

Moderator: Good morning ladies and gentlemen. Thank you for standing by. Welcome to the third quarter results conference call of Pfizer Ltd. We have with us Mr. Kewal Handa, Executive Director Finance Pfizer Ltd. At this moment, all participants are in a listen-only mode. Later, we will conduct a question and answer session. At that time, if you have a question, please press *1. I would now like to turn the conference over to Mr. Handa. Please go ahead, sir.

Kewal Handa: Good morning everybody. I have with me today Senior Director, Ram Krishnan. I have Mr. Gundu Rao who is the Financial Controller, Mr. Anjeneyan Company Secretary and Legal Chief, and a whole lot of people from the finance and marketing department. Let me first, at the outset, start with good news that Pfizer has launched another molecule of the Pfizer's stable of sertraline product, which is brand named as Daxid, it is used for antidepression and I was there in the launch meeting in Pune. The boys are very excited and I think this product should do pretty well. So during the year 2002, we actually launched two new products and one line extension and going forward, we have plans of launching around about two or three line extensions. So that is how we begin the year in 2003. Now, coming to the performance for the quarter, before that, I would like to really tell you a little bit more of how the industry has fared in the last quarter. You might have seen that the August performance has been terrible and this is mainly due to the delayed onset of the monsoon and also because of the short fall in the monsoon almost by 30%, there have been negative growths of some of the major MNC companies and which has really impacted the performance on the top line. We have been also impacted for various reasons and I would not take the shelter of monsoon as the predominant reason. We have been majorly impacted because the two reasons are moving forward on the integration of the Parke-Davis and Pfizer. We have been looking at redeployment of field force, draining of the field force, targeting, directory alignment, or filling of these vacancies, and also there were a whole lot of vacancies in terms of supervision levels and district managers and regional managers. Moving forward, I think, we are still not yet through with or reorganising the entire field force or redeployment of field force, and I think, it will take another quarter or two before we can say that we have settled as far as the field is concerned. This was a major uphill in the field, which has really impacted our sales, and you know, when the field people go to a new territory, it is almost impossible to know who your target is, or how do we really move around, and how do you book sales, and then there are other infrastructure issues he has to address before he addresses the business issues. So I think, it will take another quarter or so before we can say that we are through with the entire redeployment of the field force. But the good news is that Legacy Parke-Davis field force is very enthusiastic. They are very keen to improve the productivity and they are completely merged with the Pfizer field force. So there is no separate field force as such Legacy Parke-Davis. Now, we have three teams, two teams promoting pharmaceutical products and one team promoting the consumer health products. I will come to the consumer health products separately. The other reason, why really I would say our sales have been impacted is moving forward looking at the business module on vaccine, and particularly, I know, you have concerns regarding how Pfizer is going to take forward the Hepashield business or the hepatitis B vaccine business and we are really doing serious thinking, though, and I think, the major shortfall in the quarter is because of our inability to move forward with a

right business model as far as the vaccine is concerned. In fact, the entire shortfall, almost about 4.5% of the growth has been impacted mainly because of the vaccine. As you are aware, we had a peak period of sales in the earlier year on vaccines and this year, we have hardly any sales of vaccines. So obviously, the quarter would be very adversely impacted. Well, these are really the main reasons and I don't want to bother you with the smaller reasons as to why the sales have been impacted. Now, the other thing that has happened is, we are looking at the two corporate entities and trying to reorganise the business within the corporate entities. As you know, the operational integration means relooking at your logistics, relooking at your distributions, relooking at your vehicle which you are going to use for your future sales, and we have realised this fact, and we are saying that let us consolidate two things. During the quarter, you will see there is an increase in the sales in Pfizer Ltd. This is mainly because there have been shifts or consolidation of products in Pfizer Ltd. and moving forward we will, you know, use more of this as a vehicle and strengthen this as far as the sales is concerned. Therefore, we will drive a lot of synergies as far as the distribution is concerned, as far as the logistic is concerned, we may not require, you know, duplications of CNS and Duchem and Pfizer, and we will do away with it, so we will be able to capture a whole lot of synergies. And therefore, there is a spurt or increase on the top line as far as the Pfizer is concerned, almost by almost 17 or 18%, which is not the reality. If you take the products, which would have not been in Pfizer, had this reorganisation not been done. I think, the quarter would have been down in Pfizer by almost about 9% and that is the reality, the quarter is really down by almost 9% and in total it is down by 7%. But having said that, the top line has been impacted, but we are really fortunate enough to protect our bottom lines and if you look at the margins, really I am very happy to say that inspite of a decline on the top line, we have leveraged exceedingly well on our operating expenses and the margins, you know, have actually improved and if you recognise the fact that the base has gone up, the margins have come down, that is not the reality. You exclude the base and look at the margins, and you will see that the margins have really improved a lot. So I think, that the good part of the story is that the entire reorganisation, we are trying to capture value in Pfizer. We are trying to improve our absolute profitability, improve our margins. The ratios may be impacted to some extent because the base will change. I think that is what has happened during the quarter and moving forward, I still feel that we may have an issue for one quarter or two and then we would be able to really stabilise and show substantial growth. Then there are other industrial issues, which you would like to ask me and I would be very happy to take and I have Mr. Ram also with me and you can ask him any questions, which are specific industry-based and we are very happy to take. Now, I will hand over to you for any questions or clarifications you would like to have. Thank you very much.

Moderator: Thank you Mr. Handa. Ladies and gentlemen, we will now begin the question and answer session. If you have a question, please press *1 on your push button phone. If your question has been answered and you wish to withdraw your request, you may do so by pressing the # key. We have our first participant, Ms. Rohita Sharma from Pranav Securities.

Rohita Sharma: Hello, sir. I would like to know which are the two new products that we launched in the year 2002.

Kewal Handa: We have launched the product called Fumycin and this is for candidiasis and now we have launched a product called Daxid and this is for depression.

Rohita Sharma: Could you repeat the second product, please?

Kewal Handa: Daxid.

Rohita Sharma: Okay, and this is for?

Kewal Handa: Antidepression.

Rohita Sharma: Okay fine, thank you.

Kewal Handa: And you might be seeing some ads in the newspapers, actually these ads were well in advance for launch of our products. If you see the ads, the two old men or three old men drawing.....

Rohita Sharma: Yes.

Kewal Handa: And that is basically symbolising our antidepression product. And there is another ad with Hangal, you know, the shoo shoo ad, that is the BTH Minipress ad, really it is symbolising another focussed product of Minipress.

Rohita Sharma: Okay fine, thank you.

Moderator: Thank you, Ms. Sharma for your question. We have our next participant, Mr. Jamshed Desai from Taib Securities. Please go ahead with your question, sir.

Jamshed Desai: Mr. Handa

Kewal Handa: Yes.

Jamshed Desai: My question is related to the animal health business.

Kewal Handa: Yes.

Jamshed Desai: I was a little keen to know a little bit more about the animal health business. So can you just throw some light as to how that part of the business is faring in the current year because primarily, I think, you have been pretty busy with the, you know, Parke-Davis merger and getting that off the ground. So if you could just throw some light on how that business is faring and what would be the strategic position of that business in the long-term future of Pfizer India.....

Kewal Handa: Hmmm....Hmmm.

Jamshed Desai: And, because I noticed that in these first nine months, I think, there is some drop in the PBIT in the animal health business overall. So what were the reasons and how do you see this business panning out?

Kewal Handa: Very good. Globally, actually, the animal health business is not doing well. In fact, they are having negative growth worldwide, except, in some pockets in Asia, the business per se is not really doing well. There have been tremendous pressure on the margins on the animal health business. Some of the areas in Latin America and all are doing well, particularly, in the canine business as such. You know, we do not have our major persons here in canine's business.....

Jamshed Desai: Okay.

Kewal Handa: Now, what we have done in the animal health business is recognising the fact that there would be a good scope for canine business, we have actually started importing a whole of canine vaccines in the animal health business. So, a new range of vaccines have been added in the animal health business. Then we are also actually looking at an opportunity of looking at if we can acquire something in the animal health business to have a very critical mass in the animal health business. If you see really, Pfizer is the only global player today in the animal health business.

Jamshed Desai: Right.

Kewal Handa: Because GSK has only presence in India, but globally do not have presence in the animal health business worldwide.

Jamshed Desai: Right.

Kewal Handa: So, we are trying to see whether we can get a critical mass.

Jamshed Desai: Okay.

