

July 10, 2020

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

Sub.: 1. Electronic copy of the Notice of the 72nd Annual General Meeting and Annual Report of Novartis India Limited for the financial year ended March 31, 2020

2. Intimation of cut-off date for determining the eligibility of members to cast their vote through remote e-voting and e-voting during the Annual General Meeting

Scrip Code: 500672

Dear Sir/ Madam,

This is further to our letter dated July 8, 2020, wherein we had informed that the Annual General Meeting (“AGM”) of the Company is scheduled to be held on Friday, August 7, 2020, at 11:30 am (IST) through Video Conference / Other Audio-Visual Means (OAVM), in accordance, with the relevant circulars issued by the Ministry of Corporate Affairs and the Securities and Exchange Board of India (SEBI).

In terms of the requirements of Regulation 34(1) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we are submitting herewith the Annual Report of the Company along with the Notice of AGM for the financial year 2019-20, which is also sent through electronic mode to the Members.

The Annual Report containing the Notice of AGM is also uploaded on the Company’s website at www.novartis.in

Further, in terms of Section 108 of the Companies Act, 2013 and Rule 20 of the Companies (Management & Administration) Rules, 2014, as amended, the remote e-voting period will commence from **Tuesday, August 4, 2020 at 9:00 a.m.** and will end on **Thursday, August 6, 2020 at 5:00 p.m.** During this period, Members of the Company, holding shares either in physical form or in dematerialized form, as on the cut-off date i.e. July 31, 2020, may cast their vote by remote e-voting. Members attending the AGM who have not cast their vote by remote e-voting shall be eligible to cast their vote through e-voting during the AGM.

The above is for your information and record.

Thanking you

Yours sincerely,

For Novartis India Limited

Sd/-
Trivikram Guda
Company Secretary & Compliance Officer

Encl.: as above

Notice

NOTICE is hereby given that the 72nd Annual General Meeting of NOVARTIS INDIA LIMITED will be held on Friday, August 7, 2020 at 11:30 a.m., IST through Video Conferencing (“VC”)/Other Audio Visual Means (“OAVM”) to transact the following business:

Ordinary Business

1. To receive, consider and adopt the Audited Financial Statements for the year ended March 31, 2020 together with the Reports of the Directors and the Auditors thereon.
2. To declare Dividend for the financial year ended March 31, 2020.
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 resolution as an Ordinary Resolution:

“RESOLVED THAT pursuant to the provisions of Sections 149, 150, 152 read with Schedule IV of the Companies Act, 2013 (“Act”), the Companies (Appointment and Qualification of Directors) Rules, 2014 and Regulations 17 and 25 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“SEBI Listing Regulations”) and other applicable provisions of the Act read with the rules made thereunder and SEBI Listing Regulations, if any (including any statutory amendment or modification or re-enactment thereof, for the time being in force) and pursuant to the notice received by the Company under Section 160 of the Act, Mr. Sanker Parameswaran (holding DIN: 00008187), who was appointed as an Additional Director (Independent & Non-Executive) by the Board of Directors effective from June 22, 2020, in terms of the provisions of Section 161 of the Act, to hold office upto the date of this Annual General Meeting and who has submitted the declaration that he meets the requisite criteria of independence, be and is hereby appointed as an Independent Director of the Company, to hold office for a term of five consecutive years commencing from June 22, 2020.”

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 19, 2020

Statement pursuant to Section 102(1) of the Companies Act, 2013

The following Statement sets out material facts relating to the Special Business mentioned in the accompanying notice.

Appointment of Mr. Sanker Parameswaran as Independent Director:

Members may note that the term of Dr. Rajendra Nath Mehrotra as Independent Director of the Company ended on March 31, 2020.

Further, pursuant to the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“SEBI Listing Regulations”), the Board of Directors of a Listed Entity shall comprise at least six (6) Directors.

With a view to comply with the above requirement and to have fair representation and optimum combination on the Board, the Board of Directors of the Company based on recommendation of the Nomination and Remuneration Committee, had appointed Mr. Sanker Parameswaran as Additional Director (Independent and Non-Executive) with effect from June 22, 2020, as per the provisions of Section 161 of the Companies Act, 2013 (“Act”) and Rules framed thereunder. He holds office upto the date of this Annual General Meeting.

Further, the Board of Directors of the Company based on recommendation of the Nomination and Remuneration Committee and as per the applicable provisions of the Act and the SEBI Listing Regulations approved the appointment of Mr. Sanker Parameswaran as Independent Director of the Company, not liable to retire by rotation, for a term of five (5) years effective from June 22, 2020, subject to the approval of the Members at the Annual General Meeting of the Company. He is also appointed as a member of the Audit Committee and Stakeholders Relationship Committee of the Board.

Further, Mr. Parameswaran has provided:-

- a) his consent to act as Independent Director in Form DIR-2 pursuant to Rule 8 of Companies (Appointment and Qualification of Directors) Rules, 2014;
- b) intimation in Form DIR-8 in terms of Companies (Appointment and Qualification of Directors) Rules, 2014 to the effect that he is not disqualified under Section 164(2) of the Act; and
- c) a declaration to the effect that he meets the criteria of independence as prescribed both under Section 149(6) of the Act and Regulation 25 of the SEBI Listing Regulations.

The Company has received a notice in writing under Section 160 of the Act from a Member proposing the candidature of Mr. Parameswaran for the office of Director of the Company, not liable to retire by rotation.

Brief profile of Mr. Sanker Parameswaran is as under:

Mr. Parameswaran, aged about 60 years, is a Corporate Lawyer with over three decades of diverse experience in well-known Indian companies engaged in manufacturing & marketing of fast moving consumer products (FMCG), hospitality industry, telecom sector and private equity. His last assignment being General Counsel & Company Secretary of India’s largest private bank ICICI Bank. He retired in February 2020 as Legal Advisor to the Bank.

His first-hand experience in handling diverse matters as a Company Secretary to several high profile Boards together with an innate ability to manage change through tough regulatory and economic environments will add value to the deliberations at the Board level. He has played a key role in industry representations to governments for advocating changes in the regulatory regime to facilitate ease of doing business.

Mr. Parameswaran’s academic credentials include a LLM in Commercial Law from Mumbai University followed by Associate Membership of the Institute of Company Secretaries of India.

He started his career as a Probationary Officer with Indian Bank in 1982. Since then he has been General Counsel & Company Secretary for over 3 decades in well-known companies such as Godrej Agrovet, Marico, Colgate Palmolive, Reliance Infocom, Indian Hotels. In 2010 he joined the ICICI Group and in 2012 took over as General Counsel & Company Secretary of ICICI Bank.

The Board of Directors of the Company are confident that Mr. Parameswaran with his more than 30 years of diverse leadership experience in reputed large companies, will add significant value to the Board. His appointment also reflects the Board's commitment in ensuring a broad mix of skills and perspectives in all its key deliberations. In the opinion of the Board, Mr. Parameswaran fulfills the conditions specified in the Act for appointment as Independent Director.

A copy of his letter of appointment as Independent Director, setting out the terms and conditions of appointment is available on the website of the Company i.e. www.novartis.in.

This explanatory statement may also be regarded as a disclosure under Regulation 36(3) of the SEBI Listing Regulations. Detailed disclosure in terms of Regulation 36(3) of the SEBI Listing Regulations is provided separately in this Notice.

None of the Directors and/or Key Managerial Personnel of the Company and/or their relatives, except Mr. Parameswaran and his relatives, are in any way concerned or interested (financially or otherwise), in the proposed Ordinary Resolution.

The Board recommends the Ordinary Resolution with respect to the appointment of Mr. Sanker Parameswaran as Independent Director of the Company, as set out in Item no. 4 of the Notice, for approval of the Members.

Brief resume of Directors seeking re-appointment/ appointment at this Annual General Meeting pursuant to Regulation 36(3) of the SEBI Listing Regulations and the Secretarial Standards on General Meetings (SS-2) as laid down by the Institute of Company Secretaries of India.

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 53 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 is on the Board of the Company as Non-Executive and Non-Independent Director effective from June 1, 2019 and continues to contribute to the Board and to the Company through her immense experience in Pharma and FMCG business. She does not receive any Salary or Commission from the Company effective June 1, 2019.

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

None of the Directors and/ or Key Managerial Personnel of the Company and/ or their relatives, except Ms. Noble and her relatives, are in any way concerned or interested (financially or otherwise), in this Resolution.

Details of Directors seeking re-appointment/ appointment at the 72nd Annual General Meeting

Particulars	Ms. Monaz Noble	Mr. Sanker Parameswaran
	Non-Independent and Non-Executive	Independent and Non-Executive
Date of Birth	September 5, 1967	February 28, 1960
Nationality	Indian	Indian
Date of Appointment	June 13, 2016	June 22, 2020
Qualifications	<ul style="list-style-type: none"> • Commerce graduate from Sydenham College • MBA from NMIMS, Mumbai • Associate member of the Institute of Company Secretaries of India and Associate Cost and Management Accountant 	<ul style="list-style-type: none"> • LLM in Commercial Law from Mumbai University. • Associate member of the Institute of Company Secretaries of India
Expertise in specific functional areas	Ms. Noble 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.	Mr. Parameswaran has over 30 years of experience in handling diverse matters as Company Secretary and as legal advisor to several high profile Boards. With an innate ability to manage change through tough regulatory and economic environments he will add value to the deliberations at the Board level. He has played a key role in industry representations to governments for advocating changes to the regulatory regime to facilitate ease of doing business.
Directorships held in other companies (excluding Foreign Companies and Section 8 Companies)	<p>Listed Company</p> <ul style="list-style-type: none"> • Godrej Industries Limited • Novartis India Limited <p>Public Company</p> <ul style="list-style-type: none"> • IDBI Federal Life Insurance Co. Ltd. 	None
Memberships / Chairmanships of committees of the Company	<p>Member of Corporate Social Responsibility Committee</p> <p>Chairperson of Stakeholders Relationship Committee</p>	Member of Audit Committee and Stakeholders Relationship Committee
Memberships / Chairmanships of committees of other companies	<p>IDBI Federal Life Insurance Co. Limited</p> <p>Member of Audit Committee, Policyholder Protection Committee, Nomination and Remuneration Committee.</p> <p>Chairperson of Corporate Social Responsibility Committee.</p>	None
Number of shares held in the Company	None	None
Relationship between Directors inter-se	None	None

Notes for Members' attention:

1. In view of the massive outbreak of the COVID-19 pandemic where social distancing is a norm, the Ministry of Corporate Affairs ("MCA") has vide its circular dated May 5, 2020 read with circulars dated April 8, 2020 and April 13, 2020 ("MCA Circulars") permitted holding of the Annual General Meeting ("AGM") through VC / OAVM, and dispensed personal presence of the Members at the Meeting at a common venue. In compliance with the provisions of the said MCA Circulars and SEBI Listing Regulations, the 72nd AGM of the Company is being held through VC/ OAVM. The AGM shall be deemed to have been held at the Registered Office of the Company.
2. Members may note that in compliance with the aforesaid MCA Circulars and SEBI Circular dated May 12, 2020, Notice of the AGM along with the Annual Report 2019-20 is being sent only through electronic mode to those Members whose email addresses are registered with the Company/ Depositories. Members may note that the Notice and Annual Report 2019-20 will also be available on the Company's website www.novartis.in, website of the Stock Exchange i.e. BSE Limited at www.bseindia.com and on the website of National Securities Depository Limited ("NSDL") <https://www.evoting.nsdl.com>.
3. Members whose email addresses are not registered can register the same in the following manner:
 - i. Members holding share(s) in physical mode can register their email ID by sending request to the Registrar and Transfer Agent of the Company viz. Link Intime India Private Limited ("RTA") at rnt.helpdesk@linkintime.co.in providing Folio No., Name of shareholder, scanned copy of the share certificate (front and back), PAN (self-attested scanned copy of PAN card), AADHAAR (self-attested scanned copy of Aadhaar Card). Alternatively shareholders could use the link https://linkintime.co.in/emailreg/email_register.html for updating their details online.
 - ii. Members holding share(s) in electronic mode are requested to register / update their email address with their respective Depository Participants ("DPs") for receiving all communications from the Company electronically.
4. Members can attend and participate in the AGM through VC / OAVM only. The detailed procedure for participating in the meeting through VC / OAVM is annexed herewith and also available on the Company's website www.novartis.in
5. Members may note that since the AGM is being held pursuant to the MCA Circulars through VC / OAVM, physical attendance of Members has been dispensed with. Accordingly, the facility for appointment of proxies by Members will not be available for the AGM and hence the Proxy Form and Attendance Slip are not annexed to this Notice.
6. Corporate Members are required to send a scanned copy of certified true copy of its Board Resolution / Authorisation letter etc. authorizing its representative to attend the AGM through VC / OAVM on its behalf and to vote through remote e-voting. The said Resolution/Authorization shall be sent to the Scrutinizer by email through its registered email address to scrutinizer@snaco.net with a copy marked to evoting@nsdl.co.in.
7. Members attending the AGM through VC / OAVM shall be counted for the purpose of reckoning the quorum under Section 103 of the Act.
8. Pursuant to the provisions of Section 91 of the Act, the Register of Members and Share Transfer Books will remain closed on all days from Friday, July 31, 2020 to Friday, August 07, 2020, both days inclusive.
9. Payment of dividend for the year ended March 31, 2020 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 August 07, 2020 and to those whose names will appear as Beneficial Owners as on record date i.e. July 30, 2020 as per the details to be furnished by the Depositories.

10. Members are requested to intimate changes, if any, pertaining to their name, postal address, email address, telephone / mobile numbers, Permanent Account Number (PAN), mandates, nominations, power of attorney, bank details such as name of the bank and branch details, bank account number, MICR code, IFSC code, etc., to their DPs in case the shares are held by them in electronic form and to the RTA in case the shares are held by them in physical form.
11. Dividend warrant(s) / cheque(s) shall be dispatched to Members whose bank account details have not been updated, upon normalization of postal services, post COVID-19 restrictions, if any.
12. Members may note that pursuant to the Finance Act, 2020, dividends paid or distributed by a Company after April 1, 2020 shall be taxable in the hands of the Members. Your Company shall therefore be required to deduct tax at source at the time of making payment of the said dividend. The said dividend will be payable to those shareholders whose names appear in the Register of Members of the Company as on record date.

Necessary communication in this regard is sent to all the shareholders on their registered email id. A copy of the said communication is also placed on the website of the Company www.novartis.in. Shareholders are requested to furnish appropriate declarations and documents by 11:59 p.m. IST on July 25, 2020 by email to novartisdivtax@linkintime.co.in. Alternatively shareholders could use the link <https://linkintime.co.in/formsreg/submission-of-form-15g-15h.html> for uploading appropriate documents.

For Resident shareholders, taxes shall be deducted at source under Section 194 of the Income tax Act, 1961 at 7.5% on the amount of dividend, if they have provided PAN.

If no PAN has been provided then tax shall be deducted at source at 20%.

However, no tax shall be deducted on the dividend payable to a resident individual if the total dividend to be received by the resident shareholder(s) during Financial Year 2020-21 does not exceed ₹ 5,000. In cases where the shareholder provides Form 15G (applicable to any person other than a Company or a Firm)/Form 15H (applicable to an individual above the age of 60 years) and provided that all the required eligibility conditions are met, no tax will be deducted at source.

Non-Resident shareholders can avail beneficial rates under tax treaty between India and their country of residence, subject to providing necessary documents i.e. No Permanent Establishment and Beneficial Ownership Declaration, Tax Residency Certificate, Form 10F, any other document which may be required to avail the tax treaty benefits.

13. Members holding shares in physical form, in identical order of names, in multiple folios are requested to send to the Company or RTA, details of such folios along with the share certificate for consolidating their holdings in one folio. A consolidated share certificate will be issued to such Members after making requisite changes.
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 RTA of the Company, in the prescribed Form SH.13 for this purpose.
15. In case of joint holders attending the meeting, the Member whose name appears as the first holder in the order of names as per the Register of Members of the Company will be entitled to vote at the AGM.

16. Relevant documents referred to in the accompanying Notice calling the AGM are available on the website of the Company for inspection by the Members.

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 through email on india.investors@novartis.com. The same will be replied by the Company Secretary.

17. 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 amendments thereto, the Company is required to transfer all shares in respect of which dividend has not been paid or claimed by 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 October 14, 2019 for the FY 2011-12.

Concerned shareholders may note that, upon such transfer, both the unclaimed dividend and the shares transferred to the IEPF Authority including all benefits accruing on such shares, if any, can be claimed by making an online application to the IEPF Authority in web Form No. IEPF- 5 available on www.iepf.gov.in.

The details of shareholders, whose shares have been transferred to IEPF, are placed on the website of the Company www.novartis.in.

18. 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 2012-13 onwards are requested to make their claims directly to the Company or to the Company’s RTA, 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 the IEPF

Financial Year	Dividend rate per share (₹)	Date of declaration	Due date for transfer to IEPF
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
2018-19	10	09.08.2019	15.09.2026

19. Since the AGM will be held through VC/ OAVM, the route map is not annexed to this Notice.

Voting through electronic means

- In compliance with the provisions of Section 108 of the Act and Rule 20 of the Companies (Management and Administration) Rules, 2014 and amendments thereof and Regulation 44 of SEBI Listing Regulations, the Company is providing its members with the facility to cast their vote electronically, through the e-voting services provided by NSDL, on all the resolutions set forth in this Notice. The instructions for e-voting are given herein below.
- The remote e-voting period will commence from **Tuesday, August 4, 2020 at 9:00 a.m.** and will end on **Thursday, August 6, 2020 at 5:00 p.m.** During this period, Members of the Company, holding shares either in physical form or in dematerialized form, as on the cut-off date i.e. July 31, 2020, may cast their vote by remote e-voting. The remote e-voting

module shall be disabled for voting thereafter by NSDL. Once the vote on a resolution is cast by the Member, such Member shall not be allowed to change it subsequently.

3. Those Members, who will be present in the AGM through VC/OAVM facility and have not cast their vote on the Resolutions through remote e-voting and are otherwise not barred from doing so, shall be eligible to vote through the e-voting system during the AGM.
4. The Board of Directors has appointed Mr. S. N. Ananthasubramanian and Ms. Malati Kumar (alternate), Practicing Company Secretaries as the Scrutinizer to scrutinize the voting during the AGM and e-voting process in a fair and transparent manner.
5. The Members who have cast their vote by remote e-voting prior to the AGM may also attend/ participate in the AGM through VC/ OAVM but shall not be entitled to cast their vote again.
6. Any person, who acquires shares of the Company and becomes a Member of the Company after sending of the Notice and holding shares as of the cut-off date, may obtain the login ID and password by sending a request to evoting@nsdl.co.in. However, if he/she is already registered with NSDL for remote e-voting then he/she can use his/ her existing User ID and password to cast the vote.
7. Members desiring to vote through remote e-voting are requested to refer to the detailed procedure given hereinafter.

Procedure for remote e-voting

Step 1: Log-in to NSDL e-voting system at <https://www.evoting.nsdl.com>

Step 2: Cast your vote electronically on NSDL e-voting system.

Step 1 - Details:

How to login to the NSDL e-voting website.

1. Visit the e-voting website of NSDL. Open the web browser by typing the following URL: <https://www.evoting.nsdl.com/> either on a personal computer or on a mobile device.
2. Once the home page of the e-voting system is launched, click on the icon “Login” which is available under the “Shareholders” section.
3. A new screen will open. You will have to enter your User ID, your Password and a Verification Code as shown on the screen. Alternatively, if you are registered for NSDL eservices i.e. IDEAS, you can login at <https://eservices.nsdl.com/> with your existing IDEAS login. Once you login to NSDL eservices after using your login credentials, click on e-voting and you can proceed to Step 2, i.e. cast your vote electronically.
4. Your User ID details are given below:

Manner of holding shares	User ID
For Members who hold shares in demat account with NSDL	8 Character DP ID followed by 8 Digit Client ID For example, if your DP ID is IN300*** and Client ID is 12***** then your user ID is IN300***12*****
For Members who hold shares in demat account with CDSL	16 Digit Beneficiary ID For example, if your Beneficiary ID is 12***** then your user ID is 12*****
For Members holding shares in Physical Form	EVEN Number followed by Folio Number registered with the company For example, if EVEN is 123456 and folio number is 001*** then user ID is 123456001***

5. Your password details are given below:
 - a) If you are already registered for e-voting, then you can use your existing password to login and cast your vote.
 - b) If you are using NSDL e-voting system for the first time, you will need to retrieve the 'initial password' that was communicated to you by NSDL. Once you retrieve your 'initial password', you need to enter the 'initial password' and the system will force you to change your password.
 - c) How to retrieve your 'initial password'.
 - i. If your email ID is registered in your Demat account or with the Company, your 'initial password' would have been communicated to you via email. Trace the email sent to you from NSDL in your mailbox from evoting@nsdl.com. Open the email and open the attachment i.e. a pdf file. The password to open the pdf file is your 8 digit client ID for NSDL account, last 8 digits of client ID for CDSL account or folio number for shares held in physical form. The pdf file contains your 'User ID' and your 'initial password'.
 - ii. In case you have not registered your email address with the Company/ Depository, please follow instructions mentioned below in this notice.
6. If you are unable to retrieve or have not received the 'initial password' or have forgotten your password:
 - a) Click on "Forgot User Details/Password?" (If you are holding shares in your Demat account with NSDL or CDSL) option available on www.evoting.nsdl.com.
 - b) "Physical User Reset Password?" (If you are holding shares in physical mode) option available on www.evoting.nsdl.com.
 - c) If you are still unable to get the password by the aforesaid two options, you can send a request to evoting@nsdl.co.in mentioning your Demat account number/ folio number, your PAN, your name and your registered address.
 - d) Members can also use the one-time password (OTP) based login for casting their votes on the e-Voting system of NSDL.
7. After entering your password, click on Agree to "Terms and Conditions" by selecting the check box.
8. Now you will have to click on the "Login" button.
9. After you click on the "Login" button, the Home page of e-voting will open.

Step 2-Details:

How to cast your vote electronically on the NSDL e-voting system.

1. After successful login at Step 1, you will be able to see the Home page of e-voting. Click on e-voting. Then click on Active Voting Cycles.
2. After clicking on Active Voting Cycles, you will be able to see all the companies "EVEN" in which you are holding shares and whose voting cycle is in active status.
3. Select "EVEN" of the Company, which is 113075.
4. Now you are ready for e-voting as the Voting page opens.
5. Cast your vote by selecting the appropriate options i.e. assent or dissent, verify/modify the number of shares for which you wish to cast your vote and click on "Submit" followed by "Confirm" when prompted.

6. Upon confirmation, the message “Vote cast successfully” will be displayed.
7. You can also take a printout of the votes cast by you by clicking on the print option on the confirmation page.
8. Once you confirm your vote on the resolution, you will not be allowed to modify your vote.

Important information for Members attending the AGM through VC/OAVM

1. Members will be able to attend the AGM through VC/OAVM or view the live webcast of the AGM provided by NSDL at <https://www.evoting.nSDL.com> by using their remote e-voting login credentials and selecting the EVEN for Company's AGM.

Members who do not have the User ID and Password for e-voting or have forgotten the User ID and Password may retrieve the same by following the remote e-voting instructions mentioned in the Notice. Further, Members can also use the OTP based login for logging into the e-voting system of NSDL.

2. The Members can join the AGM in the VC/OAVM mode 15 minutes before and after the scheduled time of the commencement of the Meeting by following the procedure mentioned in the Notice. The facility of participation at the AGM through VC/OAVM will be made available for at least 1000 members on first come first serve basis. This will not include large Shareholders (Shareholders holding 2% or more shareholding), Promoters, Institutional Investors, Directors, Key Managerial Personnel, the Chairpersons of the Audit Committee, Nomination and Remuneration Committee and Stakeholders Relationship Committee, Auditors etc. who are allowed to attend the AGM without restriction on account of first come first serve basis.
3. Members who would like to express their views or ask questions during the AGM may register themselves as a speaker by sending their request from their registered email address mentioning their name, DP ID and Client ID/folio number, PAN, mobile number at india.investors@novartis.com from July 13, 2020 (9:00 a.m. IST) to August 3, 2020 (5:00 p.m. IST). Only those Members who have registered themselves as a speaker will be allowed to speak during the AGM. The Company reserves the right to restrict the number of speakers depending on the availability of time for the AGM.
4. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential. Login to the e-voting website will be disabled upon five unsuccessful attempts to key in the password. In such an event, you will need to go through the “Forgot User Details/Password?” or “Physical User Reset Password?” option available on <https://www.evoting.nSDL.com> to reset the password.
5. Members are encouraged to join the Meeting through a laptop for better experience.
6. Further, Members will be required to allow camera (those registered as speakers) and use Internet with a good speed to avoid any disturbance during the meeting.
7. Please note that participants connecting from mobile devices or through laptop via a mobile hotspot may experience audio/video loss due to fluctuation in their respective network. It is therefore recommended to use stable wi-fi or LAN connection to mitigate any kind of aforesaid glitches.
8. Members who need assistance before or during the AGM, can contact NSDL on evoting@nsdl.co.in or 1800-222-990 or contact Mr. Amit Vishal, Senior Manager - NSDL at amitv@nsdl.co.in or Ms. Megha Malviya, Assistant Manager - NSDL at megham@nsdl.co.in

9. In case of any queries relating to e-voting you may refer to the FAQs for Shareholders and e-voting user manual for Shareholders available on the download section of <https://www.evoting.nsdl.com> or call on toll free no.: 1800-222-990 or send a request to evoting@nsdl.co.in.
10. In case of any grievances connected with the facility for e-voting, please contact Ms. Pallavi Mhatre, Manager, NSDL, 4th Floor, 'A' Wing, Trade World, Kamala Mills Compound, Senapati Bapat Marg, Lower Parel, Mumbai 400 013. Email: evoting@nsdl.co.in / pallavid@nsdl.co.in, Tel: 91 22 2499 4545 / 1800-222-990
11. The Scrutinizer shall, immediately after the conclusion of voting at the AGM, first count the votes cast during the AGM, thereafter unblock the votes cast through remote e-voting and make, not later than 48 hours of conclusion of the AGM, a consolidated Scrutinizer's Report of the total votes cast in favour or against, if any, to the Chairman or a person authorised by him in writing, who shall countersign the same.
12. The result declared along with the Scrutinizer's Report shall be placed on the Company's website www.novartis.in and on the website of NSDL <https://www.evoting.nsdl.com> immediately. The Company shall simultaneously forward the results to BSE Limited, where the shares of the Company are listed.

