

Moderator: Good afternoon ladies and gentlemen. Thank you for standing by. Welcome to the conference call of Pfizer Limited. We have with us today, Mr. Kewal Handa, Executive Director (Finance), Pfizer Limited. 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 '*1'. I would now like to turn the conference over to Mr. Handa. Please go ahead, Sir.

Kewal: Good afternoon everybody. I have with me Ramkrishna, I have with me **Arjuna**, and I have with me Ajay Shukla, and Mr. Subramaniam. I would be talking about the new Finance bill and the budget ___ placed in the parliament. There are some positive features for pharmaceutical industry there, particularly the way the Finance Minister has looked at the pharmaceutical industry, reducing the custom duties from the peak rate of 30-25, keeping the life-saving drug list intact. In fact, adding 30 more new products and taking out the contagious CBD duty because nobody was getting a credit on those CBD. So, almost 16% of CBD was taken out. The R&D drug used for R&D will have no custom duties now to be paid. The excise duties have been rationalized to bring in the state excise duty in line with the centralized excised duty at 16%. Some of the products on the state excise duty, the rate was 20% and which has now been brought to 16%. Though there is no CBD on state excise but still it is a big relief to be on par with the central excise. I think these are really positive measures as far as pharmaceutical industry is concerned. But I have really two major concerns moving forward and the major concern first is on VAT. As you all are aware, the sales tax which the pharmaceutical industry pays within the range of about 7-8%. With the introduction of VAT they are talking about revenue neutralization rate of 12.5% and if you apply this 12.5% rate to the commission that you are paying to the wholesaler and retailer, the actual average duty will go up to about 15.5%. So the effective rate is definitely going to go up. And if there are no adequate provision on the credit on the transfer of stocks then we have a real issue as far as the pharmaceutical industry is concerned on VAT.

The immediate issue is again with the trade. The trade is not very sure as to what is going to happen to the duties on the stock, which they are carrying. Some of them have stopped buying, some of them have said that the company

should take responsibility and take the stock back and so on and so forth. So unless the rules come out as to what are the transition arrangements, this is going to be a major problem moving forward. And therefore I am sure the **March** sales of most of the companies would be badly hampered because of the trade not picking up the stocks.

The other issue really we have at the pharmaceutical industry is the introduction of RSP in the excise duty, which simply means that they are gearing up for introducing MRP in pharmaceutical industry. Now, as you know, the MRP in pharmaceutical industry was not able to be introduced because of DPCO scheduled products and nonscheduled products. The other reason is the abatement which they are talking about. It is just about 40% for the other industry and for a pharmaceutical industry this 40% will not do good. At least a minimum of abatement of 55% duty considering the level of factors we have. I think these are the two real concerns of pharmaceutical industry and we are going to take up this matter with the government very seriously. The other two things which have happened in pharmaceutical industry, as you are all aware is the DPCO which was the new policy which was challenged in the Karnataka High Court. The government has now filed SLP and I believe the hearing is likely to take place within few days or so and the matter hopefully will be resolved by end of this month. The industry has also not taken lightly the Karnataka High Court decision of 15 days and therefore along with ___ (4:55) and others particularly **OPTI** was also going to the court and want to intervene and say this is not practical and it is not possible to bring the stock back from the wholesalers and retailers. So, these are really the two major things that are happening. As you are all aware that in 2002, the industry really did not do very well and if you look at the growth the price has a negative growth and to my mind this is mainly because of the impact of generic products which has reduced the prices of the products overall. Volume has also not grown because they were not too many introductions as a result of which the volumes were more or less stagnated at the same level as of the previous years. We in Pfizer, ofcourse, had this issue of merger with Parke-Davis and we had about 1,200 people to be brought into the Pfizer fold and this acutally required to re-deploy the entire sales force, make them familiarize with the customer base, look at their territory, give across the training and so on and so forth. The entire exercise almost took about 6-9 months and by now I think

the team is in place, the district managers are placed, the regional managers are placed. So, we have now some type of consistency as far as our team is concerned and as far as the people are concerned. Now, they are really ready to move forward. The other thing that has happened is that there is a low promotion of Hepashield that is hepatitis B vaccine during the year 2002. And we have almost now discontinued promoting Hepashield and therefore the sales of Hepashield which were at very high level in previous year around about 20 crores plus has really come down to very low level which has impacted our 2002 growth as compared to 2001.

Now I would like to just briefly tell you what is the position as far as the consolidated accounts are concerned. We have given a consolidated accounts of Pfizer and Parke-Davis that does not include Duchem. And in the published results, unfortunately we were able to give a comparison of Pfizer alone in the first 3 columns and in the fifth column, and the fourth column is only the consolidated Pfizer and Parke-Davis. But I will try to summarize for you what exactly, how you can really compare these figures and then we will see really how the performance has taken place in 2002. If you look at the consolidated figures of sales and if you take the previous year's consolidated figures where I have to analyze the Parke-Davis figures because they were only for eight months then you have a sales growth of almost about 13%. Parke-Davis on a standalone basis had a sales growth of 7% and Pfizer on a standalone basis had a growth of 16%. Now that is a standalone growth and however if you look at the total Pfizer growth as per se Pfizer, Parke-Davis and Duchem and you exclude Hepashield for all practical purpose then you have a growth of 6.5%. So that is the real growth I would say it is about 6.5%. Who has contributed to this growth? The real contributor has come from our top products. In fact if you look at top 10 products they are growing at more than about 9%. Products like Corex is growing at about 12%, Benadryl is growing at about 25%, Gelusil round about 12%, Protinex about 12%, Benzamycin or Magnex about 17%. The negative growth have come from older products particularly the anti-infective Terramycin, Chloromycetin, and some of the older products like Max and Duracell have really brought the growth down and animal health products Coxistac because of generic competition the growth has come down. But the point that I am trying to make is we are putting resources behind the major brands. We are putting

