

02 June 2017

Bombay Stock Exchange Limited  
1<sup>st</sup> Floor, Rotunda Building,  
Dalal Street, Fort- Mumbai – 40 0001

Dear Sir,

**Sub: Annual Report of Merck Limited for the year ended 31 December 2016.**

With reference to the above captioned matter please find enclosed the 50<sup>th</sup> Annual Report of Merck Limited for the financial year ended 31 December 2016 as required to be submitted to the exchange as per Reg. 34 (1) of the SEBI Listing Regulations.

Kindly disseminate it to the concern.

Thanking you,

Yours faithfully,  
For **Merck Limited**



**Jeevan Mondkar**  
**Manager (Legal & Secretarial)**  
Encl: As above

 **Details of the Agenda:**  
**ORDINARY BUSINESS:**  
Merck Limited

Registered Office  
Godrej One, 8<sup>th</sup> Floor, Pirojshanagar  
Eastern Express Highway, Vikhroli East  
Mumbai 400079, India.  
Phone +91 22 62109000  
Fax +91 22 62109999  
www.merck.co.in  
CIN: L99999MH1967PLC013726

MERCK

Annual  
Report  
2016





Standing together  
as a human chain  
for the safety oath



Safety competitions  
to keep up the  
awareness



ERT team



Safety oath

# Managing Director's Message

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Dear Shareholder

On behalf of the Board of Directors and the Merck team, I would like to thank you for your continued confidence and support, which has helped us complete a successful year with a solid top and bottom line growth. This has come at the backdrop of us earning the title 'Top Employer 2016' in India – as rated by the Top Employer Institute. On our 50th year of incorporation in India, this is a true testament of our culture of performance and innovation, with people centricity.

Your company generated a healthy profitable growth despite facing headwinds on account of price control, regulatory challenges and intense competition from local and multinational companies. The Government's demonetization initiative arguably slowed down consumption and we were not immune to the effect, however, we were able to successfully navigate through the challenges and minimize the impact to the company. In addition, various market and regulatory dynamics have tested our ability to adapt and respond. Therefore, we have already implemented steps to optimize our business model by leveraging our high quality product portfolio, cutting edge technology offering, strong brand equity, large customer base – and all this while staying committed to the highest ethical and compliance standards.

The excellent performance of the company in an environment of such fast paced changes is indicative of our stable business model and the hard work from our team across the country. In addition, our partners in the supply chain network, including dealers, distributors, carrying and forwarding agents, and suppliers have also been instrumental in delivering the growth story. I would like to express my sincere gratitude to our employees and partners for their commitment and passion which has yielded the robust business results.

The exciting new brand positioning of Merck at the start of the year has brought us closer to our customers. As a vibrant science and technology company, we have reached out to various stakeholders through our business activities, social responsibility efforts, continued medical education, responsible manufacturing practices, through various industry forums and the media.

Within our businesses, the Consumer Health business has climbed to become one of the largest VMS players, with flagship brands such as Neurobion, Polybion and Evion growing twice above the category growth. The Cardio Metabolic Care business continues to deliver above market performance, growing at over 15% vs the covered market in a highly competitive and genericized market dominated by Indian companies. In our Pigments business, India's top car manufacturers have chosen our premium pigments, Meoxal and Xirallic as a preferred coating material for some of their popular models, thereby driving our prospects even higher in the automobile industry.

Our manufacturing site in Goa has effectively maintained the safety and sustainability records while delivering to the challenging needs of the business. A commendable testament to this is the Gomant Sarvochcha Suraksha Puraskar awarded to the site, second year in a row for maintaining an impeccable safety record.

Looking ahead, our business prospects remain positive. There are exciting market opportunities ahead of us, and we have taken measures to manage through challenges. Our continued focus on people, performance and technology will propel our strategy to drive profitable growth, and as a result, delivering value to all our stakeholders.

I am confident that you share our passion to harness the opportunities that lay ahead, and seek your continued support and guidance in leading the company.



Jai Hind!

Sincerely,  
Anand Nambiar  
Managing Director

# Environment Health and Safety at Merck

At Merck safety always comes first. We always strive to achieve higher values for our stakeholders while following the best EHS practices in our works. We endeavour to imbibe the concepts of safety for self, colleagues, families and society at large among our employees. We impart regular safety trainings, conduct safety drills, pre-meeting safety announcements, poster displays, and take host of other measures to bring about a culture of safe working. All sites of Merck India are certified on group certification from environment management system 14001:2004 + Core 1:2009.

We have formed a high level council, viz., Merck India Safety Council (MISC). Its charter includes:

- Providing guidance and services to make workplaces safer, healthier and environment friendly.
- Building capacities, developing methods, procedures and strengthening on Safety, Health and Environment to prevent and mitigate the loss of life, human suffering, Environment and economic losses.
- Sharing EHS knowledge, experience, expertise and best practices.
- Reviewing status of Merck sites in India and One Merck India in view of Environment, Health and Safety.
- Tracking and checking applicability of amendments in regulation in Merck India sites and subsidiaries.
- Strategic discussion on the implementation of group standards and procedures.
- Setting and monitoring on country level objectives in view of Environment, Health and Safety.
- Assessing the feasibility for implementation of special initiative and Be Safe program.

## Safety Awards

Merck Goa plant was awarded 1st prize in safety called “Gomant Sarvochcha Suraksha Puraskar”. This is consecutive 2nd time Merck Goa plant bagged 1<sup>st</sup> prize in safety. Prior to that Merck Goa plant bagged 2<sup>nd</sup> prize in safety “Gomant Uchcha Suraksha Puraskar” for two consecutive years.



## EHS Targets 2020

Our corporate EHS Group Targets 2020:

- Reducing CO2 emissions by 20%
- Introducing a sustainable water resource management for manufacturing sites with high water consumption
- Reduce water consumption of relevant sites in water stress areas by 10%

## EHS Training



Fire drill



Safety drill



Safety briefing



Safety Pledge

# Merck Limited

## Fiftieth Annual Report and Statement of Accounts 2016

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### *General Counsel & Company Secretary:*

Mr. Vikas R. Gupta

### *Registered Office*

Godrej One, 8<sup>th</sup> Floor,  
Pirojshanagar,  
Eastern Express Highway,  
Vikhroli (East),  
Mumbai – 400 079, India  
Phone: +91 22 6210 9000,  
Fax: +91 22 6210 9999  
Website: www.merck.co.in

### *Plant Location*

Plot No. 11/1, Usgaon,  
Ponda Goa – 403 407

### *Registrar and Share Transfer Agent: (w.e.f. 25 April, 2016)*

Karvy Computershare Private Limited  
Karvy Selenium Tower B,  
Plot 31-32, Gachibowli, Financial District,  
Nanakramguda Hyderabad, Telangana - 500 032  
Phone: +91 40-6716 2222 Fax: + 91 40-2342 0814  
Toll Free No: 1800-3454-001  
Email: einward.ris@karvy.com  
Website: www.karvycomputershare.com

### *Corporate Identity Number (CIN)*

L99999MH1967PLC013726

### **Cautionary Statement**

Certain statements in this report regarding our business operations may constitute forward-looking statements. These include all statements other than statements of historical fact, including those regarding the financial position, business strategy, management plans and objectives for future operations. Forward-looking statements can be identified by words such as 'believes', 'estimates', 'anticipates', 'expects', 'intends', 'may', 'will', 'plans', 'outlook' and other words of similar meaning in connection with our future operations and financial performance. Such statements involve known and unknown risks, uncertainties and other factors that may cause actual outcome to differ from those expressed or implied in these statements. The Company assumes no responsibility to publicly update, amend, modify or revise any forward-looking statements, on the basis of any subsequent development, new information or future events or otherwise except as required by applicable law.

# Notice of Annual General Meeting

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NOTICE is hereby given that the Fiftieth Annual General Meeting of the Members of Merck Limited will be held on Wednesday, May 31, 2017 at 3 p.m. at Sunville Banquets, 3<sup>rd</sup> Floor, Royal Room, Dr. Annie Besent Road, Worli, Mumbai 400 018 to transact the following business:

1. To receive, consider and adopt the Audited Financial Statements of the Company for the year ended December 31, 2016, together with the reports of the Board of Directors and Auditors thereon.
2. To declare dividend for the year 2016.
3. To appoint a Director in place of Mr. N. Krishnan (DIN: 01027659) who retires by rotation and, being eligible, offers himself for re-appointment.
4. *To consider and if thought fit, to pass, with or without modification(s) the following resolution as ORDINARY RESOLUTION:*

“RESOLVED THAT pursuant to the provisions of section 139, 142 and other applicable provisions, if any, of the Companies Act, 2013 (“the Act”) and the Rules framed thereunder, as amended from time to time, and pursuant to the recommendations by the Audit Committee, M/S Haribhakati & Co LLP, Chartered Accountants, Firm Registration No. 103523W/W100048 be and is hereby appointed as Statutory Auditors of the Company in place of the retiring auditors M/s B.S.R. & Co. LLP, Chartered Accountants, Firm Registration No: (101248W/W-100022), to hold office from the conclusion of this Annual General Meeting (AGM) until the conclusion of the 55th AGM of the Company subject to ratification by members every year, as applicable at such remuneration plus service tax, out-of-pocket, travelling and living expenses, etc., as may be mutually agreed between the Board of Directors of the Company and the Auditors.”

5. *To consider and, if thought fit, to pass, with or without modification, the following resolution as an ORDINARY RESOLUTION:*

“RESOLVED THAT pursuant to the provisions of Sections 196 and 197 and any other applicable provisions, if any, of the Companies Act, 2013 read with Schedule V of the said Act, or any statutory modification(s) or re-enactment thereof

and the recommendations of the Nomination & Remuneration Committee and the Board of Directors, approval of the members of the Company be and is hereby accorded to the re-appointment of Mr. Anand Nambiar (DIN: 02006594) as the Managing Director of the Company for a further period of five years from October 01, 2017 until September 30, 2022 on the terms and conditions as set out in the Agreement dated February 27, 2017 entered into between him and the Company, an extract of which is placed in the explanatory statement attached hereto with the liberty to the Board of Directors of the Company to alter and vary the terms and conditions of appointment and/or remuneration, subject the same is within the limits as approved by the shareholders.

RESOLVED FURTHER THAT notwithstanding anything contained herein, where in any financial year the Company incurs a loss or its profits are inadequate, the Company shall pay to Mr. Anand Nambiar, the remuneration during his tenure as Managing Director by way of salary, bonus, commission and other allowances not exceeding the limits specified under section II, Part II of Schedule V to the Companies Act, 2013 (including any statutory modification or re-enactment thereof, for the time being in force) or such other limits as may be prescribed by the Government from time to time as minimum remuneration or as may be approved by the shareholders”.

6. *To consider and, if thought fit, to pass, with or without modification, the following resolution as an ORDINARY RESOLUTION:*

“RESOLVED THAT pursuant to the provisions of Sections 196 and 197 and any other applicable provisions, if any, of the Companies Act, 2013 read with Schedule V of the said Act, or any statutory modification(s) or re-enactment thereof and the recommendations of the Nomination & Remuneration Committee and the Board of Directors, approval of the members of the Company be and is hereby accorded to the re-appointment of Mr. N Krishnan (DIN: 01027659) as the Executive Director of the Company for a further period of five years from October 22, 2017 until October 21, 2022 on the terms and conditions as set out in the Agreement dated February 27,

# Notice of Annual General Meeting

2017 entered into between him and the Company, an extract of which is placed in the explanatory statement attached hereto with the liberty to the Board of Directors of the Company to alter and vary the terms and conditions of appointment and/or remuneration, subject the same is within the limits as approved by the shareholders.

RESOLVED FURTHER THAT notwithstanding anything contained herein, where in any financial year the Company incurs a loss or its profits are inadequate, the Company shall pay to Mr. N. Krishnan, the remuneration during his tenure as Executive Director by way of salary, bonus, commission and other allowances not exceeding the limits specified under section II, Part II of Schedule V to the Companies Act, 2013 (including any statutory modification or re-enactment thereof, for the time being in force) or such other limits as may be prescribed by the Government from time to time as minimum remuneration or as may be approved by the shareholders”.

7. *To consider and, if thought fit, to pass, with or without modification, the following resolution as an ORDINARY RESOLUTION:*

“RESOLVED THAT pursuant to the provisions of Section 148(3) and other applicable provisions, if any, of the Companies Act, 2013, read with the Companies (Audit and Auditors) Rules, 2014, the consent of the Company be and is hereby given for payment of remuneration of Rs. 2,00,000/- (Rupee Two lacs only) plus applicable taxes and out of pocket expenses for conducting audit of the cost records of the Company for the financial year 2017 to, M/s. Joshi Apte & Associates, Cost Accountants Firm Registration No: 00240 who were appointed as Cost Auditor of the Company by the Board of Directors at its meeting held on February 27, 2017.”

RESOLVED FURTHER THAT the Board of Directors of the Company (including its Committee thereof) or any of their delegate, be and is hereby authorized to do all acts and take all such steps as may be necessary, proper or expedient to give effect to this resolution.”

8. *To consider and, if thought fit, to pass, with or without modification, the following as an*

## ORDINARY RESOLUTION:

“RESOLVED THAT pursuant to the provisions of the Regulation 23 of the SEBI Listing Obligations and Disclosure Requirements Regulations, 2015 (“Listing Regulations”) and other applicable provisions if any, including any statutory modification or re-enactment thereto, approval of the Company be and is hereby accorded to the Board of Directors to enter into agreement or transactions or arrangement with Merck KGaA, Germany, a Related Party, as defined in the Companies Act, 2013 and the Listing Regulations for purchase, sale, import and export of products, services, technical consultancy services, intellectual property rights, royalty, IT services, reimbursement/recovery cost or other obligations, if any, on such terms and conditions as may be mutually agreed upon between the Company and Merck KGaA for an amount not exceeding Rs. 250 Crores (Rupees Two Hundred Fifty Crores only) during the financial year 2017.

RESOLVED FURTHER THAT the Board of Directors or any committee or any of their delegate thereof be and is hereby authorised to do all such acts, deeds, matters and things, and to finalise the terms and conditions as may be necessary to give effect to this Resolution.”

By Order of the Board of Directors

Vikas R. Gupta  
General Counsel & Company Secretary  
April 21, 2017

## Registered Office:

Godrej One, 8<sup>th</sup> Floor, Pirojshanagar,  
Eastern Express Highway, Vikhroli (East),  
Mumbai – 400 079  
Phone Number: 022 6210 9000  
CIN: L99999MH1967PLC013726

## NOTES:

1. *Members’ right to appoint proxy:* A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT ONE OR MORE PROXIES TO ATTEND AND VOTE ON A POLL ONLY INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER. The instrument appointing proxies in order to



# Notice of Annual General Meeting

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be effective must be received at the Registered Office of the Company not less than Forty-Eight (48) hours before commencement of the Meeting. Proxies submitted on behalf of limited companies, societies, etc., must be supported by appropriate resolutions/authority, as applicable.

2. A person can act as proxy on behalf of members not exceeding fifty and holding in the aggregate not more than ten percent of the total share capital of the Company carrying voting rights. A member holding more than ten percent of the total share capital of the company carrying voting rights may appoint a single person as proxy and such person shall not act as a proxy for any other person or shareholder.
3. *Explanatory Statement for the Special Business:* The relevant Explanatory Statement pursuant to Section 102 of the Companies Act, 2013 in respect of the Item No. 4, 5, 6, 7 & 8 of the Notice is annexed.
4. The relevant details, as required under the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, of the director seeking appointment/re-appointment are also annexed.
5. *Book Closure Dates:* The Register of Members and the Share Transfer Books of the Company will remain closed from Monday, May 29, 2017 to Wednesday, May 31, 2017 both days inclusive) for the purpose of Annual General Meeting.
6. If the dividend as recommended by the Board of Directors is approved at the Annual General Meeting, payment of such dividend will be made on or before Thursday, June 29, 2017 as under:
  - a. To all Beneficial Owners in respect of shares held in dematerialised form as per the data as may be made available by the National Securities Depository Limited and the Central Depository Services (India) Limited as of the close of business hours on Saturday, May 27, 2017;
  - b. To all Members in respect of shares held in physical form after giving effect to valid transfers in respect of transfer requests lodged with the Company on or before the close of business hours on Saturday, May 27, 2017
7. Members holding shares in electronic form may please note that their bank details as furnished by the respective Depositories to the Company will be considered for remittance of dividend as per the applicable regulations of the Depositories and the Company will not entertain any direct request from such Members for change/deletion in such bank details. Further, instructions if any, already given by them in respect of shares held in physical form, will not be automatically applicable to the dividend paid on shares held in electronic form. Members may, therefore, give instructions regarding bank accounts in which they wish to receive dividend to their depository participants.
8. *Dividend of prior years:* In terms of Sections 205A and 205C of the Companies Act, 1956, the dividend which remains unclaimed for a period of seven years from the date of transfer to the Unpaid Dividend Account is required to be transferred to the "Investor Education and Protection Fund" established by the Central Government. According to the relevant provisions of the Companies Act, 2013, no claim shall lie against the said Fund or the Company for the amount of dividend so transferred to the said Fund. Accordingly dividend upto the financial year December 31, 2008 have been transferred to "Investor Education and Protection Fund". A list of shareholders whose unclaimed dividend has been transferred is available on Company's website [www.merck.co.in](http://www.merck.co.in). Members who have not encashed the dividend warrant(s) so far for the year ended December 31, 2009 or any subsequent years are requested to send their claims directly to the Company or to M/s. Karvy Computershare Private Ltd. (hereinafter referred to as 'Karvy') whose contact details are given at the end of this notice.
9. *Change of Address:* Members are requested to notify any change of address and bank details to their depository participants in respect of their holdings in electronic form and in respect of shares held in physical form, to the secretarial department at the registered office of the Company or to Karvy.
10. *Joint Holding:* Members are informed that in case of joint holders attending the Meeting; only one such joint holder whose name appears first in the joint holder list will be entitled to vote.

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11. In compliance with the provisions of section 108 of the Companies Act, 2013, the Rules framed thereunder and Regulation 44 (1) of the SEBI Listing Regulations the Members are provided with the facility to cast their vote electronically, through the e-voting services provided by NSDL, on all resolutions set forth in this Notice. All shareholders holding shares as on Wednesday, May 24, 2017 (end of the day) being the cut-off date (i.e. record date for the purpose of Rule 20(3) (vii) of the Companies (Management and Administration) Rules, 2014) fixed for determining voting rights of members will be entitled to participate in e- voting process.
  12. The Annual Report 2016 circulated to the Members of the Company, will be made available on the Company's website, [www.merck.co.in](http://www.merck.co.in) and on the website of the respective stock exchanges at [www.bseindia.com](http://www.bseindia.com) & [www.nseindia.com](http://www.nseindia.com)
  13. All documents referred to in the accompanying Notice and Statement setting out material facts are open for inspection at the Registered Office of the Company on all working days between 10.00 a.m. and 12.00 noon up to the date of the 50<sup>th</sup> Annual General Meeting.
  14. In accordance with the provisions of Section 101 of the Act read with Rule 18 of the Companies (Management and Administration) Rules, 2014, the copy of Annual Report of the Company for the Financial Year 2016 and this Notice inter-alia indicating the process and manner of remote e-voting along with attendance slip and proxy form are being sent by email, unless any Member has requested for a physical copy of the same, to those Members who have registered their e-mail address with the Company (in respect of shares held in physical form) or with their DP (in respect of shares held in electronic form) and made available to the Company by the Depositories.
- Administration) Amendment Rules, 2015 and Regulation 44 of SEBI (Listing Obligations and Disclosure Requirements), Regulations, 2015, the Company is pleased to provide members facility to exercise their right to vote on resolutions proposed to be considered at the Annual General Meeting (AGM) by electronic means and the business may be transacted through e-Voting Services. The facility of casting the votes by the members using an electronic voting system from a place other than venue of the AGM ("remote e-voting") will be provided by National Securities Depository Limited (NSDL).
- (2) The facility for voting through ballot paper shall be made available at the AGM and the members attending the meeting who have not cast their vote by remote e-voting shall be able to exercise their right at the meeting through ballot paper.
  - (3) The members who have cast their vote by remote e-voting prior to the AGM may also attend the AGM but shall not be entitled to cast their vote again.
  - (4) The remote e-voting period commences on Sunday, May 28, 2017 (9:00 am) and ends on Tuesday, May 30, 2017 (5:00 pm). During this period members' of the Company, holding shares either in physical form or in dematerialized form, as on the cut-off date of Wednesday, May 24, 2017, may cast their vote by remote e-voting. Once the vote on a resolution is cast by the member, the member shall not be allowed to change it subsequently.
  - (5) The process and manner for remote e-voting are as under:
    - A. In case a Member receives an email from NSDL [for members whose email IDs are registered with the Company/Depository Participant(s)]:
      - i. Open email and open PDF file viz.; "Merck.remote e-voting.pdf" with your Client ID or Folio No. as password. The said PDF file contains your user ID and password/PIN for remote e-voting. Please note that the password is an initial password.

## Instructions for E-voting

### Voting through electronic means

- (1) In compliance with provisions of Section 108 of the Companies Act, 2013, Rule 20 of the Companies (Management and Administration) Rules, 2014 as amended by the Companies (Management and

**NOTE:** Shareholders already registered with NSDL for e-voting will not receive the PDF file "Merck.remote e-voting.pdf".

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- ii. Launch internet browser by typing the following URL: <https://www.evoting.nsdl.com/>
  - iii. Click on Shareholder - [Login](#)
  - iv. Put user ID and password as initial password/PIN noted in step (i) above. Click Login.
  - v. Password change menu appears. Change the password/PIN with new password of your choice with minimum 8 digits/characters or combination thereof. Note new password. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential.
  - vi. Home page of remote e-voting opens. Click on remote e-voting: Active Voting Cycles.
  - vii. Select “EVEN” of “Name of the company”.
  - viii. Now you are ready for remote e-voting as Cast Vote page opens.
  - ix. Cast your vote by selecting appropriate option and click on “Submit” and also “Confirm” when prompted.
  - x. Upon confirmation, the message “Vote cast successfully” will be displayed.
  - xi. Once you have voted on the resolution, you will not be allowed to modify your vote.
  - xii. Institutional shareholders (i.e. other than individuals, HUF, NRI etc.) are required to send scanned copy (PDF/JPG Format) of the relevant Board Resolution/ Authority letter etc. together with attested specimen signature of the duly authorized signatory(ies) who are authorized to vote, to the Scrutinizer through e-mail to [isha@spassociates.co](mailto:isha@spassociates.co) with a copy marked to [evoting@nsdl.co.in](mailto:evoting@nsdl.co.in)
- B. In case a Member receives physical copy of the Notice of AGM [for members whose email IDs are not registered with the Company/ Depository Participant(s) or requesting physical copy] :
1. Initial password is provided as below/at the bottom of the Attendance Slip for the AGM  
**EVEN (Remote e-voting Event Number)  
USER ID PASSWORD/PIN**
  2. Please follow all steps from Sl. No. (ii) to Sl. No. (xii) above, to cast vote.
- (6) In case of any queries, you may refer the Frequently Asked Questions (FAQs) for Members and remote e-voting user manual for Members available at the downloads section of [www.evoting.nsdl.com](http://www.evoting.nsdl.com) or call on toll free no.: 1800-222-990.
- (7) If you are already registered with NSDL for remote e-voting then you can use your existing user ID and password/PIN for casting your vote.
- NOTE: Shareholders who forgot the User Details/ Password can use “Forgot User Details/Password” or “Physical User Reset Password” option available on [www.evoting.nsdl.com](http://www.evoting.nsdl.com).*
- In case Shareholders are holding shares in demat mode, USER-ID is the combination of (DPID+ClientID).*
- In case Shareholders are holding shares in physical mode, USER-ID is the combination of (Even No+Folio No).*
- (8) You can also update your mobile number and e-mail id in the user profile details of the folio which may be used for sending future communication(s).
- (9) The voting rights of members shall be in proportion to their shares of the paid up equity share capital of the Company as on the cut-off date of, Wednesday, May 24, 2017.
- (10) Any person, who acquires shares of the Company and become member of the Company after dispatch of the notice and holding shares as of the cut-off date i.e. Wednesday, May 24, 2017 may obtain the login ID and password by sending a request at [evoting@nsdl.co.in](mailto:evoting@nsdl.co.in) or Issuer/RTA. However, if you are already registered with NSDL for remote e-voting then you can use your existing user ID and password for casting your vote. If you forgot

# Notice of Annual General Meeting

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your password, you can reset your password by using “[Forgot User Details/Password](#)” or “[Physical User Reset Password](#)” option available on [www.evoting.nsdl.com](http://www.evoting.nsdl.com) or contact NSDL at the following toll free no.: 1800-222-990.

- (11) A person, whose name is recorded in the register of members or in the register of beneficial owners maintained by the depositories as on the cut-off date only shall be entitled to avail the facility of remote e-voting as well as voting at the AGM through ballot paper.
- (12) M/s. Shah Patel & Associates, Practicing Company Secretaries, represented by Ms. Isha Shah, Partner, holding COP No.15201 has been appointed as the Scrutinizer to scrutinize the voting and remote e-voting process in a fair and transparent manner.
- (13) The Chairman shall, at the AGM, at the end of discussion on the resolutions on which voting is to be held, allow voting with the assistance of scrutinizer, by use of “remote e-voting” or “Ballot Paper” or “Polling Paper” for all those members who are present at the AGM but have not cast their votes by availing the remote e-voting facility.
- (14) The Scrutinizer shall after the conclusion of voting at the general meeting, will first count the votes cast at the meeting and thereafter unblock the votes cast through remote e-voting in the presence of at least two witnesses not in the employment of the Company and shall make, not later than three days of the conclusion of the AGM, a consolidated scrutinizer’s report of the total votes cast in favour or against, if any, to the Chairman or a person authorized by him in writing, who shall countersign the same and declare the result of the voting forthwith.
- (15) The Results declared along with the report of the Scrutinizer shall be placed on the website of the Company, [www.merck.co.in](http://www.merck.co.in) and on the website of NSDL immediately after the declaration of result by the Chairman or a person authorized by him in writing. The results shall also be immediately forwarded to BSE Limited, Mumbai and National Stock Exchange of India Limited.

## REQUEST TO THE MEMBERS:

1. *Request for additional information if required:* Members desiring any relevant information on

the accounts at the Annual General Meeting are requested to write to the Company well in advance to ensure that such requests reach the Company at least seven days before the date of the meeting, so as to enable the Company to keep the information ready. As a measure of economy, copies of the Annual Report will not be distributed at the Annual General Meeting.

2. Pursuant to Section 101 of the Act read with applicable rules, the Annual Report for the year 2016 is being sent through electronic mode to all those Members whose Email IDs are registered with the Company or Depository Participants at the Email ID so provided. For Members who have not registered their Email ID with the Company or Depository Participants, a physical copy of the Annual Report for the year 2016 is being sent by permitted mode of communication.
3. *Green Initiative:* Members are requested to bring their copies of the Annual Report to the Meeting.

We request you to provide your email address to us in any of the following ways:

- a) *Register your email address with your depository:* In case you are holding shares in electronic form please provide your Email ID to your depository participant (DP). We’ll download the same from the depository at the time of finalizing the mailing list. or
- b) *Register your email id using our website:* To register your Email ID for the above purpose you may log on to our website [www.merck.co.in](http://www.merck.co.in) and on the ‘Investors’ page you will find an option of registration for Green Initiative. or
- c) *Write to us:* You may provide your Email ID details in a simple letter addressed either to the secretarial department of the Company or to Karvy at the address given below.
4. Members holding shares in dematerialised form are requested to intimate all changes pertaining to their bank details, National Electronic Clearing Service (NECS), Electronic Clearing Service (ECS), mandates, nominations, power of attorney, change of address, change of name, e-mail address, contact numbers, etc., to their Depository Participant

# Notice of Annual General Meeting

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(DP). Changes intimated to the DP will then be reflected in the Company's records which will help the Company and the Company's Registrars and Transfer Agents, Karvy to provide efficient and better services. Members holding shares in physical form are requested to intimate such changes to Karvy.

5. Members holding shares in physical form are requested to consider converting their holding to dematerialized form to eliminate all risks associated with physical shares and for ease in portfolio management. Members can contact the Company or Karvy, for assistance in this regard.

#### Contact Details:

Merck Limited  
Mr. Jeevan Mondkar  
Manager – Legal & Secretarial Department  
Godrej One, 8<sup>th</sup> Floor, Pirojshanagar  
Eastern Express Highway, Vikhroli (East),  
Mumbai – 400 079  
Phone: 022-6210 9000  
Email: [jeevan.mondkar@merckgroup.com](mailto:jeevan.mondkar@merckgroup.com)

#### Karvy Computershare Private Limited

Unit – Merck Limited  
Karvy Selenium, Tower B, Plot 31-32, Gachibowli,  
Financial District, Nanakramguda,  
Hyderabad - 500032 Phone: +91 040 23420814  
Email: [Milind.kudkar@karvy.com](mailto:Milind.kudkar@karvy.com)

#### EXPLANATORY STATEMENT:

(Pursuant to Section 102 of the Companies Act, 2013)

#### Item No. 4

M/s. B.S.R. & Co. LLP, Chartered Accountants Firm Registration No: (101248W/W-100022) holds office of the auditors of the Company until the conclusion of the ensuing 50<sup>th</sup> Annual General Meeting of the Company. In terms of the provision of Section 139(2) of the Companies Act, 2013 ('the Act') and rules made thereunder and in force from time to time, the Company is required to appoint a new auditor in place of the existing auditors. Accordingly, the Board of directors on the recommendation of the audit committee at its meeting held on April 21, 2017 has recommended the appointment of M/s Haribhakti & Co. LLP, Chartered

Accountants, as statutory auditor of the Company for a period of 5 years, commencing from the conclusion of 50<sup>th</sup> AGM till the conclusion of the 55<sup>th</sup> AGM, subject to ratification by members every year. M/s. Haribhakti & Co LLP, Chartered Accountants, have consented to the said proposal of appointment and confirmed that their appointment, if made, will be within the limits specified under Section 141(3)(g) of the Act. They have further confirmed that they are not disqualified to be appointed as statutory auditors in terms of the provisions of the proviso to Section 139(1), Section 141(2) and Section 141(3) of the Act and the provisions of the Companies (Audit and Auditors) Rules, 2014. The Board recommends the resolution set forth in item No. 4 of the notice for approval of the members.

None of the Directors or Key Managerial Personnel of the Company or their relatives are concerned or interested, financially or otherwise, in the resolution.

#### Item No: 5

At the Annual General Meeting of the Company held on April 08, 2015, the Members had approved the appointment and terms of remuneration of Mr. Anand Nambiar as the Managing Director of the Company from February 05, 2015 until September 30, 2017. The Board of Directors on the recommendation of Nomination and Remuneration Committee has recommended the re-appointment of Mr. Anand Nambiar as Managing Director of the Company for a further period of five years, with effect from October 01, 2017, subject to the approval of the Members.

While recommending the re-appointment of Mr. Anand Nambiar as Managing Director of the Company, the Nomination and Remuneration Committee evaluated the performance of Mr. Nambiar on various parameters including his participation in the board and committee meetings, domain knowledge, business and economic acumen, accessibility to board members and employees, objectivity in his decision making, his leadership style and leading the organisation towards compliance culture and corporate governance policies/principles. Upon satisfactory performance evaluation, the Nomination and Remuneration Committee recommended to the Board re-appointment of Mr. Anand Nambiar as Managing Director of the Company.

Principal terms of his re-appointment as Managing Director of the Company are as follows:

# Notice of Annual General Meeting

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- I Period of appointment: Five years, from October 01, 2017 to September 30, 2022.
- II Mr. Anand Nambiar shall be in charge of the day to day management of the Company.
- III The total remuneration payable to Mr. Anand Nambiar shall be as follows:
- (i) Salary & Commission: For the period of appointment as stated above, the remuneration payable to Mr. Anand Nambiar by way of salary and commission shall not exceed Rs. 30 million per annum net of taxes, the Board of Directors shall fix the salary and commission payable to Mr. Nambiar for each year or part thereof within the overall limit of the remuneration fixed hereof and shall be subject to the overall limits laid down in Sections 196 and 197, read with Schedule V of the Companies Act, 2013.
- (ii) Perquisites: In addition to the above remuneration he would also be entitled to perquisites as per the Company policy including furnished accommodation or house rent allowance in lieu thereof, gas, electricity, water, furnishings and domestic assistance, use of company car with driver, telephone at residence, children's education allowance, leave travel concession for self and family, medical reimbursement, fees of clubs, settling-in allowance, mobility allowance, club membership, moving expenses, home trip allowance, pets allowance, personal accident insurance (Allowances and Perquisites) paid in accordance with the Rules of the Company, etc., The aggregate value of such perquisites shall not exceed Rs.30 million per annum net of taxes, the Board of Directors shall fix the allowances and perquisites payable to Mr. Nambiar for each year or part thereof within the overall limit of the remuneration fixed hereof and shall be subject to the overall limits laid down in Sections 196 and 197 read with Schedule V of the Act. For the purpose of calculating the above ceiling, perquisites shall be evaluated as per Income Tax Rules, wherever applicable.
- (iii) In addition, Mr. Anand Nambiar shall be entitled to encashment of earned/privilege leave as per Rules of the Company and the Company shall pay and reimburse to the Managing Director all reasonable expenses and charges incurred by him for and on behalf of the Company.
- IV. The Agreement may be terminated by either party by giving to the other party three months' notice.
- V. If at any time, Mr. Anand Nambiar, Managing Director is disqualified/ ceased to be Director of the Company, for any cause whatsoever, he will vacate the office of Managing Director of the Company.
- The Agreement entered into by the Company with Mr. Anand Nambiar is open to inspection by Members at the registered office of the Company between 10.00 am and 12.00 noon on all days except Saturdays and Sundays and public holidays, up to and including the day of the Annual General Meeting.
- Except Mr. Anand Nambiar, no other Director or key management personnel or their respective relatives are concerned or interested in the Resolution.
- A brief profile of Mr. Anand Nambiar is placed in the annexure attached hereto.
- The Board has recommended the resolution set forth at item No. 5 of the Notice for approval of the Members of the Company.
- Item No: 6**
- At the Annual General Meeting of the Company held on March 15, 2013, the Members had approved the appointment and terms of remuneration of Mr. N. Krishnan as the Whole- time Director from October 22, 2012 until October 21, 2017. The Board of Directors on the recommendation of Nomination & Remuneration Committee has re-appointed Mr. N Krishnan for a further period of five years, with effect from October 22, 2017, subject to the approval of the Members.
- The Nomination and Remuneration Committee evaluated the performance of Mr. N. Krishnan on various parameters such as cost effective use of funds/ cash management, treasury operations, effective risk mitigation management, investor relations and other management and professional attributes. Upon satisfactory performance evaluation the Nomination

# Notice of Annual General Meeting

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and Remuneration Committee recommended to the Board re-appointment of Mr. N. Krishnan as Executive Director of the Company.

