



Novartis India Limited Annual Report 2013-2014



CONTENTS

Letter from the Vice Chairman and Managing Director	03
Notice	14
Directors' Report	23
Report on Corporate Governance	32
Certificate on Corporate Governance	40
Independent Auditors' Report	41
Balance Sheet	46
Profit and Loss Account	47
Notes forming part of the Financial Statements	48
Cash Flow Statement	76
Attendance Slip / Form of Proxy	End of Report
Financial Summary for Ten Years	Inside Back Cover

Board of Directors

Christopher Snook	Chairman
Ranjit Shahani	Vice Chairman & Managing Director
Dinesh Charak	Whole Time Director
Manisha Girotra	Director
Jai Hiremath	Director
Rajendra Nath Mehrotra	Director

Company Secretary and
Compliance Officer

Girish Tekchandani

CIN

L24200MH1947PLC006104

Telephone Nos.

+91 22 2495 8400 / 2495 8888

Fax No.

+91 22 2495 0221

E-mail

girish.tekchandani@novartis.com

Website

www.novartis.in

Registrar and Transfer Agents

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

Telephone Nos.

+91 22 6772 0300 / 6772 0400

E-mail

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, Friday, July 25, 2014

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



Seated (from left) Christopher Snook, Chairman; Manisha Girotra, Director; Standing (from left) Rajendra Nath Mehrotra, Director; Dinesh Charak, Whole Time Director; Ranjit Shahani, Vice Chairman & Managing Director; Jai Hiremath, Director

Dear Shareholder

As the new government sets about implementing its governance agenda for the next five years, in the healthcare sector it is important that it focuses increasingly on improving access to medicines, patient education and investments in healthcare infrastructure. India spends just 1.2% of GDP on healthcare with scant attention paid to factors that impact access. This needs to increase to at least 3% of GDP to help in the stated goal of Universal Health Coverage.

A vast country with a burgeoning population, India is effectively two markets in one country and the healthcare needs are many and varied. There are the very rich at one end, who can afford world-class healthcare, and the very poor at the other end, for whom healthcare is not affordable at any price. This places the government and the industry in a piquant situation where they need to work together to ensure that the rich are not being subsidised for the poor. Today unfortunately there is no such mechanism and the solutions will only be found if all stakeholders come together to adequately address these concerns.

It is important to understand that industry alone cannot address access issues. It is even more important to understand that access goes beyond pricing, and that pricing and accessibility are two pieces of a complex puzzle. Innovator companies have been working with different pricing models including tiered pricing, public-private partnerships, co-pay and full donation programs to ease the challenges of access.

Government needs to play its part by focusing on improving much-needed healthcare infrastructure and addressing a wide variety of issues such as lack of hospitals, diagnostic centres, trained healthcare staff, accessibility of healthcare facilities and quality of care. Another area where the government has to play a key role is in patient education. Every study on the subject, around the world, has shown that outcomes of any healthcare intervention are greatly enhanced by patient education. This is even more critical in a country like India, where a large section of the population has low literacy rates and superstitions still create barriers to modern health treatment options across urban and rural areas.

The 2010 National Health Profile prepared by the National Commission on Macroeconomics and Health, clearly shows the important role healthcare education will have to play in India. In its disease burden estimates for 2015, the Report forecast 19 million cases of HIV/AIDS, 88 million diarrheal cases, over 46 million cases of diabetes, 64 million cases of cardiovascular ailments, 80 million cases of mental disorders and about 60 million cases of asthma or Chronic Obstructive Pulmonary Disease.

This disease burden can be greatly reduced and managed effectively if there is a greater focus on healthcare education. Simple preventive methods like safe sex practices and boiling of drinking water can arrest the growth of HIV/AIDS or diarrhea while early testing, regular exercise and diet control can help manage diabetes and cardiovascular ailments.

Novartis has been at the forefront of healthcare education. The range of our initiatives is wide and covers a gamut of populations and diseases. These range from sensitisation programs in partnership with non-governmental organisations (NGOs) and health awareness camps for the urban poor to outreach initiatives such as Arogya Parivar in remote rural districts. Novartis offers a multi-pronged range of solutions that tackle both treatment, and social perceptions, for diseases that include Alzheimer's, tuberculosis and leprosy, among several others.

Government has set an ambitious vision of Universal Health Coverage for all Indians over the next 10-15 years. This has been defined as "assured access to a defined set of essential medicines and treatments at affordable prices to all Indians". To achieve this at a reasonable cost, it is important to invest significant efforts towards healthcare education. Novartis, as always, would be a willing partner with the authorities in this venture.

