
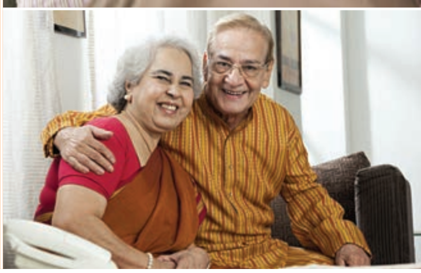

Novartis India Limited Annual Report 2013-2014

NOVARTIS
caring and curing

CONTENTS

Board of Directors

Christopher Snook	Chairman
Ranjit Shahani	Vice Chairman & Managing Director
Dinesh Charak	Whole Time Director
Manisha Girotra	Director
Jai Hiremath	Director
Rajendra Nath Mehrotra	Director

Company Secretary and Compliance Officer	Girish Tekchandani
CIN	L24200MH1947PLC006104
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Registrar and Transfer Agents	Sharepro Services (India) Private Limited 13 AB, Samhita Warehousing Complex 2nd floor, Sakinaka Telephone Exchange Off Andheri-Kurla Road Sakinaka, Andheri Mumbai 400 072
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E-mail	indira@shareproservices.com sharepro@shareproservices.com
Registered Office	Sandoz House Shivsagar Estate Dr Annie Besant Road Worli, Mumbai 400 018

Annual General Meeting

11.30 am, Friday, July 25, 2014

Hall of Culture
Nehru Centre
Dr Annie Besant Road
Worli, Mumbai 400 018

Members are requested to bring their copy of the Annual Report to the meeting. Members are also requested to direct all correspondence relating to shares to the Company's Registrar and Transfer Agents, Sharepro Services (India) Private Limited, at the address above.

The Novartis India Limited Board

Seated (from left) Christopher Snook, Chairman; Manisha Girotra, Director; Standing (from left) Rajendra Nath Mehrotra, Director; Dinesh Charak, Whole Time Director; Ranjit Shahani, Vice Chairman & Managing Director; Jai Hiremath, Director

Dear Shareholder

As the new government sets about implementing its governance agenda for the next five years, in the healthcare sector it is important that it focuses increasingly on improving access to medicines, patient education and investments in healthcare infrastructure. India spends just 1.2% of GDP on healthcare with scant attention paid to factors that impact access. This needs to increase to at least 3% of GDP to help in the stated goal of Universal Health Coverage.

A vast country with a burgeoning population, India is effectively two markets in one country and the healthcare needs are many and varied. There are the very rich at one end, who can afford world-class healthcare, and the very poor at the other end, for whom healthcare is not affordable at any price. This places the government and the industry in a piquant situation where they need to work together to ensure that the rich are not being subsidised for the poor. Today unfortunately there is no such mechanism and the solutions will only be found if all stakeholders come together to adequately address these concerns.

It is important to understand that industry alone cannot address access issues. It is even more important to understand that access goes beyond pricing, and that pricing and accessibility are two pieces of a complex puzzle. Innovator companies have been working with different pricing models including tiered pricing, public-private partnerships, co-pay and full donation programs to ease the challenges of access.

Government needs to play its part by focusing on improving much-needed healthcare infrastructure and addressing a wide variety of issues such as lack of hospitals, diagnostic centres, trained healthcare staff, accessibility of healthcare facilities and quality of care. Another area where the government has to play a key role is in patient education. Every study on the subject, around the world, has shown that outcomes of any healthcare intervention are greatly enhanced by patient education. This is even more critical in a country like India, where a large section of the population has low literacy rates and superstitions still create barriers to modern health treatment options across urban and rural areas.

The 2010 National Health Profile prepared by the National Commission on Macroeconomics and Health, clearly shows the important role healthcare education will have to play in India. In its disease burden estimates for 2015, the Report forecast 19 million cases of HIV/AIDS, 88 million diarrheal cases, over 46 million cases of diabetes, 64 million cases of cardiovascular ailments, 80 million cases of mental disorders and about 60 million cases of asthma or Chronic Obstructive Pulmonary Disease.

This disease burden can be greatly reduced and managed effectively if there is a greater focus on healthcare education. Simple preventive methods like safe sex practices and boiling of drinking water can arrest the growth of HIV/AIDS or diarrhea while early testing, regular exercise and diet control can help manage diabetes and cardiovascular ailments.

Novartis has been at the forefront of healthcare education. The range of our initiatives is wide and covers a gamut of populations and diseases. These range from sensitisation programs in partnership with non-governmental organisations (NGOs) and health awareness camps for the urban poor to outreach initiatives such as Arogya Parivar in remote rural districts. Novartis offers a multi-pronged range of solutions that tackle both treatment, and social perceptions, for diseases that include Alzheimer's, tuberculosis and leprosy, among several others.

Government has set an ambitious vision of Universal Health Coverage for all Indians over the next 10-15 years. This has been defined as "assured access to a defined set of essential medicines and treatments at affordable prices to all Indians". To achieve this at a reasonable cost, it is important to invest significant efforts towards healthcare education. Novartis, as always, would be a willing partner with the authorities in this venture.

To you, our shareholders, our sincere appreciation of all your support over the years.

Best wishes

Ranjit Shahani
Vice Chairman & Managing Director

Education for Health

All through the month of May, teams at Novartis India were busy organising meetings between physicians, other healthcare practitioners and patients to create awareness about Thalassemia. The Company partnered with six different non-governmental organisations (NGOs), conducting as many as 22 activities across 12 locations. They included camps, college awareness drives and counselling sessions, and benefitted more than 2,600 patients.

Thalassemia is a blood condition in which the body makes an abnormal form of haemoglobin, the protein in red blood cells that carries oxygen. The disorder results in excessive destruction of red blood cells, which leads to anaemia, fatigue, weakness and shortness of breath. The disorder is genetic in nature. Individuals with one defective gene are termed carriers of the condition and may be at risk of having a child affected by the illness if the partner is also a carrier of the faulty gene.

Since Thalassemia is a chronic disease, its management requires a high degree of involvement from all stakeholders. The primary focus is to create awareness so that timely genetic testing can be done and the birth of a Thalassemia major child can be prevented.

In case such a child is born, given the nature of the disease and regular interventions required, it is important that the care givers and family get proper counselling on the management of the disease.

Reportedly, there are about 240 million carriers of β - thalassemia worldwide, and in India alone, the number is approximately 30 million with a mean prevalence of 3.3%. The geographic spread of the carrier population is also quite large and hence it is all the more important that all stakeholders — government, healthcare practitioners as well as pharmaceutical

companies — make all attempts to create awareness about the issue. Through its programs Novartis seeks to raise awareness about the disease, so that more and more affected individuals seek medical attention.

Studies around the world have proven that patient education has a huge positive impact on healthcare outcomes. It can lead to early diagnosis, persisting with therapy for the full course and even help care givers in reacting appropriately in times of emergency.

As one Social Science Research Network study pointed out, "Health is considered as a critical input for long-term economic growth of a population. Education has been identified as the most important variable impacting health indices, including mortality." In another study in the slums of New Delhi, researchers examined the impact on health education intervention on knowledge and community action for malaria control; they found that following an intervention package in the form of health education material for the community and training modules for the workers, the knowledge and skills of malaria management had increased, and more people were using simple methods like mosquito coils and nets to prevent the disease. The interval between onset of symptoms and seeking treatment decreased after the intervention.

"Health is considered as a critical input for long-term economic growth of a population. Education has been identified as the most important variable impacting health indices, including mortality"

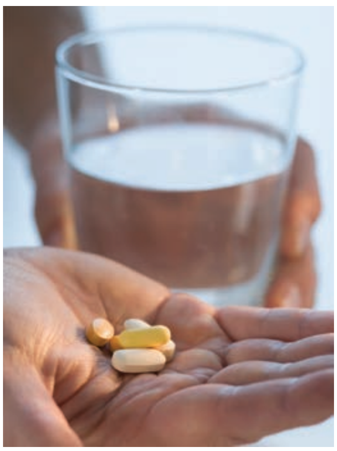
Apart from innovation-led research, healthcare education is a key focus area for Novartis. The Company is committed to healthcare, education and the environment in ways that will minimise disease, ease suffering and enhance the quality of life of people across age groups, and demographics. These span a range of initiatives from posters in strategic locations to sensitisation programmes in partnership with NGOs; from health awareness camps for the urban poor to outreach initiatives such as Arogya Parivar in remote rural districts. Novartis offers several wide-ranging solutions for a host of diseases, which include Alzheimer's, leprosy, tuberculosis and many others; the focus is not just towards treatment, but also in changing social perceptions that impact the quality of the patients' lives.

Novartis also recognises that in addition to providing treatment for the disease itself, it is vital to dispel the stigma and superstition that often accompanies it — in cases of epilepsy or leprosy, for instance.

WIDE-RANGING INITIATIVES

Leprosy Care

One of Novartis' most successful initiatives has been in the field of treating and preventing leprosy and its consequences. Early treatment and decreased disabilities over the years, together with awareness programs, have played an important role in changing social perceptions. Leprosy is an infectious disease caused by a bacillus, Mycobacterium leprae. M. leprae multiplies very slowly and symptoms can take as long as 20 years to appear. Leprosy is transmitted via droplets from the nose and mouth during close and frequent contact with untreated patients. Nerve damage causes deformities and insensitivity in the extremities, leading to secondary deformities like contracture in fingers, ulcers on the feet and blindness, due to the inability to close the eye.



From health awareness camps for the urban poor to outreach initiatives in remote districts, Novartis offers several solutions for a host of diseases

Multidrug therapy (MDT), the treatment recommended by World Health Organisation (WHO), consists of three drugs (dapsone, rifampicin and clofazimine), two of which (rifampicin and clofazimine) were developed in the research laboratories of Novartis in the 1980s. Multidrug therapy, today produced by Sandoz, the generics division of Novartis, has made it possible to treat patients, interrupt the transmission of leprosy and prevent disabilities. Even patients with the severest form of the disease show visible clinical improvement within weeks of starting treatment.

The Novartis Comprehensive Leprosy Care Association (NCLCA), established by the Novartis Foundation in 1988 and supported by Novartis India, has pioneered disability prevention, correction, care and rehabilitation services with scientific research and innovative solutions; it has reached more than 25,000 patients directly through camps and via its centres, and nearly 150,000 patients indirectly by adoption of its innovations by government and NGOs. NCLCA has helped to establish reconstructive surgery along with disability care services as the gold standard in leprosy care. A mega camp organised in majority partnership with the Gujarat government and others saw 7,500 reconstructive surgeries performed and 200 surgeons from all over India trained. This was hailed as the Gujarat model by former President Dr A P J Abdul Kalam. Borsad in Gujarat and Goa achieved elimination status through the interventions of NCLCA.

Leprosy colonies have also seen a qualitative difference to the lives of thousands of their residents, with Novartis' close involvement. So

far, 3,200 patients have been given grip-aids, the target being 8,000 patients in all. Hand splints, surgeries, physiotherapy, self-care kits and economic rehabilitation are other forms of support these patients receive.

In addition to the risk of physical deformities if not treated in time, one of the most traumatic aspects of living with leprosy is having to deal with the social stigma that has surrounded the disease since Biblical times. The disease and the deformities it causes were often viewed as a punishment from God and societies dealt with leprosy by isolating the mostly poor patients in leprosariums and outside villages for fear of the disease spreading. The Novartis Foundation has also been supporting global efforts to change the image of leprosy and encourage patients to come forward for treatment instead of neglecting it, or going into hiding. These campaigns have not only helped to improve the quality of life for patients and their care givers, they have also led to the integration of disability prevention and rehabilitation into general healthcare services. As a result, patients are benefiting from earlier and better detection, diagnosis and treatment, and the stigma has been effectively reduced.

Leprosy colonies have seen a qualitative difference to the lives of thousands of their residents, with Novartis' close involvement

Since 2000, Novartis – a supplier of quality MDT – has donated treatments for the global need, helping to cure approximately 3.9 million patients by the end of FY14 in India alone. In addition, it has done much to educate local health workers. With the Indian government having recognised the impact of NCLCA's efforts, and having adopted its tools, the benefits have been multiplied several times over. Through such initiatives thousands of people who suffer from the illness have found the quality of their lifestyles much improved.

Encounters with Epilepsy

While patients suffering from leprosy are often shunned because of the physical disabilities that it can cause, or the fear of contagion, in the case of epilepsy, the challenge is a different one. Health workers coping with epilepsy often find that the biggest problems in dealing with this neurological disorder are the stigma and myths associated with the disease. Epileptics are seen as possessed by evil, rather than as suffering from a neurological condition that can be treated through medicines such as Novartis' Tegrital® and Trioptal®.

Education about the myths surrounding epilepsy and awareness of the dos and don'ts of epilepsy can play a major role in eliminating the darkness of the associated stigma. Awareness not only improves the quality of life but also reduces the treatment gap associated with the disease. The impact on mental health and social acceptance enhances health indices and awareness. Early diagnosis and bridging the treatment gap with the right therapy and patient support programs can do much to improve the quality of patients' lives.

Novartis regularly organises Epilepsy Awareness Programs and Camps, reaching out not only to epilepsy patients, but also to their care givers and to the general population. Care givers are urged not to panic while the patient is having a seizure, but to stay calm, loosen the patients' clothing if it is too tight, and remove any objects that may cause injury during the attack, among other things. They are also advised on when it is imperative to seek medical assistance.

Awareness drives commemorate Epilepsy Days like March 26, Purple Day, an international grassroots effort dedicated to increasing awareness about epilepsy worldwide, and November 17, National Epilepsy Day. On occasions such as these, camps are organised with the close involvement of neurologists, National Rural Health Mission (NRHM) and Epilepsy Associations.

Educational pamphlets are distributed on such occasions and one month's therapy is provided gratis. Novartis supports the NGO Epilepsy Foundation, Mumbai, for awareness programs and camps with NRHM. Such programs are vital because, as health workers often find, the myths surrounding epilepsy are so deep-rooted that people still hold on to their traditional beliefs. Epilepsy patients also have few avenues to integrate in the mainstream of society and are often forced to remain financially dependent. Novartis' epilepsy programs help to combat such perceptions; they also underline the fact that treatment for the illness is available, and that neurologists can be true partners in its management.

Tackling Alzheimer's

Alzheimer's is a neurological disorder for which currently there is no cure. It is the most common form of dementia, usually affecting people from the mid-sixties. It is a degenerative disease that worsens as it progresses. As the patient increasingly relies upon other people for help, it places an enormous psychological, physical, economic and social burden on the care giver.

In the early stages of the disease, the most common symptom is short-term memory loss, where the patient has trouble remembering recent events. These symptoms are often ascribed to age-related issues or to stress.

The Alzheimer's awareness program by Novartis seeks to boost people's understanding about memory loss and its impact on patients and care givers. Targeted at young care givers and older people who are more prone to the disease, the communication program seeks to highlight that memory loss is not a part of normal aging and if someone in the family above the age of sixty has started suffering from memory loss, it might be a good idea to consult a neurologist.

This is done through a poster campaign and displaying informational material at Out Patient Departments of various hospitals and clinics. Novartis also participates in meetings of organisations like Rotary Club or Lions Club, where neurologists address the gatherings and talk about the disease and its

The focus of the awareness campaign is to break the myth that memory loss is a normal sign of aging and to get an early diagnosis done

symptoms and likely impact on the patient and care givers.

The focus of the awareness campaign is to break the myth that memory loss is a normal sign of aging and to get an early diagnosis done so that the management of the disease becomes easier for the patient and the care giver.

Donate Organs Save Lives

Human organ transplantation is fast developing into a major treatment protocol because of its rising success rates. However, it is yet to make any significant dent in India. Over 200,000 Indians suffer annually from End Stage Renal Disease for whom the only hope is a kidney transplant — but a mere 6,000 of them are lucky enough to receive a donor kidney.

The number of transplants happening in India remains restricted because of a critical shortage of available organs. This is because of several issues. At the community level there is little awareness about the concept of 'brain death' and the futility of keeping the brain dead accident victims 'alive'. At the same time, identification and certification of brain death is still at a nascent stage in most hospitals. Also there has been little or no funding by the government for a rigorous cadaveric donation program. Because of all these issues, cadaver donation never really picked up in India, making the transplant business in this country heavily dependent on the 'live related program', where organs are donated by relatives — possibly a spouse, sibling or child.

One key challenge in getting more people to sign the pledge to donate their organs is that most people are unwilling to face a discussion regarding their death. Also, there are many social and religious myths associated with this cause which make

The Donate Organs Save Lives campaign was initiated to create a unified voice for Deceased Organ Donation in India

people hesitant to come forward. Finally, the decision to pledge as an organ donor calls for the involvement of the family, who may or may not agree with it.

To tackle these challenges, the "Donate Organs Save Lives" campaign was initiated to create a unified voice for Deceased Organ Donation in India by raising awareness and providing a platform for people from across the country who wish to pledge their organs. The objective is to change the attitude of people towards cadaveric donations and thereby address the imbalance between the need and availability of organs.

The program is aimed at two audiences. First is the common person where the project aims to create awareness and disseminate information about Deceased Organ Donation. The other audience is a set of NGOs who are already working in the area, but whose efforts are localised. The project aims to achieve better synergistic outcomes by driving collaboration among all these organisations currently working in silos.

The key message is to continually reinforce the need gap in the current scenario — the number of people waiting for an organ for a transplant as opposed to the actual number of organs available. It then attempts to bust the various myths regarding organ donation and gives a call to action asking people to register a pledge to donate organs. A critical element of the communication is to stress the importance of discussing this decision with one's family as it is the family's consent that allows Deceased Organ Donations to go through.

The campaign was initially rolled out using mass media like FM Radio and cinema multiplexes. A website, *www.donatelifeindia.org,* was launched as a platform which would convert this interest into action and register the pledge of all those who wish to donate their organs. The website aspires to be the single source of all information related to Organ Donation in India and the leading portal advocating the cause. It seeks to encourage the audience to learn more about why they should take the pledge, provides them with a donor card and helps them spread the word. Social

media is also being used to spread the message further.

One key objective of the initiative is to overcome these barriers by connecting similar minded NGOs and get them to share their activities, data and insights and create a consolidated information pool for cadaver organ donation in India. Novartis has partnered with three leading NGOs working on the issue — Mohan Foundation in Chennai, Narmada Kidney Foundation in Mumbai and Shatayu in Ahmedabad.

Since its inception in 2012, the project has reached out to 150,000 people through mass media campaigns and 4.5 million people through digital and social media, resulting in 6,430 pledges for organ donation. While this is heartening, given the complexity of the issue and the cultural taboos associated with it, a long and sustained campaign is necessary to change people's mindsets.

Arogya Parivar — Reaching out to Rural India

For more than 830 million poor men, women and children across India the idea of accessible and affordable medicines is often as remote as their rural homes.

Arogya Parivar ("Healthy Family" in Hindi) is a for-profit social initiative developed by Novartis to reach the underserved millions living at the bottom of the pyramid in rural India. It is proving to be both a force for improving health in rural communities and a sustainable business.

The program offers education on diseases, treatment options and prevention as well as increases access to affordable medicines. It consists of health educators, usually local women, raising awareness about local diseases and preventive health measures; they also refer sick people to doctors. To further spread their message, each educator covers a few villages every day.

