



June 26, 2019

To  
National Stock Exchange of India Limited  
Exchange Plaza, Plot No. C/1, G Block  
Bandra Kurla Complex,  
Bandra (East), Mumbai - 400051

To  
The BSE Limited  
Department of Corporate Services  
Phiroze Jeejeebhoy Towers,  
Dalal Street, Mumbai - 400001

Dear Sir,

**Subject: Annual Report for the Financial Year ended December 31, 2018**

We had submitted Annual Report of the Company for the Financial Year ended December 31, 2018 on May 7, 2019 to the Stock Exchange(s).

As requested by National Stock Exchange of India Limited, we are again submitting a copy of Annual Report of the Company for the Financial Year ended December 31, 2018.

Kindly acknowledge receipt.

Thanking you,

Yours faithfully,

**For Procter & Gamble Health Limited  
(Formerly Merck Limited)**

  
**Flavia Machado  
Authorized Signatory**

Merck Limited, now a P&G Group Company

# Driven by Purpose



ANNUAL  
REPORT  
2018

Merck Limited



# Foreword

## Merck Limited is now a P&G Group Company

A rich legacy in Consumer Health, a new identity as part of one of world's largest consumer goods companies, and an exciting journey ahead to create a much stronger presence in India's fast-growing Consumer Health industry.

What will drive us?

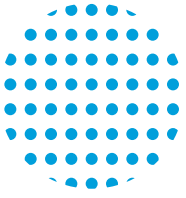
Our Purpose: to provide branded products and services of superior quality and value that improve the lives of the world's consumers, now and for generations to come.

What will guide us?

Our Values: the behaviours that shape the tone of how we work with each other and with our partners.

**In this 52<sup>nd</sup> Annual Report**, we proudly present to you the foundation laid down by your Company in 2018 towards this exciting journey, alongside our purpose and the values that make us who we are.





# Managing Director's Message



**Dear Shareholders,**

It gives me great pleasure to share with you the 52<sup>nd</sup> Annual Report of your Company and share our journey through the last financial year.

2018 was a watershed year for your Company as Procter & Gamble successfully acquired Merck's Consumer Health business globally and in India. At the outset, on behalf of the Board of Directors and the team, we would like to take this opportunity to thank you for your support and confidence in your Company during this critical period of transition.

It is this trust that encouraged, enabled and inspired us to deliver a strong financial performance of ₹ 849 Crores in turnover clocking a 19 % growth and recorded a Profit After Tax (PAT) of ₹ 101.70 crore. This performance has been possible because of the combined efforts of our people who have worked with a strong focus and driven many innovative and impactful initiatives across brands and functions in the year gone by. We are proud to share some of these with you in the next few pages of this annual report.

**We are now getting ready to brace ourselves for a new tomorrow** with a brand new identity as part of the P&G Group of Companies.

P&G has – since 1837 - built a rich heritage of touching consumers' lives worldwide with brands that make life a little better every day. The Company touches and improves the lives of an estimated 4.4 billion people around the world with its portfolio of trusted, quality brands. In India, P&G serves over 650 million consumers and is one of the largest and amongst the fastest growing consumer goods companies.

As trends change, consumer health categories are developing rapidly. People are consciously focusing on living longer, better and healthier lives. Empowered consumers are requiring brands to respond to these evolving expectations.

Present in India since 1967, your Company Merck Limited is today one of the country's largest Consumer Health companies. With a strong portfolio of brands backed by science and trusted by doctors and consumers, the Company now combines the best of P&G and Merck's Consumer Health capabilities and cultures. Together we are working towards leveraging our combined expertise to develop categories and brands that meet today's needs and tomorrow's opportunities.

You have been our trusted partner in our journey of last 52 years. We now invite you to come onboard as we get ready to accelerate and create a much stronger presence in India's fast-growing Consumer Health industry – and create superior shareholder value in the process.

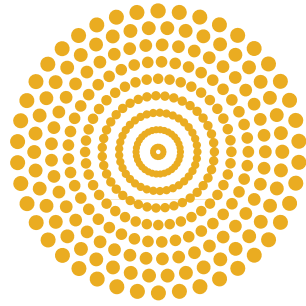
Welcome to this new journey of growth. Welcome to the P&G Group.

Sincerely,



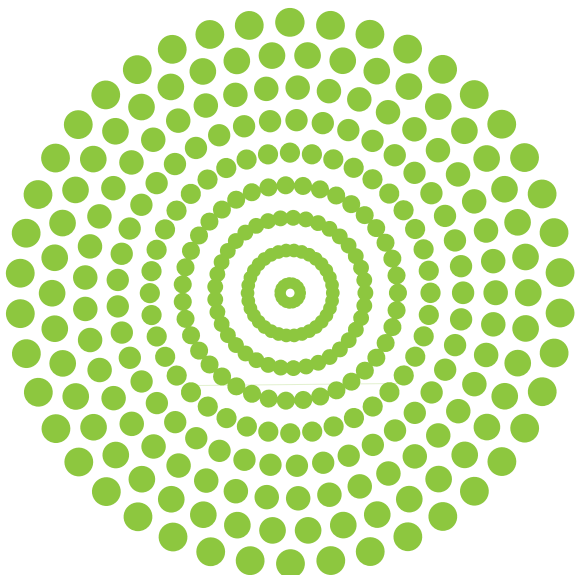
**Milind Thatte**  
Managing Director





# Driven by our **PURPOSE**

We will provide branded products and services of superior quality and value that improve the lives of the world's consumers, now and for generations to come.







Merck Limited, now a P&G Group Company, is one of India's largest VMS Companies manufacturing and marketing over-the-counter products, vitamins, minerals, and supplements for a healthy lifestyle and improved quality of life.

Our trusted products are household names in India protecting and supporting millions of people at every stage of life.

In 2018, the Neurobion Franchise continued its strong double-digit growth trajectory.





**NEUROBION®**  
India's No.1 Vitamin Brand



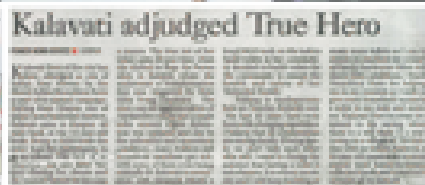
Keeps away body discomforts caused by lack of B Vitamins

This year the brand launched its new visual identity 'Iconic N' by creating a Guinness World Record for the Largest T Shirt Mosaic Logo.

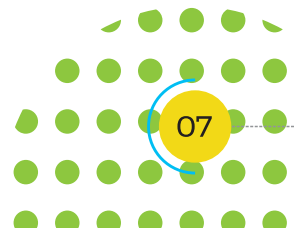


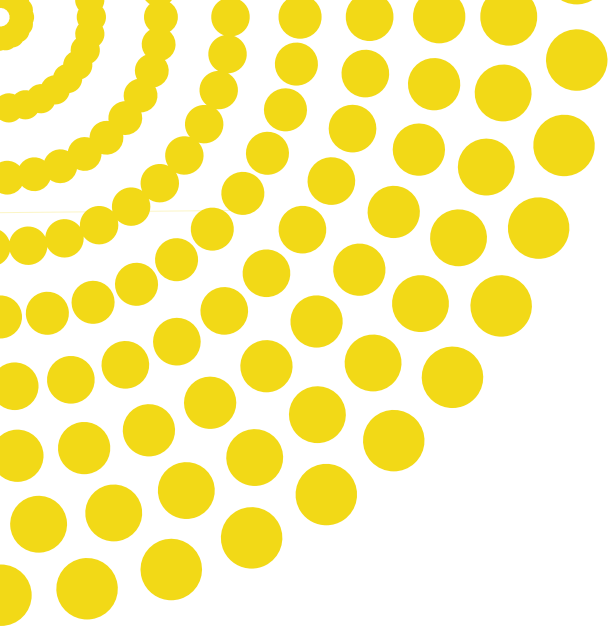
The year also saw a wide range of initiatives towards improving awareness and detection on nerve care and neuropathy which included 7 Nerve Care Forums in 2018 engaging more than 1200 KOLs, over 6000 Neuromove camps reaching 120,000 people, outreach to 26000 HCPs through omnichannel initiatives and the publication of a white paper on "Recommendations on Management of Peripheral Neuropathy in India"

Aligned to its brand promise of being a 'Saathi Asli Hero Ka', Team Neurobion launched the third edition of its flagship 'Helping True Heroes' initiative. This year, the focus was on recognizing unsung heroes making a difference to public health in India. Our 2018 True Heroes - Sunil Mishra from Mumbai, Venkatraman from Erode, Kalavati Devi from Kanpur, and Manika Majumdar from Kolkata - inspired more than 165 million people across the country through their inspiring stories, which were amplified through digital, online and print media.



Cumulatively, Neurobion initiatives were extensively covered in the media garnering over 600 Media Clips across National & Regional Publications.





**Evion -India's No. 1<sup>2</sup> Vitamin E Brand celebrated its 40<sup>th</sup> anniversary** by giving back through a unique partnership with Grow Trees, a non-profit organisation. With the participation of our HCPs, distribution partners and employees from across the country, 40,000 trees were planted in Harda, Madhya Pradesh.

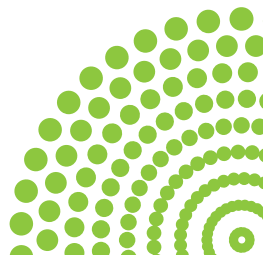
# 40 हजार पेड़ लगाएगी एवियोन

संवाददाता

पुणे. गांधी जयंती और अपनी 40वीं वर्षगांठ के अवसर पर एवियोन (मर्क के प्रमुख विटामिन ई ब्रांड) ने मध्यप्रदेश के हरदा में 40 हजार पेड़ लगाने की घोषणा की है. लोगों और कंपनियों को विश्वभर में सार्वजनिक स्थानों पर वृक्षारोपण की सहायता देने वाली एक गैब-आधारित सेवा ग्रे-ट्रीज के साथ भागीदारी में एवियोन चिकित्सकों, भागीदारों और कर्मचारियों तक पहुंच बना रहा है और सभी से एक पेड़ लगाने का संकल्प लेने के लिये कह रहा है. वे सभी साथ मिलकर यह सुनिश्चित करेंगे कि भारत में इस ब्रांड की 40वीं वर्षगांठ को रेखांकित करने के लिये 40000 से अधिक पेड़ लगाए जाएं.



वृक्षारोपण अभियान के स्थल हरदा में टीम के साथ अपने विचार साझा करते हुए मर्क इंडिया के प्रबंध निदेशक मिलिंद धरो ने कहा, कि पिछले 40 वर्षों में एवियोन भारत में विटामिन ई की सबसे अधिक विपरीत करने वाले ब्रांड के रूप में उभरा है और इसने देश में पोषण की विरासत खाड़ी की है. गांधी जयंती के अवसर पर एवियोन इस विजय पहल की घोषणा कर पर्यवेक्षित है, जो 40 वर्षों के विकास और सहयोग के बदले में की जा रही है. अपने पर्यवेक्षण के स्वास्थ्य में सुधार के लिये यह हमारा एक छोटा सा प्रयास है.





The franchise also launched India's First Book on the benefits of Vitamin E in partnership with leading practitioners, which was covered extensively in the media.

Creating awareness on the various indications for Vitamin E, 10 Fatty Liver Disease Symposia were conducted in 2018 reaching out to over 1000 HCPs.

Further, over 50000 practitioners were reached leading medical journals, an innovative augmented reality detailing app and SMS campaigns in addition to on-going in-clinic efforts.



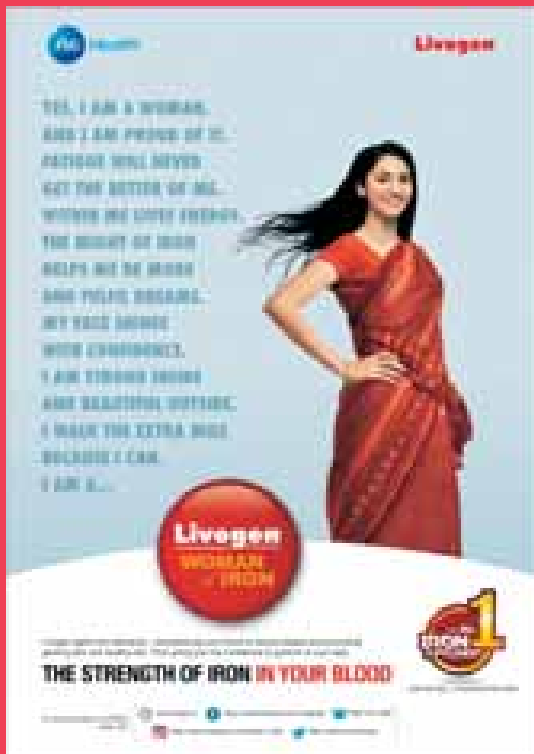
In 2018, Livogen-India's No. 1 Iron Supplement- strengthened its consumerisation journey with the launch of its new communication 'Strength of Iron in your blood' which was brought to life across consumer touchpoints.

# Livogen®

India's No.1<sup>3</sup> Iron supplement



## The Strength of Iron in your blood



Cricketer Mithali Raj was brought aboard as Brand Ambassador representing India's 'Women of Iron', and the brand widened its target group through diverse media campaigns ranging from the women-led 'Kiran Parara' to 'My Strength My Everest' which reached over 15 million consumers.





Anaemia Conventions held across 6 major cities brought together leading specialists to discuss the rising incidence of Anaemia in the country and the way forward. The deliberations from the conventions on ways to detect and treat anaemia were further shared with over 10 million consumers through print and online media.



The year also saw the launch of 'Yuvati' - a one-of-its-kind Adolescent Education Program in the category that reached out to more than 5000 girls across schools on Anaemia awareness.

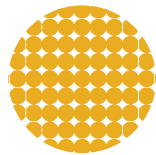


The brand also implemented a novel CSR project 'Swasth Naari Sashakt Parivaar' in Mumbai's Mankhurd community in partnership with 'Doctors for you' - a non-profit organisation. The project aimed to alleviate the prevalence of anaemia among women and girls of reproductive age group (18-35) achieving an outreach of 4754 women, of which 2981 women were identified as anaemic. Out of those identified as anaemic, 1477 women continued with the program and 712 (48%) women showed improved haemoglobin levels at the close of the four-month long intervention.



As part of the brand's capability building efforts, 4000 Paramedics were also trained under your Company's 'Paramedic Skill Upgradation' program

In 2018, Polybion began its consumerization journey with its new 'Energetic' packaging and a successful DTC Pilot 'Polybion Energy Utsav'.



# Polybion®

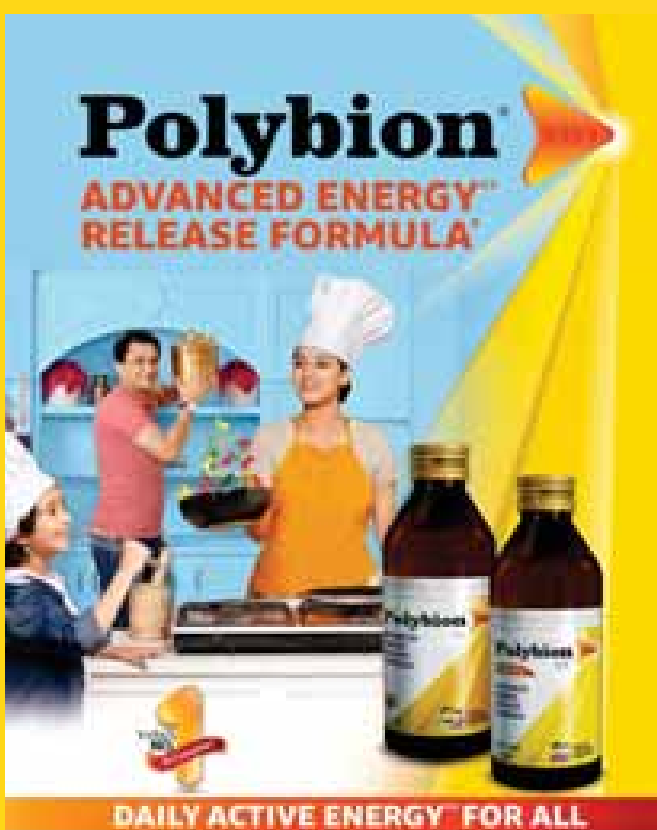


India's No.1<sup>4</sup> B-Complex  
Daily Active Energy for All





This initiative made the entire East #Happytobetired through a 360 degree campaign across West Bengal. Over 4 million consumers were reached through activations in malls, housing complexes and community gathering areas along with aggressive digital, radio and print promotion.



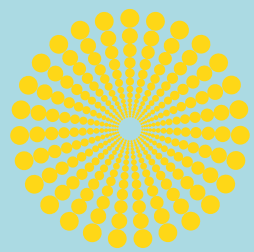
Burdwan	2 November 2018	Asansol Mall
Kolkata	4 November 2018	Jaini Mall
Asansol	2 November 2018	Sansay Mall
Burdwan	2 November 2018	Big Bazaar
Malda	2 November 2018	Compass
Howrah	2 November 2018	Asan Chowdhury Mall







In 2018, Nasivion continued to be the Doctors' Trusted No.1 Nasal Decongestant.



**Nasivion**

Blocked nose bothering you this winter?  
Get instant relief with Nasivion.

It is quite common to have a blocked nose during seasonal changes, especially when winter makes its arrival. However, Nasivion's formula starts working in only 20 seconds\*, so that you get instant relief from blocked nose. That's why Nasivion is Doctors' Trusted No. 1 Nasal Decongestant\*.

**Nasivion**

\*As per clinical studies



**Nasivion** **MERCK**

**"MOM"**  
NOTHING WORKS FASTER  
TO UNBLOCK ALL YOUR PROBLEMS

HAPPY MOTHER'S DAY

**Nasivion**  
20 December

**Nasivion**  
THE ONLY  
**NAAK KA LAGAAN**  
(THE #1 UNDER 4 BUSINESS WISE)

Clean bow! the blocked nose with Nasivion... See more

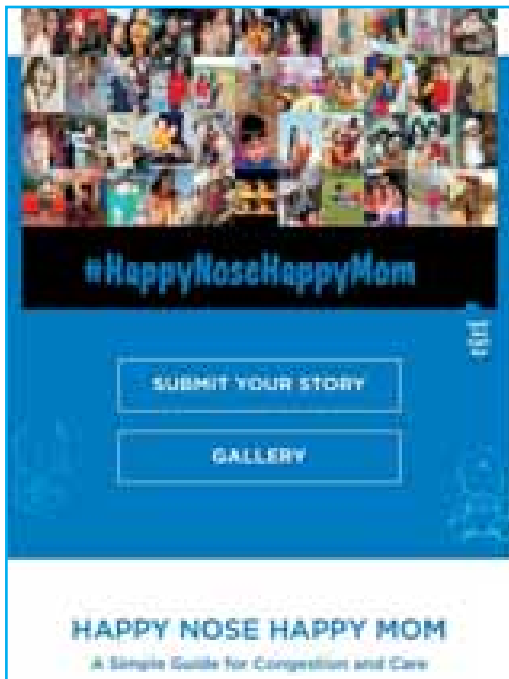
8.3k 77 comments 1.5M views

Like Comment Share





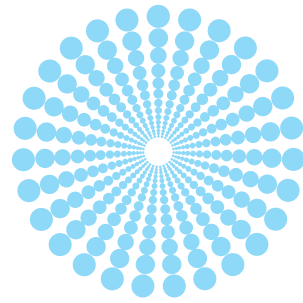
## Doctors' Trusted No. 1<sup>5</sup> Nasal Decongestant



The brand launched several engaging consumer campaigns across digital platforms, the most notable being the 'Happy Nose, Happy Mom' campaign, which reached over 15 million mothers. The campaign was recognized globally as a best practice within the Company.

Nasivion Classic Nasal Spray starts working on a blocked nose in 25 seconds<sup>6</sup>. So, you can get back to living a normal life sooner.





#FuelGeniusPotential

**RAVEENA TANDON**  
is here to answer all questions on your child's **BRAIN DEVELOPMENT**

Join us to our **LIVE** ON 25TH NOVEMBER AT 11AM

FUEL YOUR CHILD'S GENIUS POTENTIAL

**SEVEN SEAS**



You have the power to unlock a child's potential.



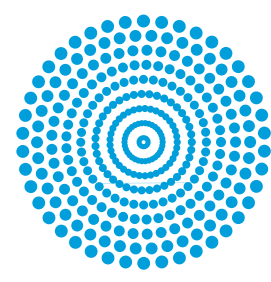
THE NEW **SEVEN SEAS EMULSION**  
IN A TUMMY ORANGE FLAVOUR

FUEL YOUR CHILD'S GENIUS POTENTIAL

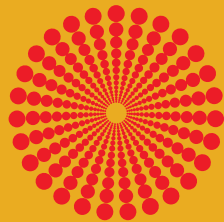
**SEVEN SEAS**

**MERCK**

**SEVEN SEAS**



With its 'Unlock Potential' Mother's Day campaign, your Company's iconic brand **SevenSeas** reached over 19 million consumers and was awarded at the prestigious Annual Global Consumer Health President's Award<sup>1</sup>.



Pure Vitamin Rich Cod-Liver Oil

Each Seven Seas Cod Liver Oil capsule has three times the DHA<sup>7</sup> as compared to leading malt-based health drinks.



For more information on our categories or brands, write to us on [healthinfo.im@pg.com](mailto:healthinfo.im@pg.com)

References:

1. As per IQVIA SSA MAT Dec 2018 dataset in terms units in Vitamins/Minerals/Nutrients
2. Evion Caps + Evion LC + Evion Forte - IMS ORG Jul '16
3. IMS MAT Dec 18 Prescription Data
4. India's No.1 selling brand for 'Liquid Vitamin B Complex' as per IQVIA Dec 2018 SSA dataset
5. As per the IQVIA ESPRIT MAT Dec 2018 dataset in terms of Prescriptions in the R01AA+R01A1 category
6. In a prospective, double-blind, placebo-controlled clinical trial, Nasivion® 0.05 % demonstrated a statistically significant reducing of the duration of acute rhinitis by 2 days as compared to physiological saline solution. Reinecke S, Tschaikin M. MMW - Fortschr Med. 2005;147(3):113-118.
7. Each 15mL of SevenSeas Kids Emulsion contains (approx.): Cod Liver Oil 300mg. One daily serve of SevenSeas Kids Emulsion has more than 3X DHA as compared to daily serve of leading malt-based health drinks. Cod Liver Oil is a rich source of DHA, EPA, Vitamins A and D.

# Guided by our **VALUES**

Our Values reflect the behaviors that shape the tone of how we work with each other and with our partners.





LEADERSHIP



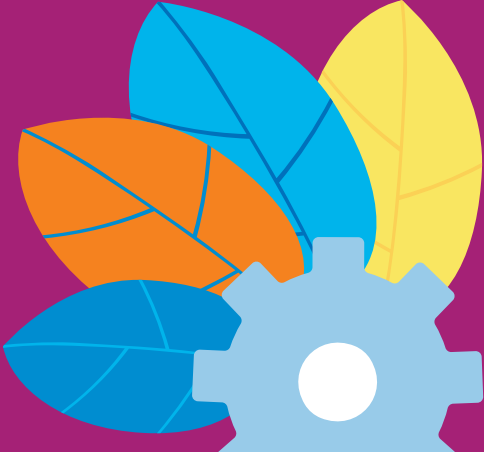
OWNERSHIP



PASSION FOR  
WINNING



TRUST



# Driven by our **PASSION FOR WINNING**

we have a compelling  
desire to improve and  
win in the marketplace.

In 2018, your Company bagged the very prestigious 'OPPI Healthcare Communications Award 2018' - instituted by our industry body and judged by a distinguished Independent Jury of Communications Experts - for its innovative and impactful 'Neurobion Helping True Heroes' campaign.

Your Company's manufacturing site situated at Usgaon, Goa was awarded the 'Gomant Uchchcha Suraksha Puraskar' for outstanding performance in safety for the 6<sup>th</sup> consecutive year. Over the years, the Goa site has grown from a small Vitamin E producing unit to a big composite plant manufacturing pharma and chemical products. It is the largest sterile facility in the Company with a capacity of 260 million ampoules p.a. and the only softgel site with a capacity of over 744 million capsules p.a. The site also exports to 13 countries within P&G Personal Healthcare International. The Site is GMP (Good Manufacturing Practices) certified by the World Health Organisation and the Republic of Kenya.



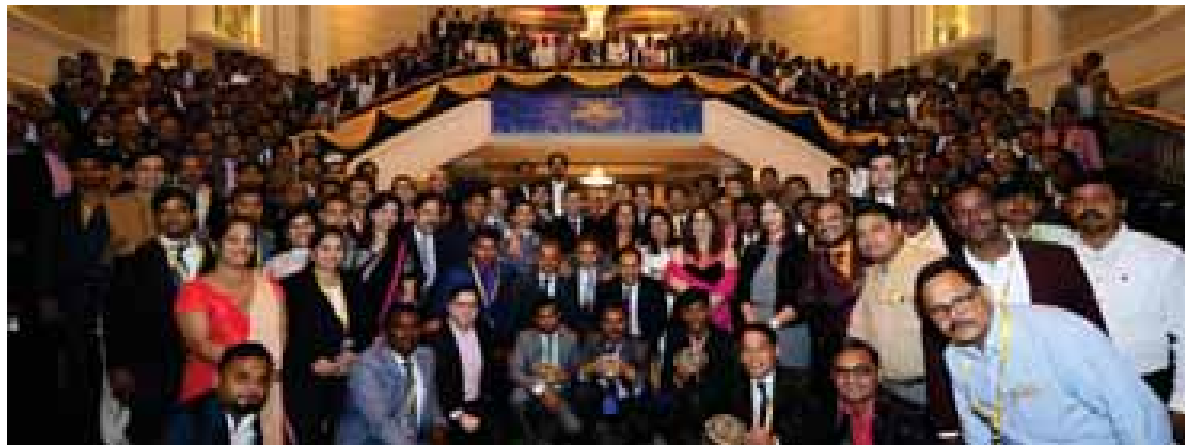
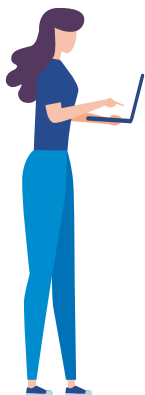


# Driven by LEADERSHIP

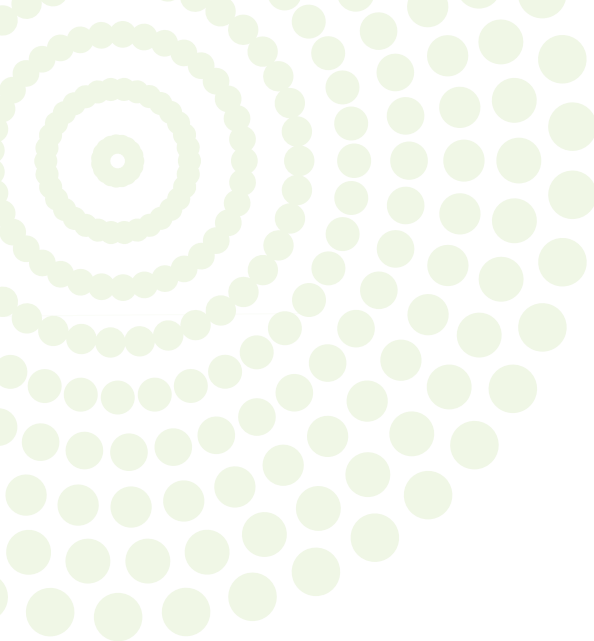
we believe that we are all leaders in our area of responsibility with a deep commitment to delivering leadership results.

In a testament to your Company's growing presence and leading market position in Consumer health in India, our Managing Director, Milind Thatte was appointed as chairperson of our industry association OPPI's OTC Task Force for 2018 - 2019. This OTC Task Force is dedicated towards the promotion of responsible self-medication with a view to growing the OTC sector.

In 2018, more than 500 sales achievers demonstrated exceptional leadership and commitment surpassing annual targets to take the stage at the 'Go Beyond Annual Achievers Conference & Awards'.

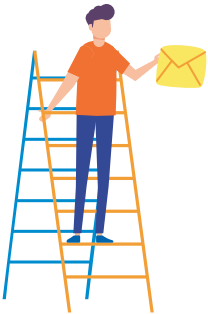




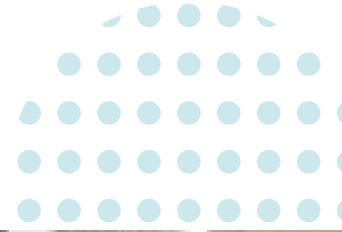


# Driven by OWNERSHIP

we accept personal accountability to meet our business needs, improve our systems and help others improve their effectiveness.



Multiple new initiatives were launched by your Company in 2018 towards building up the Commercial Capabilities of the organisation. New CRM tools iZOOM+ and Secondo were launched towards improved tracking and analytics, along with a state-of-the-art MIDAS tool for Real Time Data Generation. Training initiatives included the FLM Cube program that aims at developing the managerial capabilities of your Company's first line managers, and the Professional Selling Skill (PSS) program to improve retailing and detailing performance of our sales team members.



# Driven by INTEGRITY

we always try  
to do the right thing.

Your Company continued its efforts to provide access to quality medicines for Rural and Semi urban populations through its 'Su-Swaasthya' (Sustainable Business innovation program). In 2018, the program increased its reach to 179 new village districts in UP, Bihar & Orissa.

In line with the sustainable development Goal (SDG) 9 - Industry Innovation and Infrastructure; in 2018 your Company supported the FSSAI (Food Safety Standard Authority of India) by building and donating a state-of-the-art microbiology laboratory - CMAT (Centre for Microbiological Analysis Training) Laboratory - to support and enhance the quality of food testing in India. The laboratory will be used for training microbiologists from the food industry for enhancing their skills and providing them exposure to the newest technology.

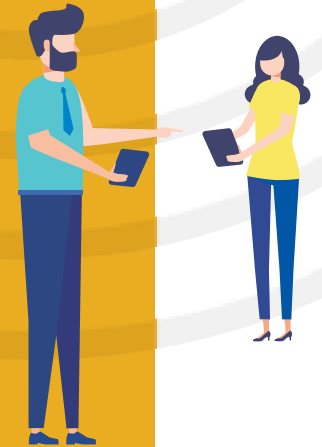


Your Company also helped build infrastructure in schools around its offices and manufacturing sites to facilitate an enabling learning environment to children. This year, sanitary facilities were donated to Janta Vidyalaya, Savroli, Khopoli, along with study materials for the 110 students enrolled in the school. Support was also extended to Government High School, Gumlapura, Mulbagal in Kolar district, Karnataka, to build toilets for 120 students enrolled in the school.

Since 2014, your Company's river ambulance program in association with the NGO Narmada Samagra has been offering primary healthcare facilities to communities living in tribal settlements along the banks of the Narmada river. In 2018, the River Ambulance provided access to healthcare to over 5900 villagers in 40 tribal villages, stretched across 200 kilometres of the river.

# Driven by TRUST

we respect our P&G  
colleagues, customers  
and consumers, and  
treat them as we want to  
be treated.

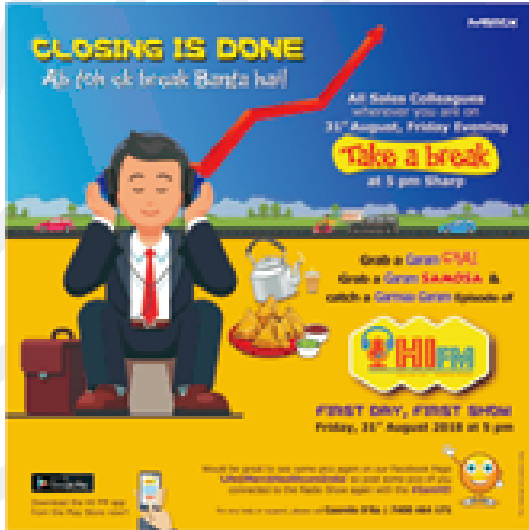


Recognizing the pivotal role played by our distribution partners in ensuring access to our quality brands, your Company launched 'MAHAVIRAAT' a one-of-its-kind business conference and awards program. Top distribution partners from across India were brought together to discuss and deliberate on business operations and growth plans. Subsequently, they were recognized for their exemplary contribution at a grand awards ceremony.



Our people being our biggest strength and asset, efforts are made throughout the year towards employee engagement and talent development.





In 2018, your Company launched a first-of-its-kind Internal Radio Station 'HI FM' -- for, of, and by the employees of Merck Limited. Running successfully since the last 9 months, Hi FM has enabled the leadership to come closer to its 1000 plus employees spread across the length and breadth of the country through engaging content pieces curated by employees themselves. Once a month, your entire Company is connected at one time learning more about the business, latest happenings, about each other and having some lighter moments together.



Further, your Company's brand teams continued to get inspired by external speakers sharing diverse perspectives at its globally recognized 'Brandstorming' Forum, which brings together internal and external speakers three times a year on a wide range of relevant topics.

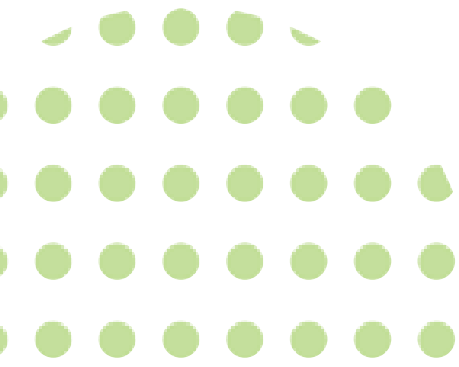
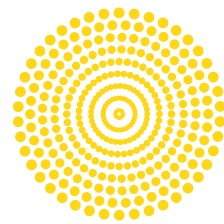


Towards enabling people managers gain a better understanding of their own self and interpersonal skills, and how this can be related to their respective teams, a '**Team Insights**' was implemented for all second- and third-line managers. Further change workshops were conducted to support managers to lead their teams effectively through a year of change and transition.



