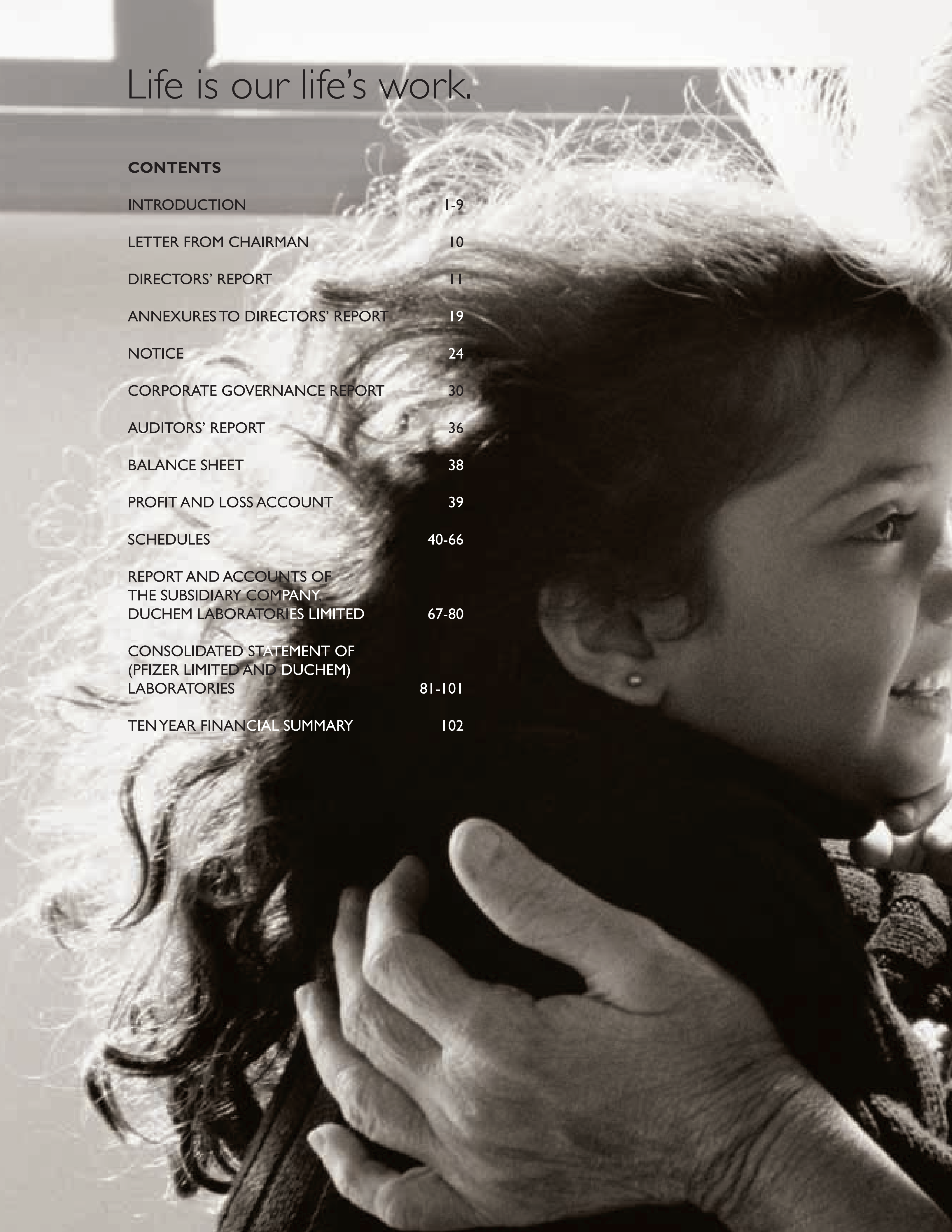
Annual Report 2001-2002

Pfizer

Life is our life's work.



Life is our life's work.

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BOARD OF DIRECTORS as on March 1, 2003.

R. A. Shah	Chairman
Hocine Sidi Said	Managing Director
Charles L. Sarris	
Pradip P. Shah	
Kewal Handa	Executive Director (Finance)
B. M. Gagrat (Dr.)	Executive Director (Technical Operations)

MANAGEMENT COMMITTEE

Hocine Sidi Said	Managing Director
Arun Gupta	Business Technology
B. M. Gagrat (Dr.)	Technical Operations
Kewal Handa	Finance
Chitra Lele (Dr.)	Biometrics
S. Madhok	Animal Health
S. Mukherjee (Dr.)	Medical Research Division
C. N. Potkar (Dr.)	Clinical Study Management & Monitoring
S. Ramkrishna	Corporate Affairs
Anjan Sen	Pharmaceuticals (officiating)
Harold Walder	Employee Resources

SECRETARY

A. Anjeneyan


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Life is about following your dreams.

Finding sustainable answers to India's health problems requires the expertise of organizations and individuals with the knowledge and commitment to make a difference. By working with governments and non-profit organizations, Pfizer is attempting to build partnerships for a healthier nation. These partnerships can foster the development of creative approaches to issues such as access to basic medicine and education.

Life's greatest joy is knowing there is somebody out there who needs you.

Our commitment to a healthier India nurtures our commitment to promote accessibility of medicines to those in need. We believe that the solutions to India's healthcare problems require a combination of medicine and a stronger public health infrastructure. Our programs must go beyond the donation of medicine: we must support the training of healthcare workers in the diagnosis and treatment of common diseases.

This can be done only if our key constituents have an interest in the success of the Pfizer Community Projects.

All we need is a helping hand and occasionally some encouragement.

Life is not about growing up, or growing old.
It's about making sure
you never stop growing.

It is nothing new to say that a company's greatest asset is its people. We say it. Our competitors say it. The real trick these days is to back up those words with actions. To become a company in which, 'People are our greatest asset', is not just an applause line in the CEO's speech, but a core belief that is shared – and acted upon – by every one. Pfizer India has recently introduced a unique initiative – The Leaders' Academy – aimed at equipping front line managers with the skills and behavior necessary to support Pfizer India's leadership aspirations.

Life is beautiful, because of that thing called hope.

We give hope…

Schizophrenia afflicts one percent of the world's population, and has long been one of the world's most feared conditions. Controlling it with drugs has often meant debilitating side effects for the patient. The FDA has approved a new Pfizer medicine that gives renewed hope to the millions suffering from this terrible disease. We also recognize that beyond discovery and research, our most difficult task is sustaining hope, always.

Communication from Mr. R.A. Shah, Chairman of the Board of Directors

Dear Shareholders,

I am pleased to forward to you this Annual Report of Pfizer Limited for the year ended November 30, 2002.

I trust you might have followed diligently the events that have regrettably surrounded the amalgamation of Parke-Davis (India) Limited with our Company. In brief, the delay has been caused by the Appeals filed by dissenting shareholders against the Scheme of Amalgamation of Parke-Davis (India) Ltd. (PDI) with our Company.

I wish to emphasize that, throughout this lengthy legal procedure, your company and its actions were driven by a few basic principles:

1. Minority shareholders must be heard and must express their support or dissonance vis-à-vis the plans and strategies the management team envisages at all times. This must be done in a manner that is open, transparent, and objective.

2. The Law of the Land, and similar precedents must ultimately prevail. Several courts have expressed opinions on this matter. Justice has been rendered in full cognizance of all parties' interests and grievances.

We deplore that such litigation has caused the company to divert its time, attention, and financial resources away from what you have mandated us to focus on: Performance and Returns.

We must also admit that this litigation did occasion incremental expenses in the region of Rs. 75 lacs, which otherwise would have been invested in sales and marketing activities. In addition, it has delayed the realization of synergies. This amounts to a lost opportunity in the vicinity of Rs. 500 lacs.

You will be pleased to note that we are proceeding to complete the remaining part of this merger and hence capturing other synergies as discussed in this Annual Report.

I wish to thank you personally for the support and solidarity you have demonstrated throughout this unfortunate episode.

I look forward to your participation at the forthcoming Annual General Meeting.

R.A. SHAH
Chairman
MUMBAI, September 26, 2003

DIRECTORS' REPORT including Management Discussion and Analysis Report

TO THE MEMBERS

Your Directors are pleased to present this 52nd Annual Report and the audited accounts of the Company for the year ended 30th November, 2002. The Report reviews the Company's diversified operations covering Pharmaceuticals, Nutritional and Healthcare Products and Animal Health Products.

AMALGAMATION

The Scheme of Amalgamation of Parke-Davis (India) Limited (PDI) with your Company was sanctioned by the High Court of Mumbai on February 7, 2003. Accordingly, PDI was merged with your Company from the Appointed Date, i.e., 1st December, 2001. As per the approved Scheme, the shareholders of PDI would receive four shares of your Company for every nine shares held by them in that Company on the Record Date, i.e., March 14, 2003. As a consequence, the Paid-up Capital of your Company would increase by Rs. 5.36 Crores to Rs. 28.80 Crores. The Board welcomes the Shareholders of PDI to Pfizer Limited.

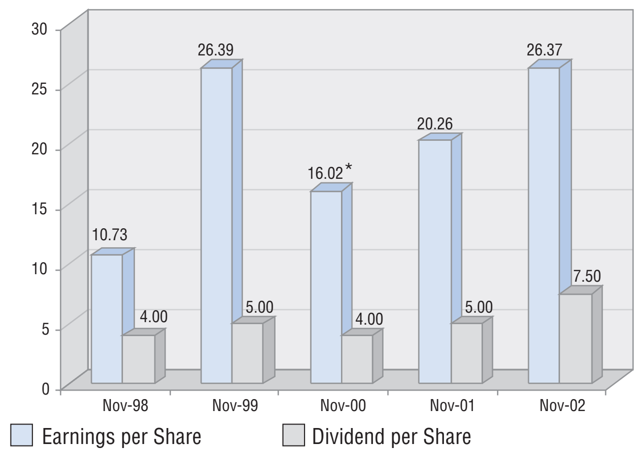
CORPORATE

In compliance with Accounting Standard (AS) 21, your Company has attached the Consolidated Statement of Accounts giving therein the consolidated Financial Statements relating to Pfizer Limited and Duchem Laboratories Ltd.

DIVIDEND

Your Directors recommend a Dividend at the rate of Rs. 7.50 per share be declared for the year ended 30th November, 2002. This dividend includes one-time special dividend of Rs. 2.50 per share in view of exceptional income received during the year. The dividend will be paid after it is approved at the forthcoming Annual General Meeting.

Earnings/Dividend Per Share (Rs.)



* Diluted due to issue of Bonus Shares in the ratio of 1:1

Financial Results

Rupees in Lakhs

	Year ended 30th November, 2002	Year ended 30th November, 2001
Sales (Net of Excise Duty & Sales Tax)	54243	29768
Profit After Tax but Before Exceptional Items	6112	4749
Add: Exceptional Items (Net of Tax)	1482	–
Profit After Tax and Exceptional Items	7594	4749
Balance of Profit from Prior Years	14608	9917
Surplus available for Appropriation	**22202**	14665
Appropriations:		
Transfer to General Reserve	800	500
Proposed Dividend – Regular	1440	1172
Special	720	–
Tax on Distributed Profits	–	119
Tax on distributed profits for the previous year reversed	(169)	(21)
Balance carried to Balance Sheet	19411	12895
	22202	14665

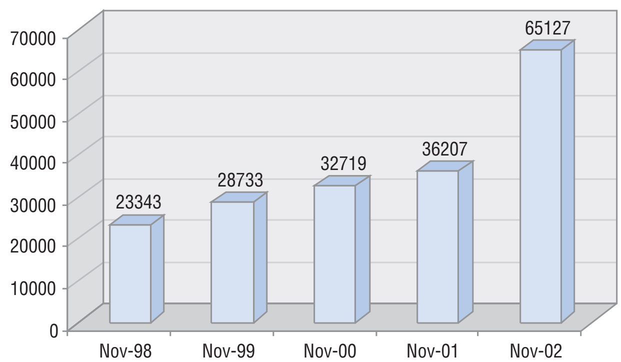
Since the results for the year ended November 30, 2002 include the results of PDI, they are not comparable with those of the previous year ended November 30, 2001.

REVIEW OF OPERATIONS

GENERAL

The pharmaceutical market posted a single digit growth for the second successive year, growing by 8.3% in 2002 to end at Rs. 18171 crores (Source: ORG Retail Audit). Growth was driven primarily by volume (6.7%) and new launches (2.1%), while price declined by 0.5%. The recent slowdown in growth demonstrates that the industry is no longer recession proof, and reflects the level of competition and the increasing penetration by low-priced generics. IMS Market Prognosis 2002-2006 predicts that the market growth will remain at current levels (with an estimated CAGR of 9% for the period 2001 to 2006), driven predominantly by the increased government funding for primary healthcare and the eventual spread of private health insurance.

Sales (Rs. in Lakhs)



The announcement of the new Drug Price Control Order (DPCO), which has been repeatedly delayed on account of various legal issues, is expected to ease regulations and rigors of price control on pharmaceutical formulations, and encourage more domestic and foreign investment in manufacturing and new drug research.

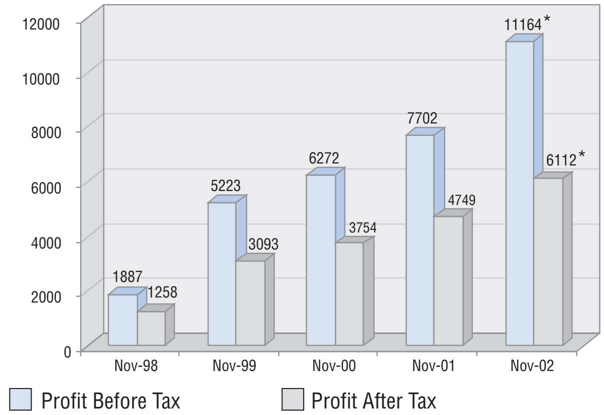
The year also witnessed increased competition in the OTC sector, with several major companies like Ranbaxy and Hindustan Lever entering this segment, as well as aggressive spending in advertising campaigns by companies like Dr.Morepen Laboratories. Various initiatives have been taken by major players to urge the government to put in place a proper regulatory framework, which will help create a well-defined OTC category, and streamline business.

PHARMACEUTICALS

Performance 2002

Combined sales for the Division (which included products of Pfizer and erstwhile Parke Davis and Duchem, promoted by an unified field force) rose by 3% in 2002, as compared to previous year. Sales were impacted to some extent by the phased discontinuation of the vaccine business, the non-realization of budgeted price increases for some of our key brands due to delay in announcement of the new DPCO, as well as re-structuring and re-deployment exercises undertaken as a result of the operational merger of the Pfizer field force with the legacy Parke Davis field force, in mid 2002. In-spite of this, some of the key brands posted double-digit growths in 2002.

Profit (Rs. in Lakhs)



* Profit before Exceptional Items (Net of tax Income of Rs. 1482 lakhs)

Products	Growth%
Corex	14.9
Becosule	8.3
Gelusil	12.4
Benadryl	25.8
Protinex	12.3
Magnex	17.1

Some other notable achievements by your company in 2002 include:

- Pfizer was awarded the prestigious 'Express Pharma Pulse 2002' award for overall excellence in the Indian pharmaceutical industry.
- Corex was the first brand in the Indian pharmaceutical industry, to cross the Rs. 1 billion mark (IMS MAT November 2002)
- Pfizer had the unique distinction of having two of its brands – Corex & Becosules, ranked at the top among all industry brands, for the third successive year (ORG Retail Audit)
- Pfizer was ranked as the #5th 'Most Respected Company' in the pharmaceutical sector, in a survey of senior managers, conducted by Business World and IMRB

New Products

In our bid to align your Company's product portfolio with the parent company, we launched two products during the year namely Fumycin (fluconazole 150mg) for treatment of vaginal candidiasis, and Daxid (sertraline 50mg/100mg) for treatment of depression. Other launches included Becochew – a multivitamin chewable tablet and ABDEC Forte drops – a multivitamin with zinc preparation for infants.

Field Force Integration & Training

In December of 2001, we were able to migrate 323 medical representatives from Parke Davis to Pfizer, while preserving a positive and progressive working environment, without dispute or adversity. The operational integration of the two field forces was completed in mid 2002 with minimum disruption (4% of the merged field force required relocation). Following this, four zonal training workshops were conducted (involving 1000 personnel and consuming 8500 man days) to impart product knowledge on the enhanced portfolio and selling skills, to this newly merged field force.

Marketing / Medical Programs

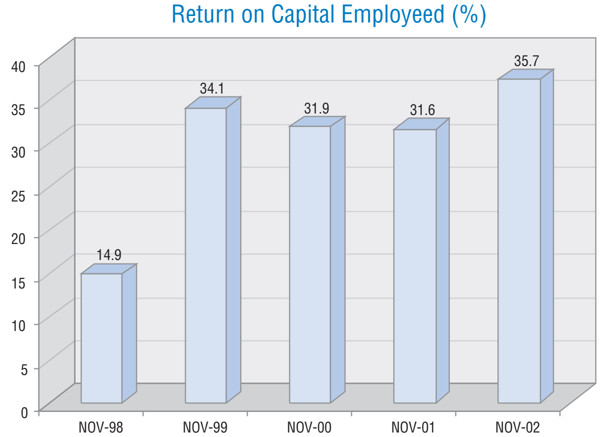
Positioning our products away from our traditional competitors is a difficult undertaking in an environment like ours. Yet we have proven in the past that we could command significant market share in highly competitive categories, thanks to our brand building capabilities. We will continue to do so relentlessly by acquiring new skills and applying them to our new products.

Your company recognizes that its target population aspires for better disease awareness, is concerned about maintaining a productive life style and is very much inclined to differentiate health care products and services on the basis of their quality and their value. A growing number of our customers already actively seek information on health through publications and through the electronic media. A step in this direction was our recent awareness campaign on 'Benign Prostatic Hyperplasia', which was released on television and print media, to an overwhelming response.

Your company has always been recognized in the industry as the 'Partner of Choice' for the development of path-breaking CME programs. We followed up the publications of 'Indian Hypertension Treatment Guidelines' and the 'Text Book of Rheumatology' in the past, with the release of the guidelines for "Minimal Access Surgery' (released by Mr. R. Venkataraman, ex-President of India) and 'Febrile Neutropenia' in 2002, both of which have been enthusiastically received by the doctor fraternity.

Extensive mass media advertising and innovative customer contact initiatives, coupled with attractive window displays at over 5000 chemist outlets across the country, were effectively used to consolidate the 'Rx to OTC' switch of our Consumer Health products like Gelusil MPs and Benadryl Cough Formula.

Return on Capital Employeed (%)



Field Force Initiatives

Commenting on our field force, IMS Market Prognosis 2002-2006 mentions "At present, Pfizer is widely regarded as the most successful marketer and many companies are taking note of Pfizer's well-trained, highly educated field force and its clear promotional focus on a limited range of products". To provide them with a cutting edge technology, we are equipping our field force with a web based territory management system (OPTIMA), which facilitates efficient planning of daily activities, reporting calls and ready access to a wealth of information.

It is our endeavor to ensure that our commercialization capabilities grow even further through better targeting, innovative relationship programs and patient education initiatives.

Business Restructuring

With the aim of focusing on our core business capabilities and strengthening our presence in the ethical segment, we have successfully concluded negotiations with the East Asiatic Company (EAC), Denmark, for a three-year phased transition of Protinex sales and manufacturing activities. As the phased sales transition agreement runs through, it is envisaged that we will free up sales-force detailing time which will be re-deployed towards attaining our aggressive growth plans for our core products in India.

Your company also consciously decided to discontinue 'Hepashield', the hepatitis B vaccine brand. This was on account of the deteriorating situation in the vaccine market, which had slowly turned into a 'commodity' business with little scope for maintaining brand identity.

Way Ahead

Your company realizes the importance of sustaining leadership on key in-line brands viz. Corex and Becosules as well as ensuring that the newly launched products continue to grow and emerge as leaders in their respective segments.

We also look forward to a seamless integration with Pharmacia in 2003. This will provide us with challenging and exciting opportunities in the fast growing niche Specialty segments like oncology, ophthalmology and growth hormones, as well as help expand our range in the anti-infectives, nutritional and cardiovascular therapeutic categories.

Our vision is to strengthen your company's image as an organization promoting 'high science' products, and make it the 'Most Valued Company' for all its stakeholders.

ANIMAL HEALTH

The Animal Health Industry continues to be dominated by the Poultry and Cattle segments, with the cattle market being primarily a "milk market". The other segments (Companion Animal and Aqua) are yet not significant in terms of their size but are gaining visibility due to their growth potential.

The absence of a structured market research data is a limitation in this market and hinders a thorough and scientific analysis of market trends by segment vis-a-vis competitors. The review, therefore, unlike international markets is more based on information available from industry journals, experts etc.

The Poultry market continues to grow despite its cyclical nature with the shift to integration accelerating with each passing year. We are market leaders in almost all segments where we are present and intend driving our growth ahead by increasing our presence in the therapeutic segments where we currently do not have a presence or have limited presence. The contribution of the poultry business to the total Animal Health business continues to increase with each passing year.

Dairy farming in the cattle market is also witnessing a shift albeit at a slower pace with not only an increase in the number of animals per farm but also an increase in the number of such farms. The need is to focus on effective farm management which would drive not only the quantitative but also the qualitative growth in this sector. The plans to develop the business in 2003 & beyond have been put in place keeping in view this shift in the market.

Our efforts to develop the Companion Animal market continues and we have increased our presence in this segment during 2002. We would be accelerating the pace further through launch of new products which would help us drive growth in this segment as we move ahead. The Aqua business is also being reviewed and we have taken some steps to review the potential before we move ahead.

Opportunities and Threats

There is an enhanced level of awareness on the potential that the health care industry holds for driving the future economic growth of India. The virtuous cycle of health, productivity, and wealth creation need not be demonstrated here.

The government of India has recently formed a special Commission on Macroeconomics and Health (CMH) to target health sector priorities in order to spur economic development.

The CMH estimates that the cost needed to provide essential health interventions in developing countries such as India is approximately $ 30 to $ 40 per person per year. Current health spending in India is significantly below that threshold, probably at some $ 12 to $ 15 depending on sources.

In parallel, foreign investors, insurance companies, NGOs all seems to be recognizing the need to enable the health care industry to flourish, increase its competitiveness, and its reach, by creating a more market-driven environment.

Regrettably, the government has yet again elected to place emphasis on other priorities, prerogatives more critical than health care and access to modern medicine.

The current coalition had reiterated its commitment to creating a research friendly environment for Indian scientists. Little progress has been achieved here as well. The 2nd amendment to the patent bill remains vague in key areas and certainly does not have the potential to enthuse the research community. Much to the displeasure of the Indian progressive cadre, a strong patent bill clearly seems to be first benefiting India, its population, and the protection of its innovations.

Lastly, the long awaited changes in the structure of the industry remain a “consultant’s concept”: one that triggers consensus at public forums but fails to ignite the necessary energy to execute.

An industry with some 20,000 participants has with time created a culture that contradicts the healthcare industry’s very tradition of quality, care, and dignity. The ever-increasing menace of spurious drugs and unethical practices unjustly hampers the efforts of serious Indian and Multinational companies alike.

A quick look at the industry’s performance during the past year demonstrates that the growth posted by domestic companies originate largely from volume increases on account of new product launches and exports.

Pfizer has primarily elected to focus its attention on consolidating its operations following the amalgamation with Parke-Davis (India) Limited.

Fiscal year 2002 has been a year of intense introspection, a year where we have taken the time to review our strengths, our processes, our skills as we became bigger and acquired new competencies.

In that process, we have streamlined our manufacturing, sales and administration operations and were able to gain final approval for the legal merger of our two companies that is the merger of Parke-Davis (India) Limited with Pfizer Limited.

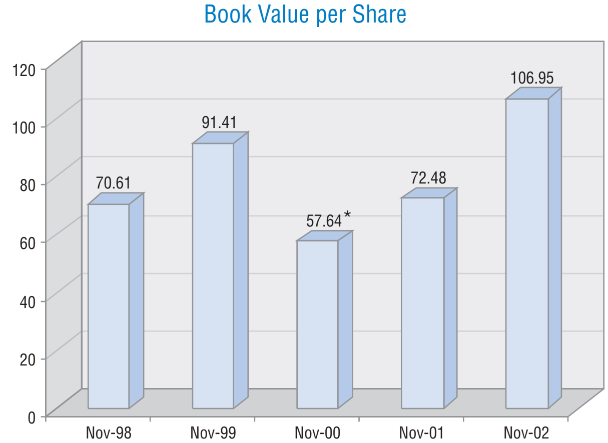
The tradeoff we have been forced to accept is mostly visible on our top line and its growth.

Outlook

India just concluded the first year of its 10th Five Year Plan (2002-2007), which envisages an average annual growth rate of 8%. However, the Economic Survey brought out by the Indian government placed the past years GDP growth at only 4.4%, mainly due to the failure of monsoon rains which affected agriculture. However, the industrial sector and the service sector, both continue to show sustained growth. A real GDP growth of 5.5-6% can be achieved in the coming year provided there is no recurrence of agricultural crop failure. Despite the global recession, worsened by the threat of regional conflicts, India seems to be relatively insulated to the volatility of global economic turbulences. The large foreign currency reserve, the low dependence on imports and the adequate stocks of food grain are some contributing factors.

The second wave of reforms promised by the Indian government is yet to materialize. While disinvestments of public sector corporations seems to be progressing, much more is needed in areas such as labour reforms, taxation, lower interest rates and, state-level bureaucracy, for the industry to move into an impressive growth mode.

Book Value per Share



* Diluted due to issue of Bonus Shares in the ratio of 1:1

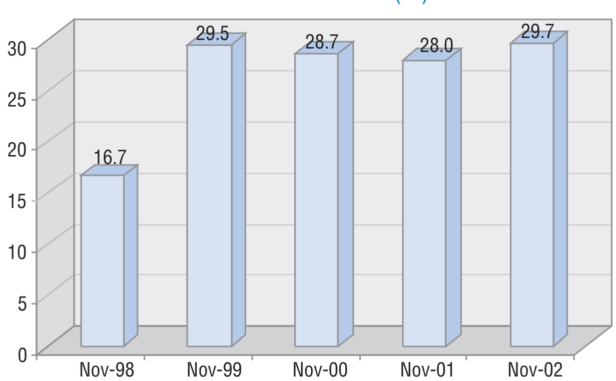
Healthcare is likely to remain a focus area because of a crying need amongst a large and destitute population. Greater pressures are likely to be exerted at all levels of the Indian bureaucracy as the HIV Aids crisis unveils its true economic and social face. Going forward, the Government of India will need to display greater receptiveness and support towards collaborative efforts of public-private nature. It must also intervene to remove administrative hurdles so that health care and education are delivered effectively to the needy.

India must make stronger statements towards its research community beyond timid incentives and tax-breaks, both for pharmaceuticals and biotechnology. Creating an acceptable regulatory framework will encourage global clinical trials. However, greater foreign direct investment will only come to India, after it demonstrates its seriousness in fulfilling international obligations like data protection and product patents.

Risks and Concerns

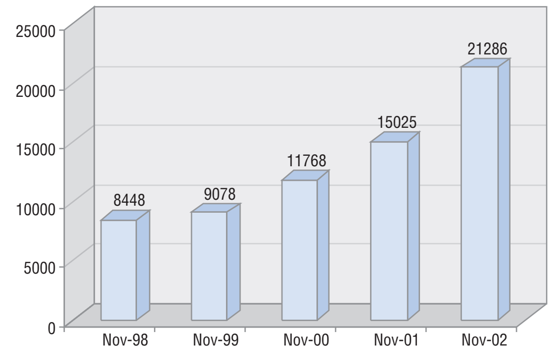
The New Drug Policy announced by the government, with the express intention of reducing the span of price control over drugs, has already faced a stumbling block as a result of a public interest litigation. The price control regime so far, has been the main reason for inadequate plough back of capital into the drug industry. This, in turn, has not encouraged companies in this sector to invest and expand their businesses in such a way that overall access to the Indian population increases. Only a profitable and vibrant industry can partner the government in solving some social problems such as lack of access to medicines. On the contrary, a punitive pricing regime has led many domestic manufacturers to focus on export markets to the detriment of growing their Indian business.

Return on Net Worth (%)



Pfizer's clinical trials in India have been very successful. However, a serious impediment to engaging in greater clinical research, or in registering new products, is the absence of data exclusivity. While the Indian government was required by TRIPS to provide data protection by year 2000, some domestic companies are preventing the government from doing so for the sake of short-term advantage, which they seek to enjoy. This is unfortunate. The Indian government will need to take firm and transparent decisions on issues such as data exclusivity and product patents, which will have to be enacted before the end of next year, if they really hope to see this knowledge-led industry flourish.

Average Capital Employed (Rs. Lakhs)



PRODUCTION OPERATIONS

Upgrade at Thane facilities is progressing satisfactorily and the first phase involving granulation, part of encapsulation as well as primary and secondary packaging is complete. Pharma manufacturing area and Raw Material Warehouse upgrade would be complete in the coming year. Interaction with senior design engineers with our principals in Pfizer Inc. is ensuring that not only GMP standards will be of the highest order, but also Employee Health and Safety (E H & S) will be in compliance with Corporate guidelines.

The Chandigarh Plant, a fermentation facility, is producing Oxytetracycline and its salts, and salinomycin 350 to satisfy local market demand. Chlorpropamide continued to be exported. Setting up the implementation of Pfizer Quality Standards (PQS) has made the organisation achieve high product quality performance.

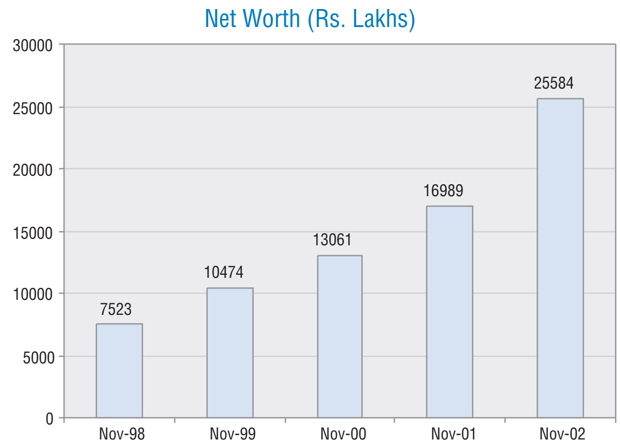
HUMAN RESOURCES

The operational integration of Legacy Parke Davis with Pfizer was smoothly accomplished during the year. Amongst the major initiatives for people integration was a specially designed roll-out of the "Cultural Ambassadors Workshop" conducted at different locations for field colleagues in order to enable a quick assimilation of the Culture and Core Values of the organization.

The Sales & Marketing Strategy led to the formation of three teams to serve the company's customers. The entire Field Force was provided with an appropriate training to meet the needs of product reallocation between the teams. This was further supported through special initiatives for improving target Coverage of key customers, Electronic Territory Management Systems in order to improve customer response time, and better Field Force working / productivity.

HR Policies & Benefit Administration:

In line with the company's goal to be a Premier Employer, the HR Policies and Benefit Schemes were reviewed and benchmarked and new policies were put in place. To strengthen the link between pay and performance, a new Performance Pay Plan was introduced and transparent communication was provided to all colleagues defining the compensation philosophy. The Performance Management System was revamped with a strong emphasis on goal setting, performance reviews, competency assessment and individual development planning. Role profiles for key jobs in the Company were developed to provide greater role clarity, competencies and deliverables on the job to the incumbents.



People Development:

At Pfizer, People Development is one of the six key Leader Behaviors. The other five being FOCUS ON PERFORMANCE; OPEN DISCUSSION & DEBATE; INCLUSIVE ENVIRONMENT; CHANGE MANAGEMENT and ALIGNING ACROSS PFIZER.

As part of Leadership Development special programs were rolled out to the Senior Management and Field Teams which included Coaching Skills; Situational Leadership; Accelerate Program and Leading Edge.

Further, in order to develop people competencies amongst the Field Managers, the outline for the launch of a "Leaders Academy" was finalized. The launch took place in December 2002.

Staffing & Talent Management:

Stringent standards were applied for sourcing and selection of candidates for filling up positions to meet the needs of business. Improved tools including support from assessment centers were enlisted while evaluating candidates for internal promotional opportunities. The Internal Job Posting System was institutionalized, providing timely communication and transparency on the opportunities available to all the colleagues. Close to a 100 colleagues were selected and promoted for field and other openings through this system.

A Web-based talent management tool was developed in-house. This has been launched in February 2003.

Employee Communications:

This remains high on the agenda of the Leadership Team. A variety of communication tools are actively in operation. This includes the Internal E-mail System connecting all the colleagues thereby facilitating speedy responses. The other mediums are the special Newsletters for the Field Force "Beyond Sales Force 2002'; 'Reach Out'; 'MD on line'; 'House Magazine "Crucible" and Employee Communication Newsletters. Web site have been created for convenient access and to make information available on line.

Employee Relations Climate:

The number of employees is around 2300. Harmonious Industrial Relations climate prevailed through out the year. Negotiations for a new Collective Bargaining Agreement coupled with Productivity improvements and work practices flexibility is under way and expected to be concluded in early 2003.

Core Values & Leader Behavior:

In order to enhance understanding and strengthen practice of Leader Behaviors, several major initiatives were rolled out. These included Core Values Survey, a mid-term Pulse Survey, Open Door Communication Forums and Role Modelling of Leader Behaviors.

All the above are expected to contribute significantly to improving organizational effectiveness.

BUSINESS TECHNOLOGY (BT)

BT continues to partner with the Business to provide solutions that help them in achieving their goals and objectives.

