



NOVARTIS INDIA LIMITED
ANNUAL REPORT 2022-23





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BOARD OF DIRECTORS

Christopher Snook	Chairperson
Sanjay Murdeshwar	Vice Chairman and Managing Director
Jai Hiremath	Independent Director
Sandra Martyres	Independent Director
Sanker Parameswaran	Independent Director
Shilpa Joshi	Whole-Time Director and Chief Financial Officer

Nikhil Malpani	Company Secretary and Compliance Officer
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Annual General Meeting

11.00 a.m. Friday, July 28, 2023

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 Note 3 on Page No. 28 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,

As the world realigns itself to better deal with global health challenges, it has become increasingly important to create a strong, efficient global health architecture that paves the way for a unified response in case of future crises. In the complex and evolving healthcare landscape, India is in a unique position to lead the way as President of the G20, and it has recognised its role in building a consensus on global health resilience.¹

Though the global environment is tackling significant challenges, India is one of the fastest-growing economies. As the World Bank pointed out, in its 2023 India Development Update, the overall growth remains robust and is estimated to be 6.9 percent for the full year, with real GDP growing 7.7 percent year-on-year during the first three quarters of the fiscal year 2022-23.²

India also has one of the youngest populations worldwide that could offer both a workforce and a market as the country powers on towards its ambitious target of becoming a US\$ 5 trillion economy. "As the country with the largest youth cohort, its 254 million youth (15-24 years) can be a source of innovation, new thinking and lasting solutions," said Andrea Wojnar, United Nations Population Fund (UNFPA) India representative and the country director for Bhutan, in April 2023.³ Provided the healthcare and education of this population are taken care of, it can propel economic growth for decades.⁴

India also has an edge in offering global healthcare solutions. As one study points out, "India's competitive advantage lies in its large pool of well-trained medical professionals. India is also cost-competitive compared to its peers in Asia and western countries. The cost of surgery in India is about one-tenth of that in the US or Western Europe."⁵ No wonder then that medical tourism – which the Indian Government is actively encouraging – is doing so well; the Indian medical tourism market is expected to generate US\$ 35.12 billion (about ₹3.5 lakh crore)⁶ in 2027 from US\$ 5.63 billion (about ₹41,000 crore)⁷ in 2021.⁸

Experts have also pointed out that the "vision for India as a healthcare hub for the world can be realised through some simple public-private partnerships."⁹ Various Government initiatives, such as Ayushman Bharat Pradhan Mantri Jan Arogya Yojana (PMJAY) and Ayushman Bharat Digital Mission (ABDM) have seen great traction too.

Novartis India Limited has been an enthusiastic participant in the growing Indian healthcare story. We also remain committed to the UN Sustainable Development Goals (SDGs), particularly Goal 3, which is designed to "Ensure healthy lives and promote well-being for all at all ages". Among the goals is achieving universal health coverage, and at Novartis India Limited, we believe that access to medicine, is a key aim.



As we continue to work towards our goal of reimagining medicine and extending lives, we have taken innovative steps to further improve reach and access to Novartis India Limited 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; and on the occasion of the 75th Anniversary of the Company, we are pleased to additionally propose a special dividend of ₹37.5 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.weforum.org/agenda/2023/02/india-g20-presidency-consensus-global-health-resilience/>

2. <https://www.worldbank.org/en/news/press-release/2023/04/04/indian-economy-continues-to-show-resilience-amid-global-uncertainties#:~:text=The%20overall%20growth%20remains%20robust,half%20of%20FY%2022%2F23>

3. <https://indianexpress.com/article/india/india-population-up-un-sowp-report-life-expectancy-fertility-rate-8564123/>

4. <https://www.un.org/development/desa/dpad/publication/un-desa-policy-brief-no-153-india-overtakes-china-as-the-worlds-most-populous-country/#:~:text=In%20April%202023%2C%20India's%20population,to%20grow%20for%20several%20decades>

5. <https://www.ibef.org/industry/healthcare-india#:~:text=India's%20competitive%20advantage%20lies%20in,the%20US%20or%20Western%20Europe>

6. At the prevailing exchange rate of 1 USD = Rs. 81.78

7. At the exchange rate prevailing on March 31, 2021 of 1 USD = Rs. 73.75

8. <https://www.businesswire.com/news/home/20221125005227/en/India-Medical-Tourism-Market-Analysis-Report-2022-Share-Forecasts-Industry-Trends-Size-Growth-Outlooks-Impact-of-COVID-19-2021-2027---ResearchAndMarkets.com>

