

Pfizer Ltd Annual Results Conference Call.
March 03, 2004.

Operator: Good afternoon ladies and gentleman. Thank you for standing by. Welcome to the conference call hosted by Pfizer Ltd. We have with us today Mr Hocine Sidi Said, Managing Director, and Mr. Kewal Handa, Executive Director, Finance from Pfizer Ltd, who would discuss the annual financial results. At this moment, all participants are in the listen only mode. Later, we will conduct a question and answer session. At that time if you have a question please press “*” and “1”. I would now like to turn the conference over to Mr Hocine Sidi Said. Please go ahead sir.

Hocine Sidi Said: Good afternoon everyone. This is Hocine Sidi Said and I serve as the Managing Director at Pfizer India Ltd. I am delighted to be here participating in this teleconference and I look forward to your participation. I also must recognize Mr. Nishit Shah who is being actively pursuing my participation in this teleconference so I am happy that I respond to his solicitation. I have, as you heard, with me Mr. Kewal Handa, who is our Executive Director, Finance, Mr. Anjeneyan who is our Company Secretary, Mr Ajay Shukla who is our Director for Accounts, and Mr. S. Ramkrishna who is our Senior Director, Corporate Affairs. I would like to take you through the points that we would like to expand upon this afternoon. Commencing with Mr. Kewal Handa, who will take you through the 2003 performance, then I will comment on our prospects going forward, discuss our voluntary recall of one of our consumer products Gelusil, also expand on our new products, and close with the Chandigarh plant, and our process of negotiation with the union. At that point in time we will open up the floor for Questions and Answers and we should attempt if that at all possible, to close this teleconference at 4:30. So at this point in time I would like to hand over the virtual floor to my colleague Mr. Kewal Handa.

Kewal Handa: Good afternoon everybody. I would just touch upon little bit on the full year performance though we did give reasons for short fall in sales as compared to 2002. I would reiterate those reasons once again. Sales are lower for Pfizer at about 12% and if you look at the consolidated sales, and that’s the way every one should look at, is around 21%. And the reasons really you know were mainly on account of the uncertainty in the VAT regulation, followed by the Truckers Strike. Then we look at our Stocks lying with the wholesalers and we did the rationalization of inventory at the wholesalers end. In fact it was around about 5 to 6 weeks now, which we have brought it down. Then there was these operational mergers with Pharmacia that resulted in change of territories, relocation of field force or training of field force, and obviously it has its impact on these sales performance, and finally we had these Becosule price reduction of 12% resulting in almost a loss of about on an annualized basis about 10 to 12 crores. I think these are the really broad reasons why we performed lower than the previous year 2002. Now, looking at some of the positive things that have happened in 2003 and to take you really if you look at the expense base, our stock cost has really come down almost about 11% and which I think is a very positive trend. Our expenses were down by almost about 5 to 6 percentage which is also a very positive trend. In fact, both together we were able to oscillate round up roughly on a consolidated basis around about 19 crores, viz-a-viz a

