

Conservation of Energy

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

FORM A

Form of Disclosure of particulars with respect to Conservation of Energy

	2011-12	2010-11
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:

	in ₹ million	
	2011-12	2010-11
a. Capital	0.2	—
b. Revenue	2.7	1.7
c. Total	2.9	1.7
d. Total R&D expenditure as a percentage to Revenue from Operations (Net)	0.03%	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 on-going process involves visits by employees of both companies to each other's office sites for discussions and training.

Foreign Exchange earnings and outgo

The information in this regard is provided in Note nos. 40 to 43 to the Accounts.

On behalf of the Board of Directors

Mumbai, May 24, 2012

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

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

2. Board of Directors

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

The details of the Board of Directors are given below:

Name	Category (Director)	Date of joining the Board	No. of Directorships/Committee Memberships/Chairmanships (Including Novartis India Limited)			
			Directorships under Section 275 ⁽¹⁾	Other Directorships	Committee Memberships ⁽²⁾	Committee Chairmanships ⁽²⁾
Mr C. Snook	Non-Executive Chairman	01.08.2008	1	45	2	—
Mr R. Shahani	Vice Chairman and Managing Director	01.11.2002	1	4	1	—
Mr J. Hiremath	Independent	28.01.2006	3	8	2	1
Dr R. Mehrotra	Independent	30.05.2000	2	—	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, 2012.

3. Board Meetings

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

During the financial year under review, four Board meetings were held on May 24, 2011; July 25, 2011; October 31, 2011 and January 30, 2012. 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, 2012	No. of meetings attended during the financial year ended March 31, 2012	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 24, 2011; July 25, 2011; October 31, 2011 and January 30, 2012.

Details of 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, 2012	No. of meetings attended during the financial year ended March 31, 2012
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 Managing Director desiring to leave the service of the Company, he shall give to the Company six months' notice. The Company may, at its sole discretion relieve the Managing Director of his duties any time by giving six months' notice.

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

1. Salary, as 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 and 63rd 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 within an overall ceiling of ₹ 25,00,000 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:

in ₹ million

Name of the Director	Salary	Perquisites	Performance Incentive	Commission	Total
Mr C. Snook	—	—	—	—	—
Mr R. Shahani	6.6	5.2	5.1	—	16.9
Dr R. Mehrotra	—	—	—	0.5	0.5
Mr J. Hiremath	—	—	—	0.5	0.5

The Company has no stock option 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 24, 2011; July 25, 2011; October 31, 2011 and January 30, 2012.

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

Name of the Director	Category	No. of meetings held during the financial year ended March 31, 2012	No. of meetings attended during the financial year ended March 31, 2012
Dr R. Mehrotra	Chairman of the Committee; Independent Director	4	4
Mr C. Snook	Member; Non-Executive Director	4	4
Mr R. Shahani	Member; Vice Chairman and Managing Director	4	4

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

During the financial year, the Company/Company's Registrar and Transfer Agents received 15 complaints. There were no complaints from shareholders pending as on March 31, 2012.

7. General Body Meetings

Annual General Meeting for the financial year	Location of holding Annual General Meeting	Date and Time of Annual General Meeting
2010-2011	Y. B. Chavan Auditorium, Gen. Jagannath Bhosale Marg, Mumbai 400 021	July 26, 2011 at 11:00 a.m.
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.

At the Annual General Meeting 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 the Company's Registrar and Transfer Agent.

No special resolution was passed through postal ballot in the last year. There is no item on the agenda of the forthcoming Annual General Meeting 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. 47 to 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 the Company's Board meetings and adopting a process to meet the objectives of the 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 Bombay Stock Exchange Limited together with a copy of the Company's press release such that it 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.

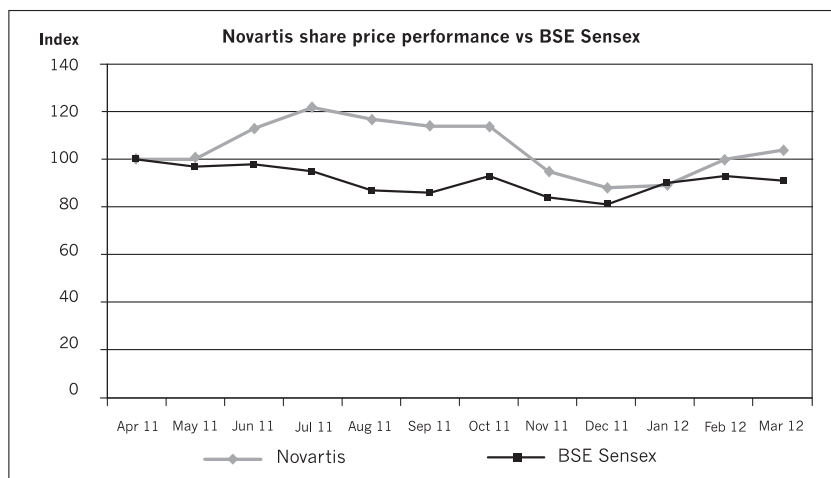
10. General shareholder information

AGM date, venue and time:	July 25, 2012, at Hall of Culture, Nehru Centre Worli, Mumbai 400 018 at 11:30 a.m.
Financial Calendar:	April to March
First quarter results:	Second fortnight of July 2012
Second quarter results:	Second fortnight of October 2012
Third quarter results:	Second fortnight of January 2013
Results for the year ending March 2012:	Second fortnight of May 2013
Date of Book closure:	July 20, 2012 till July 25, 2012 (Both days inclusive)
Dividend payment date:	On or after July 30, 2012
Listing on Stock Exchanges:	Bombay Stock Exchange Limited, Mumbai
Payment of annual listing fees:	The annual listing fees for year 2012-13 have been paid to Bombay Stock Exchange Limited
Stock Code (BSE):	500672
Demat ISIN No. for CDSL and NSDL:	INE234A01025
Payment of annual custody fees:	The annual custody fees for year 2012-13 have been paid to CDSL and NSDL

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

(₹)		
Bombay Stock Exchange Limited, Mumbai		
Month	High	Low
April 2011	785.00	640.05
May 2011	762.00	690.00
June 2011	877.00	729.00
July 2011	939.00	830.00
August 2011	910.00	821.30
September 2011	944.00	822.00
October 2011	855.80	776.00
November 2011	860.00	702.00
December 2011	739.70	641.05
January 2012	680.00	616.50
February 2012	748.90	646.10
March 2012	794.00	720.00

(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 2011.

Registrar & Transfer
Agents:

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

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

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

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

E-mail: indira@shareproservices.com
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' Grievance 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, 2012

Sr. No.	No. of equity shares held		Shareholder(s)		Shareholding(s)	
	From	To	Nos.	%	Nos.	%
1	1	500	39,487	96.93	3,359,833	10.51
2	501	1000	702	1.72	518,537	1.62
3	1001	2000	295	0.72	430,976	1.35
4	2001	3000	89	0.22	223,529	0.70
5	3001	4000	35	0.09	123,056	0.39
6	4001	5000	23	0.06	99,936	0.31
7	5001	10000	45	0.11	314,020	0.98
8	10001 and above		63	0.15	26,890,910	84.14
Total			40,739	100.00	31,960,797	100.00

Shareholding Pattern as on March 31, 2012

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	299,462	0.94
b. Banks, Financial Institutions, Insurance Companies (Central/State Govt. Institutions/ Non-Govt. Institutions)	296,997	0.93
c. FIIs	226,436	0.71
Sub-Total	822,895	2.58
4 Others		
a. Private Corporate Bodies	656,905	2.06
b. Indian Public	5,897,093	18.45
c. NRIs/OCBs	157,238	0.49
d. Directors & their relatives	270	0.00
e. Any Others (NSDL Transit)	1,594	0.00
Sub-Total	6,713,100	21.00
Grand Total	31,960,797	100.00

Dematerialisation of shares and liquidity

The Company's shares are traded compulsorily in dematerialised form on the stock exchange. As on March 31, 2012, 97.16 per cent of the paid-up share capital of the Company was in dematerialised form. Novartis AG completed dematerialization of its entire holding, being 76.42 per cent, on December 23, 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 Transfer Agents at the address mentioned earlier.

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

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

E-mail: girish.tekchandani@novartis.com

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

All the Board members and senior management personnel of the Company have confirmed adherence with the Code of Conduct of Novartis India Limited for the financial year ended March 31, 2012.

For Novartis India Limited

RANJIT SHAHANI
Vice Chairman and
Managing Director

Mumbai, May 21, 2012

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

I have examined compliance by Novartis India Limited (the Company) with the requirements under Clause 49 of the Listing Agreement entered into by the Company with the Bombay Stock Exchange for the year ended on March 31, 2012.