By Order of the Board of Directors

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

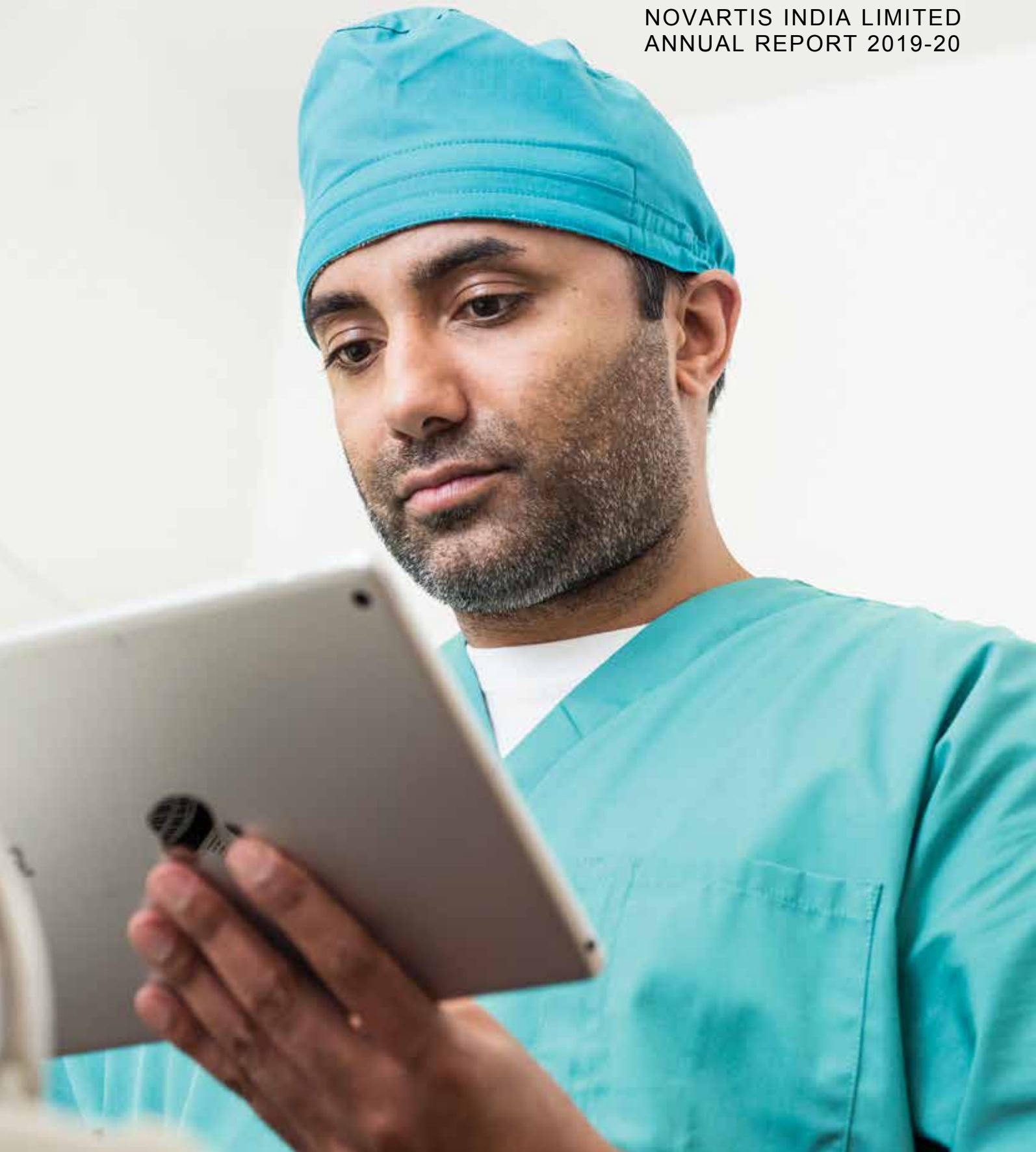
Registered Office

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

June 19, 2020



NOVARTIS INDIA LIMITED
ANNUAL REPORT 2019-20





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BOARD OF DIRECTORS

Christopher Snook	Chairman
Sanjay Murdeshwar	Vice Chairman & Managing Director
Monaz Noble	Non-executive and Non-Independent Director
Jai Hiremath	Independent Director
Sandra Martyres	Independent Director
Rajendra Nath Mehrotra	Independent Director (until March 31, 2020)
Sanker Parameswaran	Independent Director (effective June 22, 2020)

Trivikram Guda	Company Secretary & Compliance Officer
Felix Doss	Chief Financial Officer
CIN	L24200MH1947PLC006104
Registered Office	Inspire - BKC, Part of 601 and 701 Bandra Kurla Complex, Bandra East Mumbai 400 051
Telephone Nos.	+91 22 5024 3000
Fax No.	+91 22 5024 3010
E-mail	india.investors@novartis.com
Website	www.novartis.in
Registrar And Transfer Agents	Link Intime India Private Limited C-101, 247 Park, L.B.S. Marg Vikhroli (West), Mumbai 400 083
Telephone Nos.	+91 22 4918 6000
Fax	+91 22 4918 6060
E-mail	rnt.helpdesk@linkintime.co.in

Annual General Meeting

11.30 a.m. Friday, August 07, 2020

For detailed instructions to join the AGM through Video Conference (VC) / Other Audio Visual Means (OAVM) and the procedure to raise questions / seek clarifications with respect to the Annual Report, please refer note 3 on page number 25 of this Report.

Members are requested to join the virtual AGM by 11:15 am. Please keep a soft copy of the Annual Report handy during the meeting proceedings. Members who wish to speak at the AGM are requested to write to the Company in advance on india.investors@novartis.com



Dear Shareholder,

The world is currently going through an unprecedented crisis posed by the coronavirus pandemic and I hope that you and your family are in good health. The pandemic has severely impacted the economy in more than 216 countries including India. The World Bank's June 2020 Global Economic Prospects baseline forecast envisions a 5.2 percent contraction in global GDP in 2020, using market exchange rate weights – the deepest global recession in decades – this, despite the fact that governments have made extraordinary efforts to counter the shock with fiscal and monetary policy support.

Since healthcare is a basic need, this sector has been largely immune to economic downturns; COVID-19, however, has impacted it in multiple ways. While hospitals are overwhelmed with patients who have contracted the virus, those with other problems have not always been able to access the care they need. Extended lockdowns and physical distancing norms has meant that some primary care practices have reported reductions in the use of healthcare services by up to 70%. People have generally postponed visits to healthcare professionals unless absolutely necessary and many clinics and OPDs were non-operational for extended periods.

At such a time, digital technologies play an important role. They can exponentially expand the reach of medical professionals, especially in remote and underserved regions, and offer long-term care-giving alternatives to manage diseases where visits to doctors may not always be necessary.

For all its advantages, cultural mindsets, organisational structures, business

models and governance have sometimes stood in the way of digital health initiatives. In a changed world order, post the coronavirus pandemic, these hurdles must be removed, and organisations must be more agile than ever as they respond to new challenges.

For Novartis, one of our strategic priorities is to be a leader in harnessing data science and digital technologies to boost effectiveness and efficiency across our enterprise.

Digital technologies help our scientists discover and develop new treatments; they are vital to our decision-making; how we run our operations and our patient engagement. In 2019, much before the pandemic made it a necessity we began work on a platform of digital solutions to engage with our stakeholders. The Leprosy Patients Records Database funded by our Company for example, which was launched as a pilot project in Hyderabad, has the potential to positively impact leprosy detection and care globally. This annual report provides a glimpse into how we are leveraging technology for transformation in healthcare.

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

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

Sincerely,

Christopher Snook
Chairman





Dear Shareholder,

Hope you and your family members continue to be well amid the challenges posed by COVID-19. The ongoing health crisis that is facing the globe has brought to the fore the need to further strengthen health infrastructure in our country. As India continues to have an increasing number of COVID-19 cases, it is important to remember that the country's disease burden includes several other serious issues that need urgent attention as well, and that those with reduced immunity are more susceptible to the virus.

For Novartis, the safety of our associates and ensuring access to patients who depend on Novartis medicines during these unusual times have been the guiding principles of navigating your company.

Non-communicable diseases (NCDs), which are chronic in nature and stem from genetic, environmental, behavioral and physiological factors, kill approximately 41 million people worldwide each year. World Health Organization (WHO) estimates that, without timely interventions, NCD deaths could increase to 55 million by 2030. In India, according to a 2015 WHO report, nearly 5.8 million – or one in four – Indians risk dying of NCDs (heart and lung diseases, blood disorders, stroke, cancer and diabetes) every year.

Organ transplantation is one such area that poses many challenges. According to the Government of India, while an estimated 1,80,000 people suffer from renal failure, only 6,000 transplants are done. Approximately 1,500 liver transplants are performed, though 25,000 – 30,000 are required. Nearly 50,000 people in the country suffer from heart failure, but only 10 to 15 heart transplants take place annually. About 25,000 cornea transplants are performed, against a requirement of a hundred thousand. For the surgeries that do go through in all these areas, the risk of infection can be high.

In such a scenario, where every transplant is a milestone, it is vital to ensure stringent post-operative care that relies on up-to-date knowledge and the best medication. Novartis has been working in the area of immunosuppressants for more than three decades and has done much to spread awareness of the challenges associated with organ transplant and the opportunity to prevent infections.

As the Company continues to strengthen the knowledge base in India's healthcare market through a variety of communication tools, it has turned to digital initiatives with renewed vigour. But, with COVID-19, this has accelerated substantially. In the 'new

According to the Government of India, while an estimated 1,80,000 people suffer from renal failure, only 6,000 transplants are done. Approximately 1,500 liver transplants are performed, though 25,000 – 30,000 are required

Novartis had, in 2019, introduced a slew of digital solutions to support all our commercial efforts in innovative medicines

normal', it is very likely that a number of business processes and the ecosystem for the delivery of healthcare to patients may undergo irrevocable changes. For example, International Speaker Programs have now expanded onto web-based platforms, particularly those that reach out to medical professionals. Our TransTalk channel on an external platform is a unique initiative that offers unbiased information through articles, infographics and Key Medical Expert (KME) videos, among other things. In addition, our Company launched its first digital interactive channel 'Responsible Pain Management' for the medical community to discuss pain management and this has been well received. For Novartis, going digital was a priority much before coronavirus struck, but in the strange new world we are now living in, it is proving to be a lifeline.

Building on the tools that we already had in place, in 2019, Novartis introduced a slew of digital solutions to support all our commercial efforts in innovative medicines. Our ambition is to improve our people's digital capabilities, use data science, and unleash the potential of advanced analytics and artificial intelligence, among other things. In the process, we are working towards meeting our customers' needs more effectively, streamlining commercial operations, accelerating cultural change in the organisation, and through all this, increasing our revenue base.

There is no doubt that the digital transformation will pay rich dividends in

multiple ways. India has emerged as one of the fastest-growing digital economies over the past few years. Increased internet usage and mobile connectivity have made it possible to bridge the gaps in underserved regions where access to healthcare is limited.

The ₹20 lakh crore economic package that the Prime Minister announced in the wake of the coronavirus crisis includes a slew of healthcare reforms. One of its major focus areas is the implementation of the National Digital Health Blueprint. These reforms are on the right track and increasing bandwidth will help realize their full potential.

Before I close, I would like to make mention of the noteworthy performance of the Voveran® range of products which continue to be among the top three in the NSAID market. The newly launched Voveran® 1 ml AQ injection added to this success. There are other challenges that continue to impact business performance and we are taking measures to mitigate these.

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

Accelerating change through technological transformation

At the Sivananda Rehabilitation Home (SRH), a charitable hospital in Hyderabad, capital of the Indian state of Telangana, a quiet revolution is taking place. Since it began in 1958, SRH has been offering dignity, hope and medical care to approximately 500 leprosy patients every year. Over the years, as it has transformed the lives of these people, it has acquired more than 20,000 records tracing the course of their disease. “Many people who have worked in the leprosy field have retired,” explains Dr. S. Ananth Reddy, Chief Administrator of the hospital. “The work they have done is in their minds and once they leave, the knowledge and skills are gone. That is why this data must be recorded electronically.”

Now, thanks to a Novartis initiative – perhaps the first of its kind in the world – this vital information is being captured in a specially designed state-of-the-art cloud computing electronic health management platform, available at the click of a button. The Leprosy Patients Records Database, or LEOPARD project as it is known, is making the last-mile leap with both precision and speed.

“In my 38 years at SRH, I have not seen anything like this,” says a delighted Dr. Reddy. “This is a very easy, user-friendly platform that will be very helpful

not only to Sivananda Rehabilitation Home but also to any other hospital treating leprosy patients in India or any other country once it is made available.”

The LEOPARD project is just one of Novartis’ many technological innovations that help the Company connect with doctors and other healthcare workers across the country, in the process directly impacting patients’ lives. Novartis, which has always been at the forefront of cutting-edge scientific development, combines technology with a human touch to put the patient first. Every disease has its own challenges – whether it is leprosy, chronic myeloid leukemia, thalassemia, epilepsy, Alzheimer’s disease or those requiring organ transplants – but they all have two things in common; patients need to feel a connection with the doctor, and medical professionals need to have access to the latest information. Digital engagement, while seemingly remote, makes this possible.

In a world that has been radically transformed by coronavirus, such interactions take on greater urgency. For Novartis, however, digital innovation is not new; the Company has used technology as an enabler for years, to spread awareness of various diseases and solutions that Novartis can provide; to reach out to medical professionals in remote locations, and through them, to patients who have limited access to healthcare. In 2020, it has stepped up its technology-led communications through a variety of communication tools.

These initiatives are in tune with Government of India policies that recognise the need for digitising healthcare. As NITI Aayog’s Annual Report 2019 – 20, points out, private players (both for profit and not for profit) have a key role to play in bridging the supply-demand gap in health infrastructure while advancing standards of care. Digital health solutions, which

Novartis, which has always been at the forefront of cutting-edge scientific development, combines technology with a human touch to put the patient first



rely on artificial intelligence (AI) or machine learning (ML), span the gamut of biotechnology, computer science, robotics, and communication networks to exponentially expand the reach of healthcare services.

The applications are wide-ranging – from mobile apps connecting doctors to patients and enabling remote consultations to remote diagnosis, and innovations such as wireless health monitors paired with smartphone applications and telemedicine. Digital and social connectivity allow healthcare professionals not only to engage with

patients, but also with each other to share knowledge and seek help. Wearables such as wristwatches that can act as personal emergency response systems and relay medical and GPS data to a remote server, electronic medical records (EMRs) and big data analytics have also been emerging as game-changers. These technological advances allow for improved access to healthcare, increased patient engagement and outcomes, and enhanced information flow.

We still have a long way to go, but this revolution has trickled down to

the remotest regions; Novartis in India has found that its digital engagements with patients receive enthusiastic response from far-flung rural areas. “At least one person in the family will have a smartphone and that person will bring others into the mainstream,” says a Novartis associate, who works with thalassemia and chronic myeloid leukaemia (CML) patients. The Sivananda Rehabilitation Home has also found this to be true, and it is this fact that will allow them to send SMS messages to its leprosy patients with the help of the newly created health management platform.



THE LEOPARD PROJECT

SMS alerts to patients reminding them to take their daily Multi-Drug Therapy (MDT) dose, however, is just one of the many benefits that Novartis' LEOPARD project makes possible. As the Sivananda Rehabilitation Home (SRH) works towards preventing disability and providing adequate medical care to leprosy patients, the LEOPARD database will prove invaluable, not just for itself, but also for the community at large. SRH works closely with the state government; in 1976, the government of the then undivided Andhra Pradesh handed over the responsibility of taking care of nearly 900 patients in the leprosy home run by the Municipal Corporation in Hyderabad. In 2006, it was established as a nodal centre,

for the DPMR (Deformity Prevention and Medical Rehabilitation) covering six districts in Andhra Pradesh.

The 20,000+ records that SRH has archived over the years includes data that spans various stages of disease and its treatment, including detection, MDT treatment, reconstructive surgery, physiotherapy, and rehabilitation, stretching over a significant period of time for each case.

In devising the architecture for the database, the Novartis team worked closely with SRH staff, investing not just funds, but their own personal talent, time, and expertise. The project involved detailed discussions with Dr. Reddy to understand

the patient journey from the time a patient is registered until discharge. It also included mapping the process for recording and maintaining case histories, the kind of information needed for patients with various presentations, the treatment options available, among other things. The team also studied various department processes in the tertiary care set-up, patient movement between departments and how the hospital functions overall. A template for the database was then created using the services of a Hyderabad-based information technology company.

The idea was to help SRH create the first-of-its-kind dedicated 'Data Lake', digitalizing end-to-end medical history of a leprosy patient, using a real time

cloud-based application, with a simple user interface, and to empower a given leprosy center with various data analytics and predictive modelling. The smart tool has the ability to execute rapid cloning across various centers and is well designed to strengthen the healthcare ecosystem to achieve zero leprosy.

Within five months of using the application, which went live at the beginning of 2020, 250 patients' records had been entered into the system and counting. As part of the project, older records will also be digitalized to help build a strong enough database for building analytics to understand various disease epidemiology related patterns such as number of children affected annually, the gender split in incidence, and the disability burden on the community itself. Using the best technology, and the detailed demographics fed into the system, the architecture uses Google Maps to populate heat maps for the territory in which SRH operates – identifying

instances of leprosy right down to the pin codes from which they emanate. If a pin code or area that has never been registered in the database before shows up, it would alert hospital authorities on a possible new risk area, which needs to be further surveyed to identify new cases. The predictive analytics being built in will help understand MDT usage at site, factors in the expiry dates and previous consumption trends, to predict a demand forecast for an upcoming period of three to six months. The database also allows SRH to generate reports for funding agencies, hospital management and other stakeholders with just 'one-click'.

Novartis will be guiding and supporting SRH, to perform a longitudinal analysis with data from 2004 to 2019 (15 years), which might involve following a particular patient or a cohort of patients over a period of time to understand epidemiology progression of the disease, changes to lesions or disabilities, possible contributing factors, the treatments taken, and impact of

reconstructive surgery and overall rehabilitation, among other things. Such analysis might offer insights into the impact of early diagnosis and early intervention on disease progression. The timeframe being considered for longitudinal analysis coincides with the time (2005) when leprosy was considered to have been eliminated at the national level.

Among other things, digitalizing the leprosy patient database can also offer insights into reasons why patients come so late to SRH with disability, which will help identify which communication channels could be used to identify those afflicted with leprosy sooner, the effectiveness of social media and leprosy detection camps; and much more.

A unique feature of the LEOPARD project is that data is being captured in its most authentic form, directly from the source, with proper edit checks. Most fields in the database either capture predefined values via drop down, or

LEPROSY: Understanding the disease

Leprosy, a disease caused by the *Mycobacterium leprae* bacteria, has been stigmatised since Biblical times, affecting patients' lives both socially and physically. The bacterium, which affects the nervous system, can cause initial reactions such as clearly defined pale skin patches, or, in more extreme cases, very little visible difference between the affected skin and the healthy areas. The skin, eyes and muscles in the hands and feet are the most at risk, and as the disease progresses, it can lead to numbness in the limbs resulting in cuts and infections that cannot be felt, stiff muscles that lead to clawed hands, and blindness stemming from loss of the blinking reflex. In some cases, amputation of a limb may be required. Leprosy is believed to be infectious, transmitted through airborne droplets. The fight against leprosy is one of the greatest public health successes in history. Yes, still today, 2 to 3 million people are living with physical disability and stigma as a result of the disease. Leprosy often occurs in hard-to-reach communities with poor access to healthcare, where untreated patients continue to spread infection.

For more than 30 years, Novartis has been working with partners around the world to eliminate leprosy. Multidrug therapy (MDT) has been a major breakthrough in the treatment of leprosy and its widespread availability has reduced the global disease burden by 99% in the past three decades. According to the World Health Organization (WHO), Novartis MDT donations have helped treat about 7 million patients since 2000. India, with close to 60% of the world's caseload has been the largest beneficiary. Despite this progress, for the past ten years, around 200,000 new cases have been reported globally each year, including among children.

customized with suitable alphanumeric logic, or even auto calculated when needed. Even if the user interface changes, once the database is rolled out to other hospitals, data will remain consistent since the backend fields are the same. What this means is that though the data gathered could be from many hospitals across the globe, it would be clean and consistent, seamlessly allowing any kind of larger analysis, if planned.

Some leprosy hospitals, the Novartis team has discovered, rehabilitate patients with disabilities in their own organizations and employ them for various activities – of which data entry could be one. These organizations primarily run on charitable donations and may not have the funding to hire experts; given the way the database is built, such rehabilitated patients too can enter most of the data by simply operating the mouse to select the right drop down options.

Another important aspect of the database is its ability to be customized and deployed in any hospital in India or any other country. The system, which is very light in terms of infrastructure, is completely user-friendly. Hospitals that opt for such databases do not need to install servers or undergo complex training programs. All a hospital needs is an internet connection and a laptop before being able to access their own secure database on the cloud.

For all its global game-changing ramifications, this pilot project at SRH is a purely voluntary effort by the Novartis team; they dedicate their weekends to visiting the hospital and guiding the

team there as their way of contributing to society. “We are corporate volunteering our expertise for the bigger goal,” says a Novartis volunteer. “We will not have access to patient records or the database. But then, we don’t see it as a project, but as a vision and a promise,” they add.

TACKLING TRANSPLANTS

Another area in which Novartis is using technology for advocacy and awareness is that of organ transplants, a super specialty business with a high possibility of post-operative infections. Timely and up-to-date information on the risks involved and solutions available requires a high degree of communication – not just among patients but with doctors as well.

Traditionally, this interaction has taken place face-to-face, both at the doctors’ clinics, and through forums where experts – Key Medical Experts (KMEs), as they are known – are invited to speak. Novartis has now expanded its reach using innovative digital tools, making its presence felt on trusted platforms for medical professionals.

TransTalk One of the key initiatives to engage with nephrologists and transplant surgeons is the launch of an online channel called ‘Novartis TransTalk’ on a web platform with a subscription base of more than 380,000 doctors. The TransTalk initiative offers peer-to-peer interaction enabling knowledge-sharing with the aim of making better clinical decisions. TransTalk enables a science-led pharma company like Novartis to make its presence felt through unbiased knowledge-sharing.

Novartis TransTalk is a dedicated hub for experts in the field of transplant to come together virtually and discuss key topics like better patient outcomes, amongst others. Its objective is to provide scientific resources on recent advances and challenges in the field of transplantation to spur discussions that would improve long-term outcomes for patients in India. One topic it has discussed, for example, focuses on infections in renal transplant patients, which tend to be most frequent in the first month after surgery. The article speaks of how pre-transplant screening and vaccination are pivotal in reducing the risk of infections, and lists measures

ORGAN TRANSPLANTS: Living with a new organ

An organ transplant is the surgical removal of a healthy organ from a living donor or a cadaver and its transplantation into another person whose organ does not function the way it should. The first organ transplant conducted in the world was that of the kidney back in 1954. India followed several years later in 1965. Today in addition to the kidney, it is possible to transplant other organs including the pancreas, liver, heart, lung and intestine.

While this is a life-saving procedure, it has major risks, the biggest being that of organ rejection. Innovative immunosuppressants such as Certican® and Simulect® have played a major role in making organ transplants possible.



to restrict them in order to improve the quality of life of patients and ensure an uncomplicated recovery.