9. <https://www.thehindubusinessline.com/opinion/india-as-a-global-healthcare-hub/article66615939.ece>



Dear Shareholder,

India's healthcare industry has been seeing rapid advances, and with the pandemic acting as a catalyst, it has become even more of a priority for the Indian Government. The Union Budget 2023-24 allocated ₹89,155 crore to the sector, an increase of around 13 percent over the ₹79,145 crore in 2022-23.¹ Comes as no surprise that the industry has seen an annual growth rate of 23 percent, making it India's largest service sector.²

As many of you would agree, a healthcare system rests on the foundation of healthcare financing and healthcare delivery. Both need to work in tandem to deliver high-quality healthcare. In India, healthcare is changing rapidly, with a rising middle class demanding better healthcare. The government launching the Pradhan Mantri Jan Arogya Yojana (PM-JAY), aka Ayushman Bharat, is a big step toward universal health coverage.

Launched in 2018, Ayushman Bharat is the world's largest health insurance scheme fully financed by the government,

providing a health cover of ₹5 lakh per family per year for secondary and tertiary care hospitalisation to over 120 million poor and vulnerable families.³ As on January 4, 2023, as many as 21.9 crore beneficiaries had been verified under the Scheme, including three crore beneficiaries verified using State IT systems.⁴ This is a strong platform and needs to be extended to many more middle-income citizens of our country.

However, the real challenge in India continues to be healthcare delivery and we need to continue our quest to find innovative ways to ensure that we reach the remotest village and person needing diagnosis and treatment of their maladies. We have done so in mobile technology. Can we do so with healthcare?

Needless to say that technology has a huge potential to transform the healthcare delivery, testimony to which is telemedicine taking medical care to remote regions in the country. This smooth interaction between patients and doctors, that was adopted with great agility owing to the pandemic, is now prioritised by many healthcare delivery partners and pharmaceutical companies to be able to save lives. We saw multiple new-age solutions creating an online ecosystem for diagnosis, treatment and wellness of patients. "Patient First" being the motto of healthcare providers, we need to chart out a plan to feed the future of all the new capabilities that emerged during the lockdown and enhance the point of care with sustainable solutions.

Artificial Intelligence, Machine Learning, mobile apps, robotic surgery, health wearables and 3D printing, among

other things, are revolutionising the industry, and though MedTech in India is still at a nascent stage, it is growing exponentially. Indian MedTech was worth US\$10.36 billion (about ₹750 crore)⁵ in 2020 and is expected to increase at a CAGR of 37 percent in 2020-2025 to reach US\$50 billion (about ₹4,000 crore),⁶ with government support, growth in medical tourism, a growing population, and an increase in public and private spending, among other things.⁷

The pandemic also brought to light that collaboration is imperative, not only between the Government and the private sector organisation, but also amongst companies within the industry. Pharmaceutical companies have the wherewithal to augment a solution-led approach to improve access to medicines to tackle both communicable and non-communicable diseases.

We, at Novartis India Limited, believe that the healthcare industry can only fulfil its mission if medicines are available to as many people as possible. We also believe in collaborating with stakeholders in the healthcare ecosystem that resonate with our purpose of improving and extending people's lives.

As an organisation that believes in positive social change and works towards it as a core business objective, we also take great care to follow Environmental, Social and Governance (ESG) norms. As McKinsey has pointed out, ESG links to cash flow in five important ways – it facilitates top-line growth, reduces costs, minimises regulatory and legal interventions, increases employee

1. <https://timesofindia.indiatimes.com/business/budget/budget-2023-24-experts-welcome-increased-allocation-for-health-sector/articleshow/97532938.cms>

2. <https://bwhealthcareworld.businessworld.in/article/Indian-Healthcare-Outlook-For-2023-/26-12-2022-459404/>

3. <https://pmjay.gov.in/about/pmjay>

4. <https://pib.gov.in/PressReleasePage.aspx?PRID=1894906>

5. Calculated at the then prevailing rate of 1 USD = ₹72.17

6. Calculated at the prevailing rate of 1 USD = ₹81.76

7. <https://www.ibef.org/blogs/medtech-sector-in-india>

productivity, and optimises investment and capital expenditures.⁸

As a pharmaceutical company, Novartis India Limited aligns with Novartis' Global Sustainability commitments for 2025. To promote sustainable and environmentally compliant partnerships, Novartis India Limited is spearheading the implementation of ESG practices for third-party partners. All new contracts and amendments will mandatorily include the Environment Sustainability criteria as an annexure.

A comprehensive Standard Operating Procedure (SOP) has been developed outlining procedures for the retrieval and safe disposal of expired/defective products as per approved government protocol.

