



Novartis India Limited
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CIN No. L24200MH1947PLC006104
Website: www.novartis.in

August 19, 2019

The Secretary
BSE Limited
Phiroze Jeejeebhoy Towers,
Dalal Street,
Mumbai - 400 001

Sub.: Annual Report of Novartis India Limited (“the Company”) for the Financial Year 2018-19

- Ref.: 1. Regulation 34 and other applicable provisions of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“SEBI Listing Regulations”)**
2. Scrip Code: 500672

Dear Sir/ Madam,

The 71st Annual General Meeting of the Company was held on Friday, August 9, 2019 at 11:30 a.m. at Mumbai Cricket Association [MCA] Banquet Hall, Ground Floor, G Block BKC, RG – 2, Bandra (E), Mumbai 400 051 (“said AGM”).

In this regard, please find enclosed the Annual Report of the Company for the Financial Year 2018-19 alongwith the Notice of the said AGM duly considered and adopted by the Members of the Company.

This is for your information and record.

Thanking you

Yours sincerely,

For **Novartis India Limited**



Trivikram Guda
Company Secretary &
Compliance Officer





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BOARD OF DIRECTORS

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

Trivikram Guda	Company Secretary & Compliance Officer
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CIN	L24200MH1947PLC006104
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Registered Office	Inspire - BKC, Part of 601 and 701 Bandra Kurla Complex, Bandra East Mumbai 400 051
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Registrar And Transfer Agents	Link Intime India Private Limited C-101, 247 Park, L.B.S. Marg Vikhroli (West), Mumbai 400 083
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Annual General Meeting

11.30 a.m. Friday, August 09, 2019

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

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



The Novartis India Limited Board

Seated from left: Christopher Snook, Jai Hiremath

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

Dear Shareholder,

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

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

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

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

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

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

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

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

Sincerely,
Christopher Snook
Chairman





Dear Shareholder,

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

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

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

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

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

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

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

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

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

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

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

reorganization of people and repurposing our product portfolio.

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

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

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

Sincerely,

Sanjay Murdeshwar
Vice Chairman & Managing Director

Arogya Parivar

Changing the face of healthcare in rural India

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

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

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

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

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

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

THE IMPERATIVE

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





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

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

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

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

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

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

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

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

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

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

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

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



timely treatment; it also provides healthcare services such as screening, diagnosis, and treatment through the camps. The commercial arm, on the other hand, delivers product information to healthcare practitioners. It also ensures that retail pharmacies are stocked with affordable products.

A 10-YEAR GROWTH STORY

For villagers in more than 16,000 villages, the Arogya Parivar, or 'Healthy Families' program, has proved to be a boon; it has brought diagnosis and treatment options to those who are often unwilling to seek medical help because it will mean a loss of daily wages, or because it is simply too

far away. Some of these villagers would otherwise turn to unqualified local quacks; some would try home remedies, while most would simply neglect the problem until a small issue or a preventable illness became a potentially life-threatening one. For these people, who may never have seen a doctor in their lives before, Arogya Parivar brings medical help practically to the doorstep. It also addresses issues such as menstrual hygiene that would otherwise not be discussed because of various social taboos surrounding them.

In over a decade of growth, Arogya Parivar has expanded from two states to fifteen. The initiative began with 18

on-ground staff; there are now more than 600. With 293 sales supervisors and an equal number of Area Health Educators – a number that is expected to go up to 300 each by the end of the year – the Company works with 300 cells across the country, up from 10 when it first began; cell staff liaise with >40,000 doctors, >28,000 chemists and around 500 distributors. There are also plans to bring diagnostics closer to communities by facilitating partnerships between rural physicians and diagnostic companies.

In the past decade, Arogya Parivar has positively impacted >50 million Indians across 13 states. In 2018 alone, 7.8 million villagers attended more than

Bottom of the pyramid

It was on April 7, 1932, that US President Franklin D. Roosevelt first used the term in his radio address, *The Forgotten Man*. He said: "These unhappy times call for the building of plans that rest upon the forgotten, the unorganized but the indispensable units of economic power . . . that build from the bottom up and not from the top down, that put their faith once more in the forgotten man at the bottom of the economic pyramid."

In 1998, late C.K. Prahalad proposed, along with Stuart L. Hart, that businesses, governments and donor agencies should stop thinking of the poor as victims and instead be responsive to their needs, recognising them as creative, resilient and value-demanding consumers. Prahalad subsequently expanded on the concept in his book, *The Fortune at the Bottom of the Pyramid*.



175,000 health education meetings. In addition, more than 468,000 people participated in nearly 10,000 health camps. By 2022, it is expected to have 15 million touchpoints in a year through health education meetings and camps.

Based on management guru late C.K. Prahalad's approach of tapping the fortune at the bottom of the pyramid (see box above), this for-profit program is a prime example of responsible social business – offering access to basic amenities in the healthcare sector to underprivileged people, and addressing issues of awareness and supply chain reliability. The diseases that it targets are common in rural areas, but often preventable; they

include respiratory infections, skin and gynaecological infections, diabetes, micronutrients during pregnancy and childhood, intestinal worms, acid reflux, cough and cold as well as allergies. To treat these problems, the Company offers a range of generic drugs, and the number of therapeutic areas has grown from two to six. In the last two years, Arogya Parivar developed and launched six products to create a pool of affordable medicines, with products relevant to the market, such as the painkiller Natarid®.

This unique social business model of combining health educators with a sales force has proved successful in serving more patients. These educators are often drawn from the villages themselves

and in every sense of the phrase, speak the language of the people they address. They also work closely with village leaders, Anganwadi workers and ASHAs (Accredited Social Health Activists); India has as many as 900,000 ASHAs.

Arogya Parivar empowers villagers, provides employment, and enhances rural healthcare, encouraging people like Shankar Lal to participate in the program and claim a sense of ownership. Shankar Lal, whose health improved after he was diagnosed with low bone density at an Arogya Parivar camp, now feels it is his responsibility to spread the news to others. He willingly takes time out of tending to his oats farm, going around villages beating a *duggi* to announce health education camps, as

Lighting the fire

A former tobacco farmer takes to spreading messages of health awareness

Kamlesh is a familiar and welcome visitor to impoverished villagers who live near Bhadkad, a village in Sojitra Taluka in the Anand district. Once a tobacco farmer, he realized that he should do something to help the community instead. Now recognized as one of Arogya Parivar's most motivated and successful health educators, he spends his time spreading awareness of good health and recruiting other men and women to join him in the crusade. Kamlesh believes deeply in upliftment of the masses and good hygiene and Arogya Parivar has given him a platform. It has also boosted his own confidence in public speaking.



The proactive approach

Kanchanben, who sought help through Arogya Parivar, now encourages other people to act in time for better health

When Kanchanben, a resident of the village Kheda near Ahmedabad in Gujarat, began experiencing dizzy spells and general weakness, she had no idea what was happening but knew she could not ignore it. She met health educator Kamlesh of Arogya Parivar and told him about the problem. He asked her to attend the next health camp, where the onsite doctor realised she had a low blood cell count. He referred Kanchanben to a local clinic for tests, and as her health improved, she decided to pay it forward. Kanchanben became an ASHA worker, dividing her time between looking after her home and spreading messages to create greater health awareness. She also visits people's homes to encourage them to go to the camps. Kanchanben, who averted a personal health crisis by being proactive, recognizes that other women need to do the same.



children follow enthusiastically, dancing to the beat. Shankar Lal is delighted when the children follow him, because then they go back and spread the word to their parents.

This model, which is possible to replicate, has proved so effective that Novartis has adapted it in other countries as well, such as Kenya and Vietnam. Vietnam adapted it in 2013 and became self-sustaining in 2015 while Kenya, which began in 2013, broke even at the end of 2017.

Arogya Parivar has also been consistently recognized in global rankings and awards, such as the GBC

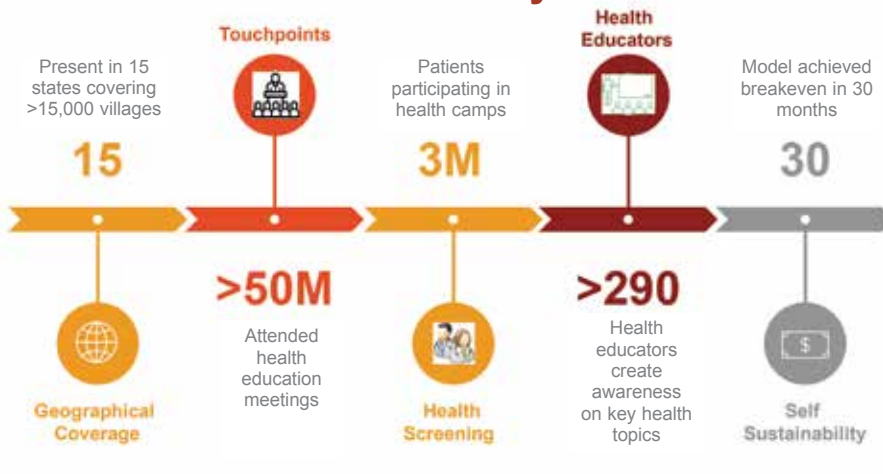
Health Business Action on Health award and Award for Social Marketing from the CMO Asia Awards. It was named best long-term rural marketing initiative by the Rural Marketing Association of India, India's largest industry association.

REACHING OUT

When Novartis first decided to translate its vision for social business into Arogya Parivar, the Company set up cells in rural areas, within a radius of about 35 kilometers – a distance on dirt roads that could be covered with a light motorcycle in a day. Each cell would include some 10 market towns and dozens of tiny villages, with a Cell Supervisor in charge. Novartis

recruited health educators from these regions – people who had social equity and community acceptance among the villagers. The health educators received rigorous training, both on the field and in formal settings, before going out to speak to the largely illiterate population about malnutrition, iron deficiency, and women's health, among other things. With many health subjects often being stigmatized, particularly in the case of women, the health educators needed to be not just knowledgeable but also sensitive to local sensibilities. Also, while generating awareness, at no point would they discuss Novartis products or market its medicines and treatments.

Look at the numbers today



Cell Supervisors, however, did connect with registered pharmacists and distributors to ensure that stocks of medicines were always available, and with doctors, to check on compliance. In reaching out to these people, Novartis often worked with non-governmental organizations (NGOs) and with ASHAs. The Cell Supervisor was responsible for sales of Novartis products.

The Six 'A's

The four pillars – or '4As' – on which the program has been built are Awareness, Accessibility, Affordability and Adaptability. Now, in the next phase of its evolution, two new 'A's' have been added; these are Adherence and Alliances.

Awareness: Health education is the first step towards informing communities about prevention of diseases and the importance of personal care. These meetings, which tackle basic issues such as hygiene, nutrition, and common medical conditions, go a long

way towards increasing awareness; in the process, though indirectly, they also create a larger customer base for the Company, reaching out to people who can afford to buy medicines, but lack awareness.

Novartis uses well-defined 'stories', including for children with comic-book formats as a medium, to drive messages such as safe drinking water and the importance of washing one's hands. All 'stories' are delivered in the local language and in many instances in the local dialect.

Accessibility: In remote regions of India, where transport and connectivity are a problem, and traveling to see a doctor involves both huge expenses, and often, a day's wages lost, it is vital to ensure consistent availability of medicines and healthcare. Arogya Parivar's wide network of qualified doctors and pharmacies in these regions ensure that villagers who may have never seen a doctor before now have access to screening, diagnosis,

treatment, and preventive care – and are also able to buy the medicines they need.

Affordability: The Arogya Parivar portfolio of medicines meets the affordability needs of rural markets, through its range of products and packaging that is in a price range that villagers can afford. In addition, minimizing their travel costs by providing these medicines far closer to home ensures that expenses are further reduced; the travel cost can often be more than the actual treatment.

Adaptability: In reaching out to last-mile target groups, it is vital for health educators to adapt the program to local needs, and communicate with people within the framework of the culture and dialect that they can relate to. This fundamental connection with the ethos of the specific area is a must-have qualification, which is why health educators are recruited from among the populations that they serve. Training of these health educators and supervisors is also adapted to local conditions, and products are tailored to the local disease burden.

Into this mix of 4 'A's, two new ones – Adherence and Alliances – strengthen the initiative and drive the movement forward.

Adherence: Low levels of health literacy and out-of-pocket cost of drugs often result in poor adherence rates for treatment in developing countries. While educators at the health camps stress the importance of following treatment through, patients often stop taking the medicines. It is important,



therefore, to ensure that they adhere to the treatment suggested to obtain the full benefits.

Alliances: Given the scale and complexity of the challenges involved, which differ from region to region, no one organization can prove completely effective working alone. With a population of 1.37 billion, of whom 21.9% are below poverty line, alliances with NGOs and other partners are essential; while these agencies can leverage the work they are doing, Novartis can help extend it across the vast geographies in which it operates. While Novartis has always recognized the importance of teamwork, it is ramping up efforts to

communicate with a variety of partners, including local agencies, and those with specialized expertise, such as with digital technology.

WHAT NEXT?

Healthcare for the Urban Poor: With 10 years of successful operations behind it, Arogya Parivar is now in expansionist mode. While the number of districts and states in which it operates is growing, and infrastructure is being created to keep pace, the team behind this rural-based program is also looking at new areas, including urban slums. Often, because the rate of migration from villages is so high, these are the same people it would have targeted in remote regions.

Generally, villagers who migrate do not always come directly into mega-cities; they would first go to towns closer to their homes. Nizamabad in Telangana, for instance, 159km away from Hyderabad by road, has >900 villages in the vicinity; this town is a popular destination for rural migrants.

Arogya Parivar also has a program up and running in Jigani, 26km from Bengaluru; they had conducted a pilot in partnership with apparel company Levi's and its supplier Aquarelle, reaching out to more than 8,000 workers, mostly women. The Arogya Parivar team found that more than 16% of the women were anaemic. Arogya Parivar health workers trained factory



Arogya Parivar is also in the process of piloting two new digital initiatives in order to improve health education and measure the impact of health education and screening camps

workers and supervisors to serve as peer health educators so that they could deliver basic health-related information to their co-workers in biweekly sessions, supporting the nurse and physician who provided healthcare services on the factory premises. Arogya Parivar's intervention on this, and other issues such as menstrual hygiene, has visibly reduced attrition levels and improved qualitative attendance.

Digital Platforms: As technology increasingly helps in bringing healthcare to remote regions, Novartis has recognized that it can play a major role in meeting the objectives of Arogya Parivar. Most Community Health Centres (CHCs) are at a distance of 25km, and around 13% Primary Health Centers (PHCs) and 11% CHCs are more than 50km away from the District Hospital. 16% PHCs do not have an MBBS doctor. In such a situation, access to healthcare is a dim possibility for people living in remote regions.

On the bright side, mobile phone usage and internet connectivity are on the rise; according to one 2017 report, mobile phone penetration was expected to rise from 65% – 75% to 85% – 90% by 2020. This offers

tremendous scope for the growth of telemedicine in the country – a tool that the Indian government began working on since the year 2000 in its efforts to improve healthcare access. Telemedicine is also useful when the number of doctors dwindles during certain months of the year; in summer, doctors in the 33,000-strong Arogya Parivar network are not always available.

Arogya Parivar has set up a telemedicine pilot in partnership with Tech Mahindra in Chandauli, Uttar Pradesh. Here, qualified nurses check the health parameters of patients, who then have access to an online medical consultation with a medical team at a hospital in Varanasi. This leads to saving on out-of-pocket expenses and better utilization of funds for treatment. If patients need further diagnosis, they are recommended a visit to the hospital, where for a nominal fee, they get diagnosed by a doctor and receive up to three medicines free. Those who require tertiary care are referred to a government hospital in Varanasi. Arogya Parivar is also in the process of piloting two new digital initiatives in order to improve health education and measure the impact of health education and screening camps.

AT A VANTAGE POINT

Thanks to the excellent track record that Arogya Parivar has built up in the 11 years of its existence, the program has visibility. “Beyond being a Harvard Business School case study, we are at a vantage point to see what opportunities are available,” says Lokesh Manikonda. “We have more than 15 organisations, some of them large global ones, who are keen to collaborate with us. Several state governments would also like to leverage our work.” Arogya Parivar is a rare example of an innovative solution that originated in India and is now being replicated in other countries.

As the Alliance for Health Policy and Systems Research Flagship Report 2014 explains, quoting Professor Muhammad Yunus, 2006 Nobel Peace Prize laureate, there are two extreme types of business models – financial profit-maximizing businesses seeking to create shareholder value and not-for-profit organizations seeking to maximize social profit. Neither of these is enough to address global concerns. Social businesses, on the other hand, apply rules from both models. They seek to maximize social profit, but must make financial profit to cover their full costs and return investment to their owners. A social business, in Professor Yunus' definition, is “a self-sustaining company that sells goods or services and repays its owners' investments, but whose primary purpose is to serve society and improve the lot of the poor.”

It is a principle that Arogya Parivar has understood well, as millions of happy families in India would agree.

Notice

NOTICE is hereby given that the 71st Annual General Meeting of NOVARTIS INDIA LIMITED will be held at Mumbai Cricket Association [MCA] Banquet Hall, Ground Floor, G Block BKC, RG – 2, Bandra (E), Mumbai 400 051 on Friday, August 09, 2019 at 11:30 a.m. to transact the following business:

Ordinary Business

1. To receive, consider and adopt the audited financial statements for the year ended March 31, 2019 together with the Reports of the Directors and the Auditors thereon.
2. To declare dividend for the year ended March 31, 2019.
3. To appoint Ms. Monaz Noble (holding DIN: 03086192) as Director, who retires by rotation and being eligible, offers herself for re-appointment.

Special Business

4. 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 recommendation of the Nomination and Remuneration Committee, the Board and pursuant to Sections 190, 196, 197, 198 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 to the Act and subject to the approval by the Central Government, if any, consent of the members be and is hereby accorded for the appointment of Mr. Sanjay Murdeshwar (holding DIN: 01481811) as the Vice Chairman & Managing Director of the Company for a period of 5 (five) years commencing from June 15, 2019, on such terms and conditions as set out in the Explanatory Statement annexed to the notice convening this Meeting.

RESOLVED FURTHER THAT in the event of loss or inadequacy of profits in any financial year, Mr. Sanjay Murdeshwar will be paid remuneration by way of salary, perquisites and other allowances as may be approved by the Board from time to time, subject to the limits as specified in Schedule V of the Act and subject to the approval of the Central Government, if required, in accordance with the provisions of the Act.

RESOLVED FURTHER THAT Mr. Sanjay Murdeshwar, as the Vice Chairman and Managing Director shall have substantial powers of the management of the Company, in accordance with the applicable provisions of the Act and as may be entrusted upon him by the Board of Directors of the Company from time to time.

RESOLVED FURTHER THAT the Board be and is hereby authorized to alter and vary the terms and conditions of Mr. Murdeshwar’s appointment and remuneration, to the

extent the same is permitted under the provisions of applicable laws and to do all such acts and take all such steps as may be necessary, proper or expedient to give effect to this resolution.”

By Order of the Board of Directors

TRIVIKRAM GUDA
Company Secretary &
Compliance Officer
Membership No: ACS 17685

Registered Office

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

June 15, 2019

Notes:

1. MEMBERS ARE REQUESTED TO NOTE THAT DUE TO ADMINISTRATIVE REASONS AND CHANGE IN REGISTERED OFFICE OF THE COMPANY IN AUGUST 2018, FROM SANDOZ HOUSE, WORLI TO INSPIRE BKC, BANDRA EAST, THE ANNUAL GENERAL MEETING OF THE MEMBERS OF THE COMPANY FOR THIS YEAR, IS BEING HELD AT MUMBAI CRICKET ASSOCIATION, GROUND FLOOR, BANQUET HALL, BKC, BANDRA EAST, MUMBAI, AT THE TIME MENTIONED IN THE NOTICE.

FOR THE BENEFIT OF MEMBERS, THE COMPANY IS ORGANISING A BUS PICKUP/DROP FACILITY FROM BANDRA WEST AND KURLA WEST RAILWAY STATIONS TO THE MEETING VENUE. THE TIMING AND PLACE OF PICKUP/DROP ARE MENTIONED IN THE ROUTE MAP ON THE LAST PAGE OF THIS ANNUAL REPORT. MEMBERS ARE REQUESTED TO NOTE AND AVAIL THE FACILITY.

2. MEMBERS MAY NOTE THAT AS PER AMENDED SEBI (LODR) REGULATIONS 2015, SOFT COPIES OF THE FULL ANNUAL REPORT HAVE BEEN SENT TO ALL THOSE MEMBER(S) WHO HAVE REGISTERED THEIR EMAIL ADDRESS(ES) EITHER WITH THE COMPANY OR WITH ANY DEPOSITORY. HOWEVER, MEMBERS WHO NEED A PHYSICAL COPY OF THE FULL ANNUAL REPORT, MAY PUT A REQUEST EITHER TO THE COMPANY SECRETARY OF THE COMPANY (OR) TO THE COMPANY'S REGISTRAR AND SHARE TRANSFER AGENT.
3. 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.
4. 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 CARRYING VOTING RIGHTS. A MEMBER HOLDING MORE THAN 10 PER CENT OF THE TOTAL SHARE CAPITAL CARRYING VOTING RIGHTS 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.

5. 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 and amendments thereof and Regulation 44 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Company is providing its members with the facility for voting by electronic means and the business may be transacted through such voting. The Company will also provide voting facility through polling paper/electronic means at the Meeting. Members attending the Meeting who have not already cast their vote by remote e-voting may exercise their voting right at the Meeting. Members who have cast their vote by remote e-voting prior to the Meeting may also attend the meeting but shall not be entitled to cast their vote again. Please refer to the instructions relating to voting through electronic means, which are sent along with the Annual Report.
6. 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, August 02, 2019 to Friday, August 09, 2019, both days inclusive.
7. Payment of dividend for the year ended March 31, 2019 as recommended by the Board, if approved at the Meeting, will be payable within thirty days from the date of its declaration to the shareholders whose names appear in the Company’s Register of Members as on the date of book closure.
8. Pursuant to the provisions of Section 124(6) of the Act, and the Investor Education and Protection Fund Authority (Accounting, Audit, Transfer and Refund) Rules, 2016 and amendment thereto the Company is required to transfer all shares in respect of which dividend has not been paid or claimed by the members for seven consecutive years or more, in the name of Investor Education and Protection Fund (“IEPF”) Suspense Account. Adhering to requirements set out in the said Rules, the Company has taken appropriate action and transferred the shares to the Demat Account opened by the IEPF Authority on January 25, 2019 for the FY 2010-11.

Concerned shareholders may note that, upon such transfer, both the unclaimed dividend and the shares transferred to IEPF Authority including all benefits accruing on such shares, if any, can be claimed by them from IEPF Authority, after following the procedure prescribed under the Rules. The details of shareholders, whose shares have been transferred to IEPF are placed on the website of the Company www.novartis.in.

9. Pursuant to the provisions of Sections 124 and 125 of the Act, 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 IEPF established by the Central Government. The details of unpaid dividend are placed on the website of the Company at www.novartis.in.

Members who have not encashed dividend warrant(s) for the financial year 2011-12 onwards are requested to make their claims directly to the Company or to the Company’s Registrar & Share Transfer Agent, Link Intime India Private Limited, at C-101, 247 Park, LBS Marg, Vikhroli West, Mumbai 400 083, without any delay.

Following is the due date for transfer of unclaimed dividend to IEPF

Financial Year	Dividend rate per share (₹)	Date of declaration	Due date for transfer to IEPF
2011-12	10	25.07.2012	30.08.2019
2012-13	10	25.07.2013	30.08.2020
2013-14	10	25.07.2014	30.08.2021
2014-15	10	23.07.2015	28.08.2022
2015-16	10	29.07.2016	03.09.2023
2016-17	10	28.07.2017	02.09.2024
2017-18	10	27.07.2018	01.09.2025

10. Members/Proxies are requested to bring the attendance slip along with their copy of the Annual Report to the Meeting. Members who have received the Notice of the meeting, Annual Report and Attendance Slip in electronic mode are requested to print the Attendance Slip and submit a duly filled in Attendance Slip at the Registration Counter at the meeting venue.
11. 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.
12. 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.

Members may note that as per Securities Exchange Board of India (SEBI) gazette notification dated June 8, 2018, any member who is desirous of transferring shares (which are held in physical form) after April 01, 2019 can do so only after the shares are dematerialized. However currently this restriction shall not be applicable for transmission or transposition of physical shares. It was clarified by SEBI that the said notification does not prohibit the members from holding shares in physical form and they would still have the option of holding shares in physical form even after April 01, 2019.
13. 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.
14. 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.

15. 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.
16. 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.
17. Pursuant to Regulation 26(4) and 36(3) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, and the Secretarial Standards on General Meetings (SS-2) as laid down by The Institute of Company Secretaries of India, additional information relating to the Director who retires by rotation and recommended for re-appointment at the Meeting is as follows:

Re-appointment of Ms. Monaz Noble (Item No. 3)

At the ensuing Annual General Meeting, Ms. Monaz Noble, Director of the Company shall retire by rotation and being eligible, offers herself for re-appointment.

Ms. Noble, aged about 52 years, is a commerce graduate from Sydenham College and MBA from NMIMS, Mumbai. She is also an Associate member of The Institute of Company Secretaries of India and Associate Cost and Management Accountant. She has rich experience in the areas of treasury, accounting, taxation, strategy, commercial finance, M&A, secretarial and corporate governance. In a career spanning over two decades she has worked with Cadbury India Limited and Godrej Soaps Limited.

Ms. Monaz Noble joined the Company in February 2010 and was the CFO of the Company from May 2014 onwards. Ms. Noble was Whole Time Director of the Company w.e.f. June 13, 2016 upto May 31, 2019, on such terms and conditions of appointment and remuneration as approved by the shareholders.

Ms. Noble has recently been elevated within Novartis Group in India and is now the Chief Financial Officer of Novartis Global Service Centre (NGSC) Hyderabad & Novartis Business Services (NBS) India under Novartis Healthcare Private Limited (NHPL), effective June 1, 2019. NHPL is a wholly owned subsidiary of Novartis Pharma AG, whose ultimate holding company is Novartis AG. Novartis AG is the holding company of the Company. She would however be functioning on the Board of the Company in a Non-Executive and Non-Independent capacity effective June 1, 2019 and will continue to contribute to the growth of the Company through her immense experience in Pharma and FMCG business. She would not receive any Salary or Commission from the Company effective June 1, 2019. Ms. Noble retires at this AGM and being eligible offers herself for re-appointment. Ms. Noble does not hold any directorship in any other listed company in India.

Ms. Noble does not hold by herself or for any other person on a beneficial basis, any shares in the Company or NHPL. She is not related in any way to any other Director or Key Managerial Personnel of the Company. She is member of the Stakeholders Relationship Committee and Corporate Social Responsibility Committee of the Board of the Company.

The number of Board/Committee meetings attended by Ms. Noble during the financial year is disclosed in the Corporate Governance Report.

Except Ms. Noble, being an appointee, none of the Directors or KMP of the Company or their relatives are concerned or interested, financially or otherwise, in this resolution.

Explanatory Statement to Agenda Item No. 4

[Pursuant to Section 102(1) of the Act, the following Explanatory Statement sets out material facts relating to the business under Item No. 4 of the accompanying Notice dated June 15, 2019 convening the 71st Annual General Meeting of the Company scheduled for August 09, 2019.]

On recommendation of the Nomination and Remuneration Committee, the Board of Directors of the Company at its meeting held on June 15, 2019 approved the appointment and remuneration payable to Mr. Sanjay Murdeshwar (holding DIN: 01481811) as the Vice Chairman & Managing Director of the Company for a period of 5 (five) years commencing from the date of approval of the Board. The Board, at the above-referred meeting, considered that Mr. Murdeshwar is also the Managing Director of Novartis Healthcare Private Limited (“NHPL”) effective June 3, 2019, and accordingly unanimously approved Mr. Murdeshwar’s appointment as the Managing Director of the Company in terms of the third proviso to Section 203(3) of the Act. NHPL is a wholly owned subsidiary of Novartis Pharma AG, whose ultimate holding company is Novartis AG. Novartis AG is a holding company of the Company. Such appointment and remuneration (including the terms and conditions stipulated in the agreement between the Company and Mr. Murdeshwar) is subject to the approval of the members of the Company and the Central Government. Mr. Murdeshwar does not hold any directorship in any other listed company in India.

Certain additional disclosures, primarily pursuant to Regulation 36(3) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, and the Secretarial Standard on General Meetings (SS-2) as laid down by The Institute of Company Secretaries of India, relating to Mr. Murdeshwar’s appointment as the Vice Chairman & Managing Director at the Meeting are as follows:

- (i) Mr. Murdeshwar, aged about 52 years, has been staying outside India for more than 12 months prior to his appointment. Considering the same, the Company shall also seek the approval of the Central Government pursuant to section 196 of the Act.
- (ii) Overall Remuneration: The remuneration proposed to be paid to Mr. Murdeshwar 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 remuneration payable to Mr. Sanjay Murdeshwar, 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 Whole Time Director if any, 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. Sanjay Murdeshwar, if the Company has no profits or its profits are inadequate, then Mr. Sanjay Murdeshwar will be paid in accordance with the provisions of Schedule V of the Act, including any re-enactment or amendment thereto.

Within the aforesaid ceiling, the remuneration payable to Mr. Sanjay Murdeshwar shall be as follows:

Salary and Allowances/Flexible Compensation Plan: Annual Salary and Allowances/Flexible Compensation Plan (“Salary”) upto ₹ 1,50,00,000 (Rupees One Crore and Fifty Lakh Only) per annum, with annual or mid-term increments as approved by the Board/Committee of the Board from time to time. Salary is payable monthly.

Annual Performance Incentive: As may be decided by the Board/Committee of the Board, subject to a ceiling of 100% of Salary.

Other key conditions:

- a. Reimbursement of medical expenses for himself and his family as per the Company’s policy.
- b. 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.
- c. Group Personal Accident Insurance: As per rules of the Company.
- d. Entitlement to club memberships, which will include monthly/annual subscription fees, as per rules of the Company.

- e. Contribution to Provident Fund, Superannuation Fund or Annuity Fund as per Company's policy.
 - f. Gratuity to be payable as per rules of the Company.
 - g. The Salary will be subject to all applicable provisions of the Income Tax Act, 1961.
 - h. He will not be entitled to sitting fees for meetings of the Board/Committees of the Board attended by him.
 - i. The tenure will be subject to termination by six months' notice in writing on either side.
- (iii) Mr. Murdeshwar has obtained Bachelors' Degree in Chemical Engineering and Masters in Business Administration.
 - (iv) Mr. Murdeshwar comes with more than 20 years of experience in the healthcare industry, which includes varied roles in the pharmaceuticals and consumer health businesses. Before joining Novartis, Mr. Murdeshwar was with AstraZeneca based in Maryland, USA as Vice-President in their Global Product & Portfolio Strategy group, prior to which he held various general management roles with AstraZeneca. Prior to joining AstraZeneca, he was with Bayer AG with stints in various roles in both developed and emerging markets.
 - (v) Mr. Murdeshwar does not hold any equity shares in the Company or NHPL. He is not related in any way to any other Director or Key Managerial Personnel of the Company. Effective June 15, 2019, he is a member of the Stakeholders Relationship Committee and is the Chairman of the Corporate Social Responsibility Committee of the Board of the Company. Mr. Murdeshwar did not attend any Board/Committee meetings during the financial year 2018-19 as he has been appointed as the Vice Chairman & Managing Director (subject to receipt of requisite approvals) after March 31, 2019.
 - (vi) The agreement executed between the Company and Mr. Murdeshwar 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.
 - (vii) Mr. Murdeshwar 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 Managing Director of the Company. Pursuant to Article 114 and 132 of the Articles of Association of the Company, Mr. Murdeshwar is not liable to retire by rotation.
 - (viii) An Ordinary Resolution in terms as set out in Item No. 4 of the accompanying Notice is placed before the members in the Meeting for approval. Except Mr. Murdeshwar, being an appointee, none of the Directors or KMP of the Company or their relatives are concerned or interested, financially or otherwise, in this resolution. This Explanatory Statement may also be regarded as a disclosure under Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements), Regulations, 2015 with the Stock Exchange.
 - (ix) The Board recommends the Ordinary Resolution set out at Item No. 4 for approval of the members.

