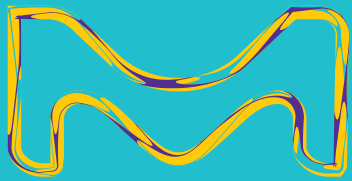


MERCK

ANNUAL REPORT 2015



LEADING SCIENCE AND TECHNOLOGY COMPANY

for innovative and
top quality high-tech products
in healthcare, life science
and performance materials



Women at Merck are
happy to be recognised
on the occasion of
International
Women's Day.

MERCK

Merck Limited

Forty-Ninth Annual Report and Statement of Accounts 2015

Board of Directors

Mr. S. N. Talwar

Independent Director – Chairman of the Board

Mr. Anand Nambiar

Managing Director (appointed w.e.f. 5 February 2015)

Mr. H. C. H. Bhabha

Independent Director

Mrs. Rani A. Jadhav

Independent Director (appointed w.e.f. 5 February 2015)

Mr. Bradley Simpson

Nominee Director (appointed w.e.f. 21 May 2015)

Mr. Brijesh Kapil

*Executive Director – Consumer Health Division
(appointed w.e.f. 5 February 2015)*

Mr. Ali Slieman

*Executive Director – Merck Biopharma Division
(appointed w.e.f. 5 February 2015)*

Mr. N. Krishnan

CFO & Executive Director – Finance

Dr. Peter-Ulrich Mannheimer

Non – Executive Director (Resigned w.e.f. 6 March, 2015)

General Counsel & Company Secretary:

Mr. Vikas R. Gupta

Auditors

B S R & Co. LLP

Chartered Accountants

Bankers

Canara Bank

Deutsche Bank AG

ICICI Bank Limited

HDFC Bank Limited

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Registered Office

Godrej One, 8th 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,
Nana Kramguda 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

Notice of Annual General Meeting

NOTICE is hereby given that the Forty-Ninth Annual General Meeting of the Members of Merck Limited will be held on Friday, June 10, 2016 at 3.00 P.M. at Auditorium One, First Floor, Godrej One, Pirojshanagar, Eastern Express Highway, Vikhroli East, Mumbai-400079 to transact the following business:

1. To receive, consider and adopt the Audited Financial Statements of the Company for the year ended December 31, 2015, including the audited Balance Sheet as at December 31, 2015, the statement of Profit and Loss for the year ended on that date together with the reports of the Board of Directors and Auditors thereon.
2. To declare dividend for the year 2015.
3. To appoint a Director in place of Mr. Brijesh Kapil (DIN: 06949048) 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 and other applicable provisions, if any, of the Companies Act, 2013 (“the Act” and the Rules framed thereunder, as amended from time to time, M/s. BSR & Co. LLP, Chartered Accountants Firm Registration No: (101248W/W-100022), be and is hereby re-appointed as Auditors of the Company to hold office from the conclusion of this Annual General Meeting (AGM) until the conclusion of the next AGM of the Company to be held in the year 2017, 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.”

SPECIAL BUSINESS:

5. To consider and, if thought fit, to pass, with or without modification(s), 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 2016 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 26, 2016.”

“RESOLVED FURTHER THAT the Board of Directors of the Company (including its Committee thereof), 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.”

6. To consider and, if thought fit, to pass, with or without modification(s), the following resolution 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. 200 Crores (Rupees Two Hundred Crores only) during the financial year 2016.

RESOLVED FURTHER THAT the Board of Directors or any committee thereof be and is hereby authorised to do all such acts, deeds, matters and things, and

Notice of Annual General Meeting

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

Registered Office:

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

Mumbai, April 29, 2016

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 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 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 Special Business:* The relevant Explanatory Statement pursuant to Section 102 of the Companies Act, 2013 in respect of the Item No.5 & 6 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 Tuesday, April 26, 2016 to Thursday, April 28, 2016 (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 Saturday, July 09, 2016 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 Monday, April 25, 2016;
 - 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 Monday, April 25, 2016.
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 participant(s).
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

Notice of Annual General Meeting

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, 2007 have been transferred to “Investor Education and Protection Fund”. A list of shareholders whose such unclaimed dividend has been transferred is available on Company’s website www.merck.co.in. Members who have not encashed the dividend warrant(s) so far for the year ended December 31, 2008 or any subsequent years are requested to send their claims directly to the Company or to Karvy Computershare Private Limited. (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.
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 Friday, June 03, 2016 (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 2015 circulated to the Members of the Company, will be made available on the Company’s website, www.merck.co.in
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 49th 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 2015 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.

Instructions for E-voting

Voting through electronic means

- I. 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 Administration) Amendment Rules, 2015 and regulation 44 of the Listing regulations, 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).
- II. The facility for voting through ballot paper shall be made available at the AGM and the members

Notice of Annual General Meeting

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.

III. 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.

IV. The remote e-voting period commences on June 07, 2016 (9:00 am) and ends on June 09, 2016 (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 June 03, 2016, 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.

NOTE: The "remote e-voting" end time shall be 5:00 p.m. on the date preceding the date of AGM and the cut-off date shall not be earlier than 7 days before the date of AGM.

V. 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.
- (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 "Merck Limited".

(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 evoting@sarafassociates.com with a copy marked to 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] :

- (i) Initial password is provided as below/at the bottom of the Attendance Slip for the AGM.

Notice of Annual General Meeting

- (ii) Please follow all steps from Sl. No. (ii) to Sl. No. (xii) above, to cast vote.

- VI. 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 or call on toll free no.: 1800-222-990.
- VII. 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.
- VIII. 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).
- IX. 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 Friday, June 03, 2016.
- NOTE:** The cut-off date shall not be earlier than 7 days before the date of Annual general meeting.
- X. 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 may obtain the login ID and password by sending a request at evoting@nsdl.co.in or Issuer/RTA. However, if you are already registered with NSDL for remote e-voting then you can use your existing user ID and password for casting your vote. If you forgot your password, you can reset your password by using “Forgot User Details/Password” option available on www.evoting.nsdl.com or contact NSDL at the following toll free no.: 1800-222-990.
- XI. 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.
- XII. Mr. K. G. Saraf of Saraf & Associates, Practicing Company Secretaries, (Membership No. FCS:1596) has been appointed for as the Scrutinizer for providing facility to the members of the Company

to scrutinize the voting and remote e-voting process in a fair and transparent manner.

- XIII. 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.

NOTE: The Facility for Voting shall be decided by the company i.e. “remote e-voting” or “Ballot Paper” or “Polling Paper”

- XIV. 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.
- XV. The Results declared alongwith the report of the Scrutinizer shall be placed on the website of the Company, 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.

Notice of Annual General Meeting

2. Pursuant to Section 101 of the Act read with applicable rules, the Annual report for the year 2015 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 2015 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 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 (DP). Changes intimated to the DP will then be reflected in the Company's records which will help the Company and the Company's Registrar and Transfer Agent, 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, 8th Floor, Pirojshanagar
Eastern Express Highway, Vikhroli (East),
Mumbai – 400 079
Phone: +91 22-6210 9000
Email: jeevan.mondkar@merckgroup.com

Unit – Merck Limited

Karvy Computershare Private Limited
Karvy Selenium Tower B,
Plot 31-32, Gachibowli, Financial District,
Nana Kramguda 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

Notice of Annual General Meeting

EXPLANATORY STATEMENT:

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

Item No: 5

The Board of Directors in its meeting held on February 26, 2016, 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 lakhs 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 2016. 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.

The Board recommends the resolution set forth at item No.5 of the Notice for approval of the Members of the Company.

Item No: 6

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 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. 200 crores during the financial year 2016.

These transactions with Merck KGaA are in the ordinary course of business of the Company and will be on arms length basis, the Audit Committee in its meeting held on February 26, 2016, 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. 6 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

Registered Office:
Godrej One, 8th Floor,
Pirojshanagar,
Eastern Express Highway,
Vikhroli (East)
Mumbai – 400 079

CIN: L99999MH1967PLC013726

Mumbai, April 29, 2016

Notice of Annual General Meeting

Details of Director Seeking Appointment /Re-appointment at the Annual General Meeting

Particulars	Mr. Brijesh Kapil
Date of Birth	22 nd October, 1960
Date of Appointment	05 th February, 2015
Qualifications	<ul style="list-style-type: none"> PGDM – MBA (IIM-A) Post Graduate in Business Management from Indian Institute of Management – Ahmedabad with majors in Marketing. Rank 25/162 Ph.D (Business Administration) Consumer Behaviour from BRA (Agra University)
Expertise in specific functional areas	Sales and Marketing experience in FMCG, Pharmaceuticals, OTC and Agro experience in India, Europe & Africa with Indian Companies and MNC's.
Directorship held in other public companies (excluding foreign companies and Section 8 companies)	NIL
Membership / Chairmanships of committees of other public companies (Includes only Audit Committee and Stakeholders Relationship Committee)	NIL
Number of shares held in the Company	NIL

Directors' Report

We are pleased to present the report on our business and operations for the year ended December 31, 2015.

FINANCIAL HIGHLIGHTS: The Financial performance of your Company for the year ended December 31, 2015 is summarized below:

	(Rupees Million)	
Particulars	2015	2014
Income from Operations	9,395.0	8,674.9
Other Income	233.1	203.3
Profit before Interest, Depreciation and Tax	1,067.5	792.4
Depreciation	234.2	126.8
Provision for Taxation (net)	297.7	233.4
Profit after tax	535.6	432.2
Profit available for appropriations	2,473.4	2,100.5
Appropriations:		
Transfer to General Reserve	53.6	43.2
Dividend (including Tax on Dividend)	149.8	119.5
Balance carried to the Balance Sheet	2,270.0	1,937.8
EPS		
- Basic (Rs.)	32.3	26.0
- Diluted (Rs.)	32.3	26.0

COMPANY'S OPERATIONAL PERFORMANCE:

Detailed operational working of your Company is provided in the Management Discussion and Analysis Report forming part of this Report. During the financial year ended December 31, 2015, your Company achieved a turnover of Rs. 9,083.2 Million as against a turnover of Rs. 8,324.5 Million in the previous year, registering a growth of 9.1%. During the year under report, the Pharmaceuticals segment showed an increase in turnover of 14.5%, the Chemicals segment registered decrease of 2.0% as compared to the respective segment turnover achieved during the previous financial year. The profit after tax has increased by 23.9% during the year 2015 over the profit after tax of previous financial year, 2014.

The export turnover of your Company during the year 2015 was Rs. 802.0 Million as against Rs. 677.4 Million achieved in the previous year.

SHARE CAPITAL:

Share Capital Audit as per the directives of the Securities and Exchange Board of India is being conducted on a quarterly basis by M/s. K.G. Saraf & Company, Practicing Company Secretaries. The Share Capital Audit Reports are duly forwarded to the BSE Limited and National Stock Exchange of India Limited where the equity shares of your Company are listed. During the year ended December 31, 2015 there was no change in the issued and subscribed capital of your Company, the outstanding capital as on December 31, 2015 is Rs. 166.0 million comprising of 16 million equity shares of Rs. 10/- each.

DIVIDEND:

Your Board of Directors has recommended a dividend of Rs. 7.50/- (Rupees Seven and Fifty paise only) per equity share for the year ended December 31, 2015. This is subject to approval of the Members at the forthcoming Annual General Meeting.

TRANSFER TO RESERVES:

The Company proposes to transfer Rs. 53.6 million to the general reserve out of the amount available for appropriation and an amount of Rs. 2,270.0 million is proposed to be retained in the profit and loss account.

FIXED DEPOSITS:

Your Company has not accepted any public deposits from the public or the Members during the year 2015 and no amount on account of principal or interest on public deposits was outstanding as on the date of the balance sheet.

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 I 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

Directors' Report

DIRECTORS' RESPONSIBILITY STATEMENT:

In accordance with Section 134(5) of the Companies Act, 2013, (the 'Act') your Directors, to the best of their knowledge and belief, confirm 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 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 have been prepared on a going concern basis;
- (e) they 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) they have devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

DIRECTORS:

Mr. Brijesh Kapil, Executive Director, Consumer Health Care, 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. Board recommends his re-appointment.

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

Mr. Bradley Simpson was appointed as a Non-Executive Director nominated by Merck KGaA w.e.f. May 21, 2015 in place of Mr. Peter Ulrich Mannheimer whose nomination was withdrawn by Merck KGaA.

Mr. Mannheimer ceased to be a director w.e.f. March 6, 2015.

The Directors place on record their appreciation for valuable contributions made by Mr. Mannheimer during his tenure as member of the Board.

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.

NUMBER OF MEETINGS OF THE BOARD:

Six 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 carried out an annual evaluation of performance of the Board, its committees and individual performance of directors. The performance of the Board and Committees was evaluated by the Board at its meeting held on February 26, 2016. The Board also assessed the performance of Independent Directors. The Nomination & Remuneration Committee at its meeting held on February 26, 2016 evaluated the performance of the executive directors of the Company. The Board sought response from all members of the Board by way of questionnaires regarding performance of the Board and individual members. Directors were also asked to do their self-evaluation. Additionally the Chairman's performance was also evaluated on key aspects of his role and responsibilities.

AUDITORS AND THEIR REPORT:

M/s. B S R & Co. LLP, Chartered Accountants, retires as Statutory Auditors of the Company at the conclusion of the forthcoming Annual General Meeting and has confirmed their eligibility and willingness to accept the office of the Auditors for the year 2016, if re-appointed.

Directors' Report

A certificate, confirming that their appointment as Statutory Auditors, if made, would be according to the terms and conditions prescribed under Section 139 and 141 of the Companies Act, 2013 and rules framed thereunder, has been received.

The Board and Audit Committee of your Company has recommended the re-appointment of M/s. B S R & Co. LLP, Chartered Accountants, as Statutory Auditors of your Company, to hold office as such from the conclusion of the forthcoming Annual General Meeting until the conclusion of next Annual General Meeting to be held during 2017.

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 concerning its bulk drugs and formulations divisions. To conduct the cost audit of these divisions, M/s. Joshi Apte & Associates, Cost Accountants, were re-appointed as Cost Auditors of your Company for the year 2015. The Cost Audit Report for the financial year ended December 31, 2014 was due to be filed on June 30, 2015 which was filed on June 30, 2015.

CHANGE OF REGISTERED OFFICE:

In order to consolidate the Company's operations and administration, which were scattered at various locations in Mumbai including Worli, Prabhadevi and Shirwane, the Company shifted its corporate office to a new premises, at Godrej One, 8th Floor, Pirojshanagar, Eastern Express Highway, Vikhroli (E), Mumbai, 400079. Subsequently, the Company shifted its registered office to the same address. As such new registered office address of the Company with effect from December 31, 2015 has changed from Shiv Sagar, A, Dr. Annie Besant Road, Mumbai – 400018 to Godrej One, 8th Floor, Pirojshanagar, Eastern Express Highway, Vikhroli (E), Mumbai, 400079.

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, Practising Company Secretaries, and their report is annexed as Annexure II. At the Audit Committee Meeting held on May 07, 2015 the quorum

as per the Companies Act, 2013 was present. However, one independent director could attend the said Audit Committee Meeting instead of two independent directors, as required under Clause 49 (III)(B) of the listing agreement, since other independent directors were traveling and not reachable. Subsequently, the independent directors confirmed the minutes of May 07, 2015 audit committee meeting.

INTERNAL CONTROLS AND THEIR ADEQUACY:

The Company has an Internal Control System commensurate with the size, scale and complexity of its operations.

AUDIT COMMITTEE RECOMMENDATIONS:

During the year all the recommendations of the Audit Committee were accepted by the Board. The Composition of the Audit Committee is as described in the Corporate Governance Report, which forms part of this report.

RISK MANAGEMENT:

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 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 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 Report, which forms part of this report.

PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS:

The particulars of loans, guarantees and investments have been disclosed in the financial statements.

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

Directors' Report

All related party transactions are placed before the Audit Committee for approval. Prior omnibus approval of the Audit Committee is obtained on an annual basis, which is reviewed and updated on quarterly basis.

The details of the related party transactions as required under Section 13(3)(h) read with Rule 8 of the Companies (Accounts) Rules, 2014, is attached as Annexure III.

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 whistle blower policy. 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 its employees that any non-compliant behavior of directors or employees including the 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. Whistle blower complaints and their redressal are discussed at the audit committee of the Company.

NOMINATION AND REMUNERATION POLICY:

The Company has a Nomination and Remuneration Policy in compliance with the provisions of Sections 134(3)(e) and 178 of the Companies Act, 2013 Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015. 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.

PARTICULARS OF EMPLOYEES:

The information 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 years set out below:

Name of Director	Designation	Ratio of Director remuneration to median remuneration
Mr. Suresh Talwar	Independent Director	1.57
Mr. Homi Bhabha	Independent Director	1.24
Mrs. Rani Ajit Jadhav*	Independent Director	0.71
Mr. Anand Nambiar*	Managing Director	29.85
Mr. Brijesh Kapil*	Executive Director – Consumer Health	16.74
Mr. Ali Sleiman*	Executive Director – Biopharma	23.71
Mr. N. Krishnan	Executive Director – Finance and Chief Financial Officer	14.21

* Directors were appointed during the year, as such their remuneration is not exactly comparable with annual median remuneration of employees.

- (b) The percentage increase in remuneration of each Director, Managing Director, Chief Financial Officer, Company Secretary in the financial year:

The Managing Director, Mr. Anand Nambiar, Executive Directors, Mr. Ali Slieman and Mr. Brijesh Kapil joined the Board during the financial year under review, as such this section is not applicable to this extent. The percentage increase in the remuneration of Mr. N. Krishnan, Executive Director – Finance and Chief Financial Officer, was 9.0% and Mr. Vikas Gupta, Company Secretary, was 9.0%.

- (c) The percentage increase in the median remuneration of employees in the financial year: 9.0%
- (d) The number of permanent employees on the rolls of Company: 1554
- (e) The explanation on the relationship between average increase in remuneration and Company performance:

During the year under review, on an average, employees received an annual increase of 9.0%, individual increment varied between 5.0% to 13.0%. The increase in remuneration is in line with the market trends. Each employee's remuneration

Directors' Report

has variable component which is partly linked to his/her performance and partly related to the Company's overall performance. As such the Company's performance is reflected in the annual increase of employees.

(f) Comparison of the remuneration of the Key Managerial Personnel against the performance of the Company:

During the financial year ended December 31, 2015, your Company registered an increase of 9.1% and 23.9% in its turnover and profit after tax respectively over the turnover and profit after tax during the preceding financial year. The remuneration of the Key Managerial Personnel increased by 9% and was based on their individual performance and overall company performance.