To you, our shareholders, our sincere appreciation of all your support over the years.

Best wishes

Ranjit Shahani
Vice Chairman & Managing Director



Education for Health

All through the month of May, teams at Novartis India were busy organising meetings between physicians, other healthcare practitioners and patients to create awareness about Thalassemia. The Company partnered with six different non-governmental organisations (NGOs), conducting as many as 22 activities across 12 locations. They included camps, college awareness drives and counselling sessions, and benefitted more than 2,600 patients.

Thalassemia is a blood condition in which the body makes an abnormal form of haemoglobin, the protein in red blood cells that carries oxygen. The disorder results in excessive destruction of red blood cells, which leads to anaemia, fatigue, weakness and shortness of breath. The disorder is genetic in nature. Individuals with one defective gene are termed carriers of the condition and may be at risk of having a child affected by the illness if the partner is also a carrier of the faulty gene.

Since Thalassemia is a chronic disease, its management requires a high degree of involvement from all stakeholders. The primary focus is to create awareness so that timely genetic testing can be done and the birth of a Thalassemia major child can be prevented.

In case such a child is born, given the nature of the disease and regular interventions required, it is important that the care givers and family get proper counselling on the management of the disease.

Reportedly, there are about 240 million carriers of β - thalassemia worldwide, and in India alone, the number is approximately 30 million with a mean prevalence of 3.3%. The geographic spread of the carrier population is also quite large and hence it is all the more important that all stakeholders — government, healthcare practitioners as well as pharmaceutical





companies — make all attempts to create awareness about the issue. Through its programs Novartis seeks to raise awareness about the disease, so that more and more affected individuals seek medical attention.

Studies around the world have proven that patient education has a huge positive impact on healthcare outcomes. It can lead to early diagnosis, persisting with therapy for the full course and even help care givers in reacting appropriately in times of emergency.

As one Social Science Research Network study pointed out, “Health is considered as a critical input for long-term economic growth of a population. Education has been identified as the most important variable impacting health indices, including mortality.” In another study in the slums of New Delhi, researchers examined the impact on health education intervention on knowledge and community action for malaria control; they found that following an intervention package in the form of health education material for the community and training modules for the workers, the knowledge and skills of malaria

“Health is considered as a critical input for long-term economic growth of a population. Education has been identified as the most important variable impacting health indices, including mortality”

management had increased, and more people were using simple methods like mosquito coils and nets to prevent the disease. The interval between onset of symptoms and seeking treatment decreased after the intervention.

Apart from innovation-led research, healthcare education is a key focus area for Novartis. The Company is committed to healthcare, education and the environment in ways that will minimise disease, ease suffering and enhance the quality of life of people across age groups, and

demographics. These span a range of initiatives from posters in strategic locations to sensitisation programmes in partnership with NGOs; from health awareness camps for the urban poor to outreach initiatives such as Arogya Parivar in remote rural districts. Novartis offers several wide-ranging solutions for a host of diseases, which include Alzheimer's, leprosy, tuberculosis and many others; the focus is not just towards treatment, but also in changing social perceptions that impact the quality of the patients' lives.

Novartis also recognises that in addition to providing treatment for the disease itself, it is vital to dispel the stigma and superstition that often accompanies it — in cases of epilepsy or leprosy, for instance.

WIDE-RANGING INITIATIVES

Leprosy Care

One of Novartis' most successful initiatives has been in the field of treating and preventing leprosy and its consequences. Early treatment and decreased disabilities over the years, together with awareness programs, have played an important role in changing social perceptions. Leprosy is an infectious disease caused by a bacillus, *Mycobacterium leprae*. *M. leprae* multiplies very slowly and symptoms can take as long as 20 years to appear. Leprosy is transmitted via droplets from the nose and mouth during close and frequent contact with untreated patients. Nerve damage causes

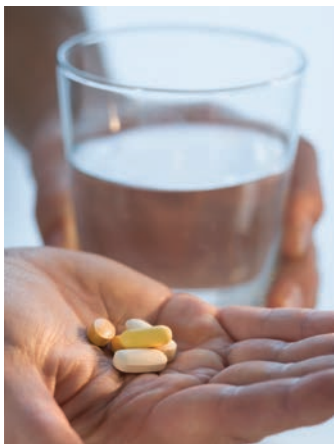
deformities and insensitivity in the extremities, leading to secondary deformities like contracture in fingers, ulcers on the feet and blindness, due to the inability to close the eye.