With innovative technology solutions catering to the Sales Force, the manufacturing systems at the Plant and the other business functions across the company, BT strives to keep your company in the forefront of technology adoption thereby providing the edge over competition by providing information to the employees on demand.

RESEARCH AND DEVELOPMENT

The Pfizer Global Research and Development (PGRD) unit in India continues to scale greater heights every year. Its two departments–Biometrics and Clinical Study Management and Monitoring (CSMM), continued to expand the scope of their activities and made substantial contributions to the research programs carried out at the PGRD locations of Groton/New London, US, Ann Arbor, US and Sandwich, UK.

The Biometrics department made significant contribution to the statistics and programming activities of many Early Development protocols. There were several new additions to its portfolio in the functional areas of Data Capture and Data Management as well. There was no compromise on the quality and timelines although the projects handled were very challenging. The Informatics group continued to provide excellent support to both Biometrics and CSMM and helped in deployment of several new PGRD applications.

CSMM India expanded its portfolio by adding the therapeutic area of GI/GU and cardiovascular diseases to the already established areas of Central Nervous System, Infectious diseases and Metabolic disorders. The group also expanded its core competencies through its Quality Control function and by contributing to regional training programs/mentoring opportunities.

PGRD India, being the leader in development of clinical research culture in India, continued its efforts to enhance the awareness about clinical research by conducting several workshops, and making key contributions to seminars organized by other organizations and by contribution of articles and interviews in the print media and television. An important milestone was the launch of the 'Academy for Clinical Excellence' (ACE). This is a collaborative effort of PGRD and an academic institution, the Bombay College of Pharmacy. ACE is intended to be a one-stop-shop solution for the training needs of clinical research professionals.

Internal Control System and their adequacy

The Company has a proper and adequate system of internal controls to ensure that all assets are safeguarded and protected against loss from unauthorized use or disposition, and that transactions are authorized, recorded and reported correctly.

The Company's internal control systems are further supplemented by an extensive programme of internal audit by an internal audit department supported with an independent firm of Chartered Accountants. Reports of Internal auditors are periodically reviewed by the management.

The Company has clearly laid down policies, guidelines and procedures which form part of its internal control system.

The internal control system is designed to ensure that all the financial and other records are reliable for preparing financial statements and other data and for maintaining accountability of the assets.

Corporate Governance

Your Company has always strived to incorporate appropriate standards for good Corporate Governance. It has taken adequate steps to ensure that all mandatory provisions of Corporate Governance as prescribed under the amended Listing Agreements of the Stock Exchanges, with which the Company is listed, are complied with.

A separate report on Corporate Governance is produced as a part of the Annual Report, along with the Auditor's Certificate on the compliance.

PFIZER INC.

Pfizer Inc moved closer to its proposed merger of Pharmacia Corp, expecting to close the transaction after obtaining regulatory approvals in the weeks to come.

This merger will enable Pfizer to move towards its goal of "becoming the world's most valued company to patients, customers, colleagues, investors, business partners, and the communities where we work and live in", according to Dr. H. McKinnell, the Chairman and CEO of Pfizer Inc.

Pfizer Inc, today markets eight of the world's 30 largest selling medicines, and four of the top ten. During the year, ten products that Pfizer markets or co-promotes achieved sales of over $ 1 billion, representing 85 per cent of Pfizer's human pharmaceutical revenues, which grew by 15 per cent in 2002 in the aggregate. Lipitor, the world's leading cholesterol-lowering medicine, became the largest-selling pharmaceutical of any kind, with sales of $ 7.972 billion, which is an industry record.

During 2002, Pfizer Inc revenues grew 12 per cent to $ 32.373 billion. In 2002, Pfizer was named by Fortune magazine as one of the 100 best companies to work for in America. Fortune's annual survey of America's most admired companies also ranked Pfizer first among pharmaceutical companies. Pfizer's sales force was rated 'most valuable' in the US industry. Not surprising, since Pfizer was also named the best in the world at training and developing its people.

Pfizer's flow of new human pharmaceutical products is supported by an R&D pipeline that currently contains 60 new product enhancements plus 101 new molecular entities under development, for a total of 161 ongoing projects. The Pharmacia acquisition will augment that pipelines' breadth and depth.

RESPONSIBILITY STATEMENT

Pursuant to Section 217 (2AA) of the Companies Act your Directors confirm the following.

i. In the preparation of the Annual Accounts, the applicable accounting standards have been followed.

ii. Your Directors have selected such accounting policies and applied them consistently except for accounting policy on depreciation and amortization of voluntary retirement costs policy as referred to in Notes 17 (d) and 25 to the Notes to the Accounts respectively and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for that period.

iii. Your Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.

iv. Your Directors have prepared the attached Statement of Accounts for the year ended 30th November, 2002 on a going concern basis.

DIRECTORS

During the year Mr. P.J. Santoriella has resigned from the Board with effect from October 3, 2002. The Board places on record its appreciation for the valuable services rendered by Mr. Santoriella during his tenure of office. Consequent to his resignation, Mr. Kewal Handa ceased to be the Alternate Director to Mr. Santoriella.

Mr. Micheal Sweitzer was appointed effective October 3, 2002 as a Director in the casual vacancy caused by the resignation of Mr. Santoriella. Mr. Kewal Handa was appointed by the Board as Alternate Director to Mr. Sweitzer.

Mr. Anil K. Nehru who held the position of Technical Director resigned from the Board effective November 30, 2002. Mr. Nehru had been in the employment of the Company for 40 years. The Board places on record its appreciation for the valuable services rendered by Mr. Nehru during his tenure of office.

The Board of Directors is being re-constituted consequent to the resignation of Non-Executive directors of the Company viz Mr. B Valentini, Mr. R.W. Norton, Mr. Daniel Cronin, Mr. James Hilboldt, Dr. M.W. Hodin, Mr. Mike Sweitzer and Dr. Pierre G. Etienne effective February 26, 2003. Subject to the approval of the Shareholders, the sitting strength of the Board is now reduced from 11 to 6.

The Board of Directors have appointed Mr. K. Handa and Dr. B.M. Gagrat as Directors with effect from February 26, 2003 to fill the casual vacancy caused by the resignation of Mr. R.W. Norton and Mr. James Hilboldt respectively.

The Board of Directors have appointed Mr. K. Handa and Dr. B.M. Gagrat as Executive Director (Finance) and Executive Director (Technical Operations) respectively in their individual capacity.

Mr. R.A. Shah, Mr. Pradip Shah and Mr. Charles Sarris continue to be Non-executive Directors.

DUCHEM LABORATORIES LIMITED

The net sales of Duchem Laboratories Limited for the year ended 30th November, 2002 amounted to Rs. 76 crores as against Rs. 117 crores for the previous year. It made a net loss of Rs. 2 lacs for the said year as against net profit of Rs. 108 lacs for the previous year.

AUDITORS

The Company has received a request from a shareholder seeking the appointment of M/s Bharat S. Raut & Co. – affiliate of KPMG– in place of the retiring Auditors M/s A.F. Ferguson & Co. KPMG are the Auditors of the parent Company Pfizer Inc. and this appointment would enable the Company to align its Audit function with that of its international affiliates.

A.F. Ferguson & Co. have conveyed that they have no objection to this appointment.

Bharat S Raut & Co. have conveyed to us their consent to act as Auditors of the Company, if appointed.

On behalf of the Board of Directors

R.A. SHAH
Chairman

Mumbai, March 10, 2003

Annexure I to Directors' Report

PARTICULARS PURSUANT TO SECTION 217(1)(e) OF THE COMPANIES ACT, 1956 READ WITH COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988 AND FORMING PART OF THE DIRECTORS' REPORT.

A Conservation of Energy:

a) Energy Conservation continues to receive top priority in the Company. Energy audits are carried out, consumption monitored, maintenance systems improved and distribution losses are reduced.

Specific Energy Conservation Measures are:

i) Replacement of reciprocating Chillers with energy efficient screw Chillers.

ii) installation of variable frequency drives for utility pumps.

iii) Installation of Building Management System for HVAC system.

iv) Use of Cooling Tower water for Air Compressors.

v) Replacement of conventional type lighting fixtures with fixtures having electronic chokes.

vi) Addition of lube oil to reduce friction losses in air compressors.

b) Additional proposals or activities if any:

i) Installation of energy efficient Air compressors and utility pumps with Variable Frequency drives.

ii) Use of Cooling Tower water for Central Vacuum system.

iii) Revamping of Electrical Distribution system.

iv) Installation of temperature controllers and energy efficient motors for Cooling Towers.

c) Impact of measures taken:

Energy conservation measures stated above have resulted in gradual savings.

Total energy consumption and energy conservation per unit of production:

As per Form A of the Annexure hereunder:

FORM A

FORM FOR DISCLOSURE OF PARTICULARS WITH REGARD TO CONSUMPTION OF ENERGY

Power and Fuel consumption:

		Current Year 1-12-2001 to 30-11-2002		Previous Year 1-12-2000 to 30-11-2001
1. Electricity				
a) Purchased				
Unit (000's)	KWH	21512	KWH	17408
Total Amount (000's)	Rs.	86466	Rs.	68777
Rate/Unit	Rs.	4.02	Rs.	3.95
b) Own Generation				
i) Through Diesel Generator (000's)	KWH	396	KWH	485
Units/Litre of LDO	KWH	2.57	KWH	2.90
Marginal Cost/Unit (considering only LDO price)	Rs.	4.88	Rs.	4.06
ii) Through Steam Turbine Generator	–	–	–	–

		Current Year 1-12-2001 to 30-11-2002		Previous Year 1-12-2000 to 30-11-2001
2. Coal	–	–	–	–
3. a) Furnace Oil & LSHS				
Quantity	KL	4979	KL	2945
Total Amount (000's)	Rs.	59175	Rs.	32739
Avg. Rate per KL	Rs.	11,884.92	Rs.	11,116.65
b) Natural Gas				
Quantity	Cu.M.	Nil	Cu.M	Nil
Total Amount (000's)	Rs.	Nil	Rs.	Nil
Avg. Rate per Cu.M.	Rs.	Nil	Rs.	Nil
4. Others/Internal Generation				
Quantity		Nil		Nil
Total Cost		Nil		Nil
Rate/Unit		Nil		Nil

Consumption per Unit of production:

	Standard
Electricity (Units) } Furnace Oil (Litres) }	There is no specific standard as the consumption per unit depends on the product mix of basic drugs (from chemical and biochemical processes) and formulations (capsules, tablets, ointments, liquids and injectibles)
Coal	Nil

B. Technology Absorption:

EFFORTS MADE IN TECHNOLOGY ABSORPTION

FORM B

FORM FOR DISCLOSURE OF PARTICULARS WITH REGARD TO ABSORPTION

RESEARCH AND DEVELOPMENT (R & D)

1. Specific areas in which R&D is carried out by the Company.

   R&D is carried out in Chemical, Pharmaceutical, Clinical, Analytical and Engineering Development areas.

2. Benefits derived as a result of the above R&D.

   a) Product improvements, process development, import substitution, standardization of quality control of bulk drugs and formulations.

   b) New application for drugs researched abroad, better dosage recommendations and improvements.

3. Future plan of action:

   a) Import substitution and resolving process problems encountered in basic chemical and fermentation manufacturing for quality and productivity.

   b) Optimization of process parameters with emphasis on cost control and rationalization.

   c) Studying feasibility of using new manufacturing technology in existing dosage forms.

   d) Development of new dosage formulations, pharmaceutical and animal health.

4. Expenditure on R&D	Rs. in Lakhs
i) Capital	95.04
ii) Recurring	1763.26
iii) Total	**1858.30**
iv) Total R&D expenditure as percentage of total turnover	3.42

TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION:

1. Efforts in brief made towards technology absorption, adaptation and innovation.
   a) The Company is allowed to use the patents and technical know-how of Pfizer Inc. U.S.A. Continuous adaptive research and development of products and processes with the objective of import substitution and cost containment in an inflationary environment is carried out.
   b) Clinical research to introduce new products researched abroad and to find their new applications, better dosage recommendations and improvements under Indian conditions is carried out.
   c) Development of ancillary technology, for packaging materials and machinery is undertaken.
2. Benefits derived as a result of the above efforts:

   Product improvement, cost reduction, import substitution, standardized analytical methods which are reflected in the productivity of resources and better quality and stability of products.
3. Technology imported during the last 5 years reckoned from the beginning of the financial year is given below:

Technology Imported	Year of Import	Has technology been fully absorbed
Manufacture of the active substance 'Amlodipine Besylate'	1997	Being absorbed
Manufacture of the active substance – Azithromycin Dihydrate	1997-1998	Being absorbed
Tablet formulation of Azithromycin Dihydrate	1997-1998	Yes
Paediatric Powder formulation of Azithromycin Dihydrate	1997-1998	Yes
Injectible formulation of Cefoperazone	1998	Yes

C. Foreign Exchange Earnings and Outgo:

1. Activities relating to exports: Initiatives taken to increase exports; development of new export markets for products and services and export plans.

   The Company is at present exporting bulk drugs and formulations in bulk pack to Hongkong, Belgium and Indonesia and nutritional supplement to Sri Lanka. The Company is continuously exploring possibilities of exporting more of its products to different markets.
2. During the period under review:
   a) the foreign exchange earnings by the Company was Rs. 6185.88 lakhs.
   b) the foreign exchange expenditure (which includes import of raw materials, spares and remittance of dividends etc.) was Rs. 4240.98 lakhs.

On behalf of the Board of Directors

R.A. SHAH
Chairman

Mumbai, March 10, 2003

Annexure II to Directors' Report

Statement required U/S 217 (2A) of the Companies Act, 1956 referred to in the Directors' Report for the year ended November 30, 2002 and forming part thereof, showing names and other Particulars of the Employees of the Company who were:

A Employed throughout the financial year under review and were in receipt of remuneration for that financial year in the aggregate of not less than Rs. 24,00,000/-

	Name	Designation and Nature of Duties	Qualifications	Date of Employ-ment	Exper-ience Years	Gross Rem-uneration	Age	Last Employment
	1	2	3	4	5	6	7	8
1.	Dr. B.M. Gagrat	Executive Director Pharmaceuticals	M.Sc., Ph.D., D.O.M.	2/5/1989	27	34,47,073	56	Factory Manager Indo-pharma Pharmaceuticals Works Limited
2.	Mr. Kewal Handa	Executive Director Finance	M.Com., A.I.C.W.A, A.C.S.	18/6/1990	28	34,96,460	51	Secretary & Financial Controller, Schrader-Scovill Duncan Limited
3.	Mr. A.K. Nehru	Executive Director Technical	M.S. (Chem. Engg.) Massachusetts Inst. of Technology	27/1/1964	40	32,75,166	62	—
4.	Mr. Hocine Sidi Said	Managing Director	Baccalaureate (Economics), Bachelor of Bus. Administration	1/1/2001	16	30,95,000	37	Country Manager, Pfizer, Denmark
5.	Mr. Harold Walder	Senior Director Employee Resources	B.A., D.B.M., Dip. in H.R.M.	23/10/1998	37	25,61,935	58	Group General Manager (HRD), Greaves Limited

B. Employed for a part of financial year under review and were in receipt of remuneration for any part of that year, at a rate which in the aggregate, was not less than Rs. 2,00,000/- per month

	Name	Designation and Nature of Duties	Qualifications	Date of Employ-ment	Exper-ience Years	Gross Rem-uneration	Age	Last Employment
1.	Mr. Arun O. Gupta	Senior Director Business Technology	B.Sc., Post Graduate in Software Technology	26/8/2002	17	8,79,522	40	Hughes Telecom (India) Limited
2.	Mr. Somnath Majumdar	Director – Legal & Internal Audit and Company Secretary	B.Com., A.C.A., A.I.C.W.A., A.C.S., LL.B. (Gen)	1/8/1984	18	6,48,101	40	—
3.	Mr. Virendra Mahurkar	Director Business Development	M.Sc. in Economic History (London School of Economics) MBA - Finance	1/7/2002	12	10,23,000	34	Director Ambit Corp. Finance
4.	Mr. Sikri Y	Director – Pharmaceutical Products Division	B.Sc., M.Pharm., PGDMS., MMM	27/2/1996	22	11,38,544	45	Marketing Manager Glaxo India Limited

Notes:

1. All the above persons are/were full time employees of the Company.
2. The employment is subject to the rules and regulations of the Company in force from time to time.
3. No Director is related to any other director. None of the above employees is related to any Director of the company.
4. None of the employees holds more than 2% of the paid up equity capital of the Company.
5. Gross remuneration includes salary, allowances, bonus, taxable value of perquisites and Company's contribution to provident and superannuation funds.

On behalf of the Board of Directors

R.A. SHAH
Chairman

Mumbai, March 10, 2003

Environment, Health and Safety Policy

Pfizer has always considered effective management of the natural and work place environment to be one of its highest priorities.

We reaffirm that commitment and pledge our continued efforts to improving our environment and work place.

We shall :

i) Seek continuous improvement in environment, health and safety performance.

ii) Maintain safe and environmentally sound manufacturing operation.

iii) Contribute to the common effort to protect the natural and work place environment.

iv) Have openness and dialogue with employees on environmental, health and safety issues.

The Company continues to operate with excellent Environment, Health and Safety Policy. This Policy continues with excellent results.

Top 10 Shareholders as on 16th September, 2003

Sr. No	Name of the Shareholder(S)	No. of Shares	% to paid up capital
1	Pfizer Corporation and its affiliates	11518996	40.00
2	Life Insurance Corporation of India	2346452	8.15
3	Unit Trust Of India	2062970	7.16
4	The New India Assurance Company Limited	563768	1.96
5	General Insurance Company Limited	539940	1.87
6	The Oriental Insurance Company Limited	409565	1.42
7	National Insurance Company Limited	308483	1.07
8	Alliance Capital Mutual Fund	299763	1.04
9	United India Insurance Company Limited	245273	0.85
10	Templeton Mutual Fund	243817	0.85

Notice of Annual General Meeting

Notice is hereby given that the 52nd Annual General Meeting of Pfizer Limited will be held at the Y.B. Chavan Auditorium, General Jagannath Bhosale Marg, Next to Sachivalaya Gymkhana, MUMBAI-400 021 on Friday, October 24, 2003, at 3.00 p.m. to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Profit and Loss Account for the period ended November 30, 2002, the Audited Balance Sheet as at that date and the Reports of the Board of Directors and Auditors.
2. To declare Dividend for the year ended November 30, 2002.
3. To appoint a Director in place of Mr. R.A. Shah who retires by rotation and being eligible, offers himself for reappointment.
4. To appoint Auditors and to fix their remuneration.

SPECIAL BUSINESS

5. To consider and if thought fit to pass with or without modification(s) following Resolution as an ORDINARY RESOLUTION:

   "RESOLVED THAT subject to the provision of Sections 258 of the Companies Act, 1956 and Article 118 of the Articles of Association of the Company, the sitting strength of the Company be decreased from eleven members to six members with immediate effect".

6. To consider and if thought fit to pass with or without modification(s) the following Resolution as an ORDINARY RESOLUTION:

   "RESOLVED THAT pursuant to the provisions of Sections 198, 309, Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, and in partial modification of the resolution passed at the 50th Annual General Meeting, effective January 1, 2003, the remuneration payable to Mr. Hocine Sidi Said, the Managing Director be revised as given below:

   A. Salary and Bonus / Performance Linked Incentives

   The aggregate of Salary, Performance linked incentives and/ or Bonus payable to the Managing Director, Mr. Hocine Sidi Said, shall be subject to a maximum limit of Rs. 75,00,000/- (Rupees Seventy Five Lakhs) per annum.

   All the other terms and conditions of his appointment as approved by the shareholders at the 50th Annual General Meeting held on April 26, 2001 remain unaltered.

7. To consider and if thought fit to pass with or without modification(s) the following Resolution as an ORDINARY RESOLUTION:

   "RESOLVED THAT pursuant to the provisions of Sections 198, 309, Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, the remuneration payable to the Executive Directors namely Mr. Kewal.Handa and Dr. Bomi.M.Gagrat be revised as given below:

A. Salary and Bonus / Performance Linked Incentives

The aggregate of Salary, Performance linked incentives and/or Bonus payable to each of the Executive Directors namely Mr. Handa and Dr. Gagrat shall be subject to a maximum limit of Rs. 50,00,000/- (Rupees Fifty Lakhs) per annum.

B. Perquisites

In addition to the above mentioned salary, incentives and bonus, each of the said Executive Directors shall also be entitled to perquisites like furnished accommodation, gas, electricity, water and furnishings, medical reimbursement, leave travel concession for self and family, club fees, medical insurance etc. and/or such other perquisites as may be determined by the Board of Directors from time to time, the aggregate value of such perquisites being subject to a maximum limit of Rs. 15,00,000/- per annum for each of the said Executive Directors. The limits for perquisites shall be in addition to the limit of Rs. 50 lakhs for salary, performance linked and/or bonus mentioned above.

C. Period

Mr. K. Handa – January 1st 2002 to October 3, 2002

Dr. B.M. Gagrat – January 1st 2002 to February 26, 2003.

D. Other terms and conditions

(i) In cases where Company owned/leased accommodation is not provided, besides House Rent Allowance, Mr. Handa and Dr. Gagrat shall be entitled to reimbursement of expenditure towards repairs, renovation, fittings etc. upto a maximum limit of Rs. 3,00,000/- per annum. The amount so reimbursed shall not be included in the limit of Rs. 50,00,000/- in respect of salary and performance linked incentives and/ or bonus and the limit of Rs. 15,00,000/- in respect of perquisites mentioned above. This reimbursement shall be subject to specific approval of the Board of Directors.

(ii) Provision for use of Company car for official duties and telephone at residence (including payment for local calls and long distance official calls) shall not be included in the computation of perquisites for the purpose of calculating the said ceiling.

(iii) Contribution to Provident Fund, Superannuation Fund or Annuity Fund will not be included in the computation of ceiling on perquisites to the extent these either singly or put together are not taxable under the Income-Tax Act, 1961. Gratuity payable as per the Company's Scheme and encashment of leave at the end of the tenure shall not be included in the limit of Rs. 15,00,000/- for perquisites.

(iv) For the purpose of calculating the above ceiling, perquisites shall be evaluated as per Income-Tax Rules, wherever applicable. In the absence of any such Rule, perquisites shall be evaluated at actual cost.

(v) The Board of Directors may, in its discretion, pay to the said Executive Directors lower remuneration than the maximum remuneration hereinbefore stipulated and revise the same from time to time, within the maximum limits stipulated.

E. Minimum Remuneration

The above remuneration including incentives payable shall be paid and allowed as minimum remuneration, notwithstanding the absence or inadequacy of profits in any accounting year of the Company subject however to the approvals including that of the Central Government being obtained, where applicable.

RESOLVED FURTHER THAT:

1) the Board of Directors of the Company be and is hereby authorised from time to time to amend, alter or otherwise vary the terms and conditions of the appointment of the said Executive Directors including remuneration, provided that such remuneration shall not exceed the maximum limits for payment of remuneration as may be admissible in respect of each of the aforesaid Executive Directors, within the overall limits specified in the Companies Act,1956, and as existing or as amended, modified or re-enacted from time to time by the Government of India, as the Board may deem fit;

2) the Board of Directors of the Company be and is hereby authorised to do all such acts, deeds, matters and things, as in its absolute discretion, it may consider necessary, expedient or desirable, in order to give effect to the forego-ing resolution or otherwise considered by it to be in the best interests of the Company".

8. To consider and if thought fit to pass with or without modifica-tion, the following resolution as an ORDINARY RESOLUTION:

"RESOLVED THAT pursuant to the provisions of Sections 198, 309, Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, and with effect from October 3, 2002 to February 26, 2003, the Company hereby accords its approval to the appointment of Mr. Kewal Handa as an Executive Director (Finance) of the Company on his appointment as Alternate Director to Mr. Michael Sweitzer during his absence from the State of Maharashtra, being the State in which the meetings of the Board of Directors are ordinarily held, with effect from October 3, 2002 to February 26, 2003 receiving remuneration, payment, perquisites, benefits and amenities as an Executive Director (Finance) of the Company for the said period and as given below:

A. Salary and Bonus / Performance Linked Incentives

The aggregate of Salary, Performance linked incentives and/or Bonus payable to Mr. Handa shall be subject to a maximum limit of Rs. 50,00,000/- (Rupees Fifty Lakhs) per annum.

B. Perquisites

In addition to the above mentioned salary, incentives and bonus, to Mr. Handa shall also be entitled to perquisites like furnished accommodation, gas, electricity, water and furnishings, medical reimbursement, leave travel concession for self and family, club fees, medical insurance etc. and/or such other perquisites as may be determined by the Board of Directors from time to time, the aggregate value of such perquisites being subject to a maximum limit of Rs. 15,00,000/- per annum. The limits for perquisites shall be in addition to the limit of Rs. 50 lakhs for salary, performance linked and/or bonus mentioned above.

C. Other terms and conditions

i) In cases where Company owned/leased accommodation is not provided, besides House Rent Allowance, Mr. Handa shall be entitled to reimbursement of expenditure towards repairs, renovation, fittings etc. upto a maximum limit of Rs. 3,00,000/- per annum. The amount so reimbursed shall not be included in the limit of Rs. 50,00,000/- in respect of salary and performance linked incentives and/or bonus and the limit of Rs. 15,00,000/- in respect of perquisites mentioned above. This reimbursement shall be subject to specific approval of the Board of Directors.

ii) Provision for use of Company car for official duties and telephone at residence (including payment for local calls and long distance official calls) shall not be included in the computation of perquisites for the purpose of calculating the said ceiling.

iii) Contribution to Provident Fund, Superannuation Fund or Annuity Fund will not be included in the computation of ceiling on perquisites to the extent these either singly or put together are not taxable under the Income-Tax Act, 1961. Gratuity payable as per the Company's Scheme and encashment of leave at the end of the tenure shall not be included in the limit of Rs. 15,00,000/- for perquisites.

iv) For the purpose of calculating the above ceiling, perquisites shall be evaluated as per Income-Tax Rules, wherever applicable. In the absence of any such Rule, perquisites shall be evaluated at actual cost.

v) The Board of Directors may, in its discretion, pay to Mr. Handa lower remuneration than the maximum remu-neration hereinbefore stipulated and revise the same from time to time, within the maximum limits stipulated.

D. Minimum Remuneration

The above remuneration including incentives payable shall be paid and allowed as minimum remuneration, notwithstanding the absence or inadequacy of profits in any accounting year of the Company subject however to the approvals including that of the Central Government being obtained, where applicable.

RESOLVED FURTHER THAT:

1) If Mr.Michael Sweitzer returns to the State, Mr. Handa shall be automatically reappointed as Alternate to Mr. Michael Sweitzer, immediately upon Mr. Sweitzer leaving the said State, Mr. Handa shall also be deemed to be automatically reappointed as Executive Director (Finance) of the Company and shall continue as Executive Director (Finance) of the Company, receiving his remuneration, perquisites, benefits and amenities as the Board may determine from time to time, but not exceeding the limits specified above;

2) The Board of Directors of the Company be and is hereby authorised from time to time to amend, alter or otherwise vary the terms and conditions of the appointment of Mr. Handa including remuneration, provided that such remuneration shall not exceed the maximum limits for

payment of remuneration as may be admissible to him within the overall limits specified in the Companies Act, 1956, and as existing or as amended, modified or re-enacted from time to time by the Government of India, as the Board may deem fit; and

3) The Board of Directors of the Company be and is hereby authorised to do all such acts, deeds, matters and things, as in its absolute discretion, it may consider necessary, expedient or desirable, in order to give effect to the foregoing resolution or otherwise considered by it to be in the best interests of the Company".

9. To consider and if thought fit to pass with or without modification(s) the following Resolution as an ORDINARY RESOLUTION:

"RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309, Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, the Company hereby accords its approval to the appointment of Mr. Handa as Executive Director (Finance) of the Company with effect from 26th February, 2003 and to his receiving remuneration, payment, perquisites and amenities as an Executive Director (Finance) of the Company from that date as given below:

A. Salary and Bonus / Performance Linked Incentives

The aggregate of Salary, Performance linked incentives and/or Bonus payable to the Executive Director namely Mr. Handa shall be subject to a maximum limit of Rs. 50,00,000/- (Rupees Fifty Lakhs) per annum.

B. Perquisites

In addition to the above mentioned salary, incentives and bonus, Mr. Handa shall also be entitled to perquisites like furnished accommodation, gas, electricity, water and furnishings, medical reimbursement, leave travel concession for self and family, club fees, medical insurance etc. and/or such other perquisites as may be determined by the Board of Directors from time to time, the aggregate value of such perquisites being subject to a maximum limit of Rs. 15,00,000/- per annum. The limits for perquisites shall be in addition to the limit of Rs. 50 lakhs for salary, performance linked and/or bonus mentioned above.

C. Other terms and conditions

i) In cases where Company owned/leased accommodation is not provided, besides House Rent Allowance, Mr. Handa shall be entitled to reimbursement of expenditure towards repairs, renovation, fittings etc. upto a maximum limit of Rs. 3,00,000/- per annum. The amount so reimbursed shall not be included in the limit of Rs. 50,00,000/- in respect of salary and performance linked incentives and/or bonus and the limit of Rs. 15,00,000/- in respect of perquisites mentioned above. This reimbursement shall be subject to specific approval of the Board of Directors.

ii) Provision for use of Company car for official duties and telephone at residence (including payment for local calls and long distance official calls) shall not be included in the computation of perquisites for the purpose of calculating the said ceiling.

iii) Contribution to Provident Fund, Superannuation Fund or Annuity Fund will not be included in the computation of ceiling on perquisites to the extent these either singly or put together are not taxable under the Income-Tax Act, 1961. Gratuity payable as per the Company's Scheme and encashment of leave at the end of the tenure shall not be included in the limit of Rs. 15,00,000/- for perquisites.

iv) For the purpose of calculating the above ceiling, perquisites shall be evaluated as per Income-Tax Rules, wherever applicable. In the absence of any such Rule, perquisites shall be evaluated at actual cost.

v) The Board of Directors may, in its discretion, pay to Mr. Handa lower remuneration than the maximum remuneration hereinbefore stipulated and revise the same from time to time, within the maximum limits stipulated.

D. Minimum Remuneration

The above remuneration including incentives payable shall be paid and allowed as minimum remuneration, notwithstanding the absence or inadequacy of profits in any accounting year of the Company subject however to the approvals including that of the Central Government being obtained, where applicable.

RESOLVED FURTHER THAT:

1) the Board of Directors of the Company be and is hereby authorised from time to time to amend, alter or otherwise vary the terms and conditions of the appointment of Mr. Handa including remuneration, provided that such remuneration shall not exceed the maximum limits for payment of remuneration as may be admissible to Mr. Handa, within the overall limits specified in the Companies Act, 1956, and as existing or as amended, modified or re-enacted from time to time by the Government of India, as the Board may deem fit;

2) the Board of Directors of the Company be and is hereby authorised to do all such acts, deeds, matters and things, as in its absolute discretion, it may consider necessary, expedient or desirable, in order to give effect to the foregoing resolution or otherwise considered by it to be in the best interests of the Company".

10. To consider and if thought fit to pass with or without modification(s) the following Resolution as an ORDINARY RESOLUTION:

"RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309, Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, the Company hereby accords its approval to the appointment of Dr. Bomi.M.Gagrat as Executive Director ("Technical Operations") of the Company with effect from 26th February, 2003 and to his receiving remuneration, payment, perquisites and amenities as an Executive Director

("Technical Operations") of the Company from that date as given below:

A. Salary and Bonus / Performance Linked Incentives

The aggregate of Salary, Performance linked incentives and/or Bonus payable to the Executive Director ("Technical Operations") namely Dr. B.M. Gagrat shall be subject to a maximum limit of Rs. 50,00,000/- (Rupees Fifty Lakhs) per annum.

B. Perquisites

In addition to the above mentioned salary, incentives and bonus, Dr. Gagrat shall also be entitled to perquisites like furnished accommodation, gas, electricity, water and furnishings, medical reimbursement, leave travel concession for self and family, club fees, medical insurance etc. and/or such other perquisites as may be determined by the Board of Directors from time to time, the aggregate value of such perquisites being subject to a maximum limit of Rs. 15,00,000/- per annum. The limits for perquisites shall be in addition to the limit of Rs. 50 lakhs for salary, performance linked and/or bonus mentioned above.

C. Other terms and conditions

i) In cases where Company owned/leased accommodation is not provided, besides House Rent Allowance, Dr. Gagrat shall be entitled to reimbursement of expenditure towards repairs, renovation, fittings etc. upto a maximum limit of Rs. 3,00,000/- per annum. The amount so reimbursed shall not be included in the limit of Rs. 50,00,000/- in respect of salary and performance linked incentives and/or bonus and the limit of Rs. 15,00,000/- in respect of perquisites mentioned above. This reimbursement shall be subject to specific approval of the Board of Directors.

ii) Provision for use of Company car for official duties and telephone at residence (including payment for local calls and long distance official calls) shall not be included in the computation of perquisites for the purpose of calculating the said ceiling.

iii) Contribution to Provident Fund, Superannuation Fund or Annuity Fund will not be included in the computation of ceiling on perquisites to the extent these either singly or put together are not taxable under the Income-Tax Act, 1961. Gratuity payable as per the Company's Scheme and encashment of leave at the end of the tenure shall not be included in the limit of Rs. 15,00,000/- for perquisites.

iv) For the purpose of calculating the above ceiling, perquisites shall be evaluated as per Income-Tax Rules, wherever applicable. In the absence of any such Rule, perquisites shall be evaluated at actual cost.

v) The Board of Directors may, in its discretion, pay to Dr.Gagrat lower remuneration than the maximum remuneration hereinbefore stipulated and revise the same from time to time, within the maximum limits stipulated.

