



55th

ANNUAL REPORT 2002-2003

NOVARTIS INDIA LIMITED

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## Board of Directors

Dr E. Schillinger	Chairman
R. Shahani	Vice Chairman & Managing Director [w.e.f. November 1, 2002]
Dr R. Thompson	Vice Chairman & Managing Director [upto October 31, 2002]
A. Mirchandani	Executive Finance Director [w.e.f. November 1, 2002]
S. D. Kulkarni	
Dr R. Mehrotra	
A. Pyrathon	
U. Tanner	

## Executive Committee

S. G. Advani	Generics
R. Kumar	OTC
A. Matai	Pharmaceuticals
A. Mirchandani	Finance
Dr P. R. Rao	Animal Health
R. Shahani	Vice Chairman & Managing Director

Company Secretary &  
Head Investor Relations  
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Registrar &  
Transfer Agents  
Sharepro Services  
Satam Estate, 3rd Floor  
Cardinal Gracias Road  
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Mumbai 400 099  
Telephone Nos. 2821 5168 / 2832 9828  
2830 0262  
E-mail [sharepro@vsnl.com](mailto:sharepro@vsnl.com)

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Worli, Mumbai 400 018

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MIDC Industrial Area  
Mahad, District - Raigad  
Maharashtra 402 301

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 & Transfer Agents, Sharepro Services, at the above address.

ANNUAL GENERAL MEETING  
1100 hours, JULY 30, 2003

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

Dear Shareowner

I present to you the Annual Accounts for the year ended 31 March 2003 and share with you key developments in the Indian Pharmaceutical industry as well as in your Company.

The Indian Pharmaceutical industry is a well established industry with a strong manufacturing base, key strengths in process chemistry and technological capabilities, skilled scientific people and a very strong entrepreneurial spirit. The industry has a well-deserved reputation for producing low cost/high quality medicines.

Due to the country's weak patent laws providing only process patents, the Indian Pharmaceutical industry has developed predominantly into a market of branded generics. This presents a huge opportunity to Indian generic producers to tap global generics markets, in particular the United States where almost USD 80 billion worth of drugs face patent expiration in the coming five years. There is also an increasing recognition of India's capabilities in the Pharmaceutical and Biotechnology fields and their future potential. This is demonstrated by recent partnerships between Indian and multinational companies.

Introduction of the product patent regime from year 2005 will be a key development for the country. Many players in the market are now recognising the opportunities this will present. Major Indian firms have the skills and competencies to capitalise on these opportunities and we have seen some global deals, which mark the early beginnings of collaboration. A product patent regime will instill confidence in multinational companies operating in India and encourage them to increase investments in the country, especially in pharmaceutical research.

The new Pharmaceutical Policy, which plans to reduce the span of drugs under price control, is a welcome step. Unfortunately, the price control criteria do not give any weightage to the key aspect of competition. There is really no need to control prices of drugs which have more than ten formulators in the market. Litigation has delayed the policy for many months and it is important to settle the issue and dispel uncertainty. The Pharmaceutical industry needs clarity, transparency and predictability in the regulatory environment so that companies can plan business operations without the current uncertainty.

These uncertainties coupled with the recent downtrend in the Pharmaceutical market present immense challenges for the industry as well as your Company. Our Management Teams are focusing on measures to improve our performance.

In the light of all these challenges, we continue to believe that there is a need and an opportunity to focus on basic values and principles. Across the globe, people are demanding and expecting corporations to adhere to high standards in the way they conduct business. Recent high profile corporate downfalls have highlighted the need for corporate social responsibility.

The Novartis Group believes in acting as a mature, responsible and conscientious corporate citizen and has initiated measures in this direction for some years now. Novartis was one of the early signatories to the Global Compact, an initiative sponsored by the United Nations Secretary-General Kofi Annan, which specifies nine principles relating to human rights, respect for employees and environmental protection. In 2001, the Group issued a Policy on Corporate Citizenship, which is an integral part of business in the Novartis world. I share with you below some initiatives taken by the Group, which impact our part of the world.

