

June 12, 2018

Bombay Stock Exchange Limited  
1st Floor, P.J. Towers, Dalal Street,  
Fort, Mumbai  
400 001

Dear Sir/Madam,

**Sub: - Submission of Annual Report of Merck Limited under Regulation 34 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015**

We enclose herewith the Annual Report of Merck Limited which was placed before the shareholders and approved at the 51<sup>st</sup> Annual General Meeting of the Company held on Friday, June 01, 2018.  
Kindly take the same on record.

Thanking you,

Yours faithfully,  
For Merck Limited



**Vikas R. Gupta**  
General Counsel & Company Secretary  
Encl: As above



**Merck Limited**

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

MERCK

# Annual Report 2017





Employees celebrate 'Joy of Giving Week' by gifting study materials to children of St. Catherine of Siena School and Orphanage.



Employees at science kiosk at Indian Institute of Science 'Annual science open day'



Employees from Bangalore participate in a walkathon in support of Socare, an NGO providing education, health & nutrition to children of life convicts.



Employee contributions enabled a special outing for 30 differently abled children from Cheshire Home.



Cyclathon by employees in support of Jeevan Asha that works with children of migrant workers.



# Managing Director's Message

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Dear Shareholders,

On behalf of the Board of Directors and the Merck team, my sincere gratitude to you for the continued support and confidence that you have bestowed on us. We completed the year above plan, while overcoming intense competitive forces and the biggest tax reform in the country. Your company weathered the GST transition in the most efficient manner without any business interruption thanks to the meticulous planning and execution by our team.

In 2017, we implemented an integrated Healthcare model and successfully consumerised several of our brands. As a result, the Consumer Health business has become one of the largest VMS players in India, with flagship brands such as Neurobion, Nasivion and Evion growing twice the category growth.

The Cardio Metabolic Care business continued to deliver above market performance in a highly competitive and genericised market, with the flagship brand Concor growing seven times faster than the covered market.

In our Pigments business, India's top car manufacturers have chosen our premium pigments, Meoxal and Xirallic as a preferred coating material for some of their popular models, thereby driving our prospects even higher in the automobile industry.

The Healthcare business went aggressive with its digital outreach in the year – 28 million consumers were reached through the #HelpingTrueHeroes campaign, over 1.7 million through Seven Seas Mother's Day, 10 million through Nasivion's ManFlu campaign and 3.5 million through Evion's digital initiatives.

Keeping up its safety record, the Goa site won the state safety award once again in the year. While the site faced some labour challenges, the site management displayed exceptional dedication managing the dispute and ensuring that our patients and customers did not get impacted by any supply shortages.

The steady performance of your company, while facing intense competition as well as headwinds from the new tax structure, is a result of the commitment of our employees, the loyalty of our customers and support of our partners in the supply chain network, including dealers, distributors, carrying and forwarding agents, and suppliers. I thank our teams and partners across the country for their immense contribution and commitment to the company.

Your company has introduced many employee friendly policies and implemented several talent management programs. The new policies, rewards & recognition programs, and digitalisation of HR processes have contributed greatly to our strengths as an employer, and has earned us the Top Employer Certification once again for the year. As a result, our attrition rate is in the single digits, well below industry averages and our employee engagement levels at an all time high. We are setting the benchmark in the country for the place to work in our industry.

Going forward, the changing business environment will bring in both opportunities and challenges. With our focus on the business performance and our people I am confident that we will continue to deliver great value to all our stakeholders.

As I step out of my role as the Managing Director, I seek your continued support and guidance for the Board of Directors and the team at Merck Limited.

Thank you for the confidence you placed on me to lead this organization.

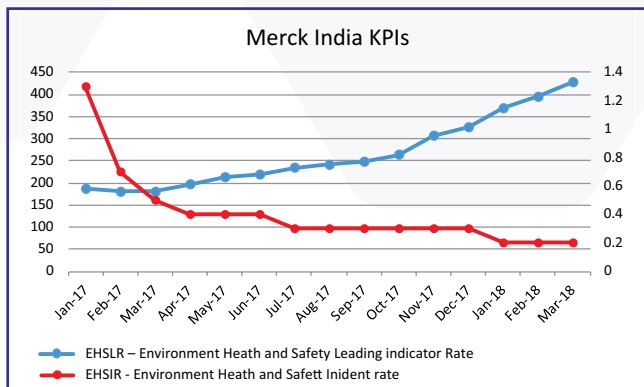


Jai Hind!

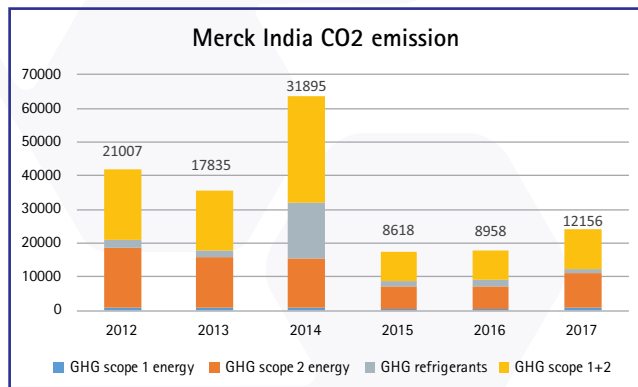
Sincerely,  
Anand Nambiar  
Managing Director

# Environment Health and Safety at Merck

At Merck safety always comes first. Environmental Health & Safety (EHS) efforts are dedicated to the reduction of risks at work. Our endeavor is to promote safety as a culture and create safe work environment. All employees take an active role in developing and observing safe working environment. -



Merck has been continuously improving its safety standards as compared to the industry safety standards. The Company has been actively mitigating the safety observations by including proactive reporting resulting in substantial reduction in loss of time due to incidents.



CO2 emission have decreased over the period which is due to various measures taken by the Company including use of power from in-house power plant which uses biomass waste as fuel.

Merck India safety Council was constituted to develop and implement safety and security culture at Merck. It does review the safety needs at each site.



Merck India Safety Council half yearly meet was held November 2017



Safety Oath at plant



Safety Quiz competition in laboratory





# Merck Limited

## Fifty First Annual Report and Statement of Accounts 2017

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Mr. Vikas R. Gupta

<i>Registered Office</i>	<i>Plant Location</i>	<i>Registrar and Share Transfer Agent:</i>
Godrej One, 8 <sup>th</sup> Floor, Pirojshanagar, Eastern Express Highway, Vikhroli (East), Mumbai – 400 079, India Phone: +91 22 6210 9000, Fax: +91 22 6210 9999 Website: www.merck.co.in	Plot No. 11/1, Usgaon, Ponda Goa – 403 407	Karvy Computershare Private Limited Karvy Selenium Tower B, Plot 31-32, Gachibowli, Financial District, Nanakramguda Hyderabad, Telangana – 500 032 Phone: +91 40 6716 2222 Fax: +91 40 2342 0814 Toll Free No: 1800-3454-001 Email: einward.ris@karvy.com Website: www.karvycomputershare.com

*Corporate Identity Number (CIN)*

L99999MH1967PLC013726

### Cautionary Statement

Certain statements in this report regarding our business operations may constitute forward-looking statements. These include all statements other than statements of historical fact, including those regarding the financial position, business strategy, management plans and objectives for future operations. Forward-looking statements can be identified by words such as 'believes', 'estimates', 'anticipates', 'expects', 'intends', 'may', 'will', 'plans', 'outlook' and other words of similar meaning in connection with our future operations and financial performance.

Such statements involve known and unknown risks, uncertainties and other factors that may cause actual outcome to differ from those expressed or implied in these statements. The Company assumes no responsibility to publicly to update, amend, modify or revise any forward-looking statements, on the basis of any subsequent development, new information or future events or otherwise except as required by applicable law.

# Notice of Annual General Meeting

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NOTICE is hereby given that the Fifty First Annual General Meeting of the Members of Merck Limited will be held on Friday, June 01, 2018 at 3 p.m. at Sunville Banquets, 3<sup>rd</sup> Floor, Royal Room, Dr. Annie Besant Road, Worli, Mumbai 400 018 to transact the following business:

1. To receive, consider and adopt the Audited Financial Statements of the Company for the year ended December 31, 2017, together with the reports of the Board of Directors and Auditors thereon.
2. To declare dividend for the year 2017.
3. To appoint a Director in place of Mr. N. Krishnan (DIN: 01027659) who retires by rotation and, being eligible, offers himself for re-appointment.
4. To consider and if thought fit, to pass, with or without modification(s) the following resolution as

## **ORDINARY RESOLUTION:**

“RESOLVED THAT Mr. Milind Thatte (DIN: 08092990) who was appointed as an Additional Director of the Company by the Board of Directors be and is hereby appointed as a Director of the Company”

“RESOLVED FURTHER THAT pursuant to the provisions of Sections 196 and 197 and any other applicable provisions, if any, of the Companies Act, 2013 read with Schedule V of the said Act, or any statutory modification(s) or re-enactment thereof, approval of the Company be and is hereby accorded to the appointment of Mr. Milind Thatte as the Managing Director of the Company for a period of five years from April 01, 2018 until March 31, 2023 on the terms and conditions as set out in the Agreement dated March 27, 2018 entered into between him and the Company, an extract of which is placed in the explanatory statement attached hereto with the liberty to the Board of Directors of the Company to alter and vary the terms and conditions of appointment and/or remuneration, subject the same is within the limits as approved by the shareholders.

RESOLVED FURTHER THAT notwithstanding anything contained herein, where in any financial year the Company incurs a loss or its profits are inadequate, the Company shall pay to Mr. Milind

Thatte, the remuneration by way of salary, bonus, commission and other allowances not exceeding the limits specified under section II, Part II of Schedule V to the Companies Act, 2013 (including any statutory modification or re-enactment thereof, for the time being in force) or such other limits as may be prescribed by the Government from time to time as minimum remuneration.”

5. 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, and pursuant to the approval of Members at the 50<sup>th</sup> Annual General Meeting, the appointment of M/S Haribhakti & Co LLP, Chartered Accountants, Firm Registration No. 103523W/W100048 be and is hereby ratified to hold office from the conclusion of this Annual General Meeting (AGM) until the conclusion of the next AGM of the Company at such remuneration plus service tax, out-of-pocket and travelling expenses, etc., as may be mutually agreed between the Board of Directors of the Company and the Auditors.”

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

“RESOLVED that pursuant to the provisions of section 197 and other applicable provisions, if any, of the Companies Act, 2013 (Act), and applicable regulations of SEBI, if any, as amended from time to time, a sum not exceeding one percent (1%) per annum of the net profits of the Company calculated in accordance with the provisions of section 198 of the Act, be paid to and distributed amongst the Directors of the Company or some or any of them (other than the Managing Director and Whole-time Directors) in such amounts or proportions and in such manner and in all respects as may be directed by the Board of Directors and such payments shall be made in respect of the profits of the Company for each year, for a period of five years, commencing January 1, 2018

# Notice of Annual General Meeting

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

“RESOLVED THAT pursuant to the provisions of Section 148(3) and other applicable provisions, if any, of the Companies Act, 2013, read with the Companies (Audit and Auditors) Rules, 2014, the consent of the Company be and is hereby given for payment of remuneration of Rs. 2,00,000/- (Rupee Two lacs only) plus applicable taxes and out of pocket expenses for conducting audit of the cost records of the Company for the financial year 2018 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 22, 2018.”

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

8. To consider and, if thought fit, to pass, with or without modification, the following 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. 300 Crores (Rupees Three Hundred Crores only) during the financial year 2018.

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

## 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 the aggregate not more than ten percent of the total share capital of the Company carrying voting rights. A member holding more than ten percent of the total share capital of the company carrying voting rights may appoint a single person as proxy and such person shall not act as a proxy for any other person or shareholder.
3. Explanatory Statement for the Special Business:  
The relevant Explanatory Statements pursuant to Section 102 of the Companies Act, 2013 in respect of the Item No. 4 to 8 of the Notice are 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 Wednesday, May 23, 2018 to Friday, June 01, 2018 (both days inclusive for the purpose of Annual General Meeting and for payment of dividend if declared at the AGM).
6. If the dividend as recommended by the Board of Directors is approved at the Annual General



# Notice of Annual General Meeting

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Meeting, payment of such dividend will be made on or before Saturday, June 30, 2018 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 Tuesday, May 22, 2018 ;
  - 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 Tuesday, May 22, 2018
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. The Company will not entertain any direct request from such Members for change/deletion in such bank details. Further, instructions if any, already given by them in respect of shares held in physical form, will not be automatically applicable to the dividend paid on shares held in electronic form. Members may, therefore, give instructions regarding bank accounts in which they wish to receive dividend to their depository participants.
  8. Dividend of prior years: In terms of Sections 124 of the Companies Act, 2013, the dividend which remains unclaimed for a period of seven years from the date of transfer to the Unpaid Dividend Account is required to be transferred to the "Investor Education and Protection Fund" established by the Central Government. According to the relevant provisions of the Companies Act, 2013, no claim shall lie against the said Fund or the Company for the amount of dividend so transferred to the said Fund. Accordingly dividend upto the financial year December 31, 2009 and interim dividend declared during the financial year 2010 have been transferred to "Investor Education and Protection Fund". A list of shareholders whose unclaimed dividend has been transferred is available on Company's website [www.merck.co.in](http://www.merck.co.in). Members who have not encashed the dividend warrant(s) so far for the year ended December 31, 2012 or any subsequent years are requested to send their claims directly to the Company or to M/s. Karvy Computershare Private Ltd. (hereinafter referred to as 'Karvy') whose contact details are given at the end of this notice.
  9. In terms of the provisions of Section 124(6) of the Companies Act, 2013, read with the Investor Education and Protection Fund Authority (Accounting, Audit, Transfer and Refund) Rules, 2016 the Company was required to transfer all such equity shares in respect of which dividend has not been claimed by the shareholders for the last seven or more consecutive years to Investor Education & Protection Fund (IEPF Fund). In terms of the Ministry of Corporate Affairs' notification dated October 13, 2017 the process of transfer of such shares was prescribed and accordingly the Company has transferred on November 30, 2017, 39,393 equity shares of Rs. 10 each of the shareholders who have not claimed or encashed their dividend declared by the Company for seven or more consecutive years i.e. the dividend declared and paid upto the financial year ending on 31-Dec-2009. The Company uploaded the details of the aforesaid transfer of shares on IEPF's website and on the website of the Company, [www.merck.co.in](http://www.merck.co.in). The shareholders can approach IEPF authority to reclaim their shares. The process for reclaiming such shares is given on the IEPF authority's website, a link to the same is also given on the investor's page of the Company's website.
  10. 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.
  11. 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

# Notice of Annual General Meeting

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, May 25, 2018 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 2017 circulated to the Members of the Company, will be made available on the Company's website, [www.merck.co.in](http://www.merck.co.in) and on the website of the respective stock exchanges at [www.bseindia.com](http://www.bseindia.com) & [www.nseindia.com](http://www.nseindia.com)
13. All documents referred to in the accompanying Notice and Statement setting out material facts are open for inspection at the Registered Office of the Company on all working days between 10.00 a.m. and 12.00 noon up to the date of the 51<sup>st</sup> Annual General Meeting.
14. In accordance with the provisions of Section 101 of the Act read with Rule 18 of the Companies (Management and Administration) Rules, 2014, the copy of Annual Report of the Company for the Financial Year 2017 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

- (1) In compliance with provisions of Section 108 of the Companies Act, 2013, Rule 20 of the Companies (Management and Administration) Rules, 2014 as amended by the Companies (Management and Administration) Amendment Rules, 2015 and Regulation 44 of SEBI (Listing Obligations and Disclosure Requirements), Regulations, 2015, the Company is pleased to provide members facility to exercise their right to vote on resolutions proposed

to be considered at the AGM by electronic means and the business may be transacted through e-Voting Services. The facility of casting the votes by the members using an electronic voting system from a place other than venue of the AGM ("remote e-voting") will be provided by National Securities Depository Limited (NSDL).

- (2) The facility for voting through ballot paper shall be made available at the AGM and the members attending the meeting who have not cast their vote by remote e-voting shall be able to exercise their right at the meeting through ballot paper.
- (3) The members who have cast their vote by remote e-voting prior to the AGM may also attend the AGM but shall not be entitled to cast their vote again.
- (4) The remote e-voting period commences on Tuesday May 29, 2018 at 9.00 am and ends on Thursday, May 31, 2018 (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 Friday, May 25, 2018, may cast their vote by remote e-voting. Once the vote on a resolution is cast by the member, the member shall not be allowed to change it subsequently.
- (5) The process and manner for remote e-voting are as under:

The way to vote electronically on NSDL e-voting system consists of 'Two Steps' which are mentioned below:

**Step 1:** Logging to NSDL e-voting system at <https://www.evoting.nsdl.com>

**Step 2:** Cast your vote electronically on NSDL e-voting system

### Details of Step 1 is mentioned below:

#### How to Log-in to NSDL e-voting website?

1. Visit the e-voting website of NSDL. Open web browser by typing the following URL: <https://www.evoting.nsdl.com/> either on a Personal Computer or on a mobile.
2. Once the home page of e-voting system is launched, click on the icon "Login" which is available under 'Shareholders' section.

# Notice of Annual General Meeting

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3. A new screen will open. You will have to enter your User ID, your Password and a Verification Code as shown on the screen.

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

4. Your User ID details are given below :

Manner of holding shares i.e. Demat (NSDL or CDSL) or Physical

Your User ID is:

- a) For Members who hold shares in demat account with NSDL.

8 Character DP ID followed by 8 Digit Client ID

For example if your DP ID is IN300\*\*\* and Client ID is 12\*\*\*\*\* then your user ID is IN300\*\*\*12\*\*\*\*\*.

- b) For Members who hold shares in demat account with CDSL.

16 Digit Beneficiary ID

For example if your Beneficiary ID is 12\*\*\*\*\* then your user ID is 12\*\*\*\*\*.

- c) For Members holding shares in Physical Form.

EVEN Number followed by Folio Number registered with the company

For example if folio number is 001\*\*\* and EVEN is 101456 then user ID is 101456001\*\*\*

5. Your password details are given below:

- a) If you are already registered for e-Voting, then you can use your existing password to login and cast your vote.

- b) If you are using NSDL e-Voting system for the first time, you will need to retrieve the 'initial password' which was communicated to you. Once you retrieve your 'initial password', you need enter

the 'initial password' and the system will force you to change your password.

- c) How to retrieve your 'initial password'?

- (i) If your email ID is registered in your demat account or with the company, your 'initial password' is communicated to you on your email ID. Trace the email sent to you from NSDL from your mailbox. Open the email and open the attachment i.e. a .pdf file. Open the .pdf file. The password to open the .pdf file is your 8 digit client ID for NSDL account, last 8 digits of client ID for CDSL account or folio number for shares held in physical form. The .pdf file contains your 'User ID' and your 'initial password'.

- (ii) If your email ID is not registered, your 'initial password' is communicated to you on your postal address.

6. If you are unable to retrieve or have not received the "Initial password" or have forgotten your password:

- a) Click on "Forgot User Details/ Password?" (If you are holding shares in your demat account with NSDL or CDSL) option available on [www.evoting.nsdl.com](http://www.evoting.nsdl.com).

- b) "Physical User Reset Password?" (If you are holding shares in physical mode) option available on [www.evoting.nsdl.com](http://www.evoting.nsdl.com).

- c) If you are still unable to get the password by aforesaid two options, you can send a request at [evoting@nsdl.co.in](mailto:evoting@nsdl.co.in) mentioning your demat account number/ folio number, your PAN, your name and your registered address.

7. After entering your password, tick on Agree to "Terms and Conditions" by selecting on the check box.

8. Now, you will have to click on "Login" button.

9. After you click on the "Login" button, Home page of e-Voting will open.

## Details of Step 2 is mentioned below:

How to cast your vote electronically on NSDL e-Voting system?

# Notice of Annual General Meeting

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1. After successful login at Step 1, you will be able to see the Home page of e-Voting. Click on e-Voting. Then, click on Active Voting Cycles.
2. After click on Active Voting Cycles, you will be able to see all the companies "EVEN" in which you are holding shares and whose voting cycle is in active status.
3. Select "EVEN" of the Company for which you wish to cast your vote.
4. Now you are ready for e-Voting as the Voting page opens.
5. Cast your vote by selecting appropriate options i.e. assent or dissent, verify/modify the number of shares for which you wish to cast your vote and click on "Submit" and also "Confirm" when prompted.
6. Upon confirmation, the message "Vote cast successfully" will be displayed.
7. You can also take the printout of the votes cast by you by clicking on the print option on the confirmation page.
8. Once you confirm your vote on the resolution, you will not be allowed to modify your vote.

## General guidelines for shareholders

- 1 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. with attested specimen signature of the duly authorized signatory(ies) who are authorized to vote, to the Scrutinizer by e-mail to [evoting@sarafandassociates.com](mailto:evoting@sarafandassociates.com) with a copy marked to [evoting@nsdl.co.in](mailto:evoting@nsdl.co.in).
2. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential. Login to the e-voting website will be disabled upon five unsuccessful attempts to key in the correct password. In such an event, you will need to go through the "Forgot User Details/Password?" or "Physical User Reset Password?" option available on [www.evoting.nsdl.com](http://www.evoting.nsdl.com) to reset the password.
3. In case of any queries, you may refer the Frequently Asked Questions (FAQs) for Shareholders and e-voting user manual for Shareholders available at the download section of [www.evoting.nsdl.com](http://www.evoting.nsdl.com) or call on toll free no.: 1800-222-990 or send a request at [evoting@nsdl.co.in](mailto:evoting@nsdl.co.in)
- (6) You can also update your mobile number and e-mail id in the user profile details of the folio for future communication(s).
- (7) 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, May 25, 2018.  
  
Any person, who acquires shares of the Company and become member of the Company after dispatch of the notice and holding shares as on the cut-off date i.e. Friday, May 25, 2018 may obtain the login ID and password by sending a request at [evoting@nsdl.co.in](mailto:evoting@nsdl.co.in) or Issuer/RTA. However, if you are already registered with NSDL for remote e-voting then you can use your existing user ID and password for casting your vote. If you forgot your password, you can reset your password by using "Forgot User Details/Password" or "Physical User Reset Password" option available on [www.evoting.nsdl.com](http://www.evoting.nsdl.com) or contact NSDL at the following toll free no.: 1800-222-990.
- (8) 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.
- (9) M/s. Saraf & Associates, Practicing Company Secretaries, represented by Mr. Kamalax Saraf, Proprietor, holding COP No. 1596 has been appointed as the Scrutinizer to scrutinize the voting and remote e-voting process in a fair and transparent manner.
- (10) 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.
- (11) 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



# Notice of Annual General Meeting

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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.

- (12) The Results declared along with the report of the Scrutinizer will be placed on the website of the Company, [www.merck.co.in](http://www.merck.co.in) and on the website of NSDL immediately after the declaration of result by the Chairman or a person authorized by him in writing. The results will 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 AGM 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 AGM.
2. *Electronic delivery of Annual Report:* Pursuant to Section 101 of the Act read with applicable rules, the Annual Report for the year 2017 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 2017 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) 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.
- c) Members holding shares in dematerialised form are requested to intimate all changes relating 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 Registrars and Transfer Agents, Karvy to provide efficient and better services. Members holding shares in physical form are requested to intimate such changes to Karvy.
- d) Members holding shares in physical form are requested to consider converting their holding to dematerialized form to eliminate all risks associated with physical shares and for ease in portfolio management. Members can contact the Company or Karvy, for assistance in this regard.

## Contact Details:

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

## Karvy Computershare Private Limited

Unit – Merck Limited  
Karvy Selenium, Tower B, Plot 31-32, Gachibowli,  
Financial District, Nanakramguda,  
Hyderabad - 500032 Phone: +91 040 23420814  
Email: [satish.chavan@karvy.com](mailto:satish.chavan@karvy.com)  
Website: [www.karvycomputershare.com](http://www.karvycomputershare.com)

# Notice of Annual General Meeting

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## EXPLANATORY STATEMENT:

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

### Item No. 4

The Board of Directors of the Company on the recommendation of the Nomination and Remuneration Committee at its Meeting held on March 27, 2018 appointed Mr. Milind Thatte as an Additional Director of the Company with effect from April 01, 2018 pursuant to section 161 (1) of the Companies Act, 2013, read with Article 114 of the Articles of Association of the Company. In terms of provisions of section 160 of the Act Mr. Thatte, being eligible has offered himself as director of the Company. In terms of the provisions of section 161(1) of the Act, Mr. Thatte holds office up to the date of the ensuing Annual General Meeting and is liable to retire by rotation

The Company has received a notice in writing from a member of the Company proposing candidature of Mr. Thatte as Director of the Company.

Board also appointed Mr. Thatte as the Managing Director of the Company for a period of five years from April 01, 2018 to March 31, 2023, subject to the approval of the members in general meeting.

The material terms as approved by the Board and the contract dated March 27, 2018 entered into between the Company and Mr. Thatte are as under:

- I Period: From April 01, 2018 to March 31, 2023
- II Mr. Milind Thatte shall be in charge of the day to day management of the Company.
- III The total remuneration payable to Mr. Milind Thatte shall be as follows:
  - (i) Salary & Incentives: For the period of appointment as stated above, the aggregate remuneration payable to Mr. Milind Thatte by way of salary and incentive including bonus shall be a maximum of Rs.10 million (Rupees Ten million) per annum, subject to such amount as may be fixed by the Board of Directors for each year or part thereof.
  - (ii) Perquisites and other allowances : In addition to the above remuneration Mr. Milind Thatte would also be entitled to perquisites as per

the Company policy including furnished accommodation or house rent allowance in lieu thereof, gas, electricity, water, furnishings and domestic assistance, use of company car with driver, telephone at residence, children's education allowance, leave travel concession for self and family, medical reimbursement, fees of clubs, settling-in allowance, mobility allowance, club membership, moving expenses, home trip allowance, pets allowance and other allowance personal accident insurance paid in accordance with the Rules of the Company, etc., The aggregate value of such perquisites and allowances shall not exceed Rs. 10 million (Rupees Ten million) per annum, subject to such amounts as may be fixed by the Board of Directors for each year or part thereof. For the purposes of calculating the above ceiling, perquisites shall be evaluated as per Income Tax Rules, wherever applicable.

In addition, Mr. Milind Thatte shall be entitled to encashment of earned/privilege leave as per Rules of the Company and the Company shall pay and reimburse to the Managing Director all reasonable expenses and charges incurred by him for and on behalf of the Company.

- IV. The Agreement may be terminated by either party by giving to the other party three months' notice.
- V. If at any time, Mr. Milind Thatte, Managing Director is disqualified/ ceased to be Director of the Company, for any cause whatsoever, he will vacate the office of Managing Director of the Company.

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

Except Mr. Milind Thatte no other Director or key management personnel or their respective relatives are concerned or interested in the Resolution.

A brief profile of Mr. Milind Thatte, is placed in the annexure attached hereto.

# Notice of Annual General Meeting

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The Board recommends the resolution set forth at item No. 4 of the Notice for approval of the Members of the Company.

## **Item No. 5**

The shareholders at the 50<sup>th</sup> AGM held on May 31, 2017 approved the appointment of M/s. Haribhakti & Co. LLP, as the statutory auditors of the Company for a period of five years. However, this appointment is subject to ratification by the shareholders at every subsequent AGM. Accordingly, the Board of Directors of the Company at its meeting held on February 22, 2018 has considered and recommended the ratification of appointment of M/s Haribhakti & Co. LLP as auditor of the Company for the financial year ending December 31, 2018 to hold office until the conclusion of Annual General Meeting to be held in the year 2019.

The Board recommends the resolution no. 5 to be passed by members.

None of the directors or key managerial personnel of the company or their relatives are concerned or interested in this resolution.

## **Item No. 6**

In terms of the provisions of Section 197 of the Companies Act, 2013, the total managerial remuneration payable by a public company, to its directors, including managing director and whole-time director, and its manager in respect of any financial year shall not exceed eleven per cent of its net profits. Further, the section also states that where the company has either a managing director or whole-time director or manager, then a maximum of 1% of its net profits, computed in accordance with the provisions of section 198 of the Act, can be paid as remuneration to its non-executive directors (NEDs). The Company may pay to NEDs by way of commission or remuneration by way of a monthly payment or at a specified percentage of the net profits of the company or partly by one way and partly by the other.

The members at their earlier meeting held on March 15, 2012 had approved payment of commission etc. to NEDs subject to the condition that the aggregate of such payments to all NEDs shall not exceed 1% of net profit of the Company. The actual payment to NEDs is decided by the Board of Directors on year to year basis depending upon the prevailing market practice, director participation, time spent and their respective contribution.

The Board of Directors at their meeting held on March 27, 2018 has recommended for approval of the members the payment of commission etc to NEDs subject to the condition that the aggregate of such sum shall not exceed 1% of net profit of the Company, for each year, for a period of five years, to be calculated in accordance with Section 198 of the Act, commencing January 1, 2018.

The Board recommends the resolution no. 6 to be passed by members.

None of the directors or key managerial personnel of the company or their relatives are concerned or interested in this resolution except the non-executive, independent directors who may be considered as interested to the extent that this resolution relates to payment of commission to them.

