

**Novartis India Limited** Annual Report 2008-2009

 **NOVARTIS**  
*caring and curing*

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## Board of Directors

Dr P. Jager	Chairman [upto 31 <sup>st</sup> July 2008]
C.Snook	Chairman [w.e.f. 1 <sup>st</sup> August 2008]
R. Shahani	Vice-Chairman & Managing Director
A. Mirchandani	Executive Finance Director [upto 31 <sup>st</sup> October 2008] Non-Executive Director [upto 12 <sup>th</sup> March 2009]
Dr J. Acebillo	[upto 12 <sup>th</sup> March 2009 ]
J. Hiremath	
Dr R. Mehrotra	

General Counsel	H. K. Maniar
Company Secretary & Head Investor Relations	
Telephone No.	2495 8807
E-mail	hemang.maniar@novartis.com
Registrar and Transfer Agents	Sharepro Services Samhita Complex, Plot No 13AB Off Andheri-Kurla Road Sakinaka, Andheri [East] Mumbai 400 072
Telephone Nos.	6772 0400/0451/0452/0450
E-mail	indira@shareproservices.com umeshs@shareproservices.com
Registered Office	Sandoz House Shivsagar Estate Dr Annie Besant Road Worli, Mumbai 400 018

## Executive Committee

R. Shahani	Vice-Chairman & Managing Director
P. Gupta	Finance
A. Matai	Pharmaceuticals
Dr P. R. Rao	Animal Health
V. Singhal	OTC

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, at the address above.

### Annual General Meeting

11.00 am 17<sup>th</sup> July 2009

Y.B. Chavan Auditorium  
Yashwantrao Chavan Pratishthan  
Gen. Jagannath Bhosale Marg  
Next to Sachivalaya Gymkhana  
Mumbai 400 021





“At the bottom of the pyramid, there are tough challenges in access, awareness, affordability and availability, and only those who are grounded in the realities of their consumers’ lives will understand their priorities.” – Prof C K Prahalad

Dear Shareholder

India’s rural population of over 700 million represents one of the biggest healthcare challenges in the world. The complexity created by inadequate infrastructure, poverty and illiteracy is compounded by the fact that most pharmaceutical companies in India have tended to concentrate on areas with a developed healthcare infrastructure – the urban market. The rural masses, as a result, are primarily served by the public health system, which is overstretched and significantly inadequate, with many local and national NGOs attempting to provide a buffer.

Yet the fact is that, as Prof C K Prahalad so eloquently pointed out in his book, *The Fortune at the Bottom of the Pyramid*, this large population also represents an under-served market. But to benefit from this opportunity, companies need to be innovative, creative and inclusive; for what works at the top of the pyramid does not, and will not, work at the bottom. Couple this opportunity with the corporate philosophy of the Novartis Group of providing medical care to those who have the most need for it and yet the least access, and it forms a compelling reason to embark on an innovative social-marketing initiative – Arogya Parivar – a first-of-its-kind in the Novartis world.

Launched after the running of a successful pilot program in 2007, Arogya Parivar today covers seven states and a population of roughly 25 million people in 18,000+ villages. It is a holistic program covering everything from health awareness at the grassroots level through meetings with villagers using audio-visual aids to educating healthcare professionals and organising health camps. The differentiating factor for Arogya Parivar is that it aims to achieve social good in a “For Profit” business model. The goal now is to double the reach by the end of the year.

Along the way, your Company has had to unlearn several traditional aspects of doing business and learn others. For example, traditional pharma marketing primarily consists of detailing product benefits to doctors. But this assumes a certain level of patient awareness and that he or she will ask for medical help when things go wrong. This is just not the case in a rural milieu. In a situation where ignorance and blind faith leads to people believing that a disease like TB is a curse, creating grassroots level awareness is critical. Even more important is to target women and child health, as they typically suffer from several completely preventable diseases because of lack of awareness and understanding. This awareness is only possible if the organization takes a holistic approach, involving all stakeholders – the people, the pharmacies, the doctors, the government and the NGOs.

Arogya Parivar’s inherent success lies in its replicability. Once you understand the basic DNA of how it works, it can be replicated across cultures and geographies. There is no single template that can be followed and each intervention has to be customized to the local environment, but the broad learnings are applicable in any bottom-of-the-pyramid market. No doubt efforts such as these by private companies can only attempt to bridge the gap that exists in our public health infrastructure. What is really needed is much stronger government intervention – both at a policy and execution level.

Greater government investments in building healthcare infrastructure and monitoring will all go to improving healthcare access. Government measures are key to widening the scope of inclusive healthcare through partnerships with industry and through measures such as reduction in transaction costs of medicines, imposing zero import duties on life-saving drugs and greater incentivising of R&D, especially for solutions aimed at the rural sector.

We now have a new government at the Centre, one that is committed to greater social and financial inclusion, and I hope that the issues related to infrastructure, education, and healthcare are addressed urgently. I take this opportunity to thank you, our shareholders, for supporting us whole-heartedly in all our access to medicines initiatives.

With best wishes

Ranjit Shahani



# The healthy family

As the sun beats down on the bylanes and dirt tracks of villages near Nashik in Maharashtra, Sunita Bhalerao makes her way on her moped across rough terrain, reaching out to men, women and children, spreading the vital message of health awareness.

Empowered as a Supervisor with Novartis' Arogya Parivar initiative, Sunita is a familiar sight for the vulnerable and poverty-stricken villagers. In these rural areas where medical aid is difficult to access, she represents hope and a sense of greater well-being. She forms part of a team of eight health educators and supervisors in the region who visit weekly open-air markets, fairs and festivals, where they address groups of people and distribute pamphlets increasing health awareness.

Sunita and her colleagues help organise health camps, interact with Anganwadi workers to reach out to women and children, work with local pharmacists to ensure stocks of medicines are always in supply and liaise closely both with doctors and patients to ensure patient compliance. On a single day, Sunita has been known to traverse up to 35 km; riding her moped to Ghodegaon

village to see a local paediatrician and gynaecologist to brief them on health issues affecting the villagers; talking to 50 women in Wadgaon about the intestinal worms that aggravate malnutrition and iron deficiency, and then traveling to Naroli, to meet an all-male group, to convince them to spend their scarce resources on the health of their wives in order to benefit the entire family.

Sunita is among the 220 third party supervisors and educators carefully chosen from across the country for Arogya Parivar, a unique program that has proved to be both a humane initiative and a sound business model. Overseeing their work is a team of dedicated Novartis managers.

Born of Novartis' strong corporate philosophy of providing medical care to those who have the most need but the least access to it, Arogya Parivar, which means 'healthy family' in Hindi, works at the grassroots level with local resources.

Candidates are recruited for their social equity and community acceptance, among other things, with the help of local doctors, non-governmental



organisations (NGOs) and other similar groups; local face with community familiarity is a must-have qualification. However, this is certainly not enough; they then undergo rigorous training, both on the field and in formal settings, to equip them for the important task of ensuring healthcare in areas where illiteracy and disease are rampant.

Arogya Parivar is a unique social marketing exercise that is not only profitable, but in tune with the Novartis Group's firm commitment to the improvement of healthcare of the 'not-so-privileged' millions, where the smallest of interventions tend to make the largest of impacts.

### Complex challenges

Despite being among the fastest growing economies in the world, India presents complex public health challenges, most of them born out of poverty, poor quality of basic infrastructure and ignorance. According to estimates, only around 30% of rural India has access to potable water and just 19% of the people have access to proper sanitation. Malnutrition is also a serious problem, with 47% of children undernourished, and India leading the global statistics in terms of iron deficiency. As many as 66% of all deliveries that take place are with the help of untrained hands, and 51% of children have never been vaccinated. India has over a third of the world's TB cases, the majority in rural areas.

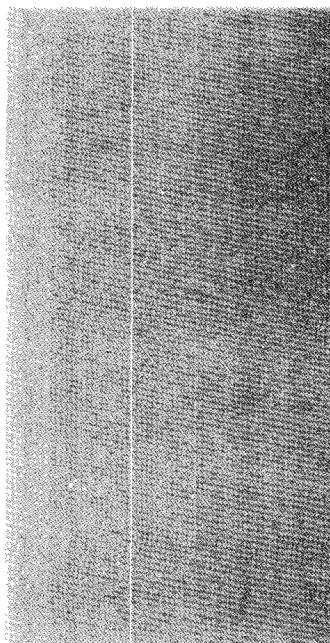
Aggravating the challenge is the poor quality of India's public health infrastructure. According to the World Health Organisation (WHO), over 65% per cent of India's population has limited access to healthcare. This is compounded by India being largely a self-pay market with less than 4% of the population being covered by some form of insurance, putting healthcare further out of reach for the millions who live in grinding poverty.

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In rural areas, where medical aid is difficult to access, Arogya Parivar represents hope

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The fundamental irony is inescapable. India is a country with the largest number of USFDA approved plants outside the USA. It is the nation, which in some sense, is re-defining the global generics industry. Yet it is also a country that is unable to provide 65% of its population with affordable and quality healthcare. In large swathes of the country it is easier to find a bottle



of aerated soft drink than it is to find a simple medicine like paracetamol.

India was thus a natural choice for initiating this innovative health outreach model. It made perfect business sense too. India's 600,000 villages house a population of over 700 million.

The Indian pharmaceutical industry is estimated to be about US\$8.3 billion. It is growing at a compounded annual growth rate of 12.3% and is expected to be around US\$20 billion by 2015. Interestingly the share of the rural spend in medicines is expected to increase from 18% to about 21%. This represents an aspiration that needs to be met.

After initial research and learning from the pilot, the Company launched Arogya Parivar in July 2007. The vision: "Arogya Parivar shall improve access to healthcare for the 'under-served' millions in Rural India, using an innovative social-business approach".

The ambitious program had several elements – to create Novartis' own capabilities around community education and advocacy of health through socially trained educators; create special rural specific products and packs to suit local affordability and address rural disease burdens; to motivate local doctors as well as partner with large hospital chains to reach villages through

health camps – especially where healthcare infrastructure is weak/poor; and to build last-mile availability of medicines at pharmacies in villages.

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"Arogya Parivar shall improve access to healthcare... using an innovative social-business approach"

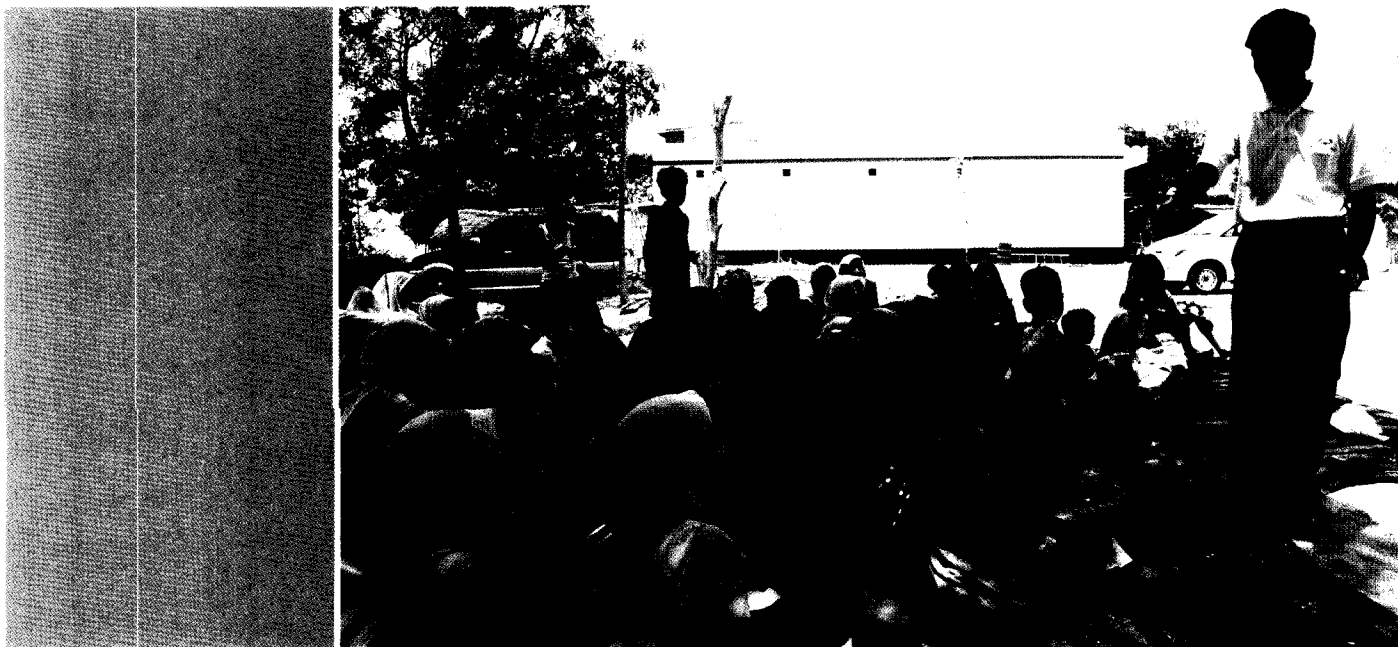
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Arogya Parivar is designed to motivate healthy living, especially for the rural Indian woman and child. The idea was to enhance access to medicines for the weaker sections of society; build strong bonds with the local community, and ensure long-term market leadership in bottom-of-the-pyramid locations.

The partners in the program come from varied backgrounds, and there are instances where even a city stockist is willing to participate. The one thing they have in common is their zeal to reach out to the less privileged members of society.







In fact, what lies at the root of the program's success is this ability to reach across various stakeholders, coupled with the ability to work with a diverse range of people in a language and style that they can relate to.

It is a task that calls for both sensitivity and a thorough approach. Efforts are made to find like-minded and talented field staff, partner with local NGOs for a wider reach, and use vernacular and multi-lingual collaterals and audio-visual communication tools for user-friendliness.

Once the recruitment process is complete, the field staff is then trained and supervised rigorously to empower them with the skills and knowledge to play an active role in the program.




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Efforts are made to find talented and like-minded field staff and partner with local NGOs for a wider reach

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Field operations are structured into independent cells, each covering a radius of approximately 35 km or 20 miles (the most that can be covered in a day with a light motorcycle on dirt roads). Each cell is managed by a supervisor, assisted by a few health educators. Each cell serves a cluster of 100 villages – approximately 180,000 people.

The cell supervisors are responsible for tying up with local doctors to jointly address the villagers, and with hospitals for health camps, among other things. They have at their disposal micro-vans capable of showing audio-visuals on health to help create awareness.

The health educator's job is to engage directly with the community, ensure village-to-village coverage and refer people to doctors. The educator often does this by becoming a member of the partner NGO.

Along the way, the initiative has had to overcome several challenges, including lack of basic awareness amongst people on healthcare issues. For example, there were several myths around diseases and cures. TB continues to have several myths attached to it with many villagers believing it to be a curse, and fatal. Another challenge was the fact that relatively low importance has been attached to women and child healthcare. Limited affordability is another issue; daily wage earners see medical expenses as being an unnecessary



burden. There were other practical difficulties, such as poor availability of medicines, pharmacies and doctors, and low literacy levels, leading to alienation towards names, brands and logos that are in English.

Arogya Parivar workers have also found that consumers are willing to invest in health but mostly 'pill-by-pill', and being daily wage earners, they prefer a fast acting drug to avoid loss of daily income. Non-compliance as a result of this is very high. Rural consumers also take a long time to build trust in brands, but tend to stay loyal once converted; medicines are also more appealing when they are sold under an umbrella vernacular brand name, with icons. Such customers do not respond so well to international brands.

#### The 4 As

Arogya Parivar has tackled these challenges by adopting four cardinal principles – the '4 As' – Awareness, Acceptability, Affordability and Availability.

**Awareness:** Education is the key to start the change process and given the close co-relation between health and economics – which is stark within the target community – this is one point that the field educators stress on. They address and educate the community, especially women, on health issues. They encourage people to consult

doctors whenever unwell rather than ignore the disease and thus suffer further loss of income because of ill health. These efforts have been well appreciated by local doctors who were willing to go further and add value by agreeing to conduct field camps and reach out to those who had not yet got the message.

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Arogya Parivar has tackled the multiple challenges of rural marketing by adopting the four cardinal principles of Awareness, Acceptability, Affordability and Availability

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**Acceptability:** In an environment where healthcare is not seen as a priority and medicines are perceived as expensive and unattainable, acceptability proved to be a special challenge. Arogya Parivar's multi-pronged strategy has

developed a variety of innovative solutions, in dealing with all aspects of the problem – brands, people and rural specific medicines. The key to gaining this acceptability was to develop special solutions to address local diseases besides recruiting workers from the community. Small packs at affordable prices also played a major role in ensuring acceptability.

**Adaptability:** Along with smaller packs, all communications, and even multi-lingual training is adapted to local conditions so that it does not intimidate locals. The Arogya Parivar message makes its way to the people through several media, including leaflets and post cards in the local language.

**Availability:** All the efforts being made to create health awareness would prove completely futile if the medicines were not actually available to the people, at prices that they could afford. The program, therefore, ensures last-mile availability of medicines with the help of doctors, both urban and rural, who work together to ensure that healthcare is available locally, in the smallest of villages.

This is a radical departure from traditional pharma marketing, which usually involves mainly doctor detailing. Thanks to its very nature, the Arogya Parivar initiative has proved to be an even stronger marketing tool, because it goes far

beyond, reaching out directly to the target audience, and offering long-term benefits through greater awareness of health issues. The health educator is seen, not as someone trying to sell medicines, but as a true friend the villagers can turn to in times of need. The bonds being built touch the entire family, and they will certainly last for a lifetime.

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Innovative solutions such as small packs at affordable prices have played a major role in ensuring acceptability

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### The healing touch

Though diseases in rural India can vary according to the location, there are some that can be found everywhere. Tuberculosis, mother and childhood malnutrition, respiratory and gastro-intestinal problems are among the common problems that



need to be tackled in the rural areas. Diarrhoea is also a major cause of death. The National Family Health Survey III reveals that Madhya Pradesh has the highest infant mortality rate in India, with 76 children out of every 1,000 born dying in the first year of their lives. With just a few variations, it is a story that is repeated across the states.

Novartis India has developed drugs that are specifically designed to deal with these problems; for instance, the Company has developed a World Health Organisation approved ORS+Zinc formulation, available in an anise flavour making it more palatable for all and increasing acceptability, especially among children. The formula is available in easy-to-use sachets, to be dissolved in a litre of previously boiled and cooled drinking water. Arogya Parivar's Zinc Sulphate, to be co-prescribed with the ORS combination, has a long-lasting effect, reducing the severity and duration of diarrhoea, and preventing subsequent episodes of the disease.

Malnutrition is another serious problem in rural India. According to a recent World Bank report, the prevalence of underweight children in India is among the highest in the world; approximately 60 million children are underweight in India, and child malnutrition is responsible for 22% of the country's burden of disease. The report pointed out that given its impact on health, education and

productivity, persistent under-nutrition is a major obstacle to human development and economic growth in the country. Much of this child malnutrition is mostly the result of high levels of exposure to infection and inappropriate infant and young child feeding and caring practices, and has its origins almost entirely during the first two to three years of life, the report adds.

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## Arogya Parivar hopes to address problems even before they occur by educating villagers on issues such as sanitation

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The Arogya Parivar program hopes to address some of these problems even before they occur by educating villagers on issues such as sanitation, importance of following proper infant feeding and caring practices and general health awareness.

From its quiet beginnings in four small pockets, the Arogya Parivar initiative currently covers 152





districts in the states of Maharashtra, Gujarat, Uttar Pradesh, Chhatisgarh, Haryana, Bihar and Madhya Pradesh. It is reaching out to more than 25 million people in 18000+ villages, and by the end of 2009, Novartis hopes to double this.

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## What makes Novartis India's Arogya Parivar initiative even more special is that the model is a replicable one

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It has ten distinct health programs, with products covering various therapeutic areas such as tuberculosis, pain and inflammation, depression, dermatology, gastrointestinal problems, in addition to calcium and other supplements and anti-diarrhoeals forming part of the mix. Under consideration are products for paediatric use and cardio-vascular diseases.