(g) Variations in the market capitalization of the Company, price earnings ratio as at the closing date of the current financial year and previous financial year:

The market capitalization as on December 31, 2015 and December 31, 2014 was Rs.12,892 million and Rs. 13,193 million respectively, on the basis of closing price prevailing on BSE Limited as on that date. On the same dates price earning ratio of the Company was Rs. 24.04 and Rs. 30.52 respectively.

(h) Percentage increase or decrease in the market quotations of the shares of the Company in comparison to the rate at which the Company came out with the last public offer:

Particulars	Market price as on December 31, 2015	Issue price of equity shares on December 31, 1992	% age change of market price over the Issue price
Market Price (BSE)	793.7	Rs. 24	33.0 times of the issue price
Market Price (NSE)	776.6	10 each at a premium of Rs. 14 per share)	32.3 times of the issue price

(i) 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:

During the year under review the employees' salary increase was in the range of 5% to 13% as against the average increase in managerial remuneration of 9%. The average increase to all employees was based on merit and performance criteria and is in line with the industry trends.

(j) Comparison of remuneration of the each key managerial personnel against the performance of the Company:

Name of the Key Managerial Personnel	Designation	Remuneration ^{\$} Rs. Million	Remuneration as % age of	
			Turnover	Profit as Computed u/s. 198
Anand Nambiar	Managing Director	25.1	0.27%	2.62%
Brijesh Kapil	Executive Director – Consumer Health Division	14.1	0.15%	1.47%
Ali Slieman	Executive Director – Biopharma Division	19.9	0.21%	2.08%
N Krishnan	Executive Director – Finance and Chief Financial Officer	11.9	0.13%	1.17%
Claus Dieter Boedecker *	Managing Director	1.4	0.01%	0.14%
Pramod Pimplikar**	Executive Director – Technical Operations	4.7	0.05%	0.49%
Vikas R. Gupta	General Council & Company Secretary	10.2	0.11%	1.07%

* Resigned w.e.f. January 31, 2015

** Resigned w.e.f. January 13, 2015

\$ Excluding contribution to provident fund, superannuation fund and leave encashment.

(k) The key parameters for any variable component of remuneration availed by the directors:

The Board of Directors decides the commission payable to its non-executive independent directors on annual basis. The Board at its meeting held on February 26, 2016 has taken the decision to pay commission to non-executive independent director for the year 2015 on the basis of their participation and attendance at the meetings of

Directors' Report

the Board, committee meetings, their inputs into the strategic decisions and time spent by them. The aggregate commission paid to non-executive independent directors is within the overall limit of 1% of the profits of the Company.

- (l) The ratio of the remuneration of the highest paid director to that of the employees who are not directors but receive remuneration in excess of the highest paid director during the year:

There is no employee of the Company who is receiving remuneration in excess of the remuneration paid to highest paid executive directors.

- (m) 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 Section 136 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 Companies Act, 2013, read with Rule 8 of the Companies (Accounts) Rules, 2014, are set out in Annexure IV.

EXTRACTS OF ANNUAL RETURN:

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

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.

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.

During the year ending December 31, 2015, the Company has received 02 complaints of sexual harassment, both of which have been disposed off by taking appropriate actions.

GREEN INITIATIVE:

Your Company has taken the initiative of going green and minimising 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, February 26, 2016

Directors' Report

Annexure I to the Directors' Report

CORPORATE SOCIAL RESPONSIBILITY (CSR) 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 area where the CSR activities are focused are Public Health, Environment and Education. Our CSR vision is aimed to actively contribute to improve health and enriching life of human beings, spreading education and protecting environment, this is aligned with our global CSR vision aimed to impact the community positively and produce sustainable results. Our CSR programs are generally either carrying out programs directly or by engagement of well reputed and recognized organization, we also have a special purpose trust "Merck India Charitable Trust" for this purpose. We also collaborate with Government, district authorities and like for meeting our objectives. The weblink 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=

2. The composition of the CSR committee:

As on date of this report, Merck has a CSR Committee consisting of 5 following members. Chairman of the Committee is an Independent Director.

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

Mr. Anand Nambiar

Mr. Ali Sleiman

Mr. Brijesh Kapil

Mr. Sunil Punjabi*

* Co-opted as member of the Committee with effect from February 26, 2016. Mr. Sunil Punjabi is the General Manager of Merck Life Science Business and a director of Sigma Aldrich Composite Pvt. Ltd., a Merck India Group Company.

3. Average net profit of the company for last three financial years for the purpose of computation of CSR: Rs. 917.4 Million.

4. Prescribed CSR Expenditure*: Rs. 18.3 Million

* for the year 2016

5. Details of CSR spent during the financial year:

During the year 2015 the Company has spent Rs. 5.8 Million on CSR activities as against the budget of Rs. 18.0 Million. Details of the CSR activities undertaken by the Company along with its other group companies Viz, Merck Specialties Private Limited and Merck Life Science Private Limited, during the year 2015 covering Education, Sanitation and Health Care are as follows;

a) Merck Scholarship Program:

Merck India Charitable Trust (MICT) was established as an educational trust by Merck Limited in 2005. Registered under FCRA in 2011, the primary objective of the trust is to encourage talented under-privileged students to pursue higher education and prevent them from dropping out of academics due to lack of financial resources. MICT through its scholarship program, sponsors part of the educational expenses of the selected students. (School fees, Study material against bills submitted). Talented students from weaker section of the society above the level of 10th standard are selected for a scholarship of INR 35,000/- per student, per year up to the completion of their graduation.

The scholarship amount is fixed for one year and Merck's commitment is until graduation. The number of years of scholarship may vary as per the student's choice of stream for higher education, which usually ranges from 5-7 years. Total number of scholarships given out is now capped at 225 as on 2015.

MICT scholars have 100% success rate in completing their graduation. Many MICT beneficiaries are now working or pursuing higher education in the fields like Science, Engineering, Medical, Nursing, Aviation etc.

Directors' Report

During the year under review MICT met its financial requirements out of its own corpus or income thereof. However, the Company has provided all managerial and administrative support to MICT.

b) River Ambulance Project – Narmada Samagra

River Ambulance project entails a boat equipped with basic healthcare equipments providing primary health care services to areas which are not connected by road across Narmada River, Madhya Pradesh. The river ambulance program which started in 2014 in collaboration with NGO Narmada Samagraha currently operates in the back waters of Sardar Sarovar Dam covering Alirajpur, Barwani and Dhar districts of Madhya Pradesh. The boat runs (maximum) five days a week reaching out to an average of 40-50 beneficiaries per day. Started with 16 banks in 2014, the service now extends to 30 banks covering more than 40 villages in Madhya Pradesh in 2015. The ambulance has been able to reach more than 12,000 people directly by distributing medicines and providing treatment for body ailments, fever, skin ailments and also by providing common medicines to pregnant ladies. Awareness about health and hygiene is also given by a local health care practitioner through the ambulance. Many beneficiaries have also been transported to government hospitals through the ambulance in case of emergencies.

c) Magic Bus

The “Magic Bus” Program targets to holistically develop the children from the underprivileged community by motivating and mentoring them to evolve a positive attitude and behaviour in three live values (Education, Health and Gender Equality) and to develop socio emotional skills. This is to help the child to evolve into a confident and competent youth and thus empowering them to get a livelihood of their choice and succeeding in it thereby giving them a fair

chance of moving out of poverty. This is done by mobilizing and educating the children in a selected community after an initial baseline survey is conducted. The children are then taught through a curriculum which is designed keeping in mind the socio-economic environment they are brought up in. This is done so that the students are able to connect to the curriculum and learn the lessons in an efficient manner. With Merck, Magic Bus has been working since 2015. The Magic Bus program for Merck runs in Murbad, Thane District of Maharashtra. So far the program has covered upto 800 children in the community.

d) Sanitation drive in Goa

Under the “Clean Ponda” initiative by Goa Government, Merck Goa Site has supported Ponda municipality by donating 50 nos. Wheeled Waste Bins to Ponda Municipal Council. These bins have been donated in an attempt towards making Goa a Garbage Free Zone.

Also as a part of Clean Goa Initiative, upon request from Ponda Municipal council, one each of bailing machine and fork lift has been donated to Dept. of Science & Technology, Solid Waste Management, Goa Pollution Control Board, Panaji.

Merck as part of its “Waste Management Program” has supported the Goa Government in these initiatives. The bailing machine and fork lift was donated to two material recovery facilities, one at Sarvona (Bicholim) and another at Cacora (Quepem). In these facilities, the Dry Combustible Waste from different Village Panchayats, Municipal Councils, Industrial Estates, and Schools is collected and secondary segregation is done into recyclable and non-recyclables. The major portion which is non-recyclable is compressed into bales using the baling machine. These bales are then loaded on trucks and sent to cement companies in Karnataka for co-incineration.

Directors' Report

e) Distribution of school books and uniform

This project includes distribution of 184 nos of School Uniforms to students belonging to the Villages of Usgaon under Usgaon Municipality. The distribution has taken place in 4-5 schools in the area.

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 expenditure incurred by the Company on CSR activities was less than the budgeted expenses since the Company was in the process of setting up the administration and office processes and the necessary infrastructure including hiring of a new staff member. The Company will strive

to carry the CSR activities during the current year with full vigour and motivation and will be able to spend the CSR budget for the year 2016.

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

Annexure to the Directors' Report

Manner in which CSR amount was spent during the financial year is detailed below.

(Rs. Million)

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.	River Ambulance project and River Water testing project in Madhya Pradesh	Health/ Environment Sustainability and Sanitation	Other State: River Ambulance: Madhya Pradesh: Alirajpur, Barwani and Dhar districts Water testing kits: Madhya Pradesh Hoshangabad, Indore (south), Indore (north), Jabalpur.	6.46	3.62 Overheads : Nil	3.62 Overheads : Nil	Direct: 2.76 Through Agency: INR 1.10
2.	Active Kids Active India	Education/ Education including skill development	Murbad, Thane district, Maharashtra	0.7	0.35 Overheads : Nil	0.35 Overheads : Nil	Direct
3.	Waste Management Project -Goa 150 wheeled waste bins and Forklift and street light donated to Goa Municipality	Environment / Sustainability	Merck Project Site: Goa- Ponda Municipality, Goa Site etc.	3.24	1.66 Overheads : Nil	1.66 Overheads : Nil	Direct
4.	CSR support for Education in Goa Site : Distribution of School Uniforms for 184 students	Education	Goa: Villages of Usgaon under Usgaon Municipality	0.18	0.14 Overheads : Nil	0.14 Overheads : Nil	Direct
5.	Spine Aidcoc	Health Care	Donation for bookmark for spine care	0.1	0.1 Overheads : Nil	0.1 Overheads : Nil	Direct
	Sub-total			10.68	5.87	5.87	
	Overheads				Nil	Nil	
	Total CSR spend			10.68	5.87	5.87	

Annexure to the Directors' Report

Annexure II to the Directors' Report

Form No. MR-3

SECRETARIAL AUDIT REPORT

FOR THE FINANCIAL YEAR ENDED 31st DECEMBER 2015

[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 East, 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 31st December 2015 generally complied with the statutory provisions listed hereunder and also that the company has proper board-processes and compliance mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

We have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company for the financial year ended on 31st December, 2015 according to the provisions of:

- i. The Companies Act, 2013 (the Act) and the rules made thereunder;
- 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, 1992;
- 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 (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 (*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 thereunder.

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 with effect from 1st July, 2015,
- 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 generally complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards, etc.

Annexure to the Directors' Report

mentioned above subject to the observation that only one independent director was present in the Audit Committee meeting held on 7th May, 2015 as against presence of two independent directors as required by clause 49(III) (B), though the required quorum was present in the meeting.

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 with effect from First July Two Thousand Fifteen, and earlier the Company circulated the Agenda of the meetings in advance of the date of the meeting 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. 3541
C P No.: 2107

Place : Pune
Date : 26 February, 2016

To,
The Members,
Merck Limited,
Godrej One, Floor No.8,
Vikhroli East, 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, 2015 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. 3541
C P No.: 2107

Place : Pune
Date : 26 February, 2016

Annexure to the Directors' Report

Annexure III to the Directors' Report

FORM NO. AOC – 2

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 2015.

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	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,	On going contract	As per commercial terms in line with business practices and comparable with unrelated parties. Value Rs. 1,236.0 Million	The Company, <i>inter-alia</i> , 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 05, 2015 Shareholders approved on April 08, 2015	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 to the Directors' Report

Annexure IV to the Directors' Report

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO PURSUANT TO PROVISIONS OF SECTION 134 OF THE COMPANIES ACT, 2013 READ WITH RULE 8 THE COMPANIES (ACCOUNTS) RULES, 2014

1. All utility equipment's operationally controlled as per production plans.
2. Regular maintenance is done to steam condensate traps & safety valves to avoid leakages. Replaced faulty Steam Traps & PRV station for Vitamin E / TDS plant.
3. Steam from the 3 MW Captive power plant used at Plot A for the process steam during power plant operation from April 2015.
4. Level sensor installed for the over head tank for water level control saving on an average 240 KWh per month.
5. N2 usage started from the OxyneX-ST Utility nitrogen plant for all chemical plants & stopped the N2 plant in central utility.
6. TDS brine requirement started with the OxyneX-ST brine network & stopped the TDS brine plant.
7. All injection production side AHU motors are connected on variable frequency drives for smooth operation as well as to achieve energy saving.
8. York chillers evaporator re-insulation done to reduce the heat losses.
9. New 11 KV capacitor bank installation in progress at the 33/11/ KV substation to improve power factor.
10. 600 KVA UPS installation completed at injectable production department & will improve the sp power consumption & compliance MSQ guidelines.
11. Separate screw chiller installed at the injectable department to reduce the line losses.
12. VIT-E plant effluent transfer pump earlier it was KSB make SS pump (Q- 80 m³, H-50 mtr, Motor- 15 HP) start and stop it was manual mode. Now we have replaced it with Antico pump MS/PVDF (Q-20m³, H-35 mtr, Motor- 7.5HP). 2 nos pump one for standby.
13. OxyneX plant thermopac now uses Bio diesel as against furnace oil, being earlier used, resulting in cost saving and carbon footprint.
14. Chemical store FDV/AHU earlier it was running in AUTO mode, instead, now, we have changed it to manual mode resulting into substantial cost and energy savings. It will start manually when it is required.
15. OxyneX and GZ plant cooling tower chemical treatment done to avoid algae formation in cooling tower and avoid scaling/rusting from cooling water line internal. By this efficiency increased and it gives indirect savings in Power as heat transfer is proper.
16. Higher efficiency new transformer of 1000 KVA installed in place of the 33 year old 750 KVA transformer at substation -01 (also the transformer is with OLTC for precise voltage controls).
17. New ampoule filling line of TRUCKING make installed in injection department to enhance the production efficiency.
18. New efficient hot water generator system is installed as a standby for WFI tank heating whenever boiler steam is not available.
19. Semi dryer baskets are used for drying of soft gel capsule for reduction in drying cycle time & drying capacity is improved.
20. Compressed air leakage detection done by ultrasonic method & arrested leakages.
21. Steam distribution & utilization study completed by Forbes Marshall & report awaited.

Annexure to the Directors' Report

The steps taken by the company for utilising alternate sources of energy.

1. Power designed & commissioned to generate power & steam based on biomass fuel to reduce Co2 generation to reduce global warming.
2. Bio-diesel used in place of furnace oil in Oxynex ST Thermopac to reduce Co2 generation to reduce global warming.

(A) Additional Investments & Proposals, if any, being implemented for reduction of consumption of energy.

1. New 11 KV capacitor bank installation in progress to improve the power factor.
2. 600 KVA online UPS installed at injection to avoid production hour loss during power failure which will improve the specific power consumption.

3. New 1000 and 1500 KVA of DG sets proposed for better efficiency in place old DG sets.
4. Investment done for Replacement of 1000 KVA Transformer with OLTC to maintain stable voltage to the user point.

(B) Impact of measures taken at (A) & (B) above

1. Electrical power quality improved due to power plant.
2. Due to the captive power plant power failures have reduced, thereby improving the production output.
3. Power consumption reduced.
4. Carbon foot print reduced.
5. Alternate sources of fuels used.

Annexure to the Directors' Report

FORM A

FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY

A. POWER AND FUEL CONSUMPTION AT GOA FACTORY

Sr. No.	Description	Goa Factory	
		Current year 2015	Previous Year 2014
1	ELECTRICITY		
	(a) Purchased Units (in '000 KWH)	733.71	11,430.21
	TOTAL AMOUNT (Rs. In Million)	9.84	53.11
	Rate / Unit (Rs.)	13.42	4.65
	(b) Own Generation		
	I) Through Diesel Generator		
	Units (in '000 KWH)	22.87	275.80
	Units / Ltr of Diesel Oil	2.48	2.77
	Cost / unit (Rs.)	25.46	23.55
	Total Cost (Rs. In Million)	0.58	6.49
	II) Generation from 3 MW Power plant		
	Units (in '000 KWH)	15,562.29	1,548.90
	Units / Kgs of Solid Fuel	0.68	0.65
	Cost / unit (Rs.)	8.22	8.53
	Total Cost (Rs. In Million)	127.97	13.20
2	Boiler Fuels		
	(a) FURNACE OIL :		
	Quantity in Kilo Liter	25.06	35.45
	Total Amount (Rs. In Million)	0.96	1.79
	Average Rate (Rs./K.Liter)	38,431.00	50,482.00
	(b) Solid fuels		
	Quantity in tons	736.13	3,418.46
	Total amount in (Rs. In Million)	3.90	17.55
	Average Rate (Rs./Ton)	5,311.43	5,134.00

Note- All data is based on fuel cost for own generation & other costs are not considered & data up to Nov. 2015.

	Standards (if any)	Current Year	Previous Year
Products Unit	In view of the multi-facilities production system, the Company is not in a position to give information required as per this format for the current year as well as the previous year from the records maintained by the Company.		
Unit			
Electricity			
Furnace Oil			
Coal			
Others			

Annexure to the Directors' Report

B) TECHNOLOGY ABSORPTION

FORM B

DISCLOSURE OF PARTICULARS WITH RESPECT TO ABSORPTION OF TECHNOLOGY, RESEARCH AND DEVELOPMENT

(a) RESEARCH AND DEVELOPMENT (R & D)

1. SPECIFIC AREAS IN WHICH RESEARCH HAS BEEN CARRIED OUT BY COMPANY

R & D MERCK BIOPHARMA

The Pharma R & D center at Shirwane, Nerul, Navi Mumbai is recognized by Department of Scientific and Industrial Research (DSIR). The R & D activities are carried out in areas of pharmaceuticals.