Infocenter statistics have found that TransTalk content has been performing ahead of other material on the platform; while the average time that doctors spend on such articles is five minutes and 17 seconds, on the TransTalk channel, the engagement on an average extends to five minutes and 53 seconds. An infographic on the impact of post-transplant Infections on long-term graft outcomes had an average viewing time of seven minutes and eight seconds. The bulk of views on the page are from Novartis' specific target audience, of nephrologists and transplant surgeons.

International Speaker Programs

Novartis' International Speaker Program has been an important way to reach out to medical professionals, bringing global experts to India to share up-to-date knowledge. While such meetings offered the excitement of face-to-face engagement, speakers' schedules, their ability to travel and the expense involved could be limiting factors.

Novartis realised that the virtual medium offered an equally, and in some ways, more powerful platform for its International Speaker Program. Dr Fritz Diekmann, Head of Department, Hospital Clinic – Barcelona, Spain, was one of the speakers and the Company was encouraged to find that participation

was high, with an impact similar to face-to-face meetings.

The greater cost-effectiveness of such events also opens the doors for many more such programs to be organised, in addition to enabling wider reach among the target audience through virtual platforms. With the restrictions imposed thanks to COVID-19, and the sudden halt of international travel, online connections have also proved to be a lifeline to keep the conversations going. Audiences too have become far more comfortable with such platforms and have begun to accept them as a way of life.

Novartis, in fact, realised that the virtual medium had unexpected benefits –

akin to moving from a cinema hall in a physical space to watching a video on the i-Pad; the behavior change required proved not only more convenient in terms of eliminating travel time, but also more interactive and intimate. Just as in a face-to-face event, anyone could raise a hand to ask a question, and if questions remained unanswered, they would still be available in the chat box for the speaker to address later. Audiences felt the digital platform gave them a chance to connect more effectively.

Rep-triggered emails Another effective communication channel has been that of sales representative-triggered emails. At the best of times, medical professionals have limited time to meet

Company personnel to gain updates on products and solutions. During the COVID-19 restrictions, such meetings became impossible.

What differentiates this channel is the fact that instead of mass messaging, emailers are targeted for maximum impact. The sales representative decides what content needs to be sent to specific doctors based on their need and can use a command button on the i-Pad to send a structured email. These make the messages very relevant. Such messages go a long way towards communicating with doctors, including those who are less accessible in remote areas.

A major advantage here is that it is possible to track which doctors are

opening the emails and engaging with the content. The segmentation of doctors for particular messaging helps; Novartis realized that the 'Super Target 1', who represented the cream of doctors, were opening the communications and responding well. Where response seems low, the Novartis team can identify issues and plan to address these through further conversations.

Going big on data and digital in the Pain segment

E-mail Campaign

The project, which started out with digital reach to 11,000 doctors, has now expanded to 16,000 doctors. With the key messages revolving around the fact



that diclofenac treats the root cause of pain, inflammation, and of its efficacy and safety, the email campaign helps to reinforce Voveran's strength as a solution for pain, and strengthen the safety perception among healthcare professionals (HCPs). It complements the in-clinic efforts through the field force.

Novartis created communication templates similar to the kind that sales reps would share during face-to-face meetings with healthcare professionals for consistency and recall. These email messages, designed for doctors with varying profiles and needs, contain information on products such as Voveran. Among other things, the messaging pointed out that Voveran has been treating the root cause of pain – inflammation – for >30 years in more than 60 countries, and that a wide range of formulations allow the doctor to choose the best solution for individual patients' needs. The detailed emailers, which are advisory in nature, offer up-to-date and relevant information for doctors working in this area.

Project Sampark Complementing the email campaign is another innovative initiative to digitally engage doctors in remote locations. 'Project Sampark', involving targeted telecalls, where the challenge was to deliver the key message in the space of 30 seconds to a minute while adhering to etiquette. The team received special training to do this effectively.

The pilot project targeted 5,000 HCPs – General Practitioners, Consultant Physicians – in uncovered regions of Maharashtra and Bihar. The overall

target is one phone call, two emails and two SMS messages every month to promote the key products – Voveran® SR 100 and Voveran 1ml AQ injections. The response was positive, especially for the email messages, with 55% doctors prescribing Voveran SR 100 and 58% prescribing the injections. Based on estimated potential, the plan is to expand this to 15,000 HCPs across India by December 2020.

Digital engagement is proving particularly useful for the Company's legacy products and the reach is increasing month on month. Such communication complements the work of the sales force and helps reconnect with doctors, particularly in small towns. Digital tools have been particularly useful in reaching out to this mass market to provide product updates and develop the brand; Novartis is using them effectively; they offer greater impact at a lower cost than face-to-face connect; they are faster, and easier to measure. In a post-COVID-19 era, they have become a crucial way of connecting.

ONCOLOGY ONLINE

Thalassemia and chronic myeloid leukemia (CML) are two other areas in which Novartis has been transforming patients' lives, and the Company is using digital initiatives to drive discussions on these diseases.

Desferal® (deferoxamine mesylate USP), an iron-chelating agent from Novartis, available in vials for intramuscular, subcutaneous, and intravenous administration, is one of the oldest available treatments for thalassemia, a diverse family of

THALASSEMIA: Coping with life-long blood transfusion

Thalassemia is an inherited blood disorder in which the body makes an abnormal form of haemoglobin. It is passed from parents to children and results in excessive destruction of the red blood cells which in turn leads to anaemia. Haemoglobin is the protein molecule in red blood cells that carries oxygen. Thalassemia patients need several blood transfusions in a year. Blood transfusions come with their own risk including that of too much iron in the blood for which patients need to take iron chelators.

genetic disorders characterized by an underproduction of haemoglobin. CML, one of the commonest adult leukemias in India, is a cancer that occurs when the blood-forming cells of the bone marrow (the soft, spongy tissue in the center of bones) make too many white blood cells, including immature ones. Over time, these abnormal cells crowd out healthy red blood cells and platelets as well as normal white cells. Novartis' imatinib, or tyrosine kinase inhibitor (TKI), is a targeted cancer drug sold under the brand name Glivec®.

Traditionally, Novartis has invited international speakers to India to speak about these subjects, and some events had been planned before COVID-19 struck. The Company then moved to the digital medium, so that Indian medical professionals could still benefit from this expertise.

In May this year, Prof. Giuseppe Saglio of the University of Turin, Italy, conducted a session on CML management that lasted over one-and-a-half hours. The session was based



on European LeukemiaNet published updated recommendations and Prof. Saglio shared his views on how to adopt these recommendations in clinical practice; he also answered queries of healthcare professionals.

He was followed by Prof. Pierre Laneuville of the McGill University Health Center, Montreal, who spoke about the efficacy and safety of different TKIs for patients, depending on the treatment goal and co-morbidity.

Novartis has found that while physical meetings were preferable in earlier times, there is now greater receptivity towards digital meetings in a world that has to learn to live with the coronavirus.

In its attempts to make updated information available through the online medium, Novartis also supports other organisations, such as the Mumbai

Hematology Group (MHG). Earlier this year, MHG conducted a two-hour webinar on thalassemia where experts from Lucknow, Kolkata, New Delhi, and Mumbai spoke on issues such as the transition of thalassemia patients from childhood to adulthood, to growth and gonadal dysfunctions in adolescent thalassemia major, among other things.

While webinars are proving vital for connects with medical professionals, Novartis has also used the electronic medium for patient education. A video campaign, 'Enable Lives', has been used to educate patients on how to monitor the disease. Other educational material, circulated in physical form in both English and in regional languages, is now being converted into electronic format. Such counselling is particularly important when patients live with chronic diseases such as CML and thalassemia; as their needs change over a period of time, they

may require 'beyond-the-pill' support on nutrition or mental health. In the case of thalassemia, as the child transitions to adolescence and then adulthood, counselling and support groups become critical. Novartis' ongoing work in the virtual medium opens up possibilities for providing such support digitally.

These initiatives would also prove helpful as Novartis explores opportunities to partner with government institutions and other organisations to create greater awareness of coping with disease. A breast cancer self-examination video that Novartis has made, for instance, is available on the government of Rajasthan portal, to be downloaded by Anganwadi workers and auxiliary nurse midwife (ANM) village-level health workers. While breast cancer is a priority area for the government, such videos would be equally effective in the case of other diseases such as CML. The

The response to such virtual connects is growing, not only in small towns but also in rural areas across the country. Hospitals are increasingly moving to tele-consultations, particularly for older cases

response to such virtual connects is growing, not only in small towns but also in rural areas across the country. Hospitals are increasingly moving to tele-consultations, particularly for older cases.

In the area of e-diagnostics, email interactions are now making a difference. In collaboration with select laboratories, Novartis has been offering BCR-ABL tests for CML at a discounted price; these tests are used to diagnose if the patient's disease is under control. Before the COVID-19 lockdown, healthcare practitioners were given physical coupons for these discounted tests. Now, in a new development necessitated by the coronavirus, they can send a request via email to a separate id created for this purpose.

THE WAY FORWARD

There is no doubt that the digital transformation in India will take on increased momentum, in a post-COVID-19 world where medical care is inaccessible to large segments of the population, both in overcrowded urban hospitals and in remote rural areas. Since the Government of India (GoI) launched its Digital India campaign in 2015, the country has become the second fastest in the world to adopt digital technology, with almost half a

billion internet users and more than 350 million smartphone users consuming 8.3 GB of data per month per subscriber. The National Health Policy 2017 also lays significant emphasis on leveraging these for healthcare delivery services.

In a situation where there are not enough doctors or hospital beds, however, much remains to be done. A January 2020 Knowledge@Wharton report, quoting The Center for Disease Dynamics, Economics and Policy in Washington, D.C, notes that India has a doctor-to-patient ratio of 1:10,189, some 10 times lower than the 1:1,000 recommended by the World Health Organization. According to a March 2020 Brookings Institute report, which used data from the National Health Profile – 2019, there are 7,13,986 government hospital beds in India – 0.55 beds per 1000 population. Several states, such as Bihar, Jharkhand, Gujarat, Uttar Pradesh, Andhra Pradesh, Chhattisgarh, Madhya Pradesh, Haryana, Maharashtra, Odisha, Assam and Manipur, fall below the national average; in Bihar, for instance, there are just 0.11 beds per 1000 population.

The Indian Government's flagship Ayushman Bharat / Pradhan Mantri Jan Arogya Yojana (PMJAY) has been working towards achieving the vision of Universal Health Coverage

(UHC). Based on recommendations of the National Health Policy 2017, it has been designed to meet Sustainable Development Goals (SDGs) and its underlining commitment, which is to "leave no one behind". The task is onerous; NITI Aayog's 2019 Annual Report says that with a target of 500 million beneficiaries under PMJAY, 0.64 million additional beds will be required over the next 10 years. "Currently, the country has 14,379 hospitals with 6.34 lakh beds," it says

Fortunately India's digital footprint is growing rapidly and can help to bridge the gaps. According to a report by Internet and Mobile Association of India, curated by Nielsen, the country has 504 million active internet users (defined as those who used the internet in the previous month) who are five years and above as of November 2019. In rural India, 30 million new users access the internet daily compared to March 2019.

As the world learns to cope with the coronavirus, the healthcare market will increasingly turn to digital delivery. Where remote medical appointments and tele-consulting were innovative options for greater healthcare access, today they are a necessity. The biggest change – one that is already visible – will be in the mindsets of both medical professionals and patients, as they become increasingly at home with the digital medium as a medical tool.

For Novartis, innovation and technological solutions have been a way of life in its relentless efforts to reach out to both healthcare professionals and patients. Now, more than ever in a post-COVID-19 world, the Company renews its commitment to this aim.

Notice

NOTICE is hereby given that the 72nd Annual General Meeting of NOVARTIS INDIA LIMITED will be held on Friday, August 7, 2020 at 11:30 a.m., IST through Video Conferencing (“VC”)/Other Audio Visual Means (“OAVM”) to transact the following business:

Ordinary Business

1. To receive, consider and adopt the Audited Financial Statements for the year ended March 31, 2020 together with the Reports of the Directors and the Auditors thereon.
2. To declare Dividend for the financial year ended March 31, 2020.
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 resolution as an Ordinary Resolution:

“RESOLVED THAT pursuant to the provisions of Sections 149, 150, 152 read with Schedule IV of the Companies Act, 2013 (“Act”), the Companies (Appointment and Qualification of Directors) Rules, 2014 and Regulations 17 and 25 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“SEBI Listing Regulations”) and other applicable provisions of the Act read with the rules made thereunder and SEBI Listing Regulations, if any (including any statutory amendment or modification or re-enactment thereof, for the time being in force) and pursuant to the notice received by the Company under Section 160 of the Act, Mr. Sanker Parameswaran (holding DIN: 00008187), who was appointed as an Additional Director (Independent & Non-Executive) by the Board of Directors effective from June 22, 2020, in terms of the provisions of Section 161 of the Act, to hold office upto the date of this Annual General Meeting and who has submitted the declaration that he meets the requisite criteria of independence, be and is hereby appointed as an Independent Director of the Company, to hold office for a term of five consecutive years commencing from June 22, 2020.”

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 19, 2020

Statement pursuant to Section 102(1) of the Companies Act, 2013

The following Statement sets out material facts relating to the Special Business mentioned in the accompanying notice.

Appointment of Mr. Sanker Parameswaran as Independent Director:

Members may note that the term of Dr. Rajendra Nath Mehrotra as Independent Director of the Company ended on March 31, 2020.

Further, pursuant to the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“SEBI Listing Regulations”), the Board of Directors of a Listed Entity shall comprise at least six (6) Directors.

With a view to comply with the above requirement and to have fair representation and optimum combination on the Board, the Board of Directors of the Company based on recommendation of the Nomination and Remuneration Committee, had appointed Mr. Sanker Parameswaran as Additional Director (Independent and Non-Executive) with effect from June 22, 2020, as per the provisions of Section 161 of the Companies Act, 2013 (“Act”) and Rules framed thereunder. He holds office upto the date of this Annual General Meeting.

Further, the Board of Directors of the Company based on recommendation of the Nomination and Remuneration Committee and as per the applicable provisions of the Act and the SEBI Listing Regulations approved the appointment of Mr. Sanker Parameswaran as Independent Director of the Company, not liable to retire by rotation, for a term of five (5) years effective from June 22, 2020, subject to the approval of the Members at the Annual General Meeting of the Company. He is also appointed as a member of the Audit Committee and Stakeholders Relationship Committee of the Board.

Further, Mr. Parameswaran has provided:-

- a) his consent to act as Independent Director in Form DIR-2 pursuant to Rule 8 of Companies (Appointment and Qualification of Directors) Rules, 2014;
- b) intimation in Form DIR-8 in terms of Companies (Appointment and Qualification of Directors) Rules, 2014 to the effect that he is not disqualified under Section 164(2) of the Act; and
- c) a declaration to the effect that he meets the criteria of independence as prescribed both under Section 149(6) of the Act and Regulation 25 of the SEBI Listing Regulations.

The Company has received a notice in writing under Section 160 of the Act from a Member proposing the candidature of Mr. Parameswaran for the office of Director of the Company, not liable to retire by rotation.

Brief profile of Mr. Sanker Parameswaran is as under:

Mr. Parameswaran, aged about 60 years, is a Corporate Lawyer with over three decades of diverse experience in well-known Indian companies engaged in manufacturing & marketing of fast moving consumer products (FMCG), hospitality industry, telecom sector and private equity. His last assignment being General Counsel & Company Secretary of India’s largest private bank ICICI Bank. He retired in February 2020 as Legal Advisor to the Bank.

His first-hand experience in handling diverse matters as a Company Secretary to several high profile Boards together with an innate ability to manage change through tough regulatory and economic environments will add value to the deliberations at the Board level. He has played a key role in industry representations to governments for advocating changes in the regulatory regime to facilitate ease of doing business.

Mr. Parameswaran’s academic credentials include a LLM in Commercial Law from Mumbai University followed by Associate Membership of the Institute of Company Secretaries of India.

He started his career as a Probationary Officer with Indian Bank in 1982. Since then he has been General Counsel & Company Secretary for over 3 decades in well-known companies such as Godrej Agrovet, Marico, Colgate Palmolive, Reliance Infocom, Indian Hotels. In 2010 he joined the ICICI Group and in 2012 took over as General Counsel & Company Secretary of ICICI Bank.

The Board of Directors of the Company are confident that Mr. Parameswaran with his more than 30 years of diverse leadership experience in reputed large companies, will add significant value to the Board. His appointment also reflects the Board's commitment in ensuring a broad mix of skills and perspectives in all its key deliberations. In the opinion of the Board, Mr. Parameswaran fulfills the conditions specified in the Act for appointment as Independent Director.

A copy of his letter of appointment as Independent Director, setting out the terms and conditions of appointment is available on the website of the Company i.e. www.novartis.in.

This explanatory statement may also be regarded as a disclosure under Regulation 36(3) of the SEBI Listing Regulations. Detailed disclosure in terms of Regulation 36(3) of the SEBI Listing Regulations is provided separately in this Notice.

None of the Directors and/or Key Managerial Personnel of the Company and/or their relatives, except Mr. Parameswaran and his relatives, are in any way concerned or interested (financially or otherwise), in the proposed Ordinary Resolution.

The Board recommends the Ordinary Resolution with respect to the appointment of Mr. Sanker Parameswaran as Independent Director of the Company, as set out in Item no. 4 of the Notice, for approval of the Members.

Brief resume of Directors seeking re-appointment/ appointment at this Annual General Meeting pursuant to Regulation 36(3) of the SEBI Listing Regulations and the Secretarial Standards on General Meetings (SS-2) as laid down by the Institute of Company Secretaries of India.

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 53 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 is on the Board of the Company as Non-Executive and Non-Independent Director effective from June 1, 2019 and continues to contribute to the Board and to the Company through her immense experience in Pharma and FMCG business. She does not receive any Salary or Commission from the Company effective June 1, 2019.

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

None of the Directors and/ or Key Managerial Personnel of the Company and/ or their relatives, except Ms. Noble and her relatives, are in any way concerned or interested (financially or otherwise), in this Resolution.

Details of Directors seeking re-appointment/ appointment at the 72nd Annual General Meeting

Particulars	Ms. Monaz Noble	Mr. Sanker Parameswaran
	Non-Independent and Non-Executive	Independent and Non-Executive
Date of Birth	September 5, 1967	February 28, 1960
Nationality	Indian	Indian
Date of Appointment	June 13, 2016	June 22, 2020
Qualifications	<ul style="list-style-type: none"> • Commerce graduate from Sydenham College • MBA from NMIMS, Mumbai • Associate member of the Institute of Company Secretaries of India and Associate Cost and Management Accountant 	<ul style="list-style-type: none"> • LLM in Commercial Law from Mumbai University. • Associate member of the Institute of Company Secretaries of India
Expertise in specific functional areas	Ms. Noble 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.	Mr. Parameswaran has over 30 years of experience in handling diverse matters as Company Secretary and as legal advisor to several high profile Boards. With an innate ability to manage change through tough regulatory and economic environments he will add value to the deliberations at the Board level. He has played a key role in industry representations to governments for advocating changes to the regulatory regime to facilitate ease of doing business.
Directorships held in other companies (excluding Foreign Companies and Section 8 Companies)	<p>Listed Company</p> <ul style="list-style-type: none"> • Godrej Industries Limited • Novartis India Limited <p>Public Company</p> <ul style="list-style-type: none"> • IDBI Federal Life Insurance Co. Ltd. 	None
Memberships / Chairmanships of committees of the Company	<p>Member of Corporate Social Responsibility Committee</p> <p>Chairperson of Stakeholders Relationship Committee</p>	Member of Audit Committee and Stakeholders Relationship Committee
Memberships / Chairmanships of committees of other companies	<p>IDBI Federal Life Insurance Co. Limited</p> <p>Member of Audit Committee, Policyholder Protection Committee, Nomination and Remuneration Committee.</p> <p>Chairperson of Corporate Social Responsibility Committee.</p>	None
Number of shares held in the Company	None	None
Relationship between Directors inter-se	None	None

Notes for Members' attention:

1. In view of the massive outbreak of the COVID-19 pandemic where social distancing is a norm, the Ministry of Corporate Affairs ("MCA") has vide its circular dated May 5, 2020 read with circulars dated April 8, 2020 and April 13, 2020 ("MCA Circulars") permitted holding of the Annual General Meeting ("AGM") through VC / OAVM, and dispensed personal presence of the Members at the Meeting at a common venue. In compliance with the provisions of the said MCA Circulars and SEBI Listing Regulations, the 72nd AGM of the Company is being held through VC/ OAVM. The AGM shall be deemed to have been held at the Registered Office of the Company.
2. Members may note that in compliance with the aforesaid MCA Circulars and SEBI Circular dated May 12, 2020, Notice of the AGM along with the Annual Report 2019-20 is being sent only through electronic mode to those Members whose email addresses are registered with the Company/ Depositories. Members may note that the Notice and Annual Report 2019-20 will also be available on the Company's website www.novartis.in, website of the Stock Exchange i.e. BSE Limited at www.bseindia.com and on the website of National Securities Depository Limited ("NSDL") <https://www.evoting.nsdl.com>.
3. Members whose email addresses are not registered can register the same in the following manner:
 - i. Members holding share(s) in physical mode can register their email ID by sending request to the Registrar and Transfer Agent of the Company viz. Link Intime India Private Limited ("RTA") at rnt.helpdesk@linkintime.co.in providing Folio No., Name of shareholder, scanned copy of the share certificate (front and back), PAN (self-attested scanned copy of PAN card), AADHAAR (self-attested scanned copy of Aadhaar Card). Alternatively shareholders could use the link https://linkintime.co.in/emailreg/email_register.html for updating their details online.
 - ii. Members holding share(s) in electronic mode are requested to register / update their email address with their respective Depository Participants ("DPs") for receiving all communications from the Company electronically.
4. Members can attend and participate in the AGM through VC / OAVM only. The detailed procedure for participating in the meeting through VC / OAVM is annexed herewith and also available on the Company's website www.novartis.in
5. Members may note that since the AGM is being held pursuant to the MCA Circulars through VC / OAVM, physical attendance of Members has been dispensed with. Accordingly, the facility for appointment of proxies by Members will not be available for the AGM and hence the Proxy Form and Attendance Slip are not annexed to this Notice.
6. Corporate Members are required to send a scanned copy of certified true copy of its Board Resolution / Authorisation letter etc. authorizing its representative to attend the AGM through VC / OAVM on its behalf and to vote through remote e-voting. The said Resolution/Authorization shall be sent to the Scrutinizer by email through its registered email address to scrutinizer@snaco.net with a copy marked to evoting@nsdl.co.in.
7. Members attending the AGM through VC / OAVM shall be counted for the purpose of reckoning the quorum under Section 103 of the Act.
8. Pursuant to the provisions of Section 91 of the Act, the Register of Members and Share Transfer Books will remain closed on all days from Friday, July 31, 2020 to Friday, August 07, 2020, both days inclusive.
9. Payment of dividend for the year ended March 31, 2020 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 August 07, 2020 and to those whose names will appear as Beneficial Owners as on record date i.e. July 30, 2020 as per the details to be furnished by the Depositories.

10. Members are requested to intimate changes, if any, pertaining to their name, postal address, email address, telephone / mobile numbers, Permanent Account Number (PAN), mandates, nominations, power of attorney, bank details such as name of the bank and branch details, bank account number, MICR code, IFSC code, etc., to their DPs in case the shares are held by them in electronic form and to the RTA in case the shares are held by them in physical form.
11. Dividend warrant(s) / cheque(s) shall be dispatched to Members whose bank account details have not been updated, upon normalization of postal services, post COVID-19 restrictions, if any.
12. Members may note that pursuant to the Finance Act, 2020, dividends paid or distributed by a Company after April 1, 2020 shall be taxable in the hands of the Members. Your Company shall therefore be required to deduct tax at source at the time of making payment of the said dividend. The said dividend will be payable to those shareholders whose names appear in the Register of Members of the Company as on record date.

Necessary communication in this regard is sent to all the shareholders on their registered email id. A copy of the said communication is also placed on the website of the Company www.novartis.in. Shareholders are requested to furnish appropriate declarations and documents by 11:59 p.m. IST on July 25, 2020 by email to novartisdivtax@linkintime.co.in. Alternatively shareholders could use the link <https://linkintime.co.in/formsreg/submission-of-form-15g-15h.html> for uploading appropriate documents.

For Resident shareholders, taxes shall be deducted at source under Section 194 of the Income tax Act, 1961 at 7.5% on the amount of dividend, if they have provided PAN.

If no PAN has been provided then tax shall be deducted at source at 20%.

However, no tax shall be deducted on the dividend payable to a resident individual if the total dividend to be received by the resident shareholder(s) during Financial Year 2020-21 does not exceed ₹ 5,000. In cases where the shareholder provides Form 15G (applicable to any person other than a Company or a Firm)/Form 15H (applicable to an individual above the age of 60 years) and provided that all the required eligibility conditions are met, no tax will be deducted at source.

Non-Resident shareholders can avail beneficial rates under tax treaty between India and their country of residence, subject to providing necessary documents i.e. No Permanent Establishment and Beneficial Ownership Declaration, Tax Residency Certificate, Form 10F, any other document which may be required to avail the tax treaty benefits.

