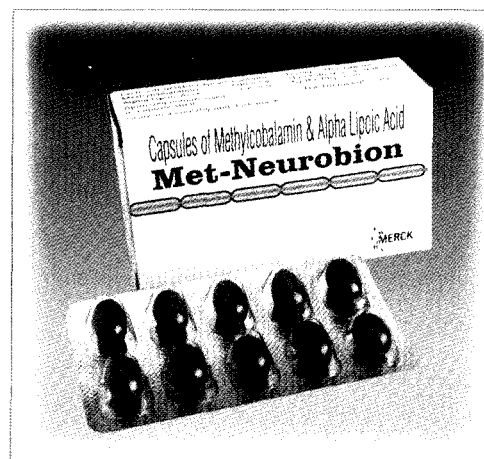


## Products of Pharmaceuticals Division



Cover: Merck is a global market leader for liquid crystals (LC) used in high-quality displays of LC monitors, flat-screen TVs, notebooks, mobile phones and many other applications.

Coated with Iriodin® pearl lustre pigments manufactured by Merck

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## Notice of Annual General Meeting

NOTICE is hereby given that the Thirty Seventh Annual General Meeting of the Members of **Merck Limited** will be held at Amar Gian Grover Auditorium, Lala Lajpat Rai Marg, Haji Ali, Mumbai 400 034 on Saturday, 20th March, 2004 at 10.30 a.m. to transact the following business:

1. To receive and adopt the audited Profit and Loss Account for the year ended 31st December, 2003, 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. H. C. H. Bhabha who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. V. D. Narkar, 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. J. Sombroek 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, Mr. R. L. Shenoy be re-appointed as a Whole-time Director of the Company from 27th December, 2003 for a period of five years on the terms and conditions set out in the Agreement dated 18th October, 2003 entered into between the Company and Mr. R. L. Shenoy and placed before this Meeting."

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

"RESOLVED THAT the Articles of Association of the Company be and it is hereby altered by inserting the following new Article 24A after the existing Article 24:

'24A. Notwithstanding anything contained in Article 24, but subject to and in accordance with the provisions of Sections 77A, 77AA and 77B of the Companies Act, 1956, and also such other provisions, rules, regulations and guidelines prescribed by the Government of India and the Securities and Exchange Board of India or any other authority for the time being in force, the Company may buy-back or purchase its own shares.' "

9. 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 294 AA and other applicable provisions, if any, of the Companies Act, 1956, and subject to the approval of the Central Government and/or Reserve Bank of India, if required, the Company hereby accords its consent to the appointment of Emerchemie NB (Ceylon) Limited as the Sole Selling Agent of the Company for the sale and distribution of the Company's Pharmaceutical Products, Drug Intermediates and Vitamins for a period of 5 years with effect from 1st December, 2003, on a commission of 5% on F.O.B. value of exports and subject to other terms and conditions set out in the Agreement entered into between the Company and the Sole Selling Agent placed before this Meeting and initialled by the Chairman for the purpose of identification.

RESOLVED FURTHER THAT the Board of Directors of the Company be and it is hereby authorized to agree to such modifications, if any, as the Central Government and/or Reserve Bank of India may require and acceptable to the Board of Directors and the Sole Selling Agent."

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

"RESOLVED THAT subject to the provisions of the Companies Act, 1956, the Securities and Exchange Board of India (Delisting of Securities) Guidelines, 2003 and subject to such approvals, permissions and sanctions, as may be necessary and subject to such conditions and modifications as may be prescribed or imposed while granting such approvals, permissions and sanctions, which may be agreed to by the Board of Directors of the Company (hereinafter referred to as "the Board"), consent is hereby accorded to the Board to seek voluntary delisting of the Company's Equity Shares from The Delhi Stock Exchange Association Limited.

RESOLVED FURTHER THAT the Board be and it is hereby authorised to take all necessary steps in this regard to comply with all the legal and procedural formalities and further to authorise any of its Director(s) or Officer(s) to do all such acts, things and deeds as may be necessary, to give effect to this Resolution."