resources behind Pfizer molecules and if you look at the growth of the top 10 which accounts for almost about 66% of total sales its growing about 9% which is I think above the industry average if you would like to say. Now coming to the operating profit as such, the operating profit with a 12.6% growth has grown. Looking at operating profit excluding other income is growing at about 6% and the margin, the operating margin is almost remaining the same at 22.4%. But you have to take into account for 2002, there are one-time charges which are basically charges, which are related to merger. Now, these one-time charges almost account for about 14 crores for the year 2002. And previous years on a like-to-like basis they were about 7 crores. So, the difference is about 7 crores on one-time charges. And if you exclude these one-time charges and look at the growth including the Duchem, the operating margin has actually improved by 1 percentage point. The operating margin has gone up from 18% to 19.7%. So, I think by and large, we have really been able maintain our margins inspite of having a tough year, we have been able to improve our margins by about 1 percentage point. And I think that is a good news moving forward because then you will see a whole lot of changes taking place in the ratios as such. For the quarter again, Pfizer standalone looks very high at 40% because it has a sale of Becosules which came in during the quarter and it was not there in the previous quarter. But, if you look at Pfizer and Duchem just on a stand-alone basis it was growing at 7% plus and Parke-Davis on a stand-alone basis has grown at about 6% and Pfizer combined, Pfizer, Parke-Davis, and Duchem for the quarter has grown at about 7%. I think that is pretty healthy growth considering the industry had a very tough time during the last quarter and I think they will also have a tough time in the current quarter which has just passed by and moving forward I am seeing some improvements in the sales.

Operating profit for the quarter, again there were one-time charges which were charged during the quarter which almost amounted for almost about 6 crores and really if you exclude these operating charges, we also did pretty well as far as the quarter is concerned. So, by and large, I thought you would be interested in knowing how these accounts are consolidated and how really one should look at the profits for the full year and for the quarter. Now as I said that I will leave it open for you to ask any

questions and we are all here to clarify. Thank you once again very much for being with us.

Moderator: Thank you Sir. 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 Mr. Sameer Narayan from Enam Securities. Please go ahead, Sir.

Narayan: Good afternoon, Mr. Handa.

Kewal: Hi Sameer, how are you?

Narayan: Fine, thanks. Sir, in fact, the first question was that you were starting from previous history the 9-month results that have been declared in the segmental results for this quarter, they seem to be reinstated compared to what were given at the end of the August quarter result. So, Sir, could you just take us through the change in the grouping?

Kewal: But, that is again only for Pfizer stand-alone.

Narayan: Sir, what has been added and what is the exact quantum of the addition that has happened.

Kewal: No, this 9-month ended August 31, 2002, is the Pfizer stand-alone only.

Narayan: Correct. So, Sir, if you were to take the sales for which were 215.37 crores, which have been given as the November results compared to what was there at August that was 316 cores total. So, where exactly the difference coming, this 43 crores.

Kewal: No, that includes service income also.

Narayan: So, Sir, can we take that in the August quarter **Becosules** sales of 43 crores.

Kewal: Ofcourse. Not the entire in the August quarter, 24 crores in the August quarter.

Narayan: Sir, how much in the November one?

Kewal: That would be in the ____ (14:25) 24 crores.

Narayan: Okay, Sir, in case if you just look at the margins the way they are moving in the segmental results, infact, the pharmaceuticals including services seem to be showing a secular downtrend over the August trend as well as the November quarter.

Kewal: I think, the real comparison one can make only if you see a consolidated one in the next quarter. That will give a real comparison because there were service charges, cost of the charges, between Pfizer and PD and therefore it will lose its purpose comparing it, segment growth. But let us take it in the quarter when we publish the results and then look at the segment growth and profitability.

Narayan: Sir, then are we to understand that from next quarter onwards you will be giving Pfizer + PD + Duchem.

Kewal: Ofcourse, we will give a total consolidated one.

Narayan: And along with the previous year's figures also?

Kewal: We will try to see, we will recast the previous year's figures also accordingly.

Narayan: Okay Sir. Sir, the other issue was regarding the how has been the response to Daxid and the Azithromycin over the last two quarters?

Kewal: Daxid is the new area which Pfizer has entered into CNS and we are really not there in the CNS and the response has been pretty good. The sales team is very excited and we are doing pretty well as far as the Daxid is concerned.

Narayan: Sir, in terms of the number, how could we be running on the monthly run rate?

Kewal: I don not want to give you the figure but we are as per our budget.

Narayan: Okay. Sir, any thoughts on after the sale of **Adams** to Cadbury Schweppes and abroad I mean what are the implications of that that you see in the Indian subsidiary.

Kewal: As you know the **Warner-1 ambert** subsidiary is basically a stand-alone subsidiary and having the major

business being the confectionery business. Now, as of now there is no impact on the Indian subsidiary because we were not doing anything with the **Warner-1 ambert** as such.

Narayan: Okay.

Kewal: So, the statusquo remains.

Narayan: But, Sir, in future can we expect some amount of receipts coming into Pfizer in case this was to be ultimately sold to Cadbury in India as well?

Kewal: No, the receipts cannot come to Pfizer Ltd. because Pfizer Ltd. has nothing to do with that subsidiary as such. Infact, the subsidiary never belonged to Pfizer, it belonged to **Warner-1 ambert** earlier. It is only in the merger globally of Pfizer that Pfizer became the owner of that subsidiary.

Narayan: Sir another question regarding this VAT, how do you see this. I mean, do you feel that the government will come forward and clarify as regards what should be the neutral rate on the differential...? I mean, how is the pharma industry pitching it to the government?

Kewal: We really have to pitch at a very high tone because the way I see it is the trade is disturbing the business very much. And today if you ask any pharma guy what is happening, he says nothing is happening because nobody is picking up the stock. And therefore I think the onus is on the government to clarify as soon as it can as to what is going to happen to the stock-in-trade. That is first thing and the second thing is what is going to happen to the neutral rate of pharmaceutical industry. Are you going make the medicine expensive? To my mind the medicine cost will go up by 5-6%.

Narayan: Okay, fine. So, that is currently under negotiation.

Kewal: We have written one **OP (18:03)** memorandum to the government. We are going to make a representation and then we are planning to meet the finance people there and put our case forward.

Narayan: Sir, in fact, talking of the total capital employed figures that have been published in the segmental

results, there if you see the audited results which is PD plus Pfizer combined for 2002 November vs. 2001, the pharmaceutical PBIT to capital employed has fallen drastically from 81 to 62%. Does this include a lot of Duchem assets that has been taken on to books?