By Order of the Board of Directors

TRIVIKRAM GUDA
Company Secretary &
Compliance Officer
Membership No: ACS 17685

Registered Office

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

June 15, 2019

Directors' Report

Your Directors are pleased to present the Annual Report and the Audited Accounts for the financial year ended March 31, 2019.

Summary of the Financial Results

	(₹ in million)	
	2018-19	2017-18
Revenue from Operations	4,906.8	5,638.9
Total Income	5,689.4	7357.2
Profit before Tax	857.7	1,575.2
Profit for the year	517.7	783.6
Other Comprehensive Income for the year	16.2	12.0
Balance brought forward from previous year	7238.4	8,336.2
Available for appropriation		
The Directors have made the following appropriations:		
Dividend	246.9	281.4
Dividend distribution tax	50.8	57.3
Buy-back of equity shares	0	1,537.4
Amount transferred to Capital Redemption Reserve	0	17.3
Carry forward	7,474.6	7,238.4

Dividend

The Board has recommended payment of dividend at ₹ 10 per equity share of ₹ 5 each for the financial year 2018-19. The said dividend, if approved by the members at the Annual General Meeting ("AGM"), will result in a cash outflow of ₹ 297.7 million including dividend tax. The Board continues to support a steady dividend policy and the recommended dividend is in accordance with the Dividend Distribution Policy of the Company. A copy of the said Policy is available on the website of the Company at www.novartis.in

Management Discussion and Analysis

For the year under review, the business operations of the Company comprises Pharmaceuticals.

a. Economy, Industry and developments

India's economic growth in terms of GDP, for Financial Year 2018-19 has averaged around 6.8 percent, primarily due a decline in the growth of private consumption, tepid increase in fixed investment, slowdown of growth in agriculture and muted exports.

However, harmonization of structural reforms such as the Goods and Services Tax (GST) and bank recapitalization, controlled inflation rate, cuts in repo rate and easing of bank liquidity have attempted to provide a fillip to the economic growth. According to the World Bank, India will continue to be the fastest growing economy in the world. A new Government at the centre is expected to continue to prioritize welfare programs, such as those aimed at providing support to farmers, improving housing conditions and expanding access to healthcare.

In spite of being the fastest growing major economy, India's healthcare system currently remains inadequate to provide care to a population of 1.3 billion, especially in rural areas. While the Government has set ambitious targets under the National Health Policy (NHP) for improving healthcare standards, the progress is expected to be gradual and may take years for significant headway to be achieved. The NHP 2017 calls for an increase in the government's contribution to healthcare spending to 2.5% of GDP by 2025, which is encouraging to note.

The Pradhan Mantri Jan Arogya Yojana (PMJAY), the national health protection scheme under 'Ayushman Bharat', was launched in September 2018. Once fully implemented, PMJAY is expected to provide health insurance coverage for secondary and tertiary care to 500 million poor and vulnerable people thereby expanding healthcare reach of the country. The proposed e-pharmacy regulation, if implemented properly, could boost growth for the industry by streamlining the supply chain.

The Indian Pharma Market ("IPM") is forecast to grow at a Compounded Annual Growth Rate (CAGR) of 10.2%* (+/- 3.0%) over the next four years to reach ₹ 2255.5 billion by 2023. However it continues to be a highly fragmented and a competitive market with a large number of players spread across therapeutic segments.

b. Performance

Revenue from operations for the year ended March 31, 2019 was ₹ 4,906.8 million representing a decrease of 13.0% over the previous year.

Profit before tax for the year stood at ₹ 857.7 million representing a decrease of 45.5% over the previous year. This is mainly on account of extraordinary interest income of ₹ 981.3 million received on income tax refund of Assessment Year (AY) 1995-96 during the financial year 2017-18.

c. Segment-wise operational performance

The Pharmaceuticals business registered Net Revenue from Operations of ₹ 4,906.8 million representing a decrease of 13.0% over the previous year.

Some of the factors that impacted results for the year under review include, issuance of notices by the Drugs Licensing Authority, Daman, to a supplier of Company's product (viz., Voveran® 1ml) and consequently the Company suspending the sale of that product in the market. The supplier has contested the notices and presently the matter is sub judice before the Hon'ble High Court of Delhi. However, with the launch of Voveran maxxgel™ and a new variant of Voveran® 1ml, the Company expects to further strengthen its position by serving more patients.

In addition to the above, supply constraints pertaining to a few products sourced from Contract manufacturing also impacted the Company's revenue during year under review. To mitigate the impact of decline in revenue, cost containment measures were undertaken by the Company during the year to protect its operating profits.

The following brands hold key positions in major therapeutic areas such as:

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

d. Key Financial Indicators

Particulars	2018-19	2017-18
Operating profit margin (%)	1.9	-1.6
Net profit margin (%)	10.6	13.9
Debtors turnover ratio	11.0	13.3
Current ratio	4.4	2.9
Return on Net Worth	6.8	10.7
Inventory turnover ratio	8.4	7.8
Interest coverage ratio	NA	NA
Debt equity ratio	NA	NA

* Source: IQVIA™ MARKET PROGNOSIS 2019-2023 Asia/Australia – India. Published March 2019

Reasons for change compared to the previous financial year in some of the key financial ratios is as follows:

Operating profit margin

Operating profit margin is a profitability or performance ratio used to calculate the percentage of profit a company produces from its operations. It is calculated by dividing the operating earnings before interest and tax by turnover. The Company's efforts to lower employee, material and other costs during the Financial Year (FY) 2018-19 has resulted in improvement of operating profit margin as compared to FY 2017-18.

Net profit margin

The net profit margin is equal to how much net income or profit is generated as a percentage of revenue. It is calculated by dividing profit for the year by turnover. Net profit margin in FY 2018-19 is lower compared to FY 2017-18, as one-off Interest income on Income Tax refund for AY 1995-96 of INR 981.3 million was received in FY 2017-18.

Debtors turnover ratio

It is calculated by dividing turnover by average trade receivables, to quantify a company's effectiveness in collecting its receivables. Since the Company had higher debtors as at March 31, 2019, it led to lower turnover ratio.

Current ratio

The Current Ratio is a liquidity ratio that measures a company's ability to pay short-term obligations or those due within one year. It is calculated by dividing the current assets by current liabilities. Since the Company had lower 'other financial liabilities' as at March 31, 2019 it led to higher current ratio.

Return on Net Worth

Return on Net Worth is a measure of profitability of a company expressed in percentage. It is calculated by dividing profit for the year by total equity. Return on net worth in FY 2018-19 is lower compared to FY 2017-18, as one-off Interest income on Income Tax refund pertaining to AY 1995-96 of INR 981.3 was received in FY 2017-18.

Inventory turnover ratio

Inventory turnover is the number of times a company sells and replaces its inventory during a period. It is calculated by dividing turnover by average inventory. Lower inventory in FY 2018-19 led to higher turnover ratio.

Interest coverage ratio

The interest coverage ratio measures how many times a company can cover its current interest payment with its available earnings. It is calculated by dividing profit before interest and tax by finance cost. The Company does not have any debts as at March 31, 2019 and March 31, 2018, and hence this ratio is not given in the table.

Debt equity ratio

The ratio is used to evaluate a company's financial leverage. It is a measure of the degree to which a Company is financing its operations through debt versus wholly owned funds. The Company does not have any debts as at March 31, 2019 and March 31, 2018, and hence this ratio is not given in the table.

e. Risks

Healthcare insurance in India is yet to make a positive impact on affordability. (Control of prices of certain drugs under the DPCO continues to affect the profitability of the pharmaceutical industry). Revision of the National List of Essential Medicines (NLEM) could result in expansion of price controls under the DPCO, which would put further downward pressure on drug prices.

The Indian Pharma Market (IPM) is dominated by generic medicines and these drugs account for nearly 75% of the pharma industry. Prescription by generic names could also have an impact on pharma companies and it could necessitate a change in the Company's promotional strategies.

Any proposal to cap trade margins on non-scheduled products at 10% for distribution and 20% for retail pharmacy would significantly impact the business model for trade generics.

Novartis AG, which is the Company's holding company, owns directly or indirectly several companies in Novartis Group worldwide including various brands and patents. Therefore, any merger, acquisition, divestment or restructuring by Novartis AG or its subsidiaries, would have an influence on the Company's operations in India as well.

f. Outlook

A stable new Government at the centre is likely to continue to prioritise welfare programs, such as those aimed at providing support to farmers, improving housing conditions and expanding access to healthcare. However, the effectiveness of such programs may be undermined by problems in their implementation, as well as funding shortfalls.

The NHP 2017 calls for an increase in the Government's contribution to healthcare spending to 2.5% of GDP by 2025; implementation of PMJAY should help achieve this objective, but the target is unlikely to be realized by 2025.

Inflation is projected to rise somewhat above the midpoint of the Reserve Bank of India's target range of 2 to 6 per cent, mainly owing to energy and food prices. However, private consumption is projected to remain robust and investment growth is expected to continue as the benefits of new policy reforms begin to materialize.

While the overall outlook for the economy looks promising, it is also dependent upon many macro-economic factors like increasing crude oil prices, commodity inflation, potential disruptions due to global events, problem of non-performing assets, a below normal monsoon which could have a dampening effect on GDP growth in future.

g. Internal control systems and their adequacy

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

The Head of Internal Audit together with external audit consultants 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 of Directors following which corrective action is recommended for implementation. All these measures facilitate timely detection of any irregularities and early remedial steps.

During the year, the Company conducted a detailed review of its internal control systems, evaluated the internal financial control systems with the Audit Committee and discussed relevant issues with internal and statutory auditors. Based on the recommendations of the Audit Committee, the Board has stated in its responsibility statement that the Company followed proper internal financial controls and that such internal financial controls are adequate and were operating effectively.

h. Vigil Mechanism

The Company has established a Vigil Mechanism and Whistleblower policy that enables the Directors and employees to report genuine concerns. The said Policy provides for (a) adequate safeguards against victimization of persons who use the Vigil Mechanism; and (b) direct access to the Chairperson of the Audit Committee of the Board of the Company in appropriate or exceptional cases. Details of the Vigil Mechanism and Whistleblower policy are made available on the Company's website www.novartis.in.

i. Personnel

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.

Number of employees as on March 31, 2019 was 581.

The information required pursuant to Section 197 of the Companies Act, 2013 ("the Act") read with Rule 5 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 in respect of employees of the Company, will be provided upon request. In terms of Section 136 of the Act, the Report and Accounts are being sent to the members and others entitled thereto, excluding the information on employees' particulars, which is available for inspection by the members at the Registered Office of the Company during business hours on working days of the Company up to the date of the ensuing AGM. If any member is interested in obtaining a copy thereof, such member may write to the Company Secretary & Compliance Officer of the Company in this regard.

Corporate Social Responsibility

The Company continues to support various initiatives in the areas of health, education and environment. The CSR Policy adopted by the Board of Directors is available on the Company's website www.novartis.in.

Health: India has around 60% of the world's leprosy caseload and leprosy continues to be an area of focus for the Company's CSR work in India. The Leprosy Post Exposure Prophylaxis (LPEP) project was launched in the union territory of Dadra & Nagar Haveli in March 2015 and continued during the financial year under review. Refresher training was conducted for 3 research assistants, 1 project supervisor, 17 medical officers, 57 PHC staff, 134 auxiliary nurse midwives (ANMs), 300 accredited social health activists (ASHAs) from general healthcare, who were trained in leprosy as well as in the LPEP project. 42,333 people were screened for leprosy, with a prophylactic dose for prevention of transmission of leprosy being given to 30,295 eligible persons. 42 new cases of leprosy were detected.

The Company also supported a non-profit organization in Telangana to set up an integrated health management system, which will result in digitization of over 22,000 leprosy records, aiming to eventually drive early diagnosis of leprosy.

Novartis India continued its health awareness initiative through its Healthy Families program, Arogya Parivar, reaching out to more than 7.8 million individuals across rural India and conducted 11,254 health camps in the year under review.

The Company also supported a comprehensive programme centered on reproductive health awareness for underprivileged and vulnerable people, including adolescents, towards improving their health and well-being. The intervention will be implemented over a period of four months in Mumbai and Thane District. A strong player in the oncology segment, the Company furthered its commitment to cancer care by supporting a "home-away-from-home" in Vellore, Tamil Nadu, which caters to less privileged families from outside the city.

Novartis supported disaster relief in Kerala by providing painkillers for persons affected by the unprecedented floods in the area.

Education: The poor in India continue to be heavily impacted by lack of education with children not being sent to school so that they can contribute to the family income or dropping out of school. The mid-day meal program, when run effectively, has helped bring and keep children in school. Recognizing this as an important role in education, the Company made significant investments in this area to provide less privileged children with a nutritious meal. More than 5,500 children in Mumbai are beneficiaries under this programme.

The Company supports the Network Support Team (NST) of an NGO that works towards the education of the underprivileged. NST is an overarching team that supports all the schools in this NGOs network. The team helps schools develop goals for the year, assists school leaders in identifying professional development needs and conducts teacher workshops based on the needs of the network of schools. These workshops act as a platform for sharing best practices and different things happening across the network of schools. They also work on curriculum development in these schools.

Environment: The city of Mumbai is starved of open green spaces and the Company has contributed in a positive way by supporting the upkeep of two beautiful gardens in Mumbai.

The Company continues to commemorate Community Partnership Week (“CPW”) each year encouraging employees to work on causes close to their heart. CPW continues to grow in stature with a rising number of associates participating in a broad range of activities covering the less fortunate.

A pan India activity that has shown rising numbers is the blood donation drive for children suffering from thalassemia, a hereditary blood disorder where the body makes an abnormal form of hemoglobin, the protein in red blood cells that carry oxygen. They need to get blood every two weeks.

The Annual Report on Corporate Social Responsibility Activities is annexed herewith as **Annexure A**.

Related Party Transactions

All Related Party Transactions entered into during the financial year were on arm’s length basis and in the ordinary course of business. All Related Party Transactions were placed before the Audit Committee of the Board of Directors for their approval. The Audit Committee has granted omnibus approval for Related Party Transactions as per the provisions and restrictions contained in the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. (“Listing Regulations”).

The Company has formulated a policy on materiality of Related Party Transactions and also on dealing with Related Party Transactions. The policy is available on the Company’s website www.novartis.in.

Pursuant to Clause(h) of sub-section(3) of Section 134 of the Act and Rule 8(2) of the Companies (Accounts) Rules, 2014, the particulars of contracts/arrangements entered into by the Company with related parties referred to in sub-section(1) of Section 188 of the Act including certain arm’s length transactions under third proviso thereto are required to be disclosed in Form AOC–2. Form AOC–2 envisages disclosure of material contracts or arrangement or transactions on arm’s length basis.

Details of the material Related Party Transactions in financial year 2018-19, as per the Policy on dealing with Related Parties adopted by the Company are disclosed in **Annexure B**.

The transactions disclosed in the Annexure relate to material Related Party Transactions with Novartis Pharma AG for purchase, transfer or receipt of products, goods, active pharmaceutical

ingredients, materials, services, other obligations as approved by members under erstwhile Clause 49(VII)(E) of the listing agreement at the 67th Annual General Meeting of the Company held on July 23, 2015.

Risk Management

The Company has devised and implemented a mechanism for risk management and has developed a Risk Management Policy. The Policy provides for constitution of a Risk Management Committee. The Committee has created a Risk Register and works towards review and identification of internal and external risks and implementation of risk mitigation steps. The Company provides updates on risk management to the Audit Committee of the Board of Directors of the Company on a regular basis.

Fixed Deposits

The Company has not accepted deposits from the public falling within the ambit of Section 73 of the Companies Act, 2013 and the rules framed thereunder.

Particulars of Loans, Guarantees or Investments

As on March 31, 2019, there were no outstanding loans or guarantees covered under the provisions of Section 186 of the Act. The Company has certain unquoted investments in co-operative housing societies for premises owned by the Company. The details of changes in the Loans, Guarantees and Investments covered under the provisions of Section 186 of the Act are given in the notes to the Financial Statements.

Board of Directors

The Company has received declarations from all Independent Directors under Section 149(7) of the Act that they meet the criteria of independence as provided under Section 149(6) of the Act and Regulation 16(1)(b) of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('the Listing Regulations'). In the opinion of the Board, they fulfil the conditions of independence as specified in the Act and the Listing Regulations and are independent of the management.

During FY 2018-19, the members of the Company through a Special Resolution under the Postal Ballot dated February 4, 2019 approved the re-appointment of Mr. Jai Hiremath and Dr. Rajendra Nath Mehrotra as Independent Directors of the Company, not liable to retire by rotation, to hold office for an additional term of five years and one year respectively on the Board effective from April 1, 2019.

Mr. Jawed Zia resigned from the Board as Vice Chairman & Managing Director of the Company with effect from May 31, 2018 and in his place Mr. Milan Paleja was appointed as Vice Chairman & Managing Director effective June 1, 2018. Mr. Paleja resigned from the office, effective May 31, 2019.

The Board of Directors, based on the recommendation of the Nomination & Remuneration Committee appointed Mr. Sanjay Murdeshwar as Vice Chairman & Managing Director of the Company with effect from June 15, 2019, subject to the approval of members at this AGM and approval of the Central Government, if any.

Ms. Monaz Noble was appointed as Whole Time Director of the Company w.e.f. June 13, 2016. Consequent to her recent elevation within the Novartis Group in India (Viz., Novartis Healthcare Private Limited), she has been functioning on the Board of the Company in a Non-Executive and Non-Independent capacity effective June 1, 2019 and continues to contribute to the stability and growth of the Company. Ms. Noble retires at this AGM and being eligible offers herself for re-appointment.

Necessary resolutions for the appointment/re-appointment of Directors together with details for appointment/re-appointment have been included in the Notice convening the ensuing AGM.

Appropriate details on Board and Committee composition and other Corporate Governance matters are elaborated in the Report on Corporate Governance which forms part of this Annual Report.

Familiarization programme for Independent Directors

The Company keeps its Directors informed of the activities of the Company, its management and operations and provides an overall industry perspective on issues being faced by the industry including changes in regulatory landscape, in a proactive manner. Details of familiarization provided to the Directors of the Company are available on the Company's website www.novartis.in.

Auditors

Pursuant to provisions of Section 139 of the Companies Act, 2013 read with the Companies (Audit and Auditors) Rules, 2014, M/s. Deloitte Haskins & Sells LLP (Firm Registration No. 117366W/W-100018), were appointed as Statutory Auditors of the Company for a second term of five years to hold office from the conclusion of the 69th Annual General Meeting till the conclusion of the 74th Annual General Meeting of the Company.

The requirement of seeking ratification of the members for continuance of Statutory Auditors appointment has been withdrawn consequent to changes in the Companies (Amendment) Act, 2017 w.e.f. May 7, 2018. Hence, the resolution seeking ratification of the members for their appointment is not being placed at the ensuing Annual General Meeting.

The Statutory Auditor has confirmed their eligibility and submitted the certificate in writing that they are not disqualified to hold the office of Statutory Auditor.

The Auditors' Report to the Members on the Accounts of the Company for the year ended March 31, 2019 does not contain any qualification, reservation or adverse remark. During the year 2019, the Auditors had not reported any matter under Section 143(12) of the Act; therefore, no detail is required to be disclosed under Section 134(3) (ca) of the Act.

Statutory Audit and other fees paid to Statutory Auditors:

During FY 2018-19, the total fees for the statutory audit and other services rendered by the Statutory Auditors are given below:

Auditors' Remuneration	₹ in million	
	2018-19	2017-18
Audit Fees	5.6	5.5
Tax Audit Fees	1.3	1.2
Other Services	2.1	*2.8
Reimbursement of expenses	0.3	0.1
Total	9.3	9.6

* Includes ₹ 0.3 million being expenses pertaining to buy-back of equity shares which has been debited to Retained Earnings [Refer Note 12(b)]

Secretarial Audit

Pursuant to the provisions of Section 204 of the Act and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the Board has appointed Mr. K. G. Saraf from Saraf & Associates, Practicing Company Secretary for conducting secretarial audit of the Company for the Financial Year 2018-19.

The Secretarial Audit Report is annexed herewith as Annexure C. The Secretarial Audit Report does not contain any qualification, reservation or adverse remark.

During the Financial Year 2018-19, the Company has complied with Secretarial Standard on Meetings of the Board of Directors (SS-1) and General Meetings (SS-2) issued by the Institute of Company Secretaries of India.

Annual Secretarial Compliance Report

The Company has undertaken an examination of all applicable compliances as per Securities and Exchange Board of India Regulations and Circulars/Guidelines issued thereunder, for the Financial Year 2018-19.

The Annual Secretarial Compliance Report as issued by the Practising Company Secretary has been submitted to the stock exchanges within 60 days of the end of the Financial Year. The Report does not contain any adverse remark.

Energy, Technology Absorption and Foreign Exchange

Information required under Section 134(3)(m) of the Act read with Rule 8(3) of the Companies (Accounts) Rules, 2014, with respect to conservation of energy, technology absorption and foreign exchange earnings/outgo is included in Annexure D.

Directors' Responsibility Statement

Pursuant to Section 134 of the Act, the Directors state that:

- (a) In the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures, if any;
- (b) Appropriate accounting policies have been selected and applied consistently and have made judgments 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, 2019 and of the profit and loss of the Company for the year ended March 31, 2019
- (c) Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 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;
- (e) Proper internal financial controls were followed by the Company and such internal financial controls are adequate and were operating effectively;
- (f) Proper systems are devised to ensure compliance with the provisions of all applicable laws and that such systems are adequate and operating effectively.

Corporate Governance

The Company is committed to good corporate governance and is in compliance with the provisions on corporate governance specified in the Listing Regulations and Novartis Group corporate governance norms.

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

Prevention of Sexual Harassment Policy

The Company has in place a Prevention of Sexual Harassment policy in line with the requirements of the Sexual Harassment of Women at the Workplace (Prevention, Prohibition and Redressal) Act, 2013. An Internal Committee has been set up to redress complaints received regarding sexual harassment. All persons whether employed as permanent, contractual, temporary or trainees are covered under this policy.

During the Financial Year 2018-19, one complaint was received by the Company related to sexual harassment.

Extract of Annual Return

The details forming part of the extract of the Annual Return in form MGT 9 are placed on the website of the Company at www.novartis.in.

Acknowledgement

The Board appreciates and places on record the contribution made by all stakeholders, particularly employees, shareholders, customers, the medical fraternity and all business partners, during the year under review and acknowledges the support received from the parent Company, Novartis AG.

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

June 15, 2019

Annexure A to the Directors' Report

ANNUAL REPORT ON CORPORATE SOCIAL RESPONSIBILITY ACTIVITIES

Novartis India Limited ("the Company") aims to improve the health of all people. The Company makes an important contribution to society through its innovative healthcare products.

Corporate Social Responsibility ("CSR") guiding principles:

- The Company's CSR efforts are at the core of its business.
- The Company applies its expertise in science and innovation to some of society's biggest health challenges.
- The Company takes a long-term view and commitment to address health priorities where it can make a significant impact.
- The Company is guided by a central philosophy and programs are conceived and implemented where the required expertise and infrastructure is strongest.
- The Company applies business principles to investments – talent and capital – where the potential for joint value creation is the greatest; philanthropy plays a useful, but limited role.
- The Company understands that partnerships are key to success and improving health is a goal it shares with all stakeholders including Governments, International Agencies, Foundations and Non-Governmental Organisations.
- The Company measures and communicates the results of its efforts and the impact on patient and societal health.

Company's focus areas under CSR initiatives:

- Health
- Education
- Environment

The policy on Corporate Social Responsibility is available on the Company's website www.novartis.in.

Composition of the Corporate Social Responsibility Committee:

Name of the Director	Category
Mr. Milan Paleja	Chairman of the Committee; Vice Chairman and Managing Director*
Ms. Sandra Martyres	Member; Non-Executive and Independent Director
Ms. Monaz Noble	Member; Director

* Resigned w.e.f May 31, 2019.

Average net profit of the Company for the last three financial years: ₹ 1,057.2 million

Prescribed CSR Expenditure (two per cent of the amount as above): ₹ 21.1 million

Sr. No.	CSR Project or activity identified	Sector in which the project is covered	Location of Projects or programmes	Amount outlay (budget) project or programme-wise (₹ million)	Amount spent on the projects or programmes (₹ million)	Cumulative expenditure up to the reporting period March 31, 2019 (₹ million)	Amount spent: Direct or through implementing agency
1.	Leprosy post exposure prophylaxis	Health	Dadra & Nagar Haveli	4.1	4.1	4.1	Netherlands Leprosy Relief Foundation
2.	Reproductive health awareness	Health	Thane, Maharashtra	0.3	0.3	0.3	Family Planning Association of India
3.	Children with cancer	Health	Mumbai, Maharashtra	0.5	0.5	0.5	St. Jude India Childcare Centres
4.	Integrated Healthcare Management System	Health	Hyderabad, Telangana	4.8	4.8	4.8	Sivananda Rehabilitation Home
5.	Health Diagnosis and Diabetes Camps	Health	Uttaranchal, Uttar Pradesh, Bihar, Chhattisgarh, Telangana, Andhra Pradesh, Tamil Nadu, Karnataka, Maharashtra, Gujarat, Rajasthan	6.6	6.6	6.6	Direct – Arogya Parivar
6.	Medicines for those affected by the Kerala floods	Disaster relief	Kerala	0.1	0.1	0.1	Kerala Medical Services Corporation Limited
7.	Mid-day meal	Education	Mumbai, Maharashtra	2.6	2.6	2.6	ISKCON Food Relief Foundation
8.	Building capacity	Education	Mumbai, Pune; Maharashtra	0.5	0.5	0.5	Akanksha Foundation
9.	Garden maintenance	Environment	Mumbai, Maharashtra	1.7	1.7	1.7	Direct – Nehru Centre and Rajni Patel gardens
Total						21.2	

The CSR Committee confirms that the implementation and monitoring of the CSR Policy complies with the CSR objectives and Policy of the Company.

On behalf of the Board of Directors

June 15, 2019

CHRISTOPHER SNOOK
Chairman of the Board

Annexure B to the Directors' Report

FORM AOC-2

(Pursuant to Clause (h) of sub-section (3) of Section 134 of the Act and Rule 8(2) of the Companies (Accounts) Rules, 2014.

Form for disclosure of particulars of contracts/arrangements entered into by the Company with related parties referred to in sub-section(1) of Section 188 of the Act including certain arm's length transactions under third proviso thereto.

1. Details of contracts or arrangements or transactions not at arm's length basis during the Financial Year ended March 31, 2019

None

2. Details of material contracts or arrangement or transactions at arm's length basis during the Financial Year ended March 31, 2019 (Refer Note 1)

Sr. No.	Particulars	Details
(a)	Name(s) of the related party & nature of relationship	Novartis Pharma AG, Basel, Switzerland Fellow subsidiary
(b)	Nature of contracts/ arrangements/ transactions	Contract(s) for purchase, transfer or receipt of products, goods, active pharmaceutical ingredients, materials, services, other obligations. Under the erstwhile Clause 49(VII)(E) of the Listing Agreement, the members approved such transactions up to a value of ₹ 3,000 million in each financial year at the 67 th Annual General Meeting of the Company held on July 23, 2015.
(c)	Duration of the contracts/ arrangements/	Ongoing
(d)	Salient terms of the contracts or arrangements or transactions including the value, if any	The transactions under the contract are in the ordinary course of business and at arm's length. The total value of the transactions in the Financial Year was ₹ 1,216.8 million.
(e)	Date of approval by the Board	The Board approved these transactions at its meeting held on May 10, 2018.
(f)	Amount paid as advances, if any	None

Note 1: Pursuant to Clause (h) of sub-section (3) of Section 134 of the Act and Rule 8(2) of the Companies (Accounts) Rules, 2014, the particulars of contracts/arrangements entered into by the Company with related parties referred to in sub-section (1) of Section 188 of the Act including certain arm's length transactions under third proviso thereto are required to be disclosed in Form AOC-2. The Form AOC-2 envisages disclosure of material contracts or arrangement or transactions at arm's length basis. The above details are as per the Policy on dealing with related party transactions adopted by the Company.

On behalf of the Board of Directors

CHRISTOPHER SNOOK
Chairman

June 15, 2019

Annexure C to the Directors' Report

Form No. MR-3

SECRETARIAL AUDIT REPORT

FOR THE FINANCIAL YEAR ENDED MARCH 31, 2019

[Pursuant to Section 204(1) of the Companies Act, 2013 and Rule 9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014]

To
The Members
NOVARTIS INDIA LIMITED
L24200MH1947PLC006104
Inspire - BKC, Part of 601 and 701
Bandra Kurla Complex, Bandra East
Mumbai 400 051

We have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by **Novartis India Limited** (hereinafter called the 'Company'). Secretarial Audit was conducted in a manner that provided us with a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing our opinion thereon.

Based on our verification of the Company's books, papers, minute books, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, we hereby report that in our opinion, the Company has, during the audit period covering the financial year ended on March 31, 2019 complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance-mechanisms in place to the extent, in the manner and subject to the reporting made hereinafter:

We have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company for the financial year ended on March 31, 2019 according to the provisions of:

- (i) The Companies Act, 2013 (the Act) and the rules made thereunder;
- (ii) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder;
- (iii) The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;
- (iv) Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment and Overseas Direct Investment;
- (v) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'):-
 - a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
 - b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;
 - c) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client;
 - d) The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015;

The Company has further complied with below mentioned laws, which are specifically applicable to the Company as it is in the business of drugs and pharmaceuticals:

- i. Drugs and Cosmetics Act, 1940
- ii. Drugs (Prices Control) Order, 2013

Following laws were not applicable to the Company during the Audit period:

- i. The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009;
- ii. The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998 as effective till September 10, 2018 and Securities and Exchange Board of India (Buyback of Securities) Regulations, 2018 as effective from 1 September 11, 2018;
- iii. The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 as effective till November 9, 2018 and Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018 as effective from November 10, 2018;
- iv. The Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014;
- v. The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008;

We have also examined compliance with the following:

- i. Secretarial Standards in respect of Meeting of Board of Directors (SS-1) and General Meetings (SS-2) issued by the Institute of Company Secretaries of India.
- ii. Listing Agreement entered into by the company with BSE Limited.

During the period under review, the Company has complied with the provisions of the Act, Rules, Regulations, Guidelines and Standards as mentioned above.

We further report that:

- The Board of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors. The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act.
- Adequate notice is given to all Directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent well in advance, and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.
- All decisions of the Board Meetings and Committee Meetings were carried through unanimously as recorded in the minutes of the Meetings of the Board of Directors or Committee of the Board, as the case may be.

We further report that there are adequate systems and processes in the Company commensurate with the size and operations of the company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.

We further report that during the audit period, there are no specific events/actions having a major bearing on the Company's affairs in pursuance of the laws, rules, regulations, guidelines, standards, etc. referred to above.

Saraf and Associates
(Practising Company Secretaries)

K. G. Saraf
Proprietor
FCS 1596: CP 642

Place : Mumbai
Date : June 15, 2019

Note : This report is to be read with our letter of even date, which is annexed as 'ANNEXURE' and forms an integral part of this report.

'ANNEXURE'

To
The Members
NOVARTIS INDIA LIMITED
L24200MH1947PLC006104
Inspire - BKC, Part of 601 and 701
Bandra Kurla Complex, Bandra East
Mumbai 400 051

Our report of even date is to be read along with this letter.

1. Maintenance of secretarial record is the responsibility of the management of the Company. Our responsibility is to express an opinion on these secretarial records based on our audit.
2. We have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the contents of the Secretarial records. The verification was done on test basis to ensure that correct facts are reflected in secretarial records. We believe that the processes and practices we followed provide a reasonable basis for our opinion.
3. We have not verified the correctness and appropriateness of financial records and Books of Accounts of the company.
4. Wherever required, we have obtained the Management representation about the compliance of laws, rules and regulations and happening of events.
5. The compliance of the provisions of Corporate and other applicable laws, rules, regulations, standards is the responsibility of Management. Our examination was limited to the verification of procedures on test basis.
6. The Secretarial Audit report is neither an assurance as to the future viability of the company nor of the efficacy or effectiveness with which the management has conducted the affairs of the company.