Arogya Parivar focuses on the diseases most prevalent in rural India. The product portfolio covers 12 therapeutic areas and offers 73 pharmaceutical, generic and over-the-counter

As a new government sets about charting fresh paths to meet the avowed target of Universal Health Coverage for all Indians, patient education will play an increasingly important role

products as well as vaccines to treat and prevent conditions ranging from tuberculosis and calcium deficiency in women to pain and colds.

The initiative is based on four 'A's – Awareness, Accessibility, Affordability and Adaptability. Through regular health education meetings on hygiene and nutrition, it seeks to increase disease awareness and inform the community about prevention and the importance of good health. In 2013 alone, 4.3 million villagers received health education through Arogya Parivar.

Arogya Parivar seeks to ensure consistent availability of medicines and healthcare in rural settings by tying up with remote pharmacies as well as holding regular health camps where qualified doctors travel to rural areas to provide screening, diagnosis, treatment and preventive care. More than 450,000 villagers were diagnosed in health camps between 2010 and 2013.

By providing health services and medicines close to home, Arogya Parivar minimises travel costs, which can be more expensive than treatment. The product portfolio is customised for the local disease burden and includes essential medicines at affordable prices, meeting a key need in these markets. To ensure effectiveness, everything from communications to product packaging and training are adapted to local conditions. Local health educators are recruited to adapt the program to local dialects and culture.

Since its launch in 2007, Arogya Parivar has become an essential public health tool, operating across an area that is home to 70 million people, expanding their access to affordable products, improved health infrastructure and community education.

As a new government sets about charting fresh paths to meet the avowed target of Universal Health Coverage for all Indians, patient education will play an increasingly important role, not only in improving outcomes of medical interventions but also in terms of controlling costs. As Dean Ornish, acclaimed physician and author once said, “An educated patient is empowered, thus more likely to get healthy”.

Notice

NOTICE is hereby given that the 66th Annual General Meeting of NOVARTIS INDIA LIMITED will be held at Hall of Culture, Nehru Centre, Dr Annie Besant Road, Worli, Mumbai 400 018 on Friday, July 25, 2014 at 11.30 a.m. to transact the following business:

Ordinary Business

1. To receive, consider and adopt the Audited Profit and Loss Account for the year ended March 31, 2014 and the Balance Sheet as on that date together with the Reports of the Directors and the Auditors thereon.
2. To declare dividend for the year ended March 31, 2014.
3. To appoint Mr Ranjit Shahani (holding DIN 00103845) as Director, who retires by rotation and being eligible, offers himself for re-appointment.
4. To re-appoint the Auditors and to fix their remuneration and in this regard pass with or without modification(s), the following resolution as an Ordinary Resolution:

   "RESOLVED THAT pursuant to the provisions of Sections 139 and 142 and other applicable provisions, if any, of the Companies Act, 2013, M/s Lovelock and Lewes, (Firm Registration No. 301056E), Chartered Accountants, be and are hereby re-appointed as the Statutory Auditors of the Company, to hold office from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting of the Company, at a remuneration to be decided by the Audit Committee of the Board of Directors along with the applicable service tax and reimbursement of travelling and out of pocket expenses incurred by the Auditors on our behalf for the purpose of audit.

Special Business

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

   "RESOLVED THAT Mr Dinesh Charak (holding DIN 06827519) who was appointed as an Additional Director by the Board of Directors under Section 161 of the Companies Act, 2013 ("the Act") with effect from May 22, 2014 and holds office up to the date of this Annual General Meeting of the Company and in respect of whom the Company has received a notice in writing under Section 160 of the Act from a member proposing his candidature for the office of Director, be and is hereby appointed as a Director of the Company, whose term of office shall be liable to retire by rotation."

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

   "RESOLVED THAT pursuant to the provisions of Sections 190, 196, 197 and 203 and any other applicable provisions of the Companies Act, 2013 ("the Act") and the rules made thereunder (including any statutory modification(s) or re-enactment thereof for the time being in force), read with Schedule V of the Act, consent of the members be and is hereby accorded to the appointment of Mr Dinesh Charak (holding DIN 06827519) as Whole Time Director of the Company for a period of 5 years commencing from May 22, 2014, on the terms and conditions of appointment and remuneration as follows:

   Overall Remuneration

   The remuneration payable to Mr Dinesh Charak, in any financial year, shall not exceed 5 per cent of the net profits of the Company and the overall remuneration payable to all Executive Directors including the Managing Director, in any financial year, shall not exceed 10 per cent of the net profits of the Company. In any financial year, during the tenure of Mr Dinesh Charak, if the Company has no profits or its profits are inadequate, then Mr Dinesh Charak will be paid in accordance with the provisions of Schedule V of the Act.

Within the aforesaid ceiling, the remuneration payable to Mr Dinesh Charak shall be as follows:

Salary including perquisites

₹9,489,503 per annum with annual increments effective April 1 of each financial year commencing from April 1, 2015, as may be decided by the Board/Committee of the Board, subject to a ceiling of 20 per cent per annum.

Annual Performance Incentive

As may be decided by the Board/Committee of the Board, subject to a ceiling of 100 per cent of salary.

Other key conditions

(a) Leave as per rules of the Company, subject to maximum 30 days leave each year with encashment of unavailed leave at the end of his tenure.

(b) Group Personal Accident Insurance as per rules of the Company.

(c) Contribution to Provident Fund, Superannuation Fund or Annuity Fund as per Company's policy.

(d) Gratuity to be payable as per the Rules of the Company.

(e) Employee Stock Option, Stock Grant or any other Stock Linked Incentive Plan whether existing or declared by the Parent company, Novartis AG as per Novartis Group policies and Rules of the Company; the cost thereof will be borne by the Company.

(f) He will not be entitled to sitting fees for meetings of the Board/Committees of the Board attended by him.

(g) The salary will be subject to all applicable provisions of the Income Tax Act, 1961.

(h) The tenure will be subject to termination by 3 months' notice in writing on either side."

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

   "RESOLVED THAT subject to the provisions of Sections 196 and 197 read with Schedule V and other applicable provisions, if any of the Companies Act, 2013 (including any statutory modification(s) or re-enactment thereof for the time being in force), consent of the members be and is hereby accorded for the increase in the salary payable to Mr Ranjit Shahani, Vice Chairman and Managing Director (holding DIN 00103845) from ₹8,740,000 per annum to ₹10,250,000 per annum with effect from October 1, 2013 with all other terms and conditions remaining unchanged."

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

   "RESOLVED THAT pursuant to the provisions of Sections 149 and 152 and any other applicable provisions of the Companies Act, 2013 ("the Act") and the rules made thereunder (including any statutory modification(s) or re-enactment thereof for the time being in force) read with Schedule IV of the Act and Clause 49 of the Listing Agreement, Ms Manisha Girotra (holding DIN 00774574) who was appointed as an Additional Director by the Board of Directors under Section 161 of the Act with effect from May 22, 2014 and holds office up to the date of this Annual General Meeting of the Company and in respect of whom the Company has received a notice in writing under Section 160 of the Act from a member proposing her candidature for the office of Director, be and is hereby appointed as an Independent Director of the Company, to hold office for a term up to March 31, 2019.

   RESOLVED FURTHER THAT pursuant to the provisions of Sections 149 and 197 and any other applicable provisions of the Act and the rules made thereunder (including any statutory modification(s) or re-enactment thereof for the time being in force), Ms Manisha Girotra be paid such fees and remuneration and profit related commission as the Board may approve from time to time and subject to such limits, prescribed or as may be prescribed from time to time."

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

   "RESOLVED THAT pursuant to the provisions of Sections 149 and 152 and any other applicable provisions of the Companies Act, 2013 ("the Act") and the rules made thereunder (including any statutory modification(s) or re-enactment thereof for the time being in force) read with Schedule IV of the Act and Clause 49 of the Listing Agreement, Mr Jai Hiremath (holding DIN 00062203), Director of the Company whose period of office is liable to determination by retirement of Directors by rotation and who, pursuant to the provisions of the Act (being an Independent Director) is no longer liable to retire by rotation and who in accordance with the Act is required to be appointed as an Independent Director and in respect of whom the Company has received a notice in writing under Section 160 of the Act from a member proposing his candidature for the office of Director, be and is hereby appointed as an Independent Director of the Company to hold office for a term up to March 31, 2019.

   RESOLVED FURTHER THAT pursuant to the provisions of Sections 149 and 197 and any other applicable provisions of the Act and the rules made thereunder (including any statutory modification(s) or re-enactment thereof for the time being in force), Mr Jai Hiremath be paid such fees and remuneration and profit related commission as the Board may approve from time to time and subject to such limits, prescribed or as may be prescribed from time to time."

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

    "RESOLVED THAT pursuant to the provisions of Sections 149 and 152 and any other applicable provisions of the Companies Act, 2013 ("the Act") and the rules made thereunder (including any statutory modification(s) or re-enactment thereof for the time being in force) read with Schedule IV of the Act and Clause 49 of the Listing Agreement, Dr Rajendra Nath Mehrotra (holding DIN 00172639), Director of the Company whose period of office is liable to determination by retirement of Directors by rotation and who, pursuant to the provisions of the Act (being an Independent Director) is no longer liable to retire by rotation and who in accordance with the Act, is required to be appointed as an Independent Director and in respect of whom the Company has received a notice in writing under Section 160 of the Act from a member proposing his candidature for the office of Director, be and is hereby appointed as an Independent Director of the Company to hold office for a term up to March 31, 2019.

    RESOLVED FURTHER THAT pursuant to the provisions of Sections 149 and 197 and any other applicable provisions of the Act and the rules made thereunder (including any statutory modification(s) or re-enactment thereof for the time being in force), Dr Rajendra Nath Mehrotra be paid such fees and remuneration and profit related commission as the Board may approve from time to time and subject to such limits, prescribed or as may be prescribed from time to time."

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

    "RESOLVED THAT pursuant to the provisions of Section 148 and all other applicable provisions of the Companies Act, 2013 ("the Act") and the rules made thereunder (including any statutory modification(s) or re-enactment thereof for the time being in force), M/s N. I. Mehta and Co., Cost Accountants (Firm Registration No. 102055) appointed as Cost Auditors by the Board of Directors of the Company, be paid a remuneration of ₹2,75,000 (Rupees Two lakh seventy five thousand only) for the financial year ending March 31, 2015.

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorized to do all acts and take all such steps as may be necessary or expedient to give effect to this resolution."

By Order of the Board of Directors

GIRISH TEKCHANDANI
Company Secretary

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

May 22, 2014

Notes:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE ANNUAL GENERAL MEETING ("the Meeting") IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND SUCH A PROXY NEED NOT BE A MEMBER.
2. THE INSTRUMENT APPOINTING PROXY/PROXIES IN ORDER TO BE EFFECTIVE MUST BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.

   CORPORATE MEMBERS INTENDING TO SEND THEIR AUTHORIZED REPRESENTATIVE(S) TO ATTEND THE MEETING ARE REQUESTED TO SEND TO THE COMPANY, A DULY CERTIFIED BOARD RESOLUTION AUTHORIZING THEIR SAID REPRESENTATIVE(S) TO ATTEND AND VOTE ON THEIR BEHALF AT THE MEETING.

   A PERSON CAN ACT AS A PROXY ON BEHALF OF MEMBERS NOT EXCEEDING 50 AND HOLDING IN AGGREGATE NOT MORE THAN 10 PER CENT OF THE TOTAL SHARE CAPITAL OF THE COMPANY. A MEMBER HOLDING MORE THAN 10 PER CENT OF THE TOTAL SHARE CAPITAL OF THE COMPANY MAY APPOINT A SINGLE PERSON AS PROXY AND SUCH PERSON SHALL NOT ACT AS A PROXY FOR ANY OTHER PERSON OR SHAREHOLDER.
3. In compliance with the provisions of Section 108 of the Companies Act, 2013 ("the Act") and Rule 20 of the Companies (Management and Administration) Rules, 2014, the Company is providing facility to its members to excercise their vote at the Meeting through e-voting. Please refer to the instructions which are being sent along with Annual Report.
4. Pursuant to the provisions of Section 91 of the Act, the Register of Members and Share Transfer Books will remain closed on all days from Friday, July 18, 2014 to Friday, July 25, 2014 both days inclusive.
5. Payment of dividend for the year ended March 31, 2014 as recommended by the Board, if approved at the Meeting, will be payable on or after July 30, 2014 in respect of shares held in physical form to those members whose names appear in the Company's Register of members as on July 18, 2014 and in respect of shares held in electronic form, to those who are "deemed members" whose names appear in the statement of beneficial owners furnished by National Securities Depository Limited ("NSDL") and Central Depository Services (India) Limited ("CDSL") at the close of business hours on July 17, 2014.
6. Pursuant to the provision of Sections 205A and 205C of the Companies Act, 1956, the dividends, which remain unclaimed for a period of seven years from the date of transfer to the Unpaid Dividend account are required to be transferred to the Investor Education and Protection Fund ("IEPF") established by the Central Government. Unclaimed Dividend for the financial year ended March 31, 2006 and March 31, 2007 has been transferred to IEPF.

   Members who have not encashed the dividend warrant(s) for the financial year ended March 31, 2008 onwards are requested to make their claims directly to the Company or to M/s Sharepro Services (India) Private Limited, without any delay.

Due date for transfer of unclaimed dividend to IEPF

Year	Dividend rate per share (₹)	Date of declaration	Due date for transfer to IEPF
2007-08	10	16.07.2008	22.08.2015
2008-09	10	17.07.2009	23.08.2016
2009-10	10	30.07.2010	05.09.2017
2010-11	10	26.07.2011	01.09.2018
2011-12	10	25.07.2012	30.08.2019
2012-13	10	25.07.2013	30.08.2020

7. Members/Proxies are requested to bring the attendance slip along with their copy of the Annual Report to the Meeting.
8. 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.
9. 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
   ii. Particulars of their bank accounts in case the same have not been sent earlier, for dividend payment through ECS mode and
   iii. Share certificate(s) held in multiple accounts in identical names or joint accounts in the same order of the names for consolidation of such holdings into one account.
10. Members holding shares in electronic form are advised that address/bank details as furnished to the Company by the respective Depositories, viz. NSDL and 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.
11. Members holding shares in physical form and desirous of making a nomination in respect of their shareholding in the Company, as permitted under Section 72 of the Act, are requested to submit details to the Registrar and Transfer Agents of the Company, in the prescribed Form SH. 13 for this purpose.
12. Members who have not registered their e-mail addresses so far are requested to register their e-mail addresses with the Company's Registrar and Transfer Agents for receiving communication from the Company in electronic form.
13. In case of joint holders attending the Meeting, only such joint holder who is higher in the order of names will be entitled to vote.
14. Pursuant to Clause 49 of the Listing Agreement with the Stock Exchange, additional information relating to the Director who retires by rotation and recommended for re-appointment at the Meeting is as follows:

    Re-appointment of Mr Ranjit Shahani (Item No. 3)

    Mr Ranjit Shahani has been on the Board of the Company from November 1, 2002. He is a mechanical engineer from IIT Kanpur and MBA from JBIMS, Mumbai. He started his career with ICI in India in their businesses of fibres and specialty chemicals. Later, he rose to the position of General Manager with ICI/Zeneca in the U.K., overseeing their Asia Pacific and LatAm operations for their petrochemicals and plastics division. This was followed by a period as CEO at Roche Products Limited after which he moved to Novartis India Limited in 1997. Mr Ranjit Shahani was President of the Organisation of Pharmaceutical Producers of India till 2013 and is President of the Swiss Indian Chamber of Commerce India.

    Mr Ranjit Shahani does not hold by himself or for any other person on a beneficial basis, any shares in the Company. He is Director of Novartis Comprehensive Leprosy Care Association, Octopus Steel Private Limited, Organization of Pharmaceutical Producers of India and Swiss Indian Chamber of Commerce India and member of the Stakeholders Relationship Committee and Corporate Social Responsibility Committee of Novartis India Limited.

    The additional information relating to other Directors recommended for appointment at the Meeting as Independent Directors and Whole Time Director is provided in the respective explanatory statement which is part of this Notice.

Explanatory Statement

[Pursuant to Section 102(1) of the Act, the following Explanatory Statement sets out material facts relating to the business under Item Nos. 5 to 11 of the accompanying Notice dated May 22, 2014 convening the 66th Annual General Meeting of the Company held on July 25, 2014]

Item Nos. 5 and 6

The Board of Directors of the Company appointed Mr Dinesh Charak as an Additional Director and Whole Time Director for a period of 5 years with effect from May 22, 2014. Pursuant to the provisions of Section 161 of the Act, Mr Dinesh Charak will hold the office of a Director up to the date of the forthcoming Annual General Meeting. The Company has received a notice in writing from a member under the provisions of Section 160 of the Act proposing the candidature of Mr Dinesh Charak for the office of Director.

Mr Dinesh Charak has a Bachelor's of Arts and a Bachelor's in Legislative Law from the National Law School of India, Bengaluru. He joined Novartis on July 23, 2013 as General Counsel. He has over 18 years of legal experience in various corporate and consulting assignments. His previous assignments include Wipro G E Healthcare Private Limited, Biocon Limited, Manipal Group, Nokia India Private Limited and a law firm.

The remuneration payable to Mr Dinesh Charak is within the permissible limits specified by the Act and is commensurate with his responsibilities of heading a Company of this size with its diversified business operations.

The draft agreement between the Company and Mr Dinesh Charak is open for inspection at the Registered Office of the Company between 11.00 a.m. and 1.00 p.m. on all days except Saturdays, Sundays and holidays, until the date of the Annual General Meeting or any adjournment thereof.

Mr Dinesh Charak is not disqualified from being appointed as a Director in terms of Section 164 of the Act and has given his consent to act as a Director of the Company.

Mr Dinesh Charak does not hold by himself or for any other person on a beneficial basis, any shares in the Company. He is not a Director in any company other than Novartis India Limited. He is member of the Stakeholders Relationship Committee and Corporate Social Responsibility Committee of Novartis India Limited.

An Ordinary Resolution in terms as set out in Item Nos. 5 and 6 of the accompanying Notice is placed before the members in the Meeting for approval.

Except Mr Dinesh Charak, being an appointee, none of the Directors or Key Managerial Personnel (KMP) of the Company or their relatives are concerned or interested, financial or otherwise, in this Resolution. This Explanatory Statement may also be regarded as a disclosure under Clause 49 of the Listing Agreement with the Stock Exchange.

Item No. 7

Mr Ranjit Shahani was appointed Vice Chairman and Managing Director for a period of 5 years commencing from November 1, 2010 and the terms and conditions of appointment, including remuneration were approved by the members at the 62nd Annual General Meeting of the Company held on July 30, 2010. The members of the Company had authorized the Board to decide the annual increment in salary of Mr Ranjit Shahani, effective April 1 of each year, commencing from April 1, 2011 subject to a ceiling of 20 per cent per annum.

The Board of Directors of the Company at its meeting held on January 23, 2014, subject to the approval of the members of the Company, approved increase in the salary payable to Mr Ranjit Shahani from ₹8,740,000 per annum to ₹10,250,000 per annum with effect from October 1, 2013 i.e. mid-term increment in salary. The increase in salary was within the authority of the Board of Directors; however the increase in salary was made effective from October 1, 2013 instead of April 1, 2014.