Kewal: Duchem did not have any assets.

Narayan: So Sir, what could be the attribution to this 20% decline.

Kewal: Because of the PD assets being taken over.

Narayan: Sir, could you tell as to out of this 198 crores or the incremental that has come about 111 cores, how much could be PD?

Kewal: 100 and...

Narayan: I mean, consolidated capital employed in pharma business as of November 2002 is 197.5 crores compared to 88.5 of last year Pfizer alone. So, what is the composition of this percentage of this entire value increase?

Kewal: Okay. I will get back to you on this. We can take another question and I will get back to you.

Narayan: Okay Sir. And what about the services clinical developmental operations. That business has really grown fantastically over the last quarter. Sir, any comment on any direction given the fact that the budget has also given some amount of relaxation on the clinical trials. So, then how do you see it going forward?

Kewal: That all depends upon, it is very competitive now. We have to also to compete with CROs. We have to compete with the other countries who are having such type of facilities, but very competitive. I am sure with the duties going off they will become more competitive and they will venture for more business. So, its all depends upon what type of trials and where it is suitable and how they are going to give it. So, it is a business decision really. It is very difficult to say that how the business is going to grow.

Narayan: Okay Sir, thanks.

Moderator: Thank you Mr. Narayan for your questions. We have a next participant, Mr. H.R. Gala from Quest Securities. Please go ahead, Sir.

Gala: Hi, Kewal.

Kewal: Hi Gala, how are you?

Gala: Yes, fine, thank you. You did a very minor surgery to dissect what has gone in the Q4 and numbers following the mergers etc. I just wanted to know you said that in last quarter 6 crores worth of one-time charges have been accounted. How much was in the corresponding fourth quarter?

Kewal: One-time charges in the last quarter were actually 9 crores, in the corresponding quarter was 3 crores. The net impact is 6 crores.

Gala: The net impact is 6 crores, okay. My second question pertains to going ahead what kind of effective tax rate we are going to have because if this time you take 50-52 crores and work it out after removing this effect of extraordinary income which has already been stated at net of tax, the effective tax rate really comes to 45.3%. So, what could be the reason of that, does it include any earlier year's...?

Kewal: Yes, very good, Gala, I appreciate your question. Effectively there was tax of the earlier years, which accounted for almost about 9 crores which have been there. And this is related to Parke-Davis previous year's tax, which we had to take into account. Therefore the rate has gone upto 45.3. You exclude that, to answer your question, it would have been just 37% effectively.

Gal: And it will continue the same.

Kewal: Yes ofcourse, because it is just onetime investment.

Gala: Thank you.

Moderator: Thank you Mr. Gala for your question. We have our next participant our next participant in Nishid Shah from Birla Sunlife. Please go ahead, Sir.

Shah: Hi everyone. My question is on the growth going forward. We have seen that over the last 1-1½ year there has been very few product introductions at your end and also the fact that one of the earlier year success Hepashield was withdrawn or stopped promoting. So, how going forward the growth is going to come, if you can throw some light on that?

Kewal: We are looking growth to both organically and inorganically. And if you see, I mentioned some of the brands which are growing, if you see we are putting a lot of resources behind these brands. And I am very happy to say that brands like Benadryl and Gelusil which had a very low growth with the erstwhile Parke-Davis are really growing at a double digit and beyond even 15%. Benadryl is having a growth of 25% which is really excellent. Brands like Corex and Becosules are also having good growth. So, growth of the brand are going to fuel the entire growth. The other thing is we are very actively pursuing some opportunities for buying brands, opportunities for co-promotion or co-marketing. And it is an ongoing exercise and I hope that something will come this year. There are certain line extensions which we are planning to launch this year and we are also looking at few of the products of Pfizer original molecules, how to launch it in Pfizer Limited.

Shah: Okay, thank you.

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

Narayan: A word on the animal health care business. Infact, you were thinking of launching some canine vaccines as you had discussed on the last quarter conference call. Sir, any word on that because the business does not seem to have shown any effect to that effect in the last quarter.

Kewal: If you look at the animal health business today globally, is going negative at 2% and we really actually are fortunate to have a growth of 6%, 5-6% in animal health business which is inspite of the fact that our biggest product Coxistac had a negative growth. This has mainly come because canine vaccine have been launched and we had almost about sales about 70-80 lacs of canine vaccine. So

canine is a part of the Pfizer growth now in the animal health.

Narayan: Okay, thank you.

Modertor: Thank you Mr. Narayan for your question. We have a next participant Mr. Nishid Shah from Birla Sunlife. Please go ahead, Sir.

Shah: Hello, just a followup question. Do you see any opportunities on the EMR front over the next two years where you can launch in Pfizer's recently approved product in US which could be brought in here using the exclusive marketing right routes.

Kewal: I will ask Ram to respond to this.

Ram: As of now from the Pfizer portfolio or Pfizer Inc. portfolio, there are not any products which would qualify for an EMR in India and I say particularly in India because in India although we have a TRIP EMR regime, they have put in certain criteria over there. What TRIP says is that any new product which qualifies for an EMR should have been patented after 1995 and since we are only about 7-8 years from 1995 now and it usually takes 10 or more years in recent experience, we do not have a product in the market place already. Also, the Indian EMR regime, the Indian government insists that it should be a new chemical entity. Therefore, even if we have a new product post 95 but which is a salt or a derivative, they are not inclined to give a EMR. So, to answer you in short as of now we do not have a product in sight but if we do, if Pfizer Inc. does come up with the product within the next two years, it could qualify for EMR.

Shah: Thanks.

Modertor: Thank you Mr. Shah for your questions. Ladies and gentlemen for any further questions you re requested to press '*1'. We have our next participant Ms. Srividya from Sundaram Mutual Finance. Please go ahead, Madam.

Srividya: Sir, I just wanted to know that Pfizer has been enjoying really higher margins compared to Parke-Davis. If you see the last so many quarters, you have been having OPMs of more than 20-23% or even higher than 25%, where as Parke-Davis has brought the margin down if you see the

consolidated numbers quite drastically. So I was wondering whether you can get back to your old margins?

