



NOVARTIS INDIA LIMITED
ANNUAL REPORT 2021-22





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BOARD OF DIRECTORS

Christopher Snook	Chairman
Sanjay Murdeshwar	Vice Chairman & Managing Director
Monaz Noble	Non-Executive & Non-Independent Director
Jai Hiremath	Independent Director
Sandra Martyres	Independent Director
Sanker Parameswaran	Independent Director

Nikhil Malpani	Company Secretary & Compliance Officer (w.e.f. April 27, 2022)
Shilpa Joshi	Chief Financial Officer (w.e.f. May 1, 2022)
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Annual General Meeting

11.00 a.m. Friday, July 29, 2022

For detailed instructions to join the AGM through Video Conference (VC) / Other Audio Visual Means (OAVM) and the procedure to raise questions / seek clarifications with respect to the Annual Report, please refer to note 3 on page number 30 of this Report.

Members are requested to join the virtual AGM by 10:45 a.m. Please keep a soft copy of the Annual Report handy during the meeting proceedings. Members who wish to speak at the AGM are requested to write to the Company in advance at india.investors@novartis.com



Dear Shareholder,

That the COVID-19 pandemic is behind us would have been a heartening opening to my note. Alas, as we enter the third year of hosting this unwelcome virus, the end seems elusive, often in the vicinity, yet blurry.

The unsolicited change inflicted by this pandemic upon humankind, almost overnight, brought to fore the astonishing fortitude of people across the globe. Our intrinsic nature as a social being was put to test, let alone the emotional and physical angst we endured. The young were left devoid of making friends and going to school and the old were left engulfed with untimely fears. Many lost their means to livelihood and lives of their loved ones. Yet, resilient we are, and through these incredibly testing and challenging times, we unlearned our ways and are adapting.

We are gradually learning to co-exist.

Personally, for me the silver lining is the much-deserved prominence gained by 'Health' and its 'Care'. Not only by the Governments and healthcare industries, but people like you and me. I am humbled by the unprecedented contribution and collaboration of the healthcare ecosystem to battle the pandemic, even as the industry itself was greatly impacted by it. India in particular demonstrated laud-worthy success in producing three indigenous vaccines, affordable home-based diagnostics, and truly rechristened healthcare delivery.

As a society, as an economy, as individuals, while we are still grappling with its aftermath, our resilience has led to some revival and recovery. The global public health crisis has had an impact on the economy and today industries the world over are on the path to rediscover and re-engineer their ways of working.

Embracing technology has proven fruitful and comes with a promise to go a long way in strengthening healthcare delivery in India.

The fear of the COVID-19 virus led to negligence of other health conditions and impacted health outcomes, especially non-communicable diseases, transplant, treatable blindness, amongst others. The agility in rolling out the teleconsultation policy by the Government of India, at the very onset of the pandemic, redefined the way our patients are receiving care today. This technique to bridge the gap between the physical and digital worlds has opened up opportunities to enable the uptake of pharmaco-economics to ensure healthcare accessibility leading to improved health outcomes.

What makes me most optimistic is the launch of the National Digital Health Mission (NDHM) by Hon'ble Prime Minister Mr. Narendra Modi last year. This gives India an opportunity for evidence-based policy decisions that would aid in developing systems to assess new and existing health technologies and bring us closer to realising the Universal Health Coverage. It seeks to follow the same model that the Government has followed in the direct benefit transfers of its various schemes – build on the technology stack based on Aadhar and Bank accounts linked to it. It has the potential to revolutionise how healthcare is delivered to hundreds of millions of Indians.

The Indian Government also announced ₹86,200.65 crore (US\$ 11.28 billion) outlay for the healthcare sector over six years in the Union Budget 2022-23 to strengthen the existing 'National Health Mission'.¹ These efforts can improve access to healthcare for Indian patients as well as drive economic growth by



enhancing India's global competitiveness. However, we still need to traverse a long journey to reduce the out-of-pocket expenditure, thereby minimising inequality in healthcare services.

A robust governance system has an immense multiplier effect on the healthcare system initiatives in a country. With technology that exists today, we have a way to promote the right and expected behaviours in the health delivery system, and to monitor and link them back to corrective actions.

At Novartis India Limited, we have been committed to improving and extending people's lives by reimagining access. This annual report provides a glimpse into how we overcame challenges to reimagine access to our medicines.