The research center is privileged to have access to the latest technologies developed by Merck KGaA, Germany and guidance from Merck KGaA for development activities.

Reduction in lead time with better utilization of resources has been achieved by an integrated approach in development of new processes and packing materials and substitution of some imported raw materials.

Evaluation of alternate raw materials meeting the regulatory requirements for improving the productivity is carried out continuously. With the view to achieve cost effectiveness, constant efforts are made to develop and improve existing ones by simplifying or modifying those.

Continuous efforts are made to make product more user friendly, more profitable and have better patient compliance.

2. BENEFITS DERIVED AS A RESULTS OF ABOVE R & D

As a result of continuous improvement and adaptation of technology, the company was able to commercialize improved processes and yields, enhance quality and reduce costs, launch line extensions of existing products. Some formulations were developed by using in house R & D capabilities and some products

of external vendors were technically evaluated for requisite Merck quality standards and then marketed by Merck.

Products launched in year 2015 are-

1. Ecobion BC – ready to use probiotic solution
2. Lipigo 5 mg tablets- Rosuvastatin tablets
3. Lipigo 10 mg tablets- Rosuvastatin tablets
4. Lipigo 20 mg tablets- Rosuvastatin tablets
5. Lipigo 40 mg tablets- Rosuvastatin tablets
6. Lipigo F 5 mg tablets- Rosuvastatin + Fenofibrate tablets -5 mg + 160 mg
7. Lipigo F 10 mg tablets- Rosuvastatin + Fenofibrate tablets -10 mg + 160 mg
8. Rifidor suspension- Rifaximin suspension 100 mg/ 5 ml
9. Rifidor tablets 200 mg
10. Rifidor tablets 400 mg

In order to support production department to cater ever increasing marketing demands and improve quality standards, manufacturing of existing products at new manufacturing locations were started under technical guidance of R&D department and support for technology transfer activity was given. Some of the following products were manufactured at following new locations.

1. Concor 5 tablets at Plethico
2. Lodoz 5 tablets- at Plethico
3. Polybion injection at Sovereign
4. Neurobion forte tablets at Medizest
5. Concor plus tablets at Encore
6. Concor cor 1.25 tablets at Encore
7. Neurobion forte tablets at Encore
8. Neurobion forte tablets at Plethico

3. FUTURE PLAN OF ACTION

3.1 Following products are to be launched in 2016

1. Starvog GM1 tablets
2. Starvog GM2 tablets
3. Esofence D capsules- 2 strengths
4. Carbophage 750 SR tablets
5. Rosuvastatin + Aspirin capsules – 2 strengths

Annexure to the Directors' Report

Continuous efforts will be made to improvise contribution margin of products by developing products internally which are launched under principle to principle basis. Some P2P products will be under consideration for development in year 2016.

Efforts will be made to develop innovative, commercially viable processes, know- how for various dosage forms and also for improving shelf life, stability, quality, convenience, meeting regulatory compliances

4. EXPENDITURE ON R & D:

(Rupees Million)

Capital	4.0
Recurring	121.1
Total	<u>125.1</u>
Total R & D expenditure as a percentage of total turnover	1.4

(b) TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

The R & D center carries out developmental activities in various areas such as import substitution for raw materials, batch cycle time reduction and also line extensions of some of the existing products.

Apart from In house capabilities, external consultancies are hired for some specific projects if required.

The R & D center also under guidance of Merck KGaA, Germany makes endeavors to be up to date with quality systems and current good manufacturing practices.

Changes in processes as well as in packaging methods have resulted in launching of new products, improvement in yields and cost efficiency.

(c) FOREIGN EXCHANGE EARNINGS AND OUTGO

During the year, foreign exchange outgo was Rs. 2,407.8 Million (which includes import of raw material to the extent of Rs. 799.1 Million), while foreign exchange earned was Rs. 873.7 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, 2015.

The total export during the year was Rs. 802.0 Million. (Pharma exports Rs. 405.0 Million and Chemical exports Rs. 397.0 Million). The Company continues to make efforts to improve its export turnover by exporting to neighbouring countries and other parts of world.

Annexure to the Directors' Report

Annexure V to the Directors' Report

Form No. MGT-9

EXTRACT OF ANNUAL RETURN OF MERCK LIMITED

As on the financial year ended on 31/12/2015

[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	Public Company
v)	Sub Category of the Company	Limited by Shares
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 th 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):-	
	Registrar & Transfer Agents (RTA):-	Karvy Computershare Private Limited
	Address	Karvy Selenium Tower B, Plot 31-32, Gachibowli, Financial District, Nana Kramguda 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

Annexure to the Directors' Report

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 30045307 Vitamin E in Capsules, Tablets, Syrups	25.9% 9.4%
2	Chemical Products	Vitamin E Dry Powder	1.9%

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 31-December-2014]				No. of Shares held at the end of the year [As on 31-December-2015]				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
A. Promoters									
(1) Indian									
a) Individual/ HUF									
b) Central Govt.									
c) State Govt.(s)									
d) Bodies Corp.									
e) Banks / FI									
f) Any other									
Sub-total shareholding of Promoter (A) (1)									
(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...									
Sub-total shareholding of Promoter (A) (2)	8599224	-	8599224	51.80	8599224	-	8599224	51.80	-
Total Shareholding of Promoter (A)=(A)(1)+(A)(2)	8599224	-	8599224	51.80	8599224	-	8599224	51.80	-

Annexure to the Directors' Report

Category of Shareholders	No. of Shares held at the beginning of the year [As on 31-December-2014]				No. of Shares held at the end of the year [As on 31-December-2015]				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
B. Public Shareholding									
1. Institutions									
a) Mutual Funds	1412392	1445	1413837	8.52	534761	1445	536206	3.23	-5.29
b) Banks / FI	10287	464	10751	0.06	12644	464	13108	0.08	0.02
c) Central Govt									
d) State Govt(s)									
e) Venture Capital Funds									
f) Insurance Companies	1593157	-	1593157	9.60	1593157	-	1593157	9.60	-
g) FIs	157135	280	157415	0.95	217645	280	217925	1.31	-0.36
h) Foreign Venture Capital Funds									
i) Others (specify)									
Foreign Portfolio Investors	NIL		NIL	NIL	5171	-	5171	0.03	-
Sub-total (B)(1):-	3172917	2243	3175160	19.13	2363378	2189	2365567	14.25	-4.88
2. Non-Institutions									
a) Bodies Corp.	583134	5496	588630	3.55	-	-	-	-	-
i) Indian									
ii) Overseas									
b) Individuals									
i) Individual shareholders holding nominal share capital upto Rs. 1 lakh	2967288	341540	3308828	19.93	3911363	321564	4232927	25.50	5.57
ii) Individual shareholders holding nominal share capital in excess of Rs. 1 lakh	812858	-	812858	4.90	676610	-	676610	4.08	-0.82
c) Others (specify)									
Non Resident Indians (Rep + Non Rep)	113806	205	114011	0.68	167129	205	167334	1.01	0.33
Corporate Bodies					551498	5490	556988	3.36	
Foreign Nationals	81		81	0	81		81	0	-
Clearing Members	-	-	-	-	-	-	-	-	-
Trusts	590		590	0	651		651	0	-
Sub-total (B)(2):-	4477757	347241	4824998	29.07	5307332	327259	5634591	33.94	4.87
Total Public Shareholding (B)=(B)(1)+ (B)(2)	7650728	349430	8000158	48.20	7670710	329448	8000158	48.20	-
C. Shares held by Custodian for GDRs.& ADRs									
Grand Total (A+B+C)	16249952	349430	16599382	100	16269934		16599382	100	-

Annexure to the Directors' Report

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 share-holding 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
	Total	8599224	51.80	-	8599224	51.80	-	-

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		Cumulative Shareholding at the end of the year. (31-12-2015)	
		No. of Shares at the beginning of the year (01-01-15)	% 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	SBI Contra Fund	812138	4.89	206080	1.24

Annexure to the Directors' Report

Sr. No.	Shareholder's Name	Shareholding		Cumulative Shareholding at the end of the year. (31-12-2015)	
	For each of the Top Ten Shareholders*	No. of Shares at the beginning of the year (01-01-15)	% of total Shares of the Company	No. of shares	% of total shares of the Company
3	Reliance Capital Trustee Co. Ltd A/C Reliance Pharma Fund	418688	2.52	121530	0.73
4	The New India Assurance Company Limited	232136	1.40	232136	1.40
5	General Insurance Corporation of India	200000	1.20	200000	1.20
6	Hemendra M Kothari	198258	1.19	0	0.00
7	Forbes Rati Farhad	165580	1.00	165580	1.00
8	Reliance Capital Trustee Co. Ltd- A/C Reliance Capital Builder Fund - Sr A	91785	0.55	91785	0.55
9	Rakesh Kantilal Shah	73706	0.44	73706	0.44
10	The Emerging Markets Small Cap Series of the DFA Investment Trust Company	49891	0.30	46217	0.28

* 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
Director:					
1.	S. N. Talwar	5914	0.03	5914	0.03
2.	H.C.H Bhabha	29656	0.17	29656	0.17
3.	Dr. Claus Boedecker*	Nil	-	Nil	-
4.	E.A. Kshirsagar**	Nil	-	Nil	-
5.	Dr. Peter Ulrich Mannheimar***	Nil	-	Nil	-
6.	P.H. Pimplikar****	Nil	-	Nil	-
7.	N. Krishnan	Nil	-	Nil	-
8.	Ali Slieman [§]	Nil	-	Nil	-
9.	Brijesh Kapil [§]	Nil	-	Nil	-
10.	Rani A. Jadhav [§]	Nil	-	Nil	-

Annexure to the Directors' Report

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
11.	Anand Nanbiar [*]	Nil	-	Nil	-
12.	Bradley Simpson ^{**}	Nil	-	Nil	-
Key Managerial Personnel:					
13.	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 31 January 2015.

** resigned with effect from 13 January 2015.

*** resigned with effect from 06 March 2015.

**** resigned with effect from 13 January 2015.

^{*} Appointed with effect from 05 February 2015

^{**} Appointed with effect from 21 May 2015

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/WT/ Manager						Total Amount
		Mr. Anand Nanbiar	Mr. Ali Sleiman	Mr. Brijesh Kapil	Mr. N. Krishnan	Dr. Claus Dieter Boedecker	Mr. Pramod Pimplikar	
1	Gross salary							
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	24.7 [*]	18.6 [*]	14.0	7.5	0.7	10.1	75.6
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961	2.7 ^{**}	3.4 ^{**}	*	0.5	0.7	*	7.4
	(c) Profits in lieu of salary under section 17(3) Income- tax Act, 1961	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
2	Stock Option	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.

Annexure to the Directors' Report

Rs. in Million

Sr. No.	Particulars of Remuneration	Name of MD/WTD/ Manager						Total Amount
		Mr. Anand Nambiar	Mr. Ali Sleiman	Mr. Brijesh Kapil	Mr. N. Krishnan	Dr. Claus Dieter Boedecker	Mr. Pramod Pimplikar	
3	Sweat Equity	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
4	Commission - as % of profit - Others, specify...	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
5	Others, please specify	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
	Total (A)	27.4	22.0	14.0	8.0	1.4	10.1	83.0
	Ceiling as per the Act (@ 10% of profit calculated under Section 198 of the Act)							95.6

^{\$} includes special allowance, mobility allowance etc.

^{\$\$} includes contribution to provident fund

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

Note: Mr. Anand Nambiar, Managing Director of the Company, is also the Managing Director of Merck Performance Material Private Limited (MPMPL), and Mr. Ali Sleiman, Whole time Director, is also the director on the Board of Merck Specialties Private Limited (MSPL). During the financial year 2015, they have rendered certain services to these companies in their capacity as Managing Director and Director respectively. 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 Sleiman, 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	E. A. Kshirsagar	
1	Independent Directors					
	• Fee for attending board, committee meetings	0.4	0.3	0.1	*	0.8
	• Commission	0.9	0.7	0.5	-	2.1
	• Others, please specify	-	-	-	-	-
	Total (1)	1.3	1.0	0.6	*	2.9

Annexure to the Directors' Report

Rs. in Million

Sr. No.	Particulars of Remuneration	Name of Directors				Total Amount
		S.N. Talwar	H. C. H. Bhabha	Rani Ajit Jadhav	E. A. Kshirsagar	
2	Other Non-Executive Directors	Peter Ulrich Mannheimer	Bradley Simpson			
	• Fee for attending board, committee meetings	-	-			-
	• Commission	-	-			-
	• Others, please specify	-	-			-
	Total (2)	-	-			-
	Total (B)=(1+2)	1.3	1.0	0.6	*	2.9
	Total Managerial Remuneration					
	Ceiling as per the Act (@ 1% of profit calculated under Section 198 of the Companies Act, 2013)					9.60

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

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	8.6	8.6
	(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		
	Total	8.6	8.6

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 2015.

Annexure to the Directors' Report

Corporate Governance Report for the year 2015

(Report on Corporate Governance pursuant to Schedule V of the SEBI (Listing Obligations and Disclosure Requirements) 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):

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 eight Directors comprising of one Non-Executive Director, three Non-Executive Independent Directors including one women independent director and four 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 Managing Director of the Company are held by separate individuals, where the Chairman of the Board is a Non-Executive Independent Director.

Name of the Director	*No. of Directorships	**No. of Committee memberships	**No. of Committee Chairmanships
Mr. S.N. Talwar ^{1, 2}	6	2	2
Mr. H.C.H. Bhabha ^{1, 3}	2	1	Nil
Mrs. Rani Ajit Jadhav ^{1, 4}	1	Nil	Nil
Mr. N. Krishnan ⁷	Nil	Nil	Nil
Mr. Bradley Simpson ^{5, 8}	Nil	Nil	Nil
Mr. Anand Nambiar ^{6, 4}	Nil	Nil	Nil
Mr. Brijesh Kapil ^{7, 4}	Nil	Nil	Nil
Mr. Ali Sleiman ^{7, 4}	Nil	Nil	Nil

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 at the end of the financial year 2015 is as follows:

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 Committees and Investors' / Shareholders' Grievances Committees are considered as per SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015.
- 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. Appointed w.e.f. February 05, 2015
- 5. Non -Executive Director, Nominee of Merck KGaA
- 6. Managing Director
- 7. Whole Time Director and Key Managerial Personnel
- 8. Appointed w.e.f. May 21, 2015

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) 2015. Each time, a

Annexure to the Directors' Report

detailed agenda is prepared in consultation with the Chairman and the Managing Director of the Company. 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. 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. The Company has made arrangements for facilitating participation of directors via tele or video conference. As per their availability and convenience required arrangements were communicated and set up for them.

During the year 2015, 6 (six) Board Meetings were held on January 13, 2015, February 05, 2015, May 07, 2015, August 12, 2015, October 30, 2015 and December 21, 2015.

Attendance of directors at the Board and shareholder meetings during the year 2015:

Name of the Director	Board Meetings held during the year 2015	No. of Board Meetings attended during the term	Attendance at shareholder meeting (April 08, 2015)
Mr. S.N. Talwar	6	6	Yes
Mr. H.C.H. Bhabha	6	5	Yes
Mrs. Rani Ajit Jadhav	6	2*	No
Dr. Peter-Ulrich Mannheimer ¹	6	2	NA
Dr. Claus-Dieter Boedecker ²	6	1	NA
Mr. Pramod Pimplikar ³	6	1	NA
Mr. E.A. Kshirsagar ³	6	1	NA
Mr. N. Krishnan	6	5	Yes
Mr. Anand Nambiar	6	4	Yes
Mr. Brijesh Kapil	6	3	Yes
Mr. Ali Sleiman	6	5	Yes
Mr. Bradley Simpson ⁴	6	1*	No

1 Resigned with effect from March 06, 2015.

2 Resigned with effect from January 31, 2015.

3 Resigned with effect from January 13, 2015.

4 Appointed with effect May 21, 2015

* Mrs. Rani Ajit Jadhav participated one additional meeting via teleconference, and Mr. Bradley Simpson attended 2 additional meetings via teleconference.

III. Board Committees

A. Audit Committee

Composition of the Audit Committee:

As on the date of this report, the Audit Committee comprises of four (4) Directors of whom three (3) are Independent Directors and one 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

Mr. E. A. Kshirsagar and Dr. Claus-Dieter Boedecker resigned as director of the Company with effect from January 13, 2015 and January 31, 2015 respectively and ceased to be member of the Committee.

Meetings and Attendance:

During the year 2015 the Audit Committee held 5 (five) meetings on January 13, 2015, February 05 2015, May 07 2015, August 12, 2015 and October 30, 2015, attendance of the member of the then members of the Committee is given below;

Name of the Director	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	5	5
Mr. H.C.H. Bhabha	Non-Executive – Independent	5	4
Mrs. Rani Ajit Jadhav	Non-Executive – Independent	4	2
Mr. E.A. Kshirsagar	Non-Executive – Independent	5	1
Dr. Claus-Dieter Boedecker	Managing Director	5	1
Mr. Anand Nambiar	Managing Director	4	4

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.

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Scope of the Audit Committee:

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) overseeing 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 MD 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

Annexure to the Directors' Report

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. 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) 2015, Stakeholders 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 02 (two) investor grievances were received and were resolved.

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

Meetings and Attendance:

During the year under review 6 (six) meetings of the Committee were held on February 11, 2015, March 03, 2015, June 11, 2015, July 10, 2015, September 18, 2015, October 15, 2015, Attendance of the member of the Committee is given below.

Name of the Director	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	6	4
Mr. N. Krishnan-Member	Executive	6	4
Mr. Brijesh Kapil-Member	Executive	6	6

This Committee was merged with Stakeholders Relationship Committee during the year.

C. Nomination and Remuneration Committee:

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;

Annexure to the Directors' Report

- 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.

Composition of the Committee:

As on the date of this report, the committee comprises of three (3) Independent Directors and one (1) Non-Executive Director viz. Mr. S.N Talwar and Mr. H.C.H. Bhabha, Ms. Rani Ajit Jadhav, all Independent Directors and Mr. Bradley Simpson, Non-Executive Director, who was co-opted as member of the committee with effect from October 30, 2015. The Committee Meeting is chaired by Mr. H. C. H. Bhabha, an Independent Director

Meetings of the Committee:

During the year under review, two (2) Committee Meetings were held, on February 05, 2015 and October 30, 2015 .

