

ANNUAL REPORT 2001



E. MERCK (INDIA) LIMITED

THIRTY-FIFTH ANNUAL REPORT AND STATEMENT OF ACCOUNTS 2001

Board of Directors

S. N. Talwar

Chairman

HG. Broetz

Managing Director

Michael Becker

T. Schreckenbach

(from 12-12-2001)

H. C. H. Bhabha

S. M. Gupte

Vijay Kumar

(upto 5-11-2001)

V. D. Narkar

G. V. S. Rayudu

R. L. Shenoy

Auditors

A. F. Ferguson & Co.

Company Secretary

K. J. Mallya

Bankers

Canara Bank

Union Bank of India

Deutsche Bank AG

Citibank N.A.

Standard Chartered Bank

ICICI Bank Ltd.

HDFC Bank Ltd.

Legal Advisors

Crawford Bayley & Co.

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Registered Office

Shiv Sagar Estate 'A'

Dr. Annie Besant Road

Worli, Mumbai 400 018

Factories

Plot Nos. 1 & 1A

MIDC Estate

Taloja 410 208

Maharashtra

Plot No. 11/1,

Usgaon 403 407

Goa

Financial Highlights - 1992-2001

| | | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | Change | 2001 |
|---|----------|---------|---------|---------|---------|---------|---------|---------|---------|---------|----------|----------------|
| | | | | | | | | | | | +/- in % | |
| PROFIT & LOSS ACCOUNT SUMMARY | | | | | | | | | | | | |
| Turnover | Rs. mio | 1,196.4 | 1,214.8 | 1,516.0 | 1,762.7 | 2,054.6 | 2,221.3 | 2,591.2 | 2,779.6 | 3,134.1 | 8.0 | 3,384.7 |
| Other Income | " | 28.5 | 34.8 | 39.6 | 45.3 | 36.0 | 41.4 | 61.0 | 65.0 | 61.6 | 37.5 | 84.7 |
| Total | " | 1,224.9 | 1,249.6 | 1,555.6 | 1,808.0 | 2,090.6 | 2,262.7 | 2,652.2 | 2,844.6 | 3,195.7 | 8.6 | 3,469.4 |
| Costs & Expenses | | | | | | | | | | | | |
| Materials cost | " | 659.1 | 645.3 | 760.7 | 918.2 | 1,088.4 | 1,081.6 | 1,339.4 | 1,435.6 | 1,624.2 | 4.1 | 1,690.3 |
| Personnel expenses | " | 140.2 | 166.6 | 221.8 | 227.3 | 258.7 | 308.7 | 359.5 | 479.5 | 365.6 | 6.9 | 390.8 |
| Interest | " | 128.8 | 96.9 | 61.9 | 71.1 | 65.0 | 52.0 | 47.2 | 33.4 | 23.0 | -75.7 | 5.6 |
| Other expenses | " | 250.7 | 255.6 | 319.2 | 344.5 | 388.0 | 473.9 | 480.7 | 529.4 | 586.4 | 11.7 | 654.8 |
| Depreciation | " | 28.4 | 29.6 | 29.1 | 34.8 | 40.8 | 47.9 | 69.1 | 82.9 | 72.5 | 30.8 | 94.8 |
| Total | " | 1,207.2 | 1,194.0 | 1,392.7 | 1,595.9 | 1,840.9 | 1,964.1 | 2,295.9 | 2,560.8 | 2,671.7 | 6.2 | 2,836.3 |
| Profit before taxation | " | 17.7 | 55.6 | 162.9 | 212.1 | 249.7 | 298.6 | 356.3 | 283.8 | 524.0 | 20.8 | 633.1 |
| Provision for taxation | " | 0.7 | 9.0 | 75.7 | 78.4 | 86.2 | 103.8 | 86.4 | 102.5 | 138.6 | 34.2 | 186.0 |