On behalf of the Board of Directors, I am pleased to continue with our steady dividend policy and propose a dividend of ₹10 per equity share of ₹5 face value per equity share at the forthcoming Annual General Meeting subject to the approval of the shareholders of the Company.

Thank you for your continued confidence in our Company. I look forward to the same in the years ahead.

Sincerely,
Christopher Snook
Chairman

1. <https://www.ibef.org/industry/healthcare-india.aspx>



Dear Shareholder,

At the outset, I would like to thank you for the trust you have reposed in our Company over the years. Our Company has the responsibility to help improve access to medicines and healthcare for those in need.

Healthcare is about life and outcomes. It is about people living longer with reduced days of illness. A healthcare system rests on the foundation of healthcare delivery and financing where both these need to work in tandem to deliver high quality healthcare to the citizens. Owing to the unique set of challenges faced by our nation we will need to evolve our own systems and solutions which work for our country. Merely copying models that are currently available in the Western world may not necessarily work.

The use of technology and leapfrogging the brick-and-mortar style of delivery will be crucial for India. The Government machinery as well as the private sector are making huge strides in this direction.

Through Ayushman Bharat, the Government aims to provide Comprehensive Primary Health Care (CPHC) through set-up of 150,000 Ayushman Bharat-Health and Wellness Centres¹ (HWCs) by December 2022, of which 77,786 have been operationalised as of September 2021.² This could potentially be strengthened by inclusion of Out-Patient Department (OPD) procedures that may help reduce the 70 percent³ out-of-pocket expenditure of the country. Incentives would then

be available for the private sector to invest in creating better infrastructure towards driving awareness, diagnosis, and treatment.

The Ayushman Bharat Digital Mission (ABDM) is expected to be rolled out in FY2022-2023. This aims to bridge the existing gaps in the healthcare ecosystem by the rollout of a Unified Health Interface (UHI) which will enable citizens to use a host of health services, including teleconsultations, and bookings of laboratory tests through the digital platform.⁴ By January 2022, nearly 150 million health IDs had been generated and 8,378 doctors and 5,016 facilities had been registered on the platform. Additionally, the allocation for ABDM was increased by ₹2 billion to develop the National Digital Health Ecosystem.⁵

A record number of healthcare start-ups have also sprung up, propelled by an entrepreneurial and technological spirit across the entire ecosystem of healthcare delivery.

On the financing side of healthcare, with an outlay of ₹64,180 crore till 2025-26 for increased investments in public health and other health reforms, the Government has laid concrete the foundation for the expansion of health insurance in a segment of the society devoid of healthcare, thus truly paving the path for improved access and health outcomes.⁶ Private insurance players are also gradually seen launching significant specialty coverage and innovative policies

1. Ayushman Bharat Health and Wellness Centres – Transforming India's Primary Healthcare System, MHFW GoI, 2021

2. Annual Report 2021-2022, Department of Health & Family Welfare, Ministry of Health & Family Welfare, GoI

3. Nearly 70 percent expenditure on health to come out of patients' pockets: Finance Commission report-The New Indian Express

4. More than 15 crore National Digital Health IDs created under ABDM, Press Release, 4th Feb 2022, Ministry of Health and Family Welfare

5. Union Budget FY 2022-23, GoI

6. Ministry of Health and Family Welfare, HFW/Press Conf of HFM on PM AB-HIM /26thOctober2021/4

taking care of advanced treatments, particularly in Oncology, Transplant, and Non-Communicable Diseases. There is an emergence of private healthcare financing players going the social entrepreneurship route to support treatment financing.

As we move ahead in this journey to improve access, we will need to find innovative ways to ensure that we reach the remotest village and person needing diagnosis and treatment.

Novartis AG lauds India's efforts to create a stronger healthcare environment through evidence-led innovations and programmes like – Make in India, National Health Policy, Ayushman Bharat, Digital Health Mission and many others.

If we look at the Indian Pharmaceutical industry, it has grown 10 times⁷ in the last two decades, driven by better awareness, diagnosis, affordable medicine, and more focus on healthcare.

