

**Novartis India Limited**

**72<sup>nd</sup> Annual General Meeting**

**August 7, 2020**

**11:30 a.m. to 1:30 p.m. IST**

**CORPORATE PARTICIPANTS:**

**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

**Other key executives and senior management and**

**Shareholders**

## **Trivikram Guda**

Very good morning ladies and gentlemen. I extend a warm welcome to all for the 72<sup>nd</sup> annual General Meeting of Novartis India Limited. I am Trivikram Guda, Company Secretary of the company. Before the Chairman commences the meeting, I would like to draw your attention to a few important points. Unlike each year, this year the AGM is not a physical meeting. Given the current situation, today's meeting is being held through virtual means in compliance with SEBI approvals.

In order to ensure maximum participation of all the shareholders we have provided the facility to update their email ID and contact details with the help of transfer agent NSDL & CDSL. We also provided the remote E-voting facility to all the members as on the cutoff date and this facility was open from August 4, 2020 to August 6, 2020. Instructions on how to log in and cast the vote have been shared on email as well as they've been mentioned in the annual report. Those shareholders who have not cast their vote during the E voting period, can cast their vote today once the voting is commenced.

To avoid any disturbances from the background, all the shareholders who have joined this meeting have by default been placed on mute. Speaker shareholders who have registered with the company in advance will be allowed to talk when their question answer session begins. The chat box is open and the shareholders can post their messages. During the AGM, if any member is facing a technical issue, they may kindly contact the helpline number which is displayed on the banner of the screen. With that, I now hand over the proceedings to the Chairman. Thank you very much.

## **Christopher Snook, Chairman**

Thank you Trivikram. Good morning ladies and gentlemen. It is 11:32 AM IST. On behalf of the board of directors of Novartis India Limited, I extend a very warm welcome to each one of you present here at the 72<sup>nd</sup> Annual General Meeting of the company.

This meeting is being held through video conferencing and other audiovisual mode. Because of current restrictions on holding physical meetings. This complies with the circulars issued by the Ministry of Corporate Affairs, Government of India and also by the Securities and Exchange Board of India.

The company has taken all possible steps to ensure that the shareholders are provided with an opportunity to participate at the Annual General Meeting and also to vote. We are very pleased to have your virtual presence here together with us today.

As the Requisite Quorum is present, I now declare this meeting open.

The Register of Directors and Key managerial personnel and their shareholding, Register of contract or arrangements in which directors are interested are available. These will remain accessible to all members for inspection electronically if they so desire.

I Christopher Snook, Chairman of the Board, hereby state that I am participating in this virtual annual general meeting from my residence in Thailand and I look forward to interacting together with you all today at this meeting.

I would now request my fellow Directors to please introduce themselves.

**Sanjay Murdeshwar, Vice Chairman & Managing Director**

Thank you.

Very good morning to all shareholders, fellow Directors and participants. I hope each one of you are keeping safe and staying healthy. I'm Sanjay Murdeshwar Vice chairman and Managing Director of the company and I'm participating in this 72nd annual general meeting from the registered office of the company located in BKC, Mumbai. I'm also the chairperson of the CSR Committee and a member of the Stakeholder Relationship committee of the Board. I look forward to interacting with you all today, thank you very much.

**Christopher Snook**

Monaz Noble too kindly introduce herself please. Perhaps Jai Hiremath could I ask you to introduce yourself please.

**Jai Hiremath**

Good morning, I'm Jai Hiremath independent director of the Company. I'm participating in this annual general meeting from my residence in Mumbai. I'm the chairperson of the nomination and Remuneration Committee and a member of the audit committee and sorry, I'm the Chairman of the audit committee and a member of the nomination and Remuneration Committee. Thank you.

**Christopher Snook**

Sandra could I ask you please to introduce yourself?

**Sandra Martyres**

Yes, good morning everyone. I'm Sandra Martyres Independent Director of the company. I'm participating in this annual general meeting from the Registered Office of the company in Mumbai. I am the chairperson of the Nomination and Remuneration Committee and a member of the audit committee and the CSR Committee of the Board. Thank you.

**Christopher Snook**

And could I invite now Mr. Sanker Parameswaran to kindly introduce himself.

## **Sanker Parameswaran**

Good morning everyone. I'm Sanker Parameswaran recently appointed as additional director, independent and non-executive of the company. I'm participating in this Annual General Meeting from the registered Office of the company in Mumbai. I'm also a member of the audit committee and the stakeholders relationship committee of the board. Thank you.

## **Christopher Snook**

Can I ask Monaz Noble? Have you managed to rejoin the meeting, or are you experiencing technical challenges?

## **Monaz Noble**

Mr. Snook, I'm there in the meeting.

## **Christopher Snook**

OK kindly, introduce yourself please.

## **Monaz Noble**

Good morning everyone. I'm Monaz Noble non-independent, and non-executive director of the company. I'm participating in this annual general meeting from the registered Office of the company located in Mumbai. I'm also the chairperson of the stakeholder relationship committee and a member of the CSR Committee of the Board. Thank you.

## **Christopher Snook**

So thank you to all directors. In particular, I'd like to welcome our new member of the Board, Mr. Sanker Parameswaran who is appointed as additional director independent and non-executive effective June 22<sup>nd</sup> , 2020.

Mr. Parameswaran is a corporate lawyer with over three decades of diverse experience in well known Indian companies engaged in the FMCG, hospitality industry, telecom sector and private equity. He has played a key role in industry representations to government for advocating changes in the regulatory regime to facilitate ease of doing business. We are very confident that Mr. Parameswaran with his leadership experience in reputed large companies will add significant value to the board in all key deliberations. His appointment as an independent director of the company for a period of five years is part of the agenda for this meeting, for which we seek your approval.

With that introduction, I also wish to confirm that Mr. Felix Doss Chief Financial Officer, Mr. Trivikram Guda, Company Secretary, and the representatives of the statutory auditors and the secretarial auditors are also attending this virtual meeting. I request all members

to extend their full support and cooperation for a smooth and systematic conduct of the proceedings of this virtual meeting today. Thank you in advance.

The notice of this meeting has been with you and with your permission, I take it as read.

The auditors report on the annual accounts for the financial year 2019 to 2020 does not contain any qualifications, reservations, adverse remarks, observations or comments, and again with your permission. I also take the auditors' report as read. Let me now brief members present on the key highlights and events during the last financial year.

India's economic growth in terms of GDP for the financial year 2019 - 2020 has significantly declined to around 4.2%.which is at its lowest in 11 years. This is primarily due to lower consumer sentiment, lack of growth in demand, and plummeting of capacity utilization levels. Decelerating manufacturing sector, rising unemployment, and slowing wage growth in rural areas were also some of the other concerns or slow economic growth. However, the government's aspiration to increase its contribution to Healthcare spending 2 to 3% of GDP is encouraging to note for the industry and in the long term interest of all stakeholders. However, to fulfill such aspirations, it requires serious and focused intent by the government, together with targeted spends to build and improve health care infrastructure, especially in primary and secondary care centers.

There is also a need to make the overall ecosystem swift, including making research and health care institutions more contemporary and adaptive to newer domains of technology. While the potential impact of the pandemic on the economy is yet to be ascertained. It has affected the industry in multiple ways. Hospitals are overwhelmed with patients who have contracted the virus. Those with other problems have not always been able to access the care that they need. Extended lockdowns and physical distancing norms has meant that some primary care practices have reported reductions in the use of health care services by up to 70%. People have generally postponed visits to healthcare professionals unless absolutely necessary. And many clinics and outpatient departments were non-operational for extended periods.

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

I'm particularly glad about the incredible agility and resilience shown by our employees in switching to new digital ways of working. And assured that we could continue to operate during this challenging period.

The company continues to devote significant resources and management attention to ensure business continuity and uninterrupted supply to both patients and customers. For Novartis, one of our strategic priorities is to be a leader in harnessing data science and digital technologies to boost effectiveness and efficiency across our enterprise.

Digital technologies help our scientists discover and develop new treatments. They are vital to the decision-making. They help how we run our operations and patient engagement.

In 2019, much before the pandemic made it a necessity; we began work on a platform of digital solutions to engage with our stakeholders. Novartis has always been at the forefront of cutting-edge scientific development that combines technology with a human touch to put the patient first.

In this annual report, we presented to you a glimpse of how the company is accelerating change through technological transformation in various spheres of its operations. I'm confident that the way Novartis is embracing digitization across all parts of its business to put patients first, it will make a significant difference to people's lives. We're hopeful that the government will continue to prioritize welfare policies and expand access to healthcare by leveraging of technology for the benefit of all stakeholders.

