



Novartis India Limited

Regd. off: Sandoz House, Shivsagar Estate, Dr Annie Besant Road, Worli, Mumbai 400 018.
www.novartis.in, CIN:L24200MH1947PLC006104

₹ in million

STATEMENT OF STANDALONE AUDITED RESULTS FOR THE YEAR ENDED 31ST MARCH 2017

| Sr. No. | Particulars | 3 months ended | 3 months ended | 3 months ended | Year ended | Year ended |
|---------|--|---------------------------|---------------------------|---------------------------|-------------------------|-------------------------|
| | | 31.03.2017 (Unaudited) | 31.12.2016 (Unaudited) | 31.03.2016 (Unaudited) | 31.03.2017 (Audited) | 31.03.2016 (Audited) |
| 1. | Revenue from Operations | 1,454.9 | 1,643.7 | 1,662.1 | 6,562.3 | 6,899.0 |
| | Other Income | 148.1 | 150.8 | 209.8 | 701.5 | 808.8 |
| | Total Income | 1,603.0 | 1,794.5 | 1,871.9 | 7,263.8 | 7,707.8 |
| 2. | Expenses | | | | | |
| (a) | Cost of Materials Consumed | 0.3 | 0.7 | (3.3) | 1.2 | 4.7 |
| (b) | Purchases of Stock-in-Trade | 825.9 | 584.9 | 746.7 | 3,212.1 | 2,924.1 |
| (c) | Changes in Inventories of Finished Goods and Stock-in-Trade | (113.7) | 122.5 | (58.8) | (152.1) | (65.2) |
| (d) | Excise duty | 0.1 | - | 1.3 | 0.1 | 1.3 |
| (e) | Employee Benefits Expense | 352.2 | 371.5 | 330.2 | 1,393.0 | 1,566.6 |
| (f) | Finance Costs | 3.9 | 2.5 | 0.4 | 7.2 | 2.1 |
| (g) | Depreciation and Amortisation Expense | 13.4 | 8.0 | 11.1 | 35.9 | 34.9 |
| (h) | Other Expenses | 449.3 | 494.5 | 518.3 | 1,849.1 | 2,125.6 |
| | Total Expenses | 1,531.4 | 1,584.6 | 1,545.9 | 6,346.5 | 6,594.1 |
| 3. | Profit before tax from Continuing Operations | 71.6 | 209.9 | 326.0 | 917.3 | 1,113.7 |
| 4. | Tax Expense | | | | | |
| | Current Tax | 46.5 | 91.6 | 119.0 | 364.1 | 427.7 |
| | Deferred Tax | (4.0) | (12.0) | (4.1) | (19.0) | (22.2) |
| | Fringe Benefits Tax | - | - | (17.2) | - | (16.7) |
| | Total Tax Expense | 42.5 | 79.6 | 97.7 | 345.1 | 388.8 |
| 5. | Profit from Continuing Operations | 29.1 | 130.3 | 228.3 | 572.2 | 724.9 |
| 6. | Discontinued operations | | | | | |
| 6. | Profit from discontinued operations before tax | - | - | - | - | 1,603.0 |
| 7. | Tax expense of discontinued operations | - | - | - | - | 345.0 |
| 8. | Profit from discontinued operations | - | - | - | - | 1,258.0 |
| 9. | Profit for the period | 29.1 | 130.3 | 228.3 | 572.2 | 1,982.9 |
| 10. | Other comprehensive income, net of tax | 20.1 | (15.1) | (12.8) | 5.0 | 2.9 |
| 11. | Total comprehensive income for the period | 49.2 | 115.2 | 215.5 | 577.2 | 1,985.8 |
| 12. | Paid-up equity share capital (Face Value ₹ 5 each) | 140.7 | 140.7 | 159.8 | 140.7 | 159.8 |
| 13. | Earnings Per Share (Basic & Diluted)- (of ₹ 5 each) (not annualised) | | | | | |
| | From Continued Operations | 1.03 | 4.77 | 7.14 | 19.10 | 22.68 |
| | From Discontinued Operations | - | - | - | - | 39.36 |
| | From Total Operations | 1.03 | 4.77 | 7.14 | 19.10 | 62.04 |