## **Item No. 7**

The Board of Directors in its meeting held on February 22, 2018, on the recommendation of the Audit Committee had appointed M/s. Joshi Apte and Associates, Cost Accountants and recommended payment of a remuneration of Rs. 2,00,000/- (Rupees two lacs only) plus applicable taxes and out of pocket expenses for conducting audit of the cost records of the Company as applicable to the company for the year 2018. 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.

## **Item No: 8**

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

# Notice of Annual General Meeting

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

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

The aggregate value of the total transaction of purchase, sale, import and export of products, services, technical consultancy services, intellectual property rights, royalty, IT services, reimbursement/recovery cost or other obligations with Merck KGaA may exceed the materiality threshold i.e. 10% of the annual turnover of the Company, therefore, in terms of provisions of the Listing Regulations, the Company would require the approval of the members by way of an ordinary resolution. The estimated aggregate value of the transactions with Merck KGaA may be approximately Rs. 300 crores during the financial year 2018.

These transactions with Merck KGaA will be in the ordinary course of business of the Company and will be on arm's length basis. The Audit Committee in its meeting held on February 22, 2018, subject to approval by the shareholders, has accorded omnibus approval for entering into such transactions with Merck KGaA.

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

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

**By Order of the Board of Directors**

**Vikas R. Gupta**

General Counsel & Company Secretary

Mumbai, March 27, 2018

Registered Office:

Godrej One, 8<sup>th</sup> Floor,

Pirojshanagar,

Eastern Express Highway,

Vikhroli (East)

Mumbai – 4000 79

CIN: L99999MH1967PLC013726

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

Particulars	N. Krishnan*	Milind Thatte
Date of birth:	December 03, 1969	March 30, 1969
Appointed on	October 21, 2017	April 01, 2018
Qualifications	B. Com, CWA,	M.Pharm. Sci., M.B.A
Expertise in specific areas	Finance, Taxation, Treasury	Sales & Marketing, Business Development, Commercial Excellence, Market Research and Formulation R&D
Directorships in other public companies	Nil	Nil
Memberships/ Chairmanships of Committees in other Merck Limited	Nil	Nil
Shareholding in the Company as on 31 December 2017	Nil	Nil

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



# Directors' Report

We are pleased to present the report on our business and operations for the year ended December 31, 2017.

## FINANCIAL HIGHLIGHTS:

The Financial performance of your Company for the year ended December 31, 2017 is summarized below:

	(Rupees million)	
Particulars	2017	2016*
Income from Operations	11,194.5	10,297.7
Other Income	239.7	244.1
Profit before Interest, Depreciation and Tax	1,958.2	1,484.8
Depreciation/ Impairment	436.3	333.0
Provision for Taxation (net)	582.8	360.5
Profit after tax	939.1	791.3
Profit available for appropriations	3,856.0	3,155.7
Appropriations:		
Transfer to General Reserve	-	75.9
Re-measurement gain/loss on defined benefit plan (net of tax)	25.0	13.0
Dividend (including Tax on Dividend)	219.8	150.0
Balance carried to the Balance Sheet	3,611.2	2,916.8
EPS		
- Basic (Rs.)	56.6	47.7
- Diluted (Rs.)	56.6	47.7

\* Prior year figures have undergone changes in line with the Indian Accounting Standards ("Ind AS") applicable to the company with effect from January 1, 2017

## COMPANY'S OPERATIONAL PERFORMANCE:

The Company continued to operate in two business segments, i.e. Pharmaceuticals and Chemicals. Detailed operational working of your Company is provided in the Management Discussion and Analysis Report forming part of this report as Annexure I. During the financial year ended December 31, 2017, your Company achieved a turnover of Rs.10,885.7 million as against a turnover of Rs.10,017.7 million in the previous year, registering a growth of 8.7%. During

the year under report, the Pharmaceutical segment showed an increase in turnover by 7.5%, the Chemical segment registered an increase of 12.7% as compared to the respective segment turnover achieved during the previous financial year. After providing for taxes, net profit was Rs. 939.1 million higher by 18.7% over the previous year.

The export turnover of your Company during the year 2017 was Rs.995.4 million as against Rs.1008.1 million achieved in the previous year.

Pursuant to the notification issued by the Ministry of Corporate Affairs your Company has adopted Indian Accounting Standards ("Ind AS") notified under the Companies (Indian Accounting Standards) Rules with effect from January 1, 2017.

## CONSUMER HEALTH DIVISION:

Merck KGaA, Germany, the ultimate holding Company of the Company, has announced that it is preparing for strategic options for its Consumer Health business globally including a potential full or partial sale of the business as well as strategic partnerships. This strategic initiative would involve the Company's Consumer Health business in India as well, the implementation of potential measures and their specific design are subject to further analysis and decision making by competent bodies.

## DIVIDEND:

Your Board of Directors has recommended a dividend of Rs. 15/- (Rupees Fifteen Only) per equity share for the year ended December 31, 2017. This is subject to approval of the Members at forthcoming Annual General Meeting.

## PUBLIC DEPOSITS:

Your Company has not accepted any public deposits from the public or the Members during the year 2017 and no amount on account of principal or interest on public deposits was outstanding as on the date of this Balance Sheet.

## CORPORATE GOVERNANCE:

A Report on the compliance of Corporate Governance Code along with certificate from Secretarial Auditor thereon, as stipulated under Securities and Exchange

Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, is annexed at Annexure II to this Report.

#### **CORPORATE SOCIAL RESPONSIBILITY:**

Your Company has been carrying out CSR activities since many years. It has established, nurtured and promoted various Non-Profit Organizations primarily having focus on Education, Health care and Environment.

A brief outline of the Corporate Social Responsibility (CSR) Policy of the Company and the initiatives undertaken by the Company on CSR activities during the year are set out in Annexure IV of this report in the format prescribed in the Companies (Corporate Social Responsibility Policy) Rules, 2014. In compliance with requirements of Section 135 of the Companies Act, 2013, the Company has laid down a CSR Policy which is published on its website [www.merck.co.in](http://www.merck.co.in)

#### **DIRECTORS' RESPONSIBILITY STATEMENT:**

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

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

- (f) The directors had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

#### **DIRECTORS:**

##### **Resignation of Mr. Anand Nambiar, Managing Director:**

Mr. Anand Nambiar, (DIN 02006594) the Managing Director of the Company, has been offered a position as Head of Integrated Circuit Material Business Unit of Merck based out of Darmstadt, Germany. He has accepted the offer and, accordingly, he will demit Office of the director and Managing Director of the Company effective from close of business on March 31, 2018. Your Board placed on record its deep appreciation for the excellent contributions made by Mr. Anand Nambiar as the Managing Director of the Company.

##### **Appointment of Mr. Milind Thatte, as Additional Director and Managing Director:**

Board of Directors at their meeting held on March 27, 2018, on the recommendations of the Nomination and Remuneration Committee, has resolved to appoint Mr. Milind Thatte, General Manager – Healthcare, as an additional director and Managing Director of the Company in place of Mr. Anand Nambiar, for a term of 5 years effective from April 01, 2018. The required resolution for approval of appointment of Mr. Milind Thatte as Managing Director of the Company is placed before the ensuing Annual General Meeting of the shareholders of the Company.

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

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

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

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

Mr. S.N. Talwar, (DIN 00001456) Mr. H.C.H. Bhabha [DIN 00286072] and Mrs. Rani Ajit Jadhav [DIN 07070938] are the Independent Directors on the Board of the Company, they have confirmed to the Company that they meet the criteria of independence as prescribed under Section 149(6) of the Act.

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

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

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

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

Pursuant to the provisions of the Companies Act, 2013 and Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 the Board and Nomination & Remuneration Committee have adopted and reviewed the formal mechanism for evaluating its performance and effectiveness as well as that of its Committees and Individual Directors, including the Chairman of the Board. During the year under report the Board carried out an annual evaluation of performance of the Board, its committees and individual performance of directors.

For Board and its Committees, the performance evaluation was carried out through a structured evaluation process covering various aspects of the Board's functioning such as composition of the Board & Committees, experience & competencies, performance of specific duties & obligations, governance issues, etc. For evaluation of performance of individual directors, non-executive and executive directors, response was solicited from each director by way of a questionnaire on various parameters and traits of the directors, level of participation, including their attendance and contribution in the Board and Committee meetings, domain knowledge, accessibility to management and others, objectivity in their decision making. Chief Financial Officer, who is also an executive director was evaluated on additional parameters including

financial planning, cost effectiveness, tax planning and risk mitigation measures taken. Performance of the Chairman of the Board was separately evaluated on additional parameters including his ability to manage the Board, ability to deal with conflict, domain knowledge, etc. Each director also self-evaluated himself / herself. Individual response of each director was collated by Company Secretary and discussed with the Board and Nomination and Remuneration Committee. In conclusion, the Board and Nomination and Remuneration committee was satisfied with the performance and functioning of the Board, its Committees and individual members.

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

Auditors in their report and the Company Secretary in practice in their secretarial audit report have not made any adverse remark, qualification or reservation, in their respective reports.

The shareholders at their 50<sup>th</sup> Annual General Meeting (AGM) held on May 31, 2017 had approved the appointment of M/s. Haribhakti & Co. LLP, Chartered Accountants (Firm Registration No.: 103523W/W-100048), as statutory auditors of the Company, to hold office from the conclusion of the 50<sup>th</sup> AGM up to the conclusion of the 55<sup>th</sup> AGM to be held for the year 2022. In terms of first proviso of Section 139 of the Companies Act, 2013, the appointment of the auditors is subject to ratification by the shareholders at every subsequent AGM. Accordingly, the resolution for ratification of appointment of M/s. Haribhakti & Co. LLP, Chartered Accountants, as statutory auditors of the Company from the conclusion of the 51<sup>st</sup> AGM until the conclusion of the 52<sup>nd</sup> AGM, is being placed before the shareholders at the ensuing AGM. The Board has recommended the ratification of appointment of M/s. Haribhakti & Co. LLP to the shareholders.

#### **COST AUDIT:**

Pursuant to Section 148 of the Companies Act, 2013 read with the Companies (Cost Records and Audit) Amendment Rules, 2014, the Central Government has prescribed cost audit of the accounts to be maintained by your Company. To conduct the cost audit, M/s. Joshi Apte & Associates, Cost Accountants, has been re-appointed as Cost Auditors of your Company

for the year 2018 in the meeting of Board of Directors held on Thursday, February 22, 2018, subject to the approval of the Central Government, if any, required. The Cost Audit Report in XBRL format for the financial year ended December 31, 2017 will be filed before the due date.

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

#### **SECRETARIAL AUDITOR AND THEIR REPORT:**

Pursuant to the provisions of Section 204 of the Companies Act, 2013 and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, Secretarial Audit has been carried out by M/s. Kanj & Associates, Practicing Company Secretaries for the year ended December 31, 2017 and their report is annexed at Annexure III.

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

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

The Company has laid down certain guidelines and processes which enables implementation of appropriate internal financial controls across the organisation. Such internal financial controls encompass policies and procedures adopted by the Company for ensuring orderly and efficient conduct of business, including adherence to its policies, safeguarding of its assets, prevention and detection of frauds and errors, the accuracy and completeness of accounting records and the timely preparation of reliable financial information.

Internal auditors in their review report to the audit committee has confirmed that basis their review no significant deficiencies were established in design and operating effectiveness of internal financial controls. The Statutory auditors in their audit report has opined that these controls are operating effectively.

The Internal Audit team develops an annual audit plan based on the risk profile of the business activities. The annual internal audit plan is approved by the Audit

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

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

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

During the year no frauds were reported by auditors in terms of section 143 (12) of the Act.

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

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

#### **RISK MANAGEMENT:**

The Company has well defined process to ensure the risks are identified and mitigation steps are put in place. The Company's Risk Management process focus on ensuring that these risks are identified on a timely basis and reasonably addressed.



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

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

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

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

#### **RELATED PARTY TRANSACTIONS:**

All Related party transactions that were entered into during the financial year were on arm's length basis and were in the ordinary course of business. There were no materially significant related party transactions made by the Company which may have potential conflict with the interest of the Company.

The Company has implemented a Related Party Transactions policy for the purposes of identification and monitoring of such transactions. The policy on related party transactions as approved by the Board is uploaded on the Company's website [www.merck.co.in](http://www.merck.co.in).

All related party transactions are placed before the Audit Committee for approval. Prior approval of the Audit Committee is obtained for the transactions which are planned and/ or repetitive in nature and omnibus approvals are taken within a criteria/ limit laid down for any unforeseen transactions.

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

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

During the year under review no regulator or court has passed any significant and material orders impacting

the going concern status of the Company and its future operations except in one show cause notice received from National Pharmaceutical Pricing Authority or NPPA, which was considered material by the Company and necessary disclosure to stock exchange was made.

During the year 2016, NPPA in its show cause notice alleged that the Company has overcharged price for one of its drugs during the period from Jan 2006 to June 2009. It demanded a sum of Rs.116.8 million plus interest Rs.157.8 million on this occasion. The Company has challenged the said orders by way of a writ petition before Hon'ble Delhi High Court. Currently the matter is pending with the Court. The Company has been legally advised it has a good defendable case on merits.

#### **VIGIL MECHANISIM AND WHISTLE BLOWER POLICY:**

In terms of the provisions of Section 177(9) of the Companies Act, 2013 and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Company has implemented a vigil mechanism which include implementation of the whistleblower policy. The purpose of the policy is to enable employees to raise concerns about unacceptable improper practices and/ or any unethical practices in the organisation. No employee has been denied access to the chairman of the audit committee. The Company in conjunction with the Corporate Compliance and Investigation policy of its ultimate holding Company has informed all 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. The Company provides protection to employees and business associates reporting unethical practices and encourages employees to report the incidence of fraud. Whistleblower complaints and their redressal are discussed at each audit committee meeting of the Company. The Indian addendum to the global policy is available on the Company's website [www.merck.co.in](http://www.merck.co.in).

#### **NOMINATION AND REMUNERATION POLICY:**

Pursuant to the provisions of Section 134(3)(e), 178 of the Companies Act, 2013 and Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Company adopted a Nomination and Remuneration Policy. The

Nomination and Remuneration Committee (NRC) is responsible for developing competency requirements for the Board, based on the industry and strategy of the Company. The NRC makes recommendations to the Board in regard to appointment of new directors. The Company's Remuneration Policy provides a broad framework to support the implementation of the Merck Total Rewards Philosophy, specifically, it is intended to provide more detailed clarification on the guiding principles so as to support its implementation; guidance as to design of reward programs; and explanation as to roles, responsibilities and governance for program design, administration and communication. The performance linked bonus is driven by the outcome of the performance appraisal process and the performance of the Company. The remuneration of Directors and employees is a fair mix of fixed and incentive pay reflecting short and long-term performance objectives appropriate to the working of the Company.

#### PARTICULARS OF EMPLOYEES:

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

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

Non- Executive Directors	Ratio of median remuneration
Mr. S.N. Talwar	2.23
Mr. HCH Bhabha	1.67
Mrs. Rani Ajit Jadhav	1.42
Ms. Zoe Tang	-
Executive Directors	
Mr. Anand Nambiar	96.37
Mr. N. Krishnan	30.74

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

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

Director, Chief Financial Officer & Company Secretary	% Increase in remuneration during the financial year
Mr. Suresh Talwar (Chairman and Independent Director)	10
Mr. H. C H Bhabha (Independent Director)	10
Mrs. Rani Ajit Jadhav (Independent Director)	27.27
Mr. Anand Nambiar (Managing Director)	19.24
Mr. N. Krishnan (Executive Director and Chief Financial Officer)	10.95
Mr. Vikas Gupta (General Counsel & Company Secretary)	9.5

- (c) The percentage increase in the median remuneration of employees in the financial year: 9%
- (d) The number of permanent employees on the rolls of Company: 1544 as on December 31, 2017
- (e) Average percentile increase already made in the salaries of employees other than the managerial personnel in the last financial year and its comparison with the percentile increase in the managerial remuneration and justification thereof and point out if there are any exceptional circumstances for increase in the managerial remuneration

Average increase in the remuneration of salaries of the employees is based on a detailed performance evaluation which inter-alia include their performance viz-a-vis the objectives achieved by them during the year. The overall financial performance of the Company is also taken into consideration while arriving at the average percentage increase of the salaries of employees. Salaries of employees is adjusted periodically against the industry benchmark. During the year under review average increase in the salaries of employees was around 11%.

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

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

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

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

The statement containing particular 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. Considering the first proviso of Section 136 (1) of the Companies Act, the report and the accounts are being sent to the members excluding the aforesaid annexure. The said annexure is open for inspection at the Registered Office of the Company on any working day upto the date of 51<sup>st</sup> Annual General Meeting. Any shareholder interested in obtaining a copy of the same may write to the Company Secretary.

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

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

**EXTRACT OF ANNUAL RETURN:**

Extract of Annual Return in the prescribed format under the Companies Act, 2013 forms part of this report and is annexed at Annexure VII.

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

The Company has zero tolerance towards sexual harassment at the workplace and has adopted a policy on prevention, prohibition and redressal of sexual

harassment at workplace in line with the provisions of the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 and Rules thereunder. The Company has ensured a wide dissemination of the Policy and have conducted various awareness program at all locations of the Company.

During the year ending December 31, 2017, the Company has not received any new complaint of sexual harassment. During the year under review the investigation into the sexual harassment complaint received in 2016 was completed and necessary disciplinary action was taken against the erring employee.

**GREEN INITIATIVE:**

Your Company has taken the initiative of going green and minimizing the impact on the environment. The Company has been circulating the copy of the Annual Report in electronic format to all those Members whose email address is available with the Company. Your Company would encourage other Members also to register themselves for receiving Annual Report in electronic form. Kindly refer the contact details and ways to register your email address given under the heading 'Request to the Members' at the end of the notice of the Annual General Meeting.

**ACKNOWLEDGEMENTS:**

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

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

On behalf of the Board of Directors

**S. N. Talwar**  
Chairman

Mumbai, March 27, 2018

# Annexure I – Management Discussion and Analysis Report

GDP growth rate of India is expected to grow by 7% in 2018-19 from 6.5% challenging the introduction of Goods and Services Tax (GST) and demonetization. India's economy surpassed China's economy in the FY 2017. Indian economy is projected to grow from 7.2% to 7.7% in FY 2018-19. According to PHARMEXCIL India's pharma export is expected to increase from 16.4 billion US \$ by 30% to 20 billion US \$ in the coming 3 years. Young population, corresponding low dependency ratio, healthy savings and investment rates are some of the factors for positive growth of the Indian economy.

One of the important factor which will be game changing for Indian Pharmaceutical Industry is the implementation of Goods and Services Tax (GST). While the GST will result in increased stress on cashflow, it is expected to result in efficient supply chain management.

The following table exhibits, in summary, the financial performance of the Company for the year 2017.

Key Parameters	(Rupees million)	
	2017	2016
Turnover	10,885.7	10,017.7
Profit after Tax	939.1	791.3
Profit after Tax to Turnover (%)	8.6%	7.9%
Sales to Fixed Assets		
Employed (ratio)	8.8	7.1
	times	times
Current assets (ratio)	3.3	3.4
Return on Capital employed (%)	12.8%	11.9%
Book Value of shares (Rs.)	441.7	399.9

The Pharmaceuticals segment comprises of 78% of the total turnover and the Chemical segment comprises of 22% of the total turnover. Various regulatory controls and pricing legislations continue to challenge both the segments. Legal cases, Tax litigations (Direct Tax and Indirect Tax), inability to utilise the full capacity of its Oxynex and Vitamin E Plant, cost of operating the power plant, implementation of GST, were some of the areas where your Company faced challenges affecting the profit. The Company continues to invest in marketing activities and sales employees' trainings to effectively be very competitive in some of its main products.

The analysis of the two segments is briefly stated below.

## *Pharmaceuticals Segment:*

The Pharmaceuticals segment turnover grew by 7.5% in year 2017, to achieve Rs. 8,437.2 million as against Rs. 7,846.0 million in year 2016. The Pharmaceuticals segment comprises of two divisions Consumer Health and Biopharma both jointly also known as Healthcare.

Merck India Healthcare comprises mainly of the therapies of Multivitamins, Cough & Cold, Cardiometabolic and Diabetes. During financial year December 2017, it registered a sales growth of 13%, which is 2.4 times the market growth, thereby outperforming the market. The growth was driven by brands like Evion, Neurobion and Livogen and also by Cardiometabolic products which grew at 15%.

Evion led the growth with 39% while Concor is the 3<sup>rd</sup> largest betablocker in India with 24% growth.

Neurobion is the No.1 selling Vitamin B brand on units with highest numbers of prescriptions by earning trust of doctors. It registered a sales growth of 11%. Neurobion Forte Tablets with new research-backed advertising materials (TVC) grew by 16%, indicative of successful consumerization capabilities of Merck. Neurobion franchise, which is the largest brand, ended 2017 with sales of Rs. 1,610.1 million - first Merck Pharma brand to achieve this status.

In the Cough and Cold therapeutic category, Consumer Health has its presence through 'Nasivion' which is one of the leading brands in the category. Navision maintains its lead as the No.1 prescribed Nasal decongestant across India.

Livogen and Polybion increased market shares with impressive growth of 15% and 7.3%. Clobetamil-G and Betamil-GM have also significantly contributed to the growth at 9% and 28% respectively, thereby outperforming the market.

Merck is well known in India for its rich heritage in Healthcare with brands that are household names. In its golden jubilee year, your Company continued to further its commitment to bringing quality healthcare to our patients and consumers across the country.

True to its brand promise your Company's flagship brand Neurobion Forte (India's No.1 Vitamin Brand) has been helping true heroes fight body discomforts due to lack of Vitamin Bs for over 50 years. In 2017, Your Company took forward it's very successful annual True Heroes initiative to a whole new level with the launch of #HelpingTrueHeroes, a movement urging India to join us in putting the spotlight on little known stories of extraordinary Indians, who while fulfilling the dreams of their families are also extending a helping hand to the society. The initiative took the digital world by storm by garnering more than 15 million views and 15000 shares of these inspiring stories in a matter of weeks.

At a grand culmination event held in Mumbai, your Company felicitated four courageous and inspirational True Heroes of India for their selfless contribution to the society.



L-R: Anand Nambiar, Managing Director and General Manager, Healthcare – Merck India with the four True Heroes – Uma Muthuram from Chennai, Damyanti Tanna from Mumbai, Archana Suresh from Hyderabad and Gazi Jalaluddin from West Bengal

As part of this initiative, your Company also paid homage to families of martyred soldiers providing financial assistance to support five Jawan families to honour their acts of bravery and heroism. Further, the brand also reached a record 4 lacs pharmacies across India in 2017, growing almost 4 times the market.

Evion, India's No.1 Vitamin E Brand, joined the 100 crores club registering a 39% growth in 2017 with more than 11,000,000 Rx.

Livogen, India's No.1 doctor prescribed iron supplement, reached out to 200 million consumers and 2 lakh new doctors through print, activations and in-clinic efforts.



3,115 Diarrhoea Awareness Activities were conducted by the team under, its 'MAD' (Mothers Against Diarrhoea) Initiative.



Overall, your Company's Consumer Health business saw accelerated growth, coverage and an aggressive e-commerce, digital and PR outreach in 2017.

Your Company's Cardiometabolic portfolio continued its strong double digit growth. Further, the team conducted Diagnostic, Screening and Patient education programs and introduced Thyroid clinics across the country for disease awareness. Digital Education Tools were also launched to engage and educate customers & patients.



Your Company also partnered with the OPPI (Organisation of Pharmaceutical Producers of India) and the Ministry of Health and Family Welfare during 'Daan Utsav' for Awareness and Screening outreach to 2,766 patients.



Towards driving its large and highly talented team in Healthcare, your Company also launched multiple engagement, talent development, reward and recognition and upskilling initiatives in 2017 such as short term assignments, talent cross pollination, spot on recognition cards, dialogue and brandstorming among others.



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

- (a) The consumer health division 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.
- (b) Consumer Health with expanded portfolio of Polybion, Evion and Livogen continued to drive consumerization of these brands demonstrated by high double-digit growth. The brands used augmented reality tools for detailing, digital marketing, distribution expansion, prescription drives to grow the brand franchise. Packaging

changes and marketing mix changes added to drive growth.

- (c) Consumer activation done for Neurobion under 'True Heroes' campaign won laurels at the Global level to receive President's Award in 2017. NeuroMove Yoga CD's were used to drive consumer franchise by helping to relieve consumers of their nerve pain. Thousands of nerve camps were done to detect neuropathy and Anaemia camps done to detect anemia were done. BMD Camps were done to detect Vitamin D deficiency.

#### Pharma Exports:

The Company continued to export its pharmaceutical products to third parties based out of Asian and African countries including Sri Lanka, Bangladesh, Myanmar, Maldives, Austria and Kenya. The Company also exports APIs and pharma products to some of its related parties in Europe and Asia. In 2017, the Company's total exports were Rs. 866 million as compared to Rs. 846 million in the last year recording an increase of 2.3%.

#### Production:

The production requirement of the Pharma segment is catered through the Company's own facility at Goa and various toll manufacturing units. The toll manufacturing units are under regular supervision of the Company with regards to the manufacturing standards. In 2017, the toll manufacturing continued to support increasing production requirements with existing and introduction of new contract manufacturers. Additionally, internal strategies were put into place to prune out low performing toll manufacturing units.

The Goa manufacturing site is well utilized and goes through self-regulated productivity efficiency programs.

Record breaking production was achieved by Injection and Softgel department in June and September 2017. Production activities in the month of February, March and April were disrupted due to industrial relations issues in Plant.

Upgradation of Soft Gelatine Capsule production unit was planned and completed in 2017 to meet the Merck Quality guidelines, same has been executed very successfully. Production capacity of both Injectable and Softgel departments were very well utilized. The

Goa site continues to adapt innovative methods to improve the efficiency in terms of debottlenecking the production process to increase production and reduce the cost of manufacturing. New high-speed ampoule inspection brevette machines for Injectables and High Speed Hoonga blister packing machines for Softgel were installed for capacity enhancement and manpower reduction.

The power plant in Goa faced continued cost pressures in regard to the bio-mass. The key issues were:

- Higher costs for Biomass Fuel than originally estimated.
- Higher costs for transportation of Biomass Fuel from other states.
- Goa's electricity price is around 50% cheaper than captive power.

Due to the continued cost rises for last 5 years and it is expected captive power plant costs being higher than the government power, it is decided to shut down the captive power generation and switch to government power.

#### **Chemicals Segment:**

The Chemicals segment turnover grew by 12.7% in year 2017, to achieve Rs. 2,448.5 million as against Rs. 2,171.7 million in year 2016. The Chemicals comprises of two divisions: i.e. Pharma Chem Solutions and Performance Materials.

#### **Pharm Chem Solutions:**

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

Revenue of the division grew on account of huge order bagged towards Sucrose molecule during the year.

#### **Performance Materials:**

Performance Materials division mainly comprises of 'Effect' Pigments and Functional Materials for the automotive, cosmetics, plastics printing and security Industry. The Company maintained its customer centric and consultative sales approach with a strategic focus

for development of new markets and value-sales instead of volume sales. India's leading car manufacturer, Maruti will now use the Company's pigments for its new models to be launched during the coming year. During the year the average market growth, for the segments catered by us, was around 5-6% whereas during the same period your Company recorded a sales growth of 8.8%, achieving a total sales Rs. 989.0 million as compared to sales of Rs. 919.0 million during 2016. The Company expects a positive growth trend to continue primarily driven by growth in sales of high end cars. However, the industry would face headwinds because of the increased competition from Chinese products.

#### **Internal Controls:**

The Company follows a risk based approach for evaluating the efficacy of its operation, to ensure the safeguard of its assets, against loss of unauthorised use, improper handling, detect and prevent frauds and timely, accurate, complete financial information. This is enabled by setting up systems, documented procedures / SOPs, policies and training to employees on such process at regular intervals, to ensure that the same is achieving its desired results. Additionally, policies exist in the form of roles and responsibilities, code of conduct, delegation of authority that are aligned to business process and planning. The Company pulls in best practices in the field of risk management and controls framework drawing on global standards designed by Merck Group which are reviewed during the course of audits by the parent organization, Merck KGaA at regular intervals. To continuously improve efficiencies, the Company continues to sync its business process and operations framework within automated ERP workflow and controls which integrate key functions such as operations, manufacturing, supply chain, marketing, sales, finance and HR. This helps facilitate the Company's ability to respond appropriately to risks and to achieve the Company's objectives and helps ensure compliance with applicable laws, regulations and internal policies.

To manage the risk profile of the Company, proper organisation structures, EHS/ other compliances, Whistleblower mechanisms, Risk management including fraud risk assessment, compliance management, performance reviews are conducted at regular intervals.



To further augment the internal controls, the Company engaged PricewaterhouseCoopers Private Limited (PwC), who were the internal auditors of the Company. The internal audit program covers the entire operations of the company including procurement, manufacturing and distribution, all types of assets, internal and external supports partners, financial closing processes, recruitment to retirement process, production planning and inventory management process, legal compliances, payment and treasury management, sales order management, marketing, sales, cash collection process, taxation, etc. The annual internal audit plan is reviewed and approved by the Audit Committee. The internal auditors report their observations to the Audit Committee which discusses the audit findings and the remedial measures as required are implemented by changing processes and / or setting up additional internal controls. The Board and the Audit Committee discusses and approve the internal audit program, which focuses on both the design and operational effectiveness of all audit areas and follows the evaluation process. Follow up of the audit action taken are also reviewed by the Audit Committee.

