

Novartis India Limited

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

in ₹ million							
STATEMENT OF STANDALONE UNAUDITED RESULTS FOR THE QUARTER AND HALF YEAR ENDED 30TH SEPTEMBER 2014							
Sr. No	Particulars	3 months ended	3 months ended	3 months ended	6 months ended	6 months ended	Year ended
		30.09.2014	30.06.2014	30.09.2013	30.09.2014	30.09.2013	31.03.2014
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
1.	Income from Operations						
	(a) Net Sales/Income from Operations (Net of Excise Duty)	2,278.3	2,020.6	2,091.8	4,298.9	4,282.1	8,397.8
	(b) Other Operating Income	69.6	66.9	47.4	136.5	88.1	224.5
	Total Income from Operations (Net)	2,347.9	2,087.5	2,139.2	4,435.4	4,370.2	8,622.3
2.	Expenses						
	(a) Cost of Materials Consumed	28.3	47.4	85.0	75.7	206.1	337.3
	(b) Purchases of Stock-in-Trade	860.5	896.0	937.5	1,756.5	1,739.9	3,530.3
	(c) Changes in Inventories of Finished Goods and Stock-in-Trade	94.4	(58.9)	18.4	35.5	100.2	63.1
	(d) Employee Benefits Expense	478.0	483.0	412.8	961.0	871.8	1,741.9
	(e) Depreciation and Amortisation Expense	8.9	8.8	9.3	17.7	18.6	36.5
	(f) Other Expenses	888.3	751.4	792.1	1,639.7	1,532.1	2,962.7
	Total Expenses	2,358.4	2,127.7	2,255.1	4,486.1	4,468.7	8,671.8
3.	(Loss)/Profit from Operations before Other Income and Finance Costs	(10.5)	(40.2)	(115.9)	(50.7)	(98.5)	(49.5)
4.	Other Income	225.2	248.7	255.1	473.9	460.6	951.2
5.	Profit from Ordinary Activities before Finance Costs	214.7	208.5	139.2	423.2	362.1	901.7
6.	Finance Costs	0.6	0.5	0.6	1.1	1.3	2.7
7.	Profit from Ordinary Activities before Tax	214.1	208.0	138.6	422.1	360.8	899.0
8.	Tax (Credit)/Expense (Net) (including Deferred Tax)	73.7	64.9	(316.9)	138.6	(233.4)	(86.3)
9.	Net Profit for the period	140.4	143.1	455.5	283.5	594.2	985.3
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)				9,737.2		9,453.7
12.	Earnings Per Share - (of ₹ 5 each) (not annualised) Basic and Diluted (₹)	4.39	4.48	14.25	8.87	18.59	30.83

SELECT INFORMATION FOR THE QUARTER AND HALF YEAR ENDED 30th SEPTEMBER 2014							
	Particulars	3 months ended	3 months ended	3 months ended	6 months ended	6 months ended	Year ended
		30.09.2014	30.06.2014	30.09.2013	30.09.2014	30.09.2013	31.03.2014
A	PARTICULARS OF SHAREHOLDING						
1.	Public Shareholding						
	- Number of Shares	7,990,200	7,990,200	7,990,200	7,990,200	7,990,200	7,990,200
	- Percentage of Shareholding	25.00	25.00	25.00	25.00	25.00	25.00
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	23,970,597	23,970,597	23,970,597	23,970,597
	- Percentage of Shares (as a % of the total shareholding of Promoter and Promoter Group)	100.0	100.0	100.0	100.0	100.0	100.0
	- Percentage of Shares (as a % of the total Share Capital of the company)	75.00	75.00	75.00	75.00	75.00	75.00

Particulars	3 months ended
30.09.2014	
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