| Sr. No. | Particulars | 3 months ended | 3 months ended | 3 months ended | Year ended | Year ended |
|---------|--|---------------------------|---------------------------|---------------------------|-------------------------|-------------------------|
| | | 31.03.2017 (Unaudited) | 31.12.2016 (Unaudited) | 31.03.2016 (Unaudited) | 31.03.2017 (Audited) | 31.03.2016 (Audited) |
| 1. | Segment Revenue | | | | | |
| | Pharmaceuticals | 1,454.9 | 1,643.7 | 1,662.1 | 6,562.3 | 6,899.0 |
| | Revenue from Operations | 1,454.9 | 1,643.7 | 1,662.1 | 6,562.3 | 6,899.0 |
| 2. | Segment Results | | | | | |
| | Pharmaceuticals | (22.5) | 119.2 | 170.9 | 435.8 | 574.4 |
| | Total | (22.5) | 119.2 | 170.9 | 435.8 | 574.4 |
| | Add/(Less): | | | | | |
| (a) | Finance Costs | (3.9) | (2.5) | (0.4) | (7.2) | (2.1) |
| (b) | Other unallocable expenditure | (43.5) | (57.5) | (53.7) | (204.2) | (266.8) |
| (c) | Other unallocable income | 141.5 | 150.7 | 209.2 | 692.9 | 808.2 |
| | Profit before Tax | 71.6 | 209.9 | 326.0 | 917.3 | 1,113.7 |
| 3. | Capital Employed (Segment Assets less Segment Liabilities) | | | | | |
| | Pharmaceuticals | | | | | |
| | Segment Assets | 1,706.0 | 1,800.0 | 1,576.1 | 1,706.0 | 1,576.1 |
| | Segment Liabilities | (1,920.2) | (1,806.3) | (1,653.1) | (1,920.2) | (1,653.1) |
| | Total | (214.2) | (6.3) | (77.0) | (214.2) | (77.0) |
| | Add: Unallocable Corporate Assets less Unallocable Corporate Liabilities | 9,410.6 | 9,171.8 | 12,012.8 | 9,410.6 | 12,012.8 |
| | Total Capital Employed | 9,196.4 | 9,165.5 | 11,935.8 | 9,196.4 | 11,935.8 |



Notes:
1. Standalone Statement of Assets and Liabilities

| Particulars | As at | | |
|---|-----------------|-----------------|-----------------|
| | 31.03.2017 | 31.03.2016 | 01.04.2015 |
| | Audited | Audited | Audited |
| | in ₹ million | in ₹ million | in ₹ million |
| A Assets | | | |
| Non-Current Assets | | | |
| Property, Plant and Equipment | 57.1 | 64.8 | 81.6 |
| Capital Work-in-Progress | 0.1 | 4.5 | - |
| Financial Assets | 16.8 | 69.8 | 60.4 |
| Deferred Tax Assets | 232.2 | 215.8 | 219.0 |
| Income Tax Assets (Net) | 1,189.3 | 1,078.7 | 1,032.8 |
| Other Non-Current Assets | 262.1 | 255.1 | 354.0 |
| | 1,757.6 | 1,688.7 | 1,747.8 |
| Current Assets | | | |
| Inventories | 875.2 | 724.0 | 661.2 |
| Financial assets | | | |
| (i) Trade Receivables | 452.3 | 501.7 | 505.2 |
| (ii) Cash and Cash Equivalents | 755.9 | 245.8 | 6,370.3 |
| (iii) Bank balances other than (ii) above | 7,401.3 | 11,009.7 | 2,042.9 |
| (iv) Other Financial Assets | 187.1 | 87.9 | 279.0 |
| Other Current Assets | 59.6 | 67.8 | 144.2 |
| | 9,731.4 | 12,636.9 | 10,002.8 |
| Assets classified as held for sale | 10.4 | - | 637.5 |
| TOTAL ASSETS | 11,499.4 | 14,325.6 | 12,388.1 |
| B Equity and Liabilities | | | |
| Equity Share Capital | 140.7 | 159.8 | 159.8 |
| Other Equity | 9,055.7 | 11,776.0 | 10,171.6 |
| Total Equity | 9,196.4 | 11,935.8 | 10,331.4 |
| Non-Current Liabilities | | | |
| Financial Liabilities | 22.7 | 22.0 | 21.3 |
| Employee Benefit Obligations | 380.9 | 322.9 | 265.0 |
| Other Non Current Liabilities | 40.2 | - | 0.3 |
| | 443.8 | 344.9 | 286.6 |
| Current Liabilities | | | |
| Financial Liabilities | | | |
| (i) Trade Payables | 735.9 | 696.6 | 649.7 |
| (ii) Other Financial Liabilities | 467.4 | 692.3 | 169.1 |
| Provisions | 112.3 | 109.9 | 120.7 |
| Employee Benefit Obligations | 291.7 | 305.6 | 214.3 |
| Liabilities for Current Tax (Net) | 76.5 | 43.4 | 43.1 |
| Other Current Liabilities | 146.6 | 197.1 | 135.1 |
| | 1,830.4 | 2,044.9 | 1,332.0 |
| Liabilities Directly Associated with Assets Classified as Held for Sale | 28.8 | - | 438.1 |
| TOTAL EQUITY AND LIABILITIES | 11,499.4 | 14,325.6 | 12,388.1 |

