

Annual Report 2008

Grow

Report  Change

Sustain

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Financial Highlights : 1999-2008

		1999	2000	2001	2002	2003	2004	2005	2006	2007	Change +/- in %	2008
PROFIT & LOSS ACCOUNT SUMMARY												
Turnover	Rs. Mio.	2,779.6	3,134.1	3,384.7	3,466.9	3,641.7	3,766.0	3,964.6	3,294.9	3,148.3	23.7	3,894.6
Other Income	"	65.0	61.6	84.7	90.7	106.6	138.2	183.7	967.2	395.0	20.8	477.1
	"	2,844.6	3,195.7	3,469.4	3,557.6	3,748.3	3,904.2	4,148.3	4,262.1	3,543.3	23.4	4,371.7
Costs & Expenses												
Materials Cost	"	1,435.6	1,624.2	1,690.3	1,686.8	1,760.7	1,722.1	1,797.1	1,393.2	1,264.9	26.5	1,599.9
Personnel Expenses	"	479.5	365.6	390.8	470.4	672.4	305.7	310.0	339.3	332.0	43.9	477.6
Interest Expense	"	33.4	23.0	5.6	3.7	8.3	1.9	0.2	0.1	0.1	0.0	0.1
Operating and Other Expenses	"	529.4	586.4	654.8	689.4	619.6	702.7	790.9	768.1	881.8	49.6	1,319.4
Depreciation	"	82.9	72.5	94.8	100.3	96.1	86.0	77.5	64.4	65.9	-13.1	57.3
	"	2,560.8	2,671.7	2,836.3	2,950.6	3,157.1	2,818.4	2,975.7	2,565.1	2,544.7	35.7	3,454.3
Profit Before Taxation	"	283.8	524.0	633.1	607.0	591.2	1,085.8	1,172.6	1,697.0	998.6	-8.1	917.4
Provision for Taxation	"	102.5	138.6	186.0	207.2	194.8	375.9	384.7	363.5	310.4	-7.4	287.3
Profit After Taxation	"	181.3	385.4	447.1	399.8	396.4	709.9	787.9	1,333.5	688.2	-8.4	630.1
BALANCE SHEET SUMMARY												
Assets Employed												
Fixed Assets (Gross)	Rs. Mio.	1,017.5	1,247.5	1,263.8	1,307.8	1,290.0	1,128.1	1,152.2	1,153.9	1,168.2	20.3	1,405.8
Fixed Assets (Net)	"	653.4	810.6	760.4	720.2	616.5	471.6	447.4	403.1	405.0	53.6	622.1
Investments	"	-	-	351.6	265.5	724.7	1,252.8	1,406.7	2,480.7	2,339.7	-34.6	1,529.3
Current Assets (Net)	"	521.2	553.2	444.8	732.2	633.8	780.8	1,152.6	1,092.4	1,532.3	55.7	2,386.3
Miscellaneous Expenditure (to the extent not written off or adjusted)	"	-	-	34.0	136.1	-	-	-	-	-	-	-
		1,174.6	1,363.8	1,590.8	1,854.0	1,975.0	2,505.2	3,006.7	3,976.2	4,277.0	6.1	4,537.7
Financed by												
Share Capital	Rs. Mio.	168.6	168.6	168.6	168.6	168.6	168.6	168.6	168.6	168.6	0.0	168.6
Reserves and Surplus	"	883.3	1,149.6	1,336.3	1,587.7	1,793.9	2,313.2	2,812.7	3,761.7	4,060.4	7.0	4,345.3
Shareholders' Funds	"	1,051.9	1,318.2	1,504.9	1,756.3	1,962.5	2,481.8	2,981.3	3,930.3	4,229.0	6.7	4,513.9
Borrowings	"	122.7	45.6	-	-	-	-	-	-	-	-	-
Deferred Tax Liability (Net)	"	-	-	85.9	97.7	12.5	23.4	25.4	45.9	48.0	-50.4	23.8
	"	1,174.6	1,363.8	1,590.8	1,854.0	1,975.0	2,505.2	3,006.7	3,976.2	4,277.0	6.1	4,537.7
OTHER INVESTOR INFORMATION												
Earnings Per Share	Rs.	10.8	22.9	26.5	23.7	23.5	42.1	46.7	79.1	40.8	-8.3	37.4
Dividend	%	42.0	60.0	100.0	78.0	100.0	100.0	150.0	200.0	200.0	-12.5	175.0
Book Value Per Share	Rs.	62.4	78.2	89.3	104.2	116.4	147.2	176.8	233.1	250.8	6.7	267.7
Market Value of Share	High Rs.	940	691	529	370	460	598	590	639	500	-8.0	460
	Low Rs.	371	251	240	221	215	301	375	425	372	-30.1	260
No. of Shareholders		24,863	26,815	26,963	26,692	25,487	25,304	25,235	24,805	25,718	1.5	26,096
No. of Employees		1,559	1,535	1,571	1,337	950	927	952	860	922	16.3	1,072