| Profit after taxation | " | 17.0 | 46.6 | 87.2 | 133.7 | 163.5 | 194.8 | 269.9 | 181.3 | 385.4 | 16.0 | 447.1 |
| BALANCE SHEET SUMMARY | | | | | | | | | | | | |
| Assets Employed | | | | | | | | | | | | |
| Fixed Assets (Gross) | Rs. mio | 530.3 | 526.6 | 545.7 | 605.4 | 703.3 | 762.2 | 980.3 | 1,017.5 | 1,247.5 | 1.3 | 1,263.8 |
| Fixed Assets (Net) | " | 417.1 | 384.8 | 385.2 | 423.8 | 479.2 | 600.6 | 644.9 | 653.4 | 810.6 | -6.2 | 760.4 |
| Investments | " | 9.2 | 9.2 | 0.1 | * | * | * | — | — | — | — | 351.6 |
| Current Assets (Net) | " | 414.4 | 274.1 | 390.8 | 473.7 | 445.7 | 496.5 | 493.5 | 521.2 | 553.2 | -19.6 | 444.8 |
| Deferred Tax Liability (Net) | " | — | — | — | — | — | — | — | — | — | — | -85.9 |
| Miscellaneous Expenditure (to the extent not written off or adjusted) | " | — | — | — | — | — | — | — | — | — | — | 34.0 |
| Total | " | 840.7 | 668.1 | 776.1 | 897.5 | 924.9 | 1,097.1 | 1,138.4 | 1,174.6 | 1,363.8 | 10.3 | 1,504.9 |
| Financed by | | | | | | | | | | | | |
| Share Capital | Rs. mio | 163.3 | 168.6 | 168.6 | 168.6 | 168.6 | 168.6 | 168.6 | 168.6 | 168.6 | — | 168.6 |
| Reserves and Surplus | " | 46.5 | 180.8 | 234.4 | 330.9 | 444.4 | 579.9 | 781.2 | 883.3 | 1,149.6 | 16.2 | 1,336.3 |
| Shareholders' Funds | " | 209.8 | 349.4 | 403.0 | 499.5 | 613.0 | 748.5 | 949.8 | 1,051.9 | 1,318.2 | 14.2 | 1,504.9 |
| Borrowings | " | 630.9 | 318.7 | 373.1 | 398.0 | 311.9 | 348.6 | 188.6 | 122.7 | 45.6 | — | — |
| Total | " | 840.7 | 668.1 | 776.1 | 897.5 | 924.9 | 1,097.1 | 1,138.4 | 1,174.6 | 1,363.8 | 10.3 | 1,504.9 |
| OTHER INVESTOR INFORMATION | | | | | | | | | | | | |
| Earnings per share | Rs. | 1.9 | 2.8 | 5.2 | 7.9 | 9.7 | 11.6 | 16.0 | 10.8 | 22.9 | 15.7 | 26.5 |
| Dividend | % | 5.0 | 15.0 | 20.0 | 22.0 | 27.0 | 32.0 | 37.0 | 42.0 | 60.0 | 66.7 | 100.0 |
| Book value per share | Rs. | 15.2 | 20.7 | 23.9 | 29.6 | 36.4 | 44.4 | 56.3 | 62.4 | 78.2 | 14.1 | 89.3 |
| Market value per share | High Rs. | 240 | 185 | 300 | 225 | 230 | 253 | 398 | 940 | 691 | -23.5 | 529 |
| | Low Rs. | 87 | 78 | 150 | 141 | 117 | 155 | 177 | 371 | 251 | -4.4 | 240 |
| No. of Shareholders | | 23,463 | 26,731 | 28,431 | 29,607 | 28,738 | 28,238 | 27,362 | 24,863 | 26,815 | 0.6 | 26,963 |
| No. of Employees | | 2,098 | 2,004 | 1,848 | 1,735 | 1,762 | 1,744 | 1,708 | 1,559 | 1,535 | 2.3 | 1,571 |

* Less than Rs. 50,000/-.