Attendance at the Meeting:

Two (2) Committee Meetings were held during the year on February 05, 2015 and October 30, 2015

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

Name of the Director	Category of Director	No. of Committee Meetings held during tenure of director	No. of Committee Meetings attended
Mr. S.N Talwar	Non-Executive – Independent	2	2
Mr. H.C.H. Bhabha-Chairman	Non-Executive – Independent	2	2
Dr. Peter Ulrich Mannheimer ¹	Non Executive	NIL	NIL
Mr. Bradley Simpson ²	Non-Executive	1	1
Mrs. Rani Ajit Jadhav	Non-Executive, Independent	1	1

¹ Resigned with effect from March 06, 2015.

² Inducted to the Committee with effect from October 30, 2015

The Nomination and Remuneration Committee (NRC) formulated 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 the Chairman of the Board of Directors.

Pursuant to the provisions of the Act, SEBI (Listing Obligations and Disclosures Requirements) 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, 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).

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The performance of the Board, its committees, directors and Chairman was evaluated on the basis of response received from each of the directors to a detailed questionnaire. The Directors were asked to rate the performance on various parameters including flow of information to the board, their assessment of effectiveness of the Board, their exposure to the Company's management, policies, directors individual contribution, their attendance, objectivity in decision making, sufficiency of information in the agenda, and other similar criteria. The directors were also requested to make an objective assessment of their own performance. The performance evaluation information was collated by the Company Secretary and was presented to the Nomination and Remuneration Committee and the Board. The individual performance evaluation of executive directors was made by the Nomination and Remuneration Committee, the performance evaluation of the Non-Executive and Independent Directors was made at the Board in absence of the Board member whose evaluation was being made.

D. Corporate Social Responsibility Committee:

The Corporate Social Responsibility Committee (CSR) comprises of 4 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 2015, one meeting of the CSR Committee was held on April 20, 2015 details of composition and attendance at the aforementioned Meeting are as follows:-

Name of the Director	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	1	1
Mr. Anand Nambiar	Executive Director	1	1
Mr. Ali Sleiman	Executive Director	1	1
Mr. Brijesh Kapil	Executive Director	1	1

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. 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 Director - Finance on the integrity of the financial statements and other matters of the Company for the financial year ended December 31, 2015 was placed before the Board at its Meeting held on February 26, 2016.

VI. Risk Management Committee:

Merck 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.

Annexure to the Directors' Report

VII. Remuneration of Executive Directors:

The details of remuneration paid/payable to the Executive Directors during the year 2015 are given below:

(in Rupees)

Name of the Director	Salary, perquisites and allowances	Contribution to PF, Super-annuation, Gratuity & Leave encashment	Total
Mr. Anand Nambiar	25,069,428	2,324,024	27,393,452
Mr. Brijesh Kapil	14,058,054	557,622	14,615,676
Mr. Ali Sleiman	19,911,380	2,114,839	22,026,219
Mr. N. Krishnan	11,934,782	758,598	12,693,380
Mr. Pramod Pimplikar ¹	4,700,015	6,853,167	11,553,182
Dr. Claus D. Boedecker ²	1,374,047	-	1,374,047

1. Resigned with effect from January 13, 2015
2. Resigned with effect from January 31, 2015

NOTES:

- a. The Company does not have a Scheme for grant of Stock Options to the Directors or Employees.
- b. In terms of the agreements entered with Mr. Anand Nambiar, Mr. Ali Sleiman and Mr. Brijesh Kapil the notice period for termination of the agreements is three months while in case of Mr. Krishnan it is six months. There is no separate provision for severance fees.

VIII. Remuneration of Non-Executive Directors:

The details of remuneration paid/payable to Non-Executive Directors for the year 2015 are given below:

Name of the Director	Sitting fees (Rs.)	Commission (Rs.)
Mr. S.N. Talwar	3,65,000	9,50,000
Mr. H.C.H. Bhabha	3,40,000	7,00,000
Mrs. Rani Ajit Jadhav	95,000	5,00,000
Mr. E.A. Kshirsagar ¹	40,000	-

1. Resigned with effect from January 13, 2015

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

The remuneration to Non-Executive 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 advice given by them to

the Management 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	2015		2014	
		Received	Cleared	Received	Cleared
1.	Non-receipt of share certificates duly transferred	-	-	-	-
2.	Non-receipt of dividend.	2	2	5	5
3.	Non-receipt of Annual Report	2	2	-	-
4.	Letters from SEBI/ Stock Exchanges and Department of Corporate Affairs	3	3	-	-

General Body Meetings held during last three years:

For the Year ended	Venue	Day and Date	Time
2012	Mayfair Banquets – South Hall, 254-C, Dr. Annie Besant Road, Worli, Mumbai 400 030	Friday, 15.03.2013	3.00 P.M.
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 4000 18	Wednesday, 08.04.2015	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 evoting 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

Annexure to the Directors' Report

Annual General Meetings:

AGM held on	Whether special resolution passed	Summary of special resolution passed
15.03.2013	Yes	Payment to Non-Executive Directors (other than Managing Directors & Whole Time Directors) of a sum not exceeding one percent (1%) of the net profits of the Company computed in accordance with the provisions of Section 198 of the Companies Act 1956, for a period of five (5) years commencing from January 01, 2013 until December 31, 2017
18.03.2014	No	Not applicable
08.04.2015	Yes.	Approving related party transactions/arrangements with Merck KGaA,

During the year 2015, no postal ballot voting process was carried out.

During the year under review, no special resolution has been passed through the exercise of postal ballot.

None of the items to be transacted at the ensuing meeting is required to be passed by postal ballot.

X. Disclosures:

All the transactions with related parties were in the ordinary course of business and on arms length basis. In terms of SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015 the Company obtains by way of an omnibus approval of the audit committee for entering into any transaction with related parties.

All material transactions entered into with related parties as defined under the Act and the SEBI (Listing Obligations and Disclosure Requirements) 2015 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: <http://www.merck.co.in/country.in/en/images/Policy%20on%20Related%20>

Party%20transaction_ML_Final_tcm170_133715.pdf?Version=

Details 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 2013, 2014 and 2015 respectively: **NIL**

Familiarisation programme for Independent Directors:

Pursuant to the requirements of SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015, the Company continuously strive to familiarize its board members, particularly the Independent Directors about 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

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 dematerialised 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 includes implementation of the whistle blower 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

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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 informing 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.

The Company has taken steps to keep its directors informed about their roles and responsibilities under the new Companies Act 2013 and applicable guidelines.

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 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.

XI. Compliances:

The Company has complied with all the

requirements including the provisions of Clause 49 of the Listing Agreements entered into with the Stock Exchanges/SEBI (Listing Obligations and Disclosures Requirements) Regulations. 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 the access to the Company information whenever required.

XII. Financial Information to the Members:

The last year's audited accounts 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 were also posted on the Company's website: www.merck.co.in.

On behalf of the Board of Directors

Mumbai, February 26, 2016

S. N. Talwar
Chairman

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General Shareholder Information

Annual General Meeting:

The Forty Ninth Annual General Meeting of the Members will be held on the date, time and venue given in the notice convening meeting of the Company.

- Agenda –**
- I. Consideration and adoption of Financial Statements.
 - II. Declaration of dividend.
 - III. Re-appointment of Director retiring by rotation.
 - IV. Re-appointment and fixation of remuneration of Statutory Auditors.
 - V. Fixation of remuneration of Cost Auditors.
 - VI. 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) 2016:

- (i) First Quarter Results – April, 2016
- (ii) Second Quarter Results – July, 2016
- (iii) Third Quarter Results – October, 2016
- (iv) Results for the year ending – January, 2017
December 31, 2016

Book Closure:

The Company's Register of Members and Share Transfer Books will remain closed on the dates as mentioned in the notice convening the 49th Annual General Meeting for the purpose of payment of dividend for the year ended December 31, 2015.

Dividend:

The Board of Directors has recommended a dividend at the rate of Rs. 7.50/- (Rupees Seven and Fifty paise 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 Friday, May 27, 2016.

Listing on Stock Exchanges:

BSE Limited - 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 – 4000 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.

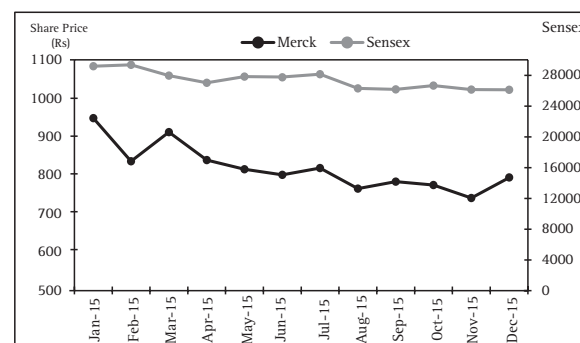
Share Price Information on BSE & NSE for the year 2015

Month	BSE			NSE		
	High	Low	Volume	High	Low	Volume
Year: 2015						
January	985	797.5	412085	984	794	1051898
February	991.95	804	201860	992.45	804	475109
March	964	820	238568	965.45	831	793425
April	1004	799.75	160962	1009	797	537405
May	864	795	65530	864	795	168965
June	856	764.5	133572	855	767	446945
July	844	777	169701	842.8	772.15	528007
August	904	716	424886	907	713.2	1135339
September	787.5	730	124876	787	729.8	372321
October	817	767	97746	814.35	764.35	260310
November	775	733.5	68000	772.95	731	179675
December	812	739	87022	811	736	307224

Closing share price of the Company on NSE as on December 31, 2015: Rs. 793.75

Closing share price of the Company on BSE as on December 31, 2015: Rs. 776.6

Merck Share price movement (in Rs.) viz-a-viz SENSEX (2015):



Annexure to the Directors' Report

Name and Address of the Registrar and Share Transfer Agents:

Sharepro Services (India) Private Ltd.
13AB, Samhita Warehousing Complex
2nd Floor, Sakinaka Telephone Exchange Lane
Andheri-Kurla Road, Sakinaka
Mumbai-400 072
Phone: 022-67720300 / 022-67720314

Transfer System

Share Transfers in physical form shall be lodged with Sharepro Services (India) Private Ltd at their above mentioned address.

For transfer / transmission of shares held in physical mode and related matters the Board has delegated authority to Managing Director / Company Secretary.

Company's Share transfer agent, Sharepro processes the transfer / transmission requests and upon its satisfaction same are sent to the company for signatures. These requests are processed within 15 days of receipt of valid and complete requests. The share transfer / transmission requests as processed and approved are placed at the succeeding Board meeting for information of the Board.

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

Particulars	2015	2014
Number of transfers	31	38
Number of shares processed	2390	3907

As on December 31, 2015, no request for transfer of shares was pending.

Dematerialization of shares:

The Company has entered into Agreements with NSDL and CDSL for dematerialization of shares. As on December 31, 2015, a total of 16269934 shares of the Company which forms 98.01 % of the total share capital of the Company stands dematerialized.

Distribution of shareholding as on December 31, 2015

Range	No. of Shareholders	% to total shareholders	No. of shares held	% to total to paid up capital
1 - 500	32656	95.95	2598755	15.66
501 - 1,000	771	2.27	584842	3.52
1,001 - 2,000	307	0.90	448141	2.70

Range	No. of Shareholders	% to total shareholders	No. of shares held	% to total to paid up capital
2,001 - 3,000	100	0.29	254210	1.53
3,001 - 4,000	44	0.13	155396	0.94
4,001 - 5,000	44	0.13	206333	1.24
5,001 - 10,000	62	0.18	445892	2.69
10,001 - and above	49	0.15	11905813	71.72
Total	34033	100.00	16599382	100.00

Shareholders' profile as on December 31, 2015:

Category of Shareholders	No. of Shares	% to total paid up capital
Promoters\ Foreign Collaborators	8599224	51.80
Banks	8959	0.05
Financial Institutions	4394	0.03
OCB	81	0.00
FII	223096	1.34
Insurance Companies	1593157	9.60
Mutual Funds	535961	3.23
Domestic Companies	556988	3.36
Non Resident Indians	167334	1.01
Directors & Relatives	35570	0.21
Others	4874618	29.37
Total	16599382	100.00

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 were offered an option to exercise their voting rights on the items put up in the Notice of AGM for the year 2014 through the e-voting method. 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 of M/s Saraf and Associates, Practising Company Secretaries 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.

Annexure to the Directors' Report

Shares held by Non-Executive Directors of the Company as on December 31, 2015:

Mr. S.N. Talwar	:	5,914
Mr. H.C.H. Bhabha	:	29,656
Ms. Rani Jadhav	:	Nil
Mr. Bradley Simpson	:	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, 2015.

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 by the Secretarial department at the Registered Office.

Email: investorgrievances@merckgroup.com

Registered Office Address:

Godrej One, 8th Floor,
Pirojshanagar Eastern Express Highway,
Vikhroli East

Mumbai 400079

Contact Person :

Mr. Jeevan Mondkar, Manager - Legal & Secretarial

Phone : 022-6210 9000

Fax : 022-6210 9999

Email : jeevan.mondkar@merckgroup.com

On behalf of the Board of Directors

S. N. Talwar
Chairman

Mumbai, February 26, 2016

Note: Material event occurred after the date of signing of the Corporate Governance Report.

SEBI vide its order dated March 22, 2016 informed about certain irregularities observed by it in the share transfers and payment of dividend handled by Sharepro Services (India) Private Limited (Sharepro) in respect of some of its client companies. SEBI directed all companies who were availing share & registrar services from Sharepro to conduct audit of their share transfers and payment of dividend for the last ten years. SEBI also advised such companies to change their Registrar and Transfer Agent. Pursuant to the said orders, the Board of Directors of the company at its meeting held on April 04, 2016 resolved to appoint Karvy Computershare Private Limited ("Karvy") as the new RTA of the Company. The new RTA has taken charge of such services w.e.f April 25, 2016. Therefore all reference of Sharepro as given in the Directors' Report and its annexures shall be read as that of Karvy for any future reference or purpose.

Additionally, the Board also resolved to postponed the holding of the 49th Annual General Meeting until the new RTA takes charge of the RTA services and preliminary report of the auditor conducting the audit of Sharepro transactions is available. The Board subsequently vide its resolution dated April 29, 2016 resolved to convene the 49th Annual General Meeting on Friday, June 10, 2016 at 3 p.m. at Auditorium, Godrej One, Pirojshanagar, Vikhroli (East), Mumbai. Accordingly, the latest dividend pay out date, if declared at the 49th AGM, will be on or before July 09, 2016. All references, if any, otherwise given in this report to the above dates shall be read as per the revised dates given above.

Annexure to the Directors' Report

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

As provided under Clause 49 of the Listing Agreements with the Stock Exchanges, the Board Members and the Senior Management Personnel have affirmed compliance with the Code of Conduct for the period ended December 31, 2015.

For Merck Limited

Mumbai
February 26, 2016

Anand Nambiar
Managing Director

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 2015, as per clause 49 of the Listing Agreement and 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 (Hereinafter, Collectively referred to as the Listing Regulations).

I have examined the compliance by the Company of the requirements under Listing Regulations, for the year ended 31st December, 2015.

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

26th February, 2016

Annexure to the Directors' Report

MD / CFO COMPLIANCE CERTIFICATE

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

Anand Nambiar
Managing Director

For Merck Limited

N. Krishnan
CFO and Director (Finance)

Date: 26 February 2016.

Annexure to the Directors' Report

Management Discussion and Analysis Report

In the back drop of the Wholesale Price Index (WPI) falling for the 15th straight month in Dec 2015, the Indian economy was expected to grow by 7.3% in 2015. While softening of interest rates was not enormous, the growing stress on banks was a grave concern that forced banks to draw back on credit lines. The lower oil prices largely helped the government to get its fiscal deficit lower. India, as expected, grew better than most of the BRIC countries. The high growth expectations was largely dependent on the ability of private enterprises to take investment steps, than the government pouring in money.

The following table exhibits, in summary, the financial performance of the Company for the year 2015.

Key Parameters	2015	2014
Turnover (Rs. Mio.)	9,083.2	8,324.5
Profit after Tax (Rs. Mio.)	535.6	432.2
Profit after Tax to Turnover (%)	5.9	5.2
Sales to Fixed Assets Employed (ratio)	6.5 times	6.0 times
Current assets (ratio)	3.4	3.7
Return on Capital employed (%)	9.1%	7.8%
Book Value of shares (Rs.)	356	334

The profit after tax for the year 2015 against 2014, increased by 23.9%, to Rs. 535.6 Mio. The continued devaluation of the Indian Rupee vis-a-vis major currencies thereby increasing input costs, impairment of current assets, were key reasons for the dent in the operating margins. Accordingly, the Profit Before Tax % to revenue rose in year 2015 vis-a-vis 2014 by 25.2% points, to Rs. 833.3 Mio.

The Company's turnover, across two main segments, namely Pharmaceuticals and Chemicals, is split in the ratio of 71% : 29%. Various regulatory controls and pricing legislations continue to challenge both the segments. Tax litigations and international price pressures in the Vitamin E business, had its bearing on the profit margin, high inventory and future sustainability. The Company continues to invest in marketing campaigns to fight severe competition in some of the core products.

The analysis of the two segments is briefly stated below.

Pharmaceuticals Segment:

The Pharmaceuticals Segment has two Business Divisions, namely BioPharma and Consumer Health. The performance for the two Business Divisions are highlighted below.

BioPharma:

BioPharma business unit accounted for 47% of the Total Company's turnover, registering a growth of 12% over the year 2014. Evion, Livogen, and Polybion were the key growth drivers that continued their contribution to the sales growth. Evion continued to feature in the top contributor brands with a growth of 25%, Livogen closed second with 15% growth, and Polybion with 4% growth. Clobetamil and Betamil have also significantly contributed to the growth, and two new introductions, Ecobion BC and Lipigo have crossed the Rs. 50 Mio mark and Rs 19 Mio mark respectively.

Keeping the needs of patients in focus and working towards improving health outcomes, the division continued its efforts to empower stakeholders and partners (public and private health workers, healthcare practitioners, patients and communities) with medical education, knowledge, skills and educational tools.

Towards this, various awareness programs, scientific meets and collaborations were initiated during the year. These included:

- A collaboration with the Indian Academy of Paediatrics (IAP)-India's largest paediatric association with 21,000 paediatricians- to launch the 'Diarrhoea Management Force' (DMF). Under DMF, the Biopharma business worked closely with the IAP to educate about Diarrhoea Management.
- Under the 'True Red'- An anaemia awareness initiative, 'True Red Check' Camps were conducted in partnership with healthcare practitioners to drive awareness, detection and treatment of anaemia- estimated to affect more than 50% of women in India.
- With Diabetes gaining epidemic proportions in India, Merck undertakes regular programs for improving diabetes awareness, screening and diagnosis. Further, free screening camps were organized for public sector organisations.