In 2018, your Company also launched 'Spot On' – a spot recognition initiative towards ensuring that exceptional work by employees is immediately recognized and rewarded.

We are proud to share that as a result of these combined efforts, your Company's attrition rate stands at 9% (much lower than industry average); with an employee engagement rate (as per the last internal survey) at 87%, among the highest in the entire Company globally.



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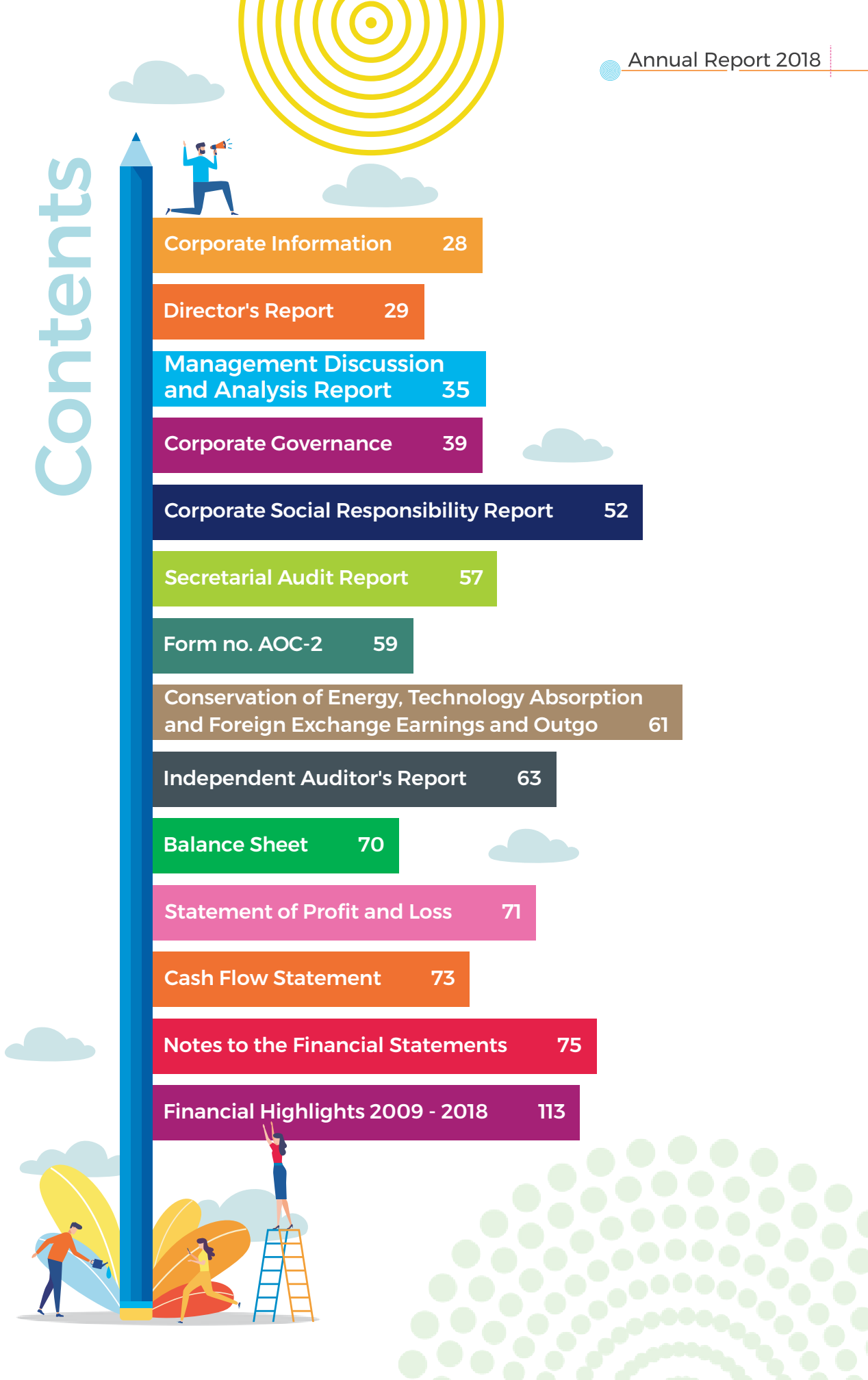
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# CORPORATE INFORMATION

## Board of Directors & Key Managerial Personnel



**Mr. Suresh N. Talwar**

*Independent Director – Chairman of the Board*



**Mr. Milind Thatte**

*Managing Director  
(appointed w.e.f. April 01, 2018)*



**Mrs. Rani A. Jadhav**

*Independent Director*



**Mr. Amit Gupta**

*CFO & Executive Director – Finance  
(appointed w.e.f. December 10, 2018)*



**Mr. Hon Keong Choo**

*Non-Executive Director  
(appointed w.e.f. January 23, 2019)*



**Mr. Jeevan Mondkar**

*Company Secretary  
(appointed w.e.f. December 10, 2018)*

## Corporate Identity Number (CIN)

**L99999MH1967PLC013726**

## Registered Office

### Merck Limited

Godrej One, 8<sup>th</sup> Floor,  
Pirojshanagar,  
Eastern Express Highway,  
Vikhroli (East),  
Mumbai – 400 079, India  
Phone: +91 22 6210 9800,  
Fax: +91 22 6210 9999  
Website: [www.merck.co.in](http://www.merck.co.in)

## Plant Location

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

## Statutory Auditors

### Haribhakti & Co. LLP

*Chartered Accountants*

## Cost Auditors

### Joshi Apte & Associates

*Cost Accountants*

## Secretarial Auditors

### KANJ & Co LLP

*Company Secretaries*

## Bankers

Canara Bank  
Citibank N.A.  
Deutsche Bank AG  
HDFC Bank Limited  
ICICI Bank Limited  
State Bank of India

## Registrar and Share Transfer Agent

### Karvy Fintech Private Limited

Karvy Selenium Tower B,  
Plot 31-32, Gachibowli, Financial District,  
Nanakramguda Hyderabad,  
Telangana – 500 032  
Phone: +91 40 6716 2222  
Fax: +91 40 2342 0814  
Toll Free No: 1800-3454-001  
Email: [einward.ris@karvy.com](mailto:einward.ris@karvy.com)  
Website: [www.karvyfintech.com](http://www.karvyfintech.com)

## Cautionary Statement

Certain statements in this report regarding our business operations may constitute forward-looking statements. These include all statements other than statements of historical fact, including those regarding the financial position, business strategy, management plans and objectives for future operations. Forward-looking statements can be identified by words such as 'believes', 'estimates', 'anticipates', 'expects', 'intends', 'may', 'will', 'plans', 'outlook' and other words of similar meaning in connection with our future operations and financial performance.

Such statements involve known and unknown risks, uncertainties and other factors that may cause actual outcome to differ from those expressed or implied in these statements. The Company assumes no responsibility to publicly to update, amend, modify or revise any forward-looking statements, on the basis of any subsequent development, new information or future events or otherwise except as required by applicable law.

# Directors' Report

We are pleased to present the report on our business and operations for the Financial Year ended December 31, 2018.

## FINANCIAL HIGHLIGHTS

The Financial performance of your Company for the Financial Year ended December 31, 2018 is summarized below:

Particulars	₹ million	
	2018	2017
Income from Continued Operations	8,489.9	7,114.7
Other Income	243.9	240.7
Profit before Interest, Depreciation, exceptional items and Tax	1,717.7	1,182.7
Depreciation/ Impairment	203.5	363.5
Exceptional items	65.7	170.0
Net Profit for the from continuing operations	1,579.8	989.2
Provision for Taxation (net)	562.4	378.8
Net Profit after tax from continuing operations	1,017.4	610.4
Profit before tax from discontinued operations	9,795.9	532.7
Tax expense of discontinued operations	2,426.1	204.0
Net Profit after tax from discontinuing operations	7,369.8	328.7
Profit available for appropriations	8,387.2	939.1
Appropriations:		
Re-measurement gain/(loss) on defined benefit plan (net of tax)	(18.2)	25.0
Dividend (including Tax on Dividend)	300.5	219.8
Balance carried to the Balance Sheet	8,068.5	694.3
Earnings per share		
Earnings per equity share of continuing operations (of ₹10/- each)		
Basic and Diluted (in ₹)	61.3	36.8
Earnings per equity share of discontinued operations (of ₹10/- each)		
Basic and Diluted (in ₹)	444.0	19.8
Earnings per equity share of continuing and discontinued operations (of ₹10/- each)		
Basic and Diluted (in ₹)	505.3	56.6

## COMPANY'S OPERATIONAL PERFORMANCE

Due to sale of biopharma, performance materials and life sciences ("BPL business"), the results of operations of BPL

business have been disclosed under discontinued operations for all the periods presented in the financial statements. Further, the internal organization of the Company and reportable segments have changed. The Company will now operate under only one segment i.e. Pharmaceuticals which is its continuing operations.

The detailed operational performance of your Company is provided in the Management Discussion and Analysis Report forming part of this report as **Annexure I**. During the Financial Year ended December 31, 2018, your Company achieved a turnover of ₹8,489.9 million from continued operations as against a turnover of ₹7,114.7 million in the previous Financial Year, registering a growth of 19.3%. The gain of ₹9,135.7 million on account of sale of BPL business has been included under profit before tax from discontinued operations. After providing for taxes, net profit was ₹8,387.2 million.

## CHANGE IN CONTROL

During the Financial Year, the Procter & Gamble group acquired consumer healthcare business of Merck KGaA group effective December 1, 2018. Procter & Gamble Overseas India B.V. acquired 1,847 equity shares of the Company from public shareholders pursuant to an open offer under the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 on November 27, 2018 and 85,99,224 equity shares of the Company from the Merck KGaA group on December 3, 2018 aggregating to 86,01,071 equity shares of the Company (51.82% of the paid-up equity share capital of the Company). Consequently, Procter & Gamble Overseas India B.V. has become the holding company and The Procter & Gamble Company, USA has become the ultimate holding company of the Company effective December 3, 2018.

## BUSINESS TRANSFER

The shareholders had vide their resolution dated June 12, 2018, through postal ballot, approved the execution of a business transfer agreement (BTA) with Merck Life Science Private Limited ("MLSPL") to sell, lease or otherwise transfer certain businesses of the Company comprising exclusively of the biopharma, performance materials and life science segments ("BPL business") of the Company to MLSPL (or to an affiliate of MLSPL, as directed by MLSPL), for an overall consideration of ₹10,520.0 million on a slump sale basis ("the Business Transfer"). The Department of Pharmaceuticals, Ministry of Chemicals and Fertilizers, Government of India, by a letter dated November 26, 2018, approved the proposal for the Business Transfer. Accordingly, on December 1, 2018, the Business Transfer was completed and the Company received a sum of ₹10,520.0 million as consideration for the Business Transfer.

## DIVIDEND

Your Board of Directors has recommended a dividend of ₹440/- (Rupees Four Hundred Forty Only) per equity share for the Financial Year ended December 31, 2018, which includes



a one-time special dividend of ₹ 416/- (Four Hundred Sixteen only) per equity share on account of gain on Business Transfer. This is subject to approval of the Members at forthcoming Annual General Meeting.

### **PUBLIC DEPOSITS**

Your Company has not accepted any public deposits from the public or the Members during the Financial Year 2018 and no amount on account of principal or interest on public deposits was outstanding as on the date of this Balance Sheet.

### **CORPORATE GOVERNANCE**

A Report on Corporate Governance along with certificate from Secretarial Auditor thereon, as stipulated under Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, is annexed as **Annexure II** to this Report.

### **CORPORATE SOCIAL RESPONSIBILITY**

A brief outline of the Corporate Social Responsibility (CSR) Policy of the Company and the initiatives undertaken by the Company on CSR activities during the Financial Year are set out in **Annexure III** to this report in the format prescribed in the Companies (Corporate Social Responsibility Policy) Rules, 2014. In compliance with requirements of Section 135 of the Companies Act, 2013, the Company has laid down a CSR Policy which is published on its website - <https://www.merckgroup.com/in-en/company/legal-entities/merck-limited.html>

### **DIRECTORS' RESPONSIBILITY STATEMENT**

In accordance with Section 134(5) of the Companies Act, 2013, your Directors confirm that, to the best of their knowledge and belief:

- (a) In the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- (b) Such accounting policies have been selected and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the Financial Year and of the profit of the Company for that period;
- (c) Proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (d) The annual accounts have been prepared on a going concern basis;
- (e) The Directors have laid down internal financial controls to be followed by the Company and that such internal financial controls are adequate and were operating effectively; and
- (f) The Directors had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

### **DIRECTORS AND KEY MANAGERIAL PERSONNEL**

#### **Resignation of Mr. Anand Nambiar, Managing Director**

During the Financial Year, Mr. Anand Nambiar (DIN 02006594), was offered a position as Head of Integrated Circuit Material Business Unit of Merck based out of Darmstadt, Germany. He accepted the offer and, accordingly, demitted office of the Director and Managing Director of the Company effective from close of business on March 31, 2018. Your Board places on record its deep appreciation for the excellent contributions made by Mr. Anand Nambiar as the Managing Director of the Company.

#### **Appointment of Mr. Milind Thatte, as Additional Director and Managing Director**

During the Financial Year, the Board of Directors at their meeting held on March 27, 2018, on the recommendations of the Nomination and Remuneration Committee, appointed Mr. Milind Thatte, General Manager – Healthcare, as an Additional Director and Managing Director of the Company in place of Mr. Anand Nambiar, for a term of 5 years effective from April 01, 2018. The required resolution for approval of appointment of Mr. Milind Thatte (DIN 08092990) as Managing Director of the Company was approved by the Shareholders at the 51<sup>st</sup> Annual General Meeting of the Company held on June 1, 2018.

#### **Resignation of Mr. N. Krishnan, Executive Director (Finance) and Chief Financial Officer**

During the Financial Year, Mr. N. Krishnan, (DIN 01027659) Executive Director (Finance) and Chief Financial Officer resigned effective December 1, 2018. Your Board places on record its deep appreciation for the excellent contributions made by Mr. Krishnan during his tenure.

#### **Appointment of Mr. Amit Gupta, as Executive Director (Finance) and Chief Financial Officer**

During the Financial Year, the Board of Directors at their meeting held on December 10, 2018, on the recommendations of the Nomination and Remuneration Committee, appointed Mr. Amit Gupta (DIN 08295179) as Executive Director (Finance) and Chief Financial Officer of the Company. The required resolution for approval of appointment of Mr. Amit Gupta as Executive Director (Finance) of the Company was approved by the Shareholders by way of Postal Ballot on February 18, 2019.

#### **Resignation of Mr. Vikas Gupta, Company Secretary**

During the Financial Year, Mr. Vikas Gupta, Company Secretary of the Company, resigned effective December 1, 2018. Your Board places on record its deep appreciation for the excellent contributions made by Mr. Vikas Gupta during his tenure.

#### **Appointment of Mr. Jeevan Mondkar as Company Secretary**

During the Financial Year, the Board of Directors at their meeting held on December 10, 2018, on the recommendations

of the Nomination and Remuneration Committee, appointed Mr. Jeevan Mondkar as Company Secretary of the Company.

#### **Director liable to retire by rotation**

Mr. Milind Thatte, (DIN 08092990) Managing Director will retire by rotation at the forthcoming Annual General Meeting of the Company and being eligible offers himself for re-appointment as Director of the Company. The Board recommends his re-appointment.

#### **Independent Directors/Non-Executive Directors**

Mr. H. C. H. Bhabha (DIN 00286072) resigned as Independent Director of the Company effective November 28, 2018, as he is pre-occupied with his own business commitments and increased travel requirements. Your Board places on record its deep appreciation for the valuable contributions made by Mr. Bhabha as an Independent Director.

Ms. Zoe Tang (aka Lin Mie Tang) (DIN 07658011) resigned as Nominee Director of the Company effective December 1, 2018. Your Board places on record its deep appreciation for her valuable contributions during her tenure.

Mr. Hon Keong Choo (DIN 08339749) was appointed as an Additional Director (Non-Executive) by the Board of Directors effective January 23, 2019.

Mr. S. N. Talwar, (DIN 00001456) and Mrs. Rani Ajit Jadhav (DIN 07070938) are the Independent Directors on the Board of the Company, they have confirmed to the Company that they meet the criteria of independence as prescribed under Section 149(6) of the Companies Act, 2013.

None of the Non-Executive Directors serve as an Independent Directors on more than seven listed Companies and none of the Executive Directors serve as an Independent Director on any listed Company.

During the Financial Year, none of the Directors and key managerial personnel of the Company had any material pecuniary relationship or transactions with the Company.

#### **NUMBER OF MEETINGS OF THE BOARD**

Eight meetings of the Board were held during the Financial Year. For details of the meetings of the Board and its Committees, please refer to the Corporate Governance Report, which forms part of this report.

#### **PERFORMANCE EVALUATION**

Pursuant to the provisions of the Companies Act, 2013 and Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Board and the Nomination & Remuneration Committee have adopted and reviewed the formal mechanism for evaluating its performance and effectiveness as well as that of its

Committees and Individual Directors, including the Chairman of the Board. During the Financial Year under review, the Board carried out an annual evaluation of performance of the Board, its Committees and individual performance of Directors.

The Board and the Nomination and Remuneration Committee was satisfied with the performance and functioning of the Board, its Committees and individual members.

#### **AUDITORS AND THEIR REPORT**

The shareholders at their 50<sup>th</sup> Annual General Meeting (AGM) held on May 31, 2017 had approved the appointment of M/s. Haribhakti & Co. LLP, Chartered Accountants (ICAI Firm Registration No.: 103523W/W100048), as statutory auditors of the Company, to hold office from the conclusion of the 50<sup>th</sup> AGM up to the conclusion of the 55<sup>th</sup> AGM.

Auditors in their Audit report have not made any adverse remark, qualification or reservation.

#### **COST AUDIT**

Pursuant to Section 148 of the Companies Act, 2013 read with the Companies (Cost Records and Audit) Amendment Rules, 2014, the Central Government has prescribed cost audit of the accounts to be maintained by your Company. To conduct the cost audit, M/s. Joshi Apte & Associates, Cost Accountants, has been re-appointed as Cost Auditors of your Company for the Financial Year 2019 in the meeting of Board of Directors held on February 27, 2019. The Cost Audit Report in XBRL format for the Financial Year ended December 31, 2018 will be filed within prescribed timelines.

A resolution for ratification of the remuneration payable to the Cost Auditor is included in the Notice of the Annual General Meeting for seeking approval of Members.

#### **SECRETARIAL AUDIT**

Pursuant to the provisions of Section 204 of the Companies Act, 2013 and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, Secretarial Audit has been carried out by M/s. Kanj & Co LLP, Practising Company Secretaries for the Financial Year ended December 31, 2018 and their report is annexed at **Annexure IV**.

Secretarial Auditor in their Audit Report have not made any adverse remark, qualifications or reservation.

#### **INTERNAL CONTROLS AND THEIR ADEQUACY**

The Board of Directors of the Company is responsible for ensuring that Internal Financial Controls have been established in the Company and that such controls are adequate and operating effectively.

The Company has laid down certain guidelines and processes which enables implementation of appropriate internal financial

controls across the organisation. Such internal financial controls encompass policies and procedures adopted by the Company for ensuring orderly and efficient conduct of business, including adherence to its policies, safeguarding of its assets, prevention and detection of frauds and errors, the accuracy and completeness of accounting records and the timely preparation of reliable financial information.

Internal auditors in their review report to the Audit Committee has confirmed that basis their review no significant deficiencies were established in design and operating effectiveness of internal financial controls. The Statutory Auditors in their audit report has opined that these controls are operating effectively.

The Internal Audit team develops an annual audit plan based on the risk profile of the business activities. The annual internal audit plan is approved by the Audit Committee, which also reviews compliance to the plan. The Internal Audit team monitors and evaluates the efficacy and adequacy of internal control systems in the Company, its compliance with operating systems, accounting procedures and policies at all locations of the Company. Based on the report of internal audit function, process owners undertake corrective action(s) in their respective area(s) and thereby strengthen the controls. Significant audit observations and corrective action(s) thereon are presented to the Audit Committee.

The Audit Committee reviews the reports submitted by the Internal Auditors.

The Board has implemented systems to ensure compliance of all applicable laws. These systems were effective and operative. At every quarterly interval, the Managing Director and the Company Secretary place before the Board a certificate certifying compliance of laws and regulations as applicable to the business and operations of the Company after obtaining confirmation from all business unit and functional heads responsible for compliance of such applicable laws and regulations.

During the Financial Year, no frauds were reported by auditors in terms of section 143 (12) of the Companies Act, 2013.

#### **AUDIT COMMITTEE RECOMMENDATIONS**

During the Financial Year, all recommendations of the Audit Committee were accepted by the Board. The composition, details of meetings of the Audit Committee are provided in the Corporate Governance Report, which forms part of this report.

#### **RISK MANAGEMENT**

The Company has well defined process to ensure the risks are identified and mitigation steps are put in place. The Company's Risk Management process focus on ensuring that these risks are identified on a timely basis and reasonably addressed.

The Audit Committee oversees financial risks and controls. Major risks are identified by the businesses and functions and these are systematically addressed through mitigating actions on continuing basis.

#### **PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS**

The particulars of loans, guarantees and investments have been disclosed in the financial statements.

#### **RELATED PARTY TRANSACTIONS**

All related party transactions that were entered into during the Financial Year were on arm's length basis. Except for the transactions of sale of Biopharma, Performance Materials and Life Science Business ('BPL Business'), all other transactions were in the ordinary course of business.

The Company has implemented a Related Party Transactions policy for the purposes of identification and monitoring of such transactions. The policy on related party transactions as approved by the Board is uploaded on the Company's website - <https://www.merckgroup.com/in-en/company/legal-entities/merck-limited.html>.

All related party transactions are placed before the Audit Committee for approval. Prior approval of the Audit Committee is obtained for the transactions which are planned and/ or repetitive in nature and omnibus approvals are taken within criteria/ limit laid down for any unforeseen transactions.

The details of the material related party transactions in Form AOC-2 as required under Section 134(3)(h) of the Companies Act, 2013 read with Rule 8 of the Companies (Accounts) Rules, 2014, is attached as **Annexure V**.

#### **MATERIAL ORDERS PASSED BY THE REGULATORS AND COURTS**

During the Financial Year under review, no regulator or court has passed any significant and material orders impacting the going concern status of the Company and its future operations.

The Company had received a show cause notice in the year 2016 from National Pharmaceutical Pricing Authority (NPPA), which was considered material by the Company and necessary disclosures to stock exchanges had been made. In the aforesaid matter, NPPA alleged that the Company has overcharged price for one of its drugs during the period from May 2006 to June 2009. It demanded a sum of ₹ 116.8 million plus interest of ₹ 157.8 million. The Company has challenged the said orders by way of a writ petition before Hon'ble Delhi High Court. Currently, the matter is pending with the Court.

#### **VIGIL MECHANISIM AND WHISTLE BLOWER POLICY**

In terms of the provisions of Section 177(9) of the Companies Act, 2013 and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Company has implemented a vigil mechanism. No employee has been denied access to the Chairman of the Audit Committee. The Company provides protection to employees and business associates reporting unethical practices and encourages employees to report the incidence of fraud. Whistleblower complaints and

their redressal are discussed at each Audit Committee meeting of the Company. The policy is available on the Company's website - <https://www.merckgroup.com/in-en/company/legal-entities/merck-limited.html>.

## NOMINATION AND REMUNERATION POLICY

Pursuant to the provisions of Section 134(3)(e), 178 of the Companies Act, 2013 and Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Company has adopted a Nomination and Remuneration Policy. The Nomination and Remuneration Committee (NRC) is responsible for developing competency requirements for the Board, based on the industry and strategy of the Company. The NRC makes recommendations to the Board in regard to appointment of new directors. The Company's Remuneration Policy is intended to provide more detailed clarification on the guiding principles so as to support its implementation; guidance as to design of reward programs; and explanation as to roles, responsibilities and governance for program design, administration and communication. The performance linked bonus is driven by the outcome of the performance appraisal process and the performance of the Company. The remuneration of Directors and employees is a fair mix of fixed and incentive pay reflecting short and long-term performance objectives appropriate to the working of the Company.

## PARTICULARS OF EMPLOYEES

The information as required under Section 197 of the Companies Act, 2013 read with rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 is given below:

### a. The ratio of the remuneration of each Director to the median remuneration of the employees of the Company for the Financial Year

	Ratio of median remuneration
<b>Non- Executive Directors</b>	
Mr. S.N. Talwar	2.42
Mr. H.C.H. Bhabha *	1.65
Mrs. Rani Ajit Jadhav	1.54
Ms. Zoe Tang **	-
<b>Executive Directors</b>	
Mr. Anand Nambiar §	82.89
Mr. Milind Thatte §§	34.17
Mr. N. Krishnan #	31.08
Mr. Amit Gupta ##	2.20

**Note – There have been appointment of some Directors during the Financial Year and cessation of some Directors during the Financial Year. As such their remuneration is not exactly comparable with annual median remuneration of employees**

\* Mr. H.C.H. Bhabha resigned effective November 28, 2018

\*\* Ms. Zoe Tang resigned effective December 1, 2018

§ Mr. Anand Nambiar resigned effective March 31, 2018

§§ Mr. Milind Thatte was appointed as Managing Director effective April 1, 2018

# Mr. Krishnan resigned effective December 10, 2018

## Mr. Amit Gupta was appointed as Executive Director effective December 10, 2018

### b. The percentage increase in remuneration of each Director, Chief Executive Officer, Chief Financial Officer, Company Secretary in the Financial Year

Director, Chief Financial Officer & Company Secretary	% Increase in remuneration during the Financial Year
Mr. Suresh Talwar (Chairman and Independent Director)	Nil
Mr. H. C H Bhabha (Independent Director)	- *
Mrs. Rani Ajit Jadhav (Independent Director)	Nil
Mr. Anand Nambiar (Managing Director)	- *
Mr. N. Krishnan (Executive Director and Chief Financial Officer)	- *
Mr. Vikas Gupta (General Counsel & Company Secretary)	- *
Mr. Milind Thatte (Managing Director)	- @
Mr. Amit Gupta (Executive Director and Chief Financial Officer)	- @
Mr. Jeevan Mondkar (Company Secretary)	- @

\* Mr. Anand Nambiar (Managing Director), Mr. H. C. H. Bhabha (Independent Director), Mr. N. Krishnan (Executive Director and Chief Financial Officer) and Mr. Vikas Gupta (General Counsel & Company Secretary) resigned during the Financial Year, hence percentage increase is not comparable, and as such this section is not applicable

@ Mr. Milind Thatte (Managing Director), Mr. Amit Gupta (Executive Director and Chief Financial Officer) and Mr. Jeevan Mondkar (Company Secretary) were appointed during the Financial Year under review, as such this section is not applicable.

### c. The percentage increase in the median remuneration of employees in the Financial Year: 9%

### d. The number of permanent employees on the rolls of Company: 1134 as on December 31, 2018

### e. Average percentile increase already made in the salaries of employees other than the managerial personnel in the last Financial Year and its comparison with the percentile increase in the managerial remuneration and justification thereof and point out if there are any exceptional circumstances for increase in the managerial remuneration

Average increase in the remuneration of salaries of the employees is based on a detailed performance evaluation which *inter-alia* include their performance viz-a-vis the objectives achieved by them during the year. The overall financial performance of the Company is also taken into consideration while arriving at the average percentage increase of the salaries of employees. Salaries of employees is adjusted periodically against the industry benchmark. During the Financial Year under review, average increase in the salaries of employees was around 11%.

The statement containing particular of employees as required under Section 197(12) of the Companies Act, 2013 read with Rule 5(2) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, is provided in a separate annexure forming part of this report. Considering the first proviso of Section 136 (1) of the Companies Act, 2013, the report and the accounts are being sent to the members excluding the aforesaid annexure. The said annexure is open for inspection at the Registered Office of the Company on any working day upto the date of 52<sup>nd</sup> Annual General Meeting. Any shareholder interested in obtaining a copy of the same may write to the Company Secretary.

#### **CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO**

The particulars as prescribed under Section 134(3)(m) of the Companies Act, 2013 read with Rule 8 of the Companies (Accounts) Rules, 2014, are set out in **Annexure VI**.

#### **EXTRACT OF ANNUAL RETURN**

Extract of Annual Return in the prescribed format under the Companies Act, 2013 forms part of this report and is available on

the website of the Company at <https://www.merckgroup.com/in-en/company/legal-entities/merck-limited.html>.

#### **DISCLOSURE AS PER SEXUAL HARASSMENT OF WOMEN AT WORKPLACE (PREVENTION, PROHIBITION AND REDRESSAL) ACT, 2013**

The Company has zero tolerance towards sexual harassment at the workplace and has adopted a policy on prevention, prohibition and redressal of sexual harassment at workplace in line with the provisions of the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 and Rules thereunder. The Company has ensured a wide dissemination of the Policy and have conducted various awareness program at all locations of the Company. The Company has constituted an Internal Complaints Committee (ICC). During the Financial Year, no complaints with allegations of Sexual Harassment were filed with the Company.

#### **ACKNOWLEDGEMENTS**

Your Directors thank and express their gratitude to the Company's employees, customers, vendors, investors, and institutions for their continued support to the Company. Your Directors also thank the State Government and concerned Government Departments/ Agencies for their co-operation.

On behalf of the Board of Directors

**S. N. Talwar**  
Chairman

Mumbai  
February 27, 2019

# Annexure I - Management Discussion and Analysis Report

## ECONOMIC SCENARIO

GDP growth rate of India is expected to grow by 7.3% in 2019 from 7.1% in year 2018. General election in the country will be one of the key watch outs for its impact on the economy. India's economic growth surpassed China's in the FY 2018 and is projected to grow from 7.3% to 7.5% in FY 2019-20. According to PHARMEXCIL, India's pharma export is expected to increase by 30% from US \$16.4 billion to US \$20 billion in the coming 3 years. Young population, corresponding low dependency ratio, healthy trend of savings, improved investment rating and high FDI inflow are some of the factors for growth of the Indian economy.

Flagship healthcare scheme Ayushman Bharat will be the one of the big influencer for Indian Healthcare Industry. Government will emerge as one of the big payer in healthcare. Conversely, this will also result into more push for generics drugs with pricing and margin regulations.

## BUSINESS OUTLOOK

The Company has a well-balanced portfolio in Vitamins, Minerals and Supplements including cough and cold remedies. Its growing faster than the comparable market segment and would continue to retain this lead. However, industry may face certain challenges due to local and global price erosion on account of competition and regulations, outcome of general elections and change in policies. Without including this specific aspect, the ambitious economic growth targets for the current fiscal year by Government on 'Make in India' initiative, expanded healthcare coverage and internal focus on key initiatives. Your Company is expected to grow at higher than the GDP growth rate, thereby it looks forward for excelling the business results and improving shareholders value.

The following table exhibits, in summary, the financial performance of the Company for the Financial Year 2018.

Key Parameters	₹ million)	
	2018	2017
Turnover from continuing operations	8,489.9	7,114.7
Profit after Tax from continuing operations	1017.4	610.4
Profit after Tax to Turnover (%)	12.0%	8.6%
Sales to Fixed Assets Employed (ratio)*	7 times	7.1 times
Current assets (ratio)*	7.8	3.3
Return on Capital employed (%)*	6.61%	12.8%
Book Value of shares (₹)*	927.8	441.7

\* Figures for the Financial Year 2018 are post sale of BPL business and hence are not comparable with figures for previous Financial Year.

## BUSINESS PERFORMANCE

The Indian Pharmaceuticals market turnover grew by 11.7% in year 2018, to achieve ₹ 1,123 Billion as against ₹ 1,004 Billion in year 2017.

Merck India Healthcare comprises mainly of therapies like Multivitamins, Supplement and Cough & Cold. During financial year December 2018, it registered a sales growth of 11.4% almost par with the market.

Your company is well known in India for its rich heritage in Healthcare with brands that are household names. During the Financial year, your Company continued to further its commitment to bringing quality and affordable healthcare to our patients and consumers across the country.

True to its brand promise your Company's flagship brand Neurobion Forte has been helping true heroes fight body discomforts due to lack of Vitamin B's for over 50 years. In 2018, Your Company took forward it's very successful annual 'True Heroes' initiative to a whole new level with #Helping True Heroes 2.0, a movement urging India to join us in putting the spotlight on little known stories of extraordinary Indians, who while fulfilling the dreams of their families are also extending a helping hand to the society. The initiative reached more than 165 million people and 15,000 shares of these inspiring stories in a matter of weeks. In addition, Neurobion Forte made "Guinness world record" for marketing largest shirt mosaic for social cause.

At a grand culmination event held in Mumbai, your Company felicitated four courageous and inspirational True Heroes of India for their selfless contribution to the society.

Overall, your Company's Consumer Health business saw accelerated growth and coverage.

## PHARMA EXPORTS

The Company continued to export its pharmaceutical products to third parties based out of Asia including Sri Lanka, Bangladesh, Myanmar, Singapore & Maldives. The Company also exported APIs to Austria & Thailand. In 2018, the Company's total exports for continued operations were ₹ 1040 million as compared to ₹ 694 million in the last year recording an increase of 49.8%.

## PRODUCTION

The production requirement of the Pharma segment is catered through the Company's own facility at Goa, various toll and contract manufacturing units on a principal to principal basis. The toll manufacturing units are under regular supervision of the Company with regards to the manufacturing standards. In 2018, the toll manufacturing continued to support increasing production requirements with existing and introduction of new contract manufacturers.

The Goa manufacturing site is well utilized and goes through self-regulated productivity and cost efficiency programs. Record breaking production was achieved by Injection and Softgel department in 2018. New high speed injection filling lines were installed in the Injection manufacturing area in 2018 to meet the increasing demand. Production capacity of both Injectable and Softgel departments were very well utilized. The Goa site continues to adapt innovative methods to improve the efficiency in terms of debottlenecking the production process to increase production and reduce the cost of manufacturing.