Notice of Annual General Meeting

NOTICE is hereby given that the Thirty-fifth 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 Monday, 18th March, 2002 at 2.30 p.m. to transact the following business :

1. To receive and adopt the audited Profit and Loss Account for the year ended 31st December, 2001, 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 2001.
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. G. V. S. Rayudu 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 Prof. Dr. Thomas Schreckenbach as a Director of the Company.

7. To consider and, if thought fit, to pass, with or without modification, as a Special Resolution, the following :

"RESOLVED THAT pursuant to Section 21 of the Companies Act, 1956, and subject to the approval of the Central Government, the name of the Company be changed from 'E. Merck (India) Limited' to 'Merck Limited' and that the name of the Company be 'Merck Limited' with effect from the date of issue of fresh certificate of incorporation by the Registrar of Companies, Maharashtra in that behalf."

"RESOLVED FURTHER THAT the name 'E. Merck (India) Limited' wherever it occurs in the Memorandum and Articles of Association of the Company be substituted by the name 'Merck Limited'."

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

"RESOLVED THAT pursuant to the provisions of Section 198, 309 and other applicable provisions, if any, of the Companies Act, 1956, read with Schedule XIII to the Companies Act, 1956, the Company hereby approves revision in the terms of remuneration and perquisites payable to Mr. HG. Broetz, the Managing Director of the Company, with effect from 1st January, 2001 for

the residual term of office till 18th October, 2002, as per the terms and conditions set out in the draft supplementary agreement to be entered into by the Company with him, submitted to the Meeting and initialled for the purpose of identification by the Company Secretary."

9. To consider and, if thought fit, to pass, with or without modification, as an Ordinary Resolution, the following :

"RESOLVED THAT pursuant to the provisions of Section 198, 309 and other applicable provisions, if any, of the Companies Act, 1956, read with Schedule XIII to the Companies Act, 1956, the Company hereby approves revision in the terms of remuneration and perquisites payable to Mr. R. L. Shenoy, a Whole-time Director of the Company, with effect from 1st January, 2001 for the residual term of office till 26th December, 2003, as per the terms and conditions set out in the draft supplementary agreement to be entered into by the Company with him, submitted to the Meeting and initialled for the purpose of identification by the Company Secretary."

10. To consider and, if thought fit, to pass, with or without modification, as an Ordinary Resolution, the following :

"RESOLVED THAT pursuant to the provisions of Section 198, 309 and other applicable provisions, if any, of the Companies Act, 1956, read with Schedule XIII to the Companies Act, 1956, the Company hereby approves revision in the terms of remuneration and perquisites payable to Mr. Vijay Kumar, a Whole-time Director (upto 5th November, 2001) of the Company, with effect from 1st January, 2001 for the residual term of office till 5th November, 2001, as per the terms and conditions set out in the draft supplementary agreement to be entered into by the Company with him, submitted to the Meeting and initialled for the purpose of identification by the Company Secretary."

11. To consider and, if thought fit, to pass, with or without modification, as an Ordinary Resolution, the following :

"RESOLVED THAT pursuant to the provisions of Section 198, 309 and other applicable provisions, if any, of the Companies Act, 1956, read with Schedule XIII to the Companies Act, 1956, the Company hereby approves revision in the terms of remuneration and perquisites payable to Mr. G. V. S. Rayudu, a Whole-time Director of the Company, with effect from 1st January, 2001 for the residual term of office till 21st November, 2002, as per the terms and conditions set out in the draft supplementary agreement to be

Notice of Annual General Meeting

entered into by the Company with him, submitted to the Meeting and initialled for the purpose of identification by the Company Secretary."

12. To consider and, if thought fit, to pass, with or without modification, as an Ordinary Resolution, the following :

"RESOLVED THAT pursuant to the provisions of Section 198, 309 and other applicable provisions, if any, of the Companies Act, 1956, read with Schedule XIII to the Companies Act, 1956, the Company hereby approves revision in the terms of remuneration and perquisites payable to Dr. S. M. Gupte, a Whole-time Director of the Company, with effect from 1st January, 2001 for the residual term of office till 11th December, 2002, as per the terms and conditions set out in the draft supplementary agreement to be entered into by the Company with him, submitted to the Meeting and initialled for the purpose of identification by the Company Secretary."