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

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

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

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

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

Pune, May 4, 2012

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, 2012, and the related Statement of Profit and Loss 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, Statement of Profit and Loss and Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - (d) In our opinion, the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Act;
 - (e) On the basis of written representations received from the directors, as on 31st March, 2012 and taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2012 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, 2012;
 - (ii) in the case of the Statement of Profit and Loss, 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 Lovelock & Lewes
Firm Registration No. 301056E
Chartered Accountants

Himanshu Goradia
Partner
Membership No. 45668

Mumbai, 24th May, 2012

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 as of and for the year ended 31st March, 2012]

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 (excluding stocks with third parties) has been physically verified by the management during the year. In respect of inventory lying with third parties, these have substantially been confirmed by them. In our opinion, the frequency of verification is reasonable.
(b) In our opinion, the procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.
(c) On the basis of our examination of the inventory records, in our opinion, the company is maintaining proper records of inventory. In our opinion, the discrepancies noticed on physical verification of inventory as compared to book records were not material.
3. (a) The company has not granted any loans, secured or unsecured, to companies, firms or other parties covered in the register maintained under Section 301 of the Act. Accordingly, 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 ₹ 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 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 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 and service tax 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, 2012 which have not been deposited on account of a dispute, are as follows –

Name of the statute	Nature of dues	Amount* ₹ Million	Period to which the amount relates	Forum where the dispute is pending
The Income-tax Act, 1961	Income-tax	28.5	Assessment Years 1991–1992, 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	252.0	2000–2001 to 2010–2011	Appellate Authority – up to Commissioner's level
		9.5	1993–1994, 2000–2001 to 2002–2003 and 2004–2005	Tribunal
		0.2	1997–1998	The High Court of Kerala
The Customs Act, 1962	Customs Duty	0.4	2002–2003	Appellate Authority – up to Commissioner's level
The Central Excise Act, 1944	Excise duty including penalty, as applicable	0.6	1990 and June 1993 to October 1993	Appellate Authority – up to Commissioner's level
		2.4	August 1993 to December 1996	Customs, Excise & Service Tax Appellate Tribunal

* Net of amounts paid including under protest.

10. The company has no accumulated losses as at 31st March, 2012 and has not incurred any cash losses in the financial year ended on that date or in the immediately preceding financial year.
11. According to the records of the company examined by us and the information and explanations given to us, the company has not defaulted in repayment of dues to any financial institution or bank or debenture holders as at the Balance Sheet date.
12. The company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
13. The provisions of any special statute applicable to chit fund/nidhi/mutual benefit fund/ societies are not applicable to the company.
14. 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 any such case by the management.

Mumbai, 24th May 2012

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

Himanshu Goradia
Partner
Membership No. 45668

Balance Sheet as at 31st March 2012

	Note	As at 31 st March 2012		As at 31 st March 2011	
		in ₹ million	in ₹ million	in ₹ million	in ₹ million
Equity and Liabilities					
Shareholders' Funds					
Share Capital	2	159.8		159.8	
Reserves and Surplus	3	8,018.9		6,870.1	
			8,178.7		7,029.9
Non-Current Liabilities					
Long-term Borrowings	4	1.4		—	
Other Long-term Liabilities	5	38.7		41.2	
Long-term Provisions	6	178.5		157.8	
			218.6		199.0
Current Liabilities					
Trade Payables	7	979.1		793.7	
Other Current Liabilities	8	411.2		281.0	
Short-term Provisions	9	549.3		628.4	
			1,939.6		1,703.1
Total			10,336.9		8,932.0
Assets					
Non-Current Assets					
Fixed Assets					
	10				
Tangible Assets		100.5		78.6	
Intangible Assets		0.6		1.1	
Capital Work-in-Progress		1.0		1.6	
		102.1		81.3	
Non-Current Investments	11	0.3		0.3	
Deferred Tax Assets	12	172.6		157.6	
Long-term Loans and Advances	13	711.4		712.7	
Other Non-Current Assets	14	23.9		0.5	
			1,010.3		952.4
Current Assets					
Inventories	15	790.1		536.2	
Trade Receivables	16	699.5		628.1	
Cash and Bank Balances	17	828.9		884.2	
Short-term Loans and Advances	18	6,997.6		5,897.1	
Other Current Assets	19	10.5		34.0	
			9,326.6		7,979.6
Total			10,336.9		8,932.0

The Notes are an integral part of the Financial Statements.

In terms of our report
of even date

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

HIMANSHU GORADIA
Partner
Membership No. 45668

Mumbai, 24th May 2012

For and on behalf of the Board

C. SNOOK
Chairman

GIRISH TEKCHANDANI
Company Secretary &
Compliance Officer

Mumbai, 24th May 2012

R. SHAHANI
Vice Chairman &
Managing Director

J. HIEMATH
Dr R. MEHROTRA } Directors

Statement of Profit and Loss for the year ended 31st March 2012

	Note	Year ended 31 st March 2012		Year ended 31 st March 2011	
		in ₹ million	in ₹ million	in ₹ million	in ₹ million
Revenue					
Revenue from Operations (Gross)	23	8,468.0		7,526.3	
Less: Excise Duty		25.1		14.2	
Revenue from Operations (Net)		8,442.9		7,512.1	
Other Income	24	840.1		673.3	
Total Revenue			9,283.0		8,185.4
Expenses					
Cost of Materials Consumed	25	313.9		236.6	
Purchases of Stock-in-Trade		3,023.8		2,524.9	
Changes in Inventories of Finished Goods, Work-in-Progress and Stock-in-Trade	26	(222.9)		(28.4)	
Employee Benefits Expense	27	1,316.5		1,101.0	
Finance Costs	28	5.4		2.8	
Depreciation and Amortisation Expense		26.7		23.8	
Other Expenses	29	2,572.7		2,137.5	
		7,036.1		5,998.2	
Less: Cost of Services Shared		—		1.9	
Total Expenses			7,036.1		5,996.3
Profit before Tax			2,246.9		2,189.1
Tax Expense					
For the year					
Current Tax		745.0		735.0	
Deferred Tax		(15.0)		(2.7)	
		730.0		732.3	
For earlier years – Current Tax (Net)		(3.3)		(9.9)	
			726.7		722.4
Profit for the year			1,520.2		1,466.7
Earnings per Share – Basic and Diluted [₹ per Equity Share of ₹ 5 each] [Refer Note 49]			47.56		45.89

The Notes are an integral part of the Financial Statements.

In terms of our report of even date	For and on behalf of the Board	
For Lovelock & Lewes Firm Registration No. 301056E 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 2012	Mumbai, 24 th May 2012	

Notes forming part of the Financial Statements for the year ended 31st March 2012

1. Significant Accounting Policies

(a) Basis of Preparation

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

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

(b) Fixed Assets

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

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

Description	Estimated Useful Life
Tangible Assets	
Buildings	40 years
Plant and Equipment	
Computers	3 years
Quality Control Equipment	5 years
Others	12.5 years
Furniture and Fixtures	10 years
Vehicles	5 years
Office Equipment	5 years
Intangible Assets	
Trade Marks	5 years

Leasehold Improvements are amortised over the balance period of lease.

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

(c) Investments

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

(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 Statement of Profit and Loss.

Notes forming part of the Financial Statements for the year ended 31st March 2012

(f) 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.

(g) Employee Benefits

(i) Long-term Employee Benefits

(a) Defined Contribution Plans

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

(b) Defined Benefit Plans

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

The obligations are measured as the present value of estimated future cash flows discounted at rates reflecting the prevailing market yields of Indian Government securities as at the Balance Sheet date for the estimated term of the obligations. The estimate of future salary increases considered takes into account the inflation, seniority, promotion and other relevant factors. The expected rate of return of plan assets is the company's expectation of the average long-term rate of return expected on investments of the fund during the estimated term of the obligations. Plan assets are measured at fair value as at the Balance Sheet date. The actuarial valuation method used by independent actuary for measuring the liability is the Projected Unit Credit method.

(c) Other Long-term Employee Benefit

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

(ii) Termination benefits are recognised as an expense as and when incurred.

(iii) Actuarial gains and losses comprise experience adjustments and the effects of changes in actuarial assumptions and are recognised in the Statement of Profit and Loss in the year in which they arise.

(h) 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.

(i) 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.

(j) Provisions and Contingent Liabilities

The company recognises a provision when there is a present obligation as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation and in respect of which reliable estimate can be made. A disclosure for a contingent liability is made

Notes forming part of the Financial Statements for the year ended 31st March 2012

when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. Where there is a possible obligation or a present obligation and the likelihood of outflow of resources is remote, no provision or disclosure is made.

