

Annual Report 2003-2004



*Life is our life's work<sup>®</sup>*



It is believed that thousands of artisans had their fingers cut off after they built the Taj Mahal, so that its creation could not be duplicated.



Fortunately, there are better ways to protect what you create.







Legend has it that the Pharaohs  
mercilessly killed the people  
who made their magnificent pyramids,  
so that their secrets could be kept.



Thankfully, there are better ways to guard your secrets.



People have attributed this  
enigmatic creation to the Danes,  
Romans, Saxons, Greeks,  
Egyptians and even aliens.



Luckily, there are better ways to preserve your identity.

Intellectual property rights protect a creation of the human mind for a period of time, in exchange for complete disclosure of the knowledge behind it. Knowledge that was deliberately kept secret through the years, got lost while being passed down from father to son. Today, the knowledge that an inventor discloses, enables further discovery of newer medicines. In this, lies the real value of intellectual property rights.





R. A. Shah

Chairman

Hocine Sidi Said

Managing Director

Richard Hugh Gane

Director

Pradip P. Shah

Director

Kewal Handa

Executive Director - Finance

B. M. Gagrath (Dr.)

Executive Director - Technical Operations

Hocine Sidi Said

Managing Director

K. G. Ananthakrishnan

Pharmaceuticals

Bomi M. Gagrath (Dr.)

Technical Operations

Arun Gupta

Business Technology

Kewal Handa

Finance

Chitra Lele (Dr.)

Biometrics

Sunil Madhok

Animal Health

Viren Mahurkar

Business Development

Shoibal Mukherjee (Dr.)

Medical Research Division

S. Ramkrishna

Corporate Affairs

Dipali Talwar

Legal

Yugesh Goutam

Human Resources

## SECRETARY

K. Subharaman

## AUDITORS

BSR & Co.

**REGISTERED OFFICE:** Pfizer Centre, 5, Patel Estate, Off S. V. Road, Jogeshwari (W), Mumbai 400 102.

Tel.: 022 5693 2000, Fax.: 022 5693 2377, Email: sundaresan@pfizer.com

**\* REGISTRARS & TRANSFER AGENTS:** Karvy Computershare Pvt. Ltd., 7, Andheri Industrial Estate, Off Veera Desai Road, Andheri (W), Mumbai 400 053. Tel.: 022 26730799, 26730152, Email: ksreddy@karvy.com, rkknair@karvy.com

\* Subject to approval of shareholders



# Pfizer Limited

Annual Report 2003-2004

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## Notice

Notice is hereby given that the 54th Annual General Meeting of Pfizer Limited will be held at the Yeshwantrao Chavan Pratishthan Auditorium, General Jagannath Bhosale Marg, Next to Sachivalaya Gymkhana, Mumbai-400 021 on April 28, 2005 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 year ended November 30, 2004, the Audited Balance Sheet as at that date and the Report of the Board of Directors and Auditors.
2. To declare Dividend for the year ended November 30, 2004.
3. To appoint a Director in place of Mr. R.A. Shah, who retires by rotation and being eligible, offers himself for re-appointment.
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), the following resolution as an ORDINARY RESOLUTION:  
RESOLVED THAT pursuant to the provisions of Clause 49 of the Listing Agreement with the Stock Exchanges, consent of the Company be and is hereby accorded for payment of Rs. 10,000/- (Rupees Ten Thousand only) or such other amount as may be approved by the Board of Directors subject to the ceiling prescribed under the Companies Act, 1956, or Rules framed thereunder, as amended from time to time, as Sitting Fees for each meeting of the Board of Directors or the Committee(s) thereof, attended by the resident Non-executive Directors of the Company.
6. To consider and if thought fit, to pass, with or without modification(s), the following resolution as an ORDINARY RESOLUTION:  
"RESOLVED THAT Mr. Kewal Handa, who holds office as a Director upto the date of this Annual General Meeting by reason of Section 262 of the Companies Act, 1956 ("the Act"), and who is eligible for appointment, and in respect of whom the Company has received notice in writing from some Members together with a deposit of Rs. 500/- pursuant to Section 257 of the Act proposing his candidature for the office of Director, be and is hereby appointed a Director of the Company liable to retire by rotation".
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, 269, 309, Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 ("the Act") consent of the Company be and is hereby accorded to the appointment of Mr. Kewal Handa as "Executive Director – Finance of the Company for a period of five years with effect from April 28, 2005, and to his receiving remuneration, payment, perquisites and amenities 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 Mr. Handa shall be subject to a maximum limit of Rs. 75,00,000/- (Rupees Seventy-five 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. 75 lakhs for salary, performance linked incentives 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. 75,00,000/- 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:**

- (a) 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 Act, 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;
  - (b) 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, 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".
8. To consider and if thought fit, to pass, with or without modification(s), the following resolution as an ORDINARY RESOLUTION:
- "RESOLVED THAT Dr. Bomi M. Gagrat, who holds office as a Director upto the date of this Annual General Meeting by reason of Section 262 of the Companies Act, 1956 ("the Act"), and who is eligible for appointment, and in respect of whom the Company has received notice in writing from some Members together with a deposit of Rs. 500/- pursuant to Section 257 of the Act proposing his candidature for the office of Director, be and is hereby appointed a Director of the Company liable to retire by rotation".

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 Act") consent of the Company be and is hereby accorded to the appointment of Dr. Bomi M. Gagrat as "Executive Director – Technical Operations of the Company for a period of five years with effect from April 28, 2005 or till the date of his retirement as per rules of the Company, whichever is earlier, and to his receiving remuneration, payment, perquisites and amenities 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 Dr. Gagrat shall be subject to a maximum limit of Rs. 75,00,000/- (Rupees Seventy-five 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. 75 lakhs for salary, performance linked incentives 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. 75,00,000/- 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 him, within the overall limits specified in the Act, 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, 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 a SPECIAL RESOLUTION:

"RESOLVED THAT in partial modification of the Special Resolution passed at the 53rd Annual General Meeting held on April 29, 2004, and pursuant to Section 163 of the Companies Act, 1956 ("the Act"), the Company hereby approves that the Register of Members, Index of Members and copies of all Annual Returns prepared under Section 159 of the Act, together with copies of the Certificates and documents required to be annexed thereto under Section 161 of the Act, be kept at the office of Karvy Computershare Pvt. Ltd., the Registrars and Share Transfer Agents of the Company at 7, Andheri Industrial Estate, Off Veera Desai Road, Andheri (W), Mumbai 400 053.

RESOLVED FURTHER THAT the registers, indexes, returns and copies of certificates and other documents of the Company referred to above be kept open for inspection at the place where they are kept, by the persons entitled thereto, to the extent, in the manner and on payment of fee, if any, specified in the Act, between 10.00 a.m. and 1.00 p.m. on any working day, except when the Registers and Books are closed under the provisions of the Act or the Articles of Association of the Company.

RESOLVED FURTHER THAT the Board of Directors be and is hereby authorised to take such further steps as may be necessary in this regard."

11. To consider and if thought fit to pass with or without modification(s), the following resolution as a SPECIAL RESOLUTION:

"RESOLVED THAT pursuant to Section 31 and all other applicable provisions, if any, of the Companies Act, 1956 ("the Act"), the Articles of Association of the Company ("the AOA") be and are hereby amended, altered and/or substituted in the manner and to the extent as is set out herein below:

- A. (i) In Article 2 of the AOA the following interpretations shall be added at appropriate places:

<b>"Beneficial Owner"</b>	"Beneficial Owner" means beneficial owner as defined in clause (a) of sub-section (1) of Section 2 of the Depositories Act, 1996.
<b>"Depositories Act, 1996"</b>	"Depositories Act, 1996" includes any statutory modification or re-enactment thereof for the time being in force.
<b>"Depository"</b>	"Depository" means a Depository as defined in clause (e) of sub-section (1) of Section 2 of the Depositories Act, 1996.
<b>"Security"</b>	"Security" means and includes Share, Debenture and such other security as may be specified by the Securities and Exchange Board of India from time to time.
<b>"Securities and Exchange Board of India"</b>	"Securities and Exchange Board of India" means the Securities and Exchange Board of India established under Section 3 of the Securities and Exchange Board of India Act, 1992.

- (ii) In Article 2 of the AOA, the interpretation of "Member" shall be substituted by the following interpretation:

<b>"Member"</b>	"Member" means the duly registered holder from time to time of the shares of the Company and includes Beneficial Owner in the records of the Depository.
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- (iii) The following Heading and Article shall be inserted as Article 80A of the AOA, after Article 80:

DEMATERIALISATION OF SECURITIES

<b>"Company entitled to dematerialise/ rematerialise its shares"</b>	80A (1) Notwithstanding anything contained in these Articles, the Company shall be entitled to dematerialise its Securities, rematerialise its Securities held in the Depositories and/or offer its Securities for subscription in a dematerialised form pursuant to the Depositories Act, 1996.
<b>"Intimation of Allotment of Shares, Debentures and other Securities to a Depository"</b>	(2) Notwithstanding anything contained in sub-section (1) of Section 113 of the Act, where the Securities are dealt with in a Depository, the Company shall intimate the details thereof to the Depository immediately on allotment of such Securities as far as practicable.
<b>"Securities in Depositories to be in fungible form"</b>	(3) All Securities held by a Depository shall be dematerialised and be in fungible form.

<b>"Specific beneficial provisions of the Act not to apply to Depository"</b>	(4) Nothing contained in Sections 153, 153A, 153B, 187B, 187C and 372 of the Act shall apply to a Depository in respect of the Securities held by it on behalf of the Beneficial Owners.
<b>"Distinctive numbers of Securities held in a Depository"</b>	(5) Nothing contained in the Act or these Articles regarding the necessity of having distinctive numbers for Securities issued by the Company shall apply to Securities held by a Depository.
<b>"Transfer and Transmission of Securities"</b>	(6) Notwithstanding anything contained in these Articles, in the case of transfer or transmission of Securities where the Company has not issued any certificates and where such Securities are being held in an electronic and fungible form by a Depository, the provisions of the Depositories Act, 1996 shall apply.
<b>"Voting Rights of Depositories and Beneficial Owner"</b>	(7) Notwithstanding anything contained in the Act or in these Articles, a Depository shall be deemed to be the registered owner for the purpose of effecting transfer of ownership of Securities on behalf of a Beneficial Owner. Save as otherwise provided hereinabove, the Depository as a registered owner shall not have any voting rights or any other rights in respect of Securities held by it; and the Beneficial Owner shall be entitled to all the rights and benefits and be subject to all the liabilities in respect of its Securities held by a Depository.
<b>"Beneficial Owner deemed as Absolute Owner"</b>	(8) Except as ordered by a Court of competent jurisdiction or as required by law, the Company shall be entitled to treat the person whose name appears as the Beneficial Owner of the Securities in the records of the Depository as the absolute owner thereof and accordingly the Company shall not be bound to recognise any benami trust or equitable, contingent, future or partial interest in any Security or (except only as is by these Articles otherwise expressly provided) any right in respect of a Security other than an absolute right thereto, in accordance with these Articles on the part of any other person whether or not it shall have express or implied notice thereof.
<b>"Service of Documents"</b>	(9) Notwithstanding anything contained in the Act or these Articles, where Securities are held by a Depository, the records of the beneficial ownership may be served by such Depository on the Company by means of electronic mode or by delivery of floppies or discs.
<b>"Transfer of Securities"</b>	(10) Nothing contained in Section 108 of the Act or these Articles shall apply to a transfer of Securities effected by a transferor and transferee both of whom are entered as Beneficial Owners in the records of a Depository.
<b>"Investments in the name of a Depository"</b>	(11) Notwithstanding anything contained in the Act or in these Articles, the Company can hold investments in the name of a Depository when such investments are in the form of Securities held by the Company as a Beneficial Owner.

(iv) Article 12 of the AOA shall be substituted by the following Article:

"The Company shall cause to be kept a Register and Index of Members in accordance with Sections 150 and 151 of the Act and the Depositories Act, 1996 with details of Shares held in material and dematerialised forms in any media as may be permitted by law including in any form of electronic media. The Register and Index of Beneficial Owners maintained by a Depository under Section 11 of the Depositories Act, 1996 shall be deemed to be the Register and Index of Members for the purpose of the Act. The Company shall have the power to keep in any state or country outside India a branch Register of Members resident in that state or country."

In Article 22(a) of the AOA, the following proviso shall be inserted:

"Provided however, no share certificate(s) shall be issued for shares held by a Depository."

Article 55 of the AOA shall be substituted by the following Article:

"The Company shall maintain a "Register of Transfers" and therein shall be fairly and distinctly entered particulars of every transfer or transmission of any Share held in material form."

Article 78 of the AOA shall be substituted by the following Article:

"The Company shall, if at anytime it issues Debentures, keep a Register and Index of Debenture holders in accordance with Section 152 of the Act and Depositories Act, 1996. The Register and Index of Beneficial Owners maintained by a Depository under Section 11 of the Depositories Act, 1996 shall be deemed to be the Register and Index of Debenture holders for the purpose of the Act. The Company shall have the power to keep in any state or country outside India a branch Register of Debenture holders residing in that state or country."



B. The following Article shall be inserted as Article 5A of the AOA:

**"Issue of Shares without voting rights"**

5A "Notwithstanding anything contained in these Articles of Association, the Board of Directors may issue Shares without voting rights attached to them upon such terms and conditions and with such rights and privileges annexed thereto as they may deem fit and as may be permitted by law".

C. The following Article shall be inserted as Article 27A of the AOA:

**"Buy Back of Shares"**

27A "Notwithstanding anything contained in these Articles, the Company shall be entitled to purchase or buy back the Shares and other Securities issued by the Company from the holders thereof (including employees of the Company) from the open market or otherwise and in market lots or lots smaller than market lots, from the free reserves of the Company and/or from the proceeds of any issue made by the Company specifically for the purpose and/or from such other sources as may be permitted by law, on such terms, conditions and in such manner as may be permitted by law from time to time."

D. Article 173 of the AOA shall be amended by the insertion of the words "or by electronic transfer of funds to the bank account" after the words "cheque or warrants, sent through the post to the registered address" appearing in the first sentence thereof.

RESOLVED FURTHER THAT the Board of Directors be and is hereby authorised to do all such acts, deeds, matters and things and deal with all such matters and take all such steps in this regard as it may, in its absolute discretion, deem necessary, fit or proper to effectively implement this Resolution."

**NOTES:**

1. The relative Explanatory Statement pursuant to Section 173 of the Companies Act, 1956 in respect of Items 5 to 11 of Special Business is annexed hereto.
2. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER OF THE COMPANY.  
The Proxy duly completed and signed must be deposited at the Registered Office of the Company not less than 48 hours before the Meeting.
3. Members (Beneficiaries) holding shares in dematerialized 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.
4. In compliance with Sections 205A & 205C of the Companies Act, 1956, unclaimed dividend for the year ended 1997 has been transferred to the "Investor Education and Protection Fund" established by the Central Government. Members shall not be able to register their claim in respect of their unencashed Dividend with regard to the said dividend. Members are requested to contact the Company's Registrars and Transfer Agents, in respect of their outstanding dividends for the succeeding years.

By order of the Board of Directors

K. SUBHARAMAN  
Company Secretary

Mumbai, February 24, 2005

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

## Explanatory Statement pursuant to Section 173 of the Companies Act, 1956.

### Item No. 5

The Securities and Exchange Board of India has issued a circular to all the Stock Exchanges advising them to amend the Listing Agreement by inserting the revised clause 49 relating to corporate governance requirements to be fulfilled by the Companies. The Stock Exchanges have accordingly amended the Listing Agreement with the Company. The said amendment in the Listing Agreement is effective from 1st April 2005. One of the requirements stipulated under the revised clause is that all the fees/compensation payable to Non-Executive Directors, including the Independent Directors, shall be fixed by the Board of Directors and shall require previous approval of the members in General Meeting.

At present, the Company is paying to each of its Directors, resident in India, who are not in the Company's whole-time employment, a sitting fees of Rs. 10,000/- for each of the meeting of the Board of Directors or Committee(s) thereof attended by them.

In addition, pursuant to Section 309 of the Companies Act, 1956, the Company is paying a commission not exceeding in the aggregate, 1% of the net profits of the Company subject to a maximum limit of Rs. 20 Lakhs per annum to the aforesaid Directors in terms of approval granted by the members of the Company for payment of commission at the 53rd Annual General Meeting of the Company held on April 29, 2004.

In view of the revised clause 49 of the Listing Agreement, the approval of members is requested for the payment of sitting fees to each of the Directors of the Company, resident in India, who are not in the Company's whole-time employment. The Directors recommend adoption of the Ordinary Resolution at Item No. 5.

Messrs. R.A. Shah and Pradip Shah who are resident Indian Non-Executive Directors of the Company may be deemed to be concerned or interested in this Resolution as it concerns them. None of the other Directors of the Company are interested or concerned in the passing of this Resolution.

### Item Nos. 6 & 7

Mr. Kewal Handa was appointed on February 26, 2003 as a Director in casual vacancy caused by the resignation of Mr. Robert Norton. He holds office till the date of this Annual General Meeting.

A notice under Section 257 of the Companies Act, 1956 has been received from a shareholder along with the deposit of Rs. 500/- proposing the appointment of Mr. Kewal Handa as a Director.

Mr. Handa is 53 years old and is a Member of the Institute of Cost and Works Accountants of India and also a Member of the Institute of Company Secretaries of India. He holds a Masters Degree in Commerce from Sydenham College, Mumbai. He joined the Company in June 1990 as Controller in MIS-Taxation and was promoted as Financial Controller in August, 1991. Further, he moved to head the Animal Health Division in December, 1994.

Mr. Handa has been the Executive Director of the Company heading the Finance Division from December 16, 1996 onwards. Mr. Handa is also a Member of the Shareholders' Grievance Committee of Pfizer Ltd.

Mr. Handa is a visiting faculty at Narsee Monjee Institute of Management Studies and also an International Trainer of the Indian Junior Chamber. He is also a regular speaker in various forums and is President of the Bombay Management Association. He is the Chairman of the Pricing Committee of the Organisation of Pharmaceutical Producers of India (OPPI). He is also a Committee Member in the Confederation of Indian Industry and Bombay Chambers of Commerce. He has completed the Pfizer Leadership Development Programme from Harvard University. He has also completed a course on Marketing Strategy from Columbia Business School and the Senior Management Development Programme from IIM Ahmedabad.

Mr. Handa was recently awarded the "India CFO 2004-Excellence in Finance in MNC" by the International Market Assessment Group.

Details of his other Directorships and Memberships in Committee are given below:

Name of the Company	Designation	Committee	Member/Chairman
Alfa Laval (India) Ltd.	Director	1	1/0
Organisation of Pharmaceutical Producers of India	Director	NIL	NIL
Duchem Laboratories Ltd.	Chairman	NIL	NIL

The Board recommends these Resolutions for the approval of the members.

The given particulars of his appointment and remuneration as stated in Item No. 7 above, may be treated as an Abstract pursuant to Section 302 of the Act.

None of the Directors except Mr. Handa is concerned or interested in this resolution except as a member, if any, of the Company.

### Item Nos. 8 & 9

Dr. Bomi M. Gagrat was appointed on February 26, 2003 as a Director in casual vacancy caused by the resignation of Mr. James Hilboldt. He holds office till the date of this Annual General Meeting.

A notice under Section 257 of the Companies Act, 1956 has been received from a shareholder along with the deposit of Rs. 500/- proposing the appointment of Dr. Bomi M. Gagrat as a Director.

Dr. Gagrat holds a Masters Degree in Science and a Ph.D in Science from the University of Mumbai. He has published scientific papers in Bio-medical Sciences in International Journals of repute. In addition, he holds a Post Graduate Diploma in Operations Management from the Jamnalal Bajaj Institute of Management in Mumbai. He has completed a variety of Pfizer Training Programmes including the "Pfizer Leadership Development" programme in conjunction with the Harvard Business School. He is an active member on the Committees of OPPI.

Dr. Bomi M. Gagrat is 58 years old and is on the Pfizer India Board for the last 7 years. Prior to joining Pfizer, Dr. Gagrat held a variety of positions of increasing responsibility in pharmaceutical manufacturing.

Dr. Gagrat joined Pfizer in 1989 as Plant Manager at Thane Plant and subsequently was appointed as General Manager in 1994. In December 1996, he was named Vice President of the Animal Health Division in India.

Effective December 2002, Dr. Bomi M. Gagrat, Executive Director, Pharmaceuticals assumed the responsibilities of Executive Director, Pfizer Global Manufacturing for the technical and manufacturing operations in India.

Details of his other Directorships and Memberships in Committee are given below:

Name of the Company	Designation	Committee	Member/Chairman
Duchem Laboratories Ltd.	Director	NIL	NIL

The Board recommends these Resolutions for the approval of the members.

The given particulars of his appointment and remuneration as stated in Item No. 9 above, may be treated as an Abstract pursuant to Section 302 of the Act.

None of the Directors except Dr. Bomi M. Gagrat is concerned or interested in this Resolution, except as a member, if any, of the Company.

#### Item No. 10

At the 53rd Annual General Meeting of the Company held on April 29, 2004, the shareholders had accorded their consent by Special Resolution for keeping the Register of Members and Index of Members and copies of all Annual Returns prepared by the Company under Section 159 of the Companies Act, 1956 (the Act), together with copies of certificates and documents required by the Act to be annexed thereto at the office of its Registrar and Transfer Agents, Tata Consultancy Services, at Park West II, Raheja Estate, Kulupwadi Road, Borivli (East), Mumbai 400 066.

The Company has decided to appoint Karvy Computershare Pvt. Ltd. having its office at 7, Andheri Industrial Estate, Off Veera Desai Road, Andheri (W), Mumbai 400 053, as Registrars and Transfer Agents with effect from April 1, 2005. Approval of the members is being sought pursuant to Section 163 of the Act, to the keeping of the Register of Members and Index of Members and copies of all Annual Returns prepared by the Company under Section 159 of the Companies Act, 1956 (the Act), together with copies of certificates and documents required by the Act to be annexed thereto under Section 161 of the Act, or any one or more of them at the aforesaid address with effect from April 1, 2005.

