



NOVARTIS INDIA LIMITED
ANNUAL REPORT 2016-17





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BOARD OF DIRECTORS

Christopher Snook	Chairman
Ranjit Shahani	Vice Chairman & Managing Director
Monaz Noble	Whole Time Director (from June 13, 2016) & Chief Financial Officer
Jai Hiremath	Director
Rajendra Nath Mehrotra	Director
Sandra Martyres	Director (from April 19, 2016)

Trivikram Guda	Company Secretary & Compliance Officer (from February 3, 2017)
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Website	www.novartis.in
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Annual General Meeting

11.30 a.m. Friday, July 28, 2017
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, Link Intime India Private Limited, at the address above.

The Novartis India Limited Board



Standing from left: Ranjit Shahani, Vice Chairman & Managing Director; Jai Hiremath, Director; Christopher Snook, Chairman; Rajendra Nath Mehrotra, Director; Sitting from left: Sandra Martyres, Director; Monaz Noble, Whole Time Director & Chief Financial Officer

Dear Shareholder

In 2016-17, at a global level, Novartis continued to strengthen its business, accelerate innovation and further sharpen its organizational structure. In India, we have replicated these moves in an increasingly challenging environment.

The healthcare system in India continues to pose a challenge to not just industry but to all stakeholders as it strives to cater to a population of 1.3 billion. As one goes further into the hinterland the problem only gets exacerbated. Low public spending on healthcare, increasing price control and regulations are putting greater pressure on the pharmaceutical industry as it looks to maintain return to shareholders.

Implementation of Goods and Services Tax (GST) will lead to simplification of the tax structure and a positive impact on the Gross Domestic Product (GDP) of the country. In the years to come the use of digital technology in all spheres of life will, we hope, be leveraged for the larger good of healthcare.

As a company, we are acutely aware of our responsibility to provide affordable medicines and improve access to healthcare, particularly to the rural poor. I am pleased to share with you that our social business Arogya Parivar has been working relentlessly in this area. In the past six years, more than 31 million people attended over 700 000 health education meetings. During the same period over 1 800 000 people were

diagnosed in health camps held in 11 states across the country.

Our focus on leprosy through our Corporate Social Responsibility initiatives will help the government's efforts in eliminating this disease. It is truly saddening to know that despite the free medication that is provided globally by Novartis through the World Health Organization (WHO) people continue to delay treatment. A fully curable disease, seeing children diagnosed and ending up with deformity is disheartening. We hope that you, our shareholders, will play a role in spreading awareness of the disease so that together we can make a difference.

In August 2015, Novartis signed a new Memorandum with WHO, extending the provision of multidrug therapy (MDT) free of charge to all leprosy patients worldwide until the end of 2020; the Company's collaboration with WHO began in 2000, and was renewed twice, in 2005 and 2010. The year 2016 marked 30 years of Novartis Foundation's commitment to support the leprosy-afflicted.

I thank you for the confidence you continue to repose in your Company and am pleased to be able to propose a dividend of ₹10 per equity share of ₹5 each on behalf of the Board at the forthcoming Annual General Meeting.

Sincerely,

Christopher Snook
Chairman





Dear Shareholder,

Novartis continues with its long-term commitment to ensure access to medicines. The environment in which the pharmaceutical industry operates continues to see unprecedented change, particularly at the policy level.

The National Health Policy 2017 proposes raising public health expenditure to 2.5% of the GDP in a time-bound manner while providing greater assured comprehensive primary healthcare through Health and Wellness Centers. Success of the rollout of GST in Q2 of the current financial year and its impact on industry in general will depend on its smooth implementation.

Efforts of the National Pharmaceutical Pricing Authority to fix the ceiling prices of medicines through NLEM-2015 continues to severely impact the Company's profitability. Consequently, despite the many productivity measures taken by the Company during the year, the profit before tax margin is low at 12.6% of Total Income. The mandate to prescribe medicines by generic names may negatively impact the Company further.