(k) Use of Estimates

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

2. Share Capital

Authorised

64,000,000 Equity Shares of ₹ 5 each	320.0	320.0
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Issued, Subscribed and Paid-up

31,960,797 Equity Shares of ₹ 5 each fully paid-up	159.8	159.8
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	As at 31 st March 2012		As at 31 st March 2011	
	No. of Shares	in ₹ million	No. of Shares	in ₹ million
(a) Reconciliation of Number of Shares				
Number of shares outstanding as at the beginning of the year	31,960,797	159.8	31,960,797	159.8
Number of shares outstanding as at the end of the year	31,960,797	159.8	31,960,797	159.8

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

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

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

Name of Shareholder	As at 31 st March 2012		As at 31 st March 2011	
	No. of Shares	% of Holding	No. of Shares	% of Holding
Novartis AG, Basel, Switzerland	24,424,802	76.42	24,424,802	76.42

Notes forming part of the Financial Statements for the year ended 31st March 2012

	As at 31 st March 2012		As at 31 st March 2011	
	in ₹ million	in ₹ million	in ₹ million	in ₹ million
3. Reserves and Surplus				
Capital Subsidy		1.5		1.5
General Reserve				
Balance as at the beginning of the year	3,102.7		2,956.0	
Add: Amount transferred from Surplus in Statement of Profit and Loss during the year	152.0		146.7	
Balance as at the end of the year		3,254.7		3,102.7
Securities Premium Account		228.8		228.8
Surplus in Statement of Profit and Loss				
Balance as at the beginning of the year	3,537.1		2,588.5	
Profit for the year	1,520.2		1,466.7	
	5,057.3		4,055.2	
Less: Appropriations				
Proposed Dividend (Refer Note 22)	319.6		319.6	
Tax on Proposed Dividend	51.8		51.8	
Transfer to General Reserve	152.0		146.7	
Balance as at the end of the year		4,533.9		3,537.1
		8,018.9		6,870.1
4. Long-term Borrowings (Unsecured)				
Fixed Deposits (Repayable on maturity within the period from April 2013 to March 2014 along with interest at 7%)		1.4		—
5. Other Long-term Liabilities				
Voluntary Retirement Costs [Refer Note 31(b)]		5.8		7.4
Payables for Fixed Assets		—		0.1
Deposits from Dealers		32.9		33.7
		38.7		41.2
6. Long-term Provisions				
Provision for Employee Benefits		177.9		157.2
Provision for Fringe Benefits Tax [Net of Payments of ₹ 38.1 million (Previous year ₹ 38.1 million)]		0.6		0.6
		178.5		157.8
7. Trade Payables				
Micro and Small Enterprises [Refer Note 32]		4.4		1.3
Others		974.7		792.4
		979.1		793.7

Notes forming part of the Financial Statements for the year ended 31st March 2012

	As at 31 st March 2012	As at 31 st March 2011
	in ₹ million	in ₹ million
8. Other Current Liabilities		
Current Maturities of Fixed Deposits [Refer Note 4]	0.5	2.0
Interest accrued but not due on Borrowings	0.1	0.4
Unpaid Dividends@	13.4	13.0
Advances from Customers	17.7	26.4
Employee Benefits Payable	183.5	114.7
Statutory Dues	150.3	86.8
Book Overdraft	43.5	35.2
Voluntary Retirement Costs [Refer Note 31(b)]	2.2	2.5
	411.2	281.0

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

9. Short-term Provisions		
Provision for Employee Benefits	63.1	65.6
Current Taxation [Net of Payments of – Nil (Previous year ₹ 1,905.7 million)]	—	72.7
Provision for Fringe Benefits Tax [Net of Payments of ₹ 117.8 million (Previous year ₹ 117.8 million)]	31.9	31.9
Proposed Dividend (Refer Note 22)	319.6	319.6
Tax on Proposed Dividend	51.8	51.8
Provision for Non-sellable Sales Returns [Refer Note 30]	82.9	86.8
	549.3	628.4

10. Fixed Assets		(in ₹ million)									
Description	Gross Block (at cost)				Depreciation/Amortisation				Net Block		
	As at 1.4.2011	Additions	Deductions	As at 31.3.2012	As at 1.4.2011	For the year	On Deductions	As at 31.3.2012	As at 31.3.2012	As at 31.3.2011	
Tangible Assets											
Buildings	34.7	—	—	34.7	12.2	0.9	—	13.1	21.6	22.5	
Plant and Equipment	117.4	12.7	43.5	86.6	96.6	13.4	42.6	67.4	19.2	20.8	
Furniture and Fixtures	39.3	14.7	7.3	46.7	22.8	3.3	5.6	20.5	26.2	16.5	
Vehicles	14.5	—	0.9	13.6	8.4	2.4	0.9	9.9	3.7	6.1	
Office Equipment	33.5	12.4	5.7	40.2	20.8	4.1	5.3	19.6	20.6	12.7	
Leasehold Improvements	—	11.3	—	11.3	—	2.1	—	2.1	9.2	—	
	239.4	51.1	57.4	233.1	160.8	26.2	54.4	132.6	100.5	78.6	
Intangible Assets											
Trade Marks@	2.2	—	—	2.2	1.1	0.5	—	1.6	0.6	1.1	
	2.2	—	—	2.2	1.1	0.5	—	1.6	0.6	1.1	
	241.6	51.1	57.4	235.3	161.9	26.7	54.4	134.2	101.1	79.7	
Previous year	233.5	26.9	18.8	241.6	155.5	23.8	17.4	161.9			
Capital Work-in-Progress									1.0	1.6	
									102.1	81.3	

@ Other than internally generated.

Notes forming part of the Financial Statements for the year ended 31st March 2012

	As at 31 st March 2012		As at 31 st March 2011	
	in ₹ million	in ₹ million	in ₹ million	in ₹ million
11. Non-Current Investments				
(Non Trade)				
Quoted				
Investments in fully paid-up Equity Instruments				
12 Shares of ₹ 10 each of Atul Limited (# ₹ 336)		#		#
100,000 Shares of ₹ 2 each of Housing Development Finance Corporation Limited		0.2		0.2
2,500 Shares of ₹ 2 each (Previous year – 500 Shares of ₹ 10 each) of HDFC Bank Limited (@ ₹ 5,000)		@		@
		0.2		0.2
Unquoted				
Investments in fully paid-up Equity Instruments				
120 Shares of ₹ 50 each of The Malabar Hill Co-operative Housing Society Limited (* ₹ 6,000)		*		*
68 Shares of ₹ 50 each of The Palacimo Co-operative Housing Society Limited (## ₹ 3,400)		##		##
5 Shares of ₹ 50 each of Jaldarshan Co-operative Housing Society Limited (@@ ₹ 250)		@@		@@
88 Shares of ₹ 50 each of New Gulistan Co-operative Housing Society Limited (** ₹ 4,400)		**		**
		—		—
Investment in partly paid-up Equity Instruments				
1 Share 'A' of ₹ 120,000 – ₹ 118,000 paid-up of Hill Properties Limited		0.1		0.1
Investments in fully paid-up 4¹/₈% Bonds				
3 Loan Stock Bonds of ₹ 10,000 each of New Gulistan Co-operative Housing Society Limited (### ₹ 30,000)		###		###
12 Loan Stock Bonds of ₹ 50 each of New Gulistan Co-operative Housing Society Limited (@@@ ₹ 600)		@@@		@@@
		—		—
		0.3		0.3
Aggregate amount of Quoted Investments		0.2		0.2
Aggregate amount of Unquoted Investments		0.1		0.1
		0.3		0.3
Aggregate Market Value of Quoted Investments		68.7		71.1

Notes forming part of the Financial Statements for the year ended 31st March 2012

	As at 31 st March 2012		As at 31 st March 2011	
	in ₹ million	in ₹ million	in ₹ million	in ₹ million
12. Deferred Tax Assets				
Deferred Tax Assets				
Depreciation/Amortisation	23.4		24.2	
Provision for Doubtful Debts and Advances	27.6		24.2	
Compensation under Voluntary Retirement Schemes	5.0		5.9	
Provision for Employee Benefits	78.2		72.3	
Provision for Non-sellable Sales Returns	26.9		28.2	
Others	11.5		2.8	
		172.6		157.6
Less: Deferred Tax Liability		—		—
		172.6		157.6
13. Long-term Loans and Advances				
(Unsecured, Considered Good unless otherwise stated)				
Capital Advances		—		5.7
Security Deposits		57.9		22.4
Advances recoverable in cash or in kind or for value to be received				
Considered Good	354.0		409.9	
Considered Doubtful	32.3		16.5	
	386.3		426.4	
Less: Provision for Doubtful Advances	32.3		16.5	
		354.0		409.9
Current Taxation [Net of Provision of ₹ 4,893.7 million (Previous year ₹ 4,904.0 million)]				
		299.5		274.7
		711.4		712.7
14. Other Non-Current Assets				
Deposits with Banks with more than 12 months maturity		23.9		0.5
15. Inventories				
(At lower of cost and net realisable value)				
Raw Materials [including in-transit ₹ 3.4 million (Previous year ₹ 2.5 million)]		54.5		22.8
Finished Goods		86.5		35.0
Stock-in-Trade [including in-transit ₹ 24.5 million (Previous year – Nil)]		641.8		470.4
Packing Materials		7.3		8.0
		790.1		536.2