A copy of the Special Resolution set out in Item No. 10 of the Notice will be delivered to the Registrar of Companies, Maharashtra, Mumbai in advance.

None of the Directors are interested or concerned in this Resolution except as a member, if any, of the Company.

#### Item No. 11

- A. Consequent upon the passing of the Depositories Act, 1996 and the introduction of the Depository System, some of the provisions of the Companies Act, 1956 ("the Act") and of the Securities Contracts (Regulation) Act, 1956 relating to the issue, holding, transfer, transmission of shares and other securities have been amended to facilitate the implementation of the Depository System. Your Company had joined the Depository System and it is therefore proposed to suitably amend the Articles of Association of the Company ("the AOA"), as set out at Item No. 11A of the Resolution to reflect the aforementioned provisions as introduced/amended.
- B. At present the Act permits companies to issue shares without voting rights. It is proposed to insert a new Article 5A in the AOA as set out at Item No. 11B of the Resolution to permit the Company to issue shares without voting rights.
- C. Article 27 of the AOA prohibits the Company from buying its own shares. It is proposed to insert a new Article 27A in the AOA as set out at Item No. 11C of the Resolution to permit the Company to purchase its own shares or other Securities.
- D. Article 173 of the AOA, inter alia, provides that dividend may be paid by cheque or warrant sent through the post to the registered address of the members entitled to the dividend. It is proposed to amend the Article 173 as set out in Item No. 11D of the Resolution to include payment of dividend by way of electronic transfer of funds to the bank account of the Members entitled to the dividend in view of such facility being provided by banks at certain locations and the safety and convenience offered by such arrangement.

The Board recommends this Resolution for the approval of the Members.

A copy of the AOA of the Company together with the proposed alterations, is available for inspection by the Members of the Company at its Registered Office on any working day of the Company between 11.00 a.m. and 1.00 p.m. upto the date of the Meeting.

None of the Directors of the Company are concerned or interested in the said Resolution, except as a member, if any of the Company.

**By order of the Board of Directors**

**K. SUBHARAMAN**  
Company Secretary

*Mumbai, February 24, 2005*

*Registered Office:*

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



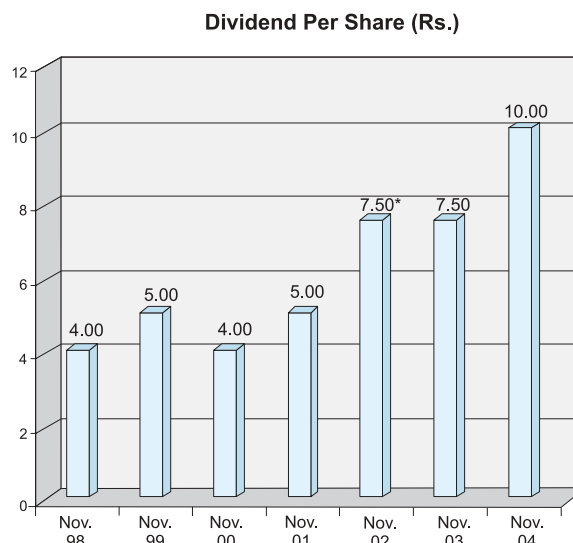
# DIRECTORS' REPORT including Management Discussion and Analysis Report

## TO THE MEMBERS

Your Directors have pleasure in presenting this 54th Annual Report together with the Audited Accounts for the year ended November 30, 2004. The Report reviews the Company's diversified operations covering Pharmaceutical and Animal Health Products.

## DIVIDEND

Your Directors are pleased to recommend a dividend of Rs. 10/- per share (100%) for the financial year ended November 30, 2004. The total amount of dividend for the year ended November 30, 2004 is Rs. 2984 Lakhs. The dividend, if approved, will be paid to those Members whose names appear in the Register of Members on the date of the ensuing Annual General Meeting. Under the Income Tax Act 1961, the receipt of dividend is tax-free in the hands of the shareholders. The tax on distributed profits, payable by the Company would amount to Rs. 390 Lakhs.



\* includes one-time special dividend of Rs. 2.50 per share.

## FINANCIAL RESULTS

Rupees in Lakhs

	Year ended 30th November, 2004	Year ended 30th November, 2003
Sales (Net of Excise Duty & Sales Tax)	55778	47464
Services	2517	2944
Profit Before Tax and Exceptional Items	9406	6305
Exceptional Items (Expenses)/Income	(1922)	(1673)
Profit Before Tax	7484	4632
Less: Taxation		
– Current Tax	2701	2080
– Deferred Tax (Credit)/Debit	231	(199)
Profit After Tax	4552	2751
Balance of Profit from Prior Years	18868	19411
<b>Surplus available for Appropriation:</b>	<b>23420</b>	<b>22162</b>
<b>Appropriations:</b>		
Transfer to General Reserve	460	300
Proposed Dividend	2984	2160
Tax on Dividend	390	277
Tax on Dividend for previous year	—	277
Balance carried to Balance Sheet	19586	19148
	<b>23420</b>	<b>22162</b>

The Financial Results for 2004 are not comparable with the results for 2003 as the figures for 2004 includes the results of the recently merged entity Pharmacia Healthcare Limited.

On a stand alone basis, sales of Pfizer Limited were Rs. 52798 Lakhs for the period ended November 30, 2004 as against Rs. 47464 Lakhs for the previous year showing an increase of 11.2%. The Profit Before

Tax of Pfizer Limited was Rs. 7833 Lakhs for the period ended November 30, 2004 as against Rs. 4632 Lakhs for the previous year showing an increase of 69.1%. The Profit After Tax of Pfizer Limited was Rs. 4950 Lakhs for the period ended November 30, 2004 as against Rs. 2751 Lakhs for the previous year showing an increase of 79.9%.

## AMALGAMATION

The Hon'ble High Court of Judicature at Bombay, vide its Order dated February 4, 2005 has approved the Scheme of Amalgamation between Pharmacia Healthcare Limited ("PHL") and its Members and Pfizer Limited and its Members. The Amalgamation has been effectuated by filing a copy of the said Order with the Registrar of Companies, Maharashtra, Mumbai on February 21, 2005. Accordingly, the shareholders of PHL will be allotted 1 (one) fully paid-up equity share of Rs. 10/- of your Company for every 5 (five) fully paid-up equity shares of Rs. 5/- each held by them in PHL as on the Record Date, i.e. March 14, 2005. As a consequence, the Paid-up Capital of your Company has increased by Rs.1.04 Crores to Rs. 29.84 Crores.

## CORPORATE

In compliance with Accounting Standard – No. 21, your Company has attached the Consolidated Statement of Accounts giving therein the consolidated Financial Statements relating to Pfizer Limited and Duchem Laboratories Limited.

## REVIEW OF OPERATIONS

### General:

The Indian pharmaceutical market, which is ranked fourth in the world in terms of volumes and thirteenth in terms of value, grew by 6.4% in 2004, to end at an impressive Rs. 20498 Crores. Growth was driven primarily by volumes (4.5%) and new launches (2.1%), while price declined by 0.2%. IMS Market Prognosis predicts growth at a CAGR of 11.3% during the five-year period 2003-2008.

Local Pharma companies continued to dominate the market, launching 97% of the 2180 new brands in 2004. MNCs, on the other hand concentrated on fewer launches, aggressively marketing them through well-designed doctor education activities and patient support programs, virtually doubling the sales per brand.

Market trends indicate the transition of the Pharma Industry from predominant management of acute medical conditions to chronic therapy areas. Chronic segments (cardiovasculars, anti-depressants, anti-diabetics, etc.) are growing at 13%, as compared to the acute segment (anti-infectives, analgesics, antacids, etc.) growing at less than half this rate, at 5%. Other demographic trends such as the increasing aging population, urbanization and its impact on lifestyles, and the increase in the spending capacity of the nation's growing middle class inhabitants, indicates gradual evolution of a more health conscious society. The market is slowly shifting from a 'mass, high-volume, low-price' entity, to a 'highly specialized, niche' market, and gaining importance of the specialist doctor segment.

Larger local Pharma companies are focusing on the highly profitable global generic business in developed markets, forging alliances with MNCs and also increasing focus on R&D activities. There has been an increased interest from global players to invest in India either directly or through collaborations in research, clinical trials, manufacturing activities and licensing opportunities. These factors, along with the introduction of the product patent regime will be the growth drivers of the industry, in years to come.

Several decisions taken by the Government in the past few months will have a considerable impact on the Pharmaceutical Industry. The

Government decided to meet the deadline fixed by TRIPS to comply with the recognition of product patents for Food, Drugs and Chemicals with effect from 1st January, 2005. The 3rd Amendment to the Patents Act that was effected by way of an Ordinance, will have to be ratified by Parliament during the coming Parliament April session.

Another very important change will be the introduction of VAT with effect from 1st April, 2005. This is a welcome measure which will lead to avoidance of multiple taxation. It is yet to be seen how smoothly this will be implemented as some States have already lodged protests.

The announcement of the much-awaited new Drug (Prices Control) Order (DPCO) has been delayed further, on account of legal issues. The new DPCO and National Health Policy are expected to encourage more domestic and foreign investment in new drug research.

## BUSINESS SEGMENT : PHARMACEUTICALS DIVISION

### Performance 2004

The revenue of your Company's Pharmaceuticals Division at Rs. 504 Crores (Previous Year Rs. 432 Crores) grew strongly by 16.7%. In spite of the voluntary recall of two major brands (Gelusil and Listerine) as well as short supply of some other Consumer Health division brands due to a change in manufacturing locations during the year, your company was able to exceed the pharmaceutical market growth of 6.4%. This achievement was made possible through a combined effort of our sales, marketing and medical colleagues, who focused on key brands and differentiated them from competitors, through scientific detailing and value added programs aimed at building strong customer loyalty. Your Company was rewarded in our endeavor by being ranked the #1 company among all MNCs and #4 among all other pharmaceutical Companies in Business World's 'Most Respected Indian Companies – 2004'; in fact, your Company improved its overall ranking as compared to 2003, by one place.

### Key Brands Performance

Corex and Becosules, your Company's premier brands, continued to be ranked among the top 10 industry brands for the 10th straight year – in fact Corex claimed the top slot for the fourth successive year; besides this, Dolonex, Benadryl CF and Gelusil MPS had the distinction of being ranked among the industry's top 100 brands.

### BRAND LEADERSHIP

Brand	Therapeutic Segment	Rank	% Share	Number of Competitors
COREX	Cough Preparations	1	13.5	675
BECOSULES	Vitamin B Complex	1	24.7	191
GELUSIL MPS	Antacids/Antiflatulents	2	12.5	185
BENADRYL	Cough Preparations	3	3.3	675
DOLONEX	Anti-Rheumatic Non-Steroidal Drugs	4	3.8	981
MAGNEX	Injectable Cephalosporins	5	4.4	222
MINIPRESS XL	Cardiovasculars	6	1.9	756

Source: IMS MAT November 2004.

## Marketing and Medical Initiatives

Your Company's endeavor has been to share the latest developments in the field of medicine with the medical profession and emerge as the preferred partner. As a part of this strategy, a series of marketing programs and activities based on sound medical rationale were cascaded across customer groups, to reinforce your company's 'high science' image and achieve prescription leadership, for our key brands.

The Prime MD Today program which was rolled out to ~ 5000 primary care physicians in over 180 cities, helped improve the diagnostic skills of these doctors in the area of depression, and thereby expand the market. This program won for your Company the prestigious '2004 Golden Peacock Innovative Product/Service' award for our antidepressant Daxid.

Our focus has always been to capitalize on our cardiovascular portfolio and leverage it as an engine for future growth. Several meetings with India's leading nephrologists were held by your Company, to develop new modalities for management of patients suffering from renal hypertension, as a part of the Cardio Renal Cascade program.

In yet another demonstration of innovative and strategic thinking, your Company rolled out 'Healthy Heart', a Cardiovascular Disease Management program, in a strategic alliance with Apollo Hospitals, Hyderabad. 'Healthy Heart' is aimed at providing quality healthcare to patients based on international guidelines, and offers not only personalized treatment but also emphasizes on parameters such as compliance to treatment, access to hospital facilities, subsidized medicines, exclusive counseling through call center facilities and standard guidance on lifestyle and dietary modifications. The program is currently in its pilot phase and will expand across India over the next three years.

The findings of the post marketing surveillance study for Magnex were communicated through three video conferences involving over 500 Key Opinion Leaders in 12 cities, and then further cascaded down to ~ 4600 doctors across India, in an effort to generate a debate on antibiotic usage in seriously ill patients and encourage sharing of clinical experiences. We hope that this endeavor will help save lives of patients afflicted with serious infections.

The Consumer Health division utilized a novel medium to promote its OTC brands, Benadryl CF and Gelusil MPS, and ensure that they become established household names. Your Company sponsored 'Dr. Didi' a health and fitness related talk show on Radio City (a popular FM channel) in four metros. The program was highly appreciated and won an avid listenership. Besides this, the Gelusil advertisement, which was extensively featured on television, was rated by Economic Times Brand Equity as one of the best ads in 2004, for its creative content and humorous execution.

## Field Force Initiatives

Optima II, an improved version of the existing web based field force automation tool was successfully deployed across the entire sales organization. Additional strategic features such as work-flow automation, competitor activity tracking, product detailing matrix and data warehouse combined with operational updates such as a daily organizer, e-mail, notice boards, incentive calculator etc. makes this one of most versatile and powerful tools in the hands of your

Company's field force. The entire sales organization operates in a highly IT enabled work environment.

After conducting a pilot in two locations in 2003, 'Project Target' was successfully rolled out across all sales divisions, culminating in the generation of a new customer database. This database, which resides on a central repository and can be assessed through a sophisticated query based software, will help to significantly enhance the selling capabilities of your Company's field force, enabling them to select the right customer for the right product, improve the quality of calls and significantly boost the likelihood of converting a customer's interest in your Company's product into actual prescription.

To augment the selling efforts of the field force, your company entered into an alliance with Sanofi Synthelabo, for co-promotion of Daxid to psychiatrists, neurologists and neuro-physicians. This partnership, which leverages varying expertise of the two companies to build synergies at different customer specialties, has been rewarding for both parties and will continue.

## Training and Development

Several workshops were designed and conducted throughout the year to develop and strengthen the detailing capabilities of your company's field force. These sessions touched upon various facets of the sales colleague's profile such as product knowledge, selling and merchandising skills, and use of clinical reprints, thus ensuring that they were well equipped to stand out among competitors and successfully project your Company's high science image to customers. Innovative, high quality programs to develop managerial competencies in first line and second line managers were also rolled out at regular intervals, during the year.

New technology tools were leveraged to enhance the quality and impact of Training and Development programs. 'OPTILEARN', a path-breaking web based e-learning initiative, was launched for the entire field force. The tool designed in-house, has been customized to strengthen product knowledge and selling skills of the sales force, and thereby provide opportunities for enhancing their productivity, in the market place.

## Way Ahead

The Indian Pharmaceutical Industry is on the threshold of a new era with the introduction of the patent regime, albeit through a presidential ordinance. In this scenario, the year 2005 should herald the beginning of significant changes in the industry, which are likely to impact the manner in which we work and generate business. Your Company has decided to implement a new business structure that will help it achieve global alignment by launching new products, gain leadership in core therapy areas by building a high science image, and in the process accelerate its profitability and growth. The first initiative in this direction was the establishment of a New Products Planning Team, tasked with accelerating the launch of new products. The next step towards achieving this strategy will be the realignment of the Pharmaceuticals Sales Force into smaller therapy focused teams, which will enable your Company going forward, to optimize efficiency and ensure that equal focus is directed to new launches as well as to the mature product portfolio.

The Consumer Health Division of your Company is also looking at aggressively promoting their brands through a combination of media



advertising and below the line merchandising activities, as well as augmenting their portfolio with new launches, both line extensions and global brands.

## BUSINESS SEGMENT : ANIMAL HEALTH DIVISION

### Animal Health Business

The Animal Health Industry in India is estimated at Rs. 792 Crores. The Dairy and Poultry segment accounts for 90% while the balance is shared by Companion, Equine and Swine segments.

Pfizer animal health revenues were at Rs. 58.5 Crores in 2004, reflecting a growth of 9.4%. A decline in poultry business, which was driven partly by the bird flu in the first half of 2004 pulled down the growth registered in the other segments.

There is no structured market audit available for the Animal Health market in India and consequently we depend upon industry reports and other secondary sources for our estimates. In the recent past, the Animal Health Industry in India has witnessed a lot of consolidation. Despite several mergers and acquisitions, an assessment based on total sales of different companies indicates that we would be among the top four.

The overall growth in the Animal Health market has been negligible & industry sources put it at around 3 – 5%.

### Cattle Industry

India has the largest population of cattle in the world and continues to hold its position as the highest producer of milk in the world. The total population of 96 M milch animals, which comprises of cows and buffalos, is mostly backyard farming, with an average of 2-3 litres productivity per animal per day. Currently, farmers have low awareness levels about productivity per animal, herd health management, genetic improvement etc.

The Dairy market is now witnessing a gradual shift from backyard to organized farming, with increased holding per farm and greater awareness of productivity and management practices. These farms have an average of 50 to 300 milk-producing animals, with an output of 7-8 litres per animal.

The main challenges faced by this business are the intermittent monsoon rain, customer access, price and excessive dependence on the agrarian economy. In spite of these challenges the Dairy business grew at 12% in 2004 and is likely to continue to grow at the same rate this year.

### Poultry Business

The Indian poultry market is more organized than the cattle industry with an annual rate of growth of 8% for layers and 15% for broilers. India is the fourth largest producer of eggs and eighth largest producer of broilers chicks in the world. However the per capita consumption of 37 eggs and poultry meat only 1.4 kg annually underscores the growth potential for this business.

There is a distinct shift from stand-alone farming to large-scale integration with a focus on improving quality at various levels of production, processing and preservation. Vertical integration upto the retail level by some entrepreneurs in south India has led to affordable meat prices for consumers by eliminating intermediaries.

### Companion Animal Business

The Companion Animal market is at a nascent stage but is growing at 19% per annum.

The CA market is estimated to be about Rs. 35 Crores with a predominantly canine population. Cat population, though currently negligible, is likely to grow at a fast pace in the future.

## BUSINESS SEGMENT : RESEARCH & DEVELOPMENT

### Development Operations (Biometrics)

The Development Operations (Dev Ops) division of Pfizer Global Research and Development (PGRD) in India carries out Clinical Data Management as well as Statistics and Reporting (Biometrics) activities.

The group contributes to several PGRD projects in the areas of CRF and database design, data capture, data management, statistics and programming and clinical communication. The division also contains an Informatics group and belongs to the Development Operations organization in Europe.

Dev Ops colleagues continue to provide support to the global Azithromycin-malaria program and are also supporting other drug projects such as Voriconazole, Sildenafil, Exubera, Varenicline, Lasofofene, Capravirine and several new compounds across many therapeutic areas.

The Dev Ops division continues to be a leader in its efforts to enhance clinical research awareness in India through several means, but specifically through developing and contributing to the Post-graduate Diploma in Clinical Research offered by the Academy for Clinical Excellence (ACE), a Pfizer initiative.

## OPPORTUNITIES, THREATS & CONCERNS

The pharmaceutical industry in the country saw a single digit growth rate of 6.4% (ORG-MAT DEC., 04) last year. This is fourth consecutive year single digit growth posted by the Industry despite a robust growth in the economy @ 8.5% in 2003-2004. The domestic pharma companies were in a consolidation phase and launched several new products. This was driven by their belief that these products would become inaccessible post 1/1/2005, after which date product patents in pharmaceuticals would be recognised. Many domestic generic companies made huge investments in Research and Development and manufacturing. Few major Indian companies also increased their presence in the international generic market. Overall, the market saw significant expansion in various therapeutic segments, particularly segments catering to life style diseases such as cardiovascular, psychiatry and diabetes.

Nearly 65% population of the country does not enjoy comprehensive access to quality healthcare. Per capita consumption of drugs in India is one of the lowest in the world.

Private Sector in Healthcare infrastructure has grown significantly and India is becoming the healthcare destination for affordable and quality healthcare. India has exceptional advantage in Pharmaceuticals and Biotechnology due to its top class human resources. Consequently, the country has the potential to become an attractive destination for outsourcing in drug discovery and clinical research.

Research based companies like Pfizer will certainly introduce research based products in the country at reasonable prices, provided the Patent Law is further strengthened and protection of data submitted for approval is in place.

One more serious concern is the menace of spurious/counterfeit goods that causes damage to the reputation of pharmaceutical companies selling quality products. Merely amending the law without the adequate machinery to tackle the problem does not appear to be an appropriate solution.

## OUTLOOK

The economy grew by an unprecedented 8.5% in the year 2003-04. Against the backdrop of this growth, it is reasonable to be optimistic and expect a decent growth in pharmaceutical sector. The Company also foresees robust growth opportunities in the Animal Healthcare Business. Backed by its strong brand building capabilities and distribution network, your Company will be certainly open for marketing tie-ups with existing and new entrants in the Indian Pharmaceutical sector. As and when a full-fledged patent regime is in place, your Company will launch new products from Pfizer's research portfolio.

## HUMAN RESOURCES DIVISION

The key focus of the Human Resources Division for the year 2004 was on building internal capabilities.

The company's present employee strength is 2221.

Some key initiatives during the year were:

### Performance Management System:

The Performance Management System launched during the year under the brand name of 'Perform' has been well accepted and has been yielding good results. This has facilitated timely appraisals and in creating an overall Performance culture.

'Perform' has not only gained appreciation from colleagues within Pfizer but also from Pfizer markets across the globe.

The coming year will witness a Competency Development module as part of 'Perform'.

### People-soft:

Pfizer India joined other countries in the Pfizer community to launch Peoplesoft, a global ERP. IBM partnered in the implementation

process. This system has been linked to various applications to support HR and other Field processes.

### Talent Planning:

Talent Planning continues to be a critical area of focus. Key positions are being covered under the talent planning review. This includes identification of next line colleagues with potential for succession to critical positions and development.

### Organizational Effectiveness:

Internal Training programs are being organized regularly aimed to enrich colleague competence in their present job and also to prepare them for future roles. Also, key persons were nominated for high-level external programs in order to help build on their expertise. As part of career development program colleagues from Pfizer India were sent on secondments for overseas appointments.