I Period: From October 22, 2017 to October 21, 2022

II Mr. N Krishnan shall be in charge of Finance, Treasury and Taxation of the Company or such other functions / responsibilities as may be assigned to him by the Board from time to time.

III The total remuneration payable to Mr. N. Krishnan shall be as follows:

(i) Salary & Commission: For the period of appointment as stated above, the remuneration payable to Mr. N. Krishnan by way of salary and commission shall not exceed Rs.15 million per annum, the Board of Directors shall fix the salary and commission payable to Mr. Krishnan for each year or part thereof within the overall limit of the remuneration fixed hereof and shall be subject to the overall limits laid down in Sections 196 and 197, read with Schedule V of the Companies Act, 2013.

(ii) Perquisites: In addition to the above remuneration he would also be entitled to perquisites as per the Company policy including furnished accommodation or house rent allowance in lieu thereof, gas, electricity, water, furnishings and domestic assistance, use of company car with driver, telephone at residence, children's education allowance, leave travel concession for self and family, medical reimbursement, fees of clubs, settling-in allowance, mobility allowance, club membership, moving expenses, home trip allowance, pets allowance, personal accident insurance (Allowances and Perquisites) paid in accordance with the Rules of the Company, etc., the aggregate value of such perquisites shall not exceed Rs. 15 million per annum, the Board of Directors shall fix the allowances and perquisites payable to Mr. Krishnan for each year or part thereof within the overall limit of the remuneration fixed hereof and shall be subject to the overall limits laid down in Sections 196 and 197 read with Schedule V of the Act. For the purpose of calculating the above ceiling, perquisites shall be evaluated

as per Income Tax Rules, wherever applicable.

(iii) In addition, Mr. N. Krishnan shall be entitled to encashment of earned/privilege leave as per Rules of the Company and the Company shall pay and reimburse to the Executive Director all reasonable expenses and charges incurred by him for and on behalf of the Company.

IV. The Agreement may be terminated by either party by giving to the other party three months' notice.

V. If at any time, Mr. N. Krishnan is disqualified/ ceased to be Director of the Company, for any cause whatsoever, he will vacate the office of Whole Time Director of the Company.

The Agreement entered into by the Company with Mr. N. Krishnan is open to inspection by Members at the registered office of the Company between 10.00 am and 12.00 noon on all days except Saturdays and Sundays and public holidays, up to and including the day of the Annual General Meeting.

Except Mr. N. Krishnan, no other Director or key management personnel or their respective relatives are concerned or interested in the Resolution.

A brief profile of Mr. N. Krishnan is placed in the annexure attached hereto.

The Board recommends the resolution set forth at item No. 6 of the Notice for approval of the Members of the Company.

## Item No: 7

The Board of Directors in its meeting held on February 27, 2017, on the recommendation of the Audit Committee had appointed M/s. Joshi Apte and Associates, Cost Accountants and recommended a remuneration of Rs.2,00,000/- (Rupees two lacs only) plus applicable taxes and out of pocket expenses for conducting audit of the cost records of the Company as applicable to the company for the year 2017. As per the provisions of Section 148 of the Companies Act, 2013 and the Rules made thereunder, the remuneration to be paid to the cost auditors is subject to ratification by the members of the Company.

The Board therefore recommends the resolution under Section 148 of the Companies Act, 2013 as an ordinary resolution for your approval.

None of the Directors or key managerial personnel of the Company or their relatives are concerned or interested, in this Resolution.

# Notice of Annual General Meeting

The Board recommends the resolution set forth at item No. 7 of the Notice for approval of the Members of the Company.

## Item No: 8

As per Regulation 23 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“Listing Regulations”), a transaction with a related party shall be considered material if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, is likely to exceed ten percent of the annual consolidated turnover of the listed entity as per the last audited financial statements of the listed entity.

The Company, inter-alia, is engaged in the business of manufacturing, marketing, trading, distribution, imports, exports of pharmaceutical and chemical products. The Company in its ordinary course of business purchase, sale, import, export various products and services from and to Merck KGaA and its various affiliates, subsidiaries, associates companies.

Merck KGaA is a ‘Related Party’ within the meaning of section 2(76) of the Companies Act, 2013 and Regulation 2 (zb) of the Listing Regulations.

The aggregate value of the total transaction of purchase, sale, import and export of products, services, technical consultancy services, intellectual property rights, royalty, IT services, reimbursement/recovery cost or other obligations with Merck KGaA may exceed the materiality threshold i.e. 10% of the annual turnover of the Company, therefore, in terms of provisions of the Listing Regulations, the Company would require the approval of the members by way of an ordinary resolution. The estimated aggregate value of the transactions with Merck KGaA may be approximately Rs. 250 crores during the financial year 2017.

These transactions with Merck KGaA are in the ordinary course of business of the Company and will be on arm’s length basis, the Audit Committee in its meeting held on February 27, 2017, subject to approval by the shareholders, has accorded omnibus approval for entering into such transactions.

None of the Directors or Key Managerial Personnel of the Company or their relatives are concerned or interested, financially or otherwise, in the resolution.

The Board recommends the Ordinary Resolution set forth at item No. 8 of the Notice for approval of the Members of the Company.

By Order of the Board of Directors

**Vikas R. Gupta**  
General Counsel & Company Secretary  
Mumbai, April 21, 2017

Registered Office:  
Godrej One, 8<sup>th</sup> Floor,  
Pirojshanagar,  
Eastern Express Highway,  
Vikhroli (East)  
Mumbai – 4000 79  
CIN: L99999MH1967PLC013726

## Details of Directors seeking Appointment / Re-appointment at the Annual General Meeting.

Particulars	N. Krishnan*	Anand Nambiar*
Date of birth	December 03, 1969	December 30, 1974
Age (Years)		(42)
Appointed on	October 22, 2012	February 05, 2015
Qualifications	B.Com, CWA	Master in Business Administration, Bachelor of Science in Electrical Engineering
Expertise in Specific Areas	Finance, Taxation, Treasury	Business administration, managing quality assurance and supply chain of large multinational companies.
Directorships held in other Public Limited Companies	Nil	Nil
Memberships/ Chairmanships of Committees other than Merck Limited	Nil	Nil
Shareholding in the Company as on 31 December 2016	Nil	Nil

\* Details of their last drawn remuneration, their relationship with other directors, manager and other KMP, if any, and the number of Board meetings attended during the year are given in the Corporate Governance Report forming part of this annual report.



# Board's Report

We are pleased to present the report on our business and operations for the year ended December 31, 2016.

## FINANCIAL HIGHLIGHTS:

The Financial performance of your Company for the year ended December 31, 2016 is summarized below:

Particulars	(Rupees million)	
	2016	2015
Income from Operations	9,963.3	9395.0
Other Income	242.4	233.1
Profit before Interest, Depreciation and Tax	1,435.2	1067.5
Depreciation/ Impairment	333.0	234.2
Provision for Taxation (net)	343.3	297.7
Profit after tax	758.9	535.6
Profit available for appropriations	3,028.9	2473.4
Appropriations:		
Transfer to General Reserve	75.9	53.6
Dividend (including Tax on Dividend)	219.8	149.8
Balance carried to the Balance Sheet	2,733.2	2270.0
EPS		
- Basic (Rs.)	45.7	32.3
- Diluted (Rs.)	45.7	32.3

## COMPANY'S OPERATIONAL PERFORMANCE:

The Company continues to operate in two business segments, i.e. Pharmaceuticals and chemicals. Detailed operational working of your Company is provided in the Management Discussion and Analysis Report forming part of this report (as Annexure I.) During the financial year ended December 31, 2016, your Company achieved a turnover of Rs. 9,683.3 million as against a turnover of Rs. 9,083.2 million in the previous year, registering a growth of 6.6%. During the year under review, the Pharmaceutical segment showed an increase in turnover of 15%, the Chemical segment registered a decrease of 15.7% in comparison with the respective segment turnover achieved during the previous financial year. The profit after tax increased by 41.7% during the year 2016 over previous financial year, 2015.

The export turnover of your Company during the year 2016 was Rs. 869.4 million as against Rs.802.0 million achieved in the previous year.

## TRANSFER TO RESERVES:

The Company proposes to transfer Rs. 75.9 million to the general reserve out of the amount available for appropriation and an amount of Rs. 2,733.2 million is proposed to be retained in the profit and loss account.

## DIVIDEND:

Your Board of Directors has recommended a dividend of Rs. 11/- (Rupees Eleven Only) per equity share for the year ended December 31, 2016. This is subject to approval of the Members at the forthcoming Annual General Meeting.

## FIXED DEPOSITS:

Your Company has not accepted any deposits from the public or the Members during the year 2016 and no amount on account of principal or interest on public deposits was outstanding as on the date of the balance sheet.

## CORPORATE GOVERNANCE:

A Report on the compliance of Corporate Governance Code along with certificate from Secretarial Auditor thereon, as stipulated under Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, is annexed to this Report as Annexure II.

## CORPORATE SOCIAL RESPONSIBILITY:

A brief outline of the Corporate Social Responsibility (CSR) Policy of the Company and the initiatives undertaken by the Company on CSR activities during the year are set out in Annexure IV of this report in the format prescribed in the Companies (Corporate Social Responsibility Policy) Rules, 2014. The Corporate Social Responsibility Policy is available on the website of the Company, [www.merck.co.in](http://www.merck.co.in)

## DIRECTORS' RESPONSIBILITY STATEMENT:

In accordance with Section 134(5) of the Companies Act, 2013, your Directors confirm that, to the best of their knowledge and belief that:

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

#### **DIRECTORS:**

##### **Director liable to retire by rotation:**

Mr. N. Krishnan, [DIN 01027659] Executive Director, Finance will retire by rotation at the forthcoming Annual General Meeting of the Company and being eligible offers himself for re-appointment as Director of the Company. The Board recommends his re-appointment.

##### **Resignations:**

Pursuant to an internal organizational restructuring, Mr. Brijesh Kapil, [DIN 06949048] Executive Director, Consumer Health Care and Mr. Ali Slieman, [DIN 07055130] Executive Director, Bio Pharma resigned from the Board of Directors of the Company effective from October 04, 2016.

Mr. Bradley Simpson [DIN 07187375] resigned from the Board of Directors effective October 04, 2016 since his nomination on the Board of the Company was withdrawn by Merck KGaA. Hence, he ceased to be a director w.e.f. October 04, 2016.

The Directors place on record their appreciation for the valuable contributions made by Mr. Brijesh Kapil, Mr. Ali Slieman and Mr. Bradley Simpson during their tenure as members of the Board of the Company.

##### **Appointments:**

Ms. Zoe Tang (aka Mei Lin Tang) [DIN 07658011] was nominated as Non-Executive Director by Merck KGaA in place of Mr. Bradley Simpson. Her appointment as member of the Board became effective from December 23, 2016.

##### **Independent Directors/Non- Executive Directors:**

During the year, the non-executive directors of the Company had no pecuniary relationship or transactions with the Company.

Mr. S.N. Talwar, Mr. H.C.H. Bhabha and Mrs. Rani Ajit Jadhav are the Independent Directors on the Board of the Company, they have confirmed to the Company that they meet the criteria of independence as prescribed under Section 149(6) of the Act.

None of the Non-Executive Directors serve as an Independent Directors on more than seven listed Companies and none of the Executive Directors serve as an Independent Director on any other listed Company.

##### **NUMBER OF MEETINGS OF THE BOARD:**

Five meetings of the board were held during the year. For details of the meetings of the board and its committees, please refer to the corporate governance report, which forms part of this report.

##### **BOARD EVALUATION:**

Pursuant to the provisions of the Companies Act, 2013 and Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 the Board and Nomination & Remuneration Committee have adopted and reviewed the formal mechanism for evaluating its performance

and effectiveness as well as that of its Committees and Individual Directors, including the Chairman of the Board. The Board carried out an annual evaluation of performance of the Board, its committees and individual performance of directors.

For Board and its Committees, the exercise was carried out through a structured evaluation process covering various aspects of the Boards functioning such as composition of the Board & Committees, experience & competencies, performance of specific duties & obligations, governance issues, etc. For evaluation of performance of individual directors, non-executive and executive directors, responses were solicited from each director by way of a questionnaire on various parameters and traits of the directors, including their attendance and contribution in the Board and Committee meetings, domain knowledge, accessibility to management and objectivity in their decision making. Chief financial officer, who is also an executive director was evaluated on additional parameters including financial planning, cost effectiveness, tax planning and risk mitigation measures. Performance of the Chairman of the Board was separately evaluated on additional parameters including his ability to manage the Board, ability to deal with conflict, domain knowledge, etc. Each director also self-evaluated. Individual response of each director was collated by Company Secretary and discussed with the Board and Nomination and Remuneration Committee. On the basis of the individual response received and its own evaluation, the Board evaluated the performance and functioning of the Board, committees and non-executive directors. Nomination and Remuneration Committee evaluated the performance of executive directors. During the evaluation the directors whose performance was being evaluated abstained from the meeting. In conclusion, the Board and Nomination and Remuneration committee was satisfied with the performance and functioning of the Board, its Committees and individual members. Ms. Zoe Tang, who joined the Board of the Company only a week before the close of the financial year, did not get any chance to meet and interact with the board members. As such the Board deferred her evaluation to the next performance evaluation cycle.

#### **AUDITORS AND THEIR REPORT:**

Auditors in their report and Company Secretary in Practice in their secretarial audit report have not made any adverse remark, qualification or reservations.

In terms of the provisions of the section 139 (2) of the Companies Act 2013 and applicable rules, M/s B.S.R. & Co LLP, Chartered Accountant will retire as auditor of the Company at the conclusion of the ensuing Annual General Meeting of the Company.

The Board of Directors on the recommendation of the audit committee have recommended to the shareholders appointment of M/s Haribhakti & Co. LLP Firm Registration No. 103523W/W100048 as Statutory Auditor of the Company for a period of 5 years commencing from the conclusion of the ensuing annual general meeting. If appointed by the shareholders they will hold office until the conclusion of 55<sup>th</sup> Annual General Meeting of the Company.

The Board places on record its appreciation for the contribution of M/s B.S.R. & Company. LLP Chartered Accountant during the tenure as the Statutory Auditor's of the company.

#### **COST AUDIT:**

Pursuant to Section 148 of the Companies Act, 2013 read with the Companies (Cost Records and Audit) Amendment Rules, 2014, the Central Government has prescribed cost audit of the accounts to be maintained by your Company. To conduct the cost audit, M/s. Joshi Apte & Associates, Cost Accountants, has been re-appointed as Cost Auditors of your Company for the year 2017 in the meeting of Board of Directors held on Monday, February 27, 2017, subject to the approval of the Central Government, if any, required. The Cost Audit Report in XBRL format for the financial year ended December 31, 2016 was filed within due date.

A resolution for ratification of the remuneration payable to the Cost Auditor is included in the Notice of the Annual General Meeting for seeking approval of Members.

#### **SECRETARIAL AUDITORS AND THEIR REPORT:**

Pursuant to the provisions of Section 204 of the Companies Act, 2013 and the Companies (Appointment

and Remuneration of Managerial Personnel) Rules, 2014, Secretarial Audit has been carried out by M/s. Kanj & Associates, Practicing Company Secretary for the year ended December 31, 2016 and their report is annexed as Annexure III.

#### **INTERNAL CONTROLS AND THEIR ADEQUACY:**

The Board of Directors of the Company are responsible for ensuring that Internal Financial Controls have been laid down in the Company and such controls are adequate and operating effectively.

The Company has Internal Financial Control framework commensurating with the size, scale and complexity of its operations. The framework has been designed to provide reasonable assurance with respect to recording and providing reliable financial and operational information, complying with applicable laws, safeguarding assets from unauthorized use, executing transactions with proper authorization and ensuring compliance with corporate policies. The controls, based on the prevailing business conditions and processes have been tested during the year and no reportable material weakness in the design or effectiveness was observed. The framework on Internal Financial Controls over Financial Reporting has been reviewed by the internal and Statutory auditors.

The Internal Audit team develops an annual audit plan based on the risk profile of the business activities. The Internal Audit plan is approved by the Audit Committee, which also reviews compliance to the plan. The Internal Audit team monitors and evaluates the efficacy and adequacy of internal control systems in the Company, its compliance with operating systems, accounting procedures and policies at all locations of the Company. Based on the report of internal audit function, process owners undertake corrective action(s) in their respective area(s) and thereby strengthen the controls. Significant audit observations and corrective action(s) thereon are presented to the Audit Committee.

The Audit Committee reviews the reports submitted by the Internal Auditors in each of its meeting. Also, the Audit Committee at frequent intervals has independent sessions with the Statutory auditor to discuss the adequacy and effectiveness of internal financial controls.

The Board has implemented systems to ensure compliance of all applicable laws, these systems were effective and operative. At quarterly intervals the Managing Director and the Company Secretary place before the Board a certificate certifying compliance of laws and regulations as applicable to the business and operations of the Company after obtaining confirmation from all business unit and functional heads responsible for compliance of such applicable laws and regulations. The Company Secretary is responsible for compliance of corporate laws including Companies Act 2013, SEBI Act and rules/guidelines and listing regulations applicable to the Company.

During the year no frauds were reported by auditors in terms of section 143 (2) of the Act.

#### **AUDIT COMMITTEE RECOMMENDATIONS:**

During the year all the recommendations of the Audit Committee were accepted by the Board. The Composition, details of its meetings, of the Audit Committee are fully described in the Corporate Governance Report, which form part of this report.

#### **RISK MANAGEMENT:**

The Company is exposed to uncertainties in the sectors in which it operates. These uncertainties create new business opportunities with inherent risks. A key factor in determining a company's capacity to create sustainable value is the level of risk that the company is willing to take (at strategic and operational levels) and its ability to manage them effectively. Many risks exist in a company's operating environment and emerge on a regular basis. The Company's Risk Management processes focus on ensuring that these risks are identified on a timely basis and reasonably addressed.

The Board of the Company has formed a risk management committee to frame, implement and monitor the risk mitigation plan for the Company. The committee is responsible for identifying key risk areas, periodically reviewing the risk management plan and ensuring its effectiveness. The audit committee has additional oversight in the area of financial risks and controls. Major risks are identified by the businesses and functions are systematically addressed through mitigating actions on a continuing basis.

The development and implementation of risk management policy has been covered in the management discussion and analysis, which forms part of this report.

**PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS:**

The particulars of loans, guarantees and investments are given in note no. 11 of the financial statement.

**MATERIAL DEVELOPMENTS AFTER THE END OF THE FINANCIAL YEAR:**

January 31, 2017 onwards a section workmen at the Company's Goa plant stopped work while the Company and the worker's union were engaged in negotiating the workers' charter of demand including wage revision. The Company Management has not yet succeeded until the signing of this report to convince these workmen to resume work and to come to the negotiating table. The Company has referred the matter to the labour commissioner for conciliation proceedings which are ongoing. The management is confident that it will arrive at an amicable settlement with the workers, however, continued stoppage would impact operations at the Goa plant and supply of medicines in the market.

**RELATED PARTY TRANSACTIONS:**

The Company has implemented a Related Party Transactions policy for the purposes of identification and monitoring of such transactions. The policy on related party transactions as approved by the Board is uploaded on the Company's website [www.merck.co.in](http://www.merck.co.in). All the related party transactions are entered into by the Company, at arm's length basis and in the ordinary course of business.

All related party transactions are placed before the Audit Committee for approval. Prior omnibus approval of the Audit Committee is obtained on a quarterly basis. The audit committee has reviewed these transactions entered by the Company with these related parties.

The details of the material related party transactions as required under Section 134(3)(h) r/w Rule 8 of the Companies (Accounts) Rules, 2014, is attached as Annexure V in the form AOC 2.

**MATERIAL ORDERS PASSED BY THE REGULATORS AND COURTS:**

During the year under review no regulator or court has passed any significant and material orders impacting the going concern status of the Company and its future operations. Given hereunder is the gist of orders passed by regulators or the courts which may have material impact on the financial position of the Company:

In March 2016, the Health Ministry banned 344 fixed drug combinations through a gazette notification, based on the recommendation of its expert committee. Two drugs produced by your Company were impacted by this ban order. Pharmaceutical companies including your company challenged the order before the Hon'ble Delhi High Court and the Court was pleased to set aside the government notification. The Government may challenge the said decision of the Hon'ble Delhi High Court before Hon'ble Supreme court. Any adverse decision by the higher court or further addition to this list of banned drugs could impact the growth of the pharmaceutical companies.

The Company has received a demand notice from National Pharmaceutical Pricing Authority (NPPA) demanding a sum of Rs.116.8 million plus interest Rs.157.8 million alleging overcharging of price of the formulation Polybion L 100 ML syrup during the period from May 2006 to June 2009. The Company has challenged the said orders by way of a writ petition. In a separate proceedings filed by Cradel Pharmaceuticals Private Limited, the manufacturer of the said drug, Hon'ble Kolkata High Court granted temporary stay against the demand notice subject to a sum of Rs. 22.5 million being deposited with NPPA, which the Company has made. The Company has been legally advised it has a good defendable case. The Company has challenged the said orders and will defend itself vigorously, however, any adverse orders by the courts may have material impact on the profits of the Company.

**VIGIL MECHANISM AND WHISTLE BLOWER POLICY:**

In terms of the provisions of Section 177(9) of the

Companies Act, 2013 the Company has implemented a vigil mechanism which include implementation of the whistleblower policy. The whistle blower policy aims at conducting business in a transparent and compliant manner. No employee has been denied access to the chairman of the audit committee. The Company in conjunction with the Corporate Disclosure and Investigation policy of its ultimate holding Company has informed all its employees that any non-compliant behaviour of directors or employees including non-compliance of its code of conduct shall be brought to the notice of the management for investigation and necessary action, using the speak-up line number provided therein. Whistleblower complaints and their redressal are discussed at the audit committee of the Company. The said policy is available on the Company's website.

#### NOMINATION AND REMUNERATION POLICY:

Pursuant to the provisions of Section 134(3) (e), 178 of the Companies Act, 2013 and Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 the Company adopted a Nomination and Remuneration Policy which is available on our website [www.merck.co.in](http://www.merck.co.in). The Company's Remuneration Policy provides a framework to support the implementation of the Merck Total Rewards Philosophy, specifically, it is intended to provide more detailed clarification on the guiding principles so as to support its implementation; guidance as to design of reward programs; and explanation as to roles, responsibilities and governance for program design, administration and communication. Performance of all employees of the Company is evaluated at regular interval using online tools, their bonus and annual increments are determined on the basis of overall company performance and individual performance rating achieved by them during the year under review.

#### PARTICULARS OF EMPLOYEES:

The information as required under Section 197 of the Act read with rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 are given below:

- (a) The ratio of the remuneration of each director to the median remuneration of the employees of the Company for the financial year:

	Ratio of median remuneration
<b>Non- Executive Directors</b>	
Mr. S.N. Talwar	2.23
Mr. H.C.H. Bhabha	1.67
Mrs. Rani Ajit Jadhav	1.27
Mr. Bradley Simpson <sup>1, 3</sup>	N.A.
Ms. Zoe Tang <sup>2, 3</sup>	N.A.
<b>Executive Directors</b>	
Mr. Anand Nambiar	88.71
Mr. Brijesh Kapil <sup>1, 4</sup>	N.A.
Mr. Ali Slieman <sup>1, 4</sup>	N.A.
Mr. N. Krishnan	30.41

<sup>1</sup> Resigned with effect from October 04, 2016.

<sup>2</sup> Appointed with effect from December 23, 2016.

<sup>3</sup> Directors did not get any remuneration during the year.

<sup>4</sup> Directors resigned during the year as such their remuneration is not comparable with the annual median remuneration of employees.

Note – Median means the numerical value separating the higher half of a population from the lower half and the median of a finite list of number may be found by arranging all the observations from lowest value to highest value and picking the middle one .

- (b) The percentage increase in remuneration of each director, chief executive officer, chief financial officer, company secretary in the financial year:

Director, Chief Financial Officer & Company Secretary	% Increase in remuneration during the financial year
Mr. Suresh Talwar (Chairman and Independent Director)	5.26
Mr. H. C. H. Bhabha (Independent Director)	7.14
Mrs. Rani Ajit Jadhav (Independent Director)	10
Mr. Anand Nambiar (Managing Director)	3.5 <sup>§</sup>

Director, Chief Financial Officer & Company Secretary	% Increase in remuneration during the financial year
Mr. Brijesh Kapil* (Executive Director – Consumer Health)	@
Mr. Ali Slieman* (Executive Director – Bio Pharma)	@
Mr. N. Krishnan (Executive Director and Chief Financial Officer)	11
Mr. Vikas Gupta (General Counsel & Company Secretary)	11

\* Resigned with effect from October 04, 2016

\$ The percentage increase in the remuneration as compared to previous year remuneration is not comparable since Mr. Anand Nambiar joined as director last year from February 2015. Additionally, Mr. Nambiar was given one time retention bonus.

@ The percentage increase in the remuneration as compared to previous year remuneration is not comparable since Mr. Brijesh Kapil and Mr. Ali Slieman joined as director last year from February 2015 and resigned from the Board effective from October 2016.

- (c) **The percentage increase in the median remuneration of employees in the financial year: 10%**
- (d) **The number of permanent employees on the rolls of Company: 1583 as on December 31, 2016**
- (e) **Average percentile increase already made in the salaries of employees other than the managerial personnel in the last financial year and its comparison with the percentile increase in the managerial remuneration and justification thereof and point out if there are any exceptional circumstances for increase in the managerial remuneration**

Average increase in the remuneration of salaries of the employees is based on a detailed performance evaluation which inter-alia include their performance viz-a-vis the objectives achieved by them during the year. The overall financial performance of the Company is also taken into consideration while arriving at the average

percentage increase of the salaries of employees. Salaries of employees is adjusted periodically against the industry benchmark. During the year under review average increase in the salaries of employees was around 10%.

- (f) **Key Parameters for any variable component of remuneration availed by directors:**

Executive Directors are entitled for payment of bonus which is dependent upon the Company's overall performance and their individual performance rating. Additionally, non-executive independent directors are entitled for payment of commission which is determined based on the time spent by the Non-Executive Directors at the Audit Committee Meetings, Board Meetings, other Committee Meetings and contribution made by them from time to time on strategic matters.

- (g) **Affirmation that the remuneration is as per the remuneration policy of the Company:**

It is hereby confirmed that the remuneration paid during the year is as per the Remuneration Policy of the Company.

The statement containing particulars of employees as required under Section 197(12) of the Companies Act, 2013 read with Rule 5(2) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, is provided in a separate annexure forming part of this report. Further, the report and the accounts are being sent to the members excluding the aforesaid annexure. In terms of the applicable provisions of the Companies Act, 2013, the said annexure is open for inspection at the Registered Office of the Company. Any shareholder interested in obtaining a copy of the same may write to the Company Secretary.

**CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO:**

The particulars as prescribed under Section 134(3) (m) of the Act, read with Rule 8 of the Companies (Accounts) Rules, 2014, are set out in Annexure VI.

**EXTRACTS OF ANNUAL RETURN:**

Extracts of Annual Return in the prescribed format under the Companies Act, 2013 forms part of this Report as Annexure VII.

**DISCLOSURE AS PER SEXUAL HARASSMENT OF WOMEN AT WORKPLACE (PREVENTION, PROHIBITION AND REDRESSAL) ACT, 2013:**

The Company has zero tolerance towards sexual harassment at the workplace and has adopted a policy on prevention, prohibition and redressal of sexual harassment at workplace in line with the provisions of the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 and Rules thereunder (Prevention of Sexual Harassment Act).

During the year ending December 31, 2016, the Company has received one complaint of sexual harassment, which is being investigated in terms of the applicable provisions of the Prevention of Sexual Harassment Act.

**GREEN INITIATIVE:**

Your Company has taken the initiative of going green and minimizing the impact on the environment. The Company has been circulating the copy of the Annual

Report in electronic format to all those Members whose email address is available with the Company. Your Company would encourage other Members also to register themselves for receiving Annual Report in electronic form. Kindly refer the contact details and ways to register your email address given under the heading 'Request to the Members' at the end of the notice of the Annual General Meeting.

**ACKNOWLEDGEMENTS:**

Your Directors thank and express their gratitude to the Company's employees, customers, vendors, investors, and institutions for their continued support to the Company. Your Directors also thank the State Government and concerned Government Departments/ Agencies for their co-operation.

Your Directors also register sincere thanks and infinite appreciations to the contributions made by every Member of the Merck family globally.

On behalf of the Board of Directors

S. N. Talwar  
Chairman

Mumbai, April 21, 2017



## Annexure I - Management Discussion and Analysis Report

Indian economy which was estimated to grow at 7.6 % in 2017 as per IMF study earlier, is now expected to grow by 7%. India is having an advantage because of its population which is a huge force and further driven by its demographics, positive reforms by Government, Indian economy is likely to reach USD 5 trillion by 2025. Indian economy is the seventh largest in the world in terms of nominal GDP. The “Make in India” move will further strengthen the local manufacturing industry across the country thereby utilising the available resources to the maximum. Due to this, employment statistics is also expected to improve. The proposed consolidated indirect tax rule in the form of GST is expected to replace all the indirect taxes from July, this year. In the backdrop of the above positives, there are some issues which are challenging. The unemployment rate, recent demonetisation initiatives and Brexit impact witnessed by us in the last one year are some of the major concerns which we will have in the short to medium term. Your Company which started its operations in 1967, in the pharma and chemical sectors has been steering its operations in the last 50 years and specially now in the current economic and political scenario admirably.

The following table exhibits, in summary, the financial performance of the Company for the year 2016.

(Rupees million)

Key Parameters	2016	2015
Turnover	9,683.3	9,083.2
Profit after Tax	758.9	535.6
Profit after Tax to Turnover (%)	7.8	5.9
Sales to Fixed Assets Employed (ratio)	6.8 times	6.5 times
Current assets (ratio)	3.08	3.4
Return on Capital employed (%)	11.8%	9.1%
Book Value of shares (Rs.)	389	356

The profit after tax for the year 2016 against 2015, increased by 41.7%, to Rs. 758.9 million. Moving away from unfavourable margin products, better price volume mix of the products sold in the year resulted in better margins and were key reasons for the increase in the operating margins. Accordingly, the Profit Before Tax % to revenue rose in year 2016 vis-a-vis 2015 by 32% to Rs. 1,102.2 million.

The Pharmaceuticals segment comprises of 77% of the total turnover and the Chemical segment comprises of 23% of the total turnover. Various regulatory controls and pricing legislations continue to challenge both the segments. Legal cases, Tax litigations ( Direct tax and Indirect Tax), inability to utilise the full capacity of its Oxynex and Vitamin E Plant, were some of the areas where your company faced challenges affecting the profit. The Company continues to invest in marketing activities and sales employees trainings to effectively be very competitive in some of its main products.

The analysis of the two segments is briefly stated below.

### *Pharmaceuticals Segment:*

Merck India Healthcare comprises mainly of the therapies of Multivitamins, Respiratory, Cardiometabolic and Diabetes. As of FY' Dec' 16, it registered a sales growth of 15%. The Growth was driven mainly from the Cardiometabolic segment which grew at 15%.