13. Members holding shares in physical form, in identical order of names, in multiple folios are requested to send to the Company or RTA, details of such folios along with the share certificate for consolidating their holdings in one folio. A consolidated share certificate will be issued to such Members after making requisite changes.
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 RTA of the Company, in the prescribed Form SH.13 for this purpose.
15. In case of joint holders attending the meeting, the Member whose name appears as the first holder in the order of names as per the Register of Members of the Company will be entitled to vote at the AGM.

16. Relevant documents referred to in the accompanying Notice calling the AGM are available on the website of the Company for inspection by the Members.

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 through email on india.investors@novartis.com. The same will be replied by the Company Secretary.

17. 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 amendments thereto, the Company is required to transfer all shares in respect of which dividend has not been paid or claimed by 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 October 14, 2019 for the FY 2011-12.

Concerned shareholders may note that, upon such transfer, both the unclaimed dividend and the shares transferred to the IEPF Authority including all benefits accruing on such shares, if any, can be claimed by making an online application to the IEPF Authority in web Form No. IEPF- 5 available on www.iepf.gov.in.

The details of shareholders, whose shares have been transferred to IEPF, are placed on the website of the Company www.novartis.in.

18. 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 2012-13 onwards are requested to make their claims directly to the Company or to the Company’s RTA, 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 the IEPF

Financial Year	Dividend rate per share (₹)	Date of declaration	Due date for transfer to IEPF
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
2018-19	10	09.08.2019	15.09.2026

19. Since the AGM will be held through VC/ OAVM, the route map is not annexed to this Notice.

Voting through electronic means

- In compliance with the provisions of Section 108 of the Act and Rule 20 of the Companies (Management and Administration) Rules, 2014 and amendments thereof and Regulation 44 of SEBI Listing Regulations, the Company is providing its members with the facility to cast their vote electronically, through the e-voting services provided by NSDL, on all the resolutions set forth in this Notice. The instructions for e-voting are given herein below.
- The remote e-voting period will commence from **Tuesday, August 4, 2020 at 9:00 a.m.** and will end on **Thursday, August 6, 2020 at 5:00 p.m.** During this period, Members of the Company, holding shares either in physical form or in dematerialized form, as on the cut-off date i.e. July 31, 2020, may cast their vote by remote e-voting. The remote e-voting

module shall be disabled for voting thereafter by NSDL. Once the vote on a resolution is cast by the Member, such Member shall not be allowed to change it subsequently.

3. Those Members, who will be present in the AGM through VC/OAVM facility and have not cast their vote on the Resolutions through remote e-voting and are otherwise not barred from doing so, shall be eligible to vote through the e-voting system during the AGM.
4. The Board of Directors has appointed Mr. S. N. Ananthasubramanian and Ms. Malati Kumar (alternate), Practicing Company Secretaries as the Scrutinizer to scrutinize the voting during the AGM and e-voting process in a fair and transparent manner.
5. The Members who have cast their vote by remote e-voting prior to the AGM may also attend/ participate in the AGM through VC/ OAVM but shall not be entitled to cast their vote again.
6. Any person, who acquires shares of the Company and becomes a Member of the Company after sending of the Notice and holding shares as of the cut-off date, may obtain the login ID and password by sending a request to evoting@nsdl.co.in. However, if he/she is already registered with NSDL for remote e-voting then he/she can use his/ her existing User ID and password to cast the vote.
7. Members desiring to vote through remote e-voting are requested to refer to the detailed procedure given hereinafter.

Procedure for remote e-voting

Step 1: Log-in to NSDL e-voting system at <https://www.evoting.nsdl.com>

Step 2: Cast your vote electronically on NSDL e-voting system.

Step 1 - Details:

How to login to the NSDL e-voting website.

1. Visit the e-voting website of NSDL. Open the web browser by typing the following URL: <https://www.evoting.nsdl.com/> either on a personal computer or on a mobile device.
2. Once the home page of the e-voting system is launched, click on the icon “Login” which is available under the “Shareholders” section.
3. A new screen will open. You will have to enter your User ID, your Password and a Verification Code as shown on the screen. Alternatively, if you are registered for NSDL eservices i.e. IDEAS, you can login at <https://eservices.nsdl.com/> with your existing IDEAS login. Once you login to NSDL eservices after using your login credentials, click on e-voting and you can proceed to Step 2, i.e. cast your vote electronically.
4. Your User ID details are given below:

Manner of holding shares	User ID
For Members who hold shares in demat account with NSDL	8 Character DP ID followed by 8 Digit Client ID For example, if your DP ID is IN300*** and Client ID is 12***** then your user ID is IN300***12*****
For Members who hold shares in demat account with CDSL	16 Digit Beneficiary ID For example, if your Beneficiary ID is 12***** then your user ID is 12*****
For Members holding shares in Physical Form	EVEN Number followed by Folio Number registered with the company For example, if EVEN is 123456 and folio number is 001*** then user ID is 123456001***

5. Your password details are given below:
 - a) If you are already registered for e-voting, then you can use your existing password to login and cast your vote.
 - b) If you are using NSDL e-voting system for the first time, you will need to retrieve the 'initial password' that was communicated to you by NSDL. Once you retrieve your 'initial password', you need to enter the 'initial password' and the system will force you to change your password.
 - c) How to retrieve your 'initial password'.
 - i. If your email ID is registered in your Demat account or with the Company, your 'initial password' would have been communicated to you via email. Trace the email sent to you from NSDL in your mailbox from evoting@nsdl.com. Open the email and open the attachment i.e. a pdf file. The password to open the pdf file is your 8 digit client ID for NSDL account, last 8 digits of client ID for CDSL account or folio number for shares held in physical form. The pdf file contains your 'User ID' and your 'initial password'.
 - ii. In case you have not registered your email address with the Company/ Depository, please follow instructions mentioned below in this notice.
6. If you are unable to retrieve or have not received the 'initial password' or have forgotten your password:
 - a) Click on "Forgot User Details/Password?" (If you are holding shares in your Demat account with NSDL or CDSL) option available on www.evoting.nsdl.com.
 - b) "Physical User Reset Password?" (If you are holding shares in physical mode) option available on www.evoting.nsdl.com.
 - c) If you are still unable to get the password by the aforesaid two options, you can send a request to evoting@nsdl.co.in mentioning your Demat account number/ folio number, your PAN, your name and your registered address.
 - d) Members can also use the one-time password (OTP) based login for casting their votes on the e-Voting system of NSDL.
7. After entering your password, click on Agree to "Terms and Conditions" by selecting the check box.
8. Now you will have to click on the "Login" button.
9. After you click on the "Login" button, the Home page of e-voting will open.

Step 2-Details:

How to cast your vote electronically on the NSDL e-voting system.

1. After successful login at Step 1, you will be able to see the Home page of e-voting. Click on e-voting. Then click on Active Voting Cycles.
2. After clicking on Active Voting Cycles, you will be able to see all the companies "EVEN" in which you are holding shares and whose voting cycle is in active status.
3. Select "EVEN" of the Company, which is 113075.
4. Now you are ready for e-voting as the Voting page opens.
5. Cast your vote by selecting the appropriate options i.e. assent or dissent, verify/modify the number of shares for which you wish to cast your vote and click on "Submit" followed by "Confirm" when prompted.

6. Upon confirmation, the message “Vote cast successfully” will be displayed.
7. You can also take a printout of the votes cast by you by clicking on the print option on the confirmation page.
8. Once you confirm your vote on the resolution, you will not be allowed to modify your vote.

Important information for Members attending the AGM through VC/OAVM

1. Members will be able to attend the AGM through VC/OAVM or view the live webcast of the AGM provided by NSDL at <https://www.evoting.nSDL.com> by using their remote e-voting login credentials and selecting the EVEN for Company's AGM.

Members who do not have the User ID and Password for e-voting or have forgotten the User ID and Password may retrieve the same by following the remote e-voting instructions mentioned in the Notice. Further, Members can also use the OTP based login for logging into the e-voting system of NSDL.

2. The Members can join the AGM in the VC/OAVM mode 15 minutes before and after the scheduled time of the commencement of the Meeting by following the procedure mentioned in the Notice. The facility of participation at the AGM through VC/OAVM will be made available for at least 1000 members on first come first serve basis. This will not include large Shareholders (Shareholders holding 2% or more shareholding), Promoters, Institutional Investors, Directors, Key Managerial Personnel, the Chairpersons of the Audit Committee, Nomination and Remuneration Committee and Stakeholders Relationship Committee, Auditors etc. who are allowed to attend the AGM without restriction on account of first come first serve basis.
3. Members who would like to express their views or ask questions during the AGM may register themselves as a speaker by sending their request from their registered email address mentioning their name, DP ID and Client ID/folio number, PAN, mobile number at india.investors@novartis.com from July 13, 2020 (9:00 a.m. IST) to August 3, 2020 (5:00 p.m. IST). Only those Members who have registered themselves as a speaker will be allowed to speak during the AGM. The Company reserves the right to restrict the number of speakers depending on the availability of time for the AGM.
4. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential. Login to the e-voting website will be disabled upon five unsuccessful attempts to key in the password. In such an event, you will need to go through the “Forgot User Details/Password?” or “Physical User Reset Password?” option available on <https://www.evoting.nSDL.com> to reset the password.
5. Members are encouraged to join the Meeting through a laptop for better experience.
6. Further, Members will be required to allow camera (those registered as speakers) and use Internet with a good speed to avoid any disturbance during the meeting.
7. Please note that participants connecting from mobile devices or through laptop via a mobile hotspot may experience audio/video loss due to fluctuation in their respective network. It is therefore recommended to use stable wi-fi or LAN connection to mitigate any kind of aforesaid glitches.
8. Members who need assistance before or during the AGM, can contact NSDL on evoting@nsdl.co.in or 1800-222-990 or contact Mr. Amit Vishal, Senior Manager - NSDL at amitv@nsdl.co.in or Ms. Megha Malviya, Assistant Manager - NSDL at megham@nsdl.co.in

9. In case of any queries relating to e-voting you may refer to the FAQs for Shareholders and e-voting user manual for Shareholders available on the download section of <https://www.evoting.nsdl.com> or call on toll free no.: 1800-222-990 or send a request to evoting@nsdl.co.in.
10. In case of any grievances connected with the facility for e-voting, please contact Ms. Pallavi Mhatre, Manager, NSDL, 4th Floor, 'A' Wing, Trade World, Kamala Mills Compound, Senapati Bapat Marg, Lower Parel, Mumbai 400 013. Email: evoting@nsdl.co.in / pallavid@nsdl.co.in, Tel: 91 22 2499 4545 / 1800-222-990
11. The Scrutinizer shall, immediately after the conclusion of voting at the AGM, first count the votes cast during the AGM, thereafter unblock the votes cast through remote e-voting and make, not later than 48 hours of conclusion of the AGM, a consolidated Scrutinizer's Report of the total votes cast in favour or against, if any, to the Chairman or a person authorised by him in writing, who shall countersign the same.
12. The result declared along with the Scrutinizer's Report shall be placed on the Company's website www.novartis.in and on the website of NSDL <https://www.evoting.nsdl.com> immediately. The Company shall simultaneously forward the results to BSE Limited, where the shares of the Company are listed.

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 19, 2020

Directors' Report

Your Directors are pleased to present the Annual Report along with the audited financial statements for the financial year ended March 31, 2020 ("year under review").

Summary of Financial Results

	(₹ in million)	
	2019-20	2018-19
Revenue from Operations	4,382.5	4,906.8
Total Income	4,743.9	5,689.4
Profit before Tax	286.4	857.7
Profit for the year	100.8	517.7
Other Comprehensive Income for the year	(197.3)	16.2
Balance brought forward from previous year	7,474.6	7,238.4
Available for appropriation		
The Directors have made the following appropriations:		
Dividend	246.9*	246.9
Dividend distribution tax	50.8*	50.8
Buy-back of equity shares	0	0
Amount transferred to Capital Redemption Reserve	0	0
Carry forward	7,080.4	7,474.6

* Note : Dividend and Dividend distribution tax relates to FY 2018-19 paid during FY 2019-20

Dividend

The Board has recommended payment of dividend at ₹ 10 per equity share of ₹ 5 each, for the financial year 2019-20. The said dividend, if approved by the members at the Annual General Meeting ("AGM"), will result in a cash outflow of ₹ 247 million.

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 2019-20 has significantly declined to around 4.2 percent, which is at its lowest in 11 years. This is primarily due to lower consumer sentiment, lack of growth in demand and plummeting of capacity utilization levels. Reduction in corporate tax rates and stabilizing of interest rates by Reserve Bank of India, had only a limited boost to growth rates. Even annual consumer price inflation was increased to 4.8 per cent in FY 2019-20 from 3.4 per cent in FY 2018-19. Decelerating manufacturing sector, rising unemployment and slowing wage growth in rural areas, were some of the concerns for slow economic growth.

A stable government at the Centre presents an opportunity to push further reforms, but execution of these reforms at the ground level will remain key to their success. The Government is expected to continue to prioritize welfare policies and programs including improving housing and expanding access to healthcare. While potential impact of the pandemic on the economy is yet to be ascertained, some of the fiscal and monetary stimulus measures if implemented properly could accelerate India's growth prospects in future.

India's healthcare system still remains inadequate to provide care to a population of 1.3 billion, especially in rural areas. The National Health Policy (NHP) 2017 calls for an increase in the government's contribution to healthcare spending to 2.5% of GDP by 2025

which is still a long way to go. The government aspires to increase it to 3%, but to fulfill such aspirations, it requires serious and focused intent by the government together with targeted spends to build and improve healthcare infrastructure in primary and secondary care centers. There is also a need to make the overall ecosystem swift, including making research and healthcare institutions more contemporary and adaptive to newer domains of technology.

Covid-19 is expected to have a less prominent impact on the pharmaceutical sector as compared to other industries. Nevertheless, there were supply chain challenges during the nationwide lockdown and patients have postponed their visits to healthcare professionals and institutions, which had some impact on the sector. However, it is important to note that this pandemic has also presented many opportunities for change as can be seen from an emerging trend of increase in e-pharmacies, telemedicine and teleconsultation platforms, along with adoption of various digital tools for interactions with healthcare professionals, patients, pharmacies and pharmaceutical companies. Building new commercial operating models, new capabilities and leveraging on digital transformation, could become key differentiators for pharmaceutical players.

It is encouraging to note that the Pradhan Mantri Jan Arogya Yojana (PMJAY), the national health protection scheme under 'Ayushman Bharat', is gradually increasing coverage for secondary and tertiary care to poor and vulnerable people thereby expanding healthcare reach of the country. Expansion of PMJAY to other sections of people, viz. middle class would have a positive impact on the industry.

The Indian Pharma Market ("IPM") is forecast to grow at a Compounded Annual Growth Rate (CAGR) of 9.3%* (+/- 2.0%) over the next four years to reach ₹ 2396.2 billion by 2024. 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, 2020 was ₹ 4382.5 million representing a decrease of 10.7% over the previous year.

Profit before tax for the year stood at ₹ 286.4 million representing a decrease of 66.6% over the previous year. The previous financial year 2018-19 included extraordinary income of ₹ 307.3 million from the sale of certain assets classified under Assets held for sale. In addition, the current year had a reduction in interest income of ₹ 90 million due to reduced interest rates.

Covid-19 pandemic and nationwide lockdown / restrictions had some impact on business due to limited operations at contract manufacturing sites. There were instances of delay in import clearances and in local supply chain activities, which affected the supplies initially. Due to limited supplies, there was product substitution at local pharmacy levels. In addition, many patients have postponed their visits to healthcare professionals, many OPDs / Nursing homes were non-operational during this period and all these resulted in no new prescription generation. Even a national agency like the National Organ and Tissue Transplant Organisation (NOTTO) has temporarily suspended the living donor transplant program due to associated high risk.

While restrictions are easing out gradually, the Company continues to devote significant resources and management attention to ensure business continuity and uninterrupted supplies to patients and customers. The Company is also leveraging various digital platforms and technology to engage with all its stakeholders especially its patients. The incredible agility and resilience shown by our employees in switching to new digital ways of working ensured that we could continue to operate during this challenging period.

* Source: IQVIA™ MARKET PROGNOSIS 2020-2024 Asia/Australia – India. Published March 2020

c. Operational performance

The Pharmaceuticals business registered Net Revenue from Operations of ₹ 4382.5 million representing a decrease of 10.7% over the previous year.

Among the factors that affected results for the year under review were global divestment of a few ophthalmologic products by the brand owner, transition of a marketing partner in Central Nervous System (CNS) portfolio to in-house promotion and certain supply constraints. The Company's other operating income from consignment services, clinical research support services and field force support services was affected due to optimization of businesses in those verticals. To mitigate the impact of decline in revenues and protect the Company's operating profits, cost containment measures were undertaken during the year.

However, the Pain and Transplant portfolio has recorded a growth during the year under review resulting from focused sales and increased marketing efforts. The Company is extensively involved in scientific engagement with healthcare professionals and key institutions to drive awareness on prevention of infections and has developed a robust digital strategy for customer engagements and for enhancing brand reach.

The Company's Voveran group of products continues to be one of the top brands in the Non-Steroidal Anti-Inflammatory Drugs (NSAID) market and ranks among the top 3 in India. With new products Voveran® 1ml AQ already in the market, the Company expects to further strengthen its position by serving more patients, while continuing to have scientific engagements and leveraging digital strategic initiatives with its stakeholders.

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

Therapeutic Area	Therapeutic Area Product
Central Nervous System	Tegrital® Exelon®
Pain & Inflammation	Voveran®
Transplantation/Immunology	Simulect®, Certican®, Myfortic Sandimmun® Neoral®

d. Key Financial Indicators

Particulars	2019-20	2018-19
Operating profit margin (%)	(0.3)	1.9
Net profit margin (%)	2.3	10.6
Debtors turnover ratio	10.5	11.0
Current ratio	3.5	4.4
Return on Net Worth	1.4	6.8
Inventory turnover ratio	7.4	8.4
Interest coverage ratio	NA	NA
Debt equity ratio	NA	NA

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 operating margins are impacted due to lower Sales during the year under review.

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 2019-20 is lower compared to FY 2018-19. Previous FY 2018-19 includes

extraordinary income of ₹ 307.3 million on disposal of certain assets classified under Assets held for sale. In addition current financial year 2019-20 had a reduction in interest income of ₹ 90 million due to reduced interest rates.

Debtors turnover ratio

It is calculated by dividing turnover by average trade receivables, to quantify a company's effectiveness in collecting its receivables. The change is driven mainly due to decrease in revenue.

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 higher 'other financial liabilities' as at March 31, 2020 it led to lower 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 2019-20 is lower compared to previous year, as FY 2018-19 had extraordinary income on account of sale of assets.

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 sales in FY 2019-20 consequently led to lower 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, 2020 and March 31, 2019, 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, 2020 and March 31, 2019, and hence this ratio is not given in the table.

e. Risks

Control of prices of certain drugs under the Drug Price Control Order (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. Building investments in non-traditional opportunities, coupled with heightened competition and a rising cost of talent, will result in margin pressures.

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.

Regulations to cap trade margins on non-scheduled products, could 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

The Government at the centre has a strong mandate and this works in the country's overall favour as it means more stability. In addition, it also becomes relatively easier 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.

Government's aspiration to contribute upto 3% of GDP on healthcare by 2025, expansion of PMJAY and new regulations for operation of e-pharmacies, telemedicine and the like is encouraging to note, but the key remains timely execution, focused approach and targeted spends in improving health infrastructure.

The ongoing crisis due to the Covid-19 pandemic has impacted the short term outlook for the economy. The pharmaceutical industry is to some extent in a slightly better place given the increased focus on health. However, there are various parameters such as availability of healthcare infrastructure, emerging new commercial models, adoption of new technologies, new policy reforms together with several macro-economic factors like changes in crude oil prices, commodity inflation, potential disruptions due to global events, problem of non-performing assets, a below normal monsoon etc., which could have an impact 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, 2020 was 552.

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. 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 was completed in July 2019. Over the duration of the project, 55,197 people were screened for leprosy, with a prophylactic dose for prevention of transmission of leprosy being given to 39,933 eligible persons. 291 new cases of leprosy were detected. Two full day workshops were conducted in Delhi and Telangana for 60 District Level Officers of the National Leprosy Eradication Programme to share learnings.

The Company also continued to support 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, in the hope that this data will eventually serve to drive early diagnosis of leprosy.

The Company continued its health awareness initiative through its Healthy Families program, Arogya Parivar, reaching out to more than 9.55 million individuals across rural India and conducted 237,927 health education programs and 7,309 health camps in the year under review.

The Company initiated a much-needed programme centered on health awareness to reduce the incidence of non-communicable diseases for low-income families and slum dwellers in 13 municipal wards of Mumbai.

Education: Lack of education is a huge drawback for children coming from impoverished backgrounds serving to strengthen the cycle of poverty. Education takes a back seat, as parents prefer their children to contribute to the family income rather than go to school. The Company supported the continuation of learning for 250 children by upgrading a school damaged by the Kerala floods in 2018, work for which was completed during the year under review.

Environment: The absence of adequate green cover and with it open spaces continues to be a sore point for the city of Mumbai. The Company has continued with its contribution in this area by supporting the upkeep of a beautiful garden in the heart of the city.

Community Partnership Week has been growing from strength to strength as can be seen from the growing number of employees who participate in a meaningful way. Activities that are supported range from painting the interiors of a home for people suffering from cancer to creating educational aids for less privileged schools to donating blood for children suffering from thalassemia.

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

Related Party Transactions

The Audit Committee and the Board approved all Related Party Transactions entered into during the year under review, from time to time.

The Audit Committee has granted omnibus approval for Related Party Transactions as per the provisions and restrictions contained in the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015. (“SEBI Listing Regulations”).

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

Further, in terms of the provisions of section 188(1) of the Act read with the Companies (Meetings of Board and its Powers) Rules, 2014 and Regulation 23 of the SEBI Listing Regulations, all contracts/arrangements/ transactions entered into by the Company with its related parties, during the year under review, were:

- in "ordinary course of business" of the Company;
- on "an arm's length basis"; and
- not "material".

All transactions with related parties are in accordance with the policy on related party transactions formulated by the Company.

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 2019-20, as per the Policy on dealing with Related Parties adopted by the Company are disclosed in **Annexure B**.

The transactions disclosed in the Annexure relates 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, 2020, there were no outstanding loans or guarantees covered under the provisions of Section 186 of the Act. 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 and Key Managerial Personnel

During the year under review, 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. Members of the Company through an Ordinary resolution at the 71st AGM of the Company held on August 9, 2019 approved the aforesaid appointment for a period of 5 years.

The term of Dr. Rajendra Nath Mehrotra as Independent Director of the Company ended on March 31, 2020.

The Board of Directors, based on the recommendation of the Nomination and Remuneration Committee and after considering the integrity, expertise and experience (including the proficiency) of Mr. Sanker Parameswaran, has approved his appointment as Additional Director (Independent and Non-Executive) of the Company, to hold office for a period of 5 consecutive years with effect from June 22, 2020. Appointment of Mr. Parameswaran as an Independent Director of the Company will be subject to the approval of the shareholders of the Company.

Ms. Monaz Noble has been functioning on the Board of the Company in a Non-Executive and Non-Independent capacity effective June 1, 2019. Ms. Noble retires by rotation and being eligible, offers herself for re-appointment.

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

The Company has received necessary declaration from each Independent Director of the Company stating that they meet the criteria of independence as provided in section 149(6) of the Act and Regulation 16(1)(b) of the SEBI Listing Regulations. Based on the declarations received from independent directors and in the opinion of the Board of Directors, the Independent Directors of the Company fulfill the conditions of independence and are independent of the management.

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

Pursuant to the provisions of Section 203 of the Act, the Key Managerial Personnel of the Company as on March 31, 2020 are:

- i. Mr. Sanjay Murdeshwar - Managing Director;
- ii. Mr. Felix Doss - Chief Financial Officer; and
- iii. Mr. Trivikram Guda - Company Secretary & Compliance Officer.

Based on the recommendation of the Nomination and Remuneration Committee, the Audit Committee and the Board of Directors at its meeting held on May 23, 2019, appointed Mr. Felix Doss as Chief Financial Officer of the Company with effect from June 1, 2019. Said appointment is in accordance with the applicable provisions of the Act and the SEBI Listing Regulations.

Directors' Responsibility Statement

The audited financial statements of your Company for the year under review ("financial statements") are in conformity with the requirements of the Companies Act, 2013 read with the rules made thereunder and the Accounting Standards. The financial statements fairly reflect the form and substance of transactions carried out during the year under review and reasonably present your Company's financial condition and results of operations.

Pursuant to Section 134 of the Act, the Board of Directors, to the best of its knowledge and ability confirm 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, 2020 and of the profit and loss of the Company for the year ended March 31, 2020;
- (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 laid down and 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.

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 and Auditors' Reports

During the year under review, no frauds in terms of the provisions of section 143(12) of the Act, have been reported by the statutory auditor and secretarial auditor in their report for the year under review.

