



Novartis India Limited Annual Report 2010-2011

CONTENTS

Letter from the Vice Chairman and Managing Director	03
Notice	14
Directors' Report	17
Report on Corporate Governance	25
Certificate on Corporate Governance	33
Auditors' Report	34
Balance Sheet	38
Profit and Loss Account	39
Schedules	40
Cash Flow Statement	67
Attendance Slip / Form of Proxy	End of Report
Financial Summary for Ten Years	Inside Back Cover

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

Annual General Meeting

11:00 am July 26, 2011

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

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





Dear Shareholder

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

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

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

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

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

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

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

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

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

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

With best wishes

Ranjit Shahani

The Wellness Quotient

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

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

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

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

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





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

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

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

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

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

TOWARDS BETTER HEALTH

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



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

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

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

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

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

MAKING LEPROSY HISTORY

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

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

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

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

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

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

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

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

The treatment completion rate, which should ideally

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

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



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

REDUCING THE BURDEN

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

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

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

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

