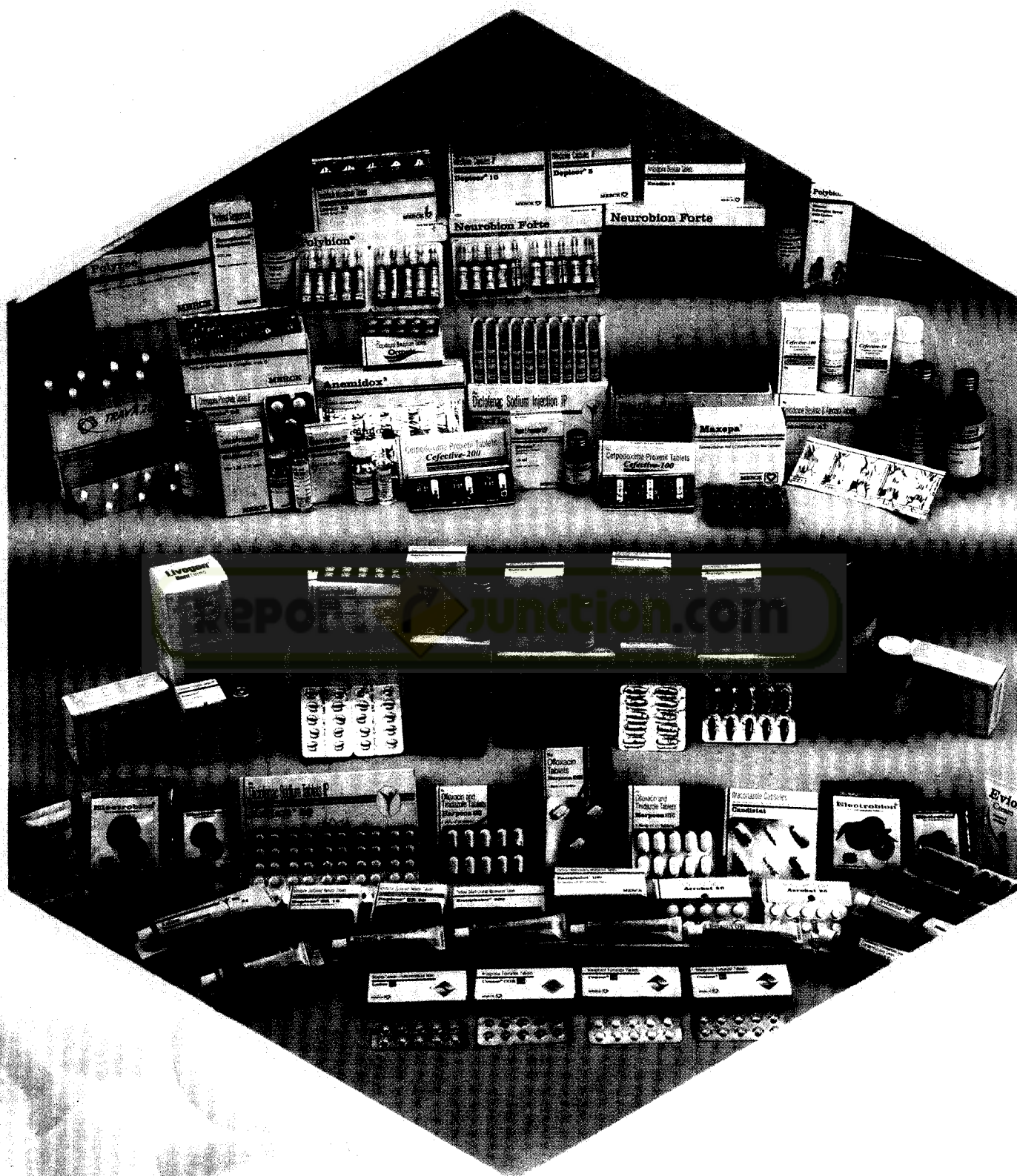






## Products of Pharmaceuticals Segment



Cover : Manufacturing Facility at Usgaon, Goa

Coated with Iridin® pearl lustre pigments manufactured by Merck



## Notice of Annual General Meeting

NOTICE is hereby given that the Thirty sixth Annual General Meeting of the Members of MERCK LIMITED will be held at Patkar Hall, S.N.D.T. University, 1, Nathibai Thackersey Road, Mumbai 400 020 on Monday, 9th June, 2003 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, 2002, the Balance Sheet as on that date and the Reports of the Board of Directors and Auditors.
2. To declare a dividend.
3. To appoint a Director in place of Mr. R. L. Shenoy who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Dr. S. M. Gupte, 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.