By Order of the Board of Directors

K. J. Mallya

Company Secretary

Mumbai, 29th January, 2002

Registered Office:

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

NOTES

1. 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.

Proxies in order to be effective, must be received at the Registered Office of the Company not less than 48 hours before the Meeting.

2. The relevant Explanatory Statement pursuant to Section 173 of the Companies Act, 1956, in respect of the Special Business at Item Nos. 6 to 12 of the Notice is annexed.
3. A brief profile of the Directors retiring by rotation and eligible for re-appointment, as required by Clause 49 VI A of the Listing Agreements signed by the Company with the Stock Exchanges is given in the Report on Corporate Governance.

4. Members holding shares in demat mode may please note that, the bank details as furnished by the respective Depositories to the Company will be mandatorily printed on their dividend warrants for the purpose of distribution of dividend through Electronic Clearing Service (ECS) as advised by the Securities and Exchange Board of India (SEBI). In the absence of ECS facility, the bank account details, if available, will be printed on the dividend warrants. Instructions if any, given by them in respect of shares held in physical mode will not be automatically applicable to the dividend paid on shares held in demat mode. Members holding shares in demat mode must, therefore, give instructions regarding bank accounts in which they wish to receive dividend, to their Depository Participants. The Company or the Registrar and Share Transfer Agents will not act on any direct request from these Members for change/deletion in such bank details.

5. In terms of Sections 205A and 205C of the Companies Act, 1956, the amount of dividend remaining unpaid or 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. Members shall not be able to claim any unpaid dividend from the said Fund or the Company thereafter. Members who have not encashed the dividend warrants for the year 1995 and thereafter are requested to contact the Registrar and Transfer Agents, Sharepro Services, Mumbai. Outstanding dividend for the years prior to 1995 was transferred to the General Revenue Account of the Central Government.

6. 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 "Proxy" or "Representative", as the case may be.

REQUEST TO THE MEMBERS

1. Members desiring any relevant information on the accounts at the Annual General Meeting are requested to write to the Company at least seven days before the date of the Meeting.
2. As a measure of economy, copies of the Annual Report will not be distributed at the Annual General Meeting. Members are requested to bring their copy of the Annual Report to the Meeting.

Notice of Annual General Meeting

Explanatory Statement

Pursuant to Section 173 (2) of the Companies Act, 1956

ITEM NO. 6

Prof. Dr. Thomas Schreckenbach 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. Prof. Dr. T. Schreckenbach holds office only till the conclusion of 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 Prof. Dr. T. Schreckenbach as a candidate for the office of the Director.

Prof. Dr. T. Schreckenbach is on the Executive Board of Merck KGaA and is responsible for the Business Sector – Chemicals and the Asia/Oceania Region of the Merck Group of Companies. He is also a Professor of Biochemistry at the Technical University of Darmstadt.

The Board commends the appointment of Prof. Dr. T. Schreckenbach as a Director for your approval.

Except Prof. Dr. T. Schreckenbach, none of the other Directors is interested in the Resolution.

ITEM NO. 7

Merck KGaA, the Company's parent organisation has directed all its affiliates and subsidiaries in various countries to drop from their name the letter 'E' and the territory connections. Keeping in line with the directives

of the parent organisation and to enable the Company to correctly reflect its corporate identity, it is proposed to change the name of the Company from 'E. Merck (India) Limited' to 'Merck Limited'.

The name, 'Merck Limited' has been made available by the Registrar of Companies, Maharashtra. After the approval of Members, an application will be made to the Registrar of Companies, Maharashtra to effect the change in name. Certain changes are also required to be made in the Memorandum and Articles of Association wherever reference to name of the Company occurs, so that the new name is incorporated therein, after obtaining the requisite approval.

