We're right there. Behind the smiles.

Our Pharmaceutical Business

Merck Serono

Merck Consumer Health

Merck Limited
Forty-Seventh Annual Report and Statement of Accounts 2013

Board of Directors

Mr. S. N. Talwar
Chairman

Dr. Claus-Dieter Boedecker
Managing Director

Mr. H. C. H. Bhabha

Mr. E. A. Kshirsagar

Dr. Peter-Ulrich Mannheimer

Mr. P. H. Pimplikar

Mr. N. Krishnan

Auditors

B S R & Co.
LLP

Bankers

Canara Bank
Deutsche Bank AG
ICICI Bank Limited
HDFC Bank Limited

Company Secretary

Mr. Vikas R. Gupta

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Registered Office

Shiv Sagar Estate 'A'
Dr. Annie Besant Road
Worli, Mumbai-400 018

Plant Location

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

Registrar & Share Transfer Agents

Sharepro Services (India) Pvt. Ltd.
13AB, Samhita Warehousing Complex
2nd Floor, Sakinaka Telephone Exchange Lane
Andheri-Kurla Road, Sakinaka
Mumbai-400 072

Notice of Annual General Meeting

NOTICE is hereby given that the Forty-Seventh Annual General Meeting of the Members of Merck Limited will be held at Sunville Banquets, 3rd Floor, Royal Room, 9, Dr. Annie Besant Road, Worli, Mumbai - 400 018, on Tuesday, 18 March, 2014 at 3.00 p.m. to transact the following business:

AS ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Statement of Profit and Loss for the year ended 31 December, 2013, the Balance Sheet as on that date and the Reports of the Board of Directors and Auditors thereon.

2. To declare a dividend for the year 2013.

3. To appoint a Director in place of Mr. S. N. Talwar, who retires by rotation and being eligible, offers himself for re-appointment.

4. To appoint a Director in place of Mr. H. C. H. Bhabha, who retires by rotation and being eligible, offers himself for re-appointment.

5. To appoint Auditors to hold office from the conclusion of this Meeting until the conclusion of the next Annual General Meeting of the Company and to fix their remuneration.

By Order of the Board of Directors

Vikas Gupta
General Counsel & Company Secretary

Mumbai, 31 January, 2014

Registered Office:
Shiv Sagar Estate 'A'
Dr. Annie Besant Road
Worli, Mumbai-400 018

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. *Book Closure Dates:* The Register of Members and the Share Transfer Books of the Company will remain closed from Wednesday, 12 March, 2014 to Tuesday, 18 March, 2014 (both days inclusive) for the purpose of Annual General Meeting.

3. If the dividend as recommended by the Board of Directors is approved at the Annual General Meeting, payment of such dividend will be made on or before Thursday, 17 April, 2014 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, 11 March, 2014;

   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, 11 March, 2014.

4. *Register of Directors' Shareholding:* The Register of Directors' Shareholding maintained under section 307 of the Companies Act, 1956 will be available for inspection by members at the Annual General Meeting.

5. *Register of Contracts:* The Register of Contracts maintained under section 301 of the Companies Act, 1956 will be available for inspection by members at the Annual General Meeting.

6. *Dividend of prior years:* In terms of Sections 205A and 205C of the Companies Act, 1956, the dividend which remains unclaimed for a period of seven years from the date of transfer to the Unpaid Dividend Account is required to be transferred to the "Investor Education and Protection Fund" established by the Central Government. According to the relevant provisions of the Companies Act, 1956, no claims 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 31 December, 2005 have been transferred to "Investor Education and Protection Fund". A list of shareholders whose such unclaimed dividend has been transferred is available on Company's website www.merck.co.in. Members who have not encashed the dividend warrant(s) so far for the year ended 31 December, 2006 or any subsequent years are requested to send their claims directly to the Company or to M/s. Sharepro Services (India) Private Ltd. (hereinafter referred to as 'Sharepro Services') whose contact details are given at the end of this notice.

7. *Change of Address:* Members are requested to notify any change of address and bank details

Notice of Annual General Meeting

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 Sharepro Services.

8. *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.

9. *Appointment of Nominee:* In terms of Section 109A of the Companies Act, 1956, Members are entitled to make nomination in respect of shares held by them in physical form. Members desirous of making nominations are requested to send their requests in Form 2B, in duplicate, to the secretarial department at the registered office of the Company or to Sharepro Services.

10. *Profile of directors:* A brief profile of the directors retiring by rotation and eligible for re-appointment at this Annual General Meeting is enclosed as 'Annexure to the Notice of Annual General Meeting'.

REQUEST TO THE MEMBERS:

1. *Request for additional information, if required:* Members desiring any relevant information on the accounts at the Annual General Meeting are requested to write to the Company well in advance to ensure that such requests reach the Company at least seven days before the date of the meeting, so as to enable the Company to keep the information ready. As a measure of economy, copies of the Annual Report will not be distributed at the Annual General Meeting.

2. *Green Initiative:* Members are requested to bring their copies of the Annual Report to the Meeting. Company is concerned about the environment and utilizes natural resources in a sustainable way. No copies of the Annual Report will be circulated at the Meeting.

   The Ministry of Corporate Affairs (MCA), Government of India, has by its Circular Nos. 17/2011 and 18/2011, dated 21 April, 2011 and 29 April, 2011 respectively, permitted paperless compliances by Companies as part of its green initiatives in Corporate Governance. Recognizing the spirit of the circular issued by the MCA, we are sending documents like the notice convening the General Meetings, Financial Statement, Directors' Report, Auditors' Report etc. to the email address provided by you with your depositories.

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

   (a) *Register your email id using our web site:* To register your email id for the above purpose, you may log on to our web site www.merck.co.in and on the 'Investors' page you will find an option of registration for Green Initiative. 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 Sharepro Services at the address given below.

3. Members holding shares in dematerialised form are requested to intimate all changes pertaining to their bank details, National Electronic Clearing Service (NECS), Electronic Clearing Service (ECS), mandates, nominations, power of attorney, change of address, change of name, e-mail address, contact numbers etc., to their Depository Participant (DP). Changes intimated to the DP will then be automatically reflected in the Company's records which will help the Company and the Company's Registrars and Transfer Agents, Sharepro Services to provide efficient and better services. Members holding shares in physical form are requested to intimate such changes to Sharepro Services.

4. Members holding shares in physical form are requested to consider converting their holding to dematerialised form to eliminate all risks associated with physical shares and for ease in portfolio management. Members can contact the Company or Sharepro Services for assistance in this regard.

Contact Details:

Company
Merck Limited
Mr. Sandesh Kasabe
Executive – Legal & Secretarial Department
Shiv Sagar Estate, 'A', Dr. Annie Besant Road
Worli, Mumbai-400 018.
Phone: 022-66609000
Email : sandesh.kasabe@merckgroup.com

Sharepro Services
Unit – Merck Limited
Sharepro Services (India) Private Limited
13AB, Samhita Warehousing Complex
2nd Floor, Sakinaka Telephone Exchange Lane
Andheri-Kurla Road, Sakinaka
Mumbai-400 072
Phone: 022-67720300 / 022-67720314
Email : sharepro@shareproservices.com

Notice of Annual General Meeting

Annexure to the Notice of Annual General Meeting

BRIEF PROFILE OF DIRECTORS SEEKING RE-APPOINTMENT AT THE ANNUAL GENERAL MEETING

Particulars	Mr. S. N. Talwar	Mr. H. C. H. Bhabha
Date of birth & Age	21/11/1937 76 years	15/12/1955 58 years
Appointed on	17/01/1984	29/12/1986
Qualifications	B. Com, L.L.B, Solicitor	B. Com, F.C.A., A.C.A. (England & Wales)
Expertise in Specific Areas	Corporate Laws, Corporate Taxation, International issue of securities, Foreign Exchange laws & Commercial Documentation	Finance, Accounts & Administration
Directorships held in other Public Companies (excluding Merck Limited, Foreign Companies, Section 25 Companies, Private Limited Companies and Companies where a Director is an alternate director)	Shrenuj and Company Ltd. Blue Star Infotech Ltd. Sonata Software Ltd. Biocon Ltd. ELANTAS Beck India Ltd. Larsen & Toubro Ltd. Rhodia Specialty Chemicals India Ltd. Esab India Ltd. Samson Maritime Ltd. L&T Metro Rail (Hyderabad) Ltd. Sunshield Chemicals Ltd.	Exedy India Ltd. SICGIL India Ltd.
Memberships/ Chairmanships of Committees (includes only Audit Committee and Shareholders'/ Investors' Grievance Committee, other than Merck Limited) excluding Private Limited Companies, Foreign Companies, Section 25 Companies	Biocon Ltd. Blue Star Infotech Ltd. ELANTAS Beck India Ltd. FCI OEN Connectors Ltd.	Exedy India Ltd.
Shareholding in the Company as on 31 December, 2013	5914	29656

Directors' Report

Dear Shareholders,

We are pleased to present the report on the Company's business and operations for the year ended 31 December, 2013.

FINANCIAL HIGHLIGHTS:

The financial performance of your Company for the year ended 31 December, 2013 is summarized below:

			(Rupees million)
Particulars		**2013**	2012
Income from Operations		**7,977.8**	6,872.8
Other Income		**214.5**	202.0
Profit before Interest, Depreciation and Tax		**983.2**	1,256.9
Depreciation		**100.7**	89.0
Provision for Taxation (net)		**323.7**	383.9
Profit after tax		**558.8**	784.0
Profit available for appropriations		**1,889.3**	1,457.1
Appropriations:			
Transfer to General Reserve		**55.9**	78.4
Dividend (including Tax on Dividend)		**165.1**	48.2
Balance carried to the Balance Sheet		**1,668.3**	1,330.5
EPS			
– Basic	(Rs.)	**33.7**	47.2
– Diluted	(Rs.)	**33.7**	47.2

COMPANY'S OPERATIONAL PERFORMANCE:

Detailed operational working of your Company are discussed in the Management Discussion and Analysis Report forming part of this Report. During the financial year ending 31 December, 2013, your Company achieved a turnover of Rs. 7,729.6 million as against a turnover of Rs. 6,580.7 million in the previous year, registering a growth of 17.5%. During the year under report, the Pharmaceuticals segment showed an increase in turnover of 20%, the Chemicals segment registered an increase of 12% as compared to the respective segment turnover in the previous year.

The devaluation of the Indian Rupee vis-a-vis major currencies resulted in increase of input costs, sluggish in economic environment and impairment of current assets, were key reasons for the dent in operating margins. The Profit after Tax for the year under review was Rs. 558.8 million as against Rs. 784.0 million in previous year, showing a fall of 28.7%.

The export turnover of your Company during the year 2013 was Rs. 707.7 million as against Rs. 729.8 million achieved in the previous year.

SHARE CAPITAL:

Share Capital Audit as per the directives of the Securities and Exchange Board of India is being conducted on a quarterly basis by Messrs K.G. Saraf & Company, Practicing Company Secretaries. The Share Capital Audit Reports are duly forwarded to the Bombay Stock Exchange and National Stock Exchange of India Limited where the equity shares of your Company are listed. During the year ended 31 December, 2013 there was no change in the issued and subscribed capital of your Company, the outstanding capital as on 31 December, 2013 was Rs. 166.0 million comprising of 16.6 million equity shares of Rs. 10.00/- each.

DIVIDEND:

Your Board of Directors has recommended a dividend of Rs. 8.50/- (Rupees Eight and paisa Fifty) per equity share for the year ended 2013. This is subject to approval of Members at the forthcoming Annual General Meeting.

FIXED DEPOSITS:

Your Company has not accepted any public deposits from the public or the Members during the year 2013 and no amount on account of principal or interest on public deposits that may have been accepted in the past was outstanding as on the date of the Balance Sheet.

DIRECTORS' RESPONSIBILITY STATEMENT:

In accordance with Section 217(2AA) of the Companies Act, 1956, your Directors confirm that:

(a) in the preparation of the annual accounts, the applicable Accounting Standards/Rules have been followed along with proper explanation relating to material departures;

(b) the accounting policies have been consistently applied and reasonable and prudent judgment and estimates have been made so as to give a true and fair view of the state of affairs of the Company as at 31 December, 2013 and the profit for the year ended on that date;

(c) proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 has been taken for safeguarding the assets of the Company and for detecting and preventing fraud and other irregularities; and

(d) the annual accounts have been prepared on a going concern basis.

DIRECTORS:

Mr. S. N. Talwar and Mr. H. C. H. Bhabha, both Non-Executive Independent Directors, will retire by rotation at the forthcoming Annual General Meeting of the Company and being eligible they offer themselves for re-appointment as Directors of the Company.

Directors' Report

AUDITORS:

Messrs B S R & Co. LLP, Chartered Accountants, retires as Statutory Auditor of the Company at the conclusion of the forthcoming Annual General Meeting and has confirmed their eligibility and willingness to accept the office of the Auditors for the year 2014, if re-appointed. The Board and Audit Committee of your Company has recommended the re-appointment of Messrs B S R & Co. LLP, Chartered Accountants, as Statutory Auditor of your Company, to hold office as such from the conclusion of the forthcoming Annual General Meeting until the conclusion of the next Annual General Meeting.

COST AUDIT:

Pursuant to Section 233B of the Companies Act, 1956, the Central Government has prescribed cost audit of the accounts to be maintained by your Company with regard to its bulk drugs and formulations divisions. To conduct the cost audit of these divisions, M/s. Sanghvi Randeria & Associates, a firm of Cost Accountants, has been re-appointed as Cost Auditors of your Company for the year 2014 in the meeting of Board of Directors held on Friday, 31 January, 2014, subject to the approval of the Central Government, required if any. The Cost Audit Report for the financial year ended 31 December, 2012 was due to be filed on 30 June, 2013, which was filed on 27 June, 2013.

PERSONNEL:

As on 31 December, 2013, the total number of employees on the payroll was 1,496. Industrial relations with the employees at various levels generally continued to be cordial.

The particulars of employees, as required under Section 217(2A) read with the Companies (Particulars of Employees) Rules, 1975, form part of this Report. However, pursuant to the provisions of Section 219(1)(b)(iv) of the Companies Act, 1956, the Reports and Accounts are being sent to the Members excluding the statement of particulars of employees. Any Member may obtain a copy of the said statement by writing to the Company Secretary at the registered office of the Company.

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

The information pertaining to conservation of energy, technology absorption, foreign exchange earnings and outgo required to be disclosed as per Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules 1988, is given in the annexure forming part of this Report.

CORPORATE GOVERNANCE:

A Report on the compliance of Corporate Governance Code along with Auditors' certificate thereon, as stipulated under Clause 49 of the Listing Agreements, is annexed to this Report.

GREEN INITIATIVE:

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

ACKNOWLEDGEMENTS:

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

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

On behalf of the Board of Directors

S. N. Talwar
Chairman

Mumbai, 31 January, 2014

Annexure to the Directors' Report

Information under Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988.

(A) CONSERVATION OF ENERGY – GOA PLANT

(a) Energy conservation measures taken:

1. Regular maintenance is done to steam condensate traps and safety valves to avoid leakages. During regular maintenance checks, faulty steam traps were duly replaced within time.
2. For Briquette fired boiler, cashew shell cakes/coconut shells are used throughout the year as a cheap and easily available raw material. Coconut shells have high calorific value as compared to briquettes.
3. All utility equipments are operationally controlled as per production plans.
4. Preparation for annual inspection of Boiler is done within 4.5 days to reduce the furnace oil (F.O.) consumption.
5. Appropriate Diesel for Generation (DG) loading is done in the second and third shift and a DG is isolated, reducing the fuel consumption.
6. Captive power generation plant is under implementation/work in progress.
7. Replaced the old Blue Star reciprocating water chillers with high efficiency/advance technology *trane* make screw chillers.
8. Installed Variable Frequency Drivers (VFD) for process water transfer pump and bore well No. 3.
9. Replaced high efficiency cooling tower (4 nos.) for central utility.
10. There is a continuous monitoring of power factor and maintenance of capacitor banks.

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

1. Investment has been done in VFDs for process water transfer pump & bore well pump.
2. Investment has been done for replacement of cooling towers & screw water chillers.
3. Investment under 3MW Power Project for captive generation of power is in progress.
4. Investment for rain water harvesting project is in progress.
5. Zero Liquid Discharge Project has been implemented successfully.

(c) Impact of measures taken at (a) & (b) above:

1. Power factor improved & maintained to 0.99.
2. Water consumption to central utility cooling tower reduced by 50%.
3. Specific power consumption of Pharma is reduced by 3.1 KWH/Kg of production.
4. Specific Power consumption of Chemical is reduced by 0.76 KWH/Kg of production.