- This statement has been reviewed by the Audit Committee at its meeting held on 23rd May 2017 and approved at the meeting of the Board of Directors held on that date.
- This statement has been prepared in accordance with the Companies (Indian Accounting standards) Rules, 2015 (Ind AS), prescribed under Section 133 of the Companies Act, 2013, and other recognised accounting practices and policies to the extent applicable. Beginning 1st April 2016, the Company has for the first time adopted Ind AS with a transition date of 1st April 2015.
- The comparative information for the quarter and year ended 31st March 2016 has been disclosed for the Company's continuing operations in accordance with the requirements of Schedule III of the Companies Act, 2013 and the SEBI circular dated 5th July 2016 (for results of discontinued operations refer Note 9).
- The figures for the quarter ended 31st March 2017 are the balancing figures between the audited financial results for the year ended 31st March 2017 and the published unaudited financial results for the nine months ended 31st December 2016.
- Post divestment of OTC and Animal Healthcare businesses, the Chief Operating Decision Maker views erstwhile Pharmaceuticals and Generics divisions as a single operating segment, i.e. Pharmaceuticals Segment for the purpose of making decisions about allocating resources and assessing its performance.



7. The reconciliation of Net Profit reported in accordance with previous GAAP (IGAAP) to total comprehensive income in accordance with Ind AS is given below:

| Description | 3 months ended 31.03.2016 | Year ended 31.03.2016 |
|--|------------------------------|--------------------------|
| Net Profit for the period as per previous GAAP (IGAAP) | 215.3 | 1,986.1 |
| Impact of Expected Credit Loss on Trade Receivables | 0.8 | (0.2) |
| Impact of provision for Cash Discount (on estimated basis) | (0.1) | 0.2 |
| Others | (0.5) | (0.3) |
| Total Comprehensive Income for the period as per Ind AS | 215.5 | 1,985.8 |

8. Reconciliation of total equity as at 31st March 2016 and 1st April 2015

| | 31.03.2016 in ₹ million | 01.04.2015 in ₹ million |
|--|----------------------------|----------------------------|
| Total equity (Shareholder's Funds) as per previous GAAP (IGAAP) | 11,621.3 | 10,019.9 |
| Adjustments: | | |
| Fair valuation of Security Deposits (net) | (0.6) | (0.3) |
| Impact of Expected Credit Loss on Trade Receivables | (0.3) | (0.1) |
| Impact of provision for Cash Discount (on estimated basis) | 0.1 | (0.1) |
| ESOP reclassification | (69.4) | (72.7) |
| Impact of Proposed Dividend | 384.7 | 384.7 |
| Total adjustments | 314.5 | 311.5 |
| Total equity as per Ind AS | 11,935.8 | 10,331.4 |