loss of margins because of the lower sales. So I think these are really positive trends. The material cost also in terms of a percentage even on a lower base increased only by 1.5, but I will come to the special items that got charged in 2003 and if you take those special items or one time items out, the material cost also has come down almost by a 2 percentage points. Now, let's look at the Quarter 4 performance. Yes, I did make a mention in the last analysts meet that instead of comparing the quarter with the previous year quarter one should look at performance of the subsequent or the sequential quarter or the previous quarter immediately. And in that connection I said that the quarter 3 had a good growth and we are expecting quarter 4 to also have a very good growth. But quarter 4 is almost on the same line as quarter 3 of 2003 in fact this is lower by about the 1 percentage point. Now this is mainly driven because of the short fall of sales in Benadryl, because of the shortage of availability of the material, and because of the problems of Gelusil which Hocine is going to elaborate, and in stock, and if you put both these together we lost almost about 4 to 5 crores rupees of sales. Now if you add back those sales we would have actually shown a better performance in quarter 4 as compared to quarter 3. Now coming to the margins of quarter 4, this is a very interesting analysis I did and I looked at the PBP before the exceptional items, and if you see in the consolidate basis we are down roughly about a 6 crores. But, quarter 4 of 2003 has items which are not there in a quarter 4 of 2002. May be Becosule price reduction took place post quarter 4 2004 which was not there in 2002 and that impacted on us about 2 crores. Gelusil, on a proactive basis what ever the stocks on hand we had, we took a charge in Nov 2003 and the charge came in the fourth quarter of 2003 and as you are aware there has been a reduction in the interest rates. As a point of interest reduction in interest rate we had to re value or gratuity will result at a huge charge in quarter 4. And then there was this Chandigarh closure in quarter 4 but there are certain expenses of the Chandigarh which we are still carrying. Overall there was almost about an impact of 7 to 8 crores rupees just in quarter 4 because of these expenses. And if you add back these both 7 to 8 crores you will see the profits of quarter 4 are in fact higher then the profits of quarter 4 of 2002, in spite of the fact that the quarter 4 of 2003 is lower by about 40 crores. The point I am trying to make is in spite of the low sales in quarter 4, the absolute profits in quarter 4 of 2003 would have been much higher then the profits of fourth quarter of 2002. So that takes to the point that the operating margins are really seem to be improving and if you add back all these charges which I just mentioned the quarter 4 operating margins would be in the range of 17 to 18 %, which I think is a very healthy sign as we move forward. Hocine is going to talk about the trend in the first quarter 2004 and I think now I will hand over to Hocine to take us through the other part of the agenda. Hocine

Hocine Sidi Said: Yeah, very good. I would like to comment on our prospect going forward. Before I do that, want to do some introspection in terms of our business. First and foremost, I must pledge before you the fact that Pfizer has been active here in India for the last 53 years and has been as such demonstrating very strong commitment vis-à-vis this market in many ways more than just the revenue and income that it derives from its entity here in India. Also, we have spent significant amount of time beyond the difficulties that we have had or experienced in year 2003. We spent significant amount of time introspecting in terms of our focus vis-à-vis products and in terms of our focus vis-à-vis activity. And this has resulted in, for instance our sales and marketing colleagues

focusing more significant resources on products competing in dynamic segments and has also translated into our restructuring efforts in for instance manufacturing and I will talk about this a little later. Going forward as touched upon by my colleague Kewal we see a profound strengthening of our fundamentals. I would like to mention a few things here; One, as discussed by Kewal, our inventory levels in the trade are significantly lower than the average pattern relating it with other pharmaceutical companies. We have also experienced lower material cost as discussed earlier, and we have managed in the sales and marketing as I had mentioned earlier to focus on those activities that will generate demand going forward. We see significantly more positive results coming our way and without discussing the first quarter of year 2004 in great details, suffice to say that we have been able to deliver a high double-digit growth in this first 3 months of our fiscal year 2004, and that is a testimony to the seriousness we place in our business but also the burning platform we have created in making sure that we go back on track and focus on what will deliver growth going forward.

For us, as far as the prospects are concerned, I would like to pre-ans some of the questions that you may have as far as new products. And this is obviously a recurrent questions, that I and my colleagues has read on the number of occasions but, I think I must bring in even more clarity as far as new products are concerned especially when we are benchmarked against other multinational companies. First and foremost, on the subject of new products that I must clarify the facts is that the ownership of our trademarks and any other intellectual property continues, is, will and will continue to be the property of our parent company Pfizer Inc and that is a common pattern across multinational companies operating here in India. It has been the case for the last 50 years or so and it will continue to be the case going forward. Pfizer Inc operates in India through quite a number of different co-operate entities, as you know. We have 4 different entities; one of them obviously is Pfizer India Limited, but we have 200% owned subsidiaries and a listed company and it is Pfizer Inc's prerogative to actually decide as to which product will go to which entity and that's the strategic decision that we are often party to. Now, bottom line is of concern to us or should be of concern to us, is the opportunity of our company Pfizer India Ltd to capture a value and this is precisely what my colleagues and I are paid for. We are here to create value by providing services to Pfizer Inc. in selling and marketing products, irrespective of where those products are launched or who holds the ownership of those products.

Like many other pharmaceutical companies that are research based companies, we see tremendous excitement going forward as a result of 2 significant developments, One is the overall macro economy trends that India is experiencing and two, the seriousness the government displays in putting in place a strong product base in its regime. We spent to benefits like many other multinational companies, probably more given these depths of our portfolio and given the commitment that Pfizer has vis-à-vis research some \$7.3 billion in year 2003. So, this is what I really wanted to say as far as new products are concerned.