(i) Statutory auditor

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 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 Auditors' Report to the Members on the Accounts of the Company for the year ended March 31, 2020 does not contain any qualification, reservation or adverse remark. During the year under review, 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 2019-20, the total fees for the statutory audit rendered by the Statutory Auditors are given below:

Auditors' Remuneration (including Goods and Service tax, where applicable)	₹ Million	
	2019-20	2018-19
Audit Fees	8.4	7.7
Tax Audit Fees	1.3	1.3
Reimbursement of expenses	0.3	0.3
Total	10.0	9.3

(ii) 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 2019-20.

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

Compliance with Secretarial Standards

During the Financial Year 2019-20, the Company has complied with the applicable Secretarial Standards 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 the Securities and Exchange Board of India Regulations and Circulars/Guidelines issued thereunder, for the Financial Year 2019-20.

The Annual Secretarial Compliance Report as issued by the Practising Company Secretary has been submitted to the stock exchange within stipulated time. 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**.

Corporate Governance

The Company is committed to follow best practices of corporate governance and is in compliance with the provisions on corporate governance specified in the SEBI Listing Regulations and Novartis Group corporate governance norms.

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

All necessary details as required under the Act and Rules made thereunder are disclosed, including in the Corporate Governance Report of this Annual 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 2019-20, one complaint was received by the Company related to sexual harassment and the same was addressed.

Extract of Annual Return

Pursuant to the provisions of sections 92(3) and 134(3)(a) of the Act and the Companies (Management and Administration) Rules, 2014, an extract of the annual return in Form no. MGT-9 is annexed as **Annexure E** to this Report and is also available on the website of the Company i.e. 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 19, 2020

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 patients 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. Sanjay Murdeshwar*	Chairman of the Committee; Vice Chairman and Managing Director
Ms. Sandra Martyres	Member; Non-Executive and Independent Director
Ms. Monaz Noble	Member; Non-Executive and Non-Independent Director

* The CSR Committee was reconstituted and Mr. Sanjay Murdeshwar, Vice Chairman & Managing Director was appointed as Chairman of the Committee with effect from June 15, 2019.

Average net profit of the Company for the last three financial years: ₹ 995.13 million

Prescribed CSR Expenditure (two per cent of the amount as above): ₹ 19.9 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, 2020 (₹ million)	Amount spent: Direct or through implementing agency
1.	Fighting Non-Communicable diseases	Health	Mumbai, Maharashtra	7.3	7.3	7.3	Americares India Foundation
2.	Leprosy post exposure prophylaxis	Health	Dadra & Nagar Haveli	2.8	2.8	2.8	Netherlands Leprosy Relief Foundation
3.	Integrated Healthcare Management System	Health	Hyderabad, Telangana	4.3	4.3	4.3	Sivananda Rehabilitation Home
4.	Health Diagnosis and Diabetes Camps	Health	Uttaranchal, Uttar Pradesh, Bihar, Chhattisgarh, Odisha, Haryana, Telangana, Andhra Pradesh, Tamil Nadu, Karnataka, Maharashtra, Gujarat, Rajasthan Madhya Pradesh, Jharkhand	3.5	3.5	3.5	Direct – Arogya Parivar
5.	Building capacity	Education	Mumbai, Pune; Maharashtra	0.1	0.1	0.1	Akanksha Foundation
6.	Education infrastructure	Education	Alappuzha, Kerala	1.2	1.2	1.2	United Way of Mumbai
7.	Garden maintenance	Environment	Mumbai, Maharashtra	0.8	0.8	0.8	Direct – Nehru Centre garden
Total						20.0	

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

CHRISTOPHER SNOOK
Chairman of the Board

June 19, 2020

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, 2020
None
2. Details of material contracts or arrangement or transactions at arm's length basis during the Financial Year ended March 31, 2020

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 ₹ 701.8 million.
(e)	Date of approval by the Board	The Board approved these transactions at its meeting held on May 23, 2019.
(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 of the Board

June 19, 2020

Annexure C to the Directors' Report

Form No. MR-3 SECRETARIAL AUDIT REPORT

FOR THE FINANCIAL YEAR ENDED 31ST MARCH 2020

[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 City 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 the explanations and clarifications given to us and the representations made by the Management and considering the relaxations granted by the Ministry of Corporate Affairs and Securities and Exchange Board of India warranted due to the spread of the COVID-19 pandemic, we hereby report that in our opinion, the Company has, during the audit period covering the financial year ended on 31st March, 2020 complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance-mechanism 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 31st March, 2020 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 there under 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 (Price 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, 2018;
- iii. The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 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)

Place : Mumbai
Date : June 19, 2020
FRN : S1988MH004801
UDIN : F001596B000359019

K. G. Saraf
Proprietor
FCS 1596 : CP 642

Note : This report is to be read with our letter of even date which is annexed as 'ANNEXURE 1' 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 City 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
FCS 1596 : CP 642

Place : Mumbai
Date : June 19, 2020

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, 2020.

A. CONSERVATION OF ENERGY

Measures taken for conservation of energy.

The Company does not have a manufacturing unit in India.

The Company's Registered Office is now situated in a multi-tenanted building, Inspire BKC, in Bandra (E), BKC, Mumbai which is a 'Gold Certified Green Building' with Indian Green Building Council.

Some of the benefits derived from this new office, which has been occupied since the last 2 years include the following:

- Energy Efficient Lighting System installed on office floors (LEDs)
- Occupancy and motion sensors are installed in all work station areas and meeting rooms, for reducing energy consumption when not in use.
- Air Handling Units and Variable Refrigerant Flow system are installed which operate on proper schedule.
- Ample natural lighting is made available from the facade.
- Open lay-out – better air circulation and lighting distribution.
- Co₂ monitoring sensor installed at appropriate places.
- Biodegradable plates/cutlery/glassware are used in the cafeteria and meeting rooms thereby avoiding plastic use and reducing water use for cleaning of utensils.
- Water efficient, aerator type faucets are installed in all washrooms.
- Urinal sensors and low flow flushing system installed leading to reduced water usage.

Employees of the Company have flexi working policy and uses various digital platforms for meetings with their stakeholders, wherever possible. The Company also supports maintenance of a garden in the city as a part of its environmental initiative under CSR activities. Such initiatives indirectly support carbon footprint reduction, to some extent.

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 ₹ 268.95 million and the foreign exchange outgo during the year was ₹ 1,420.48 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, 2020

[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 (2019)				No. of Shares held at the end of the year (2020)				% 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/FI	—	—	—	—	—	—	—	—	—
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/FI	—	—	—	—	—	—	—	—	—
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/FI	1,895	789	2,684	0.0108	1,957	729	2,686	0.0108	0.0000
c) Central Govt	—	—	—	—	—	—	—	—	—
d) State Govt(s)	—	—	—	—	—	—	—	—	—
e) Venture Capital Funds	—	—	—	—	—	—	—	—	—
f) Insurance Companies	227,699	0	227,699	0.9222	199,265	0	199,265	0.8070	(0.1152)
g) Foreign Portfolio Investor	40,623	0	40,623	0.1645	10,467	0	10,467	0.0004	(0.1641)
h) Foreign Venture Capital Funds	—	—	—	—	—	—	—	—	—
i) Others (specify)	—	—	—	—	—	—	—	—	—
UTI	—	—	—	—	—	—	—	—	—
Sub-total (B)(1)	270,417	1,349	271,766	1.1078	211,889	1,289	213,178	0.8213	(0.2865)
2. Non-Institutions									
a) Bodies Corp.:	724,706	0	724,706	2.9351	726,592	0	726,592	2.9427	0.0083
i) Indian	—	—	—	—	—	—	—	—	—
ii) Overseas	—	—	—	—	—	—	—	—	—
b) Individuals:									
i) Individual shareholders holding nominal share capital upto ₹ 1 lakh	4,991,134	479,829	5,470,963	22.1581	5,085,345	418,693	5,504,038	22.2918	0.1337
ii) Individual shareholders holding nominal share capital in excess of ₹ 1 lakh	422,396	0	422,396	1.7107	425,826	0	425,826	1.7246	0.0139
c) Others (specify):									
IEPF	111,804	0	111,804	0.4528	114,616	0	114,616	0.4642	0.0114
Non Resident Indians	226,769	2,762	229,531	0.9297	245,297	3,154	248,451	1.0062	0.0765
Overseas Corporate Bodies	—	—	—	—	—	—	—	—	—
Foreign Nationals	54	0	54	0.0002	54	0	54	0.0002	0.0000
Clearing Members	—	—	—	—	—	—	—	—	—
Trusts	1,822	—	1,822	0.0074	2,072	—	2,072	0.0083	0.0010
Foreign Bodies	—	—	—	—	—	—	—	—	—
NBFCs	7,075	0	7,075	0.0287	5,290	—	5,290	0.0214	(0.0073)
Sub-total (B)(2)	6,485,760	482,591	6,968,351	28.2227	6,605,092	421,847	7,026,939	28.4597	0.237
Total Public Shareholding (B) = (B)(1) + (B)(2)	6,756,177	483,940	7,240,117	29.3308	6,816,981	423,136	7,240,117	29.3231	(0.0077)
C. Shares held by Custodian for GDRs & ADRs	—	—	—	—	—	—	—	—	—
Grand Total (A + B + C)	24,206,857	483,940	24,690,797	100	24,267,661	423,136	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	17,450,680	70.6769	0	17,450,680	70.6769	0	0.0000
	Total	17,450,680	70.6769	0	17,450,680	70.6769	0	0.0000

(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 (30-03-19 to 31-03-20)	
		No. of Shares at the beginning (30-03-19)/end of the year (31-03-20)	% of total Shares of the Company				No. of Shares	% of total Shares of the Company
1	ATUL LIMITED	374,619	1.5172	30.03.2019				
				31.03.2020			374,619	1.5172
2	ANIMA B KAPADIA	135,182	0.5475	30.03.2019				
				12.07.2019	92,155	Purchase	227,337	0.9207
				31.03.2020			227,337	0.9207
3	THE ORIENTAL INSURANCE COMPANY LIMITED	225,175	0.9120	30.03.2019				
				08.11.2019	(5,065)	Sale		
				15.11.2019	(661)	Sale		
				13.12.2019	(1,954)	Sale		
				20.12.2019	(65)	Sale		
				27.12.2019	(762)	Sale		
				10.01.2020	(1,908)	Sale		
				17.01.2020	(3,653)	Sale		
				24.01.2020	(1,860)	Sale		
				31.01.2020	(4,500)	Sale		
				07.02.2020	(3,409)	Sale		
		14.02.2020	(4,597)	Sale				
		31.03.2020				196,741	0.7968	
4	SOHRAB HOMI FRACIS	44,300	0.1794	30.03.2019				
				31.03.2020			44,300	0.1794

Sr. No	Shareholder's Name	Shareholding		Date	Increase/ Decrease in shareholding	Reason	Cumulative Shareholding during the year (30-03-19 to 31-03-20)	
		No. of Shares at the beginning (30-03-19)/ end of the year (31-03-20)	% of total Shares of the Company				No. of Shares	% of total Shares of the Company
5	M. SHANTHA	38,804	0.1572	30.03.2019				
				01.11.2019	(2,000)	Sale	36,804	0.1491
				31.03.2020			36,804	0.1491
6	FEROZA MANECK PATEL	36,274	0.1469	30.03.2019				
				31.03.2020			36,274	0.1469
7	HARESH BABUBHAI DARUVALA	35,091	0.1421	30.03.2019				
				31.03.2020			35,091	0.1421
8	ANAND RATHI GLOBAL FINANCE LIMITED	0	0	30.03.2019				
				30.09.2019	19,067	Purchase	19,067	0.0772
				04.10.2019	2,620	Purchase	21,687	0.0878
				18.10.2019	750	Purchase	22,437	0.0909
				01.11.2019	8,418	Purchase	30,855	0.1250
				08.11.2019	145	Purchase	31,000	0.1256
				07.02.2020	1,500	Purchase	32,500	0.1316
9	SAFINA TOWERS PVT LTD	34,586	0.1401	30.03.2019				
				10.05.2019	414	Purchase	35,000	0.1418
				09.08.2019	(30,000)	Sale	5,000	0.0203
				06.09.2019	30,000	Purchase	35,000	0.1418
				22.11.2019	(7,500)	Sale	27,500	0.1114
10	KUSUM B KAPADIA	92,155	0.3732	30.03.2019				
				12.07.2019	(92,155)	Sale	0	0.0000
				31.03.2020			0	0.0000
11	R. RAJKUMAR	26,371	0.1068	30.03.2019				
				31.03.2020			26,371	0.1068

(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	—	220	—
2	Date-wise increase/decrease in 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	220	—	220	—

Note: As on March 31, 2020, Dr. Rajendra Nath Mehrotra, Independent Director of the Company holds 220 Equity shares. However, the tenure of Dr. Mehrotra as Independent Director of the Company ended on March 31, 2020

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	—	—	18.7	18.7
ii) Interest due but not paid	—	—	—	—
iii) Interest accrued but not due	—	—	—	—
Total (i+ii+iii)	—	—	18.7	18.7
Change in Indebtedness during the financial year				
• Addition	—	—	—	—
• Reduction	—	—	1.4	1.4
Net Change	—	—	1.4	1.4
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)	—	—	17.3	17.3

* 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 Directors			Total Amount
		Milan Paleja*	Sanjay Murdeshwar**	Monaz Noble	
		Vice Chairman & Managing Director (April 1, 2019 – May 31, 2019)	Vice Chairman & Managing Director (June 15, 2019 to March 31, 2020)	Whole Time Director & CFO (April 1, 2019 – May 31, 2019)	
1	Gross salary				
	(a) Salary as per provisions contained in Section 17(1) of the Income-tax Act, 1961	1.2	7.2	2.3	10.7
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961***	—	—	—	—
	(c) Profits in lieu of salary under Section 17(3) Income- tax Act, 1961	—	—	—	—
2	Stock Option	—	—	—	—
3	Sweat Equity	—	—	—	—
4	Commission				
	— as % of profit	—	—	—	—
	— others specify	—	—	—	—
5	Others: Annual Incentive	—	—	—	—
6	Other Long Term Benefits	—	—	0.1	0.1
7	Total (A)	1.2	7.2	2.4	10.8
8	Ceiling as per the Act	15.2 5% of net profit		15.2 5% of net profit	30.4 10% of net profit

* Ceased to be Vice Chairman & Managing Director w.e.f May 31, 2019

** Appointed as Vice Chairman & Managing Director w.e.f June 15, 2019

*** 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	0.5	0.5	0.5	1.5
Commission%	1	1	1	3
Others				
Total (B)(1)	1.5	1.5	1.5	4.5

% The commission approved by the Board for FY 2019-20 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, please specify	—	—
Total (B)(2)	—	—
Total (B) = (B)(1) + (B)(2)	—	4.5
Total Managerial Remuneration	—	4.5*
Overall Ceiling as per the Act (for yearly commission)	—	3 1% of net profit

* includes sitting fees paid to the Independent Directors for attending the Board/ Committee meetings

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	Felix Doss	
		Company Secretary & Compliance Officer	Chief Financial Officer (w.e.f. June 1, 2019 to March 31, 2020)	
1	Gross salary			
	(a) Salary as per provisions contained in Section 17(1) of the Income-tax Act, 1961	6.5	10.0	16.5
	(b) Value of perquisites under Section 17(2) of the Income-tax Act, 1961	—	—	—
	(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	— —	— —	— —
5	Others, Annual Incentive	1.9	3.0	4.9
6	Total (C)	8.4	13.00	21.4
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		No Penalties, Punishments or Compounding of Offences			
Punishment					
Compounding					
B. DIRECTOR					
Penalty		No Penalties, Punishments or Compounding of Offences			
Punishment					
Compounding					
C. OTHER OFFICERS IN DEFAULT					
Penalty		No Penalties, Punishments or Compounding of Offences			
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 Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (**"SEBI 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

a. Composition of the Board of Directors

The Board of Directors of the Company has an optimum combination of Executive, Non-Executive and Independent Directors, including women Directors. The strength of the Board as on March 31, 2020 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 2019-20, Ms. Monaz Noble was re-designated as Non-Executive and Non-Independent director effective June 1, 2019. Further, the term of Dr. Rajendra Nath Mehrotra as an Independent Director of the Company ended on March 31, 2020.

As per Regulation 25(6) of SEBI Listing Regulations in case of vacation of office of any Independent Director, the resulting vacancy shall be filled by the Board at the earliest but not later than the immediate next meeting of the Board of Directors or three months from the date of such vacancy, whichever is later.

In compliance with this Regulation, the Board of Directors at its Meeting held on June 19, 2020, appointed Mr. Sanker Parameswaran as an Additional Director (Independent and Non-Executive) of the Company for a period of 5 (five) consecutive years w.e.f. June 22, 2020 subject to the approval of the Members. Business with respect to his appointment is one of the agenda items of the ensuing 72nd Annual General Meeting of the Company.

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

b. Details of meetings of the Board of Directors and Annual General Meeting held during the year under review, along with the attendance of Directors at each meeting

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 six Board meetings were held and the gap between the meetings did not exceed one hundred and twenty days as stipulated under Section 173(1) of the Companies Act, 2013 ("the Act") and Regulation 17(2) of the SEBI Listing Regulations and the Secretarial Standards issued by the Institute of Company Secretaries of India. The necessary quorum was present for all the meetings.

The said meetings were held on April 23, 2019, May 23, 2019, June 15, 2019, August 8, 2019, November 8, 2019 and February 11, 2020, each meeting being consecutively numbered from 1 to 6.

Details of Directors as on March 31, 2020 and their attendance at the Board Meetings and Annual General Meeting ("AGM") during the financial year ended March 31, 2020 are given below:

Name of the Director	Meetings of the Board for the Financial Year 2019-20							Attendance at the AGM
	No. of Meetings held during the tenure of the Director	Attendance of Directors						August 9, 2019
		1	2	3	4	5	6	
Mr. C. Snook	6	@	√	√	√	√	√	√
Mr. M. Paleja*	2	LoA	LoA	Not applicable				
Mr. S. Murdeshwar#	3	Not applicable			√	√	√	√
Ms. M. Noble	6	LoA	√	√	√	√	√	√
Mr. J. Hiremath	6	√	√	√	√	√	√	√
Dr. R. Mehrotra%	6	√	√	√	√	√	√	√
Ms. S. Martyres	6	√	√	√	√	√	√	√

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

@ Attended through telephone conference

Mr. S. Murdeshwar appointed w.e.f. June 15, 2019

% Dr. R. Mehrotra retired w.e.f. March 31, 2020

LoA - Leave of Absence granted

c. Details of Directors including their Directorship/ Committee positions in other entities

In terms of the provisions of Sections 165 and 184 of the Act and Regulation 17A and 26 of the SEBI Listing Regulations, the Directors present necessary disclosures regarding the positions held by them on the Board and/or Committees of other public and/or private companies, from time to time.

The details of each Director along with the number of Directorships/Committee memberships/Chairmanships and their shareholding in the Company as on March 31, 2020, are provided herein below:

Sr. No.	Name	Category	Date of joining	No. of Directorships/ Committee Memberships/ Chairmanships (Including Novartis India Limited)				
				Directorships under Section 165			Committee Memberships	Committee Chairmanships
				Public Companies		Private Cos./ Section 8 Cos.		
				Listed	Unlisted			
1.	Mr. C. Snook	Non-Executive Chairman	01.08.2008	1	—	—	2	—
2.	Mr. M. Paleja*	Vice Chairman and Managing Director	01.06.2018	1	—	—	1	1
3.	Mr. S. Murdeshwar#	Vice Chairman and Managing Director	15.06.2019	1	—	2	1	—
4.	Ms. M. Noble@	Non-Executive & Non-Independent Director	13.06.2016	1	1	1	2	—
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	1	3	1	—

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

#Mr. S. Murdeshwar appointed w.e.f. June 15, 2019

@Ms. M. Noble appointed as Non-Executive & Non-Independent Director w.e.f. June 1, 2019

%Dr. R. Mehrotra retired w.e.f. March 31, 2020

- i. Excluding Directorships outside of India.
- ii. Membership and Chairmanship in Audit Committee and Stakeholder Relationship Committee of all public limited companies, whether listed or not, including Novartis India Limited.

Except Dr. R. Mehrotra, no other Directors and their relatives hold shares in the Company. Dr. R. Mehrotra holds 220 shares of the Company as on March 31, 2020.

Details of Directorship as on March 31, 2020 in other listed entities are given below:

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

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

#Mr. S. Murdeshwar appointed w.e.f. June 15, 2019

%Dr. R. Mehrotra retired w.e.f. March 31, 2020

d. Independent Directors

All the Independent Directors on the Board of the Company are Non-Executive Directors pursuant to Regulation 16 of the SEBI Listing Regulations.

All the 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 SEBI 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 Listing Regulations, 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, 2020. 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

Separate meeting of Independent Directors

Pursuant to Schedule IV of the Act and Regulation 25 of SEBI Listing Regulations, the Independent Directors met once during the year i.e. on April 23, 2019, without the presence of Non-Independent Directors, Executive Directors or management representatives.

The Independent Directors *inter alia* discussed the performance of the Board, Non-Independent Directors, the management of the Company, matters arising out of the Board and Committee meetings and assessed the quality, quantity and timeliness of flow of necessary information between the management and the Board, required for the Board to effectively and reasonably perform its duties.

All the Independent Directors were present at the meeting.

Familiarisation

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 familiarisation provided to the Directors of the Company are available on the Company’s website www.novartis.in

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

The Board of Directors 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:

Skills and its description	Mr. Snook	Mr. Murdeshwar	Mr. Hiremath	Ms. Martyres	Ms. Noble	Dr. Mehrotra*
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 and public affairs in which the Company operates	√	√	√	√	√	√
Technical Technical/professional skills to assist with ongoing aspects of the Company's Board role	Governance Strategy Management	Sales & Marketing Management Business Administration Governance Strategy	Accounting Finance Business Management	Banking Finance Risk Management Planning and Audit	Finance Governance Cost Management Risk Management	Technical - Human Resource Management, Industrial Relations, Labour Laws, Management Consultant and Academician
Legal & Governance Knowledge and understanding of legal and regulatory landscape in which the Company 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 Boardroom	√	√	√	√	√	√
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	√	√	√	√	√	√

* Dr. R. Mehrotra retired w.e.f. March 31, 2020

3. Committees of the Board

i. Audit Committee

The role of the Audit Committee is in accordance with Regulation 18 of the SEBI 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 and 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
- Review compliance with the provisions of SEBI (Prohibition of Insider Trading) Regulations, 2015, at regular intervals.
- The Chairman of the Committee to attend the General Meeting to respond to the queries of shareholders.

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

The Vice Chairman & Managing Director, Non-Independent 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 23, 2019; August 8, 2019, November 8, 2019 and February 11, 2020, each meeting being consecutively numbered from 1 to 4.

Constitution of the Audit Committee and attendance details during the financial year ended March 31, 2020 are given below:

Name of the Member	Category	Meetings of the Committee for the Financial Year 2019-20				
		No. of Meetings held during the tenure	1	2	3	4
Mr. J. Hiremath	Chairman of the Committee; Non-Executive and Independent Director	4	√	√	√	√
Dr. R. Mehrotra*	Member; Non-Executive and Independent Director	4	√	√	√	√
Mr. C. Snook	Member; Non-Executive	4	√	√	√	√
Ms. S. Martyres	Member; Non-Executive and Independent Director	4	√	√	√	√

* Dr. R. Mehrotra retired w.e.f. March 31, 2020

ii. Nomination and Remuneration Committee

The role of the Nomination and Remuneration Committee is in accordance with Regulation 19 of the SEBI 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 SEBI Listing Regulations
- Recommend to the Board the appointment and removal of Directors and Senior Management
- Recommend to the Board all remuneration in whatever form payable to 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 23, 2019 and February 11, 2020, each meeting being consecutively numbered from 1 to 2.

Constitution of the Nomination and Remuneration Committee and attendance details during the financial year ended March 31, 2020 are given below:

Name of the Member	Category	Meetings of the Committee for the Financial Year 2019-20		
		No. of Meetings held during the tenure	1	2
Dr. R. Mehrotra*	Chairman of the Committee; Non-Executive and Independent Director	2	√	√
Mr. C. Snook	Member; Non-Executive	2	√	√
Mr. J. Hiremath	Member; Non-Executive and Independent Director	2	√	√

* Dr. R. Mehrotra retired w.e.f. March 31, 2020

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 are 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.

The Nomination and Remuneration Policy of the Company is available on the website of the Company at www.novartis.in.

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 SEBI 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 SEBI 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 SEBI 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 six months' notice. The Company may, at its sole discretion, relieve the Managing Director of his duties any time by giving six 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 three months' notice. The Company may, at its sole discretion, relieve the Whole Time Director of his/her duties at any time by giving three months' notice. It may be noted that Ms. Monaz Noble has been the Whole Time Director only for two months of April and May 2019 during the year under review and thereafter she has been re-designated as a Non-Executive and Non-Independent Director effective June 1, 2019. Consequent to such new role, Ms. Noble is not entitled to any remuneration from the Company effective that date.

