



NOVARTIS INDIA LIMITED
ANNUAL REPORT 2018-19





CONTENTS

Letter from the Chairman	03
Letter from the Vice Chairman and Managing Director	04
Notice	16
Directors' Report	23
Report on Corporate Governance	47
Certificate on Corporate Governance	64
Business Responsibility Report	65
Independent Auditors' Report	73
Balance Sheet	82
Profit and Loss Account	83
Notes Forming Part of the Financial Statements	85
Cash Flow Statement	123
Route Map	125
Attendance Slip / Form of Proxy	End of Report
Financial Summary for Ten Years	Inside Back Cover

BOARD OF DIRECTORS

Christopher Snook	Chairman
Sanjay Murdeshwar	Vice Chairman & Managing Director (effective June 15, 2019)
Monaz Noble	Director
Jai Hiremath	Director
Rajendra Nath Mehrotra	Director
Sandra Martyres	Director

Trivikram Guda	Company Secretary & Compliance Officer
----------------	--

CIN	L24200MH1947PLC006104
-----	-----------------------

Registered Office	Inspire - BKC, Part of 601 and 701 Bandra Kurla Complex, Bandra East Mumbai 400 051
-------------------	---

Telephone Nos.	+91 22 5024 3000
Fax No.	+91 22 5024 3010
E-mail	india.investors@novartis.com
Website	www.novartis.in

Registrar And Transfer Agents	Link Intime India Private Limited C-101, 247 Park, L.B.S. Marg Vikhroli (West), Mumbai 400 083
-------------------------------	--

Telephone Nos.	+91 22 4918 6000
Fax	+91 22 4918 6060
E-mail	rnt.helpdesk@linkintime.co.in

Annual General Meeting

11.30 a.m. Friday, August 09, 2019

Mumbai Cricket Association [MCA], Banquet Hall, Ground Floor, G Block, BKC
RG - 2, Bandra (E), Mumbai 400 051

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

Seated from left: Christopher Snook, Jai Hiremath

Standing from left: Sandra Martyres, Rajendra Nath Mehrotra, Monaz Noble, Sanjay Murdeshwar

Dear Shareholder,

Access to safe, effective, quality and affordable essential medicines and vaccines for all by 2030 is one of the key elements of the United Nations Sustainable Development Goal (SDG) 3 – Good Health and Well Being.

According to the World Health Organization (WHO), an estimated two billion people have no access to essential medicines, effectively shutting them off from the benefits of advances in modern science and medicine. In a world enjoying unprecedented levels of prosperity, this is alarming. Providing the poor access to medicines is a humane imperative and unless addressed just reinforces the intergenerational cycle of poverty.

While affordability is a key aspect, there are other issues as well which need to be addressed to give the poor access to medicines. These include plugging the gaps in health systems and infrastructure that hamper the delivery, procurement practices, tax and tariff policies and the strength of national drug regulatory authorities. Nations also need to develop a system of pharmacovigilance to ensure that the medicines are of good quality and safe so that the poor are protected from substandard medical products.

I am optimistic that the government will widen the ambit of its most ambitious health scheme – Ayushman Bharat – to strengthen primary care and cover chronic diseases. When that happens our Company looks forward to being partners in the health journey of patients who otherwise had limited access to quality medicines.

Access to medicines calls for the active engagement of various stakeholders including government and industry. As a global research-based pharmaceuticals leader, Novartis has always believed that along with providing returns to its shareholders, it has a social contract with society to provide access to medicines. Towards this end, both globally and in India, we provide scalable access solutions, patient assistance programs, equitable commercial models, social business models and drug donations.

A stable government at the centre and increased focus on growing the economy will reinforce estimates that India's base-of-the-pyramid population living on a few dollars a day will shrink significantly over the next ten years. Yet for some 850 million men, women and children in more than 640,000 villages across India, the idea of accessible, affordable and high-quality medicines remains as remote as their homes. Arogya Parivar, our social business initiative, continues to provide health information, diagnosis, and access to medicines to these underserved populations. In this Annual Report, we present to our shareholders a glimpse of this remarkable success story.

On behalf of the Board of Directors, I am pleased to propose a dividend of ₹10 per equity share of ₹5 at the forthcoming Annual General Meeting.

I thank you for the confidence you continue to repose in our Company and look forward to the same in the years ahead.

Sincerely,
Christopher Snook
Chairman





Dear Shareholder,

It gives me great pleasure to address my first communication to you as Vice Chairman and Managing Director of Novartis India Limited. I begin my stint at a time that may well see the beginning of a transformation in India's healthcare systems. There certainly seems to be every indication that this could happen in the near to medium term.