Touching upon products, I also promise that I would discuss our voluntary recall of one of our consumer products namely Gelusil Liquid. This, I repeat was not mandated by

regulatory authorities. It is a voluntary action on the part of Pfizer and its quality assurance team, who deemed at some point that the characteristic of the products was deviating vis-à-vis our splendours. We have openly and in a straight forward manner declared that we did not expect these deviations to be associated with any kind of health risk and I am here to reiterate that. I truly believe that this voluntary recall translates into the level of ethics and integrity that prevail at Pfizer, not just Pfizer India but Pfizer at large where we put quality before revenue and income. So that's as far as Gelusil is concerned. I also, as I promised, wanted to discuss the closure of our bulk manufacturing plant in Chandigarh. I am happy to report to that we have initiated discussions with the representatives of our Pfizer union. Those discussions are progressing in a satisfactory manner and should in whole likelihood permit us to close that manufacturing site in the next couple of months or so. This ultimately will reflect again in a positive manner going forward in the material cost of Pfizer India Ltd. So, that's really the 5 points that constituted our agenda for today and I would like at this point in time to open the forum and address the questions that you have.

Moderator: Thank you sir.

Kewal Handa: Yes.

Moderator: 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 and await your turn to ask the questions when guided by the facilitator. If your question has been answered before your turn, and you wish to withdraw your request, you may do so by pressing the "#" key. We have our first participant Mr. Handa from Parag Parekh Finance. Please go ahead Mr. Handa.

Nirjhar Handa: Yes. Good afternoon sir, Nirjhar here.

Kewal Handa: Nirjhar, how are you?

Nirjhar Handa: Fine, thank you. Sir, I have 2 questions.

Kewal Handa: Yes.

Nirjhar Handa: My first question is that you have disclosed VRS expenditure at extraordinary items below the line.

Kewal Handa: Yes.

Nirjhar Handa: Would it be possible for you to quantify how much of one time expenses are including current year results above the line, you know things like that bad debt redemption, stock write off, this Chandigarh's plant closure or any such thing which are one time but included in the normal business operations.

Kewal Handa: Okay, I'll take your first question. If you look at last quarter November 2002.

Nirjhar Handa: Yes.

Kewal Handa: The, below the line, there was a consideration on account of sale of the trademark license, which was around about 23 crores.

Nirjhar Handa: Right.

Kewal Handa: And then there was the VRS charge about 5 crores

Nirjhar Handa: Yes.

Kewal Handa: And there was an asset repairment of about four and a half crores.

Nirjhar Handa: Right.

Kewal Handa: So, the pluses and minuses gave us a net of 23 crores positive.

Nirjhar Handa: Right.

Kewal Handa: Now, we have just taken a charge of VRS, which is the worker's charge charge of 5 crores for the quarter fourth of 2003.

Nirjhar Handa: Right.

Kewal Handa: So that's the difference of the exceptional items. Now, coming to your question as to what are the other items, I did elaborate a little bit when I said in the fourth quarter we had to take a few items which were of, one of the types of the item and particularly I was referring to write off of Gelusil stock which we took it, I was referring to gratuity, the higher provision on account of gratuity because of change in the interest rate in the market.

Nirjhar Handa: Right.

Kewal Handa: I was referring to also the cost on account of Chandigarh closure, you know, there are certain cost which we have to take on account of Chandigarh closure that was there and then of course that were really the main reasons and there were some nearly expiry stocks, which we took it .

Nirjhar Handa: Right.

Kewal Handa: This is the policy we changed it, we took the stocks which are likely to expire in the next 2 months and we took it ahead of time. These are the 4 or 5 items, which we considered in quarter four.

Nirjhar Handa: Okay, and for the full year ended November 2003, what would be roughly these exceptional items above the line?

Kewal Handa: For full year, basically, if you look at the major change would be reduction in the price of Becosule, which would be around about 8 to 10 crores rupees.

Nirjhar Handa: Okay.

Kewal Handa: And then of course, expenses which are related to lower sales.

Nirjhar Handa: Okay.

Kewal Handa: And closure of plants.