Currently, Arogya Parivar operates 206 cells throughout India and expects to have close to 500 cells by the end of 2009. In the future, Arogya Parivar also hopes to increasingly partner with NGOs that will complement Novartis' efforts and add to the healthcare basket/solutions.

While the broad approach is well defined, its very nature does not allow for a specific solution as a template. Given the model of partnering with various stakeholders and varying figures for each cell, employment generated could be both direct and indirect.

The Company has to consider the population and doctor density, availability of pharmacies, geographical spread and a host of other factors while deciding deployment of resources. A cell may need anything from just one dedicated supervisor, and a health educator to a few of them.

As the Indian government's efforts at social and financial inclusion accelerates, efforts like Arogya Parivar will make a significant contribution.

What makes Novartis India's Arogya Parivar initiative even more special is the fact that the model, which has proved without doubt to be a success, is a replicable one, and can be used effectively in other geographical locations with similar healthcare challenges.

# Notice

NOTICE is hereby given that the 61<sup>st</sup> Annual General Meeting of NOVARTIS INDIA LIMITED will be held at Y.B. Chavan Auditorium, Yashwantrao Chavan Pratishthan, Gen. Jagannath Bhosale Marg, Next to Sachivalaya Gymkhana, Mumbai 400 021 on 17<sup>th</sup> July 2009 at 11:00 a.m. to transact the following business:

## Ordinary Business

1. To receive, consider, approve and adopt the Profit & Loss Account for the year ended 31<sup>st</sup> March 2009, the Balance Sheet as on that date and to receive, consider and adopt the Directors' and Auditors' Reports thereon.
2. To declare dividend for the year ended 31<sup>st</sup> March 2009.
3. To re-appoint Messrs Price Waterhouse, Chartered Accountants, as Auditors of the Company *from the conclusion of this meeting until the conclusion of the next Annual General Meeting* and to authorise the Audit Committee of the Board of Directors to fix the remuneration of the said Auditors.

## Special Business

4. To consider, and, if thought fit, to pass, with or without modification(s), the following Resolution as an Ordinary Resolution:

**"RESOLVED THAT** pursuant to the provisions of Sections 198, 269, 309 and other applicable provisions, if any, of the Companies Act, 1956, read with Schedule XIII to the Companies Act, 1956, and subject to the approval of the shareholders of the Company, approval is hereby accorded to the re-appointment and terms of remuneration of Mr R. Shahani, who was hitherto appointed as a non-rotational Director of the Company by the Board of Directors, with effect from 1<sup>st</sup> November 2005 for a period of five years as per the agreement dated 14<sup>th</sup> June 2005 entered between the Company and Mr R. Shahani, and who going forward will retire by rotation at this annual general meeting and being eligible offers himself for re-appointment upon the terms and conditions (including the remuneration to be paid in the event of loss or inadequacy of profits in the financial year during the aforesaid period), with liberty to the Board of Directors of the Company to alter, modify and vary the terms and conditions of the said re-appointment and/or Agreement and remuneration, so as not to exceed the limits specified in Schedule XIII to the Companies Act, 1956 or any statutory modification/re-enactment thereof, as may be agreed to by the Board of Directors and Mr R. Shahani.

**RESOLVED FURTHER THAT** the Board of Directors be and is hereby authorised to do all such acts, deeds, matters and things as may be considered necessary, desirable or expedient for giving effect to this Resolution."

By Order of the Board of Directors

H. K. Maniar  
General Counsel,  
Company Secretary &  
Head Investor Relations

Regd Office:

Sandoz House, Shivsagar Estate  
Dr Annie Besant Road, Worli  
Mumbai 400 018

11<sup>th</sup> May 2009

**Notes:**

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself and such a proxy need not be a member. Proxies in order to be effective must be received by the Company not less than 48 hours before the meeting.
2. Pursuant to Clause 49 of the Listing Agreement with Stock Exchanges, additional information related to Directors recommended for appointment/re-appointment at the Annual General Meeting appears in the Directors' Report and Accounts.
3. The Register of Members and the Share Transfer Books of the Company will remain closed from 10<sup>th</sup> July 2009 to 17<sup>th</sup> July 2009, both days inclusive.
4. Payment of dividend as recommended by the Directors, if approved at the Annual General Meeting, will be made payable on or after 20<sup>th</sup> July 2009 in respect of shares held in physical form to those members whose names appear in the Company's Register of Members as on 9<sup>th</sup> July 2009 and in respect of shares held in electronic form, to those "deemed members" whose names appear in the statement of Beneficial Ownership furnished by National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) at the close of business hours on 9<sup>th</sup> July 2009.
5. Pursuant to Section 205A of the Companies Act, 1956 (hereafter referred to as "the Act") the Central Government has established an "Investor Education and Protection Fund". Companies are required to transfer all amounts outstanding, under specified categories including dividends, for a period of seven years from the date of their payment, to this Fund. Amounts transferred to this Fund cannot be recovered. Members are therefore requested to encash their dividend warrants immediately on receipt.  
In compliance with Section 205A of the Act, unclaimed dividend for the financial year ended 31<sup>st</sup> March 2001 has been transferred to the "Investor Education and Protection Fund".
6. Members desirous of obtaining any information concerning the accounts and operations of the Company are requested to address their questions in writing to the Company Secretary at least seven days before the date of the Meeting, so that the information required may be made available at the Meeting.
7. Members are requested to bring the admission slips along with their copies of the Annual Report to the Meeting.
8. Members holding shares in physical form are requested to notify/send the following to the Company's Registrar and Transfer Agents to facilitate better service:
  - i. any change in their address/mandate/bank details;
  - ii. particulars of their bank account in case the same have not been sent earlier; and
  - iii. share certificate(s) held in multiple accounts in identical names or joint accounts in the same order of names for consolidation of such shareholdings into one account.
9. Members holding shares in electronic form are advised that address/bank details as furnished to the Company by the respective Depositories, viz. NSDL & CDSL, will be printed on the dividend warrants. Members are requested to inform the concerned Depository Participants of any change in address, dividend mandate etc.
10. Members holding shares in physical form and desirous of making a nomination in respect of their shareholding in the Company, as permitted under Section 109A of the Companies Act, 1956, are requested to submit details to the Registrar & Transfer Agents of the Company, in the prescribed Form 2B for this purpose.
11. Company's equity shares are listed on Bombay Stock Exchange Limited, Mumbai, P.J. Towers, Dalal Street, Mumbai 400 001 and The Calcutta Stock Exchange Association Ltd, 7, Lyons Range, Kolkata 700 001. The Company has paid the annual listing fees for the financial year 2009-2010 to both Exchanges and also Annual Custody Fee payable to both Depositories.

12. The following documents will be open for inspection at the registered office of the Company between 11.00 a.m. and 1.00 p.m. on any working day except Saturdays and Sundays until the date of the Meeting or any adjournment thereof:
- (a) Memorandum of the Company and Articles of Association of the Company;
  - (b) Agreement dated 14<sup>th</sup> June 2005 entered between the Company and Mr R. Shahani;
  - (c) Draft Supplemental Agreement to be entered by the Company with Mr R. Shahani;
  - (d) Letter from Novartis AG dated 13<sup>th</sup> July 2008 confirming the appointment of Mr C. Snook as the non-retiring director of the Company.

#### **Explanatory Statement**

Pursuant to Section 173(2) of the Companies Act, 1956 ("the Act") in respect of item 4 of the accompanying Notice dated 11<sup>th</sup> May 2009 convening the 61<sup>st</sup> Annual General Meeting of the Company on 17<sup>th</sup> July 2009.

#### **Item No. 4**

In accordance with the provisions of Section 255 of the Companies Act, 1956, ("the Act") read with Clause 114 of the Articles of Association of the Company, Novartis AG, Switzerland has the right to appoint such number of persons not exceeding one third of the total number of directors of the Company for the time being, as directors of the Company.

In exercise of the said provision of Section 255 of the Act read with Clause 114 of the Articles of Association of the Company and in accordance with the past practice, Mr C. Snook has been appointed as a non-rotational Director by Novartis AG vide their letter dated 13<sup>th</sup> July 2008. Consequently, Mr R. Shahani, hitherto a non-retiring Director who has served the Company for the longest duration, being eligible to retire by rotation, offers himself for re-appointment. Accordingly, the Agreement dated 14<sup>th</sup> June 2005 between Mr Shahani and the Company is amended. Mr R. Shahani will going forward retire by rotation.

Except as above, all other terms and conditions of appointment and remuneration of Mr R. Shahani shall remain the same and unaltered, this includes his appointment as Vice-Chairman & Managing Director of the Company which is valid till 31<sup>st</sup> October 2010.

At a meeting of the Board of Directors of the Company held on 8<sup>th</sup> May 2009, the Board of Directors of the Company has, subject to the approval of the shareholders at the ensuing Annual General Meeting re-appointed Mr R. Shahani as Managing Director of the Company.

Mr Shahani is a technocrat turned Management graduate. He has made significant contribution in consolidating the Company's Pharmaceuticals business during the critical integration phase pre and post formation of Novartis India Limited. During his tenure as President of OPPI and Chairman of Interpat, he has been a torchbearer in spreading awareness of the challenges facing the Pharmaceuticals industry and necessity for Patents and Innovations as its growth drivers.

The aforesaid may be treated as an abstract of the terms of his appointment under Section 302 of the Companies Act, 1956 in accordance with the provisions of the Act.

In compliance with the applicable provisions of the Act, Ordinary Resolution in terms as set out in item no. 4 of the accompanying Notice is now placed before the Members in the Annual General Meeting for their approval.

The Board recommends the Resolution for members' favourable consideration.

The Agreement dated 14<sup>th</sup> June 2005 between the Company and Mr R. Shahani and the draft Supplemental Agreement between the Company and Mr R. Shahani is open for inspection at the Registered Office of the Company between 11.00 a.m. and 1.00 p.m. on all days excepts Saturdays, Sundays and holidays, until the date of the Annual General Meeting or any adjournment thereof. Except Mr Shahani, no other Director of the Company is interested in the said Resolution.

By Order of the Board of Directors

H. K. Maniar  
General Counsel,  
Company Secretary &  
Head Investor Relations

11<sup>th</sup> May 2009



# Directors' Report

The Directors are pleased to present the Annual Report and the Audited Accounts for the financial year ended 31<sup>st</sup> March 2009.

## Financial Results

	Rs million	
	2008-2009	2007-2008
<b>Net Sales</b>	<b>5995</b>	<b>5535</b>
<b>Operating Profits</b>		
Profit before tax	1729	1543
Profit after tax	1037	972
<b>Balance brought forward from previous year</b>	<b>1358</b>	<b>857</b>
<b>Available for appropriation</b>	<b>2395</b>	<b>1829</b>
The Directors have made the following appropriations:		
Dividend (Proposed)	320	320
Tax on distributed profits	54	54
General Reserve	104	97
Carry forward	1917	1358
	<b>2395</b>	<b>1829</b>

## Dividend

Directors recommend payment of dividend @ 200% (Rs 10 per share) for the year under review. The dividend, if approved, will result in an outflow of Rs 374 million including dividend tax.

## Management Discussion and Analysis

The business operations of the company comprise Pharmaceuticals, Generics, OTC and Animal Health. This segmentation forms the basis for review of operational performance by the management.

### a. Industry structure and developments

#### Pharmaceuticals and Generics

The Indian pharmaceutical market valued at USD 8.3 billion is a highly fragmented market with more than 5000 players, the vast majority of which are in the unorganised sector. It is predominantly a "branded generics" market with ~25,000 brands and is growing at ~10% per annum.

Industry welcomes introduction by government of legislation on counterfeit drugs. Stringent enforcement will play a key role in ensuring that the menace of counterfeit drugs is minimised.

Pressure to bring new drugs to market to meet unmet medical needs in shorter time frames and at reduced costs is likely to result in increasing consolidation within the pharmaceutical industry both at the global and local levels. India will become the destination of choice for the research based pharmaceutical industry provided there is a more conducive intellectual property rights environment. Introduction of a product patent regime was widely welcomed but world class intellectual property rights including data protection are essential prerequisites of an environment which encourages innovation.

The proposed Pharmaceutical Policy 2002 to increase the scope of price control to all 354 drugs needs serious review. Industry hopes that its recommendations to government of price monitoring as opposed to price control of drugs will form the basis of a progressive new Pharmaceutical Policy.

### OTC

The Indian market for over-the-counter medicines (OTC) is estimated to be valued at over USD 1.7 billion and is growing rapidly every year. The overall OTC market for pharmaceuticals continues to grow at around 9% per annum.

Notwithstanding the healthy growth rate, several factors including regulatory restrictions, a weak distribution reach, presence of counterfeits and the fear of alienating the medical community through direct promotions limits the overall development of this market segment. Pharmacies are mainly concentrated in urban areas and, although numbers are increasing, rural access still remains limited, with doctor dispensing being common. Ayurvedic remedies remain popular, particularly with the vast majority of the Indian rural population.

### Animal Health

The overall Animal Health market is estimated to have grown by just around 5% in 2008-09. The poultry industry was impacted due to frequent outbreak of bird flu in some regions of the country and high cost of feed, particularly soya. Government focus on increase in milk production through cross breed cows and buffaloes resulted in a positive trend in the cattle industry.

## b. Performance

Sales for the year ended 31<sup>st</sup> March 2009 at Rs 5995 million represent a growth of 8.3% reflecting competitive pressures in our business segments as detailed in the segment-wise performance given below.

Profit before tax for the year at Rs 1729 million is higher by 12.1% compared to the previous year due to improved margins mainly on account of lower advertising and sales promotion expenses and higher other income.

After providing for income tax of Rs 692 million, profit after tax is Rs 1037 million.

## c. Segment-wise operational performance

### Pharmaceuticals

The Pharmaceuticals business registered sales of Rs 4069 million representing a growth of 5.3% over the previous year. Higher sales of its flagship brand Voveran® was the primary contributor of this growth. However, increased competition for a key brand Sandimmun® Neoral®, negatively impacted sales.

New products and line extensions introduced during the period under review were:

Therapeutic Area	Product
Hypertension	Lopresor® XL
Gynaecology	Syntomet™
Alzheimer's disease	Exelon® TTS

The business continues to hold leadership position in major therapeutic areas such as:

Therapeutic Area	Rank	Product
Pain & Inflammation	1	Voveran®
Central Nervous System	3	Tegrital®
Transplantation/Immunology	1	Sandimmun® Neoral®

## Generics

The Generics business with sales of Rs 619 million grew by 34.5% over the previous comparable period. This growth rate cannot be taken as a predictor for future growth rate as the increase in turnover was mainly due to TB tender business which is unpredictable and this coupled with slim margins makes the business not very attractive.

Further, the TB trade business continues to face increasing challenges with more and more business moving from the private sector to the government administered DOTS program. In addition, low margins in the tender business puts pressure on profitability.

The prescription business on the other hand has declined by around 9%.

## OTC

During the year under review, the OTC business registered sales of Rs 809 million representing a marginal growth of 3.1% over the previous year. The performance can be attributed mainly to the underperformance in the Vitamins, Minerals and Supplements (VMS) category, where our calcium range of products has lost market share. However, the performance of the CoCoA (Cough, Cold, and Allergy) range of products has improved. Our key brand Otrivin® continues to maintain leadership position in the Nasal Decongestant category with the T-minic™ cough and cold range of products continuing to fare well for the second consecutive year.

New products and line extensions introduced during the period under review were:

Market Segment	Product
Vitamins, Minerals & Supplements	Calcium Sandoz® Woman Lemon
Cough Syrups	T-minic™ Aktikof
	T-minic™ Nitekof
	T-minic™ Expelkof

## Animal Health

During the year under review, Animal Health business achieved sales of Rs 499 million representing a growth of 17.5% over the comparable previous period. The growth was mainly derived from flagship brands of Natuzyme, Denagard® and the Calcium group of products. Rural penetration and aggressive marketing initiatives coupled with Key Account Management were the key contributors to this double digit growth.

New product introduced during the year was:

Market Segment	Product
Oral vitamin segment for cattle	Sanca™ Vet Forte

## d. Concerns

### Pharmaceuticals and Generics

The slowdown of the world economy together with recessionary trends is expected to adversely impact the Indian economy as a whole. This is likely to impact the pharmaceutical industry as well and growth projections for both, the economy as well as the pharmaceutical industry, are being revised downwards.

The overall scenario is also impacted by uncertainties related to drug pricing. The pharmaceutical industry is hopeful that government will view the various representations

made by the industry associations to foster innovative partnerships for improving access to medicines and implement price monitoring as opposed to price control. Drug prices in India are among the lowest in the world and yet the vast majority of the population, particularly in the rural parts of the country, do not have access to modern healthcare.

National Pharmaceutical Pricing Authority (NPPA) has fixed an internal ceiling norm of 10% price increase during a 12 month period for monitoring prices. This restriction on prices does not take account of increasing input costs and hence needs to be looked at afresh. Uncertainties related to 254 combination drugs may also negatively impact the generics industry. The overall retail anti-TB business is expected to shrink further with the shift to tender business where margins are low.

While the introduction of product patents in 2005 gave renewed hope to the pharmaceutical industry, the areas of concern, particularly for research based pharmaceutical companies, are yet to be addressed. The industry also needs assurance that the product patent law itself will be upheld in letter and spirit and in a timely manner.

### **OTC**

The OTC business continues to operate in an uncertain regulatory environment due to lack of clear policy guidelines. Other concerns of import are the high inflation in promotional costs which continue to put pressure on margins, and a slowdown in sales of the Calcium range of products.

### **Animal Health**

Generic competition and frequent recurrence of bird flu continue to have negative impact on the poultry segment. Limited marketing support by Government agencies also seriously handicaps the rural producer. Further, limited and inadequate availability of cold storage facilities hampers storage of eggs and this in turn leads to severe price fluctuations.

## **e. Outlook**

### **Pharmaceuticals and Generics**

Reduced growth is expected in the short term in view of the overall economic slowdown. However, in the long-term, the Indian market is attractive and holds promise of double digit growth provided the government actively invests in building of healthcare infrastructure and implementing world class intellectual property rights. A growing middle class with increasing disposable income and increase in lifestyle related diseases is expected to lead the growth in the healthcare sector. Increased levels of education and awareness of health issues will serve to put pressure on Government to open up the Insurance sector and look at avenues for growing health insurance in the country. An ageing population will also increase demand for chronic care.

Once a world-class patent regime is in place with adequate data protection laws, research, marketing and clinical trial spend is likely to go up in the country resulting in creation of employment opportunities and development of the Pharmaceutical industry together with overall improved public health in the long term.

### **OTC**

The current financial year is expected to be challenging as the economy slows down and consumers reduce spending. However, better health awareness and changing lifestyles should partially offset this slow down. The business looks to consolidate its position in the segments in which it operates, particularly in segments where new products have been launched.

## **Animal Health**

The ongoing financial crisis coupled with bird flu is likely to adversely impact the poultry industry. The outlook for the Dairy segment looks promising with the segment getting more organized and many co-operative dairy farms likely to be formed. Dairy farming is also set to be moving from Subsidiary to Commercial venture in order to cater to market demand.

### **f. Internal control systems and their adequacy**

The Company maintains appropriate systems of internal control, including monitoring procedures, to ensure that all assets are safeguarded against loss from unauthorized use. Company policies, guidelines and procedures are in place to ensure that all transactions are authorized, recorded and reported correctly as well as to provide for adequate checks and balances.

All these measures have facilitated the detection of irregularities at an early stage and timely remedial action without any significant financial loss. The internal audit department together with independent firms of Chartered Accountants reviews the effectiveness and efficiency of these systems and procedures. Audits are finalized and conducted based on internal risk assessment. Significant deviations are brought to the notice of the Audit Committee of the Board periodically and corrective measures recommended for implementation.

