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BOARD OF DIRECTORS

As on March 31, 2015

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

Monaz Noble	Chief Financial Officer
Girish Tekchandani	Company Secretary and Compliance Officer

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E-mail	girish.tekchandani@novartis.com
Website	www.novartis.in
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.	+91 22 6772 0300 / 6772 0400
E-mail	indira@shareproservices.com sharepro@shareproservices.com

Annual General Meeting

11.30 am, Thursday, July 23, 2015
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



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

Dear Shareholder

India's public healthcare expenditure as a percentage of GDP continues to feature amongst the lowest in the world notwithstanding the concerns expressed by the pharmaceutical industry. Recent moves to expand the ambit of the Drug Price Control Order and include an increased number of medicines in the National Essential Medicines List under price control raise strong concerns. Reduction in selling prices of products already under price control, continue to impact our pharmaceutical business. For now the steps that our Company has taken to drive operational excellence and increase productivity and profitability have helped partially offset the impact of price control. However these measures only serve as a stop-gap arrangement.

While the Indian Pharmaceutical Market has long-term potential given the demographics of India and the several factors in favour, investments in the sector and profitability will most certainly be impeded if the current environment continues – an environment that does not do enough to protect legitimate intellectual property rights. As an innovator company we are aware of the unique circumstances in India and together with the industry association are committed to engaging with the Government to discuss pragmatic public policy approaches that will reflect the value of products, include the patient perspective, and reward innovation.

At Novartis it is our endeavour to expand access to healthcare and reach more patients. We recognise that India is a complex market and there is no 'one size fits all' model. Therefore we pursue a combination of approaches ranging from philanthropy to zero profit to social business, all of these to help create sustainable solutions for the long term. Novartis has been able to make a meaningful impact on healthcare

in large swathes of rural India through its social business Arogya Parivar.

Through Arogya Parivar we have helped address societal problems that impede access to healthcare, be it education, lack of awareness or distribution channels. For example, between 2010 and 2014, more than 450,000 villagers were diagnosed in health camps through the program.

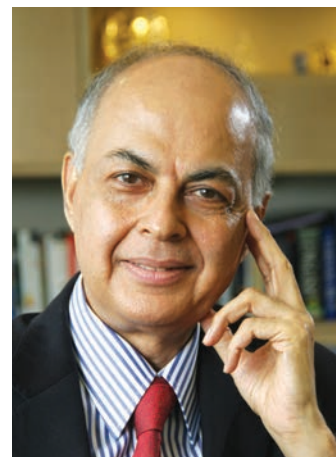
Heightened collaboration between various stakeholders, particular the government at the Centre and the states, is required to address the several areas that beset the Indian healthcare sector – increasing the number of hospitals and diagnostic centres, medical education, quality of care and patient education. The pharmaceutical industry has been at the forefront of collaborating with the government to achieve the goal of "Health for All".

To increase focus on its core businesses Novartis initiated a business portfolio transformation at a global level which will have long-term strategic impact for our Company. Subject to local regulatory approvals, this transformation will be replicated in India. Consequently our Animal Health business will be divested to Elanco India Pvt Ltd and the OTC business to GlaxoSmithKline Consumer Pvt Ltd. Post this, our Company's focus will be on its core business Pharmaceuticals.

I take this opportunity to thank you for the confidence you have placed in our Company and for your continued support over the years. Together we can make a difference.

Sincerely

Ranjit Shahani
Vice Chairman & Managing Director



Partnerships for Progress

Far from the bustle of India's urban centres, deep in remote villages where a majority of the country's population lives, a quiet revolution has been taking place. While awareness of disease has been gradually improving in such areas, access to healthcare and diagnosis of chronic illnesses has still been a major problem; patients have to travel great distances to get to the nearest medical facility. Now, thanks to the unique Arogya Parivar, a Novartis initiative, underprivileged villagers receive treatment practically at their doorsteps; Arogya Parivar brings qualified MBBS doctors from the nearest markets, which are usually 10-20 kilometres away, and organises health camps. In the state of Andhra Pradesh alone, in the year 2014, Arogya Parivar conducted 2,340 such camps and diagnosed 147, 497 villagers, leading to a dramatic improvement in the quality of their lives.

The Arogya Parivar programme, which brings together healthcare professionals at various levels, including specially trained local care-givers, is a shining example of how well-planned collaborative efforts can achieve miracles. In a country that faces multiple healthcare challenges, key initiatives such as this one play a pivotal role. As the *Indian Journal of Medical Research India*, points out, India encapsulates a paradox; though it has earned the sobriquet of 'pharmacy of the world' exporting affordable medicines to more than 100 countries, it is unable to deliver health services to two-thirds of its 1.2 billion citizens. The Journal

also notes that while improved health indicators have a positive impact on economic growth, India loses more than six per cent of its Gross Domestic Product (GDP) annually due to premature deaths and preventable illnesses.