9. Results of Discontinued Operations

| Sr. No. | Particulars | For the period ended 30.09.2015** | For the period ended 31.12.2015** | |
|---------|--|--------------------------------------|--------------------------------------|----------------|
| | | OTC | Animal Health | Total |
| | | Audited | Audited | |
| | | in ₹ million | in ₹ million | in ₹ million |
| 1. | Revenue from Operations | 387.7 | 767.3 | 1,155.0 |
| | Other Income* | 1,098.4 | 608.8 | 1,707.2 |
| | Total Income | 1,486.1 | 1,376.1 | 2,862.2 |
| 2. | Expenses | | | |
| | (a) Cost of Materials Consumed | - | 26.0 | 26.0 |
| | (b) Purchases of Stock-in-Trade | 139.2 | 449.3 | 588.5 |
| | (c) Changes in Inventories of Finished Goods and Stock-in-Trade | (39.4) | 11.3 | (28.1) |
| | (d) Excise duty | - | - | - |
| | (e) Employee Benefits Expense | 143.9 | 89.7 | 233.6 |
| | (f) Finance Costs | - | - | - |
| | (g) Depreciation and Amortisation Expense | 1.1 | 0.7 | 1.8 |
| | (h) Other Expenses | 269.0 | 168.4 | 437.4 |
| | Total Expenses | 513.8 | 745.4 | 1,259.2 |
| 3. | Profit before tax from Discontinued Operations | 972.3 | 630.7 | 1,603.0 |
| 4. | Tax Expense | | | |
| | Current Tax | 193.4 | 127.7 | 321.1 |
| | Deferred Tax | 9.8 | 14.1 | 23.9 |
| | Total Tax Expense | 203.2 | 141.8 | 345.0 |
| 5. | Profit from Discontinued Operations | 769.1 | 488.9 | 1,258.0 |
| 6. | Other comprehensive income from Discontinued Operations, net of tax | - | - | - |
| 7. | Total comprehensive income for the period from Discontinued Operations | - | - | - |
| 8. | Paid-up equity share capital (Face Value ₹ 5 each) | 159.8 | 159.8 | 159.8 |
| 9. | Earnings Per Share (Basic & Diluted)- (of ₹ 5 each) (not annualised) | | | |
| | From Discontinued Operations | 24.06 | 15.30 | 39.36 |

*This includes, profit on sale of OTC and Animal Health division of ₹ 1091.3 million and ₹ 605.0 million respectively.

**The Divestment of OTC division and Animal Health division was completed on 30th September 2015 and 31st December 2015 respectively.

10. The Board of Directors has recommended a dividend of 200% (₹ 10 per equity share of ₹ 5 each) for the year ended 31st March 2017 (2016: 200%, ₹ 10 per equity share of ₹ 5 each).
11. Previous year figures have been regrouped/restated where necessary.



By Order of the Board

Ranjit Shahani
Vice Chairman and Managing Director
DIN: 00103845
Mumbai, 23rd May, 2017

FORM A

| | | |
|----|--|------------------------------|
| 1. | Name of the Company | Novartis India Limited |
| 2. | Annual Financial Statements for the year ended | 31 st March, 2017 |
| 3. | Type of Audit Observation | Un-modified |
| 4. | Frequency of Observation | Not Applicable |
| 5. | To be signed by- <ul style="list-style-type: none">• CEO/Managing Director• CFO• Auditor of the company• Audit Committee Chairman | Refer below |

Auditors of the Company

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




Asha Ramanathan
Partner
Membership No. 202660
Mumbai, May 23, 2017

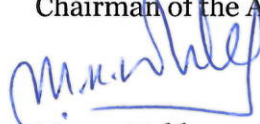
Novartis India Limited



Ranjit Shahani
Vice Chairman and Managing Director



Dr. Rajendra Nath Mehrotra
Chairman of the Audit Committee



Monaz Noble
Whole Time Director &
Chief Financial Officer
Mumbai, May 23, 2017

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF NOVARTIS INDIA LIMITED

Report on the Indian Accounting Standards (Ind AS) Financial Statements

1. We have audited the accompanying financial statements of Novartis India Limited ("the Company"), which comprise the Balance Sheet as at March 31, 2017, the Statement of Profit and Loss (including Other Comprehensive Income), the Cash Flow Statement and the Statement of Changes in Equity for the year then ended, and a summary of the significant accounting policies and other explanatory information.

Management's Responsibility for the Ind AS Financial Statements

2. The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these Ind AS financial statements to 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 accounting principles generally accepted in India, including the Indian Accounting Standards specified in the Companies (Indian Accounting Standards) Rules, 2015 (as amended) under Section 133 of the Act. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the Ind AS financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

3. Our responsibility is to express an opinion on these Ind AS financial statements based on our audit.
4. We have taken into account the provisions of the Act and the Rules made thereunder including the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.
5. We conducted our audit of the Ind AS financial statements in accordance with the Standards on Auditing specified under Section 143(10) of the Act and other applicable authoritative pronouncements issued by the Institute of Chartered Accountants of India. Those Standards and pronouncements require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Ind AS financial statements are free from material misstatement.
6. An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the Ind AS financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the Ind AS financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial controls relevant to the Company's preparation of the Ind AS financial statements that give a true and fair view, in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the Ind AS financial statements.
7. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Ind AS financial statements.



