

 **NOVARTIS**

NOVARTIS INDIA LIMITED
ANNUAL REPORT 2020-2021



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BOARD OF DIRECTORS

Christopher Snook	Chairman
Sanjay Murdeshwar	Vice Chairman & Managing Director
Monaz Noble	Non-Executive and Non-Independent Director
Jai Hiremath	Independent Director
Sandra Martyres	Independent Director
Sanker Parameswaran	Independent Director

Trivikram Guda	Company Secretary & Compliance Officer
Felix Doss	Chief Financial Officer

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Annual General Meeting

11.30 a.m. Friday, August 27, 2021

For detailed instructions to join the AGM through Video Conference (VC) / Other Audio Visual Means (OAVM) and the procedure to raise questions / seek clarifications with respect to the Annual Report, please refer note 3 on page number 28 of this Report.

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





Dear Shareholder,

In the second year of the pandemic there is light at the end of the tunnel. While more than 4.0 million lives have been lost in the global outbreak, with vaccination drives across the world gathering momentum, the end of this very difficult period seems to be in sight.

While the severity and rapid spread of the pandemic took everyone by surprise, as a representative of the industry, I'm happy to note that the pharmaceutical and healthcare sectors were impressive in their response to the challenge. The remarkable and unprecedented collaborative efforts across both industry and geographic lines helped to fuel extraordinary innovation in drug and vaccine discovery, development, clinical trials acceleration and production. This collaboration extended to keeping supply chains working so that patients of both COVID-19 as well as other diseases continue to get treatment and medicines.

While companies felt the initial impact of the pandemic, some of them quickly realigned their businesses to meet the obstacles head-on. Certainly, Novartis, both at the global level and in India, saw change at every level, from manufacturing to supply chains to customer engagement, among other areas.

Emerging digital technologies played a key role in this. Artificial Intelligence (AI) and Big Data are already aiding drug discovery and development. They are also proving useful in clinical trials, and fraud detection, among other things. The pandemic-induced crisis further enhanced their use. These technologies also made life a little easier for patients during the pandemic, all over the world but especially in India, by enabling e-pharmacies and online consultations. These trends are only likely to strengthen.

Looking beyond the pandemic, I think what the COVID-19 outbreak has done is to highlight several deficiencies within the global health infrastructure. This is especially true of India, where public spending on healthcare is among the lowest in the BRICS and OECD countries. For India to achieve the target of USD 5 trillion GDP in the next few years, it is critical that the government invests far more in the sector. In its memorandum submitted to the Government before the FY21-22 budget, the Confederation of Indian Industries (CII) had recommended that the spend towards healthcare be boosted to at least 2.5% to 3% of the GDP.

In its report, the 15th Finance Commission has noted the severe disparities between Indian states on healthcare funding and availability of infrastructure. It has recommended a robust framework of public-private partnership in the sector. Hopefully once the COVID-19 crisis is past us, this initiative will be pursued with purpose and conviction.

For Novartis, we will continue to build on our learnings over the last year and a half. This annual report provides a glimpse into how we overcame challenges to reimagine our supply chain in the country and ensure last mile delivery of our medicines to patients.

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

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

Sincerely,

Christopher Snook
Chairman



Dear Shareholder,

As the second year of the pandemic continues to shake the roots of the Indian economy, the country's GDP growth for Financial Year 2020-21 has contracted by almost 7.5%, as against growth of 4.2% during FY 2019-20. This will have far-reaching implications and is likely to take at least a good two years before our economy can go back to pre-pandemic levels.

In this time of tumult, coronavirus restrictions impacted companies, including ours, across the board, with limited operations at contract manufacturing sites, delays in import clearances, and disruptions to the entire supply chain, to name just a few of the challenges. With restricted mobility during the lockdown, and some nursing homes and OPDs non-functional, many patients postponed visits to healthcare professionals, affecting new prescription generation, especially for our topical portfolio. This behaviour continues and is likely to have long-term impact on the health of the population.

While our Company rapidly transformed and streamlined its operations to overcome these obstacles, the crisis has certainly affected our business activities. I do believe, however, that despite the immediate effect on sales, our Company has emerged stronger in many ways that will make a difference over the long term. Our teams rose admirably to the challenge; we are now geared to anticipate potential crisis situations, and quickly act to minimize the risk at every level, down to the remotest regions in which we operate. With technological solutions at the heart of our functioning, our communication systems, quality assurance and commitment to healthcare access have

been further strengthened. We have also enhanced our digital strategy substantially.

During this period, our Company developed a robust digital program for customer engagements to enhance brand reach and recall among physicians. Our scientific engagement with healthcare professionals and key institutions to drive awareness on prevention of infections has risen considerably, and our focused efforts have resulted in minimizing the COVID-19 impact on business.

However, with some things beyond anyone's control, there's no denying that the pandemic has taken a toll in this past year. The transplant business, for instance, was negatively impacted as the National Organ and Tissue Transplant Organization (NOTTO) temporarily suspended the living donor transplant program due to the associated high risk. Yet, against a 55% drop in the number of Transplant procedures, only 24% of total sales was affected.

Despite the COVID-19 setbacks, we have fared well in other areas too. Our Pain portfolio has recorded growth during the year under review, thanks to focused sales, increased marketing efforts and integration of a robust digital push driving growth of the flagship portfolio of Orals and Injectables. As part of our Company's life-cycle management strategy, we took the bold step of an online launch for Voltaflam® TH, a new product in the combination market; the success of this initiative will pave the way for more such ventures in the future.

Our dissemination of scientific messages has also driven the performance of key brands

like Voveran® SR 100 and Voveran® 1ml AQ. The Voveran group of products continues to be one of the top brands in the Non-Steroidal Anti-Inflammatory Drugs (NSAID) market and ranks among the three leading brands in India. With the new offering Voveran 1ml AQ already in the market, our Company expects to further strengthen its position by serving more patients, while continuing to have scientific engagements and leveraging digital strategic initiatives with stakeholders.

Going forward, in a best-case scenario, the Indian Pharma Market (IPM) is expected to grow at a Compounded Annual Growth Rate (CAGR) of 7.7% (+/- 2.0%) over the next four years. We will make every effort for our Company to be a part of this growth story.

COVID-19 has greatly stretched our overburdened healthcare infrastructure. Fortunately, the Government has recognised that the system needs serious attention. NITI Aayog, its policy think tank, has spoken of a healthcare system reform roadmap that lays the foundation for improvements under the Pradhan Mantri Jan Arogya Yojana (PMJAY), the national health protection scheme. While battling the outbreak will have diverted the Government's energies and slowed down the reform process, I am confident that in the medium to longer term, there will be higher spending on healthcare in the country, and efforts towards better infrastructure and access. There is also a move to expand health insurance coverage, which is heartening.

Perhaps the best thing that could happen because of the pandemic is greater focus on healthcare by governments everywhere. Our country that is on the development curve should certainly benefit.

During this period, our Company developed a robust digital program for customer engagements to enhance brand reach and recall among physicians

As a part of COVID-19 relief initiatives, we supported close to 90,000 people working on the frontline in government hospitals in Mumbai with meals. We also undertook an expanded vaccination drive covering both internal and external employees, their immediate and extended families as well as their home support staff. This drive was successfully rolled out in Mumbai, Hyderabad, Chennai, Delhi, Bengaluru, Visakhapatnam, Kolkata, Jaipur and Vijayawada. We believe that as part of India Inc we can make a difference and it is a step to beat the third wave.

These have been difficult times for all of us, and I would like to thank you for the confidence you have placed in our Company. We look forward to your continued support as we navigate this once-in-a-century crisis. At such a time, I would like to wish you and your family continued good health; don't forget to mask up and ensure hygiene along with social distancing!

Sincerely,

Sanjay Murdeshwar
Vice Chairman & Managing Director

Climb Every Mountain

Managing the Supply Chain in COVID-19 times

At the best of times, the journey of a single dose of medicine is a complex and arduous one. In late March 2020, as international and domestic flights were suspended, ports began to shut down, and thousands of trucks started piling up on highways, the challenges rose exponentially. A new and fast-spreading virus was creating havoc, and India, like the rest of the world, was struggling to make sense of it. In small towns and remote rural areas that Novartis' Arogya Parivar teams visited when lockdown curbs were eased, they discovered that children in their mother's laps had learned a new word – 'corona'.

As the pandemic spread, Novartis realised that it would have to quickly shift gears. In the midst of all the uncertainty and chaos, how would it procure and send out critical care medicines without disruption to those who could not afford to miss their dose? With multiple issues to be considered – including imports, warehousing, transportation and cold chains, to name just a few – there was no time to waste. The fact that the rules kept changing rapidly, and differed in every state, made the task even more monumental.

The suddenness of the crisis made it particularly urgent. When, on the

evening of March 24, 2020, a 21-day national lockdown was announced, the nation stopped in its tracks. It was just the start of a series of coronavirus restrictions that would continue over the next year and well into 2021, with each state imposing its own curbs at different times. While the Government did allow the movement of items classified as essential, including medicines, the situation on the ground was yet to be assimilated.

As the Novartis team came to grips with a country where almost everything would be shut, from couriers to commercial flights and much else in between, they had to quickly devise solutions across the board. Reaching out to suppliers, stockists, and patients, among others, required a multi-pronged initiative that called for exemplary teamwork and seamless coordination, both within Novartis and on wider platforms. For instance, the pharmaceutical industry had to come together to make representations to the Government to prevent bottlenecks and cold chain disruptions – including potential disasters such as vital medicines being left on the airport tarmac!

Managing the supply chain called for coordinating with local and foreign suppliers and ensuring transportation

for imports, both at the primary and secondary levels; it also involved manufacturing and operational efficiency, and credit control and receivables management, among other things. Through all this, the personal touch could not be forgotten – as the pandemic began to hit home, customers increasingly needed reassurance that they would be protected; that their regular medicines – and not just those for coronavirus – would be available at all times. While fear of this new illness was top of mind for many people, other medical conditions certainly could not be ignored.

SEAMLESS SUPPLY

The first matter of concern for Novartis was checking inventory levels and how quickly it would be possible to keep up supplies of specialty medicines and other critical care products; while distributors usually had some inventory and patients had some stocks, what would happen when they ran out? This was particularly important in the case of oncology medications and those required for other life-threatening or chronic ailments. There was no doubt that customers would panic if medicines were in short supply!

Trying to keep the supplies coming involved immediate and coordinated



The suddenness of the crisis made it particularly urgent. When, on the evening of March 24, 2020, a 21-day national lockdown was announced, the nation stopped in its tracks

action. Novartis created a task force, with various teams functioning, not just in the country, but also at the regional level at the Singapore office, as well as the Novartis global headquarters in Basel, Switzerland.

While assessing the level of existing supplies, Novartis realised that there was anguish among stakeholders, and that it was essential to reach out – inform people of the existing situation, the risks, how Novartis was trying to mitigate them, and also the opportunities.

There are medicines that Novartis supplies to patients in the country that are imported from different sources across the globe, through Novartis Technical Operation sites, or NTO sites, as they are known. The remaining comes from local contract manufacturers across the country.

All these supplies arrive in Mumbai, where they are consolidated, and then distributed across India through a network of more than 30 warehouses. From here, the products are sent to distributors and stockists, who in turn supply to pharmacies. From the point of manufacture to the last mile, it is a very long chain that must work seamlessly to ensure that the patient at the other end gets the medicine on time – irrespective of lockdowns and whether transport is functional, or pharmacies open. Procuring the supplies is just one part of the challenge; how to distribute them is another.

Fortunately, the Government provided a list of essential products, commodities and services that were exempt from

the coronavirus restrictions. These included medicines, pharmaceutical manufacturing, pharmaceutical products, and import operations at the port and customs clearances. However, while on paper this was a huge relief, the reality was another matter.

At the time that the lockdown was announced, there was already massive movement of goods underway. At the ports, many ‘non-essential’ items were awaiting clearance and creating bottlenecks. On the roads, more than 1.5 million trucks were stranded in just two or three weeks. The rules had changed, and the suddenness meant lack of clarity – how to get travel passes, whether they would be allowed to ply their goods-laden vehicles and cross to different states... So people just stopped wherever they were, creating logjams everywhere.

Even as the highways were choked, the airports and ports were seeing their own share of chaos; in Mumbai, the Nhava Sheva port and the Mumbai International Airport were struggling to handle cargo that had already been making its way to the city when the restrictions were announced. It may have been deemed ‘non-essential’ during the lockdown but once it had arrived in the country, its presence could not be ignored.

Against this backdrop was the major problem of migrant labour fleeing the cities to go back to their villages because livelihoods in urban areas had dried up. The shortage of workers disrupted operations everywhere – there were not enough loaders, or

forklift operators, and transporters experienced manpower shortages too. Even if supplies were assured, the biggest task was getting them into India, or from manufacturing locations to the central warehouse.

There were other serious issues that needed attention. As Novartis worked to get things moving after the announcement of the shutdown, they found that instructions to allow those in essential services free movement had not percolated down to those on the ground and that conveying to them that the pharmaceutical industry was classified as essential was a challenge. Gradually with all the action which Novartis took and with a lot of support from different people including in the local administration, at both city and state level, cargo could be moved to warehouses.

A MULTI-PRONGED STRATEGY

In grappling with the crisis, Novartis teams initiated multiple actions, which continue to be fundamental to the Company’s operations, with the pandemic in its second year. These include:

Consistent follow-up with manufacturing plants and the global Logistics team For Novartis products imported as finished goods – medicines packed in boxes and cartons – there was the very real issue of raw material availability across the globe. Packing material and other ancillary goods were also impacted.

In India, the External Supply Operations (ESO) teams worked with contract



manufacturers to understand the issues involved. Since ESO plants were closing down at short notice thanks to the lockdown, Novartis' Supply Chain Management (SCM) team worked closely with the ESO team and transporters to ensure expeditious transportation from Contract Manufacturing Organisations (CMOs). They also worked closely with the ESO team to prioritize production for Novartis' products at the CMOs.

Creating awareness and visibility of inventory with stakeholders At a country level, Novartis created an Inventory and Supply Dashboard which provided a quick overview of inventory coverage (warehouse stocks, in-transit and open orders), thus creating visibility

and providing comfort to business on inventory availability.

Typically, at an aggregated Company level, Novartis has an inventory of about one-and-a-half months to two months across the country, which can be sustained even if supplies were to dry up for any reason. However, with countrywide distribution, there could be pockets that face shortages.

Down the chain, distributors and stockists typically hold 15 days to a month's worth of inventory. At the pharmacy level, the inventory is leaner, a week or 15 days at the most. Because shelf space is at a premium, pharmacies expect frequent replenishments to be available.

In all, from the start to the end point, there are three to three-and-a-half months' worth of inventory. Keeping track down to the last mile in a huge country like India is certainly a complex task!

Sensitizing support systems and prioritizing India supply through various forums Novartis worked proactively with the Regional SCM team to ease supply challenges and develop an escalations process to create priority for supplies to maintain continuity.

As Novartis reached out to Government channels, including Food and Drug Administration (FDA) authorities, the Company's top leadership was involved

in supporting the effort to keep the supply chain and distribution machinery running.

In trying to meet a crisis that impacted everyone, the pharmaceutical industry came together in unprecedented ways. Novartis worked with industry colleagues through forums such as Pharma Distribution Head Forum (PDHF) and with Associations such as Organisation of Pharmaceutical Producers of India (OPPI) to highlight challenges at ports (sea as well as the airport). Novartis participated in calls with representatives from the Government, from the Mumbai International Airport Limited (MIAL) and GVK Industries, apart from Transport Associations to clear bottlenecks at ports and enable cargo movement from ports to warehouses.

However, as congestion at the airport grew and cargo capacities became compromised, Novartis, along with other pharma companies and trade bodies, raised an alarm, asking the Government to step in to help with quicker clearances. The team is full of praise for the response they received; senior Indian Administrative Services (IAS) Officers reached out and connected the pharma companies, including Novartis, to MIAL officials. This interaction helped in flow of information on the status of the cargo, and speedy clearances. Airport authorities also offered solutions for direct delivery.

Warehousing operations While warehouses needed to run continuously, it was vital to take all due precautions to prevent contamination risks and ensure both employee and product safety. Personal Protective Equipment (PPEs),

The Quality Assurance team also rapidly adopted and created a process of electronic release of products to ensure quick turnaround from the time of arrival to release for distribution

disinfection and sanitization became top priorities.

With the help of the Quality Assurance (QA) team, all Standard Operating Procedures (SOPs) were revised, to ensure heightened cleaning and other measures related to these aspects at all locations, and while goods were picked up for delivery. Associates were advised to practice frequent hand cleaning, apart from maintaining hygiene and social distancing. Care was taken to see that they used masks, gloves and other PPEs, and temperature checks were regularly conducted; if there was a spike, the person was immediately granted leave. Work hours were shortened, and the warehouses were run at 50% capacity on a rotation and shift basis, with only essential activities being undertaken at warehouses. Used masks, gloves and other equipment were collected in separate containers for responsible disposal.

Novartis also organised posters on safety in English and in regional languages for display at prominent locations at the warehouses and worked closely with warehouse managers to share World Health Organisation (WHO) guidelines and best practices. Novartis teams continue to provide frequent updates to warehouses, keeping them informed of various government

notifications and guidelines issued by Central and State Governments.

The QA team also rapidly adopted and created a process of electronic release of products to ensure quick turnaround from the time of arrival to release for distribution.

Transportation operations None of this would have been of any use unless eventually the medicines reached people on time, and in safe conditions. With transportation in a state of upheaval, Novartis had to pull out all the stops to ensure smooth movement of trucks.

At one end of the spectrum, this involved working closely with Industry and Trade Associations such as The All India Organisation of Chemists & Druggists (AIOCD), Indian Pharmaceutical Association (IPA), Indian Drug Manufacturers' Association (IDMA) and OPPI. It also meant close communication with transportation bodies such as All India Transporters Welfare Association (AITWA) and with top tier transporters/couriers, to highlight key challenges with transportation and get exemptions from the Government for movement of medicines.

At the other end of the scale, Novartis had to closely monitor every single truck carrying its goods, not only in terms of



its location, but also its temperature conditions. Novartis products require strict temperature control either between 15° to 25° Celsius, or in the 2° to 8° Celsius bracket. These temperatures must be maintained uncompromisingly across the entire chain, from the point of manufacture/import to warehousing and distribution. With vehicles stuck all across Indian roads, especially with the onset of the blazing Indian summer, this was a nightmarish situation.

The transporters that Novartis engages have validated trucks, designed to maintain their temperature throughout the journey, using captive power from the engine; what this means is that even if the truck is stationary for hours on end, the engine and the air-conditioner

must keep running. Diesel generator sets are also available to work the air-conditioning units if required.

There is always the possibility that fuel will run out, especially in the case of long journeys, such as, say, from Bhiwandi near Mumbai to Delhi. As a Business Continuity Measure (BCM), therefore, there are certain designated places to which the trucks are diverted in case of a temperature problem. Here, an external power source can be provided, or a temporary warehousing facility offered to ensure that the products are protected from harsh temperatures and the risk of being compromised is eliminated.

Working with well-established and reliable pharma transporters provides

Novartis with real time visibility for every single truck, tracking the location day and night through GPS. The Novartis transportation team keeps a close watch to ensure that they have adequate diesel and facilities to keep the air-conditioning running. Novartis can check exactly where cargo is held up, and whether shipments have reached the customer in time; a red alert is sounded if proof of delivery is delayed. The Company is in constant touch with transporters and couriers, even for the smallest shipments. When the lockdown first happened, the control tower in the supply chain team was always alert; such close attention to truck movement continues to this day.

With 15 trucks on an average going out daily carrying Novartis products,

there are at least 30 or 40 of them on the road at any given time. The bulk of cargo movement happens during the first to the tenth of every month. As they criss-cross the country, the permutations and combinations are endless, but Novartis has always succeeded in ensuring complete visibility of the trucks.

In the initial days, with the help of the Sourcing and QA teams, Novartis also fast-tracked empanelment of new transportation service providers to improve and increase supply reach to customers pan-India.

Most crucial was the fact that during this crisis, all stakeholders came together to find solutions; signage on dedicated trucks, for example, became a key enabler to convey that these were time-critical, temperature-controlled medicines. The trucker unions went out of their way to help get passes for the drivers, cleaners, and other workers. They also ensured that critical servicing facilities were functional, such as for air-conditioning, and tyre availability. Without their involvement, these services would have been extremely difficult to find.

Reaching out to stockists With close to a million different stockists and pharmacies operating within India who supply directly to customers, Novartis has had to find ways to communicate with them through the crisis. Since some of these entities are part of the larger AIOCD, Novartis worked with the organisation to ensure that its warehouses and pharmacies were working, and that people had passes that would allow them to function.

What made the task of reaching out to stockists more difficult was the fact that often the stockists themselves could not place orders, either because they came down with COVID-19, or because they were open only for a short time each day. In this scenario, some deliveries were delayed, while others were returned. At the local level, this necessitated communication between the 30-plus warehouse managers, who had to communicate with the stockists before sending out their products to check if they would be available to receive them.

Novartis also worked closely with industry players, consolidating cargo load with other pharma companies who were trying to move their products to the same warehouses, or stockists; under normal circumstances such collaborations would have been unimaginable. For example, especially in the initial days of the lockdown, if Novartis needed to move products from the Kolkata warehouse, to a smaller city, say, Asansol, more than 200km away, it would have been difficult to send just one load under the prevailing circumstances. So, Novartis joined hands to move trucks in collaboration with other pharma organisations. This has led to closer associations within the industry that are beneficial to consumers, especially when certain vital medications are in short supply.

Credit control and credit extension As the lockdown began to take its toll on individuals, the Novartis SCM team worked with the Business and Finance divisions of the Company to allow credit period extensions and ease payment challenges related to

increased transit/delivery timelines and probable cash flow issues in the market. They also worked with the Treasury team to offer e-payment options to stockists/distributors, which served the additional purpose of motivating them to enable payments. Instead of physical instruments such as cheques or demand drafts, stockists were encouraged to switch to electronic transfers. Novartis enabled options such as RTGS, NEFT and UPI to simplify the process and prevent payment delays.

Communication with the key stakeholders Through all the logistical challenges, the Novartis SCM team provided daily updates, both to the leadership, and to the business teams. These conversations kept everyone abreast of supplies, logistical delays and possible red flags that would need attention to mitigate risk.

Constant communication and encouragement from the leadership kept the team morale high and also motivated the extended team of service providers – C&FCs, Transporters, Stamping Vendors and others, to offer their best support in difficult times. Support took various forms including making transport arrangements for those working at the warehouses, issuing identity cards and letters to those involved in delivering goods and putting prominent signs indicating ‘Life-saving medicines’ on all vehicles.

THE LAST-MILE CHALLENGE

While getting medicines to customers in urban areas during the lockdown was challenging by any standard, in the small towns and rural areas, it was staggering.

The Company's Arogya Parivar (Healthy Family) teams that serve rural India cover ~44,000 doctors. The supply chain flow mechanics is managed through 1000+ distributors spread across >2,750 towns, enabling the last-mile delivery of Novartis products through 35,000+ chemists across 22,000 villages. The entire business transacts on RTGS payments, which is rare. There are also approximately 2000+ doctors helping Novartis conduct free health camps across geographies.

Smart planning Gauging demand for various products in these areas, where connectivity is less than ideal, can be a major problem. Astute planning by the sales team, however, made all the difference. For instance, when the lockdown occurred, Novartis could predict a shortage of azithromycin in the antibiotics range, increasing inventory – some 16,000 boxes against normal sales of ~1700 boxes – to cater to market needs. Novartis had recognised that while there were thousands of companies in India in the anti-infective space, only 300 or so worked in the villages where Arogya Parivar has a presence, and only three or four companies were making azithromycin available. Though Novartis representatives were unable to meet doctors as the pandemic raged, they stayed connected on the phone and realised that there was demand for this medication but not enough supply.

The fact that Arogya Parivar's partners in the villages work on an advance basis payment was also an indication of demand. Though margins were lower because of higher API costs, Arogya Parivar made this medication available

Through all the logistical challenges, the Novartis SCM team provided daily updates, both to the leadership, and to the business teams

as part of its access commitments to needy patients in far-flung villages.

Though in the initial week or two of the lockdown, supplies to hinterland regions were affected, Novartis also found a way to work around the fact that courier services were disrupted thanks to a workforce shortage. To ensure deliveries, Arogya Parivar teams proactively visited postal offices and road transport corporation bus authorities to tie up with them, since only public transport was running at the time. They then phoned chemists to let them know on which bus the package was being dispatched. Fortunately, these products do not fall into the cold chain category. Chemists went to the common collection point at the bus stand to pick up the products. With Novartis leading the way, other companies soon began to use this method of transportation.

Personal connects Arogya Parivar sales representatives also reached out to other stakeholders in whatever ways were possible. They used video calling to connect with doctors, and voice calls if doctors were reluctant to meet online. In villages, they diligently followed up with pharmacies about the availability of products. If pharmacies did indeed run short because they could not predict demand, the reps

and sales supervisors went beyond the call of duty to inform doctors of what was available with pharmacies so that only those medicines would be prescribed. In places with availability constraints, more than 5,000 doctors stocked the products through retail licenses to ensure uninterrupted flow of products to far-flung end users. This in turn proved to be a catalyst for improving compliance to therapy. Private practitioners also stepped up to meet the increased load of patients to make up for government doctors who were involved in COVID-19 duty.

By the time the second surge of coronavirus occurred in 2021, Novartis was far better equipped to deal with the situation even in rural areas. The pharmacies had now learned how to handle the situation; where earlier they would place orders for a week, and receive the products when suppliers arrived on weekly tours, now they were stocking goods for three months in advance. In cases where it was not possible to meet such large orders, Novartis assured them that they could order enough for a month, and that they would receive new shipments as soon as supplies arrived.