Merck Limited

Forty-second Annual Report and Statement of Accounts 2008

Board of Directors

Mr. S. N. Talwar
Chairman

Dr. M. Dziki
Managing Director

Mr. W. W. Zywoitek
(up-to 30.10.2008)

Dr. H. S. Hermansson
(from 30.10.2008)

Mr. H. C. H. Bhabha

Mr. E. A. Kshirsagar

Mr. A. R. Bhattacharjee
(up-to 31.12.2008)

Mr. K. Shivkumar

Mr. R. L. Shenoy

Auditors

: B S R & Co.

Bankers

Canara Bank
Union Bank of India
Deutsche Bank AG
Citibank N.A.
Standard Chartered Bank
ICICI Bank Limited
HDFC Bank Limited

Legal Advisors

: Crawford Bayley & Co.
Talwar Thakore & Associates

<i>Contents</i>	<i>Page No.</i>
Notice	2
Directors' Report	6
Corporate Governance	10
General Shareholder Information	14
Auditors' Certificate on Corporate Governance	16
Operational Performance	17
Management Discussion and Analysis Report	18
Auditors' Report	21
Balance Sheet	24
Profit and Loss Account	25
Cash Flow Statement	26
Schedules to the Financial Statements	27

Company Secretary

: Mr. H. U. Shenoy

Registered Office

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

Plant Location

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

R & T Agents

Sharepro Services (India) Pvt. Ltd.
Satam Estate, 3rd Floor
Above Bank of Baroda
Chakala, Andheri (East)
Mumbai-400 099

Notice of Annual General Meeting

NOTICE is hereby given that the Forty-second Annual General Meeting of the Members of Merck Limited will be held at The Royal Room, 3rd floor, Sunville Banquets, Dr. Annie Besant Road, Worli, Mumbai-400 018 on Monday, April 20, 2009 at 3.00 p.m. to transact the following business:

AS ORDINARY BUSINESS:

1. To receive and adopt the audited Profit and Loss Account for the year ended December 31, 2008, the Balance Sheet as on that date and the Reports of the Board of Directors and Auditors.
2. To declare a dividend for the year 2008.
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. K. Shivkumar, 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 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 of the said Act, Mr. R. L. Shenoy be re-appointed as a Whole-time Director of the Company from December 27, 2008 for a period of one year on the terms and conditions as set out in the Agreement dated October 30, 2008 entered into between the Company and Mr. R. L. Shenoy".

7. 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 294AA 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 Amar Al Din Company Limited as the Sole Selling Agent of the Company in Yemen, for the sale and distribution of the Company's Pharmaceutical Products and Drug Intermediates, for a period of five years, with effect from the date of approval of the Central Government, on the terms and conditions set out in the draft Agreement to be entered into between the Company and the Sole Selling Agent, placed before this Meeting and initialed by the Chairman for the purpose of identification.

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorized to agree to such modifications, if any, as the Central

Government and/or Reserve Bank of India may require, provided that such modifications are acceptable to the Board of Directors of the Company and the Sole Selling Agent".

8. 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 294AA 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 Solymans Services (UK) Ltd. as the Sole Selling Agent of the Company in Saudi Arabia, United Arab Emirates, Oman, Bahrain, Qatar, Kuwait, Yemen, Syria, Lebanon and Jordan, for the sale and distribution of the Company's Chemical Products, for a period of five years, with effect from the date of approval of the Central Government, on the terms and conditions set out in the draft Agreement to be entered into between the Company and the Sole Selling Agent, placed before this Meeting and initialed by the Chairman for the purpose of identification.

