



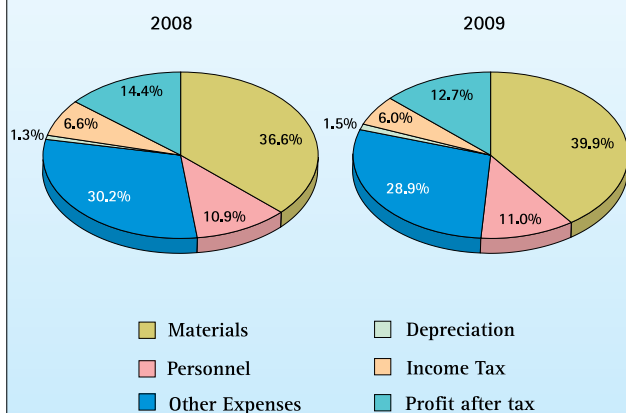
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ANNUAL REPORT

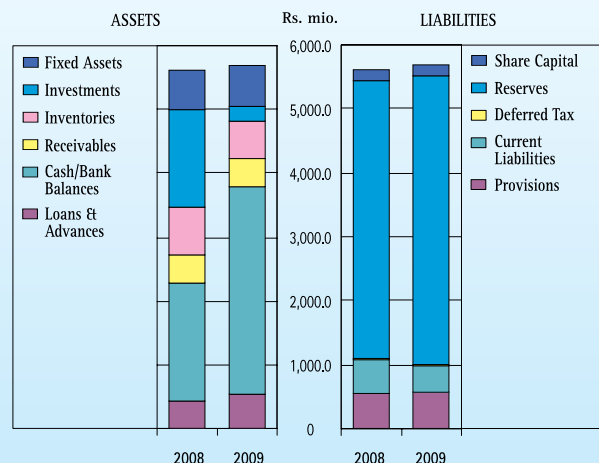
2009

PERFORMANCE INDICATORS

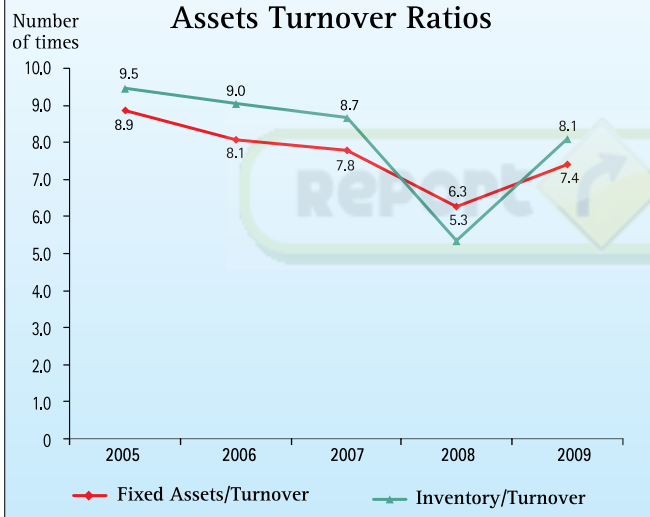
Distribution of Revenue



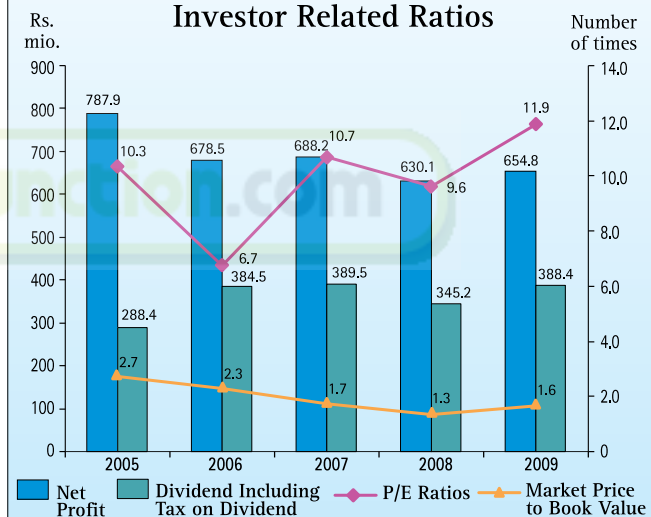
Balance Sheet



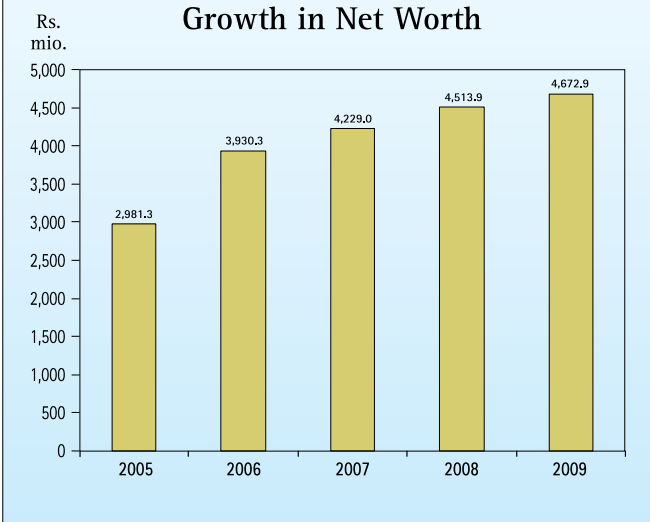
Assets Turnover Ratios



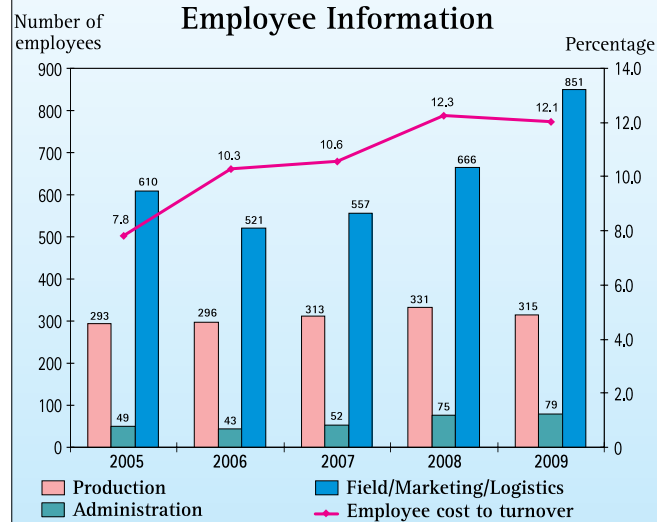
Investor Related Ratios



Growth in Net Worth



Employee Information



Forty-third Annual Report and Statement of Accounts 2009

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: Mr. H. U. Shenoy

Cover page coated with Iridodin® pearl lustre pigments manufactured by Merck

Notice of Annual General Meeting

NOTICE is hereby given that the Forty-third 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 Monday March 29, 2010 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, 2009, 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 2009.
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. E. A. Kshirsagar, 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, 2009 for a period of two years on the terms and conditions as set out in the Agreement dated December 12, 2009 entered into between the Company and Mr. R. L. Shenoy”.

By Order of the Board of Directors

H. U. Shenoy
Company Secretary

Mumbai, January 22, 2010

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 No. 6 of the Notice is annexed.

3. The Register of Members and the Share Transfer Books of the Company will remain closed from March 20, 2010 to March 29, 2010 (both days inclusive) for the purpose of payment of dividend.
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, 2002 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, 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.

Notice of Annual General Meeting

11. A brief profile of the Directors retiring by rotation and eligible for re-appointment/appointed since the last Annual General Meeting, is given in the annexure to this Notice.