D. Minimum Remuneration

The above remuneration including incentives payable shall be paid and allowed as minimum remuneration, notwithstanding the absence or inadequacy of profits in any accounting year of the Company subject however to the approvals including that of the Central Government being obtained, where applicable.

RESOLVED FURTHER THAT:

1) the Board of Directors of the Company be and is hereby authorised from time to time to amend, alter or otherwise vary the terms and conditions of the appointment of Dr.Gagrat including remuneration, provided that such remuneration shall not exceed the maximum limits for payment of remuneration as may be admissible to Dr.Gagrat, within the overall limits specified in the Companies Act, 1956, and as existing or as amended, modified or re-enacted from time to time by the Government of India, as the Board may deem fit;

2) the Board of Directors of the Company be and is hereby authorised to do all such acts, deeds, matters and things, as in its absolute discretion, it may consider necessary, expedient or desirable, in order to give effect to the foregoing resolution or otherwise considered by it to be in the best interests of the Company".

NOTES:

1. The relative Explanatory Statement pursuant to section 173 of the Companies Act, 1956 in respect of items 5 to 10 of Special Business is annexed hereto.

2. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT ONE OR MORE PROXIES TO ATTEND AND VOTE ON A POLL ONLY INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER.

   Proxy forms must be received at the Registered Office of the Company not less than 48 hours before the Meeting.

3. The Register of Members and the Share Transfer Books of the Company will remain closed from 15.10.2003 to 24.10.2003 (both days inclusive).

4. Members (Beneficiaries) holding shares in dematerialised mode are requested to note that the bank details furnished by them to their respective Depository Participants will be printed on their Dividend Warrants, if not opted for Electronic Clearing Service (ECS). This is pursuant to the SEBI directive vide Circular No. D&CC/FITTC/CIR-4/2001 dated 13.11.2001.

5. In compliance with Sections 205 A and 205 C of the Companies Act, 1956, unclaimed dividend for the year ended 1996 has been transferred to the "Investors' Education and Protection Fund" established by the Central Government. Members shall not be able to register their claim in respect of their un-encashed Dividend with regard to the above dividend. Unclaimed dividend for all the subsequent years will be transferred to the "Investors' Education and Protection Fund" according to the statutory stipulations. Members are requested to contact the Company's Registrar and Transfer Agents, Tata Consultancy Services in respect of their outstanding dividends for the succeeding years.

6. A brief profile of the Director retiring by rotation and eligible for reappointment, as required by Clause 49 VI A of the Listing Agreements with the Stock Exchanges is given under:

Profile of Director seeking reappointment:

1. Mr. R.A.Shah:

Mr. R.A.Shah is a leading Solicitor and a Senior Partner of M/s. Crawford Bayley and Co., a firm of Advocates & Solicitors. He specialises in a broad spectrum of corporate laws in general, with special focus on Foreign Investments, Joint Ventures, Technology and Licence Agreement, Intellectual Property Rights, Mergers and Acquisitions, Industrial Licensing, and Anti Trust Laws, Company Law and Taxation.

Presently he is the Chairman of / Director of the following public limited companies and Chairman or member of Audit Committees:

His Directorships which include the following and Committee Memberships as on date are as follows:

Name of Company	Designation	Chairmanship or Membership of Audit Committee of Board
Fulford India Ltd	Chairman & Alternate Director	—
Godfrey Phillips India Ltd	Chairman	—
Roche Scientific Co.(I) Pvt. Ltd	Chairman	—
Colgate Palmolive (I) Ltd	Vice-Chairman	Chairman
Asian Paints (I) Ltd	Director	—
Atul Limited	Director	—
The Bombay Dyeing & Mfg.Co. Ltd	Director	Chairman
BASF India Ltd	Director	Member
Colour Chem Ltd	Director	Member
Deepak Fert. & Petrochemicals Corpn. Ltd	Director	—
Abbott India Ltd	Director	Member
Procter & Gamble Hygiene & Healthcare Ltd	Director	Member
Nicholas Piramal India Ltd	Director	Chairman
Philips India Ltd	Director	—
Prudential ICICI Trust Ltd	Director	—
Century Enka Ltd	Alternate Director	Member
Wockhardt Ltd	Alternate Director	Member
Bombay Chamber of Commerce	—	Member
Indo German Chamber of Commerce	—	Member
Review of SEBI Takeover Code	—	Member
Society of Indian Law Firms (western Region)	—	President

Explanatory statement pursuant to section 173 of the companies act, 1956

Item No. 5

The present sitting strength of the Board of Directors is 11. In view of the resignations of Mr. James S.Hilboldt, Dr. Michael Walter Hodin, Mr. Michael Sweitzer, Mr. Benjamin Valentini, Dr. Pierre Etienne, Mr. Robert Wakefield Norton and Mr. Daniel P. Cronin from the Board of Directors, it is proposed to re-constitute the Board to make it more compact and for enhanced compliance of Corporate Governance requirements.

Item No. 6

At the 50th Annual General Meeting held on April 26, 2001, the shareholders have approved the appointment of Mr. Hocine Sidi Said, the Managing Director of the Company and the remuneration payable to him. At the time of appointment, the maximum limit for salary and bonus/ performance linked incentive was fixed at Rs. 30 lacs per annum. In view of the overall increase in managerial remuneration, it is proposed to increase this limit to Rs. 75 lacs per annum.

The above increase in limit for salary and bonus is an enabling provision and the actual salary paid would be within the above mentioned limit.

The perquisites, benefits and amenities and other terms and conditions mentioned in the resolution are the same as those approved by the shareholders at the above mentioned 50th Annual General Meeting.

The above particulars may be treated as an Abstract pursuant to Section 302 of the Act.

Mr. Hocine Sidi Said may be deemed to be interested in this resolution as it concerns him. No other director is concerned or interested in the passing of this Resolution.

Item Nos. 7 & 8

The Board of Directors have revised the remuneration payable to the Executive Directors Mr. K. Handa and Dr. B.M. Gagrat, subject to the approval of Shareholders. The proposal in gist is as below.

a. The salary, bonus and performance linked incentives payable to the Executive Directors stands increased from a limit of Rs. 25 lacs to Rs. 50 lacs per annum.

b. The maximum limit for perquisites in respect of each of the said Executive Directors stands increased from a limit of Rs. 10 lacs to Rs. 15 lacs.

c. The remaining terms and conditions in respect of remuneration remain unchanged.

The Ordinary Resolution at Item number 8 is necessitated due to the appointment of Mr. K. Handa as the Alternate Director to Mr. Michael Sweitzer in place of Mr. P J Santoriella who resigned from the Board of Directors.

The remuneration payable to Mr. K. Handa submitted to the shareholders for approval under Item 7 (for the period January 1, 2002 to October 3, 2002) and under Item 8 are identical.

The above particulars may be treated as an Abstract pursuant to Section 302 of the Act.

Dr. B.M. Gagrat may be deemed to be interested in the Resolution at Item number 7 and K. Handa may be deemed to interested in the resolution at Item number 7 and Item 8 as it concerns them respectively.

No other director is concerned or interested in the passing of this Resolution.

Item No. 9

Consequent to the resignation of Mr. Michael Sweitzer from February 26, 2003, Mr. K. Handa ceases to be Alternate Director to Mr. Sweitzer. Thereby, he also ceases to be Executive Director of the Company from that date.

Mr. K. Handa was appointed as a Director of the Company effective February 26, 2003 by the Board of Directors to fill the casual vacancy caused by the resignation of Mr. R.W. Norton.

The Board of Directors of the Company has appointed Mr. Handa as Executive Director (Finance) of the Company with effect from 26th February, 2003, subject to the approval of the shareholders on the terms and conditions and for the remuneration stated in the resolutions.

Mr. Handa is a member of the Cost and Works Accountants of India and the Institute of Company Secretaries of India. He joined the Company in June 1990 as Controller, in MIS-Taxation and was promoted as Financial Controller in August 1991 and then moved to head the Animal Health Division in December 1994.

Mr. Handa has been Executive Director of the Company heading the Finance Function from December 16, 1996 onwards in the capacity of Alternate Director.

His Directorships as on date are as follows:

Name of Company	Designation
1. Duchem Laboratories Ltd	Chairman
2. Leema Chemicals and Cosmetics Pvt Ltd	Director
3. Warner Lambert India Pvt Ltd	Director

His Committee Memberships as on date are as follows:

Name of Company	Member
1. Pfizer Ltd	Audit Committee
2. Pfizer Ltd	Share Transfer-Cum-Shareholders / Investors'Grievance Committee

The Board commends his appointment as Executive Director (Finance).

The given particulars of his appointment and remuneration as stated in item No.9 should be treated as an Abstract pursuant to Section 302 of the Companies Act, 1956.

None of the Directors except Mr.Handa is concerned or interested in this resolution.

Item No. 10

Dr. B.M. Gagrat, Director, Pharmaceuticals was appointed as the Alternate Director to Dr. Pierre Etienne and also Director-Pharmaceuticals Division in September 1998. Dr. B.M. Gagrat being a full time employee of the Company was also appointed as a Executive Director with effect from September 1998.

Consequent to the resignation of Dr. Pierre Etienne from February 26, 2003, Dr. B.M. Gagrat ceases to be Alternate Director to Dr. Pierre Etienne. Thereby, he also ceases to be Executive Director of the Company from that date.

Dr. B.M. Gagrat was appointed as a Director of the Company effective February 26, 2003 by the Board of Directors to fill the casual vacancy caused by the resignation of Mr. Jame Hilboldt.

The Board of Directors of the Company has appointed Dr. B.M. Gagrat as Executive Director ("Technical Operations") of the Company with effect from 26th February, 2003, subject to the approval of the shareholders on the terms and conditions and for the remuneration stated in the resolutions.

Dr. Gagrat has done his Post Graduation in Science (by Research) and has received his Doctorate Degree. He has published scientific papers in International journals and has additionally completed the post graduate Diploma in "Operations Management" as well as in Marketing.

Dr. Gagrat joined Pfizer in May 1989 as Plant Manager, Thane Plant, and then moved to head the Animal Health Division in December 1996. Dr. B.M. Gagrat was appointed as Executive Director ("Technical Operations") with effect from December 1, 2002 following the retirement of Mr. A.K. Nehru.

His Directorships as on date are as follows:

Name of Company	Designation
1. Duchem Laboratories Ltd	Director

His Committee Memberships as on date are as follows:

Name of Company	Member
1. Pfizer Ltd	Audit Committee
2. Pfizer Ltd	Share Transfer-Cum-Shareholders / Investors'Grievance Committee

The Board commends his appointment as Executive Director ("Technical Operations").

The given particulars of his appointment and remuneration as stated in item No.9 should be treated as an Abstract pursuant to Section 302 of the Companies Act, 1956.

None of the Directors except Mr.Gagrat is concerned or interested in this resolution.

By Order of the Board of Directors

A. ANJENEYAN
Secretary

Mumbai, September 26, 2003

Registered Office:
Pfizer Centre, Patel Estate
Patel Estate Road, Off. S.V. Road
Jogeshwari (West)
Mumbai-400 102

Report on Corporate Governance

In line with SEBI's Press Release Ref. No. PR 49/2000 dated 21st February, 2000 Stock Exchanges amended their Listing Agreement to include a Clause on Corporate Governance. In compliance to Clause 49 of the Listing Agreement the Company submits the Report on Corporate Governance.

1. Pfizer's Philosophy on code of Governance

Your Company strongly believes that the system of Corporate Governance protects the interests of all the stakeholders by inculcating transparent business operations and accountability from management. The 8 Core Values viz. Customer Focus, Team Work, Leadership, Innovation, Respect for People, Integrity, Performance and Community guide the Company towards fulfilling the consistently high standard of Corporate Governance in all facets of the Company's operations.

2. Board of Directors

Your Board comprises of an optimal complement of independent professionals as well as company executives having in-depth knowledge of the business of the Industry. The size and composition of the Board conforms with the requirements of the Corporate Governance Code under the Listing Agreement with the Stock Exchanges.

During the financial year under review, five board meetings were held on the following dates:

19th December, 2001; 29th January, 2002; 14th March, 2002; 27th June, 2002 and 3rd October, 2002.

None of the directors on the board holds the office of director in more than 15 companies or memberships in committees of the board in more than 10 committees or chairmanship of more than 5 committees. Table set below will explain the details:

Directors	Category of Directorship @	Board Meetings attended	Attendance at the last AGM	No. of other Directorship held	No. of Board Committees of which Member/ Chairman
Mr. R.A. Shah (Chairman)	NED (I)	5	Present	13	10/4
Mr. Hocine Sidi Said (Managing Director)	WTD	5	Present	Nil	1/0
Mr. Charles L. Sarris	NED (I)	Nil	Absent	Nil	2/1
Mr. B. Valentini	NED (I)	Nil	Absent	Nil	Nil
Mr. R.W. Norton	NED (I)	Nil	Absent	Nil	Nil
Mr. Daniel Cronin	NED (I)	Nil	Absent	Nil	Nil
Mr. James Hilboldt	NED (I)	Nil	Absent	Nil	Nil
Mr. Pradip Shah	NED (I)	5	Present	9	9/3
Mr. A.K. Nehru # (Alternate to Dr. M.W. Hodin)	WTD	3	Present	1	1/0
Mr. Kewal Handa (Alternate to Mr P.J. Santoriella/ Mr. Michael E. Sweitzer*)	WTD	5	Present	1	1/0
Dr. B.M. Gagrat (Alternate to Dr. Pierre G. Etienne)	WTD	5	Present	1	1/0

@ NED (I) – Non-Executive Director, Independent
WTD – Whole-time Director

Mr. A.K. Nehru ceased to be a Director with effect from the close of business hours on 30th November, 2002.

* Effective 3rd October, 2002, Mr. M.E. Sweitzer is appointed as a Director and Mr. P.J. Santoriella ceases to be a Director.

Notes :

(1) Number of directorships / memberships held in other companies excludes directorships/memberships in private limited companies, foreign companies, companies of section 25 of the Companies Act, 1956, membership of managing committees of various chambers/ bodies and alternate directorships.

(2) An Independent Director is a Director who apart from receiving directors remuneration, does not have any material pecuniary relationship or transactions with the Company, its promoters or its management or its subsidiaries, which in the judgement of the Board may affect their independence.

3. Audit Committee

The Audit Committee comprises of three Directors viz. Mr. R.A. Shah as the Chairman and Mr. Pradip P. Shah and Mr. Charles Sarris as other members.

Mr. Pradip P. Shah, Chartered Accountant, fulfills the requirement under the code that the audit committee must have a member with a finance background.

The Company Secretary acts as the Secretary to the Committee.

The terms of reference of the audit committee include the matters specified in clause 49(II) of the Listing Agreement with the Stock Exchanges and also as required under section 292A of the Companies Act, 1956.

The terms of reference stipulated by the Board to the Audit Committee contained under clause 49(II) of the Listing Agreement, are as follows:

1) Oversight of the company's financial reporting process and the disclosure of its financial information to ensure that the financial statements are correct, sufficient and credible.
2) Recommending the appointment and removal of external auditor, fixation of audit fee and also approval for payment for any other services.
3) Reviewing with management the annual financial statements before submission to the board, focusing primarily on;
   a. Any changes in accounting policies and practices.
   b. Major accounting entries based on exercise of judgment by management.
   c. Qualification in draft audit report.
   d. Significant adjustments arising out of audit.
   e. The going concern assumption.
   f. Compliance with accounting standards.
   g. Compliance with stock exchange and legal requirements concerning financial statements.
   h. Any related party transactions i.e. transactions of the company of material nature, with promoters or the management, their subsidiaries or relatives etc. that may have potential conflict with the interests of the company at large.
4) Reviewing with the management, external and internal auditors, the adequacy of the internal control systems.
5) Reviewing the adequacy of internal audit function, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
6) Discussion with internal auditors any significant findings and follow up thereon.
7) Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the board.
8) Discussion with the external auditors before the audit commences, nature and scope of audit as well as have post audit discussion to ascertain any area of concern.
9) Reviewing the company's financial and risk management policies.
10) To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors.

The Audit Committee held meetings on 29th January, 2002; 14th March, 2002; 27th June, 2002 and 17th December, 2002. All the meetings were attended by Mr. R.A. Shah, Mr. Pradip Shah, Mr. K. Handa – Executive Director-Finance Internal Auditors and the Statutory Auditors.

4. Remuneration

a. Remuneration Committee being a non-mandatory requirement, has not been formed.

b. Remuneration of employees largely consists of fixed pay i.e. Basic pay, allowances, perquisites and variable component i.e. performance incentives which varies with different grades and is related to the qualification, experience and responsibilities handled by the employee, etc.

c. Details of remuneration paid to all directors during the year 2001-2002 are as below:

Executive Directors:

Rupees in Lakhs

Name	Remuneration		
	Salary and Benefits	Performance linked Incentives	Total
Mr. Hocine Sidi Said*	44.13	–	44.13
Mr. A.K. Nehru	38.28	5.82	44.10
Mr. K. Handa*	35.35	7.19	42.54
Dr. B.M. Gagrat*	31.37	6.59	37.96
Total	149.13	19.60	168.73

* Increase in Remuneration is subject to the approval of shareholders at the forthcoming 52nd Annual General Meeting.

Notes:

i) Service Contracts, Severance Fees and Notice Period

The appointment of the Managing Director and Whole-time Directors is governed by the Articles of Association of the Company and the Resolutions passed by the Board of Directors and the members of the Company. These cover the terms and conditions of such appointment read with the service rules of the Company. A separate Service Contract is not entered into by the Company with the Managing Director and with those elevated to the Board from the management cadre, who already have a prior Service Contract with the Company.

There is no separate provision for payment of severance fee under the resolutions governing the appointment of Managing Director and Whole-time Directors.

In terms of the Articles of Association, resignation of a Director becomes effective upon its acceptance by the Board.

ii) Employee Stock Option Scheme

The Company does not have any Stock Option Scheme.

iii) Performance linked incentive criteria

The Company has internal norms for assessing the performance of its senior executives including Whole Time Directors. The above performance linked incentives are approved by the Board based on such norms.

Non-Executive Directors

Rupees in Lakhs

Name	Sitting Fees	Commission	Total
Mr. R.A. Shah	0.45	2.00	2.45
Mr. Pradip Shah	0.45	2.00	2.45
Total	0.90	4.00	4.90*

* This excludes sitting fees of Rs. 0.25 lakhs and commission of Rs. 2.00 lakhs paid to Mr. R.A. Shah, who was also on the Board of Parke-Davis (India) Limited during the year.

Notes:

1. The remuneration to non-executive directors is decided by the Board of Directors of the Company within the limits stipulated by the Special Resolution passed at the 50th Annual General Meeting held on 26th April, 2001.
2. Mr. R.A. Shah is a senior partner of Crawford Bayley & Co., Solicitors & Advocates, who have a professional relationship with the Company. The professional fees of Rs. 33.80 lakhs that was paid to them during the year is not considered material enough to impinge on the independence of Mr. R.A. Shah.
3. Besides dividend on equity shares held, if any, by the directors, no other payments have been made or transactions of a pecuniary nature entered into by the Company with the directors.

5. Shareholders Committee

The Board of Directors of the Company has constituted a committee to approve the transfer and transmission of shares called as "Share Transfer-cum-Shareholders/Investors' Grievance Committee". This Committee is headed by Mr. Charles L. Sarris, a Non-Executive Director. Other members of this Committee are Mr. Hocine Sidi Said, Mr. A.K. Nehru, Mr. K. Handa & Dr. B.M. Gagrat.

Mr. A.K. Nehru ceased to be a member of the Committee with effect from the close of business hours of 30th November, 2002 consequent to his resignation from the Board. Mr. A. Anjeneyan, Company Secretary, is the Compliance Officer.

219 complaints were received during the financial year and all of them have been redressed / answered to the satisfaction of the shareholders. No investor grievance remained unattended/ pending for more than 30 days and no request for share transfers and dematerialisation received during the financial year was pending for more than two weeks.

6. General Body Meetings

Details of the last 3 Annual General Meetings held:

1. 51st Annual General Meeting: 6th May, 2002 at 3:00 pm.
   Y.B. Chavan Auditorium
   General Jagannath Bhosale Marg
   Next to Sachivalaya Gymkhana
   Mumbai-400 021.
2. 50th Annual General Meeting: 26th April, 2001 at 3:00 pm.
   Y.B. Chavan Auditorium
   General Jagannath Bhosale Marg
   Next to Sachivalaya Gymkhana
   Mumbai-400 021.
3. 49th Annual General Meeting: 25th April, 2000 at 3:00 pm.
   Y.B. Chavan Auditorium
   General Jagannath Bhosale Marg
   Next to Sachivalaya Gymkhana
   Mumbai-400 021.
4. Court Convened General Meeting for approval of Scheme of Amalgamation of Parke-Davis (India) Ltd with Pfizer Limited : 21st August, 2002 at 11:30 am.
   Y.B. Chavan Auditorium
   General Jagannath Bhosale Marg
   Next to Sachivalaya Gymkhana
   Mumbai-400 021.

There were no special resolutions required to be passed through Postal Ballot at any of the above General Meetings. None of the resolutions proposed for the ensuing Annual General Meeting need to be passed by Postal Ballot.

7. Disclosures

a. Disclosures on materially significant related party transactions i.e. transactions of the Company of material nature, with its promoters, directors or the management, their subsidiaries or relatives etc. that may have potential conflict with the interests of the Company at large:

   There are no materially significant transactions made by the Company with its promoters, directors, or the management, their subsidiaries or relatives, etc. which have potential conflict with the interests of the Company at large.

b. Details of non-compliance by the Company, penalties, strictures imposed on the Company by Stock Exchange or SEBI or any statutory authority, on any matter related to capital markets, during the last three years.

   None.

8. Particulars of appointment of a new Director and reappointment of Directors

This forms part of the Notice convening the 52nd Annual General Meeting.

9. Means of Communication

Half-yearly reports sent to each household of shareholders

As the results of the Company are published in the newspapers, and put on the website half- yearly reports are not sent to each household of shareholders.

Quarterly Results

The quarterly results are generally published in “Business Standard” and “Sakal”. The results are also displayed on the Company’s website “www.pfizerindia.com” shortly after its submission to the Stock Exchanges. The official news releases are also displayed on the Company’s website. These results are being electronically filed on the EDIFAR website www.sebiedifar.nic.in as required by SEBI / the Listing Agreement.

Presentation to institutional investors or to analysts

Two teleconferences were held with institutional investors, analysts, press on 18th July, 2002 and 11th October, 2002. The transcript of the same were put on the internet website “www.pfizerindia.com”.

Whether the Management Discussion & Analysis Report is a part of Annual Report or not.

The Management Discussion & Analysis Report is a part of the Annual Report.

10. General Shareholder Information*

52nd Annual General Meeting:

Date	:	Friday, 24th October, 2003
Time	:	3 p.m
Venue	:	Y.B. Chavan Auditorium General Jagannath Bhosale Marg Near Sachivalaya Gymkhana Mumbai-400 021.

Financial Calendar: 1st December to 30th November.

Date of Book Closure: 15th October, 2003 to 24th October, 2003 (both days inclusive)

Dividend payment date: 28th October, 2003.

Listing on Stock Exchanges: The Company is listed on The Stock Exchange, Mumbai and the National Stock Exchange. The annual listing fees have been paid and there is no outstanding payment towards the Exchanges, as on date.

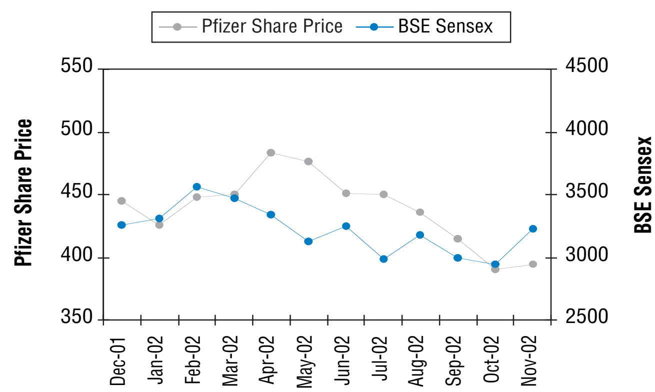
Stock Code: B.S.E. – 500680; N.S.E. – PFIZER EQ

Market Price Data:

The High and Low prices of the Company’s share (of the face value of Rs. 10/- each) at the beginning of every month from December, 2001 to November, 2002 are as below:

	The Stock Exchange Mumbai		The National Stock Exchange	
Month	High (Rs.)	Low (Rs.)	High (Rs.)	Low (Rs.)
Dec 2001	458.20	440.00	454.75	440.10
Jan 2002	449.45	425.45	449.90	426.70
Feb 2002	470.40	422.20	470.50	421.30
Mar 2002	466.95	432.95	468.30	433.45
Apr 2002	521.90	441.30	522.05	444.10
May 2002	511.65	468.85	511.30	470.15
June 2002	482.80	450.75	483.55	452.65
July 2002	465.70	428.05	465.90	430.30
Aug 2002	460.30	433.10	463.70	433.45
Sept 2002	442.00	412.00	439.80	411.65
Oct 2002	422.65	390.00	421.40	389.95
Nov 2002	401.45	386.35	401.30	389.95

Performance of Pfizer Shares to broad based index (BSE Sensex)



Address for Correspondence

Registered Office	:	Pfizer Limited Pfizer Centre, Patel Estate S.V. Road, Jogeshwari (W) Mumbai-400 102. Tel.: 022 5693 2000 Fax: 022 5693 2377 e-mail: sundaresan@pfizer.com
Registrar and Transfer Agents	:	Tata Consultancy Services Lotus House Sir Vithaldas Thackersey Marg New Marine Lines Mumbai-400 020. Tel.: 022 2203 9136 Fax: 022 2201 6689 e-mail: pednekar@mumbai.tcs.co.in
Internet site	:	www.pfizerindia.com

Share transfer system:

The Share Transfer-cum-Shareholders/Investors Grievance Committee approves the transfer and transmission of shares, issue of duplicate share certificates and allied matters. The committee also monitors redressal of investors' grievances. The Company's Registrars, Tata Consultancy Services (TCS) have adequate infrastructure to process the share transfers. The share transfers received are processed within 15 days from the date of receipt, subject to the transfer instrument being valid and complete in all respects. In compliance with the Listing Guidelines, every six months, a practising Company Secretary audits the System of Transfer and a Certificate to that effect is issued. The Company's scrips form part of the SEBI's Compulsory demat segment.

Distribution of shareholding:

a) Class-wise Distribution of Equity Shares as on 30th November, 2002:

Shareholdings	No. of Share Holders	% of Share Holders to Total	No. of Shares	% of Share-holding to Total
1 – 1000	42643	98.94	4656324	19.86
1001 – 5000	375	0.87	688097	2.94
5001 – 10000	22	0.05	175880	0.75
10001 – 50000	35	0.08	738411	3.15
50001 – 100000	8	0.02	586390	2.50
100001 – 5 lakhs	13	0.03	2812842	12.00
500001 – 50 lakhs	2	0.01	4406252	18.80
Above 50 lakhs	1	0.00	9376100	40.00
Total	43099	100.00	23440296	100.00

b) Shareholding Pattern as on 30th November, 2002:

Category	No. of Shares	Percentage
General Public (Including Corporates)	5656530	24.13
Mutual Funds	1950261	8.32
Financial Institutions & Nationalised Banks	5717128	24.39
Non-resident Indians/Overseas Corporates	563840	2.41
Foreign Institutional Investors	176437	0.75
Foreign Collaborator (Pfizer Corporation)	9376100	40.00
Total	23440296	100.00

c) In terms of Scheme of Amalgamation of Parke-Davis (India) Limited with the Company, 53,57,244 Equity Shares of Rs. 10 each of Pfizer Limited will be issued as fully paid-up to the shareholders of Parke-Davis (India) Limited whose names appear on their Register of Members on the Record Date viz.14th March, 2003, fixed for this purpose. Accordingly, these shares have not been considerd while giving information regarding shareholding in (a) and (b) above.

Dematerialization of shareholding:

The Company's scrips form part of the Compulsory demat segment for all investors effective 31st May, 1999. The Company has established connectivity with both the Depositories viz. National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) through the Registrars, Tata Consultancy Services. As on 30th November, 2002, 50.07% of our paid-up share capital has been dematerialised.

Outstanding GDRs/ADRs/Warrants or any convertible instruments, etc.:

As of date, the Company has not issued these type of securities.

Plant Locations:

1) Thane Belapur Road
KU Bazar Post
Navi Mumbai 400 705
Tel: 2791 6161
Fax: 2791 6160

2) Plot No. 178-178A
Industrial Area, Phase I
Chandigarh 160 002
Tel: 2650 578/79/80/84
Fax: 2655 178

Bank details for dividend payment:

Shareholders desirous of receiving their dividend directly in their bank account through Electronic Clearing System (ECS) are requested to inform their ECS mandate to the Company's Registrar and Transfer Agent, Tata Consultancy Services. Beneficiaries holding the Company's scrip in the dematerialised form may intimate their change in their bank details to their Depository Participant (DP) furnishing their details with the correct 9 digit MICR code of their bank.

11. Non-Mandatory Requirements

The Chairman, Mr. R.A. Shah, Solicitor is a Senior Partner of Crawford Bayley & Co. His office is located in Mumbai and, therefore, he has not sought maintenance of the Chairman's Office at the Company's Registered Office premises.

Shareholders' Rights

The half-yearly financial results are published in the newspapers as mentioned above and also are displayed on the Company's website. Therefore, the results were not separately circulated to all shareholders.

Postal Ballot

There are no items that require the approval of shareholders by postal ballot.

Code of Conduct for Prevention of Insider Trading

Pursuant to the requirements of SEBI (Prohibition of Insider Trading) Regulations, 1992, as amended, the Company has adopted a "Code of Conduct for Prevention of Insider Trading" with effect from 27th June, 2002. Mr. A. Anjeneyan, Company Secretary, has been appointed as the "Compliance Officer" for this purpose. The Code of Conduct is applicable to all such employees of the Company who are expected to have access to unpublished price sensitive information relating to the company as well as all Directors.

On behalf of the Board of Directors

R.A. SHAH
Chairman

Mumbai, March 10, 2003

* Note: Para 10 was amended on September 11, 2003 to reflect the changed dates of the Annual General Meeting and Book Closure.

Auditors Certificate on compliance of conditions of Corporate Governance under Clause 49 of the Listing Agreement

We have examined the compliance of conditions of Corporate Governance by Pfizer Limited, for the year ended on 30th November, 2002 as stipulated in clause 49 of the Listing Agreement of the said Company with stock exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination has been limited to a review of the procedures and implementation thereof, adopted by the Company for ensuring compliance with the conditions of Corporate Governance as stipulated in the said clause. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us and the representations made by the directors and the management, we certify that the Company has compiled in all material respects with the conditions of Corporate Governance as stipulated in clause 49 of the above mentioned Listing Agreement.

As required by the Guidance Note on Certification on Corporate Governance issued by the Institute of Chartered Accountants of India, we state that no investor grievance is pending for a period exceeding one month as at 30th November, 2002, against the Company as per the certificate received from the Registrar and Share Transfer Agents and taken on record by the Share Transfer-cum-Shareholders/Investors' Grievance Committee of the Company.

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

For A.F. FERGUSON & CO.
Chartered Accountants

M.S. DHARMADHIKARI
(Partner)

Mumbai, March 10, 2003

Auditors' Report

Report of the Auditors to the Members of Pfizer Limited

We have audited the attached Balance Sheet of Pfizer Limited, as at 30th November, 2002 together with the Profit and Loss Account of the Company for the year ended on that date annexed thereto and the Cash Flow Statement for the period ended on that date (in which, consequent to the amalgamation with the Company effective from 1st December, 2001, are incorporated the accounts, after making such adjustments as considered necessary, of the erstwhile Parke-Davis (India) Limited for the year ended 30th November, 2002, which have been audited by their auditors, on which we relied upon and whose report has been considered by us). These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. These Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

We report as follows:

1. As required by the Manufacturing and Other Companies (Auditor's Report) Order, 1988 issued by the Central Government in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we annex hereto a statement on the matters specified in paragraphs 4 and 5 of the said Order on the basis of the information and explanations received by us.
2. Further to our comments in the Annexure referred to in paragraph 1 above:
   a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of the audit;
   b) in our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of the books;
   c) the Balance Sheet and Profit and Loss account dealt with by this report are in agreement with the books of account;
   d) in our opinion, the Balance Sheet and Profit and Loss Account comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
   e) on the basis of the written representations received from the directors as on 30th November, 2002, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 30th November, 2002 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.
   f) in our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
      i) in the case of the Balance Sheet, of the state of affairs of the Company as at 30th November, 2002,
      ii) in the case of the Profit and Loss Account, of the profit of the Company for the year ended on that date,

         and

      iii) in the case of Cash Flow Statement, of the cash flows for the year ended on that date.

For A.F. FERGUSON & CO.
Chartered Accountants

M.S. DHARMADHIKARI
(Partner)

Mumbai, February 26, 2003

Annexure to the Auditors' Report

(Referred to in Paragraph 1 of the Report of even date of the Auditors to the Members of Pfizer Limited on the accounts for the year ended 30th November, 2002).