Opinion

8. In our opinion and to the best of our information and according to the explanations given to us, the aforesaid Ind AS financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2017, and its profit (including other comprehensive income), its cash flows and the changes in equity for the year ended on that date.

Other Matter

9. The financial information of the Company for the year ended March 31, 2016 and the transition date opening balance sheet as at April 1, 2015 included in these Ind AS financial statements, are based on the previously issued statutory financial statements for the years ended March 31, 2016 and March 31, 2015 prepared in accordance with the Companies (Accounting Standards) Rules, 2006 (as amended) which were audited by us and on which we expressed an unmodified opinion dated May 26, 2016 and May 27, 2015 respectively. The adjustments to those financial statements for the differences in accounting principles adopted by the Company on transition to the Ind AS have been audited by us.

Our opinion is not modified in respect of this matter.

Report on Other Legal and Regulatory Requirements

10. As required by the Companies (Auditor's Report) Order, 2016, issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act ("the Order"), and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we give in the Annexure B a statement on the matters specified in paragraphs 3 and 4 of the Order.
11. As required by Section 143 (3) of the Act, we report that:
 - (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
 - (b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.
 - (c) The Balance Sheet, the Statement of Profit and Loss (including other comprehensive income), the Cash Flow Statement and the Statement of Changes in Equity dealt with by this Report are in agreement with the books of account.
 - (d) In our opinion, the aforesaid Ind AS financial statements comply with the Indian Accounting Standards specified under Section 133 of the Act.
 - (e) On the basis of the written representations received from the directors as on March 31, 2017 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2017 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.



- (g) With respect to the other matters to be included in the Auditors' Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our knowledge and belief and according to the information and explanations given to us:
- i) The Company has disclosed the impact, if any, of pending litigations as at March 31, 2017 on its financial position in its Ind AS financial statements – Refer Note 29;
 - ii) The Company has long-term contracts as at March 31, 2017 for which there were no material foreseeable losses. The Company did not have any derivative contracts as at March 31, 2017;
 - iii) There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company during the year ended March 31, 2017;
 - iv) The Company has provided requisite disclosures in the financial statements as to holdings as well as dealings in Specified Bank Notes during the period from November 8, 2016 to December 30, 2016. Based on audit procedures and relying on the management representation we report that the disclosures are in accordance with books of account maintained by the Company and as produced to us by the Management – Refer Note 35.

For Lovelock & Lewes
Firm Registration Number: 301056E
Chartered Accountants



Asha Ramanathan
Partner
Membership Number: 202660

Place: Mumbai
Date: May 23, 2017

Annexure A to Independent Auditors' Report

Referred to in paragraph 11(f) of the Independent Auditors' Report of even date to the members of Novartis India Limited on the Ind AS financial statements as of and for the year ended March 31, 2017

Page 1 of 2

Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Act

1. We have audited the internal financial controls over financial reporting of Novartis India Limited ("the Company") as of March 31, 2017 in conjunction with our audit of the Ind AS financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

2. 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 (ICAI). 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.

Auditors' Responsibility

3. Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting 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") and the Standards on Auditing specified under section 143(10) of the Act to the extent applicable to an audit of internal financial controls, both applicable to an audit of internal financial controls and both issued by the ICAI. 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.
4. 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.
5. 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.



Annexure A to Independent Auditors' Report

Referred to in paragraph 11(f) of the Independent Auditors' Report of even date to the members of Novartis India Limited on the Ind AS financial statements as of and for the year ended March 31, 2017

Page 2 of 2

Meaning of Internal Financial Controls over Financial Reporting

6. A company's internal financial controls 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 controls 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

7. 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 controls 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

8. In our opinion, 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, 2017, based on the internal controls 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.