Saraf and Associates
(Practising Company Secretaries)

K. G. Saraf
Proprietor

Place : Mumbai
Date : June 15, 2019

FCS 1596 : CP 642

Annexure D to the Directors' Report

Conservation of energy, technology absorption and foreign exchange earnings/outgo

Particulars required by Section 134(3)(m) of the Companies Act, 2013 ("the Act") read with Rule 8(3) of the Companies (Accounts) Rules, 2014 and forming part of the Directors' Report for the year ended March 31, 2019.

A. CONSERVATION OF ENERGY

Measures taken for conservation of energy.

The Company does not have a manufacturing unit in India.

During the year under review, the Company had shifted its Registered Office from Sandoz House, Worli, to Inspire BKC, a multi tenanted building, in Bandra (E), Mumbai. Inspire BKC is a 'Gold Certified Green Building' with Indian Green Building Council.

Some of the benefits derived out of the said move include the following:

- Substantial savings on the average electricity consumption vs. old office.
- Installed Energy Efficient Lighting System installed on site (LEDs)
- Occupancy and motion sensors are installed in all work station areas and meeting rooms for reducing energy consumption.
- Air Handling Units and Variable Refrigerant Flow system are installed which operates on proper schedule.
- Ample natural lighting from the facade.
- Open lay-out – better air circulation and lighting distribution.
- Co₂ monitoring sensor installed at appropriate places.
- Biodegradable plates/cutlery are used in the cafeteria resulting in substantial saving of water use for cleaning of utensils.
- The monthly consumption of water is reduced substantially.
- Water efficient, aerator type faucets are installed in all washrooms.
- Urinal sensors and low flow flushing system installed leading to reduced water usage.

B. TECHNOLOGY ABSORPTION

Disclosure of particulars with respect to Technology Absorption

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.

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.

4. Expenditure on R&D: NIL

C. FOREIGN EXCHANGE EARNINGS AND OUTGO

The foreign exchange earned in terms of actual inflows during the year was ₹ 57.6 million and the foreign exchange outgo during the year was ₹ 1326.3 million in terms of actual outflows.

Annexure E to the Directors' Report

EXTRACT OF ANNUAL RETURN as on the financial year ended on March 31, 2019

[Pursuant to Section 92(3) of the Companies Act, 2013 and Rule 12(1) of the Companies (Management and Administration) Rules, 2014]

I. Registration and Other Details:

i)	CIN	L24200MH1947PLC006104
ii)	Registration Date	December 13, 1947
iii)	Name of the Company	Novartis India Limited
iv)	Category/Sub-Category of the Company	Company Limited by Shares
v)	Address of the Registered Office and contact details	Inspire - BKC, Part of 601 and 701 Bandra Kurla Complex Bandra East, Mumbai 400 051 Tel: +91 022 5024 3000 Fax: +91 22 5024 3005
vi)	Whether listed Company Yes/No	Yes
vii)	Name, Address and Contact details of Registrar and Transfer Agent, if any	Link Intime India Private Limited C-101, 247 Park, L.B.S. Marg Vikhroli West, Mumbai 400 083 Tel: +91 22 4918 6000 Fax: +91 22 4918 6060 Email: rnt.helpdesk@linkintime.co.in

II. Principal Business Activities of the Company

All the business activities contributing 10% or more of the total turnover of the Company shall be stated:

Sr. No.	Name and Description of main products/services	NIC Code of the product/service	% to total turnover of the Company
1	Wholesale of pharmaceuticals and medical goods	46497	100

III. Particulars of Holding, Subsidiary and Associate Companies

Sr. No.	Name and address of the Company	CIN/GLN	Holding/ Subsidiary/ Associate	% of Shares Held	Applicable Section
1	Novartis AG P.O. Box CH – 4002 Basel/Switzerland	Foreign Company	Holding Company	70.68	Sections 2(46) and 2(87)

IV. Shareholding Pattern (Equity Share Capital Breakup as percentage of Total Equity)

(i) Category-wise Shareholding

Category of Shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
A. Promoters									
(1) Indian									
a) Individual/HUF	—	—	—	—	—	—	—	—	—
b) Central Govt	—	—	—	—	—	—	—	—	—
c) State Govt(s)	—	—	—	—	—	—	—	—	—
d) Bodies Corp.	—	—	—	—	—	—	—	—	—
e) Banks/Fl	—	—	—	—	—	—	—	—	—
f) Any Other	—	—	—	—	—	—	—	—	—
Sub-total (A)(1)	—	—	—	—	—	—	—	—	—
(2) Foreign									
a) NRIs – Individuals	—	—	—	—	—	—	—	—	—
b) Other – Individuals	—	—	—	—	—	—	—	—	—
c) Bodies Corp.	17,450,680	0	17,450,680	70.6770	17,450,680	0	17,450,680	70.6770	0.0000
d) Banks/Fl	—	—	—	—	—	—	—	—	—
e) Any Other	—	—	—	—	—	—	—	—	—
Sub-total (A)(2)	17,450,680	0	17,450,680	70.6770	17,450,680	0	17,450,680	70.6770	0.0000
Total shareholding of Promoter (A) = (A)(1)+(A)(2)	17,450,680	0	17,450,680	70.6770	17,450,680	0	17,450,680	70.6770	0.0000
B. Public Shareholding									
1. Institutions	—	—	—	—	—	—	—	—	—
a) Mutual Funds	200	560	760	0.0031	200	560	760	0.0031	0.0000
b) Banks/Fl	1,871	789	2,660	0.0108	1,895	789	2,684	0.0108	0.0000
c) Central Govt	—	—	—	—	—	—	—	—	—
d) State Govt(s)	—	—	—	—	—	—	—	—	—
e) Venture Capital Funds	—	—	—	—	—	—	—	—	—
f) Insurance Companies	283,086	0	283,086	1.1465	227,699	0	227,699	0.9222	(0.2243)
g) Foreign Portfolio Investor	98	0	98	0.0004	40,623	0	40,623	0.1645	0.1605
h) Foreign Venture Capital Funds	—	—	—	—	—	—	—	—	—
i) Others (specify)	—	—	—	—	—	—	—	—	—
UTI	0	83	83	0.0003	0	0	0	0	(0.0003)
Sub-total (B)(1)	285,255	1,349	286,604	1.1608	270,417	1,349	271,766	1.1078	(0.053)
2. Non-Institutions									
a) Bodies Corp.:									
i) Indian	734,488	0	734,488	2.9747	724,706	0	724,706	2.9351	(0.0396)
ii) Overseas	—	—	—	—	—	—	—	—	—
b) Individuals:									
i) Individual shareholders holding nominal share capital upto ₹ 1 lakh	4,842,464	553,928	5,396,392	21.8559	4,991,134	479,829	5,470,963	22.1581	0.3022
ii) Individual shareholders holding nominal share capital in excess of ₹ 1 lakh	493,283	0	493,283	1.9978	422,396	0	422,396	1.7107	(0.2871)
c) Others (specify):									
IEPF	99,509	0	99,509	0.4030	111,804	0	111,804	0.4528	0.0498
Non Resident Indians	225,156	2,792	227,948	0.9232	226,769	2,762	229,531	0.9297	0.0065
Overseas Corporate Bodies	—	—	—	—	—	—	—	—	—
Foreign Nationals	54	0	54	0.0002	54	0	54	0.0002	0.0000
Clearing Members	—	—	—	—	—	—	—	—	—
Trusts	1,364	475	1,839	0.0074	1,822	—	1,822	0.0074	0.0000
Foreign Bodies	—	—	—	—	—	—	—	—	—
NBFCs	—	—	—	—	7,075	—	7,075	0.0287	0.0287
Sub-total (B)(2)	6,396,318	557,195	6,953,513	28.1624	6,485,760	482,591	6,968,351	28.2227	0.0603
Total Public Shareholding (B) = (B)(1) + (B)(2)	6,681,573	558,544	7,240,117	29.3231	6,756,177	483,940	7,240,117	29.3308	0.0077
C. Shares held by Custodian for GDRs & ADRs									
Grand Total (A + B + C)	24,132,253	558,544	24,690,797	100	24,206,857	483,940	24,690,797	100	0.0000

(ii) Shareholding of Promoters

Sr. No.	Shareholder's Name	Shareholding at the beginning of the year			Shareholding at the end of the year			% change in shareholding during the year
		No. of shares	% of total shares of the Company	% of shares pledged/encumbered to total shares	No. of shares	% of total shares of the Company	% of shares pledged/encumbered to total shares	
1	Novartis AG	17450680	70.6770	0	17450680	70.6770	0	—
	Total	17450680	70.6770	0	17450680	70.6770	0	—

(iii) Change in Promoters' Shareholding

Sr. No.	Particulars	Cumulative Shareholding during the year			
		No. of shares	% of total shares of the Company	No. of shares	% of total shares of the Company
1	At the beginning of the year	17,450,680	70.6770	—	—
2	Date-wise increase/decrease in Promoters' Shareholding during the year specifying the reasons for increase/decrease (e.g. allotment/transfer/bonus/sweat equity etc):	—			
3	At the end of the year	—	—	17,450,680	70.6770

(iv) Shareholding Pattern of Top Ten Shareholders (other than Directors, Promoters and Holders of GDRs and ADRs):

Sr. No	Shareholder's Name	Shareholding		Date	Increase/Decrease in shareholding	Reason	Cumulative Shareholding during the year (01-04-18 to 31-03-19)	
		No. of Shares at the beginning (01-04-18) / end of the year (31-03-19)	% of total Shares of the Company				No. of Shares	% of total Shares of the Company
1	ATUL LIMITED	374,619	1.5172	31.03.2018				
				27.07.2018	8	Purchase	374,627	1.5173
				30.03.2019			374,627	1.5173
2	THE ORIENTAL INSURANCE COMPANY LIMITED	280,562	1.1363	31.03.2018				
				17.08.2018	(2,000)	Sale	278,562	1.1282
				24.08.2018	(6,733)	Sale	271,829	1.1009
				31.08.2019	(10,270)	Sale	261,559	1.0593
				07.09.2018	(10,997)	Sale	250,562	1.0148
				14.09.2018	(4,228)	Sale	246,334	0.9977
				21.09.2018	(7,930)	Sale	238,404	0.9656
				19.10.2018	(3,229)	Sale	235,175	0.9525
				02.11.2018	(8,000)	Sale	227,175	0.9201
		09.11.2018	(2,000)	Sale	225,175	0.912		
		30.03.2019				225,175	0.912	
3	ANIMA B KAPADIA	135,182	0.5475	31.03.2018				
				30.03.2019			135,182	0.5475
4	KUSUM B KAPADIA	90,362	0.3660	31.03.2018				
				30.06.2018	1,793	Purchase	92,155	0.3732
				30.03.2019			92,155	0.3732

Sr. No	Shareholder's Name	Shareholding		Date	Increase/Decrease in shareholding	Reason	Cumulative Shareholding during the year (01-04-18 to 31-03-19)	
		No. of Shares at the beginning (01-04-18) / end of the year (31-03-19)	% of total Shares of the Company				No. of Shares	% of total Shares of the Company
5	SOHRAB HOMI FRACIS	44,300	0.1794	31.03.2018				
				30.03.2019			44,300	0.1794
6	M. SHANTHA	45,024	0.1824	31.03.2018				
				04.05.2018	(1,000)	Sale	44,024	0.1783
				01.06.2018	(51)	Sale	43,973	0.1781
				22.06.2018	(340)	Sale	43,633	0.1767
				10.08.2018	(1,000)	Sale	42,633	0.1727
				17.08.2018	(1,717)	Sale	40,916	0.1657
				31.08.2018	(2,000)	Sale	38,916	0.1576
				07.09.2018	(112)	Sale	38,804	0.1572
				30.03.2019			38,804	0.1572
7	FEROZA MANECK PATEL	36,274	0.1469	31.03.2018				
				30.03.2019			36,274	0.1469
8	HARESH BABUBHAI DARUVALA	35,091	0.1421	31.03.2018				
				30.03.2019			35,091	0.1421
9	SAFINA TOWERS PVT LTD	0	0	31.03.2018				
				18.05.2018	13,552	Purchase	13,552	0.0549
				25.05.2018	3,976	Purchase	17,528	0.071
				01.06.2018	113	Purchase	17,641	0.0714
				08.06.2018	136	Purchase	17,777	0.072
				15.06.2018	100	Purchase	17,877	0.0724
				22.06.2018	123	Purchase	18,000	0.0729
				30.06.2018	1,889	Purchase	19,889	0.0806
				06.07.2018	726	Purchase	20,615	0.0835
				10.08.2018	15,436	Purchase	36,051	0.146
				17.08.2019	2,022	Purchase	38,073	0.1542
				24.08.2019	(8,073)	Sale	30,000	0.1215
				31.08.2019	(30,000)	Sale	0	0
				14.12.2018	3,856	Purchase	3,856	0.0156
				21.12.2018	4,459	Purchase	8,315	0.0337
				28.12.2018	3,092	Purchase	11,407	0.0462
				31.12.2018	93	Purchase	11,500	0.0466
				11.01.2019	3,241	Purchase	14,741	0.0597
				18.01.2019	2,585	Purchase	17,326	0.0702
				25.01.2019	638	Purchase	17,964	0.0728
				01.02.2019	3,737	Purchase	21,701	0.0879
				08.02.2019	3,395	Purchase	25,096	0.1016
				15.02.2019	1,021	Purchase	26,117	0.1058
		22.02.2019	2,395	Purchase	28,512	0.1155		
		01.03.2019	982	Purchase	29,494	0.1195		
		08.03.2019	4,506	Purchase	34,000	0.1377		
		22.03.2019	586	Purchase	34,586	0.1401		
		30.03.2019			34,586	0.1401		

Sr. No	Shareholder's Name	Shareholding		Date	Increase/Decrease in shareholding	Reason	Cumulative Shareholding during the year (01-04-18 to 31-03-19)	
		No. of Shares at the beginning (01-04-18) / end of the year (31-03-19)	% of total Shares of the Company				No. of Shares	% of total Shares of the Company
10	R. RAJKUMAR	36,831	0.1492	31.03.2018				
				01.06.2018	(3,000)	Sale	33,831	0.137
				15.06.2018	(960)	Sale	32,871	0.1331
				22.06.2018	(1,000)	Sale	31,871	0.1291
				10.08.2018	(1,500)	Sale	30,371	0.123
				17.08.2018	(2,000)	Sale	28,371	0.1149
				24.08.2018	(1,000)	Sale	27,371	0.1109
				31.08.2018	(1,000)	Sale	26,371	0.1068
				30.03.2019			26,371	0.1068
11	VIJAY TUKARAM RAUNDAL	37,310	0.1511	31.03.2018				
				31.08.2018	(2,600)	Sale	34,710	0.1406
				02.11.2018	2,600	Purchase	37,310	0.1511
				08.03.2019	(5,280)	Sale	32,030	0.1297
				15.03.2019	(3,935)	Sale	28,095	0.1138
				22.03.2019	(2,525)	Sale	25,570	0.1036
				29.03.2019	(5,000)	Sale	20,570	0.0833
				30.03.2019			20,570	0.0833

* As of March 31, 2019 Investor Education and Protection Fund holds 111804 equity shares.

(v) Shareholding of Directors and Key Managerial Personnel:

Sr. No.	For each of the Directors and KMP	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the Company	No. of shares	% of total shares of the Company
1	At the beginning of the year	220	0.009	253	0.009
2	Date-wise increase/decrease in Shareholding during the year specifying the reasons for increase/decrease (e.g. allotment/transfer/bonus/sweat equity etc.):	—	—	33	0.001
3	At the end of the year	220	0.010	253	0.0010

Note: As on March 31, 2019, Dr. Rajendra Nath Mehrotra, Independent Director of the Company holds 220 equity shares of the Company and Mr. Milan Paleja, Vice-Chairman and Managing Director holds 33 equity shares of the company. Apart from Dr Mehrotra and Mr. Paleja, no other Director/Key Managerial Personnel holds any shares of the Company.

V. Indebtedness

Indebtedness of the Company including interest outstanding/accrued but not due for payment (₹ in million)

Particulars	Secured Loans excluding deposits	Unsecured Loans	Deposits*	Total Indebtedness
Indebtedness at the beginning of the financial year				
i) Principal Amount	—	—	22.2	22.2
ii) Interest due but not paid	—	—	—	—
iii) Interest accrued but not due	—	—	—	—
Total (i+ii+iii)	—	—	22.2	22.2
Change in Indebtedness during the financial year				
• Addition	—	—	0.5	0.5
• Reduction	—	—	4.0	4.0
Net Change	—	—	3.5	3.5
Indebtedness at the end of the financial year				
i) Principal Amount	—	—	—	—
ii) Interest due but not paid	—	—	—	—
iii) Interest accrued but not due	—	—	—	—
Total (i+ii+iii)	—	—	18.7	18.7

* These deposits are not public deposits falling under the ambit of Section 73 of the Companies Act, 2013. These pertain to deposits received from Carrying and Forwarding Contractors etc. in the course of business of the Company.

VI. Remuneration of Directors and Key Managerial Personnel

A. Remuneration to Managing Director, Whole-time Directors and/or Manager: (₹ in million)

Sr. No.	Particulars of Remuneration	Name of the Director			Total Amount
		Milan Paleja *	Jawed Zia**	Monaz Noble	
		Vice Chairman & Managing Director	Vice Chairman & Managing Director	Whole Time Director & CFO	
1	Gross salary				
	(a) Salary as per provisions contained in Section 17(1) of the Income-tax Act, 1961	6.7	8.4	10.9	26.0
	(b) Value of perquisites under Section 17(2) of the Income-tax Act, 1961***	—	0.7	1.8	2.5
	(c) Profits in lieu of salary under Section 17(3) of the Income-tax Act, 1961	—	—	—	—
2	Stock Option	—	—	—	—
3	Sweat Equity	—	—	—	—
4	Commission — as % of profit — others specify...	—	—	—	—
5	Others: Annual Incentive	—	—	3.0	3.0
6	Other Long Term Benefits	—	0.4	1.4	1.8
7	Total (A)	6.7	9.5	17.1	33.3
8	Ceiling as per the Act	29 (5% of Net Profit)		29 (5% of Net Profit)	58 (10% of Net Profit)

*Appointed as Vice Chairman & Managing Director w.e.f June 1, 2018

**Ceased to be Vice Chairman & Managing Director w.e.f May 31, 2018

***Excludes charge in relation to restricted shares and tradable options to the extent not vested

B. Remuneration to other Directors:

1. Independent Director:

(₹ in million)

Particulars of Remuneration	Jai Hiremath	Dr. Rajendra Nath Mehrotra	Sandra Martyres	Total Amount
Fee for attending Board/Committee meetings	—	—	—	—
Commission*	1.0	1.0	1.0	3.0
Others	—	—	—	—
Total (B)(1)	1.0	1.0	1.0	3.0

* The commission approved by the Board for F.Y. 2018-19 will be paid after the adoption of financial statements at the ensuing AGM

2. Non-Executive Director:

(₹ in million)

Particulars of Remuneration	Christopher Snook	Total Amount
Fee for attending Board/Committee meetings	—	—
Commission	—	—
Others	—	—
Total (B)(2)	—	—
Total (B) = (B)(1) + (B)(2)	—	3.0
Total Managerial Remuneration	—	3.0
Overall Ceiling as per the Act	—	5.8 1% of net profit

C. Remuneration to Key Managerial Personnel other than MD/Manager/WTD

(₹ in million)

Sr. No.	Particulars of Remuneration	Name of the KMP	Total Amount
		Trivikram Guda Company Secretary	
1	Gross salary		
	(a) Salary as per provisions contained in Section 17(1) of the Income-tax Act, 1961	5.8	5.8
	(b) Value of perquisites under Section 17(2) of the Income-tax Act, 1961	0.0	0.0
	(c) Profits in lieu of salary under Section 17(3) of the Income-tax Act, 1961	—	—
2	Stock Option	—	—
3	Sweat Equity	—	—
4	Commission		
	– as % of profit – others, Specity...	— —	— —
5	Others, Annual Incentive	1.3	1.3
6	Total (C)	7.1	7.1
7	Ceiling as per the Act	NA	NA

VII. Penalties/Punishment/Compounding of Offences:

Type	Section of the Companies Act	Brief Description	Details of Penalty/Punishment/Compounding fees imposed	Authority [RD/NCLT/COURT]	Appeal made, if any
A. COMPANY					
Penalty					
Punishment					
Compounding					
B. DIRECTOR					
Penalty					
Punishment					
Compounding					
C. OTHER OFFICERS IN DEFAULT					
Penalty					
Punishment					
Compounding					

Report on Corporate Governance

1. Company's philosophy on Code of Corporate Governance

Novartis India Limited (**"the Company"**) strives to follow the best corporate governance practices, develop the best policies/guidelines, communicate and train all its employees in order to foster a culture of compliance and obligation at every level of the organization. We have established processes to ensure our Board functions effectively, promoting efficient and balanced decision-making, to effectively fulfill its duties in the best interest of our shareholders, employees and all other stakeholders.

The Company is in compliance with the provisions of Corporate Governance specified in the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (**"Listing Regulations"**).

The Company is committed to meeting 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 Board of Directors of the Company has an optimum combination of Executive, Non-Executive & Independent Directors, including women Directors. The strength of the Board is six Directors comprising optimum combination of Executive and Non-Executive Directors including the Chairman of the Company. Fifty percent of the Board comprises Independent 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 Non-Executive Directors, has full access to any information related to the Company.

During the financial year 2018-19, Mr. Jawed Zia, Vice Chairman & Managing Director resigned from his position w.e.f May 31, 2018. As per Section 203(4) of the Companies Act, 2013, in case of vacation of the office of any whole-time key managerial personnel, the resulting vacancy shall be filled by the Board at a meeting of the Board within a period of six months from the date of such vacancy. In compliance with this Regulation, the Board of Directors at its Meeting held on May 10, 2018, appointed Mr. Milan Paleja as the Vice Chairman & Managing Director w.e.f June 1, 2018, as approved by the members at the 70th Annual General Meeting ("AGM").

Mr. Milan Paleja, Vice Chairman & Managing Director resigned from his position w.e.f May 31, 2019. A suitable successor as identified, recommended and approved by the Nomination and Remuneration Committee and the Board, would be placed before the shareholders for approval, within prescribed timelines.

Except for the Non-executive Chairman, Vice Chairman & Managing Director and Independent Directors of the Company, all other executive Directors are liable to retire by rotation.

Details of the Board of Directors are given below:

Sr. No.	Name	Category	Date of joining the Board	No. of Directorships/Committee Memberships/Chairmanships (Including Novartis India Limited)				
				Directorships ⁽¹⁾ under Section 165			Committee Memberships ⁽²⁾	Committee Chairmanships ⁽²⁾
				Public Companies		Private and Section 8 Companies		
				Listed	Unlisted			
1	Mr. C. Snook	Non-Executive Chairman	01.08.2008	1	—	—	2	—
2	Mr. J. Zia*	Vice Chairman and Managing Director	01.03.2018	1	—	—	1	—
3	Mr. M. Paleja**	Vice Chairman and Managing Director	01.06.2018	1	—	1	1	—
4	Ms. M. Noble	Whole Time Director & Chief Financial Officer	13.06.2016	1	—	—	1	—
5	Mr. J. Hiremath	Independent Director	28.01.2006	2	1	8	2	1
6	Dr. R. Mehrotra	Independent Director	30.05.2000	1	—	—	2	1
7	Ms. S. Martyres	Independent Director	19.04.2016	1	—	2	1	—

*Mr. J. Zia resigned w.e.f May 31, 2018

**Mr. M. Paleja resigned w.e.f May 31, 2019

- (1) Excluding directorships outside of India.
(2) Membership and Chairmanship in Audit Committee and Stakeholder Relationship Committee of all public limited companies, whether listed or not, including Novartis India Limited.

Details of the Directorship in other listed entities are given below:

Sr No.	Name	Name of the Listed entity	Category of Directorship
1	Mr. C. Snook	—	—
2	Mr. J. Zia*	—	—
3	Mr. M. Paleja**	—	—
4	Ms. M. Noble	—	—
5	Mr. J. Hiremath	Hikal Ltd	Chairman & Managing Director
6	Dr. R. Mehrotra	—	—
7	Ms. S. Martyres	—	—

*Mr. J. Zia resigned w.e.f May 31, 2018

**Mr. M. Paleja resigned w.e.f May 31, 2019

Except Dr. R. Mehrotra and Mr. Paleja, no Directors and their relatives hold shares in the Company. Dr. R. Mehrotra holds 220 shares and Mr. Paleja holds 33 shares of the Company as on March 31, 2019.

All Independent Directors have given declarations that they meet the criteria of independence as laid down under Section 149(6) of the Companies Act, 2013 (“the Act”) and Listing Regulations. There are no inter-se relationships between the Directors of the Company.

Pursuant to Schedule V Para C clause 10 of the SEBI (LODR) Regulations 2015, Mr. K. G. Saraf from Saraf & Associates, Practicing Company Secretary had issued a certificate stating that none of the Directors on the board of the Company have been

debarred or disqualified from being appointed or continuing as the Directors of the company by SEBI or Ministry of Corporate Affairs or any such statutory authority for the financial year ending on March 31, 2019. This certificate forms part of the Report on Corporate Governance.

The profile of all Directors of the Company are placed on the website of the Company at www.novartis.in

Skills, expertise and competencies that are identified and available within the Board

The Board of Directors ('Board') of the Company believes that corporate governance is a reflection of the Novartis value system encompassing its culture, policies, and relationships with all stakeholders. Integrity and transparency are key to its corporate governance practices.

The Board also believes that composition of the Board of the Company should align with its status as a listed entity as well as with its business portfolio, geographic reach and culture. They strongly opine that diversity of a Board is critical to its effectiveness with attributes representing nationality, gender, background, experience, age, viewpoints, interests, and technical & interpersonal skills.

The Board emphasizes that a member of the Board of the Company should have prior work experience and background in areas like leadership and management, healthcare, life sciences, medicine, research & development, consumer goods, engineering & technology, marketing, banking, finance & accounting, human resources, legal, public affairs and risk management.

Following are the core skills, expertise and competencies that are identified and available within the Board of the Company for effective functioning:

Vision:	Familiarity and commitment to Novartis / Company's culture and values;
Strategic expertise:	Ability to understand, review and suggest appropriate strategies;
Experience:	Leadership experience in managing people and achieving change;
Industry:	Knowledge of pharma, healthcare, manufacturing, marketing, finance, banking, HR, legal & public affairs in which the Company operates;
Technical:	Technical/professional skills to assist with ongoing aspects of the Company's Board's role;
Legal & Governance:	Knowledge and understanding of legal & regulatory landscape in which Novartis operates
Behavioral:	Behavioral competencies such as collaborative and ability to work as a team member, seeking and giving feedback to/from individual directors, be challenging but supportive in the Board room.
Personal attributes:	Willingness and ability to devote adequate time and energy to fulfill Board and Committee responsibilities, strategic thinking, integrity with high ethical standards, trust, accountability and avoid situations leading to conflict of interest.

Board Meetings

The Board/Committee meetings are pre-scheduled and an 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 or urgent business need, the Board's approval is taken at a specially convened meeting or by circular resolution, in which case it is ratified at the subsequent Board meeting.

During the financial year under review, four Board meetings were held on May 10, 2018; July 26, 2018; November 13, 2018 and February 04, 2019. The Company Board Meetings in the year and the gap between two Board meetings was in compliance with the provisions contained in the Act and the Listing Regulations.

The Company proactively keeps its Directors informed of the activities of the Company, its management and operations and provides an overall industry perspective as well as insights into issues being faced by the industry. The details of familiarization provided to the Directors of the Company is available on the Company's website www.novartis.in.

Details of Directors as on March 31, 2019 and their attendance at the Board Meetings and Annual General Meeting ("AGM") during the financial year ended March 31, 2019 are given below:

Name of the Director	Category	No. of Meetings held during the tenure of the Director	No. of Meetings attended	Attendance at the AGM
Mr. C. Snook	Non-Executive Chairman	4	4	Yes
Mr. J. Zia*	Vice Chairman and Managing Director, and Chairman of Corporate Social Responsibility Committee	1	0	No
Mr. M. Paleja**	Vice Chairman and Managing Director, and Chairman of Corporate Social Responsibility Committee	3	2	Yes
Ms. M. Noble	Whole Time Director and Chief Financial Officer	4	4	Yes
Mr. J. Hiremath	Independent Director and Chairman of the Audit Committee	4	4	Yes
Dr. R. Mehrotra	Independent Director and Chairman of the Nomination and Remuneration Committee and Stakeholders Relationship Committee	4	4	Yes
Ms. S. Martyres	Independent Director	4	4	Yes

*Mr. J. Zia resigned w.e.f May 31, 2018

**Mr. M. Paleja resigned w.e.f May 31, 2019

3. Audit Committee

The role of the Audit Committee is in accordance with Regulation 18 of the Listing Regulations and the terms of reference are as specified under Section 177 of the Act.

The terms of reference for the Audit Committee include:

- Examination of Financial Statements and Statutory Auditors' report thereon and discussion of any related issues with the Internal & Statutory Auditors and the management of the Company
- Review of Financial Statements before their submission to the Board, including Directors' Responsibility Statement, changes in accounting policies and practices, statutory compliances and qualification(s) in draft audit report

- Approval or any subsequent modification of transactions of the Company with related parties
- Scrutiny of inter-corporate loans and investments
- Valuation of undertakings or assets of the Company, wherever necessary
- Evaluation of internal financial controls
- Evaluation of risk management system
- Monitoring end use of funds raised through public offers and related matters
- Establishing a vigil mechanism for Directors and employees to report genuine concerns and to make provision for direct access to the Chairperson of the Committee in appropriate or exceptional cases and review its findings
- Review of the Company's financial reporting processes and the disclosure of financial information to ensure that the Financial Statements are correct, sufficient and credible
- Look into reasons for substantial defaults in payments to stakeholders
- Approval of appointment of CFO or any other person heading the Finance function, after assessing the qualifications, experience, background etc. of the candidate
- Recommendation for appointment, remuneration and terms of appointment of the Statutory Auditors of the Company
- Review and monitor the Auditor's independence and performance, effectiveness of audit process and adequacy of internal control systems
- Call for comments of the Statutory Auditors about internal control systems, the scope of audit, including observations of the Statutory Auditors
- Reviewing the adequacy of the Internal Audit function including the structure of the Internal Audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of Internal Audit
- Discussion with Statutory Auditors before the audit commences, about the nature and scope of audit as well as post audit discussion to ascertain any areas of concern
- Reviewing findings of any internal investigation into matters where there is suspected fraud or irregularity or failure of internal control systems of a material nature and reporting the matter to the Board
- The Chairman of the Committee to attend the General Meeting to respond to the queries of shareholders.

Mr. Trivikram Guda, Company Secretary & Compliance Officer, acts as Secretary to the Committee.

The Vice Chairman & Managing Director, Whole Time Director & Chief Financial Officer, Country Chief Financial Officer, Country General Counsel, Internal Auditor, Statutory Auditors and Cost Auditor (where needed) are invitees to the Audit Committee meetings.

During the period under review, the Audit Committee met four times on May 10, 2018; July 26, 2018; November 13, 2018 and February 04, 2019.

Constitution of the Audit Committee and attendance details during the financial year ended March 31, 2019 are given below:

Name of the 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	4
Ms. S. Martyres	Member; Non-Executive and Independent Director	4	4

4. Nomination and Remuneration Committee

The role of the Nomination and Remuneration Committee is in accordance with Regulation 19 of the Listing Regulations and Section 178 of the Act.

The terms of reference for the Nomination and Remuneration Committee includes:

- To formulate a Nomination and Remuneration Policy on:
 - determining qualifications, positive attributes and independence of a Director
 - guiding remuneration of Directors, Key Managerial Personnel (“KMP”) and other employees and Board diversity
- Recommend Nomination and Remuneration Policy to the Board
- Identify candidates who are qualified to become Directors
- Identify persons who are qualified to become Senior Management (Senior Management of the Company means employees of the Company who are Divisional Heads and Corporate Function Heads) or equivalent position as per Listing Regulations.
- Recommend to the Board the appointment and removal of Directors and Senior Management
- Lay down the process for evaluation of the performance of every Director on the Board
- The Chairman of the Committee to attend the General Meeting to respond to queries of shareholders.