Moving on, I'm certain that you have gone through the annual report, sent to all shareholders, which has provided you a broad overview of the company's performance during the period under review.

The net revenue from operations stood at INR 4382.5 million, representing a decrease of 10.7 % over the previous year. Some of the factors that affected results for the year under review include a global divestment of a few ophthalmology products by the brand owner, transition of a marketing partner in central nervous systems, a portfolio to in-house promotion and certain supply constraints. The company's other operating income from Consignment Services, Clinical Research, Support Services, and field force support services, was also affected due to optimization of businesses in those verticals.

Profit before tax for the year stood at Indian Rupees 286.4 million, representing a decrease of 66.6% over the previous year. This is mainly because the previous financial year 2018-2019 included extraordinary income of Indian Rupees 307.3 million from the sale of certain assets classified under assets held for sale. In addition, the current year had a reduction in interest income of Indian Rupees 90 million due to reduced interest rates.

To mitigate the impact of a decline in revenues and to protect the companies operating profits, cost containment measures were undertaken during the year. The pain and transplant portfolio has recorded a growth during the year under review resulting from focused sales and increased marketing efforts.

The company's Voveran Group of products continues to be one of the top brands in the non-steroid and anti-inflammatory drugs market and ranks among the top three 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.

I'm glad to inform you that the company has maintained the final dividend of 200% for the financial year 2019 - 2020, subject to your approval as it believes in a steady dividend policy.

With respect to corporate social responsibility initiatives, you may be pleased to note that the company continues to actively support various initiatives in the areas of Health, Education and environment.

As per the provisions of the Companies Act 2013, we had to spend around Indian Rupees 20 million towards CSR activities during the year under review. And I'm pleased to advise that we spent the entire prescribed amount, thus continuing to adhere to the law in both letter and in spirit.

As a company, we are acutely aware of our responsibility to provide affordable medicines and to improve access to healthcare, particularly to the rural poor. I'm pleased to share with you that the company continued its health awareness initiatives through the Healthy Families program Arogya Parivar reaching out to more than 9.55 million individuals across rural India and conducted 237, 927 health education programs and 7,309 health camps in the year under review.

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

Our focus on leprosy through our CSR initiatives continues and we hope that this will add to the government's efforts to eliminate this disease.

During the previous financial year, the company also continued to support a nonprofit organization in Telengana to set up an integrated health management system, which will result in digitization of over. 20,000 Leprosy Records in the hope that this data will eventually serve to drive early diagnosis of leprosy. We hope that you, our shareholders, will play a role in spreading awareness of the disease so that we together can make a difference.

Other efforts of the company on CSR and business responsibility activities are explained in the annual report and in the interest of time I request the shareholders to glance through the same at their convenience.

On behalf of the entire Board, I take this opportunity to thank all of our stakeholders beginning with you, our shareholders, without whose continued support our success would simply not have been possible. Special thanks too goes out to all our patients who are reason for being, our parent company, Novartis AG, for their support whenever it's needed, the medical community for their faith in our company and the value and the benefits our product bring to their patients.

Thanks too to all of our business partners for continuing their support and collaboration. And last but not least, all Novartis India employees. I am confident that the board will continue to repose their complete trust in you.

Before I proceed to questions and answer session, I would like to request Mr. Murdeshwar to address shareholders and to please share his thoughts.

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## **Sanjay Murdeshwar**

Thank you Mr. Chairman. Good morning ladies and gentlemen and thank you for joining again the 72nd annual General Meeting of Novartis in India Limited. I do hope that you and your families are keeping well given the uncertain times we live in. The quote that best defines how central wellbeing is to human happiness and prosperity was coined over 2000 years ago by the Roman poet Virgil when he said that the greatest wealth is health. The COVID-19 situation has brought this very starkly to everyone around the world.

It has increased understanding of the fragility of the healthcare system in India but also has forced changes to the ecosystem, some reversible and some possibly irreversible. Very clearly, India's investment in public healthcare is inadequate. Those states who had stronger public healthcare systems and better investments and healthcare, fared better in tackling Covid. Hopefully, Covid will accelerate the need to find innovative ways to ensure that we reached the remotest village and person needing diagnosis and treatment of their diseases and adequate healthcare financing.

Your company's primary focus since the start of the lock down was to ensure that medicines reached patients who needed them and we have been largely successful in this area. I wish to emphasize that your company continues to devote significant resources and management attention to ensure business continuity and uninterrupted supplies to patients. The other focus was to ensure the safety of our associates.

The COVID-19 pandemic took the world by surprise. Of course, some of us were better prepared than the others. With going big on data and digital being one of our five priorities, we at Novartis were perhaps in a slightly better place. However, the pandemic prompted us to increase these initiatives and realign the business model at a much faster pace than planned to support our commercial efforts. For example, international medical education programs have now expanded onto web based platforms, enabling us to reach out to a larger audience of medical professionals anywhere in India.

This has leveraged cross sharing of medical and scientific data across the country that will ultimately benefit patients. To support our transplant business a TransTalk channel on an external platform has been very well received by the medical transplant community. We have had more than 25 Institute based scientific engagements to drive awareness of infections post-transplant.

But the pandemic continues to have an impact on some of your company's products. Organ transplant is almost at a standstill since March this year. The National Organ and tissue transplant organization has temporarily suspended the living donor transplant program due to the associated high risk. In addition, more than 95% of the transplant centers are in containment zones with Covid patients, resulting in no new patients. The current focus is, therefore, to support current patients on maintenance therapy, for the medicines need.

Patient counselors have also been provided and are playing a key role in ensuring continuance of drug therapy by patients. It's rather difficult to judge the outlook for the rest of the year. New prescriptions are a challenge given that people are deferring going to a doctor or a hospital unless absolutely necessary. Telemedicine and prescriptions are ramping up but not enough to balance the lack of patients physically coming into clinics and hospitals.

Your company will continue to monitor the situation and is committed to react swiftly towards the best interest of our patients and all stakeholders. The disease area of our interest, specially in the areas of pain and inflammation and transplant, we are on the right path to ensure business success. The Voveran range of products continues to perform well and is gaining market share. The newly launched line extension Voveran 1ml Injection is also performing as per expectations. We are doing our best to leverage these gains and to mitigate other challenges.

Barring any other unforeseen circumstances and the gradual unlocking of the economy, I'm optimistic that with increased focus on digital initiatives, lifecycle management of our existing product portfolio, better disease awareness, and greater engagement with key external stakeholders, your company will continue to make a positive difference to our stakeholders. I take this opportunity again to thank you for your support and continued trust and loyalty. Thank you.

### **Christopher Snook**

Thank you Mr. Murdeshwar. Before I invite speakers to share their views in the question and answer session, I would like to announce a few important points. Only those speakers who have registered in advance with the company would be allowed to speak. However, other shareholders may use the chat box to raise their queries.

The name of each speaker in the order of sequence will be announced by the moderator. Once the moderator announces the name of the speaker, he or she may kindly unmute their mic and switch on their camera while speaking. In the interest of time, I would request each speaker to limit their speech to a maximum of three minutes please, and raise only those queries, which have not already been raised by other fellow shareholders. If for any technical reason, the speaker is unable to communicate to this meeting, the next speaker will be invited to speak. As soon as the technical issue is rectified, the earlier speaker would be given an opportunity, and his or her name would be announced by the moderator.

Questions of the speakers as well as those raised in the chat box will be answered after all speakers have had their opportunity to speak. May I now request the moderator to please announce the first speaker shareholder? Thank you.

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**Moderator**

May I now call upon the first speaker for the day Mr. Aspi Besania?

**Mr. Aspi Besania**

What do you transplant? Kidney or something else? Because the MD used the word transplant many times. Your results are very good even on reduced sales year on year. What is the roadmap for next two years considering the economy is likely to grow negative 5 to 10%.

Sir companies like Pfizer AstraZeneca are involved Covid vaccine. Are you also involved to some extent in Covid vaccine?

Your Company Secretary, Mr. Trivikram Guda is very efficient. Our company is lucky to have him. Sir thank you and all the best.

**Moderator**

Thank you Mr. Besania. Now, may I call upon our next speaker Mr. Sharad Kumar Shah.

**Mr. Sharad Kumar Shah**

Can you hear me?

**Moderator**

Yes Sir, we can hear you.

**Mr. Sharad Kumar Shah**

Are you hearing me, Madam?