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

By Order of the Board of Directors

H. U. Shenoy
Company Secretary

Mumbai, February 26, 2009

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.

The instrument appointing 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(2) of the Companies Act, 1956 in respect of the Special Business at Item Nos. 6 - 8 of the Notice is annexed.
3. The Register of Members and the Share Transfer Books of the Company will remain closed from April 9, 2009 to April 20, 2009 (both days inclusive) for the purpose of payment of dividend.

Notice of Annual General Meeting

4. In terms of Sections 205A and 205C of the Companies Act, 1956, the dividend which remains unclaimed for a period of seven years from the date of transfer to the Unpaid Dividend Account is required to be transferred to the "Investor Education and Protection Fund" established by the Central Government. According to the relevant provisions of the Companies Act, 1956, no claims shall lie against the said Fund or the Company for the amount of dividend so transferred to the said Fund. **Members who have not encashed the dividend warrant(s) so far for the year ended December 31, 2001 or any subsequent years are requested to send their claims directly to the Company or to M/s. Sharepro Services (India) Private Ltd. (hereinafter referred to as Sharepro Services). The Company has been sending reminders to the concerned Members to claim their dividend amounts from the Company.**
5. Members are requested to notify immediately any change of address and bank details to their Depository Participants (DPs) in respect of their holdings in electronic form and in respect of shares held in physical form, to the Secretarial Department at the Registered Office of the Company or to Sharepro Services.
6. In order to provide protection against fraudulent encashment of dividend warrants, Members are requested to provide, if not already provided earlier, their Bank Account number and name and address of the Bank, quoting their folio numbers to the Secretarial Department at the Registered Office of the Company or to Sharepro Services.
7. 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.
8. 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.
9. 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.
10. In terms of Section 109A of the Companies Act, 1956, Members are entitled to make nomination in respect of shares held by them in physical form. Members desirous of making nominations are requested to send their requests in Form 2B, in duplicate, to the Secretarial Department at the Registered Office of the Company or to Sharepro Services.
11. A brief profile of the Directors retiring by rotation and eligible for re-appointment/appointed since the last Annual General Meeting, as required by

Clause 49 IV(G) of the Listing Agreements signed by the Company with the Stock Exchanges, is given in the annexure to this Notice.

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 well in advance to ensure that such requests reach the Company at least seven days before the date of Annual General Meeting, 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.

EXPLANATORY STATEMENT:

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

Item No. 6:

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 one year with effect from December 27, 2008 on the terms and conditions indicated in the Agreement dated October 30, 2008 entered into between Mr. R. L. Shenoy and the Company. The Directors consider the services of Mr. R. L. Shenoy useful to the Company and recommend to re-appoint him as a Whole-time Director in charge of Finance, Legal, Taxation, Secretarial, Logistic and Commercial functions.

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

- I. Period: One year with effect from December 27, 2008.
- II. Mr. R. L. Shenoy shall be incharge of Finance, Legal, Taxation, Secretarial, Logistic and Commercial functions of the Company.
- III. The total remuneration payable to Mr. R. L. Shenoy shall be as follows:
 - (i) For the period of appointment as stated above, the aggregate remuneration payable to Mr. R. L. Shenoy by way of salary, commission and incentives 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 read with Schedule XIII of 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, leave travel concession for self and family, medical reimbursement, club fees, premium for personal accident insurance paid

Notice of Annual General Meeting

in accordance with the Rules of the Company, such perquisites being restricted to Rs. 6 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 read with Schedule XIII of the Companies Act, 1956.

- (iii) In addition, Mr. R. L. Shenoy shall be entitled to:
- the Company's contribution to Provident Fund and Superannuation Fund not exceeding 27% of the salary;
 - gratuity payment; and
 - encashment of earned/privilege leave in accordance with the Rules of the Company.
- 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 in writing.
- VI. Confidentiality Clause.
- VII. If at any time Mr. R. L. Shenoy, disqualifies/ceases to be a Director of the Company, for any reason/cause whatsoever, he shall vacate office as a Whole-time Director of the Company.

The Board commends the appointment of Mr. R. L. Shenoy as a Whole-time Director for your approval.