Except increase in the salary, the other terms and conditions of his appointment as approved by the members at the 62nd Annual General Meeting of the Company remained unchanged.

In compliance with the applicable provisions of the Act, Ordinary Resolution in the terms as set out in Item No. 7 of the accompanying Notice is placed before the members in the Meeting for their approval.

Except Mr Ranjit Shahani, none of the Directors or KMP of the Company or their relatives are concerned or interested, financial or otherwise, in this Resolution.

Item No. 8

The Board of Directors of the Company appointed Ms Manisha Girotra as an Additional Director with effect from May 22, 2014. Pursuant to the provisions of Section 161 of the Act, Ms Girotra will hold the office of a Director up to the date of the forthcoming Annual General Meeting. The Company has received a notice in writing from a member under the provisions of Section 160 of the Act, proposing the candidature of Ms Girotra for the office of Director.

Ms Manisha Girotra is a graduate in Economics from St. Stephen's College, Delhi. She was awarded the Dr Manmohan Singh Medal for academic excellence for her Master's Degree from Delhi School of Economics. She is Chief Executive Officer of Moelis & Company in India. She was previously Chairperson and Country Head for UBS in India, with a career spanning 16 years with UBS in Mumbai, Delhi and London. Prior to UBS, Ms Girotra ran Barclays de Zoete Wedd's investment bank activities in Delhi. She was nominated 'Young Global Leader (YGL)' 2010 by the World Economic Forum and 'Fortune's Most Powerful Women in Business Club' in 2011. She was named as one of the '15 Women to Watch in Asia' by Forbes in 2008 and '50 Women to Watch' by the Wall Street Journal in 2007.

Ms Manisha Girotra is not disqualified from being appointed as a Director in terms of Section 164 of the Act and has given her consent to act as a Director of the Company.

In the opinion of the Board, Ms Manisha Girotra fulfils the conditions specified in Section 152 of the Act and rules made thereunder for her appointment as Independent Director of the Company and is independent of the management.

The draft letter for appointment of Ms Manisha Girotra as an Independent Director setting out terms and conditions is open for inspection at the Registered Office of the Company between 11.00 a.m. and 1.00 p.m. on all days except Saturdays, Sundays and holidays, until the date of the Annual General Meeting or any adjournment thereof.

Ms Manisha Girotra does not hold by herself or for any other person on a beneficial basis, any shares in the Company. She is Managing Director of Moelis & Company India Private Limited and Director in Technip France. She is member of the Corporate Social Responsibility Committee of Novartis India Limited.

An Ordinary Resolution in terms as set out in Item No. 8 of the accompanying Notice is placed before the members in the Meeting for approval.

Except Ms Manisha Girotra, being an appointee, none of the Directors or KMP of the Company or their relatives are concerned or interested, financial or otherwise, in this Resolution. This Explanatory Statement may also be regarded as a disclosure under Clause 49 of the Listing Agreement with the Stock Exchange.

Item No. 9

Mr Jai Hiremath is Non-Executive Independent Director of the Company. He joined the Board of Directors of the Company on January 28, 2006.

Mr Jai Hiremath is the Founder and Chairman & Managing Director of Hikal Ltd. He is a Chartered Accountant from England & Wales. He has completed the 'Owner President Management Program' at Harvard University, Boston, USA. He was also awarded 'Chemtech Business Leader of the Year Award (Chemicals) 2005'. In the year 2000, he was nominated for Ernst & Young entrepreneur of the year award. He is currently Board member on The Drug, Chemical and Associated Technology Association (DCAT), member of the Executive Committee of India Chemical Council, Board member of National Safety Council of India, member of the National Committee on Chemicals of Confederation of Indian Industries (CII), member of the National Chemicals Committee of Federation of Indian Chambers of Commerce & Industry (FICCI) and member of FICCI executive committee of Maharashtra State Council.

Mr Jai Hiremath is a Director whose period of office is liable to determination by retirement of Directors by rotation under the erstwhile applicable provisions of the Companies Act, 1956. Under the Act, it is required that Independent Directors not be liable to retire by rotation and be appointed for a fixed term. In terms of Section 149 and other applicable provisions of the Act, Mr Jai Hiremath being eligible and offering himself for appointment, is proposed to be appointed as an Independent Director for a term up to March 31, 2019. A notice has been received from a member proposing Mr Jai Hiremath as a candidate for the office of Director of the Company.

Mr Jai Hiremath is not disqualified from being appointed as a Director in terms of Section 164 of the Act and has given his consent to act as a Director of the Company.

In the opinion of the Board, Mr Jai Hiremath fulfils the conditions specified in Section 152 of the Act and rules made thereunder for his appointment as Independent Director of the Company and is independent of the management.

The draft letter for appointment of Mr Jai Hiremath as an Independent Director setting out terms and conditions is open for inspection at the Registered Office of the Company between 11.00 a.m. and 1.00 p.m. on all days except Saturdays, Sundays and holidays, until the date of the Annual General Meeting or any adjournment thereof.

Mr Jai Hiremath does not hold by himself or for any other person on a beneficial basis, any shares in the Company. He is also Director of Acoris Research Limited, Decent Electronics Private Limited, Ekadant Investment Private Limited, Karad Engineering Consultancy Private Limited, Shri Rameshwara Investment Private Limited, Shri Badrinath Investment Private Limited, Iris Investment Private Limited and Rushabh Capital Services Private Limited and member of the Share Transfer Committee of Hikal Limited and member of the Audit Committee and Nomination and Remuneration Committee of Novartis India Limited.

An Ordinary Resolution in terms as set out in Item No. 9 of the accompanying Notice is placed before the members in the Meeting for approval.

Except Mr Jai Hiremath, being an appointee, none of the Directors or KMP of the Company or their relatives are concerned or interested, financial or otherwise, in this Resolution. This Explanatory Statement may also be regarded as a disclosure under Clause 49 of the Listing Agreement with the Stock Exchange.

Item No. 10

Dr Rajendra Nath Mehrotra is Non-Executive Independent Director of the Company. He joined the Board of Directors of the Company on May 30, 2000.

Dr Rajendra Nath Mehrotra is an Electrical and Mechanical Engineer with Masters in Management and Doctorate. He has a rich experience in various functions. He retired from the United Nations International Labour Organisation (ILO) as Senior Specialist on Employers' activities for South Asia. He is also on the Board of PAE Limited.

Dr Rajendra Nath Mehrotra is a Director whose period of office is liable to determination by retirement of Directors by rotation under the erstwhile applicable provisions of the Companies Act, 1956. Under the Act, it is required that Independent Directors not be liable to retire by rotation and be appointed for a fixed term. In terms of Section 149 and other applicable provisions of the Act, Dr Rajendra Nath Mehrotra being eligible and offering himself for appointment, is proposed to be appointed as an Independent Director for a term up to March 31, 2019. A notice has been received from a member proposing Dr Rajendra Nath Mehrotra as a candidate for the office of Director of the Company.

Dr Rajendra Nath Mehrotra is not disqualified from being appointed as a Director in terms of Section 164 of the Act and has given his consent to act as a Director of the Company.

In the opinion of the Board, Dr Rajendra Nath Mehrotra fulfils the conditions specified in Section 152 of the Act and rules made thereunder for his appointment as Independent Director of the Company and is independent of the management.

The draft letter for appointment of Dr Rajendra Nath Mehrotra as an Independent Director setting out terms and conditions is open for inspection at the Registered Office of the Company between 11.00 a.m. and 1.00 p.m. on all days except Saturdays, Sundays and holidays, until the date of the Annual General Meeting or any adjournment thereof.

Dr Rajendra Nath Mehrotra holds 270 shares in the Company. He is a Director in PAE Limited and member of the Remuneration Committee of PAE Limited and member of the Audit Committee, Stakeholders Relationship Committee and Nomination and Remuneration Committee of Novartis India Limited.

An Ordinary Resolution in terms as set out in Item No. 10 of the accompanying Notice is placed before the members in the Meeting for approval.

Except Dr Rajendra Nath Mehrotra, being an appointee, none of the Directors or KMP of the Company or their relatives are concerned or interested, financial or otherwise, in this resolution. This Explanatory Statement may also be regarded as a disclosure under Clause 49 of the Listing Agreement with the Stock Exchange.

Item No. 11

M/s N. I. Mehta and Co., Cost Accountants, are appointed as Cost Auditors of the Company to audit the accounts relating to drug formulations for the financial year ending March 31, 2015.

Remuneration payable to M/s N. I. Mehta, Cost Auditors of the Company for the financial year ended March 31, 2015, was recommended by the Audit Committee to the Board and subsequently, was considered and approved by the Board of Directors at its meeting held on May 22, 2014.

In accordance with the provisions of Section 148 of the Act read with the Companies (Audit and Auditors) Rules, 2014, the remuneration payable to the Cost Auditor has to be ratified by the shareholders of the Company.

None of the Directors or KMP of the Company or their relatives are concerned or interested, financial or otherwise, in this Resolution.

By Order of the Board of Directors

GIRISH TEKCHANDANI
Company Secretary

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

May 22, 2014

Directors' Report

Your Directors are pleased to present the Annual Report and the Audited Accounts for the financial year ended March 31, 2014.

Summary of the Financial Results

	₹ million	
	2013-14	**2012-13**
Revenue from operations (Net)	**8,622.3**	**9,033.6**
Operating Profits		
Profit before tax	899.0	1,694.2
Profit after tax	985.3	1,197.3
Balance brought forward from previous year	**5,237.6**	**4,533.9**
Available for appropriation	**6,222.9**	**5,731.2**
The Directors have made the following appropriations:		
Dividend (Proposed)	319.6	319.6
Tax on distributed profits	54.3	54.3
General Reserve	98.5	119.7
Carry forward	5,750.5	5,237.6
	6,222.9	**5,731.2**

Dividend

The Board has recommended payment of dividend at ₹ 10 per equity share of ₹ 5 each for the financial year 2013-14. The dividend, if approved by the members at the Annual General Meeting ("AGM"), will result in a cash outflow of ₹ 373.9 million including dividend tax.

Management Discussion and Analysis

The business operations of the Company comprise Pharmaceuticals, Generics, Over-The-Counter ("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 Economy is the 5th fastest growing economy in the world (Euromonitor) and is poised to be the 3rd largest economy by 2040 (PwC) with a rapidly growing middle class. As economies develop, there is increasing healthcare awareness and hence greater spends. The market drivers include a growing educated and middle class, rising income levels, rising life expectancy, increase in chronic and lifestyle related diseases, increased penetration of health insurance and of class II – VI and rural markets, increased government spending on healthcare, rapid growth of the private sector and speciality hospitals among others.

The year 2013 represented a marked change in the operational dynamics of the Indian Pharmaceuticals Market, (IPM). Though the market always had some form of price controls, the scope and basis changed following implementation of the Drug Price Control Order (DPCO) 2013 with 348 drugs being brought under the ambit of price control. This had a major negative impact on the industry and has impacted short term growth rates.

Valued at around ₹ 804 billion (IMS, MAT March 2014) the IPM is a highly fragmented market with a large number of players spread across therapy segments. It continues to be a highly competitive market with a large number of brands per therapeutic area. Globally, the 3rd largest by volume and 13th largest by value, the IPM is expected to grow at a 12.2 per cent CAGR over the next 4 years.

For a science based Industry like Pharmaceuticals, non-recognition of patents and compulsory licensing have been a major dampener in the recent past. 2013-14 continued to witness a slump in GDP growth which will have a negative impact on the near term growth prospects of the IPM.

OTC

Valued at ₹ 136.2 billion, the OTC market in India is the 13th largest market in the world and has grown at 5.8 per cent in 2013 (Nicholas Hall DB 2013). Lack of regulatory guidelines for the OTC sector together with lower GDP growth are expected to impact development of this market in the short to medium term.

Animal Health

The Animal Health industry is estimated to have grown by around 5 to 6 per cent during this financial year. The fastest growing segment in the past 5 years has been the poultry layer industry. Growing at a steady pace, the dairy industry in India continues to be the world's largest. The key growth factors helping the Animal Health sector are increase in disposable income, domestic demand and exports together with the dairy market getting increasingly organized.

b. Performance

Net Revenue from Operations for the year ended March 31, 2014 was at ₹ 8,622.3 million representing a decline of 4.6 per cent over the previous year.

Profit before tax for the year was at ₹ 899 million representing a decline of 46.9 per cent over the previous year. Decline in profit was mainly on account of substantial reduction in selling prices due to the new Drug Price Control Order (DPCO) 2013, and depreciation in the value of the rupee resulting in higher cost of imports.

After providing for income tax credit of ₹ 86.3 million, profit after tax was ₹ 985.3 million.

c. Segment-wise operational performance

Pharmaceuticals

The Pharmaceuticals business registered Net Revenue from Operations of ₹ 5,805.8 million representing a decline of 8.5 per cent over the previous year. Reduction in selling prices arising out of the new Drug Price Control Order (DPCO) 2013 had a significant adverse impact on the revenue and operating profits of the Pharmaceutical business. Depreciation of the rupee further impacted profits.

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

Therapeutic Area	Product
Pain & Inflammation	Voveran® TPM Gel
Central Nervous System	Trioptal® FCT 450mg
Central Nervous System	Exelon® Patch TTS 2mg

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

Therapeutic Area	Rank	Product
Transplantation/Immunology	1	Sandimmun® Neoral®
Pain & Inflammation	2	Voveran®
Central Nervous System	3	Tegrital®

Generics

The Generics business recorded Net Revenue from Operations of ₹ 524.3 million representing a decline of 16.1 per cent over the previous year.

The new pricing policy announced by the Government had a negative impact on pricing of key products like Regestrone and PZA.

OTC

The OTC business registered Net Revenue from Operations of ₹ 1,255.1 million, a growth of 13.6 per cent over the previous year.

A good monsoon and an extended winter all over the country led to increased respiratory ailments which translated into higher sales for our OTC offerings. All products of the OTC business, Otrivin®, Otrinoz®, T-minic® and the Calcium range continued to register stronger sales growth over the previous year due to aggressive integrated marketing campaigns.

Otrivin® continues to be the No. 1 brand in the Nasal decongestant category with a market share of 36.5 per cent (IMS MAT March 2014).

Animal Health

During the year under review, the Animal Health business achieved Net Revenue from Operations of ₹ 1,037.1 million representing a growth of 8.6 per cent over the comparable previous period. Primary contributors to this growth were key brands Mifex®, Calborol™, Larvadex®, Natuzyme® (of Bioproton Pty Ltd.) and Protexin® (product of Probiotics International Limited, U.K.). An increased focus and rural marketing activities were key to achieving this sales growth.

During the period under review, the Company signed a Distribution Agreement with Nutri-Ad International NV, Belgium, for marketing and distribution of their poultry feed supplements in India and started distributing Adimix® 30 Coated, Eurotiox® 32 Premix, Salmonil® Dry, Toxynil® Dry and Nutrilac® IGA.

The Company also signed a Marketing and Distribution Agreement with Johnson and Johnson Limited, India, for marketing and distribution of their Ethicon sutures under the brand names Mersutures® Catgut 1, Ethilon® Nylon and Mersilk® Silk for veterinary use in the cattle and canine segments.

d. Concerns

Pharmaceuticals and Generics

The economic environment continues to be tough with a decade-low GDP growth, sharp depreciation of the Rupee and continued high inflation. New investments in medical infrastructure are thereby impeded which in turn impact healthcare access. The Pharmaceutical Industry is facing challenges due to non-recognition of patents and threat of compulsory licensing, which together create an unpredictable environment for the research oriented Pharmaceutical Industry. This is compounded by the significant reduction in selling prices arising out of the new DPCO 2013 which has substantially impacted profitability.

The per capita health spend continues to be among the lowest in the world. India is largely a self-pay market for healthcare and health insurance is yet to penetrate the country in a significant way. The rural population in fact has limited access to modern healthcare.

The Company is continuously working on innovative strategies which would improve healthcare access. Furthermore, the Company continues to work towards identifying opportunities which can potentially negate the adverse impact of changes in the operating environment and continue to deliver strong performance.

OTC

Industry supply chain issues which in turn limit distribution reach continue to serve as constraints to the OTC business. High promotional costs keep putting pressure on margins. Further, lack of clarity with regard to regulatory guidelines for the OTC industry as a whole serves as an area of concern.

Though none of the current OTC products are impacted by the DPCO, any product inclusion in future could severely impact the business.

Animal Health

Margins continue to be significantly impacted due to competition from generic players in the market. Other areas of concern include viral disease, rising cost of feed, high inflation and an adverse exchange rate.

e. Outlook

Pharmaceuticals and Generics

A large and growing population with low healthcare penetration presents a huge opportunity for the Pharmaceutical Industry.

Changing demographics with increasing urbanization is leading to a rise in chronic and lifestyle diseases which could drive growth. Increasing healthcare awareness and growing income levels is likely to result in increased spend on medicines and healthcare products.

Notwithstanding the strong long-term potential of the IPM given the several factors in favour, investments in the sector and profitability could still be impeded in the short to medium term given the current economic environment. Subsequent to price cuts (DPCO 2013), profitability will continue to be negatively impacted in the short-to-medium term. The Company is currently working on initiatives to partially offset the severe negative impact of the price cuts and will continue to drive operational excellence to increase productivity and commercial responsiveness.

OTC

The overall future of the OTC market looks promising provided it is left out of the ambit of price controls. A growing economy, higher disposable incomes, rapidly increasing middle class and greater health awareness are likely to translate in to greater spend on OTC products.

Animal Health

The Animal Health sector is dependent on the monsoon for adequate availability of feed ingredients to manufacture poultry and cattle feed. The industry is on a growth trajectory which is likely to continue barring any unforeseen developments.

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 unauthorised use or disposition. Company policies, guidelines and procedures provide for adequate checks and balances and are meant to ensure that all transactions are authorised, recorded and reported correctly.

The internal audit department together with a firm of Chartered Accountants reviews the effectiveness and efficiency of these systems and procedures to ensure that all assets are protected against loss and that the financial and operational information is accurate and complete in all respects. The Audit Committee approves and reviews audit plans for the year based on internal risk assessment. Audits are conducted on an ongoing basis and significant deviations are brought to the notice of the Audit Committee of the Board following which corrective action is recommended for implementation. All these measures facilitate timely detection of any irregularities and early remedial steps with no monetary loss.

g. Personnel

The Industrial Relations scenario continued to be cordial. The Company regards its employees as a great asset and accords high priority to training and development of employees. During the year under review, the Company furthered the reach of its program "Be Healthy" for its associates through a series of initiatives resulting in a heightened awareness of personal health.

Number of employees as on March 31, 2014 was 1294.

Information as per Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, and Companies (Particulars of Employees) Amendment Rules, 2011 can be obtained by an interested shareholder by submitting a written request to the Company Secretary. This practice is followed as per the provisions of Section 219(1) (b) (iv) of the Companies Act, 1956. Thus, the Report and the Accounts are being sent to all shareholders, excluding the Statement of Particulars under Section 217(2A).