Annexure to the Directors' Report

- (d) U & Thyroid: In spite of 7.2 mio 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 diagnosis-treatment gap, Merck initiated 'U & Thyroid', TSH detection camps in 2015.
- (e) Merck Biopharma also initiated a Public Private Partnership for 'Hypothyroidism management and education' with the State Government of Madhya Pradesh (MP) in 2015. Under this MOU, Merck conducted a medical education program on clinical diagnosis and management of Hypothyroidism during pregnancy in District Hospitals, Primary & Secondary health Centres, and ASHA (Accredited Social Health Associates) centres. Further, Merck also supports the state in impact assessment post training.
- (f) 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.

Consumer Health (CH):

Consumer Health business field accounted for 24% of the Company's turnover, having main brands like Neurobion, Nasivion, Seven Seas and ElectroBion which grew by 6.2% (IMS ORG SSA YTD Dec'15).

The shift of Neurobion Forte in Consumer Health from BioPharma since Jan'14 enabled Consumer Health to enter and dominate the Vitamin B market. Neurobion is the No. 1 selling Vitamin B units brand with highest numbers of prescriptions by earning trust of doctors. Consumer Health has taken Neurobion direct to consumers and to grow 10% (IMS ORG SSA YTD Dec'15). Neurobion Forte Tablets with new research-backed advertising materials (TVC) grew phenomenally @ 18% (IMS ORG SSA YTD Dec'15), indicative of successful consumerization capabilities of Merck CH division. Neurobion Forte achieved the unique 100

Core brand achievement in August as the first Merck Pharma brand to achieve the status.

In the cough and cold category, Consumer Health has its presence through 'Nasivion' which is one of the leading brands in the category. Nasivion is the No.1 prescribed Nasal decongestant across India and which corroborates with the growth 14% (IMS ORG SSA YTD Dec'15). Nasivion Adult spray the DTC or advertised SKU shown wonderful growth of 28% (IMS ORG SSA YTD Dec'15) behind successful consumerization.

Everyday Health Protection and Children Health categories are being represented by the brand: Seven Seas which grew 25% internally.

The local brand ElectroBion has seen growth of 6% internally due to focused approach of sales and marketing support.

Merck CH took the unique Sales & Distribution restructuring initiative in 2015 strengthening the Rx and the trade field force based on the prescription dependency model which helped the business to grow 10% in 2015.

In India, 30% of the population does not have access to quality healthcare and medicines and depends on the government healthcare system. 87% of the population has to pay for medicine and healthcare out of their own pocket with 30% of India earning less than \$1 a day. There is a need to establish quality healthcare with quality products to serve the remote areas. Improving access to health is imperative in India and at Consumer Health we feel that we can have a real impact. So CH continued the self-sustainable model in Uttar Pradesh and Bihar in the semi urban and rural markets under the banner of "Su-Swastha", This program, has earned Merck a Global 6th rank in Global A2H (Access to health) ranking bringing accolades for Global Merck.

India is amongst the largest Asia-Pacific markets and amongst the Top 10 fastest growing markets for global Merck CH. Consumer Health division aims to grow further by growing the core business & adding required line extensions on key brands by making a foray into participated segments and leveraging the local and global R&D capabilities. Consumer Health business field accounted for 24% of the Company's turnover, having main brands like Neurobion, Nasivion, Seven Seas and ElectroBion which grew by 9% (IMS ORG SSA YTD Nov'14).

Annexure to the Directors' Report

Pharma Exports:

With Merck Group prevalent in more than 67 countries worldwide, the ability to export remains rather limited. However, the Company exports to some Asian and African countries, the major being Sri Lanka, Nepal, Lebanon, Kenya, Libya, among others. Pharma exports grew by 62.0% in the year 2015, and contributed 7.0% to total Pharma Segment sales. The major growth came from Sri Lanka region.

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 units are under regular supervision of the Company in regard to the manufacturing standards.

The Goa unit is well utilised and goes through self-regulated productivity efficiency programs. This unit is going through an upgradation in Injectable production area to make it compliant to the applicable MSQ guidelines. In order to carry out the upgradation, we needed to shut down the production activities for approximately four months. The activities for the shutdown were started from December 01, 2014 and were completed in March 31, 2015. The upgradation also resulted in increasing the capacity of the department from 180 Million. per annum to 220 Million. per annum. In the Softgelatin area we have intentions to upgrade the facility to meet the MBQ guidelines and the upgradation will start in Dec 2016 and will last approx. 3 months.

In order to reduce the CO₂ produced, the site of Goa has developed the project of using bio-mass fuel available in the surrounding areas to power a 3 MW cogeneration plant. The project has reduced the CO₂ generation at Goa site from 13.5 tons/year to 2 tons/year, which represents a reduction of 85% of the CO₂ emissions per year. Additionally, the power plant is supplying a reliable power supply independent from the national grid which suffers frequent power failures. There has been productivity improvement after elimination of shutdown from the power failures.

Chemicals Segment:

The Chemicals segment sales turnover decreased by 2.0% in year 2015, to achieve Rs. 2,656.5 Million. as

against Rs.2,711.8 Million in year 2014. The Chemicals segment comprises two divisions: i.e Pharma Chem Solutions and Performance Materials.

Pharm Chem Solutions:

The Pharma Chem Solutions division, as evident from the name, offers products and solutions for Pharma and BioPharma Industry. Products mainly comprise of Active Pharmaceutical ingredients, High quality excipients and Bio-pharmaceuticals. The division's bulk drug products like Vitamin E, Guaizulene, ThaimineDiSulphide (TDS) are manufactured in Goa.

The Growth in Generic Exports and the need for regulatory compliance has driven the sales of this division above industry growth average. In addition, the Company enjoys the confidence and trust as a partner to the industry through its initiatives to advise the industry on latest regulatory trends. Further the company has set up an application lab near Mumbai in order to assist customers with development of formulations using high technology raw materials manufactured by Merck. The expected surge in the launch of biosimilar molecules for the domestic and international markets will also boost the sales of this division.

In line with the Global fall in prices of Vitamins, the activity of the Vitamin E-business has been negatively impacted and price realisation and margins have been affected. In addition to the price erosion, the tax litigation on Vitamin E animal feed resulted in product price unviable for end customers. Due to the heavy reliance on raw material suppliers, no manufacturing back integration, tax litigations, severe price competition from large international players, cyclical market conditions, need for high working capital, your company has decided for the immediate future, to utilise manufacturing capacity of Vitamin E for only captive demand. However, your Company is exploring various avenues to stem this sales erosion.

Performance Materials:

Performance Materials division is mainly into the business of 'Effect' Pigments for the Automotive, Cosmetics, plastics printing and Security Industry and basket of 'Actives' for the Cosmetics Industry in addition to the Functional Pigments. While the Customer centric and consultative sales approach by the team pigments

Annexure to the Directors' Report

was continued, the strategic focus was value-sales and not volume sales. Automotive Industry performance & Industrial growth was below average coupled with severe competition from local and Chinese suppliers. In spite of all the odds a sales growth of 6.8% was registered in 2015 over year 2014.

Internal Controls:

The Company is equipped with adequate internal control system to ensure that its assets are protected against loss of unauthorised use and improper handling. The Company is subject to exhaustive budgetary and costing process, as well as monitoring and audit by Merck KGaA, Germany at regular intervals. Additionally, in order to supplement the internal control process, during the year under review the company has engaged the services of an able and reputed firm, Ernst and Young, who are authorised by the Audit Committee to assess the adequacy and compliance of internal control process, statutory requirements, etc. Audit Committee finalises the Areas of Audit and their schedule, discuss the findings of the audit, and direct the Company to set up applicable control measures. A risk based audit approach is also implemented by utilising the periodically documented risk assessment reports. Regular updates of the action taken to iron out audit issues are also tabled before 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.

Risk Management:

The Company is required to follow an orderly risk management system globally, due to legal regulations. Merck is exposed to various risks, which might threaten its business continuity if not identified and addressed in time. 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. Regular updates are made available to Executive Board and Independent Directors at the Board Meeting and

in special cases on ad-hoc basis. The company also strives to link each risk with a mitigation step to ensure business continuity.

Merck adheres to global compliance guidelines and complies with local laws. Training programs were rolled-out for employees on Pharma Compliance Guidelines, Global Anti-Corruption Standards, Prevention of Sexual Harassment at Workplace, Whistle Blower Mechanism etc.

Business Related Risks:

The Company's performance is impacted by the changes in market demand that guides the development of the Company's products, and the changed customer behaviour. Other factors that affect the company performance are, economic forces, input material availability, composition of legacy brands sales to turnover, span of products under price control, ability to roll out successful line extensions or product applications, employee talent management, availability of able employees, etc. The Company, in the course of portfolio management, regularly evaluates and, if necessary, refocuses.

Inability of the Company to command sale price rise on account of inflationary effects on the input materials, utilities, rising wage costs and overheads, etc., could erode margins. Given that large proportion of the Company's turnover is under price control by the government regulations on Pharma pricing, majority of the products faced inability to raise sales price, despite cost rise. The Company constantly engages in cost reduction measures and also by launching products with high margins. However, there would be possibility of margin erosion due to inability to raise prices and successful product launches.

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

Legal Risks:

The Company's business is a regulated one and is governed by various statutes of the Government. Changes in the statutes and the compliance of the same is both time consuming and sometimes difficult. While in the case of Pharmaceuticals business, pricing norms

Annexure to the Directors' Report

set by the Government and FDA related legislation, are to be adhered to, in the case of Chemicals business, the registration processes of certain imports create lot of hassles, delay and loss of business.

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 safeguard itself against any adverse events. However, business interruptions could happen, in case of untoward events taking place. As well, disagreements on contractual terms and conditions with the service provider can lead to stoppage of outsourced activities and business interruptions.

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:

The Company's own manufacturing, as well as toll manufacturing units, along with the distribution facilities, are subject to environmental and safety risks. While the Company is adhering to the local legislation on environment protection, such adherence is supported by Group standards, rules, guidelines and audits at regular intervals by experts, to ensure safety standards are put in place to safeguard people, environment and products.

Human Resource Initiative:

The Company had 1554 employees as on December 2015, as against 1515 employee as in previous year. The Company has various HR initiatives in place 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. Such initiatives include talent management, succession planning, work life balance, development opportunities, international career opportunities, training and the performance management plan. Interventions are simultaneously being worked on to position Merck as an employer of choice in the talent market.

Induction and assimilation programs are also in place to drive and emphasise the Merck values: Integrity, Transparency, Courage, Responsibility, Respect and Achievement.

The Company has a structured development programme designed to safeguard against attrition, develop leaders and build a talent pipeline. The Human Resource team is structured in having independent dedicated support partners to each of the businesses and major support function in order to realise the optimum productivity. The Company has cordial relations with employees at all levels.

Outlook:

The Company has a well balanced portfolio in Pharmaceuticals and Chemicals and endeavours to growth comparable to the Industry. The Indian pharmaceutical industry is likely to face certain headwinds due to price erosion on account of falling WPI, credit risks of customers and vendors, Government of India's initiative to increase the number of Jan Aushadi outlets; and growing conflict between the Indian Pharma Industry and Multi-National Companies over the Intellectual Property rights. However, with the ambitious economic growth targets for the current fiscal year, higher public spending on healthcare and positive effects from Government of India's 'Make in India' initiative, steps to reduce corruption, increase ease of doing business, aiming to reduce litigations, the Industry and your Company is expected to grow at higher growth rate than the GDP growth rate, thereby it looks forward to excelling the business results and improving shareholder value.

On behalf of the Board of Directors

S. N. Talwar
Chairman

Mumbai, February 26, 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 2015, the Statement of Profit and Loss and the Cash Flow Statement for the year then ended, and a summary of 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 Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these financial statements that 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 standalone financial statements based on our audit.

We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

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

An audit involves performing procedures to obtain audit evidence about the amounts and 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, but not for the purpose of expressing an opinion on whether the Company has in place an adequate internal financial controls system over financial reporting and the operating effectiveness of such controls. An audit also includes evaluating the appropriateness of 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 2015, and its profit and its cash flow for the year ended on that date.

Report on Other Legal and Regulatory Requirements

As required by the Companies (Auditor's Report) Order, 2015 ('the Order'), issued by the Central Government of India in exercise of powers conferred by sub-section (11) of Section 143 of the Act, we enclose at the Annexure, a statement on the matters specified in paragraphs 3 and 4 of the Order.

As required by Section 143(3) of the Act, we report that:

- a) we have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
- b) in our opinion, proper books of account as required by law have been kept by the Company so far as 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 written representations received from the directors as on 31 December 2015 and taken on record by the Board of Directors, none of the directors is disqualified as on 31 December 2015 from being appointed as a director in terms of Section 164 (2) of the Act; and
- f) 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 Note 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
26 February 2016

Vikas R Kasat
Partner
Membership No: 105317

Annexure to the Independent Auditors' Report – 31 December 2015

(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.
- (ii) (a) The inventory, except for goods-in transit and stock 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.
- (b) The procedures for physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) The Company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stocks and the book records were not material and these have 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, and having regard to the explanation that purchases of certain items of inventories and fixed assets are for the Company's specialised requirements and suitable alternative sources are not available to obtain comparable quotations and similarly sale of certain services are for the buyers' specialised requirements and suitable alternative sources are not available to obtain comparable quotations, there is an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchase of inventories and fixed assets and with regard to the sale of goods and services. We have not observed any major weakness in the internal control system during the course of the audit.
- (v) In our opinion, and according to the information and explanations given to us, the Company has not accepted deposits as per the directives issued by the Reserve Bank of India and under the provisions 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 Section 148 (1) of the Companies Act, 2013 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 the records.

- (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, Wealth tax, Service tax, Duty of Customs, Duty of Excise, Profession tax, Cess and other material statutory dues have been generally regularly deposited during the year by the Company with the appropriate authorities. There are no arrears of undisputed statutory dues as at 31 December 2015 outstanding 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 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.
- (c) According to the information and explanations given to us and on the basis of our examination of the records of the Company, there are no amounts required to be transferred to Investor Education and Protection Fund in accordance with the relevant provisions of the Companies Act, 2013 and rules made thereunder.
- (viii) The Company does not have any accumulated losses at the end of the financial year and has not incurred cash losses in the current financial year and in the immediately preceding financial year.
- (ix) The Company did not have any outstanding dues to any financial institution, banks or debenture-holders during the year.
- (x) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.
- (xi) The Company did not have any term loans outstanding during the year.
- (xii) According to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the course of our audit.

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

Vikas R Kasat
Partner
Membership No: 105317

Mumbai
26 February 2016

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
		16.3	Assessment year 1998-99, 1999-00, 2002-03 and 2003-04	Income Tax Appellate Tribunal
		5.2	Assessment year 2004-05	Income Tax Appellate Tribunal
		25.6	Assessment year 2005-06	Income Tax Appellate Tribunal
		345.7	Assessment year 2007-08	Commissioner of Income Tax (Appeals)
		23.2	Assessment year 2008-09	Income Tax Appellate Tribunal
		50.3	Assessment year 2009-10	Income Tax Appellate Tribunal
		28.4	Assessment year 2010-11	Income Tax Appellate Tribunal
Local State Sales tax Act and Central Sales Tax Act 1956	Tax and penalty	0.3	1994-95, 1995-96, 1998-99	Appellate Assistant Commissioner
		7.0	2001-02, 2003-04, 2006-07, 2009-10, 2010-11	Deputy Commissioner (Appeals)
		4.8	2001-02, 2011-2012	Additional Commissioner
		19.2	2007-08, 2008-09, 2010-11	Joint Commissioner
		27.6	2006-07, 2009-10, 2011-12	Commercial Tax Officer
		0.3	1994-95, 1995-96, 1998-99, 2011-12	Appellate Assistant Commissioner
		3.2	2009-10, 2011-12, 2012-13	Assistant Commissioner
		0.1	1994-97, 2003-04	Deputy Commissioner (Appeals)
Central Excise Act, 1944	Duty and penalty	0.5	1998-99	Joint Commissioner
		4.8	1996-2006	Customs Excise & Service tax Appellate Tribunal ("CESTAT")
		179.6	2009-14	Customs Excise & Service tax Appellate Tribunal ("CESTAT")
		12.5	2009-14	Commissioner
		9.1	2013-14	Assistant Commissioner
		0.3	2005-06	Commissioner (Appeals)
		0.1	2007-09	Assistant Commissioner

Balance sheet

as at 31 December 2015

(Currency: Indian Rupees million)

	Note	2015	2014
Equity and liabilities			
Shareholders' funds			
Share capital	3	166.0	166.0
Reserves and surplus	4	5,749.5	5,377.0
		<u>5,915.5</u>	<u>5,543.0</u>
Non-current liabilities			
Other non-current liabilities	5	44.4	-
Long-term provisions	6	221.2	187.1
		<u>265.6</u>	<u>187.1</u>
Current liabilities			
Trade payables	7	655.5	437.7
Other current liabilities	8	615.9	596.2
Short-term provisions	6	387.2	318.2
		<u>1,658.6</u>	<u>1,352.1</u>
		<u>7,839.7</u>	<u>7,082.2</u>
Assets			
Non-current assets			
Fixed assets	9		
Tangible fixed assets		1,315.9	1,095.2
Intangible fixed assets		1.4	1.9
Capital work in progress		70.0	276.3
Deferred tax assets (net)	10	56.8	21.7
Long-term loans and advances	11	671.5	700.7
		<u>2,115.6</u>	<u>2,095.8</u>
Current assets			
Current investments	12	422.8	238.7
Inventories	13	1,668.6	1,773.2
Trade receivables	14	1,265.7	1,045.3
Cash and bank balances	15	1,884.2	1,639.5
Short-term loans and advances	16	344.5	231.5
Other current assets	17	138.3	58.2
		<u>5,724.1</u>	<u>4,986.4</u>
		<u>7,839.7</u>	<u>7,082.2</u>
Significant accounting policies	2		
Notes to the financial statements	26-46		
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,

26th February, 2016

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

S. N. Talwar – Chairman – Independent Director
DIN: 00001456H.C.H. Bhabha – Independent Director
DIN: 00286072Ali Sleiman – Executive Director
DIN: 07055130A. Nambiar Managing Director
DIN: 02006594Brijesh Kapil – Executive Director
DIN: 06949048N. Krishnan – Executive Director
and Chief financial officer
DIN: 01027659

Vikas R. Gupta

Company Secretary

Statement of profit and loss

for the year ended 31 December 2015

(Currency: Indian Rupees million)