REQUEST TO THE MEMBERS:

- 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.
- 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 the Annual General Meeting, re-appointed Mr. R. L. Shenoy as a Whole-time Director for a further period of two years with effect from December 27, 2009 on the terms and conditions set out in the Agreement dated December 12, 2009 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 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:

- Period: Two years with effect from December 27, 2009.
- Mr. R. L. Shenoy shall be in-charge of Finance, Legal, Taxation, Secretarial and Commercial functions of the Company.
- The total remuneration payable to Mr. R. L. Shenoy shall be as follows :-
 - For the period of appointment as stated above, the aggregate remuneration payable to Mr. R. L. Shenoy by way of salary and commission shall be a maximum of Rs. 10.0 mio. (Rupees ten million) 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 Act.
 - 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, leave travel concession for self and family, medical reimbursement, fees of clubs, personal accident insurance paid in accordance with the Rules of the Company, etc., such perquisites being restricted to Rs. 6.0 mio. (Rupees six million only) 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 Act. For the purpose of calculating the above ceiling, perquisites shall be evaluated as per Income Tax Rules, wherever applicable.

- 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.

- Reimbursement of expenses incurred on behalf of the Company.
- The Contract may be terminated by either party by giving to the other party six months notice.
- Confidentiality Clause.
- If at any time, Mr. R. L. Shenoy, Whole-time Director is disqualified/ceased to be Director of the Company, for any cause whatsoever, he shall vacate office as Whole-time Director of the Company.

The Board commends the re-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.

By Order of the Board of Directors

H. U. Shenoy
Company Secretary

Mumbai, January 22, 2010

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. S. N. Talwar	Mr. E. A. Kshirsagar	Mr. Ralph Zaat	Mr. R. L. Shenoy
Date of birth & Age	21/11/1937 72 years	10/09/1941 68 years	31/12/1958 51 years	16/01/1948 62 years
Appointed on	17/01/1984	13/12/2007	20/07/2009	27/12/1988
Qualifications	B.Com, L.L.B, Solicitor	B.Sc., FCA (England & Wales) FCA (India)	Medical Director, Amsterdam University, the Netherlands Master Business Administration (International Business, Marketing and Strategic Planning) – Rotterdam School of Management/ Erasmus University, the Netherlands	B.Com., LL.M., A.C.A., ACS, A.I.C.W.A., C.A.IIB.
Expertise in specific areas	Corporate Laws, Corporate Taxation, International issue of securities, Foreign Exchange laws & Commercial documentation	Corporate Strategy, Valuation, Disinvestment, Mergers & Acquisitions, Govt. Legislation impact on Business	Commercial operations at country and regional levels	Finance, Legal, Taxation, Secretarial and Commercial Functions
Directorships held in Public Limited and Private Limited Companies	PZ Cussons India Private Ltd., FCI OEN Connectors Ltd., Transwarranty Finance Limited, Armstrong World Industries (India) Pvt. Ltd., Romil Finance & Investments Pvt. Ltd., Sidham Finance & Investments Pvt. Ltd., 20th Century Fox Corpn. (I) Pvt. Ltd. AON Global Insurance Brokers Pvt. Ltd., Biocon Limited, Birla Sun Life Insurance Co. Ltd., Birla Sun Life Trustee Co. Pvt. Ltd., Blue Star Limited, Blue Star Infotech Limited, Cadbury India Limited, Chowgule & Company Private Ltd., Decagon Investments Pvt. Ltd., ELANTAS Beck India Limited, Emerson Process Management (India) Pvt. Ltd., Epite Global Services Pvt. Ltd., Esab India Limited, Greaves Cotton Limited, India Value Fund Trustee Company Private Limited, IVF Trustee Company Private Limited, IVF (Mauritius) PCC, IVF (Mauritius) Limited, Indium III (Mauritius) Holding Limited, Indium III (Mauritius) Limited, Indium IV (Mauritius) Holding Limited, Indium IV (Mauritius) Limited, John Fowler (India) Pvt. Ltd., Larsen & Toubro Ltd., MF Global (India) Pvt. Ltd., Morgan Stanley India Capital Pvt. Ltd., Rediffusion-Dentsu, Young & Rubicam Pvt. Ltd., Rakeen Development PJSc, Reva Electric Car Co. Pvt. Ltd., Sandvik Asia Ltd., Shrenuj & Co. Ltd., Samson Maritime Ltd., Solvay Pharma India Ltd., Snowcem Paints Pvt. Ltd., Showdiff Worldwide Pvt. Ltd., Sonata Software Limited, Swiss Re Shared Services (India) Pvt. Ltd., TTK Healthcare TPA Private Limited, Warner Bros Pictures (India) Pvt. Ltd., WAVE Suspension Systems India Private Ltd, Albright & Wilson Chemicals India Ltd., Garware-Wall Ropes Ltd., Hindustan Gum & Chemicals Limited, Johnson & Johnson Ltd., Uhde India Pvt. Ltd.	Batliboi Limited, HCL Infosystems Limited, JM Financial Limited, Rallis India Limited, Tata Chemicals Limited, Manipal Universal Learning Pvt. Ltd., Tribune Corporate & Investment Advisory Services Pvt. Ltd., Vama Sundari Investment Pvt. Ltd., Pharmarc Analytic Solutions Pvt. Ltd.	Merck Pte. Ltd., Singapore, Merck Ltd., Thailand, Merck Inc., Philippines, Merck Ltd., Hong Kong, Beijing Merck Pharmaceutical Consulting Ltd., China	Bangalore Genei (India) Pvt. Ltd.
Memberships/ Chairmanships of Committees in Public Limited Companies	Biocon Ltd., Blue Star Ltd., Blue Star Infotech Ltd., Cadbury India Ltd., ELANTAS Beck India Ltd., FCI OEN Connectors Ltd., Greaves Cotton Ltd., Sandvik Asia Ltd., Solvay Pharma India Ltd.	Batliboi Limited, JM Financial Limited, Rallis India Limited, HCL Infosystems Limited, Tata Chemicals Limited	None	None
Shareholding in the Company	5,914	Nil	Nil	807

