Novartis India Limited
Registered Office:
Sandoz House
Shivsagar Estate
Dr. Annie Besant Road
Worli, Mumbai 400 018
India
Tel +91 22 2495 8400
Fax +91 22 2495 0221
Email: india.investors@novartis.com
CIN No. L24200MH1947PLC006104
Website: www.novartis.in

August 1, 2018

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

Annual Report for 2017-18

Dear Sirs,

Please find enclosed Annual Report for the year ended March 31, 2018.

Thanking you,

Yours sincerely,

For Novartis India Limited

Trivikram Guda
Company Secretary &
Compliance Officer

Encl.: a/a

NOVARTIS

NOVARTIS INDIA LIMITED
ANNUAL REPORT 2017-18



CONTENTS

BOARD OF DIRECTORS

Christopher Snook	Chairman
Milan Paleja	Vice Chairman & Managing Director (effective June 1, 2018)
Monaz Noble	Whole Time Director & Chief Financial Officer
Jai Hiremath	Director
Rajendra Nath Mehrotra	Director
Sandra Martyres	Director

Trivikram Guda	Company Secretary & Compliance Officer
CIN	L24200MH1947PLC006104
Registered Office	Sandoz House Shivsagar Estate Dr. Annie Besant Road Worli, Mumbai 400 018
Telephone Nos.	+91 22 2495 8400 / 2495 8888
Fax No.	+91 22 2495 0221
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 6270
Fax	+91 22 4918 6060
E-mail	rnt.helpdesk@linkintime.co.in

Annual General Meeting

11.30 a.m. Friday, July 27, 2018
Hall of Culture
Nehru Centre
Dr. Annie Besant Road
Worli, Mumbai 400 018

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

The Novartis India Limited Board

From left: Milan Paleja, Sandra Martyres, Rajendra Nath Mehrotra, Jai Hiremath, Monaz Noble, Christopher Snook

Dear Shareholder,

The history of our Company is closely linked to the history of India. We have completed 70 years of operating in the country in various business constructs and continue to be committed partners in India's growth story. Through all of this, our commitment to the patient community remains unwavering.

Novartis works with the patient community around the world to discover new ways to improve and extend people's lives. Our significant investment in research and development underpins our commitment to using science-based innovation to address some of society's most challenging healthcare issues. Only by working together can we improve outcomes for patients and change the practice of medicine.

As a global company we are committed to implementing access strategies for all our new medicines based on three principles: addressing the needs of underserved populations through research and development; further improving affordability of our medicines; and strengthening healthcare systems. We are also committed to continuing to provide tailored and scalable access solutions, including patient assistance programs, equitable commercial models, social business models, zero-profit models and drug donations. We are committed to grow our business responsibly while always keeping patients at the centre of everything we do. In fact, we go beyond business through the various CSR initiatives we have, thus contributing to society.

Access to healthcare continues to be high on our agenda, together with meeting unmet medical needs of patients in India. We are extremely aware of our responsibility to provide affordable medicines, particularly to the rural poor. Under the umbrella of our social business Arogya Parivar, which completed 10 years since it started as a pilot in two districts, we have conducted close to 150,000 health education meetings in the previous financial year. During the same period, 398,618 people participated in 9,232 health camps held in 11 states. Arogya Parivar continues to evaluate newer models for health-care delivery to underserved people, including leveraging digital technology to broaden reach.

In the following pages of this annual report, our newly appointed Vice Chairman & Managing Director Milan Paleja describes in some detail how our Company addresses access challenges in India. With his appointment the Board of Directors and I are confident that our Company is in good hands. He returns to India with rich multi-country experience which will be to the long-term benefit of the Company.

I thank you for continuing to place your trust and confidence in our Company and look forward to your continued support in the years ahead. On behalf of the Board of Directors, I am pleased to propose a dividend of ₹10 per equity share of ₹5 at the forthcoming Annual General Meeting.

Sincerely,
Christopher Snook
Chairman

Dear Shareholder,

At the outset I would like to thank you for the trust you have reposed in our Company over the years. This is my first communication to you in the capacity of Vice Chairman & Managing Director of Novartis India Limited. I am happy to return to India after a span of 15 years, during which time I gained rich experience serving in various leadership positions across the Novartis world. Maximising patient access is foremost on my mind and together with my leadership team I look forward to driving access to our medicines for a larger patient population.

It is our intent to work together with various stakeholders for the larger benefit of the patient. We would like to begin by exploring partnerships with the government for Ayushman Bharat through the National Health Protection Scheme (NHPS), announced as part of the annual budgetary exercise of the government in February 2018. NHPS is government-sponsored insurance, which aims to cover around 40% of India's population at roughly 500 million people. While this has been positioned to be a game-changer for healthcare in the country, we hope that NHPS will eventually extend to domiciliary out-patient expenses in addition to hospitalization charges, which is currently a limitation.

In addition to government, we would also like to extend our partnership to patient organizations and healthcare providers, to introduce digitization of health registries in the country beginning with renal failure. For it is only when you know how big the enemy is, in this case disease, that you will be able to fight it.

Our annual report this year focuses on three disease areas: renal disease, thalassemia and chronic myeloid leukemia (CML), and how through our medicines we have made a difference in the lives of these patients.

The Global Burden of Disease (GBD) study 2015 ranked chronic kidney disease as the eighth leading cause of death in India with diabetes being the largest contributor to renal failure deaths. According to *The Lancet*, the analysis of dialysis facilities and transplant numbers in India are impacted by the poor quality of source data. The lack of dialysis and transplant registries do not allow a more accurate estimate of the kidney disease burden in the country. A vast proportion of kidney failure patients in the developing world, including India, says *The Lancet*, die without receiving renal replacement therapy.

A paper published by the *Pediatric Hematology Oncology Journal* stated that β thalassemias and sickle cell disorders pose a significant health burden in India. There are between 35 to 45 million carriers in India, which is a huge number by any standard. Estimates suggest that there would be around 100,000 patients with β thalassemia syndrome. Once again, it is the absence of a national registry of thalassemia patients that makes it difficult to know the exact numbers. According to the article, there

I am optimistic that with increased focus, innovative lifecycle management of our existing product portfolio, better disease awareness and greater engagement with key external stakeholders, we can endeavour to put our Company back to growth

is a need for more intensive education and awareness programs focused on the disease. Intense education on thalassemia from the secondary school level together with education of health professionals has been responsible for the success of prevention programs in the Mediterranean region. We need to learn from others.

Lack of registries for various diseases seems to be a recurring refrain in India. For CML too lack of reliable data is an issue. In 2016, the *Journal of Global Oncology* carried an article that mentioned that the annual incidence of CML in India was originally reported to be 0.8 to 2.2 per 100,000 population. However, these estimates may not represent the true incidence because most of the data from population-based registries in the country report myeloid leukemia as a single entity without separating the acute and chronic forms.

Coming to the performance of our Company, the ongoing challenges outside of our control continue to negatively impact business performance. The Company's Revenue from Operations for FY 2017-18 was lower by 14.1% compared to the previous year as business was impacted by the GST (goods and services tax) roll-out, inclusion of more products under the National List of Essential Medicines, continued price control under DPCO and stiff competition. Profit for FY 2017-18 was significantly higher at ₹783.6 million as against ₹572.2 million in the previous corresponding period. This was mainly due to a substantial interest on tax refund that was received for a prior period. I am happy to share that the Board has recommended dividend at 200% for FY 2017-18, subject to your approval.

Thank you once again for your trust, your continued loyalty and your support. I am optimistic that with increased focus, innovative lifecycle management of our existing product portfolio, better disease awareness and greater engagement with key external stakeholders, we can endeavor to put our Company back to growth.

Sincerely,

Milan Paleja
Vice Chairman & Managing Director

Maximising patient access

On April 7, 2018, when the World Health Organisation marked its 70th anniversary with World Health Day, it highlighted an issue that has gained immense importance in the modern world. The theme – 'Universal Health Coverage: everyone, everywhere' – shone the spotlight on the need for a global community where everyone, everywhere can access essential quality healthcare and services without facing financial hardship.

For Novartis, this has always been a key agenda. Its core business involves the discovery, development and marketing of innovative treatments, and through this, the Company has helped prevent and treat diseases, ease suffering and improve quality of life for people worldwide. Novartis also has a broad range of access-to-medicine programmes that include social business initiatives, selling at cost, drug donations and patient assistance programmes. Its commitment to patients involves respecting and understanding the patient community perspective; expanding access to medicines; conducting responsible clinical trials and recognising the importance of transparency in reporting. Novartis' commitment is to providing tailored and scalable access solutions.

WHAT DOES ACCESS MEAN?

For a patient to access treatment, three aspects are involved. These include physical accessibility, financial affordability and acceptability.

Physical accessibility How accessible is healthcare for most people in India? In rural areas, it could mean travelling for a day, losing precious daily wages. For 830 million men, women and children across India living in far-flung villages, the idea of accessible and affordable medicines is often as remote as their homes: an estimated 65% of India's population does not have access to healthcare.

Physical accessibility refers to the availability of healthcare within reach of people who need them. It also has to do with the timings of such facilities, how easy it is to book appointments and other service and delivery aspects. Novartis' Arogya Parivar programme takes healthcare to rural India. Strong links with more than 32,000 doctors and new distribution networks help to make medicines available in 21,000 remote pharmacies.

Financial affordability Often, people stay away from medical care because it is simply too expensive. According to WHO, almost 100 million people are being pushed into extreme poverty, forced to survive on just $1.90 or less a day, because they have to pay for health services out of their own pockets.

Financial affordability takes into account a person's ability to pay for services without financial hardship. This would include not only the direct cost of healthcare but also other issues such as the cost of transportation and the loss of wages.

Acceptability Low acceptability is when patients perceive services to be ineffective or when there are cultural and social barriers that make it difficult for them to reach out for services.

ALL ABOUT PEOPLE

Beyond all the theories and eco-systems surrounding patient access is the fact that such programmes are all about people – about transforming their lives, bringing hope, making them recognise that illness does not necessarily mean it is time to give up.

We spoke to three patients whose lives have been impacted by Novartis.

Deepali Kalaskar (née Umratkar)

'You have to take care of yourself'

When Deepali Kalaskar (née Umratkar) was a schoolgirl in Ulhasnagar, a town in Maharashtra's Thane district, her zest for life showed in everything she did. She loved sports, with kabaddi and kho-kho being particular favourites. She enjoyed dancing, and though she had no professional training, tried everything from folk dance to hip-hop, gaining great inspiration from the TV set. She auditioned, and was selected, for fashion shows in school and college, but her parents told her that such things were best done after marriage, and only if her husband had no objections.

On December 7, 2013, aged 24, Deepali got married. Three months later, on March 5, 2014, after regular bouts of fever, she was diagnosed with a kidney ailment. Concerned about the recurring fever, doctors had advised her to have a series of tests and her creatinine levels were found to be abnormally high. Deepali and her husband lived in Ahmedabad then and she was admitted to a hospital, where she remained for six days under observation. The doctor recommended a biopsy but they discovered it would not be possible because her kidney was too small.

During this time, Deepali's parents were called to Ahmedabad, and they thought their newly married girl had some *khush khabri* (good news) – that they would learn she was expecting a baby. Instead, they found themselves telling their son-in-law that they would be willing to take their daughter home so that he would no longer have to live with a new bride who was so ill. He refused; according to Deepali, her husband said that if the roles had been reversed, she would never have left him. Years earlier, his own father had been diagnosed with a kidney problem and he knew what difficulties this entailed.

For two years, Deepali was only on medication. When it became clear that dialysis would be necessary, doctors tried creating a fistula. Hemodialysis fistulas are surgically created communications between a vein and an artery, which makes it possible for dialysis to take place. When a patient undergoes dialysis, all the blood is withdrawn from an artery or vein, filtered and returned to a vein. The fistula allows arterial pressure to enlarge the vein, which enables it to receive the volume of blood coming back into the body.

On the auspicious day of Ganesh Chaturthi, the doctor worked on her left hand to create the fistula; it failed. A few days later, on her birthday, they tried on the right hand; this failed as well. Finally, with 24 external stitches and several more beneath her skin, they succeeded in creating a fistula that runs, like a bumpy little mountain range, right down from her left shoulder to the elbow.

The dialysis, which began in July 2015, continued, thrice a week, for two years; Deepali had moved back to her parents' home in Ulhasnagar during this time and initially, they accompanied her, complete with tiffin in tow. Then she began going to hospital alone, because she felt she needed to be independent. Deepali did not seem obviously ill; there were times when she walked in and the nurses told her no relatives were allowed and she should send the patient instead. They were astonished to discover that she was, indeed, the one they were looking for!

Meanwhile, the search for a kidney donor continued and finding a match for Deepali proved to be a difficult task. A 55-year-old donor needed a kidney for her 59-year-old husband and was willing to give her kidney in exchange; Deepali's father was to donate his kidney for him. The potential donor's husband, however, died before the procedure could take place. Eventually, Deepali found a donor and a swap transplant took place in September 2017.

Today, nine months after her surgery, Deepali is rediscovering life. She is back at her marital home and is grateful for all the support she has received from everyone, including her family members, doctors and hospital staff. She had spent six months indoors and to this day, has to be careful about infections; if she steps out on the street, she usually wears a mask. In the corner

About renal transplant

Kidneys, which are among the most important organs in the body, enable the filtration of residual products from the blood and elimination of excess fluid in urine. They are also vital for the formation of red blood cells, maintenance of bone health and regulation of blood pressure.

When kidneys fail, they can be treated either through dialysis or a transplant. This is a surgical procedure that involves implanting a healthy kidney from a living or cadaver donor. It is usually performed in cases of chronic kidney failure when the kidneys are no longer capable of removing waste from the body or of maintaining certain chemicals in the blood. With adequate care to ensure that no infections develop, kidney transplants can increase longevity in the patients, allowing them to live healthy lives.

of her living room is a large bottle of sanitiser, and when she sits on the window ledge where the plants are, it must be meticulously cleaned and the plants moved away. Family members need to bathe, or at least wash their hands and feet, before entering her room if they have been outdoors – it is a routine that her mother-in-law has now got used to. Her meals need to be served on time, in tune with her medication schedule, and on the rare occasions she meets visitors, she checks if they have coughs and colds.
"The doctor has done whatever he has to do," she says. "After that, you, as the patient, have to ensure you are taking care of yourself."

Deepali is on Tacrolimus capsules. She used to buy these from the hospital, but now, Novartis supplies them directly. "The delivery system is very smooth," she says. "I always get them on time." Post transplant, she has a regular routine, unlike the days when she had to go through dialysis and never knew what shift she would be allotted.

Through all this, as she looks after the new 'friend' in her body – the transplanted kidney – she has regained her enthusiasm for sports and other activities. She frequently plays TT in her building with her sister-in-law's 15-year-old son, who lives with them; chess is another favourite game.

Deepali is keen to serve society in some way and feels strongly that it is important for people to donate blood.

Right now, Deepali is focused on regaining her strength and independence.

"Just because you have undergone a transplant, it doesn't mean you should be dependent on people all your life," she says. "Anyone can fall ill, but everyone has some special qualities, so it is necessary to focus on these and be self-reliant."

As she has also told other patients at the hospital, dialysis does not mean you are weak; if you look after yourself, eat properly and are careful about infections, you can go to work and lead a normal life.

Suresh Pawar

'I've always had a fighting streak'

When 46-year-old Suresh Pawar opens the door of his cosy apartment in suburban Mumbai, the first thing that strikes you is the warmth of his smile. It is a rare day that he is home at 6 p.m.; every morning, he gets onto his mobike and then spends the day sorting out cable faults and power breakdowns. Suresh is a diploma holder in electrical engineering and works as an executive engineer. He has a lovely wife, Asha, two children, Sushmita and Ashutosh, who are at University. He has fulfilled one of his major dreams in life, which was to own a home in Mumbai. Nothing about him at first glance suggests the hard life he has led, including a difficult childhood and spending the past thirteen years of his life living with Chronic Myeloid Leukemia (CML).

When Suresh was nine, the third of four children in an impoverished family, alcoholism took away his father. The traumatised boy failed the fourth standard; he was unable to study, partly because he was shaken up by the loss and also because he spent his time augmenting the family income by wrapping sweets to earn thirty rupees a month. With the domestic jobs that his mother was doing, there was not enough money in the household.

Suresh spent the rest of his childhood at a government-aided institution for orphans and

An overview of Chronic Myeloid Leukemia

CML 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. Most patients with CML – approximately 95% – have a genetic abnormality that produces an abnormal chromosome in bone marrow stem cells, known as the Philadelphia chromosome (abbreviated "Ph chromosome" or simply "Ph"). The Ph chromosome carries a gene called BCR-ABL, which produces a protein called Tyrosine Kinase. This enzyme triggers bone marrow to keep making abnormal versions of white blood cells, which are the leukemia cells. The BCR-ABL gene and Tyrosine Kinase protein are the key causes of Ph+ CML. The resulting uncontrolled growth of these leukemia cells can cause a large increase in their concentration in the blood. Over time, these abnormal cells crowd out healthy red blood cells and platelets as well as normal white cells, which can have negative effects on your health.

became determined to change his circumstances. When he passed the Secondary School Certificate (SSC) exam, it was with a noteworthy 82 per cent; the delighted youngster found himself being felicitated by a senior government officer and his name appearing in a newspaper.

"I wanted to study further and dreamed of owning a home," says Suresh. Fortunately, with the help of a donor, he was able to complete a three-year diploma course in electrical engineering, obtaining a first class. In 1992, when he had the opportunity to join a public sector company as an apprentice at a stipend of ₹500 a month, he knew his life was on track. Soon he got married and life seemed perfect.

In July 2005, something changed. Suresh suddenly lost his appetite, started feeling weak and feverish, his weight dropped from 78 kg. to 65 kg. in a matter of months and there was a swelling in his lower back. Pain in the joints and an enlarged spleen added to the misery. Doctors advised him to conduct a full blood count as well as other pathological tests, and Suresh discovered that his platelet count was high and his white blood cells (WBCs) were significantly higher than what is usually considered normal in males.

At age 34, just when his life seemed to be falling into place, he was diagnosed with CML. His brother and mother heard the news first; she came back trembling, thinking her son's days were numbered.

Suddenly, Suresh found himself in hospital, terrified that history would repeat itself – that his own family would suffer as he had in his childhood when his father died. Both children were too young to know what their father was going through, and the pressure their mother was under as his care-giver. Ashutosh, was six at the time and it would be another six years before he understood what had happened.

Suresh was advised a bone marrow transplant, but the procedure cost about ₹1.7 million – an amount he had no hope of raising even if he sold all his assets; besides, the success rate was not too encouraging.

It would have been easy to give up, but Suresh had struggled too hard to get to where he was, and CML was not going to defeat him. "I've always had a fighting streak in me," he thought. "I have to deal with this."

So, after 40 days in hospital, he told his doctor he needed to get back to work. His was a tough job, spending four to six hours outdoors dealing with transformers and switchgear, and while his employer gave him light work initially, he was soon out on his mobike, back to the rigours of his task.

He sought a second opinion and that made all the difference. Suresh's doctor had informed him of this new drug which was available at no cost via the Glivec® International Patient Assistance Programme (GIPAP ™). He was referred to The Max Foundation, a non-profit body working for the welfare of patients with leukaemia and other blood-related diseases, that administered GIPAP for Novartis. When he walked into The Max Foundation office he saw his first ray of hope.

Suresh says that he will never forget that “glorious moment” when, in October 2005, he met Viji Venkatesh, the Region Head of The Max Foundation, South Asia and heard her reassuring words as she held his hand; he knew there would be no looking back. A simple tablet taken daily after dinner has made all the difference. “I’m very grateful to The Max Foundation and to Novartis,” he smiles.

Best of all, Suresh is now giving back to those who are struggling with similar journeys. A colleague who was diagnosed with stomach cancer told Suresh he gained strength from watching him. Suresh, however, is not simply playing a passive role in helping others.

On the five days of casual leave that he gets every year, he gets onto his mobike and zooms off to The Max Foundation office in Mumbai, where he speaks to at least 100 patients about how to cope with cancer. “You can live a perfectly normal life,” he tells them, and watching him, they know these are not just empty words.

“My message to newly diagnosed cancer patients is don’t give up, stay positive and think positive. Keep working at your dreams, and extend help – be it emotional or financial – to cancer patients in need,” he says.

Mallika Kohli

‘Every day is about challenging yourself’

When Mallika Kohli was a three-month-old baby in Kanpur, she was diagnosed with thalassemia, a genetic blood disorder characterised by excessive haemoglobin production. Her condition meant that every 21 days, she had to be taken to Lucknow, 73 kilometres away, for blood transfusions – something she would require for the rest of her life.

When she was six, her father died in a road accident, and her mother brought up the young girl single-handedly, taking leave from her teaching job for regular train journeys to Lucknow, where Mallika would be given two bags of blood each time. Then, 12 years ago, her mother decided to move to an apartment in Navi Mumbai, where treatment for her daughter would be easier and the travel and transfusions safer; in Lucknow, Mallika had once witnessed infected blood being given to someone.

Mallika was brought up like any other child; her mother would scold her for being naughty and insist on her getting good marks. “She never allowed me to feel self-pity,” Mallika says.

Now 21, Mallika has grown up to be an independent young woman. Awaiting her final-year college results, she spends much of her time alone after her mother leaves for work at 6.30 a.m. She cooks and cleans; Mallika loves Italian food and likes to keep a neat apartment. She also makes little craft items, watches food and travel shows on television and goes for walks in the jogger’s park nearby when she has time. Recently she cut up one of her dresses to make clothes for a doll she has had since she was two. In the evenings, she helps her mother give tuitions at home in two shifts, from 4.30 p.m. to 8.30 p.m., something that she has been doing for years, even when she was busy with college.

When she needs her fortnightly blood transfusion, she takes a train to South Mumbai, more than an hour away. In her younger days, when she heard that thalassemia patients did not live beyond 30 – which is not necessarily true – she would count her years. “I realised that I had about 12 years left and could accomplish a lot in that time,” she says. She also speaks to younger thalassemia patients of her own experience. “When you encounter a problem,” she tells them, “remember that it is always darkest before dawn.”

Mallika went to a college close to her home, because her mother was worried about her having to travel too much. Through all the time she spent there, however, no one realised she had a problem. She wanted to be seen as normal and not be pitied; even when her professors reprimanded her for missing lectures, she did not tell them she was doing so because she needed blood transfusions. Once, when a boy noticed the permanent needle mark on her left hand and insisted on knowing what it was about, she brushed it aside and simply said she had hurt herself. “So many people are scared of injections,” she says. “If I had also been scared of them, my life would have been so tough!”

Mallika takes Desferal®, an iron-chelating agent from Novartis, which is delivered through her stomach through a pump. She has to be careful about getting colds and fever, and is also conscious of her weight; the more you weigh, she says, the more blood you need. She was 47 kg. earlier and now, sitting at home, she has gained weight and is 54 kg. “I do not like this,” she declares.

With thalassemia, she also explains, both your stomach and your forehead can protrude. Like any other girl her

What is thalassemia?