In 2001, the Novartis Group entered into a partnership with the World Health Organisation [WHO] to stem the spread of malaria in areas of the world where the disease is endemic. Novartis agreed to supply Coartem® at cost, whilst WHO undertook to distribute it through its extensive support networks. Coartem was developed by Novartis and is the world's most effective treatment for falciparum malaria.

A key initiative of the Group was setting up an Institute for Tropical Diseases in Singapore with an investment of USD 122 million, which opened officially in January 2003. The rationale for it is best expressed by Group Chairman & CEO Dr Daniel Vasella, *"A recently released report indicated that tropical diseases alone account for 10% of the global disease burden, but virtually no new medicines are being developed. Tuberculosis and dengue fever remain major and increasingly prevalent public health problems around the world, particularly in developing countries, and Novartis is committed to contributing to finding solutions to help deal with them."*

In this Annual Report, we share with you some initiatives, which have been taken in India as part of our contribution to our community.

- The Novartis Foundation for Sustainable Development set up the Comprehensive Leprosy Care Project in 1989, which provides valuable services to leprosy patients. Your Company actively supports this Project.
- In 2000 we started JEET (Joint Effort to Eradicate Tuberculosis) with the primary aim of increasing awareness among TB patients and to involve doctors more actively in the fight against the disease.
- Two years ago, we launched the Glivec International Patient Assistance Program (GIPAP). Nearly 700 patients, suffering from chronic myeloid leukaemia and gastrointestinal stromal tumours who cannot afford the therapy and meet specific medical criteria, receive the medicine free of charge. Recently, the program has been limited in its current form to existing patients, as there are generic substitutes available in the country now.

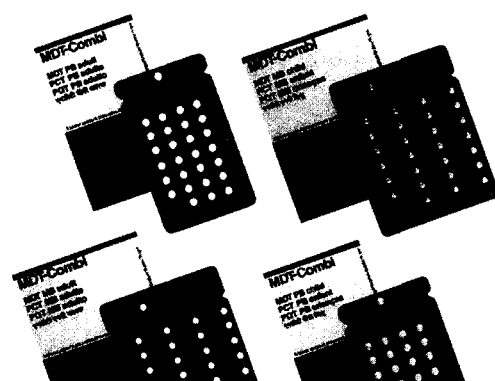
We believe that we have made a difference to the lives of the people who have benefited from these programs. We recognise the vast needs of the people in our country and will continue in our endeavours.

With best wishes  
Ranjit Shahani

*"Corporate social responsibility has shifted decisively from the realm of 'nice to do' to the realm of 'need to do' not just because it is a serious and sustained interest of consumers but also because opinion leaders recognise this fact and will act accordingly."* - Prince of Wales Business Leaders' international survey

IN NOVARTIS WE REALISE THAT DOING GOOD IS A SOUND BUSINESS STRATEGY, PARTICULARLY IN TODAY'S WORLD. AS A RESPONSIBLE CORPORATE CITIZEN NOVARTIS OVER THE LAST SEVERAL YEARS HAS UNDERTAKEN AN INCREASING NUMBER OF SOCIAL INITIATIVES. HERE IS AN OVERVIEW.

Novartis has been in the forefront of the fight against leprosy for quite some time now. Novartis developed Lamprone® and Rimactane®, two of the three anti-leprosy drugs comprising multi-drug therapy (MDT) recommended by World Health Organisation (WHO) since 1982. Novartis Group originated and established the once-monthly rifampicin schedule, which is the most potent and essential component of MDT. Over 10 million people have been cured of leprosy with MDT. Leprosy is one of the oldest reported communicable diseases in the world. Historical records show that leprosy has been in existence as far back as 600 BC. While the disease is not fatal, a lack of understanding of the disease has meant that people who contracted leprosy were treated like social outcasts, often rejected by family and friends. Fear of contracting the disease and getting disfigured for life,



kept people away from leprosy patients who were forced to live in isolation. Even in today's modern times when the disease is curable, there is still a stigma attached to the disease. The chronic symptoms often afflict people in the most productive stage of their lives putting a great social burden on society. IT IS ESTIMATED THAT THERE ARE MORE THAN SIX MILLION PEOPLE SUFFERING FROM LEPROSY WITH AROUND 612,000 NEW CASES BEING DETECTED IN 2002. FULL CONTROL OF LEPROSY HAS ELUDED MAINLY ANGOLA, BRAZIL, INDIA, MADAGASCAR, MOZAMBIQUE AND NEPAL. ALTHOUGH 103 COUNTRIES REPORTED LEPROSY AT THE BEGINNING OF 2003, MAJORITY OF THE CASES DETECTED WORLDWIDE WERE FROM INDIA.