**Moderator**

Yes Sir, we can hear you. Sir, please go ahead with your questions. Sir we can't hear you now. Mr. Shah, we can't hear you.

**Trivikram Guda**

It is better now, please proceed. Mr. Kumar. You are requested to unmute yourself. Please talk now.

## **Mr. Sharad Kumar Shah**

Good morning. I will start with the Chairman speech, the Chairman said that this year's results we should not compare with previous basically because the previous year we sold some assets and that is why we made profit. Now our MD said that we have got different products and other things but the products are not exhibited in the balance sheet so it becomes very easy for us to know.

Another thing what he talked about, Voveran 1 ml injection. Sir where it is used and what is the purpose of this particular injection that I would like to know, Sir.

Now, you have declared Q1 results and the Q1 results are good because other expenses are reduced. The same thing happened in 19-20 year that our PAT is 10 crores mainly because we have reduced our other expenses by 32.6 crores. And if you just see our last seven to ten years that you have said in the balance sheet. And what is the effect? Effect is PBT, PAT and EPS and the results are reduced by 80%.

Sir one thing advantage with us is that because of this situation we don't have the plant so what happens, our losses are limited. If we would have a number of factories or manufacturing units then our loss would have been much more. Another thing I gone through all this annual report but I was not able to find out how many people are in this company. So that like to know and another thing you said two years back you have shifted to new office and you are very comfortable but I could not find out what is the area of the office and whether the office we have rented or whether we purchased. That I would like to know.

And another thing what I've noticed Sir is that if you just compare our share price, what is shown in the annual report, it is below BSE index. That is not that good. It is fluctuating too much but because of the Q1 result it is something like 644 and what I think looking at the situation we need money from the all angles and the liquidity is required. The return on my capital is not important in such situation. I request you that you should come out with the partly paid rights issue so that you will have some money and shareholders also will have some money in their hand. And they will be happy Sir.

Another thing is Sir last time you conducted meeting Bandra and earlier to that you had conducted it in Worli. We should always prefer that if a physical meeting is there, you should always carry out in Worli. That is my main thinking. And your areas are very limited. Basically transplant and what you said is Oncology and that. If you give me the list of products that will be much better. Thank you Sir. Thank you for giving me opportunities to speak thank you.

## **Moderator**

Now, may I call upon our next speaker Mr. Santosh Kumar Saraf

**Mr. Santosh Kumar Saraf**

Can you hear me?

**Moderator**

Yes, Sir we can hear you, but there is some echo behind.

**Mr. Santosh Kumar Saraf**

Okay madam. Give me a minute. I am stopping the fan.

**Christopher Snook**

Mr. Santosh I'm sorry to interrupt you but there is there is such a lot of background noise that is disturbing actually what we can hear you saying. Could I please suggest that we try to rectify this issue because it's extremely difficult to hear any word that you are saying.

**Mr. Santosh Kumar Saraf**

Can you hear me Sir? I can't hear any echo on my side

**Christopher Snook**

It's difficult to understand what you are saying.

**Mr. Santosh Kumar Saraf**

Everything OK? Unable to understand why I cannot log into this place once again.

**Christopher Snook**

It's difficult to understand what you are saying. Yes, that's a good idea, Mr. Santosh, please if you can log off and then relogin and we will call your name once you are reconnected.

**Mr. Santosh Kumar Saraf**

OK. After two minutes I will relogin in Sir. Please give me two minutes.

**Christopher Snook**

I will call you later because others will be speaking when you rejoin. I'm sure so.

**Mr. Santosh Kumar Saraf**

Ask your host to give me time again.

**Christopher Snook**

We will, we will invite you to speak later once you are reconnected. OK, thank you. Can we can we come up on the next speaker please?

**Moderator**

The next speaker is Mr. Hari Belawat.

**Mr. Hari Belawat**

Hello, am I audible? How about video? Are you able to see me?

**Christopher Snook**

Yes, we can see you and hear you. Thank you.

**Mr. Hari Belawat**

Hon'ble Chairman, Directors and my fellow shareholders. Good morning everybody. From one of the MNCs and you are bringing lot of investment.....

**Trivikram Guda**

Excuse me Sir, sorry to interrupt. Can you please keep the mic closer to your mouth? That would be convenient.

**Mr. Hari Belawat**

Thank you. Is it okay now?

**Trivikram Guda**

Slightly better. Thank you.

**Mr. Hari Belawat**

Performance of last 10 years on page 129 what does the company all parameters

**Christopher Snook**

Mr. Bilawat. I'm sorry to say that we are not hearing anything that you are saying. I beg your pardon, I'm just pointing out that it's almost impossible to hear what you are saying.

**Mr. Hari Belawat**

Is it clear now?

**Christopher Snook**

It's intermittent. Some parts are clear, others disappear completely.

**Mr. Hari Belawat**

Anyway we did a trial yesterday and it was clear. What do I say? Do I continue or will you call me again?

**Trivikram Guda**

You may please keep the mic closer to your mouth.

**Mr. Hari Belawat**

It's almost in my mouth gentleman. You can see my video, no?

**Christopher Snook**

It may be maybe a particular technical issue with your microphone. We can't know, but it's very, very difficult from our end to hear precisely what you have to say.

**Mr. Hari Belawat**

Chairman then please connect me after sometime. I will login in again maybe

**Christopher Snook**

OK, I think I understood that. Can we call upon the next speaker, please? And then we will come back to Mr Belawat later and hopefully the issue may be resolved as far as the microphone is concerned.

**Moderator**

Sure. The next speaker is Mrs. H.S. Patel

**Mrs. H. S. Patel**

Hello. Am I audible?

**Christopher Snook**

You are indeed

**Mrs. H. S. Patel**

Very good morning to all of you.

**Christopher Snook**

Good morning.

**Mrs. H. S. Patel**

Respected Sir Mr. Christopher Snook our Chairman Sanjay Murdeshwar Sir Vice chairman and Managing Director. Monaz Noble. Good to have one Parsi representative on the board. We are a very small community and nice to have you on the board. Wish you all the best Monaz. Our CS Mr. Trivikram Guda. Our CFO Mr. Felix Doss. The annual report compiled with various financials information is actually looking very nice. And our company secretary and his whole Department has provided us with the annual report and we are able to speak through this OAV conferencing. Sir, I request the company to suggest even to MCA and SEBI that this OAVC conferencing is indeed very nice because people from various parts of India, the shareholders can participate in this program. And it is also cost saving as well as not time consuming. Shareholders as well as the company is wasting time and money on booking the Hall and going in the hall and making the conference AGM over there.

Novartis is indeed a very good company. Novartis biotech leadership is indeed very nice. You focus mainly on three main divisions pharma, eyecare and generics. I would also request that one more representative as you are there Christopher Snook Sir like that one more representative from the AG group should be there from Switzerland, from the mother should be there on the board.

Do you have any plans of Novartis AG to increase its stake to 75% in the company? Novartis seems to be a believer in the digital technology. I appreciate the company and the management introducing a slew of digital technological solutions, which I believe will surely have commercial benefit to the company.

Artificial intelligence, machine learning. How much have we invested in them? I would like to know. What is our R&D cost as you have mentioned there is nil R&D cost. Is this R&D done at our mother company? Or is it done in India also because R&D cost is not

mentioned. Please throw some light on it. Do we pay any royalty to Novartis AG? If so, what is the percentage of profit we pay them?

Does the company have any patents? If so, how many patents? If so, how many have we applied for and how many are still pending? Sir your LEOPARD project, which sends SMS alerts to the patient is indeed very helpful. How much is the cost and how much cost has the company incurred for the same LEOPARD project? I appreciate the management and the company for continuously creating awareness about the organ transplant. The provision for lease liability of Novartis is 564 million. What is it for? And why have the provisions shot up from 350 to 660? Please throw some light on it.

Novartis is a debt free company. I appreciate the financial ratios provided on page 29 along with the explanation, specially by our CFO. Our company secretary Sir and the management team thank you very much for the CSR activities that the company has undertaken along with the conservation of energy and technology absorption indeed has been really nice. One little request on my personal side. Novartis you have come out with the BioCamp Leadership Camp, known as BioCamp for students. Sir can we have such camps even for the shareholders to enlighten us and which can impact learning and knowledge to improve our life and take care of our life. I request the management to enlighten us or through their bio and medical camps, specially for shareholders about your various products and how to use the products. This will be a sort of an advertisement also. We can even go and enlighten many more not only our relatives and friends but also our society circle.

I wish that all the employees, the management team and the members on the board wish you good luck and all the best. May the company improve and may our shares price also improved. Thank you very much.