Notes forming part of the Financial Statements for the year ended 31st March 2012

	As at 31 st March 2012		As at 31 st March 2011	
	in ₹ million	in ₹ million	in ₹ million	in ₹ million
16. Trade Receivables				
Outstanding for a period exceeding six months from the date they were due for payment				
Secured, Considered Good	0.4		0.1	
Unsecured, Considered Good	6.8		3.6	
Unsecured, Considered Doubtful	52.9		58.1	
	60.1		61.8	
Less: Provision for Doubtful Debts	52.9		58.1	
		7.2		3.7
Others				
Secured, Considered Good	1.5		1.5	
Unsecured, Considered Good	690.8		622.9	
	692.3		624.4	
	699.5		628.1	

17. Cash and Bank Balances

Cash and Cash Equivalents

Balances with Banks

Current Accounts	12.3	25.2
Deposit Accounts (less than 3 months maturity)	776.2	821.2
Unpaid Dividend Accounts	13.4	13.0
	801.9	859.4

Cheques on Hand	25.8	21.2
Cash on Hand	0.7	2.2

828.4 **882.8**

Other Bank Balances

Long-term deposits with maturity more than 3 months but less than 12 months	0.5	1.4
	828.9	884.2

Notes forming part of the Financial Statements for the year ended 31st March 2012

	As at 31 st March 2012		As at 31 st March 2011	
	in ₹ million	in ₹ million	in ₹ million	in ₹ million
18. Short-term Loans and Advances				
(Unsecured, Considered Good)				
Loans and Advances to Related Parties				
Inter-Corporate Deposits*	6,795.5		5,703.5	
Other Receivables	81.1		56.9	
		6,876.6		5,760.4
Security Deposits		2.0		2.6
Advances recoverable in cash or in kind or for value to be received		78.4		131.8
Balances with Customs, Excise and Port Trust		12.4		2.3
Current Taxation [Net of Provision of ₹ 2,730.4 million (Previous year – Nil)]		28.2		—
		6,997.6		5,897.1
* Guaranteed by Novartis AG, Basel, Switzerland, the holding company.				
19. Other Current Assets				
Unbilled Service Income		3.7		24.7
Interest accrued but not due on Deposits with Banks		6.8		9.3
		10.5		34.0
20. Contingent Liabilities				
Claims against the company not acknowledged as debts				
Income-tax matters				
(i) Matters decided in favour of the company but disputed further by the income-tax authorities		300.4		301.6
(ii) Matters decided against the company in respect of which the company has preferred an appeal		135.7		147.1
Sales tax matters		282.7		252.5
Service tax matter		3.3		3.3
Excise matters		3.0		5.1
Claims from third party manufacturers in respect of Excise matters		34.6		32.9
Claim from a third party in respect of Property tax matter		—		699.8
Claims from Consumers		0.2		1.8
Others		2.1		2.1
Notes:				
Future cash outflows in respect of the above are determinable only on receipt of judgements/decisions pending with various authorities/forums and/or final outcome of the matters.				

21. Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances) ₹ 1.4 million [Previous year ₹ 7.9 million].

Notes forming part of the Financial Statements for the year ended 31st March 2012

	Year ended 31 st March 2012		Year ended 31 st March 2011	
	in ₹ million	in ₹ million	in ₹ million	in ₹ million
22. Proposed Dividend				
Proposed Dividend (in ₹ million)		319.6		319.6
Number of shares outstanding as at the end of the year		31,960,797		31,960,797
Dividend per Share (₹ per Equity Share of ₹ 5 each)		10.00		10.00
23. Revenue from Operations				
Sale of Products		7,953.5		7,100.6
Sale of Services		514.4		425.5
Other Operating Revenue – Sale of Scrap		0.1		0.2
Revenue from Operations (Gross)		8,468.0		7,526.3
Less: Excise Duty		25.1		14.2
Revenue from Operations (Net)		8,442.9		7,512.1
24. Other Income				
Interest Income		729.3		522.5
Dividend on Current Investments – Non Trade		3.2		5.3
Net Gain on Redemption of Current Investments		1.8		—
Rent		21.9		104.2
Insurance Claims		12.9		21.3
Liabilities no longer required written back		9.5		3.1
Net Gain on Foreign Currency Transactions and Translation		—		3.2
Miscellaneous Income		61.5		13.7
		840.1		673.3
25. Cost of Materials Consumed				
Raw Materials Consumed				
Opening Stock		22.8		32.3
Add: Purchases		300.8		193.7
		<u>323.6</u>		<u>226.0</u>
Less: Closing Stock		54.5		22.8
		269.1		203.2
Packing Materials Consumed				
Opening Stock		8.0		4.5
Add: Purchases		44.1		36.9
		<u>52.1</u>		<u>41.4</u>
Less: Closing Stock		7.3		8.0
		44.8		33.4
		313.9		236.6

Notes forming part of the Financial Statements for the year ended 31st March 2012

	Year ended 31 st March 2012		Year ended 31 st March 2011	
	in ₹ million	in ₹ million	in ₹ million	in ₹ million
26. Changes in Inventories of Finished Goods, Work-in-Progress and Stock-in-Trade				
Opening Stock				
Finished Goods	35.0		38.3	
Stock-in-Trade	470.4		438.7	
		505.4		477.0
Closing Stock				
Finished Goods	86.5		35.0	
Stock-in-Trade	641.8		470.4	
		728.3		505.4
		(222.9)		(28.4)
27. Employee Benefits Expense				
Salaries, Wages and Bonus [Refer Note 31]		1,145.2		917.8
Contribution to Provident and Other Funds		106.1		87.0
Contribution to Gratuity Fund		25.4		66.7
Pensions, etc.		0.5		0.6
Staff Welfare Expenses		39.3		28.9
		1,316.5		1,101.0
28. Finance Costs				
Interest on Fixed Deposits		0.1		0.2
Interest on Income-tax		1.9		0.4
Others		3.4		2.2
		5.4		2.8
29. Other Expenses				
Power and Fuel		25.2		23.9
Water Charges		1.2		1.1
Rent		117.7		107.1
Repairs and Maintenance				
Buildings	3.6		2.1	
Plant and Machinery	0.4		1.1	
Others	11.0		8.8	
		15.0		12.0
Insurance		14.8		7.8
Rates and Taxes				
Excise Duty	6.8		2.4	
Others	75.0		35.8	
		81.8		38.2

Notes forming part of the Financial Statements for the year ended 31st March 2012

	Year ended 31 st March 2012		Year ended 31 st March 2011	
	in ₹ million	in ₹ million	in ₹ million	in ₹ million
Processing Charges		30.1		21.4
Legal and Professional Charges		60.3		46.1
Travelling and Conveyance		232.2		180.8
Other Outside Services		606.5		526.6
Auditors' Remuneration		7.6		6.9
Freight and Forwarding		268.8		229.8
Commission on Sales		49.6		48.7
Advertisement and Sales Promotion		587.8		524.5
Cash Discount		25.3		18.8
Royalty		97.8		89.2
Bad Debts and Advances written off	21.3		2.0	
Less: Provision	21.3		2.0	
		—		—
Provision for Doubtful Debts and Advances (Net)		31.9		6.1
Net Loss on Redemption of Current Investments		—		0.1
Loss on Sale/Disposal of Fixed Assets (Net)		2.8		0.7
Net Loss on Foreign Currency Transactions and Translation		21.0		—
Miscellaneous Expenses		295.3		247.7
		2,572.7		2,137.5

30. Provision for Non-sellable Sales Returns

As at 1 st April	86.8	96.7
Provision made during the year	82.3	76.8
Amounts used during the year	86.2	86.7
As at 31 st March	82.9	86.8

31. (a) Salaries, Wages and Bonus include ₹ 2.8 million [Previous year ₹ 5.2 million] paid to employees under the Voluntary Retirement Schemes.

(b) Voluntary Retirement Costs represent the actuarial value as at 31st March 2012 of compensation payable under the Voluntary Retirement Schemes.