Among the many issues impacting lack of access to healthcare in India is a shortage of qualified medical professionals – 0.7 doctors and 1.5 nurses per 1,000 people, which is dramatically lower than the World Health Organisation (WHO) average of 2.5 doctors and nurses per 1,000 people. The problem is far worse when you consider that a large number of these healthcare workers are concentrated in urban areas, while close to 70 per cent of India's population is in rural locations. While there is a trend towards urbanisation in India – by 2030, over 40 per cent of India's population is expected to be living in cities – this is unlikely to improve healthcare access significantly, given the shortage of existing medical facilities even in urban locations. For the situation to match global levels, India needs an additional 1.54 million doctors and 2.4 million nurses – no mean feat by any standard. Other weaknesses in the Indian healthcare system include the lack of advanced laboratory facilities and equipment; a poorly financed public health system involving a mere 1.04 per cent of the GDP; and a poor delivery mechanism that most often fails to reach both the remote rural districts as well as the urban poor.

The Organization for Economic Co-operation and Development (OECD)

has identified India's poor health outcomes as one of its major developmental challenges. While the United States has one bed for every 350 patients, and the ratio for Japan is one for 85 people, India has only one hospital bed for every 1,050 patients, requiring an addition of 100,000 beds in this decade at an investment of \$50 billion.

Rural poverty is often faced with high rates of child malnutrition and maternal mortality, and inadequate access to education, safe water and sanitation are persistent problems among poor communities. A UNICEF report notes that in India about 1.83 million children die annually before completing their fifth birthday – most of them due to preventable causes. Only four diseases – respiratory infections, diarrhoeal diseases, other infectious and parasitic diseases and malaria – account for about half of under-five deaths in India, the report observes.

Among tribals, poverty rates are high (at 47 per cent in rural areas and 30 per cent in urban areas) and nearly every second tribal family has low caloric and protein consumption 25 per cent to 53 per cent below the recommended dietary allowance. All of these lead to a vicious circle – children born in tribal families end up with poor nutrition and a high mortality rate. Those who do manage to survive end up being physically and mentally weak because of which they are more likely to fare poorly at school. This in turn leads to them growing up to be unhealthy and less productive adults.

India has made remarkable progress on some fronts, it is true; as we move towards the December 2015 deadline on the Millennium Development Goals, the country has achieved the target of reducing poverty by half and is all set to reduce hunger by half as well. However, as the United Nations report notes, India lags behind on targets for empowering women, reducing child and infant mortality and improving access to adequate sanitation. Much still remains to be done.

GOVERNMENT INITIATIVES

Fortunately, Prime Minister Narendra Modi's government has recognised the urgency of the situation, and launched the Swacch Bharat Abhiyan, or Clean India Mission on October 2, 2014. Since then, the movement, described as India's biggest cleanliness drive, has grown exponentially, with the aim of accomplishing a 'Clean India' by October 2, 2019, the 150th birthday of Mahatma Gandhi. In the true spirit of collaboration, Swacch Bharat Abhiyan also aims at facilitating private sector participation in capital expenditure and operation and maintenance costs for sanitary facilities. It is also a shining example of how amazing results can be achieved when people

across the spectrum come together with a common goal.

Another initiative that holds potential is the NITI Aayog (National Institute for Transforming India), which places cooperation at the top of the agenda. This Government of India policy think-tank, which replaces the Planning Commission, adopts a bottom-up approach, to involve the states in economic policy making. At the first meeting of NITI Aayog on February 8, 2015, the Prime Minister urged 'Team India' to forge a model of cooperative, competitive federalism and chart a common course to progress and prosperity. He pointed out that India cannot advance without all its states advancing in tandem, and that the idea was to bring up all states together in the spirit of 'Sabka Saath, Sabka Vikas'.

Healthcare in India is certainly a matter of concern for the NITI Aayog; as the first Health Division Working Paper notes: "Despite impressive gains in per capita income, India's Human Development Index rank has stagnated since 2008, having risen by only one unit in comparison to Nepal, which has risen by four units and Bangladesh by two units. In bringing down mortality

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due to infectious diseases, the decrease in mortality due to TB was 43.6 per cent from 2000 to 2012, while that in China was 63.1 per cent for the same period. Mortality due to measles decreased in India by 58.5 per cent between 2000 and 2012; while it decreased in Bangladesh by 87.3 per cent and in China by 81.4 per cent. This indicates the slower progress by India in controlling these conditions. Consequently, India is faced with a triple burden of disease with communicable diseases contributing to 41.6 per cent of mortality and 33 per cent of disability-adjusted life years (DALYs).