**Christopher Snook**

Thank you very much.

**Moderator**

Now, may I call upon our next speaker Mr. Tanil Khanna.

**Mr. Tanil Khanna**

Can you hear me?

**Moderator**

Yes, Sir we can hear you.

**Mr. Tanil Khanna**

Can you see my video?

**Moderator**

Sir not yet

**Mr. Tanil Khanna**

Not yet? Is it OK now? Can you see now?

**Moderator**

Yes Sir

**Mr. Tanil Khanna**

The voice is clear, not very low or not very high?

**Moderator**

Yes Sir, it's very clear.

**Mr. Tanil Khanna**

Good afternoon, my name is Tanil Khanna. Dear Mr. Chairman and rest of the Board members. Sir, let me start with once again the same story. The results are not that good. 4.6 crore profit is not enough. Shareholders are not happy. The price today is 643, despite the stock market at peak and Pharma at new high, the price is still not touching 700. We feel very bad about it, despite being the good management and let me not talk about peer comparison as it causes a lot of heartburn and 10 rupees dividend is not enough. The bonus given last time was I think in 1990, 1 is to 2 and the same is very much due now.

It is the right time to expand and raise capital through rights issue. At least shareholders will share some peanuts. We have full faith in management that they will do some miracle like E-Merck. Lastly, I would like to thank the moderator for reaching out to me multiple times to ensure our presence. Thank you so much.

**Moderator**

Thank you Mr. Khanna. Now, may I call upon our next speaker Mr. Beruz Pouredahi. Mr. Beruz, can you hear us? Mr. Beruz.

**Christopher Snook**

Can I suggest Deepali that we go to the next speaker and we will inquire whether this speaker has been able to join before we conclude the question and answer session?

**Moderator**

Sure

**Christopher Snook**

So we are in fact now going. We need to go back to three speakers in terms of at the end of the list of pre-registered speakers. So the next speaker?

**Moderator**

Now may I call upon Mr. Dipankar?

**Mr. Dipankar**

Yeah, so I hope you can see me and hear me.

**Moderator**

Yes, Sir

**Mr. Dipankar**

OK, I just confine myself to the long term performance of this company. FY March 11 Novartis sales were 749 crores in March 20 its come down to 438 crore. That's a negative CAGR of 3.45% and since March 15 every year there has been a decline in sales. If I look at the profits, in March 11 it was 147 crores it has now come down to 10 crores. That's a negative CAGR of 21.67.

Now if I look at the universe of listed MNC pharma companies in India, Pfizer, Abbott, GSK Pharma, Sanofi India, Astra Zeneca. I think there are five of them in this universe, there are three companies who have double digit growth. Both in terms of sale as well as profit and there are two companies which have single digits CAGR both in terms of profit and in terms of sales.

Novartis India is the only company in the universe of MNC listed pharma companies with a negative CAGR of sales and profits. Now Novartis AG the promoter of this company has been pretty vocal that the weak IPR regime in India and the prevalence of the drug price control order are the factors which are responsible for their lack of investments in India. But those constraints don't seem to operate on these other five companies who

have all registered positive growth in sales and profits over the last 10 years. So what could be the reasons for this unsatisfactory performance on the part of Novartis India?

The Novartis Group in India also has an unlisted subsidiary Novartis Healthcare and I could dig out the comparative figures for the last five years FY 15 to FY 19. Novartis Healthcare, which was the unlisted subsidiary, had a sales figure of 1700 crores in FY 15. It has now come up to 3,410. It has doubled with a CAGR of 19%. During this same period Novartis India's sales figures declined from 873 crore to 438 crore, which is a negative CAGR of 13%.

If I look at profits, Novartis Healthcare's profits in 2015 were 79 crores. It has quadrupled in 2019, to 235 crore with a CAGR of 31%. Novartis India in FY 15 had the same profit of 79 crore, but it has come down to 52 crore in FY19 a negative CAGR of 34%. So it's pretty clear that the reason why Novartis India has been doing so badly is because of the emphasis on Novartis Healthcare. And it's not that Novartis Group is the only group which has a listed subsidiary, an unlisted subsidiary in India. The other companies Abbott, Pfizer and Sanofi also have unlisted subsidiaries in India. But the difference between them and Novartis is that in their case the revenues are either less than the listed subsidiary, and they're also not making profits.

Novartis India is the only company where the listed subsidiary has less revenues, less profits and less growth than the unlisted subsidiary. So it's pretty clear that there has been a well-planned strategy and which has been well executed to transfer wealth from the minority shareholders of Novartis India to Novartis Healthcare.

So what is now the future? I think we're now reaching the end stage of this game. And the profit is already come down to 10 crore. I suppose that next year it will be zero or it will be loss making. So the logical step would then be to merge these two companies. But that won't happen as long as there are minority shareholders present in Novartis, India. So, long story short, to cut this charade which has been played out for the last 10 years, when is Novartis AG going to come out with a buyback or a delisting offer for Novartis, India? And at that time I would request shareholders that when such an offer comes, as it inevitably will come, to keep in mind that while evaluating the price that they will offer, look at the track record and the growth prospects of the unlisted subsidiary, Novartis Healthcare, because that is the true reflection of the prospects of the Novartis Group in India.

I think that's all that I have to say. Finally, I would just make one point and that is the convention in these AGMs is that the chairman or the CEO respond to the queries raised by the shareholders, which is fine, but in this case I would also like to hear at least one of the independent directors respond because independent directors are appointed to look after corporate governance and see that the promoter does not always get his way. Thank you and good day.

**Moderator**

Thank you Mr. Dipankar. Now, may I call upon our next speaker Mr. Abhishek?

**Mr. Abhishek**

Yes madam. Can you hear me? Am I audible?

**Moderator**

Ye Sir.

**Mr. Abhishek**

Am I audible Sir?

**Christopher Snook**

Sure we can hear you.

**Mr. Abhishek**

What happened Sir?

**Christopher Snook**

Yes, we can see you and we can hear you.

**Mr. Abhishek**

My name is Abhishek shareholder of the company. My DPID is IN30163741359155. First of all I congratulate the management on the eve of the 72nd annual general body meeting. Sir we're marching towards the 75<sup>th</sup> year, 75<sup>th</sup> AGM in the next three years so what is a bonus or a rights issue or way of special dividend the management is going to declare as a surprise gift for the shareholders I would like to know Sir. Our group company, which is a part and parcel of Sandoz India, Clariant Chemicals has declared 140 rupees as a special dividend during this pandemic situation. It was very helpful for the shareholders fraternity and we have Clariant Chemicals giving a very good dividend when we compare to Novartis, when we compare to peer group of companies. So why Novartis is not declaring a special dividend at any point of time and have you any plans to declare a special dividend this year Sir because this year due to the pandemic situation shareholders are suffering a lot and it is a need of money. So the management could have been declare a special dividend this year it would have been very good benefit for the minority community, shareholders fraternity. And then I have some few observations, clarifications and grievances.

In the balance sheet you can see IEPF dividend being transferred for seven years and such a huge amount we are transferring year on year so what steps is our management taking, what steps is the RTA taking? Why can't we take some necessary action against the Registrar and Share transfer agent because they are so worst when we correspond with them. For past six years I have been corresponding for my grandmother's shares. I was being allotted shares as part and parcel of Sandoz Chemicals. I was being allotted 129 shares. I had the share certificate each and every document. Now it is lying with LinkIntime. They are not able to correspond. For past five years I have been corresponding with them. They asked me to obtain succession certificate from the High Court of Madras. I obtained the succession certificate. Subsequently the shares are being transferred to IEPF. So I would like to know why did I obtain the succession certificate? I spent so much of money to transfer the shares to IEPF? After all for shares worth of Rs. 1 lakh I spent more than ₹40,000 for correspondence. I will send them indemnity bond, affidavit, 100 rupees stamp paper, 500 rupees stamp paper. These people they will misplace it and they will ask us to send the same document again.