Some of the key drivers of this growth are:

- Collaborations between multinational and local companies: For multinationals, these agreements enable more efficient and widespread reach of key brands, while for local manufacturers, it is an opportunity to expand disease area portfolios with best-in-class medicines;
- Accelerated technology adoption bolstered by ABDM and the surge in online orders on e-pharmacies

(~65 percent in 2021), leading to an unprecedented growth which is estimated to reach 70 million households by 2025 (FICCI).⁸

However, the industry also has to take into consideration the regulatory and external factors as it defines its strategy. In August 2021, the Department of Pharmaceuticals amended the 2013 Drugs Price Control Order with respect to drug ceiling price revisions. Following the amendment, the revision of prices has been delinked from the revision of the National List of Essential Medicines (NLEM). In September 2021, an updated NLEM 2021, including 39 additional drugs and 16 deletions from the previous list, was submitted to the Ministry of Health and Family Welfare for evaluation. The new, expanded version of the list – which includes a number of additional Antiretrovirals, Cancer, Cardiovascular and Anti-Diabetic Drugs – is now anticipated to be released in 2022.

As a tailwind to the industry, in April 2022, the National Pharmaceutical Pricing Authority has allowed a price hike of 10.8 percent in FY2023, significantly higher than the 0.5-4.2 percent price hikes allowed for NLEM drugs over FY2018-22.⁹ Fixed Dose Combination (FDC) medicines continue to be under the regulatory radar. This, coupled with the stringent requirements to gain marketing authorisation for FDCs, is gradually witnessing shifts in the portfolios of most manufacturers that previously marketed such products.

To improve access to healthcare and medicines our Company is committed to patients, healthcare partners and society at large. We aspire to discover new ways to improve and extend people's lives and be a trusted leader in changing the practice of medicine. Barring unforeseen circumstances, our endeavour is to continue to invest and build our portfolio on our four key disease areas of focus, namely Mature Neurology, Transplant, Mature Oncology and Bone & Pain. One step to this effect has been the exclusive sales and distribution arrangement entered by the Company with Dr. Reddy's Laboratories for some of our Established Medicines which include the Voveran® range, the Calcium range and Methergine®. This arrangement aims to further broaden access of these medicines beyond the current geographies to benefit many more patients, more efficiently, by significantly extending the reach of healthcare professionals through an expanded field force.

I am optimistic that with this increased focus and our best efforts, coupled with innovative lifecycle management, harnessing technology, capability building and meaningful partnerships, we are poised to benefit many more patients.

We extend our gratitude to you for your faith in us and continued loyalty and support.

Sincerely,
Sanjay Murdeshwar
Vice Chairman & Managing Director

7. EY India Pharma Report 2021

8. ePharmacies at COVID-19 Frontline, Fighting the Odds. Serving the Nation, FICCI, August 2020

9. Order dt. 30th March, 2022, Government of India, Ministry of Chemicals and Fertilizers, Department of Pharmaceuticals, National Pharmaceutical Pricing Authority

Improving and extending lives of people living with transplanted organs in India

“Love recognises no barriers,” the American writer Maya Angelou once said. “It jumps hurdles, leaps fences, penetrates walls to arrive at its destination full of hope.” When Navika and Ashok (names changed) tied the knot in December 2011, they had yet to learn what marriage truly meant; the world was opening up for them, and there was so much to look forward to. Less than three months later, their lives turned topsy-turvy in ways that they could not begin to imagine.

THE SHOCK

It started with a routine medical check-up. Ashok, who was thirty years old, felt absolutely fine, and expected the results to be uneventful. An innocuous-looking number, however, raised an alarm. Ashok’s creatinine levels were higher than normal, and this is the first time Navika felt her heart sink.

As fate would have it, Navika was a professional counsellor to transplant patients and hence she couldn’t help but suspect a renal ailment. She knew that creatinine leaves the body as a waste product and healthy kidneys filter this chemical compound out. But none of her knowledge and experience prepared her for the upheaval she would experience in her own life.

For a while, Navika and Ashok believed that there was hope and non-invasive

medicines would come to their rescue. A nephrologist at one of Mumbai’s premier hospitals suggested that medicines might control the situation. For six months, Ashok remained on medication, yet his creatinine levels stubbornly stayed high and hypertension joined forces as a comorbidity. It was then that the doctor suggested a biopsy.

Over time, Navika and Ashok had steeled themselves for bad news. But the results turned out to be far worse than they had imagined. Ashok’s kidneys, they discovered, were functioning at just 20 percent of their capacity. “For me it was shocking,” Navika recalled. “We had just gotten married, and my world came crashing down!”