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

As required by Companies Act, 2013, your Company has an Internal Financial Control (IFC) framework in place. The purpose of the IFC is to ensure that policies and procedures adopted by your Company for ensuring the orderly and efficient conduct of its business are implemented, including policies for safeguarding its assets, prevention and detection of frauds and errors, accuracy and completeness of accounting records, and timely preparation of reliable financial information. The company engaged the services of PwC, to do a documentation of the process flows and check on the

working of all types of internal controls (detective, corrective and preventive) in the organisation. PwC have concluded that no significant deficiency was noted in design and operating effectiveness for the internal financial controls, which are with reference to the financial statement. PwC also tested the Operational and Fraud Prevention Controls and concluded that there were no significant deficiency in this respect. The internal control system is adequately supported and supplemented by the internal auditors through the robust internal audit program, employee trainings on governance standards. The statutory auditors have also expressed an unqualified opinion on the operative and effective working of the internal controls of the Company.

#### **Adherence to Accounting Standards:**

The Company adopted for the first time, all the standards and accounting policies, under the Indian Accounting Standards ('Ind AS') from 01 January 2017 as prescribed under section 133 of the Companies Act, 2013, read with the relevant rules issued thereunder and other accounting principles generally accepted in India. Changes in policies, if any, are approved by the Audit Committee to ensure compliance with Ind AS.

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

Based on the recommendations of the Audit Committee, the Board has stated in its responsibility statement that proper internal financial controls were followed by the Company and that such internal financial controls are adequate and were operating effectively.

#### **Risk Management:**

Merck is concurrently exposed to various risks, which might threaten its business continuity if not identified

and addressed in time. As part of the business sustainability and governance process, in order to ensure a robust risk management system, in line with the applicable laws, the Company has constituted a Risk Management Committee. The Company therefore follows a proactive risk management policy, aimed at protecting its employees, assets and the environment, while at the same time ensuring growth and continuity of its business.

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

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

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

#### **Business Related Risks:**

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

Limitation of the Company to command sale price rise as many products are governed by NLEM and NPPA regulations. As a result, the costs on account of inflationary effects on the input materials, utilities, rising wage costs and overheads, etc., have to be absorbed by the Company. Though the Company constantly

evaluates cost reduction measures by launching high margin products, improving the product mix in sales to get best margins there would be a possibility of margin erosion due to unsuccessful launches and local pricing regulations.

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

#### **Legal Risks:**

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

#### **Third Party Dependence Risks:**

The Company uses third party support in regard to manufacturing and distribution of the goods of its products. These parties have access to the Company's assets and business process. The Company uses internal control and audit measures to safeguard itself against any adverse events. Periodic audits and review of open items in audit takes place for these units throughout the year. Business interruptions could arise due to any unforeseen negative events taking place or disagreements on contractual terms and conditions with the service provider which can lead to stoppage of outsourced activities.

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

The Company uses varied IT systems and processes in order to have efficient data collection, monitoring and reporting. There are software related precautions like handling of data integrity, access rights, virus firewalls, data protection, social media risk, etc. The Company's guidelines and processes are in place and

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their adherence is continuously monitored and subject to global audits at regular intervals.

**Environment and Safety Risks:**

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

**Outlook:**

The Company has a well balanced portfolio in Pharmaceuticals and Chemicals and endeavors to grow at a faster pace than comparable to the Industry. The Indian Pharmaceutical Industry is likely to face certain challenges due to local and global price

erosion on account competition and regulations, credit risks of customers and vendors, distribution channel consolidation. The Company may be impacted by the global decision for sale / joint venture of its Consumer Health portfolio. Without including this specific aspect, the ambitious economic growth targets for the current fiscal year by Government on 'Make in India' initiative and internal focus on key initiatives, your Company is expected to grow at higher growth rate than the GDP growth rate, thereby it looks forward for excelling the business results and improving shareholders value.

On behalf of the Board of Directors

S. N. Talwar  
Chairman

Mumbai, March 27, 2018

## Annexure II – Corporate Governance Report

### Corporate Governance Report for the year 2017

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

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

Merck is dedicated to conduct 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 has complied with the requirements with regard to the Corporate Governance as prescribed in the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

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

##### (A) Board composition:

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

of the Board is a Non-Executive Independent Director.

As on the date of this report all directors of the Company meet the criteria of maximum number of directorship as laid down in section 165 of the Companies Act, 2013 and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

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

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

- 1 Independent Director
- 2 Chairman of the Board and Audit Committee of the Company
- 3 Chairman of the Stakeholder Relationship, CSR and Nomination & Remuneration Committees
- 4 Non-Executive Director, Nominee of Merck KGaA
- 5 Managing Director. He has resigned from the office of Managing Director effective from close of business on March 31, 2018
- 6 Whole Time Director and Key Managerial Personnel

##### Notes:

\*Excludes directorships held in private companies, foreign companies, Section 8 companies, Merck Limited and companies where a Director is an alternate director;

\$Excludes committee memberships / chairmanships of Merck Limited, private companies, foreign companies, Section 8 companies and companies where a Director is an alternate director. Only Audit Committee and Stakeholders Relationship Committee are considered as per SEBI Listing Regulations.

<sup>#</sup>None of the directors have inter-se relationship during the year.

**(B) Meetings and Attendance:**

Generally, the Board decides annual 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 the Act and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. The members of the Board have complete access to all the information of the Company. To enable the Board to discharge its responsibilities effectively, the members of the Board are briefed at every Board Meeting on the overall performance of the Company. Senior management is invited to the meeting to provide additional inputs to the items being discussed by the Board. The Company had made arrangement for facilitating participation of directors via tele or video or Skype conference. As per their availability and convenience, the required arrangements were communicated and set up for them enabling them to participate in the proceedings of the meetings as per the Rules prescribed under the Companies Act, 2013.

In case of a special and urgent business needs the Board's approval is taken by circulating the resolution, which is confirmed in the subsequent board meeting. During the year 2017 the Board and the Audit Committee have passed 08 resolutions by circulation which were subsequently confirmed in the Board and Committee meetings.

During the financial year 2017, 5 (Five) Board Meetings were held on February 27, 2017, April 21, 2017, May 03, 2017, August 07, 2017 and November 14, 2017.

**(C) Attendance of directors at the Board and shareholder meetings during the year 2017:**

Name of the Director	Board Meetings held during the year 2017	No. of Board Meetings attended during the term	Attendance at 50 <sup>th</sup> Annual General Meeting (May 31, 2017)
Mr. S.N. Talwar	5	5	Yes
Mr. H.C.H. Bhabha	5	5*	Yes
Mrs. Rani Ajit Jadhav	5	5*	Yes
Mr. N. Krishnan	5	5	Yes
Mr. Anand Nambiar	5	5*	Yes
Ms. Zoe Tang	5	3*	No

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

**(D) Shares held by Non-Executive Directors of the Company as on December 31, 2017:**

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

**III. Board Committees****A. Audit Committee****(i) Composition, Name of Member and Chairperson**

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

Mr. S.N. Talwar – Chairman

Mr. H.C.H. Bhabha

Mrs. Rani Ajit Jadhav

Mr. Anand Nambiar

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

During the year 2017 the Audit Committee held 5 (Five) meetings on February 27, 2017, April 21, 2017, May 03, 2017, August 07, 2017 and November 14, 2017. Attendance of the member 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	5*
Mrs. Rani Ajit Jadhav	Non-Executive – Independent	5	5*
Mr. Anand Nambiar	Managing Director	5	5*

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

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

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

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

- (a) oversight of the listed entity's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible;
- (b) recommendation for appointment, remuneration and terms of appointment of auditors of the listed entity;
  - Reviewing the quarterly and annual financial statements before submission to the Board for approval, focusing inter-alia on;
- Any changes in accounting policies and practices and reasons for the change;
- Major accounting entries involving estimates based on exercise of judgment by Management;
- Significant adjustments arising out of audit findings;
- The going concern assumption;
- Compliance with Accounting Standards;
- Analysis of the effects of alternative generally accepted accounting principles on the financial statements;
- (c) Compliance with listing and other legal requirements concerning financial statements;
- (d) Approval of the related party transactions;
- (e) Review of annual Management Discussion and Analysis of financial condition and results of operations and the Directors' Responsibility Statement;
- (f) Overseeing the Company's financial reporting process and the disclosure of its financial information, including earnings and press release, to ensure that the financial statements are correct, sufficient and credible;
- (g) Disclosures made under the CEO and CFO certification to the Board;
- (h) Reviewing with the Management, Statutory Auditors and Internal Auditors, adequacy of internal control systems and recommending improvements to the Management;
- (i) Recommending the appointment/removal of the Statutory Auditors, fixing audit fees, non-audit fees, evaluating Auditors performance, qualifications and independence;
- (j) Reviewing the adequacy of internal audit function, coverage and frequency of internal audit, appointment, removal, performance and terms of remuneration of Internal Auditors;
- (k) Discussing with the Internal Auditors and senior Management, significant internal audit findings and follow-up thereon;

- (l) Reviewing the findings of any internal investigation by the Internal Auditors into matters involving suspected fraud or irregularity or a failure of internal control system of a material nature and report the matter to the Board;
- (m) Discussing with the Statutory Auditors before the audit commences, the nature and scope of audit as well as conduct post-audit discussions to ascertain any area of concern;
- (n) Reviewing the Company's financial and risk management policies;
- (o) Reviewing the effectiveness of the system for monitoring compliance with laws and regulations.

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

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

#### B. Stakeholders Relationship Committee of Directors

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

- Oversee and review all the matters connected with the transfer of Company's securities
- To look into the requests received for issue of duplicate share certificates on account of loss / mutilated certificates etc.;

- To issue share certificates upon consolidation or sub-division of shares of the company.
- Monitor redressal of investors' / shareholders grievances.
- Oversee the performance of the Company's Registrars and Transfer Agents.
- Recommend methods to upgrade the standard of services to the investors.

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

The Company attends to the shareholders' / Investors' grievances / correspondence expeditiously. During the year under review 72 (Seventy Two) investor grievances / correspondence were received and were resolved.

The Committee is chaired by a Non-Executive Independent Director.

#### Meetings and Attendance:

During the year under review four (4) meetings of the Committee were held on February 08, 2017, July 04, 2017, September 15, 2017, November 14, 2017. 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	4	1*
Mr. N. Krishnan – Member	Executive	4	4
Mr. Anand Nambiar – Member	Executive	4	4

\* Mr. Bhabha attended 1 (one) meeting via video conference

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



**C. Nomination and Remuneration Committee:****(i) Brief description of terms of reference:**

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

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

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

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

As on the date of this report, the committee comprises of three (3) Independent Directors viz. Mr. S.N Talwar, Mr. H.C.H. Bhabha and Mrs. Rani Ajit Jadhav and one (1) Non-Executive Director viz. Ms. Zoe Tang The

Committee Meeting is chaired by Mr. H. C. H. Bhabha, an Independent Director.

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

During the year under review, one (1) Committee Meeting was held, on February 27, 2017

**Attendance at the Meeting:**

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. H.C.H. Bhabha-Chairman	Non-Executive – Independent	1	1
Mr. S.N. Talwar	Non-Executive – Independent	1	1
Mrs. Rani Ajit Jadhav	Non- Executive, Independent	1	1

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

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

Pursuant to the provisions of the Act, SEBI (Listing Obligations and Disclosures Requirements) Regulations, 2015, the Board of Directors / Independent Directors / NRC (as applicable) have undertaken an evaluation of its own performance, the performance of its Committees and of all the individual Directors including the Chairman of the Board of Directors based on various parameters relating to roles, responsibilities and obligations of the Board's effectiveness of its functioning, contribution of Directors at meetings and the

functioning of its Committees. The results of such evaluation are presented to the NRC and the Board of Directors (as applicable). On evaluation the NRC and the Board of Directors have expressed satisfaction on the overall functioning of the Board, its committees and directors.

#### D. Corporate Social Responsibility Committee:

As on the date of this report, the Corporate Social Responsibility Committee (CSR) comprises of four (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 2017, two (2) meetings of the CSR Committee were held on February 27, 2017 and November 14, 2017. Details of composition and attendance at the aforementioned Meetings 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	2	2*
Mr. Anand Nambiar	Executive Director	2	2
Mr. N. Krishnan	Executive Director	1	1
Mr. Sunil Punjabi#	Head – Research Solutions, Life Science	-	-

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

# Mr. Sunil Punjabi, who is a director on the board of another Merck group Company in India Viz, Sigma Aldrich Chemicals Private Limited.

#### IV. Code of Conduct:

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

#### V. CEO/CFO Certificate:

A Certificate from the Managing Director and Director - Finance on the integrity of the financial statements and other matters of the Company for the financial year ended December 31, 2017 was placed before the Board at its Meeting held on February 22, 2018.

#### VI. Risk Management Committee:

Although, the provision on Risk Management Committee is not applicable to the Company as per the SEBI Listing Regulations, the Company recognizes its importance the Company has put in place the mechanism to identify, analyze and recommend mitigation plan for the risks faced by the Company. The Risk management committee has identified the risk relating to financial, market, technical, regulatory, compliance and operational risks. These risks alongwith the mitigation plan are placed before the Board at regular intervals. 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.

**VII. Remuneration of Executive Directors:**

The details of remuneration paid/payable to the Executive Directors during the year 2017 are given below:

(in rupees)

Name of the Director	Salary Allowances and Perquisites	Contribution to PF, Superannuation, Gratuity & Leave encashment*	Total
Mr. Anand Nambiar	44,998,145	2,491,179	47,489,324
Mr. N. Krishnan	14,142,102	1,006,267	15,148,369

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

**NOTES:**

- The Company does not have a Scheme for grant of Stock Options to the Directors or Employees.
- Managing Director and Executive Director (Finance) are entitled for bonus which is linked to their individual performance and the Company's overall performance. During the year 2017 the Company has paid Rs. -Nil and Rs. 2,906,162/- to Anand Nambiar and N Krishnan, respectively, as bonus.
- In terms of the agreements entered with Mr. Anand Nambiar and Mr. N. Krishnan the notice period for termination of the agreement is three months. There is no separate provision for payment of severance fees.

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

The details of remuneration paid/payable to Non-Executive Directors for the year 2017 are given below:

Name of the Director	Sitting fees (Rs.)	Commission (Rs.)
Mr. S.N. Talwar	3,90,000	11,00,000
Mr. H.C.H. Bhabha	4,50,000	8,25,000
Mrs. Rani Ajit Jadhav	3,90,000	7,00,000

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

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

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

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

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

Sr. No.	Nature of Complaint	2017		2016	
		Received	Cleared	Received	Cleared
1.	Non-receipt of share certificates duly transferred	1	1	0	0
2.	Non-receipt of dividend	34	34	59	59
3.	Non-receipt of Annual Report	32	32	23	23
4.	Complaints/ Letters from SEBI/ Stock Exchanges and Department of Corporate Affairs	5	5	2	2

General Body Meetings held during last three years:

For the Year ended	Venue	Day and Date	Time
2014	Sunville Banquets, 3 <sup>rd</sup> Floor, Royal Room, Dr. A.B. Road, Worli, Mumbai 400 018	Wednesday, 08.04.2015	3.00 p.m.

For the Year ended	Venue	Day and Date	Time
2015	Auditorium One, First Floor, Godrej One, Pirojshanagar, Eastern Express Highway, Vikhroli East, Mumbai 400 079	Friday, 10.06.2016	3.00 p.m.
2016	Sunville Banquets, 3 <sup>rd</sup> Floor, Royal Room, Dr. A.B. Road, Worli, Mumbai 400 018	Wednesday, 31.05.2017	3.00 p.m.

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

AGM held on	Whether special resolution passed	Summary of special resolution passed
08.04.2015	Yes	Approving related party transactions/ arrangements with Merck KGaA

During the year 2017, 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 Annual General 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 arm's length basis. In terms of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Company obtained an omnibus approval of the audit committee for entering into transaction with related parties.

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

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

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 2015, 2016 and 2017 respectively: NIL

The Company does not have any subsidiary company.

#### Familiarization programme for Independent Directors:

In Compliance with the requirements of the SEBI regulations, the Company has put in place a familiarisation programme for the Independent Directors to familiarise them with their role, rights and responsibility as Directors, the working of the Company, nature of the industry in which the Company operates business model, etc. The broad principles as followed by the Company to familiarize its Directors including independent directors is available on the Company website [www.merck.co.in](http://www.merck.co.in) at the following link:

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

A qualified practicing Company Secretary carried out a Share Capital Audit to reconcile the total admitted equity share capital with the National Securities Depository Limited (NSDL) and the Central Depository Services (India) Limited (CDSL) and the total issued and listed equity share capital. The said report confirms that the total issued/

paid-up capital reconciles with the total number of shares in physical form and the total number of dematerialized shares held with NSDL and CDSL. This report is sent to both the Stock Exchanges on a quarterly basis within 30 days from the end of every quarter.

In terms of the provisions of section 177(9) of the Companies Act, 2013 the Company has implemented a vigil mechanism which include implementation of the whistleblower policy. The Company is part of a multinational company, it follows the global policy on whistle blower viz. "Reporting of Compliance and Investigation Policy" in terms of the SEBI Listing Regulations the Company has adopted an addendum to the global policy allowing all its employees access to the Chairman of the Audit Committee. The Indian addendum is available on the website of the Company at the following link:

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

No employee has been denied access to the chairman of audit committee. The Company in conjunction with the Corporate Disclosure and Investigation policy of its holding Company has informed its employees about 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. Audit committee is regularly informed about the whistleblower complaints received, investigation carried out, its outcome and action taken report.

#### **Means of Communication:**

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

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

#### *XI. Compliances:*

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

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

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

#### *XIII. Discretionary requirements.*

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

#### *XIV. General Shareholder Information*

##### **Annual General Meeting:**

The Fifty First Annual General Meeting of the Members will be held on Friday, June 01, 2018 at 3 p.m.

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

**Agenda –**

1. Consideration and adoption of Financial Statements.
2. Declaration of dividend.
3. Re-appointment of Director retiring by rotation.
4. Appointment of Mr. Milind Thatte as Director and Managing Director of the Company.
5. Ratification of appointment of M/s Haribhakti & Co. LLP, Chartered Accountants as Statutory Auditors.
6. Payment of Commission to Non- Executive Independent Directors.
7. Fixation of remuneration of Cost Auditors.
8. Approval of Related party transactions which may cross the materiality threshold as per Listing Regulations.

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

**Calendar of Financial Results – (tentative) 2018:**

1. First Quarter Results – May, 2018
2. Second Quarter Results – July, 2018
3. Third Quarter Results – October, 2018
4. Results for the year ending  
December 31, 2018 – January, 2019

**Book Closure:**

The Company's Register of Members and Share Transfer Books will remain closed from Wednesday, May 23, 2018 to Friday, June 01, 2018 (both days inclusive) for the purposes of payment of dividend for the year ended December 31, 2017, if approved by members at the above mentioned AGM.

**Dividend:**

The Board of Directors has recommended a dividend at the rate of Rs.15/- (Fifteen 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 Saturday, June 30, 2018.

**Listing on Stock Exchanges:**

Bombay Stock Exchange (BSE)–Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai 400 001.

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

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

NSE : MERCK

BSE : 500126

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

CIN : L99999MH1967PLC013726

**Payment of Listing Fees:**

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

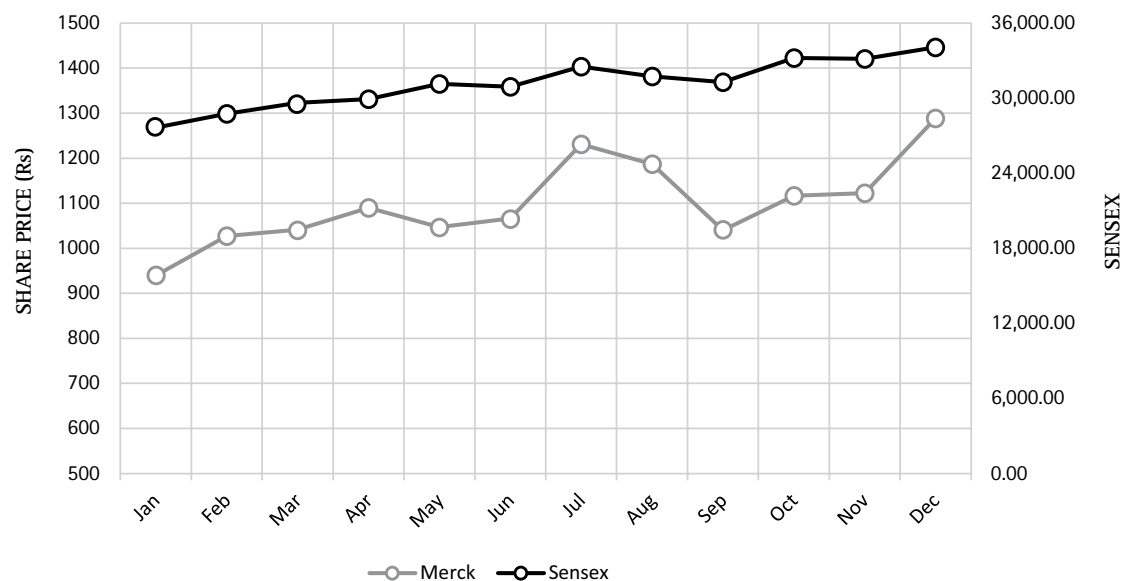
## Share Price Information on NSE and BSE for the year 2017

Month	BSE			NSE		
Year: 2017	High	Low	Volume	High	Low	Volume
January	1,006.75	933.00	80,991	1,005.00	933.00	2,46,514
February	1,155.00	934.70	1,71,554	1,157.00	935.00	7,95,074
March	1,065.00	990.00	92,030	1,070.00	990.00	3,86,513
April	1,198.90	1,025.00	99,651	1,199.00	1,033.20	5,19,528
May	1,140.00	1,000.00	89,177	1,141.40	995.00	4,72,923
June	1,125.00	1,007.70	1,42,627	1,125.00	1,041.00	3,59,381
July	1,320.00	977.00	1,01,335	1,318.00	1,063.00	7,74,800
August	1,274.95	1,090.00	62,726	1,275.00	1,084.50	3,13,267
September	1,280.00	1,004.25	45,782	1,278.90	1,001.00	3,60,839
October	1,182.00	1,016.75	36,438	1,180.00	1,015.50	1,95,715
November	1,205.00	1,091.25	39,777	1,209.90	1,092.20	3,49,728
December	1,357.50	1,041.25	87,943	1,360.00	1,081.05	7,58,112

Closing share price of the Company on NSE as on December 29, 2017: Rs. 1,289.75

Closing share price of the Company on BSE as on December 29, 2017: Rs. 1,288.65

Merck Share price movement viz-a-viz SENSEX for the year 2017:



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

Karvy Computershare Private Limited  
Karvy Selenium Tower B, Plot 31-32, Gachibowli,  
Financial District, Nanakramguda, Hyderabad,  
Telangana – 500 032, India  
Phone: +91 40 6716 2222  
Email: [satish.chavan@karvy.com](mailto:satish.chavan@karvy.com)  
Website: [www.karvycomputershare.com](http://www.karvycomputershare.com)



### Share Transfer System

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

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

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

Particulars	2017	2016
Number of transfers	17	12
Number of shares processed	1514	609

As on December 31, 2017, 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, 2017, a total of 16336731 shares of the Company which forms 98.42% of the total share capital of the Company stands dematerialized.

### Distribution of shareholding as on December 31, 2017:

Range	No. of Shareholders	% to total shareholders	No. of shares held	% to total to paid up capital
1 – 500	27874	95.46	2245632	13.53
501 – 1,000	696	2.38	527289	3.18
1,001 – 2,000	308	1.05	445718	2.69
2,001 – 3,000	86	0.29	217070	1.31
3,001 – 4,000	43	0.15	152515	0.92
4,001 – 5,000	44	0.15	207730	1.25
5,001 – 10,000	84	0.29	599964	3.61
10,001 – And Above	64	0.22	12203464	73.52
<b>Total</b>	<b>29199</b>	<b>100</b>	<b>16599382</b>	<b>100</b>

### Shareholders' profile as on December 31, 2017:

Category of Shareholders	No. of Shares	% to total paid up capital
Promoters\ Foreign Collaborators	8599224	51.80
Banks	9246	0.06
OCB	81	0.00
FII	642042	3.87
Insurance Companies	1368157	8.24
Mutual Funds	191974	1.16
Non Resident Indians	190877	1.15
Directors & Relatives	35570	0.21
Others	5562211	33.51
<b>Total</b>	<b>16599382</b>	<b>100</b>

**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 2017 through the e-voting method. For the last AGM e-voting was opened for a period of three days, i.e. from May 28, 2017 (9:00 am) to Tuesday, May 30, 2017 (5:00 pm) 2017 (Both days inclusive). M/s. Shah Patel & Associates, Practising Company Secretaries was the scrutinizer for the e-voting process.

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

Shares held by Non-Executive Directors of the Company as on December 31, 2017:

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

**Insider Trading Regulations:**

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

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

The Company has neither issued nor there are any outstanding GDRs/ADRs/Warrants or any convertible instruments as on December 31, 2017.

**Plant Location:**

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

**Investor Relations Department:**

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

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

Registered Office Address:  
Godrej One, 8Th Floor,  
Eastern Express Highway,  
Vikhroli East,  
Mumbai 400 079

**Contact Person:**

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

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

As provided under Regulation 26(3) of the SEBI Listing Obligations & Disclosures Requirements (LODR), Regulations, 2015 the Board Members and the Senior Management Personnel have affirmed compliance with the Code of Conduct for the period ended December 31, 2017.

For Merck Limited

Mumbai  
March 27, 2018

Anand Nambiar  
Managing Director

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

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

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

We have examined the compliance of conditions of Corporate Governance by Merck Limited ("the Company") for the year ended on 31<sup>st</sup> December 2017, as referred to in regulation 15(2) read with clause C of Schedule V of the Securities Exchange Board of India (Listing Obligations and Disclosure Requirement) Regulations, 2015 (Hereinafter, collectively referred to as the Listing Regulations) read with regulation 34(3) of the said Listing Regulations.

I have examined the compliance by the Company of the requirements under Listing Regulations, for the year ended 31<sup>st</sup> December 2017.

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  
27<sup>th</sup> March, 2018

**KANJ & ASSOCIATES**  
Company Secretaries  
Aishwarya Sankul, S. No. 17, Kothrud,  
G. A. Kulkarni Path, Pune - 411 038

To  
The Board of Directors,  
Merck Limited

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

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

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

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

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

We have indicated to the auditors and the Audit Committee:

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

For Merck Limited

For Merck Limited

Anand Nambiar  
Managing Director

N. Krishnan  
CFO and Director (Finance)

Date: February 22, 2018

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

FOR THE FINANCIAL YEAR ENDED 31<sup>st</sup> DECEMBER 2017

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

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

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

Based on our verification of the company's books, papers, minute books, forms and returns filed and other records maintained by the company and also the information provided by the company, its officers, agents and authorized representatives during the conduct of Secretarial Audit, we hereby report that in our opinion, the company has, during the audit period covering the financial year ended on 31<sup>st</sup> December 2017 substantially complied with the statutory provisions listed hereunder and also that the company has proper board-processes and compliance mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

We have examined the books, papers, minute books, forms and returns filed, and other records maintained by the Company for the financial year ended on 31<sup>st</sup> December, 2017 according to the provisions of:

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

Board of India Act, 1992 ('SEBI Act'), to the extent and if applicable:-

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

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

- i. Secretarial Standards issued by the Institute of Company Secretaries of India as are applicable to the company,
- ii. The Listing Agreements entered into by the Company with BSE Limited / National Stock Exchange of India Limited read with SEBI (Listing Obligations and Disclosures Requirements) Regulations, 2015.

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

**We further report that:**

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

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

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

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

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

**For KANJ & ASSOCIATES**  
Company Secretaries

**Vikas Y. Khare**  
FCS No. 3541  
C P No.: 2107

Place : Pune  
Date: 27<sup>th</sup> March, 2018

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

Our report of even date provided in Form MR-3 to Merck Limited (the company) for the year ended on 31<sup>st</sup> December, 2017 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/limited review as per the provisions of the Companies Act, 2013 and SEBI (Listing Obligations and Disclosures Requirements) Regulations, 2015.
4. Wherever required, we have obtained the management representation about the compliance of laws, rules and regulations and happening of events and 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**  
Partner,  
FCS No. 3541  
C P No.: 2107

Place : Pune  
Date: 27<sup>th</sup> March, 2018

## Annexure IV – Corporate Social Responsibility Report

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

The CSR Policy of Merck reflects its culture which has always been characterized by responsible behaviour, a key element of our corporate responsibility strategy as well as our daily operations in respect of all its stakeholders, environment and society at large. We respect the interests of our employees, customers and shareholders, as well as those of the society we are present in. Acting responsibly is an important factor of our success. Moreover, we believe that we can take an active role in shaping the future of generations to come. That's why we think in terms of generations rather than quarters. In looking for ways to improve things, we focus our strengths on those areas where we believe we can have the greatest impact: health, environment as well as culture and education. Our CSR vision is aimed to actively contribute to improving access to health and enriching the lives of human beings, supporting education and protecting the environment. This is aligned with our group CR vision aimed to impact the community positively and produce sustainable results. Our CSR programs are generally carried out directly or by engagement with reputed and recognized organizations. We also collaborate with the Government, district authorities and similar other agencies for meeting our CSR objectives.