[The retiring Auditors, M/s. A. F. Ferguson & Co., Chartered Accountants have informed the Company that they do not wish to seek re-appointment at the ensuing Annual General Meeting. The Company has thereafter received a notice from a Member proposing the appointment of M/s. Bharat S. Raut & Co., Chartered Accountants in place of the retiring Auditors]

### AS SPECIAL BUSINESS

6. To appoint Dr. H. Mauer as a Director of the Company.
7. 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 Sections 198, 269, 309 and other applicable provisions, if any, of the Companies Act, 1956, read with Schedule XIII to the Companies Act, 1956, Dr. H. Mauer be appointed as Managing Director of the Company from 1st July, 2002 for a period of five years on the terms and conditions set out in the agreement dated 1st July, 2002 entered into between the Company and Dr. H. Mauer and submitted to this Meeting."
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 309 read with Section 318 and other applicable provisions, if any, of the Companies Act, 1956, compensation of Rs. 1,17,78,549/- paid to Mr. HG. Broetz be and is hereby approved."

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 Sections 198, 269, 309, 311 and other applicable provisions, if any, of the Companies Act, 1956, read with Schedule XIII to the Companies Act, 1956, Mr. G. V. S. Rayudu be re-appointed as a Whole-time Director of the Company from 22nd November, 2002 for a period of five years on the terms and conditions set out in the agreement dated 30th December, 2002 entered into between the Company and Mr. G. V. S. Rayudu and submitted to this Meeting."

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 Sections 198, 269, 309, 311 and other applicable provisions, if any, of the Companies Act, 1956, read with Schedule XIII to the Companies Act, 1956, Dr. S. M. Gupte be re-appointed as a Whole-time Director of the Company from 12th December, 2002 for a period of five years on the terms and conditions set out in the agreement dated 30th December, 2002 entered into between the Company and Dr. S. M. Gupte and submitted to this Meeting."

11. To consider and, if thought fit, to pass, with or without modification, as a SPECIAL RESOLUTION, the following:

"RESOLVED THAT pursuant to the provisions of Section 309 and other applicable provisions of the Companies Act, 1956, the Company do hereby approve and consent to the continuance of payment and distribution thereof of a sum not exceeding one percent of the net profits of the Company, computed in accordance with the provisions of Section 198 of the Companies Act, 1956, amongst the Directors of the Company (other than the Managing Director and Whole-time Directors) in such amounts or proportions and in such manner as may be decided by the Board of Directors and such payments shall be made in respect of the profits for the year ending 31st December, 2003 and four succeeding years."

12. The following ORDINARY RESOLUTION will be voted upon through a Postal Ballot:

"RESOLVED THAT pursuant to Section 293(1)(a) of the Companies Act, 1956, and subject to the approvals, if applicable or required under any Statutes/Rules/Regulations or any other law for the time being in force and subject to approval of the Financial Institutions/Banks and any other authorities and subject to such terms and conditions as may be approved by them, the consent of Merck Limited (the Company) be and



## Notice of Annual General Meeting

it is hereby accorded to the Board of Directors to sell, transfer and dispose of the Taloja Plant of the Company and all related assets together with all licences, permits, consents and approvals whatsoever and all the rights and benefits attached thereto, to one or more persons, companies or entities at such price and on such terms and conditions, at such time and in such manner as may be decided by the Board of Directors of the Company, in its absolute discretion, including the receipt of consideration therefor in cash or any other manner, to finalise the terms and conditions, the means, methods or modes in respect thereof, and to finalise and execute all required documents, including schemes of arrangements, agreements, deeds and other documents.

RESOLVED FURTHER THAT the Board be and is hereby authorised to do all such other acts, deeds, matters and things as may be deemed necessary and expedient in their discretion and in the best interest of the Company, including the power to delegate, to give effect to this Resolution."

[The papers in this connection will be sent separately to all Members.]

