



ANNUAL REPORT 2000

MERCK
E. MERCK (INDIA) LIMITED



Cover : Success begins with the employees and each employee in E. Merck (India) Limited is at the Center of Merck Excellence — THAT'S ME.

Coated with Iriodin[®] pearl lustre pigments manufactured by Merck

THIRTY-FOURTH ANNUAL REPORT AND STATEMENT OF ACCOUNTS 2000

Board of Directors**S. N. Talwar***Chairman***HG. Brötz***Managing Director***Michael Becker***(from 21-7-2000)***H. C. H. Bhabha****S. M. Gupte****W. Hönn***(upto 30-6-2000)***Vijay Kumar****V. D. Narkar***(from 18-12-2000)***G. V. S. Rayudu****E. Reiber***(upto 8-2-2001)***R. L. Shenoy***Director & Company Secretary***Auditors****A. F. Ferguson & Co.****Bankers****Canara Bank****Union Bank of India****Deutsche Bank AG****Citibank N.A.****HDFC Bank Ltd.****Standard Chartered****Grindlays Bank Ltd.****ICICI Bank Ltd.****Legal Advisors****Crawford Bayley & Co.****Contents Page No.****Financial Highlights 2****Notice 3****Directors' Report 5****Corporate Governance 12****General Shareholder Information 15****Management Discussion and Analysis Report 17****Report of the Auditors 19****Balance Sheet 22****Profit and Loss Account 23****Schedules 24****Cash Flow Statement 38****Registered Office****Shiv Sagar Estate 'A'**
Dr. Annie Besant Road
Worli, Mumbai 400 018**Factories****Plot Nos. 1 & 1A**
MIDC Estate
Taloja (Maharashtra)**Plot No. 11/1,**
Usgaon (Goa)

Financial Highlights - 1991-2000

		1991	1992	1993	1994	1995	1996	1997	1998	1999	Change	2000
PROFIT & LOSS ACCOUNT SUMMARY												
											+/- in %	
Turnover	Rs. mio	960.2	1,196.4	1,214.8	1,516.0	1,762.7	2,054.6	2,221.3	2,591.2	2,779.6	12.8	3,134.1
Other Income	"	18.8	28.5	34.8	39.6	45.3	36.0	41.4	61.0	65.0	3.4	67.2
Total	"	979.0	1,224.9	1,249.6	1,555.6	1,808.0	2,090.6	2,262.7	2,652.2	2,844.6	12.5	3,201.3
Costs & Expenses												
Materials consumed	"	546.3	659.1	645.3	760.7	918.2	1,088.4	1,081.6	1,339.4	1,435.6	13.5	1,629.8
Personnel cost	"	112.9	140.2	166.6	221.8	227.3	258.7	308.7	359.5	479.5	-23.8	365.6
Interest	"	89.6	128.8	96.9	61.9	71.1	65.0	52.0	47.2	33.4	-31.1	23.0
Other expenses	"	232.7	250.7	255.6	319.2	344.5	388.0	473.9	480.7	529.4	10.8	586.4
Depreciation	"	19.5	28.4	29.6	29.1	34.8	40.8	47.9	69.1	82.9	-12.5	72.5
Total	"	1,001.0	1,207.2	1,194.0	1,392.7	1,595.9	1,840.9	1,964.1	2,295.9	2,560.8	4.5	2,677.3
Profit before taxation	"	-22.0	17.7	55.6	162.9	212.1	249.7	298.6	356.3	283.8	84.6	524.0
Provision for taxation	"	-8.0	0.7	9.0	75.7	78.4	86.2	103.8	86.4	102.5	35.2	138.6
Profit after taxation	"	-14.0	17.0	46.6	87.2	133.7	163.5	194.8	269.9	181.3	112.6	385.4
BALANCE SHEET SUMMARY												
Assets Employed												
Fixed Assets (Gross)	Rs. mio	511.9	530.3	526.6	545.7	605.4	703.3	762.2	980.3	1,017.5	22.6	1,247.5
Fixed Assets (Net)	"	426.6	417.1	384.8	385.2	423.8	479.2	600.6	644.9	653.4	24.1	810.6
Investments	"	9.2	9.2	9.2	0.1	*	*	*	—	—	—	—
Current Assets (Net)	"	246.9	414.4	274.1	390.8	473.7	445.7	496.5	493.5	521.2	6.1	553.2
Total	"	682.7	840.7	668.1	776.1	897.5	924.9	1,097.1	1,138.4	1,174.6	16.1	1,363.8
Financed by												
Share Capital	Rs. mio	89.1	163.3	168.6	168.6	168.6	168.6	168.6	168.6	168.6	—	168.6
Reserves and Surplus	"	34.0	46.5	180.8	234.4	330.9	444.4	579.9	781.2	883.3	30.1	1,149.6
Shareholders' Funds	"	123.1	209.8	349.4	403.0	499.5	613.0	748.5	949.8	1,051.9	25.3	1,318.2
Borrowings	"	559.6	630.9	318.7	373.1	398.0	311.9	348.6	188.6	122.7	-62.8	45.6
Total	"	682.7	840.7	668.1	776.1	897.5	924.9	1,097.1	1,138.4	1,174.6	16.1	1,363.8
OTHER INVESTOR INFORMATION												
Earnings per share	Rs.	-1.6	1.9	2.8	5.2	7.9	9.7	11.6	16.0	10.8	112.0	22.9
Dividend	%	10.0	5.0	15.0	20.0	22.0	27.0	32.0	37.0	42.0	42.9	60.0
Book value per share	Rs.	13.8	15.2	20.7	23.9	29.6	36.4	44.4	56.3	62.4	25.3	78.2
Market value per share	High Rs.	170	240	185	300	225	230	253	398	940	-26.5	691
	Low Rs.	58	87	78	150	141	117	155	177	371	-32.3	251
No. of Shareholders		21,440	23,463	26,731	28,431	29,607	28,738	28,238	27,362	24,863	7.9	26,815
No. of Employees		1,991	2,098	2,004	1,848	1,735	1,762	1,744	1,708	1,559	-1.5	1,535