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

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

2. The composition of the CSR committee:

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

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

Mr. Anand Nambiar

Mr. N. Krishnan

Mr. Sunil Punjabi

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

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

\* for the year 2017

5. Details of CSR spent during the financial year:

During the year 2017, the Company has spent Rs. 16.2 million on CSR activities, as against budget of Rs. 17.9 million. In addition to the above CSR expenses the Company has sponsored a charitable trust (Merck India Charitable Trust or MICT) which provides scholarships to bright students who are in need of financial support. During the year under review, MICT from its own funds has spent Rs. 6.5 million to award scholarships to students.

Details of the CSR activities undertaken by the Company along with other Merck companies in India viz. Merck Specialties Private Limited, Merck Performance Materials Private Limited, Sigma Aldrich Chemicals Private Limited and Merck Life Science Private Limited, during the year 2017 covering Education, Environment and Healthcare are as follows:

### Health

**River Ambulance:** During the year, the Company, continued with its ongoing project of providing basic medical facilities, water quality assessment and inculcating better habits of hygienic living, among people living along the banks of Narmada River. The projects include making provision of a motorized boat equipped with basic healthcare equipment providing basic healthcare facilities to people living in and around the banks of the Narmada River. Implemented in partnership with NGO Narmada Samagra, the river ambulance operates in the back waters of Sardar Sarovar Dam covering Alirajpur, Barwani and Dhar districts of Madhya Pradesh. In 2017 it has covered 40 villages in 179 days of River Ambulance operation reaching out to 6485 people directly or indirectly through its services. Some other activities carried out in the project during 2017 were; vaccination by District Medical Officer, Bharwani in March & September, clothes distribution five times during the year & Tree plantation by volunteers in August.





River Ambulance Providing Healthcare Facilities

The table below details out the coverage and the increase in the outreach over years –

Years	2014	2015	2016	2017
Stops/Fhalias	16	30	40	40
Beneficiaries	5494	7144	7308	6485

#### Environment

**"Water Testing" program:** The aim of the Water Testing Program is to raise awareness about the pollution levels in the River Narmada, among the communities living along the banks of the river and to promote use of safe drinking water. This is being done in partnership with NGO Narmada Samagra. Trained personnel from the NGO distribute Water Testing kits among the locals living alongside the river and train them to use the kits. By testing water, themselves, the tribals and the students living on the banks become aware of the water pollution in the river. They are more alert about factors causing pollution in the river water and learn to use appropriate purification measures before drinking it. The NGO is also able to map the trend of pollution in the river water with the help of this program. The NGO will generate an exhaustive report on the 'River Health Index' based on data collected till December 2017.

#### Education

- a. **Merck India Charitable Trust (MICT) Scholarship Program:** A flagship program of Merck, this project is a long-term effort made to increase the access to education for academically brilliant but economically challenged students. This program has been carried out by Merck since 2005 and has recorded high success rate with very few dropouts. As of 2017, 39 students have passed graduation with the support of MICT scholarship and got in to

jobs or gone on to do higher studies in respective study areas. In 2017, a total of 209 students were given scholarships out of which 45 students were from Goa and 164 from Mumbai. In this program, a scholarship maximum of Rs. 35,000 p.a. is given to selected students for a period ranging between 5-7 years, from Std XI until they complete graduation in a subject of their choice. During the year, under review, MICT met all its expenses out of its own accumulated funds and interest earned there on. Merck's CSR team supported the MICT in all its endeavors.



Bhavya Vijay Vakil - MICT Scholar 2006 - now pursuing Masters in Anaesthesiology

- b. **Merck Fellowship:** Under this initiative, Merck has partnered with the Institute of Chemical Technology (ICT), Mumbai and Narsee Monjee Institute of Management studies (NMIMS), Mumbai to provide fellowship to academically brilliant and under-privileged students. Under the fellowship, a minimum fellowship of two lakh rupees per year per student is provided by Merck. In ICT, Merck has given fellowship to two students and in NMIMS Merck provides fellowship to one student.
- c. **Magic Bus "Holistic Child Development Program":** Magic Bus 'Holistic Children Development Program' is supported by Merck in Murbad belt of Thane district for 600 children. The program targets the holistic development of the children, who are from the underprivileged communities, through motivation and mentoring sessions. To achieve the objective of holistic development, Magic Bus project team does a series of activities with children and with adults around them ranging from curriculum based sessions, child mentoring through community youth leaders (CYLs), sensitization and awareness on issues affecting child development and creating a supportive eco

system. These sessions empower the students to be confident and competent and do well in their life.

- d. **Socare India "Access to Education Project"** - Merck is supporting the infrastructure for a Girl's Hostel. It is also supporting allied educational activities like remedial classes for students in private school studying in 7<sup>th</sup>, 8<sup>th</sup>, 9<sup>th</sup> & 10<sup>th</sup> Std.

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

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

**Donation of school materials to students in Ponda, Goa:** Merck supported students in Ponda by providing each of them with 3 pair of uniforms, a school bag, 12 note books each of 100 pages & stationery boxes.

- a. **Infrastructural support to St. Joseph School, Goa:** Merck supported the school with the renovation of their staff room and two KG class rooms. Toilets for school staff and children was also rebuilt by Merck.
- b. **Infrastructural support to Sarvodaya school, Goa:** Merck supported the school by upgrading the science classroom and by funding smartboards for five classrooms.
- c. **Infrastructural and other support to the school in Bangalore:** Merck has supported the installation of water purifier and library setup at Hennagara Government school to provide an improved learning environment. We have supported the school since 2014 by building toilets and four classrooms.
- d. **Renovation of toilet & septic tank in a school in Khopoli, Mumbai:** Merck supported building of three toilets and one septic tank at Janta Vidyalaya, Savroli, Khopoli, Mumbai. The initiative is an effort to provide a conducive learning environment to children.

#### **CSR activities with Employee Engagement**

- a. **"Donate a meal" campaign for Disabled children at Cheshire Home NGO for Joy of Giving Week** - A special meal was organized at McDonald's for 30 differently-abled children of the Cheshire Home NGO. Employee donations ensured kids got a chance to have a day of fun.



Joy of Giving - Week 2017

- b. **Donation of study materials to Orphan children from St. Catherine of Sienna School and Orphanage for Joy of Giving Week** - In-Kind donations of study materials from employees was donated to St. Catherine of Sienna Orphanage & School. The study materials included note books, pencil boxes, geometry box, colour crayons, colour pencils, water bottles etc.
- c. **Merck Cyclathon 2017** - 105 enthusiastic employees joined a Cyclathon in Mumbai to kick start the celebrations of 50 years of incorporation of Merck in India. It was immense team spirit and the pride to be associated with a mile stone achievement of the company in the country that drove so many employees, cross business and roles, to cycle for 20 Kms.. The event was flagged off by the External Director and the Chairman of the Company - Mr. Suresh Talwar and H.C. H. Bhabha. Jeevan Asha an NGO that looks after the education and nutrition of the young children of migrant labourers in Mumbai benefitted from the proceeds of the Cyclathon.
- d. **Merck participated in IISc Annual Open day** - In collaboration with the Organic Chemistry department Merck employees at Bangalore conducted fun scientific experiments, quizzes, distributed science gifts and engaged the public with a science selfie stall at the IISc Annual Open Day. We received a whopping footfall of about 6000 participants. Our volunteers did a fantastic job of relaying the science behind the magic with their enthusiastic and exciting explanations and igniting a spark in the future scientists of the country.

#### **Relief and Aid**

**Flood Relief:** Merck supported AmeriCares India Foundation for Flood relief in Rajasthan in 2017.

The NGO deployed three emergency relief teams in Pali & Sirohi district of Rajasthan. The medical teams provided care to 6,543 patients through 72 health camps. Relief items like Mosquito Nets, Bedsheets, Water Cans, Tarpaulins & Food Materials were distributed to the affected people. Merck supported the NGO by reaching out to 1680 mothers & 1700 children in Rajasthan through specialized kits that supplement their immediate nutritional needs. Mother care kit included Iron Folic tablets, Calcium tablets, Protein powder packets & Child care kit included Calcium syrup, Iron syrup, Protein powder packets, Albendazole suspension and blanket.

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

During the year under review the Company has spent substantial part of its CSR budget. A small portion of the budget could not be spent since the CSR activities undertaken did not justify further spend during the year. In addition to the CSR spent directly made by the group Companies, MICT has also spent a sum of Rs. 6.5 million on CSR activities. The Company intends to continue with its CSR activities in future too.

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

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

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

Anand Nambiar  
Managing Director

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

Sr. No.	CSR Project or Activity identified	Sector in which the project is covered	Projects or Programs: (1) Local area or other (2) Specify the State and District where projects or programs were undertaken	Amount Outlay (budget) Project or Program Wise	Amount spent on projects or programs Subheads: (1) Direct Expenditure (2) Overheads	Cumulative Expenditure up to the reporting period	Amount Spent: Direct or through implementing agency
1.	Merck India Charitable Trust (MICT) Scholarship Programme and Fellowship Program	Education	Local Area: Mumbai, Navi Mumbai and Thane and Goa  Other State: Goa	Nil	(1) Direct Expenditure : Nil  2) Overheads: 1,54,369	Nil	MICT has directly spent out of its accumulated balance as sum of Rs. 65,43,500  (Overhead of Rs. 1,54,369 incurred directly by the Company)
2.	River Ambulance project and River Water testing project in Madhya Pradesh	Health & Environment	Madhya Pradesh: Alirajpur, Barwani and Dhar districts  Madhya Pradesh Hoshangabad, Indore (south), Indore (north), Jabalpur.	47,09,200	Direct Expenditure: 58,99,148	58,99,148	Through NGO/ Agency: 58,99,148
3.	Education and Child Development Program with NGO Magic Bus	Education	Murbad, Thane district, Maharashtra	10,12,453	Direct Expenditure: 5,06,227	5,06,227	Through Agency: 5,06,227

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
4.	Merck Fellowship program in collaboration with Indian Institute of Chemical Technology, Mumbai & NMIMS (Narsee Monjee Institute of Management Studies)	Education	Mumbai, Maharashtra	14,00,000	Direct Expenditure: 13,60,000	13,60,000	Direct Expenditure: 13,60,000
5.	Socare Ind	Education	Bangalore, Karnataka	Nil	Direct Expenditure: 7,47,000	7,47,000	Direct Expenditure: 7,47,000
6.	World Environment Day celebration	Environment	Mumbai, Maharashtra	Nil	Direct Expenditure: 9,8,530	98,530	Direct Expenditure: 9,8,530
7.	Art by Children Program with Kochi Biennale Foundation	Education & Culture	Kochi, Kerala	Nil	Direct Expenditure: Rs. 34,06,793)	34,06,793	Through Agency: 34,06,793
8.	Flood Relief: Donation Towards the flood victims in Rajasthan	Health	Rajasthan	Nil	Direct Expenditure: 15,00,000	15,00,000	Through Agency:
9.	Infrastructural Materials and other support to schools in Usgaon, Goa	Education	Goa	Nil	Direct Expenditure: 7,41,803	7,41,803	Through Agency: 7,41,803
10.	Cyclathon event	Education	Thane, Mumbai	Nil	Direct Expenditure: 4,36,000	4,36,000	Through Agency: 4,36,000
11.	Joy of Giving Week event	Education	Mumbai	Nil	Direct Expenditure: 20,500	20,500	Through Agency: 20,500
12.	IISc Annual Science Open Day	Education	Bangalore, Karnataka	Nil	Direct Expenditure: 2,35,771	2,35,771	Direct Expenditure: 2,35,771
13.	Helping True Hero Campaign	Health	Mumbai	Nil	Direct Expenditure: 5,00,000	5,00,000	Direct Expenditure: 5,00,000
14.	Donation - Bring a Smile Charitable Trust	Education	Mumbai	Nil	Direct Expenditure: 1,25,000	1,25,000	Through Agency: 1,25,000
15.	Education and Child Development	Education	Kolkata, West Bengal	Nil	Direct Expenditure: 1,25,000	1,25,000	Through Agency: 1,25,000
16.	Education and Child Development	Education	Chennai & Mumbai	Nil	Direct Expenditure: 2,00,000	2,50,000	Through Agency: 2,50,000
17.	Education and promotion of science	Education		Nil	Direct Expenditure: 1,73,308	1,73,308	Direct Expenditure: 1,73,308
	Sub-total						1,61,25,080
	Overheads						43,887
	Total CSR spend						16,168,967

## Annexure V – Form No. AOC-2

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

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

1) **Details of contracts or arrangements or transactions not at arm's length basis:** Merck Limited has not entered into any contract or arrangement or transaction with its related parties which is not at arm's length during the year 2017.

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

Name of the related party/ nature of relationship	Nature of contracts/ arrangements	Duration of the contracts/ arrangements	Salient terms including value	Rs. Millions	Justification	Date of approval by the Audit Committee / Shareholders	Amount paid as advance
Merck KGaA, Germany, Ultimate Holding Company	For purchase, sale, import and export of products, services, technical consultancy services, intellectual property rights, royalty, IT services, reimbursement/ recovery cost or other obligations, if any,	Ongoing contract	As per commercial terms in line with business practices and comparable with unrelated parties.	Rs.1,795.7	The Company, inter-alia, is engaged in the business of manufacturing, marketing, trading, distribution, imports, exports of pharmaceutical and chemical products. The Company in its ordinary course of business purchase, sale, import, export various products and services from and to Merck KGaA and its various affiliates, subsidiaries, associates companies.	Audit Committee approved on February 22, 2018.  Shareholders approved on May 31, 2017.	Nil

For and on behalf of the Board of Directors

Anand Nambiar  
Managing Director

N. Krishnan  
Director & CFO

Vikas R. Gupta  
General Counsel & Company Secretary

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

### (A) CONSERVATION OF ENERGY

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

1. Appropriate DGs loading done in second & third shift depending on load requirement in various departments.
2. To reduce the power consumption on non-working day by running 275 TR screw chillers at soft gel utility along with new cooling tower for SG and Injection plant instead of running two different set of chillers for Injection and SG plant.
3. Reducing the WFI consumption on ampoule washing machine by providing solenoid valves on compressive air- line. By this air supply cut off during idle duration of machine operation.
4. Cooling Tower pumps of Injectable are changed to energy efficient pumps.
5. Old cross flow Cooling tower in SG Plant replaced with new counter flow Energy efficient cooling tower.
6. Automation of overhead water storage pump depending on level in the tank which resulted in reducing overflowing of another tank.
7. CFL fittings in the soft gel are replaced with LED fittings.
8. To Reduce continuous running of Cooling tower in Injectable utility and hence electricity consumption.
9. HPMV/MH/CFL Replaced with LED-Previously there were frequent failure of lamps, Choke and igniter. Replacement with LED made breakdown reduced. Also, installation became easy as it has no control wiring. This also helped in maintenance cost reduction for lighting.

### B) TECHNOLOGY ABSORPTION AND RESEARCH AND DEVELOPMENT

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

The Company is having a pharmaceutical research & development center at Shirwane, Nerul, Navi Mumbai, which is recognized by department of scientific and industrial research (DSIR). 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.

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. Some of the formulations were developed by using in house R&D capabilities and the products of external vendors were technically evaluated for requisite Merck quality standards and then marketed by Merck.

The R&D center also carries the development 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.

Expenditure on R&D:	(Rupees million)
Capital	0.18
Recurring	175.50
Total	175.68
Total R & D expenditure as a percentage of total turnover	1.6%

### (C) FOREIGN EXCHANGE EARNINGS AND OUTGO

During the year, foreign exchange outgo was Rs. 3,042.61 million (which includes import of raw material to the extent of Rs. 852.39 million), while foreign exchange earned was Rs. 1,014.6 million

The total export during the year was Rs. 995.4 million. (The Company continues to make efforts to improve its export turnover by exporting to neighbouring countries and other parts of world.

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

As on the financial year ended on 31/12/2017

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

### I. REGISTRATION AND OTHER DETAILS:

Sr. No.	Particulars	Details																						
i)	CIN:	L99999MH1967PLC013726																						
ii)	Registration Date [DDMMYY]	26-04-1967																						
iii)	Name of the Company:	Merck Limited																						
iv)	Category of the Company [Pl. tick]	1. Public Company <input checked="" type="checkbox"/> 2. Private Company																						
v)	Sub Category of the Company [ Please tick whichever are applicable]	<table border="1"> <tbody> <tr> <td>1. Government Company</td><td><input type="checkbox"/></td></tr> <tr> <td>2. Small Company</td><td><input type="checkbox"/></td></tr> <tr> <td>3. One Person Company</td><td><input type="checkbox"/></td></tr> <tr> <td>4. Subsidiary of Foreign Company</td><td><input type="checkbox"/></td></tr> <tr> <td>5. NBFC</td><td><input type="checkbox"/></td></tr> <tr> <td>6. Guarantee Company</td><td><input type="checkbox"/></td></tr> <tr> <td>7. Limited by shares</td><td><input checked="" type="checkbox"/></td></tr> <tr> <td>8. Unlimited Company</td><td><input type="checkbox"/></td></tr> <tr> <td>9. Company having share capital</td><td><input checked="" type="checkbox"/></td></tr> <tr> <td>10. Company not having share capital</td><td><input type="checkbox"/></td></tr> <tr> <td>11. Company Registered under Section 8</td><td><input type="checkbox"/></td></tr> </tbody> </table>	1. Government Company	<input type="checkbox"/>	2. Small Company	<input type="checkbox"/>	3. One Person Company	<input type="checkbox"/>	4. Subsidiary of Foreign Company	<input type="checkbox"/>	5. NBFC	<input type="checkbox"/>	6. Guarantee Company	<input type="checkbox"/>	7. Limited by shares	<input checked="" type="checkbox"/>	8. Unlimited Company	<input type="checkbox"/>	9. Company having share capital	<input checked="" type="checkbox"/>	10. Company not having share capital	<input type="checkbox"/>	11. Company Registered under Section 8	<input type="checkbox"/>
1. Government Company	<input type="checkbox"/>																							
2. Small Company	<input type="checkbox"/>																							
3. One Person Company	<input type="checkbox"/>																							
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8. Unlimited Company	<input type="checkbox"/>																							
9. Company having share capital	<input checked="" type="checkbox"/>																							
10. Company not having share capital	<input type="checkbox"/>																							
11. Company Registered under Section 8	<input type="checkbox"/>																							
vi)	Whether shares listed on recognized Stock Exchange(s)	Yes																						

vii)	<b>Name and Registered Office Address of Company:</b>	
	Company Name	Merck Limited
	Address	Godrej One, 8 <sup>th</sup> Floor, Pirojshanagar, Eastern Express Highway, Vikhroli
	Town / City	Mumbai
	State	Maharashtra
	Pin Code:	400 079
	Country Name :	India
	Country Code	+91
	Telephone (With STD Area Code Number)	022- 6210 9000
	Fax Number :	022-6210 9999
	Email Address	CorpSec@merckgroup.com
	Website	www.merck.co.in
viii)	<b>Name and Address of Registrar &amp; Transfer Agents (RTA):- Full address and contact details to be given.</b>	
	Registrar & Transfer Agents (RTA):-	Karvy Computershare Private Limited
	Address	Karvy Selenium Tower B, Plot 31-32, Gadchibowli, 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



**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	21002	78%

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

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

**IV. SHARE HOLDING PATTERN (Equity Share Capital Breakup as percentage of Total Equity)****i) Category-wise Share Holding**

Category of Shareholders	No. of Shares held at the beginning of the year[As on 01-January-2017]				No. of Shares held at the end of the year[As on 31-December-2017]				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
<b>A. Promoters</b>									
<b>(1) Indian</b>									
a) Individual/ HUF									
b) Central Govt.									
c) State Govt.(s)									
d) Bodies Corp.									
e) Banks / FI									
f) Any other									
<b>Sub-total shareholding of Promoter (A) (1)</b>									
<b>(2) Foreign</b>									
a) NRIs- Individuals									
b) Other- Individuals									
c) Bodies Corp.	8599224	-	8599224	51.80	8599224	-	8599224	51.80	-
d) Banks / FI									
e) Any Other...									

Category of Shareholders	No. of Shares held at the beginning of the year[As on 01-January-2017]				No. of Shares held at the end of the year[As on 31-December-2017]				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
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	-
<b>B. Public Shareholding</b>									
<b>1. Institutions</b>									
a) Mutual Funds	91785	1200	92985	0.56	190529	1200	191729	1.16	
b) Banks / FI	10889	809	11698	0.07	8682	809	9491	0.06	
c) Central Govt									
d) State Govt(s)									
e) Venture Capital Funds									
f) Insurance Companies	1563157	-	1563157	9.42	1368157	-	1368157	8.24	
g) FIIs									
h) Foreign Venture Capital Funds									
i) Others (specify)									
Foreign Portfolio Investors	401356	280	401636	2.42	642042	-	642042	3.87	
<b>Sub-total (B)(1):-</b>	<b>2067187</b>	<b>2289</b>	<b>2069476</b>	<b>12.47</b>	<b>2209410</b>	<b>2009</b>	<b>2211419</b>	<b>13.33</b>	
<b>2. Non-Institutions</b>									
<b>a) Bodies Corp.</b>									
i) Indian									
ii) Overseas	81	-	81	0.00	81	-	81	0.00	
<b>b) Individuals</b>									
i) Individual shareholders holding nominal share capital upto Rs. 2 lakh	4015706	312013	4327719	26.07	3742514	256726	3999240	24.09	

Category of Shareholders	No. of Shares held at the beginning of the year[As on 01-January-2017]				No. of Shares held at the end of the year[As on 31-December-2017]				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
ii) Individual shareholders holding nominal share capital in excess of Rs2 lakh	758169	-	758169	4.57	921377		921377	5.55	
c) Others (specify)									
Non Resident Indians (Rep + Non Rep)	144807	205	145012	0.88	190672	205	190877	1.15	
Corporate Bodies	673423	4020	677443	4.08	575640	3711	579351	3.49	
IEPF					39393		39393	0.24	
Clearing Members	12822	-	12822	0.08	45371	-	45371	0.27	
Trusts	551	-	551	0	1126	-	1126	0.01	
NBFCs registered with RBI	8885	-	8885	0.05	11923	-	11923	0.07	
Sub-total (B)(2):-	5614444	316238	5930682	35.73	5528097	260642	5788739	34.87	
Total Public Shareholding (B)=(B)(1)+ (B)(2)	7681631	318527	8000158	48.2	7737507	262651	8000158	48.2	
C. Shares held by Custodian for GDRs & ADRs	-	-	-	-	-	-	-	-	
Grand Total (A+B+C)	16280855	318527	16599382	100	16336731	262651	16599382	100	

## ii) Shareholding of Promoter:

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

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

Sr. No.		Shareholding at the beginning of the year		Cumulative Shareholding at the end of the year	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
	Shareholding	8599224	51.80	8599224	51.80
	Date wise Increase / Decrease in Promoters Shareholding 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 For each of the Top Ten Shareholders*	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
1	Life Insurance Corporation of India	1161021	6.99	966021	5.82
2	Matthews Asia Small Companies Fund	0	0	265239	1.60
3	The New India Assurance Company Limited	202136	1.22	202136	1.22
4	General Insurance Corporation of India	200000	1.20	200000	1.20
5	Hemendra M Kothari	198258	1.19	198258	1.19
6	Forbes Rati Farhad	165080	0.99	164080	0.99
7	Ashish Kacholia	0	0	140000	0.84
8	HDFC Trustee Company Limited	0	0	125529	0.76
9	Meenakshi Mercantiles Limited	65200	0.39	86000	0.52
10	Dimensional Emerging Markets Value Fund	76089	0.46	79792	0.48

\*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
	Shareholding				
	Director:				
1	S.N. Talwar	5914	0.03	5914	0.03
2	H.C.H Bhabha	29656	0.17	29656	0.17
3	N. Krishnan	Nil	-	Nil	-
4	Rani A. Jadhav	Nil	-	Nil	-
5	Anand Nambiar	Nil	-	Nil	-
6	Zoe Tang	Nil	-	Nil	-
	Key Managerial Personnel:				
9	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):	Nil	Nil	Nil	Nil
	Shareholding	35570	0.21	35570	0.21

**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	Mr. Anand Nambiar	Mr. N. Krishnan	Total Amount
1	Gross salary			
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	47.5	14.9	62.4
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961	-	0.2	0.2
	(c) Profits in lieu of salary under section 17(3) Income- tax Act, 1961	-	-	-
2	Stock Option	-	-	-
3	Sweat Equity	-	-	-
4	Commission - as % of profit - Others, specify...	-	-	-
5	Others, please specify	-	-	-
	Total (A)	47.5	15.1	62.6
	Ceiling as per the Act			133.9

**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	
1	Independent Directors				
	• Fee for attending board committee meetings	0.39	0.45	0.39	1.23
	• Commission	1.1	0.825	0.7	2.625
	• Others, please specify	-	-	-	-
	Total (1)	1.49	1.275	1.09	3.855
2	Other Non-Executive Directors				
	• Fee for attending board committee meetings	-	-	-	-
	• Commission	-	-	-	-
	• Others, please specify	-	-	-	-
	Total (2)	-	-	-	-
	Total (B)=(1+2)	1.49	1.275	1.09	3.855
	Total Managerial Remuneration	1.49	1.275	1.09	3.855
	Overall Ceiling as per the Act				13.3

## C. Remuneration to key managerial personnel other than MD/Manager/WTB

(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	10.8	10.8
	(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	N.A.	N.A.
2	Stock Option	N.A.	N.A.
3	Sweat Equity	N.A.	N.A.
4	Commission	N.A.	N.A.
	- as % of profit	N.A.	N.A.
	- Others, specify...	N.A.	N.A.
5	Others, please specify		
	<b>Total</b>		<b>10.8</b>

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

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

There were no penalties, punishment or compounding of offence during the year ended December 31, 2017.

# Independent Auditors' Report

## To the Members of Merck Limited

### Report on the Ind AS Financial Statements

We have audited the accompanying Ind AS financial statements of Merck Limited ("the Company"), which comprise the Balance Sheet as at December 31, 2017, the Statement of Profit and Loss (including Other Comprehensive Income), the Cash Flow Statement and the Statement of Changes in Equity for the year then ended and a summary of significant accounting policies and other explanatory information (hereinafter referred to as "Ind AS Financial Statements").

### Management's Responsibility for the Ind AS 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 Ind AS financial statements that give a true and fair view of the state of affairs (financial position), profit (financial performance including other comprehensive income), cash flows and changes in equity of the Company in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) 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 of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the Ind AS financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these Ind AS 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 Ind AS financial statements are free from material misstatement.

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

give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the Ind AS financial statements.

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

### Opinion

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

### Other Matter

The comparative financial information of the Company for the year ended 31st December 2016 and the transition date opening balance sheet as at 1st January 2016 included in these Ind AS financial statements, are based on the previously issued statutory financial statements prepared in accordance with the Companies (Accounting Standards) Rules, 2006 audited by B S R & Co. LLP whose report for the year ended 31st December 2016 and 31st December 2015 dated March 1, 2017 and February 26, 2016 respectively expressed an unmodified opinion on those financial statements, as adjusted for the differences in the accounting principles adopted by the Company on transition to the Ind AS, which have been audited by us.

Our opinion is not modified in respect of this matter.

### Report on Other Legal and Regulatory Requirements

- (1) As required by the Companies (Auditors' Report) Order, 2016 ("the Order") issued by the Central Government of India in terms of sub-section (11) of Section 143 of the Act, we give in "Annexure 1", a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.
- (2) As required by Section 143(3) of the Act, we report that:
  - a. We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - b. In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
  - c. The Balance Sheet, the Statement of Profit and Loss, the Cash Flow Statement and the Statement of Changes in Equity dealt with by this Report are in agreement with the books of account;



# Independent Auditors' Report

## To the Members of Merck Limited

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- d. On the basis of written representations received from the directors as on December 31, 2017, and taken on record by the Board of Directors, none of the directors is disqualified as on December 31, 2017 from being appointed as a director in terms of Section 164 (2) of the Act;
- e. With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, we give our separate Report in "Annexure 2".
- 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 Ind AS financial statements – Refer Note 42 on Contingent Liabilities to the Ind AS financial statements;
- (ii) The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses;
- (iii) There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company;
- (iv) The Company has provided requisite disclosures in its Ind AS financial statements as to holdings as well as dealings in Specified Bank Notes during the period from 8th November, 2016 to 30th December, 2016. Based on the procedures performed and relying on management representations, we report that the disclosures made by the Company are in accordance with the books of account maintained by the Company- Refer Note 50 to the Ind AS financial statements.