Kewal: Yes, we have started this exercise to improve margins on some the Parke-Davis products and we have also started looking at how the trade practices were of erstwhile Parke-Davis product in terms of giving discounts, free goods offers so on and so forth. And if you look at he consolidated some part of it has already been benefited because the operating margins have not been very badly diluted. If it was on a like-to-like basis and we had just merged, you know, as it is basis we had merged then the operating margins would have drastically fallen down.

Srividya: Okay, another thing is the finished goods in Q4 has gone up sharply, 90% or so growth. What is the reason for that?

Kewal: You see, we have closed the Hyderabad plant now and most of the activities is given to a third party. So, this becomes the part of the finish goods purchase and it will come as a part of the product cost, therefore, the product cost is likely to go up and you will see a benefit in terms of reduction and expenses.

Srividya: Okay, and you were talking about the inorganic growth and we were just reading somewhere that Glaxo is interested in selling off their animal health business and you could be one of the contenders. What is your strategy for the animal health business?

Kewal: For the animal health business, yes, we would like to be a major player in animal health business. Globally, Pfizer is the leader in the animal health business and Glaxo is not global player in animal health business. They are just into animal health business in India. Well, but it is a bit of an old story whether Glaxo is selling animal health business or not. Whenever they are ready please let us know and we will definitely pitch in.

Srividya: And the last question is, I had read somewhere that malaria clinical trials, malaria drug that you have been pursuing that especially for the Indian market, can you explain about that?

Kewal: I will ask Ram to throw some light on this.

Ram: This report was based on clinical trial that Pfizer is pursuing. This is essentially because the first line of treatment which is Chloroquine in malaria, has mainly become a drug to which many strains of malaria are resistant. Therefore Pfizer is trying a combination drug of Chloroquine with Azithromycin and trials for which are currently underway. So if this product comes through and after its trial is registered, would give us a new line of treatment which in fact makes the potency of Chloroquine even better in acting against malaria.

Srividya: What would be the timeframe for this materializing...?

Ram: That is a little difficult to estimate because usually when a product is under clinical trial process then we would not like to put a time-line immediately to that. Ofcourse they are working within the tightest possible timeframe but then both in terms of completion of the trials and the regulatory process, it will be difficult put the thing but may be a year at the outside.

Srividya: Okay, but how attractive could this opportunity be, given that is it a growing kind of market opportunity?

Ram: Let me put it this way. It is not necessarily one of the most attractive business proposition that way but it is more of a commitment from Pfizer to research and progress areas where not much work has been done. So while we can not exactly call it a philanthropic activity but it is certainly is not we do not foresee that being a blockbuster kind of a product.

Srividya: Okay, thank you sir.

Modertor: Thank you Madam for your questions. We have our next participant Ms. Shaheena from Motilal Oswal Securities. Please go ahead, Madam.

Shaheena: I had the question on the write-off in the fourth quarter. You have mentioned there is write-off of 9 crores was this ___(31:20) in the corresponding previous quarter. Could you give me the broad headings for this write-off?

Kewal: Yes, the write-off of 9 crores, the broad headings I will give it to you. You see, we took a beating on the

Hepashield stocks completely this time and therefore we have written off the Hepashield stock. We have also taken a precautionary measure to write-off the outstanding as far as the Hepashield is concerned. Therefore, going forward we do not see any write-off coming at least on this product now. So, that accounts for almost about 3-3½ crores rupees, and there were the integration cost which accounts for the balance.

Shaheena: In Parke-Davis you had high tax you did mention that it was a one-time tax. I did not really get what exactly this tax was for, 9 crores?

Kewal: This is regarding the dispute with the Income Tax authorities on the valuation of the Sakinaka land. So, we had to make an extra provision on this account.

Shaheena: In the budget there was some extension of benefit for VRS for amalgamated companies, merged companies, do you also have any benefit from that front?

Kewal: No I do not think so.

Shaheena: Because earlier it was not VRS, it was written off over a five year period was not applicable to an amalgamated company or a merged company but now that benefit has been extended. So, would you gain by that?

Kewal: I do not think so there was that issue on the VRS of the amalgamated company. I did not get you on that. I mean, I would have not ___(33:11) up in the budget. But the position is very clear. There is going forward we are now going to amortize the VRS over a period of 5 years. It is possible that the new standards will come into play in 2004. There you have to charge it entirely to the current year only. Therefore the accounting standards will undergo in 2004.

Shaheena: Okay, and there was some benefit given for veterinary products, are you going to benefit?

Kewal: Yes, we are going to benefit on that which has come down from 10% against 15%.

Shaheena: Okay, thank you.

Modertor: Thank you Madam for your questions. We have our next participant Mr. Chetan Shah from Anvil. Please go ahead, Sir.

Shah: Good afternoon, Sir.

Kewal: Good afternoon Chetan.

Shah: Just a couple of questions. In your opening remarks you speak about inducting 1,200 people of Parke-Davis in our company.

Kewal: No, 1,200 was the total strength of Pfizer and Parke-Davis.

Shah: Okay, this is combined figure. Out of this how much will be the field force Sir?

Kewal: This is the field force I am talking about.

Shah: Okay, so what will be the total employee strength, if you can just tell us?

Kewal: 2,300 of Pfizer now.

Shah: Now, this is total including Parke-Davis.

Kewal: Absolutely.

Shah: Sir, could you just tell me what will be the total number of products in terms of the sales volume or the value which covers under **DP** and about the combined entity Pfizer and Parke-Davis put together.

Kewal: Presently it would be 30% plus.

Shah: And Sir, what are the total turnover which we have got in the current year that is the November '02 which has ended, out of that product which we have launched in last three years?

Kewal: Oh my God! Few products I can give it to you, can I respond to you later on this.

Chetan Shah: No problem Sir, just one more thing what are the plans for launching a new product in next couple of years left. You talked about EMR related things and all,

Hepashield is now just going out of the product basket of ours. So could you just give some basic idea about the product pipeline in the next couple of year time, if you can give some idea for your...