Kewal Handa: And I think, margins would be under pressure as far as the animal health business is concerned. Generic is an issue because a major product like Oxistat where it uses a product called salinomycin and where HEX is also selling the similar product. There has been generics and there has been a lot of pressure, but we have been focussing on certain segments, which we think, we are going to do pretty well. We just now in the disinfectant segment, we are going high in a big way, which is going to give good volume.

Jamshed Desai: Okay, sir. Thank you.

Moderator: Thank you, Mr. Desai for your questions. We have our next participant, Mr. Asif Kothari from ASK Raymond James. Please go ahead with your question, sir.

Asif Kothari: Yes, good morning Mr. Handa.

Kewal Handa: Yes, good morning Asif.

Asif Kothari: Yes. This is regarding for the third quarter, you mentioned that there is a 9% drop in the Pfizer, if I exclude Becosule.

Kewal Handa: It is not, I mean, I don't want to relate that with the causes as such, I am saying that you talk about the total reorganisation. That would be a better word to speak.

Asif Kothari: Okay, but what about the performance of this Corex. I believe, there is some FDA guideline become more strong in the northern part of India.

Kewal Handa: Well, Corex is an ethical product sold under prescription and we have been selling this product for so many years and you know, it is always an issue where that this product should be sold under prescription and there should be proper records and so on and so forth. Like any other product, it is a product that the chemist has to sell under prescription. Now, on and off, there have been issues of regulatory, but I think, it is a part of the business and we have to live with that, but Corex did show a growth of almost about 1 TT bases almost about 8% growth in Corex, we have shown. So, I think, though the quarter did have little bit of issues attached to it because of delayed monsoons, some of structure regulations, but moving forward, I think, we will be able to cross that.

Asif Kothari: Okay, and regarding this launch of Daxid, is there a generic product available in the market?

Kewal Handa: Which one?

Asif Kothari: Daxid.

Kewal Handa: Daxid, sertraline is the molecule and there are more products available. It is not first time launched by Pfizer. The products of Pfizer's have been copied and there are other molecules therapeutic also available, but I think, we have a good story, we are the original discoverer of this product and we are definitely going to do pretty well and it gives us a good opportunity to be in CNS now with another Legacy Parke-Davis product called Dilantin. So, our presence in CNS will be quite strong and effective now.

Asif Kothari: Okay, but can I know what is the price difference between the Pfizer product and the other competitors?

Kewal Handa: In this product, I think, it is very marginal. Therefore, I am very confident that we are going to do pretty well here.

Asif Kothari: Okay, and then in the presentation you mentioned about consumer division, can you throw some more light on this division?

Kewal Handa: Listen, we have two divisions, one is pharmaceutical and one is the consumer health division, where basically Legacy Parke-Davis products like Benadryl, Gelusil, Listerine are promoted and this has been pretty well and having a good growth and we expect that moving forward the model of Rx to OTC will survive and we will do pretty well.

Asif Kothari: Okay. Thank you, sir.

Moderator: Thank you, Mr. Kothari for your questions. We have our next participant, Mr. Jigar Shah from KR Choksi. Please go ahead with your question, sir.

Jigar Shah: Sir, the raw material cost for the quarter has gone up by about 42.9%. Raw material and packing material cost against, you know, sales growth of 11.7%. Could you throw some more light on that?

Kewal Handa: See, as I told you, you know, this will have a little bit of mismatch, I will call it because you are taking products, in Pfizer you were taking earlier only the service income. So, only the major part of the profits were captured. Now, you want to capture the top line, the sales as well as the cost line also. So, and the service income will get eliminated, but I think, all you have to look at is the overall margin improvement and which is really almost to my mind 2-3 percentage point margin improvement.

Jigar Shah: Thank you, sir.

Kewal Handa: Yes.

Moderator: Thank you, Mr. Shah for your question. We have our next participant, Mr. Sameer Narayan from Enam Securities. Please go ahead with your question, sir.

Sameer Narayan: Good morning, Handa saab.

Kewal Handa: Hi, Sameer. How are you?

Sameer Narayan: Fine, thank you, sir. Congratulations on good top line, in fact things seem to be now turning around since these couple of questions.....

Kewal Handa: No, no, no. I don't want congratulations for this quarter here.

Sameer Narayan: Sir, there are a couple of questions regarding.....

Kewal Handa: Discuss just the book of secretaries.

Sameer Narayan: Sir, a couple of questions regarding the EBIT margin, sir.

Kewal Handa: Hmmm.....

Sameer Narayan: Sir, if you look at the segmental analysis, although on the quarterly result front, here the margin definitely show the 2 percentage point improvement, but if you look at, let's say, the third quarter 02 versus third quarter 01, the EBIT margin is showing a drop of almost 5%.

Kewal Handa: See, again in the segmentation, you see, we have added the service incomes there.

Sameer Narayan: Okay.

Kewal Handa: Now, therefore, you know, if you see the segmentation, it is with service income and I did some analysis bringing out, let us say, I take it out like-to-like basis if I had Pfizer like-to-like without shift of the product, what would have been?

Sameer Narayan: Okay.

Kewal Handa: Actually, my margins of the pharmaceutical business have grown up by 3 percentage point.

Sameer Narayan: Sir, and it has grown over 3 percentage point to what level now?

Kewal Handa: I mean, if you look at like-to-like, it would be around 25 percentage.

Sameer Narayan: Okay, sir. So.....

Kewal Handa: Against the 22%, which we are showing in the published results.

Sameer Narayan: Okay. So that is, as far as the pharma margins at the EBIT level are concerned.

Kewal Handa: EBIT level, of course.

Sameer Narayan: Sir, as regards with the capital efficiency, sir. I mean, although the margins have improved, even if you look at the nine-month runway figure, let us say, the pharma, the ROC has dropped almost by 10%, in the sense, you know, if you look at the nine month August ending, the capital employed in the pharma business stands at about 130 crore.....

Kewal Handa: Hmmm.....

Sameer Narayan: And generated a sales of about 260 crore including the Becosule revenue at least for the nine-month of this year.....

Kewal Handa: Hmmm.....

Sameer Narayan: Whereas the last year, there was about 240 crore, which we generated after employing a capital of 98 crore, which was the ROA of 58% whereas this year it is 48%.

Kewal Handa: Hmmmm.....

Sameer Narayan: Sir, so any particular reason why this or this is just a transition and if yes, what is the reason?

Kewal Handa: I think, it is more of our transition and you know, when we are not getting the top line.....

Sameer Narayan: Hmmmm.....Hmmm.....

Kewal Handa: This will have an issue because then the generation doesn't take place at that pace.

Sameer Narayan: Okay.

Kewal Handa: So, once we get the top line in place, I think, this will be back to its old level.

Sameer Narayan: Sir because, I mean, so can we take that 55%, because Pfizer has traditionally been a very high ROC business. So, I mean, suddenly when you see such a huge drop in operational efficiency, it is slightly a worrisome factor sir.

Kewal Handa: Yes. Yes, I think we will be back on top of the track once, you know, the field force redeployment takes place and once the top line starts growing in double-digit figure, I think we should be back on track.

Sameer Narayan: And sir. Because this phenomenon, it is prevalent in animal health as well. So, can we understand that there is a lot of redeployment in the animal health field force as well.

Kewal Handa: Animal health, there is not much of a redeployment. Animal health is passing through a phase of recession, I would say, and margin crunch because of generic competition. Our major product called Coxistac, which is Salinomycin, is really under tremendous pressure and that account volumes about 20 to 30% of the animal health business. Therefore, the model, has been slightly, our focus has changed now on animal health, and as I told you canine disinfectant antibiotic one of the, we have launched and that is where we are really focusing.

Sameer Narayan: Correct.... And sir, these canine vaccines, when we could expect a launch in India?

Kewal Handa: We have already started. We are already in focus and started the canine vaccine.

Sameer Narayan: Okay. Sir, and the other question is regarding the Baxid, sir. Congratulations for the second parent product launch. Sir, if we look at the products that are been offered, let's say, even within the current players like, you know, Torrent and Zydus and Unichem, the price difference is immense. So where exactly, I mean, could we be adopting a premium pricing or we would be somewhere in the highest band kind of a thing.

Kewal Handa: I think, here it is not a very high premium.

Sameer Narayan: Okay.

Kewal Handa: It is very competitive pricing.

Sameer Narayan: Okay.

Kewal Handa: With a very, very good data research information available with the field force, and you know our first time really making a dent in CNS, our clients are really excited.

Sameer Narayan: Okay. I mean, in this case we will be leveraging our data from the parents.

Kewal Handa: Parents, of course.

Sameer Narayan: Okay.

Kewal Handa: The entire information would be from the parents.

Sameer Narayan: Okay, sir, and as regards the ad expenses, could you give us a flavor as to what were the kind of promotional expenses out of the other expenses this quarter.