**By Order of the Board of Directors**

**K. J. Malliya**  
**Company Secretary**

Mumbai, 27th January, 2004

Registered Office:

Shiv Sagar Estate 'A'

Dr. Annie Besant Road

Worli, Mumbai 400 018

## Notice of Annual General Meeting

### 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 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 10 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 upto the day of the Annual General Meeting.

4. The Register of Members and the Share Transfer Books of the Company will remain closed from Saturday, 28th February, 2004 to Friday, 12th March, 2004, both days inclusive, for the purpose of payment of dividend.

5. In terms of Sections 205A and 205C of the Companies Act, 1956, the dividends for the year ended 31st December, 1996 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 remain against the said Fund or the Company for the amount of dividends so transferred to the said Fund. Members who have not encashed their dividend warrant(s) so far for the year ended 31st December, 1996 or any subsequent years are requested to send their claim directly to the Company or to the Registrars and Transfer Agents. The Company has been sending reminders to the concerned Members to claim their dividend amounts from the Company.

Unclaimed dividend for the year 1995 was transferred to the "Investors Education & Protection Fund" of the Central Government during the year.

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 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 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 & Transfer Agents.

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 given, if any, 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 to their DPs regarding the Bank Account in which they wish to receive dividend.

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 nominations 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.

### 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, 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.

## Notice of Annual General Meeting

### Explanatory Statement

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

##### ITEM NO. 6:

Dr. J. Sombroek was appointed as a Director of the Company on 12th July, 2002 by the Board of Directors of the Company in the casual vacancy caused by the resignation of Dr. M. Becker. Dr. Sombroek has been with the Merck Group for the last 28 years and currently is a Member of the Executive Board of Merck KGaA. He is responsible for Human Resources and Information Services of the Group Companies and of operations in Latin American countries, India, Indonesia, Pakistan, Philippines, Thailand and Vietnam and for the Chemical business in Australia, New Zealand and the United States of America.

In terms of Section 262 of the Companies Act, 1956, Dr. J. Sombroek holds office upto the date of the forthcoming Annual General Meeting i.e. till the date Dr. M. Becker would have held the office as a Director. The Company has received a notice in writing from a Member proposing the candidature of Dr. J. Sombroek for the office of the Director alongwith the necessary deposit.

Dr. J. Sombroek, if appointed, will be liable to retire by rotation.

Except Dr. J. Sombroek, no other Director is interested in the Resolution.

##### ITEM NO. 7:

The Board of Directors of the Company, subject to the consent of the Members in General Meeting, re-appointed Mr. R. L. Shenoy as a Whole-time Director for a further period of 5 years with effect from 27th December, 2003 on the terms and conditions indicated in the Agreement dated 18th October, 2003 entered into between Mr. R. L. Shenoy and the Company. The Directors consider the services of Mr. Shenoy useful to the Company and therefore, it will be in the best interest of the Company to re-appoint him as a Whole-time Director in charge of Finance, Legal, Logistics and Commercial functions.

The main terms and conditions of re-appointment as per Agreement aforesaid, and placed for approval before the Members are as under:

- I. Period: 5 Years with effect from 27th December, 2003.
- II. Mr. R. L. Shenoy shall be in charge of Finance, Legal, Logistics and Commercial divisions.
- III. The total remuneration payable to Mr. R. L. Shenoy is as follows:
  - (i) The aggregate remuneration by way of salary, commission and incentives payable shall be a maximum of Rs. 4.5 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 said Act.

- (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 said Act.

- (iii) In addition, Mr. R. L. Shenoy 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 limits for remuneration or perquisites stated in (i) and (ii) above.

- 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 Mr. Shenoy, is disqualified to act as Director of the Company, for any reason/cause whatsoever, he shall vacate office as Whole-time Director of the Company.

The Agreement entered into between the Company and Mr. R. L. Shenoy is open to inspection at the Registered Office of the Company between 2 p.m. and 4 p.m. on all working days upto the day of the Annual General Meeting.