**By Order of the Board of Directors**

**K. J. Maliya**  
**Company Secretary**

Mumbai, 20th March, 2003

**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 instead of himself, only on a poll and a Proxy need not be a Member.  
  
Proxies in order to be effective, must be received by the Company at the Registered Office of the Company not less than 48 hours before the commencement of the Meeting.
2. The relevant Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956, in respect of the Special Business at item nos. 6 to 12 of the Notice is annexed.
3. All documents referred to in the accompanying Notice and Explanatory Statement are open to inspection at the Registered Office of the Company between 2 p.m. and 4 p.m. on all working days except Saturdays and Sundays, upto and including the day of the Annual General Meeting.
4. The Register of Members and the Share Transfer Books of the Company will remain closed from Thursday, May 15, 2003 to Sunday, May 25, 2003, both days inclusive, for the purpose of payment of dividend.
5. Pursuant to Sections 205A and 205C of the Companies Act, 1956, dividends for the year ended 31st December, 1995 and thereafter, which remain unclaimed for a period of seven years from the date of transfer to the Unpaid Dividend Account, are 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, as amended, no claims shall lie against the said Fund or the Company for the amount of dividend so transferred to the said Fund. Members who have not encashed the dividend warrant(s) so far for the year ended 31st December, 1995 or any subsequent years are requested to send their claim directly to the Company or to the Registrars and Transfer Agents - M/s. Sharepro Services. The Company has been sending reminders to the concerned Members to claim their dividend amounts from the Company.  
  
Unclaimed dividend for years prior to 1995 was transferred to the General Revenue Account of the Central Government.
6. Members are requested to notify immediately any change of address to their Depository Participants (DPs) in respect of their holdings in electronic form and to the Secretarial Department at the Registered Office of the Company or to the Registrars and Transfer Agents - M/s. Sharepro Services in respect of their holdings in physical form.
7. In order to provide protection against fraudulent encashment of dividend warrants, Members are requested to furnish, if not already provided earlier, their Bank account number, name and address of the Bank Branch, quoting their folio numbers to the Secretarial Department at the Registered Office of the Company or to the Registrars and Transfer Agents - M/s. Sharepro Services.
8. In respect of Members who have given mandate for payment of dividend through Electronic Clearing Service (ECS), the dividend will be paid through ECS and their Bank Account details will be printed on their dividend advices.
9. The mandate, if any, given by the Members in respect of shares held in physical form will not be applicable to the dividend payable on shares held by them in demat mode and vice versa. Members holding shares in demat mode must, therefore, give instructions regarding the Bank Account in which they wish to receive dividend, to their DPs.

## Notice of Annual General Meeting

10. Members are informed that in case of joint holders attending the Meeting, only such joint holder who is higher in the order of names will be entitled to vote.
11. 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 the Registrars and Transfer Agents – M/s. Sharepro Services.
12. 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. A brief profile of Dr. Jan Sombroek who was appointed as a Director of the Company in the casual vacancy caused by the resignation of Dr. Michael Becker is also furnished in the said Report.

### 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 in advance, so as to enable the Company to keep the information ready.
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 copies of the Annual Report to the Meeting.
3. Members who hold shares in demat mode are requested to bring their Client ID and DP ID numbers for easy identification of membership at the Meeting.
4. For the convenience of Members, 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.

## Explanatory Statement

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

#### ITEM NO. 6

Dr. Heribert Mauer 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. H. Mauer 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 the name of Dr. H. Mauer as a candidate for the office of the Director.

Dr. H. Mauer holds a Masters degree and is a Doctorate in Economics and has a wide and varied international experience in the areas of Finance, Administration, Controlling, Pharma Marketing and General Management in the Merck Group of Companies worldwide for more than 33 years. Dr. H. Mauer was holding office as Managing Director of Merck S.p.A., Italy prior to his current assignment.

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

#### ITEM NO. 7

Consequent to the retirement of Mr. HG. Broetz as Managing Director on 30th June, 2002, Dr. H. Mauer was appointed, subject to the consent of Members and Central Government, as Managing Director of the Company with effect from 1st July, 2002, pursuant to

Article 136 of the Articles of Association of the Company, on the terms and conditions set out in the agreement dated 1st July, 2002 entered into between the Company and Dr. H. Mauer. The appointment has been duly approved by the Central Government.