Thalassemia is a group of blood diseases caused by a defective gene in the body, which affects the production of haemoglobin – a protein found in red blood cells that carries oxygen. Children inherit this from one or both parents. If a child inherits the faulty gene from both parents, it leads to thalassemia major, but if it is inherited from one parent, the child will have thalassemia minor and become a carrier. Regular blood transfusions, the mainstay of care, can build up iron overload for thalassemia major patients, so they are usually advised a low-iron diet that excludes spinach and raisins, among other things.

age, Mallika wants to look her best and ensures this by taking care of herself.

"The high iron content in my blood made my skin very dark when I was a child," she says, as she opens her wardrobe to reveal the childhood pictures she has stuck there.

As Mallika waits for her college results, she is making plans for a future that includes a big house and helping her mother with finances by getting a government job.

She is aware that there is a four percent reservation for thalassemia patients, but wants to get by on her own merit after going through a competitive exam. "I have a lot of aspirations," she laughs.

Ask her what it is that keeps her going and she says without hesitation: "Every day is all about challenging yourself, and you have to take each day as it comes."

Notice

NOTICE is hereby given that the 70th Annual General Meeting of NOVARTIS INDIA LIMITED will be held at Hall of Culture, Nehru Centre, Dr. Annie Besant Road, Worli, Mumbai 400 018 on Friday, July 27, 2018 at 11.30 am to transact the following business:

Ordinary Business

1. To receive, consider and adopt the audited Statement of Profit and Loss Account for the year ended March 31, 2018 and the Balance Sheet as on that date together with the Reports of the Directors and the Auditors thereon.

2. To declare dividend for the year ended March 31, 2018.

3. To re-appoint Ms. Monaz Noble (holding DIN: 03086192) as Director, who retires by rotation and being eligible, offers herself for re-appointment.

4. To ratify the appointment of Statutory Auditors and to fix their remuneration and in this regard, pass with or without modification(s) the following as an Ordinary Resolution:

   "RESOLVED THAT pursuant to the provisions of Sections 139, 141 and 142 and other applicable provisions, if any, of the Companies Act, 2013 read with the Companies (Audit and Auditors) Rules, 2014, as may be applicable, the appointment of M/s. Deloitte Haskins & Sells LLP, (Firm Registration No. 117366W/W-100018), Chartered Accountants, be and is hereby ratified, to hold office from the conclusion of the 70th Annual General Meeting till the conclusion of the 71st Annual General Meeting of the Company, at such remuneration as may be decided by the Audit Committee of the Board of Directors and reimbursement of travelling and out of pocket expenses incurred by the Auditors for the purpose of audit."

Special Business

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

   "RESOLVED THAT pursuant to the recommendation of the Nomination and Remuneration Committee, the Board and pursuant to Sections 190, 196, 197,198 and 203 and any other applicable provisions of the Companies Act, 2013 ("the Act") and the rules made thereunder (including any statutory modification(s) or re-enactment thereof for the time being in force), read with Schedule V to the Act and subject to the approval by the Central Government, consent of the members be and is hereby accorded for the appointment of Mr. Milan Paleja (holding DIN 08127535) as the Vice Chairman & Managing Director of the Company for a period of 5 years commencing from June 1, 2018, on such terms and conditions as set out in the Explanatory Statement annexed to the notice convening this Meeting.

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

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

RESOLVED FURTHER THAT the Board be and is hereby authorized to alter and vary the terms and conditions of Mr. Paleja's appointment and remuneration, to the extent the same is permitted under the provisions of applicable laws and to do all such acts and take all such steps as may be necessary, proper or expedient to give effect to this resolution."

By Order of the Board of Directors

TRIVIKRAM GUDA
Company Secretary &
Compliance Officer

Registered Office

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

May 10, 2018

Notes:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE ANNUAL GENERAL MEETING ("the Meeting") IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND SUCH A PROXY NEED NOT BE A MEMBER.

2. THE INSTRUMENT APPOINTING PROXY/PROXIES IN ORDER TO BE EFFECTIVE MUST BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.

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

   A PERSON CAN ACT AS A PROXY ON BEHALF OF MEMBERS NOT EXCEEDING 50 AND HOLDING IN AGGREGATE NOT MORE THAN 10 PER CENT OF THE TOTAL SHARE CAPITAL OF THE COMPANY CARRYING VOTING RIGHTS. A MEMBER HOLDING MORE THAN 10 PER CENT OF THE TOTAL SHARE CAPITAL CARRYING VOTING RIGHTS OF THE COMPANY MAY APPOINT A SINGLE PERSON AS PROXY AND SUCH PERSON SHALL NOT ACT AS A PROXY FOR ANY OTHER PERSON OR SHAREHOLDER.

3. In compliance with the provisions of Section 108 of the Companies Act, 2013 ("the Act") and Rule 20 of the Companies (Management and Administration) Rules, 2014 and amendments thereof and Regulation 44 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Company is providing its members with the facility for voting by electronic means and the business may be transacted through such voting. The Company will also provide voting facility through polling paper/electronic means at the Meeting. Members attending the Meeting who have not already cast their vote by remote e-voting may exercise their voting right at the Meeting. Members who have cast their vote by remote e-voting prior to the Meeting may also attend the meeting but shall not be entitled to cast their vote again. Please refer to the instructions relating to voting through electronic means, which are sent along with the Annual Report.

4. Pursuant to the provisions of Section 91 of the Act, the Register of Members and Share Transfer Books will remain closed on all days from Friday, July 20, 2018 to Friday, July 27, 2018, both days inclusive.

5. Payment of dividend for the year ended March 31, 2018 as recommended by the Board, if approved at the Meeting, will be payable within thirty days from the date of its declaration to the shareholders whose names appear in the Company's Register of Members as on the date of book closure.

6. Pursuant to the provisions of Section 124(6) and the Investor Education and Protection Fund Authority (Accounting, Audit, Transfer and Refund) Rules, 2016 and Amendment Rules 2017 notified by the Ministry of Corporate Affairs, the Company is required to transfer all shares in respect of which dividend has not been paid or claimed by the members for seven consecutive years or more in the name of Investor Education and Protection Fund ("IEPF") Suspense Account. Adhering to requirements set out in the Rules, the Company has taken appropriate action and transferred the shares to the Demat Account opened by the IEPF Authority on November 23, 2017.

   Concerned shareholders may note that, upon such transfer, both the unclaimed dividend and the shares transferred to IEPF Authority including all benefits accruing on such shares, if any, can be claimed by them from IEPF Authority, after following the procedure prescribed under the Rules.

7. 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 2010-11 onwards are requested to make their claims directly to the Company or to Link Intime India Private Limited at C-101, 247 Park, LBS Marg, Vikhroli West, Mumbai 400 083, without any delay.

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

Year	Dividend rate per share (₹)	Date of declaration	Due date for transfer to IEPF
2010-11	10	26.07.2011	01.09.2018
2011-12	10	25.07.2012	30.08.2019
2012-13	10	25.07.2013	30.08.2020
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

8. Members/Proxies are requested to bring the attendance slip along with their copy of the Annual Report to the Meeting.

9. Members desirous of obtaining any information concerning the accounts and operations of the Company are requested to address their questions in writing to the Company Secretary at least seven days before the date of the Meeting, so that the information required may be made available at the Meeting.

10. Members holding shares in physical form are requested to notify/send the following to the Company's Registrar and Transfer Agents to facilitate better service:

    i. Any change in their address

    ii. Particulars of their bank accounts in case the same have not been sent earlier, for dividend payment through ECS mode and

    iii. Share certificate(s) held in multiple accounts in identical names or joint accounts in the same order of the names for consolidation of such holdings into one account.

11. Members holding shares in electronic form are advised that address/bank details as furnished to the Company by the respective Depositories, viz. NSDL and CDSL will be printed on the dividend warrants. Members are requested to inform the concerned Depository Participants of any change in address, dividend mandate, etc.

12. Members holding shares in physical form and desirous of making a nomination in respect of their shareholding in the Company, as permitted under Section 72 of the Act, are requested to submit details to the Registrar and Transfer Agents of the Company, in the prescribed Form SH. 13 for this purpose.

13. Members who have not registered their e-mail addresses so far are requested to register their e-mail addresses with the Company's Registrar and Transfer Agents for receiving communication from the Company in electronic form.

14. In case of joint holders attending the Meeting, only such joint holder who is higher in the order of names will be entitled to vote.

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

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

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

    Ms. Noble, aged about 50 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 The Institute of Cost Accountants of India. She joined the Company in 2010 and is currently the Whole Time Director and Chief Financial Officer. 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. Noble was appointed as a Whole Time Director on June 13, 2016 on such terms and conditions of appointment and remuneration as approved by the shareholders in the Annual General Meeting dated July 29, 2016.

Ms. Noble does not hold by herself or for any other person on a beneficial basis, any shares in the Company. She is not related to in any way with any other Director or Key Managerial Personnel of the Company. She does not have any shareholding in the Company. She is member of the Stakeholders Relationship Committee and Corporate Social Responsibility Committee of the Board of the Company. The number of Board/Committee meetings attended by Ms. Noble during the financial year is disclosed in the Corporate Governance Report.

16. **Ratification of appointment of Statutory Auditors (Item No. 4)**

The shareholders at the Annual General Meeting (AGM) held on July 28, 2017 had appointed M/s. Deloitte Haskins & Sells LLP (Firm Registration No. 117366W/W-100018), Chartered Accountants, as the Statutory Auditors of the Company for a period of 5 years commencing from the conclusion of the 69th AGM till the conclusion of the 74th AGM of the Company.

The Audit Committee and the Board of the Company at their meeting held on May 10, 2018 have recommended the ratification of appointment/re-appointment of M/s. Deloitte Haskins & Sells LLP, (Firm Registration No. 117366W/W-100018), Chartered Accountants and therefore their appointment be ratified by the members at this AGM, to hold office from the conclusion of the 70th Annual General Meeting till the conclusion of the 71st Annual General Meeting of the Company.

The letter received under Section 139(3) of the Act from M/s. Deloitte Haskins & Sells LLP, (Firm Registration No. 117366W/W-100018), Chartered Accountants and Certificate under Section 141 of the Act is available for inspection by the members at the registered office of the Company on any working day excluding public holidays, Saturdays and Sundays, between 11:00 am to 1:00 pm upto and including the date of the Annual General Meeting.

The Board recommends the Resolution at Item No. 4 of the Notice for approval by the Members. None of the Directors are concerned or interested in this item of resolution.

Explanatory Statement to Item No. 5

[Pursuant to Section 102(1) of the Companies Act, 2013 ("the Act") the following Explanatory Statement sets out material facts relating to the business under Item No. 5 of the accompanying Notice dated May 10, 2018 convening the 70th Annual General Meeting of the Company scheduled for July 27, 2018.]

On the recommendation of the Nomination and Remuneration Committee, the Board of Directors of the Company at its meeting held on May 10, 2018 approved the appointment and remuneration payable to Mr. Milan Paleja (holding DIN: 08127535) as the Vice Chairman & Managing Director of the Company for a period of 5 years commencing from June 1, 2018. The Board, at the above-referred meeting, considered that Mr. Paleja has also been appointed as the Managing Director of Novartis Healthcare Private Limited ("NHPL") with effect from May 8, 2018, and accordingly unanimously approved Mr. Paleja's appointment as the Managing Director of the Company in terms of the third proviso to Section 203(3) of the Act. NHPL is a wholly owned subsidiary of Novartis Pharma AG, whose ultimate holding company is Novartis AG. Novartis AG is a holding company of the Company. Such appointment and remuneration (including the terms and conditions stipulated in the agreement between the Company and Mr. Paleja) was subject to the approval of the members of the Company and the Central Government. Mr. Paleja does not hold any directorship in any other listed company in India.

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

(i) Mr. Paleja, aged about 54 years, has been staying outside India for more than 12 months prior to his appointment. Considering the same, the Company shall also seek the approval of the Central Government pursuant to section 196 of the Act.

(ii) Overall Remuneration: The remuneration proposed to be paid to Mr. Paleja is within the permissible limits specified by the Act and is commensurate with his responsibilities of heading a Company of this size with its diversified business operations.

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

Within the aforesaid ceiling, the remuneration payable to Mr. Milan Paleja shall be as follows:

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

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

Other key conditions:

a. One company car along with chauffeur. The Company shall bear and pay all fuel, garage rent, repairs, maintenance, running and other costs and charges whatsoever, in connection with the use of such car.
b. Reimbursement of medical expenses for himself and his family as per the Company's policy.
c. Leave: As per rules of the Company, subject to maximum 30 days leave each year with encashment of unavailed leave at the end of his tenure.
d. Group Personal Accident Insurance: As per rules of the Company.
e. Entitlement to club memberships, which will include monthly/annual subscription fees, as per the rules of the Company.
f. Contribution to Provident Fund, Superannuation Fund or Annuity Fund as per Company's policy.
g. Gratuity to be payable as per the rules of the Company.
h. The salary will be subject to all applicable provisions of the Income Tax Act, 1961.
i. He will not be entitled to sitting fees for meetings of the Board/Committees of the Board attended by him.
j. The tenure will be subject to termination by six months' notice in writing on either side.

(iii) Mr. Paleja is a graduate from the Bombay University and holds a Cost Accountants degree from the Institute of Cost Accountants of India.

(iv) Mr. Paleja joined Sandoz (India) Limited in 1982 in the Finance function. He has held positions of increasing responsibility in various business areas including Consumer Health, Generics and Pharmaceuticals, at country and regional level, within diverse geographies such as Singapore, South Africa and Basel. Since March 2016, Mr. Paleja has been the CPO Head and Country President Indonesia where he pioneered innovative pharmaceutical access models and built strong trusted partnerships with external stakeholders. He leaves behind a strong legacy particularly in the area of organ transplant, where he engaged with the government to build systems for a donor registry. He has extensive knowledge of running a pharmaceutical business in diverse markets across the globe.

(v) Mr. Paleja holds 33 equity shares in the Company. He is not related in any way to any other Director or Key Managerial Personnel of the Company. Effective June 1, 2018, he is a member of the Stakeholders Relationship Committee and is the Chairman of the Corporate Social Responsibility Committee of the Board of the Company. Mr. Paleja did not attend any Board/Committee meetings during the financial year 2017-18 as he has been appointed as the Vice Chairman & Managing Director (subject to receipt of requisite approvals) after March 31, 2018.

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

(vii) Mr. Paleja is not disqualified from being appointed as a Director in terms of Section 164 of the Act and has given his consent to act as a Managing Director of the Company. Pursuant to Article 132 and 114 of the Articles of Association of the Company, Mr. Paleja is not liable to retire by rotation.

(viii) An Ordinary Resolution in terms as set out in Item No. 5 of the accompanying Notice is placed before the members in the Meeting for approval. Except Mr. Paleja, being an appointee, none of the Directors or KMP of the Company or their relatives are concerned or interested, financially or otherwise, in this resolution. This Explanatory Statement may also be regarded as a disclosure under Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements), Regulations, 2015 with the Stock Exchange.

By Order of the Board of Directors

TRIVIKRAM GUDA
Company Secretary &
Compliance Officer

Registered Office

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

May 10, 2018

Directors' Report

Your Directors are pleased to present the Annual Report and the Audited Accounts for the financial year ended March 31, 2018.

Summary of the Financial Results

	(₹ in million)	
	2017-18	**2016-17**
Revenue from Operations	**5,638.9**	**6,562.3**
Total Income	7357.2	7272.3
Profit before Tax	1,575.2	917.3
Profit for the year	783.6	572.2
Other Comprehensive Income for the year	12.0	5.0
Balance brought forward from previous year	**8,336.2**	**8,143.7**
Available for appropriation		
The Directors have made the following appropriations:		
Dividend	281.4	319.6
Dividend distribution tax	57.3	65.1
Buy-back of equity shares	1,537.4	0
Amount transferred to Capital Redemption Reserve	17.3	0
Carry forward	**7,238.4**	**8,336.2**

Dividend

The Board has recommended payment of dividend at ₹ 10 per equity share of ₹ 5 each for the financial year 2017-18. The dividend, if approved by the members at the Annual General Meeting ("AGM"), will result in a cash outflow of ₹ 297.7 million including dividend distribution tax.

Buyback of equity shares

During the year, the Company had bought back 34,50,000 equity shares from all existing shareholders/beneficial owners of equity shares, on a proportionate basis, through the Tender Offer route at a price of ₹ 670 (Rupees six hundred and seventy only) per equity share for an aggregate amount of ₹ 231,15,00,000 (Rupees two hundred and thirty one crore fifteen lakh only).

Management Discussion and Analysis

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

a. Industry structure and developments

India's economic growth in terms of GDP, for Financial Year 2017-18, stood at 6.5 percent compared to 7.1 percent during the previous financial year, primarily due to poor performance of the agriculture and manufacturing sectors. While structural reforms like Goods and Service Tax (GST) were welcomed, the transition to GST encountered challenges of policy, law, and information technology systems affected many sectors.

However, Government's continued commitment towards economic reforms and a slew of measures to support these like rationalizing GST rates on many common goods & services, simplifying compliance burdens, solving problems associated with non-performing assets of the banks, liberalizing foreign direct investment are improving growth prospects for the economy.

India's healthcare system currently remains grossly inadequate to provide care to a population of 1.3 billion, especially in rural areas. With public spending on healthcare at 1.4 percent of GDP, India is among the lowest in the world. Continuing challenges surrounding drug pricing and low health insurance are factors impacting the research based pharmaceutical industry. It is encouraging that the Government has come out with a National Health Policy 2017, which proposes to increase public health expenditure to 2.5% of the GDP in a time bound manner.

The Indian Pharma Market ("IPM") is valued at ₹ 1184.86 billion (AIOCD, MAT FEB 2018) and forecasted to grow at a Compounded Annual Growth Rate (CAGR) of 9.7 percent* between 2017 and 2022, reaching ₹ 1967.6 billion by 2022. It continues to be a highly fragmented and competitive market with a large number of players spread across therapeutic segments.

b. Performance

Revenue from operations for the year ended March 31, 2018 was at ₹ 5638.9 million representing a decrease of 14.1 percent over the previous year.

Profit before tax for the year from continuing operations was at ₹ 1575.2 million representing an increase of 71.7 percent over the previous year. This is mainly on account of interest income of ₹ 981.3 million received on income tax refund of AY 1995-96 recognized as income in the accounts based on the management estimate of the amount the Company is entitled to receive in accordance with the provisions of the Income-tax Act, 1961.

c. Segment-wise operational performance

The Pharmaceuticals business registered Net Revenue from Operations of ₹ 5638.9 million representing a decrease of 14.1 percent over the previous year. Revenue from operations was impacted by the Goods and Service Tax roll-out and expansion of National List of Essential Medicines (NLEM) which led to increase in the scope of drugs subject to price control. Both these events had an adverse impact on the operating profits of the Pharmaceutical business.

Following brands hold key positions in major therapeutic areas such as:

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

d. Risks

India is a self-pay market, which coupled with widespread low affordability poses a significant challenge to the pharmaceutical industry in general. Healthcare insurance in India has still not penetrated in a way so as to make a positive impact on affordability. Control of prices of certain drugs under the DPCO continues to affect the profitability of the pharmaceutical industry. Any attempt to expand the scope of the DPCO will pose additional challenges.

The Indian Pharma Market (IPM) is dominated by generic medicines and these drugs account for nearly 75% of the pharma industry. Therefore, any mandatory prescription of medicines by their generic name, without referring to the brand name, would necessitate a change in the Company's promotional strategies and could affect product pricing.

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

* source: IQVIA™ MARKET PROGNOSIS 2018-2022 Asia/Australia – India. Published March 2018

e. Outlook

While the overall outlook for the economy looks promising, it is also dependent upon many macro-economic factors like increasing crude oil prices, problem of non-performing assets, agriculture distress etc. which could have a dampening effect on GDP growth in future.

However, it is encouraging for the Pharma industry to note that the Government is keen to implement two major healthcare programmes, first the National Health Protection Scheme, which is being projected as the world's largest healthcare programme and the other is to create approximately 1.5 lakh health and wellness centers across the country, which will bring healthcare closer to home. A large and growing population, low healthcare penetration, Government's commitment to increase healthcare spend, emerging digital technologies in the healthcare sector, growing preference towards private care, all present a growth opportunity for the pharmaceutical industry.

It is also imperative to note that, while government looks committed towards building the health infrastructure, the health delivery system continues to face severe challenges due to lack of appropriate and enough human resources deployed on the ground. The newly announced schemes will truly be a game changer towards universal health coverage, but, as with previous schemes, the key remains in the successful implementation of these programmes.

The IPM does face headwinds in the form of continuing price controls and mandatory prescription of medicines using their generic names. Despite the ongoing efforts at driving productivity and various cost control measures, the severe price cuts continue to impact Company results.

f. Internal control systems and their adequacy

The Company maintains appropriate systems of internal control, including monitoring procedures, to ensure that all assets are safeguarded against loss from unauthorized use or disposition. 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 review 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 proper internal financial controls were followed by the Company and that such internal financial controls are adequate and were operating effectively.

g. Vigil Mechanism

The Company has established a Vigil Mechanism that enables the Directors and employees to report genuine concerns. The Vigil Mechanism 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 policy are made available on the Company's website www.novartis.in

h. Personnel

The Industrial Relations scenario continued to be cordial. The Company regards its employees as a great asset and accords high priority to training and development of employees.

Number of employees as on March 31, 2018 was 668.

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 members at the Registered Office of the Company during business hours on working days of the Company up to the date of the ensuing AGM. If any member is interested in obtaining a copy thereof, such member may write to the Company Secretary & Compliance Officer of the Company in this regard.

Corporate Social Responsibility

The Company continues to actively support various initiatives in the areas of health, education, sports 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 percent of the world's leprosy case load and leprosy continues to be an area of focus for the Company's CSR work in India. Leprosy Post Exposure Prophylaxis Project (LPEP) was launched in the union territory of Dadra & Nagar Haveli in March 2015 and continued during the financial year under review. During the year 2017-18 refresher training was conducted for 4 research assistants, 1 project supervisor, 7 doctors, 7 supervisors, 14 auxiliary nurse midwives (ANMs), 70 Accredited Social Health Activists (ASHAs) from general healthcare, who were trained in leprosy as well as in the LPEP project. The health awareness reach covered 350,000 people including school children. 9,553 people were screened for leprosy, with a prophylactic dose for prevention of transmission of leprosy being given to 5,828 eligible persons. 3 new cases of leprosy were detected.

The Company is a strong player in the oncology segment and furthered its commitment to children suffering from cancer by funding preventive healthcare and sanitation at various child care centers in Maharashtra.

Education: The poor in India continue to be heavily impacted by lack of education with children not being sent to school so that they can contribute to the family income or dropping out of school. The mid-day meal program, when run effectively, has helped bring and keep children in school. Recognizing this as an important role in education, the Company made significant investments in this area to provide less privileged children with a nutritious meal. More than 8,000 children in Mumbai, Vrindavan, Lucknow and Bhubaneshwar are beneficiaries under this programme.

Sports: India is yet to make a significant mark in the area of sports, particularly at the Olympic level. Focus by parents continues to be on academics for their children making sports a neglected area. The Company continues to support the medical, nutritional and training needs of promising Indian athletes who will participate in future Olympics.