Kewal Handa: Yes. Every quarter we did spend an ad-spend of almost about a crore rupees, if I am not mistaken.

Sameer Narayan: Okay.

Kewal Handa: And, to just be very specific, around a crore rupees, and over a period of time we did spend around about 2 to 2.5 crore rupees on those lovely ads.

Sameer Narayan: Yes. Sir, and we expect that, sir, we will be maintaining it at this rate because since now it will be, with the PD portfolio also coming up...

Kewal Handa: No. I am talking about, this ad which I am talking about, is particularly with the pharmaceutical product.

Sameer Narayan: Okay.

Kewal Handa: ...and the corporate ads.

Sameer Narayan: Okay, corporate, in the sense...

Kewal Handa: There has been corporate ads also earlier.

Sameer Narayan: So sir, those spending will be over and above those 2.5 crore?

Kewal Handa: We right now at this level, is committed and we have closed it. There is no additional spend right now.

Sameer Narayan: Okay.

Kewal Handa: So, you would have any additional in the fourth quarter, there is no spend on that.

Sameer Narayan: Okay sir. Sir, and as regards the revenue in this quarter, Pfizer is 110 crores. Sir, out of that how could we say, how much could we, would it be on a like to like basis in case you would remove Duchem and put that again in....

Kewal Handa: My guess, that should take round about 24 to 25 crores...okay so, that is round about.

Sameer Narayan: Okay at the top line.

Kewal Handa: Yes, the top line.

Sameer Narayan: Okay. So 24 and 25 crore this quarter?

Kewal Handa: Yes. Yes.

Sameer Narayan: Sir, and the other thing was regarding the consumer health division, sir. Now, since we have thought of starting off an OTC in a big way, and we will be slowly shifting the ethical products there. Sir, how do you see the timeframe involving in terms of when would you have a full-fledged OTC business with the entire portfolio and which would be those products?

Kewal Handa: I don't think so any pharmaceutical company is going all out OTC totally. Now, the model, which Legacy Parke-Davis has adopted, is going from RX to OTC roots, and I think we have very successfully done it. The growth that is coming in some of the top products that we are talking about. Looking forward, I don't think so we

will go all out OTC in next one or two years. We would like to consolidate this and then have a look at it, how do we move on.

Sameer Narayan: Okay. Because in the sense, when could we be looking at, lets say, Benadryl and Gelusil being actively shifted and being promoted in that division?

Kewal Handa: Which division? It is already promoted in the consumer division.

Sameer Narayan: Okay. And sir, any critical size that you see this OTC division attaining?

Kewal Handa: It is, it is critical size in terms of there would be adding two products there and may be more promotional expenses and we are looking at good growths from the OTC. Once it gets consolidated and you will see the impact coming on Pfizer also.

Sameer Narayan: And sir, right now which are the products that are being detailed by that division?

Kewal Handa: Its, Gelusil, Benadryl, Listerine, Ferradol...

Sameer Narayan: Okay. Okay sir. Right sir. Thank you sir.

Kewal Handa: Thank you.

Moderator: Thank you Mr. Narayan for your question. We have the next the participant, Mr. Bhat from Daulat Capital. Please go ahead with your question sir.

Satish Bhat: Hi Kewal, how are you?

Kewal Handa: Hi, how are you?

Satish Bhat: I am fine. Kewal, I wanted to know, whether in this quarter we have done any inventory cleanup?

Kewal Handa: In this quarter whether there is an inventory clean up. No.

Satish Bhat: And sir, what is cash position as of date?

Kewal Handa: Cash position of Pfizer?

Satish Bhat: Yes. Pfizer and Parke-Davis both put together.....

Kewal Handa: Parke-Davis has actually exhausted all its cash which it hired by making payment to VRS of field Hyderabad Plant and what not. Actually, we paid almost about 50 crore rupees VRS. So therefore, the income that was generated out of

the Saki Naka Plant has gone through reorganisation with the entire portfolio of Parke-Davis, as such. Now Pfizer as such, we have around about 20 crores as cash, so it is not very, too big.

Satish Bhat: And sir, how much payroll on account of the employee cost as well as VRS given for Parke-Davis people?

Kewal Handa: Savings... Yes, of course, the entire exercise is done. That is why we said that the synergies that we are going to capture overall would be around in the range of five crore rupees.

Satish Bhat: For this year or for the next year?

Kewal Handa: This year.

Satish Bhat: Yes. Okay. Thanks.

Moderator: Thank you Mr. Bhat for your question. We have the next participant, Mr. H. R. Gala from Quest Securities. Please go ahead with your question sir.

H. R. Gala: Hi Kewal, Gala here.

Kewal Handa: Hi Gala.

H. R. Gala: Yes. Today, we read in Economic Times that we are discontinuing our manufacturing activity with Omni for Becosule, has it been correctly reported?

Kewal Handa: It's a old news actually. We have reorganised the entire thing and we have, you know, consolidating our manufacturing in-house and Thane is also being upgraded and this action is in view of how we want to capture the benefits of manufacturing in one place and having entire thing under one control.

H. R. Gala: Okay. Are we likely to pay any compensation to them?

Kewal Handa: No.

H. R. Gala: No? Okay. What is your view on the DPCO? Where does the position stand now?

Kewal Handa: Your views and my views are the same on DPCO. The position is this way, you know, the government is quite upset with whoever has filed the public litigation case in Karnataka High Court. Lets not speculate who has done it, and they are very keen to see that it is vacated, and the SLP is ready, all the annexures are ready. They were supposed to be filed last week on Friday. I don't think it was filed and my feeling is either it should be filed today or tomorrow.

H. R. Gala: Yes.

Kewal Handa: ..Because the government does not want to wait for the next hearing because there has been partial vacation of the stay and even if they go for the next hearing, there is no guarantee it will be heard, it may you know, get readjourned for another month.

H. R. Gala: Yes.

Kewal Handa: So they are going to file an SLP basically based on the Balco case, where the court said that the third party cannot intervene in the government policies.

H. R. Gala: Okay.

Kewal Handa: But, they have a very strong case there.

H.R. Gala: But, has government moved to Supreme Court?

Kewal Handa: Not yet. Today or tomorrow they will move, I think.

H. R. Gala: Okay. Thank you Kewal.

Kewal Handa: Yes.

Moderator: Thank you Mr. Gala for your question. We have the next participant, Ms. Preeti from Edelweiss Capital. Please go ahead with your question ma'am.

Preeti: Yes. Hello Mr. Handa.

Kewal Handa: Hello.

Preeti: This is regarding Parke-Davis. Can we have more clarity on the growth rates, specifically for the consumer health business and your pharmaceutical business because apparently whatever growth has come in this third quarter seems to be more from the consumer health business, as well as, if you could give us an outlook over the next one year. How do you see these two different businesses growing or in the pharmaceutical business, first say, I am talking about Parke-Davis, has there been any discontinuation of products and if yes, which are these?

Kewal Handa: Okay. Yes. As far as the Parke-Davis is concerned....good question. The consumer health business which has been growing on a YTD basis at around about 10%.

Preeti: Okay.

Kewal Handa: But, the pharmaceutical business, which basically has very old products like, you know, Chloromycetin won't stand and so on so forth. There is a growth with a negative growth of almost around about 3.5%.

Preeti: Okay.

Kewal Handa: And, the overall YTD basis, it has grown at about 7%.

Preeti: Okay. And, will I be right in assuming that consumer health is approximately 60% of the turnover.

Kewal Handa: Yes. You are right.

Preeti: Okay. And in terms of outlook for the pharma business, has there been any discontinuation and how do you see this, per se, the Parke-Davis pharma business doing?

Kewal Handa: As of today, when we are talking, there is a team that is working on product rationalisation portfolio and so on and so forth.

Preeti: Okay.

Kewal Handa: And, we are looking at what are the products and what teams to product, how many products and so on and so forth.

Preeti: Okay.

Kewal Handa: So, that is how I said it is going to take a while before we really come up with a very ideal and optimal structure moving forward.

Preeti: Okay. My question is, more, because even earlier Parke-Davis pharma business per se was not anything great to talk about, I mean, in terms of their performance.

Kewal Handa: Yes. You are absolutely right. Look at, you know the old products of an antibiotic called Chloromycetin as well as negative growth products like Tegril has negative growth. So, you are absolutely right and therefore one has to look at the model and see really where do you focus on, you focus on the old pharmaceutical product or you focus on consumer products.