What is the benefit? I don't know what are their intentions. Their intentions are so wrong. LinkIntime is the RTA we will leave them out. What is our Company Secretary doing? What is our Stakeholder Relationship Committee doing? I would like to know Sir. We have been communicating with your team, and I mean sending each and every document that I'm working on I am marking CC to the company secretary. I am sending so many letters to Trivikram Guda. He is not bothered to reply at all. Why is he not replying Sir? So what is our stakeholder relationship committee doing? Kindly share some Stakeholder relationship committee email IDs, their contact numbers, mobile numbers with us. Because landline numbers nobody answers, and even if somebody answers he is not the correct person. He will not transfer the call. They are wasting our time there. They think the investor fraternity is fool. Why are the shares being transferred to IEPF Sir? I have spent Rs. 40,000 for correspondence and they have transferred my shares worth of Rs. 1 lakh to IEPF. Now again, if I claim the same shares from IEPF I have to spend another ₹40,000. What is the use? My entire money is going on in correspondence. What I will be getting? I will not even get a peanut Sir. Kindly try to increase the efficiency of your Secretarial team and please change the Registrar. Please change your Registrar and Share Transfer Agent. They are not upto the mark. And please change your Company Secretary Sir. He has not replied to any of my emails. I don't know what they're doing. I have some few.

### **Christopher Snook**

I'm sorry to interrupt you Mr. Abhishek you've made your point. I has been well noted. We will address the concerns that you raise at the end as is customary on these occasions, but I would ask if you might make your concluding remarks now, please, because we did say at the beginning we want to give everybody a fair say. But in the interest of time, we must move ahead, so please make your concluding remarks. Thank you. Mr. Abhishek

**Mr. Abhishek**

I would like to know what is the real impact of Covid 2019 in terms of percentage and how our supply chain is affected. Yes Sir, can you hear me now?

**Christopher Snook**

We can hear you. Yes, thank you. I heard your question it was concerning the impact of COVID-19 and with that I would I would I would kindly ask that we move to our next speaker. We've given you a good amount of time to put your points. No no, no. I'm sorry you've had at least four 5 minutes. So please conclude.

**Mr. Abhishek**

I have a huge number of disputes Sir. Once in 365 days we get the opportunity, so you should be pleased enough to give the opportunity to shareholders. I see so many people who could not connect.

**Christopher Snook**

Sir I'm mindful of the fact that we have a number of other speakers who also want to put their points and they are unfortunately being held up. We must move on.

**Moderator**

Now, may I call upon our next speaker, Mr. and Mrs. Pouredahi.

**Mr. Pouredahi**

Can you hear me? Yes, I'm here. You can hear me. Now can you hear me?

**Moderator**

Yes Sir, we can hear you.

**Mr. Pouredahi**

Sir we are also very glad that Christopher Snook he has to come from all the way from Switzerland to attend our AGM at Nehru Center and we used to meet personally you and Ranjit Shahani. But now our company Secretary also Mr. er he has now left and joined Sanofi, Girish Tekchandani, now Trivikram Guda combo guys come somewhere really welcome message. We really welcome Mr. Jai Hiremath, who is the Chairman and Managing Director of Hikal Limited. And we are very proud that our company has given ₹10 dividend but you could have easily given more dividend. Sir, Pfizer has given ₹320 dividend, special, and even Sanofi has given ₹349 dividend, even Abbott has given ₹250,

so I think we should also look into the matter and see that an interim dividend of at least 50% is given ₹50.

Sir, we really appreciate Mr. Christopher Snook. You are attending our meeting all the way from foreign country. And we really appreciate Mr. Trivikram Guda and Deepali Bhatia who has taken keen interest in our company and they are always ringing up the shareholders and letting us know the development and they are the persons who are the persons behind the scene. Sir they take care of the shareholders and we really appreciate. Sir, we are missing the physical version of the AGM. Sir, we hope to meet you soon. Sir, next year I think that Covid will dissolve and everything will become fine.

Sir, you are doing excellent CSR corporate also and we are really proud of our company Novartis It is a Swiss based company and we're really proud. Thank you very much. Sir I am handing over the mic to Hodayun Pouredahi.

**Mrs. Pouredahi**

Yes, I'm the next speaker, so I felt I should also. In the same mobile we are speaking. Just a few questions. Sir it is so nostalgia. We used to come every year for AGM when Mr. Shahani was the chairman and we have been coming every year for your AGM. I just want to know Sir you still don't have any plants of your own? Manufacturing plants of your own? Number 2 Sir how has this lockdown affected our company? Sir has there been more demand for products because they are medicines, I mean medicine based? We just want to know. Sir and how has the lockdown affected our profits also? Sir have we bounced back? I mean is there no problem like distribution, demand of our products? I just wanted to know. Sir already my husband Beruz has already spoken a lot so I will not take up more time. Sir only thing is about. Sir we support all your resolutions and we wish the Company all the best Sir thank you. Thank you very much.

**Christopher Snook**

Thank you

**Moderator**

Now, may I call upon our next speaker, Mrs. Mascarenhas?

**Mrs. Mascarenhas**

Hello, hello

**Moderator**

Yes ma'am we can hear you. Please go ahead.

**Mrs. Mascarenhas**

Hello, hello

## **Christopher Snook**

Hello yes, we can hear you. Please go ahead. And we can now see you. Please put your question

## **Mrs. Mascarenhas**

I'll put my question. Respected Chairman Christopher Snook, Vice Chairman and MD Sanjay Murdeshwar, other Honorable directors. My name is Mrs. C.E. Mascarenhas. I also thank the company secretary Trivikram Guda and his team for so much taking trouble and making us easy to attend the meeting and also our queries because this is the first virtual meeting we are entering. Now a total income down, PBT down, PAT down but it was a it was a greater gesture I feel of getting rupees 10 per share of rupees 5, that is 200%.

And for this year it is excellent. I'm very happy but I see that ₹10 is year after year we are getting the same ₹10. So can we in future get a better one time because of this Covid so much small shareholders are suffering. Now I'm happy with whatever, what is in the economic downturn, not only domestic but also internationally. All the industries are facing heat except the Pharma which is the lifesaver. Now here I take the opportunity to congratulate for all the awards and applause. Also, I appreciate the CSR work done by Novartis caring for the humanity which is a great work and very noble work.

Now, also company adheres to the requirements of good corporate governance specially our Mr. Guda and his team are very particular on this. Now my queries Sir. Number one I would have had many queries but I find very much difficult to read the report online as it is giving me more of headache and eye problems. Here, I would hope SEBI also cares for the old.

2<sup>nd</sup> question our share capital is 123 plus against the reserves and surplus of 7084. Our company can consider a good bonus if the foreign Novartis AG does so.

Number 3. We are in many life saving drugs. Have we done some work in the Covid curing and prevention by way of a vaccine? Could you please speak out?

Number 4. We have 552 employees plus. What is the average age? What is the attrition level in percentage? Whether all the staff are safe? Whether all of them were working from home? Any staff was attacked by this novel Covid virus? Any casualties? Any covid fund is kept for these casualties?

Number 5 have we any impact from China and China import restriction? How that is attended? Lastly, Sir, I'm very happy at our Q1 results. It is really very great Sir. Specially net profit has jumped fivefold for the quarter ended June 30, this quarter, and this is mainly on account of reduction in expenses. Great. Wonderful. Though revenue from operations stood at 92.46 crore as against 109.31 crore in the same quarter a year ago. That is FY 19. Here, I would like you to name the expenses which has given this good result which has been reduced.

Lastly but not the least I support all the resolutions. I wish the company all the best in its endeavor of giving good valuation and market capitalization to the shareholders and thereby creating great wealth. Not only in the wealth, but also in the health. Thank you so much and now my husband Mr Mascarenhas will speak.

### **Christopher Snook**

Thank you.

### **Mr. Mascarenhas**

Very distinguished members of the board and my fellow shareholders. Good morning to you all. My name is Aloysiyus Mascarenhas. At the outset I thank the management, our company secretary, and his team for sending me a soft copy of the annual report which I received on time. It is simple, illustrative, transparent, informative and adhering to all the parameters required for a good corporate governance. Though our results are not good compared to last year PBT, PAT and also EPS has gone down, but we are fortunate and you are generous enough to give us a good dividend of 200%. Year after year we are getting it and we welcome it and we look forward to a better dividend next year.

Sir, we are in life saving medicines whether it is oncology, dermatology and organs, so I would like to know whether we are also in the process of getting this vaccine or medicine for Covid, which has destroyed the world. Not only our country, our economy and the world economy. So how we are attacking Covid? I would like to know.

Sir, how many of our employees in India and abroad are affected and how many are recovered and any casualty that's I would like to know. Sir are we in OTC over-the-counter medicines, tonics, vitamins and more specially Omega-369, which is very wonderful medicine, which gives immunization. So I would like to know.

And your pain killers is very good. Voveran I'm using it for my arthritis it is very good Sir. So many questions. We are very good in our CSR activity. We have got good rating. We are doing well. We are number one day and one of the larger pharmaceutical companies.