Knowledge sessions A key aspect of Arogya Parivar's functioning



while working with disadvantaged communities is conducting knowledge sessions, and as people seek to understand the pandemic, these awareness programs, with gatherings of 40-50 people, have gained momentum. For example, in Khammam, a district in Telangana, when an Arogya Parivar representative asked if anyone knew what coronavirus was, one child was aware it was a disease that had first been heard of in China. Another little girl swung up from her mother's lap and said, 'We know but we are not afraid!'. While this lack of fear may have been due to the fact that villages were not as impacted in the first wave, Arogya Parivar teams recognised the need to educate villagers about masks, hygiene and social distancing; the signs and symptoms of infection and the importance of quarantining and seeking medical help, among other things. Novartis has also created short

digital stories to keep the audience informed and engaged.

Accredited Social Health Activists (ASHA) workers have also been playing a major role in organising meetings and reaching out to villagers, reaching out to Arogya Parivar for health awareness sessions from time to time. As a policy, Arogya Parivar works with people from within the community, and the empathy that ASHA workers have with the villagers makes all the difference.

LOOKING AHEAD

There is no doubt that COVID-19 has been the tipping point for the world. Since it began in 2020, we have seen dramatic changes in the way we live, work, and connect. The pandemic has certainly driven change in the pharmaceutical industry, and in its beating heart – supply chain management – with technology as the enabler.

DRONE deliveries While supply chains depend on conventional modes of transport to enable deliveries, it is now possible to use Dynamic Remotely Operated Navigation Equipment (DRONES) to facilitate access to medicines in remote areas. The US-based company, Zipline, the world's largest medical DRONE delivery service, can move one ton of medicines across a region in Ghana spanning over 100km, and can now do it with a closed supply chain. The first pilot use of Zipline took place in June 2019, when an 11-year-old sickle cell patient received doorstep delivery in an otherwise difficult-to-access location. This new and exciting technological development opened up immense possibilities for patients who otherwise have to travel for hours to access medical care. Arogya Parivar is looking to explore this option with others working in this space for hard to reach areas in rural India.

During this time, Novartis has also been reminded of what it takes to keep the entire machinery running; if there is a problem anywhere in the chain, it can create bigger issues down the line

Artificial intelligence Artificial Intelligence (AI) has been revolutionising the way many industries operate, including the pharmaceutical industry, where it is gaining momentum in India. It is used for a variety of applications, including improving clinical trials, in drug analysis, fast-track product launches, cost reduction and market access, among other things. The Union Government's Digital India initiative had already sparked an interest in AI among large pharmaceutical companies, and with the pandemic forcing the industry to seek novel solutions, its potential is also being recognised in supply chain management. AI technologies play a role in automating the pharma industry, using real-time data to analyze the various stages of inventory, consumption, and raw material procurement, to name just a few of its benefits.

LASTING CHANGES

While working through the challenges that the pandemic has thrown up, Novartis has seen transformations that will have a long-term impact on its functioning. There have been numerous learnings, but the most important one is this – never take anything for granted.

Though the Company has always had a very robust business continuity plan,

it had never needed to action it on the scale that was seen during the pandemic. In pre-pandemic times, a business disruption would involve, say, one warehouse, or one supplier facing problems. For the entire country to shut down was something that no one could ever have imagined. Under these circumstances, Novartis always had to be on its toes, pre-empt various situations, and find speedy, innovative workarounds to ensure that patients' supplies would not be impacted.

During this time, Novartis has also been reminded of what it takes to keep the entire machinery running; if there is a problem anywhere in the chain, it can create bigger issues down the line.

An agile organisation always, Novartis had in place certain mechanisms to foresee risks and avoid shocks. In a worst-case scenario, how would the Company ensure normalisation? What would it take to bounce back? These are questions for which Novartis now has concrete answers. Today, having faced the situation, it has come out stronger.

COVID-19 has also brought home the fact that pandemics can strike at any time and that everyone is at risk. Quality control and hygiene have always been key to the Company's

functioning, but now, these have been heightened all through the supply chain. At the operational level, there is greater oversight of business practices, with governance measures in place everywhere – at the manufacturing level, transportation, warehousing and distribution.

Novartis has also recognised that real-time visibility and up-to-date information at all stages are vital, both upstream and downstream; there is no room for blind spots anywhere. The Company has set up control towers across the chain to monitor possible fault lines and ensure that there is complete visibility right through.

For Novartis, visibility and communication channels have become even more important with all stakeholders on the business side to keep them informed of the Company's strength and problem-solving initiatives.

A key learning is that when a major problem occurs, everyone in the business is affected. The pandemic has brought together the whole pharmaceutical industry, not only among the companies themselves but also all organisations that work with pharma – transporters and their industry bodies and couriers, among others.

In his book *Antifragile: Things that Gain from Disorder*, celebrated writer Nassim Nicholas Taleb coined a new term. According to him, 'Antifragile' is a quality when an entity not only survives a massive shock, but actually becomes stronger because of it. By that definition, Novartis, thanks to its experience of the last year and a half has definitely acquired this quality.

Notice

NOTICE is hereby given that the 73rd Annual General Meeting of NOVARTIS INDIA LIMITED will be held on Friday, August 27, 2021 at 11:30 a.m. (IST), through Video Conferencing (“VC”)/Other Audio Visual Means (“OAVM”) to transact the following business:

Ordinary Business

1. To receive, consider and adopt the Audited Financial Statements for the Financial Year ended March 31, 2021, together with the Reports of the Directors and the Auditors thereon by passing the following resolution:

“**RESOLVED THAT** the Audited Financial Statement of the Company for the Financial Year ended March 31, 2021 and the reports of the Board of Directors and Auditor thereon as circulated to the members along with the notice of the Annual General Meeting be and are hereby considered and adopted.”

2. To declare Dividend for the Financial Year ended March 31, 2021 by passing the following Resolution:

“**RESOLVED THAT** a dividend of ₹ 10/- (Rupees Ten only) per Equity Share of ₹ 5/- (Rupees Five only) each for the Financial Year ended on March 31, 2021 be and is hereby declared and will be payable to all those beneficial owners/members whose names appear in the Register of Members as on the record date for payment of dividend.”

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

“**RESOLVED THAT** Ms. Monaz Noble (holding DIN: 03086192), who retires by rotation at the end of this Meeting as Director and being eligible, offers herself for re-appointment, be and is hereby re-appointed as Director of the Company whose term of office shall be liable to retirement by rotation.”

By Order of the Board of Directors

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

Registered Office

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

June 17, 2021

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

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

At the ensuing Annual General Meeting, Ms. Monaz Noble, Director of the Company shall retire by rotation and being eligible, offers herself for re-appointment. Based on the recommendation of the Nomination and Remuneration Committee, the Board has approved her re-appointment subject to shareholders' approval. Ms. Noble is Non-Executive and Non-Independent Director on the Board of the Company effective June 1, 2019.

Ms. Noble, aged about 54 years, is a commerce graduate from Sydenham College and MBA from NMIMS, Mumbai. She is also an Associate member of the Institute of Company Secretaries of India and Associate Cost and Management Accountant. She has rich experience in the areas of treasury, accounting, taxation, strategy, commercial finance, M&A, secretarial and corporate governance. In a career spanning over three decades, she has also worked with Cadbury India Limited and Godrej Soaps Limited. She is Independent Director on the Board of Godrej Industries Limited effective May 1, 2020 and Ageas Federal Life Insurance Company Limited effective July 29, 2019.

Ms. Monaz Noble joined the Company in February 2010 and was the Chief Financial Officer of the Company from May 2014 and effective June 13, 2016 upto May 31, 2019, she was also the Whole Time Director of the Company. Effective June 1, 2019, Ms. Noble is the Chief Financial Officer of Novartis Global Service Centre (NGSC) Hyderabad & Novartis Customer & Technology Solutions India (erstwhile Novartis Business Services) under Novartis Healthcare Private Limited (NHPL). NHPL is a wholly owned subsidiary of Novartis Pharma AG, whose ultimate holding company is Novartis AG. Novartis AG is the holding company of the Company.

Ms. Noble in her capacity as Non-Executive and Non-Independent Director on the Board of the Company continues to contribute and adds value in all key matters of the Company through her immense experience and financial acumen in Pharma and FMCG business. She does not receive any Salary or Commission from the Company effective June 1, 2019.

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

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

Details of Director seeking re-appointment at the 73rd Annual General Meeting

Particulars	Ms. Monaz Noble
	Non-Independent and Non-Executive Director
Date of Birth	September 5, 1967
Nationality	Indian
Date of Appointment	June 13, 2016
Qualifications	<ul style="list-style-type: none">• Commerce graduate from Sydenham College• MBA from NMIMS, Mumbai• Associate member of the Institute of Company Secretaries of India and Associate Cost and Management Accountant

Particulars	Ms. Monaz Noble
Expertise in specific functional areas	Ms. Noble has rich experience in the areas of treasury, accounting, taxation, strategy, commercial finance, M&A, secretarial and corporate governance. In a career spanning over two decades, she has worked with Cadbury India Limited and Godrej Soaps Limited. She is also on the Boards of large reputed companies as mentioned below.
Directorships held in other companies (excluding Foreign Companies and Section 8 Companies)	Listed Company <ul style="list-style-type: none"> • Godrej Industries Limited • Novartis India Limited Public Company <ul style="list-style-type: none"> • Ageas Federal Life Insurance Company Limited (erstwhile IDBI Federal Life Insurance Co. Ltd.)
Memberships/ Chairmanships of committees of the Company	<ul style="list-style-type: none"> • Member of Corporate Social Responsibility Committee and Risk Management Committee • Chairperson of Stakeholders Relationship Committee
Memberships/ Chairmanships of committees of other companies	Ageas Federal Life Insurance Company Limited (IDBI Federal Life Insurance Co. Ltd.) <ul style="list-style-type: none"> • Member of Audit Committee, Policyholder Protection Committee • Chairperson of Nomination and Remuneration Committee • Chairperson of Corporate Social Responsibility Committee Godrej Industries Limited <ul style="list-style-type: none"> • Member of Audit Committee and Nomination and Remuneration Committee
Number of shares held in the Company and shareholding as a beneficial owner	None
Relationship between Directors inter-se	None

Notes for Members' attention:

1. Meeting through Video Conferencing (“VC”)/Other Audio-Visual Means (“OAVM”)
 - i. In view of the outbreak of COVID-19 pandemic where social distancing is a norm to be followed, Ministry of Corporate Affairs (“MCA”) has vide its General Circular nos. 20/2020, 14/2020, 17/2020, 02/2021 and Circular no. SEBI/HO/CFD/CMD1/CIR/P/2020/79 and SEBI/HO/CFD/CMD2/CIR/P/2021/11 issued by the Securities and Exchange Board of India (“SEBI”) (collectively referred to as the ‘Circulars’), allowed the Companies to hold their Annual General Meeting through VC/OAVM and dispensed personal presence of the members at the Meeting at a common venue.
 - ii. In compliance with the provisions of the said Circulars and SEBI Listing Regulations, the 73rd AGM of the Company is being held through VC/OAVM. Since the AGM will be held through VC/OAVM, the route map is not annexed in this Notice.
 - iii. Members attending the AGM through VC/OAVM shall be counted for the purpose of reckoning the quorum under Section 103 of the Act.

- iv. The AGM shall be deemed to have been held at the Registered Office of the Company.
2. Electronic copy of Annual Report along with the Notice of Annual General Meeting
 - i. Members may note that in compliance with the aforesaid Circulars and SEBI Circular dated January 15, 2021, Notice of the AGM along with the Annual Report 2020-21 is being sent only through electronic mode to those members whose email addresses are registered with the Company/Depositories.
 - ii. Members may note that the Notice and Annual Report 2020-21 will also be available on the Company's website at www.novartis.in, website of the Stock Exchange i.e. BSE Limited at www.bseindia.com and on the website of National Securities Depository Limited ("NSDL") <https://www.evoting.nsdl.com>.
 3. Register your e-mail address to receive communication electronically

Members whose email addresses are not registered can register the same in the following manner:

 - i. Members holding share(s) in physical mode can register their email ID by sending request to the Registrar and Transfer Agent of the Company viz. Link Intime India Private Limited ("RTA") at rnt.helpdesk@linkintime.co.in providing Folio No., Name of shareholder, scanned copy of the share certificate (front and back), PAN (self-attested scanned copy of PAN card), AADHAAR (self-attested scanned copy of Aadhaar Card). Alternatively shareholder could use the link https://linkintime.co.in/emailreg/email_register.html for updating their details online.
 - ii. Members holding share(s) in electronic mode are requested to register/update their email address with their respective Depository Participants ("DPs") for receiving all communications from the Company electronically.
 4. Proxy

Members may note that since the AGM is being held through VC/OAVM, physical attendance of members has been dispensed with. Accordingly, the facility for appointment of proxies by Members will not be available for the AGM and hence the Proxy Form and Attendance Slip are not annexed to this Notice.
 5. Authorised Representative

Institutional/Corporate Shareholders (i.e. other than individuals/HUF/NRI, etc.) are required to send a scanned copy of its certified true copy of its Board Resolution/ Authorisation letter etc. authorizing its representative to attend the AGM through VC/OAVM on its behalf and to vote through remote e-voting. The said Resolution/ Authorization shall be sent to the Scrutinizer by email through its registered email address to scrutinizer@snaco.net with a copy marked to evoting@nsdl.co.in.
 6. Inspection of documents
 - i. Documents referred to in the Notice of the AGM are uploaded on the Company's website at www.novartis.in
 - ii. Members desirous of obtaining any information concerning the accounts and operations of the Company are requested to address their questions in writing to the Company Secretary at least seven days before the date of the Meeting through email at india.investors@novartis.com. The same will be replied to by the Company Secretary.

7. Register of Members and Share Transfer Books

Pursuant to the provisions of Section 91 of the Act, the Register of Members and Share Transfer Books will remain closed on all days from Friday, August 20, 2021 to Friday, August 27, 2021 both days inclusive.

8. Information related to Dividend

- i. Payment of dividend for the year ended March 31, 2021 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 Register of Members of the Company as on the date of book closure and to those whose names appear as Beneficial Owners as on the record date.
- ii. Members are requested to intimate changes, if any, pertaining to their name, postal address, email address, telephone/mobile numbers, Permanent Account Number (PAN), mandates, nominations, power of attorney, bank details such as name of the bank and branch details, bank account number, MICR code, IFSC code, etc., to their DPs in case the shares are held by them in electronic form and to the RTA in case the shares are held by them in physical form.
- iii. Dividend warrant(s)/cheque(s) shall be dispatched to Members whose bank account details have not been updated, upon normalization of postal services, post COVID-19 restrictions, if any.

9. Taxability of Dividend

- i. Members may note that pursuant to the Finance Act, 2020, dividends paid or distributed by a Company after April 1, 2020 shall be taxable in the hands of the Members. The Company shall therefore be required to deduct tax at source at the time of making payment of the said Final Dividend.
- ii. Necessary communication in this regard is sent to all shareholders at their registered email id. A copy of the said communication is also placed on the website of the Company www.novartis.in
- iii. Shareholders are requested to furnish appropriate declarations and documents by 11:59 p.m. (IST) on August 15, 2021 by email to novartisdivtax@linkintime.co.in Alternatively, shareholders could use the link <https://linkintime.co.in/formsreg/submission-of-form-15g-15h.html> for uploading appropriate documents.
- iv. For Resident shareholders

Category of shareholder	Tax Deduction Rate	Exemption applicability/Documentation requirement
Any Resident shareholder	10%	Update the PAN if not already done with depositories (in case of shares held in Demat mode) and with the Company's Registrar and Transfer Agent – Link Intime India Private Limited (in case of shares held in physical mode). No deduction of taxes in the following cases - <ul style="list-style-type: none"> • If dividend income to a resident individual shareholder during the Financial Year 2021-22 does not exceed ₹ 5,000/-

Category of shareholder	Tax Deduction Rate	Exemption applicability/Documentation requirement
		<ul style="list-style-type: none"> If the shareholder is exempted from TDS provisions through any circular or notification and provides an attested copy of the PAN along with documentary evidence in relation to the same.
Resident individuals submitting Form 15G/15H	NIL	Shareholders providing Form 15G (applicable to individuals below 60 years)/ Form 15H (applicable to individuals above the age of 60 years) - on fulfilment of prescribed conditions.
Other resident shareholders without registration of PAN or having invalid PAN	20%	Update the PAN if not already done with depositories (in case of shares held in Demat mode) and with the Company's Registrar and Transfer Agent – Link Intime India Private Limited (in case of shares held in physical mode).

- v. Recording of the valid Permanent Account Number (PAN) for the registered Folio No./DPID-Client ID is mandatory. In absence of a valid PAN, the tax will be deducted at a higher rate of 20% as per Section 206AA of the Act.
- vi. Shareholders holding shares under multiple accounts under different status/category and with single PAN, may note that higher of tax as applicable to the status in which shares held under a PAN will be considered on their entire holding in different account. (The PAN needs to be updated for each account)
- vii. Non-Resident shareholders can avail beneficial tax rates under the tax treaty between India and their country of residence, subject to providing necessary documents i.e. No Permanent Establishment and Beneficial Ownership Declaration, Tax Residency Certificate, Form 10F, any other document which may be required to avail the tax treaty benefits. The Company is not obligated to apply the beneficial tax treaty rates at the time of tax deduction/withholding on dividend amounts. Application of beneficial tax treaty rates shall depend upon the completeness of the documents submitted by the non-resident shareholders and review to the satisfaction of the Company.

10. Information related to Investor Education and Protection Fund (“IEPF”)

- i. Pursuant to the provisions of Section 124(6) of the Act, and the Investor Education and Protection Fund Authority (Accounting, Audit, Transfer and Refund) Rules, 2016 and amendments thereto, the Company is required to transfer all shares in respect of which dividend has not been paid or claimed by Members for seven consecutive years or more, in the name of IEPF Suspense Account. Adhering to requirements set out in the said Rules, the Company has taken appropriate action and transferred the shares to the IEPF Authority on October 17, 2020 for the Financial Year 2012-13.
- ii. Concerned shareholders may note that, upon such transfer, both the unclaimed dividend and the shares transferred to the IEPF Authority including all benefits accruing on such shares, if any, can be claimed by making an online application to the IEPF Authority in e-Form IEPF- 5 available on www.iepf.gov.in

- iii. The details of shareholders, whose shares have been transferred to IEPF, are placed on the Company's website at www.novartis.in
- iv. 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 authority established by the Central Government. The details of unpaid dividend are placed on the Company's website at www.novartis.in
- v. Members who have not encashed dividend warrant(s) for the Financial Year 2013-14 onwards are requested to make their claims directly to the Company or to the Company's Registrar & Share Transfer Agent, Link Intime India Private Limited, at C-101, 247 Park, LBS Marg, Vikhroli (West), Mumbai 400 083, without any delay.

Following are the due dates for transfer of unclaimed dividends to the IEPF

Financial Year	Dividend Rate per share (in ₹)	Date of declaration	Due date for transfer to IEPF
2013-14	10	25.07.2014	30.08.2021
2014-15	10	23.07.2015	28.08.2022
2015-16	10	29.07.2016	03.09.2023
2016-17	10	28.07.2017	02.09.2024
2017-18	10	27.07.2018	01.09.2025
2018-19	10	09.08.2019	15.09.2026
2019-20	10	07.08.2020	13.09.2027

11. Other information

- i. Pursuant to Regulation 39(4) and Schedule IV of the SEBI Listing Regulations relating to dealing with unclaimed shares, the Company had sent reminder letters to 247 shareholders holding 14,826 shares, which are lying with the Registrar and Transfer Agent of the Company viz. Link Intime Private Limited. Until June 17, 2021, 28 shareholders holding 822 shares, have claimed such shares and remaining are liable to be transferred to the Unclaimed Suspense Account/Demat Suspense Account which will be opened with the National Securities Depository Limited ("NSDL"). The details of such shares are available on the website of the Company at www.novartis.in
- ii. Members holding shares in physical form, in identical order of names, in multiple folios are requested to send to the Company or RTA, details of such folios along with the share certificate for consolidating their holdings in one folio. A consolidated share certificate will be issued to such member after making requisite changes.
- iii. 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.
- iv. In case of joint holders attending the meeting, the member whose name appears as the first holder in the order of names as per the Register of Members of the Company will be entitled to vote at the AGM.

12. Voting through electronic means

- i. In compliance with the provisions of Section 108 of the Act and Rule 20 of the Companies (Management and Administration) Rules, 2014 and amendments thereof and Regulation 44 of SEBI Listing Regulations, the Company is providing its members with the facility to cast their vote electronically, through the e-voting services provided by NSDL, on all the resolutions set forth in this Notice. The instructions for e-voting are given herein below.
- ii. The Board of Directors has appointed Mr. S. N. Ananthasubramanian (COP: 1774) and failing him Mr. S. N. Viswanathan (COP 24335), Practicing Company Secretaries as the Scrutinizer to carry on e-voting process (during e-voting period and AGM) in a fair and transparent manner.

Important dates for remote e-voting

Cut-off date for determining the members entitled to vote on the resolutions set forth in the AGM notice	:	Friday, August 20, 2021
Remote e-voting period Members of the Company as on the cut-off date may cast their vote by remote e-voting	:	Commences from Tuesday, August 24, 2021 at 9:00 a.m. (IST) and ends on Thursday, August 26, 2021 at 5:00 p.m. (IST)
URL for remote e-voting	:	https://www.evoting.nsdl.com

- iii. The remote e-voting module shall be disabled for voting thereafter by NSDL. Once the vote on a resolution is cast by the member, such member shall not be allowed to change it subsequently.
- iv. Those Members, who will be present in the AGM through VC/OAVM facility and have not cast their vote on the Resolutions through remote e-voting and are otherwise not barred from doing so, shall be eligible to vote through the e-voting system during the AGM.
- v. Members who have cast their vote by remote e-voting prior to the AGM may also attend/participate in the AGM through VC/OAVM but shall not be entitled to cast their vote again.
- vi. Any person holding shares in physical form and non-individual shareholders, who acquires shares of the Company and becomes member of the Company after the notice is sent through e-mail and holding shares as of the cut-off date i.e. August 20, 2021, may obtain the login ID and password by sending a request to evoting@nsdl.co.in or Issuer/RTA. However, if you are already registered with NSDL for remote e-voting, then you can use your existing user ID and password for casting your vote. If you forgot your password, you can reset your password by using “Forgot User Details/Password” or “Physical User Reset Password” option available on www.evoting.nsdl.com or call on toll free no. **1800 1020 990 and 1800 22 44 30**. In case of individual shareholders holding securities in demat mode who acquire shares of the Company and becomes a member of the Company after sending of the Notice and holding shares as of the cut-off date i.e. August 20, 2021 may follow steps mentioned in the Notice of the AGM under “Access to NSDL e-voting system”.
- vii. Members desiring to vote through remote e-voting are requested to refer to the detailed procedure given hereinafter.

Voting electronically using NSDL e-voting system

Voting electronically on NSDL e-voting system consists of ‘Two Steps’ which are as under:

Step 1 – Access to NSDL e-voting system

- A) Login Method for e-voting and joining virtual meeting for individual shareholders holding securities in demat mode

In terms of the SEBI Circular dated December 9, 2020, on e-voting facility provided by Listing companies/Individual shareholders holding securities in demat mode are allowed to vote through their demat account maintained with Depositories and Depository Participants. Shareholders are advised to update their mobile number and email Id in their demat accounts in order to access e-voting facility.

Type of shareholders	Login Method
Individual shareholders holding securities in demat mode with NSDL.	<p data-bbox="791 167 1214 197">For users already registered on IDeAS</p> <ol data-bbox="791 207 1388 1747" style="list-style-type: none"> <li data-bbox="791 207 1388 304">1. If you are already registered for NSDL IDeAS facility, please visit the e-services website of NSDL. <li data-bbox="791 314 1388 411">2. Open web browser by typing the following URL: https://eservices.nsdl.com/ either on a personal computer or on a mobile device. <li data-bbox="791 421 1388 518">3. Once the home page of e-Services is launched, click on the “Beneficial Owner” icon under “Login” which is available under “IDeAS” section. <li data-bbox="791 528 1388 624">4. A new screen will open. Enter your User ID and Password. After successful authentication, you will be able to see e-voting services. <li data-bbox="791 635 1388 693">5. Click on “Access to e-voting” under e-voting services and you will be able to see e-voting page. <li data-bbox="791 703 1388 897">6. Click on options available against company name or e-voting service provider - NSDL and you will be re-directed to NSDL e-voting website for casting your vote during the remote e-voting period or joining virtual meeting & voting during the meeting. <li data-bbox="791 907 1388 1100">7. If the user is not registered for IDeAS e-Services, option to register is available at https://eservices.nsdl.com. Select “Register Online for IDeAS” Portal or click at https://eservices.nsdl.com/SecureWeb/IdeasDirectReg.jsp <li data-bbox="791 1110 1388 1237">8. Visit the e-voting website of NSDL. Open web browser by typing the following URL: https://www.evoting.nsdl.com/ either on a personal computer or on a mobile device. <li data-bbox="791 1247 1388 1344">9. Once the home page of e-voting system is launched, click on the icon “Login” which is available under ‘Shareholder/Member’ section. <li data-bbox="791 1354 1388 1481">10. A new screen will open. You will have to enter your User ID (i.e. your sixteen-digit demat account number held with NSDL), Password/OTP and a Verification Code as shown on the screen. <li data-bbox="791 1491 1388 1747">11. After successful authentication, you will be redirected to NSDL Depository site wherein you can see e-voting page. Click on options available against company name or e-voting service provider - NSDL and you will be redirected to e-voting website of NSDL for casting your vote during the remote e-voting period or joining virtual meeting and voting during the meeting.