FORM A

DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY

A. Power and Fuel Consumption at Goa Factory

Sr. No.		Description	Goa Factory Current Year 2013	Goa Factory Previous Year 2012
1.	**ELECTRICITY**			
	(a)	**Purchased Units ('000 KWH)**	**12,304.95**	12,519.18
		Total Amount (Rs. million)	**54.62**	52.92
		Rate/Unit (Rs.)	**4.44**	4.24
	(b)	**Own Generation**		
		Through Diesel Generator Units (in '000 KWH)	**230.43**	97.12
		Units/Litre of Diesel Oil	**2.78**	2.08
		Cost/Unit (Rs.)	**21.27**	16.26
		Total Cost (Rs. million)	**4.90**	1.58
2.	**COAL**		***N.A.**	*N.A.
3.	**BOILER FUELS**			
	(a)	**FURNACE OIL**		
		Quantity (Kilo Litre)	**28.05**	60.99
		Total Amount (Rs. million)	**1.41**	3.04
		Average Rate (Rs./Kilo Litre)	**50,083.00**	49,847.60
	(b)	**SOLID FUELS**		
		Quantity (Tons)	**3,327.76**	2,942.79
		Total Amount (Rs. million)	**14.56**	11.16
		Average Rate (Rs./Ton)	**4,375.00**	3,792.18

*N.A. means not applicable

Annexure to the Directors' Report

B. Consumption per unit of production

	Standards (if any) Current Year (2013) Previous (2012)
Products Unit Electricity Furnace Oil Coal Others	In view of the multi-facilities production system, the Company is not in a position to give information required as per this format for the current year as well as the previous year from the records maintained by the Company in accordance with the provisions of the Companies Act, 1956.

(B) TECHNOLOGY ABSORPTION

FORM B

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

(a) RESEARCH AND DEVELOPMENT (R & D)

1. **Pharmaceutical sector in which Research and Development has been carried out by the Company:**

   Your Company's Pharmaceutical R & D Center situated at Shirwane, Nerul, Navi Mumbai is recognised by Department of Scientific and Industrial Research (DSIR). Company has undertaken R & D activities in various areas such as pharmaceuticals, vitamin premixes, cosmetics and packaging development.

   There has been a reduction in lead time with better utilisation of resources which has been achieved by an integrated approach in development of new processes and packing materials. Also your Company's R & D Centre is well equipped with the latest technologies which are developed by Merck KGaA, Germany.

   Merck has continued its endeavour towards making more user friendly and profitable products for better patient related results. Company is also constantly evaluating alternate raw materials for improving the productivity keeping in mind the compliance of regulatory requirements. Special focus and efforts are also made to develop and improve existing products by modifying or simplifying them for cost reduction.

   Diabetes is emerging as one of the important causes of mortality & morbidity. The international diabetes federation estimates that the number of diabetic patients in India is projected to reach to 60.9 million by 2025. Despite large number of patients, research and/or data on diabetes in India is very scanty. Although India houses more than 17% of the global diabetic patients, only 2% of research published is dedicated to diabetic Indians; there is a significant lack of pan-India data. As a pioneer in diabetic treatments we decided to fund an investigator sponsored DREAM India Registry – A prospective, multi-centric, registry to describe pharmaceutical treatment patterns in Indian T2DM patients starting on oral hypoglycaemic agents. This registry collects epidemiological, clinical and treatment data of patients in daily practice who are staring OHA. The data collected are aimed at addressing a number of questions regarding the prescribing patterns of physicians in India

2. **Benefits derived as a results of above R & D:**

   Merck's focus on improvement and adaptation of technology has resulted into better commercialisation, improved processes, better yields, enhanced quality, reduced costs and launched line extensions of existing products. There were some formulations which were developed by using in-house R & D capabilities. Also some products of external vendors were technically evaluated for requisite Merck quality standards and then marketed by Merck.

   Products launched in year 2013:

   Merck launched the following 20 products during the year 2013:

   1. Dvion capsules 60 K
   2. Dvion capsules 1 K
   3. Starvog M 0.2
   4. Starvog M 0.3
   5. Cerophene 25/50/100 tablets
   6. Cosome LCD syrup
   7. Quitoria 40
   8. Quitoria 80
   9. Goutcheck 40
   10. Goutcheck 80
   11. Triolmighty 20
   12. Triolmighty 40
   13. Argigest
   14. Dvion drops
   15. Esofence 20, 40 tablets
   16. Nasivion advance
   17. Carbophage 500 SR
   18. Carbophage 1000 SR
   19. Carbophage G1 tablets
   20. Carbophage G2 tablets

Annexure to the Directors' Report

3. **Future Plan of Action:**

   Following products are planned to be launched as an ongoing effort in the coming years:

   1. Rosuvastatin 5 mg tablets
   2. Rosuvastatin 10 mg tablets
   3. Rosuvastatin 20 mg tablets
   4. Rifaximin syrup and tablets
   5. Progesterone injection
   6. Fertifgain M capsules
   7. Rosuvastatin + Fenofibrate tablets

   Focus will be placed to improvise Contribution Margin of products by developing products internally which are launched under principle to principle basis. Several such products are under consideration for development in the year 2014.

   Continued efforts will be made towards developing innovative, commercially viable processes, know-how for various dosage forms and also for improving shelf life, stability, quality, convenience, meeting regulatory compliances.

4. **Expenditure on R & D:**

	(Rupees million)
Capital	0.5
Recurring	86.2
Total	86.7
Total R & D expenditure as a percentage of total turnover	1.1

(b) TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

1. **Efforts, in brief, made towards technology absorption, adaptation and innovation:**

   Efforts are made always to develop innovative products and improve acceptance by patients. Sustained release tablets of Metformin Hydrochloride were developed by innovative gel shield technology to control dissolution of drug in body and release requisite amount at desired time intervals. Products like Nasivion advanced were developed with unique combination of Aloe Vera with Oxymetazoline, Menthol and Eucalyptol.

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

2. **Benefits derived as a result of the above efforts, e.g., product improvement, cost reduction, product development, import substitution, etc.:**

   i. In order to improve and simplify manufacturing processes, the formula and the process of Osto Polybion D suspension was modified. This new process was found to improve production processing time as well as the profitability of the product.

   ii. To improve productivity and reduce manufacturing cost of major brand Evion LC Tablets, the coating process was modified and its formula was revised, and change was implemented after stability studies.

   iii. Various products like Carbophage 500 SR, Carbophage 1000 SR, Carbophage G1 Tablets, Carbophage G2 Tablets, Neurobion Forte RF Injection, Nasivion Advanced were developed by R & D unit and successfully launched.

3. **Data for imported technology (imported during the last 5 years reckoned from the beginning of the financial year):** This is not applicable.

(c) FOREIGN EXCHANGE EARNINGS AND OUTGO

During the year, foreign exchange outgo was Rs. 2,302.4 million (which includes import of raw materials to the extent of Rs. 789.5 million) while the foreign exchange earned was Rs. 746.1 million, the details of which have been stated in the notes to financial statement under note numbers 37, 38, 39 and 40 annexed to the financial statements. The total exports during the year amounted to Rs. 707.7 million made up of Chemicals Rs. 540.1 million and Pharmaceuticals Rs. 167.6 million. Both the Pharmaceuticals and Chemicals segments will make efforts to exploit the opportunities that exist in the neighbouring markets and other regions of the world to expand the Company's presence in those locations.

On behalf of the Board of Directors

S. N. Talwar
Chairman

Mumbai, 31 January, 2014

Annexure to the Directors' Report

Corporate Governance Report for the year 2013

(Report on Corporate Governance pursuant to Clause 49 of the Listing Agreements entered into with the Stock Exchanges)

I. Company's philosophy on Code of Governance:

Merck has a strong legacy of fair, transparent and ethical practices that are essence of good Corporate Governance. Merck believes that governance practices must ensure adherence and enforcement of the principles of sound Corporate Governance with the objectives of fairness, transparency, professionalism, trusteeship and accountability, while facilitating effective management of business and efficiency in operations. We keep our governance practices under continuous review and benchmark ourselves to the best practices across the globe.

The Company is in compliance with the requirements of Clause 49 with regard to the Corporate Governance of the Listing Agreement entered into with the Stock Exchanges.

II. Board of Directors (the Board):

Board composition:

The composition of the Board of your Company is a fair mix of executive, non-executive and independent directors, which is appropriate with size and operations of your Company and is compliant of applicable rules and guidelines. As on date of the report, the Board consists of seven Directors comprising of a Non-Executive Director, three Non-Executive Independent Directors and three 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 in business. The positions of the Chairman of the Board and the Chief Executive Officer of the Company are held by separate individuals, the Chairman of the Board is a Non-Executive Independent Director.

None of the Directors on the Board are Members of more than ten committee(s) and meets the requirements of Clause 49 of the Listing Agreement. Necessary disclosures have been made by the Directors in this regard.

The details of composition of the Board and summary of other Directorship(s) and Committee Membership(s) of directors at the end of the financial year 2013 is as follows:

Name of the Director	*No. of Directorships	**No. of Committee memberships includes Chairmanships	**No. of Committee Chairmanships
Mr. S.N. Talwar [1]	11	4	1
Mr. H.C.H. Bhabha [1]	2	1	–
Mr. E.A. Kshirsagar [1]	7	8	5
Mr. N. Krishnan [3]	–	–	–
Mr. Pramod Pimplikar [3]	–	–	-
Dr. Claus D. Boedecker [3]	–	–	–
Dr. Peter-Ulrich Mannheimer [2]	–	–	–

Notes:

* excludes directorships held in private companies, foreign companies, Section 25 companies, Merck Limited and companies where a Director is an alternate director;

** excludes committee membership/chairmanship of Merck Limited, private companies, foreign companies, Section 25 companies. Only Audit Committee and Investors'/Shareholders' Grievances Committees are considered as per Listing Agreement.

1. Non-Executive Independent Director.
2. Non-Executive Director.
3. Executive Director.

Meetings and Attendance:

Meetings of the Board are scheduled well in advance. The Board meets at least once in a quarter *inter alia* to review the performance of the Company, status on compliance of laws, quarterly and annual financial results. The intervening period between any two Board Meetings were within the maximum time gap of four months prescribed under Clause 49 of the Listing Agreement. Each time, a detailed agenda is prepared in consultation with Chairman and Managing Director.

During the year 2013, four Board Meetings were held on 30 January, 2013, 26 April, 2013, 29 July, 2013 and 21 October, 2013.

Attendance of directors at the Board and shareholder meetings during the year 2013:

Name of the Director	Meetings held during the year 2013	No. of Board Meetings attended	Attendance at shareholder meeting (March 15, 2013)
Mr. S.N. Talwar	4	4	Yes
Mr. H.C.H. Bhabha	4	4	Yes
Mr. E.A. Kshirsagar	4	3	Yes
Dr. Peter-Ulrich Mannheimer	4	1	No
Dr. Claus-Dieter Boedecker	4	4	Yes
Mr. Pramod Pimplikar	4	3	Yes
Mr. N. Krishnan	4	4	Yes

III. Board Committees

A. Audit Committee:

Composition:

Presently, the Audit Committee comprises of four (4) Directors of whom three (3) are Independent Directors and the Managing Director. The committee is chaired by an Independent director.

Mr. S.N. Talwar – Chairman

Mr. H.C.H. Bhabha

Mr. E.A. Kshirsagar

Dr. Claus-Dieter Boedecker – Managing Director

Meetings and Attendance:

During the year 2013, the Audit Committee held four meetings on 30 January, 2013, 26 April, 2013, 29 July, 2013 and 21 October, 2013.

Annexure to the Directors' Report

Attendance at the Audit Committee Meetings:

Name of the Director	Category of Director	No. of Committee Meetings held during the year 2013	No. of Committee Meetings attended
Mr. S.N. Talwar – Chairman	Non-Executive – Independent	4	4
Mr. H.C.H. Bhabha	Non-Executive – Independent	4	4
Mr. E.A. Kshirsagar	Non-Executive – Independent	4	3
Dr. Claus-Dieter Boedecker	Executive	4	3

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

Scope of the Audit Committee:

The Committee functions in accordance with the applicable provisions of the Companies Act, 1956; other applicable statutes and the requirements under the Listing Agreements entered into with the Stock Exchanges.

(a) Reviewing quarterly and annual financial statements before submission to the Board for approval, focusing primarily 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 effects of alternative generally accepted accounting principles on financial statements;

(b) Compliance with listing and other legal requirements concerning financial statements;

(c) Any related party transactions i.e. transactions of the Company of a material nature with the Management, subsidiaries or relatives etc., or any related party transaction, that may have a potential conflict with the interests of the Company at large or may not be in the normal course of business;

(d) Review of annual Management Discussion and Analysis of financial condition and results of operations and the Directors' Responsibility Statement;

(e) 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;

(f) Disclosures made under the CEO and CFO certification to the Board;

(g) Reviewing with the Management, Statutory Auditors and Internal Auditors, adequacy of internal control systems and recommending improvements to the Management;

(h) Recommending the appointment/removal of the Statutory Auditors, fixing audit fees, non-audit fees, evaluating Auditors' performance, qualifications and independence;

(i) Reviewing the adequacy of internal audit function, coverage and frequency of internal audit, appointment, removal, performance and terms of remuneration of Internal Auditors;

(j) Discussing with the Internal Auditors and senior Management, significant internal audit findings and follow-up thereon;

(k) Reviewing the findings of any internal investigation by the Internal Auditors into matters involving suspected fraud, irregularity or a failure of internal control system of a material nature and report the matter to the Board;

(l) 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;

(m) Reviewing the Company's financial and risk management policies;

(n) 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 the independent Statutory

Annexure to the Directors' Report

Auditors in carrying out its responsibilities. It also uses external expertise, if required. Management is responsible for the preparation, presentation and integrity of the Company's financial reporting principles. 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. Shareholders'/Investors' Grievance Committee:

Composition:

Presently the Shareholders'/Investors' Grievance Committee comprises of three Directors of whom two are Executive Directors and one is Non-Executive Independent Director. The Committee is chaired by an Independent Director.

Mr. H.C.H. Bhabha – Chairman

Mr. N. Krishnan

Mr. Pramod Pimplikar

Meetings and Attendance:

The Committee held one Meeting on 28 November, 2013.

Name of the Director	Category of Director	No. of Committee Meetings held during the year 2013	No. of Committee Meetings attended
Mr. H.C.H. Bhabha – Chairman	Non-Executive – Independent	1	1
Mr. N. Krishnan	Executive	1	1
Mr. Pramod Pimplikar	Executive	1	1

Scope of the Shareholders'/Investors' Grievance Committee:

(a) To review and discuss the nature of shareholders'/investors' complaints received;

(b) To oversee transfer of shares, non-receipt of accounts/annual reports, declared dividends etc. by members;

(c) To look into requests received for dematerialisation of shares and status of physical holdings;

(d) To review total number of complaints received and replied to the satisfaction of shareholders;

(e) To oversee the performance of the Registrar and Share Transfer Agents and recommend measures to improve investor services.

C. Special Committee for issuance of duplicate share certificates etc.:

Composition:

The board has constituted a Special Committee for the purpose of issuance of duplicate share certificates, dematerialisation of shares. The committee comprises of two Independent Directors, Mr. S.N. Talwar and Mr. H.C.H. Bhabha. The Special Committee Meeting is chaired by Mr. S.N. Talwar as an Independent Director.

Meetings and Attendance:

Two Committee Meetings were held during the year 2013, on 16 May, 2013 and 10 September, 2013.

Name of the Director	Category of Director	No. of Committee Meetings held during the year 2013	No. of Committee Meetings attended
Mr. S.N. Talwar – Chairman	Non-Executive – Independent	2	2
Mr. H.C.H. Bhabha	Non-Executive – Independent	2	2

Scope of the Special Committee:

(a) To look into the requests received for issue of duplicate share certificates on account of loss/mutilated certificates etc.;

(b) To look into the requests received for dematerialisation of share certificates from the shareholders;

(c) To issue share certificates upon consolidation or sub-division of shares of the Company.

IV. Remuneration Committee:

The Board has not constituted a separate Remuneration Committee. Reviewing and approval of compensation payable to the Executive and Non-Executive Directors are considered by the Board within the overall limits approved by the Members.

V. Code of Conduct:

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

Annexure to the Directors' Report

VI. 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 31 December, 2013 was placed before the Board at its Meeting held on 31 January, 2014.

VII. Risk Management:

Merck has established an effective risk assessment and minimisation procedure which is reviewed by the Board periodically. There is a structure in place to identify and mitigate various identifiable risks faced by the Company from time to time. At the Meetings of the Board, these risks are reviewed and new risks are identified. After assessment, controls are put in place with specific responsibility of the concerned officer of the Company.

VIII. Remuneration of Executive Directors:

The details of remuneration paid/payable to the Executive Directors for the year 2013 are given below:

(in rupees)

Name of the Director	Salary and Commission *	Company's contribution to Funds **	Perquisites and allowances	Total
Mr. Pramod Pimplikar	9,734,612	742,500	423,604	10,720,716
Mr. N. Krishnan	6,625,839	423,750	673,349	7,722,938
Dr. Claus D. Boedecker	17,948,233	–	10,244,284	28,192,517

* Commission includes provisions made in the financial statements, for payment to be made in 2013 and reversal of excess provisions of 2012.
Commission includes provision made in financial statement for payment to be made in 2014 and is net of reversal/excess provision made in 2012.