The letter dated 22nd November, 2001 of the Registrar of Companies, Maharashtra, indicating availability of name to the Company is open for inspection by the Members at the Registered Office of the Company on any working day between 10 a.m. and 12 noon (excluding Saturdays, Sundays and Public Holidays) upto and including the date of the Meeting.

None of the Directors is interested in the Resolution.

ITEM NOS. 8 to 12

In view of the increased responsibilities assumed by the Managing and Whole-time Directors, it was considered necessary that remuneration should be revised in line with the current trends prevalent in the industry.

At the Meeting of the Board of Directors held on 12th December, 2001, limits on overall remuneration payable to the Managing and Whole-time Directors were revised. The following table shows the overall existing and proposed limits on remuneration and perquisites, payable to the Managing and Whole-time Directors.

| Name | Date of General Meeting approving the appointment | Period of Existing contract | Existing limits | | Proposed limits effective 1st January, 2001 | |
|----------------------------|---|--------------------------------|---------------------|--------------------|---|--------------------|
| | | | Remuneration Rs. | Perquisites Rs. | Remuneration Rs. | Perquisites Rs. |
| Mr. HG. Broetz | 9.6.1997 | 19.10.1997 to 18.10.2002 | 4,000,000 | 2,000,000 | 7,000,000 | 3,500,000 |
| Mr. R. L. Shenoy | 9.6.1998 | 27.12.1998 to 26.12.2003 | 1,250,000 | 625,000 | 3,000,000 | 1,500,000 |
| Mr. Vijay Kumar | 9.6.1997 | 22.11.1997 to 05.11.2001 | 1,250,000 | 625,000 | 3,000,000 | 1,500,000 |
| Mr. G. V. S. Rayudu | 9.6.1997 | 22.11.1997 to 21.11.2002 | 1,250,000 | 625,000 | 3,000,000 | 1,500,000 |
| Dr. S. M. Gupte | 9.6.1998 | 12.12.1997 to 11.12.2002 | 1,250,000 | 625,000 | 3,000,000 | 1,500,000 |

Notice of Annual General Meeting

For the above purpose,

- (i) 'remuneration' includes salary, commission and incentives and
- (ii) 'perquisites' include free furnished accommodation or house rent allowance in lieu thereof, gas, electricity, water, furnishings, medical reimbursement and leave travel concessions for self and family, club fees and medical and personal accident insurance in accordance with the rules of the Company. In the case of Mr. HG. Broetz, being an expatriate managerial person, perquisites shall also include holiday passage for children studying abroad and return passage for self and family to his home country instead of anywhere in India.

The aforesaid remuneration and perquisites shall be restricted to the above referred limits and overall limits laid down in Sections 198 and 309 of the Companies Act, 1956 read with Schedule XIII to the said Act.

In addition, the above managerial personnel shall be entitled to Company's contribution to provident and superannuation funds upto income tax exemption limit and gratuity payment in accordance with the rules of the Company.

The above modification in remuneration and perquisites requires Members' approval.

Each of Mr. HG. Broetz, Mr. R. L. Shenoy, Mr. G. V. S. Rayudu and Dr. S. M. Gupte is interested in the resolution concerning the revision in the terms of his remuneration and perquisites.

The copies of the draft supplementary agreements to be entered into by the Company with each of Mr. HG. Broetz, Mr. R. L. Shenoy, Mr. Vijay Kumar, Mr. G. V. S. Rayudu and Dr. S. M. Gupte are open for inspection by the Members at the Registered Office of the Company on any working day between 10 a.m. and 12 noon (excluding Saturdays, Sundays and Public Holidays) upto and including the date of the Meeting.