## **INTERNAL CONTROLS**

The Company follows a risk-based approach for evaluating the efficacy of its operation, to ensure the safeguard of its assets, against loss of unauthorized use, improper handling, detect and prevent frauds and timely, accurate, complete financial information. This is enabled by setting up systems, documented procedures / SOPs, policies and training to employees on such process at regular intervals, to ensure that the same is achieving its desired results.

Additionally, policies exist in the form of roles and responsibilities, code of conduct, delegation of authority that are aligned to business process and planning. To continuously improve efficiencies, the Company continued to sync its business process and operations framework within automated ERP workflow and controls which integrate key functions such as operations, manufacturing, supply chain, marketing, sales, finance and HR. This helps facilitate the Company's ability to respond appropriately to risks and to achieve the Company's objectives and helps ensure compliance with applicable laws, regulations and internal policies.

To manage the risk profile of the Company, proper organization structures, EHS/ other compliances, Whistleblower mechanisms, Risk management including fraud risk assessment, compliance management, performance reviews are conducted at regular intervals.

To further augment the internal controls, the Company engaged PricewaterhouseCoopers Private Limited (PwC), who are the internal auditors of the Company. The internal audit program covers the entire operations of the Company including procurement, manufacturing and distribution, all types of assets, internal and external supports partners, financial closing processes, recruitment to retirement process, production planning and inventory management process, legal compliances, payment and treasury management, sales order management, marketing, sales, cash collection process, taxation, etc. The annual internal audit plan is reviewed and approved by the Audit Committee. The internal auditors report their observations to the Audit Committee which discusses the audit findings and the remedial measures as required are implemented by changing processes and / or

setting up additional internal controls. The Board and the Audit Committee discusses and approve the internal audit program, which focuses on both the design and operational effectiveness of all audit areas and follows the evaluation process. Follow up of the audit action taken are also reviewed by the Audit Committee.

In order to further implement good corporate governance practices, Audit Committee periodically discusses with statutory and internal auditors on their views of financial statements, compliance to accounting policies, information flow from the Company to them for conducting their area of work, adequacy and effectiveness of internal control and systems within the Company. The weakness in the processes, if any, identified are taken note of and new procedures are put in place to strengthen them. The control mechanisms set are also reviewed at regular intervals.

As required by the Companies Act, 2013, your Company has an Internal Financial Control (IFC) framework in place. The purpose of the IFC is to ensure that policies and procedures adopted by your Company for ensuring the orderly and efficient conduct of its business are implemented, including policies for safeguarding its assets, prevention and detection of frauds and errors, accuracy and completeness of accounting records, and timely preparation of reliable financial information. The Company engaged the services of PwC, to do a documentation of the process flows and check on the working of all types of internal controls (detective, corrective and preventive) in the organisation. PwC have concluded that no significant deficiency was noted in design and operating effectiveness for the internal financial controls, which are with reference to the financial statement. PwC also tested the Operational and Fraud Prevention Controls and concluded that there were no significant deficiency in this respect. The internal control system is adequately supported and supplemented by the internal auditors through the robust internal audit program, employee trainings on governance standards. The statutory auditors have also expressed an unqualified opinion on the operative and effective working of the internal controls of the Company.

## **ADHERENCE TO ACCOUNTING STANDARDS**

The Company has adopted all the standards and accounting policies, under the Indian Accounting Standards ('Ind AS') from 01<sup>st</sup> January, 2017 as prescribed under section 133 of the Companies Act, 2013, read with the relevant rules issued thereunder and other accounting principles generally accepted in India. Changes in policies, if any, are approved by the Audit Committee to ensure compliance with Ind AS.

Based on the information provided, nothing has come to light of Directors that the internal controls, systems, SOPs, procedures have broken down during the Financial Year under review. No substantial changes in the procedures or internal financial

controls of the Company have happened or likely to happen, though there could be inherent possibility of human error or unintentional circumvention of such controls or procedures. Moreover, in the design and evaluation of the Company's disclosure controls and procedures, the management was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

Based on the recommendations of the Audit Committee, the Board has stated in its responsibility statement that proper internal financial controls were followed by the Company and that such internal financial controls are adequate and were operating effectively.

### RISK MANAGEMENT

The Company is concurrently exposed to various risks, which might threaten its business continuity if not identified and addressed in time. As part of the business sustainability and governance process, in order to ensure a robust risk management system, in line with the applicable laws, the Company follows a proactive risk management policy, aimed at protecting its employees, assets and the environment, while at the same time ensuring growth and continuity of its business.

The risks are identified on a consistent process, across function/division and the Company also strives to link each risk with a mitigation step to ensure business continuity. Risk managers consistently map the risks to establish a risk – management culture. The risk report is reviewed at regular intervals, to ensure that risks are planned for mitigation, for the fact that not all risks can be eliminated.

Regular risk mapping updates are made available to Executive Board and Independent Directors at the Board Meeting and in special cases on ad-hoc basis.

Your Company adheres to global compliance guidelines and also complies with applicable local laws. Number of training programs (some of which were online) were rolled-out for employees on Pharma Compliance Guidelines, Global Anti-Corruption Standards, Prevention of Sexual Harassment at Workplace, Whistleblower Mechanism, Conflict of Interest, Data Integrity etc.

### BUSINESS RELATED RISKS

The Company's performance is impacted by factors such as coverage of products under price control, ability to launch successful line extensions or product applications with proper timing, customer behaviour change, new demand development of the Company's products, economic reforms, changed composition of legacy brand product sales to total turnover, employee talent development and management, employee union negotiations, trade unions, etc..

### LEGAL RISKS

The Company's business is subject to stringent compliances of various applicable laws. Changes in the statutes and the compliance of the same is challenging and time consuming and involves constant monitoring. In the case of Pharmaceuticals business, the Company has to comply with the local pricing regulations set by the Government, FDA legislation, DCGI approvals, Code of Conduct with marketing spend on doctors. The Company has set up a support mechanism which enables tracking of the compliance of the applicable laws.

### THIRD PARTY DEPENDENCE RISKS

The Company uses third party support in regard to manufacturing and distribution of its products. These parties have access to the Company's assets and business process. The Company uses internal control and audit measures to safeguard itself against any adverse events. Periodic audits and review of open items in audit takes place for these units throughout the year. Business interruptions could arise due to any unforeseen negative events taking place or disagreements on contractual terms and conditions with the service provider which can lead to stoppage of outsourced activities.

### INFORMATION TECHNOLOGY RISKS

The Company uses varied IT systems and processes in order to have efficient data collection, monitoring and reporting. There are software related precautions like handling of data integrity, access rights, virus firewalls, data protection, social media risk, etc. The Company's guidelines and processes are in place and their adherence is continuously monitored and subject to global audits at regular intervals.

### ENVIRONMENT AND SAFETY RISKS

All the manufacturing and distribution facilities of the Company are subject to environmental and safety risks. The Company is complying with the local legislation on environment protection which is further supported by Group standards, rules, guidelines and audits at regular intervals by experts, to ensure safety standards to safeguard people, environment and products.

On behalf of the Board of Directors

**S. N. Talwar**  
Chairman

Mumbai, February 27, 2019



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# Annexure II - Corporate Governance Report

## Your Directors are pleased to present the Corporate Governance Report.

### Company's philosophy on Code of Governance:

Your Company is dedicated to conduct its business consistent with the highest standards of business ethics and values. We have an obligation towards our stakeholders including shareholders, employees, customers, suppliers and communities to be honest, fair and forthright in our business activities.

Good corporate governance is the basis for decision-making and control processes and comprises responsible, value-based management and monitoring focused on long-term success, goal-orientation and respect for the interests of our stakeholders.

The Company has complied with the requirements with regard to the Corporate Governance as prescribed in the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

## I. BOARD OF DIRECTORS (THE BOARD)

### (A) Composition of the Board

The composition of the Board of your Company is a fair mix of Executive, Non- Executive and Independent Directors, which is appropriate for the size and operations of your Company and is compliant with applicable rules and regulations. As on date of this report, the Board consists of five directors comprising of two Non-Executive Independent Directors (including one women Independent Director), one Non-Executive Director and two Executive Directors. The composition of the Board represents an optimal mix of professionalism, knowledge and experience and enables the Board to discharge its responsibilities and provide effective leadership to the business. The positions of the Chairman of the Board and the Chief Executive Officer of the Company are held by separate individuals, where the Chairman of the Board is a Non-Executive Independent Director.

As on the date of this report, all Directors of the Company meet the criteria of maximum number of directorship as laid down in section 165 of the Companies Act, 2013 and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

None of the Directors have inter-se relationship during the Financial Year.

The details of composition of the Board and summary of other Directorship(s) and Committee Membership(s) of Directors as on date of this report are as follows:

Name of the Director	#No. of Directorships	#No. of Committee memberships	#No. of Committee Chairmanships
Mr. S.N. Talwar <sup>1,2</sup>	4	3	1
Mrs. Rani Ajit Jadhav <sup>1,3</sup>	3	Nil	Nil
Mr. Milind Thatte <sup>4</sup>	Nil	Nil	Nil
Mr. Amit Gupta <sup>5</sup>	Nil	Nil	Nil
Mr. Hon Keong Choo <sup>6</sup>	Nil	Nil	Nil

<sup>1</sup> Independent Director

<sup>2</sup> Chairman of the Board, Audit Committee, Stakeholder Relationship Committee and Corporate Social Responsibility Committee, and Member of Nomination & Remuneration Committee of the Company

<sup>3</sup> Chairman of the Nomination & Remuneration Committee and Member of the Audit Committee of the Company

<sup>4</sup> Managing Director, Member of Audit Committee, Stakeholder Relationship Committee and Corporate Social Responsibility Committee of the Company

<sup>5</sup> Executive Director (Finance) and Chief Financial Officer, Member of Stakeholder Relationship Committee and Corporate Social Responsibility Committee of the Company

<sup>6</sup> Member of Nomination & Remuneration Committee of the Company

Notes:

\* Excludes directorships held in private companies, foreign companies, Section 8 companies, Merck Limited and companies where a Director is an alternate director;

<sup>§</sup> Excludes committee memberships / chairmanships of Merck Limited, private companies, foreign companies, Section 8 companies and companies where a Director is an alternate director. Only Audit Committee and Stakeholders Relationship Committee are considered.

### (B) Meetings and Attendance

The Board meets at least once in a quarter, *inter alia*, to review the quarterly financial result, performance of the Company, status of compliance of laws, review of business and functions, material transactions and other similar matters. The gap between any two Board Meetings did not exceed one hundred and twenty days, as prescribed under the Companies Act, 2013 and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. The members of the Board have complete access to all the information of the Company. To enable the Board to discharge its responsibilities effectively, the members of the Board are briefed at every Board Meeting on the overall performance of the Company. Senior management is invited to the meetings to provide additional inputs to the items being discussed by the Board. The Company had made arrangement for facilitating participation of Directors by video / Skype conference. As per their availability and convenience, the required arrangements were communicated and set up for them enabling them to participate in the proceedings of the meetings as per the Rules prescribed under the Companies Act, 2013 read with relevant Rules there under.

In case of special and urgent business needs, the Board's approval is taken by circulating the resolution, which is confirmed in the subsequent Board Meeting.

During the Financial Year 2018, 8 (Eight) Board Meetings were held on February 22, 2018, March 27, 2018, April 27, 2018, May 30, 2018, August 07, 2018, October 30, 2018, November 28, 2018 and December 10, 2018. Attendance of Directors at the Board and Shareholder meetings during the Financial Year 2018:

Name of the Director	Board Meetings held during the tenure of Directors	No. of Board Meetings attended during the term	Attendance at 51 <sup>st</sup> Annual General Meeting (June 1, 2018)
Mr. S.N. Talwar	8	8	Yes
Mr. H.C.H. Bhabha	7	7 <sup>**</sup>	Yes
Mrs. Rani Ajit Jadhav	8	8 <sup>*</sup>	Yes
Mr. N. Krishnan	7	7 <sup>#</sup>	Yes
Mr. Anand Nambiar	2	2 <sup>#</sup>	Yes (by invitation)
Ms. Zoe Tang	7	2 <sup>**</sup>	No
Mr. Milind Thatte	6	5 <sup>^</sup>	Yes
Mr. Amit Gupta	1	1 <sup>^</sup>	Not Applicable

\* Mr. H.C.H. Bhabha attended 3 meetings, Mrs. Rani Ajit Jadhav attended 4 meetings and Ms. Zoe Tang attended 2 meetings via video-conference.

# Mr. Anand Nambiar, Mr. H.C.H. Bhabha, Mr. N. Krishnan and Ms. Zoe Tang ceased to be Directors of the Company effective March 31, 2018, November 28, 2018, December 1, 2018 and December 1, 2018 respectively.

^ Mr. Milind Thatte was appointed as Director and Managing Director of the Company effective April 1, 2018 and Mr. Amit Gupta was appointed as Executive Director (Finance) of the Company effective December 10, 2018.

**(C) Shares held by Non-Executive Directors of the Company as on December 31, 2018:**

Mr. S.N. Talwar : 5,914

Mrs. Rani Ajit Jadhav : Nil

**II. BOARD COMMITTEES**

**A. Audit Committee**

**(i) Composition, Name of Member and Chairperson**

As on the date of this report, the Audit Committee comprises of three (3) Directors of whom two (2) are Independent Directors and one is the Managing Director. The Committee is chaired by an Independent Director.

Mr. S. N. Talwar – Chairman

Mrs. Rani Ajit Jadhav – Member

Mr. Milind Thatte – Member

**(ii) Meetings and Attendance during the year**

During the Financial Year 2018, the Audit Committee held 5 (Five) meetings on February 22, 2018, March 27, 2018, April 27, 2018, August 07, 2018 and October 30, 2018. Attendance of the members of the Committee is given below:

Name of the Director	Category of Director	No. of Committee Meetings held during the tenure of Directors	No. of Committee Meetings attended
Mr. S.N. Talwar – Chairman	Non-Executive – Independent	5	5
Mr. H.C.H. Bhabha	Non-Executive – Independent	5 <sup>#</sup>	5 <sup>*</sup>
Mrs. Rani Ajit Jadhav	Non-Executive – Independent	5	5 <sup>*</sup>
Mr. Anand Nambiar	Erstwhile Managing Director	2 <sup>#</sup>	2 <sup>*</sup>
Mr. Milind Thatte	Managing Director	3 <sup>^</sup>	3

\* Mr. H.C.H. Bhabha & Mrs. Rani Ajit Jadhav attended two (2) meetings via video-conference and Mr. Anand Nambiar, attended one (1) meeting via video-conference.

# Mr. Anand Nambiar and Mr. H.C.H. Bhabha ceased to be Director of the Company effective March 31, 2018 and November 28, 2018 respectively and consequently ceased to be members of the Audit Committee on the said dates.

^ Mr. Milind Thatte was inducted as member of the Committee effective April 1, 2018.

The Audit Committee meetings are also attended by CFO & Director Finance, Internal Auditors and Statutory Auditors as invitees. The Company Secretary acts as the Secretary to the Audit Committee.

**(iii) Brief description of terms of reference**

The Committee functions according to the applicable provisions of the Companies Act, 2013 and other applicable statutes and the requirements under Part C of Schedule II of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

The Audit Committee powers and roles includes the following:

- oversight of the Company financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible;
- recommendation for appointment, remuneration and terms of appointment of auditors of the Company;

- (c) Reviewing the quarterly and annual financial statements before submission to the Board for approval, focusing *inter- alia* on;
  - Any changes in accounting policies and practices and reasons for the change;
  - Major accounting entries involving estimates based on exercise of judgment by Management;
  - Significant adjustments arising out of audit findings;
  - The going concern assumption;
  - Compliance with Accounting Standards; and
  - Analysis of the effects of alternative generally accepted accounting principles on the financial statements.
- (d) Compliance with listing and other legal requirements concerning financial statements;
- (e) Approval of the related party transactions;
- (f) Review of annual Management Discussion and Analysis of financial condition and results of operations and the Directors' Responsibility Statement;
- (g) Overseeing the Company's financial reporting process and the disclosure of its financial information, including earnings and press release, to ensure that the financial statements are correct, sufficient and credible;
- (h) Disclosures made under the CEO and CFO certification to the Board;
- (i) Reviewing with the Management, Statutory Auditors and Internal Auditors, adequacy of internal control systems and recommending improvements to the Management;
- (j) Recommending the appointment/removal of the Statutory Auditors, fixing audit fees, non-audit fees, evaluating Auditors performance, qualifications and independence;
- (k) Reviewing the adequacy of internal audit function, coverage and frequency of internal audit, appointment, removal, performance and terms of remuneration of Internal Auditors;
- (l) Discussing with the Internal Auditors and senior Management, significant internal audit findings and follow-up thereon;

- (m) Reviewing the findings of any internal investigation by the Internal Auditors into matters involving suspected fraud or irregularity or a failure of internal control system of a material nature and report the matter to the Board;
- (n) Discussing with the Statutory Auditors before the audit commences, the nature and scope of audit as well as conduct post-audit discussions to ascertain any area of concern;
- (o) Reviewing the Company's financial and risk management policies; and
- (p) Reviewing the effectiveness of the system for monitoring compliance with laws and regulations.

The minutes of the Audit Committee meetings are placed at the Board Meetings. In addition, the Chairman of the Audit Committee briefs the Board about the significant discussions at the Audit Committee Meetings.

The Committee relies on the expertise and knowledge of the management, the Internal Auditors and Statutory Auditors in carrying out its responsibilities. It also uses external expertise, wherever required. Management is responsible for the preparation, presentation and integrity of the Company's financial reporting. Management is also responsible for internal control over financial reporting and all procedures are designed to ensure compliance with Accounting Standards, applicable laws and regulations as well as for objectively reviewing and evaluating the adequacy, effectiveness and quality of the Company's system of internal control.

## **B. Stakeholders Relationship Committee of Directors**

### **(i) Composition, Name of Member and Chairperson**

As on the date of this report, the Stakeholders Relationship Committee comprises of three (3) Directors of whom one (1) is an Independent Directors and two (2) are Executive Directors. The Committee is chaired by a Non-Executive Independent Director.

Mr. S.N. Talwar – Chairman<sup>®</sup>

Mr. Milind Thatte – Member<sup>^</sup>

Mr. Amit Gupta – Member<sup>^</sup>

<sup>®</sup> Mr. S. N. Talwar was appointed as Member and Chairman of the Committee on December 10, 2018

<sup>^</sup> Mr. Milind Thatte and Mr. Amit Gupta were inducted as members of the Committee effective April 1, 2018 and December 10, 2018 respectively.

## (ii) Brief description of terms of reference

The Board has constituted the Stakeholder Relationship Committee, in terms of the provisions of Section 178(5) of the Companies Act, 2013 and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. The terms of reference of this Committee are:

- Oversee and review all the matters connected with the transfer of Company's securities;
- To look into the requests received for issue of duplicate share certificates on account of loss / mutilated certificates etc.;
- To issue share certificates upon consolidation or sub-division of shares of the company;
- Monitor redressal of investors' / shareholders grievances;
- Oversee the performance of the Company's Registrars and Transfer Agents; and
- Recommend methods to upgrade the standard of services to the investors.

In order to serve the shareholders expeditiously, the Board delegated its powers to approve the transfers / transmissions / dematerialisation / rematerialisation and address the shareholders complaints / requests, to the Managing Director and/or the Company Secretary of the Company.

The Company attends to the shareholders' / Investors' grievances / correspondence expeditiously. During the Financial Year under review, 6 (Six) investor grievances complaints were received and were resolved.

## (iii) Meetings and Attendance

During the Financial Year under review, Seven (7) meetings of the Committee were held on January 29, 2018, June 5, 2018, June 19, 2018, August 2, 2018, October 10, 2018, November 6, 2018 and December 31, 2018. Attendance of the members of the Committee is given below:

Name of the Director	Category of Director	No. of Committee Meetings held during tenure of Director	No. of Committee Meetings attended
Mr. H.C.H. Bhabha –Chairman	Non-Executive Independent	6 <sup>#</sup>	1
Mr. N. Krishnan-Member	Executive	6 <sup>#</sup>	6
Mr. Anand Nambiar - Member	Executive	1 <sup>#</sup>	1
Mr. Milind Thatte- Member	Executive	6 <sup>^</sup>	6
Mr. S.N. Talwar - Chairman	Non-Executive Independent	1 <sup>§</sup>	Nil
Mr. Amit Gupta	Executive	1 <sup>^</sup>	1

<sup>#</sup> Mr. Anand Nambiar, Mr. N. Krishnan and Mr. H.C.H. Bhabha ceased to be Directors of the Company effective March 31, 2018, December 1, 2018 and November 28, 2018 respectively and consequently ceased to be members of the Committee effective on said dates.

<sup>^</sup> Mr. Milind Thatte and Amit Gupta were inducted as Members to the Committee effective April 1, 2018 and December 10, 2018 respectively

<sup>§</sup> Mr. S. N Talwar was inducted as Chairman of the Committee effective December 10, 2018

Mr. Jeevan Mondkar, Company Secretary is the Compliance Officer.

## C. Nomination and Remuneration Committee

### (i) Brief description of terms of reference

In terms of the provisions of Section 178 of the Companies Act, 2013, the Board constituted a Nomination and Remuneration Committee. Terms of reference of the Committee are:

- a) Formulation of the criteria for determining qualifications, positive attributes and independence of a Director;
- b) Formulate and recommend to the Board a policy, relating to the remuneration of the Directors, Key Managerial Personnel and other employees;
- c) Formulation of criteria for evaluation of Independent Directors and the Board;
- d) Devising a policy on Board diversity; and
- e) Identifying persons who are qualified to become directors and who may be appointed in senior management in accordance with the criteria laid down, and recommend to the Board their appointment and removal.

The Committee has formulated the remuneration policy. The Company's remuneration policy provides a framework to provide more detailed clarification on the Guiding Principles so as to support their implementation; guidance as to design of reward programs; and explanation as to roles, responsibilities and governance for program design, administration and communication.

**(ii) Composition, Name of Members and Chairperson**

As on the date of this report, the Committee comprises of three (3) Directors viz. Mrs. Rani Ajit Jadhav (Independent Director), Chairperson, Mr. S. N. Talwar (Independent Director) and Mr. Hon Keong Choo (Non-Executive Director).

**(iii) Meetings and Attendance during the Financial Year**

During the Financial Year under review, three (3) meetings of the Committee were held on February 22, 2018, March 27, 2018, and November 28, 2018. Attendance of the members of the Committee is given below:

Name of the Director	Category of Director	No. of Committee Meetings held during tenure of director	No. of Committee Meetings attended
Mr. H.C.H. Bhabha <sup>^</sup> –Chairman	Independent Director	3	3
Mrs. Rani Ajit Jadhav	Independent Director	3	3
Mr. S. N. Talwar	Independent Director	3	3
Ms. Zoe Tang <sup>^</sup>	Non-Executive Director	3	2

<sup>^</sup> Mr. H.C.H. Bhabha and Ms. Zoe Tang ceased to be Directors of the Company effective November 28, 2018 and December 1, 2018 respectively and consequently ceased to be members of the Committee on the said dates.

**(iv) Performance evaluation of Directors, Board and Committees**

The Nomination and Remuneration Committee (NRC) reviewed the Performance Evaluation Guidelines and recommended to the Board, the framework for evaluating the performance on an annual basis of the Board, its Committees and each Director including the Chairman of the Board of Directors.

Pursuant to the provisions of the Companies Act, 2013 and SEBI (Listing Obligations and Disclosures Requirements) Regulations, 2015, the

Board of Directors / Independent Directors / NRC (as applicable) have undertaken an evaluation of performance of the Board as a whole, the performance of its Committees and of all the individual Directors including the Chairman of the Board of Directors based on various parameters relating to roles, responsibilities and obligations of the Board's effectiveness of its functioning, contribution of Directors at meetings and the functioning of its Committees. The results of such evaluation are presented to the NRC and the Board of Directors (as applicable). On evaluation, the NRC and the Board of Directors have expressed satisfaction on the overall functioning of the Board, its Committees and Directors.

**D. Corporate Social Responsibility Committee**

**(i) Composition, Name of Members and Chairperson**

As on the date of this report, the Committee comprises of three (3) Directors viz. Mr. S. N. Talwar (Independent Director), Mr. Milind Thatte (Managing Director) and Mr. Amit Gupta (Executive Director).

Mr. S. N. Talwar, Non-Executive Independent Director is the Chairman of the Committee.

The broad terms of reference of CSR committee is as follows:

- Formulate and recommend to the Board, a corporate social responsibility policy;
- Recommend the amount of expenditure to be incurred on the activities referred to above;
- Monitor the corporate social responsibility policy of the Company from time to time;
- Oversee the Company's conduct with regard to its corporate and social obligations.

**(ii) Meetings and attendance during the Financial Year**

During the Financial Year 2018, one meeting of the CSR Committee was held on February 22, 2018. Details of attendance at the aforementioned Meeting are as follows:

Name of the Director	Category of Director	No. of Committee Meetings held during tenure of director	No. of Committee Meetings attended
Mr. H.C.H. Bhabha – Chairman <sup>#</sup>	Non-Executive – Independent	1	1
Mr. Anand Nambiar <sup>®</sup>	Executive Director	1	1*
Mr. N. Krishnan <sup>^</sup>	Executive Director	1	1

\* Mr. Anand Nambiar participated in the meeting via Video-conference.

# Mr. H. C. H. Bhabha ceased to be member & Chairman of the CSR Committee effective November 28, 2018

@ Mr. Anand Nambiar ceased to be member of the CSR Committee effective March 31, 2018

^ Mr. N. Krishnan ceased to be member of the CSR Committee effective December 1, 2018

### III. CODE OF CONDUCT

The Board has laid down a Code of Conduct for all Directors and Senior Management and all its employees. The Code of Conduct of the Company is also posted on the website - <https://www.merckgroup.com/in-en/company/legal-entities/merck-limited.html>. All Directors and Senior Management personnel have affirmed their compliance with the said Code. A declaration signed by the Managing Director to this effect is appended at the end of this Report.

### IV. CEO/CFO CERTIFICATE

A Certificate from the Managing Director and Director - Finance on the integrity of the financial statements and other matters of the Company for the Financial Year ended December 31, 2018 was placed before the Board at its Meeting held on February 27, 2019.

### V. REMUNERATION OF EXECUTIVE DIRECTORS

The details of remuneration paid/payable to the Executive Directors during the Financial Year 2018 are given below:

(₹ million)

Name of the Director	Salary Allowances and Perquisites	Contribution to PF, Superannuation, Gratuity & Leave encashment*	Total
Mr. Anand Nambiar <sup>1</sup>	33.9	3.8	37.6
Mr. Milind Thatte <sup>2</sup>	12.5	3.0	15.5
Mr. N. Krishnan <sup>3</sup>	13.2	0.9	14.1
Mr. Amit Gupta <sup>4</sup>	1.0	-	1.0

1. Mr. Anand Nambiar ceased to be Director and Managing Director effective March 31, 2018

2. Mr. Milind Thatte has been appointed as Director and Managing Director effective April 1, 2018

3. Mr. N. Krishnan ceased to be Executive Director (Finance) & Chief Financial Officer effective December 1, 2018

4. Mr. Amit Gupta was appointed as Executive Director (Finance) & Chief Financial Officer effective December 10, 2018

### NOTES:

- The Company does not have a Scheme for grant of Stock Options to the Directors or Employees.
- In terms of the agreements entered with Mr. Milind Thatte and Mr. Amit Gupta the notice period for termination of the agreement is three months. There is no separate provision for payment of severance fees.

### VI. REMUNERATION OF NON-EXECUTIVE DIRECTORS

The details of remuneration paid/payable to Non-Executive Directors for the Financial Year 2018 are given below:

Name of the Director	Sitting fees (₹)	Commission (₹)
Mr. S. N. Talwar	5,55,000	11,00,000
Mr. H.C.H. Bhabha	5,60,000	7,50,000
Mrs. Rani Ajit Jadhav	5,55,000	7,00,000

No remuneration was paid or payable to Ms. Zoe Tang, Nominee Non-Executive Director.

The remuneration to Non-Executive Independent Directors comprises of sitting fees and variable commission. The criteria for payment of remuneration is time spent by the Non-Executive Directors at the Audit Committee Meetings, Board Meetings, other Committee Meetings and contribution made by them from time to time on strategic matters.

### VII. REPORT ON SHAREHOLDERS' QUERIES / GRIEVANCES

A statement of the various investor complaints received and resolved by the Company during the Financial Year given below:

Sr. No.	Nature of Complaint	2018	
		Received	Resolved
1.	Non-receipt of share certificates duly transferred/ complaints related to duplicate share certificates	1	1
2.	Non-receipt of dividend	4	4
3.	Non-receipt of Annual Report	1	1
4.	Complaints/ Letters from SEBI/ Stock Exchanges and Department of Corporate Affairs	0	0

## VIII. GENERAL MEETINGS AND POSTAL BALLOT

Annual General Meetings held during last three years:

For the Year ended	Venue	Day and Date	Time
2015	Auditorium One, First Floor, Godrej One, Pirojshanagar, Eastern Express Highway, Vikhroli East, Mumbai 400 079	Friday, 10.06.2016	3.00 p.m.
2016	Sunville Banquets, 3 <sup>rd</sup> Floor, Royal Room, Dr. A.B. Road, Worli, Mumbai 400 018	Wednesday, 31.05.2017	3.00 p.m.
2017	Sunville Banquets, 3 <sup>rd</sup> Floor, Royal Room, Dr. A.B. Road, Worli, Mumbai 400 018	Friday, 01.06.2018	3.00 p.m.

All Resolutions moved at the previous Annual General Meeting were passed by the requisite majority of Members attending the Meeting by ballots and other members by e-voting which was open for voting by all members prior to the date of the Annual General Meeting. No Special Resolutions have been passed in the previous three Annual General Meetings.

During the Financial Year under review, following special resolutions have been passed through the exercise of postal ballot:

- Approval for transfer of the BPL Business of the Company to MLSPL and/or its affiliates under Regulations 26(2)(a) and (e) of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 (Item A);
- Approval for transfer of the BPL Business of the Company to MLSPL and/or its affiliates under Section 180(1)(a) of the Companies Act, 2013 (Item B);
- Approval for entering into manufacturing and supply agreements with one or more entities belonging to the Merck group under Regulation 26(2)(e) of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 (Item C);
- Approval for entering into transitional services agreement(s) with one or more entities belonging to the Merck group under Regulation 26(2)(e) of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 (Item D); and
- Approval to enter into certain reverse transitional services agreements with one or more entities belonging to the Merck group under Regulation 26(2)(e) of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 (Item E);
- Approval for entering into transitional distribution services agreement(s) with one or more entities belonging to the Merck group under Regulation 26(2)(e) of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 (Item F).

The Board had appointed Mr. K. G. Saraf, Practicing Company Secretary, as the scrutinizer to conduct the Postal Ballot process in a fair and transparent manner. The results of the Postal Ballot were declared on June 14, 2018.

The details of the voting pattern were as hereinafter:

Item	Particulars	Valid Votes Cast (No. of Shares)	% of Valid Votes
A	Assented to the Resolution	10341177	99.94
	Dissented to the resolution	6514	0.06
B	Assented to the Resolution	10341218	99.94
	Dissented to the resolution	6503	0.06
C	Assented to the Resolution	10346467	100
	Dissented to the resolution	357	0
D	Assented to the Resolution	10343500	99.96
	Dissented to the resolution	4330	0.04
E	Assented to the Resolution	10343490	99.96
	Dissented to the resolution	4350	0.04
F	Assented to the Resolution	10343358	99.96
	Dissented to the resolution	4482	0.04

Accordingly, the said Resolutions were approved by the Members of the Company, with requisite majority.

None of the items to be transacted at the ensuing Annual General Meeting is required to be passed by postal ballot.

## IX. DISCLOSURES

All the transactions with related parties were on arm's length basis. Except transaction pertaining to sale of Biopharma, Performance Material and Life Science Business (BPL Business), all other related party transactions were in the ordinary course of Business. In terms of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Company obtained an approval of the Audit Committee for entering into transaction with related parties. The Board has approved a policy for related party transactions which has been uploaded on the website - <https://www.merckgroup.com/in-en/company/legal-entities/merck-limited.html>.

Details of non-compliance by the Company, penalties, and strictures imposed on the Company by the stock exchanges or the Securities and Exchange Board of India or any statutory authority, on any matter related to capital markets, during the last three years 2016, 2017 and 2018 respectively: **NIL**

The Company does not have any subsidiary company.

## X. FAMILIARIZATION PROGRAMME

In compliance with the requirements of the SEBI (Listing Obligations and Disclosure Requirement) Regulations, 2015, the Company has put in place a familiarisation programme for the Independent Directors to familiarise them with their role, rights and responsibility as Directors, the working of the Company, nature of the industry in which the Company operates business model, etc. The broad principles as followed by the Company to familiarize its Directors, including Independent Directors is available on the Company website - <https://www.merckgroup.com/in-en/company/legal-entities/merck-limited.html>.



## XI. DEMATERIALIZATION OF SHARES

A qualified practicing Company Secretary carried out a Share Capital Audit to reconcile the total admitted equity share capital with the National Securities Depository Limited (NSDL) and the Central Depository Services (India) Limited (CDSL) and the total issued and listed equity share capital. The said report confirms that the total issued/ paid-up capital reconciles with the total number of shares in physical form and the total number of dematerialized shares held with NSDL and CDSL. This report is sent to both the Stock Exchanges on a quarterly basis within 30 days from the end of every quarter.

## XII. VIGIL MECHANISM

In terms of the provisions of section 177(9) of the Companies Act, 2013, the Company has implemented a vigil mechanism. All employees of the Company have access to the Chairman of the Audit Committee. The vigil mechanism is available on the website - <https://www.merckgroup.com/in-en/company/legal-entities/merck-limited.html>

No employee has been denied access to the Chairman of the Audit Committee. The Audit committee is regularly informed about the whistleblower complaints received, investigation carried out, its outcome and action taken report.