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

The Company continues to commemorate Community Partnership Week ("CPW") each year encouraging employees to work on causes close to their heart. A pan India activity that has shown rising numbers is the blood donation drive for children suffering from thalassaemia, a hereditary blood disorder where the body makes an abnormal form of haemoglobin, the protein in red blood cells that carry oxygen. They need to get blood every two weeks. CPW continues to grow in stature with a rising number of associates participating in a broad range of activities covering the less fortunate.

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

Related Party Transactions

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

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

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

The details of the material Related Party Transactions in financial year 2017-18, as per the Policy on dealing with Related Parties adopted by the Company are disclosed in **Annexure B**.

The transactions disclosed in the Annexure relate to material Related Party Transactions with Novartis Pharma AG for purchase, transfer or receipt of products, goods, active pharmaceutical ingredients, materials, services, other obligations as approved by members under erstwhile Clause 49(VII)(E) of the listing agreement at the 67th Annual General Meeting of the Company held on July 23, 2015.

Risk Management

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

Fixed Deposits

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

Particulars of Loans, Guarantees or Investments

As on March 31, 2018, there were no outstanding loans or guarantees covered under the provisions of Section 186 of the Act. The Company has certain unquoted investments in co-operative housing societies for premises owned by the Company. The details of changes in the Loans, Guarantees and Investments covered under the provisions of Section 186 of the Act are given in the notes to the Financial Statements.

Board of Directors

The Company has received declarations from all Independent Directors, that they meet the criteria of independence as laid down under Section 149(6) of the Act and the Listing Regulations.

Mr. Ranjit Shahani resigned from the Board as Vice Chairman & Managing Director of the Company w.e.f. February 28, 2018. Mr. Jawed Zia who was appointed as Vice Chairman & Managing Director effective March 1, 2018, resigned from office, effective May 31, 2018.

The Board of Directors, based on the recommendation of the Nomination & Remuneration Committee, appointed Mr. Milan Paleja as Vice Chairman & Managing Director of the Company w.e.f. June 1, 2018, subject to the approval of members at this AGM and approval of the Central Government.

Ms. Monaz Noble was appointed as Whole Time Director of the Company w.e.f. June 13, 2016. Ms. Noble retires at this AGM and being eligible offers herself for re-appointment.

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

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, in a proactive manner. Details of various familiarization programmes provided to the Directors of the Company are available on the Company's website www.novartis.in

Auditors

The Board has recommended the re-appointment of M/s. Deloitte Haskins & Sells LLP, (Firm Registration No. 117366W/W-100018) from the conclusion of the 70th Annual General Meeting to the conclusion of the 71st Annual General Meeting of the Company.

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 2017-18.

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

Energy, Technology Absorption and Foreign Exchange

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

Directors' Responsibility Statement

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

(a) In the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures, if any;

(b) Appropriate accounting policies have been selected and applied consistently and have made judgments and estimates that are reasonable and prudent, so as to give a true and fair view of the state of affairs of the Company as at March 31, 2018 and of the profit and loss of the Company for the year ended March 31, 2018;

(c) Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

(d) The annual accounts have been prepared on a going concern basis;

(e) Proper internal financial controls were followed by the Company and such internal financial controls are adequate and were operating effectively;

(f) Proper systems are devised to ensure compliance with the provisions of all applicable laws and that such systems are adequate and operating effectively.

Corporate Governance

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

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

Prevention of Sexual Harassment Policy

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

During the year 2017-2018, no complaints were received by the Company related to sexual harassment.

Extract of Annual Return

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

Acknowledgement

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

Cautionary Note

The statements forming part of the Directors' Report may contain certain forward looking remarks within the meaning of applicable securities laws and regulations. Many factors could cause the actual results, performances or achievements of the Company to be materially different from any future results, performances or achievements that may be expressed or implied by such forward looking statements.

On behalf of the Board of Directors

CHRISTOPHER SNOOK
Chairman

May 10, 2018

Annexure A to the Directors' Report

ANNUAL REPORT ON CORPORATE SOCIAL RESPONSIBILITY ACTIVITIES

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

Corporate Social Responsibility ("CSR") guiding principles:

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

Company's focus areas under CSR initiatives:

- Health
- Education
- Sports
- 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. Ranjit Shahani/Mr Jawed Zia*	Chairman of the Committee; Vice Chairman and Managing Director*
Ms. Sandra Martyres	Member; Non-Executive and Independent Director
Ms. Monaz Noble	Member; Whole Time Director & Chief Financial Officer

* Mr. Ranjit Shahani resigned w.e.f. February 28, 2018 and Mr. Jawed Zia was appointed w.e.f. March 1, 2018.

Average net profit of the Company for the last three financial years : ₹ 980 million

Prescribed CSR Expenditure (two per cent of the amount as above): ₹ 19.6 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, 2018 (₹ million)	Amount spent: Direct or through implementing agency
1.	Leprosy post exposure prophylaxis	Health	Dadra & Nagar Haveli	4.4	4.4	4.4	Netherlands Leprosy Relief Foundation
2.	Adolescent awareness	Health	Pan India	0.5	0.5	0.5	Family Planning Association of India
3.	Preventive healthcare and sanitation – Children with cancer	Health	Mumbai	0.5	0.5	0.5	St. Jude's India Childcare Centres
4.	Leprosy awareness video	Health	Mumbai, Delhi	0.5	0.5	0.5	Direct – Raythone's Inc
5.	Training manuals & facilitator guides	Education	Gujarat	0.4	0.4	0.4	Dr Arundhati Char
6.	Design & print of comics for health awareness	Education	Gujarat	0.3	0.3	0.3	Direct – Pumpkin Enterprises
7.	Mid-day meal	Education	Mumbai	2.1	2.1	2.1	Annamrita Foundation
8.	Mid-day meal	Education	Vrindavan, Lucknow, Bhubaneshwar	3.7	3.7	3.7	Akshaya Patra Foundation
9.	Educating children in Municipal schools	Education	Mumbai, Pune	0.7	0.7	0.7	Akanksha Foundation
10.	Training, nutrition, medical support	Olympic Sports	Pan India	5.3	5.3	5.3	Foundation for Promotion of Sports (OGQ)
11.	Garden maintenance	Environment	Mumbai	1.5	1.5	1.5	Direct – Nehru Centre and Rajani Patel gardens
Total						**19.9**	

The CSR Committee confirms that the implementation and monitoring of the CSR Policy is in compliance with the CSR objectives and Policy of the Company.

Monaz Noble
Whole Time Director & Chief Financial Officer
Member of CSR Committee

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, 2018

   None

2. Details of material contracts or arrangement or transactions at arm's length basis during the financial year ended March 31, 2018 (Refer Note 1)

Sr. No.	Particulars	Details
(a)	Name(s) of the related party & nature of relationship	Novartis Pharma AG, Basel, Switzerland Fellow subsidiary
(b)	Nature of contracts/ arrangements/transaction	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 67th Annual General Meeting of the Company held on July 23, 2015.
(c)	Duration of the contracts/ arrangements/transaction	Ongoing
(d)	Salient terms of the contracts or arrangements or transaction including the value, if any	The transactions under the contract are in the ordinary course of business and at arm's length. The total value of the transactions in the financial year was ₹ 1,032.9 million.
(e)	Date of approval by the Board	The Board approved these transactions at its meeting held on May 23, 2017.
(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

May 10, 2018

Annexure C to the Directors' Report

Form No. MR-3
SECRETARIAL AUDIT REPORT
FOR THE FINANCIAL YEAR ENDED MARCH 31, 2018

[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
Sandoz House, Shivsagar Estate
Dr Annie Besant Road
Worli, Mumbai 400018

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 a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing our opinion thereon.

Based on our verification of the Company's books, papers, minute books, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, we hereby report that in our opinion, the Company has, during the audit period covering the financial year ended on 31st March, 2018 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, 2018 according to the provisions of:

(i) The Companies Act, 2013 (the Act) and the rules made thereunder;

(ii) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder;

(iii) The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;

(iv) Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment; the Company has neither made any Overseas Direct Investment (ODI) nor accepted any External Commercial Borrowings (ECB), hence ODI and ECB Guidelines are not applicable to the Company.

(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 (Buyback of Securities) Regulations, 1998;

   e) 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 Pricing 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 (Issue of Capital and Disclosure Requirements) Regulations, 2009;

iii. The Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014;

iv. 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 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 at least seven days 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 the Company has bought back 34,50,000 fully paid-up equity shares of ₹ 5/- each at a price of ₹ 670/- per equity share (Rupees Six Hundred and Seventy Only) through Tender Offer Route, with the approval of the Shareholders by Special resolution passed through postal ballot.

Saraf and Associates
(Practising Company Secretaries)

K. G. Saraf
Proprietor
FCS 1596 : CP 642

Place : Mumbai
Date : May 10, 2018

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

'ANNEXURE'

To
The Members
NOVARTIS INDIA LIMITED
Sandoz House, Shivsagar Estate
Dr Annie Besant Road
Worli, Mumbai 400018

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. Whereever 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 : May 10, 2018

Annexure D to the Directors' Report

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

Particulars required by the 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, 2018.

A. CONSERVATION OF ENERGY

Measures taken, additional investments and impact on reduction of energy consumption

Disclosure of particulars with respect to Conservation of Energy

	2017-18	2016-17
a) Power & Fuel Consumption	Not applicable	Not applicable
b) Consumption – per unit of production	Not applicable	Not applicable

The Company does not have manufacturing unit in India.

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 ₹ 60.6 million and the foreign exchange outgo during the year was ₹ 3,630.2 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, 2018

[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**	Sandoz House, Shivsagar Estate Dr Annie Besant Road, Worli Mumbai 400 018 Tel: +91 22 2495 8400 Fax:+91 22 2495 0221
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 6270 Fax: +91 22 4918 6060 Email: rnt.helpdesk@linkintime.co.in

II. Principal Business Activities of the Company

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

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

III. Particulars of Holding, Subsidiary and Associate Companies

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

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

(i) Category-wise Shareholding

Category of Shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
A. Promoters									
(1) Indian									
a) Individual/HUF	–	–	–	–	–	–	–	–	–
b) Central Govt	–	–	–	–	–	–	–	–	–
c) State Govt(s)	–	–	–	–	–	–	–	–	–
d) Bodies Corp.	–	–	–	–	–	–	–	–	–
e) Banks/FI	–	–	–	–	–	–	–	–	–
f) Any Other	–	–	–	–	–	–	–	–	–
Sub-total (A)(1)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
(2) Foreign									
a) NRIs – Individuals	–	–	–	–	–	–	–	–	–
b) Other – Individuals	–	–	–	–	–	–	–	–	–
c) Bodies Corp.	20,656,042	0	20,656,042	73.4025	17,450,680	0	17,450,680	70.6769	(2.7256)
d) Banks/FI	–	–	–	–	–	–	–	–	–
e) Any Other	–	–	–	–	–	–	–	–	–
Sub-total (A)(2)	20,656,042	0	20,656,042	73.4025	17,450,680	0	17,450,680	70.6769	(2.7256)
Total shareholding of Promoter (A) = (A)(1)+(A)(2)	**20,656,042**	**0**	**20,656,042**	**73.4025**	**17,450,680**	**0**	**17,450,680**	**70.6769**	**(2.7256)**
B. Public Shareholding									
1. Institutions	–	–	–	–	–	–	–	–	–
a) Mutual Funds	88,639	590	89,229	0.3171	200	560	760	0.0031	(0.3140)
b) Banks/FI	2,051	2,091	4,142	0.0147	1,871	789	2,660	0.0108	(0.0039)
c) Central Govt	–	–	–	–	–	–	–	–	–
d) State Govt(s)	–	–	–	–	–	–	–	–	–
e) Venture Capital Funds	–	–	–	–	–	–	–	–	–
f) Insurance Companies	283,086	0	283,086	1.0060	283,086	0	283,086	1.1465	0.1406
g) Foreign Portfolio Investor	2,157	0	2,157	0.0077	98	0	98	0.0004	(0.0073)
h) Foreign Venture Capital Funds	–	–	–	–	–	–	–	–	–
i) Others (specify)	–	–	–	–	–	–	–	–	–
UTI	0	83	83	0.0003	0	0	0	0	(0.0003)
Sub-total (B)(1)	**375,933**	**2,764**	**378,697**	**1.3457**	**285,255**	**1,349**	**286,604**	**1.1608**	**(0.1849)**
2. Non-Institutions									
a) Bodies Corp.:									
i) Indian	816,983	0	816,983	2.9032	734,488	0	734,488	2.9747	0.0715
ii) Overseas	–	–	–	–	–	–	–	–	–
b) Individuals:									
i) Individual shareholders holding nominal share capital upto ₹ 1 lakh	4,808,716	675,810	5,484,526	19.4896	4,842,464	553,928	5,396,392	21.8559	2.3663
ii) Individual shareholders holding nominal share capital in excess of ₹ 1 lakh	530,753	0	530,753	1.8861	493,283	0	493,283	1.9978	0.1118
c) Others (specify):									
IEPF	0	0	0	0	99,509	0	99,509	0.4030	0.4030
Non Resident Indians	267,996	3,336	271,332	0.9642	225,156	2,792	227,948	0.9232	(0.0410)
Overseas Corporate Bodies	–	–	–	–	–	–	–	–	–
Foreign Nationals	54	0	54	0.0002	54	0	54	0.0002	0.0000
Clearing Members	–	–	–	–	–	–	–	–	–
Trusts	2,410	0	2,410	0.0086	1,364	475	1,839	0.0074	(0.0012)
Foreign Bodies	–	–	–	–	–	–	–	–	–
NBFCs	–	–	–	–	–	–	–	–	–
Sub-total (B)(2)	**6,426,912**	**679,146**	**7,106,058**	**25.2518**	**6,396,318**	**557,195**	**6,953,513**	**28.1624**	**2.9106**
Total Public Shareholding (B) = (B)(1) + (B)(2)	**6,802,845**	**681,910**	**7,484,755**	**26.5975**	**6,681,573**	**558,544**	**7,240,117**	**29.3231**	**2.7256**
C. Shares held by Custodian for GDRs & ADRs	–	–	–	–	–	–	–	–	–
Grand Total (A + B + C)	**27,458,887**	**681,910**	**28,140,797**	**100**	**24,132,253**	**558,544**	**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	20656042	73.4025	0	17450680	70.6769	0	(2.7256)
	Total	**20656042**	**73.4025**	**0**	**17450680**	**70.6769**	**0**	**(2.7256)**

(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	20,656,042	73.4025	—	—
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):	Buy-back of (3,205,362) shares on January 29, 2018			
3	At the end of the year	—	—	17,450,680	70.6769

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

Sr. No	Shareholder's Name	Shareholding		Date	Increase/ Decrease in shareholding	Reason	Cumulative Shareholding during the year (01-04-17 to 31-03-18)	
	For each of the Top Ten Shareholders	No. of Shares at the beginning (01-04-17) / end of the year (31-03-18)	% of total Shares of the Company				No. of Shares	% of total Shares of the Company
1	ATUL LIMITED	374,627	1.5173	01.04.2017				
		374,627	1.5173	19.01. 2018	25,547	Purchase	400,174	1.4220
				26.01.2018	(25,555)	Sale	374,619	1.3312
				31.03. 2018			374,619	1.5172
2	THE ORIENTAL INSURANCE COMPANY LIMITED	280,562	1.1363	01.04.2017			280,562	1.1363
				31.03.2018			280,562	1.1363
3	ANIMA B KAPADIA	244,262	0.9893	01.04.2017				
				25.08.2017	(90,000)	Sale	154,262	0.5482
				12.01.2018	(500)	Sale	153,762	0.5464
				19.01.2018	(500)	Sale	153,262	0.5446
				26.01.2018	(18,080)	Sale	135,182	0.4804
				31.03.2018			135,182	0.5475
4	KUSUM B KAPADIA	410	0.0017	01.04.2017				
				07.04.2017	(410)	Sale	0	0
				25.08.2017	90,410	Purchase	90,410	0.3213
				26.01.2018	(48)	Sale	90,362	0.3211
				31.03.2018			90,362	0.366
5	M. SHANTHA	51,000	0.2066	01.04.2017				
				26.01.2018	(5,976)	Sale	45,024	0.1600
				31.03.2018			45,024	0.1824

Sr. No	Shareholder's Name	Shareholding		Date	Increase/ Decrease in shareholding	Reason	Cumulative Shareholding during the year (01-04-17 to 31-03-18)	
	For each of the Top Ten Shareholders	No. of Shares at the beginning (01-04-17) / end of the year (31-03-18)	% of total Shares of the Company				No. of Shares	% of total Shares of the Company
6	SOHRAB HOMI FRACIS	44,300	0.1794	01.04.2017			44,300	0.1794
				31.03.2018			44,300	0.1794
7	VIJAY TUKARAM RAUNDAL	0	0	01.04.2017				
				16.03.2018	37,310	Transfer	37,310	0.1511
				31.03.2018			37,310	0.1511
8	R. RAJKUMAR	41,720	0.169	01.04.2017				
				26.01.2018	(4,889)	Sale	36,831	0.1309
				31.03.2018			36,831	0.1492
9	FEROZA MANECK PATEL	28,266	0.1145	01.04.2016				
				31.03.2018	8,008	Purchase	36,274	0.1469
				31.03.2018			36,274	0.1469
10	HARESH BABUBHAI DARUVALA	40,263	0.1631	01.04.2017				
				26.01.2018	(5,172)	Sale	35,091	0.1247
				31.03.2018			35,091	0.1421
11	SUNDARAM MUTUAL FUND A/C SUNDARAM SELECT MICRO CAP SERIES I	88,439	0.3582	01.04.2016				
				23.06.2017	(2,235)	Sale	86,204	0.3063
				30.06.2017	(2,562)	Sale	83,642	0.2972
				07.07.2017	(9,338)	Sale	74,304	0.2640
				14.07.2017	(14,304)	Sale	60,000	0.2132
				21.07.2017	(7,627)	Sale	52,373	0.1861
				28.07.2017	(3,689)	Sale	48,684	0.1730
				04.08.2017	(18,684)	Sale	30,000	0.1066
				11.08.2017	(7,882)	Sale	22,118	0.0786
				01.09.2017	(3,003)	Sale	19,115	0.0679
				08.09.2017	(19,115)	Sale	0	0
				31.03.2018			0	0

(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, 2018, Dr Rajendra Nath Mehrotra, Independent Director of the Company holds 220 equity shares of the Company. Apart from Dr Mehrotra, no other Director/Key Managerial Personnel holds any shares of the Company.

V. Indebtedness

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

Particulars	Secured Loans excluding deposits	Unsecured Loans	Deposits*	Total Indebtedness
Indebtedness at the beginning of the financial year				
i) Principal Amount	–	–	22.7	22.7
ii) Interest due but not paid	–	–	–	–
iii) Interest accrued but not due	–	–	–	–
Total (i+ii+iii)	**–**	**–**	**22.7**	**22.7**
Change in Indebtedness during the financial year				
• Addition	–	–	–	–
• Reduction	–	–	0.5	0.5
Net Change	–	–	0.5	0.5
Indebtedness at the end of the financial year				
i) Principal Amount	–	–	–	–
ii) Interest due but not paid	–	–	–	–
iii) Interest accrued but not due	–	–	–	–
Total (i+ii+iii)	**–**	**–**	**22.2**	**22.2**

* 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.

VI. Remuneration of Directors and Key Managerial Personnel

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

Sr. No.	Particulars of Remuneration	Name of the Director			Total Amount
		Ranjit Shahani*	Jawed Zia**	Monaz Noble	
		Vice Chairman & Managing Director	Vice Chairman & Managing Director	Whole Time Director & CFO	
1	Gross salary (a) Salary as per provisions contained in Section 17(1) of the Income-tax Act, 1961	22.3	2.7	10.2	35.2
	(b) Value of perquisites under Section 17(2) of the Income-tax Act, 1961***	22.2	0.3	1.9	24.4
	(c) Profits in lieu of salary under Section 17(3) of the Income-tax Act, 1961	–	–	–	–
2	Stock Option	–	–	–	–
3	Sweat Equity	–	–	–	–
4	Commission – as % of profit – others specify...	– –	– –	– –	– –
5	Others: Annual Incentive	6.9	–	3.3	10.2
6	Other Long Term Benefits	1.7	0.2	0.7	2.6
7	**Total (A)**	**53.1**	**3.2**	**16.2**	**72.5**
8	Ceiling as per the Act	5% of net profit	5% of net profit	5% of net profit	10% of net profit

*Ceased to be the Vice Chairman & Managing Director w.e.f February 28, 2018

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

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

B. Remuneration to other Directors:

1. Independent Director: (₹ in million)

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

* The commission approved by the Board for F.Y. 2017-18 will be paid after the adoption of financial statements at the ensuing AGM

2. Non-Executive Director: (₹ in million)

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

C. Remuneration to Key Managerial Personnel other than MD/Manager/WTD (₹ in million)

Sr. No.	Particulars of Remuneration	Name of the KMP Trivikram Guda Company Secretary	Total Amount
1	Gross salary (a) Salary as per provisions contained in Section 17(1) of the Income-tax Act, 1961	6.4	6.4
	(b) Value of perquisites under Section 17(2) of the Income-tax Act, 1961	0.0	0.0
	(c) Profits in lieu of salary under Section 17(3) of the Income-tax Act, 1961	–	–
2	Stock Option	–	–
3	Sweat Equity	–	–
4	Commission – as % of profit – others, Specity...	 – –	 – –
5	Others, Annual Incentive	1.2	1.2
6	**Total (C)**	**7.6**	**7.6**
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 SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 **("Listing Regulations")**.

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

2. Board of Directors

Composition of the Board of Directors

The Board of Directors of the Company has an optimum combination of Executive, Non-Executive & Independent Directors, including women Directors. The strength of the Board is six Directors comprising two Executive and four Non-Executive Directors including the Chairman of the Company. Fifty per cent of the Board comprises Independent Directors.

The Company is fully compliant with 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 2017-18, Mr. Ranjit Shahani, Vice Chairman & Managing Director resigned from his position w.e.f February 28, 2018. As per Section 203(4) of the Companies Act, 2013, in case of vacation of the office of any whole-time key managerial personnel, the resulting vacancy shall be filled by the Board at a meeting of the Board within a period of six months from the date of such vacancy. In compliance with this Regulation, the Board of Directors at its meeting held on January 29, 2018, appointed Mr. Jawed Zia as the Vice Chairman & Managing Director w.e.f March 1, 2018, subject to approval of the members at the Annual General Meeting (**"AGM"**).

Mr. Jawed Zia, Vice Chairman & Managing Director resigned from his position w.e.f May 31, 2018. As per Section 203(4) of the Companies Act, 2013, in case of vacation of the office of any whole-time key managerial personnel, the resulting vacancy shall be filled by the Board at a meeting of the Board within a period of six months from the date of such vacancy.