Pfizer India was the first Company in our Region to roll out the Compliance Certification program. This aimed at guiding employees on appropriate conduct in an ever-changing business scenario. This rollout was done in partnership with the Corporate Compliance Group, New York.

In line with the Pfizer culture a series of open door policy training programs were conducted for all colleagues.

The Global colleague survey was launched to measure colleagues' perception on how our Core Values and Leader Behaviors are being practiced. This survey saw an encouraging response rate of 88% following which, a cross functional team was set up to rollout the action plans.

### Employee Relations:

Colleagues at Chandigarh plant separated under the Company's Voluntary Retirement Scheme.

Overall, a positive Industrial Relations climate prevails.

## INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

Your Company has maintained a proper and adequate system of internal controls. This is 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.

An extensive program of Management Assurance Services further supplements the Company's internal control systems. This is done by the Management Assurance Services, which is supported by an independent firm of Chartered Accountants. The management periodically reviews reports of internal auditors. Your Company has clearly laid down policies, guidelines and procedures that 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.

## PRODUCTION OPERATIONS

Pfizer has one formulation manufacturing unit at Thane. This facility produces non-sterile formulations of oral liquids, tablets and capsules. The manufacturing operations comes under Pfizer Global Manufacturing (PGM) Group.

PGM in India also has a pharmaceutical development role, as the demand for India specific formulations needs to be fulfilled on an ongoing basis. These formulations are developed as line extensions and new formulations at the Product Development Laboratory (PRD) at Thane Plant.

Key strengths of the plant include an emphasis on employee productivity and continuous efficiency improvements. Optimized inventories, short cycle times and consistently high customer service levels to the markets underscore the value of manufacturing to the business of the Company. Competitive strategic sourcing has reduced product costs with quality supplies.

PGM in India has consistently fared well in Quality and EHS audits. The Thane Plant continues to be accredited with ISO 14001 Certification from Det Norske Veritas. Safety, Health and Environment protection also continue to drive organizational efforts to fulfill responsibilities towards our employees and the community. The Thane facility was the first in Pfizer Asia to use a non-conventional source of energy viz. Bagasse in boilers. This resulted in a 25% reduction in particulate matter in the boiler exhaust.

The site is currently undergoing an upgrade in facility standards, which is being carried out in phases to ensure "Quality by Design". The upgrade of Finished Goods Warehouse is in progress and will be completed by this year end. Additionally, the upgrade of Quality Control Laboratories will also commence this year and be completed by end 2006.

The Company's Chandigarh Plant has stopped operations and will be sold off. Earlier, your Company had sold its Ankleshwar formulation Plant for a consideration of Rs. 450 Lakhs. The legacy Pharmacia Healthcare Ltd.'s Ankleshwar formulation Plant has also stopped operations and it is in the process of being disposed off. Also, the legacy Parke-Davis' Hyderabad facility which stopped operations in the year 2002 is also in the process of being disposed off.

## DUCHEM LABORATORIES LIMITED

The net sales of Duchem Laboratories Limited for the year ended November 30, 2004 amounted to Rs. 1011 Lakhs as against Rs. 1516 Lakhs for the previous year. It suffered a Net Loss of Rs. 93 Lakhs for the said year as against Net Loss of Rs. 382 Lakhs for the previous year.

## DIRECTORS

Mr. Kewal Handa, who was appointed in the casual vacancy caused by the resignation of Mr. R.W. Norton. In accordance with Section 262 of the Companies Act, 1956 Mr. Handa will hold office upto the date of the 54th Annual General Meeting. Mr. Handa's appointment and remuneration are being placed before the shareholders for their approval at the ensuing Annual General Meeting.

Dr. Bomi Gagrati, who was appointed in the casual vacancy caused by the resignation of Mr. James Hilboldt. In accordance with Section 262 of the Companies Act, 1956 Dr. Gagrati will hold office upto the date of the 54th Annual General Meeting. Dr. Gagrati's appointment and remuneration are being placed before the shareholders for their approval at the ensuing Annual General Meeting.

In accordance with the Articles of Association of the Company, Mr. R.A. Shah retires by rotation as Director at the ensuing Annual General Meeting and being eligible, offers himself for re-appointment.

## DIRECTORS' 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 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 November 30, 2004 on a going concern basis.

## CORPORATE GOVERNANCE

The Company has taken requisite steps to comply with the recommendations concerning the Corporate Governance. A certificate from the Auditors of the Company regarding compliance of conditions of Corporate Governance as stipulated under Clause 49 of the Listing Agreement as amended recently forms part of this Report.

A separate report on Corporate Governance forms part of this Annual Report.

## OTHER INFORMATION

As required by the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules 1988, information pertaining to Conservation of Energy, Technology Absorption and Exports is given as Annexure I to this Report.

The information required under Section 217(2A) of the Companies Act, 1956 read with the Rules framed thereunder is given in Annexure II to this Report.

## AUDITORS

The Auditors, M/s. BSR & Co., (formerly M/s. Bharat S. Raut & Co.) the Company's Auditors will retire at the conclusion of the ensuing Annual General Meeting. They have given their consent to continue to act as Auditors of the Company for the current year, if re-appointed.

## COST AUDITORS

Pursuant to the provisions of Section 233B of the Companies Act, 1956 necessary applications have been submitted to the Department of Company Affairs for the appointment of M/s. N.I. Mehta & Co. as Cost Auditors to audit the cost accounts maintained by the Company in respect of Formulations and Bulk Drugs for the year ending November 30, 2005.

## ACKNOWLEDGEMENTS

The Directors would like to place on record their sincere appreciation for the support and assistance extended by the Company's suppliers and business associates. The Directors are thankful to the esteemed shareholders for their continued support and the confidence reposed in the Company and its Management.

**For and on behalf of the Board of Directors**

**R.A. SHAH**  
*Chairman*

*Mumbai, February 24, 2005*



## Corporate Social Responsibility

*"We live where you live – And we want to make it a better place"*

Pfizer is dedicated to discovering and developing innovative medicines and making them available to people around the world. Our business is fundamentally about saving, improving and enhancing lives, and we believe that by being successful as a business we provide the greatest benefit to society.

Our commitment to being an exemplary corporate citizen is reflected in our extensive efforts to improve access to healthcare, which is the core focus of our philanthropic initiatives. Through our support of health initiatives, and by the generosity and compassion of our employees, we strive to make the community that we operate in, a better place to live and work.

During the year 2004, your company has supported several commendable healthcare projects across India.

### **Mother and Child Healthcare Project in rural Haryana**

Since June 2002, Pfizer has been supporting the Arpana Research & Charities Trust, in rural Haryana, for a three-year term, with the objective of conducting an effective Mother and Child Primary Health Care initiative to reduce anaemia in pregnant women and adolescent girls.

The project covers 35 villages in and around Karnal district, Haryana, and a population of approximately 60,000 persons.

The program targets the reduction of anaemia in pregnant women, adolescent girls, and those with diseases linked to anaemia. It also promotes community health covering diarrhoea management, antenatal care, child nutrition, immunisation etc.

### **'Nae Nigah' (New Vision) Program**

Pfizer funded the 'Nae Nigah' Program through HelpAge India which conducted 2500 free cataract surgeries during 2004-05. The 'Nae Nigah' Program aims to empower the infirm elderly, by restoring their independence and dignity thus enabling them to continue earning their livelihood with renewed vision. Our funding covers the cost of awareness programs, surgeries, intra-ocular implants, medicines, food, spectacles, stay and post operative care.

Free screening camps for senior citizens are held in different states across India. Patients identified with operable cataract are then referred to pre-identified base hospitals where the cataract surgeries are conducted by a team of competent eye surgeons, paramedical staff and dedicated volunteers who assist in providing supportive services to the project beneficiaries from peripheral villages of base hospitals.

### **MOBILE HOME CARE TEAM**

Pfizer has partnered with Cansupport to deliver palliative care and support to persons living with advanced cancer. During 2004, Pfizer funded a home care team comprising a doctor, a nurse, a nursing assistant, a counselor, an office assistant and a driver.

Pfizer's contribution covers the cost of salaries, the vehicle, homecare expenses, medicines and overheads.

The mobile unit delivers free palliative care services to cancer patients in the city of Delhi. They offer the patient relief from pain and other distressing symptoms, nursing care and advice to enable them to make informed choices.

### **Multiple Sclerosis Society of India (MSSI)**

Pfizer supports and works closely with the Multiple Sclerosis Society of India.

Pfizer helps facilitate Patient Support Groups like MSSI by providing financial assistance, product donations in the form of vitamin supplements, as well as organizational assistance.

Pfizer supports the annual Multiple Sclerosis (MS) Walk to create awareness about the disease in India and to raise money for MSSI to aid and assist MS patients.

### **The Sabera Girls Home, Kolkata**

The Sabera Girls Home shelters children from poverty-stricken backgrounds, who have been rescued from the streets. These children are provided with food, shelter and formal education. Sabera also conducts vocational therapy through music, dance, sewing etc. Currently, there are 160 children in the age group of 6 months to 16 years who live at this Home.

Pfizer India supports the healthcare needs of these 160 children.

### **Tsunami Relief Activities**

The devastating tsunami that struck the coastlines of south-east India left a deadly trail of death and devastation in its wake.

In an incredible way, Pfizer within Asia, as well as in New York responded with speed and an overwhelming sense of humanity to demonstrate 'Life is our life's work'.

Since the tsunami hit, Pfizer has provided over \$ 60 million in cash and product donations to relief organizations operating in the tsunami-hit regions, and an additional \$ 1.5 million in individual employee and company-matching donations. Pfizer is also partnering with the United Nations where Pfizer experts in supply-chain management have been sent to the affected areas to support the critical United Nations-led relief efforts.

Pfizer India's contribution amounted to nearly Rs. 32,00,000. But beyond the money, it was the garnering of resources, the innovative use of technology and the teamwork that made the tsunami relief project a unique experience. Pfizer contributed in ways that truly mattered giving of its greatest asset - the skills of its people.

All employees spontaneously volunteered donations from their salaries, which were matched by an equal contribution from the company.

These funds were immediately sent to NGOs like the Indian Red Cross Society, World Vision India, and HelpAge to facilitate the emergency relief operations in the affected areas.

Through our NGO partners, camps were set up for villagers along the worst-hit coastal regions. Pfizer's drugs were made readily available, both through NGOs and the government health posts. Emergency supplies of tents, blankets, daily rations of food and other provisions were sponsored by Pfizer.

Pfizer Inc.'s CEO & Chairman, Dr. Henry McKinnell visited some of the tsunami hit countries where he and a delegation of Pfizer leaders met with colleagues, relief workers and government officials. Their goal was to assess progress in the relief efforts, express gratitude and condolences to Pfizer colleagues and draw the attention of the broader business community to the long-term needs in the region.

## Annexure I to 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) Installation of Auto Blowdown system for Boiler.
  - (ii) Installation of Sonic Soot Blower for Boiler.
- (b) Additional proposals or activities if any
- (i) Use of energy efficient fuel for Boiler.
  - (ii) Utilisation of purified water from washing machines for Boiler infeed.
- (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 & Fuel Consumption

		Current Year 1.12.2003 to 30.11.2004		Previous Year 1.12.2002 to 30.11.2003
1. Electricity				
(a) Purchased Units (000's)	KWH	8554	KWH	13178
Total Amount (000's)	Rs.	34989	Rs.	51845
Rate/Unit	Rs.	4.09	Rs.	3.93
(b) Own Generation				
(i) Through Diesel Generator (000's)	KWH	25	KWH	146
Units/Litre of LDO	KWH	2.02	KWH	2.35
Marginal Cost/Unit	Rs.	5.67	Rs.	6.12
(Considering only LDO price)				
(ii) Through Steam Turbine/Generator	—	—	—	—
2. Coal	—	—	—	—

		Current Year 1.12.2003 to 30.11.2004		Previous Year 1.12.2002 to 30.11.2003	
3.	(a) Furnace Oil & LSHS Quantity	KL	2026	KL	2642
	Total Amount (000's)	Rs.	28583	Rs.	35057
	Avg. Rate per KL	Rs.	14108.09	Rs.	13269.11
	(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:**

		<u>Standard</u>
Electricity (Units)	}	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 & injectibles).
Furnace Oil (Litres)		
Coal		Nil

## B. Technology Absorption:

### FORM B

#### DISCLOSURE OF PARTICULARS WITH REGARD TO ABSORPTION RESEARCH AND DEVELOPMENT (R&D)

- 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.
- Benefits derived as a result of the above R&D.
  - Product improvements, process development, import substitution, standardization of quality control of bulk drugs and formulations.
  - New application for drugs researched abroad, better dosage recommendations and improvements.
- Future plan of action:
  - Import substitution and resolving process problems encountered in basic chemical and fermentation manufacturing for quality and productivity.
  - Optimization of process parameters with emphasis on cost control and rationalization.
  - Studying feasibility of using new manufacturing technology in existing dosage forms.
  - Development of new dosage formulations, pharmaceutical and Animal Health.
- Expenditure on R&D
 

	Rs. In Lakhs
(i) Capital	Nil
(ii) Revenue	2351.04
(iii) Total	2351.04
(iv) Total R&D expenditure as percentage of total turnover	4.22%

## 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 - Azithromycin	1997-1998	Being absorbed
Dihydrate 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 were Rs. 2405.05 lakhs.
  - (b) The foreign exchange expenditure (which includes import of raw materials, spares and remittance of dividends etc.) was Rs. 4756.32 lakhs.

For and on behalf of the Board of Directors

R.A. SHAH  
Chairman

Mumbai, February 24, 2005



## Annexure II to the Directors' Report

Information as per Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 and forming part of the Directors' Report for the year ended November 30, 2004.

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/- per annum.

Sr. No.	NAME	DESIGNATION AND NATURE OF DUTIES	QUALIFICATIONS	DATE OF EMPLOYMENT	EXP YRS	GROSS REMUN	AGE	LAST EMPLOYMENT
1.	Mr. K. G. Ananthkrishnan	Senior Director, Pharmaceuticals	B.Sc. MMM, Jamnalal Bajaj	1/Jun/2003	29	5,447,152	49	Vice President, Marketing & Sales Pharmacia India Pvt. Ltd.
2.	Dr. B. M. Gagrath	Executive Director, Technical Operations (PGM).	M.Sc., Ph.D., Diploma in Operations Management	2/May/1989	29	4,443,908	58	Factory Manager Indo-Pharma Pharmaceutical Works Limited
3.	Mr. Arun O. Gupta	Senior Director, Business Technology	B.Sc., Post Graduate in Software Technology.	26/Aug/2002	19	3,451,578	42	Vice President - Information Technology Hughes Telecom (India) Limited
4.	Mr. Kewal Handa	Executive Director, Finance	M.Com., A.I.C.W.A. A.C.S.	18/Jun/1990	30	5,065,762	53	Secretary & Financial Controller Schrader Scovill Duncan Limited
5.	Mr. S. Madhok	Senior Director, Animal Health	B.Sc.	20/Dec/1976	34	2,634,835	52	Medical Representative Alembic Chemical Works
6.	Mr. Virendra Mahurkar	Director, Strategy and Business Development	M.Sc. In Economic History (London School of Economics) M.B.A. - Finance	1/Jul/2002	14	3,404,765	36	Director Ambit Corporate Finance
7.	Dr. Shoibal Mukherjee	Senior Director, Medical	MD Pharmacology DM, Clinical Pharmacology	19/Jul/1990	22	2,855,303	44	Medical Executive Alembic Chemical Works Co. Ltd,
8.	Mr. Subbaraman Ramkrishna	Senior Director, Corporate Affairs	Diploma Business Management/ Marketing, Journalism PR, B.A.(Honours)	23/Feb/1998	27	2,908,643	49	President-Corporate Affairs & HRD Modern Group, Mumbai
9.	Mr. Hocine Sidi Said	Managing Director	Baccalaureate (Economics), Bachelor of Business Administration.	1/Jan/2001	18	4,588,825	39	Country Manager, Pfizer, Denmark
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							
1.	Mr. A. Anjeneyan	Director, Corporate Services and Company Secretary.	B.Com., ACS CAIIB	1/Oct/1992	27	1,224,632	48	Company Secretary Hindustan Dyestuff Industries Ltd.
2.	Mr. Yugesh Goutam	Senior Director, Employee Resources	B.Com., MBA - Personnel & I. R.	1/Mar/2004	17	2,984,281	40	Vice President - Human Resource Reliance Industries Limited
3.	Ms. Dipali Talwar	Director, Legal Services and General Counsel.	L.L.M., Harvard Law School, B.A., L.L.B.(Hons).	6/Sep/2004	14	589,833	35	Managing Partner, Talwar & Associates
4.	Mr. Harold Walder	Senior Director, Employee Resources	B.A., D.B.M., Dip. In H.R.M.	23/Oct/1998	39	3,098,920	60	Group General Manager (HRD), Greaves 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.

For and on behalf of the Board of Directors

R.A. SHAH  
Chairman



Mumbai, February 24, 2005

# Report on Corporate Governance

## Pfizer's Philosophy on code of Corporate Governance

Corporate Governance at Pfizer is not just the adherence to mandatory rules and guidelines. It lies in observing the spirit behind the letter.

Pfizer's mission to become the world's most valued Company to patients, customers, colleagues, investors, business partners and the community where it works and operates is enshrined in 9 core values which the Company follows sacrosanctly. These are Integrity, Respect for people, Customer Focus, Community, Innovation, Teamwork, Performance, Leadership and Quality. Pfizer has conducted its business throughout the world strictly adhering to the aforesaid 9 core values.

This approach has helped the Company earn the trust of all its stakeholders over its long history.

## Board of Directors

### (a) Composition of the Board of Directors

The Company is fully compliant with both the old and revised Corporate Governance Norms in terms of constitution of the Board with a good combination of Executive and Non-Executive Directors. The Board comprises of 3 Non-Executive Directors out of the total strength of 6 Directors as on date. Out of the 3 Non-Executive Directors, 2 are Independent Directors. The Chairman of the Board is a Non-Executive Independent Director. The Board at Pfizer represents the optimum mix of professionalism, knowledge and experience. The table set below will explain the details.

Name	Category of Directorship*	No. of other Directorship held	Committees of which Member	Committees of which Chairman
Mr. R.A. Shah (Chairman)	NED (I)	14	5	2
Mr. Hocine Sidi Said (Managing Director)	WTD	1	Nil	Nil
Mr. Kewal Handa	WTD	3	1	Nil
Dr. Bomi Gagrath	WTD	1	Nil	Nil
Mr. Pradip Shah	NED (I)	12	4	2
Mr. Richard Gane	NED	Nil	Nil	Nil

\* NED (I) – Non-Executive Director, Independent

WTD – Whole-time Director

#### Notes:

- (1) Number of directorships/memberships held in other companies excludes directorships/memberships in private limited companies, foreign companies, membership of managing committees of various chambers/bodies and alternate directorships.
- (2) An Independent Director is a Director who
  - (a) apart from receiving Director's remuneration, does not have any material pecuniary relationship or transactions with the Company, its promoters, its Directors, its senior management or its holding

Company, its subsidiaries and associates, which may affect the independence of the Director;

- (b) is not related to promoters or persons occupying management positions at the Board level or at one level below the board;
- (c) has not been an executive of the Company in the immediately preceding three financial years;
- (d) is not a partner or an executive or was not partner or an executive during the preceding three years, of any of the following:
  - (i) the statutory audit firm or the internal audit firm that is associated with the Company, and
  - (ii) the legal firm(s) and consulting firm(s) that have a material association with the company;
- (e) is not a material supplier, service provider or customer or a lessor or lessee of the Company, which may affect independence of the director; and
- (f) is not a substantial shareholder of the Company i.e. owning two percent or more of the block of voting shares.

### (b) Board Meetings:

In accordance with the provisions of Clause 49 of the Listing Agreement, the Board meets at least once every quarter to review the quarterly results and other items of the Agenda and, if necessary, additional meetings are held. The Board meets at least 4 times in a year and the gap between two Board Meetings is not more than 3 months as per the revised Clause 49 of the Listing Agreement. The Board is apprised and informed of all the important information relating to the business of the Company including those listed in Annexure 1 A of the revised Clause 49 of the Listing Agreement. The Chairman of the Board, the Managing Director, the Executive Director-Finance and the Company Secretary discuss the items to be included in the Agenda and the Agenda is sent in advance to the Directors along with the draft of the relevant documents and explanatory notes wherever required. 6 Board Meetings were held during the period December 1, 2003 to November 30, 2004. These were held on December 5, 2003, February 26, 2004, March 30, 2004, June 30, 2004, July 13, 2004 and September 25, 2004. The following Table gives attendance of the Directors of the Company in the Board Meetings.

Name	Number of Board Meetings held	*Number of Board Meetings attended	Whether last Annual General Meeting attended
Mr. R.A. Shah	6	6	Yes
Mr. Hocine Sidi Said	6	5	Yes
Mr. Richard Gane	6	NIL	No
Mr. Pradip P. Shah	6	6	Yes
Mr. Kewal Handa	6	6	Yes
Dr. Bomi M. Gagrath	6	5	Yes

\* Leave of Absence was granted to the Directors for the Board Meetings, which they could not attend.

## Appointment/Re-appointment of Directors

### Mr. Kewal Handa:

The Board of Directors appointed Mr. Kewal Handa as Executive Director-Finance of the Company with effect from February 26, 2003. Mr. Handa's appointment was arising out of a casual vacancy due to the resignation of Mr. R.W. Norton, whose term as director expires at the ensuing Annual General Meeting. Therefore, Mr. Handa's term as Executive Director-Finance will also concurrently expire at the ensuing Annual General Meeting. The Board intends to appoint Mr. Handa as Whole-time Director designated as Executive Director-Finance on such terms and conditions and remuneration as may be approved by the shareholders of the Company.

A brief profile of Mr. K. Handa is given below:

Mr. Handa is 53 years old and is a Member of the Institute of Cost and Works Accountants of India and also a Member of the Institute of Company Secretaries of India. He also holds a Masters Degree in Commerce from Sydenham College, Mumbai. He joined the Company in June 1990 as Controller in MIS-Taxation and was promoted as Financial Controller in August, 1991. Further, he moved to head the Animal Health Division in December, 1994.