However determined the government might be, it is still early days, and there is no doubt that the challenges are enormous. In recent times, there has been a growing realisation that, given the huge task ahead, reforms in the healthcare sector are vital; successive plan documents since the Eighth Five-Year Plan in 1992 have emphasised this need, and the World Bank has also pointed out that it is 'time to carry out radical experiments in India's health sector'.

Against this backdrop, the role of public-private partnerships has been recognised as being crucial to healthcare delivery. Such partnerships have been defined variously; WHO in 1999 referred to bringing together 'a set of actors for the common goal of improving the health of a population based on the mutually agreed roles and principles'; the World Economic Forum in 2005 explained it as a 'form of agreement [that] entails reciprocal obligations and mutual accountability, voluntary or contractual relationships, the sharing of investment and reputational risks, and joint responsibility for design and execution'. What such partnerships have in common, however, as one study points out, is the 'relative sense of equality between the partners; the mutual commitment to agreed objectives and the mutual benefit for the stakeholders involved in the partnership.' Such partnerships are collaborative efforts

with reciprocal relationships, clearly defined structures and specified performance indicators for delivery in a stipulated time period. In a world as complex as ours, they are essential for effective management of healthcare.

A COLLABORATIVE SPIRIT

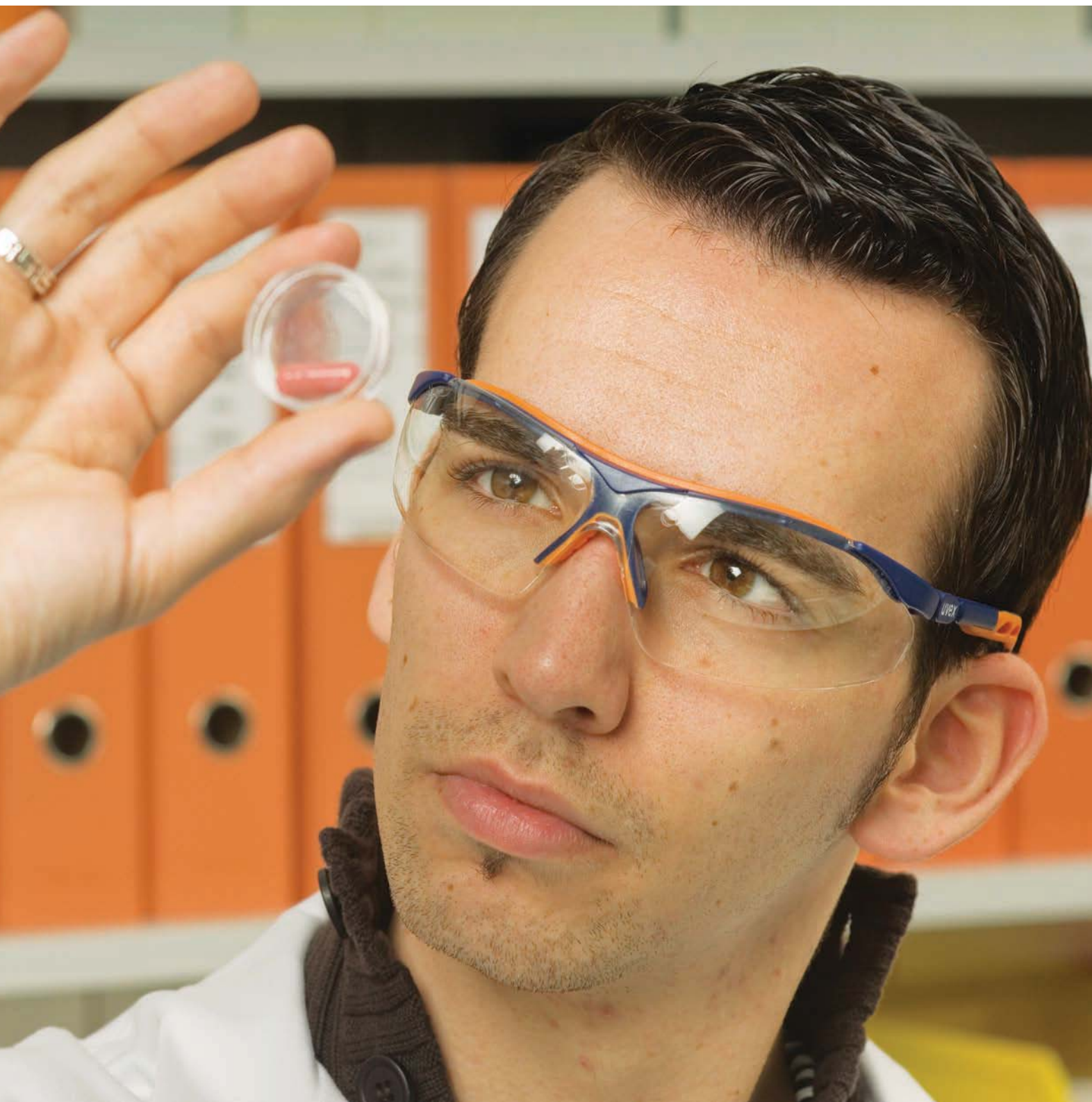
In this interconnected world where miracles can be achieved through partnerships, Novartis believes implicitly in the power of collaboration at all levels – encouraging teamwork within the organisation, as well as with non-profit organisations and other stakeholders, to leverage each others' strengths and take both technological and humanitarian leaps. This collaborative spirit underlines everything that Novartis does, as different divisions of the organisation come together to achieve some remarkable goals, touching the lives of people across the spectrum.