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

	As at 31 st March 2012	As at 31 st March 2011
	in ₹ million	in ₹ million
(a) The principal amount and the interest due thereon remaining unpaid to suppliers		
(i) Principal	3.4	1.2
(ii) Interest due thereon	1.0	0.1
	4.4	1.3

Notes forming part of the Financial Statements for the year ended 31st March 2012

		As at 31 st March 2012	As at 31 st March 2011
		in ₹ million	in ₹ million
(b) (i)	The delayed payments of principal amount paid beyond the appointed date during the entire accounting year	65.7	50.6
(ii)	Interest actually paid under Section 16 of the Micro, Small and Medium Enterprises Development Act, 2006	—	—
(c) (i)	Normal Interest accrued during the year, for all the delayed payments, as per the agreed terms	—	—
(ii)	Normal Interest payable for the period of delay in making payment, as per the agreed terms	—	—
(d) (i)	Total Interest accrued during the year	0.9	0.1
(ii)	Total Interest accrued during the year and remaining unpaid	0.9	0.1
(e)	Included in (d) above is – Nil [Previous year – Nil] being interest on amounts outstanding as at the beginning of the accounting year.		

		Year ended 31 st March 2012		Year ended 31 st March 2011	
Unit		Quantity	in ₹ million	Quantity	in ₹ million
33. Consumption of Raw Materials					
Calcium Gluconate	Tonnes	331.18	45.2	254.30	37.6
Tiamutin 80% Granules	Tonnes	32.45	151.7	21.81	91.4
Norethindrone Acetate USP/N	Kilo Grams	402.56	30.4	333.03	27.2
Others		—	41.8	—	47.0
		<u>269.1</u>		<u>203.2</u>	
		%	in ₹ million	%	in ₹ million
Imported		68.19	183.5	51.43	104.5
Indigenous		31.81	85.6	48.57	98.7
		<u>100.00</u>	<u>269.1</u>	<u>100.00</u>	<u>203.2</u>

Notes:

- (a) Consumption of Raw Materials includes consumption by third parties under contract with the company and consumption in respect of samples.
- (b) Components and spare parts referred to in Paragraph (viii)(c) of Additional Information (Paragraph 5) under General Instructions for Preparation of Statement of Profit and Loss in Part II of Revised 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 equipment.

Notes forming part of the Financial Statements for the year ended 31st March 2012

		Year ended 31 st March	
		2012	2011
	Unit	Production [@]	
		Quantity	Quantity
34. Production			
Pharmaceuticals			
Formulations – Capsules	Million Nos.	6.54	—
Generics			
Formulations – Tablets	Million Nos.	79.62	65.89
Animal Health			
Drug Formulations	Kilo Litres	1,577.94	1,158.22
	Tonnes	67.07	38.47
Feed Supplements	Tonnes	589.65	234.90

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

		Year ended 31 st March 2012		Year ended 31 st March 2011	
		Quantity	in ₹ million	Quantity	in ₹ million
35. Sale of Products*					
Pharmaceuticals					
Formulations					
Tablets	Million Nos.	914.63	2,831.1	901.02	2,542.3
Capsules	Million Nos.	10.00	424.3	7.72	402.2
Liquid – Orals	Kilo Litres	567.14	244.0	527.64	224.6
Injectables	Kilo Litres	233.24	1,151.4	231.36	1,033.9
	Kilograms	180.84	403.0	145.04	313.0
Creams and Ointments	Tonnes	128.62	189.9	134.82	195.7
Patches	Million Nos.	0.46	30.2	0.40	24.5
Vials	Thousands	1,670.30	138.7	2,154.42	161.6
		5,412.6		4,897.8	
Generics					
Formulations					
Tablets	Million Nos.	207.39	509.8	193.21	470.0
Liquid – Orals	Kilo Litres	7.98	3.3	7.97	3.4
		513.1		473.4	
OTC					
Powders – VMS	Tonnes	17.11	15.4	18.58	15.0
Tablets	Million Nos.	190.20	296.3	219.27	313.5
Capsules	Million Nos.	3.91	5.2	4.62	6.2
Liquid – Orals	Kilo Litres	606.17	848.2	536.11	673.9
		1,165.1		1,008.6	

Notes forming part of the Financial Statements for the year ended 31st March 2012

	Unit	Year ended 31 st March 2012		Year ended 31 st March 2011	
		Quantity	in ₹ million	Quantity	in ₹ million
Animal Health					
Drug Formulations	Tonnes	61.52	168.3	43.43	124.1
	Kilo Litres	1,633.51	279.4	1,396.34	249.8
	Million Nos.	1.26	14.4	1.31	14.0
Feed Supplements	Tonnes	1,683.10	310.6	1,400.50	265.7
	Kilo Litres	819.49	62.1	703.49	50.2
	Million Nos.	0.47	2.8	0.48	2.8
			837.6		706.6
			7,928.4		7,086.4

* Sales quantities include free issues.

36. Purchases of Stock-in-Trade

Pharmaceuticals

Formulations

Tablets	Million Nos.	965.94	1,052.6	868.89	873.4
Capsules	Million Nos.	6.23	343.1	8.21	332.4
Liquid – Orals	Kilo Litres	609.27	172.2	497.14	122.8
Injectables	Kilo Litres	209.99	263.8	270.52	295.2
	Kilograms	252.67	360.6	218.78	246.9
Creams and Ointments	Tonnes	138.14	54.9	137.83	50.9
Patches	Million Nos.	0.47	23.1	0.40	17.0
Vials	Thousands	1,896.59	98.5	2,527.16	70.6
			2,368.8		2,009.2

Generics

Formulations

Tablets	Million Nos.	139.72	119.7	135.85	107.1
Liquid – Orals	Kilo Litres	11.12	1.7	7.41	1.1
			121.4		108.2

OTC

Powders – VMS	Tonnes	13.69	6.3	17.65	7.5
Tablets	Million Nos.	197.96	71.0	202.01	57.0
Capsules	Million Nos.	4.17	1.3	4.17	1.2
Liquid – Orals	Kilo Litres	609.48	244.2	512.93	191.5
			322.8		257.2

Notes forming part of the Financial Statements for the year ended 31st March 2012

	Unit	Year ended 31 st March 2012		Year ended 31 st March 2011	
		Quantity	in ₹ million	Quantity	in ₹ million
Animal Health					
Drug Formulations	Tonnes	2.71	11.7	4.01	12.2
	Kilo Litres	296.67	55.0	231.56	43.6
	Million Nos.	0.80	4.3	1.72	6.2
Feed Supplements	Tonnes	1,723.49	135.3	1,054.26	85.0
	Kilo Litres	836.78	41.7	690.86	31.8
	Million Nos.	0.70	2.5	0.33	0.5
			250.5		179.3
			3,063.5		2,553.9
Less: Sales tax set off			39.7		29.0
			3,023.8		2,524.9

37. Opening Stock

Pharmaceuticals

Formulations

Tablets	Million Nos.	132.33	157.9	188.92	169.8
Capsules	Million Nos.	2.54	67.2	2.92	44.1
Liquid – Orals	Kilo Litres	86.85	22.0	134.36	35.7
Injectables	Kilo Litres	61.91	69.7	24.97	33.9
	Kilograms	55.35	39.0	25.89	29.5
Creams and Ointments	Tonnes	22.20	9.5	20.62	7.1
Patches	Million Nos.	0.11	5.5	0.12	5.3
Vials	Thousands	890.36	16.0	682.40	12.5
			386.8		337.9

Generics

Formulations

Tablets	Million Nos.	41.42	27.1	35.12	24.0
Liquid – Orals	Kilo Litres	1.10	0.2	2.11	0.3
			27.3		24.3

OTC

Powders – VMS	Tonnes	5.53	1.6	8.32	2.8
Tablets	Million Nos.	22.95	6.6	49.72	14.2
Capsules	Million Nos.	0.66	0.2	1.58	0.5
Liquid – Orals	Kilo Litres	53.74	17.4	97.01	28.4
			25.8		45.9

Notes forming part of the Financial Statements for the year ended 31st March 2012

	Unit	Year ended 31 st March 2012		Year ended 31 st March 2011	
		Quantity	in ₹ million	Quantity	in ₹ million
Animal Health					
Drug Formulations	Tonnes	4.13	13.8	5.14	13.6
	Kilo Litres	125.86	19.5	155.63	17.2
	Million Nos.	0.62	2.9	0.25	1.1
Feed Supplements	Tonnes	174.36	21.1	292.65	28.7
	Kilo Litres	116.18	7.8	133.78	7.5
	Million Nos.	0.20	0.4	0.52	0.8
			65.5		68.9
			505.4		477.0

38. Closing Stock*

Pharmaceuticals

Formulations

Tablets	Million Nos.	178.72	230.6	132.33	157.9
Capsules	Million Nos.	4.07	72.5	2.54	67.2
Liquid – Orals	Kilo Litres	101.46	45.2	86.85	22.0
Injectables	Kilo Litres	36.52	50.4	61.91	69.7
	Kilograms	36.45	83.5	55.35	39.0
Creams and Ointments	Tonnes	30.41	12.2	22.20	9.5
Patches	Million Nos.	0.10	5.8	0.11	5.5
Vials	Thousands	872.48	49.1	890.36	16.0
			549.3		386.8