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

Details of the Board of Directors are given below:

Name	Category	Date of joining the Board	No. of Directorships/Committee Memberships/Chairmanships (Including Novartis India Limited)				
			Directorships[1] under Section 165			Committee Member-ships[2]	Committee Chairman-ships[2]
			Public Companies		Private and Section 8 Companies		
			Listed	Unlisted			
Mr. C. Snook	Non-Executive Chairman	01.08.2008	1	—	—	2	—
Mr. R. Shahani*	Vice Chairman and Managing Director	01.11.2002	2	—	3	1	—
Mr. Jawed Zia**	Vice Chairman and Managing Director	01.03.2018	1	—	1	1	—
Ms. M. Noble	Whole Time Director & Chief Financial Officer	13.06.2016	1	—	—	1	—
Mr. J. Hiremath	Independent Director	28.01.2006	2	1	7	2	1
Dr. R. Mehrotra	Independent Director	30.05.2000	1	—	—	2	1
Ms. S. Martyres	Independent Director	19.04.2016	1	—	2	1	—

*Resigned w.e.f February 28, 2018

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

(1) Excluding directorships outside of India.

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

Except Dr. R. Mehrotra, no Directors and their relatives hold shares in the Company. Dr. R. Mehrotra holds 220 shares of the Company as on March 31, 2018.

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

Board Meetings

The Board/Committee meetings are pre-scheduled and an annual calendar of Board and Committee meetings is circulated to the Directors well in advance to enable them to plan their schedules and to ensure their meaningful participation in the meetings. However, in case of a special and 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, five Board meetings were held on May 23, 2017; July 27, 2017; September 25, 2017; November 10, 2017 and January 29, 2018. The Company held five Board Meetings in the year and the gap between two Board meetings was in compliance with the provisions contained in the Act and the Listing Regulations.

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

Details of Directors as on March 31, 2018 and their attendance at the Board Meetings and Annual General Meeting ("AGM") during the financial year ended March 31, 2018 are given below:

Name of the Director	Category	No. of Meetings held during the tenure of the Director	No. of Meetings attended	Attendance at the AGM
Mr. C. Snook	Non-Executive Chairman	5	4	Yes
Mr. R. Shahani*	Vice Chairman and Managing Director, and Chairman of Corporate Social Responsibility Committee	5	5	Yes
Mr. J. Zia**	Vice Chairman and Managing Director, and Chairman of Corporate Social Responsibility Committee	—	—	—
Ms. M. Noble	Whole Time Director and Chief Financial Officer	5	5	Yes
Mr. J. Hiremath	Independent Director and Chairman of the Audit Committee	5	4	Yes
Dr. R. Mehrotra	Independent Director and Chairman of the Nomination and Remuneration Committee and Stakeholders Relationship Committee	5	5	Yes
Ms. S. Martyres	Independent Director	5	5	Yes

* Resigned w.e.f. February 28, 2018
** Appointed w.e.f. March 1, 2018

3. Audit Committee

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

The terms of reference for the Audit Committee include:

- Examination of Financial Statements and Statutory Auditors' report thereon and discussion of any related issues with the Internal & Statutory Auditors and the management of the Company
- Review of Financial Statements before their submission to the Board, including Directors' Responsibility Statement, changes in accounting policies and practices, statutory compliances and qualification(s) in draft audit report
- Approval or any subsequent modification of transactions of the Company with related parties
- Scrutiny of inter-corporate loans and investments
- Valuation of undertakings or assets of the Company, wherever necessary
- Evaluation of internal financial controls
- Evaluation of risk management system
- Monitoring end use of funds raised through public offers and related matters
- Establishing a vigil mechanism for Directors and employees to report genuine concerns and to make provision for direct access to the Chairperson of the Committee in appropriate or exceptional cases and review its findings
- Review of the Company's financial reporting processes and the disclosure of financial information to ensure that the Financial Statements are correct, sufficient and credible

- Look into reasons for substantial defaults in payments to stakeholders
- Approval of appointment of CFO or any other person heading the Finance function, after assessing the qualifications, experience, background etc. of the candidate
- Recommendation for appointment, remuneration and terms of appointment of the Statutory Auditors of the Company
- Review and monitor the Auditor's independence and performance, effectiveness of audit process and adequacy of internal control systems
- Call for comments of the Statutory Auditors about internal control systems, the scope of audit, including the observations of the Statutory Auditors
- Reviewing the adequacy of the Internal Audit function including the structure of the Internal Audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of Internal Audit
- Discussion with Statutory Auditors before the audit commences, about the nature and scope of audit as well as post audit discussion to ascertain any areas of concern
- Reviewing findings of any internal investigation into matters where there is suspected fraud or irregularity or failure of internal control systems of a material nature and reporting the matter to the Board
- The Chairman of the Committee to attend the General Meeting to respond to the queries of shareholders.

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

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

During the period under review, the Audit Committee met four times on May 23, 2017; July 27, 2017; November 10, 2017 and January 29, 2018.

Constitution of the Audit Committee and attendance details during the financial year ended March 31, 2018 are given below:

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

4. Nomination and Remuneration Committee

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

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

- To formulate a Nomination and Remuneration Policy on:
  - — determining qualifications, positive attributes and independence of a Director
  - — guiding remuneration of Directors, Key Managerial Personnel ("KMP") and other employees and Board diversity

- Recommend Nomination and Remuneration Policy to the Board
- Identify candidates who are qualified to become Directors
- Identify persons who are qualified to become Senior Management (Senior Management of the Company means employees of the Company who are Function Heads)
- Recommend to the Board the appointment and removal of Directors and Senior Management
- Lay down the process for evaluation of the performance of every Director on the Board
- The Chairman of the Committee to attend the General Meeting to respond to queries of shareholders.

During the period under review, the Nomination and Remuneration Committee met four times on May 23, 2017, January 29, 2018, March 5, 2018 and March 26, 2018.

Constitution of the Nomination and Remuneration Committee and attendance details during the financial year ended March 31, 2018 are given below:

Name of the Director	Category	No. of Meetings held	No. of Meetings attended
Dr. R. Mehrotra	Chairman of the Committee; Non-Executive and Independent Director	4	4
Mr. C. Snook*	Member; Non-Executive Director	4	2
Mr. J. Hiremath	Member; Non-Executive and Independent Director	4	3

*Wherever Mr. C. Snook could not participate in the meetings physically, he attended through tele-conference

The Nomination and Remuneration Committee at its meeting held on July 25, 2014, approved the Nomination and Remuneration Policy and the methodology for conducting the performance appraisal of the Board, the Board Committees and the Directors. The details of Nomination and Remuneration Policy and methodology for conducting the performance appraisal of the Board, the Board Committee and the Directors is given below:

Nomination and Remuneration Policy

Pursuant to Section 178 of the Act and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, 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 (70) years.

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

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

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

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

i. approvals of the Board and/or shareholders of the Company in accordance with the Act; and

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

b) Selection Criteria for Senior Management

As per policy, Senior Management shall mean employees hired at the level of Function Heads or equivalent positions.

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 our 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 Chairman conveys feedback individually to the concerned Directors.

Remuneration to Directors

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

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

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

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

1. Salary, as recommended by the Nomination and Remuneration Committee and approved by the Board and shareholders of the Company. Perquisites, retirement benefits and performance pay are also paid/provided in accordance with the Company's compensation policies, as applicable to all employees and the relevant legal provisions.

2. Remuneration paid to the Vice Chairman and Managing Director and Whole Time Director is determined keeping in view industry benchmarks and Novartis policies.

Remuneration of the Vice Chairman and Managing Director and the Whole Time Director is within the limits approved by the Board and shareholders of the Company.

The criteria for making payments to Independent Directors are:

1. Directors are not paid any sitting fees for attending meetings of the Board and Committees.
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. R. Shahani*	22.3	22.2	6.9	—	1.7	53.1
Mr. Jawed Zia**	2.7	0.3	—	—	0.2	3.2
Ms. M. Noble	10.2	1.9	3.3	—	0.7	16.2
Dr. R. Mehrotra	—	—	—	1.0	—	1.0
Mr. J. Hiremath	—	—	—	1.0	—	1.0
Ms. S. Martyres	—	—	—	1.0	—	1.0

* Resigned w.e.f February 28, 2018

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

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

5. Stakeholders Relationship Committee

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

During the period under review, the Stakeholders Relationship Committee met four times on May 23, 2017; July 27, 2017; November 10, 2017 and January 29, 2018.

Details of constitution and attendance details of the Stakeholders Relationship Committee as on March 31, 2018 are given below:

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

* Resigned w.e.f. February 28, 2018
** Appointed w.e.f. March 1, 2018

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

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

During the financial year, 11 complaints were received from shareholders, out of which 11 have been attended/resolved. There was no complaint from shareholders pending as on March 31, 2018. All shareholder grievances were attended and resolved within thirty days.

6. Corporate Social Responsibility ("CSR") Committee

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

The terms of reference for the CSR Committee include:

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

During the financial year under review, the CSR Committee met three times on May 31, 2017, August 3, 2017 and November 10, 2017.

Details of constitution and attendance details of the CSR Committee as on March 31, 2018 are given below:

Name of the Director	Category	No. of Meetings held in the tenure of the Director	No. of Meetings attended
Mr. R. Shahani*	Chairman of the Committee; Vice Chairman and Managing Director	3	3
Mr. J Zia**	Chairman of the Committee; Vice Chairman and Managing Director	—	—
Ms. S. Martyres	Member; Non-Executive & Independent Director	3	3
Ms. M. Noble	Member, Whole Time Director and Chief Financial Officer	3	3

* Resigned w.e.f. February 28, 2018

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

The CSR Committee was re-constituted and Mr. Jawed Zia, Vice Chairman & Managing Director was appointed as Chairman of the Committee with effect from March 1, 2018. Annual Report on CSR activities is a part of the Directors' Report, which details the various CSR projects undertaken by the Company during FY 2017-18.

7. General Body Meetings

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

AGM for the financial year	Location of holding AGM	Date and Time of AGM
2016-2017	Hall of Culture, Nehru Centre, Worli, Mumbai 400 018	July 28, 2017 at 11.30 a.m.
2015-2016	Hall of Culture, Nehru Centre, Worli, Mumbai 400 018	July 29, 2016 at 11.30 a.m.
2014-2015	Hall of Culture, Nehru Centre, Worli, Mumbai 400 018	July 23, 2015 at 11.30 a.m.

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

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

  i) At the AGM held on July 29, 2016, shareholders approved a Special Resolution for keeping the Register of Members maintained under Section 88 of the Act together with the Index of Members and copies of Annual Returns of the Company filed under Section 92 of the Act from May 1, 2016, at the office of the Registrar and Transfer Agents of the Company, viz., Link Intime India Private Limited having its registered office located at C-13, Pannalal Silk Mills Compound, LBS Marg, Bhandup (West), Mumbai 400 078.

  ii) 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.

  iii) Vide a postal ballot, shareholders of the Company approved a Special Resolution dated July 12, 2016 for buyback not exceeding 38,20,000 (Thirty Eight Lakh Twenty Thousand only) equity shares of the Company, from all Members holding equity shares of the Company on a proportionate basis through the "Tender Offer" route in accordance with the Companies Act, the Companies (Management and Administration) Rules, 2014 and the Securities and Exchange Board of India (Buy-back of Securities) Regulations, 1998, as amended from time to time at a price of ₹ 760 (Rupees Seven Hundred Sixty only) per equity share payable in cash for an aggregate amount of ₹ 2903.2 million.

  iv) Vide a postal ballot, shareholders of the Company approved a Special Resolution dated September 25, 2017 for buyback not exceeding 34,50,000 (Thirty Four Lakh Fifty Thousand only) equity shares of the Company, from all Members holding equity shares of the Company on a proportionate basis through the "Tender Offer" route in accordance with the Companies Act, the Companies (Management and Administration) Rules, 2014 and the Securities and Exchange Board of India (Buy-back of Securities) Regulations, 1998, as amended from time to time at a price of ₹ 670 (Rupees Six Hundred Seventy only) per equity share payable in cash for an aggregate amount of ₹ 2311.5 million.

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

8. 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 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 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.

9. 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.

10. General shareholder information

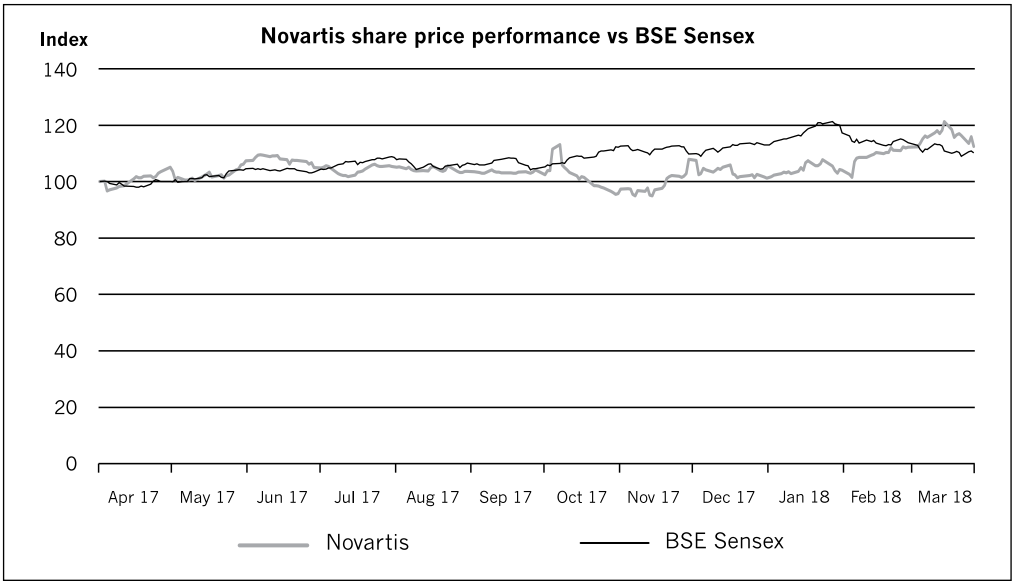
AGM day, date, venue and time	:	July 27, 2018, at Hall of Culture, Nehru Centre, Worli, Mumbai 400 018 at 11.30 a.m.
Financial Year	:	April 1 to March 31
First quarter results	:	Second fortnight of July 2018
Second quarter results	:	Second fortnight of November 2018
Third quarter results	:	Second fortnight of January 2019
Results for the year ending March 2019	:	Second fortnight of May 2019
Date of Book closure:		July 20, 2018 till July 27, 2018 (Both days inclusive)
Dividend payment date	:	On or after August 1, 2018
Listing on Stock Exchange	:	BSE Limited, Mumbai
Payment of annual listing fees	:	The annual listing fees for the year 2018-19 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 2017	758.00	675.00
May 2017	708.00	615.00
June 2017	664.00	619.10
July 2017	680.90	618.00
August 2017	631.85	579.00
September 2017	698.00	588.05
October 2017	640.10	627.00
November 2017	654.00	630.10
December 2017	652.70	620.00
January 2018	675.00	636.25
February 2018	647.05	598.00
March 2018	669.50	590.00

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

Novartis share price performance versus BSE Sensex during April 2017 – March 2018



Note: The monthly closing prices of the Sensex and Novartis equity shares have been indexed to 100 as on April 1, 2017

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 6270 Fax No.: +91 22 4918 6060 E-mail: rnt.helpdesk@linkintime.co.in
Share Transfer System	:	Share transfers in physical form are processed by the Registrar and Transfer Agent, Link Intime India Private Limited and are approved by the Stakeholders Relationship Committee of the Company or the authorized signatories of the Company. Share transfers are registered and returned within 15 days from the date of lodgment if documents are complete in all respects. The depository system handles share transfers in dematerialised form.

Distribution of shareholding as on March 31, 2018

Sr. No.	No. of equity shares held		Shareholder(s)		Shareholding(s)	
	From	To	Nos.	%	Nos.	%
1	1	500	39760	96.3178	3369305	13.6460
2	501	1000	861	2.0858	642703	2.6030
3	1001	2000	355	0.8600	509677	2.0642
4	2001	3000	118	0.2859	294478	1.1927
5	3001	4000	51	0.1235	178963	0.7248
6	4001	5000	33	0.0799	147845	0.5988
7	5001	10000	54	0.1308	356723	1.4448
8	10001 and above		48	0.1163	19191103	77.7257
Total			**41280**	**100**	**24690797**	**100**

Shareholding Pattern as on March 31, 2018

Category	No. of shares held	Percentage of shareholding
A. Promoters' Holding		
1. Promoters		
– Indian Promoters	—	—
– Foreign Promoters	17,450,680	70.6769
2. Persons Acting in Concert	—	—
Sub-Total	**17,450,680**	**70.6769**
B. Non-Promoters' Holding		
3. Institutional Investors		
a. Mutual Funds and UTI	760	0.0031
b. Banks, Financial Institutions, Insurance Companies (Central/ State Govt. Institutions/Non-Govt. Institutions)	285,746	1.1573
c. FIIs	98	0.0004
Sub-Total	**286,604**	**1.1608**
4. Others		
a. Private Corporate Bodies	835,836	3.3852
b. Indian Public	5,889,455	23.8528
c. NRIs/OCBs	228,002	0.9234
d. Directors and their relatives	220	0.0009
Sub-Total	**6,953,513**	**28.1624**
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, 2018, 97.7379 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 Sandoz House, Shivsagar Estate, Dr Annie Besant Road, Worli, Mumbai 400 018. Telephone No: +91 22 2495 8400/2495 8888 E-mail: india.investors@novartis.com

Declaration on adherence to the Code of Conduct

As provided under SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, all the Board members and senior management personnel of the Company have confirmed adherence with the Code of Conduct of Novartis India Limited for the financial year ended March 31, 2018.

For Novartis India Limited

JAWED ZIA
Vice Chairman and
Managing Director

Mumbai, April 23, 2018

Certificate on Compliance with SEBI (Listing Obligations and Disclosure Requirements), Regulations, 2015 by Novartis India Limited for the year ended on 31 March 2018

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 2018.

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.

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

Pune, April 24, 2018

Business Responsibility Report

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

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

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

Section A: General Information about the Company

1.	Corporate Identity Number (CIN) of the Company	:	L24200MH1947PLC006104
2.	Name of the Company	:	Novartis India Limited
3.	Registered address	:	Sandoz House, Shivsagar Estate Dr. Annie Besant Road, Worli Mumbai 400 018
4.	Website	:	www.novartis.in
5.	E-mail ID	:	india.investors@novartis.com
6.	Financial Year reported	:	April 1, 2017 – March 31, 2018
7.	Sector(s) that the Company is engaged in (industrial activity code-wise):	:	The Company's principal business activity comprises of wholesale of pharmaceuticals and medical goods (NIC Code 46497)
8.	List three key products/services that the Company manufactures/provides (as in balance sheet)	:	Pharmaceutical products
9.	Total number of locations where business activity is undertaken by the Company		
	i. Number of International Locations	:	None
	ii. Number of National Locations	:	Head office at Mumbai
10.	Markets served by the Company – Local/State/National/International	:	Pan India across all markets in the country

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

1.	Paid up Capital (INR)	:	123.4
2.	Total Turnover (INR)	:	5,638.9
3.	Total profit after taxes (INR)	:	783.6
4.	Total Spending on Corporate Social Responsibility (CSR) as percentage of average net profit of the Company for last three financial years	:	2 percent
5.	List of activities in which expenditure in 4 above has been incurred: Focus areas are Health, Education, Sports and Environment. Please refer to the 'Annual Report on Corporate Social Responsibility' which forms part of this Annual Report for details.		

Section C: Other Details

1. Does the Company have any Subsidiary Company/Companies?

– The Company does not have any Subsidiary Company.

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 : 00103845/00191276
Name : Ranjit Shahani/Jawed Zia*
Designation : Vice Chairman & Managing Director

b) Details of the BR head

Sr. No.	Particulars	Details
1.	DIN Number (if applicable)	00103845/00191276
2.	Name	Ranjit Shahani/Jawed Zia*
3.	Designation	Vice Chairman & Managing Director
4.	Telephone number	022 – 2495 8400
5.	e-mail ID	india.investors@novartis.com

* Ranjit Shahani resigned w.e.f. February 28, 2018 and Jawed Zia was appointed w.e.f. March 1, 2018.

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

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

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

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

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

Principle 5: Businesses should respect and promote human rights.

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

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

Principle 8: Businesses should support inclusive growth and equitable development.

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

Sr. No.	Questions	Business Ethics	Sustainability	Employees' Well-being	Stakeholders' Welfare	Human Rights	Environment	Regulatory Policy	Equitable Development	Customer Responsibility
		P1	**P2**	**P3**	**P4**	**P5**	**P6**	**P7**	**P8**	**P9**
1.	Do you have policy/policies for....?	Y	Y	Y	Y	Y	Y	Y	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/investors/corporate-policies

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 2017-18 and can be accessed on the website of the Company at www.novartis.in

Section E: Principle-wise performance

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

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

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

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

Employees: we treat our employees fairly and respectfully.

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

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

Society: we aspire to be a good corporate citizen.

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

The culture of our Company is anchored in our Values and Behaviours which are embedded in our organisation. We take allegations of any inappropriate behaviour very seriously, actively investigate them, and take suitable disciplinary action. Employees can report suspected misconduct under the Vigil Mechanism or to the Business Practices Office (BPO). Our organisational 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. We use 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, we strive 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 materials for its products wherever possible. We ensure that all our partners follow GMP guidelines with respect to all product packaging. As anti-counterfeit measures, Novartis Standard Security Features are adopted for certain products like Voveran® SR range and semi-solid range of products.

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

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

Be Healthy 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.

Be Healthy is focused on four pillars:

- **Move:** Increase physical activity and decrease sedentary behaviour – we believe that including exercise in one's routine is good for overall health – healthy weight, normal blood pressure, cholesterol and blood sugar, resistance against infections and heightened resilience.
- **Choose:** Choose healthy foods and eat appropriately to keep in top shape at work and at home – this contributes to overall well-being and reduces the risk of disease.
- **Know:** Know your numbers so that you can take control of your health – awareness is the first step to prevention. Annual health checks help awareness and prompt employees to take corrective measures if medical intervention is required.
- **Manage:** Provide support for employees with disabilities or illnesses to maintain or regain their ability to perform at home and at work.

Employees are also given access to an online tool that helps them assess, maintain and improve their health.

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

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

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

The Company had 668 employees as at March 31, 2018. Of these, there were 75 women employees. In addition, 142 employees were hired on a temporary/contractual/ casual basis.

The Company has one recognized employees' union affiliated to Bhartiya Kamgar Karmachari Mahasangh (BKKM) which is operating in pharma sales division/field force. About 427 employees i.e. 63.92 percent forms part of the union recognized by the management.

The Company has a Prevention of Sexual Harassment Policy in line with the requirements of the Sexual Harassment of Women at the Workplace (Prevention, Prohibition and Redressal) Act, 2013 and has set up an Internal Committee to redress any complaints that fall under the purview of this Act. All employees, including contractual, temporary and trainees are covered under this policy. There were no complaints relating to sexual harassment or child/forced/ involuntary labour received during FY 2017-2018.

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 marginalised.