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

NOTES:

a. The agreement with each of the Executive Directors is for a period of five years except in case of Dr. Claus D. Boedecker, Managing Director who has been appointed for a period three years until 31 July, 2015. The agreements with Executives Directors can be terminated by either party by giving a notice of six months. The agreement with the Managing Director can be terminated by giving three month's notice.

b. Commission paid is based on certain pre-agreed performance parameters upon achievement of certain financial and operational indicators such as sales, profit etc.

c. The Company at present does not have a Scheme for grant of Stock Options to the Directors or Employees.

d. The above figures do not include charge for gratuity and leave encashment for the following reasons:
   i. The Company's liability in respect of gratuity and leave encashment has been valued by an Actuary.
   ii. The employee-wise breakup of the same is not available.

IX. Remuneration of Non-Executive Directors:

The details of remuneration paid/payable to Non-Executive Directors for the year 2013 as approved by board are given below:

Name of the Director	Sitting fees (Rs.)	Commission (Rs.)
Mr. S.N. Talwar	200,000	850,000
Mr. H.C.H. Bhabha	220,000	600,000
Mr. E.A. Kshirsagar	120,000	600,000

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

The remuneration to Non-Executive Directors comprises of sitting fees and variable commission. The criteria for payment of remuneration is time spent by the Non-Executive Directors at the Audit Committee Meetings, Board Meetings, other Committee Meetings and advice given by these Directors to the Management from time to time on strategic matters, etc. even outside the Board Meetings.

X. 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:

	2013		2012	
	Received	Cleared	Received	Cleared
1. Non-receipt of share certificates duly transferred	–	–	–	–
2. Non-receipt of dividend warrants	5	5	2	2
3. Miscellaneous	–	–	–	–
4. Letters from SEBI/ Stock Exchanges and Department of Corporate Affairs	–	–	–	–

General Body Meetings held during last three years:

Year	Venue	Day and Date	Time
2010	Amar Gian Grover Auditorium, Lala Lajpat Rai Marg, Haji Ali, Mumbai 400 034.	Tuesday 29.03.2011	3.00 p.m.
2011	Amar Gian Grover Auditorium, Lala Lajpat Rai Marg, Haji Ali, Mumbai 400 034.	Monday 09.04.2012	3.00 p.m.
2012	Mayfair Banquets – South Hall, 254-C, Dr. Annie Besant Road, Worli, Mumbai 400 030.	Friday 15.03.2013	3.00 p.m.

All Resolutions moved at the last Annual General Meeting were passed by show of hands by the requisite majority of Members attending the Meeting. The following Special Resolutions were passed at the previous three Annual General Meetings:

AGM held on	Whether special resolution passed	Summary of special resolution passed
29.03.2011	No	Not applicable
09.04.2012	No	Not applicable
15.03.2013	Yes	Payment to Non-Executive Directors (other than Managing Directors & Whole Time Directors) of a sum not exceeding one percent (1%) of the net profits of the Company computed in accordance with the provisions of Section 198 of the Companies Act 1956, for a period of five years commencing from 01 January, 2013 until 31 December, 2017

During the year 2013, no postal ballot voting process was carried out.

Annexure to the Directors' Report

XI. Disclosures:

There are no materially significant related party transactions between the Company and Directors, their Relatives or Management except for those disclosed in the Annual Accounts for the year ended 31 December, 2013.

The Audit Committee was briefed about the related party transactions undertaken by the Company in the ordinary course of business together with Management's justification for the same. There were no material individual transactions which were not in the normal course of business and material individual transactions with related parties or others which were not at arm's length basis.

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

XII. Compliances:

The Company has complied with all the requirements including the provisions of Clause 49 of the Listing Agreements entered into with the Stock Exchanges as well as regulations and guidelines of the Securities and Exchange Board of India (SEBI). Consequently, no penalties were imposed or strictures passed against your Company by SEBI, Stock Exchanges or statutory authorities. The Company has complied with and adopted the mandatory requirements of the Corporate Governance Code. However, it has not adopted the following non-mandatory requirements of the Code which the Board may consider adopting in due course of time:

(i) Maintenance of the Chairman's office and tenure of Independent Directors.

(ii) Setting up of Remuneration Committee.

(iii) Communication of half yearly results to each household of Members. However, the Company publishes its results in leading newspapers and also posts the same on the Company's website.

(iv) Training of Directors: All the Directors have expertise in their areas of specialisation.

(v) Mechanism for evaluating Non-Executive Directors.

(vi) Whistle Blower Policy: The Company has set up a Speak-up Line as initiated globally by Merck KGaA, Germany, Company's principal shareholder wherein an employee can air their grievance either through a dedicated website or telephone directly without disclosing their identity.

XIII. Financial Information to the Members:

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

On behalf of the Board of Directors

S. N. Talwar
Chairman

Mumbai, 31 January, 2014

Annexure to the Directors' Report

General Shareholder Information

Annual General Meeting:

The Forty-Seventh Annual General Meeting of the Members will be held on Tuesday, 18 March, 2014 at 3.00 p.m.

Venue – Sunville Banquets,
3rd Floor, Royal Room,
9, Dr. Annie Besant Road,
Worli, Mumbai - 400 018

Agenda – **Ordinary Business:**
(a) Consideration and adoption of Audited Accounts;
(b) Declaration of dividend;
(c) Re-appointment of Directors retiring by rotation and;
(d) Re-appointment and fixation of remuneration of Auditors;

Special Business: There is no special business.

Company's financial year end: December 31

Calendar of Financial Results — 2014:

(i)	First Quarter Results	– April, 2014
(ii)	Second Quarter Results	– July, 2014
(iii)	Third Quarter Results	– October, 2014
(iv)	Results for the year ending 31 December, 2014	– January, 2015

Book Closure:

The Company's Register of Members and Share Transfer Books will remain closed from Wednesday, 12 March, 2014 to Tuesday, 18 March, 2014 (both days inclusive).

Dividend:

The Board of Directors has recommended a dividend at the rate of Rs. 8.50/- (Rupees Eight and paisa Fifty) for every equity share of the Company. 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 17 April, 2014.

Listing on Stock Exchanges:

Bombay Stock Exchange (BSE) is the Regional Stock Exchange of the Company. The shares are also listed on the National Stock Exchange of India Limited (NSE).

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.

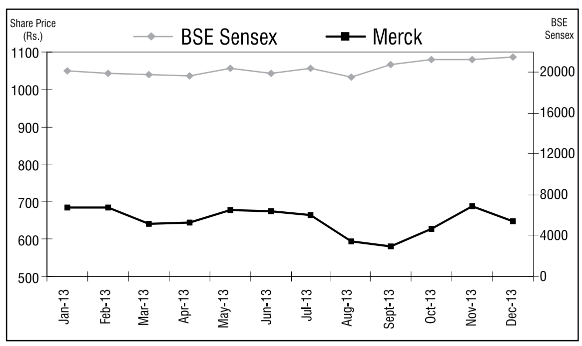
Share Price Information on NSE and BSE for the year 2013:

Month	BSE			NSE		
Year : 2013	High	Low	Volume	High	Low	Volume
January	685.00	638.00	70,201	685.00	635.00	151,673
February	684.95	609.55	42,018	668.00	610.00	53,142
March	640.00	608.00	39,048	642.50	607.95	81,933
April	645.00	530.00	33,783	645.00	605.05	48,983
May	677.95	630.10	50,037	680.00	623.05	153,012
June	675.00	631.90	51,067	677.00	632.40	49,778
July	663.00	553.05	49,807	663.40	555.00	128,360
August	594.95	522.60	20,574	575.00	530.00	35,253
September	580.00	525.25	14,970	594.00	525.50	41,535
October	629.00	555.50	28,980	628.00	557.20	53,818
November	689.10	560.00	133,876	688.00	560.10	340,959
December	648.95	552.00	174,667	648.00	553.35	679,080

Closing share price of the Company on NSE as on 31 December, 2013: Rs. 561.60

Closing share price of the Company on BSE as on 31 December, 2013: Rs. 561.25

Merck Share price movement (in Rs.) viz-a-viz SENSEX (2013):



Name and Address of the Registrar and Share Transfer Agents:

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

Transfer System:

Transfer of shares held in physical mode is processed by Sharepro Services and approved by the Share Transfer Committee. 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.

Annexure to the Directors' Report

During the year, the Share Transfer Committee of the Company met at fortnightly intervals for approval of share transfers and other related matters.

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

Particulars	2013	2012
Number of transfers	78	37
Number of shares processed	3,128	2,962

The average time for processing of share transfers including dispatch of share certificates was within 15 days, if the relevant documents were complete in all respects. The time taken to process dematerialization of shares was within 15 days.

As on 31 December, 2013, 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 31 December, 2013, a total of 16,216,912 shares of the Company which forms 97.70% of the total share capital of the Company stands dematerialized.

Distribution of shareholding as on 31 December, 2013:

Range	No. of Shareholders	% to total shareholders	No. of shares held	% to total to paid up capital
1 – 500	26,220	96.20	2,195,983	13.23
501 – 1,000	548	2.01	399,958	2.41
1,001 – 5,000	387	1.42	788,800	4.75
5,001 – 10,000	53	0.19	386,787	2.33
10,001 and above	49	0.18	12,827,854	77.28
Total	27,257	100.00	16,599,382	100.00

Shareholders' profile as on 31 December, 2013:

Category of Shareholders	No. of Shares	% to total paid up capital
Promoters/Foreign Collaborators	8,599,224	51.80
Banks	8,773	0.05
Financial Institutions	245	0.01
FII	415,460	2.50
Insurance Companies	1,604,640	9.67
Mutual Funds	1,330,901	8.02
Domestic Companies	629,201	3.79
Non Resident Indians	128,906	0.78
Directors & Relatives	35,570	0.21
Others	3,846,462	23.17
Total	16,599,382	100.00

Shares held by Non-Executive Directors of the Company as on 31 December, 2013:

Mr. S.N. Talwar	:	5,914
Mr. H.C.H. Bhabha	:	29,656
Mr. E.A. Kshirsagar	:	Nil
Dr. Peter-Ulrich Mannheimer	:	Nil

Insider Trading Regulations:

Mr. Vikas R. Gupta, General Counsel & Company Secretary, is the Compliance Officer of the Company under the "Code for Prevention of Insider Trading". He is responsible for the adherence of the Code by the Company and its designated employees. The Company also adheres to the disclosure practices for prevention of insider trading as specified in the SEBI (Prohibition of Insider Trading) Regulations, 1992.

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 31 December, 2013.

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

Registered Office Address:

Shiv Sagar Estate 'A'
Dr. Annie Besant Road
Worli, Mumbai-400 018

Contact Person:

Mr. Vikas R. Gupta, General Counsel & Company Secretary
Phone : 022-66609111/66609000
Fax : 022-24950307
Email : vikas.r.gupta@merckgroup.com

On behalf of the Board of Directors

S. N. Talwar
Mumbai, 31 January, 2014 Chairman

Annexure to the Directors' Report

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

As provided under Clause 49 of the Listing Agreements with the Stock Exchanges, the Board Members and the Senior Management Personnel have affirmed compliance with the Code of Conduct for the period ended 31 December, 2013.

For Merck Limited

Dr. Claus-Dieter Boedecker
Managing Director

Mumbai
31 January, 2014

CERTIFICATE OF COMPLIANCE WITH THE CORPORATE GOVERNANCE REQUIREMENTS UNDER CLAUSE 49 OF THE LISTING AGREEMENT

To the Members of Merck Limited

We have examined the compliance of conditions of Corporate Governance by Merck Limited ("the Company") for the year ended on 31 December 2013, as stipulated in Clause 49 of the Listing Agreements entered into by the Company with Stock Exchanges.

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. It is neither an audit nor an expression of opinion on the financial statements of the Company.

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 above mentioned Listing Agreements.

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

Sadashiv Shetty
Partner
Membership No.: 048648

Mumbai
31 January, 2014

Annexure to the Directors' Report

Management Discussion and Analysis Report

The Indian economy continues to remain sluggish, with the economic growth rate expected to be further scaled down in current fiscal year to be lower than 5%. That would be almost half of the average growth rate of the last decade. This fact is however not different for most of the BRIC countries. The value erosion of the Indian Rupee vis-a-vis major currencies, inflation, and lack of core investment policy remains the top reasons for muted growth rate. The asset quality of banks and inflation remain a cause of concern. The spirit of high growth expectations is further dampened by delay in softening of interest rates and impending investment grading risk. With renewed policy reforms and measures, along with constructive global economic indicators, the Indian economic growth rates could see a revival.

The following table exhibits, in summary, the financial performance of the Company for year 2013.

Key Parameters	2013	2012
Turnover (Rs. million)	7,729.6	6,580.7
Profit after Tax (Rs. million)	558.8	784.0
Profit after Tax to Turnover (%)	7.2	11.9
Sales to Fixed Assets Employed (ratio)	8.22	8.55
Current Assets (ratio)	4.3	4.7
Return on Capital Employed (%)	10.7	16.2
Book Value of shares (Rs.)	315	291

The profit after tax for year 2013 against 2012, has deteriorated by 29%, to Rs. 558.8 million The severe devaluation of the Indian Rupee vis-a-vis major currencies thereby increasing input costs, sluggish economic environment and impairment of current assets, were key reasons for the dent in the operating margins. Accordingly, the profit before tax percentage to revenue fell in year 2013 vis-a-vis 2012 by 5.7%, to Rs. 882.5 million

The Company's turnover, across two main segments, namely Pharmaceuticals and Chemicals, is split in the ratio of 69 : 31. Various regulatory controls and pricing legislations continue to challenge both the segments. The adverse foreign exchange fluctuation over shadowed the reduction achieved in the input cost of materials. As well, inflation continues to exert pressure on the margins of the Company. Both these cannot be passed on to consumers in full, due to regulatory price controls for some of its major products.

The analysis of the two segments is briefly stated below.

Pharmaceuticals Segment:

The Pharmaceuticals Segment has two Business Division, namely Merck Serono and Consumer Health Care. The performances for the two Business Divisions are highlighted below.

Merck Serono:

Merck Serono division accounted for 61% of the Total Company's turnover, registering a growth of 20% over year 2012. The time tested brands of *Neurobion, Polybion, Evion, Livogen* and *Concor* continued their contribution to the sales growth of the Merck Serono Division, many of them recording double digit growth. Over all the growth rate was double that of the market growth in year 2013.

Concor continues to attain double digit growth of 28% in year 2013. The set up of a dedicated sales and marketing team in year 2009, continues to bear its recurring fruits due to therapeutic thrust and focus. *Concor* has scaled up from 6th position in 2012 to be the 3rd position in 2013, in the Beta-blocker therapeutic segment.

Carbophage, a Metformin formulation from the house of the original discovery of Merck Group, continued the healthy double digit growth (2013 : 46%) and is now at the 8th position (2012 : 10th) in the Anti Diabetic therapeutic segment.

In the haematinic therapeutic segment, *Livogen* has registered 17% growth over year 2012. The Women's Health business field in year 2013, further focused on pregnancy support areas.

Merck Serono division continues to emphasise the spread of field force across the country, optimising structure for efficient coverage in the major metros and through improved penetration in rural areas. The division aims to continue their penetration into the rural areas with the core legacy brands (particularly *Polybion,* and *Evion*) and to address life cycle management with new product launches, like *Dvion* which was well accepted. The division will continue to focus on more specialist areas such as Cardio-Diabetic and Women's Health, while driving efficient growth in General Medicines.

In 2013, the Merck Serono division implemented a multi-channel marketing (MCM) process which institutionalises the use of social media, online initiatives, webinars, and SMS campaigns. This new process facilitates to reach out to medical practitioners both in concentrated metro areas and in rural towns. This MCM process complements the traditional sales and marketing avenues such as field force and also helps to reach the younger generation of medical practitioners who are now using internet and digital media to access their medical information.

Consumer Health Care Division:

Consumer Health Care division accounted for 8% of the Total Company's turnover, registering a growth of 17% over year 2012.

In the cough and cold category, consumer health has its presence through *'Nasivion'* which is one of the

Annexure to the Directors' Report

leading brands in the category. The brand has also seen organic expansion within the nasal decongestant spray's segment with the launch of *Nasivion Advance*, which is an innovative formulation having Menthol & Aloe vera, and in the anti-allergy segment with the launch of *Nasivion Allergy* tablets. Both the new launches have been successful in garnering additional market share for the brand and accelerating the overall growth.

Everyday Health Protection and Women & Children Health categories are being represented by the growing brands : *Seven Seas* and *Maxepa*. *Seven Seas* has shown a strong double digit growth and has captured significant market share in the year 2013, while *Maxepa* has maintained its position in the top 5 brands of Omega 3 supplements in India.

The local brand *Electrobion* has seen strong growth of 43%, due to focused approach of sales, along with trade support. *Electrobion's* performance has been faster than the overall market growth of 2013 in the Oral Rehydration Salts category.

The division aims to grow further by adding line extensions on key brands by making a foray into participated segments and leveraging the local and global R&D capabilities.

Pharma Exports:

With Merck Group prevalent in more than 67 countries worldwide, the ability to export remains rather limited. However, the Company exports to some Asian and African countries, the major being Sri Lanka, Nepal, Lebanon, Kenya, Libya, among others. Pharma exports grew by 1% in the year 2013, and contributed 5% to total Pharma Segment sales. The major growth came from African region.