Mr. Handa has been the Executive Director of the Company heading the Finance Division from December 16, 1996 onwards. Mr. Handa is also a Member of the Shareholders' Grievance Committee of Pfizer Ltd.

Mr. Handa is a visiting faculty at Narsee Monjee Institute of Management Studies and also an International Trainer of the Indian Junior Chamber. He is also a regular speaker in various forums and is the President of the Bombay Management Association. He is the Chairman of the Pricing Committee of the Organisation of Pharmaceutical Producers of India (OPPI). He is also a Committee Member in the Confederation of Indian Industry and Bombay Chambers of Commerce. He has completed the Pfizer Leadership Development Programme from Harvard University. He has also completed a course on Marketing Strategy from Columbia Business School and the Senior Management Development Programme from IIM Ahmedabad.

Mr. Handa was recently awarded the "India CFO 2004-Excellence in Finance in MNC" by the International Market Assessment Group.

Details of his other Directorships and Memberships in Committee are given below:

Name of the Company	Designation	Committee	Member/Chairman
Alfa Laval (India) Ltd.	Director	1	Member
OPPI	Director	NIL	NIL
Duchem Laboratories Ltd.	Chairman	NIL	NIL

### Dr. Bomi M. Gagrat:

The Board of Directors appointed Dr. Bomi M. Gagrat as Executive Director-Technical Operations of the Company with effect from

February 26, 2003. Dr. B.M. Gagrat's appointment was arising out of a casual vacancy due to the resignation of Mr. James Hilboldt, whose term as director expires at the ensuing Annual General Meeting. Therefore, Dr. Gagrat's term as Executive Director – Technical Operations will also concurrently expire at the ensuing Annual General Meeting. The Board intends to appoint Dr. Gagrat as Whole-time Director designated as Executive Director – Technical Operations on such terms and conditions and remuneration as may be approved by the shareholders of the Company.

A brief profile of Dr. B.M. Gagrat is given below:

He holds a Masters Degree in Science and a Ph.D in Science from the University of Mumbai. He has published scientific papers in Bio-medical Sciences in International Journals of repute. In addition, he holds a Post Graduate Diploma in Operations Management from the Jamnalal Bajaj Institute of Management in Mumbai. He has completed a variety of Pfizer training Programmes including the "Pfizer Leadership Development" programme in conjunction with the Harvard Business School. He is an active member on the Committees of OPPI. He is also a Director on the Board of Duchem Laboratories Ltd.

Dr. Bomi M. Gagrat is 58 years old and is on the Pfizer Board for the last 7 years. Prior to joining Pfizer, Dr. Gagrat held a variety of positions of increasing responsibility in pharmaceutical manufacturing.

Dr. Gagrat joined Pfizer in 1989 as Plant Manager at Thane Plant and subsequently was appointed as General Manager in 1994. In December 1996, he took over as Vice-President of the Animal Health Division in India. In September, 1998 Dr. Gagrat was appointed as Executive Director – Pharmaceuticals. Effective December 2002, Dr. Gagrat, assumed the responsibilities of Executive Director, Pfizer Global Manufacturing for the technical and manufacturing operations in India and he was designated as Executive Director – Technical Operations.

Details of his other Directorships and Memberships in Committee are given below:

Name of the Company	Designation	Committee	Member/Chairman
Duchem Laboratories Ltd.	Director	NIL	NIL

### Mr. R.A. Shah:

Mr. R.A. Shah retires by rotation at the ensuing Annual General Meeting and, being eligible, offers himself for reappointment.

A brief profile of Mr. R.A. Shah is given below:

Mr. R.A. Shah is a leading Solicitor and a Senior Partner of M/s. Crawford Bayley & Co., a firm of Advocates & Solicitors. He specializes 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.

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

Name of the Company	Designation	Chairmanship or Membership of Audit Committee of Board
Fulford India Ltd.	Chairman	–
Godfrey Philips India Ltd.	Chairman	–
Colgate Palmolive India Ltd.	Vice-Chairman	Vice-Chairman
Abbott India Ltd.	Director	Member
Atul Limited	Director	–
Asian Paints (India) Ltd.	Director	–
The Bombay Dyeing & Mfg. Co. Ltd.	Director	Chairman
BASF India Ltd.	Director	Member
Colour Chem Ltd.	Director	Member
Clariant India Ltd.	Director	–
Deepak Fertilizers & Petrochemicals Ltd.	Director	–
Nicholas Piramal India Ltd.	Director	Chairman
Proctor & Gamble Hygiene and Healthcare Ltd.	Director	Member
Philips India Ltd.	Director	–

## Board Committees

Currently, the Board has two Committees viz. the Audit Committee and the Shareholders' Grievance Committee. The Board decides the terms of reference of these Committees and the assignment of its members thereof.

### Audit Committee

The Audit Committee comprises of Mr. R.A. Shah as Chairman and Mr. Pradip P. Shah and Mr. Richard Gane as members.

Mr. Pradip P. Shah is a Chartered Accountant by profession. Mr. R.A. Shah is a Solicitor by profession. Mr. Richard Gane is a lawyer by profession. All the members of the Committee are professionals and are also financially literate within the meaning as mentioned under Clause 2 Explanation 1 of Clause 49 of the Listing Agreement concerning Corporate Governance.

Mr. K. Subharaman, the Company Secretary acts as the Secretary to the Committee.

The terms of reference of the audit committee include the matters specified under Sub-Clauses D and E of Clause II and Disclosures under Clause IV of the Clause 49 of the Listing Agreement concerning Corporate Governance. Thus, the terms of reference of the Audit Committee are wide enough covering the matters specified below:

- (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 statutory 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 Board of Directors in its meeting held on December 30, 2004 also gave the additional terms of reference to the Audit Committee viz.

- (a) Review of matters to be included in the Directors' Responsibility Statement in the Directors' Report.
- (b) Review of quarterly financial statements before submission to the Board.
- (c) Review the functioning of Whistle Blower mechanism (already existing in the Company).
- (d) Review of significant related party transactions.
- (e) Review of Management Letters issued by Statutory Auditors.
- (f) Review of appointment, removal and terms of remuneration of Internal Auditor.



Four Audit Committee Meetings were held during the year on December 5, 2003, February 26, 2004, June 30, 2004 and September 25, 2004. All the meetings were attended by Mr. R.A. Shah, Mr. Pradip Shah, Mr. K. Handa – Executive Director-Finance, the Internal Auditors and the Statutory Auditors of the Company.

## Shareholders Committee

The Shareholders' Grievance Committee was reconstituted. The Shareholders' Grievance Committee comprises of Mr. Pradip P. Shah, Independent Director and Mr. K. Handa, Executive Director-Finance.

Mr. K. Subharaman, the Company Secretary acts as the Secretary to the Committee and as the Compliance Officer.

342 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.

## Remuneration to Directors

Remuneration Committee being a non-mandatory requirement, has not been formed. There has been no materially significant related party transactions, pecuniary relationships or transactions between Pfizer Ltd. and its Directors for the year ended November 30, 2004 that may have a potential conflict with the interest of the Company at large.

### Remuneration of Directors, Sitting Fees, Salary, Perquisites and Commissions:

The following tables give details of remuneration paid to all directors during the financial year 2003-2004:

#### Executive Directors

Rs. in Lakhs			
Name	Remuneration		
	Salary and Benefits	Performance linked Incentives	Total
Mr. Hocine Sidi Said	45.89	—	45.89
Mr. K. Handa	42.30	8.36	50.66
Dr. B.M. Gagrati	37.49	6.95	44.44
Total	125.68	15.31	140.99

#### 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

Rs. in Lakhs			
Name	Sitting Fees	Commission	Total
Mr. R.A. Shah	1.00	2.00	3.00
Mr. Pradip Shah	1.00	2.00	3.00
Total	2.00	4.00	6.00

#### Notes:

- 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 53rd Annual General Meeting held on 29th April, 2004.
- Mr. R.A. Shah is a senior partner of Crawford Bayley & Co., Solicitors & Advocates, who have a professional relationship with the Company. The fees earned by Crawford Bayley & Co. from Pfizer Ltd. constitutes less than 1% of the total revenue of Crawford Bayley & Co. in each year during the last three Financial Years. As per the view of the Board of Directors and also as per the legal opinion sought on the subject of Independence of Mr. R.A. Shah, the legal firm, M/s. Crawford Bayley & Co. does not have a material association with the Company. The professional fees of Rs. 19.71 lakhs that was paid to them during the year is not considered material enough to impinge on the independence of Mr. R.A. Shah.
- Besides dividend on ordinary 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.

## General Body Meetings

The details of the last 3 Annual General Meetings held:

- 53rd Annual General Meeting : 29th April, 2004 at 3:00 p.m.  
Y.B. Chavan Auditorium,  
General Jagannath Bhosale Marg,  
Next to Sachivalaya Gymkhana,  
Mumbai-400 021.
- 52nd Annual General Meeting : 24th October, 2003  
at 3:00 p.m.  
Y.B. Chavan Auditorium,  
General Jagannath Bhosale Marg,  
Next to Sachivalaya Gymkhana,  
Mumbai-400 021.

- |    |  |   |
|----|--|---|
| 3. | 51st Annual General Meeting  | : 6th May, 2002 at 3:00 p.m.<br>Y.B. Chavan Auditorium,<br>General Jagannath Bhosale Marg,<br>Next to Sachivalaya Gymkhana,<br>Mumbai-400 021.          |
| 4. | EGM<br>Court Convened General<br>Meeting for approval of<br>Scheme of Amalgamation of<br>Pharmacia Healthcare Ltd.<br>with Pfizer Ltd. | : 25th October, 2004<br>at 11.30 a.m.<br>Y.B. Chavan Auditorium,<br>General Jagannath Bhosale Marg,<br>Next to Sachivalaya Gymkhana,<br>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.

## Disclosures

### (a) Related party transactions

The Company has not entered into any materially significant related party transactions with its Promoters, Directors, or Management, their subsidiaries or relatives, etc. that may have potential conflict with the interests of the Company at large.

Transactions with the related parties are disclosed in Note 17 of Schedule 22 to the financial statements in the Annual Report.

The Audit Committee has reviewed the related party transaction as mandatorily required under Clause 49 of the Listing Agreement and found them to be not materially significant.

### (b) Compliances by the Company

The Company has complied with the requirements of the Stock Exchanges, SEBI and other statutory authorities on all matters relating to capital markets during the last three years. No penalties or strictures have been imposed on the Company by the Stock Exchange SEBI or other statutory authorities relating to the above.

## Insider Trading

### Code of Conduct

Senior Management of Pfizer Ltd. have affirmed compliances with the Code of Conduct as laid down in the Manual called "Pfizer Policies on Business Conduct". A separate Code of Conduct for the Non-Executive Members of the Board of Directors has been approved by the Board.

## Means of Communication

### Half-yearly reports sent to each household of shareholders

As the results of the Company are published in the newspapers and also posted on the website of the Company, 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 website of the Company "pfizerindia.com" shortly after its submission to the Stock Exchange. The official news releases are also displayed on the website of the Company.

### Presentation to institutional investors or to analysts

Three teleconferences were held with Institutional Investors, Analysts, Press on March 3, 2004, April 5, 2004 and July 8, 2004. The transcript of the same were put on the internet website [www.pfizerindia.com](http://www.pfizerindia.com).

### Edifar Filing

As per the requirements of Clause 51 of the Listing Agreement, all the data relating to quarterly financial results, shareholding pattern etc. are being electronically filed on the EDIFAR website [www.sebidifar.nic.in](http://www.sebidifar.nic.in) within the timeframe prescribed in this regard.

### Management Discussion & Analysis Report

The Management Discussion & Analysis Report forms a part of the Directors' Report. All matters pertaining to industry structure and developments, opportunities and threats, segment/product wise performance, outlook, risks and concerns, internal control systems and adequacy, discussion on financial and operational performance and material developments in human resources are discussed in the said report.

## General Shareholder Information

### Date of Book Closure

April 19, 2005 to April 28, 2005 (both days inclusive).

### Date, time and venue of the Annual General Meeting:

Date : April 28, 2005.

Time : 3 p.m.

Venue : Y.B. Chavan Auditorium  
General Jagannath Bhosale Marg,  
Near Sachivalaya Gymkhana, Nariman Point,  
Mumbai-400 021.

### Dividend payment date

The dividend, recommended by the Board of Directors, if declared at the ensuing Annual General Meeting shall be deposited in a separate bank account within 5 days of its declaration and shall be paid/credited on May 3, 2005 to the account mandated by the shareholders.

### 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

The Stock Exchange, Mumbai-500 680;

National Stock Exchange. – PFIZER EQ

### Financial Calendar (tentative)

First Quarter	Fourth week of March, 2005
Second Quarter/Half-Yearly	Fourth week of June, 2005
Third Quarter	Fourth week of September, 2005
Audited Results	Fourth week of February, 2006

**Registered Office**

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

Tel. : 022 5693 2000

Fax : 022 5693 2377

e-mail : [sundaresan@pfizer.com](mailto:sundaresan@pfizer.com)

Homepage : [www.pfizerindia.com](http://www.pfizerindia.com)

**Registrar and Transfer Agents (W.e.f. 1-4-2005)**

Karvy Computershare Pvt. Ltd., at 7, Andheri Industrial Estate,  
Off. Veera Desai Road, Andheri (W), Mumbai 400 053.

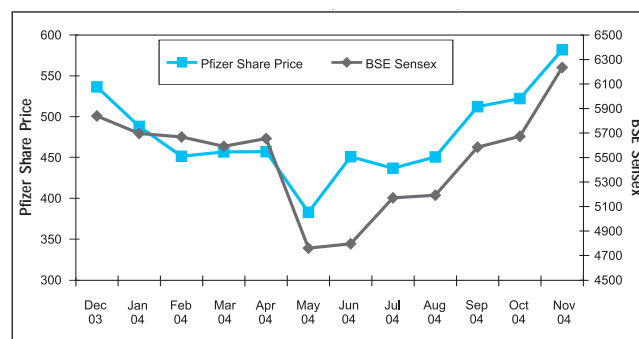
**Share transfer system**

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 bearing ISIN No. INE182A01018.

**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, 2003 till November, 2004 are as below:

Month	The Stock Exchange, Mumbai		The National Stock Exchange Ltd.	
	High (Rs.)	Low (Rs.)	High (Rs.)	Low (Rs.)
Dec 2003	596.00	451.05	594.00	451.50
Jan 2004	566.00	466.10	649.00	472.55
Feb 2004	528.00	430.50	528.95	430.00
Mar 2004	485.00	411.00	475.00	415.00
Apr 2004	491.75	447.10	490.00	446.00
May 2004	474.50	362.00	489.90	350.00
Jun 2004	467.40	377.75	468.00	365.10
July 2004	475.00	433.80	485.00	426.00
Aug 2004	464.90	428.30	466.70	429.00
Sep 2004	545.00	446.90	619.00	445.15
Oct 2004	535.00	488.25	532.95	487.00
Nov 2004	620.00	508.00	649.90	515.00

**Pfizer Share Price****Performance of Pfizer Share Price to Broad Based Index (BSE Sensex)****Distribution of Shareholding:****(a) Class-wise Distribution of Equity Shares as on 30th November, 2004:**

Number of Equity Shareholdings	Number of Shareholders	Percentage of Shareholders	Number of Shares	Percentage of Shareholdings
1 – 50	42992	56.75	1088308	3.78
51 – 100	15325	20.23	1183105	4.11
101 – 500	15405	20.34	3150974	10.94
501 – 1000	1305	1.72	937506	3.25
1001 – 5000	608	0.80	1133757	3.94
5001 – 10000	39	0.05	253452	0.88
10001 & Above	80	0.11	21050438	73.10
Total	75754	100.00	28797540	100.00

**(b) Shareholding Pattern as on 30th November, 2004:**

Category	No. of Shares	Percentage
Foreign Collaborator (Pfizer Corporation)	11518996	40.00
Banks	156625	0.55
Financial Institutions	6106916	21.20
Foreign Institutional Investors	2000	0.01
Mutual Funds	1238660	4.30
Domestic Companies	1238551	4.30
Non-Domestic Companies	785566	2.73
Non-resident Indians	150210	0.52
Others	7600016	26.39
Total	28797540	100.00

**Dematerialization of shareholding**

The scrips of the Company 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, 2004, 51.98% (representing 86.64% of the widely-held shares) of the paid-up share capital of the Company representing 14970125 shares 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

Thane Belapur Road  
KU Bazar Post  
Navi Mumbai 400 705  
Tel. : 022-5591 6161  
Fax : 022-5591 6160

#### 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 Registrars and Transfer Agent of the Company. Beneficiaries holding the scrip of the Company in the dematerialised form may intimate the change in their bank details to their Depository Participant (DP) furnishing their details with the correct 9 digit MICR code of their bank.

### Non-Mandatory Requirements

#### Chairman's Office

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 Registered Office premises of the Company.

#### Shareholders' Rights

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

On behalf of the Board of Directors

R.A. SHAH  
Chairman

Mumbai, February 24, 2005

### Certificate of Compliance with the Corporate Governance requirements under Clause 49 of Listing agreement

#### To the Members of Pfizer Limited

We have examined the compliance of conditions of Corporate Governance by Pfizer Limited ("the Company") for the year ended on 30 November 2004 as stipulated in the Clause 49 of the Listing Agreement applicable for the year ended 30 November 2004, of the Company with The Stock Exchange, Mumbai and National Stock Exchange of India Limited.

The compliance of conditions of Corporate Governance is the responsibility of the Company's management. Our examination was limited to procedures and implementation thereof adopted by the Company for ensuring the compliance of the conditions of corporate governance referred to above. 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, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

Based on confirmation received from the Company's share transfer agent, and representations made by management, we report that no investor grievance is pending for a period exceeding 30 days against the Company as per the records maintained by the Share Transfer Agent/Investors Grievances Committee.

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

For BSR & Co.  
(formerly Bharat S. Raut & Co.)  
Chartered Accountants

Sanjay Aggarwal  
Partner  
Membership No.: 40780

Mumbai, February 24, 2005



# Auditors' Report

## To the Members of Pfizer Limited

We have audited the attached Balance Sheet of Pfizer Limited ('the Company') as at 30 November 2004 and the related Profit and Loss Account and Cash Flow Statement of the Company for the year ended on that date, (including the accounts of erstwhile Pharmacia Healthcare Limited ("PHL") for the year ended 30 November 2004 after making such adjustments as considered necessary consequent to its amalgamation with the Company with effect from 1 December 2003, which have been audited by their auditors, on which we have relied upon and whose audit 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. Those 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.

As required by the Companies (Auditor's Report) Order, 2003 ('CARO') issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, ('the Act') we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

Further to our comments in the Annexure referred to above, we report that:

- (a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our 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 those books;
- (c) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
- (d) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Act, to the extent applicable;
- (e) On the basis of written representations received from directors of the Company as at 30 November 2004 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 30 November 2004 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Act and;
- (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 Act, 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 30 November 2004;
- (ii) in the case of the Profit and Loss Account, of the profit for the year ended on that date; and
- (iii) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

For BSR & Co.  
(formerly Bharat S. Raut & Co.)  
Chartered Accountants

Sanjay Aggarwal  
Partner

Mumbai, 24 February 2005

Membership No.: 40780

## Annexure to the Auditors' Report – 30 November 2004

(Referred to in our report of even date)

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) The Company has a regular programme of physical verification of its fixed assets by which all fixed assets are verified in a phased manner over a period of three years, which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. In accordance with this programme, certain fixed assets were physically verified by the management. No material discrepancies were noticed on such verification.
- (c) During the year, as more fully explained in Note 13 of Schedule 22, the Company has disposed off plant and machinery at one of its plants, which was retired from active use and held for disposal in an earlier year and has suspended/ceased manufacturing operations at another plant, which form substantial part of fixed assets. In our opinion and according to the information and explanations given to us, the Company has made alternate arrangements for supply of products, and therefore, this does not affect the going concern assumption.
- (ii) (a) The inventory has been physically verified by the management during the year. In our opinion, the frequency of such verification is reasonable. For inventory lying with third parties at the year-end, written confirmations have been obtained.
- (b) The procedures for the physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) The Company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stocks and the book records were not material.

## Annexure to the Auditors' Report – 30 November 2004 (Continued)

- (iii) According to the information and explanations given to us, we are of the opinion that there are no companies, firms or other parties covered in the register required under Section 301 of the Companies Act, 1956. Accordingly, paragraph 4(iii) of the Order is not applicable.
- (iv) In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchases of inventory and fixed assets and with regard to the sale of goods and there has not been any continuing failure to correct major weakness in internal control system in respect of these areas.
- (v) In our opinion, and according to the information and explanations given to us, there are no contracts and arrangements the particulars of which need to be entered into the register maintained under Section 301 of the Act.
- (vi) The Company has not accepted any deposits from the public.
- (vii) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
- (viii) We have broadly reviewed the books of account maintained by the Company pursuant to the rules prescribed by the Central Government for maintenance of cost records under Section 209(1)(d) of the Act, in respect of formulations and bulk drugs and are of the opinion that prima facie, the prescribed

accounts and records have been made and maintained. However, we have not made a detailed examination of the records.

- (ix) (a) According to the information and explanations given to us and on the basis of our examination of the records of the Company, the Company has been generally regular in depositing with appropriate authorities undisputed statutory dues including provident fund, investor education and protection fund, income-tax, sales-tax, wealth tax, service tax, customs duty, excise duty, cess and other material statutory dues applicable to it during the year. A few minor delays have been noted. As explained to us, the Company did not have any dues on account of employees' state insurance scheme.

According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, income tax, sales tax, wealth tax, service tax, customs duty, excise duty, cess and other material statutory dues were in arrears as at 30 November 2004 for a period of more than six months from the date they became payable.

- (b) According to the information and explanations given to us, the following dues of income-tax, sales tax, wealth tax, service tax, customs duty, excise duty and cess which have not been deposited by the Company on account of disputes.