For Haribhakti & Co. LLP  
Chartered Accountants  
ICAI Firm Registration No.103523W /W100048

Place: Mumbai  
Date: February 22, 2018

Bhavik L. Shah  
Partner  
Membership No. 122071

# Annexure 1 to Independent Auditors' Report

[Referred to in paragraph 1 under 'Report on Other Legal and Regulatory Requirements' in the Independent Auditor's Report of even date to the members of Merck Limited on the Ind AS financial statements for the year ended December 31, 2017]

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of Property, Plant and Equipment.
- (b) During the year, Property, Plant and Equipment have been physically verified by the management as per the regular programme of verification which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. As informed, no material discrepancies were noticed on such verification.
- (c) According to information and explanation given to us, the title deeds of immovable properties other than self-constructed properties recorded as Property, Plant and Equipment in the books of account of the Company as on December 31, 2017 are held in the name of the Company.
- (ii) The inventory (excluding stock lying with third parties) has been physically verified by the management during the year. In respect of inventory lying with third parties, these have been confirmed by them. In our opinion, the frequency of verification is reasonable. As informed, no material discrepancies were noticed on physical verification carried out during the year.
- (iii) As informed, the Company has not granted any loans, secured or unsecured to companies, firms, Limited Liability Partnerships or other parties covered in the register maintained under Section 189 of the Act. Accordingly, paragraph 3 (iii)(a), 3 (iii)(b) and 3 (iii)(c) of the Order are not applicable to the Company.
- (iv) Based on information and explanation given to us in respect of loans, investments, guarantees and securities, the Company has complied with the provisions of Section 185 and 186 of the Act.
- (v) In our opinion and according to the information and explanations given to us, the Company has not accepted any deposits from the public within the provisions of Sections 73 to 76 of the Act and the rules framed there under.
- (vi) We have broadly reviewed the books of account maintained by the Company in respect of products where the maintenance of cost records has been specified by the Central Government under sub-section (1) of Section 148 of the Act and the rules framed there under and we are of the opinion that prima facie, the prescribed accounts and records have been made and maintained. However, we have not made a detailed examination of cost records with a view to determine whether they are accurate or complete.
- (vii) (a) According to information and explanation given to us and the records of the Company examined by us, in our opinion, the Company is generally regular in depositing with appropriate authorities, undisputed statutory dues including provident fund, employees' state insurance, income tax, sales tax, Goods and Service Tax, service tax, value added tax, customs duty, excise duty, cess and any other material statutory dues applicable to it.

According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, employees' state insurance, income tax, sales tax, service tax, value added tax, customs duty, excise duty, cess and any other material statutory dues applicable to it, were outstanding, at

the year end, for a period of more than six months from the date they became payable.

- (b) According to the information and explanation given to us, the dues outstanding with respect to, income tax, sales tax, service tax, value added tax, customs duty, excise duty, as listed in Appendix 1 have not been deposited by the company on account of disputes.
- (viii) According to the information and explanations given to us, the Company has not defaulted in repayment of loans or borrowings to financial institutions, banks, governments or dues to debenture holders.
- (ix) The Company has neither raised money by way of public issue offer nor has obtained any term loans during the year. Therefore, paragraph 3(ix) of the Order is not applicable to the Company.
- (x) During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of material fraud by the Company or on the Company by its officers or employees, noticed or reported during the year, nor have we been informed of any such instance by the management.
- (xi) According to the information and explanations given to us, managerial remuneration has been paid in accordance with the requisite approvals mandated by the provisions of Section 197 read with Schedule V to the Act.
- (xii) In our opinion and according to the information and explanations given to us, the Company is not a Nidhi Company. Therefore, paragraph 3(xii) of the Order is not applicable to the Company.
- (xiii) According to the information and explanation given to us and based on our examination of the records of the Company, transactions entered into by the Company with the related parties are in compliance with Sections 177 and 188 of the Act, where applicable.  
The details of related party transactions have been disclosed in the financial statements as required under Indian Accounting Standards (Ind AS) 24, Related party Disclosures specified under section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.
- (xiv) The Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under review. Therefore, paragraph 3(xiv) of the Order is not applicable to the Company.
- (xv) According to the information and explanations given to us, the Company has not entered into any non-cash transactions with directors or persons connected with him during the year.
- (xvi) According to the information and explanation given to us, the Company is not required to be registered under Section 45-IA of the Reserve Bank of India Act, 1934.

For Haribhakti & Co. LLP  
Chartered Accountants  
ICAI Firm Registration No.103523W/W100048

Place: Mumbai  
Date: February 22, 2018

**Bhavik L. Shah**  
Partner  
Membership No. 122071

## Appendix 1 as referred to in paragraph vii (b) of the Annexure 1 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	58	2015-16	Dispute Resolution Penal
		99.4	2002-03, 2005-06, 2008-09, 2011-12, 2012-13, 2013-14	Income Tax Appellate Tribunal
		31.9	1998-99, 2003-04 2010-11	AO to passed OGE of ITAT
		264.8	2007-08, 2008-09	CIT (A)
		1.2	1986-87	High Court
Central Excise Act, 1944	Tax and penalty	211.5	2000-01, 2009-14, 2014-15	Customs Excise and Service Tax Appellate Tribunal (CESTAT)
		12.5	2009-14	Commissioner of Service Tax
		0.8	2009-10	Additional Commissioner
Local State Sales tax Act and Central Sales Tax Act 1956	Duty and penalty	36.8	2011-12, 2012-13, 2013-14	Additional commissioner (Commercial Tax)
		0.50	2013-14	Additional Commissioner (Entry Tax)
		3.7	1994-95, 1995-96, 1998-99, 2011-12, 2012-13	Assistant Commissioner (Commercial Tax)
		0.8	2003-04	Deputy Commissioner (Appeals)
		2.4	2010-11, 2011-12	Deputy Commissioner (Commercial Tax)
		0.70	2007-08	Joint Commissioner (Commercial Tax)
		17.50	2008-09, 2009-2010	Senior Joint Commissioner (Commercial Tax)
		22.7	2014-15	Special Commissioner Sales Tax (LTU)
		4.7	2011-12	Joint Commissioner

## Annexure 2 to the Independent Auditors' Report

[Referred to in paragraph 2 under 'Report on Other Legal and Regulatory Requirements' in the Independent Auditor's Report of even date to the members of Merck Limited on the Ind AS financial statements for the year ended December 31, 2017]

### Report on the Internal Financial Controls over Financial Reporting under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

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

#### Management's Responsibility for Internal Financial Controls

The Company's management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India ("ICAI"). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

#### Auditors' Responsibility

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

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness.

Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the Ind AS financial statements, whether due to fraud

or error.

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

#### Meaning of Internal Financial Controls Over Financial Reporting

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of Ind AS financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of Ind AS financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the Ind AS financial statements.

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

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

#### Opinion

In our opinion, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at December 31, 2017, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the ICAI.

For Haribhakti & Co. LLP

Chartered Accountants

ICAI Firm Registration No.103523W /W100048

Bhavik L. Shah

Partner

Membership No. 122071

Place: Mumbai

Date: February 22, 2018

# Balance sheet

(All amounts are in Rupees million, except share data and as stated)

	Notes	As at 31 December 2017	As at 31 December 2016	As at 01 January 2016
<b>I ASSETS</b>				
<b><u>Non-current assets</u></b>				
(a) Property, plant and equipment	3	1,142.8	1,104.9	1,315.9
(b) Capital work in progress		89.0	299.8	70.0
(c) Other Intangible assets	4	7.9	1.7	1.4
(d) Financial assets				
i. Loans	5	1.3	1.9	4.4
ii. Other financial assets	6	86.1	64.1	108.3
(e) Deferred tax assets (net)	7	308.0	192.5	86.2
(f) Other non current assets	8	141.3	176.1	92.8
(g) Non current tax asset (net)	9	612.5	590.0	462.3
<b>Total non-current assets</b>		<b>2,388.9</b>	<b>2,431.0</b>	<b>2,141.3</b>
<b><u>Current assets</u></b>				
(a) Inventories	10	1,577.4	1,639.4	1,638.1
(b) Financial assets				
i. Investments	11	699.7	277.8	422.8
ii. Trade and other receivables	12	1,226.6	1,070.4	1,212.4
iii. Cash and cash equivalents	13	103.2	262.7	91.8
iv. Bank balances other than (iii) above	14	2,678.6	2,530.0	1,792.4
v. Loans	15	1.0	2.1	2.2
vi. Other financial assets	16	145.5	116.3	100.6
(c) Other current assets	17	1,029.1	373.7	302.5
(d) Assets held for sale	3	62.2	88.8	80.0
<b>Total current assets</b>		<b>7,523.3</b>	<b>6,361.2</b>	<b>5,642.8</b>
<b>TOTAL ASSETS</b>		<b>9,912.2</b>	<b>8,792.2</b>	<b>7,784.1</b>
<b>II EQUITY AND LIABILITIES</b>				
<b><u>Equity</u></b>				
(a) Equity share capital	18	166.0	166.0	166.0
(b) Other equity	19	7,166.6	6,472.2	5,843.9
<b>Total Equity</b>		<b>7,332.6</b>	<b>6,638.2</b>	<b>6,009.9</b>
<b><u>Non-Current Liabilities</u></b>				
(a) Provisions	20	266.7	238.4	221.2
(b) Other non-current liabilities	21	60.3	51.2	50.0
<b>Total non-current liabilities</b>		<b>327.0</b>	<b>289.6</b>	<b>271.2</b>
<b><u>Current liabilities</u></b>				
(a) Financial liabilities				
i. Trade and other payables	22	832.8	751.0	655.5
ii. Other financial liabilities	23	634.2	550.9	484.4
(b) Other current liabilities	24	186.9	131.4	125.8
(c) Provisions	25	391.6	337.4	200.0
(d) Current tax liabilities (net)	26	206.1	93.7	37.3
(e) Liabilities towards assets held for sale	3	1.0	-	-
<b>Total current liabilities</b>		<b>2,252.6</b>	<b>1,864.4</b>	<b>1,503.0</b>
<b>TOTAL EQUITY &amp; LIABILITIES</b>		<b>9,912.2</b>	<b>8,792.2</b>	<b>7,784.1</b>
Significant accounting policies	2			
The accompanying notes form an integral part of these Financial Statements.				

As per our attached report of even date.

For Haribhakti & Co. LLP  
Chartered Accountants  
Firm Registration No.103523W/W100048

Bhavik L. Shah  
Partner  
Membership No. 122071

Mumbai  
Date: 22 February 2018

For and on behalf of the Board of Directors of Merck Limited CIN No. L99999MH1967PLC013726

S. N. Talwar - *Chairman*  
DIN No.00001456

H. C. H. Bhabha - *Director*  
DIN No.00286072

Mumbai  
Date: 22 February 2018

Anand Nambiar - *Managing Director*  
DIN No. 02006594

N. Krishnan - *Director and Chief financial officer*  
DIN No.01027659

Vikas R. Gupta  
*Company Secretary*

# Statement of Profit and Loss

(All amounts are in Rupees million, except share data and as stated)

	Notes	For the year ended 31 December 2017	For the year ended 31 December 2016
<b>I Revenue</b>			
Revenue from operations	27	11,194.5	10,297.7
Other Income	28	239.7	244.1
<b>Total income</b>		<b>11,434.2</b>	<b>10,541.8</b>
<b>II Expenses</b>			
Cost of materials consumed	29	2,365.6	2,402.5
Purchase of stock-in-trade	30	2,022.4	1,730.7
Changes in inventories of finished goods, stock-in-trade and work-in-progress	30	22.9	(17.8)
Excise duty		154.9	372.1
Employee benefit expense	31	1,696.4	1,542.3
Depreciation and amortisation expense	32	264.0	248.1
Impairment losses	46	172.3	84.9
Operating and other expenses	33	3,383.8	3,027.3
<b>Total expenses</b>		<b>10,082.3</b>	<b>9,390.1</b>
<b>III Profit before exceptional items and tax</b>		<b>1,351.9</b>	<b>1,151.7</b>
Exceptional items	47	170.0	-
<b>IV Profit before tax</b>		<b>1,521.9</b>	<b>1,151.7</b>
<b>V Tax Expenses:</b>			
Current tax		635.0	465.0
Deferred tax		(102.4)	(99.4)
Current tax expense relating to prior years		50.2	(5.1)
<b>VI Net Profit for the year</b>		<b>939.1</b>	<b>791.3</b>
<b>VII Other Comprehensive Income</b>			
<b>A Items that will not be reclassified to profit and loss</b>			
Remeasurements of post-employment benefit obligation		(38.3)	(19.9)
Income tax related to items that will not be reclassified to profit and loss		13.3	6.9
<b>B Items that will be reclassified to profit and loss</b>		<b>-</b>	<b>-</b>
<b>VIII Total Comprehensive Income for the year</b>		<b>914.1</b>	<b>778.3</b>
<b>IX Earnings per equity share (Face value of Rs. 10/- each)</b>	34		
(1) Basic (Rs.)		56.6	47.7
(2) Diluted (Rs.)		56.6	47.7
Significant accounting policies	2		
The accompanying notes form an integral part of these Financial Statements			

As per our attached report of even date.

For Haribhakti & Co. LLP  
Chartered Accountants  
Firm Registration No.103523W/W100048

Bhavik L. Shah  
Partner  
Membership No. 122071

Mumbai  
Date: 22 February 2018

For and on behalf of the Board of Directors of Merck Limited CIN No. L99999MH1967PLC013726

S. N. Talwar - *Chairman*  
DIN No. 00001456

H. C. H. Bhabha - *Director*  
DIN No. 00286072

Mumbai  
Date: 22 February 2018

Anand Nambiar - *Managing Director*  
DIN No. 02006594

N. Krishnan - *Director and Chief financial officer*  
DIN No. 01027659

Vikas R. Gupta  
*Company Secretary*

# Statement of Changes in Equity (SOCIE)

(All amounts are in Rupees million, except share data and as stated)

## Note (a) : Equity share capital (refer note 18)

Particulars	Amount
As at 01 January 2016	166.0
Changes in equity share capital during the year	-
As at 31 December 2016	166.0
Changes in equity share capital during the year	-
As at 31 December 2017	166.0

## Note (b) : Other equity (refer note 19)

Particulars	Capital Reserve	Securities Premium	Capital Redemption Reserve	General Reserve	Retained Earnings	Total
Balance as at 01 January 2016	2.6	111.3	2.6	3,363.0	2,364.4	5,843.9
Profit for the year	-	-	-	-	791.3	791.3
Other comprehensive income for the year	-	-	-	-	(13.0)	(13.0)
Total comprehensive income for the year	-	-	-	-	778.3	778.3
Transfer to general reserve from retained earnings	-	-	-	75.9	(75.9)	-
Dividend	-	-	-	-	(124.6)	(124.6)
Dividend distribution tax	-	-	-	-	(25.4)	(25.4)
Balance as at 31 December 2016	2.6	111.3	2.6	3,438.9	2,916.8	6,472.2
Profit for the year	-	-	-	-	939.1	939.1
Other comprehensive income for the year	-	-	-	-	(25.0)	(25.0)
Total comprehensive income for the year	-	-	-	-	914.1	914.1
Transfer to general reserve from retained earnings	-	-	-	-	-	-
Dividend	-	-	-	-	(182.6)	(182.6)
Dividend distribution tax	-	-	-	-	(37.2)	(37.2)
Balance as at 31 December 2017	2.6	111.3	2.6	3,438.9	3,611.2	7,166.6

### Nature and purpose of reserves:

#### Capital Reserve

Capital Reserve balance represents

- Amount received under the Central Investment Subsidy Scheme in respect of Goa project Rs. 1.5 million
- Rs 0.1 million on account of profit on forfeited shares reissued
- Rs 1.0 million on account of capital subsidy

#### Securities Premium

Securities premium reserve is used to record the premium on issue of shares which is utilised in accordance with the provisions of The Companies Act, 2013.

#### Capital Redemption Reserve

Capital Redemption Reserve represents balance pertaining to face value of shares bought back in 2009.

#### General Reserve

General reserve is used from time to time to transfer profits from retained earnings for appropriation purposes. As the General reserve is created by a transfer from one component of equity to another and is not an item of other comprehensive income, items included in the General reserve will not be reclassified subsequently to the Statement of Profit and Loss.

The above statement of changes in equity should be read in conjunction with the accompanying notes.

As per our attached report of even date. For and on behalf of the Board of Directors of Merck Limited CIN No. L99999MH1967PLC013726

For Haribhakti & Co. LLP  
Chartered Accountants  
Firm Registration No.103523W/W100048

S. N. Talwar - *Chairman*  
DIN No.00001456

Anand Nambiar - *Managing Director*  
DIN No. 02006594

Bhavik L. Shah  
Partner  
Membership No. 122071

H. C. H. Bhabha - *Director*  
DIN No.00286072

N. Krishnan - *Director and Chief financial officer*  
DIN No.01027659

Mumbai  
Date: 22 February 2018

Mumbai  
Date: 22 February 2018

Vikas R. Gupta  
*Company Secretary*

# Statement of cash flows

(All amounts are in Rupees million, except share data and as stated)

Particulars	As at 31 December 2017	As at 31 December 2016
<b>Cash flow from operating activities</b>		
Profit before tax	1,521.9	1,151.8
Adjustments for :		
Net unrealised foreign exchange differences	(1.2)	4.8
Provision for doubtful debts and advances	(77.5)	5.5
Bad debts	61.1	0.1
Depreciation of property, plant and equipment	264.0	248.1
Provision for Impairment	172.3	84.9
Income from letting of residential flat	-	(0.9)
Provision for employee benefits	11.0	(19.2)
Provision for write down of inventories	20.7	17.2
Loss on sale of property, plant and equipment	1.8	1.4
Profit on sale of assets	(170.0)	-
Dividend income on current investments	(27.9)	(21.9)
Interest income	(166.1)	(171.3)
<b>Operating profit before working capital changes</b>	<b>1,610.1</b>	<b>1,300.5</b>
Working capital adjustments :		
(Increase) / Decrease in inventories	41.3	(16.3)
(Increase) / Decrease in trade receivables	(148.3)	139.9
(Increase) / Decrease in financial and other Assets	(659.4)	(78.6)
Increase / (Decrease) in trade payables	91.6	95.6
Increase / (Decrease) in other liabilities and provisions	196.7	160.5
<b>Cash generated from operations</b>	<b>1,131.9</b>	<b>1,601.6</b>
Income tax paid (net)	(595.3)	(531.2)
<b>Net cash from operating activities (A)</b>	<b>536.6</b>	<b>1,070.4</b>
<b>Cash flows from investing activities</b>		
Purchase and construction of property, plant and equipment	(303.0)	(316.5)
(Purchase) / sale of Investments (net)	(422.0)	145.0
Sale of property, plant and equipment	2.3	1.0
Income from letting of residential flat	-	0.9
Proceeds from sale of asset	196.6	-
Dividend income on current investments	27.9	21.9
Interest received	170.5	135.6
Redemption of bank deposits	3,204.0	650.8
Investment in bank deposits	(3,352.6)	(1,388.4)
<b>Net cash used in investing activities (B)</b>	<b>(476.3)</b>	<b>(749.7)</b>



# Statement of cash flows

(All amounts are in Rs. million, except share data and as stated)

Particulars	As at 31 December 2017	As at 31 December 2016
<b>Cash flow from financing activities</b>		
Dividend paid	(182.6)	(124.5)
Dividend tax paid	(37.2)	(25.3)
<b>Net cash flow used in financing activities (C)</b>	<b>(219.8)</b>	<b>(149.8)</b>
<b>Net (decrease)/ increase in cash and cash equivalents (A+B+C)</b>	<b>(159.5)</b>	<b>170.9</b>
Cash and cash equivalents at 01 January	262.7	91.8
<b>Cash and cash equivalents at 31 December</b>	<b>103.2</b>	<b>262.7</b>
<b>Reconciliation of Cash and Cash equivalents with the Balance Sheet</b>		
Cash & Cash equivalents		
Cash in Hand	*	*
Balance with Banks		
In Current accounts	98.8	252.0
In Unpaid dividend accounts	4.4	10.7
<b>Cash and Cash equivalents as restated as at the year end</b>	<b>103.2</b>	<b>262.7</b>

## Notes :

- The above Cash Flow Statement has been prepared under the 'Indirect Method' as set out in the Accounting Standard (IND AS) 7 - "Cash Flow Statements".
- Unpaid dividend of Rs.4.4 million (31 December 2016: Rs. 10.7 million), included in bank balances, is not available for use by the Company.
- Figures below Rupees 50,000 are disclosed by " \* "

As per our attached report of even date.	For and on behalf of the Board of Directors of Merck Limited CIN No. L99999MH1967PLC013726	
For Haribhakti & Co. LLP Chartered Accountants Firm Registration No.103523W/W100048	<b>S. N. Talwar - Chairman</b> DIN No. 00001456	<b>Anand Nambiar - Managing Director</b> DIN No. 02006594
Bhavik L. Shah Partner Membership No. 122071	<b>H. C. H. Bhabha - Director</b> DIN No. 00286072	<b>N. Krishnan - Director and Chief financial officer</b> DIN No. 01027659
Mumbai Date: 22 February 2018	Mumbai Date: 22 February 2018	<b>Vikas R. Gupta</b> Company Secretary

# Notes to the financial statements

for the year ended 31st December 2017

(All amounts are in Rupees million, except share data and as stated)

## 1. Background of the Company

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

## 2. Basis of preparation

### (a) Statement of compliance with Ind AS

The financial statements of the Company comply with all material aspects with Indian Accounting Standards (Ind AS) notified under Section 133 of the Companies Act, 2013 (the Act) [Companies (Indian Accounting Standards) Rules, 2015] and other relevant provisions of the Act.

The financial statements up to year ended 31 December 2016 were prepared in accordance with the accounting standards notified under Companies (Accounting Standard) Rules, 2006 (as amended) and other relevant provisions of the Act.

Accordingly, the transition to Ind AS has been carried out from the accounting principles generally accepted in India ("Indian GAAP") which is considered as the "Previous GAAP" for purposes of Ind AS 101. An explanation of how the transition to Ind AS has affected the Company's equity and its net profit or loss is provided in note 51. These financial statements are the first financial statements of the Company under Ind AS.

All assets and liabilities are classified as current or non-current as per the company's normal operating cycle and other criteria set out in Schedule III to the Companies Act, 2013. Based on the nature of products and the time between the acquisition of assets for processing and their realisation in cash and cash equivalents, the company has ascertained its operating cycle as 12 months for the purpose of current/non-current classification of assets and liabilities.

### (b) Historical cost convention

The financial statements have been prepared on a historical cost basis, except for certain financial assets and liabilities including defined benefit plans – plan assets measured at fair value.

### (c) Use of estimates and judgements

The preparation of the financial statements in conformity with Ind AS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

The areas involving critical estimates and judgements are:

- (i) Estimation of useful life of property, plant and equipment
- (ii) Estimation of defined benefit obligation
- (iii) Provision for inventories
- (iv) Impairment of trade receivables

## 3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements and in preparing the Ind AS balance sheet at 01 January 2016 for the purposes of the transition to Ind AS, unless otherwise stated

### (a) Property, plant and equipment

Property, plant and equipment are stated at cost of acquisition, including any attributable cost for bringing the asset to its working condition for its intended use, less accumulated depreciation/amortisation and impairment loss.

#### Advance for capital assets

Acquisition that remain outstanding as on balance sheet date are reflected as Capital Advances under other non-current assets.

Losses arising from retirement and gains or losses arising from disposal of property, plant and equipments 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.

Property, plant and equipment not ready for the intended use on the date of Balance Sheet are disclosed as "Capital work-in-progress".

# Notes to the financial statements

for the year ended 31st December 2017

(All amounts are in Rupees million, except share data and as stated)

Depreciation is provided on straight line method over the estimated useful life as determined by management which is in line with that prescribed under Schedule II of the Act. Depreciation is provided on a pro-rata basis i.e. from the month on which asset is ready for use. 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.

Leasehold improvements are amortised over the primary period of lease.

Trademarks are amortised over an expected benefit period of 5 years. Software comprising of System Software and Application Software is amortised on straight line method basis over an expected benefit period of 6 years and 3 years respectively.

Property, 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 constitutes more than 10 percent of the total actual cost, the depreciation rates applicable to such items are applied.

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

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

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.

## Subsequent expenditure

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Company.

## Transition to Ind AS

On transition to Ind AS, the Company has elected to continue with the carrying value of all of its property, plant and equipment recognised as at 01 January 2016 measured as per the previous GAAP and use that carrying value as the deemed cost of the property, plant and equipment (refer note 51).

### (b) Intangible 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.

## Transition to Ind AS

On transition to Ind AS, the Company has elected to continue with the carrying value of all of its intangible asset recognised as at 01 January 2016 measured as per the previous GAAP and use that carrying value as the deemed cost of the intangible assets. (refer note 51).

### (c) Impairment

Property, plant and equipment and intangible assets 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.

# Notes to the financial statements

for the year ended 31st December 2017

(All amounts are in Rupees million, except share data and as stated)

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.

## (d) *Non-current assets held for sale*

Non-current assets and liabilities are classified as held for sale if it is highly probable that they will be recovered primarily through sale rather than through continued use.

Such assets are generally measured at lower of their carrying amount and fair value less costs to sell. Losses on initial classification as held for sale and subsequent gains and losses on re-measurement are recognised in Statement of Profit or Loss.

Once classified as held for sale, intangible assets, property, plant and equipment and investment properties are no longer amortised or depreciated.

## (e) *Inventories*

Inventories which comprise of 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.

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.

## (f) *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 goods and services tax (GST), and is net of returns, trade discounts and quantity discounts.

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

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

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

### **Export Incentives**

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

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

# Notes to the financial statements

for the year ended 31st December 2017

(All amounts are in Rupees million, except share data and as stated)

*(g) Foreign currency Transactions and Balances*

**1. Functional and Presentation currency**

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in Indian Rupee (INR), which is the Company's functional and presentation currency.

**2. Foreign currency Transactions and Balances**

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.

*(h) Employee benefits*

**1. Long-term Employee Benefits**

**I) Short-term employee benefits**

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

**II) 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.

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur, directly in other comprehensive income. They are included in retained earnings in the Statement of Changes in Equity and in the Balance Sheet.

**III) Compensated absences**

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

*(i) Leases*

Leases in which a significant portion of the risks and rewards of ownership is retained by the lessor 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

# Notes to the financial statements

for the year ended 31st December 2017

(All amounts are in Rupees million, except share data and as stated)

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. Costs including depreciation, incurred in earning the lease income are recognised as expenses.

## (j) Taxes on Income

Income tax expense comprises current and deferred tax. It is recognised in Statement of Profit and Loss except to the extent that it relates items recognised directly in equity or in Other Comprehensive Income.

### 1. Current Tax

Tax expense for the year, comprising current tax and deferred tax, are included in the determination of the net profit or loss for the year. Current tax is measured at the amount expected to be paid to the tax authorities in accordance with the taxation laws prevailing in the respective jurisdictions.

Current tax assets and current tax liabilities are offset only if there is a legally enforceable right to set off the recognised amounts, and it is intended to realise the asset and set off the liability on a net basis or simultaneously.

### 2. Deferred Tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which they can be used. The existence of unused tax losses is strong evidence that future taxable profit may not be available. Therefore, in case of a history of recent losses, the Company recognises a deferred tax asset only to the extent it has sufficient taxable temporary differences or there is convincing other evidence that sufficient taxable profit will be available against which such deferred tax asset can be realised.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used. Deferred tax is measured at the tax rates that are expected to be applied to deferred tax assets when they are realised or deferred tax liabilities when they are settled, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

## (k) Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

### 1. Financial Assets

The Company classifies financial assets as subsequently measured at amortised cost, fair value through other comprehensive income or fair value through profit and loss on the basis of its business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit and loss, transaction costs that are attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit and loss are expensed in Statement of Profit and Loss.

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

# Notes to the financial statements

for the year ended 31st December 2017

(All amounts are in Rupees million, except share data and as stated)

The Company assesses on a forward looking basis the expected credit losses associated with its assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables, the Company applies the simplified approach permitted by Ind AS 109 Financial Instruments, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

The Company subsequently measures its investments in mutual funds at fair value through Statement of Profit and Loss.

## 2. Financial liabilities

Debt and equity instruments issued by the Company are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definition of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

Financial liabilities are initially recognised at fair value, reduced by transaction costs (in case of financial liability not at fair value through profit and loss), that are directly attributable to the issue of financial liability. After initial recognition, financial liabilities are measured at amortised cost using effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash outflow (including all fees paid, transaction cost, and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. At the time of initial recognition, there is no financial liability irrevocably designated as measured at fair value through profit and loss.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the de-recognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the Statement of Profit and Loss.

Trade and other payables represent liabilities for goods and services provided to the Company prior to the end of financial year which are unpaid. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

### (l) Offsetting financial instruments

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

### (m) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk.

A number of the Company's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities. When one is available, the Company measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. If there is no quoted price in an active market, then the Company uses valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received.

### (n) Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker (CODM). The CODM assesses the financial performance and position of the company, and makes strategic decisions. The Company is primarily engaged in the business of manufacturing and marketing of pharmaceuticals and chemicals.

### (o) Provisions and Contingent Liabilities

The Company recognises a provision when there is a present obligation as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation and in respect of which reliable estimate can be made.

# Notes to the financial statements

for the year ended 31st December 2017

(All amounts are in Rupees million, except share data and as stated)

## 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

A disclosure for contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. Where there is a possible obligation or a present obligation and the likelihood of outflow of resources is remote, no provision or disclosure is made.

### (p) *Research and development*

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

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

### (q) *Earnings per share*

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of equity shares outstanding during the financial year. The weighted average number of equity shares outstanding during the period and for all periods presented is adjusted for events, such as bonus shares, other than the conversion of potential equity shares that have changed the number of equity shares outstanding, without a corresponding change in resources.

For the purpose of calculating diluted earnings per share, diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential equity shares, and the weighted average number of additional equity shares that would have been outstanding assuming the conversion of all dilutive potential equity shares.