	Note	2015	2014
Revenue from operations	18		
Sale of products (gross)			
Finished products		6,610.7	6,398.6
Traded products		2,817.4	2,229.8
Less: Excise duty		344.9	303.9
Sale of products (net)		9,083.2	8,324.5
Other operating revenue		311.8	350.4
Total		9,395.0	8,674.9
Other income	19	233.1	203.3
		<u>9,628.1</u>	<u>8,878.2</u>
Expenses			
Cost of material consumed	20	2,569.3	2,663.2
Purchase of stock-in-trade	21	1,799.4	1,501.8
Changes in inventories of stock-in-trade, finished goods and work-in-progress	22	(16.2)	(160.3)
Employee benefits	23	1,233.9	1,135.6
Depreciation and amortisation	24	234.2	126.8
Other expenses	25	2,974.2	2,945.5
		<u>8,794.8</u>	<u>8,212.6</u>
Profit before tax		833.3	665.6
Income tax expense			
- Current tax		326.0	266.0
- Deferred tax (credit)		(28.3)	(32.6)
Profit after tax		<u>535.6</u>	<u>432.2</u>
Earnings per equity share [nominal value of share Rs.10/- each (2014: Rs. 10/- each)]			
Basic and diluted	26	<u>32.3</u>	<u>26.0</u>
Significant accounting policies	2		
Notes to the financial statements	26-46		
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,

26th February, 2016

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

S. N. Talwar – Chairman – Independent Director
DIN: 00001456

H.C.H. Bhabha – Independent Director
DIN: 00286072

Ali Sleiman – Executive Director
DIN: 07055130

A. Nambiar Managing Director
DIN: 02006594

Brijesh Kapil – Executive Director
DIN: 06949048

N. Krishnan – Executive Director
and Chief financial officer
DIN:01027659

Vikas R. Gupta

Company Secretary

Mumbai,

26th February, 2016

Cash flow statement

for the year ended 31 December 2015

(Currency: Indian Rupees million)

		2015	2014
A. Cash Flow from Operating Activities :			
Net Profit before taxation and exceptional items		833.3	665.6
Adjustments for :			
Depreciation and amortisation	234.2		126.8
Loss on sale of fixed assets, (net)	12.9		0.6
Profit on Sale of current investments, (net)	-		*
Unrealised foreign exchange differences	2.3		0.9
Dividend received on investments	(19.9)		(20.5)
Interest income	(140.9)		(155.0)
Bad debts written (back)/off (net)	(3.9)		2.7
Provision for bad and doubtful receivables and advances (net)	33.2		13.7
Provision for doubtful cenvat credit receivable	-		114.9
Other provision	-		69.8
Provision for employee benefits	36.0		57.4
Provision / (write back) for inventory write down	11.2	165.1	(0.3)
Operating cash flow before working capital changes		998.4	876.6
Adjustments for :			
(Increase) in trade receivables	(250.4)		(220.0)
(Increase) in loans and advances	(96.0)		(115.1)
Decrease / (increase) in inventories	93.6		(255.2)
Increase in liabilities and provisions	409.2	156.4	105.0
Cash generated from operations		1,154.8	391.3
Income tax paid (net of refunds)	(318.2)	(318.2)	(341.8)
Net cash generated from operating activities (A)		836.6	49.5
B. Cash flows from investing activities :			
Purchase of fixed assets (including changes in capital work-in-progress, capital advances and capital creditors)	(451.9)		(403.8)
Sale of fixed assets	2.0		2.4
Interest received	140.8		171.2
Dividend received on investments	19.9		20.5
Purchase of investments	(9,903.0)		(9,113.3)
Sale of investments	9,719.4		9,117.3
Bank deposits (having original maturity of more than three months), (net)	(207.5)		311.4
Net cash (used)/generated from investing activities (B)		(680.3)	105.7

Cash flow statement

for the year ended 31 December 2015

(Currency: Indian Rupees million)

	2015	2014
C. Cash flows from financing activities :		
Dividend paid (99.3)		(142.2)
Dividend tax paid (19.9)		(24.0)
Net cash (used) in financing activities (C)	(119.2)	(166.2)
Net increase/(decrease) in cash and cash equivalents (A+B+C)	37.1	(11.0)
Cash and cash equivalents at the beginning of the year	54.7	65.7
Cash and cash equivalents at the end of the year	91.8	54.7
NOTES TO THE CASH FLOW STATEMENT		
1 Cash and cash equivalents includes		
- Cash balance	*	0.1
- Bank balances in current accounts	91.8	54.6
	91.8	54.7
2 Unpaid dividend of Rs. 11.9 million (2014: Rs. 11.6 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, 2006.		

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,

26th February, 2016

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

S. N. Talwar – Chairman – Independent Director

DIN: 00001456

H.C.H. Bhabha – Independent Director

DIN: 00286072

Ali Sleiman – Executive Director

DIN: 07055130

A. Nambiar Managing Director

DIN: 02006594

Brijesh Kapil – Executive Director

DIN: 06949048

N. Krishnan – Executive Director

and Chief financial officer

DIN: 01027659

Vikas R. Gupta

Company Secretary

Mumbai,

26th February, 2016

Notes to the financial statements

for the year ended 31 December 2015

(Currency: Indian Rupees million)

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, bulk drugs, fine chemicals and pigments. The Company is organized in two major divisions – 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 to 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.

Operating cycle

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

Notes to the financial statements

for the year ended 31 December 2015

(Currency: Indian Rupees million)

(d) Fixed assets and depreciation/ amortisation:

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.

Losses arising from retirement and gains or losses arising from disposal of an 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.

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.

Depreciation / amortisation:

Depreciation is provided on straight line method over the estimated useful life prescribed under Schedule II of the Act.

Pursuant to the Act being effective, the Company has 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 is 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 deletion.

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 a SLM basis over an expected benefit period of 6 years and 3 years respectively.

Plant and equipment 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.

A fixed asset is eliminated from the financial statements on disposal or when no further benefit is expected from its use and disposal.

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.

Notes to the financial statements

for the year ended 31 December 2015

(Currency: Indian Rupees million)

(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.

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.

Notes to the financial statements

for the year ended 31 December 2015

(Currency: Indian Rupees million)

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.

(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 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.

Defined benefit plans

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 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:

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.

Notes to the financial statements

for the year ended 31 December 2015

(Currency: Indian Rupees million)

(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 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 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 incurred.

Notes to the financial statements

as at 31 December 2015

(Currency: Indian Rupees million)

	2015	2014
3. Share capital		
Authorised		
18,000,000 (2014: 18,000,000) equity shares of Rs. 10 each	180.0	180.0
Issued, subscribed and paid-up		
16,599,382 (2014: 16,599,382) equity shares of Rs. 10 each	166.0	166.0
A. Reconciliation of number of shares outstanding:		
	2015	2014
	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		
<p>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.</p> <p>Failure to pay any amount called up on shares may lead to forfeiture of the shares.</p> <p>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.</p>		
C. Shares held by subsidiaries of ultimate holding company	2015	2014
	Number Amount	Number Amount
Emedia Export Company mbh, 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
	8,599,224 86.0	8,599,224 86.0
D. Details of shareholders holding more than 5% of shares		
	Number %	Number %
Subsidiaries of holding company, Merck KGaA		
Emedia Export Company mbh, 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%
Others		
Life Insurance Corporation of India	1,161,021 6.9%	1,161,021 6.9%
	2015	2014
E. Aggregate number of shares bought back during the period of five years immediately preceding reporting date	-	261,842

Notes to the financial statements

as at 31 December 2015

(Currency: Indian Rupees million)

	2015	2014
4. Reserves and surplus		
Capital reserve		
As at commencement and at the end of the year	2.6	2.6
Capital redemption reserve		
As at commencement and at the end of the year	2.6	2.6
Securities premium account		
As at commencement and at the end of the year	111.3	111.3
General reserve		
At the commencement of the year	3,322.7	3,279.5
Less: Depreciation charge for earlier years (net of deferred tax of Rs. 6.8 million)	13.3	-
Add : Transfer from surplus (Profit and loss balance)	53.6	43.2
	<u>3,363.0</u>	<u>3,322.7</u>
Surplus (Profit and loss balance)		
At the commencement of the year	1,937.8	1,668.3
Add: Profit for the year	535.6	432.2
Less: Appropriations		
Transfer to general reserve	53.6	43.2
Proposed equity dividend [Rs. 7.50/- per equity share (2014: Rs. 6.00/- per equity share)]	124.5	99.6
Tax on proposed equity dividend	25.3	19.9
	<u>2,270.0</u>	<u>1,937.8</u>
	<u>5,749.5</u>	<u>5,377.0</u>

5. Other non-current liabilities

	Non-Current		Current	
	2015	2014	2015	2014
Rent equalisation reserve	44.4	-	5.6	-
	<u>44.4</u>	-	<u>5.6</u>	-

6. Provisions

	Long-term		Short-term	
	2015	2014	2015	2014
Provision for employee benefits :				
Provision for employee benefits :				
Gratuity [refer note 28]	73.0	38.8	-	-
Compensated absences [refer note 28]	57.3	53.7	14.1	15.8
Other employee benefits [refer note 41]	21.0	25.4	116.2	75.8
Other provisions :				
Provision for sales tax [refer note 41]	69.9	69.2	-	-
Others [refer note 41]	-	-	69.8	69.8
Proposed equity dividend	-	-	124.5	99.6
Tax on proposed equity dividend	-	-	25.3	19.9
Provision for tax	-	-	37.3	37.3
[net of advance tax paid for certain years Rs. 1,242.5 million (2014: Rs. 1,245.5 million)]				
	<u>221.2</u>	<u>187.1</u>	<u>387.2</u>	<u>318.2</u>

Notes to the financial statements

as at 31 December 2015

(Currency: Indian Rupees million)

	2015	2014
7 Trade payables		
Acceptances	8.8	13.3
Dues to Micro, Small and Medium Enterprises [refer note 35]	10.8	0.7
Others	635.9	423.7
	<u>655.5</u>	<u>437.7</u>
8 Other current liabilities		
Current portion of other non-current liabilities (refer note 5)	5.6	-
Advances from customers	49.5	56.9
Creditors for capital purchases	27.6	120.4
Employee benefits payable	71.7	51.7
Statutory dues		
- Tax deducted at source	19.2	15.9
- Sales tax	34.2	29.4
- Service tax	14.0	5.8
- Provident Fund	8.5	7.8
- Staff Insurance/benefit schemes	0.5	0.4
Payable towards services received	373.2	296.3
Amount liable to be deposited in Investor Education and Protection Fund but not yet due for deposit		
Unpaid dividend	11.9	11.6
	<u>615.9</u>	<u>596.2</u>

9 : Fixed assets

Tangible fixed assets

	Freehold Land	Buildings and Flats	Leasehold Improvements	Plant and Equipment	Hardware	Furniture and Fixtures	Vehicles	Office Equipment	Total
Gross Block									
Balance as at 01 January 2014	5.0	429.3	-	1,112.2	60.3	112.2	0.4	117.5	1,836.9
Additions	-	70.9	-	265.2	13.3	14.2	-	14.4	378.0
Disposals	-	-	-	(23.2)	(3.2)	(2.3)	-	(2.0)	(30.7)
Balance as at 31 December 2014	5.0	500.2	-	1,354.2	70.4	124.1	0.4	129.9	2,184.2
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 (refer note 17)	-	(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
Accumulated Depreciation									
Balance as at 01 January 2014	-	190.6	-	645.6	32.7	63.2	0.2	59.0	991.3
Depreciation for the year	-	13.3	-	74.8	7.9	16.3	0.1	13.1	125.5

Notes to the financial statements

as at 31 December 2015

(Currency: Indian Rupees million)

9 : Fixed assets

Tangible fixed assets

	Freehold Land	Buildings and Flats	Leasehold Improvements	Plant and Equipment	Hardware	Furniture and Fixtures	Vehicles	Office Equipment	Total
Accumulated depreciation on disposal	-	-	-	(21.1)	(2.6)	(2.3)	-	(1.8)	(27.8)
Balance as at 31 December 2014	-	203.9	-	699.3	38.0	77.2	0.3	70.3	1,089.0
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 (refer note 17)	-	(28.0)	-	-	-	(5.0)	-	(4.8)	(37.8)
Balance as at 31 December 2015	-	192.9	0.6	832.7	63.1	70.5	0.3	103.0	1,263.1
Net Block									
As at 31 December 2014	5.0	296.3	-	654.9	32.4	46.9	0.1	59.6	1,095.2
As at 31 December 2015	5.0	231.8	32.6	805.6	56.0	102.8	0.1	82.0	1,315.9
Capital work-in-progress									
Balance as at 31 December 2014									276.3
Balance as at 31 December 2015									70.0

Intangible fixed assets

	Brands / Trademarks	Computer Software	Total
Gross Block			
Balance as at 01 January 2014	86.9	45.5	132.4
Additions	-	0.6	0.6
Balance as at 31 December 2014	86.9	46.1	133.0
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
Amortisation			
Balance as at 01 January 2014	86.9	42.8	129.7
Amortisation for the year	-	1.4	1.4
Balance as at 31 December 2014	86.9	44.2	131.1
Balance as at 01 January 2015	86.9	44.2	131.1
Amortisation for the year	-	1.3	1.3
Balance as at 31 December 2015	86.9	45.5	132.4
Net Block			
As at 31 December 2014	-	1.9	1.9
As at 31 December 2015	-	1.4	1.4

Notes to the financial statements

as at 31 December 2015

(Currency: Indian Rupees million)

	2015		2014	
10. Deferred tax asset (net)				
Deferred tax asset included in the balance sheet comprises of :				
Deferred tax asset :				
Arising on account of timing differences in:				
Provision for doubtful trade receivables, deposits and advances	26.2		13.1	
Personnel and other related provisions	52.0		36.8	
Provision for sales tax matters	24.7		23.5	
Other provisions	57.9		25.0	
	<u>160.8</u>		<u>98.4</u>	
Deferred tax liability:				
Arising on account of timing differences in:				
Excess of depreciation as per Income Tax Act, 1961, over book depreciation	104.0		76.7	
	<u>104.0</u>		<u>76.7</u>	
	<u>56.8</u>		<u>21.7</u>	
11. Long-term loans and advances				
	Non Current portion		Current portion*	
	2015	2014	2015	2014
To parties other than related parties				
Capital advances (Unsecured and considered good)	6.2	10.3	-	-
Security deposits (Unsecured)				
considered good	131.8	98.1	-	-
considered doubtful	4.0	4.0	-	-
	<u>135.8</u>	<u>102.1</u>	<u>-</u>	<u>-</u>
Less : Provision for doubtful deposits	4.0	4.0	-	-
	<u>131.8</u>	<u>98.1</u>	<u>-</u>	<u>-</u>
Other loans and advances: (Unsecured)				
Cenvat credit receivable				
considered good	38.7	80.7	91.6	24.0
considered doubtful	-	24.3	-	-
	<u>38.7</u>	<u>105.0</u>	<u>91.6</u>	<u>24.0</u>
Less: Provision for doubtful cenvat credit receivable	-	24.3	-	-
	<u>38.7</u>	<u>80.7</u>	<u>91.6</u>	<u>24.0</u>
Others (Unsecured and considered good)				
Loans to employees	4.3	5.3	2.0	2.6
Custom duty receivable	11.1	11.1	-	-
Advance sales tax/Value added tax	4.6	5.2	-	-
Prepaid expenses	-	3.5	45.8	34.4
Other advances				
considered good	12.4	16.2	140.7	99.3
considered doubtful	-	-	1.6	1.6
	<u>12.4</u>	<u>16.2</u>	<u>142.3</u>	<u>100.9</u>
Less : Provision for doubtful advances	-	-	1.6	1.6
	<u>12.4</u>	<u>16.2</u>	<u>140.7</u>	<u>99.3</u>
Advance income tax [net of provision for tax for certain years Rs. 3,735.9 million (2014 Rs. 3,735.9 million)]	462.3	470.1	-	-
To related parties (Unsecured and considered good)				
Loan to directors	0.1	0.2	0.1	0.1
*Amount disclosed under short-term loans and advance				
	<u>671.5</u>	<u>700.7</u>	<u>280.2</u>	<u>160.4</u>

Notes to the financial statements

as at 31 December 2015

(Currency: Indian Rupees million)

	2015	2014
12. Current investments		
<i>(Valued at lower of cost or fair value)</i>		
<i>Non-Trade, (Unquoted)</i>		
In mutual funds:		
- LIC NOMURA MF Liquid Fund - Dividend Plan	271.1	85.1
- Canara Robeco Liquid - Regular Daily Dividend	44.5	89.6
- SBI Premier Liquid Fund-Regular Plan -Daily Dividend	22.0	21.4
- UTI Money Market Fund -Institutional Plan - Daily Dividend Reinvestment	85.2	42.6
	<u>422.8</u>	<u>238.7</u>
13. Inventories		
<i>(Valued at lower of cost and net realisable value)</i>		
Raw materials	369.1	491.3
Packing materials	84.7	96.0
Work in process	81.6	91.2
Finished products	583.9	610.5
Stock-in-trade [Includes stock-in-transit Rs. 94.3 million (2014: Rs. 79.4 million)]	530.8	478.4
Stores and spares	18.5	5.8
	<u>1,668.6</u>	<u>1,773.2</u>

Inventory of finished products and stock-in-trade includes inventory of samples aggregating Rs. 24.3 million (2014: Rs. 43.3 million)

In the year ended 31 December 2015, the write down of inventories to net realisable value amounted to Rs. 2.9 million (2014 : Rs. 4.7 million)

14. Trade receivables	2015	2014
(Unsecured)		
Debts outstanding for a period exceeding six month from the due date of payment		
considered good	60.4	35.1
considered doubtful	<u>66.0</u>	<u>31.6</u>
	126.4	66.7
Less: Provision for doubtful receivables	<u>66.0</u>	<u>31.6</u>
(a)	60.4	35.1
Other trade receivables		
considered good	1,205.3	1,010.2
considered doubtful	<u>2.6</u>	<u>3.8</u>
	1,207.9	1,014.0
Less: Provision for doubtful receivables	<u>2.6</u>	<u>3.8</u>
(b)	1,205.3	1,010.2
(a+b)	<u>1,265.7</u>	<u>1,045.3</u>

Notes to the financial statements

as at 31 December 2015

(Currency: Indian Rupees million)