Nirjhar Handa: Okay. And my one more question, you have mentioned a bit on the new product signed. What is the larger policy but specifically with regard to the current year, are there any plans to launch some new products or some line extension?

Kewal Handa: Okay, I would like to turn on this to Hocine.

Hocine Sidi Said: Yes, what constitute our immediate plans is 2 line extensions of our consumer products.

Nirjhar Handa: Okay.

Hocine Sidi Said: That should come in the next 2 o 3 months.

Nirjhar Handa: Right.

Hocine Sidi Said: That should constitute our launch plan. At this point in time, we have no prescription product, and I repeat at this point in time that is in our launch plan, but we will revisit that as soon as we clarify our plans with our parent company. I need to also highlight the fact that we have entered into a co-promotion agreement, you may have seen the announcement we made to our regulators recently. We have entered into co-promotion agreement with Sanofi Synthelabo, a European company, as you know.

Nirjhar Handa: Right.

Hocine Sidi Said: With the purpose of co-promoting one of our most recent launch, **[Daccid]** [22:12] indicated in depression, otherwise known as Zoloft in the US.

Nirjhar Handa: Okay. Thank you sir.

Kewal Handa: Thank you.

Moderator: Thank you Mr. Handa. Participants who wish to ask questions may please press “*” and “1” now. We have the next participant Mr. Satish Bhat from Daulat Capital. Please go ahead Mr. Bhat.

Satish Bhat: Hello Handa,

Kewal Handa: How are you Satish?

Satish Bhat: Fine sir. Sir actually, this is a question related to you, and Mr. Hocine Said. I just wanted to know, what is your plan regarding the merger of Pharmacia Healthcare India Ltd and Pharmacia Healthcare, as there are 2 Pharmacia group companies which are operating in the country. Mr. Hocine Sidi Said, said currently the plans are only to land 2 line existing in the consumer healthcare business. Why it is taking so long time for introducing prescription-based products in the country? That is one, and another is whether Caudet is not approval, combination of Lipitor and amlodipine, whether that product would qualify for a patent production in the country.

Hocine Sidi Said: This is Hocine Sidi Said Said. I’ll handle the easiest questions first obviously. I regret to advise you that both Lipitor and Norvasc will obviously not qualify for any kind of exclusivity. We have simply missed the window of opportunity, particularly at this time where there was no infrastructure to provide the exclusivity or even a promise of exclusivity. So, that’s one thing. As far as consolidations of entities are concerned, you know that we consolidated and I think it made a lot of plans, Parke-Davis and Pfizer. As far as Pharmacia India Ltd, the listed entity is concerned; we need to come back to you with significantly more firm plans as to the benefits that we see in consolidating the 2 entities. As you know in substance, you know that 2 companies have the significant difference in terms of size, in terms of earning potential, in terms of even share holding factors. Therefore, we must think in terms of the value those that consolidation would bring to our shareholders of Pfizer India Ltd and at this point in time I would not want to comment on that. It’s work is in progress and honestly the legal merger of 2 legal entities is by no mean interfering in our commercial operations one-way or the other. As far as new products are concerned, I have mentioned to what I was in a position to mention it right now and that is 2-line extensions coming from our consumer healthcare division. We obviously recognize the need for us to accelerate our new products launch plans and we are discussing this very subject with our parent company and attempting to convince our parent company that this is the right way to do it. You can easily imagine that some of the apprehensions of the past in terms of lack of perfection are still in the minds of some of our colleagues in our headquarters. However, I must say that recent developments, as I mentioned earlier on, recent developments have started changing the perception of some of our senior leaders at the headquarters. So that’s the positive development on its own. Thank you.

Moderator: Thank you Mr. Bhat. Ladies and gentlemen for any further questions you are requested to press “*” and “1”. We have our next participant Mr. Sameer Narayan from Enam Securities. Please go ahead sir.

Sameer Narayan: Good afternoon Mr. Handa.

Kewal Handa: Good afternoon Sameer, how are you?

Sameer Narayan: Fine, thank you sir. Sir, I just wanted an update on how is Corex doing in the whole year sir.

Kewal Handa: Corex in the first quarter as Hocine has said, has shown a very good growth.

Sameer Narayan: Okay.

Kewal Handa: So, it is coming back on the track.