1. The Company is maintaining proper records to show full particulars including quantitative details and situation of fixed assets for all its locations. The Company's programme of physical verification of all its fixed assets over a period of two/three years is, in our opinion, reasonable having regard to the size of the Company and the nature of its assets. Accordingly a portion of the fixed assets has been physically verified by the management during the year. As explained to us, the management is in the process of reconciling the same with the books.
2. None of the fixed assets has been revalued during the year.
3. The stocks of finished goods, stores, maintenance spares and raw materials except for goods in transit, have been physically verified by the management at reasonable intervals during the year.
4. In our opinion the procedures of physical verification of stocks followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
5. The discrepancies noted on such physical verification as compared to book records, were not material and the same have been properly dealt with in the books of account.
6. On the basis of our examination of the stocks, the valuation of the stocks is fair and proper, in accordance with the normally accepted accounting principles and is on the same basis as in the preceding year.

7. The Company has taken loans only from its wholly owned subsidiary company during the year and the rate of interest and other terms and conditions of the loans are not prima facie prejudicial to the interest of the Company.

8. The Company has granted loans to its wholly owned subsidiary company and to a company under the same management during the year and the rates of interest and other terms and conditions of the loans are not prima facie prejudicial to the interest of the Company.

9. The parties to whom the loans or advances in the nature of loans have been given by the Company are, except where provisions against doubtful recoveries are made, repaying the principal amounts as scheduled / rescheduled where such stipulations have been made and are also regular in the payment of interest where applicable. No schedule has been agreed for the repayment of principal in respect of loans given to its wholly owned subsidiary company.

10. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business for the purchases of stores, raw materials including components, plant and machinery, equipment and other assets and for the sale of goods.

11. In our opinion and according to the information and explanations given to us, the purchase of goods and materials or sale of goods, materials and services made in pursuance of contracts or arrangements entered in the register maintained under section 301 of the Companies Act, 1956 and aggregating during the year to Rs. 50,000/- or more in respect of each party have been made at prices which are reasonable having regard to the prevailing market prices for such goods, materials or services or the prices at which such transactions for similar goods or services have been made with other parties.

12. As explained to us, the Company has determined unserviceable or damaged/deteriorated stores, raw materials and finished goods. Adequate provision has been made in the accounts for the loss arising on the items so determined.

13. The Company has not accepted any deposits from the public upto 30th November, 2002 to which the provisions of section 58A of the Companies Act, 1956 and the rules made thereunder would apply.

14. In our opinion, reasonable records have been maintained for the sale and disposal of realisable scrap. We have been informed that the Company has no by-products.

15. In our opinion the Company has an internal audit system commensurate with its size and nature of its business.

16. We have broadly reviewed the books of account maintained by the Company pursuant to the rules made by the Central Government for maintainance of cost records, under section 209(1)(d) of the Companies Act, 1956 and are of the opinion that prima facie the prescribed accounts and records have been maintained and are being made up. We have not, however, made a detailed examination of the said records.

17. The Company has been generally regular in depositing Provident Fund dues and Employees' State Insurance dues with the appropriate authorities.

18. As explained to us, there are no undisputed amounts payable in respect of income tax, wealth tax, sales tax, customs duty and excise duty which were outstanding as at 30th November, 2002, for a period of more than six months from the date they became payable.

19. Based on our examination of the books of account of the Company in accordance with the generally accepted auditing principles and the information and explanations given to us, no personal expenses of employees or directors have been charged to the profit and loss account, other than those payable as per the terms of the contract of employment or in accordance with generally accepted business practices.

20. The Company is not a sick industrial company within the meaning of clause (o) of sub-section (1) of section 3 of the sick Industrial Companies (Special Provisions) Act, 1985.

21. In respect of services rendered:

    (a) As regards the Company's Clinical Research Development services, the Company has a proper system of recording receipts of material. Having regard to the nature of services rendered, the system of recording issues and consumption of material and its allocation to job is not considered necessary. As regards other services, the nature of services rendered is such that it does not involve consumption of materials and stores.

    (b) Considering the nature of services rendered and the basis of billing, it is not considered necessary to have a system of allocation of man hours utilised to the relative jobs.

    (c) In our opinion, there is a reasonable system of authorisation at proper levels and the related system of internal control of the Company is commensurate with the size of the Company and the nature of its business.

22. As explained to us, in respect of the trading activities of the Company, damaged goods have been determined and adequate provision has been made for the loss arising on the items determined.

For A.F. FERGUSON & CO.
Chartered Accountants

M.S. DHARMADHIKARI
(Partner)

Mumbai, February 26, 2003

Balance Sheet as at 30th November, 2002

	Schedule Ref.			Rupees in Lakhs As at 30th Nov 2002			Rupees in Lakhs As at 30th Nov 2001
Sources of Funds							
Shareholders' Funds							
Share Capital	1	2344.21			2344.21		
Share Capital Suspense Account	1A	535.73			–		
			2879.94			2344.21	
Reserves and Surplus	2		27923.01			14644.67	
				30802.95			16988.88
Total				30802.95			16988.88
Application of Funds							
Fixed Assets							
Gross Block	3		13686.61			9383.34	
Depreciation			(8527.38)			(5550.12)	
Net Block			5159.23			3833.22	
Capital Work-in-Progress at cost, including advances			536.99			376.75	
				5696.22			4209.97
Investments	4			528.31			324.36
Current Assets, Loans and Advances							
Interest accrued on Investments		6.97			–		
Inventories	5	8837.27			5643.45		
Sundry debtors	6	12356.28			5420.72		
Cash and bank balances	7	6840.51			5763.20		
Loans and advances	8	10589.28			5994.97		
			38630.31			22822.34	
Current Liabilities and Provisions							
Current Liabilities	9	(11112.45)			(6312.33)		
Provisions	10	(8948.68)			(4558.72)		
			(20061.13)			(10871.05)	
Net Current Assets				18569.18			11951.29
Deferred Tax Asset (Net)	11			789.98			503.26
Miscellaneous Expenditure (to the extent not written off)							
Deferred Revenue Expenditure							
Voluntary Retirement Schemes				5219.26			–
Total				30802.95			16988.88
Notes to the Accounts	20						

Per our Report attached

For A.F. FERGUSON & CO.
Chartered Accountants

M.S. DHARMADHIKARI
(Partner)

Mumbai, February 26, 2003

R.A. SHAH — Chairman

HOCINE SIDI SAID — Managing Director

P. SHAH
K. HANDA
B.M. GAGRAT (Dr.) — Directors

A. ANJENEYAN — Secretary

Mumbai, February 26, 2003

Profit and Loss Account for the year ended 30th November, 2002

	Schedule Ref.	Rupees in Lakhs	Rupees in Lakhs Year Ended 30th Nov 2002		Rupees in Lakhs Year Ended 30th Nov 2001
Income					
Gross Sales		65126.82		36206.56	
Less: Excise Duty		5718.90		3796.46	
Less: Sales Tax		5165.18		2642.56	
Net Sales		54242.74		29767.54	
Services		4365.60		4825.51	
Interest Income	12	634.27		667.86	
Miscellaneous Income	13	1006.83		653.36	
			60249.44		35914.27
Increase/(Decrease) in stocks of Finished Goods, Work-in-Process and Own Manufactured Bulk Drugs	14		(283.93)		531.47
			59965.51		36445.74
Expenditure					
Cost of Materials Consumed	15	21693.89		11266.43	
Personnel Costs	16	8784.20		5579.94	
Excise Duty		(32.36)		347.86	
Sales Tax		130.03		187.28	
Interest Expense		127.28		26.00	
Other Expenses	17	16939.12		10372.50	
Depreciation		1063.96		716.97	
Royalty		94.97		246.41	
			48801.09		28743.39
Profit before taxation and exceptional items			11164.42		7702.35
Taxation	18		5052.46		2953.43
Profit after taxation but before exceptional items			6111.96		4748.92
Exceptional Items (Net of tax) – See Note 9(a) in the Notes to the Accounts – Schedule 20			1482.14		–
Profit after taxation and exceptional items			7594.10		4748.92
Balance brought forward after adjustments	2		14607.84		9916.52
Total available for appropriation			22201.94		14665.44
Proposed Dividend (Nov 2002 – Subject to deduction of tax at source, where applicable)					
– Regular		1439.88		1172.01	
– Special		719.94		–	
Tax on Distributed Profits		–		119.54	
Tax on distributed profits for the previous year reversed		(168.72)		(20.63)	
Transfer to General Reserve		800.00		500.00	
			2791.10		1770.92
Balance carried to balance sheet			19410.84		12894.52
Earnings per share (Basic/Diluted)			Rs.		Rs.
(See Note 14 in the Notes to the Accounts – Schedule 20)			26.37		20.26
Nominal value of share			10.00		10.00
Notes to the Accounts	20				

Per our Report attached to the Balance sheet	R.A. SHAH	Chairman
For A.F. FERGUSON & CO. Chartered Accountants	HOCINE SIDI SAID	Managing Director
M.S. DHARMADHIKARI (Partner)	P. SHAH, K. HANDA, B.M. GAGRAT (Dr.)	Directors
	A. ANJENEYAN	Secretary
Mumbai, February 26, 2003	Mumbai, February 26, 2003	

Schedules

		Rupees in Lakhs		Rupees in Lakhs
		Nov 2002		Nov 2001

Schedule 1: Share Capital

Authorised				
2,34,42,936 Equity Shares of Rs. 10 each	2344.29		2344.29	
1,65,57,064 Unclassified Shares of Rs. 10 each	1655.71		1655.71	
		4000.00		4000.00
Issued				
2,34,42,936 Equity Shares of Rs. 10 each		2344.29		2344.29
Subscribed				
2,34,40,296 Equity Shares of Rs. 10 each fully paid-up		2344.03		2344.03
Of the above 1,91,08,636 Shares were allotted as fully paid-up bonus shares by capitalisation of General Reserve Rs. 1776.92 lakhs and Share Premium Account Rs. 133.94 lakhs				
Of the above 93,76,100 Equity Shares of Rs. 10 each fully paid-up are held by the Holding Company – Pfizer Corporation, Panama				
Add: Forfeited shares				
Amount paid-up on 2,640 Equity Shares forfeited		0.18		0.18
Total		2344.21		2344.21

Schedule 1A: Share Capital Suspense Account

In terms of the Scheme of Amalgamation of Parke-Davis (India) Limited with the Company, 53,57,244 Equity Shares of Rs. 10 each of Pfizer Limited will be issued as fully paid-up to the shareholders of Parke-Davis (India) Limited whose names appear on their Register of Members on the Record Date viz. 14th March, 2003, fixed for this purpose. (Refer Note 2 in the Notes to the Accounts – Schedule 20)		535.73		–
Of the above 21,42,897 Equity Shares of Rs. 10/- each in aggregate will be issued and allotted to fellow subsidiaries i.e., Warner Lambert Company, U.S.A. and Parke – Davis & Company, U.S.A.				
Total		535.73		–

Schedule 2: Reserves and Surplus

General Reserve				
Per last Balance Sheet	1750.15		1250.15	
Add: Adjustment on account of Amalgamation of Parke-Davis (India) Limited*	5962.02		–	
Add: Transfer from Profit and Loss Account	800.00		500.00	
		8512.17		1750.15
Profit and Loss Account				
Per last Balance Sheet	12894.52		9916.52	
Add: Transfer from Parke-Davis (India) Limited*	1713.32		–	
	14607.84		9916.52	
Less: Transfer to Profit and Loss Account for the year	14607.84		9916.52	
		–		–
Balance as per Profit & Loss Account		19410.84		12894.52
Total		27923.01		14644.67

* Refer Note 2 in the Notes to the Accounts – Schedule 20.

Schedule 3: Fixed assets

Rupees in Lakhs

	Cost					Depreciation/Amortisation						Written down value	
	As at 30th Nov 2001	Transfer +	Additions during the year	Deductions	**As at 30th Nov 2002**	As at 30th Nov 2001	Transfer ++	For the year	Estimated Loss on Assets held for disposal	Deductions	**As at 30th Nov 2002**	**As at 30th Nov 2002**	As at 30th Nov 2001
Land:													
Freehold	23.88	8.09	–	–	**31.97**	–	–	–	–	–	**–**	**31.97**	23.88
Leasehold	95.82	–	–	–	**95.82**	75.46	–	0.33	–	–	**75.79**	**20.03**	20.36
Buildings:													
On freehold land @	362.53	140.54	0.56	–	**503.63**	209.34	102.74	8.41	–	–	**320.49**	**183.14**	153.19
On leasehold land **	914.95	–	172.27	–	**1087.22**	597.43	–	10.29	–	–	**607.72**	**479.50**	317.52
Leasehold Improvements	886.92	–	130.87	–	**1017.79**	356.89	–	99.53	–	–	**456.42**	**561.37**	530.03
Machinery & Equipment	4607.13	1323.06	720.91	121.49	**6529.61**	2888.06	700.02	332.98	265.50	100.14	**4086.42**	**2443.19**	1719.07
Office Equipment, Furniture & Fixtures	2029.03	1389.41	433.92	219.12	**3633.24**	1198.42	989.69	447.17	184.69	181.80	**2638.17**	**995.07**	830.61
Vehicles	447.57	191.72	289.46	156.93	**771.82**	209.01	70.27	165.25	–	117.67	**326.86**	**444.96**	238.56
Trademarks	15.51	–	–	–	**15.51**	15.51	–	–	–	–	**15.51**	**–**	–
Total	**9383.34**	3052.82	**1747.99**	**497.54**	**13686.61**	**5550.12**	1862.72	**1063.96**	450.19	**399.61**	**8527.38**	**5159.23**	
Previous year	8490.39	–	1178.16	285.21	**9383.34**	5068.96	–	716.97	–	235.81	**5550.12**		3833.22
Construction work-in-progress (at cost)												**333.90**	165.62
Advances on capital accounts												**203.09**	211.13
Total												**536.99**	376.75
Grand total												**5696.22**	4209.97

@ Buildings include investment in share application money of Rs. 500 in a co-operative housing society, representing ownership of two residential flats. The agreement for sale is submitted for registration.

** Buildings include investment in 250 shares of Rs. 500 each in a co-operative housing society, representing ownership of two residential flats.

Note: Depreciation other than on low cost assets is provided on a straight line basis at the following rates per annum:

Land:	
Leasehold	Amortised over the lease period
Buildings	3.34%
Leasehold Improvements	8% to 10% or Amortised over the lease period
Machinery & Equipment	8% to 40%
Office Equipment, Furniture & Fixtures	8% to 33.33%
Vehicles	25%
Trademarks	Amortised over a period of 3 years

\+ Assets as at 1st December, 2001, after adjustments, taken over consequent to amalgamation of Parke-Davis (India) Limited (Refer Note 2 of Notes to the Accounts – Schedule 20)

++ Accumulated Depreciation as at 1st December, 2001, after adjustments, taken over consequent to amalgamation of Parke-Davis (India) Limited. (Refer Note 2 of Notes to the Accounts – Schedule 20)

Refer Note 17(a) & (b) and Note 17(c) of Notes to the Accounts – Schedule 20 regarding Ankleshwar Plant and Other Assets held for disposal respectively.

Schedules

Schedule 4: Investments

(At cost except where otherwise stated)

		Rupees in Lakhs Nov 2002		Rupees in Lakhs Nov 2001
Long Term Investments				
Trade (unquoted)				
Leema Chemicals and Cosmetics Private Limited 24 Equity Shares of Rs. 10 each, fully paid-up (Actual cost Rs. 240)		–		–
Non-Trade (unquoted)				
Government Securities (includes Rs. 0.50* lakhs deposited with Excise Authorities, Nov 2001 – Rs. Nil)		0.61		0.11
Gold Sovereign (Actual cost Rs. 61)		–		–
The Shamrao Vithal Co-operative Bank Limited 1,000 shares of Rs. 25 each, fully paid-up		0.25		0.25
10,34,500 (Nov 2001 – Nil) Units of Rs. 10/- each fully paid up of Unit Trust of India – Unit Scheme 1964 (Market price and Repurchase price not available)	150.00		–	
Less: Provision for dimunition in the value of Investments	(46.55)		–	
		103.45*		–
2,000 (Nov 2001 – Nil) 11% Bonds of Rs. 5,000 each fully paid up of Industrial Credit and Investment Corporation of India Limited – Tax Saving Bonds		100.00*		–

* Acquired pursuant to amalgamation of Parke-Davis (India) Limited

In Bodies Corporate under the same management (Trade-unquoted):				
Duchem Laboratories Limited (a subsidiary company) 3,24,000 Equity Shares of Rs. 100 each, fully paid-up		324.00		324.00
Total		528.31		324.36

Schedule 5: Inventories

	Nov 2002	Nov 2001
Stores and Maintenance Spares	128.79	124.44
Packing Materials	339.18	192.91
Physicians' Samples	353.43	128.02
Stock-in-Trade		
Raw Materials	1440.66	1103.10
Own Manufactured Bulk Drugs	434.70	428.53
Work-in-Process	386.71	489.83
Finished Goods	5753.80	3176.62
Total	8837.27	5643.45

Schedule 6: Sundry Debtors

(Unsecured – Considered good except where otherwise stated)
(Considered doubtful: Rs. 828.38 lakhs, Nov 2001 – Rs. 396.00 lakhs)

	Nov 2002	Nov 2001
Debts outstanding for a period exceeding six months	1378.56	670.90
Other Debts	11806.10	5145.82
	13184.66	5816.72
Provision for doubtful debts	(828.38)	(396.00)
Total	12356.28	5420.72

Schedules

Schedule 7: Cash and Bank Balances

	Rupees in Lakhs Nov 2002	Rupees in Lakhs Nov 2001
Cash on hand	**17.31**	16.97
With Scheduled Banks		
On Current Accounts (including accounts with overdraft facility)	**1569.01**	1008.58
On Margin Money Accounts	**3.48**	3.48
On Time Deposit Accounts	**1800.00**	4720.00
Cheques on hand/ in transit	**70.70**	14.17
Remittances in Transit	**3380.01**	–
Total	**6840.51**	5763.20

Schedule 8: Loans and Advances

(Considered good except where otherwise stated)

	Rupees in Lakhs Nov 2002	Rupees in Lakhs Nov 2002	Rupees in Lakhs Nov 2001	Rupees in Lakhs Nov 2001
Advances recoverable in cash or in kind or for value to be received				
Considered good*	**5801.42**		2919.28	
Considered doubtful	**194.61**		194.61	
	5996.03		3113.89	
Provision for doubtful advances	**(194.61)**		(194.61)	
		5801.42		2919.28
Advances and Loans to Subsidiary Company				
Duchem Laboratories Limited		**–**		1287.34
Inter Corporate Deposit to Warner-Lambert India Private Limited		**1000.00**		–
Amounts recoverable from Parke-Davis (India) Limited **		**–**		13.09
Balance with Customs, Port Trust and Excise on Current Accounts		**79.09**		51.79
Interest accrued on Time Deposits		**3.79**		17.91
Income Tax Payments (Net)		**3704.98**		1705.56
Total		**10589.28**		5994.97

* Includes: (i) loans given to employees which are secured by Hypothecation Bonds Rs. 18.50 lakhs (Nov 2001 – Rs. Nil) and
(ii) deposit of Rs. 685.00 lakhs (Nov 2001 – Rs. 415.00 lakhs) of which Rs. 415.00 lakhs is guaranteed by a bank.

** Refer Note 2 in the Notes to the Accounts – Schedule 20 [Nov 2001 – A company under the same management, (Maximum aggregate amount due during the year Rs. 16.82 lakhs)].

Schedule 9: Current Liabilities

	Rupees in Lakhs Nov 2002	Rupees in Lakhs Nov 2001
Acceptances	**785.94**	387.74
Sundry Creditors		
Due to Small Scale Industrial Undertakings	**697.02**	427.79
Others	**7936.51**	3964.96
Due to Subsidiary Company – Duchem Laboratories Limited	**6.53**	–
Security Deposits	**1539.17**	1474.76
Interest Accrued but not due on loans	**1.34**	0.70
Dividends – Uncashed	**121.72**	35.83
Unclaimed Interest on Matured Deposits	**1.46**	–
Refundable Share Application Money*	**18.91**	18.91
Unclaimed Interest on Matured Deposits*	**3.85**	1.64
Total	**11112.45**	6312.33

* To be credited to Investor Education and Protection Fund

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Schedule 10: Provisions

	Rupees in Lakhs Nov 2002	Rupees in Lakhs Nov 2001
Proposed Dividend		
– Regular	1439.88	1172.01
– Special	719.94	–
Tax on Distributed Profits	–	119.54
Gratuity	390.07	188.31
Leave Encashment	598.85	399.45
Excise Duty and Custom Duty (Net of payments)	128.50	277.10
Income Tax Provisions (Net)	5548.99	2276.84
Others	122.45	125.47
Total	8948.68	4558.72

Schedule 11: Deferred Tax Asset (Net)

		Rupees in Lakhs Nov 2002		Rupees in Lakhs Nov 2001
Deferred tax asset				
Arising on account of timing differences in:				
Amortisation of Commercial Rights and Trade Marks	95.49		123.25	
Provision for Doubtful Debts & Advances	376.08		210.80	
Provision for Leave Encashment and Exgratia	231.49		153.69	
Provision for Excise Duty, Custom Duty and Sales Tax	64.20		96.35	
Provision for Diminution in the value of Investments	17.11		–	
Amortisation of Voluntary Retirement costs	27.63		–	
Other Provisions, etc.	135.05		60.95	
		947.05		645.04
Deferred tax liability				
Arising on account of timing difference in:				
Depreciation / Estimated loss on assets held for disposal		(157.07)		(141.78)
Deferred Tax Asset (Net)		789.98		503.26

Schedule 12: Interest Income

	Rupees in Lakhs Nov 2002	Rupees in Lakhs Nov 2001
Interest (Gross)		
On Staff Loans	20.63	23.87
On Deposits with banks/company, delayed payments, etc.	319.24	255.40
(Tax deducted at source – Rs. 69.31 lakhs, Nov 2001 – Rs. 51.29 lakhs)		
On Income Tax refunds (Net)	126.34	218.30
On Loans to Duchem Laboratories Limited (a subsidiary company)	79.39	169.61
(Tax deducted at source – Rs. 16.74 lakhs, Nov 2001 – Rs. 37.16 lakhs)		
On Inter Corporate Deposits with Warner Lambert India Private Limited.	75.90	–
(Tax deducted at source – Rs. 15.15 lakhs, Nov 2001 – Rs. Nil)		
On Long-Term Investments (Non-Trade)	11.12	0.68
(Tax deducted at source – Rs. 2.31 lakhs, Nov 2001 – Rs. Nil)		
On Others	1.65	–
Total	634.27	667.86

Schedule 13: Miscellaneous Income

	Rupees in Lakhs Nov 2002	Rupees in Lakhs Nov 2001
Rental Income	474.38	548.34
Profit on fixed assets sold/discarded (net)	11.98	22.56
(includes capital profit Rs. 1.21 lakhs, Nov 2001 – Rs. 15.32 lakhs)		
Insurance Claims	61.80	35.41
Provisions no longer required written back	359.88	–
Sundry	98.79	47.05
Total	1006.83	653.36

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Schedule 14: Increase/(decrease) in stocks of Finished Goods, Work-in-Process and Own Manufactured Bulk Drugs

		Rupees in Lakhs Nov 2002		Rupees in Lakhs Nov 2001
Stocks at commencement				
Finished Goods	3176.62		3030.44	
Work-in-Process	489.83		286.97	
Own Manufactured Bulk Drugs	428.53		246.10	
		4094.98		3563.51
Add: Stocks taken over after adjustments on amalgamation of Parke-Davis (India) Limited (Refer Note 2 of Notes to the Accounts – Schedule 20)				
Finished Goods	2724.01		–	
Work-in-Process	40.15		–	
		2764.16		–
		6859.14		3563.51
Stocks at Close				
Finished Goods	5753.80		3176.62	
Work-in-Process	386.71		489.83	
Own Manufactured Bulk Drugs	434.70		428.53	
		6575.21		4094.98
Increase/(decrease)		(283.93)		531.47

Schedule 15: Cost of Materials Consumed

		Nov 2002		Nov 2001
Raw Materials				
Stock at commencement	1103.10		1678.60	
Add: Stock taken over after adjustments on amalgamation of Parke-Davis (India) Limited (Refer Note 2 of Notes to the Accounts – Schedule 20)	304.06		–	
		1407.16		1678.60
Purchases (net)	8097.71		5665.12	
Less: Cost of materials sold	(181.15)		–	
Net Purchases		7916.56		5665.12
		9323.72		7343.72
Stock at close		(1440.66)		(1103.10)
		7883.06		6240.62
Packing Materials (net)		3137.94		1835.70
Trading activity purchases		10672.89		3190.11
Total		21693.89		11266.43

Schedule 16: Personnel Costs

	Nov 2002	Nov 2001
Salaries, Wages and Bonus	*6485.69	4545.10
Company's contribution to Gratuity Fund	531.65	263.18
Company's contribution to Provident and other Funds	466.97	259.67
Staff Welfare Expenses	1188.24	511.99
Voluntary Retirement Costs	111.65	–
Total	8784.20	5579.94

* Net of amounts recovered from Warner-Lambert India Private Limited, a company under the same management, Rs. 53.72 Lakhs (Nov 2001 – Rs. Nil) on account of employees deputed to Warner-Lambert India Private Limited

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Schedule 17: Other Expenses

		Rupees in Lakhs Nov 2002		Rupees in Lakhs Nov 2001
Consumption of Stores and Maintenance Spares		167.99		133.63
Processing Charges		1053.39		563.86
Power and Fuel		1216.35		1099.73
Water		81.25		61.92
Repairs: Buildings	46.06		37.13	
Machinery	253.17		196.52	
		299.23		233.65
Rent		919.81		568.94
Rates and Taxes		280.50		115.35
Insurance		154.77		98.74
Clinical Trials		848.57		531.06
Legal and Professional Charges		1157.43		541.06
Equipment rentals, service charges, low cost assets written off		336.74		190.53
Freight, Forwarding and Transport		1235.46		665.27
Travelling (including boarding, lodging, conveyance and other expenses)		1588.86		1052.53
Postage, Telephone and Fax		486.81		339.56
Advertising and Promotion		3406.20		1764.63
Exchange loss (net)		14.72		18.97
Commission		538.35		173.43
Bad debts written off		24.79		145.98
Provision for Doubtful Debts (Net)		393.68		51.00
Amortisation of Commercial Rights		–		450.00
Miscellaneous Expenses		2734.22		1572.66
Total		16939.12		10372.50

Schedule 18: Taxation

		Rupees in Lakhs Nov 2002		Rupees in Lakhs Nov 2001
Provision for Taxation				
Income-tax payable [Refer note 21 (b)]		4423.75		3147.16
Tax effect on timing difference re: amounts charged in these accounts				
On Provision for Doubtful Debts/Advances	(151.62)		(3.10)	
On Voluntary Retirement Costs	(46.20)		–	
On Amortisation of Commercial Rights and Trademarks	27.76		(119.84)	
On Depreciation/Fixed Assets sold/discarded	(5.72)		3.09	
On Provisions, etc.	(80.49)		(73.88)	
		(256.27)		(193.73)
		4167.48		2953.43
Provision for Taxation pertaining to earlier years in respect of Parke-Davis (India) Limited.		884.98		–
Total		5052.46		2953.43

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Schedule 19: Computation of Net Profits for Commission Payable to the Directors

		Rupees in Lakhs		Rupees in Lakhs
		Nov 2002		Nov 2001
Profit after Taxation and Exceptional Items		**7594.10**		4748.92
Income-tax (Including on exceptional items)	**5088.39**		2953.43	
Remuneration to Directors	**175.88**		127.81	
Net Profit/(Loss) on sale of fixed assets per Section 349 of the Companies Act, 1956 (Estimated)	**11.98**		27.09	
Provision for Doubtful debts	**393.68**		51.00	
		5669.93		3159.33
		13264.03		7908.25
Net (Profit)/Loss on sale of fixed assets per accounts (including capital profit Rs. 1.21 lakhs, Nov 2001 Rs. 15.32 lakhs)	**(11.98)**		(22.56)	
Consideration on termination of Trademark Licenses (net of expenses)	**(3314.01)**		–	
		(3325.99)		(22.56)
Net Profit under Section 198 of the Companies Act, 1956		**9938.04**		7885.69
Commission to two Directors, who are not in whole time employment and who are resident in India, the aggregate not being in excess of 1% of net profits as computed above. The Company has been legally advised that this payment does not require the approval of the Central Government.		***4.00**		4.00
Commission approved by the Board of Directors at		***4.00**		4.00

* This excludes commission to one non-whole time Director, who was also on the Board of Parke-Davis (India) Limited during the year – Rs. 2.00 lakhs

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Schedule 20: Notes to the Accounts

1. Significant Accounting Policies

a) Basis of Accounting

The financial statements are prepared under the historical costs convention on an accrual basis and are in accordance with the requirements of the companies Act, 1956.

b) Fixed Assets and Depreciation

i) All fixed assets are stated at cost of acquisition less accumulated depreciation.

ii) Assets costing upto Rs. 5000 are written off and those costing more than Rs. 5000 but upto US $ 1000 (equivalent to Rs. 0.48 lakhs at the year end rate) are fully depreciated in the year of purchase except that–

"multiple-like items" the cost of which is over US $ 10,000 (equivalent to Rs. 4.83 lakhs at the year end rate) in the aggregate; and

"unlike items of capital nature within an asset category" for large scale projects the aggregate cost of which exceeds US $ 10,000 are considered as one asset and depreciated in accordance with the accounting policy stated in (iii) below.

iii) Depreciation for the year has been provided on straight line method at the higher of the rates determined by the Company or the rates specified in Schedule XIV to the Companies Act, 1956. Depreciation on additions other than those stated in (ii) above is provided for period of six months in the year of purchase. Depreciation on deletions during the year is provided upto the quarter in which the asset is sold / discarded.

iv) Assets identified as retired from active use and held for disposal are stated at the lower of net book value and estimated net realisable value.

c) Foreign Currency Transactions

Transactions in foreign exchange which are covered by forward contracts are accounted for at the contracted rate, the difference between the forward rate and the exchange rate at the date of transaction being recognised in the Profit and Loss Account over the life of the contract. Transactions other than those covered by forward contracts are recorded at pre-determined standard exchange rates, which are reviewed periodically. Gains and Losses arising on account of periodic revisions of such standard exchange rates and also on realisation are accounted for accordingly. Monetary assets and liabilities in foreign currency, which are outstanding as at the year end and not covered by forward contracts are translated at the year end and market exchange rate. Gains and losses arising on account of such revisions are reflected in the Profit and Loss Account.

d) Investments

Long-term investments are stated at cost. A provision for diminution is made to recognise a decline, other than temporary, in the value of long-term investments.

e) Inventories

Stock-in-trade and Packing Material, except imported goods in transit/bond which are valued at cost, are valued at the lower of weighted average cost and net realisable value. Cost of finished goods and work-in-process includes cost of materials, direct labour and an appropriate portion of overheads.

Stores and maintenance spares are valued at average cost. Physicians' samples are valued at standard cost which approximates actual cost.

f) Sundry Debtors/Loans & Advances
These have been stated after making adequate provision for doubtful debts/advances.

g) Excise Duty
Excise Duty payable is accounted based on production of finished goods.

h) Research & Development
Revenue expenditure on research and development is written off in the Profit & Loss Account for the year in which it is incurred. Capital expenditure on research and development is treated in the same way as expenditure on Fixed Assets.

i) Retirement Benefits
The Company's contributions to the employees' Provident Fund and Superannuation Schemes are charged to the Profit & Loss Account each year. Contributions for gratuity made on the basis of actuarial valuation by an independent actuary/amount determined by the Life

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Insurance Corporation of India under the Group Gratuity Scheme, as applicable, are charged to the Profit and Loss Account. The Company also provides for unutilised leave benefits on retirement available to its employees on the basis of an actuarial valuation done as at the year end.

j) Voluntary Retirement Schemes (VRS)

Liability under the VRS is accounted for based on the acceptance of the applications of the employees under the VRS by the Company. Compensation paid under the VRS upto 30th November, 2001 is charged to the Profit and Loss Account over a period of three years and compensation paid under the VRS effective from 1st December, 2001 is charged to the Profit and Loss Account over a period of five years.

k) Revenue Recognition

The Company recognises sale at the point of despatch of goods to customers. Sales are net of trade discounts and exclusive of excise duty and sales tax.

l) Taxation

Provision for income-tax is made on the basis of estimated taxable income for the year.

Deferred tax resulting from timing differences between the book and the tax profits is accounted for under the liability method, at the current rate of tax, to the extent that the timing differences are expected to crystallise.

m) Proposed Dividend

Dividend proposed by the Board of Directors is provided in the books of account pending approval at the Annual General Meeting.

2. Amalgamation of Parke-Davis (India) Limited with the Company

(a) In accordance with the Scheme of Amalgamation (the Scheme) of the erstwhile Parke-Davis (India) Limited (herein after referred to as Parke-Davis) with the Company as approved by the members at a Court-convened meeting held on 21st August, 2002 and subsequently sanctioned by the Honourable High Court of Judicature at Bombay vide its order dated 7th February, 2003, the Undertaking of Parke-Davis being all its assets and properties, both movable and immovable, industrial and other licenses, trademarks, all other interests, rights and powers of every kind, etc., and all its debts, liabilities including contingent liabilities, duties and obligations, has been transferred to and vested in the Company retrospectively with effect from 1st December, 2001. The Scheme has according been given effect to in these accounts.

(b) The operations of Parke-Davis include manufacturing and trading of pharmaceutical products.

(c) The amalgamation has been accounted for under the "pooling of interests" method as prescribed by Accounting Standard (AS - 14) issued by the Institute of Chartered Accountants of India. Accordingly, the assets, liabilities and reserves of Parke-Davis as at 1st December, 2001 have been taken over at their book values, after making necessary adjustments to bring about the uniformity in the accounting policies followed by the two companies as specified in the Scheme. Accordingly, Rs. 1223.51 lakhs (net of tax) has been deducted from the General Reserve taken over by the Company on account of such adjustments.