Corporate Social Responsibility

Health, education and environment continue to be the focus of the Company's CSR initiatives. Support to the NGO Akanksha, which works with slum children and the scholarship to three meritorious women at the Indian School of Business, Hyderabad continue.

The Biotechnology Leadership Camp (BioCamp) is now in its 6th year and is a big draw for students interested in pursuing a career in the healthcare industry. The top three students get to represent India at the Novartis International Biotechnology Leadership Camp in Basel, Switzerland.

Community Partnership Week has grown in stature with a rising number of associates participating in a broad range of activities aimed at the less fortunate.

Health, Safety and Environment (HSE) Protection are an integral part of the Company's overall corporate social responsibility and includes occupational safety and health protection; building safety; process safety; product stewardship; environmental protection and conservation of natural resources and energy. The businesses have managerial and operational responsibility for all HSE aspects.

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 March 31, 2014 stood at ₹ 1.2 million. The Company does not have any unclaimed or overdue deposits as of date.

Directors

Mr Ranjit Shahani retires at the AGM and has offered himself for re-appointment.

The Board of Directors of the Company at its Meeting held on May 22, 2014 appointed Ms Manisha Girotra and Mr Dinesh Charak as Additional Directors. They hold the office of Additional Director up to the date of the ensuing AGM of the Company and are eligible for re-appointment.

Subject to the approval of the members, Mr Dinesh Charak was appointed as Whole Time Director of the Company with effect from May 22, 2014.

It is also proposed to appoint Mr Jai Hiremath, Dr Rajendra Nath Mehrotra and Ms Manisha Girotra as Independent Directors of the Company for a term up to March 31, 2019, at the forthcoming AGM.

Necessary Resolutions for the appointment of the aforesaid Directors have been included in the Notice convening the ensuing AGM and details of the proposal for appointment are mentioned in the explanatory statement to the Notice.

Transactions announcement by Novartis AG with GSK and Lilly

On April 22, 2014 Novartis AG, Basel, Switzerland (Novartis) entered into the following agreements with GlaxoSmithKline plc, UK (GSK) and Eli Lilly and Company, USA (Lilly):

Combination of Novartis OTC with GSK Consumer Healthcare in a joint venture

Novartis and GSK have agreed to create a consumer healthcare business through a joint venture between Novartis OTC and GSK Consumer Healthcare. Upon completion, Novartis will own a 36.5% share of the joint venture and will have four of eleven seats on the joint venture's Board. The transaction with GSK is subject to approval by GSK shareholders and to other closing conditions, including anti-trust approvals. The transaction is expected to close during the first half of 2015.

Divestment of Novartis Animal Health business to Lilly

In a separate transaction, Novartis has agreed to divest its Animal Health business to Lilly. The transaction is subject to closing conditions, including anti-trust approvals and is expected to close by the end of the first quarter of 2015.

The Company will evaluate and take necessary approvals as may be required under applicable laws and regulations in India at the appropriate time.

Offer For Sale

As prescribed under Securities Contract (Regulation) Rules and Clause 40A of the Listing Agreement, promoter of the Company, Novartis AG, Basel, Switzerland, has reduced its shareholding in the Company through Offer For Sale (OFS) mechanism from 76.42 per cent to 75 per cent. The transaction was completed on May 30, 2013.

Auditors

M/s Lovelock & Lewes, Chartered Accountants, retire at the end of this AGM and, being eligible, offer themselves for re-appointment. The Board has recommended their re-appointment.

Cost Audit

The Directors have re-appointed M/s N. I. Mehta and Co., Cost Accountants, as Cost Auditors to audit the accounts relating to drug formulations for the financial year ending March 31, 2015.

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 Act, 1956, 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 March 31, 2014 and of the profit of the Company for the year ended March 31, 2014;

(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 is committed to good corporate governance in line with the Listing Agreement and Novartis Group corporate governance norms. The Company is in compliance with the provisions on corporate governance specified in the Listing Agreement with the Bombay Stock Exchange Limited.

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

Acknowledgement

The Board appreciates and places on record the contribution made by employees to the sustained satisfactory business performance during the period under review and the continual management support received from the parent company, Novartis AG. The Board also places on record their appreciation of the support of all stakeholders particularly shareholders, customers, suppliers, the medical fraternity and business partners, all of whom have contributed to the Company's success.

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

CHRISTOPHER SNOOK
Chairman

Mumbai, May 22, 2014

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 March 31, 2014.

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

		2013-14	2012-13
A.	**Power and Fuel Consumption**	Not applicable	Not applicable
B.	**Consumption – per unit of production**	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:**

in ₹ million

		2013-14	2012-13
a.	Capital	—	—
b.	Revenue	—	2.2
c.	Total	—	2.2
d.	Total R&D expenditure as a percentage to Revenue from Operations (Net)	—	0.02%

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 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. 39 to 41 to the Accounts.

On behalf of the Board of Directors

CHRISTOPHER SNOOK
Chairman

Mumbai, May 22, 2014

1. Company's philosophy on Code of Corporate Governance

Novartis India Limited ("the Company") strives to follow the best corporate governance practices, develop best policies/guidelines and communicate and train all its employees in order to foster a culture of compliance and obligation at every level of the organization. The Company is in compliance with the provisions on Corporate Governance specified in the Listing Agreement with the Bombay Stock Exchange Limited.

The Company is committed to meet the expectations of stakeholders as a responsible corporate citizen. The Novartis Code of Conduct contains the fundamental principles and rules concerning ethical business conduct.

2. Board of Directors

Composition of the Board of Directors

The Company is fully compliant with the Corporate Governance norms in terms of constitution of the Board of Directors ("the Board"). The Board of the Company is composed of eminent individuals from diverse fields. The Board acts with autonomy and independence in exercising its strategic supervision, discharging its fiduciary responsibilities and ensuring that the management observes the highest standards of ethics, transparency and disclosure. Every member of the Board, including the Non-Executive Directors, has full access to any information related to the Company.

The Board of the Company is composed of Executive and Non-Executive Directors. As on March 31, 2014, the strength of the Board was four Directors comprising of one Executive and three Non-Executive Directors including the Chairman of the Company. Fifty per cent of the Board comprised of Independent Directors.

The details of the Board as on March 31, 2014 are given below:

Name	Category (Director)	Date of joining the Board	No. of Directorships/Committee Memberships/Chairmanships (Including Novartis India Limited)			
			Directorships under Section 275(1)	Other Directorships	Committee Memberships(2)	Committee Chairmanships(2)
Mr C. Snook	Non-Executive Chairman	01.08.2008	1	88	2	—
Mr R. Shahani	Vice Chairman and Managing Director	01.11.2002	1	4	1	—
Mr J. Hiremath	Independent	28.01.2006	3	8	2	1
Dr R. Mehrotra	Independent	30.05.2000	2	—	4	2

(1) Directorships in companies other than in foreign companies/private companies/non-profit organisations.

(2) Membership/Chairmanship in Audit, Shareholders'/Investors' Grievance and Remuneration Committees of all public limited companies, whether listed or not, including Novartis India Limited.

Except Dr R. Mehrotra, no Directors and their relatives hold shares in the Company. Dr R. Mehrotra holds 270 shares of the Company as on March 31, 2014.

Board Meetings

The Board/Committee meetings are pre-scheduled and a tentative annual calendar of Board and Committee meetings is circulated to the Directors well in advance to enable them to plan their schedules and to ensure their meaningful participation in the meetings. However, in case of a special and urgent business need, the Board's approval is taken by circular resolution, which is ratified in the subsequent Board meeting.

During the financial year under review, five Board meetings were held on May 14, 2013; July 24, 2013; October 30, 2013; November 27, 2013 and January 23, 2014. The Company held one Board Meeting in each quarter as required under the Companies Act, 1956 ("the Act") and the gap between two Board meetings was in compliance with the provisions contained in the Listing Agreement.

Details of Directors as on March 31, 2014 and their attendance at the Board meetings and Annual General Meeting ("AGM") during the financial year ended March 31, 2014 are given below:

Name of the Director	Category	No. of Meetings held	No. of Meetings attended	Attendance at the AGM
Mr C. Snook	Non-Executive Chairman	5	4	Yes
Mr R. Shahani	Vice Chairman and Managing Director	5	4	Yes
Mr J. Hiremath	Independent Director and Chairman of the Audit Committee	5	5	Yes
Dr R. Mehrotra	Independent Director and Chairman of the Remuneration and Shareholders'/Investors' Grievance Committee	5	5	Yes

3. Audit Committee

The role of the Audit Committee is in accordance with the provisions of Clause 49 of the Listing Agreement and Section 292A of the Act.

The terms of reference for the Audit Committee include:

- Meeting and reviewing with External and Internal Auditors, reviewing of the Internal Control Systems and ensuring 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.

Mr Girish Tekchandani, Company Secretary acts as Secretary to the Committee.

The Vice Chairman and Managing Director, Country Chief Financial Officer, General Counsel, Chief Financial Officer, Internal Auditor, Statutory Auditors and Cost Auditor are the invitees to the Audit Committee meetings.

During the period under review, the Audit Committee met four times on May 14, 2013; July 24, 2013; October 30, 2013 and January 23, 2014.

Constitution of the Audit Committee and attendance details during the financial year ended March 31, 2014 are given below:

Name of Director	Category	No. of Meetings held	No. of Meetings attended
Mr J. Hiremath	Chairman of the Committee; Non-Executive and Independent Director	4	4
Dr R. Mehrotra	Member; Non-Executive and Independent Director	4	4
Mr C. Snook	Member; Non-Executive Director	4	3

4. Remuneration Committee

The Board at its meeting held on May 24, 2012 constituted a Remuneration Committee to review and recommend Managerial remuneration.

The terms of reference for the Remuneration Committee include:

- Review the criteria of payment of Managerial remuneration.
- Review Managerial remuneration and recommend revision in the remuneration to the Board.

During the period under review, the Remuneration Committee met once on January 23, 2014.

Constitution of the Remuneration Committee and attendance details during the financial year ended March 31, 2014 are given below:

Name of Director	Category	No. of Meetings held	No. of Meetings attended
Dr R. Mehrotra	Chairman of the Committee; Non-Executive and Independent Director	1	1
Mr J. Hiremath	Member; Non-Executive and Independent Director	1	1

Remuneration to Directors

Mr C. Snook, Non-Executive Chairman of the Company does not get any remuneration from the Company.

The Vice Chairman and Managing Director gets a monthly salary, perquisites and performance pay as per the policies of the Company. In the event of the Managing Director desiring to leave the service of the Company, he shall give to the Company 6 months' notice. The Company may, at its sole discretion, relieve the Managing Director of his duties any time by giving 6 months' notice.

The criteria for making payments to the Vice Chairman and Managing Director are:

1. Salary, as recommended by the Remuneration Committee and approved by the Board and the shareholders of the Company. Perquisites, retirement benefits and performance pay are also paid/provided in accordance with the Company's compensation policies, as applicable to all employees and the relevant legal provisions.
2. Remuneration paid to the Vice Chairman and Managing Director is determined keeping in view the industry benchmarks and Novartis Group Policies.

Remuneration of the Vice Chairman and Managing Director is within the limits approved by the Board and the shareholders at the 62nd and 63rd AGMs of the Company.

The criteria for making payments to Independent Directors are:

1. Directors are not paid any sitting fees for attending the meetings of the Board and Committees.

2. The Shareholders of the Company have approved payment of commission up to 1 per cent of net profits of the Company calculated in accordance with Section 198 of the Act collectively to all the Independent Directors at the 64th AGM of the Company. The Board ensures that commission to Non-Executive Directors is within the overall limit approved by the shareholders and meets the industry norms for commensurate challenges.

The remuneration paid or payable to the Directors is given below:

in ₹ million

Name of the Director	Salary	Perquisite including ESOP[1]	Performance Incentive	Commission	Total
Mr C. Snook	–	–	–	–	–
Mr R. Shahani	10.7	24.3	6.1	–	41.1
Dr R. Mehrotra	–	–	–	0.6	0.6
Mr J. Hiremath	–	–	–	0.6	0.6

[1] The Company has no stock option/pension plan for the Directors or employees of the Company. However, the Chairman and the Vice Chairman and Managing Director of the Company are entitled to Employee Stock Options, Stock Grants or any other Stock Linked Incentive Plans declared by Novartis AG, from time to time, as may be applicable to the employees of the Company as per Novartis Group policies.

5. Shareholders'/Investors' Grievances Committee

The Shareholders'/Investors' Grievances Committee attends to and redresses shareholders' and investors' complaints/grievances.

During the period under review, the Shareholders'/Investors' Grievances Committee met four times on May 14, 2013; July 24, 2013; November 27, 2013 and January 23, 2014.

Details of constitution and attendance details of the Shareholders'/Investors' Grievances Committee as on March 31, 2014 are given below:

Name of Director	Category	No. of Meetings held	No. of Meetings attended
Dr R. Mehrotra	Chairman of the Committee; Independent Director	4	4
Mr C. Snook	Member; Non-Executive Director	4	4
Mr R. Shahani	Member; Vice Chairman and Managing Director	4	4

Mr Girish Tekchandani, Company Secretary is the Compliance Officer of the Company.

During the financial year, the Company/Company's Registrar and Transfer Agents received 11 complaints. There were no complaints from the shareholders pending as on March 31, 2014.

6. General Body Meetings

- **Details of AGM held during the last 3 years:**

AGM for the financial year	Location of holding AGM	Date and Time of AGM
2012-2013	Hall of Culture, Nehru Centre, Worli, Mumbai 400 018	July 25, 2013 at 11.30 a.m.
2011-2012	Hall of Culture, Nehru Centre, Worli, Mumbai 400 018	July 25, 2012 at 11.30 a.m.
2010-2011	Y. B. Chavan Auditorium, General Jagannath Bhosale Marg, Mumbai 400 021	July 26, 2011 at 11.00 a.m.

All the resolutions set out in the respective Notices were passed by the requisite majority of the members attending the AGM.

- **Special Resolutions passed at the last 3 AGMs:**

  At the AGM held on July 25, 2012, the shareholders approved a Special Resolution unanimously by show of hands to pay remuneration by way of commission to Non-Executive Directors not exceeding 1 per cent of the net profits of the Company computed in the manner referred to in Section 198(1) of the Act for a further period of 5 years.

  No special resolution was passed through postal ballot in the last year. There is no item on the agenda of the forthcoming AGM that needs approval by postal ballot.

7. Disclosures

- There are no materially significant related party transactions made by the Company with its Directors/Management or their relatives and Company's promoter and its subsidiaries that may have a potential conflict with the interest of the Company at large. The related party transactions entered into by the Company are disclosed in Note no. 45 of the Notes to Accounts. The Audit Committee has reviewed the related party transactions undertaken by the Company as mandatorily required under Clause 49 of the Listing Agreement. The said transactions are in the ordinary course of the business and at arm's length.
- During the last 3 years, there were no strictures or penalties imposed on the Company by either SEBI or the Stock Exchange or any statutory authority for non-compliance of any matter related to the capital markets.
- The Company has a process in place that meets the objectives of the whistle blower policy pursuant to which employees of the Company may raise their concerns about actual or suspected fraud, unethical behavior or violation of the Company's Code of Conduct or Ethics 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 is in full compliance with the mandatory requirements as contained in Clause 49 of the Listing Agreement. The Company has also adopted certain non-mandatory requirements of Clause 49 i.e. providing the Chairman of the Company with the resources required by him to discharge his responsibilities as Chairman of the Company while in India for attending the Company's Board meetings; adopting process to meet objectives of whistle blower policy and setting up of a Remuneration Committee

8. Means of Communication

Quarterly, Half-Yearly and Annual results of the Company are published in newspapers such as The Indian Express, The Financial Express and Loksatta. These results are promptly submitted to the Bombay Stock Exchange Limited together with a copy of the Company's Press Release thus facilitating them to display the same on their website.

The Company's results and press releases are available on the Company's website www.novartis.in

Management Discussion and Analysis Report forms a part of this Annual Report.

9. General shareholder information

AGM date, time and venue	:	July 25, 2014, at Hall of Culture, Nehru Centre Worli, Mumbai 400 018 at 11.30 a.m.
Financial Year	:	April 1 to March 31
First quarter results	:	Second fortnight of July 2014

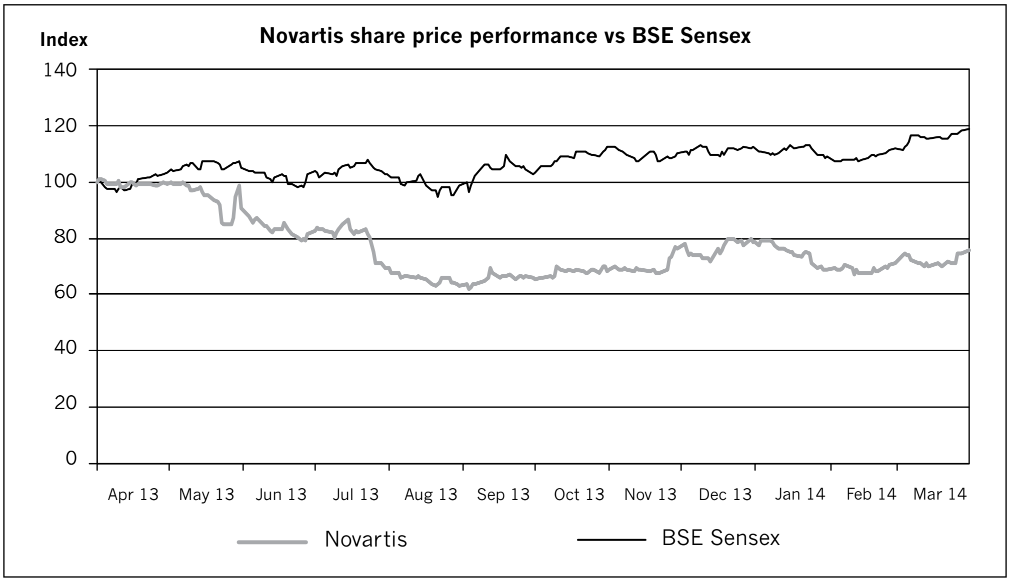
Second quarter results	:	Second fortnight of October 2014
Third quarter results	:	Second fortnight of January 2015
Results for the year ending March 2015	:	Second fortnight of May 2015
Date of Book closure	:	July 18, 2014 till July 25, 2014 (Both days inclusive)
Dividend payment date	:	On or after July 30, 2014
Listing on Stock Exchange	:	Bombay Stock Exchange Limited, Mumbai
Payment of annual listing fees	:	The annual listing fees for the year 2014-15 have been paid to Bombay Stock Exchange Limited
Stock Code (BSE)	:	500672
Demat ISIN no. for CDSL and NSDL	:	INE234A01025
Corporate Identity Number (CIN)	:	L24200MH1947PLC006104
Payment of annual custody fees	:	The annual custody fees for the year 2014-15 have been paid to CDSL and NSDL

Market price data: High/Low during each month in the financial year (₹)

Month	Bombay Stock Exchange Limited, Mumbai	
	High	Low
April 2013	604.80	558.10
May 2013	594.00	491.55
June 2013	537.05	462.45
July 2013	512.00	396.00
August 2013	418.00	369.00
September 2013	414.75	361.00
October 2013	422.00	384.00
November 2013	460.00	395.00
December 2013	479.80	418.55
January 2014	473.50	402.00
February 2014	422.00	394.50
March 2014	449.00	411.00

(Source: Website of Bombay Stock Exchange Limited, Mumbai www.bseindia.com)

Novartis share price performance versus BSE Sensex during April 2013 – March 2014



Note: The monthly closing prices of the Sensex and Novartis' equity shares have been indexed to 100 as on April 1, 2013.