Sr. No	Particulars	in ₹ million					
		3 months ended 30.09.2014 (Unaudited)	3 months ended 30.06.2014 (Unaudited)	3 months ended 30.09.2013 (Unaudited)	6 months ended 30.09.2014 (Unaudited)	6 months ended 30.09.2013 (Unaudited)	Year ended 31.03.2014 (Audited)
1.	Segment Revenue						
	(a) Pharmaceuticals	1,552.4	1,506.1	1,372.1	3,058.5	2,999.9	5,805.8
	(b) Generics	135.0	122.9	140.9	257.9	290.1	524.3
	(c) OTC	422.1	228.3	335.3	650.4	533.8	1,255.1
	(d) Animal Health	238.4	230.2	290.9	468.6	546.4	1,037.1
	Total Income from Operations (Net)	2,347.9	2,087.5	2,139.2	4,435.4	4,370.2	8,622.3
2.	Segment Results						
	(a) Pharmaceuticals	(2.0)	37.5	(116.8)	35.5	(24.1)	(70.6)
	(b) Generics	37.7	20.2	25.7	57.9	62.1	60.4
	(c) OTC	15.3	(40.2)	53.7	(24.9)	30.5	141.6
	(d) Animal Health	8.7	9.3	9.0	18.0	7.5	58.8
	Total	59.7	26.8	(28.4)	86.5	76.0	190.2
	Add/(Less):						
	(a) Finance Costs	(0.6)	(0.5)	(0.6)	(1.1)	(1.3)	(2.7)
	(b) Other unallocable expenditure	(66.2)	(59.7)	(83.1)	(125.9)	(160.5)	(222.0)
	(c) Other unallocable income	221.2	241.4	250.7	462.6	446.6	933.5
	Profit from Ordinary Activities before Tax	214.1	208.0	138.6	422.1	360.8	899.0
3.	Capital Employed (Segment Assets less Segment Liabilities)						
	(a) Pharmaceuticals	34.0	348.0	252.0	34.0	252.0	207.1
	(b) Generics	41.6	22.5	106.1	41.6	106.1	(5.3)
	(c) OTC	(87.9)	4.0	5.7	(87.9)	5.7	(78.4)
	(d) Animal Health	360.6	376.0	331.8	360.6	331.8	361.6
	Total	348.3	750.5	695.6	348.3	695.6	485.0
	Add: Unallocable Corporate Assets less Unallocable Corporate Liabilities	9,548.7	9,006.1	8,900.7	9,548.7	8,900.7	9,128.5
	Total Capital Employed	9,897.0	9,756.6	9,596.3	9,897.0	9,596.3	9,613.5

Notes:
1. Standalone Statement of Assets and Liabilities

Particulars	in ₹ million	
	As at 30.09.2014 (Unaudited)	31.03.2014 (Audited)
A EQUITY AND LIABILITIES		
1. Shareholders' Funds		
(a) Share Capital	159.8	159.8
(b) Reserves and Surplus	9,737.2	9,453.7
Sub-total - Shareholders' Funds	9,897.0	9,613.5
2. Non-Current Liabilities		
(a) Other Long-term Liabilities	39.3	38.8
(b) Long-term Provisions	275.8	247.2
Sub-total - Non-Current Liabilities	315.1	286.0
3. Current Liabilities		
(a) Trade Payables	1,343.7	1,124.3
(b) Other Current Liabilities	350.9	426.7
(c) Short-term Provisions	166.3	562.5
Sub-total - Current Liabilities	1,860.9	2,113.5
TOTAL - EQUITY AND LIABILITIES	12,073.0	12,013.0
B ASSETS		
1. Non-Current Assets		
(a) Fixed Assets	79.8	78.7
(b) Non-Current Investments	0.3	0.3
(c) Deferred Tax Assets	188.5	182.1
(d) Long-term Loans and Advances	1,234.4	1,140.2
(e) Other Non-Current Assets	1.7	1.3
Sub-total - Non-Current Assets	1,504.7	1,402.6
2. Current Assets		
(a) Inventories	1,013.3	1,035.9
(b) Trade Receivables	861.2	774.0
(c) Cash and Bank Balances	183.0	168.1
(d) Short-term Loans and Advances	8,510.7	8,630.1
(e) Other Current Assets	0.1	2.3
Sub-total - Current Assets	10,568.3	10,610.4
TOTAL - ASSETS	12,073.0	12,013.0

2. The above results were reviewed by the Audit Committee at its meeting held on 7th November 2014 and approved at the meeting of the Board of Directors held on that date.