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, 2009.

FINANCIAL HIGHLIGHTS:

	(Rs. mio.)	
	2009	2008
SALES	4,731.1	3,894.6
OTHER INCOME	432.1	477.1
Profit before Interest, Depreciation and Taxation	1,039.9	974.8
Interest	0.3	0.1
Depreciation	75.1	57.3
PROFIT BEFORE TAXATION	964.5	917.4
Provision for Taxation (net)	309.7	287.3
PROFIT AFTER TAXATION	654.8	630.1
Profit & Loss Account Balance brought forward	1,366.7	1,423.5
PROFIT AVAILABLE FOR APPROPRIATION	2,021.5	2,053.6
APPROPRIATIONS:		
Transfer to General Reserve	326.6	341.7
Dividend (Proposed)	332.0	295.1
Dividend Tax	56.4	50.1
Balance carried to the Balance Sheet	1,306.5	1,366.7

OPERATIONS:

The turnover of the Company for the year 2009 was Rs. 4,731.1 mio. as against Rs. 3,894.6 mio. for the year 2008, showing a growth of 21.5% during the year under review. The profit after tax for the year under review was Rs. 654.8 mio as against Rs. 630.1 mio. in the previous year.

The turnover of the Pharmaceuticals division grew from Rs. 3,189.6 mio. in 2008 to 3,525.5 mio. in 2009 showing a growth of 10.5%. The turnover of the Chemicals division for the year was 1,205.6 mio. as against Rs. 705.0 mio. in the previous year, registering an impressive growth of 71.0%.

During the year under review, the Company's exports increased to Rs. 579.8 mio. as against Rs. 353.2 mio. for the previous year registering an impressive growth of 64.2%.

BUY BACK OF SHARES:

The Board at its meeting held on May 20, 2009 approved the buy back of Company's fully paid up Equity Shares

from the open market at a price not exceeding Rs. 435/- per share. The buy back is limited to an amount of Rs. 451.4 mio being 10% of total paid up capital and free reserves based on audited accounts for the year ended December 31, 2008. The Company has bought back 2,61,842 Equity Shares and all the shares bought back in the buy back offer have been extinguished as on date.

DIVIDEND:

The Board of Directors has recommended a dividend of Rs. 20/- per share as against Rs. 17.50 per Equity Share paid for the previous year. This is subject to the approval of the Members at the ensuing Annual General Meeting.