Preeti: Okay. My next question is on this, what has come in Economic Times today about this Omni Protech. If I am not wrong earlier the agreement was, it was costless margins to Omni Protech and then it got transferred to Duchem and finally Pfizer actually does the marketing. Now with all coming under Pfizer's hold, is there any kind of savings improvements in margins that you see from per se from this transfer.

Kewal Handa: See in any manufacturing activity, if you look at third party versus rest of the in-house manufacturing....

Preeti: Right.

Kewal Handa: ...the variable costs...

Preeti: Right.

Kewal Handa: ...normally would be better at the manufacturing level, the variable costs...

Preeti: Okay.

Kewal Handa: Now, but these issues are there on adoptions and overheads and what not. Now, if you have more products in a plant, which can absorb and utilize the capacity then you derive advantage of it and your cost comes down.

Preeti: Okay. Yes. So, it will be fair to assume that next test you would stand to gain primarily because of better economies of scale.

Kewal Handa: As well you will have better economies of scale, better control, better management, and so on and so forth.

Preeti: Anything that you can quantify?

Kewal Handa: No it is very difficult at this stage.

Preeti: Okay. Finally, on this service income, in the third quarter if you include your service income as part of your total operational income your margins actually are significantly dropped. What is your outlook on the service income? and....

Kewal Handa: As far as the service income moving forward, you won't get any service income, except the service income related to clinical research activities.

Preeti: But wasn't that always the case?

Kewal Handa: No. It was a two-service income. One was for promotion of the products, which were Duchem products....

Preeti: Becosule.

Kewal Handa: Yes, which were Duchem products promoted by Pfizer.

Preeti: Yes. Yes.

Kewal Handa: So therefore you get, you will now eliminate this service income. You will have only the top lines in Pfizer and cost in Pfizer.

Preeti: No. Even, what you were doing for your parents per se, in the sense, for how long will we see Pfizer indulging in such a low margin business.

Kewal Handa: Pfizer is not indulging in low-margin business, is it sure?

Preeti: I am talking only about service income excluding what market....

Kewal Handa: No. I mean now you have to see the overall margins, when the margins are pretty good as compared to any MNC or even local Indian companies. If you look at my operating margins, Pfizer operating margins, they are pretty good.

Preeti: No, I am talking per se of that business, sir.

Kewal Handa: Which business?

Preeti: Of the service income business.

Kewal Handa: No, no, no, no, no. Service income cannot be seen in isolation. Now we have to see the products, which are related to those service income will form part of the treaty of Pfizer, that is it.

Preeti: Okay. And last two question is this staff cost, you have mentioned five crores is the savings in the current year for Parke-Davis.

Kewal Handa: Not on staff cost. I said the entire salaries we were going to capture is about five crores, which includes staff, lodging, staying, distribution and so on and so forth.

Preeti: Okay. Going forward, specifically in terms of salaries, the next fiscal year, what do you see in terms of savings.

Kewal Handa: We are looking at a very doubling of savings onto 10 crores next year.

Preeti: Okay.

Kewal Handa: Once it has got merged and everything is in place, because we did the rationalisation of plant somewhere around April-May.

Preeti: Okay.

Kewal Handa: So the major benefit will accrue only next year.

Preeti: Okay. I am done. Thank you.

Kewal Handa: Thank you.

Moderator: Thank you ma'am for your question. We have the next participant, Mr. Navin from Motilal Oswal Securities. Please go ahead with your question sir.

Ms. Shaina: Hello Mr. Handa.

Kewal Handa: Hello.

Ms. Shaina: Yes. I just had a question on your growth, actually, while this quarter was disappointing. You did mention that the major chunk was because of the Hepashield not doing well. So going forward in the next two quarters, what will be the impact of Hepashield on your growth that is one. Secondly, Mr. Hossini Syed has gone on records saying that going forward he sees a growth of 11 to 12%. So, because this is higher than the regular growths. So, how do you think this will come about, and the third part is on this new product that you have launched the Daxid, on which molecule this is and how big this product is for Pfizer US, and what sort of size, what is the potential you see for this one product, say, three years down the line.

Kewal Handa: Daxid is called Zolofit worldwide and if the size is to my mind, one and a half billion dollar or so. So this product of Pfizer is one of the top products of Pfizer and therefore we are very, you know, hopeful that it will do pretty well in India also. Now Husain said that we are going to have 11% growth and he is right because if you see 2002, the growths were less because 2001 had a high chunk of Hepashield an hepatitis sale and therefore the growths were almost in the level of, till half year it were around 6 to 7%, as such. Now in 2002 per se you will not have much of the vaccine business and there are the issues related with Monsoon, Corex and so on and so forth. Therefore, 2003 by logic should show better growth, because, the 2002 itself is a suppressed say a base. Did I answer your question Shaina?

Shaina: Yes. And what about the Daxid, how big is the, what potential you see for this product, say, in the next two to three years?

Kewal Handa: I think that it should go the way it but we should see, it could be around about four to five crores in one or two years.

Shaina: Yes. Thank you.

Moderator: Thank ma'am you for your question. We have the next participant, Mr. Jamshed Desai from Taib Securities. Please go ahead with your question sir.

Jamshed Desai: Mr. Handa, I just had a few more questions. Can you just elaborate on your plans for Proteinex. I think it had made some news some time back as

to Pfizer wanting to sell the plant. Can you just clarify your position on Proteinex and, secondly, your top two brands are obviously Becosule and Corex. Could you just throw some light on how the other three brands that means the top five brands of Pfizer have contributed to the overall top line sales. And, my final question also is on the field force. Now you talked of major revamping and reorganisation happening. What is the total field force now of Parke-Davis and Pfizer after the merger and what was it before the two came together.

Kewal Handa: The total field force now, I think, in the light of about, I think is about 1400, no, it is 1200. 1200 is the total field force.

Jamshed Desai: Okay.

Desai: Okay.

Kewal Handa: Both Pfizer and Parke-Davis together.

Desai: Okay.

Kewal Handa: Now, growth as I told you Corex seems to be doing pretty well, Becosule also had a good growth. Proteinex was growing around 5% to 6%. Minipress is growing full and the products, which were growing pretty well.

Desai: Now what is going to happen to Proteinex?

Kewal Handa: Proteinex is right now a Pfizer product and you know we are looking at various options and models moving forward and at this sort of time it is doing pretty well that is all I can comment.

Desai: Okay. And you mentioned about the vaccine business undergoing some kind of, you know, churning happening right now.

Kewal Handa: Yes.

Desai: Can you sort of throw some light or rather elaborate your position as to what you plan to do with this on a slightly long-term basis. Are you having second thoughts on the whole business or are you very sure that you will want to be in this business and really grow?

Kewal Handa: We are watching very very closely on this and I think by the end of this quarter we would finally come out with some decision on this.

Desai: Okay, sir. Thank you.

Moderator: Thank you Mr. Desai for your questions. We have our next participant Mr. Rahul Sharma from Tata TD Waterhouse. Please go ahead with your question, sir.

Rahul Sharma: Sir, could you please elaborate on your reorganisation of the entire sales structure and which products are expected to come in Pfizer's manufacturing business structure, where it is manufacturing it in-house.

Kewal Handa: As I told you, we had this Pfizer team and there were two Pfizer teams then the Legacy Parke-Davis team almost around about 340 people joined Pfizer in the field and therefore there were issues as to how do we restructure and how do we allocate product portfolio to the team. Training was an issue, territory has been an issue, and redeployment has been an issue. So we are actually in that process of forming up the entire and free-flow structure. Now we are going to have three teams, this is how we are going to function. Two teams will promote pharmaceutical products and one team will promote consumer health products and the Legacy Parke-Davis team has now absolutely merged with the Pfizer team.

Rahul Sharma: Sir, is all outsourcing going to be shifted to Pfizer's manufacturing outfits?

Kewal Handa: No. The entire outsourcing cannot be shifted because the plant cannot physically have all the facilities to manufacture all the products, so theoretically I don't think so any pharmaceutical company would be able to do that. To give you an example, a plant may not have saline facilities so your saline products may go outsource or vaccine facilities may not be there so it might go outsource, or maybe it is not economical to manufacture a small batch so you would like to outsource it. So we are looking at the entire consolidation of manufacturing facilities and in the process we would see what best we can bring in and what best we want to keep it out.

Rahul Sharma: Sir which products are expected to be shifted to Parke Pfizer's facilities?

Kewal Handa: It is ongoing because the upgradation is not yet completed. So when the process of upgradation is completed, I think then the manufacturing guys will take up completely on this.

Rahul Sharma: Thank you.

Moderator: Thank you Mr. Sharma for your questions. We have our next participant Mr. H. R. Gala from Quest Securities. Please go ahead with your questions, sir.