3. Transactions with GSK and Lilly:

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

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

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

(b) Divestment of Novartis Animal Health business to Lilly

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

In connection with the divestment of the Novartis Animal Health business to Lilly, the Board in its meeting today approved the slump sale of the Company's Animal Health Division to Elanco India Private Limited (or another affiliate of Lilly) for a consideration of Rs 866.8 million. Closing of this slump sale is subject to the receipt of all applicable legal and regulatory approvals, consents, permissions and sanctions as may be necessary from concerned authorities, as well as closing of the wider Animal Health transactions between Novartis and Lilly. The Company has made a separate announcement to BSE Limited, where the Company's shares are admitted for trading, in this regard.

For information in respect of discontinuing operation i.e. Animal Health Division, refer disclosures in Segment Revenue, Results and Capital Employed.

4. 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"). The Hon'ble Delhi High Court issued a notice to the NPPA on 16th May 2014 directing it to file its response to the Writ Petition filed by the Company.

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 has now issued a Demand Notice dated 31st October 2014 directing the company to pay Rs. 281.8 million (including interest) by 15th November 2014. The Company is in the process of initiating all possible steps to contest the demand per due process of law.

5. Tax Credit for the quarter and half year ended 30th September 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 was on account of a favourable Order of the Income Tax Appellate Tribunal for non-taxability of consideration from sale of an undertaking.

6. The results for the quarter ended 30th September 2014 have been subjected to limited review by the statutory auditors of the Company.

7. Figures for the prior periods have been regrouped where necessary.

By Order of the Board



Ranjit Shahani
Vice Chairman and Managing Director
Mumbai, 7th November 2014

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 30th September, 2014 which are included in the accompanying ‘Statement of Standalone Unaudited Results for the quarter and half year ended 30th September, 2014’ and the statement of assets and liabilities as on that date (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 Engagement (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 read with the General Circular 15/2013 dated September 13, 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013 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 Number: 301056E
Chartered Accountants



Asha Ramanathan
Partner
Membership No. 202660

Mumbai, 7th November, 2014

MEDIA RELEASE • MEDIA RELEASE • MEDIA RELEASE**Novartis India announces H1 2014-15 Results; Divests Animal Health business to Eli Lilly**

At a meeting held in Mumbai today, the Board of Directors of Novartis India Limited (the "Board") approved results for the half year ended 30 September 2014. During the period under review, Novartis India Limited (the "Company") recorded Total Income from Operations of Rs 4435 million.

During the half year under review, the core business of the Company, Pharmaceuticals, recorded Total Income from Operations of Rs 3059 million as against Rs 3000 million in the previous corresponding half year. The Company's Generics business registered Total Income from Operations of Rs 258 million as against Rs 290 million in the previous corresponding period. The Animal Health business registered Total Income from Operations of Rs 469 million as against Rs 546 million in the previous corresponding period. The OTC business recorded Total Income from Operations of Rs 650 million as against Rs 534 million in the previous comparable half year.

During the half year under review the Company recorded a Loss from Operations of Rs 51 million as compared to Loss from Operations of Rs 98 million during the corresponding period of the previous year. The Company registered Net Profit after Other Income of Rs 284 million as against Rs 594 million in the previous corresponding period.

The Company has filed a Writ Petition on 8 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. The Hon'ble Delhi High Court issued a notice to NPPA on 16 May 2014 directing it to file its response to the Writ Petition filed by the Company.

During the pendency of the Writ Petition, NPPA issued a Show Cause Notice dated 24 September 2014 to the Company alleging over charge on sales of Voveran 50 GE tablets, to which the Company responded. The Company has now received a Demand Notice from NPPA on 31 October 2014 directing that Rs 281.8 million (including interest) be paid by 15 November 2014. This demand is being contested following due process of law.