'Collaboration' is, in fact, one of the key values of the company, along with 'Innovation', 'Quality', 'Performance', 'Courage' and 'Integrity'. In January 2015, Novartis associates were asked to embrace the revised Novartis Values & Behaviors, which emphasise teamwork and shared accountability. Novartis believes that associates achieve more together than individuals could achieve alone and this is important as various teams join hands to deliver on the company's mission of caring and curing. As Tom Malone, a professor at MIT's Sloan School of Management, who recently launched the Center for Collective Intelligence, points out: "A lot of the most important innovations in the next couple of decades will not be innovations in technology itself but innovations in how people work together." It is a view that Novartis whole-heartedly endorses.

THE IMPORTANCE OF VALUES

In mapping the values that guide the behaviour of every Novartis employee, the Company has built on the principles that have contributed to its success over the years, to help take





the organisation into the future. These values guide the choices that Novartis associates make, and the actions they take to discover, develop and successfully market innovative products to prevent and cure diseases, ease suffering and enhance the quality of life. While strengthening the existing ideals and standards, the revision to the company's Values and Behaviors was prompted by key changes, both in the organisation and externally. They are also a reflection of Novartis' ability to adapt to the demands of a rapidly changing world.

Under the new operating structure already in place at the global level and awaiting regulatory approval in India, focus will be on fewer leading businesses with innovation power and global scale. These changes require that associates emphasise values such as collaboration, taking greater shared accountability. The Company believes in the power of teamwork; those who work together accomplish much more than they can as individuals. This sense of working towards a shared goal also fosters trust with people outside Novartis, who contribute to, and rely on, the success of the Company.

As team members become more dependent upon each other, their collective intent to make things happen will span the spectrum – cross-divisionally, cross-domains, cross-functionally, and cross-regionally – in a range of collaborations that are both personally enriching and beneficial to all stake-holders, including the Company and the wider world with which it engages. The point of such collaborations finally is to bring healthcare to the people who need it, in as effective and efficient a manner as possible. To this end, Novartis has always believed that it is the patient who comes first.

CUSTOMERS FIRST

In February 2010, at a global level Novartis launched its Customers First programme

in 45 countries after two pilots in Belgium and Portugal demonstrated that collaboration across divisions, when it makes good business sense, can lead to greater customer satisfaction and business growth.

The idea was for Novartis in different countries to work together across divisions to identify ways they could increase commercial opportunities with Key Account Management (KAM) for institutional customers (e.g. hospitals) and distribution channels (e.g. pharmacies, wholesalers), as well as opportunities for co-promotion of combined or complimentary product offerings. While it provides a platform for divisions to identify opportunities for co-promotion of products, consolidate key account management for key customers and look at combined distribution channels, Customers First goes beyond collaboration in sales. It also provides an opportunity for divisions to look at ways in which they can collaborate for back-office operations so as to increase customer service quality and productivity. Acting upon the adage 'United we stand...' the Customers First initiative leverages Novartis equity, providing a cohesive platform showcasing the strength of the organisation in the market.

This new collaborative mindset across divisions would improve the flow of market insights, business opportunities and talent and benefit the entire Novartis business in a rapidly changing healthcare environment. India was one of the early adopters of Customers First. While on one hand, Novartis India launched Arogya Parivar back in 2007, a social venture to improve access to quality and affordable healthcare for the poor, we also delivered an enormously successful unified antibiotic presence for Novartis. Through its 'Conventus' programme created in 2011, the Pharmaceutical and Generics divisions joined hands for a shared Field Force and product line of antibiotics. These products