H. R. Gala: I just wanted to know, would you like to give some guidance how do you see this full year in view of lot of restructuring and reorganisation exercise? Do you see it better in terms of topline and bottomline for Pfizer Limited and Parke-Davis?

Kewal Handa: If everything goes well I think we should be able to give you a combined balance sheet of Pfizer and Parke-Davis because you know the merger process is going on, and we have already filed the petition in the court and now if the court gives the orders and the process is completed, then we would like to have a consolidated balance sheet for the year 2002.

H. R. Gala: Do you see the performance of both these companies put together better than last year?

Kewal Handa: It should be. It should be.

H. R. Gala: Okay. Thank you.

Moderator: Thank you Mr. Gala for your questions. We have our next participant Mr. Nishit Shah from Birla Mutual Fund. Please go ahead with your question, sir.

Nishit Shah: Hi! Kewal.

Kewal Handa: Hi!

Nishit Shah: My question is on one integration....

Kewal Handa: Nishit I have Ram with me and you have a lot of issues of IPR, why don't you ask Ram some basic issues which are now you people are bothered about data exclusivity and what not.

Nishit Shah: Well I would certainly do that. Actually, why don't we start with that. I mean, what is the implication of the gazetted notification that Government of India has come out with?

Ram: Hi! Nishit. Ram here. Hi!

Nishit Shah: Yes hi!

Ram: If you are referring to the notification on the rule for the Patent Act, which has come out a couple of days back, it is very disappointing. In fact we had expected that this rule, which has a subordinate legislation would clarify a number of things which the Patent Act had left quite vague and ambiguous, but unfortunately it does not do so. It is a whole lot of things on the procedure on what the controller should do etc, but it does not bind the discretionary powers of the controller nor does it answer questions like, you know whether imports of patented products would be sufficient as working in the country. Therefore, we are a little disappointed and this of course gives us a one-month period for filing our objections with the government, which we will be doing and then we would like to see how seriously they take our suggestions on that.

Nishit Shah: And when do you see the final amendment to the Patent Act happening? Due you see it happening anytime sooner than what they are bound by in terms of time limit.

Ram: That would be really wishful thinking. Judging from our past experience, sooner would hardly be the case, but what I suspect and of course this is something which is pure

speculation is that in keeping with the international obligation the Indian Government would introduce probably a bill in Parliament no sooner than 2004, towards the end of 2004 because the obligation is to have a law in place by 01/01/2005. But judging from the last time that a bill introduced took 2½ years in Parliament, I can't say that we are very gung ho about that development.

Nishit Shah: And what is your thought on the exclusive marketing rights? Because so far what we have seen is couple of cases where some patents for those products were filed prior to 1995 and some were filed after 1995. So it was very convenient for people to say that look this is not a case subsequent to 01/01/95, but something like Cialis, which is a very clear-cut case where patents are filed post 01/01/95. Do you see the government actually granting EMRs and going forward on that issue?

Ram: I don't think that government really is, also as a matter of fact, the impression we have got on speaking with several government officials is that the whole EMR regime is meant to be merely a sort of confirming to TRIPS obligations. It was never taken very seriously. The problem there is, you know, in the EMR legislation today sits over an existing patent law. It is sort of artificially plugged over it and in the existing patent law there are lots of restrictions. One of them being this issue about an original discovery molecule versus a patent for a variant or a derivative which is of a later date. Therefore, this 95, which is the cut-off point has been made as use in the excuse for turning down all EMR applications.

Nishit Shah: Yes, but something like Cialis, which is very clear-cut case post 01/01/95. Would you say that government would be in a position to refuse that?

Ram: I have to look at this particular case, but my understanding as of now is whether it is a case of SKB or Lilly or Bayer, the grounds have been that although the patent for which they are claiming is the post 1995 thing, but the underlying molecule was discovered, the basic molecule was discovered prior to 1995 and that has been the ground on which the government has been turning it down and our friends in IPA have been making sure that that happens all the time.

Nishit Shah: Okay my next question is to Kewal. Kewal, you know, we will be through with one restructuring and consolidation exercise with Parke-Davis and with assuming that Pharmacia merger is closed, I mean, acquisition is closed by Pfizer internationally, you will have two other companies to look for. I mean, in terms of integration, would that again, my worry is that will that preoccupation also affect sales like it has affected in the current year on Parke-Davis integration and on the sales growth overall performance? How do you see that panning out?

Kewal Handa: We really had a good learning curve when the Parke-Davis merger is concerned. We did a few things well and we didn't do a few things the way it should have been done and that is what we would be guarded when we are looking at the Pharmacia merger if at all whenever it happens. And as of now when we are talking we have taken that into account when we are moving forward in 2003 in terms of our size,

structure, portfolio, and what not and I can only tell you that it is not going to take long as we took in Parke-Davis merger. Maybe, I would just get three to six months, that is it.

Nishit Shah: And the other issue is on the new product launches. One gets a feeling that in a large organisation like yours and with the field force announcement with Parke-Davis coming in, there is very little action on the new product introduction front. There are one or two products here and there, but when do you see the flow of that increasing to the size that you have?

Kewal Handa: It is again you know how you want to look at it. We have identified a few products from the Legacy Parke-Davis portfolio, which we want to promote very aggressively, you know, and that it is a cardiovascular, and in CNS, and what not. We have identified and we are really wanting it to be promoted very recently because we think it is a good opportunity there and the products are under promoted. It is like any new product.

Nishit Shah: So these are existing products.

Kewal Handa: Existing products, it is like any new product you are going to put efforts on.

Nishit Shah: Okay.

Kewal Handa: Now then moving forward in the portfolio of Pharmacia, if you see it is a very good ideal portfolio you will get absolutely a presence in all therapeutic category. And that is something, which is very exciting.

Nishit Shah: And what about the existing Pfizer pipeline, which products internationally are available and which are not here, what is happening on that front?

Kewal Handa: Most of it we really are looking at it. Now for example, we just launched Daxid, which is also named Zolofit worldwide. But you know, let's say if you are talking about Celebrex or glipizide and all, you know the amount of generics that are available in the market and the prize, which they are selling. It is no point really just launching a product for the sake of launching it when we cannot give value to our shareholders or stakeholders, you know. Because when we launch a product we spend a lot on the launch, on the knowledge base and if we are going to get badly hit by price and there are no margins that are going to be delivered then I don't think so it is just for the sake for launching we go through the entire exercise.

Nishit Shah: But something like Viagra which has not been a great success in the Indian market and one gets a feeling that proper detailing has not been done on a product. What is your thought on that?

Kewal Handa: Viagra, is of course, there are four or five players, one of them are major local companies, hello?

Nishit Shah: Yes.

Kewal Handa: You know it is again, Viagra has its pluses and minus of launches. I do not know really whether we would be able to get a premium if we launch Viagra and I do not know really if we promote what are the flaks we are going to get in the market because there is no discipline in this market as far as prescription is concerned. And Viagra you know has a whole of things attached to it as far as the promotion is concerned. It is not something, which is an OTC product that you can launch.

Nishit Shah: Are you looking at any line extensions or something on the existing products.

Kewal Handa: Three or four-line extensions next year. Very interesting line extension, both in consumer health as well as in pharmaceutical, very very interesting line extension.

Nishit Shah: Anything you have launched recently.

Kewal Handa: Becosule will be launched as a line extension and that should pick up and next year we will have atleast four-line extension I can think of which would be ready for launch.

Nishit Shah: But will this be able to individually be able to garner some meaningful turnover or ...

Kewal Handa: Yes yes. They are very exciting launch. One of them would actually help in decline of a product and increase its life cycle.

Nishit Shah: I see. And so when do you see the true potential of Pfizer will come into its own. I mean we have been seeing a lot of restructuring and a lot of efforts on marketing front and now a consolidated size and I mean the benefit of international, I mean significant parent. When will all this unfold in India?

Kewal Handa: You see you have to segregate two things. One is the global product and our capacity to launch the global product. As you know most of the products have been already launched as generic version and there is no value on launching those products unless we see on the products like Daxid, certain in that there is a value. Then you see all local products are initiated and what we can do with it. We have tremendous opportunity in terms of field force productivity, in terms of targeting, in terms of line extension, and plus our entire move now to acquire new products, acquire big brands, and entire efforts is directed towards that.

Nishit Shah: Is there anything that you can highlight on acquisitions because you have been talking about it for a long time now on alliances, on new products, or acquisitions and all that.