The main terms and conditions of appointment as per agreement entered into with Dr. H. Mauer are as under:

- I. Period – 5 years with effect from 1st July, 2002.
- II. Dr. H. Mauer as Managing Director of the Company shall be entrusted with the management and control of the affairs of the Company subject to the superintendence, control and direction of the Board of Directors and relevant provisions of the Companies Act, 1956.
- III. In consideration of the performance of his duties, the total remuneration payable to Dr. H. Mauer shall be as follows:
  - (i) For the Company's financial year 2002 and thereafter, the aggregate remuneration payable to Dr. H. Mauer by way of salary and commission shall be a maximum of Rs. 10 mio per annum, subject to such limits as may be fixed by the Board of Directors for each year or part thereof and shall be subject to the overall limits laid down in Sections 198 and 309 of the Companies Act, 1956, read with Schedule XIII to the Companies Act, 1956.

## Notice of Annual General Meeting

- (ii) Perquisites, in addition to the above remuneration, would comprise of free furnished accommodation with gas, electricity, water, furnishings and domestic assistance, use of car with driver, telephone at residence, children's education allowance, servants'/helpers' allowance, free passage benefits for children studying abroad, leave travel concession, medical reimbursement, fees of clubs, personal accident insurance, reimbursement of expenses incurred on joining duty and returning to home country after completion of tenure or earlier, for any reason, in accordance with the Rules of the Company, such perquisites being restricted to Rs. 5 mio per annum, to be fixed by the Board of Directors, for each year or part thereof and shall be subject to the overall limits laid down in Sections 198 and 309 read with Schedule XIII to the Companies Act, 1956. For the purpose of calculating the above ceiling, perquisites shall be evaluated as per Income-tax Rules, wherever applicable.

- (iii) In addition, Dr. H. Mauer shall be entitled in accordance with the Rules of the Company to (a) the Company's contribution to Provident Fund and Superannuation Fund not exceeding 27% of the salary (b) gratuity payment and (c) encashment of earned/privilege leave. These perquisites, however, shall not be included in the computation of aforesaid limits for remuneration or perquisites.

- IV. Reimbursement of expenses incurred on behalf of the Company.
- V. The agreement may be terminated by either party by giving to the other party six months notice.
- VI. Confidentiality Clause.
- VII. If at any time, Dr. H. Mauer disqualifies/ceases to be Director of the Company, for any reason/cause whatsoever, he shall vacate office as Managing Director of the Company.

The agreement entered into by the Company with Dr. H. Mauer is open to inspection by Members at the Registered Office of the Company between 2 p.m. and 4 p.m. on all working days except Saturdays and Sundays, upto and including the day of the Annual General Meeting.

The Board commends the appointment of Dr. H. Mauer as Managing Director for your approval.

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

### ITEM NO. 8

As per the terms of appointment, Mr. HG. Broetz would have retired as Managing Director on his attaining 65 years of age on May 10, 2005. However, it was mutually agreed that he would retire as Managing Director on 30th June, 2002 after holding office in that capacity for nearly 10 years. During his tenure, Mr. Broetz made valuable contribution for the all-round growth of the Company. Therefore, the Board decided to pay compensation not exceeding Rs. 12 mio for loss of office in consideration of his premature retirement from the office of Managing Director, subject to the approval of the Members.

The Board commends the payment of compensation to Mr. HG. Broetz on his retirement as Managing Director for your approval.

None of the Directors is interested in the Resolution.

### ITEM NOS. 9 & 10

The Board of Directors of the Company, subject to the consent of the Members in General Meeting, re-appointed Mr. G.V.S. Rayudu for a further period of 5 years with effect from 22nd November, 2002 on the existing terms and conditions. The Directors consider the services of Mr. Rayudu useful to the Company and it would be in the best interest of the Company to re-appoint Mr. Rayudu as Whole-time Director in charge of Manufacturing, Information Technology, Personnel and Marketing (LSP & Pigments) functions.

The Board of Directors of the Company, subject to the consent of the Members in General Meeting, re-appointed Dr. S. M. Gupte for a further period of 5 years with effect from 12th December, 2002 on the existing terms and conditions. The Directors consider the services of Dr. Gupte useful to the Company and it would be in the best interest of the Company to re-appoint Dr. Gupte as Whole-time Director in charge of Pharma Marketing and Sales functions.