* Less than Rs. 50,000/-.

Notice of Annual General Meeting

NOTICE is hereby given that the Thirty-fourth Annual General Meeting of the Members of E. Merck (India) Limited will be held at Patkar Hall, S.N.D.T. University, 1, Nathibai Thackersey Road, Mumbai 400 020 on Wednesday, 27th June, 2001 at 3.00 p.m. to transact the following business:

1. To receive and adopt the audited Profit and Loss Account for the year ended 31st December, 2000, the Balance Sheet as on that date and the Reports of the Board of Directors and Auditors.
2. To declare final dividend for the year 2000.
3. To appoint a Director in place of Dr. S. M. Gupte who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. Homi 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.

AS SPECIAL BUSINESS

6. To appoint Dr. Michael Becker as a Director of the Company.
7. To appoint Mr. V. D. Narkar as a Director of the Company.

By Order of the Board of Directors
R. L. Shenoy
Director &
Company Secretary

Mumbai, 27th April, 2001

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

NOTES

1. The relevant Explanatory Statement pursuant to Section 173 of the Companies Act, 1956, in respect of the Special Business at Item Nos. 6 and 7 of the Notice is annexed.
2. 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.
3. For the convenience of Members, an Attendance Slip is annexed to the Proxy Form. Members are requested to fill in and affix their signatures at the space provided therein and hand over the Attendance Slip at the entrance of the place of Meeting. Proxy/Representative of a Member should mark on the Attendance Slip as a "Proxy" or "Representative", as the case may be.
4. Members are requested to encash the dividend warrants immediately on receipt, as dividends remaining unclaimed for seven years are now required to be transferred to the "Investor Education and Protection Fund" to be established by the central government under the amended provisions of the Companies Act, 1956. Members shall not be able to claim any unpaid dividend from the said Fund or the Company thereafter.
5. Members requiring any information on the Accounts may write to the Company at least seven days before the date of the Meeting.
6. Members may, please bring to the Meeting the copy of the Annual Report received by them, since as a measure of economy, copies of the Annual Report will not be distributed at the place of Meeting.

