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Drug Price Control Order continues to have a significant adverse impact on revenue and operating profits of Novartis India

At a meeting held in Mumbai today, the Board of Novartis India Limited approved results for the quarter and nine months ended 31 December 2013. Reduction in the selling prices of some key products arising out of the Notification of the new Drug Price Control Order continues to have a significant adverse impact on the revenue and operating profits of the company. Depreciation of the rupee further impacted profits.

During the period under review, Total Income from Operations was Rs 224.6 crore in comparison to Rs 233.8 crore recorded in the previous corresponding quarter. Our core business, Pharmaceuticals recorded Total Income from Operations of Rs 142.9 crore in comparison to Rs 161.8 crore recorded in the previous corresponding quarter. The Generics business recorded Total Income from Operations of Rs 16.0 crore as against Rs 15.7 crore in the previous corresponding quarter. The Animal Health business registered Total Income from Operations of Rs 28.1 crore during the period under review in comparison to Rs 24.0 crore in the previous corresponding period. OTC business recorded Total Income from Operations of Rs 37.7 crore as against Rs 32.3 crore in the previous corresponding quarter.

During the quarter under review, profit before tax was Rs 21.6 crore as against Rs 41.7 crore in the previous corresponding period while profit after tax stood at Rs 15.2 crore as against Rs 29.0 crore in the previous corresponding period.

During the nine months ended 31 December 2013 Total Income from Operations stood at Rs 661.7 crore in comparison to Rs 690.8 crore recorded in the previous corresponding period. Our core business, Pharmaceuticals recorded Total Income from Operations of Rs 442.9 crore in comparison to Rs 492.4 crore in the previous corresponding period. The Generics business recorded Total Income from Operations of Rs 45.0 crore as against Rs 46.3 crore in the previous corresponding period. The Animal Health business registered Total Income from Operations of Rs 82.7 crore during the period under review while it registered Rs 71.6 crore in the prior corresponding period. OTC business recorded Total Income from Operations of Rs 91.1 crore as against Rs 80.5 crore in the previous corresponding nine months.

During the nine months under review, profit before tax was Rs 57.6 crore as against Rs 139.7 crore in the previous corresponding period while profit after tax stood at Rs 74.7 crore as against Rs 95.3 crore in the previous corresponding period.

Tax credit for nine months ended 31 December 2013 includes write-back of provision for current tax for Assessment Year 1995-1996 following a favourable order from the Income Tax Tribunal. This amount is equivalent to Rs 36.7 crore after adjusting for additional current tax charge of Rs 2.1 crore on account of various matters in prior years.

Issued by Corporate Communications on 23 January 2014

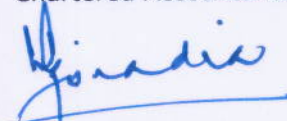
For further information contact: S.Pinto/L.Albuquerque on Tel: 24958804/5

e-mail svetlana.pinto@novartis.com, liana.albuquerque@novartis.com

The Board of Directors
Novartis India Limited
Sandoz House
Shivsagar Estate
Dr. Annie Besant Road
Worli, Mumbai - 400 018

1. We have reviewed the results of Novartis India Limited (the 'company') for the quarter ended 31st December, 2013 which are included in the accompanying 'Statement of Standalone Unaudited Financial Results for the quarter and nine months ended 31st December, 2013' (the 'Statement'), except for the disclosures regarding 'Public Shareholding' and 'Promoter and Promoter Group Shareholding' which have been traced from disclosures made by the management but have neither been reviewed nor been audited by us. The Statement has been prepared by the company pursuant to Clause 41 of the Listing Agreement with a Stock Exchange in India, which has been initialled by us for identification purposes. This Statement is the responsibility of the company's management and has been approved by the Board of Directors. Our responsibility is to issue a report on the Statement based on our review.
2. We conducted our review in accordance with the Standard on Review Engagements (SRE) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Institute of Chartered Accountants of India. This Standard requires that we plan and perform the review to obtain moderate assurance as to whether the financial statements are free of material misstatement.
3. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.
4. We have only traced the disclosures regarding 'Public Shareholding' and 'Promoter and Promoter Group Shareholding' in the Statement from the disclosures made by the management and are, therefore, not expressing a review opinion thereon.
5. Based on our review conducted as above, nothing has come to our attention that causes us to believe that the Statement has not been prepared in all material respects in accordance with the applicable Accounting Standards notified pursuant to the Companies (Accounting Standards) Rules, 2006 as per Section 211(3C) of the Companies Act, 1956 and other recognised accounting practices and policies, and has not disclosed the information required to be disclosed in terms of Clause 41 of the Listing Agreement including the manner in which it is to be disclosed, or that it contains any material misstatement.