FINANCE:

The investments of the Company in various debt funds, and fixed deposits with Banks as on the date of the Report amount to Rs. 3,435.8 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, 2009, 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. S. N. Talwar and Mr. E. A. Kshirsagar will retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment. During the year, Mr. Ralph Zaat was nominated on the Board by Merck KGaA pursuant to the provisions of Article 110 of the Articles of Association of the Company in place of Dr. H. S. Hermansson. The Board placed on record its appreciation of the valuable services rendered by Dr. Hermansson during his tenure as a Director of the Company.

Directors' Report

Mr. R. L. Shenoy's tenure as a Whole-time Director expired on December 26, 2009. 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 two years with effect from December 27, 2009 subject to Members approval at the ensuing Annual General Meeting.

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 recommends the re-appointment of Messrs B S R & Co., as the Statutory Auditors for the year 2010. 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 2010, 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 2010.

PERSONNEL:

As on December 31, 2009, the total number of employees on the payroll was 1,245. 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 Members 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, January 22, 2010.

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 PLANT

(a) Energy Conservation measures taken:

1. Reciprocating inefficient chillers are replaced with energy efficient york chillers in Injectable, Central Utility and Oxyxex ST plants.
2. Utility equipments operationally controlled as per the production plans.
3. Power factor maintained at 0.99.
4. Power consumption is taken as part of the Six Sigma Project and controlled accordingly.
5. Central utility chilled water pump used for Oxyxex ST, thus stopping the operation of the 150 TR chilled water pump along with cooling water.
6. Inefficient pumps replaced with energy efficient pumps.
7. Inefficient lamps replaced with energy efficient CFL lamps.
8. Appropriate DGs loading done in second and third shifts leading to efficient operations.

9. Condensate water returned to boiler.
10. ETP water recirculated for vacuum pumps in Oxyxex ST Plant.
11. Steam generation done to the maximum extent by briquette fired boiler.
12. Recirculated RO-EDI water for secondary application.
13. Steam, water, air, chilled water, cooling water leakages monitored and controlled.

(b) Additional investments and proposals, if any, being implemented for reduction of consumption of energy:

Installed two screw chillers at a cost of Rs. 7.0 mio.

(c) Impact of Measures taken at (a) and (b) above:

1. Power consumption is controlled effectively.
2. The energy conservation measures have resulted in savings which are translated in the reduction of cost of production.

(d) Total energy consumption and energy consumption per unit of production as per Form A, furnished below:

FORM A

DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY

Power and Fuel Consumption at Goa Plant

Sr. No.	Description	Current Year 2009	Previous Year 2008
1.	ELECTRICITY		
(a)	Purchased Units ('000 KWH)	10,635.73	7,973.07
	Total Amount (Rs. mio.)	41.48	28.79
	Rate/Unit (Rs.)	3.90	3.61
(b)	Own Generation		
	Through Diesel Generator Units ('000 KWH)	170.24	342.06
	Units/Litre of Diesel Oil	2.90	3.17
	Cost/Unit (Rs.)	11.57	11.35
2.	BOILER FUELS		
(a)	FURNACE OIL		
	Quantity (Kilo Litres)	195.01	480.00
	Total Amount (Rs. mio.)	5.38	16.55
	Average Rate (Rs./Kilo Litre)	27,588.33	34,479.17
(b)	SOLID FUELS		
	Quantity	3,367.77	2,094.80
	Total Amount (Rs. mio.)	11.42	6.68
	Average Rate (Rs./Ton)	3,390.97	3,188.85

Consumption per unit of production

	Standards (if any)	Current Year (1)	Previous Year (2)
Products (with details)	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.		
Unit			
Electricity			
Furnace Oil			
Coal			
Others			

Annexure to the Directors' Report

(B) TECHNOLOGY ABSORPTION

FORM B

DISCLOSURE OF PARTICULARS WITH RESPECT TO ABSORPTION OF TECHNOLOGY, RESEARCH AND DEVELOPMENT

(a) RESEARCH AND DEVELOPMENT (R&D)

- Specific Areas in which Research has been carried out by the Company:

Pharmaceuticals

The Pharmaceuticals R&D center at Nerul, Navi Mumbai is recognized by the Department of Scientific and Industrial Research. The R&D activities are carried out in various areas like pharmaceuticals, vitamin premixes, cosmetics and packaging development. The R&D center is benefitted on account of the access it has, to the latest technologies developed by Merck KGaA, Germany.