Generics

Formulations

Tablets	Million Nos.	49.46	36.5	41.42	27.1
Liquid – Orals	Kilo Litres	3.42	0.5	1.10	0.2
			37.0		27.3

OTC

Powders – VMS	Tonnes	0.42	0.2	5.53	1.6
Tablets	Million Nos.	9.09	3.7	22.95	6.6
Capsules	Million Nos.	0.49	0.2	0.66	0.2
Liquid – Orals	Kilo Litres	46.15	20.7	53.74	17.4
			24.8		25.8

Animal Health

Drug Formulations	Tonnes	11.43	25.0	4.13	13.8
	Kilo Litres	359.81	41.7	125.86	19.5
	Million Nos.	0.11	0.5	0.62	2.9
Feed Supplements	Tonnes	315.14	41.4	174.36	21.1
	Kilo Litres	124.57	8.3	116.18	7.8
	Million Nos.	0.15	0.3	0.20	0.4
			117.2		65.5
			728.3		505.4

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

Notes forming part of the Financial Statements for the year ended 31st March 2012

	Year ended 31 st March 2012	Year ended 31 st March 2011
	in ₹ million	in ₹ million
39. Auditors' Remuneration		
(including service tax)		
Audit Fees	4.2	3.8
Other Services	3.2	2.9
Reimbursement of Expenses	0.2	0.2
	7.6	6.9
40. CIF Value of Imports		
Raw Materials	183.5	87.7
Stock-in-Trade	1,312.8	1,002.2
41. Expenditure in Foreign Currency		
Professional and Consultancy Fees	0.7	4.0
Travelling	15.3	12.1
Information Technology Charges	72.2	84.3
Net Loss on Foreign Currency Transactions and Translation	21.0	—
Others	20.5	43.9
42. 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 (in ₹ million)	244.2	244.2
Year to which the dividend related	31 st March 2011	31 st March 2010
43. Earnings in Foreign Exchange		
FOB Value of Exports (excluding exports to Nepal)	45.1	42.5
Sale of Services	14.2	10.0
Net Gain on Foreign Currency Transactions and Translation	—	3.2
Freight and Insurance	2.7	2.5
Recovery of Expenses	23.5	18.4

Notes forming part of the Financial Statements for the year ended 31st March 2012

	Year ended 31 st March 2012	Year ended 31 st March 2011
	in ₹ million	in ₹ million
44. Expenditure on Research and Development		
Capital	0.2	—
Revenue	2.7	1.7
45. Employee Benefits		
The company has classified various employee benefits as under:		
(A) Defined Contribution Plans		
The company has recognised the following amounts in the Statement of Profit and Loss for the year:		
(i) Contribution to Employee's Superannuation Fund	29.5	28.2
(ii) Contribution to Contractual Employees' Pension Scheme	5.8	5.6
(iii) Contribution to Family Pension Scheme	2.2	2.0
(B) Defined Benefit Plans		
Valuations in respect of Provident Fund, Gratuity, Leave Encashment, Non-Contractual Pension Plan and Post Retirement Medical Benefits have been carried out by independent actuary, as at the Balance Sheet date, based on the following assumptions:		
(a) Discount Rate (per annum)	8.60%	8.00%
(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

Notes forming part of the Financial Statements for the year ended 31st March 2012

	Year ended 31 st March 2012					Year ended 31 st March 2011				
	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
	in ₹ million	in ₹ million	in ₹ million	in ₹ million	in ₹ million	in ₹ million	in ₹ million	in ₹ million	in ₹ million	in ₹ million
(i) Changes in the Present Value of Obligation										
(a) Present Value of Obligation (Opening)	812.5	187.1	134.6	55.9	22.0	688.7	135.2	135.0	50.7	24.8
(b) Interest Cost	65.8	14.1	10.3	4.8	1.6	58.8	9.5	9.5	4.3	1.8
(c) Past Service Cost	—	—	—	3.0	—	—	47.5	—	—	—
(d) Current Service Cost	143.4	17.7	20.3	5.8	0.2	142.2	11.8	19.3	5.1	0.2
(e) Curtailment Cost/(Credit)	—	—	—	—	—	—	—	—	—	—
(f) Settlement Cost/(Credit)	—	—	—	—	—	—	—	—	—	—
(g) Obligations transferred from previous/(to subsequent) employers	30.9	3.7	—	(1.0)	—	—	(8.0)	(6.8)	(3.0)	(0.1)
(h) Benefits Paid	(124.0)	(22.2)	(12.7)	(1.3)	(2.9)	(91.8)	(18.1)	(20.7)	(2.1)	(2.6)
(i) Actuarial (Gain)/Loss	(26.7)	8.2	3.4	0.6	2.6	14.6	9.2	(1.7)	0.9	(2.1)
(j) Present Value of Obligation (Closing)	901.9	208.6	155.9	67.8	23.5	812.5	187.1	134.6	55.9	22.0
(ii) Changes in the Fair Value of Plan Assets										
(a) Fair Value of Plan Assets (Opening)	801.7	136.8	—	55.9	—	685.7	113.8	—	50.7	—
(b) Expected Return on Plan Assets	64.9	11.7	—	4.8	—	67.5	10.2	—	5.2	—
(c) Actuarial Gain/(Loss)	(22.0)	3.9	—	0.6	—	—	0.1	—	—	—
(d) Employers' Contributions	61.3	32.8	12.7	5.8	2.9	41.5	38.8	20.7	2.6	2.6
(e) Employees' Contributions [including transferred from previous employers in respect of Provident Fund — Nil (Previous year ₹ 32.5 million)]	80.1	—	—	—	—	98.8	—	—	2.5	—
(f) Assets transferred from previous/(to subsequent) employers	30.9	3.7	—	(1.0)	—	—	(8.0)	—	(3.0)	—
(g) Benefits Paid	(124.0)	(22.2)	(12.7)	(1.3)	(2.9)	(91.8)	(18.1)	(20.7)	(2.1)	(2.6)
(h) Fair Value of Plan Assets (Closing)	892.9	166.7	—	64.8	—	801.7	136.8	—	55.9	—
(iii) Percentage of each Category of Plan Assets to total Fair Value of Plan Assets as at the year end										
(a) Bank Deposits (Special Deposit Scheme, 1975)	41%	12%	—	—	—	45%	15%	—	—	—
(b) Debt Instruments	54%	30%	—	—	—	50%	35%	—	—	—
(c) Administered by Life Insurance Corporation of India	—	58%	—	100%	—	—	49%	—	100%	—
(d) Others	5%	—	—	—	—	5%	1%	—	—	—
(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	901.9	208.6	—	67.8	—	812.5	187.1	—	55.9	—
(b) Fair Value of Plan Assets as at the year end	892.9	166.7	—	64.8	—	801.7	136.8	—	55.9	—
(c) Funded (Asset)/Liability recognised in the Balance Sheet	9.0	41.9	—	3.0	—	10.8	50.3	—	—	—
(d) Present Value of Unfunded Obligation as at the year end	—	—	155.9	—	23.5	—	—	134.6	—	22.0
(e) Unrecognised Past Service Cost	—	—	—	—	(0.7)	—	1.0	—	—	(0.7)
(f) Unrecognised Actuarial (Gains)/Losses	—	—	—	—	—	—	—	—	—	—
(g) Unfunded Net Liability recognised in the Balance Sheet	—	—	155.9	—	22.8	—	(1.0)	134.6	—	21.3
(v) Amount recognised in the Balance Sheet										
(a) Present Value of Obligation as at the year end	901.9	208.6	155.9	67.8	22.8	812.5	186.1	134.6	55.9	21.3
(b) Fair Value of Plan Assets as at the year end	892.9	166.7	—	64.8	—	801.7	136.8	—	55.9	—
(c) (Asset)/Liability recognised in the Balance Sheet	9.0	41.9	155.9	3.0	22.8	10.8	49.3	134.6	—	21.3
Year ended 31 st March 2010						Year ended 31 st March 2009				
(a) Present Value of Obligation as at the year end	688.7	135.2	135.0	50.7	24.0	620.3	131.8	115.8	44.4	24.3
(b) Fair Value of Plan Assets as at the year end	685.7	113.8	—	50.7	—	617.7	106.3	—	44.4	—
(c) (Asset)/Liability recognised in the Balance Sheet	3.0	21.4	135.0	—	24.0	2.6	25.5	115.8	—	24.3
Year ended 31 st March 2008										
(a) Present Value of Obligation as at the year end	561.9	103.0	106.3	43.9	24.1					
(b) Fair Value of Plan Assets as at the year end	552.0	100.1	—	43.8	—					
(c) (Asset)/Liability recognised in the Balance Sheet	9.9	2.9	106.3	0.1	24.1					
(vi) Expenses recognised in the Statement of Profit and Loss										
(a) Current Service Cost	143.4	17.7	20.3	5.8	0.2	142.2	11.8	19.3	5.1	0.2
(b) Past Service Cost	—	1.0	—	3.0	0.1	—	46.5	—	—	(0.7)
(c) Interest Cost	65.8	14.1	10.3	4.8	1.6	58.8	9.5	9.5	4.3	1.8
(d) Expected Return on Plan Assets	(64.9)	(11.7)	—	(4.8)	—	(67.5)	(10.2)	—	(5.2)	—
(e) Curtailment Cost/(Credit)	—	—	—	—	—	—	—	—	—	—
(f) Settlement Cost/(Credit)	—	—	—	—	—	—	—	—	—	—
(g) Net Actuarial (Gain)/Loss	(4.7)	4.3	3.4	—	2.6	14.6	9.1	(1.7)	0.9	(2.1)
(h) Employees' Contribution	(80.1)	—	—	—	—	(98.8)	—	—	(2.5)	—
(i) Total Expenses recognised in the Statement of Profit and Loss	59.5	25.4	34.0	8.8	4.5	49.3	66.7	27.1	2.6	(0.8)