Arogya Parivar is an innovative business model that aims to reach patients in rural India, who have limited reach to healthcare and very low health awareness. In the past eight years Arogya Parivar has reached over 38 million rural Indians across 14,000 villages in 11 states. Last year, around 7.6 million people have attended more than 149,000 health education meetings and around 398,618 people have participated in close to 9,232 health camps. Through this program, we endeavour to inculcate positive health seeking behaviour in the community and enable access to quality medicines.

In addition to the above, the Company through its various Corporate Social Responsibility (CSR) activities undertakes programs that benefit the disadvantaged, vulnerable and marginalised 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 Labor Organization and is committed to the United Nations Global Compact. The Company is committed to conducting all business activities in compliance with existing labor, 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 2017-18.

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

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

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

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

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

Principle 8: Businesses should support inclusive growth and equitable development

Novartis has a history of supporting inclusive growth and equitable development over the years. Giving to the community comes naturally to the Company. It endeavours to make a long term impact on the communities in which it operates. Arogya Parivar, its social business initiative, is a step in taking health care to the marginalised and the disadvantaged in rural India. Arogya Parivar has helped improve health education and access to affordable medicines 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 percent of the world's case load of leprosy and through the parent Company has been providing multidrug therapy free of cost via a donation to the World Health Organisation. In India, the Company has been funding a prophylaxis program in coordination with Netherlands Leprosy Relief Foundation.

Employee volunteering forms an important part of its CSR and Community Partnership Week offers employees many opportunities. Over the past many years, our employees have contributed significantly to a variety of causes including brightening up a home for people suffering from cancer who come to the city of Mumbai for treatment, donating blood for children suffering from thalassemia and increasing health awareness. Our contributions to the mid-day meal program, have helped bring and keep children in school and provided less privileged children with a nutritious meal.

Quarterly reports from our partner NGOs help ensure that our various CSR projects and programs are delivering on impact. The Company's direct contribution towards its CSR activities is approximately ₹ 2.3 million and through NGOs/Implementing Agency is ₹ 17.6 million.

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

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

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

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

We at Novartis are open and transparent with respect to our business principles and practices and comply with all applicable laws and regulations. The Company provides all information as required under the Drugs & Cosmetics Acts & Rules on its product packaging. As of March 31, 2018 there was no case filed against the Company for product complaints and there are no cases filed against the Company in consumer courts.

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

Report on the Ind AS Financial Statements

We have audited the accompanying Ind AS financial statements of Novartis India Limited ("the Company"), which comprise the Balance Sheet as at 31st March, 2018, and the Statement of Profit and Loss (including Other Comprehensive Income), the Cash Flow Statement and the Statement of Changes in Equity for the year then ended, and a summary of the significant accounting policies and other explanatory information.

Management's Responsibility for the Ind AS Financial Statements

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these Ind AS 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 Indian Accounting Standards (Ind AS) prescribed under section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, as amended, 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 Ind AS financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these Ind AS financial statements based on our audit.

In conducting our audit, we have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder and the Order issued under section 143(11) of the Act.

We conducted our audit of the Ind AS financial statements in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Ind AS financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the Ind AS financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Ind AS financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the Ind AS financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the Ind AS financial statements.

We believe that the audit evidence obtained by us is sufficient and appropriate to provide a basis for our audit opinion on the Ind AS financial statements.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid Ind AS financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the Ind AS and other accounting principles generally accepted in India, of the state of affairs of the Company as at 31st March, 2018, and its profit, total comprehensive income, its cash flows and the changes in equity for the year ended on that date.

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 Cash Flow Statement 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 Ind AS financial statements comply with the Indian Accounting Standards prescribed under section 133 of the Act.

   e) On the basis of the written representations received from the directors of the Company as on 31st March, 2018 taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2018 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 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 Ind AS financial statements – Refer Note 27 to Ind AS financial statements;

      ii. The Company did not have any long-term contracts for which there were any material foreseeable losses. The Company did not have any derivative contracts;

      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)

Uday M. Neogi
(Partner)
(Membership No. 30235)

Place : Mumbai
Date : 10th May, 2018

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 Ind AS financial statements for the year ended 31st March, 2018)

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, 2018 in conjunction with our audit of the Ind AS 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 Companies Act, 2013.

Auditors' Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting of the Company based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") issued by the Institute of Chartered Accountants of India and the Standards on Auditing prescribed under Section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was 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, 2018, 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)

Uday M. Neogi
(Partner)
(Membership No. 30235)

Place : Mumbai
Date : 10th May, 2018

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 Ind AS financial statements for the year ended 31st March, 2018)

(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 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, 2018 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, Sales Tax, Service Tax, Customs Duty, Excise Duty, Value Added Tax, 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, Customs Duty, Excise Duty, Value Added Tax, Cess and other material statutory dues in arrears as at 31st March, 2018 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, 2018 on account of disputes are given below:

Name of the statute	Nature of dues	Forum where the dispute is pending	Period to which the amount relates	Amount Involved (₹ million)	Amount Unpaid (₹ million) *
Income Tax Act, 1961	Income Tax including tax deducted at source and interest, as applicable	Appellate Authority – up to Commissioner level	Assessment years 1994-95 and 2008-09 to 2017-18	445.7	403.0
		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 2014-2015	485.2	429.3
		Tribunal	1993-1994, 2001-2002 to 2002 to 2003 2004-2005 to 2005-2006, 2007-08 2010-2011 to 2012-2013	60.1	29.2
		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 section 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 Ind AS financial statements etc. 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 (xiv) of paragraph 3 of the Order is not applicable.

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

Uday M. Neogi
(Partner)
(Membership No. 30235)

Place : Mumbai
Date : 10th May, 2018

Balance Sheet as at 31st March 2018

	Notes	As at 31st March 2018 in ₹ million	As at 31st March 2017 in ₹ million
Assets			
Non-Current Assets			
Property, Plant and Equipment	2	46.0	57.1
Capital Work-in-Progress		—	0.1
Financial Assets			
(i) Loans	3(a)	55.2	11.9
(ii) Other Financial Assets	3(b)	4.6	4.9
Deferred Tax Assets	4	230.5	232.2
Income Tax Assets (Net)	5	918.4	1,189.3
Other Non-Current Assets	6	318.7	262.1
		1,573.4	**1,757.6**
Current Assets			
Inventories	7	565.6	875.2
Financial Assets			
(i) Trade Receivables	8	439.1	408.3
(ii) Cash and Cash Equivalents	9(a)	376.3	755.9
(iii) Bank Balances other than (ii) above	9(b)	7,374.5	7,401.3
(iv) Loans	3(a)	29.7	58.8
(v) Other Financial Assets	3(b)	236.7	172.3
Other Current Assets	10	499.6	59.6
		9,521.5	**9,731.4**
Assets held for sale	11	10.3	10.4
Total Assets		**11,105.2**	**11,499.4**
Equity and Liabilities			
Equity			
Equity Share Capital	12(a)	123.4	140.7
Other Equity	12(b)	7,213.0	9,055.7
Total Equity		**7,336.4**	**9,196.4**
Liabilities			
Non-Current Liabilities			
Financial Liabilities			
(i) Other Financial Liabilities	13(a)	18.2	22.7
Employee Benefit Obligations	14(a)	417.3	380.9
Other Non-Current Liabilities	15	26.8	40.2
		462.3	**443.8**
Current Liabilities			
Financial Liabilities			
(i) Trade Payables	13(b)	1,061.1	732.2
(ii) Other Financial Liabilities (other than those specified in 'Provisions' below)	13(a)	1,382.1	467.4
Employee Benefit Obligations	14(a)	202.2	291.7
Other Current Liabilities	18	452.6	136.4
Provisions	16	131.1	126.2
Current Tax Liabilities (Net)	17	66.9	76.5
		3,296.0	**1,830.4**
Liabilities directly associated with assets classified as held for sale	19	10.5	28.8
Total Equity and Liabilities		**11,105.2**	**11,499.4**

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

In terms of our report of even date

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

Uday M. Neogi
Partner
Membership No. 30235

Mumbai, 10th May 2018

For and on behalf of the Board

Christopher Snook
Chairman
DIN: 00369790

Trivikram Guda
Company Secretary & Compliance Officer

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

Mumbai, 10th May 2018

Statement of Profit and Loss for the year ended 31st March 2018

	Notes	Year ended 31st March 2018 in ₹ million	Year ended 31st March 2017 in ₹ million
Income			
Revenue from Operations	20	5,638.9	6,562.3
Other Income	21	1,718.3	710.0
Total Income		**7,357.2**	**7,272.3**
Expenses			
Cost of Materials Consumed	22(a)	—	1.2
Excise Duty		0.1	0.1
Purchases of Stock-in-Trade		2,145.5	3,212.1
Changes in Inventories of Finished Goods and Stock-in-Trade	22(b)	309.6	(152.1)
Employee Benefits Expense	23	1,445.3	1,393.0
Finance Costs	24	55.3	7.2
Depreciation and Amortisation Expense	25	25.3	35.9
Other Expenses	26(a)	1,800.9	1,857.6
Total Expenses		**5,782.0**	**6,355.0**
Profit before Tax		**1,575.2**	**917.3**
Tax Expense	31		
Current Tax		796.3	364.1
Deferred Tax		(4.7)	(19.0)
Total Tax Expense		**791.6**	**345.1**
Profit for the year		**783.6**	**572.2**
Other Comprehensive Income			
Items that will not be reclassified to Profit or Loss			
Remeasurements of Defined Benefit Plans		18.4	7.6
Income tax relating to these items		(6.4)	(2.6)
Other Comprehensive Income for the year		12.0	5.0
Total Comprehensive Income for the year		**795.6**	**577.2**
Earnings per Share – Basic and Diluted [per Equity Share of ₹ 5 each] [Refer Note 35]		28.43	19.10

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

Uday M. Neogi
Partner
Membership No. 30235

Mumbai, 10th May 2018

For and on behalf of the Board

Christopher Snook
Chairman
DIN: 00369790

Trivikram Guda
Company Secretary & Compliance Officer

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

Mumbai, 10th May 2018

Statement of Changes in Equity for the year ended 31st March 2018

A. Equity Share Capital

	Note 12(a)	Amount in ₹ million
Balance as at 1st April 2016		159.8
Change in Equity Share Capital during the year		
Buy back of Equity Shares (Refer Note 42)		(19.1)
Balance as at 31st March 2017		140.7
Change in Equity Share Capital during the year		
Buy back of Equity Shares (Refer Note 42)		(17.3)
Balance as at 31st March 2018		123.4

B. Other Equity

		Attributable to the equity holders of the Company					
		Reserves and Surplus					in ₹ million
	Note 12(b)	Securities Premium Reserve	General Reserve	Capital Redemption Reserve	Share Options Outstanding Account	Retained Earnings	Total Equity
Balance as at 1st April 2016		**228.8**	**3,472.9**	**—**	**(69.4)**	**8,143.7**	**11,776.0**
Profit for the year		—	—	—	—	572.2	572.2
Other Comprehensive Income for the year		—	—	—	—	5.0	5.0
Total Comprehensive Income for the year		**—**	**—**	**—**	**—**	**577.2**	**577.2**
Payment of Dividends [including Dividend distribution tax of ₹ 65.1 million]		—	—	—	—	(384.7)	(384.7)
Buy-back of Equity Shares (Refer Note 42)		(228.8)	(2,679.1)	—	—	—	(2,907.9)
Amount transferred to Capital Redemption Reserve pursuant to buy back (Refer Note 42)		—	(19.1)	19.1	—	—	—
Amount Recharged by Group Company		—	—	—	(40.0)	—	(40.0)
Expenses Charged to Statement of Profit and Loss [Refer Note 23]		—	—	—	35.1	—	35.1
Balance as at 31st March 2017		**—**	**774.7**	**19.1**	**(74.3)**	**8,336.2**	**9,055.7**
Profit for the year		—	—	—	—	783.6	783.6
Other Comprehensive Income for the year		—	—	—	—	12.0	12.0
Total Comprehensive Income for the year		**—**	**—**	**—**	**—**	**795.6**	**795.6**
Payment of Dividends [including Dividend distribution tax of ₹ 57.3 million]		—	—	—	—	(338.7)	(338.7)
Buy-back of Equity Shares (Refer Note 42)		—	(774.7)	—	—	(1,537.4)	(2,312.1)
Amount transferred to Capital Redemption Reserve pursuant to buy back (Refer Note 42)		—	—	17.3	—	(17.3)	—
Amount Recharged by Group Company		—	—	—	(33.6)	—	(33.6)
Expenses Charged to Statement of Profit and Loss [Refer Note 23]		—	—	—	46.1	—	46.1
Balance as at 31st March 2018		**—**	**—**	**36.4**	**(61.8)**	**7,238.4**	**7,213.0**

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

In terms of our report of even date

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

Uday M. Neogi
Partner
Membership No. 30235

Mumbai, 10th May 2018

For and on behalf of the Board

Christopher Snook
Chairman
DIN: 00369790

Trivikram Guda
Company Secretary & Compliance Officer

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

Mumbai, 10th May 2018

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 Sandoz House, Dr. Annie Besant Road, Worli, Mumbai-400018, 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 May 10, 2018.

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

The Company has adopted Indian Accounting Standards (referred to as "Ind AS") notified under the Companies (Indian Accounting Standards) Rules, 2015 as amended, with effect from April 1, 2016. Accordingly these financial statements have been prepared in accordance with Ind AS.

(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:

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) Current and Non-Current Classification

The assets and liabilities reported in the balance sheet are classified on a "current/non-current basis", with separate reporting of assets held for sale and corresponding liabilities. Current assets are assets that are intended to be realized, sold or consumed during the normal operating cycle of the Company. Current liabilities are liabilities that are expected to be settled in the normal operating cycle of the Company, 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.

C. Property, Plant and Equipment

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

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

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

Transition to Ind AS:

On transition to Ind AS, the Company elected to continue with the carrying value of all of its Property, Plant and Equipment recognised as at April 1, 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 except as stated below. The estimated useful lives of the assets are as follows:

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

\# Based on technical evaluation, the management believes that the useful lives as given above best represent the period over which the management expects to use these assets. Hence the useful lives for these assets is different from the useful lives as prescribed under part C of schedule II of the Companies Act, 2013.

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.

Leasehold Improvements are amortised over the period of lease.

Losses arising from retirement and gains or losses arising from disposal of Property, Plant and Equipment are determined by comparing sale proceeds with carrying amount of the asset and are included in the Statement of Profit and 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 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 its 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 and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell.

Non-current assets are not depreciated or amortised while they are classified as held for sale.

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.

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

(i) Classification:

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.

(ii) Measurement:

There are three subsequent measurement categories into which the Company classifies its financial assets:

Amortised Cost

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

Fair Value Through Other Comprehensive Income (FVOCI)

Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount of such assets are taken through OCI. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss. Interest income from these financial assets is included in other income using the effective interest rate method.

Fair Value Through Profit or Loss (FVTPL)

Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVTPL. A gain or loss on a financial asset that is subsequently measured at fair value through profit or loss is recognised in profit or loss in the period in which it arises. Interest income from these financial assets is included in other income.

(iii) Impairment of Financial Assets:

The Company assesses on a forward looking basis the expected credit losses associated with its assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

(iv) Derecognition of Financial Assets:

A financial asset is derecognised only when:

- the Company has transferred the contractual rights to receive cash flows of the financial asset or
- retains the contractual rights to receive the cash flows of the financial asset, but assumes a contractual obligation to pay the cash flows to one or more recipients.

Where the entity has transferred an asset, the Company evaluates whether it has transferred substantially all risks and rewards of ownership of the financial asset. In such cases, the financial asset is derecognised. Where the entity has not transferred substantially all risks and rewards of ownership of the financial asset, the financial asset is not derecognised. Where the entity has neither transferred a financial asset nor retains substantially all risks and rewards of ownership of the financial asset, the financial asset is derecognised if the Company has not retained control of the financial asset. Where the Company retains control of the financial asset, the asset is continued to be recognised to the extent of continuing involvement in the financial asset.

Financial Liabilities

Financial liabilities are subsequently measured at amortised cost using the effective interest method.

J. Revenue Recognition

Sale of Products

The company recognises revenue when the entity has transferred to the buyer the significant risks and rewards of ownership of the goods, the amount of revenue can be reliably measured and it is probable that future economic benefits will flow to the entity. Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are inclusive of Excise duty and net of discounts, allowances, returns, goods and services tax/value added taxes/sales tax and amounts collected on behalf of third parties.

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.

Sale of Services

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

Interest Income

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

Commission Income

Commission income is recognised in respect of sales made on behalf of consignor when the significant risks and rewards of ownership in the goods are transferred to the buyer and is net of goods and services tax/service tax.

Rental Income

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

K. Offsetting Financial Instruments

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

L. Income Tax

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

Current Tax

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

Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Deferred Tax

Deferred tax is provided, 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.

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, including non-monetary benefits 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. The liabilities are presented as current employee benefit obligations in the balance sheet.

(ii) Other Long-term Employee Benefit Obligations

The employees of the Company are entitled to other long-term benefit in the form of Long Service Awards as per the policy of the Company and Leave encashment. Liability for such benefit 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 liability 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 Plan

The Company has Defined Benefit Plans for post employment benefits in the form of Provident Fund (treated as a Defined Benefit Plan on account of guaranteed interest benefit), Gratuity, Non-Contractual Pension Plan (treated as a Defined Benefit Plan on account of guaranteed pension) 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 and changes in actuarial assumptions are recognised in the period in which they occur, directly in other comprehensive income. They are included in retained earnings in the statement of changes in equity and in the balance sheet.

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

Defined Contribution Plan

The Company has Defined Contribution Plans for post-employment benefits in the form of Superannuation Fund and Employees' Pension Scheme which are recognised by the Income-tax authorities and administered through trustees and/or LIC. Superannuation Fund which constitutes an insured benefit and Employees' Pension Scheme are classified as Defined Contribution Plans as the Company has no further obligation beyond making the contributions. The Company's contributions to Defined Contribution Plans are charged to the Statement of Profit and Loss as incurred.

(iv) Termination Benefits

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

(v) Share-Based Payments

The Company offers its employees, share based payments in the form of a "Select" plan. The Equity Plan "Select" is a global equity incentive plan for eligible employees. This plan allows its participants to choose the form of their equity compensation in "Restricted Shares" or "Tradable Shares" of the ultimate holding Company, Novartis AG, Basel.

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

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

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

(vi) Bonus Plans

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

N. Provisions, Contingent Liabilities and Contingent Assets

(i) Provisions

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

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

(ii) Contingent Liabilities

Contingent liabilities are disclosed 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 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 32).

P. Earnings Per Share

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

The weighted average number of equity shares outstanding during the year and for all years presented is adjusted for events, other than the conversion of potential equity shares that have changed the number of equity shares outstanding, without a corresponding change in resources.

For the purpose of calculating diluted earnings per share, the profit or loss for the year attributable to equity shareholders of the Company and the weighted average number of shares outstanding during the year is adjusted for the effects of all dilutive potential equity shares.

Q. Leases

As a lessee:

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the Statement of Profit and Loss on a straight-line basis over the period of the lease unless the payments are structured to increase in line with expected general inflation to compensate for the lessor’s expected inflationary cost increases.

R. Dividends

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

S. Contributed equity

Equity shares are classified as equity.

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

T. Rounding of Amounts

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

U. Recent Accounting Pronouncements

Standards issued but not yet effective

In March 2018, the Ministry of Corporate Affairs issued the Companies (Indian Accounting Standards) Amendments Rules, 2018, notifying Ind AS 115 – 'Revenue from Contracts with Customers' and consequential amendments to various Ind AS standards. The amended Rules also notified amendments to Ind AS 21 – 'The Effects of Changes in Foreign Exchange Rates'. These amendments are in accordance with the recent amendments made by International Accounting Standards Board (IASB). The amendments are effective from accounting periods beginning from 1st April, 2018.

Ind AS 115 – 'Revenue from Contracts with Customers':

This standard establishes a single comprehensive model for accounting of revenue arising from contracts with customers. Ind AS 115 will supersede the current revenue recognition guidance under Ind AS 11 'Construction Contracts' and Ind AS 18 'Revenue'. The Company is currently assessing the impact of application of Ind AS 115 on Company's financial statements.

Amendment to Ind AS 21 – 'The Effect of Changes in Foreign Exchange Rates':

This amendment clarifies translation of advance payments denominated in foreign currency into functional currency at the spot rate on the day of payment. The guidance aims to reduce diversity in practice. The changes will not have any material impact on the financial statements of the Company.

V. Critical Accounting Estimates and Judgements

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

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

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

Impairment of Trade Receivables [Refer Note 39]

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

Estimation of Provision and Contingent Liabilities [Refer Note 27]

Estimation of Non-sellable Sales Returns [Refer Note 28]

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

2. Property, Plant and Equipment

(in ₹ million)

	Tangible Assets						
Particulars	**Buildings**	**Plant and Equipments**	**Furniture Fixtures**	**Vehicles**	**Office Equipments**	**Leasehold Improvements**	**Total**
As at 1st April 2016							
Gross carrying amount							
Opening gross carrying amount	15.9	44.0	18.6	0.2	15.3	4.7	98.7
Additions	—	31.4	—	—	7.2	—	38.6
Assets classified as held for sale (Refer Note 1)	(14.2)	—	—	—	—	—	(14.2)
Disposals	—	(8.9)	—	—	(6.0)	—	(14.9)
As at 31st March 2017	**1.7**	**66.5**	**18.6**	**0.2**	**16.5**	**4.7**	**108.2**
Accumulated depreciation							
Opening accumulated depreciation	4.0	21.5	2.4	0.2	5.3	0.5	33.9
Depreciation/amortisation charge during the year (Refer Note 3)	—	24.5	2.3	—	8.2	0.9	35.9
Assets classified as held for sale (Refer Note 1)	(3.8)	—	—	—	—	—	(3.8)
Disposals	—	(8.9)	—	—	(6.0)	—	(14.9)
As at 31st March 2017	**0.2**	**37.1**	**4.7**	**0.2**	**7.5**	**1.4**	**51.1**
Net carrying amount							
As at 31st March 2017	**1.5**	**29.4**	**13.9**	**—**	**9.0**	**3.3**	**57.1**
As at 1st April 2017							
Gross carrying amount							
Opening gross carrying amount	1.7	66.5	18.6	0.2	16.5	4.7	108.2
Additions	—	12.7	—	—	1.5	—	14.2
Adjustment/reclassification	—	4.4	(4.5)	—	0.1	—	—
Disposals	—	—	—	—	(1.5)	—	(1.5)
As at 31st March 2018	**1.7**	**83.6**	**14.1**	**0.2**	**16.6**	**4.7**	**120.9**
Accumulated depreciation							
Opening accumulated depreciation	0.2	37.1	4.7	0.2	7.5	1.4	51.1
Depreciation/amortisation charge during the year	0.4	16.3	2.1	—	5.6	0.9	25.3
Disposals	—	—	—	—	(1.5)	—	(1.5)
As at 31st March 2018	**0.6**	**53.4**	**6.8**	**0.2**	**11.6**	**2.3**	**74.9**
Net carrying amount							
As at 31st March 2018	**1.1** (Refer Note 2)	**30.2**	**7.3**	**—**	**5.0**	**2.4**	**46.0**

Notes

1. Refer Notes 11 and 19
2. In the board meeting held on 10th May 2018, the Company has decided to sell its residential flat (net carrying amount Nil) and initiate active plan to locate buyer for this flat.
3. During the previous year the Company decided to fully depreciate the mobile handsets and mobile devices in the year of purchase. Consequently, depreciation charge for the previous year includes an amount of ₹ 7.2 million (including on mobile handsets and mobile devices existing as at the beginning of the previous year) which being the impact on account of change in the accounting policy.