We are also cognizant of our carbon footprint and have taken initiatives to reduce energy consumption at our offices with designs that maximise natural light.

The Year Under Review

At 4.1 percent, the growth of the pharmaceutical sector in 2022-23 was modest as compared to the 10.3 percent recorded the previous year. This was largely due to cost-push pressures, supply chain disruptions, and the China lockdown impacting the availability of essential inputs and slowing the global economy.⁹

With normalcy returning to the nation after the pandemic-induced disruptions, activity picked up in the broad economy as well as in the healthcare sector. Surgeries which had to be postponed during the pandemic were once again being conducted, giving an uplift in demand for several of the Company's products, particularly in Transplant segments.

Revenue from operations for the year ended March 31, 2023, was ₹3,787.4 million, illustrating a decrease of 5.3 percent over the previous year. The Profit / (Loss) before tax for the year stood at ₹1,153.8 million, versus ₹(38.2) million in the previous year which is net of exceptional item.

The Pharmaceuticals business registered Net Revenue from Operations of ₹3,787.4 million, representing a decrease of 5.3 percent over the previous year. Though we would like to explain that underlying growth of our medicines in the market was 15 percent.

As you are aware, in February 2022, the Company entered into an exclusive sales and distribution agreement with Dr. Reddy's Laboratories (Dr. Reddy's) for a few of its established medicines, which include the Voveran® range, the Calcium range and Methergine. The objective of this arrangement was to further broaden access to these medicines beyond the current geographies to benefit many more patients more efficiently by significantly extending healthcare professionals' reach through an expanded field force. This new commercial model that we adopted last year has helped the Company reach more healthcare professionals and patients, thereby yielding positive results.

It gives me immense pleasure to share that the Voveran range has gained 2.9 percent market share in February 2023 versus October 2022 as reported by Healthplix in February 2023. In a cluttered marketplace, our flagship brand, Voveran range, has managed to improve its rank by two points from April 2022 to February 2023 as per IQVIA MAT February 2023 dataset. The

share of voice for these medicines has increased as indicated in the Strategic Marketing Solutions & Research Centre Evolution Index which reflects a positive trend across major doctor specialties for Voveran portfolio. These metrics are testimony to the success of our partnership with Dr. Reddy's intended to increase access to these medicines in India.

The combined approach of our focus on collaboration and different business models on ensuring wider access to our medicines has allowed your Company to improve volume growth and operating margins. Volume growth of our portfolio distributed by Dr. Reddy's was double digit. The Transplant business too had a handsome growth of 23 percent. The operating margins of your Company improved from 4.4 percent in FY 2021-2022 to 15.6 percent in FY 2022-2023.

Barring unforeseen circumstances, our endeavour over the next year is to continue on this strategic path of focusing on Bone & Pain, Transplants, Mature Neurology and Oncology portfolios and exploring innovative business models to improve business performance.

Through all the challenges, at Novartis India Limited, we are constantly working to build a stronger Company at every step of the way. I am optimistic that with our best efforts, we will continue to serve 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

8. [https://www.mckinsey.com/~media/McKinsey/Business%20Functions/Strategy%20and%20Corporate%20Finance/Our%20Insights/Five%20ways%20that%20ESG%20creates%20value/Five-ways-that-ESG-creates-value.ashx#:~:text=Your%20business%2C%20like%20every%20business,and%20governance%20\(ESG\)%20concerns](https://www.mckinsey.com/~media/McKinsey/Business%20Functions/Strategy%20and%20Corporate%20Finance/Our%20Insights/Five%20ways%20that%20ESG%20creates%20value/Five-ways-that-ESG-creates-value.ashx#:~:text=Your%20business%2C%20like%20every%20business,and%20governance%20(ESG)%20concerns)

9. <https://www.indianpharmapost.com/policy/economic-survey-2022-23-industry-sector-witness-growth-of-41-13673>



Reimagine access

to improve and extend people's lives

Healthcare is about Life and outcomes. It is about people living longer with reduced days of illness. Clearly, this has a huge impact on productivity of a nation. India has taken long strides towards improving health indicators and we at Novartis India Limited have been a partner in this journey for the last 75 years. A medicine is only as good as the system that delivers it. Improving access to healthcare requires long-term investments in healthcare infrastructure. We work with governments and partners to strengthen healthcare systems and lower barriers to healthcare delivery. In 2022, we continued to reimagine medicine, its access and deliver on our purpose to improve and extend people's lives.