Production:

The production requirement of the Pharma segment is catered through the Company's own facility at Goa and various toll manufacturing units. The Toll units are under regular supervision of the Company in regard to the manufacturing standards. The Goa unit is well utilised and goes through self regulated productivity efficiency programs. The facility has made good progress in enabling reduction of fuel and other conversion costs, despite increase in the production volumes.

Chemicals Segment:

The Chemicals segment sales turnover grew by 12% in year 2013, to achieve Rs. 2,387.1 million as against Rs. 2,123.9 million in year 2012. The Chemicals comprises two divisions: i.e. Pharma Chem Solutions and Performance Materials.

The Chemical segment results for the year 2013 fell over previous year, mainly due to inability to pass on the increased costs to customers.

Pharm Chem Solutions:

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

The Growth in Generic Exports and the need for regulatory compliance has driven the sales of this division above average industry growth. In addition, the Company enjoys the confidence and trust as a partner to the industry through its initiatives to advise the industry on latest regulatory trends.

Performance Materials:

Performance Materials division is mainly into the business of 'Effect' Pigments for the Automotive, Cosmetics, plastics printing and Security Industry and basket of 'Actives' for the Cosmetics Industry in addition to the Functional Pigments. This division has globally and locally undergone a structural change and the *'Taizhu'* Pigments facility in China was shut down.

In the backdrop of sluggish automotive industrial growth, coupled with discontinuation of *'Taizhu'* material, average industrial growth in the economy and stiff local competition the sales and marketing team of Pigments business put in excellent efforts in project based selling, to ensure a respectable growth over year 2012.

Internal Controls:

The Company is equipped with adequate internal control system to ensure that its assets are protected against loss of unauthorised use and improper handling. The Company is subject to exhaustive budgetary and costing process, as well as monitoring and audit by Merck KGaA, Germany, at regular intervals. Additionally, in order to supplement the internal control process, the Company has engaged the services of an able and reputed firm, M/s. Aneja Associates, who are authorised by the Audit Committee to assess the adequacy and compliance of internal control process, statutory requirements, etc. Audit Committee finalises the Areas of Audit and their schedule, discuss the findings of the audit, and direct the Company to set up applicable control measures. As well, regular updates of the action taken to iron out audit issues are tabled before the Audit Committee.

Risk Management:

The Company is required to follow an orderly risk management system globally, due to legal regulations. Merck is exposed to various risks, which might threaten its business continuity if not identified and addressed in time. The Company therefore follows a proactive risk

Annexure to the Directors' Report

management policy, aimed at protecting its employees, assets and the environment, while at the same time ensuring growth and continuity of its business. Regular updates are made available to the Executive Board and Independent Directors at the Board Meeting and in special cases on adhoc basis.

Business Related Risks:

The changed demand development of the Company's products, positively or negatively, due to changed customer behaviour, economic forces, input material availability, composition of legacy brands sales to turnover, span of products under price control, ability to roll out successful line extensions or product applications, employee talent management, availability of able employees, etc. could affect the Company's performances. The Company, in the course of portfolio management, regularly evaluates and, if necessary, refocuses.

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

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

Legal Risks:

The Company's business is a regulated one and is governed by various statutes of the Government. Changes in the statutes and the compliance of the same is both time consuming and sometimes difficult. While in the case of Pharmaceuticals business, pricing norms set by the Government and FDA related legislation, are to be adhered to, in the case of Chemicals business, the registration processes of certain imports create lot of hassles, delay and loss of business.

Third Party dependence Risks:

The Company uses third party support in regard to manufacturing and distribution of its products. These parties have access to the Company's assets and business processes. The Company uses internal controls and audit measures to safe guard itself against any adverse events. However, business interruptions could happen, in case of untoward events taking place. As well, disagreements on contractual terms and conditions with the service provider can lead to stoppage of outsourced activities and business interruptions.

Information Technology Risks:

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

Environment and Safety Risks:

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

Human Resource Initiative:

The Company had 1,496 employees as on 31 December, 2013 as against 1,277 employee as in previous year. The Company has various HR initiatives in place designed to ensure that Merck employees continue to be productive, efficient, and believe the Company to be a great place to work and build a career. Such initiatives include talent management, succession planning, work/ life balance, development opportunities, international career opportunities, training and the performance management plan.

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

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

Outlook:

The Company has a well balanced portfolio in Pharmaceuticals and Chemicals and growth achievement in line with the Industry. With renewed rigour in implementing economic policies and pricing regulation, the Company looks forward for excelling the business results and improving shareholder value.

On behalf of the Board of Directors

S. N. Talwar
Mumbai, 31 January, 2014 Chairman

Independent Auditors' Report To the Members of Merck Limited

Report on the Financial Statements

1. We have audited the accompanying financial statements of Merck Limited ('the Company'), which comprise the Balance Sheet as at 31 December 2013, the Statement of Profit and Loss and the Cash Flow Statement for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

2. Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards referred to in sub-Section (3C) of Section 211 of the Companies Act, 1956 ('the Act') which as per a clarification issued by the Ministry of Corporate Affairs continue to apply under Section 133 of the Companies Act, 2013 (which has superseded Section 211(3C) of the Companies Act, 1956 w.e.f. 12 September 2013).
3. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

4. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
5. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements 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 management, as well as evaluating the overall presentation of the financial statements.
6. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

7. In our opinion and to the best of our information and according to the explanations given to us, the said financial statements give the information required by the Act, in the manner so required and give a true and fair view in conformity with accounting principles generally accepted in India:
   (a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31 December 2013;
   (b) in the case of the Statement of Profit and Loss, of the profit of the Company for the year ended on that date; and
   (c) in the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.

Report on Other Legal and Regulatory Requirements

8. As required by the Companies (Auditor's Report) Order, 2003 ('the Order') issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Act, we enclose in the Annexure, a statement on the matters specified in paragraphs 4 and 5 of the said Order.
9. As required by Section 227(3) of the Act, we report that:
   a. we have obtained all the information and explanations which, to the best of our knowledge and belief were necessary for the purposes of our audit;
   b. in our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
   c. the balance sheet, the statement of profit and loss and the cash flow statement dealt with by this report are in agreement with the books of account;
   d. in our opinion, the balance sheet, the statement of profit and loss and the cash flow statement dealt with by this report comply with the Accounting Standards referred to in sub-Section (3C) of Section 211 of the Act which as per a clarification issued by the Ministry of Corporate Affairs continue to apply under Section 133 of the Companies Act, 2013 (which has superseded Section 211(3C) of the Companies Act, 1956 w.e.f. 12 September 2013) and;
   e. on the basis of written representations received from directors of the Company as at 31 December 2013 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31 December 2013 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Act.

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

Sadashiv Shetty
Partner
Membership No.: 048648

Mumbai
31 January 2014

Annexure to the Independent Auditors' Report – 31 December 2013

(Referred to in our report of even date)

(i) (a) The Company has maintained proper records showing full particulars, including, quantitative details and situation of fixed assets.

(b) The fixed assets have been physically verified by the Management during the year in line with its policy of verifying them annually. In our opinion, the periodicity of the physical verification of fixed assets is reasonable. According to the explanations given to us, the discrepancies noticed on physical verification of fixed assets were not material and these have been properly dealt with in the books of account.

(c) Fixed assets disposed off during the year were not substantial, and do not affect the going concern assumption.

(ii) (a) The inventory, except goods-in-transit and stocks lying with third parties, has been physically verified by the management during the year. In our opinion, the frequency of such verification is reasonable. For stocks lying with third parties at the year end, written confirmations have been obtained.

(b) The procedures for physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.

(c) The Company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stocks and the book records were not material.

(iii) According to the information and explanation given to us and on the basis of our examination of the records of the Company, the Company has neither granted nor borrowed any loan, secured or unsecured to/from companies, firms or other parties covered in the register required under Section 301 of the Act. Accordingly paragraph 4 (iii) (b), (c), (d), (e), (f) and (g) of the order are not applicable to the Company.

(iv) In our opinion and according to the information and explanations given to us, and having regard to the explanation that purchases of certain items of inventories and fixed assets are for the Company's specialised requirements and suitable alternative sources are not available to obtain comparable quotations and similarly sale of certain services are for the buyers' specialised requirements and suitable alternative sources are not available to obtain comparable quotations, there is an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchase of inventories and fixed assets and sale of goods and services. We have not observed any major weakness in the internal control system during the course of the audit.

(v) (a) In our opinion and according to the information and explanations given to us, the particulars of contracts or arrangements referred to in Section 301 of the Act have been entered in the register required to be maintained under that section.

(b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts and arrangements referred to in (a) above and exceeding the value of Rs 5 lakh with any party during the year have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time, except for purchases of inventories and fixed assets and sale of services of a special nature, for which suitable alternative sources are not available to obtain comparable quotations. However, in our opinion and on the basis of information and explanations provided, the same appear reasonable.

(vi) The Company has not accepted any deposits from the public during the year.

(vii) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.

(viii) We have broadly reviewed the books of account maintained by the Company pursuant to the rules prescribed by the Central Government for maintenance of cost records under Section 209(1) (d) of the Act and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained. However, we have not made a detailed examination of the records.

(ix) (a) According to the information and explanations given to us and on the basis of our examination of the records of the Company, amounts deducted/accrued in the books of account in respect of undisputed statutory dues including Provident Fund, Employees' State Insurance, Income-tax, Sales-tax, Wealth-tax, Service-tax, Customs duty, Excise duty, and other material statutory dues have been generally regularly deposited during the year by the Company with the appropriate authorities. There are no arrears of undisputed statutory dues as at 31 December 2013 outstanding for a period of more than six months from the date they became payable. As explained to us, the Company did not have any dues on account of Investor Education and Protection Fund.

(b) According to the information and explanations given to us, there are no dues of Wealth-tax and Service-tax which have not been deposited with appropriate authorities on account of any disputes.

According to the information and explanations given to us, the dues of Income-tax, Sales-tax, Customs duty and Excise duty, as listed

Annexure to the Independent Auditors' Report — 31 December 2013 (continued)

in Appendix 1 have not been deposited by the Company on account of disputes.

(x) The Company does not have any accumulated losses at the end of the financial year and has not incurred cash losses in the current financial year and in the immediately preceding financial year.

(xi) The Company did not have any outstanding dues to any financial institution, banks or debenture-holders during the year.

(xii) The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.

(xiii) In our opinion and according to the information and explanations given to us, the Company is not a chit fund or a nidhi/mutual benefit fund/society.

(xiv) According to the information and explanations given to us, the Company is not dealing or trading in shares, securities, debentures and other investments.

(xv) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.

(xvi) The Company did not have any term loans outstanding during the year.

(xvii) According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we are of the opinion that the funds raised on short-term basis have not been used for long-term investment.

(xviii) The Company has not made any preferential allotment of shares during the year.

(xix) The Company did not have any outstanding debentures during the year.

(xx) The Company has not raised any money by public issues during the year.

(xxi) According to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the course of our audit.

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

Sadashiv Shetty
Partner
Membership No.: 048648

Mumbai
31 January 2014

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

Name of the statute	Nature of the dues	Amount (Rs in million)	Period to which the amount relates	Forum where dispute is pending
Income Tax Act, 1961	Tax and penalty	1.2	Assessment year 1986-87	High Court
		16.2	Assessment year 1998-99, 1999-00 and 2002-03	Income Tax Appellate Tribunal
		14.8	Assessment year 2003-04	Income Tax Appellate Tribunal
		8.8	Assessment year 2004-05	Income Tax Appellate Tribunal
		25.6	Assessment year 2005-06	Commissioner of Income Tax (Appeals)
		5.2	Assessment year 2006-07	Income Tax Appellate Tribunal
		3.6	Assessment year 2007-08	High Court
		23.2	Assessment year 2008-09	Commissioner of Income Tax (Appeals)
		50.1	Assessment year 2009-10	Income Tax Appellate Tribunal
Local State Sales Tax Act and Central Sales Tax Act, 1956	Tax and penalty	0.4	1994-95, 1995-96, 1998-99, 2003-04	Appellate Assistant Commissioner
		10.4	2001-02, 2003-04, 2006-07, 2009-10, 2010-11	Deputy Commissioner (Appeals)
		3.8	2001-02	Additional Commissioner
		18.24	2007-08, 2008-09	Joint Commissioner
Central Excise Act, 1944	Duty and penalty	0.1	1994-97, 2003-04	Deputy Commissioner (Appeals)
		0.5	1998-99	Joint Commissioner
		0.3	2005-06	Commissioner (Appeals)
		4.8	1996-2006	Customs Excise & Service-tax Appellate Tribunal ("CESTAT")
		0.1	2007-09	Assistant Commissioner

Balance sheet

as at 31 December 2013

(Currency: Indian Rupees million)

	Note	2013	2012
Equity and liabilities			
Shareholders' funds			
Share capital	3	**166.0**	166.0
Reserves and surplus	4	**5,064.3**	4,670.6
		5,230.3	4,836.6
Non-current liabilities			
Deferred tax liabilities (net)	5	**10.9**	7.2
Long-term provisions	6	**121.7**	128.2
		132.6	135.4
Current liabilities			
Trade payables	7	**368.1**	397.1
Other current liabilities	8	**434.9**	382.7
Short-term provisions	6	**320.2**	190.9
		1,123.2	970.7
		6,486.1	5,942.7
Assets			
Non-current assets			
Fixed assets	9		
Tangible fixed assets		**845.6**	750.2
Intangible fixed assets		**2.7**	1.3
Capital work-in-progress		**92.3**	17.5
Long-term loans and advances	10	**678.3**	588.8
Other non-current assets	11	**86.5**	–
		1,705.4	1,357.8
Current assets			
Current investments	12	**242.9**	236.4
Inventories	13	**1,518.2**	1,309.6
Trade receivables	14	**841.2**	644.2
Cash and bank balances	15	**1,876.9**	1,929.8
Short-term loans and advances	16	**231.6**	395.2
Other current assets	17	**69.9**	69.7
		4,780.7	4,584.9
		6,486.1	5,942.7

Significant accounting policies	2
Notes to the financial statements	26-46

The notes referred to above form an integral part of the financial statements.

As per our report of even date attached

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

Sadashiv Shetty
Partner
Membership No.: 048648

Mumbai,
Date: 31st January, 2014

Vikas R. Gupta
Company Secretary

For and on behalf of the Board of Directors of Merck Limited

S. N. Talwar — *Chairman*

C. Boedecker — *Managing Director*

H. C. H. Bhabha
E. A. Kshirsagar
N. Krishnan
P. H. Pimplikar
Directors

Statement of profit and loss

for the year ended 31 December 2013

(Currency: Indian Rupees million)

	Note	2013	2012
Revenue from operations	18		
Sale of products (gross)			
Finished products		6,100.3	5,225.3
Traded products		1,912.4	1,582.0
Less: Excise duty		283.1	226.6
Sale of products (net)		7,729.6	6,580.7
Other operating revenue		248.2	292.1
Total		7,977.8	6,872.8
Other income	19	214.5	202.0
		8,192.3	7,074.8
Expenses			
Cost of materials consumed	20	2,403.1	1,794.4
Purchases of stock-in-trade	21	1,518.4	1,160.9
Changes in inventories of finished goods, work-in-progress and stock-in-trade	22	(291.5)	34.9
Employee benefits	23	1,009.6	853.0
Depreciation and amortisation	24	100.7	89.0
Other expenses	25	2,569.5	1,974.7
		7,309.8	5,906.9
Profit before tax		882.5	1,167.9
Income tax expense			
– Current tax		320.0	385.0
– Deferred tax charge/(credit)		3.7	(1.1)
Profit after tax		558.8	784.0
Earnings per equity share [nominal value of share Rs. 10/- each (2012: Rs. 10/- each)]			
Basic and diluted	26	33.7	47.2
Significant accounting policies	2		
Notes to the financial statements	26-46		

The notes referred to above form an integral part of the financial statements.