The Agreement executed between the Company and Mr. R. L. Shenoy 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 and Public Holidays, up-to and including the day of the Annual General Meeting.

Mr. R. L. Shenoy is interested in the Resolution since it concerns his re-appointment and fixation of remuneration. No other Director is interested in the Resolution.

Item No. 7:

The Directors, subject to the approval of the Members, the Central Government and/or Reserve Bank of India, as may be required, have decided to appoint Amar Al Din Company Limited as the Sole Selling Agent of the Company for sale and distribution of Pharmaceutical Products and Drug Intermediates in Yemen. The principal terms and conditions set out in the draft Agreement for the appointment of the Sole Selling Agent are as follows:

Period: Five years from the date of approval of the Central Government.

Products: Pharmaceutical Products and Drug Intermediates.

Commission: 2.5% of export value (F.O.B.).

The other terms and conditions are incorporated in the draft Agreement to be entered into by the Company with

the Sole Selling Agent. The proposed Agreement with the Sole Selling Agent also provides for termination by either party, by giving three months' notice in writing to the other party.

The Directors consider that it would be in the best interest of the Company to appoint Amar Al Din Company Limited as the Sole Selling Agent and seek your approval for such appointment under Section 294AA of the Companies Act, 1956.

A copy of the draft Agreement 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 except Saturdays, Sundays and Public Holidays, up-to and including the day of the Annual General Meeting.

None of the Directors is interested in the Resolution.

Item No. 8:

The Directors, subject to the approval of the Members, the Central Government and/or Reserve Bank of India, as may be required, have decided to appoint Solyman Services (UK) Ltd. as the Sole Selling Agent of the Company for sale and distribution of the Chemical Products in Saudi Arabia, United Arab Emirates, Oman, Bahrain, Qatar, Kuwait, Yemen, Syria, Lebanon and Jordan. The principal terms and conditions set out in the draft Agreement for the appointment of the Sole Selling Agent are as follows:

Period: Five years from the date of approval of the Central Government.

Products: Chemical Products.

Commission: 5% of export value (F.O.B.).

The other terms and conditions of appointment of the Sole Selling Agent are incorporated in the draft Agreement to be entered into by the Company with the Sole Selling Agent. The proposed Agreement with the Sole Selling Agent also provides for termination by either party, by giving three months' notice in writing to the other party.

The Directors consider that it would be in the best interest of the Company to appoint Solyman Service (UK) Limited as the Sole Selling Agent and seek your approval for such appointment under Section 294AA of the Companies Act, 1956.

A copy of the draft Agreement 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 except Saturdays, Sundays and Public Holidays, up-to and including the day of the Annual General Meeting.

None of the Directors is interested in the Resolution.

By Order of the Board of Directors

H. U. Shenoy
Company Secretary

Mumbai, February 26, 2009

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

Annexure to the Notice of Annual General Meeting

BRIEF PROFILE OF DIRECTORS SEEKING RE-APPOINTMENT AND DIRECTORS APPOINTED SINCE THE LAST ANNUAL GENERAL MEETING:

Particulars	Mr. H. C. H. Bhabha	Mr. K. Shivkumar	Mr. R. L. Shenoy	Dr. H. S. Hermansson
Date of birth & Age	15/12/1955 53 years	26/07/1959 49 years	16/01/1948 61 years	22/03/1953 55 years
Appointed on	24/12/1986	13/12/2007	27/12/1988	30/10/2008
Qualifications	B.Com., F.C.A., A.C.A. (England & Wales)	B.Sc. (Physics & Mathematics)	B.Com., LL.M., A.C.A., ACS, A.I.C.W.A., C.A.IIB., M.B.I.M. (London)	Certificate Physiotherapist, Germany M.D. Certificate, Germany Doctorate of Medicine, Certificate for Sports Medicine, Certificate for Leiter der klinischen Prufung
Expertise in specific areas	Finance, Accounts and Administration	Pharmaceuticals Marketing	Finance, Legal, Taxation, Secretarial, Logistic and Commercial Functions	Commercial Operations
Directorships held in Public Limited and Private Limited Companies	Ceekay Daikin Ltd., SICGIL India Ltd., SICGIL Industrial Gases Ltd., Brandon & Company Private Ltd., Marsh India Private Ltd., Rampart Finance Private Ltd., Ramrod Advisors Private Ltd., Bestprax Club Private Ltd.	None	None	Merck Serono Australia Pty. Ltd., Australia Beijing Merck Pharmaceutical Consulting Ltd., China Merck Inc., Philippines Serono Singapore Pte. Ltd., Singapore Serono (Thailand) Co. Ltd.
Memberships/ Chairmanships of Committees in Public Limited Companies	Ceekay Daikin Ltd., SICGIL India Ltd., SICGIL Industrial Gases Ltd.	None	None	None
Shareholding in the Company	55,303	Nil	807	Nil