Kewal Handa: There are various initiatives, which are ongoing. I cannot really disclose those with various companies as well as Indian companies and MNC companies and parallel in terms of alliances, in terms of co-marketing and also we are looking at some baskets of products.

Nishit Shah: Will it involve a lot of expenditure in terms of acquisition of brands, products, and all that?

Kewal Handa: If it is more of an alliances as a co-promotion or co-marketing then it may not involve any expenditure, but if it is a pure acquisition of course it will involve a lot of cash outflow.

Nishit Shah: That would call for some amount of borrowing also. Isn't it?

Kewal Handa: This should not be an issue.

Nishit Shah: And are you looking at exports after modernising the Thane plant, any meaningful number you are looking at.

Kewal: Yes that is their initiative which the manufacturing team would take with the global sourcing team once the upgradation is completed and then, you know, if there are some products which are sourced from Thane obviously the benefits will flow to the cost line of the other products which are being manufactured in Thane.

Nishit Shah: And are you looking at applying for FDA approval or any international authority approvals for your Thane plant.

Kewal: You see actually Pfizer standards are much much higher and Pfizer worldwide doesn't apply for any WHA approval as such because it is only required if you want to export it and if you are going to export it only to your own parent companies then they really don't need any WHA approval for that.

Nishit Shah: Any thoughts on increasing state through buy back or any route?

Kewal Handa: Ha ha

Nishit Shah: I think investors would be comfortable at you guys being at 51.

Kewal Handa: So will be investors would be more happy if we go from 40 to 51, is it?

Nishit Shah: Well, at least that commitment level increases.

Kewal Handa: I think in the commitment level comes from more the fact that we are launching products, Pfizer products, and Pfizer Limited, in the input we are putting and

getting team from Chicago to look at the free-flow structure and what not, you know, that the amount of investment we are doing today in marketing is tremendous.

Nishit Shah: And one last thing. You have seen a lot of consolidation, restructuring, and some amount of pain over the last three years. How do you see the next three years panning out for Pfizer India?

Kewal Handa: I think very good thing will happen to us with Pharmecia if at all the merger takes place.

Nishit Shah: Hmmm....Hmmm

Kewal Handa: And then I think our strength would be there in all therapeutic segments. Our presence would be there in all therapeutic segments. I think we will get critical marks also there and we will get some good specialized products, that is where the Pfizer would do pretty well.

Nishit Shah: Any kind of targets you have in mind on top line growth, bottom line growth, and on margins going forward.

Kewal Handa: As Hussain has already said that he is looking at double digit top line growth and we are committed to that and margins are always, you know, we focus closely on our margins and that is the reason we don't launch our products at low prices and product support and we are looking at rationalizing our plants looking at deriving benefits from consolidation of manufacturing and who knows moving forward, once the post DPCO, the margin should really be prove to my mind, if I read DPCO correctly.

Nishit Shah: Hmmm....Hmmm. Okay. Thanks.

Moderator: Thank you Mr. Shah for your questions. We have our next participant Ms. Sreevidya from Sundaram Mutual Fund. Please go ahead with the question, madam?

Sreevidya: Sir, most of my questions have been answered.

Kewal Handa: Thank you.

Sreevidya: I just want to know if you can throw some light on the outlook for clinical trials fees income from that. Is that going to be a big focus?

Kewal Handa: Ram, would you take this question?

Ram: Yes. Probably leave it for Kewal to come back and re-compare, but I don't think really, income is a focus of this. The clinical trial part of it, we are in fact happy, that we seem to be getting a greater share of the global clinical trials in India and that's really speaks about the quality of the trials and the ability for our Indian operations or the people to handle clinical trials to stick to very stringent international time line, which is

extremely important. Because as you are aware that clinical trials are very keen, if there is a slightest of delay that can translate all the way up back into or up into the product launch and cost millions to the company. That's where India is now becoming a more increasingly, a preferred place for clinical trials. With that obviously would come the issue of expenses relating to that and some of that reflects on the corporate entity over here, that I would consider more as an incidental bonus, if anything.

Sreevidya: Okay Sir. Thank you.

Ram: Thank you.

Moderator: Thank you madam for your questions. We have our next participant from Motilal Oswal Securities. Please go ahead with your questions.

Shaina: Hello Mr. Handa. There was one more follow-up question. You mentioned somewhere that the cash balance was 20 crore for Pfizer India. Wouldn't you feel, that the current year's profitability, shouldn't it be higher?

Kewal Handa: Shouldn't be higher?

Shaina: It should be higher right in the cash balance for the year.

Kewal Handa: I will have to work out a cash flow. But this was the position as on that day.

Shaina: This was as on when, 20 crore?

Kewal Handa: Just in the morning, I picked up this figure.

Shaina: Ha..ha. Okay. And secondly, when you are talking of acquisitions, would it be substantially higher than this, I mean 50 to 60 crore that would require something like you are mentioning that you would possibly take up that, do you require that?

Kewal Handa: You see, it again depends what are we looking at. If we can just go to few brands in the range of let us say 15-20 crore or if that somebody who is having a full basket of let us say 70-100 crore, now I have 10-20 crore. The bridging is already round about 50-60 crore which will be generated within a short period of next six months or so. But that's not a big issue as far as the cash is concerned and today, the borrowing rates are very low as 8 to 9%. I don't think that is really an issue when you look at the operating margins, you can derive from the new acquisition.

Shaina: Yes. Another question was on your DPCO policy. When would you be comfortable taking a price increase assuming that vitamins go out of price control, say by, in the next one to two months?

Kewal Handa: Well, if the policy was announced one to one and a half years back, I would have been very comfortable to take a worthier back price increase.

Shaina: Yes. But what is the time frame.....

Kewal Handa: I think, we have to have some discipline there also and I think it is, price is not just because of it is under price control that you take price as it is. It has to also go with the markets can bear and it could go is to what impact it has on your volumes if you suddenly take price increase. Plus you have to bear in mind that in the new avtar NPPA would be taking a role of monitoring the pricing also. So you cannot go overboard suddenly and say, look I am going to take 20-30% price increase and suddenly you will find your product back under price control. So you have to have the balance and I think I believe in that to walk along with our government has a right balance and then derive your benefits out of such.

Shaina: Thank you Mr. Handa.

Moderator: Thank you madam for your questions. We have our next participant Mr. Asif Kothari from ASK Raymond James. Please go ahead with the question Sir.

Asif Kothari: Yes. Just one follow-up question. Capital employed x increase by 40 crore year to date, is it because of increasing inventory or debtor or what was the reason behind this 40 crore increase in the capital?

Kewal Handa: The trend is that what you arrive that shows the both, it is inventory intense debtors have also gone up to some extent and therefore, there have been additions to fixed assets also taken place. So, it's a combination of two or three.

Asif Kothari: Yes. But is it possible to get what the inventory.....

Kewal Handa: I will, can, give you separately whenever you want.

Asif Kothari: Okay.

Moderator: Thank you Mr. Kothari for your question. We have our next participant with Anup Bhaskar from Franklin Templeton. Please go ahead sir.

Anup Bhaskar: Yes. Hi. My question is related to, just give about the top five brands, what has been the sales growth there or if you tell us, or because it was the branded that have degrown during the first nine months?

Kewal Handa: Vaccine is the major one which I said, infact big growth has been to the extent of, I mean, hardly any sales today I would say. It is the vaccine is one. That is the major degrowth.

Anup Bhaskar: But if you look at the other brand rate....

Kewal Handa: Generalization between our two products of Magnecs and Magnamycin, that's it.

Anup Bhaskar: But you look at the top five brands, they seem to have grown and if you look at the whole company as a whole there is a degrowth. So,

Kewal Handa: Because the vaccine was the major growth in 2001.

Anup Bhaskar: Yes. But you said that even if you take like-to-like basis there has been a degrowth of nine percent there in this quarter.

Kewal Handa: That is without vaccines and including the vaccines in the previous years.

Anup Bhaskar: Okay.

Kewal Handa: When you take the products which have been shifted and then like to-like basis.

Anup Bhaskar: And there within the Becosule, would the growth have been lower than the, you know.....

Kewal Handa: Becosules has been fortunately doing pretty well.

Anup Bhaskar: If you put.....

Kewal Handa: Turn about 8% growth.

Anup Bhaskar: 8% growth. Okay.

Moderator: Thank you Mr. Bhaskar for you question.

Anup Bhaskar: Okay, thank you.

Moderator: We have our next participant, Mr. H. R. Gala from Quest Securities. Please go ahead with the question, sir.

H.R. Gala: Kewal, just one last question, I think all the questions have more or less been answered. What is our current thinking on setting up our own 100% subsidiary in view of lot of restructuring and probably Pharmecia India has also got 100% subsidiary.