Registrar & Transfer Agents	:	Sharepro Services (India) Private Limited 13 AB Samhita Warehousing Complex 2nd floor, Sakinaka Telephone Exchange Lane Off Andheri-Kurla Road Sakinaka, Andheri, Mumbai 400 072 Telephone Nos.: +91 22 6772 0300/6772 0400 Fax No.: +91 22 2859 1568 Sharepro Services (India) Private Limited 912, Raheja Centre Free Press Journal Road Nariman Point, Mumbai 400 021 Telephone Nos.: +91 22 6772 0700/6772 0709 Fax No.: +91 22 2282 5484 E-mail : indira@shareproservices.com sharepro@shareproservices.com
Share Transfer System	:	Share transfers in physical form are processed by the Share Transfer Agent, Sharepro Services (India) Private Limited and are approved by the Shareholders'/Investors' Grievance Committee of the Company or the authorised signatories of the Company. Share transfers are registered and returned within 15 days from the date of lodgment if documents are complete in all respects. The depository system handles share transfers in dematerialised form.

Distribution of shareholding as on March 31, 2014

Sr. No.	No. of equity shares held		Shareholder(s)		Shareholding(s)	
	From	To	Nos.	%	Nos.	%
1	1	500	40,721	96.89	3,438,231	10.76
2	501	1000	720	1.71	535,594	1.68
3	1001	2000	315	0.75	453,448	1.42
4	2001	3000	104	0.25	259,549	0.81
5	3001	4000	28	0.07	97,960	0.31
6	4001	5000	30	0.07	131,642	0.41
7	5001	10000	53	0.13	348,333	1.09
8	10001 and above		56	0.13	26,696,040	83.52
Total			**42,027**	**100.00**	**31,960,797**	**100.00**

Shareholding Pattern as on March 31, 2014

Category	No. of shares held	Percentage of shareholding
A. Promoters' Holding		
1. Promoters		
– Indian Promoters	–	–
– Foreign Promoters	23,970,597	75.00
2. Persons Acting In Concert	–	–
Sub-Total	**23,970,597**	**75.00**
B. Non-Promoters' Holding		
3. Institutional Investors		
a. Mutual Funds and UTI	232,781	0.73
b. Banks, Financial Institutions, Insurance Companies (Central/State Govt. Institutions/Non-Govt. Institutions)	296,103	0.93
c. FIIs	595,908	1.86
Sub-Total	**1,124,792**	**3.52**
4. Others		
a. Private Corporate Bodies	902,176	2.82
b. Indian Public	5,771,366	18.06
c. NRIs/OCBs	190,802	0.60
d. Directors and their relatives	270	0.00
e. Any Other (NSDL Transit)	794	0.00
Sub-Total	**6,865,408**	**21.48**
Grand Total	**31,960,797**	**100.00**

Dematerialisation of shares & liquidity

The Company's shares are traded compulsorily in dematerialised form on the stock exchange. As on March 31, 2014, 97.44 per cent of the paid-up share capital of the Company was in dematerialised form.

Outstanding GDR/ADR/Warrants or any Convertible Instruments, conversion dates and likely impact on equity

Not Applicable

Plant location

The Company does not have any manufacturing facility.

Address for correspondence

Shareholders should address their correspondence to the Company's Registrar & Transfer Agents at the address mentioned earlier.

Shareholders may also contact Mr Girish Tekchandani, Company Secretary and Compliance Officer at the Registered Office of the Company situated at Sandoz House, Shivsagar Estate, Dr Annie Besant Road, Worli, Mumbai 400 018.

Telephone No: +91 22 2495 8400/2495 8888

E-mail: girish.tekchandani@novartis.com

Declaration on adherence to the Code of Conduct under Clause 49(I) D of the Listing Agreement

All the Board members and senior management personnel of the Company have confirmed adherence to the Code of Conduct of Novartis India Limited for the financial year ended March 31, 2014.

For Novartis India Limited

RANJIT SHAHANI
Vice Chairman and
Managing Director

Mumbai, May 12, 2014

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 Bombay Stock Exchange for the year ended on March 31, 2014.

In my opinion and to the best of my information and according to the explanations given to me and the representation by the Directors and the management, 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 and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance under Clause 49. The examination is neither an audit nor an expression of opinion on the financial statements of the Company 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 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
Certificate of Practice No. 5144

Pune, May 15, 2014

Independent Auditors' Report
To the Members of Novartis India Limited

Report on the Financial Statements

1. We have audited the accompanying financial statements of Novartis India Limited (the 'company'), which comprise the Balance Sheet as at 31st March, 2014 and the Statement of Profit and Loss and Cash Flow Statement for the year then ended and a summary of significant accounting policies and other explanatory information, which we have signed under reference to this report.

Management's Responsibility for the Financial Statements

2. The company's management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the company in accordance with the Accounting Standards notified under the Companies Act, 1956 of India (the 'Act') read with the General Circular 15/2013 dated 13th September, 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013 of India. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

3. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing and other applicable authoritative pronouncements issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

6. In our opinion and to the best of our information and according to the explanations given to us, the accompanying financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
   (a) in the case of the Balance Sheet, of the state of affairs of the company as at 31st March, 2014;
   (b) in the case of the Statement of Profit and Loss, of the profit for the year ended on that date; and
   (c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

7. As required by 'The Companies (Auditor's Report) Order, 2003', as amended by 'The Companies (Auditor's Report) (Amendment) Order, 2004', issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Act (hereinafter referred to as the 'Order') 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.

8. As required by Section 227(3) of the Act, 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, Statement of Profit and Loss and Cash Flow Statement dealt with by this report are in agreement with the books of account;

   (d) In our opinion, the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this report comply with the Accounting Standards notified under the Act read with the General Circular 15/2013 dated 13th September, 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013 of India;

   (e) On the basis of written representations received from the directors as on 31st March, 2014 and taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2014 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Act.

For Lovelock & Lewes
Firm Registration No. 301056E
Chartered Accountants

Himanshu Goradia
Partner
Membership No. 45668

Mumbai, 22nd May, 2014

Annexure to Independent Auditors' Report

[Referred to in paragraph 7 of the Independent Auditors' Report of even date to the members of Novartis India Limited on the financial statements as of and for the year ended 31st March, 2014]

1. (a) The company is maintaining proper records showing full particulars including quantitative details and situation of fixed assets.

   (b) The fixed assets are physically verified by the management according to a phased programme designed to cover all the items over a period of three years which, in our opinion, is reasonable having regard to the size of the company and the nature of its assets. Pursuant to the programme, a portion of the fixed assets has been physically verified by the management during the year and no material discrepancies have been noticed on such verification.

   (c) In our opinion and according to the information and explanations given to us, a substantial part of fixed assets has not been disposed of by the company during the year.

2. (a) The inventory has been physically verified by the management during the year. In respect of inventory lying with third parties, these have substantially been confirmed by them. 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 not granted any loans, secured or unsecured, to companies, firms or other parties covered in the register maintained under Section 301 of the Act. Accordingly, the provisions of Clause 4(iii)(b) to 4(iii)(d) of the Order are not applicable to the company.

   (b) 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, the provisions of Clause 4(iii)(f) and 4(iii)(g) of the Order are not applicable to the company.

4. In our opinion and according to the information and explanations given to us, 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 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) According to the information and explanations given to us, we are of the opinion that the particulars of all contracts or arrangements that need to be entered into the register maintained under Section 301 of the Act have been so entered.

   (b) In our opinion and according to the information and explanations given to us, in respect of the transactions made in pursuance of such contracts or arrangements and exceeding the value of Rupees Five Lakhs in respect of any party during the year, we are unable to comment whether these transactions have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time as there are no comparable market prices available since these transactions are of specialised/proprietary 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 and 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 the nature of its business.

8. We have broadly reviewed the books of account maintained by the company in respect of 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 in respect of sales tax and service tax though there has been a slight delay in a few cases and is regular in depositing undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income-tax, wealth tax, customs duty, excise duty and other material statutory dues, as applicable, with the appropriate authorities.

   (b) According to the information and explanations given to us and the records of the company examined by us, there are no dues of wealth tax which have not been deposited on account of any dispute. The particulars of dues of income-tax, sales tax, service tax, customs duty and excise duty as at 31st March, 2014 which have not been deposited on account of a dispute, are as follows –

Name of the statute	**Nature of dues**	**Amount ₹ in Million***	**Period to which the amount relates**	**Forum where the dispute is pending**
The Income-tax Act, 1961	Income-tax including tax deducted at source and interest, as applicable	33.0	Assessment Years 1994-1995, 2005-2006, 2009-2010 to 2011-2012 and 2014-2015	Appellate Authority – up to Commissioner's level
		23.0	Assessment Year 2006-2007	Income Tax Appellate Tribunal
The Central Sales Tax Act, 1956 and Local Sales Tax Acts	Sales tax including interest and penalty, as applicable	382.3	2000-2001 to 2010-2011, October 2012 and August 2013	Appellate Authority – up to Commissioner's level
		23.6	1993-1994, 2000-2001 to 2002-2003 and 2004-2005 to 2006- 2007	Tribunal
		0.2	1997-1998	The High Court of Kerala
The Finance Act, 1994	Service tax	4.5	September 2004 to September 2009	Appellate Authority – up to Commissioner's level
The Customs Act, 1962	Customs Duty	0.4	2002-2003	Appellate Authority – up to Commissioner's level
The Central Excise Act, 1944	Excise duty including penalty, as applicable	0.6	1990 and June 1993 to October 1993	Appellate Authority – up to Commissioner's level
		2.4	August 1993 to December 1996	Customs, Excise & Service Tax Appellate Tribunal

* Net of amounts paid including under protest.

10. The company has no accumulated losses as at the end of the financial year and it 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 as at the Balance Sheet date.
12. The company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities. Accordingly, the provisions of Clause 4(xii) of the Order are not applicable to the company.
13. As the provisions of any special statute applicable to chit fund/nidhi/mutual benefit fund/societies are not applicable to the company, the provisions of Clause 4(xiii) of the Order are not applicable to the company.
14. In our opinion, the company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of Clause 4(xiv) of the Order are not applicable to the company.
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. Accordingly, the provisions of Clause 4(xv) of the Order are not applicable to the company.
16. The company has not raised any term loans. Accordingly, the provisions of Clause 4(xvi) of the Order are not applicable to the company.
17. According to the information and explanations given to us and on an overall examination of the Balance Sheet of the company, we report that no funds raised on short-term basis 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. Accordingly, the provisions of Clause 4(xviii) of the Order are not applicable to the company.
19. The company has not issued any debentures during the year and does not have any debentures outstanding as at the beginning of the year and at the year end. Accordingly, the provisions of Clause 4(xix) of the Order are not applicable to the company.
20. The company has not raised any money by public issues during the year. Accordingly, the provisions of Clause 4(xx) of the Order are not applicable to the company.
21. During the course of our examination of the books and records of the company, carried out in accordance with the generally accepted auditing practices in India and according to the information and explanations given to us, we have neither come across any instance of material fraud on or by the company, noticed or reported during the year, nor have we been informed of any such case by the management.

For Lovelock & Lewes
Firm Registration No. 301056E
Chartered Accountants

Himanshu Goradia
Partner
Membership No. 45668

Mumbai, 22nd May, 2014

Balance Sheet as at 31st March 2014

	Note	As at 31st March 2014 in ₹ million	As at 31st March 2014 in ₹ million	As at 31st March 2013 in ₹ million	As at 31st March 2013 in ₹ million
Equity and Liabilities					
Shareholders' Funds					
Share Capital	2	159.8		159.8	
Reserves and Surplus	3	9,453.7		8,842.3	
			9,613.5		**9,002.1**
Non-Current Liabilities					
Other Long-term Liabilities	4	38.8		37.8	
Long-term Provisions	5	247.2		249.7	
			286.0		**287.5**
Current Liabilities					
Trade Payables	6	1,124.3		1,195.9	
Other Current Liabilities	7	426.7		406.9	
Short-term Provisions	8	562.5		519.4	
			2,113.5		**2,122.2**
Total			**12,013.0**		**11,411.8**
Assets					
Non-Current Assets					
Fixed Assets	9				
Tangible Assets		78.7		99.4	
Intangible Assets		—		0.2	
Capital Work-in-Progress		*		2.7	
		78.7		**102.3**	
Non-Current Investments	10	0.3		0.3	
Deferred Tax Assets	11	182.1		162.1	
Long-term Loans and Advances	12	1,140.2		810.9	
Other Non-Current Assets	13	1.3		0.9	
			1,402.6		**1,076.5**
Current Assets					
Inventories	14	1,035.9		1,101.5	
Trade Receivables	15	774.0		824.4	
Cash and Bank Balances	16	168.1		393.0	
Short-term Loans and Advances	17	8,630.1		7,971.1	
Other Current Assets	18	2.3		45.3	
			10,610.4		**10,335.3**
Total			**12,013.0**		**11,411.8**

*Amount is below the rounding off norm adopted by the company.
The Notes are an integral part of the Financial Statements.

In terms of our report of even date

For Lovelock & Lewes
Firm Registration No. 301056E
Chartered Accountants

HIMANSHU GORADIA
Partner
Membership No. 45668

Mumbai, 22nd May 2014

For and on behalf of the Board

C. SNOOK
Chairman

R. SHAHANI
Vice Chairman & Managing Director

GIRISH TEKCHANDANI
Company Secretary & Compliance Officer

J. HIREMATH
Dr R. MEHROTRA
Directors

Mumbai, 22nd May 2014

Statement of Profit and Loss for the year ended 31st March 2014

	Note	Year ended 31st March 2014		Year ended 31st March 2013	
		in ₹ million	in ₹ million	in ₹ million	in ₹ million
Revenue					
Revenue from Operations (Gross)	22	8,652.3		9,065.0	
Less: Excise Duty		30.0		31.4	
Revenue from Operations (Net)		8,622.3		9,033.6	
Other Income	23	951.2		831.9	
Total Revenue			**9,573.5**		**9,865.5**
Expenses					
Cost of Materials Consumed	24	337.3		403.6	
Purchases of Stock-in-Trade		3,530.3		3,579.3	
Changes in Inventories of Finished Goods and Stock-in-Trade	25	63.1		(266.4)	
Employee Benefits Expense	26	1,741.9		1,623.0	
Finance Costs	27	2.7		2.2	
Depreciation and Amortisation Expense	9	36.5		35.9	
Other Expenses	28	2,962.7		2,793.7	
Total Expenses			**8,674.5**		**8,171.3**
Profit before Tax			**899.0**		**1,694.2**
Tax Expense					
For the year					
Current Tax		330.0		570.0	
Deferred Tax		(20.0)		10.5	
		310.0		580.5	
For earlier years					
Current Tax (Net) [Refer Note 50]		(383.1)		(73.7)	
Fringe Benefits Tax		(13.2)		(9.9)	
			(86.3)		**496.9**
Profit for the year			**985.3**		**1,197.3**
Earnings per Share – Basic and Diluted [₹ per Equity Share of ₹ 5 each] [Refer Note 47]			30.83		37.46

The Notes are an integral part of the Financial Statements.

In terms of our report of even date

For Lovelock & Lewes
Firm Registration No. 301056E
Chartered Accountants

HIMANSHU GORADIA
Partner
Membership No. 45668

Mumbai, 22nd May 2014

For and on behalf of the Board

C. SNOOK
Chairman

R. SHAHANI
Vice Chairman & Managing Director

GIRISH TEKCHANDANI
Company Secretary & Compliance Officer

J. HIREMATH
Dr R. MEHROTRA
Directors

Mumbai, 22nd May 2014

1. Significant Accounting Policies

(a) Basis of Preparation

These financial statements are prepared in accordance with the generally accepted accounting principles in India under the historical cost convention on accrual basis. Pursuant to General Circular 15/2013 dated 13th September, 2013 read with General Circular 08/2014 dated 4th April, 2014, till the Standards of Accounting or any addendum thereto are prescribed by Central Government in consultation and recommendation of the National Financial Reporting Authority, the existing Accounting Standards notified under the Companies Act, 1956 (the 'Act') shall continue to apply. Consequently, these financial statements are prepared to comply in all material aspects with the Accounting Standards notified under sub-section (3C) of Section 211 of the Act and the other relevant provisions of the Act.

All assets and liabilities are classified as current or non-current as per the company's normal operating cycle and other criteria set out in Schedule VI to the Act. Based on the nature of products and the time between the acquisition of assets for processing and their realisation in cash and cash equivalents, the company has ascertained its operating cycle as 12 months for the purpose of current – non-current classification of assets and liabilities.

(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 based on useful lives of the assets as estimated by the management, which are higher than those specified in Schedule XIV of the Act. The estimated useful lives of the assets are as under:

Description	Estimated Useful Life
Tangible Assets	
Buildings	40 years
Plant and Equipment	
Computers	3 years
Quality Control Equipment	5 years
Others	12.5 years
Furniture and Fixtures	10 years
Vehicles	5 years
Office Equipment	
Mobile Handsets	2 years
Others	5 years
Intangible Assets	
Trade Marks	5 years

Leasehold Improvements are amortised over the period of lease.

Assessment is carried out at each Balance Sheet date as to whether there is any indication that an asset (tangible and intangible) may be impaired. 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. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(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 Statement of Profit and Loss.

(f) Revenue Recognition

Sales are recognised when the substantial risks and rewards of ownership in the goods are transferred to the customer and are recognised net of trade discounts, rebates, sales tax and excise duty.

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.

Service income is accounted as and when services are rendered and are net of service tax.

Commission income is recognised in respect of sales made on behalf of consignee and are net of service tax.

Interest income is recognised on time proportion basis taking into account the amount outstanding and the rate applicable.

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

(g) 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 Statement of Profit and Loss 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 cash flows 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 Statement of Profit and Loss in the year in which they arise.

(h) Employee Share based Payments

Restricted Shares and Tradable Options granted under “Select” plan are accounted for as per the accounting treatment prescribed by the Guidance Note on Employee Share-based Payments issued by the Institute of Chartered Accountants of India. Amount incurred is charged to the Statement of Profit and Loss on straight line basis over the vesting period of the Restricted Shares and Tradable Options.

(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 for all the timing differences, subject to the consideration of prudence in respect of deferred tax assets. Deferred tax assets are recognised and carried forward only to the extent that there is a reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. Deferred tax assets and liabilities are measured using the tax rates and tax laws that have been enacted or substantively enacted by the Balance Sheet date.

(k) Provisions and Contingent Liabilities

The company recognises a provision when there is a present obligation as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation and in respect of which reliable estimate can be made. A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. Where there is a possible obligation or a present obligation and the likelihood of outflow of resources is remote, no provision or disclosure is made.