Kewal Handa: As I have mentioned it earlier, we are really looking at both internally as well as externally (okay). Internally we are trying to see what type of Pfizer molecules that can be launched in India (okay), looking at also the combinations that can be launched. We are looking at some of the line extensions that can take place both in the consumer health as well as on the pharmaceutical products (okay). And externally we have a full team that is now looking at external opportunities we are looking at, purchasing brands, we are looking at co-marketing arrangements we are looking at co-promotion, but it all depends when it happens it just happens like that.

Chetan Shah: Right Sir, one more thing, this is more of a clarification in terms R & D activities like Government of India has given lot of incentives for the people to do outsourcing of clinical trials in India in terms of tax incentives and all. Will Pfizer Inc by any chance have any plants to outsource the same thing from Pfizer India or it will be through its 100% subsidiary? What would be your views on the same?

Kewal Handa: Right now, we are doing some clinical activities for Pfizer world wide (yes) and this again as I was telling depends upon your quots, your competitions and the suitability of the trial in the country, based on that we have been growing in this sector.

Chetan Shah: Okay Sir, thanks a lot.

Moderator: Thank you Mr. Shah for your question. Ladies and gentlemen for any further question you are requested to press '*1'. We have our next participant Mr. Kuntal Shah from Hermes Securities. Please go ahead, Sir.

Kuntal Shah: Hi Kewal.

Kewal Handa: Hi Kuntal, how are you?

Kuntal Shah: Fine, just couple of few questions, one thing is we have noticed Pfizer has been continuously paying high taxes and we have seen lot of other MNCs and pharmaceutical

companies moving to states like Goa. Any plans on that effective or cut down the tax rate.

Kewal Handa: I would love to go to Goa.

Kuntal Shah: So would I, the next conference happens there.

Kewal Handa: We are really not too many plans to go to Goa because infact we are consolidating all our activities in Thane. Thane is been now really geared for what we called as world class manufacturing facilities. And I think that is the way we are moving forward and we are trying to also see in the Thane we can do any type of clinical activities or research basically such activities for some of the products for Pfizer. So, we are really putting Thane as a showcase right now rather than looking at Goa.

Kuntal Shah: One more thing, regarding this clinical research we believe Pfizer already has a Clinical Research Center with lot of activity happening out there, so is it connected to our company or is it an initiative of Pfizer Inc. on its own and where do you see both of them?

Kewal Handa: Well, it is basically a Pfizer Inc. initiative and we have been set up and trained by Pfizer Inc. really if you ask me, and Pfizer Ltd had got the benefits of doing some work for Pfizer Inc. And going forward if we are very competitive they should continue for some time.

Kuntal Shah: Okay, but no revenue flow to the ...

Kewal Handa: Ofcourse, that is the entire thing is in foreign exchange the entire thing flows here.

Kuntal Shah: Okay, no I am saying for the listed company.

Kewal Handa: The listed company in whatever activities we do is completely build to Pfizer Inc.

Kuntal Shah: Okay, so are we trying to just understand that the Clinical Research Division of the Pfizer Inc. is operating under Pfizer India.

Kewal Handa: It is operating under Pfizer Ltd.

Kuntal Shah: Okay, that does clarify one more thing. Secondly, malaria vaccine, you have answered my question I think so earlier and third thing was like this Hepashield got discontinued whatever may be the reason, you see similar activities going ahead in co-promotion and co-marketing, would not there be some similar issues coping up there again?

Kewal Handa: Okay, that is a good question. Actually you see if the Hepashield was not really a proper fit, it was not a vaccine they were never been vaccine A. The business model was quite different the way the business was conducted and cans and so on and so forth. And then it became a commodity, absolutely a commodity were there was no signs behind it. And the prices just kept coming down, I believe the latest is somebody has quoted as low as Rs.7-8/vial. At that price the business does not become sustainable. So I hope when we are tying up with somebody or we are working with somebody, we will be in the business which are ___(39:58) and which is knowledge based and we will do it as far as our strength is concerned and not work on a different direction.

Kuntal Shah: Okay, that answer my questions.

Moderator: Thank you Mr. Shah for your question. We have our next participant Mr. Manish Jain from DSP Merrill Lynch. Please go ahead, Sir.

Manish Jain: Hi Kewal, just 1 question related to Pharmacia business (yes) what is the plan on integration of that going forward?

Kewal Handa: The day one announcement globally has not yet been made. The European Union had now approved that the Pharmacia merger and hopefully the announcement would be made in few days may be by the end of March or early April and moving forward will all depend upon the day one announcements.

Manish Jain: So, no timeline set for the Indian business as yet.

Kewal Handa: Our objective here would be to integrate operationally within a period of 2-3 months and going by PD experience we would not like to delay the process and we are also now better equipped to take these mergers and

planning is even pretty good. And we hopefully would be able to do the operational merger within 3 months.

Manish Jain: Thank you.

Moderator: Thank you Mr. Jain for your question. We have our next participant Ms. Shreevidya from Sundaram Mutual Fund. Please go ahead, Madam.

Shreevidya: Sir, just one question about the Protinex, we are entering into an agreement recently. I was just wondering if there could be further such rationalization of brands or is it like more or less completed.

Kewal Handa: Now, this is ongoing we are looking at various options for our low support brands so as to call and we are looking at the business model, which will grow and give us profit on so and so forth. So, this is right now on a drawing board and hopefully something will come out of it.

Shreevidya: Thank you, Sir.

Moderator: Thank you Madam for your question. We have our next participant Mr. H R Gala from Quest Securities. Please go ahead, Sir.

Gala: Yes, I had two questions, Kewal. One regarding Pharmacia is already been asked by my friend Manish Jain. The second question pertains to a News report which came few days back in that world over I mean not world over in India the prices of vitamin bulk drug has gone up.. To what extent it has affected us?

Kewal Handa: See, the NPPA, if you see the pricing of vitamins when we are looking at vitamins we look at now lets say vitamin C and vitamin B1. Now, NPPA reduced the prices of vitamin C to a level of 480 or so. At that point of time we really made a representation, and industry made a representation that looks like price reduction is not right because vitamin C is not available for a simple reason because there were antidumping duty is in force all over and at that point of time the price really involve much higher. Even today the price list is around about Rs 700/kg, but the NPPA declares price is 480. Similarly there is a same case with B1 which they reduced it to 780 and today it is about 1000 plus. And we have been making

representation then hopefully something will come out of it.