During the period under review, the Nomination and Remuneration Committee met two times on May 10, 2018 and February 04, 2019.

Constitution of the Nomination and Remuneration Committee and attendance details during the financial year ended March 31, 2019 are given below:

Name of the Director	Category	No. of Meetings held	No. of Meetings attended
Dr. R. Mehrotra	Chairman of the Committee; Non-Executive and Independent Director	2	2
Mr. C. Snook	Member; Non-Executive Director	2	2
Mr. J. Hiremath	Member; Non-Executive and Independent Director	2	2

The Nomination and Remuneration Committee at its meeting held on July 25, 2014, approved the Nomination and Remuneration Policy and the methodology for conducting the performance appraisal of the Board, the Board Committees and the Directors. The details of Nomination and Remuneration Policy and methodology for conducting the performance appraisal of the Board, the Board Committee and the Directors is given below. Based on the recommendations of the Nomination and Remuneration Committee, the Board of Directors at their meeting held on February 4, 2019 approved the increase in age for appointment / re-appointment of Director from 70 years to 75 years.

Nomination and Remuneration Policy

Pursuant to Section 178 of the Act and Listing Regulations the Nomination and Remuneration Committee has adopted a Nomination and Remuneration Policy which provides guidance on:

a) Selection Criteria for Directors

The Company shall consider the following aspects while appointing a person as a Director on the Board of the Company:

Skills and Experience: The candidate shall have appropriate skills and experience in one or more fields of finance, law, management, sales, marketing, administration, public administrative services, research, corporate governance, technical operations or any other discipline related to the Company's business.

Age Limit: The candidate should have completed the age of twenty-one (21) years and should not have attained the age of seventy-five (75) years.

Conflict of Interest: The candidate should not hold Directorship in any competitor company, and should not have any conflict of interest with the Company.

Directorship: The number of companies in which the candidate holds Directorship should not exceed the number prescribed under the Act or under the Listing Regulations.

Independence: The candidate proposed to be appointed as Independent Director, should not have any direct or indirect material pecuniary relationship with the Company and must satisfy the requirements imposed under the Act or under the Listing Regulations.

The policy provides that while appointing a Director to the Board, due consideration will be given to:

- i. approvals of the Board and/or shareholders of the Company in accordance with the Act; and
- ii. the Articles of Association of the Company which mandate that so long as Novartis AG, Basel, holds twenty-six percent or more of the paid-up share capital of the Company, it is entitled to designate two Directors (Chairman and Vice Chairman) and also to withdraw any such nominations made and to designate any others in place of a Director whose nomination is withdrawn or who resigns or otherwise vacates his/her office.

b) Selection Criteria for Senior Management

As per policy, Senior Management shall mean employees hired at the level of Divisional Heads and Corporate Function Heads or equivalent positions, as per Listing Regulations.

The policy provides that the candidate should have appropriate qualifications, skills and experience for discharging the role. The qualifications, skills and experience of each such position shall be defined in the job description, which will be maintained by the HR function.

Remuneration for Directors, KMPs and other Employees

The policy provides that the remuneration of Directors, KMPs and other employees shall be based on the following key principles:

- **Pay for performance:** Remuneration of Executive Directors, KMP and other employees is a balance between fixed and incentive pay reflecting short and long term performance objectives appropriate to the working of the Company and its goal. The remuneration of Non-Executive Directors shall be decided by the Board based on the profits of the Company and industry benchmarks.
- **Balanced rewards to create sustainable value:** The level and composition of remuneration is reasonable and sufficient to attract, retain and motivate Directors and employees of the Company and encourage behavior that is aligned to sustainable value creation.
- **Competitive compensation:** Total target compensation and benefits are comparable to peer companies in the healthcare industry and commensurate to the qualifications and experience of the concerned individual.
- **Business Ethics:** Strong governance processes and stringent risk management policies are adhered to, in order to safeguard the Company's stakeholders' interest.

Performance Evaluation

The process approved by the Nomination and Remuneration Committee requires the Chairman to initiate the performance evaluation process in the month of April every year. Performance evaluation is conducted based on approved criteria. Highlights of the process are as under:

- a) **Board:** Each Board member completes the self-evaluation form. Independent Directors discuss the self-evaluation forms in a separate meeting and share their feedback with the Chairman. The Chairman discusses the evaluation form analysis with the Managing Director and later with the entire Board at the Board Meeting.
- b) **Committees:** Each Committee member completes the self-evaluation form and shares feedback with the Chairman. The Chairman discusses the evaluation form analysis with the Managing Director and later with the entire Board at the Board Meeting.
- c) **Chairman and Executive Directors:** Each Board member completes the peer-evaluation form. Independent Directors discuss the peer-evaluation forms in a separate meeting and share their feedback with the Chairman. The Chairman conveys feedback individually to the concerned Directors.
- d) **Independent Directors:** Each Board member completes the peer-evaluation and shares feedback with the Chairman. The evaluation of Independent Directors is done by the entire Board of Directors in accordance with the Listing Regulations. The Chairman conveys feedback individually to the concerned Directors.

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 services 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 Whole Time Director gets a monthly salary, perquisites and performance pay as per the policies of the Company. In the event of the Whole Time Director desiring to leave the services of the Company, he/she shall give to the Company 3 months' notice. The Company may, at its sole discretion, relieve the Whole Time Director of his/her duties at any time by giving 3 months' notice.

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

1. Salary, as recommended by the Nomination and Remuneration Committee and approved by the Board and 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 and Whole Time Director is determined keeping in view industry benchmarks and Novartis policies.

Remuneration of the Vice Chairman and Managing Director and the Whole Time Director is within the limits approved by the Board and shareholders at the 71st AGM and 68th AGM of the Company respectively.

The criteria for making payments to Independent Directors are:

1. Independent Directors are paid sitting fees with effect from April 01, 2019 for attending the Board and Audit Committee meetings.
2. The Independent Directors receive commission on the net profits of the Company. The Board decides on the commission each year based on industry benchmarks and commensurate challenges.

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

(₹ in million)

Name of the Director	Salary	Perquisite**	Performance Incentive	Commission	Other Long term benefits	Total
Mr. C. Snook	—	—	—	—	—	—
Mr. J. Zia*	8.4	0.7	—	—	0.4	9.5
Mr. M. Paleja**	6.7	—	—	—	—	6.7
Ms. M. Noble	10.9	1.8	3.0	—	1.4	17.1
Dr. R. Mehrotra	—	—	—	1.0	—	1.0
Mr. J. Hiremath	—	—	—	1.0	—	1.0
Ms. S. Martyres	—	—	—	1.0	—	1.0

*Ceased to be Vice Chairman & Managing Director w.e.f May 31, 2018

**Appointed as Vice Chairman & Managing Director w.e.f June 1, 2018

***Excludes charge in relation to restricted shares and tradable options to the extent not vested.

5. Stakeholders Relationship Committee

In pursuance to Regulation 20 of the Listing Regulations and Section 178 of the Act, the Stakeholders Relationship Committee considers and resolves the grievances of security holders.

During the period under review, the Stakeholders Relationship Committee met four times on May 10, 2018; July 26, 2018; November 13, 2018 and February 04, 2019.

Details of constitution and attendance details of the Stakeholders Relationship Committee as on March 31, 2019 are given below:

Name of the Director	Category	No. of Meetings held during Directors' tenure	No. of Meetings attended
Dr. R. Mehrotra	Chairman of the Committee; Non-Executive and Independent Director	4	4
Mr. C. Snook	Member; Non-Executive Director	4	4
Mr. J. Zia**	Member; Vice Chairman and Managing Director	1	—
Mr. M. Paleja**	Member; Vice Chairman and Managing Director	3	2
Ms. M. Noble	Member; Whole Time Director and Chief Financial Officer	4	4

*Resigned w.e.f. May 31, 2018

**Appointed w.e.f. June 1, 2018

Mr. Trivikram Guda, Company Secretary & Compliance Officer is Secretary to the Stakeholders Relationship Committee and the Compliance Officer of the Company.

The Stakeholders Relationship Committee was re-constituted and Mr. Milan Paleja, Vice Chairman and Managing Director was appointed as a member of the Committee with effect from June 1, 2018.

During the financial year, 9 complaints were received from shareholders, out of which 9 have been attended/resolved. There was no complaint from shareholders pending as on March 31, 2019. All shareholder grievances were attended and resolved within thirty days. The Chairperson of the Stakeholders Relationship Committee shall be present at the annual general meetings of the Company to answer queries of the security holders.

6. Corporate Social Responsibility (“CSR”) Committee

Pursuant to Section 135 of the Act the Board constituted the CSR Committee. The Committee provides guidance on various CSR activities to be undertaken by the Company and monitors its progress.

The terms of reference for the CSR Committee include:

- Formulate a CSR Policy which shall indicate activities to be undertaken by the Company.
- Recommend the CSR Policy to the Board.
- Recommend the amount of expenditure to be incurred on the activities.
- Monitor the policy from time to time as per the CSR Policy.

During the financial year under review, the CSR Committee met two times on May 10, 2018 and November 13, 2018.

Details of constitution and attendance details of the CSR Committee as on March 31, 2019 are given below:

Name of the Director	Category	No. of Meetings held in the tenure of the Director	No. of Meetings attended
Mr. J. Zia*	Chairman of the Committee; Vice Chairman and Managing Director	—	—
Mr. M. Paleja**	Chairman of the Committee; Vice Chairman and Managing Director	2	1
Ms. S. Martyres	Member; Non-Executive & Independent Director	2	2
Ms. M. Noble	Member; Whole Time Director and Chief Financial Officer	2	2

*Resigned w.e.f. May 31, 2018

**Appointed w.e.f. June 1, 2018

The CSR Committee was re-constituted and Mr. Paleja, Vice Chairman & Managing Director was appointed as Chairman of the Committee with effect from June 1, 2018. Annual Report on CSR activities is a part of the Directors' Report, which details the various CSR projects undertaken by the Company during FY 2018-19.

7. Recommendations of Committees

In terms of the amendments made to the SEBI (LODR) Regulations 2015, members may note that, during the financial year under review, all recommendations of the Committees of the Board which were mandatorily required have been accepted by the Board.

8. General Body Meetings

• Details of AGMs held during the last 3 years:

AGM for the financial year	Location of holding AGM	Date and Time of AGM
2017-2018	Hall of Culture, Nehru Centre, Worli, Mumbai 400 018	July 27, 2018 at 11.30 a.m.
2016-2017	Hall of Culture, Nehru Centre, Worli, Mumbai 400 018	July 28, 2017 at 11.30 a.m.
2015-2016	Hall of Culture, Nehru Centre, Worli, Mumbai 400 018	July 29, 2016 at 11.30 a.m.

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

• Special Resolutions passed at the last 3 AGMs or through Postal ballots:

- i) Vide a postal ballot dated February 4, 2019 the members of the Company through Special Resolution approved the re-appointment of Mr. Jai Hiremath and Dr. Rajendra Nath Mehrotra as Independent Directors of the Company, not liable to retire by rotation, to hold office for an additional term of five years and one year respectively on the Board effective from April 1, 2019.
- ii) Vide a postal ballot, shareholders of the Company approved a Special Resolution dated September 25, 2017 for buyback not exceeding 34,50,000 (Thirty Four Lakh Fifty Thousand only) equity shares of the Company, from all Members holding equity shares of the Company on a proportionate basis through the "Tender Offer" route in accordance with the Companies Act, the Companies (Management and Administration) Rules, 2014 and the Securities and Board of India (Buy-back of Securities) Regulations, 1998, as amended from time to time at a price of ₹ 670 (Rupees Six Hundred Seventy only) per equity share payable in cash for an aggregate amount of ₹ 2311.5 million.

- iii) At the AGM held on July 28, 2017, shareholders approved a Special Resolution for keeping the Register of Members maintained under Section 88 of the Act together with the Index of Members and copies of Annual Returns of the Company filed under Section 92 of the Act at the office of the Registrar and Transfer Agents of the Company, viz., Link Intime India Private Limited having its registered office located at C-101, 247 Park, LBS Marg, Vikhroli (West), Mumbai 400 083 instead of C-13, Pannalal Silk Mills Compound, LBS Marg, Bhandup (West), Mumbai 400 078.
- iv) At the AGM held on July 29, 2016, shareholders approved a Special Resolution for keeping the Register of Members maintained under Section 88 of the Act together with the Index of Members and copies of Annual Returns of the Company filed under Section 92 of the Act from May 1, 2016, at the office of the Registrar and Transfer Agents of the Company, viz., Link Intime India Private Limited having its registered office located at C-13, Pannalal Silk Mills Compound, LBS Marg, Bhandup (West), Mumbai 400 078.
- v) Vide a postal ballot, shareholders of the Company approved a Special Resolution dated July 12, 2016 for buyback not exceeding 38,20,000 (Thirty Eight Lakh Twenty Thousand only) equity shares of the Company, from all Members holding equity shares of the Company on a proportionate basis through the "Tender Offer" route in accordance with the Companies Act, the Companies (Management and Administration) Rules, 2014 and the Securities and Exchange Board of India (Buy-back of Securities) Regulations, 1998, as amended from time to time at a price of ₹ 760 (Rupees Seven Hundred Sixty only) per equity share payable in cash for an aggregate amount of ₹ 2903.2 million

There is no item on the agenda of the forthcoming AGM that needs approval by postal ballot.

9. Prevention of Sexual Harassment Policy

The Company has in place a Prevention of Sexual Harassment policy in line with the requirements of the Sexual Harassment of Women at the Workplace (Prevention, Prohibition and Redressal) Act, 2013. An Internal Committee has been set up to redress complaints received regarding sexual harassment. All persons whether employed as permanent, contractual, temporary or trainees are covered under this policy.

During the financial year 2018-19, one complaint was received by the Company related to sexual harassment.

10. Disclosures

- All Related Party transactions that were entered into during the financial year were on an arm's length basis and were in the ordinary course of business. All Related Party transactions were placed before the Audit Committee for approval. The Audit Committee has granted omnibus approval for Related Party transactions as per the provisions and restrictions contained in the Act and Listing Regulations. Details of Related Party Transactions are provided in the Financial Statements of the Company.
- 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 adopted a vigil mechanism and whistleblower policy which enables Directors and employees to report their genuine concerns. The mechanism provides

for adequate safeguards against the victimization of persons who use this mechanism and make provision for direct access to the Chairman of the Audit Committee in appropriate and exceptional cases. No Director or employee who wanted to report a concern was denied access to the Chairman of the Audit Committee.

- The Company is in full compliance with the mandatory requirements as contained in the Listing Regulations. The Company has also adopted certain non-mandatory requirements of the Listing Regulations 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 to attend the Company's Board meetings and appointment of separate persons to the post of Chairman and Managing Director.
- The Financial Statements of the Company are unqualified.

11. Means of Communication

Quarterly, Half-Yearly and Annual results of the Company are published in newspapers such as The Financial Express and Navshakti. These results are promptly submitted to BSE Limited facilitating them to display the same on their website.

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

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

12. General shareholder information

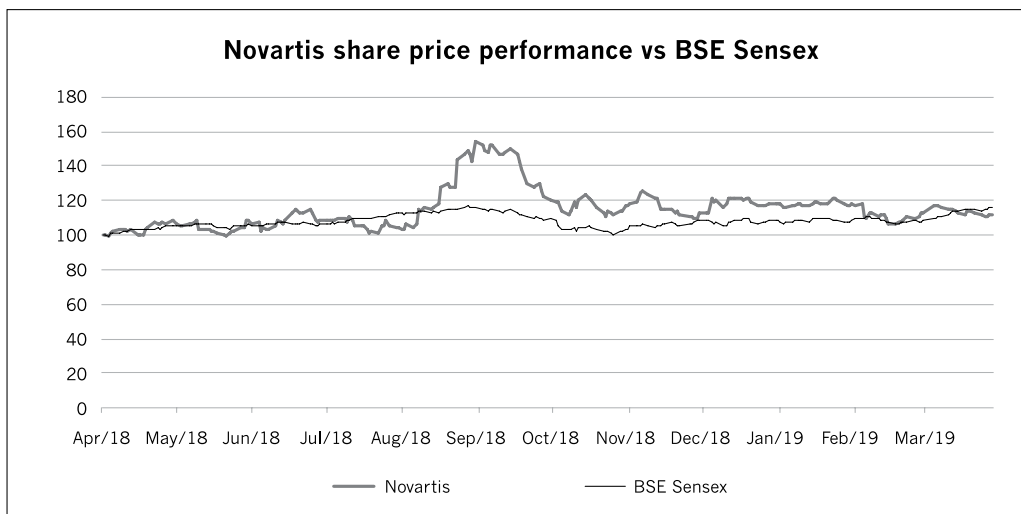
AGM day, date, venue and time	: August 09, 2019, at Mumbai Cricket Association [MCA] Banquet Hall, Ground Floor, G Block BKC, RG – 2, Bandra (E), Mumbai 400 051 at 11:30 a.m.
Financial Year	: April 1 to March 31
First quarter results	: First fortnight of August 2019
Second quarter results	: First fortnight of November 2019
Third quarter results	: Second fortnight of January 2020
Results for the year ending March 2020	: Second fortnight of May 2020
Date of Book closure:	August 02, 2019 till August 09, 2019 (Both days inclusive)
Dividend payment date	: On or after August 14, 2019
Listing on Stock Exchange	: BSE Limited, Mumbai
Payment of annual listing fees	: The annual listing fees for the year 2019-20 is paid to BSE Limited
Stock Code (BSE)	: 500672
Demat ISIN no. for CDSL and NSDL	: INE234A01025
Corporate Identity Number (CIN)	: L24200MH1947PLC006104

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

Month	BSE Limited, Mumbai	
	High	Low
April 2018	669.00	604.65
May 2018	682.00	600.20
June 2018	729.00	621.00
July 2018	688.00	615.00
August 2018	980.00	616.55
September 2018	974.85	738.80
October 2018	770.95	666.05
November 2018	789.90	670.00
December 2018	769.00	680.55
January 2019	762.40	702.00
February 2019	734.00	640.20
March 2019	728.75	675.00

(Source: Website of BSE Limited, Mumbai www.bseindia.com)

Novartis share price performance versus BSE Sensex during April 2018 – March 2019



Note: The monthly closing prices of the Sensex and Novartis equity shares have been indexed to 100 as on April 1, 2018

Registrar & Transfer Agents : Link Intime India Private Limited
 C-101, 247 Park
 L B S Marg, Vikhroli (West)
 Mumbai 400 083
 Telephone No: +91 22 4918 6000
 Fax No.: +91 22 4918 6060
 E-mail: rnt.helpdesk@linkintime.co.in

Share Transfer System : Share transfers in physical form are processed by the Registrar and Transfer Agent, Link Intime India Private Limited and are approved by the Stakeholders Relationship Committee of the Company or the authorized 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, 2019

Sr. No.	No. of equity shares held		Shareholder(s)		Shareholding(s)	
	From	To	Nos.	%	Nos.	%
1	1	500	40391	96.2906	3354985	13.5880
2	501	1000	895	2.1336	676126	2.7384
3	1001	2000	345	0.8225	495747	2.0078
4	2001	3000	124	0.2956	311297	1.2608
5	3001	4000	51	0.1216	178936	0.7247
6	4001	5000	32	0.0763	145752	0.5903
7	5001	10000	60	0.143	389542	1.5777
8	10001 and above		49	0.1168	19138412	77.5124
Total			41947	100	24690797	100

Shareholding Pattern as on March 31, 2019

Category	No. of shares held	Percentage of shareholding
A. Promoters' Holding		
1. Promoters	—	—
– Indian Promoters	17,450,680	70.6769
– Foreign Promoters	—	—
2. Persons Acting in Concert	—	—
Sub-Total	17,450,680	70.6769
B. Non-Promoters' Holding		
3. Institutional Investors		
a. Mutual Funds and UTI	760	0.0031
b. Banks, Financial Institutions, Insurance Companies (Central/ State Govt. Institutions/Non-Govt. Institutions)	230383	0.9331
c. FIIs	40623	0.1645
Sub-Total	271,766	1.1007
4. Others		
a. Private Corporate Bodies	845,407	3.4240
b. Indian Public	5,893,106	23.8676
c. NRIs/OCBs	229,585	0.9298
d. Directors and their relatives	253	0.0010
Sub-Total	6,968,351	28.2225
Grand Total	24,690,797	100

Dematerialisation of shares & liquidity

The Company's shares are traded compulsorily in dematerialised form on the stock exchange. As on March 31, 2019, 98.04 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. Trivikram Guda, Company Secretary and Compliance Officer at the Registered Office of the Company situated at Inspire - BKC, Part of 601 and 701, Bandra Kurla Complex, Bandra East Mumbai 400 051.

Telephone No: +91 22 5024 3000

E-mail: india.investors@novartis.com

Declaration on adherence to the Code of Conduct

As provided under SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, 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, 2019.

For Novartis India Limited

Milan Paleja
Vice Chairman and
Managing Director

Mumbai, April 21, 2019

Certificate of Non-Disqualification of Directors

(pursuant to Regulation 34(3) and Schedule V Para C clause (10)(i) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015)

To
The Members of
NOVARTIS INDIA LIMITED
Inspire - BKC, Part of 601 and 701
Bandra Kurla Complex, Bandra East
Mumbai 400 051

I have examined the relevant registers, records, forms, returns and disclosures received from the Directors of NOVARTIS INDIA LIMITED having CIN : L24200MH1947PLC006104 and having registered office at Inspire - BKC, Part of 601 and 701, Bandra Kurla Complex, Bandra East, Mumbai 400 051 (hereinafter referred to as 'the Company'), produced before me by the Company for the purpose of issuing this Certificate, in accordance with Regulation 34(3) read with Schedule V Para-C Sub clause 10(i) of the Securities Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

In my opinion and to the best of my/our information and according to the verifications (including Directors Identification Number (DIN) status at the portal www.mca.gov.in) as considered necessary and explanations furnished to me / us by the Company & its officers, I hereby certify that none of the Directors on the Board of the Company as stated below for the Financial Year ending on March 31, 2019 have been debarred or disqualified from being appointed or continuing as Directors of companies by the Securities and Exchange Board of India, Ministry of Corporate Affairs, or any such other Statutory Authority.

Sr. No.	Name of Director	DIN	Date of appointment in Company
1.	Jai Vishwanath Hiremath	00062203	28/01/2006
2.	Rajendra Nath Mehrotra	00172639	30/05/2000
3.	Christopher David Snook	00369790	01/08/2008
4.	Sandra Martyres	00798406	19/04/2016
5.	Monaz Noble	03086192	13/06/2016
6.	Milan Mohanlal Paleja	08127535	01/06/2018

Ensuring the eligibility for the appointment/continuity of every Director on the Board is the responsibility of the management of the Company. Our responsibility is to express an opinion on these based on our verification. This certificate is neither an assurance as to the future viability of the Company nor of the efficiency or effectiveness with which the management has conducted the affairs of the Company.

Saraf and Associates
(Practising Company Secretaries)

Place : Mumbai
Date : May 21, 2019

K. G. Saraf
Proprietor
FCS 1596 : CP 642

Certificate on Compliance with SEBI (Listing Obligations and Disclosure Requirements), Regulations, 2015 by Novartis India Limited

I have examined compliance by Novartis India Limited (the Company) with the requirements under the SEBI (Listing Obligations and Disclosure Requirements), Regulations, 2015 (Listing Regulations) relating to corporate governance requirements for the year ended on March 31, 2019.

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 the Listing Regulations.

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 the Listing Regulations. 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 Stakeholders Relationship 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.

Pune, June 15, 2019

DR. K. R. CHANDRATRE
Practising Company Secretary
FCS No. 1370
Certificate of Practice No. 5144

Business Responsibility Report

At Novartis, we strive to be a trusted healthcare leader and cultivate a corporate culture of high ethical standards. We promote innovation, quality, collaboration, performance, courage and integrity, which we regard as essential values and behaviors in our interactions with patients, healthcare partners and society at large.

Our key focus areas of Business Responsibility include expanding access to healthcare and doing business responsibly. This combination of responsible business and making medicines accessible is an important element supporting our company mission, vision and strategy. In this endeavor we adopt an array of approaches such as innovative business models, equitable commercial models, zero-profit initiatives, patient assistance programs and strategic philanthropy.

We at Novartis strongly believe that high performance with integrity is fundamental to the way we operate and is critical to maintaining the support of society and governments. Our Code of Conduct sets high ethical standards, and comprehensive training ensures our associates know how to apply these standards in their work.

Section A: General Information about the Company

1.	Corporate Identity Number (CIN) of the Company	:	L24200MH1947PLC006104
2.	Name of the Company	:	Novartis India Limited
3.	Registered address	:	Inspire - BKC, Part of 601 and 701 Bandra Kurla Complex Bandra East, Mumbai 400 051
4.	Website	:	www.novartis.in
5.	E-mail ID	:	india.investors@novartis.com
6.	Financial Year reported	:	April 1, 2018 – March 31, 2019
7.	Sector(s) that the Company is engaged in (industrial activity code-wise):	:	The Company's principal business activity comprises wholesale of pharmaceuticals and medical goods (NIC Code 46497)
8.	List three key products/services that the Company manufactures/provides (as in balance sheet)	:	Pharmaceutical products
9.	Total number of locations where business activity is undertaken by the Company		
	i. Number of International Locations	:	None
	ii. Number of National Locations	:	Head office at Mumbai
10.	Markets served by the Company – Local/State/National/International	:	Pan India across all markets in the country

Section B: Financial Details of the Company (₹ in million)

1.	Paid up Capital (INR)	:	123.4
2.	Total Turnover (INR)	:	4,906.8
3.	Total profit after taxes (INR)	:	517.7
4.	Total Spending on Corporate Social Responsibility (CSR) as percentage of profit after tax	:	2 percent*
5.	List of activities in which expenditure in 4 above has been incurred: Focus areas are Health, Education and Environment. Please refer to the 'Annual Report on Corporate Social Responsibility' which forms part of this Annual Report for details.		

* 2 percent of average net profit calculated on the basis of Section 198 of the Companies Act, 2013 for last three financial years.

Section C: Other Details

- 1. Does the Company have any Subsidiary Company/Companies?**
 - The Company does not have any Subsidiary.
- 2. Do the Subsidiary Company/Companies participate in the BR Initiatives of the Parent Company? If Yes, then indicate the number of such Subsidiary Company(s).**
 - Not applicable.
- 3. Do any other entity/entities (e.g. suppliers, distributors etc.) that the Company does business with, participate in the BR initiatives of the Company? If Yes, then indicate the percentage of such entity/entities? [Less than 30%, 30-60%, More than 60%]**
 - The Company expects all business partners to adhere to the Company's business principles.

Section D: Business Responsibility (BR) Information

1. Details of Director/Directors responsible for Business Responsibility

- a) Details of the Director/Directors responsible for implementation of the BR policy/policies

DIN Number : 08127535
Name : Milan Paleja
Designation : Vice Chairman and Managing Director

- b) Details of the BR head

Sr. No.	Particulars	Details
1.	DIN Number (if applicable)	08127535
2.	Name	Milan Paleja [upto May 31, 2019]
3.	Designation	Vice Chairman and Managing Director
4.	Telephone number	022 5024 3000
5.	E-mail ID	india.investors@novartis.com

2. Principle-wise (as per NVGs) BR Policy/policies (Reply in Y/N)

- Principle 1:** Businesses should conduct and govern themselves with Ethics, Transparency and Accountability.
- Principle 2:** Businesses should provide goods and services that are safe and contribute to sustainability throughout their life cycle.
- Principle 3:** Businesses should promote the well-being of all employees.
- Principle 4:** Businesses should respect the interests of, and be responsive towards all stakeholders, especially those who are disadvantaged, vulnerable and marginalized.
- Principle 5:** Businesses should respect and promote human rights.
- Principle 6:** Businesses should respect, protect and make efforts to restore the environment.
- Principle 7:** Businesses, when engaged in influencing public and regulatory policy, should do so in a responsible manner.
- Principle 8:** Businesses should support inclusive growth and equitable development.
- Principle 9:** Businesses should engage with and provide value to their customers and consumers in a responsible manner.

Sr. No.	Questions	Business Ethics	Sustainability	Employees' Well-being	Stakeholders' Welfare	Human Rights	Environment	Regulatory Policy	Equitable Development	Customer Responsibility
		P1	P2	P3	P4	P5	P6	P7	P8	P9
		1.	Do you have policy/policies for....?	Y	Y	Y	Y	Y	Y	Y
2.	Has the policy being formulated in consultation with the relevant stakeholders?	Y	Y	Y	Y	Y	Y	Y	Y	Y
3.	Does the policy conform to any national/international standards? If yes, specify? (50 words)*	Y	Y	Y	Y	Y	Y	Y	Y	Y
4.	Has the policy being approved by the Board? If yes, has it been signed by MD/Owner/CEO/appropriate Board Director?***	Y	Y	Y	Y	Y	Y	Y	Y	Y
5.	Does the Company have a specified committee of the Board/Director/Official to oversee the implementation of the policy?	Y	Y	Y	Y	Y	Y	Y	Y	Y
6.	Indicate the link for the policy to be viewed online?	#	#	#	#	#	#	#	#	#
7.	Has the policy been formally communicated to all relevant internal and external stakeholders?	Y	Y	Y	Y	Y	Y	Y	Y	Y
8.	Does the Company have in-house structure to implement the policy/policies?	Y	Y	Y	Y	Y	Y	Y	Y	Y
9.	Does the Company have a grievance redressal mechanism related to the policy/policies to address stakeholders' grievances related to the policy/policies?	Y	Y	Y	Y	Y	Y	Y	Y	Y
10.	Has the Company carried out independent audit/evaluation of the working of this policy by an internal or external agency?	Y	Y	Y	Y	Y	Y	Y	Y	Y

* All the Company's policies are aligned with Novartis AG's global best practices and in compliance with Indian laws and regulations.

** Standards and Policies adopted by the Company's global parent have been put in place in India.

<https://www.novartis.in/about-us/corporate-responsibility>

<https://www.novartis.com/our-company/corporate-responsibility/reporting-disclosure/codes-policies-guidelines>

2a. If answer to S.No. 1 against any principle, is 'No', please explain why:

Sr. No.	Questions	P1	P2	P3	P4	P5	P6	P7	P8	P9
1.	The Company has not understood the principles	-	-	-	-	-	-	-	-	-
2.	The Company is not at a stage where it finds itself in a position to formulate and implement the policies on specified principles	-	-	-	-	-	-	-	-	-
3.	The Company does not have financial or manpower resources available for the task	-	-	-	-	-	-	-	-	-
4.	It is planned to be done within the next 6 months	-	-	-	-	-	-	-	-	-
5.	It is planned to be done within the next 1 year	-	-	-	-	-	-	-	-	-
6.	Any other reason (please specify)	-	-	-	-	-	-	-	-	-

3. Governance related to BR

- **Indicate the frequency with which the Board of Directors, Committee of the Board or CEO meets to assess the BR performance of the Company. Within 3 months, 3-6 months, Annually, More than 1 year:**
 - The Business Head of the Company along with the leadership team discusses and assesses the business responsibility performance of the Company at least once in six months. The Board and senior management of the Company affirm compliance with the Code of Conduct.
 - The Corporate Social Responsibility (CSR) Committee of the Company meets at regular intervals to review progress on various CSR initiatives as well as discuss future programs/projects.
- **Does the Company publish a BR or a Sustainability Report? What is the hyperlink for viewing this report? How frequently is it published?**
 - The BR report forms part of the Annual Report for FY 2018-19 and can be accessed on the website of the Company at www.novartis.in

Section E: Principle-wise performance

Principle 1: Businesses should conduct and govern themselves with Ethics, Transparency and Accountability

We focus our business responsibility (BR) work in two areas: expanding access to healthcare and doing business responsibly. It is our belief that operating ethically is not only the right thing to do, it is also fundamental to our success as a business. We do not tolerate unethical behaviour by any of our associates and are committed to taking all necessary steps to ensure compliance with our Code of Conduct and all applicable laws.