## XIII. MEANS OF COMMUNICATION

All important information relating to the Company's financial performance, shareholding pattern, financial results are regularly posted on the Company's website. The quarterly, half yearly and annual financial results of the Company are published in Newspapers generally viz. Business Standard, Free Press Journal & Navshakti. These results are also available on the websites of the Company, BSE Limited and National Stock Exchange of India Ltd. Further, all material information which has some bearing on the operations of the Company was regularly submitted to stock exchanges. During the Financial Year under review, the Company has not made any separate presentation to financial analysts.

## XIV. COMPLIANCES

The Company has complied with all the applicable requirements prescribed by the regulatory and Statutory authorities including Stock Exchanges and SEBI on all matters related to Capital Markets and no strictures or penalty was imposed on the Company in past three years. The Company has complied with and adopted the mandatory requirements of the Corporate Governance Code. The Company has not set up a separate office for the Chairman or Independent Directors, however, they do have access to the Company information whenever required. The Company has substantially complied with the requirement of corporate governance report.

## XV. FINANCIAL INFORMATION TO THE MEMBERS

The previous year's audited results were announced by the Company within 60 days of closure of the Financial Year. The quarterly results during the Financial Year were announced well within 45 days of close of the quarter. The results were published in leading newspapers. The financial results, press releases and

other major events/developments concerning the Company are also posted on the website - <https://www.merckgroup.com/in-en/company/legal-entities/merck-limited.html>

## XVI. DISCRETIONARY REQUIREMENTS

The Company has been following the regime of unmodified audit report. The Chairman and Managing Director's office is held by two separate persons. The Company has not adopted the other discretionary requirements as stated in SEBI (Listing Obligations and Disclosure Requirement) Regulations, 2015.

## XVII. GENERAL SHAREHOLDER INFORMATION

### Annual General Meeting

The Fifty Second Annual General Meeting of the Members will be held on Friday, May 31, 2019 at 3 p.m.

Venue — Sunville Banquets, 3<sup>rd</sup> Floor, Royal Room, Dr. A.B. Road, Worli, Mumbai 400 018

**Company's Financial Year end:** Company follows January-December as its Financial Year. In terms of the provisions of section 2(41) of the Companies Act, 2013, the Company has received approval from the Company Law Board, Mumbai vide order no. CA No. 28/2 (41)/CLB/MB/2015/2579 dated May 18, 2015 for using the said period as its Financial Year.

### Book Closure

The Company's Register of Members and Share Transfer Books will remain closed from Saturday, May 25, 2019 to Friday, May 31, 2019 (both days inclusive) for the purposes of payment of dividend for the Financial Year ended December 31, 2018, if approved by members at the above mentioned AGM.

### Dividend

The Board of Directors has recommended a dividend at the rate of ₹ 440/- (Four Hundred and Forty Only) per equity share of ₹ 10/- each. This is subject to the approval of the Members at the ensuing Annual General Meeting. The dividend, if approved by the Members at the ensuing Annual General Meeting, will be paid/credited on or before Saturday, June 29, 2019.

### Listing on Stock Exchanges

BSE Limited (BSE)—Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai 400 001.

National Stock Exchange of India Limited (NSE)— Exchange Plaza, Plot C/1, G Block-Bandra Kurla Complex, Bandra (East), Mumbai – 400 051.

The Stock Codes for the Company's equity shares are as follows:

NSE: MERCK

BSE: 500126

The ISIN number for the Company's equity shares in demat mode – INE199A01012.

CIN: L99999MH1967PLC013726

### Payment of Listing Fees

The Annual Listing Fees have been paid by the Company to BSE and NSE.

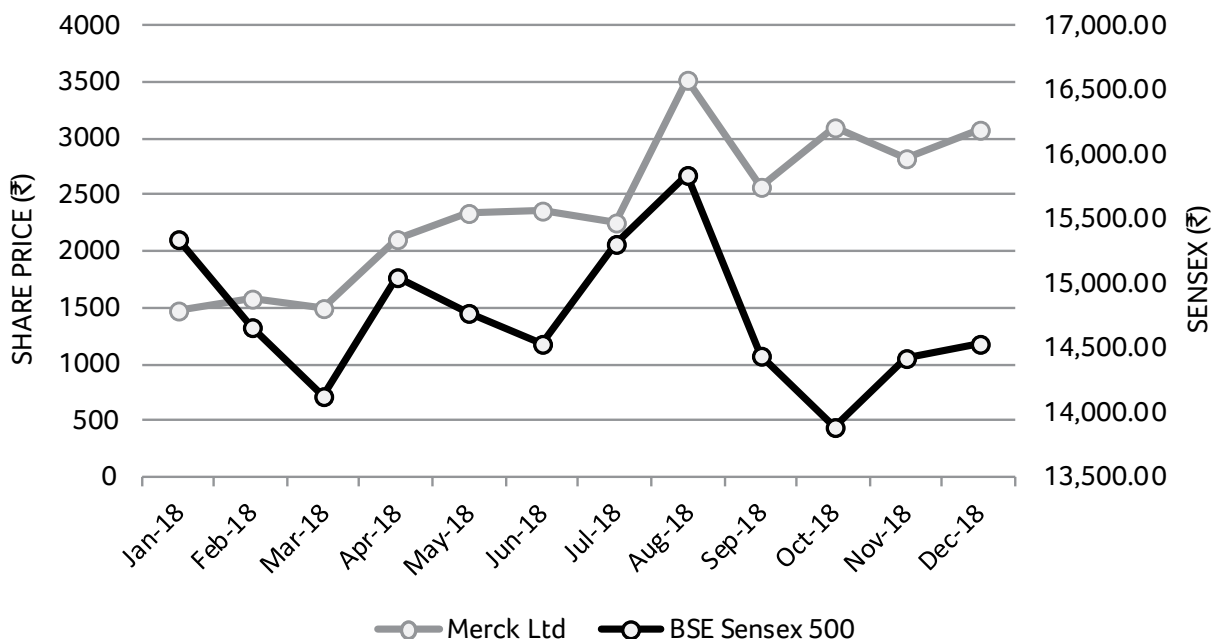
## Share Price Information on NSE and BSE for the Financial Year 2018

Month	BSE			NSE		
	High	Low	Volume	High	Low	Volume
<b>Year: 2018</b>						
<b>January</b>	1687.30	1301.25	310792	1686.80	1300.00	1410069
<b>February</b>	1609.60	1309.90	60432	1608.90	1350.05	473988
<b>March</b>	1610.90	1460.00	46212	1610.00	1459.10	260856
<b>April</b>	2160.00	1500.05	305104	2172.80	1485.00	2032333
<b>May</b>	2575.00	1845.00	265220	2580.00	1830.00	1746669
<b>June</b>	2666.00	2172.20	198424	2668.00	2170.00	1423270
<b>July</b>	2405.00	2112.00	67500	2397.45	2100.00	697852
<b>August</b>	3547.75	2172.00	301966	3547.75	2195.35	2006212
<b>September</b>	3549.00	2510.00	93173	3554.40	2509.60	679572
<b>October</b>	3175.30	2501.00	98339	3197.60	2535.00	744889
<b>November</b>	3199.00	2785.10	21566	3210.00	2790.00	347456
<b>December</b>	3115.95	2786.50	32406	3119.90	2795.05	367373

Closing share price of the Company on NSE as on December 31, 2018: ₹ 3038.83.

Closing share price of the Company on BSE as on December 31, 2018: ₹ 3,078.70

Merck Share price movement viz-a-viz SENSEX for the year 2018



### Name and Address of the Registrar and Share Transfer Agents

Karvy Fintech Private Limited  
 Karvy Selenium Tower B, Plot 31-32, Gachibowli,  
 Financial District, Nanakramguda, Hyderabad,  
 Telangana – 500 032, India  
 Phone: +91 40 6716 2222  
 Email: einward.ris@karvy.com  
 Website - www.karvyfintech.com

## Share Transfer System

As per SEBI directions, except in case of transmission or transposition of securities, requests for effecting transfer of securities shall not be processed unless the securities are held in dematerialized form effective April 01, 2019. The transfer deed(s) once lodged prior to deadline, i.e., April 1, 2019, and returned due to deficiency in the document may be re-lodged for transfer with Karvy Fintech Private Limited (Registrar & Transfer Agents), even after the deadline of April 01, 2019.

Transfer/Transmission of shares held in physical mode and related matters are approved by the Managing Director/Company Secretary. Transfer of shares is effected and share certificates are dispatched within a period of 15 days from the date of receipt of relevant documents, provided they are complete in all respects.

Total number of shares transferred during the last two calendar years respectively was as follows:

Particulars	2018	2017
Number of transfers	23	17
Number of shares processed	2473	1514

As on December 31, 2018, no request for transfer of shares was pending.

## Dematerialization of shares

The Company has entered into Agreements with NSDL and CDSL for dematerialization of shares. As on December 31, 2018, a total of 1,63,61,018 shares of the Company which forms 98.56% of the total share capital of the Company stands dematerialized.

## Distribution of shareholding as on December 31, 2018

Range	No. of Shareholders	% to total shareholders	No. of shares held	% to total to paid up capital
1 – 500	30757	95.50	21,65,373	13.05
501 – 1,000	681	2.11	5,04,813	3.04
1,001 – 2,000	393	1.22	5,62,560	3.39
2,001 – 3,000	98	0.30	2,48,619	1.50
3,001 – 4,000	67	0.21	2,35,332	1.42
4,001 – 5,000	41	0.13	1,87,795	1.13
5,001 – 10,000	89	0.28	6,29,582	3.79
10,001 – And Above	79	0.25	120,65,308	72.68
<b>Total</b>	<b>32205</b>	<b>100.00</b>	<b>165,99,382</b>	<b>100.00</b>

## Shareholders' profile as on December 31, 2018

Category of Shareholders	No. of Shares	% to total paid up capital
Promoters\ Foreign Collaborators	86,01,071	51.82
OCB	81	0.00
FII/FPI	6,09,894	3.67
Insurance Companies	10,48,050	6.31
Mutual Funds	1,58,022	0.95
Non Resident Indians	2,68,359	1.62
Others	59,13,905	35.63
<b>Total</b>	<b>1,65,99,382</b>	<b>100</b>

## Voting through electronic means

Pursuant to Section 108 of the Companies Act, 2013 and the rules made thereunder, every listed company is required to provide its members facility to exercise their right to vote at general meetings by electronic means.

The Company has entered into an arrangement with NSDL, the authorized agency for this purpose, to facilitate such e-voting for its members. The shareholders were offered an option to exercise their voting rights on the items put up in the Notice of AGM for the year 2018 through the e-voting method. For the previous AGM e-voting was opened for a period of three days, i.e. from May 29, 2018 (9:00 am) to May 31, 2018 (5:00 pm) (Both days inclusive). M/s. Saraf & Associates, Practising Company Secretaries was the scrutinizer for the e-voting process.

For the forthcoming Annual General Meeting, the Company will offer the same facility to the members for exercising their voting rights via e-voting process. Mr. K. G. Saraf, Partner, M/s Saraf and Associates, Practicing Company Secretary will be the scrutinizer for the e-voting process. Detailed procedure is given in the Notice of the AGM and also placed on the website of the Company. Shareholders may get in touch with the Company Secretary for further assistance.

Shares held by Non-Executive Directors of the Company as on December 31, 2018:

Mr. S. N. Talwar	:	5,914
Mrs. Rani Ajit Jadhav	:	Nil

#### **Insider Trading Regulations**

The Company has implemented the policy for Prevention of Insider Trading and Code for Fair Disclosure. The same has been circulated among all employees. Employees are regularly reminded about their obligation under the policy and also informed about prevention of insider trading into the securities of the Company. Mr. Jeevan Mondkar, Company Secretary is the Compliance Officer under the said policy.

#### **Outstanding GDRs./ADRs./Warrants or any convertible instruments**

The Company has neither issued nor there are any outstanding GDRs./ADRs./Warrants or any convertible instruments as on December 31, 2018.

#### **Disclosure in relation to the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013**

During the Financial Year, no sexual harassment complaints were filed with the Company.

#### **Plant Location**

No. 11/1 Usgaon, Ponda, Goa 403 407  
Phone: 0832-6614101

#### **Investor Relations Department**

For the convenience of the Investors, investor grievance and share related issues are also handled in the Secretarial Department at the Registered Office.

Email: investorgrievance.im@pg.com

Registered Office Address:  
Godrej One, 8<sup>th</sup> Floor, Pirojshanagar  
Eastern Express Highway,  
Vikhroli East, Mumbai 400 079

#### **Contact Person**

**Mr. Jeevan Mondkar, Company Secretary**  
Phone : 022-6210 9800  
Fax : 022-6210 9999  
Email : investorgrievance.im@pg.com

## DECLARATION OF COMPLIANCE WITH THE CODE OF CONDUCT

As provided under Regulation 26(3) of the SEBI (Listing Obligations & Disclosures Requirements) Regulations, 2015, the Board Members and the Senior Management Personnel have affirmed compliance with the Code of Conduct for the period ended December 31, 2018.

For **Merck Limited**

Mumbai  
February 27, 2019

Sd/-  
**Milind Thatte**  
Managing Director

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## CERTIFICATE OF COMPLIANCE WITH THE CORPORATE GOVERNANCE REQUIREMENTS

(As per clause C of Schedule V of the Securities Exchange Board of India (Listing Obligations and Disclosure Requirement) Regulations, 2015 read with regulation 34(3) of the said Listing Regulations).

The Members,  
Merck Limited,  
Godrej One, Floor No.8,  
Vikhroli, Mumbai- 400 079

We have examined the compliance of conditions of Corporate Governance by Merck Limited (“the Company”) for the year ended on 31<sup>st</sup> December 2018, as referred to in regulation 15(2) read with clause C of Schedule V of the Securities Exchange Board of India (Listing Obligations and Disclosure Requirement) Regulations, 2015 (Hereinafter, collectively referred to as the Listing Regulations) read with regulation 34(3) of the said Listing Regulations.

I have examined the compliance by the Company of the requirements under Listing Regulations, for the year ended 31<sup>st</sup> December 2018.

The compliance of conditions of Corporate Governance is the responsibility of the Management. Our examination was limited to procedures and implementation thereof adopted by the Company for ensuring the compliance of the conditions of Corporate Governance.

In our opinion, and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the Listing Regulations.

We state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the Management has conducted the affairs of the Company.

For **KANJ & CO LLP**  
Company Secretaries

Sd/-  
**Vikas Y. Khare**  
Partner  
Membership No: FCS- 3541  
CP No: 2107  
February 27, 2019

## CERTIFICATE OF NON-DISQUALIFICATION OF DIRECTORS

The Members  
Merck Limited,  
Godrej One, Floor No. 8,  
Vikhroli, Mumbai- 400 079

As required by item 10(i) of Part C of Schedule V of the Securities Exchange Board of India (Listing Obligations and Disclosure Requirement) Regulations, 2015 we certify that none of the directors on the board of Merck Limited have been debarred or disqualified from being appointed or continuing as directors of companies by the SEBI/Ministry of Corporate Affairs or any such statutory authority.

For **KANJ & CO LLP**  
Company Secretaries

Sd/-  
**Vikas Y. Khare**  
Partner  
Membership No: FCS- 3541  
CP No: 2107  
27 February, 2019

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### CEO / CFO CERTIFICATION

To  
The Board of Directors,  
Merck Limited

We, Mr. Milind Thatte, Managing Director, Merck Limited and Mr. Amit Gupta, CFO & Executive Director (Finance), Merck Limited do hereby certify as follows:

We have reviewed financial statements and the cash flow statement for the Financial Year and that to the best of our knowledge and belief:

1. These statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
2. These statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.

To the best of our knowledge and belief, there are no transactions entered into by the Company during the Financial Year which are fraudulent, illegal or violative of the Company's code of conduct.

We accept responsibility for establishing and maintaining internal controls for financial reporting and that we have evaluated the effectiveness of internal control systems of the Company pertaining to financial reporting and we have disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of such internal controls, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies.

We have indicated to the auditors and the Audit Committee:

1. Significant changes in internal control over financial reporting during the Financial Year;
2. Significant changes in accounting policies during the Financial Year and that the same have been disclosed in the notes to the financial statements; and
3. Instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having a significant role in the Company's internal control system over financial reporting.

For **Merck Limited**

Sd/-  
**Milind Thatte**  
**Managing Director**

Date: February 27, 2019

For **Merck Limited**

Sd/-  
**Amit Gupta**  
**CFO and Executive Director (Finance)**

# Annexure III - Corporate Social Responsibility Report

## 1. A brief outline of the Company's CSR policy, including overview of projects or programmes proposed to be undertaken and a reference to the web-link to the CSR policy and projects or programmes

The CSR Policy of the Company reflects its culture which is characterized by responsible behaviour, a key element of our corporate responsibility strategy as well as our daily operations in respect of all its stakeholders, environment and society at large. We respect the interests of our employees, customers and shareholders, as well as those of society as a whole. Acting responsibly is an important factor of our success. Moreover, we believe that we can take an active role in shaping the future of generations to come. That's why we think in terms of generations rather than quarters. In looking for ways to improve things, we focus our strengths on those areas where we believe we can have the greatest impact: health, environment as well as culture and education. Our CSR efforts have been aimed to actively contribute to improving access to health and enriching the lives of human beings, supporting education and protecting the environment. This is aligned with our vision aimed to impact the community positively and produce sustainable results. Our CSR programs are generally carried out directly or by engagement with well reputed and recognized organization. We also collaborate with the Government, district authorities and similar other agencies for meeting our CSR objectives.

The Corporate Social Responsibility Policy is available on the website - <https://www.merckgroup.com/in-en/company/legal-entities/merck-limited.html>.

## 2. The composition of the CSR committee

As on the date of this report, CSR Committee of the Company consists of 3 members. An Independent Director on the Board of the Company is the Chairman of the Committee.

Mr. S. N. Talwar Chairman

Mr. Milind Thatte Member

Mr. Amit Gupta Member

## 3. Average net profit of the Company for last three Financial Years for the purpose of computation of CSR: ₹ 1,094.7 million

## 4. Prescribed CSR Expenditure\*: ₹ 21.9 million

\*for the year 2018

## 5. Details of CSR spent during the Financial Year

During the Financial Year 2018, the Company has spent ₹ 17.9 million on CSR activities, as against budget of ₹ 21.9 million.

Details of the CSR activities undertaken by the Company during the Financial Year, along with other Merck group companies in India, during the Financial Year 2018 covering Education, Environment and Healthcare are as follows:

## Health

**River Ambulance Program** – For the tribal settlements along the banks of the Narmada river, access to basic healthcare assistance can mean a day long arduous journey on foot. Since 2014, we have led the river ambulance program in association with Narmada Samagra, an NGO. The ambulance offers primary healthcare facilities to tribal settlements where they can administer medication and caregiving facilities onboard.

From 16 stops covering around 5000 beneficiaries in 2014, the River Ambulance today provides access to healthcare to over 5900 villagers in 40 tribal villages, stretched across 200 kilometres along the banks of the Narmada river.

Year-wise figures for beneficiary outreach for the project

Years	2014	2015	2016	2017	2018
Stops/Fhalias	16	30	40	40	40
Beneficiaries	5494	7144	7308	6485	5956

**Swasth Nari Sashakt Parivar** – Woman is the axis around which the family moves. Bad health condition of a woman directly affects the day to day functioning of a family. Knowing the importance of good health for women, the project aimed to alleviate the prevalence of anaemia among women and girls of reproductive age group (18-35) residing in the slums of Mankhurd, Mumbai. A unique feature of the project was adding skill development as an incentive for women who showed improved haemoglobin levels. This project achieved an outreach of 4754 women in this community, of which 2981 women were identified as anaemic. Out of those identified as anaemic, 1477 women continued with the program and 712 (48%) women showed improved haemoglobin levels at the close of the four-month long intervention. The project was implemented in a community which is quite reluctant to such intervention in women's health.

This project is an effort to improve the health and there by empower less privileged women.

## Education

**Merck India Charitable Trust Scholarship Program**– Established in 2005, the Merck India Charitable Trust (MICT) Scholarship program is a flagship program that provides access to quality education for talented students from underprivileged families. This long-term scholarship program which supports students from 5-7 years has created many successful professionals over the years. In 2018, we have awarded 290 scholarships, reaching out to students in Mumbai, Bengaluru and Goa. 163 students from Mumbai, 100 from Bengaluru and 27 from Goa got the scholarship. 39 students who have been in the program graduated in 2018. The program has created a pool of skilled

professionals in engineering, healthcare (doctors) and pure science and humanities.

**Merck fellowship program** - We have established the Fellowship program for students pursuing higher studies in pharmaceutical topics at the Institute of Chemical Technology (ICT) and the Narsee Monjee Institute of Management Studies (NMIMS), in Mumbai. Merck Fellows, Manisha M Sannake and Shah Nawaz Quereshi joined well known pharma companies in the year 2018. Mansi M Bafna from NMIMS is pursuing M Pharm. MBA from NMIMS. Every year two students from ICT and one from NMIMS is offered the fellowship with the aim to promote science and technology among deserving young students.

**School support program** - This program helps build infrastructure in schools around its offices and manufacturing sites to facilitate enabling learning environment to children. This year we donated sanitary facilities to Janta Vidyalaya, Savroli, Khopoli and donated study materials to 110 students enrolled in the school. We also supported Government High School, Gumlapura, Mulbagal in Kolar district, Karnataka to build toilets for 120 students enrolled in the school.

India is among the top five nations where children drop out-of-school in the primary schooling level, some of the major reasons being shortage of teachers in school, lack of functional toilets for girls and access to drinking water. Through our school support program, we support schools to build necessary infrastructure for providing children a conducive environment for learning.

**Magic Bus Foundation** - We support the Magic Bus Holistic Children Development Program in Murbad belt of Thane district, for 600 children. The program targets the holistic development of the children, who are from the underprivileged communities, through motivation and mentoring sessions. To achieve the objective of holistic development, Magic Bus project team does a series of activities with children and with adults around them ranging from curriculum-based sessions, child mentoring through community youth leaders (CYLs), sensitization and awareness on issues affecting child development and creating a supportive eco system. These sessions empower the students to be confident and competent and do well in their life.

## Industry & innovation

**CMAT (Centre for Microbiological Analysis Training) Laboratory** - In line with the Sustainable Development Goal (SDG) 9 - Industry Innovation and Infrastructure; this year we supported FSSAI (Food Safety Standard Authority of India) by building and donating a state-of-the-art microbiology laboratory that would support and enhance the quality of food testing in India. This is a step towards developing quality, infrastructure to support economic

development and human well-being. The laboratory will be used for training microbiologists from the food industry for enhancing their skills and providing them exposure to the newest technology. The aim of the project is to boost the food ecosystem of the country by manning FSSAI and other laboratories with skilled microbiologists thus enhancing the standards of food testing in the country.

## Infrastructure support

**Usgaon village panchayat** - As a part of community development, we renovated the panchayat hall in Usgaon village close to our manufacturing site in Goa. The panchayat hall is used by the community to conduct social events like awareness sessions on various social issues. The development in infrastructure and with the provisions of a common space for the community to meet around 22,000 people living in the area will benefit from the increased interactions around social issues and causes.

## Employee engagement

**Joy of Giving** - Every year we celebrate the Joy of Giving Week in October, encouraging employees to give donations towards a social need that has been identified. In 2018, in-kind donation of bed sheets and blankets were collected for the children suffering from cancer. Cuddles Foundation who supports the children distributed the blankets and bed sheets collected from our employees. Cuddles Foundation provides nutritional support to children suffering from cancer to help them respond better to treatment.

**Indian Institute of Science - Annual Open Day** - Every year the Indian Institute of Science in Bengaluru throws open its doors to the city's young science enthusiasts. The youngsters not only visit the college, but they also engage with companies in the field of science and technology understanding the science behind business.

We have tapped this opportunity to reach out to students. This year a science selfie stall was set up for the open house at IISc. Here our employees conducted entertaining scientific experiments and quizzes, thus sparking the curiosity of the young children visiting the booth.

**SPARK - Community engagement program** - Not all people have access to breakthroughs in science that bring new solutions in access to health. We are strengthening our efforts to increase access to health and prepare for the future by inspiring and engaging the current and next generation of problem solvers. Through global community engagement program SPARK, we provide support in two primary areas:

**Science Education** - Inspiring curiosity in the next generation of scientists and Scientific Research - Supporting today's scientists to accelerate access to health.



Our employees in Bengaluru engaged children in five government schools by conducting sessions in Physics, Chemistry, Biology, Mathematics, English, Regional Language and Value Education. A subject module was developed by the employees which offered learning in a wide range of experiments and hands on activities enabling learning. Six hours of session was organized in each school by the employees.

**Broaden your horizon** – Under this initiative employees across Merck can volunteer to take up a social responsibility assignment in any part of the

globe where Merck is operational. They are expected to contribute to the social programs by utilizing their skills. The program kick started in September 2017. Philipp Hohnhorst, Evidence & Value Director & Xiaomeng Yang, QC Laboratory Technician worked on data management & setup of a first research laboratory at Shri Shankara Cancer Foundation. Alfonso Lozano, Commercial Excellence Manager & Patricia Baert, Key Account Manager worked with Niramaya Foundation on data management & improvising the social network of the organization setting them up for better fund raising.

**Manner in which the amount spent during the Financial Year is detailed in table below:**

Sr. No.	CSR Project or Activity identified	Sector in which the project is covered	Projects or programs (1) Local area or other (2) Specify the State and District where projects or programs were undertaken	Amount Outlay (budget) project or program wise (₹)	Amount spent on projects or programs Subheads:			Cumulative Expenditure up to the reporting period (₹)	Amount Spent: Direct or through implementing agency
					Direct Expenditure (₹)	Overheads (₹)	Total (₹)		
1	Merck India Charitable Trust (MICT) Scholarship Programme and Fellowship Program	Culture / Education – Cultural Upliftment of students by giving them opportunity to quality education through scholarship Program	Local Area: Mumbai, Navi Mumbai and Thane, Goa & Bengaluru  Other State: Maharashtra, Goa & Karnataka	Nil	-	1,094,811	1,094,811	1,094,811	MICT has directly spent out of its accumulated balance as sum of ₹ 86,93,233  Overhead of INR 1,094,811 incurred directly by the Company
2	River Ambulance project and River Water testing project in Madhya Pradesh	Health/ Environment Sustainability and Sanitation – It provides access to primary healthcare in the remote locations of Madhya Pradesh along the banks of Narmada river	Madhya Pradesh: Alirajpur, Barwani and Dhar districts  Madhya Pradesh Hoshangabad, Indore (south), Indore (north), Jabalpur	2,078,400	1,160,953	-	1,160,953	1,160,953	Through NGO/Agency
3	Education and Child Development Program with NGO Magic Bus	Education/ Education including life skill development	Murbad, Thane district, Maharashtra	1,012,453	506,227	-	506,227	506,227	Through Agency

Sr. No.	CSR Project or Activity identified	Sector in which the project is covered	Projects or programs (1) Local area or other (2) Specify the State and District where projects or programs were undertaken	Amount Outlay (budget) project or program wise  (₹)	Amount spent on projects or programs Subheads:			Cumulative Expenditure up to the reporting period  (₹)	Amount Spent: Direct or through implementing agency
					Direct Expenditure  (₹)	Overheads  (₹)	Total  (₹)		
4	Merck Fellowship program in collaboration with Indian Institute of Chemical Technology, Mumbai & NMIMS (Narsee Monjee Institute of Management Studies)	Education – Sponsorship support for academically driven pharmacy students from Underprivileged backgrounds in Master's courses.	Mumbai, Maharashtra	Nil	980,000	-	980,000	980,000	Direct Expenditure
5	School support program - Infrastructural Materials and other support to schools in Usgaon, Goa & Gumlapura, Karnataka	Education – Study materials were distributed to children in school in Savroli, Khopoli Mumbai. Toilets were built in Govt. High school Gumlapura, Kolar, Karnataka	Khopoli in Mumbai & Gumlapura in Karnataka	Nil	1,451,210	434,842	1,886,052	1,886,052	Through Agency
6	Swasth Nari Sashakt Parivar – To alleviate anemia among women and girls in the age group of 18 – 35 years	Access to healthcare – Project intervention covered screening of women for anemia, nutritional counselling and medicinal support	Mankhurd, Mumbai	1,366,530	1,366,530	37,760	1,404,290	1,404,290	Direct Expenditure
7	CMAT (Centre for Microbiological Analysis Training) Laboratory – To develop state of art laboratory in collaboration with FSSAI.	Industry and innovation	Ghaziabad, Uttar Pradesh	27,601,237	9,070,774	-	9,070,774	9,070,774	Through Agency

Sr. No.	CSR Project or Activity identified	Sector in which the project is covered	Projects or programs (1) Local area or other (2) Specify the State and District where projects or programs were undertaken	Amount Outlay (budget) project or program wise  (₹)	Amount spent on projects or programs Subheads:			Cumulative Expenditure up to the reporting period  (₹)	Amount Spent: Direct or through implementing agency
					Direct Expenditure  (₹)	Overheads  (₹)	Total  (₹)		
8	Usagaon Village panchayat – Renovation of panchayat hall to be used by community people for conducting events on social issues.	Infrastructure support	Usagaon, Goa	1,311,400	1,107,375	-	1,107,375	1,107,375	Through Agency
9	SPARK - Education and promotion of science	Education – Supports science lab stationary for promotion of science in education	Bengaluru, Karnataka	Nil	97,579	-	97,579	97,579	Direct Expenditure
10	Broaden your horizon	Employees across Merck can volunteer to take up a social responsibility assignment in any part of the globe where Merck is operational. They are expected to contribute to the social programs by utilizing their skills.	Bengaluru, Karnataka & Mumbai, Maharashtra	Nil	505,060	-	505,060	505,060	Direct Expenditure
Sub-total				33,370,020	16,245,708	1,567,413	17,813,121	17,813,121	

**In case the Company has failed to spend the two per cent of the average net profit of the last three Financial Years or any part thereof, the Company shall provide the reasons for not spending the amount in its Board report:**

During the year under review, the Company has spent substantial part of its CSR budget. A small portion of the budget could not be spent. Further to the announcement of the acquisition of Merck Limited by P&G, the Company worked on ensuring early closure and transfer (where necessary) of projects as per the transition plan for the closing of the acquisition. Some projects were put on hold with an intent of initiating these after the closing towards ensuring continuity. Therefore, due to this phase of transition, the spend has been 80% of the prescribed CSR budget. In the coming Financial Year, your Company will continue its CSR efforts ensuring full utilization of the prescribed CSR expenditure towards impactful programs.

**A responsibility statement of the CSR committee that the implementation and monitoring of CSR Policy, is in compliance with CSR objectives and policy of the Company.**

We hereby declare that implementation and monitoring of the CSR policy are in compliance with CSR objectives and policy of the Company.

**S. N. Talwar**  
Chairman, Corporate Social Responsibility Committee

**Milind Thatte**  
Managing Director

# Annexure IV - Secretarial Audit Report (Form MR-3)

## FOR THE FINANCIAL YEAR ENDED 31<sup>st</sup> DECEMBER 2018

[Pursuant to section 204(1) of the Companies Act, 2013 and rule No.9 of the Companies (Appointment and Remuneration Personnel) Rules, 2014]

To,  
The Members,  
Merck Limited  
Godrej One, Floor No. 8  
Vikhroli, Mumbai- 400 079

We have conducted the Secretarial Audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by Merck Limited (hereinafter called the Company). The Secretarial Audit was conducted in a manner that provided us a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing our opinion thereon.

Based on our verification of the Company's books, papers, minute books, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of Secretarial Audit, we hereby report that in our opinion, the Company has, during the audit period covering the Financial Year ended on 31<sup>st</sup> December 2018 substantially complied with the statutory provisions listed hereunder and also that the Company has proper board-processes and compliance mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

We have examined the books, papers, minute books, forms and returns filed, and other records maintained by the Company for the Financial Year ended on 31<sup>st</sup> December 2018 according to the provisions of:

- i The Companies Act, 2013 (the Act) and the rules made there under;
- ii The Securities Contracts (Regulation) Act, 1956 and the rules made thereunder;
- iii The Depositories Act, 1996 and the Regulations and bye-laws framed thereunder;
- iv Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment;
- v The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'), to the extent and if applicable:-
  - a. The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
  - b. The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;

- c. The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009/ and the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018 (*Not Applicable*);
- d. The Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 (*Not Applicable*);
- e. The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008; (*Not Applicable*)
- f. The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client;
- g. The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009; (*Not Applicable*)
- h. The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998; (*Not Applicable*)
- i. Drugs and Cosmetic Act, 1940
- j. Narcotic Drugs and Psychotropic Substances Act, 1985
- k. Petroleum Act, 1934
- l. Maharashtra Non-Biodegradable Garbage (Control) Act, 2006 and the rules framed there under.

### We have also examined compliance with the applicable clauses of the following:

- i Secretarial Standards issued by the Institute of Company Secretaries of India as are applicable to the Company,
- ii The Listing Agreements entered into by the Company with BSE Limited / National Stock Exchange of India Limited read with the SEBI (Listing Obligations and Disclosures Requirements) Regulations, 2015.

During the period under review the Company has substantially complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards, etc. mentioned above.

We further report that:

The Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors. The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act.

Adequate notice is given to all directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent at least seven days in advance and as explained to us and one meeting was held with shorter notice with the consent of the directors. A

system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.

As per the minutes of the meeting all the decisions appear to be taken unanimously in as much as there were no dissenting views appearing in the minutes of the meetings.

We further report that there are adequate systems and processes in the Company commensurate with the size and operations of the Company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.