So many questions have been asked by my predecessor shareholders. I would like to stop here wishing you personally, all the board members, all the employees all the very best in the days and years to come. With this Sir, I thank you for patient hearing and Good luck.

### **Christopher Snook**

Thank you Mr. Mascarenhas and also to Mrs. Mascarenhas, thank you.

### **Moderator**

Now I would like to call upon our next speaker, Mr. Manoj Bagadia.

**Mr. Manoj Bagadia**

Hello. Can you hear me? Hello, can you hear me?

**Moderator**

The voice is not clear.

**Mr. Manoj Bagadia**

Can you hear me?

**Moderator**

Mr. Bagadia there is a background noise

**Mr. Bagadia**

Can you hear me now?

**Christopher Snook**

That's better, thank you.

**Mr. Bagadia**

Hello.

**Moderator**

I think we have lost him.

**Christopher Snook**

So yes, I think we should add that gentleman to the list

**Mr. Bagadia**

Can you hear me?

**Christopher Snook**

Hello. Mr. Manoj. Yeah, Deepali I think we will add Mr Manoj's name to the list of those that we will try to reconnect with once all other speakers have been concluded. So next one please.

**Moderator**

Ok. The next speaker is Mr Hari Belawat

**Mr. Belawat**

Hello. Am I audible now?

**Christopher Snook**

Yes you are Sir

**Mr. Belawat**

A lot has been talked about the performance of the company. In fact since the past ten years all the parameters are going down. In fact the company is sinking. Revenue is going down, profits margins are going down, net worth is going down. I don't know what is the reason we have behind this. Can you highlight the reasons for that?

**Christopher Snook**

We have had that question raised Mr Belawat by a couple of other speakers at today's meeting and so we will be addressing that particular issue of long-term performance at the end of the questions which have been asked.

**Mr. Belawat**

Okay, okay I agree. Kindly please highlight these things. Some of the questions regarding from the balance sheet figure the income tax assets, we are showing around 128 crore. This is advance tax we are paying income tax. Our tax liabilities are generally in the range of 20 crore. Why do we pay so much of advance tax to the income tax department? Kindly clarify this.

Then another thing is we have bank balance of cash around 583 crore. Many large funds are available with us. What are we doing with this? Are there any investment plans we have for utilizing this much of cash balance and you know bank balance, which we have?

Another thing is contingent liabilities on page 112 of the balance sheet you are showing contingent liabilities of 149 crore versus last year of 81 crore. Why is this? If this contingent liabilities falls on the company it will be a big problem, you know. Ultimately the problem will be

**Christopher Snook**

Mr. Belawat, we're losing you again I'm afraid. The sound quality really is not very good. I'm not sure about my colleagues, but we were unable to, I was unable to get a grip on that last question.

**Mr. Belawat**

OK, OK, last question is this. Digital you have been talking a lot about digital. Have we made any contract with any of the e-pharmacies in India?.

**Christopher Snook**

So, thank you very much for your questions. Thank you. Thank you.

**Moderator**

The next speaker is Mr Santosh Kumar Saraf.

**Mr. Saraf**

Sir, can you hear me?

**Moderator**

Yes, Sir we can hear you.

**Mr. Saraf**

Madam should I speak in Hindi or English?

Respected Chairman and Board of Directors, my fellow shareholders, who are attend today's meeting through video and I did Namaskar to all. Sir I am grateful to Covid because I am a shareholder from last 37 years, July/August 1983 as such when Hindustan Ciba-Geigy Limited when company issued first time shares at Rs.140 per share including Rs.40 premium of the face value of Rs. 100. I never got a chance to attend annual general meeting. It is always held in Bombay and my hometown is Calcutta. However, now we're getting opportunity due to Covid pandemic.

I would like to thank and congratulate the Board and CFO for their all-round achievement throughout the year in spite of business difficulties faced due to pandemic and maintain company paying the dividend since 2007 at the rate of Rs 10 per share. Sir, in 1991 companies never issued a bonus. The famous Binaca Geetmala. People in the village used to wait for Wednesday for 8 pm to listen to Binaca Geetmala. I would like to thank the CSR Committee to spend maximum amount spent on health area. Kindly tell me how does the company invest in R&D. Company has any R&D in Covid medicine or testing?

## **Christopher Snook**

Sorry, sorry to interrupt you Mr. Santosh, a number of other speakers have raised the question about COVID-19 Vaccines and medicines. So we will answer the question on Covid later.

## **Mr. Saraf**

Only 2 minutes Sir. I waited for 37 years for your meeting. On page no. 86 there are so many dispute cases pending. Can you settle with government in Sabka Vishwas scheme launched by central government? Sir, women employees percentage is very low. Can you help increase because the women now require empowerment so can you please increase women employees? One thing I observed I want to tell you. As per Companies Act 2013 you have to compulsorily mention DIN number of the Directors and ISA number of the Company Secretary everywhere near the signature of the report. Kindly, you can verify this with Auditors, Chartered Accountants any other Sir but company must follow this rule.

Last Sir, kindly tell me what is the expenses incurred in the video conferencing and what was incurred last year in physical holding meeting so I can know how money would be saved if you go video called meeting because everyone want physical meeting but Sir we want video conference because we are living in Calcutta so we got a chance due to this video conferencing. Thank you Sir for giving me time. Jai Hind. Jai Bharat.

## **Christopher Snook**

Thank you very much indeed. Thank you Mr. Santosh.

## **Moderator**

Now, may I call upon the last speaker for the day Mr. Manoj Bagadia

## **Mr. Bagadia**

Yes Sir, can you hear me? Hello can you hear me?

## **Moderator**

Yes yes Sir.

## **Mr. Bagadia**

Respected Board of directors. Thank you for the opportunity to speak. As a lot of people have asked many questions, I would not like to repeat too much in detail, but one thing is very clear that in past many years we've sold off many business unit divested many

segments for last many, many years, so just wanted to understand what is the growth strategy for us to grow in future and there are multiple ways by which we can grow. What is the brand extension we can do because we have very strong brands and somehow we're not seen brand extensions from Novartis. Second thing is the new product introduction in that I just wanted to check are we part of the Novartis Generics globally? And if yes, then we should be able to get a lot more new products to introduce and improve our growth prospects so if you can just reply on that.

Third thing is for many years I mean there are there are operating losses in the business. I mean we are making profit just because of the other income that we generate from the funds lying in the balance sheet. So what is the plan for that? Because our gross margins are still over 60% and making a loss which is rare in an MNC pharma company. So if you could just talk about what's the turnaround strategy for operating.

Fourth thing is, our employee costs are almost 20% in FY20 and 32% in first quarter. So in case if we can't grow the business then at least we can control the cost. I mean we need to control costs. These are very very high. So just the strategy. In case if you see that growth is a challenge then what are the initiatives that we take on the cost front and where can you get the employee levels actually cost levels?

Also if you can throw light on number of employees in each Department including sales and marketing. If you can give a breakup of sales, by a top brands and respective market share in the Indian market and what are the growth opportunities for our top brands and the three segments where we are right now?

How do you plan to use the cash that's lying in the balance sheet for a long time? Because right now the interest rate scenario is quite low and you will not be able to generate too much of other income from that. So if you can just throw light on what are the plans to use cash and do we have any more noncore assets that can be sold in the company? And if you ask then, what are the assets and what would be the value of that?

And like one of the other gentleman had mentioned, Novartis Healthcare has grown significantly which is a private company in past five years and global Novartis focuses on speciality business and R&D. So where does Novartis India fit in the whole strategy? If you can just throw some light on that? Thank you for the opportunity again, Sir.

### **Christopher Snook**

Thank you very much indeed. Thank you Mr. Manoj. Deepali can I just ask whether or not, we were able to reconnect with I know with Mr. Santosh, Mr. Manoj, Mr. Belawat at we were able to reconnect because they had difficulties earlier on with some of their microphones or speakers or what have you. Were there others that were unable to connect that we said we would seek to reconnect with at the end of the question period? Or are we covered in terms of accommodating each of those speakers that had preregistered to put their questions to our meeting?

## **Moderator**

All the speakers have been covered. We can go ahead with the answering session.

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## **Christopher Snook**

OK, that's good to hear. Thank you very much so thank you once again for all of your contributions, comments, and questions. As I mentioned during that session a number of you raised questions related to similar or the same concerns and you will understand that we will take those. We will take those collectively in our responses. Our managing director along with key managerial personnel and I will start answering your questions.

And I would request that that Mr. Murdeshwar and his team to start by sharing their responses and comments to the shareholders based on the questions, comments, and observations that we've just heard.