Type of shareholders	Login Method
Individual shareholders holding securities in demat mode with CDSL	<ol style="list-style-type: none"> 1. Existing users who have opted for Easi/Easiest, can login through their User ID and password. Option will be made available to reach the e-voting page without any further authentication. The URL for users to login to Easi/Easiest are https://web.cdslindia.com/myeasi/home/login or www.cdslindia.com and click on New System Myeasi. 2. After successful login of Easi/Easiest the user will be also able to see the e-voting menu. The menu will have links of e-voting service provider i.e. NSDL. Click on NSDL to cast your vote. 3. If the user is not registered for Easi/Easiest, option to register is available at https://web.cdslindia.com/myeasi/Registration/EasiRegistration 4. Alternatively, the user can directly access the e-voting page by providing demat account number and PAN from a link on www.cdslindia.com home page. The system will authenticate the user by sending OTP on registered mobile and email as recorded in the demat account. After successful authentication, user will be provided links for the respective ESP i.e. NSDL where the e-voting is in progress.
Individual shareholders (holding securities in demat mode) login through their Depository Participants	<ol style="list-style-type: none"> 1. You can also login using the login credentials of your demat account through your Depository Participant registered with NSDL/CDSL for e-voting facility. 2. Once you login, you will be able to see e-voting option. Once you click on e-voting option, you will be redirected to NSDL/CDSL Depository site after successful authentication, wherein you can see the e-voting feature. 3. Click on options available against company name or e-voting service provider-NSDL and you will be redirected to the e-voting website of NSDL for casting your vote during the remote e-voting period or joining virtual meeting & voting during the meeting.

Members who are unable to retrieve User ID/Password are advised to use Forgot User ID and Forgot Password option available on the website.

Helpdesk for Individual Shareholders holding securities in demat mode for any technical issues related to login through Depository i.e. NSDL and CDSL.

Login type	Helpdesk details
Individual Shareholders holding securities in demat mode with NSDL	Members facing any technical issue for login can contact NSDL helpdesk by sending a request to evoting@nsdl.co.in or call at toll free no.: 1800 1020 990 and 1800 22 44 30
Individual Shareholders holding securities in demat mode with CDSL	Members facing any technical issue for login can contact CDSL helpdesk by sending a request to helpdesk.evoting@cdslindia.com or contact at 022-23058738 or 022-23058542-43

B) Login method for e-voting and joining virtual meeting for shareholders other than individual shareholders holding securities in demat mode and shareholders holding securities in physical mode.

How to Login to NSDL e-voting website?

1. Visit the e-voting website of NSDL. Open the web browser by typing the following URL: <https://www.evoting.nsdl.com/> either on a personal computer or on a mobile device.
2. Once the home page of the e-voting system is launched, click on the icon “Login” which is available under ‘Shareholder/Member’ section.
3. A new screen will open. You will have to enter your User ID, your Password/OTP and a Verification Code as shown on the screen.

Alternatively, if you are registered for NSDL e-services i.e. IDEAS, you can login at <https://eservices.nsdl.com/> with your existing IDEAS login. Once you login to NSDL eservices after using your login credentials, click on e-voting and you can proceed to Step 2 i.e. Cast your vote electronically.

4. Your User ID details are given below :

Manner of holding shares i.e. Demat (NSDL or CDSL) or Physical	Your User ID is:
For members who hold shares in demat account with NSDL.	8 Character DP ID followed by 8 Digit Client ID For example, if your DP ID is IN300*** and Client ID is 12***** then your user ID is IN300***12*****.
For members who hold shares in demat account with CDSL.	16 Digit Beneficiary ID For example, if your Beneficiary ID is 12***** then your user ID is 12*****
For members holding shares in physical form.	EVEN Number followed by Folio Number registered with the company For example, if folio number is 001*** and EVEN is ____ then user ID is 101456001***

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

Step 2: Details regarding how to cast your vote electronically during the General Meeting on NSDL e-voting system

1. After successful login at Step 1, you will be able to see all the companies "EVEN" in which you are holding shares and whose voting cycle and General Meeting is in active status.
2. Select "EVEN" of company for which you wish to cast your vote during the remote e-voting period and casting your vote during the General Meeting. For joining virtual meeting, you need to click on "VC/OAVM" link placed under "Join General Meeting".
3. Now you are ready for e-voting as the Voting page opens.
4. Cast your vote by selecting appropriate options i.e. assent or dissent, verify/modify the number of shares for which you wish to cast your vote and click on "Submit" and also "Confirm" when prompted.

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

Important information for Members attending the AGM through VC/OAVM

1. Members will be provided with a facility to attend the EGM/AGM through VC/OAVM through the NSDL e-voting system. Members may access the same by the steps mentioned above for **Access to NSDL e-voting system**. After successful login, you can see the link of “VC/OAVM link” placed under “**Join General meeting**” menu against the Company name. You are requested to click on VC/OAVM link placed under Join General Meeting menu. The link for VC/OAVM will be available in Shareholder/Member login where the EVEN of Company will be displayed. Please note that members who do not have the User ID and Password for e-voting or have forgotten the User ID and Password may retrieve the same by following the remote e-voting instructions mentioned in the Notice to avoid last minute rush.
2. Members can join the AGM in the VC/OAVM mode 15 minutes before and after the scheduled time of the commencement of the Meeting by following the procedure mentioned in the Notice. The facility for participation at the AGM through VC/OAVM will be made available for 1000 members on first come first served basis. This will not include large shareholders (Shareholders holding 2% or more shareholding), Promoters, Institutional Investors, Directors, Key Managerial Personnel, the Chairpersons of the Audit Committee, Nomination and Remuneration Committee and Stakeholders Relationship Committee, Auditors etc. who are allowed to attend the AGM without restriction on account of first come first served basis.
3. Members who would like to express their views or ask questions during the AGM may register themselves as a speaker by sending their request from their registered email address mentioning their name, DP ID and Client ID/Folio number, PAN, mobile number at india.investors@novartis.com from August 1, 2021 (9:00 a.m. IST) to August 20, 2021 (5:00 p.m. IST). Only those members who have registered themselves as a speaker will be allowed to express their views/ask questions during the AGM. The Company reserves the right to restrict the number of speakers depending on the availability of time for the AGM.
4. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential. Login to the e-voting website will be disabled upon five unsuccessful attempts to key in the password. In such an event, you will need to go through the “Forgot User Details/Password” or “Physical User Reset Password” option available on <https://www.evoting.nsdl.com> to reset the password.
5. Members are encouraged to join the meeting through laptops for better experience.
6. Further members will be required to allow camera (especially those registered as Speakers) and use internet with a good speed to avoid any disturbance during the meeting.
7. Please note that participants connecting from mobile devices or tablets or through laptop connecting via mobile hotspot may experience audio/video loss due to fluctuation in their respective network. It is therefore recommended to use stable Wi-Fi or LAN connection to mitigate any kind of aforesaid glitches.

8. Members who need assistance before or during the AGM, can contact NSDL on evoting@nsdl.co.in/ 1800 1020 990 /1800 224 430 or contact Mr. Amit Vishal, Senior Manager - NSDL or Mr. Sagar Ghosalkar, Assistant Manager - NSDL at evoting@nsdl.co.in
9. In case of any queries relating to e-voting you may refer to the FAQs for shareholders and e-voting user manual for shareholders available in the download section of <https://www.evoting.nsdl.com> or call on toll free no.: 1800 1020 990 /1800 224 430 or send a request to evoting@nsdl.co.in
10. In case of any grievances connected with the facility for e-voting, please contact Ms. Pallavi Mhatre, Manager, NSDL, 4th Floor, 'A' Wing, Trade World, Kamala Mills Compound, Senapati Bapat Marg, Lower Parel, Mumbai 400 013. Email: evoting@nsdl.co.in/ Tel: 1800 1020 990 /1800 224 43
11. The Scrutinizer shall, immediately after the conclusion of voting at the AGM, unblock the event and count votes cast through remote e-voting and e-voting at the AGM and make, not later than 48 hours of conclusion of the AGM, a consolidated Scrutinizer's Report of the total votes cast in favour or against, if any, to the Chairman or a person authorised by him in writing, who shall countersign the same.
12. The result declared along with the Scrutinizer's Report shall be placed on the Company's website at www.novartis.in and on the website of NSDL <https://www.evoting.nsdl.com> immediately. The Company shall simultaneously forward the results to BSE Limited, where the shares of the Company are listed.

By Order of the Board of Directors

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

Registered Office

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

June 17, 2021

Directors' Report

Your Directors are pleased to present the Annual Report along with the Audited Financial Statement for the Financial Year ended March 31, 2021 ("the year under review").

Summary of Financial Results

	(₹ in million)	
	2020-21	2019-20
Revenue from Operations	3813.5	4382.5
Total Income	4144.4	4743.9
Profit before Tax	400.4	286.4
Profit for the year	209.0	100.8
Other Comprehensive Income for the year	(60.9)	(197.3)
Balance brought forward from previous year	7080.4	7474.6
Available for appropriation		
The Directors have made the following appropriations:		
Dividend	246.9	246.9
Dividend distribution tax	0	50.8
Carry forward	6981.6	7080.4

Dividend

The Board has recommended payment of dividend at ₹ 10 per equity share of ₹ 5 each, for the Financial Year 2020-21. The said dividend, if approved by the members at the Annual General Meeting ("AGM"), will result in a cash outflow of ₹ 246.9 million.

The Board continues to support a steady dividend policy and the recommended dividend is in accordance with the Dividend Distribution Policy of the Company. A copy of the said Policy is available on the website of the Company at www.novartis.in

Management Discussion and Analysis

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

a. Economy, Industry and developments

India's economic growth in terms of GDP, for the Financial Year 2020-21 has contracted by almost 7.5% as against growth of 4.2% during the Financial Year 2019-20. This means growth in real GDP was just around 2% over the absolute level of the Financial Year 2019-20, implying that the economy would take at least two years to reach and go past pre-pandemic levels.

The slowdown was caused by a decline in private consumption growth, disruption in business activities and stress in NBFCs, which compounded pre-existing weaknesses in investment. In response to the Covid-19 outbreak, a nation-wide lockdown had also brought economic activity to a near standstill during the April-June quarter of the Financial Year 2020-21. The most impacted sub-sectors included aviation and tourism, hospitality, trade, and construction. Industrial activity was also disrupted due to mobility restrictions, while agriculture was mostly unaffected.

Although the Reserve Bank of India (RBI) provided liquidity and government increased spending on health and social protection through expenditure re-prioritizing and fiscal expansion, the sharp contraction in output between April and September 2020, inflicted significant impact on economic growth.

Retail inflation as measured by the Consumer Price Index (CPI) was hovering between 5% and 7%. While food prices were under moderation, non-food inflation has been slowly gaining momentum. This is primarily due to high taxes on petrol and diesel, raising of prices by

companies trying to make up for lost incomes, a spike in global commodity prices and an inflation in prices of various kinds of services. According to a recent World Bank report, India's sustained GDP recovery depends on the success of its vaccination campaign and government spending.

The Covid-19 pandemic has also had a disruptive impact on the pharmaceutical market, prompting a sharp downward revision of the anticipated growth rate for the Financial Year 2020-21. It has exposed the shortcomings in India's Healthcare system. Access to healthcare, which was already a problem for many patients, has been rendered even more difficult. While demand for some drugs, especially for chronic drugs spiked in the early months due to panic buying, the lockdown and subsequent reduction in patient flow, and the concomitant decline in prescriptions and new prescription initiations, had a major impact on sales. Primary care and hospital outpatient consultations fell sharply. Elective surgeries were suspended, while a backlog of urgent surgical cases also built up.

The outbreak led to a rapid increase in the use of digital and virtual communication tools – both for patient consultations as well as for Physician detailing activity. Online pharmacy sales were also boosted further by the disruptive impact of the pandemic. While e-pharmacy regulations have yet to be finalized, online sales are widely expected to account for a growing share of the retail market over the next five years. All these dynamics would play a more significant role in future promotional strategies.

With the government's attention focused on containing the outbreak, progress on the delivery of key healthcare reforms is likely to slow temporarily, given the toll the disaster has taken on government finances. In the medium to longer term, it is hoped that the crisis will lead to an increase in government healthcare spending and a more effective approach to reform of the healthcare system.

The government's policy think tank, NITI Aayog, in its publication, Healthcare system reform roadmap, acknowledged that the Ayushman Bharat program (viz., Pradhan Mantri Jan Arogya Yojana (PMJAY), the national health protection scheme) had laid foundations for improvements and called for the consolidation of highly fragmented payer and provider networks through establishment of a risk-pooling system for the middle class – effectively recommending the expansion of health insurance coverage to that segment of the population. This is encouraging for the pharmaceutical industry.

The national government has also acknowledged the need to strengthen the healthcare infrastructure and address existing shortages of doctors and other health professionals. Raising tax revenues to bankroll those initiatives will be difficult in the wake of the Covid-19 pandemic, however public-private partnerships (PPPs) appear likely to play a key role. To fulfill such aspirations, it requires serious and focused intent by the government together with targeted spends to build and improve healthcare infrastructure in primary and secondary care centers. There is also a need to make the overall ecosystem swift, including making research and healthcare institutions more contemporary and adaptive to newer domains of technology. We are hopeful that timely and universal access to Covid-19 vaccinations will place the economy and the industry on a faster recovery path.

b. Performance

Revenue from operations for the Financial Year ended March 31, 2021 was ₹ 3813.5 million representing a decrease of 13.0% over the previous year.

Profit before tax for the year stood at ₹ 400.4 million representing an increase of 39.8% over the previous year. The current Financial Year 2020-21 had lower spends due to extraordinary market environment.

It may be noted that, the Covid-19 pandemic and nationwide lockdown/restrictions in the Financial Year 2020-21 have impacted the Company's business. Due to the pandemic, there were limited operations at contract manufacturing sites resulting in sporadic

supply disruptions. There were instances of delay in import clearances and in local supply chain activities, which affected the supplies initially, but these got streamlined in the subsequent months. Due to limited supplies, there was product substitution at local pharmacy levels. In addition, many patients have postponed their visits to healthcare professionals, many OPDs/Nursing homes were non-operational during this period and all these resulted in no new prescription generation, specially for the topical portfolio. The transplant business was impacted with the National Organ and Tissue Transplant Organization (NOTTO) temporarily suspending the living donor transplant program due to associated high risk.

Considering the safety of our employees, we have advised our employees to take an informed decision while going back to the field. To minimize this impact, the Company has amplified its innovative digital engagements with physicians to amplify the share of voice in the highly competitive pain management market for a high brand recall and for the dissemination of key scientific messages. This has resulted in driving performance of key brands like Voveran® SR 100 and Voveran® 1 ml AQ.

Similarly, the Company strategy on “prevention of infections” in patients undergoing transplant, is well accepted by transplant surgeons and Nephrologists and has resulted in a gain of market share versus competition.

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

c. Operational performance

The Pharmaceuticals business registered Net Revenue from Operations of ₹ 3813.5 million representing a decrease of 13.0% over the previous year.

In spite of the Covid-19 challenges, the Pain portfolio has recorded a growth during the year under review resulting from focused sales, increased marketing efforts and integration of a robust digital strategy driving growth of our flagship portfolio of Orals and Injectables. As part of the Company’s life-cycle management strategy, the Company took a bold step with the first ever digital launch of a new product - Voltaflam® TH, a combination medicine used in the treatment of pain due to muscle spasm. Our efforts have resulted in the Company being the number two MNC in the Indian pain market.

The Transplant business was negatively impacted due to the Covid-19 pandemic. However, the impact was limited due to our concerted efforts during this period and total sales were impacted by only 24% as against a 55% drop in the number of transplant procedures during this period. The Company used the time effectively to get extensively involved in scientific engagement with healthcare professionals and key institutions to drive awareness of ‘prevention of infections’ and developed a robust digital strategy for customer engagement and to enhance brand reach. Our strategy resulted in gain in the induction patient share gain from 35% in the Financial Year 2019-20 to 48% in the Financial Year 2020-21.

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

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

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

d. Key Financial Indicators

Particulars	2020-21	2019-20
Operating profit margin (%)	3.8	(0.3)
Net profit margin (%)	5.5	2.3
Debtors turnover ratio	10.0	10.5
Current ratio	4.5	3.5
Return on Net Worth	2.9	1.4
Inventory turnover ratio	7.2	7.4
Interest coverage ratio	NA	NA
Debt equity ratio	NA	NA

Reasons for change compared to the previous Financial Year in some of the key financial ratios are as follows:

Operating profit margin

Operating profit margin is a profitability or performance ratio used to calculate the percentage of profit a company produces from its operations. It is calculated by dividing the operating earnings before interest and tax by turnover. The operating margins improvement were driven by lower spends during the year under review.

Net profit margin

The net profit margin is equal to how much net income or profit is generated as a percentage of revenue. It is calculated by dividing profit for the year by turnover. Net profit margin in the Financial Year 2020-21 is higher compared to the Financial Year 2019-20 driven by lower spends.

Debtors turnover ratio

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

Current ratio

The current ratio is a liquidity ratio that measures a company's ability to pay short-term obligations or those due within one year. It is calculated by dividing the current assets by current liabilities. Reduction in 'other financial liabilities' and Trade Payables supported upside of the current ratio.

Return on Net Worth

Return on Net Worth is a measure of profitability of a company expressed in percentage. It is calculated by dividing profit for the year by total equity. Return on net worth in the Financial Year 2020-21 is higher compared to previous year due to increased profitability with lower spends.

Inventory turnover ratio

Inventory turnover is the number of times a company sells and replaces its inventory during a period. It is calculated by dividing turnover by average inventory. Lower sales in the Financial Year 2020-21 consequently led to lower turnover ratio.

Interest coverage ratio

The interest coverage ratio measures how many times a company can cover its current interest payment with its available earnings. It is calculated by dividing profit before interest and tax by finance cost. The Company does not have any debts as at March 31, 2021 and March 31, 2020, and hence this ratio is not given in the table.

Debt equity ratio

The ratio is used to evaluate a company's financial leverage. It is a measure of the degree to which a company is financing its operations through debt versus wholly owned funds. The Company does not have any debts as at March 31, 2021 and March 31, 2020, and hence this ratio is not given in the table.

e. Risks

Control of prices of certain drugs under the Drug Price Control Order (DPCO) continues to affect the profitability of the pharmaceutical industry. Revision of the National List of Essential Medicines (NLEM) could result in expansion of price controls under the DPCO, which would put further downward pressure on drug prices. Building investments in non-traditional opportunities, coupled with heightened competition and a rising cost of talent, will result in margin pressures.

The Indian Pharma Market (IPM) is dominated by generic medicines and these drugs account for nearly 75% of the pharma industry. Prescription by generic names could also have an impact on pharma companies and it could necessitate a change in the Company's promotional strategies. Regulations to cap trade margins on non-scheduled products, could impact the business model for trade generics.

With the uncertainty around the ongoing pandemic and the extended duration of Covid-19 in the country, it may lead to business risks i.e. interrupted supply of key products and generation of new prescriptions. However, we have charted a control/mitigation plan to overcome/minimize the impact of these anticipated challenges.

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

f. Outlook

At around 3.5%, the proportion of GDP allocated to total healthcare expenditure is less than half the OECD average, and is lower than figures in other BRICS economies (Brazil, Russia, China and South Africa). The government's contribution to national health expenditure is also low, leaving patients to foot more than 70% of healthcare costs, mostly on an out-of-pocket basis.

While government spending has accelerated, the upward trend has been gradual rather than transformative, and medium-term targets – which envisage that public health expenditure will reach 2.5% of GDP by 2025 – are unlikely to be met. The Covid-19 pandemic has had a substantial impact on both state and national government finances. With many businesses and individuals also taking a significant financial hit, additional funds for healthcare are unlikely to be raised in the near future.

Domestic API manufacturing capabilities will come under the spotlight in the wake of the Covid-19 pandemic, which has highlighted the local industry's reliance on bulk drug imports from China. Contract manufacturing opportunities may be affected by new rules which extend liability for the quality and safety of medicines to companies marketing products manufactured by third parties.

The introduction of GST has paved the way for consolidation of the distribution sector, fueling the emergence of larger stockists with an increasingly broader geographic footprint. The pandemic has hit small stockists hardest and it may trigger further restructuring within the distribution chain.

The government's aspiration to improve healthcare infrastructure, expansion of PMJAY, streamlining new regulations for e-pharmacies, telemedicine and the like is encouraging to note, but the key remains timely execution, focused approach and targeted spends on improving health infrastructure.

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

g. Internal control systems and their adequacy

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

The Head of Internal Audit together with external audit consultants reviews the effectiveness and efficiency of these systems and procedures to ensure that all assets are protected against loss and that the financial and operational information is accurate and complete in all respects. The Audit Committee approves and reviews audit plans for the year based on internal risk assessment. Audits are conducted on an ongoing basis and significant deviations are brought to the notice of the Audit Committee of the Board of Directors following which corrective action is recommended for implementation. All these measures facilitate timely detection of any irregularities and early remedial steps.

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

h. Vigil Mechanism

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

i. Personnel

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

Number of employees as on March 31, 2021 was 539.

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

Corporate Social Responsibility

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

Health: The Government of India announced its commitment to eradicate leprosy from the country by the year 2030. Aligned with this vision, the Company reinforced its commitment to leprosy as part of its CSR work in India. The Company continued its support to a non-profit organization in Telangana to set up an integrated health management system, which will result in digitization of around 22,000 leprosy records, in the hope that this data will eventually serve to drive early diagnosis of leprosy.

The Company's Healthy Families program, Arogya Parivar continued its health awareness programs reaching out to more than 5.8 million individuals across rural India and conducted 456,136 health education programs and 105 health camps in the year under review.

Environment: The city of Mumbai – owing to its dense population – lacks adequate green cover and open spaces. The Company has continued supporting the upkeep of a beautiful garden in the heart of the city.

Disaster Relief: The Covid-19 pandemic has presented unprecedented challenges to all of us. In such difficult times, the Company has partnered with a non-profit to provide cooked meals to the frontline staff of government hospitals in Mumbai.

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

Related Party Transactions

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

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

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

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

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

All transactions with related parties are in accordance with the policy on Related Party Transactions formulated by the Company.

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

Details of the material Related Party Transactions in the Financial Year 2020-21, 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

Pursuant to Regulation 21 of the SEBI Listing Regulations, the Company has constituted a Risk Management Committee (“RMC”) of the Board to identify elements of risk in different areas of operations and to develop a policy for actions to mitigate the risks.

The RMC is supported by an internal Risk Steering Committee, Risk Champions and on some occasions supported by an external risk advisory firm. The team undertakes assessment of internal and external risks, adopts the risk mitigation plan and regularly monitors them in a structured and controlled environment. The Committee provides updates on risk management to the Audit Committee of the Board of Directors of the Company on a regular basis.

Details of composition of the RMC and the Risk Management Policy, adopted by the Board, are in the Corporate Governance Report.

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, 2021, there were no outstanding loans or guarantees covered under the provisions of Section 186 of the Act. The details of changes in the Loans, Guarantees and Investments covered under the provisions of Section 186 of the Act are given in the notes to the Financial Statements.

Board of Directors and Key Managerial Personnel

During the Financial Year under review, the Board of Directors, based on the recommendation of the Nomination & Remuneration Committee appointed Mr. Sanker Parameswaran as Additional Director (Independent and Non-Executive) of the Company, to hold office for a period of five consecutive years effective June 22, 2020. Members of the Company through an ordinary resolution at the 72nd AGM of the Company held on August 7, 2020, approved the aforesaid appointment of Mr. Parameswaran as Independent Director of the Company for a period of five years.

During the Financial Year 2020-21, the members of the Company through a special resolution under Postal Ballot dated March 24, 2021 approved the re-appointment of Ms. Sandra Martyres as Independent Director of the Company, not liable to retire by rotation, to hold office for an additional term of five years on the Board effective from April 19, 2021.

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

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

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

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

Pursuant to the provisions of Section 203 of the Act, the Key Managerial Personnel of the Company as on March 31, 2021 are:

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

Directors' Responsibility Statement

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

Pursuant to Section 134 of the Act, the Board of Directors, to the best of its knowledge and ability confirm that:

- (a) in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures, if any;
- (b) appropriate accounting policies have been selected and applied consistently and have made judgments and estimates that are reasonable and prudent, so as to give a true and fair view of the state of affairs of the Company as at March 31, 2021 and of the profit and loss of the Company for the Financial Year ended March 31, 2021;
- (c) proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (d) the annual accounts have been prepared on a going concern basis;
- (e) proper internal financial controls were laid down and followed by the Company and such internal financial controls are adequate and were operating effectively;
- (f) proper systems are devised to ensure compliance with the provisions of all applicable laws and that such systems are adequate and operating effectively.

Familiarization programme for Independent Directors

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

Auditors and Auditors' Report

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

- (i) Statutory auditor

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

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

The Auditors' Report to the members on the Accounts of the Company for the Financial Year ended March 31, 2021 does not contain any qualification, reservation or adverse remark. During the year under review, the Auditors had not reported any matter under Section 143(12) of the Act; therefore, no detail is required to be disclosed under Section 134(3) (ca) of the Act.

Statutory Audit and other fees paid to the Statutory Auditors:

During the Financial Year 2020-21, the total fees for the statutory audit rendered by the Statutory Auditors are given below:

Auditors' Remuneration (excluding Goods and Service tax, where applicable)	(₹ in million)	
	2020-21	2019-20
Audit Fees	9.0	8.4
Tax Audit Fees	1.3	1.3
Reimbursement of expenses	0.2	0.3
Total	10.5	10.0

(ii) Secretarial Audit

Pursuant to the provisions of Section 204 of the Act and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the Board has appointed Mr. K. G. Saraf from Saraf & Associates, Practising Company Secretary for conducting secretarial audit of the Company for the Financial Year 2020-21.

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

Compliance with Secretarial Standards

During the Financial Year 2020-21, the Company has complied with the applicable Secretarial Standards issued by the Institute of Company Secretaries of India.

Annual Secretarial Compliance Report

The Company has undertaken an examination of all applicable compliances as per Securities and Exchange Board of India Regulations and Circulars/Guidelines issued thereunder, for the Financial Year 2020-21.

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

Energy, Technology Absorption and Foreign Exchange

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

Corporate Governance

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

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

Prevention of Sexual Harassment Policy

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

During the Financial Year 2020-21, no complaint was received by the Company related to sexual harassment.