Sameer Narayan: Okay, but as of calendar year 2003 ending.

Kewal Handa: For calendar year 2003 ending Corex was down by almost about 25 to 37 %.

Sameer Narayan: 25 to 37 % as of November 2003.

Kewal Handa: Yes.

Sameer Narayan: Okay, and sir any update on the Innovex sales force that we had, I mean, how is it going, the turnover, that they were supposed to be promoting the tail-end brands. Are you satisfied with the way things are planning out there?

Kewal Handa: We are waiting for the 6 months to be completed and we are going to take a stock of the position that innovates after the 6 months of completed. But what the feedback we are getting, I think they we are doing a good job.

Sameer Narayan: Okay, so, I mean do you aspect that the sales growth going forward for say, I mean, financially year 2004, where would it basically come from because in case the product launch schedule includes only 2-line extensions. So, how would you see the growth rates for pharma business in '04' be driven by?

Kewal Handa: We used 2 base; one is you know, the baseline effect would be there.

Sameer Narayan: Okay.

Kewal Handa: Because 2003 had a low sale, and as Hocine had already said refocusing or the field efforts, we are going to do that and line extension, and I think we did a lot of introspection and if you look at the trend in the first quarter we are very hopeful that we will be able to get a good growth.

Sameer Narayan: Okay, okay, but sir like how would the 04 growth be versus lets say 02?

Kevel Handa: 04 versus 02, Sameer you have gone to 02. It is difficult to answer at this point of time because 02 also had a little bit of last quarter sales there which was unexceptional.

Sameer Narayan: Okay.

Kevel Handa: But if you take that November to last quarter sales out, we should be able to you know, come up to that level of 02.

Sameer Narayan: Okay

Kevel Handa: It is very difficult to answer this question.

Sameer Narayan: Okay. Right sir, thank you sir.

Moderator: Thank you for your question sir. We have our next participant Mr. Sanjay Chawla of Motilal Oswal securities. Please go ahead Mr. Chawla.

Sanjay Chawla: Good afternoon everybody.

Kewal Handa: Good afternoon Sanjay.

Sanjay Chawla: My question is relating to Gelusil, the particular Loan Licensing Manufacturer was introducing any other products for Pfizer and if so is there a problem out there also?

Hocine Sidi Said Said: Yes, this is a very relevant question. In fact, the third party manufacturer was indeed also stated with the manufacturing of another consumer has kept for us known as Listerine and we have also faced some difficulties with Listerine, but we were fortunately much faster to identify those issues and I am happy to report that we are now out of any concerns as far as Listerine is concerned, and we should go back to the market and experience the kind of growth that we have demonstrated in the past.

Kewal Handa: Just to complete the answer. We have discontinued all the products with that same third party and we have shifted all the other products.

Sanjay Chawla: I see. Just one more accounting question, this particular withdrawal was done in November quarter or was it done in the current quarter?

Kewal Handa: The withdrawal was done in the current quarter.

Sanjay Chawla: So how are the sales going to be impacted? I mean how are the withdrawals going to be reported, I mean they are going to be reduced from the sales or?

Kewal Handa: Yeah, it is. We have already taken some stocks, which were lying with us and recognized that in November '03 itself.

Sanjay Chawla: Sure, I mean this

Kewal Handa: While going forward to we have done some sales in the quarter, first quarter of 2004 and as the stock comes back the sales would be reversed.

Sanjay Chawla: Okay, so just coming back to what Mr. Said, said that you have grown at high double-digit. Is that after accounting for this returns of stock or this is basically on the pure-pure sales.

Kewal Handa: No as I told you, the stocks, which were lying with us, have been already accounted in November 2003.

Sanjay Chawla: Sure.

Kewal Handa: Now the sales, which we made in, let's say, the first quarter of 2004, or even earlier than that. Now that will depend upon what it comes back from the market then only we will be able to take in.

Sanjay Chawla: So basically.

Kewal Handa: Though I have done some provision, we have already made in November 2003, even for such sales.

Sanjay Chawla: Okay, just one more, small accounting question, the depreciation seems to be fluctuating quite a bit quarter on quarter. What is the depreciation that one can assume? Is there an extraordinary charge that you have taken in the November quarter?