As per our report of even date attached

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

Sadashiv Shetty
Partner
Membership No.: 048648

Mumbai,
Date: 31st January, 2014

Vikas R. Gupta
Company Secretary

For and on behalf of the Board of Directors of Merck Limited

S. N. Talwar *Chairman*

C. Boedecker *Managing Director*

H. C. H. Bhabha
E. A. Kshirsagar
N. Krishnan
P. H. Pimplikar
Directors

Cash flow statement

for the year ended 31 December 2013

(Currency: Indian Rupees million)

			2013		2012
A. Cash flow from operating activities:					
Net Profit before taxation and exceptional items			**882.5**		1,167.9
Adjustments for:					
Depreciation and amortisation		**100.7**		89.0	
Profit on sale of current investments (net)		**–**		*	
Loss/(profit) on sale of fixed assets (net)		**1.4**		0.6	
Unrealised foreign exchange differences		**(0.7)**		2.1	
Dividend received on investments		**(19.3)**		(20.3)	
Interest income		**(176.1)**		(165.1)	
Bad debts written off (net)		**10.7**		4.9	
Provision for doubtful trade receivables and deposits		**8.2**		11.8	
Provision for doubtful cenvat credit receivables		**56.7**		–	
Provision/(write back) for employee benefits		**22.4**		(28.5)	
Provision for write down of Inventories		**25.7**	**29.7**	27.4	(78.1)
Operating cash flow before working capital changes			**912.2**		1,089.8
Adjustments for:					
(Increase) in trade receivables		**(214.6)**		(40.8)	
(Increase) in loans and advances		**(82.5)**		(53.7)	
(Increase) in inventories		**(234.3)**		(206.1)	
Increase in liabilities and provisions		**22.0**	**(509.4)**	151.7	(148.9)
Cash generated from operations			**402.8**		940.9
Income tax paid (net of refunds)		**(398.3)**	**(398.3)**	(398.3)	(398.3)
Net cash generated from operating activities	(A)		**4.5**		542.6
B. Cash flow from investing activities:					
Purchase of fixed assets (including addition to capital work-in-progress)		**(334.1)**		(136.1)	
Sale of fixed assets		**0.6**		1.5	
Interest received		**176.5**		132.9	
Dividend received on investments		**19.3**		20.3	
Purchase of investments		**(8,547.6)**		(7,319.9)	
Loan recovered/(given) (net)		**220.0**		244.8	
Sale of investments		**8,541.1**		7,310.9	
Bank deposits (having original maturity of more than three months), (net)		**(5.4)**		(1,072.6)	
Net cash generated/(used) in investing activities	(B)		**70.4**		(818.2)
C. Cash flow from financing activities:					
Dividend paid		**(41.5)**		–	
Dividend tax paid		**(6.7)**		–	
Net cash (used) in financing activities	(C)		**(48.2)**		–
Net increase/(decrease) in cash and cash equivalents	(A + B + C)		**26.7**		(275.6)
Cash and cash equivalents at the beginning of the year			**39.0**		314.6
Cash and cash equivalents at the end of the year			**65.7**		39.0
NOTES TO THE CASH FLOW STATEMENT					
1. Cash and cash equivalents includes					
– Cash balance			**0.1**		0.1
– Bank balances in current accounts			**65.6**		38.9
			65.7		39.0

2. Unpaid dividend of Rs. 12.7 million (2012: Rs. 13.7 million), included in bank balances, is not available for use by the Company.
3. The cash flow statement has been prepared under the indirect method as set out in Accounting Standard-3 on cash flow statement prescribed in the Companies (Accounting Standard) Rules, 2006.

As per our report of even date attached

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

Sadashiv Shetty
Partner
Membership No.: 048648

Mumbai
Date 31st January, 2014

Vikas R. Gupta
Company Secretary

For and on behalf of the Board of Directors of Merck Limited

S. N. Talwar — *Chairman*

C. Boedecker — *Managing Director*

H. C. H. Bhabha
E. A. Kshirsagar
N. Krishnan
P. H. Pimplikar
Directors

Notes to the financial statements

for the year ended 31 December 2013

(Currency: Indian Rupees million)

1. Company overview

Merck Limited ('the Company') is a public company domiciled and headquartered in India. It is incorporated under the Companies Act, 1956 and its shares are listed on the National Stock Exchange (NSE) and Bombay Stock Exchange (BSE). The Company is in the business of manufacturing and marketing of pharmaceuticals, bulk drugs, fine chemicals and pigments. The Company is organized in two major divisions – Pharmaceuticals and Chemicals.

2. Significant accounting policies

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

(a) Basis of preparation of financial statements:

These financial statements have been prepared and presented on the accrual basis of accounting and comply with the Accounting Standards prescribed in the Companies (Accounting Standards) Rules, 2006 issued by the Central Government, the relevant provisions of the Companies Act, 1956 which as per a clarification issued by the Ministry of Corporate Affairs continue to apply under section 133 of the Companies Act, 2013 (which has superseded section 211(3C) of the Companies Act, 1956 w.e.f. 12 September, 2013) and other accounting principles generally accepted in India, to the extent applicable. The financial statements are presented in millions of Indian Rupees and rounded off to one decimal unless otherwise stated. Figures below Rupees 50,000 are disclosed by'*'.

(b) Use of estimates:

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

(c) Current-non-current classification:

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

Assets

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

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

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

All other assets are classified as non-current.

Liabilities

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

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

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

All other liabilities are classified as non-current.

Operating cycle

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

(d) Fixed assets and depreciation/amortisation:

Tangible fixed assets:

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

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

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

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

Intangible fixed assets:

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

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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 and disposal.

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

Depreciation/amortisation:

Depreciation is provided on straight line method over the estimated useful life of each asset as determined by the management. The rates of depreciation prescribed in Schedule XIV to the Companies Act, 1956 are considered as the minimum rates. If the management's estimate of the useful life of a fixed asset at the time of acquisition of the asset or of the remaining useful life on a subsequent review is shorter than that envisaged in the aforesaid schedule, depreciation is provided at a higher rate based on the management's estimate of the useful life/remaining useful life.

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

Depreciation on assets other than Trademarks and Software is provided at the rates and in the manner prescribed in Schedule XIV to the Companies Act, 1956, except in the following cases where the straight line method rates used, are greater than the corresponding minimum rates prescribed in Schedule XIV to the Companies Act, 1956:

Description	Depreciation rate %
Buildings and Flats	1.63, 3.34, 5.00, 6.67, 9.09, 12.00, 20.00
Plant and Machinery	4.75, 5.15, 7.42, 8.09, 10.34, 11.31, 12.50, 20.00, 25.00, 33.33
Furniture, Fixtures, Electrical Fittings and Office Equipment	12.00, 20.00, 25.00, 33.33
Vehicles	20.00

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

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

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

Depreciation/amortisation for the year is recognised in the Statement of profit and loss.

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

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

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

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

(e) Impairment of assets:

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

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

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

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

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

(f) Operating lease:

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

Notes to the financial statements

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

(g) Investments:

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

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

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

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

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

(h) Inventories:

Inventories which comprise raw materials, work-in-progress, finished goods, stock-in-trade, stores and spares, and loose tools 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.

(i) Revenue recognition:

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

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

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

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

(j) Employee benefits:

(a) Short-term employee benefits:

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

(b) Post-employment benefits:

Defined contribution plans

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

Defined benefit plans

The Company's gratuity benefit scheme and provident fund scheme is defined benefit plan. The Company's net obligation in respect of a defined benefit plan is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. Any unrecognised past service cost and the fair value of any plan assets are deducted. The calculation of the Company's obligation under each of the two plans is performed annually by a qualified independent actuary using the projected unit credit method.

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

The Company recognises gains and losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs.

(c) Compensated absences

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

(k) Foreign exchange transactions:

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

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

(l) Provisions:

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

Provision for breakage and expiry

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

Contingencies

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

(m) Contingent liabilities and contingent assets:

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

(n) Income taxes:

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

Current tax is measured at the amount expected to be paid to (recovered from) the taxation authorities, using the applicable tax rates and tax laws. Deferred tax is recognised in respect of timing differences between taxable income and accounting income i.e. differences that originate in one period and are capable of reversal in one or more subsequent periods. The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognised using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax assets are recognised only to the extent there is reasonable certainty that the assets can be realised in future; however, where there is unabsorbed depreciation or carried forward loss under taxation laws, deferred tax assets are recognised only if there is a virtual certainty supported by convincing evidence that sufficient future taxable income will be available against which such deferred tax assets can be realised. Deferred tax assets are reviewed as at each balance sheet date and written down or written back to reflect the amount that is reasonably/virtually certain (as the case may be) to be realised.

(o) Cash and cash equivalents:

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

(p) Research and development:

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

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

Notes to the financial statements

as at 31 December 2013

(Currency: Indian Rupees million)

	2013	2012
3. Share capital		
Authorised		
18,000,000 (2012: 18,000,000) equity shares of Rs. 10 each	**180.0**	180.0
Issued, subscribed and paid-up		
16,599,382 (2012: 16,599,382) equity shares of Rs. 10 each	**166.0**	166.0

A. Reconciliation of number of shares outstanding:

	2013		2012	
	Number	**Amount**	Number	Amount
Number of equity shares at the beginning and at the end of the year	**16,599,382**	**166.0**	16,599,382	166.0

B. Rights, preferences and restrictions attached to equity shares

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

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

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

C. Shares held by subsidiaries of ultimate holding company

	2013		2012	
	Number	**Amount**	Number	Amount
Emedia Export Company mbh, Germany	**3,534,559**	**35.4**	3,534,559	35.4
Merck Internationale Beteiligungen GmbH, Germany	**3,091,224**	**30.9**	3,091,224	30.9
Chemitra GmbH, Germany	**1,973,441**	**19.7**	1,973,441	19.7
	8,599,224	**86.0**	8,599,224	86.0

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

	Number	**%**	Number	%
Subsidiaries of holding company Merck KGaA, Germany				
Emedia Export Company mbh, Germany	**3,534,559**	**21.3%**	3,534,559	21.3%
Merck Internationale Beteiligungen GmbH, Germany	**3,091,224**	**18.6%**	3,091,224	18.6%
Chemitra GmbH, Germany	**1,973,441**	**11.9%**	1,973,441	11.9%
Others				
Life Insurance Corporation of India	**1,162,049**	**7.0%**	1,202,938	7.3%
SBIMF Magnum Sector Fund	**1,160,862**	**7.0%**	1,160,862	7.0%

	2013	2012
E. Aggregate number of shares bought back during the period of five years immediately preceeding reporting date	**261,842**	261,842

	2013	2012
4. Reserves and surplus		
Capital reserve		
As at commencement and at the end of the year	**2.6**	2.6
Capital redemption reserve		
As at commencement and at the end of the year	**2.6**	2.6
Securities premium account		
As at commencement and at the end of the year	**111.3**	111.3
General reserve		
At the commencement of the year	**3,223.6**	3,145.2
Add: Transfer from surplus (Profit and Loss balance)	**55.9**	78.4
	3,279.5	3,223.6

Notes to the financial statements

as at 31 December 2013

(Currency: Indian Rupees million)

	2013	2012
Surplus (Profit and Loss balance)		
At the commencement of the year	**1,330.5**	673.1
Add: Profit for the year	**558.8**	784.0
Less: Appropriations		
Transfer to general reserve	**55.9**	78.4
Proposed equity dividend [Rs. 8.50/- per equity shares (2012: Rs. 2.50/- per equity share)]	**141.1**	41.5
Tax on proposed equity dividend	**24.0**	6.7
	1,668.3	1,330.5
	5,064.3	4,670.6
5. Deferred tax liability (net)		
Deferred tax liability:		
Arising on account of timing differences in:		
Excess of depreciation as per Income Tax Act, 1961, over book depreciation	**78.1**	68.7
	78.1	68.7
Deferred tax asset:		
Arising on account of timing difference in:		
Provision for doubtful trade receivables/advances	**9.1**	16.9
Personnel and other related provisions	**17.3**	9.2
Provision for sales tax matters	**22.7**	22.3
Other provisions	**18.1**	13.1
	67.2	61.5
	10.9	7.2

6. Provisions

	Long-term		Short-term	
	2013	2012	**2013**	2012
Provision for employee benefits:				
Gratuity [refer note 28]	**3.6**	–	**–**	–
Compensated absences [refer note 28]	**34.6**	29.1	**12.7**	8.8
Other employee benefits [refer note 41]	**16.6**	9.3	**105.1**	112.7
Other provisions:				
Provision for sales tax/vat [refer note 41]	**66.9**	68.4	**–**	–
Proposed equity dividend	**–**	–	**141.1**	41.5
Tax on proposed equity dividend	**–**	–	**24.0**	6.7
Provision for tax [net of advance tax paid for certain years Rs. 1,242.5 million (2012: Rs. 980.3 million)]	**–**	21.4	**37.3**	21.2
	121.7	128.2	**320.2**	190.9

	2013	2012
7. Trade payables		
Acceptances	**2.8**	20.9
Dues to Micro, Small and Medium Enterprises [refer note 35]	**4.3**	2.2
Others	**361.0**	374.0
	368.1	397.1
8. Other current liabilities		
Advances from customers	**45.0**	27.7
Creditors for capital purchases	**12.5**	19.7
Employee benefits payable	**55.1**	47.8
Statutory dues		
– Tax deducted at source	**19.8**	11.4
– Sales tax	**26.9**	20.4
– Service tax	**4.2**	3.5
– Provident fund	**6.1**	4.5
– Staff Insurance/benefit schemes	**0.5**	0.9
Payable towards services received	**252.1**	233.1
Investor Education and Protection Fund shall be credited by the following amounts (not due as at the year end):		
Unpaid dividend	**12.7**	13.7
	434.9	382.7

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as at 31 December 2013

(Currency: Indian Rupees million)

9. Fixed assets

Tangible Fixed Assets

	Freehold Land	Buildings and Flats	Plant and Machinery	Hardware	Furniture and Fixtures	Vehicles	Office Equipment	Total
Gross Block								
Balance as at 01 January 2012	5.0	408.3	891.7	57.8	89.0	0.4	97.6	1,549.8
Additions	–	12.1	81.4	9.0	18.5	–	6.4	127.4
Disposals	–	–	(3.1)	(14.7)	(3.3)	–	(2.1)	(23.2)
Balance as at 31 December 2012	5.0	420.4	970.0	52.1	104.2	0.4	101.9	1,654.0
Balance as at 01 January 2013	**5.0**	**420.4**	**970.0**	**52.1**	**104.2**	**0.4**	**101.9**	**1,654.0**
Additions	**–**	**8.9**	**147.7**	**11.7**	**8.9**	**–**	**19.6**	**196.8**
Disposals	**–**	*****	**(5.5)**	**(3.5)**	**(0.9)**	**–**	**(4.0)**	**(13.9)**
Balance as at 31 December 2013	**5.0**	**429.3**	**1,112.2**	**60.3**	**112.2**	**0.4**	**117.5**	**1,836.9**
Depreciation								
Balance as at 01 January 2012	–	166.2	546.8	34.4	47.6	*	42.2	837.2
Depreciation for the year	–	11.9	48.5	7.0	9.8	0.1	10.4	87.7
Accumulated depreciation	–	–	(3.1)	(13.1)	(3.1)	–	(1.8)	(21.1)
Balance as at 31 December 2012	–	178.1	592.2	28.3	54.3	0.1	50.8	903.8
Balance as at 01 January 2013	**–**	**178.1**	**592.2**	**28.3**	**54.3**	**0.1**	**50.8**	**903.8**
Depreciation for the year	**–**	**12.5**	**58.2**	**7.1**	**9.8**	**0.1**	**11.8**	**99.5**
Accumulated depreciation	**–**	**–**	**(4.8)**	**(2.7)**	**(0.9)**	**–**	**(3.6)**	**(12.0)**
Balance as at 31 December 2013	**–**	**190.6**	**645.6**	**32.7**	**63.2**	**0.2**	**59.0**	**991.3**
Net Block								
As at 31 December 2012	5.0	242.3	377.8	23.8	49.9	0.3	51.1	750.2
As at 31 December 2013	**5.0**	**238.7**	**466.6**	**27.6**	**49.0**	**0.2**	**58.5**	**845.6**
Capital work-in-progress								
Balance as at 31 December 2012								17.5
Balance as at 31 December 2013								**92.3**

Intangible Fixed Assets

	Brands/Trade-marks	Computer Software	Total
Gross Block			
Balance as at 01 January 2012	86.9	42.7	129.6
Additions	–	0.2	0.2
Balance as at 31 December 2012	86.9	42.9	129.8
Balance as at 01 January 2013	**86.9**	**42.9**	**129.8**
Additions	**–**	**2.6**	**2.6**
Balance as at 31 December 2013	**86.9**	**45.5**	**132.4**
Amortisation			
Balance as at 01 January 2012	86.9	40.3	127.2
Amortisation for the year	–	1.3	1.3
Balance as at 31 December 2012	86.9	41.6	128.5
Balance as at 01 January 2013	**86.9**	**41.6**	**128.5**
Amortisation **for the year**	**–**	**1.2**	**1.2**
Balance as at 31 December 2013	**86.9**	**42.8**	**129.8**
Net Block			
As at 31 December 2012	–	1.3	1.3
As at 31 December 2013	**–**	**2.7**	**2.7**

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(Currency: Indian Rupees million)

10. Long-term loans and advances

	Non-Current portion		Current portion*	
	2013	2012	**2013**	2012
To parties other than related parties				
Capital advances (Unsecured and considered good)	**61.0**	1.1	**–**	–
Security deposits (Unsecured)				
considered good	**97.4**	83.4	**–**	–
considered doubtful	**4.0**	2.5	**–**	–
	101.4	85.9	**–**	–
Less: Provision for doubtful deposits	**4.0**	2.5	**–**	–
	97.4	83.4	**–**	–
Other loans and advances: (Unsecured and considered good)				
Cenvat credit receivable				
considered good	**91.4**	132.0	**75.0**	41.2
considered doubtful	**56.7**	–	**–**	–
	148.1	132.0	**75.0**	41.2
Less: Provision for doubtful cenvat credit receivable	**56.7**	–	**–**	–
	91.4	132.0	**75.0**	41.2
Others (Unsecured and considered good)				
Loans to employees	**6.1**	4.3	**3.4**	3.8
Prepaid gratuity	**–**	9.5	**–**	–
Customs duty receivable	**2.2**	2.2	**–**	–
Advance sales tax/vat receivable	**10.5**	11.4	**–**	–
Prepaid expenses	**0.8**	1.1	**30.6**	23.4
Other advances				
considered good	**14.3**	22.1	**64.7**	42.1
considered doubtful	**–**	–	**1.6**	–
	14.3	22.1	**66.3**	42.1
Less: Provision for doubtful advances	**–**	–	**1.6**	–
	14.3	22.1	**64.7**	42.1
Advance Income tax [net of provision for tax for certain years Rs. 3,469.9 million (2012: Rs. 3,241.9 million)]	**394.3**	321.3	**–**	–
To related parties (Unsecured and considered good)				
Loan to directors:	**0.3**	0.4	**0.1**	0.1
*** Amount disclosed under short-term loans and advance**				
	678.3	588.8	**173.8**	110.6