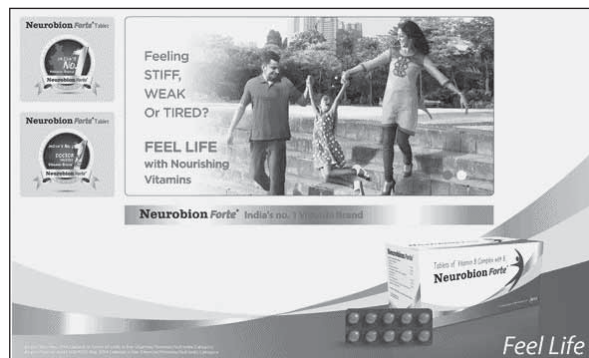
As per IMS data, Concor is the 5th largest betablocker in India with 19.3% growth; and the largest Bisoprolol with a market share of 81%. During the year under review the Company introduced a new drug Lipigo (Rosuvastatin) which has received enthusiastic market response. Other significant fast growing brands were Starvog which grew by 30% and Uthyrox at 43.6%

Neurobion is the No. 1 selling Vitamin B brand on units with highest numbers of prescriptions by earning trust of doctors. It has a secondary sale growth of 12% (IMS YTD Dec'16). Neurobion Forte Tablets with new research-backed advertising materials (TVC) grew by 14% (IMS YTD Dec'16), indicative of successful consumerization capabilities of Merck. Neurobion Forte achieved the unique 100 Crore brand achievement in August as first Merck Pharma brand to achieve this status.

In the cough and cold category, Consumer Health has its presence through 'Nasivion' which is one of the leading brands in the category. Navision is the No.1 prescribed Nasal decongestant across India and which grew by 13% (IMS YTD Dec'16).

Evion, Livogen, Polybion also continued to grow rapidly. Evion continued to feature in the top contributor brands with a growth of 19%, Livogen closed second with 17% growth, and Polybion with 12% growth. Clobetamil and Betamil have also significantly contributed to the growth.

Keeping the needs of patients at the forefront and towards improving health outcomes, Merck continued its efforts to empower stakeholders and partners (public and private health workers, healthcare practitioners, patients and communities) with medical education, knowledge, skills, educational tools and access to medicine.



Various awareness programs, scientific meets and collaborations were initiated during the year which included the following:

- (a) Cardioprotection Summits & CMEs included 50 meetings with more than 250 Speakers and 2500 delegates
- (b) With Diabetes gaining epidemic proportions in India, Merck undertakes regular programs for improving diabetes awareness, screening and diagnoses. Further, free screening camps were organized for public sector organisations
- (c) U & Thyroid : In spite of 7.2 million people estimated to be suffering from Thyroid diseases in India; the disease remains largely undiagnosed due to a lack of awareness and accessibility to diagnostic tests. Towards addressing this diagnoses-treatment gap, Merck initiated 'U & Thyroid', TSH detection camps in 2016
- (d) The division also continued to build on its Multi-Channel Marketing (MCM) strategy, which makes use of new media to maximise the reach of its messages to its vast audiences. Through webinars, websites, social media, and SMS campaigns, the division was able to reach out to medical practitioners both urban and rural areas; especially the younger generation of medical practitioners who are increasingly using the internet and digital media to access medical information.

#### **Pharma Exports:**

The company continued to export its pharmaceutical products to third parties based out of Asian and African countries including Sri Lanka, Bangladesh, Myanmar, Maldives, Lebanon and Kenya. The Company also exports APIs and pharma products to some of its related parties in Europe and Asia. During the year the Company's total exports were Euro 4 million as compared to Euro 2.47 million recording an increase of 62%. The Company was able to record significant growth in export since it launched new products including Calcium preparations Bonate and effective marketing across export markets clubbed with focussed customer relation management. During the year major exporting countries were Sri Lanka, Lebanon & Nepal. The Company expects to maintain a healthy growth rate in its export turnover.

#### **Production:**

The production requirement of the Pharma segment is catered through the Company's own facility at Goa and various toll manufacturing units. The toll manufacturing units are under regular supervision of the Company with regard to the manufacturing standards. In 2016, new toll manufacturing units were added to cater to the increasing production requirements.

The Goa manufacturing site is well utilised and goes through self-regulated productivity efficiency programs. The injectable production unit has undergone an upgradation and has been made compliant to the applicable Merck Quality guidelines and is formally called out as one of the best injections production units globally within Merck. The upgradation also resulted in increasing the capacity of the department from 180 million per annum to 220 million per annum. Similar upgradation of the Soft Gelatine Capsule production unit has been planned in 2017-18 to meet the Merck Quality guidelines. With this, the capacity of the Soft Gelatine Capsule unit will also get enhanced.

The Goa site continues to adapt innovative methods to improve the efficiency in terms of debottlenecking the production process to increase production and reduce the cost of manufacturing.

The biomass power plant in the Goa site continues to generate power at 3 MW per annum catering to the sites annual power demand. It helps reduce the CO<sub>2</sub>

generation at Goa site from 13.5 tons/year to 2 tons/year, leading to a reduction of 85% of the CO2 emissions per year. Additionally, the power plant supplies a reliable power supply independent from the national grid suffering frequent power failures, leading to productivity improvement by elimination of shutdown due to the power failures. Due to scarce availability of biomass fuel in and around the Goa plant, the cost per unit of power generated is higher as compared to the per unit rate of electricity from Goa government grid. We are working towards finalizing long term contracts for supply of biomass fuel to achieve cost savings.

#### *Chemicals Segment:*

The Chemicals segment turnover de-grew by 15.7% in year 2016, to achieve Rs. 2,306.0 million as against Rs. 2,735.9 million in year 2015. The Chemicals comprises two divisions: i.e. Pharma Chem Solutions and Performance Materials.

#### *Pharm Chem Solutions:*

The Pharm Chem Solutions division, offers products and solutions for Pharma and BioPharma Industry. Products mainly comprise of Active Pharmaceutical ingredients, High quality excipients and Bio-pharmaceutical process chemicals.

The Revenue of the division exhibited a marginal de-growth due to the fact that the company ceased sales of Vitamin E and Derivatives in the open market. The sales of other products maintained the same level as the previous year despite the fact that several important customers were impacted by International regulatory agency actions. In view of the serious measures being undertaken to achieve compliance we are optimistic that the revenues will recover in the current year

#### *Performance Materials:*

Performance Materials division mainly comprises of 'Effect' Pigments and Functional Materials for the automotive, cosmetics, plastics printing and security Industry. The company maintained its Customer centric and consultative sales approach with a strategic focus for development of new markets and value-sales instead of volume sales. India's leading car manufacturer, Maruti will now use the Company's pigments for its new models to be launched during the coming year. During the year the average market growth, for the segments

catered by us, was around 8-9% whereas during the same period your Company recorded a sales growth of 13.4%, achieving a total sales INR 817 Million as compared to sales of INR 761 Million during 2015. The Company expects a positive growth trend to continue primarily driven by growth in sales of high end cars. However, the industry would face headwinds because of the increased competition from Chinese products

#### *Internal Controls:*

The Company has developed a robust internal controls system, to ensure the safeguard of its assets, against loss of unauthorised use, improper handling, detect and prevent frauds and timely, accurate, complete financial information. This is enabled by setting up systems, documented procedures / SOPs, policies and training to employees on such process at regular intervals, to ensure that the same is achieving its desired results. Additionally, policies exist in the form of roles and responsibilities, code of conduct, delegation of authority that are aligned to business process and planning. Internal audits monitoring, apart from the local management reviews are conducted by internal audit firms, and audits from the parent organization Merck KGaA at regular intervals. To manage the risk profile of the company, proper organisation structures, EHS/other compliances, whistle blower mechanisms, Risk management including fraud risk assessment, compliance management, performance reviews are conducted at regular intervals.

To further augment the internal controls, the Company also engaged Ernst & Young LLP, one of the big audit firms operating in the country, who are authorised by the Audit Committee as internal auditors, to assess the adequacy and compliance of internal control process, statutory requirements, etc. The internal audit program covers the entire operations of the company - procurement, manufacturing and distribution locations, all types of assets, internal and external supports partners, financial closing processes, recruitment to retirement process, production planning and inventory management process, legal compliances, payment and treasury management, sales order management, marketing, sales, cash collection process, taxation, etc. The internal auditors report their observations to the audit committee which discusses the audit findings and the remedial measures as required are implemented

by changing processes and / or setting up additional internal controls. The Board and the Audit Committee discusses and approves the internal audit program, which focuses on both the design and operational effectiveness of all audit areas and follows a stringent evaluation process. Follow up of the audit action taken are also made to the Audit Committee.

In order to further implement a good corporate governance practices at Merck, Audit Committee periodically discusses with statutory and internal auditors on their views of financial statements, compliance to accounting policies, information flow from the company to them for conducting their area of work, adequacy and effectiveness of internal control and systems within the company. Independent Directors also hold deliberations with statutory and internal auditors without the presence of the management team. The weakness in the processes, if any, identified are taken note of and new procedures are put in place to strengthen them. The control mechanisms set are also reviewed at regular intervals.

The Company is required to comply with the provisions of the Companies Act, 2013, as regards maintaining adequate internal financial controls over financial reporting (ICFR). To comply with the requirements of Companies Act, 2013, the Company engaged the services of Ernst & Young LLP, to do a documentation of the process flows and check on the working of all types of internal controls (detective, corrective and preventive) in the organisation. Also a check was made if these controls are documented and embedded in the business processes effectively. Ernst & Young LLP have concluded that no significant deficiency was noted in design and operating effectiveness for the internal financial controls, which are with reference to the financial statement. Ernst & Young LLP also tested for Operational and Fraud Prevention Controls and concluded that there were no significant deficiency in this respect. Accordingly, the Company is in compliance with Internal Financial Controls, a requirement which was earlier followed and now mandated under the companies Act, 2013. The internal control system is adequately supported and supplemented by the internal auditors through the robust internal audit programme, employee trainings on governance standards. The statutory auditors have also expressed an unqualified opinion on the effective working of the internal controls of the Company.

Based on the information provided, nothing has come to light of Directors that the internal controls, systems, SOPs, Procedures, have broken down during the year under review. No substantial changes in the procedures or internal financial controls of the company have happened or likely to happen, though there could be inherent possibility of human error, circumvention of such controls or procedures. Moreover, in the design and evaluation of the Company's disclosure controls and procedures, the management was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

***Risk Management:***

Merck is concurrently exposed to various risks, which might threaten its business continuity if not identified and addressed in time. As part of the business sustainability and governance process, in order to ensure a robust risk management system in line with the applicable laws, the Board of Directors of the Company has formed a Risk Management Committee. The Company therefore follows a proactive risk management policy, aimed at protecting its employees, assets and the environment, while at the same time ensuring growth and continuity of its business.

The risks are identified on a consistent process, across function/division and the Company also strives to link each risk with a mitigation step to ensure business continuity. Risk managers consistently map the risks to establish a risk – management culture. The risk report is reviewed at regular intervals, to ensure that risks are planned for mitigation, for the fact that not all risks can be eliminated.

Regular risk mapping updates are made available to Executive Board and Independent Directors at the Board Meeting and in special cases on ad-hoc basis.

Merck adheres to global compliance guidelines and also complies with local laws. Number of training programs (some of which are online) were rolled-out for employees on Pharma Compliance Guidelines, Global Anti-Corruption Standards, Prevention of Sexual Harassment at Workplace, Whistle Blower Mechanism, Conflict of interest , data integrity etc.

***Business Related Risks:***

The Company's performance is impacted by factors such as coverage of products under price control,

ability to launch successful line extensions or product applications with proper timing, customer behaviour change, new demand development of the Company's products, economic reforms, changed composition of legacy brand product sales to total turnover, employee talent development and management, employee union negotiations, trade unions, etc. could affect the Company's performances. The Company regularly reviews portfolio management.

Limitation of the Company to command sale price rise as many products are governed by NLEM and NPPA regulations. As a result the costs on account of inflationary effects on the input materials, utilities, rising wage costs and overheads, etc., have to be absorbed by the Company. Though the Company constantly evaluates cost reduction measures by launching high margin products, improving the product mix in sales to get best margins there would be a possibility of margin erosion due to unsuccessful launches and local pricing regulations.

The Company's imports from Europe and US are subject to foreign exchange fluctuations, which impact the input prices. The Company's principals having an expert team offer advice on the hedging of the risks at regular intervals.

#### ***Legal Risks:***

The Company's business is subject to stringent compliances of various statutes of the Government. Changes in the statutes and the compliance of the same is challenging and time consuming and involves constant monitoring. In the case of Pharmaceuticals business, the Company has to comply with the local pricing regulations set by the Government, FDA legislation, DCGI approvals, Code of conduct with marketing spend on doctors etc. whereas in case of Chemicals business, the licensing and registration processes for imports leads to difficulty and delay or loss to business. The Company has set up a support mechanism which enable tracking of the compliance of the applicable laws.

#### ***Third Party dependence Risks:***

The Company uses third party support in regard to manufacturing and distribution of the goods of its products. These parties have access to the Company's assets and business process. The Company uses internal control and audit measures to safe guard itself against

any adverse events. Periodic audits and review of open items in audit takes place for these units throughout the year. Business interruptions could arise due to any unforeseen negative events taking place or disagreements on contractual terms and conditions with the service provider which can lead to stoppage of outsourced activities.

#### ***Information Technology Risks:***

The Company uses varied IT systems and processes in order to have efficient data collection, monitoring and reporting. There are software related precautions like handling of data integrity, access rights, virus firewalls, data protection, social media risk, etc. The Company's guidelines and processes are in place and their adherence is continuously monitored and subject to global audits at regular intervals.

#### ***Environment and Safety Risks:***

All the manufacturing and distribution facilities of the Company are subject to environmental and safety risks. The Company is complying with the local legislation on environment protection which is further supported by Group standards, rules, guidelines and audits at regular intervals by experts, to ensure safety standards to safeguard people, environment and products.

#### ***Human Resource Initiative:***

In 2016, Merck identified "People" as one of its three key strategic priorities globally. Under this dimension, the focus areas for the Company will be to build Empowered Leaders, Engaged People and Capable Talents.

Throughout last year, Company in India launched multiple initiatives and invested in different interventions aimed at the identified focus areas. These ranged from introduction of new competency model that is now integral to all people processes such as recruiting, performance management, and individual development. Company also launched "Expanding Horizons" program that ensures Merck is able to react to market changes, and meet evolving employee needs. Expanding Horizon provides multi-dimensional growth options to our employees across organization. To support these more diverse development paths, we have also introduced greater flexibility in our Reward structures and practices. We have further strengthened our HR compliance by having a more robust group

monitoring various laws and stipulations within the Group and also with our partner organizations.

The Company also redefined its HR policies and processes in line with contemporary market practices. With the aim of assessing process maturity levels, Company participated in external evaluations and competitions, and was certified as Best Employer in Asia Pacific region in 2016 by The Top Employers Institute, a globally acclaimed organization from the Netherlands. Company has various other local initiatives in place in each region designed to ensure that Merck employees continue to be productive, efficient, and believe the Company to be a great place to work and build a career.



The Company had 1583 employees as of December 31, 2016, as against 1579 employees at the end of previous year.

#### **Outlook:**

The Company has a well balanced portfolio in Pharmaceuticals and Chemicals and endeavours to grow at a faster pace than comparable to the Industry. The Indian pharmaceutical industry is likely to face certain challenges due to local and global price erosion on account competition and regulations, credit risks of customers and vendors, distribution channel consolidation. However, with the ambitious economic growth targets for the current fiscal year, focus by Government on 'Make in India' initiative and internal focus on key initiatives, your Company is expected to grow at higher growth rate than the GDP growth rate, thereby it looks forward for excelling the business results and improving shareholder value.

On behalf of the Board of Directors

S. N. Talwar  
Chairman

Mumbai, February 27, 2017

## Annexure II - Corporate Governance Report

Report on Corporate Governance pursuant to Schedule V of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 as made applicable to the Company.

### I. *Company's philosophy on Code of Governance:*

Merck is dedicated to conducting its business consistent with the highest standards of business ethics and values. We have an obligation towards our stakeholders including shareholders, employees, customers, suppliers and communities to be honest, fair and forthright in our business activities.

Good corporate governance is the basis for decision-making and control processes and comprises responsible, value-based management and monitoring focused on long-term success, goal-orientation and respect for the interests of our stakeholders.

The Company is in compliance with the requirements with regard to the Corporate Governance of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

### II. *Board of Directors (the Board):*

#### (a) Board composition:

The composition of the Board of your Company is a fair mix of executive, non-executive and independent directors, which is appropriate for the size and operations of your Company and is compliant of applicable rules and guidelines. As on date of this report, the Board consists of six Directors comprising of one Nominee Non-Executive Director, three Non-Executive Independent Directors including one women independent director and two Executive Directors. The composition of the Board represents an optimal mix of professionalism, knowledge and experience and enables the Board to discharge its responsibilities and provide effective leadership to the business. The positions of the Chairman of the Board and the Chief Executive Officer of the Company are held by separate individuals, where the Chairman of the Board is a Non-Executive Independent Director.

As on the date of this report all directors of the Company meet the criteria of maximum

number of directorship as laid down in section 165 of the Companies Act 2013 and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

The details of composition of the Board and summary of other Directorship (s) and Committee Membership (s) of directors as on date of this report is as follows:

Name of the Director#	*No. of Directorships	\$No. of Committee memberships	\$No. of Committee Chairmanships
Mr. S.N. Talwar <sup>1,2</sup>	6	3	2
Mr. H.C.H. Bhabha <sup>1,3</sup>	2	1	Nil
Mrs. Rani Ajit Jadhav <sup>1</sup>	1	Nil	Nil
Mr. N. Krishnan <sup>7</sup>	Nil	Nil	Nil
Mr. Bradley Simpson <sup>4,5</sup>	Nil	Nil	Nil
Ms. Zoe Tang <sup>5,8</sup>	Nil	Nil	Nil
Mr. Anand Nambiar <sup>6</sup>	Nil	Nil	Nil
Mr. Brijesh Kapil <sup>4,7</sup>	Nil	Nil	Nil
Mr. Ali Slieman <sup>4,7</sup>	Nil	Nil	Nil

- 1 Independent Director
- 2 Chairman of the Board and Audit Committee of the Company
- 3 Chairman of the Stakeholder Relationship, CSR and Nomination & remuneration Committees
- 4 Resigned w.e.f. October 04, 2016
- 5 Non –executive Director, Nominee of Merck KGaA
- 6 Managing Director
- 7 Whole Time Director and key Managerial Personnel
- 8 Appointed w.e.f. December 23, 2016

#### Notes:

- \* Excludes directorships held in private companies, foreign companies, Section 8 companies, Merck Limited and companies where a Director is an alternate director;
- \$ Excludes committee memberships / chairmanships of Merck Limited, private companies, foreign companies, Section 8 companies and companies where a Director is an alternate director. Only Audit Committee and Stakeholders Relationship Committee are considered as per Listing Agreement.
- # None of the directors have inter-se relationship during the year.

#### (b) Meetings and Attendance:

At the beginning of the year, generally, the Board decides about the calendar of its meetings during the year. The Board meets at least once in a quarter inter alia to review the quarterly and annual accounts, performance of the Company, status of compliance of laws,

review of business and functions, material transactions and other similar matters. The intervening period between any two Board Meetings were well within the maximum time gap of one hundred and twenty days prescribed under SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and also under the Companies Act 2013. The members of the Board have complete access to all the information of the Company. To enable the Board to discharge its responsibilities effectively, the members of the Board are briefed at every Board Meeting on the overall performance of the Company. Senior management is invited to the meeting so as to provide additional inputs to the items being discussed by the Board. The Company has made arrangements for facilitating participation of directors via tele or video or Skype conference. As per their availability and convenience, the required arrangements were communicated and set up for them enabling them to participate in the proceedings of the meetings as per the Rules prescribed under the Companies Act, 2013.

In case of a special and urgent business need, the Board's approval is taken by circulating the resolution, which is confirmed in the subsequent board meeting. During the year 2016 the Board and the Audit Committee have passed 07 resolutions by circulation which were subsequently confirmed in the Board and Committee meetings.

During the financial year 2016, 5 (five) Board Meetings were held on February 26, 2016, April 04, 2016, May 12, 2016, July 25, 2016 and November 11, 2016 .

**(c) Attendance of directors at the Board and shareholder meetings during the year 2016:**

Name of the Director	Board Meetings held during the year 2016	No. of Board Meetings attended during the term	Attendance at 49 <sup>th</sup> Annual General Meeting (June 10, 2016)
Mr. S.N. Talwar	5	5	Yes
Mr. H.C.H. Bhabha	5	5*	No

Name of the Director	Board Meetings held during the year 2016	No. of Board Meetings attended during the term	Attendance at 49 <sup>th</sup> Annual General Meeting (June 10, 2016)
Mrs. Rani Ajit Jadhav	5	3*	No
Mr. N. Krishnan	5	5	Yes
Mr. Anand Nambiar	5	5*	Yes
Mr. Brijesh Kapil <sup>1</sup>	5	4	Yes
Mr. Ali Slieman <sup>1</sup>	5	3*	Yes
Mr. Bradley Simpson <sup>1</sup>	5	1*	No
Ms. Zoe Tang <sup>2</sup>	5	N/A	N/A

1 Resigned with effect from October 04, 2016.

2 Appointed with effect from December 23, 2016

\* Mr. H.C.H. Bhabha participated in three (3) meetings via Videoconference. Mrs. Rani Ajit Jadhav, Mr. Anand Nambiar, Mr. Ali Slieman and Mr. Bradley Simpson attended one (1) meeting each via Videoconference.

N/A: Not applicable

**(d) Shares held by Non-Executive Directors of the Company as on December 31, 2016:**

Mr. S. N. Talwar : 5,914

Mr. H.C.H. Bhabha : 29,656

Mrs. Rani Ajit Jadhav : Nil

Ms. Zoe Tang : Nil

**III. Board Committees**

**(a) Audit Committee**

**(i) Composition, Name of Member and Chairperson**

As on the date of this report, the Audit Committee comprises of four (4) Directors of whom three (3) are Independent Directors and one is the Managing Director. The committee is chaired by an Independent director.

Mr. S.N. Talwar – Chairman

Mr. H.C.H. Bhabha

Mrs. Rani Ajit Jadhav

Mr. Anand Nambiar

**(ii) Meetings and Attendance during the year:**

During the year 2016 the Audit Committee held 4 (four) meetings on February 26,



2016, May 12, 2016, July 25, 2016 and November 11, 2016. Attendance of the member of the Committee is given below:

Name of the Member	Category of Director	No. of Committee Meetings held during the tenure of directors.	No. of Committee Meetings attended
Mr. S.N. Talwar – Chairman	Non-Executive – Independent	4	4
Mr. H.C.H. Bhabha	Non-Executive – Independent	4	4*
Mrs. Rani Ajit Jadhav	Non-Executive – Independent	4	3*
Mr. Anand Nambiar	Managing Director	4	4*

\* Mr. H.C.H. Bhabha participated in three (3) meetings via Videoconference. Mrs. Rani Ajit Jadhav and Mr. Anand Nambiar attended one (1) meeting each via Videoconference.

The Audit Committee meetings are also attended by CFO & Director Finance, Internal Auditors and Statutory Auditors as invitees. The Company Secretary acts as the Secretary of the Audit Committee.

**(iii) Brief description of terms of reference:**

The Committee functions according to the applicable provisions of the Companies Act, 2013 and other applicable statutes and the requirements under the Part C of Schedule II of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

- (a) oversight of the listed entity's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible;
- (b) recommendation for appointment, remuneration and terms of appointment of auditors of the listed entity;
  - Reviewing the quarterly and annual financial statements before submission to the Board for approval, focusing inter-alia on:

- Any changes in accounting policies and practices and reasons for the change;
- Major accounting entries involving estimates based on exercise of judgment by Management;
- Significant adjustments arising out of audit findings;
- The going concern assumption;
- Compliance with Accounting Standards;
- Analysis of the effects of alternative generally accepted accounting principles on the financial statements;

- (c) Compliance with listing and other legal requirements concerning financial statements;
- (d) Approval of the related party transactions;
- (e) Review of annual Management Discussion and Analysis of financial condition and results of operations and the Directors' Responsibility Statement;
- (f) Overseeing the Company's financial reporting process and the disclosure of its financial information, including earnings and press release, to ensure that the financial statements are correct, sufficient and credible;
- (g) Disclosures made under the CEO and CFO certification to the Board;
- (h) Reviewing with the Management, Statutory Auditors and Internal Auditors, adequacy of internal control systems and recommending improvements to the Management;
- (i) Recommending the appointment/removal of the Statutory Auditors, fixing audit fees, non-audit fees, evaluating Auditors performance, qualifications and independence;

- (j) Reviewing the adequacy of internal audit function, coverage and frequency of internal audit, appointment, removal, performance and terms of remuneration of Internal Auditors;
- (k) Discussing with the Internal Auditors and senior Management, significant internal audit findings and follow-up thereon;
- (l) Reviewing the findings of any internal investigation by the Internal Auditors into matters involving suspected fraud or irregularity or a failure of internal control system of a material nature and report the matter to the Board;
- (m) Discussing with the Statutory Auditors before the audit commences, the nature and scope of audit as well as conduct post-audit discussions to ascertain any area of concern;
- (n) Reviewing the Company's financial and risk management policies;
- (o) Reviewing the effectiveness of the system for monitoring compliance with laws and regulations.

The minutes of the Audit Committee meetings form part of the Board papers circulated for the Board Meetings. In addition, the Chairman of the Audit Committee briefs the Board about the significant discussions at the Audit Committee Meetings.

The Committee relies on the expertise and knowledge of the management, the Internal Auditors and Statutory Auditors in carrying out its responsibilities. It also uses external expertise, wherever required. Management is responsible for the preparation, presentation and integrity of the Company's financial reporting. Management is also responsible for internal control over financial reporting and all procedures are designed to ensure compliance with Accounting Standards, applicable laws and regulations as well as for objectively reviewing and evaluating the adequacy, effectiveness and quality of the Company's system of internal control.

**(b) Nomination and Remuneration Committee:**

**(i) Brief description of terms of reference:**

In terms of the provisions of section 178 of the Companies Act 2013, the Board constituted a Nomination and Remuneration Committee. Terms of reference of the Committee are:

- a) Formulation of the criteria for determining qualifications, positive attributes and independence of a director;
- b) Formulate and recommend to the Board a policy, relating to the remuneration of the directors, key managerial personnel and other employees;
- c) Formulation of criteria for evaluation of Independent Directors and the Board;
- d) Devising a policy on Board diversity;
- e) Identifying persons who are qualified to become directors and who may be appointed in senior management in accordance with the criteria laid down, and recommend to the Board their appointment and removal.

The committee has formulated the remuneration policy. The Company's Remuneration Policy provides a framework to support the implementation of the Merck Total Rewards Philosophy, specifically, it is intended to provide: more detailed clarification on the Guiding Principles so as to support their implementation; guidance as to design of reward programs; and explanation as to roles, responsibilities and governance for program design, administration and communication.

**(ii) Composition, Name of Members and Chairperson:**

As on the date of this report, the committee comprises of three (3) Independent Directors viz. Mr. S.N Talwar, Mr. H.C.H. Bhabha and Ms. Rani Ajit Jadhav and one (1) non- executive director viz. Ms. Zoe Tang [Ms. Zoe Tang, Non-Executive Director, who was co-opted

as member of the committee with effect from 23<sup>rd</sup> December 2016]. The Committee Meeting is chaired by Mr. H. C. H. Bhabha, an Independent Director.

As Mr. Bradley Simpson resigned as a Non-Executive Director of Company with effect from October 04, 2016 he ceased to be member of the Committee.

**(iii) Meetings and Attendance during the year:**

During the year under review, two (2) Committee Meetings were held, on February 26, 2016 and November 11, 2016.

Attendance at the Meeting:

The attendance of the members of the Committee is given below;

Name of the Member	Category of Director	No. of Committee Meetings held during tenure of director	No. of Committee Meetings attended
Mr. H.C.H. Bhabha- Chairman	Non-Executive - Independent	2	2*
Mr. S.N. Talwar	Non-Executive - Independent	2	2
Mr. Bradley Simpson <sup>1</sup>	Non- Executive	1	1*
Mrs. Rani Ajit Jadhav	Non- Executive, Independent	2	2*

\* Directors attended the meeting via video conference: Mr. H.C.H. Bhabha (2 meetings), Mrs. Rani Ajit Jadhav (1 meeting) and Mr. Bradley Simpson (1 meeting).

<sup>1</sup> Resigned with effect from October 04, 2016.

**(iv) Performance evaluation for Directors, Board and Committees:**

The Nomination and Remuneration Committee (NRC) reviewed the Performance Evaluation Guidelines and recommended to the Board, the framework for evaluating the performance on an annual basis of the board, its committees and each director including Independent Director and the Chairman of the Board of Directors.

Pursuant to the provisions of the Act, SEBI (Listing Obligations and Disclosures Requirements) Regulations, 2015 the above guidelines, the Board of Directors / Independent Directors / NRC (as applicable) has undertaken an

evaluation of its own performance, the performance of its Committees and of all the individual Directors including the Chairman of the Board of Directors based on various parameters relating to roles, responsibilities and obligations of the Board's effectiveness of its functioning, contribution of Directors at meetings and the functioning of its Committees. The results of such evaluation are presented to the NRC and the Board of Directors (as applicable).

**(c) Stakeholders Relationship Committee of Directors**

The Board has constituted, in terms of the provisions of section 178(5) of the Companies Act 2013 and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, Stakeholder Relationship Committee. The terms of reference of this Committee are:

- Oversee and review all the matters connected with the transfer of Company's securities
- To look into the requests received for issue of duplicate share certificates on account of loss / mutilated certificates etc.;
- To issue share certificates upon consolidation or sub-division of shares of the company.
- Monitor redressal of investors' / shareholders grievances.
- Oversee the performance of the Company's Registrars and Transfer Agents.
- Recommend methods to upgrade the standard of services to the investors.

In order to serve the shareholders expeditiously, the Board delegated its powers to approve the transfers / transmissions / dematerialisation / rematerialisation and address the shareholders complaints / requests, to the Managing Director and/or the Company Secretary of the Company.

The Company attends to the shareholders'/ Investors' grievances/ correspondence expeditiously. During the year under review 84 (Eighty Four) investor grievances/

correspondence were received and were resolved.

The Committee is chaired by a non-executive Independent Director.

#### *Meetings and Attendance:*

During the year under review five (5) meetings of the Committee were held on March 14, 2016, March 29, 2016, April 22, 2016, July 25, 2016 and December 09, 2016. Attendance of the member of the Committee is given below:

Name of the Member	Category of Director	No. of Committee Meetings held during tenure of director	No. of Committee Meetings attended
Mr. H.C.H. Bhabha – Chairman	Non-Executive Independent	5	2
Mr. N. Krishnan – Member	Executive	5	5
Mr. Brijesh Kapil <sup>1</sup> – Member	Executive	4	4
Mr. Anand Nambiar <sup>2</sup> – Member	Executive	1	1

1 Resigned with effect from October 04, 2016.

2 Appointed with effect from November 11, 2016.

Mr. Vikas R. Gupta, Company Secretary is the Compliance Officer.

#### **(d) Corporate Social Responsibility Committee:**

As on the date of this report, the Corporate Social Responsibility Committee (CSR) comprises of three (3) members. The Chairman of the Committee is a Non-executive and Independent Director.

The broad terms of reference of CSR committee is as follows:

- Formulate and recommend to the board, a corporate social responsibility (CSR) policy;
- Recommend the amount of expenditure to be incurred on the activities referred to above;
- Monitor the CSR policy of the Company from time to time
- Oversee the Company's conduct with regard to its corporate and social obligations.

During the year 2016, two meetings of the CSR Committee were held on February 26, 2016 and November 11, 2016. Details

of composition and attendance at the aforementioned Meetings are as follows:-

Name of the Member	Category of Director	No. of Committee Meetings held during tenure of director	No. of Committee Meetings attended
Mr. H.C.H. Bhabha – Chairman	Non-Executive – Independent	2	2*
Mr. Anand Nambiar	Executive Director	2	2
Mr. Ali Slieman <sup>1</sup>	Executive Director	1	1
Mr. Brijesh Kapil <sup>1</sup>	Executive Director	1	1
Mr. N. Krishnan <sup>2</sup>	Executive Director	1	1**

1 Resigned with effect from October 04, 2016.

2 Board inducted N Krishnan as member of the Committee, with effect from November 11, 2016.

\* Mr. H.C.H. Bhabha participated in one (1) meeting via Videoconference.

\*\* Invitee

In addition to the above named directors Mr. Sunil Punjabi, who is a director on the board of another Merck group Company in India Viz, Sigma Aldrich Chemicals Private Limited, is also a member of the CSR Committee. During the year Sunil has not attended any meeting of the Committee.

#### **IV. Code of Conduct:**

The Board has laid down a Code of Conduct for all Directors and Senior Management and all its employees. The Code of Conduct of the Company is also posted on the investor relation page of the company's website [www.merck.co.in](http://www.merck.co.in). All Directors and Senior Management personnel have affirmed their compliance with the said Code. A declaration signed by the Managing Director to this effect is appended at the end of this Report.

#### **V. CEO/CFO Certificate:**

A Certificate from the Managing Director and CFO on the integrity of the financial statements and other matters of the Company for the financial year ended December 31, 2016 was placed before the Board at its Meeting held on February 24, 2017.

**VI. Risk Management Committee:**

Although, the provision on Risk Management Committee is not applicable to the Company as per the SEBI Listing Regulations, the Company recognizes that it faces various financial, market, technical, regulatory, compliance and operational risks, it needs to take appropriate steps to minimize such risks and hence has established an effective risk assessment and minimization procedure which is reviewed by the Board periodically. The Board has constituted a committee, comprising of Managing Director and Director Finance for this purpose. Mr. N. Krishnan, CFO & Director (Finance) is the Chairman of the Committee. The committee meets regularly and reviews the risks and mitigation measures. A risk assessment report is presented at each board meeting.