Name of the Statute	Nature of the Dues	Amount (Rs. Lakhs)	Period to which the amount relates	Forum where dispute is pending
The Central Excise Act, 1944	Duty and penalty on classification/valuation and other disputes	276.00	1993-2000	Supreme Court
		184.24	2000/01, 2000-02, 2002/03,	Customs, Excise, Service tax
		6.27	1998/99	Appellate Tribunal
		512.25	1997-2000, 2000/01	Commissioner (Appeals)
		12.42	1985-1988	Commissioner (Appeals)
		30.10	1998-2004, 2002/03	Joint Commissioner
		17.92	1998-2004, 2002/03	Deputy Commissioner
	Service tax on royalty	193.10	1997-2001	Customs, Excise, Service tax Appellate Tribunal
Customs Act, 1962	Duty and penalty on imports	124.60	1995-1997	Commissioner
The Income Tax Act, 1961	Tax and penalty on expenditure disallowed	353.95	1993/94, 1995/96, 1996/97	Income Tax Appellate Tribunal Commissioner (Appeals)
		14.44	2000/01	
State and Central Sales Tax Acts	Tax interest and penalty for non submission of forms and other disallowances	10.27	1992/93	Supreme Court
		11.50	1993/94, 1996/97, 1998/99	Sales Tax Tribunal
		128.78	2000/01, 2001/02, 2002/03	Deputy Commissioner (Appeals)
		83.25	2000/01, 2001/02, 2002/03	Joint Commissioner
		24.17	2000/01, 2001/02	Deputy Commissioner
		45.62	1993/94, 1994/95, 1995/96, 1996/97, 1997/98, 1998/99	Additional Commissioner
		11.31	1993/94, 1994/95, 1995/96, 1996/97, 1998/99	Deputy Commissioner (Appeals)
		9.77	1983/84, 1985/86, 1986/87	Deputy Commissioner (Appeals)

## Annexure to the Auditors' Report – 30 November 2004 (Continued)

- (x) The Company does not have any accumulated losses at the end of the financial year and has not incurred cash losses in the financial year and in the immediately preceding financial year.
- (xi) In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to its bankers. The Company did not have any outstanding loans from financial institutions or debentures during the year.
- (xii) According to the information and explanations given to us, the Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) In our opinion and according to the information and explanations given to us, the Company is not a chit fund or a nidhi/mutual benefit fund/ society.
- (xiv) According to the information and explanations given to us, the Company is not dealing or trading in shares, securities, debentures and other investments.
- (xv) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions during the year.
- (xvi) The Company did not have any term loans outstanding during the year.
- (xvii) According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we are of the opinion that the funds raised on short-term basis have not been used for long-term investment.
- (xviii) As stated in paragraph (v) above, there are no companies/ firms/parties covered in the register required to be maintained under Section 301 of the Act.
- (xix) The Company did not have any outstanding debentures during the year.
- (xx) The Company has not raised any money by public issues during the year.
- (xxi) According to the information and explanations given to us, no fraud by the Company has been noticed or reported during the year. Further, we are informed by the Company's management of certain instances of fraud on the Company during the preceding year and the year under audit in the nature of irregular expenditure claims by certain employees of the company aggregating not more than Rs. 12 lakhs as identified by the management and breach of procurement policies of the company by an employee in relation to purchases not exceeding Rs. 45 lakhs as identified by the management. The Company has since terminated the services of these employees.

For **BSR & Co.**  
(formerly *Bharat S. Raut & Co.*)  
Chartered Accountants

**Sanjay Aggarwal**  
Partner

Mumbai, 24 February 2005

Membership No.: 40780

# Balance Sheet as at 30th November, 2004

		Rupees in Lakhs		Rupees in Lakhs	
	Schedule Ref.	As at 30th Nov 2004		As at 30th Nov 2003	
Sources of funds					
Shareholders' funds					
Share capital	1	2879.93		2879.93	
Share capital suspense account	1A	104.39		—	
		2984.32		2879.93	
Reserves and surplus	2	31291.66		27960.25	
			34275.98		30840.18
Loan funds					
Unsecured loan	3		1200.00		—
TOTAL			35475.98		30840.18
Application of funds					
Fixed assets					
Gross block	4	15876.76		13683.23	
Accumulated depreciation		(8706.15)		(8022.11)	
Net block		7170.61		5661.12	
Capital work-in-progress at cost, including advances		393.70		448.96	
			7564.31		6110.08
Investments	5		324.36		324.36
Deferred tax asset (net)	6		635.36		989.03
Current assets, loans and advances					
Inventories	7	7389.31		8658.23	
Sundry debtors	8	7173.41		5882.53	
Cash and bank balances	9	16109.92		8907.81	
Other current assets	10	136.64		44.73	
Loans and advances	11	6840.40		8329.89	
			37649.68		31823.19
Current liabilities and provisions					
Current liabilities	12	(11284.44)		(9619.39)	
Provisions	13	(5420.51)		(4191.43)	
			(16704.95)		(13810.82)
Net current assets			20944.73		18012.37
Miscellaneous expenditure					
(to the extent not written off or adjusted)					
Voluntary retirement scheme			6007.22		5404.34
TOTAL			35475.98		30840.18
Significant accounting policies	21				
Notes to the accounts	22				

The schedules referred to above form an integral part of the Balance Sheet.  
In terms of our report of even date.

For **BSR & Co.**  
(Formerly Bharat S. Raut & Co.)  
Chartered Accountants

**Sanjay Aggarwal**  
Partner  
Membership No. 40780

For and on behalf of the Board

<b>R.A. SHAH</b>	<i>Chairman</i>
<b>HOCINE SIDI SAID</b>	<i>Managing Director</i>
<b>P. SHAH</b>	} <i>Directors</i>
<b>K. HANDA</b>	
<b>K. SUBHARAMAN</b>	<i>Secretary</i>

Mumbai, 24 February, 2005

Mumbai, 24 February, 2005

# Profit and Loss Account for the year ended 30th November, 2004

		Rupees in Lakhs	Rupees in Lakhs
	Schedule Ref.	Year Ended 30th Nov 2004	Year Ended 30th Nov 2003
<b>Income</b>			
Gross sales		65965.84	55895.60
Less: Excise duty		4884.39	3954.06
Less: Sales tax		5303.62	4478.13
Net sales		55777.83	47463.41
Services		2517.15	2943.72
Interest income	14	748.46	364.20
Miscellaneous income	15	658.29	743.40
		<b>59701.73</b>	<b>51514.73</b>
<b>Expenditure</b>			
Decrease in stocks of finished goods, work-in-process and own manufactured bulk drugs	16	2312.39	790.42
Cost of materials consumed	17	20058.00	18946.86
Personnel costs	18	8255.17	7941.59
Interest expense (on fixed loan Rs. 66.23 lakhs; 2003: Rs. Nil)		81.07	38.98
Other expenses	19	18047.61	16087.86
Depreciation	4	1025.73	1082.69
Royalty		516.02	321.60
		<b>50295.99</b>	<b>45210.00</b>
<b>Profit before taxation and exceptional items</b>		<b>9405.74</b>	<b>6304.73</b>
Exceptional items – net (expense)	20	(1922.38)	(1673.26)
<b>Profit before taxation</b>		<b>7483.36</b>	<b>4631.47</b>
Less: Taxation			
Current tax		2701.02	2080.00
Deferred tax – debit/(credit)		230.56	(199.05)
<b>Profit after taxation</b>		<b>4551.78</b>	<b>2750.52</b>
Balance brought forward after adjustments	2	18867.75	19410.84
<b>Total available for appropriation</b>		<b>23419.53</b>	<b>22161.36</b>
Transfer to general reserve		460.00	300.00
Proposed dividend		2984.32	2159.82
Tax on dividend		390.01	276.73
Tax on dividend for previous year		–	276.73
		<b>3834.33</b>	<b>3013.28</b>
<b>Balance carried to Balance Sheet</b>		<b>19585.20</b>	<b>19148.08</b>
<b>Earnings per share (Basic and Diluted)</b>			
(See Note 11 in the Notes to the Accounts – Schedule 22)		<b>Rs. 15.25</b>	<b>Rs. 9.55</b>
<b>Nominal value of share</b>		<b>10.00</b>	<b>10.00</b>
<b>Significant accounting policies</b>	21		
<b>Notes to the accounts</b>	22		

The schedules referred to above form an integral part of the Profit and Loss Account.  
In terms of our report of even date.

For **BSR & Co.**  
(Formerly Bharat S. Raut & Co.)  
Chartered Accountants

**Sanjay Aggarwal**  
Partner  
Membership No. 40780

For and on behalf of the Board

<b>R.A. SHAH</b>	<i>Chairman</i>
<b>HOCINE SIDI SAID</b>	<i>Managing Director</i>
<b>P. SHAH</b>	} <i>Directors</i>
<b>K. HANDA</b>	
<b>K. SUBHARAMAN</b>	<i>Secretary</i>

Mumbai, 24 February, 2005

Mumbai, 24 February, 2005





## Cash Flow Statement for the year ended November 30, 2004

	Rupees in Lakhs	Rupees in Lakhs
	Nov 2004	Nov 2003
<b>A. Cash flow from Operating Activities:</b>		
Net Profit before taxation and exceptional items	9405.74	6304.73
Adjustments for		
Depreciation	1025.73	1082.69
Unrealised foreign exchange (gain)/loss	(13.64)	6.97
Interest Income	(519.69)	(318.93)
Profit on fixed assets sold/discarded	(9.36)	(22.57)
Personnel costs – Voluntary Retirement Scheme	7.61	26.47
Interest expenses	81.16	38.98
Provision for doubtful debts and advances	373.58	572.98
Provisions no longer required written back	(27.14)	(113.98)
<b>Operating profit before working capital changes</b>	<b>10323.99</b>	<b>7577.34</b>
Adjustments for		
Trade and other receivables	(2086.94)	6195.51
Inventories	2294.70	(174.39)
Trade and other payables	902.12	(1778.64)
Provisions (Excluding proposed dividend, Tax on distributed profits, income tax provision)	(358.41)	628.99
<b>Cash generated from operations</b>	<b>11075.46</b>	<b>12448.81</b>
Direct taxes paid (Net)	(1050.65)	(4824.70)
<b>Net cash from operating activities before exceptional items</b>	<b>10024.81</b>	<b>7624.11</b>
Exceptional Items		
Compensation paid to employees under Voluntary Retirement Scheme	(1296.40)	(1617.76)
<b>Net cash from/(used in) operating activities after exceptional items (A)</b>	<b>8728.41</b>	<b>6006.35</b>
<b>B. Cash flow from investing activities:</b>		
Purchase of fixed assets (Net)	(527.24)	(1491.55)
Purchase of investments (Net)		
(includes time deposits having maturity period greater than or equal to 90 days)	(6750.00)	(6036.05)
Interest received	427.69	284.96
<b>Net cash (used in)/from investing activities (B)</b>	<b>(6849.55)</b>	<b>(7242.64)</b>
<b>C. Cash flow from financing activities:</b>		
Dividend paid (Including tax on distributed profits)	(2472.74)	(2393.81)
Interest paid	(89.27)	(45.63)
Proceeds/(Repayment) from/of borrowings (Net)	1090.63	–
<b>Net cash used in financing activities (C)</b>	<b>(1471.38)</b>	<b>(2439.44)</b>
<b>Net Increase/(Decrease) in Cash &amp; Cash Equivalents (A) + (B) + (C)</b>	<b>407.48</b>	<b>(3675.73)</b>
Opening cash and cash equivalents (Note 1)	2152.06	5827.79
Cash & cash equivalents as at 1st December, 2003 taken over on amalgamation (Note 2)	47.67	0.00
Closing cash and cash equivalents (Note 1)	2607.21	2152.06
	<b>407.48</b>	<b>(3675.73)</b>
<b>Notes:</b>		
1. Cash and Cash Equivalents include:		
Cash on Hand	22.33	13.53
With Scheduled Banks		
On Current Accounts (including accounts with overdraft facility)	736.67	1395.26
On Margin Money Accounts	31.76	31.76
On Time Deposit Accounts (maturity period less than 90 days)	1777.20	715.00
Cheques on hand	41.96	2.26
Unrealised translation gain on foreign currency cash & cash equivalents	(2.71)	(5.75)
	<b>2607.21</b>	<b>2152.06</b>

# Cash Flow Statement for the year ended November 30, 2004 (Continued)

	Rupees in Lakhs	Rupees in Lakhs
	Nov 2004	Nov 2003
2. The amalgamation of Pharmacia Healthcare Ltd. with the Company is a non-cash transaction. Consequent to the amalgamation, cash and cash equivalents as at 1st December, 2003 are taken over. The details are as under:		
Cash on hand	0.55	—
With Scheduled banks		
On Current accounts (including accounts with overdraft facility)	10.22	—
On Time deposit accounts	36.90	—
	47.67	
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.		
4. The above Cash Flow Statement has been prepared under the indirect method as set out in Accounting Standard 3 on "Cash Flow Statement" issued by The Institute of Chartered Accountants of India.		

In terms of our report of even date.

For **BSR & Co.**  
(Formerly Bharat S. Raut & Co.)  
Chartered Accountants

**Sanjay Aggarwal**  
Partner  
Membership No. 40780

Mumbai, 24 February, 2005

For and on behalf of the Board

**R.A. SHAH** *Chairman*  
**HOCINE SIDI SAID** *Managing Director*

**P. SHAH** } *Directors*  
**K. HANDA** }

**K. SUBHARAMAN** *Secretary*

Mumbai, 24 February, 2005

## Schedules

	Rupees in Lakhs Nov 2004	Rupees in Lakhs Nov 2003
<b>Schedule 1: Share capital</b>		
<b>Authorised</b>		
2,88,00,180 (Nov 2003: 2,88,00,180) Equity shares of Rs. 10 each	2880.02	2880.02
1,11,99,820 (Nov 2003: 1,11,99,820) Unclassified shares of Rs. 10 each	1119.98	1119.98
	<b>4000.00</b>	4000.00
<b>Issued</b>		
2,88,00,180 (Nov 2003: 2,88,00,180) Equity shares of Rs. 10 each	2880.02	2880.02
<b>Subscribed</b>		
2,87,97,540 (Nov 2003: 2,87,97,540) Equity shares of Rs. 10 each fully paid-up	2879.75	2879.75
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 Pfizer Corporation, Panama.		
Of the above 21,42,897 Equity shares of Rs. 10 each in aggregate are held by Warner-Lambert LLC, USA and Parke-Davis & Company LLC, USA.		
Of the above 53,57,244 Equity shares of Rs.10 each were issued as fully paid up to the shareholders of Parke-Davis (India) Limited (pursuant to the Scheme of Amalgamation of Parke-Davis (India) Limited with the Company)		
Add: Forfeited shares		
Amount paid up on 2,640 Equity shares forfeited	0.18	0.18
<b>TOTAL</b>	<b>2879.93</b>	2879.93

### Schedule 1A: Share capital suspense account

In terms of the Scheme of Amalgamation of Pharmacia Healthcare Limited with the Company, 10,43,900 Equity Shares of Rs. 10 each of Pfizer Limited to be issued as fully paid-up to the shareholders of Pharmacia Healthcare Limited whose names appear on the Register of Members on the Record Date to be fixed for this purpose. (Refer Note 1 in the Notes to the accounts - Schedule 22)

Of the above 7,83,941 Equity Shares of Rs. 10 each to be issued and allotted to Pharmacia Corporation, USA.

<b>TOTAL</b>	<b>104.39</b>	–
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### Schedule 2: Reserves and surplus

#### Share premium

Per last balance sheet

Add: Transfer from Pharmacia Healthcare Limited\*

–	–
2277.70	–
<b>2277.70</b>	–

#### General reserve

Per last balance sheet

Add: Adjustment on account of amalgamation of Pharmacia Healthcare Limited\*

Add: Transfer from profit and loss account

8812.17	8512.17
156.59	–
460.00	300.00
<b>9428.76</b>	8812.17

#### Profit and loss account

Per last balance sheet

Less: Transfer of Loss from Pharmacia Healthcare Limited\*

19148.08	19410.84
(280.33)	–
<b>18867.75</b>	19410.84
(18867.75)	(19410.84)

Balance as per profit and loss account

<b>19585.20</b>	19148.08
-----------------	----------

<b>TOTAL</b>	<b>31291.66</b>	27960.25
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\* Refer Note 1 of the Notes to the accounts Schedule 22

### Schedule 3: Loan funds

#### Unsecured loan

Inter corporate deposit from Pfizer Pharmaceutical India Private Limited (Fully repayable within one year)\*

1200.00	–
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<b>TOTAL</b>	<b>1200.00</b>	–
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\* Refer Note 1 of the Notes to the accounts Schedule 22

## Schedule 4 : Fixed assets

Rupees in Lakhs

	Cost				Depreciation/Amortisation						Written Down Value		
	As at 30th Nov 2003	Transfer +	Additions	Deductions	As at 30th Nov 2004	As at 30th Nov 2003	Transfer + +	For the Year	Estimated loss on assets held for disposal	Deductions	As at 30th Nov 2004	As at 30th Nov 2004	As at 30th Nov 2003
LAND:													
Freehold	31.97	–	–	–	31.97	–	–	–	–	–	–	31.97	31.97
Leasehold	95.82	35.41	–	63.25	67.98	76.12	–	0.32	–	63.25	13.19	54.79	19.70
BUILDINGS:													
On freehold land @	505.02	765.08	–	–	1270.10	328.71	97.38	17.79	–	0.74	443.14	826.96	176.31
On leasehold land	1191.86	275.34	134.38	552.75	1048.83	628.41	76.41	17.96	4.58	446.83	280.53	768.30	563.45
Leasehold improvements	1017.80	–	–	5.27	1012.53	571.45	–	77.98	–	4.47	644.96	367.57	446.35
Machinery & equipment	6413.43	792.11	708.95	899.43	7015.06	3435.97	477.56	289.93	212.34	820.65	3595.15	3419.91	2977.46
Office equipment, Furniture & fixtures	3628.50	410.13	558.02	88.36	4508.29	2537.25	253.79	446.91	6.24	111.92	3132.27	1376.02	1091.25
Vehicles	783.32	15.25	147.27	39.35	906.49	428.69	3.01	174.84	–	25.14	581.40	325.09	354.63
INTANGIBLE ASSET:													
Trademarks	15.51	–	–	–	15.51	15.51	–	–	–	–	15.51	–	–
<b>TOTAL</b>	<b>13683.23</b>	<b>2293.32</b>	<b>1548.62</b>	<b>1648.41</b>	<b>15876.76</b>	<b>8022.11</b>	<b>908.15</b>	<b>1025.73</b>	<b>223.16</b>	<b>1473.00</b>	<b>8706.15</b>	<b>7170.61</b>	<b>5661.12</b>
Previous year	13686.61		1740.15	1743.53	13683.23	8527.38		1082.69	–	1587.96	8022.11		
Capital work-in-progress including capital advances												393.70	448.96
<b>Grand Total</b>												<b>7564.31</b>	<b>6110.08</b>

@ 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.

+ Assets as at 1st December, 2003, taken over consequent to amalgamation of erstwhile Pharmacia Healthcare Limited. (Refer to Note 1 of the Notes to the accounts, Schedule 22).

+ + Accumulated Depreciation as at 1st December, 2003, taken over consequent to amalgamation of erstwhile Pharmacia Healthcare Limited. (Refer to Note 1 of the Notes to the accounts, Schedule 22).

Refer Note 13 of the Notes to the accounts, Schedule 22 regarding assets held for disposal.

## Schedules

	Rupees in Lakhs Nov 2004	Rupees in Lakhs Nov 2003
<b>Schedule 5: Investments</b>		
(At cost except where otherwise stated)		
<b>Long Term Investments</b>		
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	0.11	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
Other Securities		
Bharuch Eco-Aqua Infrastructure Limited #		
72,935 Equity Shares of Rs. 10 Each, fully paid	7.29	—
Bharuch Enviro Infrastructure Ltd. #		
175 Equity Shares of Rs. 10 Each, fully paid	0.02	—
Shares in a subsidiary company		
Duchem Laboratories Limited (100% holding)		
3,24,000 Equity Shares of Rs. 100 each, fully paid-up	324.00	324.00
Less: Provision for diminution in value of investments #	(7.31)	—
<b>TOTAL</b>	<b>324.36</b>	<b>324.36</b>

# Acquired pursuant to amalgamation of Pharmacia Healthcare Limited

## Schedule 6: Deferred tax asset (net)

Deferred tax asset		
Arising on account of timing differences in:		
Amortisation of commercial rights and trade marks	—	70.52
Provision for doubtful debts and advances	803.88	567.17
Provision for leave encashment and exgratia	348.25	270.03
Provision for excise duty, custom duty and sales tax	1.61	81.85
Amortisation of voluntary retirement costs	43.65	27.85
Other provisions, etc.	143.70	167.65
	<b>1341.09</b>	<b>1185.07</b>
Deferred tax liability		
Arising on account of timing difference in:		
Depreciation/estimated loss on assets held for disposal	705.73	196.04
<b>TOTAL</b>	<b>635.36</b>	<b>989.03</b>

## Schedule 7: Inventories

Stores and maintenance spares	92.94	90.16
Packing materials	549.09	282.08
Stock-in-trade		
Raw materials	2394.91	2501.20
Own manufactured bulk drugs	—	225.92
Work-in-process	489.38	469.62
Finished goods	3862.99	5089.25
<b>TOTAL</b>	<b>7389.31</b>	<b>8658.23</b>

## Schedule 8: Sundry debtors

(Unsecured – Considered good except where otherwise stated)

Debts outstanding		
— Over six months	2873.64	2229.36
— Other debts	6249.49	5055.06
	<b>9123.13</b>	<b>7284.42</b>
of which		
— Considered good	7173.41	5882.53
— Considered doubtful	1949.72	1401.89
	<b>9123.13</b>	<b>7284.42</b>
Provision for doubtful debts	(1949.72)	(1401.89)
<b>TOTAL</b>	<b>7173.41</b>	<b>5882.53</b>



## Schedules

	Rupees in Lakhs Nov 2004	Rupees in Lakhs Nov 2003
<b>Schedule 9: Cash and bank balances</b>		
Cash on hand	22.33	13.53
With Scheduled Banks		
On Current Accounts (including accounts with overdraft facility)	736.67	1395.26
On Margin Money Accounts (Under lien)	31.76	31.76
On Time Deposit Accounts	15277.20	7465.00
Cheques on hand/in transit	41.96	2.26
<b>TOTAL</b>	<b>16109.92</b>	<b>8907.81</b>

### Schedule 10: Other current assets

Interest accrued but not due	136.64	44.73
<b>TOTAL</b>	<b>136.64</b>	<b>44.73</b>

### Schedule 11: 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*	6209.90	5185.67
Considered doubtful	247.09	179.09
	<u>6456.99</u>	<u>5364.76</u>
Provision for doubtful advances	(247.09)	(179.09)
	<b>6209.90</b>	<b>5185.67</b>
Inter Corporate Deposit to Pharmacia Healthcare Limited	–	1490.00
Amounts Recoverable from Pfizer Pharmaceutical India Private Limited	44.69	69.55
Amounts Recoverable from Pharmacia Healthcare Limited	–	246.66
Amounts Recoverable from Pharmacia India Private Limited	301.22	401.37
Amounts Receivable from Duchem Laboratories Limited	80.46	–
Amounts Recoverable from Leema Chemicals & Cosmetics Private Limited	–	0.16
Balances with Customs, Port Trust and Excise on Current Accounts	204.13	35.79
Income tax payments (net)	–	900.69
<b>TOTAL</b>	<b>6840.40</b>	<b>8329.89</b>

\* Includes loans given to employees which are secured by Hypothecation Bonds Rs. Nil lakhs (Nov 2003 – Rs. 8.17 lakhs).