Directors' Report

Your Directors have pleasure in presenting their Report on the business and operations of your Company along with the Accounts for the year ended December 31, 2008.

FINANCIAL HIGHLIGHTS:

	(Rs. mio.)	
	2008	2007
SALES	3,894.6	3,148.3
OTHER INCOME	477.1	395.0
Profit before Interest, Depreciation and Taxation	974.8	1,064.6
Interest	0.1	0.1
Depreciation	57.3	65.9
PROFIT BEFORE TAXATION	917.4	998.6
Provision for Taxation (net)	287.3	310.4
PROFIT AFTER TAXATION	630.1	688.2
Profit & Loss Account Balance brought forward	1,423.5	1,480.7
PROFIT AVAILABLE FOR APPROPRIATION	2,053.6	2,168.9
APPROPRIATIONS:		
Transfer to General Reserve	341.7	355.9
Interim Dividend paid during 2007	–	168.6
Dividend (Proposed)	295.1	168.6
Dividend Tax	50.1	52.3
Balance carried to the Balance Sheet	1,366.7	1,423.5

OPERATIONS:

The turnover of the Company for the year 2008 was Rs. 3,894.6 mio. as against Rs. 3,148.3 mio. for the year 2007. The profit after tax for the year under review was Rs. 630.1 mio. as against Rs. 688.2 mio. for the previous year.

The turnover of Pharmaceuticals division grew by 25.3% from Rs. 2,544.7 mio. in 2007 to Rs. 3,189.6 mio. in 2008. The turnover of the Chemicals division for the year was Rs. 705.0 mio. as against Rs. 603.6 mio. in the previous year, registering a growth of 16.8%.

DIVIDEND:

Though the Company's turnover at Rs. 3,894.6 mio. as against Rs. 3,148.3 mio. in the previous year has shown a significant increase, the profit after tax has shown a decline of 8.4% during the year under review. This is mainly due to investments in marketing, the launch of new products and the unrealistic pricing policy of the Government. Although the Company has substantial cash reserves, further investments in marketing and in the launch of new products are envisaged for the current year. In view of the current recessionary trends in the economy, the market response to the new products to be launched by the Company is uncertain. There is also continuing

uncertainty regarding the unrealistic pricing policy of the Government. Taking all these factors into account, the Board of Directors (Board) has adopted a cautious approach and recommended a dividend of Rs. 17.50 per share (previous year Rs. 20/- per share) for the approval of the Members at the ensuing Annual General Meeting.

FINANCE:

The investments of the Company in various debt funds, capital gain bonds and short-term deposits with Banks as on the date of the Report amount to Rs. 3,225.4 mio.

DIRECTORS' RESPONSIBILITY STATEMENT:

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

- in the preparation of the annual accounts, the applicable Accounting Standards/Rules 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 December 31, 2008, 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 for safeguarding the assets of the Company and for detecting and preventing fraud and other irregularities and;
- the annual accounts have been prepared on a going concern basis.

DIRECTORS:

Mr. H. C. H. Bhabha and Mr. K. Shivkumar will retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment.

Mr. R. L. Shenoy's tenure as a Whole-time Director expired on December 26, 2008. The Directors are of the opinion that it would be advisable to re-appoint Mr. R. L. Shenoy as a Whole-time Director for an additional period of one year with effect from December 27, 2008 subject to Members approval at the ensuing Annual General Meeting.

As Mr. W. W. Zywoitek retired from the services of Merck KGaA, Germany, he tendered his resignation from the Directorship of Merck Limited with effect from October 30, 2008. Merck KGaA has appointed Dr. H. S. Hermansson as a Director under Article 110 of the Articles of Association of the Company with effect from October 30, 2008.