Clutching at straws, and a sliver of hope, Navika and Ashok decided to take a second opinion – and then a third – each time at a different hospital. His medications were extended for another six months, but at one point, the creatinine levels shot through the roof. Ashok would have to immediately start dialysis, the doctor said; with the fluid levels in his body so high, there could be pressure on his heart, and a multi-organ failure.

THE ACCEPTANCE

For Navika, it was a knife-edge. On the one hand, she was the caregiver, and had to manage all that this

entailed – the huge financial burden involved, coping with her own emotions owing to this trauma, and absorbing the impact of this devastating experience on her husband. On the other hand, as a counsellor, she knew she had to keep her emotions, anxiety and fear suppressed. “You have to manage the patient, as well as yourself,” she explained. “If the caregiver shows fear, the patient will also lose confidence, so it is very important to stay strong.” Speaking to patients about this was one thing; experiencing it herself was another.

They had registered for a kidney donation, but the wait was a long one. Until a suitable kidney was made available for transplant, Ashok went through dialysis thrice a week, returning home exhausted and in pain every time. “For five years, he went through this and would come back with fever and just lie in bed,” said Navika. Fighting the fever was hard enough, but depression, naturally, became a constant enemy too. “The caregiver also suffers,” she pointed out.

In addition to the emotional havoc, there was the immense financial strain. The doctors had told them that they had to have around ₹10 lakh available at any given point of time in case a suitable kidney was found. The distress,



Disclaimer: People in the images are models and not real patients. Images used are for representative purposes only.

Maintenance therapy is extremely important for the longevity of the transplant. After going through this emotional, physical and financial trauma, we pray and work towards just that. The first six months are especially crucial to avoid any infections. It is like taking care of a newborn baby.

both financial and emotional, had a shattering impact on the entire family.

As the couple grew increasingly desperate, Navika explored the option of donating her own kidney, but it was not a match. Ashok's parents had diabetes, so their kidneys would not be suitable either.

THE FEARS

There was also the additional worry that – if the dialysis itself caused so much difficulty, what would the actual transplant involve? Ashok had already undergone procedures that had led to complications – including losing his voice for six months. What, if after all the stress and financial burden of a kidney transplant, the body rejected it?

Doctors and counsellors tried to allay these fears, speaking of modern induction therapy and immunosuppressants that helped to fight infection; these medicines would encourage the body to accept the transplanted organ, they said.

THE HOPE IN A TRAGEDY

Though Ashok and Navika's confidence had been badly bruised, they decided to go ahead with the transplant if a kidney

became available. Eventually for them, another family's tragedy became their ray of hope. A 38-year-old woman had died of brain haemorrhage; Ashok was now 39 so they were well matched in age. The blood group was also right. Since this was a cadaver transplant, there was no time to waste; tests for human leukocyte antigens (HLA) matching had to be done on the spot – at a cost of close to ₹70,000 – and then Ashok had to be immediately admitted. The doctors had prepared them for this, but they had also said that it was a "lottery". Though the healthcare professionals were putting in their best efforts, there was every possibility that the body would reject the transplanted organ.

The surgery was successful but there were still many challenges to be faced. It seemed like the body was going into rejection mode. With a cadaver transplant, the patient's creatinine levels often continue to remain high, and the steroids take time to act. When, more than a month after the transplant surgery had passed and Ashok's creatinine levels did not reduce, the doctor decided to put a stent in the kidney to improve the flow – "like you do for the heart", Navika said. It involved more expense, and more trauma, but

they were too deep in the situation to give up now.

Fortunately, with all the precautions that the couple took, and with the right medication, Ashok's kidney transplant proved successful. Ashok was in hospital for eight days but being discharged did not mean being able to let their guard down. "The patient must be kept isolated, and the room in the house is like a hospital," explains Navika. "The patient can't get up from bed, and medicines must be taken on time. The immunosuppressants must be taken every 12 hours, and you cannot miss this. It has to be clockwork. The hospital gave it at 8.30 a.m. so at 8.30 am the alarm still rings at our home even after three years of the transplant."

THE FINANCIAL DENT

They have spent a fortune – ₹40,000 for the biopsy, ₹2 lakh for the stent, ₹15 lakh for the transplant surgery itself, and much more on various tests, including MRIs and CT scans. It has been a long and painful procedure that involves much stress and patience. Each test can only be done after the result of the earlier test is known. "And you can be told at any time that an MRI or CT scan is required," Navika said. All these