### **g. Personnel**

The Industrial Relations scenario continued to be stable. The Company successfully concluded negotiations with its field force for renewal of its long-term agreement which will now expire on 31<sup>st</sup> December 2010. The Company accords high priority to investing in training and development of its employees.

Number of employees as on 31<sup>st</sup> March 2009 was 875.

Information as per Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, forms part of this Report. However, as per the provisions of Section 219(1) (b) (iv) of the Companies Act, 1956, the Report and the Accounts are being sent to all shareholders, excluding the Statement of Particulars under Section 217(2A). Any shareholder, interested in obtaining a copy of this statement, may write to the Company Secretary.

## **Corporate Citizenship**

The Company continues to focus its attention on health and education of the underprivileged. A Company team continues to run at the Mumbai marathon with the funds earmarked for Akanksha which works with slum children. The Akanksha centre sponsored by the Company has been recognized as the best Akanksha centre for the third year in succession. The scholarship to three deserving women at the Indian School of Business Hyderabad continues.

Community Partnership Week is growing in terms of both events and participation. During this week, employees involve themselves in a variety of activities ranging from organizing year end parties for slum and street children to spending time with the sick, the differently abled and the elderly. The mini-NGO bazaar organized at corporate headquarters continues to draw appreciation from NGOs and employees alike.

The Company's commitment to Health, Safety and Environment (HSE) Protection is also an integral dimension of its Corporate Citizenship policy. HSE at Novartis includes occupational safety and health protection; building safety; process safety; product stewardship; environmental protection and conservation of natural resources and energy. Managerial and operational responsibility for all HSE aspects lies with the Divisions and the Business Units.

## **Fixed Deposits**

No fresh fixed deposits were accepted from the public during the year. However, deposits under the Voluntary Retirement Scheme 1992, continued to be accepted. Total deposits as at 31<sup>st</sup> March 2009 stood at Rs 2.98 million. The Company does not have any unclaimed or overdue deposits as of date.

## **Directors**

Dr P. Jager who took over as Chairman of the Board effective 23<sup>rd</sup> October 2007, retired from the Board and was succeeded by Mr C. Snook as Chairman of the Board and Member of the Audit Committee effective 1<sup>st</sup> August 2008. Mr Snook has a degree in Mechanical Engineering from the Southampton University in UK and is currently Head of International Coordination with Novartis International AG. During his tenure with the Group, Mr Snook has held several positions of increasing responsibility across various geographies in the Consumer Health business for Novartis. He has a rich experience of over 30 years in the Pharmaceutical industry.

At a meeting of the Board of Directors of the Company held on 8<sup>th</sup> May 2009, the Board of Directors of the Company has, subject to the approval of the shareholders at the ensuing Annual General Meeting re-appointed Mr R. Shahani as Managing Director of the Company.

Mr Shahani is a technocrat turned Management graduate. He has made significant contribution in consolidating the Company's Pharmaceuticals business during the critical integration phase pre and post formation of Novartis India Limited. During his tenure as President of OPPI and Chairman of Interpat, he has been a torchbearer in spreading awareness of the challenges facing the Pharmaceuticals industry and necessity for Patents and Innovations as its growth drivers.

Ms A. Mirchandani was Executive Finance Director of the Company up to 31<sup>st</sup> October 2008 and Non-Executive Director up to 12<sup>th</sup> March 2009. She tendered her resignation from the Board on 12<sup>th</sup> March 2009. Dr J. Acebillo also resigned from the Board with effect from 12<sup>th</sup> March 2009.

## **Auditors**

Messrs Price Waterhouse, Chartered Accountants, retire at the end of this Annual General Meeting and, being eligible, offer themselves for re-appointment. The Board recommends their appointment.

## **Cost Audit**

The Directors have appointed Messrs N. I. Mehta and Co., Cost Accountants, as Cost Auditors to audit the accounts relating to drug formulations for the year ending 31<sup>st</sup> March 2010.

## **Energy, Technology Absorption and Foreign Exchange**

Information required under Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules 1988, with respect to conservation of energy, technology absorption and foreign exchange earnings/outgo is included in Annexures A and B.

## **Directors' Responsibility Statement**

Pursuant to Section 217(2AA) of the Companies (Amendment) Act, 2000, the Directors confirm that:

- (a) in the preparation of the annual accounts, the applicable accounting standards have been followed;

- (b) appropriate accounting policies have been selected and applied consistently and have made judgements and estimates that are reasonable and prudent, so as to give a true and fair view of the state of affairs of the Company as at 31<sup>st</sup> March 2009 and of the profit of the Company for the year ended 31<sup>st</sup> March 2009;
- (c) proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (d) the annual accounts have been prepared on a going concern basis.

### **Corporate Governance**

The Company continues to incorporate appropriate standards for good Corporate Governance in line with the listing agreement as well as in line with parent company norms. The Company has complied in all material respects with the features of corporate governance as laid down by law.

A certificate of compliance from Dr K. R. Chandratre a reputed practicing Company Secretary and the report on Corporate Governance form part of this Report.

### **General**

The Directors place on record their appreciation of the contribution made by employees to the continued satisfactory business performance during the year and the continued management support received from the parent company Novartis AG. The Directors also express their appreciation to the various stakeholders including shareholders, customers, suppliers, the medical community and business partners, all of whom have contributed to the Company's continued success.

The Directors also place on record their appreciation of the continued management support received from the parent company Novartis AG in the areas of Health, Safety and Environment and in terms of product and process know-how in manufacturing.

### **Cautionary Note**

The statements forming part of the Directors' Report may contain certain forward looking remarks within the meaning of applicable securities laws and regulations. Many factors could cause the actual results, performances or achievements of the Company to be materially different from any future results, performances or achievements that may be expressed or implied by such forward looking statements.

On behalf of the Board of Directors

R. SHAHANI

Vice-Chairman & Managing Director

Mumbai, 8<sup>th</sup> May 2009

## Annexure to the Directors' Report

Particulars required by the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 and forming part of the Directors' Report for the year ended 31<sup>st</sup> March 2009.

### Conservation of Energy

Measures taken, additional investments and impact on reduction of energy consumption

#### FORM A

Form of Disclosure of particulars with respect to Conservation of Energy

	Current Year	Previous Year
<b>A. Power &amp; Fuel Consumption</b>	Not applicable	Not applicable
<b>B. Consumption – per unit of production</b>	Not applicable	Not applicable

#### FORM B

Form of Disclosure of particulars with respect to Technology Absorption

##### Research & Development (R&D)

**1. Specific areas in which R&D is carried out by the Company:**

The scope of activities covers process development in Drugs and Pharmaceutical formulations.

**2. Benefits derived from R&D:**

- Productivity and quality improvements
- Improved process performance and better cost management
- Enhancement of safety and better environmental protection

**3. Future plan of action:**

Relevant R&D activity in the areas of business operations of the Company will continue with a view to adapt products and processes to improve performance and better meet the end user's needs.

**4. Expenditure on R&D:**

	Rupees '000	
	Current Year	Previous Year
a. Capital	Nil	Nil
b. Revenue	3094	7558
c. Total	3094	7558
d. Total R&D expenditure as a percentage to total turnover	0.05%	0.14%

##### Technology Absorption, Adaptation and Innovation

**1. Efforts in brief made towards technology absorption, adaptation and innovation:**

Novartis AG, Switzerland continues to provide basic technology and technical know-how for introduction of new products and formulation development. These are adapted, wherever necessary, to local conditions.



**2. Benefits derived as a result of the above efforts:**

New product development, productivity and quality improvements, enhanced safety and environmental protection measures and conservation of energy.

**3. Technology Imported:**

Novartis AG, Switzerland has provided technical know-how and technology relevant to the areas of business of the Company, as and when required, relating to products, quality, marketing and so on. This on-going process involves visits by employees of both companies to each other's office sites for discussions and training.

**Foreign Exchange earnings and outgo**

The information in this regard is provided in note nos. 16 to 19 of Schedule 20 to the Accounts.

On behalf of the Board of Directors

R. SHAHANI

Vice-Chairman & Managing Director

Mumbai, 8<sup>th</sup> May 2009

# Report on Corporate Governance

(Pursuant to Clause 49 of the Listing Agreement)

## 1. Company's philosophy

An affiliate of the global Novartis group, Novartis India Limited ("NIL") conforms with good governance norms adopted by its parent company and has complied in all material respects with the features of corporate governance specified in the Listing Agreement with the Mumbai and Kolkata Stock Exchanges.

## 2. Board of Directors

The Executive Committee comprising the Managing Director, the Executive Finance Director/Country Chief Financial Officer and the various business heads manage the day to day business operations of the Company. The Managing Director regularly updates the Board of Directors ("the Board") on overall business performance and future plans. The Board in turn monitors the overall business operations.

During the financial year under review, five Board meetings were held on the following dates: 9<sup>th</sup> May 2008; 15<sup>th</sup> July 2008; 17<sup>th</sup> October 2008; 22<sup>nd</sup> January 2009 and 12<sup>th</sup> March 2009.

### Constitution of Board of Directors and related information

Name of the Director	Category	No. of Board Meetings attended	Attendance at last AGM	No. of outside Directorship(s) (excludes Private and Foreign Companies) as on 31 <sup>st</sup> March 2009	No. of outside Board Committee membership(s)/ Chairmanship(s) (excludes Private and Foreign Companies) as on 31 <sup>st</sup> March 2009
Dr P. Jager (upto 31 <sup>st</sup> July 2008)	Chairman Non-Executive	2	Yes	Nil	Nil
Mr C. Snook (effective 1 <sup>st</sup> August 2008)	Chairman Non-Executive	2	N.A. (not a Director then)	Nil	Nil
Mr R. Shahani*	Vice-Chairman & Managing Director Executive Director	5	Yes	Nil	Nil
Ms A. Mirchandani	Executive Finance Director (upto 31 <sup>st</sup> October 2008) Non-Executive Director (from 1 <sup>st</sup> Nov 2008 to 12 <sup>th</sup> March 2009)	4	Yes	Nil	Nil
Dr J. Acebillo	Non-Executive (upto 12 <sup>th</sup> March 2009)	Nil	No	Nil	Nil
Mr J. Hiremath#	Non-Executive and Independent	5	Yes	2	1
Dr R. Mehrotra@	Non-Executive and Independent	5	Yes	1	Nil

Note:

\* Mr Shahani continues to be a member of the Executive Committee of Organisation of Pharmaceutical Producers of India (OPPI) and member of the Managing Committee of Bombay Chamber of Commerce & Industry (BCCI).

# Mr Hiremath is Vice-Chairman & Managing Director of Hikal Limited. He is also Director in Acoris Research Ltd (formerly Hikal Technologies Ltd.). He was appointed as Vice President of Indian Chemical Council. During the period he was appointed as a President of Indian Chemical Council and Chairman of Chemicals Committee of Federation of Indian Chambers of Commerce and Industry (FICCI). He is also member of various committees of Confederation of Indian Industries (CII).

@ Dr Mehrotra is a Director in PAE Limited and during the year, he was also appointed as Member of the Remuneration Committee of this Company.

As of 31<sup>st</sup> March 2009, except for Dr R. Mehrotra, no other Director or their relatives held shares in the Company. Dr Mehrotra held 270 shares as on that date.

### 3. Audit Committee

During the period under review, the Audit Committee met on four occasions viz. 9<sup>th</sup> May 2008; 15<sup>th</sup> July 2008; 17<sup>th</sup> October 2008 and 22<sup>nd</sup> January 2009.

#### Constitution of Audit Committee and related information

Name of Director	Category	No. of Meetings attended during the financial year ended 31 <sup>st</sup> March 2009
Mr J. Hiremath	Chairman Non-Executive and Independent	4
Dr R. Mehrotra	Non-Executive and Independent	4
Dr P. Jager	Non-Executive – till 31 <sup>st</sup> July 2008	2
Mr C. Snook*	Non-Executive – effective 1 <sup>st</sup> August 2008	2

\* Pursuant to the resignation of Dr P. Jager as a Director of the Company, he ceased to be a member of the Audit Committee. Mr C. Snook succeeded Dr Jager on the Board and also as a member of the Audit Committee.

The Audit Committee has been empowered to do all acts to comply with the applicable provisions of the Listing Agreement and the Companies Act, 1956.

The Terms of Reference for the Audit Committee include:

- Meeting and reviews with External and Internal Auditors, review of the Internal Control Systems and ensure their compliance.
- Investigation of matters referred to it by the Board or as specified.
- Review of matters as required under the terms of the Listing Agreement.
- Access information contained in the records of the Company.
- Refer to external professionals for advice, if necessary.

The Company Secretary to act as Secretary to the Committee.

### 4. Remuneration Committee

The Board may, if it considers expedient, constitute a Remuneration Committee.

Remuneration of the Managing Director and the Executive Finance Director are within the limits approved by shareholders at the 57<sup>th</sup> and 58<sup>th</sup> Annual General Meetings of the Company.

The Board ensures that commission to Non-Executive Directors is within the overall limit approved by shareholders at the 59<sup>th</sup> Annual General Meeting of the Company and meets the Industry norm for commensurate challenges.

### Directors' Remuneration details for the financial year ended 31<sup>st</sup> March 2009

Name of the Director	Salary (Rs '000)	Perquisites (Rs '000)	Performance Incentive (Rs '000)	Commission (Rs '000)	Total (Rs '000)
Dr P. Jager	Nil	Nil	Nil	Nil	Nil
Mr C. Snook	Nil	Nil	Nil	Nil	Nil
Mr R. Shahani#	7000	1324	2779	Nil	11103
Ms A. Mirchandani#	3324	832	1645	Nil	5801
Dr J. Acebillo	Nil	Nil	Nil	Nil	Nil
Dr R. Mehrotra	Nil	Nil	Nil	200	200
Mr J. Hiremath	Nil	Nil	Nil	200	200

# Performance incentive approved by shareholders at the 57<sup>th</sup> and 58<sup>th</sup> Annual General Meetings is based on pre-agreed criteria subject to a limit of 100% of salary.

The present agreement with the Managing Director is for a period of five years and is effective 1<sup>st</sup> November 2005. The Executive Finance Director on conclusion of her agreement with the Company, on 31<sup>st</sup> October 2008, continued to be on the Board as Non-Executive Director till her resignation from the Board on 12<sup>th</sup> March 2009.

The Company does not have any stock option scheme.

### 5. Shareholders/Investor Grievances Committee

Chairman : Dr R. Mehrotra  
 Compliance Officer : Mr H. K. Maniar – General Counsel,  
 Company Secretary & Head Investor Relations

No. of Complaints received by Company's Registrar & Transfer Agents during the financial year ended 31<sup>st</sup> March 2009 : 8

No. of complaints resolved to the satisfaction of shareholders during the financial year ended 31<sup>st</sup> March 2009 : 8

No. of pending share complaints as on 31<sup>st</sup> March 2009 : Nil

### 6. General Body Meetings

AGM for the financial year	Location of holding AGM	Date and Time of AGM
2007-2008	Y. B. Chavan Auditorium, Gen. Jagannath Bhosale Marg, Mumbai – 400 021	16 <sup>th</sup> July 2008 at 11:00 a.m.
2006-2007	Y. B. Chavan Auditorium, Gen. Jagannath Bhosale Marg, Mumbai – 400 021	20 <sup>th</sup> July 2007 at 11:00 a.m.
2005-2006	Y. B. Chavan Auditorium, Gen. Jagannath Bhosale Marg, Mumbai – 400 021	28 <sup>th</sup> July 2006 at 11:00 a.m.

At the AGM held on 20<sup>th</sup> July 2007, shareholders approved a Special Resolution for payment of commission to Non-Executive Directors @ 1% of the net profits of the Company subject to a ceiling of Rs 25,00,000.

Provision of postal ballot was not applicable at the last AGM of the Company. There is no item on the agenda of the forthcoming AGM that needs approval by postal ballot.

## 7. Disclosures

- There are no materially significant transactions made by the Company with its Promoters, Directors or Management, their subsidiaries or relatives etc., that may have a potential conflict with the interest of the Company at large. The Register of Contracts containing transactions in which Directors are interested is placed before the Board regularly for its approval.
- During the last three years, there were no strictures or penalties imposed by either SEBI or the Stock Exchanges or any statutory authority for non-compliance on any matter related to the capital markets.
- The Company has a process in place that meets the objectives of the whistle blower policy. The Board reviews the findings and action taken on matters initiated through this mode. In the opinion of the Board there are no cases where a person was denied access to the grievance process set up by the Company.
- The Company has been providing the Chairman of the Company with the resources required to implement his role.
- The Company has had a Code of Conduct for its employees much before Clause 49 requirements. The Board members and Senior Management personnel of the Company affirm that they have complied with this Code.

## 8. Means of Communication

Quarterly, Half-Yearly and Annual results of the Company are published in leading newspapers such as The Indian Express, The Financial Express and Loksatta. Half-Yearly results with the Managing Director's observations are sent to all shareholders. These results are promptly submitted to the Stock Exchanges together with a copy of the Company's Press Release such that they can display the same on their website.

The Company's quarterly results are available on <http://www.novartis.co.in>.

Management Discussion and Analysis forms part of this Annual Report.

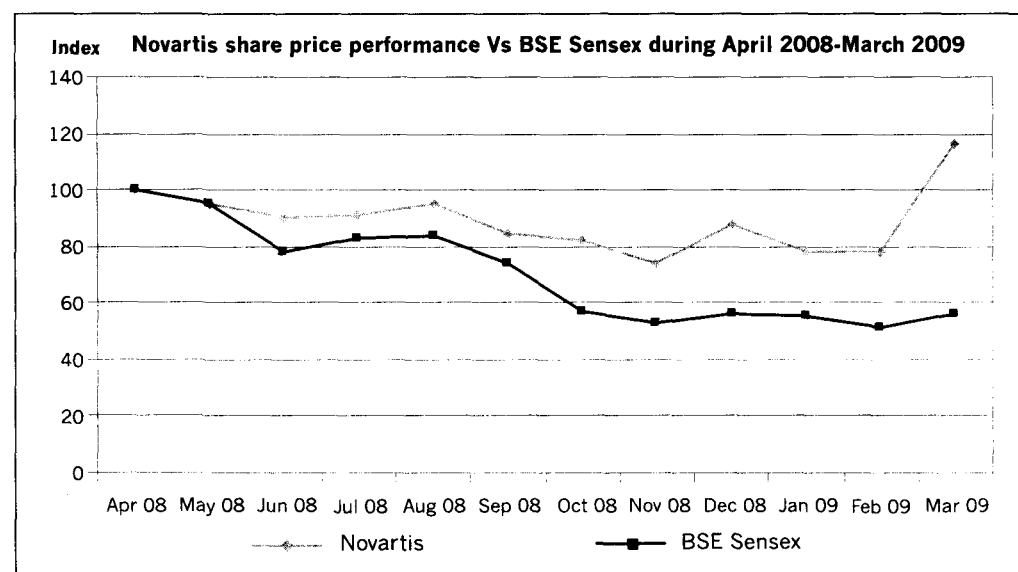
## 9. General shareholder information

AGM date, time and venue	17 <sup>th</sup> July 2009, at Y. B. Chavan Auditorium, Gen. Jagannath Bhosale Marg, Mumbai 400 021 at 11:00 a.m.
Financial Calendar	April to March
First quarter results	last week of July 2009
Second quarter results	last week of October 2009
Third quarter results	last week of January 2010
Results for the year ending March 2010	end June 2010
Date of Book closure	10 <sup>th</sup> July till 17 <sup>th</sup> July 2009 (both days inclusive)
Dividend payment date	on or after 20 <sup>th</sup> July 2009
Listing on Stock Exchanges	Bombay Stock Exchange Limited, Mumbai The Calcutta Stock Exchange Association Limited, Kolkata
Stock Code :	
Bombay Stock Exchange Limited, Mumbai	500672
The Calcutta Stock Exchange Association Limited, Kolkata	18247
Demat ISIN No. for CDSL and NSDL	INE234A01025

**Market price data: High/Low during each month in the last financial year**

(Rupees)		
Bombay Stock Exchange Limited, Mumbai		
Month	High	Low
April 2008	319.00	289.00
May 2008	332.00	292.40
June 2008	310.00	271.15
July 2008	289.50	268.25
August 2008	315.00	280.70
September 2008	302.00	256.05
October 2008	264.80	221.00
November 2008	275.00	229.00
December 2008	281.00	225.10
January 2009	277.90	239.05
February 2009	262.00	240.50
March 2009	379.50	240.10

(source: Bombay Stock Exchange Limited, Mumbai – website)



**Registrar & Transfer Agents** Sharepro Services (India) Private Limited  
 Samhita Complex, Plot No. 13AB  
 Off Andheri – Kurla Road, Sakinaka, Mumbai - 400 072  
 Telephone Nos. 6772 0400  
 Fax No. 2850 8927  
 Sharepro Services (India) Private Limited  
 912 Raheja Centre, Free Press Journal Road  
 Nariman Point, Mumbai - 400 021  
 Telephone Nos. 6772 0700/0709  
 Fax No. 2282 5484  
 E-mail: indira@shareproservices.com  
 umeshs@shareproservices.com

**Share Transfer System** Shareholders/Investors Grievance Committee also approves share transfers and meets at frequent intervals. Sharepro Services, the Company's Registrar & Transfer Agents process these transfers. Share transfers are registered and returned within 15 days from the date of lodgment if documents are complete in all respects.