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



Himanshu Goradia
Partner
Membership No. 45668

Mumbai, 23rd January, 2014

Novartis India Limited

Regd. off: Sandoz House, Shivsagar Estate, Dr Annie Besant Road, Worli, Mumbai 400 018.

PART I							in ₹ million
STATEMENT OF STANDALONE UNAUDITED RESULTS FOR THE QUARTER AND NINE MONTHS ENDED 31ST DECEMBER 2013							
Sr. No	Particulars	3 months ended	3 months ended	3 months ended	9 months ended	9 months ended	Year ended
		31.12.2013	30.9.2013	31.12.2012	31.12.2013	31.12.2012	31.3.2013
		Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Audited
1.	Income from Operations						
	(a) Net Sales/Income from Operations (Net of Excise Duty)	2,185.4	2,091.8	2,284.5	6,467.5	6,781.5	8,861.0
	(b) Other Operating Income	61.0	47.4	53.5	149.1	126.2	172.6
	Total Income from Operations (Net)	2,246.4	2,139.2	2,338.0	6,616.6	6,907.7	9,033.6
2.	Expenses						
	(a) Cost of Materials Consumed	107.9	85.0	96.6	314.0	276.4	403.6
	(b) Purchases of Stock-in-Trade	901.5	937.5	855.9	2,641.4	2,666.2	3,579.3
	(c) Changes in Inventories of Finished Goods and Stock-in-Trade	57.1	18.4	9.1	157.3	(102.6)	(266.4)
	(d) Employee Benefits Expense	406.6	412.8	423.0	1,278.4	1,201.6	1,623.0
	(e) Depreciation and Amortisation Expense	9.4	9.3	10.6	28.0	25.8	35.9
	(f) Other Expenses	779.4	792.1	719.9	2,311.5	2,050.9	2,793.7
	Total Expenses	2,261.9	2,255.1	2,115.1	6,730.6	6,118.3	8,169.1
3.	(Loss)/Profit from Operations before Other Income and Finance Costs	(15.5)	(115.9)	222.9	(114.0)	789.4	864.5
4.	Other Income	231.8	255.1	198.5	692.4	613.0	831.9
5.	Profit from Ordinary Activities before Finance Costs	216.3	139.2	421.4	578.4	1,402.4	1,696.4
6.	Finance Costs	0.7	0.6	4.6	2.0	5.8	2.2
7.	Profit from Ordinary Activities before Tax	215.6	138.6	416.8	576.4	1,396.6	1,694.2
8.	Tax (Credit)/Expense (Net) (including Deferred Tax)	63.3	(316.9)	126.8	(170.1)	443.4	496.9
9.	Net Profit for the period	152.3	455.5	290.0	746.5	953.2	1,197.3
10.	Paid-up Equity Share Capital (Face Value ₹ 5 each)	159.8	159.8	159.8	159.8	159.8	159.8
11.	Reserves excluding Revaluation Reserves (as per last audited Balance Sheet)						8,842.3
12.	Earnings Per Share - (of ₹ 5 each) (not annualised) Basic and Diluted (₹)	4.77	14.25	9.07	23.36	29.82	37.46

PART II							in ₹ million
SELECT INFORMATION FOR THE QUARTER AND NINE MONTHS ENDED 31ST DECEMBER 2013							
A	Particulars	3 months ended	3 months ended	3 months ended	9 months ended	9 months ended	Year ended
		31.12.2013	30.9.2013	31.12.2012	31.12.2013	31.12.2012	31.3.2013
A	PARTICULARS OF SHAREHOLDING						
1.	Public Shareholding						
	- Number of Shares	7,990,200	7,990,200	7,535,995	7,990,200	7,535,995	7,535,995
	- Percentage of Shareholding	25.00	25.00	23.58	25.00	23.58	23.58
2.	Promoter and Promoter Group Shareholding						
	(a) Pledged / Encumbered						
	- Number of Shares	-	-	-	-	-	-
	- Percentage of Shares (as a % of the total shareholding of Promoter and Promoter Group)	-	-	-	-	-	-
	- Percentage of Shares (as a % of the total Share Capital of the company)	-	-	-	-	-	-
	(b) Non-Encumbered						
	- Number of Shares	23,970,597	23,970,597	24,424,802	23,970,597	24,424,802	24,424,802
	- Percentage of Shares (as a % of the total shareholding of Promoter and Promoter Group)	100.00	100.00	100.00	100.00	100.00	100.00
	- Percentage of Shares (as a % of the total Share Capital of the company)	75.00	75.00	76.42	75.00	76.42	76.42