Gala: Okay thanks.

Moderator: Thank you Mr. Gala for your question. We have our next participant Mr. Kuntal Shah from Hermes securities. Please go ahead, Sir.

Kuntal Shah: Hi Kewal, once again you said Government has filed SLP against DPCO will you try to elaborate on that. What is it exactly the legal complication holding it up?

Kewal Handa: Recently the Karnataka High Court on a public litigation heard the matter and stop the Government from announcing the new drug policy. The Government has challenged that in the Supreme Court because you cannot take the power of announcing a policy from the Government and the Government has also challenged the grounds on which the Karnataka High Court has objected. Mainly it refers to the ground on account of the essential drug list on account of **ORG** data and so on and so forth.

Kuntal Shah: Okay and would you by and large remain the parameters of the inclusion and exclusion under DPCO to remain same.

Kewal Handa: Well, I think there is no other way the Government can do it also and they have been following **ORG** and they have been very consistent on that. And there is an essential drug list with the Health Ministry which they had used that health list in evaluating the product, which can come under price control that cannot be depend on price control and they have used the marked consumption criteria. The only thing they have not reused the competition criteria in terms of number of periods, but they have used 50% criteria as such. I guess, by and large the policy does meet a whole lot of requirements, that is a sound policy.

Kuntal Shah: Can you try to comment on the top 10 brands under the same new DPCO if at all it gets implemented.

Kewal Handa: It is too early to comment on that.

Kuntal Shah: Okay, the final question, what are your views on TRIPS?

Kewal Handa: I think Ram will answer this question. I think it is a better place to answer. Ram, it is your take.

Kuntal Shah: I am talking of TRIPS and contracts of India, like India moving towards it by 2005.

Ram: Yes, well so far some of the milestones India had met although they had met it little late for eg the last Patent bill which was passed in the middle of 2002, was really meant to have been done by year 2000 and the Patent rules which were subsequently framed has yet to be notified. It is about 3-4 months ago that they got all the views of people. So we are seemingly progressing towards our commitment to 2005 but at a very reluctant or a slow pace. So, we are only hoping that by 2005 the Government would be willing to fulfill all its commitment and not only that more so because atleast they realize that is good we ultimately beneficial to the country itself.

Kuntal Shah: Okay, thanks.

Moderator: Thank you Mr. Shah for your question. We have our next participant Mr. Rahul Sharma from Tata TD. Please go ahead, Sir.

Rahul Sharma: Sir, last month prices of Becosules and prices of vitamins were reduced on formulation side. Could you throw some light on the impact on our key vitamin brands?

Kewal Handa: I think the impact on the product prices are at the range of about 10-12% as far as our brands are concerned. And on analyze basis the impact could be in the range of round about Rs.7-8 crore.

Rahul Sharma: Okay, thank you.

Moderator: Thank you Mr. Sharma for your question. Ladies and gentlemen for any further question you are requested to press '*1'. Please press '*1' for any further questions. We have our next participant Mr. Nirjhar Handa from Parag Parekh Finance. Please go ahead, Sir.

Nirjhar Handa: Good afternoon Mr. Handa, this is Nirjhar here.

Kewal Handa: Yes, good afternoon.

Nirjhar Handa: Can you tell me on the date of balance sheet what would be your debtors position.

Kewal Handa: On the date of the balance sheet my debtors position, (yes), not very good as such because the industry was really passing through a tough time, (okay), particularly the animal health and the total debtors were in the range of 123 crores.

Nirjhar Handa: 123, (yes), okay, and what is the rough amount of cash and other liquid investments on the balance sheet same day.

Kewal Handa: The cash was in the range of about 79 crores (okay), on the date of the balance sheet of November '02 as of to date it is 47 crores, because on the date of the balance sheet you had this money coming from the Protinex sale also. So, we have 79 crores and today we have about 47 crores and I will like you guys to really give me some good brands, from this cash.

Nirjhar Handa: Okay and going forward what is your annual ___(48:35) likely to be.

Kewal Handa: ___ would be in the region of may be around about \$ 3-4 million.

Nirjhar Handa: Per annum (per annum), okay, thank you very much Sir.

Moderator: Thank you Mr. Handa for your question. We have our next participant Mr. Kuntal Shah from Hermes securities. Please go ahead, Sir.

Kuntal Shah: Hi Kewal.

Kewal Handa: Hi Kuntal.

Kuntal Shah: Do we take it for granted that you have accounted for future integration issues with Abbot value did the current integration.

Kewal Handa: No, Abbot how can I do. This Pharmacia I cannot do integration. This is taken into account all Parke-Davis integration issues now.

Kuntal Shah: No, but such assuming that full filled **Abbot-**___ integration needs to be done, would it not disturb to your next...

Kewal Handa: Yes, very good question, as I said there were quite different ways of looking at it. In case of Parke-Davis we had entire exercise done post-announcement and then we will merge the team together, they would not keep the separate teams they will merge the team together except for the consumer health team which was kept separately. We have already done that exercise that as far as moving forward and case of Pharmacia is concerned and we would like to merge with a least disturbance as well as trade is concerned. As you know they have a specialty team which really would remain as it is and we would not like to have too much of the disturbance in the trade.

Kuntal Shah: Can you just comment on the fate it will have with the existing company. In terms of the therapeutic segment in terms of field, in terms of plants.

Kewal Handa: They have a very good presence in Cardio they have present in CNS, oncology and I think they have a pretty good products also. Therefore, it will really broaden our segment presence that is great fit for us

Kuntal Shah: Okay, thanks.

Moderator: Thank you Mr. Shah for your question. We have our next participant Mr. Rahul Sharma from Tata TD. Please go ahead, Sir.

Rahul Sharma: So, what type of integration benefits will get accrue on the Parke-Davis merger in the current year.

Kewal Handa: The current year going forward we should accrue the benefits of the closure of Hyderabad Plants that benefit will accrue because our goods have been shipped to a third party basis. We should get benefits of lower **maning** because we have been almost about 500 people have been given VRS so that lower maning advantage and then we are believed consolidation of the Head Offices, we would get benefits of running out of consolidation of the Head

Offices. Distribution is a big one which will only post legal merger and therefore we will have to get a few decades to capture.