3. Financial Assets

	31st March 2018		31st March 2017	
	in ₹ million Current	in ₹ million Non-current	in ₹ million Current	in ₹ million Non-current
3(a). Loans:				
Unsecured, considered good				
Security Deposits	25.1	51.6	54.8	8.4
Loan to Employees	4.6	3.6	4.0	3.5
Total Loans	**29.7**	**55.2**	**58.8**	**11.9**
3(b). Other financial assets:				
Tender Deposits				
Unsecured, considered good	0.6	2.0	4.2	1.1
Considered Doubtful	—	4.3	—	5.4
Less: Allowance for Doubtful Deposits	—	(4.3)	—	(5.4)
	0.6	**2.0**	**4.2**	**1.1**
Deposits with banks with maturity of more than twelve months	—	2.6	—	3.8
Receivable from Related Parties (Refer Note 33)	59.1	—	114.4	—
Receivable under TDSA Agreement (Refer Note 41)	—	—	9.1	—
Receivable as Consignment Agent	159.4	—	44.0	—
Others				
— Charges Recoverable	17.6	—	0.6	—
Total Other Financial Assets	**236.7**	**4.6**	**172.3**	**4.9**

4. Deferred Tax Assets

The balance comprises temporary differences attributable to:

	31st March 2018 in ₹ million	31st March 2017 in ₹ million
Property, Plant and Equipment	28.5	28.5
Allowances for Doubtful Debts, Advances and Deposits	24.9	35.2
Compensation under Voluntary retirement scheme	3.6	6.4
Provision for Employee Benefits	160.6	149.9
Others	12.9	12.2
Total Deferred Tax Assets	**230.5**	**232.2**

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 2016	**31.0**	**38.2**	**9.5**	**130.4**	**6.7**	**215.8**
(Charged)/Credited						
— To Profit or Loss	(2.5)	(3.0)	(3.1)	22.1	5.5	19.0
— To other comprehensive Income	—	—	—	(2.6)	—	(2.6)
At 31st March 2017	**28.5**	**35.2**	**6.4**	**149.9**	**12.2**	**232.2**
(Charged)/Credited						
— To Profit or Loss	—	(10.3)	(2.8)	17.1	0.7	4.7
— To other comprehensive Income	—	—	—	(6.4)	—	(6.4)
At 31st March 2018	**28.5**	**24.9**	**3.6**	**160.6**	**12.9**	**230.5**

5. Income Tax Assets (Net)

	31st March 2018 in ₹ million	31st March 2017 in ₹ million
Advance income tax [net of provisions ₹ 8,586.5 million (As at 31st March 2017 ₹ 7,928.1 million)]	918.4	1,189.3
Total Income Tax Assets (Net)	**918.4**	**1,189.3**

6. Other Non-Current Assets

	31st March 2018 in ₹ million	31st March 2017 in ₹ million
Balance with Government authorities		
VAT Receivable (including amount paid under protest)	185.8	167.0
Advances recoverable		
Considered Good	79.8	73.5
Considered Doubtful	30.0	47.8
	109.8	**121.3**
Less: Allowance for Doubtful Advances	(30.0)	(47.8)
	79.8	**73.5**
Fringe Benefits Tax [Net of Provision of ₹ 135.6 million (as at 31st March 2017 ₹ 135.6 million)]	20.3	20.3
Prepaid Expenses	32.8	1.3
Total Other Non-Current Assets	**318.7**	**262.1**

7. Inventories

	31st March 2018 in ₹ million	31st March 2017 in ₹ million
Stock-in-Trade [including in transit of ₹ 29.5 million (as at 31st March 2017 ₹ 73.3 million)]	565.6	875.2
Total Inventories	**565.6**	**875.2**

The cost of inventory recognised as an expense includes ₹ 69.2 million (previous year ₹ 79.3 million) in respect of write-downs of inventory, and has been reduced by ₹ 29.4 million (previous year ₹ 6.2 million) in respect of the reversals of such write-downs.

The cost of inventories recognised as an expense is disclosed in Notes 22(a), 22(b) 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

8. Trade Receivables (Unsecured)

		31st March 2018 in ₹ million	31st March 2017 in ₹ million
Considered Good		439.1	408.3
Doubtful		37.0	48.6
		476.1	**456.9**
Less: Allowance for Bad and Doubtful Debts		(37.0)	(48.6)
Total Trade Receivables		**439.1**	**408.3**
Trade Receivables			
Receivables from Related Parties, Considered Good [Refer Note 33]	(A)	99.7	81.7
Receivables from Other Parties			
Considered Good		339.4	326.6
Doubtful		37.0	48.6
		376.4	**375.2**
Less: Allowance for Bad and Doubtful Debts		(37.0)	(48.6)
Total Receivables from Other Parties	(B)	**339.4**	**326.6**
Total Trade Receivables	(A + B)	**439.1**	**408.3**

9(a). Cash and Cash Equivalents

	31st March 2018 in ₹ million	31st March 2017 in ₹ million
Balances with Banks		
— in Current Accounts	222.3	109.9
— Deposits with original maturity of less than three months	154.0	646.0
Cash on Hand	*	*
Total Cash and Cash Equivalents	**376.3**	**755.9**

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

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

	31st March 2018 in ₹ million	31st March 2017 in ₹ million
Earmarked balances with banks		
— Unpaid Dividend Accounts	15.7	14.7
Bank deposits with maturity of more than 3 months but less than 12 months	7,358.8	7,386.6
Total Other Bank Balances	**7,374.5**	**7,401.3**

10. Other Current Assets

	31st March 2018 in ₹ million	31st March 2017 in ₹ million
Balances with Government Authorities	464.9	16.6
Others		
— Advance to Vendors	13.8	4.8
— Prepayment	17.9	26.9
— Advance to Employees	3.0	11.3
Total Other Current Assets	**499.6**	**59.6**

11. Assets held for sale

	31st March 2018 in ₹ million	31st March 2017 in ₹ million
Building [Refer Note 2 and Note 19]#	10.3	10.4
Total Assets held for sale	**10.3**	**10.4**

In the Board Meeting held on 22nd July 2015, the Company decided to sell 4 residential flats and initiated an active plan to locate a buyer for these flats. Further in the Board Meeting held on 19th April 2016, the Company decided to sell one commercial property and initiated an active plan for this property as well. Accordingly, these properties were classified as "Assets held for Sale" on the aforesaid dates respectively.

During the year, the Company has sold 2 residential flats and resultant gain is recognised in the Statement of Profit and Loss (Refer Note 21). Subsequent to year end the Company has sold one more residential flat.

12. Equity Share Capital and Other Equity

12(a). Equity Share Capital

	Number of shares	Amount in ₹ million
Authorised Equity Share Capital		
As at 1st April 2016 (Equity Shares of ₹ 5 each)	64,000,000	320.0
Increase/(decrease) during the year	—	—
As at 31st March 2017 (Equity Shares of ₹ 5 each)	64,000,000	320.0
Increase/(decrease) during the year	—	—
As at 31st March 2018 (Equity Shares of ₹ 5 each)	64,000,000	320.0
Issued, Subscribed and Fully Paid-up Equity Share Capital		
As at 1st April 2016 (Equity Shares of ₹ 5 each)	31,960,797	159.8
Increase/(decrease) during the year	(3,820,000)	(19.1)
As at 31st March 2017 (Equity Shares of ₹ 5 each)	28,140,797	140.7
Increase/(decrease) during the year	(3,450,000)	(17.3)
As at 31st March 2018 (Equity Shares of ₹ 5 each)	24,690,797	123.4

(i) Reconciliation of the number of shares outstanding at the begining and at the end of the reporting period

As at 1st April 2016 (Equity Shares of ₹ 5 each fully paid-up)	31,960,797
Less-Buy back of equity shares [Refer Note 42]	(3,820,000)
As at 31st March 2017 (Equity Shares of ₹ 5 each fully paid-up)	28,140,797
Less-Buy back of equity shares [Refer Note 42]	(3,450,000)
As at 31st March 2018 (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. 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 March 31, 2018:

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 shares bought back: 7,270,000 (up to 31st March, 2017: 3,820,000) equity shares [Refer Note 42]

(iv) Shares of the Company Held by Holding Company

	31st March 2018	31st March 2017
	No. of Shares	No. of Shares
Novartis AG, Basel, Switzerland	17,450,680	20,656,042

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

	31st March 2018		31st March 2017	
	No. of Shares	% of Holding	No. of Shares	% of Holding
Novartis AG, Basel, Switzerland (Holding Company)	17,450,680	70.68%	20,656,042	73.40%

12(b). Other Equity

	31st March 2018 in ₹ million	31st March 2017 in ₹ million
Securities Premium Reserve	—	—
General Reserve	—	774.7
Capital Redemption Reserve	36.4	19.1
Share Options Outstanding Account	(61.8)	(74.3)
Retained Earnings	7,238.4	8,336.2
Total Other Equity	**7,213.0**	**9,055.7**

Nature and Purpose of Other Equity

Securities Premium Reserve

Securities Premium Reserve was created when shares were issued at premium. During the previous year the Company had utilised the entire Securities Premium Reserve towards buy back of shares. The reserve was utilised in accordance with the provisions of the Companies Act, 2013 ("the Act").

General Reserve

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

Capital Redemption Reserve

Capital Redemption reserve is created for buy back of shares. In terms of Section 69 of the Act, the Company has transferred 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 2018 in ₹ million	31st March 2017 in ₹ million
(i)	**Securities Premium Account**		
	Opening Balance	—	228.8
	Buy back of Equity Shares [Refer Note 42]	—	(228.8)
	Closing Balance	**—**	**—**
(ii)	**General Reserve**		
	Opening Balance	774.7	3,472.9
	Buy back of Equity Shares [Refer Note 42]	(774.7)	(2,679.1)
	Amount transferred to Capital Redemption Reserve [Refer Note 42]	—	(19.1)
	Closing Balance	**—**	**774.7**
(iii)	**Capital Redemption Reserve**		
	Opening Balance	19.1	—
	Transfer from Retained Earnings/General Reserve pursuant to Buy back [Refer Note 42]	17.3	19.1
	Closing Balance	**36.4**	**19.1**
(iv)	**Share Options Outstanding Account**		
	Opening Balance [Refer Note 36]	(74.3)	(69.4)
	Add: Amount Recharged by Group Company	(33.6)	(40.0)
	Less: Expenses Charged to Statement of Profit and Loss [Refer Note 23]	46.1	35.1
	Closing Balance	**(61.8)**	**(74.3)**
(v)	**Retained Earnings**		
	Opening Balance	8,336.2	8,143.7
	Profit for the year	783.6	572.2
	Other Comprehensive Income (net of tax)	12.0	5.0
	Total Comprehensive Income for the year	795.6	577.2
	Payment of Dividends [including Dividend Distribution Tax of ₹ 57.3 million (previous year ₹ 65.1 million)]	(338.7)	(384.7)
	Buy back of Equity Shares [Refer Note 42]	(1,537.4)	—
	Amount transferred to Capital Redemption Reserve [Refer Note 42]	(17.3)	—
	Closing Balance	**7,238.4**	**8,336.2**

Dividends

Particulars	**31st March 2018 in ₹ million**	**31st March 2017 in ₹ million**
Equity shares		
Final dividend for the year ended 31st March 2017 of ₹ 10 per fully paid share (31st March 2016 of ₹ 10 per fully paid share)	281.4	319.6
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 (Previous year ₹ 10) fully paid equity share. This proposed dividend is subject to the approval of shareholders in the ensuing annual general meeting.	246.9	281.4

13. Financial Liabilities

13(a). Other Financial Liabilities

	31st March 2018 in ₹ million	31st March 2017 in ₹ million
Non-Current		
Security Deposits	18.2	22.7
Total Other Non-Current Financial Liabilities	**18.2**	**22.7**
Current		
Unpaid Dividends@	15.7	14.7
Payable to Related Parties [Refer Note 33]	1,349.0	423.1
Payable under TDSA Agreement [Refer Note 41]	—	22.3
Payables towards Purchase of Property, Plant and Equipment	13.4	7.3
Security Deposits	4.0	—
Total Other Current Financial Liabilities	**1,382.1**	**467.4**

@ 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.

13(b). Trade Payables

	31st March 2018 in ₹ million	31st March 2017 in ₹ million
Current		
Trade Payables — Micro and Small Enterprises [Refer Note 30]	7.4	7.5
Trade Payables — Others	489.3	524.9
Trade Payables to Related Parties [Refer Note 33]	564.4	199.8
Total Trade Payables	**1,061.1**	**732.2**

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

	31st March 2018		31st March 2017	
	in ₹ million Current	in ₹ million Non-current	in ₹ million Current	in ₹ million Non-current
Gratuity	17.5	129.1	17.3	71.7
Leave Obligations	19.1	213.6	41.9	227.3
Non-Contractual Pension Plan	—	0.8	9.9	0.5
Post Retirement Medical Benefits	4.1	59.7	3.9	55.6
Long Term Service Awards	1.8	14.1	1.7	13.8
Voluntary Retirement Costs [Refer Note 29]	1.6	—	2.0	—
Others	158.1	—	215.0	12.0
Total Employee Benefit Obligations	**202.2**	**417.3**	**291.7**	**380.9**

Change of Estimate in Leave Policy

The Company had changed the Leave policy during the previous year effective 1st April 2017. The changes were with respect to maximum carry forward of leave balance, the changes in salary base and the formula to calculate per day salary. Consequently maximum carry forward of leave balances had been calculated as per new policy as at 31st March 2017.

This had resulted in an additional charge to the Statement of Profit and Loss amounting to ₹ 31.2 million during the previous year (Refer Note 23)..

14(b). Employee Benefit Obligations

(i) Defined Contribution Plans:

The Company's contribution to Superannuantion Fund and Employees' Pension Scheme aggregating ₹ 32.6 million (Previous year ₹ 33.0 million) has been recognised as expense in the Statement of profit and loss for the year under the head Employee Benefits Expense (Refer Note 23).

(ii) Defined Benefit Plans:

General Description of Defined Benefit Plans:

(a) Gratuity

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

(b) Provident Fund

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

(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.

(d) Post Retirement Medical Benefits (PRMB)

The PRMB scheme is a fixed monetary amount Defined Benefit Plan that provides for a lumpsum 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.

As per actuarial valuation as on 31st March 2018 and 31st March 2017 : in ₹ million

Particulars	Gratuity		Provident Fund		Non Contractual Pension Plan		Post Retirement Medical Benefits	
	2018	2017	2018	2017	2018	2017	2018	2017
I. Expense recognised in the Statement of Profit and Loss for the year ended 31st March:								
1. Current service cost	22.9	22.3	53.9	63.7	3.2	3.1	1.6	1.7
2. Past Service Cost*	63.3	—	—	—	—	—	9.5	—
3. Net interest on net defined benefit liability/ (asset)	5.2	4.6	—	—	0.8	0.7	4.3	4.6
4. Other adjustments	(6.9)	—	—	—	—	—	—	—
	84.5	**26.9**	**53.9**	**63.7**	**4.0**	**3.8**	**15.4**	**6.3**
II. Recognised in other comprehensive income for the year								
1. Return on plan assets	(4.1)	1.2	(10.3)	(119.3)	0.3	(1.4)	—	—
2. Actuarial (Gain)/Loss on account of:								
— Financial Assumptions	(24.3)	17.0	—	—	0.1	1.1	(3.6)	3.3
— Experience Adjustments	20.8	(5.4)	18.3	104.1	(10.6)	0.3	(7.4)	(8.5)
— Demographic Assumptions	—	—	—	—	—	—	2.4	—
	(7.6)	**12.8**	**8.0**	**(15.2)**	**(10.2)**	**—**	**(8.6)**	**(5.2)**

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

As per actuarial valuation as on 31st March 2018 and 31st March 2017: in ₹ million

Particulars	Gratuity		Provident Fund		Non Contractual Pension Plan		Post Retirement Medical Benefits	
	2018	2017	2018	2017	2018	2017	2018	2017
III. Net Asset/(Liability) recognised in the Balance Sheet as at 31st March								
1. Present value of defined benefit obligation as at 31st March	398.1	305.7	1,617.4	1,390.8	132.4	128.2	63.8	59.5
2. Fair value of plan assets as at 31st March	251.5	216.7	1,617.4	1,390.8	131.6	117.8	—	—
3. Surplus/(Deficit)	(146.6)	(89.0)	—	—	(0.8)	(10.4)	(63.8)	(59.5)
4. Current portion of the above	(17.5)	(17.3)	—	—	—	(9.9)	(4.1)	(3.9)
5. Non current portion of the above	(129.1)	(71.7)	—	—	(0.8)	(0.5)	(59.7)	(55.6)
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	305.7	276.5	1,390.8	1,259.3	128.2	113.6	59.5	60.9
2. Expenses Recognised in Profit and Loss Account								
— Current Service Cost	22.9	22.3	53.9	63.7	3.2	3.1	1.6	1.7
— Interest Expense (Income)	21.3	20.8	103.6	93.6	9.5	9.1	4.3	4.6
— Adjustment on account of Transfer of Employees	—	(13.7)	17.3	36.6	—	—	—	—
— Past service cost*	63.3	—	—	—	—	—	9.5	—
3. Remeasurement gains/(losses)								
— Actuarial Gain (Loss) arising from:								
i. Financial Assumptions	(24.3)	17.0	—	—	0.1	1.1	(3.6)	3.3
ii. Experience Adjustments	20.8	(5.4)	18.3	104.1	(10.6)	0.3	(7.4)	(8.5)
iii. Demographic Assumptions	—	—	—	—	—	—	2.4	—
4. Benefit payments	(11.6)	(11.8)	(73.8)	(252.1)	(1.4)	(2.1)	(2.5)	(2.5)
5. Employee Contributions	—	—	107.3	85.6	3.4	3.1	—	—
6. Present value of defined benefit obligation at the end of the year	398.1	305.7	1,617.4	1,390.8	132.4	128.2	63.8	59.5
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	216.7	207.2	1,390.8	1,259.3	117.8	104.0	—	—
2. Interest on plan assets	16.1	16.2	103.6	93.6	8.7	8.4	—	—
3. Acquistion adjustments	—	(11.6)	17.3	36.6	—	—	—	—
4. Other adjustments	6.9	—	—	—	—	—	—	—
5. Remeasurement gains/(losses)								
— Actual return on plan assets	4.1	(1.2)	10.3	119.3	(0.3)	1.4	—	—
6. Employer Contribution	19.2	17.9	61.9	48.5	3.4	3.0	—	—
7. Employee Contribution	—	—	107.3	85.6	3.4	3.1	—	—
8. Benefit payments	(11.6)	(11.8)	(73.8)	(252.1)	(1.4)	(2.1)	—	—
9. Fair value of plan assets at the end of the year	251.5	216.7	1,617.4	1,390.8	131.6	117.8	—	—

* Pursuant to:

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

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

The net liability disclosed above relates to funded and unfunded plans are as follows: **in ₹ million**

Particulars	Gratuity	Provident Fund	Non Contractual PensionPlan	Post Retirement Medical Benefits
31st March 2017				
Present value of funded obligations	305.7	1,390.8	128.2	59.5
Fair value of plan assets	216.7	1,390.8	117.8	—
Deficit of funded plan	89.0	—	10.4	59.5
Unfunded plans	—	—	—	—
Deficit	89.0	—	10.4	59.5
31st March 2018				
Present value of funded obligations	398.1	1,617.4	132.4	63.8
Fair value of plan assets	251.5	1,617.4	131.6	—
Deficit of funded plan	146.6	—	0.8	63.8
Unfunded plans	—	—	—	—
Deficit	146.6	—	0.8	63.8

Significant estimates: Actuarial assumptions and sensitivity

The significant weighted actuarial assumptions are as follows:

Particulars	31st March 2018	31st March 2017
Discount rate	7.90%	7.20%
Salary growth rate	11.0%	11.00%
Medical inflation rate	8.00%	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)
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	
	31st March 2018	31st March 2017	31st March 2018	31st March 2017	31st March 2018	31st March 2017	31st March 2018	31st March 2017
Discount rate								
Increase by 0.25%	(7.7)	(6.7)	(1.3)	(1.0)	(*)	(*)	(1.6)	(1.4)
Decrease by 0.25%	8.0	7.0	1.3	1.0	*	*	1.7	1.5
Salary growth rate								
Increase by 0.25%	6.9	6.0	0.6	0.6	—	—	—	—
Decrease by 0.25%	(6.7)	(5.8)	(0.6)	(0.6)	—	—	—	—
Mortality Rate								
Increase by 1 year	—	—	—	—	—	—	(1.6)	—
Decrease by 1 year	—	—	—	—	—	—	1.5	—
Increase by 20.00%	—	—	—	—	—	(*)	—	(2.3)
Decrease by 20.00%	—	—	—	—	—	*	—	2.7
Withdrawal Rate								
Increase by 5%	(22.0)	(22.5)	2.1	1.5	(*)	(*)	(6.9)	(8.2)
Decrease by 5%	45.0	48.9	(3.5)	(2.1)	*	0.1	12.6	15.7
Medical Inflation								
Increase by 1%	—	—	—	—	—	—	5.2	4.5
Decrease by 1%	—	—	—	—	—	—	(4.5)	(3.9)

* 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

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

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 except for the Mortality rate which has been updated based on revised guidance.

Expected contributions to post employment benefit plans for the year ending 31 March, 2019 are ₹ 107.0 million.

The weighted average duration of the Post Retirement Medical Benefits is 11 years (2017, 9 years) while in case of other Defined Benefit Obligations it's 9 years (2017, 9 years).