### Schedule 12: Current liabilities

Acceptances	116.71	4.75
Sundry creditors		
Due to Small Scale Industrial Undertakings	268.98	303.29
Others	9253.53	7588.14
Due to Subsidiary Company - Duchem Laboratories Limited	–	31.11
Security deposits	1514.91	1527.21
Dividends – uncashed*	130.31	164.46
Unclaimed interest on matured deposits*	–	0.43
<b>TOTAL</b>	<b>11284.44</b>	<b>9619.39</b>

\* Investor protection and education fund is being credited by the amount of unclaimed dividend and unclaimed interest on matured deposits after seven years from the due date.

## Schedules

	Rupees in Lakhs	Rupees in Lakhs
	Nov 2004	Nov 2003
<b>Schedule 13: Povisions</b>		
Proposed dividend	2984.32	2159.82
Tax on distributed profits	390.01	276.73
Gratuity	258.95	740.80
Leave encashment	951.68	752.69
Excise duty and custom duty (Net of payments)	119.84	218.88
Income tax provisions (net)	640.33	–
Wealth tax provisions (net)	49.05	7.61
Others	26.33	34.90
<b>TOTAL</b>	<b>5420.51</b>	<b>4191.43</b>

### Schedule 14: Interest income

Interest (Gross)		
On staff loans	23.46	18.75
On deposits with banks/company, delayed payments, etc. (Tax deducted at source – Rs. 92.90 lakhs, Nov 2003 – Rs. 63.99 lakhs)	527.79	237.87
On Income Tax refunds (Net)	187.97	50.64
On Inter Corporate Deposits with Pfizer Pharmaceutical India Private Limited. (Tax Deducted at source – Rs Nil, Nov 2003 – Rs.1.17 lakhs)	–	4.67
On Inter Corporate Deposits with Pharmacia Health Care Limited.	–	18.16
On Long-Term Investments (Non-Trade) (Tax deducted at source – Rs. Nil, Nov 2003 – Rs. 4.89 lakhs)	–	3.91
On others	9.24	30.20
(Tax deducted at source – Rs. 0.78 lakh, Nov 2003 – Rs. Nil)		
<b>TOTAL</b>	<b>748.46</b>	<b>364.20</b>

### Schedule 15: Miscellaneous income

Rental income (Gross)	563.98	539.49
(Tax Deducted at source – Rs. 107.03 lakhs, Nov 2003 – Rs. 99.52 lakhs)		
Profit on fixed assets sold/discarded (net)	9.36	22.57
Insurance claims	9.97	14.35
Provisions no longer required written back	27.14	113.98
Sundry	47.84	53.01
<b>TOTAL</b>	<b>658.29</b>	<b>743.40</b>

### Schedule 16: Decrease in stocks of finished goods, work-in-process and own manufactured bulk drugs

Stocks at commencement			
Finished goods	5089.25		5753.80
Work-in-process	469.62		386.71
Own manufactured bulk drugs	225.92		434.70
	<u>5784.79</u>		<u>6575.21</u>
Add: Stocks taken over on amalgamation of Pharmacia Healthcare Limited (Refer Note 1 of the Notes to the accounts – Schedule 22)			
Finished goods	691.91		–
Work-in-process	188.06	879.97	–
	<u>6664.76</u>		<u>6575.21</u>
Stocks at close			
Finished goods	3862.99		5089.25
Work-in-process	489.38		469.62
Own manufactured bulk drugs	–		225.92
	<u>4352.37</u>		<u>5784.79</u>
<b>TOTAL</b>	<b>2312.39</b>		<b>790.42</b>

## Schedules

	Rupees in Lakhs Nov 2004	Rupees in Lakhs Nov 2003
<b>Schedule 17: Cost of materials consumed</b>		
Raw materials		
Stock at commencement	2501.20	1440.66
Add: Stock taken over on amalgamation of Pharmacia Healthcare Limited (Refer Note 1 of the Notes to the accounts – Schedule 22)	125.44	–
	2626.64	1440.66
Purchases	8515.78	7618.90
	11142.42	9059.56
Stock at close	(2394.90)	(2501.20)
	8747.52	6558.36
Packing materials (net)	3539.42	2772.64
Purchase of traded goods	7771.06	9615.86
<b>TOTAL</b>	<b>20058.00</b>	<b>18946.86</b>
<b>Schedule 18: Personnel costs</b>		
Salaries, wages and bonus	6594.15	6009.55
Company's contribution to gratuity fund	268.15	642.74
Company's contribution to provident and other funds	485.34	456.47
Staff welfare expenses	899.92	806.36
Voluntary retirement costs	7.61	26.47
<b>TOTAL</b>	<b>8255.17</b>	<b>7941.59</b>
<b>Schedule 19: Other expenses</b>		
Consumption of stores and maintenance spares	104.82	196.82
Processing charges	1528.99	1181.04
Power and fuel	731.47	950.76
Water	70.33	70.61
Repairs: Buildings	26.05	34.15
Machinery	200.90	293.86
	226.95	328.01
Rent	818.18	776.78
Rates and taxes	154.92	179.54
Insurance	198.80	180.66
Clinical trials	753.41	868.00
Legal and professional charges	1974.31	1053.74
Equipment rentals, service charges, low cost assets written off	897.70	417.42
Freight, forwarding and transport	1192.38	1178.27
Travelling (including boarding, lodging, conveyance and other expenses)	1517.57	1713.80
Postage, telephone and fax	493.71	480.81
Advertising and promotion	2519.63	2616.45
Exchange loss (Net)	21.81	28.74
Commission	806.87	698.81
Provision for doubtful debts (Net)	373.58	573.51
Miscellaneous expenses	3662.18	2594.09
<b>TOTAL</b>	<b>18047.61</b>	<b>16087.86</b>
<b>Schedule 20: Exceptional Items – (expense)/income</b>		
Exceptional expense		
Estimated loss on assets held for disposal (Refer Note 13 of the Notes to the accounts, Schedule 22)	(223.16)	–
Amortization of compensation paid to employees under VRS	(2336.85)	(1673.26)
	(2560.01)	(1673.26)
Exceptional income		
Profit on sale of residential premises	349.78	–
Profit on sale of Ankleshwar Plant	287.85	–
	637.63	–
<b>Net exceptional (expense)</b>	<b>(1922.38)</b>	<b>(1673.26)</b>

## Notes to the financial statements for the year ended 30th November 2004

(Currency: Indian Rupees in Lakhs)

### Schedule 21. Significant Accounting Policies

#### (a) Basis of Accounting

The financial statements are prepared under the historical cost convention on an accrual basis of accounting in accordance with the provisions of the Companies Act, 1956 and in accordance with the accounting principles generally accepted in India (Indian GAAP) and comply with the Accounting Standards issued by the Institute of Chartered Accountants of India, to the extent applicable.

#### (b) Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles (GAAP) requires Management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosures of contingent liabilities on the date of financial statements. Actual results could differ from those estimates. Any revision to accounting estimates is recognized prospectively in current and future periods.

#### (c) Fixed Assets and Depreciation

- (i) All fixed assets are stated at cost of acquisition less accumulated depreciation. The cost of fixed assets includes taxes (other than those subsequently recoverable from tax authorities) duties, freight and other incidental expenses related to the acquisition and installation of the respective assets.
- (ii) Assets costing upto Rs. 5000 are written off and those costing more than Rs. 5000 but upto US\$ 1000 are fully depreciated in the year of purchase except that –  
 “multiple-like items” the cost of which is over US\$ 10000 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\$ 10000 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 on a pro-rata basis. Depreciation on deletions during the year is provided upto the quarter in which the asset is sold/discarded.
- (iv) Depreciation other than on low cost assets is provided at the following rates per annum :

Assets	Periods/Rate
Land : Leasehold	Amortised over the lease period
Buildings : On Freehold land	3.34%
On Leasehold land	Higher of 3.34% or rate based on leased period
Leasehold Improvements	8% to 10% or Amortised over the lease period
Machinery & Equipment	8% to 40%
Office Equipment, Furniture & Fixture	8% to 33.33%
Vehicles	25%
Trademarks	Amortised over a period of 3 years

- (v) In case of assets taken over from erstwhile Pharmacia Healthcare Limited depreciation has been provided at the rates specified in Schedule XIV to the Companies Act, 1956 except the following assets, which are depreciated at the respective rates

Assets	Rate
Plant and Machinery	4.75% to 8.09%
Furniture, Fixtures & Office Equipment	3.34% to 6.33%
Computers	16.21% to 33.33%

- (vi) Assets that have been retired from active use and held for disposal are stated at the lower of their net book value and net realisable value as estimated by the Company.
- (vii) Trademarks are recorded at their acquisition cost and are amortised over the lower of their estimated useful life and period of ownership.
- (viii) Cost of application software not exceeding US\$ 1 million is being charged to the profit and loss account.

#### (d) Foreign Currency Transactions

Transactions in foreign exchange, which are covered by forward contracts, are accounted for at the exchange rate at the date of transaction. Premium in respect of forward contracts is amortised over the period 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 such revisions are reflected in the Profit and Loss Account except those relating to acquisition of fixed assets, which are adjusted to the cost of the assets.

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.

#### (e) 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. Current investments are stated at lower of cost and fair value.

#### (f) Inventories

Stock in trade and packing materials are valued at the lower of 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.

## Notes to the financial statements for the year ended 30th November 2004

(Currency: Indian Rupees in Lakhs)

### (g) Sundry Debtors/Loans & Advances

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

### (h) Revenue Recognition

Revenue from sale of goods is recognised when significant risks and rewards of ownership are transferred to the customers, which is at the point of despatch of goods to the customers. Sales are net of sales return and trade discounts. Revenue from services is recognised on rendering of services. Interest income is recognised on time proportion basis.

### (i) 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.

### (j) Retirement Benefits

The Company's contributions to the employees' Provident Fund and Superannuation Schemes are charged to the Profit & Loss Account each year. The Company has opted for a Group Gratuity-cum Life Assurance Scheme of the Life Insurance Corporation of India (LIC), and contribution towards gratuity liability as determined by LIC is charged to the Profit & Loss Account each year. The Company also provides for unutilized leave benefits on retirement available to its employees on the basis of an actuarial valuation done as at the year-end.

### (k) Leases

Lease rentals in respect of assets acquired under operating lease are charged off to the Profit & Loss Account as incurred. Lease rentals in respect of assets given under operating lease are credited to the Profit & Loss Account as accrued.

### (l) 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.

### (m) Taxation

Provision for income-tax is made on the basis of estimated taxable income for the year, in accordance with Income Tax Act, 1961.

Deferred tax resulting from timing differences between the book and the tax profits is accounted for, at the current rate of tax, to the extent that the timing differences are expected to crystallise. Deferred tax assets are recognised only to the extent there is reasonable certainty that the assets can be realised in future; however where there is unabsorbed depreciation or carried forward loss under taxation laws, deferred tax assets are recognised only if there is a virtual certainty of realisation of such assets. Deferred tax assets are reviewed as at each balance sheet date and written down or written up to reflect the amount that is reasonably/virtually certain as the case may be to be realized.

### (n) Proposed Dividend

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

### (o) Earnings per Share

Basic and diluted earnings per share is computed by dividing the net profit attributable to equity shareholders for the year, with the weighted number of equity shares outstanding during the year.

### (p) Contingencies

Loss contingencies arising from claims, litigation, assessment etc. are recorded when it is probable that a liability has been incurred, and the amount can be reasonably estimated.

## Schedule 22. Notes to the Accounts

### 1. Amalgamation of Pharmacia Healthcare Limited with the Company

- (a) In accordance with the Scheme of Amalgamation (the Scheme) of the erstwhile Pharmacia Healthcare Limited (herein after referred to as Pharmacia) with the Company as approved by the members at a Court-convened meeting held on 25th October, 2004 and subsequently sanctioned by the Honourable High Court of Judicature at Bombay vide its order dated 4th February, 2005 and pursuant to the filing of a Certified Copy of the said Order with the Register of Companies, Maharashtra, Mumbai on 21st February, 2005, the Undertaking of Pharmacia 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, 2003. The Scheme has accordingly been given effect to in these accounts.
- (b) Pharmacia was engaged in 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 Pharmacia as at 1 December 2003 have been taken over at their book values.
- (d) Pursuant to the Scheme, 10,43,900 Equity Shares of Rs. 10/- each of the Company are to be allotted to the shareholders of Pharmacia in the ratio of 1 (one) fully paid-up Equity Shares of the Company for every 5 (five) fully paid-up Equity Shares of Rs. 5/- each in Pharmacia. As provided in the Scheme the difference between the amount of fresh share capital to be allotted by the Company on amalgamation and the amount of share capital of Pharmacia is adjusted in the General Reserve. Pending allotment, an amount of Rs. 104.39 lakhs has been shown under the Share Capital Suspense Account as at 30 November 2004 (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 10,43,900 Equity Shares, which would be allotted to the shareholders of Pharmacia [referred to in note (d) above].



## Notes to the financial statements for the year ended 30th November 2004

(Currency: Indian Rupees in Lakhs)

- (f) The income accruing and expenses incurred by Pharmacia during the period 1 December 2003 to 30 November 2004 have also been incorporated in these accounts. During this period, as Pharmacia carried on the existing business in "trust" on behalf of the Company, all vouchers, documents etc. for the period are in the name of Pharmacia. 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 Pharmacia have become employees of the Company without any break or interruption in service. All rights, duties, powers and obligations of Pharmacia 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 1 December 2003, the figures for the current year are not directly comparable to those of the previous year.

		Rupees in Lakhs	
		2004	2003
2.	Estimated amount of contracts on capital account to be executed and not provided for	585.01	812.19
3.	<b>Contingent Liability</b>		
(a)	In respect of the guarantees given to banks on behalf of :		
(i)	Its subsidiary company	2400.00	2400.00
(ii)	Other guarantees	17.80	—
(b)	In respect of :		
(i)	Excise Duty	1064.05	1234.18
(ii)	Customs Duty	111.82	10.51
(iii)	Sales Tax	342.94	76.51
(iv)	Service Tax	193.10	466.08
(v)	Income Tax	429.92	6.53
(vi)	Pending Labour Matters contested in various courts	108.60	—
(vii)	Pending Labour Matters relating to wage settlement	Amount Unascertainable	Amount Unascertainable
(c)	DPEA claims (Refer Note 9)		
4.	<b>Loans and Advances include amounts due from:</b>		
	Duchem Laboratories Limited, a company under the same management [Maximum aggregate amount due during the year Rs. 80.46 lakhs (Nov 2003 – Rs. Nil)].	80.46	—
	Pfizer Pharmaceutical India Pvt. Ltd. (erstwhile Warner Lambert India Pvt. Ltd.), a company under the same management [Maximum aggregate amount due during the year Rs. 79.53 lakhs (Nov 2003 – Rs. 1415.25 lakhs)].	44.69	69.55
	Pharmacia India Private Limited, a company under the same management [Maximum aggregate amount due during the year Rs. 588.33 lakhs (Nov 2003 – Rs. 401.37 lakhs)].	301.22	401.37
	Leema Chemicals & Cosmetics Pvt. Ltd., a company under the same management [Maximum aggregate amount due during the year Rs. 0.16 lakhs (Nov 2003 – Rs. 0.16 lakhs)].	—	0.16
	Directors of the Company Maximum aggregate amount due during the year Rs. Nil lakhs (Nov 2003 – Rs. 1.83 lakhs).	—	—
5.	Cost of materials consumed and other expenses include cost of samples distributed.	881.44	1042.15
6.	<b>(a) Auditors' Remuneration (including service tax, as applicable):</b>		
	For Audit	22.04	21.60
	For other services	17.39	5.40
	Out-of-pocket expenses	1.30	—
	<b>(b) Remuneration to the erstwhile auditors of the company (including taxes, where applicable):</b>		
	– for other Services	—	8.64
	<b>(c) Remuneration to the auditors of erstwhile Pharmacia Healthcare Limited (including taxes, where applicable)</b>		
	For Audit	2.50	—
	Tax Audit Fees	1.17	—
	For Other Services	11.75	—
	Reimbursement of out-of-pocket expenses	1.00	—

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

(a) Production, Sales and Stocks

Manufacturing activities

		STOCKS AT COMMENCEMENT		STOCKS TRANSFERRED ON AMALGAMATION (NOTE 1)		PRODUCTION	SALES		STOCKS AT CLOSE	
Class of goods	Unit of Measure	Quantity	Rupees in lacs	Quantity	Rupees in lacs	Quantity	Quantity	Rupees in lacs	Quantity	Rupees in lacs
<b>BULK</b>										
Oxytetracycline	KGS('000's)	0.05 (15.76)	199.76 (309.69)	— —	— —	0.13 (57.01)	0.13 (0.30)	0.60 (3.30)	— (0.05)	— (199.76)
Others	Tonnes	2.79 (18.58)	26.16 (125.01)	188.20 —	158.03 —	12.90 (51.56)	12.90 (61.88)	92.09 (382.64)	— (2.79)	— (26.16)
<b>FORMULATIONS</b>										
Injectables :										
Liquid Parentals	Litres	28318.34 (40604.70)	152.30 (225.01)	— —	— —	222817.56 (217731.76)	224800.27 (229730.26)	1291.61 (1324.59)	24838.03 (28318.34)	111.30 (152.30)
Powder Parentals	Kgs.	0.24 (3.73)	0.25 (4.45)	— —	— —	— —	(12.46) (43.30)	(21.38) (79.02)	— (0.24)	— (0.25)
Tablets and Capsules	No. in Millions	161.94 (120.87)	1187.22 (853.55)	6.10 —	323.23 —	1613.56 (1183.89)	1543.84 (1129.61)	16720.28 (11614.99)	208.40 (161.94)	1275.40 (1187.22)
Liquids	Litres	530042.30 (647276.41)	946.99 (1132.99)	— —	— —	4939695.75 (3376167.57)	4694872.53 (3492765.15)	12064.32 (9613.76)	664359.55 (530042.30)	716.54 (946.99)
Solids	Kgs.	19096.13 (29617.98)	94.22 (112.93)	— —	— —	92733.95 (101849.60)	95498.61 (97389.27)	837.97 (773.28)	13861.71 (19096.13)	62.51 (94.22)
Ointments	Kgs.	4146.63 (7876.33)	28.17 (43.88)	2824.10 —	32.87 —	22454.37 (10056.42)	23499.38 (15112.73)	302.05 (165.03)	4219.36 (4146.63)	22.29 (28.17)
<b>FOOD PRODUCTS</b>	Tonnes	38.27 (20.43)	93.67 (45.00)	— —	— —	705.86 (628.35)	714.78 (607.46)	1922.15 (1998.73)	27.21 (38.27)	59.93 (93.67)
<b>FEED SUPPLEMENTS</b>	Tonnes	59.70 (46.19)	257.41 (139.23)	— —	— —	337.21 (437.46)	304.41 (419.82)	2002.03 (2196.93)	63.87 (59.70)	92.81 (257.41)

## Trading activities

		STOCKS AT COMMENCEMENT		STOCKS TRANSFERRED ON AMALGAMATION (NOTE 1)		PRODUCTION		SALES		STOCKS AT CLOSE	
Class of goods	Unit of Measure	Quantity	Rupees in lacs	Quantity	Rupees in lacs	Quantity	Rupees in lacs	Quantity	Rupees in lacs	Quantity	Rupees in lacs
FORMULATIONS											
Injectables :											
Liquid Parentals	Litres	5994.11 (14968.71)	136.11 (207.36)	0.20 —	0.04 —	26667.47 (14393.99)	436.15 (302.12)	25625.54 (22132.69)	1507.33 (1020.99)	4630.52 (5994.11)	171.72 (136.11)
Powder Parentals	Kgs.	386.02 (237.42)	405.41 (244.23)	— —	— —	6428.34 (1461.15)	863.42 (1496.77)	4831.50 (1298.32)	3146.82 (2519.05)	1942.57 (386.02)	206.40 (405.41)
Tablets and Capsules	No. in Millions	129.53 (135.02)	811.91 (1101.65)	2.70 —	13.55 —	218.84 (487.90)	1398.19 (2920.36)	310.02 (466.60)	3854.15 (5381.49)	29.54 (129.53)	186.15 (811.91)
Liquids	Litres	828551.65 (1322067.51)	861.52 (1515.00)	102.30 —	149.29 —	3307557.30 (4721828.18)	4245.19 (4076.85)	3611941.67 (4737303.15)	10940.24 (9709.84)	574553.44 (828551.65)	759.25 (861.52)
Solids	Kgs.	2163.62 (2025.85)	21.67 (29.84)	— —	— —	4785.22 (6563.89)	67.85 (86.73)	6049.35 (6266.39)	163.86 (168.18)	815.43 (2163.62)	14.38 (21.67)
Ointments	Kgs.	4717.85 (7213.79)	18.95 (30.60)	1528.20 —	4.77 —	23822.00 (11698.81)	76.69 (37.19)	21125.47 (9877.76)	313.80 (134.15)	4452.21 (4717.85)	13.96 (18.95)
FEED SUPPLEMENTS	Tonnes	37.27 (54.57)	12.37 (18.21)	— —	— —	199.86 (176.32)	90.89 (53.69)	183.50 (165.40)	82.74 (73.61)	53.70 (37.27)	73.70 (12.37)
FEED SUPPLEMENTS	Litres	17185.00 (28200.00)	4.65 (6.55)	— —	— —	100980.00 (108280.00)	27.95 (29.46)	91430.00 (110005.00)	35.62 (42.02)	16870.00 (17185.00)	4.84 (4.65)
MISCELLANEOUS	No. in Millions	0.90 (0.73)	56.43 (43.33)	0.02 —	10.13 —	9.92 (3.25)	292.12 (223.22)	8.47 (3.06)	521.55 (417.24)	2.38 (0.90)	91.81 (56.43)
	Kgs.	— —	— —	— —	— —	— (16150.00)	— (1.07)	— (16150.00)	— (2.61)	— —	— —
TOTAL			5315.22 (6188.50)		691.91 —		7498.45 (9227.45)		55777.81 (47463.41)		3862.99 (5315.17)

## Notes:

1. Stocks as on 1st December 2003 transferred consequent to amalgamation of Pharmacia Healthcare Limited.
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 Closing Stock exclude Physicians' Sample packs.
4. Stocks are after adjustments of write-offs.
5. Figures in brackets are in respect of the previous year.