**VII. Remuneration of Executive Directors:**

The details of remuneration paid/payable to the Executive Directors during the year 2016 are given below:

(in rupees)			
Name of the Director	Salary Allowances and Perquisites	Contribution to PF, Super-annuation, Gratuity & Leave encashment*	Total
Mr. Anand Nambiar	3,81,96,439	16,30,806	3,98,27,245
Mr. Ali Slieman <sup>1</sup>	1,76,93,517	9,95,810	1,86,89,328
Mr. Brijesh Kapil <sup>1</sup>	1,39,37,780	4,48,386	1,43,86,166
Mr. N. Krishnan	1,24,29,402	12,23,830	1,36,53,232

1 Resigned with effect from October 04, 2016.

\* Aggregate of the Company's contribution to Superannuation Fund and Provident Fund.

**NOTES:**

- The Company does not have a Scheme for grant of Stock Options to the Directors or Employees.
- Managing Director and Executive Director (Finance) are entitled for bonus which is linked to their individual performance and the Company's overall performance. During the year 2016 the Company has paid Rs. -Nil and Rs. 25,65,976/- to Anand Nambiar and N Krishnan, respectively, as bonus.
- In terms of the agreements entered with Mr. Anand Nambiar the notice period for termination of the agreement is three months while in case of Mr. Krishnan it is six months. There is no separate provision for payment of severance fees. Anand Nambiar and N.S.

Krishnan's appointment contracts are due to expire on September 30, 2017 and October 21, 2017 respectively. The Board has recommended renewal of their contracts for further period of five years.

**VIII. Remuneration of Non-Executive Directors:**

The details of remuneration paid/payable to Non-Executive Directors for the year 2016 are given below:

Name of the Director	Sitting fees (Rs.)	Commission (Rs.)
Mr. S.N. Talwar	3,75,000	10,00,000
Mr. H.C.H. Bhabha	3,85,000	7,50,000
Mrs. Rani Ajit Jadhav	1,80,000	5,50,000

No remuneration is paid or payable to nominee director, non-executive director.

**Criteria for payment of remuneration to the Non-Executive Directors:**

The remuneration to Non-Executive -Independent Directors comprises of sitting fees and variable commission. The criteria for payment of remuneration is time spent by the Non-Executive Directors at the Audit Committee Meetings, Board Meetings, other Committee Meetings and contribution made by them from time to time on strategic matters.

**IX. Report on shareholders' queries / grievances:**

At present, there are no pending legal cases by or against shareholders, wherein adverse claims are made against the Company. However, there are eight pending legal cases, in which name of the Company is included only to facilitate execution of the court order. A statement of the various complaints received and cleared by the Company during the last two years is given below:

Sr. No.	Nature of Complaint	2016		2015	
		Received	Cleared	Received	Cleared
1.	Non-receipt of share certificates duly transferred	0	0	0	0
2.	Non-receipt of dividend.	59	59	2	2

Sr. No.	Nature of Complaint	2016		2015	
		Received	Cleared	Received	Cleared
3.	Non-receipt of Annual Report	23	23	2	2
4.	Complaints/ Letters from SEBI/ Stock Exchanges and Department of Corporate Affairs	2	2	3	3

#### General Body Meetings held during last three years:

For the Year ended	Venue	Day and Date	Time
2013	Sunville Banquets, 3rd Floor, Royal Room, Dr. A.B. Road, Worli, Mumbai 4000 18	Tuesday, 18.03.2014	3.00 p.m.
2014	Sunville Banquets, 3rd Floor, Royal Room, Dr. A.B. Road, Worli, Mumbai 400 018	Wednesday, 08.04. 2015	3.00 p.m.
2015	Auditorium One, First Floor, Godrej One, Pirojshanagar, Eastern Express Highway, Vikhroli East, Mumbai 400 079	Friday, 10.06.2016	3.00 p.m.

All Resolutions moved at the last Annual General Meeting were passed by the requisite majority of Members attending the Meeting by ballots and other members by e-voting which was open for voting by all members prior to the date of the Annual General Meeting. The following Special Resolutions were passed at the previous three Annual General Meetings:

AGM held on	Whether special resolution passed	Summary of special resolution passed
18.03.2014	No	Not applicable
08.04.2015	Yes	Approving related party transactions/ arrangements with Merck KGaA
10.06.2016	No	Not applicable

During the year 2016, no postal ballot voting process was carried out and no special resolution has been passed through the exercise of postal ballot.

#### X. Disclosures:

All the transactions with related parties were in the ordinary course of business and on arm's length

basis. In terms of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Company obtained an omnibus approval of the audit committee for entering into transaction with related parties.

All material transactions entered into with related parties as defined under the Act and SEBI Listing Regulations during the financial year were in the ordinary course of business. These have been approved by the audit committee. The board has approved a policy for related party transactions which has been uploaded on the Company's website at the following link:

[http://www.merck.co.in/country.in/en/images/Policy%20on%20Related%20Party%20transaction\\_ML\\_Final\\_tcm170\\_133715.pdf?Version=](http://www.merck.co.in/country.in/en/images/Policy%20on%20Related%20Party%20transaction_ML_Final_tcm170_133715.pdf?Version=)

There is no case of non-compliance by the Company, penalties, and strictures imposed on the Company by the stock exchanges or the securities and exchange board of India or any statutory authority, on any matter related to capital markets, during the last three years 2014 , 2015 and 2016 respectively.

The Company does not have any subsidiary company.

Familiarization programme for Independent Directors:

Pursuant to the requirements of SEBI (Listing Obligations and Disclosures Requirements) Regulations, 2015, the Company continuously strive to familiarize its board members about the Company's business, markets within which company operates, business risks and growth potential. At the Board meetings particularly the Independent Directors on a regular basis are made aware of their roles, rights, responsibilities in the Company, nature of the industry, details of its business and functional operations, policies and standard operating procedure, business model of the Company, etc. The Company's familiarization policy is available on the company website, [www.merck.co.in](http://www.merck.co.in) at the following link:

[http://www.merck.co.in/country.in/en/images/OUTLINE%20OF%20FAMILIARIZATION%20PROGRAM\\_tcm170\\_133678.PDF?Version=](http://www.merck.co.in/country.in/en/images/OUTLINE%20OF%20FAMILIARIZATION%20PROGRAM_tcm170_133678.PDF?Version=)

A qualified practicing Company Secretary carried out a Share Capital Audit to reconcile the total admitted equity share capital with the National Securities Depository Limited (NSDL) and the Central Depository Services (India) Limited (CDSL) and the total issued and listed equity share capital. The said report confirms that the total issued/paid-up capital is in agreement with the total number of shares in physical form and the total number of dematerialized shares held with NSDL and CDSL. This report is sent to both the Stock Exchanges on a quarterly basis within 30 days from the end of every quarter.

In terms of the provisions of Section 177(9) of the Companies Act 2013 the Company has implemented a vigil mechanism which include implementation of the whistleblower policy. The said policy has been also put up on the website of the Company at the following link:

[http://www.merck.co.in/country.in/en/images/Whistle%20Blower%20Policy\\_%20Amendment\\_tcm170\\_133487.pdf?Version](http://www.merck.co.in/country.in/en/images/Whistle%20Blower%20Policy_%20Amendment_tcm170_133487.pdf?Version)

No employee has been denied access to the chairman of audit committee. The Company in conjunction with the Corporate Disclosure and Investigation policy of its holding Company has informed its employees about reporting any non-compliant behavior of directors or employees including the non-compliance of its code of conduct to the notice of the management for investigation and necessary action. Audit committee is regularly informed about the whistleblower complaints received, investigation carried out, its outcome and action taken report.

Means of Communication:

All important information relating to the Company's financial performance, shareholding pattern, quarterly results are regularly posted on the Company's website. The quarterly financial results of the Company are published in newspapers viz. Business Standard, Free Press Journal & Navshakti. These results are also available on the websites of the Company, BSE Limited and National Stock Exchange of India Ltd.

Further, all material information which has some bearing on the operations of the Company was regularly submitted to stock exchanges in terms of the Company's Disclosure Policy. During the year under review the Company has not made any separate presentation to financial analysts.

#### **XI. *Compliances:***

The Company has complied with all the requirements including the provisions of SEBI (Listing Obligations and Disclosures Requirements) Regulations, 2015. The Company has complied with and adopted the mandatory requirements of the Corporate Governance Code. The Company has not set up a separate office for the Chairman or Independent Directors, however, they do have access to the Company information whenever required. The Company has substantially complied with the requirement of corporate governance report.

#### **XII. *Financial Information to the Members:***

The last year's audited results were announced by the Company within 60 days of closure of the financial year. The quarterly results during the year were announced well within 45 days of close of the fiscal quarter. The results were published in leading newspapers. The financial results, press releases and other major events/developments concerning the Company are also posted on the Company's website: [www.merck.co.in](http://www.merck.co.in).

#### **XIII. *Discretionary requirements:***

The Company has been following the regime of unmodified audit report. The Chairman and Managing Director's office is held by two separate persons. The Company has not adopted the other discretionary requirements as stated in SEBI Regulations.

#### **XIV. *General Shareholder Information***

Annual General Meeting:

The Fiftieth Annual General Meeting of the Members will be held on Wednesday, May 31, 2017 at 3 p.m.

Venue – Sunville Banquets, 3rd Floor, Royal Room, Dr. A.B. Road, Worli, Mumbai 400 018

Agenda –

1. Consideration and adoption of Financial Statements.
2. Declaration of dividend.
3. Re-appointment of Director retiring by rotation.
4. To appoint Statutory Auditor in place of retiring auditor and fixation of remuneration of Statutory Auditors.
5. Re-appointment of Mr. Anand Nambiar as the Managing Director w.e.f. 01 October 2017.
6. Re-appointment of Mr. N. Krishnan as the Executive Director (Finance) w.e.f. 22 October 2017.
7. Fixation of remuneration of Cost Auditors.
8. Approval of Related party transactions which may cross the materiality threshold as per Listing Regulations.

Company's financial year end: Company follows calendar year as its financial year which is in line with the financial year of the Company's overseas holding. In terms of the provisions of Section 2(41) of the Companies Act, 2013 the Company has received approval from the Company Law Board, Mumbai vide order no. CA No. 28/2 (41) /CLB/MB/2015/2579 dated 18 May 2015 for using the said period as its financial year.

Calendar of Financial Results – (tentative) 2017:

1. First Quarter Results – April, 2017
2. Second Quarter Results – July, 2017
3. Third Quarter Results – October, 2017
4. Results for the 4th quarter – January, 2018 and year ending December 31, 2017

Book Closure:

The Company's Register of Members and Share Transfer Books will remain closed from May 29, 2017 to May 31, 2017 (both days inclusive) for the purposes of payment of dividend for the year ended December 31, 2016, if approved by members at the above mentioned AGM.

Dividend:

The Board of Directors has recommended a dividend at the rate of Rs.11/- (Eleven Only) per equity share of Rs.10/- each. This is subject to the approval of the Members at the ensuing Annual General Meeting. The dividend, if approved by the Members at the ensuing Annual General Meeting, will be paid/credited on or before June 29, 2017.

Listing on Stock Exchanges:

BSE Limited (BSE) – Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai 400 001.

National Stock Exchange of India Limited (NSE) – Exchange Plaza, Plot C/1, G Block, Bandra Kurla Complex, Bandra (East), Mumbai – 400 051.

The Stock Codes for the Company's equity shares are as follows:

NSE : MERCK

BSE : 500126

The ISIN number for the Company's equity shares in demat mode – INE199A01012.

CIN : L99999MH1967PLC013726

Payment of Listing Fees:

The Annual Listing Fees have been paid by the Company to BSE and NSE.



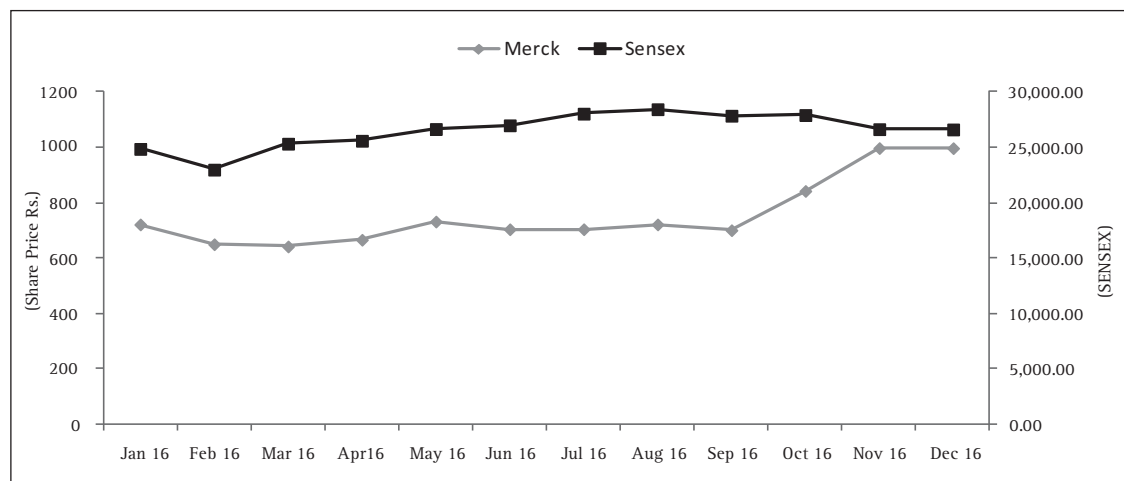
## Share Price Information on NSE and BSE for the year 2016

Month	BSE			NSE		
	High	Low	Volume	High	Low	Volume
Year: 2016						
January	785.00	696.00	56,442	796.00	696.00	2,04,806
February	726.00	623.00	73,879	729.75	620.00	2,17,243
March	677.50	625.00	58,026	682.70	625.10	1,84,079
April	691.25	640.00	58,497	691.90	640.30	2,95,805
May	769.50	665.00	1,31,894	769.00	665.05	7,71,694
June	746.00	686.50	60,499	747.00	686.30	1,95,626
July	743.60	695.15	82,538	743.85	696.00	3,17,052
August	756.00	695.00	84,969	754.80	696.30	2,87,985
September	741.00	681.00	64,801	745.60	686.00	2,58,715
October	872.45	697.00	2,84,050	874.90	700.00	13,73,491
November	1,020.00	736.00	3,38,676	1,019.90	740.15	14,51,387
December	1,060.00	937.00	1,86,388	1,060.00	938.35	6,63,888

Closing share price of the Company on NSE as on December 30, 2016: Rs.999.30

Closing share price of the Company on BSE as on December 30, 2016: Rs.997.50

## Merck Share price movement viz-a-viz SENSEX for the year 2016



## Name and Address of the Registrar and Share Transfer Agents

Karvy Computershare Private Limited  
Karvy Selenium Tower B, Plot 31-32, Gachibowli,  
Financial District, Nanakramguda, Hyderabad,  
Telangana – 500 032, India  
Phone: +91 40 6716 2222; Fax: +91 40 23420814  
Email: einward.ris@karvy.com  
Website: www.karvycomputershare.com

**Share Transfer System (Physical)**

Share Transfers in physical form shall be lodged with M/s. Karvy Computershare Private Limited at their above mentioned address.

Transfer/Transmission of shares held in physical mode and related matters are approved by the Managing Director/Company Secretary. Transfer of shares is effected and share certificates are dispatched within a period of 15 days from the date of receipt of relevant documents, provided they are complete in all respects.

Total number of shares transferred during the last two calendar years was as follows:

Particulars	2016	2015
Number of transfers	12	31
Number of shares processed	609	2390

As on December 31, 2016, no request for transfer of shares and other transactions in physical form were pending.

**Dematerialization of shares:**

The Company has entered into Agreements with NSDL and CDSL for dematerialization of shares. As on December 31, 2016, a total of 16280855 shares of the Company which forms 98.08% of the total share capital of the Company stands dematerialized.

**Distribution of shareholding as on December 31, 2016:**

Range	No. of Shareholders	% to total shareholders	No. of shares held	% to total to paid up capital
1 – 500	30625	95.69	2497771	15.05
501 – 1,000	738	2.31	555411	3.35
1,001 – 2,000	323	1.01	474337	2.86
2,001 – 3,000	100	0.31	254189	1.53
3,001 – 4,000	41	0.13	144495	0.87
4,001 – 5,000	42	0.13	197889	1.19
5,001 – 10,000	74	0.23	514570	3.10
10,001 – And Above	62	0.19	11960720	72.06
<b>Total</b>	<b>32005</b>	<b>100.00</b>	<b>16599382</b>	<b>100.00</b>

**Shareholders' profile as on December 31, 2016:**

Category of Shareholders	No. of Shares	% to total paid up capital
Promoters-Foreign Collaborators	8599224	51.80
Banks	11453	0.07
OCB	81	0.00
FII	53122	0.32
Insurance Companies	1161021	6.99
Mutual Funds	92985	0.56
Non Resident Indians	83988	0.51
Directors & Relatives	35570	0.21
Others	6561938	39.53
<b>Total</b>	<b>16599382</b>	<b>100.00</b>

The Company does not have any shares in demat suspense account as unclaimed suspense account.

**Voting through electronic means:**

Pursuant to Section 108 of the Companies Act, 2013 and the rules made thereunder, every listed company is required to provide its members facility to exercise their right to vote at general meetings by electronic means.

The Company has entered into an arrangement with NSDL, the authorized agency for this purpose, to facilitate such e-voting for its members. The shareholders was offered an option to exercise their voting rights on the items put up in the Notice of AGM for the year 2015 through the e-voting method. For the last AGM e-Voting was opened for a period of three days, i.e. from June 07, 2016 to June 09, 2016 (Both days inclusive). Shri K.G. Saraf of M/s. Saraf and Associates, Practising Company Secretaries was the scrutinizer for the e-voting process.

For the forthcoming annual general meeting the Company will offer the same facility to the members for exercising their voting rights via e-voting process. Shri K. G. Saraf or M/s Saraf and Associates, practicing company secretary will be the scrutinizer for the e-voting process. Detailed procedure is given in the Notice of the AGM and also placed on the website of the Company. Shareholders may get in touch with the Company Secretary for further assistance.

**Shares held by Non-Executive Directors of the Company as on December 31, 2016:**

Mr. S.N. Talwar	:	5,914
Mr. H.C.H. Bhabha	:	29,656
Ms. Rani Jadhav	:	Nil
Ms. Zoe Tang	:	Nil

**Insider Trading Regulations:**

The Company has implemented the policy for Prevention of Insider Trading and Code for Fair

Disclosure. The same has been circulated among all employees. Employees are regularly reminded about their obligation under the policy and also informed about prevention of insider trading into the securities of the Company. Mr. Vikas Gupta, General Counsel & Company Secretary is the Compliance Officer under the said policy.

**Outstanding GDRs/ADRs/warrants or any convertible instruments:**

The Company has neither issued nor there are any outstanding GDRs/ADRs/warrants or any convertible instruments as on December 31, 2016.

**Plant Location:**

No. 11/1 Usgaon,  
Ponda, Goa 403 407  
Phone: 0832-6614101

**Investor Relations Department:**

For the convenience of the Investors, transfer requests and other related issues are also handled in the Secretarial department at the Registered Office.

Email: [investorgrievances@merckgroup.com](mailto:investorgrievances@merckgroup.com)

**Registered Office Address:**

Godrej One, 8<sup>th</sup> Floor,  
Eastern Express Highway,  
Vikhroli East,  
Mumbai 400 079

**Contact Person:**

Mr. Vikas R. Gupta,  
General Counsel & Company Secretary  
Phone : 022-62109012 / 62109000  
Fax : 022-62109999  
Email : [vikas.r.gupta@merckgroup.com](mailto:vikas.r.gupta@merckgroup.com)

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**DECLARATION BY MANAGING DIRECTOR OF COMPLIANCE WITH THE CODE OF CONDUCT POLICY**

As provided under Regulation 26(3) of the SEBI Listing Obligations & Disclosures Requirements (LODR), Regulations, 2015 the Board Members and the Senior Management Personnel have affirmed compliance with the Code of Conduct for the period ended December 31, 2016.

For Merck Limited

Mumbai  
February 27, 2017

Anand Nambiar  
Managing Director

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**CERTIFICATE OF COMPLIANCE WITH THE CORPORATE GOVERNANCE REQUIREMENTS**

(As per clause C of Schedule V of the Securities Exchange Board of India (Listing Obligations and Disclosure Requirement) Regulations, 2015 read with regulation 34(3) of the said Listing Regulations).

The Members,  
Merck Limited,  
Godrej One, Floor No.8,  
Vikhroli, Mumbai- 400 079

We have examined the compliance of conditions of Corporate Governance by Merck Limited (“the Company”) for the year ended on 31st December 2016, as referred to in regulation 15(2) read with clause C of Schedule V of the Securities Exchange Board of India (Listing Obligations and Disclosure Requirement) Regulations, 2015 (Hereinafter, collectively referred to as the Listing Regulations) read with regulation 34(3) of the said Listing Regulations.

I have examined the compliance by the Company of the requirements under Listing Regulations, for the year ended 31st December 2016.

The compliance of conditions of Corporate Governance is the responsibility of the Management. Our examination was limited to procedures and implementation thereof adopted by the Company for ensuring the compliance of the conditions of Corporate Governance.

In our opinion, and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the Listing Regulations.

We state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the Management has conducted the affairs of the Company.

For KANJ & ASSOCIATES  
Company Secretaries

Vikas Y. Khare  
Partner  
Membership No: FCS- 3541  
CP No: 2107  
21<sup>st</sup> April, 2017

To  
The Board of Directors,  
Merck Limited

We, Mr. Anand Nambiar, Managing Director, Merck Limited and Mr. N. Krishnan, CFO & Director (Finance), Merck Limited do hereby certify as follows:

We have reviewed financial statements and the cash flow statement for the year and that to the best of our knowledge and belief:

1. These statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
2. These statements together present a true and fair view of the company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.

To the best of our knowledge and belief, there are no transaction entered into by the company during the year which are fraudulent, illegal or violative of the company's code of conduct.

We accept responsibility for establishing and maintaining internal controls for financial reporting and that we have evaluated the effectiveness of internal control systems of the company pertaining to financial reporting and we have disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of such internal controls, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies.

We have indicated to the auditors and the Audit Committee:

1. Significant changes in internal control over financial reporting during the year;
2. Significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements; and
3. Instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having a significant role in the company's internal control system over financial reporting.

For Merck Limited

For Merck Limited

Anand Nambiar  
Managing Director

N. Krishnan  
CFO and Director (Finance)

Date: February 27, 2017.

## Annexure III - Secretarial Audit Report (MR-3)

FOR THE FINANCIAL YEAR ENDED 31<sup>st</sup> DECEMBER 2016

*[Pursuant to section 204(1) of the Companies Act, 2013 and rule No.9 of the Companies (Appointment and Remuneration Personnel) Rules, 2014]*

To,  
The Members,  
Merck Limited,  
Godrej One, Floor No.8,  
Vikhroli, Mumbai- 400 079

We have conducted the Secretarial Audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by Merck Limited (hereinafter called the company). The Secretarial Audit was conducted in a manner that provided us a reasonable basis for evaluating the corporate conducts/ statutory compliances and expressing our opinion thereon.

Based on our verification of the company's books, papers, minute books, forms and returns filed and other records maintained by the company and also the information provided by the company, its officers, agents and authorized representatives during the conduct of Secretarial Audit, we hereby report that in our opinion, the company has, during the audit period covering the financial year ended on 31<sup>st</sup> December 2016 substantially complied with the statutory provisions listed hereunder and also that the company has proper board-processes and compliance mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

We have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company for the financial year ended on 31<sup>st</sup> December, 2016 according to the provisions of:

- i. The Companies Act, 2013 (the Act) and the rules made there under;
- ii. The Securities Contracts (Regulation) Act, 1956 and the rules made thereunder;
- iii. The Depositories Act, 1996 and the Regulations and bye-laws framed thereunder;
- iv. Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment;

v. The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'):-

- a. The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
- b. The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;
- c. The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009; *(Not Applicable)*
- d. The Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 *(Not Applicable)*;
- e. The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008; *(Not Applicable)*
- f. The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client;
- g. The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009; *(Not Applicable)*
- h. The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998; *(Not Applicable)*
- i. Drugs and Cosmetic Act,1940
- j. Narcotic Drugs and Psychotropic Substances Act, 1985
- k. Petroleum Act,1934
- l. Maharashtra Non-Biodegradable Garbage (Control) Act, 2006 and the rules framed there under.

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

- i. Secretarial Standards issued by The Institute of Company Secretaries of India as are applicable to the company,
- ii. The Listing Agreements entered into by the Company with BSE Limited / National Stock Exchange of India Limited.

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

**We further report that:**

The Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors. The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act.

Adequate notice is given to all directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent at least seven days in advance and as explained to us, a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.

As per the minutes of the meeting all the decisions were taken unanimously in as much as there were no dissenting views appearing in the minutes of the meetings.

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

We further report that during the audit period as per the information provided and to the best of our knowledge there were no specific events / actions having a major bearing on the company's affairs in pursuance of the above referred laws, rules, regulations, guidelines, and the Secretarial Standards.

For KANJ & ASSOCIATES  
Company Secretaries

Vikas Y. Khare  
FCS No. 3514  
C P No.: 2102

Place : Pune  
Date : 21<sup>st</sup> April, 2017

To,  
The Members,  
Merck Limited,  
Godrej One, Floor No.8,  
Vikhroli, Mumbai- 400 079

Our report of even date provided in Form MR-3 to Merck Limited (the company) for the year ended on 31st December, 2016 is to be read along with this letter.

1. Maintenance of Secretarial records and complying with the provisions of the various laws as applicable including the laws specifically applicable to the company is the responsibility of the management of the company. Our responsibility is to express an opinion on these secretarial records and legal compliances based on our audit.
2. We have followed the audit practices and processes as were appropriate to obtain responsible assurance about the correctness of the contents of secretarial records and the records of legal compliances. The verification was done on test basis to ensure that correct facts are reflected in secretarial and other relevant records. We believe that the processes and practices, we follow provide a responsible basis for our opinion.
3. We are not required to verify the correctness and appropriateness of financial records and books of accounts of the company as it is part of financial audit as per the provisions of the Companies Act, 2013.
4. Wherever required, we have obtained the management representation about the compliance of laws, rules and regulations and happening of events etc.
5. The compliance of the provision of corporate and other applicable laws, rules, regulations, secretarial standards is the responsibility of management. Our examination was limited to verification of procedures on test basis.
6. The secretarial audit report is neither an assurance as to the future viability of the company nor the efficacy or effectiveness with which the management has conducted the affairs of the company.

For KANJ & ASSOCIATES  
Company Secretaries

Vikas Y. Khare  
FCS No. 3514  
C P No.: 2102

Place : Pune  
Date : 21<sup>st</sup> April, 2017

# Annexure IV - Corporate Social Responsibility Report

1. A brief outline of the company's CSR policy, including overview of projects or programmes proposed to be undertaken and a reference to the web-link to the CSR policy and projects or programmes:

The CSR Policy of Merck reflects its culture which has always been characterized by responsible behaviour. The three key focus areas for the CSR activities are Public Health, Environment and Education. Our CSR vision is aimed to actively contribute to improving access to health and enriching life of human beings, spreading education and protecting environment. This vision and CSR strategy is aligned with our global CR vision aimed to impact the community positively and produce sustainable results. Our CSR programs are carried out directly or by engagement with well reputed and recognized not for profit organizations. We also have a special purpose trust "Merck India Charitable Trust" for this purpose. We also collaborate with the Government, district authorities and similar other agencies for meeting our CSR objectives.

The web link of the CSR Policy as available on the website is as under:

[http://www.merck.co.in/country.in/en/images/Corporate%20Social%20Responsibility%20Policy\\_ML\\_140428\\_tcm170\\_140279.pdf?Version=](http://www.merck.co.in/country.in/en/images/Corporate%20Social%20Responsibility%20Policy_ML_140428_tcm170_140279.pdf?Version=)

2. The composition of the CSR committee:

As on the date of this report, Merck's CSR Committee consists of 4 persons. Independent Director on the Board of the Company is the chairman of the Committee.

Mr. H.C.H. Bhabha - Chairman - Independent Director

Mr. Anand Nambiar

Mr. N. Krishnan \*

Mr. Sunil Punjabi

\* Appointed as the member of the Committee with effect from November 11, 2016. During the year under review Mr. Ali Slieman and Brijesh Kapil ceased to be members of the Committee upon their resignation as directors of the Company with effect from October 04, 2016.

3. Average net profit of the Company for last three financial years for the purpose of computation of CSR: Rs. 895.9 million

4. Prescribed CSR Expenditure\*: Rs.17.9 million

\* for the year 2017

5. Details of CSR spent during the financial year:

During the year 2016, the Company spent Rs. 16.3 million on CSR activities as against the budget of Rs. 18.3 million. In addition to the above CSR expenses the Company has sponsored a charitable trust (Merck India Charitable Trust or MICT) which provides scholarships to bright students who are in need of financial support. MICT has spent Rs. 7.6 million from its own funds to award scholarships to students.

Details of the CSR activities undertaken by the Company along with its other group companies, viz. Merck Specialities Private Limited and Merck Life Science Private Limited, during the year 2016 covering Education, Sanitation and Health care are as follows:

## HEALTH



**River Ambulance:** During the year, the Company, continued with its ongoing project of providing basic medical facilities, water quality assessment and inculcating better habits of hygienic living, among tribal people living along the banks of Narmada River. The project includes making provision of a motorized boat equipped with basic healthcare equipments providing basic healthcare facilities to people living in and around the banks of the Narmada River. Implemented in partnership with NGO Narmada Samagra, the river ambulance operates in the back waters of Sardar Sarovar Dam covering Alirajpur, Barwani and Dhar districts of



Madhya Pradesh. In 2016, the River Ambulance has been able to reach more than 12,000 people directly or indirectly through its services.

In 2016, a new catamaran boat was donated to the NGO Narmada Samagra for operating as a river ambulance. The new ambulance is equipped with better features like good illumination, better ventilation and the capacity to hold close to 15 people. With the new features, the ambulance is now able to provide better services and quicker transportation of emergency cases as compared to the old boat.

The total cost of the boat including transportation and handling was Rs. 3.42 million. The salaries of the staff involved and other cost for River Ambulance Program and Water Testing program are released together to the NGO, as same staff is involved in coordination and implementation of both the programs. The medicines donated to Narmada Samagra were free samples, and no cost was involved.

**Sri Shankara Cancer Foundation:** In 2016, Merck supported Sri Shankara Cancer Foundation, a Bangalore based not-for-profit organization. Through this program, Merck has assisted the Sri Shankara Cancer Foundation in equipping an Operation Theatre (OT) with cutting edge equipment at a total cost of Rs. 2.46 million for Merck. This OT is a part of the 250 bed cancer hospital being constructed by the foundation in the heart of Bangalore. 30% of all the operations done in this theatre will be either subsidized or completely free for patients who are from an economically weaker background.

## ENVIRONMENT

**"Water Testing" program:** The aim of the Water Testing Program is to raise awareness about the pollution levels in the River Narmada among the communities living along the river and to promote the use of safe drinking water. This is being done in partnership with NGO Narmada Samagra, trained personnel from the NGO distribute Water Testing kits among the locals living alongside the river and train them to use the kits. By testing the water themselves, the tribals and students living on the

banks become aware about the water pollution in the river. Thus, they are more alert about factors causing pollution in the river water and also learn to use appropriate purification measures before drinking it. The NGO is also able to map the trend of pollution in the river water with the help of this program.

## EDUCATION



**Merck India Charitable Trust (MICT) Scholarship program:** A flagship program of Merck, this project is a long term effort made to increase the access to education for academically brilliant but economically challenged students. This program has been carried out by Merck since 2005 and has recorded a high success rate with very few dropouts. As of 2016, 52 students have graduated with the support of MICT scholarship and got in to jobs or pursued higher studies in their areas. In 2016, the program which previously was for students in Mumbai, has been scaled up to introduce students from Goa as well. A total of 134 students were selected from Goa and Mumbai to be included in the MICT family for the year 2016. This takes the total number of students supported by the program to 275. In this program, a scholarship of Rs. 35,000 is given per year/per student to the selected students. In 2016, in Mumbai we received approx. 200 applications for this scholarship program, out of which 89 students were selected through a common aptitude test. The students in this scholarship program receive this scholarship for a period of 5-7 years, until they complete their graduation. During the year, under review, MICT met all its expenses from its own accumulated funds and interest earned thereon. Merck's CSR team supported the MICT in all its endeavour.

**Merck Fellowship:** Under this initiative, MICT has partnered with the Institute of Chemical Technology (ICT), Mumbai and Narsee Monjee Institute of Management studies (NMIMS), Mumbai to provide fellowship to academically brilliant and under-privileged students pursuing post-graduate courses in Pharmacy. Under the fellowship, a minimum fellowship of two lakh rupees per year per student is provided by Merck. Two students from ICT and one student from NMIMS have been provided the fellowship.

**Magic Bus "Holistic Child Development Program":** Magic Bus Holistic Children Development Program' is supported by Merck in the Murbad belt of Thane district for 600 children. The program targets the holistic development of the children from the underprivileged communities, through motivation and mentoring sessions. Magic Bus project team conducts a series of activities with children and adults in the community, ranging from curriculum based sessions, child mentoring, sensitization and awareness on issues affecting child development and creating a supportive eco system. These sessions train the students to be confident and competent thus helping them in their life ahead.