(d) Pursuant to the Scheme, 53,57,244 Equity Shares of Rs. 10/- each of the Company are to be allotted to the shareholders of Parke-Davis in the ratio of 4 (four) fully paid-up Equity Shares of the Company for every 9 (nine) fully paid-up Equity Shares of Rs. 10/- each in Parke-Davis. Pending allotment, an amount of Rs. 535.73 lakhs has been shown under the Share Capital Suspense Account as at 30th November, 2002 (Schedule 1A).

(e) In terms of the Scheme, the Equity Shares when issued and allotted by the Company shall rank for dividend, voting rights and in all other respects pari-passu with the existing Equity Shares of the Company. Accordingly, the appropriation for the proposed dividend includes dividend on 53,57,244 Equity Shares, which would be allotted to the shareholders of Parke-Davis [referred to in note(d) above].

(f) The income accruing and expenses incurred by Parke-Davis during the period 1st December, 2001 to 30th November, 2002 have also been incorporated in these accounts. During this period, as Parke-Davis carried on the existing business in "trust" on behalf of the Company, all vouchers, documents etc. for the period are in the name of Parke-Davis. The title deeds for leasehold land, building, residential flats, licenses, agreements, loan documents etc., are being transferred in the name of the Company.

(g) In terms of the Scheme, all employees in service of Parke-Davis have become employees of the Company without any break or interruption in service. All rights, duties, powers and obligations of Parke-Davis in relation to Provident Fund, Gratuity Fund, Superannuation Fund etc., have been transferred to the Company.

(h) In view of the aforesaid amalgamation with effect from 1st December, 2001, the figures for the current year are not directly comparable to those of the previous year.

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	Rupees in Lakhs Nov 2002	Rupees in Lakhs Nov 2001
3. Estimated amount of contracts on capital account to be executed and not provided for	**1215.38**	717.76
4. Contingent Liability		
(a) In respect of the guarantees given to banks on behalf of:		
i) Its subsidiary company	**2400.00**	2400.00
ii) Third parties	**200.00**	200.00
(b) In respect of:		
i) Excise Duty	**1153.25**	2461.30
ii) Customs Duty	**162.08**	129.66
iii) Sales Tax	**311.84**	271.10
iv) Service Tax	**193.11**	–
v) Interest for claim under DPEA	**116.35**	–
(c) Demands from Income-tax authorities for the interest on the alleged short deduction of tax at source on perquisites relating to the Assessment Year 1987-88 which have been disputed by the Company and in respect of which the Company has filed an appeal.	**6.53**	6.53
(d) Others – amount not ascertainable, but not likely to be significant.		
5. (a) Sundry Debtors include amounts due from:		
Warner-Lambert India Private Limited	**15.25**	–
(b) Loans and Advances include amounts due from:		
Duchem Laboratories Limited, a company under the same management [Maximum aggregate amount due during the year Rs. 1418.29 lakhs (Nov 2001 - Rs. 1502.17 lakhs)].	**–**	1287.34
No schedule has been agreed for the repayment of principal in respect of loans given to Duchem Laboratories Limited. However, these are repayable on demand.		
Warner-Lambert India Private Limited, a company under the same management [Maximum aggregate amount due during the year Rs. 1500 lakhs (Nov 2001 - Rs. Nil)].	**1000.00**	–
Leema Chemicals & Cosmetics Pvt. Ltd., a company under the same management [Maximum aggregate amount due during the year Rs. 0.16 lakhs (Nov 2001 - Rs. 0.09 lakhs)].	**0.16**	0.09
Directors of the Company Maximum aggregate amount due during the year Rs. 2.39 lakhs (Nov 2001 - Rs. 5.53 lakhs).	**–**	0.98
An officer of the Company Maximum aggregate amount due during the year Rs. 0.04 lakhs (Nov 2001 - Rs. 0.04 lakhs).	**0.04**	0.04
(c) Loans and advances in the nature of loans where there is:		
i) No repayment schedule or repayment beyond seven years (other than Duchem Laboratories Limited)	**–**	–
ii) No interest or interest below section 372A of the Companies Act.	**–**	–
6. (a) Cost of materials consumed and other expenses include cost of samples distributed.	**1055.40**	829.92
(b) "Miscellaneous Expenses' under "Other Expenses" (Schedule 17) include (Increase)/Decrease in stocks of physicians' samples.	**(86.10)**	34.74

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	Rupees in Lakhs Nov 2002	Rupees in Lakhs Nov 2001
7. (a) Auditors' Remuneration (including taxes, where applicable):		
For Audit	**18.90**	15.75
For Taxation Services	**2.25**	3.45
For Company Law matters	**0.08**	–
For Other Services	**10.78**	4.68
Reimbursement of out-of-pocket expenses	**0.26**	0.48
Paid to an Associate Firm:		
For Other Services	**5.25**	0.02
(b) Remuneration to the auditors of the Parke-Davis (including taxes, where applicable):		
For Audit	**9.45**	–
For Other Services	**7.98**	–
Reimbursement of out-of-pocket expenses	**0.74**	–

8. Information required by Paragraphs 3 and 4 of Part II of Schedule VI to the Companies Act, 1956.

a) Production, Sales and Stocks

MANUFACTURING ACTIVITIES

		STOCKS AT COMMENCEMNET		STOCKS TRANSFERRED ON AMALGAMATION (NOTE 1)		PRODUCTION	SALES		STOCKS AT CLOSE	
Class of Goods	Unit of Measure	Quantity	Rupees in Lakhs	Quantity	Rupees in Lakhs	Quantity	Quantity	Rupees in Lakhs	Quantity	Rupees in Lakhs
Bulk Drugs and Drug intermediates										
Oxytetracycline	KGA (000s)	**20.43**	**395.25**			**68.63**	**0.53**	**6.49**	**15.76**	**309.69**
		(9.34)	(183.47)			(90.41)	(1.97)	(27.89)	(20.43)	(395.25)
Others	Tonnes	**6.86**	**33.28**			**38.22**	**26.50**	**211.59**	**18.58**	**125.01**
		(7.36)	(62.63)			(57.30)	(57.75)	(387.55)	(6.86)	(33.28)
Formulations										
Injectables:										
Liquid Parenterals	Litres	**23,513.24**	**116.26**	**1,166.00**	**37.01**	**244,565.35**	**223,572.23**	**1501.90**	**40,604.70**	**225.01**
		(41,261.73)	(191.99)	(–)	(–)	(216,720.13)	(231,382.61)	(1078.28)	(23,513.24)	(116.26)
Powder Parenterals	Kgs.	**185.88**	**206.44**			**639.25**	**791.09**	**1340.78**	**3.73**	**4.45**
		(413.31)	(424.83)			(1,344.39)	(1,543.02)	(2640.36)	(185.88)	(206.44)
Tablets and Capsules	No. in Millions	**110.66**	**870.16**	**128.13**	**487.03**	**1175.49**	**1265.51**	**12507.55**	**120.87**	**853.55**
		(82.02)	(668.29)	(–)	(–)	(362.07)	(325.72)	(5371.35)	(101.66)	(870.16)
Liquids	Litres	**440,560.47**	**815.80**	**768,753.00**	**614.88**	**5,852,249.39**	**6,307,913.01**	**13763.30**	**647,276.41**	**1132.98**
		(398,911.75)	(731.96)	(–)	(–)	(3,592,562.51)	(3,506,241.60)	(9163.32)	(440,560.47)	(815.80)
Solids	Kgs.	**30,548.89**	**116.56**			**135,770.80**	**121,187.43**	**908.33**	**29,617.98**	**112.93**
		(24,330.77)	(123.76)			(150,846.95)	(143,190.65)	(990.79)	(30,548.89)	(116.56)
Ointments	Kgs.	**3,875.39**	**24.70**	**3,493.00**	**15.70**	**24,819.77**	**22,435.55**	**230.39**	**7,876.33**	**43.88**
		(4,516.30)	(26.89)	(–)	(–)	(11,615.80)	(11,313.65)	(104.87)	(3,875.39)	(24.70)
Food Products	Tonnes	**94.25**	**204.72**			**717.82**	**789.74**	**2649.68**	**20.43**	**45.00**
		(96.44)	(196.74)			(735.41)	(735.92)	(2359.15)	(94.25)	(204.72)
Feed Supplements	Tonnes	**53.46**	**113.82**			**411.45**	**415.54**	**2358.29**	**46.19**	**139.23**
		(57.47)	(79.99)			(579.07)	(573.43)	(2251.43)	(53.46)	(113.82)

TRADING ACTIVITIES

Class of Goods	Unit of Measure	STOCKS AT COMMENCEMNET Quantity	STOCKS AT COMMENCEMNET Rupees in Lakhs	STOCKS TRANSFERRED ON AMALGAMATION (NOTE 1) Quantity	STOCKS TRANSFERRED ON AMALGAMATION (NOTE 1) Rupees in Lakhs	PURCHASES Quantity	PURCHASES Rupees in Lakhs	SALES Quantity	SALES Rupees in Lakhs	STOCKS AT CLOSE Quantity	STOCKS AT CLOSE Rupees in Lakhs
Formulations											
Injectables:											
Liquid Parenterals	Litres	17,020.04	342.35			21,613.06	442.35	23,294.23	1563.02	14,968.71	207.36
		(9,987.79)	(279.86)			(31,658.62)	(1381.22)	(24,249.97)	(3288.61)	(17,020.04)	(342.35)
Powder Parenterals	Kgs	–	–			960.23	1025.76	719.37	1407.52	237.42	244.23
		(–)	(–)			(–)	(–)	(–)	(–)	(–)	(–)
Tablets & Capsules	No. in millions	7.23	265.19	51.08	251.69	384.55	3421.89	296.98	5038.71	135.02	1101.64
		(7.64)	(265.68)	(–)	(–)	(39.98)	(1396.17)	(40.14)	(1648.69)	(7.23)	(265.19)
Liquids	Litres	9,349.10	15.37	940,525.00	1239.93	4,408,075.48	5020.87	3,972,763.33	9959.96	1,322,067.51	1515.01
		(25,173.60)	(22.45)	(–)	(–)	(24,010.20)	(84.62)	(39,062.75)	(145.10)	(9,349.10)	(15.37)
Solids	Kgs	197.45	4.64			5,328.70	62.89	3,418.53	82.00	2025.85	29.84
		(181.73)	(3.42)			(4,333.00)	(48.95)	(4,211.42)	(82.77)	(197.45)	(4.64)
Ointments	Kgs	13,008.45	50.04			2,952.21	12.72	8,324.90	108.71	7,213.79	30.60
		(2,388.23)	(9.23)			(21,184.43)	(81.41)	(10,250.36)	(132.84)	(13,008.45)	(50.04)
Feed Supplements	Tonnes	80.80	23.85			227.90	69.78	249.93	110.64	54.57	18.21
		(15.85)	(4.48)			(243.87)	(70.20)	(171.82)	(74.24)	(80.80)	(23.85)
Feed Supplements	Litres	29,210.00	6.72			133,895.00	35.54	134,395.00	50.11	28,200.00	6.55
		(3,745.00)	(0.87)			(83,140.00)	(20.72)	(52,515.00)	(20.30)	(29,210.00)	(6.72)
Miscellaneous	No. in Millions			1.25	77.77	2.82	192.57	3.29	441.22	0.73	43.33
				(–)	(–)	(–)	(–)	(–)	(–)	(–)	(–)
	Kgs			–	–	2590.00	1.36	2590.00	2.55	–	–
				(–)	(–)	(–)	(–)	(–)	(–)	(–)	(–)
Total			3605.15		2724.01		10285.73		54242.74		6188.50
			(3276.54)		(–)		(3083.29)		(29767.54)		(3605.15)

Notes:

1. Stocks as on 1st December, 2001, after adjustments transferred consequent to amalgamation of Parke-Davis.
2. Figures of production are inclusive of production for captive consumption and quantities produced in the factories of third parties on loan licences.
3. Figures for Production, Purchases and Stocks exclude Physicians' Sample packs.
4. Stocks are after adjustments of write-offs.
5. Figures in brackets are in respect of the previous year.

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b) Raw Materials Consumed

Class of Goods	Unit of Measure	Nov 2002 Quantity	Nov 2002 Rupees in Lakhs	Nov 2001 Quantity	Nov 2001 Rupees in Lakhs
Vitamins	Tonnes	230.29	1196.16	4.36	40.17
Codeine Phosphate	Kgs	6891.19	2377.77	6124.98	2075.00
Cefoperazone	Kgs	383.28	298.81	1267.23	860.06
Virginiamycin	Kgs	8520.60	328.31	6557.76	228.12
Salinomycin	KGA	–	–	3721.55	99.05
Coxistac Premix	Tonnes	183.17	255.56	134.00	189.76
Sugar	Tonnes	2724.42	381.84	2174.22	333.90
Propylene Glycol	Tonnes	211.26	131.42	211.82	135.57
Maize Germ Oil	Tonnes	345.03	112.98	492.39	144.24
Phenytoin Sodium IP	Tonnes	5.00	99.81	–	–
Gemfibrozil	Kgs	960.10	61.17	–	–
Phenazopyridine Hcl NF	Tonnes	4.00	56.78	–	–
PCBS Urea	Tonnes	23.94	42.87	40.42	74.15
Others (None of the items individually exceed 10% of the total value of the raw materials consumed)			2539.58		2060.60
Total			7883.06		6240.62

Whereof	Percentage	Nov 2002 Rupees in Lakhs	Percentage	Nov 2001 Rupees in Lakhs
Imported-Delivered Cost	18	1455.56	27	1653.93
Indigenously obtained	82	6427.50	73	4586.69
Total	100	7883.06	100	6240.62

Note: 'Components' and 'Spare Parts' referred to in para 4 D (C) of Part II of Schedule VI to the Companies Act, 1956 are assumed to be those incorporated in goods produced and not those used for maintenance of Plant and Machinery.

c) Licensed and Installed Capacities

Class of Goods	Unit of Measure	Installed Capacity (Three Shift basis) Nov 2002	Nov 2001
Bulk Drugs and Drug Intermediates			
Oxytetracycline /Tetracycline	MT	140	140
Others	MT	724	724
Formulations			
Injectables			
Liquid Parenterals	Litres	360000	360000
Dry Fills	Mn.Vials	158.4	158.4
Tablets & Capsules	Mn. Nos.	5412	5412
Liquids	Litres	3500000	3500000
Solids	Kgs	900000	900000
Ointments	Kgs	232800	232800
Food Products			
Protein Food	MT	1000	1000
Feed Supplements	MT	1577	1577

Notes:

A. In terms of Press Note No. 4 (1994 series) dated October 25, 1994 issued by the Department of Industrial Development, Ministry of Industry, Government of India and Notification No. S.O. 137(E) dated March 1, 1999 issued by the Department of Industrial Policy and Promotion, Ministry of Industry, Government of India, industrial licencing has been abolished in respect of bulk drugs and formulations.

B. The installed capacity is as certified by the Management and not verified by the Auditors, this being a technical matter.

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	Rupee in Lakhs Nov 2002	Rupees in Lakhs Nov 2001
d) Value of imports calculated on CIF basis		
Raw Materials	1433.30	1131.80
Spare Parts for Maintenance of machinery and Laboratory Chemicals	2.65	0.56
Capital Goods	142.66	109.04
Finished Goods	1818.62	1570.09
Packing Materials	–	38.68
e) Expenditure in Foreign Currency		
Travel	97.49	106.14
Royalty	77.55	203.07
Interest	3.97	3.39
Professional Charges [including amount capitalised Rs. 7.57 lakhs, (Nov 2001 – Rs. Nil)]	100.97	1.24
Others (Exchange Loss, etc.)	28.98	31.98
f) Remittance made on account of dividends in foreign currency		
Number of shareholders	3	1
Number of shares held	1,41,97,618	93,76,100
[includes 48,21,518 shares of Parke-Davis held by 2 (two) shareholders]		
Net amount of dividends remitted in foreign currency		
Dividend in respect of the year ended 30th Nov. 2001	370.36	–
Dividend in respect of Parke-Davis for the eight months ended 30th Nov 2001	163.93	–
Dividend in respect of the year ended 30th Nov. 2000	–	375.04
Total	534.29	375.04
g) Earnings in foreign exchange		
Total Exports (On FOB) basis		
Earnings in Indian Rupees	363.23	202.13
Earnings in Foreign Exchange	575.53	508.40
Total	938.76	710.53
Service Income	1656.69	1259.99
Consideration on termination of Trademarks Licenses	3380.01	–
Expenses Recovered	203.60	–
Others	6.82	3.53

9(a) Exceptional Items:

i) Consideration on termination of Trademark Licenses (net of expenses) [refer Note 9(b) below]	3314.01	–
Total Exceptional Income	3314.01	–
ii) Estimated loss on assets held for disposal (consequent to amalgamation) [refer Note 17(c) below]	(450.19)	–
iii) Compensation paid to employees under VRS and for termination of contractual arrangements (consequent to amalgamation) [refer Note 25 (b) below]	(1345.75)	–
Total Exceptional Expenditure	(1795.94)	–
Net	1518.07	–
Taxation of the above – Debit on Current tax	(201.37)	–
– Credit on Deferred tax	165.44	–
Tax Debit (Net)	(35.93)	–
Exceptional Items (net of tax)	1482.14	–

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b) Pursuant to the international acquisition of the Trademarks PROTINEX and DUMEX by EAC Nutrition Limited A/S, Denmark (EAC) from its proprietors Pfizer Products Inc, the Company has received Rs. 3380.01 lakhs (equivalent to US $ 7 million) from EAC for termination of the Trademark License Agreement relating to the said Trademarks. Rs. 3314.01 lakhs net of expenses has been disclosed under “Exceptional Items” and Rs. 695.94 lakhs being income-tax thereon has been included under “Exceptional Items” (refer Note 9(a) above)

10. Managerial remuneration under Section 198 of the Companies Act, 1956 amounted to Rs. 175.88 lakhs (Nov 2001 – Rs. 127.81 lakhs) [includes Rs. 9.77 lakhs which is subject to the approval of the forthcoming Annual General Meeting (Nov 2001 – Rs. 33.21 lakhs subject to the Central Government’s approval)]

	Rupees in Lakhs Nov 2002	Rupees in Lakhs Nov 2001
Salaries, Bonus & Commission	112.64	89.20
Contribution to PF and Other Funds	22.59	14.18
Perquisites	33.50	20.07
Sitting Fees	1.15	0.36
Commission to Non-Whole time Directors	6.00	4.00
Total	175.88	127.81

Note: The above excludes remuneration paid to Directors of Parke-Davis who were not on the Board of the Company during the year – Rs. 28.18 lakhs (including, Directors sitting fees Rs. 0.95 lakhs and commission to non-whole time Directors Rs. 4.40 lakhs).

11. Drugs Prices Equalisation Account (DPEA)

a) Oxytetracycline & Other Formulations

In respect of certain price fixation Orders of 1981 of the Government of India, the Supreme Court vide its Order of 22nd March, 1993, held that, pending disposal of the Company’s Writ Petition in the High Court of Mumbai, the Company may deposit 50% of the impugned amount of Rs. 87.61 lakhs, less Rs. 19.90 lakhs already deposited, with the Union of India before 15th May, 1993, which has been done. In the event that the Company succeeds before the High Court of Mumbai, this amount will be returned within one month from the date of the decision of the High Court with interest at the rate of 15% per annum. However, if the Company loses the Writ Petition, the balance amount of Rs. 43.80 lakhs with interest at the rate of 15% per annum will have to be paid to the Government.

b) Multivitamin Formulations

In respect of a certain price fixation Order of 1986 of the Government of India, the Supreme Court vide its Order dated 3rd December, 1992, held that, pending disposal of the Company's Writ Petition in the High Court of Mumbai, the Company may deposit 50% of the impugned amount of Rs. 98.00 lakhs with the Union of India before 31st January, 1993, which has been done.In the event that the Company succeeds before the High Court of Mumbai, this amount will be returned within one month from the date of the decision of the High Court with interest at the rate of 15% per annum. However, if the Company loses the Writ Petition, the balance amount of Rs. 49.00 lakhs with interest at the rate of 15% per annum will have to be paid to the Government.

c) Protinex*

In yet another case, the Company had challenged in 1986 a price fixation Order of the Government of India by a Writ Petition before the High Court of Mumbai. The Honourable Court passed an ad interim and interim order staying the impugned order. The Petition, while it was still pending for hearing and final disposal, was withdrawn in 1989 on redressal of the Company's grievances. After protracted correspondence on the subject, in 1993 the Government raised a demand of Rs. 81.83 lakhs on the Company for the period April 1986 to July 1989 and directed the Company to deposit the same into the DPEA. Thereafter, the Drug Prices Liability Review (DPLR) Committee sent a letter dated 15th February, 1996 seeking the Company's submission/representation against the reduced claim amount of Rs. 33.87 lakhs for the period April 1986 to August 1987 as intimated to the DPLR Committee by the Government of India. The Company has made its submissions to the DPLR Committee vide its letter of 29th March, 1996 claiming that no amount whatsoever is due and payable having regard to the facts and relevant material of the case.

In the meantime, the Department of Chemicals and Petrochemicals vide their letter dated 11th February, 1997, raised an additional demand of Rs. 178.56 lakhs for the earlier period of February 1984 to March 1986 over and above the revised claim of Rs. 33.87 lakhs for the period April 1986 to August 1987. Thus, the total demand raised now stands revised to Rs. 212.43 lakhs. The DPLR Committee had, vide its letter dated 24th February 1997 invited the Company to make its submissions/ representations against the above said claim. The Company has made its submissions to the DPLR Committee vide its letter dated 14th May, 1997 claiming that no amount whatsoever is due and payable having regard to the facts and relevant material of the case.

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Pursuant to the submissions made by the Company, the DPLR Committee directed by an Order on November 17, 1998 that clarifications should be obtained from the Mumbai High Court on whether the Interim Stay granted in the Civil Writ Petition Number 2368 of 1996 is applicable to this matter. (This Writ Petition is filed by OPPI and IDMA jointly against any Notice issued by the Government of India after August 25, 1987 to any member of the OPPI or IDMA, initiating proceedings for recovery of an amount demanded in respect of a period prior to that date).

On a Notice of Motion filed by the Company in the said Writ Petition, the Mumbai High Court has granted ad interim Order that "pending the hearing and final disposal of this Notice of Motion, further proceedings in the said Case No 49/1996 pending before the said Drug Prices Liability Review Committee be stayed."

The Company would continue to seek legal recourse in the matter.

In view of matters (a) and (b) being subjudice, the legal opinion being in favour of the Company, and based on the assessment of the Management, no further provision is considered necessary over and above the sum of Rs. 48.21 lakhs that has already been made in the accounts in earlier years.

* Regd. Trademark

Drugs Prices Equalisation Account (DPEA) – (Parke-Davis)

d) Vitamin and Other Formulations

The Government has arbitrarily determined the liability of the Company at Rs. 1466 lakhs being the difference in price in respect of Vitamin and other formulations sold by the Company during the years 1983 to 1989. The Company has repudiated the liability on this account. The Company's Solicitors have advised that the repudiation by the Company is legally sustainable. The Government has pursued the matter. The Company maintains its position that the claim by the Government is not legally sustainable.

e) Chloramphenicol

The Government has arbitrarily determined the liability of the Company at Rs. 145 lakhs and Rs. 14 lakhs being the difference between the price of bulk drug Chloramphenicol powder and Chloramphenicol Palmitate respectively allowed in the formulation price and actual procurement price for the period 1979 to 1988. The Company has repudiated the liability on this account as advised by the Company's Solicitors. The Company has also obtained a Stay order from the Honourable High Court of Mumbai against the demand.

In view of matters (d) and (e) being subjudice, the legal opinion being in favour of the Company, and based on the assessment of the Management, no provision is considered necessary.

12. The Company has opted for the Group Gratuity-cum-Life Assurance Scheme of the Life Insurance Corporation of India (LIC). The Company's contribution to this scheme is charged to the Profit and Loss Account for the year. LIC has confirmed that the contributions taken together with the funds available with LIC in the corpus, cover adequately the actuarially valued gratuity liability of the Company. LIC would however seek replenishment of funds, should the funds get depleted due to abnormal withdrawals in any year.

13. Expenditure on Research & Development during the year

	Rupees in Lakhs Nov 2002	Rupees in Lakhs Nov 2001
Capital expenditure	95.04	66.05
Revenue expenditure charged to the Profit and Loss Account	1763.26	1255.20
	1858.30	1321.25

14. Earnings per Share

Earnings per share has been computed as under:

a) Profit after Taxation and Exceptional Items (Rs. Lakhs)	7594.10	4748.92
b) Number of Equity Shares outstanding	23440296	23440296
c) Number of Shares in Share Capital Suspense Account	5357243	–
d) Total (b) + (c)	28797539	23440296
e) Earnings per share (Face value Rs. 10/- per share) (a) / (d) (Basic and Diluted)	Rs. 26.37	Rs. 20.26

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15. During the year, compensation paid under Voluntary Retirement Schemes has been amortised over a period of five years, which hitherto was amortised over a period of three years. As a result of this change, the charge for the year ended 30th November, 2002 is lower by Rs. 864.20 lakhs and the Profit after taxation and exceptional items for the year and the reserves and surplus are higher by Rs. 546.61 lakhs.

16. Disclosure for operating leases under Accounting Standard 19 – "Leases"

a) The Company's significant leasing arrangements are in respect of residential / godowns / office premises (including furniture and fittings, therein as applicable) taken on leave and license basis. The aggregate lease rentals payable are charged as Rent and shown under "Other Expenses" (Schedule 17).

These leasing arrangements, which are cancellable, range between 11 months and 5 years generally, or longer, and are usually renewable by mutual consent on mutually agreeable terms. Under these arrangements, generally refundable interest free deposits have been given. In respect of one of the leasing arrangements, Rs. 685 lakhs has been paid as deposit, out of which Rs. 415 lakhs has been guaranteed by a bank and the balance amount is expected to be guaranteed in due course. Further, in the case of this leasing arrangement, the Company has the option to purchase within the lease period, the licensed premises at a price to be decided as per the Valuation Report of independent valuers appointed by the Company subject to a minimum of Rs. 1100 lakhs and a maximum of Rs. 1150 lakhs. On exercising the above option the amount of deposit given will be adjusted against the purchase consideration decided and the balance would be payable with interest @ 12% p.a. from the date of agreement. Upon exercising the above option the Company would also be entitled to a reduction in the purchase price at the rate of Rs. 6 lakhs per annum from the date of agreement till the date of payment of balance amount with interest or the date of completion of the lease period whichever is earlier.

In respect of one of the leasing arrangements a non refundable deposit of Rs. 60 lakhs has been given during the year and in another case Rs. 30 lakhs has been reimbursed to the lessor towards repairs and renovation carried out at the licensed premises.

b) Sub-lease income recognised in the Profit and Loss Account for the year – Rs. 474.38 lakhs.

17. a) In an earlier year, the Company ceased its manufacturing operations at its Ankeshwar Plant and re-evaluated the useful life of the fixed assets. Additional depreciation amounting to Rs. 614.74 lakhs was charged to the Profit and Loss Accounts in earlier years.

b) Fixed Assets (Schedule 3) include fixed assets lying at the Ankleshwar Plant as on 30th November, 2002 at their respective book values which are as follows:

	Rupees in lakhs Orriginal Cost		Rupees in Lakhs Accumulated Depreciation		Rupees in Lakhs Written Down Value	
	Nov 2002	Nov 2001	**Nov 2002**	Nov 2001	**Nov 2002**	Nov 2001
Freehold Land	**20.28**	20.28	**–**	–	**20.28**	20.28
Leasehold Land	**63.25**	63.25	**63.25**	63.25	**–**	–
Freehold Building	**165.82**	165.82	**136.48**	136.48	**29.34**	29.34
Leasehold Building	**506.66**	506.66	**426.33**	426.33	**80.33**	80.33
Machinery & Equipment	**898.88**	898.88	**820.49**	820.49	**78.39**	78.39
Office Equipment, Furniture & Fixtures	**37.85**	37.85	**33.68**	33.68	**4.17**	4.17
Total	**1692.74**	1692.74	**1480.23**	1480.23	**212.51**	212.51

In the opinion of the Company the realisable value of the above assets is at least equal to the values at which these are stated.

c) During the year, as a part of its restructuring initiatives, the Company has suspended its manufacturing operations at Hyderabad plant of Parke-Davis effective 24th April 2002 and also given termination notice in respect of office premises of Parke-Davis at Mumbai effective 1st October, 2002. In view of this, the Company has identified those assets that have retired from active use and are held for disposal. These assets have been stated under Fixed Assets (Schedule 3) at the lower of net book value and estimated net realisable value. Consequent to this, an estimated loss of Rs. 450.19 lakhs has been charged and shown under "Exceptional Items" (refer Note 9(a) above). Fixed Assets (Schedule 3) include these assets as on 30th November, 2002 at their respective revised book values which are as follows:

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	Rupees in lakhs Orriginal Cost	Rupees in Lakhs Accumulated Depreciation	Rupees in Lakhs Written Down Value
	Nov 2002	**Nov 2002**	**Nov 2002**
Machinery & Equipment	**1072.58**	**950.92**	**121.66**
Office Equipment, Furniture & Fixtures	**572.09**	**556.75**	**15.34**
Total	**1644.67**	**1507.67**	**137.00**

In the opinion of the Company the realisable value of the above assets is at least equal to the values at which these are stated.

d) Until the previous year, all assets costing between Rs. 5000 and approximately Rs. 48,000 (equivalent to US $ 1000) each were fully depreciated in the year of purchase. With effect from the current year, the Company has changed the accounting policy of providing depreciation on "multiple-like items" and "unlike items of a capital nature within an asset category" (refer Note 1(b) (ii) for the revised policy). As a result of this change, the depreciation charge for the year is lower by Rs. 53.25 lakhs and the fixed assets (net block) are higher by an equivalent amount.

As a consequence of this change in the accounting policy, the Profit after tax but before exceptional items for the year and the reserves and surplus are higher by Rs. 33.68 lakhs.

e) The Company has decided to depreciate furniture & fixtures in the leasehold premises over the remaining lease period. Consequential additional depreciation amounting to Rs. 24.68 lakhs has been charged to the Profit and Loss Account.

18. During the year, the Company has discontinued the trading activity relating to its vaccines business. In view of this, the Company has fully provided for the value of finished goods stocks of vaccines of Rs. 156.20 lakhs and outstanding debtors of that division of Rs. 156.75 lakhs.

19. Pursuant to the General Clarification – 3/2002 issued by the Acounting Standards Board of the Institute of Chartered Accountants of India on Accounting Standard – 9 "Revenue Recognition", the Net Sales in the Profit and Loss Account have been disclosed exclusive of excise duty and sales tax, which hitherto were included in the sales. However, this has no impact on the profit for the year.

20. Stock of Physicians' samples pertaining to the Company's service activities is included under 'Loans and Advances' (Schedule 8) Rs. 29.61 lakhs (Nov 2001 – Rs. 44.11 lakhs).

21. a) The Provision for taxation has been computed on the basis of the profits for the year ended 30th November, 2002 although the ultimate tax liability for the assessment year 2003-2004 will be determined on the basis of the profits for the year ending 31st March, 2003.

b) Income tax payable shown under schedule 18 "Taxation" includes Rs. 74.00 lakhs (Nov 2001 – Rs. 38.18 lakhs) on account of interest demanded by the tax authorities on completion of earlier years' assessments/appeals decided during the year and is net of write back of exces tax provision for earlier years amounting to Rs. 49.67 lakhs (Nov 2001 – Rs. Nil).

c) Interest Income on Income Tax refunds shown under Schedule 12 "Interest Income" includes Rs. Nil (Nov 2001 – Rs. 135.05 lakhs) being interest on income tax refunds pertaining to the previous year.

22. Interest expense represents interest payable on loans other than fixed period. It includes interest payable to its wholly owned subsidiary company – Duchem Laboratories Limited – Rs. 0.97 lakhs (Nov 2001 – Rs. Nil).

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23. The names of the Small Scale Industrial Undertakings to whom the Company owes a sum which is outstanding for more than 30 days:

Nov 2002	**Nov 2001**
Amijal Chemicals	Amijal Chemicals
Anushree Polypack	Anushree Polypack
Aerochem Silvassa	Award Offset Printers & Packaging Pvt. Ltd.
Award Packaging	Award Packaging
Bharat Industries	Bharat Industries
Chandra & Co.	Bharat Rubber Works
Corropack Industries	Corropack Industries
Creative Cartons	Coastal Packaging Pvt. Ltd.
Crown Paper Products	Everest Industrial Corporation
Heniel Pack	Heniel Pack
Kavari Lime Industries	Mipack Plastics Pvt. Ltd.
Keshava Organics Pvt. Ltd.	Metakaps Engineering Co.
Lactose India Ltd.	Paper Kraft Industries
Lubri Chem Industries	Suraj Paper Box Works
Matrix laboratores	Ushma Industries
Nahar's Agro Products	Vel Pack
Nirmal Chemicals	Vial Seal
Omni Protech Drugs Pvt. Ltd.	Vishwanath Packaging Pvt. Ltd
PD Fine Chem	Omni Protech Drugs
Savita Chemicals Ltd	Zodiac Containers Pvt. Ltd.
Shree Samarth Agro	Blown Enterprises
Sunil Chemicals	Bajaj Healthcare
Suraj Paper Box Works	Crown Paper Products
Transchem Ltd.	Canberra Chemicals
UCE Project	Creative Cartons
Veer-Chemie & Aromatic	Cosmo Carrying Pvt. Ltd.
Shri Dutt Enterprises	Fine Print Pvt. Ltd.
Tilrode Chemical Pvt. Ltd.	Indica Chemicals Industries
Uday Packaging	Medibios Lab. Ltd.
Bharat Rubber Works	Propack Industries
Daya Industries	Preema Packing
Kaisha Mfg. Pvt. Ltd.	Sai Vignesh Packaging
Motani Industries	
Paperpack Industries	
Press & Pack Industries	
Preema Packaging	
Pharmapack Pvt. Ltd.	
Perfect Packings	
South India Printers	

The above information and that given in Schedule 9 –Current Liabilities regarding small scale industrial undertakings has been determined to the extent such parties have been identified on the basis of information available with the Company. This has been relied upon by the auditors.