## **Sanjay Murdeshwar**

First of all, thank you Mr. Chairman, and thank you to all of the shareholders for the questions. I really appreciate it and it really gives us an opportunity to address some of the questions and provide clarifications on the progress that your company has made as well as the opportunities that your company has over the next, the foreseeable future.

Let me first take the questions related to Covid because it seems to be very topical at this moment in time and therefore it will be first address. I think first of all, I think Novartis at a global level looks at Covid 19 only as much as what we have done is looked at older drugs that we have had and whether they had some impact towards covid treatment. To that extent we have a couple of products that can be used for covid treatment, especially for very severe covid patients, but specifically in the area of Covid vaccines Novartis has no specific investments of any kind in the area of covid vaccines, but having said that, what we're doing is supporting a global vaccine consortium along with the Bill and Melinda Gates Foundation to support them in finding newer ways as well as supporting covid efforts across the across the world. But we do not have any specific Covid vaccine because that is not our area of expertise but we will support other companies in whatever know how that we have in that in that direction.

To the impact of Covid in India very specifically, I think first of all the company has at this moment considered internal and external sources of information, including subsequent recoveries, credit risk profile, macroeconomic forecasts, latest selling prices of products, orders in hand as well as margins and based on these specific elements we have a few numbers which we can possibly share with you. In terms of Revenue recognition we had to defer around 28 million or so in this current quarter, which just ended. We had probably approximately 80 million or so of lower sales than what we had possibly forecasted. Our credit is actually in very good shape. And our account receivable is in very good shape. We have been very, very judicious in making sure that we are a cash positive company at all period of time. And to that extent, we should be OK.

On specific elements to employees. We have three employees who contracted Covid out of the 551 number of associates that we have across India. All three of them have recovered well and are doing well at this moment in time. So I think we are very pleased. We are very pleased with it.

Specifically, other impacts of Covid, which I would like to. I'm just putting together all of the questions that were asked so that we would all have the same information is that the company so far has been able to maintain operations at its manufacturing locations, especially the contract manufacturing locations and warehouses, to ensure uninterrupted supply of Pharma products. The government has been a very supportive to be very honest in that endeavour. The offices of the company, though, remained closed, but the employees, including our sales employees, are continuing to work from home or on digital platforms provided by the company. Of course any decision to physically reopen offices will be subject to guidelines issued by the local authorities as well as will take into consideration the best interests and safety of our of our associates. So I think hopefully that has covered a most of the questions with regard to regard to Covid.

I guess one specific question was about China and any impact of import from China. I think from a positive perspective we did not have since most of our products are contract manufactured, we did not have any substantial API impact. I think Novartis as well as our contract manufacturing we have been very judicious in having reasonable inventory to tide over any challenges we had, especially in the financial, te last quarter ending. So to that extent we did not have any specific API impact.

Sorry, I'm just making sure that all of the questions are together. I'll address some of the question for the road map for the next two to three years. I think first of all, a company or rather your company will be focused on are four disease areas.

Number one is pain and inflammation. Number two would be CNS. Number 3 would be the transplant area and we have some interests in the area of oncology. So these are the four disease areas of focus that we will have. Of course, what we intend to do is building on the strategy we will be continuously looking at various opportunities, mostly line extensions in disease areas of our focus and to drive top line growth. We have also introduced a slew of digital solutions, which will support our commercial efforts in innovative medicine. This is exceedingly important because it will also try to drive efficiency and effectiveness in our sales and marketing organisations and our investments hopefully can become much more seamless and more efficient with the use of technology.

We are also driving a major cultural change within our organization and all of these three things put together should drive increase on our revenue base. I just would like to also highlight that especially the last quarter we have had good progress in our Voveran range of products. We have gained market share in that area and we are pleased with the effort. We will continue to explore line extensions in building the Voveran range of products.

If I bring it back to transplant. I think there are a bunch of questions related to transplant which I will address. As I had addressed during my earlier speech transplant is one area

which has been impacted due to Covid as you can well imagine. Most of the hospitals are focusing on Covid patients and non-Covid patients in general are being impacted and transplant primarily due to the guidelines given by the national organ transplant authority. As you can imagine going forward transplant because we should look at it from two perspectives.

One is what we call as acute therapy. So whenever a transplant patient is actually admitted into a hospital, he or she requires some amount of medicines along with the transplant. I think that is the part of business, which is currently impacted. We are hopeful as the unlocking of the economy, as the unlocking of the hospitals will happen, that business should come back. We have a strong position. We have good strengths in that area. So it's just a question of the patients coming back.

The other part of the transplant business is what we call as chronic therapy or maintenance therapy. So obviously, a number of patients have already had transplant over the last few years and these patients also need to continue on maintenance therapy that medicines continued to be used, which is approximately 50 to 60% of the overall transplant business. So hopefully it gives all of you a little more clarity on transplant; the chronic part of transplant as well as the acute part of transplant, but we are very confident given the strength of our products, given the use of our products that as soon as the patient start coming in for transplant, we should be in a good position there.

There's a question related to how many people we have in our company. In the financial year 19-20 Novartis India had 551 total number of employees. I would like to point out that in 17-18 we had 668 employees so we have reduced nearly a 100 headcount or so in that business in this entity to make sure that we can continue to be efficient in our cost structure and in our expenses.

I think there was some questions on new product launches in the near future for NIL. I think there are two or three areas as I mentioned we will continuously focus on, especially in the area of pain and inflammation where there are huge opportunities in our country. The company has launched of course several products in the last two or three years. I think Voveran 1ml is one of them. There was Voveran Maxgel. All of these have add robust plans and we intend to launch some new products or new line extensions in the year 2021.

There was a question related to Voveran 1ml in what does it do and what are the impacts of Voveran 1 ml. iml is actually an injection. It is used for a number of patients, especially in a hospital setting and in an ICU where tablets cannot be easily taken by patients and therefore gives more flexibility to the physician, especially in a hospital and nursing homes. To use it on patients for whenever any other procedures are done on the patient.

I think there's a question on R&D and R&D Investments. As you can imagine that most of the R&D investments are cost is done at the Novartis global level. We do not have any spend on R&D locally. Look globally, Novartis spends approximately 19% of its total sales on R&D and the Novartis India Limited entity benefits from the Novartis Global R&D

efforts, especially in the area of disease of focus of Novartis India Limited. I mean, that's very critical and we will continuously benefit from the global investments in R&D.

Some more questions on what are the top list of brands. The top products in no particular order are Voveran, Myfortic, Tegretol, Simulect, Methergin, Sandostatin Neoral, Certican and Glivec. By the way, as you can imagine, this is a combination of products for bone and inflammation, for transplant, for cancer, as well as for CNS. So all these disease areas are represented in the top 10 brand sales. Of course by far Voveran is our biggest selling brand, very closely followed by Tegretol. Tegretol is a very important product on and will continue to grow this brand and product. Because it is very useful for epilepsy patients which is a CNS product across the country.

I think there was a question on is the parent company interested to launch new products in NIL or NHPL? As you can imagine that several factors such as market environment, therapeutic area, strengths, gestation period decide which entity a patented product is launched and such decisions are usually taken on a case by case basis by the respective IP owner and the brand owner. So whoever is the IP owner and the brand owner will usually make a decision on which legal entity they will be using to commercialize the product in India. And this decision is taken on a case by case basis depending upon the disease area of focus.

I think there was a question, this is from the chat box, so we are also of course addressing most of the questions from the chat box, not only the questions that are coming face to face. One question was does the profitability of Novartis AG affect the profitability of NIL? Well, first of all, no. There's no impact of the profitability of Novartis AG on Novartis India Limited. Novartis India limited operates in the India pharma market in very specific therapeutic areas, which I mentioned earlier. The sale of goods and services in India is recorded and reported in NIL totally.

In no particular order. I'm just taking up most of the questions, so I hope you appreciate if I'm going on one topic or the other.

There was a question on final dividend payment date. The dividend will be paid on or after 14th August 2020.

There was a question regarding to how many patents were registered. Are these protected? As we mentioned earlier, Novartis locally, Novartis India limited does not have any investments in R&D, so all of the patent patents are filed globally by Novartis AG and not by Novartis India limited. And on the case to case study, depending upon which entity will provide the best commercial impact, but more importantly, the most value to the patients, Novartis AG will take the decision to make sure those products go in those directions.