**Art by Children Program Outreach by Kochi Biennale Foundation:** ABC (Art by Children) outreach program is a creative learning initiative that is India's first program where children are inspired through art to imbibe the essence of healthy living. Merck's purpose in this outreach program is to spread the message of healthy living through the medium of art, while inspiring creative thinking. Children are inspired to visualise a healthy future

and teachers are engaged in discussions on healthy living. Through the delivery of high quality art programmes, the project's objective is to nurture the potential and inherent capacity for creativity in the youngest members of society, in order to develop their understanding of culture and enable them to generate original and valuable ideas. This program reached out to 100 schools across the state of Kerala, working with over 5,000 children and faculty. The Art by Children program was conducted from October 2016-March 2017.

**Infrastructural Materials and other support to the schools in Usgoan, Goa:**

The program supports two local schools in Usgoan, Goa with basic educational aids and infrastructure.

- **Science Laboratory Infrastructure and 100 desks and benches:** Merck has supported Sarvodaya High School in Usgaon Village, Goa by setting up a Science Laboratory. By providing the infrastructure for science education, we aim to encourage more and more students in Usgaon to develop their inclination towards Science. Merck also donated 100 desks and benches to this school.
- **Computer Laboratory:** Company set up a lab and provided computers to St. Joseph School in Usgaon Village, Goa. Many students from the villages around the Goa plant study in the school.

**Support with study material in schools in Goa:** Merck along with the Usgaon village panchayat, Goa distributed school kits to about 15 schools in the vicinity of Goa site. Around 200 students benefited from this activity. The school kit includes 3 pairs of uniforms, 1 School Bag, 6 note books and a stationary box.

**Anti-Drugs Awareness campaign – Mumbai:** On June 26th 2016, which is celebrated as International Day against Drug Abuse & Illicit Trafficking, Merck supported the Narcotics Bureau of India to kick-off a marathon in Mumbai. This initiative was a part of the anti-drugs week celebrations. The dual agenda of the run was to bring maximum people to participate & support the cause & to raise funds

for the charity which will be utilized towards the cause.

#### EMPLOYEE ENGAGEMENT PROGRAMS

**Stem Cell Donor registration drive:** Stem Cell Donor Registration drive was organized in the Mumbai and Bangalore office in 2016. The primary focus of the Stem Cell registration drive was to initiate the discussion about Stem Cell donation among employees, spread awareness about the advancement in the technology and procedure of stem cell donation and also to bust other common myths about Stem Cell donation. **100 employees** from both the offices came forward and registered themselves as Stem Cell Donors.

**Donation of School bags to needy children for the Joy of giving week:** “The Joy of Giving Week” was celebrated in Merck in the first week of October. All the employees were encouraged to donate one or more school bags for children. The objective behind the collection was to donate the school bags to the 600 children supported by Merck through its Magic Bus child development program.

The employees collected 300 school bags and the balance 300 school bags were procured. All 600 school bags were donated to the Magic Bus program.



#### Relief and Aid

**Drought Relief:** Merck contributed towards the freight expenses transporting 50 rakes of water to Latur, Maharashtra that was reeling under a heavy drought in that region. Merck supported this initiative by Indian Railways to provide water to the drought affected regions in Latur. The initiative was coordinated by Bombay Chamber of Commerce.

**Flood Relief:** Merck through AmeriCares India Foundation donated 2099 floor mats, 1060 bed sheets, 1050 mosquito nets to those affected by the flood in many regions of Tamil Nadu. Approx. 1000 families in the worst affected regions benefitted from the support.

6. In case the company has failed to spend the two per cent of the average net profit of the last three financial years or any part thereof, the company shall provide the reasons for not spending the amount in its Board report.

During the year under review the Company has spent substantial part of its CSR budget. A small portion of the budget could not be spent since the CSR activities undertaken did not justify further spend during the year. In addition to the CSR spent directly made by the group Companies and MICT has also spent a sum of Rs. 7.6 million on CSR activities. The Company intends to continue with its CSR activities in future too.

7. A responsibility statement of the CSR committee that the implementation and monitoring of CSR Policy, is in compliance with CSR objectives and policy of the Company.

We hereby declare that implementation and monitoring of the CSR policy are in compliance with CSR objectives and policy of the Company.

H.C.H Bhabha  
Chairman, Corporate Social  
Responsibility Committee

Anand Nambiar  
Managing Director

Manner in which the amount spent during the financial year is detailed below:

(Rs.)							
Sr. No.	CSR Project or Activity identified.	Sector in which the project is covered.	Projects or programs (1) Local area or other. (2) Specify the State and District where projects or programs were undertaken.	Amount Outlay (budget) project or program wise.	Amount spent on projects or programs Subheads: (1) Direct Expenditure. (2) Overheads.	Cumulative Expenditure up to the reporting period.	Amount Spent: Direct or through implementing agency.
1.	Merck India Charitable Trust (MICT) Scholarship Programme and Fellowship Program	Culture/Education –Cultural Upliftment of students by giving them opportunity to quality education through scholarship Program	Mumbai, Navi Mumbai, Thane and Goa	Nil	(1) Direct Expenditure : Nil 2) Overheads: 9,75,322	Nil	MICT has directly spent out of its accumulated balance a sum of 76,35,655  (Overhead 9,75,322 incurred directly by the Company)
2.	River Ambulance project and River Water testing project in Madhya Pradesh	Health/ Environment Sustainability and Sanitation	Madhya Pradesh: Alirajpur, Barwani and Dhar districts	66,05,200	Direct Expenditure : 34,15,849	34,15,849	Through NGO/ Agency: 34,15,849
3.	Education and Child Development Program with NGO Magic Bus	Education/ Education including life skill development	Murbad, Thane district, Maharashtra	8,00,000	Direct Expenditure: 8,34,047	8,34,047	Through Agency: 8,34,047
4.	Making provision for one Operation theatre for needy cancer patients with Sri- Shankara Cancer Foundation	Health	Bangalore, Karnataka	50,00,000*	Direct Expenditure: 24,64,829	24,64,829	Through Agency : 24,64,829
5.	Art by Children Program with Kochi Biennale Foundation	Education/ Cultural Upliftment	Kochi , Kerala	80,00,000*	Direct Expenditure: 30,15,900	30,15,900	Through Agency : 30,15,900
6.	Infrastructural Materials and other support to schools in Usgaon, Goa	Education	Goa	26,59,500	Direct Expenditure: 27,89,723	27,89,723	Direct Expenditure: 27,89,723
7.	Tribal Education and Child development	Education	Kolkata, West Bengal	1,00,000	Direct Expenditure: 1,00,000	1,00,000	Through Agency : 1,00,000
8.	Stem Cell Donor Registration Drive	Employee Engagement Program	Mumbai	30,000	Direct Expenditure: 5,600	5,600	Direct Expenditure: 5,600

							(Rs.)
Sr. No.	CSR Project or Activity identified.	Sector in which the project is covered.	Projects or programs (1) Local area or other. (2) Specify the State and District where projects or programs were undertaken.	Amount Outlay (budget) project or program wise.	Amount spent on projects or programs Subheads: (1) Direct Expenditure. (2) Overheads.	Cumulative Expenditure up to the reporting period.	Amount Spent: Direct or through implementing agency.
9.	Donation of school bags to needy children in Joy of Giving week	Employee Engagement Program	Mumbai	-	Direct Expenditure : 3,52,564	3,52,564	Through Agency: 3,52,564
10.	Drought Relief: Donation towards drought affected areas of Latur	Relief and Aid	Latur, Maharashtra	-	Direct Expenditure: 11,30,000	11,30,000	Through Agency : 11,30,000
11.	Flood Relief: Donation towards the flood victims in Tamil Nadu	Relief and Aid	Tamil Nadu	-	Direct Expenditure: 6,44,999	6,44,999	Through Agency : 6,44,999
12.	Anti- Drugs Awareness Campaign	Awareness generation program	Mumbai	-	Direct Expenditure: 2,01,000	2,01,000	Through Agency : 2,01,000
13.	Goa Sanitation Project: Waste Management Project -Goa	Sanitation	Goa	18,64,592	Direct Expenditure: 4,07,250	4,07,250	Direct Expenditure: 4,07,250
	<b>Sub-total</b>						<b>1,53,61,761</b>
	<b>Overheads</b>						<b>9,75,322</b>
	<b>Total CSR spend</b>						<b>1,63,37,083</b>

## Annexure V - Form No. AOC-2

(Pursuant to clause (h) of sub-section (3) of Section 134 of the Act and Rule 8 (2) of the Companies (Accounts) Rules, 2014)

Disclosure of particulars of contracts/arrangements entered into by the Company with related parties referred to in sub-section (1) of Section 188 of the Companies Act, 2013 including certain arm's length transactions under third proviso thereto.

1) **Details of contracts or arrangements or transactions not at arm's length basis:** Merck Limited has not entered into any contract or arrangement or transaction with its related parties which is not at arm's length during the year 2016.

2) **Details of material contracts or arrangements or transactions at arm's length:**

Name of the related party/ nature of relationship	Nature of contracts/ arrangements	Duration of the contracts/ arrangements	Salient terms including value	Rs. Millions	Justification	Date of approval by the Audit Committee / Shareholders	Amount paid as advance
Merck KGaA, Germany, Ultimate Holding Company	for purchase, sale, import and export of products, services, technical consultancy services, intellectual property rights, royalty, IT services, reimbursement/ recovery cost or other obligations, if any,	Ongoing contract	As per commercial terms in line with business practices and comparable with unrelated parties.	1200.2	The Company, inter-alia, is engaged in the business of manufacturing, marketing, trading, distribution, imports, exports of pharmaceutical and chemical products. The Company in its ordinary course of business purchase, sale, import, export various products and services from and to Merck KGaA and its various affiliates, subsidiaries, associates companies.	Audit Committee approved on February 24, 2017.  Shareholders approved on 10th June 2016.	Nil

For and on behalf of the Board of Directors

**Anand Nambiar**  
Managing Director

**N. Krishnan**  
Director & CFO

**Vikas R. Gupta**  
General Counsel & Company Secretary

## Annexure VI - Particulars of Energy Conservation, Technology Absorption and Foreign Exchange Earnings and Outgo

### (A) CONSERVATION OF ENERGY

Steps taken by the Company for conservation of energy and its impact:

1. Appropriate DGs loading done in second & third shift depending on load requirement.
2. Water savings achieved to the extent of 1800 Lts. Per day by doing modification.
3. Installation of 275 TR screw chiller at soft gel utility along with new cooling tower, new chilled water pipelines interconnecting the Injection and soft gel plant existing chilled water lines. This chiller will act as a standby in case of emergency for Injection and soft gel to maintain temperature and RH, and as an energy saving option during Sundays and holidays at Soft gel and load of injection. Also in this new technology uses VFD based start-up, which avoids jerks and inrush current during initial start-up.
4. WFI was continuously flowing out of Washing machine irrespective of usage for ampoule washing machine leading to wastage of Resources (Water, Steam, and Electricity) used to generate WFI. The Company installed solenoid valves to overcome the problem of continuously flowing out from washing machine irrespective of usage for ampoule washing machine leading to wastage of Resources (Water, Steam, and Electricity) used to generate WFI. Because of this upgradation the use of WFI water per hour has reduced to 226 Lts/hrs. from 550 Lts/hrs.
5. New VFD panels were installed for SA fan (45 KW Motors) and 37 fan (37 KW motors) instead of start delta panel for reducing the motor consumption.
6. Low KW motor installed (3.7 KW) to purge air blower in place of 5.5 KW motor for reducing auxiliary power consumption.
7. VFD implemented for screw feeder motor (3.7 KW) with high capacity gearbox for reducing the auxiliary consumption.

8. Installed manual flap gate for bunker to control the fuel feeding to the screw feeder instead of motor control, it helped plant's smooth operations & avoided the plant tripping due to low steam pressure from boiler, this also resulted in saving of 182 – 200 KWH per day (Drum motor capacity: 5 KW X 02 nos.).
9. Automation of overhead water storage pump depending on level in the tank which resulted in reducing overflowing of other tank.
10. Replacement of furnace oil to Bio diesel, resulting in annual saving of 6 kl.
11. Chemical store AHU converted from auto mode to manual mode, saving is 1,13,049 kwh.

The steps taken by the Company for utilising alternate sources of energy:

Maximum power is being used from the power plant which runs on utilising alternate sources of energy (agro/bio waste fuel).

**Additional Investments & Proposals, if any, being implemented for reduction of consumption of energy:**

1. New 750 x 2 KVA DG's proposed for better energy efficiency in place old DGs.
2. Installation of LED focus lamp to get better illumination, and as an energy saving project. Also due to this project there will be better option to do the maintenance.
3. Installation of Brevetti ampoule inspection machine to get high and quality output. Also to minimise the manpower.
4. Installation of hoonga high speed blister and cartonator machine to get high and quality output. Also to minimise the manpower.
5. DCM plant ACD high pressure steam provision.
6. CFL light (77 watt) replacement with magnetic induction lamp (40 watt) at OxyneX-ST plant.
7. Replacement of old brine compressor with new efficient brine compressor at OxyneX-ST plant.

8. Replacement of aluminium fan blades by moulded FRP fans blade with lower rating motor at Oxy nex-ST plant.
9. Oxy nex plant installing intelligent smart lighting systems turn off output as required at Oxy nex-ST plant.
10. Water chiller replacement with VAM at Oxy nex-ST plant.
11. Replacement of conventional V with Synchronous V belt in belt drive system at Vit E and TDS plant.
12. Motor replacement of standard efficient motors with NEMA Premium Motors Vit E and TDS plant.

Capital Investments on energy conservation equipment: Rs. 260.8 million

#### (B) TECHNOLOGY ABSORPTION

Efforts made towards technology absorption and benefits derived from there:

Effort Made	Benefits Derived
Co Mill and powder transfer system for unloading Thiamine Disulfide from purified dryer.	<ul style="list-style-type: none"> <li>➤ Complete elimination of manual intervention during unloading of powder from purified dryer.</li> <li>➤ Significantly minimize the product exposure risk to human.</li> </ul>
Automatic powder transfer from sifter to purified blender in Thiamine Disulfide plant	<ul style="list-style-type: none"> <li>➤ Complete elimination of manual intervention during charging of powder to purified blender.</li> <li>➤ Significantly minimize the product exposure risk to human.</li> </ul>
Radar level sensors & automation to measure the level in central effluent collection tank (Near to vitamin E plant)	<ul style="list-style-type: none"> <li>➤ Almost zero breakdown due effluent system failed after installation of system.</li> </ul>
High level alarm switch for solvent tanks in Oxy nex ST	<ul style="list-style-type: none"> <li>➤ Reduce the risk of highly flammable solvent overflow from tank in tank farm by alarming and warning the concern personnel in advance.</li> </ul>
Installation of containers in DCM plant for storage of finished goods and In process goods under controlled conditions & RM under normal conditions.	<ul style="list-style-type: none"> <li>➤ Low capex expenditure compare to civil construction.</li> <li>➤ No government bodies permission needed in terms construction &amp; installation.</li> <li>➤ No permanent construction, easily can be shifted or modified without incurring much cost.</li> </ul>
Portable dryer for drying of ball mills in DCM plant	<ul style="list-style-type: none"> <li>➤ Drying time for ball mills after washing reduced from 16 hrs. to 3 hrs.</li> </ul>
Electrical insulating epoxy floor coating in DCM plant (Incubator room, Autoclave room & LAF room)	<ul style="list-style-type: none"> <li>➤ In case human body came in contact with live electrical surface or points, electricity will not pass to the ground and person will save from electrocution hazard.</li> <li>➤ Advantages over traditional rubber mat are, durable, in line with GMP requirement &amp; aesthetic look.</li> </ul>



Effort Made	Benefits Derived
Limit switch for Jar Mill and Ball mill area in DCM plant	➤ Rotating movement of ball mill and jar mill be stalled in case somebody open the door of room during operations, this is in order to avoid injury to human being from rotating part of equipment. No cost benefits.
System for charging of Caustic lye instead of lime, for neutralization of effluent in ETP tank.	➤ Reduced cost of effluent neutralization (Rs. 108 per KL of effluent) (Monthly approx. 6.6k Euro will be saved).
Autoclave for hydrogenation reactions in process research laboratory at Goa	➤ With this set up it is possible to perform high pressure R&D reactions in Goa, Which save the cost to perform trials at third party locations.

The Company has not imported technology during the last 3 years.

Expenditure on R & D:	(Rupees million)
Capital	1.6
Recurring	154.6
Total	156.2
Total R & D expenditure as a percentage of total turnover	1.6%

#### (C) FOREIGN EXCHANGE EARNINGS AND OUTGO

During the year, foreign exchange outgo was Rs. 2676.5 million (which includes import of raw material to the extent of Rs. 772.2 million), while foreign exchange earned was Rs. 958.8 million, the details of which have been stated in the Notes to Accounts No. 37, 38, 39 and 40 annexed to the Financial Statement for the year ended December 31, 2016.

The total export during the year was Rs. 869.4 million. The Company continues to make efforts to improve its export turnover by exporting to neighbouring countries and other parts of world.

## Annexure VII - Extract of Annual Return - Form MGT-9

As on the financial year ended on 31/12/2016

[Pursuant to Section 92(3) of the Companies Act, 2013 and Rule 12(1) of the Companies (Management and Administration) Rules, 2014]

### I. REGISTRATION AND OTHER DETAILS:

Sr. No.	Particulars	Details
i)	CIN:	L99999MH1967PLC013726
ii)	Registration Date [DDMMYY]	26-04-1967
iii)	Name of the Company:	Merck Limited
iv)	Category of the Company [Pl. tick]	1. Public Company ✓ 2. Private Company
v)	Sub Category of the Company [ Please tick whichever are applicable]	1. Government Company 2. Small Company 3. One Person Company 4. Subsidiary of Foreign Company 5. NBFC 6. Guarantee Company 7. Limited by shares ✓ 8. Unlimited Company 9. Company having share capital ✓ 10. Company not having share capital 11. Company Registered under Section 8
vi)	Whether shares listed on recognized Stock Exchange(s)	Yes
vii)	Name and Registered Office Address of Company:	
	Company Name	Merck Limited
	Address	Godrej One, 8 <sup>th</sup> Floor, Pirojshanagar, Eastern Express Highway, Vikhroli East
	Town / City	Mumbai
	State	Maharashtra
	Pin Code:	400 079
	Country Name :	India
	Country Code	+91
	Telephone (With STD Area Code Number)	022- 62109000
	Fax Number :	022-62109999
Email Address	CorpSec@merckgroup.com	
Website	www.merck.co.in	
viii)	Name and Address of Registrar & Transfer Agents (RTA):- Full address and contact details to be given.	
	Registrar & Transfer Agents (RTA):-	Karvy Computershare Private Limited
	Address	Karvy Selenium Tower B, Plot 31-32, Gachibowli, Financial District, Nanakramguda, Hyderabad, Telangana (India) Toll Free No: 1800-3454-001 Website: www.karvycomputershare.com

Town / City	Hyderabad
State	Telangana
Pin Code:	500 032
Telephone (With STD Area Code Number)	+91 40-6716 2222
Fax Number :	+ 91 40-2342 0814
Email Address	einward.ris@karvy.com

## II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY

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

Sr. No.	Name and Description of main products / services	NIC Code of the Product / service	% to total turnover of the company
1	Pharmaceutical Products	300450 90 Vitamins	28.9%

## III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES

Sr. No.	Name and Address of the Company	CIN/GLN	Holding / Subsidiary / Associate	% of Shares held	Applicable Section
1	N.A.				

## IV. SHARE HOLDING PATTERN (Equity Share Capital Breakup as percentage of Total Equity)

### i) Category-wise Share Holding

Category of Shareholders	No. of Shares held at the beginning of the year [As on 01-January-2016]				No. of Shares held at the end of the year [As on 31-December-2016]				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
<b>A. Promoters</b>									
(1) Indian									
a) Individual/ HUF									
b) Central Govt.									
c) State Govt.(s)									
d) Bodies Corp.									
e) Banks / FI									
f) Any other									
<b>Sub-total shareholding of Promoter (A) (1)</b>									
(2) Foreign									
a) NRIs-Individuals									
b) Other-Individuals									
c) Bodies Corp.	8599224	-	8599224	51.80	8599224	-	8599224	51.80	-
d) Banks / FI									
e) Any Other...									
<b>Sub-total shareholding of Promoter (A) (2)</b>	8599224	-	8599224	51.80	8599224	-	8599224	51.80	-
<b>Total Shareholding of Promoter (A)=(A)(1)+(A)(2)</b>	8599224	-	8599224	51.80	8599224	-	8599224	51.80	-

Category of Shareholders	No. of Shares held at the beginning of the year [As on 01-January-2016]				No. of Shares held at the end of the year [As on 31-December-2016]				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
<b>B. Public Shareholding</b>									
<b>1. Institutions</b>									
a) Mutual Funds	534761	1445	536206	3.23	91785	1200	92985	0.56	-2.67
b) Banks / FI	12644	464	13108	0.08	10889	809	11698	0.07	-0.01
c) Central Govt									
d) State Govt(s)									
e) Venture Capital Funds									
f) Insurance Companies	1593157	-	1593157	9.60	1563157	-	1563157	9.42	-0.18
g) FIs	217645	280	217925	1.31	52842	280	53122	0.32	-0.99
h) Foreign Venture Capital Funds									
i) Others (specify)									
Foreign Portfolio Investors	5171	-	5171	0.03	348514	-	348514	2.10	2.07
<b>Sub-total (B)(1):-</b>	<b>2363378</b>	<b>2189</b>	<b>2365567</b>	<b>14.25</b>	<b>2067187</b>	<b>2289</b>	<b>2069476</b>	<b>12.47</b>	<b>-1.78</b>
<b>2. Non-Institutions</b>									
<b>a) Bodies Corp.</b>									
i) Indian									
ii) Overseas									
<b>b) Individuals</b>									
i) Individual shareholders holding nominal share capital upto Rs. 2 lakhs	3911363	321564	4232927	25.50	4015706	312013	4327719	26.07	0.57
ii) Individual shareholders holding nominal share capital in excess of Rs. 2 lakhs	676610	-	676610	4.08	758169	-	758169	4.57	0.49
<b>c) Others (specify)</b>									
Non Resident Indians (Rep + Non Rep)	167129	205	1673341	1.01	144807	205	145012	0.88	-0.13
Corporate Bodies	551498	5490	556988	3.36	673504	4020	677524	4.08	0.72
Foreign Nationals	81	-	81	0					
Clearing Members					12822	-	12822	0.08	0.08
Trusts	651	-	651	0	551	-	551	0.00	-
NBFCs registered with RBI					8885	-	8885	0.05	0.05
<b>Sub-total (B)(2):-</b>	<b>5307332</b>	<b>327259</b>	<b>5634591</b>	<b>33.94</b>	<b>5614444</b>	<b>316238</b>	<b>5930682</b>	<b>35.73</b>	<b>1.79</b>
<b>Total Public Shareholding (B)=(B)(1)+ (B)(2)</b>	<b>7670710</b>	<b>329448</b>	<b>8000158</b>	<b>48.20</b>	<b>7681631</b>	<b>318527</b>	<b>8000158</b>	<b>48.20</b>	<b>-</b>

Category of Shareholders	No. of Shares held at the beginning of the year [As on 01-January-2016]				No. of Shares held at the end of the year [As on 31-December-2016]				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
C. Shares held by Custodian for GDRs & ADRs									
<b>Grand Total (A+B+C)</b>	<b>16269934</b>	<b>329448</b>	<b>16599382</b>	<b>100.00</b>	<b>16280855</b>	<b>318527</b>	<b>16599382</b>	<b>100.00</b>	

## ii) Shareholding of Promoter:

Sr. No.	Shareholder's Name	Shareholding at the beginning of the year			Shareholding at the end of the year			% change in shareholding during the year
		No. of Shares	% of total Shares of the company	% of Shares Pledged/encumbered to total shares	No. of Shares	% of total Shares of the company	% of Shares Pledged/encumbered to total shares	
1	Emedia Export Company	3534559	21.29	Nil	3534559	21.29	Nil	Nil
2	Merck Internationale Beteiligungen GmbH	3091224	18.62	Nil	3091224	18.62	Nil	Nil
3	Chemitra Gesellschaft Mit Beschränkter Haftung	1973441	11.89	Nil	1973441	11.89	Nil	Nil
	<b>Total</b>	<b>8599224</b>	<b>51.80</b>	<b>-</b>	<b>8599224</b>	<b>51.80</b>	<b>-</b>	<b>-</b>

## iii) Change in Promoters' Shareholding (please specify, if there is no change)

Sr. No.		Shareholding at the beginning of the year		Cumulative Shareholding at the end of the year	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
	Shareholding	8599224	51.80	8599224	51.80
	Date wise Increase / Decrease in Promoters Share holding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus/ sweat equity etc):	Nil	-	Nil	-
	Shareholding	8599224	51.80	8599224	51.80

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

Sr. No.	Shareholder's Name	Shareholding at the beginning of the year		Cumulative Shareholding during the year.	
		No. of Shares	% of total Shares of the Company	No. of shares	% of total shares of the Company
1	Life Insurance Corporation of India	1161021	6.99	1161021	6.99
2	The New India Assurance Company Limited	232136	1.40	202136	1.22

Sr. No.	Shareholder's Name	Shareholding at the beginning of the year		Cumulative Shareholding during the year.	
		No. of Shares	% of total Shares of the Company	No. of shares	% of total shares of the Company
3	General Insurance Corporation of India	200000	1.20	200000	1.20
4	Hemendra M Kothari	0	0.00	198258	1.19
5	Forbes Rati Farhad	165580	1.00	165080	0.99
6	Reliance Capital Trustee Co. Ltd- A/C Reliance Capital Builder Fund - Sr A	91785	0.55	91785	0.55
7	Goldman Sachs (Singapore) PTE	-	-	81068	0.49
8	Dimensional Emerging Markets value fund	-	-	76089	0.46
9	Rakesh Kantilal Shah	73706	0.44	73706	0.44
10	Meenakshi Mercantiles Ltd	-	-	65200	0.39

\* The shares of the Company are traded on a daily basis and hence the date wise increase / decrease in shareholding is not indicated.

v) Shareholding of Directors and Key Managerial Personnel:

Sr. No.	Shareholding of each Directors and each Key Managerial Personnel	Shareholding at the beginning of the year		Cumulative Shareholding at the end of the year	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
	<b>Shareholding</b>				
	<b>Director:</b>				
1.	S.N. Talwar	5914	0.03	5914	0.03
2.	H.C.H Bhabha	29656	0.17	29656	0.17
3.	N. Krishnan	Nil	-	Nil	-
4.	Ali Slieman*	Nil	-	-	-
5.	Brijesh Kapil*	Nil	-	-	-
6.	Rani A. Jadhav	Nil	-	Nil	-
7.	Anand Nambiar	Nil	-	Nil	-
8.	Bradley Simpson*	Nil	-	-	-
9.	Zoe Tang <sup>§</sup>	Nil	-	-	-
	<b>Key Managerial Personnel:</b>				
10.	Vikas Gupta	Nil	-	Nil	-
	Date wise Increase / Decrease in Promoters Shareholding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus/ sweat equity etc):				
	At the end of the year	35570	0.21	35570	0.21

\* resigned with effect from October 04, 2016.

<sup>§</sup> appointed with effect from December 23, 2016

## V. INDEBTEDNESS

Indebtedness of the Company including interest outstanding/accrued but not due for payment: NIL

## VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL-

### A. Remuneration to Managing Director, Whole-time Directors and/or Manager:

(Rs. in Million)

Sr. No.	Particulars of Remuneration	Name of MD/WTD/ Manager				Total Amount
		Mr. Anand Nambiar	Mr. N. Krishnan	Mr. Ali* Slieman	Mr. Brijesh Kapil*	
1	Gross salary					
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	38.1	8.8	13.2	11.5	71.6
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961	-	0.7	2.6	1.6	4.9
	(c) Profits in lieu of salary under section 17(3) Income- tax Act, 1961	-	-	-	-	-
2	Stock Option	-	-	-	-	-
3	Sweat Equity	-	-	-	-	-
4	Commission - as % of profit - Others, specify...	-	-	-	-	-
5	Others, please specify	-	-	-	-	-
	<b>Total (A)</b>	<b>38.1</b>	<b>9.5</b>	<b>15.8</b>	<b>13.1</b>	<b>76.5</b>
	Ceiling as per the Act (@ 10% of profit calculated under Section 198 of the Act)					121.5

\* Resigned w.e.f. October 04, 2016

**Note:** Mr. Anand Nambiar, Managing Director of the Company, is also the Director of Merck Performance Materials Private Limited (MPMPL), and Mr. Ali Slieman, Whole time Director, was also the Director of the Board of Merck Specialities Private Limited (MSPL). During the financial year 2016, they have rendered certain services to these companies in their capacity as Directors. Since both MPMPL and MSPL are part of the Merck Group of Companies in India and as a matter of administrative convenience for these directors and also for the Company their total remuneration was paid from Merck Limited. Based on the agreement between the Company, Mr. Anand Nambiar, Mr. Ali Slieman, MPMPL and MSPL, a percentage of the total remuneration paid by the company to them has been cross charged to these companies respectively.

## B. Remuneration to other directors

(Rs. in Million)

Sr. No.	Particulars of Remuneration	Name of Directors					Total Amount
		S.N. Talwar	H. C. H. Bhabha	Rani Ajit Jadhav	Zoe Tang**	Bradley Simpson*	
1	Independent Directors						
	• Fee for attending board, committee meetings	0.4	0.4	0.2	-	-	1.0
	• Commission	1.0	0.7	0.4	-	-	2.1
	• Others, please specify	-	-	-	-	-	-
	<b>Total (1)</b>	<b>1.4</b>	<b>1.1</b>	<b>0.6</b>	<b>-</b>	<b>-</b>	<b>3.1</b>
2	Other Non-Executive Directors						
	• Fee for attending board, committee meetings	-	-	-	-	-	-
	• Commission	-	-	-	-	-	-
	• Others, please specify	-	-	-	-	-	-
	<b>Total (2)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
	<b>Total (B)=(1+2)</b>	<b>1.4</b>	<b>1.1</b>	<b>0.6</b>	<b>-</b>	<b>-</b>	<b>3.1</b>
	<b>Total Managerial Remuneration</b>						<b>3.1</b>
	<b>Overall Ceiling as per the Act</b>						<b>12.1</b>

\* resigned with effect from October 04, 2016

\*\* appointed with effect from December 23, 2016

## C. Remuneration to Key Managerial Personnel other than MD/Manager/WTD

(Rs. in Million)

Sr. No.	Particulars of Remuneration	Key Managerial Personnel Mr. Vikas R. Gupta General Counsel & Company Secretary	
			Total
1	Gross salary		
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	9.9	9.9
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961	*	*
	(c) Profits in lieu of salary under section 17(3) Income-tax Act, 1961		
2	Stock Option	N.A.	N.A.
3	Sweat Equity	N.A.	N.A.
4	Commission	N.A.	N.A.
	- as % of profit	N.A.	N.A.
	- Others, specify...	N.A.	N.A.
5	Others, please specify		
	<b>Total</b>	<b>9.9</b>	<b>9.9</b>

Figures below Rupees 50,000 are disclosed by "\*\*".

## VII. PENALTIES / PUNISHMENT/ COMPOUNDING OF OFFENCES:

There are no penalties, punishment or compounding of offence during the year ended 31 December 2016.



# Independent Auditors' Report To the Members of Merck Limited

## Report on the Financial Statements

We have audited the accompanying financial statements of Merck Limited ("the Company"), which comprise the Balance Sheet as at 31 December 2016, the Statement of Profit and Loss, the Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information.

### Management's Responsibility for the financial statements

The Company's Board of Directors is responsible for the matters stated in sub-section (5) of Section 134 of the Companies Act, 2013 ("the Act") with respect to the preparation and presentation of these financial statements to give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities, selection and application of appropriate accounting policies, making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. While conducting the audit we have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

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

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the 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 financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the financial statements.

### Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the 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 31 December 2016, its profits and its cash flows for the year ended on that date.

### Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2016 ("the Order"), issued by the Central Government of India in terms of sub-section (11) of Section 143 of the Act, we give in the "Annexure A", a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.
2. As required by sub-section (3) of Section 143 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, and the Cash Flow Statement dealt with by this Report are in agreement with the books of account.
  - (d) In our opinion, the aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014;
  - (e) On the basis of the written representations received from the directors as on 31 December 2016 taken on record by the Board of Directors, none of the directors is disqualified as on 31 December 2016 from being appointed as a director in terms of sub-section (2) of Section 164 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 B" and
  - (g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
    - i. The Company has disclosed the impact of pending litigations on its financial position in its financial statements – Refer Notes 31 and 32 to the financial statements.
    - ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses; and
    - iii. There were no amounts which were required to be transferred, to the Investor Education and Protection Fund by the Company.