We further report that during the audit period as per the information provided and to the best of our knowledge the following events / actions having a major bearing on the Company's affairs, in pursuance of the above referred laws, rules, regulations, guidelines, and the Secretarial Standards:

- a. Procter & Gamble Overseas India B.V. ("PGOIBV") as the Acquirer together with The Procter & Gamble Company as the Person Acting in Concert acquired 85,99,224 (51.80%) equity shares from Merck Group entities (Promoter Group) and 1,847 (0.01%) equity shares from various shareholders in non-promoter group. The Acquirer and the Person Acting in Concert have thus become the majority shareholders with control over the management of the affairs of the Company. This may also invoke change in promoters of the Company in terms of the SEBI (Listing Obligations and Disclosures Requirements) Regulations, 2015 .
- b. The Company has become a subsidiary in Procter & Gamble Group.
- c. There were changes in the composition of the Board of Directors and consequently the Board Committees were reconstituted. There were changes in the Key Managerial Personnel of the Company.
- d. There were changes in the Insiders and Designated Persons having access to the Unpublished Price Sensitive information.
- e. Approval of shareholders of the Company by way of Special Resolutions through postal ballot system was obtained for:

- i. transfer of the BPL Business of the Company to Merck Life Sciences Private Limited ("MLSPL") and/or its affiliates under Regulations 26(2)(a) and (e) of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011
- ii. transfer of the BPL Business of the Company to MLSPL and/or its affiliates under Section 180(1)(a) of the Companies Act, 2013
- iii. entering into manufacturing and supply agreements with one or more entities belonging to the Merck group under Regulation 26(2)(e) of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011
- iv. entering into transitional services agreement(s) with one or more entities belonging to the Merck group under Regulation 26(2)(e) of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011
- v. entering into certain reverse transitional services agreements with one or more entities belonging to the Merck group under Regulation 26(2)(e) of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011
- vi. entering into transitional distribution services agreement(s) with one or more entities belonging to the Merck group under Regulation 26(2)(e) of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011

**For KANJ & Co LLP**  
*Company Secretaries*

**Vikas Y. Khare**  
FCS No. 3541  
C P No.: 2107

Place: Pune  
Date: 27<sup>th</sup> February 2019

# Annexure V - Form No. AOC-2

## (Pursuant to clause (h) of sub-section (3) of Section 134 of the Act and Rule 8 (2) of the Companies (Accounts) Rules, 2014)

Disclosure of particulars of contracts/arrangements entered into by the Company with related parties referred to in sub-section (1) of Section 188 of the Companies Act, 2013 including certain arm's length transactions under third proviso thereto.

**Details of contracts or arrangements or transactions not at arm's length basis:** The Company has not entered into any contract or arrangement or transaction with its related parties which is not at arm's length during the Financial Year 2018.

### Details of material contracts or arrangements or transactions at arm's length:

Name of the related party / nature of relationship	Nature of contracts / arrangements	Duration of the contract / arrangements	Salient terms including value	₹ Millions	Date of approval by the Audit Committee / Board / Shareholders	Amount paid as advance
Merck KGaA, Germany, Ultimate Holding Company	For purchase, sale, import and export of products, services, technical consultancy services, intellectual property rights, royalty, IT services, reimbursement/ recovery cost or other obligations, if any,	Upto November 30, 2018	As per commercial terms in line with business practices and comparable with unrelated parties. The Company in its ordinary course of business purchases, sells, imports, exports various products and services from and to Merck KGaA and its various affiliates, subsidiaries, associates companies	2,077.7	Audit Committee approved on February 22, 2018.  Shareholders approved on June 1, 2018.	Nil
Merck Specialities Pvt. Ltd, Fellow Subsidiary	Sale of Business - Biopharm	The completion of the transactions of sale of biopharma, performance material and life science businesses (BPL Business) proposed under the Business Transfer Agreement (BTA) were subject to various conditions, including:-  - closing of the transactions contemplated under the sale and purchase agreement dated April 19, 2018 entered between Procter & Gamble India Overseas B.V. with Merck KGaA, Merck Internationale Beteiligungen GmbH, Chemitra GmbH And Emedia Export Company MbH (India SAPA)	The overall consideration under the BTA was INR 10,520,000,000 (Indian Rupees Ten Billion Five Hundred and Twenty Million). The overall consideration amount has been determined based on the value of the BPL Business as a whole, as a lump sum consideration for transfer of the BPL Business by the Company to MLSPL and/or its	6,781.5	Audit Committee and Board of Directors approved on April 27, 2018.  Shareholders approved on June 12, 2018.	Nil

<b>Name of the related party / nature of relationship</b>	<b>Nature of contracts / arrangements</b>	<b>Duration of the contract / arrangements</b>	<b>Salient terms including value</b>	<b>₹ Millions</b>	<b>Date of approval by the Audit Committee / Board / Shareholders</b>	<b>Amount paid as advance</b>
Merck Life Sciences Pvt. Ltd., Fellow Subsidiary	Sale of Business - Life Science	-	to the extent the Competition Commission of India considers the sale of the BPL Business as contemplated by the BTA on a consolidated basis with any approvals required pursuant to the India SAPA, the Competition Commission of India (or any appellate authority) having, in respect of any approvals required pursuant to the India SAPA, either (A) declined jurisdiction; (B) granted approval; or (C) been deemed to have granted approval through the expiration of time periods available for their investigation;	2,930.1		Nil
Merck Performance Materials Pvt. Ltd., Fellow Subsidiary	Sale of Business - Performance Materials	-	the Department of Pharmaceuticals, Ministry of Chemicals and Fertilizers, Government of India having provided its approval for the purchase of the BPL Business under the BTA, as per the extant Foreign Direct Investment Policy Circular of 2017 (as amended from time to time).	808.4		Nil

**For and on behalf of the Board of Directors**

**Milind Thatte**

Managing Director

**Amit Gupta**

Director & CFO

**Jeevan Mondkar**

Company Secretary

# Annexure VI - Particulars of Energy Conservation, Technology Absorption and Foreign Exchange Earnings and Outgo

## (A) CONSERVATION OF ENERGY

Steps taken by the Company for conservation of energy and its impact:

1. In Chemical section -30 TR Brine chiller installed for TDS Plant as plant connected load is 20 TR. Previously 45 TR (100 KW Running load of 125 KW Motor) was in operation to meet the temperature demand of -21°C. This excess load is now controlled by running lower capacity Brine chiller of 30 TR (70 KW running load of 110 KW Motor). Savings of 1,87,200 KWH Per annum.
2. Chiller temperature set point increased by 1 degree in pharma section, leading to saving of approx. 90000 KWH units per annum.
3. To control power cost - All utilities equipment started as per production need to reduce power cost
4. To reduce power cost - Power Factor maintained above 0.98 to avail incentives.
5. To reduced Fuel cost - Two DGs operation controlled manually based on electrical load needed. Four DGs Set are automatically controlled based on the loading of the plant
6. Boiler – Steam Generation Unit fuel saving by:
  - Proper training to firemen & boiler operators for better fuel feeding to support better combustion of solid fuel.
  - Proper Tuning of ID & FD blower's speeds with VFD controls
  - @ 80:20, Cashew shell cake to briquette ratio maintained for cost optimization & for better boiler efficiency.
  - Weekly boiler furnace & smoke side tube cleaning is done for better efficiency.
  - close monitoring & control of boiler fuel consumption & steam generation.

### Research & Development

Expenditure on R&D:	(Rupees million)
Capital	8.8
Recurring	162.4
Total	171.2
Total R & D expenditure as a percentage of total turnover	1.33%

## (B) TECHNOLOGY ABSORPTION

The Company has not imported technology during the last 3 years.

Efforts made towards technology absorption and benefits derived from there:

Effort Made	Benefits Derived
High speed Ampule Filling Line installed in the Injection Facility	Higher Productivity and good quality
Installation of Brevetti Ampoule Inspection in injection Facility	Higher Productivity and good quality
Heat Recovery wheel unit installed for new AHU installed in TDS Plant as a part of energy saving during TDS expansion project of 50 MT to 72 MT. (Saving of 72000 KWH/Annum)	Energy efficient and reduction in power consumption
In Central utility -Replacement of old 4 MVA transformer with new 4 MVA transformer with OLTC feature.	Transformer losses expected to reduce from @3 % to 2 %. Power interruption will be reduced due to OLTC feature of transformer. This will reduce fuel cost, reduce production losses, improve productivity & quality.
SG plant drying rooms upgraded as per GMP requirement to class D, better space utilization & to improve drying efficiency.	Higher Productivity and good quality
In Chemical Section Two Cooling Tower Fan motors of 15 KW replaced with 9.5 KW energy Efficient Motors after having a detailed study of Load analysis which is showing 30% proven electricity savings. Auto control for its operation on temperature IS made on VFD to avoid continuous running. Savings of 82,000 KWH/Annum (approx.)	EHS compliance as reducing Carbon emission for electricity generation & Energy efficient Motor IE3 as compare to previously fitted EFF2 type.



<b>Effort Made</b>	<b>Benefits Derived</b>
Water Treatment to cooling water in central utility and injection facility	for better heat transfer in Chillers.
Installation of Demand controller to monitor & control the MD in central utility	to reduce the Electrical billing penalty.
In Chemical section -automation done of Old 45 TR Brine chiller for its operation, resulting avoiding frequent switching on and off. Also auto mode on temperature controller done to avoid idle running of compressor. (Saving of 30000 KWH/Annum)	Reduction in power consumption as it avoids idle running of compressor.
Injection water System upgradation for HMI and Scada system, for pretreatment, Generation and Distribution System	Upgradation of the system to overcome obsolete models of HMI.
Installed LED lights at site	Energy efficient and reduction in power consumption
FAS System upgradation in Pharma and Central utility section (under Commissioning)	Upgradation of the system to overcome obsolete models of HMI.
Online Stack Monitoring System installed foe chimney of Boilers	EHS compliance & protection to environment, ensuring exhaust smoke parameters are with in limit.
Oil Skimmer installed for ETP	EHS compliance & protection to environment by ensuring oil is removed from the waste water before discharge.

### **(C) FOREIGN EXCHANGE EARNINGS AND OUTGO**

During the Financial Year, foreign exchange outgo was ₹ 4,368.1 million (which included import of raw material to the extent of ₹ 1,397.2 million), while foreign exchange earned was ₹ 1,636.3 million.

The total export during the Financial Year was ₹ 1,448.8 million. The Company continues to make efforts to improve its export turnover by exporting to neighbouring countries and other parts of world.

# Independent Auditor's Report To the Members of Merck Limited

## Report on the Ind AS Financial Statements

We have audited the accompanying Ind AS financial statements of Merck Limited ("the Company"), which comprise the Balance Sheet as at December 31, 2018, the Statement of Profit and Loss (including Other Comprehensive Income), the Cash Flow Statement and the Statement of Changes in Equity for the year then ended and a summary of significant accounting policies and other explanatory information, (hereinafter referred to as "Ind AS Financial Statements").

## Management's Responsibility for the Ind AS Financial Statements

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these Ind AS financial statements that give a true and fair view of the state of affairs (financial position), profit (financial performance including other comprehensive income), cash flows and changes in equity of the Company in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) specified under Section 133 of the Act, read with relevant rules issued thereunder. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the Ind AS financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

## Auditor's Responsibility

Our responsibility is to express an opinion on these Ind AS financial statements based on our audit.

We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Ind AS financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Ind AS financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the Ind AS financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the Ind AS financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the Ind AS financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Ind AS financial statements.

## Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid Ind AS financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India including the Ind AS, of the state of affairs (financial position) of the Company as at 31<sup>st</sup> December, 2018, its profit (financial performance including other comprehensive income) its cash flows and changes in equity for the year ended on that date.

## Report on Other Legal and Regulatory Requirements

- (1) As required by the Companies (Auditors' Report) Order, 2016 ("the Order") issued by the Central Government of India in terms of sub-section (11) of Section 143 of the Act, we give in "Annexure 1", a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.
- (2) As required by Section 143(3) of the Act, we report that:
  - a. We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - b. In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
  - c. The Balance Sheet, the Statement of Profit and Loss, the Cash Flow Statement and the Statement of Changes in Equity dealt with by this Report are in agreement with the books of account;

# Independent Auditor's Report

## To the Members of Merck Limited

- d. In our opinion, the aforesaid Ind AS financial statements comply with the Indian Accounting Standards specified under Section 133 of the Act read with relevant rules issued thereunder;
- e. On the basis of written representations received from the directors as on December 31, 2018, and taken on record by the Board of Directors, none of the directors is disqualified as on December 31, 2018 from being appointed as a director in terms of Section 164 (2) of the Act;
- f. With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, we give our separate Report in "Annexure 2".
- g. With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
- (i) The Company has disclosed the impact of pending litigations on its financial position in its Ind AS financial statements – Refer Note 44 on Contingent Liabilities to the Ind AS financial statements;
- (ii) The Company has made provision, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts, where applicable – Refer Note 21 and 26 to the Ind AS financial statements;
- (iii) There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company.
- (iv) The reporting on disclosure relating to Specified Bank Notes is not applicable to the Company for the year ended December 31, 2018.

For **Haribhakti & Co. LLP**

Chartered Accountants

ICAI Firm Registration No.103523W /W100048

**Bhavik L. Shah**

Partner

Place: Mumbai

Date: February 27, 2019

Membership No. 122071

# Annexure 1 to The Independent Auditor's Report

[Referred to in paragraph 1 under 'Report on Other Legal and Regulatory Requirements' in the Independent Auditor's Report of even date to the members of Merck Limited on the Ind AS financial statements for the year ended December 31, 2018]

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of Property, Plant and Equipment.
- (b) During the year, the Property, Plant and Equipment of the Company have been physically verified by the management as per the regular programme of verification which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. As informed, no material discrepancies were noticed on such verification.
- (c) According to information and explanation given to us, the title deeds of immovable properties other than self-constructed properties recorded as Property, Plant and Equipment in the books of account of the Company as on December 31, 2018 are held in the name of the Company.
- (ii) The inventory (excluding stock lying with third parties) has been physically verified by the management during the year. In respect of inventory lying with third parties, these have been confirmed by them. In our opinion, the frequency of verification is reasonable. As informed, no material discrepancies were noticed on physical verification carried out during the year.
- (iii) As informed, the Company has not granted any loans, secured or unsecured to companies, firms, Limited Liability Partnerships or other parties covered in the register maintained under Section 189 of the Act. Accordingly, paragraph 3 (iii)(a), 3 (iii)(b) and 3 (iii)(c) of the Order are not applicable to the Company.
- (iv) Based on information and explanation given to us in respect of loans, investments, guarantees and securities, the Company has complied with the provisions of Section 185 and 186 of the Act.
- (v) In our opinion and according to the information and explanations given to us, the Company has not accepted any deposits from the public within the provisions of Sections 73 to 76 of the Act and the rules framed there under.
- (vi) We have broadly reviewed the books of account maintained by the Company in respect of products where the maintenance of cost records has been specified by

the Central Government under sub-section (1) of Section 148 of the Act and the rules framed there under and we are of the opinion that prima facie, the prescribed accounts and records have been made and maintained. However, we have not made a detailed examination of cost records with a view to determine whether they are accurate or complete.

- (vii) (a) According to information and explanation given to us and the records of the Company examined by us, in our opinion, the Company is generally regular in depositing with appropriate authorities, undisputed statutory dues including provident fund, employees' state insurance, income tax, Goods and Service Tax, customs duty, cess and any other material statutory dues as applicable to it. According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, employees' state insurance, income tax, Goods and Service Tax, customs duty, cess and any other material statutory dues applicable to it, were outstanding, at the year end, for a period of more than six months from the date they became payable.
- (b) According to the information and explanation given to us, the dues outstanding with respect to, income tax, sales tax, Goods and Service Tax, service tax, value added tax, customs duty, excise duty, as listed in Appendix 1 have not been deposited by the Company on account of any dispute.
- (viii) According to the information and explanations given to us, the Company has not defaulted in repayment of loans or borrowings to financial institutions, banks, governments or dues to debenture holders.
- (ix) The Company has neither raised money by way of public issue offer nor has obtained any term loans during the year. Therefore, paragraph 3(ix) of the Order is not applicable to the Company.
- (x) During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of material fraud by the Company or on the Company by its officers or employees, noticed or reported during the year, nor have we been informed of any such instance by the management.
- (xi) According to the information and explanations given

to us, managerial remuneration has been paid in accordance with the requisite approvals mandated by the provisions of Section 197 read with Schedule V to the Act.

(xii) In our opinion and according to the information and explanations given to us, the Company is not a Nidhi Company. Therefore, paragraph 3(xii) of the Order is not applicable to the Company.

(xiii) According to the information and explanation given to us and based on our examination of records of the Company, transactions entered into by the Company with the related parties are in compliance with Sections 177 and 188 of the Act, where applicable.

The details of related party transactions have been disclosed in the financial statements as required under Indian Accounting Standards (Ind AS) 24, Related party Disclosures specified under section 133 of the Act, read with relevant rules issued thereunder.

(xiv) The Company has not made any preferential allotment or private placement of shares or fully or partly convertible

debentures during the year under review. Therefore, paragraph 3(xiv) of the Order is not applicable to the Company.

(xv) According to the information and explanations given to us, the Company has not entered into any non-cash transactions with directors or persons connected with him during the year.

(xvi) According to the information and explanation given to us, the Company is not required to be registered under Section 45-IA of the Reserve Bank of India Act, 1934.

For **Haribhakti & Co. LLP**

Chartered Accountants

ICAI Firm Registration No. 103523W/W100048

**Bhavik L. Shah**

Partner

Place: Mumbai

Date: February 27, 2019

Membership No. 122071

## Appendix 1 as referred to in paragraph vii (b) of the Annexure 1 to the Independent Auditor's Report

Name of the Statute	Nature of the dues	Amount (₹ in million)	Period to which the amount relates	Forum where dispute is pending
Income Tax Act, 1961	Tax and Penalty	92.3	2002-03, 2005-06, 2008-09, 2012-13, 2013-14	Income Tax Appellate Tribunal
		15.0	1998-99, 2003-04	AO to pass order giving effect of ITAT
		580.6	2007-08, 2008-09, 2011-12, 2015-16, 2016-17	CIT (A)
		1.2	1986-87	High Court
Central Excise Act, 1944	Tax and Penalty	222.9	2000-01, 2009-14, 2014-15	Customs Excise and Service Tax Appellate Tribunal (CESTAT)
		12.5	2009-14	Commissioner of Service Tax
		0.8	2009-10	Additional Commissioner
Local State Sales Tax Act and Central Sales Tax Act 1956	Duty and Penalty	67.7	2010-11, 2011-12, 2012-13, 2013-14, 2014-15	Additional commissioner (Commercial Tax)
		2.7	2014-15	Additional Commissioner (Appeal) Commercial Tax
		2.5	2011-12	Assistant Commissioner (Commercial Tax)
		107.6	2012-13, 2013-14	Joint Commissioner of Sales Tax (Appeal)
		0.6	2011-12	Deputy Commissioner (Commercial Tax)
		17.5	2008-09, 2009-10	Senior Joint Commissioner (Commercial Tax)
		22.0	2014-15	Special Commissioner, Sales Tax
		4.7	2011-12	Joint Commissioner

In the view of the management, future actualisation of above liabilities in relation to BPL operation transferred to Merck Life Science Private Limited, will be recovered from and managed by Merck Life Science Private Limited. Managements of the Company and Merck Life Science Private Limited are aligning this understanding basis business transfer agreements - refer note 44 to the financial statements.

# Annexure 2 to The Independent Auditor's Report

[Referred to in paragraph 2 under 'Report on Other Legal and Regulatory Requirements' in the Independent Auditor's Report of even date to the members of Merck Limited on the Ind AS financial statements for the year ended December 31, 2018]

## **Report on the Internal Financial Controls over Financial Reporting under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")**

We have audited the internal financial controls over financial reporting of Merck Limited ("the Company") as of December 31, 2018 in conjunction with our audit of the Ind AS financial statements of the Company for the year ended on that date.

### **Management's Responsibility for Internal Financial Controls**

The Company's management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India ("ICAI"). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") and the Standards on Auditing specified under section 143(10) of the Act to the extent applicable to an audit of internal financial controls, both issued by the ICAI. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial

controls system over financial reporting and their operating effectiveness.

Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the Ind AS financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system over financial reporting.

### **Meaning of Internal Financial Controls Over Financial Reporting**

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of Ind AS financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of Ind AS financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the Ind AS financial statements.

### **Inherent Limitations of Internal Financial Controls Over Financial Reporting**

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate

because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

### **Opinion**

In our opinion, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at December 31, 2018, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance

Note on Audit of Internal Financial Controls Over Financial Reporting issued by the ICAI.

For **Haribhakti & Co. LLP**  
Chartered Accountants  
ICAI Firm Registration No.103523W/W100048

**Bhavik L. Shah**

Partner

Place: Mumbai

Date: February 27, 2019

Membership No.122071



# Balance Sheet

(All amounts are in million, except share data and as stated)

	Notes	As at 31 December 2018	As at 31 December 2017
<b>I ASSETS</b>			
<b>Non-current assets</b>			
(a) Property, plant and equipment	3	993.3	1,142.8
(b) Capital work in progress		173.5	89.0
(c) Investment property	4	38.2	-
(d) Other Intangible assets	5	4.3	7.9
(e) Financial assets			
i. Loans	6	0.6	1.3
ii. Other financial assets	7	39.0	86.1
(f) Deferred tax assets (net)	8	180.3	308.0
(g) Other non current assets	9	35.8	141.3
(h) Non current tax asset (net)	10	786.6	612.5
<b>Total non-current assets</b>		<b>2,251.6</b>	<b>2,388.9</b>
<b>Current assets</b>			
(a) Inventories	11	1,133.5	1,577.4
(b) Financial assets			
i. Investments	12	-	699.7
ii. Trade and other receivables	13	661.7	1,226.6
iii. Cash and cash equivalents	14	11,196.1	103.2
iv. Bank balances other than (iii) above	15	1,238.1	2,678.6
v. Loans	16	0.6	1.0
vi. Other financial assets	17	253.6	145.5
(c) Other current assets	18	859.4	1,029.1
(d) Assets held for sale	3	-	62.2
<b>Total current assets</b>		<b>15,343.0</b>	<b>7,523.3</b>
<b>TOTAL ASSETS</b>		<b>17,594.6</b>	<b>9,912.2</b>
<b>II EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
(a) Equity share capital	19	166.0	166.0
(b) Other equity	20	15,235.1	7,166.6
<b>Total Equity</b>		<b>15,401.1</b>	<b>7,332.6</b>
<b>Non-Current Liabilities</b>			
(a) Provisions	21	210.9	266.7
(b) Other non-current liabilities	22	22.4	60.3
<b>Total non-current liabilities</b>		<b>233.3</b>	<b>327.0</b>
<b>Current liabilities</b>			
(a) Financial liabilities			
i. Trade and other payables	23	914.2	832.8
ii. Other financial liabilities	24	569.7	634.2
(b) Other current liabilities	25	39.3	186.9
(c) Provisions	26	236.1	391.6
(d) Current tax liabilities (net)	27	200.9	206.1
(e) Liabilities towards assets held for sale		-	1.0
<b>Total current liabilities</b>		<b>1,960.2</b>	<b>2,252.6</b>
<b>TOTAL EQUITY &amp; LIABILITIES</b>		<b>17,594.6</b>	<b>9,912.2</b>
Significant accounting policies	2		

The accompanying notes form an integral part of these Financial Statements.

As per our attached report of even date.

For and on behalf of the Board of Directors of Merck Limited  
CIN No. L99999MH1967PLC013726

For **Haribhakti & Co. LLP**

Chartered Accountants

ICAI Firm Registration No. 103523W/W100048

**S. N. Talwar**

Chairman

DIN No.00001456

**Milind Thatte**

Managing Director

DIN No. 08092990

**Bhavik L. Shah**

Partner

Membership No. 122071

**Amit Gupta**

Executive Director (Finance) and Chief financial officer

DIN No. 08295179

Mumbai

Date: 27 February 2019

Mumbai

Date: 27 February 2019

**Jeevan Mondkar**

Company Secretary

# Statement of Profit and Loss

(All amounts are in million, except share data and as stated)

	Notes	For the year ended 31 December 2018	For the year ended 31 December 2017
<b>I Revenue</b>			
Revenue from operations	28	8,489.9	7,114.7
Other Income	29	243.9	240.7
<b>Total income</b>		<b>8,733.8</b>	<b>7,355.4</b>
<b>II Expenses</b>			
Cost of materials consumed	30	2,455.2	1,853.0
Purchase of stock-in-trade	31	273.1	376.5
Changes in inventories of finished goods, stock-in-trade and work-in-progress	32	(34.7)	139.9
Excise duty		-	133.4
Employee benefit expense	33	1,312.7	1,098.8
Depreciation and amortisation expense	34	211.2	191.2
Impairment loss / (reversal)	3	(7.7)	172.3
Operating and other expenses	35	3,009.8	2,571.1
<b>Total expenses</b>		<b>7,219.6</b>	<b>6,536.2</b>
<b>III Profit before exceptional items and tax</b>		<b>1,514.2</b>	<b>819.2</b>
Exceptional items	49	65.6	170.0
<b>IV Profit before tax from continuing operations</b>		<b>1,579.8</b>	<b>989.2</b>
<b>V Tax Expenses:</b>			
Current tax		549.7	412.8
Deferred tax		60.2	(66.6)
Tax for earlier years		(47.4)	32.6
<b>VI Profit for the year from continuing operations</b>		<b>1,017.4</b>	<b>610.4</b>
<b>VII Profit before tax from discontinued operations</b>	48	<b>9,795.9</b>	<b>532.7</b>
VIII Tax expense of discontinued operations		2,426.1	204.0
<b>IX Profit for the year from discontinued operations</b>		<b>7,369.8</b>	<b>328.7</b>
<b>X Net Profit for the year</b>		<b>8,387.2</b>	<b>939.1</b>
<b>XI Other Comprehensive Income</b>			
<b>A</b> Items that will not be reclassified to profit and loss			
i) Remeasurements of post-employment benefit obligation		(27.9)	(38.3)
ii) Income tax related to items that will not be reclassified to profit and loss		9.7	13.3
<b>B</b> Items that will be reclassified to profit and loss		-	-
<b>XII Total Comprehensive Income for the year</b>		<b>8,369.0</b>	<b>914.1</b>
<b>XIII Earnings per equity share (Face value of ₹ 10/- each)</b>	36		
Earnings per equity share of continuing operations			
Basic and Diluted (in ₹)		61.3	36.8
Earnings per equity share of discontinued operations			
Basic and Diluted (in ₹)		444.0	19.8
Earnings per equity share of continuing and discontinued operations			
Basic and Diluted (in ₹)		505.3	56.6
Significant accounting policies	2		

The accompanying notes form an integral part of these Financial Statements

As per our attached report of even date.

For and on behalf of the Board of Directors of Merck Limited  
CIN No. L99999MH1967PLC013726

For **Haribhakti & Co. LLP**

Chartered Accountants

ICAI Firm Registration No.103523W/W100048

**S. N. Talwar**

Chairman

DIN No.00001456

**Milind Thatte**

Managing Director

DIN No. 08092990

**Bhavik L. Shah**

Partner

Membership No. 122071

**Amit Gupta**

Executive Director (Finance) and Chief financial officer

DIN No. 08295179

Mumbai

Date: 27 February 2019

Mumbai

Date: 27 February 2019

**Jeevan Mondkar**

Company Secretary

# Statement of Changes in Equity (SOCIE)

(All amounts are in million, except share data and as stated)

## Note (a) : Equity share capital (refer note 19)

Particulars	Amount
As at 01 January 2017	166.0
Changes in equity share capital during the year	-
As at 31 December 2017	166.0
Changes in equity share capital during the year	-
As at 31 December 2018	166.0

## Note (b) : Other equity (refer note 20)

Particulars	Capital Reserve	Securities Premium	Capital Redemption Reserve	General Reserve	Retained Earnings	Total
<b>Balance as at 01 January 2017</b>	<b>2.6</b>	<b>111.3</b>	<b>2.6</b>	<b>3,438.9</b>	<b>2,916.8</b>	<b>6,472.2</b>
Profit for the year	-	-	-	-	939.1	939.1
Other comprehensive income for the year	-	-	-	-	(25.0)	(25.0)
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>914.1</b>	<b>914.1</b>
Dividend	-	-	-	-	(182.6)	(182.6)
Dividend distribution tax	-	-	-	-	(37.2)	(37.2)
<b>Balance as at 31 December 2017</b>	<b>2.6</b>	<b>111.3</b>	<b>2.6</b>	<b>3,438.9</b>	<b>3,611.2</b>	<b>7,166.6</b>
Profit for the year	-	-	-	-	8,387.2	8,387.2
Other comprehensive income for the year	-	-	-	-	(18.2)	(18.2)
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>8,369.0</b>	<b>8,369.0</b>
Dividend	-	-	-	-	(249.0)	(249.0)
Dividend distribution tax	-	-	-	-	(51.5)	(51.5)
<b>Balance as at 31 December 2018</b>	<b>2.6</b>	<b>111.3</b>	<b>2.6</b>	<b>3,438.9</b>	<b>11,679.7</b>	<b>15,235.1</b>

### Nature and purpose of reserves:

#### Capital Reserve

Capital Reserve balance represents

- Amount received under the Central Investment Subsidy Scheme in respect of Goa project ₹ 1.5 million
- ₹ 0.1 million on account of profit on forfeited shares reissued
- ₹ 1.0 million on account of capital subsidy

#### Securities Premium

Securities premium reserve is used to record the premium on issue of shares which is utilised in accordance with the provisions of The Companies Act, 2013.

#### Capital Redemption Reserve

Capital Redemption Reserve represents balance pertaining to face value of shares bought back in 2009.

#### General Reserve

General reserve is used from time to time to transfer profits from retained earnings for appropriation purposes. As the General reserve is created by a transfer from one component of equity to another and is not an item of other comprehensive income, items included in the General reserve will not be reclassified subsequently to the Statement of Profit and Loss.

The above statement of changes in equity should be read in conjunction with the accompanying notes.

As per our attached report of even date.

For and on behalf of the Board of Directors of Merck Limited  
CIN No. L99999MH1967PLC013726

For **Haribhakti & Co. LLP**

Chartered Accountants

ICAI Firm Registration No.103523W/W100048

**S. N. Talwar**

Chairman

DIN No.00001456

**Milind Thatte**

Managing Director

DIN No. 08092990

**Bhavik L. Shah**

Partner

Membership No. 122071

**Amit Gupta**

Executive Director (Finance) and Chief financial officer

DIN No. 08295179

Mumbai

Date: 27 February 2019

Mumbai

Date: 27 February 2019

**Jeevan Mondkar**

Company Secretary

# Statement of cash flows

(All amounts are in million, except share data and as stated)

	For the year ended 31 December 2018	For the year ended 31 December 2017
<b>Cash flow from operating activities</b>		
<b>Profit before tax</b>		
from continuing operations	1,579.8	989.2
from discontinued operations	9,795.9	532.7
Adjustments for :		
Net unrealised foreign exchange differences	14.6	(1.2)
Rent equalisation reserve	22.4	9.1
Provision for doubtful debts and advances	(32.4)	(77.5)
Bad debts	7.4	61.1
Depreciation of property, plant and equipment	249.9	264.0
Provision for Impairment	(7.7)	172.3
Income from letting of residential flat	(9.0)	-
Provision for employee benefits	27.0	11.0
Gain on transfer of BPL business	(9,135.7)	-
Loss on sale of property, plant and equipment	-	1.8
Profit on sale of assets	(65.6)	(170.0)
Dividend income on current investments	(43.3)	(27.9)
Interest income	(164.4)	(166.1)
<b>Operating profit before working capital changes</b>	<b>2,238.9</b>	<b>1,598.5</b>
Working capital adjustments :		
(Increase) / Decrease in inventories	(280.0)	62.0
(Increase) / Decrease in trade receivables	(296.2)	(148.3)
(Increase) / Decrease in financial and other Assets	61.5	(659.4)
Increase / (Decrease) in trade payables	269.2	91.6
Increase / (Decrease) in other liabilities and provisions	(257.1)	187.5
<b>Cash generated from operations</b>	<b>1,736.4</b>	<b>1,131.9</b>
Income tax paid (net)	(3,040.2)	(595.3)
<b>Net cash generated/ (used) from operating activities (A)</b>	<b>(1,303.8)</b>	<b>536.6</b>
<b>Cash flows from investing activities</b>		
Purchase and construction of property, plant and equipment	(267.2)	(303.0)
(Purchase) / sale of Investments (net)	699.7	(422.0)
Sale of property, plant and equipment	1.8	2.3
Income from letting of residential flat	9.0	-
Proceeds from sale of asset	76.1	196.6
Dividend income on current investments	43.3	27.9
Interest received	174.0	170.5
Consideration received towards transfer of BPL business	10,520.0	-
Redemption of bank deposits	3,197.1	3,204.0
Investment in bank deposits	(1,756.6)	(3,352.6)
<b>Net cash generated/(used) in investing activities (B)</b>	<b>12,697.2</b>	<b>(476.3)</b>

# Statement of cash flows

(All amounts are in million, except share data and as stated)

	For the year ended 31 December 2018	For the year ended 31 December 2017
<b>Cash flow from financing activities</b>		
Dividend paid	(249.0)	(182.6)
Dividend tax paid	(51.5)	(37.2)
<b>Net cash flow used in financing activities (C)</b>	<b>(300.5)</b>	<b>(219.8)</b>
<b>Net (decrease)/ increase in cash and cash equivalents (A+B+C)</b>	<b>11,092.9</b>	<b>(159.5)</b>
Cash and cash equivalents at 01 January	103.2	262.7
<b>Cash and cash equivalents at 31 December</b>	<b>11,196.1</b>	<b>103.2</b>
<b>Reconciliation of Cash and Cash equivalents with the Balance Sheet</b>		
Cash in Hand	-	*
Balance with Banks		
In Current accounts	4,590.9	98.8
In Term deposits (less than 3 months maturity)	6,600.0	-
In Unpaid dividend accounts	5.2	4.4
<b>Cash and Cash equivalents as per Balance Sheet as at the year end</b>	<b>11,196.1</b>	<b>103.2</b>

## Notes :

- The above Cash Flow Statement has been prepared under the 'Indirect Method' as set out in the Indian Accounting Standard (Ind AS) 7 - "Statement of Cash Flows".
- Unpaid dividend of ₹ 5.2 million (31 December 2017: ₹ 4.4 million), included in bank balances, is not available for use by the Company.
- Income taxes paid are treated as arising from operating activities and are not bifurcated between investing and financing activities.
- Figures below Rupees 50,000 are disclosed by " \* "

As per our attached report of even date.