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24. Disclosures as required by the Accounting Standard-18 on "Related party Disclosures" are given below:

I. Names of Related Parties and description of Relationships

A. Parties where control exists:

• Holding Company	:	Pfizer Corporation, Panama [Holding 33% of the aggregate of Equity Share Capital and Share Capital Suspense Account as at the year end]
• Subsidiary Company	:	Duchem Laboratories Limited (100% Shares are held by the Company as at the year end)
• Ultimate Holding Company	:	Pfizer Inc., New York
• Fellow Subsidiaries	:	Warner-Lambert India Private Limited, India Pfizer Overseas Inc., Exports Division, Brussels Pfizer Export Company, Ireland Pfizer Overseas Inc., New York Pfizer International Inc., New York Pfizer Products Inc. Pfizer Overseas Inc. Export Division, Hongkong Pfizer Limited, U.K. Pfizer Labs Ltd., South Africa Pfizer Service Company S.A. (Belgium) Pfizer Italiana SpA Pfizer Egypt, SAE Pfizer Inc. Philippines Warner-Lambert Company, USA Warner-Lambert Pharmaceuticals, South Africa Parke-Davis & Company, USA
B. Key Management Personnel	:	Mr. Hocine Sidi Said Mr. Kewal Handa Dr. B.M. Gagrat Mr. A.K. Nehru Mr. S. Madhok Dr. S. Mukherjee Dr. Chitra Lele Dr. C.N. Potkar Mr. H. Walder Mr. S. Ramkrishna Mr. Arun Gupta Mr. J.S. Bandopadhyay
C. Relative of Key Management Personnel	:	Mrs. Nipuna Banerjee: Wife of Mr. Bandopadhyay

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II. Transactions during the year and Balances outstanding as at the year end with the Related Parties are as follows:

Related Parties where control exists:

Rs. in Lakhs

	Nature of Transactions	Ultimate Holding Company	Holding Company	Subsidiary Company	Fellow Subsidiaries
1.	Sale of finished goods (net of returns)	–	–	–	157.28
2.	Sale of bulk materials	–	–	–	211.59
3.	Service Income	1649.18	–	–	63.16
4.	Interest income on Loans given	–	–	79.39	75.91
5.	Recovery of expenses	–	–	–	207.14
6.	Purchase of finished goods	–	41.41	1.52	1760.70
7.	Purchase of raw/bulk materials	–	–	–	292.00
8.	Royalty expense	30.80	–	–	46.76
9.	Service charges paid	–	–	–	1.94
10.	Interest expense on Loans taken	–	–	0.97	–
11.	Expenses reimbursed	–	–	–	16.26
12.	Dividend in respect of the year / period ended 30th November, 2001	–	468.81	–	192.86
13.	Loans given	–	–	2531.99	3000.00
14.	Loans taken	–	–	329.11	–
15.	Outstanding as at the year end – Due from	706.68	–	–	1116.57
16.	Outstanding as at the year end – Due to	8.31	11.76	6.53	861.53
17.	Guarantees given to Banks on behalf of Subsidiary Company, outstanding as at the year end	–	–	2400.00	–

Key Management Personnel & their Relatives:

Rs. in Lakhs

	Nature of Transactions	Key Management Personnel	Relative of Key Management Personnel
1.	Remuneration	362.49	–
2.	Rent paid for residential flats	27.48	1.10
3.	Interest income on Loans given	0.03	–
4.	Sale of Fixed Assets	0.57	–
5.	Deposits paid	39.75	–
6.	Amounts paid on behalf and recovered	8.46	–
7.	Deposits outstanding as at the year end	137.07	–
8.	Loans outstanding as at the year end	0.25	–

III. Others

- Services are rendered to the subsidiary company by providing resources like manpower, assets, etc. for which no amount is recovered from the subsidiary company.
- Under the terms of the agreement between Pfizer Inc. (Ultimate Holding Company) and the Company for conducting clinical trials and studies in India, Pfizer Inc., has agreed to indemnify, defend and hold the Company and its directors, employees and agents harmless against any and all liability, loss or damage they may suffer as a result of any claims, demands, costs, penalties, fines or judgments incurred or imposed against it arising out of any clinical trial and study of otherwise pursuant to the agreement.
- Amount written off or written back in respect of debts due from or to related parties is Rs. Nil.

Schedules

25. Integration Expenses

a) "Other Expenses" (Schedule 17) includes the following expenses incurred by the Company on amalgamation of Parke-Davis with the Company.

	Rupees in Lakhs Nov 2002	Rupees in Lakhs Nov 2001
Personnel Costs	**45.62**	–
Rates and Taxes	**131.26**	–
Legal and Professional charges	**236.55**	160.54
Commission	**45.00**	–
Others	**397.80**	66.32
Total	**856.23**	226.86

b) The Company has incurred an expenditure of Rs. 6481.46 lakhs being compensation paid to employees under VRS, which as per the accounting policy of the Company is being amortised over a period of 5 years. Accordingly, Rs. 1296.29 lakhs has been amortised during the year and included under "Exceptional Items" [refer Note 9(a) above].

26. Segment Information for the year ended 30th November, 2002

Business Segments

(see Note 1 below) Rs. in Lakhs

	Pharma-ceuticals	Animal Health	Services	Total
Segment Revenue				
External sales and services to customers	51189.81	5762.93	1655.60	58608.34
Total Segment Revenue	51189.81	5762.93	1655.60	58608.34
Segment Results	12243.41	595.82	169.36	13008.59
Unallocated corporate (expenses) / Income (Net)				(2196.40)
Operating profit				10812.19
Interest expenses and Bank charges				(257.12)
Interest income				609.35
Income Tax				(5088.39)
Exceptional Items (Net of expenses)	1879.99	(1.20)	–	1518.07
Net Profit / (loss)				7594.10
Other Information				
Segment Assets	29031.97	4407.37	954.33	34393.67
Unallocated corporate assets				16627.48
Total Assets				51021.15
Segment Liabilities	9281.82	1096.70	256.29	10634.81
Unallocated corporate Liabilities				9583.39
Total Liabilities				20218.20
Capital Expenditure	1383.77	77.11	69.23	
Depreciation/Amortisation	494.30	114.21	94.51	
Amortisation of Voluntary retirement costs	111.65	–	–	
Other Non-cash Expenses-Estimated				
Loss on assets held for Disposal	284.39	–	–	

Geographic Segments

(see Note 2 below)

	India	Other Countries	Total
Segment Revenue-External sales to customers	56012.89	2595.45	58608.34
Carrying amount of segment assets	33443.13	950.54	34393.67
Capital Expenditure	1530.11	–	1530.11

Schedules

Notes:

1. **Business Segments:** The business operations of the Company comprise Pharmaceuticals, Animal Health and Services. The business segments have been identified and reported taking into account, the nature of products and services, the differing risks and returns and the internal financial reporting systems.

   The Pharmaceuticals business comprises of manufacturing and trading of bulk drugs and formulations and also includes rendering of marketing services.

   The Animal Health business has a presence primarily in the large animal health and poultry market segments, and also includes rendering of marketing services.

   Services – Clinical Development Operations primarily include conducting clinical trials and undertaking comprehensive data management for new drug development.

2. **Geographical Segments:** For the purpose of geographical segments the consolidated sales are divided into two segments – India and other countries.

3. The accounting policies of the segments are the same as those described in the summary of significant accounting policies as referred to in Note 1 in the Notes to the Accounts – Schedule 20.

27. Cash Flow Statement

	Rupees in Lakhs	Rupees in Lakhs
	Nov 2002	Nov 2001
A. Cash flow from Operating Activities:		
Net profit before taxation and exceptional items	**11164.42**	7702.35
Adjustments for		
Depreciation	**1063.96**	716.97
Unrealised Foreign Exchange Loss/(Gain)	**0.61**	(2.46)
Investment Income	**(609.35)**	(659.97)
(Profit)/Loss on fixed assets sold/discarded	**(11.98)**	(22.56)
Deferred Revenue Expenditure – Commercial Rights	**–**	450.00
Deferred Revenue Expenditure – Voluntary Retirement Costs	**111.65**	–
Interest Expenses	**127.28**	26.00
Provision no longer required written back	**(359.88)**	–
Operating profit before working capital changes	**11486.71**	8210.33
Adjustments for		
Trade and other receivables	**(6317.05)**	(2243.73)
Inventories	**141.22**	136.09
Trade and other payables	**2158.45**	(443.57)
Provisions (Excluding Proposed Dividend, Tax on distributed profits, Income Tax Provision)	**386.67**	293.17
Cash generated from operations	**7856.00**	5952.29
Direct taxes paid (Net)	**(4853.79)**	(3095.37)
Net cash from operating activities before exceptional items	**3002.21**	2856.92
Exceptional Items		
Compensation for employees under Voluntary Retirement Scheme and for termination of contractual arrangements	**(6009.76)**	–
Net cash from operating activities after exceptional items (A)	**(3007.55)**	2856.92
B. Cash flow from Investing Activities:		
Purchase of fixed assets	**(1868.86)**	(1265.42)
Purchase of Investments	**(12718.25)**	(10520.00)
Sale of Investments	**15937.75**	8301.00
Sale of fixed assets	**109.91**	71.96
Consideration on Termination of Trademark Licenses – exceptional item (Net of expenses)	**3314.01**	–
Interest Received	**676.38**	647.05
Net cash from/(used) in investing activities (B)	**5450.94**	(2765.41)

Cash Flow Statement contd...

	Rupees in Lakhs Nov 2002	Rupees in Lakhs Nov 2001
C. Cash flow from Financing Activities:		
Proceeds/(Repayment) from/ of borrowings (Net)	**(1.92)**	–
Dividend paid (Including Tax on distributed profits Rs. Nil, Nov 2001 – Rs. 191.27 lakhs)	**(1623.27)**	(1127.93)
Interest paid	**(135.93)**	(31.91)
Net cash used in financing activities (C)	**(1761.12)**	(1159.84)
Net Increase/ (Decrease) in cash & cash equivalents (A)+(B)+(C)	**682.27**	(1068.33)
Opening Cash and Cash Equivalents (Note 1)	**2031.33**	3099.66
Cash & Cash equivalents as at 1st December, 2001 taken over on amalgamation (refer Note 2 below)	**3114.19**	–
Closing Cash and Cash Equivalents (Note 1)	**5827.79**	2031.33
	682.27	(1068.33)

Notes:

1. Cash and Cash Equivalents include :

Cash on Hand	**17.31**	16.97
With Scheduled Banks		
On Current Accounts (including accounts with overdraft facility)	**1569.01**	1008.58
On Margin Money Accounts	**3.48**	3.48
On Time Deposit Accounts	**800.00**	1000.00
Cheques on hand	**70.70**	14.17
Remittance in Transit	**3380.01**	–
Unrealised translation gain on foreign currency cash & cash equivalents	**(12.72)**	(11.87)
	5827.79	2031.33

2. The amalgamation of Parke-Davis with the Company is a non-cash transaction Consequent to the amalgamation, Cash and Cash Equivalents as at 1st December, 2001 are taken over. The details are as under:

Cash on Hand	**1.24**	–
With scheduled banks		
On Current Accounts	**106.95**	–
On Time Deposit Accounts	**3006.00**	–
	3114.19	–

3. Interest income on delayed payments from customers and rental income have been shown under 'Cash Flow from Operating Activities' as according to the Company these form an integral part of the Operating activities.

Signatures to Schedules 1 to 20 which form an integral part of Accounts

28. The figures of the previous year have been regrouped wherever necessary

R.A. SHAH — Chairman

HOCINE SIDI SAID — Managing Director

P. SHAH
K. HANDA
B.M. GAGRAT (Dr.) — Directors

Mumbai, February 26, 2003

A. ANJENEYAN — Secretary

Information required as per Part IV of Schedule VI to the Companies Act, 1956.
Balance Sheet Abstract and Company's General Business Profile

Registration Details	
Registration No.	8311
State Code	11
Balance Sheet Date	30-11-2002
Capital raised during the year* (Amount in Rs. Thousands)	
Public Issue	NIL
Rights Issue	NIL
Bonus Issue	NIL
Private Placement	NIL
Sources of Funds (Amount in Rs. Thousands)	
Total Liabilities	5086408
Total Assets	5086408
Sources of Funds	
Paid-up Capital*	234421
Reserves and Surplus	2792301
Secured Loans	NIL
Unsecured Loans	NIL
Application of Funds	
Net Fixed Assets	569622
Investments	52831
Net Current Assets and Deffered Tax Asset (Net)	1935916
Deferred Revenue Expenditure	521926

* In terms of the Scheme of Amaqlgamation of Parke-Davis (India) Limited with the Company, 53,57,244 Equity Shares of Rs. 10 each of Pfizer Limited will be issued as fully paid-up to the shareholders of Parke-Davis (India) Limited whose names appear on their Register of Members on the Record Date viz. 14th March, 2003, fixed for this purpose.

Performance of Company (Amount in Rs. Thousands)	
Turnover (Net of Sales Tax & Excise Duty) (incl. Other Income Rs. 164110 thousands)	6024944
Total Expenditure	4908502
Profit Before Tax & Exceptional Items	1116442
Profit After Tax But Before Exceptional Items	611196
Profit After Tax & Exceptional Items	759410
Earnings per Equity Share in Rs.	26.37
Dividend Rate % (includes Special Dividend @25%)	75
Generic Names of Three Principal Products/Services of Company (as per monetary terms)	
Item Code No. (ITC Code)	30044005
Product Description	Syrup based on codeine phosphate
Item Code No. (ITC Code)	30042002
Product Description	Tetracycline of derivates in capsules, injections, ointments, etc.
Item Code No. (ITC Code)	30049011
Product Description	Other anti-inflammatory (non-steroid) formulations

	R.A. SHAH	Chairman
	HOCINE SIDI SAID	Managing Director
	P. SHAH K. HANDA B.M. GAGRAT (Dr.)	Directors
Mumbai, February 26, 2003	A. ANJENEYAN	Secretary

Accounts of the Subsidiary Company Duchem Laboratories Limited

Directors' Report

To the Members

The Directors have pleasure in presenting the 44th Annual Report and the audited accounts of the Company for the year ended 30th November 2002.

Financial Results

Rupees in Lakhs

	Year ended 30th November 2002	Year ended 30th November 2001
The Profit for the year amounted to	16	183
Less: Tax Provisions	(18)	(75)
Profit / (Loss) After Tax	(2)	108
After adjusting thereto the balance of Profit from prior years	154	46
The Profit and Loss account shows a balance Profit which has been carried forward to the next year	152	154

REVIEW OF OPERATIONS

The Net Sales of the Company for the year under review is Rs. 7593 Lakhs as compared to Rs. 11729 Lakhs for the previous year. The operations for the period reflect a Loss of Rs. 2 Lakhs (previous year the Company had a profit of Rs. 108 Lakhs). The reduction in turnover is consequent to change in product portfolio of the Company.

DIRECTORS:

In accordance with the Articles of Association of the Company Mr. Kewal Handa & Mr. Harold Walder, Directors will retire by rotation at the forthcoming Annual General Meeting and being eligible offer themselves for re-appointment.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO:

Since the operations of the Company is restricted to trading, the requirement of Section 217 (1) (e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the report of the Board of Directors) Rules, 1998 in respect of Conservation of Energy & Technology Absorption are not applicable.

The Foreign Exchange earnings during the year were Rs. 45 Lakhs as against Nil outflow.

RESPONSIBILITY STATEMENT:

Pursuant to section 217 (2AA) of the Companies Act, your Directors confirm the following:

1. In the preparation of the Annual Accounts, the applicable accounting standards had been followed.
2. Your Directors have selected such accounting policies and applied them consistently and made estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for the period.
3. Your Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the Assets of the company and for preventing and detecting fraud and other irregularities.
4. Your Directors have prepared the attached Statement of Accounts for the year ended November 30, 2002 on a going concern basis.

AUDITORS:

M/s. A.F. Ferguson & Co., the Company"s Auditors will retire at the conclusion of the forthcoming Annual General Meeting. The holding Company M/s. Pfizer Ltd proposes to change the statutory auditors to M/s. Bharat S Raut & Co., (an affiliate of KPMG).
M/s A.F. Ferguson have given their consent for this change.

It is therefore proposed to appoint M/s. Bharat S Raut & Co., as the Company Auditors for the year 2002-2003. They have given their consent to act as Auditors of the Company for the Current year, if appointed.

On behalf of the Board of Directors

Kewal Handa
Chairman

Mumbai, 25th February, 2003

Auditors' Report

Report of the Auditors to the Members of Duchem Laboratories Limited.

We have audited the attached Balance Sheet of Duchem Laboratories Limited, as at 30th November, 2002 together with the Profit and Loss Account of the Company for the year ended on that date annexed thereto and the Cash Flow Statement for the period ended on that date. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. These Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amount and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

We report as follows:

1. As required by the Manufacturing and Other Companies (Auditor's report) Order, 1988 issued by the Central Government in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we annex hereto a statement on the matters specified in paragraphs 4 and 5 of the said Order on the basis of the information and explanations received by us.

2. Further to our comments in the Annexure referred to in paragraph 1 above:

   a) we have obtained all the information and explanations which to the best of our knowledge and belief, were necessary for the purposes of the audit;

   b) in our opinion, proper books of account as required by law have been kept by the Company, so far as appears from our examination of the books;

   c) the Balance Sheet and Profit and Loss account dealt with by this report are in agreement with the books of account;

   d) in our opinion, the Balance Sheet and Profit and Loss Account comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;

   e) On the basis of the written representations received from the directors as on 30th November, 2002, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 30th November, 2002 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.

   f) in our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

      i) in the case of the Balance Sheet, of the state of affairs of the Company as at 30th November, 2002;

      ii) in the case of the Profit and Loss Account, of the loss of the Company for the year ended on that date; and

      iii) in the case of Cash Flow Statement, of the cash flows for the year ended on that date.

For A.F. FERGUSON & CO.
Chartered Accountants

M.S. DHARMADHIKARI
(Partner)

Mumbai, February 25, 2003

Annexure to the Auditors' Report

(Referred to in Paragraph 1 of the Report of even date of the Auditors to the Members of Duchem Laboratories Limited on the accounts for the year ended 30th November, 2002).

1. The Company did not have any fixed assets at any time during the year. Hence, the question of maintaining proper records including quantitative details and situation of fixed assets and their physical verification does not arise.

2. For the reason given in paragraph 1 above, the question of revaluation of fixed assets does not arise.

3. The stocks of finished goods have been physically verified at reasonable intervals by the Company during the year.

4. In our opinion the procedures of physical verification of stocks followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.

5. The discrepancies noted by the management on such physical verification as compared to book records, were not material and the same have been properly dealt with in the books of account.

6. On the basis of our examination of the stocks, the valuation of the stocks is fair and proper, in accordance with the normally accepted accounting principles and is on the same basis as in the preceding year.

7. The Company has taken loans only from its holding company during the year and the rate of interest and other terms and conditions of the loans are not prima facie prejudicial to the interest of the Company.

8. The Company has granted loans only to its holding company during the year and the rate of interest and other terms and conditions of the loans are not prima facie prejudicial to the interest of the Company.

9. The Company has given advances to suppliers in the normal course of business which are recovered/adjusted as scheduled/

rescheduled, against amounts due to them for supplies made. No other loans or advances in the nature of loans have been given by the Company. Therefore, the question of repayment of the principal amount and the payment of interest does not arise.

10. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business for the purchases of goods and for the sale of goods. There were no purchases of stores, raw materials including components, plant and machinery, equipment or other assets during the year.
11. As explained to us, there are no purchases of goods and materials from or sale of goods, materials and services to the companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956.
12. We have been informed that the Company did not have any manufacturing activity during the year and hence the question of determination of unserviceable or damaged stores, raw materials or finished goods does not arise.
13. The Company has not accepted any deposits from the public upto 30th November, 2002 to which the provisions of Section 58A of the Companies Act, 1956 and the rules made thereunder would apply.
14. As stated in paragraph 12 above, we have been informed that the Company did not have any manufacturing activity during the year, and hence the question of maintenance of records for the sale and disposal of realisable by-products and scrap does not arise.
15. In our opinion the Company has an internal audit system commensurate with its size and nature of its business.
16. As explained to us, the Central Government has not prescribed the maintenance of cost records under Section 209(1)(d) of the Companies Act, 1956 by the Company.
17. As explained to us, the Company did not have any employees at any time during the year. Hence, the question of depositing Provident Fund dues and Employees' State Insurance dues with the appropriate authorities does not arise.
18. As explained to us, there are no undisputed amounts payable in respect of income tax, wealth tax, sales tax, customs duty and excise duty which were outstanding as at 30th November, 2002, for a period of more than six months from the date they became payable.
19. Based on our examination of the books of account of the Company in accordance with the generally accepted auditing principles and the information and explanations given to us, no personal expenses have been charged to the revenue account.
20. As explained to us, the provisions of item (XX) of clause (A) of paragraph 4 of the aforesaid order (relating to Sick Industrial Companies) are not applicable since this Company is not an industrial Company.
21. As explained to us, in respect of the trading activities of the Company, damaged goods have been determined and adequate provision has been made for the loss arising on the items determined.

For A.F. FERGUSON & CO.
Chartered Accountants

M.S. DHARMADHIKARI
(Partner)

Mumbai, February 25, 2003

Balance Sheet as at 30th November, 2002

	Schedule Ref.			Rupees in Lakhs As at 30th Nov 2002			Rupees in Lakhs As at 30th Nov 2001
Sources of Funds							
Shareholders' Funds							
Share Capital	1		324.00			324.00	
Reserves and Surplus	2		151.95			154.19	
				475.95			478.19
Loan Funds							
Secured Loans	3			–			106.89
Unsecured Loans	4			–			1270.83
Total				475.95			1855.91
Application of Funds							
Current Assets, Loans and Advances							
Inventories	5	652.86			1811.59		
Sundry Debtors	6	318.15			978.97		
Cash and Bank Balances	7	124.86			151.44		
Loans and Advances	8	135.14			180.37		
			1231.01			3122.37	
Current Liabilities and Provisions							
Current Liabilities	9	(760.68)			(1253.89)		
Provisions	10	(34.81)			(69.58)		
			(795.49)			(1323.47)	
Net Current Assets				435.52			1798.90
Deferred Tax Asset	11			40.43			57.01
Total				475.95			1855.91
Notes to the Accounts	17						

Per our Report attached

For A.F. FERGUSON & CO.
Chartered Accountants

M.S. DHARMADHIKARI
(Partner)

Mumbai, February 25, 2003

KEWAL HANDA — Chairman

B.M. GAGRAT (Dr.)
HAROLD WALDER — Directors

M.G. SUBRAMANIAM — Secretary

Mumbai, February 25, 2003

Profit and Loss Account for the year ended 30th November, 2002

	Schedule Ref.		Rupees in Lakhs Year Ended 30th Nov 2002		Rupees in Lakhs Year Ended 30th Nov 2001
Income					
Gross Sales		8178.12		12605.25	
Less: Sales Tax		585.20		875.86	
Net Sales			7592.92		11729.39
Interest Income	12		10.24		21.87
Miscellaneous Income	13		63.04		2.79
Increase/(Decrease) in Stocks of Finished Goods	14		(1158.73)		302.65
			6507.47		12056.70
Expenditure					
Purchases		5993.56		11181.48	
Sales tax		14.79		17.09	
Interest Expense (Other than on Fixed Period Loans)		82.64		179.60	
Commission Expenses		113.91		138.04	
Other Expenses	15	286.81		357.39	
			6491.71		11873.60
Profit before Taxation			15.76		183.10
Taxation	16		18.00		74.64
Profit/(Loss) after Taxation			(2.24)		108.46
Balance of Profit From Prior Years			153.96		45.50
Balance Carried to Balance Sheet			151.72		153.96
Earnings per Share (Basic/Diluted) (See Note 12 of schedule 17)			(0.69)		33.48
Nominal value of share			100.00		100.00
Notes to the Accounts	17				

Per our Report attached to the Balance Sheet	KEWAL HANDA	Chairman
For A.F. FERGUSON & CO. Chartered Accountants	B.M. GAGRAT (Dr.) HAROLD WALDER	Directors
M.S. DHARMADHIKARI (Partner)	M.G. SUBRAMANIAM	Secretary
Mumbai, February 25, 2003	Mumbai, February 25, 2003	

Schedules

	Rupees in Lakhs Nov 2002	Rupees in Lakhs Nov 2001

Schedule 1: Share Capital

	Nov 2002	Nov 2001
Authorised		
4,76,000 Equity Shares of Rs. 100 each	**476.00**	476.00
24,000 Nine per cent non-cumulative Redeemable Preference shares of Rs. 100 each	**24.00**	24.00
Total	**500.00**	500.00
Issued, Subscribed & Paid up		
3,24,000 Equity Shares of Rs. 100 each fully paid up	**324.00**	324.00
Total	**324.00**	324.00

[All the above shares are held by the Holding Company – Pfizer Limited and its nominees]

Schedule 2: Reserves and Surplus

	Nov 2002	Nov 2001
General Reserve		
Per last Balance Sheet	**0.23**	0.23
Profit and Loss Account		
Balance as per account	**151.72**	153.96
Total	**151.95**	154.19

Schedule 3: Secured Loans

	Nov 2002	Nov 2001
Bank overdraft – secured by hypothecation of all the moveable assets such as stock-in-trade wherever situated both present and future and of all the book debts, other receivables and bills both present and future and guaranteed by the Holding Company, Pfizer Limited.	**–**	106.89
Total	**–**	106.89

Schedule 4: Unsecured Loans (Short Term)

	Nov 2002	Nov 2001
Loans from Holding company – Pfizer Limited.	**–**	1270.05
Current Account with a Scheduled Bank – overdrawn balance per books	**–**	0.78
Total	**–**	1270.83

Schedule 5: Inventories

	Nov 2002	Nov 2001
Stock-in-Trade		
Finished Goods	**652.86**	1811.59
Total	**652.86**	1811.59

Schedules

			Rupees in Lakhs	Rupees in Lakhs
			Nov 2002	Nov 2001

Schedule 6: Sundry Debtors

(Unsecured – considered good except where otherwise stated)				
(Considered doubtful Rs. 110.00 lakhs, Nov 2001: Rs. 150.00 lakhs)				
Debts outstanding for a period exceeding six months			**203.91**	179.62
Other Debts			**224.24**	949.35
			428.15	1128.97
Provision for doubtful debts			**(110.00)**	(150.00)
Total			**318.15**	978.97

Schedule 7: Cash and Bank Balances

With Scheduled Banks				
On Current Account			**124.64**	133.20
Cheques on hand			**0.22**	18.24
Total			**124.86**	151.44

Schedule 8: Loans and Advances

(Unsecured – considered good except where otherwise stated)				
Advances recoverable in cash or in kind or for value to be received				
Considered Good	**95.01**	126.38		
Considered Doubtful	**–**	9.68		
	95.01	136.06		
Provision for doubtful advances	**–**	(9.68)		
			95.01	126.38
Due from the Holding Company – Pfizer Limited			**6.53**	–
(Maximum balance outstanding during the year				
Rs. 129 lakhs, Nov 2001 – Rs. Nil)				
Income Tax Payments (Net)			**33.60**	53.99
Total			**135.14**	180.37

Schedule 9: Current Liabilities

Sundry Creditors				
Due to Small Scale Industrial Undertakings			**678.91**	1085.63
Others			**81.77**	145.89
Due to the Holding Company – Pfizer Limited			**–**	17.29
Interest accrued but not due on loans			**–**	5.08
Total			**760.68**	1253.89

Schedule 10: Provisions

Taxation (Net)			**34.81**	69.58
Total			**34.81**	69.58

Schedule 11: Deferred Tax Asset

Arising on account of timing differences in:				
Provision for doubtful debts/Advances			**40.43**	57.01
Total			**40.43**	57.01

Schedules

	Rupees in Lakhs Nov 2002	Rupees in Lakhs Nov 2001

Schedule 12: Interest Income

	Nov 2002	Nov 2001
Interest (Gross):		
On deposit with banks & delayed payments	**1.56**	7.88
On Income Tax refunds	**7.71**	13.99
On loans to the Holding Company – Pfizer Limited	**0.97**	–
(Tax deductible at source – Rs. 0.20 lakhs, Nov 2001 – Rs. Nil)		
Total	**10.24**	21.87

Schedule 13: Miscellaneous Income

	Nov 2002	Nov 2001
Old Credit balances written back	**13.35**	–
Provision for Doubtful Debts / Advances written back (Net)	**49.68**	–
Transit Claims	**0.01**	0.38
Others	**–**	2.41
Total	**63.04**	2.79

Schedule 14: Increase/(Decrease) in Stocks of Finished goods

	Nov 2002	Nov 2001
Stocks at commencement	**1811.59**	1508.94
Stocks at Close	**652.86**	1811.59
Increase/(Decrease)	**(1158.73)**	302.65

Schedule 15: Other Expenses

	Nov 2002	Nov 2001
Insurance	**8.28**	11.16
Rates and Taxes	**4.89**	0.41
Rent	**14.22**	9.60
Freight, Forwarding and Transport	**111.15**	190.73
Bad Debts	**77.64**	44.23
Provision for Doubtful Debts/Advances (Net)	**–**	8.00
Bank Charges	**38.49**	55.52
Accounting and Professional Fees	**12.31**	11.44
Postage, Telephone and Fax	**5.84**	7.92
Miscellaneous Expenses	**13.99**	18.38
Total	**286.81**	357.39

Schedule 16: Taxation

	Nov 2002	Nov 2001
Provision for Taxation		
Income-tax payable	**1.42**	73.25
Tax effect on timing difference		
re: amounts charged in these accounts		
On provision for Doubtful/Advances	**16.58**	1.39
Total	**18.00**	74.64

Schedules

Schedule 17: Notes to the Accounts

1. Significant Accounting Policies

Basis of Accounting

The financial statements are prepared under historical cost convention on an accrual basis and are in accordance with the requirements of the Companies Act, 1956.

Inventories

Inventories are valued at lower of cost and net realisable value. Cost is arrived at using the First-in-First-out method and includes other related expenses.

Sundry Debtors/Loans & Advances

These have been stated after making adequate provision for doubtful debts/advances

Revenue Recognition

The Company recognises sale at the point of despatch of goods to the customers. Sales are net of trade discounts and exclusive of sales tax where applicable.

Taxation

Provision for income-tax is made on the basis of estimated taxable income for the year.

Deferred tax resulting from timing differences between the book and the tax profits is accounted for under the liability method, at the current rate of tax, to the extent that the timing differences are expected to crystallise.

2. Contingent Liability

In respect of the guarantee given to the bank on behalf of a third party Rs. 17.82 lakhs (Nov 2001 – Rs. 17.82 lakhs).

Others – Rs. 5.25 lakhs (Nov 2001 – Rs. 5.25 lakhs)

3. Information required by Paragraphs 3 and 4 of Part II of Schedule VI to the Companies Act,1956.

a) Purchases, Sales and Stocks

TRADING ACTIVITIES

		STOCKS AT COMMENCEMENT		PURCHASES		SALES		STOCKS AT CLOSE	
Class of goods	Unit of Measure	Quantity	Rupees in Lakhs	Quantity	Rupees in Lakhs	Quantity	Rupees in Lakhs	Quantity	Rupees in Lakhs
Tablets and Capsules	No. in Millions	**127.12**	**1536.60**	**517.04**	**5413.85**	**606.35**	**6923.87**	**34.03**	**553.25**
		(100.32)	(1299.34)	(1,035.43)	(10093.55)	(1,004.66)	(10694.97)	(127.12)	(1536.60)
Liquids	Litres	**68,246.46**	**78.09**	**271,113.60**	**306.20**	**319,827.42**	**390.04**	**–**	**–**
		(59,099.64)	(68.90)	(642,044.46)	(728.95)	(612,465.12)	(749.38)	(68,246.46)	(78.09)
Injectables:									
Powder Parenterals	Kgs.	**291.91**	**164.57**	**922.63**	**169.58**	**914.46**	**215.88**	**191.97**	**35.91**
		(341.52)	(66.13)	(1,013.97)	(328.68)	(1,043.39)	(207.08)	(291.91)	(164.57)
Solids	Kgs.	**3,159.00**	**32.33**	**9,778.00**	**103.93**	**5,809.35**	**63.13**	**5,905.50**	**63.70**
		(7,256.00)	(74.57)	(2,956.00)	(30.30)	(7,048.75)	(77.98)	(3,159.00)	(32.33)
Ointments	Kgs.	**–**	**–**	**–**	**–**	**(0.18)**	**(0.00)**	**–**	**–**
		–	–	–	–	(-2.94)	(-0.02)	–	–
Total			**1811.59**		**5993.56**		**7592.92**		**652.86**
			(1508.94)		(11181.48)		(11729.39)		(1811.59)

Notes:

1. Stocks are after adjustment of write-offs.
2. Figures in brackets are in respect of the previous year.

Schedules

	Rupees in Lakhs Nov 2002	Rupees in Lakhs Nov 2001
b) Earnings in foreign exchange		
Total Exports (on FOB basis) (Earnings in Indian Rupees)	**45.05**	111.19

4. Auditors' Remuneration
(including taxes, where applicable)

For Audit	**5.25**	5.25
Reimbursement of out-of-pocket expenses	**0.26**	0.09
For Other Services	**–**	0.30

5. Interest expenses include Rs. 79.39 lakhs payable on loans from the Holding Company, Pfizer Limited (Nov. 2001 – Rs. 169.61 lakhs).