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. M. Paleja*	1.2	-	-	-	-	1.2
Mr. S. Murdeshwar@	7.2	-	-	-	-	7.2
Ms. M. Noble&	2.3	-	-	-	0.1	2.4
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, 2019

@ Appointed as Vice Chairman & Managing Director w.e.f. June 15, 2019

& Salary received as Whole time Director of the Company for 2 months of April & May

% Retired as Independent Director w.e.f. March 31, 2020

iii. Stakeholders Relationship Committee

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

The terms of reference for the Stakeholders Relationship Committee includes:

- Resolving the grievances of the security holders of the listed entity including complaints related to transfer/transmission of shares, non-receipt of annual report, non-receipt of declared dividends, issue of new/duplicate certificates, general meetings etc.
- Review of measures taken for effective exercise of voting rights by shareholders.
- Review of adherence to the service standards adopted by the listed entity in respect of various services being rendered by the Registrar & Share Transfer Agent.
- Review of the various measures and initiatives taken by the listed entity for reducing the quantum of unclaimed dividends and ensuring timely receipt of dividend warrants/annual reports/statutory notices by the shareholders of the company.
- The Chairman of the Committee to attend the General Meeting to respond to queries of shareholders.

During the period under review, the Stakeholders Relationship Committee met four times on May 23, 2019, August 8, 2019, November 8, 2019 and February 11, 2020, each meeting being consecutively numbered from 1 to 4.

Details of constitution and attendance details of the Stakeholders Relationship Committee as on March 31, 2020 are given below:

Name of the Member	Category	Meetings of the Committee for the Financial Year 2019-20				
		No. of Meetings held during the tenure	1	2	3	4
Dr. R. Mehrotra [%]	Chairman of the Committee; Non-Executive and Independent Director	4	√	√	√	√
Mr. C. Snook	Member; Non-Executive	4	√	√	√	√
Mr. M. Paleja [*]	Member, Vice Chairman & Managing Director	1	LoA	Not Applicable		
Mr. S. Murdeshwar [#]	Member, Vice Chairman & Managing Director	3	Not Applicable	√	√	√
Ms. M. Noble	Member; Non-Executive and Non-Independent Director	4	√	√	√	√

[%]Dr. R. Mehrotra retired w.e.f. March 31, 2020

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

[#]Mr. S. Murdeshwar appointed w.e.f. June 15, 2019

LoA – Leave of Absence

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

The Stakeholders Relationship Committee was re-constituted and Mr. Sanjay Murdeshwar, Vice Chairman and Managing Director was appointed as a member of the Committee with effect from June 15, 2019.

During the financial year, 7 complaints were received from shareholders, on the SEBI SCORES Platform out of which 7 have been attended/resolved. There was no complaint from shareholders pending as on March 31, 2020. All shareholder grievances were attended and resolved within thirty days. The Chairperson of the Stakeholders Relationship Committee shall be present at the Annual General Meeting of the Company to answer queries of the security holders.

iv. 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 23, 2019 and November 8, 2019, each meeting being consecutively numbered from 1 to 2.

Details of constitution and attendance details of the CSR Committee as on March 31, 2020 are given below:

Name of the Member	Category	Meetings of Committee for the Financial Year 2019-20		
		No. of Meetings held during the tenure	1	2
Mr. M. Paleja*	Chairman of the Committee; Vice Chairman & Managing Director	1	LoA	Not Applicable
Mr. S. Murdeshwar#	Chairman of the Committee; Vice Chairman & Managing Director	1	Not Applicable	√
Ms. S. Martyres	Member; Non-Executive and Independent Director	2	√	√
Ms. M. Noble	Member; Non-Executive	2	√	√

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

#Mr. S. Murdeshwar appointed w.e.f. June 15, 2019

LoA – Leave of Absence

The CSR Committee was re-constituted and Mr. Sanjay Murdeshwar, Vice Chairman & Managing Director was appointed as Chairman of the Committee with effect from June 15, 2019.

Annual Report on CSR activities is a part of the Directors' Report, which details the various CSR projects undertaken by the Company during FY 2019-20.

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.

4. General Body Meetings

i. Annual General Meetings:

AGM for the Financial Year	Location of holding AGM	Date and time of AGM
2018-2019	Mumbai Cricket Association [MCA] Banquet Hall, Ground Floor, G Block BKC, RG – 2, Bandra (E), Mumbai 400 051	August 9, 2019 at 11:30 a.m.
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.

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

Particulars of Special Resolutions passed at the last 3 Annual General Meetings:

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.

ii. Postal Ballot:

No Special Resolution was passed through postal ballot during the Financial Year 2019-20. However during the previous Financial Year 2018-19, a postal ballot dated February 4, 2019 was approved by the members of the Company through Special Resolution, for 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. The voting results and details of person who conducted the postal ballot exercise are available on the Company's website.

No special resolution is currently proposed to be conducted through postal ballot.

5. 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.

The details of complaints related to sexual harassment are provided below:

Sr. No	Particulars	No. of complaints
i.	Number of complaints filed during the financial year 2019-20	One
ii.	Number of complaints disposed of during the financial year 2019-20	One
iii.	Number of complaints pending as on end of the financial year 2019-20	None

6. Other 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.

Appropriate disclosures and policies are available on the website of the Company i.e. www.novartis.in

7. 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.

8. Affirmation and disclosure

All Members of the Board and Senior Management of the Company have affirmed their compliance with the Code of Conduct of the Company as on March 31, 2020 and a declaration to that effect, signed by the Managing Director of the Company forms part of this report.

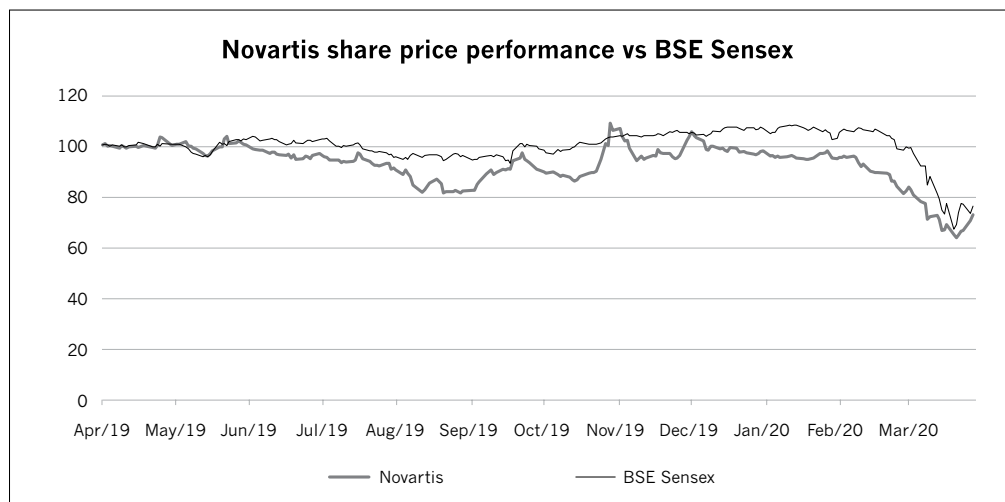
9. General shareholder Information

AGM day, date, venue and time	: Friday, August 7, 2020 through Video conferencing or Other Audio Visual Means at 11:30 a.m.
Financial Year	: April 1 to March 31
First quarter results	: First fortnight of August 2020
Second quarter results	: First fortnight of November 2020
Third quarter results	: Second fortnight of January 2021
Results for the year ending March 2021	: Second fortnight of May 2021
Date of Book closure	: Friday, July 31, 2020 to Friday, August 07, 2020 (Both days inclusive)
Dividend payment date	: On or after August 14, 2020
Listing on Stock Exchange	: BSE Limited, Mumbai
Payment of annual listing fees	: The annual listing fees for the year 2020-21 have been 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 2019	730.00	680.00
May 2019	730.00	661.20
June 2019	697.00	650.00
July 2019	684.90	625.10
August 2019	647.00	558.00
September 2019	675.00	562.50
October 2019	780.00	591.40
November 2019	764.00	640.00
December 2019	742.40	661.05
January 2020	698.90	652.00
February 2020	684.00	567.80
March 2020	594.00	420.05

Novartis share price performance versus BSE Sensex during April 2019 – March 2020



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

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
 Email: rnt.helpdesk@linkintime.co.in

Share Transfer System : Share transfers/transmissions 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/transmissions 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. It may be noted that as per latest SEBI Listing Regulations, no physical share transfers are permitted w.e.f. April 1, 2019.

Distribution of shareholding as on March 31, 2020

Sr. No.	No. of Equity Shares		Shareholder(s)		Shareholding(s)	
	From	To	Nos.	%	Nos.	%
1.	1	500	40972	96.262	3373465	13.6628
2.	501	1000	906	2.1286	674921	2.7335
3.	1001	2000	362	0.8505	520443	2.1078
4.	2001	3000	130	0.3054	326233	1.3213
5.	3001	4000	57	0.1339	201706	0.8169
6.	4001	5000	33	0.0775	150272	0.6086
7.	5001	10000	56	0.1316	371278	1.5037
8.	10001 and above		47	0.1104	19072479	77.2453
Total			42563	100.00	24690797	100

Shareholding pattern as on March 31, 2020

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 & UTI	760	0.0031
b. Banks, Financial Institutions, Insurance Companies (Central/ State Govt. Institutions/Non-Govt. Institutions)	201,951	0.8179
c. FIIs/FPIs	10,467	0.0424
Sub-Total	213,178	0.8634
4. Others		
a. Private Corporate Bodies	848,570	3.4368
b. Indian Public	5,929,644	24.0156
c. NRIs/OCBs	248,505	1.0065
d. Directors and their relatives	220	0.0009
Sub-Total	7,026,939	28.4597
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, 2020, 98.29 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

Email: 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, 2020.

For Novartis India Limited

Sanjay Murdeshwar
Vice Chairman and
Managing Director

Mumbai, June 19, 2020

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,
NOVARTIS INDIA LIMITED
CIN: L24200MH1947PLC006104
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 400051 IN (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 and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

In my opinion and to the best of my 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 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 ended March 31, 2020 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.	Christopher David Snook	00369790	01/08/2008
3.	Sandra Martyres	00798406	19/04/2016
4.	Sanjay Prabhakar Murdeshwar	01481811	15/06/2019
5.	Monaz Noble	03086192	13/06/2016
6.	Rajendra Nath Mehrotra#	00172639	30/05/2000

* the date of appointment is as per the MCA Portal.

the tenure of Dr. Rajendra Nath Mehrotra as an Independent Director of the Company has ended on March 31, 2020.

Ensuring the eligibility of the appointment/continuity of every Director on the Board is the responsibility of the management of the Company. My 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)

K. G. Saraf
Proprietor
FCS 1596 : CP 642

Place : Mumbai
Date : June 12, 2020
FRN : S1988MH004801
UDIN : F001596B000337316

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

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 31 March 2020.

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 19, 2020

DR. K. R. CHANDRATRE
Practising Company Secretary
FCS No. 1370
Certificate of Practice No. 5144
UDIN : F001370B000358287

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 employees 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.	Email ID	:	india.investors@novartis.com
6.	Financial Year reported	:	April 1, 2019 – March 31, 2020
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	:	123.4
2.	Total Turnover	:	4,382.5
3.	Total profit after taxes	:	100.8
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 : 01481811
Name : Sanjay Murdeshwar
Designation : Vice Chairman & Managing Director

- b) Details of the BR head

Sr. No.	Particulars	Details
1.	DIN Number (if applicable)	01481811
2.	Name	Sanjay Murdeshwar
3.	Designation	Vice Chairman & Managing Director
4.	Telephone number	022 5024 3000
5.	Email ID	india.investors@novartis.com

2. Principle-wise (as per NVGs) BR 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.

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	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 2019-20 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 have zero tolerance for unethical behaviour by any of our employees 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.

Associates: we treat our associates fairly and respectfully.

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

Healthcare partners: we strive to be a trusted leader in changing the practice of medicine.

Society: we aspire to be a good corporate citizen.

Every Novartis employee 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 SpeakUp Office. 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. However, 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 material 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.

An Employee Assistance Program (EAP) is available to employees and family members through a third party service provider to help deal with any issues – personal or professional – that may be impacting productivity, morale and well-being in a confidential manner.

The Health, Safety and Environment committee works on providing a safe and a healthy environment for employees who are also trained in 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 552 regular employees as at March 31, 2020. Of these there were 41 women employees. In addition, 37 employees were hired on a temporary/ contractual/ casual basis.

The Company has one recognized employees’ union affiliated to Bhartiya Kamgar Karmachari Mahasangh (BKMM) which is operating in pharma sales division/field force. Around 386 employees i.e. 79.0 percent form 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 2019-20

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 access to healthcare and very low health awareness.

Arogya Parivar has reached over 58 million Indians across 18,000 villages in 15 states over the past 13 years. We endeavour to inculcate positive health seeking behavior in the community and enable access to quality medicines through various health initiatives.

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 2019-20, under this principle.

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 <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 / active participant 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 and is funding the digitalization of the database of patients at the Sivananda Rehabilitation Home in the hope that this will eventually lead to early diagnosis.

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 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, creating education material for children from less privileged schools among others.

Regular 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 ₹ 4.3 million and through NGOs/Implementing Agency is ₹ 15.7 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 employees, our shareholders, our healthcare partners, and society at large.

Our Code of Conduct reflects our commitment 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 Act & 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, 2020, 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, 2020, 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> <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 statement 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, 2020 taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2020 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 26(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)
(UDIN: 20102042AAAABB1249)

Place : Mumbai
Date : 19th June, 2020

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, 2020)

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, 2020 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 Act, 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, 2020, 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)
(UDIN: 20102042AAAABB1249)

Place : Mumbai
Date : 19th June, 2020

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, 2020)

- (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, 2020 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, Sales Tax, Service Tax, Excise Duty, Value Added Tax, Customs Duty, Cess and other material statutory dues in arrears as at 31st March, 2020 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, 2020 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's level	Assessment years 1994-95, and 2010-11 to 2019-20	2,634.0	2,284.9
		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	615.4	545.0
		Tribunal	1993-1994, 2001-2002 to 2005-2006, 2007-08 and 2010-2011 to 2012-2013	83.1	52.3
		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)
(UDIN: 20102042AAAABB1249)

Place : Mumbai
Date : 19th June, 2020

Balance Sheet as at 31st March, 2020

	Notes	As at 31 st March 2020 in ₹ million	As at 31 st March 2019 in ₹ million
Assets			
Non-Current Assets			
Property, Plant and Equipment	2	119.9	149.8
Right-of-Use Assets	34	642.9	—
Financial Assets			
(i) Loans	3(a)	3.4	6.4
(ii) Other Financial Assets	3(b)	43.6	34.0
Deferred Tax Assets	4	247.4	214.4
Income Tax Assets (Net)	5	1,276.4	1,048.0
Other Non-Current Assets	6	311.5	307.1
		2,645.1	1,759.7
Current Assets			
Inventories	7	586.8	605.1
Financial Assets			
(i) Trade Receivables	8	376.0	455.9
(ii) Cash and Cash Equivalents	9(a)	791.2	877.6
(iii) Bank Balances other than (ii) above	9(b)	5,027.9	5,242.6
(iv) Loans	3(a)	0.6	0.6
(v) Other Financial Assets	3(b)	510.9	328.1
Other Current Assets	10	827.7	544.6
		8,121.1	8,054.5
Assets held for sale	11	10.2	10.2
Total Assets		10,776.4	9,824.4
Equity and Liabilities			
Equity			
Equity Share Capital	12	123.4	123.4
Other Equity	13	7,083.9	7,468.5
		7,207.3	7,591.9
Liabilities			
Non-Current Liabilities			
Financial Liabilities			
(i) Lease Liabilities	34	564.6	—
(ii) Other Financial Liabilities	14(a)	17.3	18.7
Provisions	16	659.3	350.3
Other Non-Current Liabilities	15	—	13.4
		1,241.2	382.4
Current Liabilities			
Financial Liabilities			
(i) Trade Payables			
– total outstanding dues of micro enterprises and small enterprises	14(b)	7.7	6.0
– total outstanding dues of creditors other than micro enterprises and small enterprises	14(b)	718.3	908.0
(ii) Lease Liabilities	34	118.3	—
(iii) Other Financial Liabilities	14(a)	1,106.3	597.5
Other Current Liabilities	18	105.3	78.7
Provisions	16	185.3	172.5
Current Tax Liabilities (Net)	17	86.7	87.4
		2,327.9	1,850.1
Total Equity and Liabilities		10,776.4	9,824.4

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
Chartered Accountants

Sanjay Murdeshwar
Vice Chairman &
Managing Director
DIN: 01481811

Monaz Noble
Non-Executive &
Non Independent Director
DIN: 03086192

Rakesh N. Sharma
Partner

Trivikram Guda
Company Secretary &
Compliance Officer

Felix Doss
Chief Financial Officer

Mumbai, 19th June, 2020

Mumbai, 19th June 2020

Statement of Profit and Loss for the year ended 31st March, 2020

	Notes	Year ended 31 st March 2020 in ₹ million	Year ended 31 st March 2019 in ₹ million
Income			
Revenue from Operations	19	4,382.5	4,906.8
Other Income	20	361.4	782.6
Total Income		4,743.9	5,689.4
Expenses			
Purchases of Stock-in-Trade		1,804.9	2,026.0
Changes in Inventories of Stock-in-Trade	21	18.3	(39.5)
Employee Benefits Expense	22	1,138.7	1,171.1
Finance Costs	23	63.9	15.9
Depreciation and Amortisation Expense	24	131.4	31.8
Other Expenses	25(a)	1,300.3	1,626.4
Total Expenses		4,457.5	4,831.7
Profit before Tax		286.4	857.7
Tax Expense			
	30		
Current Tax		152.2	332.7
Deferred Tax		33.4	7.3
Total Tax Expense		185.6	340.0
Profit for the year		100.8	517.7
Other Comprehensive Income			
Items that will not be reclassified to profit or loss			
Remeasurements of Defined Benefit Plans		(263.7)	24.9
Income tax relating to these items		66.4	(8.7)
Other Comprehensive Income for the year		(197.3)	16.2
Total Comprehensive (Loss) / Income for the year		(96.5)	533.9
Earnings per Share – Basic and Diluted [per Equity Share of ₹ 5 each]	35	4.08	20.97

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
Chartered Accountants

Sanjay Murdeshwar
Vice Chairman &
Managing Director
DIN: 01481811

Monaz Noble
Non-Executive &
Non Independent Director
DIN: 03086192

Rakesh N. Sharma
Partner

Trivikram Guda
Company Secretary &
Compliance Officer

Felix Doss
Chief Financial Officer

Mumbai, 19th June, 2020

Mumbai, 19th June 2020

Statement of Changes in Equity for the year ended 31st March, 2020

A. Equity Share Capital

	Note 12	Amount in ₹ million
Balance as at 1st April, 2018		123.4
Change in Equity Share Capital during the year		—
Balance as at 31st March, 2019		123.4
Change in Equity Share Capital during the year		—
Balance as at 31st March, 2020		123.4

B. Other Equity

	Attributable to the equity holders of the Company				in ₹ million
	Reserves and Surplus				
	Note 13	Capital Redemption Reserve	Share Options Outstanding Account	Retained Earnings	Total Other Equity
Balance as at 1st April, 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 22]		—	(7.6)	—	(7.6)
Balance as at 31st March, 2019		36.4	(42.5)	7,474.6	7,468.5
Profit for the year		—	—	100.8	100.8
Other Comprehensive Income for the year		—	—	(197.3)	(197.3)
Total Comprehensive Income for the year		—	—	(96.5)	(96.5)
Payment of Dividends [including Dividend distribution tax of ₹ 50.8 million]		—	—	(297.7)	(297.7)
Amount recharged by Group Company (net)		—	(27.2)	—	(27.2)
Expenses charged to Statement of Profit and Loss (net) [Refer Note 22]		—	36.8	—	36.8
Balance as at 31st March, 2020		36.4	(32.9)	7,080.4	7,083.9

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
Chartered Accountants

Rakesh N. Sharma
Partner

Mumbai, 19th June, 2020

For and on behalf of the Board

Sanjay Murdeshwar
Vice Chairman &
Managing Director
DIN: 01481811

Trivikram Guda
Company Secretary &
Compliance Officer

Mumbai, 19th June, 2020

Monaz Noble
Non-Executive &
Non Independent Director
DIN: 03086192

Felix Doss
Chief Financial Officer

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 19th June, 2020.

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 as at and for the year ended 31st March, 2020

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.

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 Equipment#	3 years to 12.5 years
Furniture and Fixtures	10 years
Vehicles#	5 years
Office Equipment	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.

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.

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:

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

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.

The Company measures the loss allowance for 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 at 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.

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

Notes forming part of the Financial Statements as at and for the year ended 31st March, 2020

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.

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

Notes forming part of the Financial Statements as at and for the year ended 31st March, 2020

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 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.

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 31).

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

Accounting under Ind AS 116 “Leases” w.e.f. 1st April, 2019

As a lessee:

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Company recognises a right-of-use asset and a lease liability at the lease commencement date except for leases with a term of twelve months or less (short-term leases) and low value leases. For these short-term and low value leases, the lease payments associated with these leases are recognised as an expense on a straight-line basis over the lease term. Lease term is a non-cancellable period together with periods covered by an option to extend the lease if the Company is reasonably certain to exercise that option; and periods covered by an option to terminate the lease if the Company is reasonably certain not to exercise that option.

The right-of-use asset is initially measured at cost at the commencement date. At the commencement date, the lease liability is measured at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company’s incremental borrowing rate. The Company uses its incremental borrowing rate as the discount rate.

After the commencement date, the right-of-use asset is measured at cost less any accumulated depreciation and any accumulated impairment losses, and the lease liability is measured by (i) increasing the carrying amount to reflect interest on the lease liability; (ii) reducing the carrying amount to reflect the lease payments made; and (iii) remeasuring the carrying amount to reflect any reassessment or lease modifications, or to reflect revised in-substance fixed lease payments.

Interest on the lease liability in each period during the lease term is the amount that produces a constant periodic rate of interest on the remaining balance of the lease liability. Interest expense on the lease liability is a component of finance costs.

Transition to Ind AS 116:

Effective 1st April, 2019, the Company adopted Ind AS 116 “Leases”, with respect to lease contracts outstanding as on 1st April, 2019 with the transition option of not retrospectively adjusting the comparative information presented and recognising the Right-of-Use asset at an amount equal to the lease liability as on 1st April, 2019. The effect of adoption of Ind AS 116 on the profit for the year and earnings per share is not significant. The nature of expenses in respect of operating leases has changed from lease rent, included in other expenses, in previous year to depreciation cost for the right-to-use asset and finance cost for interest accrued on lease liability.

Also refer Note 34.

Accounting under Ind AS 17 “Leases” up to 31st March, 2019

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.