Transfer of Novartis India Limited's (the "Company") Animal Health Division

As part of its global portfolio transformation, Novartis AG, Basel, Switzerland ("Novartis AG") agreed on 22 April 2014 to divest its global Animal Health business to Eli Lilly and Company, USA ("Lilly"). Closing of this global transaction is subject to receipt of all applicable anti-trust and regulatory approvals, as well as the satisfaction or waiver (as applicable) of various other conditions.

In connection with this global transaction, the Board considered on 7 November 2014 the disposal by the Company of its Animal Health Division (the "Animal Health Division") to Elanco India Private Limited (or another affiliate of Lilly) (the "Animal Health Transaction").

Factors considered by the Board in its consideration of the Animal Health Transaction included, but were not limited to, the prospects for the Company's Animal Health business in India following the divestment of Novartis AG's global Animal Health business, including all of Novartis AG's major Animal Health patents, trade-marks and R&D assets; the valuation for the transfer of the Animal Health Division, which has been affirmed in a report

provided by an independent valuer and the fairness of which has been confirmed in separate opinions from two leading merchant bankers; and the enhanced ability of the Board, the Company's management and all retained employees to focus on and drive forward the growth of the Company's retained businesses.

Based on these factors, as well as various other matters considered by the Board, and taking into account the independent valuation report and the two separate fairness opinions referred to above, and the recommendation of the Audit Committee of the Board, the Board approved on 7 November 2014 the transfer of the Animal Health Division as a going concern by way of a 'slump sale' to Elanco India Private Limited (or another affiliate of Lilly) for a consideration of INR866.8 million, on or before 22 July 2015, subject to the receipt of all applicable legal and regulatory approvals, consents, permissions and sanctions as may be necessary from concerned authorities, as well as closing of the global Animal Health transaction between Novartis and Lilly.

Disclaimer

This media release contains forward-looking statements that can be identified by words such as "going forward," "projected," "expected," "would," "will," "can," "looking ahead," "future," "strategy," "planned," "committed," "subject to," "anticipated," "potential," "potentially," "strategic," or similar terms, or by express or implied discussions regarding the potential completion of the transactions referred to above or regarding potential future sales or earnings of the business involved in those transactions, or of the Novartis India Limited and/or Novartis AG group of companies, and regarding any potential strategic benefits or opportunities as a result of the transactions referred to above. You should not place undue reliance on these statements. Such forward-looking statements are based on the current beliefs and expectations of management regarding future events, and are subject to significant known and unknown risks and uncertainties. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those set forth in the forward-looking statements. There can be no guarantee that the transactions referred to above will be completed in the expected form or within the expected time frame or at all. Nor can there be any guarantee that Novartis India Limited or Novartis AG will be able to realize any of the potential strategic benefits or opportunities as a result of the transactions referred to above. Nor can there be any guarantee that Novartis AG, Novartis India Limited or any of their respective businesses involved in the transactions referred to above will achieve any particular future financial results in the future. In particular, management's expectations could be affected by, among other things, unexpected regulatory actions or delays or government regulation generally, including an unexpected failure to obtain necessary government or regulatory approvals for the transactions, or unexpected delays in obtaining such approvals; the potential that the strategic benefits or opportunities expected from the transactions may not be realized or may take longer to realize than expected; the uncertainties inherent in predicting shareholder returns or credit ratings; the uncertainties inherent in research and development, including unexpected clinical trial results and additional analysis of existing clinical data; Novartis AG's and Novartis India Limited's, as relevant, ability to obtain or maintain proprietary intellectual property protection; global trends toward health care cost containment, including ongoing pricing pressures; general economic and industry conditions. Novartis India Limited is providing the information in this press release as of this date and does not undertake any obligation to update any forward-looking statements contained in this press release as a result of new information, future events or otherwise.

Issued by Corporate Communications on 7 November 2014

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