Kewal Handa: Yes. If you can give me some solution, I would be very happy because I have 3 or 2 or 300% subsidiaries now.

H.R. Gala: Ha ha.

Kewal Handa: We are looking at it and I think we will once, we know the direction the merger is taking place, and we will form our strategy on this. This is basically a Pfizer Inc has to decide how it will want to set up a 100% subsidiary or which vehicle they want to use it.

H.R. Gala: Okay.

Moderator: Does this answer your question, Mr. Gala?

H.R. Gala: Yes. Yes.

Moderator: Thank you so much for your question, sir. We have our next participant Ms. Komal Iyer from UTI securities. Please go ahead madam.

Komal Iyer: Yes. Good afternoon, Mr. Handa. I had the question on this Duchem since Becosules have been shifted to Pfizer, what activity would Duchem be doing?

Kewal Handa: Basically Duchem used to do, you know, a trading type of activity and over a period of time, I don't see it will have any major role to play.

Komal Iyer: So will the company, I mean will you close down this subsidiary?

Kewal Handa: May be, we will consolidate or we will merge. I think, it is a matter of time that is.

Komal Iyer: And Becosules has been shifted fully to Thana and falls fully under Pfizer now?

Kewal Handa: I will not saying. There are products, which are being reorganized in the portfolio between Duchem and Pfizer.

Komal Iyer: So, there are products more than Becosules?

Kewal Handa: We have a whole lot of products there.

Komal Iyer: Okay, thank you.

Moderator: Thank you Ms. Iyer for your question. We have our next participant Mr. Sandeep Kothari from CLSA. Please go ahead with your question.

Sandeep Kothari: Yes. Hi. My question is basically on the sales force. You have mentioned that you have 1200 people. How many are in the consumer division and in the pharmaceutical, are they organized around any therapy area, which you could throw some more light on your base force organization, please?

Kewal Handa: The consumers around about 350 or so.

Sandeep Kothari: And within the pharmaceuticals, are they around any therapy areas or.....

Kewal Handa: It is equally distributed.

Sandeep Kothari: Are there any plans for setting up any more manufacturing facilities or no Capex is expected?

Kewal Handa: Manufacturing facilities, no I don't think so in any pharmaceutical company in India is thinking of setting any manufacturing facility unless they have got specific generic exports or for any particular product. I don't think so we are going to set up any manufacturing facility.

Sandeep Kothari: And the last question is what's your outlook for industry growth over the next 12 months?

Kewal Handa: See, industry is actually post-monsoon, poor monsoon, we are having a problem really. Most of the companies are really having problem and with the regulation particularly in the areas we have seen in east and south where the regulatory are getting pretty tough with various requirements particularly in terms of nutrition, free supplement, food supplements, so on and so forth, and prescription, if that's going to be the trend and if the DPCO does not really come in, then most of the companies are really holding it back their plans for promoting the products which are likely to go outside price control or products, which are likely to come under price control. So they are in a dilemma with the products which are likely to come under price control, they don't want to promote, and products which are going to likely to go outside price control, they can't do anything right now. So this is an issue, which needs to be resolved pretty fast. And if it doesn't get resolved pretty fast, I think the MNCs are not going to have a huge growth, may be Indian companies will have some growth, but the MNCs will have, as you have seen in August, there are negative growths, may be will have a growth of 4 to 5%, that is what I think.

Sandeep Kothari: And in this scenario, you still maintain the double digit goal-target for Pfizer?

Kewal Handa: Not going forward in the next quarter, I said a quarter or two.

Sandeep Kothari: 12 months.

Kewal Handa: Yes.

Sandeep Kothari: Okay that answers my question. Thank you.

Moderator: Thank you Mr. Kothari for your question. We have our next participant Mr. Kuntal Shah from Hermus. Please go ahead with your question, sir.

Kuntal Shah: Hi Kewal, Kuntal Shah here.

Kewal Handa: Hi Kuntal.

Kuntal Shah: Couple of questions. First do you treat the JV with the Shanta Biotech is off. I think so we have paid 6 crore for the acquisition of the right, but have we recovered the money yet? Secondly, I think so Pfizer used to be getting the first right to refusal on streptokinase and combination vaccine, something was being worked out in human insulin too, where do we stand as of date on that issue. Basically, we are trying to understand what has gone wrong there?

Kewal Handa: See the Shanta's thing is that, we did of course pay 6 crore rupees and that was for hepatitis B and first right of refusal for there is products of Shanta and there is no equity stake or there is no JV in this concern. It is just pure agreement between two corporates. Now we did examine streptokinase and we did examine various products, which are coming out of Shanta. You know the market and if you ask anybody what is status of products like interferon and streptokinase, there are many players and most of the guys are in this area. So we are looking at, model really is that Pfizer is going to capture the value in vaccine and how this is going to really, is this model sustainable to Pfizer? Because, there is a different way of promoting the products, there is a different way of capturing the value and we are not the original manufacturer, we are going to be basically third party buyers and doing the marketing of the products. So we have hired somebody to look into the entire model and by the end of this quarter, we will take a decision as to how we want to move forward on this.

Moderator: Thank you Mr. Shah for your question. We have our next participant, Ms. Kavita Thomas from SMIF Securities. Please go ahead with the question madam.

Kavita Thomas: Hello Mr. Handa.

Kewal Handa: Yes.

Kavita Thomas: Yes. My question was regarding the sales growth. You say that this particular quarter has recorded 9% negative growth due to shift in consolidation. Going forward, I mean, would this be a feature seen in the coming next two quarters till the whole marketing team has been realized?

Kewal Handa: Yes. I said it might not be under level of 9% negative growth. I am saying you will not see major substantial improvements in the next two quarters, but after that we will definitely have some good story to tell.

Kavita Thomas: Okay. And the other income, excluding the servicing income also has shown negative growth rates. What has been the reason and where is this money coming up from?

Kewal Handa: That is basically the interest income has come down because you see, we had a surplus of round about 40-50 crore earlier and now we are on about 10-15, so there is a decline in that income. So that is why we have shown the decline in the other income.

Kavita Thomas: Okay thank you sir.

Moderator: Thank you Ms. Thomas for you questions. We have our next participant Mr. Rohit Bhat from B&K Securities. Please go ahead with your question, sir.

Rohit Bhat: Sure. Good afternoon Mr. Handa. I have the question pertaining to Pharmecia assuming that the global merger goes through and the Indian integration also happens. How does the product potential of Pharmecia as far as India is concerned? How does that look except for the global brand, which is Celebrex, which is already generisized in India? How do the other products of Pharmecia look going forward?

Kewal Handa: Pharmecia is actually is a very good fit globally for Pfizer.

Rohit Bhat: Yes.

Kewal Handa: And that's the reason why Pfizer is going ahead with the merger with Pharmecia.

Rohit Bhat: Yes.

Kewal Handa: And I think barring one or two products, there is no overlapping in global portfolio also, as far as Pharmecia is concerned.

Rohit Bhat: Yes.

Kewal Handa: And they have a very specialized team, they have very specialized products, and in India we are very excited about it because it will give us the presence in various therapeutic segments. And I think it is a good fit, it is a god match and if it happens, it will be good for Pfizer.

Rohit Bhat: Okay. Could you please throw some light on what are the, which are the main products of Pharmacia apart from Celebrex.

Kewal Handa: Celebrex is actually, it is a global product, which is being jointly promoted by Pfizer and Pharmacia. A whole lot of product in orthopaedics, CNS, asthma disease, oncology and then there is Pharmacia healthcare products which are basically Legacy, other products are also there. So a whole lot of products where our presence is not there at all.

Rohit Bhat: Okay. So going forward do you to expect any redeployment of the sales force again.

Kewal Handa: That's exactly what I said, that this time we are not going to take as much time as we took in the Parke-Davis merger.

Rohit Bhat: Yeah.

Kewal Handa: And we are in the process of summing up what teams are in the product, how many teams we are going to have, how many products each team are going to product, and what type of specialised team we need and I think once the merger is announced that we should be in a position within a period of three to six months, actually to move ahead with the entire integration.

Rohit Bhat: Okay. Yes. And one question was regarding Minipress XL.

Kewal Handa: Hmm....

Rohit Bhat: Last time you had mentioned you had made a representation to the government for waiver of the customs duty.

Kewal Handa: Hmm....

Rohit Bhat: With respect to this product.

Kewal Handa: Yes.

Rohit Bhat: Have you, has the duty been waived on this?

Kewal Handa: Not yet but I understand that there is a lot of sympathy for all the lifesaving drugs

Rohit Bhat: Yes.