The Company's Total Income from continuing operations for FY 2016-17 is lower by 5.8% compared to the previous year. The profit before tax from continuing operations was ₹917.3 million as against profit of ₹1,113.7 million in the previous corresponding period. Profit was impacted as the Company has had a substantial impact on account of reduction in prices of products covered under NLEM. Total Comprehensive Income for FY 2016-17 was significantly lower at ₹577.2 million

as against ₹1,985.8 million in the previous corresponding period, which included profit of ₹1,258 million from discontinued operations of OTC division and Animal Health division. The Company, however, has maintained dividend at 200% for FY 2016-17, subject to your approval, as it believes in a steady dividend policy.

Novartis continues with its efforts to do social good, particularly in the battle against leprosy, where it plays a major role through its partnership with the World Health Organization.

For centuries, leprosy has posed three kinds of problems to mankind: medical, where it continues to defy science – a vaccine would have made it so much easier to achieve success; public health, where it poses a challenge in the developing world and social, due to the stigma associated with the disease that serves to add to the burden of treatment.

Lack of awareness of the disease has created a situation where people find it hard to believe that leprosy continues to be a public health problem. The stigma that continues to be associated with the disease means that people delay seeking medical treatment until deformity sets in. Diagnosing leprosy patients as early as possible will help prevent deformity. More than that, early diagnosis will mean early treatment and this will help interrupt the transmission of this devastating disease.

The government's own figures, through the National Leprosy Eradication Program (NLEP), showed that 5 851 cases with Grade 2, or visible, deformities, were

India has signed and ratified the United Nations Convention on the Rights of Persons with Disabilities, 2007 ('UNCRPD'), which promotes, protects and ensures the full and equal enjoyment of all human rights and fundamental freedoms by all persons with disabilities

detected between 2014-2016. World Health Organization's *Global Leprosy Strategy 2016-2020: Accelerating towards a Leprosy-free World* names three countries with large populations that report more than 10 000 new patients annually. India, along with Brazil and Indonesia, is among them. These are only the reported cases; though leprosy has been fully curable since the 1980s, if detected in the early stages, most afflicted people actively seek to hide the illness for fear of the stigma attached. Consistent efforts by leaders such as Mahatma Gandhi, Vinoba Bhave and, in more recent times, Baba Amte and Mother Teresa, have done little to change the mindsets against leprosy that exist even today.

The Indian government's new National Health Policy document, released in March 2017, aims to achieve and maintain elimination status of leprosy by 2018. The inclusion of leprosy as a disease to be eliminated in the national budget is a sign of the importance accorded by the Union Government. The target is certainly ambitious and will require the full support of the private sector. There have been several successful public-private partnerships over the last many years but

a great deal still needs to be done to meet and overcome India's health challenges.

India has signed and ratified the United Nations Convention on the Rights of Persons with Disabilities, 2007 ('UNCRPD'), which promotes, protects and ensures the full and equal enjoyment of all human rights and fundamental freedoms by all persons with disabilities. It is also a member of the UN General Assembly that unanimously passed a Resolution on Leprosy.

The Company's shared commitment to corporate responsibility rests with every Novartis associate. We are proud of what we have accomplished through our efforts, particularly in the area of health, and we look forward to achieving more through our partnerships.

We take this opportunity to extend our heartfelt thanks to you, our shareholders, for your continued loyalty and support over the years.