Extract of Annual Return

Pursuant to the provisions of Sections 92(3) and 134(3)(a) of the Act and the Companies (Management and Administration) Rules, 2014, an extract of the Annual Return is available on the website of the Company at www.novartis.in

Acknowledgement

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

Cautionary Note

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

On behalf of the Board of Directors

CHRISTOPHER SNOOK
Chairman

June 17, 2021

Annexure A to the Directors' Report

ANNUAL REPORT ON CORPORATE SOCIAL RESPONSIBILITY ACTIVITIES

Brief outline on Corporate Social Responsibility (“CSR”) Policy of Novartis India Limited (“the Company”):

The CSR Policy of the Company provides guidance on the vision, principles and governance of its CSR initiatives. The focus areas of the Company’s CSR program are mainly pertaining to health, education and environment. More details of the Company’s Policy are available on the website at www.novartis.in

Composition of the CSR Committee and number of meetings held/attended

Name of Director	Designation/Nature of Directorship	Number of meetings of CSR Committee held during the year	Number of meetings of CSR Committee attended during the year
Mr. Sanjay Murdeshwar	Chairman of the Committee; Vice Chairman and Managing Director	2	2
Ms. Sandra Martyres	Member; Non-Executive and Independent Director	2	2
Ms. Monaz Noble	Member; Non-Executive and Non-Independent Director	2	2

- The Composition of CSR Committee, CSR Policy and CSR projects approved by the Board are also disclosed on the Company’s website at www.novartis.in
- For the Financial Year 2020-21, the Company had made an excess spend of around ₹ 2 million on its CSR activities and the said amount will be available for set off in pursuance of Sub-rule (3) of Rule 7 of the Companies (Corporate Social Responsibility Policy) Rules, 2014 during the next immediate succeeding three Financial Years, subject to fulfillment of conditions stipulated therein. However, during the Financial Year 2020-21 the Company had not set off any excess amount that it might have spent in the preceding Financial Years.
- Average net profit of the Company as per Section 135(5) of the Companies Act, 2013 is ₹ 762.7 million
- Two percent of average net profit of the Company as per Section 135(5) is ₹ 15.3 million
 - There is no surplus arising out of the CSR projects or programs or activities of the previous Financial Years.
 - There is no amount that is required to be set off for the Financial Year 2020-21.
 - Total CSR obligation for the Financial Year (4a+4b+4c) is ₹ 15.3 million
- (a) CSR amount spent or unspent for the Financial Year:

Total Amount Spent for the Financial Year. (In ₹)	Amount Unspent (In ₹)				
	Total Amount transferred to Unspent CSR Account as per Section 135(6).		Amount transferred to any fund specified under Schedule VII as per second proviso to Section 135(5).		
	Amount	Date of transfer	Name of the fund	Amount	Date of Transfer
17.3 million	Nil	Not Applicable	Not Applicable	Nil	Not Applicable

(b) Details of CSR amount spent against ongoing projects for the Financial Year:

Sr. No.	Name of the Project	Item from the list of activities in Schedule VII to the Act.	Local area (Yes/No)	Location of the project		Project Duration	Amount allocated for the project (₹ in million)	Amount spent in the current Financial Year (₹ in million)	Amount transferred to Unspent CSR Account for the project as per Section 135(6) (in ₹)	Mode of Implementation - Direct (Yes/No)	Mode of Implementation - Through Implementing Agency	
				State	District						Name	CSR Registration number
1.	Integrated Healthcare Management System	(i)	No	Telangan	Hyderabad	2 Years (FY 2020-21 to FY 2021-22)	0.82	0.8	Nil	No	Sivnanda Rehabilitation Home	CSR00004822
2.	Provision of cooked meals for Covid-19 front line staff	(xii)	Yes	Maharashtra	Mumbai	2 Years (FY 2020-21 to FY 2021-22)	7.00	6.9	Nil	No	Annamrita Foundation	CSR00001973
Total (b)							7.82	7.7				

(c) Details of CSR amount spent against other than ongoing projects for the Financial Year:

Sr. No.	Name of the Project	Item from the list of activities in Schedule VII to the Act.	Local area (Yes/No)	Location of the project		Amount spent for the project (₹ in million)	Mode of implementation - Direct (Yes/No)	Mode of Implementation - Through Implementing Agency	
				State	District			Name	CSR Registration number
1.	Health Diagnosis Camps and related incidentals-Arogya Parivar	(i)	No	Uttar Pradesh, Bihar, Jharkhand, Chhattisgarh, Madhya Pradesh, Rajasthan, Gujarat, Maharashtra, Telangana, Andhra Pradesh, Karnataka, Tamil Nadu, Uttarakhand, Orissa	Multiple districts	7.9	Yes	NA	NA
2.	Garden Maintenance	(iv)	Yes	Maharashtra	Mumbai	0.9	Yes	NA	NA
3.	CSR Monitoring and Evaluation Fees	NA	NA	NA	NA	0.8	NA	NA	NA
Total (c)						9.6			

(d) Amount spent on administrative overheads for CSR Projects – Nil

(e) Amount spent on Impact Assessment, if applicable – Not Applicable

(f) Total amount spent for the Financial Year (5b+5c+5d+5e) – ₹ 17.3 million

(g) Excess amount for set off, if any -

(i) Two percent of average net profit of the Company as per Section 135(5) : ₹ 15.3 million

(ii) Total amount spent for the Financial Year : ₹ 17.3 million

(iii) Excess amount spent for the Financial Year [(ii)-(i)] : ₹ 2.0 million

(iv) Surplus arising out of the CSR projects or programmes or activities of the previous Financial Years, if any : Nil

(v) Amount available for set off in succeeding Financial Years [(iii)-(iv)] : ₹ 2.0 million

6. (a) Details of unspent CSR amount for preceding three Financial Years : Nil
- (b) Details of CSR amount spent in the Financial Year for ongoing projects of the preceding Financial Year(s) : Not Applicable
7. There is no creation or acquisition of capital asset, through CSR spent in the Financial Year 2020-21 and hence there are no details to furnish in this regards.

On behalf of the Board of Directors

June 17, 2021

SANJAY MURDESHWAR
Chairman of the 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, 2021
None
2. Details of material contracts or arrangement or transactions at arm's length basis during the Financial Year ended March 31, 2021

Sr. No.	Particulars	Details
(a)	Name(s) of the related party & nature of relationship	Novartis Pharma AG, Basel, Switzerland Fellow subsidiary
(b)	Nature of contracts/ arrangements/transactions	Contract(s) for purchase, transfer or receipt of products, goods, active pharmaceutical ingredients, materials, services, other obligations. Under the erstwhile Clause 49(VII)(E) of the Listing Agreement, the members approved such transactions up to a value of ₹ 3,000 million in each Financial Year at the 67 th Annual General Meeting of the Company held on July 23, 2015.
(c)	Duration of the contracts/ arrangements/	Ongoing
(d)	Salient terms of the contracts or arrangements or transactions including the value, if any	The transactions under the contract are in the ordinary course of business and at arm's length. The total value of the transactions in the Financial Year was ₹ 552.8 million.
(e)	Date of approval by the Board	The Board approved these transactions at its meeting held on June 19, 2020.
(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 arrangements 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

June 17, 2021

CHRISTOPHER SNOOK
Chairman of the Board

Annexure C to the Directors' Report

Form No. MR-3 SECRETARIAL AUDIT REPORT

FOR THE FINANCIAL YEAR ENDED 31ST MARCH 2021

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

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

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

Based on our verification of the Company's books, papers, minute books, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit the explanations and clarifications given to us and the representations made by the Management and considering the relaxations granted by the Ministry of Corporate Affairs and Securities and Exchange Board of India warranted due to the spread of the COVID-19 pandemic, we hereby report that in our opinion, the Company has during the audit period covering the financial year ended on 31st March 2021 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 2021 according to the provisions of:

- (i) The Companies Act, 2013 (the Act) and the rules made thereunder;
- (ii) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder;
- (iii) The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;
- (iv) Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment and Overseas Direct Investment;
- (v) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'):-
 - a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
 - b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;
 - c) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client;
 - d) The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015;
 - e) The Securities and Exchange Board of India (Depositories and Participants) Regulations, 2018

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

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

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

- i. The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018;
- ii. The Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014;
- iii. The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008;
- iv. The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009;
- v. The Securities and Exchange Board of India (Buyback of Securities) Regulations, 2018;

We have also examined compliance with the applicable clauses of the following:

- i. Secretarial Standards in respect of Meeting of Board of Directors (SS-1) and General Meetings (SS-2) issued by the Institute of Company Secretaries of India.
- ii. Listing Agreement entered into by the Company with BSE Limited read with the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

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

We further report that:

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

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

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

Saraf and Associates
(Practising Company Secretaries)

Place : Mumbai
Date : June 17, 2021
FRN : S1988MH004801
UDIN : F001596C000480241
PR. 1003/2020

K. G. Saraf
Proprietor
FCS 1596 | CP: 642

Note : This report is to be read with our letter of even date which is annexed as '**ANNEXURE 1**' and forms an integral part of this report.

'ANNEXURE 1'

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

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

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

Saraf and Associates
(Practising Company Secretaries)

Place : Mumbai
Date : June 17, 2021

K. G. Saraf
Proprietor
UDIN : F001596C000480241
FCS 1596 : CP: 642
FRN : S1988MH004801
PR. 1003/2020

Annexure D to the Directors' Report

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

Particulars required by Section 134(3)(m) of the Companies Act, 2013 ("the Act") read with Rule 8(3) of the Companies (Accounts) Rules, 2014 and forming part of the Directors' Report for the Financial Year ended March 31, 2021.

A. CONSERVATION OF ENERGY

Measures taken for conservation of energy.

The Company does not have a manufacturing unit in India.

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

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

- Energy Efficient Lighting System installed on office floors (LEDs)
- Occupancy and motion sensors are installed in all work station areas and meeting rooms, for reducing energy consumption when not in use.
- Air Handling Units and Variable Refrigerant Flow system are installed which operate on proper schedule.
- Ample natural lighting is made available from the facade.
- Open lay-out – better air circulation and lighting distribution.
- CO₂ monitoring sensor installed at appropriate places.
- Biodegradable plates/cutlery/glassware are used in the cafeteria and meeting rooms thereby avoiding plastic use and reducing water use for cleaning of utensils.
- Water efficient, aerator type faucets are installed in all washrooms.
- Urinal sensors and low flow flushing system installed leading to reduced water usage.
- Employees of the Company have flexi working policy and use various digital platforms for meetings with their stakeholders, wherever possible. The Company also supports maintenance of a garden in the city as a part of its environmental initiative under CSR activities. Such initiatives indirectly support carbon footprint reduction.

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 ₹ 353.57 million and the foreign exchange outgo during the year was ₹ 974.26 million in terms of actual outflows.

Report on Corporate Governance

1. Company's philosophy on Code of Corporate Governance

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

The Company is in compliance with the provisions of Corporate Governance specified in the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“SEBI Listing Regulations”) and the Companies Act, 2013 (“the Act”).

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

2. Board of Directors

a. Composition of the Board of Directors

The Board of Directors of the Company has an optimum combination of Executive, Non-Executive & Independent Directors, including women Directors. The strength of the Board as on March 31, 2021 is six Directors comprising optimum combination of Executive and Non-Executive Directors including the Chairman of the Company. Fifty percent of the Board comprises Independent Directors.

The Company is fully compliant with the Corporate Governance norms in terms of constitution of the Board of Directors (“the Board”). The Board of the Company is composed of eminent individuals from diverse fields. The Board acts with autonomy and independence in exercising its strategic supervision, discharging its fiduciary responsibilities and ensuring that the management observes the highest standards of ethics, transparency and disclosure. Every member of the Board, including Non-Executive Directors, has full access to any information related to the Company.

During the Financial Year 2020-21, the Board of Directors of the Company, based on the recommendation of the Nomination and Remuneration Committee appointed Mr. Sanker Parameswaran as Additional Director (Independent and Non-Executive) of the Company, to hold office for a period of five consecutive years effective June 22, 2020. Members of the Company through an ordinary resolution at the 72nd AGM of the Company held on August 7, 2020, approved the aforesaid appointment for a period of five years.

Further, the members of the Company through a special resolution under Postal Ballot dated March 24, 2021 approved the re-appointment of Ms. Sandra Martyres as Independent Director of the Company, not liable to retire by rotation, to hold office for an additional term of five years on the Board effective April 19, 2021.

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

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

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

The meetings of the Board of Directors and its Committees are pre-scheduled and an annual calendar of it is circulated to the Directors well in advance to enable them to plan their schedules and to ensure their meaningful participation in the meetings. However, in case of a special or urgent business need, the Board's approval is taken at a specially convened meeting or by circular resolution, in which case it is ratified at the subsequent Board meeting.

Information placed before the Board

The notice and the detailed agenda along with the relevant notes and other material information are sent to each Director well in advance. All major agenda items are backed by comprehensive background information to enable the Board to take well informed decisions. Presentations are made to the Board on various functional and operational areas of the Company and other business development activities, financial highlights, etc.

Your Company provides the information as set out in Regulation 17 read with Part A of Schedule II of the SEBI Listing Regulations to the Board/Committees, to the extent it is applicable and relevant. Such information is either circulated in advance as a part of the agenda papers of the respective meetings or is presented/discussed at the meetings.

Mode of meeting

Video-conferencing facility is provided to enable the Directors travelling abroad or present at other locations to be able participate in the meetings. The same is conducted in due compliance with the applicable laws.

With a view to leverage technology, save paper and support sustainability, the Company has adopted a digital board book application for conducting the Board/Committee meetings digitally. All the documents relating to a meeting, including agenda, explanatory notes and any other document required to be placed at the meeting, are circulated to the Directors in an electronic form through the application and the same can be accessed through digital devices. The application meets high standards of security and integrity required for storage and transmission of meeting related documents.

Number of meetings held during the Financial Year 2020-21 and attendance of the Directors

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

The said meetings were held on June 19, 2020, August 6, 2020, November 5, 2020, and February 11, 2021, each meeting being consecutively numbered from 1 to 4.

Details of Directors as on March 31, 2021 and their attendance at the Board Meetings and Annual General Meeting (“AGM”) during the Financial Year ended March 31, 2021, are given below:

Name of the Director	Meetings of the Board for the Financial Year 2020-21					Attendance at the AGM
	No. of Meetings held during the tenure of the Director	Attendance of Directors				August 7, 2020
		1	2	3	4	
Mr. C. Snook	4	√	√	√	√	√
Mr. S. Murdeshwar	4	√	√	√	√	√
Ms. M. Noble	4	√	√	√	√	√
Mr. J. Hiremath	4	√	√	√	√	√
Ms. S. Martyres	4	√	√	√	√	√
Mr. S. Parameswaran*	3	N.A	√	√	√	√

* Mr. S. Parameswaran appointed effective June 22, 2020

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

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

The details of each Director along with the number of Directorships/Committee memberships/Chairmanships and their shareholding in the Company as on March 31, 2021, are provided herein below:

Sr. No.	Name	Category	Date of joining	No. of Directorships/ Committee Memberships/ Chairmanships (Including Novartis India Limited)				
				Directorships under Section 165			Committee Memberships	Committee Chairmanships
				Public Companies		Private Cos./ Section 8 Cos.		
				Listed	Unlisted			
1.	Mr. C. Snook	Non-Executive Chairman	01.08.2008	1	—	—	2	—
2.	Mr. S. Murdeshwar	Vice Chairman and Managing Director	15.06.2019	1	—	2	1	—
3.	Ms. M. Noble	Non-Executive & Non-Independent Director	13.06.2016	2	1	1	3	1
4.	Mr. J. Hiremath	Independent Director	28.01.2006	2	1	8	2	1
5.	Ms. S. Martyres	Independent Director	19.04.2016	1	1	3	2	—
6.	Mr. S. Parameswaran	Independent Director	22.06.2020	1	—	—	2	—

i. Excluding Directorships outside of India.

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

None of the Directors and their relatives hold shares in the Company as on March 31, 2021.

Details of Directorship as on March 31, 2021, in other listed entities are given below:

Sr. No.	Name	Name of the Listed Entity	Category of Directorship
1.	Mr. C. Snook	—	—
2.	Mr. S. Murdeshwar	—	—
3.	Ms. M. Noble	Godrej Industries Limited	Independent Director
4.	Mr. J. Hiremath	Hikal Limited	Chairman & Managing Director
5.	Ms. S. Martyres	—	—
6.	Mr. S. Parameswaran	—	—

d. Independent Directors

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

The maximum tenure of the Independent Directors is in compliance with the Act. All the Independent Directors have given declarations that they meet the criteria of independence as laid down under Section 149(6) of the Act and SEBI Listing Regulations. There are no inter-se relationships between the Directors of the Company.

Further, in the opinion of the Board, the Independent Directors fulfill the conditions specified in Regulation 16 and 25 of the SEBI Listing Regulations and are independent of the management.

In compliance with the Regulation 17A of SEBI Listing Regulations, the Independent Directors of the Company do not serve as Independent Director in more than 7 (seven) listed entities. The Independent Directors on the Board of the Company are experienced, competent and highly respected individuals in their respective fields, which brings an ideal mixture of expertise, professionalism, knowledge and experience to the table.

Pursuant to Schedule V Para C Clause 10 of the SEBI Listing Regulations, Mr. K. G. Saraf from Saraf & Associates, Practicing Company Secretary had issued a certificate stating that none of the Directors on the Board of the Company have been debarred or disqualified from being appointed or continuing as the Directors of the Company by SEBI or Ministry of Corporate Affairs or any such statutory authority for the Financial Year ended March 31, 2021. This certificate forms part of the Report on Corporate Governance.

The profile of all Directors of the Company is available on the Company's website at www.novartis.in

Independent Directors Databank Registration

Further, pursuant to a notification dated October 22, 2019 issued by the Ministry of Corporate Affairs, all Independent Directors have completed registration with the Independent Directors Databank. Requisite disclosures have been received from the Directors in this regard.

Separate meeting of Independent Directors

Pursuant to Schedule IV of the Act and Regulation 25 of SEBI Listing Regulations, the Independent Directors met once during the year i.e. on April 21, 2020, without the presence of Non-Independent Directors, Executive Directors or management representatives.

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

All the Independent Directors were present at the meeting.

Familiarisation

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

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

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

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

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

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

Skills and its description	Mr. Snook	Mr. Murdeshwar	Mr. Hiremath	Ms. Martyres	Ms. Noble	Mr. Parameswaran
Vision Familiarity and commitment to Novartis / Company's culture and values	√	√	√	√	√	√
Strategic expertise Ability to understand, review and suggest appropriate strategies	√	√	√	√	√	√
Experience Leadership experience in managing people and achieving change	√	√	√	√	√	√
Industry Knowledge of pharma, healthcare, manufacturing, marketing, finance, banking, HR, legal and public affairs in which the Company operates	√	√	√	√	√	√
Technical Technical/professional skills to assist with ongoing aspects of the Company's Board's role	Governance Strategy Management	Sales & Marketing Management Business Administration Governance Strategy	Accounting Finance Business Management	Banking Finance Risk Management Planning and Audit	Finance Governance Cost Management Risk Management	Legal advisor Corporate Governance, Legal, Ethics, Risk and Compliance

Skills and its description	Mr. Snook	Mr. Murdeshwar	Mr. Hiremath	Ms. Martyres	Ms. Noble	Mr. Parameswaran
Legal & Governance Knowledge and understanding of legal and regulatory landscape in which the Company operates	√	√	√	√	√	√
Behavioral Behavioral competencies such as collaborative and ability to work as a team member, seeking and giving feedback to/ from individual directors, be challenging but supportive in the Boardroom	√	√	√	√	√	√
Personal attributes Willingness and ability to devote adequate time and energy to fulfill Board and Committee responsibilities, strategic thinking, integrity with high ethical standards, trust, accountability and avoid situations leading to conflict of interest	√	√	√	√	√	√

3. Committees of the Board

i. Audit Committee

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

The terms of reference for the Audit Committee include:

- Examination of Financial Statements and Statutory Auditors' report thereon and discussion of any related issues with the Internal & Statutory Auditors and the management of the Company
- Review of Financial Statements before their submission to the Board, including Directors' Responsibility Statement, changes in accounting policies and practices, statutory compliances and qualification(s) in draft audit report
- Approval or any subsequent modification of transactions of the Company with related parties
- Scrutiny of inter-corporate loans and investments
- Valuation of undertakings or assets of the Company, wherever necessary
- Evaluation of internal financial controls and risk management system
- Monitoring end use of funds raised through public offers and related matters
- Establishing a vigil mechanism for Directors and employees to report genuine concerns and to make provision for direct access to the Chairperson of the Committee in appropriate or exceptional cases and review its findings
- Review of the Company's financial reporting processes and the disclosure of financial information to ensure that the Financial Statements are correct, sufficient and credible
- Look into reasons for substantial defaults in payments to stakeholders
- Approval of appointment of Chief Financial Officer or any other person heading the Finance function, after assessing the qualifications, experience, background etc. of the candidate
- Recommendation for appointment, remuneration and terms of appointment of the Statutory Auditors of the Company
- Review and monitor the Auditor's independence and performance, effectiveness of audit process and adequacy of internal control systems

- Call for comments of the Statutory Auditors about internal control systems, the scope of audit, including observations of the Statutory Auditors
- Reviewing the adequacy of the Internal Audit function including the structure of the Internal Audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of Internal Audit
- Discussion with Statutory Auditors before the audit commences, about the nature and scope of audit as well as post audit discussion to ascertain any areas of concern
- Reviewing findings of any internal investigation into matters where there is suspected fraud or irregularity or failure of internal control systems of a material nature and reporting the matter to the Board
- Review compliance with the provisions of SEBI (Prohibition of Insider Trading) Regulations, 2015, at regular intervals.
- To consider and comment on rationale, cost benefits and impact of schemes involving mergers, de-mergers, amalgamation etc.
- The Chairman of the Committee to attend the General Meeting to respond to the queries of shareholders.

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

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

The Audit Committee was re-constituted and Mr. Sanker Parameswaran was appointed as a member of the Committee effective June 22, 2020.

During the year under review, the Audit Committee met four times on June 19, 2020, August 6, 2020, November 5, 2020 and February 11, 2021, each meeting being consecutively numbered from 1 to 4.

Constitution of the Audit Committee and attendance details during the Financial Year ended March 31, 2021, are given below:

Name of the Member	Category	Meetings of the Committee for the Financial Year 2020-21				
		No. of Meetings held during the tenure	1	2	3	4
Mr. J. Hiremath	Chairman of the Committee; Non-Executive and Independent Director	4	√	√	√	√
Mr. C. Snook	Member; Non-Executive	4	√	√	√	√
Ms. S. Martyres	Member; Non-Executive and Independent Director	4	√	√	√	√
Mr. S. Parameswaran*	Member; Non-Executive and Independent Director	3	N.A	√	√	√

*Mr. S. Parameswaran appointed effective June 22, 2020

ii. Nomination and Remuneration Committee

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

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

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

The Nomination and Remuneration Committee was re-constituted and Ms. Sandra Martyres was appointed as Chairperson of the Committee effective June 20, 2020.

During the period under review, the Nomination and Remuneration Committee met three times on June 19, 2020, November 5, 2020 and February 11, 2021 each meeting being consecutively numbered from 1 to 3.

Constitution of the Nomination and Remuneration Committee and attendance details during the Financial Year ended March 31, 2021, are given below:

Name of the Member	Category	Meetings of the Committee for the Financial Year 2020-21			
		No. of Meetings held during the tenure	1	2	3
Ms. S. Martyres*	Chairman of the Committee; Non-Executive and Independent Director	2	N.A.	√	√
Mr. C. Snook	Member; Non-Executive	3	√	√	√
Mr. J. Hiremath	Member; Non-Executive and Independent Director	3	√	√	√

* Ms. Sandra Martyres appointed as Chairperson of the Nomination and Remuneration Committee effective June 20, 2020.

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

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

Nomination and Remuneration Policy

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

a) Selection Criteria for Directors

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

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

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

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

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

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

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

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

b) Selection Criteria for Senior Management

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

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

Remuneration for Directors, Key Managerial Personnel and other Employees

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

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

Performance Evaluation

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

Highlights of the process are as under:

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

- d) **Independent Directors:** Each member of the Board completes the peer-evaluation and shares feedback with the Chairman. The evaluation of Independent Directors is done by the entire Board of Directors in accordance with the SEBI Listing Regulations. The Chairman conveys feedback individually to the concerned Directors.

Remuneration to Directors

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

The Vice Chairman and Managing Director gets 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 a six months' notice. The Company may, at its sole discretion, relieve the Managing Director of his duties any time by giving a six months' notice.

The criteria for making payments to the Vice Chairman and Managing Director is:

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 is determined keeping in view industry benchmarks and Novartis policies.

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

The criteria for making payments to Independent Directors are:

1. Independent Directors are paid sitting fees effective April 01, 2019 for attending the Board and Audit Committee meetings.
2. The Independent Directors receive commission on the net profits of the Company.

The Board decides on the commission each year based on industry benchmarks and commensurate challenges.

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

(₹ in million)

Name of the Director	Salary	Perquisite	Performance incentive	Commission	Other long term benefits	Total
Mr. C. Snook	—	—	—	—	—	—
Mr. S. Murdeshwar	7.2	—	—	—	—	7.2
Ms. M. Noble	—	—	—	—	—	—
Mr. J. Hiremath	—	—	—	1.0	—	1.0
Ms. S. Martyres	—	—	—	1.0	—	1.0
Mr. S. Parameswaran*	—	—	—	1.0	—	1.0

* Mr. S. Parameswaran appointed effective June 22, 2020

iii. Stakeholders Relationship Committee

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

The terms of reference for the Stakeholders Relationship Committee includes:

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

During the period under review, the Stakeholders Relationship Committee met four times on June 19, 2020, August 6, 2020, November 5, 2020 and February 11, 2021, each meeting being consecutively numbered from 1 to 4.