The main terms and conditions of re-appointment as per agreement dated 30th December, 2002 entered into with each of Mr. G. V. S. Rayudu and Dr. S. M. Gupte and placed for approval of the Members are as under:

- I. Period: Mr. G. V. S. Rayudu - 5 years with effect from 22nd November, 2002  
Dr. S. M. Gupte - 5 years with effect from 12th December, 2002
- II. Mr. G. V. S. Rayudu shall be in charge of the Company's Manufacturing, Information Technology, Personnel and Marketing (LSP & Pigments) functions.  
Dr. S. M. Gupte shall be in charge of the Company's Marketing & Sales (Pharma Division).

## Notice of Annual General Meeting

- III. The total remuneration payable to each of Mr. G. V. S. Rayudu and Dr. S. M. Gupte shall be as follows:
- (i) The aggregate remuneration by way of salary, commission and incentives payable shall be a maximum of Rs. 3 mio per annum, subject to the limits as may be fixed by the Board of Directors for each year or part thereof and shall be subject to the overall limits laid down in Sections 198 and 309 of the Companies Act, 1956, read with Schedule XIII to the Companies Act, 1956.
  - (ii) Perquisites, in addition to the above remuneration, would comprise of furnished accommodation or house rent allowance in lieu thereof, gas, electricity, water, furnishings and domestic assistance, use of car with driver, telephone at residence, children's education allowance, medical reimbursement and leave travel concessions for self and family, fees of clubs, personal accident insurance paid in accordance with the Rules of the Company, etc., such perquisites being restricted to Rs. 1.5 mio per annum, to be fixed by the Board of Directors for each year or part thereof and shall be subject to the overall limits laid down in Sections 198 and 309 of the Companies Act, 1956 read with Schedule XIII to the Companies Act, 1956.
  - (iii) In addition, the Director shall be entitled in accordance with the Rules of the Company to (a) the Company's contribution to Provident Fund and Superannuation Fund not exceeding 27% of the salary; (b) gratuity payment; and (c) encashment of earned/privilege leave. These perquisites, however, shall not be included in the computation of aforesaid limits for remuneration or perquisites.
- IV. Reimbursement of expenses incurred on behalf of the Company.
- V. The Contract may be terminated by either party by giving to the other party six months notice.
- VI. Confidentiality Clause.
- VII. If at any time, any of Mr. G. V. S. Rayudu and Dr. S. M. Gupte, disqualifies/ceases to be Director of the Company, for any reason/cause whatsoever, he shall vacate office as Whole-time Director of the Company.

The agreement entered into by the Company with each of Mr. G. V. S. Rayudu and Dr. S. M. Gupte is open to inspection by Members at the Registered Office of the

Company between 2 p.m. and 4 p.m. on all working days except Saturdays and Sundays, upto and including the day of the Annual General Meeting.

The Board commends the re-appointment of each of Mr. G. V. S. Rayudu and Dr. S. M. Gupte as Whole-time Director for your approval.

Each of Mr. G. V. S. Rayudu and Dr. S. M. Gupte is interested in the Resolution to the extent it concerns his respective re-appointment and fixation of remuneration. No other Director is interested in these Resolutions.

### ITEM NO. 11

In view of the valuable services rendered by the non-working Directors and also the increasing responsibilities shared by them in the wake of the changed regulatory environment, it is proposed to continue payment of commission to them in accordance with the provisions of Section 198 read with Section 309 of the Companies Act, 1956.

All the non-working Directors are interested in the Resolution.

### ITEM NO. 12

In view of the acceptance of the Voluntary Retirement Scheme by the employees at Talaja Plant, the manufacturing operations at the said plant have been discontinued since February, 2003. The production requirements are at present outsourced from third party manufacturers. It is, therefore, proposed to dispose of the Talaja Plant after carrying out a valuation by an independent valuer duly vetted by the Audit Committee.

It is proposed to seek Members' consent by way of Postal Ballot for disposal of the Talaja Plant under Section 293(1)(a) read with Section 192A of the Companies Act, 1956, on such terms as the Board considers in the best interest of the Company.