## Notes to the financial statements for the year ended 30th November 2004

(Currency: Indian Rupees in Lakhs)

### 7. (b) Raw Materials Consumed

Class of Goods	Unit of Measure	2004		2003	
		Quantity	Value In Lakhs	Quantity	Value In Lakhs
Vitamins	Tonnes	369.75	1769.24	262.46	1414.72
Codeine Phosphate	Kgs.	5514.00	1971.00	4506.88	1558.04
Virginiamycin	Kgs.	3381.50	136.76	6827.70	281.34
Coxistac Premix	Tonnes	0.50	0.92	190.74	242.16
Sugar	Tonnes	2399.54	356.89	1962.40	239.75
Propylene Glycol	Tonnes	207.23	138.22	189.95	115.30
Maize Germ Oil	Tonnes	–	–	159.23	69.02
PCBs Urea	Tonnes	–	–	41.55	74.74
Others (Including Imports)			4374.49		2562.30
<b>TOTAL</b>			<b>8747.52</b>		<b>6558.36</b>
Whereof:		Percentage		Percentage	
Imported-delivered Cost		6	544.69	16	1022.75
Indigenously Obtained		94	8202.83	84	5535.61
<b>TOTAL</b>		<b>100</b>	<b>8747.52</b>	<b>100</b>	<b>6558.36</b>

Note: 'Components' and 'Spare Parts' referred to in paragraph 4 D(C) of Part II of Schedules 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

			Installed Capacity (Three Shift basis)
Class of Goods	Unit of Measure	2004	2003
<b>Bulk Drugs and Drug Intermediates</b>			
Oxytetracycline /Tetracycline	MT	*	140
Others	MT	*	724
<b>Formulations</b>			
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
<b>Food Products</b>			
Protein Food	MT	1000	1000
<b>Feed Supplements</b>	MT	1577	1577

\* Installed capacity for bulk drugs and drug intermediates for the current year is nil as the plant assets are held for disposal.

Notes:

- 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 1 March, 1999 issued by the Department of Industrial Policy and Promotion, Ministry of Industry, Government of India, industrial licensing has been abolished in respect of bulk drugs and formulations.
- The installed capacity is as certified by the Management and not verified by the Auditors, this being a technical matter.

**Notes to the financial statements for the year ended 30th November 2004**  
(Currency: Indian Rupees in Lakhs)

	Rupees in Lakhs	
	2004	2003
<b>(d) Value of imports calculated on CIF basis</b>		
Raw Materials	2396.62	1934.70
Spare Parts for Maintenance of machinery and Laboratory Chemicals	5.54	0.26
Capital Goods	31.39	36.09
Finished Goods	776.28	1426.62
Packing Materials	—	5.69
<b>(e) Expenditure in Foreign Currency</b>		
Travel	158.38	141.73
Royalty	418.15	260.78
Interest	0.17	3.03
Professional Charges	82.96	27.71
Others (Exchange Loss, etc.)	22.91	28.73
<b>(f) Remittance made on account of dividends in foreign currency</b>		
Number of shareholders	3	3
Number of shares held	115,18,996	115,18,996
Net amount of dividends remitted in foreign currency		
Dividend in respect of the year ended 30 <sup>th</sup> November, 2003	863.92	—
Dividend in respect of the year ended 30 <sup>th</sup> November, 2002	—	863.92
<b>TOTAL</b>	<b>863.92</b>	<b>863.92</b>
<b>(g) Earnings in foreign currency</b>		
Total Exports (On FOB) basis	376.51	837.29
Service Income	2028.54	1870.79
<b>8. (a) Managerial remuneration under Section 198 of the Companies Act, 1956</b>		
Salaries, Bonus & Commission	93.51	91.61
Contribution to PF and Other Funds	14.15	18.71
Perquisites	33.31	31.75
Sitting Fees	2.00	0.90
Commission to Non- Whole time Directors	4.00	4.00
<b>TOTAL</b>	<b>146.97</b>	<b>146.97</b>
Note: The above excludes directors' sitting fees Rs.2.50 lakhs paid to directors of erstwhile Pharmacia Healthcare Limited who were not on the board of the Company during the year.		
<b>(b) Computation of net profits for commission payable to the Directors</b>		
Net Profit per Profit and Loss Account	4551.78	2750.52
Income-tax	2931.58	1880.95
Remuneration to Directors	146.97	146.97
Net Profit /(Loss) on sale of fixed assets per Section 349 of the Companies Act, 1956 (Estimated)	9.36	22.57
Provision for Doubtful debts/advances	373.58	573.51
Estimated Loss on assets held for disposal	223.16	—
	<b>8236.43</b>	<b>5374.52</b>
Net (Profit)/Loss on sale of fixed assets per accounts	(9.36)	(22.57)
Profit on sale of Residential Premises	(349.78)	—
Profit on sales of Ankleshwar Plant	(287.85)	—
<b>TOTAL</b>	<b>7589.44</b>	<b>5351.95</b>
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



## Notes to the financial statements for the year ended 30th November 2004

(Currency: Indian Rupees in Lakhs)

### 9. 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 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."

\* Regd. Trademark

#### (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.

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. 23/95 pending before the said Drug Prices Liability Review Committee be stayed."

## Notes to the financial statements for the year ended 30th November 2004

(Currency: Indian Rupees in Lakhs)

- (f) Pursuant to the repeal of DPCO 1970, erstwhile Warner-Hindustan Limited (merged with Parke-Davis (India) Limited in 1988 and Parke – Davis (India) Limited merged with Pfizer Limited in 2003) had classified ISOKIN TABLETS, ISOKIN LIQUID AND PYRIDIUM TABLETS as decontrolled products under the DPCO 1979. The categorization was, however, challenged by the Government in 1984 and a demand of Rs. 113 lakhs was raised against the Company. Against this demand an excise duty set off of Rs. 7 lakhs was allowed to the Company and a final demand of Rs. 106 lakhs was raised in 1987.

The Company had deposited an amount of Rs. 30 lakhs in February 1987 and Rs. 25 lakhs in May 1990 totaling to an aggregate of Rs. 55 lakhs in full and final settlement of the demand, as per the arguments set forth by the Company. The Government subsequently raised a demand of Rs. 117 lakhs towards interest on principal demand. (i.e. interest of Rs. 43 lakhs for Pyridium for the period 1982 to August 1995 and Rs. 74 lakhs for Isokin for the period 1982 to June 1997).

The Company filed a Writ Petition in the Andhra Pradesh High Court in September 1997 for staying all further proceedings against the Company. The High Court stayed the demand in respect of collection of interest but directed the Company to deposit the balance demand of Rs. 51 lakhs (which amount was deposited in November, 1997).

**(g) Multivitamin Formulations:**

The Government has arbitrarily raised a demand of Rs.182.38 Lakhs on account of alleged overpricing of certain multivitamin formulations marketed by erstwhile Pharmacia Healthcare Limited (merged with Pfizer Limited) for the period 1983 to 1986. The Company has repudiated the liability on this account as advised by its solicitors. The Company filed a Writ Petition No. 814 of 1992 in the High Court at Mumbai. The Supreme Court of India, in a Special Leave Petition filed by the Company held that pending disposal of Writ Petition filed before the High Court at Mumbai, the Company shall furnish an undertaking in respect of 50% of its liability and shall deposit the balance 50% aggregating to Rs. 91.19 Lakhs. This amount has been deposited with the Government of India and is included under the head "Loans and Advances".

Pursuant to a Transfer Petition (Civil) no. 475-496 of 2003 filed under Article 139A(1) of the Constitution of India, all pending writ petitions in respect of DPEA liabilities are now to be transferred to the Supreme Court to be heard and finally decided by the Supreme Court of India. Consequently as a result of the said transfer petition, Writ Petitions referred to in (a), (b), (c), (e), (f) and (g) above will now be heard and disposed off by the Supreme Court.

In view of matters (a), (b), (c), (e), (f) and (g) 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.

The Company would continue to seek legal recourse in all the above matters.

	2004	2003
<b>10. Expenditure on Research &amp; Development during the year</b>		
Capital expenditure	–	147.72
Revenue expenditure charged to the Profit and Loss Account	2351.04	1970.60
	<b>2351.04</b>	<b>2118.32</b>

Note: Research & Development expenditure includes those incurred while rendering services to group companies

**11. Earnings per Share**

Earnings per share has been computed as under :

(a) Profit after Taxation (Rs. Lakhs)	4551.78	2750.52
(b) Number of Equity Shares outstanding at 1st December 2003	28797540	28797540
(c) Number of Equity Shares to be issued on amalgamation effective 1st December 2003.	1043900	–
(d) Total (b) + (c) (No. of equity shares outstanding during the year)	29841440	28797540
(e) Earnings per share (Face value Rs. 10/- per share) (a) / (d) (Basic and diluted)	Rs. 15.25	Rs. 9.55

**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 19).

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. Further, in the case of one 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.

- (b) Sub-lease income recognised in the Profit and Loss Account for the year – Rs. 563.98 lakhs (November 2003 – Rs. 539.49 lakhs).

## Notes to the financial statements for the year ended 30th November 2004

(Currency: Indian Rupees in Lakhs)

### 13. Assets held for disposal

The Company has identified the assets situated at various plants as retired from active use consequent to its ceasing manufacturing operations at these plants. These assets are held for disposal and stated at lower of net book value and estimated net realizable value. Fixed assets (Schedule 4) include assets at these plants at lower of their respective book values or estimated net realisable value as follows:

#### Ankleshwar plant (held for disposal in an earlier year)

Asset Head	Original Cost		Accumulated Depreciation		Written Down Value	
	Nov 2004	Nov 2003	Nov 2004	Nov 2003	Nov 2004	Nov 2003
Freehold Land	20.28	20.28	—	—	20.28	20.28
Leasehold Land	—	63.25	—	63.25	—	—
Freehold Building	165.82	165.82	136.48	136.48	29.34	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
<b>TOTAL</b>	<b>186.10</b>	<b>1692.74</b>	<b>136.48</b>	<b>1480.23</b>	<b>49.62</b>	<b>212.51</b>

During the current year, the Company has sold the assets other than freehold land and freehold building, for the total consideration of Rs. 450 lakhs and accordingly recognised the profit of Rs. 287.85 lakhs shown under "Exceptional Items" (Schedule 20).

#### Hyderabad Plant (held for disposal in an earlier year)

Asset Head	Original Cost		Accumulated Depreciation		Written Down Value	
	Nov 2004	Nov 2003	Nov 2004	Nov 2003	Nov 2004	Nov 2003
Freehold Land	8.09	8.09	—	—	8.09	8.09
Freehold Building	140.54	140.54	109.02	109.02	31.52	31.52
<b>TOTAL</b>	<b>148.63</b>	<b>148.63</b>	<b>109.02</b>	<b>109.02</b>	<b>39.61</b>	<b>39.61</b>

#### Chandigarh plant

Asset Head	Original Cost		Accumulated Depreciation		Written Down Value	
	Nov 2004		Nov 2004		Nov 2004	
Freehold Land	3.60		—		3.60	
Freehold Building	176.36		81.31		95.05	
Machinery & Equipment	1665.82		1365.69		300.13	
Office Equipment, Furniture & Fixtures	96.23		69.15		27.08	
<b>TOTAL</b>	<b>1942.01</b>		<b>1516.15</b>		<b>425.86</b>	

During the current year, the Company has provided additional depreciation amounting to Rs. 223.16 lakhs and shown as estimated loss under "Exceptional Items" (Schedule 20).

#### Ankleshwar plant (erstwhile Pharmacia Healthcare Limited)

Asset Head	Original Cost		Accumulated Depreciation		Written Down Value	
	Nov 2004		Nov 2004		Nov 2004	
Leasehold Land	35.41		—		35.41	
Building	275.34		76.41		198.93	
Plant & Machinery	792.04		477.51		314.53	
Office Equipment, Furniture, Fixtures	31.88		16.61		15.27	
<b>TOTAL</b>	<b>1134.67</b>		<b>570.53</b>		<b>564.14</b>	

14. Stock of Physicians' samples is included under 'Loans and Advances' (Schedule 11) Rs. 192.36 lakhs (Nov 2003 – Rs. 20.80 lakhs).
15. Income tax provision – current tax includes Rs. Nil (Nov 2003 – Rs. 178.00 lakhs) on account of interest demanded by the tax authorities on completion of earlier years' assessments/appeals decided during the year.

## Notes to the financial statements for the year ended 30th November 2004

(Currency: Indian Rupees in Lakhs)

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

### Nov 2004

Amijal Chemicals	Maharshi Labels Pvt. Ltd.
Award Packaging	Norrish Chemicals
Anushree Polypack	Nirmal Chemicals
Award Offset Printers	Nivedita Chemicals Pvt. Ltd.
Aerochem Silvassa Ltd.	Nahar's Agro Products
Bharat Industries	P D Fine Chem
Blown Enterprises	Preema Packaging
Bajaj Health & Nutritions Pvt. Ltd.	Paper Kraft Industries
Canberra Chemicals	Plastopack
Crown Paper Products	Purab Printers
Creative Cartons	Par Drugs & Chemicals Pvt. Ltd.
Caps (India)	Paper Pack Industries
Chemiefine	Royale Impex
Canton Laboratories	Responsive Industries
Everest Industrial Corporation	Savita Chemicals Ltd.
Enzochem Laboratories Pvt. Ltd.	Suraj Paper Box Works
Fineprint Pvt. Ltd.	Sagar Packaging
Gharda Chemicals Ltd.	Shri Dutt Enterprises
Geno Pharmaceuticals	Salicylates and Chemicals
Heniel Pack	Surya Packaging
Hemmo Pharma	Shree Shakti Packaging Product
Impact Containers Limited	Sattarsons Packaging Pvt. Ltd.
Indica Chemical Industries	Space Age Plastic Industries
Karnataka Malladi Biotics Limited	Sunil Synchem Limited
Kopran Limited	Sekhsaria Chemicals Ltd.
Kaisha Manufacturing Pvt. Ltd.	Transchem Limited
Lake Chemicals Pvt. Ltd.	Veer Chemie & Aromatics Pvt. Ltd.
Lubri-Chem Industries Ltd.	Velpack Private Limited
Metakaps Engineering Co.	Supermak Industries
Modern Packaging Hyd. Pvt. Ltd.	Positive Packaging Industries

The above information and that given in Schedule 11 – 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.

## Notes to the financial statements for the year ended 30th November 2004

(Currency: Indian Rupees in Lakhs)

17. 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 :

Companies collectively exercising significant influence	<p>Pfizer Corporation, Panama</p> <p>Warner-Lambert Company, LLC, USA</p> <p>Parke-Davis &amp; Company, LLC, USA</p> <p>Pharmacia Corporation, USA</p> <p>[Collectively holding 41.25% of the aggregate of equity share capital of the Company]</p> <p>Pfizer Inc., U.S.A. (Ultimate Holding Company)</p>
Subsidiary Company:	<p>Duchem Laboratories Limited</p> <p>(100% Shares are held by the Company as at the year end)</p>

#### *Fellow Subsidiaries:(with whom transactions have taken place during the year)*

Pfizer Pharmaceutical India Private Limited, India  
 Pharmacia 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  
 Pfizer Japan Inc., Japan  
 Warner-Lambert Pharmaceuticals, South Africa

#### B. Executive Committee Members

Mr. Hocine Sidi Said \*  
 Mr. Kewal Handa \*  
 Dr. B.M. Gagrath \*  
 Mr. S. Madhok  
 Dr. S. Mukherjee  
 Dr. Chitra Lele  
 Mr. H. Walder  
 Mr. Yugesh Gautam  
 Mr. S. Ramkrishna  
 Mr. Arun Gupta  
 Mr. Viren Mahurkar  
 Ms. Dipali Talwar

\* Executive Directors on the Board



## Notes to the financial statements for the year ended 30th November 2004

(Currency: Indian Rupees in Lakhs)

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

Nature of Transactions	Nov 2004				Nov 2003			
	Ultimate Holding Company	Companies exercising significant influence	Subsidiary Company	Fellow Subsidiaries	Ultimate Holding Company	Companies exercising significant influence	Subsidiary Company	Fellow Subsidiaries
1. Sale of finished goods (net of returns)	-	-	-	196.85	-	-	-	325.41
2. Sale of bulk materials	-	-	-	90.25	-	-	-	382.64
3. Service income	774.29	-	-	1254.25	1812.85	-	-	57.94
4. Interest income on Loans given	-	-	-	-	-	-	-	22.83
5. Recovery of expenses	146.42	-	-	1507.57	33.94	-	-	728.73
6. Purchase of finished goods	-	79.81	-	697.12	-	59.83	-	1676.93
7. Purchase of raw/bulk materials	-	-	-	876.89	-	84.64	-	151.42
8. Royalty expense	21.22	110.91	-	286.02	16.85	-	-	243.93
9. Service charges paid	-	-	-	-	-	-	-	-
10. Interest expense on Loans taken	-	-	-	66.23	-	-	-	6.26
11. Expenses reimbursed	-	-	-	19.16	-	-	-	48.39
12. Amount Written Off	-	-	-	0.16	-	-	-	-
13. Dividend in respect of the year/period ended 30th November 2003/November 2002	-	863.93	-	-	-	863.92	-	-
14. Loans given	-	-	111.57	-	-	-	2148.15	1890.00
15. Loans taken	-	-	-	1650.00	-	-	2179.75	1250.00
16. Outstanding as at the year end – Due from	340.73	-	80.46	1506.28	423.24	-	-	2407.93
17. Outstanding as at the year end – Due to	6.98	103.69	-	2707.14	5.73	0.76	31.11	1249.84
18. Guarantees given to Banks on behalf of Subsidiary Company, outstanding as at the year end	-	-	2400.00	-	-	-	2400.00	-

#### Executive committee members & their Relatives:

Nature of Transactions	Nov 2004		Nov 2003	
	Key Management Personnel	Relative of Key Management Personnel	Key Management Personnel	Relative of Key Management Personnel
1. Remuneration	391.25	-	360.91	-
2. Rent paid for residential flats	51.75	-	49.89	-
3. Interest income on Loans given	-	-	0.01	-
4. Sale of Fixed Assets	-	-	-	-
5. Deposits paid	155.00	-	68.21	-
6. Amounts paid on behalf and recovered	1.02	-	0.45	-
7. Deposits outstanding as at the year end	1017.91	-	159.44	-
8. Loans outstanding as at the year end	-	-	-	-

### 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 or otherwise pursuant to the agreement.

## Notes to the financial statements for the year ended 30th November 2004

(Currency: Indian Rupees in Lakhs)

### 18. Segment Information for the year ended 30th November, 2004

#### Business segments

(Refer Note 1 below)

	Nov 2004				Nov 2003			
	Pharma- ceuticals	Animal Health	Services	Total	Pharma- ceuticals	Animal Health	Services	Total
<b>Segment revenue</b>								
External sales and services to customers	50412.99	5853.44	2028.55	58294.98	43185.13	5351.21	1870.79	50407.13
<b>Total segment revenue</b>	<b>50412.99</b>	<b>5853.44</b>	<b>2028.55</b>	<b>58294.98</b>	<b>43185.13</b>	<b>5351.21</b>	<b>1870.79</b>	<b>50407.13</b>
<b>Segment results</b>								
Unallocated corporate (expenses)/income (net)				(2481.68)				(622.95)
Operating profit				8936.40				6220.74
Interest expenses and bank charges				(279.12)				(268.29)
Interest income				748.46				352.28
Income tax				(2931.58)				(1880.95)
Exceptional Items (net of expenses)	(1636.53)	(1.20)		(1637.73)	(1238.04)	(1.20)		(1239.24)
Unallocated exceptional items				(284.65)				(434.02)
<b>Net profit</b>				<b>4551.78</b>				<b>2750.52</b>
<b>Other information</b>								
Segment assets	21647.29	3685.46	1517.98	26850.73	22608.25	3761.90	773.90	27144.05
Unallocated corporate assets				26035.93				17702.99
<b>Total assets</b>				<b>52886.66</b>				<b>44847.04</b>
Segment liabilities	8933.57	697.36	126.20	9757.13	7382.87	695.20	159.17	8237.24
Unallocated corporate liabilities				8853.55				5769.62
<b>Total liabilities</b>				<b>18610.68</b>				<b>14006.86</b>
Capital expenditure	1198.39	22.16	34.76		1487.59	5.98	108.17	
Depreciation/Amortisation	505.78	22.82	92.66		541.38	71.82	104.34	
Amortisation of Voluntary retirement cost	7.61	–	–		26.47	–	–	

#### Geographic segment

(Refer Note 2 below)

	Nov 2004			Nov 2003		
	India	Other Countries	Total	India	Other Countries	Total
Segment Revenue – external sales to customers	55599.67	2695.31	58294.98	47387.55	3019.58	50407.13
Carrying amount of segment assets	51406.21	1480.45	52886.66	44206.26	640.78	44847.04
Capital expenditure	1548.62	–	1548.62	1740.15	–	1740.15

#### Notes:

- 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, new product development and undertaking comprehensive data management for new drug development.