Details of constitution and attendance details of the Stakeholders Relationship Committee as on March 31, 2021, are given below:

Name of the Member	Category	Meetings of the Committee for the Financial Year 2020-21				
		No. of Meetings held during the tenure	1	2	3	4
Ms. M. Noble	Chairman of the Committee; Non-Executive and Non-Independent Director	4	√	√	√	√
Mr. C. Snook	Member; Non-Executive	4	√	√	√	√
Mr. S. Murdeshwar	Member, Vice Chairman & Managing Director	4	√	√	√	√
Mr. S. Parameswaran*	Member; Non-Executive and Independent Director	3	N.A	√	√	√

* Mr. S. Parameswaran appointed effective June 22, 2020

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

The Stakeholders Relationship Committee was re-constituted and Mr. Sanker Parameswaran was appointed as a member of the Committee effective June 22, 2020 and Ms. Monaz Noble, as Chairperson of the Committee effective June 20, 2020.

During the financial year, four complaints were received from shareholders, and all four have been attended/resolved. There was no complaint from shareholders pending as on March 31, 2021. All shareholders' complaints were attended and resolved within thirty days from the date of the receipt of the complaint. The Chairperson of the Stakeholders Relationship Committee shall be present at the Annual General Meeting of the Company to answer the queries of the shareholders.

iv. Corporate Social Responsibility (“CSR”) Committee

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

The terms of reference for the CSR Committee include:

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

During the financial year under review, the CSR Committee met twice on June 19, 2020 and November 5, 2020, each meeting being consecutively numbered from 1 to 2.

Details of constitution and attendance of the CSR Committee as on March 31, 2021, are given below:

Name of the Member	Category	Meetings of Committee for the Financial Year 2020-21		
		No. of Meetings held during the tenure	1	2
Mr. S. Murdeshwar	Chairman of the Committee; Vice Chairman & Managing Director	2	√	√
Ms. S. Martyres	Member; Non-Executive and Independent Director	2	√	√
Ms. M. Noble	Member; Non-Executive	2	√	√

Annual Report on CSR activities is a part of the Directors' Report, which details the various CSR projects undertaken by the Company during the Financial Year 2020-21.

v. Risk Management Committee

Pursuant to Regulation 21 of the SEBI Listing Regulations, Board constituted Risk Management Committee on August 20, 2020, which *inter alia* entrusted with the responsibility of monitoring and reviewing the risk management plan and the cyber security of the Company and such other functions as may be delegated by the Board from time to time.

The terms of reference for the Risk Management Committee include:

- The Committee shall review and approve the Enterprise Risk Management Framework/ Risk Management Plan/Policy of the Company at least once in two years, including by considering the changing industry dynamics and evolving complexity.

- The Committee shall periodically review the risk management processes and practices of the Company and ensure that appropriate methodology processes and systems are in place to monitor and evaluate risks and to achieve prudent balance between risk and reward in both ongoing and new business activities.
- The Committee shall monitor and oversee implementation of Risk Management Policy, including evaluating the adequacy of risk management systems.
- The Committee shall inform the Board of Directors about the nature and content of its discussions, recommendations & actions to be taken.
- The Committee shall coordinate its activities with other committees, in instances where there is any overlap with activities of such committees, as per the framework laid down by the Board of Directors.
- The Committee shall evaluate significant risk exposures of the Company and assess management's actions to mitigate the exposures in a timely manner (including one-off initiatives and ongoing activities such as business continuity planning).
- The Committee shall evaluate risks related to cyber security and ensure appropriate procedures are in place to mitigate these risks.
- The Committee may form and delegate authority to subcommittees when appropriate.
- The Committee shall review and reassess the adequacy of this charter / terms of reference periodically and recommend any proposed changes to the Board for approval.
- The Committee shall have access to any internal information necessary to fulfill its oversight role.
- The Committee shall have power to seek information from any employee, obtain outside legal or other professional advice and secure attendance of outsiders with relevant expertise, if it considers necessary.
- The Board may review the performance of the Committee periodically.

During the financial year under review, the Committee met on November 5, 2020.

Details of constitution and attendance of Committee as on March 31, 2021, are given below:

Name of the Member	Category	Meetings of Committee for the Financial Year 2020-21
		November 5, 2020
Mr. J. Hiremath	Chairman of the Committee; Non-Executive and Independent Director	√
Ms. M. Noble	Member; Non-Executive and Non-Independent Director	√
Mr. N. Kumar	Country Head Ethics, Risk and Compliance	√

Mr. Felix Doss, Chief Financial Officer of the Company was appointed as a member of the Committee effective November 5, 2020.

Risk Management Policy

Your Company has framed and implemented a Risk Management Policy in terms of the provisions of Regulation 17 of the SEBI Listing Regulations, for the assessment and minimization of risk, including Identification therein of elements of risk, if any, which may threaten the existence of the Company.

The policy is reviewed periodically by the Risk Management Committee, along with the key risks and related mitigation plans.

Recommendations of Committees

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

4. General Body Meetings

i. Annual General Meetings:

AGM for the Financial Year	Location of holding AGM	Date and time of AGM
2019-20	Video conferencing / Other Audio Visual Means	August 7, 2020 at 11:30 a.m.
2018-19	Mumbai Cricket Association [MCA] Banquet Hall, Ground Floor, G Block BKC, RG – 2, Bandra (E), Mumbai 400 051	August 9, 2019 at 11:30 a.m.
2017-18	Hall of Culture, Nehru Centre, Worli, Mumbai 400 018	July 27, 2018 at 11.30 a.m.

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

Particulars of special resolutions passed at the preceding three Annual General Meetings

No special resolution was passed at the preceding three Annual General Meetings.

ii. Postal Ballot:

No Special Resolution was passed through postal ballot during the Financial Year 2019-20.

During the Financial Year 2020-21, a postal ballot dated March 24, 2021 was approved by the members of the Company through special resolution, for re-appointment of Ms. Sandra Martyres, as Independent Director of the Company, not liable to retire by rotation, to hold office for an additional term of five years on the Board effective April 19, 2021.

The Board has appointed Mr. S. N. Ananthasubramanian, Practicing Company Secretary and Ms. Ashwini Vartak, Practising Company Secretary, as a Scrutinizer and an alternate Scrutinizer respectively to conduct the Postal Ballot in a fair and transparent manner.

The details of voting pattern are given below:

Particulars	No. of valid e-votes	% of Valid Votes
Assented to the Resolution	1,74,67,217	99.9946
Dissented to the Resolution	940	0.0054
Total	1,74,68,157	100.00

Based on the aforesaid result, the Special Resolution has been passed with requisite majority.

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

5. Prevention of Sexual Harassment Policy

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

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

Sr. No	Particulars	No. of complaints
i.	Number of complaints filed during the financial year 2020-21	None
ii.	Number of complaints disposed of during the financial year 2020-21	None
iii.	Number of complaints pending as on end of the financial year 2020-21	None

6. Other Disclosures

- All Related Party transactions that were entered into during the Financial Year 2020-21 were on an arm's length basis and were in the ordinary course of business. All Related Party transactions were placed before the Audit Committee for approval. The Audit Committee has granted omnibus approval for Related Party transactions as per the provisions and restrictions contained in the Act and SEBI Listing Regulations. Details of Related Party Transactions are provided in the Financial Statements of the Company. The Company has a policy for dealing with Related Party Transactions, which is available on the Company's website at www.novartis.in
- During the preceding three financial years, there were no strictures or penalties imposed on the Company by either SEBI or the Stock Exchange or any statutory authority for non-compliance of any matter related to the capital markets.
- The Company has adopted a vigil mechanism and whistleblower policy which enables Directors and employees to report their genuine concerns. The mechanism provides for adequate safeguards against the victimization of persons who use this mechanism and make provision for direct access to the Chairman of the Audit Committee in appropriate and exceptional cases. No Director or employee who wanted to report a concern was denied access to the Chairman of the Audit Committee.
- The Company is in full compliance with the mandatory requirements as contained in the the SEBI Listing Regulations. The Company has also adopted certain non-mandatory requirements of the SEBI Listing Regulations i.e. providing the Chairman of the Company with the resources required by him to discharge his responsibilities as Chairman of the Company while in India to attend the Company's Board meetings and appointment of separate persons to the post of Chairman and Managing Director.
- The Financial Statements of the Company are unqualified.
- Appropriate disclosures and policies are available on the Company's website at www.novartis.in

7. Means of Communication

Quarterly, Half-Yearly and Annual results of the Company are published in newspapers such as "The Financial Express" and "Navshakti". These results are promptly submitted to BSE Limited facilitating them to display the same on their website. The Company's results are available on the Company's website at www.novartis.in Management Discussion and Analysis Report forms a part of this Annual Report.

8. Affirmation and disclosure

All Members of the Board and Senior Management of the Company have affirmed their compliance with the Code of Conduct (Code of Ethics) of the Company as on March 31, 2021 and a declaration to that effect, signed by the Managing Director of the Company forms a part of this report.

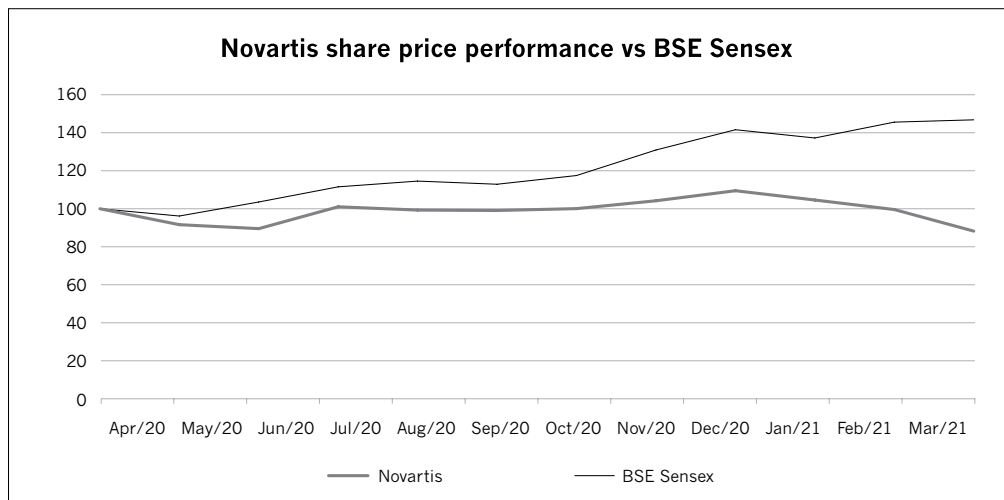
9. General shareholder Information

AGM day, date, venue and time	: Friday, August 27, 2021 through Video conferencing or Other Audio Visual Means at 11:30 a.m. (IST)
Financial Year	: April 1 to March 31
First quarter results	: First fortnight of August 2021
Second quarter results	: First fortnight of November 2021
Third quarter results	: Second fortnight of February 2022
Results for the year ending March 2022	: Second fortnight of May 2022
Date of Book closure	: Friday, August 20, 2021 to Friday, August 27, 2021 (Both days inclusive)
Dividend payment date	: On or after September 3, 2021
Listing on Stock Exchange	: BSE Limited, Mumbai
Payment of Annual Listing Fees	: The Annual Listing Fees for the Financial Year 2021-22 is paid to BSE Limited
Stock Code (BSE)	: 500672
Demat ISIN no. for CDSL and NSDL	: INE234A01025
Corporate Identity Number (CIN)	: L24200MH1947PLC006104

Market price data: High/Low during each month in the Financial Year (In ₹)

Month	BSE Limited, Mumbai	
	High	Low
April 2020	675.80	501.00
May 2020	624.80	547.00
June 2020	639.00	552.00
July 2020	644.00	552.00
August 2020	690.00	620.00
September 2020	675.00	601.20
October 2020	706.00	601.00
November 2020	698.00	612.95
December 2020	770.00	630.70
January 2021	707.60	645.00
February 2021	682.35	600.10
March 2021	629.00	538.05

Novartis share price performance versus BSE Sensex during April 2020 – March 2021



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

Registrar & Transfer Agents : Link Intime India Private Limited
C-101, 247 Park, L B S Marg, Vikhroli (West)
Mumbai 400 083
Telephone No: +91 22 4918 6000
Fax No.: +91 22 4918 6060
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, 2021

Sr. No.	No. of Equity Shares		Shareholder(s)		Shareholding(s)	
	From	To	Nos.	%	Nos.	%
1.	1	500	41422	96.2295	3357653	13.5988
2.	501	1000	923	2.1443	691647	2.8012
3.	1001	2000	380	0.8828	545452	2.2091
4.	2001	3000	139	0.3229	353268	1.4308
5.	3001	4000	49	0.1138	171221	0.6935
6.	4001	5000	33	0.0767	150755	0.6106
7.	5001	10000	50	0.1162	321650	1.3027
8.	10001 and above		49	0.1138	19099151	77.3533
Total			43045	100.0000	24690797	0.0000

Shareholding pattern as on March 31, 2021

Category	No. of shares held	Percentage of shareholding
A. Promoters' Holding		
1. Promoters		
– Indian Promoters	—	—
– Foreign Promoters	1,74,50,680	70.6769
2. Persons Acting in concert	—	—
Sub-Total	1,74,50,680	70.6769
B. Non-Promoters' Holding		
3. Institutional Investors		
a. Mutual Funds & UTI	760	0.0031
b. Banks, Financial Institutions, Insurance Companies (Central/State Govt. Institutions/ Non-Govt. Institutions)	1,93,989	0.7857
c. FIIs	13,675	0.0554
Sub-Total	2,08,424	0.8441
4. Others		
a. Private Corporate Bodies	1,50,964	0.6114
b. Indian Public	60,45,011	24.4829
c. NRIs/OCBs	8,35,718	3.3847
d. Directors and their relatives	—	—
Sub-Total	70,31,693	28.479
Grand Total	2,46,90,797	100

Dematerialisation of shares & liquidity : The Company's shares are traded compulsorily in dematerialised form on the stock exchange. As on March 31, 2021, 98.34% 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 above.

Shareholders may also contact Mr. Trivikram Guda, Company Secretary and Compliance Officer at the Registered Office of the Company situated at Inspire – BKC, Part of 601 and 701, Bandra Kurla Complex, Bandra (East), Mumbai 400 051.

Telephone No: +91 22 5024 3000

Email: india.investors@novartis.com

Declaration on adherence to the Code of Ethics

As provided under SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, all the Board members and senior management personnel of the Company have confirmed adherence to the Code of Ethics of Novartis India Limited for the financial year ended March 31, 2021.

For Novartis India Limited

Sanjay Murdeshwar
Vice Chairman and
Managing Director

Mumbai, June 17, 2021

Certificate of Non-Disqualification of Directors

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

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

I have examined the relevant registers, records, forms, returns and disclosures received from the Directors of **NOVARTIS INDIA LIMITED** having CIN : **L24200MH1947PLC006104** and having registered office at Inspire - BKC, Part of 601 and 701, Bandra Kurla Complex, Bandra East, Mumbai Maharashtra 400051 IN (hereinafter referred to as 'the Company'), produced before me by the Company for the purpose of issuing this Certificate, in accordance with Regulation 34(3) read with Schedule V Para-C Sub clause 10(i) of the Securities Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

In my opinion and to the best of my information and according to the verifications (including Directors Identification Number (DIN) status at the portal www.mca.gov.in) as considered necessary and explanations furnished to me by the Company & its officers, I hereby certify that none of the Directors on the Board of the Company as stated below for the Financial Year ending on 31st March 2021 have been debarred or disqualified from being appointed or continuing as Directors of companies by the Securities and Exchange Board of India, Ministry of Corporate Affairs, or any such other Statutory Authority.

Sr. No.	Name of Director	DIN	Date of appointment in Company*
1.	Jai Vishwanath Hiremath	00062203	28/01/2006
2.	Christopher David Snook	00369790	01/08/2008
3.	Sandra Martyres	00798406	19/04/2016
4.	Sanjay Prabhakar Murdeshwar	01481811	15/06/2019
5.	Monaz Noble	03086192	13/06/2016
6.	Sanker Parameswaran	00008187	22/06/2020

*the date of appointment is as per the MCA Portal

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

Saraf and Associates
(Practising Company Secretaries)

K. G. Saraf
Proprietor
FCS 1596 : CP 642

Place : Mumbai
Date : June 17, 2021
FRN : S1988MH004801
UDIN : F001596B000337316
PR : 1003/2020

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

I have examined compliance by Novartis India Limited (the Company) with the requirements under the SEBI (Listing Obligations and Disclosure Requirements), Regulations, 2015 (Listing Regulations) relating to corporate governance requirements for the year ended on 31 March 2021.

In my opinion and to the best of my information and according to the explanations given to me and the representation by the Directors and the management, I certify that the Company has complied with the conditions of Corporate Governance as stipulated in the Listing Regulations.

The compliance of conditions of Corporate Governance is the responsibility of the management of the Company. My examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance under the Listing Regulations. The examination is neither an audit nor an expression of opinion on the financial statements of the Company or the Corporate Governance Report of the Company.

I state that no investor's grievance is pending unresolved by the Company for a period exceeding one month against the Company as per the records maintained by the Stakeholders Relationship Committee.

I further state that such compliance is neither an assurance to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the company.

Pune, June 17, 2021

DR. K. R. CHANDRATRE
Practising Company Secretary
FCS No. 1370
Certificate of Practice No. 5144
Peer Review Certificate No.: 463/2016
UDIN : F001370C000480046

Business Responsibility Report

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

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

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

Section A: General Information about the Company

1.	Corporate Identity Number (CIN) of the Company	:	L24200MH1947PLC006104
2.	Name of the Company	:	Novartis India Limited
3.	Registered address	:	Inspire - BKC, Part of 601 and 701 Bandra Kurla Complex Bandra East, Mumbai 400 051
4.	Website	:	www.novartis.in
5.	Email ID	:	india.investors@novartis.com
6.	Financial Year reported	:	April 1, 2020 – March 31, 2021
7.	Sector(s) that the Company is engaged in (industrial activity code-wise):	:	The Company's principal business activity comprises wholesale of pharmaceuticals and medical goods (NIC Code 46497)
8.	List three key products/services that the Company manufactures/provides (as in balance sheet)	:	Pharmaceutical products
9.	Total number of locations where business activity is undertaken by the Company		
	i. Number of International Locations	:	None
	ii. Number of National Locations	:	The Company's Registered Office is at Mumbai and its branches are in Delhi, Bengaluru, Kolkata, Chennai and Lucknow.
10.	Markets served by the Company – Local/ State/National/International	:	PAN India across all markets in the country

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

1.	Paid up Capital	:	123.4
2.	Total Turnover	:	3,813.5
3.	Total profit after taxes	:	209.0
4.	Total Spending on Corporate Social Responsibility (CSR) as percentage of profit after tax	:	2%*
5.	List of activities in which expenditure in 4 above has been incurred: Focus areas are Health, Education and Environment. Please refer to the 'Annual Report on Corporate Social Responsibility' which forms part of this Annual Report for details.		

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

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(s) responsible for Business Responsibility

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

DIN : 01481811
Name : Sanjay Murdeshwar
Designation : Vice Chairman & Managing Director

- b) Details of the BR Head

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

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

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

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

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

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

Principle 5: Businesses should respect and promote human rights.

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

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

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

Principle 9: Businesses should engage with and provide value to their customers.

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

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

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

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

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

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

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

3. Governance related to BR

- **Indicate the frequency with which the Board of Directors, Committees of the Board or CEO meets to assess the BR performance of the Company.**
 - 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 Ethics.
 - 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 the Financial Year 2020-21 and can be accessed on the website of the Company at www.novartis.in

Section E: Principle-wise performance

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

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

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

Be Open-minded

Be Honest

Be Bold

Be Accountable

Our ethical principles support us to make good decisions. They are underpinned by a simple set of questions all employees can ask themselves as they go through their own decision-making processes. Every employee must apply these principles to our commitments to challenge their thinking and ways of working.

Every Novartis employee is required to take part in yearly Code of Ethics training, including certification. Compliance with the Code of Ethics 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 Behaviors which are embedded in our organisation. We take allegations of any inappropriate behavior very seriously, actively investigate them, and take appropriate disciplinary action. Employees can report suspected misconduct under the Vigil Mechanism or to the SpeakUp Office. Our organizational policies on Ethics, Anti-Bribery and Corruption extend beyond the Company to all suppliers, contractors and third parties with whom the Company deals.

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

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

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

The Company does not have any manufacturing facility in India. However, we ensure that the partners we select adhere to the same high standards of quality as we do including concerns for the environment. At a global level Novartis has established the Practitioners Working Group (PWG) to build a consistent approach to engaging with its key suppliers on responsible procurement. Specific projects, including in India, are being handled to improve diversity in supplier plants and create greater awareness of the Novartis Supplier Code.

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

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

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

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

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

The health and well-being of employees is a top priority for Novartis. This has become even more important with the ongoing pandemic where employees have had to cope with multiple responsibilities at home while working from home for the majority of the year. With an objective of promoting a positive work-life balance across the Company, Novartis has a number of employee and family friendly policies and practices to ensure the well-being of its employees and their immediate families.

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

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

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

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

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

The Company had 539 regular employees as at March 31, 2021. Of these there were 40 women employees. In addition, 36 employees were hired on a temporary/ contractual/ casual basis.

The Company has one recognized employees’ union viz Novartis Employees Union which is operating in pharma sales division/field force. Around 379 employees i.e. 79% form part of the union recognized by the management.

The Company has a Prevention of Sexual Harassment Policy in line with the requirements of the Sexual Harassment of Women at the Workplace (Prevention, Prohibition and Redressal) Act, 2013 and has set up an Internal Committee to redress any complaints that fall under the purview of this Act. All employees, including contractual, temporary and trainees are covered under this policy. No complaint was received and investigated relating to sexual harassment during the Financial Year 2020-21.

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

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

Arogya Parivar is an innovative business model that aims to reach patients in rural India, who have limited access to healthcare and very low health awareness.

Arogya Parivar has been instrumental in driving transformational improvements across 22000 villages encompassing 15 states with various interventions in the form of health education meetings and pro-bono health camps that has not only improved the health care ecosystem but has resulted in considerable remits of health seeking behaviors across the strata of undeserved communities.

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

Principle 5: Businesses should respect and promote human rights

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

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

The Company has received no stakeholder complaints in the Financial Year 2020-21, under this principle.

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

The Company does not have own manufacturing facility. 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 Third Party Code (the “Third Party Code”) is based on the United Nations Global Compact and other international standards of accepted good practices. The Third Party Code is aligned with the Novartis Code of Ethics. We expect our suppliers to aspire to the standards defined in the Third Party Code.

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

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

Novartis is a member/active participant of various industrial and trade associations such as the Organisation of Pharmaceutical Producers of India (OPPI), Swiss-Indian Chamber of Commerce (SICC), Confederation of Indian Industry (CII), Federation of Indian Chambers of Commerce and Industry (FICCI) and the Bombay Chamber of Commerce and Industry (BCCI).

The Company advocates with the government through these associations, particularly OPPI, on matters that impact the pharmaceutical industry in general. Broad areas where it engages with the government include areas of public interest such as improving access to affordable healthcare, health awareness, predictable pricing policy, development of an ecosystem that encourages and fosters innovation, a robust and transparent drug regulatory process, improvement in surveillance and infection control measures.

Principle 8: Businesses should support inclusive growth and equitable development

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

Health is a focus area of our Corporate Social Responsibility ('CSR') initiatives, the details of which form part of the CSR Report. Among its many projects, leprosy elimination has greater focus. India is home to around 60% of the world's leprosy caseload. The parent Company has been providing multidrug therapy free of cost for the treatment of leprosy since 2000 via a donation to the World Health Organisation. In India, the Company has been funding the digitalization of the database of patients at the Sivananda Rehabilitation Home in the hope that this will eventually lead to early diagnosis.

Regular reports from our partner NGOs help ensure that our various CSR projects and programs are delivering on impact. The Company's direct contribution towards its CSR activities is approximately ₹ 9.6 million and through NGOs/Implementing Agency is ₹ 7.7 million.

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

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

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

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

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

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

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Novartis India Limited ("the Company"), which comprise the Balance Sheet as at March 31, 2021, and the Statement of Profit and Loss (including Other Comprehensive Income), the Statement of Cash Flows and the Statement of Changes in Equity for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Companies Act, 2013 ("the Act") in the manner so required and give a true and fair view in conformity with the Indian Accounting Standards prescribed under Section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, as amended, ("Ind AS") and other accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2021, and its profit, total comprehensive income, its cash flows and the changes in equity for the year ended on that date.

Basis for Opinion

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

Key Audit Matter

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

Key Audit Matter	Auditor's Response
<p>Revenue recognition – Sale of products [Note 1(J) to the financial statements]</p> <p>The nature of operations of the Company being driven by trading activities, the focus of internal reporting as well as of external stakeholders is on revenue which could be a causal factor to record revenues for sales that either did not occur, or for which the revenue recognition criteria may not have been met. This risk is furthered considering that the Company sells its products across the country through wide spread distribution points. We have therefore specifically focused on the said risk and have considered this to be a key audit matter.</p>	<p>Assessed the appropriateness of the Company's revenue recognition policies by mapping them with the applicable accounting standards.</p> <p>Performed a walkthrough of the revenue business cycle to gain an understanding of the relevant risks and controls around occurrence and timing of revenue recognition. Tested the design, implementation and operating effectiveness of the relevant controls.</p> <p>Tested transactions on a sample basis by, agreeing sales with the invoices, purchase orders and delivery documents, comparing the invoice prices to the Company price lists, agreeing the revenue amount recorded by management to underlying accounting records. Reviewed the contracts/purchase orders, as applicable, to assess the terms of sale and confirmed that the sales were recorded in the correct accounting period.</p> <p>Sought confirmations from customers on a test check basis and checked realisation / performed other alternate procedures, where applicable, to support the assertion that revenue has been recognised for sales that have occurred during the year.</p> <p>Made enquiries of the management and obtained written representations as to whether there exist any side agreements or unusual arrangements which may impact revenue recognition.</p> <p>Reviewed variations in revenue over the corresponding period, checked subsequent sales returns and tested any unusual transactions to determine whether the information corroborates with the revenue recorded in the books of account.</p>

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

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

Management's Responsibility for the Financial Statements

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

judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

1. As required by Section 143(3) of the Act, based on our audit we report that:
 - a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
 - b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.
 - c) The Balance Sheet, the Statement of Profit and Loss including Other Comprehensive Income, the Statement of Cash Flows and Statement of Changes in Equity dealt with by this Report are in agreement with the books of account.
 - d) In our opinion, the aforesaid financial statements comply with the Ind AS specified under Section 133 of the Act.
 - e) On the basis of the written representations received from the directors as on March 31, 2021 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2021 from being appointed as a director in terms of Section 164(2) of the Act.
 - f) With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure A". Our report expresses an unmodified opinion on the adequacy and operating effectiveness of the Company's internal financial controls over financial reporting.
 - g) With respect to the other matters to be included in the Auditor's Report in accordance with the requirements of Section 197(16) of the Act, as amended, in our opinion and to the best of our information and according to the explanations given to us, the remuneration paid by the Company to its directors during the year is in accordance with the provisions of Section 197 of the Act.