Explanatory Statement

PURSUANT TO SECTION 173 (2) OF THE COMPANIES ACT, 1956

ITEM NO. 6

Dr. Michael Becker was appointed as an Additional Director of the Company under Article 114 of the Articles of Association of the Company, read with Section 260 of the Companies Act, 1956. Dr. Becker holds office only upto the forthcoming Annual General Meeting.

Notice has been received from a Member under Section 257 of the Companies Act, 1956 together with the requisite deposit proposing Dr. Becker as a candidate for the office of the Director.

Dr. Michael Becker is on the Board of Merck KGaA and has legal and finance background. Before joining Merck KGaA, Dr. Becker held senior positions in Knoll Pharma in UK and BASF in Germany besides other companies in Spain and Indonesia.

The Board commends the appointment of Dr. Becker as a Director for your approval.

Except Dr. Becker, none of the other Directors is interested in the Resolution.

ITEM NO. 7

Mr. V. D. Narkar was appointed as an Additional Director of the Company under Article 114 of the Articles of Association of

the Company, read with Section 260 of the Companies Act, 1956. Mr. V. D. Narkar holds office only upto the forthcoming Annual General Meeting.

Notice has been received from a Member under Section 257 of the Companies Act, 1956, together with the requisite deposit proposing Mr. V. D. Narkar as a candidate for the office of the Director.

Mr. V. D. Narkar is a practising Chartered Accountant and has more than 40 years of experience in auditing, taxation and other management consultancy services.

The Board commends the appointment of Mr. V. D. Narkar as a Director for your approval.

Except Mr. V. D. Narkar, none of the other Directors is interested in the Resolution.

By Order of the Board of Directors
R. L. Shenoy
Director &
Company Secretary

Mumbai, 27th April, 2001

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

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Directors' Report

The Directors have pleasure in presenting the Thirty-fourth Annual Report of your Company and the Audited Accounts for the year ended 31st December, 2000.

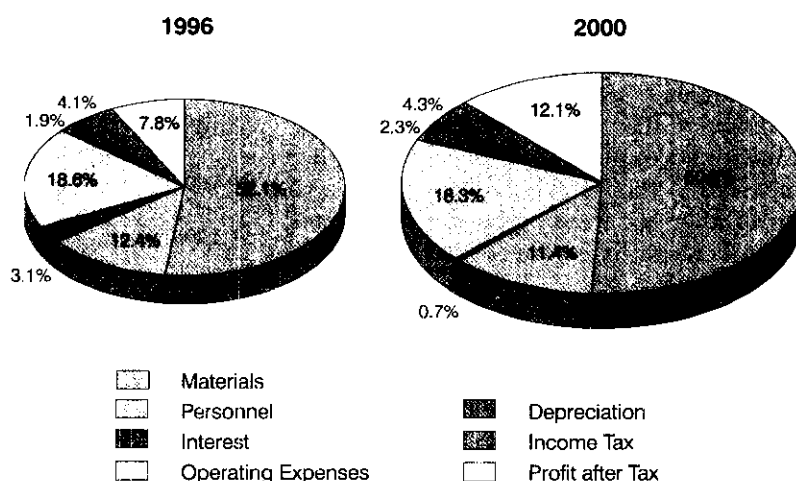
FINANCIAL PERFORMANCE

	(Rs. mio)	
	2000	1999
SALES	3,134.1	2,779.6
OTHER INCOME	67.2	65.0
PROFIT BEFORE INTEREST, DEPRECIATION, EXTRA-ORDINARY ITEMS AND TAXATION	628.4	514.7
Interest	23.0	33.4
Depreciation	72.5	82.9
Voluntary Retirement Scheme Payments	8.9	114.6
Provision for Taxation (net)	138.6	102.5
PROFIT AFTER TAX	385.4	181.3
Profit and Loss Account Balance brought forward	63.1	87.2
PROFIT AVAILABLE FOR APPROPRIATION	448.5	268.5
Appropriations :		
Transfer to General Reserve	219.6	126.2
Interim Dividend	42.2	-
Proposed Final Dividend	59.0	70.8
Tax on Interim and Final Dividend	17.9	8.4
Balance carried to the Balance Sheet	109.8	63.1