For B S R & Co. LLP  
Chartered Accountants  
Firm's Registration No: 101248W/W-100022

Mumbai  
1 March 2017

Vikas R Kasat  
Partner  
Membership No: 105317

# Annexure A to Independent Auditors' Report – 31 December 2016

(Referred to in our report of even date)

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) The fixed assets have been physically verified by the management during the year in line with its policy of verifying them annually. In our opinion, the periodicity of the physical verification of fixed assets is reasonable. According to the explanations given to us, the discrepancies noticed on physical verification of fixed assets were not material and these have been properly dealt with in the books of account.
- (c) In our opinion and according to the information and explanations given to us and on the basis of our examination of the records of the Company, the title deeds of immovable properties are held in the name of the Company.
- ii. The inventory, except goods-in-transit and stocks lying with third parties, has been physically verified by the management during the year. In our opinion, the frequency of such verification is reasonable. For stocks lying with third parties at the year-end, written confirmations have been obtained and in respect of goods-in-transit, subsequent goods receipt have been verified. The discrepancies noticed on verification between the physical stocks and the book records were not material and has been properly dealt with in the books of account.
- iii. According to the information and explanation given to us and on the basis of our examination of the records of the Company, the Company has neither granted nor taken any loans, secured or unsecured, to/from companies, firms or other parties covered in the register maintained under section 189 of the Companies Act, 2013. Accordingly, clauses (a) and (b) of paragraph 3(iii) of the Order are not applicable to the Company.
- iv. In our opinion and according to the information and explanations given to us, there are no loans, investments, guarantees, and securities granted in respect of which provisions of section 185 and 186 of the Companies Act 2013 are applicable and hence not commented upon.
- v. In our opinion and according to the information and explanations given to us, the Company has not accepted any deposit from the public within the meaning of Sections 73 to 76 or any other relevant provisions of the Act and the rules framed there under. Accordingly, paragraph 3(v) of the Order is not applicable to the Company.
- vi. We have broadly reviewed the books of account maintained by the Company pursuant to the rules prescribed by the central government for maintenance of cost records under sub-section (1) of section 148 of the Act, in respect of products manufactured by the Company, and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained. However, we have not made a detailed examination of cost records with a view to determine whether they are accurate or complete.
- vii. (a) According to the information and explanations given to us and on the basis of our examination of the records of the Company, amounts deducted/accrued in the books of account in respect of undisputed statutory dues including Provident Fund, Employees' State Insurance, Income-tax, Sales-tax, Service tax, Duty of Customs, Duty of Excise, Value added tax, Profession tax, Cess and other material statutory dues have been generally regularly deposited during the year by the Company with the appropriate authorities.
- According to the information and explanations given to us, no undisputed amounts payable in respect of Provident Fund, Employees' State Insurance, Income-tax, Sales-tax, Service tax, Duty of Customs, Duty of Excise, Value added tax, Cess and any other material statutory dues were in arrears as at 31 December 2016 for a period of more than six months from the date they became payable.
- (b) According to the information and explanations given to us, there are no dues of Wealth tax, Service tax and Duty of Customs that have not been deposited with appropriate authorities on account of any disputes. According to the information and explanations given to us, the dues of Income-tax, Sales-tax and Duty of Excise, as listed in Appendix 1 have not been deposited by the Company on account of disputes.
- viii. The Company did not have any outstanding dues to any financial institution, banks or debenture-holders during the year.
- ix. According to the information and explanations given to us, the Company did not raise money by way of initial public offer or further public offer (including debt instruments) and term loans hence, reporting under clause (ix) is not applicable to the Company.
- x. According to the information and explanations given to us, no material fraud by the Company or on the Company by its officers or employees has been noticed or reported during the course of our audit.
- xi. According to the information and explanations given to us, managerial remuneration has been paid / provided for in accordance with the requisite approvals mandated by the provisions of section 197 read with Schedule V to the Act.
- xii. In our opinion and according to the information and explanations given to us, the Company is not a nidhi company. Accordingly, paragraph 3(xii) of the Order is not applicable.
- xiii. According to the information and explanations given to us, all transactions with the related parties are in compliance with section 177 and 188 of Act, and the details have been disclosed in the Financial Statements as required by the applicable accounting standards.
- xiv. According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year.
- xv. According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not entered into non-cash transactions with directors or persons connected with him. Accordingly, paragraph 3 (xv) of the Order is not applicable.
- xvi. According to the information and explanations given to us, the Company is not required to be registered under section 45 IA of the Reserve Bank of India Act, 1934. Accordingly, paragraph 3(xvi) of the Order is not applicable.

For B S R & Co. LLP  
Chartered Accountants  
Firm's Registration No: 101248W/W-100022

Vikas R Kasat  
Partner  
Membership No: 105317

Mumbai  
1 March 2017

## Appendix 1 as referred to in paragraph vii (b) of the Annexure to the Independent Auditors' Report

Name of the statute	Nature of the dues	Amount (Rs in million)	Period to which the amount relates	Forum where dispute is pending
Income Tax Act, 1961	Tax and penalty	1.2	Assessment year 1986-87	High Court
		60.6	Assessment year 1998-99, 2002-03, 2005-06, 2008-09, 2011-12	Income Tax Appellate Tribunal
		268.4	Assessment year 2007-08, 2008-09	Commissioner of Income Tax (Appeals)
		21.5	Assessment year 2012-13	Dispute Resolution Penal
		30.3	Assessment year 1998-99, 1999-2000, 2003-04, 2010-11	Assessing Officer to pass Order Giving Effect
Central Excise Act, 1944	Tax and penalty	0.7	1994-95, 1998-99, 2007-08	Additional Commissioner
		204.0	2000-01, 2003-06, 2005-06, 2006-07, 2009-14, 2014-15	Customs Excise & Service tax Appellate Tribunal ("CESTAT")
		13.3	2009-14	Commissioner of Service Tax
Local State Sales tax Act and Central Sales Tax Act 1956	Duty and penalty	35.4	2011-12, 2013-14	Additional Commissioner (Commercial Tax)
		0.5	2013-14	Additional Commissioner (Entry Tax)
		3.8	2012-13	Assistant Commissioner (Entry Tax)
		4.1	1994-95, 1995-96, 1998-99, 2011-12, 2012-13	Assistant Commissioner (Commercial Tax)
		0.9	2003-04, 2006-07	Deputy Commissioner (Appeals)
		1.8	2009-10, 2010-11	Deputy Commissioner (Commercial Tax)
		0.7	2007-08	Joint Commissioner (Commercial Tax)
		17.5	2008-09, 2009-10	Senior Joint Commissioner (Commercial Tax)

# Annexure B to Independent Auditors' Report – 31 December 2016

(Referred to in our report of even date)

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

We have audited the internal financial controls over financial reporting of Merck Limited ("the Company") as at 31 December 2016 in conjunction with our audit of the Financial Statements of the Company for the year ended on that date.

### Management's Responsibility for Internal Financial Controls

The Company's management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India ("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

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 issued by the ICAI and deemed to be prescribed under section 143(10) of the Act, to the extent applicable to an audit of internal financial controls, 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 was established and maintained and if such controls operated effectively in all material respects.

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

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

### Meaning of Internal Financial Controls Over Financial Reporting

A Company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A Company's internal financial control over financial reporting includes those policies and procedures that:

- (a) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company;
- (b) 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
- (c) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the Company's assets that could have a material effect on the financial statements.

### Inherent Limitations of Internal Financial Controls Over Financial Reporting

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

### Opinion

In our opinion, 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 31 December 2016, 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.

For B S R & Co. LLP  
Chartered Accountants  
Firm's Registration No: 101248W/W-100022

Mumbai  
1 March 2017

Vikas R Kasat  
Partner  
Membership No: 105317

# Balance sheet

(Currency: Indian Rupees million)

	Note	As at December 31, 2016	As at December 31, 2015
<b>Equity and liabilities</b>			
<b>Shareholders' funds</b>			
Share capital	3	166.0	166.0
Reserves and surplus	4	6,288.6	5,749.5
		<u>6,454.6</u>	<u>5,915.5</u>
<b>Non-current liabilities</b>			
Other non-current liabilities	5	51.2	50.0
Long-term provisions	6	238.4	221.2
		<u>289.6</u>	<u>271.2</u>
<b>Current liabilities</b>			
Trade payables	7		
Dues to micro, small and medium enterprises		25.2	10.8
Dues to creditors other than micro, small and medium enterprises		725.9	644.7
Other current liabilities	8	682.4	610.3
Short-term provisions	6	650.6	387.2
		<u>2,084.1</u>	<u>1,653.0</u>
	<b>Total</b>	<u><u>8,828.3</u></u>	<u><u>7,839.7</u></u>
<b>Assets</b>			
<b>Non-current assets</b>			
Fixed assets	9		
Tangible fixed assets		1,104.9	1,315.9
Intangible fixed assets		1.7	1.4
Capital work-in-progress		299.8	70.0
Deferred tax assets (net)	10	173.4	56.8
Long-term loans and advances	11	839.0	671.5
		<u>2,418.8</u>	<u>2,115.6</u>
<b>Current assets</b>			
Current Investments	12	277.8	422.8
Inventories	13	1,658.9	1,668.6
Trade receivables	14	1,104.1	1,265.7
Cash and bank balances	15	2,792.7	1,884.2
Short-term loans and advances	16	399.8	344.5
Other current assets	17	176.2	138.3
		<u>6,409.5</u>	<u>5,724.1</u>
	<b>Total</b>	<u><u>8,828.3</u></u>	<u><u>7,839.7</u></u>
Significant accounting policies	2		
Notes to the financial statements	26-47		
The notes referred to above form an integral part of the financial statements.			

As per our report of even date attached

For B S R & Co. LLP  
Chartered Accountants  
Firm's Registration No. 101248W/W-100022

Vikas R Kasat  
Partner  
Membership No.: 105317  
Mumbai,  
1st March, 2017

For and on behalf of the Board of Directors of Merck Limited CIN: L99999MH1967PLC013726

S. N. Talwar – *Chairman*  
DIN No.: 00001456  
H.C.H. Bhabha – *Director*  
DIN No.: 00286072

Mumbai,  
27th February, 2017

Anand Nambiar – *Managing Director*  
DIN No.: 02006594  
N. Krishnan – *Director and Chief financial officer*  
DIN: 01027659

Vikas R. Gupta  
*Company Secretary*

# Statement of profit and loss

(Currency: Indian Rupees million)

	Note	For the year ended December 31, 2016	For the year ended December 31, 2015
<b>Revenue from operations</b>	18		
Sale of Products (Gross)			
Finished products		7,016.3	6,610.7
Traded products		3,001.4	2,817.4
Less: Excise duty		334.4	344.9
Sale of Products (Net)		9,683.3	9,083.2
Other operating revenue		280.0	311.8
		9,963.3	9,395.0
<b>Other income</b>	19	242.4	233.1
		10,205.7	9,628.1
<b>Expenses</b>			
Cost of material consumed	20	2,402.4	2,569.3
Purchase of stock-in-trade	21	1,730.7	1,799.4
Changes in inventories of stock-in-trade, finished goods and work-in-progress	22	(6.8)	(16.2)
Employee benefits	23	1,486.7	1,233.9
Depreciation and amortisation	24	275.5	234.2
Provision for impairment	24	57.5	-
Other expenses	25	3,157.5	2,974.2
		9,103.5	8,794.8
<b>Profit before tax</b>		1,102.2	833.3
<b>Income tax expense</b>			
- Current tax (net of earlier years)		459.9	326.0
- Deferred tax (credit)		(116.6)	(28.3)
<b>Profit after tax</b>		758.9	535.6
Earnings per equity share [nominal value of share Rs.10/- each (2015: Rs. 10/- each)]			
Basic and diluted	26	45.7	32.3
Significant accounting policies	2		
Notes to the financial statements	26-47		
The notes referred to above form an integral part of the financial statements.			

As per our report of even date attached

For B S R & Co. LLP  
Chartered Accountants  
Firm's Registration No. 101248W/W-100022

Vikas R Kasat  
Partner  
Membership No.: 105317  
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N. Krishnan - *Director and Chief financial officer*  
DIN: 01027659

Vikas R. Gupta  
*Company Secretary*

# Cash flow statement

(Currency: Indian Rupees million)

	For the year ended December 31, 2016	For the year ended December 31, 2015
<b>A. Cash flow from operating activities :</b>		
Net Profit before taxation and exceptional items	1,102.2	833.3
Adjustments for :		
Depreciation and amortisation	275.5	234.2
Provision for impairment	57.5	-
Income from letting of residential flat	(0.9)	(1.9)
Loss on sale of fixed assets (net)	1.4	12.9
Unrealised foreign exchange difference losses	4.8	2.3
Dividend income on current investments	(21.9)	(19.9)
Interest income	(171.3)	(140.9)
Provision for doubtful debts and advances	25.0	33.2
Bad debts written off/(writeback) (net)	0.1	(3.9)
Provision for employee benefits	0.7	36.0
Provision for write down of inventories	17.1	11.2
	<u>188.0</u>	<u>163.2</u>
Operating cash flow before working capital changes	1,290.2	996.5
Adjustments for :		
Decrease / (increase) in trade receivables	139.9	(250.4)
(Increase) in loans and advances	(83.3)	(16.0)
(Increase) in other assets	6.5	(80.0)
(Increase)/Decrease in inventories	(7.9)	93.6
Increase in trade payables	95.6	217.8
Increase in other liabilities and provisions	160.6	191.4
	<u>311.4</u>	<u>156.4</u>
Cash generated from operations	1,601.6	1,152.9
Income tax paid (net of refunds)	(531.2)	(318.2)
Net cash generated from operating activities [A]	1,070.4	834.7
<b>B. Cash flow from investing activities :</b>		
Purchase of fixed assets (including addition to capital work-in-progress, capital advances and capital creditors)	(316.5)	(451.9)
Sale of fixed assets	1.0	2.0
Income from letting of residential flat	0.9	1.9
Interest received	135.6	140.8
Dividend income on current investments	21.9	19.9
Purchase of investments	(8,573.0)	(9,903.0)
Sale of investments	8,718.0	9,719.4
Bank deposits (having original maturity of more than three months), (net)	(737.6)	(207.5)
	<u>(749.7)</u>	<u>(678.4)</u>
Net Cash (used) in investing activities [B]		

# Cash flow statement

(Currency: Indian Rupees million)

		For the year ended December 31, 2016	For the year ended December 31, 2015
<b>C. Cashflow from financing activities :</b>			
Dividend paid	(124.5)		(99.3)
Dividend tax paid	(25.3)		(19.9)
Net cash (used) in financing activities	[C]	<u>(149.8)</u>	<u>(119.2)</u>
Net increase in cash and cash equivalents	[A+B+C]	170.9	37.1
Cash and Cash Equivalents at the beginning of the year		91.8	54.7
Cash and Cash Equivalents at the end of the year		<u>262.7</u>	<u>91.8</u>
<b>NOTES TO THE CASH FLOW STATEMENT</b>			
1	Cash and Cash Equivalents includes		
	- Cash balance	*	*
	- Bank balances in current accounts	252.0	79.9
	- Unpaid dividend account	10.7	11.9
		<u>262.7</u>	<u>91.8</u>
2	Unpaid Dividend of Rs. 10.7 million (2015: Rs. 11.9 million), included in bank balances, is not available for use by the Company.		
3	The cash flow statement has been prepared under the indirect method as set out in Accounting Standard - 3 on cash flow statement prescribed in the Companies (Accounting Standard) Rules, 2014.		

As per our report of even date attached

For B S R & Co. LLP  
Chartered Accountants  
Firm's Registration No. 101248W/W-100022

Vikas R Kasat  
Partner  
Membership No.: 105317  
Mumbai,  
1st March, 2017

For and on behalf of the Board of Directors of Merck Limited CIN: L99999MH1967PLC013726

S. N. Talwar - *Chairman*  
DIN No.: 00001456  
H.C.H. Bhabha - *Director*  
DIN No.: 00286072

Mumbai,  
27th February, 2017

Anand Nambiar - *Managing Director*  
DIN No.: 02006594  
N. Krishnan - *Director and Chief financial officer*  
DIN: 01027659

Vikas R. Gupta  
Company Secretary



# Notes to the financial statements

for the year ended 31 December 2016

(Currency: Indian Rupees million)

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## 1. Company overview

Merck Limited ('the Company') is a public company domiciled and headquartered in India. It is incorporated under the Companies Act, 1956 and its shares are listed on the National Stock Exchange (NSE) and Bombay Stock Exchange (BSE). The Company is in the business of manufacturing and marketing of pharmaceuticals and chemicals.

## 2. Significant accounting policies

The accounting policies set out below have been applied consistently to the periods presented in these financial statements.

### (a) Basis of preparation of financial statements:

These financial statements have been prepared and presented on the accrual basis of accounting and comply with the Accounting Standards referred in section 133 of Companies Act, 2013 (hereinafter to be referred as "the Act") read with the rule 7 of Companies (Accounts) Rules, 2014 and other accounting principles generally accepted in India, to the extent applicable. The financial statements are presented in millions of Indian Rupees and rounded off to one decimal unless otherwise stated.

Figures below Rupees 50,000 are disclosed by ""\*".

### (b) Use of estimates:

The preparation of financial statements in conformity with Generally Accepted Accounting Principles (GAAP) requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses and the disclosure of contingent liabilities on the date of financial statements. Management believes that the estimates made in the preparation of the financial statements are prudent and reasonable. Actual results could differ from those estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Any revision to accounting estimates is recognised prospectively in current and future periods.

### (c) Current–non–current classification:

All assets and liabilities are classified into current and non-current.

#### Assets

An asset is classified as current when it satisfies any of the following criteria:

- (a) it is expected to be realised in, or is intended for sale or consumption in, the Company's normal operating cycle;
- (b) it is held primarily for the purpose of being traded;
- (c) it is expected to be realised within 12 months after the reporting date; or
- (d) it is cash or cash equivalent unless it is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting date.

Current assets include the current portion of non-current financial assets.

All other assets are classified as non-current.

#### Liabilities

A liability is classified as current when it satisfies any of the following criteria:

- (a) it is expected to be settled in the Company's normal operating cycle;
- (b) it is held primarily for the purpose of being traded;
- (c) it is due to be settled within 12 months after the reporting date; or
- (d) the Company does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

Current liabilities include current portion of non-current financial liabilities.

All other liabilities are classified as non-current.

# Notes to the financial statements

for the year ended 31 December 2016

(Currency: Indian Rupees million)

## Operating cycle

Operating cycle is the time between the acquisition of assets for processing and their realisation in cash or cash equivalents.

### (d) Fixed assets and depreciation/ amortisation:

#### (i) Tangible fixed assets:

Tangible fixed assets are carried at cost of acquisition or construction less accumulated depreciation and/or accumulated impairment loss, if any. The cost of an item of tangible fixed asset comprises its purchase price, including import duties and other non-refundable taxes or levies and any directly attributable cost of bringing the asset to its working condition for its intended use; any trade discounts and rebates are deducted in arriving at the purchase price.

Subsequent expenditures related to an item of tangible fixed asset are added to its book value only if they increase the future benefits from the existing asset beyond its previously assessed standard of performance. Tangible asset is derecognised on disposal or when no future economic benefits are expected from its use.

Tangible fixed assets under construction are disclosed as capital work in progress.

#### (ii) Advance for capital assets

Acquisition that remain outstanding as on balance sheet date are reflected as capital advance under long term loans and advances.

Losses arising from retirement and gains or losses arising from disposal of a tangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the Statement of Profit and Loss.

#### (iii) Intangible fixed assets:

Intangible assets that are acquired by the Company are measured initially at cost. After initial recognition, an intangible asset is carried at its cost less any accumulated amortisation and any accumulated impairment loss, if any.

Subsequent expenditure is capitalised only when it increases the future economic benefits from the specific asset to which it relates. An intangible asset is derecognised on disposal or when no future economic benefits are expected from its use.

Losses arising from retirement and gains or losses arising from disposal of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the Statement of Profit and Loss.

#### (iv) Depreciation / amortisation:

Depreciation is provided on straight line method over the estimated useful life as determined by management which is in line with that prescribed under Schedule II of the Act.

Pursuant to the Act being effective, the Company had revised the depreciation rates on fixed assets as per the useful life specified in Part 'C' of Schedule II of the Act. Consequently, depreciation charge for the year ended 31 December 2015 was higher by Rs. 62.7 million due to change in the estimated useful life of certain assets. Further, an amount of Rs. 20.1 million has been adjusted against the opening balance of Retained Earnings and a corresponding deferred tax adjustment of Rs 6.8 million on the same as on 1 January 2015, in respect of the residual value of assets wherein the remaining useful life has become 'nil'. Depreciation on additions/ deletions is calculated on a pro-rata basis from the date of addition and deletions.

Leasehold improvements are amortised over the primary period of lease.

Depreciation is provided on a pro-rata basis i.e. from the date on which asset is ready for use.

Trademarks are amortised over an expected benefit period of 5 years.

Software comprising of System Software and Application Software is amortised on straight line method basis over an expected benefit period of 6 years and 3 years respectively.

Plant and equipments and furniture and fixtures, costing individually upto Rs. 5,000 or less, are depreciated fully in the year of purchase. If the aggregate of such items of plant and equipment constitutes more than 10 percent of the total actual cost of plant and equipment, the depreciation rates applicable to such items are applied.

Depreciation/amortization for the year is recognised in the Statement of Profit and Loss.

The useful lives are reviewed by the management at each financial year-end and revised, if appropriate. In case of a revision, the unamortised depreciable amount is changed over the revised remaining useful life.

# Notes to the financial statements

for the year ended 31 December 2016

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A fixed asset is eliminated from the financial statements on disposal or when no further benefit is expected from its use and disposal. Depreciation on fixed assets added/ disposed off/ discarded during the year is provided on pro-rata basis with reference to month of addition/disposal/discarding.

Assets retired from active use and held for disposal are stated at the lower of their net book value and net realisable value and shown under 'Other current assets'.

Losses arising from retirement or gains or losses arising from disposal of fixed assets which are carried at cost are recognised in the Statement of Profit and Loss.

## **(e) Impairment of assets:**

Fixed assets (tangible and intangible) are reviewed at each reporting date to determine if there is any indication of impairment. For assets in respect of which any such indication exists and for intangible assets mandatorily tested annually or at period end for impairment, the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets (cash generating unit or "CGU") that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

The recoverable amount of an asset or CGU is the greater of its value in use and its net selling price. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

Impairment losses are recognised in the Statement of Profit and Loss. Impairment loss recognised in respect of a CGU is allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

If at the balance sheet date there is an indication that a previously assessed impairment loss no longer exists or has decreased, the assets or CGU's recoverable amount is estimated. For assets other than goodwill, the impairment loss is reversed to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Such a reversal is recognised in the Statement of Profit and Loss; however, in the case of revalued assets, the reversal is credited directly to revaluation surplus except to the extent that an impairment loss on the same revalued asset was previously recognised as an expense in the Statement of Profit and Loss. Impairment loss recognised for goodwill is not reversed in a subsequent period unless the impairment loss was caused by a specific external event of an exceptional nature that is not expected to recur and subsequent external events have occurred that reverse the effect of that event.

## **(f) Operating lease:**

Assets acquired under leases other than finance leases are classified as operating leases. The total lease rentals (including scheduled rental increases) in respect of an asset taken on operating lease are charged to the Statement of Profit and Loss on a straight line basis over the lease term unless another systematic basis is more representative of the time pattern of the benefit. Initial direct costs incurred specifically for an operating lease are deferred and charged to the Statement of Profit and Loss over the lease term.

Assets given by the company under operating lease are included in fixed assets. Lease income from operating lease is recognised in Statement of Profit and Loss on a straight line basis. Cost's including depreciation, incurred in earning the lease income are recognised as expenses.

## **(g) Investments:**

Investments that are readily realisable and intended to be held for not more than a year from the date of acquisition are classified as current investments. All other investments are classified as long-term investments. However, that part of long-term investments which is expected to be realized within 12 months after the reporting date is also presented under 'current assets' as "current portion of long-term investments" in consonance with the current-non-current classification scheme of Schedule III.

Long-term investments (including current portion thereof) are carried at cost less any other-than-temporary diminution in value, determined separately for each individual investment.

Current investments are carried at the lower of cost and fair value. The comparison of cost and fair value is done separately in respect of each category of investments.

# Notes to the financial statements

for the year ended 31 December 2016

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Any reductions in the carrying amount and any reversals of such reductions are charged or credited to the Statement of Profit and Loss.

Profit or loss on sale of investments is determined on the basis of weighted average carrying amount of investments disposed off.

## **(h) Inventories:**

Inventories which comprise raw materials, work-in-progress, finished goods, stock-in-trade, stores and spares, and packing materials are carried at the lower of cost and net realisable value.

Cost of inventories comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

In determining the cost, weighted average cost method is used. In the case of manufactured inventories and work in progress, fixed production overheads are allocated on the basis of normal capacity of production facilities. Excise duty on unsold manufactured goods is included in the value of finished goods inventory.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

The net realisable value of work-in-progress is determined with reference to the selling prices of related finished products. Raw materials and other supplies held for use in the production of finished products are not written down below cost except in cases where material prices have declined and it is estimated that the cost of the finished products will exceed their net realisable value.

The comparison of cost and net realisable value is made on an item-by-item basis.

## **(i) Revenue recognition:**

Revenue from sale of goods in the course of ordinary activities is recognised when property in the goods or all significant risks and rewards of their ownership are transferred to the customer and no significant uncertainty exists regarding the amount of the consideration that will be derived from the sale of the goods and regarding its collection. The amount recognised as revenue is exclusive of sales tax, value added taxes (VAT) and service tax, and is net of returns, trade discounts and quantity discounts.

Revenue from shared services is recognised as and when services are rendered and related costs are incurred, in accordance with the terms of the contractual agreement.

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

Dividend income is recognised when the right to receive payment is established.

### **Export Incentives**

Export benefits availed as per prevalent schemes are accrued each year in which the goods are exported and when no significant uncertainty exist regarding their ultimate collection.

Commission income is recognised as and when services are rendered, in accordance with the terms of the contractual agreement.

## **(j) Employee benefits**

### **(a) Short-term employee benefits**

Employee benefits payable wholly within twelve months of receiving employee services are classified as short-term employee benefits. These benefits include salaries and wages, bonus and ex-gratia. The undiscounted amount of short-term employee benefits to be paid in exchange for employee services is recognised as an expense at an undiscounted amount in the Statement of Profit and Loss as the related service is rendered by employees.

### **(b) Post-employment benefits**

#### *Defined contribution plans*

A defined contribution plan is a post-employment benefit plan under which an entity pays specified contributions to a separate entity and has no obligation to pay any further amounts. The Company makes specified monthly contributions towards superannuation fund to scheme which is a defined contribution plan. The Company's contribution is recognised as an expense in the Statement of Profit and Loss during the period in which the employee renders the related service.

The Company's gratuity benefit scheme and provident fund scheme is defined benefit plan. The Company's net obligation in respect of a defined benefit plan is calculated by estimating the amount of future benefit that employees have earned in return for their service

# Notes to the financial statements

for the year ended 31 December 2016

(Currency: Indian Rupees million)

in the current and prior periods; that benefit is discounted to determine its present value. Any unrecognised past service cost and the fair value of any plan assets are deducted. The calculation of the Company's obligation under each of the two plans is performed annually by a qualified independent actuary using the projected unit credit method.

The Company recognises all actuarial gains and losses arising from defined benefit plans immediately in the Statement of Profit and Loss. All expenses related to defined benefit plans are recognised in employee benefit expenses in the Statement of Profit and Loss. When the benefits of a plan are improved, the portion of the increased benefit related to past service by employees is recognised in the Statement of Profit and Loss on a straight-line basis over the average period until the benefits become vested. The Company recognises gains and losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs.

## (c) Compensated absences

All employee benefits payable within twelve months of services are classified as short-term. The employees can carry forward a portion of the unutilised accrued compensated absences and utilise it in future service periods or receive cash compensation on termination of employment. Since the compensated absences do not fall due wholly within twelve months after the end of the period in which the employees render the related service and are also not expected to be utilised wholly within twelve months after the end of such period, the benefit is classified as a long-term employee benefit. The Company records an obligation for such compensated absences in the period in which the employee renders the services that increase this entitlement. The obligation is measured on the basis of independent actuarial valuation using the projected unit credit method.

## (k) Foreign exchange transactions

Transactions denominated in foreign currency are recorded at the exchange rates prevailing on the date of transactions. Exchange differences arising on foreign exchange transactions settled during the year are recognised in the Statement of Profit and Loss for the year.

Monetary assets and liabilities denominated in foreign currencies as at the balance sheet date are translated into Indian rupees at the closing exchange rates on that date. The resultant exchange differences are recognised in the Statement of Profit and Loss.

## (l) Provisions

A provision is recognised if, as a result of a past event, the Company has a present obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the expenditure required to settle the present obligation at the balance sheet date. The provisions are measured on an undiscounted basis.

### *Provision for breakage and expiry*

Cost of return on account of breakage and expiries are estimated on the basis of past experience. Provision is made in respect of cost for breakage and expiries in the year of sale of goods.

### *Contingencies*

Provision in respect of loss contingencies relating to claims, litigations, assessments, fines, penalties, etc. are recognised when it is probable that a liability has been incurred, and the amount can be estimated reliably.

## (m) Contingent liabilities and contingent assets

A contingent liability exists when there is a possible but not probable obligation, or a present obligation that may, but probably will not, require an outflow of resources, or a present obligation whose amount cannot be estimated reliably. Contingent liabilities do not warrant provisions, but are disclosed unless the possibility of outflow of resources is remote. Contingent assets are neither recognised nor disclosed in the financial statements. However, contingent assets are assessed continually and if it is virtually certain that an inflow of economic benefits will arise, the asset and related income are recognised in the period in which the change occurs.

## (n) Income taxes

Income tax expense comprises current tax (i.e. amount of tax for the period determined in accordance with the income tax law) and deferred tax charge or credit (reflecting the tax effects of timing differences between accounting income and taxable income for the period). Income-tax expense is recognised in the Statement of Profit and Loss except that tax expense related to items recognised directly in reserves is also recognised in those reserves.

Current tax is measured at the amount expected to be paid to (recovered from) the taxation authorities, using the applicable tax rates and tax laws. Deferred tax is recognised in respect of timing differences between taxable income and accounting income i.e. differences that originate in one period and are capable of reversal in one or more subsequent periods. The deferred tax charge or credit and the

# Notes to the financial statements

for the year ended 31 December 2016

(Currency: Indian Rupees million)

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corresponding deferred tax liabilities or assets are recognised using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax assets are recognised only to the extent there is reasonable certainty that the assets can be realised in future; however, where there is unabsorbed depreciation or carried forward loss under taxation laws, deferred tax assets are recognised only if there is a virtual certainty supported by convincing evidence that sufficient future taxable income will be available against which such deferred tax assets can be realised. Deferred tax assets are reviewed as at each balance sheet date and written down or written back to reflect the amount that is reasonably/virtually certain (as the case may be) to be realised.

**(o) Cash and cash equivalents**

Cash comprises cash on hand and demand deposits with banks. Cash equivalents are short term (with an original maturity of three months or less from the date of acquisition), highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

**(p) Research and development**

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in the Statement of Profit and Loss as and when incurred.

The development activities undertaken by the Company are subject to technical, regulatory and other uncertainties, such that, in the opinion of management, the criteria for capitalization are not met prior to obtaining marketing approval by the regulatory authorities in markets. Internal development cost that do not meet these criteria are therefore expensed as and when incurred.

# Notes to the financial statements

(Currency: Indian Rupees million)

	As at December 31, 2016	As at December 31, 2015
<b>3 Share capital</b>		
Authorised		
18,000,000 (2015: 18,000,000) equity shares of Rs. 10 each	<u>180.0</u>	<u>180.0</u>
Issued, subscribed and paid-up		
16,599,382 (2015: 16,599,382) equity shares of Rs. 10 each fully paid-up	166.0	166.0

A. Reconciliation of number of shares outstanding:

	As at December 31, 2016		As at December 31, 2015	
	Number	Amount	Number	Amount
Number of equity shares at the beginning and at the end of the year	16,599,382	166.0	16,599,382	166.0

B. Rights, preferences and restrictions attached to equity shares

The Company has a single class of equity shares. Accordingly, all equity shares rank equally with regard to dividends and share in the Company's residual assets. The equity shares are entitled to receive dividend as declared from time to time. The voting rights of an equity shareholder on a poll (not on show of hands) are in proportion to its share of the paid-up equity capital of the Company. Voting rights cannot be exercised in respect of shares on which any call or other sums presently payable have not been paid.

Failure to pay any amount called up on shares may lead to forfeiture of the shares.

On winding up of the Company, the holders of equity shares will be entitled to receive the residual assets of the Company, remaining after distribution of all preferential amounts in proportion to the number of equity shares held.