By Order of the Board of Directors

Mumbai, 29th January, 2002

K. J. Mallya
Company Secretary

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



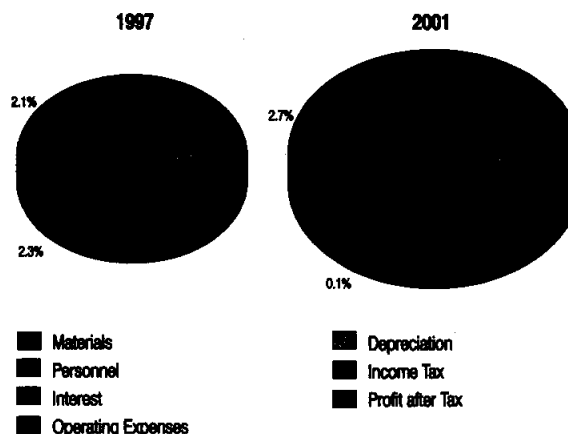
Directors' Report

Your Directors have pleasure in presenting the Thirty-fifth Annual Report and Audited Accounts for the year ended 31st December, 2001.

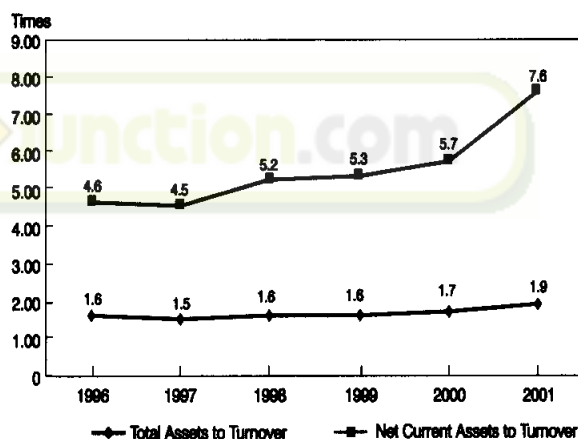
FINANCIAL PERFORMANCE

| | (Rs. mio) | |
|--|----------------|---------|
| | 2001 | 2000 |
| SALES | 3,384.7 | 3,134.1 |
| OTHER INCOME | 84.7 | 61.6 |
| PROFIT BEFORE INTEREST, DEPRECIATION AND TAXATION | 733.5 | 619.5 |
| Interest | 5.6 | 23.0 |
| Depreciation | 94.8 | 72.5 |
| Provision for Taxation (net) | 186.0 | 138.6 |
| PROFIT AFTER TAX | 447.1 | 385.4 |
| Profit and Loss Account Balance brought forward | 109.8 | 63.1 |
| PROFIT AVAILABLE FOR APPROPRIATION | 556.9 | 448.5 |
| Appropriations : | | |
| Transfer to General Reserve | 252.3 | 219.6 |
| Interim Dividend | 50.6 | 42.2 |
| Final Dividend (Proposed) | 118.0 | 59.0 |
| Write back of Tax on Dividend | (7.3) | — |
| Tax on Interim and Final Dividend | 17.2 | 17.9 |
| Balance carried to the Balance Sheet | 126.1 | 109.8 |

Distribution of Revenue



Turnover Ratios



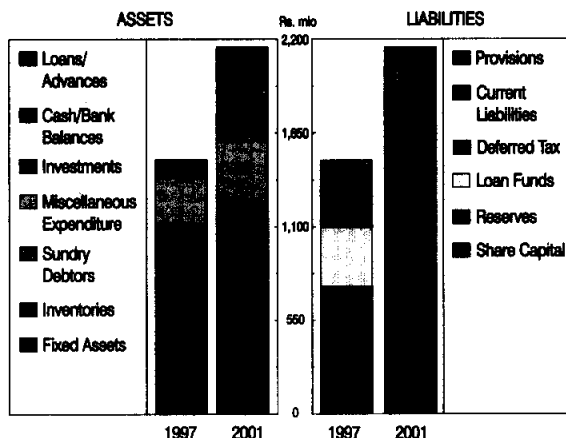
DIVIDEND

The Directors recommend for your consideration a final dividend of Rs. 7.00 per Equity share for the year 2001. Together with an interim dividend of Rs. 3.00 per Equity share paid in July, 2001, the total dividend paid and proposed for the year 2001 works out to Rs. 10.00 per Equity share, as against Rs. 6.00 per Equity share paid last year.