REACHING MORE PATIENTS WITH INNOVATIVE MEDICINES

Our medications reach millions of people every year, but many more people still lack access to medicines and healthcare. We are committed to helping ensure that our medicines are accessible to as many patients as possible, irrespective of where they come from. We have therefore

embarked on a journey to fundamentally shift the way we do business and reimagine how to expand access to critical healthcare innovations.

We are committed to systematically integrating access strategies into how we deliver our medicines based on the Novartis Access Principles. These strategies include adopting innovative access models, supporting approaches to strengthen healthcare systems.

We share society's goal of better and more affordable healthcare for all. To achieve this, healthcare systems need to become more sustainable by focusing on delivering the most value to patients and society. Value-based healthcare is one of the solutions to delivering sustainable healthcare.

In value-based healthcare, all stakeholders are incentivised to deliver the best possible outcomes for patients, healthcare systems and society. The reallocation of resources to those interventions that add the most value has the potential to improve the efficiency of health systems. We work to empower patients to take ownership of their health and to better understand and manage their disease.

We implement programmes to raise awareness on diseases, promote health-seeking behaviour and educate on disease management. Our 'Zindagi Se Milao Kadam' campaign has enabled patients at more than 4,000 doctors to move beyond pain and stiffness through a simple and handy exercise education tool. We have also organised 49 Life Corporate Awareness talks across India to raise awareness for joint pain at the workplace owing to data stating 72 percent office workers experience joint pain at the workplace.

With the Novartis Commitment to Patients and Caregivers, our ambition is to embrace the perspective of patients and caregivers more firmly and embed it deeply in our daily work. We commit to intensify our dialogue with the patient community, whom we regard as valued partners. We are convinced that only by working together can we improve outcomes for patients and become a trusted partner in changing the practice of medicine.

In line with Novartis' commitment to go the last mile to eliminate leprosy, Novartis India Limited, thorough Corporate Social Responsibility, is working towards rehabilitating those afflicted with leprosy back

At Novartis India Limited, our workplace is diverse, equitable and inclusive (DEI), allowing everyone to be at ease with each other and true to themselves so that they can bring their best into the professional arena.

into society. The project aims to provide vocational training through government-accredited National Council for Vocational Education and Training courses to 90 students affected by leprosy. These students then undergo career coaching, soft-skills training, and job immersion to prepare them to enter the workforce. Potential employers and their teams are sensitised about leprosy to break the stigma and approximately 95 percent of the students are hired in jobs related to their trades within four months. They see an average increase of 20 percent in their incomes. Many of them are the first to break the cycle of generational poverty in their communities.

REIMAGINING A CULTURE THAT FOSTERS INNOVATIVE ACCESS MODELS

At Novartis India Limited, our workplace is diverse, equitable and inclusive (DEI), allowing everyone to be at ease with each other and true to themselves so that they can bring their best into the professional arena. In this positive environment, creativity can be unleashed to make our therapies

accessible to communities that are most in need. We foster an environment where purpose and focus take centre stage and where our people always take care to do the right thing.

Through its multifarious DEI practices, at Novartis India Limited we strive to create value by leveraging different perspectives, leading to greater innovation and creativity. Our business-led initiatives, policies and infrastructure are designed for inclusive workspaces to encourage diverse perspectives to create a culture of innovation – authentic spaces where everyone feels valued and heard. It encompasses programmes for LGBTQI, GENFLEX for different generations of our workforce to learn from each other and Women in Leadership with future-ready capabilities in mind.

By also looking after associates' personal needs – such as parental leave for women and men and being sensitive to disability – the Company ensures that our people are in the right frame of mind to give their best.

While the term 'organisational culture' may be perceived as nothing more

than a corporate buzzword, the fact is that it can deeply impact business success. As an organisation which strongly believes in a people-first culture to meet the shared goal of reimagining access, at Novartis India Limited, we translate this into action every step of the way. Our culture is reflected in the way we do things – showing up, interacting, and working towards our goals. It defines our daily work experience, creates impact and is our catalyst for innovation. It is the means by which personal goals are connected to our larger purpose in society – the foundation of our business performance that equips us to meet challenges head-on and keep going through every storm.

As Larry Senn, a pioneer in the field of corporate culture, once said: "Culture is not an initiative. Culture is the enabler of all initiatives."¹ When a company gets its culture right, it leads to faster ideas and decisions, paving the way for future change. At Novartis India Limited, we believe in this implicitly.

We are consistent with our parent organisation and are building a culture of being Inspired, Curious and

1. <https://peopleinsight.co.uk/10-motivating-quotes-about-workplace-culture/#:~:text='Culture%20is%20not%20an%20initiative,the%20field%20of%20corporate%20culture>