For **Haribhakti & Co. LLP**  
Chartered Accountants  
ICAI Firm Registration No.103523W/W100048

**Bhavik L. Shah**  
Partner  
Membership No. 122071

Mumbai  
Date: 27 February 2019

For and on behalf of the Board of Directors of Merck Limited  
CIN No. L99999MH1967PLC013726

**S. N. Talwar**  
Chairman  
DIN No.00001456

Mumbai  
Date: 27 February 2019

**Milind Thatte**  
Managing Director  
DIN No. 08092990

**Amit Gupta**  
Executive Director (Finance) and Chief financial officer  
DIN No. 08295179

**Jeevan Mondkar**  
Company Secretary

# Notes forming part of financial statements

for the year ended 31 December 2018

(All amounts are in million, except share data and as stated)

## 1. Background of the Company

Merck Limited ('the Company') is a public company domiciled and headquartered in India. It is incorporated under the Companies Act, 1956 and its shares are listed on the National Stock Exchange (NSE) and Bombay Stock Exchange (BSE). The Company is in the business of manufacturing and marketing of pharmaceuticals and chemicals.

The shareholders have vide their resolution dated June 12, 2018, approved the execution of a business transfer agreement (BTA) with Merck Life Science Private Limited (MLSPL) to sell, lease or otherwise transfer certain businesses of the Company comprising exclusively of the biopharma, performance materials and life science segments ("BPL business") to MLSPL (or to an affiliate of MLSPL, as directed by MLSPL), for an overall consideration of ₹ 10,520 million on a slump sale basis (the Business Transfer). After receiving the necessary approvals, the Business Transfer has been completed on November 30, 2018. Subsequent to this, the Company's main business is manufacturing and marketing of pharmaceuticals.

## 2. Basis of preparation

### a. Statement of compliance with Ind AS

The financial statements of the Company comply in all material aspects with Indian Accounting Standards (Ind AS) notified under Section 133 of the Companies Act, 2013 (the Act) read with relevant rules issued thereunder and other provisions of the Act.

All assets and liabilities are classified as current or non-current as per the company's normal operating cycle and other criteria set out in Schedule III to the Companies Act, 2013. Based on the nature of products and the time between the acquisition of assets for processing and their realisation in cash and cash equivalents, the company has ascertained its operating cycle as 12 months for the purpose of current/non-current classification of assets and liabilities.

### b. Historical cost convention

The financial statements have been prepared on a historical cost basis, except for certain financial assets and liabilities including defined benefit plans - plan assets measured at fair value.

### c. Use of estimates and judgements

The preparation of the financial statements in conformity with Ind AS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income

and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

The areas involving critical estimates and judgements are:

- (i) Estimation of useful life of property, plant and equipment
- (ii) Estimation of defined benefit obligation
- (iii) Provision for inventories
- (iv) Impairment of trade receivables

## 3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements

### a. Property, plant and equipment

Property, plant and equipment are stated at cost of acquisition, including any attributable cost for bringing the asset to its working condition for its intended use, less accumulated depreciation/amortisation and impairment loss.

Losses arising from retirement and gains or losses arising from disposal of property, plant and equipments are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the Statement of Profit and Loss.

Property, plant and equipment not ready for the intended use on the date of Balance Sheet are disclosed as "Capital work-in-progress".

Depreciation is provided on straight line method over the estimated useful life as determined by management which is in line with that prescribed under Schedule II of the Act. Depreciation is provided on a pro-rata basis i.e. from the month on which asset is ready for use. The useful lives are reviewed by the management at each financial year-end and revised, if appropriate. In case of a revision, the unamortised depreciable amount is charged over the revised remaining useful life.

Leasehold improvements are amortised over the primary period of lease.

Trademarks are amortised over an expected benefit period of 5 years. Software comprising of System Software and Application Software is amortised on

# Notes forming part of financial statements

for the year ended 31 December 2018

(All amounts are in million, except share data and as stated)

straight line method basis over an expected benefit period of 6 years and 3 years respectively.

Property, plant and equipment and furniture and fixtures, costing individually upto ₹ 5,000 or less, are depreciated fully in the year of purchase. If the aggregate of such items constitutes more than 10 percent of the total actual cost, the depreciation rates applicable to such items are applied.

Depreciation/amortization for the year is recognised in the Statement of Profit and Loss.

A fixed asset is eliminated from the financial statements on disposal or when no further benefit is expected from its use and disposal. Depreciation on fixed assets added/ disposed off/ discarded during the year is provided on pro-rata basis with reference to month of addition/ disposal/ discarding.

Losses arising from retirement or gains or losses arising from disposal of fixed assets which are carried at cost are recognised in the Statement of Profit and Loss.

## **Subsequent expenditure**

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Company.

## **b. Investment property**

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Company, is classified as investment property. Investment property is measured initially at its cost, including related transaction costs and where applicable borrowing costs. Subsequent expenditure is capitalized to the asset's carrying amount only when it is probable that future economic benefits associated with expenditure will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed when incurred. When part of an investment property is replaced, the carrying amount of the replaced part is derecognized.

Investment properties are depreciated using the straight-line method over their estimated useful lives. Investment properties generally have a useful life of 25-40 years.

## **c. Intangible assets**

Intangible assets that are acquired by the Company are measured initially at cost. After initial recognition, an intangible asset is carried at its cost less any accumulated amortisation and any accumulated impairment loss, if any.

Subsequent expenditure is capitalised only when it increases the future economic benefits from the specific asset to which it relates. An intangible asset is derecognised on disposal or when no future economic benefits are expected from its use.

Losses arising from retirement and gains or losses arising from disposal of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the Statement of Profit and Loss.

## **d. Impairment**

Property, plant and equipment and intangible assets are reviewed at each reporting date to determine if there is any indication of impairment. For assets in respect of which any such indication exists and for intangible assets mandatorily tested annually or at period end for impairment, the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets (cash generating unit or "CGU") that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

The recoverable amount of an asset or CGU is the greater of its value in use and its net selling price. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

Impairment losses are recognised in the Statement of Profit and Loss. Impairment loss recognised in respect of a CGU is allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

If at the balance sheet date there is an indication that a previously assessed impairment loss no longer exists or has decreased, the assets or CGU's recoverable amount is estimated. For assets other than goodwill, the impairment loss is reversed to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Such a reversal is recognised in the Statement of Profit and Loss; however, in the case of revalued assets, the reversal is credited directly

# Notes forming part of financial statements

for the year ended 31 December 2018

(All amounts are in million, except share data and as stated)

to revaluation surplus except to the extent that an impairment loss on the same revalued asset was previously recognised as an expense in the Statement of Profit and Loss. Impairment loss recognised for goodwill is not reversed in a subsequent period unless the impairment loss was caused by a specific external event of an exceptional nature that is not expected to recur and subsequent external events have occurred that reverse the effect of that event.

## e. Non-current assets held for sale

Non-current assets and liabilities are classified as held for sale if it is highly probable that they will be recovered primarily through sale rather than through continued use.

Such assets are generally measured at lower of their carrying amount and fair value less costs to sell. Losses on initial classification as held for sale and subsequent gains and losses on re-measurement are recognised in Statement of Profit or Loss.

Once classified as held for sale, intangible assets, property, plant and equipment and investment properties are no longer amortised or depreciated.

## f. Inventories

Inventories which comprise of raw materials, work-in-progress, finished goods, stock-in-trade, stores and spares, and packing materials are carried at the lower of cost and net realisable value.

Cost of inventories comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

In determining the cost, weighted average cost method is used. In the case of manufactured inventories and work in progress, fixed production overheads are allocated on the basis of normal capacity of production facilities.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

The net realisable value of work-in-progress is determined with reference to the selling prices of related finished products. Raw materials and other supplies held for use in the production of finished products are not written down below cost except in cases where material prices have declined and it is estimated that the cost of the finished products will exceed their net realisable value.

The comparison of cost and net realisable value is made on an item-by-item basis.

## g. Revenue Recognition

Revenue from sale of goods in the course of ordinary activities is recognised when property in the goods or all significant risks and rewards of their ownership are transferred to the customer and no significant uncertainty exists regarding the amount of the consideration that will be derived from the sale of the goods and regarding its collection. The amount recognised as revenue is exclusive of goods and services tax (GST), and is net of returns, trade discounts and quantity discounts.

Revenue from shared services is recognised as and when services are rendered and related costs are incurred, in accordance with the terms of the contractual agreement.

Interest income is recognised on time proportion basis after taking into account the amount outstanding and the interest rate applicable.

Dividend income is recognised when the right to receive payment is established.

## Export Incentives

Export benefits availed as per prevalent schemes are accrued each year in which the goods are exported and when no significant uncertainty exist regarding their ultimate collection.

Commission income is recognised as and when services are rendered, in accordance with the terms of the contractual agreement.

## h. Foreign currency Transactions and Balances

### 1. Functional and Presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in Indian Rupee (₹), which is the Company's functional and presentation currency.

### 2. Foreign currency Transactions and Balances

Transactions denominated in foreign currency are recorded at the exchange rates prevailing on the date of transactions. Exchange differences arising on foreign exchange transactions settled during the year are recognised in the Statement of Profit and Loss for the year.

Monetary assets and liabilities denominated in foreign currencies as at the balance sheet date are translated into Indian rupees at the closing



# Notes forming part of financial statements

for the year ended 31 December 2018

(All amounts are in million, except share data and as stated)

exchange rates on that date. The resultant exchange differences are recognised in the Statement of Profit and Loss.

## i. Employee benefits

### I) Short-term employee benefits

Employee benefits payable wholly within twelve months of receiving employee services are classified as short-term employee benefits. These benefits include salaries and wages, bonus and ex-gratia. The undiscounted amount of short-term employee benefits to be paid in exchange for employee services is recognised as an expense at an undiscounted amount in the Statement of Profit and Loss as the related service is rendered by employees.

### II) Post-employment benefits

#### Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays specified contributions to a separate entity and has no obligation to pay any further amounts. The Company makes specified monthly contributions towards superannuation fund to scheme which is a defined contribution plan. The Company's contribution is recognised as an expense in the Statement of Profit and Loss during the period in which the employee renders the related service.

#### Defined benefit plans

The Company's gratuity benefit scheme and provident fund scheme is defined benefit plan. The Company's net obligation in respect of a defined benefit plan is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. Any unrecognised past service cost and the fair value of any plan assets are deducted. The calculation of the Company's obligation under each of the two plans is performed annually by a qualified independent actuary using the projected unit credit method.

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur, directly in other comprehensive income. They are included in retained earnings in the Statement of Changes in Equity and in the Balance Sheet.

## III) Compensated absences

All employee benefits payable within twelve months of services are classified as short-term. The employees can carry forward a portion of the unutilised accrued compensated absences and utilise it in future service periods or receive cash compensation on termination of employment. Since the compensated absences do not fall due wholly within twelve months after the end of the period in which the employees render the related service and are also not expected to be utilised wholly within twelve months after the end of such period, the benefit is classified as a long-term employee benefit. The Company records an obligation for such compensated absences in the period in which the employee renders the services that increase this entitlement. The obligation is measured on the basis of independent actuarial valuation using the projected unit credit method.

## j. Leases

Leases in which a significant portion of the risks and rewards of ownership is retained by the lessor are classified as operating leases. The total lease rentals (including scheduled rental increases) in respect of an asset taken on operating lease are charged to the Statement of Profit and Loss on a straight line basis over the lease term unless another systematic basis is more representative of the time pattern of the benefit. Initial direct costs incurred specifically for an operating lease are deferred and charged to the Statement of Profit and Loss over the lease term.

Assets given by the company under operating lease are included in Investment property. Lease income from operating lease is recognised in Statement of Profit and Loss on a straight line basis. Costs including depreciation, incurred in earning the lease income are recognised as expenses.

## k. Taxes on Income

Income tax expense comprises current and deferred tax. It is recognised in Statement of Profit and Loss except to the extent that it relates items recognised directly in equity or in Other Comprehensive Income.

### 1. Current Tax

Tax expense for the year, comprising current tax and deferred tax, are included in the determination of the net profit or loss for the year. Current tax is measured at the amount expected to be paid to the tax authorities in accordance with the taxation laws prevailing in the respective jurisdictions.

# Notes forming part of financial statements

for the year ended 31 December 2018

(All amounts are in million, except share data and as stated)

Current tax assets and current tax liabilities are offset only if there is a legally enforceable right to set off the recognised amounts, and it is intended to realise the asset and set off the liability on a net basis or simultaneously.

## 2. Deferred Tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which they can be used. The existence of unused tax losses is strong evidence that future taxable profit may not be available. Therefore, in case of a history of recent losses, the Company recognises a deferred tax asset only to the extent it has sufficient taxable temporary differences or there is convincing other evidence that sufficient taxable profit will be available against which such deferred tax asset can be realised.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used. Deferred tax is measured at the tax rates that are expected to be applied to deferred tax assets when they are realised or deferred tax liabilities when they are settled, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

### I. Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

#### 1. Financial Assets

The Company classifies financial assets as subsequently measured at amortised cost, fair value through other comprehensive income or fair value through profit and loss on the basis of its

business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit and loss, transaction costs that are attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit and loss are expensed in Statement of Profit and Loss.

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralized borrowing for the proceeds received.

The Company assesses on a forward looking basis the expected credit losses associated with its assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables, the Company applies the simplified approach permitted by Ind AS 109 Financial Instruments, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

The Company subsequently measures its investments in mutual funds at fair value through Statement of Profit and Loss.

#### 2. Financial liabilities

Debt and equity instruments issued by the Company are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definition of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

# Notes forming part of financial statements

for the year ended 31 December 2018

(All amounts are in million, except share data and as stated)

Financial liabilities are initially recognised at fair value, reduced by transaction costs (in case of financial liability not at fair value through profit and loss), that are directly attributable to the issue of financial liability. After initial recognition, financial liabilities are measured at amortised cost using effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash outflow (including all fees paid, transaction cost, and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. At the time of initial recognition, there is no financial liability irrevocably designated as measured at fair value through profit and loss.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the de-recognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the Statement of Profit and Loss.

Trade and other payables represent liabilities for goods and services provided to the Company prior to the end of financial year which are unpaid. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

## **m. Offsetting financial instruments**

Financial assets and liabilities are offset and the net amount is reported in the balance sheet where there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

## **n. Fair value measurement**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence,

the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk.

A number of the Company's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities. When one is available, the Company measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. If there is no quoted price in an active market, then the Company uses valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received.

## **o. Segment Reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker (CODM). The CODM assesses the financial performance and position of the company, and makes strategic decisions.

## **p. Provisions and Contingent Liabilities**

The Company recognises a provision when there is a present obligation as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation and in respect of which reliable estimate can be made.

### **Provision for breakage and expiry**

Cost of return on account of breakage and expiries are estimated on the basis of past experience. Provision is made in respect of cost for breakage and expiries in the year of sale of goods.

### **Contingencies**

A disclosure for contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. Where there is a possible obligation or a present obligation and the likelihood of outflow of resources is remote, no provision or disclosure is made.

# Notes forming part of financial statements

for the year ended 31 December 2018

(All amounts are in million, except share data and as stated)

## q. Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in the Statement of Profit and Loss as and when incurred.

The development activities undertaken by the Company are subject to technical, regulatory and other uncertainties, such that, in the opinion of management, the criteria for capitalization are not met prior to obtaining marketing approval by the regulatory authorities in markets. Internal development cost that do not meet these criteria are therefore expensed as and when incurred.

## r. Discontinued operation

A discontinued operation is a component of the entity that has been disposed and that represents a separate line of business. The results of discontinued operation is presented separately in the statement of profit and loss.

## s. Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of equity shares outstanding during the financial year. The weighted average number of equity shares outstanding during the period and for all periods presented is adjusted

for events, such as bonus shares, other than the conversion of potential equity shares that have changed the number of equity shares outstanding, without a corresponding change in resources.

For the purpose of calculating diluted earnings per share, diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential equity shares, and the weighted average number of additional equity shares that would have been outstanding assuming the conversion of all dilutive potential equity shares.

## t. Cash and Cash Equivalents

Cash comprises cash on hand and demand deposits with banks. Cash equivalents are short term (with an original maturity of three months or less from the date of acquisition), highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

## u. Rounding of amounts

All amounts disclosed in the financial statements and notes have been rounded off to the nearest million as per the requirement of Schedule III, unless otherwise stated.

# Notes forming part of financial statements

for the year ended 31 December 2018

(All amounts are in million, except share data and as stated)

## Note 3

### Property, plant and equipment

Description	Freehold Land	Buildings and Flats	Leasehold Improvements	Plant and Machinery	Computer / Hardware	Furniture and Fixtures	Vehicles	Office Equipment	Total
<b>Gross Block</b>									
Balance as at 01 January 2017	5.0	233.5	32.6	885.2	70.5	114.5	0.1	95.0	1,436.4
Additions	-	48.2	-	374.1	18.1	17.5	-	12.0	469.9
Disposals	-	-	-	(3.9)	-	-	-	-	(3.9)
<b>Balance as at 31 December 2017</b>	<b>5.0</b>	<b>281.7</b>	<b>32.6</b>	<b>1,255.4</b>	<b>88.6</b>	<b>132.0</b>	<b>0.1</b>	<b>107.0</b>	<b>1,902.4</b>
<b>Gross Block</b>									
Balance as at 01 January 2018	5.0	281.7	32.6	1,255.4	88.6	132.0	0.1	107.0	1,902.4
Additions	-	26.9	-	132.4	10.1	19.3	-	7.3	196.0
Disposals	-	(7.6)	-	(3.7)	(5.7)	(2.6)	-	(9.6)	(29.2)
Disposal of BPL business pursuant to business transfer	-	(2.1)	(32.6)	(45.6)	(53.7)	(52.5)	-	(45.9)	(232.4)
Reversal of Asset Held for Sale	-	59.4	-	-	-	1.8	-	1.0	62.2
Assets reclassified as investment property [Refer note 4]	-	(52.1)	-	-	-	-	-	-	(52.1)
<b>Balance as at 31 December 2018</b>	<b>5.0</b>	<b>306.2</b>	<b>-</b>	<b>1,338.5</b>	<b>39.3</b>	<b>98.0</b>	<b>0.1</b>	<b>59.8</b>	<b>1,846.9</b>
<b>Accumulated Depreciation</b>									
Accumulated depreciation at 01 January 2017	-	13.7	4.4	163.2	23.0	15.5	-	26.9	246.7
Depreciation for the year	-	14.6	4.4	177.9	22.8	16.9	-	24.1	260.7
<b>Balance as at 31 December 2017</b>	<b>-</b>	<b>28.3</b>	<b>8.8</b>	<b>341.1</b>	<b>45.8</b>	<b>32.4</b>	<b>-</b>	<b>51.0</b>	<b>507.4</b>
<b>Impairment Loss</b>									
Provision for Impairment	-	83.7	-	156.7	-	7.7	-	4.1	252.2
<b>Balance as at 31 December 2017</b>	<b>-</b>	<b>83.7</b>	<b>-</b>	<b>156.7</b>	<b>-</b>	<b>7.7</b>	<b>-</b>	<b>4.1</b>	<b>252.2</b>
<b>Accumulated Depreciation</b>									
Balance as at 01 January 2018	-	28.3	8.8	341.1	45.8	32.4	-	51.0	507.4
Depreciation for the year	-	28.8	2.9	159.4	16.4	16.9	-	20.8	245.2
Accumulated depreciation on disposals	-	-	-	(2.6)	(5.4)	(1.0)	-	(8.2)	(17.2)
Accumulated depreciation on disposal of BPL business pursuant to business transfer	-	(1.0)	(11.7)	(22.3)	(27.8)	(19.2)	-	(32.2)	(114.2)
Depreciation reclassified to investment property (refer note 4)	-	(12.1)	-	-	-	-	-	-	(12.1)
<b>Balance as at 31 December 2018</b>	<b>-</b>	<b>44.0</b>	<b>-</b>	<b>475.6</b>	<b>29.0</b>	<b>29.1</b>	<b>-</b>	<b>31.3</b>	<b>609.1</b>
<b>Impairment Loss</b>									
<b>Balance as at 01 January 2018</b>	<b>-</b>	<b>83.7</b>	<b>-</b>	<b>156.7</b>	<b>-</b>	<b>7.7</b>	<b>-</b>	<b>4.1</b>	<b>252.2</b>
Reversal for Impairment	-	(2.6)	-	(4.9)	-	(0.2)	-	-	(7.7)
<b>Balance as at 31 December 2018</b>	<b>-</b>	<b>81.1</b>	<b>-</b>	<b>151.8</b>	<b>-</b>	<b>7.5</b>	<b>-</b>	<b>4.1</b>	<b>244.5</b>
<b>Net Block as at 31 December 2017</b>	<b>5.0</b>	<b>169.7</b>	<b>23.8</b>	<b>757.6</b>	<b>42.8</b>	<b>91.8</b>	<b>0.1</b>	<b>51.8</b>	<b>1,142.8</b>
<b>Net Block as at 31 December 2018</b>	<b>5.0</b>	<b>181.1</b>	<b>-</b>	<b>711.1</b>	<b>10.3</b>	<b>61.4</b>	<b>0.1</b>	<b>24.4</b>	<b>993.3</b>

1. The Company has availed the deemed cost exemption in relation to the property, plant and equipment on the date of transition to Ind AS and hence the net block carrying amount under the previous GAAP as on January 01, 2016 has been considered as the gross block carrying amount on that date.

2. The breakup of assets held for sale is as shown below:

Description	Freehold Land	Buildings and Flats	Leasehold Improvements	Plant and Machinery	Computer / Hardware	Furniture and Fixtures	Vehicles	Office Equipment	Total
As at 31 December 2017	-	59.4	-	-	-	1.8	-	1.0	62.2
As at 31 December 2018	-	-	-	-	-	-	-	-	-

3. Impairment charge for the previous year in the Statement of Profit and Loss includes provision for estimated dismantling costs of power plant of ₹ 4.9 million.

# Notes forming part of financial statements

for the year ended 31 December 2018

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## Note 4

### Investment property

The Company has certain office premises given on lease, which has been classified as investment property.

Particulars	As at 31 December 2018	As at 31 December 2017
<b>Gross Carrying Amount</b>		
Opening Gross Carrying Value	-	-
Transfer from Property, plant and equipment	52.1	-
Closing Gross Carrying Value	<b>52.1</b>	-
<b>Accumulated Depreciation</b>		
Opening accumulated depreciation	-	-
Transfer from Property, plant and equipment	12.1	-
Depreciation during the year	1.8	-
Closing accumulated depreciation	<b>13.9</b>	-
<b>Net Carrying value</b>	<b>38.2</b>	-

#### (i) Amounts recognised in the Statement of Profit and Loss for Investment Property

Particulars	For the year ended 31 December 2018	For the year ended 31 December 2017
Rental income	9.0	-
Direct operating expenses from property that generated rental income	1.2	-
<b>Profit from Investment Property before Depreciation</b>	<b>7.8</b>	-
Depreciation	1.8	-
<b>Profit/(Loss) from Investment Property</b>	<b>6.0</b>	-

Note: The rental income from the aforesaid property is for the year 2018.

#### (ii) Contractual Obligations

The Company has no contractual obligations to purchase, construct or develop investment property. However, the responsibility for its repairs, maintenance or enhancements is with the Company.

#### (iii) Fair Value

Based on Independent valuation report as on 1 March 2018, for one of the property located in the same premises, the management has estimated fair value of ₹ 310.0 million for the investment properties. The aforesaid estimated amount will not be materially different from the fair value of the property as on December 31, 2018.

#### (iv) Policy for Estimation of Fair Value

##### Market approach- Commercial property

The subject commercial property would be benchmarked against availability of similar commercial property (if any), i.e. the direct comparison approach involves a comparison of subject property to similar properties that have actually sold in arms - length transactions or are offered for sale. The approach demonstrates what buyers have historically been willing to pay (and sellers willing to accept) for similar properties in an open and competitive market and is particularly useful in estimating the value of commercial premises and are typically traded on a unit basis.

# Notes forming part of financial statements

for the year ended 31 December 2018

(All amounts are in million, except share data and as stated)

## Note 5

### Other Intangible assets

Description	Brands / Trademarks	Computer Software	Total
<b>Gross Block</b>			
Balance as at 01 January 2017	-	3.2	3.2
Additions	-	9.5	9.5
<b>Balance as at 31 December 2017</b>	<b>-</b>	<b>12.7</b>	<b>12.7</b>
<b>Gross Block</b>			
Balance as at 01 January 2018	-	12.7	12.7
Additions	-	2.6	2.6
Disposal of BPL business pursuant to business transfer		(6.2)	(6.2)
<b>Balance as at 31 December 2018</b>	<b>-</b>	<b>9.1</b>	<b>9.1</b>
<b>Amortisation and impairment</b>			
Balance as at 01 January 2017	-	1.5	1.5
Amortisation for the year	-	3.3	3.3
<b>Balance as at 31 December 2017</b>	<b>-</b>	<b>4.8</b>	<b>4.8</b>
<b>Amortisation and impairment</b>			
Balance as at 01 January 2018	-	4.8	4.8
Amortisation for the year	-	2.8	2.8
Accumulated amortisation on disposal of BPL business pursuant to business transfer		(2.8)	(2.8)
<b>Balance as at 31 December 2018</b>	<b>-</b>	<b>4.8</b>	<b>4.8</b>
<b>Net Block as at 31 December 2017</b>	<b>-</b>	<b>7.9</b>	<b>7.9</b>
<b>Net Block as at 31 December 2018</b>	<b>-</b>	<b>4.3</b>	<b>4.3</b>

The Company has availed the deemed cost exemption in relation to the Intangible assets on the date of transition to Ind AS and hence the net block carrying amount under the previous GAAP as on January 01, 2016 has been considered as the gross block carrying amount on that date.

Particulars	As at 31 December 2018	As at 31 December 2017
<b>Note 6</b>		
<b>Loans</b>		
Unsecured, considered good unless otherwise stated		
Loans to employees	0.6	1.3
<b>Total</b>	<b>0.6</b>	<b>1.3</b>
<b>Note 7</b>		
<b>Other financial assets</b>		
Unsecured, considered good unless otherwise stated		
Security Deposits		
Considered good	39.0	86.1
Considered doubtful	4.6	4.9
Less : Allowance for doubtful deposits	(4.6)	(4.9)
	<b>39.0</b>	<b>86.1</b>

# Notes forming part of financial statements

for the year ended 31 December 2018

(All amounts are in million, except share data and as stated)

	As at 31 December 2018	As at 31 December 2017
<b>Note 8</b>		
<b>Deferred tax assets</b>		
Deferred Tax Assets on account of:		
Property, plant and equipment and Intangible assets	(13.9)	25.8
Provision for doubtful trade receivables, deposits and advances	7.8	18.6
Personnel and other related provisions	64.4	129.2
Provision for sales tax matters	34.2	26.1
Other provisions	87.8	108.3
<b>Total</b>	<b>180.3</b>	<b>308.0</b>
<b>Note 9</b>		
<b>Other non current assets</b>		
Capital advances	9.8	33.2
Advance to others	-	5.9
Balances with government authorities	26.0	90.9
Prepaid expenses	-	11.3
<b>Total</b>	<b>35.8</b>	<b>141.3</b>
<b>Note 10</b>		
<b>Non current tax assets (net)</b>		
Advance income tax [Net of provision for tax ₹ 4,863.2 million (31 December 2017: ₹ 4,286.0 million)]	786.6	612.5
<b>Total</b>	<b>786.6</b>	<b>612.5</b>
<b>Note 11</b>		
<b>Inventories</b>		
<i>(Valued at lower of cost and net realisable value)</i>		
Raw materials [Includes stock-in-transit ₹ Nil (31 December 2017: ₹ 2.2 million)]	505.9	318.7
Packing materials	94.3	85.4
Work in process	53.8	82.2
Finished products	444.1	468.4
Stock-in-trade [Includes stock-in-transit ₹ Nil (31 December 2017: ₹ 83.2 million)]	27.0	610.1
Stores and spares	8.4	12.6
<b>Total</b>	<b>1,133.5</b>	<b>1,577.4</b>

During the year ended 31 December 2018, the write-down of inventories to net realisable value amounted to ₹ Nil (31 December 2017: ₹ 10.5 million). These adjustments were included in cost of material consumed and changes in inventories.



# Notes forming part of financial statements

for the year ended 31 December 2018

(All amounts are in million, except share data and as stated)

	As at 31 December 2018	As at 31 December 2017
<b>Note 12</b>		
<b>Investments</b>		
<i>(Investments carried at fair value through profit and loss)</i>		
<b>Investment in mutual funds (Unquoted)</b>		
Nil units, (31 December 2017: 69,708.16 units) of LIC MF Liquid Fund - Dividend Plan	-	76.4
Nil units, (31 December 2017: 144,290.95 units) of Canara Robeco Liquid - Regular Daily Dividend	-	145.1
Nil units, (31 December 2017: 207,588.79 units) of SBI Premier Liquid Fund-Regular Plan - Daily Dividend	-	208.3
Nil units, (31 December 2017: 268,944.90 units) of UTI Money Market Fund - Institutional Plan - Daily Dividend Reinvestment	-	269.9
<b>Total</b>	<b>-</b>	<b>699.7</b>
<b>Aggregate book value of unquoted investments</b>	<b>-</b>	<b>699.7</b>
<b>Note 13</b>		
<b>Trade receivables</b>		
Unsecured, considered good	661.7	1,226.6
Unsecured, considered doubtful	17.7	48.8
Less: Allowance for doubtful debts	(17.7)	(48.8)
<b>Total</b>	<b>661.7</b>	<b>1,226.6</b>
<b>Note 14</b>		
<b>Cash and cash equivalents</b>		
Cash in Hand	-	*
Balance with Banks		
In Current accounts	4,590.9	98.8
In Term deposits (less than 3 months maturity)	6,600.0	-
In Unpaid dividend accounts	5.2	4.4
<b>Total</b>	<b>11,196.1</b>	<b>103.2</b>
Unpaid dividend of ₹ 5.2 million (31 December 2017: ₹ 4.4 million), included in bank balances, is not available for use by the Company.		
Figures below Rupees 50,000 are disclosed by “*”		
<b>Note 15</b>		
<b>Bank balances other than cash and cash equivalents</b>		
Term deposits with maturity more than 3 months but less than 12 months	1,238.1	2,678.6
<b>Total</b>	<b>1,238.1</b>	<b>2,678.6</b>

# Notes forming part of financial statements

for the year ended 31 December 2018

(All amounts are in million, except share data and as stated)

	As at 31 December 2018	As at 31 December 2017
<b>Note 16</b>		
<b>Loans</b>		
Unsecured, Considered Good, unless otherwise stated		
Current portion of long-term loans and advances		
Loan to employees	0.6	1.0
<b>Total</b>	<b>0.6</b>	<b>1.0</b>
<b>Note 17</b>		
<b>Other financial assets</b>		
Interest accrued but not due on term deposits	71.6	81.2
Other receivables		
From related parties (refer note 39)	75.6	64.3
From Others	106.4	-
<b>Total</b>	<b>253.6</b>	<b>145.5</b>
<b>Note 18</b>		
<b>Other current assets</b>		
Advances to employees (Unsecured)		
considered good	11.3	1.1
considered doubtful	-	3.5
Less: Allowance for doubtful advances	-	(3.5)
	<b>11.3</b>	<b>1.1</b>
Advance for supply of goods	15.9	155.5
Balances with government authorities	779.7	785.2
Prepaid expenses	52.5	87.3
<b>Total</b>	<b>859.4</b>	<b>1,029.1</b>
<b>Note 19</b>		
<b>Equity share capital</b>		
<b>Authorised</b>		
18,000,000 (31 December 2017: 18,000,000) equity shares of ₹ 10 each	180.0	180.0
<b>Issued, subscribed and paid-up</b>		
16,599,382 (31 December 2017: 16,599,382) equity shares of ₹ 10 each	166.0	166.0
<b>Total issued, subscribed and fully paid-up share capital</b>	<b>166.0</b>	<b>166.0</b>

## (a) Reconciliation of Equity shares outstanding at the beginning and at the end of the reporting period

Particulars	As at 31 December 2018		As at 31 December 2017	
	Number	Amount	Number	Amount
Number of equity shares at the beginning and end of the year	16,599,382	166.0	16,599,382	166.0

# Notes forming part of financial statements

for the year ended 31 December 2018

(All amounts are in million, except share data and as stated)

## (b) Terms/ rights attached to equity shares

The Company has a single class of equity shares. Accordingly, all equity shares rank equally with regard to dividends and share in the Company's residual assets. The equity shares are entitled to receive dividend as declared from time to time. The voting rights of an equity shareholder on a poll (not on show of hands) are in proportion to its share of the paid-up equity capital of the Company. Voting rights cannot be exercised in respect of shares on which any call or other sums presently payable have not been paid. Failure to pay any amount called up on shares may lead to forfeiture of the shares. On winding up of the Company, the holders of equity shares will be entitled to receive the residual assets of the Company, remaining after distribution of all preferential amounts in proportion to the number of equity shares held.

## (c) Shares held by Holding Company/ Subsidiaries of Ultimate Holding Company

Particulars	As at 31 December 2018		As at 31 December 2017	
	Number	Amount	Number	Amount
<b>Subsidiaries of Ultimate Holding Company, Merck KGaA</b>				
Emedia Export Company mbH, Germany	-	-	3,534,559	35.4
Merck Internationale Beteiligungen GmbH, Germany	-	-	3,091,224	30.9
Chemitra GmbH, Germany	-	-	1,973,441	19.7
<b>Subsidiary of Ultimate Holding Company, The Procter &amp; Gamble Company, USA</b>				
Procter and Gamble Overseas India BV*	8,601,071	86.0	-	-
	<b>8,601,071</b>	<b>86.0</b>	<b>8,599,224</b>	<b>86.0</b>

\*Shareholding of Procter and Gamble Overseas India BV includes 1,847 shares acquired from public shareholders through an Open Offer process.