Maturity profile of defined benefit obligation in — **in ₹ million**

	Less than a Year	Between 1-2 years	Between 2-5 years	Between 5-10 years
1st April 2017				
Gratuity	18.8	24.7	78.5	160.7
Pension	—	0.2	0.4	—
Post Retirement Medical Benefits	4.0	4.2	13.4	26.0
Total	**22.8**	**29.1**	**92.3**	**186.7**
31st March 2018				
Gratuity	30.6	32.5	118.5	214.6
Pension	0.3	0.2	0.3	—
Post Retirement Medical Benefits	4.2	4.3	14.1	28.1
Total	**35.1**	**37.0**	**132.9**	**242.7**

Risk exposure

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

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

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

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

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

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

in ₹ million

	31–March–2018		31–March–2017	
Major category of plan assets are as follows	**Amount**	**in %**	**Amount**	**in %**
Government Bonds	611.7	30.58%	525.8	30.48%
Mutual Fund	31.8	1.59%	27.2	1.57%
Public Sector Units Bonds	608.0	30.39%	525.3	30.45%
Insurer Managed Funds	315.4	15.76%	272.6	15.80%
Special Deposit scheme (including Cash, FD's & special deposit)	433.6	21.68%	374.4	21.70%
	2,000.5	**100.00%**	**1,725.3**	**100.00%**

15. Other Non-Current Liabilities

	31st March 2018 in ₹ million	31st March 2017 in ₹ million
Income Received in Advance	26.8	40.2
Total Other Non-Current Liabilities	**26.8**	**40.2**

16. Provisions

	31st March 2018		31st March 2017	
	in ₹ million Current	in ₹ million Non-current	in ₹ million Current	in ₹ million Non-current
Provision for Non-sellable Sales Returns [Refer Note 28]	90.6	—	87.3	—
Provision for Contingencies [Refer Note 28]				
Sales Tax matters	19.2	—	19.2	—
Legal Case	21.3	—	19.7	—
Total Provisions	**131.1**	**—**	**126.2**	**—**

17. Current Tax Liabilities (Net)

	31st March 2018 in ₹ million	31st March 2017 in ₹ million
Provision for tax [net of advance tax ₹ 1,510.9 million (As at 31st March 2017 ₹ 1,372.9 million)]	66.9	76.5
Closing Balance	**66.9**	**76.5**

18. Other Current Liabilities

	31st March 2018 in ₹ million	31st March 2017 in ₹ million
Income Received in Advance	13.2	13.4
Advances from Customers	9.4	7.5
Others		
— Statutory Dues (Contributions to PF, PT, Withholding Taxes etc.)	60.0	115.5
— Payable to Income tax Authorities (Refer Note 43)	370.0	—
Total Other Current Liabilities	**452.6**	**136.4**

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

	31st March 2018 in ₹ million	31st March 2017 in ₹ million
Advance received against sale of certain asset out of assets held for sale (Refer Note 11)	**10.5**	28.8
Total Liabilities directly associated with assets classified as held for sale	**10.5**	28.8

20. Revenue from Operations

	31st March 2018	31st March 2017
	in ₹ million	in ₹ million
Sale of Products	4,980.3	5,835.6
Sale of Services	191.6	260.2
Other Operating Revenue		
Commission Income	453.6	453.1
Co-Marketing Fees	13.4	13.4
Sale of Scrap	*	*
Total Revenue from Operations	**5,638.9**	**6,562.3**

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

21. Other Income

	31st March 2018	31st March 2017
	in ₹ million	in ₹ million
Interest Income		
On Bank Deposits (at amortised Cost)	485.5	616.8
From Customers	1.0	1.0
On Income Tax Refund of earlier years (Refer Note 43)	981.3	9.4
Other Non-operating Income		
Rent	27.8	53.4
Unwinding of Discount on Security Deposits	1.8	5.3
Insurance Claims	0.2	0.8
Provisions no Longer Required Written-Back	18.6	11.5
Bad Debts Recovered	1.2	3.5
Gain on sale of certain assets out of assets held for sale (net) (Refer Note 11)	198.8	—
Net Gain on Foreign Currency Transactions and Translation	—	5.3
Miscellaneous Income	2.1	3.0
Total Other Income	**1718.3**	**710.0**

22(a) Cost of Materials Consumed

	31st March 2018	31st March 2017
	in ₹ million	in ₹ million
Raw Materials		
Opening balance	—	0.7
Add: Purchases	—	0.3
	—	1.0
Less: Closing Stock	—	—
Total Cost of Raw Materials Consumed	**—**	**1.0**
Packing Materials		
Opening balance	—	0.2
Add: Purchases	—	—
	—	0.2
Less: Closing Stock	—	—
Total Cost of Packing Materials Consumed	**—**	**0.2**
Total Cost of Materials Consumed	**—**	**1.2**

22(b) Changes in Inventories of Finished goods and Stock-in-trade

	31st March 2018 in ₹ million	31st March 2017 in ₹ million
Opening Stock		
Finished Goods	—	0.8
Stock-in-Trade	875.2	722.3
Total Opening Stock	**875.2**	**723.1**
Closing Stock		
Stock-in-Trade	(565.6)	(875.2)
Total Closing Stock	**(565.6)**	**(875.2)**
Net decrease/(increase) in Inventories of Finished Goods and Stock-in-Trade	**309.6**	**(152.1)**

23. Employee Benefits Expense

	31st March 2018 in ₹ million	31st March 2017 in ₹ million
Salaries and Wages [Refer Note 14(a)]	1,170.4	1,163.7
Contributions to Provident and Other Funds [Refer Note 14(b)]	90.5	100.5
Contributions to Gratuity Fund [Refer Note 14(b)]	84.5	26.9
Share Based Payment to Employees (Refer Notes 36)	46.1	35.1
Staff Welfare Expenses	53.8	66.8
Total Employee Benefits Expense	**1,445.3**	**1,393.0**

24. Finance Costs

	31st March 2018 in ₹ million	31st March 2017 in ₹ million
Interest on		
Income-tax	54.0	5.3
Unwinding of Discount on Security Deposits	0.2	0.7
Security Deposits	1.1	1.2
Total Finance Cost	**55.3**	**7.2**

25. Depreciation and Amortisation Expense

	31st March 2018 in ₹ million	31st March 2017 in ₹ million
Depreciation and Amortisation of Property, Plant and Equipment	25.3	35.9
Total Depreciation and Amortisation Expense	**25.3**	**35.9**

26(a) Other Expenses*

	31st March 2018		31st March 2017	
	in ₹ million	in ₹ million	in ₹ million	in ₹ million
Power and Fuel		25.6		17.7
Rent		128.9		130.3
Repairs and Maintenance				
Buildings	3.5		5.4	
Others	19.4		18.2	
		22.9		23.6
Insurance		3.4		4.0
Rates and Taxes		57.7		66.8
Legal and Professional Charges		59.6		60.5
Travelling and Conveyance		162.3		145.5
Other Outside Services		355.3		413.3
Auditors' Remuneration [Refer Note 26(b)]		8.1		14.3
Expenditure towards Corporate Social Responsibility Activities [Refer Note 26(c)]		19.9		19.8
Freight, Forwarding and Distribution		462.6		467.3
Advertisement and Sales Promotion		262.2		291.0
Printing, Postage and Telephones		34.4		33.6
Commission to Non-whole time directors		3.0		2.4
Royalty		42.5		53.2
Bad Debts and Advances Written Off	19.8		5.2	
Less: Provision	(19.8)		(5.2)	
		—		—
Provision for Doubtful Debts, Advances and Deposits		7.9		8.5
Provisions for Contingencies [Refer Note 28]		1.6		16.0
Net Loss on Foreign Currency Transactions and Translation		3.5		—
Miscellaneous Expenses		139.5		89.8
Total Other Expenses		**1,800.9**		**1,857.6**

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

26(b) Auditors' Remuneration

	31st March 2018	31st March 2017
	in ₹ million	in ₹ million
Payment to Auditors		
As auditor:		
Audit Fees	5.5	8.3
Tax Audit Fees	—	1.5
Other Services	* 2.8	4.1
Reimbursement of Expenses	0.1	0.4
Total Payments to Auditors	**8.4**	**14.3**

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

26(c) Expenditure towards Corporate Social Responsibility Activities

	31st March 2018 in ₹ million	31st March 2017 in ₹ million
Amount spent during the year on (in cash):		
(i) Donations	18.4	15.8
(ii) Expenditure on maintenance of gardens	1.5	1.4
(iii) Expenditure on health awareness	—	2.6
Total	**19.9**	**19.8**
Gross amount required to be spent as per Section 135 of the Act	19.6	19.7
Amount spent during the year on		
(i) Construction/acquisition of an asset	—	—
(ii) On purposes other than (i) above	19.9	19.8

27. Contingent Liabilities and Commitments

	31st March 2018 in ₹ million	31st March 2017 in ₹ million
A Contingent Liabilities		
Claims against the Company not acknowledged as debts*		
Income-Tax matters		
(i) Matters decided in favor of the Company but disputed further by the income-tax authorities	18.9	27.7
(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	461.1	219.8
Sales Tax matters	615.9	518.2
Service Tax matters	4.9	4.8
Excise matters	3.0	3.0
Drug Price Control Order 2013 [Refer Note 37]	281.8	281.8
Claims from third party manufacturer in respect of Excise matters	47.5	42.4
Claims from Consumers	—	0.2
Others	2.1	2.1

Note:

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

* Including Interest and Penalty, where applicable.

B Commitments

(i) Estimated amount of contracts remaining to be executed on capital account and not provided for ₹ 87.5 million (As at 31st March 2017 Nil).

(ii) Amount of future minimum lease payments under non-cancellable operating lease is ₹ 363.6 million (previous year ₹ 66.2 million) — also Refer Note 34

28. Provisions

	31st March 2018 in ₹ million	31st March 2017 in ₹ million
(i) **Provision for Non-sellable Sales Returns**		
As at 1st April	87.3	100.9
Provision made during the year	88.3	103.7
Amounts used during the year	(85.0)	(117.3)
As at 31st March	90.6	87.3
(ii) **Provision for Contingencies**		
As at 1st April	38.9	22.9
Provision made during the year	1.6	16.0
Amounts used during the year	—	—
As at 31st March	40.5	38.9

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

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

29. Employee Benefit Obligations — Voluntary Retirement Costs represent the actuarial value as at 31st March 2018 of compensation payable under the Voluntary Retirement Schemes. [Refer Note 14(a)].

30. Disclosures as required under section 22 of the Micro, Small and Medium Enterprises Development Act, 2006. This information and that given in Note 13(b) — Trade Payables regarding Micro and Small Enterprises has been determined to the extent such parties have been identified on the basis of information available with the Company. This has been relied upon by the auditors.

	31st March 2018 in ₹ million	31st March 2017 in ₹ million
(a) The principal amount and the interest due thereon remaining unpaid to suppliers		
(i) Principal	2.1	2.9
(ii) Interest due thereon	*	*
	2.1	**2.9**
(b) (i) The delayed payments of principal amount paid beyond the appointed date during the entire accounting year	54.6	167.4
(ii) The amount of Interest paid under Section 16 of the Micro, Small and Medium Enterprises Development Act, 2006	—	—
(c) Normal Interest due and payable for the period of delay in making payment, as per the Micro, Small and Medium Enterprises Development Act, 2006	0.7	1.6
(d) The amount of further interest due and payable even in the suceeding year until such date when the interest dues as above are actually paid to the small enterprise.	2.5	0.1
(e) Total Interest accrued and remaining unpaid at the end of the accounting year	7.9	4.7

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

31. Tax expense

	31st March 2018	31st March 2017
	in ₹ million	in ₹ million
(a) Tax expense		
Current tax		
In respect of the current year	604.6	352.0
In respect of the prior years (net)*	191.7	12.1
Total current tax expense	**796.3**	**364.1**
Deferred tax		
In respect of the current year	(4.7)	(19.0)
Total deferred tax benefit	**(4.7)**	**(19.0)**
Tax expense	**791.6**	**345.1**

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

	31st March 2018	31st March 2017
	in ₹ million	in ₹ million
(b) The Income tax expense for the year can be reconciled to the accounting profit as follows:		
Profit before tax	1,575.2	917.3
Income Tax expense*	545.1	317.5
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
Effect of expenses that are not deductible in determining taxable profit	66.3	15.5
Effect of income not to be considered in determining taxable profit	(7.6)	—
Other items	(1.7)	—
Effect on deferred tax balance due to change in income tax rate from 34.608% to 34.944% (effective 1st April, 2018)	(2.2)	—
Adjustments for current tax of prior years (net)	191.7	12.1
Income tax expense	**791.6**	**345.1**

* The tax rate used for the FY 2017-18 and FY 2016-17 reconciliations above is the corporate tax rate of 34.608% payable by corporate entities in India on taxable profit under the Indian tax law.

	31st March 2018	31st March 2017
	in ₹ million	in ₹ million
(c) Income tax recognised directly in equity:		
Current Tax		
— Share buy-back costs (Refer Note 42)	(9.4)	—
	(9.4)	**—**

	31st March 2018	31st March 2017
	in ₹ million	in ₹ million
(d) Income tax recognised in Other Comprehensive Income		
Deferred Tax		
Arising on income recognised in Other Comprehensive Income		
— Remeasurements of Defined Benefit Plans	(6.4)	(2.6)
	(6.4)	**(2.6)**

32. Segment Information

The Company has a single business segment namely 'Pharmaceutical Business.

33. Related Party Disclosures

(A) Enterprise where control exists

Holding Company	Novartis AG, Basel, Switzerland

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

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

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

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

(C) Key Management Personnel

Key Management Personnel	R. Shahani (up to 28th February 2018)
	J. Zia
	M. Noble
	D. Charak (up to 26th May 2016)
	G. Tekchandani (Up to 12th August 2016)
	Dr. R. Mehrotra
	J. Hiremath
	S. Martyres (w.e.f. 19th April 2016)
	C. Snook

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

(a) Holding Company

	31st March 2018 in ₹ million	31st March 2017 in ₹ million
Dividend paid	206.6	239.7
Royalty Expense	36.1	41.6
Payment towards Buy back of Shares	2,147.6	2,519.1
Balance as at the year end —		
Outstanding Payable	54.2	40.9

(b) Fellow Subsidiaries

	31st March 2018 in ₹ million	31st March 2017 in ₹ million
Purchases of Stock-in-Trade		
Alcon Laboratories (India) Private Limited	44.2	—
Alcon Pharmaceuticals Limited	141.7	208.1
Novartis Pharma AG	970.0	1,184.2
Sandoz Private Limited	4.4	18.3
	1,160.3	**1,410.6**
Sale of Products		
Alcon Laboratories (India) Private Limited	125.5	250.0
Sandoz Private Limited	11.1	164.0
	136.6	**414.0**
Sale of Services		
Novartis Healthcare Private Limited	133.0	169.4
Novartis Pharma AG	58.6	50.3
Sandoz Private Limited	—	4.9
Alcon Laboratories (India) Private Limited	—	0.5
	191.6	**225.1**
Commission Income		
Novartis Healthcare Private Limited	452.9	410.2
Services Availed		
Novartis Healthcare Private Limited	50.6	44.0
Novartis Pharma AG	2.2	3.5
	52.8	**47.5**
Purchase of Restricted Shares		
Befico Limited	—	43.2
Novartis Investment Limited	10.1	—
Novartis Holding AG	31.8	—
	41.9	**43.2**

(b) Fellow Subsidiaries (contd.)

	31st March 2018 in ₹ million	31st March 2017 in ₹ million
Forfeiture of Restricted Shares		
Befico Limited	5.4	3.2
Novartis Investment Limited	1.7	—
	7.1	**3.2**
Expenses paid by related party on behalf of the Company		
Novartis Healthcare Private Limited	0.5	10.3
Novartis International AG	1.0	—
Novartis Pharma AG	1.6	—
Novartis Pharmaceuticals Australia Pty Ltd	0.3	—
Sandoz Private Limited	5.6	7.8
Novartis International AG	—	1.2
	9.0	**19.3**
Expenses paid by the Company on behalf of the related party		
Novartis Healthcare Private Limited	10.1	18.5
Novartis Pharma AG	0.5	6.1
Novartis Pharmaceuticals Corporation Inc.	0.8	12.2
Sandoz Private Limited	3.3	4.9
Novartis (Thailand) Limited	0.2	—
Novartis Corporation (Malaysia)	0.5	—
Alcon Laboratories (India) Private Limited	—	0.8
Novartis Pharmaceuticals Australia Pty Ltd	—	0.2
	15.4	**42.7**

	31st March 2018 in ₹ million	31st March 2017 in ₹ million
Balances as at the year end –		
Outstanding Receivables		
Alcon Laboratories (India) Private Limited	—	13.6
Novartis Healthcare Private Limited	153.6	70.1
Novartis Investment Limited	1.7	—
Novartis Pharma AG	3.5	106.9
Sandoz Private Limited	—	5.5
	158.8	**196.1**

	31st March 2018 in ₹ million	31st March 2017 in ₹ million
Outstanding Payables		
Alcon Laboratories (India) Private Limited	44.2	—
Alcon Pharmaceuticals Limited	40.0	14.5
Befico Limited	—	77.2
Novartis Healthcare Private Limited	1,319.3	283.7
Novartis Holding AG	31.8	—
Novartis International AG	—	0.2
Novartis Investment Limited	12.6	—
Novartis Pharma AG	398.8	127.3
Novartis Pharmaceuticals Corporation Inc.	—	0.9
Sandoz Private Limited	12.5	9.3
	1,859.2	**513.1**

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

	31st March 2018 in ₹ million	31st March 2017 in ₹ million
Sale of Services	0.7	1.8
Commission Income	—	3.8
Expenses paid by the Company on behalf of the related party	0.1	11.8

	31st March 2018 in ₹ million	31st March 2017 in ₹ million
Outstanding Payables	—	68.9
Outstanding Receivables	—	—

(d) Post Employment Benefit Plans of Novartis India Limited

	31st March 2018 in ₹ million	31st March 2017 in ₹ million
Contribution to In-house Trust for Post Employment Benefits		
Novartis India Limited Employees' Provident Fund	61.9	48.5
Contribution to In-house Trust for Superannuation fund		
Novartis India Limited Contractual Employees Pension Scheme	—	1.4

(e) Key Management Personnel Compensation

	31st March 2018	31st March 2017
	in ₹ million	in ₹ million
Short-term employee benefits#	101.8	99.9
Post-employment benefits	0.7	0.2
Other long-term benefits	0.8	2.4
Employee share-based payment*	34.0	9.3
Commission to Independent Directors	3.0	2.4
Total compensation	**140.3**	**114.2**

Includes leave encashment paid towards leave policy harmonisation undertaken in the FY 2016-17

* 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) Transactions with related parties are made on terms equivalent to those that prevail in arm's length transactions. Outstanding balances at the year-end are unsecured and interest free and settlement occurs in cash.

34. Disclosures for Operating Leases

	31st March 2018	31st March 2017
	in ₹ million	in ₹ million
Disclosures in respect of residential/office premises (including furniture and fixtures therein, as applicable) and vehicles taken on lease		
(a) Lease payments recognised in the Statement of Profit and Loss* [Includes minimum lease payment of ₹ 60.6 million (previous year ₹ 63.1 million)]	137.6	139.7
(b) (i) Sub-lease payments received/receivable recognised in the Statement of Profit and Loss	27.8	53.4
(ii) Future minimum sub-lease payments expected to be received under non-cancellable sub leases at the Balance Sheet date	—	—
(c) General description of significant leasing agreements		
(i) Refundable interest free deposits have been given under lease agreements.		
(ii) Some of the agreements provide for increase in rent.		
(iii) Some of the agreements provide for early termination by either party with a specified notice period.		
(iv) Some of the agreements contain a provision for its renewal.		
(d) Future minimum lease payments under non-cancellable agreements		
(i) Not later than one year	122.1	58.8
(ii) Later than one year and not later than five years	241.5	7.4
(iii) Later than five years	—	—

* Includes ₹ 8.7 million (previous year ₹ 9.4 million) being expenses pertaining to lease rent paid in respect of residential flats and vehicles given to employees and forming part of salaries and wages in Employee Benefits Expense.

35 Earnings Per Share

Basic earnings per share has been calculated by dividing profit for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year. The company has not issued any potential equity shares and accordingly, the basic earnings per share and diluted earnings per share are the same. Earnings per share has been computed as under:

	31st March 2018 in ₹ million	31st March 2017 in ₹ million
(a) **Basic earnings per share:-**		
From operations attributable to the equity holders of the Company (in ₹)	28.43	19.10
(b) **Earnings used in calculation of basic earnings per share**		
Profit for the year attributable to the equity shareholders of the Company	783.6	572.2
(c) Weighted average number of equity shares used as the denominator in calculating basic earnings per share (number of shares)	27,564,222	29,961,838

36. Disclosures for Employee Share Based Payments

The Company offers its employees, share based payments in the form of a "Select" plan. The Equity Plan "Select" is a global equity incentive plan for eligible employees. This plan allows its participants to choose the form of their equity compensation in 'Restricted Shares' or 'Tradable Options' of the ultimate holding company, Novartis AG, Basel. The "Select" plan of the ultimate holding company is being managed and administered by the group company, Befico Limited, Bermuda (upto 31st October 2017), Novartis Investment Limited (w.e.f. 1st November 2017) and Novartis Holding AG (w.e.f. 1st January 2018) and the Company is compensating Befico Limited, Novartis Investment Limited and Novartis Holding AG for the 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.

Tradable Options

Type of Arrangement	
(i) Date of Grant	17th January 2013
(ii) Numbers Granted	22,040
(iii) Vesting Conditions	3 years
(iv) Exercise price	Nil

There were no tradable stock options granted during the financial years 2016-17 and 2017-18

(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 2018	31st March 2017
Type of Arrangement		
(i) Date of Grant	@	$
(ii) Numbers Granted	7,199#	11,748
(iii) Vesting Conditions	3 years	3 to 5 years

@ 18th January 2018

$ 1st March 2016, 1st November 2016 and 17th January 2017

Includes 1,500 Restricted Shares of fair value ₹ 10.5 million which were granted on 1st June 2015. The impact of such grant on previous year's Profit or Loss and retained earnings is not material.

	31st March 2018	31st March 2017
(i) Balance at the beginning of the year	28,616	23,249
(ii) Granted	7,199	11,748
(iii) Grants forfeited	1,304	557
(iv) Grants vested	8,102	5,824
(v) Balance at the end of the year	26,409	28,616
(vi) Weighted average remaining contractual life of Restricted Shares outstanding at end of period	2.1 years	2.3 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 Arising from share based payment transactions

Total expenses arising from share-based payment transactions recognised in profit or loss as part of employee benefit expense is as follows:

Particulars	**31st March 2018**	**31st March 2017**
	in ₹ million	**in ₹ million**
Restricted Stock Units	46.1	35.1
Total employee share based payment expense	**46.1**	**35.1**

37. The Company has filed a Writ Petition on 8th May 2014 before the Hon'ble Delhi High Court challenging the move of the National Pharmaceuticals Pricing Authority ("NPPA") to include Voveran 50 GE Tablets, marketed by the Company, under price control in terms of the Drug Price Control Order 2013 ("DPCO 2013").

During the pendency of the Writ Petition the NPPA issued a Show Cause Notice dated 24th September, 2014 to the Company alleging over charge on sales of Voveran 50 GE Tablets by the Company. The Company responded to the show cause notice vide its letters dated 13th October 2014 and 27th October 2014. The NPPA issued a Demand Notice dated 31st October 2014 directing the company to pay ₹ 281.8 million (including interest) by 15th November 2014. This demand has been challenged by the Company before the Hon'ble Delhi High Court by way of miscellaneous application 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 19th July 2018.

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.

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. To provide an indication about the reliability of the inputs used in determining fair value, the company has classified its financial instruments into the three levels prescribed under the accounting standard.

Level 1 inputs are quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date. A quoted market price in an active market provides the most reliable evidence of fair value and is used without adjustment to measure fair value whenever available, with limited exceptions.