C. Shares held by subsidiaries of Ultimate Holding company, Merck KGaA, Germany

	As at December 31, 2016		As at December 31, 2015	
	Number	Amount	Number	Amount
Emedia Export Company Gmbh, Germany	3,534,559	35.4	3,534,559	35.4
Merck Internationale Beteligungen GmbH, Germany	3,091,224	30.9	3,091,224	30.9
Chemitra GmbH, Germany	1,973,441	19.7	1,973,441	19.7
	<u>8,599,224</u>	<u>86.0</u>	<u>8,599,224</u>	<u>86.0</u>

D. Particulars of shareholders holding more than 5% of shares

	Number	%	Number	%
<u>Subsidiaries of Holding Company, Merck KGaA</u>				
Emedia Export Company Gmbh, Germany	3,534,559	21.3%	3,534,559	21.3%
Merck Internationale Beteligungen GmbH, Germany	3,091,224	18.6%	3,091,224	18.6%
Chemitra GmbH, Germany	1,973,441	11.9%	1,973,441	11.9%
<u>Others</u>				
Life Insurance Corporation of India	1,161,021	7.0%	1,161,021	7.0%

# Notes to the financial statements

(Currency: Indian Rupees million)

	As at December 31, 2016	As at December 31, 2015
<b>4 Reserves and surplus</b>		
<b>Capital reserve</b>		
As at commencement and at the end of the year	2.6	2.6
<b>Capital redemption reserve</b>		
As at commencement and at the end of the year	2.6	2.6
<b>Securities premium account</b>		
As at commencement and at the end of the year	111.3	111.3
<b>General reserve</b>		
At the commencement of the year	3,363.0	3,322.7
Less: Depreciation charge for earlier years Rs. Nil (2015: net of deferred tax of Rs. 6.8 million)	-	13.3
Add: Transfer from surplus (Statement of Profit and Loss)	75.9	53.6
	<u>3,438.9</u>	<u>3,363.0</u>
<b>Surplus (Profit and Loss balance)</b>		
At the commencement of the year	2,270.0	1,937.8
Add: Profit for the year	758.9	535.6
Less: Appropriations		
Transfer to General Reserve	75.9	53.6
Proposed equity dividend [Rs. 11/- per equity share (2015: Rs 7.50/- per equity share)]	182.6	124.5
Tax on proposed equity dividend	37.2	25.3
	<u>2,733.2</u>	<u>2,270.0</u>
	<u>6,288.6</u>	<u>5,749.5</u>
<b>5 Other liabilities</b>		
	Non-current	Current
	As at December 31, 2016	As at December 31, 2015
Rent equalisation reserve	51.2	50.0
	<u>51.2</u>	<u>50.0</u>
	As at December 31, 2016	As at December 31, 2015
	-	-
	<u>-</u>	<u>-</u>
<b>6 Provisions</b>		
	Long-term	Short-term
	As at December 31, 2016	As at December 31, 2015
<b>Provision for employee benefits:</b>		
Provision for employee benefits:		
Gratuity [refer note 28]	90.4	73.0
Compensated absences [refer note 28]	42.1	57.3
Other employee benefits [refer note 41]	38.0	21.0
<b>Other provisions:</b>		
Provision for sales tax [refer note 41]	67.9	69.9
Others [refer note 32(b)]	-	-
Proposed equity dividend	-	-
Tax on proposed equity dividend	-	-
Provision for tax [net of advance tax Rs.1,140.6 million (2015: Rs.1,242.5 million)]	-	-
	<u>238.4</u>	<u>221.2</u>
	As at December 31, 2016	As at December 31, 2015
	-	-
	<u>101.8</u>	<u>69.8</u>
	<u>182.6</u>	<u>124.5</u>
	<u>37.2</u>	<u>25.3</u>
	<u>93.7</u>	<u>37.3</u>
	<u>650.6</u>	<u>387.2</u>



# Notes to the financial statements

(Currency: Indian Rupees million)

	As at December 31, 2016	As at December 31, 2015
<b>7 Trade payables</b>		
Acceptances	17.8	8.8
Trade payables:		
Dues to Micro, Small and Medium Enterprises [refer note 35]	25.2	10.8
Dues to creditors other than micro, small and medium enterprises	708.1	635.9
	<u>751.1</u>	<u>655.5</u>
<b>8 Other current liabilities</b>		
Advances from customers	44.2	49.5
Creditors for capital purchases	86.3	27.6
Employee benefits payable	34.6	71.7
Statutory dues:		
- Tax deducted at source	22.6	19.2
- Sales tax	39.1	34.2
- Service tax	15.0	14.0
- Provident fund	10.0	8.5
- Staff Insurance/benefit schemes	0.5	0.5
Payable towards services received	419.4	373.2
Investor Education and Protection Fund shall be credited by the following amounts (not due as at year end):		
Unpaid dividend	10.7	11.9
	<u>682.4</u>	<u>610.3</u>

**9 : Fixed assets****Tangible fixed assets**

	Freehold Land	Buildings and Flats	Leasehold Improvements	Plant and Machinery	Hardware	Furniture and Fixtures	Vehicles	Office Equipment	Total
<b>Gross Block</b>									
Balance as at 01 January 2015	5.0	500.2	-	1,354.2	70.4	124.1	0.4	129.9	2,184.2
Additions	-	29.3	33.2	321.4	49.4	70.9	-	64.6	568.8
Disposals	-	-	-	(37.3)	(0.7)	(14.5)	-	(3.7)	(56.2)
Reclassification to assets held for sale	-	(104.8)	-	-	-	(7.2)	-	(5.8)	(117.8)
Balance as at 31 December 2015	5.0	424.7	33.2	1,638.3	119.1	173.3	0.4	185.0	2,579.0
Balance as at 01 January 2016	5.0	424.7	33.2	1,638.3	119.1	173.3	0.4	185.0	2,579.0
Additions	-	10.5	-	80.0	14.7	12.7	-	13.8	131.7
Disposals	-	-	-	(18.1)	(16.0)	(5.8)	-	(4.5)	(44.4)
Reclassification to assets held for sale	-	(12.3)	-	-	-	(0.4)	-	(0.2)	(12.9)
Balance as at 31 December 2016	5.0	422.9	33.2	1,700.2	117.8	179.8	0.4	194.1	2,653.4
<b>Depreciation</b>									
Balance as at 01 January 2015	-	203.9	-	699.3	38.0	77.2	0.3	70.3	1,089.0
Depreciation for the year	-	14.6	0.6	162.2	20.1	6.7	-	28.7	232.9
Adjusted to General reserve	-	2.4	-	1.4	5.5	-	-	10.8	20.1
Accumulated depreciation on disposal	-	-	-	(30.2)	(0.5)	(8.4)	-	(2.0)	(41.1)
Reclassification to assets held for sale	-	(28.0)	-	-	-	(5.0)	-	(4.8)	(37.8)

# Notes to the financial statements

(Currency: Indian Rupees million)

## 9 : Fixed assets

### Tangible fixed assets

	Freehold Land	Buildings and Flats	Leasehold Improvements	Plant and Machinery	Hardware	Furniture and Fixtures	Vehicles	Office Equipment	Total
Balance as at 31 December 2015	-	192.9	0.6	832.7	63.1	70.5	0.3	103.0	1,263.1
Balance as at 01 January 2016	-	192.9	0.6	832.7	63.1	70.5	0.3	103.0	1,263.1
Depreciation for the year [refer note 1]	-	13.7	4.4	190.5	23.0	15.5	-	26.9	274.0
Provision for Impairment	-	24.6	-	29.9	-	2.9	-	0.1	57.5
Accumulated depreciation on disposal	-	-	-	(17.7)	(15.8)	(4.9)	-	(3.6)	(42.0)
Reclassification to assets held for sale	-	(3.5)	-	-	-	(0.4)	-	(0.2)	(4.1)
<b>Balance as at 31 December 2016</b>	<b>-</b>	<b>227.7</b>	<b>5.0</b>	<b>1,035.4</b>	<b>70.3</b>	<b>83.6</b>	<b>0.3</b>	<b>126.2</b>	<b>1,548.5</b>
<b>Net Block</b>									
As at 31 December 2015	5.0	231.8	32.6	805.6	55.9	102.8	0.1	82.0	1,315.9
As at 31 December 2016	5.0	195.2	28.2	664.8	47.5	96.2	0.1	67.9	1,105.0
<b>Capital work-in-progress</b>									
Balance as at 31 December 2015									70.0
Balance as at 31 December 2016									299.8

### Note:

- The company has provided for accelerated depreciation of Rs. 27.3 million for its idle production line related to Vitamin E. Management considers that the idle production capacity would not be utilised in short term.

### Intangible fixed assets

	Brands / Trademarks	Computer Software	Total	
<b>Gross Block</b>				
Balance as at 01 January 2015		86.9	46.1	133.0
Additions		-	0.8	0.8
Balance as at 31 December 2015		86.9	46.9	133.8
Balance as at 01 January 2016		86.9	46.9	133.8
Additions		-	1.8	1.8
Disposals		-	(35.8)	(35.8)
<b>Balance as at 31 December 2016</b>		<b>86.9</b>	<b>12.9</b>	<b>99.8</b>
<b>Amortisation</b>				
Balance as at 01 January 2015		86.9	44.2	131.1
Amortisation for the year		-	1.3	1.3
Accumulated amortisation on disposal		-	-	-
Balance as at 31 December 2015		86.9	45.5	132.4
Balance as at 01 January 2016		86.9	45.5	132.4
Amortisation for the year		-	1.5	1.5
Accumulated amortisation on disposal		-	(35.8)	(35.8)
<b>Balance as at 31 December 2016</b>		<b>86.9</b>	<b>11.2</b>	<b>98.1</b>
<b>Net Block</b>				
As at 31 December 2015		-	1.4	1.4
As at 31 December 2016		-	1.7	1.7

# Notes to the financial statements

(Currency: Indian Rupees million)

	As at December 31, 2016	As at December 31, 2015		
<b>10 Deferred tax assets (net)</b>				
Deferred tax asset included in the balance sheet comprises of:				
<b>Deferred tax asset:</b>				
Arising on account of timing differences in:				
Provision for doubtful trade receivables, deposits and advances	33.9	26.2		
Personnel and other related provisions	76.3	52.0		
Provision for sales tax matters	23.5	24.7		
Other provisions	<u>74.6</u>	<u>57.9</u>		
	<u>208.3</u>	<u>160.8</u>		
<b>Deferred tax liability:</b>				
Arising on account of timing differences in: Excess of depreciation as per Income Tax Act, 1961, over book depreciation	34.9	104.0		
	<u>34.9</u>	<u>104.0</u>		
	<u>173.4</u>	<u>56.8</u>		
<b>11 Long-term loans and advances</b>				
	<b>Non-current portion</b>	<b>Current portion*</b>		
	As at December 31, 2016	As at December 31, 2015	As at December 31, 2016	As at December 31, 2015
<b>To parties other than related parties</b>				
Capital advances (Unsecured and considered good)	18.0	6.2	-	-
Security deposits (Unsecured):				
- considered good	85.8	131.8	-	-
- considered doubtful	4.0	4.0	-	-
	<u>89.8</u>	<u>135.8</u>	<u>-</u>	<u>-</u>
Less: Provision for doubtful deposits	4.0	4.0	-	-
	<u>85.8</u>	<u>131.8</u>	<u>-</u>	<u>-</u>
<b>Other loans and advances: (Unsecured and considered good)</b>				
Cenvat credit receivable	92.4	38.7	148.8	91.6
Loans to employees:				
- considered good	1.9	4.3	2.0	2.0
- considered doubtful	0.8	-	-	-
	<u>2.7</u>	<u>4.3</u>	<u>2.0</u>	<u>2.0</u>
Less: Provision for doubtful receivables	0.8	-	-	-
	<u>1.9</u>	<u>4.3</u>	<u>2.0</u>	<u>2.0</u>
Custom duty receivable	32.8	11.1	-	-
Advance sales tax / value added tax	4.2	4.6	-	-
Prepaid expenses	4.6	-	59.6	45.8
Other advances:				
- considered good	9.3	12.4	132.9	140.7
- considered doubtful	-	-	2.1	1.6
	<u>9.3</u>	<u>12.4</u>	<u>135.0</u>	<u>142.3</u>
Less: Provision for doubtful advances	-	-	2.1	1.6
	<u>9.3</u>	<u>12.4</u>	<u>132.9</u>	<u>140.7</u>
<b>Advance Income Tax [net of Provision for Tax for certain years Rs.3,892.2 million (2015 : Rs. 3,735.9 million)]</b>	<b>590.0</b>	<b>462.3</b>	<b>-</b>	<b>-</b>
<b>To related parties (Unsecured and considered good)</b>				
Loan to directors	-	0.1	0.1	0.1
<b>*Amount disclosed under short-term loans and advances</b>	<u>839.0</u>	<u>671.5</u>	<u>343.4</u>	<u>280.2</u>

# Notes to the financial statements

(Currency: Indian Rupees million)

	As at December 31, 2016	As at December 31, 2015
<b>12 Current investments</b>		
(Valued at lower of cost or fair value)		
Non-Trade (Unquoted) in mutual funds		
75,612.38 units, (2015: 246,896.76 units) of LIC Nomura MF Liquid Fund – Dividend Plan of Rs. 10 each	83.0	271.1
82,142.06 units, (2015: 44,282.08 units) of Canara Robeco Liquid – Regular Daily Dividend of Rs. 10 each	82.6	44.5
57,863.78 units, (2015: 21,938.79 units) of SBI Premier Liquid Fund-Regular Plan –Daily Dividend of Rs. 10 each	58.1	22.0
53,895.33 units, (2015: 84,941.78 units) of UTI Money Market Fund –Institutional Plan – Daily Dividend Reinvestment of Rs. 10 each	54.1	85.2
	<u>277.8</u>	<u>422.8</u>
<b>13 Inventories</b>		
(Valued at lower of cost and net realisable value)		
Raw materials [Includes stock-in-transit Rs. 3.3 million (2015: Rs. Nil)]	348.4	369.1
Packing materials	91.8	84.7
Work-in-process	86.4	81.6
Finished products	654.8	583.9
Stock-in-trade [Includes stock-in-transit Rs. 61.9 million (2015: Rs. 94.3 million)]	461.9	530.8
Stores and spares	15.6	18.5
	<u>1,658.9</u>	<u>1,668.6</u>

Inventory of finished products and stock-in-trade includes inventory of samples aggregating Rs. 18.4 million (2015: Rs. 24.3 million)  
In the year ended 31 December 2016, the write-down of inventories to net realisable value amounted to Rs. 4.9 million (2015: Rs. 2.9 million)

	As at December 31, 2016	As at December 31, 2015
<b>14 Trade receivables</b>		
(Unsecured)		
Debts outstanding for a period exceeding six months from the due date of payment:		
considered good	46.8	60.4
considered doubtful	90.4	66.0
	<u>137.2</u>	<u>126.4</u>
Less: Provision for doubtful receivables	90.4	66.0
	<b>(a) 46.8</b>	60.4
Other trade receivables:		
considered good	1,057.3	1,205.3
considered doubtful	1.9	2.6
	<u>1,059.2</u>	<u>1,207.9</u>
Less: Provision for doubtful receivables	1.9	2.6
	<b>(b) 1,057.3</b>	1,205.3
	<b>(a+b) 1,104.1</b>	<u>1,265.7</u>

# Notes to the financial statements

(Currency: Indian Rupees million)

	As at December 31, 2016	As at December 31, 2015
<b>15 Cash and bank balances</b>		
Cash and cash equivalents:		
Cash on hand	*	*
Balances with banks in :		
- Current accounts	<u>252.0</u>	<u>79.9</u>
	252.0	79.9
Other bank balances:		
- Unpaid dividend	10.7	11.9
- Deposit accounts#	<u>2,530.0</u>	<u>1,792.4</u>
	<u>2,540.7</u>	<u>1,804.3</u>
	<u>2,792.7</u>	<u>1,884.2</u>
Details of bank balances / deposits		
#Bank deposits due to mature within 12 months of the reporting date included under "Other bank balances "	2,530.0	1,792.4
Unpaid dividend of Rs.10.7 million (2015: Rs.11.9 million), included in bank balances, is not available for use by the Company.		
<b>16 Short-term loans and advances</b>		
Current portion of long-term loans and advances [refer note 11]		
To parties other than related parties	343.3	280.1
To related parties	0.1	0.1
Other short-term loans and advances		
To parties other than related parties		
Advances to employees (Unsecured):		
considered good	11.9	17.6
considered doubtful	<u>4.7</u>	<u>1.2</u>
	16.6	18.8
Less: Provision for doubtful advances	<u>4.7</u>	<u>1.2</u>
	11.9	17.6
Others (Unsecured and considered good):		
Advance for supply of goods	2.2	8.3
Excise duty refund	37.4	34.2
Value added tax receivable	<u>4.9</u>	<u>4.2</u>
	<u>399.8</u>	<u>344.5</u>
<b>17 Other current assets</b>		
(Unsecured, considered good)		
Interest accrued but not due on term deposits	85.6	49.9
Duty drawback receivable	1.8	8.4
Fixed assets reclassified as held for sale [refer note 9]	<u>88.8</u>	<u>80.0</u>
	<u>176.2</u>	<u>138.3</u>

# Notes to the financial statements

(Currency: Indian Rupees million)

	For the year ended December 31, 2016	For the year ended December 31, 2015
<b>18 Revenue from operations</b>		
<b>Sale of products</b>		
Finished goods	7,016.3	6,610.7
Traded goods	<u>3,001.4</u>	<u>2,817.4</u>
Sale of products (gross)	10,017.7	9,428.1
Less :- Excise duty	<u>334.4</u>	<u>344.9</u>
Sale of products (net)	<u><u>9,683.3</u></u>	<u><u>9,083.2</u></u>
<b>Breakup of Revenue from Operations</b>		
<b>Finished goods (net of excise duty):</b>		
Tablets / Capsules	3,876.8	3,388.0
Nasal drops / Injections	1,106.0	884.5
Process solutions / Pigments	44.2	47.9
Syrups / Ointments	1,315.7	1,278.3
Bulk drugs	<u>339.2</u>	<u>667.1</u>
	<u><u>6,681.9</u></u>	<u><u>6,265.8</u></u>
<b>Traded goods:</b>		
Tablets / Capsules	657.9	559.6
Nasal drops / Injections	248.9	217.9
Process solutions / Pigments	2,021.1	1,940.2
Syrups / Ointments	73.5	99.7
	<u><u>3,001.4</u></u>	<u><u>2,817.4</u></u>
<b>Other operating revenue:</b>		
Income from shared services	262.3	291.8
Duty drawback on exports	6.2	7.5
Sale of scrap	10.4	11.6
Indenting commission	1.1	0.7
Other income	-	0.2
	<u><u>280.0</u></u>	<u><u>311.8</u></u>
<b>19 Other income</b>		
Interest on:		
- Loans	1.4	0.4
- Bank deposits	169.8	140.5
- Delayed payments from customers	6.0	13.8
Insurance claims	2.7	-
Dividend income on current investments	21.9	19.9
Net gain on account of foreign exchange fluctuations	26.0	26.0
Provisions written back	6.4	27.0
Miscellaneous income	8.2	5.5
	<u><u>242.4</u></u>	<u><u>233.1</u></u>

# Notes to the financial statements

(Currency: Indian Rupees million)

	For the year ended December 31, 2016	For the year ended December 31, 2015
<b>20 Cost of material consumed</b>		
Inventory of materials at the beginning of the year	453.8	587.3
Add: Purchases	2,388.8	2,435.8
Less: Inventory of materials at the end of the year	440.2	453.8
	<u>2,402.4</u>	<u>2,569.3</u>
<b>Break-up of cost of material consumed</b>		
Isophytol	154.0	174.1
Vitamins	808.4	514.3
Active ingredients	507.8	487.7
Organic chemicals	146.3	78.6
Inorganic chemicals	99.2	74.2
Others	686.7	1,240.4
	<u>2,402.4</u>	<u>2,569.3</u>
<b>Break-up of inventory- materials</b>		
Isophytol	39.7	68.3
Vitamins	73.4	83.8
Active ingredients	105.0	80.8
Organic chemicals	4.3	55.4
Inorganic chemicals	33.9	12.5
Others	183.9	153.0
	<u>440.2</u>	<u>453.8</u>
<b>21 Purchase of stock-in-trade</b>		
Purchase of stock-in-trade	1,730.7	1,799.4
	<u>1,730.7</u>	<u>1,799.4</u>
<b>Break-up of purchases of stock-in-trade</b>		
Tablets / Capsules	340.9	315.1
Nasal Drops / Injections	95.7	73.1
Process solutions / Pigments	1,247.4	1,347.5
Syrups / Ointments	46.7	63.7
	<u>1,730.7</u>	<u>1,799.4</u>

# Notes to the financial statements

(Currency: Indian Rupees million)

## 22 Changes in inventories of finished goods, work-in-progress and stock-in-trade

	For the year ended December 31, 2016			For the year ended December 31, 2015		
	Opening Inventory	Closing Inventory	(Increase) / Decrease in inventory	Opening Inventory	Closing Inventory	(Increase) / Decrease in inventory
<b>Finished goods</b>						
Tablets / Capsules	247.0	278.0	(31.0)	201.4	247.0	(45.6)
Nasal Drops / Injections	189.1	128.3	60.8	208.7	189.1	19.7
Syrups / Ointments	97.1	167.3	(70.2)	83.4	97.1	(13.7)
Bulk Drugs	50.7	81.2	(30.5)	117.0	50.7	66.2
(a)	<u>583.9</u>	<u>654.8</u>	<u>(70.9)</u>	<u>610.5</u>	<u>583.9</u>	<u>26.6</u>
<b>Work-in-progress</b>	(b)	<u>81.6</u>	<u>86.4</u>	<u>91.2</u>	<u>81.6</u>	<u>9.6</u>
<b>Stock in trade</b>						
Tablets / Capsules	54.6	56.6	(2.0)	41.7	54.6	(12.9)
Nasal Drops / Injections	16.8	20.7	(3.9)	23.3	16.8	6.5
Process solutions / Pigments	448.5	376.5	72.0	398.7	448.5	(49.8)
Syrups / Ointments	10.9	8.1	2.8	14.7	10.9	3.8
(c)	<u>530.8</u>	<u>461.9</u>	<u>68.9</u>	<u>478.4</u>	<u>530.8</u>	<u>(52.4)</u>
<b>Total</b>	(a+b+c)	<u>1,196.3</u>	<u>1,203.1</u>	<u>1,180.1</u>	<u>1,196.3</u>	<u>(16.2)</u>

## 23 Employee benefits

	For the year ended December 31, 2016	For the year ended December 31, 2015
Salaries, wages, bonus and allowances	1,261.5	1,013.3
Contribution to provident fund and other funds [refer note 28]	57.1	55.0
Gratuity [refer note 28]	38.9	48.9
Directors' commission	2.1	2.2
Staff welfare expenses	127.1	114.5
	<u>1,486.7</u>	<u>1,233.9</u>

## 24 Depreciation and amortisation, Provision for impairment

	For the year ended December 31, 2016	For the year ended December 31, 2015
Depreciation	274.0	232.9
Amortisation on intangible fixed assets	1.5	1.3
Provision for impairment	57.5	-
	<u>333.0</u>	<u>234.2</u>



# Notes to the financial statements

(Currency: Indian Rupees million)

	For the year ended December 31, 2016	For the year ended December 31, 2015
<b>25 Other expenses</b>		
Stores and spare parts consumed	40.0	36.5
Power and fuel	149.6	151.4
Excise duty (net)	37.7	19.4
(represents excise duty paid on free replacements, samples, bonus issues and net excise duty impact on opening/closing stocks)		
Third party processing charges	307.8	347.4
Repairs and maintenance		
Building	1.9	0.4
Plant and Machinery	28.5	28.8
Others	52.1	40.2
Rates and taxes	114.8	62.1
Rent [refer note 27]	120.6	138.5
Printing, stationery, postage, telephone and electricity expenses	61.4	70.2
Legal and professional expenses [refer note 42]	316.5	214.9
Directors sitting fees	0.9	1.1
Travelling, conveyance and vehicle expenses [refer note 27]	532.9	454.7
Insurance	4.6	5.9
Research and development expenses	154.6	121.1
Corporate social responsibility expenses [refer note 45]	16.3	5.8
Loss on sale of fixed assets (net)	1.4	12.9
Packing, forwarding and freight	197.6	213.4
Clearing and forwarding agents commission	132.7	117.6
Selling agents commission	14.4	9.5
Sales promotion expenses	655.0	719.0
Provision for doubtful debts and advances (net)	25.0	33.2
Bad debts written off (net)	0.1	-
Royalty (net)	142.6	133.7
Miscellaneous expenses	48.5	36.5
	<u>3,157.5</u>	<u>2,974.2</u>

# Notes to the financial statements

(Currency: Indian Rupees million)

## 26 Earnings per share (EPS):

		For the year ended December 31, 2016	For the year ended December 31, 2015
Profit after tax attributable to equity shareholders	A	758.9	535.6
Calculation of weighted average number of equity shares			
Number of equity shares at the beginning of the year		16,599,382	16,599,382
Number of equity shares outstanding at the end of the year		16,599,382	16,599,382
Weighted average number of equity shares outstanding during the year	B	16,599,382	16,599,382
Basic and diluted earnings per share (Rs. )	A / B	45.7	32.3
Face value per share (Rs. )		10.00	10.00

## 27 Lease accounting

The Company has entered into cancellable operating lease agreements for vehicles and office premises/godowns. The lease charges of Rs. 17.4 million (2015: Rs. 15.8 million) and Rs.120.6 million (2015: Rs. 138.5 million) for vehicles and office premises/godowns respectively have been included under the sub-head Travelling, Conveyance and Vehicle Expenses and Rent respectively under the head "Other expenses" (refer Note 25) in the Statement of Profit and Loss.

### Operating Lease as Lessor:

The Company had leased out its flat. The lease term is twenty-four months. There was no escalation or renewal clause in the lease agreement and sub-letting was not permitted. The lease has been terminated on 29/02/2016 and the asset has been held for sale. The carrying amount of flat given on operating lease and depreciation thereon for the period are:

	As at December 31, 2016	As at December 31, 2015
Gross carrying amount	12.3	12.3
Accumulated depreciation	3.5	3.1
Net carrying amount	8.8	9.2
Depreciation for the period	0.4	0.2
The future minimum lease payments under non-cancellable operating leases are as follows:	0.4	0.4
Receivable within one year	0.4	0.4
Receivable between one and five years	-	-
Receivable after five years	-	-
Total	0.4	0.4

### Operating Lease as Lessee:

Non-cancellable operating lease rentals payable (minimum lease payments) under these leases are as follows:

	As at December 31, 2016	As at December 31, 2015
Payable within one year	79.7	80.1
Payable between one and five years	344.3	320.5
Payable after five years	286.3	380.0
Total	710.3	780.6

During the year, an amount of Rs. 0.9 million (2015: Rs. 1.8 million) has been recognized as rental income and has been included in Other income under the head "Miscellaneous income" (refer note 19) in the Statement of Profit and Loss.

# Notes to the financial statements

(Currency: Indian Rupees million)

## 28 Employee Benefits :

### (i) Defined Benefit Plans

The Company operates two post employment defined benefit plans that provide Gratuity and Provident fund benefits. The gratuity plan entitles an employee, who has rendered at least five years of continuous service, to receive one-half month's salary for each year of completed service at the time of retirement/exit. The Company also makes specified monthly contributions towards employee provident fund to the Merck Employees Provident Fund Trust. The interest rate payable by the trust to the beneficiaries every year is being notified by the Government. The Company has an obligation to make good the shortfall, if any, between the return from the investments of the trust and the interest payable at the notified rate.

	Gratuity	
	For the year ended December 31, 2016	For the year ended December 31, 2015
<b>I Change in benefit obligation</b>		
Liability at the beginning of the year	246.2	196.2
Interest cost	16.8	15.2
Current service cost	15.4	37.4
Benefit paid	(19.5)	(12.7)
Actuarial loss on obligations	18.9	10.1
<b>Liability at the end of the year</b>	<b>277.8</b>	<b>246.2</b>
<b>II Fair value of plan assets</b>		
Fair value of plan assets at the beginning of the year	173.3	157.4
Expected return on plan assets	15.7	15.0
Contributions	21.4	14.7
Benefit paid	(19.5)	(12.7)
Actuarial (loss) on plan assets	(3.5)	(1.1)
<b>Fair value of plan assets at the end of the year</b>	<b>187.4</b>	<b>173.3</b>
<b>Total actuarial (loss) to be recognised</b>	<b>(22.4)</b>	<b>(11.2)</b>
<b>III Actual return on plan assets</b>		
Expected return on plan assets	15.7	15.0
Actuarial (loss) on plan assets	(3.5)	(1.1)
<b>Actual return on plan assets</b>	<b>12.2</b>	<b>13.9</b>
<b>IV Amount recognised in the Balance Sheet</b>		
Liability at the end of the year	(277.8)	(246.2)
Fair value of plan assets at the end of the year	187.4	173.3
<b>(Liabilities) recognised in the balance sheet</b>	<b>(90.4)</b>	<b>(72.9)</b>

# Notes to the financial statements

(Currency: Indian Rupees million)

	Gratuity	
	For the year ended December 31, 2016	For the year ended December 31, 2015
<b>V Expenses recognised in the Statement of Profit and Loss</b>		
Current service cost	15.4	37.4
Interest cost	16.8	15.2
Expected return on plan assets	(15.7)	(15.0)
Net actuarial loss to be recognised	22.4	11.2
Expense recognised in Statement of Profit and Loss	38.9	48.8
<b>VI Balance Sheet reconciliation</b>		
Opening liabilities	72.9	38.8
Expense as above	38.9	48.8
Employers contribution	(21.4)	(14.7)
Liabilities recognised in Balance Sheet	90.4	72.9
<b>VII Actuarial assumptions : for the year</b>		
Discount rate current	6.7%	7.6%
Rate of return on plan assets current	9.0%	9.0%
Salary escalation current	9.0%	9.0%
Mortality Rate	1.5%	1.5%

**Note:** Employer's contribution includes payments made of Rs.19.5 million (2015 Rs.12.7 million) towards gratuity obligation by the Company directly to its past employees.

Estimate of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.

Assumptions regarding future mortality are based on published statistics and mortality tables. The calculation of the defined benefit obligation is sensitive to the mortality assumptions.

**(ii) Five-year information:**

Amounts for the current and previous four periods are as follows:

	2016	2015	2014	2013	2012
<b>Gratuity</b>					
Present value of defined benefit obligation	277.8	246.3	196.2	148.0	122.3
Fair value of plan assets	187.4	173.3	157.4	144.4	131.8
(Deficit)/Surplus in plan	(90.4)	(73.0)	(38.8)	(3.6)	9.5
<b>Experience adjustments on</b>					
Plan liabilities loss/(gain)	11.3	4.1	27.5	20.6	(1.8)
Plan assets (loss)/gain	(3.5)	(1.1)	(0.8)	(0.8)	0.1

# Notes to the financial statements

(Currency: Indian Rupees million)

## (iii) Broad category of plan assets relating to Gratuity as a percentage of total plan assets

The Company's gratuity fund is managed by its insurer, Life Insurance Corporation of India. The plan assets under the fund are deposited under approved securities.

## (iv) Disclosure for defined benefit plan (Provident fund)

### (i) Contribution to Provident and Superannuation fund

Amount of Rs. 57.1 million (2015: Rs. 55.0 million) is recognised as an expense and included in "Employee costs" (Refer note 23) in the Statement of Profit and Loss.

The guidance issued by the Accounting Standard Board on implementing AS 15, Employee Benefits (revised 2005) states that provident fund set up by employer, which requires interest shortfall to be met by the employer, needs to be treated as defined benefit plan.

The Institute of Actuaries of India has issued guidance for measurement of provident fund liabilities on actuarial basis. Based on this guidance note, the actuary has provided an actuarial valuation of the provident fund liability of the Company as at 31 December 2016.

As per the report of the independent actuary, there is no shortfall as at 31 December 2016 (2015: shortfall of Rs. Nil) that needs to be recorded by the Company.

### (ii) The details of benefit obligation and plan asset position are:

Particulars	2016	2015	2014	2013	2012
Present value of benefit obligation	828.8	695.5	581.6	500.0	433.9
Plan assets at period end, at fair value	882.5	723.2	598.3	515.0	460.9
Liability recognised in balance sheet	-	-	-	-	-

Principal assumptions used in determining the present value obligation of interest rate guarantee under the Deterministic Approach:

Particulars	2016	2015
Discount rate	6.7%	7.6%
Expected rate of return on assets	9.0%	9.0%

### (v) Compensated absences

Compensated absences are recognized when the employees render service that increase their entitlement to future compensated absence. Employees can carry forward and avail/ encash leave as per the policy of the Company. Compensated absences have been provided for, based on outstanding leave balance and the employees' gross pay.

The undiscounted amount of short term employee benefits of Rs.6.0 million (2015: Rs. 1.9 million) is expected to be paid in the exchange for the services rendered by employees and is recognised as an expense during the year.

## 29 Segment information

### Information About Primary Business Segments

Particulars	For the year ended December 31, 2016				For the year ended December 31, 2015			
	Pharmaceuticals	Chemicals	Eliminations	Total	Pharmaceuticals	Chemicals	Eliminations	Total
Revenue from Operations								
External revenue	7,657.3	2,306.0	-	9,963.3	6,659.1	2,735.9	-	9,395.0
Inter-segment revenue	-	-	-	-	-	68.4	(68.4)	-
Total revenue from operations	7,657.3	2,306.0	-	9,963.3	6,659.1	2,804.3	(68.4)	9,395.0
Results								
Segment result before allocation of corporate expenses	984.5	241.9	-	1,226.4	682.0	273.7	-	955.7
Less: corporate expenses	204.2	63.8	-	268.0	176.5	59.6	-	236.1
Net segment result	780.3	178.1	-	958.4	505.5	214.1	-	719.6
Other unallocated income (Net)				143.8				113.7

# Notes to the financial statements

(Currency: Indian Rupees million)

Particulars	For the year ended December 31, 2016				For the year ended December 31, 2015			
	Pharmaceuticals	Chemicals	Eliminations	Total	Pharmaceuticals	Chemicals	Eliminations	Total
Income taxes				(343.3)				(297.7)
Profit after tax				758.9				535.6
<b>Other information</b>								
Segment assets	3,191.1	1,626.1	-	4,817.2	2,815.5	2,142.1	-	4,957.6
Unallocated corporate assets				4,011.1				2,882.1
<b>Total assets</b>				<b>8,828.3</b>				<b>7,839.7</b>
Segment liabilities	1,704.7	344.7	-	2,049.4	1,313.7	383.6	-	1,697.3
Unallocated corporate liabilities				324.3				226.9
<b>Total liabilities</b>				<b>2,373.7</b>				<b>1,924.2</b>
Capital expenditure - additions	176.7	196.6		373.3	246.5	112.7		359.2
Non-cash expenses/(income) other than depreciation	22.9	8.5		31.4	11.5	21.7		33.2
Depreciation / amortisation/ provision for impairment	149.9	183.1		333.0	137.4	96.9		234.3

## Geographical segment information

	2016			2015		
	Domestic	Export	Total	Domestic	Export	Total
Revenue from operations	8,955.2	1,008.1	9,963.3	8,462.3	932.7	9,395.0
Segment asset	8,626.3	202.0	8,828.3	7,594.7	245.0	7,839.7
Capital expenditure	373.3	-	373.3	359.2	-	359.2

### a Business segment

For management reporting purposes, the Company is organised into two major operating divisions - Pharmaceuticals and Chemicals. The divisions are the basis on which the Company reports its primary segment information. The above segments have been identified taking into account the organisation structure as well as the differing risks and returns of these segments.