None of the Directors of the Company is, in any way, concerned or interested in the Resolution.

**By Order of the Board of Directors**

Mumbai, 20th March, 2003

**K. J. Maliya**  
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 Sixth Annual Report and Audited Accounts for the year ended 31st December, 2002.

### FINANCIAL HIGHLIGHTS

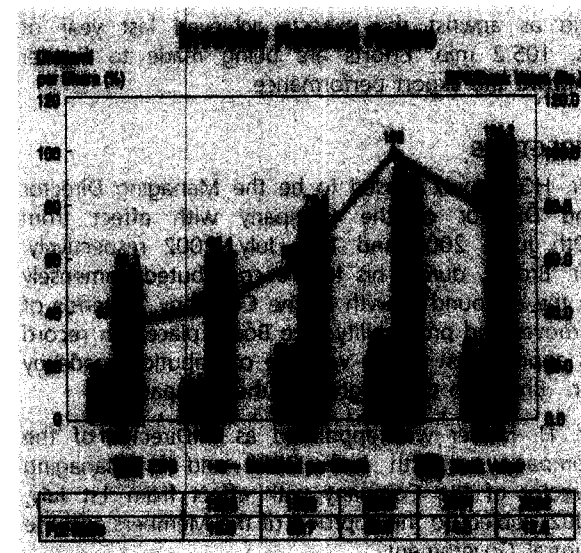
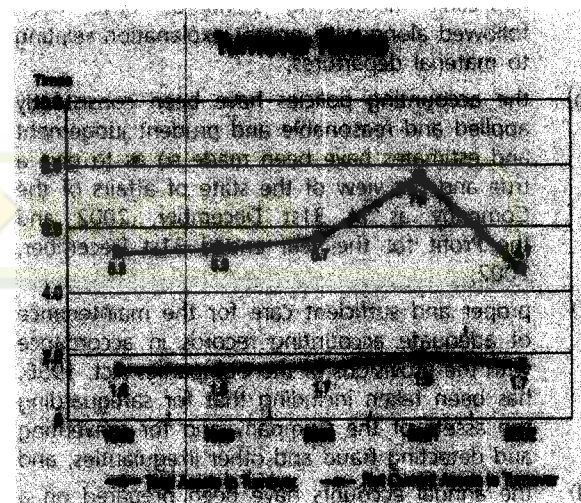
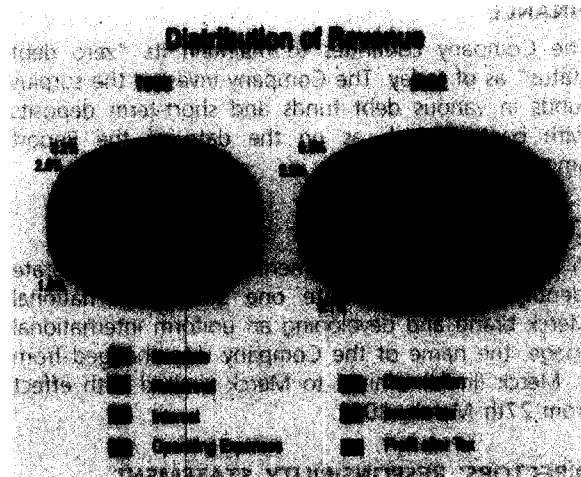
	(Rs. mio)	
	2002	2001
<b>SALES</b>	<b>3,466.9</b>	<b>3,384.7</b>
<b>OTHER INCOME</b>	<b>92.3</b>	<b>84.7</b>
<b>PROFIT BEFORE INTEREST, DEPRECIATION AND TAXATION</b>	<b>708.3</b>	<b>733.5</b>
Interest	3.7	5.6
Depreciation	97.6	94.8
Provision for Taxation (net)	207.2	186.0
<b>PROFIT AFTER TAX</b>	<b>399.8</b>	<b>447.1</b>
Profit and Loss Account Balance brought forward	126.1	109.8
<b>PROFIT AVAILABLE FOR APPROPRIATION</b>	<b>525.9</b>	<b>556.9</b>
<b>Appropriations:</b>		
Transfer to General Reserve	251.7	252.3
Interim Dividend	-	50.6
Final Dividend (Proposed)	131.5	118.0
Write back of Tax on Dividend	-	(7.3)
Tax on Interim & Final Dividend	16.9	17.2
Balance carried to the Balance Sheet	125.8	126.1

### DIVIDEND

After taking into account the current and future requirement of funds for the restructuring of the Company's operations as well as possible acquisition of viable brands/business, the Directors recommend for consideration of the Members, a dividend of Rs. 7.80 per Equity Share for the year 2002, as against Rs. 10/- per Equity Share paid last year.