- h) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, as amended in our opinion and to the best of our information and according to the explanations given to us:
- i. The Company has disclosed the impact of pending litigations on its financial position in its financial statements - Refer Note 25(A) to the financial statements.
 - ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses.
 - iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company.
2. As required by the Companies (Auditor's Report) Order, 2016 ("the Order") issued by the Central Government in terms of Section 143(11) of the Act, we give in "Annexure B" a statement on the matters specified in paragraphs 3 and 4 of the Order.

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

Rakesh N. Sharma
Partner
(Membership No. 102042)
(UDIN: 21102042AAAABD2878)

Place : Mumbai
Date : 17th June, 2021

Annexure “A” to the Independent Auditor’s Report

(Referred to in paragraph 1(f) under ‘Report on Other Legal and Regulatory Requirements’ section of our report of even date to the Members of Novartis India Limited on the financial statements for the year ended March 31, 2021)

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 March 31, 2021 in conjunction with our audit of the financial statements of the Company for the year ended on that date.

Management’s Responsibility for Internal Financial Controls

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

Auditor’s Responsibility

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

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

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

Meaning of Internal Financial Controls Over Financial Reporting

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

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

Inherent Limitations of Internal Financial Controls Over Financial Reporting

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

Opinion

In our opinion, to the best of our information and according to the explanations given to us, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2021, based on the criteria for internal financial control over financial reporting established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

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

Rakesh N. Sharma
Partner
(Membership No. 102042)
(UDIN: 21102042AAAABD2878)

Place : Mumbai
Date : 17th June, 2021

Annexure “B” to the Independent Auditor’s Report

(Referred to in paragraph 2 under ‘Report on Other Legal and Regulatory Requirements’ section of our report of even date to the Members of Novartis India Limited on the financial statements for the year ended March 31, 2021)

- (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 goods in transit and inventories lying at third party locations, for which confirmations have been obtained by the Management. No material discrepancies were noticed on physical verification.
- (iii) The Company has not granted any loans, secured or unsecured, to companies, firms, Limited Liability Partnerships or other parties covered in the register maintained under Section 189 of the Companies Act, 2013 (“the Act”) hence reporting under clause (iii) of paragraph 3 of the Order is not applicable.
- (iv) The Company has not granted any loans, made investments or provided guarantees or securities hence reporting under clause (iv) of paragraph 3 of the Order is not applicable.
- (v) According to the information and explanations given to us, the Company has not accepted any deposit during the year. The Company does not have unclaimed deposits as at March 31, 2021 and accordingly, the provisions of Section 73 to 76 or any other relevant provisions of the Act are not applicable to the Company.
- (vi) The maintenance of cost records has not been specified by the Central Government under Section 148(1) of the Act.
- (vii) According to the information and explanations given to us in respect of statutory dues:
- (a) The Company has generally been regular in depositing undisputed statutory dues, including Provident Fund, Income-tax, Goods and Services Tax, Customs Duty, Cess and other material statutory dues applicable to it with the appropriate authorities.
 - (b) There were no undisputed amounts payable in respect of Provident Fund, Income-tax, Goods and Services Tax, Sales Tax, Service Tax, Excise Duty, Value Added Tax, Customs Duty, Cess and other material statutory dues in arrears as at March 31, 2021 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 March 31, 2021 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 (₹ in million)	Amount Unpaid (₹ in million)*
Income Tax Act, 1961	Income Tax including tax deducted at source and interest, as applicable	Appellate Authority - up to Commissioner's level	Assessment years 1994-95, and 2010-11 to 2019-20	3,173.2	2,455.9
		Income Tax Appellate Tribunal	Assessment years 2006-07 and 2012-13	64.0	31.6
The Central Sales Tax Act, 1956 and Local Sales Tax Acts	Sales tax including interest and penalty, as applicable	Appellate Authority – up to Commissioner's level	2000-01 to 2017-18	506.8	439.6
		Tribunal	1993-94, 2001-02 to 2005-06 2007-08 and 2010-11 to 2012-13	79.5	49.1
		The High Court of Kerala	1997-98	0.3	0.2
		West Bengal Sales Tax Appellate and Revisional Board	2008-09 to 2010-11	7.1	7.1
The Finance Act, 1994	Service tax	Tribunal	September 2004, September 2009 and October 2014 to June 2017	27.7	27.7
The Customs Act, 1962	Customs Duty	Appellate Authority – up to Commissioner's level	2002-03	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 financial statements as required by the applicable accounting standards.
- (xiv) During the year, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures and hence reporting under clause (xiv) of paragraph 3 of the Order is not applicable.
- (xv) In our opinion and according to the information and explanations given to us, during the year the Company has not entered into any non-cash transactions with its directors or directors of its holding company or persons connected with them and hence provisions of Section 192 of the Act are not applicable.
- (xvi) The Company is not required to be registered under Section 45-IA of the Reserve Bank of India Act, 1934 hence reporting under clause (xvi) of paragraph 3 of the Order is not applicable.

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

Rakesh N. Sharma
Partner
(Membership No. 102042)
(UDIN: 21102042AAAABD2878)

Place : Mumbai
Date : 17th June, 2021

Balance Sheet as at 31st March, 2021

	Notes	As at 31 st March, 2021 (₹ in million)	As at 31 st March, 2020 (₹ in million)
Assets			
Non-Current Assets			
Property, Plant and Equipment	2	89.0	119.9
Right-of-Use Assets	32	550.1	642.9
Financial Assets			
(i) Loans	3(a)	3.3	3.4
(ii) Other Financial Assets	3(b)	46.3	43.6
Deferred Tax Assets	4	302.7	247.4
Income Tax Assets (Net)	5	1,437.2	1,276.4
Other Non-Current Assets	6	353.9	311.5
		2,782.5	2,645.1
Current Assets			
Inventories	7	479.5	586.8
Financial Assets			
(i) Trade Receivables	8	387.3	376.0
(ii) Cash and Cash Equivalents	9(a)	682.7	791.2
(iii) Bank Balances other than (ii) above	9(b)	4,306.1	5,027.9
(iv) Loans	3(a)	0.6	0.6
(v) Other Financial Assets	3(b)	457.1	510.9
Other Current Assets	10	918.0	827.7
		7,231.3	8,121.1
Assets held for sale	11	9.1	10.2
Total Assets		10,022.9	10,776.4
Equity and Liabilities			
Equity			
Equity Share Capital	12	123.4	123.4
Other Equity	13	6,988.5	7,083.9
		7,111.9	7,207.3
Liabilities			
Non-Current Liabilities			
Financial Liabilities			
(i) Lease Liabilities	32	497.8	564.6
(ii) Other Financial Liabilities	14(a)	15.7	17.3
Provisions	15	808.0	659.3
		1,321.5	1,241.2
Current Liabilities			
Financial Liabilities			
(i) Trade Payables			
– total outstanding dues of micro enterprises and small enterprises	14(b)	9.4	7.7
– total outstanding dues of creditors other than micro enterprises and small enterprises	14(b)	542.6	718.3
(ii) Lease Liabilities	32	127.0	118.3
(iii) Other Financial Liabilities	14(a)	448.4	1,106.3
Other Current Liabilities	17	121.0	105.3
Provisions	15	219.3	185.3
Current Tax Liabilities (Net)	16	121.8	86.7
		1,589.5	2,327.9
Total Equity and Liabilities		10,022.9	10,776.4

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

In terms of our report of even date

For and on behalf of the Board

For Deloitte Haskins & Sells LLP
Chartered Accountants

Sanjay Murdeshwar
Vice Chairman &
Managing Director
DIN: 01481811

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

Rakesh N. Sharma
Partner

Trivikram Guda
Company Secretary &
Compliance Officer

Felix Doss
Chief Financial Officer

Mumbai, 17th June, 2021

Mumbai, 17th June, 2021

Statement of Profit and Loss for the year ended 31st March, 2021

	Notes	Year ended 31 st March, 2021 (₹ in million)	Year ended 31 st March, 2020 (₹ in million)
Income			
Revenue from Operations	18	3,813.5	4,382.5
Other Income	19	330.9	361.4
Total Income		4,144.4	4,743.9
Expenses			
Purchases of Stock-in-Trade		1,358.8	1,804.9
Changes in Inventories of Stock-in-Trade	20	107.4	18.3
Employee Benefits Expense	21	1,085.1	1,138.7
Finance Costs	22	76.8	63.9
Depreciation and Amortisation Expense	23	121.6	131.4
Other Expenses	24(a)	994.3	1,300.3
Total Expenses		3,744.0	4,457.5
Profit before Tax		400.4	286.4
Tax Expense			
	28		
Current Tax		226.2	152.2
Deferred Tax		(34.8)	33.4
Total Tax Expense		191.4	185.6
Profit for the year		209.0	100.8
Other Comprehensive Income			
Items that will not be reclassified to profit or loss			
Remeasurements of Defined Benefit Plans		(81.4)	(263.7)
Income tax relating to these items		20.5	66.4
Other Comprehensive Income for the year		(60.9)	(197.3)
Total Comprehensive Income /(Loss) for the year		148.1	(96.5)
Earnings per Share – Basic and Diluted [per Equity Share of ₹ 5 each]			
	33	8.46	4.08

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

In terms of our report of even date

For and on behalf of the Board

For Deloitte Haskins & Sells LLP
Chartered Accountants

Sanjay Murdeshwar
Vice Chairman &
Managing Director
DIN: 01481811

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

Rakesh N. Sharma
Partner

Trivikram Guda
Company Secretary &
Compliance Officer

Felix Doss
Chief Financial Officer

Mumbai, 17th June, 2021

Mumbai, 17th June, 2021

Statement of Changes in Equity for the year ended 31st March, 2021

A. Equity Share Capital

	Note 12	Amount (₹ in million)
Balance as at 1st April, 2019		123.4
Change in Equity Share Capital during the year		—
Balance as at 31st March, 2020		123.4
Change in Equity Share Capital during the year		—
Balance as at 31st March, 2021		123.4

B. Other Equity

	Attributable to the equity holders of the Company				(₹ in million)
	Reserves and Surplus				
	Note 13	Capital Redemption Reserve	Share Options Outstanding Account	Retained Earnings	Total Other Equity
Balance as at 1st April, 2019		36.4	(42.5)	7,474.6	7,468.5
Profit for the year		—	—	100.8	100.8
Other Comprehensive Income for the year		—	—	(197.3)	(197.3)
Total Comprehensive Loss for the year		—	—	(96.5)	(96.5)
Payment of Dividends [including Dividend distribution tax of ₹ 50.8 million]		—	—	(297.7)	(297.7)
Amount recharged by Group Company (net)		—	(27.2)	—	(27.2)
Expense charged to Statement of Profit and Loss (net) [Refer Note 21]		—	36.8	—	36.8
Balance as at 31st March, 2020		36.4	(32.9)	7,080.4	7,083.9
Profit for the year		—	—	209.0	209.0
Other Comprehensive Income for the year		—	—	(60.9)	(60.9)
Total Comprehensive Income for the year		—	—	148.1	148.1
Payment of Dividends		—	—	(246.9)	(246.9)
Amount recharged by Group Company (net)		—	(14.0)	—	(14.0)
Expenses charged to Statement of Profit and Loss (net) [Refer Note 21]		—	17.4	—	17.4
Balance as at 31st March, 2021		36.4	(29.5)	6,981.6	6,988.5

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

In terms of our report of even date

For Deloitte Haskins & Sells LLP
Chartered Accountants

Rakesh N. Sharma
Partner

Mumbai, 17th June, 2021

For and on behalf of the Board

Sanjay Murdeshwar
Vice Chairman &
Managing Director
DIN: 01481811

Trivikram Guda
Company Secretary &
Compliance Officer

Mumbai, 17th June, 2021

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

Felix Doss
Chief Financial Officer

Corporate Information

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

These financial statements were authorised for issue by the Board of Directors on 17th June, 2021.

1. Significant Accounting Policies

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

A. Basis of Preparation

(i) Compliance with Ind AS

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

(ii) Historical Cost Convention

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

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

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

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

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

(iii) Operating Cycle

Based on the nature of products and the time between the acquisition of assets for processing and their realisation in cash and cash equivalents, the Company has ascertained its operating cycle as 12 months for the purpose of current / non-current classification of assets and liabilities.

B. Foreign Currency Translation

(i) Functional and Presentation Currency

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

(ii) Transactions and Balances

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

Notes forming part of the Financial Statements as at and for the year ended 31st March, 2021

C. Property, Plant and Equipment

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

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

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

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

Depreciation:

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

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

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

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

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

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

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

D. Impairment of Non-Financial Assets

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

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

E. Inventories

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

F. Non-Current Assets Held for Sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use, the asset is available for immediate sale in its present condition and a sale is considered highly probable.

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

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

G. Trade Receivables

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

H. Cash and Cash Equivalents

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

I. Financial Instruments

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

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

Amortised Cost:

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount adjusted for any Loss allowance.

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

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

Financial Assets

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

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

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

Impairment of Financial Assets:

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

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

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

Derecognition of Financial Assets:

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

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

Financial Liabilities

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

J. Revenue Recognition

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

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

Interest income is recognised using the effective interest method.

K. Offsetting Financial Instruments

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

L. Income Tax

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

Current Tax

The current tax charge for the year is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period as adjusted for taxes in respect of

Notes forming part of the Financial Statements as at and for the year ended 31st March, 2021

previous years. Management periodically evaluates positions taken in tax returns, including assessment orders received during the year, with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred Tax

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

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

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

M. Employee Benefits

(i) Short-Term Employee Benefits

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

(ii) Other Long-term Employee Benefit Obligations

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

(iii) Post-Employment Obligations

The Company has the following post-employment schemes:

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

Defined Benefit Plans

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

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

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

Remeasurement gains and losses arising from experience adjustments, changes in actuarial assumptions and the return on plan assets (excluding net interest) are recognised in the

Notes forming part of the Financial Statements as at and for the year ended 31st March, 2021

period in which they occur, directly in other comprehensive income. They are included in retained earnings in the statement of changes in equity and in the balance sheet.

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

Defined Contribution Plan

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

(iv) Termination Benefits

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

(v) Share-Based Payments

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

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

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

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

(vi) Bonus Plans

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

N. Provisions, Contingent Liabilities and Contingent Assets

(i) Provisions

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

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

(ii) Contingent Liabilities

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

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

(iii) Contingent Assets

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

Notes forming part of the Financial Statements as at and for the year ended 31st March, 2021

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 29).

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:

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

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

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

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

Also refer Note 32.

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.

Notes forming part of the Financial Statements as at and for the year ended 31st March, 2021

U. Critical Accounting Estimates and Judgements

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

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

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

Estimation of Defined Benefit Obligation [Refer Note 15(a)]

Estimation of Provision and Contingent Liabilities [Refer Note 25 (A) and 26]

2. Property, Plant and Equipment

(₹ in million)

Particulars	Tangible Assets					Total
	Buildings	Plant and Equipment	Furniture and Fixtures	Office Equipment	Leasehold Improvements	
As at 1st April, 2019						
Gross carrying amount						
Opening gross carrying amount	1.7	102.0	23.0	21.2	91.4	239.3
Additions	—	5.0	2.7	0.7	1.6	10.0
Disposals	—	(34.5)	(3.9)	(1.2)	(1.8)	(41.4)
As at 31st March, 2020	1.7	72.5	21.8	20.7	91.2	207.9
Accumulated depreciation						
Opening accumulated depreciation	0.7	64.3	7.7	8.3	8.5	89.5
Depreciation/amortisation charge during the year	0.1	23.0	3.6	3.2	9.0	38.9
Disposals	—	(34.2)	(3.2)	(1.2)	(1.8)	(40.4)
As at 31st March, 2020	0.8	53.1	8.1	10.3	15.7	88.0
Net carrying amount						
As at 31st March, 2020	0.9	19.4	13.7	10.4	75.5	119.9
As at 1st April, 2020						
Gross carrying amount						
Opening gross carrying amount	1.7	72.5	21.8	20.7	91.2	207.9
Additions	—	0.9	—	—	—	0.9
Disposals	—	(9.2)	(0.7)	(0.9)	—	(10.8)
As at 31st March, 2021	1.7	64.2	21.1	19.8	91.2	198.0
Accumulated depreciation						
Opening accumulated depreciation	0.8	53.1	8.1	10.3	15.7	88.0
Depreciation/amortisation charge during the year	0.1	16.3	2.7	3.0	9.1	31.2
Disposals	—	(8.8)	(0.6)	(0.8)	—	(10.2)
As at 31st March, 2021	0.9	60.6	10.2	12.5	24.8	109.0
Net carrying amount						
As at 31st March, 2021	0.8	3.6	10.9	7.3	66.4	89.0
Note Refer Note 11						

Notes forming part of the Financial Statements as at and for the year ended 31st March, 2021

	31 st March, 2021		31 st March, 2020	
	(₹ in million)	(₹ in million)	(₹ in million)	(₹ in million)
	Current	Non-current	Current	Non-current
3(a). Loans:				
Unsecured, considered good				
Loan to Employees	0.6	3.3	0.6	3.4
Total Loans	0.6	3.3	0.6	3.4
3(b). Other financial assets:				
Tender Deposits				
Unsecured, considered good	—	8.0	—	7.4
Considered Doubtful	—	5.3	—	5.3
Less: Allowance for Doubtful Deposits	—	(5.3)	—	(5.3)
	—	8.0	—	7.4
Security Deposits	1.0	30.0	1.0	27.9
Deposits with banks with maturity of more than twelve months	—	8.3	—	8.3
Receivable from Related Parties [Refer Note 31]	422.8	—	358.5	—
Taxes recoverable	27.1	—	145.0	—
Others				
— Expenses Recoverable	6.2	—	6.4	—
Total Other Financial Assets	457.1	46.3	510.9	43.6

4. Deferred Tax Assets

The balance comprises temporary differences attributable to:

	31 st March, 2021	31 st March, 2020
	(₹ in million)	(₹ in million)
Property, Plant and Equipment	21.2	21.8
Allowances for Doubtful Debts, Advances and Deposits	19.9	19.8
Compensation under Voluntary Retirement Scheme	0.4	1.1
Provision for Employee Benefits	227.9	184.8
Others	33.3	19.9
Total Deferred Tax Assets	302.7	247.4

Movement in deferred tax assets

	Property, Plant and Equipment	Allowances for Doubtful Debts, Advances and Deposits	Compensation under Voluntary Retirement Scheme	Provision for Employee Benefits	Others	Total
At 1st April, 2019	24.0	27.4	2.4	151.7	8.9	214.4
(Charged)/Credited						
— To Profit or Loss	(2.2)	(7.6)	(1.3)	(33.3)	11.0	(33.4)
— To Other Comprehensive Income	—	—	—	66.4	—	66.4
At 31st March, 2020	21.8	19.8	1.1	184.8	19.9	247.4
(Charged)/Credited						
— To Profit or Loss	(0.6)	0.1	(0.7)	22.6	13.4	34.8
— To Other Comprehensive Income	—	—	—	20.5	—	20.5
At 31st March, 2021	21.2	19.9	0.4	227.9	33.3	302.7

5. Income Tax Assets (Net)

	31 st March, 2021	31 st March, 2020
	(₹ in million)	(₹ in million)
Advance income tax (including amount paid under protest) [net of provisions ₹ 10,128.5 million (As at 31 st March, 2020 ₹ 8,721.2 million)]	1,437.2	1,276.4
Total Income Tax Assets (Net)	1,437.2	1,276.4

Notes forming part of the Financial Statements as at and for the year ended 31st March, 2021

6. Other Non-Current Assets

	31st March, 2021	31st March, 2020
	(₹ in million)	(₹ in million)
Balances with Government authorities		
VAT Receivable (including amount paid under protest)	191.0	193.7
Custom duty (paid under protest)	21.6	21.6
Excise duty (paid under protest)	2.9	2.9
Deposits		
Considered Good	8.9	2.8
Considered Doubtful	30.2	30.2
	39.1	33.0
Less: Allowance for Doubtful Deposits	(30.2)	(30.2)
	8.9	2.8
Wealth Tax [net of provisions of ₹ 23.6 million (As at 31 st March, 2020 ₹ 23.6 million)]	40.2	40.2
Fringe Benefits Tax [net of provisions of ₹ 135.6 million (As at 31 st March, 2020 ₹ 135.6 million)]	20.3	20.3
Prepayment	69.0	30.0
Total Other Non-Current Assets	353.9	311.5

7. Inventories

	31st March, 2021	31st March, 2020
	(₹ in million)	(₹ in million)
Stock-in-Trade [including in transit of ₹ 58.7 million (As at 31 st March, 2020, ₹ 55.0 million)]	479.5	586.8
Total Inventories	479.5	586.8

The cost of inventory recognised as an expense includes ₹ 70.1 million (previous year ₹ 73.1 million) in respect of write-downs of inventory, and has been reduced by ₹ 24.8 million (previous year ₹ 5.6 million) in respect of the reversals of such write-downs consequent to the sales in the current period.

The cost of inventories recognised as an expense is disclosed in Note 20 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, 2021	31st March, 2020
	(₹ in million)	(₹ in million)
Considered good	387.3	376.0
Doubtful	42.8	42.9
	430.1	418.9
Less: Allowance for Bad and Doubtful debts	(42.8)	(42.9)
Total Trade Receivables	387.3	376.0
Trade Receivables		
Receivables from Related Parties, Considered Good [Refer Note 31] [A]	171.1	88.1
Receivables from Other Parties		
Considered Good	216.2	287.9
Doubtful	42.8	42.9
	259.0	330.8
Less: Allowance for Bad and Doubtful debts	(42.8)	(42.9)
Total Receivables from Other Parties [B]	216.2	287.9
Total Trade Receivables [A + B]	387.3	376.0

Notes forming part of the Financial Statements as at and for the year ended 31st March, 2021

9(a). Cash and Cash Equivalents

	<u>31st March, 2021</u>	<u>31st March, 2020</u>
	(₹ in million)	(₹ in million)
Balances with Banks		
— in Current Accounts	62.7	119.1
— Deposits with original maturity of less than 3 months	620.0	672.1
Cash on Hand	*	—
Total Cash and Cash Equivalents	<u>682.7</u>	<u>791.2</u>

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

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

	<u>31st March, 2021</u>	<u>31st March, 2020</u>
	(₹ in million)	(₹ in million)
Earmarked balances with banks		
— Unpaid Dividend Accounts	14.7	15.2
Bank deposits with maturity of more than 3 months but less than 12 months	4,291.4	5,012.7
Total Other Bank Balances	<u>4,306.1</u>	<u>5,027.9</u>

10. Other Current Assets

	<u>31st March, 2021</u>	<u>31st March, 2020</u>
	(₹ in million)	(₹ in million)
Balances with Government Authorities	735.8	734.5
Others		
— Advances to Vendors	16.4	20.1
— Advances to Provident Fund Trust	140.0	—
— Prepayment	24.9	70.8
— Advances to Employees	0.9	2.3
Total Other Current Assets	<u>918.0</u>	<u>827.7</u>

11. Assets held for sale

	<u>31st March, 2021</u>	<u>31st March, 2020</u>
	(₹ in million)	(₹ in million)
Building [Refer Note 2]#	9.1	10.2
Total Assets held for sale	<u>9.1</u>	<u>10.2</u>

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

The Company has sold 1 residential flat during the year (previous year NIL), the resultant gain in respect of which is recognised in the Statement of Profit and Loss [Refer Note 19].