Kewal Handa: No, I think depreciation is normal. It is only because there are some high capitalization and that was, but going forward in 2004 I do not see any spikes in depreciation

Sanjay Chawla: And same as the case of the staff cost it seems to be going up on a sequential basis also. Is it primarily because of the additional provision for gratuity that you have made?

Kewal Handa: Yeah, Yeah. That is right.

Sanjay Chawla: Okay, I am done. Thank you very much.

Kewal Handa: Thank you very much.

Moderator: Thank you Mr. Chawla. We have our next participant Mr. Oberoi of Networth Stock Broking. Please go ahead Mr. Oberoi.

Oberoi: Yeah, Good afternoon. I just wanted to know whether Pfizer India has any plans to go for U.S F.DA approval of your Thana, Belapur plant?

Hocine Sidi Said: well it is a good question this is for Hocine Sidi Said Said. We have no plans whatsoever get N.F.D.A certification for a very simple reason. Let me put things into prospective. Globally we are now the product of the consolidation with Parke-Davis and subsequent to that consolidation with Pharmacia. As a result, we ended up one fine morning with exactly one handed manufacturing site across the globe. Therefore you can easily imagine that we do not have capacity issues, we have probably the highest volumes across the globing in terms of products. Therefore there is no need for any affiliate of Pfizer to actually export to another country irrespective of whether it is India or elsewhere. So, at this juncture we see no reason why we should be gaining FDA certification. However, if your question is of regards quality I must bring to your attention the fact that you need to go literally our manufacturing site gained ISO 14001 certification which really denotes the standards that we have applied for our manufacturing site and planning.

Oberoi: Okay, thank you very much sir.

Hocine Sidi Said: Thank you.

Moderator: Thank you Mr. Oberoi.

Oberoi: Thank you.

Moderator: For any further questions ladies and gentleman please press “*” and “1” on your push button phone. We have our next participant Mr. Sanjay Chawla of Motilal Oswal Securities. Please go ahead Mr. Chawla.

Sanjay Chawla: Good afternoon once again. I wanted to know how big is Gelusil and Listerine brand for Pfizer?

Kewal Handa: Gelusil you know of the issue of quality is only with relation to liquid and not in relation to tablet.

Sanjay Chawla: Okay.

Kewal Handa: So, liquid would be in the region of roughly around above 20 crores or so.

Sanjay Chawla: And Listerine?

Kewal Handa: Listerine would be in the region of 5-7 crores.

Sanjay Chawla: And I assume that there is an alternate source of manufacturing now that you have stopped third party from one particular vendor.

Kewal Handa: We have already shifted it to the alternate source

Sanjay Chawla: Excellent.

Kewal Handa: Expected, the stocks to start coming to us by end of March.

Sanjay Chawla: Okay, Thank you very much.

Kewal Handa: Yeah.

Moderator: Thank You Mr. Chawla, we have our next participant Mr. Sameer Narayan of Enam Securities. Please go ahead sir.

Sameer Narayan: Good afternoon once again sir, this is directly to Mr. Handa. Sir in fact for Q3, when we have discussed in the last conference call, the staff cost had a component of increments with you know of about 80 lakhs and gratuity to the tune of about 2 crores which was the short fall in the provision. But if you see sequentially also our staff cost has still gone up to about 22 crores for the Q4. So I mean, could you just quantify us to how could this be if in case what were the elements like?

Kewal Handa: The earlier short fall was mainly account of the heavy VRS we had to fund it.

Sameer Narayan: Ok.

Kewal Handa: But this quarter short fall is mainly account of the discounting rate, because you know the discounting rate considered was very high at 9% and then we have to bring it to a realistic rate and therefore there is the more funding required.

Sameer Narayan: So sir what would be the amount, which would be let say attributable to this rate differential?

Kewal Handa: That would be in the range of 1-1½ crore rupees.

Sameer Narayan: Okay, Okay. So basically, it will be lower than the gratuity provision that we had in Q3?

Kewal Handa: Absolutely, that is my point in that.

Sameer Narayan: Okay, okay.

Kewal Handa: Thanks Sameer.

Sameer Narayan: Thanks.

Kewal Handa: Thank you Mr. Narayanan.

Moderator: Participants who wish to ask questions may please press “*” and “1”. We have our next participant Mr. Shridhar Sivaram from Morgan Stanley. Please go ahead with your question.