Except Mr. R. L. Shenoy, none of the other Directors is interested in the Resolution.

##### ITEM NO. 8:

Section 77A of the Companies Act, 1956 provides inter alia that the buy-back of the shares by a Company must

## Notice of Annual General Meeting

be authorized by its Articles of Association. It may be possible in future, at an appropriate time, that the Company may decide to buy-back its shares, subject to the regulatory provisions, to increase the underlying value of its Equity Share. Since such a step requires the authorization by the Articles of Association, the amendment to the Articles of Association in Item No. 8 is proposed for your consideration.

Copy of the draft Articles of Association as amended is open to inspection by the Members at the Registered Office of the Company between 2 p.m. and 4 p.m. on all working days upto the day of the Annual General Meeting.

None of the Directors is presently interested in the Resolution.

### ITEM NO. 9:

The Directors, subject to the approval of Members, the Central Government and such other authorities as may be required, have appointed Emerchemie NB (Ceylon) Limited as the Sole Selling Agent of Company for the sale and distribution of Pharmaceutical Products, Drug Intermediates and Vitamins in Sri Lanka at the rate of commission and for the period mentioned therein. The terms and conditions of appointment of the Sole Selling Agent are incorporated in a separate Agreement entered into by the Company with the Sole Selling Agent. The Agreement with the Sole Selling Agent also provides for termination by either party by giving to the other three months' Notice.

The Directors seek your approval under Section 294AA of the Companies Act, 1956, to the appointment of Emerchemie NB (Ceylon) Limited as the Sole Selling Agent in Sri Lanka. The approval of the Central Government will be sought in due course.

Copy of the Agreement entered into between the Company and Emerchemie NB (Ceylon) Limited is open to inspection by the Members at the Registered Office of the Company between 2 p.m. and 4 p.m. on all working days upto the day of the Annual General Meeting.

None of the Directors is interested in the Resolution.

### ITEM NO. 10:

With the extensive networking of The Stock Exchange, Mumbai and the National Stock Exchange of India Limited and availability of nationwide trading terminals, the investors have access to online dealings in the Equity Shares of the Company across the country. The volume of trading of the Company's Equity Shares on The Delhi Stock Exchange Association Limited (DSE) is not significant. The listing fee paid to DSE at present constitutes about 30% of the total listing fees paid to all the Stock Exchanges for each financial year and does not offer commensurate benefits to the Company or investors. Further, delisting of shares on DSE will contribute to reduction in administrative costs/efforts of the Company. Therefore, the Board of Directors has decided to apply for voluntary delisting of Equity Shares of the Company from the said Stock Exchange.

None of the Directors is interested in the Resolution.

**By Order of the Board of Directors**

**K. J. Malliya**

Mumbai, 27th January, 2004 **Company Secretary**

*Registered Office:*

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

## NOTICE UNDER SECTION 284 READ WITH SECTION 190 OF THE COMPANIES ACT, 1956

The Company has received the following Special Notice dated 18th February, 2004, from a Shareholder, Mr. Dhirendra Gandhi who holds 2 shares proposing to move the following Resolution at the Annual General Meeting/Extra Ordinary General Meeting of the Company:

"I the undersigned Member of 'Merck Limited' give notice pursuant to the provisions of Section 284(2) read with Section 190 of the Companies Act, 1956, that the Resolution be moved at the forthcoming Annual General Meeting/Extra Ordinary General Meeting of the Company an Ordinary Resolution that Mr. R. L. Shenoy be removed from the office of the Director of the Company".

A copy of the Special Notice has been forwarded to Mr. R. L. Shenoy, who has informed the Company that he has no intention of making any representation with respect to the above Resolution in accordance with the provisions of Section 284(4) of the Companies Act, 1956.

The above item will be considered before Item No. 7 of the Notice of the Annual General Meeting for re-appointment and fixation of the remuneration of Mr. R. L. Shenoy as Whole-time Director. The Company's parent Company Merck KGaA, Germany, which holds 51% of the Company's issued and paid-up capital has indicated that it will not support the above Resolution.