For Lovelock & Lewes
Firm Registration Number: 301056E
Chartered Accountants



Asha Ramanathan
Partner
Membership Number: 202660

Place: Mumbai
Date: May 23, 2017

Annexure B to Independent Auditors' Report

Referred to in paragraph 10 of the Independent Auditors' Report of even date to the members of Novartis India Limited on the Ind AS financial statements as of and for the year ended March 31, 2017

- i. (a) The Company is maintaining proper records showing full particulars, including quantitative details and situation, of fixed assets.
 - (b) The fixed assets are physically verified by the Management according to a phased programme designed to cover all the items 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 programme, a portion of the fixed assets has been physically verified by the Management during the year and no material discrepancies have been noticed on such verification.
 - (c) The title deeds of immovable properties, as disclosed in Note 3 on fixed assets to the Ind AS financial statements, are held in the name of the Company.
- ii. The physical verification of inventory (excluding stocks with third parties) has been conducted at reasonable intervals by the Management during the year. In respect of inventory lying with third parties, these have substantially been confirmed by them. The discrepancies noticed on physical verification of inventory as compared to book records were not material.
- iii. The Company has not granted any loans, secured or unsecured, to companies, firms, Limited Liability Partnerships or other parties covered in the register maintained under Section 189 of the Act. Therefore, the provisions of Clause 3(iii), (iii)(a), (iii)(b) and (iii)(c) of the said Order are not applicable to the Company.
- iv. The Company has not granted any loans or made any investments, or provided any guarantees or security to the parties covered under Section 185 and 186. Therefore, the provisions of Clause 3(iv) of the said Order are not applicable to the Company.
- v. The Company has not accepted any deposits from the public within the meaning of Sections 73, 74, 75 and 76 of the Act and the Rules framed there under to the extent notified.
- vi. Pursuant to the rules made by the Central Government of India, the Company is required to maintain cost records as specified under Section 148(1) of the Act in respect of its products. We have broadly reviewed the same, and are of the opinion that, prima facie, the prescribed accounts and records have been made and maintained. We have not, however, made a detailed examination of the records with a view to determine whether they are accurate or complete.
- vii. (a) According to the information and explanations given to us and the records of the Company examined by us, in our opinion, the Company is generally regular in depositing the undisputed statutory dues in respect of service tax, though there have been delays in a few cases for service tax payable based on reverse charge mechanism and is regular in depositing undisputed statutory dues, including provident fund, employees' state insurance, income tax, sales tax, duty of customs, duty of excise, value added tax, cess and other material statutory dues, as applicable, with the appropriate authorities.
 - (b) According to the information and explanations given to us and the records of the Company examined by us, the particulars of dues of income tax, sales tax, value added tax, service tax, duty of customs and duty of excise as at March 31, 2017 which have not been deposited on account of a dispute, are as follows:

| Name of the statute | Nature of dues | Amount Rs. in million* | Period to which the amount relates | Forum where the dispute is pending |
|--------------------------|---|------------------------|--|--|
| The Income-tax Act, 1961 | Income-tax including tax deducted at source and interest, as applicable | 274.1 | Assessment Years 1994-1995, 2008-2009 to 2016-2017 | Appellate Authority – up to Commissioner's level |
| | | 23.0 | Assessment Year 2006-2007 | Income Tax Appellate Tribunal |



Annexure B to Independent Auditors' Report

Referred to in paragraph 10 of the Independent Auditors' Report of even date to the members of Novartis India Limited on the Ind AS financial statements as of and for the year ended March 31, 2017

Page 2 of 3

| Name of the statute | Nature of dues | Amount Rs. in million* | Period to which the amount relates | Forum where the dispute is pending |
|--|---|------------------------|---|--|
| The Central Sales Tax Act, 1956 and Local Sales Tax Acts | Sales tax including interest and penalty, as applicable | 374.1 | 2000-2001 to 2013-2014 | Appellate Authority – up to Commissioner's level |
| | | 48.1 | 1993-1994, 2001-2002 to 2005-2006, 2007-2008, 2010-2011 and 2012-2013 | Tribunal |
| | | 0.2 | 1997-1998 | The High Court of Kerala |
| | | 15.4 | 2008-2009 to 2010-2011 | West Bengal Sales Tax Appellate and Revisional Board |
| The Finance Act, 1994 | Service tax | 4.8 | September 2004 to September 2009 | Appellate Authority – up to Commissioner's level |
| The Customs Act, 1962 | Customs Duty | 0.4 | 2002-2003 | Appellate Authority – up to Commissioner's level |
| The Central Excise Act, 1944 | Excise duty including penalty, as applicable | 0.6 | 1990 and June 1993 to October 1993 | Appellate Authority – up to Commissioner's level |
| | | 2.4 | August 1993 to December 1996 | Customs, Excise & Service Tax Appellate Tribunal |

*Net of amounts paid including under protest.