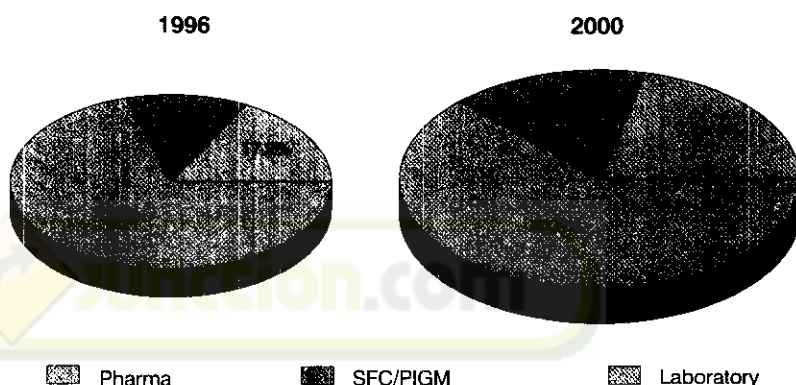
DIVIDEND

An interim dividend of Rs. 2.50 per Equity Share for the Accounting Year 2000 was paid in May 2000. In view of the good performance of the Company, as is evident from the profit after tax, the Directors are pleased to recommend for your consideration, a final dividend of Rs. 3.50 per Equity Share. The total dividend for the year 2000 paid and proposed therefore works out to Rs. 6.00 per Equity Share as against Rs. 4.20 per Equity Share, paid last year.

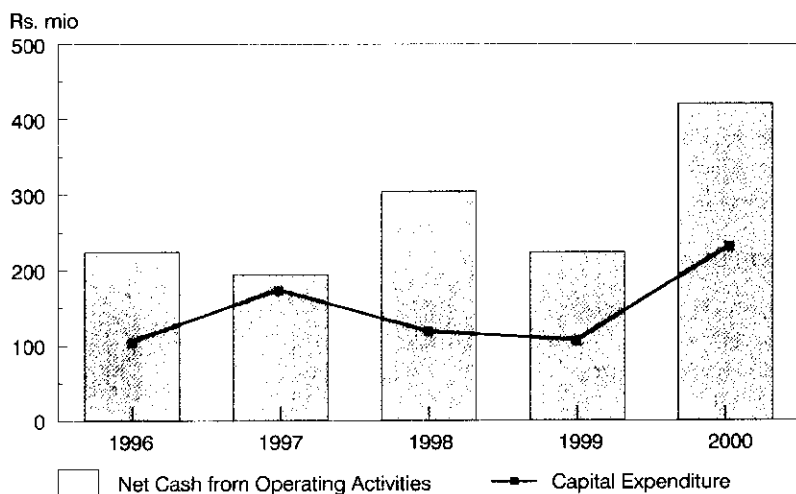
Distribution of Revenue



Sales Composition



Cash Generated & Capital Expenditure



OPERATIONS

The turnover of the Company of Rs. 3,134.1 mio was higher by 12.8% over the turnover achieved last year. Because of the higher realisations, re-engineering process of the various operations of the Company coupled with the cost cutting measures, the profit before tax and profit after tax were higher by 84.6% and 112.6% respectively, over the last year's performance.

ACCOUNTS:

Directors' Responsibility Statement

The Directors confirm that:

- in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- the accounting policies have been consistently applied and reasonable and prudent judgement and estimates have been made so as to give a true and fair view of the state of affairs of the Company as at 31st December, 2000 and the Profit and Loss for the year ended 31st December, 2000;
- proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 has been taken including that for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- the annual accounts have been prepared on a going concern basis.