	2013	2012
11. Other non-current assets (unsecured and considered good)		
Bank deposits [due to mature after 12 months from the reporting date] (refer note 15)	**85.0**	–
Interest accrued but not due on term deposits	**1.5**	–
	86.5	–
12. Current investments		
(Valued at lower of cost or fair value)		
Non-Trade, current (Unquoted)		
In mutual funds:		
– LIC NOMURA MF Liquid Fund – Dividend Plan	**–**	20.0
– LIC NOMURA MF Liquid Fund – DIRECT – Dividend Plan	**18.5**	–
– Canara Robeco Liquid Fund – Regular Daily Dividend	**146.7**	71.1
– SBI Premier Liquid Fund – Regular Plan – Daily Dividend	**44.0**	85.0
– UTI Liquid Cash Plan Institutional – Daily Income Option – Re-investment	**–**	60.3
– UTI – Money Market Fund – Institutional Plan – Daily Dividend Re-investment	**33.7**	–
	242.9	236.4
13. Inventories		
(Valued at lower of cost and net realisable value)		
Raw materials [Includes stock-in-transit Rs. Nil (2012: Rs. 20.3 million)]	**403.7**	485.0
Packing materials	**90.3**	92.2
Work in process	**101.6**	87.7
Finished products	**426.8**	310.7
Stock-in-trade [Includes stock-in-transit Rs. 108.6 million (2012: Rs. 38.0 million)]	**491.4**	329.9
Stores and spares	**4.4**	4.1
	1,518.2	1,309.6

Inventory of finished products and stock-in-trade includes inventory of samples aggregating Rs. 3.4 million (2012: Rs. 16.0 million)

Notes to the financial statements
as at 31 December 2013

(Currency: Indian Rupees million)

		2013	2012
14. Trade receivables			
(Unsecured)			
Debts outstanding for a period exceeding six months from the date they become due for payment			
considered good		23.2	26.5
considered doubtful		19.3	45.7
		42.5	72.2
Less: Provision for doubtful receivable*		19.3	45.7
	(a)	23.2	26.5
Other trade receivables			
considered good		818.0	617.7
considered doubtful		2.1	1.3
		820.1	619.0
Less: Provision for doubtful receivables*		2.1	1.3
	(b)	818.0	617.7
	(a+b)	841.2	644.2
* Includes provision utilised during the year Rs. 30.7 million and additional provision made during the year Rs. 5.1 million			
15. Cash and bank balances			
Cash and cash equivalents:			
Cash on hand		0.1	0.1
Balances with banks			
– Current accounts		52.9	25.2
Other bank balances:			
– Unpaid dividend		12.7	13.7
– Deposit accounts*		1,811.2	1,890.8
		1,876.9	1,929.8
Details of bank balances/deposits			
* Bank deposits due to mature within 12 months of the reporting date included under "Other bank balances"		1,811.2	1,890.8
* Bank deposits due to mature after 12 months of the reporting date included under "Other non-current assets" (refer note 11)		85.0	–
		1,896.2	1,890.8
Unpaid Dividend of Rs.12.7 million (2012: Rs. 13.7 million), included in Bank balances, is not available for use by the Company.			
16. Short-term loans and advances			
Current portion of long-term loans and advances (refer note 10)			
To parties other than related parties		173.7	110.5
To related parties		0.1	0.1
Other short-term loans and advances			
To parties other than related parties			
Advances to employees (Unsecured)			
considered good		14.8	11.2
considered doubtful		1.2	1.2
		16.0	12.4
Less: Provision for doubtful advances		1.2	1.2
		14.8	11.2
Others (Unsecured and considered good)			
Advance for supply of goods		10.0	19.2
Excise duty refund		30.4	32.5
Vat receivable		2.6	1.7
To related parties (Unsecured and considered good)			
Short-term loan to bodies corporate			
– Millipore (India) Private Limited		–	220.0
		231.6	395.2
17. Other current assets			
(Unsecured, considered good)			
Interest accrued but not due on term deposits		64.5	66.4
Drawback receivable		5.4	3.3
		69.9	69.7

Notes to the financial statements

for the year ended 31 December 2013

(Currency: Indian Rupees million)

	2013	2012
18. Revenue from operations		
Sale of products		
Finished goods	**6,100.3**	5,225.3
Traded goods	**1,912.4**	1,582.0
Sale of products (gross)	**8,012.7**	6,807.3
Less: Excise duty	**283.1**	226.6
Sale of products (net)	**7,729.6**	6,580.7
Break-up of revenue from operations		
Finished goods (net of excise duty):		
Tablets/Capsules	**2,969.5**	2,427.0
Nasal Drops/Injections	**802.0**	656.1
Reagents/Pigments	**–**	6.2
Syrups/Ointments	**1,036.3**	948.9
Bulk Drugs	**1,009.4**	960.5
	5,817.2	4,998.7
Traded goods:		
Tablets/Capsules	**286.4**	239.4
Nasal Drops/Injections	**195.6**	169.8
Reagents/Pigments	**1,378.1**	1,156.9
Syrups/Ointments	**52.3**	15.9
	1,912.4	1,582.0
Other operating revenue:		
Income from shared services	**212.9**	227.0
Duty drawback on exports	**11.0**	9.9
Sale of scrap	**11.0**	7.9
Service tax credit	**–**	24.4
Indenting commission	**1.4**	0.6
Other income	**11.9**	22.3
	248.2	292.1
19. Other income		
Interest on:		
– Loans and bank deposits	**176.1**	165.1
– Delayed payments from customers	**5.3**	7.3
Dividend income on current investments	**19.3**	20.3
Net gain on account of foreign exchange fluctuations	**8.7**	4.4
Miscellaneous income [refer note 27]	**5.1**	4.9
	214.5	202.0
20. Cost of materials consumed		
Inventory of materials at the beginning of the year	**577.2**	363.2
Add: Purchases	**2,319.9**	2,008.4
Less: Inventory of materials at the end of the year	**494.0**	577.2
	2,403.1	1,794.4
Break-up of cost of materials consumed		
Isophytol	**297.6**	227.1
Vitamins	**368.2**	224.9
Active Ingredients	**318.4**	245.1
Organic Chemicals	**189.9**	168.6
Inorganic Chemicals	**66.1**	62.5
Others	**1,162.9**	866.2
	2,403.1	1,794.4
Break-up of inventory - materials		
Isophytol	**115.3**	155.5
Vitamins	**83.1**	90.9
Active Ingredients	**71.7**	76.6
Organic Chemicals	**47.0**	70.1
Inorganic Chemicals	**7.3**	8.0
Others	**169.6**	176.1
	494.0	577.2

Notes to the financial statements

for the year ended 31 December 2013

(Currency: Indian Rupees million)

	2013	2012
21. Purchase of stock-in-trade		
Purchase of stock-in-trade	**1,518.4**	1,160.9
	1,518.4	1,160.9
Break-up of purchases of stock-in-trade		
Tablets/Capsules	**147.4**	105.3
Nasal Drops/Injections	**71.9**	63.2
Reagents/Pigments	**1,246.9**	983.7
Syrups/Ointments	**52.2**	8.7
	1,518.4	1,160.9

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

		2013			2012		
		Opening Inventory	**Closing Inventory**	**(Increase)/ Decrease in inventory**	Opening Inventory	Closing Inventory	(Increase)/ Decrease in inventory
Traded Goods							
Tablets/Capsules		**39.0**	**49.2**	**(10.2)**	36.7	39.0	(2.3)
Nasal Drops/Injections		**14.4**	**12.8**	**1.6**	13.1	14.4	(1.3)
Reagents/Pigments		**273.2**	**408.1**	**(134.9)**	264.0	273.2	(9.2)
Syrups/Ointments		**3.3**	**21.3**	**(18.0)**	4.0	3.3	0.7
	(a)	**329.9**	**491.4**	**(161.5)**	317.8	329.9	(12.1)
Manufactured Goods							
Tablets/Capsules		**145.5**	**148.4**	**(2.9)**	143.6	145.5	(1.9)
Nasal Drops/Injections		**44.8**	**109.3**	**(64.5)**	98.2	44.8	53.4
Reagents/Pigments		**0.1**	*	**0.1**	*	0.1	(0.1)
Syrups/Ointments		**63.8**	**71.2**	**(7.4)**	106.7	63.8	42.9
Bulk Drugs		**56.5**	**97.9**	**(41.4)**	23.5	56.5	(33.0)
	(b)	**310.7**	**426.8**	**(116.1)**	372.0	310.7	61.3
Work-in-progress	(c)	**87.7**	**101.6**	**(13.9)**	73.4	87.7	(14.3)
Total	(a+b+c)	**728.3**	**1,019.8**	**(291.5)**	763.1	728.3	34.9

	2013	2012
23. Employee benefits		
Salaries, wages, bonus and allowances	**857.6**	719.0
Contribution to provident fund and other funds [refer note 28]	**51.6**	40.0
Gratuity [refer note 28]	**24.7**	6.7
Compensated absences [refer note 28]	**9.1**	12.3
Directors' commission	**1.8**	9.8
Staff welfare expenses	**64.8**	65.2
	1,009.6	853.0
24. Depreciatiom and amortisation		
Depreciation on tangible fixed assets	**99.5**	87.7
Amortisation on intangible fixed asset	**1.2**	1.3
	100.7	89.0

Notes to the financial statements

for the year ended 31 December 2013

(Currency: Indian Rupees million)

	2013	2012
25. Other expenses		
Stores and spare parts consumed	**30.0**	29.7
Power and fuel	**74.8**	68.1
Excise duty (net)	**38.2**	16.5
Third party processing charges	**365.4**	205.3
Repairs and maintenance:		
Building	**1.4**	2.7
Plant and Machinery	**8.0**	8.6
Others	**48.8**	47.0
Rates and taxes	**50.9**	36.4
Rent [refer note 27]	**104.6**	114.6
Printing, stationery, postage, telephone and electricity expenses	**52.5**	42.7
Legal and professional expenses [refer note 42]	**253.4**	216.2
Directors sitting fees	**0.8**	0.6
Travelling, conveyance and vehicle expenses [refer note 27]	**373.7**	312.8
Insurance	**9.1**	8.4
Research and development expenses [refer note 43]	**86.2**	50.1
Donations	**0.1**	*
Loss on sale of fixed assets	**1.4**	0.6
Packing, forwarding and freight	**164.6**	125.7
Clearing and forwarding agents commission	**62.9**	51.9
Selling agents commission	**8.3**	5.8
Sales promotion expenses	**579.6**	441.6
Provision for doubtful debts and advances (net)	**8.2**	11.8
Bad Debts written off (net)	**10.7**	4.8
Royalty (net)	**145.5**	125.5
Miscellaneous expenses	**90.4**	47.3
	2,569.5	1,974.7

		2013	2012
26. Earnings per share (EPS)			
Profit after tax attributable to equity shareholders	A	**558.8**	784.0
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	**33.7**	47.2
Face value per share (Rs.)		**10.00**	10.00

27. Lease accounting

The Company has entered into cancellable operating lease agreements for vehicles and office premises/godowns. The lease charges of Rs. 17.0 million (2012: Rs. 21.5 million) and Rs. 104.6 million (2012: Rs. 114.6 million) for vehicles and office premises/godowns respectively have been included under the sub-head Travelling, Conveyance and Vehicle Expenses and Rent respectively, which are shown under the head "Other Expenses" [refer note 25] in the Statement of profit and loss.

Operating Lease as Lessor:

The Company has leased out its flat. The lease term is twenty-four months. There is no escalation or renewal clause in the lease agreement and sub-letting is not permitted. The carrying amount of flat given on operating lease and depreciation thereon for the period are:

	2013	2012
Gross carrying amount	**12.3**	12.3
Accumulated depreciation	**2.7**	2.5
Net carrying amount	**9.6**	9.8
Depreciation for the period	**0.2**	0.2
The future minimum lease payments under non-cancellable operating leases are as follows:	**0.3**	2.3
Receivable within one year	**0.3**	2.0
Receivable between one and five years	**–**	0.3
Receivable after five years	**–**	–
Total	**0.3**	2.3

During the year, an amount of Rs. 2.0 million (2012: Rs. 1.7 million) has been recognised as rental income and has been included in other income under the head "Miscellaneous Income" [refer note 19] in the Statement of profit and loss.

Notes to the financial statements

for the year ended 31 December 2013

(Currency: Indian Rupees million)

28. Employee Benefits:

(i) Defined Benefit Plans

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

		Gratuity	
		2013	2012
I.	**Change in benefit obligation**		
	Liability at the beginning of the year	**122.3**	127.7
	Interest cost	**9.3**	9.7
	Current service cost	**8.9**	9.7
	Benefit paid	**(10.6)**	(23.3)
	Actuarial loss/(gain) on obligations	**18.1**	(1.5)
	Liability at the end of the year	**148.0**	122.3
II.	**Fair value of plan assets**		
	Fair Value of Plan Assets at the beginning of the year	**131.8**	119.6
	Expected return on plan assets	**12.4**	11.1
	Contributions	**11.6**	24.3
	Benefit paid	**(10.6)**	(23.3)
	Actuarial (loss)/gain on plan assets	**(0.8)**	0.1
	Fair value of plan assets at the end of the year	**144.4**	131.8
III.	**Actual return on plan assets**		
	Expected return on plan assets	**12.4**	11.1
	Actuarial (loss)/gain on plan assets	**(0.8)**	0.1
	Actual return on plan assets	**11.6**	11.2
IV.	**Amount Recognised in the Balance Sheet**		
	Liability at the end of the year	**(148.0)**	(122.3)
	Fair value of plan assets at the end of the year	**144.4**	131.8
	(Liabilities)/assets recognised in the balance sheet	**(3.6)**	9.5
V.	**Expenses recognised in the Statement of profit and loss**		
	Current service cost	**8.9**	9.7
	Interest cost	**9.3**	9.7
	Expected return on plan assets	**(12.4)**	(11.1)
	Net Actuarial loss/(gain) to be recognised	**18.9**	(1.6)
	Expense recognised in income statement	**24.7**	6.7
VI.	**Balance sheet reconciliation**		
	Opening (assets)/liabilities	**(9.5)**	8.1
	Expense as above	**24.7**	6.7
	Employer's contribution	**(11.6)**	(24.3)
	Liabilities/(assets) recognised in balance sheet	**3.6**	(9.5)

Notes to the financial statements

for the year ended 31 December 2013

(Currency: Indian Rupees million)

28. Employee Benefits (continued)

		2013	2012
VII.	**Actuarial assumptions: for the year**		
	Discount rate current	**8.7%**	8.2%
	Rate of return on plan assets current	**9.4%**	9.4%
	Salary escalation current	**9.0%**	9.0%

Note: Employer's contribution includes payments made of Rs. 10.6 million (2012: Rs. 23.3 million) towards Gratuity obligation by the Company directly to its past employees.

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

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

(ii) Five-year information:

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

	2013	2012	2011	2010	2009
Gratuity					
Present value of defined benefit obligation	**148.0**	122.3	127.7	111.8	96.1
Fair value of plan assets	**144.4**	131.8	119.6	108.7	98.9
(Deficit)/Surplus in plan	**(3.6)**	9.5	(8.1)	(3.1)	2.8
Experience adjustments on					
Plan liabilities loss/(gain)	**20.6**	(1.8)	4.1	8.6	(10.3)
Plan assets (loss)/gain	**(0.8)**	0.1	0.4	(0.2)	0.9

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

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

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

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

Amount of Rs. 36.2 million (2012: Rs. 31.0 million) is recognised as an expense and included in "Personnel costs" (Refer note 23) in the Statement of profit and loss.

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

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 2013.

As per the report of the independent actuary, there is no shortfall as at 31 December 2013 (2012: shortfall of Rs. Nil) that needs to be recorded by the Company.

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

Particulars	**2013**	2012
Present value of benefit obligation	**500.0**	433.9
Plan Assets at period end, at fair value	**515.0**	460.9
Liability recognised in Balance Sheet	**–**	–

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

Particulars	**2013**	2012
Discount rate	**8.8%**	8.0%
Expected rate of return on assets	**8.8%**	8.5%

(v) Compensated absences:

Compensated absences are recognised 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. 14.3 million (2012: Rs. 8.3 million) is expected to be paid in the exchange for the services rendered by employees and is recognised as an expense during the year.