- viii. As the Company neither has any loans or borrowings from any financial institution or bank or Government, nor has it issued any debentures as at the balance sheet date, the provisions of Clause 3(viii) of the Order are not applicable to the Company.
- ix. The Company has not raised any money by way of initial public offer, further public offer (including debt instruments) and term loans during the year under review. Accordingly, the provisions of Clause 3(ix) of the Order are not applicable to the Company.
- x. During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of material fraud by the Company or on the Company by its officers or employees, noticed or reported during the year, nor have we been informed of any such case by the Management.
- xi. The Company has paid/ provided for managerial remuneration in accordance with the requisite approvals mandated by the provisions of Section 197 read with Schedule V to the Act.
- xii. As the Company is not a Nidhi Company and the Nidhi Rules, 2014 are not applicable to it, the provisions of Clause 3(xii) of the Order are not applicable to the Company.




Annexure B to Independent Auditors' Report

Referred to in paragraph 10 of the Independent Auditors' Report of even date to the members of Novartis India Limited on the Ind AS financial statements as of and for the year ended March 31, 2017

Page 3 of 3

- xiii. The Company has entered into transactions with related parties in compliance with the provisions of Sections 177 and 188 of the Act. The details of such related party transactions have been disclosed in the Ind AS financial statements as required under Indian Accounting Standard (Ind AS) 24, Related Party Disclosures specified under Section 133 of the Act, read with Companies (Indian Accounting Standard) Rules, 2015 (as amended).
- xiv. The Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under review. Accordingly, the provisions of Clause 3(xiv) of the Order are not applicable to the Company.
- xv. The Company has not entered into any non-cash transactions with its directors or persons connected with him within the meaning of Section 192 of the Act. Accordingly, the provisions of Clause 3(xv) of the Order are not applicable to the Company.
- xvi. The Company is not required to be registered under Section 45-IA of the Reserve Bank of India Act, 1934. Accordingly, the provisions of Clause 3(xvi) of the Order are not applicable to the Company.

For Lovelock & Lewes
Firm Registration Number: 301056E
Chartered Accountants



Asha Ramanathan
Partner
Membership Number: 202660

Place: Mumbai
Date: May 23, 2017



Novartis India Limited
Sandoz House
Shivsagar Estate
Dr Annie Besant Road
Worli, Mumbai 400 018
India
CIN-L24200MH1947PLC006104
Website: www.novartis.in
Tel +91 22 2495 8888
Fax +91 22 2495 0221

MEDIA RELEASE • MEDIA RELEASE • MEDIA RELEASE

Novartis India announces results for the quarter and year ended March 31, 2017

- *Full year profits from continuing operations severely impacted by price controls*
- *Board recommends dividend of ₹ 10 per equity share of ₹5 each*

At a meeting held in Mumbai today, the Board of Novartis India Limited approved results for the quarter and financial year ended March 31, 2017 and recommended dividend of ₹ 10 per equity share of ₹ 5 each.

During the quarter under review, Total Income was ₹ 160.3 crore in comparison to ₹ 187.2 crore recorded in the previous corresponding quarter.

Total Comprehensive Income for the quarter under review was ₹ 4.9 crore as against ₹ 21.6 crore in the previous corresponding quarter.

During FY 2016-2017 Total Income stood at ₹ 726.4 crore in comparison to ₹ 770.8 crore recorded in the previous corresponding period.

During the year ended under review, profit before tax from continuing operations was ₹ 91.7 crore as against profit of ₹ 111.4 crore in the previous corresponding period. Profit was impacted as the Company has had a substantial impact on account of reduction in prices of products covered under NLEM.

Total Comprehensive Income for FY 2016-2017 was ₹ 57.7 crore as against ₹ 198.6 crore in the previous corresponding full year period. Previous corresponding period FY 2015-2016 includes Profit of ₹ 125.8 crore from discontinued operations of OTC division and Animal Health division.

Issued by Corporate Communications on May 23, 2017

Media contacts

Liana Albuquerque

+91 22 24939403 (direct)

+91 98214 36458 (mobile)

liana.albuquerque@novartis.com