### (r) *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.

### (s) *Rounding of amounts*

All amounts disclosed in the financial statements and notes have been rounded off to the nearest millions as per the requirement of Schedule III, unless otherwise stated.



# Notes to the financial statements

for the year ended 31st December 2017

(All amounts are in Rupees million, except share data and as stated)

## Note 3 : Property, plant and equipment

Description	Freehold Land	Buildings and Flats	Leasehold Improvements	Plant and Machinery	Computer / Hardware	Furniture and Fixtures	Vehicles	Office Equipment	Total
<b>Gross Block</b>									
Balance as at 01 January 2016 (refer note 1 below)	5.0	231.8	32.6	805.6	56.0	102.8	0.1	82.0	1,315.9
Additions	-	10.5	-	80.0	14.7	12.7	-	13.8	131.7
Disposals	-	-	-	(0.4)	(0.2)	(0.9)	-	(0.8)	(2.3)
Reclassification to assets held for sale	-	(8.8)	-	-	-	(0.1)	-	-	(8.9)
<b>Balance as at 31 December 2016</b>	<b>5.0</b>	<b>233.5</b>	<b>32.6</b>	<b>885.2</b>	<b>70.5</b>	<b>114.5</b>	<b>0.1</b>	<b>95.0</b>	<b>1,436.4</b>
<b>Gross Block</b>									
Balance as at 01 January 2017	5.0	233.5	32.6	885.2	70.5	114.5	0.1	95.0	1,436.4
Additions	-	48.2	-	374.1	18.1	17.5	-	12.0	469.9
Disposals	-	-	-	(3.9)	-	-	-	-	(3.9)
<b>Balance as at 31 December 2017</b>	<b>5.0</b>	<b>281.7</b>	<b>32.6</b>	<b>1,255.4</b>	<b>88.6</b>	<b>132.0</b>	<b>0.1</b>	<b>107.0</b>	<b>1,902.4</b>
<b>Accumulated Depreciation</b>									
Accumulated depreciation at 01 January 2016	-	-	-	-	-	-	-	-	-
Depreciation for the year	-	13.7	4.4	163.2	23.0	15.5	-	26.9	246.7
<b>Balance as at 31 December 2016</b>	<b>-</b>	<b>13.7</b>	<b>4.4</b>	<b>163.2</b>	<b>23.0</b>	<b>15.5</b>	<b>-</b>	<b>26.9</b>	<b>246.7</b>
<b>Impairment Loss</b>									
Provision for Impairment	-	24.6	-	57.2	-	2.9	-	0.1	84.8
<b>Balance as at 31 December 2016</b>	<b>-</b>	<b>24.6</b>	<b>-</b>	<b>57.2</b>	<b>-</b>	<b>2.9</b>	<b>-</b>	<b>0.1</b>	<b>84.8</b>
<b>Accumulated Depreciation</b>									
Balance as at 01 January 2017	-	13.7	4.4	163.2	23.0	15.5	-	26.9	246.7
Depreciation for the year	-	14.6	4.4	177.9	22.8	16.9	-	24.1	260.7
<b>Balance as at 31 December 2017</b>	<b>-</b>	<b>28.3</b>	<b>8.8</b>	<b>341.1</b>	<b>45.8</b>	<b>32.4</b>	<b>-</b>	<b>51.0</b>	<b>507.4</b>
<b>Impairment Loss</b>									
Balance as at 01 January 2017	-	24.6	-	57.2	-	2.9	-	0.1	84.8
Provision for Impairment	-	59.1	-	99.5	-	4.8	-	4.0	167.4
<b>Balance as at 31 December 2017</b>	<b>-</b>	<b>83.7</b>	<b>-</b>	<b>156.7</b>	<b>-</b>	<b>7.7</b>	<b>-</b>	<b>4.1</b>	<b>252.2</b>
<b>Net Block as at 31 December 2016</b>	<b>5.0</b>	<b>195.2</b>	<b>28.2</b>	<b>664.8</b>	<b>47.5</b>	<b>96.1</b>	<b>0.1</b>	<b>68.0</b>	<b>1,104.9</b>
<b>Net Block as at 31 December 2017</b>	<b>5.0</b>	<b>169.7</b>	<b>23.8</b>	<b>757.6</b>	<b>42.8</b>	<b>91.9</b>	<b>0.1</b>	<b>51.9</b>	<b>1,142.8</b>

1. The Company has availed the deemed cost exemption in relation to the property plant and equipment on the date of transition and hence the net block carrying amount under the previous GAAP has been considered as the gross block carrying amount on that date. Refer note below for the gross block value and the accumulated depreciation on 01 January 2016 under the previous GAAP.

Description	Freehold Land	Buildings and Flats	Leasehold Improvements	Plant and Machinery	Computer / Hardware	Furniture and Fixtures	Vehicles	Office Equipment	Total
Gross Block	5.0	424.7	33.2	1,638.3	119.1	173.3	0.4	185.0	2,579.0
Accumulated Depreciation	-	(192.9)	(0.6)	(832.7)	(63.1)	(70.5)	(0.3)	(103.0)	(1,263.1)
<b>Net Block</b>	<b>5.0</b>	<b>231.8</b>	<b>32.6</b>	<b>805.6</b>	<b>56.0</b>	<b>102.8</b>	<b>0.1</b>	<b>82.0</b>	<b>1,315.9</b>

2. The breakup of assets for held for sale is as shown below:

Description	Freehold Land	Buildings and Flats	Leasehold Improvements	Plant and Machinery	Computer / Hardware	Furniture and Fixtures	Vehicles	Office Equipment	Total
As at 01 January 2016	-	76.8	-	-	-	2.2	-	1.0	80.0
As at 31 December 2016	-	85.5	-	-	-	2.2	-	1.1	88.8
<b>As at 31 December 2017</b>	<b>-</b>	<b>59.4</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1.8</b>	<b>-</b>	<b>1.0</b>	<b>62.2</b>

3. The Company has received Rs. 1.0 million towards asset held for sale which has been shown as "Liabilities towards asset held for sale" under "Current Liabilities".
4. Impairment charge for the year in the Statement of Profit and Loss includes provision for estimated dismantling costs of power plant of Rs. 4.9 million.

# Notes to the financial statements

for the year ended 31st December 2017

(All amounts are in Rupees million, except share data and as stated)

## Note 4 : Other Intangible assets

Description	Brands / Trademarks	Computer Software	Total
<b>Gross Block</b>			
Balance as at 01 January 2016 (refer note 1 below)	-	1.4	1.4
Additions	-	1.8	1.8
<b>Balance as at 31 December 2016</b>	-	3.2	3.2
<b>Gross Block</b>			
Balance as at 01 January 2017	-	3.2	3.2
Additions	-	9.5	9.5
<b>Balance as at 31 December 2017</b>	-	12.7	12.7
<b>Amortisation and impairment</b>			
Balance as at 01 January 2016	-	-	-
Amortisation for the year	-	1.5	1.5
<b>Balance as at 31 December 2016</b>	-	1.5	1.5
<b>Amortisation and impairment</b>			
Balance as at 01 January 2017	-	1.5	1.5
Amortisation for the year	-	3.3	3.3
<b>Balance as at 31 December 2017</b>	-	4.8	4.8
<b>Net Block as at 31 December 2016</b>	-	1.7	1.7
<b>Net Block as at 31 December 2017</b>	-	7.9	7.9

1. The Company has availed the deemed cost exemption in relation to intangible asset on the date of transition and hence the net block carrying amount under the previous GAAP has been considered as the gross block carrying amount on that date. Refer note below for the gross block value and the accumulated depreciation on 01 January 2016 under the previous GAAP.

Description	Brands / Trademarks	Computer Software	Total
Gross Block	86.9	46.9	133.8
Accumulated Depreciation	(86.9)	(45.5)	(132.4)
<b>Net Block</b>	-	1.4	1.4

## Note 5 : Loans

Unsecured, considered good unless otherwise stated

Loans to employees	1.3	1.9	4.3
Loans to directors (refer note 37)	-	-	0.1
<b>Total</b>	<b>1.3</b>	<b>1.9</b>	<b>4.4</b>

## Note 6 : Other financial assets

Unsecured, considered good unless otherwise stated

Security Deposits			
Considered good	86.1	64.1	108.3
Considered doubtful	4.9	4.0	4.0
Less : Allowance for doubtful deposits	(4.9)	(4.0)	(4.0)
	<b>86.1</b>	<b>64.1</b>	<b>108.3</b>
<b>Total</b>	<b>86.1</b>	<b>64.1</b>	<b>108.3</b>

# Notes to the financial statements

for the year ended 31st December 2017

(All amounts are in Rupees million, except share data and as stated)

	As at 31 December 2017	As at 31 December 2016	As at 01 January 2016
<b>Note 7 : Deferred tax assets</b>			
Deferred Tax Assets on account of:			
Property, plant and equipment and Intangible assets	25.8	(34.9)	(104.0)
Provision for doubtful trade receivables, deposits and advances	18.6	45.0	55.2
Personnel and other related provisions	129.2	65.2	52.0
Provision for sales tax matters	26.1	23.5	24.7
Other provisions	108.3	93.7	58.3
<b>Total</b>	<b>308.0</b>	<b>192.5</b>	<b>86.2</b>
<b>Note 8 : Other non current assets</b>			
Capital advances	33.2	18.0	6.2
Advance to others	5.9	9.3	12.4
Balances with government authorities	90.9	129.5	54.5
Prepaid expenses	11.3	19.3	19.7
<b>Total</b>	<b>141.3</b>	<b>176.1</b>	<b>92.8</b>
<b>Note 9 : Non current tax assets (net)</b>			
Advance income tax [Net of provision for tax Rs. 4,286.0 million (31 December 2016: Rs. 3,892.2 million; 01 January 2016: Rs. 3,735.9 million)]	612.5	590.0	462.3
<b>Total</b>	<b>612.5</b>	<b>590.0</b>	<b>462.3</b>
<b>Note 10 : Inventories</b> (Valued at lower of cost and net realisable value)			
Raw materials [Includes stock-in-transit Rs. 2.2 million (31 December 2016: Rs. 3.3 million; 01 January 2016: Rs. Nil)]	318.7	348.4	369.1
Packing materials	85.4	91.8	84.7
Work in process	82.2	86.4	81.6
Finished products	468.4	635.3	553.5
Stock-in-trade [Includes stock-in-transit Rs. 83.2 million (31 December 2016: Rs. 61.9 million; 01 January 2016: Rs. 94.3 million)]	610.1	461.9	530.8
Stores and spares	12.6	15.6	18.4
<b>Total</b>	<b>1,577.4</b>	<b>1,639.4</b>	<b>1,638.1</b>
During the year ended 31 December 2017, the write-down of inventories to net realisable value amounted to Rs. 10.5 million (31 December 2016: Rs. 4.9 million; 01 January 2016: Rs. 2.9 million). These adjustments were included in cost of material consumed and changes in inventories.			
<b>Note 11 : Investments</b> (Investments carried at fair value through profit and loss)			
<b>Investment in mutual funds (Unquoted)</b>			
69,708.16 units, (31 December 2016: 75,612.38 units; 01 January 2016: 246,896.76 units) of LIC MF Liquid Fund – Dividend Plan	76.4	83.0	271.1
144,290.95 units, (31 December 2016: 82,142.06 units; 01 January 2016: 44,282.08 units) of Canara Robeco Liquid – Regular Daily Dividend	145.1	82.6	44.5
207,588.79 units, (31 December 2016: 57,863.78 units; 01 January 2016: 21,938.79 units) of SBI Premier Liquid Fund-Regular Plan – Daily Dividend	208.3	58.1	22.0
268,944.90 units, (31 December 2016: 53,895.33 units; 01 January 2016: 84,941.78 units) of UTI Money Market Fund – Institutional Plan – Daily Dividend	269.9	54.1	85.2
Reinvestment			
<b>Total</b>	<b>699.7</b>	<b>277.8</b>	<b>422.8</b>
<b>Aggregate book value of unquoted investments</b>	<b>699.7</b>	<b>277.8</b>	<b>422.8</b>

# Notes to the financial statements

for the year ended 31st December 2017

(All amounts are in Rupees million, except share data and as stated)

	As at 31 December 2017	As at 31 December 2016	As at 01 January 2016
<b>Note 12 : Trade receivables</b>			
Unsecured, considered good	1,226.6	1,070.4	1,212.4
Unsecured, considered doubtful	48.8	126.0	121.9
Less: Allowance for doubtful debts	(48.8)	(126.0)	(121.9)
	-	-	-
<b>Total</b>	<b>1,226.6</b>	<b>1,070.4</b>	<b>1,212.4</b>
<b>Note 13 : Cash and cash equivalents</b>			
Cash & Cash equivalents			
Cash in Hand	*	*	*
Balance with Banks			
In Current accounts	98.8	252.0	79.9
In Unpaid dividend accounts	4.4	10.7	11.9
<b>Total</b>	<b>103.2</b>	<b>262.7</b>	<b>91.8</b>
Unpaid dividend of Rs.4.4 million (31 December 2016: Rs. 10.7 million; 01 January 2016: Rs.11.9 million), included in bank balances, is not available for use by the Company.			
Figures below Rupees 50,000 are disclosed by " * "			
<b>Note 14 : Bank balances other than cash and cash equivalents</b>			
Term deposits with maturity more than 3 months but less than 12 months	2,678.6	2,530.0	1,792.4
	<b>2,678.6</b>	<b>2,530.0</b>	<b>1,792.4</b>
<b>Note 15 : Loans</b>			
Unsecured, Considered Good, unless otherwise stated			
Current portion of long-term loans and advances			
Loan to employees	1.0	2.0	2.1
Loans to directors (refer note 37)	-	0.1	0.1
<b>Total</b>	<b>1.0</b>	<b>2.1</b>	<b>2.2</b>
<b>Note 16 : Other financial assets</b>			
Interest accrued but not due on term deposits	81.2	85.6	49.9
Other receivable from group companies (refer note 37)	64.3	30.7	50.7
<b>Total</b>	<b>145.5</b>	<b>116.3</b>	<b>100.6</b>
<b>Note 17 : Other current assets</b>			
Advances to employees (Unsecured)			
considered good	1.1	11.9	17.6
considered doubtful	3.5	4.7	1.2
Less: Allowance for doubtful advances	(3.5)	(4.7)	(1.2)
	1.1	11.9	17.6
Advance for supply of goods	155.5	104.4	98.2
Balances with government authorities	785.2	192.9	138.4
Prepaid expenses	87.3	64.5	48.3
<b>Total</b>	<b>1,029.1</b>	<b>373.7</b>	<b>302.5</b>

# Notes to the financial statements

for the year ended 31st December 2017

(All amounts are in Rupees million, except share data and as stated)

	As at 31 December 2017	As at 31 December 2016	As at 01 January 2016
<b>Note 18 : Equity share capital</b>			
<b>Authorised</b>			
18,000,000 (31 December 2016: 18,000,000; 01 January 2016: 18,000,000) equity shares of Rs. 10 each	<u>180.0</u>	<u>180.0</u>	<u>180.0</u>
<b>Issued, subscribed and paid-up</b>			
16,599,382 (31 December 2016: 16,599,382, 01 January 2016: 16,599,382) equity shares of Rs. 10 each	<u>166.0</u>	<u>166.0</u>	<u>166.0</u>
<b>Total issued, subscribed and fully paid-up share capital</b>	<u>166.0</u>	<u>166.0</u>	<u>166.0</u>

**(a) Reconciliation of Equity shares outstanding at the beginning and at the end of the reporting period**

Particulars	As at 31 December 2017		As at 31 December 2016		As at 01 January 2016	
	Number	Amount	Number	Amount	Number	Amount
Number of equity shares at the beginning and end of the year	16,599,382	166.0	16,599,382	166.0	16,599,382	166.0

**(b) Terms/ rights attached to equity shares**

The Company has a single class of equity shares. Accordingly, all equity shares rank equally with regard to dividends and share in the Company's residual assets. The equity shares are entitled to receive dividend as declared from time to time. The voting rights of an equity shareholder on a poll (not on show of hands) are in proportion to its share of the paid-up equity capital of the Company. Voting rights cannot be exercised in respect of shares on which any call or other sums presently payable have not been paid. Failure to pay any amount called up on shares may lead to forfeiture of the shares. On winding up of the Company, the holders of equity shares will be entitled to receive the residual assets of the Company, remaining after distribution of all preferential amounts in proportion to the number of equity shares held.

**(c) Shares held by subsidiaries of Ultimate Holding Company, Merck KGaA, Germany**

Particulars	As at 31 December 2017		As at 31 December 2016		As at 01 January 2016	
	Number	Amount	Number	Amount	Number	Amount
<u>Subsidiaries of Ultimate Holding Company, Merck KGaA</u>						
Emedia Export Company Gmbh, Germany	3,534,559	35.4	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	3,091,224	30.9
Chemitra GmbH, Germany	1,973,441	19.7	1,973,441	19.7	1,973,441	19.7
	<b>8,599,224</b>	<b>86.0</b>	<b>8,599,224</b>	<b>86.0</b>	<b>8,599,224</b>	<b>86.0</b>

**(d) Particulars of shareholders holding more than 5% of shares**

Particulars	As at 31 December 2017		As at 31 December 2016		As at 01 January 2016	
	Number	%	Number	%	Number	%
<u>Subsidiaries of Ultimate Holding Company, Merck KGaA</u>						
Emedia Export Company Gmbh, Germany	3,534,559	21.3%	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%	3,091,224	18.6%
Chemitra GmbH, Germany	1,973,441	11.9%	1,973,441	11.9%	1,973,441	11.9%
Life Insurance Corporation of India	966,021	5.9%	1,161,021	7.0%	1,161,021	7.0%

# Notes to the financial statements

for the year ended 31st December 2017

(All amounts are in Rupees million, except share data and as stated)

## (e) Payment of Dividend

Particulars	During the year ended 31 December 2017 2016	During the year ended 31 December 2016 2015
Year to which the dividend relates		
<u>Subsidiaries of Ultimate Holding Company, Merck KGaA</u>		
Emedia Export Company mbh, Germany	38.9	26.5
Merck Internationale Beteiligungen GmbH, Germany	34.0	23.2
Chemitra GmbH, Germany	21.7	14.8

Subject to approval of shareholders at the Annual General Meeting, Board of Directors have recommended dividend of 150% (at the rate of Rs. 15/- per share of Rs. 10 each) on 16,599,382 equity shares for the year ended 31 December 2017.

	As at 31 December 2017	As at 31 December 2016	As at 01 January 2016
<b>Note 19 : Other Equity</b>			
<b>Reserves and Surplus</b>			
Capital reserve	2.6	2.6	2.6
Capital redemption reserve	2.6	2.6	2.6
Securities premium account	111.3	111.3	111.3
General reserve	3,438.9	3,438.9	3,363.0
Retained earnings	3,611.2	2,916.8	2,364.4
<b>Total</b>	<b>7,166.6</b>	<b>6,472.2</b>	<b>5,843.9</b>
<b>(a) Retained earnings</b>			
Opening balance	2,916.8	2,364.4	
Net Profit for the year	939.1	791.3	
Remeasurement of post-employment benefit obligation, net of tax	(25.0)	(13.0)	
Transfer to general reserve	-	(75.9)	
Equity dividend [31 December 2016: Rs. 11/- per equity share (31 December 2015: Rs 7.50/- per equity share)]	(182.6)	(124.6)	
Tax on equity dividend	(37.2)	(25.4)	
Closing balance	3,611.2	2,916.8	2,364.4
<b>(b) General reserve</b>			
Opening balance	3,438.9	3,363.0	
Add: Transfer from retained earnings	-	75.9	
Closing balance	3,438.9	3,438.9	3,363.0
<b>Note 20 : Long term provisions</b>			
Provision for employee benefits:			
Provision for Gratuity (refer note 39)	130.7	90.4	73.0
Provision for Compensated Absences (refer note 39)	51.6	42.1	57.3
Provision for other employee benefits (refer note 45)	8.7	38.0	21.0
Provision for sales tax (refer note 45)	75.7	67.9	69.9
<b>TOTAL</b>	<b>266.7</b>	<b>238.4</b>	<b>221.2</b>

# Notes to the financial statements

for the year ended 31st December 2017

(All amounts are in Rupees million, except share data and as stated)

	As at 31 December 2017	As at 31 December 2016	As at 01 January 2016
<b>Note 21 : Other non-current liabilities</b>			
Rent equalisation reserve	60.3	51.2	50.0
<b>TOTAL</b>	<b>60.3</b>	<b>51.2</b>	<b>50.0</b>
<b>Note 22 : Trade Payables</b>			
Acceptances	29.8	17.8	8.8
Total outstanding dues of micro and small enterprises (refer note 44)	30.9	25.2	10.8
Total outstanding dues of Creditors other than micro and small enterprises	772.1	708.0	635.9
<b>TOTAL</b>	<b>832.8</b>	<b>751.0</b>	<b>655.5</b>
<b>Note 23 : Other financial liabilities</b>			
Creditors for capital purchases	67.1	86.3	27.6
Employee benefits payable	72.5	34.6	71.7
Payable towards services received	490.2	419.3	373.2
Unpaid dividend	4.4	10.7	11.9
<b>TOTAL</b>	<b>634.2</b>	<b>550.9</b>	<b>484.4</b>
<b>Note 24 : Other current liabilities</b>			
Advances from customers	42.1	44.2	49.5
Payables towards statutory dues	144.8	87.2	76.3
<b>TOTAL</b>	<b>186.9</b>	<b>131.4</b>	<b>125.8</b>
<b>Note 25 : Short term Provisions</b>			
Provision for employee benefits:			
Provision for Compensated Absences (refer note 39)	12.0	12.6	14.1
Provision for other employee benefits (refer note 45)	277.7	222.9	116.2
Other provisions (refer note 45)	101.9	101.9	69.7
<b>TOTAL</b>	<b>391.6</b>	<b>337.4</b>	<b>200.0</b>
<b>Note 26 : Current tax liabilities (net)</b>			
Provision for tax [net of advance tax paid Rs. 1,269.3 million (31 December 2016: Rs. 1,140.6 million; 01 January 2016: Rs. 1,242.5 million)]	206.1	93.7	37.3
<b>TOTAL</b>	<b>206.1</b>	<b>93.7</b>	<b>37.3</b>

# Notes to the financial statements

for the year ended 31st December 2017

(All amounts are in Rupees million, except share data and as stated)

Particulars	For the year ended 31 December 2017	For the year ended 31 December 2016
<b>Note 27 : Revenue from operations</b>		
Sale of finished goods	7,684.2	7,016.3
Sale of traded goods	3,201.5	3,001.4
Other operating revenue	308.8	280.0
<b>TOTAL</b>	<b>11,194.5</b>	<b>10,297.7</b>
<b>Other operating revenue:</b>		
Income from shared services	298.7	262.3
Duty drawback on exports	4.4	6.2
Sale of scrap	5.3	10.4
Indenting commission	0.4	1.1
	<b>308.8</b>	<b>280.0</b>
<b>Note 28 : Other income</b>		
Interest on:		
Loans and bank deposits	166.1	171.2
Delayed payments from customers	10.9	6.0
Dividend income on current investments	27.9	21.9
Net gain on account of foreign exchange fluctuations	19.6	26.0
Provisions no longer required written back	-	6.4
Unwinding of interest income	1.9	1.8
Miscellaneous income	13.3	10.8
<b>TOTAL</b>	<b>239.7</b>	<b>244.1</b>
<b>Note 29 : Cost of material consumed</b>		
Inventory of materials at the beginning of the year	440.2	453.8
Add: Purchases	2,329.5	2,388.9
Less: Inventory of materials at the end of the year	(404.1)	(440.2)
<b>TOTAL</b>	<b>2,365.6</b>	<b>2,402.5</b>
<b>Note 30 : Purchase of stock in trade</b>		
Purchase of Stock-in-Trade	2,022.4	1,730.7
<b>TOTAL</b>	<b>2,022.4</b>	<b>1,730.7</b>
<b>Note 30 : Changes in inventories of stock-in-trade, finished goods and work-in-progress</b>		
<b>Opening stock</b>		
Stock-in-trade	461.9	530.8
Finished Goods	635.3	553.4
Work-in progress	86.4	81.6
	<b>1,183.6</b>	<b>1,165.8</b>
<b>Closing stock</b>		
Stock-in-trade	610.1	461.9
Finished Goods	468.4	635.3
Work-in progress	82.2	86.4
	<b>1,160.7</b>	<b>1,183.6</b>
<b>Total changes in inventories</b>	<b>22.9</b>	<b>(17.8)</b>
<b>Note 31 : Employee benefit expenses</b>		
Salaries, wages and bonus	1,456.8	1,330.7
Contribution to Provident and other funds	80.9	59.7
Gratuity (refer note 39)	21.7	19.0
Staff welfare	137.0	132.9
<b>TOTAL</b>	<b>1,696.4</b>	<b>1,542.3</b>



# Notes to the financial statements

for the year ended 31st December 2017

(All amounts are in Rupees million, except share data and as stated)

Particulars	For the year ended 31 December 2017	For the year ended 31 December 2016
<b>Note 32 : Depreciation and amortisation expense</b>		
Depreciation and amortisation expense	264.0	248.1
<b>TOTAL</b>	<b>264.0</b>	<b>248.1</b>
<b>Note 33 : Operating and other expenses</b>		
Stores and spare parts consumed	44.0	42.9
Power and fuel	127.3	149.6
Third party processing charges	498.3	308.7
Repairs and maintenance		
Building	0.5	1.9
Plant and Machinery	21.8	29.0
Others	61.6	54.3
Rates and taxes	42.0	114.8
Rent [refer note 41]	124.1	129.4
Printing, stationery, postage, telephone and electricity expenses	78.0	62.6
Legal and professional expenses	349.2	339.5
Directors sitting fees	1.2	0.9
Travelling, conveyance and vehicle expenses	518.4	563.0
Insurance	10.5	7.4
Research and development expenses	29.5	4.2
Corporate social responsibility expenses [refer note 49]	16.2	16.3
Loss on sale of fixed assets (net)	1.8	1.4
Packing, forwarding and freight	202.8	197.9
Clearing and forwarding agents commission	135.0	132.7
Selling agents commission	12.6	14.4
Sales promotion expenses	921.1	666.5
Provision for doubtful debts and advances (net)	(77.5)	5.8
Bad debts written off	61.1	0.1
Royalty	157.5	142.6
Miscellaneous expenses	46.8	41.4
<b>TOTAL</b>	<b>3,383.8</b>	<b>3,027.3</b>
<b>Notes :</b>		
<b>(i) Payment to Auditors (exclusive of taxes)</b>		
Audit fees	2.0	2.2
Taxation matters	-	0.9
Other matters	-	1.5
Out of pocket expenses	0.1	0.1
<b>Total</b>	<b>2.1</b>	<b>4.7</b>
<b>Note 34 : Earnings per equity share</b>		
Profit after tax attributable to equity shareholders	(A) 939.1	791.3
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) 56.6	47.7
Face value per share (Rs.)	10.0	10.0

# Notes to the financial statements

for the year ended 31st December 2017

(All amounts are in Rupees million, except share data and as stated)

## Note – 35

### Financial instruments – Fair values

#### A. Accounting classification and fair values

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities if the carrying amount is a reasonable approximation of fair value.

31 December 2017	Carrying amount				Fair value			
	FVTPL	FVTOCI	Amortised Cost	Total	Level 1	Level 2	Level 3	Total
<b>Financial assets</b>								
Long term Loans	-	-	1.3	1.3	-	-	-	-
Security Deposits	-	-	86.1	86.1	-	86.1	-	86.1
Investments	699.7	-	-	699.7	699.7	-	-	699.7
Trade and other receivables	-	-	1,226.6	1,226.6	-	-	-	-
Cash and cash equivalents	-	-	103.2	103.2	-	-	-	-
Other bank balances	-	-	2,678.6	2,678.6	-	-	-	-
Loans	-	-	1.0	1.0	-	-	-	-
Other financial assets	-	-	145.5	145.5	-	-	-	-
	<u>699.7</u>	<u>-</u>	<u>4,242.3</u>	<u>4,942.0</u>	<u>699.7</u>	<u>86.1</u>	<u>-</u>	<u>785.8</u>
<b>Financial liabilities</b>								
Trade and other payables	-	-	832.8	832.8	-	-	-	-
Other financial liabilities	-	-	634.2	634.2	-	-	-	-
	<u>-</u>	<u>-</u>	<u>1,467.0</u>	<u>1,467.0</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>31 December 2016</b>								
	FVTPL	FVTOCI	Amortised Cost	Total	Level 1	Level 2	Level 3	Total
<b>Financial assets</b>								
Long term Loans	-	-	1.9	1.9	-	-	-	-
Security Deposits	-	-	64.1	64.1	-	64.1	-	64.1
Investments	277.8	-	-	277.8	277.8	-	-	277.8
Trade and other receivables	-	-	1,070.4	1,070.4	-	-	-	-
Cash and cash equivalents	-	-	262.7	262.7	-	-	-	-
Other bank balances	-	-	2,530.0	2,530.0	-	-	-	-
Loans	-	-	2.1	2.1	-	-	-	-
Other financial assets	-	-	116.3	116.3	-	-	-	-
	<u>277.8</u>	<u>-</u>	<u>4,047.5</u>	<u>4,325.3</u>	<u>277.8</u>	<u>64.1</u>	<u>-</u>	<u>341.9</u>
<b>Financial liabilities</b>								
Trade and other payables	-	-	751.0	751.0	-	-	-	-
Other financial liabilities	-	-	550.9	550.9	-	-	-	-
	<u>-</u>	<u>-</u>	<u>1,301.9</u>	<u>1,301.9</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

# Notes to the financial statements

for the year ended 31st December 2017

(All amounts are in Rupees million, except share data and as stated)

01 January 2016	Carrying amount				Fair value			
	FVTPL	FVTOCI	Amortised Cost	Total	Level 1	Level 2	Level 3	Total
<b>Financial assets</b>								
Long term Loans	-	-	4.4	4.4	-	-	-	-
Security Deposits	-	-	108.3	108.3	-	108.3	-	108.3
Investments	422.8	-	-	422.8	422.8	-	-	422.8
Trade and other receivables	-	-	1,212.4	1,212.4	-	-	-	-
Cash and cash equivalents	-	-	91.8	91.8	-	-	-	-
Other bank balances	-	-	1,792.4	1,792.4	-	-	-	-
Loans	-	-	2.1	2.1	-	-	-	-
Other financial assets	-	-	100.6	100.6	-	-	-	-
	<u>422.8</u>	<u>-</u>	<u>3,312.0</u>	<u>3,734.8</u>	<u>422.8</u>	<u>108.3</u>	<u>-</u>	<u>531.1</u>
<b>Financial liabilities</b>								
Trade and other payables	-	-	655.5	655.5	-	-	-	-
Other financial liabilities	-	-	484.4	484.4	-	-	-	-
	<u>-</u>	<u>-</u>	<u>1,139.9</u>	<u>1,139.9</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

## B. Measurement of fair values

The following tables show the valuation techniques used in measuring Level 2 fair values.