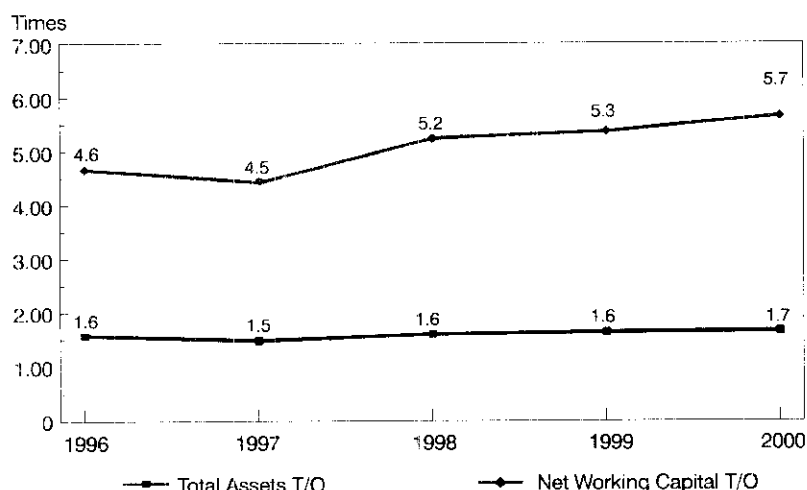
EXPORTS

The exports during the year amounted to Rs. 154.3 mio as against Rs. 139.3 mio achieved in the previous year.

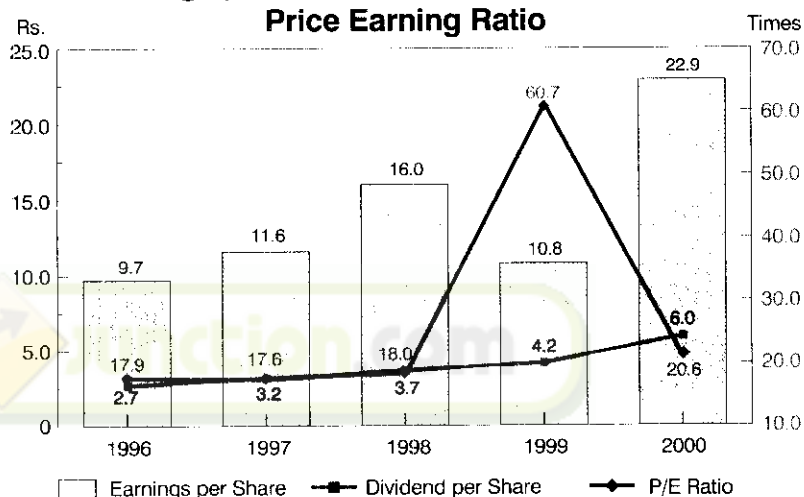
FIXED DEPOSITS

As on 31st December, 2000, the Company has refunded all the deposits that matured and were claimed by the depositors. Deposits amounting to Rs. 0.58 mio due for repayment were unclaimed as on 31st December, 2000. A sum of Rs. 0.015 mio has, since been claimed and repaid.

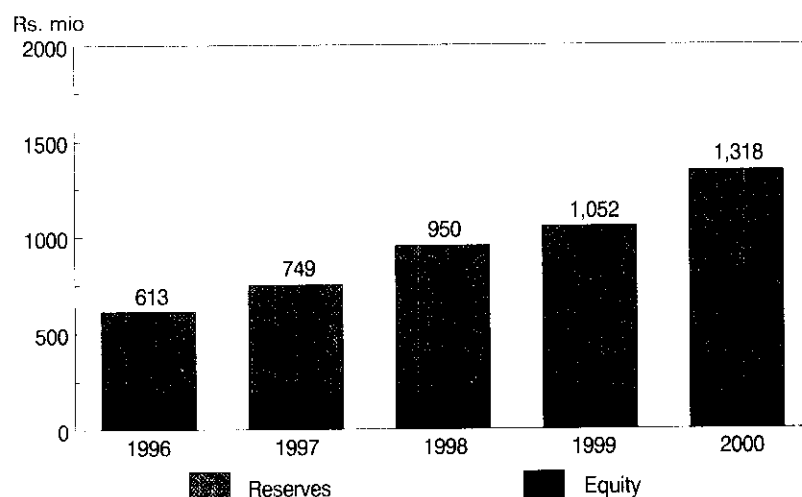
Turnover Ratios



Earnings per Share, Dividend per Share and Price Earning Ratio



Growth in Network



DIRECTORS

Mr. W. Hönn and Mr. E. Reiber resigned as Directors of the Company, with effect from 1st July, 2000 and 9th February, 2001 respectively, consequent to their retirement from the services of Merck KGaA. The Board places on record, its appreciation of the support, guidance and the invaluable contribution made by both Mr. Hönn and Mr. Reiber to the progress of the Company.