Mr. A. R. Bhattacharjee resigned as a Director from the Board of Directors with effect from January 1, 2009, on his taking up the assignment as Managing Director of Merck Limited, Thailand.

The Board places on record its appreciation of the valuable contributions made by Mr. W. W. Zywoitek and Mr. A. R. Bhattacharjee during their association with the Company and wishes them success in their new endeavours.

Directors' Report

FIXED DEPOSITS:

During the year, the Company has not accepted any fixed deposit.

AUDITORS:

Messrs B S R & Co., Chartered Accountants retire as the Statutory Auditors at the conclusion of the ensuing Annual General Meeting and are eligible for re-appointment. The Audit Committee of the Board recommend the re-appointment of Messrs B S R & Co., as the Statutory Auditors for the year 2009. Messrs B S R & Co. have confirmed their eligibility and willingness to continue to act as the Statutory Auditors of the Company for the year 2009, if re-appointed.

COST AUDIT:

Messrs 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 2009.

PERSONNEL:

As on the date of the Report, the total number of employees on the payroll is 1,202. Industrial Relations with the employees at various levels continue to be cordial.

The particulars of employees as required under Section 217(2A) read with the Companies (Particulars of Employees) Rules, 1975, form part of this Report. However, pursuant to the provisions of Section 219(1)(b)(iv) of the Companies Act, 1956, the

Report and Accounts are being sent to the shareholders excluding the statement of particulars of employees under Section 217(2A) of the Companies Act, 1956. Any Member interested in obtaining a copy of the said statement may write to the Company Secretary at the Registered Office of the Company.

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

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

CORPORATE GOVERNANCE:

The Report on the Corporate Governance Code along with a certificate from the Auditors of the Company regarding compliance of conditions of Corporate Governance as stipulated under Clause 49 of the Listing Agreements, 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, February 26, 2009.

Annexure to the Directors' Report

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

(A) CONSERVATION OF ENERGY

GOA FACTORY

(a) Energy conservation measures taken

1. Reciprocating chillers are replaced with energy efficient york chillers.
2. The operations of the utility equipments are controlled as per production plan.
3. Power factor maintained @ 0.99.
4. Energy audit conducted and the audit observations are being implemented.
5. Power consumption is taken as a subject for a six sigma project and is being monitored and controlled continuously.

6. Central utility chilled water plant is used for Oxynex ST due to which the Company stopped operating 150 TR chilled water pump and cooling tower.

7. Inefficient pumps replaced with energy efficient pumps.

8. Inefficient lamps replaced with energy efficient CFL lamps.

9. Appropriate loading was done in the Diesel Generators, in the second and third shift for efficient operation.

10. Condensate water reused in the boiler.

(b) Impact of measures taken

Power consumption increased marginally even after increase in production quantities and starting of Thiamine Disulfide and Oxynex ST plants.

FORM A

FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY

Power and Fuel Consumption at Goa Factory

Sr. No.	Description	Current Year 2008	Previous Year 2007
1.	ELECTRICITY		
	(a) Purchased Units ('000 KWH)	7,973.07	7,087.00
	Total Amount (Rs. mio.)	28.79	23.16
	Rate/Unit (Rs.)	3.61	3.27
	(b) Own Generation		
	Through Diesel Generator Units ('000 KWH)	342.06	224.00
	Units/Litre of Diesel Oil	3.17	3.06
	Cost/Unit (Rs.)	11.35	10.52
2.	BOILER FUELS		
	(a) FURNACE OIL		
	Quantity (Kilo Litres)	480.00	22.30
	Total Amount (Rs. mio.)	16.55	0.44
	Average Rate (Rs./Kilo Litre)	34,479.16	19,730.94
	(b) SOLID FUELS		
	Quantity (Tons)	2,094.80	3,356.40
	Total Amount (Rs. mio.)	6.68	5.84
	Average Rate (Rs./Ton)	3,188.85	1,740.00

Consumption per unit of production

	Standards (if any)	Current Year (1)	Previous Year (2)
Products (with details) Unit Electricity Furnace Oil Coal Others	In view of the multi-facilities production system, the Company is not in a position to give information required as per this format for the current year as well as the previous year from the records maintained by the Company in accordance with the provisions of the Companies Act, 1956.		