Sincerely,

Ranjit Shahani
Vice Chairman & Managing Director

Life after leprosy

When Jayashree P.K., a chartered accountant, was a young girl, she was diagnosed with a disease that has been stigmatised since Biblical times – leprosy. Although medical cure was made possible thanks to her being a recipient of the multidrug therapy (MDT) treatment, she lived with self-stigma for several years. Having a very supportive family did little to alleviate her fear - she feared she would never be able to live a normal life, the life that every young girl dreams of. Today, more than 32 years later, Jayashree is happily married, and is the Chief Executive Officer of iBAS, a financial consulting firm. Though reconstructive surgery could have brought her clawed hand back to normal, she has chosen to keep it that way, as a reminder of the work that still needs to be done – even today, delayed diagnosis of the disease due to ignorance and stigma causes several thousands of individuals to end up with disabled limbs. Jayashree has chosen to continue to work for Leprosy, especially in dispelling the myths and stigma surrounding the disease and works for spreading the message - that Leprosy is a simple disease, of no consequence and is easily curable. (Pg 14: Jayashree's story).

Since time immemorial, leprosy patients have been ostracized, not only by the larger community, but even by family members. Disfigurement – claw hands, foot drop, eyes that do not close – has often made people believe that the disease is a punishment from God, a sign of heavenly wrath because of some immoral act or a result of karma.

In India, eight-year-old Manjeet from Uttar Pradesh, has tears in his eyes when, in *The UNwanted*, a Novartis-supported film that is available online, he tells his interviewer with more despair than hope that his father will return to take him back home from the Leprosy Mission Trust medical facility near Allahabad. Uma from Unnao, Uttar Pradesh, now in her 50s, has lived with her disfigurement for 18 years; she speaks of how her husband beat her up and threw her out of the house.

In the same film, in a social experiment conducted by the film-makers, seven hidden cameras record the reaction of a waiter in a high-end restaurant in Delhi. The waiter not only refuses to serve Ishrat, a visibly disfigured woman, he also insists she will spread the disease to other guests, snatches the plate away from her, declares that she will “dirty our glasses” and tries to force her out. In a heartening move, however, other guests at the restaurant intervene and tell the waiter that they have no problem with Ishrat being served. In a country where more than 125 000 new cases are reported each year and thousands of others go unreported, such positive

responses are still rare. In many cases, leprosy patients, even when cured, are prevented from accessing social resources such as water, excluded from community gatherings and festivals, and denied education and jobs. Sometimes, even health workers, doctors and medical practitioners discriminate against them.

SOME FACTS & FIGURES

Leprosy is a chronic infectious disease caused by *Mycobacterium leprae*, an acid-fast, rod-shaped bacillus. The disease mainly affects the skin, the peripheral nerves, mucosa of the upper respiratory tract, and the eyes. Untreated, leprosy can cause progressive and permanent damage to the skin, nerves, limbs, and eyes.

- Globally, in 2015, almost 211 000 people were diagnosed with leprosy, equivalent to one every two minutes.
- 81% of new leprosy patients occur in Brazil, India and Indonesia, which are the most highly endemic countries for leprosy.
- It is estimated that 1.2 million people are visibly and irreversibly disabled by leprosy.
- 1 in 11 newly diagnosed leprosy patients are children, indicating

MDT has made it possible to treat patients, reduce transmission and prevent disability. Early detection and prompt treatment is currently the best approach to control the disease



continued transmission of the disease.

INTERRUPTING TRANSMISSION

Despite the availability of free MDT drastically reducing the number of leprosy patients over the past 30 years, the number of new patients diagnosed with leprosy has plateaued over the last decade at about 200 000-250 000 per

year. In several countries across Asia and Africa, leprosy remains endemic in high-burden pockets. Now, the challenge of covering the last mile to make leprosy history is to interrupt its transmission.

Although there are still uncertainties as to how leprosy is transmitted, one of the high risk factors is close and frequent contact with an infectious patient. Once

infected, the average incubation period is about 5 years and it can take as long as 20 years for symptoms to appear.

Disabilities are secondary complications which result from late diagnosis, when the nerve damage caused by leprosy is already present, or from acute inflammatory reactions that can occur at any stage. MDT has made it possible to treat patients, reduce transmission



Despite good control, India's high case load is still a cause of worry. Approximately 10 million people are affected in the country and there are more than 750 residential colonies where leprosy patients live