Our Code of Conduct is based on five core principles (for details of these principles, please see the Novartis Code of Conduct):

Patients: patient benefit and safety is at the heart of everything we do.

Employees: we treat our employees fairly and respectfully.

Shareholders: we are committed to outstanding and sustainable performance with integrity.

Healthcare partners: we strive to be a trusted healthcare partner.

Society: we aspire to be a good corporate citizen.

Every Novartis associate is required to take part in yearly Code of Conduct training, including certification. Compliance with the Code of Conduct is included in the terms of employment of all Novartis employees and is closely monitored. Compliance is a regular item on the agenda of all our leadership meetings. All employees are also required to complete integrity and compliance training via e-training on Data Privacy and Anti-Bribery.

The culture of our Company is anchored in our Values and Behaviours which are embedded in our organisation. We take allegations of any inappropriate behavior very seriously, actively investigate them, and take appropriate disciplinary action. Employees can report suspected misconduct under the Vigil Mechanism or to the Business Practices Office (BPO). Our organizational policies on Ethics, Anti-Bribery and Corruption extend beyond the Company to all Suppliers, Contractors and Third parties with whom the Company deals.

Principle 2: Businesses should provide goods and services that are safe and contribute to sustainability throughout their life cycle

The Company's mission is to discover new ways to improve and extend people's lives. Novartis uses science-based innovation to address some of society's most challenging healthcare issues. We discover and develop breakthrough treatments and find new ways to deliver them to as many people as possible.

As a science-based healthcare company, Novartis strives to develop products that can help change the practice of medicine. We work with hospitals, insurance companies and physicians to meet changing customer needs cost effectively.

We touch the lives of millions of patients every day through our products. The Company does not have any manufacturing facility in India.

We ensure that the partners we select adhere to the same high standards of quality as we do including concerns for the environment. At a global level Novartis has established the Practitioners Working Group (PWG) to build a consistent approach to engaging with its key suppliers on responsible procurement. Specific projects, including in India, are being handled to improve diversity in supplier plants and create greater awareness of the Novartis Supplier Code.

The Supplier Code is based on the United Nations Global Compact and other international standards of accepted good practices. The Supplier Code is consistent with the Pharmaceutical Industry Principles for Responsible Supply Chain Management for ethics, labour rights, health and safety, environment and related management systems.

All our suppliers have to adhere to the Novartis Supplier Code that deals with ethics, labour rights, health and safety, environment and related management systems. We expect our suppliers and third parties to operate in compliance with applicable laws, rules and regulations in addition to the standards contained therein.

Our suppliers and third party vendors go through a rigorous approval process based on global guidelines and are open to audit scrutiny by us. Our quality team regularly inspects these business partners to ensure that they meet our quality standards.

Given the nature of our products, it is not possible to recycle them. However, the company strives towards use of recyclable packing materials for its products wherever possible. We ensure that all our partners follow GMP guidelines with respect to all product packaging. As anti-counterfeit measures, Novartis Standard Security Features are adopted for certain products like Voveran SR range and Semi-solid range of products.

Principle 3: Businesses should promote the well-being of all employees

The health and well-being of employees is a top priority for Novartis. With an objective of promoting a positive work-life balance across the company, Novartis has a number of employee and family friendly policies and practices to ensure the well-being of its employees and their immediate families.

‘Energized for Life’ is a group-wide health initiative to help employees around the world, including those in India, embrace healthy lifestyles. It provides voluntary opportunities for employees to take control of their personal health, both at work and in their private lives. Special focus is placed on prevention activities because workplace health programs can help address the rapid rise in non-communicable diseases (NCDs), i.e. medical conditions or diseases which are non-infectious and usually thought of as chronic conditions.

The Health, Safety and Environment committee works on providing a safe and a healthy environment for employees who are also trained on safety procedures and how to tackle emergencies.

The Company is recognized internally and externally for the diversity of its employees and its inclusive culture, driven by a diversity & inclusion (D&I) strategy designed to drive business outcomes. The environment empowers employees to contribute constructively to the achievement of Company goals.

We have a strong focus on talent management and rewards and recognition while building a strong talent pipeline for future growth.

The Company had 581 employees as at March 31, 2019. Of these, there were 48 women employees. In addition, 43 employees were hired on a contractual basis.

The Company has one recognized employees’ union affiliated to Bhartiya Kamgar Karmachari Mahasangh (BKMM) which is operating in pharma sales division/field force. About 412 employees i.e. 70.9 percent forms part of the union recognized by the management.

The Company has a Prevention of Sexual Harassment Policy in line with the requirements of the Sexual Harassment of Women at the Workplace (Prevention, Prohibition and Redressal) Act, 2013 and has set up an Internal Committee to redress any complaints that fall under the purview of this Act. All employees, including contractual, temporary and trainees are covered under this policy. We received, investigated and closed one complaint relating to sexual harassment during FY 2018-19

Principle 4: Businesses should respect the interests of, and be responsive towards all stakeholders, especially those who are disadvantaged, vulnerable and marginalised

Novartis is committed to all its stakeholders, be they internal or external, particularly stakeholders who are disadvantaged, vulnerable and marginalized.

Arogya Parivar is an innovative business model that aims to reach patients in rural India, who have limited reach to healthcare and very low health awareness. In the past eleven years Arogya Parivar has reached over 48 million rural Indians across 15,000 villages in 13 states. Through this program, we endeavour to inculcate positive health seeking behavior in the community and enable access to quality medicines.

In addition to the above, the Company through its various Corporate Social Responsibility (CSR) activities undertakes programs that benefit the disadvantaged, vulnerable and marginalized people. Such initiatives are elaborated in the CSR section which forms part of this Annual Report.

Principle 5: Businesses should respect and promote human rights

Our Policies and Guidelines are a key element of our corporate responsibility. They define how we want to conduct business, what we expect of ourselves and our business partners.

Novartis supports the United Nations Universal Declaration of Human Rights, the core conventions of the International Labour Organization and is committed to the United Nations Global Compact. The Company is committed to conducting all business activities in compliance with existing labour, environmental, tax and other laws and regulations, and – where these are not consistent with our values – at a higher standard. The Policy for Human Rights forms part of the Code of Conduct of the Company which extends to all our business partners and suppliers.

The Company has received no stakeholder complaints in the financial year 2018-19.

Principle 6: Business should respect, protect and make efforts to restore the environment

The Company does not have own manufacturing. However, Novartis promotes the societal and environmental values of the United Nations Global Compact to its suppliers and third parties and uses its influence where possible to encourage their adoption. The Novartis Supplier Code (the “Supplier Code”) is based on the United Nations Global Compact and other international standards of accepted good practices. The Supplier Code is aligned with the Novartis Code of Conduct. We expect our suppliers to aspire to the standards defined in the Supplier Code.

At a global level the Company has strategies and initiatives to address global environmental issues. For details of our Corporate Responsibility performance visit web link <https://www.novartis.in/about-us/corporate-responsibility>.

Principle 7: Businesses, when engaged in influencing public and regulatory policy, should do so in a responsible manner

Novartis is a member of various industrial and trade associations such as the Organisation of Pharmaceutical Producers of India (OPPI), Swiss-Indian Chamber of Commerce (SICC), Confederation of Indian Industry (CII), Federation of Indian Chambers of Commerce and Industry (FICCI) and the Bombay Chamber of Commerce and Industry (BCCI). The Company advocates with the government through these associations, particularly OPPI, on matters that impact the pharmaceutical industry in general. Broad areas where it engages with the government include areas of public interest such as improving access to affordable healthcare, health awareness, predictable pricing policy, development of an ecosystem that encourages and fosters innovation, a robust and transparent drug regulatory process, improvement in surveillance and infection control measures.

Principle 8: Businesses should support inclusive growth and equitable development

Novartis has a history of supporting inclusive growth and equitable development over the years. Giving to the community comes naturally to the Company. It endeavours to make a long term impact on the communities in which it operates. Arogya Parivar, its social business venture, is a step in taking healthcare to the marginalized and the disadvantaged in rural India. Arogya Parivar has helped improve health education and access to healthcare for millions of people in rural India.

Health is a focus area of our Corporate Social Responsibility ('CSR') initiatives, the details of which form part of the CSR Report. Among its many projects, leprosy elimination has greater focus. India is home to around 60% of the world's leprosy caseload. The parent Company has been providing multidrug therapy free of cost for the treatment of leprosy since 2000 via a donation to the World Health Organisation. In India, the Company has been funding a prophylaxis program in coordination with Netherlands Leprosy Relief Foundation.

Employee volunteering forms an important part of its CSR and Community Partnership Week offers employees many opportunities. Over the past many years, our employees have contributed significantly to a variety of causes including spending time with children suffering from cancer, partnering with slum children to brighten up a home for people suffering from cancer who come to the city of Mumbai for treatment, spending time with the elderly, donating blood for children suffering from thalassemia among others.

Quarterly reports from our partner NGOs help ensure that our various CSR projects and programs are delivering on impact. The Company's direct contribution towards its CSR activities is approximately ₹ 8.3 million and through NGOs/Implementing Agency is ₹ 12.9 million.

More details and information on CSR activities of the Company are disclosed in the CSR Annual Report which forms part of this Annual Report.

Principle 9: Businesses should engage with and provide value to their customers and consumers in a responsible manner.

At Novartis, we aspire to be the world's most respected and successful healthcare company. We can only realize this aspiration if we earn and maintain the trust and support of our key stakeholder groups: our patients, our associates, our shareholders, our healthcare partners, and society at large.

Our Code of Conduct reflects our commitments to meet the expectations of our stakeholders as a responsible corporate citizen and contains the fundamental principles and rules concerning ethical business conduct.

We at Novartis are open and transparent with respect to our business principles and practices and comply with all applicable laws and regulations. The Company provides all information as required under the Drugs & Cosmetics Acts & Rules on its product packaging. The Company appropriately addresses any complaints/case/issues pertaining to any of its products, that are brought to its notice.

Independent Auditor's Report To the Members of Novartis India Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Novartis India Limited ("the Company"), which comprise the Balance Sheet as at 31st March, 2019, and the Statement of Profit and Loss (including Other Comprehensive Income), the Statement of Cash Flows and the Statement of Changes in Equity for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Companies Act, 2013 ("the Act") in the manner so required and give a true and fair view in conformity with the Indian Accounting Standards prescribed under section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, as amended, ("Ind AS") and other accounting principles generally accepted in India, of the state of affairs of the Company as at 31st March, 2019, and its profit, total comprehensive income, its cash flows and the changes in equity for the year ended on that date.

Basis for Opinion

We conducted our audit of the financial statements in accordance with the Standards on Auditing specified under section 143(10) of the Act (SAs). Our responsibilities under those Standards are further described in the Auditor's Responsibility for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India (ICAI) together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Act and the Rules made thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ICAI's Code of Ethics. We believe that the audit evidence obtained by us is sufficient and appropriate to provide a basis for our audit opinion on the financial statements.

Key Audit Matter

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matter described below to be the key audit matter to be communicated in our report.

Key Audit Matter	Auditor's Response
<p>Revenue recognition – Sale of products [Note 1(J) to the financial statements]</p> <p>The nature of operations of the Company being driven by trading activities, the focus of internal reporting as well as of external stakeholders is on revenue which could be a causal factor to record revenues for sales that either did not occur, or for which the revenue recognition criteria may not have been met. This risk is furthered considering that the Company sells its products across the country through wide spread distribution points. We have therefore specifically focused on the said risk and have considered this to be a key audit matter.</p>	<p>Assessed the appropriateness of the Company's revenue recognition policies by mapping them with the applicable accounting standards.</p> <p>Performed a walkthrough of the revenue business cycle to gain an understanding of the relevant risks and controls around occurrence and timing of revenue recognition. We also tested the design, implementation and operating effectiveness of the relevant controls.</p> <p>Tested transactions on a sample basis by, agreeing sales with the invoices, purchase orders and delivery documents, comparing the invoice prices to the Company price lists, agreeing the revenue amount recorded by management to underlying accounting records. We also reviewed the contracts / purchase orders, as applicable, to assess the terms of sale and confirmed that the sales were recorded in the correct accounting period.</p>

Key Audit Matter	Auditor's Response
	<p>We sought confirmations from customers on a test check basis and checked realisation / performed other alternate procedures, where applicable, to support the assertion that revenue has been recognised for sales that has occurred during the year.</p> <p>We made enquiries of the management and obtained written representations as to whether there exist any side agreements or unusual arrangements which may impact revenue recognition.</p> <p>We also reviewed variations in revenue over the corresponding period, checked subsequent sales returns and tested any unusual transactions to determine whether the information corroborates with the revenue recorded in the books of account.</p>

Information Other than the Financial Statements and Auditor's Report Thereon

- The Company's Board of Directors is responsible for the other information. The other information comprises the information included in the Business Responsibility Report, Directors' report including annexures to the Directors' Report and Report on Corporate Governance, but does not include the financial statements and our auditor's report thereon.
- Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.
- In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained during the course of our audit or otherwise appears to be materially misstated.
- If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Management's Responsibility for the Financial Statements

The Company's Board of Directors is responsible for the matters stated in section 134(5) of the Act with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance including other comprehensive income, cash flows and changes in equity of the Company in accordance with the Ind AS and other accounting principles generally accepted in India. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, 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.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those Board of Directors are also responsible for overseeing the Company's financial reporting process.

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance,

but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal financial control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Company has adequate internal financial controls system in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Materiality is the magnitude of misstatements in the financial statements that, individually or in aggregate, makes it probable that the economic decisions of a reasonably knowledgeable user of the financial statements may be influenced. We consider quantitative materiality and qualitative factors in (i) planning the scope of our audit work and in evaluating the results of our work; and (ii) to evaluate the effect of any identified misstatements in the financial statements.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

1. As required by section 143(3) of the Act, based on our audit we report, that:
 - a) We have sought and 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 it appears from our examination of those books.
 - c) The Balance Sheet, the Statement of Profit and Loss including Other Comprehensive Income, the Statement of Cash Flows and Statement of Changes in Equity dealt with by this Report are in agreement with the books of account.
 - d) In our opinion, the aforesaid financial statements comply with the Ind AS specified under section 133 of the Act.
 - e) On the basis of the written representations received from the directors as on 31st March, 2019 taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2019 from being appointed as a director in terms of section 164(2) of the Act.
 - f) With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure A". Our report expresses an unmodified opinion on the adequacy and operating effectiveness of the Company's internal financial controls over financial reporting.
 - g) With respect to the other matters to be included in the Auditor's Report in accordance with the requirements of section 197(16) of the Act, as amended, in our opinion and to the best of our information and according to the explanations given to us, the remuneration paid by the Company to its directors during the year is in accordance with the provisions of section 197 of the Act.
 - h) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, as amended in our opinion and to the best of our information and according to the explanations given to us:
 - i. The Company has disclosed the impact of pending litigations on its financial position in its financial statements – Refer Note 27(A) to the financial statements;
 - ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses.
 - iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company.
2. As required by the Companies (Auditor's Report) Order, 2016 ("the Order") issued by the Central Government in terms of section 143(11) of the Act, we give in "Annexure B" a statement on the matters specified in paragraphs 3 and 4 of the Order.

For Deloitte Haskins & Sells LLP
Chartered Accountants
(Firm's Registration No. 117366W/W-100018)

Rakesh N. Sharma
Partner
(Membership No. 102042)

Place : Mumbai
Date : 23rd May, 2019

Annexure “A” to the Independent Auditor’s Report

(Referred to in paragraph 1(f) under ‘Report on Other Legal and Regulatory Requirements’ section of our report of even date to the Members of Novartis India Limited on the financial statements for the year ended 31st March, 2019)

Report on the Internal Financial Controls Over Financial Reporting under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 (“the Act”)

We have audited the internal financial controls over financial reporting of Novartis India Limited (“the Company”) as of 31st March, 2019 in conjunction with our audit of the financial statements of the Company for the year ended on that date.

Management’s Responsibility for Internal Financial Controls

The Company’s management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company’s policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Act.

Auditor’s Responsibility

Our responsibility is to express an opinion on the Company’s internal financial controls over financial reporting of the Company based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the “Guidance Note”) issued by the Institute of Chartered Accountants of India and the Standards on Auditing prescribed under Section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting were established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor’s judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company’s internal financial controls system over financial reporting.

Meaning of Internal Financial Controls Over Financial Reporting

A company’s internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to

permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls Over Financial Reporting

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion, to the best of our information and according to the explanations given to us, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31st March, 2019, based on the criteria for internal financial control over financial reporting established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

For Deloitte Haskins & Sells LLP
Chartered Accountants
(Firm's Registration No. 117366W/W-100018)

Rakesh N. Sharma
Partner
(Membership No. 102042)

Place : Mumbai
Date : 23rd May, 2019

Annexure “B” to the Independent Auditor’s Report

(Referred to in paragraph 2 under ‘Report on Other Legal and Regulatory Requirements’ section of our report of even date to the Members of Novartis India Limited on the financial statements for the year ended 31st March, 2019)

- (i) In respect of its fixed assets:
 - (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of the fixed assets.
 - (b) The Company has a program of verification to cover all the items of fixed assets in a phased manner 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 program, certain fixed assets were physically verified by the management during the year. According to the information and explanations given to us, no material discrepancies were noticed on such verification.
 - (c) According to the information and explanations given to us, the records examined by us and based on the examination of registered sale deeds/share certificate provided to us, we report that, the title deeds, comprising all the immovable properties of buildings, are held in the name of the Company as at the balance sheet date.
- (ii) As explained to us, the inventories were physically verified during the year by the Management at reasonable intervals except for inventories lying at third party locations, for which confirmations have been obtained by the Management and goods in transit. No material discrepancies were noticed on physical verification.
- (iii) The Company has not granted any loans, secured or unsecured, to companies, firms, Limited Liability Partnerships or other parties covered in the register maintained under section 189 of the Companies Act, 2013 (“the Act”) hence reporting under clause (iii) of paragraph 3 of the Order is not applicable.
- (iv) The Company has not granted any loans, made investments or provided guarantees or securities hence reporting under clause (iv) of paragraph 3 of the Order is not applicable.
- (v) According to the information and explanations given to us, the Company has not accepted any deposit during the year. The Company does not have unclaimed deposits as at 31st March, 2019 and accordingly, the provisions of sections 73 to 76 or any other relevant provisions of the Act are not applicable to the Company.
- (vi) The maintenance of cost records has not been specified by the Central Government under section 148(1) of the Act.
- (vii) According to the information and explanations given to us in respect of statutory dues:
 - (a) The Company has generally been regular in depositing undisputed statutory dues, including Provident Fund, Income-tax, Goods and Services Tax, Customs Duty, Cess and other material statutory dues applicable to it with the appropriate authorities.
 - (b) There were no undisputed amounts payable in respect of Provident Fund, Income-tax, Goods and Services Tax, Customs Duty, Cess and other material statutory dues in arrears as at 31st March, 2019 for a period of more than six months from the date they became payable.

(c) Details of dues of Income-tax, Sales Tax, Service Tax, Customs Duty, Excise Duty, and Value Added Tax which have not been deposited as on 31st March, 2019 on account of disputes are given below:

Name of the statute	Nature of dues	Forum where the dispute is pending	Period to which the amount relates	Amount Involved (₹ million)	Amount Unpaid (₹ million) *
Income Tax Act, 1961	Income Tax including tax deducted at source and interest, as applicable	Appellate Authority – up to Commissioner level	Assessment years 1994–95 and 2008–09 to 2017–18	777.0	617.9
		Income Tax Appellate Tribunal	Assessment years 2006–07 and 2012–13	64.0	31.6
The Central Sales Tax Act, 1956 and Local Sales Tax Acts	Sales tax including interest and penalty, as applicable	Appellate Authority – up to Commissioner's level	2000–2001 to 2017–2018	671.1	602.0
		Tribunal	1993–1994, 2001–2002 to 2005–2006, 2007–08 2010–2011 to 2012–2013	83.5	52.6
		The High Court of Kerala	1997–1998	0.3	0.2
		West Bengal Sales Tax Appellate and Revisional Board	2008–2009 to 2010–2011	15.4	15.4
The Finance Act, 1994	Service tax	Tribunal	September 2004 to September 2009	4.8	4.8
The Customs Act, 1962	Customs Duty	Appellate Authority – up to Commissioner's level	2002–2003	0.4	0.4
The Central Excise Act, 1944	Excise duty including penalty, as applicable	Appellate Authority – up to Commissioner's level	1990 and June 1993 to October 1993	0.6	0.6
		Customs, Excise & Service Tax Appellate Tribunal	August 1993 to December 1996	2.4	2.4

* Net of amount paid under protest.

(viii) The Company has not taken any loans or borrowings from financial institutions, banks and government or has not issued any debentures. Hence reporting under clause (viii) of paragraph 3 of the Order is not applicable.

- (ix) The Company has not raised any moneys by way of initial public offer or further public offer (including debt instruments) or term loans and hence reporting under clause (ix) of paragraph 3 of the Order is not applicable.
- (x) To the best of our knowledge and according to the information and explanations given to us, no fraud by the Company and no material fraud on the Company by its officers or employees has been noticed or reported during the year.
- (xi) In our opinion and according to the information and explanations given to us, the Company has paid/provided managerial remuneration in accordance with the requisite approvals mandated by the provisions of section 197 read with Schedule V to the Act.
- (xii) The Company is not a Nidhi Company and hence reporting under clause (xii) of paragraph 3 of the Order is not applicable.
- (xiii) In our opinion and according to the information and explanations given to us the Company is in compliance with sections 177 and 188 of the Act, where applicable, for all transactions with the related parties and the details of related party transactions have been disclosed in the financial statements as required by the applicable accounting standards.
- (xiv) During the year, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures and hence reporting under clause (xiv) of paragraph 3 of the Order is not applicable.
- (xv) In our opinion and according to the information and explanations given to us, during the year the Company has not entered into any non-cash transactions with its directors or directors of its holding company or persons connected with them and hence provisions of Section 192 of the Act are not applicable.
- (xvi) The Company is not required to be registered under section 45-IA of the Reserve Bank of India Act, 1934 hence reporting under clause (xvi) of paragraph 3 of the Order is not applicable.

For Deloitte Haskins & Sells LLP
Chartered Accountants
(Firm's Registration No. 117366W/W-100018)

Rakesh N. Sharma
Partner
(Membership No. 102042)

Place : Mumbai
Date : 23rd May, 2019

Balance Sheet as at 31st March 2019

	Notes	As at 31 st March 2019 in ₹ million	As at 31 st March 2018 in ₹ million
Assets			
Non-Current Assets			
Property, Plant and Equipment	2	149.8	46.0
Financial Assets			
(i) Loans	3(a)	6.4	3.6
(ii) Other Financial Assets	3(b)	34.0	56.2
Deferred Tax Assets	4	214.4	230.5
Income Tax Assets (Net)	5	1,048.0	918.4
Other Non-Current Assets	6	307.1	318.7
		1,759.7	1,573.4
Current Assets			
Inventories	7	605.1	565.6
Financial Assets			
(i) Trade Receivables	8	455.9	439.1
(ii) Cash and Cash Equivalents	9(a)	877.6	376.3
(iii) Bank Balances other than (ii) above	9(b)	5,242.6	7,374.5
(iv) Loans	3(a)	0.6	4.6
(v) Other Financial Assets	3(b)	328.1	261.8
Other Current Assets	10	544.6	499.6
		8,054.5	9,521.5
Assets held for sale	11	10.2	10.3
		9,824.4	11,105.2
Total Assets			
Equity and Liabilities			
Equity			
Equity Share Capital	12(a)	123.4	123.4
Other Equity	12(b)	7,468.5	7,213.0
		7,591.9	7,336.4
Liabilities			
Non-Current Liabilities			
Financial Liabilities			
(i) Other Financial Liabilities	13(a)	18.7	18.2
Employee Benefit Obligations	14(a)	350.3	417.3
Other Non-Current Liabilities	15	13.4	26.8
		382.4	462.3
Current Liabilities			
Financial Liabilities			
(i) Trade Payables			
– total outstanding dues of micro enterprises and small enterprises	13(b)	6.0	7.4
– total outstanding dues of creditors other than micro enterprises and small enterprises	13(b)	908.0	1,053.7
(ii) Other Financial Liabilities (other than those specified in 'Provisions' below)	13(a)	441.1	1,382.1
Employee Benefit Obligations	14(a)	207.5	202.2
Other Current Liabilities	18	78.7	452.6
Provisions	16	121.4	131.1
Current Tax Liabilities (Net)	17	87.4	66.9
		1,850.1	3,296.0
Liabilities directly associated with assets classified as held for sale	19	—	10.5
		9,824.4	11,105.2
Total Equity and Liabilities			

The above balance sheet should be read in conjunction with the accompanying notes.

In terms of our report of even date

For and on behalf of the Board

For Deloitte Haskins & Sells LLP
Firm Registration No. 117366W/W-100018
Chartered Accountants

Christopher Snook
Chairman
DIN: 00369790

Rakesh N. Sharma
Partner
Membership No. 102042

Trivikram Guda
Company Secretary &
Compliance Officer

Monaz Noble
Whole Time Director &
Chief Financial Officer
DIN: 03086192

Mumbai, 23rd May 2019

Mumbai, 23rd May 2019

Statement of Profit and Loss for the year ended 31st March 2019

	Notes	Year ended 31 st March 2019 in ₹ million	Year ended 31 st March 2018 in ₹ million
Income			
Revenue from Operations	20	4,906.8	5,638.9
Other Income	21	782.6	1,718.3
Total Income		5,689.4	7,357.2
Expenses			
Purchases of Stock-in-Trade		2,026.0	2,145.5
Changes in Inventories of Stock-in-Trade	22	(39.5)	309.6
Employee Benefits Expense	23	1,171.1	1,445.3
Finance Costs	24	15.9	55.3
Depreciation and Amortisation Expense	25	31.8	25.3
Other Expenses	26(a)	1,626.4	1,801.0
Total Expenses		4,831.7	5,782.0
Profit before Tax		857.7	1,575.2
Tax Expense			
	31		
Current Tax		332.7	796.3
Deferred Tax		7.3	(4.7)
Total Tax Expense		340.0	791.6
Profit for the year		517.7	783.6
Other Comprehensive Income			
Items that will not be reclassified to Profit or Loss			
Remeasurements of Defined Benefit Plans		24.9	18.4
Income tax relating to these items		(8.7)	(6.4)
Other Comprehensive Income for the year		16.2	12.0
Total Comprehensive Income for the year		533.9	795.6
Earnings per Share – Basic and Diluted [per Equity Share of ₹ 5 each] [Refer Note 35]		20.97	28.43

The above Statement of Profit and Loss should be read in conjunction with the accompanying notes.

In terms of our report of even date

For and on behalf of the Board

For Deloitte Haskins & Sells LLP
Firm Registration No. 117366W/W-100018
Chartered Accountants

Christopher Snook
Chairman
DIN: 00369790

Rakesh N. Sharma
Partner
Membership No. 102042

Trivikram Guda
Company Secretary &
Compliance Officer

Monaz Noble
Whole Time Director &
Chief Financial Officer
DIN: 03086192

Mumbai, 23rd May 2019

Mumbai, 23rd May 2019

Statement of Changes in Equity for the year ended 31st March 2019

A. Equity Share Capital

	Note 12(a)	Amount in ₹ million
Balance as at 1st April 2017		140.7
Change in Equity Share Capital during the year		
Buy back of Equity Shares [(Refer Note 12c)]		(17.3)
Balance as at 31st March 2018		123.4
Change in Equity Share Capital during the year		—
Balance as at 31st March 2019		123.4

B. Other Equity

	Attributable to the equity holders of the Company				in ₹ million	
	Reserves and Surplus					
	Note 12(b)	General Reserve	Capital Redemption Reserve	Share Options Outstanding Account		Retained Earnings
Balance as at 1st April 2017		774.7	19.1	(74.3)	8,336.2	9,055.7
Profit for the year		—	—	—	783.6	783.6
Other Comprehensive Income for the year		—	—	—	12.0	12.0
Total Comprehensive Income for the year		—	—	—	795.6	795.6
Payment of Dividends [including Dividend distribution tax of ₹ 57.3 million]		—	—	—	(338.7)	(338.7)
Buy-back of Equity Shares [Refer Note 12(c)]		(774.7)	—	—	(1,537.4)	(2,312.1)
Amount transferred to Capital Redemption Reserve pursuant to buy back [Refer Note 12(c)]		—	17.3	—	(17.3)	—
Amount recharged by Group Company (net)		—	—	(33.6)	—	(33.6)
Expenses charged to Statement of Profit and Loss (net) [Refer Note 23]		—	—	46.1	—	46.1
Balance as at 31st March 2018		—	36.4	(61.8)	7,238.4	7,213.0
Profit for the year		—	—	—	517.7	517.7
Other Comprehensive Income for the year		—	—	—	16.2	16.2
Total Comprehensive Income for the year		—	—	—	533.9	533.9
Payment of Dividends [including Dividend distribution tax of ₹ 50.8 million]		—	—	—	(297.7)	(297.7)
Amount credited by Group Company (net)		—	—	26.9	—	26.9
Amount credited to Statement of Profit and Loss (net) [Refer Note 23]		—	—	(7.6)	—	(7.6)
Balance as at 31st March 2019		—	36.4	(42.5)	7,474.6	7,468.5

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

In terms of our report of even date

For Deloitte Haskins & Sells LLP
Firm Registration No. 117366W/W-100018
Chartered Accountants

Rakesh N. Sharma
Partner
Membership No. 102042

Mumbai, 23rd May 2019

For and on behalf of the Board

Christopher Snook
Chairman
DIN: 00369790

Trivikram Guda
Company Secretary &
Compliance Officer

Mumbai, 23rd May 2019

Monaz Noble
Whole Time Director &
Chief Financial Officer
DIN: 03086192

Notes forming part of the Financial Statements for the year ended 31st March 2019

Corporate Information

Novartis India Limited (“the Company”) is a public limited company listed on the Bombay Stock Exchange, incorporated and domiciled in India and has its registered office at Inspire – BKC, Part of 601 and 701, Bandra Kurla Complex, Bandra East, Mumbai 400051, India. It is primarily engaged in the business of trading of Drugs and Pharmaceuticals.

These financial statements were authorised for issue by the Board of Directors on 23rd May, 2019.

1. Significant Accounting Policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

A. Basis of Preparation

(i) Compliance with Ind AS

These financial statements have been prepared in accordance with Indian Accounting Standards (referred to as “Ind AS”) notified under the Companies (Indian Accounting Standards) Rules, 2015 as amended.

(ii) Historical Cost Convention

The financial statements have been prepared on a historical cost basis, except for certain financial instruments that are measured at fair values at the end of each reporting period as explained in the accounting policies below.

Historical cost is generally based on the fair value of the consideration in exchange of goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

For financial reporting purposes, fair value measurements are categorised into Level 1, 2, or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

(iii) Operating Cycle

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. Foreign Currency Translation

(i) Functional and Presentation Currency

Items included in the financial statements of the Company are recognised using the currency of the primary economic environment in which the Company operates (“the functional currency”). The financial statements are presented in ‘Indian Rupees’ (₹), which is Company’s functional and presentation currency.

(ii) Transactions and Balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Profit and Loss.

Notes forming part of the Financial Statements for the year ended 31st March 2019

C. Property, Plant and Equipment

Items of Property, Plant and Equipment are stated in the balance sheet at historical cost less accumulated depreciation and impairment loss, if any. The historical cost of Property, Plant and Equipment comprises of its purchase price and cost directly attributable to bringing the assets to their working condition for their intended use.

Capital Work-in-Progress represents Property, Plant and Equipment that are not ready for their intended use as at the balance sheet date.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. Property, Plant and Equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset.

Transition to Ind AS:

On transition to Ind AS, the Company elected to continue with the carrying value of all of its Property, Plant and Equipment recognised as at 1st April, 2015 ("transition date") measured as per the previous GAAP and use that carrying value as its deemed cost as of the transition date.