(l) Use of Estimates

The preparation of financial statements in accordance with the generally accepted accounting principles requires the management to make estimates and assumptions that affect the reported amounts of assets and liabilities as at the Balance Sheet date and the results of operations during the reporting period. The actual results could differ from these estimates. Any revision to such accounting estimates is recognised in the accounting period in which such revision takes place.

	As at 31st March 2014 in ₹ million	As at 31st March 2013 in ₹ million
2. Share Capital		
Authorised		
64,000,000 Equity Shares of ₹ 5 each	**320.0**	**320.0**
Issued, Subscribed and Paid-up		
31,960,797 Equity Shares of ₹ 5 each fully paid-up	**159.8**	**159.8**

	As at 31st March 2014		As at 31st March 2013	
	No. of Shares	**in ₹ million**	**No. of Shares**	**in ₹ million**
(a) Reconciliation of the number of shares				
Number of shares outstanding as at the beginning of the year	31,960,797	159.8	31,960,797	159.8
Number of shares outstanding as at the end of the year	**31,960,797**	**159.8**	**31,960,797**	**159.8**

(b) The company has only one class of shares i.e. Equity Shares having a face value of ₹ 5 each. Each shareholder is eligible for one vote per share held. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting. In the event of liquidation, the equity shareholders are eligible to receive the remaining assets of the company after distribution of all preferential amounts, in proportion to their shareholding.

(c) Of the above, 23,970,597 (Previous year – 24,424,802) shares are held by Novartis AG, Basel, Switzerland, the holding company.

(d) Shareholder holding more than 5% shares as at the Balance Sheet date

Name of Shareholder	As at 31st March 2014		As at 31st March 2013	
	No. of Shares	**% of Holding**	**No. of Shares**	**% of Holding**
Novartis AG, Basel, Switzerland	23,970,597	75.00%	24,424,802	76.42%

	As at 31st March 2014		As at 31st March 2013	
	in ₹ million	in ₹ million	in ₹ million	in ₹ million
3. Reserves and Surplus				
Capital Subsidy		1.5		1.5
General Reserve				
Balance as at the beginning of the year	3,374.4		3,254.7	
Add: Transfer from Surplus in Statement of Profit and Loss	98.5		119.7	
Balance as at the end of the year		3,472.9		3,374.4
Securities Premium Account		228.8		228.8
Surplus in Statement of Profit and Loss				
Balance as at the beginning of the year	5,237.6		4,533.9	
Profit for the year as per Statement of Profit and Loss	985.3		1,197.3	
	6,222.9		**5,731.2**	
Less: Appropriations				
Proposed Dividend [Refer Note 21]	319.6		319.6	
Tax on Proposed Dividend	54.3		54.3	
Transfer to General Reserve	98.5		119.7	
Balance as at the end of the year		5,750.5		5,237.6
		9,453.7		**8,842.3**

4. Other Long-term Liabilities

Voluntary Retirement Costs [Refer Note 30(b)]		3.3		4.7
Security Deposits		35.5		33.1
		38.8		**37.8**

5. Long-term Provisions

Provision for Employee Benefits		247.2		249.7

6. Trade Payables

Micro and Small Enterprises [Refer Note 31]		4.0		3.6
Others		1,120.3		1,192.3
		1,124.3		**1,195.9**

	As at 31st March 2014 in ₹ million	As at 31st March 2013 in ₹ million
7. Other Current Liabilities		
Current Maturities of Fixed Deposits	1.2	1.8
Interest accrued but not due on Borrowings	*	0.2
Unpaid Dividends@	13.2	13.7
Advances from Customers	25.3	17.7
Employee Benefits Payable	246.2	214.0
Statutory Dues	138.3	157.6
Payables for Fixed Assets	0.8	—
Voluntary Retirement Costs [Refer Note 30(b)]	1.7	1.9
	426.7	**406.9**

@ There are no amounts due for payment to the Investor Education and Protection Fund under Section 205C of the Act as at the year end.

* Amount is below the rounding off norm adopted by the company.

	As at 31st March 2014 in ₹ million	As at 31st March 2013 in ₹ million
8. Short-term Provisions		
Provision for Employee Benefits	68.1	27.3
Provision for Fringe Benefits Tax [Net of Payments of ₹ 117.3 million (Previous year ₹ 117.3 million)]	10.2	23.4
Proposed Dividend [Refer Note 21]	319.6	319.6
Tax on Proposed Dividend	54.3	54.3
Provision for Non-sellable Sales Returns [Refer Note 29]	110.3	94.8
	562.5	**519.4**

9. Fixed Assets

(in ₹ million)

Description	Gross Block (at cost)				Depreciation/Amortisation				Net Block	
	As at 1.4.2013	Additions	Deductions	As at 31.3.2014	As at 1.4.2013	For the year	On Deductions	As at 31.3.2014	As at 31.3.2014	As at 31.3.2013
Tangible Assets										
Buildings	34.7	—	—	34.7	14.1	1.0	—	15.1	19.6	20.6
Plant and Equipment	110.5	9.8	24.9	95.4	79.9	20.9	24.1	76.7	18.7	30.6
Furniture and Fixtures	46.5	0.2	1.5	45.2	22.6	3.4	1.3	24.7	20.5	23.9
Vehicles	10.9	1.5	7.6	4.8	9.5	1.0	6.6	3.9	0.9	1.4
Office Equipment	41.3	6.5	1.6	46.2	24.0	6.3	1.2	29.1	17.1	17.3
Leasehold Improvements	11.3	—	—	11.3	5.7	3.7	—	9.4	1.9	5.6
	255.2	18.0	35.6	237.6	155.8	36.3	33.2	158.9	78.7	99.4
Intangible Assets										
Trade Marks#	2.2	—	—	2.2	2.0	0.2	—	2.2	—	0.2
	2.2	—	—	2.2	2.0	0.2	—	2.2	—	0.2
	257.4	**18.0**	**35.6**	**239.8**	**157.8**	**36.5**	**33.2**	**161.1**	**78.7**	**99.6**
Previous year	235.3	36.9	14.8	257.4	134.2	35.9	12.3	157.8		
Capital Work-in-Progress								.	*	2.7
									78.7	**102.3**

Other than internally generated.

* Amount is below the rounding off norm adopted by the company.

	As at 31st March 2014		As at 31st March 2013	
	in ₹ million	in ₹ million	in ₹ million	in ₹ million
10. Non-Current Investments				
(Non Trade, at cost)				
Quoted				
Investments in fully paid-up Equity Instruments				
12 Shares of ₹ 10 each of Atul Limited	*		*	
100,000 Shares of ₹ 2 each of Housing Development Finance Corporation Limited	0.2		0.2	
2,500 Shares of ₹ 2 each of HDFC Bank Limited	*		*	
		0.2		**0.2**
Unquoted				
Investments in fully paid-up Equity Instruments				
120 Shares of ₹ 50 each of The Malabar Hill Co-operative Housing Society Limited	*		*	
68 Shares of ₹ 50 each of The Palacimo Co-operative Housing Society Limited	*		*	
5 Shares of ₹ 50 each of Jaldarshan Co-operative Housing Society Limited	*		*	
88 Shares of ₹ 50 each of New Gulistan Co-operative Housing Society Limited	*		*	
		*		*
Investment in partly paid-up Equity Instruments				
1 Share 'A' of ₹ 120,000 – ₹ 118,000 paid-up of Hill Properties Limited		0.1		0.1
Investments in fully paid-up $4^{1}/_{8}$% Bonds				
3 Loan Stock Bonds of ₹ 10,000 each of New Gulistan Co-operative Housing Society Limited	*		*	
12 Loan Stock Bonds of ₹ 50 each of New Gulistan Co-operative Housing Society Limited	*		*	
		*		*
		0.3		**0.3**
*Amount is below the rounding off norm adopted by the company.				
Aggregate amount of Quoted Investments		0.2		0.2
Aggregate amount of Unquoted Investments		0.1		0.1
		0.3		**0.3**
Aggregate Market Value of Quoted Investments		90.3		84.1

	As at 31st March 2014		As at 31st March 2013	
	in ₹ million	in ₹ million	in ₹ million	in ₹ million
11. Deferred Tax Assets				
Deferred Tax Assets				
Depreciation/Amortisation	30.5		30.5	
Provision for Doubtful Debts and Advances	31.6		27.5	
Compensation under Voluntary Retirement Schemes	7.5		2.2	
Provision for Employee Benefits	98.7		94.2	
Others	13.8		7.7	
		182.1		**162.1**
Less: Deferred Tax Liability		—		—
		182.1		**162.1**
12. Long-term Loans and Advances				
(Unsecured, Considered Good unless otherwise stated)				
Security Deposits		18.4		54.7
Advances recoverable in cash or in kind or for value to be received				
Considered Good	413.2		403.9	
Considered Doubtful	34.9		35.5	
	448.1		**439.4**	
Less: Provision for Doubtful Advances	34.9		35.5	
		413.2		**403.9**
Current Taxation [Net of Provision of ₹ 5,681.7 million (Previous year ₹ 5,437.2 million)]		707.8		351.5
Fringe Benefits Tax [Net of Provision of ₹ 37.9 million (Previous year ₹ 37.9 million)]		0.8		0.8
		1,140.2		**810.9**
13. Other Non-Current Assets				
Deposits with Banks with more than 12 months maturity		**1.3**		**0.9**
14. Inventories				
(At lower of cost and net realisable value)				
Raw Materials [including in-transit ₹ 34.1 million (Previous year ₹ 21.3 million)]		96.0		94.2
Finished Goods		62.3		108.6
Stock-in-Trade [including in-transit of ₹ 106.7 million (Previous year ₹ 79.2 million)]		869.3		886.1
Packing Materials		8.3		12.6
		1,035.9		**1,101.5**

	As at 31st March 2014		As at 31st March 2013	
	in ₹ million	in ₹ million	in ₹ million	in ₹ million
15. Trade Receivables				
Outstanding for a period exceeding six months from the date they were due for payment				
Secured, Considered Good	0.2		0.5	
Unsecured, Considered Good	14.5		19.5	
Unsecured, Considered Doubtful	58.1		45.5	
	72.8		**65.5**	
Less: Provision for Doubtful Debts	58.1		45.5	
		14.7		**20.0**
Others				
Secured, Considered Good	4.4		1.5	
Unsecured, Considered Good	754.9		802.9	
		759.3		**804.4**
		774.0		**824.4**

	As at 31st March 2014		As at 31st March 2013	
16. Cash and Bank Balances				
Cash and Cash Equivalents				
Balances with Banks				
Current Accounts	104.3		104.8	
Deposit Accounts (less than 3 months maturity)	46.9		247.1	
	151.2		**351.9**	
Cheques on Hand	2.3		3.4	
Cash on Hand	*	-	0.1	
		153.5		**355.4**
Other Bank Balances				
Long-term deposits with maturity more than 3 months but less than 12 months	1.4		23.9	
Unpaid Dividend Accounts	13.2		13.7	
		14.6		**37.6**
		168.1		**393.0**

* Amount is below the rounding off norm adopted by the company.

	As at 31st March 2014		As at 31st March 2013	
17. Short-term Loans and Advances				
(Unsecured, Considered Good)				
Loans and Advances to Related Parties				
Inter-Corporate Deposits#	8,262.3		7,692.3	
Other Receivables	90.2		80.6	
		8,352.5		**7,772.9**
Security Deposits		5.1		1.1
Advances recoverable in cash or in kind or for value to be received		141.9		93.4
Balances with Customs, Excise and Port Trust		22.8		17.4
Current Taxation [Net of Provision of ₹ 2,391.6 million (Previous year ₹ 2,689.2 million)]		107.8		86.3
		8,630.1		**7,971.1**

Guaranteed by Novartis AG, Basel, Switzerland, the holding company.

	As at 31st March 2014		As at 31st March 2013	
	in ₹ million	in ₹ million	in ₹ million	in ₹ million
18. Other Current Assets				
Unbilled Service Income		2.3		45.1
Interest accrued but not due on Deposits with Banks		*		0.2
		2.3		**45.3**
*Amount is below the rounding off norm adopted by the company.				
19. Contingent Liabilities				
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		76.4		301.9
(ii) Matters decided against the company in respect of which the company has preferred an appeal		118.5		119.9
Sales tax matters		463.4		287.5
Service tax matters		4.5		4.5
Excise matters		3.0		3.0
Claims from third party manufacturers in respect of Excise matters		38.0		36.3
Claims from Consumers		0.2		0.2
Others		2.1		2.1

Note:

Future cash outflows in respect of the above are determinable only on receipt of judgements/decisions pending with various authorities/forums and/or final outcome of the matters.

20. Estimated amount of contracts remaining to be executed on capital account and not provided for – Nil (Previous year ₹ 0.8 million).

	As at 31st March 2014	As at 31st March 2013
21. Proposed Dividend		
Proposed Dividend (in ₹ million)	319.6	319.6
Number of shares outstanding as at the end of the year	31,960,797	31,960,797
Dividend per Share (₹ per Equity Share of ₹ 5 each)	10	10

	Year ended 31st March 2014		Year ended 31st March 2013	
	in ₹ million	in ₹ million	in ₹ million	in ₹ million
22. Revenue from Operations				
Sale of Products		8,133.9		8,496.1
Sale of Services		293.9		396.3
Other Operating Revenue				
Commission Income	224.5		172.4	
Sale of Scrap	*		0.2	
		224.5		**172.6**
Revenue from Operations (Gross)		**8,652.3**		**9,065.0**
Less: Excise Duty		30.0		31.4
Revenue from Operations (Net)		**8,622.3**		**9,033.6**
*Amount is below the rounding off norm adopted by the company.				
23. Other Income				
Interest Income		810.9		744.6
Management Fees		54.0		—
Dividend on Long-term Investments – Non Trade		1.3		1.1
Rent		66.4		59.3
Insurance Claims		12.3		0.8
Profit on Sale/Disposal of Fixed Assets (Net)		0.4		—
Liabilities no longer required written back		5.1		15.7
Miscellaneous Income		0.8		10.4
		951.2		**831.9**
24. Cost of Materials Consumed				
Raw Materials Consumed				
Opening Stock	94.2		54.5	
Add: Purchases	332.6		420.4	
	426.8		474.9	
Less: Cost of Raw Materials sold	48.3		30.7	
	378.5		444.2	
Less: Closing Stock	96.0		94.2	
		282.5		**350.0**
Packing Materials Consumed				
Opening Stock	12.6		7.3	
Add: Purchases	50.5		58.9	
	63.1		66.2	
Less: Closing Stock	8.3		12.6	
		54.8		**53.6**
		337.3		**403.6**

	Year ended 31st March 2014		Year ended 31st March 2013	
	in ₹ million	in ₹ million	in ₹ million	in ₹ million
25. Changes in Inventories of Finished Goods, and Stock-in-Trade				
Opening Stock				
Finished Goods	108.6		86.5	
Stock-in-Trade	886.1		641.8	
		994.7		**728.3**
Closing Stock				
Finished Goods	62.3		108.6	
Stock-in-Trade	869.3		886.1	
		931.6		**994.7**
		63.1		**(266.4)**
26. Employee Benefits Expense				
Salaries, Wages and Bonus [Refer Notes 30 and 48]		1,502.1		1,358.8
Contributions to Provident and Other Funds		99.2		112.9
Contributions to Gratuity Fund		21.0		26.6
Restricted Shares and Tradable Options		9.3		2.0
Staff Welfare Expenses		110.3		122.7
		1,741.9		**1,623.0**
27. Finance Costs				
Interest on Fixed Deposits		0.1		0.1
Others		2.6		2.1
		2.7		**2.2**
28. Other Expenses*				
Power and Fuel		38.6		34.0
Water Charges		1.6		1.7
Rent		149.8		126.2
Repairs and Maintenance				
Buildings	3.1		0.6	
Plant and Machinery	1.0		0.6	
Others	15.7		14.9	
		19.8		**16.1**
Insurance		17.2		15.1
Rates and Taxes				
Excise Duty	(9.4)		11.0	
Others	56.9		86.7	
		47.5		**97.7**

	Year ended 31st March 2014		Year ended 31st March 2013	
	in ₹ million	in ₹ million	in ₹ million	in ₹ million
Processing Charges		37.3		36.1
Legal and Professional Charges		76.2		95.1
Travelling and Conveyance		312.9		310.3
Other Outside Services		842.0		761.3
Auditors' Remuneration [Refer Note 37]		8.9		8.2
Freight and Forwarding		356.0		296.9
Commission on Sales		46.4		52.1
Advertisement and Sales Promotion		571.4		530.9
Cash Discount		28.5		26.9
Royalty		105.3		109.0
Bad Debts and Advances written off	21.2		11.6	
Less: Provision	21.2		11.6	
		—		—
Provision for Doubtful Debts and Advances (Net)		33.2		7.4
Loss on Sale/Disposal of Fixed Assets (Net)		—		1.4
Net Loss on Foreign Currency Transactions and Translation		21.6		7.3
Miscellaneous Expenses		248.5		260.0
		2,962.7		**2,793.7**

* Net of expenses recharged to other companies - Refer Note 45

29. Provision for Non-sellable Sales Returns

As at 1st April	94.8	82.9
Provision made during the year	151.1	110.1
Amounts used during the year	135.6	98.2
As at 31st March	110.3	94.8

30. (a) Salaries, Wages and Bonus include ₹ 18.8 million (Previous year ₹ 8.2 million) paid/payable to employees under the Voluntary Retirement Schemes.

(b) Voluntary Retirement Costs represent the actuarial value as at 31st March, 2014 of compensation payable under the Voluntary Retirement Schemes.

31. Disclosures as required under the Micro, Small and Medium Enterprises Development Act, 2006. This information and that given in Note 6 – Trade Payables 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.

	Year ended 31st March 2014	Year ended 31st March 2013
	in ₹ million	in ₹ million
(a) The principal amount and the interest due thereon remaining unpaid to suppliers		
(i) Principal	1.6	2.1
(ii) Interest due thereon	2.4	1.5
	4.0	**3.6**

			Year ended 31st March 2014 in ₹ million	Year ended 31st March 2013 in ₹ million
(b)	(i)	The delayed payments of principal amount paid beyond the appointed date during the entire accounting year	41.2	35.5
	(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	0.9	0.5
	(ii)	Total Interest accrued during the year and remaining unpaid	0.9	0.5

(e) Included in (d) above is – * (Previous year – *) being interest on amounts outstanding as at the beginning of the accounting year (*Amount is below the rounding off norm adopted by the company).

	Year ended 31st March 2014 in ₹ million	Year ended 31st March 2013 in ₹ million
32. Consumption of Raw Materials		
Calcium Gluconate	49.6	40.0
Tiamutin 80% Granules	63.1	123.2
Rifampicin	32.3	37.0
Others	137.5	149.8
	282.5	**350.0**

	% (2014)	in ₹ million (2014)	% (2013)	in ₹ million (2013)
Imported	37.20	105.1	47.17	165.1
Indigenous	62.80	177.4	52.83	184.9
	100.00	**282.5**	**100.00**	**350.0**

Note:

(a) Consumption of Raw Materials represents consumption by third parties under contract with the company and consumption in respect of samples.