## (d) Particulars of shareholders holding more than 5% of shares

Particulars	As at 31 December 2018		As at 31 December 2017	
	Number	%	Number	%
Emedia Export Company mbH, Germany	-	-	3,534,559	21.3%
Merck Internationale Beteiligungen GmbH, Germany	-	-	3,091,224	18.6%
Chemitra GmbH, Germany	-	-	1,973,441	11.9%
Procter and Gamble Overseas India BV	8,601,071	51.8%	-	-
Life Insurance Corporation of India	675,914	4.1%	966,021	5.9%

## (e) Payment of Dividend

Particulars	As at 31 December 2018	As at 31 December 2017
Year to which the dividend relates	2017	2016
<b>Subsidiaries of Ultimate Holding Company, Merck KGaA</b>		
Emedia Export Company mbh, Germany	53.0	38.9
Merck Internationale Beteiligungen GmbH, Germany	46.4	34.0
Chemitra GmbH, Germany	29.6	21.7

Subject to approval of shareholders at the annual general meeting, Board of Directors have recommended dividend of 4400% (at the rate of ₹ 440/- per share of ₹ 10 each) on 16,599,382 equity shares, which includes a one-time special dividend of 4160% (at the rate of ₹ 416/- per share of ₹ 10 each) on account of gain on Business Transfer for the year ended 31 December 2018.

# Notes forming part of financial statements

for the year ended 31 December 2018

(All amounts are in million, except share data and as stated)

Particulars	As at 31 December 2018	As at 31 December 2017
<b>Note 20</b>		
<b>Other Equity</b>		
<b>Reserves and Surplus</b>		
Capital reserve	2.6	2.6
Capital redemption reserve	2.6	2.6
Securities premium account	111.3	111.3
General reserve	3,438.9	3,438.9
Retained earnings	11,679.7	3,611.2
<b>Total</b>	<b>15,235.1</b>	<b>7,166.6</b>
<b>(a) Retained earnings</b>		
Opening balance	3,611.2	2,916.8
Net Profit for the year	8,387.2	939.1
Remeasurement of post-employment benefit obligation, net of tax	(18.2)	(25.0)
Transfer to general reserve	-	-
Equity dividend [₹ 15/- per equity share (31 December 2017: ₹ 11/- per equity share)]	(249.0)	(182.6)
Tax on equity dividend	(51.5)	(37.2)
<b>Closing balance</b>	<b>11,679.7</b>	<b>3,611.2</b>
<b>Note 21</b>		
<b>Long term provisions</b>		
Provision for employee benefits:		
Provision for Gratuity (refer note 41)	14.3	130.7
Provision for Compensated Absences (refer note 41)	40.5	51.6
Provision for other employee benefits (refer note 41)	68.7	8.7
Provision for sales tax (refer note 47)	87.4	75.7
<b>TOTAL</b>	<b>210.9</b>	<b>266.7</b>
<b>Note 22</b>		
<b>Other non-current liabilities</b>		
Rent equalisation reserve	22.4	60.3
<b>TOTAL</b>	<b>22.4</b>	<b>60.3</b>
<b>Note 23</b>		
<b>Trade Payables</b>		
Acceptances	2.8	29.8
Total outstanding dues of micro and small enterprises (refer note 46)	22.9	30.9
Total outstanding dues of Creditors other than micro and small enterprises	888.5	772.1
<b>TOTAL</b>	<b>914.2</b>	<b>832.8</b>

# Notes forming part of financial statements

for the year ended 31 December 2018

(All amounts are in million, except share data and as stated)

Particulars	As at 31 December 2018	As at 31 December 2017
<b>Note 24</b>		
<b>Other financial liabilities</b>		
Creditors for capital purchases	65.3	67.1
Employee benefits payable	38.5	72.5
Payable towards services received	460.7	490.2
Unpaid dividend	5.2	4.4
<b>TOTAL</b>	<b>569.7</b>	<b>634.2</b>
<b>Note 25</b>		
<b>Other current liabilities</b>		
Advances from customers	18.0	42.1
Payables towards statutory dues	21.3	144.8
<b>TOTAL</b>	<b>39.3</b>	<b>186.9</b>
<b>Note 26</b>		
<b>Short term Provisions</b>		
Provision for employee benefits:		
Provision for Compensated Absences (refer note 41)	32.8	12.0
Provision for other employee benefits (refer note 41)	144.3	277.7
Other provisions (refer note 47)	59.0	101.9
<b>TOTAL</b>	<b>236.1</b>	<b>391.6</b>
<b>Note 27</b>		
<b>Current tax liabilities (net)</b>		
Provision for tax [net of advance tax paid ₹ 3,548.8 million (31 December 2017: ₹ 1,269.3 million)]	200.9	206.1
	<b>200.9</b>	<b>206.1</b>
Particulars	For the year ended 31 December 2018	For the year ended 31 December 2017
<b>Note 28</b>		
<b>Revenue from operations</b>		
Sale of finished goods	4,793.2	3,779.9
Sale of traded goods	3,388.7	3,201.5
Other operating revenue	308.0	133.3
<b>TOTAL</b>	<b>8,489.9</b>	<b>7,114.7</b>
<b>Other operating revenue:</b>		
Income from shared services	297.7	132.3
Duty drawback on exports	6.8	0.9
Sale of scrap	3.5	0.1
	<b>308.0</b>	<b>133.3</b>

# Notes forming part of financial statements

for the year ended 31 December 2018

(All amounts are in million, except share data and as stated)

Particulars	For the year ended 31 December 2018	For the year ended 31 December 2017
<b>Note 29</b>		
<b>Other income</b>		
Interest on:		
Loans and bank deposits	164.4	166.1
Delayed payments from customers	7.5	10.9
Dividend income on current investments	43.3	27.9
Net gain on account of foreign exchange fluctuations	9.9	21.1
Provisions no longer required written back	7.7	2.6
Unwinding of interest income	-	1.1
Miscellaneous income	11.1	11.0
<b>TOTAL</b>	<b>243.9</b>	<b>240.7</b>
<b>Note 30</b>		
<b>Cost of material consumed</b>		
Raw material and packing material consumed	2,455.2	1,853.0
<b>TOTAL</b>	<b>2,455.2</b>	<b>1,853.0</b>
<b>Note 31</b>		
<b>Purchase of Stock in trade</b>		
Purchase of Stock-in-Trade	273.1	376.5
<b>TOTAL</b>	<b>273.1</b>	<b>376.5</b>
<b>Note 32</b>		
<b>Changes in inventories of finished goods, stock-in-trade and work-in-progress</b>		
<b>Opening stock</b>		
Finished Goods/ Stock in trade	435.4	594.0
Work-in progress	54.7	36.0
	<b>490.1</b>	<b>630.0</b>
<b>Closing stock</b>		
Finished Goods/ Stock in trade	471.0	435.4
Work-in progress	53.8	54.7
	<b>524.8</b>	<b>490.1</b>
<b>Total changes in inventories</b>	<b>(34.7)</b>	<b>139.9</b>
Note: Inventory of finished goods/ stock in trade pertaining to Discontinued operations excluded from above:		
<b>Opening stock</b>		
Finished Goods/ Stock in trade	643.1	517.2
Work-in progress	27.5	50.4
	<b>670.6</b>	<b>567.6</b>
<b>Closing stock</b>		
Finished Goods/ Stock in trade	-	643.1
Work-in progress	-	27.5
	<b>-</b>	<b>670.6</b>

# Notes forming part of financial statements

for the year ended 31 December 2018

(All amounts are in million, except share data and as stated)

Particulars	For the year ended 31 December 2018	For the year ended 31 December 2017
<b>Note 33</b>		
<b>Employee benefit expenses</b>		
Salaries, wages and bonus	1,122.3	944.8
Contribution to Provident and other funds	105.6	56.7
Gratuity (refer note 41)	20.3	8.7
Staff welfare	64.5	88.6
<b>TOTAL</b>	<b>1,312.7</b>	<b>1,098.8</b>
<b>Note 34</b>		
<b>Depreciation and amortisation expense</b>		
Depreciation and amortisation expense	211.2	191.2
<b>TOTAL</b>	<b>211.2</b>	<b>191.2</b>
<b>Note 35</b>		
<b>Operating and other expenses</b>		
Stores and spare parts consumed	19.8	18.1
Power and fuel	122.3	116.8
Third party processing charges	489.5	465.7
Repairs and maintenance		
Building	0.2	0.4
Plant and Machinery	13.1	16.8
Others	43.5	35.5
Rates and taxes	105.9	27.1
Rent [refer note 43]	70.7	61.8
Printing, stationery, postage, telephone and electricity expenses	42.8	45.3
Legal and professional expenses	247.0	223.8
Directors sitting fees	1.1	0.8
Travelling, conveyance and vehicle expenses	343.1	328.0
Insurance	9.1	2.7
Research and development expenses	20.5	35.6
Corporate social responsibility expenses [refer note 51]	17.9	16.2
Loss on sale of fixed assets (net)	-	1.2
Packing, forwarding and freight	168.1	130.7
Clearing and forwarding agents commission	157.5	105.8
Selling agents commission	5.8	9.7
Sales promotion expenses	993.3	791.7
Provision for doubtful debts and advances (net)	(32.4)	(63.4)
Bad debts written off	7.4	61.1
Royalty	137.1	119.3
Miscellaneous expenses	26.5	19.9
<b>TOTAL</b>	<b>3,009.8</b>	<b>2,571.1</b>

# Notes forming part of financial statements

for the year ended 31 December 2018

(All amounts are in million, except share data and as stated)

Particulars	For the year ended 31 December 2018	For the year ended 31 December 2017
<b>Notes :</b>		
(i) Payment to Auditors (exclusive of taxes)		
Audit fees	2.0	2.0
Taxation matters	0.7	-
Other matters	-	-
Out of pocket expenses	0.2	0.1
<b>Total</b>	<b>2.9</b>	<b>2.1</b>

## Note 36

### Earnings per equity share

Calculation of weighted average number of equity shares

Number of equity shares outstanding at the beginning of the year	16,599,382	16,599,382
Number of equity shares outstanding at the end of the year	16,599,382	16,599,382
Weighted average number of equity shares outstanding during the year	16,599,382	16,599,382
Earnings per equity share of continuing operations (of ₹ 10/- each)		
Profit after tax of continuing operations	1,017.4	610.4
Basic and Diluted (in ₹)	61.3	36.8
Earnings per equity share of discontinued operations (of ₹ 10/- each)		
Profit after tax of discontinued operations	7,369.8	328.7
Basic and Diluted (in ₹)	444.0	19.8
Earnings per equity share of continuing and discontinued operations (of ₹ 10/- each)		
Profit after tax of continuing and discontinued operations	8,387.2	939.1
Basic and Diluted (in ₹)	505.3	56.6

## Note - 37

### Financial instruments – Fair values

#### A. Accounting classification and fair values

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities if the carrying amount is a reasonable approximation of fair value.

31 December 2018	Carrying amount				Fair value			
	FVTPL	FVTOCI	Amortised Cost	Total	Level 1	Level 2	Level 3	Total
<b>Financial assets</b>								
Long term Loans	-	-	0.6	0.6	-	-	-	-
Security Deposits	-	-	39.0	39.0	-	39.0	-	39.0
Investments	-	-	-	-	-	-	-	-
Trade and other receivables	-	-	661.7	661.7	-	-	-	-
Cash and cash equivalents	-	-	11,196.1	11,196.1	-	-	-	-
Other bank balances	-	-	1,238.1	1,238.1	-	-	-	-
Loans	-	-	0.6	0.6	-	-	-	-
Other financial assets	-	-	253.5	253.5	-	-	-	-
	-	-	<b>13,389.6</b>	<b>13,389.6</b>	-	<b>39.0</b>	-	<b>39.0</b>
<b>Financial liabilities</b>								
Trade and other payables	-	-	914.2	914.2	-	-	-	-
Other financial liabilities	-	-	569.7	569.7	-	-	-	-
	-	-	<b>1,483.9</b>	<b>1,483.9</b>	-	-	-	-



# Notes forming part of financial statements

for the year ended 31 December 2018

(All amounts are in million, except share data and as stated)

31 December 2017	Carrying amount				Fair value			
	FVTPL	FVTOCI	Amortised Cost	Total	Level 1	Level 2	Level 3	Total
<b>Financial assets</b>								
Long term Loans	-	-	1.3	1.3	-	-	-	-
Security Deposits	-	-	86.1	86.1	-	86.1	-	86.1
Investments	699.7	-	-	699.7	699.7	-	-	699.7
Trade and other receivables	-	-	1,226.6	1,226.6	-	-	-	-
Cash and cash equivalents	-	-	103.2	103.2	-	-	-	-
Other bank balances	-	-	2,678.6	2,678.6	-	-	-	-
Loans	-	-	1.0	1.0	-	-	-	-
Other financial assets	-	-	145.5	145.5	-	-	-	-
	<b>699.7</b>	<b>-</b>	<b>4,242.3</b>	<b>4,942.0</b>	<b>699.7</b>	<b>86.1</b>	<b>-</b>	<b>785.8</b>
<b>Financial liabilities</b>								
Trade and other payables	-	-	832.8	832.8	-	-	-	-
Other financial liabilities	-	-	634.2	634.2	-	-	-	-
	<b>-</b>	<b>-</b>	<b>1,467.0</b>	<b>1,467.0</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

## B. Measurement of fair values

The following tables show the valuation techniques used in measuring Level 2 fair values.

### Financial instruments measured at fair value

Type	Valuation technique
Security Deposits (at amortised cost)	Discounted cash flow approach: The valuation model considers the present value of expected receipt, discounted using a risk adjusted discount rate.

## Note - 37

### Financial instruments – Risk management

#### Risk management framework

The Company's activities expose it to a variety of financial risks, including market risk, credit risk and liquidity risk. The Company's primary risk management focus is to minimize potential adverse effects of market risk on its financial performance. The Company's risk management assessment, policies and processes are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor such risks and compliance with the same. Risk assessment and management policies and processes are reviewed regularly to reflect changes in market conditions and the Company's activities. The Board of Directors and the Audit Committee is responsible for overseeing the Company's risk assessment and management policies and processes.

#### Financial risk management

The Company has exposure to the following risks arising from financial instruments:

- Credit risk;
- Liquidity risk and
- Market risk

#### i. Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers. Credit risk is managed through credit approvals, establishing credit limits and continuously monitoring the creditworthiness of customers to which the Company grants credit terms in the normal course of business. The Company establishes an allowance for doubtful debts and impairment that represents its estimate of incurred losses in respect of trade and other receivables and investments.

# Notes forming part of financial statements

for the year ended 31 December 2018

(All amounts are in million, except share data and as stated)

## Trade and other receivables

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the customer, including the default risk of the industry and country in which the customer operates, also has an influence on credit risk assessment. Credit risk is managed through credit approvals, establishing credit limits and continuously monitoring the creditworthiness of customers to which the Company grants credit terms in the normal course of business.

Summary of the Company's exposure to credit risk by age of the outstanding from various customers is as follows (before allowance for doubtful debts) :

Particulars	As at 31 December 2018	As at 31 December 2017
Neither past due nor impaired	473.4	802.8
<b>Past due but not impaired</b>		
Past due 1–90 days	182.3	381.2
Past due 91–180 days	1.6	28.0
Past due 181–270 days	0.7	13.9
Past due 271–360 days	0.9	10.8
Past due more than 360 days	20.5	38.7
	<b>679.4</b>	<b>1,275.4</b>

## Expected credit loss assessment

Exposures to customers outstanding at the end of each reporting period are reviewed by the Company to determine incurred and expected credit losses. Historical trends of impairment of trade receivables do not reflect any significant credit losses. Given that the macro economic indicators affecting customers of the Company have not undergone any substantial change, the Company expects the historical trend of minimal credit losses to continue. Further, management believes that the unimpaired amounts that are past due by more than 30 days are still collectible in full, based on historical payment behaviour and extensive analysis of customer credit risk. The impairment loss at 31 December 2018 related to several customers that have defaulted on their payments to the Company and are not expected to be able to pay their outstanding balances, mainly due to economic circumstances.

The movement in the allowance for impairment in respect of trade and other receivables during the year was as follows.

Particulars	As at 31 December 2018	As at 31 December 2017
Balance as at the beginning of the year	48.8	126.0
Impairment loss recognised/ (reversed) (net)	(26.4)	(28.4)
Amounts transferred relating to BPL Business	(4.7)	-
Amounts written back	-	(48.8)
Balance as at the year end	<b>17.7</b>	<b>48.8</b>

## Cash and cash equivalents

The Company held cash and cash equivalents and other bank balances with credit worthy banks and financial institutions of ₹ 12,434.2 million (31 December 2017: ₹ 2,781.8 million). The credit worthiness of such banks and financial institutions is evaluated by the management on an ongoing basis and is considered to be good.

## ii. Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company manages its liquidity risk by ensuring, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risk to the Company's reputation.

# Notes forming part of financial statements

for the year ended 31 December 2018

(All amounts are in million, except share data and as stated)

As of 31 December 2018 the Company has working capital of ₹ 13,382.8 million (31 December 2017: ₹ 5,270.7 million) including cash and cash equivalents and other bank balances of ₹ 12,434.2 million (31 December 2017: ₹ 2,781.8 million). Working capital is calculated as current assets less current liabilities.

## Note - 37

### Financial instruments – Risk management

#### Exposure to liquidity risk

The table below analyses the Company's financial liabilities into relevant maturity groupings based on their contractual maturities for:

Particulars	Contractual cash flows					
	Carrying amount	Total	1 year or less	1-2 years	2-5 years	More than 5 years
<b>As at 31 December 2018</b>						
<b>Non-derivative financial liabilities</b>						
Trade and other payables	914.2	914.2	914.2	-	-	-
Other financial liabilities	569.7	569.7	569.7	-	-	-
	<b>1,483.9</b>	<b>1,483.9</b>	<b>1,483.9</b>	-	-	-
<b>As at 31 December 2017</b>						
<b>Non-derivative financial liabilities</b>						
Trade and other payables	832.8	832.8	832.8	-	-	-
Other financial liabilities	634.2	634.2	634.2	-	-	-
	<b>1,467.0</b>	<b>1,467.0</b>	<b>1,467.0</b>	-	-	-

#### iii. Market risk

Market risk is the risk of loss of future earnings, fair values or future cash flows that may result from adverse changes in market rates and prices (such as interest rates, foreign currency exchange rates) or in the price of market risk-sensitive instruments as a result of such adverse changes in market rates and prices. Market risk is attributable to all market risk-sensitive financial instruments, all foreign currency receivables and payables and all short term and long-term debt. The Company is exposed to market risk primarily related to foreign exchange rate risk, interest rate risk and the market value of its investments. Thus, the Company's exposure to market risk is a function of investing and borrowing activities and revenue generating and operating activities in foreign currencies.

##### (a) Currency risk

The fluctuation in foreign currency exchange rates may have potential impact on the profit and loss account, where any transaction references more than one currency or where assets/liabilities are denominated in a currency other than the functional currency of the entity.

Considering the countries and economic environment in which the Company operates, its operations are subject to risks arising from fluctuations in exchange rates in those countries. The risks primarily relate to fluctuations in EURO and USD against the respective functional currency of the Company.

The Company does not use any derivative financial instruments to hedge foreign exchange and interest rate exposure.

##### Exposure to currency risk

The currency profile of financial assets and financial liabilities in respect of major currencies is as follows:

Particulars	Currency	Amounts in ₹		Amounts in foreign currency	
		As at 31 December 2018	As at 31 December 2017	As at 31 December 2018	As at 31 December 2017
Trade receivables	EUR	156.3	28.7	2.0	0.4
	USD	251.8	197.2	3.7	3.2
Trade payables	EUR	11.5	228.3	0.1	2.9
	USD	314.9	152.7	4.4	2.5

# Notes forming part of financial statements

for the year ended 31 December 2018

(All amounts are in million, except share data and as stated)

## Sensitivity analysis

A 10% strengthening / weakening of the respective foreign currencies with respect to functional currency of Company would result in increase or decrease in profit or loss and equity as shown in table below. This analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecast sales and purchases. The following analysis has been worked out based on the exposures as of the date of statements of financial position.

Effect in ₹	Profit or loss before tax		Equity, gross of tax	
	Strengthening	Weakening	Strengthening	Weakening
<b>31 December 2018</b>				
EUR	14.5	(14.5)	14.5	(14.5)
USD	(6.3)	6.3	(6.3)	6.3
<b>31 December 2017</b>				
EUR	(20.0)	20.0	(20.0)	20.0
USD	4.5	(4.5)	4.5	(4.5)

### (b) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

#### Exposure to interest rate risk

The interest rate profile of the Company's interest-bearing financial instruments is as follows.

Fixed-rate instruments	31 December 2018	31 December 2017
Financial assets	1,238.1	2,678.6

#### Interest rate sensitivity - fixed rate instruments

The Company does not account for any fixed-rate financial assets or financial liabilities at fair value through profit and loss, and the Company does not have any designated derivatives. Therefore, a change in interest rates at the reporting date would not affect profit and loss for any of these fixed interest bearing financial instruments.

## Note - 38

### Capital Management

The Company's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

The Company is a debt free Company and its funding requirements based on business plans are met through a mixture of equity and free reserves.

## Note - 39

### Related party relationships, transactions and balances

The table provides the information about the Group's structure including the details of the subsidiaries and the holding company. The following table provides the total amount of transactions that have been entered into with related parties for the relevant financial year:

#### A. Related parties and nature of relationship where control exists (upto 2 December 2018)

##### Ultimate Holding Company:

Merck KGaA, Germany through its subsidiaries listed below as investing associates holds 51.8% (31 December 2017: 51.8%) of equity share capital till 2 December 2018.

##### Investing Associates:

Chemitra GmbH, Germany

Emedia Export Company mbH, Germany

Merck Internationale Beteiligungen GmbH, Germany

# Notes forming part of financial statements

for the year ended 31 December 2018

(All amounts are in million, except share data and as stated)

## **Other related parties with whom transactions have taken place during the year (upto 2 December 2018):**

### **Fellow Subsidiaries:**

Ares Trading S.A., Switzerland  
EMD Millipore Corporaton, USA  
Merck & Cie., Switzerland  
Merck Chemicals (Shanghai) Company Ltd., China  
Merck Inc., Philippines  
Merck Performance Materials Ltd, Japan  
Merck Limited, Japan  
Merck Performance Materials Manufacturing G.K., Japan  
Merck KGaA & Co. Werk Spittal, Austria  
Merck Limited, Taiwan  
Merck Limited, Thailand  
Merck Pte Ltd, Singapore  
Merck spol. s.r.o, Czech Republic  
Merck SA, Brazil  
Merck Sdn Bhd, Malaysia  
Merck Selbstmedikation GmbH, Germany  
Merck Serono Co., Limited, Japan  
Merck Serono Middle East FZE-LLC  
Merck Serono SA, Switzerland  
Merck S. L. U., Spain  
Merck Specialities Private Limited, India  
Merck Life Science Private Limited, India  
P.T. Merck Chemicals and Lifesciences, Indonesia  
P.T. Merck Tbk., Indonesia  
Seven Seas Limited, United Kingdom  
Suzhou Taizhu Technology Development Co. Ltd., China  
Merck (Pty) Limited, South Africa  
Heipha Dr. Müller GmbH, Germany  
EMD Performance Materials Corporation, USA  
Ares Trading Uruguay S.A., Uruguay  
Merck Serono (Beijing) Pharmaceutical R&D Co., Ltd, China  
Merck Performance Materials Private Limited, India  
Merck Accounting Solutions & Services Europe GmbH  
Merck Business Solutions Asia Inc., Philippines

# Notes forming part of financial statements

for the year ended 31 December 2018

(All amounts are in million, except share data and as stated)

Merck Ltd., South Korea

Merck (Pty) Ltd., South Africa

Merck Pharmaceutical (HK) Ltd, Hongkong

Sigma Aldrich India Private Limited, India

Merck Performance Materials Ltd., South Korea

Merck Pharmaceuticals Manufacturing (Jiangsu) Co., Ltd, China

Merck Pty. Ltd., Australia

Merck Sdn Bhd, Malaysia

Merck Serono Australia Pty. Ltd., Australia

Merck Vietnam Ltd, Vietnam

Sigma-Aldrich Pte. Ltd., Singapore

Sigma-Aldrich Pty. Ltd., Australia

## **B. Related parties and nature of relationship where control exists (from 3 December 2018)**

### **Ultimate Holding Company:**

The Procter & Gamble Company, USA through its subsidiary, Procter & Gamble Overseas India B.V., The Netherlands holds 51.8% (w.e.f 03 December 2018) of equity share capital as at 31 December 2018.

[After the closing under the India Sale and Purchase Agreement, dated April 19, 2018, by and among, Merck Internationale Beteiligungen GmbH, Chemitra GmbH, Emedia Export Company mbH, Merck KGaA and Procter & Gamble Overseas India B.V.. As a result of this, effective December 03, 2018, Procter & Gamble Overseas India B.V. has become new promoter of the Company and the Company is now a Procter & Gamble Group Company.]

### **Fellow Subsidiaries:**

Merck Selbstmedikation GmbH, Germany

Merck KGaA & Co. Werk Spittal, Austria

## **C. Post Employment Benefit Plan**

Merck Provident Fund Trust, India

## **D. Key Managerial Personnel:**

Mr. Suresh Talwar (Chairman)

Mrs. Rani Ajit Jadhav (Independent Director)

Mr. H.C.H. Bhabha (Independent Director) Resigned w.e.f. November 28, 2018

Mr. Milind Thatte (Managing Director) Appointed w.e.f. April 01, 2018

Mr. Anand Nambiar (Managing Director) Resigned w.e.f. March 31, 2018

Mrs. Zoe Tang (Nominee Director) Resigned w.e.f. December 1, 2018

Mr. Amit Gupta (Executive Director) Appointed w.e.f. December 10, 2018

Mr. N. Krishnan (Executive Director) Resigned w.e.f. December 1, 2018

# Notes forming part of financial statements

for the year ended 31 December 2018

(All amounts are in million, except share data and as stated)

Transactions	Ultimate Holding Company	Investing Associates	Fellow Subsidiaries	Post Employment Benefit Plan	Key Managerial Personnel	Total
1. Purchase of goods	1,479.5	-	610.2	-	-	2,089.7
	(1,330.8)	(-)	(527.8)	(-)	(-)	(1,858.6)
2. Sale of goods	116.3	-	715.3	-	-	831.6
	(46.9)	(-)	(414.5)	(-)	(-)	(461.4)
3. Services received	214.4	-	33.8	-	-	244.4
	(235.0)	(-)	(117.2)	(-)	(-)	(352.2)
4. Royalty (expense)	193.8	-	-	-	-	193.8
	(157.6)	(-)	(-)	(-)	(-)	(157.6)
5. Services rendered	18.7	-	315.7	-	-	334.4
	(1.0)	(-)	(320.3)	(-)	(-)	(321.3)
6. Reimbursement of expenses	55.0	-	119.1	-	-	174.1
	(24.4)	(-)	(149.7)	(-)	(-)	(174.1)
7. Purchase of property, plant and equipment	-	-	1.9	-	-	1.9
	(-)	(-)	(-)	(-)	(-)	(-)
8. Advances given	-	-	-	-	-	-
	(-)	(-)	(3.6)	(-)	(-)	(3.6)
9. Consideration on sale of business**	-	-	10,520.0	-	-	10,520.0
	(-)	(-)	(-)	(-)	(-)	(-)
10. Dividend paid	-	129.0	-	-	-	129.0
	(-)	(94.6)	(-)	(-)	(-)	(94.6)
11. Contribution to provident fund	-	-	-	124.5	-	124.5
	(-)	(-)	(-)	(61.4)	(-)	(61.4)
12. Managerial remuneration (net) #	-	-	-	-	68.2	68.2
	(-)	(-)	(-)	(-)	(62.6)	(62.6)
13. Director's sitting fees and Commission	-	-	-	-	4.2	4.2
	(-)	(-)	(-)	(-)	(3.5)	(3.5)
14. Balances payable as at year-end *	-	-	73.0	-	-	73.0
	(121.1)	(-)	(118.4)	(-)	(-)	(239.5)
15. Balances receivable as at year-end *	-	-	126.1	-	-	126.1
	(11.4)	(-)	(77.5)	(-)	(-)	(88.9)

# Remuneration does not include charge for gratuity and compensated absences, as employee-wise break-up is not available.

\* Figures in “ ( ) ” represent balance as on 31 December 2017.

\*\* For details of business transfer of BPL business to Merck Lifescience Private Limited and its affiliates, refer note 48 to the financial statements.

## Related party relationships, transactions and balances

Out of the above items, transactions in excess of 10% of the total related party transactions are as under:

Sr. No.	Nature of Transactions - Profit and Loss	For the year ended 31 December 2018	For the year ended 31 December 2017
1	<b>Purchase of goods</b>		
	Merck KGaA, Germany	1,479.5	1,330.8
	Merck Performance Materials Ltd, Japan	281.7	202.4
	Merck Selbstmedikation GmbH, Germany	160.3	135.2

# Notes forming part of financial statements

for the year ended 31 December 2018

(All amounts are in million, except share data and as stated)

Sr. No.	Nature of Transactions - Profit and Loss	For the year ended 31 December 2018	For the year ended 31 December 2017
2	<b>Sale of goods</b>		
	Merck KGaA, Germany	116.3	46.9
	Merck KGaA & Co. Werk Spittal, Austria	353.4	184.5
	Merck Limited, Thailand	50.6	30.7
	EMD Performance Materials Corporation, USA	97.6	48.7
	Merck Serono Middle East FZE LLC	182.3	120.4
3	<b>Services received</b>		
	Merck KGaA, Germany	214.4	235.0
4	<b>Royalty</b>		
	Merck KGaA, Germany	193.8	157.6
5	<b>Services rendered</b>		
	Merck Specialities Private Limited, India	169.6	164.8
	Merck Life Science Private Limited, India	146.1	155.5
6	<b>Reimbursement of expenses</b>		
	Merck KGaA, Germany	55.0	24.4
	Merck Performance Materials Private Limited, India	-	63.4
	Merck Selbstmedikation GmbH, Germany	88.4	54.6
	Merck Life Science Private Limited, India	9.8	71.1
7	<b>Purchase of property, plant and equipment</b>		
	Merck Life Science Private Limited, India	1.9	-
8	<b>Advance given</b>		
	EMD Performance Materials Corporation, USA	-	3.6
9	<b>Consideration on sale of business</b>		
	Merck Specialities Private Limited, India	6,781.5	-
	Merck Life Sciences Private Limited, India	2,930.1	-
	Merck Performance Materials Private Limited, India	808.4	-
10	<b>Dividend paid</b>		
	Emedia Export Company mbh, Germany	53.0	38.9
	Merck Internationale Beteiligungen GmbH, Germany	46.4	34.0
	Chemitra GmbH, Germany	29.6	21.7
11	<b>Contribution to provident fund</b>		
	Merck Provident Fund Trust, India	124.5	61.4



# Notes forming part of financial statements

for the year ended 31 December 2018

(All amounts are in million, except share data and as stated)

Sr. No.	Nature of Transactions - Profit and Loss	For the year ended 31 December 2018	For the year ended 31 December 2017
12	<b>Managerial Remuneration (net of cross charge)</b>		
	Mr. Anand Nambiar (Managing Director) Resigned w.e.f. March 31, 2018	37.6	47.5
	Mr. Milind Thatte (Managing Director) Appointed w.e.f. April 01, 2018	15.5	-
	Mr. Amit Gupta (Executive Director) Appointed w.e.f. December 10, 2018	1.0	-
	Mr. N. Krishnan (Executive Director) Resigned w.e.f. December 1, 2018	14.1	15.1
13	<b>Director's sitting fees and Commission</b>		
	Mr. H.C.H Bhabha	1.3	1.2
	Mr. S. N. Talwar	1.7	1.4
	Mrs. Rani A. Jadhav	1.2	0.9

Sr. No.	Nature of Transactions - Balance Sheet	As at 31 December 2018	As at 31 December 2017
14	<b>Balances payable</b>		
	Merck KGaA, Germany	-	121.1
	Merck Selbstmedikation GmbH, Germany	73.0	32.4
	EMD Millipore Corporation, USA	-	5.5
	Merck & Cie., Switzerland	-	34.9
15	<b>Balances receivable</b>		
	Merck KGaA, Germany	-	11.4
	Merck Selbstmedikation GmbH, Germany	75.6	1.0
	Merck Performance Materials Private Limited, India	-	58.3
	Merck KGaA & Co. Werk Spittal	50.5	7.9

## Note - 40

### Tax expense

Particulars	For the year ended 31 December 2018	For the year ended 31 December 2017
<b>(a) Amounts recognised in profit and loss</b>		
<b>Current income tax</b>	549.7	412.8
<b>Changes in estimates related to prior period</b>	(47.4)	32.6
<b>Deferred tax attributable to-</b>		
Change in unrecognised deductible temporary differences	60.2	(66.6)
<b>Tax expense of Continuing operation</b>	<b>562.4</b>	<b>378.8</b>
<b>Tax expense of Discontinued operation</b>	<b>2,426.1</b>	<b>204.0</b>
<b>Total Tax Expense</b>	<b>2,988.5</b>	<b>582.8</b>
<b>(b) Amounts recognised in other comprehensive income</b>		
<b>Items that will not be reclassified to profit or loss</b>		
Remeasurements of the defined benefit plans	9.7	13.3

# Notes forming part of financial statements

for the year ended 31 December 2018

(All amounts are in million, except share data and as stated)

Particulars	For the year ended 31 December 2018	For the year ended 31 December 2017
<b>(c) Reconciliation of effective tax rate</b>		
<b>Profit for the year before tax (continuing and discontinued operations)</b>	<b>11,375.6</b>	<b>1,521.9</b>
Tax using the Company's domestic tax rate (34.944%)	3,975.1	526.7
Reduction in tax rates for long term capital gain on business transfer	(1,068.3)	-
<b>Tax effect of:</b>		
Dividend received	(15.1)	(9.7)
Current tax expenses relating to prior years	(47.4)	50.2
Donation	5.9	5.6
Liability based on calendar year and tax financial year	119.9	-
Others	18.4	10.0
	<b>2,988.5</b>	<b>582.8</b>

## (d) Movement in deferred tax balances

Particulars	As at 31 December 2018							
	Net balance 01 January 2018	Transfer on account of Sale of BPL business	Continuing Operations	Recognised in profit and loss*	Recognised in OCI	Net	Deferred tax liability	Deferred tax asset
Property, plant and equipment and Intangible assets	25.8	(2.3)	28.1	(42.0)	-	(13.9)	(13.9)	
Provision for doubtful trade receivables, deposits and advances	18.6	7.4	11.2	(3.4)	-	7.8	-	7.8
Personnel and other related provisions	129.2	32.0	97.2	(42.4)	9.7	64.5	-	64.5
Provision for sales tax matters	26.1	-	26.1	8.2	-	34.2	-	34.2
Other provisions	108.3	39.8	68.5	19.4	-	87.7	-	87.7
<b>Net tax assets / (liabilities)</b>	<b>308.0</b>	<b>76.9</b>	<b>231.0</b>	<b>(60.2)</b>	<b>9.7</b>	<b>180.3</b>	<b>(13.9)</b>	<b>194.3</b>

Particulars	As at 31 December 2017						
	Net balance 01 January 2017	Recognised in profit and loss**	Recognised in OCI	Net	Deferred tax liability	Deferred tax asset	
<b>Deferred tax assets / (liabilities)</b>							
Property, plant and equipment and Intangible assets	(34.9)	60.7	-	25.8	-	25.8	
Provision for doubtful trade receivables, deposits and advances	45.0	(26.4)	-	18.6	-	18.6	
Personnel and other related provisions	65.2	50.9	13.3	129.2	-	129.2	
Provision for sales tax matters	23.5	2.6	-	26.1	-	26.1	
Other provisions	93.7	14.6	-	108.3	-	108.3	
<b>Net tax assets / (liabilities)</b>	<b>192.5</b>	<b>102.4</b>	<b>13.3</b>	<b>308.0</b>	<b>-</b>	<b>308.0</b>	

\* For continuing operations

\*\* For continuing and discontinued operations

# Notes forming part of financial statements

for the year ended 31 December 2018

(All amounts are in million, except share data and as stated)

## Note - 41

### Employee benefit

#### Defined Benefit Plans

The Company operates two post employment defined benefit plans that provide Gratuity and Provident fund benefits. The gratuity plan entitles an employee, who has rendered at least five years of continuous service, to receive one-half month's salary for each year of completed service at the time of retirement/exit. The Company also makes specified monthly contributions towards employee provident fund to the Merck Employees Provident Fund Trust. The interest rate payable by the trust to the beneficiaries every year is being notified by the Government. The Company has an obligation to make good the shortfall, if any, between the return from the investments of the trust and the interest payable at the notified rate.

