

Merck Limited

Instrument	Amount (in Rs. Crore)	Rating Action December 2016
Fund based Limits	16.75	[ICRA]AA reaffirmed; stable outlook
Non Fund based Limits	13.50	[ICRA]AA reaffirmed; stable outlook

ICRA has reaffirmed [ICRA]AA (pronounced as ICRA double A) to the Rs. 16.75 crore fund based and Rs. 13.50 crore non-fund based bank limits of Merck Limited (Merck). The outlook on the long-term rating is stable.

The reaffirmed rating takes into account Merck's strong parentage, strong presence in Vitamin Therapeutic area and product portfolio, robust brand image, increasing presence of chemical business bringing diversity to revenues, strong financial profile characterised by profitable operations and moderately high return on capital employed and strong liquidity. The company has reported improvement in profitability during CY2015 and 9mCY2016 owing to annual price hikes, higher growth for existing brands as well as geographical expansion and focus on generating more prescriptions. However, the rating is constrained by modest scale of operations, high product concentration on Vitamins and price control on Pharmaceutical portfolio generating margin pressure and affecting sales growth.

Going forward, ICRA expects the portfolio to generate healthy margins and maintain its strong financial profile by virtue of its strong product profile and liquid reserves.

About the company:

Merck Limited (Formerly E. Merck Limited) was set up in India in 1967; the first Merck Group company in Asia. Merck Limited went public in 1981 and was the first company to do so. The Merck Group now holds 51.8% of the share capital of Merck Limited, while the remaining 49% is publicly traded on the Bombay Stock Exchange and National stock Exchange. The company has nearly 1800 employees and has two lines of business mainly – Pharmaceuticals and Chemicals. In the Pharmaceutical segment major products include Vitamins, Nutritional supplement, Cardio Vascular, Respiratory, Hematinics, Cough and Cold, Non-Steroidal Anti Inflammatory (NSAID), Antibiotics, Oral Rehydration Salts and Encephalotropics.

Recent Results:

Merck Limited reported Operating Income of Rs. 938.1 crore and Rs. 475.9 crore for CY2015 and H1CY2016 respectively. It reported Profit after Tax of Rs. 53.6 crore and Rs. 30.15 crore for CY2015 and H1CY2016 respectively.

December 2016

For further details please contact:

Analyst Contacts:

Mr. Subrata Ray (Tel. No. +91 22 3047 0027)

subrata@icraindia.com

Gaurav Jain (Tel. No. +91 20 66069922)

gaurav.jain@icraindia.com

Relationship Contacts:

Mr. Jayanta Chhaterjee (Tel. No. +91 80 4332 6401)

jayantac@icraindia.com



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**Registered Office****ICRA Limited**

1105, Kailash Building, 11th Floor, 26, Kasturba Gandhi Marg, New Delhi 110001
Tel: +91-11-23357940-50, Fax: +91-11-23357014

Corporate Office**Mr. Vivek Mathur**

Mobile: +91 9871221122

Email: vivek@icraindia.com

Building No. 8, 2nd Floor, Tower A, DLF Cyber City, Phase II, Gurgaon 122002
Ph: +91-124-4545310 (D), 4545300 / 4545800 (B) Fax; +91- 124-4050424

Mumbai**Mr. L. Shivakumar**

Mobile: +91 9821086490

Email: shivakumar@icraindia.com

3rd Floor, Electric Mansion
Appasaheb Marathe Marg, Prabhadevi
Mumbai—400025,
Board : +91-22-61796300; Fax: +91-22-24331390

Kolkata**Mr. Jayanta Roy**

Mobile: +91 9903394664

Email: jayanta@icraindia.com

A-10 & 11, 3rd Floor, FMC Fortuna
234/3A, A.J.C. Bose Road
Kolkata—700020
Tel +91-33-22876617/8839 22800008/22831411,
Fax +91-33-22870728

Chennai**Mr. Jayanta Chatterjee**

Mobile: +91 9845022459

Email: jayantac@icraindia.com

5th Floor, Karumuttu Centre
634 Anna Salai, Nandanam
Chennai—600035
Tel: +91-44-45964300; Fax: +91-44 24343663

Bangalore**Mr. Jayanta Chatterjee**

Mobile: +91 9845022459

Email: jayantac@icraindia.com

'The Millenia'
Tower B, Unit No. 1004, 10th Floor, Level 2 12-14, 1 & 2,
Murphy Road, Bangalore 560 008
Tel: +91-80-43326400; Fax: +91-80-43326409

Ahmedabad**Mr. L. Shivakumar**

Mobile: +91 9821086490

Email: shivakumar@icraindia.com

907 & 908 Sakar -II, Ellisbridge,
Ahmedabad- 380006
Tel: +91-79-26585049, 26585494, 26584924; Fax:
+91-79-25569231

Pune**Mr. L. Shivakumar**

Mobile: +91 9821086490

Email: shivakumar@icraindia.com

5A, 5th Floor, Symphony, S.No. 210, CTS 3202, Range
Hills Road, Shivajinagar, Pune-411 020
Tel: + 91-20-25561194-25560196; Fax: +91-20-
25561231

Hyderabad**Mr. Jayanta Chatterjee**

Mobile: +91 9845022459

Email: jayantac@icraindia.com

4th Floor, Shobhan, 6-3-927/A&B. Somajiguda, Raj
Bhavan Road, Hyderabad—500083
Tel:- +91-40-40676500