Optimization, standardization and improvement of products and production processes and yields are some of the important achievements of the R&D center in the year 2009. The center also is taking continuous steps for meeting the on-going changes in the regulatory requirements. By its continuous efforts on the import substitution, new product development, the center enables the Company to market more profitable products with better patient compliance.

- Benefits derived as a result of R&D:

The R&D center has assisted the Company in the launch of new products in different therapeutic segments. The center has also been responsible for the improvement in the production processes, improved yields and operational efficiencies. Because of the initiatives of the Center, during the year, the Company launched 25 new products, some of which are line extensions of the existing products. Some of the new products and their therapeutic segments are given below:

Name of the Product	Therapeutic segment
Hemobion Tonic	Iron tonic
Hemobion Tablets	Iron preparation
Polybion SF Syrup	Vitamin B complex
Osto Polybion Suspension	Calcium supplement
Carbophage Tablets of different strengths	Anti-diabetic
Olmighty Tablets of different strengths	Antihypertensive
Exflam Power Gel	Antiinflammatory
Ecobion Capsules	Probiotics
Tolflex Tablets	Muscle relaxant

- Future Plan of Action:

Continuous efforts will be made to augment the R&D capabilities through modern scientific and technological techniques and improved infrastructure. Emphasis will be put on the global net working on R&D and also training and development. Efforts will be made to develop innovative commercially viable processes, know how for various dosage forms and also for improving shelf life, stability, quality, convenience and meeting regulatory compliances. The center will be also taking steps to develop anti counterfeit measures for Company's products.

The Company intends to launch the following products during the year 2010.

Name of the product	Therapeutic segment
Starvog Tablets of different strengths	Anti-diabetic
Met Neurobion P Tablets	Periferal neuropathy
Cefcapene Tablets	Antibacterial
Ostosate XT Tablets	Calcium supplement

4. Expenditure on R&D:

	(Rs. mio.)
Capital	2.3
Recurring	18.1
Total	20.4
Total R&D expenditure as a percentage of total turnover	0.4

(b) TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

- Efforts in brief, made towards technology absorption adaptation and Innovation:

The R&D center carries out developmental activities in various areas such as import substitution for raw materials, batch cycle time reduction and also line extensions of some of the existing products. The center also hires the external consultants for the purpose of augmenting the capabilities for the execution of important products. Under the continuous guidance of Merck KGaA, the center makes endeavours to update the quality systems and current good manufacturing practices.

- Benefits derived as a result of above efforts:

As explained in (a) 2 above

- In case of imported technology (imported during the last five financial years):

Information regarding:

- Technology imported
- Year of import
- Has Technology been fully absorbed
- If not fully absorbed, areas where this has not taken place, reasons therefore and future plans of action.

The Company has not imported any technology in the last five years.

However, the Company has been receiving technical know-how from the collaborators, Merck KGaA, Germany on an on-going basis. The technical know-how and information are adapted and absorbed by the Company through continuous experimentation by its trained employees under the guidance of technical personnel from Merck KGaA, Germany.

(C) FOREIGN EXCHANGE EARNINGS AND OUTGO

During the year, foreign exchange outgo was Rs. 1,062.2 mio. (which includes import of raw materials to the extent of Rs. 438.0 mio.) while the foreign exchange earned was Rs. 546.8 mio., the details of which have been stated under item Nos. iii to vi of Schedule 26 annexed to the financial statements.

The Company's export turnover, both of bulk drugs and formulations has significantly increased on account of the assistance rendered by Merck KGaA. New export markets were added during the year 2009. Both the Pharmaceuticals and Chemicals divisions will make efforts to exploit the potentials that exist in the neighbouring and other regions of the world to expand the Company's presence in those geographies.

On behalf of the Board of Directors

S. N. Talwar
Chairman

Mumbai, January 22, 2010.