### Distribution of Shareholding as on 31<sup>st</sup> March 2009

Sr. No.	No. of equity shares held		Shareholder(s)		Shareholding(s)	
	From	To	Nos.	%	Nos.	%
1	Less Than	500	47,348	96.89	4,102,205	12.84
2	501	1000	845	1.73	625,851	1.96
3	1001	2000	318	0.65	466,296	1.46
4	2001	3000	121	0.25	307,827	0.96
5	3001	4000	53	0.11	187,481	0.59
6	4001	5000	36	0.07	163,065	0.51
7	5001	10000	59	0.12	428,080	1.34
8	10001 and above		90	0.18	25,679,992	80.34
	<b>Total</b>		<b>48,870</b>	<b>100.00</b>	<b>31,960,797</b>	<b>100.00</b>

### Shareholding Pattern as on 31<sup>st</sup> March 2009

Category		No. of shares held	Percentage of shareholding
<b>A Promoters' Holding</b>			
1	Promoters		
	— Indian Promoters	Nil	Nil
	— Foreign Promoters	16,277,437	50.93
2	Persons Acting in Concert	Nil	Nil
<b>Sub-Total</b>		<b>16,277,437</b>	<b>50.93</b>
<b>B Non-Promoters' Holding</b>			
3	Institutional Investors		
a.	Mutual Funds and UTI	2,002,079	6.26
b.	Banks, Financial Institutions, Companies (Central/State Govt. Institutions/Non-Govt. Institutions)	3,929,305	12.29
c.	FIs	526,043	1.65
<b>Sub-Total</b>		<b>6,457,427</b>	<b>20.20</b>
4	Others		
a.	Private Corporate Bodies	1,018,878	3.19
b.	Indian Public	8,016,693	25.08
c.	NRIs/OCBs	190,092	0.60
d.	Directors & their relatives	270	0.00
e.	Any Other (NSDL Transit)	0	0.00
<b>Sub-Total</b>		<b>9,225,933</b>	<b>28.87</b>
<b>Grand Total</b>		<b>31,960,797</b>	<b>100.00</b>

Dematerialisation of shares and liquidity	Based on a SEBI directive, the Company's shares are traded in dematerialised form. As on 31 <sup>st</sup> March 2009, 45.50% of the paid-up share capital of the Company was in dematerialised form. Novartis AG continues to hold its shares in physical form. If this holding is excluded, then 92.71% of the paid-up share capital was held in dematerialised form as on 31 <sup>st</sup> March 2009.
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Outstanding GDR/ADR/Warrants or any Convertible Instruments, conversion dates and likely impact on equity	N.A.
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Plant location	N.A.
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Address for correspondence	<p>Shareholders should address their correspondence to the Company's Registrar &amp; Transfer Agents at the address mentioned earlier. Contact person: Ms Indira Karkera or Mr Umesh Shetty.</p> <p>Shareholders may also contact Mr H. K. Maniar, General Counsel, Company Secretary &amp; Head Investor Relations or Ms A. Anchan at the Registered Office of the Company for any assistance.</p> <p>Telephone No. 2495 8807/8810</p> <p>E-mail: hemang.maniar@novartis.com asha.anchan@novartis.com</p>
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On behalf of the Board of Directors

Mumbai, 8<sup>th</sup> May 2009

R. SHAHANI  
Vice-Chairman & Managing Director



## Certificate on Compliance with Clause 49 of the Listing Agreement by Novartis India Limited

I have examined compliance by Novartis India Limited (the Company) with the requirements under Clause 49 of the Listing Agreement entered into by the Company with the Stock Exchanges, for the year ended 31<sup>st</sup> March 2009.

In my opinion and to the best of my information and according to the explanations given to me, I certify that the Company has complied with the conditions of Corporate Governance as stipulated in Clause 49 of the Listing Agreement.

The compliance of conditions of Corporate Governance is the responsibility of the management of the Company. My examination was limited to procedures adopted, and implementation thereof, by the Company for ensuring compliance with the conditions of Corporate Governance under Clause 49. The examination is neither an audit nor an expression of opinion on the financial statements or the corporate governance report of the Company.

I state that no investor's grievance is pending unresolved by the Company for a period exceeding one month against the Company as per the records maintained by the Investor Grievance Committee.

I further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

Dr K. R. Chandratre  
Practising Company Secretary  
FCS No. 1370

Mumbai, 23<sup>rd</sup> April 2009

Certificate of Membership No. 5144

## Auditors' Report to the Members of Novartis India Limited

1. We have audited the attached Balance Sheet of Novartis India Limited, as at 31<sup>st</sup> March 2009, and the related Profit and Loss Account and Cash Flow Statement for the year ended on that date annexed thereto, which we have signed under reference to this report. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 as amended by the Companies (Auditor's Report) (Amendment) Order, 2004 (together the 'Order') issued by the Central Government of India in terms of sub-section (4A) of Section 227 of 'The Companies Act, 1956' of India (the 'Act') and on the basis of such checks of the books and records of the company as we considered appropriate and according to the information and explanations given to us, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report that:
  - (a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - (b) In our opinion, proper books of account as required by law have been kept by the company so far as appears from our examination of those books;
  - (c) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
  - (d) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Act;
  - (e) On the basis of written representations received from the directors, as on 31<sup>st</sup> March 2009 and taken on record by the Board of Directors, none of the directors is disqualified as on 31<sup>st</sup> March 2009 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Act;
  - (f) In our opinion and to the best of our information and according to the explanations given to us, the said financial statements together with the notes thereon and attached thereto give in the prescribed manner the information required by the Act and give a true and fair view in conformity with the accounting principles generally accepted in India:
    - (i) in the case of the Balance Sheet, of the state of affairs of the company as at 31<sup>st</sup> March 2009;
    - (ii) in the case of the Profit and Loss Account, of the profit for the year ended on that date; and
    - (iii) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Himanshu Goradia  
Partner  
Membership No. 45668  
For and on behalf of  
Price Waterhouse  
Chartered Accountants

Mumbai, 8<sup>th</sup> May 2009

## Annexure to Auditors' Report

[Referred to in paragraph 3 of the Auditors' Report of even date to the members of Novartis India Limited on the financial statements for the year ended 31<sup>st</sup> March 2009]

1. (a) The company is maintaining proper records showing full particulars including quantitative details and situation of fixed assets.  
(b) A substantial portion of fixed assets has been physically verified by the management during the year and no material discrepancies between the book records and the physical inventory have been noticed on such verification. In our opinion, the frequency of verification is reasonable.  
(c) In our opinion, a substantial part of fixed assets has not been disposed of by the company during the year.
2. (a) Inventory has been physically verified by the management during the year. In our opinion, the frequency of verification is reasonable.  
(b) In our opinion, the procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.  
(c) On the basis of our examination of the inventory records, in our opinion, the company is maintaining proper records of inventory. In our opinion, the discrepancies noticed on physical verification of inventory as compared to book records were not material.
3. (a) The company has granted unsecured loans to two companies covered in the register maintained under Section 301 of the Act. The maximum amounts involved during the year and the year-end balances of such loans aggregates to Rs 4,056,289(000) and Rs 3,834,076(000) respectively.  
(b) In our opinion, the rate of interest and other terms and conditions of such loans are not prima facie prejudicial to the interest of the company.  
(c) In respect of the aforesaid loans, the companies are regular in repayment of the principal amounts and are also regular in payment of interest.  
(d) In respect of the aforesaid loans, there is no overdue amount more than Rupees One Lakh.  
(e) The company has not taken any loans, secured or unsecured, from companies, firms or other parties covered in the register maintained under Section 301 of the Act. Accordingly, clauses (iii)(f) and (iii)(g) of paragraph 4 of the Order are not applicable to the company for the current year.
4. In our opinion, having regard to the explanation that certain items of inventory purchased are of special nature for which suitable alternative sources do not exist for obtaining comparative quotations, there is an adequate internal control system commensurate with the size of the company and the nature of its business for the purchase of inventory and fixed assets and for the sale of goods and services. Further, on the basis of our examination of the books and records of the company, carried out in accordance with the auditing standards generally accepted in India and according to the information and explanations given to us, we have neither come across nor have we been informed of any continuing failure to correct major weaknesses in the aforesaid internal control system.
5. (a) In our opinion and according to the information and explanations given to us, the particulars of contracts or arrangements referred to in Section 301 of the Act have been entered in the register required to be maintained under that Section.

- (b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Act and exceeding the value of Rupees Five Lakhs in respect of any party during the year, have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time. However, in respect of certain transactions including for purchases and sale of goods, prevailing market prices at the relevant time are not available as these transactions are of a special nature.
6. In our opinion and according to the information and explanations given to us, the company has complied with the provisions of Sections 58A, 58AA or any other relevant provisions of the Act and the Companies (Acceptance of Deposits) Rules, 1975 with regard to the deposits accepted from the public. According to the information and explanations given to us, no order has been passed by the Company Law Board or National Company Law Tribunal or Reserve Bank of India or any Court or any other Tribunal on the company in respect of the aforesaid deposits.
7. In our opinion, the company has an internal audit system commensurate with its size and nature of its business.
8. We have broadly reviewed the books of account maintained by the company in respect of the products where, pursuant to the Rules made by the Central Government of India, the maintenance of cost records has been prescribed under clause (d) of sub-section (1) of Section 209 of the Act and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained. We have not, however, made a detailed examination of the records with a view to determine whether they are accurate or complete.
9. (a) According to the information and explanations given to us and the records of the company examined by us, in our opinion, the company is generally regular in depositing undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income-tax, sales tax, wealth tax, service tax, customs duty, excise duty, cess and other material statutory dues as applicable with the appropriate authorities in India.
- (b) According to the information and explanations given to us and the records of the company examined by us, there are no dues of income-tax, wealth tax, service tax and cess which have not been deposited on account of any dispute. The particulars of dues of sales tax, customs duty and excise duty as at 31<sup>st</sup> March 2009 which have not been deposited on account of a dispute, are as follows –

Name of the statute	Nature of dues	Amount* Rs '000	Period to which the amount relates	Forum where the dispute is pending
The Kerala General Sales Tax Act, 1963	Sales tax on concessional sales	245	1997-1998	The High Court of Kerala
	Sales tax (including interest, where applicable) on free issues, sales returns, stock transfers and concessional sales	16,270	2000-2001 and 2004-2005	Deputy Commissioner (Appeals)
	Sales tax on concessional sales	438	2001-2002	Assistant Commissioner

\* Net of amounts paid under protest or otherwise

Name of the statute	Nature of dues	Amount* Rs '000	Period to which the amount relates	Forum where the dispute is pending
The Gujarat Sales Tax Act, 1969	Sales tax on CSD sales	1,378	1993-1994	Sales Tax Tribunal
	Non submission of sales tax exemption forms and sales tax on tax free sales	970	2002-2003	Joint Commissioner
	Sales tax on free issues and concessional sales	4,060	2003-2004	Assistant Commissioner
The Karnataka Sales Tax Act, 1957	Sales tax on sales returns and exempt sales	1,577	1998-1999	Joint Commissioner (Appeals)
	Sales tax on sales returns and exempt sales	3,235	2002-2003	Sales Tax Appellate Tribunal
	Sales tax paid but not considered by the authority	11,725	2004-2005	Deputy Commissioner of Commercial Taxes
The West Bengal Sales Tax Act, 1994	Sales tax on enhanced turnover and non submission of sales tax exemption forms	25,015	2005-2006	Additional Commissioner (Appeals)
	Sales tax (including penalty, where applicable) on sales returns, exempt sales and difference in turnover and purchase tax	32,875	2000-2001 and 2002-2003 to 2004-2005	Deputy Commissioner (Appeals)
The Delhi Sales Tax Act, 1975	Non submission of sales tax exemption forms	1,153	2002-2003	Deputy Commissioner (Appeals)
	Non submission of sales tax exemption forms	196	2004-2005	Additional Commissioner (Appeals)
The Andhra Pradesh General Sales Tax Act, 1957	Non submission of sales tax exemption forms	82	2001-2002 and 2003-2004	Deputy Commissioner (Appeals)
The Madhya Pradesh Commercial Tax Act, 1994	Non submission of sales tax exemption forms	61	2000-2001	Additional Commissioner (Appeals)
	Sales tax on sales returns and non submission of sales tax exemption forms	48	2002-2003	Deputy Commissioner (Appeals)
The Rajasthan Sales Tax Act, 1994	Sales tax (including interest) on free quantity schemes and non submission of sales tax exemption forms	333	2002-2003 and 2003-2004	Deputy Commissioner (Appeals)
The Bihar Sales Tax Act, 1981	Non submission of sales tax exemption forms	281	2002-2003 and 2003-2004	Deputy Commissioner
	Sales tax on sales returns, non submission of sales tax exemption forms and export sales	6,399	2004-2005 to 2007-2008	Commissioner of Commercial Taxes

\* Net of amounts paid under protest or otherwise

Name of the statute	Nature of dues	Amount* Rs '000	Period to which the amount relates	Forum where the dispute is pending
The Jammu and Kashmir General Sales Tax Act, 1962	Sales tax on rejection of claim for breakages, non submission of sales tax exemption forms and expiry of goods	822	2003-2004	Deputy Commissioner of Commercial Taxes
The Central Sales Tax Act, 1956	Sales tax on sales returns, non submission of sales tax exemption forms and export sales	2,014	2004-2005 to 2007-2008	Commissioner of Commercial Taxes
	Sales tax on sales returns, difference in turnover, import of miscellaneous items, stock transfers and non submission of sales tax exemption forms	8,346	2001-2002 to 2004-2005	Deputy Commissioner (Appeals)
	Non submission of sales tax exemption forms	209	2004-2005	Deputy Commissioner of Commercial Taxes
	Non submission of sales tax exemption forms	609	2004-2005	Appellate Deputy Commissioner
	Sales tax on stock transfer and non submission of sales tax exemption forms	17,207	2003-2004 and 2004-2005	Assistant Commissioner
	Non submission of sales tax exemption forms	1,113	2001-2002, 2002-2003 and 2005-2006	Joint Commissioner (Appeals)
	Non submission of sales tax exemption forms	44	2004-2005	Joint Commissioner of Commercial Taxes
The Central Sales Tax Act, 1956	Sales tax on sales returns and exempt sales	132	2002-2003	Sales tax Appellate Tribunal
	Non submission of sales tax exemption forms	6,153	2003-2004 to 2005-2006	Additional Commissioner (Appeals)
The Customs Act, 1962	Countervailing Duty on disputed classification of goods	393	2002-2003	Deputy Commissioner of Customs
The Central Excise Act, 1944	Excise duty (including penalty) on rejection of claim for concessional rate of duty	2,351	August 1993 to December 1996	Customs, Excise & Service Tax Appellate Tribunal
	Excise Duty on difference in valuation due to non approval of price list of products	2,128	January 1987 to February 1993	Customs, Excise & Service Tax Appellate Tribunal
	Disallowance of Modified Value Added Tax utilised	494	June 1993 to October 1993	Commissioner of Central Excise
	Disallowance of refund of Excise Duty	57	1990	Assistant Commissioner of Central Excise

\* Net of amounts paid under protest or otherwise

10. The company has no accumulated losses as at 31<sup>st</sup> March 2009 and has not incurred any cash losses in the financial year ended on that date or in the immediately preceding financial year.
11. According to the records of the company examined by us and the information and explanations given to us, the company has not defaulted in repayment of dues to any financial institution or bank or debenture holders.
12. In our opinion, the company has maintained adequate documents and records in the cases where the company has granted housing loans to employees on the basis of security by way of pledge of shares of co-operative housing societies.
13. The provisions of any special statute applicable to chit fund/nidhi/mutual benefit fund/ societies are not applicable to the company.
14. In our opinion, the company is not a dealer or trader in shares, securities, debentures and other investments.
15. According to the information and explanations given to us, the company has not given any guarantee for loans taken by others from banks or financial institutions during the year.
16. In our opinion, the company has not obtained any term loans that were not applied for the purposes for which these were raised.
17. On the basis of an overall examination of the Balance Sheet of the company, in our opinion and according to the information and explanations given to us, there are no funds raised on short-term basis which have been used for long-term investment.
18. The company has not made any preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Act during the year.
19. The company has not issued any debentures.
20. The company has not raised any money by public issues during the year.
21. During the course of our examination of the books and records of the company, carried out in accordance with the auditing standards generally accepted in India, we have neither come across any instance of fraud on or by the company, noticed or reported during the year, nor have we been informed of such case by the management.

Mumbai, 8<sup>th</sup> May 2009

Himanshu Goradia  
Partner  
Membership No. 45668  
For and on behalf of  
Price Waterhouse  
Chartered Accountants

## Balance Sheet as at 31<sup>st</sup> March 2009

	Schedule	As at 31 <sup>st</sup> March 2009		As at 31 <sup>st</sup> March 2008	
		Rs '000	Rs '000	Rs '000	Rs '000
<b>SOURCES OF FUNDS</b>					
<b>Shareholders' Funds</b>					
Capital	1	159,804		159,804	
Reserves and Surplus	2	4,987,601		4,324,429	
			<b>5,147,405</b>		<b>4,484,233</b>
<b>Loan Funds</b>					
Unsecured Loans	3		2,980		4,396
<b>Total</b>			<b>5,150,385</b>		<b>4,488,629</b>
<b>APPLICATION OF FUNDS</b>					
<b>Fixed Assets</b>					
	4				
Gross Block		227,999		233,746	
Less: Depreciation		141,758		141,634	
Net Block		<b>86,241</b>		<b>92,112</b>	
Capital Work-in-Progress (including advances for capital expenditure)		672		1,343	
			<b>86,913</b>		<b>93,455</b>
<b>Investments</b>	5		<b>233,929</b>		<b>220,074</b>
<b>Deferred Taxation</b>					
	6				
Deferred Tax Assets		138,886		128,385	
Less: Deferred Tax Liability		—		—	
			<b>138,886</b>		<b>128,385</b>
<b>Current Assets, Loans and Advances</b>					
Inventories	7	501,026		676,565	
Sundry Debtors	8	454,854		393,758	
Cash and Bank Balances	9	537,536		152,008	
Other Current Assets	10	—		841	
Loans and Advances	11	4,740,017		4,158,650	
		<b>6,233,433</b>		<b>5,381,822</b>	
<b>Less: Current Liabilities and Provisions</b>					
Liabilities	12	892,400		726,848	
Provisions	13	650,376		608,259	
		<b>1,542,776</b>		<b>1,335,107</b>	
<b>Net Current Assets</b>			<b>4,690,657</b>		<b>4,046,715</b>
<b>Total</b>			<b>5,150,385</b>		<b>4,488,629</b>
Notes to the Financial Statements	19				
Schedules 1 to 13 and 19 referred to above form an integral part of the Balance Sheet.					