6. In view of the taxable loss as per the computation of income for the year ended 30th November, 2002, provision for Minimum Alternate Tax under section 115JB of the Income Tax Act, 1961 has been made in the current year at Rs. 1.42 lakhs. However, the ultimate tax liability for the assessment year 2003-2004 will be determined on the basis of the profits for the year ending 31st March, 2003.

7. The names of the small scale industrial undertakings to whom the Company owes a sum which is outstanding for more than 30 days:

Nov 2002	**Nov 2001**
Omni-Protech Drugs Ltd.	Omni-Protech Drugs Ltd.
Emil Pharmaceutical Inds. (P.) Ltd.	Emil Pharmaceuticals Inds. (P.) Ltd.
Medibos Laboratories Pvt. Ltd.	Medibos Laboratories Pvt. Ltd.
Astral Pharmaceuticals	Astral Pharmaceuticals

The above information and that given in Schedule 9 –"Current Liabilities" regarding small scale industrial undertakings has been determined to the extent such parties have been identified on the basis of information available with the Company. This has been relied upon by the auditors.

8. Pursuant to the General Clarification – 3/2002 issued by the Accounting Standards Board of the Institute of Chartered Accountants of India on Accounting Standard – 9 "Revenue Recognition", the Net Sales in the Profit and Loss Account have been disclosed exclusive of sales tax, which heitherto was included in the sales. However, this has no impact on the loss for the year.

Schedules

9. Segment Information for the year ended November 30, 2002

Business Segment
(See Note 1 below)

Rupees in Lakhs

	Pharmaceuticals	Animal Health	Total
Segment Revenue			
External sales to customers	7301.24	291.68	7592.92
Total Segment Revenue	7301.24	291.68	7592.92
Segment Results	155.43	(34.78)	120.65
Unallocated corporate (expenses) /Income			(32.49)
Operating profit			88.16
Interest expenses			(82.64)
Interest income			10.24
Income Tax			(18.00)
Net Profit / (Loss)			(2.24)
Other Information			
Segment Assets	877.01	180.34	1057.35
Unallocated corporate assets			214.09
Total Assets			1271.44
Segment Liabilities	633.15	117.18	750.33
Unallocated corporate Liabilities			45.16
Total Liabilities			795.49

Geographical Segment

(see Note 2 below)

	India	Other Countries	Total
Segment Revenue – External sales to customers	7547.87	45.05	7592.92
Carrying amount of segment assets	1057.04	0.31	1057.35

Notes:

1. **Business Segments:** The business operations of the Company comprise Pharmaceuticals and Animal Health. The business segregation forms the basis for review of operational performance by the management.

   The Pharmaceuticals business comprises a portfolio of prescription medicines which are provided to patients through healthcare professionals.

   The **Animal Heath** business has a presence primarily in the large animal health and poultry market segments.
2. **Geographical Segments:** For the purpose of geographical segments the consolidated sales are divided into two segments – India and other countries.
3. The accounting policies of the segments are the same as those described in the summary of significant accounting policies as referred to in Note 1 Schedule 17 to the accounts.

Schedules

10. Disclosures as required by the Accounting Standard – 18 on "Related Party Disclosures" are given below:

a) Names of Related Parties and description of Relationships.

Parties where control exists:

(i) Holding Company:	Pfizer Limited (Holding 100% equity capital of the Company as at the year end)
(ii) Ultimate Holding Company:	Pfizer Inc., New York

b) Transactions during the year and Balances Outstanding as at the year end with the Related Parties are as follows:

Nature of Transaction with the Holding Company	Rupees in Lakhs
(i) Sale of finished goods	1.52
(ii) Interest Income on Loans given	0.97
(iii) Interest Expense on Loans taken	79.39
(iv) Loans given	329.11
(v) Loans taken	2531.99
(vi) Outstanding as at the year end –	
• Due from	6.53
• Due to	–
(vii) Guarantee given by Holding Company to banks on behalf of the Company and outstanding as at the year end	2400.00

c) Other Information:

(i) Services rendered by the Holding Company by providing resources like manpower, assets etc. for which no amount is recovered by the Holding Company.

(ii) Amount written off or written back in respect of debts due from or to related parties is Rs. Nil.

11. Cash Flow Statement

Particulars		Rupees in Lakhs Nov 2002	Rupees in Lakhs Nov 2001
A. Cash flow from Operating Activities:			
Net profit before tax and extraordinary items		**15.76**	183.10
Adjustments for			
Investment Income		**(8.68)**	(13.99)
Interest Expenses		**82.64**	179.60
Old credit balances written back		**(13.35)**	–
Operating profit before working capital changes		**76.37**	348.71
Adjustments for			
Trade and other receivables		**686.63**	(177.30)
Inventories		**1158.73**	(302.65)
Trade and other payables		**(457.49)**	491.76
Cash generated from operations		**1464.24**	360.52
Direct taxes paid (Net)		**(15.80)**	(21.61)
Net cash from operating activities	(A)	**1448.44**	338.91
B. Cash flow from Investing Activities:			
Interest Received		**7.71**	13.99
Net cash from/(used) in investing activities	(B)	**7.71**	13.99
C. Cash flow from Financing Activities:			
Proceeds/(Repayment) from/of borrowings (Net)		**(1270.05)**	420.15
Interest paid		**(105.01)**	(166.43)
Net cash used in financing activities	(C)	**(1375.06)**	253.72

Schedules

Cash Flow Statement continued…

	Rupees in Lakhs Nov 2002	Rupees in Lakhs Nov 2001
Net Increase/ (Decrease) in cash & cash equivalents (A)+(B)+(C)	81.09	606.62
Opening Cash and cash equivalents (Note 1)	43.77	(562.85)
Closing Cash and cash equivalents (Note 1)	124.86	43.77
	81.09	606.62

Notes:

1. Cash and Cash Equivalents include :

	Rupees in Lakhs Nov 2002	Rupees in Lakhs Nov 2001
With Scheduled Banks		
On Current Account	124.64	133.20
On Current Account (overdrawn balance per books)	–	(0.78)
Cheques on hand	0.22	18.24
Bank Overdraft	–	(106.89)
	124.86	43.77

2 Interest income on delayed payments from customers is shown under 'Cash Flow from Operating Activities' as according to the Company this forms an integral part of the Operating Activities.

12. Basic / diluted earnings per share has been calculated by dividing the net loss after taxation for the year as per the accounts, which is attributable to equity share holders, by 324,000 being the weighted average number of equity shares outstanding during the year.

13. 'Increase/(Decrease) in stocks of Finished Goods' includes write-off of date expired stocks of Rs. 89.64 lakhs (Nov 2001 – Rs. Nil) in respect of product lines which were discontinued during the year.

14. Pursuant to the amalgamation of erstwhile Parke-Davis (India) Limited with the Holding Company – Pfizer Limited, the company has incurred cost of Rs. 15.36 lakhs (Nov 2001 – Rs. Nil) for restructuring the distribution network of its clearing and forwarding agents, which is included in 'Commission Expenses'.

15. The figures of the previous year have been regrouped wherever necessary.

Signatures to Schedules 1 to 17, which form an integral part of Accounts

KEWAL HANDA — Chairman

B.M. GAGRAT (Dr.)
HAROLD WALDER — Directors

M.G. SUBRAMANIAM — Secretary

Mumbai, February 25, 2003

Schedules

Information required as per Part IV of Schedule VI to the Companies Act, 1956.

Balance Sheet Abstract and Company's General Business Profile

Registration Details	
Registration No.	11117
State Code	11
Balance Sheet Date	30-11-2002
Capital raised during the year (Amount in Rs. Thousands)	
Public Issue	NIL
Rights Issue	NIL
Bonus Issue	NIL
Private Placement – Equity Shares issued to the Holding Company	NIL
Redemption of Preference Shares	NIL
Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousands)	
Total Liabilities	127144
Total Assets	127144
Sources of Funds	
Paid-up Capital	32400
Reserves and Surplus	15195
Secured Loans	NIL
Unsecured Loans	NIL
Application of Funds	
Investments	NIL
Net Current Assets	43552
Misc. Expenditure	NIL
Accumulated Losses	NIL
Deferred Tax Asset	4043
Performance of Company (Amount in Rs. Thousands)	
Turnover (Net of Sales Tax) (incl. Other Income Rs. 7328 thousands)	766620
Total Expenditure	765044
Profit/(Loss) Before Tax	1576
Profit/(Loss) After Tax	(224)
Earnings per Equity Share in Rs.	(0.69)
Dividend Rate %	NIL
Generic Names of Three Principal Products/Services of Company (as per monetary terms)	
Item Code No. (ITC Code)	30045005
Product Description	B group vitamins (B-Complex) with Vitamin C
Item Code No. (ITC Code)	30042012
Product Description	Doxycycline Tablets
Item Code No. (ITC Code)	30042019
Product Description	Other Antibiotics

KEWAL HANDA	Chairman
B.M. GAGRAT (Dr.) HAROLD WALDER	Directors
M.G. SUBRAMANIAM	Secretary

Mumbai, February 25, 2003

Auditors' Report

Auditors' Report to the Board of Directors of Pfizer Limited

We have examined the attached Consolidated Balance Sheet of Pfizer Limited and its subsidiary as at 30th November, 2002, the Consolidated Profit and Loss Account and the Consolidated Cash Flow Statement for the year then ended.

These financial statements are the responsibility of the management of Pfizer Limited. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with generally accepted auditing standards in India. These Standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are prepared, in all material respects, in accordance with an identified financial reporting framework and are free of material misstatements. An audit includes, examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements. We believe that our audit provides a reasonable basis for our opinion.

The financial statements of Pfizer Limited incorporate the accounts, after making such adjustments as considered necessary, of the erstwhile Parke-Davis (India) Limited for the year ended 30th November, 2002, which have been audited by their auditors, on which we relied upon and whose report has been considered by us.

We report that the consolidated financial statements have been prepared by the Company in accordance with the requirements of Accounting Standard (AS) 21, Consolidated Financial Statements, issued by the Institute of Chartered Accountants of India and on the basis of the separate audited financial statements of Pfizer Limited and its subsidiary included in the consolidated financial statements.

On the basis of the information and explanation given to us and on the consideration of the separate audit reports on individual audited financial statements of Pfizer Limited and its aforesaid subsidiary, we are of the opinion that:

a) the Consolidated Balance Sheet gives a true and fair view of the consolidated state of affairs of Pfizer Limited and its subsidiary as at 30th November, 2002,

b) the Consolidated Profit and Loss Account gives a true and fair view of the consolidated results of operations of Pfizer Limited and its subsidiary for the year then ended, and

c) the Consolidated Cash Flow Statement gives a true and fair view of the consolidated cash flows of Pfizer Limited and its subsidiary for the year then ended

in conformity with the accounting principles generally accepted in India.

For A.F. FERGUSON & CO.
Chartered Accountants

M.S. DHARMADHIKARI
(Partner)

Mumbai, February 27, 2003

Consolidated Balance Sheet as at 30th November, 2002

Rupees in Lakhs

	Schedule Ref.			As at 30th Nov 2002
Sources of Funds				
Shareholders' Funds				
Share Capital	1	2344.21		
Share Capital Suspense Account	1A	535.73		
			2879.94	
Reserves and Surplus	2		28074.96	
				30954.90
Total				30954.90
Application of Funds				
Fixed Assets				
Gross Block	3		13686.61	
Depreciation			(8527.38)	
Net Block			5159.23	
Capital Work-in-Progress at cost, including advances			536.99	
				5696.22
Investments	4			204.31
Current Assets, Loans and Advances				
Interest accrued on Investments		6.97		
Inventories	5	9490.13		
Sundry debtors	6	12674.43		
Cash and bank balances	7	6965.37		
Loans and advances	8	10717.89		
			39854.79	
Current Liabilities and Provisions				
Current Liabilities	9	(11866.60)		
Provisions	10	(8983.49)		
			(20850.09)	
Net Current Assets				19004.70
Deferred Tax Asset (Net)	11			830.41
Miscellaneous Expenditure (to the extent not written off)				
Deferred Revenue Expenditure				
Voluntary Retirement Schemes				5219.26
Total				30954.90
Notes to the Accounts	19			

Per our Report attached	R.A. SHAH	Chairman
For A.F. FERGUSON & CO. Chartered Accountants	HOCINE SIDI SAID	Managing Director
M.S. DHARMADHIKARI (Partner)	P. SHAH K. HANDA B.M. GAGRAT (Dr.)	Directors
Mumbai, February 27, 2003	A. ANJENEYAN Mumbai, February 27, 2003	Secretary

Consolidated Profit and Loss Account for the year ended 30th November, 2002

Rupees in Lakhs

	Schedule Ref.			Year Ended 30th Nov 2002
Income				
Gross Sales		73303.42		
Less: Excise Duty		5718.90		
Less: Sales Tax		5750.38		
Net Sales			61834.14	
Services			4365.60	
Interest Income	12		564.15	
Miscellaneous Income	13		1020.19	
				67784.08
Increase/(Decrease) in stocks of Finished Goods, Work-in-Process and Own Manufactured Bulk Drugs	14			(1442.66)
				66341.42
Expenditure				
Cost of Materials Consumed	15		27685.93	
Personnel Costs	16		8784.20	
Excise Duty			(32.36)	
Sales Tax			144.82	
Interest Expense			129.56	
Other Expenses	17		17290.16	
Depreciation			1063.96	
Royalty			94.97	
				55161.24
Profit before taxation and exceptional items				11180.18
Taxation	18			5070.46
Profit after taxation but before exceptional items				6109.72
Exceptional Items (Net of tax) – See Note 6(a) in the Notes to the Accounts – Schedule 19				1482.14
Profit after taxation and exceptional items				7591.86
Balance brought forward after adjustments	2			14761.80
Total available for appropriation				22353.66
Proposed Dividend (Nov 2002 – Subject to deduction of tax at source, where applicable)				
– Regular			1439.88	
– Special			719.94	
Tax on distributed profits for the previous year reversed			(168.72)	
Transfer to General Reserve			800.00	
				2791.10
Balance carried to balance sheet				19562.56
Earnings per share (Basic/Diluted) (See Note 10 in the Notes to the Accounts – Schedule 19)				26.36
Nominal value of share				10.00
Notes to the Accounts	19			

Per our Report attached to the Balance Sheet	R.A. SHAH	Chairman
For A.F. FERGUSON & CO. Chartered Accountants	HOCINE SIDI SAID	Managing Director
M.S. DHARMADHIKARI (Partner)	P. SHAH K. HANDA B.M. GAGRAT (Dr.)	Directors
Mumbai, February 27, 2003	A. ANJENEYAN Mumbai, February 27, 2003	Secretary

Schedules to the Consolidated Accounts

Rupees in Lakhs

		Nov 2002
Schedule 1: Share Capital		
Authorised		
2,34,42,936 Equity Shares of Rs. 10 each	2344.29	
1,65,57,064 Unclassified Shares of Rs. 10 each	1655.71	
		4000.00
Issued		
2,34,42,936 Equity Shares of Rs. 10 each		2344.29
Subscribed		
2,34,40,296 Equity Shares of Rs. 10 each fully paid-up		2344.03
Of the above 93,76,100 Equity Shares of Rs. 10 each fully paid-up are held by the Holding Company – Pfizer Corporation, Panama		
Add: Forfeited shares		
Amount paid-up on 2,640 Equity Shares forfeited		0.18
Total		2344.21

Schedule 1A: Share Capital suspense account

In terms of the Scheme of Amalgamation of Parke-Davis (India) Limited with the Company, 53,57,244 Equity Shares of Rs. 10 each of Pfizer Limited will be issued as fully paid-up to the shareholders of Parke-Davis (India) Limited whose names appear on their Register of Members on the Record Date viz. 14th March, 2003, fixed for this purpose. (Refer Note 3 in the Notes to the accounts – Schedule 19)	535.73
Of the above 21,42,897 Equity Shares of Rs. 10/- each in aggregate will be issued and allotted to fellow subsidiaries i.e., Warner Lambert Company, U.S.A. and Parke-Davis & Company, U.S.A.	
Total	535.73

Schedule 2: Reserves and Surplus

General Reserve		
Per last Balance Sheet	1750.38	
Add: Adjustment on account of Amalgamation of Parke-Davis (India) Limited*	5962.02	
Add: Transfer from Profit and Loss Account	800.00	
		8512.40
Profit and Loss Account		
Per last Balance Sheet	13048.48	
Add: Transfer from Parke-Davis (India) Limited*	1713.32	
	14761.80	
Less: Transfer to Profit and Loss Account for the year	14761.80	—
Balance as per Profit & Loss Account		19562.56
Total		28074.96

* Refer Note 3 in the Notes to the Accounts – Schedule 19.

Schedule 3: Fixed assets

Rupees in Lakhs

	Cost					Depreciation/Amortisation						Written down value
	As at 30th Nov 2001	Transfer +	Additions during the year	Deductions	**As at 30th Nov 2002**	As at 30th Nov 2001	Transfer ++	For the year	Estimated Loss on Assets held for disposal	Deductions	**As at 30th Nov 2002**	**As at 30th Nov 2002**
Land:												
Freehold	23.88	8.09	–	–	**31.97**	–	–	–	–	–	**–**	**31.97**
Leasehold	95.82	–	–	–	**95.82**	75.46	–	0.33	–	–	**75.79**	**20.03**
Buildings:												
On freehold land @	362.53	140.54	0.56	–	**503.63**	209.34	102.74	8.41	–	–	**320.49**	**183.14**
On leasehold land **	914.95	–	172.27	–	**1087.22**	597.43	–	10.29	–	–	**607.72**	**479.50**
Leasehold Improvements	886.92	–	130.87	–	**1017.79**	356.89	–	99.53	–	–	**456.42**	**561.37**
Machinery & Equipment	4607.13	1323.06	720.91	121.49	**6529.61**	2888.06	700.02	332.98	265.50	100.14	**4086.42**	**2443.19**
Office Equipment, Furniture & Fixtures	2029.03	1389.41	433.92	219.12	**3633.24**	1198.42	989.69	447.17	184.69	181.80	**2638.17**	**995.07**
Vehicles	447.57	191.72	289.46	156.93	**771.82**	209.01	70.27	165.25	–	117.67	**326.86**	**444.96**
Trademarks	15.51	–	–	–	**15.51**	15.51	–	–	–	–	**15.51**	**–**
Total	**9383.34**	3052.82	**1747.99**	**497.54**	**13686.61**	**5550.12**	1862.72	**1063.96**	450.19	**399.61**	**8527.38**	**5159.23**
Construction work-in-progress (at cost)												**333.90**
Advances on capital accounts												**203.09**
Total												**536.99**
Grand total												**5696.22**

@ Buildings include investment in share application money of Rs. 500 in a co-operative housing society, representing ownership of two residential flats. The agreement for sale is submitted for registration.

** Buildings include investment in 250 shares of Rs. 500 each in a co-operative housing society, representing ownership of two residential flats.

Note: Depreciation other than on low cost assets is provided on a straight line basis at the following rates per annum:

Land:	
Leasehold	Amortised over the lease period
Buildings	3.34%
Leasehold Improvements	8% to 10% or Amortised over the lease period
Machinery & Equipment	8% to 40%
Office Equipment, Furniture & Fixtures	8% to 33.33%
Vehicles	25%
Trademarks	Amortised over a period of 3 years

+ Assets as at 1st December, 2001, after adjustments, taken over consequent to amalgamation of Parke-Davis (India) Limited. (Refer Note 3 in the Notes to the Accounts – Schedule 19)

++ Accumulated Depreciation as at 1st December, 2001, after adjustments, taken over consequent to amalgamation of Parke-Davis (India) Limited. (Refer Note 3 in the Notes to the Accounts – Schedule 19)

Refer Note 13(a) & (b) and Note 13(c) of Notes to the Accounts – Schedule 19 regarding Ankleshwar Plant and Other Assets held for disposal respectively.

Schedules to the Consolidated Accounts

		Rupees in Lakhs
		Nov 2002

Schedule 4: Investments

(At cost except where otherwise stated)

Long Term Investments		
Trade (unquoted)		
Leema Chemicals and Cosmetics Private Limited		–
24 Equity Shares of Rs. 10 each, fully paid-up		
(Actual cost Rs. 240)		
Non-Trade (unquoted)		
Government Securities (includes Rs. 0.50* lakhs deposited with Excise Authorities)		0.61
Gold Sovereign (Actual cost Rs. 61)		–
The Shamrao Vithal Co-operative Bank Limited		
1,000 shares of Rs. 25 each, fully paid-up		0.25
10,34,500 Units of Rs. 10/- each fully paid up of Unit Trust of India – Unit Scheme 1964	150.00	
(Market price and Repurchase price not available)		
Less: Provision for dimunition in the value of Investments	(46.55)	
		103.45*
2,000 11% Bonds of Rs. 5,000 each fully paid up of		
Industrial Credit and Investment Corporation of India Limited – Tax Saving Bonds		100.00*
* Acquired pursuant to amalgamation of Parke-Davis (India) Limited		
Total		204.31

Schedule 5: Inventories

Stores and Maintenance Spares	128.79
Packing Materials	339.18
Physicians' Samples	353.43
Stock-in-Trade	
Raw Materials	1440.66
Own Manufactured Bulk Drugs	434.70
Work-in-Process	386.71
Finished Goods	6406.66
Total	9490.13

Schedule 6: Sundry Debtors

(Unsecured – Considered good except where otherwise stated)	
(Considered doubtful: Rs. 938.38 lakhs)	
Debts outstanding for a period exceeding six months	1582.47
Other Debts	12030.34
	13612.81
Provision for doubtful debts	(938.38)
Total	12674.43

Schedules to the Consolidated Accounts

		Rupees in Lakhs
		Nov 2002

Schedule 7: Cash and Bank Balances

Cash on hand		17.31
With Scheduled Banks		
On Current Accounts (including accounts with overdraft facility)		1693.65
On Margin Money Accounts		3.48
On Time Deposit Accounts		1800.00
Cheques on hand/in transit		70.92
Remittances in Transit		3380.01
Total		6965.37

Schedule 8: Loans and Advances

(Considered good except where otherwise stated)

Advances recoverable in cash or in kind or for value to be received		
Considered good*	5896.43	
Considered doubtful	194.61	
	6091.04	
Provision for doubtful advances	(194.61)	
		5896.43
Inter Corporate Deposit to Warner-Lambert India Private Limited		1000.00
Balance with Customs, Port Trust and Excise on Current Accounts		79.09
Interest accrued on Time Deposits		3.79
Income Tax Payments (Net)		3738.58
Total		10717.89

* Includes: (i) loans given to employees which are secured by Hypothecation Bonds Rs. 18.50 lakhs and
(ii) deposit of Rs. 685.00 lakhs of which Rs. 415.00 lakhs is guaranteed by a bank.

Schedule 9: Current Liabilities

Acceptances		785.94
Sundry Creditors		
Due to Small Scale Industrial Undertakings		1375.93
Others		8018.28
Security Deposits		1539.17
Interest Accrued but not due on loans		1.34
Dividends – Uncashed		121.72
Unclaimed Interest on Matured Deposits		1.46
Refundable Share Application Money*		18.91
Unclaimed Interest on Matured Deposits*		3.85
Total		11866.60

* To be credited to Investor Education and Protection Fund

Schedules to the Consolidated Accounts

Rupees in Lakhs

		Nov 2002
Schedule 10: Provisions		
Proposed Dividend		
– Regular		1439.88
– Speical		719.94
Gratuity		390.07
Leave Encashment		598.85
Excise Duty and Custom Duty (Net of payments)		128.50
Income Tax Provisions (Net)		5583.80
Others		122.45
Total		8983.49
Schedule 11: Deferred Tax Asset (Net)		
Deferred tax asset		
Arising on account of timing differences in:		
Amortisation of Commercial Rights and Trade Marks	95.49	
Provision for Doubtful Debts & Advances	416.51	
Provision for Leave Encashment and Exgratia	231.49	
Provision for Excise Duty, Custom Duty and Sales Tax	64.20	
Provision for Diminution in the value of Investments	17.11	
Amortisation of Voluntary Retirement costs	27.63	
Other Provisions, etc.	135.05	
		987.48
Deferred tax liability		
Arising on account of timing difference in:		
Depreciation / Estimated loss on assets held for disposal		(157.07)
Deferred Tax Asset (Net)		830.41
Schedule 12: Interest Income		
Interest (Gross)		
On Staff Loans		20.63
On Deposits with banks/company, delayed payments, etc.		320.80
(Tax deducted at source – Rs. 69.31 lakhs)		
On Income Tax refunds (Net)		134.05
On Inter Corporate Deposits with Warner Lambert India Private Limited.		75.90
(Tax deducted at source – Rs. 15.15 lakhs)		
On Long-Term Investments (Non-Trade)		11.12
(Tax deducted at source – Rs. 2.31 lakhs)		
On Others		1.65
Total		564.15
Schedule 13: Miscellaneous Income		
Rental Income		474.38
Profit on fixed assets sold/discarded (net)		11.98
Insurance Claims		61.80
Liabilities / Provisions no longer required written back		373.23
Sundry		98.80
Total		1020.19

Schedules to the Consolidated Accounts

		Rupees in Lakhs
		Nov 2002

Schedule 14: Increase/(decrease) in stocks of Finished Goods, Work-in-Process and Own Manufactured Bulk Drugs

Stocks at commencement		
Finished Goods	4988.21	
Work-in-Process	489.83	
Own Manufactured Bulk Drugs	428.53	
		5906.57
Add: Stocks taken over after adjustments on amalgamation of		
Parke-Davis (India) Limited (Refer Note 3 in the Notes to the Accounts – Schedule 19)		
Finished Goods	2724.01	
Work-in-Process	40.15	
		2764.16
		8670.73
Stocks at Close		
Finished Goods	6406.66	
Work-in-Process	386.71	
Own Manufactured Bulk Drugs	434.70	
		7228.07
Increase/(decrease)		(1442.66)

Schedule 15: Cost of Materials Consumed

Raw Materials		
Stock at commencement	1103.10	
Add: Stock taken over after adjustments on amalgamation of		
Parke-Davis (India) Limited (Refer Note 3 in the Notes to the Accounts – Schedule 19)	304.06	
		1407.16
Purchases (net)	8097.71	
Less: Cost of materials sold	(181.15)	
Net Purchases		7916.56
		9323.72
Stock at close		(1440.66)
		7883.06
Packing Materials (net)		3137.94
Trading activity purchases		16664.93
Total		27685.93

Schedule 16: Personnel Costs

Salaries, Wages and Bonus	*6485.69
Company's contribution to Gratuity Fund	531.65
Company's contribution to Provident and other Funds	466.97
Staff Welfare Expenses	1188.24
Voluntary Retirement Costs	111.65
Total	8784.20

* Net of amounts recovered from Warner-Lambert India Private Limited, a company under the same management, Rs. 53.72 Lakhs on account of employees deputed to Warner-Lambert India Private Limited.

Schedules to the Consolidated Accounts

Schedule 17: Other Expenses

		Rupees in Lakhs Nov 2002
Consumption of Stores and Maintenance Spares		167.99
Processing Charges		1053.39
Power and Fuel		1216.35
Water		81.25
Repairs: Buildings	46.06	
Machinery	253.17	
		299.23
Rent		934.03
Rates and Taxes		285.39
Insurance		163.05
Clinical Trials		848.57
Legal and Professional Charges		1169.74
Equipment rentals, service charges, low cost assets written off		336.74
Freight, Forwarding and Transport		1346.61
Travelling (including boarding, lodging, conveyance and other expenses)		1588.86
Postage, Telephone and Fax		492.65
Advertising and Promotion		3406.20
Exchange loss (Net)		14.72
Commission		652.26
Bad debts written off		102.43
Provision for Doubtful Debts (Net)		344.00
Miscellaneous Expenses		2786.70
Total		17290.16

Schedule 18: Taxation

		Rupees in Lakhs Nov 2002
Provision for Taxation		
Income-tax payable [Refer note 15 (b)]		4425.17
Tax effect on timing difference re: amounts charged in these accounts		
On Provision for Doubtful Debts/Advances	(135.04)	
On Voluntary Retirement Costs	(46.20)	
On Amortisation of Commercial Rights and Trademarks	27.76	
On Depreciation/Fixed Assets sold/discarded	(5.72)	
On Provisions, etc.	(80.49)	
		(239.69)
		4185.48
Provision for Taxation pertaining to earlier years in respect of Parke-Davis (India) Limited.		884.98
Total		5070.46

Schedules to the Consolidated Accounts

Schedule 19: Notes to the Accounts

1. Basis of preparation

a) The Consolidated Financial Statements have been prepared in accordance with Accounting Standard 21 (AS 21) – "Consolidated Financial Statements" issued by The Instiute of Chartered Accountants of India. As this is the first year of adoption of AS 21, figures for the previous year have not been presented.

b) The company has only one subsidiary company (which alongwith Pfizer Limited, the parent, constitute the Group) which has been considered in the preparation of these consolidated financial statements.

The particulars of the subsidiary company are:

Name	:	Duchem Laboratories Limited
Country of Incorporation	:	India
Percentage of voting power held as at 30th November, 2002	:	100%

2. Significant Accounting Policies

a) Basis of Accounting

The financial statements are prepared under the historical cost convention on an accrual basis and are in accordance with the requirements of the Companies Act, 1956.

b) Fixed Assets and Depreciation

(i) All fixed assets are stated at cost of acquisition less accumulated depreciation.

(ii) Assets costing upto Rs. 5000 are written off and those costing more than Rs. 5000 but upto US $ 1000 (equivalent to Rs. 0.48 lakhs at the year end rate) are fully depreciated in the year of purchase except that –

"multiple-like items" the cost of which is over US $ 10,000 (equivalent to Rs. 4.83 lakhs at the year end rate) in the aggregate; and

"unlike items of a capital nature within an asset category" for large scale projects the aggregate cost of which exceeds US $ 10,000 are considered as one asset and depreciated in accordance with the accounting policy stated in (iii) below.

(iii) Depreciation for the year has been provided on straight line method at the higher of the rates determined by the Company or the rates specified in Schedule XIV to the Companies Act, 1956. Depreciation on additions other than those stated in (ii) above is provided for a period of six months in the year of purchase. Depreciation on deletions during the year is provided upto the quarter in which the asset is sold/discarded.

(iv) Assets identified as retired from active use and held for disposal are stated at the lower of net book value and estimated net realisable value.

c) Foreign Currency Transactions

Transactions in foreign exchange which are covered by forward contracts are accounted for at the contracted rate, the difference between the forward rate and the exchange rate at the date of transaction being recognised in the Profit and Loss Account over the life of the contract. Transactions other than those covered by forward contracts are recorded at pre-determined standard exchage rates, which are reviewed periodically. Gains and losses arising on account of periodic revisions of such standard exchage rates and also on realisation are accounted for accordingly. Monetary assets and liabilities in foreign currency, which are outstanding as at the year end and not covered by forward contracts are translated at the year end market exchange rate. Gains and losses arising on account of such revisions are reflected in the Profit and Loss Account.

d) Investments

Long-term investments are stated at cost. A provision for diminution is made to recognise a decline, other than temporary, in the value of long-term investments.

e) Inventories

Stock-in-trade and Packing Material, except imported goods in transit/bond which are valued at cost, are valued at the lower of weighted average cost and net realisable value. Cost of finished goods and work-in-process includes cost of materials, direct labour and an appropriate portion of overheads.

Stores and maintenance spares are valued at average cost. Physicians' samples are valued at standard cost which approximates actual cost.

Schedules to the Consolidated Accounts

f) Sundry Debtors/Loans & Advances

These have been stated after making adequate provision for doubtful debts/advances.

g) Excise Duty

Excise Duty payable is accounted based on production of finished goods.

h) Research & Development

Revenue expenditure on reaserch and development is written off in the Profit & Loss Account for the year in which it is incurred. Capital expenditure on research and development is treated in the same way as expenditure on Fixed Assets.

i) Retirement Benefits

The Company's contributions to the employees' Provident Fund and Superannuation Schemes are charged to the Profit & Loss Account each year. Contributions for gratuity made on the basis of actuarial valuation by an independent actuary/amount determined by the Life Insurance Corporation of India under the Group Gratuity Scheme, as applicable, are charged to the Profit and Loss Account. The Company also provides for unutilised leave benefits on retirement available to its employees on the basis of an actuarial valuation done as at the year end.

j) Valuntary Retirement Schemes (VRS)

Liability under the VRS is accounted for based on the acceptance of the applications of the employees under the VRS by the Company. Compensation paid under the VRS upto 30th November, 2001 is charged to the Profit and Loss Account over a period of three years and compensation paid under the VRS effective from 1st December, 2001 is charged to the Profit and Loss Account over a period of five years.

k) Revenue Recognition

The Company recognises sale at the point of despatch of goods to customers. Sales are net of trade discounts and exclusive of excise duty and sales tax.

l) Taxation

Provision for income-tax is made on the basis of estimated taxable income for the year.