Pharmaceutical business comprises of products used in the treatment of Cardiovascular and Metabolic diseases, Consumer Healthcare products and Vitamins-based formulations.

Chemicals business comprises Bulk drugs and Pigments. Segment Revenue relating to the Chemicals business segment includes income from services provided to customers of this segment.

### b Geographical segment

In respect of secondary segment information, the company has identified its geographical segment as (i) Domestic and (ii) Exports. The secondary segment information has been disclosed accordingly.

### c Accounting policies

The accounting policies adopted for segment reporting are in line with the accounting policies adopted by the Company for the purpose of these financial statements, except in respect of inter-segment revenues, which have been accounted on the basis of prevailing market rates.

Segment assets include all operating assets used by a segment and consist principally of debtors, inventories and fixed assets, net of allowances and provisions which are reported as direct offsets in the Balance Sheet. While most such assets can be directly attributed to individual segments, the carrying amount of certain assets used jointly by two segments is allocated to the segments on a reasonable basis. Segment liabilities include all operating liabilities and consist principally of creditors and accrued liabilities. Segment assets and liabilities do not include current and deferred income taxes.

Segment revenue: Segment revenue comprises the portion of company's revenue that is directly attributable to a segment or that can be allocated on a reasonable basis to a segment, and intersegment transfer.

# Notes to the financial statements

(Currency: Indian Rupees million)

**Segment Expense:** Segment Expense comprises of the expense resulting from the operating activities of a segment that is directly attributable to the segment or that can be allocated on a reasonable basis to the segment and expense relating to transaction with other segments.

**Inter-segment transfer's:** Segment Revenue, segment expense and segment result includes transfers between business segments and between geographical segments. Those transfers are eliminated in preparing company-wide results.

**d Revenue comprises of :**

	2016	2015
Sale of products (net)	9,683.3	9,083.2
Other operating revenue	280.0	311.8
	<u>9,963.3</u>	<u>9,395.0</u>

**30 (a) Related party disclosures**

**Ultimate Holding Company:**

Merck KGaA, Germany through its subsidiaries listed below as Investing Associates holds 51.8% (2015: 51.8%) of the equity share capital, as at 31 December 2016

**Investing Associates:**

- Chemitra GmbH, Germany
- Emedia Export Company GmbH, Germany
- Merck International Beteiligungen GmbH, Germany

**Other related parties with whom transactions have taken place during the year:**

**Fellow Subsidiaries:**

- Ares Trading S.A., Switzerland
- EMD Millipore Corporaton, USA
- Merck & Cie., Switzerland
- Merck (Pvt.) Limited, Pakistan
- Merck Chemicals (Shanghai) Company Ltd., China
- Merck Limited, Japan
- Merck KGaA & co. Wek Spittal, Austria
- Merck Limited, Taiwan
- Merck Limited, Thailand
- Merck Pte Ltd, Singapore
- Merck spol. S.R.O, Czech Republic
- Merck SA, Brazil
- Merck Sdn Bhd, Malaysia
- Merck Selbstmedikation GmbH, Germany
- Merck Serono Middle East FZE LLC
- Merck Serono S.A., Switzerland
- Merck Specialities Private Limited, India
- Merck Life Science Private Limited (formerly known as Millipore (India) Private Limited, India)
- P.T. Merck Indonesia, Indonesia
- Seven Seas Limited, United Kingdom

# Notes to the financial statements

(Currency: Indian Rupees million)

- EMD Performance Materials Corporation, USA
- Ares Trading, Uruguay
- Merck Serono (Beijing) Merck Pharmaceutical Consulting Ltd., China
- Merck Performance Materials Private Limited, India, (Previously known as Chemtreat Composites Private Limited, India)
- Sigma Aldrich India Private Limited, India

## Key Managerial Personnel:

- Mr. Anand Nambiar (Managing Director) (Appointed w.e.f. 05 February 2015)
- Dr. Claus Boedecker (Managing Director) (Resigned w.e.f. 31 January 2015)
- Mr. Brijesh Kapil (Executive Director) (Appointed w.e.f. 05 February 2015, Resigned w.e.f. 04 October 2016)
- Mr. Ali Sleiman (Executive Director) (Appointed w.e.f. 05 February 2015, Resigned w.e.f. 04 October 2016)
- Mr. N Krishnan (Director)
- Mr. P. H. Pimplikar (Director) (Resigned w.e.f. 13 January 2015)

## 30 (b) Related party disclosures

Summary of related party transactions for the year ended December 31, 2016

	Transactions	Ultimate Holding Company	Investing Associates	Fellow Subsidiaries	Key Managerial Personnel	Total
1	Purchase of goods	885.4 (891.0)	- (-)	435.0 (358.9)	- (-)	1,320.4 (1,249.9)
2	Sale of goods	28.3 (61.2)	- (-)	363.9 (318.9)	- (-)	392.2 (380.1)
3	Services received	125.0 (129.0)	- (-)	64.9 (31.3)	- (-)	189.9 (160.3)
4	Royalty	142.6 (133.7)	- (-)	- (-)	- (-)	142.6 (133.7)
5	Services rendered	1.1 (0.7)	- (-)	189.6 (200.2)	- (-)	190.7 (200.9)
6	Reimbursement of expenses	17.8 (20.3)	- (-)	84.5 (91.2)	- (-)	102.3 (111.5)
7	Advances given	245.9 (561.8)	- (-)	43.3 (77.5)	- (-)	289.2 (639.3)
8	Dividend paid	- (-)	64.5 (51.6)	- (-)	- (-)	64.5 (51.6)
9	Managerial remuneration (net) #	- (-)	- (-)	- (-)	86.6 (89.7)	86.6 (89.7)
10	Balances payable as at year-end	129.1 (118.3)	- (-)	138.4 (94.5)	- (-)	267.5 (212.8)
11	Balances receivable as at year-end	1.9 (10.4)	- (-)	33.5 (54.2)	- (-)	35.4 (64.6)
12	Loan Balances receivable as at year-end	- (-)	- (-)	- (-)	0.1 (0.2)	0.1 (0.2)

Figures in brackets indicate those of the previous year

#Remuneration does not include charge for gratuity and compensated absences, as employee-wise break-up is not available.



# Notes to the financial statements

(Currency: Indian Rupees million)

## 30 (b) Related party disclosures (Continued)

Out of the above items, transactions in excess of 10% of the total related party transactions are as under:		
	For the year ended December 31, 2016	For the year ended December 31, 2015
<b>1 Purchase of goods</b>		
Merck KGaA, Germany	885.4	891.0
Merck Selbstmedikation GmbH, Germany	141.4	129.0
<b>2 Sale of goods</b>		
Merck KGaA & Co. Werk Spittal, Austria	166.9	115.3
Merck KGaA, Germany	28.3	61.2
Merck Limited, Thailand	38.9	22.2
EMD Millipore Corporation , USA	-	162.1
<b>3 Services received</b>		
Merck KGaA, Germany	125.0	129.0
<b>4 Royalty</b>		
Merck KGaA, Germany	142.6	133.7
<b>5 Services rendered</b>		
Merck Specialities Private Limited, India	71.3	92.2
Merck Life Science Private Limited, India (formerly known as Millipore India Private Limited, India)	118.4	108.0
<b>6 Reimbursement of expenses</b>		
Merck Performance Materials Private Limited, India	50.9	37.5
Merck Specialities Private Limited, India	-	25.6
Merck KGaA, Germany	17.8	20.3
Merck Selbstmedikation GmbH, Germany	33.5	17.4
<b>7 Advances given</b>		
Merck KGaA, Germany	245.9	561.8
<b>8 Dividend paid</b>		
Emedia Export Company mbh, Germany	26.5	21.2
Merck Internationale Beteiligungen GmbH, Germany	23.2	18.6
Chemitra GmbH, Germany	14.8	11.8
<b>9 Managerial Remuneration (net of cross charge)</b>		
Mr. Anand Nambiar	39.8	27.4
Mr. Brijesh Kapil (Appointed w.e.f 5 February 2015, Resigned w.e.f. 4 October 2016)	14.4	14.6
Mr. Ali Sleiman (Appointed w.e.f 5 February 2015, Resigned w.e.f. 4 October 2016)	18.7	22.0
Mr. N. Krishnan	13.7	12.7
Dr. Claus Boedecker (Resigned w.e.f. 31 January 2015)	-	1.4
Mr. P.H. Pimplikar (Resigned w.e.f. 13 January 2015)	-	11.6

# Notes to the financial statements

(Currency: Indian Rupees million)

## 30 (b) Related party disclosures (Continued)

	For the year ended December 31, 2016	For the year ended December 31, 2015
10 Balances payable		
Merck KGaA, Germany	129.1	118.3
Merck Selbstmedikation GmbH, Germany	94.9	35.5
EMD Millipore Corporation , USA	0.1	-
11 Balances receivable		
Merck KGaA, Germany	1.9	10.4
Merck Selbstmedikation GmbH, Germany	8.6	4.6
Merck Performance Materials Private Limited, India	7.2	42.9
Merck KGaA & Co. Werk Spittal	3.7	-
12 Loan balances receivable		
Mr. N S Krishnan	0.1	0.2

## 31 Contingent liabilities

(to extent not provided for)

Summary of disputed statutory demands not accepted by the Company are given below:

	As at December 31, 2016	As at December 31, 2015
Income tax	565.4	536.3
State and Central Sales Tax, Entry Tax	66.7	62.1
Excise duty /Service tax	218.9	207.0
	<b>851.0</b>	<b>805.4</b>

Management considers that the Excise duty/Value added tax/Sales tax/Income tax demands received from tax authorities are not tenable against the Company and hence no provision has been made.

- 32 a) In June 2016, National Pharmaceutical Pricing Authority (NPPA) served a demand notice on the Company alleging that during the period from January 2006 to June 2009 the Company sold Polybion 100ml syrup at a price higher than the ceiling price fixed by it on June 05, 2008. Pursuant to orders passed by Kolkata High Court, NPPA gave another opportunity of hearing to the Company. NPPA did not accede to any of the Company's contention and issued a fresh demand notice dated December 13, 2016 demanding a sum of Rs. 274.6 million (Rs. 116.8 million on account of overcharge during the said period and Rs. 157.8 million for interest thereon) for sales made by the Company during the period May 2006 to June 2009. The Company has challenged the said demand by way of writ petition, which is pending before Hon'ble Delhi High Court. In a separate proceedings filed by the manufacturer of the said drug, Cradel Pharmaceutical Private Limited, Hon'ble Kolkata High Court stayed the demand provided it deposits a sum of Rs. 22.5 million with the NPPA. The Company has been legally advised that the Company has a defensible case before Delhi High Court. Accordingly, no provision has been created in the books.
- b) During year 2014, the Company had made a provision of Rs. 69.8 million towards a possible liability which may accrue to the Company due to a judgment passed by the Supreme Court in the year 2014 impacting the Pharmaceutical industry in India including the Company.

# Notes to the financial statements

(Currency: Indian Rupees million)

- c) National Pharmaceutical Pricing Authority (NPPA) issued the price fixation orders for about 350 drugs on June 21, 2013 including Metformin, a formulation used by the Company in Company's product Carbophage 500 SR. The orders did not clarify whether the prices so fixed are applicable only for plain tablet or innovative dosages as well. The Company sought clarification from NPPA, however, no clear response has been received. Pending this clarification NPPA had sent a notice dated June 06, 2014, claiming the differential pricing charged by the Company for Carbophage 500 SR over the prices notified. On the basis of a recent judgement passed by the High Court of Bombay, the Company has made a provision of Rs.32.0 million towards a possible liability on some pharma products which may accrue to the Company.
- d) During the year 2014, Central Excise issued a show cause cum demand notice on the Company covering a period of five years for alleged wrong classification of the products, Vitamin E Acetate min.92% for Poultry/ Cattle/Pig-feed, Vitamin E Liquid for Animal Nutrition (for Pig/Cattle/Poultry) and Vitamin E Dry Powder 50% for Animal Nutrition. The value of total demand was Rs. 188.7 million including penalty and interest.

The Central Excise had issued show cause cum demand on similar matter in the past as well. The value of such demand was Rs 18 million. This was contested by the Company before the lower authorities. On the representation made by the Company the demand was dropped after considering various decisions pronounced by judicial and quasi-judicial authorities at the relevant time.

The Company based on legal opinion believes that it has a good case on merits as well as on limitations. Accordingly, no provision has been created in the books of accounts. If the Company succeeds on merits the entire duty demand including penalty and interest would be dropped. However, if the Company does not succeed on merits the Company has still chances of succeeding on limitations as the matter was known to the authorities and there was no suppression or misdeclaration of facts by the Company. In such an eventuality the duty demand would be restricted to one year and interest and the penalty would be dropped.

### 33 Commitments

Estimated amount of contracts remaining to be executed on Capital Account (net of capital advance Rs. 18.0 million ; 2015: Rs. 6.2 million) and not provided for Rs.48.9 million (2015: Rs. 44.8 million).

### 34 Unhedged foreign currency exposure

Foreign Currency exposure on account of trade receivable and payable not hedged by derivative instruments are as follows:

	As at December 31, 2016		As at December 31, 2015	
	(Foreign Currency)	(Rupees )	(Foreign Currency)	(Rupees )
<b>Payables</b>				
USD	2.9	204.5	2.0	141.7
EUR	2.4	180.3	1.9	139.1
GBP	*	0.3	*	0.3
CHF	-	-	0.1	3.6
AED	0.5	8.6	-	-
		<u>393.7</u>		<u>284.7</u>
<b>Receivables</b>				
USD	2.8	185.3	3.3	213.0
EUR	0.2	16.7	0.5	32.0
		<u>202.0</u>		<u>245.0</u>

# Notes to the financial statements

(Currency: Indian Rupees million)

## 35 Dues to micro, small and medium enterprises:

Under the Micro Small and Medium Enterprises Development Act, 2006, (MSMED) which came into force from October 2, 2006 certain disclosures are required to be made relating to with Micro Small and Medium enterprises. On the basis of the information and records available with the Management, the following disclosures are made for the amounts due to the Micro Small and Medium enterprises, who have registered with the competent authorities:

	As at December 31, 2016	As at December 31, 2015
Principal amount remaining unpaid to any supplier as at the year end	25.2	10.8
Interest due thereon	*	*
Amount of interest paid by the Company in terms of section 16 of the MSMED Act, 2006, along with the amount of the payment made to the supplier beyond the appointed day during the accounting year	-	-
Amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under the MSMED Act, 2006	-	-
Amount of interest accrued and remaining unpaid at the end of the accounting year	*	*
Amount of further interest remaining due and payable even in the succeeding years, for the purpose of disallowance as a deductible expenditure under Section 23 of the MSMED Act, 2006	*	*

## 36 Details of imported and indigenous materials, stores and spare parts consumed during the year

	For the year ended December 31, 2016		For the year ended December 31, 2015	
	Value	% of Total consumption	Value	% of Total consumption
Materials				
Imported	335.0	13.9%	467.0	18.2%
Indigenous	2,067.4	86.1%	2,102.3	81.8%
	<u>2,402.4</u>	<u>100.0%</u>	<u>2,569.3</u>	<u>100.0%</u>
Stores and spare parts				
Imported	2.6	6.5%	1.9	5.2%
Indigenous	37.4	93.5%	34.6	94.8%
	<u>40.0</u>	<u>100.0%</u>	<u>36.5</u>	<u>100.0%</u>

## 37 Value of Imports (On C.I.F. basis) :

	For the year ended December 31, 2016	For the year ended December 31, 2015
Raw materials	772.2	799.1
Finished goods	1,213.6	1,175.2
Components, Stores and Spare Parts	2.6	1.9
Capital goods	207.8	45.0
Others	13.0	4.6
	<u>2,209.2</u>	<u>2,025.8</u>

# Notes to the financial statements

(Currency: Indian Rupees million)

## 38 Expenditure in foreign currency:

	For the year ended December 31, 2016	For the year ended December 31, 2015
Royalty	142.6	133.7
Legal and professional fees	131.3	130.8
Others (travelling, commission, employee benefits etc.)	128.9	65.9
	<u>402.8</u>	<u>330.4</u>
Amounts disclosed above are on accrual basis		

## 39 Earnings in foreign exchange:

	For the year ended December 31, 2016	For the year ended December 31, 2015
Exports of goods on F.O.B. basis	869.4	802.0
Indenting commission	1.1	0.7
Income from shared services	88.3	71.0
	<u>958.8</u>	<u>873.7</u>

## 40. Dividend remittances in foreign currency

	For the year ended December 31, 2016	For the year ended December 31, 2015
Year to which the dividend relates	2015	2014
Amount remitted during the year	64.5	51.6
Number of non-resident shareholders	3.0	3.0
Number of shares on which dividend was due	8,599,224	8,599,224

## 41. Disclosure relating to provisions

### Personnel and other related provisions

The Company has made provisions for performance-based incentives.

### Provisions in respect of sales tax matters

The Company has also made provisions for various sales tax / value added tax related matters, which will be settled on completion of the respective assessments.

Summary of the movement in the provisions is given below:

	Opening balance	Additions during the year	Utilizations	Reversals	Closing balance
Personnel and other related provisions	137.2	232.6	109.1	-	260.7
	(101.2)	(122.8)	(86.8)	(-)	(137.2)
Provisions in respect of sales tax matters	69.9	7.2	4.2	5.0	67.9
	(69.2)	(5.3)	(4.6)	(-)	(69.9)
Other provision (refer note 32b)	69.8	32.0	-	-	101.8
	(69.8)	(-)	(-)	(-)	(69.8)
	<u>276.9</u>	<u>271.8</u>	<u>113.3</u>	<u>5.0</u>	<u>430.4</u>
	<u>(240.2)</u>	<u>(128.1)</u>	<u>(91.4)</u>	<u>(-)</u>	<u>(276.9)</u>

# Notes to the financial statements

(Currency: Indian Rupees million)

## 42. Payment to Auditors:

	For the year ended December 31, 2016	For the year ended December 31, 2015
Audit fees	2.2	1.5
Taxation matters	0.9	0.8
Other matters	1.5	1.4
Out of pocket expenses	0.1	0.3
	<u>4.7</u>	<u>4.0</u>

43. During the current year, the Company has impaired the fixed assets classified under oxynex plant on basis of determination of utilised production capacity of the plant. This plant is situated at the Company's production facility at Goa. Management noted that there is an indication for impairment of the fixed asset for oxynex plant on account of significant reduction in market demand of the product and no alternate use of plant expected as at date. The amount of impairment loss aggregating Rs. 57.5 million has been debited to profit and loss account for the year ended 31 December 2016. The plant is a chemical plant and forms a part of the Chemicals segment of the Company.

## 44. Transfer pricing

Transactions with related parties are governed by transfer pricing regulations of the Indian Income-tax Act, 1961. The Company's international and domestic transactions with related parties are at arm's length as per the independent accountants report for the year ended 31 March 2016. Management believes that the Company's international and domestic transactions with related parties post March 2016 continue to be at arm's length and that the transfer pricing legislation will not have any impact on the financial statements, particularly on the amount of tax expense and that of provision for taxation.

## 45. Corporate social responsibility

As per Section 135 of the Companies Act, 2013, the Company has constituted a Corporate Social Responsibility (CSR) Committee. During the year, the Company has spent on eradicating hunger, poverty, malnutrition, promoting preventive healthcare and sanitation and making available safe drinking water. The total amount spent by the Company towards CSR activities during the year is Rs. 16.3 million (2015: Rs. 5.8 million)

(a) Gross amount required to be spent by Company during the year is Rs. 16.3 million (2015: Rs.18.3 million)

(b) Amount spent during the year on:

Sr. No.	Activities	Paid in Cash		Yet to be paid in Cash		Total	
		2016	2015	2016	2015	2016	2015
1	Health/ Environment Sustainability and Sanitation	2.9	3.6	-	-	2.9	3.6
2	Education/ Education including skill development	6.9	0.6	-	-	6.9	0.6
3	Environment /Sustainability	3.3	1.6	-	-	3.3	1.6
4	Others	3.2	-	-	-	3.2	-
		<u>16.3</u>	<u>5.8</u>	<u>-</u>	<u>-</u>	<u>16.3</u>	<u>5.8</u>

46. Information with regard to other matter specified in schedule III of Companies Act, 2013 is either nil or not applicable to the Company for the year.

## 47. Prior year figures

Previous year's figures have been regrouped/rearranged wherever necessary to conform to current year's presentation.

As per our report of even date attached

For B S R & Co. LLP

Chartered Accountants

Firm's Registration No. 101248W/W-100022

Vikas R Kasat

Partner

Membership No.: 105317

Mumbai,

1st March, 2017

For and on behalf of the Board of Directors of Merck Limited CIN: L99999MH1967PLC013726

S. N. Talwar - *Chairman*

DIN No.: 00001456

H.C.H. Bhabha - *Director*

DIN No.: 00286072

Mumbai,

27th February, 2017

Anand Nambiar *Managing Director*

DIN No.: 02006594

N. Krishnan - *Director and Chief financial officer*

DIN: 01027659

Vikas R. Gupta

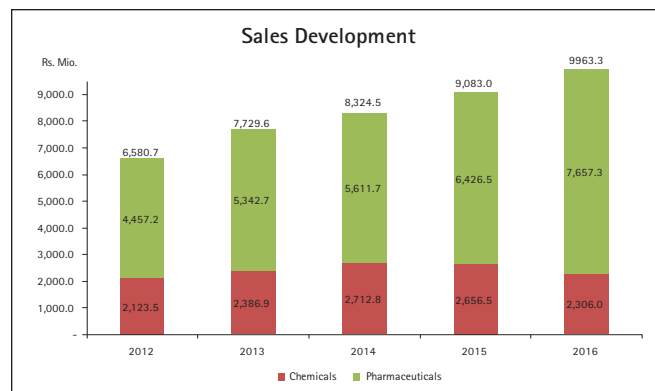
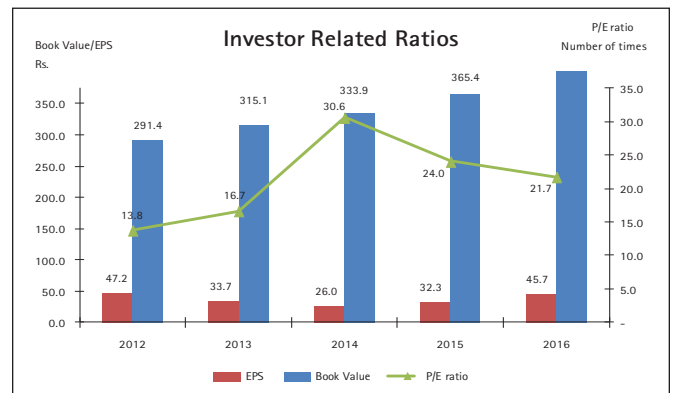
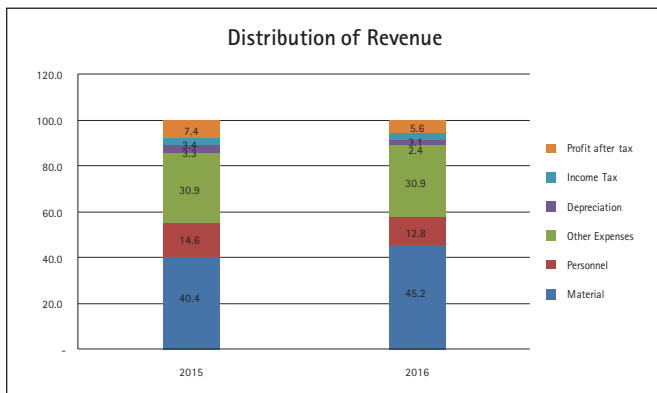
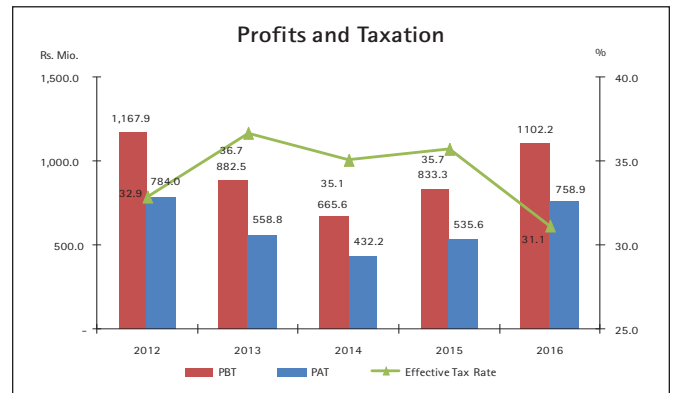
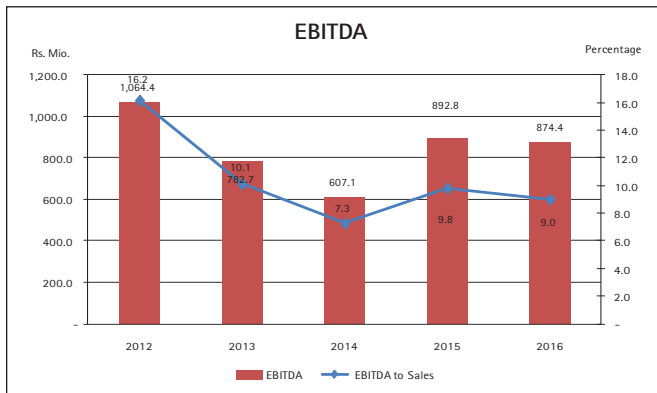
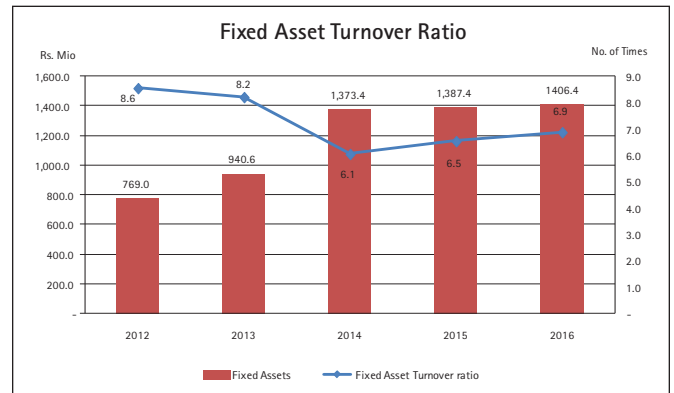
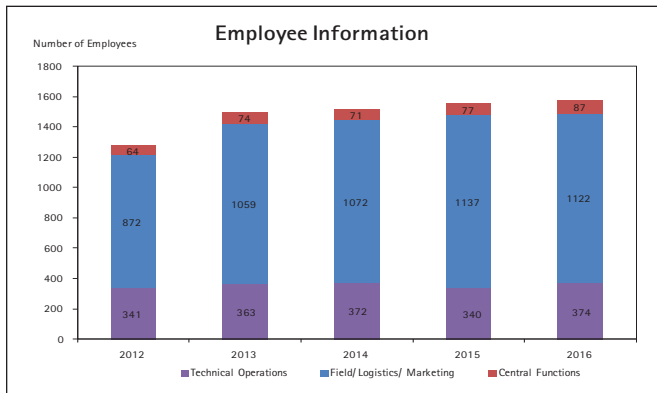
Company Secretary

## Financial Highlights : 2007 - 2016

		2007	2008	2009	2010	2011	2012	2013	2014	2015	Change	2016
							##	##	##	##	+/- in %	##
<b>PROFIT &amp; LOSS ACCOUNT SUMMARY</b>												
Turnover	Rs. Mio	3,148.3	3,894.6	4,731.1	5,090.8	5,575.7	6,580.7	7,729.6	8,324.5	9,083.2	6.6%	9,683.3
Operating and Other Income	"	395.0	477.1	432.1	433.7	488.8	494.1	462.7	553.7	544.9	-4.1%	522.4
	"	3,543.3	4,371.7	5,163.2	5,524.5	6,064.5	7,074.8	8,192.3	8,878.2	9,628.1	6.0%	10,205.7
<b>Costs &amp; Expenses</b>												
Materials Cost	"	1,264.9	1,599.9	2,060.9	2,078.7	2,427.8	2,990.2	3,630.0	4,004.7	4,352.5	-5.2%	4,126.3
Personnel Expenses	"	332.0	477.6	570.2	684.6	811.0	853.0	1,009.6	1,135.6	1,233.9	20.5%	1,486.7
Operating and Other Expenses	"	881.9	1,319.5	1,492.5	1,590.3	1,933.1	1,974.7	2,569.5	2,945.5	2,974.2	6.2%	3,157.5
Depreciation/Impairment loss (reversal)	"	65.9	57.3	75.1	213.8	(63.3)	89.0	100.7	126.8	234.2	42.2%	333.0
	"	2,544.7	3,454.3	4,198.7	4,567.4	5,108.6	5,906.9	7,309.8	8,212.6	8,794.8	3.5%	9,103.5
Profit Before Taxation	"	998.6	917.4	964.5	957.1	955.9	1,167.9	882.5	665.6	833.3	32.3%	1,102.2
Provision for Taxation	"	310.4	287.3	309.7	325.3	319.1	383.9	323.7	233.4	297.7	15.3%	343.3
Profit after taxation	"	688.2	630.1	654.8	631.8	636.8	784.0	558.8	432.2	535.6	41.7%	758.9
<b>BALANCE SHEET SUMMARY</b>												
<b>Assets Employed</b>												
Fixed Assets Gross	Rs. Mio	1,168.2	1,405.8	1,482.9	1,536.0	1,679.4	1,783.8	1,969.3	2,317.2	2,712.8	1.5%	2,753.2
Fixed Assets (Net)	"	405.0	622.1	640.3	512.4	719.4	769.0	940.6	1,373.4	1,387.3	-20.2%	1,106.6
Investments	"	2,339.7	1,529.3	238.2	201.8	227.4	236.4	242.9	238.7	422.8	-34.3%	277.8
Current and Non Current Asset (Net)	"	1,532.3	2,386.3	3,815.6	2,715.4	3,162.5	3,838.4	4,057.7	3,909.2	4,048.6	21.0%	4,896.8
Deferred Tax Assets (Net)	"	-	-	-	34.6	-	-	-	21.7	56.8	205.3%	173.4
	"	4,277.0	4,537.7	4,694.1	3,464.2	4,109.3	4,843.8	5,241.2	5,543.0	5,915.5	9.1%	6,454.6
<b>Financed by</b>												
Share Capital	Rs. Mio	168.6	168.6	166.0	166.0	166.0	166.0	166.0	166.0	166.0	-	166.0
Reserves and surplus	"	4,060.4	4,345.3	4,506.9	3,298.2	3,934.8	4,670.6	5,064.3	5,377.0	5,749.5	9.4%	6,288.6
shareholders Funds	"	4,229.0	4,513.9	4,672.9	3,464.2	4,100.8	4,836.6	5,230.3	5,543.0	5,915.5	9.1%	6,454.6
Deferred Tax Liability (Net)	"	48.0	23.8	21.2	-	8.4	7.2	10.9	-	-	-	-
	"	4,277.0	4,537.7	4,694.1	3,464.2	4,109.2	4,843.8	5,241.2	5,543.0	5,915.5	9.1%	6,454.6
<b>OTHER INVESTOR INFORMATION</b>												
Earnings per share	Rs.	40.8	37.4	39.0	38.1	38.4	47.2	33.7	26.0	32.3	41.5%	45.7
Dividend	%	200.0	175.0	200.0	950.0	-	25.0	85.0	60.0	75.0	46.7%	110.0
Book value per share	Rs.	250.8	267.7	281.5	208.7	247.0	291.4	315.1	333.9	356.4	9.1%	388.8
Market value of share	High Rs.	500	460.0	634	1,006	760	714	689	919	1,004	5.6%	1,060
	Low Rs.	372	260.0	293	566	553	555	523	536	716	-13.0%	623
No. of shareholders		25,718	26,096.0	24,083	27,284	27,313	26,857	27,257	28,591	34,030	-6.0%	32,005
No. of Employees		922	1,072	1,245	1,257	1,257	1,277	1,496	1,515	1,554	1.6%	1,583

## as per revised schedule VI

# PERFORMANCE INDICATORS







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