Level 2 inputs are inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 2 inputs include:

- quoted prices for similar assets or liabilities in active markets
- quoted prices for identical or similar assets or liabilities in markets that are not active
- inputs other than quoted prices that are observable for the asset or liability, for example
  - interest rates and yield curves observable at commonly quoted intervals
  - implied volatilities
  - credit spreads
- inputs that are derived principally from or corroborated by observable market data by correlation or other means ('market – corroborated inputs')

Level 3 inputs are unobservable inputs for the asset or liability. Unobservable inputs are used to measure fair value to the extent that relevant observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date. An entity develops unobservable inputs using the best information available in the circumstances, which might include the entity's own data, taking into account all information about market participant assumptions that is reasonably available.

Financial assets and liabilities at amortised cost, classified under Level 2 hierarchy

Particulars	**31st March 2018**	**31st March 2017**
	in ₹ million	**in ₹ million**
Financial assets		
Loan to Employees	8.2	7.5
Tender Deposits	2.6	5.3
Receivable from Related Parties	59.1	114.4
Receivable under TDSA Agreement	—	9.1
Receivable as Consignment Agent	159.4	44.0
Other Charges Recoverable	17.6	0.6
Trade Receivables	439.1	408.3
Cash and Cash Equivalents	376.3	755.9
Unpaid Dividend Accounts	15.7	14.7
Deposits with banks	7,361.4	7,390.4
	8,439.4	**8,750.2**
Financial liabilities		
Unpaid Dividends	15.7	14.7
Payable to Related Parties	1,349.0	423.1
Payable under TDSA Agreement	—	22.3
Payables towards Purchase of Property, Plant and Equipment	13.4	7.3
Trade Payables	1,061.2	732.2
	2,439.3	**1,199.6**

(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.

Financial assets/financial liabilities measured at fair value, classified under Level 3 hierarchy

Particulars	**31st March 2018**	**31st March 2017**
	in ₹ million	**in ₹ million**
Financial assets		
Loans		
Security Deposits	76.7	63.2
	76.7	**63.2**
Financial liabilities		
Other Financial Liabilities		
Security Deposits	22.2	22.7
	22.2	**22.7**

The amount of Fair value of Security deposits given and accepted is considered to be insignificant in value and hence carrying value and fair value is considered as same.

The Company considers that the carrying amount of financial assets and financial liabilities recognised in the financial statements approximate their fair value.

39. Financial risk management

The Company's activities expose it to credit risk, liquidity risk and market risk.

The Company's financial risk management is an integral part of how to plan and execute its business strategies. Market risk is the loss of future earnings, fair values or future cash flows that may result from the change of a price of a financial instrument. The value of a financial instrument may change as a result of changes in the foreign currency exchange rates and other market changes that affect market risk sensitive instruments. Market risk is attributable to all market risk sensitive financial instruments including foreign currency receivables and payables.

The Company manages market risk through a treasury department, which evaluates and exercises independent control over the entire process of market risk management. The activities of this department include management of cash resources & ensuring compliance with market risk limits and policies.

(A) Credit Risk

The Company is exposed to credit risk, which is the risk that counterparty will default on its contractual obligation resulting in a financial loss to the company. Credit risk arises from cash and cash equivalents, deposits with banks, as well as credit exposures to customers including outstanding receivables.

(i) Credit Risk Management

Credit risk is the risk of financial loss to the Company if a customer or counter-party fails to meet its contractual obligations, and arises principally from the Company's receivables from customers.

(ii) Trade and other receivables

Credit risk arises from the possibility that customers may not be able to settle their obligations as agreed. The Company manages credit risk through credit approvals, establishing credit limits and continuously monitoring the creditworthiness of customers to which the Company grants credit terms in the normal course of business.

At 31st March 2018, the Company had 5 customers (At 31st March 2017: 4 customers) that owed the Company more than ₹ 10 million each and accounted for approximately 17% (At 31st March 2017 : 14%) of all the trade receivables..

In furtherance to above, the Company has assessed the impact of the simplified approach permitted by Ind AS 109 Financial Instruments, which requires expected lifetime losses to be recognised in respect of trade receivables.

Historical trends of impairment of trade receivables do not reflect any significant credit losses. Given that the macro economic indicators affecting customers of the Company have not undergone any substantial change, the Company expects the historical trend of minimal credit losses to continue.

(iii) Movement in expected credit loss allowance

Particulars	in ₹ million
As at 1st April 2016	**51.8**
Movement in expected credit loss allowance on trade receivables calculated at lifetime expected credit losses	(3.2)
As at 31st March 2017	**48.6**
Movement in expected credit loss allowance on trade receivables calculated at lifetime expected credit losses	(11.6)
As at 31st March 2018	**37.0**

(iv) Cash and cash equivalents and deposits with banks

Credit risk on Cash and Cash Equivalents is limited as the Company generally invests in deposits with banks with high credit ratings assigned by international and domestic credit rating agencies.

(B) Liquidity Risk

(i) Liquidity risk management

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding to meet obligations when due and to close out market positions. Company's treasury maintains flexibility in funding by maintaining sufficient cash and bank balances available to meet the working capital requirements. Management monitors rolling forecasts of the company's liquidity position (comprising the unused cash and bank balances along with temporary investments in fixed deposits) on the basis of expected cash flows. This is generally carried out at Company level in accordance with practice and limits set by the Company. These limits vary to take into account the liquidity of the market in which the Company operates.

(ii) Maturities of financial liabilities

The tables below analyse the Company's financial liabilities into relevant maturity based on their remaining contractual maturities for all non-derivative financial liabilities.

The amounts disclosed in the table are the contractual undiscounted cash flows. Balances equal their carrying balances as the impact of discounting is not significant.

in ₹ million

Contractual maturities of financial liabilities	Less than 1 year	1 to 3 years	More than 3 years	Total	Carrying value
31st March, 2018					
Non-derivative financial liabilities					
Non-Interest bearing	2,443.3	—	—	2,443.3	2,443.3
Fixed interest rate instruments*	—	—	18.2	18.2	18.2
Total	**2,443.3**	**—**	**18.2**	**2,461.5**	**2,461.5**
31st March, 2017					
Non-derivative financial liabilities					
Non-Interest bearing	1,199.6	4.0	—	1,203.6	1,203.6
Fixed interest rate instruments*	—	—	18.7	18.7	18.7
Total	**1,199.6**	**4.0**	**18.7**	**1,222.3**	**1,222.3**

*Effective interest rate is 6.5%

Sensitivity interest rate increase by 1%; Profit will decrease by ₹ 0.2 million for the year ended 31st March 2018 (₹ 0.2 million for the year ended 31st March 2017).

Sensitivity interest rate decrease by 1%; Profit will increase by ₹ 0.2 million for the year ended 31st March 2018 (₹ 0.2 million for the year ended 31st March 2017)

(iii) Maturities of financial assets:

The following table details the Company's expected maturity for its non-derivative financial assets. The table has been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets. The inclusion of information on non-derivative financial assets is necessary in order to understand the Company's liquidity risk management as the liquidity is managed on a net asset and liability basis.

The amounts disclosed in the table are the contractual undiscounted cash flows. Balances equal their carrying balances as the impact of discounting is not significant.

in ₹ million

Contractual maturities of financial assets	Less than 1 year	1 to 3 years	More than 3 years	Total	Carrying value
31st March 2018					
Non-derivative financial assets					
Non-Interest bearing	943.5	37.4	19.8	1,000.7	1,000.7
Fixed interest rate instruments*	7,579.2	2.6	—	7,581.8	7,515.4
Total	**8,522.7**	**40.0**	**19.8**	**8,582.5**	**8,516.1**
31st March 2017					
Non-derivative financial assets					
Non-Interest bearing	764.0	4.6	8.4	777.0	777.0
Fixed interest rate instruments*	8,121.3	3.8	—	8,125.1	8,036.4
Total	**8,885.3**	**8.4**	**8.4**	**8,902.1**	**8,813.4**

*Effective interest rate is 6.6%

(iv) Financing arrangements

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

Particulars	31st March 2018 in ₹ million	31st March 2017 in ₹ million
Bank Overdraft/ WCDL facility	250.0	250.0
Non-Fund Based facility: (LC, BG, etc.)	25.5	44.7

(C) Market Risk – Foreign Exchange:

The Company is exposed to foreign exchange risk arising from foreign currency transactions, primarily with respect to the USD, CHF and EUR. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the company's functional currency (₹). The risk is measured through a forecast of highly probable foreign currency cash flows. The objective of the Company is to minimise the volatility of the ₹ cash flows of highly probable forecast transactions.

The company actively monitors and seeks to reduce, where it deems it appropriate to do so, fluctuations in these exposures.

(i) Foreign Currency Risk Exposure:

The Company has not entered into any derivative transactions during the year.

The Company's exposure to foreign currency risk at the end of the reporting period expressed in ₹ (in million), is as follows :

	31st March 2018 in ₹ million	31st March 2017 in ₹ million
Receivables		
USD	3.6	3.9
Payable		
USD	488.0	215.6

(ii) Sensitivity:

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

	31st March 2018 in ₹ million	31st March 2017 in ₹ million
USD sensitivity		
₹/USD – Increase by 1% #	(3.2)	(1.4)
₹/USD – decrease by 1% #	3.2	1.4

#Holding all other variables constant

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.

Particulars	31st March 2018 in ₹ million	31st March 2017 in ₹ million
Equity		
Equity Share Capital	123.4	140.7
Other Equity	7,213.0	9,055.7
Total Equity	**7,336.4**	**9,196.4**
Total Debt	—	—
Debt-Equity ratio	NA	NA

41. During the financial year ended 31st March 2016, the Company had entered into Consignment Sales Agency Agreements (CSA) and Transitional Distribution Service Agreements (TDSA) with various parties. Pursuant to the above agreements, payable (net of deductibles) as at March 31, 2018 aggregating Nil (as at March, 2017 ₹ 22.3 million) have been included in 'Other Current Financial Liabilities' [Refer Note 13(a)] and receivable as at March 31, 2018 aggregating Nil (as at March, 2017 ₹ 9.1 million) have been included in 'Other Financial Assets' [Refer Note 3(b)].

42. Buyback of Shares

In accordance with Sec 68, 69, 70 and other applicable provisions of the Companies Act, 2013 and Securities and Exchange Board of India (Buy Back of Securities) Regulations, 1998 (as amended) ("SEBI Buy Back Regulations"), the Company concluded during the year, the buyback of 3,450,000 (previous year 3,820,000) equity shares of ₹ 5/- each fully paid up, as approved by the Board of Directors on 25th September 2017 (previous year 26th May, 2016) by way of tender offer through stock exchange mechanism for cash at price of ₹ 670/- (previous year ₹ 760/-) per equity share. This has resulted in a total cash outflow of ₹ 2,311.6 million (previous year ₹ 2,903.2 million).

Pursuant to buyback the Company has adjusted premium on buyback of ₹ 665/- (previous year ₹ 755/-) per share aggregating ₹ 2,294.3 million (previous year ₹ 2,884.1 million), out of Securities Premium Reserve Nil (previous year ₹ 228.8 million), from General Reserve ₹ 774.7 million (previous year ₹ 2,655.3 million) and from Retained earnings ₹ 1,519.6 million (previous year Nil). Further, an amount of ₹17.3 million (previous year ₹ 19.1 million) (equivalent to the face value of shares) has been transferred to Capital Redemption Reserve from the Retained earnings (previous year from the General Reserve). Buy-back expenses of ₹ 17.8 million (net of tax of ₹ 9.4 million) have also been debited to the Retained earnings (previous year ₹ 23.8 million debited to the General Reserve).

43. **Note on Income Tax Refund**

During the year the Company has received interest on refund of Income tax for AY 1995-96. Interest income of ₹ 981.3 million received on such income tax refund is recognized as income in the Financial Statements (Refer Note 21) based on the management estimate of the amount the Company is entitled to receive in accordance with the provisions of the Income Tax Act, 1961. The Company has sought clarification with appropriate authorities for interest working. Pending receipt of clarification, balance amount of interest received has been included under other current liabilities (Refer Note 18).

44. The Ind AS financial statements of the Company for the year ended 31st March 2017, were audited by the Lovelock & Lewes, Chartered Accountants, the predecessor auditor.

45. Previous year figures have been regrouped/restated where necessary.

For and on behalf of the Board

Christopher Snook
Chairman
DIN: 00369790

Trivikram Guda
Company Secretary & Compliance Officer

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

Mumbai, 10th May 2018

Statement of Cash Flows for the year ended 31st March 2018

		Year ended 31st March 2018 in ₹ million	Year ended 31st March 2017 in ₹ million
A.	**Cash flow from operating activities**		
	Profit before Tax	1,575.2	917.3
	Adjustments for –		
	Depreciation and Amortisation Expense	25.3	35.9
	Share Based payment to Employees	46.1	35.1
	Interest Income	(486.5)	(627.2)
	Unwinding of discount on security deposits	(1.8)	(5.3)
	Finance Costs	55.3	7.2
	Gain on sale of certain assets out of assets held for sale (Net)	(198.8)	—
	Unrealised Loss/(Gain) on Foreign currency translations (Net)	12.4	(2.2)
	Provisions no Longer Required Written–Back	(18.6)	(11.5)
	Provision for Doubtful Debts, Advances and Deposits	7.9	8.5
	Operating profit before working capital changes	**1,016.5**	**357.8**
	Change in operating assets and liabilities		
	(Increase)/Decrease in Trade Receivables	(38.5)	87.4
	Decrease/(Increase) in Inventories	309.6	(151.2)
	Increase/(Decrease) in Trade Payables	315.0	41.3
	(Increase)/Decrease in Financial Assets	(76.6)	(84.9)
	(Increase)/Decrease in Other Non-Current Assets	(72.4)	(41.5)
	(Increase)/Decrease in Other Current Assets	(440.0)	8.2
	Increase in Provisions	4.9	16.3
	(Decrease)/Increase in Employee Benefit Obligations	(34.7)	51.7
	(Decrease)/Increase in Other Non-Current Liabilities	(13.4)	40.9
	Increase/(Decrease) in Other Curent Liabilities	316.2	(31.9)
	Increase/(Decrease) in Financial Liabilities	902.9	(260.8)
	Cash generated from operations	**2,189.5**	**33.3**
	Income Tax Paid (Net)	(579.6)	(441.6)
	Net cash from/(used in) operating activities	**1,609.9**	(408.3)
B.	**Cash flow from investing activities**		
	Payments for Property, Plant & Equipment	(8.0)	(28.0)
	Proceeds from sale of certain assets out of assets held for sale	170.0	—
	Advances received against sale of certain assets out of assets held for sale	10.5	28.8
	Interest received	535.0	676.4
	Fixed deposits matured/(placed)	(20.5)	3,559.2
	Net cash from investing activities	**687.0**	**4,236.4**

Statement of Cash Flows for the year ended 31st March 2018

		Year ended 31st March 2018 in ₹ million	Year ended 31st March 2017 in ₹ million
C.	**Cash flow from financing activities**		
	Amount paid towards Buy Back of Equity Shares of the Company (including Buy-back expenses)	(2,338.8)	(2,927.0)
	Interest paid	—	(6.5)
	Dividend paid	(280.4)	(319.4)
	Tax on Dividend	(57.3)	(65.1)
	Net cash used in financing activities	**(2,676.5)**	**(3,318.0)**
	Net (decrease)/increase in cash and cash equivalents	**(379.6)**	**510.1**
	Cash and Cash Equivalents – At the begining of the year	755.9	245.8
	Cash and Cash Equivalents – At the end of the year [Refer Note 9(a)]	376.3	755.9

Notes:

1. 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.
2. Previous year figures have been regrouped where necessary.

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

In terms of our report of even date

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

Uday M. Neogi
Partner
Membership No. 30235

Mumbai, 10th May 2018

For and on behalf of the Board

Christopher Snook
Chairman
DIN: 00369790

Trivikram Guda
Company Secretary & Compliance Officer

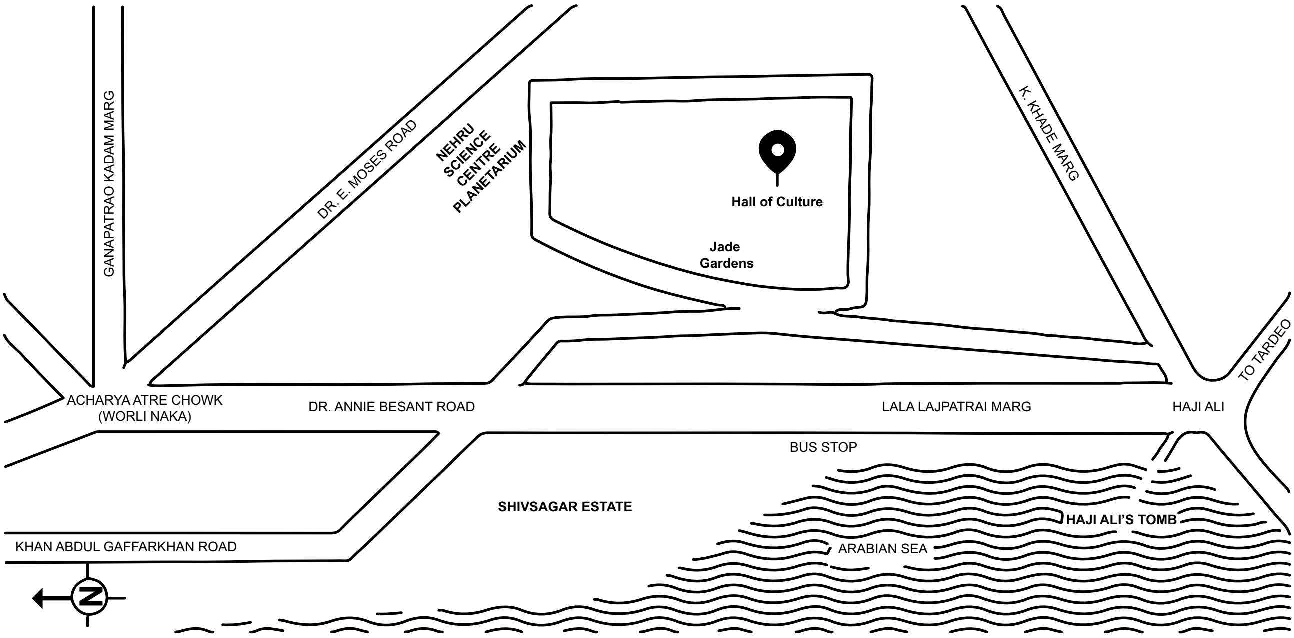
Monaz Noble
Whole Time Director & Chief Financial Officer
DIN: 03086192

Mumbai, 10th May 2018

Route Map of the venue of the 70th Annual General Meeting of Novartis India Limited to be held on Friday, July 27, 2018 at 11.30 a.m.

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

Landmark: Near Nehru Planetarium, Worli



NOVARTIS INDIA LIMITED

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

ATTENDANCE SLIP

to be surrendered at the time of entry

Folio No. /Client ID: ______________________ No. of Shares: ______________

Name of Member/Proxy: ______________________

I hereby record my presence at the 70th Annual General Meeting of the Company on Friday, July 27, 2018 at 11.30 am at Hall of Culture, Nehru Centre, Dr Annie Besant Road, Worli, Mumbai 400 018.

Member's/Proxy's Signature

Notes:

1. Members are requested to produce the above attendance slip, duly signed in accordance with their specimen signatures registered with the Company, for admission to the Meeting.
2. Members are informed that no duplicate attendance slips will be issued at the hall.

– – – – – – – – – – – Cut Here – – – – – – – – – – –

NOVARTIS INDIA LIMITED

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

PROXY FORM

Name of the Member(s)	:
Registered Address	:
Email ID	:
Folio No./Client ID	:
DP ID	:

I/We being a Member(s) of ____________ shares of Novartis India Limited hereby appoint:

1. Name : ______________ Address : ______________
   Email Id : ______________ Signature : ______________
2. Name : ______________ Address : ______________
   Email Id : ______________ Signature : ______________
3. Name : ______________ Address : ______________
   Email Id : ______________ Signature : ______________

as my/our proxy to attend and vote for me/us on my/our behalf at the 70th Annual General Meeting ('AGM') of the Company on Friday, July 27, 2018 at 11.30 am at Hall of Culture, Nehru Centre, Dr Annie Besant Road, Worli, Mumbai 400 018, and at any adjournment thereof in respect of such resolutions as are indicated below:

Resolutions		Optional *	
Ordinary Business		**For**	**Against**
1	Adoption of Financial Statements for the year ended March 31, 2018		
2	To declare dividend for the year ended March 31, 2018		

Resolutions		Optional *	
Ordinary Business		**For**	**Against**
3	Re-appointment of Ms. Monaz Noble, who retires by rotation		
4	Ratification of Appointment of M/s Deloitte Haskins & Sells LLP (Firm Registration No. 117366W/W-100018), Chartered Accountants, as Statutory Auditors of the Company		
Special Business			
5	Appointment of Mr. Milan Paleja as Vice Chairman & Managing Director		

Signed on the ____________ day of ____________ 2018

Signature of shareholder ______________________

Signature of Proxy holder ______________________

Affix required revenue stamp

Notes:

1. The Proxy Form in order to be effective should be deposited at the Registered Office of the Company not less than 48 hours before the commencement of the meeting.
2. For Resolutions, Explanatory Statements and Notes, please refer Notice of 70th Annual General Meeting of the Company.

* It is optional to put a 'X' in the appropriate column against the Resolutions indicated in the box. If you leave the 'For' or 'Against' column blank against any or all Resolution(s), your proxy will be entitled to vote in the manner he/she thinks appropriate.

FINANCIAL SUMMARY FOR 10 YEARS

in ₹ million

	2017-18	2016-17	2015-16	2014-15	2013-14	2012-13	2011-12	2010-11	2009-10	2008-09
I. INCOME, PROFIT & DIVIDEND										
Sales of Products (Net)	**4980**	5836	7222	8122	8104	8465	7928	7086	6241	5995
Profit Before Tax (PBT)	**1,575**	917	2717	932	899	1694	2247	2189	1798	1729
Profit After Tax (PAT)	**784**	572	1983	791	985	1197	1520	1467	1160	1037
Dividend	**247**	281	320	320	320	320	320	320	320	320
Dividend – ₹ per share	**10**	10	10	10	10	10	10	10	10	10
II. SHAREHOLDERS' FUND										
Share Capital	**123**	141	160	160	160	160	160	160	160	160
Reserves and Surplus	**7,213**	9,055	11,776	9860	9454	8842	8019	6870	5775	4987
Net Worth (Shareholders' Fund)	**7,336**	9,196	11,936	10020	9614	9002	8179	7030	5935	5147
III. RATIOS										
Return on Sales (PAT) %	**15.7**	9.8	27.5	9.7	12.2	14.1	19.2	20.7	18.6	17.3
Return on Shareholders' Funds (PAT) %	**10.7**	6.2	16.6	7.9	10.2	13.3	18.6	20.9	19.5	20.1
Earning Per Share (calculated on PAT) ₹	**28.43**	19.10	62.04	24.75	30.83	37.46	47.56	45.89	36.29	32.45

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.

The Source/Vakils/Photographs: Shashikant Patil

NOVARTIS

© 2018 Novartis India Limited