



Novartis India Limited Annual Report 2012-2013

 **NOVARTIS**
caring and curing

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Board of Directors

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

Company Secretary and Compliance Officer	Girish Tekchandani
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Registrar and Transfer Agents	Sharepro Services (India) Private Limited 13 AB, Samhita Warehousing Complex 2 nd floor, Sakinaka Telephone Exchange Off Andheri-Kurla Road Sakinaka, Andheri Mumbai 400 072
Telephone Nos. E-mail	+91 22 6772 0300 / 6772 0400 indira@shareproservices.com sharepro@shareproservices.com
Registered Office	Sandoz House Shivsagar Estate Dr Annie Besant Road Worli, Mumbai 400 018

Annual General Meeting

11.30 am, Thursday, July 25, 2013

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

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

The Novartis India Limited Board



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

Dear Shareholder

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

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

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

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

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

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

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

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

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

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

Best regards
Ranjit Shahani



Healthcare for All

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

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

In 2013, as world leaders get together again

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

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

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





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

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

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

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

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

THE CHALLENGES

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



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

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

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

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

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

in significantly increasing the total cost of treatment.

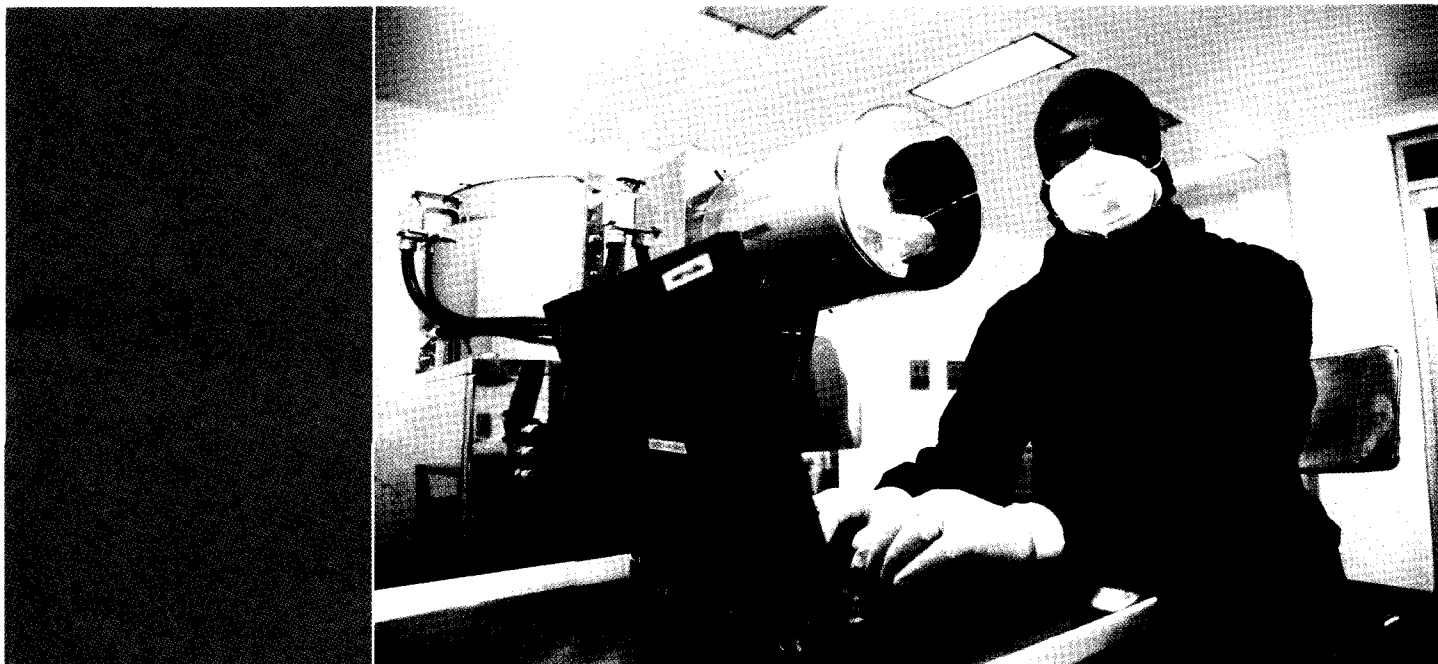
Barely five kilometers off a tarmac road, some very real challenges must be met. They can be summed up in just four words – Availability, Accessibility, Affordability and Acceptability – but together, they encompass the myriad issues that must be dealt with at a fundamental level, with concerted action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

FINDING SOLUTIONS

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

TECHNOLOGY TO THE RESCUE

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



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

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

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

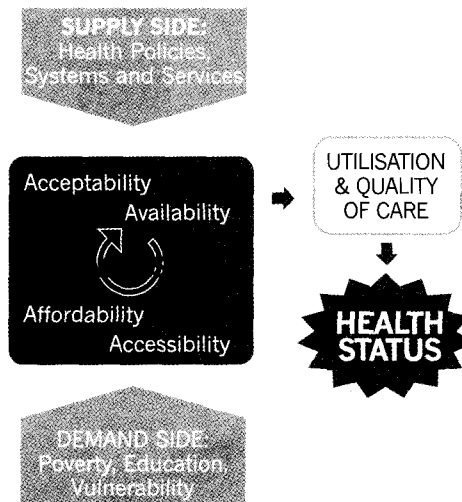
Such a system can help those on ground take quick and timely decisions of either starting the right treatment or referring the patient to an appropriate treatment centre.

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

GOVERNMENT INITIATIVES

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

IMPROVING ACCESS AND HEALTH TAKES MUCH MORE THAN PRODUCTS



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

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

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

OUR COMMITMENT

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