Notes forming part of the Financial Statements as at and for the year ended 31st March, 2020

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. 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 16(a)]

Estimation of Provision and Contingent Liabilities [Refer Note 26 (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, 2020

2. Property, Plant and Equipment

(in ₹ million)

Particulars	Tangible Assets						
	Buildings	Plant and Equipment	Furniture and Fixtures	Vehicles	Office Equipment	Leasehold Improvements	Total
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
As at 1st April, 2019							
Gross carrying amount							
Opening gross carrying amount	1.7	102.0	23.0	—	21.2	91.4	239.3
Additions	—	5.0	2.7	—	0.7	1.6	10.0
Disposals	—	(34.5)	(3.9)	—	(1.2)	(1.8)	(41.4)
As at 31st March, 2020	1.7	72.5	21.8	—	20.7	91.2	207.9
Accumulated depreciation							
Opening accumulated depreciation	0.7	64.3	7.7	—	8.3	8.5	89.5
Depreciation/amortisation charge during the year	0.1	23.0	3.6	—	3.2	9.0	38.9
Disposals	—	(34.2)	(3.2)	—	(1.2)	(1.8)	(40.4)
As at 31st March, 2020	0.8	53.1	8.1	—	10.3	15.7	88.0
Net carrying amount							
As at 31st March, 2020	0.9	19.4	13.7	—	10.4	75.5	119.9
Note							
Refer Note 11							

Notes forming part of the Financial Statements as at and for the year ended 31st March, 2020

	31 st March 2020		31 st March 2019	
	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	3.4	0.6	6.4
Total Loans	0.6	3.4	0.6	6.4
3(b). Other financial assets:				
Tender Deposits				
Unsecured, considered good	—	7.4	—	5.5
Considered Doubtful	—	5.3	—	4.1
Less: Allowance for Doubtful Deposits	—	(5.3)	—	(4.1)
	—	7.4	—	5.5
Security Deposits	1.0	27.9	5.7	22.6
Deposits with banks with maturity of more than twelve months	—	8.3	—	5.9
Receivable from Related Parties (Refer Note 33)	358.5	—	190.0	—
Taxes recoverable	145.0	—	127.8	—
Others				
— Expenses Recoverable	6.4	—	4.6	—
Total Other Financial Assets	510.9	43.6	328.1	34.0

4. Deferred Tax Assets

The balance comprises temporary differences attributable to:

	31 st March 2020	31 st March 2019
	in ₹ million	in ₹ million
Property, Plant and Equipment	21.8	24.0
Allowances for Doubtful Debts, Advances and Deposits	19.8	27.4
Compensation under Voluntary Retirement Scheme	1.1	2.4
Provision for Employee Benefits	184.8	151.7
Others	19.9	8.9
Total Deferred Tax Assets	247.4	214.4

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 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
(Charged)/Credited						
— To Profit or Loss	(2.2)	(7.6)	(1.3)	(33.3)	11.0	(33.4)
— To Other Comprehensive Income	—	—	—	66.4	—	66.4
At 31st March 2020	21.8	19.8	1.1	184.8	19.9	247.4

5. Income Tax Assets (Net)

	31 st March 2020	31 st March 2019
	in ₹ million	in ₹ million
Advance income tax [net of provisions ₹ 8,721.2 million (As at 31 st March, 2019 ₹ 8,587.5 million)]	1,276.4	1,048.0
Total Income Tax Assets (Net)	1,276.4	1,048.0

Notes forming part of the Financial Statements as at and for the year ended 31st March, 2020

6. Other Non-Current Assets

	31st March 2020	31st March 2019
	in ₹ million	in ₹ million
Balances with Government authorities		
VAT Receivable (including amount paid under protest)	193.7	186.8
Custom duty (paid under protest)	21.6	21.6
Deposits		
Considered Good	5.7	6.4
Considered Doubtful	30.2	30.0
	35.9	36.4
Less: Allowance for Doubtful Deposits	(30.2)	(30.0)
	5.7	6.4
Wealth Tax [net of provisions of ₹ 23.6 million (As at 31 st March, 2019 ₹ 23.6 million)]	40.2	40.2
Fringe Benefits Tax [net of provisions of ₹ 135.6 million (As at 31 st March, 2019 ₹ 135.6 million)]	20.3	20.3
Prepayment	30.0	31.8
Total Other Non-Current Assets	311.5	307.1

7. Inventories

	31st March 2020	31st March 2019
	in ₹ million	in ₹ million
Stock-in-Trade [including in transit of ₹ 55 million (As at 31 st March, 2019, ₹ 5.9 million)]	586.8	605.1
Total Inventories	586.8	605.1

The cost of inventory recognised as an expense includes ₹ 73.1 million (previous year ₹ 91.6 million) in respect of write-downs of inventory, and has been reduced by ₹ 5.6 million (previous year ₹ 9.7 million) in respect of the reversals of such write-downs.

The cost of inventories recognised as an expense is disclosed in Notes 21 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 notices received during the previous year from Drugs Licensing Authority, Daman to the supplier of a product, the Company has suspended 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 had, 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. Based on the actual sales return during the year and stock position as at 31st March, 2020, the provision carried in the books of account in this respect aggregate ₹ 41.9 million.

8. Trade Receivables (Unsecured)

	31st March 2020	31st March 2019
	in ₹ million	in ₹ million
Considered good	376.0	455.9
Doubtful	42.9	44.4
	418.9	500.3
Less: Allowance for Bad and Doubtful Debts	(42.9)	(44.4)
Total Trade Receivables	376.0	455.9
Trade Receivables		
Receivables from Related Parties, Considered Good [Refer Note 33] (A)	88.1	203.2
Receivables from Other Parties		
Considered Good	287.9	252.7
Doubtful	42.9	44.4
	330.8	297.1
Less: Allowance for Bad and Doubtful Debts	(42.9)	(44.4)
Total Receivables from Other Parties (B)	287.9	252.7
Total Trade Receivables (A + B)	376.0	455.9

Notes forming part of the Financial Statements as at and for the year ended 31st March, 2020

9(a). Cash and Cash Equivalents

	<u>31st March 2020</u>	<u>31st March 2019</u>
	in ₹ million	in ₹ million
Balances with Banks		
— in Current Accounts	119.1	215.0
— Deposits with original maturity of less than 3 months	672.1	662.6
Cash on Hand	—	*
Total Cash and Cash Equivalents	<u>791.2</u>	<u>877.6</u>

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

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

	<u>31st March 2020</u>	<u>31st March 2019</u>
	in ₹ million	in ₹ million
Earmarked balances with banks		
— Unpaid Dividend Accounts	15.2	15.2
Bank deposits with maturity of more than 3 months but less than 12 months	5,012.7	5,227.4
Total Other Bank Balances	<u>5,027.9</u>	<u>5,242.6</u>

10. Other Current Assets

	<u>31st March 2020</u>	<u>31st March 2019</u>
	in ₹ million	in ₹ million
Balances with Government Authorities	734.5	511.5
Others		
— Advances to Vendors	20.1	17.1
— Prepayment	70.8	12.8
— Advances to Employees	2.3	3.2
Total Other Current Assets	<u>827.7</u>	<u>544.6</u>

11. Assets held for sale

	<u>31st March 2020</u>	<u>31st March 2019</u>
	in ₹ million	in ₹ million
Building [Refer Note 2]#	10.2	10.2
Total Assets held for sale	<u>10.2</u>	<u>10.2</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.

The Company had sold 2 residential flats during the previous year, the resultant gain in respect of which is recognised in the Statement of Profit and Loss [Refer Note 20].

The Company expects remaining residential flat and commercial premise to be sold within one year. There are no liabilities directly associated with assets classified as held for sale.

Notes forming part of the Financial Statements as at and for the year ended 31st March, 2020

12. Equity Share Capital

	Number of shares	Amount in ₹ million		
Authorised Share Capital				
As at 1 st April, 2018 (Equity Shares of ₹ 5 each)	64,000,000	320.0		
Increase/(decrease) during the year	—	—		
As at 31 st March, 2019 (Equity Shares of ₹ 5 each)	64,000,000	320.0		
Increase/(decrease) during the year	—	—		
As at 31st March, 2020 (Equity Shares of ₹ 5 each)	64,000,000	320.0		
Issued, Subscribed and Fully Paid-up Equity Share Capital				
As at 1 st April, 2018 (Equity Shares of ₹ 5 each)	24,690,797	123.4		
Increase/(decrease) during the year	—	—		
As at 31 st March, 2019 (Equity Shares of ₹ 5 each)	24,690,797	123.4		
Increase/(decrease) during the year	—	—		
As at 31st March, 2020 (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, 2018 (Equity Shares of ₹ 5 each)	24,690,797			
Movement during the year	—			
As at 31 st March, 2019 (Equity Shares of ₹ 5 each)	24,690,797			
Movement during the year	—			
As at 31st March, 2020 (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, 2020				
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 31 st March, 2019: 7,270,000)				
(iv) Shares of the Company Held by Holding Company and Ultimate Holding Company				
	31st March 2020	31st March 2019		
	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				
	31st March 2020		31st March 2019	
	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%

Notes forming part of the Financial Statements as at and for the year ended 31st March, 2020

13. Other Equity

	31st March 2020	31st March 2019
	in ₹ million	in ₹ million
Capital Redemption Reserve	36.4	36.4
Share Options Outstanding Account	(32.9)	(42.5)
Retained Earnings	7,080.4	7,474.6
Total Other Equity	7,083.9	7,468.5

Nature and Purpose of Other Equity

Capital Redemption Reserve

Capital Redemption reserve was created consequent to the 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.

	31st March 2020	31st March 2019
	in ₹ million	in ₹ million
(i) Capital Redemption Reserve		
Opening Balance	36.4	36.4
Movement during the year	—	—
Closing Balance	36.4	36.4
(ii) Share Options Outstanding Account		
Opening Balance [Refer Note 36]	(42.5)	(61.8)
(Add)/Less-Amount credited/(recharged) by Group Company (net)	(27.2)	26.9
(Add)/Less-Amount (credited)/charged to Statement of Profit and Loss (net) [Refer Note 22]	36.8	(7.6)
Closing Balance	(32.9)	(42.5)
(iii) Retained Earnings		
Opening Balance	7,474.6	7,238.4
Profit for the year	100.8	517.7
Other Comprehensive Income (net of tax)	(197.3)	16.2
Total Comprehensive (Loss)/Income for the year	(96.5)	533.9
Payment of Dividends [including Dividend Distribution Tax of ₹ 50.8 million (previous year ₹ 50.8 million)]	(297.7)	(297.7)
Closing Balance	7,080.4	7,474.6

Dividends

Particulars	31st March 2020	31st March 2019
	in ₹ million	in ₹ million
Equity shares		
Final dividend for the year ended 31 st March, 2019 of ₹ 10 per fully paid share (31 st March, 2018 of ₹ 10 per fully paid share)	246.9	246.9
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). This proposed dividend is subject to the approval of shareholders in the ensuing annual general meeting. There is no dividend distribution tax applicable for the current year (Previous year ₹ 50.8 million).	246.9	246.9

Notes forming part of the Financial Statements as at and for the year ended 31st March, 2020

14. Financial Liabilities

14(a). Other Financial Liabilities

	31st March 2020	31st March 2019
	in ₹ million	in ₹ million
Non-Current		
Security Deposits	17.3	18.7
Total Other Non-Current Financial Liabilities	17.3	18.7
Current		
Unpaid Dividends@	15.2	15.2
Payable to Related Parties [Refer Note 33]	933.2	425.5
Payables towards Purchase of Property, Plant and Equipment	—	0.4
Others (mainly, payable to employees)	157.9	156.4
Total Other Current Financial Liabilities	1,106.3	597.5

@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.

14(b). Trade Payables

Current		
Total outstanding dues of micro enterprises and small enterprises [Refer Note 29]	7.7	6.0
Total outstanding dues of creditors other than micro enterprises and small enterprises		
– Related Parties [Refer Note 33]	314.0	335.4
– Others	404.3	572.6
Total Trade Payables	726.0	914.0

15. Other Non-Current Liabilities

	31st March 2020	31st March 2019
	in ₹ million	in ₹ million
Income Received in Advance	—	13.4
Total Other Non-Current Liabilities	—	13.4

16. Provisions

	31st March 2020		31st March 2019	
	in ₹ million	in ₹ million	in ₹ million	in ₹ million
	Current	Non-current	Current	Non-current
Employee Benefit Obligations [Refer Note 16(a)]				
Gratuity	29.1	166.8	28.2	96.1
Leave Obligations	14.4	190.9	14.9	176.7
Non-Contractual Pension Plan	—	0.6	—	0.5
Post Retirement Medical Benefits	4.7	77.2	4.3	62.8
Long Term Service Awards	2.2	15.6	2.1	14.2
Voluntary Retirement Costs	1.7	—	1.6	—
Provident Fund	24.7	208.2	—	—
	76.8	659.3	51.1	350.3
Provision for Non-saleable Sales Returns [Refer Note 7 and Note 27]	64.8	—	79.3	—
Provision for Contingencies [Refer Note 27]				
For Sales Tax matters	19.2	—	19.2	—
For Legal Case	24.5	—	22.9	—
Total Provisions	185.3	659.3	172.5	350.3

Notes forming part of the Financial Statements as at and for the year ended 31st March, 2020

16(a). 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 22].

(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. 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, 2020 and 31st March, 2019 :

in ₹ million

Particulars	Gratuity		Provident Fund		Non Contractual Pension Plan		Post Retirement Medical Benefits	
	2020	2019	2020	2019	2020	2019	2020	2019
I. Expense recognised in the Statement of Profit and Loss for the year ended 31st March:								
1. Current service cost	22.5	26.4	55.9	68.7	3.3	3.2	1.3	1.2
2. Net interest on net defined benefit liability/ (asset)	8.2	10.3	(0.4)	—	(0.2)	(0.2)	4.8	4.9
	30.6	36.7	55.5	68.7	3.1	3.0	6.1	6.1
II. Recognised in other comprehensive income for the year								
1. Return on plan assets	24.6	23.1	225.5	(48.2)	2.8	3.5	—	—
2. Actuarial (Gain)/Loss on account of:								
— Financial Assumptions	30.8	(11.4)	38.8	1.0	0.2	—	8.4	3.3
— Experience Adjustments	(2.3)	(53.5)	(68.4)	63.0	(2.4)	(3.1)	5.7	(2.0)
— Demographic Assumptions	—	—	—	—	—	—	—	—
	53.1	(41.8)	195.9	15.8	0.6	0.3	14.1	1.3

Notes forming part of the Financial Statements as at and for the year ended 31st March, 2020

16(a). Employee Benefit Obligations (contd.)

As per actuarial valuation as on 31st March, 2020 and 31st March, 2019 :

in ₹ million

Particulars	Gratuity		Provident Fund		Non Contractual Pension Plan		Post Retirement Medical Benefits	
	2020	2019	2020	2019	2020	2019	2020	2019
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	432.4	372.7	1,709.7	1,632.1	158.9	146.9	81.9	67.1
2. Fair value of plan assets as at 31 st March	236.5	248.4	1,476.7	1,597.4	158.3	146.4	—	—
3. Surplus/(Deficit)	(195.9)	(124.3)	(232.9)	(34.7)	(0.6)	(0.5)	(81.9)	(67.1)
4. Current portion of the above	(29.1)	(28.2)	(24.7)	(34.7)	—	—	(4.7)	(4.3)
5. Non current portion of the above	(166.8)	(96.1)	(208.2)	—	(0.6)	(0.5)	(77.2)	(62.8)
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	372.7	398.1	1,632.1	1,617.4	146.9	132.4	67.1	63.8
2. Expenses Recognised in Profit and Loss Account								
— Current Service Cost	22.5	26.4	55.9	68.7	3.3	3.2	1.3	1.2
— Interest Expense (Income)	26.5	30.3	133.6	120.0	10.9	10.4	4.8	4.9
— Adjustment on account of Transfer of Employees	—	—	19.9	9.8	—	—	—	—
— Other adjustment	—	—	20.9	—	—	—	—	—
3. Remeasurement gains/(losses)								
— Actuarial Gain (Loss) arising from:								
i. Financial Assumptions	30.8	(11.4)	38.8	1.0	0.2	—	8.4	3.3
ii. Experience Adjustments	(2.3)	(53.5)	(68.4)	63.0	(2.4)	(3.1)	5.7	(2.0)
iii. Demographic Assumptions	—	—	—	—	—	—	—	—
4. Benefit payments								
— paid by Company	—	—	—	—	(0.2)	(0.2)	(5.4)	(4.1)
— paid from planned assets	(17.8)	(17.2)	(207.4)	(336.7)	(3.2)	0.8	—	—
5. Employee Contributions	—	—	84.3	88.9	3.4	3.4	—	—
6. Present value of defined benefit obligation at the end of the year	432.4	372.7	1,709.7	1,632.1	158.9	146.9	81.9	67.1
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	248.4	251.5	1,597.4	1,617.4	146.4	131.6	—	—
2. Interest on plan assets	18.4	20.0	134.0	120.0	11.1	10.6	—	—
3. Acquisition adjustments	—	—	19.9	9.8	—	—	—	—
4. Other adjustments	—	—	26.7	—	—	—	—	—
5. Remeasurement gains / (losses)								
— Actual return on plan assets	(24.6)	(23.1)	(225.5)	48.2	(2.8)	(3.5)	—	—
6. Employer Contribution	12.1	17.2	47.3	49.8	3.4	3.4	—	—
7. Employee Contribution	—	—	84.3	88.9	3.4	3.4	—	—
8. Benefit payments	(17.8)	(17.2)	(207.4)	(336.7)	(3.2)	0.8	—	—
9. Fair value of plan assets at the end of the year	236.5	248.4	1,476.7	1,597.4	158.3	146.4	—	—

Notes forming part of the Financial Statements as at and for the year ended 31st March, 2020

16(a). Employee Benefit Obligations (contd.)

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

Particulars	in ₹ million			
	Gratuity	Provident Fund	Non Contractual Pension Plan	Post Retirement Medical Benefits
31st March 2019				
Present value of funded obligations	372.7	1,632.1	146.9	67.1
Fair value of plan assets	248.4	1,597.4	146.4	—
Deficit of funded plan	124.3	34.7	0.5	67.1
Unfunded plans	—	—	—	—
Deficit	124.3	34.7	0.5	67.1
31st March 2020				
Present value of funded obligations	432.4	1,709.7	158.9	81.9
Fair value of plan assets	236.5	1,476.7	158.3	—
Deficit of funded plan	195.9	232.9	0.6	81.9
Unfunded plans	—	—	—	—
Deficit	195.9	232.9	0.6	81.9

Significant estimates: Actuarial assumptions and sensitivity

The significant weighted actuarial assumptions are as follows:

Particulars	31 st March 2020		31 st March 2019	
	Discount rate	6.60%		7.40%
Salary growth rate	10.00%		10.00%	
Medical inflation rate	10% for first three years, 8% thereafter		8.00%	
Mortality table				
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	
Withdrawal rates				
Officers				
Less than 5 years	20%		20%	
5-10 years	15%		15%	
Above 10 years	5%		5%	
Non Officers				
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 weighted 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, 2020	31 st March, 2019	31 st March, 2020	31 st March, 2019	31 st March, 2020	31 st March, 2019	31 st March, 2020	31 st March, 2019
Discount rate								
Increase by 0.25%	(8.9)	(7.2)	(1.2)	(1.1)	(*)	(*)	(2.2)	(1.7)
Decrease by 0.25%	9.2	7.5	1.2	1.1	*	*	2.3	1.7
Salary growth rate								
Increase by 0.25%	8.1	6.7	0.5	0.5	—	—	—	—
Decrease by 0.25%	(7.9)	(6.4)	(0.5)	(0.5)	—	—	—	—
Withdrawal Rate								
Increase by 5%	(29.1)	(18.2)	1.7	2.0	(*)	(*)	(9.5)	(6.8)
Decrease by 5%	56.3	35.9	(2.5)	(3.2)	*	*	19.1	13.3

Notes forming part of the Financial Statements as at and for the year ended 31st March, 2020

16(a). Employee Benefit Obligations (contd.)

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, 2020	31 st March, 2019	31 st March, 2020	31 st March, 2019	31 st March, 2020	31 st March, 2019	31 st March, 2020	31 st March, 2019
Medical Inflation								
Increase by 1%	—	—	—	—	—	—	7.4	5.6
Decrease by 1%	—	—	—	—	—	—	(6.2)	(4.8)

* 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.

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, 2021 are ₹ 84.4 million.

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 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	124.8	215.9
31st March 2020				
Gratuity	29.1	34.2	118.6	198.5
Pension	0.5	—	0.1	—
Post Retirement Medical Benefits	4.9	5.1	16.9	32.4
Total	34.5	39.4	135.6	230.9

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 increase 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. 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.

	in ₹ million			
Major category of plan assets are as follows	31 st March 2020		31 st March 2019	
	Amount	in %	Amount	in %
Government Bonds	735.1	39.28%	700.7	34.55%
Mutual Fund	40.3	2.16%	40.4	1.99%
Public Sector Units Bonds	334.9	17.89%	544.3	26.84%
Insurer Managed Funds	335.2	17.91%	316.7	15.62%
Special Deposit scheme (including Cash, FD's & special deposit)	426.0	22.76%	425.7	20.99%
	1,871.5	100.00%	2,027.8	100.00%

Notes forming part of the Financial Statements as at and for the year ended 31st March, 2020

17. Current Tax Liabilities (Net)

	<u>31st March 2020</u>	<u>31st March 2019</u>
	in ₹ million	in ₹ million
Provision for tax [net of advance tax ₹ 1,841.4 million (As at 31 st March, 2019 ₹ 1,822.1 million)]	86.7	87.4
Total Current Tax Liabilities (Net)	<u>86.7</u>	<u>87.4</u>

18. Other Current Liabilities

	<u>31st March 2020</u>	<u>31st March 2019</u>
	in ₹ million	in ₹ million
Income Received in Advance	4.6	13.2
Advances from Customers	16.6	14.4
Others		
— Statutory Dues (Contributions to PF, PT, Withholding Taxes etc.)	84.1	51.1
Total Other Current Liabilities	<u>105.3</u>	<u>78.7</u>

19. Revenue from Operations

	<u>31st March 2020</u>	<u>31st March 2019</u>
	in ₹ million	in ₹ million
Sale of Products	3,996.5	4,321.6
Sale of Services	117.0	181.8
Other Operating Revenue		
— Commission Income	261.2	390.0
— Co-Marketing Fees	7.8	13.4
Total Revenue from Operations	<u>4,382.5</u>	<u>4,906.8</u>

20. Other Income

	<u>31st March 2020</u>	<u>31st March 2019</u>
	in ₹ million	in ₹ million
Interest Income		
— On Bank Deposits (at amortised cost)	353.9	443.7
— From Customers	2.3	1.4
— On Income Tax Refund of earlier years	0.4	14.0
Other Non-operating Income		
— Unwinding of Discount on Security Deposits	2.7	11.2
— Insurance Claims	—	0.2
— Provisions no Longer Required Written-Back	0.2	4.5
— Gain on sale of Property, Plant and Equipment	—	0.2
— Gain on sale of assets held for sale (net) [Refer Note 11]	—	307.3
— Miscellaneous Income	1.9	0.1
Total Other Income	<u>361.4</u>	<u>782.6</u>

21. Changes in Inventories of Stock-in-trade

	<u>31st March 2020</u>	<u>31st March 2019</u>
	in ₹ million	in ₹ million
Opening Stock		
— Stock-in-Trade	605.1	565.6
Total Opening Stock	<u>605.1</u>	<u>565.6</u>
Closing Stock		
— Stock-in-Trade	(586.8)	(605.1)
Total Closing Stock	<u>(586.8)</u>	<u>(605.1)</u>
Total Changes in Inventories of Stock-in-trade	<u>18.3</u>	<u>(39.5)</u>

Notes forming part of the Financial Statements as at and for the year ended 31st March, 2020

22. Employee Benefits Expense

	<u>31st March 2020</u>	<u>31st March 2019</u>
	in ₹ million	in ₹ million
Salaries and Wages	941.6	995.5
Contributions to Provident and Other Funds [Refer Note 16(a)]	77.1	93.5
Contributions to Gratuity Fund [Refer Note 16(a)]	30.6	36.7
Share Based Payments [Refer Note 36]	36.8	(7.6)
Staff Welfare Expenses [Refer Note 16(a)]	52.6	53.0
Total Employee Benefits Expense	<u>1,138.7</u>	<u>1,171.1</u>

23. Finance Costs

	<u>31st March 2020</u>	<u>31st March 2019</u>
	in ₹ million	in ₹ million
Interest on		
Income-tax [Refer Note 28]	—	14.6
Lease liabilities (at amortised cost)	62.9	—
Unwinding of Discount on Security Deposits	—	0.2
Security Deposits (at amortised cost)	1.0	1.1
Total Finance Costs	<u>63.9</u>	<u>15.9</u>

24. Depreciation and Amortisation Expense

	<u>31st March 2020</u>	<u>31st March 2019</u>
	in ₹ million	in ₹ million
Depreciation and Amortisation of Property, Plant and Equipment	38.9	31.8
Depreciation of Right-of-Use Assets [Refer Note 34]	92.5	—
Total Depreciation and Amortisation Expense	<u>131.4</u>	<u>31.8</u>

25(a). Other Expenses*

	<u>31st March 2020</u>		<u>31st March 2019</u>	
	in ₹ million	in ₹ million	in ₹ million	in ₹ million
Power and Fuel		12.7		17.9
Rent [Refer Note 34]		6.1		133.8
Repairs and Maintenance				
Buildings	2.0		2.3	
Others	1.2	3.2	8.4	10.7
Insurance		1.6		2.1
Rates and Taxes		13.0		12.4
Legal and Professional Charges		60.4		77.7
Travelling and Conveyance		123.9		164.0
Other Outside Services		358.7		376.8
Auditors' Remuneration [Refer Note 25(b)]		10.0		9.3
Expenditure towards Corporate Social Responsibility Activities [Refer Note 25(c)]		20.0		21.2
Freight, Forwarding and Distribution		402.4		427.8
Loss on Sale/Disposal of Property, Plant and Equipment (Net)		0.4		—
Advertisement and Sales Promotion		137.5		175.1
Printing, Postage and Telephones		14.5		30.5
Commission to Non-whole time Directors		3.0		3.0
Directors Sitting fees		1.5		—
Royalty		30.4		34.6
Bad Debts and Advances Written Off	2.9		1.4	
Less: Provision held	(2.9)	—	(1.4)	—
Provision for Doubtful Debts, Advances and Deposits		2.8		8.6
Provisions for Contingencies [Refer Note 27]		1.6		1.6
Net Loss on Foreign Currency Transactions and Translation		19.1		35.5
Miscellaneous Expenses		77.5		83.8
Total Other Expenses		<u>1,300.3</u>		<u>1,626.4</u>

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

Notes forming part of the Financial Statements as at and for the year ended 31st March, 2020

25(b). Auditors' Remuneration

	<u>31st March 2020</u>	<u>31st March 2019</u>
	in ₹ million	in ₹ million
Payment to Auditors		
As auditor:		
Audit Fees	8.4	7.7
Tax Audit Fees	1.3	1.3
Reimbursement of Expenses	0.3	0.3
Total Payments to Auditors	<u><u>10.0</u></u>	<u><u>9.3</u></u>

25(c). Expenditure towards Corporate Social Responsibility Activities

	<u>31st March 2020</u>	<u>31st March 2019</u>
	in ₹ million	in ₹ million
Amount spent during the year on:		
(i) Donations	12.2	19.7
(ii) Expenditure on maintenance of gardens	0.8	1.5
(iii) Expenditure on health awareness	7.0	—
Total	<u><u>20.0</u></u>	<u><u>21.2</u></u>
Gross amount required to be spent as per Section 135 of the Act	19.9	21.1
Amount spent during the year on		
(i) Construction/acquisition of an asset	—	—
(ii) On purposes other than (i) above	20.0	21.2

26. Contingent Liabilities and Commitments

	<u>31st March 2020</u>	<u>31st March 2019</u>
	in ₹ million	in ₹ million
A Contingent Liabilities		
Claims against the Company not acknowledged as debt*		
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	2,492.0	806.8
Sales Tax matters	702.3	757.7
Service Tax matters	4.9	4.9
Excise matters	3.0	3.0
Drug Price Control Order 2013 [Refer Note 37]	416.2	416.2
Claims from third party manufacturer in respect of Excise matters	49.4	49.4
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) Amount of future minimum lease payments under non-cancellable operating lease is ₹ 259.2 million (previous year ₹ 245.0 million)

27. Provisions

	31st March 2020	31st March 2019
	in ₹ million	in ₹ million
(i) Provision for Non-saleable Sales Returns		
As at 1 st April	79.3	90.6
Provision made during the year	30.5	150.0
Amounts used during the year	(45.0)	(161.3)
As at 31 st March	<u>64.8</u>	<u>79.3</u>
(ii) Provision for Contingencies		
As at 1 st April	42.1	40.5
Provision made during the year	1.6	1.6
Amounts used during the year	—	—
As at 31 st March	<u>43.7</u>	<u>42.1</u>

Provision is made for the non-saleable 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-saleable sales returns is reduced from sale of products for the year.