### Financial instruments measured at fair value

Type	Valuation technique
Security Deposits (at amortised cost)	Discounted cash flow approach: The valuation model considers the present value of expected receipt, discounted using a risk adjusted discount rate.

## Note – 35

### Financial instruments – Risk management

#### Risk management framework

The Company's activities expose it to a variety of financial risks, including market risk, credit risk and liquidity risk. The Company's primary risk management focus is to minimize potential adverse effects of market risk on its financial performance. The Company's risk management assessment, policies and processes are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor such risks and compliance with the same. Risk assessment and management policies and processes are reviewed regularly to reflect changes in market conditions and the Company's activities. The Board of Directors and the Audit Committee is responsible for overseeing the Company's risk assessment and management policies and processes.

#### Financial risk management

The Company has exposure to the following risks arising from financial instruments:

- Credit risk;
- Liquidity risk and
- Market risk

# Notes to the financial statements

for the year ended 31st December 2017

(All amounts are in Rupees million, except share data and as stated)

## i. Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers. Credit risk is managed through credit approvals, establishing credit limits and continuously monitoring the creditworthiness of customers to which the Company grants credit terms in the normal course of business. The Company establishes an allowance for doubtful debts and impairment that represents its estimate of incurred losses in respect of trade and other receivables and investments.

### Trade and other receivables

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the customer, including the default risk of the industry and country in which the customer operates, also has an influence on credit risk assessment. Credit risk is managed through credit approvals, establishing credit limits and continuously monitoring the creditworthiness of customers to which the Company grants credit terms in the normal course of business.

Summary of the Company's exposure to credit risk by age of the outstanding from various customers is as follows (before allowance for doubtful debts) :

Particulars	As at 31 December 2017	As at 31 December 2016	As at 01 January 2016
Neither past due nor impaired	802.8	753.0	740.7
<b>Past due but not impaired</b>			
Past due 1–90 days	381.2	282.9	387.4
Past due 91–180 days	28.0	38.7	80.0
Past due 181–270 days	13.9	20.6	30.8
Past due 271–360 days	10.8	10.6	23.5
Past due more than 360 days	38.7	90.6	71.9
	<b>1,275.4</b>	<b>1,196.4</b>	<b>1,334.3</b>

### Expected credit loss assessment

Exposures to customers outstanding at the end of each reporting period are reviewed by the Company to determine incurred and expected credit losses. Historical trends of impairment of trade receivables do not reflect any significant credit losses. Given that the macro economic indicators affecting customers of the Company have not undergone any substantial change, the Company expects the historical trend of minimal credit losses to continue. Further, management believes that the unimpaired amounts that are past due by more than 30 days are still collectible in full, based on historical payment behaviour and extensive analysis of customer credit risk. The impairment loss at 31 December 2017 related to several customers that have defaulted on their payments to the Company and are not expected to be able to pay their outstanding balances, mainly due to economic circumstances.

The movement in the allowance for impairment in respect of trade and other receivables during the year was as follows.

Particulars	As at 31 December 2017	As at 31 December 2016
Balance as at the beginning of the year	126.0	121.9
<b>Impairment loss recognised/ (reversed) (net)</b>	(28.4)	5.8
Amounts written back	(48.8)	(1.7)
Balance as at the year end	<b>48.8</b>	<b>126.0</b>

### Cash and cash equivalents

The Company held cash and cash equivalents and other bank balances with credit worthy banks and financial institutions of Rs. 2,781.8 million (31 December 2016: Rs. 2,792.7 million, 01 January 2016: Rs. 1,884.2 million). The credit worthiness of such banks and financial institutions is evaluated by the management on an ongoing basis and is considered to be good.

# Notes to the financial statements

for the year ended 31st December 2017

(All amounts are in Rupees million, except share data and as stated)

## Other financial assets

Other financial assets are neither past due nor impaired.

## ii. Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company manages its liquidity risk by ensuring, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risk to the Company's reputation.

As of 31 December 2017 the Company has working capital of Rs. 5,270.7 million (31 December 2016: Rs. 4,496.8 million, 01 January 2016: Rs. 4,139.7 million) including cash and cash equivalents and other bank balances of INR 2,781.8 million (31 December 2016: Rs. 2,792.7 million, 01 January 2016: Rs. 1,884.2 million). Working capital is calculated as current assets less current liabilities.

## Note – 35

### Financial instruments – Risk management

#### Exposure to liquidity risk

The table below analyses the Company's financial liabilities into relevant maturity groupings based on their contractual maturities for:

Particulars	Contractual cash flows					
	Carrying amount	Total	1 year or less	1–2 years	2–5 years	More than 5 years
<b>As at 31 December 2017</b>						
<b>Non-derivative financial liabilities</b>						
Trade and other payables	832.8	832.8	832.8	-	-	-
Other financial liabilities	634.2	634.2	634.2	-	-	-
	<u>1,467.0</u>	<u>1,467.0</u>	<u>1,467.0</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>As at 31 December 2016</b>						
<b>Non-derivative financial liabilities</b>						
Trade and other payables	751.0	751.0	751.0	-	-	-
Other financial liabilities	550.9	550.9	550.9	-	-	-
	<u>1,301.9</u>	<u>1,301.9</u>	<u>1,301.9</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>As at 01 January 2016</b>						
<b>Non-derivative financial liabilities</b>						
Trade and other payables	655.5	655.5	655.5	-	-	-
Other financial liabilities	484.4	484.4	484.4	-	-	-
	<u>1,139.9</u>	<u>1,139.9</u>	<u>1,139.9</u>	<u>-</u>	<u>-</u>	<u>-</u>

## iii. Market risk

Market risk is the risk of loss of future earnings, fair values or future cash flows that may result from adverse changes in market rates and prices (such as interest rates, foreign currency exchange rates) or in the price of market risk-sensitive instruments as a result of such adverse changes in market rates and prices. Market risk is attributable to all market risk-sensitive financial instruments, all foreign currency receivables and payables and all short term and long-term debt. The Company is exposed to market risk primarily related to foreign exchange rate risk, interest rate risk and the market value of its investments. Thus, the Company's exposure to market risk is a function of investing and borrowing activities and revenue generating and operating activities in foreign currencies.

### (a) Currency risk

The fluctuation in foreign currency exchange rates may have potential impact on the profit and loss account, where any transaction references more than one currency or where assets/liabilities are denominated in a currency other than the functional currency of the entity.

# Notes to the financial statements

for the year ended 31st December 2017

(All amounts are in Rupees million, except share data and as stated)

Considering the countries and economic environment in which the Company operates, its operations are subject to risks arising from fluctuations in exchange rates in those countries. The risks primarily relate to fluctuations in EURO and USD against the respective functional currency of the Company.

The Company does not use any derivative financial instruments to hedge foreign exchange and interest rate exposure.

Exposure to currency risk

The currency profile of financial assets and financial liabilities in respect of major currencies is as follows:

Particulars	Currency	Amounts in Rs.			Amounts in foreign currency		
		As at 31 December 2017	As at 31 December 2016	As at 01 January 2016	As at 31 December 2017	As at 31 December 2016	As at 01 January 2016
Trade receivables	EUR	28.7	16.7	32.0	0.4	0.2	0.5
	USD	197.2	185.3	213.0	3.2	2.8	3.3
Trade payables	EUR	228.3	180.3	139.1	2.9	2.4	1.9
	USD	152.7	204.5	141.7	2.5	2.9	2.0

## Sensitivity analysis

A 10% strengthening / weakening of the respective foreign currencies with respect to functional currency of Company would result in increase or decrease in profit or loss and equity as shown in table below. This analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecast sales and purchases. The following analysis has been worked out based on the exposures as of the date of statements of financial position.

Effect in Rs.	Profit or loss before tax		Equity, gross of tax	
	Strengthening	Weakening	Strengthening	Weakening
<b>31 December 2017</b>				
EUR	(20.0)	20.0	(20.0)	20.0
USD	4.5	(4.5)	4.5	(4.5)
<b>31 December 2016</b>				
EUR	(16.4)	16.4	(16.4)	16.4
USD	(1.9)	1.9	(1.9)	1.9

## (b) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Exposure to interest rate risk

The interest rate profile of the Company's interest-bearing financial instruments is as follows.

Fixed-rate instruments	As at 31 December 2017	As at 31 December 2016	As at 01 January 2016
Financial assets	2,678.6	2,530.0	1,792.4

## Interest rate sensitivity – fixed rate instruments

The Company does not account for any fixed-rate financial assets or financial liabilities at fair value through profit and loss, and the Company does not have any designated derivatives. Therefore, a change in interest rates at the reporting date would not affect profit and loss for any of these fixed interest bearing financial instruments.

# Notes to the financial statements

for the year ended 31st December 2017

(All amounts are in Rupees million, except share data and as stated)

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## Note – 36

### Capital Management

The Company's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

The Company is a debt free Company and its funding requirements based on business plans are met through a mixture of equity and free reserves.

## Note – 37

### Related party relationships, transactions and balances

The table provides the information about the Group's structure including the details of the subsidiaries and the holding company. The following table provides the total amount of transactions that have been entered into with related parties for the relevant financial year:

#### Related parties and nature of relationship where control exists

##### Ultimate Holding Company:

Merck KGaA, Germany through its subsidiary listed below as investing associate holds 51.8% (31 December 2016: 51.8%; 01 January 2016: 51.8%) of equity share capital as at 31 December 2017.

##### Investing Associates:

Chemitra GmbH, Germany

Emedia Export Company GmbH, Germany

Merck International Beteiligungen GmbH, Germany

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

##### Fellow Subsidiaries:

Ares Trading S.A., Switzerland

EMD Millipore Corporaton, USA

Merck & Cie., Switzerland

Merck (Pvt.) Limited, Pakistan (ceased to be a fellow subsidiary w.e.f. December 2016)

Merck Chemicals (Shanghai) Company Ltd., China

Merck Inc., Philippines

Merck Limited, Japan

Merck Performance Materials Manufacturing G.K., Japan

Merck KGaA & Co. Werk Spittal, Austria

Merck Limited, Taiwan

Merck Limited, Thailand

Merck Pte Ltd, Singapore

Merck spol. s.r.o, Czech Republic

Merck SA, Brazil

Merck Sdn Bhd, Malaysia

Merck Selbstmedikation GmbH, Germany

Merck Serono Co., Limited, Japan

Merck Serono Middle East FZE-LLC

Merck Serono SA, Switzerland

Merck S. L. U., Spain

# Notes to the financial statements

for the year ended 31st December 2017

(All amounts are in Rupees million, except share data and as stated)

Merck Specialities Private Limited, India

Merck Life Science Private Limited (formerly known as Millipore (India) Private Limited, India)

P.T. Merck Chemicals and Lifesciences, Indonesia

P.T. Merck Tbk., Indonesia

Seven Seas Limited, United Kingdom

Suzhou Taizhu Technology Development Co. Ltd., China

Merck (Pty) Limited, South Africa

Heipha Dr. Müller GmbH, Germany

EMD Performance Materials Corporation, USA

Ares Trading Uruguay S.A., Uruguay

Merck Serono (Beijing) Pharmaceutical R&D Co., Ltd, China

Merck Performance Materials Private Limited, India, (Previously known as Chemtreat Composites Private Limited, India)

Merck Accounting Solutions & Services Europe GmbH

Merck Business Solutions Asia Inc., Philippines

Merck Ltd., South Korea

Merck (Pty) Ltd., South Africa

Merck Pharmaceutical (HK) Ltd, Hongkong

Sigma Aldrich India Private Limited, India

Merck Performance Materials Ltd., South Korea

Merck Pharmaceuticals Manufacturing (Jiangsu) Co., Ltd, China

Merck Pty. Ltd., Australia

Merck Sdn Bhd, Malaysia

Merck Serono Australia Pty. Ltd., Australia

Merck Vietnam Ltd, Vietnam

Sigma-Aldrich Pte. Ltd., Singapore

Sigma-Aldrich Pty. Ltd., Australia

## Post Employment Benefit Plan

Merck Provident Fund Trust, India

## Key Managerial Personnel:

Mr. Anand Nambiar (Managing Director)

Mr. Brijesh Kapil (Executive Director) (Resigned w.e.f. 04 October 2016)

Mr. Ali Sleiman (Executive Director) (Resigned w.e.f. 04 October 2016)

Mr. N Krishnan (Director)

Mr. S N Talwar (Chairman)

Mr. H.C.H Bhabha (Independent Director)

Mrs. Rani A. Jadhav (Independent Director)

Mrs. Zoe Tang (Nominee Director) (appointed w.e.f. 23 December 2016)

Mr. Bradley Simpson (Nominee Director) (resigned w.e.f. 04 October 2016)



# Notes to the financial statements

for the year ended 31st December 2017

(All amounts are in Rupees million, except share data and as stated)

Note - 37

Related party relationships, transactions and balances (continued)

Transactions	Ultimate Holding Company	Investing Associates	Fellow Subsidiaries	Post Employment Benefit Plan	Key Managerial Personnel	Total
1. Purchase of goods	1,330.8 (885.4)	- -	527.8 (435.0)	- -	- -	1,858.6 (1,320.4)
2. Sale of goods	46.9 (28.3)	- -	414.5 (363.9)	- -	- -	461.4 (392.2)
3. Services received	235.0 (125.0)	- -	117.2 (64.9)	- -	- -	352.2 (189.9)
4. Royalty (expense)	157.6 (142.6)	- -	- -	- -	- -	157.6 (142.6)
5. Services rendered	1.0 (1.1)	- -	320.3 (189.6)	- -	- -	321.3 (190.7)
6. Reimbursement of expenses	24.4 (17.8)	- -	149.7 (84.5)	- -	- -	174.1 (102.3)
7. Advances given	- (245.9)	- -	3.6 (43.3)	- -	- -	3.6 (289.2)
8. Dividend paid	- (-)	94.6 (64.5)	- (-)	- (-)	- (-)	94.6 64.5
9. Contribution to provident fund	- (-)	- (-)	- (-)	61.4 (57.4)	- (-)	61.4 (57.4)
10. Managerial remuneration (net) #	- (-)	- (-)	- (-)	- (-)	62.6 (86.6)	62.6 (86.6)
11. Director's sitting fees and Commission	- (-)	- (-)	- (-)	- (-)	3.5 (3.2)	3.5 (3.2)
12. Balances payable as at year-end *	121.1 (129.1) [118.3]	- - -	118.4 (138.4) [94.5]	- - -	- - -	239.5 (267.5) [212.8]
13. Balances receivable as at year-end *	11.4 (1.9) [10.4]	- - -	77.5 (33.5) [54.2]	- - -	- - -	88.9 (35.4) [64.6]
14. Loan Balances receivable as at year-end *	- - -	- - -	- - -	- - -	- (0.1) [0.2]	- (0.1) [0.2]

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

\* Figures in " ( ) " represent balance as on 31 December 2016 and in " [ ] " represent balance as on 01 January 2016

# Notes to the financial statements

for the year ended 31st December 2017

(All amounts are in Rupees million, except share data and as stated)

## Note – 37

### Related party relationships, transactions and balances

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

Sr. No.	Nature of Transactions – Profit and Loss	For the year ended 31 December 2017	For the year ended 31 December 2016
1	<b>Purchase of goods</b>		
	Merck KGaA, Germany	1,330.8	885.4
	Merck Performance Materials Ltd, Japan	202.4	-
	Merck Selbstmedikation GmbH, Germany	135.2	141.4
2	<b>Sale of goods</b>		
	Merck KGaA, Germany	46.9	28.3
	Merck KGaA & Co. Werk Spittal, Austria	184.5	166.9
	Merck Limited, Thailand	30.7	38.9
	EMD Performance Materials Corporation, USA	48.7	63.7
	Merck Serono Middle East FZE LLC	120.4	52.6
3	<b>Services received</b>		
	Merck KGaA, Germany	235.0	125.0
4	<b>Royalty</b>		
	Merck KGaA, Germany	157.6	142.6
5	<b>Services rendered</b>		
	Merck Specialities Private Limited, India	164.8	71.3
	Merck Life Science Private Limited, India (formerly known as Millipore India Private Limited, India)	155.5	118.3
6	<b>Reimbursement of expenses</b>		
	Merck KGaA, Germany	24.4	17.8
	Merck Performance Materials Private Limited, India	63.4	50.9
	Merck Selbstmedikation GmbH, Germany	54.6	33.5
7	<b>Advances given</b>		
	Merck KGaA, Germany	-	245.9
8	<b>Dividend paid</b>		
	Emedia Export Company mbh, Germany	38.9	26.5
	Merck Internationale Beteiligungen GmbH, Germany	34.0	23.2
	Chemitra GmbH, Germany	21.7	14.8
9	<b>Managerial Remuneration (net of cross charge)</b>		
	Mr. Anand Nambiar	47.5	39.8
	Mr. Brijesh Kapil (Resigned w.e.f. 4 October 2016)	-	14.4
	Mr. Ali Sleiman (Resigned w.e.f. 4 October 2016)	-	18.7
	Mr. N. Krishnan	15.1	13.7
10	<b>Director's sitting fees and Commission</b>		
	Mr. H.C.H Bhabha	1.2	1.1
	Mr. S N. Talwar	1.4	1.4
	Mrs. Rani A. Jadhav	0.9	0.7

# Notes to the financial statements

for the year ended 31st December 2017

(All amounts are in Rupees million, except share data and as stated)

Sr. No.	Nature of Transactions – Balance Sheet	As at 31 December 2017	As at 31 December 2016	As at 01 January 2016
1	<b>Balances payable</b>			
	Merck KGaA, Germany	121.1	129.1	118.3
	Merck Selbstmedikation GmbH, Germany	32.4	94.9	35.5
	EMD Millipore Corporation, USA	5.5	0.1	-
	Merck & Cie., Switzerland	34.9	3.1	3.6
2	<b>Balances receivable</b>			
	Merck KGaA, Germany	11.4	1.9	10.4
	Merck Selbstmedikation GmbH, Germany	1.0	8.6	4.6
	Merck Performance Materials Private Limited, India	58.3	7.2	42.9
	Merck KGaA & Co. Werk Spittal	7.9	3.7	-
	Merck Life Science Private Limited, India (formerly known as Millipore India Private Limited, India)	-	12.3	-
3	<b>Loan balances receivable</b>			
	Mr. N Krishnan	-	0.1	0.2

## Note – 38

### Tax expense

#### (a) Amounts recognised in profit and loss

##### Particulars

Current income tax

Changes in estimates related to prior period

Deferred tax attributable to–

Change in unrecognised deductible temporary differences

Tax expense for the year

#### (b) Amounts recognised in other comprehensive income

Items that will not be reclassified to profit or loss

Remeasurements of the defined benefit plans

#### (c) Reconciliation of effective tax rate

Profit for the year before tax

Tax using the Company's domestic tax rate (34.608%)

Reduction in tax rate

Tax effect of:

Deduction u/s, 32AC

Dividend received

Current tax expenses relating to prior years

Donation

Others

	For the year ended 31 December 2017	For the year ended 31 December 2016
Current income tax	635.0	465.0
Changes in estimates related to prior period	50.2	(5.1)
Deferred tax attributable to–		
Change in unrecognised deductible temporary differences	(102.4)	(99.4)
Tax expense for the year	582.8	360.5
Remeasurements of the defined benefit plans	13.3	6.9
Profit for the year before tax	1,521.9	1,151.7
Tax using the Company's domestic tax rate (34.608%)	526.7	398.6
Reduction in tax rate		
Tax effect of:		
Deduction u/s, 32AC	-	(15.5)
Dividend received	(9.7)	(7.6)
Current tax expenses relating to prior years	50.2	(5.1)
Donation	5.6	5.7
Others	10.0	(15.5)
	<u>582.8</u>	<u>360.5</u>

# Notes to the financial statements

for the year ended 31st December 2017

(All amounts are in Rupees million, except share data and as stated)

## (d) Movement in deferred tax balances

Particulars	As at 31 December 2017					
	Net balance 01 January 2017	Recognised in profit and loss	Recognised in OCI	Net	Deferred tax liability	Deferred tax asset
Property, plant and equipment and Intangible assets	(34.9)	60.7	-	25.8	-	25.8
Provision for doubtful trade receivables, deposits and advances	45.0	(26.4)	-	18.6	-	18.6
Personnel and other related provisions	65.2	50.9	13.3	129.2	-	129.2
Provision for sales tax matters	23.5	2.6	-	26.1	-	26.1
Other provisions	93.7	14.6	-	108.3	-	108.3
<b>Tax assets / Liabilities</b>	<b>192.5</b>	<b>102.4</b>	<b>13.3</b>	<b>308.0</b>	<b>-</b>	<b>308.0</b>
Set off tax					-	-
<b>Net tax assets</b>	<b>192.5</b>	<b>102.4</b>	<b>13.3</b>	<b>308.0</b>	<b>-</b>	<b>308.0</b>

Particulars	As at 31 December 2016					
	Net balance 01 January 2016	Recognised in profit and loss	Recognised in OCI	Net	Deferred tax liability	Deferred tax asset
Deferred tax liability						
Property, plant and equipment and Intangible assets	(104.0)	69.1	-	(34.9)	(34.9)	
Provision for doubtful trade receivables, deposits and advances	55.2	(10.2)	-	45.0	-	45.0
Personnel and other related provisions	52.0	6.3	6.9	65.2	-	65.2
Provision for sales tax matters	24.7	(1.2)	-	23.5	-	23.5
Other provisions	58.3	35.3	-	93.7	-	93.7
<b>Tax assets / Liabilities</b>	<b>86.2</b>	<b>99.4</b>	<b>6.9</b>	<b>192.5</b>	<b>(34.9)</b>	<b>227.4</b>
Set off tax					34.9	(34.9)
<b>Net tax assets</b>	<b>86.2</b>	<b>99.4</b>	<b>6.9</b>	<b>192.5</b>	<b>-</b>	<b>192.5</b>

## Note – 39

### Employee benefit

#### 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.

# Notes to the financial statements

for the year ended 31st December 2017

(All amounts are in Rupees million, except share data and as stated)

## Gratuity

### A. Movement in net defined benefit (asset) liability

The following table shows a reconciliation from the opening balances to the closing balances for net defined benefit (asset) liability and its components

Particulars	Defined benefit obligation		Fair value of plan assets		Net defined benefit (asset) liability	
	31 December 2017	31 December 2016	31 December 2017	31 December 2016	31 December 2017	31 December 2016
Opening balance	277.8	246.2	187.4	173.2	90.4	73.0
Expected return on plan assets	-	-	12.6	13.1	(12.6)	(13.1)
Employer contributions	-	-	1.3	2.0	(1.3)	(2.0)
Actuarial gain/(loss)	40.6	18.9	2.3	(0.9)	38.3	19.8
Included in profit and loss					-	-
Current service cost	17.7	15.4	-	-	17.7	15.4
Interest cost (expense)	16.6	16.8	-	-	16.6	16.8
Total benefits paid	(18.4)	(19.5)	-	-	(18.4)	(19.5)
Closing balance	334.3	277.8	203.6	187.4	130.7	90.4
Actuarial loss/ (gain) recognised						
Remeasurement loss / (gain) due to:						
Financial assumptions	22.7	8.6	-	-	22.7	8.6
Experience adjustment	16.4	11.2	-	-	16.4	11.2
Demographic assumptions	1.5	(0.9)	-	-	1.5	(0.9)
Remeasurement (loss) / gain due to:						
Return on plan assets	-	-	2.3	(0.9)	(2.3)	0.9
	40.6	18.9	2.3	(0.9)	38.3	19.8
Remeasurement recognised in	38.3	19.8				
Other comprehensive income						
Breakup of defined benefit liability						
Non current	130.7	90.4				

### B. Plan assets

Plan assets comprise the following

Insurer managed fund (100%)	203.6	187.4
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# Notes to the financial statements

for the year ended 31st December 2017

(All amounts are in Rupees million, except share data and as stated)

## C. Actuarial assumptions

The following were the principal actuarial assumptions at the reporting date (expressed as weighted averages).

Particulars	For the year ended 31 December 2017	For the year ended 31 December 2016
Discount rate	6.6%	6.7%
Salary escalation rate	11.0%	11% for first two years and 9% thereafter
Attrition rate	20.0%	21.0%
Rate of return on plan assets	6.6%	9.0%
Mortality Rate	Indian Assured Lives Mortality (IALM) (2006-08)(modified) Ultimate	Indian Assured Lives Mortality (IALM) (2006-08)(modified) Ultimate

Assumptions regarding future mortality have been based on published statistics and mortality tables.

## D. Amount for the current and previous four periods are as follows :

Particulars	31 December 2017	31 December 2016	31 December 2015	31 December 2014	31 December 2013
<b>Gratuity</b>					
Present value of defined benefit obligation	334.3	277.8	246.2	196.2	148.0
Fair value of plan assets	203.6	187.4	173.2	157.4	144.4
(Deficit)/Surplus in plan	(130.7)	(90.4)	(73.0)	(38.8)	(3.6)

## E. Sensitivity analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below.

Particulars	For the year ended 31 December 2017		For the year ended 31 December 2016	
	Increase	Decrease	Increase	Decrease
Discount rate (50 basis points)	327.9	340.9	273.0	282.8
Future salary growth (50 basis points)	341.6	327.2	283.6	272.3

## F. Expected future cash flows

The expected future cash flows in respect of gratuity as at 31 December 2017 were as follows

### Expected future benefit payments

31 December 2018	61.6
31 December 2019	56.1
31 December 2020	62.3
31 December 2021	56.9
31 December 2022	51.8
Next 5 years	208.8

Although the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumptions shown.

# Notes to the financial statements

for the year ended 31st December 2017

(All amounts are in Rupees million, except share data and as stated)

## Note – 39

### Employee benefit (continued)

#### Contribution to Provident and Superannuation fund

Amount of Rs. 80.9 million (2016: Rs 59.7 million) is recognised as an expense and included in "Employee costs" (refer note 31) in the Statement of Profit and Loss.

In respect of provident fund set up by employer which requires interest shortfall to be met by the employer, it needs to be treated as defined benefit plan.

The Institute of Actuaries of India has issued guidance for measurement of provident fund liabilities on actuarial basis. Based on this guidance note, the actuary has provided an actuarial valuation of the provident fund liability of the Company as at 31 December 2017.

As per the report of the independent actuary, there is no shortfall as at 31 December 2017 (31 December 2016: Rs. Nil; 01 January 2016: Rs. Nil) that needs to be recorded by the Company.

Particulars	31 December 2017	31 December 2016	31 December 2015	31 December 2014	31 December 2013
Present value of benefit obligation	1,002.4	828.8	695.5	581.6	500.0
Plan assets at period end, at fair value	1,032.0	882.5	723.2	598.3	515.0
Liability recognised in balance sheet	-	-	-	-	-

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

Particulars	For the year ended 31 December 2017	For the year ended 31 December 2016
Discount rate	6.6%	6.7%
Expected rate of return on assets	8.7%	9.0%

#### Other long term employee benefits

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. 9.4 million (2016: Rs. 6.0 million) is expected to be paid in the exchange for the services rendered by employees and is recognised as an expense during the year.

## Note – 40

### Segment Reporting

#### A. General Information

The Company's chief operating decision maker (CODM) examines the Company's performance based on its business units 'Pharmaceuticals' and 'Chemicals'. Segment revenue, results, assets and liabilities have been accounted for on the basis of their relationship to the operating activities of the segment and amounts allocated on reasonable basis as determined by the management.