Kewal Handa: Which have come under the custom duty, higher custom duty, and at one point of time we almost thought that the government is going to revoke the earlier notification but we are still hoping that it will happen. If it doesn't happen now my gut feeling is it will happen only in the next quarter.

Rohit Bhat: Okay. Yes. Thank you very much.

Moderator: Thank you Mr. Bhat for your question. Ladies and gentlemen for any further questions you are requested to press *1. Please press *1 for any further questions. We have our next participant Mr. V. Kantaswamy from Capital Market. Please go ahead with the question sir.

V. Kantaswamy: Sir, do you have any products, Nimesulide or which are products in lot of controversy as of now that's why.

Kewal Handa: We do not have anything called Nimesulide. We don't have any product, which is really a controversial product.

V. Kantaswamy: And in OTCs what are the other products that you are likely to launch in the current year.

Kewal Handa: OTC actually, there are good two or three line extensions we were talking about, and the Rx and OTC, they are very interesting ones.

V. Kantaswamy: And in the top 25 branch how many of them are from Pfizer and the entire group, Pfizer, Pharmacia, Parke-Davis.

Kewal Handa: No, I don't want to take Pharmacia at this point of time, we will, that is why we will focus only on Pfizer and Parke-Davis. What your top 20 you said, is it?

V. Kantaswamy: Yes.

Kewal Handa: Or 25. My gut feeling is that you should have at least three or four products of Pfizer.

V. Kantaswamy: Haan. Going forward now, you have top one and two is from Pfizer. What other products now are likely to grow much to become the 100 crore brand.

Kewal Handa: 100 crore brand.

V. Kantaswamy: Haan.

Kewal Handa: I wish that come true, rather, see 100 crore, it is very difficult to build a 100 crore brand in today's market. It has been built over a period of time.

V. Kantaswamy: Yes.

Kewal Handa: It has almost taken us 50 years to build a brand like **(1.15.34) Decodryl** and Corex.

V. Kantaswamy: Yes.

Kewal Handa: But there are good potential brands and if the IPR was in place, I am sure you have had brands like Lipitor, Norvasc, and the last two would have been 100 crore brands.

V. Kantaswamy: Even now it is quite possible.

Kewal Handa: Yes so as post IPR, you may see some of those brands really coming up to that level.

V. Kantaswamy: And in clinical trials, what are you to take on but there is a lot of potential and the company has been telling for too long a period but the potential that has been so far realised, it seems to be very low.

Kewal Handa: But the clinical trial as I told you is basically, it is just a global issue. It is not something, which we do locally. It is to support the global clinical trial in the phase III and phase IV. So, we don't do phase I and phase II here. And it always depends upon you know actually they have to compete in getting that business in India, so they have to match with other global sources available. Pfizer global sources as well as outside Pfizer global sources, they have to compete with all of that and it depends again what type of trials are available globally and what we can take. So there are ups and downs many a times but I think they have done pretty well in almost around about 10 to 12 crore being captured in terms of revenue.

V. Kantaswamy: But going for comparing with global size, you know, this turnover...

Kewal Handa: I agree. I absolutely agree with you but it has a major issue involved here, it is the IPR issue.

V. Kantaswamy: Yes.

Kewal Handa: Unless you resolve the IPR issues you cannot expect a global company is to come and give their research molecules in India but that's a major issue involved here. Yeah, so the patent protection and the data protection all these issues are linked with it.

V. Kantaswamy: Assuming everything is started off by 2005, will it be more of clinical research or it will still be only part of the turnover.

Kewal Handa: Definitely it will be more.

V. Kantaswamy: Much more than what you will be getting...

Kewal Handa: Much much more...

V. Kantaswamy: So again....

Kewal Handa: A whole lot of clinical research activities done in a whole lot of minor multinational companies, Lilly, Glaxo you know they have all been doing the same thing.

V. Kantaswamy: Haan, that's true but I am focusing only on Pfizer per se. That is what here...

Kewal Handa: You know Pfizer has the largest lifeline and largest expenditure in the industry.

V. Kantaswamy: Yes.

Kewal Handa: They spend almost about \$5 billion on clinical research.

V. Kantaswamy: So how do you expect to capture. What percentage of it is expected to be captured in India?

Kewal Handa: Unfortunately, arithmetics don't work here you know.

V. Kantaswamy: Thank you, sir.

Moderator: Thank you, sir for your question.

V. Kantaswamy: Yes.

Moderator: We have our next participant...

Kewal Handa: Can we take in one or two more and then. Is that okay?

Moderator: Yes. You have currently two participants.

Kewal Handa: Okay.

Moderator: We can take them.

Kewal Handa: Yes.

Moderator: We have Mr. Yogesh Jhunjunwala from AMSI India. Please go ahead, sir.

Yogesh Jhunjunwala: Good afternoon sir. My name is Yogesh.

Kewal Handa: Good afternoon.

Yogesh Jhunjunwala: With 46 people opposing the merger in the court how soon you expect the merger to be given the content of the court.

Kewal Handa: The merger has been approved both in terms of majority as well as in terms of values. So as far as resolution is concerned that has been duly approved and we have filed a petition in the court.

Yogesh Jhunjunwala: What is the next date of the hearing?

Kewal Handa: Yeah I don't know, the petition has been filed in but they have not yet informed us, I have been told by my legal guy.

Yogesh Jhunjhunwala: Okay. Thank you.

Kewal Handa: Thank you.

Moderator: Thank you sir for your question. We have our next participant Ms. Kranti from IRIS Limited. Please go ahead mam.

Kranti: Hello.

Kewal Handa: Yes.

Kranti: Sir I would like to know about the Pharmacia Private Limited. How many products are there in that company and what is the turnover?

Kewal Handa: That's, Pharmacia Private Limited is I think you are referring to the 100% company of Pharmacia.

Kranti: Yes.

Kewal Handa: Now I really do not have information or knowledge about their products and you know turnover. So I think it is not right on my part to respond to that.

Kranti: But that company is having the speciality products, I believe.

Kewal Handa: Yes.

Kranti: And I would like to know about the Pharmacia Healthcare.

Kewal Handa: Pharmacia Healthcare is a public listed company where the Pharmacia is holding about 75% shareholding and has products like erythromycin and it has products like Vidalin and so they have many products they have in there portfolio.

Kranti: Planning to merge this company with...

Kewal Handa: Pardon.

Kranti Pfizer.

Kewal Handa: Pardon.

Kranti: Hello.

Kewal Handa: Yes.

Kranti: I would like to know about this listed company whether you are planning to...

Kewal Handa: I said we are right now, the merger has to first be consumed globally.

Kranti: Okay.

Kewal Handa: And then only one can comment on this.

Kranti: Okay. Thank you.

Moderator: Thank you mam for your question. We would now take our last participant Mr. Girish from J M Morgan Stanley. Please go ahead with your question sir.

Girish: Yes. Hi!

Kewal Handa: Hi!

Girish: My question is, I mean in today's industry I think the competition is very cheap and all the companies are facing the margin pressure. I would like to know what, exactly what steps are you taking to control the cost of the company? Because you have a lot of researching going on.

Kewal Handa: Yes. Actually the cost control you know it is not something, which you do it once and then you say it is all over.

Girish: Hmm.....

Kewal Handa: It is an ongoing process.

Girish: Hmm..... Hmm.....

Kewal Handa: Now we looked at various cost controlled, I mean I would not say cost controlled, we looked at various ways to optimize or manufacturing various ways to optimize our distribution and the logistics and look at the model as far the marketing promotion spend is concerned. So these are the real areas where you focus upon and when you start improving your processes and then you find that you get benefits out of savings that come. For example, if you have two distribution networks of 30-30, 60 CNS and if I just want to play with only one distribution network then we would save on the cost of one distribution network. So this is how really we look at the cost benefits.

Girish: Okay fine. Thank you.

Kewal Handa: Thank you.

Moderator: Thank you sir for your question. I would now like to hand over the conference to Mr. Kewal Handa. Please go ahead sir.

Kewal Handa: I would like to thank all of you for coming here and asking questions and they were really thought provoking and I know this quarter has been a little tough and I am sure looking forward or going forward we will be able to deliver better results and once again thank you for coming and being with me. Thanks a lot.

Moderator: Ladies and gentlemen....

Kewal Handa: And Gundu Rao said that, please wish Dussehra greetings to all of you. So my Dussehra greetings to all of you.

Moderator: Ladies and gentlemen that does conclude your conference for today. We thank you for your participation and request you to please disconnect your lines. Thank you.

Kewal Handa: Okay thanks a lot.