Shridhar Sivaram: Yeah, good afternoon gentleman I have 2 questions regarding the patent law. One I wanted to know, when would the earliest Pfizer be able to launch patented products in India that's one and number two. How do you feel pricing control and the patent regime going side by side? Do you expect DPCO still to play a larger role or how would these two co-exist?

Kewal Handa: I would like to hand over the question to my colleague Ramkrishna.

S. Ramkrishna: Yeah. Now the first part of your question, the patent law. Essentially, we are hopeful that after the elections the which ever government comes in place, would still continues with the commitment of bringing a law in place by the end of 2004 or 2005 to begin with but even when the law is in place you may be aware that essentially a product patent would be applicable only for products which have been patented anywhere else post 1995. So in a way that precludes some of the products which are may be yet in the pipeline because you know development times from the date of discovery takes anywhere between 10-12 years or an average these days. So therefore to be a little more clearer on that we are examining the product pipeline as Hocine said, we are looking at the possibilities of what ever product that we could get our parent company to allow us to launch over here. So only when that becomes clearer will we be able to say which one of those will be protected in the new dispensation. As far as the pricing regime is concerned, that is something, which in some form or the other is likely to continue. I do not think there would a major sort of a reversal in the pricing regime. What it would mean is even when we have do have a product patent regime, the pricing regime which today is a government is a stand alone thing would continue to operate under its own guidelines which is to say that they have a list of produce etc, etc. So in terms of the 2 we hope that the government does not really mix up 2 entirely different issues. I hope that answers your question.

Shridhar Sivaram: Yeah just wanted to check how some of the other emerging or developing markets, how it operates? The Pfizer is already operating and where patents are recognized and in the sense some sort of pricing control is there in almost most of the markets, and how does Pfizer handle that in other markets?

S. Ramkrishna: In most of the markets, the price is a function of the period. You see unlike in India, where most of the consumers pay for the medicines out of pocket and therefore the government's only intervention unfortunately is rather than they have not been very successful in providing for a health care infrastructure in all the last 50+ years of independence. So largely it is a totally out of pocket expense and therefore the only intervention the government has is in price control. In most other countries including many of the comparable developing countries there is some form of health care

infrastructure, health care support system. There again prices are not totally free for all, because the prices are determined through negotiations where you are often between the payer and the pharmaceutical companies. So in effect it is a kind of a pricing regime in those countries.

Shridhar Sivaram: Ok so basically from what I understand on the product itself is that not before 2007 is when Pfizer would be able to launch its products after you take all your approvals and because there are 10-12 years is what you said from 95 so

S. Ramkrishna: Yeah, well. That is, what you are saying seems to be a reasonable or likely scenario. Once again it is you know, it is likely that during that period we would have products that would be eligible for protection in India, but launches etc as Hocine has said earlier is a commercial deficient between, I mean for the parent company Pfizer Inc. to be really determined.

Shridhar Sivaram: I appreciate that. Thank you very much.

Moderator: Thank you Mr. Sivaram. We have our next participant Mr. Bharat Shah from ASK RJ. Please go ahead Mr. Shah.

Bharat Shah: Yeah, hi Kewal.

Kewal Handa: Hi Bharat, how are you.

Bharat Shah: Yeah, good, good, good.

Kewal Handa: Congratulations in your new role now.

Bharat Shah: Okay, that's long back man, anyway thanks. Kewal just one question, I mean the footnote thing the results say that, part of the dropping in the sales is due to the slow markets and the other one was the plan de-stocking. So if we have to understand that de-stocking better would it mean that really speaking the level of sales last year should be understood is lower than what has been the case? I mean the year of 2002.

Kewal Handa: Well, but if you look at the trend in the industry the wholesaler inventory is roughly around about 5-6 weeks, more than 6 weeks many times. And when this VAT issue came in, the sales were down for most of the companies in the month of March and April and there were negative sales for almost all the DNSC companies. But post April most of them actually built up the stock back with the whole sellers and the inventory went up as high as 7-8 weeks where as Pfizer took a conscious decision to rationalize the inventories at the whole sellers and we never built up the inventory there again. So that is the part of the rationalization of the inventory. Now as far as 2002 sales are concerned it had its normal whole sellers inventory and the rationalization has taken place in 2003.