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

Notes forming part of the Financial Statements as at and for the year ended 31st March, 2021

12. Equity Share Capital

	Number of shares	Amount (₹ in million)		
Authorised Share Capital				
As at 1 st April, 2019 (Equity Shares of ₹ 5 each)	64,000,000	320.0		
Increase/(decrease) during the year	—	—		
As at 31 st March, 2020 (Equity Shares of ₹ 5 each)	64,000,000	320.0		
Increase/(decrease) during the year	—	—		
As at 31st March, 2021 (Equity Shares of ₹ 5 each)	64,000,000	320.0		
Issued, Subscribed and Fully Paid-up Equity Share Capital				
As at 1 st April, 2019 (Equity Shares of ₹ 5 each)	24,690,797	123.4		
Increase/(decrease) during the year	—	—		
As at 31 st March, 2020 (Equity Shares of ₹ 5 each)	24,690,797	123.4		
Increase/(decrease) during the year	—	—		
As at 31st March, 2021 (Equity Shares of ₹ 5 each)	24,690,797	123.4		
(i) Reconciliation of the number of shares outstanding at the beginning and at the end of the reporting period				
As at 1 st April, 2019 (Equity Shares of ₹ 5 each)	24,690,797			
Movement during the year	—			
As at 31 st March, 2020 (Equity Shares of ₹ 5 each)	24,690,797			
Movement during the year	—			
As at 31st March, 2021 (Equity Shares of ₹ 5 each fully paid-up)	24,690,797			
(ii) Rights, Preferences and Restrictions:				
The Company has only one class of shares i.e. Equity Shares having a face value of ₹ 5 each. Every member present in person or by proxy shall on show of hands have one vote and upon a poll, the voting right shall be in proportion to his share of the paid up equity share capital of the Company. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting, except in case of interim dividend. In the event of liquidation, the equity shareholders are eligible to receive the remaining assets of the Company after distribution of all preferential amounts, in proportion to their shareholding.				
(iii) Other details of equity shares for a period of five years immediately preceding 31st March, 2020				
The Company has neither allotted equity shares as fully paid up pursuant to contract(s) without payment being received in cash nor has the Company allotted equity shares as fully paid up bonus shares.				
Aggregate number of equity shares bought back: 7,270,000 (up to 31 st March, 2020: 7,270,000)				
(iv) Shares of the Company Held by Holding Company and Ultimate Holding Company				
	31st March, 2021	31st March, 2020		
	No. of Shares	No. of Shares		
Novartis AG, Basel, Switzerland	17,450,680	17,450,680		
(v) Details of Shareholders Holding more than 5% Shares in the Company				
	31st March, 2021		31st March, 2020	
	No. of Shares	% of Holding	No. of Shares	% of Holding
Novartis AG, Basel, Switzerland (Holding Company and Ultimate Holding Company)	17,450,680	70.68%	17,450,680	70.68%

Notes forming part of the Financial Statements as at and for the year ended 31st March, 2021

13. Other Equity

	31st March, 2021	31st March, 2020
	(₹ in million)	(₹ in million)
Capital Redemption Reserve	36.4	36.4
Share Options Outstanding Account	(29.5)	(32.9)
Retained Earnings	6,981.6	7,080.4
Total Other Equity	6,988.5	7,083.9

Nature and Purpose of Other Equity

Capital Redemption Reserve

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

Share Options Outstanding Account

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

	31st March, 2021	31st March, 2020
	(₹ in million)	(₹ in million)
(i) Capital Redemption Reserve		
Opening Balance	36.4	36.4
Movement during the year	—	—
Closing Balance	36.4	36.4
(ii) Share Options Outstanding Account		
Opening Balance [Refer Note 34]	(32.9)	(42.5)
Add-Amount recharged by Group Company (net)	(14.0)	(27.2)
Less-Amount charged to Statement of Profit and Loss (net) [Refer Note 21]	17.4	36.8
Closing Balance	(29.5)	(32.9)
(iii) Retained Earnings		
Opening Balance	7,080.4	7,474.6
Profit for the year	209.0	100.8
Other Comprehensive Income (net of tax)	(60.9)	(197.3)
Total Comprehensive Income/(Loss) for the year	148.1	(96.5)
Payment of Dividends [including Dividend Distribution Tax of ₹ NIL (previous year ₹ 50.8 million)]	(246.9)	(297.7)
Closing Balance	6,981.6	7,080.4

Dividends

Particulars	31st March, 2021	31st March, 2020
	(₹ in million)	(₹ in million)
Equity shares		
Final dividend for the year ended 31 st March, 2020 of ₹ 10 per fully paid share (31 st March, 2019 of ₹ 10 per fully paid share)	246.9	246.9
Dividends not recognised at the end of the reporting period		
In addition to the above dividends, since year end the directors have recommended the payment of a final dividend of ₹ 10 per share (Previous year ₹ 10 per share). This proposed dividend is subject to the approval of shareholders in the ensuing annual general meeting.	246.9	246.9

Notes forming part of the Financial Statements as at and for the year ended 31st March, 2021

14. Financial Liabilities

14(a). Other Financial Liabilities

	31 st March, 2021	31 st March, 2020
	(₹ in million)	(₹ in million)
Non-Current		
Security Deposits	15.7	17.3
Total Other Non-Current Financial Liabilities	15.7	17.3
Current		
Unpaid Dividends @	14.7	15.2
Payable to Related Parties [Refer Note 31]	209.1	933.2
Others (mainly, payable to employees)	224.6	157.9
Total Other Current Financial Liabilities	448.4	1,106.3

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

14(b). Trade Payables

Current		
Total outstanding dues of micro enterprises and small enterprises [Refer Note 27]	9.4	7.7
Total outstanding dues of creditors other than micro enterprises and small enterprises		
– Related Parties [Refer Note 31]	179.0	314.0
– Others	363.6	404.3
Total Trade Payables	552.0	726.0

15. Provisions

	31 st March, 2021		31 st March, 2020	
	(₹ in million)	(₹ in million)	(₹ in million)	(₹ in million)
	Current	Non-current	Current	Non-current
Employee Benefit Obligations [Refer Note 15(a)]				
Gratuity	29.9	160.6	29.1	166.8
Leave Obligations	21.2	204.1	14.4	190.9
Non-Contractual Pension Plan	—	0.2	—	0.6
Post Retirement Medical Benefits	5.7	94.8	4.7	77.2
Long Term Service Awards	1.7	18.3	2.2	15.6
Voluntary Retirement Costs	0.2	—	1.7	—
Provident Fund	39.2	330.0	24.7	208.2
	97.9	808.0	76.8	659.3
Provision for Non-saleable Sales Returns [Refer Note 7 and Note 26]	53.2	—	64.8	—
Provision for Contingencies [Refer Note 26]				
For Indirect Tax matters	30.4	—	19.2	—
For Legal Case	37.8	—	24.5	—
Total Provisions	219.3	808.0	185.3	659.3

Notes forming part of the Financial Statements as at and for the year ended 31st March, 2021

15(a). Employee Benefit Obligations

(i) Defined Contribution Plans:

The Company's contribution to Superannuation Fund and Employees' Pension Scheme aggregating ₹ 22.7 million (Previous year - ₹ 21.8 million) has been recognised as expense in the Statement of profit and loss for the year under the head Employee Benefits Expense [Refer Note 21].

(ii) Defined Benefit Plans:

General Description of Defined Benefit Plans:

(a) Gratuity

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

(b) Provident Fund

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

(c) Non-Contractual Pension Plan

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

(d) Post Retirement Medical Benefits (PRMB)

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

As per actuarial valuation as on 31st March, 2021 and 31st March, 2020 :

(₹ in million)

Particulars	Gratuity		Provident Fund		Non Contractual Pension Plan		Post Retirement Medical Benefits	
	2021	2020	2021	2020	2021	2020	2021	2020
I. Expense recognised in the Statement of Profit and Loss for the year ended 31st March:								
1. Current service cost	24.7	22.5	54.0	55.9	3.2	3.3	2.3	1.3
2. Net interest on net defined benefit liability/ (asset)	11.9	8.2	13.6	(0.4)	(0.2)	(0.2)	6.2	4.8
3. Other adjustments	—	—	—	—	—	—	23.0	—
	36.6	30.6	67.6	55.5	3.0	3.1	31.5	6.1
II. Recognised in other comprehensive income for the year								
1. Return on plan assets	(6.7)	24.6	(5.2)	225.5	0.3	2.8	—	—
2. Actuarial (Gain)/Loss on account of:								
— Financial Assumptions	(6.0)	30.8	109.7	38.8	0.1	0.2	(2.6)	8.4
— Experience Adjustments	(14.1)	(2.3)	11.5	(68.4)	0.4	(2.4)	(5.8)	5.7
— Demographic Assumptions	—	—	—	—	—	—	—	—
	(26.8)	53.1	116.0	195.9	0.8	0.6	(8.4)	14.1

Notes forming part of the Financial Statements as at and for the year ended 31st March, 2021

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

As per actuarial valuation as on 31st March, 2021 and 31st March, 2020 :

(₹ in million)

Particulars	Gratuity		Provident Fund		Non Contractual Pension Plan		Post Retirement Medical Benefits	
	2021	2020	2021	2020	2021	2020	2021	2020
III. Net Asset/(Liability) recognised in the Balance Sheet as at 31st March								
1. Present value of defined benefit obligation as at 31 st March	449.5	432.4	1,992.5	1,709.7	175.1	158.9	100.2	81.9
2. Fair value of plan assets as at 31 st March	259.0	236.5	1,623.1	1,476.8	174.8	158.3	—	—
3. Surplus/(Deficit)	(190.6)	(195.9)	(369.4)	(232.9)	(0.2)	(0.6)	(100.2)	(81.9)
4. Current portion of the above	(29.9)	(29.1)	(39.2)	(24.7)	—	—	(5.7)	(4.7)
5. Non current portion of the above	(160.7)	(166.8)	(330.2)	(208.2)	(0.2)	(0.6)	(94.8)	(77.2)
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	432.4	372.7	1,709.7	1,632.1	158.9	146.9	81.9	67.1
2. Expenses Recognised in Profit and Loss Account								
— Current Service Cost	24.7	22.5	54.0	55.9	3.2	3.3	2.3	1.3
— Interest Expense (Income)	27.5	26.5	108.1	133.6	10.5	10.9	6.2	4.8
— Adjustment on account of Transfer of Employees	—	—	10.8	19.9	—	—	—	—
— Other adjustment	—	—	—	20.9	—	—	—	—
3. Remeasurement gains / (losses)								
— Actuarial Gain (Loss) arising from:								
i. Financial Assumptions	(6.0)	30.8	109.7	38.8	0.1	0.2	(2.7)	8.4
ii. Experience Adjustments	(14.1)	(2.3)	11.5	(68.4)	0.4	(2.4)	(5.8)	5.7
iii. Demographic Assumptions	—	—	—	—	—	—	—	—
4. Benefit payments								
— paid by Company	—	—	—	—	(0.6)	(0.2)	(4.7)	(5.4)
— paid from planned assets	(15.0)	(17.8)	(97.5)	(207.4)	(1.0)	(3.2)	23.0	—
5. Employee Contributions	—	—	86.2	84.3	3.6	3.4	—	—
6. Present value of defined benefit obligation at the end of the year	449.5	432.4	1,992.5	1,709.7	175.1	158.9	100.2	81.9
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	236.5	248.4	1,476.8	1,597.4	158.3	146.4	—	—
2. Interest on plan assets	15.6	18.4	94.5	134.0	10.6	11.1	—	—
3. Acquisition adjustments	—	—	10.8	19.9	—	—	—	—
4. Other adjustments	—	—	—	26.7	—	—	—	—
5. Remeasurement gains / (losses)								
— Actual return on plan assets	6.7	(24.6)	5.2	(225.5)	(0.3)	(2.8)	—	—
6. Employer Contribution	15.2	12.1	47.1	47.3	3.6	3.4	—	—
7. Employee Contribution	—	—	86.2	84.3	3.6	3.4	—	—
8. Benefit payments	(15.0)	(17.8)	(97.6)	(207.4)	(1.0)	(3.2)	—	—
9. Fair value of plan assets at the end of the year	259.0	236.5	1,623.1	1,476.8	174.8	158.3	—	—

Notes forming part of the Financial Statements as at and for the year ended 31st March, 2021

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

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

Particulars	(₹ in million)			
	Gratuity	Provident Fund	Non Contractual Pension Plan	Post Retirement Medical Benefits
31st March, 2020				
Present value of funded obligations	432.4	1,709.7	158.9	81.9
Fair value of plan assets	236.5	1,476.8	158.3	—
Deficit of funded plan	195.9	232.8	0.6	81.9
Unfunded plans	—	—	—	—
Deficit	195.9	232.8	0.6	81.9
31st March, 2021				
Present value of funded obligations	449.5	1,992.5	175.1	100.2
Fair value of plan assets	259.0	1,623.1	174.8	—
Deficit of funded plan	190.6	369.4	0.2	100.2
Unfunded plans	—	—	—	—
Deficit	190.6	369.4	0.2	100.2

Significant estimates: Actuarial assumptions and sensitivity

The significant weighted actuarial assumptions are as follows:

Particulars	31 st March, 2021	31 st March, 2020
Discount rate	6.60%	6.60%
Salary growth rate	9% for first two years, 10% thereafter	10.00%
Medical inflation rate	8.00%	10% for first three years, 8% thereafter
Mortality table		
In Service Mortality rate	IALM (2006-08) uit	IALM (2006-08) uit
Post Retirement Mortality	Annuitants Mortality (96-98) with suitable improvement	Annuitants Mortality (96-98) with suitable improvement
Withdrawal rates		
Officers		
Less than 5 years	20%	20%
5-10 years	15%	15%
Above 10 years	5%	5%
Non Officers		
Less than 5 years	14%	14%
5-10 years	5%	5%
Above 10 years	5%	5%

Sensitivity analysis

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

(₹ in million)

Particulars	Gratuity Scheme (LIC)		Gratuity Scheme (In house Fund)		Non Contractual Pension Plan		Post Retirement Medical Benefits	
	Change in assumptions		Change in assumptions		Change in assumptions		Change in assumptions	
	31 st March, 2021	31 st March, 2020	31 st March, 2021	31 st March, 2020	31 st March, 2021	31 st March, 2020	31 st March, 2021	31 st March, 2020
Discount rate								
Increase by 0.25%	(9.1)	(8.9)	(1.1)	(1.2)	(*)	(*)	(2.7)	(2.2)
Decrease by 0.25%	9.5	9.2	1.1	1.2	*	*	2.8	2.3
Salary growth rate								
Increase by 0.25%	8.4	8.1	0.4	0.5	—	—	—	—
Decrease by 0.25%	(8.1)	(7.9)	(0.4)	(0.5)	—	—	—	—
Withdrawal Rate								
Increase by 5%	(29.1)	(29.1)	1.7	1.7	(*)	(*)	(11.7)	(9.5)
Decrease by 5%	55.2	56.3	(2.4)	(2.5)	*	*	11.6	19.1
Medical Inflation								
Increase by 1%	—	—	—	—	—	—	9.5	7.4
Decrease by 1%	—	—	—	—	—	—	(8.0)	(6.2)

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

Notes forming part of the Financial Statements as at and for the year ended 31st March, 2021

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

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

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

Expected aggregate contributions to post employment benefit plans for the year ending 31 March, 2021 are ₹ 84.4 million.

Maturity profile of defined benefit obligation

	(₹ in million)			
	Less than a Year	Between 1-2 years	Between 2-5 years	Between 5-10 years
1st April, 2020				
Gratuity	29.1	34.2	118.6	198.5
Pension	0.5	—	0.1	—
Post Retirement Medical Benefits	4.9	5.1	16.9	32.4
Total	34.5	39.4	135.6	230.9
31st March, 2021				
Gratuity	29.8	40.2	120.9	200.4
Pension	—	0.1	0.8	—
Post Retirement Medical Benefits	5.9	6.3	20.5	39.4
Total	35.7	46.6	142.2	239.8

Risk exposure

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

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

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

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

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

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

	31 st March, 2021		31 st March, 2020	
Major category of plan assets are as follows	Amount	in %	Amount	in %
Government Bonds	804.4	39.10%	735.1	39.28%
Debt Instruments	390.6	18.99%	—	0.00%
Investment funds	90.6	4.40%	—	0.00%
Insurer Managed Funds	361.9	17.59%	335.2	17.91%
Special Deposit scheme (including Cash, FD's & special deposit)	409.6	19.91%	426.0	22.76%
Mutual Fund	—	0.00%	40.3	2.16%
Others	—	0.00%	—	0.00%
Public Sector Units Bonds	—	0.00%	334.9	17.89%
	2,057.1	100.00%	1,871.5	100.00%

Notes forming part of the Financial Statements as at and for the year ended 31st March, 2021

16. Current Tax Liabilities (Net)

	<u>31st March, 2021</u>	<u>31st March, 2020</u>
	(₹ in million)	(₹ in million)
Provision for tax [net of advance tax ₹ 1,983.1 million (As at 31 st March, 2020 ₹ 1,841.4 million)]	121.8	86.7
Total Current Tax Liabilities (Net)	<u>121.8</u>	<u>86.7</u>

17. Other Current Liabilities

	<u>31st March, 2021</u>	<u>31st March, 2020</u>
	(₹ in million)	(₹ in million)
Income Received in Advance	—	4.6
Advances from Customers	15.0	16.6
Others		
— Statutory Dues (Contributions to PF, PT, Withholding Taxes, GST etc.)	106.0	84.1
Total Other Current Liabilities	<u>121.0</u>	<u>105.3</u>

18. Revenue from Operations

	<u>31st March, 2021</u>	<u>31st March, 2020</u>
	(₹ in million)	(₹ in million)
Sale of Products	3,564.6	3,996.5
Sale of Services	91.5	117.0
Other Operating Revenue		
Commission Income	157.4	261.2
Co-Marketing Fees	—	7.8
Total Revenue from Operations	<u>3,813.5</u>	<u>4,382.5</u>

19. Other Income

	<u>31st March, 2021</u>	<u>31st March, 2020</u>
	(₹ in million)	(₹ in million)
Interest Income		
On Bank Deposits (at amortised cost)	183.0	353.9
From Customers (at amortised cost)	1.4	2.3
On Income Tax Refund of earlier years	57.3	0.4
Other Non-operating Income		
Unwinding of Discount on Security Deposits	2.8	2.7
Insurance Claims	0.5	—
Credit Balances Written-Back	19.4	0.2
Facility Usage charges	21.0	—
Gain on sale of Property, Plant and Equipment (net)	0.6	—
Gain on sale of residential property held for sale (net) [Refer Note 11]	44.9	—
Miscellaneous Income	—	1.9
Total Other Income	<u>330.9</u>	<u>361.4</u>

20. Changes in Inventories of Stock-in-trade

	<u>31st March, 2021</u>	<u>31st March, 2020</u>
	(₹ in million)	(₹ in million)
Opening Stock		
Stock-in-Trade	586.8	605.1
Total Opening Stock	<u>586.8</u>	<u>605.1</u>
Closing Stock		
Stock-in-Trade	(479.5)	(586.8)
Total Closing Stock	<u>(479.5)</u>	<u>(586.8)</u>
Total Changes in Inventories of Stock-in-trade	<u>107.3</u>	<u>18.3</u>

Notes forming part of the Financial Statements as at and for the year ended 31st March, 2021

21. Employee Benefits Expense

	<u>31st March, 2021</u>	<u>31st March, 2020</u>
	(₹ in million)	(₹ in million)
Salaries and Wages	887.3	941.6
Contributions to Provident and Other Funds [Refer Note 15(a)]	90.5	77.1
Contributions to Gratuity Fund [Refer Note 15(a)]	36.6	30.6
Share Based Payments [Refer Note 34]	17.4	36.8
Staff Welfare Expenses [Refer Note 15(a)]	53.3	52.6
Total Employee Benefits Expense	<u>1,085.1</u>	<u>1,138.7</u>

22. Finance Costs

	<u>31st March, 2021</u>	<u>31st March, 2020</u>
	(₹ in million)	(₹ in million)
Interest on		
Income-tax	11.4	—
Lease liabilities (at amortised cost)	64.6	62.9
Security Deposits (at amortised cost)	0.8	1.0
Total Finance Costs	<u>76.8</u>	<u>63.9</u>

23. Depreciation and Amortisation Expense

	<u>31st March, 2021</u>	<u>31st March, 2020</u>
	(₹ in million)	(₹ in million)
Depreciation and Amortisation of Property, Plant and Equipment	31.2	38.9
Depreciation of Right-of-Use Assets [Refer Note 32]	90.4	92.5
Total Depreciation and Amortisation Expense	<u>121.6</u>	<u>131.4</u>

24(a). Other Expenses*

	<u>31st March, 2021</u>		<u>31st March, 2020</u>	
	(₹ in million)	(₹ in million)	(₹ in million)	(₹ in million)
Power and Fuel		5.3		12.7
Rent [Refer Note 32]		4.0		6.1
Repairs and Maintenance				
Buildings	—		2.0	
Others	1.2	1.2	1.2	3.2
Insurance		4.2		1.6
Rates and Taxes		41.0		13.0
Legal and Professional Charges		39.9		60.4
Travelling and Conveyance		16.3		123.9
Other Outside Services		333.9		358.7
Auditors' Remuneration [Refer Note 24(b)]		10.5		10.0
Expenditure towards Corporate Social Responsibility Activities [Refer Note 24(c)]		17.3		20.0
Freight, Forwarding and Distribution		299.7		402.4
Loss on Sale/Disposal of Property, Plant and Equipment (net)		—		0.4
Advertisement and Sales Promotion		98.0		137.5
Printing, Postage and Telephones		9.5		14.5
Commission to Independent Directors		3.0		3.0
Directors Sitting fees		1.1		1.5
Royalty		30.1		30.4
Bad Debts and Advances Written Off	1.1		2.9	
Less: Provision held	(1.1)	—	(2.9)	—
Provision for Doubtful Debts, Advances and Deposits		1.0		2.8
Provisions for Contingencies [Refer Note 26]		1.6		1.6
Net Loss on Foreign Currency Transactions and Translation		1.4		19.1
Miscellaneous Expenses		75.3		77.5
Total Other Expenses		<u>994.3</u>		<u>1,300.3</u>

*Net of expenses recharged to other companies [Refer Note 31]

Notes forming part of the Financial Statements as at and for the year ended 31st March, 2021

24(b). Auditors' Remuneration

	<u>31st March, 2021</u>	<u>31st March, 2020</u>
	(₹ in million)	(₹ in million)
Payment to Auditors		
As auditor:		
Audit Fees	9.0	8.4
Tax Audit Fees	1.3	1.3
Reimbursement of Expenses	0.2	0.3
Total Payments to Auditors	<u><u>10.5</u></u>	<u><u>10.0</u></u>

24(c). Expenditure towards Corporate Social Responsibility Activities

	<u>31st March, 2021</u>	<u>31st March, 2020</u>
	(₹ in million)	(₹ in million)
Amount spent during the year on:		
(i) Donations	8.9	12.2
(ii) Expenditure on maintenance of gardens	0.9	0.8
(iii) Expenditure on health awareness	7.5	7.0
Total	<u><u>17.3</u></u>	<u><u>20.0</u></u>
Gross amount required to be spent as per Section 135 of the Act	15.3	19.9
Amount spent during the year on		
(i) Construction/acquisition of an asset	—	—
(ii) On purposes other than (i) above	17.3	20.0

25. Contingent Liabilities and Commitments

	<u>31st March, 2021</u>	<u>31st March, 2020</u>
	(₹ in million)	(₹ in million)
A Contingent Liabilities		
Claims against the Company not acknowledged as debt*		
Income-Tax matters		
(i) Matters decided in favor of the Company but disputed further by the income-tax authorities	18.9	18.9
(ii) Matters decided against the Company in respect of which the Company has preferred an appeal	115.0	115.0
(iii) Tax demands by assessing officer in respect of which Company has preferred an appeal	3,052.0	2,492.0
Sales Tax matters	571.2	702.3
Service Tax matters	27.7	4.9
Excise matters	2.4	3.0
Drug Price Control Order 2013 [Refer Note 35]	416.2	416.2
Claims from third party manufacturer in respect of Excise matters	55.2	49.4
Others	2.1	2.1

Note:

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

*Including Interest and Penalty, where applicable.

B Commitments

- (i) Amount of future minimum lease payments under non-cancellable operating lease is ₹ 52.9 million (Previous year ₹ 259.2 million)

Notes forming part of the Financial Statements as at and for the year ended 31st March, 2021

26. Provisions

	31st March, 2021	31st March, 2020
	(₹ in million)	(₹ in million)
(i) Provision for Non-saleable Sales Returns		
As at 1 st April	64.8	79.3
Provision made during the year	51.3	30.5
Amounts used during the year	(62.9)	(45.0)
As at 31 st March	<u>53.2</u>	<u>64.8</u>
(ii) Provision for Contingencies		
As at 1 st April	43.7	42.1
Provision made during the year	24.5	1.6
Amounts used during the year	—	—
As at 31 st March	<u>68.2</u>	<u>43.7</u>

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

Provision for Contingencies: Provision for pricing matter and sales tax matters made for probable liabilities/claims arising out of pending disputes, litigations/commercial transactions with statutory authorities/third parties.

- 27.** Disclosures as required under section 22 of the Micro, Small and Medium Enterprises Development Act, 2006. This information and that given in Note 14(b) - Trade Payables regarding Micro and Small Enterprises has been determined to the extent such parties have been identified on the basis of information available with the Company. This has been relied upon by the auditors.

	31st March, 2021	31st March, 2020
	(₹ in million)	(₹ in million)
(a) The principal amount and the interest due thereon remaining unpaid to suppliers		
(i) Principal	9.4	7.7
(ii) Interest	*	*
	<u>9.4</u>	<u>7.7</u>
(b) The amount of interest paid by the buyer in terms of Section 16 of Micro, Small and Medium Enterprises Development Act, 2006 (27 of 2006) along with the amount of the payment made to the supplier beyond the appointed day during the year		
(i) Principal	35.3	65.3
(ii) Interest	—	—
(c) The amount of interest due and payable for the period of delay in making payment (which has been paid but beyond the appointed day during the year) but without adding the interest specified	0.2	1.0
(d) The amount of interest accrued and remaining unpaid at the end of the year	9.9	9.7

Notes forming part of the Financial Statements as at and for the year ended 31st March, 2021

- (e) The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise for the purpose of disallowance as a deductible expenditure under Section 23 of Micro, Small and Medium Enterprises Development Act, 2006.

1.5

—

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

28. Tax expense

	31st March, 2021	31st March, 2020
	(₹ in million)	(₹ in million)
(a) Tax expense		
Current tax		
In respect of the current year	178.9	119.7
In respect of the prior years *	47.3	32.5
Total current tax expense	226.2	152.2
Deferred tax	(34.8)	33.4
Total deferred tax expense	(34.8)	33.4
Tax expense recognised in profit or loss	191.4	185.6

* Represents tax adjustments in respect of orders received.