Rahul Sharma: Sir, any number you we will be taking on the saving that you will be doing in the integration.

Kewal Shah: Well, I think by large, we are looking at a saving in the range of around about 10 crores totally, on an annualised basis.

Rahul Sharma: Okay, thank you.

Moderator: Thank you Mr. Sharma for your question. Ladies and gentlemen for any further question you are requested to press '*1'. Please press '*1' for any further questions. We have our next participant Mr. Manish from Gandhi Securities. Please go ahead, Sir.

Manish: Sir, we had about to merge this Parke-Davis and probable increase in equity will be about 53 lakh shares. Is it right (yes) okay. We have sold rather not sold we have kept an license for this Protinex. We have given license to this company from Denmark and we have taken our upfront payment of 35 crores and there is an arrangement for 3 years that we will manufacture and they will sell. So I would like to know what is the revenue share arrangement. How much profit we will be given in all.

Kewal Handa: It is actually, they have a right to sell this product from day one in all territories but we have agreed with them to phase out our sales for a period of 3 years time. But we will continue to also get revenue through manufacturing the product for them for 3 years.

Manish: So, we will bill them (yes) at cost plus whatever (yes), so what is that margin? As an investor I have to go by bottomline Sir.

Kewal Handa: Leave something for us also

Manish: You may have a good relation with that company of Denmark, so you may try to give them okay, say 10% we will give you but as an investor we may not be happy.

Handa: So, actually as an investor you should look at the one time payment that you have received and you should look

at the 3 years sales that we will get on a phased manner as a bonus and as a manufacturing also a plus bonus really. That is how as an investor would look like.

Manish: That is very nice of you Sir, but what is the point in the sale without profit.

Handa: No, as I told you the sales are phased out, so we will be co-promoting the product together over a period of 3 years.

Manish: So, the sale will belong to whom, to us or to them.

Handa: So, in phased manner the sales will go to EAC

Manish: Whatever is the sale of Protinex, will go to EAC.

Kewal Handa: Not necessarily. I said in a phased manner, (okay), the phased manner over a period of 3 years. So right now, suppose I am at 100%, at the end of the third year my sale will become zero. But it does not become zero on the day one.

Manish Durakia: Okay, so around 30% knock of every year.

Kewal Handa: I ___(51:21) in the phased manner of we have given it ...

Manish Durakia: This is a new arrangement. Sir, I am not actually literate on this, can you educate me how this phased out is done

Kewal Handa: How?

Manish Durakia: In the sense that sale of which region is given to them in doing entire India ...

Kewal Handa: That is a part of the agreement and they have the right to decide which region sales they would like, (okay) and we have as a part of the agreement decided, what could be the percentages of the sales every year, which will accrue to us and the percentage of sales every year which will approve to them. That is all built in as a part of the agreement.

Manish Durakia: Okay, so that is quite formalized.

Kewal Handa: Yes, what was nothing as if we have left it to each others future decisions... (yes), which are all formalized and sealed.

Manish Durakia: What was our sale of Protinex when we were owning it?

Kewal Handa: It was just round about 24 crores.

Manish Durakia: So, we have got good 35 over 5, 35 crore is a good amount.

Kewal Handa: And sales for, some sales for the three years that has manufacturing profit.

Manish Durakia: It is a good deal.

Kewal Handa: Thank you.

Manish Durakia: One more thing, we have received this 35 crores.

Kewal Handa: Yes, that is why my cash have gone up to 79 crores.

Manish Durakia: Okay, now we have also proposed to knock of Hyderabad plant of Parke-Davis and Bombay Office of Parke-Davis.

Kewal Handa: Bombay office does not belong to Parke-Davis. It is on lease.

Manish Durakia: Okay sir, you will be just relinquishing those (absolutely) and taking back those deposits (very good, right), and this Hyderabad plant, how much you expect to fetch Sir.

Kewal Handa: As good as, we are appointing a consultant to look at it and then see what best we can done. It is in the part of the industrial belt and where do we at this point of time, I cannot tell you what is the price we are going to get.

Manish Durakia: Are we likely to sell it in next financial.

Kewal Handa: Hopefully.

Manish Durakia: That is a diplomatic answer.

Kewal Handa: You know how difficult is to sell plants and particularly if it is a pharmaceutical plant. It is so much of excess available everywhere.

Manish Durakia: That is correct. Today's time real estate has become a problem (yes) any form of real estate.

Kewal Handa: Absolutely, even if I want to sell this plant as a real-estate, it should fetch some value.

Manish Durakia : Okay, now we have, what we call as Hindustan-Lever says as the power brand. Our Corex is, I think is one of the powerful brand you have. How much is the sales for that Sir.

Kewal Handa: Corex, total sales would be in the range of round about 90-100 crores, 103 crores, somebody told me precisely.

Manish Durakia: 100 crores, about 15% of the merged entity sales will be from Corex.

Kewal Handa: That mean you are right.

Manish Durakia: Do you foresee like the trend of rise in Corex sale last year it was around 12%. You foresee this 12-13% maintaining for 3-4 more years.

Kewal Handa: We will be in the growing. Corex had a tough time once about 10%. Hopefully, we will be able to sustain it.

Manish Durakia: That is great. Which is the next best selling brand with us.

Kewal Handa: ___(58:51)

Manish Durakia: Okay, what is the price for that. What is the sales for that?

Kewal Handa: Same round about 100 crores.

Manish Durakia: Okay, last year we have grown around 56%.

Kewal Handa: I would be very happy if it goes to 56. We know, it has grown about 8%.

Manish Durakia: To which front you said.

Kewal Handa: 8%.

Manish Durakia: And which brand you said.

Kewal Handa: ____.

Manish Durakia: Okay, so two brands we have a good concentration, any other brand where we have concentration like above 50 crores.

Kewal Handa: Above 50 crores, no we are very close to 50 crores in brands like Benadryl (okay) and Gelusil.

Manish Durakia: Okay, in a way we have focussed on 6, 7 brands as such. So, marketing expenses, may be you do not foresee more marketing expense going forward...