Notes to the financial statements

for the year ended 31 December 2013

(Currency: Indian Rupees million)

29. Segment information

Information about primary business segments

Particulars	2013				2012			
	Pharmaceuticals	**Chemicals**	**Eliminations**	**Total**	Pharmaceuticals	Chemicals	Eliminations	Total
Revenue from operations								
External revenue	**5,462.2**	**2,515.6**	**–**	**7,977.8**	4,573.4	2,299.4	–	6,872.8
Inter-segment revenue	**–**	**147.7**	**(147.7)**	**–**	–	164.5	(164.5)	–
Total revenue	**5,462.2**	**2,663.3**	**(147.7)**	**7,977.8**	4,573.4	2,463.9	(164.5)	6,872.8
Result								
Segment result before allocation of corporate expenses	**600.8**	**259.7**	**–**	**860.5**	792.8	355.6	–	1,148.4
Less: corporate expenses	**85.6**	**26.6**	**–**	**112.2**	137.3	35.7	–	173.0
Net segment result	**515.2**	**233.1**	**–**	**748.3**	655.5	319.9	–	975.4
Other unallocated Income (net)	**–**	**–**	**–**	**134.2**	–	–	–	192.5
Profit before tax	**–**	**–**	**–**	**882.5**	–	–	–	1,167.9
Income tax expense	**–**	**–**	**–**	**(323.7)**	–	–	–	(383.9)
Profit after tax	**–**	**–**	**–**	**558.8**	–	–	–	784.0
Other information								
Segment assets	**1,984.9**	**1,826.3**	**–**	**3,811.2**	1,576.7	1,584.0	–	3,160.7
Unallocated corporate assets	**–**	**–**	**–**	**2,674.9**	–	–	–	2,782.0
Assets				**6,486.1**				5,942.7
Segment liabilities	**725.2**	**280.4**	**–**	**1,005.6**	790.3	189.3	–	979.6
Unallocated corporate liabilities	**–**	**–**	**–**	**250.2**	–	–	–	126.5
Liabilities				**1,255.8**				1,106.1
Capital expenditure – additions	**249.7**	**84.4**	**–**	**334.1**	92.5	43.6	–	136.1
Non-cash expenses (income) other than depreciation and amortisation	**23.5**	**0.6**	**–**	**24.1**	(8.6)	53.0	–	44.4
Depreciation and amortisation	**51.8**	**48.9**	**–**	**100.7**	41.5	47.5	–	89.0

Geographical segments information

	2013			2012		
	Domestic	**Export**	**Total**	Domestic	Export	Total
Revenue from operations	**7,217.9**	**759.9**	**7,977.8**	6,119.7	753.1	6,872.8
Segment asset	**3,727.7**	**83.5**	**3,811.2**	3,045.9	114.8	3,160.7
Capital expenditure	**334.1**	**-**	**334.1**	136.1	–	136.1

(a) Business segment:

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

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

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

(b) Geographical segment:

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

(c) Accounting policies:

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

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

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

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

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

(d) Revenue comprises of:

	2013	2012
Sales of products (Net)	**7,729.6**	6,580.7
Other operating revenue	**248.2**	292.1
	7,977.8	6,872.8

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(Currency: Indian Rupees million)

30. (a) Related party disclosures

Related parties where control exists

Ultimate Holding Company:

Merck KGaA, Germany through its subsidiaries listed below as Investing Associates holds 51.8% (2012: 51.8%) of the equity share capital, as at 31 December 2013.

Investing Associates:

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

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

Fellow Subsidiaries:

- Ares Trading S.A., Switzerland
- EMD Millipore Corporation, USA
- EMD Serono Inc., USA
- Heipha Dr. Müller GmbH, Germany
- Merck & Cie., Switzerland
- Merck (Private) Limited, Pakistan
- Merck Chemicals (Shanghai) Co., Limited, China
- Merck Chimie S.A.S., France
- Merck Inc., Philippines
- Merck KGaA & Co. Werk Spittal, Austria
- Merck Limited, Japan
- Merck Limited, South Korea
- Merck Limited, Taiwan
- Merck Limited, Thailand
- Merck Pte Ltd, Singapore
- Merck Sdn Bhd, Malaysia
- Merck Selbstmedikation GmbH, Germany
- Merck Serono Co., Limited, Japan
- Merck Serono S.A., Switzerland
- Merck Specialities Private Limited, India
- Merck spol. s r.o., Czech Republic
- Merck Vietnam Company, Vietnam
- Millipore India Private Limited, India
- Millipore S.A.S., France
- P.T. Merck Indonesia, Indonesia
- Seven Seas Limited, United Kingdom
- Suzhou Taizhu Technology Development Co., China

Key Managerial Personnel:

- Dr. Claus Boedecker (Managing Director) (Appointed on 1st August 2012)
- Dr. M. Dziki (Managing Director) (Resigned on 31st July 2012)
- Mr. N. Krishnan (Director) (Appointed on 22nd October 2012)
- Mr. R.L. Shenoy (Director) (Retired on 30th September 2012)
- Mr. P.H. Pimplikar (Director)

Notes to the financial statements

for the year ended 31 December 2013

(Currency: Indian Rupees million)

30. (b) Related party disclosures

	Transactions	Ultimate Holding Company	Investing Associates	Fellow Subsidiaries	Executive Directors & Relatives	Total
1.	Purchase of goods	**852.0**	**–**	**273.2**	**–**	**1,125.2**
		(576.7)	(–)	(288.1)	(–)	(864.8)
2.	Purchase of capital goods	**–**	**–**	**0.1**	**–**	**0.1**
		(–)	(–)	(3.1)	(–)	(3.1)
3.	Sale of goods	**56.7**	**–**	**456.7**	**–**	**513.4**
		(28.4)	(–)	(499.5)	(–)	(527.9)
4.	Services received	**315.1**	**–**	**72.4**	**–**	**387.5**
		(267.2)	(-)	(80.2)	(-)	(347.4)
5.	Services rendered	**1.4**	**–**	**175.9**	**–**	**177.3**
		(-)	(-)	(193.2)	(-)	(193.2)
6.	Reimbursement of expenses	**16.2**	**–**	**20.7**	**–**	**36.9**
		(22.2)	(–)	(28.1)	(–)	(50.3)
7.	Advances given	**237.1**	**–**	**37.9**	**–**	**275.0**
		(235.3)	(-)	(133.9)	(-)	(369.2)
8.	Loan given	**–**	**–**	**–**	**–**	**–**
		(-)	(-)	(180.0)	(-)	(180.0)
9.	Loan recovered	**–**	**–**	**220.0**	**–**	**220.0**
		(-)	(-)	(424.8)	(-)	(424.8)
10.	Interest income on loan	**–**	**–**	**6.3**	**–**	**6.3**
		(-)	(-)	(30.7)	(-)	(30.7)
11.	Dividend paid	**–**	**21.5**	**–**	**–**	**21.5**
		(-)	(-)	(-)	(-)	(-)
12.	Managerial remuneration*	**–**	**–**	**–**	**46.6**	**46.6**
		(-)	(-)	(-)	(60.2)	(60.2)
13	Balances payable as at year-end	**117.0**	**–**	**18.5**	**–**	**135.5**
		(56.2)	(–)	(30.0)	(–)	(86.2)
14	Balances receivable as at year-end	**6.4**	**–**	**6.6**	**–**	**13.0**
		(3.8)	(–)	(253.9)	(–)	(257.7)

Figures in brackets indicate those of the previous year.

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

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

	2013	2012
1. Purchase of goods		
Merck KGaA, Germany	**852.0**	576.7
EMD Millipore Corporation, USA	**87.9**	84.1
2. Purchase of capital goods		
Merck Specialities Private Limited, India	**–**	2.5
Millipore (India) Private Limited, India	**0.1**	0.6
3. Sale of goods		
Merck KGaA & Co. Werk Spittal, Austria	**147.1**	130.6
Merck KGaA, Germany	**56.7**	28.4
EMD Millipore Corporation, USA	**255.1**	274.6
4. Services received		
Merck KGaA, Germany	**315.1**	267.2
Merck Serono S.A., Switzerland	**53.4**	45.9

Notes to the financial statements

for the year ended 31 December 2013

(Currency: Indian Rupees million)

30. (b) Related party disclosures (continued)

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

		2013	2012
5.	Services rendered		
	Merck Specialities Private Limited, India	**169.3**	173.3
6.	Reimbursement of expenses		
	Merck KGaA, Germany	**16.2**	22.2
	Merck Selbstmedikation GmbH, Germany	**18.2**	–
	Merck Pte. Limited, Singapore	**1.7**	13.4
	EMD Millipore Corporation, USA	**–**	11.0
7.	Advances given		
	Merck KGaA, Germany	**237.1**	235.3
	EMD Millipore Corporation, USA	**28.5**	36.5
	Suzhou Taizhu Technology Development Co., China	**3.3**	824.5
8.	Loan given		
	Millipore (India) Private Limited, India	**–**	180.0
9.	Loan recovered		
	Merck Specialities Private Limited, India	**–**	284.8
	Millipore (India) Private Limited, India	**220.0**	140.0
10.	Interest on loan		
	Merck Specialities Private Limited, India	**–**	6.9
	Millipore (India) Private Limited, India	**6.3**	23.8
11	Dividend paid		
	Emedia Export Company mbh, Germany	**8.8**	–
	Merck Internationale Beteiligungen GmbH, Germany	**7.7**	–
	Chemitra GmbH, Germany	**4.9**	–
12.	Managerial Remuneration		
	Dr. Claus Boedecker	**28.2**	18.4
	Dr. M. Dziki	**–**	22.2
	Mr. N. Krishnan	**7.7**	2.6
	Mr. R.L. Shenoy	**–**	8.6
	Mr. P.H. Pimplikar	**10.7**	8.4
13.	Balances payable		
	Merck KGaA, Germany	**117.0**	56.2
	EMD Millipore Corporation, USA	**9.1**	8.5
14.	Balances receivable		
	Merck KGaA, Germany	**6.4**	3.8
	Merck Selbstmedikation GmbH, Germany	**6.3**	–
	Millipore (India) Private Limited, India	**–**	220.0

31. Contingent liabilities

(to extent not provided for)

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

	2013	2012
Income tax	**554.1**	719.0
State and Central Sales Tax, Entry Tax	**35.8**	40.5
Excise duty	**5.7**	5.7
Custom duty	**–**	1.3
	595.6	766.5

Notes to the financial statements

for the year ended 31 December 2013

(Currency: Indian Rupees million)

32. The Company has received a show cause notice from National Pharmaceutical Pricing Authority (NPPA) alleging that the Company had sold the product Polybion L Syrup 250ml without price approval for the period January 2008 until June 2009. The notice calculates Rs.128.0 million as the value of over charge equivalent to the entire sale value of said product for the referred period. The Company, based on the legal opinion believes that no provision is required to be made in the books of account.

33. Commitments

Estimated amount of contracts remaining to be executed on Capital Account, (net of capital advance Rs. 78.6 million; 2012: Rs. 1.1 million) and not provided for Rs. 50.2 million (2012: Rs. 26.3 million).

34. Unhedged foreign currency exposure

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

	2013 (Foreign Currency million)	**2013 (Rupees million)**	2012 (Foreign Currency million)	2012 (Rupees million)
Payables				
USD	**0.6**	**39.3**	1.0	56.3
EUR	**1.4**	**124.2**	1.1	84.5
GBP	*	**0.2**	*	0.2
CHF	*	**–**	*	0.9
		163.7		141.9
Receivables				
USD	**0.9**	**51.5**	1.6	83.8
EUR	**0.2**	**12.7**	0.2	10.9
		64.2		94.7

35. Dues to micro, small and medium enterprises

Under the Micro Small and Medium Enterprises Development Act, 2006, (MSMED) which came into force from October 2, 2006, certain disclosures are required to be made relating to transactions 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:

	2013	2012
Principal amount remaining unpaid to any supplier as at the year end	**4.3**	2.2
Interest due thereon	*	*
Amount of interest paid by the Company in terms of Section 16 of the MSMED, along with the amount of the payment made to the supplier beyond the appointed day during the accounting year	**–**	–
Amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under the MSMED	*	*
Amount of interest accrued and remaining unpaid at the end of the accounting year	*	*
Amount of further interest remaining due and payable even in the succeeding years, for the purpose of disallowance as a deductible expenditure under Section 23 of the MSMED Act, 2006	**–**	–

36. Details of imported and indigenous materials, components and spare parts consumed during the year

	2013		2012	
	Value	**% of Total consumption**	Value	% of Total consumption
Raw materials/Packing material				
Imported	**914.6**	**38.1%**	449.7	25.1%
Indigenous	**1,488.6**	**61.9%**	1,344.7	74.9%
	2,403.2	**100.0%**	1,794.4	100.0%
Spare parts				
Imported	**0.3**	**0.9%**	1.0	3.4%
Indigenous	**29.7**	**99.1%**	28.7	96.6%
	30.0	**100.0%**	29.7	100.0%

Notes to the financial statements

for the year ended 31 December 2013

(Currency: Indian Rupees million)

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

	2013	2012
Raw materials	789.5	708.2
Finished goods	1,030.6	800.7
Components, Stores and Spare Parts	0.6	0.6
Capital goods	63.8	30.2
Others	3.1	–
	1,887.6	1,539.7

38. Expenditure in foreign currency

	2013	2012
Royalty	145.5	125.5
Legal and Professional fees	161.4	151.7
Others (travelling, commission, employee benefits, etc.)	86.4	78.7
	393.3	355.9
Amounts disclosed above are on accrual basis		

39. Earnings in foreign exchange

	2013	2012
Exports of goods on F.O.B. basis	707.7	729.8
Indenting commission	1.4	0.6
Income from shared services	37.0	71.4
	746.1	801.8

40. Dividend remittances in foreign currency

	2013	2012
Year to which the dividend relates	2012	–
Amount remitted during the year	21.5	–
Number of non-resident shareholders	3	–
Number of shares on which dividend was due	8,599,224	–

41. Disclosure relating to provisions Personnel and other related provisions

The Company has made provisions for performance-based incentives which are expected to be paid in the next financial year.

Provisions in respect of sales tax matters:

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

Summary of the movement in the provisions is given below:

	Opening Balance	Additions during the year	Utilization	Reversals	Closing balance
Personnel and other related provisions	122.0	116.7	94.6	22.4	121.7
	(115.1)	(115.1)	(93.4)	(14.8)	(122.0)
Provisions in respect of sales tax/vat matters	68.4	8.6	10.1	–	66.9
	(56.1)	(12.3)	(–)	(–)	(68.4)
	190.4	125.3	104.7	22.4	188.6
	(171.2)	(127.4)	(93.4)	(14.8)	(190.4)

Notes to the financial statements

for the year ended 31 December 2013

(Currency: Indian Rupees million)

42. Remuneration to Auditors

	2013	2012
Audit fees	**1.5**	1.5
Taxation matters	**0.8**	0.7
Other matters	**1.7**	1.2
Out of pocket expenses	**0.2**	0.1
	4.2	3.5

43. Research and development

Research expenses incurred during the year and debited to the Statement of profit and loss aggregating to Rs. 89.8 million (2012: Rs. 53.5 million).

Of the above, the composition of Rs. 86.2 million (2012: Rs. 50.1 million) disclosed as "Research and Development Expenses" in Note 25 is set out below:

	2013	2012
Salaries, Wages, Bonus and Allowances	**17.7**	9.7
Contribution to Provident Fund and Other Funds	**0.7**	0.4
Contribution to Group Gratuity Scheme	**0.3**	0.1
Staff Welfare and Amenities	**0.6**	0.4
Stores and Spare Parts Consumed	**3.8**	2.2
Research Expenses	**44.3**	22.9
Others	**18.8**	14.4
	86.2	50.1

The balance amount of Rs. 3.6 million (2012: Rs. 3.4 million) represents depreciation on fixed assets used for Research and Development purposes.

44. Transfer pricing

Transactions with related parties are governed by transfer pricing regulations of the Indian Income-tax Act, 1961. The Company's international and domestic transactions with related parties are at arm's length as per the independent accountants report for the year ended 31 March 2013. Management believes that the Company's transactions with related parties post March, 2013 continue to be at arm's length and that the transfer pricing legislation will not have any impact on the financial statements, particularly on the amount of tax expense and that of provision for taxation.

45. Information with regards to other matter specified in Schedule VI to the Companies Act, 1956 is either nil or not applicable to the Company for the year.