Our country has begun increasing focus on both health and education, the two pillars of a developed economy. According to estimates, the pharmaceutical market in India will reach ₹2255.5 billion by 2023. This wave of opportunity will largely be driven by rising incomes, greater health awareness, increase in lifestyle diseases and growth of health insurance.

The National Health Policy (NHP) of 2017 committed the central government to spend 2.5% of the nation's GDP on health by 2025. It also mandated the state governments to spend 8% of their budgets on health. While this is highly aspirational and the state governments are yet to meet this target, directionally as a nation we seem to be going the right way.

Limited public funding of healthcare means that India largely follows the self-pay model for healthcare expenses. In such a scenario, the less privileged are hit the hardest. It is estimated that almost one-fifth of the poorest households in India tend to suffer from a catastrophic health shock leading to expenses greater than the annual per-capita consumption of a household.

With Ayushman Bharat – Pradhan Mantri Jan Arogya Yojana (PM-JAY), the government hopes to tackle many of the issues faced by the needy who otherwise had no, or limited, access to healthcare. PM-JAY has certainly drawn global attention. It is arguably the largest public healthcare initiative in the world, covering a population of about 500 million Indians. If the official numbers are any indication, this could well be a game-changer in the healthcare sector.

While PM-JAY will definitely go a long way towards saving the indigent from catastrophic health shocks, there is much more to be done to achieve the goal of Universal Health Coverage.

This requires a series of interventions, in addition to PM-JAY, in areas such as investments in health, organization of

Our country has begun increasing focus on both health and education, the two pillars of a developed economy. According to estimates, the pharmaceutical market in India will reach ₹2255.5 billion by 2023

From a pilot program in two districts, Arogya Parivar now extends over 15 states and last year alone it touched 7.8 million lives, hosting more than 10,000 health camps

healthcare services, increased focus on prevention of diseases, promotion of good health through cross-sectoral actions, leveraging access to technologies as well as developing human resources in healthcare. I am confident that the new government will make this a priority.

Novartis continues to affirm its commitment to serving patients and society at large. Even as our parent company invests in discovering new ways to improve and extend people's lives, we are committed to contribute our efforts to improve access to medicines and healthcare for patients who have limited reach to such facilities. It was with this objective that we launched Arogya Parivar, our social business venture, 11 years ago.

From a pilot program in two districts, it now extends over 15 states and last year alone Arogya Parivar touched 7.8 million lives, hosting more than 10,000 health camps and providing people with better health information through 175,000 health education meetings. This, I believe, is no mean achievement.

Turning to the performance of our Company, we continued to face several challenges. We have, however, taken steps to increase efficiencies in the way we work through various measures including

reorganization of people and repurposing our product portfolio.

We launched Voveran maxxgel™ and a new version of Voveran® 1ml and hope that with these launches we will further strengthen our position by serving more patients.

Revenue from operations for the year ended March 31, 2019, was ₹4,906.8 million as compared to ₹5,638.9 million in the previous corresponding period. Total Comprehensive Income for F.Y. 2018-19 at ₹533.9 million was lower than ₹795.6 million in the previous corresponding period. This was primarily because the previous corresponding period had a substantial tax refund for a prior period of ₹981.3 million. I am happy to share that the Board continues to support a steady dividend policy of 200% for FY 2018-19, subject to your approval.

I thank you for the confidence you have placed in our Company over the years and look forward to your continued goodwill as we work for the long-term interest of the patient.

Sincerely,

Sanjay Murdeshwar
Vice Chairman & Managing Director

Arogya Parivar

Changing the face of healthcare in rural India

As the heat saps dusty lanes of Dhaurahra in Uttar Pradesh, 104 kilometers away from its capital Lucknow, the resounding beats of Prem Chand Maurya's *duggi* (drum) burst through the silence. Villagers of all ages run excitedly out of their homes to see what the noise is about and find Maurya, in an Arogya Parivar-branded shirt, making his way to the village *chaupal*.

Maurya is a health educator, and a member of Novartis India's Social Business team – Arogya Parivar – which has impacted lives in underserved and underprivileged rural areas in India for more than a decade.

In the *chaupal*, or community space, he tells them a story, using visual storyboards to drive home his point. The stories that Maurya, and others like him, share at Arogya Parivar's health awareness programs carry important messages; like other health educators, or Arogya Shikshaks as they are better known, he spends his time touring rural areas to speak to villagers in their local dialect about their health and well-being. In this village, which is in the heart of India's carpet-making region, respiratory disorders and parasitical infections are common, and timely treatment can make a big difference.