#### 1. Gratuity

##### A. Movement in net defined benefit (asset) liability

The following table shows a reconciliation from the opening balances to the closing balances for net defined benefit (asset) / liability and its components

Particulars	Defined benefit obligation		Fair value of plan assets		Net defined benefit	
	31 December 2018	31 December 2017	31 December 2018	31 December 2017	31 December 2018	31 December 2017
Opening balance	334.3	277.8	203.6	187.4	130.7	90.4
Expected return on plan assets			13.4	12.6	(13.4)	(12.6)
Employer contributions		-	159.5	1.3	(159.5)	(1.3)
Actuarial gain/(loss)	29.0	40.6	1.1	2.3	27.9	38.3
				-		-
Included in profit and loss					-	-
Current service cost	23.2	17.7		-	23.2	17.7
Past service cost	4.5	-		-	4.5	-
Interest cost (expense)	20.3	16.6			20.3	16.6
(Decrease) due to effect of any business combination, divestiture, transfers*	(95.6)	-	(97.5)		1.9	-
Total benefits paid	(21.4)	(18.4)		-	(21.4)	(18.4)
<b>Closing balance</b>	<b>294.3</b>	<b>334.3</b>	<b>280.0</b>	<b>203.6</b>	<b>14.3</b>	<b>130.7</b>
<b>Actuarial loss/ (gain) recognised</b>						
Remeasurement loss / (gain) due to:						
Financial assumptions	(16.9)	22.7	-	-	(16.9)	22.7
Experience adjustment	29.1	16.4	-	-	29.1	16.4
Demographic assumptions	16.7	1.5	-	-	16.7	1.5
Remeasurement (loss) / gain due to:						
Return on plan assets			1.1	2.3	(1.1)	(2.3)
	<b>29.0</b>	<b>40.6</b>	<b>1.1</b>	<b>2.3</b>	<b>27.9</b>	<b>38.3</b>
*Transfer of BPL Business						
<b>Remeasurement recognised in Other comprehensive income</b>	27.9	38.3				
<b>Breakup of defined benefit liability</b>						
Non current	14.3	130.7				
<b>B. Plan assets</b>						
Plan assets comprise the following						
<b>Insurer managed fund (100%)</b>			280.0	203.6		

# Notes forming part of financial statements

for the year ended 31 December 2018

(All amounts are in million, except share data and as stated)

## C. Actuarial assumptions

The following were the principal actuarial assumptions at the reporting date (expressed as weighted averages).

Particulars	For the year ended 31 December 2018	For the year ended 31 December 2017
Discount rate	7.6%	6.6%
Salary escalation rate	11.0%	11.0%
Attrition rate	12.0%	20.0%
Rate of return on plan assets	7.6%	6.6%
Mortality Rate	Indian Assured Lives Mortality (IALM) (2006-08)(modified) Ultimate	Indian Assured Lives Mortality (IALM) (2006-08)(modified) Ultimate

Assumptions regarding future mortality have been based on published statistics and mortality tables.

## D. Sensitivity analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have resulted in defined benefit obligation by the amount shown below.

Balance of defined benefit obligations	As at 31 December 2018		As at 31 December 2017	
	Increase	Decrease	Increase	Decrease
Discount rate (50 basis points)	286.9	302.1	327.9	340.9
Future salary growth (50 basis points)	302.5	286.4	341.6	327.2

## E. Expected future cash flows

The expected future cash flows in respect of gratuity as at 31 December 2018 were as follows

Expected future benefit payments	
31 December 2019	33.4
31 December 2020	47.8
31 December 2021	44.5
31 December 2022	40.7
31 December 2023	49.4
Next 5 years	235.7

Although the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumptions shown.

## 2. Contribution to Provident and Superannuation fund

Amount of ₹ 144.5 million (2017: ₹ 80.9 million) is recognised as an expense and included in "Employee costs" (refer note 33) in the Statement of Profit and Loss which includes continuing and discontinued operations.

In respect of provident fund set up by employer which requires interest shortfall to be met by the employer, it needs to be treated as defined benefit plan.

The Institute of Actuaries of India has issued guidance for measurement of provident fund liabilities on actuarial basis. Based on this guidance note, the actuary has provided an actuarial valuation of the provident fund liability of the Company as at 31 December 2018.

# Notes forming part of financial statements

for the year ended 31 December 2018

(All amounts are in million, except share data and as stated)

As per the report of the independent actuary, there is no shortfall as at 31 December 2018 (31 December 2017: ₹ Nil) that needs to be recorded by the Company.

Particulars	As at	As at
	31 December 2018	31 December 2017
Present value of benefit obligation	902.9	1,002.4
Plan assets at period end, at fair value	943.6	1,032.0
Liability recognised in balance sheet	-	-

Principal assumptions used in determining the present value obligation of interest rate guarantee under the Deterministic Approach:

Particulars	For the year ended	For the year ended
	31 December 2018	31 December 2017
Discount rate	7.6%	6.6%
Expected rate of return on assets	8.7%	8.7%

#### 4. Other long term employee benefits

Compensated absences are recognized when the employees render service that increase their entitlement to future compensated absence. Employees can carry forward and avail/ encash leave as per the policy of the Company. Compensated absences have been provided for, based on outstanding leave balance and the employees' gross pay in accordance with the actuarial valuation carried out by independent actuary.

Long term service award is given on completion of minimum 10 years of service. Award value varies with the term of service and has been provided in accordance with the actuarial valuation carried out by independent actuary.

#### Note - 42

##### Segment Reporting

##### A. General Information

The Company's chief operating decision maker (CODM) examined the Company's performance based on its business unit 'Pharmaceuticals' and 'Chemicals'. However, pursuant to execution of Business Transfer Agreement, in line with requirements of Ind AS 105 "Non-current Assets Held for Sale and Discontinued Operations", the results of operations of BPL business (Biopharma / Performance materials/ Life sciences) have been disclosed under discontinued operations for all the periods presented

Further, the internal organization of the Company and reportable segments have changed. The Company will now operate under only one segment i.e. Pharmaceuticals which is its continuing operations.

##### B. Geographical segment information

In respect of secondary segment information, the Company has identified its geographical segment as (i) Domestic and (ii) Exports.

(i) The secondary segment information has been disclosed accordingly.

Particulars	For the year ended 31 December 2018			For the year ended 31 December 2017		
	Domestic	Export	Total	Domestic	Export	Total
Revenue from continuing operations	7,458.0	1,031.9	8,489.9	6,420.6	694.1	7,114.7

(ii) The location of Company's non current assets (other than financial instruments and deferred tax assets) has been disclosed below:

Particulars	As at 31 December 2018			As at 31 December 2017		
	Within India	Out of India	Total	Within India	Out of India	Total
Non current assets	2,028.5	3.2	2,031.7	1,987.7	5.8	1,993.5

##### C. Information about major customers

There is no single customer which contributes more than 10% of the Company's total revenues.

# Notes forming part of financial statements

for the year ended 31 December 2018

(All amounts are in million, except share data and as stated)

## Note - 43

### Operating leases

The Company has entered into cancellable/ non-cancellable operating lease agreements for vehicles and office premises/godowns. The lease charges of ₹ 10.8 million (2017: ₹ 6.9 million) and ₹103.5 million (2017: ₹ 117.3 million) for vehicles and office premises/godowns respectively have been included under the sub-head Travelling, Conveyance and Vehicle Expenses and Rent respectively under the head "Operating and other expenses" in the Statement of Profit and Loss. The aforesaid amounts are in respect of both continuing and discontinued operations. There are no subleases.

### Operating Lease as Lessee:

Non-cancellable operating lease rentals payable (minimum lease payments) under these leases are as follows:

Particulars	As at 31 December 2018	As at 31 December 2017
Less than one year	52.9	79.7
Between one and five years	159.0	342.6
More than five years	-	188.2
	<b>211.9</b>	<b>610.5</b>

### Operating Lease as Lessor:

The Company has leased out certain office premises which have been classified as investment property. The lease term is 60 months with non cancellable period of 36 months. There is escalation clause in the lease agreement. The carrying amount of property given on operating lease and depreciation thereon for the period are:

Particulars	As at 31 December 2018	As at 31 December 2017
Gross carrying amount	52.1	-
Accumulated depreciation	12.1	-
Net carrying amount	38.2	-
Depreciation for the period	1.8	-
The future minimum lease payments under non-cancellable operating leases are as follows:		
Receivable within one year	21.0	-
Receivable between one and five years	27.6	-
Receivable after five years	-	-
<b>Total</b>	<b>48.6</b>	<b>-</b>

During the year, an amount of ₹ 9.0 million (2017: ₹ Nil) has been recognized as rental income and has been included in Other income under the head "Miscellaneous income" in the Statement of Profit and Loss.

## Note - 44

### Contingent liabilities

a) Summary of disputed statutory demands not accepted by the Company are given below:

	As at 31 December 2018	As at 31 December 2017
Income tax	984.6	769.9
State and Central Sales Tax, Entry Tax	242.2	89.2
Excise duty /Service tax	236.2	227.5
	<b>1,463.0</b>	<b>1,086.6</b>

In the view of the management of Company, future actualisation of above liabilities in relation to BPL operation transferred to Merck Life Science Private Limited, will be recovered from and managed by Merck Life Science Private Limited. Managements of the Company and Merck Life Science Private Limited are aligning this understanding basis business transfer agreements and hence these matters are disclosed as contingent liabilities.

# Notes forming part of financial statements

for the year ended 31 December 2018

(All amounts are in million, except share data and as stated)

- b) In June 2016, National Pharmaceutical Pricing Authority (NPPA) served a demand notice on the Company alleging that during the period from January 2006 to June 2009 the Company sold Polybion 100ml syrup at a price higher than the ceiling price fixed by it on 05 June 2008. Pursuant to orders passed by Kolkata High Court, NPPA gave another opportunity of hearing to the Company. NPPA did not accede to any of the Company's contention and issued a fresh demand notice dated 13 December 2016 demanding a sum of ₹ 292.2 million (₹ 116.8 million on account of overcharge during the said period and ₹ 175.4 million for interest thereon) for sales made by the Company during the period May 2006 to June 2009. The Company has challenged the said demand by way of writ petition, which is pending before Hon'ble Delhi High Court. In a separate proceedings filed by the manufacturer of the said drug, Cradel Pharmaceutical Private Limited, Hon'ble Kolkata High Court stayed the demand provided it deposits a sum of ₹ 22.5 million with the NPPA. The Company has been legally advised that the Company has a defensible case before Delhi High Court. Accordingly, no provision has been created in the books.
- c) During the year 2014, the Company had made a provision of ₹ 69.9 million towards a possible liability which may accrue to the Company due to a judgment passed by the Supreme Court in the year 2014 impacting the Pharmaceutical industry in India including the Company. The provision of ₹ 10.8 million was transferred as a part of BPL Business transferred to Merck Life Science Private Limited. The Company holds provision of ₹ 59.0 million in its books towards possible liability.
- d) National Pharmaceutical Pricing Authority (NPPA) issued the price fixation orders for about 350 drugs on 21 June 2013 including Metformin, a formulation used by the Company in Company's product Carbophage 500 SR. The orders did not clarify whether the prices so fixed are applicable only for plain tablet or innovative dosages as well. The Company sought clarification from NPPA, however, no clear response has been received. Pending this clarification NPPA had sent a notice dated June 06, 2014, claiming the differential pricing charged by the Company for Carbophage 500 SR over the prices notified. On the basis of a recent judgement passed by the High Court of Bombay, the Company made a provision of ₹ 32.0 million towards a possible liability which may accrue to the Company. Since Carbophage was part of the BPL business transferred to Merck Life Science Private Limited, the underlying provision was transferred out.

Further, NPPA has also issued a demand order dated May 10, 2017 of ₹ 5.2 million to the Company under the provisions of Drug Prices (Control) Order, 2013 ("DPCO") for overcharging in respect of Concor 5 mg Tablets (containing the bulk drug Bisoprolol 5 mg) with interest thereon @ 15% on the said amount.

The Company has challenged both the above matters by writ petition which are pending adjudication in the Bombay High Court. In the view of the management, future course of action in relation to both these matters, including any liabilities thereof will be managed directly by Merck Life Science Private Limited. Managements of the Company and Merck Life Science Private Limited are aligning this understanding basis business transfer agreements and hence, these matters are disclosed as contingent liabilities.

- e) During the year 2014, Central Excise issued a show cause cum demand notice on the Company covering a period of five years for alleged wrong classification of the products, Vitamin E Acetate min.92% for Poultry/ Cattle/Pig-feed, Vitamin E Liquid for Animal Nutrition (for Pig/Cattle/Poultry) and Vitamin E Dry Powder 50% for Animal Nutrition. The value of total demand was ₹ 188.7 million including penalty and interest.

Further, for same classification matter, the Company has received VAT/CST assessment orders of ₹ 155.4 million and notices covering a period of five years disallowing VAT exemption claimed for Vitamin E Acetate, Vitamin E dry powder, Vitamin E liquid for Animal nutrition classified as Animal feed. For the orders received, the Company has contested before the respective state appellate authorities.

The Central Excise had issued show cause cum demand on similar matter in the past as well. The value of such demand was ₹ 18 million. This was contested by the Company before the lower authorities. On the representation made by the Company the demand was dropped after considering various decisions pronounced by judicial and quasi-judicial authorities at the relevant time.

The Company based on legal opinion believes that it has a good case on merits as well as on limitations. Accordingly, no provision has been created in the books of accounts.

The aforesaid amounts have already been included under contingent liability at note 44(a) to the financial statements.

## Note - 45

### Capital Commitments

Estimated amount of contracts remaining to be executed on Capital Account (net of capital advances ₹ 9.8 million; 31 December 2017: ₹ 33.2 million) and not provided for ₹ 92.7 million (31 December 2017: ₹ 138.0 million)

# Notes forming part of financial statements

for the year ended 31 December 2018

(All amounts are in million, except share data and as stated)

## Note - 46

### Dues to micro and small enterprises:

Under the Micro Small and Medium Enterprises Development Act, 2006, (MSMED) which came into force from October 2, 2006 certain disclosures are required to be made relating to with Micro Small and Medium enterprises. On the basis of the information and records available with the Management, the following disclosures are made for the amounts due to the Micro Small and Medium enterprises, who have registered with the competent authorities:

	As at 31 December 2018	As at 31 December 2017
(i) Principal amount remaining unpaid to any supplier as at the year end	22.9	30.9
(ii) Interest due thereon remaining unpaid to any supplier as at the year end	-	0.3
(iii) Amount of interest paid by the Company in terms of section 16 of the MSMED Act, 2006, along with the amount of the payment made to the supplier beyond the appointed day during the accounting year	40.6 (Interest ₹ Nil)	40.3 (Interest ₹ Nil)
(iv) Amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under the MSMED Act, 2006	-	-
(v) Amount of interest accrued and remaining unpaid at the end of the accounting year	0.5	0.5
(vi) Amount of further interest remaining due and payable even in the succeeding years, for the purpose of disallowance as a deductible expenditure under Section 23 of the MSMED Act, 2006	-	-

## Note - 47

### Disclosure relating to provisions

#### Personnel and other related provision

The Company has made provisions for performance-based incentives.

#### Provisions in respect of sales tax matters

The Company has made provisions for various sales tax / value added tax related matters, which will be settled on completion of the respective assessments.

#### Other provisions

The Company has also made provisions for matters related to National Pharmaceutical Pricing Authority (NPPA).

Summary of the movement in the provisions is given below:

Particulars	Opening balance	Additions during the year	Utilizations	Reversals/ Transfer pertaining to BPL Business	Closing balance
Personnel provision*	286.4	291.4	245.7	119.0	213.1
	(260.7)	(254.2)	(228.5)	(-)	(286.4)
Provisions in respect of sales tax matters*	75.7	16.6	4.9	-	87.4
	(67.9)	(7.8)	(-)	(-)	(75.7)
Other provision*	101.9	-	-	42.8	59.1
	(101.9)	(-)	(-)	(-)	(101.9)

\* Figures in “( )” represent balance as on 31 December 2017.



# Notes forming part of financial statements

for the year ended 31 December 2018

(All amounts are in million, except share data and as stated)

## Note 48

### Discontinued Operations

#### (a) Description

“The Board of Directors vide their resolution dated 27 April 2018 and the shareholders vide their resolution dated June 12, 2018, have approved the execution of a business transfer agreement (BTA) with Merck Life Science Private Limited (MLSPL) to sell, lease or otherwise transfer certain businesses of the Company comprising exclusively of the biopharma, performance materials and life science segments (“BPL business”) to MLSPL (or to an affiliate of MLSPL, as directed by MLSPL), for an overall consideration of ₹ 10,520.0 million on a slump sale basis (the Business Transfer). After receiving the necessary approvals, the Business Transfer has been completed on November 30, 2018.

The Company has received the consideration as stated above and the resulting gain on Business Transfer of ₹ 9,135.7 million has been included under Profit before tax from discontinued operations.

Financial information related to discontinuing operation for the period ended to the date of disposal is set out below:”

#### (b) Financial Performance and cash flow information

The financial performance and cash flow information presented are for the 11 months ended 30 November 2018 and the year ended 31 December 2017.

Particulars	For the year ended 31 Dec 2018	For the year ended 31 Dec 2017
Revenue from operations	4,390.9	4,078.7
Expenses	3,730.8	3,546.0
<b>Profit before income tax</b>	<b>660.1</b>	<b>532.7</b>
Income tax expenses	229.7	204.0
<b>Profit after income tax</b>	<b>430.4</b>	<b>328.7</b>
Gain on the sale of discontinued business (After income tax)	6,939.4	-
<b>Profit from discontinued operation*</b>	<b>7,369.8</b>	<b>328.7</b>
Net cash inflow from operating activities	430.4	328.7
Net cash inflow from investing activities	-	-
(31 December 2018 includes inflow of ₹ 10,520 million from the sale of BPL business)	10,520.0	-
Net cash from financing activities	-	-
<b>Net increase in cash generated from discontinued operations</b>	<b>10,950.4</b>	<b>328.7</b>

\*The entire amount is attributable to shareholders of the Company.

#### (c) Details of the sale of BPL Business

Particulars	For the year ended 31 Dec 2018	For the year ended 31 Dec 2017
Consideration received	10,520.0	-
Carrying amount of net assets transferred	1,384.3	-
<b>Gain on transfer of BPL Business before income tax</b>	<b>9,135.7</b>	-
Income tax on capital gain	2,196.4	-
<b>Gain on transfer after income tax</b>	<b>6,939.4</b>	-

# Notes forming part of financial statements

for the year ended 31 December 2018

(All amounts are in million, except share data and as stated)

The carrying amount of assets and liabilities as at the date of transfer (30 November 2018) were as follows:

Particulars	As at 30 November 2018
Property, plant and equipment	127.2
Trade receivables	872.1
Inventories	724.0
Other current assets	120.3
<b>Total assets</b>	<b>1,843.5</b>
Trade payables	188.4
Other current liabilities	270.9
<b>Total liabilities</b>	<b>459.3</b>
<b>Net assets</b>	<b>1,384.3</b>

- d. In line with requirements of Ind AS 105 “ Non-current Assets Held for Sale and Discontinued Operations”, the results of operations of BPL business have been disclosed under discontinued operations for all the periods presented and the assets and liabilities of BPL business as on December 31, 2017 have not been reclassified as Assets held for sale.

## Note - 49

Exceptional items for the year comprise of profit from the sale of office premises located at Mumbai which was held for sale.

## Note - 50

### Transfer pricing

Transactions with related parties are governed by transfer pricing regulations of the Indian Income-tax Act, 1961. The Company's transactions with related parties are at arm's length as per the independent accountants report for the year ended 31 March 2018. Management believes that the Company's transactions with related parties post March 2018 continue to be at arm's length and that the transfer pricing legislation will not have any impact on the financial statements, particularly on the amount of tax expense and that of provision for taxation.

## Note - 51

### Corporate social responsibility

As per Section 135 of the Companies Act, 2013, the Company has constituted a Corporate Social Responsibility (CSR) Committee. During the year, the Company has spent on eradicating hunger, poverty, malnutrition, promoting education/education including skill development, preventive healthcare and sanitation and making available safe drinking water. The total amount spent by the Company towards CSR activities during the year is ₹ 17.9 million (31 December 2017: ₹ 16.2 million)

- (a) Gross amount required to be spent by Company during the year is ₹ 21.9 million (2017: ₹ 17.9 million)  
 (b) Amount spent during the year on: (Paid in Cash)

Sr. No.	Activities	For the year ended 31 December 2018	For the year ended 31 December 2017
<b>(a)</b>	<b>Construction and acquisition of assets</b>	-	-
<b>(b)</b>	<b>Other than (a) above</b>		
i	Health/ Environment Sustainability and Sanitation	2.6	4.9
ii	Education/ Education including skill development	5.7	5.4
iii	Environment /Sustainability	-	3.0
iv	Others	9.6	2.9
	<b>Total</b>	<b>17.9</b>	<b>16.2</b>

# Notes forming part of financial statements

for the year ended 31 December 2018

(All amounts are in million, except share data and as stated)

## Note - 52

In March 2018, the Ministry of Corporate Affairs issued the Companies (Indian Accounting Standards) Amendment Rules, 2018, notifying Ind AS 115 'Revenue from Contracts with Customers' (New Revenue Standard) w.e.f. accounting periods commencing on or after April 01, 2018, which replaces Ind AS 11 'Construction Contracts' and Ind AS 18 'Revenue'. The New Revenue Standard establishes principles for recognising revenue upon the transfer of promised goods or services to customers, in an amount that reflects the expected consideration received in exchange for those goods or services. The New Revenue Standard provides additional guidance on areas such as multiple-element arrangements, measurement approaches for variable consideration, specific guidance for licensing of intellectual property along with significant additional disclosures in relation to revenue. The New Revenue Standard also provides two broad alternative transition options – Retrospective Method and Cumulative Effect Method – with certain practical expedients available under the Retrospective Method. The Company continues to evaluate the impact of the New Revenue Standard on the present and future arrangements and shall determine the appropriate transition option once the said evaluation has been completed.

## Note - 53

There are no significant subsequent events that would require adjustments or disclosures in the financial statements as on the balance sheet date.

## Note - 54

Figures for the previous year have been re-grouped/re-arranged wherever necessary to conform current year's classification.

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As per our attached report of even date.

For **Haribhakti & Co. LLP**

Chartered Accountants

ICAI Firm Registration No. 103523W/W100048

**Bhavik L. Shah**

Partner

Membership No. 122071

Mumbai

Date: 27 February 2019

For and on behalf of the Board of Directors of Merck Limited  
CIN No. L99999MH1967PLC013726

**S. N. Talwar**

Chairman

DIN No.00001456

Mumbai

Date: 27 February 2019

**Milind Thatte**

Managing Director

DIN No. 08092990

**Amit Gupta**

Executive Director (Finance) and Chief financial officer

DIN No. 08295179

**Jeevan Mondkar**

Company Secretary

# Financial Highlights : 2009 - 2018

(All amounts are in million, except share data and as stated)

		2009	2010	2011	2012	2013	2014	2015	2016	2017 <sup>®</sup>	Change compared to previous year	2018 <sup>®</sup>
					##	##	##	##	**	**	+/- in %	**
<b>PROFIT &amp; LOSS ACCOUNT SUMMARY</b>												
Turnover	₹ Mio	4,731.1	5,090.8	5,575.7	6,580.7	7,729.6	8,324.5	9,083.2	10,017.7	7,114.7	19.3%	8,489.9
Operating and Other Income	"	432.1	433.7	488.8	494.1	462.7	553.7	544.9	524.1	240.7	1.3%	243.9
	"	5,163.2	5,524.5	6,064.5	7,074.8	8,192.3	8,878.2	9,628.1	10,541.8	7,355.4	18.7%	8,733.8
<b>Costs &amp; Expenses</b>												
Materials Cost	"	2,060.9	2,078.7	2,427.8	2,990.2	3,630.0	4,004.7	4,352.5	4,115.4	2,369.4	13.7%	2,693.6
Excise Duty <sup>**</sup>	"	-	-	-	-	-	-	-	372.1	133.4	-100.0%	-
Personnel Expenses	"	570.2	684.6	811.0	853.0	1,009.6	1,135.6	1,233.9	1,542.3	1,098.8	19.5%	1,312.8
Interest Expenses	"	-	-	-	-	-	-	-	-	-	-	-
Operating and Other Expenses	"	1,492.5	1,590.3	1,933.1	1,974.7	2,569.5	2,945.5	2,974.2	3,027.3	2,571.1	17.1%	3,009.8
Depreciation/Impairment loss (reversal)	"	75.1	213.8	(63.3)	89.0	100.7	126.8	234.2	333.0	363.5	-44.0%	203.5
	"	4,198.7	4,567.4	5,108.6	5,906.9	7,309.8	8,212.6	8,794.8	9,390.1	6,536.2	10.5%	7,219.7
Profit Before Taxation and exceptional items	"	964.5	957.1	955.9	1,167.9	882.5	665.6	833.3	1,151.7	819.2	84.8%	1,514.1
Exceptional items	"	-	-	-	-	-	-	-	-	170.0	-61.4%	65.7
Profit Before Taxation	"	-	-	-	-	-	-	-	-	989.2	59.7%	1,579.8
Provision for Taxation	"	309.7	325.3	319.1	383.9	323.7	233.4	297.7	360.4	378.8	48.5%	562.4
Profit after taxation from continued operations	"	-	-	-	-	-	-	-	-	610.4	66.7%	1,017.4
Profit before tax from discontinued operations <sup>4</sup>	"	-	-	-	-	-	-	-	-	532.7	1738.8%	9,795.9
Tax expense of discontinued operations	"	-	-	-	-	-	-	-	-	204.0	1089.3%	2,426.1
Profit after taxation from discontinued operations	"	-	-	-	-	-	-	-	-	328.7	2141.9%	7,369.8
Profit after taxation	"	654.8	631.8	636.8	784.0	558.8	432.2	535.6	791.3	939.1	793.1%	8,387.2
<b>BALANCE SHEET SUMMARY</b>												
<b>Assets Employed</b>												
Fixed Assets Gross	₹ Mio	1,482.9	1,536.0	1,679.4	1,783.8	1,969.3	2,317.2	2,579.0	2,653.4	1,911.5	4.2%	1,991.4
Fixed Assets (Net)	"	640.3	512.4	719.4	769.0	940.6	1,373.4	1,387.3	1,406.4	1,239.7	-5.5%	1,171.1
Investment property	"	-	-	-	-	-	-	-	-	-	100.0%	38.2
Investments	"	238.2	201.8	227.4	236.4	242.9	238.7	422.8	277.8	699.7	-100.0%	-
Current and Non-Current Asset (Net)	"	3,815.6	2,715.4	3,162.4	3,838.4	4,057.7	3,909.2	4,048.6	4,761.5	5,085.2	2653.3%	140,011.5
Deferred Tax Assets (Net)	"	-	34.6	-	-	-	21.7	56.8	192.5	308.0	-41.4%	180.3
	"	4,694.1	3,464.2	4,109.2	4,843.8	5,241.2	5,543.0	5,915.5	6,638.2	7,332.6	1828.4%	141,401.1
<b>Financed by</b>												
Share Capital	₹ Mio	166.0	166.0	166.0	166.0	166.0	166.0	166.0	166.0	166.0	0.0%	166.0
Reserves and surplus	"	4,506.9	3,298.2	3,934.8	4,670.6	5,064.3	5,377.0	5,749.5	6,472.2	7,166.6	112.6%	15,235.1
Shareholders Funds	"	4,672.9	3,464.2	4,100.8	4,836.6	5,230.3	5,543.0	5,915.5	6,638.2	7,332.6	110.0%	15,401.1
Deferred Tax Liability (Net)	"	21.2	-	8.4	7.2	10.9	-	-	-	-	-	-
	"	4,694.1	3,464.2	4,109.2	4,843.8	5,241.2	5,543.0	5,915.5	6,638.2	7,332.6	110.0%	15,401.1
<b>OTHER INVESTOR INFORMATION</b>												
Earnings per share continued operations	₹	-	-	-	-	-	-	-	-	36.8	66.7%	61.3
Earnings per share discontinued operations%	₹	-	-	-	-	-	-	-	-	19.8	2142.3%	444.0
Earning per share total	₹	39.0	38.1	38.4	47.2	33.7	26.0	32.3	47.7	56.6	793.2%	505.3
Dividend	%	200.0	950.0	-	25.0	85.0	60.0	75.0	110.0	150.0	2833.3%	4,400.0 <sup>®</sup>
Book value per share	₹	281.5	208.7	247.0	291.4	315.1	333.9	356.4	388.8	441.7	110.0%	927.8
Market value of share	High ₹	634.0	1,006.0	760.0	714.2	689.0	919.0	1,004.0	1,060.0	1,357.3	-100.0%	3,549.0
	Low ₹	293.0	566.0	553.0	555.0	523.0	536.0	716.0	623.0	933.0	-100.0%	1,301.25
No. of shareholders		24,083	27,284	27,313	26,857	27,257	28,591	34,030	32,005	29,199	10.3%	32,205
No. of Employees		1,245	1,257	1,257	1,277	1,496	1,515	1,554	1,579	1,544	-26.6%	1,134 <sup>§§</sup>

<sup>\*\*</sup> as per revised schedule VI

<sup>\*</sup> Subject to approval of shareholders at the Annual General Meeting, Board of Directors have recommended dividend of 4400% (at the rate of ₹ 440/- per share of ₹ 10 each which includes a special one time dividend of ₹ 416/- per share) for the year ended 31 December 2018.

<sup>\*\*</sup> Based on Ind AS financials

<sup>®</sup> Profit and Loss account summary figures for the year 2017 and 2018 pertain to continued operations, viz, Consumer health business.

<sup>§</sup> Figures for year 2018, includes Capital gain of ₹ 9,135.7 million on account of sale of BPL Business (Biopharm, Performance Materials and Life sciences business)

<sup>§§</sup> for Consumer health business.







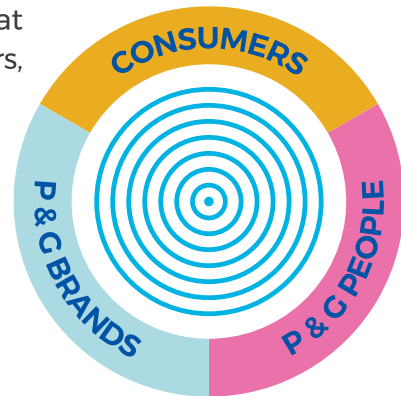
# Our Purpose, Values & Principles

## PURPOSE

We will provide branded products and services of superior quality and value that improve the lives of the world's consumers, now and for generations to come.

## VALUES

- | Integrity
- | Leadership
- | Ownership
- | Passion for winning
- | Trust



## PRINCIPLES

- ▶ We show respect for all individuals.
- ▶ The interests for the company and the individual are inseparable
- ▶ We are strategically focused on our work.
- ▶ Innovation is the cornerstone of our success.
- ▶ We are externally focused.
- ▶ We value personal mastery.
- ▶ We seek to be the best.
- ▶ Mutual interdependency is a way of life.

P&G Brands and P&G People are the foundation for P&G's success.

P&G People bring the values to life as we focus on improving the lives of the world's consumers







### **Merck Limited**

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