**For Merck Limited**

**K. J. Malliya**

**Company Secretary**

Mumbai, 19th February, 2004.



## Directors' Report

Your Directors have pleasure in presenting the Thirty Seventh Annual Report and Audited Accounts for the year ended 31st December, 2003.

### FINANCIAL HIGHLIGHTS:

	(Rs. mio)	
	2003	2002
<b>SALES</b>	<b>3,641.7</b>	3,466.9
OTHER INCOME	<b>106.6</b>	90.7
PROFIT BEFORE INTEREST, DEPRECIATION, TAXATION AND EXCEPTIONAL ITEM	<b>1,040.2</b>	745.0
Interest	<b>8.3</b>	3.7
Depreciation	<b>96.1</b>	100.3
<b>PROFIT BEFORE TAXATION AND EXCEPTIONAL ITEM</b>	<b>935.8</b>	641.0
Exceptional Item – Voluntary Retirement Scheme (VRS)	<b>344.6</b>	34.0
Provision for Taxation (net)	<b>194.8</b>	207.2
<b>PROFIT AFTER TAX</b>	<b>396.4</b>	399.8
Profit and Loss Account Balance brought forward	<b>125.8</b>	126.1
<b>PROFIT AVAILABLE FOR APPROPRIATION</b>	<b>522.2</b>	525.9
<b>APPROPRIATIONS:</b>		
Transfer to General Reserve	<b>66.4</b>	251.7
Dividend (Proposed)	<b>168.6</b>	131.5
Dividend Tax	<b>21.6</b>	16.9
Balance carried to the Balance Sheet	<b>265.6</b>	125.8

### DIVIDEND:

The Directors recommend for the consideration of the Members a dividend of Rs. 10/- per Equity Share for the year 2003, as against Rs. 7.80 per Equity Share paid last year.

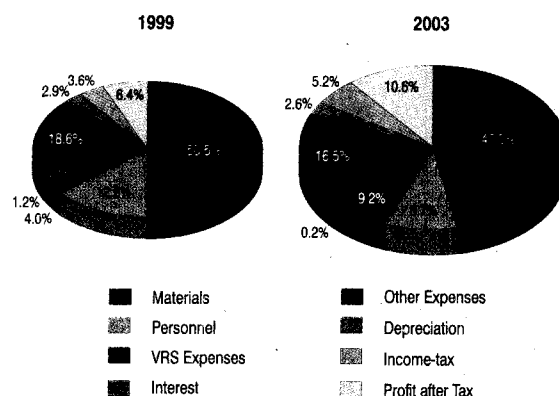
### OPERATIONS:

The turnover of the Company registered a growth of 5% over the last year's turnover. The turnover of Pharma and Chemicals segments showed growth of 6.3% and 3.2% respectively. The Profit before Tax without taking into account expenditure on VRS payments (pertaining to the years 2002 and 2003) showed a growth of 46% at Rs. 935.8 mio as against the last year's corresponding figure of Rs. 641 mio.

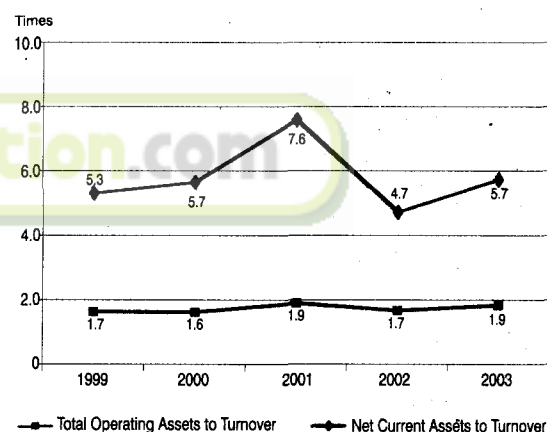
### FINANCE:

For the last 3 years, your Company has been showing a 'zero debt' status. The investments of the Company in various debt funds and short term deposits with Banks as on the date of the Report are Rs. 1,047 mio. One of the possibilities the Company is contemplating