There was a question on why no bonus issue. I think the Chairman had mentioned it earlier too that the company follows a steady dividend policy. Deployment and use of cash proceeds will be considered in detail by the Board in due course, and in the best

interest of all company shareholders and the best interests of the company as a whole. I think you can well imagine that this is a good position for Novartis India limited to be in. We are no debt company. We have good cash on our books and when there are massive issues like Covid or any such major, unforeseen circumstances is always good to have a good moat around your castle so that we can have a sustainable business, as we keep on developing it further.

I think there was a request on the personal side on BioCamp for shareholders. Thank you so much for that request. Just to give you a background. Biocamp is where we try to attract the best talent of India across the Novartis Group of companies in India. We go to the best institutes, the IITs, the IIMs, the research institutes where we attract students to our company. Can we do that for shareholders? I'm sure we'll try to consider such events, but to be very clear, BioCamp is very clearly directed towards our students and hopefully these students can become future employees and associates of Novartis and can create value for all shareholders.

I think there was some questions on the poor performance of Novartis India, especially over the last couple of years. As you can imagine, a substantial portfolio of Novartis India Limited is under Drug Price Control Order. And this had a major impact on sales revenues as well as profitability which was eroded over the years. In addition, what also happened was Novartis AG, which is the company's holding company by way of mergers, acquisitions, divestments, or brands or restructuring has had an influence on Novartis India Limited as does on all of its company, in which it has its stake in India. This is this is, I think, an impact that is out of our hands. But I think very specifically due to global decisions on AG's decisions on mergers, acquisitions and divestments.

I think I've tried to address most of the of the business questions, so if you do not mind, I'll now pass it onto my colleague, the CFO of our company Felix Doss with your permission, Mr. Chairman.

### **Christopher Snook**

Please do, yeah. Thank you very much Sanjay very comprehensively covered thanks.

### **Felix Doss**

Thank you Sanjay and thanks to the shareholders for raising these questions. I would be addressing questions, which have been raised by many shareholders. The first question is around the way Novartis India limited uses its surplus cash. All of the cash held by Novartis is invested in short-term fixed deposits.

The other question was around what are those categories of expenses where we are generating savings. Broadly, the top categories were expenses have been kept under control and lesser is travel, legal and professional fees, power, fuel, trade and professional fees.

The other question was around the payment of royalty and who we paid to, and how much. Royalty is paid to Novartis AG, and this is for the utilization of their brand and the total royalty is one percent of the total sales net of expenses.

The next question is do we have any manufacturing facilities? No, Novartis India limited does not have any of its own manufacturing facilities.

And the question I have here is the registered office in BKC and what is the total space? The registered office of Novartis is in BKC and the total office area is about 40,800 square feet. Those are the questions from me and thank you so much and I'm passing it onto Trivikram.

### **Trivikram Guda**

Thank you Felix. A few of the shareholders had some questions on the company secretarial side. One of the shareholders wanted to inspect the Register of Contracts and directors and that of key management personnel. The same is available on the website of the company under the e-voting section, so I would request the shareholders who would like to inspect them may please visit the website.

One shareholder, Abhishek, has had a problem with respect to the transfer of shares to Investor Education Protection Fund. And I'd like to mention that before any transfer of shares to the Investor Education Protection Fund is carried out, the company sends adequate notice and reminders to the shareholders and even a public announcement is also made and only thereafter the shares are transferred to IEPF. But I understand that you had some challenges with the transfer agent. We would definitely have a look into it and one of our team will get in touch with you on this.

One of the questions from the shareholder is to give preference to the AGM venue at Worli but with the current situation we are anticipating that even going forward, the annual general meetings would be through virtual means so and the registered office of the company has actually shifted to Bandra, but in the interest of all the shareholders let me note that we have been providing the transport facility to all the local shareholders here to have a seamless logistic support to attend the AGMs, physical AGMs, but definitely will keep that in mind and will make necessary proposals to the Board.

Yes, these are the few questions which shareholders had and with that I hand over to the chairman.

### **Christopher Snook**

I thank you Sanjay Felix and Trivikram for very comprehensively addressing those questions raised by our shareholders. There were one or two other questions which I have chosen to pick up myself. We were asked whether or not there are any plans on the agenda of NIL for delisting. I can confirm that there are not any plans.

I'd like to thank those of you who very kindly recognized the efforts and the endeavour of those executives of Novartis who have been involved in the preparations of this virtual meeting. It is for many of us this is the first time that this has been conducted virtually and we have, I believe, managed the process very efficiently and I add my thanks to those of you who recognized the efforts of our associates during your comments in the last hour or so.

What I would like to say is that I want to offer an assurance to all of our shareholders who are still with us on this virtual meeting and others that the company follows the highest possible standards of corporate governance and all independent directors in this regard exercise their role in both letter and spirit. And what I'd further like to say is that we certainly will take all issues and concerns raised about the way that we choose to operate the businesses of NIL, but there is one thing that we will not respond or react to, and that is random calls from anyone, be they shareholders or otherwise, to release certain individuals from their roles in their responsibilities. I consider that to be with myself and the managing director and as I said, we take all issues and concerns seriously and we will examine those issues and concerns. But we will not respond to those random calls. I wanted to make that clear.

And one other thing Sanjay you touched on this in your answers. To a lady shareholder, Mrs. Patel. On BioCamp type meetings for shareholders. I see the potential, especially in the present circumstances where in person meetings are not permitted in many countries in the world. I see the potential for there to be virtual possibilities and potential alternatives that would afford shareholders an opportunity to learn and understand more not only about our businesses, but also about healthcare in general. And we will keep people informed as to efforts in that regard made by both Novartis AG, the parent and also Novartis in India. So thank you very much.

So with that, and I do hope that we have satisfactorily addressed the many questions and the many topics that were raised by our shareholders during the course of that session. I'd like to thank Mr. Murdeshwar and his team, for answering as many of the questions as possible within the time available. I would like also to thank all the shareholders for your incredible patience and support.

We hope we have been able to answer as many questions as possible. However, should you have any further questions after today's meeting, please do not hesitate to write to the investor email ID of the company and our team will respond to you contrary to the suggestion by one shareholder that we do not respond to questions raised.

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## **Christopher Snook**

We will now proceed to the resolutions if we may.

We have four resolutions for approval at the Annual General Meeting as per the notice to the meeting dated June 19, 2020. For the convenience of members, I will briefly read out the four resolutions.

### **First resolution**

First of all, first resolution is to receive, consider and adopt the audited financial statements for the year ended March 31st, 2020 together with the reports of the directors and the auditors thereon.

### **Second resolution**

The second resolution is to declare the dividend of Indian Rupees 10 per equity share for the financial year ended March 31<sup>st</sup>, 2020.

### **Third resolution**

Third resolution is to appoint Ms. Monaz Noble as director as she retires by rotation and being eligible offer herself for reappointment.

### **Fourth resolution**

Fourth resolution is to appoint Mr. Sanker Parameswaran as an independent director of the company to hold office for a term of five consecutive years commencing from June 22<sup>nd</sup>, 2020.

The members may note that the company has already provided the facility for remote E voting to all shareholders, and this facility was open from August 4, 2020 to Aug 6, 2020. Members who have not cast their vote during the said period may cast their vote at the meeting today.

I would now like to invite members to vote on all four of those resolutions. The E voting platform is now enabled on your login screen and will be open for another 15 minutes. Naturally, this platform no longer appears to those shareholders who have already cast their vote. S. N. Ananthasubramanian and Ms. Malati Kumar (alternate) practicing company secretaries are appointed as scrutinizer to scrutinize the E voting during the AGM and to ensure that the process is conducted in a fair and transparent manner. The results of the voting will be announced no later than 48 hours after the conclusion of this AGM, and the same will be placed on the website of the company and also NSDL.

I sincerely thank each shareholder, for all of your comments, support and patience in successfully conducting this first virtual Annual General Meeting of the company. These are challenging and difficult times for many, many people across the globe and I would

like to particularly wish all of our shareholders, employees and all other stakeholders a very safe and healthy year ahead.

I also thank each director for their active participation and support during the year. I thank each member of the organizing team for ensuring a successful virtual meeting. And with your permission, all the directors and I will now log out. The company secretarial team however, will be online for some time yet until the E-voting concludes. And so there being no other business, I would like to declare the meeting closed at the time of Trivikram can you tell me it is 1:30 pm Indian Standard Time.

**Trivikram Guda**

You're right.

**Christopher Snook**

OK, this meeting is closed. Thank you everyone. Thank you.

**Trivikram Guda**

Thank you very much.

**Sanjay Murdeshwar**

Thank you Mr. Chairman. Thank you everybody.

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