Multidrug therapy (MDT), the treatment recommended by World Health Organisation (WHO), consists of three drugs (dapsone, rifampicin and clofazimine), two of which (rifampicin and clofazimine) were developed in the research laboratories of Novartis in the 1980s. Multidrug therapy, today produced by Sandoz, the generics division of Novartis, has made it possible to treat patients, interrupt the transmission of leprosy and prevent disabilities. Even patients with the severest form of the disease show visible clinical improvement within weeks of starting treatment.

The Novartis Comprehensive Leprosy Care Association (NCLCA), established by the Novartis Foundation in 1988 and supported by Novartis India, has pioneered disability prevention, correction, care and rehabilitation services with scientific research and innovative solutions; it has reached more than 25,000 patients directly through camps and via its centres, and nearly 150,000 patients indirectly by adoption of its innovations by government and NGOs. NCLCA has helped to establish reconstructive surgery along with disability care services as the gold standard in leprosy care. A mega camp organised in majority partnership with the Gujarat government and others saw 7,500 reconstructive surgeries performed and 200 surgeons from all over India trained. This was hailed as the Gujarat model by former President Dr A P J Abdul Kalam. Borsad in Gujarat and Goa achieved elimination status through the interventions of NCLCA.

Leprosy colonies have also seen a qualitative difference to the lives of thousands of their residents, with Novartis' close involvement. So

From health awareness camps for the urban poor to outreach initiatives in remote districts, Novartis offers several solutions for a host of diseases





far, 3,200 patients have been given grip-aids, the target being 8,000 patients in all. Hand splints, surgeries, physiotherapy, self-care kits and economic rehabilitation are other forms of support these patients receive.

In addition to the risk of physical deformities if not treated in time, one of the most traumatic aspects of living with leprosy is having to deal with the social stigma that has surrounded the disease since Biblical times. The disease and the deformities it causes were often viewed as a punishment from God and societies dealt with leprosy by isolating the mostly poor patients in leprosariums and outside villages for fear of the disease spreading. The Novartis Foundation has also been supporting global efforts to change the image of leprosy and encourage patients to come forward for treatment instead of neglecting it, or going into hiding. These campaigns have not only helped to improve the quality of life for patients and their care givers, they have also led to the integration of disability prevention and rehabilitation into

Leprosy colonies have seen a qualitative difference to the lives of thousands of their residents, with Novartis' close involvement

general healthcare services. As a result, patients are benefiting from earlier and better detection, diagnosis and treatment, and the stigma has been effectively reduced.

Since 2000, Novartis – a supplier of quality MDT – has donated treatments for the global need, helping to cure approximately 3.9 million patients by the end of FY14 in India alone. In addition, it has done much to educate local health workers. With the Indian government having recognised the impact of NCLCA's efforts, and having adopted its tools, the benefits have been multiplied several

times over. Through such initiatives thousands of people who suffer from the illness have found the quality of their lifestyles much improved.

Encounters with Epilepsy

While patients suffering from leprosy are often shunned because of the physical disabilities that it can cause, or the fear of contagion, in the case of epilepsy, the challenge is a different one. Health workers coping with epilepsy often find that the biggest problems in dealing with this neurological disorder are the stigma and myths associated with the disease. Epileptics are seen as possessed by evil, rather than as suffering from a neurological condition that can be treated through medicines such as Novartis' Tegrital® and Trioptal®.

Education about the myths surrounding epilepsy and awareness of the dos and don'ts of epilepsy can play a major role in eliminating the darkness of the associated stigma. Awareness not only improves the quality of life but also reduces the treatment gap associated with the disease. The impact on

mental health and social acceptance enhances health indices and awareness. Early diagnosis and bridging the treatment gap with the right therapy and patient support programs can do much to improve the quality of patients' lives.

Novartis regularly organises Epilepsy Awareness Programs and Camps, reaching out not only to epilepsy patients, but also to their care givers and to the general population. Care givers are urged not to panic while the patient is having a seizure, but to stay calm, loosen the patients' clothing if it is too tight, and remove any objects that may cause injury during the attack, among other things. They are also advised on when it is imperative to seek medical assistance.

Awareness drives commemorate Epilepsy Days like March 26, Purple Day, an international grassroots effort dedicated to increasing awareness about epilepsy worldwide, and November 17, National Epilepsy Day. On occasions such as these, camps are organised with the close involvement of neurologists, National Rural Health Mission (NRHM) and Epilepsy Associations.