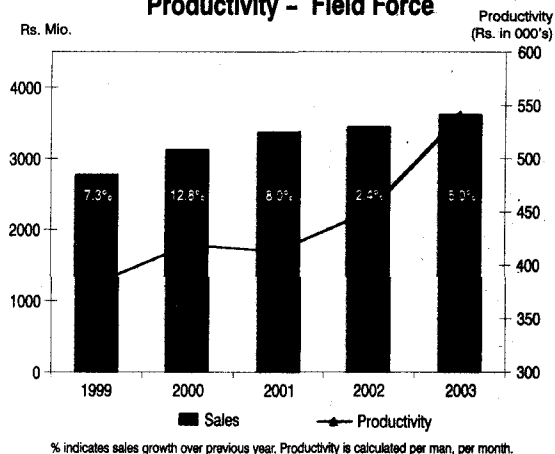
### Distribution of Revenue



### Turnover Ratios



### Productivity – Field Force





## Directors' Report

to reward the Members out of the available surplus funds, is by way of buy-back of its Equity Shares. A Resolution for the amendment of the Company's Articles of Association empowering the Company to buy-back its Equity Shares is included in the Notice calling the ensuing Annual General Meeting.

### 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, 2003 and the Profit for the year ended on that date;
- 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 (including to Nepal) of the Company amounted to Rs.192.5 mio as against the exports achieved last year of Rs. 131.2 mio.

### DIRECTORS:

Mr. R. L. Shenoy was re-appointed by the Board as Whole-time Director for a further period of 5 years with effect from 27th December, 2003 subject to the approval of the Members of the Company. Mr. H. C. H. Bhabha and Mr. V. D. Narkar retire by rotation and being eligible offer themselves for re-appointment.

Dr. J. Sombroek who was appointed as a Director of the Company with effect from 12th July, 2002 in the casual vacancy caused by the resignation of Dr. Michael Becker will hold office upto the date of the next Annual General Meeting. Your Directors recommend his appointment as Director of the Company.

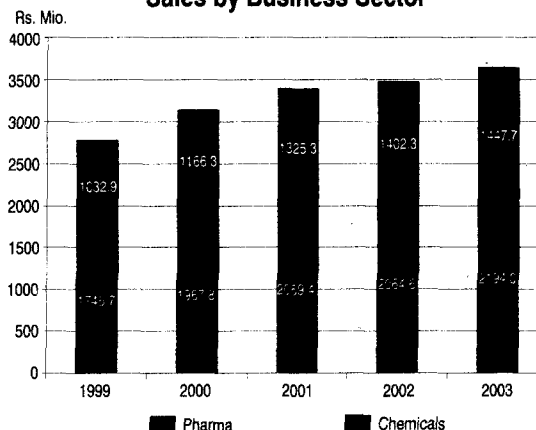
### FIXED DEPOSITS:

During the year, the Company has not accepted any Fixed deposits. Deposits aggregating Rs. 0.2 mio due for repayment have not been claimed by the fixed deposit holders as on the date of this Report. Barring these, the Company has refunded all the deposits which were due for repayment as on the date of this Report.

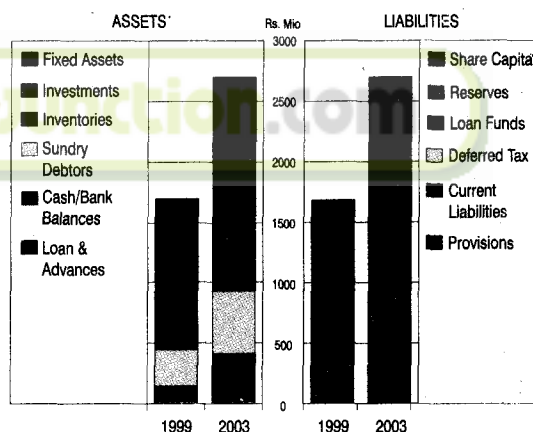
### AUDITORS:

M/s. Bharat S Raut & Co., Chartered Accountants retire at the forthcoming Annual General Meeting and

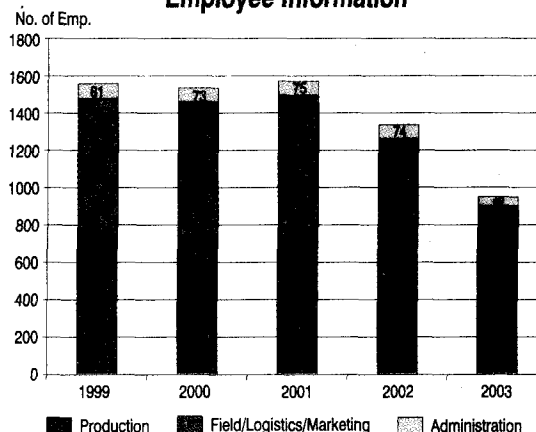
### Sales by Business Sector



### Balance Sheet



### Employee Information



## Directors' Report

are eligible for re-appointment. The Audit committee recommends the re-appointment of M/s. Bharat S Raut & Co., as Auditors for the year 2004. The Company has received a letter from the retiring Auditors to the effect that their appointment, if made, would be within the prescribed limits under Section 224(1B) of the Companies Act, 1956.

### COST AUDIT:

M/s. S.S. Mani & Co. have been re-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, 2004.

### PERSONNEL:

As on the date of Report, the total number of employees on the payroll was 941. Industrial relations with employees at various levels continue to be cordial. During the year, 281 employees opted for voluntary retirement under the Scheme announced by the Company.

The information required to be included as per Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975 made thereunder, is set out in the annexure forming part of this Report.

### 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 Board of Directors) Rules, 1988 is given in the Annexure forming part of this Report.

### CORPORATE GOVERNANCE:

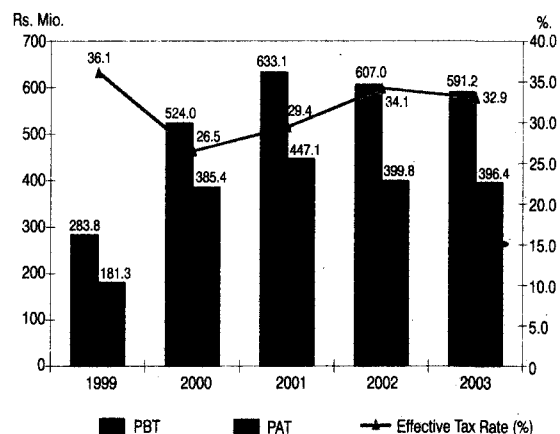
A report on the Corporate Governance Code along with a certificate from the Auditors of the Company regarding the compliance of conditions of Corporate Governance as also the Management Discussion and Analysis Report, as stipulated under Clause 49 of the Listing Agreements are annexed to this Report.

On behalf of the Board of Directors

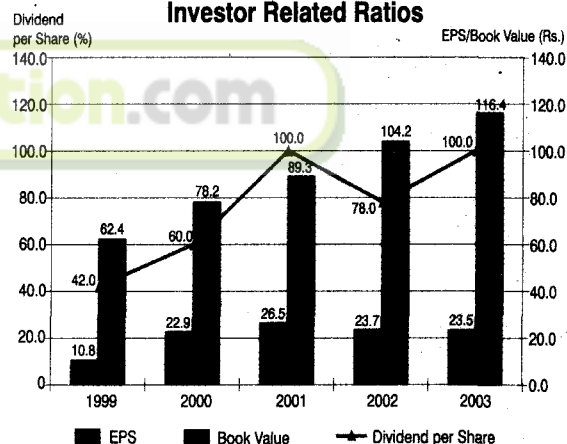
S.N. Talwar  
Chairman

Mumbai, 27th January, 2004

### Profits and Taxation



### Investor Related Ratios



	1999	2000	2001	2002	2003
P/E Ratio	60.7	20.6	14.5	12.5	14.4

### Shareholder Structure