Particulars	3 months ended 31.12.2013
B INVESTOR COMPLAINTS	
Pending at the beginning of the quarter	-
Received during the quarter	1
Disposed of during the quarter	1
Remaining unsolved at the end of the quarter	-



SEGMENT REVENUE, RESULTS AND CAPITAL EMPLOYED

in ₹ million

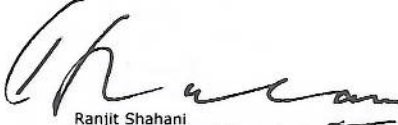
Sr. No	Particulars	3 months ended	3 months ended	3 months ended	9 months ended	9 months ended	Year ended
		31.12.2013	30.9.2013	31.12.2012	31.12.2013	31.12.2012	31.3.2013
		Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Audited
1.	Segment Revenue						
	(a) Pharmaceuticals	1,429.1	1,372.1	1,618.2	4,429.0	4,923.5	6,348.5
	(b) Generics	159.9	140.9	157.1	450.0	462.8	625.2
	(c) OTC	376.8	335.3	323.0	910.6	805.4	1,104.6
	(d) Animal Health	280.6	290.9	239.7	827.0	716.0	955.3
	Total Income from Operations (Net)	2,246.4	2,139.2	2,338.0	6,616.6	6,907.7	9,033.6
2.	Segment Results						
	(a) Pharmaceuticals	(29.0)	(116.8)	155.8	(53.1)	686.2	737.8
	(b) Generics	(1.7)	25.7	76.8	60.4	175.1	220.8
	(c) OTC	51.4	53.7	57.8	81.9	107.0	162.5
	(d) Animal Health	24.0	9.0	6.1	31.5	26.6	40.2
	Total	44.7	(28.4)	296.5	120.7	994.9	1,161.3
	Add/(Less):						
	(a) Finance Costs	(0.7)	(0.6)	(4.6)	(2.0)	(5.8)	(2.2)
	(b) Other Unallocable Expenditure	(59.6)	(83.1)	(72.9)	(220.1)	(201.5)	(290.9)
	(c) Other Unallocable Income	231.2	250.7	197.8	677.8	609.0	826.0
	Profit from Ordinary Activities before tax	215.6	138.6	416.8	576.4	1,396.6	1,694.2
3.	Capital Employed						
	(Segment Assets less Segment Liabilities)						
	(a) Pharmaceuticals	98.4	252.0	238.1	98.4	238.1	258.7
	(b) Generics	61.6	106.1	62.3	61.6	62.3	103.5
	(c) OTC	(85.3)	5.7	(18.7)	(85.3)	(18.7)	(53.8)
	(d) Animal Health	326.5	331.8	291.8	326.5	291.8	326.5
	Total	401.2	695.6	573.5	401.2	573.5	634.9
	Add: Unallocable Corporate Assets less Unallocable Corporate Liabilities	9,347.4	8,900.7	8,558.4	9,347.4	8,558.4	8,367.2
	Total Capital Employed	9,748.6	9,596.3	9,131.9	9,748.6	9,131.9	9,002.1

Notes:

- The above results were reviewed by the Audit Committee at its meeting held on 23rd January 2014 and approved at the meeting of the Board of Directors held on that date.
- On 30th May, 2013, Novartis AG reduced its promoter shareholding in the company to 75% enabling the company to comply with the minimum 25% public shareholding requirements as set out in Rule 19(2)(b) of the Securities Contracts (Regulation) Rules, 1957, as amended.
- Tax Credit for the nine months ended 31st December 2013 includes write back of provision for current tax for the Assessment Year 1995-1996 amounting to Rs 366.9 million (net of additional current tax charge for the Assessment Years 1992-1993 to 1994-1995 amounting to Rs 20.8 million on account of various matters). The aforesaid write back is on account of a favourable Order of the Income Tax Appellate Tribunal, received during the quarter ended 30th September 2013, for non-taxability of consideration from sale of an undertaking.
- The results for the quarter ended 31st December 2013 have been subjected to limited review by the statutory auditors of the company.
- Figures for the prior periods have been regrouped where necessary.



By Order of the Board



Ranjit Shahani
Vice Chairman and Managing Director
Mumbai, 23rd January 2014