Dr. Michael Becker and Mr. V. D. Narkar were appointed as Additional Directors of the Company on 21st July, 2000 and 18th December, 2000 respectively. Both Dr. Becker and Mr. Narkar will hold office till the conclusion of the forthcoming Annual General Meeting.

Dr. S. M. Gupte and Mr. Homi C. H. Bhabha will retire by rotation and being eligible offer themselves for re-appointment.

The relevant Resolutions relating to these appointments forming part of the Notice of the Annual General Meeting are placed for your approval.

AUDITORS

The Company's Auditors, Messrs. A. F. Ferguson & Co., retire at the conclusion of the forthcoming Annual General Meeting and are eligible for re-appointment.

COST AUDIT

Messrs S. S. Mani & Co. have been appointed to conduct the cost audit of the accounts maintained by the Company in respect of Bulk Drugs and Formulations, for the year ended 31st December, 2000.

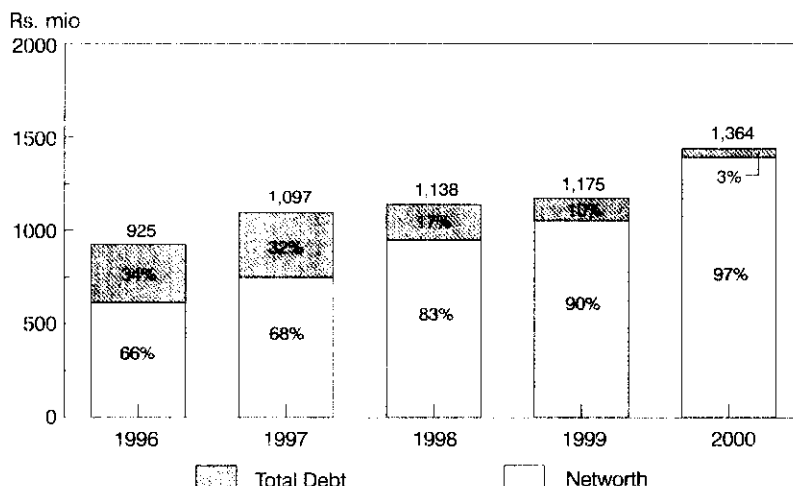
EMPLOYEES

Industrial relations in the Company continued to be cordial as in the past. During the year, 14 employees opted for voluntary retirement. The total number of employees as on 31st December, 2000 was 1535.

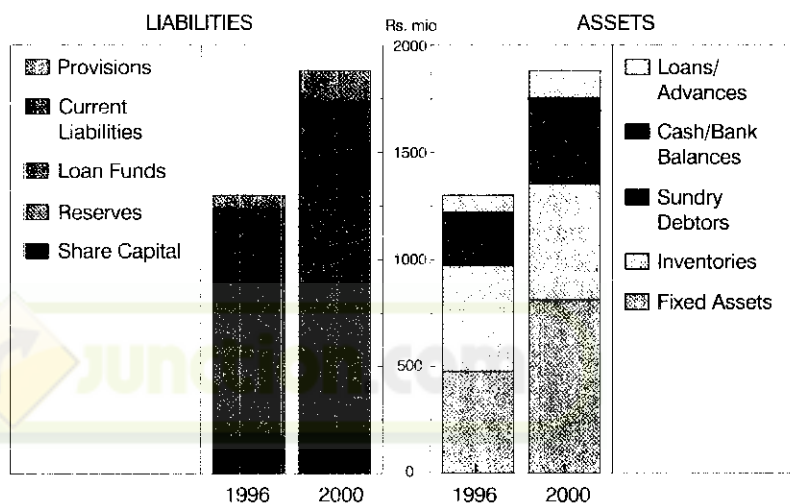
The settlement with the Employees' Union at Goa expired on 31st December, 2000. The negotiations for fresh settlement have started and the Company is hopeful of an early settlement.