In terms of our report  
of even date

For and on behalf of the Board

J. HIREMATH  
Director

R. SHAHANI  
Vice Chairman & Managing Director

HIMANSHU GORADIA  
Partner

Membership No. 45668  
For and on behalf of  
Price Waterhouse  
Chartered Accountants  
Mumbai, 8<sup>th</sup> May 2009

Dr R. MEHROTRA  
Director

H. K. MANIAR  
General Counsel, Company Secretary  
& Head Investor Relations

Mumbai, 8<sup>th</sup> May 2009



## Profit and Loss Account for the year ended 31<sup>st</sup> March 2009

	Schedule	Year ended 31 <sup>st</sup> March 2009		Year ended 31 <sup>st</sup> March 2008	
		Rs '000	Rs '000	Rs '000	Rs '000
<b>Income</b>					
Gross Sales		6,025,230		5,596,962	
Less: Excise Duty on Sales		30,428		62,486	
Net Sales		5,994,802		5,534,476	
Other Income	14	659,985		589,362	
			6,654,787		6,123,838
<b>Expenditure</b>					
Materials	15	2,477,396		2,407,009	
Personnel Cost	16	704,855		601,274	
Other Expenses	17	1,756,234		1,586,604	
Interest	18	7,059		6,047	
Depreciation/Amortisation		26,884		28,503	
		<b>4,972,428</b>		<b>4,629,437</b>	
Less: Cost of services shared		46,759		48,737	
			4,925,669		4,580,700
<b>Profit before Taxation</b>			<b>1,729,118</b>		<b>1,543,138</b>
Provision for Taxation					
For the year					
Current Tax		605,000		500,000	
Deferred Tax		(10,501)		3,712	
Fringe Benefits Tax		51,079		43,140	
		645,578		546,852	
For earlier years					
Current Tax (Net)		46,443		23,940	
			692,021		570,792
<b>Profit after Taxation</b>			<b>1,037,097</b>		<b>972,346</b>
Balance brought forward from previous year			1,357,829		856,643
			<b>2,394,926</b>		<b>1,828,989</b>
<b>Appropriations</b>					
Transfer to General Reserve			103,710		97,235
Proposed Dividend			319,608		319,608
Tax on Proposed Dividend			54,317		54,317
<b>Balance carried to Balance Sheet</b>			<b>1,917,291</b>		<b>1,357,829</b>
			<b>2,394,926</b>		<b>1,828,989</b>
Earnings per Share – Basic and Diluted [Rs per Equity Share of Rs 5 each] [Refer Note 25 of Schedule 19]			32.45		30.42
Notes to the Financial Statements	19				
Schedules 14 to 19 referred to above form an integral part of the Profit and Loss Account					

In terms of our report  
of even date

For and on behalf of the Board

J. HIREMATH  
Director

R. SHAHANI  
Vice Chairman & Managing Director

HIMANSHU GORADIA  
Partner

Membership No. 45668  
For and on behalf of  
Price Waterhouse  
Chartered Accountants  
Mumbai, 8<sup>th</sup> May 2009

Dr R. MEHROTRA  
Director

H. K. MANIAR  
General Counsel, Company Secretary  
& Head Investor Relations

Mumbai, 8<sup>th</sup> May 2009

## Schedules forming part of the Balance Sheet as at 31<sup>st</sup> March 2009

	As at 31 <sup>st</sup> March 2009		As at 31 <sup>st</sup> March 2008	
	Rs '000	Rs '000	Rs '000	Rs '000
<b>Schedule 1</b>				
<b>Capital</b>				
<b>Authorised</b>				
64,000,000 Equity Shares of Rs 5 each		<u>320,000</u>		<u>320,000</u>
<b>Issued and Subscribed</b>				
31,960,797 Equity Shares of Rs 5 each fully paid-up		<u>159,804</u>		<u>159,804</u>
Of the above –				
(a) 99,173 shares were allotted as fully paid-up on amalgamation of the erstwhile Ciba CKD Biochem Limited with the company.				
(b) 5,300,004 shares were allotted as fully paid-up on amalgamation of the erstwhile Sandoz (India) Limited with the company.				
(c) 140,000 shares were allotted as fully paid-up pursuant to a contract without payment being received in cash.				
(d) 21,997,620 shares were allotted as fully paid-up bonus shares by capitalisation of General Reserve and Share Premium.				
(e) 16,277,437 shares are held by the holding company Novartis AG, Basel.				
<b>Schedule 2</b>				
<b>Reserves and Surplus</b>				
<b>Capital Subsidy</b>				
Balance as per last Balance Sheet		1,500		1,500
<b>Share Premium</b>				
Balance as per last Balance Sheet		228,774		228,774
<b>General Reserve</b>				
Balance as per last Balance Sheet	2,736,326		2,639,091	
Add: Transfer from Profit and Loss Account	<u>103,710</u>		<u>97,235</u>	
		2,840,036		2,736,326
<b>Profit and Loss Account</b>		<u>1,917,291</u>		<u>1,357,829</u>
		<u><b>4,987,601</b></u>		<u><b>4,324,429</b></u>
<b>Schedule 3</b>				
<b>Unsecured Loans</b>				
Fixed Deposits [Amount repayable within one year Rs 351(000) – Previous year Rs 4,396(000)]				
		<u>2,980</u>		<u>4,396</u>

## Schedules forming part of the Balance Sheet as at 31<sup>st</sup> March 2009

### Schedule 4

#### Fixed Assets

(Rs '000)

Description	Gross Block (at cost)			Depreciation/Amortisation					Net Block	
	As at 1.4.2008	Additions	Deductions	As at 31.3.2009	As at 1.4.2008	For the year	On Deductions	As at 31.3.2009	As at 31.3.2009	As at 31.3.2008
Buildings	34,690	—	—	34,690	8,507	983	—	9,490	25,200	26,183
Plant and Machinery	142,240	10,435	17,421	135,254	95,910	20,158	16,162	99,906	35,348	46,330
Furniture and Fittings	30,860	2,185	1,461	31,584	14,420	3,437	1,329	16,528	15,056	16,440
Trade Marks@	10,211	2,184	—	12,395	10,211	255	—	10,466	1,929	—
Vehicles	15,745	8,012	9,681	14,076	12,586	2,051	9,269	5,368	8,708	3,159
	<b>233,746</b>	<b>22,816</b>	<b>28,563</b>	<b>227,999</b>	<b>141,634</b>	<b>26,884</b>	<b>26,760</b>	<b>141,758</b>	<b>86,241</b>	<b>92,112</b>
Previous year	231,692	25,974	23,920	233,746	135,304	28,503	22,173	141,634		
Capital Work-in-Progress (including advances for capital expenditure)									672	1,343
									<b>86,913</b>	<b>93,455</b>

@ Other than internally generated.

As at 31 <sup>st</sup> March 2009		As at 31 <sup>st</sup> March 2008	
Rs '000	Rs '000	Rs '000	Rs '000

### Schedule 5

#### Investments

(Unquoted unless otherwise stated)

##### Current – Non Trade

##### In fully paid-up Units of Mutual Funds

22,808,645 (Previous year – 18,170,081)  
Units of Rs 10 each of HSBC Cash Fund –  
Institutional Plus – Weekly Dividend

233,517

182,409

##### Long-Term – Non Trade

##### In fully paid-up Equity Shares

12 Shares of Rs 10 each of Atul Limited  
– Quoted (#Rs 336) #  
20,000 Shares of Rs 10 each of Housing  
Development Finance Corporation  
Limited – Quoted 245 245  
500 Shares of Rs 10 each of HDFC Bank  
Limited – Quoted 5 5  
120 Shares of Rs 50 each of The Malabar  
Hill Co-operative Housing Society Limited 6 6  
68 Shares of Rs 50 each of  
The Palacimo Co-operative Housing  
Society Limited 3 3  
5 Shares of Rs 50 each of Jaldarshan  
Co-operative Housing Society Limited  
(@Rs 250) @ @  
88 Shares of Rs 50 each of  
New Gulistan Co-operative Housing  
Society Limited 4 4

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## Schedules forming part of the Balance Sheet as at 31<sup>st</sup> March 2009

	As at 31 <sup>st</sup> March 2009		As at 31 <sup>st</sup> March 2008	
	Rs '000	Rs '000	Rs '000	Rs '000
<b>Schedule 5</b>				
<b>Investments (Contd.)</b>				
<b>(Unquoted unless otherwise stated)</b>				
<b>In fully paid-up Bonds</b>				
Nil (Previous year – 372,535) 6.75% Tax Free US64 Bonds of Rs 100 each of Unit Trust of India		—		37,253
<b>In partly paid-up Equity Shares</b>				
1 Share 'A' of Rs 120,000 – Rs 118,000 paid-up of Hill Properties Limited		118		118
<b>In fully paid-up 4<sup>1</sup>/<sub>8</sub>% Bonds</b>				
3 Loan Stock Bonds of Rs 10,000 each of New Gulistan Co-operative Housing Society Limited	30		30	
12 Loan Stock Bonds of Rs 50 each of New Gulistan Co-operative Housing Society Limited	1		1	
		31		31
		<b>233,929</b>		<b>220,074</b>
Aggregate amount of Quoted Investments		250		250
Aggregate amount of Unquoted Investments		233,679		219,824
		<b>233,929</b>		<b>220,074</b>
Aggregate Market Value of Quoted Investments		28,708		48,336
		<b>Units</b>		<b>Units</b>
<b>Investments purchased and sold during the year</b>				
– Units of Rs 10 each of HSBC Cash Fund – Institutional Plus – Weekly Dividend		248,641,236		170,107,999
– Units of Rs 10 each of HSBC Cash Fund – Institutional Plan – Weekly Dividend		—		2,869,084

## Schedule 6

### Deferred Taxation

<b>Deferred Tax Assets</b>				
Depreciation	27,893		29,241	
Provision for Doubtful Debts and Advances	19,226		16,957	
Compensation under Voluntary Retirement Schemes	8,322		10,333	
Provision for Employee Benefits	50,246		48,603	
Provision for Non-sellable Sales Returns	30,520		21,309	
Others	2,679		1,942	
		138,886		128,385
Less: Deferred Tax Liability		—		—
		<b>138,886</b>		<b>128,385</b>

## Schedules forming part of the Balance Sheet as at 31<sup>st</sup> March 2009

	As at 31 <sup>st</sup> March 2009		As at 31 <sup>st</sup> March 2008	
	Rs '000	Rs '000	Rs '000	Rs '000
<b>Schedule 7</b>				
<b>Inventories</b>				
(At lower of cost and net realisable value)				
Raw Materials		21,991		72,347
Packing Materials		6,643		12,477
Work-in-Progress		7		2,898
Finished Goods		472,385		588,843
		<b>501,026</b>		<b>676,565</b>
<b>Schedule 8</b>				
<b>Sundry Debtors</b>				
Debts outstanding for a period exceeding six months				
Considered Good				
Secured		3,022		195
Unsecured		2,113		4,200
		<b>5,135</b>		<b>4,395</b>
Considered Doubtful		38,538		33,847
		<b>43,673</b>		<b>38,242</b>
<b>Other Debts</b>				
Considered Good				
Secured		6,891		40
Unsecured		442,828		389,323
		<b>449,719</b>		<b>389,363</b>
Considered Doubtful		4,134		3,152
		<b>453,853</b>		<b>392,515</b>
		<b>497,526</b>		<b>430,757</b>
Less: Provision for Doubtful Debts		42,672		36,999
		<b>454,854</b>		<b>393,758</b>
<b>Schedule 9</b>				
<b>Cash and Bank Balances</b>				
Cash on Hand		2,219		1,771
Cheques on Hand		2,120		2,380
Balances with Scheduled Banks				
on Current Accounts		22,792		23,491
on Deposit Accounts		510,405		124,366
		<b>533,197</b>		<b>147,857</b>
		<b>537,536</b>		<b>152,008</b>
<b>Schedule 10</b>				
<b>Other Current Assets</b>				
Interest accrued on Investments		—		<b>841</b>

## Schedules forming part of the Balance Sheet as at 31<sup>st</sup> March 2009

	As at 31 <sup>st</sup> March 2009		As at 31 <sup>st</sup> March 2008	
	Rs '000	Rs '000	Rs '000	Rs '000
<b>Schedule 11</b>				
<b>Loans and Advances</b>				
<b>(Unsecured, Considered Good unless otherwise stated)</b>				
Advances recoverable in cash or in kind or for value to be received				
Considered Good				
Secured	607		1,995	
Unsecured	557,361		506,020	
	<b>557,968</b>		<b>508,015</b>	
Considered Doubtful	13,891		12,888	
	<b>571,859</b>		<b>520,903</b>	
Less: Provision for Doubtful Advances	13,891		12,888	
		557,968		508,015
Inter-corporate Deposits		3,930,776		3,402,300
Balances with Customs, Excise and Port Trust		302		3,754
Current Taxation (Net of Provision) [Refer Note 7 of Schedule 19]		250,971		244,581
		<b>4,740,017</b>		<b>4,158,650</b>

## Schedule 12

### Liabilities

Sundry Creditors				
Micro and Small Enterprises [Refer Note 6 of Schedule 19]	212		456	
Others	603,060		541,767	
		603,272		542,223
Voluntary Retirement Costs [Refer Note 5(b) of Schedule 19]		15,047		19,030
Unpaid Dividend@		11,655		11,433
Book Overdraft		85,132		8,138
Other Liabilities		177,206		145,483
Interest accrued but not due on loans		88		541
		<b>892,400</b>		<b>726,848</b>

@There is no amount due and outstanding to be credited to Investor Education and Protection Fund.

## Schedule 13

### Provisions

Provision for Fringe Benefits Tax (Net of Payments)	38,835		27,272	
Proposed Dividend	319,608		319,608	
Tax on Proposed Dividend	54,317		54,317	
Provision for Employee Benefits	147,825		144,370	
Provision for Non-sellable Sales Returns [Refer Note 4 of Schedule 19]	89,791		62,692	
	<b>650,376</b>		<b>608,259</b>	

**Schedules forming part of the Profit and Loss Account for the year ended  
31<sup>st</sup> March 2009**

	Year ended 31 <sup>st</sup> March 2009		Year ended 31 <sup>st</sup> March 2008	
	Rs '000	Rs '000	Rs '000	Rs '000
<b>Schedule 14</b>				
<b>Other Income</b>				
Interest				
on Long-term Investments – Non Trade (Tax free)	417		2,522	
on Others – Inter-corporate Deposits, Income-tax and Wealth tax Refunds, Overdue Debts, Bank Deposits, etc. (Gross) [Tax deducted at source Rs 88,459(000) – Previous year Rs 64,134(000)]	405,949		291,785	
		406,366		294,307
Dividend on Current Investments – Non Trade (Tax free)		7,249		8,414
Profit on Sale/Disposal of Fixed Assets (Net)		—		43,538
Profit on Sale/Redemption of Current Investments (Net)		2,040		313
Royalty (Gross) [Tax deducted at source Rs 299(000) – Previous year – Rs 337(000)]		6,149		3,905
Exchange Gain (Net)		—		3,696
Sales tax Set off for earlier years		29,312		59,632
Liabilities/Provision no longer required written back		5,201		16,584
Rent (Gross) [Tax deducted at source Rs 24,174(000) – Previous year Rs 21,042(000)]		105,078		84,208
Miscellaneous Income		98,590		74,765
		<b>659,985</b>		<b>589,362</b>

**Schedule 15**

**Materials**

Raw Materials Consumed				
Opening Stock	72,347		38,980	
Add: Purchases	218,992		249,616	
	291,339		288,596	
Less: Closing Stock	21,991		72,347	
		269,348		216,249
Packing Materials Consumed		48,752		34,513
Purchases of Finished Goods		2,039,947		2,118,269
Decrease/(Increase) in Stocks				
Opening Stock				
Work-in-Progress	2,898		5,101	
Finished Goods	588,843		624,618	
	591,741		629,719	
Closing Stock				
Work-in-Progress	7		2,898	
Finished Goods	472,385		588,843	
	472,392		591,741	
		119,349		37,978
		<b>2,477,396</b>		<b>2,407,009</b>

**Schedules forming part of the Profit and Loss Account for the year ended  
31<sup>st</sup> March 2009**

	Year ended 31 <sup>st</sup> March 2009		Year ended 31 <sup>st</sup> March 2008	
	Rs '000	Rs '000	Rs '000	Rs '000
<b>Schedule 16</b>				
<b>Personnel Cost</b>				
Salaries, Wages and Bonus [Refer Note 5(a) of Schedule 19]		591,899		500,973
Contribution to Provident and Other Funds		57,212		68,137
Contribution to Gratuity Fund		28,659		8,595
Pensions, etc.		1,951		—
Staff Welfare Expenses		25,134		23,569
		<b>704,855</b>		<b>601,274</b>
<b>Schedule 17</b>				
<b>Other Expenses</b>				
Consumption of Stores and Spare Parts		124		1,597
Power and Fuel		22,798		20,063
Water Charges		594		968
Rent		112,046		102,180
Repairs and Maintenance				
Buildings	1,754		3,968	
Plant and Machinery	1,731		1,619	
Others	9,101		8,702	
		12,586		14,289
Insurance		7,172		5,389
Rates and Taxes				
Excise Duty	(10,354)		3,184	
Others	32,640		25,564	
		22,286		28,748
Processing Charges		35,094		24,665
Legal and Professional Charges		66,556		43,538
Travelling and Conveyance		152,249		154,497
Other Outside Services		416,093		332,239
Auditors' Remuneration		6,370		6,319
Freight and Forwarding		164,934		150,393
Commission on Sales		27,472		23,358
Advertisement and Sales Promotion		376,977		405,649
Cash Discount		10,384		9,229
Royalty		76,110		70,584
Bad Debts and Advances written off	8,066		1,147	
Less: Provision	7,997		1,147	
		69		—
Provision for Doubtful Debts and Advances (Net)		14,673		6,067
Exchange Loss (Net)		11,072		—
Loss on Sale/Disposal of Fixed Assets (Net)		266		—
Miscellaneous Expenses		220,309		186,832
		<b>1,756,234</b>		<b>1,586,604</b>
<b>Schedule 18</b>				
<b>Interest</b>				
Fixed Deposits		286		2,016
Income tax and Wealth tax		4,061		1,632
Others		2,712		2,399
		<b>7,059</b>		<b>6,047</b>



## Schedule forming part of the Financial Statements for the year ended 31<sup>st</sup> March 2009

### Schedule 19

#### Notes to the Financial Statements

##### 1. Significant Accounting Policies

The financial statements are prepared to comply in all material aspects with the applicable accounting principles in India, the accounting standards notified under sub-section (3C) of Section 211 of the Companies Act, 1956 (the 'Act') and the other relevant provisions of the Act. The significant accounting policies are as follows:

(a) Basis of Accounting

The financial statements are prepared in accordance with the historical cost convention.

(b) Fixed Assets

Fixed assets are stated at cost of acquisition, including any attributable cost for bringing the asset to its working condition for its intended use, less accumulated depreciation and impairment loss.

Depreciation is provided on Straight Line Method, pro-rata to the period of use, at the rates specified in Schedule XIV of the Act or the rates based on useful lives of the assets as estimated by the management, whichever are higher. The rates based on useful lives of the assets in the following categories are estimated to be higher than those specified in Schedule XIV of the Act:

<u>Description</u>	<u>Estimated Useful Life</u>
Buildings	40 years
Plant and Machinery	
Computers	3 years
Office Equipment	5 years
Quality Control Equipment	5 years
Others	12.5 years
Furniture and Fittings	10 years
Vehicles	5 years

Trade Marks are amortised over the useful life of five years, as estimated by the management.

Impairment loss is provided to the extent the carrying amount of assets exceed their recoverable amount. Recoverable amount is the higher of an asset's net selling price and its value in use. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Net selling price is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

(c) Investments

Long-term Investments are stated at cost. Provision is made to recognise a decline, other than temporary, in the value of Long-term Investments. Current Investments are stated at lower of cost and fair value.