Kewal Handa: One of these brands like Benadryl, Gelusil are more or less require whole lot of marketing expenses, particularly advertisement and all. So that the marketing expense is much higher as compared to ethical promotion brands.

Manish Durakia: Any bigger brand in animal health.

Kewal Handa: Animal health, we had ofcourse Coxistac as one of big brand. Then we have ...

Manish Durakia: Dectomax.

Kewal Handa: We have then reasonably all brands are phased out, and they are old brands.

Manish Durakia: What is the sales in animal health care segment?

Kewal Handa : It should be round about 55 crores.

Manish Durakia: It is too small.

Kewal Handa: Around about 60 crores rather.

Manish Durakia: That is too small. Is it worth pursuing that business?

Kewal Handa: Therefore we are looking out for some more critical market for as the animal health is concerned.

Manish Durakia: Okay, any brand of...

Kewal Handa: By the way, even at this, I think we are at number 3 or number 4 as far as the ranking is concerned in the animal health business.

Manish Durakia: I appreciate ranking, but the absolute value-wise, it is not justified Pfizer's presence in such segment.

Kewal Handa: Yes, but Pfizer is globally is present in animal health. They had about, roughly around about 2 billion, now 1.5-2 billion.

Manish Durakia: But in US and Australia, things are ...

Kewal Handa: The veterinary products, the canine products sell more there.

Manish Durakia: In India, animals health is something else, because animal is worshiped here. Other thing from this Parke-Davis brand, do you have any major brands coming to your portfolio?

Kewal Handa: There I mentioned to you know, Benadryl and Gelusil these are drugs, while the Parke-Davis brand.

Manish Durakia: Okay, that is great. Well, nice talking to you Sir.

Kewal Handa: Thank you very much.

Moderator: Thank you Mr. Durakia for your question. We have our next participant Mr. Rahul Sharma from Tata TD. Please go ahead, Sir.

Rahul Sharma: Sir, before you had given a guidance of 20% compounded sale growth for Pfizer and ____ (62:02) growth of around 25% plus. Do you stand by these numbers.

Kewal Handa: No, I did not give any component growth of 20% of Pfizer. We have now achieved that. I only gave some growth of, some of the top 10 brands, and out of that one or two brands had 20% growth, particularly, I was referring to the brand Benadryl which had the 25% growth.

Rahul Sharma: Overall, business should grow by how much.

Kewal Handa: I think, looking at the industry growth today, which is really around about 8-9% to my mind. I think if we really are able to do 10 plus, we should be doing pretty well.

Rahul Sharma: And of any take on the bottom-line, what type of growth you are anticipating.

Kewal Handa: One effort is that the top line 10 plus, then at the bottom line you should be leveraging around 20-25%.

Rahul Sharma: Okay Sir, thank you.

Moderator: Thank you Mr. Sharma for your question. We have our next participant Mr. Kuntal Shah from Hermes Securities. Please go ahead, Sir.

Kuntal Shah: Kewal, Hai.

Kewal Handa: Hai.

Kuntal Shah: What happens if DPCO comes in. What happens to your top-line and bottom-line? Direct question.

Kewal Handa: Well, I think, I should not answer that question, because I do not know what is contained in the DPCO list.

Kuntal Shah: But general like...

Kewal Handa: All I can say is they are looking at deducing the span of control from as high as 35% today to as low as 25% and reducing the number of bulk drugs from 76 to 30 or so. Lets hope, let us keep our finger crossed.

Kuntal Shah: Where do you want to Pfizer in the ranking tables during your tenure time.

Kewal Handa: During my tenure? I am not retiring not so early now. Well, I would say that it is very tough in the market today because of the merging and acquisition the ranking do keep on changing. Globally, Pfizer is number one with Pharmacia and there is whole lot of difference between number one and number two. The GSK is number two globally and Merck is number three now with pharmacia merger. And we really are right number five as with the ___(64:30) data and we will be hoped to be in the first three ranking and hopefully we should align ourselves with global ranking as number one.

Kuntal Shah: Kewal there is a disconnect in the ranking of the market ___ (yes) especially fields of market coverages (yes), how do you care to address that.

Kewal Handa: Well, I think could looking at past 2 or 3 years, the MNCs market ___ has come down as compared to the local companies. Mainly because of MNCs basely business and local country whereas the local companies have businesses globally, and therefore it has made a difference in the portfolio and in terms of sales and growth. The other thing in terms of product launching where the local companies have the global product as their pipeline and they can launch anything from as global as they can launch any product of the available globally. But as we have certain limitations in terms of IPR and in terms of ___.

Kuntal Shah: But you see for proposed 2005, any remote possibility of India becoming sourcing base for Pfizer in _____.

Kewal Handa: We are very hopeful that as trends are today, and pharmaceutical industry is a knowledge based industry, and as we have a good facilities, then we can position ourselves for global sourcing.

Kuntal Shah: Okay, thanks.

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

H.R Gala: Kewal, in one of these previous questions you said that you are aiming at our around 10% plus growth in top-line and you said that you will be leveraging 20-25%

growth in bottom-line. Did I hear correctly, (yes), okay that is great.

Moderator: Does it answer your question Sir.

H.R Gala: Yes, absolutely.

Moderator: Thank you very much for it Sir. Ladies and gentlemen for any further questions I request to press '*1'. Please press '*1' for any further questions. For any questions, ladies and gentlemen, you are requested to press '*1'. As there are no more questions, I will now like to hand over the conference to Mr. Kewal Handa. Please go ahead, Sir.

Kewal Handa: Yes, if there are no more questions really I will like to thank you very much for being with us and we have made this as a quarterly information based to all our friends there out in the market and we are passing through a tough time as the industry is concerned, and as I mentioned in my last conference call that barring the last 2 quarters, we should be on track as far as this quarter is concerned and last one we did see a good improvement in spirits and hopefully we will get it forward. And once again thank you all of being with us and it is always a pleasure talking to you all. Thank you very much.

Moderator: Thank you Mr. Handa. Ladies and gentlemen that does conclude your conference for the day. We thank you for your participation and using Tata Indicom Conferencing Service. We now request you to please disconnect your lines. Thank you.