Maurya's talk is the first step of the health awareness program; as he speaks, the villagers realise that in the nearby school building, a volunteer, Dr. Sonali Maurya, is offering free diagnosis to complement the Arogya Shikshak's talk. At the request of the

Arogya Parivar team, she and her husband Dr. Ajit have visited more than ten villages pro-bono in the Bhadohi-Mirzapur area where Dhaurahra lies. For her it is a personal mission; she became a doctor because in her childhood, she had watched her parents struggle to receive healthcare. Traveling to these villages through the Novartis program – though with no obligations to prescribe its medicines – she has seen women suffer from complications while giving birth at a young age; she has helped farmers cope with dehydration when hard manual labour has taken its toll, and has treated weavers whose long hours at carpet factories have caused severe infections.

Like Dr. Maurya had once done, 11-year-old Vijay Kumar in Khulua dreams of being a doctor. When Arogya Parivar organized a health camp in this village on the banks of the Ganges in Mirzapur District, Kumar was there. Intrigued by the number of people who had assembled for the session, including his parents and friends, Kumar had joined them; he had lost a cousin to an unknown ailment in 2011, and is now aware that diseases can often be prevented, if diagnosed early and treated correctly. He also understands that treatment advised by a doctor is more effective than uneducated self-treatment, and is keen on sharing these insights with classmates in school.

THE IMPERATIVE

According to the National Health Profile 2018, published by the Central Bureau of Health Intelligence, India accounts for a relatively large





share of the world's disease burden, with non-communicable diseases (NCDs) dominating over communicable ones in the total disease burden of the country. The Indian Council of Medical Research (ICMR) report *India: Health of the Nation's States: The India State-Level Disease Burden Initiative* (2017), notes that while the disease burden due to communicable, maternal, neonatal, and nutritional diseases, as measured using Disability-adjusted Life Years (DALYs), dropped from 61% to 33% between 1990 and 2016, non-communicable diseases (NCDs) in the same period increased from 30% to 5%.

"Fifteen years ago, the mortality rate was 60% due to infectious diseases; now the trend has reversed and more than 60% of the mortality rate is because of NCDs," says Lokesh Manikonda, Country Head India, Novartis Social Business (NSB). The incidence of communicable diseases is higher in the northern regions of the country, he adds; certainly higher population density and poverty make it worse.

As per WHO, worldwide, tuberculosis (TB), a communicable disease which is primarily spread through the air, is one of the top 10 causes of death. There

were an estimated 10 million new cases of TB worldwide in 2017.

India's record in terms of healthcare access is not very impressive; a May 2018 *Lancet* report ranks it as 145th among 195 countries in this regard. As per data released by the Health Ministry, under the National Health Profile in June 2018, there is one government allopathic doctor per 11,082 population, one government hospital bed per 1,844 population and one state-run hospital for every 55,591 population.

As per KPMG, 60% hospitals, 75% dispensaries and 80% doctors are located in urban areas, servicing only 28% of the country's population.

Public spending on healthcare in the country is currently low, and economies much smaller than India spend a far higher percentage. For example, Thailand spends 2.9% of their GDP on healthcare, Bhutan 2.5%, and Sri Lanka 1.6%. The Government of India's National Health Policy 2017 speaks of increasing health expenditure as a percentage of GDP from the existing 1.15% to 2.5% by 2025.

When Arogya Parivar was launched in 2007, it was estimated that only 30% of

rural India had access to potable water and just 19% had access to sanitation. While the country has progressed on both fronts, there is much that remains to be done. Malnutrition was, and continues to be, a serious problem; with 47% of children undernourished, India led the global statistics in terms of iron deficiency at the time. Over 65% of India's population had limited access to healthcare, a fact made worse by this being largely a self-pay market with less than 4% of the population covered by insurance, making healthcare even more difficult to access.

With a strong corporate philosophy of providing medical care to those in need but with limited access, Novartis India recognized that reaching out to rural markets was vital. One of the key insights guiding the Arogya Parivar initiative was that with greater awareness and availability of affordable treatment, many diseases could be treated, and even prevented. It also acknowledged that people – including the millions in India earning less than three dollars a day – would be willing to spend on healthcare if properly counseled, and if fast-acting and equitably priced smaller packages were available.

With clearly defined social and commercial arms that work with a common goal, Arogya Parivar has proved to be a profitable business for Novartis, with social service at its heart. This clear separation between the two operations ensures effectiveness, and helps to serve community interests in the best possible way. The 'social unit' is responsible for the health education meetings to inform communities about disease prevention, and benefits of

Malnutrition was, and continues to be, a serious problem; with 47% of children undernourished, India led the global statistics in terms of iron deficiency at the time. Over 65% of India's population had limited access to healthcare