(d) Inventories

Inventories are valued at lower of cost and net realisable value. Cost is determined on moving weighted average basis. Cost of work-in-progress and finished goods includes labour and manufacturing overheads, where applicable.

(e) Foreign Currency Transactions

Foreign currency transactions are recorded at the exchange rates prevailing on the date of the transaction. Gains and losses arising out of subsequent fluctuations are accounted for on actual payment or realisation. Monetary items denominated in foreign currency as at the Balance Sheet date are converted at the exchange rates prevailing on that date. Exchange differences are recognised in the Profit and Loss Account.

## Schedule 19

### Notes to the Financial Statements

(f) Forward Contracts

Premium or discount arising at the inception of forward contract is amortised as expense or income over the life of the contract. Exchange difference on forward contract is recognised in the Profit and Loss Account in the year in which the exchange rates change. Any profit or loss arising on cancellation or renewal of forward contract is recognised as income or expense in the Profit and Loss Account.

(g) Revenue Recognition

Sales are recognised when goods are supplied to customers and are recorded net of excise duty, sales tax, rebates and trade discounts.

Provision is made for the non-sellable returns of goods from the customers estimated on the basis of historical data of such returns. Such provision for non-sellable sales returns is reduced from sales for the year.

Dividend income is recognised when the right to receive dividend is established.

(h) Employee Benefits

(i) Long-term Employee Benefits

(a) Defined Contribution Plans

The company has Defined Contribution Plans for post employment benefits in the form of Superannuation Fund and Employees' Pension Scheme which are recognised by the Income-tax authorities and administered through trustees and/or Life Insurance Corporation of India (LIC). Superannuation Fund which constitutes an insured benefit and Employees' Pension Scheme are classified as Defined Contribution Plans as the company has no further obligation beyond making the contributions. The company's contributions to Defined Contribution Plans are charged to the Profit and Loss Account as incurred.

(b) Defined Benefit Plans

The company has Defined Benefit Plans for post employment benefits in the form of Provident Fund (treated as a Defined Benefit Plan on account of guaranteed interest benefit), Gratuity, Leave Encashment, Non-Contractual Pension Plan (treated as a Defined Benefit Plan on account of guaranteed pension) and Post Retirement Medical Benefits. Provident Fund and Gratuity are recognised by the Income-tax authorities and administered through trustees and/or LIC. Liability for Defined Benefit Plans is provided on the basis of valuations, as at the Balance Sheet date, carried out by independent actuary.

The obligations are measured as the present value of estimated future cashflows discounted at rates reflecting the prevailing market yields of Indian Government securities as at the Balance Sheet date for the estimated term of the obligations. The estimate of future salary increases considered takes into account the inflation, seniority, promotion and other relevant factors. The expected rate of return of plan assets is the company's expectation of the average long term rate of return expected on investments of the fund during the estimated term of the obligations. Plan assets are measured at fair value as at the Balance Sheet date. The actuarial valuation method used by independent actuary for measuring the liability is the Projected Unit Credit method.

(c) Other Long-term Employee Benefit

The employees of the company are entitled to other long-term benefit in the form of Long Service Awards as per the policy of the company. Liability for such benefit is provided on the basis of valuation, as at the Balance Sheet date, carried out by independent actuary. The actuarial valuation method used by independent actuary for measuring the liability is the Projected Unit Credit method.

(ii) Termination benefits are recognised as an expense as and when incurred.

(iii) Actuarial gains and losses comprise experience adjustments and the effects of changes in actuarial assumptions and are recognised in the Profit and Loss Account in the year in which they arise.

## Schedule 19

### Notes to the Financial Statements

- (i) Expenditure on Research and Development  
Revenue expenditure is recognised as expense in the year in which it is incurred and the expenditure on capital assets is depreciated over the useful lives of the assets.
  - (j) Taxes on Income  
Current tax is determined as the amount of tax payable in respect of estimated taxable income for the year.  
Deferred tax is recognised, subject to the consideration of prudence in respect of deferred tax assets, on timing differences, being the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods.
2. Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances) Rs 943(000) [Previous year Rs 1,309(000)].

	As at 31 <sup>st</sup> March 2009	As at 31 <sup>st</sup> March 2008
	Rs '000	Rs '000
<b>3. Contingent Liabilities</b>		
(a) Claims against the company not acknowledged as debts		
Income tax matters		
(i) Matters decided in favour of the company but disputed further by the income tax authorities	303,699	303,699
(ii) Matters decided against the company in respect of which the company has preferred an appeal	119,618	123,410
Sales tax matters	166,097	737,885
Service tax matter	—	165
Excise matters	5,110	5,777
Claims from a third party manufacturer in respect of Excise matter	667	26,308
Claim for penalty under the Foreign Exchange Management Act, 1999	—	7,300
Claims from Consumers	1,758	2,058
Others	2,100	3,910
(b) Uncalled liability on partly paid share in Hill Properties Limited	2	2

Notes:

- (i) Future cash outflows in respect of (a) above are determinable only on receipt of judgements/decisions pending with various authorities/forums and/or final outcome of the matters.
- (ii) Future cash outflow in respect of (b) above is dependent on the call to be made by Hill Properties Limited.

	Year ended 31 <sup>st</sup> March 2009	Year ended 31 <sup>st</sup> March 2008
	Rs '000	Rs '000
<b>4. Provision for Non-sellable Sales Returns</b>		
As at 1 <sup>st</sup> April	62,692	64,986
Provision made during the year	107,402	71,790
Amounts used during the year	80,303	74,084
As at 31 <sup>st</sup> March	89,791	62,692

## Schedule 19

### Notes to the Financial Statements

5. (a) Salaries, Wages and Bonus include Rs 5,253(000) [Previous year Rs 2,607(000)] paid to employees under the Voluntary Retirement Schemes.
- (b) Voluntary Retirement Costs represent the actuarial value as at 31<sup>st</sup> March 2009 of compensation payable under the Voluntary Retirement Schemes. Amount payable within one year approximately Rs 3,956(000) [Previous year Rs 5,054(000)].
6. Disclosures as required under the Micro, Small and Medium Enterprises Development Act, 2006. This information and that given in Schedule 12 – Liabilities regarding Micro and Small Enterprises has been determined to the extent such parties have been identified on the basis of information available with the company. This has been relied upon by the auditors.

	Year ended 31 <sup>st</sup> March 2009	Year ended 31 <sup>st</sup> March 2008
	Rs '000	Rs '000
(a) The principal amount and the interest due thereon remaining unpaid to suppliers		
(i) Principal	145	456
(ii) Interest due thereon	67	—
	<b>212</b>	<b>456</b>
(b) (i) The delayed payments of principal amount paid beyond the appointed date during the entire accounting year.	3,647	—
(ii) Interest actually paid under Section 16 of the Micro, Small and Medium Enterprises Development Act, 2006	—	—
(c) (i) Normal Interest accrued during the year, for all the delayed payments, as per the agreed terms	—	—
(ii) Normal Interest payable for the period of delay in making payment, as per the agreed terms	—	—
(d) (i) Total Interest accrued during the year	67	—
(ii) Total Interest accrued during the year and remaining unpaid	67	—
(e) Included in (d) above is Nil being interest on amounts outstanding as at the beginning of the accounting year.		

	As at 31 <sup>st</sup> March 2009	As at 31 <sup>st</sup> March 2008
	Rs '000	Rs '000
7. Current Taxation (Net of Provision) represents –		
Current Taxation (Net of Provision)	278,121	263,255
Less: Provision for Taxation (Net of Payments)	27,150	18,674
	<b>250,971</b>	<b>244,581</b>

## Schedule 19

### Notes to the Financial Statements

	Unit	Year ended 31 <sup>st</sup> March 2009		Year ended 31 <sup>st</sup> March 2008	
		Quantity	Rs '000	Quantity	Rs '000
<b>8. Consumption of Raw Materials</b>					
Calcium Gluconate	Tonnes	246.19	25,244	217.67	23,401
Tiamutin 80% Granules	Tonnes	9.73	43,923	8.95	36,461
Rifampicin BP	Kilo Grams	20,668.30	71,171	13,501.86	47,189
Norethindrone Acetate USP/N	Kilo Grams	264.43	20,470	301.90	22,404
Ethambutol BP	Kilo Grams	29,155.04	49,835	8,469.23	13,521
Others		—	58,705	—	73,273
			<b>269,348</b>		<b>216,249</b>
		%	Rs '000	%	Rs '000
Imported		16.36	44,062	20.38	44,062
Indigenous		83.64	225,286	79.62	172,187
		<b>100.00</b>	<b>269,348</b>	<b>100.00</b>	<b>216,249</b>

Notes:

- (a) Consumption of Raw Materials include consumption by third parties under contract with the company and consumption in respect of samples.
- (b) Components and spare parts referred to in Para 4D(c) of Part II of Schedule VI of the Act are assumed to be those forming part of the finished goods produced and not those used for maintenance of plant and machinery.

	Unit	Year ended 31 <sup>st</sup> March 2009 Installed Capacity		Year ended 31 <sup>st</sup> March 2009 Production@	
		Quantity	Quantity	Quantity	Quantity
<b>9. Capacities and Production#</b>					
<b>Pharmaceuticals</b>					
Formulations – Tablets	Million Nos.	—	—	—	16.31
<b>Generics</b>					
Formulations – Tablets	Million Nos.	—	—	264.42	138.90
<b>Animal Health</b>					
Drug Formulations	Kilo Litres	—	—	1,134.81	989.30
	Tonnes	—	—	12.69	15.62
Feed Supplements	Tonnes	—	—	166.20	187.60

# Licensed Capacity is not applicable as industrial licensing has been abolished for all Bulk Drugs, Intermediates and their Formulations vide Press Note No. 4 (1994 Series) dated 25<sup>th</sup> October 1994 issued by the Department of Industrial Development, Ministry of Industry, Government of India.

@ Represents quantities produced by third parties under contract with the company and includes samples.

	Unit	Year ended 31 <sup>st</sup> March 2009		Year ended 31 <sup>st</sup> March 2008	
		Quantity	Rs '000	Quantity	Rs '000
<b>10. Sales*</b>					
<b>Pharmaceuticals</b>					
Formulations					
Tablets	Million Nos.	875.76	2,194,883	859.38	2,041,089
Capsules	Million Nos.	5.30	274,797	5.62	293,262
Liquid – Orals	Kilo Litres	545.22	219,229	521.78	225,411
Injectables	Kilo Litres	206.26	822,330	192.35	757,585
	Kilograms	92.29	225,490	130.56	210,733
Creams and Ointments	Tonnes	119.18	181,949	125.03	200,481
Patches	Million Nos.	0.32	15,078	0.28	11,327
Vials	Thousands	1,944.74	134,780	2,103.61	125,292
			<b>4,068,536</b>		<b>3,865,180</b>

\* Sales quantities include free issues.

## Schedule 19

### Notes to the Financial Statements

		Year ended 31 <sup>st</sup> March 2009		Year ended 31 <sup>st</sup> March 2008	
	Unit	Quantity	Rs '000	Quantity	Rs '000
<b>Generics</b>					
Formulations					
Tablets	Million Nos.	415.96	616,733	231.15	457,509
Liquid – Orals	Kilo Litres	7.26	2,549	9.06	3,076
			<b>619,282</b>		<b>460,585</b>
<b>OTC</b>					
Powders – VMS@	Tonnes	14.11	11,434	(1.91)	1,966
Tablets	Million Nos.	249.57	318,204	276.22	353,491
Capsules	Million Nos.	11.41	13,511	21.37	26,363
Liquid – Orals	Kilo Litres	450.79	465,305	380.20	402,431
			<b>808,454</b>		<b>784,251</b>
<b>Animal Health</b>					
Drug Formulations	Tonnes	17.42	53,456	17.57	52,347
	Kilo Litres	1,243.43	205,035	1,188.95	186,833
	Million Nos.	0.55	6,555	0.82	8,834
Feed Supplements	Tonnes	1,397.42	203,591	1,012.35	151,596
	Kilo Litres	500.09	29,895	462.15	24,836
	Million Nos.@	#	(5)	#	(5)
Aqua Formulations	Tonnes	0.14	3	0.13	19
			<b>498,530</b>		<b>424,460</b>
			<b>5,994,802</b>		<b>5,534,476</b>

@ Negative quantities and/or values are due to sales returns.

# (0.001) Million Nos.

	Unit	Year ended 31 <sup>st</sup> March 2009		Year ended 31 <sup>st</sup> March 2008	
		Quantity	Rs '000	Quantity	Rs '000
11. Purchases of Finished Goods					
Pharmaceuticals					
Formulations					
Tablets	Million Nos.	808.51	736,451	943.20	857,815
Capsules	Million Nos.	4.40	171,002	5.58	194,013
Liquid – Orals	Kilo Litres	575.11	145,383	556.37	158,616
Injectables	Kilo Litres	195.89	222,582	213.29	298,764
	Kilograms	80.65	165,244	137.71	122,645
Creams and Ointments	Tonnes	126.66	44,276	145.70	73,689
Patches	Million Nos.	0.31	11,663	0.25	6,874
Vials	Thousands	1,774.37	56,122	2,468.96	69,105
			1,552,723		1,781,521
Generics					
Formulations					
Tablets	Million Nos.	147.25	84,727	109.92	22,592
Liquid – Orals	Kilo Litres	7.38	1,078	8.87	1,386
			85,805		23,978
OTC					
Powders – VMS	Tonnes	17.76	7,613	8.93	4,389
Tablets	Million Nos.	287.82	83,854	266.66	86,390
Capsules	Million Nos.	8.09	3,135	24.82	12,069
Liquid – Orals	Kilo Litres	493.30	155,333	389.69	139,570
			249,935		242,418

## Schedule 19

### Notes to the Financial Statements

	Unit	Year ended 31 <sup>st</sup> March 2009		Year ended 31 <sup>st</sup> March 2008	
		Quantity	Rs '000	Quantity	Rs '000
<b>Animal Health</b>					
Drug Formulations	Tonnes	3.66	11,869	2.53	9,128
	Kilo Litres	226.00	44,695	167.12	31,821
	Million Nos.	0.60	3,031	0.76	4,198
Feed Supplements	Tonnes	1,158.83	80,374	859.76	54,170
	Kilo Litres	630.90	24,642	408.88	13,003
			<b>2,033,074</b>		<b>2,100,237</b>
Less: Sales tax set off			13,127		41,968
			<b>2,039,947</b>		<b>2,118,269</b>

#### 12. Opening Stock

##### Pharmaceuticals

###### Formulations

Tablets	Million Nos.	300.21	244,121	211.23	232,237
Capsules	Million Nos.	1.69	61,677	1.78	76,203
Liquid – Orals	Kilo Litres	114.35	29,106	99.35	30,669
Injectables	Kilo Litres	54.28	70,564	35.53	58,351
	Kilograms	36.09	37,270	29.01	63,324
Creams and Ointments	Tonnes	23.18	13,159	3.75	2,040
Patches	Million Nos.	0.08	2,148	0.11	3,290
Vials	Thousands	634.62	18,167	408.15	14,149
			<b>476,212</b>		<b>480,263</b>

##### Generics

###### Formulations

Tablets	Million Nos.	56.14	37,690	46.17	37,854
Liquid – Orals	Kilo Litres	1.50	221	2.72	423
			<b>37,911</b>		<b>38,277</b>

##### OTC

###### Powders – VMS

Tablets	Million Nos.	50.12	15,390	84.59	28,469
Capsules	Million Nos.	6.15	2,999	4.67	2,468
Liquid – Orals	Kilo Litres	57.08	17,250	83.65	23,043
			<b>36,484</b>		<b>54,976</b>

##### Animal Health

###### Drug Formulations

	Tonnes	5.93	6,102	5.55	9,977
	Kilo Litres	118.23	12,666	180.48	19,820
	Million Nos.	0.19	1,217	0.27	1,609
Feed Supplements	Tonnes	200.52	16,101	169.61	15,179
	Kilo Litres	61.19	2,047	138.64	4,515
	Million Nos.	—	—	#	1
Aqua Formulations	Tonnes	2.63	103	2.75	1
			<b>38,236</b>		<b>51,102</b>
			<b>588,843</b>		<b>624,618</b>

# (0.001) Million Nos.

## Schedule 19

### Notes to the Financial Statements

	Unit	Year ended 31 <sup>st</sup> March 2009		Year ended 31 <sup>st</sup> March 2008	
		Quantity	Rs '000	Quantity	Rs '000
<b>13. Closing Stock*</b>					
<b>Pharmaceuticals</b>					
Formulations					
Tablets	Million Nos.	221.20	172,771	300.21	244,121
Capsules	Million Nos.	0.78	32,551	1.69	61,677
Liquid – Orals	Kilo Litres	126.47	30,886	114.35	29,106
Injectables	Kilo Litres	42.11	49,035	54.28	70,564
	Kilograms	24.25	38,690	36.09	37,270
Creams and Ointments	Tonnes	29.20	9,532	23.18	13,159
Patches	Million Nos.	0.06	2,987	0.08	2,148
Vials	Thousands	340.01	11,637	634.62	18,167
			<b>348,089</b>		<b>476,212</b>
<b>Generics</b>					
Formulations					
Tablets	Million Nos.	47.32	26,960	56.14	37,690
Liquid – Orals	Kilo Litres	0.68	88	1.50	221
			<b>27,048</b>		<b>37,911</b>
<b>OTC</b>					
Powders – VMS	Tonnes	3.74	1,182	2.05	845
Tablets	Million Nos.	66.62	19,191	50.12	15,390
Capsules	Million Nos.	1.10	361	6.15	2,999
Liquid – Orals	Kilo Litres	89.57	27,006	57.08	17,250
			<b>47,740</b>		<b>36,484</b>
<b>Animal Health</b>					
Drug Formulations	Tonnes	3.98	6,661	5.93	6,102
	Kilo Litres	205.03	21,992	118.23	12,666
	Million Nos.	0.22	1,151	0.19	1,217
Feed Supplements	Tonnes	112.00	12,282	200.52	16,101
	Kilo Litres	182.03	7,422	61.19	2,047
Aqua Formulations	Tonnes	—	—	2.63	103
			<b>49,508</b>		<b>38,236</b>
			<b>472,385</b>		<b>588,843</b>

\* Net of date expired stocks, damages, in-transit breakages, samples, etc.