Bharat Shah: Okay, so that would typically would have meant more like deferment of sales and not really loss of sales isn't it ?

Kewal Handa: Yeah. Either it would mean more or is like, but you loose the sale in the market. Two market sales we have lost, whereas in market sales we have not lost, because in market sales is still showing a growth.

Bharat Shah: No I understand that. My question was since it is pertaining only within the year, which is immediately gone by, the weightage should probably would have resulted in deferment of sales from March-April period to be subsequent period or you mean to say it is a

Kewal Handa: We have not gone up to that level of inventory.

Bharat Shah: Okay, so there is an actual scenario of loss of sale.

Kewal Handa: Yeah, that's right.

Bharat Shah: But would that mean that I mean people who needed medicines went with out medicines during that period.

Kewal Handa: Oh, we still have the sufficient inventory to service the retailers, because retailers also keep an inventory of 3-4 weeks.

Bharat Shah: So now what would be the average level of inventory with the wholesalers.

Kewal Handa: Round about 3.5-4 weeks.

Bharat Shah: About a month, less than a month.

Kewal Handa: Less than a month.

Bharat Shah: And during that period it short up to 2 months.

Kewal Handa: Yes.

Bharat Shah: Ok. So that would have meant on an average about 60-70 crores of extra sale which.

Kewal Handa: May be a month's sale, by the 2 or 3 week's sales. You are right.

Bharat Shah: But that still, that takes care of may be 30-40 crore of loss of sales at all. There is still a fairly almost 100 crore drop, even if we ignore that. More than 100 crore drop.

Kewal Handa: Right.

Bharat Shah: That thing is entirely due to the slowness of the business.

Kewal Handa: There is a slowness of the business, then to that you add the loss of sale because of lower price in Becosules which we almost about 10-12 crores.

Bharat Shah: Yeah.

Kewal Handa: And then there were the occasional issues of the mergers where we have lost sale because of the field force territory alignment, integration issues.

Bharat Shah: But now that's on the track.

Kewal Handa: That's all in place now.

Bharat Shah: Thanks Kewal.

Kewal Handa: Thank you Bharat.

Moderator: Thank you Mr. Shah for your question. Ladies and gentleman please press "*" and "1" on your push button phone for question. Ladies and gentleman for any further questions you are requested to press "*" and "1" now.

Kewal Handa: Priyanka if there are no other questions then I would ask Hocine to just conclude the session.

Moderator: Sir we have 1 question in the queue now. Can we take that one?

Kewal Handa: Yeah, sure

Moderator: We have Mr. Shailesh Raj from Reliance Mutual Fund. Please go ahead Mr. Raj.

Shailesh Raj: Yeah, good afternoon. Can you take us to the loss in Duchem of about 3.8 crores and whether that can be you know that is repeatable or something like that.

Kewal Handa: Yeah, that is a good question. Actually the loss in Duchem is mainly driven because of some write offs and return of materials.

Shailesh Raj: Okay.

Kewal Handa: This is a one time chart and actually we look at the fourth quarter of Duchem, it has made a profit. So going forward I do not think so that will get repeated.

Shailesh Raj: Okay, so basically this can be treated as a one time.

Kewal Handa: It is a one time, yeah return of material is there, and date expiry material is there.

Shailesh Raj: Okay fine. Thank you.

Kewal Handa: Thank you.

Moderator: Thank you Mr. Raj. Ladies and gentleman for further questions please press “*” and “1”.

Kewal Handa: Priyanka, Hocine do you want us to conclude? Hocine would like to conclude it.

Moderator: Sure sir, we have no further questions in the queue.

Kewal Handa: Very good. Hocine.

Hocine Sidi Said: Yeah, I would like to just say thank you for your active participation and for the quality of your questions. I sincerely hope that we have done justice to all your questions by providing you as much information as possible and we would remain active both via teleconferences like this one and also by answering some of the queries that you may have by e-mail or otherwise and we look forward to meeting with you again at our annual share holders meeting in the next few months or so, in April in fact. Thank you very much.

Kewal Handa: Thank you very much.

Moderator: Ladies and gentlemen This concludes your conference for today. Thank you for your participation and for using Tata Indicom Conference Call Service. You may please disconnect your lines now. Thank you.