OPERATIONS

The turnover of the Company for the year showed a modest growth of 8% over the last year. The Pharma segment turnover at Rs. 2,059.5 mio registered a growth of 5%, while the Chemicals segment turnover of Rs. 1,325.2 mio showed an increase of 14%. The Operating Profit of the Company was Rs. 615.4 mio, higher by 14% as compared to that of the previous year.

Balance Sheet



Directors' Report

FINANCE

The Company has during the year repaid all its debts and the surplus funds generated have been invested in various debt based Liquid and Income Mutual Funds. As on the date of the Report, the total investments in these funds amounted to Rs. 408 mio.

CHANGE OF NAME

To fall in line with and to reflect its association with Merck KGaA, Germany, and its affiliates world-wide, it has been decided to change the name of the Company from E. Merck (India) Limited to Merck Limited. The change in name will be effective after the necessary approvals of the Members and thereafter of the Central Government, are received.

DIRECTORS' RESPONSIBILITY STATEMENT

In accordance with Section 217(2AA) of the Companies Act, 1956, 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, 2001 and the Profit and Loss for the year ended 31st December, 2001;
- 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.

RELATED PARTY TRANSACTIONS

As a part of this Report, though not mandatorily required this year, related party transactions have been disclosed.

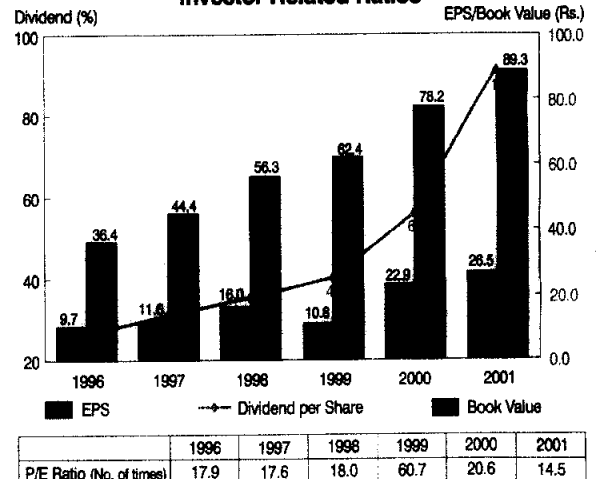
EXPORTS

The exports of the Company amounted to Rs. 105.2 mio as against the exports achieved last year of Rs. 154.3 mio. The decline in exports was due to the sudden change in our major Pharma export markets, on account of deterioration in the politico-economic conditions.

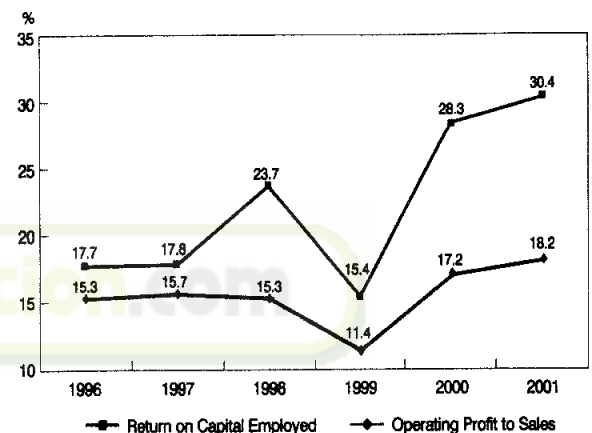
DIRECTORS

Mr. Vijay Kumar retired from the services of the Company and as a Whole-time Director from 6th November, 2001. Mr. Vijay Kumar during the tenure of his services with the Company strategically