	Year ended 31 <sup>st</sup> March 2009		Year ended 31 <sup>st</sup> March 2008	
	Rs '000	Rs '000	Rs '000	Rs '000
<b>14. Managerial Remuneration</b>				
Salary and Allowances		12,612		14,944
Contribution to Provident and Other Funds		2,136		2,482
Perquisites		2,156		2,178
Commission		400		400
		<b>17,304</b>		<b>20,004</b>



## Schedule 19

### Notes to the Financial Statements

	Year ended 31 <sup>st</sup> March 2009		Year ended 31 <sup>st</sup> March 2008	
	Rs '000	Rs '000	Rs '000	Rs '000
Computation of Net Profit for commission payable to Directors				
Profit before Taxation as per Profit and Loss Account		1,729,118		1,543,138
Add: Depreciation/Amortisation as per Profit and Loss Account	26,884		28,503	
Managerial Remuneration	17,304		20,004	
Provision for Doubtful Debts and Advances (Net)	6,676		4,920	
		50,864		53,427
Less: Depreciation under Section 350 of the Act	26,884		28,503	
Profit on Sale/Redemption of Current Investments (Net)	2,040		313	
Capital Profit on Sale of Fixed Assets	7		42,967	
		28,931		71,783
Net Profit under Section 349 of the Act		<u>1,751,051</u>		<u>1,524,782</u>
Commission payable to non-whole time Directors @1% of the Net Profit under Section 349 of the Act		17,511		15,248
Restricted by the Board of Directors to		400		400
<b>15. Auditors' Remuneration</b> (including service tax, where applicable)				
Audit Fees		3,530		3,146
Other Services		2,759		2,992
Reimbursement of Expenses		81		181
		<u>6,370</u>		<u>6,319</u>
<b>16. CIF Value of Imports</b>				
Raw Materials		44,099		29,738
Goods for Resale		703,232		553,502
<b>17. Expenditure in Foreign Currency</b>				
Professional and Consultancy Fees		4,217		3,606
Travelling		10,648		6,999
Royalty (Net of taxes)		49,739		45,856
Exchange Loss (Net)		11,072		—
Others		16,923		23,390
<b>18. Remittance of Dividend to Non-resident Shareholders</b>				
Number of Shareholders		1		1
Number of Equity Shares held		16,277,437		16,277,437
Amount remitted		162,774		—
Year to which the dividend related		31 <sup>st</sup> March 2008		—

## Schedule 19

### Notes to the Financial Statements

	Year ended 31 <sup>st</sup> March 2009	Year ended 31 <sup>st</sup> March 2008
	Rs '000	Rs '000
<b>19. Earnings in Foreign Exchange</b>		
FOB Value of Exports (excluding exports to Nepal)	26,512	22,583
Interest	92	92
Exchange Gain (Net)	—	3,696
Freight and Insurance	1,056	775
Miscellaneous Income	41,377	25,427
Services Shared	1,989	19,510
Recovery of Expenses	19,982	19,562
<b>20. Expenditure on Research and Development</b>		
Revenue	3,094	7,558
<b>21. Employee Benefits</b>		
The company has classified various employee benefits as under:		
<b>(A) Defined Contribution Plans</b>		
The company has recognised the following amounts in the Profit and Loss Account for the year:		
(i) Contribution to Employees' Superannuation Fund	19,909	21,008
(ii) Contribution to Contractual Employees' Pension Scheme	3,799	3,372
(iii) Contribution to Family Pension Scheme	5,652	5,631
<b>(B) Defined Benefit Plans</b>		
Valuations in respect of Provident Fund, Gratuity, Non-Contractual Pension Plan, Leave Encashment and Post Retirement Medical Benefits have been carried out by independent actuary, as at the Balance Sheet date, based on the following assumptions:		
(a) Discount Rate (per annum)	7.30%	8.25%
(b) Rate of increase in Compensation Levels	10.00%	10.00%
(c) Rate of Return on Plan Assets	8.25%	8.25%
(d) Expected Average remaining working lives of employees in number of years	20	20

## Schedule 19

### Notes to the Financial Statements

	Year ended 31 <sup>st</sup> March 2009					Year ended 31 <sup>st</sup> March 2008				
	Provident Fund	Gratuity	Leave Encashment	Non-Contractual Pension Plan	Post Retirement Medical Benefits	Provident Fund	Gratuity	Leave Encashment	Non-Contractual Pension Plan	Post Retirement Medical Benefits
	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000
<b>(i) Changes in the Present Value of Obligation</b>										
(a) Present Value of Obligation (opening)	561,896	103,019	106,263	43,878	25,026	503,946	95,876	107,346	38,317	24,027
(b) Interest Cost	47,005	8,024	8,253	3,521	1,954	42,123	7,564	8,451	3,164	1,872
(c) Past Service Cost	—	—	—	—	—	—	—	—	—	—
(d) Current Service Cost	89,122	8,224	16,023	4,105	186	72,310	7,759	16,551	3,880	195
(e) Curtailment Cost/(Credit)	—	—	—	—	—	—	—	—	—	—
(f) Settlement Cost/(Credit)	—	—	—	—	—	—	—	—	—	—
(g) Benefits Paid	(72,999)	(11,507)	(12,449)	(6,494)	(2,672)	(58,531)	(8,377)	(9,808)	(1,908)	(2,681)
(h) Actuarial (Gain)/Loss	(4,691)	23,993	(2,306)	(597)	626	2,048	197	(16,277)	425	1,613
(i) Present Value of Obligation (Closing)	620,333	131,753	115,784	44,413	25,120	561,896	103,019	106,263	43,878	25,026
<b>(ii) Changes in the Fair Value of Plan Assets</b>										
(a) Present Value of Plan Assets (Opening)	552,009	100,051	—	43,846	—	503,951	95,518	—	38,290	—
(b) Expected Return on Plan Assets	46,189	8,034	—	3,520	—	42,124	7,782	—	3,584	—
(c) Actuarial Gain/(Loss)	1,405	3,548	—	(603)	—	(8,577)	(857)	—	—	—
(d) Employers' Contributions	36,820	6,185	—	2,092	2,672	26,667	5,985	—	1,940	2,681
(e) Employees' Contributions [including - Rs 5,641(000) - Previous year Rs 3,728(000) transferred from previous employers for Provident Fund]	54,254	—	—	2,052	—	46,375	—	—	1,940	—
(f) Benefits Paid	(72,999)	(11,507)	—	(6,494)	(2,672)	(58,531)	(8,377)	—	(1,908)	(2,681)
(g) Fair Value of Plan Assets (Closing)	617,678	106,311	—	44,413	—	552,009	100,051	—	43,846	—
<b>(iii) Percentage of each Category of Plan Assets to total Fair Value of Plan Assets at the year end</b>										
(a) Bank Deposits (Special Deposit Scheme, 1975)	55%	19%	—	—	—	60%	21%	—	—	—
(b) Debt Instruments	38%	26%	—	—	—	35%	23%	—	—	—
(c) Administered by Life Insurance Corporation of India	—	52%	—	100%	—	—	56%	—	100%	—
(d) Others	7%	2%	—	—	—	5%	—	—	—	—
<b>(iv) Reconciliation of the Present Value of Defined Benefit Obligation and the Fair Value of Assets</b>										
(a) Present Value of Funded Obligation as at the year end	620,333	131,753	—	44,413	—	561,896	103,019	—	43,878	—
(b) Fair Value of Plan Assets as at the year end	617,678	106,311	—	44,413	—	552,009	100,051	—	43,846	—
(c) Funded (Asset)/Liability recognised in the Balance Sheet	2,655	25,442	—	—	—	9,887	2,968	—	(32)	—
(d) Present Value of Unfunded Obligation as at the year end	—	—	115,784	—	25,120	—	—	106,263	43,878	25,026
(e) Unrecognised Past Service Cost	—	—	—	—	(868)	—	—	—	—	(940)
(f) Unrecognised Actuarial (Gains)/Losses	—	—	—	—	—	—	—	—	—	—
(g) Unfunded Net Liability recognised in the Balance Sheet	—	—	115,784	—	24,252	—	—	106,263	—	24,086
<b>(v) Amount recognised in the Balance Sheet</b>										
(a) Present Value of Obligation as at the year end	620,333	131,753	115,784	44,413	24,252	561,896	103,019	106,263	43,878	24,086
(b) Fair Value of Plan Assets as at the year end	617,678	106,311	—	44,413	—	552,009	100,051	—	43,846	—
(c) (Asset)/Liability recognised in the Balance Sheet	2,655	25,442	115,784	—	24,252	9,887	2,968	106,263	32	24,086
<b>(vi) Expenses recognised in the Profit and Loss Account</b>										
(a) Current Service Cost	89,122	8,224	16,023	4,105	186	72,310	7,759	16,551	3,880	195
(b) Past Service Cost	—	—	—	—	72	—	—	—	—	72
(c) Interest Cost	47,005	8,024	8,253	3,521	1,954	42,123	7,564	8,451	3,164	1,872
(d) Expected Return on Plan Assets	(46,189)	(8,034)	—	(3,520)	—	(42,124)	(7,782)	—	(3,584)	—
(e) Curtailment Cost/(Credit)	—	—	—	—	—	—	—	—	—	—
(f) Settlement Cost/(Credit)	—	—	—	—	—	—	—	—	—	—
(g) Net Actuarial (Gain)/Loss	(6,096)	20,445	(2,306)	6	626	10,625	1,054	(16,277)	425	1,613
(h) Employees' Contribution	(54,254)	—	—	(2,052)	—	(46,375)	—	—	(1,940)	—
(i) Total Expenses recognised in the Profit and Loss Account	29,588	28,659	21,970	2,060	2,838	36,559	8,595	8,725	1,945	3,752

#### (C) Other Long-term Employee Benefit

The liability for Long Service Awards as at the year end Rs 5,135(000) [Previous year Rs 4,212(000)].

## Schedule 19

### Notes to the Financial Statements

	Year ended 31 <sup>st</sup> March 2009	Year ended 31 <sup>st</sup> March 2008
	Rs '000	Rs '000
<b>22. Segment Information</b>		
(A) Information in respect of Primary Segments		
(I) Segment Revenue (Sales to External Customers)		
Pharmaceuticals	4,068,536	3,865,180
Generics	619,282	460,585
OTC	808,454	784,251
Animal Health	498,530	424,460
	<b>5,994,802</b>	<b>5,534,476</b>
(II) Segment Result		
Pharmaceuticals	1,145,879	998,800
Generics	105,965	96,990
OTC	72,308	114,791
Animal Health	42,624	52,436
	1,366,776	1,263,017
Unallocated Corporate Income net of unallocated corporate expenditure	(44,214)	(16,553)
Operating Profit	1,322,562	1,246,464
Interest Expense	(7,059)	(6,047)
Interest/Dividend Income	413,615	302,721
Provision for Taxation	(692,021)	(570,792)
Profit after Taxation	<b>1,037,097</b>	<b>972,346</b>
(III) Other Information		
(a) Segment Assets		
Pharmaceuticals	961,687	1,033,692
Generics	121,797	176,429
OTC	177,504	171,253
Animal Health	221,140	167,173
	1,482,128	1,548,547
Unallocated Corporate Assets	5,238,183	4,293,863
	<b>6,720,311</b>	<b>5,842,410</b>
(b) Segment Liabilities		
Pharmaceuticals	642,428	570,330
Generics	77,746	65,458
OTC	106,026	124,467
Animal Health	91,939	44,468
	918,139	804,723
Unallocated Corporate Liabilities	654,767	553,454
	<b>1,572,906</b>	<b>1,358,177</b>
(c) Capital Expenditure		
Pharmaceuticals	10,409	15,589
Generics	—	331
OTC	2,284	1,484
Animal Health	4,090	5,732
	16,783	23,136
Unallocated Corporate Capital Expenditure	5,362	3,913
	<b>22,145</b>	<b>27,049</b>

## Schedule 19

### Notes to the Financial Statements

	Year ended 31 <sup>st</sup> March 2009	Year ended 31 <sup>st</sup> March 2008
	Rs '000	Rs '000
(d) Depreciation/Amortisation		
Pharmaceuticals	17,544	17,386
Generics	1,082	2,281
OTC	2,729	3,431
Animal Health	2,709	2,426
	<u>24,064</u>	<u>25,524</u>
Unallocated Corporate Depreciation/Amortisation	2,820	2,979
	<u><b>26,884</b></u>	<u><b>28,503</b></u>
Note: There are no non-cash expenses other than Depreciation/Amortisation.		
(B) Information in respect of Secondary Segments		
(I) Segment Revenue (Sales to External Customers)		
India	5,925,770	5,476,147
Other Countries	69,032	58,329
	<u><b>5,994,802</b></u>	<u><b>5,534,476</b></u>
(II) Carrying amount of Segment Assets		
India	6,720,311	5,842,410
Other Countries	—	—
	<u><b>6,720,311</b></u>	<u><b>5,842,410</b></u>
(III) Capital Expenditure		
India	22,145	27,049
Other Countries	—	—
	<u><b>22,145</b></u>	<u><b>27,049</b></u>

Notes:

(a) **Business Segments**

The businesses comprise Pharmaceuticals, Generics, OTC and Animal Health. The operational performance of the business is reviewed by the management based on such segmentation.

- (i) The Pharmaceuticals segment comprises a portfolio of prescription medicines which are provided to patients through healthcare professionals. These are mainly products of original research of the Novartis Group.
- (ii) The Generics segment comprises Retail Generics products. The business unit primarily focuses on the therapeutic segments such as Anti-TB, Anti-DUB (Gynaecology), Anti-histamines, Antibiotics, Anti-ulcerants, Anti-diabetes and Cardiovascular.
- (iii) The Animal Health segment has a presence primarily in the cattle and poultry market segments.
- (iv) The OTC segment is mainly in the VMS (vitamins, minerals and nutritional supplements) and CoCoA (cough, cold and allergy) market segments.

(b) **Geographical Segments**

Revenue is segregated into two segments namely India (sales to customers within India) and Other Countries (sales to customers outside India) on the basis of geographical location of customers for the purpose of reporting geographical segments.

- (c) The accounting policies adopted for segment reporting are in line with the accounting policies adopted for the preparation of financial statements as disclosed in Note 1 above.

## Schedule 19

### Notes to the Financial Statements

#### 23. Related Party Disclosures

- (A) Enterprise where control exists  
Holding Company Novartis AG, Basel, Switzerland
- (B) Other Related Parties with whom the company had transactions during the year
- (a) Fellow Subsidiaries
- Hexal Pharma Private Limited
  - Novartis (Bangladesh) Limited, Bangladesh
  - Novartis (Thailand) Limited, Thailand
  - Novartis (Taiwan) Co. Limited, Taiwan
  - Novartis Animal Health ANZ, Australia
  - Novartis Animal Health GmbH, Austria
  - Novartis Asia Pacific Pharmaceuticals Pte. Ltd., Singapore
  - Novartis Consumer Health S.A., Basel, Switzerland
  - Novartis Consumer Health, USA
  - Novartis Farmaceutica S.A., Spain
  - Novartis Healthcare Philippines, Philippines
  - Novartis Healthcare Private Limited
  - Novartis International AG, Basel, Switzerland
  - Novartis Korea Limited, Korea
  - Novartis Pharma AG, Basel, Switzerland
  - Novartis Pharma Services Inc., Basel, Switzerland
  - Novartis Pharmaceuticals (HK) Limited, Hong Kong
  - Novartis Pharmaceuticals Corporation Inc., USA
  - Novartis Pharmaceuticals Australia Pty Ltd., Australia
  - Novartis Pharma (Pakistan) Limited, Pakistan
  - Sandoz Private Limited
  - Shanghai Novartis Trading Limited, China
  - Shanghai Novartis Animal Health Co. Limited, China
- (b) Key Management Personnel
- R. Shahani
  - A. Mirchandani (Up to 31<sup>st</sup> October 2008)
  - P. Gupta (From 21<sup>st</sup> May 2008)
  - A. Matai
  - K. N. Chandrasekaran (Up to 31<sup>st</sup> December 2008)
  - V. Singhal
  - Dr P. R. Rao
- (c) Relative of Key Management Person
- S. Mirchandani

Disclosure of transactions between the company and related parties and outstanding balances as at the year end:

	Year ended 31 <sup>st</sup> March 2009		Year ended 31 <sup>st</sup> March 2008	
	Rs '000	Rs '000	Rs '000	Rs '000
(a) Holding Company				
Dividend paid		162,774		—
Royalty Expense		61,335		56,647
Balance as at the year end:				
Outstanding Payable		23,862		22,038
(b) Fellow Subsidiaries				
Purchases of Finished Goods				
Novartis Pharma AG	664,773		537,492	
Sandoz Private Limited	721		—	
Novartis Healthcare Private Limited	—		10,994	
		665,494		548,486
Purchases of Raw Materials				
Novartis Animal Health GmbH	35,961		23,437	
Sandoz Private Limited	56,491		74,196	
Others	7,925		5,714	
		100,377		103,347

## Schedule 19

### Notes to the Financial Statements

	Year ended 31 <sup>st</sup> March 2009		Year ended 31 <sup>st</sup> March 2008	
	Rs '000	Rs '000	Rs '000	Rs '000
Sale of Finished Goods				
Novartis (Bangladesh) Limited	23,854		18,860	
Others	42		1	
		23,896		18,861
Sale of Raw Materials				
Sandoz Private Limited		1,772		—
Purchase of Fixed Assets				
Novartis Healthcare Private Limited		—		9,563
Sale of Fixed Assets				
Sandoz Private Limited		—		3
Services Shared				
Novartis Healthcare Private Limited	57,279		47,985	
Novartis Pharma AG	43,325		44,897	
		100,604		92,882
Rent Income				
Novartis Healthcare Private Limited	2,799		12,460	
Sandoz Private Limited	1,777		2,165	
		4,576		14,625
Services Availed				
Novartis Healthcare Private Limited	75,006		73,608	
Sandoz Private Limited	47,590		38,713	
		122,596		112,321
Rent Expense				
Sandoz Private Limited		668		1,588
Payment towards Share of Common Expenses				
Novartis Healthcare Private Limited	13,740		25,219	
Sandoz Private Limited	94,661		87,758	
		108,401		112,977
Miscellaneous Expenses (Promotional Materials, Software, Training Courses, etc.)				
Novartis Asia Pacific Pharmaceuticals Pte. Ltd.	1,233		2,072	
Novartis Farmaceutica S.A.	2,281		1,383	
Novartis International AG	1,081		1,553	
Novartis Pharma AG	4,356		2,564	
Sandoz Private Limited	1,512		1,727	
Novartis Healthcare Private Limited	3,637		—	
Others	1,637		3,841	
		15,737		13,140

## Schedule 19

### Notes to the Financial Statements

	Year ended 31 <sup>st</sup> March 2009		Year ended 31 <sup>st</sup> March 2008	
	Rs '000	Rs '000	Rs '000	Rs '000
Recovery of Expenses				
Novartis Healthcare Private Limited	11,304		9,869	
Sandoz Private Limited	43,061		44,097	
Others	9,386		17,971	
		63,751		71,937
Recovery towards share of Common Expenses				
Sandoz Private Limited	43,604		39,431	
Novartis Pharmaceuticals (HK) Limited	9,761		—	
Others	1,980		4,513	
		55,345		43,944
Inter-corporate Deposits Placed				
Hexal Pharma Private Limited	10,000		10,000	
Novartis Healthcare Private Limited	7,365,853		6,065,088	
Sandoz Private Limited	16,205,796		18,498,388	
		23,581,649		24,573,476
Interest Income on Inter-corporate Deposits Placed				
Hexal Pharma Private Limited	9,024		7,486	
Novartis Healthcare Private Limited	41,833		35,545	
Sandoz Private Limited	330,445		234,420	
		381,302		277,451
Security Deposit transferred				
Sandoz Private Limited		—		20,000
Balances as at the year end:				
Outstanding Receivables				
Novartis (Bangladesh) Limited	6,749		2,102	
Novartis Pharma AG	4,598		—	
Sandoz Private Limited	33,964		16,567	
Others	5,216		4,908	
		50,527		23,577
Inter-corporate Deposits Receivable				
Hexal Pharma Private Limited	96,700		86,700	
Novartis Healthcare Private Limited	513,055		437,032	
Sandoz Private Limited	3,321,021		2,878,568	
		3,930,776		3,402,300
Outstanding Payables				
Novartis Animal Health GmbH	14,976		—	
Novartis Healthcare Private Limited	65,317		21,718	
Novartis Pharma AG	59,540		74,391	
Others	7,523		2,540	
		147,356		98,649



## Schedule 19

### Notes to the Financial Statements

	Year ended 31 <sup>st</sup> March 2009		Year ended 31 <sup>st</sup> March 2008	
	Rs '000	Rs '000	Rs '000	Rs '000
(c) Key Management Personnel				
Remuneration				
R. Shahani	11,103		10,786	
A. Mirchandani	5,801		8,818	
P. Gupta	7,115		—	
A. Matai	14,646		10,296	
K. N. Chandrasekaran	6,783		4,698	
U. Sinha	—		666	
V. Singhal	15,122		3,903	
Dr P. R. Rao	7,277		5,593	
		67,847		44,760
Sale of Fixed Assets				
A. Mirchandani		75		—
Balance as at the year end –				
Outstanding Receivables – Loans and Advances				
A. Matai		—		1,000
(d) Relative of Key Management Person				
Rent Expense		724		1,104
Balance as at the year end –				
Deposit for Premises Receivable		—		2,500
			Year ended 31 <sup>st</sup> March	
			2009	2008
			Rs '000	Rs '000
<b>24. Disclosures for Operating Leases</b>				
i. Disclosures in respect of residential/office premises (including furniture and fittings therein, as applicable) and vehicles taken on lease on or after 1 <sup>st</sup> April 2001				
(a) Lease payments recognised in the Profit and Loss Account		36,825		38,969
(b) Significant leasing arrangements				
(i) The company has given refundable interest free security deposits under certain agreements.				
(ii) Certain agreements provide for increase in rent.				
(iii) One of the agreements provide for early termination by either party by paying lump sum compensation of Rs 100,000.				
(iv) Some of the agreements contain a provision for their renewal.				
(c) Future minimum lease payments under non-cancellable agreements				
(i) Not later than one year		13,330		12,110
(ii) Later than one year and not later than five years		23,324		11,918
(iii) Later than five years		—		—