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

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

# Notes to the financial statements

for the year ended 31st December 2017

(All amounts are in Rupees million, except share data and as stated)

## B. Information about reportable segments – Profit and Loss

Particulars	For the year ended 31 December 2017			For the year ended 31 December 2016		
	Pharmaceuticals	Chemicals	Total	Pharmaceuticals	Chemicals	Total
<b>Revenue from Operations</b>						
External revenue	8,623.8	2,570.7	11,194.5	7,990.9	2,306.8	10,297.7
Inter-segment revenue	-	-	-	-	-	-
Total revenue from operations	8,623.8	2,570.7	11,194.5	7,990.9	2,306.8	10,297.7
<b>Results</b>						
Segment result before allocation of corporate expenses	1,391.2	286.9	1,678.1	1,026.1	249.9	1,276.0
Less: corporate expenses	400.2	113.1	513.3	204.2	63.8	268.0
Net segment result	991.0	173.8	1,164.8	821.9	186.1	1,008.0
Other unallocated income (Net)			357.1			143.7
Income taxes			(582.8)			(360.4)
Profit after tax			939.1			791.3
Non-cash expenses/(income) other than depreciation	6.0	7.6	13.6	22.9	8.5	31.4
Depreciation / amortisation / provision for impairment	329.5	106.9	436.4	149.9	183.1	333.0

## C. Information about reportable segments – Balance Sheet

Particulars	As at 31 December 2017			As at 31 December 2016			As at 01 January 2016		
	Pharmaceuticals	Chemicals	Total	Pharmaceuticals	Chemicals	Total	Pharmaceuticals	Chemicals	Total
<b>Other information</b>									
Segment assets	3,327.3	2,037.2	5,364.5	3,158.8	1,610.1	4,768.9	2,758.3	2,114.3	4,872.6
Unallocated corporate assets			4,547.7			4,023.3			2,911.5
Total assets			9,912.2			8,792.2			7,784.1
Segment liabilities	1,893.5	443.0	2,336.5	1,704.7	344.6	2,049.3	1,313.7	383.3	1,697.0
Unallocated corporate liabilities			243.1			104.7			77.2
Total liabilities			2,579.6			2,154.0			1,774.2
Capital expenditure - additions	386.1	93.3	479.4	176.7	196.6	373.3	246.5	112.7	359.2



# Notes to the financial statements

for the year ended 31st December 2017

(All amounts are in Rupees million, except share data and as stated)

## D. Geographical segment information

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.

Particulars	For the year ended 31 December 2017			For the year ended 31 December 2016		
	Domestic	Export	Total	Domestic	Export	Total
Revenue from operations	10,199.1	995.4	11,194.5	9,289.6	1,008.1	10,297.7

In respect of geographic information, the Company's non-current assets (other than financial instruments and deferred tax assets) are located in its country of domicile i.e. India.

## E. Information about major customers

There is no single customer which contributes more than 10% of the Company's total revenues.

### Note – 41

#### Operating leases

The Company has entered into cancellable/ non-cancellable operating lease agreements for vehicles and office premises/godowns. The lease charges of Rs. 6.9 million (2016: Rs. 17.4 million) and Rs. 117.3 million (2016: Rs. 120.6 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" in the Statement of Profit and Loss. There are no subleases.

#### Operating Lease as Lessee:

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

Particulars	As at 31 December 2017	As at 31 December 2016
Less than one year	79.7	69.3
Between one and five years	342.6	330.7
More than five years	188.2	279.9
	<u>610.5</u>	<u>679.9</u>

#### Operating Lease as Lessor:

The Company had leased out its flat. The lease term was twenty-four months. There was no escalation or renewal clause in the lease agreement and sub-letting was not permitted. The lease has been terminated on 29 February 2016 and the asset has been sold on 30 December 2017. The carrying amount of flat given on operating lease and depreciation thereon for the period are:

Particulars	As at 31 December 2017	As at 31 December 2016	As at 01 January 2016
Gross carrying amount	-	12.3	12.3
Accumulated depreciation	-	3.5	3.1
Net carrying amount	-	8.8	9.2
Depreciation for the period	-	0.4	0.2
The future minimum lease payments under non-cancellable operating leases are as follows:			
Receivable within one year	-	-	0.4
Receivable between one and five years	-	-	-
Receivable after five years	-	-	-
Total	<u>-</u>	<u>-</u>	<u>0.4</u>

During the year, an amount of Rs. Nil (2016: Rs. 0.9 million) has been recognized as rental income and has been included in Other income under the head "Miscellaneous income" in the Statement of Profit and Loss.

# Notes to the financial statements

for the year ended 31st December 2017

(All amounts are in Rupees million, except share data and as stated)

## Note – 42

### Contingent liabilities and commitments

#### a) Contingent liabilities

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

	As at 31 December 2017	As at 31 December 2016	As at 01 January 2016
Income tax	769.9	565.4	536.3
State and Central Sales Tax, Entry Tax	89.2	66.7	62.1
Excise duty /Service tax	227.5	218.9	207.0
	<u>1,086.7</u>	<u>851.0</u>	<u>805.4</u>

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

#### b) Commitments

Estimated amount of contracts remaining to be executed on Capital Account (net of capital advances Rs. 33.2 million; 31 December 2016: Rs. 18.0 million) and not provided for Rs.138.0 million (31 December 2016: Rs. 48.9 million).

## Note – 43

- a) In June 2016, National Pharmaceutical Pricing Authority (NPPA) served a demand notice on the Company alleging that during the period from January 2006 to June 2009 the Company sold Polybion 100ml syrup at a price higher than the ceiling price fixed by it on 05 June 2008. Pursuant to orders passed by Kolkata High Court, NPPA gave another opportunity of hearing to the Company. NPPA did not accede to any of the Company's contention and issued a fresh demand notice dated 13 December 2016 demanding a sum of Rs. 292.2 million (Rs. 116.8 million on account of overcharge during the said period and Rs. 175.4 million for interest thereon) for sales made by the Company during the period May 2006 to June 2009. The Company has challenged the said demand by way of writ petition, which is pending before Hon'ble Delhi High Court. In a separate proceedings filed by the manufacturer of the said drug, Cradel Pharmaceutical Private Limited, Hon'ble Kolkata High Court stayed the demand provided it deposits a sum of Rs. 22.5 million with the NPPA. The Company has been legally advised that the Company has a defendable case before Delhi High Court. Accordingly, no provision has been created in the books.
- b) During the year 2014, the Company had made a provision of Rs. 69.9 million towards a possible liability which may accrue to the Company due to a judgment passed by the Supreme Court in the year 2014 impacting the Pharmaceutical industry in India including the Company.
- c) National Pharmaceutical Pricing Authority (NPPA) issued the price fixation orders for about 350 drugs on 21 June 2013 including Metformin, a formulation used by the Company in Company's product Carbophage 500 SR. The orders did not clarify whether the prices so fixed are applicable only for plain tablet or innovative dosages as well. The Company sought clarification from NPPA, however, no clear response has been received. Pending this clarification NPPA had sent a notice dated June 06, 2014, claiming the differential pricing charged by the Company for Carbophage 500 SR over the prices notified. On the basis of a recent judgement passed by the High Court of Bombay, the Company has made a provision of Rs. 32.0 million towards a possible liability on some pharma products which may accrue to the Company.
- d) During the year 2014, Central Excise issued a show cause cum demand notice on the Company covering a period of five years for alleged wrong classification of the products, Vitamin E Acetate min.92% for Poultry/ Cattle/Pig-feed, Vitamin E Liquid for Animal Nutrition (for Pig/Cattle/ Poultry) and Vitamin E Dry Powder 50% for Animal Nutrition. The value of total demand was Rs. 188.7 million including penalty and interest.

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

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

# Notes to the financial statements

for the year ended 31st December 2017

(All amounts are in Rupees million, except share data and as stated)

## Note – 44

### Dues to micro and small enterprises:

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

	As at 31 December 2017	As at 31 December 2016	As at 01 January 2016
(i) Principal amount remaining unpaid to any supplier as at the year end	30.9	25.2	10.8
(ii) Interest due thereon remaining unpaid to any supplier as at the year end	0.3	0.7	0.3
(iii) 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	40.3 (Interest Rs. Nil)	49.5 (Interest Rs. Nil)	30.5 (Interest Rs. Nil)
(iv) 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	-	-	-
(v) Amount of interest accrued and remaining unpaid at the end of the accounting year	0.5	0.7	0.3
(vi) 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	-	-	-

## Note – 45

### Disclosure relating to provisions

#### Personnel and other related provision

The Company has made provisions for performance-based incentives.

#### Provisions in respect of sales tax matters

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

#### Other provisions

The Company has also made provisions for matters related to National Pharmaceutical Pricing Authority (NPPA).

Summary of the movement in the provisions is given below:

Particulars	Opening balance	Additions during the year	Utilizations	Reversals	Closing balance
Personnel provision *	260.7 (137.2) [101.2]	254.2 (232.6) [122.8]	228.5 (109.1) [86.8]	- (-) [-]	286.4 (260.7) [137.2]
Provisions in respect of sales tax matters *	67.9 (69.9) [69.2]	7.8 (7.2) [5.3]	- (4.2) [4.6]	- (5.0) [-]	75.7 (67.9) [69.9]
Other provision * (refer note 42 c and 42 d)	101.9 (69.8) [69.8]	- (32.1) [-]	- (-) [-]	- (-) [-]	101.9 (101.9) [69.8]

\* Figures in " ( ) " represent balance as on 31 December 2016 and in " [ ] " represent balance as on 01 January 2016

# Notes to the financial statements

for the year ended 31st December 2017

(All amounts are in Rupees million, except share data and as stated)

## Note – 46

The power plant in Goa faced continued cost pressures over last few years owing to which the cost of electricity generated from captive power plant is higher than cost of Government power and this is expected to continue to remain high in future also. Accordingly, it has been decided to shut down the captive power generation plant and switch to government power. Consequently, during the current year, the Company has made provision for impairment of Rs.172.3 million on its Power Plant assets used for captive consumption. This has been considered in the results of pharmaceuticals and chemicals segments.

## Note – 47

Exceptional items comprise of profit from the sale of Office premises and residential flat located at Mumbai which were held for sale.

## Note – 48

### Transfer pricing

Transactions with related parties are governed by transfer pricing regulations of the Indian Income-tax Act, 1961. The Company's transactions with related parties are at arm's length as per the independent accountants report for the year ended 31 March 2017. Management believes that the Company's transactions with related parties post March 2017 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.

## Note – 49

### Corporate social responsibility

As per Section 135 of the Companies Act, 2013, the Company has constituted a Corporate Social Responsibility (CSR) Committee. During the year, the Company has spent on eradicating hunger, poverty, malnutrition, promoting education/education including skill development, preventive healthcare and sanitation and making available safe drinking water. The total amount spent by the Company towards CSR activities during the year is Rs. 16.2 million (31 December 2016: Rs. 16.3 million)

(a) Gross amount required to be spent by Company during the year is Rs. 17.9 million (2016: Rs. 16.3 million)

(b) Amount spent during the year on: (Paid in Cash)

Sr. No.	Activities	For the year ended 31 December 2017	For the year ended 31 December 2016
(a)	Construction and acquisition of assets	-	-
(b)	Other than (a) above		
i	Health/ Environment Sustainability and Sanitation	4.9	2.9
ii	Education/ Education including skill development	5.4	6.9
iii	Environment /Sustainability	3.0	3.3
iv	Others	2.9	3.2
	<b>Total</b>	<b>16.2</b>	<b>16.3</b>

# Notes to the financial statements

for the year ended 31st December 2017

(All amounts are in Rupees million, except share data and as stated)

## Note – 50

### Disclosure on specified bank notes

As defined in the MCA notification G.S.R. 308(E) dated 31 March, 2017, the details of specified bank notes held and transacted during the period from 08 November, 2016 to 30 December, 2016, as per the notification is given below:

Particulars	Amounts in Rs.		
	Specified bank notes*	Other denomination notes	Total
Closing cash in hand as on 08 November 2016	41,000	123	41,123
(+) Permitted receipts	-	256,104	256,104
(-) Permitted payments	-	224,441	224,441
(-) Amount deposited in banks	41,000	-	41,000
Closing cash in hand as on 30 December 2016	-	31,786	31,786

\* For the purpose of this clause 'specified bank notes' shall have the same meaning provided in the notification of the Government of India, in the Ministry of Finance, Department of Economic Affairs number S.O. 3407(E), dated the 08 November 2016.

## Note – 51

### Transition to Ind AS:

For the purposes of reporting as set out in Note 2, we have transitioned our basis of accounting from Indian generally accepted accounting principles ("IGAAP") to Ind AS. The accounting policies set out in note 2 have been applied in preparing the financial statements for the year ended 31 December 2017, the comparative information presented in these financial statements for the year ended 31 December 2016 and in the preparation of an opening Ind AS balance sheet at 01 January 2016 (the "transition date").

In preparing our opening Ind AS balance sheet, we have adjusted amounts reported in financial statements prepared in accordance with IGAAP. An explanation of how the transition from IGAAP to Ind AS has affected our financial performance and financial position is set out in the following tables and the notes that accompany the tables. On transition, we did not revise estimates previously made under IGAAP except where required by Ind AS.

### A. Exemptions and exceptions availed

Set out below are the applicable Ind AS 101 optional exemptions and mandatory exceptions applied in the transition from IGAAP to Ind AS:

#### Ind AS optional exemptions

##### (a) Deemed Cost

Ind AS 101 permits a first time adopter to elect to continue with the carrying value for all of its property, plant and equipment as recognised in the financial statements as at the date of transition to Ind AS, measured as per the previous GAAP and use that as its deemed cost as at the date of transition after making necessary adjustments for de-commissioning liabilities. This exemption can also be used for intangible assets covered by Ind AS 38 Intangible Assets. Accordingly, the Company has elected to measure all of its property, plant and equipment and intangible assets at their previous GAAP carrying value.

##### (b) Business Combination

Ind AS 101 Provides the option to apply Ind AS 103 "Business combinations" prospectively from the transition date or from a specific date prior to the transition date. This provides relief from full retrospective application that would require restatement of all business combinations prior to the transition date. Business combinations occurring prior to the transition date have not been restated."

#### Ind AS mandatory exceptions

##### 1) Estimates

An entity's estimates in accordance with Ind ASs at the date of transition to Ind AS shall be consistent with estimates made for the same date in accordance with previous GAAP (after adjustments to reflect any difference in accounting policies), unless there is objective evidence that those estimates were in error.

Ind AS estimates as at 01 January 2016 are consistent with the estimates as at the same date made in conformity with previous GAAP.

# Notes to the financial statements

for the year ended 31st December 2017

(All amounts are in Rupees million, except share data and as stated)

## 2) Classification and measurement of financial assets

Ind AS 101 requires an entity to assess classification and measurement of financial assets (investment in debt instruments) on the basis of the facts and circumstances that exist at the date of transition to Ind AS.

## B. Reconciliations between previous GAAP and Ind AS

Ind AS 101 requires an entity to reconcile equity and total comprehensive income for prior periods. The following tables represent the reconciliations from previous GAAP to Ind AS.

Particulars	Note	As at 31 December 2016	As at 01 January 2016
Equity as per Previous GAAP		6,454.6	5,915.5
Physician samples- timing difference on recognition of expense	1	(19.5)	(30.4)
Proposed Dividend (including Tax) accounted in the year of Shareholder's approval	2	219.8	149.8
Difference in Provision for doubtful debts based on expected credit loss method under Ind AS 109	3	(33.8)	(53.3)
Others	4	(2.0)	(1.1)
Deferred tax on above adjustments	4	19.1	29.4
<b>Adjusted Equity as per Ind AS</b>		<b>6,638.2</b>	<b>6,009.9</b>

Particulars	Note	For the year ended 31 December 2016
Net Profit for the period after tax under previous GAAP		758.9
Physician samples- timing difference on recognition of expense	1	10.9
Difference in Provision for doubtful debts based on expected credit loss method under Ind AS 109	3	19.5
Other adjustments	4	(0.8)
Deferred tax on above adjustments	4	(10.2)
<b>Total Comprehensive income for the period under Ind AS</b>		<b>778.3</b>

### Notes to the reconciliation:

#### 1 Derecognition of physician samples from inventory:

Under Ind AS, inventory manufactured and identified for distribution as physician's samples is to be recognized as an expense in the period in which such inventory is manufactured.

#### 2 Proposed dividend:

Under Indian GAAP, proposed dividends are recognised as a liability in the period to which they relate, irrespective of when they are declared. Under Ind-AS, a proposed dividend is recognised as a liability in the period in which it is declared by the Company (usually when approved by shareholders in a general meeting) or paid.

#### 3 Trade receivable:

Under previous GAAP, the Company has created allowance for doubtful debts based on its estimation. Under Ind AS, the allowance for credit loss has been made based on Expected Credit Loss (ECL) provision matrix.

#### 4

#### (a) Security deposit:

Under Indian GAAP, interest free security free lease security deposits (that are refundable in cash) are recorded at their transaction value. Under Ind AS, all financial instruments are required to be measured at their fair value on initial recognition. Accordingly, security deposits have been fair valued under Ind AS. Difference between transaction value and fair value has been recognised as prepaid rent. Prepaid rent is amortised over the lease term and notional interest income is recognised on unwinding of security deposits.

# Notes to the financial statements

for the year ended 31st December 2017

(All amounts are in Rupees million, except share data and as stated)

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(b) Tax Adjustments:

Tax adjustments include the tax effects of certain pre-tax previous GAAP to Ind AS adjustments described above.

**Note – 52**

These financial statements are the Company's first Ind AS financial statements and accordingly previous year figures have been regrouped where necessary to conform to current year's classification.

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As per our attached report of even date.	For and on behalf of the Board of Directors of Merck Limited CIN No. L99999MH1967PLC013726	
For Haribhakti & Co. LLP	<b>S. N. Talwar – Chairman</b>	<b>Anand Nambiar – Managing Director</b>
Chartered Accountants	DIN No.00001456	DIN No. 02006594
Firm Registration No.103523W/W100048		
<b>Bhavik L. Shah</b>	<b>H. C. H. Bhabha – Director</b>	<b>N. Krishnan – Director and Chief financial officer</b>
Partner	DIN No.00286072	DIN No.01027659
Membership No. 122071		
Mumbai	Mumbai	<b>Vikas R. Gupta</b>
Date: 22 February 2018	Date: 22 February 2018	Company Secretary

# Financial Highlights : 2008 – 2017

(All amounts are in Rupees million, except share data and as stated)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	Change	2017
					##	##	##	##	**	+/- in %	**
<b>PROFIT &amp; LOSS ACCOUNT SUMMARY</b>											
Turnover	3,894.6	4,731.1	5,090.8	5,575.7	6,580.7	7,729.6	8,324.5	9,083.2	10,017.7	8.7%	10,885.7
Operating and Other Income	477.1	432.1	433.7	488.8	494.1	462.7	553.7	544.9	524.1	37.1%	718.5
	4,371.7	5,163.2	5,524.5	6,064.5	7,074.8	8,192.3	8,878.2	9,628.1	10,541.8	10.1%	11,604.2
<b>Costs &amp; Expenses</b>											
Materials Cost	1,599.9	2,060.9	2,078.7	2,427.8	2,990.2	3,630.0	4,004.7	4,352.5	4,115.4	7.2%	4,410.9
Excise Duty**	-	-	-	-	-	-	-	-	372.1	-58.4%	154.9
Personnel Expenses	477.6	570.2	684.6	811.0	853.0	1,009.6	1,135.6	1,233.9	1,542.3	10.0%	1,696.4
Operating and Other Expenses	1,319.5	1,492.5	1,590.3	1,933.1	1,974.7	2,569.5	2,945.5	2,974.2	3,027.3	13.8%	3,383.8
Depreciation/Impairment loss (reversal)	57.3	75.1	213.8	(63.3)	89.0	100.7	126.8	234.2	333.0	86.3%	436.3
	3,454.3	4,198.7	4,567.4	5,108.6	5,906.9	7,309.8	8,212.6	8,794.8	9,390.1	14.6%	10,082.3
Profit Before Taxation	917.4	964.5	957.1	955.9	1,167.9	882.5	665.6	833.3	1,151.7	82.6%	1,521.9
Provision for Taxation	287.3	309.7	325.3	319.1	383.9	323.7	233.4	297.7	360.4	95.8%	582.8
Profit after taxation	630.1	654.8	631.8	636.8	784.0	558.8	432.2	535.6	791.3	75.3%	939.1
<b>BALANCE SHEET SUMMARY</b>											
<b>Assets Employed</b>											
Fixed Assets Gross	1,405.8	1,482.9	1,536.0	1,679.4	1,783.8	1,969.3	2,317.2	2,579.0	2,653.4	-28.3%	1,902.4
Fixed Assets (Net)	622.1	640.3	512.4	719.4	769.0	940.6	1,373.4	1,387.3	1,406.4	-11.9%	1,239.7
Investments	1,529.3	238.2	201.8	227.4	236.4	242.9	238.7	422.8	277.8	151.9%	699.7
Current and Non-Current Asset (Net)	2,386.3	3,815.6	2,715.4	3,162.4	3,838.4	4,057.7	3,909.2	4,048.6	4,761.5	6.8%	5,085.2
Deferred Tax Assets (Net)	-	-	34.6	-	-	-	21.7	56.8	192.5	60.0%	308.0
	4,537.7	4,694.1	3,464.2	4,109.2	4,843.8	5,241.2	5,543.0	5,915.5	6,638.2	10.5%	7,332.6
<b>Financed by</b>											
Share Capital	168.6	166.0	166.0	166.0	166.0	166.0	166.0	166.0	166.0	-	166.0
Reserves and surplus	4,345.3	4,506.9	3,298.2	3,934.8	4,670.6	5,064.3	5,377.0	5,749.5	6,472.2	10.7%	7,166.6
Shareholders Funds	4,513.9	4,672.9	3,464.2	4,100.8	4,836.6	5,230.3	5,543.0	5,915.5	6,638.2	10.5%	7,332.6
Deferred Tax Liability (Net)	23.8	21.2	-	8.4	7.2	10.9	-	-	-	-	-
	4,537.7	4,694.1	3,464.2	4,109.2	4,843.8	5,241.2	5,543.0	5,915.5	6,638.2	10.5%	7,332.6
<b>OTHER INVESTOR INFORMATION</b>											
Earnings per share (Rs.)	37.4	39.0	38.1	38.4	47.2	33.7	26.0	32.3	47.7	18.7%	56.6
Dividend* (%)	175.0	200.0	950.0	-	25.0	85.0	60.0	75.0	110.0	36.4%	150.0
Book value per share (Rs.)	267.7	281.5	208.7	247.0	291.4	315.1	333.9	356.4	388.8	10.5%	441.7
Market value of share: High(Rs.)	460.0	634.0	1,006.0	760.0	714.2	689.0	919.0	1,004.0	1,060.0	28.1%	1,357.50
: Low (Rs.)	260.0	293.0	566.0	553.0	555.0	523.0	536.0	716.0	623.0	30.3%	933
No. of shareholders (in No.)	26,096	24,083	27,284	27,313	26,857	27,257	28,591	34,030	32,005	-14.2%	29,199
No. of Employees (in No.)	1,072	1,245	1,257	1,257	1,277	1,496	1,515	1,554	1,579	-0.6%	1,544

## as per revised schedule VI

\* Subject to approval of shareholders at the Annual General Meeting, Board of Directors have recommended dividend of 150% (at the rate of Rs. 15/- per share of Rs. 10 each) for the year ended 31 December 2017.

\*\* Based on Ind AS financials

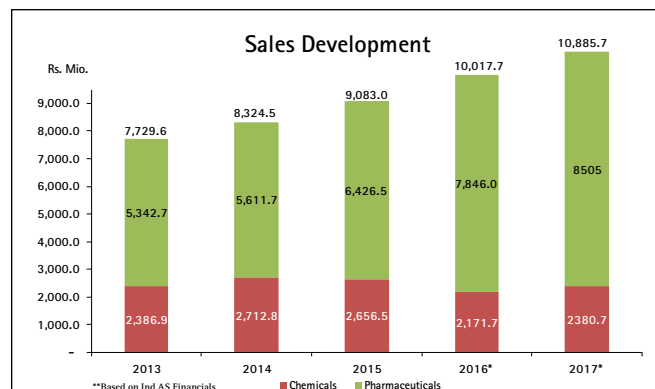
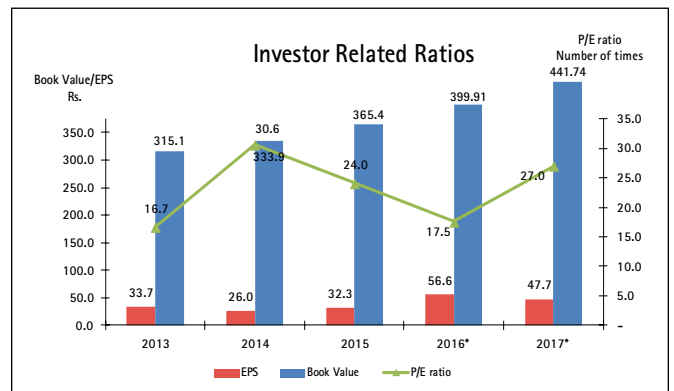
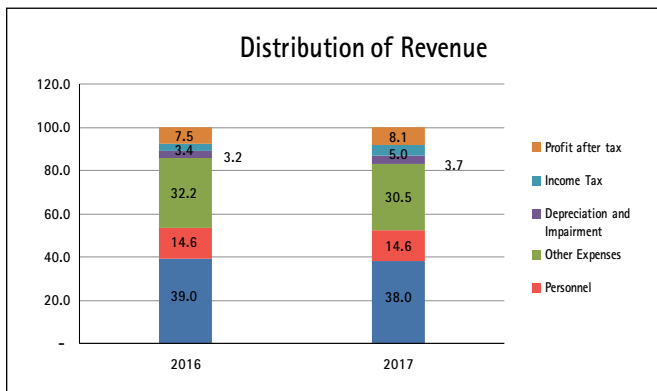
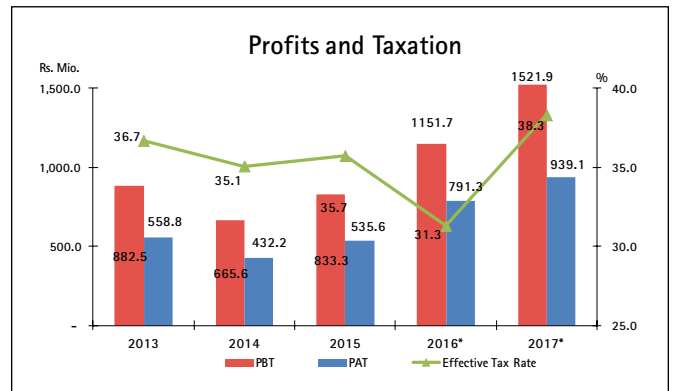
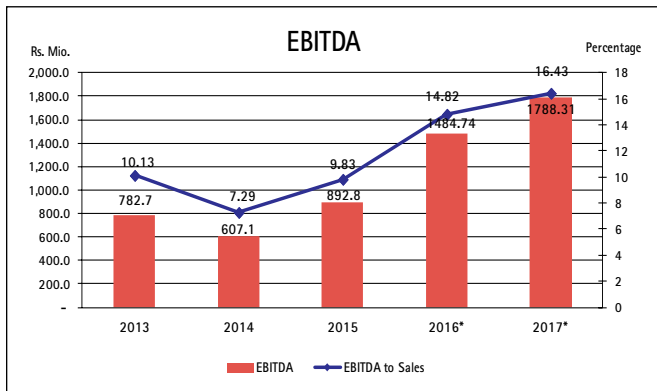
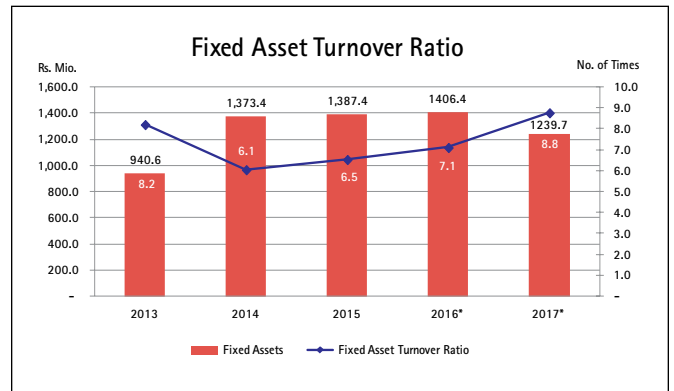
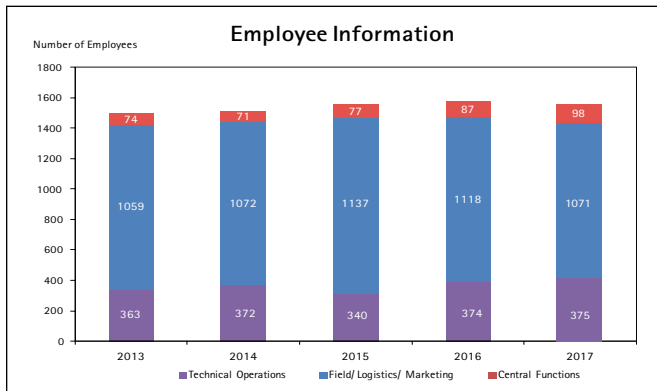


## Notes

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## Notes

# PERFORMANCE INDICATORS



\*\* Based on Ind AS financials



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