The information as per Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees)

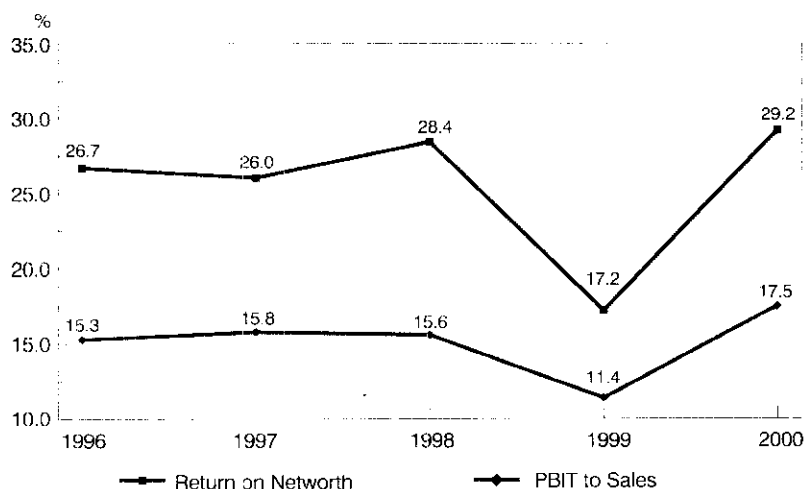
Total Debt to Network Ratio



Balance Sheet



Percentage Performance to Network and Sales



Rules, 1975 and Section 217 (1) (e) of the said Act read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 is annexed to and forms part of this Report.

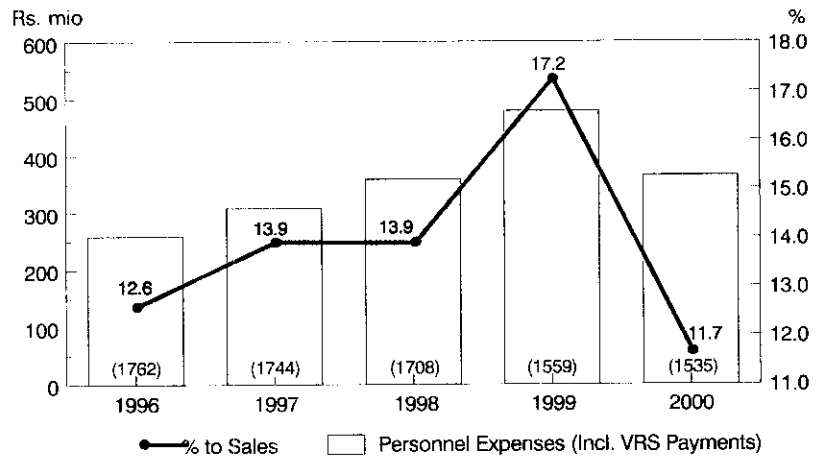
ADDITIONAL INFORMATION REQUIRED UNDER THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF THE BOARD OF DIRECTORS) RULES, 1988.

The particulars relating to conservation of energy and technology absorption have been given in the annexures to the Report.

A lot of attention has been paid to improve export performance of the Company. Apart from the efforts of Company's agents who promote the Company's products outside India, the Company's executives travel to explore foreign markets.

During the year, foreign exchange outgo was to the extent of Rs. 671.0 mio (which includes import of raw materials to the extent of Rs. 236.7 mio) while foreign exchange earned was Rs. 178.1 mio, the details of which have been stated under Item Nos. 13(d) and 15(i), (ii) and (iii) of the Notes annexed to the Accounts.

Employee Information



Figures in bracket indicate number of Employees.

CORPORATE GOVERNANCE

A report on the Corporate Governance Code is annexed.

On behalf of the Board of Directors

S. N. Talwar
Chairman

Mumbai, 9th February, 2001

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