## Schedule 19

### Notes to the Financial Statements

		Year ended 31 <sup>st</sup> March	
		2009	2008
		Rs '000	Rs '000
II.	Disclosures in respect of residential premises owned by the company and given on leave and licence basis on or after 1 <sup>st</sup> April 2001		
(a)	Forming part of 'Buildings' in Schedule 5 – Fixed Assets, in respect of the aforesaid premises –		
(i)	Gross carrying amount as at the year end	12,133	12,133
(ii)	Accumulated Depreciation as at the year end	1,684	1,374
(iii)	Depreciation recognised in the Profit and Loss Account for the period the premises are given on leave and licence basis	310	311
(b)	Significant leasing arrangements		
(i)	Either party shall be entitled at any time during the term to terminate the agreement by giving three months' prior notice in writing.		
(ii)	There is no provision for renewal.		
25.	Basic earnings per share has been calculated by dividing profit for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year. The company has not issued any potential equity shares and accordingly, the basic earnings per share and diluted earnings per share are the same. Earnings per Share has been computed as under:		

		Year ended 31 <sup>st</sup> March	
		2009	2008
Profit after Taxation (Rs '000)		1,037,097	972,346
Weighted average number of shares		31,960,797	31,960,797
Earnings per Share (Rs per Equity Share of Rs 5 each) – Basic and Diluted		32.45	30.42

26. Previous year figures have been regrouped where necessary.

## Schedule 19

### Notes to the Financial Statements

#### 27. Balance Sheet Abstract and Company's General Business Profile

##### I. REGISTRATION DETAILS

REGISTRATION NO.	<input type="text" value="06104"/>	STATE CODE	<input type="text" value="11"/>
BALANCE SHEET DATE	<input type="text" value="31"/> <input type="text" value="03"/> <input type="text" value="09"/>	DATE MONTH YEAR	

##### II. CAPITAL RAISED DURING THE YEAR (AMOUNT IN RS THOUSANDS)

PUBLIC ISSUE	<input type="text" value="NIL"/>	RIGHTS ISSUE	<input type="text" value="NIL"/>
BONUS ISSUE	<input type="text" value="NIL"/>	PRIVATE PLACEMENT	<input type="text" value="NIL"/>

##### III. POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS (AMOUNT IN RS THOUSANDS)

TOTAL LIABILITIES	<input type="text" value="5,150,385"/>	TOTAL ASSETS*	<input type="text" value="5,150,385"/>
SOURCES OF FUNDS			
PAID-UP CAPITAL	<input type="text" value="159,804"/>	RESERVES & SURPLUS	<input type="text" value="4,987,601"/>
SECURED LOANS	<input type="text" value="NIL"/>	UNSECURED LOANS	<input type="text" value="2,980"/>
APPLICATION OF FUNDS			
NET FIXED ASSETS	<input type="text" value="86,913"/>	INVESTMENTS	<input type="text" value="233,929"/>
NET CURRENT ASSETS	<input type="text" value="4,690,657"/>	MISC. EXPENDITURE	<input type="text" value="NIL"/>
ACCUMULATED LOSSES	<input type="text" value="NIL"/>		

\*TOTAL ASSETS INCLUDE DEFERRED TAXATION OF RS 138,886 THOUSANDS.

##### IV. PERFORMANCE OF COMPANY (AMOUNT IN RS THOUSANDS)

TURNOVER	<input type="text" value="6,654,787"/>	TOTAL EXPENDITURE	<input type="text" value="4,925,669"/>
+ - PROFIT/LOSS BEFORE TAX	<input checked="" type="checkbox"/> <input type="checkbox"/> <input type="text" value="1,729,118"/>	+ - PROFIT/LOSS AFTER TAX	<input checked="" type="checkbox"/> <input type="checkbox"/> <input type="text" value="1,037,097"/>
(PLEASE TICK APPROPRIATE BOX + FOR PROFIT, - FOR LOSS)			
EARNING PER SHARE IN RS	<input type="text" value="32.45"/>	DIVIDEND RATE %	<input type="text" value="200"/>

## Schedule 19

### Notes to the Financial Statements

V. GENERIC NAMES OF THREE PRINCIPAL PRODUCTS/SERVICES OF COMPANY  
(AS PER MONETARY TERMS)

ITEM CODE NO. (ITC CODE)	3004 90 99
PRODUCT DESCRIPTION	DICLOFENAC SODIUM
ITEM CODE NO. (ITC CODE)	3004 40 40
PRODUCT DESCRIPTION	METHYL ERGOMETRINE MALEATE
ITEM CODE NO. (ITC CODE)	3004 90 81
PRODUCT DESCRIPTION	CARBAMAZEPINE

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Signatures to Schedules 1 to 19

For and on behalf of the Board

J. HIREMATH  
*Director*

Dr R. MEHROTRA  
*Director*

R. SHAHANI  
*Vice Chairman & Managing Director*  
H. K. MANIAR  
*General Counsel, Company Secretary  
& Head Investor Relations*

Mumbai, 8<sup>th</sup> May 2009

## Cash Flow Statement for the year ended 31<sup>st</sup> March 2009

	Year ended 31 <sup>st</sup> March 2009		Year ended 31 <sup>st</sup> March 2008	
	Rs '000	Rs '000	Rs '000	Rs '000
<b>A. Cash flow from operating activities</b>				
<b>Net Profit before Taxation</b>		<b>1,729,118</b>		<b>1,543,138</b>
Adjustments for –				
Depreciation/Amortisation	26,884		28,503	
Interest Income	(406,366)		(294,307)	
Dividend Income	(7,249)		(8,414)	
Loss/(Profit) on Sale/Disposal of Fixed Assets (Net)	266		(43,538)	
Profit on Sale/Redemption of Current Investments (Net)	(2,040)		(313)	
Interest Expense	7,059		6,047	
Unrealised Exchange (Gain)/Loss (Net)	945		(519)	
		(380,501)		(312,541)
<b>Operating profit before working capital changes</b>		<b>1,348,617</b>		<b>1,230,597</b>
Adjustments for –				
Trade and Other Receivables	(98,527)		(43,220)	
Inventories	175,539		(2,542)	
Trade and Other Payables	195,252		19,251	
		272,264		(26,511)
<b>Cash generated from operations</b>		<b>1,620,881</b>		<b>1,204,086</b>
Direct Taxes paid (including Fringe Benefits Tax and net of refund of taxes)		(685,641)		(579,746)
<b>Net cash from operating activities</b>		<b>935,240</b>		<b>624,340</b>
<b>B. Cash flow from investing activities</b>				
Purchase of Fixed Assets (including advances for capital expenditure)	(22,262)		(27,060)	
Sale of Fixed Assets	1,537		45,285	
Purchase of Current Investments	(2,761,749)		(1,918,273)	
Sale of Current Investments	2,712,681		1,736,177	
Sale of Long-term Investment	37,253		6	
Inter-corporate Deposits placed	(23,581,649)		(24,573,476)	
Refund of Inter-corporate Deposits placed	23,053,173		23,971,277	
Interest received	386,002		283,717	
Dividend received	7,249		8,414	
<b>Net cash used in investing activities</b>		<b>(167,765)</b>		<b>(473,933)</b>

## Cash Flow Statement for the year ended 31<sup>st</sup> March 2009

	Year ended 31 <sup>st</sup> March 2009		Year ended 31 <sup>st</sup> March 2008	
	Rs '000	Rs '000	Rs '000	Rs '000
<b>C. Cash flow from financing activities</b>				
Proceeds from Long-term Borrowings	528		550	
Repayment of Long-term Borrowings	(1,944)		(43,134)	
Interest paid	(6,828)		(8,026)	
Dividend paid	(319,386)		(882)	
Tax paid on Dividend	(54,317)		—	
<b>Net cash used in financing activities</b>		<b>(381,947)</b>		<b>(51,492)</b>
<b>Net increase in cash and cash equivalents</b>		<b>385,528</b>		<b>98,915</b>
Cash and Cash Equivalents – Opening Balance		152,008		53,093
Cash and Cash Equivalents – Closing Balance [Refer Note 2 below]		537,536		152,008

### Notes:

1. The above cash flow statement has been prepared under the 'Indirect Method' as set out in the Accounting Standard – 3 on Cash Flow Statements, issued by the Institute of Chartered Accountants of India.
2. Cash and Cash Equivalents – Closing Balance include balances aggregating to Rs 11,655(000) [Previous year Rs 11,433(000)] with scheduled banks on current accounts in respect of unpaid dividend, which are not available for use by the company.
3. Previous year figures have been regrouped where necessary.

In terms of our report  
of even date

For and on behalf of the Board

J. HIREMATH  
*Director*

R. SHAHANI  
*Vice Chairman & Managing Director*

HIMANSHU GORADIA  
*Partner*

Membership No. 45668  
For and on behalf of  
Price Waterhouse  
Chartered Accountants  
Mumbai, 8<sup>th</sup> May 2009

Dr R. MEHROTRA  
*Director*

H. K. MANIAR  
*General Counsel, Company Secretary  
& Head Investor Relations*

Mumbai, 8<sup>th</sup> May 2009

To  
SHAREPRO SERVICES (INDIA) PRIVATE LIMITED  
Samhita Complex, Plot No. 13AB  
Off Andheri-Kurla Road  
Sakinaka  
Mumbai 400 072

**Unit: NOVARTIS INDIA LIMITED**

Dear Sirs

**(A) Payment of dividend through Electronic Clearing Service (ECS) for shareholders holding shares in physical form**

I wish to participate in the Electronic Clearing Service introduced by Reserve Bank of India. As requested, I give below details of my bank account, to which you may electronically credit payment of dividend due to me against the reference folio number mentioned below.

1. Ref. Folio No. :
2. Particulars of the Bank
  - (a) Name of the Bank :
  - (b) Branch Address :
  - \* (c) 9 digit code Number of the Bank and Branch as appearing on the MICR cheque issued by the Bank : 

--	--	--	--	--	--	--	--	--
  - (d) Account type (Please tick) : 

<input type="checkbox"/>	Savings	<input type="checkbox"/>	Current	<input type="checkbox"/>	Cash Credit
--------------------------	---------	--------------------------	---------	--------------------------	-------------
  - (e) Ledger Folio No. (if any) of your bank account : 

--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
  - (f) Account No. : 

--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--

I hereby declare that the above particulars are correct and complete. I undertake to inform any subsequent changes in the above particulars before the relevant book closure date(s). If the payment transaction is delayed or not effected at all for any reason(s), beyond the control of the Company, I would not hold the Company responsible.

\* The nine digit code number of your bank and branch is mentioned on the MICR band next to the cheque number.

**PLEASE ENCLOSE PHOTOCOPY OF BLANK CANCELLED CHEQUE**

**(B) Bank details of shareholders holding shares in physical form**

**BANK PARTICULARS TO BE INCORPORATED ON THE DIVIDEND WARRANT**

Bank Name	
Bank Address	
A/c. No. & Type	

Date \_\_\_\_\_

Place \_\_\_\_\_

\_\_\_\_\_  
Signature of the first holder

- Notes: 1. Please send the form to the address mentioned above.  
2. ECS mode of payment is valid only for payment upto Rs 5,00,000/-.  
3. In case the ECS Scheme does not meet the desired response or due to any other operational reasons, it is found to be unworkable, the Company reserves the right to pay dividend by issue of Warrants.

## NOVARTIS INDIA LIMITED

Registered Office: Sandoz House, Shivsagar Estate, Dr Annie Besant Road, Worli, Mumbai 400 018

11<sup>th</sup> May 2009

Dear Sir/Madam

### **Re: Updation of signature(s) of shareholder(s) holding shares in physical form**

The Company is in the process of updating its signature records of shareholders holding shares in physical form. We therefore request you to KINDLY RETURN THIS LETTER DULY COMPLETED AND SIGNED to our Registrar and Transfer Agents, Sharepro Services (India) Private Limited, at Samhita Complex, Plot No. 13AB, Off Andheri-Kurla Road, Sakinaka, Mumbai 400 072, to enable us to update our records suitably. Please ensure that all Registered Holders of the shares (including joint-holders) sign this letter.

We look forward to your cooperation and support to enable us to serve you better.

Thanking you

Yours truly  
For Novartis India Limited

H.K. Maniar  
General Counsel,  
Company Secretary &  
Head Investor Relations

Folio Number : \_\_\_\_\_

Name(s) of Registered Holder(s)	Signature of Registered Holder(s)
1.	
2.	
3.	



# NOVARTIS INDIA LIMITED

Registered Office: Sandoz House, Shivsagar Estate, Dr Annie Besant Road, Worli, Mumbai 400 018

## ATTENDANCE SLIP

to be surrendered at the time of entry

Folio No./Client ID : \_\_\_\_\_ No. of Shares : \_\_\_\_\_

Name of Member/Proxy : \_\_\_\_\_

I hereby record my presence at the 61<sup>st</sup> Annual General Meeting of the Company on 17<sup>th</sup> July 2009 at 11.00 a.m. at Y. B. Chavan Auditorium, Yashwantrao Chavan Pratishthan, Gen. Jagannath Bhosale Marg, Next to Sachivalaya Gymkhana, Mumbai 400 021.

\_\_\_\_\_  
Member's/Proxy's Signature

### Notes:

1. Members are requested to produce the above attendance slip, duly signed in accordance with their specimen signatures registered with the Company, for admission to the meeting.
2. Members are informed that no duplicate attendance slips will be issued at the hall.

----- Cut Here -----

# NOVARTIS INDIA LIMITED

Registered Office: Sandoz House, Shivsagar Estate, Dr Annie Besant Road, Worli, Mumbai 400 018

## FORM OF PROXY

I/We \_\_\_\_\_ of \_\_\_\_\_ being a Member(s) of Novartis India Limited hereby appoint \_\_\_\_\_ of \_\_\_\_\_ or failing him/her \_\_\_\_\_ of \_\_\_\_\_ as my/our proxy to attend and vote for me/us on my/our behalf at the 61<sup>st</sup> Annual General Meeting of the Company on 17<sup>th</sup> July 2009 at 11.00 a.m. at Y. B. Chavan Auditorium, Yashwantrao Chavan Pratishthan, Gen. Jagannath Bhosale Marg, Next to Sachivalaya Gymkhana, Mumbai 400 021, and at any adjournment thereof.

Signed the \_\_\_\_\_ day of \_\_\_\_\_ 2009

Folio No./Client ID : \_\_\_\_\_

No. of shares : \_\_\_\_\_

Name : \_\_\_\_\_

Address : \_\_\_\_\_

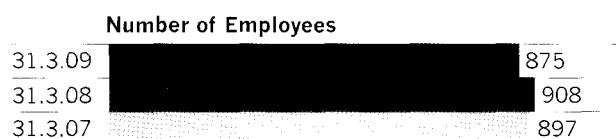
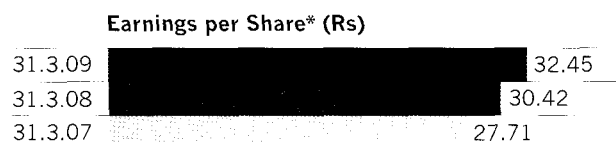
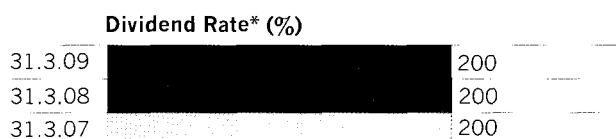
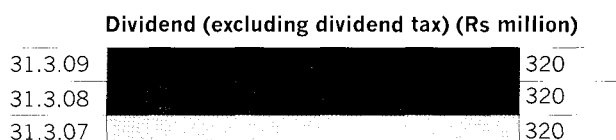
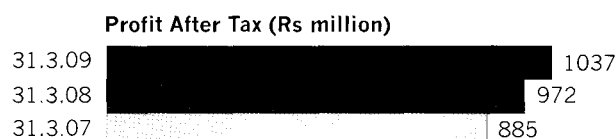
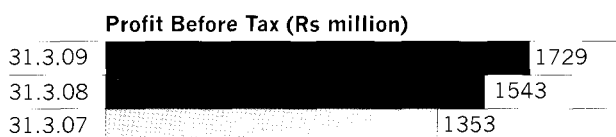
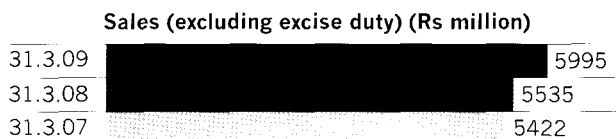
Signature

Affix  
fifteen paise  
revenue  
stamp

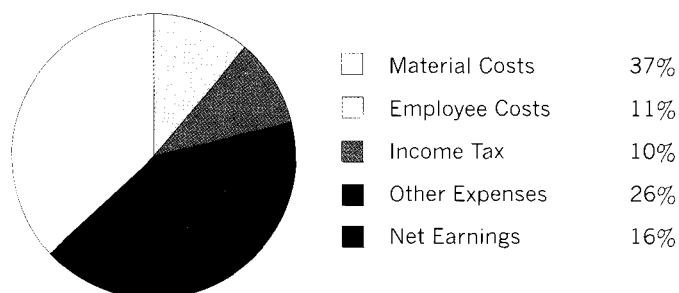
Note : The Form of Proxy should be deposited at the Registered Office of the Company not less than forty-eight hours before the meeting.

# Novartis India Limited

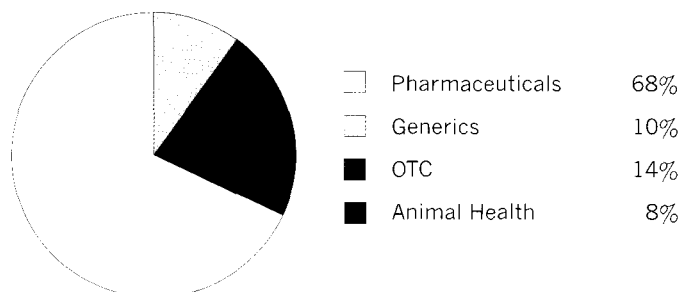
## Financial Highlights



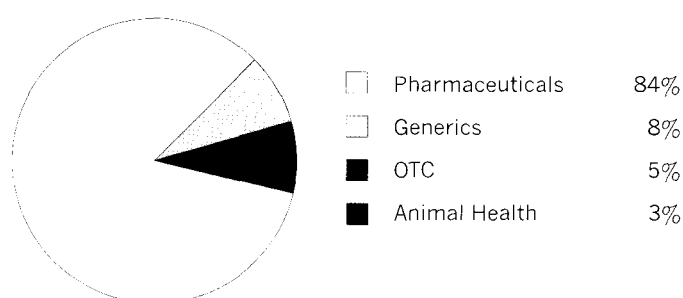
**Distribution of Income**



**Sales by Segment**



**Results by Segment**



**Key Ratios**

	31.3.09	31.3.08	31.3.07
Return on Sales (PAT/Sales)	17.3%	17.0%	16.3%
Return on Shareholders' funds (PAT/Shareholders' funds)	22%	20%	24%
Debt/Equity ratio	0.001:1	0.001:1	0.03:1
Current ratio	4.04:1	4.05:1	5.11:1

\* Nominal value of Share - Rs 5/- each.



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