Depreciation:

The Company depreciates its Property, Plant and Equipment using Straight Line Method (SLM) over their estimated useful lives as prescribed under Part C of Schedule II to the Companies Act, 2013 (the "Act") except as stated below. The estimated useful lives of the assets are as follows:

Description	Estimated Useful Lives
Buildings	60 years
Plant and Equipments#	3 years to 12.5 years
Furniture Fixtures	10 years
Vehicles#	5 years
Office Equipments	5 years

Based on technical evaluation, the management believes that the useful lives as given above best represent the period over which the management expects to use these assets. Hence the useful lives for these assets is different from the useful lives as prescribed under Part C of schedule II of the Act.

Leasehold improvements are depreciated over the period of the lease agreement or the useful life, whichever is shorter.

Mobile Handsets and Mobile Devices are fully depreciated in the year of purchase.

Estimated useful lives, residual values and depreciation methods are reviewed periodically, including at each financial year end, taking into account commercial and technological obsolescence as well as normal wear and tear and adjusted prospectively, if appropriate.

Gains or losses arising from disposal of Property, Plant and Equipment are determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the profit or loss.

D. Impairment of Non-Financial Assets

Assets that are subject to depreciation or amortisation are tested at each balance sheet date for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's or cash generating unit's (CGU) carrying amount exceeds its recoverable amount and is recognised in the Statement of Profit and Loss. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risk specific to the asset for which the estimates of the future cash flows have not been adjusted.

When an impairment loss subsequently reverses, the carrying amount of the asset or the CGU is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset or CGU in prior years. A reversal of an impairment loss is recognised immediately in the Statement of Profit and Loss.

Notes forming part of the Financial Statements for the year ended 31st March 2019

E. Inventories

Inventories are stated at lower of cost and net realisable value. Cost is determined on moving weighted average basis. Cost of inventory comprises cost of purchase and other cost incurred in bringing the goods to their present condition and location. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

F. Non-Current Assets Held for Sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use, the asset is available for immediate sale in its present condition and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell.

Non-current assets are not depreciated or amortised while they are classified as held for sale and are measured at lower of their carrying amount and fair value less cost to sell.

Non-current assets and liabilities classified as held for sale are presented separately from the other assets and liabilities in the balance sheet.

G. Trade Receivables

Trade receivables are amounts due from customers for sale of goods or services performed in the ordinary course of business. Trade receivables are recognized initially at fair value and subsequently measured at amortised cost less provision for impairment by applying the expected credit loss method.

H. Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, cheques on hand, demand deposits with banks and other short-term, highly liquid investments with original maturities of three months or less, that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

I. Financial Instruments

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial Assets

The Company classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and
- those measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

Amortised Cost:

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a financial asset that is subsequently measured at amortised cost is recognised in the Statement of Profit and Loss when the asset is derecognised or impaired. Interest income from these financial assets is included in other income using the effective interest rate method.

The Company does not have financial assets that are subsequently measured either at fair value through other comprehensive income or at fair value through profit or loss.

Impairment of Financial Assets:

The Company applies the expected credit loss model for recognising impairment loss on its financial assets.

Notes forming part of the Financial Statements for the year ended 31st March 2019

The Company measures the loss allowance for a financial instruments at an amount equal to the lifetime expected credit losses if the credit risk on that financial instruments has increased significantly since initial recognition. If credit risk on financial instruments has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument that an amount equal to 12 months expected credit losses.

For trade receivables, the Company always measures the loss allowance at an amount equal to life time expected credit losses. Further for the purpose of measuring life time expected credit loss allowance for trade receivables the Company has used practical expedient as permitted under Ind AS 109. The expected credit loss allowance is computed based on provision matrix which takes into the account historical credit loss experience and adjusted for forward looking information.

Derecognition of Financial Assets:

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received / receivable is recognised in profit or loss.

Financial Liabilities

All financial liabilities are subsequently measured at amortised cost using effective interest method. The interest expense is included in finance cost line item. The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or have expired.

J. Revenue Recognition

Revenue from contract with customers is recognised when the Company satisfies performance obligation by transferring promised goods and services to the customer. The revenue is measured based on transaction price, which is the fair value of consideration received or receivable, and is net of discounts, allowances, returns, goods and services tax/value added taxes/sales tax and amounts collected on behalf of third party.

Provision is made for the non-sellable returns of goods from the customers estimated on the basis of historical data of sales return trends with respect to the shelf life of various products. Such provision for non-sellable sales returns is reduced from sale of products for the year.

Interest income is recognised using the effective interest method.

Commission income is recognised in respect of sales made on behalf of consignor when the control in the goods is transferred to the buyer and is net of goods and services tax.

Rental income from operating leases is generally recognised over the term of the relevant lease using straight line method. However where the rentals are structured solely to increase in line with expected general inflation to compensate for the Company's expected inflationary cost increases, such increases are recognised in the year in which such benefits accrue.

K. Offsetting Financial Instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

L. Income Tax

Income tax expense comprises current tax expense and the net change in the deferred tax asset and liability during the year. Current and deferred taxes are recognised in Statement of Profit and Loss, except to the extent that it relates to items that are recognised in other comprehensive income or directly in equity, in which case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Current Tax

The current tax charge for the year is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period as adjusted for taxes in respect of previous years. Management periodically evaluates positions taken in tax returns, including assessment orders received during the year, with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred Tax

Deferred tax is recognised, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilised.

Deferred tax assets and liabilities are measured based on the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date. The carrying amount of deferred tax asset is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority.

M. Employee Benefits

(i) Short-Term Employee Benefits

Liabilities for wages and salaries that are expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related service are recognised and measured at the undiscounted amount expected to be paid in exchange for the related service.

(ii) Other Long-term Employee Benefit Obligations

The employees of the Company are entitled to other long-term benefits in the form of Long Service Awards as per the policy of the Company and Leave encashment. Liability for such benefits is provided on the basis of valuation, as at the Balance Sheet date, carried out by an independent actuary. The actuarial valuation method used by the independent actuary for measuring the liabilities is the projected unit credit method.

(iii) Post-Employment Obligations

The Company has the following post-employment schemes:

- a) Defined benefit plans such as Provident Fund, Gratuity, Non-Contractual Pension Plan and Post Retirement Medical Benefits.
- b) Defined contribution plans such as Superannuation Fund and Employees' Pension Scheme.

Defined Benefit Plans

The Company has Defined Benefit Plans for post employment benefits in the form of Provident Fund, Gratuity, Non-Contractual Pension Plan and Post Retirement Medical Benefits.

Provident Fund and Gratuity fund are recognised by the Income-tax authorities and administered through trustees and/or Life Insurance Corporation of India (LIC). Liability for Defined Benefit Plans is provided on the basis of valuations, as at the Balance Sheet date, carried out by an independent actuary.

The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using discount rate (interest rates of government bond) that have terms to maturity approximating to the terms of the related Provident Fund, Gratuity, Non-contractual Pension Plan and Post Retirement Medical Benefits liabilities.

Notes forming part of the Financial Statements for the year ended 31st March 2019

Remeasurement gains and losses arising from experience adjustments, changes in actuarial assumptions and the return on plan assets (excluding net interest) are recognised in the period in which they occur, directly in other comprehensive income. They are included in retained earnings in the statement of changes in equity and in the balance sheet.

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset.

Defined Contribution Plan

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 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.

(iv) Termination Benefits

Termination benefits are recognised as an expense as and when incurred.

(v) Share-Based Payments

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 its participants to choose the form of their equity compensation in "Restricted Shares" or "Tradable Shares" of the ultimate holding Company, Novartis AG, Basel.

Unvested restricted shares are only conditional on the provision of services by the plan participant during the vesting period. They are valued using their fair value (market price of traded stocks of Novartis AG) on the grant date. The fair value of these grants are expensed on a straight-line basis over the respective vesting period.

The total expense (adjusted for estimated forfeitures) is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At each reporting date, the Company revises its estimates of the number of shares that are expected to vest based on the non-market vesting conditions. It recognizes the impact of the revision to original estimates, if any, in the Statement of Profit and Loss with a corresponding adjustment to equity.

Group Company recharges to the Company for the share based payments made/to be made by them to the Company's employees and the payment is adjusted against the Share Options Outstanding Account by the Company.

(vi) Bonus Plans

The Company recognises a liability and an expense for bonuses. The Company recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

N. Provisions, Contingent Liabilities and Contingent Assets

(i) Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

(ii) Contingent Liabilities

Contingent liabilities are disclosed, unless the possibility of outflow of resources is remote, when there is:

- A possible obligation arising from past events, the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company or
- A present obligation that arises from past events where it is either not probable that an outflow of resources will be required to settle the obligation or reliable estimate of the amount cannot be made.

(iii) Contingent Assets

A contingent asset is disclosed, where an inflow of economic benefits is probable.

Notes forming part of the Financial Statements for the year ended 31st March 2019

O. Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, is responsible for allocating resources and assessing performance of the operating segments and makes strategic decisions (Refer Note 32).

P. Earnings Per Share

Basic earnings per share are computed by dividing the profit or loss for the year attributable to equity shareholders of the Company by the weighted average number of equity shares outstanding during the year.

The weighted average number of equity shares outstanding during the year and for all years presented is adjusted for events, other than the conversion of potential equity shares that have changed the number of equity shares outstanding, without a corresponding change in resources. For the purpose of calculating diluted earnings per share, the profit or loss for the year attributable to equity shareholders of the Company and the weighted average number of shares outstanding during the year is adjusted for the effects of all dilutive potential equity shares.

Q. Leases

As a lessee:

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the Statement of Profit and Loss on a straight-line basis over the period of the lease. Incremental payments structured to increase in line with expected general inflation to compensate for the lessor's expected inflationary cost increases are not considered for straight lining.

R. Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

S. Contributed equity

Equity shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, from the proceeds.

T. Rounding of amounts

All amounts disclosed in the financial statements and notes have been rounded off to the nearest million with one decimal thereof as per the requirement of Schedule III, unless otherwise stated.

U. Recent Accounting Pronouncements

Standards issued but not yet effective

Ind AS 116, Leases: The Ministry of Corporate Affairs ('MCA') has notified the Ind AS 116, Leases which will be effective from 1st April, 2019. Ind AS 116 would replace the existing leases standard Ind AS 17. The standard sets out the principles for the recognition, measurement, presentation and disclosures in relation to lease contracts and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Currently, operating lease expenses are charged to the statement of profit and loss. The Company is currently evaluating the effect of the above in the financial statements.

Amendment to Ind AS 12 'Income Taxes': On 30th March, 2019, the MCA has notified limited amendments to Ind AS 12 'Income Taxes'. The amendments require an entity to recognise the income tax consequences of dividends as defined in Ind AS 109 when it recognises a liability to pay a dividend. The income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity shall recognize the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised those past transactions or events. The amendment will come into force for accounting periods beginning on or after 1st April, 2019. The Company is evaluating the effect of the above in the financial statements.

Notes forming part of the Financial Statements for the year ended 31st March 2019

Appendix C to Ind AS 12, Uncertainty over Income Tax Treatments: On 30th March, 2019, the MCA has notified the Companies (Indian Accounting Standards) Amendment Rules, 2019 containing Appendix C to Ind AS 12, Uncertainty over Income Tax Treatments which clarifies the application and measurement requirements in Ind AS 12 when there is uncertainty over income tax treatments. The current and deferred tax asset or liability shall be recognized and measured by applying the requirements in Ind AS 12 based on the taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates determined by applying this appendix. The amendment is effective for annual periods beginning on or after 1st April, 2019. The Company is evaluating the effect of the above in the financial statements.

Amendment to Ind AS 19 'Employee Benefits': On March 30, 2019, the MCA has notified limited amendments to Ind AS 19 'Employee Benefits' in connection with accounting for plan amendments, curtailments and settlements. The amendments require an entity to use updated assumptions to determine current service cost and net interest for the remainder of the period after a plan amendment, curtailment or settlement and to recognise in profit or loss as part of past service cost, or a gain or loss on settlement, any reduction in a surplus, even if that surplus was not previously recognised because of the impact of the asset ceiling. The amendment will come into force for accounting periods beginning on or after 1st April, 2019. The Company is evaluating the effect of the above in the financial statements.

V. Critical Accounting Estimates and Judgements

Preparing the financial statements under Ind AS requires management to take decisions and make estimates and assumptions that may impact the value of revenues, costs, assets and liabilities and the related disclosures concerning the items involved as well as contingent assets and liabilities at the balance sheet date. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

The following are the areas involving critical estimates and judgements as at the end of the reporting period that may have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year:

Estimation of Defined Benefit Obligation [Refer Note 14(a)]

Estimation of Provision and Contingent Liabilities [Refer Note 27 (A) and 37]

Estimation of useful life of Property, Plant and Equipment [Refer Note 1-C]

Notes forming part of the Financial Statements as at and for the year ended 31st March 2019

2. Property, Plant and Equipment

(in ₹ million)

Particulars	Tangible Assets						
	Buildings	Plant and Equipments	Furniture Fixtures	Vehicles	Office Equipments	Leasehold Improvements	Total
As at 1st April 2017							
Gross carrying amount							
Opening gross carrying amount	1.7	66.5	18.6	0.2	16.5	4.7	108.2
Additions	—	12.7	—	—	1.5	—	14.2
Adjustment/reclassification	—	4.4	(4.5)	—	0.1	—	—
Disposals	—	—	—	—	(1.5)	—	(1.5)
As at 31st March 2018	1.7	83.6	14.1	0.2	16.6	4.7	120.9
Accumulated depreciation							
Opening accumulated depreciation	0.2	37.1	4.7	0.2	7.5	1.4	51.1
Depreciation/amortisation charge during the year	0.4	16.3	2.1	—	5.6	0.9	25.3
Disposals	—	—	—	—	(1.5)	—	(1.5)
As at 31st March 2018	0.6	53.4	6.8	0.2	11.6	2.3	74.9
Net carrying amount							
As at 31st March 2018	1.1	30.2	7.3	—	5.0	2.4	46.0
As at 1st April 2018							
Gross carrying amount							
Opening gross carrying amount	1.7	83.6	14.1	0.2	16.6	4.7	120.9
Additions	—	33.0	10.3	—	10.6	86.7	140.6
Disposals	—	(14.6)	(1.4)	(0.2)	(6.0)	—	(22.2)
As at 31st March 2019	1.7	102.0	23.0	—	21.2	91.4	239.3
Accumulated depreciation							
Opening accumulated depreciation	0.6	53.4	6.8	0.2	11.6	2.3	74.9
Depreciation/amortisation charge during the year	0.1	20.5	2.3	—	2.7	6.2	31.8
Disposals	—	(9.6)	(1.4)	(0.2)	(6.0)	—	(17.2)
As at 31st March 2019	0.7	64.3	7.7	—	8.3	8.5	89.5
Net carrying amount							
As at 31st March 2019	1.0	37.7	15.3	—	12.9	82.9	149.8
Note							
Refer Notes 11 and 19							

Notes forming part of the Financial Statements as at and for the year ended 31st March 2019

	31 st March 2019		31 st March 2018	
	in ₹ million Current	in ₹ million Non-current	in ₹ million Current	in ₹ million Non-current
3(a). Loans:				
Unsecured, considered good				
Loan to Employees	0.6	6.4	4.6	3.6
Total Loans	0.6	6.4	4.6	3.6
3(b). Other financial assets:				
Tender Deposits				
Unsecured, considered good	—	5.5	0.6	2.0
Considered Doubtful	—	4.1	—	4.3
Less: Allowance for Doubtful Deposits	—	(4.1)	—	(4.3)
	—	5.5	0.6	2.0
Security Deposits	5.7	22.6	25.1	51.6
Deposits with banks with maturity of more than twelve months	—	5.9	—	2.6
Receivable from Related Parties (Refer Note 33)	190.0	—	59.1	—
Receivable as Consignment Agent	127.8	—	159.4	—
Others				
— Expenses Recoverable	4.6	—	17.6	—
Total Other Financial Assets	328.1	34.0	261.8	56.2

4. Deferred Tax Assets

The balance comprises temporary differences attributable to:

	31 st March 2019	31 st March 2018
	in ₹ million	in ₹ million
Property, Plant and Equipment	24.0	28.5
Allowances for Doubtful Debts, Advances and Deposits	27.4	24.9
Compensation under Voluntary retirement scheme	2.4	3.6
Provision for Employee Benefits	151.7	160.6
Others	8.9	12.9
Total Deferred Tax Assets	214.4	230.5

Movement in deferred tax assets

	Property, Plant and Equipment	Allowances for Doubtful Debts, Advances and Deposits	Compensation under Voluntary retirement scheme	Provision for Employee Benefits	Others	Total
At 1st April 2017	28.5	35.2	6.4	149.9	12.2	232.2
(Charged)/Credited						
— To Profit or Loss	—	(10.3)	(2.8)	17.1	0.7	4.7
— To Other Comprehensive Income	—	—	—	(6.4)	—	(6.4)
At 31st March 2018	28.5	24.9	3.6	160.6	12.9	230.5
(Charged)/Credited						
— To Profit or Loss	(4.5)	2.5	(1.2)	(0.2)	(4.0)	(7.3)
— To Other Comprehensive Income	—	—	—	(8.7)	—	(8.7)
At 31st March 2019	24.0	27.4	2.4	151.7	8.9	214.4

5. Income Tax Assets (Net)

	31 st March 2019	31 st March 2018
	in ₹ million	in ₹ million
Advance income tax [net of provisions ₹ 8,587.5 million (As at 31 st March 2018 ₹ 8,586.5 million)]	1,048.0	918.4
Total Income Tax Assets (Net)	1,048.0	918.4

Notes forming part of the Financial Statements as at and for the year ended 31st March 2019

6. Other Non-Current Assets

	<u>31st March 2019</u>	<u>31st March 2018</u>
	in ₹ million	in ₹ million
Balance with Government authorities		
VAT Receivable (including amount paid under protest)	186.8	185.8
Custom duty (paid under protest)	21.6	21.6
Advances recoverable		
Considered Good	16.4	18.0
Considered Doubtful	30.0	30.0
	<u>46.4</u>	<u>48.0</u>
Less: Allowance for Doubtful Advances	(30.0)	(30.0)
	<u>16.4</u>	<u>18.0</u>
Wealth Tax [net of provisions of ₹ 23.6 million (As at 31 st March, 2018 ₹ 23.6 million)]	40.2	40.2
Fringe Benefits Tax [Net of Provision of ₹ 135.6 million (as at 31 st March 2018 ₹ 135.6 million)]	20.3	20.3
Prepayment	21.8	32.8
Total Other Non-Current Assets	<u>307.1</u>	<u>318.7</u>

7. Inventories

	<u>31st March 2019</u>	<u>31st March 2018</u>
	in ₹ million	in ₹ million
Stock-in-Trade [including in transit of ₹ 5.9 million (As at 31 st March, 2018, ₹ 29.5 million)]	605.1	565.6
Total Inventories	<u>605.1</u>	<u>565.6</u>

The cost of inventory recognised as an expense includes ₹ 91.6 million (previous year ₹ 69.2 million) in respect of write-downs of inventory, and has been reduced by ₹ 9.7 million (previous year ₹ 29.4 million) in respect of the reversals of such write-downs.

The cost of inventories recognised as an expense is disclosed in Notes 22 and as purchases of stock-in-trade in the Statement of Profit and Loss.

The mode of valuation of inventories has been stated in Note 1.E

Consequent to the notices received during year from the Drugs Licensing Authority, Daman by the supplier of a product, the Company suspended the sale of the relevant product. The supplier has contested the notices and the matter is sub judice before Hon'ble Delhi High Court. The Company has, based on stock statements received from significant portion of its stockists, arrived at the stock position and accordingly made a provision for expected accelerated sales returns and stocks, relating thereto aggregating to ₹ 56.1 million as at 31st March, 2019.

8. Trade Receivables (Unsecured)

	<u>31st March 2019</u>	<u>31st March 2018</u>
	in ₹ million	in ₹ million
Considered good	455.9	439.1
Doubtful	44.4	37.0
	<u>500.3</u>	<u>476.1</u>
Less: Allowance for Bad and Doubtful Debts	(44.4)	(37.0)
Total Trade Receivables	<u>455.9</u>	<u>439.1</u>
Trade Receivables		
Receivables from Related Parties, Considered Good [Refer Note 33] (A)	203.2	99.7
Receivables from Other Parties		
Considered Good	252.7	339.4
Doubtful	44.4	37.0
	<u>297.1</u>	<u>376.4</u>
Less: Allowance for Bad and Doubtful Debts	(44.4)	(37.0)
Total Receivables from Other Parties (B)	<u>252.7</u>	<u>339.4</u>
Total Trade Receivables (A + B)	<u>455.9</u>	<u>439.1</u>

Notes forming part of the Financial Statements as at and for the year ended 31st March 2019

9(a). Cash and Cash Equivalents

	<u>31st March 2019</u>	<u>31st March 2018</u>
	in ₹ million	in ₹ million
Balances with Banks		
— in Current Accounts	215.0	222.3
— Deposits with original maturity of less than three months	662.6	154.0
Cash on Hand	*	*
Total Cash and Cash Equivalents	<u>877.6</u>	<u>376.3</u>

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

9(b). Bank Balances Other than 9(a) above

	<u>31st March 2019</u>	<u>31st March 2018</u>
	in ₹ million	in ₹ million
Earmarked balances with banks		
— Unpaid Dividend Accounts	15.2	15.7
Bank deposits with maturity of more than 3 months but less than 12 months	5,227.4	7,358.8
Total Other Bank Balances	<u>5,242.6</u>	<u>7,374.5</u>

10. Other Current Assets

	<u>31st March 2019</u>	<u>31st March 2018</u>
	in ₹ million	in ₹ million
Balances with Government Authorities	511.5	464.9
Others		
— Advance to Vendors	17.1	13.8
— Prepayment	12.8	17.9
— Advance to Employees	3.2	3.0
Total Other Current Assets	<u>544.6</u>	<u>499.6</u>

11. Assets held for sale

	<u>31st March 2019</u>	<u>31st March 2018</u>
	in ₹ million	in ₹ million
Building [Refer Note 2 and Note 19]#	10.2	10.3
Total Assets held for sale	<u>10.2</u>	<u>10.3</u>

In the Board Meeting held on 22nd July, 2015 and 19th April, 2016, the Company decided to sell 4 residential flats and 1 commercial premise respectively and initiated an active plan to locate a buyer for these properties. Further in the Board meeting held on 10th May, 2018, the Company has decided to sell another residential flat. Accordingly, these properties were classified as "Assets held for Sale" on the aforesaid dates respectively.

During the year, the Company has sold 2 residential flats (previous year 2 residential flats) and resultant gain is recognised in the Statement of Profit and Loss (Refer Note 21).

The Company expects remaining residential flat and commercial premise to be sold within one year.

Notes forming part of the Financial Statements as at and for the year ended 31st March 2019

12. Equity Share Capital and Other Equity

12(a). Equity Share Capital

	Number of shares	Amount in ₹ million
Authorised Share Capital		
As at 1 st April 2017 (Equity Shares of ₹ 5 each)	64,000,000	320.0
Increase/(decrease) during the year	—	—
As at 31 st March 2018 (Equity Shares of ₹ 5 each)	64,000,000	320.0
Increase/(decrease) during the year	—	—
As at 31st March 2019 (Equity Shares of ₹ 5 each)	64,000,000	320.0
Issued, Subscribed and Fully Paid-up Equity Share Capital		
As at 1 st April 2017 (Equity Shares of ₹ 5 each)	28,140,797	140.7
Increase/(decrease) during the year	(3,450,000)	(17.3)
As at 31 st March 2018 (Equity Shares of ₹ 5 each)	24,690,797	123.4
Increase/(decrease) during the year	—	—
As at 31st March 2019 (Equity Shares of ₹ 5 each)	24,690,797	123.4
(i) Reconciliation of the number of shares outstanding at the beginning and at the end of the reporting period		
As at 1 st April 2017 (Equity Shares of ₹ 5 each fully paid-up)	28,140,797	
Less-Buy back of equity shares [Refer Note 12(c)]	(3,450,000)	
As at 31 st March 2018 (Equity Shares of ₹ 5 each fully paid-up)	24,690,797	
Movement during the year	—	
As at 31st March 2019 (Equity Shares of ₹ 5 each fully paid-up)	24,690,797	

(ii) Rights, Preferences and Restrictions:

The Company has only one class of shares i.e. Equity Shares having a face value of ₹ 5 each. Every member present in person or by proxy shall on show of hands have one vote and upon a poll, the voting right shall be in proportion to his share of the paid up equity share capital of the Company. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting, except in case of interim dividend. 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.

(iii) Other details of equity shares for a period of five years immediately preceding 31st March, 2019:

The Company has neither allotted equity shares as fully paid up pursuant to contract(s) without payment being received in cash nor has the Company allotted equity shares as fully paid up bonus shares.

Aggregate number of equity shares bought back: 7,270,000 (up to 31st March, 2018: 7,270,000) [Refer Note 12 (c)]

(iv) Shares of the Company Held by Holding Company and Ultimate Holding Company

	31 st March 2019	31 st March 2018
	No. of Shares	No. of Shares
Novartis AG, Basel, Switzerland	17,450,680	17,450,680

(v) Details of Shareholders Holding more than 5% Shares in the Company

	31 st March 2019		31 st March 2018	
	No. of Shares	% of Holding	No. of Shares	% of Holding
Novartis AG, Basel, Switzerland (Holding Company and Ultimate Holding Company)	17,450,680	70.68%	17,450,680	70.68%

12(b). Other Equity

	31 st March 2019	31 st March 2018
	in ₹ million	in ₹ million
General Reserve	—	—
Capital Redemption Reserve	36.4	36.4
Share Options Outstanding Account	(42.5)	(61.8)
Retained Earnings	7,474.6	7,238.4
Total Other Equity	7,468.5	7,213.0

Notes forming part of the Financial Statements as at and for the year ended 31st March 2019

Nature and Purpose of Other Equity

General Reserve

General Reserve was created out of profits of the Company. The reserve was created in accordance with the provisions of the Act. During the previous year the Company utilised the entire balance of General Reserve towards buy back of shares.

Capital Redemption Reserve

Capital Redemption reserve was created for buy back of shares. In terms of Section 69 of the Act, the Company transfers a sum equal to nominal value of the shares bought back to Capital Redemption Reserve. The Reserve may be applied by the Company in paying up unissued shares of the Company to be issued to members of the Company as fully paid bonus shares.

Share Options Outstanding Account

The Share Options Outstanding Account is used to recognise the grant date fair value of Tradeable Options / Restricted shares issued to employees under group global equity incentive plan.

	31 st March 2019	31 st March 2018
	in ₹ million	in ₹ million
(i) General Reserve		
Opening Balance	—	774.7
Buy back of Equity Shares [Refer Note 12(c)]	—	(774.7)
Closing Balance	—	—
(ii) Capital Redemption Reserve		
Opening Balance	36.4	19.1
Transfer from Retained Earnings pursuant to Buy back [Refer Note 12(c)]	—	17.3
Closing Balance	36.4	36.4
(iii) Share Options Outstanding Account		
Opening Balance [Refer Note 36]	(61.8)	(74.3)
(Add)/Less-Amount credited/(recharged) by Group Company (net)	26.9	(33.6)
(Add)/Less-Amount (credited)/recharged to Statement of Profit and Loss (net) [Refer Note 23]	(7.6)	46.1
Closing Balance	(42.5)	(61.8)
(iv) Retained Earnings		
Opening Balance	7,238.4	8,336.2
Profit for the year	517.7	783.6
Other Comprehensive Income (net of tax)	16.2	12.0
Total Comprehensive Income for the year	533.9	795.6
Payment of Dividends [including Dividend Distribution Tax of ₹ 50.8 million (previous year ₹ 57.3 million)]	(297.7)	(338.7)
Buy back of Equity Shares [Refer Note 12(c)]	—	(1,537.4)
Amount transferred to Capital Redemption Reserve [Refer Note 12(c)]	—	(17.3)
Closing Balance	7,474.6	7,238.4

Dividends

Particulars	31 st March 2019	31 st March 2018
	in ₹ million	in ₹ million
Equity shares		
Final dividend for the year ended 31 st March 2018 of ₹ 10 per fully paid share (31 st March 2017 of ₹ 10 per fully paid share)	246.9	281.4
Dividends not recognised at the end of the reporting period		
In addition to the above dividends, since year end the directors have recommended the payment of a final dividend of ₹ 10 per share (Previous year ₹ 10 per share) fully paid equity share. This proposed dividend is subject to the approval of shareholders in the ensuing annual general meeting. The dividend distribution tax as per the existing rate thereon amounts to ₹ 50.8 million (Previous year ₹ 50.8 million).	246.9	246.9

12(c). Buy back of Shares

In accordance with Sec 68, 69, 70 and other applicable provisions of the Companies Act, 2013, and Securities and Exchange Board of India (Buy Back of Securities) Regulations, 1998 (as amended) ("SEBI Buy Back Regulations"), the Company concluded during the previous year, the buy back of 3,450,000 equity shares of ₹ 5/- each fully paid up, as approved by the Board of Directors on 25th September, 2017 by way of tender offer through stock exchange mechanism for cash at price of ₹ 670/- per equity share. This had resulted in a total cash outflow of ₹ 2,311.6 million during the previous year.

Pursuant to buyback in previous year, the Company had adjusted premium on buy back of ₹ 665/- per share aggregating ₹ 2,294.3 million, out of General Reserve ₹ 774.7 million and from Retained earnings ₹ 1,519.6 million. Further, an amount of ₹ 17.3 million (equivalent to the face value of shares) was transferred to Capital Redemption Reserve from the Retained earnings. Buy-back expenses of ₹ 17.8 million (net of tax of ₹ 9.4 million) was also debited to the Retained earnings.

Notes forming part of the Financial Statements as at and for the year ended 31st March 2019

13. Financial Liabilities

	<u>31st March 2019</u>	<u>31st March 2018</u>
	in ₹ million	in ₹ million
13(a). Other Financial Liabilities		
Non-Current		
Security Deposits	18.7	18.2
Total Other Non-Current Financial Liabilities	18.7	18.2
Current		
Unpaid Dividends [®]	15.2	15.7
Payable to Related Parties [Refer Note 33]	425.5	1,349.0
Payables towards Purchase of Property, Plant and Equipment	0.4	13.4
Security Deposits	—	4.0
Total Other Current Financial Liabilities	441.1	1,382.1

[®] There are no amounts due for payment to the Investor Education and Protection Fund under Section 125 of the Companies Act, 2013 as at the year end.

	<u>31st March 2019</u>	<u>31st March 2018</u>
	in ₹ million	in ₹ million
13(b). Trade Payables		
Current		
Total outstanding dues of micro enterprises and small enterprises [Refer Note 30]	6.0	7.4
Total outstanding dues of creditors other than micro enterprises and small enterprises		
– Related Parties [Refer Note 33]	335.4	564.4
– Others	572.6	489.3
Total Trade Payables	914.0	1,061.1

14(a). Employee Benefit Obligations [Refer Note 14(b)]

	<u>31st March 2019</u>		<u>31st March 2018</u>	
	in ₹ million	in ₹ million	in ₹ million	in ₹ million
	Current	Non-current	Current	Non-current
Gratuity	28.2	96.1	17.5	129.1
Leave Obligations	14.9	176.7	19.1	213.6
Non-Contractual Pension Plan	—	0.5	—	0.8
Post Retirement Medical Benefits	4.3	62.8	4.1	59.7
Long Term Service Awards	2.1	14.2	1.8	14.1
Voluntary Retirement Costs	1.6	—	1.6	—
Others	156.4	—	158.1	—
Total Employee Benefit Obligations	207.5	350.3	202.2	417.3

Notes forming part of the Financial Statements as at and for the year ended 31st March 2019

14(b). Employee Benefit Obligations

(i) **Defined Contribution Plans:**

The Company's contribution to Superannuation Fund and Employees' Pension Scheme aggregating ₹ 21.8 million (Previous year – ₹ 32.6 million) has been recognised as expense in the Statement of Profit and Loss for the year under the head Employee Benefits Expense (Refer Note 23).