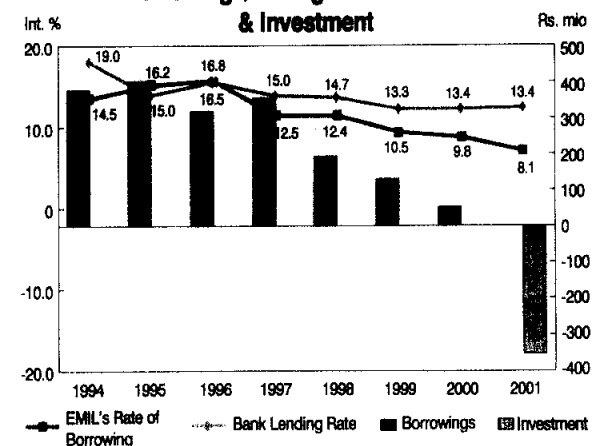
Investor Related Ratios



Return on Capital Employed and Sales



Borrowings/Average Interest Rates & Investment



Directors' Report

changed the functioning of the Chemicals segment, which as of today has been contributing significantly to the turnover and profitability of the Company. The Board places on record its appreciation of the valuable contribution made by Mr. Vijay Kumar to the progress of the Company.

Prof. Dr. Thomas Schreckenbach was appointed as an Additional Director of the Company with effect from 12th December, 2001 and will hold office till the conclusion of the forthcoming Annual General Meeting.

A notice has been received from a Member proposing the candidature of Prof. Dr. Thomas Schreckenbach for being appointed as a Director of the Company.

Mr. S. N. Talwar and Mr. G.V.S. Rayudu will retire by rotation at the forthcoming Annual General Meeting 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.

FIXED DEPOSITS

The Company has not accepted any deposit within the meaning of Section 58A of the Companies Act, 1956, and the Rules framed thereunder during the year. The Company has refunded all the deposits that matured and which were claimed by the depositors as on 31st December 2001, and as on the date of this Report. Unclaimed deposits amounting to Rs. 0.08 mio due till 31.12.1994 but unclaimed were deposited in the Investor Education and Protection Fund.

Deposits amounting to Rs. 0.40 mio due for repayment were unclaimed as on 31st December, 2001.

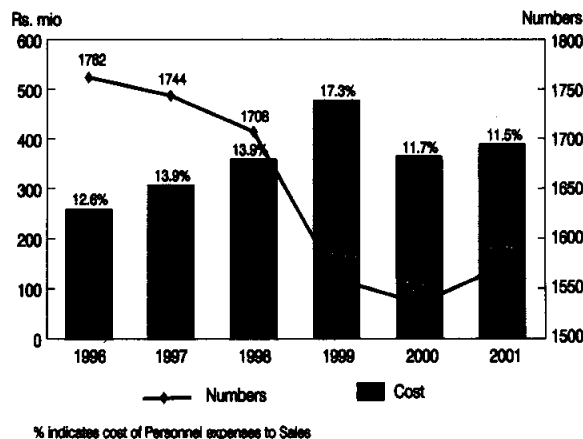
AUDITORS

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, 2002.

Employee Information



EMPLOYEES

As on the date of the Report the total number of employees on the payroll is 1571. During the year, 7 employees opted for voluntary retirement.

Industrial relations with employees at various levels continued to be cordial.

The Company successfully concluded the wage settlement with the Employees Union at Goa. The settlement with the Taloja Employees Union expired on 31st December, 2001. The Company is hopeful of an early settlement of the Charter of Demands submitted by the Union.

The information as per Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) 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 hereto and forms part of this Report.

CORPORATE GOVERNANCE

A report on the Corporate Governance Code along with a certificate from the auditors of the Company regarding compliance of the conditions of Corporate Governance as stipulated under clause 49 of the Listing Agreement as also the Management Discussion and Analysis Report are annexed to this Report.

On behalf of the Board of Directors

S. N. Talwar
Chairman

Mumbai, 29th January, 2002