46. Prior year figures

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

As per our report of even date attached

For B S R & Co. LLP
Chartered Accountants
Firm's Registration No. 101248W
Sadashiv Shetty
Partner
Membership No.: 048648

Mumbai,
31st January, 2014

Vikas R. Gupta
Company Secretary

For and on behalf of the Board of Directors of Merck Limited

S. N. Talwar *Chairman*

C. Boedecker *Managing Director*

H. C. H. Bhabha
E. A. Kshirsagar
N. Krishnan
P. H. Pimplikar
Directors

Financial Highlights : 2004–2013

		2004	2005	2006	2007	2008	2009	2010	2011	2012 ##	Change +/- in %	2013 ##
PROFIT & LOSS ACCOUNT SUMMARY												
Turnover	Rs. Mio.	3,766.0	3,964.6	3,294.9	3,148.3	3,894.6	4,731.1	5,090.8	5,575.7	6,580.7	17.5%	**7,729.6**
Operating and Other Income	"	138.2	183.7	967.2	395.0	477.1	432.1	433.7	488.8	494.1	-6.4%	**462.7**
	"	**3,904.2**	**4,148.3**	**4,262.1**	**3,543.3**	**4,371.7**	**5,163.2**	**5,524.5**	**6,064.5**	7,074.8	**15.8%**	**8,192.3**
Costs & Expenses												
Materials Cost	"	1,722.1	1,797.1	1,393.2	1,264.9	1,599.9	2,060.9	2,078.7	2,427.8	2,990.2	21.4%	**3,630.0**
Personnel Expenses	"	305.7	310.0	339.3	332.0	477.6	570.2	684.6	811.0	853.0	18.4%	**1,009.6**
Operating and Other Expenses	"	704.6	791.9	768.2	881.9	1,319.5	1,492.5	1,590.3	1,933.1	1,974.7	30.1%	**2,569.5**
Depreciation/Impairment loss (reversal)	"	86.0	77.5	64.4	65.9	57.3	75.1	213.8	(63.3)	89.0	13.1%	**100.7**
	"	**2,818.4**	**2,975.7**	**2,565.1**	**2,544.7**	**3,454.3**	**4,198.7**	**4,567.4**	**5,108.6**	5,906.9	23.8%	**7,309.8**
Profit Before Taxation	"	1,085.8	1,172.6	1,697.0	998.6	917.4	964.5	957.1	955.9	1,167.9	-24.4%	**882.5**
Provision for Taxation	"	375.9	384.7	363.5	310.4	287.3	309.7	325.3	319.1	383.9	-15.7%	**323.7**
Profit after Taxation	"	709.9	787.9	1,333.5	688.2	630.1	654.8	631.8	636.8	784.0	-28.7%	**558.8**
BALANCE SHEET SUMMARY												
Assets Employed												
Fixed Assets (Gross)	Rs. Mio.	1,128.1	1,152.2	1,153.9	1,168.2	1,405.8	1,482.9	1,536.0	1,679.4	1,783.8	10.4%	**1,969.3**
Fixed Assets (Net)	"	471.6	447.4	403.1	405.0	622.1	640.3	512.4	719.3	769.0	22.3%	**940.6**
Investments	"	1,252.8	1,406.7	2,480.7	2,339.7	1,529.3	238.2	201.8	227.4	236.4	2.7%	**242.9**
Current and Non-Current Assets (Net)	"	780.8	1,152.6	1,092.4	1,532.3	2,386.3	3,815.6	2,715.4	3,162.5	3,838.4	5.7%	**4,057.7**
Deferred Tax Assets (Net)	"	-	-	-	-	-	-	34.6	–	–	–	**–**
		2,505.2	**3,006.7**	**3,976.2**	**4,277.0**	**4,537.7**	**4,694.1**	**3,464.2**	**4,109.2**	4,843.8	**8.2%**	**5,241.2**
Financed by												
Share Capital	Rs. Mio.	168.6	168.6	168.6	168.6	168.6	166.0	166.0	166.0	166.0	0.0%	**166.0**
Reserves and surplus	"	2,313.2	2,812.7	3,761.7	4,060.4	4,345.3	4,506.9	3,298.2	3,934.8	4,670.6	8.4%	**5,064.3**
Shareholders' Funds	"	2,481.8	2,981.3	3,930.3	4,229.0	4,513.9	4,672.9	3,464.2	4,100.8	4,836.6	8.1%	**5,230.3**
Deferred Tax Liability (Net)	"	23.4	25.4	45.9	48.0	23.8	**21.2**	**–**	**8.4**	7.2	51.4%	**10.9**
	"	**2,505.2**	**3,006.7**	**3,976.2**	**4,277.0**	**4,537.7**	**4,694.1**	**3,464.2**	**4,109.2**	4,843.8	**8.2%**	**5,241.2**
OTHER INVESTOR INFORMATION												
Earnings per share	Rs.	42.1	46.7	79.1	40.8	37.4	39.0	38.1	38.4	47.2	-28.6%	**33.7**
Dividend	%	100.0	150.0	200.0	200.0	175.0	200.0	950.0	–	25.0	240.0%	**85.0**
Book value per share	Rs.	147.2	176.8	233.1	250.8	267.7	281.5	208.7	247.0	291.4	15.7%	**315.1**
Market value of share	High Rs.	598	590	639	500	460.0	634	1,006	760	714	-3.5%	**689**
	Low Rs.	301	375	425	372	260.0	293	566	553	555	-5.8%	**523**
No. of Shareholders		25,304	25,235	24,805	25,718	26,096.0	24,083	27,284	27,313	26,857	1.5%	**27,257**
No. of Employees		927	952	860	922	1,072	1,245	1,257	1,257	1,277	17.1%	**1,496**

as per revised Schedule VI

MERCK LIMITED

Registered Office: Shiv Sagar Estate ‘A’, Dr. Annie Besant Road, Worli, Mumbai-400 018.

PROXY FORM

I/We.. of ....

being a Member/Members of MERCK LIMITED hereby appoint ....

of.. or failing him/her ....

of.. as my/our Proxy to attend and vote for me/us and on my/our behalf at the FORTY-SEVENTH ANNUAL GENERAL MEETING of the Company to be held at **Sunville Banquets, 3rd Floor, Royal Room, 9, Dr. Annie Besant Road, Worli, Mumbai - 400 018 on Tuesday, 18 March, 2014 at 3.00 p.m.** and at any adjournment thereof.

Signed this.................................day of.. 2014.

Folio/Client ID No. ....Signature of Member/s.. ....

No. of Shares..

Affix Re. 1/- Revenue Stamp

N.B. (i) **This Proxy, to be effective should be deposited at the Registered Office of the Company not less than 48 hours before the commencement of the Meeting.**

(ii) **A Proxy need not be a Member of the Company.**

MERCK LIMITED

Registered Office: Shiv Sagar Estate ‘A’, Dr. Annie Besant Road, Worli, Mumbai-400 018.

ATTENDANCE SLIP

To be handed over at the entrance of Meeting Hall

I hereby record my presence at the FORTY-SEVENTH ANNUAL GENERAL MEETING of the Company at **Sunville Banquets, 3rd Floor, Royal Room, 9, Dr. Annie Besant Road, Worli, Mumbai - 400 018 on Tuesday, 18 March, 2014 at 3.00 p.m.**

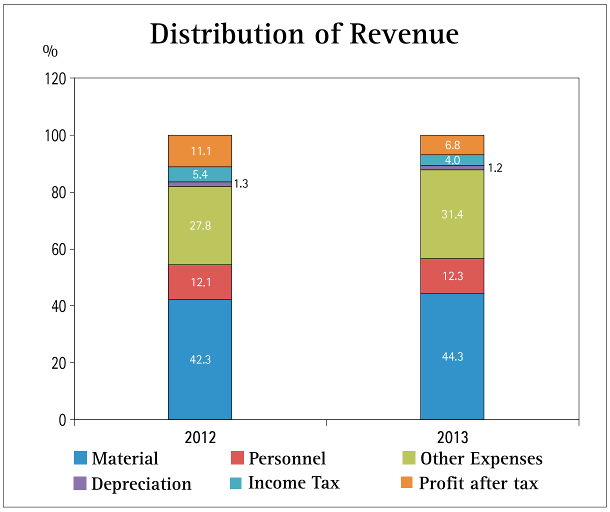
Name of the Member...

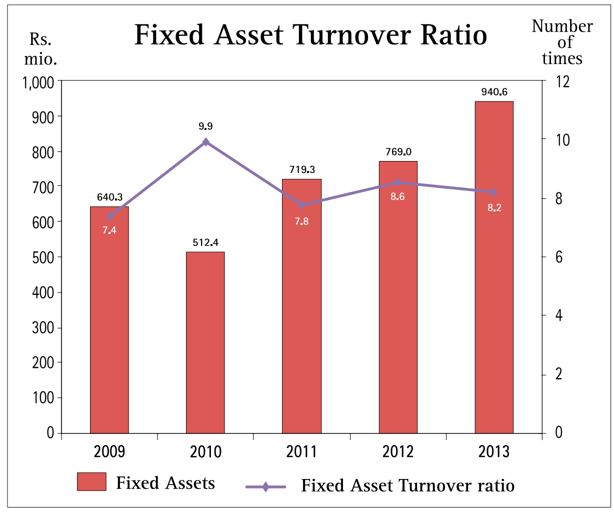
Folio/Client ID No. ....

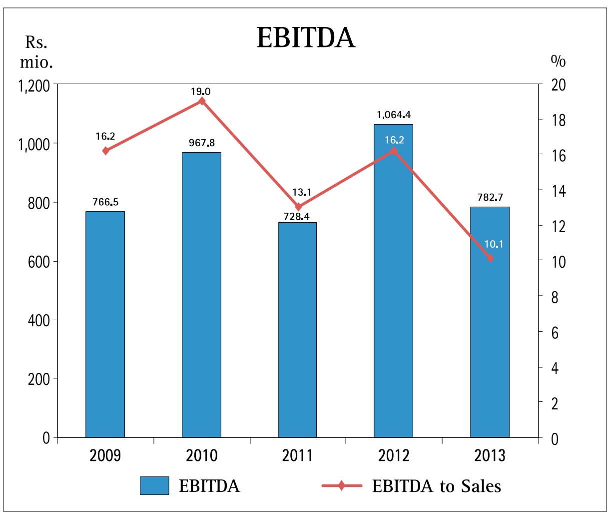
Name of the Proxy/Representative (In Block Letters)
(To be filled in if the Proxy/Representative
attends instead of the Member) ....

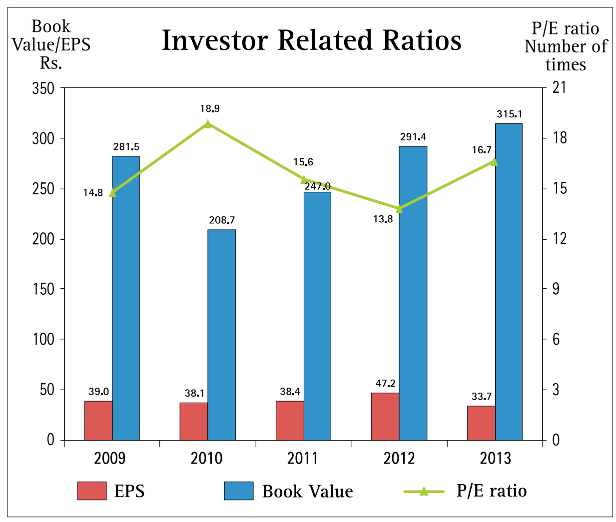
SIGNATURE OF THE MEMBER OR PROXY/REPRESENTATIVE..

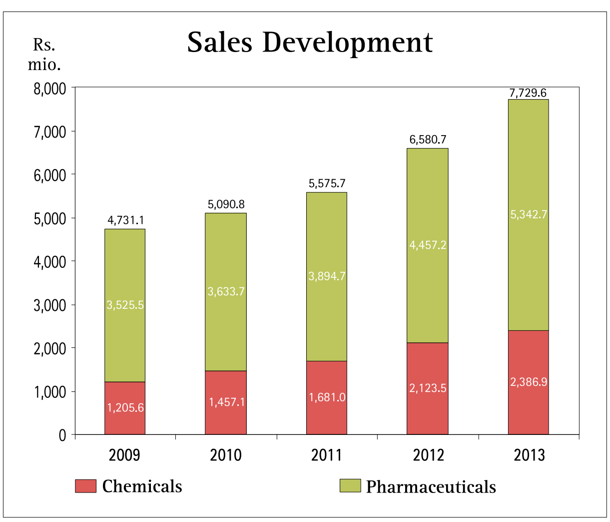
PERFORMANCE INDICATORS

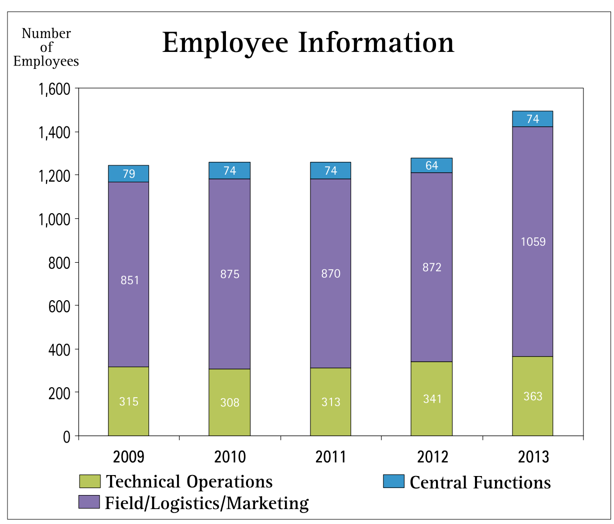












Merck Limited
Shiv Sagar Estate 'A'
Dr. Annie Besant Road
Worli, Mumbai 400018

www.merck.co.in

MERCK

Merck Limited-Dr. A. B. Rd, Worli,-400 018 Mumbai

31st January 2014

Date
Division/Dept.
Care of
Phone
Fax
E-mail

Your letter
Your ref.

FORM A

(Pursuant to Clause 31 of the Listing Agreement and SEBI circular no. CIR/ CFD/ DIL/ 7/ 2012 dated August 13, 2012)

Covering letter of the annual audit report (unqualified report) to be filed with the Stock Exchange

1.	Name of the Company	Merck Limited
2.	Annual financial statements for the year ended	31st December 2013
3.	Type of Audit observation	Unqualified as per the enclosed Audit report dated 31st January 2014.
4.	Frequency of observation	Not applicable

For and on behalf of the Board of Directors of Merck Limited

Dr. Claus-Dieter Boedecker
Managing Director

Krishnan Narayanaswamy
CFO & Director - Finance

S. N. Talwar
Chairman – Audit Committee

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

Sadashiv Shetty
Partner
Membership No: 048648

Enclosure: Audit report dated 31st January, 2014 on financial results of Merck Limited pursuant to clause 41 of Listing Agreement.

Merck Limited.
Shiv Sagar Estate 'A',
Dr. A. B. Road, Worli, 400 018 Mumbai, India.
Phone 91 22 66609000
Fax 91 22 24950307
www.merck.co.in

B S R & Co. LLP

Chartered Accountants

1st Floor, Lodha Excelus
Apollo Mills Compound
N. M. Joshi Marg, Mahalakshmi
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Auditors' Report on financial results of Merck Limited pursuant to Clause 41 of Listing Agreement

To Board of Directors of
Merck Limited

We have audited the accompanying annual financial results of Merck Limited ('the Company') for the year ended 31 December 2013, attached herewith, being submitted by the Company pursuant to the requirement of clause 41 of the Listing Agreement, except for the disclosures regarding 'Public Shareholding' and 'Promoter and Promoter Group Shareholding' which have been traced from disclosures made by the management and have not been audited by us. Attention is drawn to the fact that the figures for the quarter ended 31 December 2013 and the corresponding quarter ended in the previous year as reported in these financial results are the balancing figures between audited figures in respect of the full financial year and the published year to date figures up to the end of the third quarter of the relevant financial year. Also the figures up to the end of the third quarter had only been reviewed and not subjected to audit.

These financial results have been prepared on the basis of the annual financial statements and reviewed quarterly financial results upto the end of the third quarter which are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial results based on our audit of the annual financial statements which have been prepared in accordance with the recognition and measurement principles laid down in the Companies (Accounting Standards) Rules, 2006 as per Section 211(3C) of the Companies Act, 1956 which as per a clarification issued by the Ministry of Corporate Affairs continue to apply under section 133 of the Companies Act, 2013 (which has superseded section 211(3C) of the Companies Act, 1956 w.e.f. 12 September 2013) and other accounting principles generally accepted in India and in compliance with Clause 41 of the Listing Agreement.

We conducted our audit in accordance with the auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial results are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts disclosed as financial results. An audit also includes assessing the accounting principles used and significant estimates made by management. We believe that our audit provides a reasonable basis for our opinion.

In our opinion and to the best of our information and according to the explanations given to us these financial results:

(i) are presented in accordance with the requirements of clause 41 of the Listing Agreement in this regard; and

(ii) give a true and fair view of the net profit and other financial information for the year ended 31 December 2013

B S R & Co. (a partnership firm with Registration No. BA61223) converted into B S R & Co. LLP (a Limited Liability, Partnership with LLP Registration No. AAB-8181)

Registered Office:
1st Floor, Lodha Excelus
Apollo Mills Compound
N.M. Joshi Marg, Mahalakshmi

Auditors' Report on financial results of Merck Limited pursuant to Clause 41 of Listing Agreement *(Continued)*

Merck Limited

Further, we also report that we have, on the basis of the books of account and other records and information and explanations given to us by the management, also verified the number of shares as well as percentage of shareholdings in respect of aggregate amount of public shareholdings, as furnished by the Company in terms of clause 35 of the Listing Agreement and found the same to be correct.

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

Sadashiv Shetty
Partner
Membership No: 048648

Mumbai
31 January 2014