(ii) **Defined Benefit Plans:**

General Description of Defined Benefit Plans:

(a) **Gratuity**

The Company provides for gratuity for employees as per the Payment of Gratuity Act, 1972. Employees who are in continuous service of 5 years are eligible for gratuity. The benefit payable is the amount calculated as per the Payment of Gratuity Act, 1972 or the Company scheme applicable to the employees. The benefit vests upon completion of five years of continuous service and once vested it is payable to employees on retirement or on termination of employment. In case of death while in service, the gratuity is payable irrespective of vesting. The gratuity plan is a funded plan and it is recognised by the Income-tax authorities and administered through trustees and/or LIC. Liability for Gratuity is provided on the basis of valuations, as at Balance Sheet date, carried out by an independent actuary.

(b) **Provident Fund**

Provident fund is Defined Benefit Plan that provides for lump sum amount to be paid to employee at the time of separation from the Company. Both employee and employer (at a determined rate) contribute monthly to a Trust set up by the Company to manage the investments and distribute the amounts entitled to employees. The benefits are accumulated value of contributions made by the employee and the Company at the minimum interest rate as declared by the Employee Provident Fund Organisation for respective years. Valuation for interest rate guarantee is provided on the basis of valuations, as at Balance Sheet date, carried out by an independent actuary.

(c) **Non-Contractual Pension Plan**

The Pension Scheme is a Defined Benefit Plan with a minimum pension guarantee that provides for an annuity in the form of pension amount at retirement to a select category of employees. The fund is administered by LIC of India. Liability for Non-Contractual Pension Plan is provided on the basis of valuations, as at Balance Sheet date, carried out by an independent actuary.

(d) **Post Retirement Medical Benefits (PRMB)**

The PRMB scheme is a fixed monetary amount Defined Benefit Plan that provides for a payment made after retirement when a retiree claims medical benefits. The benefits are defined on the basis of amount claimed under medical expenses (valued as premium paid by the Company to the Insurance Company) upto a maximum limit after retirement. This is an unfunded defined benefit plan. Liability for Post Retirement Medical Benefits is provided on the basis of valuations, as at Balance Sheet date, carried out by an independent actuary.

As per actuarial valuation as on 31st March 2019 and 31st March 2018 :

in ₹ million

Particulars	Gratuity		Non Contractual Pension Plan		Post Retirement Medical Benefits	
	2019	2018	2019	2018	2019	2018
I. Expense recognised in the Statement of Profit and Loss for the year ended 31st March:						
1. Current Service Cost	26.4	22.9	3.2	3.2	1.2	1.6
2. Past Service Cost*	—	63.3	—	—	—	9.5
3. Net interest on net defined benefit liability/ (asset)	10.3	5.2	(0.2)	0.8	4.9	4.3
4. Other adjustments	—	(6.9)	—	—	—	—
	<u>36.7</u>	<u>84.5</u>	<u>3.0</u>	<u>4.0</u>	<u>6.1</u>	<u>15.4</u>
II. Recognised in other comprehensive income for the year						
1. Return on plan assets	23.1	(4.1)	3.5	0.3	—	—
2. Actuarial (Gain)/Loss on account of:						
— Financial Assumptions	(11.4)	(24.3)	—	0.1	3.3	(3.6)
— Experience Adjustments	(53.5)	20.8	(3.1)	(10.6)	(2.0)	(7.4)
— Demographic Assumptions	—	—	—	—	—	2.4
	<u>(41.8)</u>	<u>(7.6)</u>	<u>0.3</u>	<u>(10.2)</u>	<u>1.3</u>	<u>(8.6)</u>

Notes forming part of the Financial Statements as at and for the year ended 31st March 2019

14(b). Employee Benefit Obligations (contd.)

As per actuarial valuation as on 31st March 2019 and 31st March 2018:

in ₹ million

Particulars	Gratuity		Non Contractual Pension Plan		Post Retirement Medical Benefits	
	2019	2018	2019	2018	2019	2018
III. Net Asset/(Liability) recognised in the Balance Sheet as at 31st March						
1. Present value of defined benefit obligation as at 31 st March	372.7	398.1	146.9	132.4	67.1	63.8
2. Fair value of plan assets as at 31 st March	248.4	251.5	146.4	131.6	—	—
3. Surplus/(Deficit)	(124.3)	(146.6)	(0.5)	(0.8)	(67.1)	(63.8)
4. Current portion of the above	(28.2)	(17.5)	—	—	(4.3)	(4.1)
5. Non current portion of the above	(96.1)	(129.1)	(0.5)	(0.8)	(62.8)	(59.7)
IV. Change in the present value of defined obligation during the year ended 31st March						
1. Present value of defined benefit obligation at the beginning of the year	398.1	305.7	132.4	128.2	63.8	59.5
2. Expenses Recognised in Profit and Loss Account						
— Current Service Cost	26.4	22.9	3.2	3.2	1.2	1.6
— Interest Expense	30.3	21.3	10.4	9.5	4.9	4.3
— Past service cost*	—	63.3	—	—	—	9.5
3. Remeasurement gains/(losses)						
— Actuarial Gain/(Loss) arising from:						
i. Financial Assumptions	(11.4)	(24.3)	—	0.1	3.3	(3.6)
ii. Experience Adjustments	(53.5)	20.8	(3.1)	(10.6)	(2.0)	(7.4)
iii. Demographic Assumptions	—	—	—	—	—	2.4
4. Benefit payments						
— paid by Company	—	—	(0.2)	(1.3)	(4.1)	(2.5)
— paid from planned assets	(17.2)	(11.6)	0.8	(0.1)	—	—
5. Employee Contributions	—	—	3.4	3.4	—	—
6. Present value of defined benefit obligation at the end of the year	<u>372.7</u>	<u>398.1</u>	<u>146.9</u>	<u>132.4</u>	<u>67.1</u>	<u>63.8</u>
V. Change in fair value of assets during the year ended 31st March						
1. Fair value of plan assets at the beginning of the year	251.5	216.7	131.6	117.8	—	—
2. Interest on plan assets	20.0	16.1	10.7	8.7	—	—
3. Other adjustments	—	6.9	—	—	—	—
4. Remeasurement gains/(losses)						
— Actual return on plan assets	(23.1)	4.1	(3.5)	(0.3)	—	—
5. Employer Contribution	17.2	19.2	3.4	3.4	—	—
6. Employee Contribution	—	—	3.4	3.4	—	—
7. Benefit payments	(17.2)	(11.6)	0.8	(1.4)	—	—
8. Fair value of plan assets at the end of the year	<u>248.4</u>	<u>251.5</u>	<u>146.4</u>	<u>131.6</u>	<u>—</u>	<u>—</u>

* Pursuant to:

Change in the upper ceiling limit on Gratuity amount as per Payment of Gratuity Act from ₹ 10 lakhs to ₹ 20 lakhs during previous year and Increase in age limit for Hospitalisation benefit under PRMB from 75 years to 80 years during previous year.

Provident Fund

The details of Provident Fund and plan assets as at 31st March, is given below.

I. Net Asset/(Liability) recognised in the Balance Sheet as at 31 st March	2019	2018
1. Present value of defined benefit obligation as at 31 st March	1,633.0	1,617.4
2. Fair value of plan assets as at 31 st March	1,633.0	1,617.4
3. Surplus/(Deficit)	—	—

The Company contributed ₹ 49.8 million towards the provident fund during the year ended 31st March, 2019 (Previous year ₹ 61.9 million).

Notes forming part of the Financial Statements as at and for the year ended 31st March 2019

14(b). Employee Benefit Obligations (contd.)

The net liability disclosed above relates to funded and unfunded plans are as follows:

in ₹ million

Particulars	Gratuity	Non Contractual Pension Plan	Post Retirement Medical Benefits
31st March 2018			
Present value of funded obligations	398.1	132.4	63.8
Fair value of plan assets	251.5	131.6	—
Deficit of funded plan	146.6	0.8	63.8
Unfunded plans	—	—	—
Deficit	146.6	0.8	63.8
31st March 2019			
Present value of funded obligations	372.7	146.9	67.1
Fair value of plan assets	248.4	146.4	—
Deficit of funded plan	124.3	0.5	67.1
Unfunded plans	—	—	—
Deficit	124.3	0.5	67.1

Significant estimates: Actuarial assumptions and sensitivity

The significant actuarial assumptions are as follows:

Particulars	31 st March 2019	31 st March 2018
Discount rate	7.40%	7.90%
Salary growth rate	10.00%	11.00%
Medical inflation rate	8.00%	8.00%
<u>Mortality table</u>		
In Service Mortality rate	IALM (2006-08) ult	IALM (2006-08) ult
Post Retirement Mortality	Annuitants Mortality (96-98) with suitable improvement	Annuitants Mortality (96-98) with suitable improvement
<u>Withdrawal rates</u>		
<u>Officers</u>		
Less than 5 years	20%	20%
5-10 years	15%	15%
Above 10 years	5%	5%
<u>Non Officers</u>		
Less than 5 years	14%	14%
5-10 years	5%	5%
Above 10 years	5%	5%

Sensitivity analysis

The sensitivity of the defined benefit obligation to changes in the principal assumptions is:

in ₹ million

Particulars	Gratuity Scheme (LIC)		Gratuity Scheme (In house Fund)		Non Contractual Pension Plan		Post Retirement Medical Benefits	
	Change in assumptions		Change in assumptions		Change in assumptions		Change in assumptions	
	31 st March 2019	31 st March 2018	31 st March 2019	31 st March 2018	31 st March 2019	31 st March 2018	31 st March 2019	31 st March 2018
Discount rate								
Increase by 0.25%	(7.2)	(7.7)	(1.1)	(1.3)	(*)	(*)	(1.7)	(1.6)
Decrease by 0.25%	7.5	8.0	1.1	1.3	*	*	1.7	1.7
Salary growth rate								
Increase by 0.25%	6.7	6.9	0.5	0.6	—	—	—	—
Decrease by 0.25%	(6.4)	(6.7)	(0.5)	(0.6)	—	—	—	—
Withdrawal Rate								
Increase by 5%	(18.2)	(22.0)	2.0	2.1	(*)	(*)	(6.8)	(6.9)
Decrease by 5%	35.9	45.0	(3.2)	(3.5)	*	*	13.3	12.6
Medical Inflation								
Increase by 1%	—	—	—	—	—	—	5.6	5.2
Decrease by 1%	—	—	—	—	—	—	(4.8)	(4.5)

* Amount is below the rounding off norm adopted by the Company

The above sensitivity analyses is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the defined benefit liability recognised in the balance sheet.

Notes forming part of the Financial Statements as at and for the year ended 31st March 2019

14(b). Employee Benefit Obligations (contd.)

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the prior period.

Expected aggregate contributions to post employment benefit plans for the year ending 31 March, 2020 are ₹ 86.8 million.

The weighted average duration of the Post Retirement Medical Benefits is 11 years (2018, 11 years) while in case of other Defined Benefit Obligations it's 8 years (2018, 9 years).

Maturity profile of defined benefit obligation

	in ₹ million			
	Less than a Year	Between 1-2 years	Between 2-5 years	Between 5-10 years
1st April 2018				
Gratuity	30.6	32.5	118.5	214.6
Pension	0.3	0.2	0.3	—
Post Retirement Medical Benefits	4.2	4.3	14.1	28.1
Total	35.1	37.0	132.9	242.7
31st March 2019				
Gratuity	28.2	31.1	109.9	186.9
Pension	0.2	0.3	—	—
Post Retirement Medical Benefits	4.5	4.5	14.8	29.0
Total	32.9	35.9	124.7	215.9

Risk exposure

Through its defined benefit obligation the Company is exposed to a number of risks, the most significant of which are detailed below:

Interest rate risk — The defined benefit obligation calculated uses a discount rate based on Government bonds. If bond yields fall, the defined benefit obligation will tend to increase.

Salary inflation risk — Higher than expected increased in salary will increase the defined benefit obligation.

Demographic risk — This is the risk of variability of results due to unsystematic nature of decrements that include mortality, withdrawal, disability and retirement. The effect of these decrements on the defined benefit obligations is not straight forward and depends upon the combination of salary increase, discount rate and vesting criteria. It is important not to overstate withdrawals because in financial analysis the retirement benefit of the short career employee typically costs less per year as compared to a long service employee.

Medical inflation risk — Higher than expected increase in premium will lead to increase in defined benefit obligations. Although the risk is mitigated by capping the benefit paid by insurance Company (limiting the premium amount for the Company).

Investment return risk — Lower the expected investment return, higher will be the defined benefit obligation.

Major category of plan assets for all the defined benefit obligations are as follows	in ₹ million			
	31 st March 2019		31 st March 2018	
	Amount	in %	Amount	in %
Government Bonds	700.7	34.56%	611.7	30.58%
Mutual Fund	40.4	1.99%	31.8	1.59%
Public Sector Units Bonds	544.3	26.84%	608.0	30.39%
Insurer Managed Funds	316.7	15.62%	315.4	15.76%
Special Deposit scheme (including Cash, FD's & special deposit)	425.7	20.99%	433.6	21.68%
	2,027.8	100.00%	2,000.5	100.00%

Notes forming part of the Financial Statements as at and for the year ended 31st March 2019

15. Other Non-Current Liabilities

	<u>31st March 2019</u>	<u>31st March 2018</u>
	in ₹ million	in ₹ million
Income Received in Advance	13.4	26.8
Total Other Non-Current Liabilities	<u>13.4</u>	<u>26.8</u>

16. Provisions

	<u>31st March 2019</u>	<u>31st March 2018</u>
	in ₹ million	in ₹ million
Provision for Non-sellable Sales Returns [Refer Note 7 and Note 28]	79.3	90.6
Provision for Contingencies [Refer Note 28]		
For Sales Tax matters	19.2	19.2
For Legal Case	22.9	21.3
Total Provisions	<u>121.4</u>	<u>131.1</u>

17. Current Tax Liabilities (Net)

	<u>31st March 2019</u>	<u>31st March 2018</u>
	in ₹ million	in ₹ million
Provision for tax [net of advance tax ₹ 1,822.1 million (As at 31 st March, 2018 ₹ 1,510.9 million)]	87.4	66.9
Total Current Tax Liabilities (Net)	<u>87.4</u>	<u>66.9</u>

18. Other Current Liabilities

	<u>31st March 2019</u>	<u>31st March 2018</u>
	in ₹ million	in ₹ million
Income Received in Advance	13.2	13.2
Advances from Customers	14.4	9.4
Others		
— Statutory Dues (Contributions to PF, PT, Withholding Taxes etc.)	51.1	60.0
— Payable to Income tax Authorities (Refer Note 29)	—	370.0
Total Other Current Liabilities	<u>78.7</u>	<u>452.6</u>

19. Liabilities directly associated with assets classified as held for sale

	<u>31st March 2019</u>	<u>31st March 2018</u>
	in ₹ million	in ₹ million
Advance received against sale of certain asset out of assets held for sale (Refer Note 11)	—	10.5
Total Liabilities directly associated with assets classified as held for sale	<u>—</u>	<u>10.5</u>

Notes forming part of the Financial Statements as at and for the year ended 31st March 2019

20. Revenue from Operations

	<u>31st March 2019</u>	<u>31st March 2018</u>
	in ₹ million	in ₹ million
Sale of Products	4,321.6	4,980.3
Sale of Services	181.8	191.6
Other Operating Revenue		
Commission Income	390.0	453.6
Co-Marketing Fees	13.4	13.4
Total Revenue from Operations	<u>4,906.8</u>	<u>5,638.9</u>

21. Other Income

	<u>31st March 2019</u>	<u>31st March 2018</u>
	in ₹ million	in ₹ million
Interest Income		
On Bank Deposits (at amortised Cost)	443.7	485.5
From Customers	1.4	1.0
On Income Tax Refund of earlier years (Refer Note 29)	14.0	981.3
Other Non-operating Income		
Rent	—	27.8
Unwinding of Discount on Security Deposits	11.2	1.8
Insurance Claims	0.2	0.2
Provisions no Longer Required Written-Back	4.5	18.6
Bad Debts Recovered	—	1.2
Gain on sale of Property, Plant and Equipments (net)	0.2	—
Gain on sale of certain assets out of assets held for sale (net) (Refer Note 11)	307.3	198.8
Miscellaneous Income	0.1	2.1
Total Other Income	<u>782.6</u>	<u>1,718.3</u>

22. Changes in Inventories of Stock-in-trade

	<u>31st March 2019</u>	<u>31st March 2018</u>
	in ₹ million	in ₹ million
Opening Stock		
Stock-in-Trade	565.6	875.2
Total Opening Stock	<u>565.6</u>	<u>875.2</u>
Closing Stock		
Stock-in-Trade	(605.1)	(565.6)
Total Closing Stock	<u>(605.1)</u>	<u>(565.6)</u>
Total Changes in Inventories of Stock-in-trade	<u>(39.5)</u>	<u>309.6</u>

Notes forming part of the Financial Statements as at and for the year ended 31st March 2019

23. Employee Benefits Expense

	31 st March 2019		31 st March 2018	
	in ₹ million		in ₹ million	
Salaries and Wages	995.5		1,170.4	
Contributions to Provident and Other Funds [Refer Note 14(b)]	93.5		90.5	
Contributions to Gratuity Fund [Refer Note 14(b)]	36.7		84.5	
Share Based Payment (Refer Notes 36)	(7.6)		46.1	
Staff Welfare Expenses [Refer Note 14(b)]	53.0		53.8	
Total Employee Benefits Expense	1,171.1		1,445.3	

24. Finance Costs

	31 st March 2019		31 st March 2018	
	in ₹ million		in ₹ million	
Interest on				
Income-tax	14.6		54.0	
Unwinding of Discount on Security Deposits	0.2		0.2	
Security Deposits (at amortised cost)	1.1		1.1	
Total Finance Cost	15.9		55.3	

25. Depreciation and Amortisation Expense

	31 st March 2019		31 st March 2018	
	in ₹ million		in ₹ million	
Depreciation and Amortisation of Property, Plant and Equipment	31.8		25.3	
Total Depreciation and Amortisation Expense	31.8		25.3	

26(a) Other Expenses*

	31 st March 2019		31 st March 2018	
	in ₹ million	in ₹ million	in ₹ million	in ₹ million
Power and Fuel	17.9		25.6	
Rent	133.8		128.9	
Repairs and Maintenance				
Buildings	2.3		3.5	
Others	8.4		19.4	
	10.7		22.9	
Insurance	2.1		3.4	
Rates and Taxes	12.4		57.7	
Legal and Professional Charges	77.7		58.4	
Travelling and Conveyance	164.0		162.3	
Other Outside Services	376.8		355.3	
Auditors' Remuneration [Refer Note 26(b)]	9.3		9.3	

Notes forming part of the Financial Statements as at and for the year ended 31st March 2019

26(a) Other Expenses*

	31 st March 2019		31 st March 2018	
	in ₹ million	in ₹ million	in ₹ million	in ₹ million
Expenditure towards Corporate Social Responsibility Activities [Refer Note 26(c)]		21.2		19.9
Freight, Forwarding and Distribution		427.8		462.6
Advertisement and Sales Promotion		175.1		262.2
Printing, Postage and Telephones		30.5		34.4
Commission to Non-whole time directors		3.0		3.0
Royalty		34.6		42.5
Bad Debts and Advances Written Off	1.4		19.8	
Less: Provision held	(1.4)		(19.8)	
		—		—
Provision for Doubtful Debts, Advances and Deposits		8.6		7.9
Provisions for Contingencies [Refer Note 28]		1.6		1.6
Net Loss on Foreign Currency Transactions and Translation		35.5		3.5
Miscellaneous Expenses		83.8		139.6
Total Other Expenses		1,626.4		1,801.0

* Net of expenses recharged to other companies [Refer Note 33]

26(b) Auditors' Remuneration

	31 st March 2019		31 st March 2018	
	in ₹ million		in ₹ million	
Payment to Auditors				
As auditor:				
Audit Fees		5.6		5.5
Tax Audit Fees		1.3		1.2
Other Services		2.1		* 2.8
Reimbursement of Expenses		0.3		0.1
Total Payments to Auditors		9.3		9.6

*Includes ₹ 0.3 million being expenses pertaining to buy-back of equity shares which has been debited to Retained Earnings [Refer Note 12(b)].

26(c) Expenditure towards Corporate Social Responsibility Activities

	31 st March 2019		31 st March 2018	
	in ₹ million		in ₹ million	
Amount spent during the year on:				
(i) Donations		19.7		18.4
(ii) Expenditure on maintenance of gardens		1.5		1.5
Total		21.2		19.9
Gross amount required to be spent as per Section 135 of the Act		21.1		19.6
Amount spent during the year on				
(i) Construction/acquisition of an asset		—		—
(ii) On purposes other than (i) above		21.2		19.9

27. **Contingent Liabilities and Commitments**

	<u>31st March 2019</u>	<u>31st March 2018</u>
	in ₹ million	in ₹ million
A Contingent Liabilities		
Claims against the Company not acknowledged as debts*		
Income-Tax matters		
(i) Matters decided in favor of the Company but disputed further by the income-tax authorities	18.9	18.9
(ii) Matters decided against the Company in respect of which the Company has preferred an appeal	115.0	115.0
(iii) Tax demands by assessing officer in respect of which Company has preferred an appeal	806.8	461.1
Sales Tax matters	757.7	615.9
Service Tax matters	4.9	4.9
Excise matters	3.0	3.0
Drug Price Control Order 2013 [Refer Note 37]	416.2	281.8
Claims from third party manufacturer in respect of Excise matters	49.4	47.5
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.

*Including Interest and Penalty, where applicable.

B Commitments

- (i) Estimated amount of contracts remaining to be executed on capital account and not provided for ₹ Nil (As at 31st March 2018 ₹ 87.5 million).
- (ii) Amount of future minimum lease payments under non-cancellable operating lease is ₹ 245.0 million (previous year ₹ 363.6 million) – also Refer Note 34.

28. **Provisions**

	<u>31st March 2019</u>	<u>31st March 2018</u>
	in ₹ million	in ₹ million
(i) Provision for Non-sellable Sales Returns		
As at 1 st April	90.6	87.3
Provision made during the year	150.0	88.3
Amounts used during the year	(161.3)	(85.0)
As at 31 st March	<u>79.3</u>	<u>90.6</u>
(ii) Provision for Contingencies		
As at 1 st April	40.5	38.9
Provision made during the year	1.6	1.6
Amounts used during the year	—	—
As at 31 st March	<u>42.1</u>	<u>40.5</u>

Provision is made for the non-sellable sales returns of goods from the customers estimated on the basis of historical data of sales return trends with respect to the shelf life of various products, level of inventories in the distribution channel, specific events during the year, etc. Such provision for non-sellable sales returns is reduced from sale of products for the year.

Notes forming part of the Financial Statements as at and for the year ended 31st March 2019

Provision for Contingencies: Provision for pricing matters and sales tax matters made for probable liabilities/claims arising out of pending dispute, litigations/commercial transactions with statutory authorities/third parties. The outflow with regard to the said matters depends on the exhaustion of remedies available to the Company under the law and hence the Company is not able to reasonably ascertain the timing of the outflow.

29. Note on Income Tax Refund

During the year ended 31st March, 2018, the Company received interest on refund of Income tax for AY 1995-96. Interest income of ₹ 981.3 million received on such income tax refund was recognized as income in the Financial Statement based on the management estimate of the amount the Company was entitled to receive in accordance with the provisions of the Income Tax Act, 1961. The Company sought clarification with appropriate authorities for interest working. Pending receipt of clarification, balance amount of interest of ₹ 370.0 million received was included under "Other Current Liabilities" as at the year ended 31st March 2018. During the year ended 31st March, 2019, the Company paid ₹ 384.6 million based on rectification order received from the appropriate authorities on refund of Income Tax for AY 1995-96, and the differential interest paid of ₹ 14.6 million is recognised under finance costs (Refer Note 24).

30. Disclosures as required under section 22 of the Micro, Small and Medium Enterprises Development Act, 2006. This information and that given in Note 13(b) – 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. This has been relied upon by the auditors.

	31st March 2019	31st March 2018
	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	*	*
	1.6	2.1
(b) The amount of interest paid by the buyer in terms of Section 16 of Micro, Small and Medium Enterprises Development Act, 2006 (27 of 2006) along with the amount of the payment made to the supplier beyond the appointed day during the year		
(i) Principal	53.4	54.6
(ii) Interest	—	—
(c) The amount of interest due and payable for the period of delay in making payment (which has been paid but beyond the appointed day during the year) but without adding the interest specified	0.8	0.7
(d) The amount of interest accrued and remaining unpaid at the end of the year	8.7	7.9
(e) The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise for the purpose of disallowance as a deductible expenditure under Section 23 of Micro, Small and Medium Enterprises Development Act, 2006.	0.3	2.5

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

Notes forming part of the Financial Statements as at and for the year ended 31st March 2019

31. Tax expense

	31 st March 2019	31 st March 2018
	in ₹ million	in ₹ million
(a) Tax expense		
Current tax		
In respect of the current year	331.7	604.6
In respect of the prior years (net)*	1.0	191.7
Total current tax expense	332.7	796.3
Deferred tax		
In respect of the current year	7.3	(4.7)
Total deferred tax expense/(benefit)	7.3	(4.7)
Tax expense recognised in profit or loss	340.0	791.6

* Represents tax adjustments in respect of orders received during the year based on accounting policy followed by the Company.

	31 st March 2019	31 st March 2018
	in ₹ million	in ₹ million
(b) The Income tax expense for the year can be reconciled to the accounting profit as follows:		
Profit before tax	857.7	1,575.2
Income Tax expense*	299.7	545.1
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
Effect of expenses that are not deductible in determining taxable profit	39.9	66.3
Effect of income not to be considered in determining taxable profit	—	(7.6)
Other items	(0.6)	(1.7)
Effect on deferred tax balance due to change in income tax rate from 34.608% to 34.944% (effective 1 st April, 2018)	—	(2.2)
Adjustments for current tax of prior years (net)	1.0	191.7
Income tax expense	340.0	791.6

* The tax rate used for the FY 2019-20 and FY 2018-19 reconciliations above is the corporate tax rate of 34.944% and 34.608% respectively payable by corporate entities in India on taxable profit under the Indian tax law.

	31 st March 2019	31 st March 2018
	in ₹ million	in ₹ million
(c) Income tax recognised directly in equity:		
Current Tax		
— Share buy-back costs (Refer Note 42)	—	(9.4)
	—	(9.4)

	31 st March 2019	31 st March 2018
	in ₹ million	in ₹ million
(d) Income tax recognised in Other Comprehensive Income		
Deferred Tax		
Arising on income recognised in Other Comprehensive Income		
— Remeasurements of Defined Benefit Plans	(8.7)	(6.4)
	(8.7)	(6.4)

Notes forming part of the Financial Statements as at and for the year ended 31st March 2019

32. Segment Information

The Company has a single business segment namely 'Pharmaceutical Business', and generates revenues from its operations in India. The Company having combined revenue of more than 10% of the total revenue from operations from related parties amounts to ₹ 887.2 million (31st March, 2018 ₹ 781.1 million).

32(a) Reconciliation of Revenue from sale of products with contracted price

	<u>31st March 2019</u>	<u>31st March 2018</u>
	in ₹ million	in ₹ million
Contracted Price	5,307.9	6,187.1
Less: Trade discounts, free goods etc	(986.3)	(1,206.8)
Sale of Products	<u>4,321.6</u>	<u>4,980.3</u>

33. Related Party Disclosures

(A) Enterprise where control exists

Holding Company and Ultimate Holding Company Novartis AG, Basel, Switzerland

(B) Other Related Parties with whom the company had transactions during the year and/or the previous year

- (i) Fellow Subsidiaries Alcon Laboratories (India) Private Limited, India
 Alcon Pharmaceuticals Limited, Switzerland
 Befico Limited, Bermuda (upto 31st October, 2017)*
 Novartis Investment Limited, Bermuda
 Novartis (Thailand) Limited, Thailand
 Novartis Corporation (Malaysia), Malaysia
 Novartis Healthcare Private Limited, India
 Novartis Holding AG, Switzerland
 Novartis International AG, Switzerland
 Novartis Pharma AG, Switzerland
 Novartis Pharmaceuticals Australia Pty Ltd, Australia
 Novartis Pharmaceuticals Corporation Inc., USA
 Sandoz Private Limited, India
 PT Novartis, Indonesia

* Befico Limited, Bermuda has amalgamated into Novartis Investment Limited w.e.f. 1st November, 2017.

- (ii) Subsidiary of Joint GlaxoSmithKline Consumer Private Limited, India
 Venture in which the
 holding Company is a
 venturer
- (iii) List of other Novartis India Limited Employees' Provident Fund
 related parties
 (Post-employment
 benefit plan of
 Novartis India
 Limited)

(C) Key Management Personnel

R. Shahani (up to 28th February 2018)
 J. Zia (Upto 31st May 2018)
 M. Paleja (w.e.f. 1st June 2018)
 M. Noble
 Dr. R. Mehrotra @
 C. Snook
 J. Hiremath @
 S. Martyres @

@ Independent Directors

Notes forming part of the Financial Statements as at and for the year ended 31st March 2019

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

	<u>31st March 2019</u>	<u>31st March 2018</u>
	in ₹ million	in ₹ million
(a) Holding Company and Ultimate Holding Company		
Dividend paid	174.5	206.6
Royalty Expense	29.4	36.1
Payment towards Buy back of Shares	—	2,147.6
Balance as at the year end —		
Outstanding Payable	65.6	54.2
(b) Fellow Subsidiaries		
	<u>31st March 2019</u>	<u>31st March 2018</u>
	in ₹ million	in ₹ million
Purchases of Stock-in-Trade		
Alcon Laboratories (India) Private Limited	—	44.2
Alcon Pharmaceuticals Limited	115.6	141.7
Novartis Pharma AG	1,155.5	970.0
Sandoz Private Limited	—	4.4
	<u>1,271.1</u>	<u>1,160.3</u>
Sale of Products		
Alcon Laboratories (India) Private Limited	315.4	125.5
Sandoz Private Limited	—	11.1
	<u>315.4</u>	<u>136.6</u>
Sale of Services		
Novartis Healthcare Private Limited	98.8	133.0
Novartis Pharma AG	57.2	58.6
Sandoz Private Limited	25.8	—
	<u>181.8</u>	<u>191.6</u>
Commission Income		
Novartis Healthcare Private Limited	366.8	452.9
Alcon Laboratories (India) Private Limited	23.2	—
	<u>390.0</u>	<u>452.9</u>
Sale of Fixed Assets		
Alcon Laboratories (India) Private Limited	0.1	—
Services Availed		
Novartis Healthcare Private Limited	34.4	50.6
Novartis Pharma AG	3.9	2.2
	<u>38.3</u>	<u>52.8</u>

Notes forming part of the Financial Statements as at and for the year ended 31st March 2019

(b) Fellow Subsidiaries (contd.)