According to WHO, leprosy has already been eliminated from 107 countries and the goal is to reduce the source of infection so that it disappears naturally as it has in many parts of the world. WHO has set a deadline of 2005 for the elimination of leprosy. Elimination means a prevalence rate of less than one case per 10,000 people. In 1999 Novartis and the Novartis Foundation for Sustainable Development joined the Global Alliance comprising WHO, the Nippon Foundation, the Danish International Development Assistance agency and representatives of leprosy endemic countries to eliminate leprosy. Novartis is committed to donating MDT free of cost to the Global Alliance till 2005 and even later if required. The total value of this is estimated at around USD 30 million.

In 1989, the Novartis Foundation for Sustainable Development set up the Comprehensive Leprosy Care Project (CLCP) in India to provide comprehensive care to leprosy patients including disability care services and MDT. The Novartis Foundation makes contributions to the CLCP to finance its activities. The emphasis is on simplifying disability care and training government health care staff to recognise and manage disabilities thus facilitating overall rehabilitation of patients. Patients are helped in techniques of self-care, particularly in protecting insensitive hands and feet, as well as taking care of their ulcers, using the self-care kit designed and provided to them by CLCP. Simple prefabricated hand and foot splints help correct disabilities and prevent their progression. Reconstructive surgery is also offered to those in need. Novartis India Limited has provided premises to house a Leprosy Management Training Centre in Mumbai.



CLCP has successfully collaborated with the State Healthcare services of Gujarat, Goa and Maharashtra for comprehensive care programs. The prevalence rate of leprosy in Goa has dropped significantly from 10 to 3.04 per 10,000 people in the past decade. Thousands of disabled cases have benefited in Gujarat. CLCP has helped improve access to treatment and disability management and facilitated physical and social care.



AT NOVARTIS, CORPORATE CITIZENSHIP - OR CORPORATE SOCIAL RESPONSIBILITY - IS A TOP PRIORITY. WE DO EVERYTHING WE CAN TO OPERATE IN A MANNER THAT IS SUSTAINABLE - ECONOMICALLY, SOCIALLY AND ENVIRONMENTALLY - IN THE BEST INTEREST OF LONG-TERM SUCCESS FOR OUR ENTERPRISE. THIS IS A CHALLENGING ENDEAVOUR.



TREATMENT OF TUBERCULOSIS IS ANOTHER AREA WHERE NOVARTIS PLAYS AN ACTIVE ROLE. TUBERCULOSIS OR TB AS IT IS COMMONLY KNOWN TAKES CENTRE STAGE BECAUSE OF THE SHEER NUMBERS OF PEOPLE WHO ARE AFFLICTED BY THE DISEASE IN OUR COUNTRY. ALMOST HALF THE CASES OF TUBERCULOSIS IN THE WORLD COME FROM INDIA!

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TB appears to have existed since ancient times, as there are references to it in the Vedas and Ayurvedic Samhitas. In India, the first open air sanatorium for treatment and isolation of TB patients was founded in 1906 in Tiluana, near Ajmer, followed by one in Almora two years later. In the early days when there were no known medicines to fight against TB, the main line of treatment was good food, clean surroundings, plenty of fresh air and a dry climate. With the advent of newer medicines, these factors have become less important. TB strikes people in their most productive years and is a serious public health concern. Every second someone in the world is newly infected with the disease. In India about 2.2 million new cases of TB occur every year. TB in fact kills more people than either AIDS or malaria. This despite the fact that TB is curable. With the onslaught of AIDS, there are more people dying of TB than before even in the developed world.