(c) Other Long-term Employee Benefit

The liability for Long Service Awards as at the year end ₹ 8.4 million [Previous year ₹ 6.8 million].

Notes forming part of the Financial Statements for the year ended 31st March 2012

	Year ended 31 st March 2012	Year ended 31 st March 2011
	in ₹ million	in ₹ million
46. Segment Information		
(A) Information in respect of Primary Segments		
(I) Segment Revenue (From External Customers)		
Pharmaceuticals	5,861.1	5,238.9
Generics	573.1	553.8
OTC	1,171.1	1,012.8
Animal Health	837.6	706.6
	8,442.9	7,512.1
(II) Segment Result		
Pharmaceuticals	1,292.3	1,425.6
Generics	190.4	210.4
OTC	175.2	54.0
Animal Health	74.9	56.9
	1,732.8	1,746.9
Unallocated Corporate Income net of Unallocated Corporate Expenditure	(213.0)	(82.8)
Operating Profit	1,519.8	1,664.1
Interest Expense	(5.4)	(2.8)
Interest/Dividend Income	732.5	527.8
Tax Expense	(726.7)	(722.4)
Profit for the year	1,520.2	1,466.7
(III) Other Information		
(a) Segment Assets		
Pharmaceuticals	1,307.7	1,134.4
Generics	121.9	151.3
OTC	147.0	135.5
Animal Health	394.4	269.8
	1,971.0	1,691.0
Unallocated Corporate Assets	8,365.9	7,241.0
	10,336.9	8,932.0
(b) Segment Liabilities		
Pharmaceuticals	1,165.3	911.3
Generics	79.3	71.8
OTC	174.3	161.5
Animal Health	139.8	96.6
	1,558.7	1,241.2
Unallocated Corporate Liabilities	599.5	660.9
	2,158.2	1,902.1
(c) Capital Expenditure		
Pharmaceuticals	10.6	17.5
Generics	0.5	—
OTC	0.3	1.7
Animal Health	0.5	1.4
	11.9	20.6
Unallocated Corporate Capital Expenditure	32.9	6.1
	44.8	26.7

Notes forming part of the Financial Statements for the year ended 31st March 2012

	Year ended 31 st March 2012	Year ended 31 st March 2011
	in ₹ million	in ₹ million
(d) Depreciation and Amortisation Expense		
Pharmaceuticals	14.8	15.0
Generics	0.3	0.5
OTC	2.9	2.0
Animal Health	3.4	3.3
	<u>21.4</u>	<u>20.8</u>
Unallocated Corporate Depreciation and Amortisation Expense	5.3	3.0
	<u>26.7</u>	<u>23.8</u>
Note: There are no non-cash expenses other than Depreciation and Amortisation Expense		
(B) Information in respect of Secondary Segments		
(I) Segment Revenue (From External Customers)		
India	8,345.5	7,404.6
Other Countries	97.4	107.5
	<u>8,442.9</u>	<u>7,512.1</u>
(II) Carrying amount of Segment Assets		
India	10,336.9	8,932.0
Other Countries	—	—
	<u>10,336.9</u>	<u>8,932.0</u>
(III) Capital Expenditure		
India	44.8	26.7
Other Countries	—	—
	<u>44.8</u>	<u>26.7</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.

Notes forming part of the Financial Statements for the year ended 31st March 2012

47. Related Party Disclosures

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

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

	Year ended 31 st March 2012		Year ended 31 st March 2011	
	in ₹ million	in ₹ million	in ₹ million	in ₹ million
(a) Holding Company				
Dividend paid		244.2		244.2
Royalty Expense		77.8		72.1
Balance as at the year end –				
Outstanding Payable		30.1		31.6
(b) Fellow Subsidiaries				
Purchases of Stock-in-Trade				
Alcon Pharmaceuticals Limited	87.5		—	
Novartis Pharma AG	1,183.5		986.6	
Sandoz Private Limited	14.4		12.1	
		1,285.4		998.7

Notes forming part of the Financial Statements for the year ended 31st March 2012

	Year ended 31 st March 2012		Year ended 31 st March 2011	
	in ₹ million	in ₹ million	in ₹ million	in ₹ million
Purchases of Raw Materials				
Novartis Animal Health GmbH	135.1		74.0	
Novartis Pharma AG	15.7		—	
Shanghai Novartis Animal Health Co. Limited	32.7		13.6	
		183.5		87.6
Sale of Products				
Novartis (Bangladesh) Limited	37.2		37.0	
Others	3.2		6.3	
		40.4		43.3
Services rendered/shared				
Novartis Healthcare Private Limited	466.6		334.7	
Sandoz Private Limited	69.4		80.4	
Others	14.2		10.0	
		550.2		425.1
Rent Income				
Novartis Healthcare Private Limited	21.9		4.5	
Sandoz Private Limited	—		2.6	
		21.9		7.1
Services availed				
Novartis Pharma AG	70.6		82.0	
Sandoz Private Limited	105.7		95.8	
Others	2.1		17.0	
		178.4		194.8
Rent Expense				
Sandoz Private Limited		13.5		8.3
Payment towards Share of Common Expenses				
Novartis Healthcare Private Limited	49.6		17.7	
Sandoz Private Limited	—		5.8	
Others	1.8		—	
		51.4		23.5
Miscellaneous Expenses (Promotional Materials, Training Courses, etc.)				
Novartis Asia Pacific Pharmaceuticals Pte. Limited	2.6		2.2	
Novartis International AG	6.7		2.7	
Novartis Pharma AG	3.7		8.0	
Novartis Pharmaceuticals Corporation Inc.	1.9		2.6	
Others	2.4		1.2	
		17.3		16.7

Notes forming part of the Financial Statements for the year ended 31st March 2012

	Year ended 31 st March 2012		Year ended 31 st March 2011	
	in ₹ million	in ₹ million	in ₹ million	in ₹ million
Recovery of Expenses				
Novartis Healthcare Private Limited	58.4		42.8	
Sandoz Private Limited	5.8		5.9	
Others	11.4		5.1	
		75.6		53.8
Recovery towards share of Common Expenses				
Novartis Pharmaceuticals (HK) Limited	13.0		10.5	
Novartis Healthcare Private Limited	5.3		31.0	
Others	—		2.1	
		18.3		43.6
Inter-corporate Deposits Placed				
Alcon Laboratories (India) Private Limited	6,213.5		—	
Novartis Healthcare Private Limited	11,984.8		10,719.9	
Sandoz Private Limited	22,184.3		22,400.3	
		40,382.6		33,120.2
Interest Income on Inter-corporate Deposits Placed				
Alcon Laboratories (India) Private Limited	118.4		—	
Novartis Healthcare Private Limited	71.7		83.6	
Sandoz Private Limited	486.9		395.6	
		677.0		479.2
Balances as at the year end –				
Outstanding Receivables				
Novartis Healthcare Private Limited	58.5		38.8	
Sandoz Private Limited	81.3		42.1	
Others	31.4		10.7	
		171.2		91.6
Inter-corporate Deposits Receivable				
Alcon Laboratories (India) Private Limited	1,847.9		—	
Novartis Healthcare Private Limited	1,318.5		973.5	
Sandoz Private Limited	3,629.1		4,730.0	
		6,795.5		5,703.5
Outstanding Payables				
Alcon Pharmaceuticals Limited	40.5		—	
Novartis Animal Health GmbH	30.1		5.4	
Novartis Pharma AG	70.5		116.1	
Others	44.6		18.1	
		185.7		139.6