	Year ended 31st March 2014	Year ended 31st March 2013
	in ₹ million	in ₹ million
33. Sale of Products (Net of Excise Duty)		
Pharmaceuticals		
Formulations		
Tablets	3,130.9	3,078.0
Capsules	270.4	511.1
Liquid Orals	239.0	238.0
Injectables	1,271.1	1,605.8
Creams & Ointments	210.9	202.4
Patches	46.6	37.4
Vials	254.7	190.1
	5,423.6	**5,862.8**
Generics		
Formulations		
Tablets	419.8	559.1
Liquid – Orals	2.4	2.5
	422.2	**561.6**
OTC		
Powders – Vitamin and Mineral Supplements*	(0.3)	0.4
Tablets	171.0	144.1
Capsules	2.5	3.4
Liquid – Orals	1,051.8	940.8
	1,225.0	**1,088.7**
Animal Health		
Drug Formulations	529.7	538.2
Feed Supplements	503.4	413.4
	1,033.1	**951.6**
	8,103.9	**8,464.7**
*Negative figures are due to sales returns.		
34. Purchases of Stock-in-Trade		
Pharmaceuticals		
Formulations		
Tablets	1,402.1	1,361.9
Capsules	249.3	467.3
Liquid – Orals	166.7	137.4
Injectables	693.6	767.3
Creams and Ointments	65.4	58.6
Patches	52.3	36.8
Vials	165.7	101.0
	2,795.1	**2,930.3**

	Year ended 31st March 2014	Year ended 31st March 2013
	in ₹ million	in ₹ million
Generics		
Formulations		
Tablets	23.7	75.3
Liquid – Orals	0.4	1.4
	24.1	**76.7**
OTC		
Tablets	45.5	32.7
Capsules	0.9	0.8
Liquid – Orals	294.3	276.0
	340.7	**309.5**
Animal Health		
Drug Formulations	98.6	96.5
Feed Supplements	295.7	194.1
	394.3	**290.6**
	3,554.2	**3,607.1**
Less: Sales tax set off	23.9	27.8
	3,530.3	**3,579.3**

35. Opening Stock

Pharmaceuticals		
Formulations		
Tablets	370.1	230.6
Capsules	79.9	72.5
Liquid – Orals	26.0	45.2
Injectables	204.3	133.9
Creams and Ointments	13.6	12.2
Patches	10.5	5.8
Vials	49.6	49.1
	754.0	**549.3**
Generics		
Formulations		
Tablets	53.9	36.5
Liquid – Orals	0.7	0.5
	54.6	**37.0**

	Year ended 31st March 2014	Year ended 31st March 2013
	in ₹ million	in ₹ million
OTC		
Powders – Vitamin and Mineral Supplements	—	0.2
Tablets	5.8	3.7
Capsules	0.2	0.2
Liquid – Orals	44.6	20.7
	50.6	**24.8**
Animal Health		
Drug Formulations	82.4	67.2
Feed Supplements	53.1	50.0
	135.5	**117.2**
	994.7	**728.3**

36. Closing Stock*

Pharmaceuticals		
Formulations		
Tablets	355.0	370.1
Capsules	49.9	79.9
Liquid – Orals	22.9	26.0
Injectables	161.9	204.3
Creams and Ointments	18.0	13.6
Patches	23.4	10.5
Vials	78.7	49.6
	709.8	**754.0**
Generics		
Formulations		
Tablets	8.2	53.9
Liquid – Orals	0.2	0.7
	8.4	**54.6**
OTC		
Tablets	8.2	5.8
Capsules	0.3	0.2
Liquid – Orals	43.4	44.6
	51.9	**50.6**
Animal Health		
Drug Formulations	97.1	82.4
Feed Supplements	64.4	53.1
	161.5	**135.5**
	931.6	**994.7**

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

	Year ended 31st March 2014	Year ended 31st March 2013
	in ₹ million	in ₹ million
37. Auditors' Remuneration		
(including service tax)		
Audit Fees	5.1	4.5
Other Services	3.3	3.5
Reimbursement of Expenses	0.5	0.2
	8.9	**8.2**
38. CIF Value of Imports		
Raw Materials	179.0	168.3
Stock-in-Trade	1,697.8	1,581.0
39. Expenditure in Foreign Currency		
Professional and Consultancy Fees	1.4	0.1
Travelling	13.4	15.1
Other Outside Services	150.7	104.3
Net Loss on Foreign Currency Transactions and Translation	21.6	7.3
Others	31.2	16.7
40. Remittance of Dividend to Non-resident Shareholders		
Number of Shareholders	1	1
Number of Equity Shares held	23,970,597	24,424,802
Amount remitted (in ₹ million)	239.7	244.2
Year to which the dividend related	31st March, 2013	31st March, 2012
41. Earnings in Foreign Exchange		
FOB Value of Exports (excluding exports to Nepal)	79.1	50.2
Sale of Services	42.2	29.0
Freight and Insurance	4.7	4.8
Expenses recharged to Other Companies	17.5	40.6

	Year ended 31st March 2014	Year ended 31st March 2013
	in ₹ million	in ₹ million
42. Expenditure on Research and Development		
Revenue	—	2.2
43. Employee Benefits		
(A) **Defined Contribution Plans**		
The company has recognised the following amounts in the Statement of Profit and Loss:		
(i) Contribution to Employees' Superannuation Fund	28.4	30.0
(ii) Contribution to Contractual Employees' Pension Scheme	9.6	9.1
(B) **Defined Benefit Plans**		
Valuations in respect of Provident Fund, Gratuity, Leave Encashment, Non-Contractual Pension Plan 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)	9.30%	8.10%
(b) Rate of increase in Compensation Levels	First Year – 10.50% Second Year – 11.50% Thereafter – 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	9	9

(in ₹ million)

	Year ended 31st March 2014					Year ended 31st March 2013				
	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
(i) Changes in the Present Value of Obligation										
(a) Opening Present Value of Obligation	1,029.3	239.2	185.5	76.7	22.9	901.9	208.6	155.9	67.8	23.5
(b) Interest Cost	70.9	18.5	13.9	6.6	1.7	74.7	17.4	12.3	5.8	1.9
(c) Past Service Cost	—	—	—	—	—	—	—	—	—	—
(d) Current Service Cost	166.1	22.2	31.7	7.4	0.3	154.0	19.0	25.1	6.4	0.2
(e) Curtailment Cost/(Credit)	—	—	—	—	—	—	—	—	—	—
(f) Settlement Cost/(Credit)	—	—	—	—	—	—	—	—	—	—
(g) Obligations transferred from previous/(to subsequent) employers	28.5	0.6	—	—	—	8.2	0.5	(0.6)	2.3	—
(h) Benefits Paid	(136.0)	(23.6)	(28.1)	(0.4)	(3.7)	(103.7)	(12.2)	(25.9)	(0.9)	(2.9)
(i) Actuarial (Gain)/Loss	13.5	(16.0)	(5.0)	3.0	19.8	(5.8)	5.9	18.7	(4.7)	0.2
(j) Closing Present Value of Obligation	1,172.3	240.9	198.0	93.3	41.0	1,029.3	239.2	185.5	76.7	22.9
(ii) Changes in the Fair Value of Plan Assets										
(a) Opening Fair Value of Plan Assets	1,014.8	203.8	—	73.9	—	892.9	166.7	—	64.8	—
(b) Expected Return on Plan Assets	69.7	15.9	—	6.4	—	74.0	14.6	—	5.6	—
(c) Actuarial (Loss)/Gain	30.2	(9.4)	—	(0.5)	—	(8.8)	1.2	—	(4.3)	—
(d) Employers' Contributions	65.5	—	28.1	3.7	3.7	60.4	33.0	25.9	3.2	2.9
(e) Employees' Contributions	98.0	—	—	3.7	—	91.8	—	—	3.2	—
(f) Assets transferred from previous/(to subsequent) employers	28.5	0.6	—	—	—	8.2	0.5	—	2.3	—
(g) Benefits Paid	(136.0)	(23.6)	(28.1)	(0.4)	(3.7)	(103.7)	(12.2)	(25.9)	(0.9)	(2.9)
(h) Closing Fair Value of Plan Assets	1,170.7	187.3	—	86.8	—	1,014.8	203.8	—	73.9	—
(iii) Percentage of each Category of Plan Assets to total Fair Value of Plan Assets at the year end										
(a) Bank Deposits (Special Deposit Scheme, 1975)	33%	10%	—	—	—	45%	11%	—	—	—
(b) Debt Instruments	67%	20%	—	—	—	55%	27%	—	—	—
(c) Administered by Life Insurance Corporation of India	—	70%	—	100%	—	—	62%	—	100%	—
(d) Others	—	—	—	—	—	—	—	—	—	—
(iv) Reconciliation of the Present Value of Defined Benefit Obligation and the Fair Value of Assets										
(a) Present Value of Funded Obligation as at the year end	1,172.3	240.9	—	93.3	—	1,029.3	239.2	—	76.7	—
(b) Fair Value of Plan Assets as at the year end	1,170.7	187.3	—	86.8	—	1,014.8	203.8	—	73.9	—
(c) Funded Liability recognised in the Balance Sheet	1.6	53.6	—	6.5	—	14.5	35.4	—	2.8	—
(d) Present Value of Unfunded Obligation as at the year end	—	—	198.0	—	41.0	—	—	185.5	—	22.9
(e) Unrecognised Past Service Cost	—	—	—	—	(0.5)	—	—	—	—	(0.6)
(f) Unrecognised Actuarial (Gains)/Losses	—	—	—	—	—	—	—	—	—	—
(g) Unfunded Net Liability recognised in the Balance Sheet	—	—	198.0	—	40.5	—	—	185.5	—	22.3
(v) Amount recognised in the Balance Sheet										
(a) Present Value of Obligation as at the year end	1,172.3	240.9	198.0	93.3	40.5	1,029.3	239.2	185.5	76.7	22.3
(b) Fair Value of Plan Assets as at the year end	1,170.7	187.3	—	86.8	—	1,014.8	203.8	—	73.9	—
(c) Liability recognised in the Balance Sheet	1.6	53.6	198.0	6.5	40.5	14.5	35.4	185.5	2.8	22.3
	Year ended 31st March 2012					Year ended 31st March 2011				
(a) Present Value of Obligation as at the year end	901.9	208.6	155.9	67.8	22.8	812.5	186.1	134.6	55.9	21.3
(b) Fair Value of Plan Assets as at the year end	892.9	166.7	—	64.8	—	801.7	136.8	—	55.9	—
(c) Liability recognised in the Balance Sheet	9.0	41.9	155.9	3.0	22.8	10.8	49.3	134.6	—	21.3
	Year ended 31st March 2010									
(a) Present Value of Obligation as at the year end	688.7	135.2	135.0	50.7	24.0					
(b) Fair Value of Plan Assets as at the year end	685.7	113.8	—	50.7	—					
(c) Liability recognised in the Balance Sheet	3.0	21.4	135.0	—	24.0					
(vi) Expenses recognised in the Statement of Profit and Loss										
(a) Current Service Cost	166.1	22.2	31.7	7.4	0.3	154.0	19.0	25.1	6.4	0.2
(b) Past Service Cost	—	—	—	—	—	—	—	—	—	—
(c) Interest Cost	70.9	18.5	13.9	6.6	1.7	74.7	17.4	12.3	5.8	1.9
(d) Expected Return on Plan Assets	(69.7)	(15.9)	—	(6.4)	—	(74.0)	(14.6)	—	(5.6)	—
(e) Curtailment Cost/(Credit)	—	—	—	—	—	—	—	—	—	—
(f) Settlement Cost/(Credit)	—	—	—	—	—	—	—	—	—	—
(g) Net Actuarial (Gain)/Loss	(16.7)	(6.6)	(5.0)	3.5	19.8	3.0	4.7	18.7	(0.4)	0.2
(h) Employees' Contribution	(98.0)	—	—	(3.7)	—	(91.8)	—	—	(3.2)	—
(i) Total Expenses recognised in the Statement of Profit and Loss	52.6	18.2	40.6	7.4	21.8	65.9	26.5	56.1	3.0	2.3

(c) Other Long-term Employee Benefit

The liability for Long Service Awards as at the year end ₹ 15.1 million [Previous year ₹ 16.5 million].

	Year ended 31st March 2014 in ₹ million	Year ended 31st March 2013 in ₹ million
44. Segment Information		
(A) Information in respect of Primary Segments		
(I) Segment Revenue		
Pharmaceuticals	5,805.8	6,348.5
Generics	524.3	625.2
OTC	1,255.1	1,104.6
Animal Health	1,037.1	955.3
	8,622.3	**9,033.6**
(II) Segment Result		
Pharmaceuticals	(70.6)	737.8
Generics	60.4	220.8
OTC	141.6	162.5
Animal Health	58.8	40.2
	190.2	1,161.3
Unallocated Corporate Income net of Unallocated Corporate Expenditure	(100.7)	(210.6)
Operating Profit	89.5	950.7
Finance Costs	(2.7)	(2.2)
Interest and Dividend Income	812.2	745.7
Tax Expense	86.3	(496.9)
Profit for the year	**985.3**	**1,197.3**
(III) Other Information		
(a) Segment Assets		
Pharmaceuticals	1,588.8	1,655.6
Generics	97.7	220.0
OTC	161.9	157.3
Animal Health	519.2	461.5
	2,367.6	2,494.4
Unallocated Corporate Assets	9,645.4	8,917.4
	12,013.0	**11,411.8**
(b) Segment Liabilities		
Pharmaceuticals	1,381.7	1,396.8
Generics	103.0	116.4
OTC	240.3	211.1
Animal Health	157.6	135.1
	1,882.6	1,859.4
Unallocated Corporate Liabilities	516.9	550.3
	2,399.5	**2,409.7**
(c) Capital Expenditure		
Pharmaceuticals	8.2	5.3
Generics	—	—
OTC	0.3	0.6
Animal Health	1.8	0.8
	10.3	6.7
Unallocated Corporate Capital Expenditure	5.0	31.9
	15.3	**38.6**

	Year ended 31st March 2014 in ₹ million	Year ended 31st March 2013 in ₹ million
(d) Depreciation and Amortisation Expense		
Pharmaceuticals	24.6	22.4
Generics	0.5	0.3
OTC	2.3	3.4
Animal Health	1.5	2.5
	28.9	28.6
Unallocated Corporate Depreciation and Amortisation Expense	7.6	7.3
	36.5	**35.9**
Note: There are no non-cash expenses other than Depreciation and Amortisation Expense		
(B) Information in respect of Secondary Segments		
(I) Segment Revenue		
India	8,463.5	8,902.5
Other Countries	158.8	131.1
	8,622.3	**9,033.6**
(II) Carrying amount of Segment Assets		
India	12,013.0	11,411.8
Other Countries	—	—
	12,013.0	**11,411.8**
(III) Capital Expenditure		
India	15.3	38.6
Other Countries	—	—
	15.3	**38.6**

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.

45. **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
- Alcon Laboratories (India) Private Limited, India
- Alcon Pharmaceuticals Limited, Switzerland
- Befico Limited, Bermuda
- Chiron Behring Vaccines Private Limited, India
- Novartis (Bangladesh) Limited, Bangladesh
- Novartis (Singapore) Pte Ltd, Singapore
- Novartis (Taiwan) Co. Ltd, Taiwan
- Novartis (Thailand) Limited, Thailand
- Novartis Animal Health GmbH, Austria
- Novartis Animal Health Inc., Switzerland
- Novartis Animal Health US Inc., USA
- Novartis Asia Pacific Pharmaceuticals Pte. Limited, Singapore
- Novartis Consumer Health Inc., USA
- Novartis Consumer Health SA, Switzerland
- Novartis Healthcare Private Limited, India
- Novartis Holding AG, Switzerland
- Novartis International AG, Switzerland
- Novartis Pharma AG, Switzerland
- Novartis Pharma GmbH, Germany
- Novartis Pharma Services AG, Switzerland
- Novartis Pharmaceuticals (HK) Limited, Hong Kong
- Novartis Pharmaceuticals Australia Pty Limited, Australia
- Novartis Pharmaceuticals Corporation Inc., USA
- Novartis South Africa (Pty) Ltd., South Africa
- Novartis Vaccines and Diagnostics Inc., USA
- PT Novartis Indonesia, Indonesia
- Sandoz Private Limited, India
- Shanghai Novartis Animal Health Co. Limited, China

(b) Key Management Personnel
- R. Shahani
- P. Gupta (Up to 30th September, 2013)
- A. Matai
- V. Singhal
- Dr. V. A. Kumar
- A. Sharma (Up to 6th February, 2013)
- M. Patil (From 1st October, 2013)
- D. Charak (From 23rd July, 2013)
- M. Noble (From 1st October, 2013)
- G. Tekchandani

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

	Year ended 31st March 2014 in ₹ million	Year ended 31st March 2014 in ₹ million	Year ended 31st March 2013 in ₹ million	Year ended 31st March 2013 in ₹ million
(a) Holding Company				
Dividend paid		239.7		244.2
Royalty Expense		78.0		73.8
Balance as at the year end – Outstanding Payable		30.9		33.1
(b) Fellow Subsidiaries				
Purchases of Stock-in-Trade				
Alcon Pharmaceuticals Limited	205.3		101.0	
Novartis Pharma AG	1,406.5		1,440.4	
Sandoz Private Limited	1.3		7.8	
		1,613.1		1,549.2
Purchases of Raw Materials				
Novartis Animal Health GmbH	—		24.5	
Novartis Animal Health Inc.	109.5		78.4	
Novartis Pharma AG	11.8		27.0	
Sandoz Private Limited	18.7		62.8	
Shanghai Novartis Animal Health Co. Limited	40.7		23.8	
		180.7		216.5

Notes forming part of the Financial Statements as at and for the year ended 31st March 2014

	Year ended 31st March 2014		Year ended 31st March 2013	
	in ₹ million	in ₹ million	in ₹ million	in ₹ million
Sale of Products				
Novartis (Bangladesh) Limited	60.4		41.2	
Sandoz Private Limited	7.5		0.2	
Novartis (Thailand) Limited	1.7		3.3	
		69.6		44.7
Sale of Services				
Novartis Healthcare Private Limited	131.0		290.3	
Sandoz Private Limited	115.4		77.8	
Others	47.5		28.2	
		293.9		396.3
Income from Management Fees				
Novartis Healthcare Private Limited	22.0		—	
Sandoz Private Limited	13.0		—	
Alcon Laboratories (India) Private Limited	19.0		—	
		54.0		—
Commission Income				
Novartis Healthcare Private Limited		224.5		172.4
Rent Income				
Novartis Healthcare Private Limited		24.1		19.7
Commission on Sales				
Sandoz Private Limited		17.5		22.3
Rent Expense				
Sandoz Private Limited		14.9		14.9
Services Availed				
Novartis Healthcare Private Limited	102.3		88.1	
Novartis Pharma AG	154.0		104.3	
Alcon Laboratories (India) Private Limited	2.8		2.8	
Novartis Asia Pacific Pharmaceuticals Pte. Limited	3.1		—	
Sandoz Private Limited	99.0		90.5	
		361.2		285.7
Purchase of Restricted Shares and Tradable Options				
Befico Limited		23.5		24.1
Forfeiture of Restricted Shares				
Novartis Holding AG		1.7		—
Expense recharged by Other Companies				
Novartis International AG	2.5		1.9	
Novartis Pharma AG	3.1		—	
Novartis Pharmaceuticals Corporation Inc.	2.7		3.2	
Novartis Healthcare Private Limited	13.0		7.7	
Others	1.3		6.5	
		22.6		19.3
Expenses recharged to Other Companies				
Novartis Healthcare Private Limited	45.5		50.3	
Novartis Pharmaceuticals (HK) Limited	—		7.5	
Novartis Pharma AG	10.5		38.4	
Others	10.7		13.1	
		66.7		109.3

Notes forming part of the Financial Statements as at and for the year ended 31st March 2014

	Year ended 31st March 2014		Year ended 31st March 2013	
	in ₹ million	in ₹ million	in ₹ million	in ₹ million
Inter-corporate Deposits Placed				
Alcon Laboratories (India) Private Limited	14,154.2		7,256.3	
Novartis Healthcare Private Limited	15,714.1		13,463.5	
Sandoz Private Limited	34,842.3		27,699.4	
		64,710.6		48,419.2
Interest Income on Inter-corporate Deposits Placed				
Alcon Laboratories (India) Private Limited	138.1		231.0	
Novartis Healthcare Private Limited	152.2		137.8	
Sandoz Private Limited	516.7		358.6	
		807.0		727.4
Balances as at the year end –				
Outstanding Receivables				
Novartis Healthcare Private Limited	115.3		46.5	
Sandoz Private Limited	67.9		104.8	
Alcon Laboratories (India) Private Limited	22.4		19.5	
Others	18.9		15.7	
		224.5		186.5
Inter-corporate Deposits Receivable				
Alcon Laboratories (India) Private Limited	2,589.6		2,216.5	
Novartis Healthcare Private Limited	838.9		1,550.8	
Sandoz Private Limited	4,833.8		3,925.0	
		8,262.3		7,692.3
Outstanding Payables				
Novartis Pharma AG	208.5		215.1	
Novartis Healthcare Private Limited	62.2		70.3	
Befico Limited	49.1		24.1	
Sandoz Private Limited	24.1		39.5	
Others	64.2		32.2	
		408.1		381.2
(c) Key Management Personnel				
Remuneration@				
R. Shahani#	21.8		18.1	
P. Gupta	10.1		13.7	
M. Patil#*	9.5		—	
A. Matai#	29.6		28.2	
V. Singhal	17.3		13.7	
Dr. V. A. Kumar#	8.3		8.1	
A. Sharma	—		15.0	
D. Charak*	7.1		—	
M. Noble*	4.9		—	
G. Tekchandani	6.1		5.0	
		114.7		101.8

@Excludes Provision for Employee Benefits, Restricted Shares and Tradable Options.