Provision for Contingencies: Provision for pricing matter 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.

28. Note on Income Tax Refund

During the year ended 31st March, 2018, the Company had received interest on refund of Income tax for AY 1995-96 in respect of which the Company had sought clarification with appropriate authorities for interest working. During the previous year ended 31st March, 2019, based on the rectification order received, the Company repaid the excess amount of ₹ 384.6 million included under “Other current liabilities” along with the interest of ₹ 14.6 million which was recognised under finance costs [Refer Note 23].

29. Disclosures as required under section 22 of the Micro, Small and Medium Enterprises Development Act, 2006. This information and that given in Note 14(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 2020	31st March 2019
	in ₹ million	in ₹ million
(a) The principal amount and the interest due thereon remaining unpaid to suppliers		
(i) Principal	7.7	1.6
(ii) Interest	*	*
	<u>7.7</u>	<u>1.6</u>
(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	65.3	53.4
(ii) Interest	—	—

Notes forming part of the Financial Statements as at and for the year ended 31st March, 2020

(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	1.0	0.8
(d) The amount of interest accrued and remaining unpaid at the end of the year	9.7	8.7
(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

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

30. Tax expense

	<u>31st March 2020</u>	<u>31st March 2019</u>
	in ₹ million	in ₹ million
(a) Tax expense		
Current tax		
In respect of the current year	119.7	331.7
In respect of the prior years *	32.5	1.0
Total current tax expense	<u>152.2</u>	<u>332.7</u>
Deferred tax	33.4	7.3
Total deferred tax expense	<u>33.4</u>	<u>7.3</u>
Tax expense recognised in profit or loss	<u>185.6</u>	<u>340.0</u>

* Represents tax adjustments in respect of orders received during the year.

	<u>31st March 2020</u>	<u>31st March 2019</u>
	in ₹ million	in ₹ million
(b) The Income tax expense for the year can be reconciled to the accounting profit as follows:		
Profit before tax	286.4	857.7
Income Tax expense*	72.1	299.7
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
Effect of expenses that are not deductible in determining taxable profit	27.3	39.9
Other items	(6.2)	(0.6)
Effect on deferred tax balance due to change in income tax rate from 34.944% to 25.168% (effective 1 st April, 2019)	59.9	—
Adjustments for current tax of prior years (net)	32.5	1.0
Income tax expense	<u>185.6</u>	<u>340.0</u>

* The tax rate used for the FY 2019-20 and FY 2018-19 reconciliations above is the corporate tax rate of 25.168% and 34.944% respectively payable by corporate entities in India on taxable profit under the Indian tax law.

Notes forming part of the Financial Statements as at and for the year ended 31st March, 2020

The Company has elected to exercise the option permitted u/s 115BAA of the Income- tax Act, 1961 as introduced by the Taxation Laws (Amendment) Ordinance, 2019. The Company has accordingly recognised Provision for Income tax for the year ended 31st March, 2020 and re-measured its net Deferred Tax Assets basis the rate prescribed in the said section. The full impact of this change has been recognized in the Statement of Profit and Loss for the year ended 31st March, 2020.

	<u>31st March 2020</u>	<u>31st March 2019</u>
	in ₹ million	in ₹ million
(c) Income tax recognised in Other Comprehensive Income		
Deferred Tax		
Arising on amounts recognised in Other Comprehensive Income		
— Remeasurements of Defined Benefit Plans	66.4	(8.7)
	<u>66.4</u>	<u>(8.7)</u>

31. Segment Information

The Company has a single business segment namely 'Pharmaceutical Business', and generates revenues from its operations in India. No single customer / group of customers under common control have combined revenue of more than 10% of total revenue from operations during the year. The combined revenue from operations from a group of customers under common control, in excess of 10% of total revenue from operations, aggregated ₹ 887.2 million during the previous year.

32. Reconciliation of Revenue from sale of products with contracted price

	<u>31st March 2020</u>	<u>31st March 2019</u>
	in ₹ million	in ₹ million
Contracted Price	4,940.9	5,307.9
Less: Trade discounts, free goods etc	(944.4)	(986.3)
Sale of Products	<u>3,996.5</u>	<u>4,321.6</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 (upto 31st March, 2019)
 Alcon Pharmaceuticals Limited, Switzerland (upto 31st March, 2019)
 Novartis Investment Limited, Bermuda
 Novartis Pharma Services INC Kenya
 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
 Novartis Institutes for Biomedical Research Co. Ltd
- (ii) List of other related parties (Post-employment benefit plan of Novartis India Limited)
 Novartis India Limited Employees' Provident Fund
 Novartis India Limited Superannuation Fund

Notes forming part of the Financial Statements as at and for the year ended 31st March, 2020

(C) Key Management Personnel	J. Zia (Upto 31 st May, 2018)
	M.Paleja (w.e.f. 1 st June, 2018 and upto 31 st May, 2019)
	S. Murdeshwar (w.e.f. 15 th June, 2019)
	M. Noble
	Dr. R.Mehrotra @ (upto 31 st March, 2020)
	C. Snook
	J. Hiremath @
	S. Martyres @

@ Independent Directors

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

	<u>31st March 2020</u>	<u>31st March 2019</u>
	in ₹ million	in ₹ million
(a) Holding Company and Ultimate Holding Company		
Dividend paid	174.5	174.5
Royalty Expense	30.4	34.6
Balance as at the year end —		
Outstanding Payable	101.4	65.6
(b) Fellow Subsidiaries		
	<u>31st March 2020</u>	<u>31st March 2019</u>
	in ₹ million	in ₹ million
Purchases of Stock-in-Trade		
Alcon Pharmaceuticals Limited	NA	115.6
Novartis Pharma AG	677.0	1,155.5
	<u>677.0</u>	<u>1,271.1</u>
Sale of Products		
Alcon Laboratories (India) Private Limited	NA	315.4
	<u>—</u>	<u>315.4</u>
Sale of Services		
Novartis Healthcare Private Limited	47.5	98.8
Novartis Pharma AG	22.8	57.2
Sandoz Private Limited	28.5	25.8
Novartis Asia Pacific Pharmaceutical Pte Limited	0.7	—
Novartis Pharma Services INC Kenya	17.2	—
Novartis Institutes for Biomedical Research Co. Ltd	0.3	—
	<u>117.0</u>	<u>181.8</u>
Commission Income		
Novartis Healthcare Private Limited	261.2	366.8
Alcon Laboratories (India) Private Limited	NA	23.2
	<u>261.2</u>	<u>390.0</u>

Notes forming part of the Financial Statements as at and for the year ended 31st March, 2020

(b) Fellow Subsidiaries (contd.)

	31st March 2020	31st March 2019
	in ₹ million	in ₹ million
Sale of Property, Plant and Equipment		
Alcon Laboratories (India) Private Limited	NA	0.1
Services Availed		
Novartis Healthcare Private Limited	44.2	34.4
Novartis Pharma AG	2.0	3.9
	46.2	38.3
Purchase of Restricted Shares of Novartis AG on behalf of employees of the Company by Novartis Holding AG	27.2	16.7
	27.2	16.7
Forfeiture of Restricted Shares of Novartis AG by		
Novartis Holding AG	—	5.6
Novartis Investment Limited	—	50.8
	—	56.4
Expenses paid by related party on behalf of the Company		
Novartis Healthcare Private Limited	4.4	7.2
Novartis International AG	—	0.9
Novartis Pharma AG	—	0.2
Novartis Pharmaceuticals Corporation Inc.	—	0.4
Sandoz Private Limited	0.5	0.4
	4.9	9.1
Expenses paid by the Company on behalf of the related party		
Sandoz Private Limited	1.1	12.0
Novartis Asia Pacific Pharmaceutical Pte Ltd	0.6	—
PT Novartis Indonesia	—	0.4
	1.7	12.4
	31st March 2020	31st March 2019
	in ₹ million	in ₹ million
Balances as at the year end –		
Outstanding Receivables		
Alcon Laboratories (India) Private Limited	NA	109.4
Novartis Healthcare Private Limited	112.1	60.8
Novartis Pharma AG	317.7	192.5
Sandoz Private Limited	9.4	30.5
Novartis Pharma Services INC Kenya	7.1	—
Novartis Institutes for Biomedical Research Co. Ltd	0.3	—
	446.6	393.2

Notes forming part of the Financial Statements as at and for the year ended 31st March, 2020

	<u>31st March 2020</u>	<u>31st March 2019</u>
	in ₹ million	in ₹ million
Outstanding Payables		
Alcon Laboratories (India) Private Limited	NA	128.8
Alcon Pharmaceuticals Limited	NA	110.4
Novartis Healthcare Private Limited	956.3	335.6
Novartis Holding AG	26.3	16.8
Novartis International AG	—	0.5
Novartis Asia Pacific Pharmaceutical Pte Ltd	0.6	—
Novartis Pharma AG	154.1	98.8
Sandoz Private Limited	8.5	4.4
	<u>1145.8</u>	<u>695.3</u>

(c) Post Employment Benefit Plans of Novartis India Limited

	<u>31st March 2020</u>	<u>31st March 2019</u>
	in ₹ million	in ₹ million
Contribution to In-house Trust for Post Employment Benefits		
Novartis India Limited Employees' Provident Fund	47.3	49.8
Novartis India Limited Superannuation Fund	0.3	0.7
	<u>47.6</u>	<u>50.5</u>

(d) Key Management Personnel Compensation

	<u>31st March 2020</u>	<u>31st March 2019</u>
	in ₹ million	in ₹ million
Short-term employee benefits	10.7	24.9
Post-employment benefits	0.1	0.1
Other long-term benefits	0.8	(0.4)
Employee share-based payment*	—	1.7
Commission to Independent Directors	3.0	3.0
Sitting fees to Independent Directors	1.5	—
Total compensation	<u>16.1</u>	<u>29.3</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 required under Ind AS 116 “Leases”

The Company has taken residential/office premises on lease. The lease term in respect of these leases range from 3 to 10 years. In respect of the said leases, the additional information is as under:

	31st March 2020
	in ₹ million
Depreciation charge for right-of-use assets	92.5
Expense relating to leases of low-value assets accounted for on straight line basis (included in Rent expense in Note 25)	3.0
Total cash outflow for leases	115.2
Maturity analysis of lease liabilities (on undiscounted basis):	
not later than one month;	9.6
later than one month and not later than three months;	19.2
later than three months and not later than one year;	89.6
later than one year and not later than five years; and	509.3
later than five years	353.9
Weighted average incremental borrowing rate applied to lease liabilities recognised in the balance sheet at the date of initial application	7 to 10%

The Company has elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date, the Company relied on its assessment made while applying Ind AS 17 Leases.

The Company has elected to exclude the initial direct costs from the measurement of right of use asset at the date of initial application.

The difference between the operating lease commitments as of 31st March, 2019, disclosed applying Ind AS 17 and the value of the lease liability recognised in the balance sheet at the date of initial application is primarily on account of inclusion of extension options reasonably certain to be exercised, in measuring the lease liability in accordance with Ind AS 116.

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 / renewal with conditions

Since Ind AS 116 has become applicable w.e.f. 1st April, 2019, disclosure of comparative information is not applicable.

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 2020	31st March 2019
(a) Basic & diluted earnings per share:-		
From operations attributable to the equity holders of the Company (in ₹)	4.08	20.97
(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)	100.8	517.7
(c) Weighted average number of equity shares used as the denominator in calculating basic & diluted earnings per share (number of shares)	2,46,90,797	2,46,90,797

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, Novartis Holding AG and the Company is compensating Novartis Holding AG 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, 2020 and 31st March, 2019 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

	31st March 2020	31st March 2019
Type of Arrangement		
(i) Date of Grant	@	\$
(ii) Numbers Granted	4,117	3,323
(iii) Vesting Conditions	3 years	3 years

@ 23rd April, 2019, 27th March, 2020

\$ 02nd January, 2019, 22nd January, 2019

	31st March 2020	31st March 2019
(i) Balance at the beginning of the year	12,631	26,409
(ii) Granted	4,117	3,323
(iii) Grants forfeited	—	14,026
(iv) Grants vested	6,346	3,075
(v) Balance at the end of the year	10,402	12,631
(vi) Weighted average remaining contractual life of Restricted Shares outstanding at end of period	1.38 years	1.72 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	31st March 2020	31st March 2019
	in ₹ million	in ₹ million
Restricted Stock Units	36.8	(7.6)
Total employee share based payment expense/(credit)	36.8	(7.6)

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”).

Notes forming part of the Financial Statements as at and for the year ended 31st March, 2020

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 23rd June, 2020.

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 previous year, the NPPA had 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 had 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 23rd June, 2020.

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
	2020	2019
	in ₹ million	in ₹ million
Financial assets		
Loan to Employees	4.0	7.0
Tender Deposits	7.4	5.5
Receivable from Related Parties	358.5	190.0
Taxes recoverable	145.0	127.8
Expenses Recoverable	6.4	4.6
Trade Receivables	376.0	455.9
Cash and Cash Equivalents	791.2	877.6
Unpaid Dividend Accounts	15.2	15.2
Deposits with banks	5,021.0	5,233.3
	6,724.7	6,916.9
Financial liabilities		
Unpaid Dividends	15.2	15.2
Payable to Related Parties	933.2	425.5

Notes forming part of the Financial Statements as at and for the year ended 31st March, 2020

Particulars	31 st March	31 st March
	2020	2019
	in ₹ million	in ₹ million
Payables towards Purchase of Property, Plant and Equipment	—	0.4
Lease Liabilities	682.9	—
Trade Payables	726.0	914.0
Others	157.9	156.4
	2,515.2	1,511.5

(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
	2020	2019
	in ₹ million	in ₹ million
Financial assets		
Other Financial assets		
Security Deposits	28.9	28.3
	28.9	28.3
Financial liabilities		
Other Financial Liabilities		
Security Deposits	17.3	18.7
	17.3	18.7

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.

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.

(i) 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.

Notes forming part of the Financial Statements as at and for the year ended 31st March, 2020

At 31st March, 2020, the Company had 4 customers (At 31st March, 2019 : 3 customers) that owed the Company more than ₹ 10 million each and accounted for approximately 31% (At 31st March, 2019 : 13%) 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. The Company has further considered internal and external sources of information, specifically having regard to the current macro economic conditions and the global health pandemic to assess the impact on credit losses. Basis the information available as at the date of approval of these financial statements, the Company expects the historical trend of minimal credit losses to continue.

(ii) Movement in expected credit loss allowance

Particulars	in ₹ million
As at 1st April 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
Movement in expected credit loss allowance on trade receivables calculated at lifetime expected credit losses	(1.5)
As at 31st March 2020	42.9

(iii) 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. Bank balances are maintained with the reputed banks. 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 cash flows. Balances equal their carrying balances as the impact of discounting is not significant. The below excludes maturity analysis of lease liabilities which has been disclosed separately in Note 34.

Contractual maturities of financial liabilities					in ₹ million	
	Less than 1 year	1 to 3 years	More than 3 years	Total	Carrying value	
31st March 2020						
Non-derivative financial liabilities						
Non-Interest bearing	1,832.3	—	—	1,832.3	1,832.3	
Fixed interest rate instruments*	—	—	17.3	17.3	17.3	
Total	1,832.3	—	17.3	1,849.6	1,849.6	
31st March, 2019						

Notes forming part of the Financial Statements as at and for the year ended 31st March, 2020

Contractual maturities of financial liabilities					in ₹ million
	Less than 1 year	1 to 3 years	More than 3 years	Total	Carrying value
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

*Effective interest rate is 5% (rate payable on security deposits).

Sensitivity interest rate increase by 1%: Profit will decrease by ₹ 0.2 million for the year ended 31st March, 2020 (₹ 0.2 million for the year ended 31st March, 2019)

Sensitivity interest rate decrease by 1%: Profit will increase by ₹ 0.2 million for the year ended 31st March, 2020 (₹ 0.2 million for the year ended 31st March, 2019)

(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.

Contractual maturities of financial assets					in ₹ million
	Less than 1 year	1 to 3 years	More than 3 years	Total	Carrying value
31st March 2020					
Non-derivative financial assets					
Non-Interest bearing	1,050.7	10.8	53.6	1,115.1	1053.1
Fixed interest rate instruments*	5,684.8	54.8	—	5,739.6	5,700.5
Total	6,735.5	65.6	53.6	6,854.7	6,753.6
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

*Effective interest rate is 5%

(iv) Financing arrangements

The Company has access to following undrawn borrowing facilities at the end of the reporting period:

Particulars	31 st March 2020	31 st March 2019
	in ₹ million	in ₹ million
Bank Overdraft/ WCDL facility	170.0	250.0
Non-Fund Based facility: (LC, BG, etc.)	46.2	100.0

Notes forming part of the Financial Statements as at and for the year ended 31st March, 2020

(C) Market Risk – Foreign Exchange

The Company is exposed to foreign exchange risk arising from foreign currency transactions, primarily with respect to the USD and CHF. These transactions are mainly with the related parties only. 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 2020</u>	<u>31st March 2019</u>
	in ₹ million	in ₹ million
Receivables		
USD	6.0	2.6
Payables		
USD	181.0	226.7
CHF	0.3	2.1

(ii) Sensitivity:

The sensitivity of profit or loss and equity to changes in the exchange rates arises mainly from foreign currency denominated financial instruments.

	<u>31st March 2020</u>	<u>31st March 2019</u>
	in ₹ million	in ₹ million
USD sensitivity		
₹/USD – Increase by 1% #	(1.8)	(2.2)
₹/USD – decrease by 1% #	1.8	2.2
₹/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 borrowings as at 31st March, 2020 and 31st March, 2019, and no borrowings were availed during the year and in previous year.

- 41.** The Company has considered the possible effects that may result from the pandemic relating to COVID-19 on the carrying amounts of inventories, receivables and other assets. In assessing the recoverability of the assets, the Company has considered internal and external sources of information, available as at the date of approval of these financial results, including subsequent recoveries, credit risk profile, macroeconomic forecasts, latest selling prices of products, orders on hand, margins etc. Based on the above assessment, the Company is of the view that the carrying amounts of the assets will be realised. The impact of COVID-19 on the Company's financial statements may be different from that estimated as at the date of approval of these financial statements, and the Company will continue to closely monitor the developments.

For and on behalf of the Board

Sanjay Murdeshwar

*Vice Chairman & Managing
Director*
DIN: 01481811

Monaz Noble

*Non-Executive &
Non Independent Director*
DIN: 03086192

Trivikram Guda

*Company Secretary &
Compliance Officer*

Felix Doss

Chief Financial Officer

Mumbai, 19th June 2020

Statement of Cash Flows for the year ended 31st March, 2020

	Year ended 31 st March 2020	Year ended 31 st March 2019
	in ₹ million	in ₹ million
A. Cash flow from operating activities		
Profit before tax	286.4	857.7
Adjustments for –		
Depreciation and Amortisation Expense	131.4	31.8
Share Based Payments	36.8	(7.6)
Interest Income	(356.2)	(445.1)
Unwinding of discount on security deposits	(2.7)	(11.2)
Finance Costs	63.9	15.9
Loss/(Gain) on sale of Property, Plant and Equipment (Net)	0.4	(0.2)
Gain on sale of certain assets out of assets held for sale (Net)	—	(307.3)
Unrealised Loss/(Gain) on Foreign currency translations (Net)	5.8	(7.0)
Provisions no Longer Required Written-Back	(0.2)	(4.5)
Provision for Doubtful Debts, Advances and Deposits	2.8	8.6
Operating profit before working capital changes	168.4	131.1
Change in operating assets and liabilities		
Decrease/(Increase) in Trade Receivables	81.4	(24.2)
Decrease/(Increase) in Inventories	18.3	(39.5)
Decrease in Trade Payables	(220.9)	(108.7)
Increase in Financial Assets	(185.5)	(37.5)
(Increase)/Decrease in Other Non-Current Assets	(4.6)	11.6
Increase in Other Current Assets	(286.0)	(45.0)
Increase/(Decrease) in Provisions	58.2	(44.8)
Decrease in Other Non-Current Liabilities	(13.4)	(13.4)
Increase/(Decrease) in Other Current Liabilities	26.6	(373.9)
Increase/(Decrease) in Financial Liabilities	507.4	(942.2)
Cash generated from/(used in) operations	149.9	(1,486.5)
Income Tax Paid (Net)	(381.3)	(456.3)
Net cash used in operating activities	(231.4)	(1,942.8)
B. Cash flow from investing activities		
Payments for Property, Plant and Equipment	(10.0)	(140.6)
Proceeds from disposal of Property, Plant and Equipment and Assets Held for Sale	0.6	302.1
Interest received	387.0	443.9
Fixed deposits matured (net)	181.5	2,136.9
Net cash from investing activities	559.1	2,742.3

Statement of Cash Flows for the year ended 31st March, 2020

	Year ended 31 st March 2020	Year ended 31 st March 2019
	in ₹ million	in ₹ million
C. Cash flow from financing activities		
Lease payments		
– Principal	(52.5)	—
– Interest	(62.9)	—
Finance cost paid	(1.0)	—
Dividends paid	(246.9)	(247.4)
Tax on Dividend	(50.8)	(50.8)
Net cash used in financing activities	(414.1)	(298.2)
Net (Decrease)/Increase in Cash and Cash Equivalents	(86.4)	501.3
Cash and Cash Equivalents – At the beginning of the year	877.6	376.3
Cash and Cash Equivalents – At the end of the year [Refer Note 9(a)]	791.2	877.6

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
Chartered Accountants

Sanjay Murdeshwar
Vice Chairman & Managing Director
DIN: 01481811

Monaz Noble
Non-Executive & Non Independent Director
DIN: 03086192

Rakesh N. Sharma
Partner

Trivikram Guda
Company Secretary & Compliance Officer

Felix Doss
Chief Financial Officer

Mumbai, 19th June 2020

Mumbai, 19th June 2020

FINANCIAL SUMMARY FOR 10 YEARS

in ₹ million

	2019-20	2018-19	2017-18	2016-17	2015-16	2014-15	2013-14	2012-13	2011-12	2010-11
I. INCOME, PROFIT & DIVIDEND										
Sales of Products (Net)	3,997	4322	4980	5836	7222	8122	8104	8465	7928	7086
Profit Before Tax (PBT)	286	858	1575	917	2717	932	899	1694	2247	2189
Profit After Tax (PAT)	101	518	784	572	1983	791	985	1197	1520	1467
Dividend	247	247	247	281	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	123	141	160	160	160	160	160	160
Reserves and Surplus	7,084	7,469	7,213	9,055	11,776	9860	9454	8842	8019	6870
Net Worth (Shareholders' Fund)	7,207	7,592	7,336	9,196	11,936	10020	9614	9002	8179	7030
III. RATIOS										
Return on Sales (PAT) %	2.5	12.0	15.7	9.8	27.5	9.7	12.2	14.1	19.2	20.7
Return on Shareholders' Funds (PAT) %	1.4	6.8	10.7	6.2	16.6	7.9	10.2	13.3	18.6	20.9
Earning Per Share (calculated on PAT) ₹	4.08	20.97	28.43	19.10	62.04	24.75	30.83	37.46	47.56	45.89

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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