Deferred tax resulting from timing differences between the book and the tax profits is accounted for under the liability method, at the current rate of tax, to the extent that the timing differences are expected to crystallise.

m) Proposed Dividend

Dividend proposed by the Board of Directors is provided in the books of account pending approval at the Annual General Meeting.

3. Amalgamation of Parke-Davis (India) Limited with the Company

(a) In accordance with the Scheme of Amalgamation (the Scheme) of the erstwhile Parke-Davis (India) Limited (herein after referred to as Parke-Davis) with the Company as approved by the members at a Court-convened meeting held on 21st August, 2002 and subsequently sanctioned by the Honourable High Court of Judicature at Bombay vide its order dated 7th February, 2003, the Undertaking of Parke-Davis being all its assets and properties, both movable and immovable, industrial and other licenses, trademarks, all other interests, rights and powers of every kind, etc., and all its debts, liabilities including contingent liabilities, duties and obligations, has been transferred to and vested in the Company retrospectively with effect from 1st December, 2001. The Scheme has according been given effect to in these accounts.

(b) The operations of Parke-Davis include manufacturing and trading of pharmaceutical products.

(c) The amalgamation has been accounted for under the "Pooling of interests" method as prescribed by Accounting Standard (AS - 14) issued by the Institute of Chartered Accountants of India. Accordingly, the assets, liabilities and reserves of Parke-Davis as at 1st December, 2001 have been taken over at their book values, after making necessary adjustments to bring about the uniformity in the accounting policies followed by the two companies as specified in the Scheme. Accordingly, Rs. 1223.51 lakhs (net of tax) has been deducted from the General Reserve taken over by the Company on account of such adjustments.

(d) Pursuant to the Scheme, 53,57,244 Equity Shares of Rs. 10/- each of the Company are to be allotted to the shareholders of Parke-Davis in the ratio of 4 (four) fully paid-up Equity Shares of the Company for every 9 (nine) fully paid-up Equity Shares of Rs. 10/- each in Parke-Davis. Pending allotment, an amount of Rs. 535.73 lakhs has been shown under the Share Capital Suspense Account as at 30th November, 2002 (Schedule 1A).

Schedules to the Consolidated Accounts

(e) In terms of the Scheme, the Equity Shares when issued and allotted by the Company shall rank for dividend, voting rights and in all other respects pari-passu with the existing Equity Shares of the Company. Accordingly, the appropriation for the proposed dividend includes dividend on 53,57,244 Equity Shares, which would be allotted to the shareholders of Parke-Davis [referred to in note(d) above].

(f) The income accruing and expenses incurred by Parke-Davis during the period 1st December, 2001 to 30th November, 2002 have also been incorporated in these accounts. During this period, as Parke-Davis carried on the existing business in "trust" on behalf of the Company, all vouchers, documents etc. for the period are in the name of Parke-Davis. The title deeds for leasehold land, building, residential flats, licenses, agreements, loan documents etc., are being transferred in the name of the Company.

(g) In terms of the Scheme, all employees in service of Parke-Davis have become employees of the Company without any break or interruption in service. All rights, duties, powers and obligations of Parke-Davis in relation to Provident Fund, Gratuity Fund, Superannuation Fund etc., have been transferred to the Company.

	Rupees in Lakhs Nov 2002
4. Estimated amount of contracts on capital account to be executed and not provided for	1215.38
5. Contingent Liability	
(a) In respect of the guarantees given to banks on behalf of third parties	217.82
(b) In respect of:	
(i) Excise Duty	1153.25
(ii) Customs Duty	162.08
(iii) Sales Tax	317.09
(iv) Service Tax	193.11
(v) Interest for claims under DPEA	116.35
(c) Demands from Income-tax authorities for the interest on the alleged short deduction of tax at source on perquisites relating to the Assessment Year 1987-88 which have been disputed by the Company and in respect of which the Company has filed an appeal.	6.53
(d) Others – amount not ascertainable, but not likely to be significant.	–
6. (a) Exceptional Items :	
i) Consideration on termination of Trademark Licenses (net of expenses) [refer Note 6 (b) below]	3314.01
Total Exceptional Income	3314.01
ii) Estimated loss on assets held for disposal (consequent to amalgamation) [refer Note 13 (c) below]	(450.19)
iii) Compensation paid to employees under VRS and for termination of contractual arrangements (consequent to amalgamation) [refer Note 17 (b) below]	(1345.75)
Total Exceptional Expenditure	(1795.94)
Net	1518.07
Taxation on the above – Debit on Current tax	(201.37)
– Credit on Deferred tax	165.44
Tax Debit (Net)	(35.93)
Exceptional Items (net of tax)	1482.14

(b) Pursuant to the international acquisition of the Trademarks PROTINEX and DUMEX by EAC Nutrition Limited A/S, Denmark (EAC) from its proprietors Pfizer Products Inc, the Company has received Rs. 3380.01 lakhs (equivalent to US $ 7 million) from EAC for termination of the Trademark License Agreement relating to the said Trademarks. Rs. 3314.01 lakhs net of expenses has been disclosed under "Exceptional Items" and Rs. 695.94 lakhs being income- tax thereon has been included under "Exceptional Items" (refer Note 6 (a) above).

Schedules to the Consolidated Accounts

7. Managerial remuneration under Section 198 of the Companies Act, 1956 amounted to Rs. 175.88 lakhs (includes Rs. 9.77 lakhs which is subject to the approval of the forthcoming Annual General Meeting).

	Rupees in Lakhs Nov 2002
Salaries, Bonus & Commission	**112.64**
Contribution to PF and Other Funds	**22.59**
Perquisites	**33.50**
Sitting Fees	**1.15**
Commission to Non-Whole time Directors	**6.00**
Total	**175.88**

Note: The above excludes remuneration paid to Directors of Parke-Davis who were not on the Board of the Company during the year – Rs. 28.18 lakhs (including Directors sitting fees Rs. 0.95 lakhs and commission to non-whole time Directors Rs. 4.40 lakhs).

8. Drugs Prices Equalisation Account (DPEA)

(a) Oxytetracycline & Other Formulations

In respect of certain price fixation Orders of 1981 of the Government of India, the Supreme Court vide its Order of 22nd March, 1993, held that, pending disposal of the Company's Writ Petition in the High Court of Mumbai, the Company may deposit 50% of the impugned amount of Rs. 87.61 lakhs, less Rs. 19.90 lakhs already deposited, with the Union of India before 15th May, 1993, which has been done. In the event that the Company succeeds before the High Court of Mumbai, this amount will be returned within one month from the date of the decision of the High Court with interest at the rate of 15% per annum. However, if the Company loses the Writ Petition, the balance amount of Rs. 43.80 lakhs with interest at the rate of 15% per annum will have to be paid to the Government.

(b) Multivitamin Formulations

In respect of a certain price fixation Order of 1986 of the Government of India, the Supreme Court vide its Order dated 3rd December, 1992, held that, pending disposal of the Company's Writ Petition in the High Court of Mumbai, the Company may deposit 50% of the impugned amount of Rs. 98.00 lakhs with the Union of India before 31st January, 1993, which has been done.In the event that the Company succeeds before the High Court of Mumbai, this amount will be returned within one month from the date of the decision of the High Court with interest at the rate of 15% per annum. However, if the Company loses the Writ Petition, the balance amount of Rs. 49.00 lakhs with interest at the rate of 15% per annum will have to be paid to the Government.

(c) Protinex*

In yet another case, the Company had challenged in 1986 a price fixation Order of the Government of India by a Writ Petition before the High Court of Mumbai. The Honourable Court passed an ad interim and interim order staying the impugned order. The Petition, while it was still pending for hearing and final disposal, was withdrawn in 1989 on redressal of the Company's grievances. After protracted correspondence on the subject, in 1993 the Government raised a demand of Rs. 81.83 lakhs on the Company for the period April 1986 to July 1989 and directed the Company to deposit the same into the DPEA. Thereafter, the Drug Prices Liability Review (DPLR) Committee sent a letter dated 15th February, 1996 seeking the Company's submission/ representation against the reduced claim amount of Rs. 33.87 lakhs for the period April 1986 to August 1987 as intimated to the DPLR Committee by the Government of India. The Company has made its submissions to the DPLR Committee vide its letter of 29th March, 1996 claiming that no amount whatsoever is due and payable having regard to the facts and relevant material of the case.

In the meantime, the Department of Chemicals and Petrochemicals vide their letter dated 11th February, 1997, raised an additional demand of Rs. 178.56 lakhs for the earlier period of February 1984 to March 1986 over and above the revised claim of Rs. 33.87 lakhs for the period April 1986 to August 1987. Thus, the total demand raised now stands revised to Rs. 212.43 lakhs. The DPLR Committee had, vide its letter dated 24th February 1997 invited the Company to make its submissions/ representations against the above said claim. The Company has made its submissions to the DPLR Committee vide its letter dated 14th May, 1997 claiming that no amount whatsoever is due and payable having regard to the facts and relevant material of the case.

Pursuant to the submissions from made by the Company, the DPLR Committee directed by an Order on November 17, 1998 that clarifications should be obtained from the Mumbai High Court on whether the Interim Stay granted in the Civil Writ Petition Number 2368 of 1996 is applicable to this matter. (This Writ Petition is filed by OPPI and IDMA jointly against any Notice issued by the Government of India after August 25, 1987 to any member of the OPPI or IDMA, initiating proceedings for recovery of an amount demanded in respect of a period prior to that date).

Schedules to the Consolidated Accounts

On a Notice of Motion filed by the Company in the said Writ Petition, the Mumbai High Court has granted ad interim Order that "pending the hearing and final disposal of this Notice of Motion, further proceedings in the said Case No 49/1996 pending before the said Drug Prices Liability Review Committee be stayed."

The Company would continue to seek legal recourse in the matter.

In view of matters (a) and (b) being subjudice, the legal opinion being in favour of the Company, and based on the assessment of the Management, no further provision is considered necessary over and above the sum of Rs. 48.21 lakhs that has already been made in the accounts in earlier years.

* Regd. Trademark

Drugs Prices Equalisation Account (DPEA) – (Parke-Davis)

(d) Vitamin and Other Formulations

The Government has arbitrarily determined the liability of the Company at Rs. 1466 lakhs being the difference in price in respect of Vitamin and other formulations sold by the Company during the years 1983 to 1989. The Company has repudiated the liability on this account. The Company's Solicitors have advised that the repudiation by the Company is legally sustainable. The Government has pursued the matter. The Company maintains its position that the claim by the Government is not legally sustainable.

(e) Chloramphenicol

The Government has arbitrarily determined the liability of the Company at Rs. 145 lakhs and Rs. 14 lakhs being the difference between the price of bulk drug Chloramphenicol powder and Chloramphenicol Palmitate respectively allowed in the formulation price and actual procurement price for the period 1979 to 1988. The Company has repudiated the liability on this account as advised by the Company's Solicitors. The Company has also obtained a Stay order from the Honourable High Court of Mumbai against the demand.

In view of matters (d) and (e) being subjudice, the legal opinion being in favour of the Company, and based on the assessment of the Management, no provision is considered necessary.

9. The Company has opted for the Group Gratuity-cum-Life Assurance Scheme of the Life Insurance Corporation of India (LIC). The Company's contribution to this scheme is charged to the Profit and Loss Account for the year. LIC has confirmed that the contributions taken together with the funds available with LIC in the corpus, cover adequately the actuarially valued gratuity liability of the Company. LIC would however seek replenishment of funds, should the funds get depleted due to abnormal withdrawals in any year.

10. Earnings per Share

	Nov 2002
Earnings per share has been computed as under:	
(a) Profit after Taxation and Exceptional Items (Rs. Lakhs)	**7591.86**
(b) Number of Equity Shares outstanding	**2,34,40,296**
(c) Number of Shares in Share Capital Suspense Account	**53,57,243**
(d) Total (b) + (c)	**2,87,97,539**
(e) Earnings per share (Face value Rs. 10/- per share) (a) / (d) (Basic and diluted)	**Rs. 26.36**

11. During the year, compensation paid under Voluntary Retirement Schemes has been amortised over a period of five years, which hitherto was amortised over a period of three years. As a result of this change, the charge for the year ended 30th November, 2002 is lower by Rs. 864.20 lakhs and the Profit after taxation and exceptional items for the year and the reserves and surplus are higher by Rs. 546.61 lakhs

12. Disclosure for operating leases under Accounting Standard 19 – "Leases"

(a) The Company's significant leasing arrangements are in respect of residential / godowns / office premises (including furniture and fittings, therein as applicable) taken on leave and license basis. The aggregate lease rentals payable are charged as Rent and shown under 'Other Expenses' (Schedule 17).

These leasing arrangements, which are cancellable, range between 11 months and 5 years generally, or longer, and are usually renewable by mutual consent on mutually agreeable terms. Under these arrangements, generally refundable interest free deposits have been given. In respect of one of the leasing arrangements, Rs. 685 lakhs has been paid as deposit, out of which Rs. 415 lakhs has been guaranteed by a bank and the balance amount is expected to be guaranteed in due course. Further, in the case of this leasing arrangement, the Company has the option to purchase within the lease period, the licensed premises at a price to be decided as per the Valuation Report of independent valuers appointed by the Company subject to a minimum of Rs. 1100 lakhs and a maximum of Rs. 1150 lakhs. On exercising the above option the amount of deposit given will be adjusted against the purchase consideration

Schedules to the Consolidated Accounts

decided and the balance would be payable with interest @ 12% p.a. from the date of agreement. Upon exercising the above option the Company would also be entitled to a reduction in the purchase price at the rate of Rs. 6 lakhs per annum from the date of agreement till the date of payment of balance amount with interest or the date of completion of the lease period whichever is earlier.

In respect of one of the leasing arrangements a non refundable deposit of Rs. 60 lakhs has been given during the year and in another case Rs. 30 lakhs has been reimbursed to the lessor towards repairs and renovation carried out at the licensed premises.

(b) Sub-lease income recognised in the Profit and Loss Account for the year– Rs. 474.38 lakhs.

13. (a) In an earlier year, the Company ceased its manufacturing operations at its Ankleshwar Plant and re-evaluated the useful life of the fixed assets. Additional depreciation amounting to Rs. 614.74 lakhs was charged to the Profit and Loss Accounts in earlier years.

(b) Fixed Assets (Schedule 3) include fixed assets lying at the Ankleshwar Plant as on 30th November, 2002 at their respective book values which are as follows:

	Rupees in Lakhs Original Cost Nov 2002	Rupees in Lakhs Accumulated Depreciation Nov 2002	Rupees in Lakhs Written Down Value Nov 2002
Freehold Land	20.28	–	20.28
Leasehold Land	63.25	63.25	–
Freehold Building	165.82	136.48	29.34
Leasehold Building	506.66	426.33	80.33
Machinery & Equipment	898.88	820.49	78.39
Office Equipment,Furniture & Fixtures	37.85	33.68	4.17
Total	1692.74	1480.23	212.51

In the opinion of the Company the realisable value of the above assets is at least equal to the values at which these are stated.

(c) During the year, as a part of its restructuring initiatives, the Company has suspended its manufacturing operations at Hyderabad plant of Parke-Davis effective 24th April, 2002 and also given termination notice in respect of office premises of Parke-Davis at Mumbai effective 1st October, 2002. In view of this, the Company has identified those assets that have retired from active use and are held for disposal. These assets have been stated under Fixed Assets (Schedule 3) at the lower of net book value and estimated net realisable value. Consequent to this, an estimated loss of Rs. 450.19 lakhs has been charged and shown under "Exceptional Items" (refer Note 6(a) above). Fixed Assets (Schedule 3) include these assets as on 30th November, 2002 at their respective revised book values which are as follows:

	Rupees in Lakhs Original Cost Nov 2002	Rupees in Lakhs Accumulated Depreciation Nov 2002	Rupees in Lakhs Written Down Value Nov 2002
Machinery & Equipment	1072.58	950.92	121.66
Office Equipment, Furniture & Fixtures	572.09	556.75	15.34
Total	1644.67	1507.67	137.00

In the opinion of the Company the realisable value of the above assets is at least equal to the values at which these are stated.

(d) Until the previous year, all assets costing between Rs. 5000 and approximately Rs. 48,000 (equivalent to US $ 1000) each were fully depreciated in the year of purchase. With effect from the current year, the Company has changed the accounting policy of providing depreciation on "multiple-like items" and "unlike items of a capital nature within an asset category" (refer Note 2(b) (ii) for the revised policy). As a result of this change, the depreciation charge for the year is lower by Rs. 53.25 lakhs and the fixed assets (net block) are higher by an equivalent amount.

As a consequence of this change in the accounting policy, the Profit after tax but before exceptional items for the year and the reserves and surplus are higher by Rs. 33.68 lakhs.

(e) The Company has decided to depreciate furniture & fixtures in the leasehold premises over the remaining lease period. Consequential additional depreciation amounting to Rs. 24.68 lakhs has been charged to the Profit and Loss Account.

14. During the year, the Company has discontinued the trading activity relating to its vaccines business. In view of this, the Company has fully provided for the value of finished goods stocks of vaccines of Rs. 156.20 lakhs and outstanding debtors of that division of Rs. 156.75 lakhs.

Schedules to the Consolidated Accounts

15. (a) The Provision for taxation has been computed on the basis of the profits for the year ended 30th November, 2002 although the ultimate tax liability for the assessment year 2003-2004 will be determined on the basis of the profits for the year ending 31st March, 2003.

(b) Income tax payable shown under schedule 18 "Taxation" includes Rs. 74.00 lakhs on account of interest demanded by the tax authorities on completion of earlier years' assessments/appeals decided during the year and is net of write back of excess tax provision for earlier years amounting to Rs. 49.67 lakhs.

16. Disclosures as required by the Accounting Standard - 18 on "Related Party Disclosures" are given below:

I. Names of Related Parties and description of Relationships

A. Parties where control exists:

- Holding Company : Pfizer Corporation, Panama
  [Holding 33% of the aggregate of Equity Share Capital and Share Capital Suspense Account as at the year end]
- Ultimate Holding Company : Pfizer Inc., New York
- Fellow Subsidiaries:

Warner-Lambert India Private Limited, India
Pfizer Overseas Inc., Exports Division, Brussels
Pfizer Export Company, Ireland
Pfizer Overseas Inc., New York
Pfizer International Inc., New York
Pfizer Products Inc.
Pfizer Overseas Inc. Export Division, Hongkong
Pfizer Limited, U.K.
Pfizer Labs Ltd., South Africa
Pfizer Service Company S.A. (Belgium)
Pfizer Italiana SpA
Pfizer Egypt, SAE
Pfizer Inc. Philippines
Warner-Lambert Company, USA
Warner-Lambert Pharmaceuticals, South Africa
Parke-Davis & Company, USA

B. Key Management Personnel

Mr. Hocine Sidi Said
Mr. Kewal Handa
Dr. B.M. Gagrat
Mr. A.K. Nehru
Mr. S. Madhok
Dr. S. Mukherjee
Dr. Chitra Lele
Dr. C.N. Potkar
Mr. H. Walder
Mr. S. Ramkrishna
Mr. Arun Gupta
Mr. J. S. Bandopadhyay

C. Relative of Key Management Personnel

Mrs. Nipuna Banerjee: Wife of Mr. Bandopadhyay

Schedules to the Consolidated Accounts

II. Transactions during the year and Balances Outstanding as at the year end with the Related Parties are as follows :

Related Parties where control exists: Rs. in Lakhs

	Nature of Transactions	Ultimate Holding Company	Holding Company	Fellow Subsidiaries
1	Sale of finished goods (net of returns)	–	–	157.28
2	Sale of bulk materials	–	–	211.59
3	Service income	1649.18	–	63.16
4	Interest income on Loans given	–	–	75.91
5	Recovery of expenses	–	–	207.14
6	Purchase of finished goods	–	41.41	1760.70
7	Purchase of raw/bulk materials	–	–	292.00
8	Royalty expense	30.80	–	46.76
9	Service charges paid	–	–	1.94
10	Expenses reimbursed	–	–	16.26
11	Dividend in respect of the year/ period ended 30th November, 2001	–	468.81	192.86
12	Loans given	–	–	3000.00
13	Outstanding as at the year end – Due from	706.68	–	1116.57
14	Outstanding as at the year end – Due to	8.31	11.76	861.53

Key Management Personnel & their Relatives: Rs. in Lakhs

	Nature of Transactions	Key Management Personnel	Relative of Key Management Personnel
1	Remuneration	362.49	–
2	Rent paid for residential flats	27.48	1.10
3	Interest income on Loans given	0.03	–
4	Sale of Fixed Assets	0.57	–
5	Deposits paid	39.75	–
6	Amounts paid on behalf and recovered	8.46	–
7	Deposits outstanding as at the year end	137.07	–
8	Loans outstanding as at the year end	0.25	–

III Others

- Under the terms of the agreement between Pfizer Inc. (Ultimate Holding Company) and the Company for conducting clinical trials and studies in India, Pfizer Inc., has agreed to indemnify, defend and hold the Company and its directors, employees and agents harmless against any and all liability, loss or damage they may suffer as a result of any claims, demands, costs, penalties, fines or judgments incurred or imposed against it arising out of any clinical trial and study or otherwise pursuant to the agreement.
- Amount written off or written back in respect of debts due from or to related parties is Rs. Nil.

17. Integration Expenses

(a) "Other Expenses" (Schedule 17) includes the following expenses incurred by the Company on amalgamation of Parke-Davis with the Company.

	Rupees in Lakhs Nov 2002
Personnel Costs	45.62
Rates and Taxes	131.26
Legal and Professional charges	236.55
Commission	60.36
Others	397.80
Total	871.59

(b) The Company has incurred an expenditure of Rs. 6481.46 lakhs being compensation paid to employees under VRS, which as per the accounting policy of the Company is being amortised over a period of 5 years. Accordingly, Rs. 1296.29 lakhs has been amortised during the year and included under "Exceptional Items" [refer Note 6(a) above].

Schedules to the Consolidated Accounts

18. Segment Information for the year ended 30th November, 2002

Business Segments
(see Note 1 below) Rs. in Lakhs

	Pharma-ceuticals	Animal Health	Services	Total
Segment Revenue				
External sales and services to customers	58489.53	6054.61	1655.60	66199.74
Total Segment Revenue	58489.53	6054.61	1655.60	66199.74
Segment Results	12398.84	561.04	169.36	13129.24
Unallocated corporate (expenses) / Income (Net)				(2228.89)
Operating profit				10900.35
Interest expenses and Bank charges				(259.40)
Interest income				539.23
Income Tax				(5106.39)
Exceptional Items (Net of expenses)	1879.99	(1.20)	–	1518.07
Net Profit / (Loss)				7591.86
Other Information				
Segment Assets	29908.98	4587.71	954.33	35451.02
Unallocated corporate assets				16511.04
Total Assets				51962.06
Segment Liabilities	9914.97	1213.88	256.29	11385.14
Unallocated corporate Liabilities				9622.02
Total Liabilities				21007.16
Capital Expenditure	1383.77	77.11	69.23	
Depreciation/Amortisation	494.30	114.21	94.51	
Amortisation of Voluntary retirement costs	111.65	–	–	
Other Non-cash Expenses-Estimated Loss on assets held for Disposal	284.39	–	–	

Geographic Segment (see Note 2 below)	India	Other Countries	Total
Segment Revenue-External sales to customers	63559.24	2640.50	66199.74
Carrying amount of segment assets	34500.17	950.85	35451.02
Capital Expenditure	1530.11	–	1530.11

Notes:

1. **Business Segments:** The business operations of the Company comprise Pharmaceuticals, Animal Health and Services. The business segments have been identified and reported taking into account, the nature of products and services, the differing risks and returns and the internal financial reporting systems.

   The Pharmaceuticals business comprises of manufacturing and trading of bulk drugs and formulations and also includes rendering of marketing services.

   The Animal Health business has a presence primarily in the large animal health and poultry market segments, and also includes rendering of marketing services.

   Services – Clinical Development Operations primarily include conducting clinical trials and undertaking comprehensive data management for new drug development.

2. **Geographical Segments:** For the purpose of geographical segments the consolidated sales are divided into two segments – India and other countries.

3. The accounting policies of the segments are the same as those described in the summary of significant accounting policies as referred to in Note 2 in the Notes to the Accounts – Schedule 19.

Cash Flow Statement (Consolidated)

Rupees in Lakhs

Particulars		Nov 2002
A. Cash flow from Operating Activities:		
Net profit before taxation and exceptional items		11180.18
Adjustments for		
Depreciation		1063.96
Unrealised Foreign Exchange Loss/(Gain)		0.61
Investment Income		(537.67)
(Profit)/Loss on fixed assets sold/discarded		(11.98)
Deferred Revenue Expenditure – Voluntary Retirement Costs		111.65
Interest Expenses		129.56
Liabilities / Provision no longer required written back		(373.23)
Operating profit before working capital changes		11563.08
Adjustments for		
Trade and other receivables		(6917.76)
Inventories		1299.95
Trade and other payables		1718.25
Provisions (Excluding Proposed Dividend, Tax on distributed profits, Income Tax Provision)		386.67
Cash generated from operations		8050.19
Direct taxes paid (Net)		(4869.59)
Net cash from operating activities before exceptional items		3180.60
Exceptional Items		
Compensation paid to employees under Voluntary Retirement		
Schemes and for termination of contractual arrangements		(6009.76)
Net cash from operating activities after exceptional items	(A)	(2829.16)
B. Cash flow from Investing Activities:		
Purchase of fixed assets		(1868.86)
Purchase of Investments		(12718.25)
Sale of Investments		15937.75
Sale of fixed assets		109.91
Consideration on Termination of Trademark Licenses – exceptional item (Net of expenses)		3314.01
Interest Received		593.47
Net cash from/(used) in investing activities	(B)	5368.03
C. Cash flow from Financing Activities:		
Proceeds/(Repayment) from/ of borrowings (Net)		(1.92)
Dividend paid		(1623.27)
Interest paid		(150.32)
Net cash used in financing activities	(C)	(1775.51)
Net Increase/ (Decrease) in cash & cash equivalents (A)+(B)+(C)		763.36
Opening Cash and Cash Equivalents (Note 1)		2075.10
Cash & Cash equivalents as at 1st December, 2001 taken over on amalgamation (refer Note 2 below)		3114.19
Closing Cash and Cash Equivalents (Note 1)		5952.65
		763.36

Cash Flow Statement Contd.. (Consolidated)

	Rupees in Lakhs Nov 2002	Rupees in Lakhs Nov 2001
Notes:		
1. Cash and Cash Equivalents include:		
Cash on Hand	17.31	16.97
With Scheduled Banks		
On Current Accounts (including accounts with overdraft facility)	1693.65	1141.78
On Current Account (overdrawn balance per books)	–	(0.78)
On Margin Money Accounts	3.48	3.48
On Time Deposit Accounts	800.00	1000.00
Cheques on hand	70.92	32.41
Remittance in Transit	3380.01	–
Bank Overdraft	–	(106.89)
Unrealised translation gain on foreign currency cash & cash equivalents	(12.72)	(11.87)
	5952.65	2075.10

2. The amalgamation of Parke-Davis with the Parent Company is a non-cash transaction Consequent to the amalgamation, Cash and Cash Equivalents as at 1st December, 2001 are taken over. The details are as under:

Cash on Hand	1.24	
With scheduled banks		
On Current Accounts	106.95	
On Time Deposit Accounts	3006.00	
	3114.19	

3. Interest income on delayed payments from customers and rental income have been shown under 'Cash Flow from Operating Activities' as according to the Company these form an integral part of the Operating Activities.

Signatures to Schedules 1 to 19 which form an integral part of the Consolidated Accounts

R.A. SHAH	Chairman
HOCINE SIDI SAID	Managing Director
P. SHAH K. HANDA B.M. GAGRAT (Dr.)	Directors
A. ANJENEYAN	Secretary

Mumbai, February 27, 2003

Pfizer Limited: Ten Year Financial Summary

Amount – Rupees in Lakhs

	1994	1995	1996	1997	1997#	1998	1999	2000	2001	**2002** ++
Sources of Funds										
Shareholders' Funds										
Share Capital	1172	1172	1172	1172	1172	1172	1172	2344*	2344	**2344**
Share Capital Suspense A/C										**536**
Reserves and Surplus	3133	3653	4506	5925	6694	7104	9541	11167	14645	**27923**
Total Shareholders' Funds	4305	4825	5678	7097	7866	8276	10713	13511	16989	**30803**
Borrowed Funds										
Secured Loans	2822	1995	2077	397	84	156	—	—	—	**—**
Unscured Loans	1341	3151	806	629	2002	1	1	—	—	**—**
Total	8468	9971	8561	8123	9952	8433	10714	13511	16989	**30803**
Application of Funds										
Net Fixed Assets	3002	3240	3343	3085	3885	3678	3502	3728	4210	**5696**
Investments	20	23	23	25	324	346	324	324	324	**529**
Current Assets, Loans and Advances:										
Inventories	4462	4439	3875	3596	3286	4018	4486	5780	5644	**8837**
Sundry Debtors	1661	1699	1999	2155	2462	2317	3810	3918	5421	**12356**
Cash and Bank Balances (including amounts held on deposit accounts with banks)	207	197	81	49	234	820	2329	4609	5763	**6841**
Others	1823	2741	2436	3234	4572	3923	3839	3529	4289	**10596**
Total Current Assets, Loans and Advances	8153	9076	8391	9034	10554	11078	14464	17836	21117	**38630**
Less: Current Liabilities and Provisions										
Current Liabilities	2312	2186	2938	3484	3857	5375	5439	6771	6312	**11112**
Provisions	395	182	925	1574	1690	2047	2376	2366	2853	**8949**
Net Current Assets	5446	6708	4528	3976	5007	3656	6649	8699	11952	**18569**
Deferred Tax Asset (Net)	—	—	—	—	—	—	—	310	503	**790**
Misc. Expenditure (Deferred Revenue Expenditure)										
Voluntary Retirement Scheme	—	—	667	1037	736	753	239	—	—	**5219**
Commercial Rights	—	—	—	—	—	—	—	450	—	**—**
Total Net Assets	8468	9971	8561	8123	9952	8433	10714	13511	16989	**30803**
Income										
Gross Sales	21356	23978	25260	26290	14160	23343	28733	32719	36207	**65127**
Less: Excise Duty									3796	**5719**
Less: Sales Tax									2643	**5165**
Net Sales									29768	**54243**
Increase/(Decrease) in Stock of Hospital Products, Finished Goods, Work in process and Own Manufactured Bulk Drugs	962	24	(402)	(307)	(119)	607	(216)	691	531	**(284)**
	22318	24002	24858	25983	14041	23950	28517	33410	30299	**53959**
Services	—	—	205	1105	2321	3036	4275	4237	4826	**4366**
Interest Income	86	57	88	111	204	279	331	376	668	**634**
Dividend Income	—	3	3	2	3	3	—	—	—	**—**
Other Income	355	508	292	880	279	426	501	549	653	**1007**
Total	22759	24570	25446	28081	16848	27694	33624	38572	36446	**59966**
Costs and Expenses										
Materials Consumed	9180	9178	8159	8931	4293	7604	8614	10757	11267	**21694**
Personnel Costs	3240	3179	4051	4333	3072	5712	4865	5056	5580	**8784**
Excise Duty	2772	3118	3195	3105	1618	2806	3414	3940	348	**(32)**
Sales Tax	1388	1564	1655	1627	933	1548	1968	2394	187	**130**
Depreciation	311	354	362	437	319	967	768	676	717	**1064**
Interest Expense	569	627	571	358	160	211	54	37	26	**127**
Other Expenses	3465	4663	5015	5768	4124	6504	8192	8875	10373	**16939**
Goodwill/Technical Know-How Written off	66	—	—	—	—	—	—	—	—	**—**
Royalty and Technical Know-How Fees	39	682	583	555	270	455	526	565	246	**95**
Total Costs and Expenses	21030	23365	23591	25114	14789	25807	28401	32300	28744	**48801**
Profit before Taxation & Exceptional Items	1729	1205	1855	2967	2059	1887	5223	6272	7702	**11165**
Taxation	730	396	785	1067	681	629	2130	2518	2953	**5053**
Profit after Taxation but before Exceptional Items	999	809	1070	1900	1378	1258	3093	3754	4749	**6112**
Exceptional Items (Net of Tax)	—	—	—	—	—	—	—	—	—	**1482**
Profit after Taxation & Exceptional Items	999	809	1070	1900	1378	1258	3093	3754	4749	**7594**
Tax Provision as % of PBT	42.2	32.9	42.3	36.0	33.1	33.3	40.8	40.1	38.3	**45.3**
Net Profit as % of Sales	4.7	3.4	4.2	7.2	9.7	5.4	10.8	11.5	13.1	**9.4**
Earnings per share (Rs.)	8.52	6.90	9.13	16.21	11.76	10.73	26.39	16.02@	20.26	**26.37**
Equity Dividend per share (Rs.)	3.00	1.50	3.00	4.00	3.00	4.00	5.00	4.00	5.00	**7.50**+
Total Dividend Amount (Rs. in Lakhs)	352	176	352	469	352	469	586	938	1172	**2160**
Book Value per share (Rs.)	36.73	41.17	48.45	60.55	67.12	70.61	91.41	57.64@	72.48	**106.95**

8 months period ended 30th November, 1997

* Increase due to issue of Bonus Shares in the ratio 1:1

@ Diluted due to issue of Bonus Shares in the ratio of 1:1

\+ Proposed dividend for the year ended 30th November, 2002 (includes special dividend @ Rs. 2.50 per share)

++ Includes results of erstwhile Parke-Davis (India) Ltd. on its amalgamation with the Company

Pfizer Limited

Pfizer Centre, Patel Estate, S.V. Road, Jogeshwari (W), Mumbai 400 102