#Excludes the value of Restricted Shares and Tradable Options exercised during the year, granted by Novartis AG, the ultimate holding company. Cost of these Restricted Shares and Tradable Options was not compensated by the company to Novartis AG.

*Not a Key Management Person in the previous year.

	Year ended 31st March 2014 in ₹ million	Year ended 31st March 2013 in ₹ million
46. Disclosures for Operating Leases		
(I) Disclosures in respect of residential/office premises (including furniture and fixtures therein, as applicable) and vehicles taken on lease on or after 1st April, 2001		
(a) Lease payments recognised in the Statement of Profit and Loss	63.0	56.4
(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 ₹ 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	21.8	5.6
(ii) Later than one year and not later than five years	29.1	7.3
(iii) Later than five years	—	—
(II) Disclosures in respect of residential premises owned by the company and given on leave and licence basis on or after 1st April, 2001		
(a) Forming part of 'Buildings' in Note 9 – Fixed Assets, in respect of the aforesaid premises –		
(i) Gross carrying amount as at the year end	12.1	12.1
(ii) Accumulated Depreciation as at the year end	3.2	2.9
(iii) Depreciation recognised in the Statement of Profit and Loss for the period the premises are given on leave and licence basis	0.3	0.3
(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.		

47. 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 31st March 2014	Year ended 31st March 2013
Profit for the year (in ₹ million)	985.3	1,197.3
Weighted average number of shares	31,960,797	31,960,797
Earnings per Share (₹ per Equity Share of ₹ 5 each) – Basic and Diluted	30.83	37.46

48. Disclosures for Employee Share based Payments

The Institute of Chartered Accountants of India has issued a Guidance Note on "Accounting for Employee Share based Payments" ('the Guidance Note'), which is applicable to employee share based payment plans, the grant date in respect of which falls on or after 1st April, 2005. The company offers its employees, share based payments in the form of a "Select" plan. The Equity Plan "Select" is a global equity incentive plan for eligible employees. This plan allows it participants to choose the form of their equity compensation in 'Restricted Shares' or 'Tradable Options' of the ultimate holding company, Novartis AG, Basel. The "Select" plan of the ultimate holding company is being managed and administered by the group company, Befico Limited, Bermuda and the company is compensating Befico Limited for the grants made to the employees with effect from January 2013 and accordingly, these costs are being reflected in the financial statements. The information given below, in respect of the Select plan has been determined and provided by the ultimate holding company.

There are two schemes under which employees are granted stock options:

(A) A Tradable Stock Options, as per which the employee can sell it to market maker once its vested. Tradable Options have a contractual life of 10 years from the date of grant.

(B) Restricted Shares, which are the shares of its ultimate holding company. This does not have voting rights until vested to employees. Unlike Tradable Options, there is no time limit to sell the Restricted Shares once these are vested.

	Tradable Options		**Restricted Shares**	
	Year ended 31st March		**Year ended 31st March**	
	2014	**2013**	**2014**	**2013**
Type of Arrangement				
(i) Date of Grant	—	#	@	#
(ii) Numbers Granted	—	22,040	4,681	5,170
(iii) Contractual Life (in years)	—	10	—	—
(iv) Weighted average remaining contractual life (in years)	—	10	—	—
(v) Vesting Conditions	—	3 years	3 years	3 years

#17th January, 2013
@22nd January, 2014

Details of movement of grants under the two stock option plans for the year:

	Tradable Options		**Restricted Shares**	
	Year ended 31st March		**Year ended 31st March**	
	2014	**2013**	**2014**	**2013**
(i) Balance at the beginning of the year	22,040	—	5,170	—
(ii) Granted	—	22,040	4,681	5,170
(iii) Grants forfeited	—	—	463	—
(iv) Grants expired	—	—	—	—
(v) Grants exercised	—	—	—	—
(vi) Balance at the end of the year	22,040	22,040	9,388	5,170

	in ₹ million	**in ₹ million**	**in ₹ million**	**in ₹ million**
Movement of amount recorded in Financial Statements:				
Balance amount to be expensed out over the remaining vesting period brought forward from previous year	5.0	—	17.1	—
Total amount incurred during the year	—	5.5	23.5	18.6
Grants forfeited	—	—	1.7	—
Expenses arising*	1.8	0.5	7.5	1.5
Balance amount to be expensed out over the remaining vesting period**	3.2	5.0	31.4	17.1

*Included under Employee Benefits Expense in Note 26

**Included under Advances recoverable in cash or in kind or for value to be received in Notes 12 and 17

49. The foreign currency outstanding balances that have not been hedged by any derivative instrument or otherwise as at the Balance Sheet date are as follows:

Particulars		Year ended 31st March 2014 Amount in Foreign Currency	Year ended 31st March 2014 Amount in ₹	Year ended 31st March 2013 Amount in Foreign Currency	Year ended 31st March 2013 Amount in ₹
		million	million	million	million
Receivables	USD	0.4	26.5	0.3	18.8
Payables	USD	4.7	283.8	4.7	257.5
	CHF	0.6	42.2	0.3	14.9
	EUR	0.1	6.0	*	1.2

* Amount is below the rounding off norm adopted by the company.

50. Current Tax credit (Net) of ₹ 383.1 million for earlier years includes write back of provision for current tax for the Assessment Year 1995-1996 amounting to ₹ 366.9 million (net of additional current tax charge for the Assessment Years 1992-1993 to 1994-1995 amounting to ₹ 20.8 million on account of various matters). The aforesaid write back is on account of a favourable Order of the Income Tax Appellate Tribunal, received during the year, for non-taxability of consideration from sale of an undertaking.

51. Transactions with GSK and Lilly

On 22nd April, 2014, Novartis AG, Basel, Switzerland (Novartis) entered into the following agreements with GlaxoSmithKline plc, UK (GSK) and Eli Lilly and Company, USA (Lilly).

(a) Combination of Novartis OTC with GSK Consumer Healthcare in a Joint Venture

Novartis and GSK have agreed to create a consumer healthcare business through a joint venture between Novartis OTC and GSK Consumer Healthcare. Upon completion, Novartis will own a 36.5% share of the joint venture and will have four of eleven seats on the joint venture's Board. The transaction with GSK is subject to approval by GSK shareholders and other closing conditions, including anti-trust approvals. The transaction is expected to close during the first half of 2015.

(b) Divestment of Novartis Animal Health business to Lilly

In a separate transaction, Novartis has agreed to divest its Animal Health business to Lilly. The transaction is subject to closing conditions, including anti-trust approvals and is expected to close by the end of the first quarter of 2015.

The company will evaluate and take necessary approvals as may be required under applicable laws and regulations in India at the appropriate time.

52. Previous year figures have been regrouped where necessary.

Signatures to Notes 1 to 52

In terms of our report of even date	For and on behalf of the Board	
For Lovelock & Lewes Firm Registration No. 301056E *Chartered Accountants*	C. SNOOK *Chairman*	R. SHAHANI *Vice Chairman & Managing Director*
HIMANSHU GORADIA *Partner* Membership No. 45668	GIRISH TEKCHANDANI *Company Secretary & Compliance Officer*	J. HIREMATH Dr R. MEHROTRA } *Directors*
Mumbai, 22nd May 2014	Mumbai, 22nd May 2014	

Cash Flow Statement for the year ended 31st March 2014

		Year ended 31st March 2014		Year ended 31st March 2013	
		in ₹ million	in ₹ million	in ₹ million	in ₹ million
A.	**Cash flow from operating activities**				
	Net Profit before Tax		**899.0**		**1,694.2**
	Adjustments for –				
	Depreciation and Amortisation Expense	36.5		35.9	
	Interest Income	(810.9)		(744.6)	
	Dividend Income	(1.3)		(1.1)	
	(Profit)/Loss on Sale/Disposal of Fixed Assets (Net)	(0.4)		1.4	
	Interest Expense	2.7		2.2	
	Unrealised Net Gain on Foreign Currency Translations	(4.2)		(3.4)	
			(777.6)		(709.6)
	Operating profit before working capital changes		**121.4**		**984.6**
	Adjustments for –				
	Trade and Other Receivables	88.7		(253.4)	
	Inventories	65.6		(311.4)	
	Trade and Other Payables	9.9		260.7	
			164.2		(304.1)
	Cash generated from operations		**285.6**		**680.5**
	Direct Taxes paid (net of refund of taxes)		(307.8)		(606.2)
	Net cash (used in)/from operating activities		**(22.2)**		**74.3**
B.	**Cash flow from investing activities**				
	Purchase of Fixed Assets	(15.3)		(38.6)	
	Sale of Fixed Assets	2.8		1.1	
	Inter-corporate Deposits placed	(64,710.6)		(48,419.2)	
	Refund of Inter-corporate Deposits placed	64,140.6		47,522.4	
	Interest received	779.4		772.6	
	Dividend received	1.3		1.1	
	Net cash from/(used in) investing activities		**198.2**		**(160.6)**

Cash Flow Statement for the year ended 31st March 2014

	Year ended 31st March 2014		Year ended 31st March 2013	
	in ₹ million	in ₹ million	in ₹ million	in ₹ million
C. Cash flow from financing activities				
Repayment of Long-term Borrowings	(0.6)		(0.1)	
Interest paid	(2.9)		(2.1)	
Dividend paid	(320.1)		(319.3)	
Tax paid on Dividend	(54.3)		(51.8)	
Net cash used in financing activities		**(377.9)**		**(373.3)**
Net decrease in cash and cash equivalents		**(201.9)**		**(459.6)**
Cash and Cash Equivalents – Opening Balance		355.4		815.0
Cash and Cash Equivalents – Closing Balance		153.5		355.4

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, notified under sub-section 3(C) of Section 211 of the Companies Act, 1956 [Refer Note 1(a)].
2. Previous year figures have been regrouped where necessary.

In terms of our report of even date

For Lovelock & Lewes

Firm Registration No. 301056E
Chartered Accountants

HIMANSHU GORADIA
Partner
Membership No. 45668

Mumbai, 22nd May 2014

For and on behalf of the Board

C. SNOOK
Chairman

R. SHAHANI
Vice Chairman & Managing Director

GIRISH TEKCHANDANI
Company Secretary & Compliance Officer

J. HIREMATH
Dr R. MEHROTRA
} *Directors*

Mumbai, 22nd May 2014

NOTES

FINANCIAL SUMMARY FOR 10 YEARS

in ₹ million

	2013-14	2012-13	2011-12	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05
I. SALE, PROFIT & DIVIDEND										
Sales of Products (Net)	**8104**	8465	7928	7086	6241	5995	5535	5422	5259	4715
Profit Before Tax (PBT)	**899**	1694	2247	2189	1798	1729	1543	1353	1489	1040
Profit After Tax (PAT)	**985**	1197	1520	1467	1160	1037	972	885	1079	651
Dividend	**320**	320	320	320	320	320	320	320	479	320
Dividend – ₹ per share	**10.0**	10.0	10.0	10.0	10.0	10.0	10.0	10.0	15.0	10.0
II. SHAREHOLDERS' FUND										
Share Capital	**160**	160	160	160	160	160	160	160	160	160
Reserves and Surplus	**9454**	8842	8019	6870	5775	4987	4324	3726	3216	2684
Net Worth (Shareholders' Fund)	**9614**	9002	8179	7030	5935	5147	4484	3886	3376	2844
III. RATIOS										
Return on Sales (PAT) %	**12.2**	14.1	19.2	20.7	18.6	17.3	17.6	16.3	20.5	13.8
Return on Shareholders' Funds (PAT) %	**10.2**	13.3	18.6	20.9	19.5	20.1	21.7	22.8	32.0	22.9
Earning Per Share (calculated on PAT) ₹	**30.83**	37.46	47.56	45.89	36.29	32.45	30.42	27.71	33.76	20.37

The Source/Vakils

NOVARTIS

NOVARTIS INDIA LIMITED

CIN: L24200MH1947PLC006104
Registered Office: Sandoz House, Shivsagar Estate, Dr Annie Besant Road, Worli, Mumbai 400 018
Tel : +91 22 2495 8400/24958888, Fax : +91 22 2495 0221, Website : www.novartis.in

Serial No. :

Name of the Member(s) :

Registered Address :

Folio No./Client ID :

DP ID :

No. of shares held :

Please find enclosed the Annual Report along with the Notice convening 66th Annual General Meeting (AGM) of the Company scheduled on Friday, July 25, 2014 at 11.30 a.m. at Hall of Culture, Nehru Centre, Dr Annie Besant Road, Worli, Mumbai 400 018.

Pursuant to provisions of Section 108 of the Companies Act, 2013, read with the Companies (Management and Administration) Rules, 2014, the Company is pleased to offer e-voting facility to cast votes electronically on all resolutions set forth in the Notice convening the 66th AGM of the Company. The Company has engaged the services of National Securities Depository Limited ("NSDL") to provide e-voting facility.

In this regard, please find below User ID and Password for e-voting:

EVEN (E-Voting Event Number)	User ID	Password

Please read the instructions printed below before exercising your vote.

Steps for e-voting:

1. Open the internet browser and type URL: https://www.evoting.nsdl.com/
2. Click on Shareholder – Login.
3. If you are already registered with NSDL for e-voting, then you can use your existing User ID and Password for Login.
4. If you are logging in for the first time, please enter User ID and Password provided above.
5. Password change menu will appear. Change the password/PIN with a new password of your choice with minimum 8 digits/characters or combination thereof. Please note your new password. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential.

6. E-voting home page will open. Click on e-voting: Active Voting Cycles.
7. Select "EVEN" of Novartis India Limited.
8. Once the Cast Vote page opens, you are ready for e-voting.
9. Cast your vote by selecting appropriate option and click on "Submit" and also "Confirm" when prompted.
10. Upon confirmation, the message "Vote cast successfully" will be displayed.
11. Once you have voted on the resolution, you will not be allowed to modify your vote.
12. Institutional shareholders (i.e. members other than individuals, HUF, NRI etc.) are required to send a scanned copy (PDF/JPEG Format) of the relevant Board resolution/authority letter etc. together with attested specimen signature of the duly authorized signatory(ies) who are authorized to vote, to the Scrutinizer through e-mail at contact@csakta.com with a copy marked to evoting@nsdl.co.in. The relevant Board resolution/authority letter etc. together with attested specimen signature of the duly authorized signatory(ies) should be mailed before the voting period ends.
13. In case of any queries, you may refer to the Frequently Asked Questions (FAQs) for shareholders and e-voting user manual for shareholders available from the "Downloads" section of https://www.evoting.nsdl.com

General Instructions

1. The e-voting period commences on Wednesday, July 16, 2014 (10.00 a.m.) and will end on Friday, July 18, 2014 (6.00 p.m.). During this period Members of the Company, holding shares either in physical form or in dematerialized form, as on the cut-off date, being June 20, 2014, may cast their vote electronically in the manner and process as set out above. The e-voting module shall be disabled by NSDL for voting thereafter.
2. The voting rights of Members shall be in proportion to their shares of the paid up equity share capital of the Company as on the cut-off date being June 20, 2014.
3. Mr Amit Trivedi, practicing Company Secretary (Membership No. 19738), has been appointed as the Scrutinizer to scrutinize the e-voting process in a fair and transparent manner.
4. The Scrutinizer shall within a period not exceeding three (3) working days from the conclusion of the e-voting period unblock the votes in the presence of at least two (2) witnesses not in the employment of the Company and make a Scrutinizer's Report of the votes cast in favour or against, if any, forthwith to the Chairman of the Company.
5. The result of e-voting will be declared on or after the AGM of the Company. The Results declared along with the Scrutinizer's Report shall be placed on the Company's website www.novartis.in and on the website of NSDL within two (2) days of passing of the resolutions at the 66th AGM of the Company and will be communicated to Bombay Stock Exchange Limited.

FORM A

1.	Name of the Company	Novartis India Limited
2.	Annual Financial Statements for the year ended	31st March, 2014
3.	Type of Audit Observation	Un-qualified
4.	Frequency of Observation	Not Applicable
5.	To be signed by- • CEO/Managing Director • CFO • Auditor of the company • Audit Committee Chairman	Refer below

Auditors of the Company

For Lovelock & Lewes
Firm Registration No. 301056E
Chartered Accountants

Himanshu Goradia
Partner
Membership No. 45668
Mumbai, 13th June, 2014

For Novartis India Limited

Ranjit Shahani
Vice Chairman and Managing Director

Jai Hiremath
Chairman of the Audit Committee

Monaz Noble
Chief Financial Officer

Mumbai, 13th June, 2014