### OPERATIONS

The turnover of the Company for the year showed a modest growth of 2.43% over the last year's turnover. The Pharma segment registered a turnover at Rs. 2064.6 mio as against Rs. 2059.5 mio achieved in the previous year, while the Chemicals segment registered a turnover of Rs. 1402.3 mio as against Rs. 1325.2 mio achieved in the previous year. The Profit Before Interest, Depreciation and Tax at Rs. 708.3 mio showed a decline of 3.44% as compared to that of the previous year, mainly due to expenses incurred in respect of Voluntary Retirement Scheme and implementation of SAP (ERP) during the year.



## Directors' Report

### FINANCE

The Company continues to maintain its "zero debt status" as of today. The Company invested the surplus funds in various debt funds and short-term deposits with banks, which as on the date of the Report amount to Rs. 250 mio.

### CHANGE OF NAME

In pursuance of the implementation of the Corporate Identity Project to create one strong international Merck brand and developing an uniform international image, the name of the Company was changed from E. Merck (India) Limited to Merck Limited with effect from 27th March, 2002.

### 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, 2002 and the Profit for the year ended 31st December, 2002;
- 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

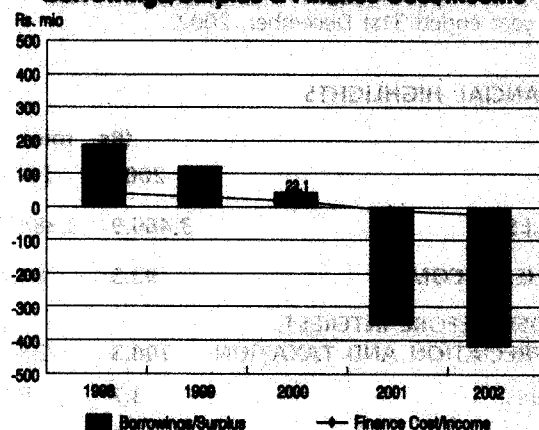
The exports of the Company amounted to Rs. 131.2 mio as against the exports achieved last year of Rs. 105.2 mio. Efforts are being made to further improve the export performance.

### DIRECTORS

Mr. HG: Broetz ceased to be the Managing Director and Director of the Company with effect from 30th June, 2002 and 12th July, 2002 respectively. Mr. Broetz, during his tenure contributed immensely to the all-round growth of the Company, in terms of turnover and profitability. The Board places on record its appreciation of the valuable contribution made by Mr. Broetz to the progress of the Company.

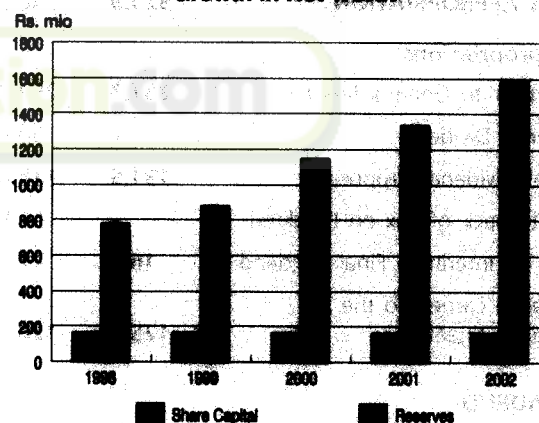
Dr. H. Mauer was appointed as a Director of the Company on 27th June, 2002 and as Managing Director of the Company with effect from 1st July, 2002, subject to the approval of the Members and the Central Government.

### Borrowings/Surplus & Finance Cost/Income



Finance Cost/Income excludes Interest received on income-tax refund and on delayed payments from Customers and includes Profit/Loss on Sale of Current Investments.

### Growth in Net Worth



### Balance Sheet