Notes forming part of the Financial Statements for the year ended 31st March 2012

	Year ended 31 st March 2012		Year ended 31 st March 2011	
	in ₹ million	in ₹ million	in ₹ million	in ₹ million
(c) Key Management Personnel				
Remuneration				
R. Shahani	16.9		14.3	
P. Gupta	12.1		11.6	
A. Matai	30.1		18.8	
V. Singhal	20.5		18.5	
Dr. P. R. Rao	10.0		12.5	
Dr. V. A. Kumar	1.4		—	
A. Sharma	12.8		8.8	
		103.8		84.5

Year ended 31st March	
2012	2011
in ₹ million	in ₹ million

48. Disclosures for Operating Leases

- (I) Disclosures in respect of residential/office premises (including furniture and fixtures therein, as applicable) and vehicles taken on lease on or after 1st April, 2001
- (a) Lease payments recognised in the Statement of Profit and Loss
- 53.0 50.3
- (b) Significant leasing arrangements
- (i) The Company has given refundable interest free security deposits under certain agreements.
- (ii) Certain agreements provide for increase in rent.
- (iii) One of the agreements provide for early termination by either party by paying lump sum compensation of ₹ 100,000.
- (iv) Some of the agreements contain a provision for their renewal.
- (c) Future minimum lease payments under non-cancellable agreements
- (i) Not later than one year
- 5.7 18.6
- (ii) Later than one year and not later than five years
- 7.3 20.3
- (iii) Later than five years
- —
- (II) Disclosures in respect of residential premises owned by the company and given on leave and licence basis on or after 1st April, 2001
- (a) Forming part of 'Buildings' in Note 10 – Fixed Assets, in respect of the aforesaid premises –
- (i) Gross carrying amount as at the year end
- 12.1 12.1
- (ii) Accumulated Depreciation as at the year end
- 2.6 2.3
- (iii) Depreciation Expense recognised in the Statement of Profit and Loss for the period the premises are given on leave and licence basis
- 0.3 0.3
- (b) Significant leasing arrangements
- (i) Either party shall be entitled at any time during the term to terminate the agreement by giving three months' prior notice in writing.
- (ii) There is no provision for renewal.

Notes forming part of the Financial Statements for the year ended 31st March 2012

49. 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	
	2012	2011
Profit for the year (in ₹ million)	1,520.2	1,466.7
Weighted average number of shares	31,960,797	31,960,797
Earnings per Share (₹ per Equity Share of ₹ 5 each) – Basic and Diluted	47.56	45.89

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

Particulars		Year ended 31 st March 2012		Year ended 31 st March 2011	
		Amount in Foreign Currency million	Amount in ₹ million	Amount in Foreign Currency million	Amount in ₹ million
Receivables	USD	0.3	17.4	0.3	12.4
	SGD	—	—	*	*
Payables	USD	2.7	137.8	2.6	115.8
	CHF	0.3	16.2	0.3	13.5
	KRW	23.8	1.1	—	—
	SGD	0.1	2.4	—	—

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

51. The financial statements for the year ended 31st March, 2011 were prepared as per the then applicable, pre-revised Schedule VI to the Act. Consequent to the notification of Revised Schedule VI under the Act, the financial statements for the year ended 31st March, 2012 are prepared as per Revised Schedule VI. Accordingly, the previous year figures have also been reclassified to conform to this year's classification. The adoption of Revised Schedule VI for previous year figures does not impact recognition and measurement principles followed for preparation of financial statements.

Signatures to Notes 1 to 51

In terms of our report of even date	For and on behalf of the Board		
For Lovelock & Lewes Firm Registration No. 301056E 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 2012	Mumbai, 24 th May 2012		

Cash Flow Statement for the year ended 31st March 2012

	Year ended 31 st March 2012		Year ended 31 st March 2011	
	in ₹ million	in ₹ million	in ₹ million	in ₹ million
A. Cash flow from operating activities				
Profit before Tax		2,246.9		2,189.1
Adjustments for –				
Depreciation and Amortisation Expense	26.7		23.8	
Interest Income	(729.3)		(522.5)	
Dividend Income	(3.2)		(5.3)	
Loss on Sale/Disposal of Fixed Assets (Net)	2.8		0.7	
Net (Gain)/Loss on Redemption of Current Investments	(1.8)		0.1	
Interest Expense	5.4		2.8	
Unrealised Net Loss/(Gain) on Foreign Currency Translation	3.9		(0.9)	
		(695.5)		(501.3)
Operating profit before working capital changes		1,551.4		1,687.8
Adjustments for –				
Trade and Other Receivables	(20.2)		(213.9)	
Inventories	(253.9)		(22.4)	
Trade and Other Payables	324.7		160.7	
		50.6		(75.6)
Cash generated from operations		1,602.0		1,612.2
Direct Taxes paid (net of refund of taxes)		(854.4)		(706.7)
Net cash from operating activities		747.6		905.5
B. Cash flow from investing activities				
Purchases of Fixed Assets (including advances for capital expenditure)	(44.9)		(26.5)	
Sale of Fixed Assets	0.2		0.7	
Purchases of Current Investments	(2,192.3)		(1,334.5)	
Sale of Current Investments	2,194.1		1,491.6	
Inter-corporate Deposits placed	(40,382.6)		(33,120.2)	
Refund of Inter-corporate Deposits placed	39,290.6		32,285.8	
Interest received	704.6		480.2	
Dividend received	3.2		5.3	
Net cash used in investing activities		(427.1)		(217.6)

Cash Flow Statement for the year ended 31st March 2012

	Year ended 31 st March 2012		Year ended 31 st March 2011	
	in ₹ million	in ₹ million	in ₹ million	in ₹ million
C. Cash flow from financing activities				
Proceeds from Long-term Borrowings	0.4		—	
Repayment of Long-term Borrowings	(0.5)		(0.8)	
Interest paid	(3.8)		(2.3)	
Dividend paid	(319.2)		(318.9)	
Tax paid on Dividend	(51.8)		(53.1)	
Net cash used in financing activities		(374.9)		(375.1)
Net (decrease)/increase in cash and cash equivalents		(54.4)		312.8
Cash and Cash Equivalents – Opening Balance		882.8		570.0
Cash and Cash Equivalents – Closing Balance [Refer Note 2 below]		828.4		882.8

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 includes balances aggregating to ₹ 13.4 million [Previous year ₹ 13.0 million] with 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 Lovelock & Lewes Firm Registration No. 301056E 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 2012	Mumbai, 24 th May 2012		

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 64th Annual General Meeting of the Company on July 25, 2012 at 11:30 a.m. at Hall of Culture, Nehru Centre, Worli, Mumbai 400 018.

Member's/Proxy's Signature

Notes:

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



NOVARTIS INDIA LIMITED

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

FORM OF PROXY

I/We _____ of _____ being a Member(s) of Novartis India Limited hereby appoint _____ of _____ or failing him/her _____ of _____ or failing him/her _____ of _____ as my/our proxy to attend and vote for me/us on my/our behalf at the 64th Annual General Meeting of the Company on July 25, 2012 at 11:30 a.m. at Hall of Culture, Nehru Centre, Worli, Mumbai 400 018, and at any adjournment thereof.

Signed on the _____ day of _____ 2012

Folio No./Client ID : _____

No. of shares : _____

Name : _____

Address : _____

Signature

Affix
required
revenue
stamp

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

FINANCIAL SUMMARY FOR 10 YEARS

in ₹ million

	2011-12	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04	2002-03
I. SALE, PROFIT & DIVIDEND										
Sale of Products (Net)	7928	7086	6241	5995	5535	5422	5259	4715	5050	4717
Profit Before Tax (PBT)	2247	2189	1798	1729	1543	1353	1489	1040	1179	839
Profit After Tax (PAT)	1520	1467	1160	1037	972	885	1079	651	1137	620
Dividend	320	320	320	320	320	320	479	320	320	240
Dividend – ₹ per share	10.0	10.0	10.0	10.0	10.0	10.0	15.0	10.0	10.0	7.5
II. SHAREHOLDERS' FUND										
Share Capital	160	160	160	160	160	160	160	160	160	160
Reserves and Surplus	8019	6870	5775	4987	4324	3726	3216	2684	2398	2276
Net Worth (Shareholders' Fund)	8179	7030	5935	5147	4484	3886	3376	2844	2558	2436
III. RATIOS										
Return on Sales (PAT) %	19.2	20.7	18.6	17.3	17.6	16.3	20.5	13.8	22.5	13.1
Return on Shareholders' Funds (PAT) %	18.6	20.9	19.5	20.1	21.7	22.8	32.0	22.9	44.5	25.5
Earning Per Share (calculated on PAT) ₹	47.56	45.89	36.29	32.45	30.42	27.71	33.76	20.37	35.59	19.40



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