	31st March, 2021	31st March, 2020
	(₹ in million)	(₹ in million)
(b) The Income tax expense for the year can be reconciled to the accounting profit as follows:		
Profit before tax	400.4	286.4
Income Tax expense*	100.8	72.1
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
Effect of expenses that are not deductible in determining taxable profit	40.4	27.3
Other items	2.9	(6.2)
Effect on deferred tax balance due to change in income tax rate from 34.944% to 25.168% (effective 1 st April, 2019)	—	59.9
Adjustments for current tax of prior years (net)	47.3	32.5
Income tax expense	191.4	185.6

* The tax rate used for the FY 2020-21 and FY 2019-20 reconciliations above is the corporate tax rate of 25.168% payable by corporate entities in India on taxable profit under the Indian tax law.

Consequent to election by the Company to exercise the option permitted u/s 115BAA of the Income- tax Act, 1961 as introduced by the Taxation Laws (Amendment) Ordinance, 2019, during the previous year ended 31st March, 2020, the Company had re-measured its net Deferred Tax Assets, as at 1st April, 2019, basis the rate prescribed in the said section. The full impact of this change was recognized in the Statement of Profit and Loss for the year ended 31st March, 2020.

Notes forming part of the Financial Statements as at and for the year ended 31st March, 2021

	31 st March, 2021	31 st March, 2020
	(₹ in million)	(₹ in million)
(c) Income tax recognised in Other Comprehensive Income		
Deferred Tax		
Arising on amounts recognised in Other Comprehensive Income		
— Remeasurements of Defined Benefit Plans	20.5	66.4
	<u>20.5</u>	<u>66.4</u>

29. Segment Information

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

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

	31 st March, 2021	31 st March, 2020
	(₹ in million)	(₹ in million)
Contracted Price	4,288.4	4,940.9
Less: Trade discounts, free goods etc	(723.8)	(944.4)
Sale of Products	<u>3,564.6</u>	<u>3,996.5</u>

31. Related Party Disclosures

(A) Enterprise where control exists

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

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

(i) Fellow Subsidiaries Novartis Pharma Services INC, Kenya
Novartis Healthcare Private Limited, India
Novartis Asia Pacific Pharmaceutical Pte Ltd, Singapore
Novartis Holding AG, Switzerland
Novartis Pharma AG, Switzerland
Novartis Pharmaceuticals Corporation Inc., USA
Novartis Institutes for Biomedical Research Co. Ltd, China
Sandoz Private Limited, India

(ii) List of other related parties (Post-employment benefit plan of Novartis India Limited)
Novartis India Limited Employees' Provident Fund
Novartis India Limited Superannuation Fund

(C) Key Management Personnel

M. Paleja (upto 31st May, 2019)
S. Murdeshwar (w.e.f. 15th June, 2019)
Dr. R. Mehrotra @ (upto 31st March, 2020)
C. Snook
J. Hiremath @
S. Martyres @
Sanker Parmeswaran @ (w.e.f. 22nd June, 2020)
Monaz Noble*

@ Independent Directors

* Non Independent Non Executive Director

Notes forming part of the Financial Statements as at and for the year ended 31st March, 2021

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

	<u>31st March, 2021</u>	<u>31st March, 2020</u>
	(₹ in million)	(₹ in million)
(a) Holding Company and Ultimate Holding Company		
Dividend paid	174.5	174.5
Royalty Expense	30.1	30.4
Balance as at the year end —		
Outstanding Payable	33.0	101.4
(b) Fellow Subsidiaries		
	<u>31st March, 2021</u>	<u>31st March, 2020</u>
	(₹ in million)	(₹ in million)
Purchases of Stock-in-Trade		
Novartis Pharma AG	550.7	677.0
	550.7	677.0
Sale of Services		
Novartis Healthcare Private Limited	59.1	47.5
Novartis Pharma AG	—	22.8
Sandoz Private Limited	32.4	28.5
Novartis Asia Pacific Pharmaceutical Pte Limited	—	0.7
Novartis Pharma Services INC	—	17.2
Novartis Institutes for Biomedical Research Co. Ltd	—	0.3
	91.5	117.0
Commission Income		
Novartis Healthcare Private Limited	157.4	261.2
	157.4	261.2
Facility Usage charges recovery		
Novartis Healthcare Private Limited	21.0	—
	21.0	—
Credit Balances Written-Back		
Sandoz Private Limited	4.4	—
	4.4	—
Services Availed		
Novartis Healthcare Private Limited	30.8	44.2
Novartis Pharma AG	2.1	2.0
	32.9	46.2
Purchase of Restricted Shares of Novartis AG on behalf of employees of the Company by		
Novartis Holding AG	14.0	27.2
	14.0	27.2
Forfeiture of Restricted Shares of Novartis AG by		
Novartis Holding AG	1.8	—
	1.8	—

Notes forming part of the Financial Statements as at and for the year ended 31st March, 2021

(b) Fellow Subsidiaries (contd.)

	31st March, 2021	31st March, 2020
	(₹ in million)	(₹ in million)
Expenses paid by Company on behalf of the related party		
Novartis Healthcare Private Limited	—	4.4
Novartis Pharma Services INC	40.8	—
Sandoz Private Limited	0.2	0.5
	41.0	4.9
Expenses paid by the related party on behalf of the Company		
Sandoz Private Limited	0.4	1.1
Novartis Asia Pacific Pharmaceutical Pte Ltd	1.0	0.6
	1.4	1.7
	31st March, 2021	31st March, 2020
	(₹ in million)	(₹ in million)
Balances as at the year end –		
Outstanding Receivables		
Novartis Healthcare Private Limited	261.5	112.1
Novartis Pharma AG	300.5	317.7
Sandoz Private Limited	17.3	9.4
Novartis Pharma Services INC	14.6	7.1
	593.9	446.6
Outstanding Payables		
Novartis Healthcare Private Limited	195.4	956.3
Novartis Holding AG	14.2	26.3
Novartis Asia Pacific Pharmaceutical Pte Ltd	—	0.6
Novartis Pharma AG	145.5	154.1
Sandoz Private Limited	—	8.5
	355.1	1,145.8

(c) Post Employment Benefit Plans of Novartis India Limited

	31st March, 2021	31st March, 2020
	(₹ in million)	(₹ in million)
Contribution to In-house Trust for Post Employment Benefits		
Novartis India Limited Employees' Provident Fund	47.1	47.3
Novartis India Limited Superannuation Fund	0.3	0.3
	47.4	47.6

Notes forming part of the Financial Statements as at and for the year ended 31st March, 2021

	31st March, 2021	31st March, 2020
	(₹ in million)	(₹ in million)
Advances to Novartis India Limited Employees' Provident Fund	140.0	—
	140.0	—
Balances as at the year end -		
Advances to		
Novartis India Limited Employees' Provident Fund	140.0	—
	140.0	—

(d) Key Management Personnel Compensation

	31st March, 2021	31st March, 2020
	(₹ in million)	(₹ in million)
Short-term employee benefits	7.2	10.7
Post-employment benefits	—	0.1
Other long-term benefits	—	0.8
Commission to Independent Directors	3.0	3.0
Sitting fees to Independent Directors	1.1	1.5
Total compensation	11.3	16.1

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 except as disclosed above.
- 2) Outstanding balances at the year-end are unsecured and interest free and settlement occurs in cash.

32. Disclosures required under Ind AS 116 "Leases"

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

	31st March, 2021	31st March, 2020
	(₹ in million)	(₹ in million)
Depreciation charge for right-of-use assets	90.4	92.5
Expense relating to leases of low-value assets accounted for on straight line basis (included in Rent expense in Note 24)	—	3.0
Total cash outflow for leases	120.3	115.2
Maturity analysis of lease liabilities (on undiscounted basis):		
not later than one month;	10.6	9.6
later than one month and not later than three months;	21.1	19.2
later than three months and not later than one year;	95.3	89.6
later than one year and not later than five years; and	509.2	509.3
later than five years	223.2	353.9
Weighted average incremental borrowing rate applied to lease liabilities recognised in the balance sheet at the date of initial application	9.78%	9.75%

Notes forming part of the Financial Statements as at and for the year ended 31st March, 2021

General description of significant leasing agreements

- (i) Refundable interest free deposits have been given under lease agreements.
- (ii) Some of the agreements provide for increase in rent.
- (iii) Some of the agreements provide for early termination by either party with a specified notice period / renewal with conditions.

33. 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:

	<u>31st March, 2021</u>	<u>31st March, 2020</u>
(a) Basic & diluted earnings per share:-		
From operations attributable to the equity holders of the Company (in ₹)	8.46	4.08
(b) Earnings used in calculation of basic & diluted earnings per share		
Profit for the year attributable to the equity shareholders of the Company (in ₹ million)	209.0	100.8
(c) Weighted average number of equity shares used as the denominator in calculating basic & diluted earnings per share (number of shares)	24,690,797	24,690,797

34. Disclosures for Employee Share Based Payments

The Company offers its employees, share based payments in the form of a "Select" plan. The Equity Plan "Select" is a global equity incentive plan for eligible employees. This plan allows its participants to choose the form of their equity compensation in 'Restricted Shares' or 'Tradable Options' of the ultimate holding company, Novartis AG, Basel. The "Select" plan of the ultimate holding company is being managed and administered by the group company, Novartis Holding AG and the Company is compensating Novartis Holding AG for the Restricted Shares or Tradable Options acquired towards the grants made to the employees and accordingly these costs are being reflected in the financial statements.

There are two schemes under which employees are granted stock options:

- (A) Tradable Stock Options, as per which the employee can sell the options to market maker once it is vested. Tradable Options have a contractual life of 10 years from the date of grant.

There were no tradable stock options outstanding as at 31st March, 2021 and 31st March, 2020 and no tradable stock options were granted during both these financial years.

- (B) Restricted Shares are the shares of its ultimate holding company. These do not have voting rights until vested to employees. There is no time limit to sell the Restricted Shares once these are vested.

Restricted Shares

	<u>31st March, 2021</u>	<u>31st March, 2020</u>
Type of Arrangement		
(i) Date of Grant	@	\$
(ii) Numbers Granted	2,000	4,117
(iii) Vesting Conditions	3 years	3 years
@ 20 th January, 2021		
\$ 23 rd April, 2019, 27 th March, 2020		

Notes forming part of the Financial Statements as at and for the year ended 31st March, 2021

	31st March, 2021	31st March, 2020
(i) Balance at the beginning of the year	10,402	12,631
(ii) Granted	2,000	4,117
(iii) Grants forfeited	289	—
(iv) Grants vested	4,116	6,346
(v) Balance at the end of the year	7,997	10,402
(vi) Weighted average remaining contractual life of Restricted Shares outstanding at end of period	1.63 years	1.38 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/(credit) arising from share-based payment transactions recognised in profit or loss as part of employee benefit expense is as follows:

Particulars	31st March, 2021	31st March, 2020
	(₹ in million)	(₹ in million)
Restricted Stock Units	17.4	36.8
Total employee share based payment expense/(credit)	17.4	36.8

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

During the pendency of the Writ Petition, the NPPA issued a Show Cause Notice dated 24th September, 2014 to the Company alleging over charge on sales of Voveran 50 GE Tablets by the Company. The Company responded to the show cause notice vide its letters dated 13th October, 2014 and 27th October, 2014. The NPPA issued a Demand Notice dated 31st October, 2014 directing the Company to pay ₹ 281.8 million (including interest) by 15th November, 2014. This demand has been challenged by the Company before the Hon'ble Delhi High Court by way of miscellaneous applications followed by an amended writ petition. The Hon'ble Delhi High Court passed order restraining the NPPA from taking coercive steps in respect of the aforesaid demand. The matter was posted for further hearing on 28th May, 2021 however same was adjourned due to COVID-19. The Company is awaiting further date for hearing from the Court registry.

In the opinion of the Company, Voveran 50 GE Tablet is not covered under the category of essential medicines under the National List of Essential Medicines and, hence, is a non-scheduled drug under DPCO, 2013. Therefore, Voveran 50 GE Tablet cannot be brought under the regime of price control under Paragraph 14 of the DPCO, 2013. Accordingly, no provision is considered necessary at this stage.

- (b)** The NPPA had issued a demand notice dated 20th/25th June, 2018 of ₹ 134.4 million (including interest) on the Company alleging over charge on sales of Tegrital CR 200 by the Company. This demand has been challenged by the Company before the Hon'ble Delhi High Court by filing a Writ Petition on 27th July, 2018 challenging the move of the NPPA to include Tegrital CR 200, marketed by the Company, under price control in terms of the DPCO 2013. The Hon'ble Delhi High Court had on 6th August, 2018 passed an order directing the NPPA not to give effect to the aforesaid impugned demand notice. The matter is posted for further hearing on 14th July, 2021.

In the opinion of the Company, the Price Revision Notification dated 28th April, 2014 would not apply to Tegrital CR 200 as it was not covered by the ambit of price notification in as much Tegrital CR 200 drug was not a "scheduled formulation" under DPCO 2013. When Tegrital CR became a scheduled formulation w.e.f. 10th March, 2016, NPPA issued a separate Ceiling Price Notification on 29th March, 2016 for the said formulation, which amounts to admission on the part of NPPA that this formulation could be covered only by the subsequent Notification of 2016 and not by the prior Notification of 2014, on the basis whereof the impugned Demand has been raised by NPPA. Accordingly, no provision is considered necessary at this stage.

36. Fair value measurements

Fair valuation techniques and inputs used

(i) Fair Value Hierarchy

This section explains the judgements and estimates made in determining the fair values of the financial instruments that are (a) recognised and measured at fair value and (b) measured at amortised cost and for which fair values are disclosed in the financial statements.

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

Particulars	31 st March, 2021	31 st March, 2020
	(₹ in million)	(₹ in million)
Financial assets		
Loan to Employees	3.9	4.0
Tender Deposits	8.0	7.4
Receivable from Related Parties	422.8	358.5
Taxes recoverable	27.1	145.0
Expenses Recoverable	6.2	6.4
Trade Receivables	387.3	376.0
Cash and Cash Equivalents	682.7	791.2
Unpaid Dividend Accounts	14.7	15.2
Deposits with banks	4,299.7	5,021.0
	5,852.4	6,724.7
Financial liabilities		
Unpaid Dividends	14.7	15.2
Payable to Related Parties	209.1	933.2
Lease Liabilities	624.8	682.9
Trade Payables	552.0	726.0
Others	224.6	157.9
	1,625.2	2,515.2

(ii) Valuation technique used to determine fair value

Security deposits is classified as Level 3 category item under the fair value hierarchy based on the valuation technique used to calculate the Fair value.

For the purpose of Fair valuation of Security Deposits the Company has used discounted cashflow method and considered discount rate of 9% being general bank borrowing rate prevalent in the market.

Increase in the discount rate would result in decrease in the fair value and vice-versa.

Fair value of Financial assets/ financial liabilities, classified under Level 3 hierarchy

Particulars	31 st March, 2021	31 st March, 2020
	(₹ in million)	(₹ in million)
Financial assets		
Other Financial assets		
Security Deposits	31.0	28.9
	31.0	28.9
Financial liabilities		
Other Financial Liabilities		
Security Deposits	15.7	17.3
	15.7	17.3

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

37. Financial risk management

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

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

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

(A) Credit Risk

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

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

(i) Trade and other receivables

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

At 31st March, 2021 : the Company had 2 customers (At 31st March, 2020 : 4 customers) that owed the Company more than ₹ 10 million each and accounted for approximately 13% (At 31st March, 2020 : 31%) of all the trade receivables, excluding related parties.

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

Historical trends of impairment of trade receivables do not reflect any significant credit losses. The Company has further considered internal and external sources of information, specifically having regard to the current macro economic conditions and the global health pandemic to assess the impact on credit losses. Basis the information available as at the date of approval of these financial statements, the Company expects the historical trend of minimal credit losses to continue.

(ii) Movement in expected credit loss allowance

Particulars	(₹ in million)
As at 1st April, 2019	44.4
Movement in expected credit loss allowance on trade receivables calculated at lifetime expected credit losses	(1.5)
As at 31st March, 2020	42.9
Movement in expected credit loss allowance on trade receivables calculated at lifetime expected credit losses	(0.1)
As at 31st March, 2021	42.8

(iii) Cash and cash equivalents and deposits with banks

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

(B) Liquidity Risk

(i) Liquidity risk management

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding to meet obligations when due. Company's treasury

Notes forming part of the Financial Statements as at and for the year ended 31st March, 2021

maintains flexibility in funding by maintaining sufficient cash and bank balances available to meet the working capital requirements. Bank balances are maintained with reputed banks. Management monitors rolling forecasts of the company's liquidity position (comprising the unused cash and bank balances along with temporary investments in fixed deposits) on the basis of expected cash flows. This is generally carried out at Company level in accordance with practice and limits set by the Company. These limits vary to take into account the liquidity of the market in which the Company operates.

(ii) Maturities of financial liabilities

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

The amounts disclosed in the table are the contractual cash flows. Balances equal their carrying balances as the impact of discounting is not significant. The below excludes maturity analysis of lease liabilities which has been disclosed separately in Note 32.

	(₹ in million)				
Contractual maturities of financial liabilities	Less than 1 year	1 to 3 years	More than 3 years	Total	Carrying value
31st March, 2021					
Non-derivative financial liabilities					
Non-Interest bearing	1,000.4	—	—	1,000.4	1,000.4
Fixed interest rate instruments*	—	—	15.7	15.7	15.7
Total	1,000.4	—	15.7	1,016.1	1,016.1
31st March, 2020					
Non-derivative financial liabilities					
Non-Interest bearing	1,832.3	—	—	1,832.3	1,832.3
Fixed interest rate instruments*	—	—	17.3	17.3	17.3
Total	1,832.3	—	17.3	1,849.6	1,849.6

*Effective interest rate is 6.5% (rate payable on security deposits).

Sensitivity interest rate increase by 1%: Profit will decrease by ₹ 0.2 million for the year ended 31st March, 2021 (₹ 0.2 million for the year ended 31st March, 2020)

Sensitivity interest rate decrease by 1%: Profit will increase by ₹ 0.2 million for the year ended 31st March, 2021 (₹ 0.2 million for the year ended 31st March, 2020)

(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.

	(₹ in million)				
Contractual maturities of financial assets	Less than 1 year	1 to 3 years	More than 3 years	Total	Carrying value
31st March, 2021					
Non-derivative financial assets					
Non-Interest bearing	952.3	11.3	53.0	1,016.6	955.7
Fixed interest rate instruments*	4,942.6	8.3	—	4,950.9	4,927.7
Total	5,894.9	19.6	53.0	5,967.5	5,883.4

Notes forming part of the Financial Statements as at and for the year ended 31st March, 2021

Contractual maturities of financial assets	(₹ in million)				
	Less than 1 year	1 to 3 years	More than 3 years	Total	Carrying value
31st March, 2020					
Non-derivative financial assets					
Non-Interest bearing	1,050.7	10.8	53.6	1,115.1	1,053.1
Fixed interest rate instruments*	5,684.8	47.4	—	5,732.2	5,700.5
Total	6,735.5	58.2	53.6	6,847.3	6,753.6

*Effective interest rate is 3%

(iv) Financing arrangements

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

Particulars	31 st March, 2021	31 st March, 2020
	(₹ in million)	(₹ in million)
Bank Overdraft/ WCDL facility	170.0	170.0
Non-Fund Based facility: (LC, BG, etc.)	39.8	46.2

(C) Market Risk – Foreign Exchange

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

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

(i) Foreign Currency Risk Exposure:

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

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

	31 st March, 2021	31 st March, 2020
	(₹ in million)	(₹ in million)
Receivables		
USD	3.9	6.0
Payables		
USD	208.1	181.0
CHF	1.5	0.3

Notes forming part of the Financial Statements as at and for the year ended 31st March, 2021

(ii) Sensitivity:

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

	<u>31st March, 2021</u>	<u>31st March, 2020</u>
	(₹ in million)	(₹ in million)
USD sensitivity		
₹/USD -Increase by 1% #	(2.0)	(1.8)
₹/USD -decrease by 1% #	2.0	1.8
₹/CHF -Increase by 1% #	*	*
₹/CHF -decrease by 1% #	*	*

#Holding all other variables constant

*represent amounts below the rounding off norm adopted by the Company.

38. Capital management

Risk management

The Company's objectives when managing capital are to safeguard the company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure. The Company does not have any borrowings as at 31st March, 2021 and 31st March, 2020, and no borrowings were availed during the year and in previous year.

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

During the year ended 31st March, 2021, the Company continued to ensure uninterrupted supply of its products. The offices of the Company were open to operate under the guidelines issued by the local authorities. Sales employees had the option to work in the field subject to compliance with the guidelines issued and trainings conducted. All other associates had the option to work from home on digital platforms provided by the Company with need based working from office premises taking into consideration all safety guidelines. The impact assessment of COVID-19 is a continuing process given the uncertainties associated with its nature and duration. The Company will continue to monitor any material changes to future economic conditions.

For and on behalf of the Board

Sanjay Murdeshwar
Vice Chairman & Managing
Director
DIN: 01481811

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

Trivikram Guda
Company Secretary &
Compliance Officer

Felix Doss
Chief Financial Officer

Mumbai, 17th June, 2021

Statement of Cash Flows for the Year ended 31st March, 2021

	Year ended 31 st March, 2021 (₹ in million)	Year ended 31 st March, 2020 (₹ in million)
A. Cash flow from operating activities		
Profit before tax	400.4	286.4
Adjustments for -		
Depreciation and Amortisation Expense	121.6	131.4
Share Based Payments	17.4	36.8
Interest Income	(184.4)	(356.2)
Unwinding of discount on security deposits	(2.8)	(2.7)
Finance Costs	65.4	63.9
(Gain)/Loss on sale of Property, Plant and Equipment (Net)	(0.6)	0.4
Gain on sale of residential property held for sale (Net)	(44.9)	—
Unrealised (Gain) / Loss on Foreign currency translations (Net)	(3.1)	5.8
Credit Balances Written-Back	(19.4)	(0.2)
Provision for Doubtful Debts, Advances and Deposits	1.0	2.8
Operating cash flows before working capital changes	350.6	168.4
Movement in operating assets and liabilities		
Trade Receivables	(9.2)	81.4
Inventories	107.3	18.3
Financial Assets	54.0	(185.5)
Other Non-Current Assets	(42.4)	(4.6)
Other Current Assets	(90.3)	(286.0)
Trade Payables	(173.8)	(220.9)
Provisions	106.9	58.2
Non-Current Liabilities	—	(13.4)
Other Current Liabilities	15.7	26.6
Financial Liabilities	(659.0)	507.4
Cash (used in)/generated from operations	(340.2)	149.9
Income Tax Paid (Net)	(351.9)	(381.3)
Net cash used in operating activities	(692.1)	(231.4)
B. Cash flow from investing activities		
Payments for Property, Plant and Equipment	(0.9)	(10.0)
Proceeds from disposal of Property, Plant and Equipment and Assets Held for Sale	46.8	0.6
Interest received	207.8	387.0
Fixed deposits matured (net)	697.9	181.5
Net cash from investing activities	951.6	559.1

Statement of Cash Flows for the Year ended 31st March, 2021

	Year ended 31 st March, 2021 (₹ in million)	Year ended 31 st March, 2020 (₹ in million)
C. Cash flow from financing activities		
Lease payments		
– Principal	(55.7)	(52.5)
– Interest	(64.6)	(62.9)
Finance cost paid	(0.8)	(1.0)
Dividends paid	(246.9)	(246.9)
Tax on Dividend	—	(50.8)
Net cash used in financing activities	(368.0)	(414.1)
Net Decrease in Cash and Cash Equivalents	(108.5)	(86.4)
Cash and Cash Equivalents - At the beginning of the year	791.2	877.6
Cash and Cash Equivalents - At the end of the year [Refer Note 9(a)]	682.7	791.2

Note:

The above Cash Flow Statement has been prepared under the 'Indirect Method' as set out in the Accounting Standard (Ind AS) 7 Statement of Cash Flows.

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

In terms of our report of even date

For and on behalf of the Board

For Deloitte Haskins & Sells LLP
Chartered Accountants

Sanjay Murdeshwar
Vice Chairman &
Managing Director
DIN: 01481811

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

Rakesh N. Sharma
Partner

Trivikram Guda
Company Secretary &
Compliance Officer

Felix Doss
Chief Financial Officer

Mumbai, 17th June, 2021

Mumbai, 17th June, 2021

FINANCIAL SUMMARY OF 10 YEARS

(₹ in million)

	2020-21	2019-20	2018-19	2017-18	2016-17	2015-16	2014-15	2013-14	2012-13	2011-12
I. INCOME, PROFIT & DIVIDEND										
Sales of Products (Net)	3,565	3,997	4322	4980	5836	7222	8122	8104	8465	7928
Profit Before Tax (PBT)	400	286	858	1575	917	2717	932	899	1694	2247
Profit After Tax (PAT)	209	101	518	784	572	1983	791	985	1197	1520
Dividend	247	247	247	247	281	320	320	320	320	320
Dividend – ₹ per share	10	10	10	10	10	10	10	10	10	10
II. SHAREHOLDERS' FUND										
Share Capital	123	123	123	123	141	160	160	160	160	160
Reserves and Surplus	6,989	7,084	7,469	7,213	9,055	11,776	9860	9454	8842	8019
Net Worth (Shareholders' Fund)	7,112	7,207	7,592	7,336	9,196	11,936	10020	9614	9002	8179
III. RATIOS										
Return on Sales (PAT) %	5.9	2.5	12.0	15.7	9.8	27.5	9.7	12.2	14.1	19.2
Return on Shareholders' Funds (PAT) %	2.9	1.4	6.8	10.7	6.2	16.6	7.9	10.2	13.3	18.6
Earning Per Share (calculated on PAT) ₹	8.46	4.08	20.97	28.43	19.10	62.04	24.75	30.83	37.46	47.56

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. The figures mentioned for the Financial Year 2015-16 in the above table have been restated to Ind AS.
- 2) In the Financial Year 2017-18, the Company undertook buy back of 3,450,000 shares by way of tender offer through stock exchange mechanism.
- 3) In the Financial Year 2016-17, the Company undertook buy back of 3,820,000 shares by way of tender offer through stock exchange mechanism.
- 4) The Financial Year 2015-16 includes extraordinary items from sale of OTC and Animal Health Divisions.



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