	<u>31st March 2019</u>	<u>31st March 2018</u>
	in ₹ million	in ₹ million
Purchase of Restricted Shares of Novartis AG on behalf of employees of the Company by		
Novartis Investment Limited	—	10.1
Novartis Holding AG	16.7	31.8
	<u>16.7</u>	<u>41.9</u>
Forfeiture of Restricted Shares of Novartis AG by		
Befico Limited	—	5.4
Novartis Holding AG	5.6	—
Novartis Investment Limited	50.8	1.7
	<u>56.4</u>	<u>7.1</u>
Expenses paid by related party on behalf of the Company		
Novartis Healthcare Private Limited	7.2	0.5
Novartis International AG	0.9	1.0
Novartis Pharma AG	0.2	1.6
Novartis Pharmaceuticals Corporation Inc.	0.4	—
Novartis Pharmaceuticals Australia Pty Ltd	—	0.3
Sandoz Private Limited	0.4	5.6
	<u>9.1</u>	<u>9.0</u>
Expenses paid by the Company on behalf of the related party		
Novartis Healthcare Private Limited	—	10.1
Novartis Pharma AG	—	0.5
Novartis Pharmaceuticals Corporation Inc.	—	0.8
Sandoz Private Limited	12.0	3.3
Novartis (Thailand) Limited	—	0.2
Novartis Corporation (Malaysia)	—	0.5
PT Novartis Indonesia	0.4	—
	<u>12.4</u>	<u>15.4</u>
	<u>31st March 2019</u>	<u>31st March 2018</u>
	in ₹ million	in ₹ million
Balances as at the year end –		
Outstanding Receivables		
Alcon Laboratories (India) Private Limited	109.4	—
Novartis Healthcare Private Limited	60.8	153.6
Novartis Investment Limited	—	1.7
Novartis Pharma AG	192.5	3.5
Sandoz Private Limited	30.5	—
	<u>393.2</u>	<u>158.8</u>

Notes forming part of the Financial Statements as at and for the year ended 31st March 2019

	<u>31st March 2019</u>	<u>31st March 2018</u>
	in ₹ million	in ₹ million
Outstanding Payables		
Alcon Laboratories (India) Private Limited	128.8	44.2
Alcon Pharmaceuticals Limited	110.4	40.0
Novartis Healthcare Private Limited	335.6	1,319.3
Novartis Holding AG	16.8	31.8
Novartis International AG	0.5	—
Novartis Investment Limited	—	12.6
Novartis Pharma AG	98.8	398.8
Sandoz Private Limited	4.4	12.5
	<u>695.3</u>	<u>1,859.2</u>

(c) Subsidiary of Joint venture in which the holding Company is a joint venturer

	<u>31st March 2019</u>	<u>31st March 2018</u>
	in ₹ million	in ₹ million
Sale of Services	—	0.7
Expenses paid by the Company on behalf of the related party	—	0.1

(d) Post Employment Benefit Plans of Novartis India Limited

	<u>31st March 2019</u>	<u>31st March 2018</u>
	in ₹ million	in ₹ million
Contribution to In-house Trust for Post Employment Benefits		
Novartis India Limited Employees' Provident Fund	49.8	61.9

(e) Key Management Personnel Compensation

	<u>31st March 2019</u>	<u>31st March 2018</u>
	in ₹ million	in ₹ million
Short-term employee benefits	24.9	101.8
Post-employment benefits	0.1	0.7
Other long-term benefits	(0.4)	0.8
Employee share-based payment*	1.7	34.0
Commission to Independent Directors	3.0	3.0
Total compensation	<u>29.3</u>	<u>140.3</u>

* Excludes charge in relation to Restricted Shares and Tradable Options to the extent not vested

Notes:

- 1) No amounts have been written off/provided for or written back in respect of amounts receivable from or payable to the related parties.
- 2) Outstanding balances at the year-end are unsecured and interest free and settlement occurs in cash.

34. Disclosures for Operating Leases

	31st March 2019	31st March 2018
	in ₹ million	in ₹ million
Disclosures in respect of residential/office premises (including furniture and fixtures therein, as applicable) taken on lease		
(a) Lease payments recognised in the Statement of Profit and Loss* [Includes minimum lease payment of ₹ 111.5 million (previous year ₹ 60.6 million)]	134.9	137.6
(b) (i) Sub-lease payments received/receivable recognised in the Statement of Profit and Loss	–	27.8
(ii) Future minimum sub-lease payments expected to be received under non-cancellable sub leases at the Balance Sheet date	–	–
(c) General description of significant leasing agreements		
(i) Refundable interest free deposits have been given under lease agreements.		
(ii) Some of the agreements provide for increase in rent.		
(iii) Some of the agreements provide for early termination by either party with a specified notice period.		
(iv) Some of the agreements contain a provision for its renewal.		
(d) Future minimum lease payments under non-cancellable agreements		
(i) Not later than one year	100.3	122.1
(ii) Later than one year and not later than five years	144.7	241.5

* Includes ₹ 1.1 million (previous year ₹ 8.7 million) being expenses pertaining to lease rent paid in respect of residential flats given to employees and forming part of salaries and wages in Employee Benefits Expense.

35 Earnings Per Share

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:

	31st March 2019	31st March 2018
(a) Basic & diluted earnings per share:-		
From operations attributable to the equity holders of the Company (in ₹)	20.97	28.43
(b) Earnings used in calculation of basic & diluted earnings per share		
Profit for the year attributable to the equity shareholders of the Company (in ₹ million)	517.7	783.6
(c) Weighted average number of equity shares used as the denominator in calculating basic & diluted earnings per share (number of shares)	24,690,797	27,564,222

36. Disclosures for Employee Share Based Payments

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 its 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 (upto 31st October, 2017), Novartis Investment Limited (w.e.f. 1st November, 2017) and Novartis Holding AG (w.e.f. 1st January, 2018) and the Company is compensating Befico Limited, Novartis Investment Limited and Novartis Holding AG for the respective periods for the Restricted Shares or Tradable Options acquired towards the grants made to the employees and accordingly these costs are being reflected in the financial statements.

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

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

There were no tradable stock options outstanding as at 31st March, 2019 and 31st March, 2018 and no tradable stock options were granted during both these financial years.

- (B) Restricted Shares are the shares of its ultimate holding company. These do not have voting rights until vested to employees. There is no time limit to sell the Restricted Shares once these are vested.

Restricted Shares

	31 st March 2019	31 st March 2018
Type of Arrangement		
(i) Date of Grant	\$	@
(ii) Numbers Granted	3,323	7,199#
(iii) Vesting Conditions	3 years	3 years

@ 18th January 2018

\$ 2nd January, 2019, 22nd January, 2019

Includes 1,500 Restricted Shares of fair value ₹ 10.5 million which were granted on 1st June, 2015.

	31 st March 2019	31 st March 2018
(i) Balance at the beginning of the year	26,409	28,616
(ii) Granted	3,323	7,199
(iii) Grants forfeited	14,026	1,304
(iv) Grants vested	3,075	8,102
(v) Balance at the end of the year	12,631	26,409
(vi) Weighted average remaining contractual life of Restricted Shares outstanding at end of period	1.72 years	2.1 years

Fair Value of the Restricted Stock Units

The Fair Value of Restricted Stock Unit is equivalent to the market price of traded stock of Novartis AG as on date of grant.

Expenses/(Credit) Arising from share based payment transactions

Total expenses/(credit) arising from share-based payment transactions recognised in profit or loss as part of employee benefit expense is as follows:

Particulars	31 st March 2019	31 st March 2018
	in ₹ million	in ₹ million
Restricted Stock Units	(7.6)	46.1
Total employee share based payment expense/(credit)	(7.6)	46.1

Notes forming part of the Financial Statements as at and for the year ended 31st March 2019

37. (a) The Company has filed a Writ Petition on 8th May, 2014 before the Hon'ble Delhi High Court challenging the move of the National Pharmaceuticals Pricing Authority ("NPPA") to include Voveran 50 GE Tablets, marketed by the Company, under price control in terms of the Drug Price Control Order 2013 ("DPCO 2013").

During the pendency of the Writ Petition the NPPA issued a Show Cause Notice dated 24th September, 2014 to the Company alleging over charge on sales of Voveran 50 GE Tablets by the Company. The Company responded to the show cause notice vide its letters dated 13th October, 2014 and 27th October, 2014. The NPPA issued a Demand Notice dated 31st October, 2014 directing the Company to pay ₹ 281.8 million (including interest) by 15th November, 2014. This demand has been challenged by the Company before the Hon'ble Delhi High Court by way of miscellaneous applications followed by an amended writ petition. The Hon'ble Delhi High Court passed order restraining the NPPA from taking coercive steps in respect of the aforesaid demand. The matter is posted for further hearing on 15th July, 2019.

In the opinion of the Company, Voveran 50 GE Tablet is not covered under the category of essential medicines under the National List of Essential Medicines and, hence, is a non-scheduled drug under DPCO, 2013. Therefore, Voveran 50 GE Tablet cannot be brought under the regime of price control under Paragraph 14 of the DPCO, 2013. Accordingly, no provision is considered necessary at this stage.

- (b) During the year, the NPPA has issued a demand notice dated 20th/25th June, 2018 of ₹ 134.4 million (including interest) on the Company alleging over charge on sales of Tegrital CR 200 by the Company. This demand has been challenged by the Company before the Hon'ble Delhi High Court by filing a Writ Petition on 27th July, 2018 challenging the move of the NPPA to include Tegrital CR 200, marketed by the Company, under price control in terms of the DPCO 2013. The Hon'ble Delhi High Court has on 6th August, 2018 passed an order directing the NPPA not to give effect to the aforesaid impugned demand notice. The matter is posted for further hearing on 15th July, 2019.

In the opinion of the Company, the Price Revision Notification dated 28th April, 2014 would not apply to Tegrital CR 200 as it was not covered by the ambit of price notification in as much Tegrital CR 200 drug was not a "scheduled formulation" under DPCO 2013. When Tegrital CR became a scheduled formulation w.e.f. 10th March, 2016, NPPA issued a separate Ceiling Price Notification on 29th March, 2016 for the said formulation, which amounts to admission on the part of NPPA that this formulation could be covered only by the subsequent Notification of 2016 and not by the prior Notification of 2014, on the basis whereof the impugned Demand has been raised by NPPA. Accordingly, no provision is considered necessary at this stage.

38. Fair value measurements

Fair valuation techniques and inputs used

(i) Fair Value Hierarchy

This section explains the judgements and estimates made in determining the fair values of the financial instruments that are (a) recognised and measured at fair value and (b) measured at amortised cost and for which fair values are disclosed in the financial statements.

Financial assets and liabilities at amortised cost, classified under Level 2 hierarchy

Particulars	31 st March	31 st March
	2019	2018
	in ₹ million	in ₹ million
Financial assets		
Loan to Employees	7.0	8.2
Tender Deposits	5.5	2.6
Receivable from Related Parties	190.0	59.1
Receivable as Consignment Agent	127.8	159.4
Expenses Recoverable	4.6	17.6
Trade Receivables	455.9	439.1
Cash and Cash Equivalents	877.6	376.3
Unpaid Dividend Accounts	15.2	15.7
Deposits with banks	5,233.3	7,361.4
	6,916.9	8,439.4

Notes forming part of the Financial Statements as at and for the year ended 31st March 2019

Particulars	31 st March	31 st March
	2019	2018
	in ₹ million	in ₹ million
Financial liabilities		
Unpaid Dividends	15.2	15.7
Payable to Related Parties	425.5	1,349.0
Payables towards Purchase of Property, Plant and Equipment	0.4	13.4
Trade Payables	914.0	1,061.2
	1,355.1	2,439.3

(ii) Valuation technique used to determine fair value

Security deposits is classified as Level 3 category item under the fair value hierarchy based on the valuation technique used to calculate the Fair value.

For the purpose of Fair valuation of Security Deposits the Company has used discounted cashflow method and considered discount rate of 9% being general bank borrowing rate prevalent in the market.

Increase in the discount rate would result in decrease in the fair value and vice-versa.

Fair value of Financial assets/financial liabilities, classified under Level 3 hierarchy

Particulars	31 st March	31 st March
	2019	2018
	in ₹ million	in ₹ million
Financial assets		
Other Financial assets		
Security Deposits	28.3	76.7
	28.3	76.7
Financial liabilities		
Other Financial Liabilities		
Security Deposits	18.7	22.2
	18.7	22.2

The amount of Fair value of Security deposits given and accepted is considered to be insignificant in value and hence carrying value and fair value is considered as same.

The Company considers that the carrying amount of financial assets and financial liabilities recognised in the financial statements approximate their fair value.

39. Financial Risk Management

The Company's activities expose it to credit risk, liquidity risk and market risk.

The Company's financial risk management is an integral part of how to plan and execute its business strategies. Market risk is the loss of future earnings, fair values or future cash flows that may result from the change of a price of a financial instrument. The value of a financial instrument may change as a result of changes in the foreign currency exchange rates and other market changes that affect market risk sensitive instruments. Market risk is attributable to all market risk sensitive financial instruments including foreign currency receivables and payables.

The Company manages market risk through a treasury department, which evaluates and exercises independent control over the entire process of market risk management. The activities of this department include management of cash resources & ensuring compliance with market risk limits and policies.

(A) Credit Risk

The Company is exposed to credit risk, which is the risk that counterparty will default on its contractual obligation resulting in a financial loss to the company. Credit risk arises from cash and cash equivalents, deposits with banks, as well as credit exposures to customers including outstanding receivables.

(i) Credit Risk Management

Credit risk is the risk of financial loss to the Company if a customer or counter-party fails to meet its contractual obligations, and arises principally from the Company's receivables from customers.

Notes forming part of the Financial Statements as at and for the year ended 31st March 2019

(ii) Trade and other receivables

Credit risk arises from the possibility that customers may not be able to settle their obligations as agreed. The Company manages credit risk through credit approvals, establishing credit limits and continuously monitoring the creditworthiness of customers to which the Company grants credit terms in the normal course of business.

At 31st March, 2019, the Company had 3 customers (At 31st March, 2018 : 5 customers) that owed the Company more than ₹ 10 million each and accounted for approximately 13% (At 31st March, 2018 : 17%) of all the trade receivables, excluding related parties.

In furtherance to above, the Company has assessed the impact of the simplified approach permitted by Ind AS 109 Financial Instruments, which requires expected lifetime losses to be recognised in respect of trade receivables.

Historical trends of impairment of trade receivables do not reflect any significant credit losses. Given that the macro economic indicators affecting customers of the Company have not undergone any substantial change, the Company expects the historical trend of minimal credit losses to continue.

(iii) Movement in expected credit loss allowance

Particulars	in ₹ million
As at 1st April 2017	48.6
Movement in expected credit loss allowance on trade receivables calculated at lifetime expected credit losses	(11.6)
As at 31st March 2018	37.0
Movement in expected credit loss allowance on trade receivables calculated at lifetime expected credit losses	7.4
As at 31st March 2019	44.4

(iv) Cash and cash equivalents and deposits with banks

Credit risk on Cash and Cash Equivalents is limited as the Company generally invests in deposits with banks with high credit ratings assigned by international and domestic credit rating agencies.

(B) Liquidity Risk

(i) Liquidity risk management

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding to meet obligations when due. Company's treasury maintains flexibility in funding by maintaining sufficient cash and bank balances available to meet the working capital requirements. Management monitors rolling forecasts of the company's liquidity position (comprising the unused cash and bank balances along with temporary investments in fixed deposits) on the basis of expected cash flows. This is generally carried out at Company level in accordance with practice and limits set by the Company. These limits vary to take into account the liquidity of the market in which the Company operates.

(ii) Maturities of financial liabilities

The tables below analyse the company's financial liabilities into relevant maturity based on their remaining contractual maturities for all non-derivative financial liabilities.

The amounts disclosed in the table are the contractual undiscounted cash flows. Balances equal their carrying balances as the impact of discounting is not significant.

Contractual maturities of financial liabilities	in ₹ million				
	Less than 1 year	1 to 3 years	More than 3 years	Total	Carrying value
31st March 2019					
Non-derivative financial liabilities					
Non-Interest bearing	1,355.1	—	—	1,355.1	1,355.1
Fixed interest rate instruments*	—	—	18.7	18.7	18.7
Total	1,355.1	—	18.7	1,373.8	1,373.8

Notes forming part of the Financial Statements as at and for the year ended 31st March 2019

Contractual maturities of financial liabilities	Less than 1 year	1 to 3 years	More than 3 years	Total	in ₹ million
					Carrying value
31st March, 2018					
Non-derivative financial liabilities					
Non-Interest bearing	2,443.3	—	—	2,443.3	2,443.3
Fixed interest rate instruments*	—	—	18.2	18.2	18.2
Total	2,443.3	—	18.2	2,461.5	2,461.5

*Effective interest rate is 6.5%

Sensitivity interest rate increase by 1%: Profit will decrease by ₹ 0.2 million for the year ended 31st March 2019 (₹ 0.2 million for the year ended 31st March 2018).

Sensitivity interest rate decrease by 1%: Profit will increase by ₹ 0.2 million for the year ended 31st March 2019 (₹ 0.2 million for the year ended 31st March 2018).

(iii) Maturities of financial assets:

The following table details the Company's expected maturity for its non-derivative financial assets. The table has been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets. The inclusion of information on non-derivative financial assets is necessary in order to understand the Company's liquidity risk management as the liquidity is managed on a net asset and liability basis.

The amounts disclosed in the table are the contractual undiscounted cash flows. Balances equal their carrying balances as the impact of discounting is not significant.

Contractual maturities of financial assets	Less than 1 year	1 to 3 years	More than 3 years	Total	in ₹ million
					Carrying value
31st March 2019					
Non-derivative financial assets					
Non-Interest bearing	1,026.9	11.9	54.7	1,093.5	1,049.7
Fixed interest rate instruments*	5,890.0	58.7	—	5,948.7	5,895.5
Total	6,916.9	70.6	54.7	7,042.2	6,945.2
31st March 2018					
Non-derivative financial assets					
Non-Interest bearing	943.5	40.6	54.7	1,038.8	1,000.7
Fixed interest rate instruments*	7,579.2	2.6	—	7,581.8	7,515.4
Total	8,522.7	43.2	54.7	8,620.6	8,516.1

*Effective interest rate is 6.6%

(iv) Financing arrangements

The Company has access to following undrawn borrowing facilities at the end of the reporting period:

Particulars	31 st March 2019	31 st March 2018
	in ₹ million	in ₹ million
Bank Overdraft/ WCDL facility	250.0	250.0
Non-Fund Based facility: (LC, BG, etc.)	100.0	25.5

Notes forming part of the Financial Statements as at and for the year ended 31st March 2019

(C) Market Risk – Foreign Exchange:

The Company is exposed to foreign exchange risk arising from foreign currency transactions, primarily with respect to the USD, CHF and EUR. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the company's functional currency (₹). The risk is measured through a forecast of highly probable foreign currency cash flows. The objective of the Company is to minimise the volatility of the ₹ cash flows of highly probable forecast transactions.

The Company actively monitors and seeks to reduce, where it deems it appropriate to do so, fluctuations in these exposures.

(i) Foreign Currency Risk Exposure:

The Company has not entered into any derivative transactions during the year.

The Company's exposure to foreign currency risk at the end of the reporting period expressed in ₹ (in million), is as follows:

	<u>31st March 2019</u>	<u>31st March 2018</u>
	in ₹ million	in ₹ million
Receivables		
USD	2.6	3.6
Payable		
USD	226.7	488.0
CHF	2.1	—

(ii) Sensitivity:

The sensitivity of profit or loss to changes in the exchange rates arises mainly from foreign currency denominated financial instruments.

	<u>31st March 2019</u>	<u>31st March 2018</u>
	in ₹ million	in ₹ million
USD sensitivity		
₹/USD – Increase by 1% #	(2.2)	(3.2)
₹/USD – decrease by 1% #	2.2	3.2
₹/CHF – Increase by 1% #	*	—
₹/CHF – decrease by 1% #	*	—

#Holding all other variables constant

*represent amounts below the rounding off norm adopted by the Company.

The sensitivity on equity to changes in the exchange rates arises mainly from foreign currency denominated financial instruments.

	<u>31st March 2019</u>	<u>31st March 2018</u>
	in ₹ million	in ₹ million
USD sensitivity		
₹/USD – Increase by 1% #	(2.2)	(3.2)
₹/USD – decrease by 1% #	2.2	3.2
₹/CHF – Increase by 1% #	*	—
₹/CHF – decrease by 1% #	*	—

#Holding all other variables constant

*represent amounts below the rounding off norm adopted by the Company.

40. Capital management

Risk management

The Company's objectives when managing capital are to safeguard the company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure. The Company does not have any debts as at 31st March, 2019 and 31st March, 2018, and no debts incurred during the year and in previous year.

For and on behalf of the Board

Christopher Snook

Chairman

DIN: 00369790

Trivikram Guda

*Company Secretary &
Compliance Officer*

Mumbai, 23rd May 2019

Monaz Noble

*Whole Time Director &
Chief Financial Officer*
DIN: 03086192

Statement of Cash Flows for the year ended 31st March 2019

	Year ended 31 st March 2019	Year ended 31 st March 2018
	in ₹ million	in ₹ million
A. Cash flow from operating activities		
Profit before Tax	857.7	1,575.2
Adjustments for –		
Depreciation and Amortisation Expense	31.8	25.3
Share Based payments	(7.6)	46.1
Interest Income	(445.1)	(486.5)
Unwinding of discount on security deposits	(11.2)	(1.8)
Finance Costs	15.9	55.3
Gain on sale of Property, Plant and Equipments (Net)	(0.2)	—
Gain on sale of certain assets out of assets held for sale (Net)	(307.3)	(198.8)
Unrealised Loss/(Gain) on Foreign currency translations (Net)	(7.0)	12.4
Provisions no Longer Required Written-Back	(4.5)	(18.6)
Provision for Doubtful Debts, Advances and Deposits	8.6	7.9
Operating profit before working capital changes	131.1	1,016.5
Change in operating assets and liabilities		
Increase in Trade Receivables	(24.2)	(38.5)
(Increase)/Decrease in Inventories	(39.5)	309.6
(Decrease)/Increase in Trade Payables	(135.6)	315.0
Increase in Financial Assets	(37.5)	(76.6)
Decrease/(Increase) in Other Non-Current Assets	38.5	(72.4)
Increase in Other Current Assets	(45.0)	(440.0)
(Decrease)/Increase in Provisions	(9.7)	4.9
Decrease in Employee Benefit Obligations	(36.8)	(34.7)
Decrease in Other Non-Current Liabilities	(13.4)	(13.4)
(Decrease)/Increase in Other Current Liabilities	(373.9)	316.2
(Decrease)/Increase in Financial Liabilities	(940.5)	902.9
Cash (used in)/generated from operations	(1,486.5)	2,189.5
Income Tax Paid (Net)	(456.3)	(579.6)
Net cash (used in)/from operating activities	(1,942.8)	1,609.9
B. Cash flow from investing activities		
Payments for Property, Plant and Equipment	(140.6)	(8.0)
Proceeds from Property, Plant and Equipments and Assets Held for Sale	302.1	170.0
Advances received against sale of certain assets out of Assets Held for Sale	—	10.5
Interest received	443.9	535.0
Fixed deposits matured/(placed) (net)	2,136.9	(20.5)
Net cash from investing activities	2,742.3	687.0

Statement of Cash Flows for the year ended 31st March 2019

	Year ended 31 st March 2019	Year ended 31 st March 2018
	in ₹ million	in ₹ million
C. Cash flow from financing activities		
Amount paid towards Buy Back of Equity Shares of the Company (including Buy-back expenses)	—	(2,338.8)
Dividend paid	(247.4)	(280.4)
Tax on Dividend	(50.8)	(57.3)
Net cash used in financing activities	(298.2)	(2,676.5)
Net Increase/(Decrease) in Cash and Cash Equivalents	501.3	(379.6)
Cash and Cash Equivalents – At the beginning of the year	376.3	755.9
Cash and Cash Equivalents – At the end of the year [Refer Note 9(a)]	877.6	376.3

Note:

The above Cash Flow Statement has been prepared under the 'Indirect Method' as set out in the Accounting Standard (Ind AS) 7 Statement of Cash Flows.

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

In terms of our report of even date

For and on behalf of the Board

For Deloitte Haskins & Sells LLP
Firm Registration No. 117366W/W-100018
Chartered Accountants

Christopher Snook
Chairman
DIN: 00369790

Rakesh N. Sharma
Partner
Membership No. 102042

Trivikram Guda
Company Secretary &
Compliance Officer

Monaz Noble
Whole Time Director &
Chief Financial Officer
DIN: 03086192

Mumbai, 23rd May 2019

Mumbai, 23rd May 2019

INVITATION TO AVAIL PICKUP & DROP FACILITY

FOR ATTENDING THE ANNUAL GENERAL MEETING ON AUGUST 09, 2019

Your Company will be providing bus pickup and drop facility for shareholders between specified destinations to reach the AGM venue comfortably and on time.

Please note that, the Annual General Meeting of the Company will commence at 11.30 a.m. on Friday, August 09, 2019 at Mumbai Cricket Association (MCA), Banquet Hall, Ground Floor, Bandra (East), BKC.

You are requested to avail this facility.

Pickup Place: Bandra West Railway Station, Opp. Masjid, Bandra (West), Mumbai 400 051.

Pickup Time: 10:15 a.m. and 10:40 a.m.

Pickup Place: Kurla West Railway Station, Near BEST Bus Stop, Kurla (West), Mumbai 400 070.

Pickup Time: 10:15 a.m. and 10:40 a.m.

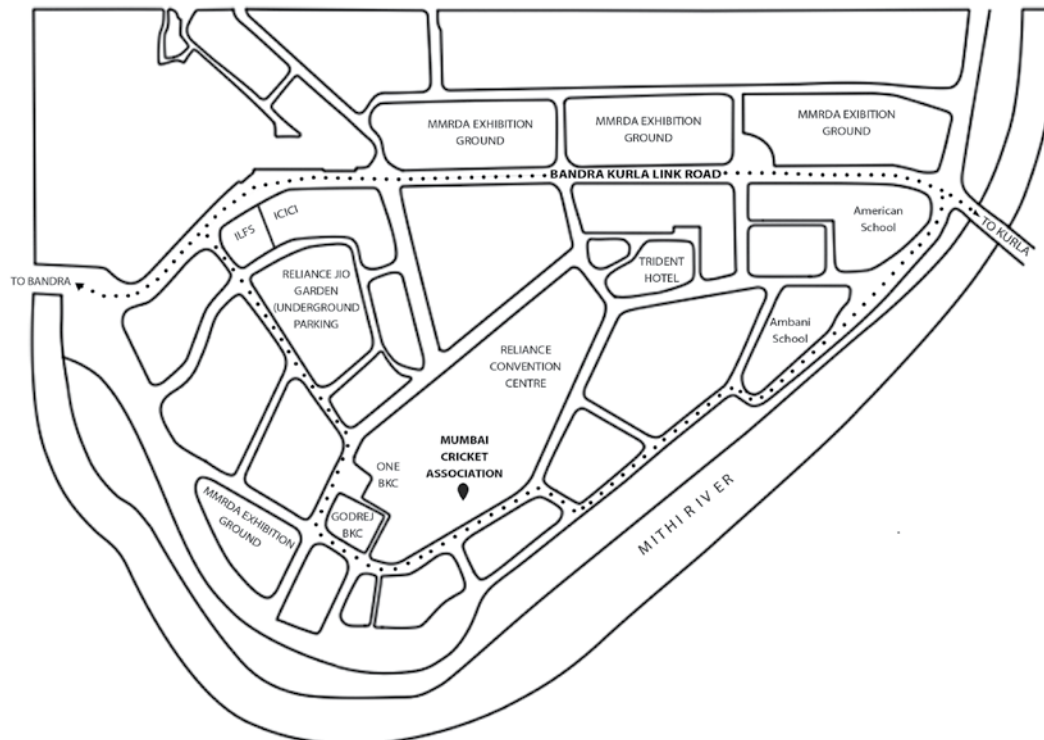
After the AGM: Pickup at 1:15 p.m. outside MCA. For drop at Bandra (West) and Kurla (West) railway stations

(Kindly be present at the scheduled time above, as the vehicles will not be parked for longer duration near railway stations and in BKC, due to Mumbai Traffic Police restrictions)

Shareholders who wish to avail this facility are requested to confirm in advance to this effect at the following number on working days (Monday to Friday) from 9:00 a.m. to 5:00 p.m. : (022 - 5024 3000)

You may also send your request by email to india.investors@novartis.com

Your request must reach to us latest by Monday, August 05, 2019.



NOTES

NOVARTIS INDIA LIMITED

CIN: L24200MH1947PLC006104

Registered Office: Inspire - BKC, Part of 601 and 701, Bandra Kurla Complex, Bandra East, Mumbai 400 051
Tel : +91 22 5024 3000 Fax : +91 22 5024 3010, Website : www.novartis.in

ATTENDANCE SLIP

to be surrendered at the time of entry

Folio No. /Client ID: _____ No. of Shares: _____

Name of Member/Proxy: _____

I hereby record my presence at the 71st Annual General Meeting of the Company on Friday, August 09, 2019 at 11.30 am at Mumbai Cricket Association [MCA] Banquet Hall, Ground Floor, G Block BKC, RG – 2, Bandra (E), Mumbai 400 051.

Member's/Proxy's Signature

Notes:

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

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NOVARTIS INDIA LIMITED

CIN: L24200MH1947PLC006104

Registered Office: Inspire - BKC, Part of 601 and 701, Bandra Kurla Complex, Bandra East, Mumbai 400 051
Tel : +91 22 5024 3000 Fax : +91 22 5024 3010, Website : www.novartis.in

PROXY FORM

Name of the Member(s) :	
Registered Address :	
Email ID :	
Folio No./Client ID :	
DP ID :	

I/We being a Member(s) of _____ shares of Novartis India Limited hereby appoint:

- Name : _____ Address : _____
Email Id : _____ Signature : _____
- Name : _____ Address : _____
Email Id : _____ Signature : _____
- Name : _____ Address : _____
Email Id : _____ Signature : _____

as my/our proxy to attend and vote for me/us on my/our behalf at the 71st Annual General Meeting ('AGM') of the Company on Friday, August 09, 2019 at 11.30 am at Mumbai Cricket Association [MCA] Banquet Hall, Ground Floor, G Block BKC, RG – 2, Bandra (E), Mumbai 400 051, and at any adjournment thereof in respect of such resolutions as are indicated below:

Resolutions		Optional *	
		For	Against
1	Adoption of Financial Statements for the year ended March 31, 2019		
2	To declare dividend for the year ended March 31, 2019		

		Optional *	
Resolutions			
Ordinary Business			
3	Appointment of Ms. Monaz Noble, who retires by rotation		
Special Business			
4	Appointment of Mr. Sanjay Murdeshwar as Vice Chairman & Managing Director		

Signed on the _____ day of _____ 2019

Signature of Shareholder _____

Signature of Proxy holder _____

Affix required revenue stamp

Notes:

1. The Proxy Form in order to be effective should be deposited at the Registered Office of the Company not less than 48 hours before the commencement of the meeting.
2. For Resolutions, Explanatory Statements and Notes, please refer Notice of 71st Annual General Meeting of the Company.

* It is optional to put a 'X' in the appropriate column against the Resolutions indicated in the box. If you leave the 'For' or 'Against' column blank against any or all Resolution(s), your proxy will be entitled to vote in the manner he/she thinks appropriate.

FINANCIAL SUMMARY FOR 10 YEARS

in ₹ million

	2018-19	2017-18	2016-17	2015-16	2014-15	2013-14	2012-13	2011-12	2010-11	2009-10
I. INCOME, PROFIT & DIVIDEND										
Sales of Products (Net)	4322	4980	5836	7222	8122	8104	8465	7928	7086	6241
Profit Before Tax (PBT)	858	1575	917	2717	932	899	1694	2247	2189	1798
Profit After Tax (PAT)	518	784	572	1983	791	985	1197	1520	1467	1160
Dividend	247	247	281	320	320	320	320	320	320	320
Dividend – ₹ per share	10	10	10	10	10	10	10	10	10	10
II. SHAREHOLDERS' FUND										
Share Capital	123	123	141	160	160	160	160	160	160	160
Reserves and Surplus	7,469	7,213	9,055	11,776	9860	9454	8842	8019	6870	5775
Net Worth (Shareholders' Fund)	7,592	7,336	9,196	11,936	10020	9614	9002	8179	7030	5935
III. RATIOS										
Return on Sales (PAT) %	12.0	15.7	9.8	27.5	9.7	12.2	14.1	19.2	20.7	18.6
Return on Shareholders' Funds (PAT) %	6.8	10.7	6.2	16.6	7.9	10.2	13.3	18.6	20.9	19.5
Earning Per Share (calculated on PAT) ₹	20.97	28.43	19.10	62.04	24.75	30.83	37.46	47.56	45.89	36.29

Notes:

- 1) In accordance with the notification issued by the Ministry of Corporate Affairs, the Company has adopted Indian Accounting Standards (referred to as "Ind AS") notified under the Companies (Indian Accounting Standards) Rules, 2015 with effect from April 1, 2016. FY 2015-16 numbers have been restated to Ind AS.
- 2) In FY 2017-18 the Company undertook buy back of 3,450,000 shares by way of tender offer through stock exchange mechanism.
- 3) In FY 2016-17 the Company undertook buy back of 3,820,000 shares by way of tender offer through stock exchange mechanism.
- 4) FY 2015-16 includes Extraordinary Items from sale of OTC and Animal Health Divisions.



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