	2015	2014
15. Cash and bank balances		
Cash and cash equivalents:		
Cash on hand	*	0.1
Balances with banks		
- Current accounts	79.9	43.0
	<u>79.9</u>	<u>43.1</u>
Other bank balances:		
- Unpaid dividend	11.9	11.6
- Deposit accounts*	1,792.4	1,584.8
	<u>1,884.2</u>	<u>1,639.5</u>
Details of bank balances / deposits		
*Bank deposits due to mature within 12 months of the reporting date included under "Other bank balances"	1,792.4	1,584.8
Unpaid Dividend of Rs.11.9 million (2014: Rs. 11.6 million), included in Bank balances, is not available for use by the Company.		
16. Short-term loans and advances		
Current portion of long-term loans and advances (refer note 11)		
To parties other than related parties	280.1	160.3
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	17.6	17.2
considered doubtful	1.2	1.2
	<u>18.8</u>	<u>18.4</u>
Less: Provision for doubtful advances	1.2	1.2
	<u>17.6</u>	<u>17.2</u>
Others (Unsecured and considered good)		
Advance for supply of goods	8.3	3.1
Excise duty refund	34.2	47.4
Value added tax receivable	4.2	3.4
	<u>344.5</u>	<u>231.5</u>
17. Other current assets		
(Unsecured, considered good)		
Interest accrued but not due on term deposits	49.9	49.8
Drawback receivable	8.4	8.4
Fixed assets reclassified as held for sales (refer note 9)	80.0	-
	<u>138.3</u>	<u>58.2</u>

Notes to the financial statements

for the year ended 31 December 2015

(Currency: Indian Rupees million)

	2015	2014
18. Revenue from operations		
Sale of products		
Finished goods	6,610.7	6,398.6
Traded goods	2,817.4	2,229.8
Sale of Products (gross)	9,428.1	8,628.4
Less :- Excise duty	344.9	303.9
Sale of products (net)	9,083.2	8,324.5
Breakup of Revenue from Operations		
Finished goods (net of excise duty):		
Tablets/Capsules	3,388.0	3,037.9
Nasal Drops/ Injections	884.5	861.5
Process solutions/Pigments	47.9	-
Syrups/Ointments	1,278.3	1,178.9
Bulk Drugs	667.1	1,016.4
	6,265.8	6,094.7
Traded goods:		
Tablets/Capsules	559.6	289.4
Nasal Drops/ Injections	217.9	158.6
Process solutions/Pigments	1,940.2	1,693.9
Syrups/Ointments	99.7	87.9
	2,817.4	2,229.8
Other operating revenue :		
Income from shared services	291.8	329.6
Duty drawback on exports	7.5	6.5
Sale of scrap	11.6	11.3
Indenting commission	0.7	2.0
Others	0.2	1.0
	311.8	350.4
19. Other income		
Interest on:		
- Loans and bank deposits	140.9	155.0
- Delayed payments from customers	13.8	9.8
Dividend income on current investments	19.9	20.5
Net gain on account of foreign exchange fluctuations	26.0	12.4
Provisions no longer required written back	27.0	-
Miscellaneous income [refer note 27]	5.5	5.6
	233.1	203.3

Notes to the financial statements

for the year ended 31 December 2015

(Currency: Indian Rupees million)

	2015	2014
20. Cost of material consumed (including packing materials)		
Inventory of materials at the beginning of the year	587.3	494.0
Add: Purchases	2,435.8	2,756.5
Less: Inventory of materials at the end of the year	453.8	587.3
	<u>2,569.3</u>	<u>2,663.2</u>
Break-up of cost of material consumed		
Isophytol	174.1	282.3
Vitamins	514.3	389.9
Active ingredients	487.7	388.8
Organic chemicals	78.6	151.1
Inorganic chemicals	74.2	57.3
Others	1,240.4	1,393.8
	<u>2,569.3</u>	<u>2,663.2</u>
Break-up of inventory- materials		
Isophytol	68.3	149.8
Vitamins	83.8	110.4
Active ingredients	80.8	89.1
Organic chemicals	55.4	58.5
Inorganic chemicals	12.5	4.0
Others	153.0	175.5
	<u>453.8</u>	<u>587.3</u>
21. Purchase of stock-in-trade		
Purchase of stock-in-trade	1,799.4	1,501.8
	<u>1,799.4</u>	<u>1,501.8</u>
Break-up of purchases of stock-in-trade		
Tablets/Capsules	315.1	131.6
Nasal Drops/ Injections	73.1	78.2
Process solutions/Pigments	1,347.5	1,235.9
Syrups/Ointments	63.7	56.1
	<u>1,799.4</u>	<u>1,501.8</u>

Notes to the financial statements

for the year ended 31 December 2015

(Currency: Indian Rupees million)

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

		2015		2014	
		Opening Inventory	Closing Inventory	(Increase) / Decrease in inventory	
Stock-in-trade					
Tablets/Capsules		41.7	54.6	(12.9)	7.5
Nasal Drops/ Injections		23.3	16.8	6.5	(10.5)
Process solutions/Pigments		398.7	448.5	(49.8)	9.4
Syrups/Ointments		14.7	10.9	3.8	6.6
	(a)	<u>478.4</u>	<u>530.8</u>	<u>(52.4)</u>	<u>13.0</u>
Finished Goods					
Tablets/Capsules		201.4	247.0	(45.6)	(53.0)
Nasal Drops/ Injections		208.7	189.1	19.6	(99.4)
Syrups/Ointments		83.4	97.1	(13.7)	(12.2)
Bulk Drugs		117.0	50.7	66.3	(19.1)
	(b)	<u>610.5</u>	<u>583.9</u>	<u>26.6</u>	<u>(183.7)</u>
Work-in-progress	(c)	<u>91.2</u>	<u>81.6</u>	<u>9.6</u>	<u>10.4</u>
Total	(a+b+c)	<u>1,180.1</u>	<u>1,196.3</u>	<u>(16.2)</u>	<u>(160.3)</u>

23. Employee benefits

	2015	2014
Salaries, wages, bonus and allowances	1013.6	923.7
Contribution to provident fund and other funds [refer note 28]	79.0	68.2
Gratuity [refer note 28]	48.9	45.6
Compensated absences [refer note 28]	1.9	21.7
Staff welfare expenses	90.5	76.4
	<u>1,233.9</u>	<u>1,135.6</u>

24. Depreciation and amortisation

	2015	2014
Depreciation on tangible fixed assets	232.9	125.4
Amortisation on intangible fixed assets	1.3	1.4
	<u>234.2</u>	<u>126.8</u>

25. Other expenses

	2015	2014
Stores and spare parts consumed	36.5	35.9
Power and fuel	151.4	98.9
Excise duty (net)	19.4	45.9
(represents excise duty paid on free replacements, samples, bonus issues and net excise duty impact on opening/closing stocks)		
Third party processing charges	347.4	396.7
Repairs and maintenance		
Building	0.4	0.5
Plant and Machinery	28.8	19.0
Others	40.2	50.1

Notes to the financial statements

for the year ended 31 December 2015

(Currency: Indian Rupees million)

		2015	2014
25. Other expenses (continued)			
Rates and taxes		62.1	240.2
Rent [refer note 27]		138.5	112.1
Printing, stationery, postage, telephone and electricity expenses		70.2	65.2
Legal and professional expenses [refer note 42]		214.9	239.6
Directors sitting fees		1.1	0.6
Travelling, conveyance and vehicle expenses [refer note 27]		454.7	414.7
Insurance		5.9	6.7
Research and development expenses		121.1	110.4
Corporate social responsibility expenses		5.8	-
Donations		-	6.0
Loss on sale of fixed assets (net)		12.9	0.6
Packing, forwarding and freight		213.4	225.4
Clearing and forwarding agents commission		117.6	70.2
Selling agents commission		9.5	12.4
Sales promotion expenses		719.0	621.8
Provision for doubtful debts, deposits and advances (net)		33.2	13.7
Bad Debts written off (net)		-	2.7
Royalty (net)		133.7	124.2
Miscellaneous expenses		36.5	32.0
		<u>2,974.2</u>	<u>2,945.5</u>
26. Earnings per share (EPS):		2015	2014
Profit after tax attributable to equity shareholders	A	535.6	432.2
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	32.3	26.0
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. 15.8 million (2014: Rs. 16.9 million) and Rs. 138.5 million (2014: Rs. 112.1 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 has leased out its flat. The lease term is twenty-four months. There is no escalation or renewal clause in the lease agreement and sub-letting is not permitted. The carrying amount of flat given on operating lease and depreciation thereon for the period are:

Notes to the financial statements

for the year ended 31 December 2015

(Currency: Indian Rupees million)

	2015	2014
Gross carrying amount	12.3	12.3
Accumulated depreciation	3.1	2.9
Net carrying amount	9.2	9.4
Depreciation for the period	0.2	0.2
The future minimum lease payments under non-cancellable operating leases are as follows:	0.4	2.6
Receivable within one year	0.4	2.2
Receivable between one and five years	-	0.4
Receivable after five years	-	-
Total	0.4	2.6

During the year, an amount of Rs. 1.8 million (2014: Rs. 2.0 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.

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.

The following table summarises the position of assets and obligations relating to gratuity.

		Gratuity	
		2015	2014
I	Change in benefit obligation		
	Liability at the beginning of the year	196.2	148.0
	Interest cost	15.2	11.1
	Current service cost	37.4	10.6
	Benefit paid	(12.7)	(8.3)
	Actuarial (loss) on obligations	10.2	34.8
	Liability at the end of the year	246.3	196.2
II	Fair value of plan assets		
	Fair Value of Plan Assets at the beginning of the year	157.4	144.4
	Expected return on plan assets	15.0	11.7
	Contributions	14.7	10.4
	Benefit paid	(12.7)	(8.3)
	Actuarial (loss) on plan assets	(1.1)	(0.8)
	Fair value of plan assets at the end of the year	173.3	157.4
III	Actual return on plan assets		
	Expected return on plan assets	15.0	11.7
	Actuarial (loss) on plan assets	(1.1)	(0.8)
	Actual return on plan assets	13.9	10.9
IV	Amount Recognised in the Balance Sheet		
	Liability at the end of the year	(246.3)	(196.2)
	Fair value of plan assets at the end of the year	173.3	157.4
	(Liabilities) recognised in the balance sheet	(73.0)	(38.8)

Notes to the financial statements

for the year ended 31 December 2015

(Currency: Indian Rupees million)

		Gratuity	
		2015	2014
V	Expenses recognised in the Statement of profit and loss		
	Current service cost	37.4	10.6
	Interest cost	15.2	11.1
	Expected return on plan assets	(15.0)	(11.7)
	Net actuarial loss to be recognised	11.3	35.6
	Expense recognised in income statement	48.9	45.6
VI	Balance sheet reconciliation		
	Opening liabilities	38.8	3.6
	Expense as above	48.9	45.6
	Employers contribution	(14.7)	(10.4)
	Liabilities recognised in balance sheet	73.0	38.8
VII	Actuarial assumptions : For the year		
	Discount rate current	7.6%	8.2%
	Rate of return on plan assets current	9.0%	9.4%
	Salary escalation current	9.0%	9.0%

Note: Employer's contribution includes payments made of Rs. 12.7 million (2014 Rs. 8.3 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:

	2015	2014	2013	2012	2011
Gratuity					
Present value of defined benefit obligation	246.3	196.2	148.0	122.3	127.7
Fair value of plan assets	173.3	157.4	144.4	131.8	119.6
(Deficit)/Surplus in plan	(73.0)	(38.8)	(3.6)	9.5	(8.1)
Experience adjustments on					
Plan liabilities loss/(gain)	4.1	27.5	20.6	(1.8)	4.1
Plan assets (loss)/gain	(1.1)	(0.8)	(0.8)	0.1	0.4

(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. 54.8 million (2014: Rs. 45.0 million) is recognised as an expense and included in "Personnel 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.

Notes to the financial statements

for the year ended 31 December 2015

(Currency: Indian Rupees million)

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 2015.

As per the report of the independent actuary, there is no shortfall as at 31 December 2015 (2014: shortfall of Rs. Nil) that needs to be recorded by the Company.

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

Particulars	2015	2014
Present value of benefit obligation	695.5	581.6
Plan Assets at period end, at fair value	723.2	598.3
Liability recognised in Balance Sheet	-	-

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

Particulars	2015	2014
Discount rate	7.8%	8.1%
Expected rate of return on assets	8.7%	8.9%

(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. 1.9 million (2014: Rs. 21.7 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	2015				2014			
	Pharmaceuticals	Chemicals	Eliminations	Total	Pharmaceuticals	Chemicals	Eliminations	Total
Revenue from Operations								
External revenue	6,659.1	2,735.9	-	9,395.0	5,851.4	2,823.5	-	8,674.9
Inter-segment revenue	-	68.4	(68.4)	-	-	124.5	(124.5)	-
Total revenue	6,659.1	2,804.3	(68.4)	9,395.0	5,851.4	2,948.0	(124.5)	8,674.9
Results								
Segment result before allocation of corporate expenses	682.0	273.7	-	955.7	426.3	301.0	-	727.3
Less: corporate expenses	176.5	59.6	-	236.1	158.8	51.2	-	210.0
Net segment result	505.5	214.1	-	719.6	267.5	249.8	-	517.3
Other unallocated income (net)				113.7				148.3
Income taxes				(297.7)				(233.4)
Profit after tax				535.6				432.2
Other information								
Segment assets	2,815.5	2,142.1	-	4,957.6	2,505.0	2,149.5	-	4,654.5
Unallocated corporate assets				2,882.1				2,427.7
Assets				7,839.7				7,082.2
Segment liabilities	1,313.7	383.6	-	1,697.3	1,033.9	317.6	-	1,351.5
Unallocated corporate liabilities				226.9				187.7
Liabilities				1,924.2				1,539.2
Capital expenditure - additions	246.5	112.7		359.2	477.8	84.7		562.5
Non-cash expenses other than depreciation	11.5	21.7		33.2	158.8	52.2		211.0
Depreciation and amortisation	137.4	96.9		234.3	71.7	55.1		126.8

Geographical segment information

	2015			2014		
	Domestic	Export	Total	Domestic	Export	Total
Revenue from operations	8462.3	932.7	9,395.0	7,757.0	917.9	8,674.9
Segment asset	7,594.7	245.0	7,839.7	6,873.2	209.0	7,082.2
Capital expenditure	363.3	-	363.3	562.5	-	562.5

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.

Notes to the financial statements

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Pharmaceutical business comprises of Ethicals 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.

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 transfers: Segment revenue, segment expense and segment result include transfers between business segments and between geographical segments. Those transfers are eliminated in preparing company-wide results

d Revenue comprises of :

	2015	2014
Sale of products (net)	9,083.2	8,324.5
Other operating revenue	311.8	350.4
	<u>9,395.0</u>	<u>8,674.9</u>

30 (a) Related party disclosures

Related parties where control exists

Ultimate Holding Company:

Merck KGaA, Germany through its subsidiaries listed below as Investing Associates holds 51.8% (2014 : 51.8%) of the equity share capital, as at 31 December 2015

Investing Associates:

- Chemitra GmbH, Germany
- Emedia Export Company mbH, Germany
- Merck Internationale Beteiligungen GmbH, Germany

Fellow Subsidiaries:

- Ares Trading S.A., Switzerland
- Ares Trading, Uruguay
- EMD Millipore Corporation , USA
- EMD Performance Materials Corporation, USA
- Heipha Dr. Müller GmbH, Germany
- Merck Et Cie., Switzerland
- Merck (Private) Limited, Pakistan
- Merck (Pty) Limited, South Africa

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for the year ended 31 December 2015

(Currency: Indian Rupees million)

30 (a) Related party disclosures (continued)

Fellow Subsidiaries:

- Merck Chemicals (Shanghai) Company limited, China
- Merck KGaA & Co. Werk Spittal, Austria
- Merck Life Science private limited, India (formerly known as Millipore India Private Limited, India)
- Merck Limited, Japan
- Merck Limited, Thailand
- Merck Pte Ltd, Singapore
- Merck Sdn Bhd, Malaysia
- Merck Selbstmedikation GmbH, Germany
- Merck Serono (Beijing) Merck Pharmaceutical Consulting Ltd., China
- Merck Serono Co., Limited, Japan
- Merck Serono Middle East FZE LLC, UAE
- Merck Serono S.A., Switzerland
- Merck SA, Brazil
- Merck S.L., Spain
- Merck Specialities Private Limited, India
- Merck spol. s r.o., Czech Republic
- P.T. Merck Indonesia, Indonesia
- Seven Seas Limited, United Kingdom
- Suzhou Taizhu Technology Development Co., China
- Merck Performance Materials 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. N Krishnan (Director)
- Mr. P.H. Pimplikar (Director) (Resigned w.e.f. 13 January 2015)
- Mr. Brijesh Kapil (Director) (Appointed w.e.f. 05 February 2015)
- Mr. Ali Sleiman (Director) (Appointed w.e.f. 05 February 2015)

30. (b) Related party disclosures

	Transactions	Ultimate Holding Company	Investing Associates	Fellow Subsidiaries	Executive Directors & Relatives	Total
1	Purchase of goods	891.0 (788.5)	- (-)	358.9 (289.1)	- (-)	1,249.9 (1,077.6)
2	Sale of goods	61.2 (130.4)	- (-)	318.9 (375.4)	- (-)	380.1 (505.8)
3	Services received	262.7 (268.9)	- (-)	31.3 (70.2)	- (-)	294.0 (339.1)
4	Services rendered	0.7 (2.0)	- (-)	200.2 (185.5)	- (-)	200.9 (187.5)
5	Reimbursement of expenses	20.3 (17.0)	- (-)	91.2 (131.9)	- (-)	111.5 (148.9)
6	Advances given	561.8 (388.2)	- (-)	77.5 (85.4)	- (-)	639.3 (473.6)
7	Dividend paid	- (-)	51.6 (73.1)	- (-)	- (-)	51.6 (73.1)

Notes to the financial statements

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(Currency: Indian Rupees million)

30 (b) Related party disclosures (continued)

	Transactions	Ultimate Holding Company	Investing Associates	Fellow Subsidiaries	Executive Directors & Relatives	Total
8	Managerial remuneration (net) #	- (-)	- (-)	- (-)	89.7 (52.5)	89.7 (52.5)
9	Balances payable as at year-end	118.3 (98.8)	- (-)	94.5 (39.6)	- (-)	212.8 (138.4)
10	Balances receivable as at year-end	10.4 (3.7)	- (-)	54.2 (60.5)	- (-)	64.6 (64.2)

Figures in brackets indicate those of the previous year

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

Out of the above items, transactions in excess of 10% of the total related party transactions are as under:

	2015	2014
1 Purchase of goods		
Merck KGaA, Germany	891.0	788.5
Merck Selbstmedikation GmbH, Germany	129.0	-
2 Sale of goods		
Merck KGaA & Co. Werk Spittal, Austria	115.3	212.9
Merck KGaA, Germany	61.2	130.4
EMD Millipore Corporation, USA	162.1	70.3
3 Services received		
Merck KGaA, Germany	262.7	268.9
4 Services rendered		
Merck Specialities Private Limited, India	92.2	165.2
Merck Life Science Private Limited, India (formerly known as Millipore India Private Limited, India)	108.0	20.3
5 Reimbursement of expenses		
Merck Performance Materials Private Limited, India	37.5	-
Merck Specialities Private Limited, India	25.6	
Merck KGaA, Germany	20.3	17.0
Merck Selbstmedikation GmbH, Germany	17.4	88.5
Ares Trading, Uruguay	-	34.1
6 Advances given		
Merck KGaA, Germany	561.8	388.2
7 Dividend paid		
Emedia Export Company mbh, Germany	21.2	30.0
Merck Internationale Beteiligungen GmbH, Germany	18.6	26.3
Chemitra GmbH, Germany	11.8	16.8
8 Managerial Remuneration (net)		
Mr. Anand Nambiar (Appointed w.e.f. 05 February 2015)	27.4	-
Dr. Claus Boedecker (Resigned w.e.f. 31 January 2015)	1.4	24.5
Mr. N. Krishnan	12.7	12.4

Notes to the financial statements

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(Currency: Indian Rupees million)

30. (b) Related party disclosures (continued)

Mr. Ali Sleiman (Appointed w.e.f. 05 February 2015)	22.0	-
Mr. P.H. Pimplikar (Resigned w.e.f. 13 January 2015)	11.6	15.6
Mr. Brijesh Kapil (Appointed w.e.f. 05 February 2015)	14.6	-
9 Balances payable		
Merck KGaA, Germany	118.3	98.8
Merck Selbstmedikation GmbH, Germany	35.5	-
EMD Millipore Corporation , USA	-	18.5
10 Balances receivable		
Merck KGaA, Germany	10.4	3.7
Merck Selbstmedikation GmbH, Germany	4.6	46.0
Merck Performance Materials Private Limited, India	42.9	-
EMD Millipore Corporation , USA	-	13.9

31. Contingent liabilities

(to extent not provided for)

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

	2015	2014
Income tax	536.3	504.2
State and Central Sales Tax, Entry Tax	62.1	62.0
Excise duty /Service tax	207.0	5.7
	<u>805.4</u>	<u>571.9</u>

32. a) During the year 2013, the Company had received a show cause notice from National Pharmaceutical Pricing Authority (NPPA) alleging that the Company had sold the product Polybion L Syrup 250ml without price approval for the period January 2008 until June 2009. The notice calculates Rs. 128.0 million as the value of over charge equivalent to the entire sale value of said product for the referred period. The Company, based on the legal opinion believes that no provision was required to be made in the books of account.
- b) During the 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 recent judgment passed by the Supreme Court in the year 2014 impacting the Pharmaceutical industry in India including the Company.
- 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 us in our product Carbophage 500 SR. The orders do 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 has sent us a notice dated June 06, 2014, claiming the differential pricing charged by the Company for Carbophage 500 SR over the prices notified.
- d) During the year 2014, Central Excise issued a show cause cum demand 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 has 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.

Management feels that the Company has a good case on merits as well as on limitations. 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 mis-declaration 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.

Notes to the financial statements

for the year ended 31 December 2015

(Currency: Indian Rupees million)

33. Commitments

Estimated amount of contracts remaining to be executed on Capital Account (net of capital advance Rs. 1.6 million; 2014 Rs. 5.3 million) and not provided for Rs. 44.8 million (2014: Rs. 72.1 million).

34. Unhedged foreign currency exposure

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

	2015 (Foreign Currency)	2015 (Rupees)	2014 (Foreign Currency)	2014 (Rupees)
Payables				
USD	2.0	141.7	1.0	62.8
EUR	1.9	139.1	1.9	149.8
GBP	*	0.3	*	0.2
CHF	0.1	3.6	*	-
AED	-	-	0.2	4.0
		<u>284.7</u>		<u>216.8</u>
Receivables				
USD	3.3	213.0	1.4	88.7
EUR	0.5	32.0	1.4	107.2
		<u>245.0</u>		<u>195.9</u>

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:

	2015	2014
Principal amount remaining unpaid to any supplier as at the year end	10.8	0.7
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 material, components and spare parts consumed during the year

	2015		2014	
	Value	% of Total consumption	Value	% of Total consumption
Raw materials/Packing materials				
Imported	467.0	18.2%	683.1	25.6%
Indigenous	2,102.3	81.8%	1,980.1	74.4%
	<u>2,569.3</u>	<u>100.0%</u>	<u>2,663.2</u>	<u>100.0%</u>
Spare parts				
Imported	1.9	5.2%	1.7	4.7%
Indigenous	34.6	94.8%	34.2	95.3%
	<u>36.5</u>	<u>100.0%</u>	<u>35.9</u>	<u>100%</u>

Notes to the financial statements

for the year ended 31 December 2015

(Currency: Indian Rupees million)

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

	2015	2014
Raw materials	799.1	947.6
Finished goods	1,175.2	974.2
Components, Stores and Spare Parts	1.9	1.8
Capital goods	45.0	48.9
Others	4.6	8.5
	<u>2,025.8</u>	<u>1,981.0</u>

38. Expenditure in foreign currency:

	2015	2014
Royalty	133.7	124.2
Legal and professional fees	130.8	137.4
Others (traveling, commission, employee benefits etc)	65.9	68.0
	<u>330.4</u>	<u>329.6</u>
Amounts disclosed above are on accrual basis		

39. Earnings in foreign exchange:

	2015	2014
Exports of goods on F.O.B. basis	802.0	677.4
Indenting commission	0.7	2.0
Income from shared services	71.0	144.4
	<u>873.7</u>	<u>823.8</u>

40. Dividend remittances in foreign currency

	2015	2014
Year to which the dividend relates	2014	2013
Amount remitted during the year	51.6	73.1
Number of non-resident shareholders	3	3
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 which are expected to be paid in the next financial year.

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	101.2	122.8	86.8	-	137.2
	(121.7)	(88.9)	(84.7)	(24.7)	(101.2)
Provisions in respect of sales tax matters	69.2	5.3	4.6	-	69.9
	(66.9)	(5.0)	(2.7)	-	(69.2)
Other provision (refer note 32b)	69.8	-	-	-	69.8
	(-)	(69.8)	(-)	(-)	(69.8)
	<u>240.2</u>	<u>128.1</u>	<u>91.4</u>	<u>-</u>	<u>276.9</u>
	<u>(188.6)</u>	<u>(163.7)</u>	<u>(87.4)</u>	<u>(24.7)</u>	<u>(240.2)</u>

Notes to the financial statements

for the year ended 31 December 2015

(Currency: Indian Rupees million)

42. Payment to Auditors:

	2015	2014
Audit fees	1.5	1.5
Taxation matters	0.8	0.8
Other matters	1.4	1.3
Out of pocket expenses	0.3	0.2
	<u>4.0</u>	<u>3.8</u>

43. 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 2015. Management believes that the Company's international and domestic transactions with related parties post March 2015 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.

44. Corporate social responsibility

As per section 135 of the Act, a CSR committee has been formed by the Company. The funds are utilised during the year on the activities which are specified in schedule VII of the Act. The utilisation is done by way of contribution towards various activities. Gross amount required to be spent by the Company during the year : Rs. 18.3 million.

The areas of CSR activities and contributions made thereto are as follows:

	2015	2014
River Ambulance and Water Testing Project/Others	5.8	-
	<u>5.8</u>	<u>-</u>

45. 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.

46. 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,
26th February, 2016

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

S. N. Talwar – Chairman – Independent Director DIN: 00001456	A. Nambiar Managing Director DIN: 02006594
H.C.H. Bhabha – Independent Director DIN: 00286072	Brijesh Kapil – Executive Director DIN: 06949048
Ali Sleiman – Executive Director DIN: 07055130	N. Krishnan – Executive Director and Chief financial officer DIN: 01027659

Mumbai,
26th February, 2016

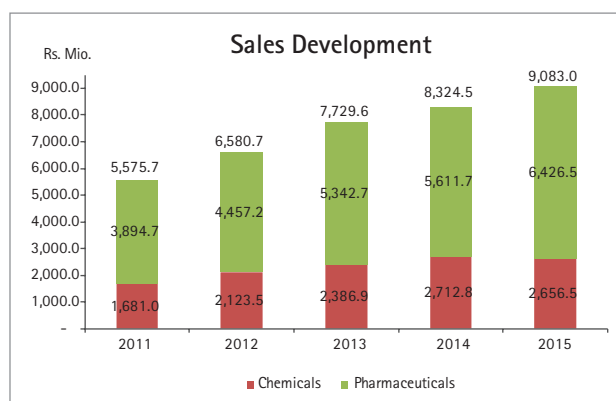
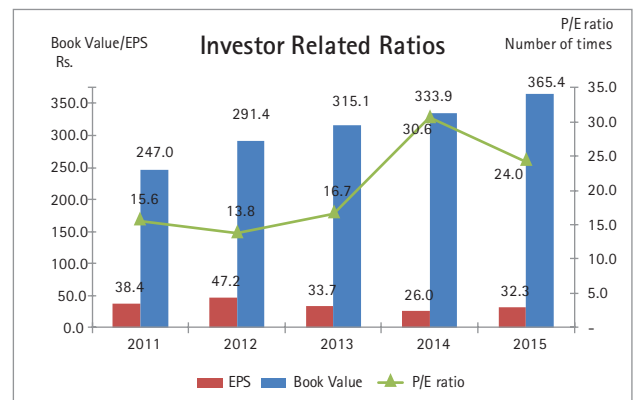
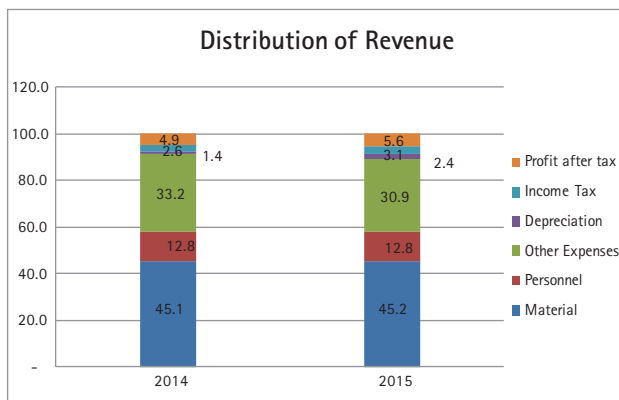
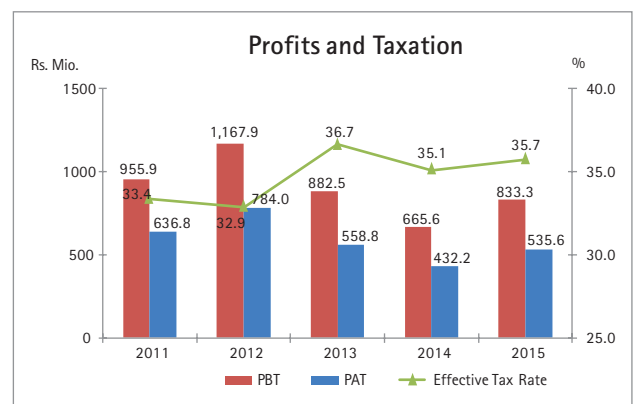
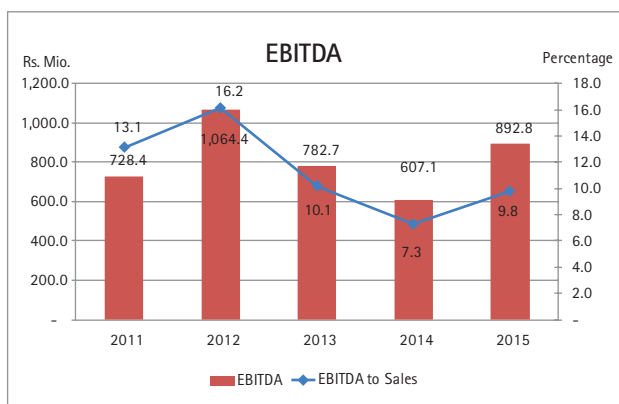
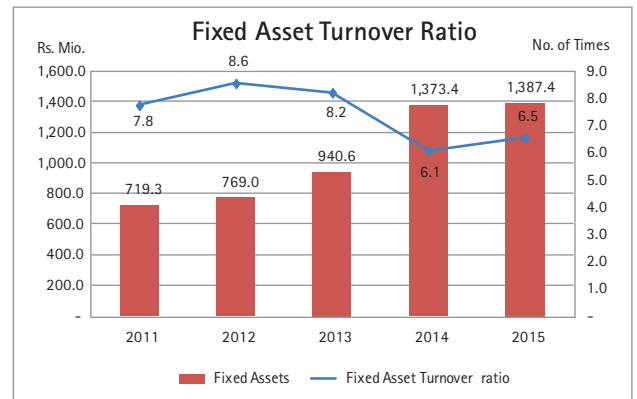
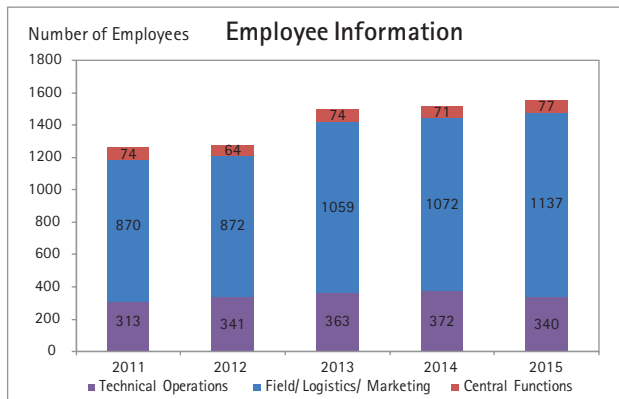
Vikas R. Gupta
Company Secretary

Financial Highlights : 2005 - 2015

		2006	2007	2008	2009	2010	2011	2012	2013	2014	Change	2015
								##	##	##	+/- in %	##
PROFIT & LOSS ACCOUNT SUMMARY												
Turnover	Rs. Mio	3,294.9	3,148.3	3,894.6	4,731.1	5,090.8	5,575.7	6,580.7	7,729.6	8,324.5	9.1%	9,083.2
Operating and Other Income	"	967.2	395.0	477.1	432.1	433.7	488.8	494.1	462.7	553.7	(1.6%)	544.9
	"	4,262.1	3,543.3	4,371.7	5,163.2	5,524.5	6,064.5	7,074.8	8,192.3	8,878.2	8.4%	9,628.1
Costs & Expenses												
Materials Cost	"	1,393.2	1,264.9	1,599.9	2,060.9	2,078.7	2,427.8	2,990.2	3,630.0	4,004.7	8.7%	4,352.5
Personnel Expenses	"	339.3	332.0	477.6	570.2	684.6	811.0	853.0	1,009.6	1,135.6	8.7%	1,233.9
Operating and Other Expenses	"	768.2	881.9	1,319.5	1,492.5	1,590.3	1,933.1	1,974.7	2,569.5	2,945.5	1.0%	2,974.2
Depreciation/Impairment loss (reversal)	"	64.4	65.9	57.3	75.1	213.8	(63.3)	89.0	100.7	126.8	84.7%	234.2
	"	2,565.1	2,544.7	3,454.3	4,198.7	4,567.4	5,108.6	5,906.9	7,309.8	8,212.6	7.1%	8,794.8
Profit Before Taxation	"	1,697.0	998.6	917.4	964.5	957.1	955.9	1,167.9	882.5	665.6	25.2%	833.3
Provision for Taxation	"	363.5	310.4	287.3	309.7	325.3	319.1	383.9	323.7	233.4	27.5%	297.7
Profit after taxation	"	1,333.5	688.2	630.1	654.8	631.8	636.8	784.0	558.8	432.2	23.9%	535.6
BALANCE SHEET SUMMARY												
Assets Employed												
Fixed Assets Gross	Rs. Mio	1,153.9	1,168.2	1,405.8	1,482.9	1,536.0	1,679.4	1,783.8	1,969.3	2,317.2	11.3%	2,712.8
Fixed Assets (Net)	"	403.1	405.0	622.1	640.3	512.4	719.3	769.0	940.6	1,373.4	1.0%	1,387.3
Investments	"	2,480.7	2,339.7	1,529.3	238.2	201.8	227.4	236.4	242.9	238.7	77.1%	422.8
Current and Non Current Asset (Net)	"	1,092.4	1,532.3	2,386.3	3,815.6	2,715.4	3,162.5	3,838.4	4,057.7	3,909.2	3.6%	4,048.6
Deferred Tax Assets (Net)	"	-	-	-	-	34.6	-	-	-	21.7	161.8%	56.8
		3,976.2	4,277.0	4,537.7	4,694.1	3,464.2	4,109.2	4,843.8	5,241.2	5,543.0	6.7%	5,915.5
Financed by												
Share Capital	Rs. Mio	168.6	168.6	168.6	166.0	166.0	166.0	166.0	166.0	166.0	-	166.0
Reserves and surplus	"	3,761.7	4,060.4	4,345.3	4,506.9	3,298.2	3,934.8	4,670.6	5,064.3	5,377.0	6.9%	5,749.5
Shareholders Funds	"	3,930.3	4,229.0	4,513.9	4,672.9	3,464.2	4,100.8	4,836.6	5,230.3	5,543.0	6.7%	5,915.5
Deferred Tax Liability (Net)	"	45.9	48.0	23.8	21.2	-	8.4	7.2	10.9	-	-	-
	"	3,976.2	4,277.0	4,537.7	4,694.1	3,464.2	4,109.2	4,843.8	5,241.2	5,543.0	6.7%	5,915.5
OTHER INVESTOR INFORMATION												
Earnings per share	Rs.	79.1	40.8	37.4	39.0	38.1	38.4	47.2	33.7	26.0	24.2%	32.3
Dividend	%	200.0	200.0	175.0	200.0	950.0	-	25.0	85.0	60.0	25.0%	75.0
Book value per share	Rs.	233.1	250.8	267.7	281.5	208.7	247.0	291.4	315.1	333.9	6.7%	356.4
Market value of share	High Rs.	639	500	460.0	634	1,006	760	714	689	919	9.2%	1,004
	Low Rs.	425	372	260.0	293	566	553	555	523	536	33.6%	716
No. of shareholders		24,805	25,718	26,096.0	24,083	27,284	27,313	26,857	27,257	28,591	19.0%	34,030
No. of Employees		860	922	1,072	1,245	1,257	1,257	1,277	1,496	1,515	2.6%	1,554

as per revised schedule VI

PERFORMANCE INDICATORS



Merck Limited

(CIN: L99999MH1967PLC013726)

Godrej One, 8th Floor, Pirojshanagar,
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