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

**Notes to the financial statements for the year ended 30th November 2004**

(Currency: Indian Rupees in Lakhs)

19. The figures of the previous year have been regrouped/reclassified wherever necessary to conform to the figures of the current year. In view of the amalgamation of Pharmacia Healthcare Limited with the Company with effect from December 1, 2003, the figures for the current year are not directly comparable to these of the previous year.
- 

For and on behalf of the Board

R.A. SHAH *Chairman*HOCINE SIDI SAID *Managing Director*

P. SHAH	}	<i>Directors</i>
K. HANDA		

K. SUBHARAMAN *Secretary**Mumbai, 24 February, 2005*

## Notes to the financial statements for the year ended 30th November 2004

### 20. Balance sheet abstract and Company's general business profile

#### I Registration details

Registration No. 8311

State code 11

Balance sheet date

30 11 2004

#### II Capital raised during the year (Amount in Rupees thousand)

Public issue
NIL
Bonus issue
NIL

Rights issue
NIL
Private placement
NIL

#### III Position of mobilisation and deployment of funds (Amount in Rupees thousand)

Total liabilities
3547598

Total assets
3547598

##### Source of funds

Share Capital *
298432
Secured loans
NIL

Reserves and surplus
3129166
Unsecured loans
120000

##### Application of funds

Net fixed assets
756431
Deferred tax asset (net)
63536
Miscellaneous expenditure
600722

Investments
32436
Net current assets
2094473
Accumulated losses
NIL

\* Including 10,43,900 Equity Shares of Rs. 10/- each of Pfizer Limited to be issued as fully paid-up to the shareholders of Pharmacia Healthcare Limited in terms of the Scheme of Amalgamation of Pharmacia Healthcare Limited with the Company, disclosed under 'Share capital suspense account'

#### IV Performance of the Company (Amount in Rupees thousand)

Turnover (including other income)
5970173
Profit before tax and exceptional items +
940574
Profit after tax +
455178
Dividend rate
100%

Total expenditure
5029599
Profit before tax +
748336
Earnings per share (Rupees)
15.25

#### V Generic names of three principal products of the Company (as per monetary terms)

Item code No. (ITC Code)	30044005
Product description	Syrup based on codeine phosphate
Item code No. (ITC Code)	30045005
Product description	B group vitamins (B-Complex) with Vitamin C
Item code No. (ITC Code)	30049011
Product description	Other anti-inflammatory (non-steroid) formulations

For and on behalf of the Board

R.A. SHAH

Chairman

HOCINE SIDI SAID

Managing Director

P. SHAH

K. HANDA

Directors

K. SUBHARAMAN

Secretary

Mumbai, 24, February 2005



## Statement pursuant to Section 212 of the Companies Act, 1956

Name of the subsidiary company	Financial year ending of the subsidiary	Number of equity shares held	Extent of holding	For the financial year of the subsidiary		For the previous financial years since it became a subsidiary	
				Profits/(losses) so far as it concerns the members of the holding company and not dealt with in the holding company's accounts	Profits/(losses) so far as it concerns the members of the holding company and dealt with in the holding company's accounts	Profits/(losses) so far as it concerns the members of the holding company and not dealt within in the holding company's accounts	Profits/(losses) so far as it concerns the members of the holding company and dealt with in the holding company's accounts
Duchem Laboratories Limited	30.11.2004	324000 shares of Rs. 100 each	100%	Rs. lakhs (93.02)	Rs. lakhs –	Rs. lakhs (229.70)	Rs. lakhs –

For and on behalf of the Board

R.A. SHAH

*Chairman*

HOCINE SIDI SAID

*Managing Director*

P. SHAH

K. HANDA

}

*Directors*

K. SUBHARAMAN

*Secretary*

Mumbai, 24 February, 2005



# DUCHEM LABORATORIES LIMITED (Accounts of Subsidiary Company)

## Directors' Report

The Directors have pleasure in presenting this Forty-sixth Annual Report together with the audited statement of accounts of the Company for the year ended 30th November 2004:

### FINANCIAL RESULTS

Rupees in Lakhs		
Particulars	Year ended November 30, 2004	Year ended November 30, 2003
The Profit/(loss) for the year amounted to	(33)	(402)
Deferred Tax Debit/(credit)	60	(20)
Profit/(Loss) After Tax	(93)	(382)
After adjusting thereto the balance of Profit from prior years	(230)	152
Transfer from General Reserve (Nov '03 – Rs. 0.23 Lakhs)	–	–
The Profit and Loss Account shows a balance Profit/(loss) which has been carried forward to the next year	(323)	(230)

### OPERATIONS

The Net Sales of the Company for the year under review is Rs. 1011 Lakhs as compared to Rs. 1516 Lakhs for the previous year. The operations for the period reflect a Net Loss of Rs. 93 Lakhs as against Net Loss of Rs. 382 Lakhs for the previous year. The reduction in turnover is consequent to change in product portfolio of the Company.

### DIVIDEND

The Directors do not recommend any dividend for the year ended 30th November 2004.

### DIRECTORS

In accordance with the Articles of Association of the Company Mr. Harold Walder, Director will retire by rotation at the forthcoming Annual General Meeting and being eligible offers himself 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 used and earned during the year: Nil

### DIRECTORS' 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, 2004 on a going concern basis.

### AUDITORS

M/s. BSR & Co. (formerly M/s. Bharat S. Raut & Co.), the Company's Auditors, retire at the conclusion of the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment.

On behalf of the Board of Directors

**KEWAL HANDA**  
Chairman

Mumbai, February 23, 2005.

# Auditors' Report

## To the Members of Duchem Laboratories Limited

We have audited the attached Balance Sheet of Duchem Laboratories Limited ('the Company') as at 30 November, 2004 and the related Profit and Loss Account of the Company for the year ended on that date, annexed thereto. 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. Those 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.

As required by the Companies (Auditor's Report) Order, 2003 ('CARO') issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, ('the Act') we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

Further to our comments in the Annexure referred to above, we report that:

- (a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our 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 those books;
- (c) The Balance Sheet, Profit and Loss Account dealt with by this report are in agreement with the books of account;
- (d) In our opinion, the Balance Sheet, Profit and Loss Account dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Act, to the extent applicable;
- (e) On the basis of written representations received from directors of the Company as at 30 November, 2004 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 30 November, 2004 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Act and;
- (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 Act, 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 30 November, 2004; and
  - (ii) in the case of the Profit and Loss Account, of the loss for the year ended on that date.

For BSR & Co.  
(formerly Bharat S. Raut & Co.)  
Chartered Accountants

Sanjay Aggarwal  
(Partner)

Mumbai, February 23, 2005

Membership No.: 40780

## Annexure to the Auditors' Report 30 November, 2004

(Referred to in our report of even date)

- (i) According to the information and explanations given to us, the Company did not have fixed assets at any time during the year. Accordingly clause 4(i) is not applicable to the Company.
- (ii)
  - (a) The inventory has been physically verified by the management during the year. In our opinion, the frequency of such verification is reasonable.
  - (b) The procedures for the physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
  - (c) The Company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stocks and the book records were not material.
- (iii) According to the information and explanations given to us, we are of the opinion that there are no companies, firms or other parties covered in the register required under Section 301 of the Act. Accordingly, paragraph 4(iii) of the Order is not applicable.
- (iv) In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchases of inventory and with regard to the sale of goods and there has not been any continuing failure to correct major weakness in internal control system in respect of these areas.
- (v) In our opinion, and according to the information and explanations given to us, there are no contracts and arrangements the particulars of which need to be entered into the register maintained under Section 301 of the Act.
- (vi) The Company has not accepted any deposits from the public.
- (vii) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
- (viii) According to the information and explanations given to us, the Central Government has not prescribed the maintenance of cost records under Section 209(1)(d) of the Act.
- (ix)
  - (a) According to the information and explanations given to us and on the basis of our examination of the books of account, the Company has been generally regular in depositing with appropriate authorities undisputed statutory dues including, income tax, sales tax, cess and other material statutory dues applicable to it during the year. A few minor delays have been noted. As explained to us, the Company did not have any dues on account of customs duty, service tax, provident fund, employees' state insurance scheme, excise duty, wealth tax and investor education and protection fund. At 30 November 2004, there are no material arrears of undisputed statutory dues for a period of more than six months from the date they became payable.
  - (b) According to the information and explanations given to us, the following dues of Income tax/Sales tax/Wealth tax/Service tax/Customs duty/Excise duty/Cess (as appropriate) have not been deposited by the Company on account of disputes.

Name of the State	Nature of the Dues	Amount (Rs. in lakhs)	Period to which the amount relates	Forum where dispute is pending
Income Tax Act	Tax and penalty on disallowances	265.30 84.32	1999/2000 2000/01	Income tax Appellate Tribunal Commissioner (Appeals)
Bombay Sales Tax Act	Tax, interest and penalty	245.05	1997/98 1998/99	Deputy Commissioner Sales tax (Appeal)

## Annexure to the Auditors' Report 30 November, 2004 (Continued)

- |  |  |
|--|--|
| <p>(ix) The Company has accumulated losses at the end of the financial year aggregating Rs. 322.72 lakhs and has incurred cash losses in the current financial year as well as the immediately preceding financial year.</p> <p>(x) In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to its bankers. The Company did not have any outstanding loans from financial institutions or debentures during the year.</p> <p>(xi) According to the information and explanations given to us, the Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.</p> <p>(xii) In our opinion and according to the information and explanations given to us, the Company is not a chit fund or a nidhi/mutual benefit fund/society.</p> <p>(xiii) According to the information and explanations given to us, the Company is not dealing or trading in shares, securities, debentures and other investments.</p> <p>(xiv) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions during the year.</p> | <p>(xv) The Company did not have any term loans outstanding during the year.</p> <p>(xvi) According to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, we are of the opinion that the funds raised on short-term basis have not been used for long-term investment.</p> <p>(xvii) As stated in paragraph (v) above, there are no companies/firms/parties covered in the register required to be maintained under Section 301 of the Act.</p> <p>(xviii) The Company did not have any outstanding debentures during the year.</p> <p>(xix) The Company has not raised any money by public issues.</p> <p>(xx) According to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the course of our audit.</p> |
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For **BSR & Co.**  
(formerly Bharat S. Raut & Co.)  
*Chartered Accountants*

**Sanjay Aggarwal**  
(Partner)

Mumbai, February 23, 2005

Membership No.: 40780

## Balance Sheet as at 30th November, 2004

		Rupees in Lakhs	
	Schedule Ref.	As at 30th Nov 2004	As at 30th Nov 2003
<b>Sources of Funds</b>			
<b>Shareholders' funds</b>			
Share capital	1	324.00	324.00
Reserves and surplus	2	—	—
		324.00	324.00
<b>TOTAL</b>		<b>324.00</b>	<b>324.00</b>
<b>Application of Funds</b>			
Deferred tax asset	3	—	60.26
<b>Current assets, loans and advances</b>			
Inventories	4	111.90	259.17
Sundry debtors	5	69.30	33.41
Cash and bank balances	6	28.80	36.53
Loans and advances	7	240.17	177.72
		450.17	506.83
<b>Current liabilities and provisions</b>			
Current liabilities	8	(448.89)	(472.79)
<b>Net current assets</b>		<b>1.28</b>	<b>34.04</b>
<b>Profit and loss account</b>		<b>322.72</b>	<b>229.70</b>
<b>TOTAL</b>		<b>324.00</b>	<b>324.00</b>
<b>Significant accounting policies</b>	13		
<b>Notes to the accounts</b>	14		

The schedules referred to above form an integral part of the Balance Sheet.

In terms of our report of even date.

For **BSR & Co.**  
(Formerly Bharat S. Raut & Co.)  
*Chartered Accountants*

**Sanjay Aggarwal**  
*Partner*  
Membership No. 40780

Mumbai, February 23, 2005

For and on behalf of the Board

**KEWAL HANDA** *Chairman*

**B.M. GAGRAT (Dr.)** *Director*

**M.G. SUBRAMANIAM** *Secretary*

Mumbai, February 23, 2005

# Profit and Loss Account for the year ended 30th November, 2004

		Rupees in Lakhs	Rupees in Lakhs
	Schedule Ref.	Year Ended 30th Nov 2004	Year Ended 30th Nov 2003
<b>Income</b>			
Sales (gross)		1093.52	1639.44
Less: Sales tax		82.47	123.26
Sales (net)		1011.05	1516.18
Interest income	9	1.51	0.42
Miscellaneous income	10	0.24	0.83
		1012.80	1517.43
<b>Expenditure</b>			
Decrease in stocks of finished goods	11	147.27	393.69
Purchases		802.83	1352.40
Interest expense		0.09	0.80
Other expenses	12	95.37	172.02
		1045.56	1918.91
<b>Profit/(loss) before taxation</b>			
Current tax		—	—
Deferred tax debit/(credit)		60.26	(19.83)
		60.26	(19.83)
<b>Profit/(loss) after taxation</b>			
Balance of profit and loss account brought forward		(93.02)	(381.65)
Transfer from general reserve		(229.70)	151.72
		—	0.23
<b>Balance of profit and loss account carried forward</b>			
		(322.72)	(229.70)
<b>Earnings per Share (Basic and Diluted)</b>			
(Refer Note 3 in the Notes to the Accounts — Schedule 14)		Rs. (28.71)	Rs. (117.79)
<b>Nominal Value of Share</b>			
		100.00	100.00
<b>Significant accounting policies</b>			
Notes to the accounts	13		
	14		

The schedules referred to above form an integral part of the Profit and Loss Account.

In terms of our report of even date.

For **BSR & Co.**  
(Formerly Bharat S. Raut & Co.)  
Chartered Accountants

**Sanjay Aggarwal**  
Partner  
Membership No. 40780

Mumbai, February 23, 2005

For and on behalf of the Board

**KEWAL HANDA** *Chairman*  
**B.M. GAGRAT (Dr.)** *Director*  
**M.G. SUBRAMANIAM** *Secretary*

Mumbai, February 23, 2005

## Schedules

	Rupees in Lakhs	Rupees in Lakhs
	30th Nov 2004	30th Nov 2003

### Schedule 1: Share capital

#### 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
<b>TOTAL</b>	<b>500.00</b>	<b>500.00</b>

#### Issued, subscribed and paid up

3,24,000 Equity Shares of Rs. 100 each fully paid up	324.00	324.00
<b>TOTAL</b>	<b>324.00</b>	<b>324.00</b>

(All the above Shares are held by the Holding Company – Pfizer Limited and its nominees)

### Schedule 2: Reserves and surplus

#### General Reserve

Per last Balance Sheet	—	0.23
Less: Transfer to Profit and Loss Account	—	0.23
	—	—

#### Profit and Loss Account

Per last Balance Sheet	—	151.72
Less: Transfer to Profit and Loss Account	—	151.72
	—	—

### Schedule 3: Deferred tax asset

Arising on account of timing differences in:		
Provision for doubtful debts	—	60.26
<b>TOTAL</b>	<b>—</b>	<b>60.26</b>

### Schedule 4: Inventories

Stock-in-Trade		
Finished goods	111.90	259.17
<b>TOTAL</b>	<b>111.90</b>	<b>259.17</b>

### Schedule 5: Sundry debtors

(Unsecured – considered good except where otherwise stated)

#### Debts outstanding

— Over six months	193.51	170.53
— Other debts	52.79	30.88
	<b>246.30</b>	<b>201.41</b>

#### Of Which

— Considered good	69.30	33.41
— Considered doubtful	177.00	168.00
	<b>246.30</b>	<b>201.41</b>
Provision for doubtful debts	(177.00)	(168.00)

<b>TOTAL</b>	<b>69.30</b>	<b>33.41</b>
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### Schedule 6: Cash and bank balances

With scheduled banks		
On current account	28.80	36.53
<b>TOTAL</b>	<b>28.80</b>	<b>36.53</b>



## Schedules

	Rupees in Lakhs Nov 2004	Rupees in Lakhs Nov 2003
<b>Schedule 7: Loans and advances</b>		
(Unsecured-considered good)		
Advances recoverable in cash or in kind or for value to be received	160.98	97.42
Due from the Holding Company – Pfizer Limited	—	31.11
(Maximum balance outstanding during the year Rs. Nil, Nov 2003 – Rs. 31 lakhs)		
Income Tax payments (net)	79.19	49.19
<b>TOTAL</b>	<b>240.17</b>	<b>177.72</b>
<b>Schedule 8: Current liabilities</b>		
Sundry creditors		
Due to Small Scale Industrial undertakings	277.39	403.78
Due to the Holding Company – Pfizer Limited	80.46	—
Others	91.04	69.01
<b>TOTAL</b>	<b>448.89</b>	<b>472.79</b>
<b>Schedule 9: Interest income</b>		
Interest (Gross):		
On delayed payments	1.51	0.42
<b>TOTAL</b>	<b>1.51</b>	<b>0.42</b>
<b>Schedule 10: Miscellaneous income</b>		
Insurance claims	—	0.22
Others	0.24	0.61
<b>TOTAL</b>	<b>0.24</b>	<b>0.83</b>
<b>Schedule 11: Decrease in stocks of finished goods</b>		
Stocks at commencement	259.17	652.86
Stocks at close	111.90	259.17
<b>TOTAL</b>	<b>147.27</b>	<b>393.69</b>
<b>Schedule 12: Other expenses</b>		
Insurance	3.93	7.08
Rates and taxes	2.31	3.00
Rent	—	2.50
Freight, forwarding and transport	7.34	14.35
Commission	44.65	43.67
Provision for doubtful debts	9.00	58.00
Bank charges	2.54	10.01
Accounting and professional fees	16.59	16.86
Sales tax	7.31	8.55
Postage, telephone and fax	0.34	3.21
Miscellaneous expenses	1.36	4.79
<b>TOTAL</b>	<b>95.37</b>	<b>172.02</b>

## Notes to the financial statements *for the year ended 30 November, 2004*

(Currency: Indian Rupees in Lakhs)

### Schedule 13: Significant accounting policies

**(a) Basis of accounting**

The financial statements are prepared under the historical cost convention on an accrual basis of accounting in accordance with the provisions of the Companies Act, 1956 and in accordance with the accounting principles generally accepted in India (Indian GAAP) and comply with the Accounting Standards issued by the Institute of Chartered Accountants of India, to the extent applicable.

**(b) Use of estimates**

The preparation of financial statements in conformity with generally accepted accounting principles (GAAP) requires Management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosures of contingent liabilities on the date of financial statements. Actual results could differ from those estimates. Any revision to accounting estimates is recognised prospectively in current and future periods.

**(c) Going concern**

The Company depends on Pfizer Limited, its holding Company for support to implement its business plans. The business plans and cash flows prepared by management for the foreseeable future indicate that the Company will be able to meet all its obligations as they fall due. Accordingly, these financial statements have been prepared on a going concern basis.

**(d) Inventories**

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

**(e) Sundry debtors**

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

**(f) Revenue recognition**

Revenue from sale of goods is recognised when significant risks and rewards of ownership are transferred to the customers, which is at the point of despatch of goods to the customers. Sales are net of sales return and trade discounts.

**(g) Taxation**

Provision for income-tax is made on the basis of estimated taxable income for the year, in accordance with Income Tax Act, 1961.

Deferred tax resulting from timing differences between the book and the tax profits is accounted for, at the current rate of tax, to the extent that the timing differences are expected to crystallise. Deferred tax assets are recognised only to the extent there is reasonable certainty that the assets can be realised in future; however where there is unabsorbed depreciation or carried forward loss under taxation laws, deferred tax assets are recognised only if there is a virtual certainty of realisation of such assets. Deferred tax assets are reviewed as at each balance sheet date and written down or written up to reflect the amount that is reasonably/virtually certain as the case may be to be realised.

**(h) Earnings per share**

Basic and diluted earnings per share is computed by dividing the net profit attributable to equity shareholders for the year, with the weighted number of equity shares outstanding during the year.

**(i) Contingencies**

Loss contingencies arising from claims, litigation, assessment etc. are recorded when it is probable that a liability has been incurred, and the amount can be reasonably estimated.

## Notes to the financial statements for the year ended 30 November, 2004

(Currency: Indian Rupees in Lakhs)

### Schedule 14: Notes to the accounts

	Rupees in Lakhs 30 November 2004	Rupees in Lakhs 30 November 2003
<b>1. Contingent liabilities</b>		
In respect of the guarantee given to the bank on behalf of a third party	—	17.82
Income tax	397.54	—
Others	—	5.25
	<b>397.54</b>	<b>23.07</b>
<b>2. Auditors' remuneration</b> <i>(including taxes, where applicable)</i>		
For Audit	5.44	5.40
Reimbursement of out-of-pocket expenses	0.28	0.04
<b>3. Earnings per share</b>		
Net loss after tax	93.02	381.65
Weighted average number of equity shares of Rs. 100 each	324000	324000
Basic and Diluted Loss per share (Rs.)	(28.71)	(117.79)
<b>4. Information required by paragraphs 3 and 4 of part II and III of Schedule VI to the Companies Act, 1956.</b>		

Class of goods	Unit of Measure	STOCK AT COMMENCEMENT		PURCHASES		SALES		STOCK AT CLOSE	
		Quantity	Rupees In Lakhs	Quantity	Rupees In Lakhs	Quantity	Rupees In Lakhs	Quantity	Rupees In Lakhs
Tablets and Capsules	No. in Millions	8.81 (34.03)	184.88 (553.25)	31.74 (56.30)	633.86 (1176.50)	30.53 (48.77)	812.17 (1353.15)	7.76 (8.81)	73.45 (184.88)
Liquids	Litres	— —	— —	(505.00) —	(0.56) —	(516.48) (9397.80)	(0.58) (10.95)	— —	— —
Injectables:									
Powder Parenterals	Kgs.	217.53 (191.97)	42.88 (35.91)	646.59 (788.41)	124.38 (150.47)	720.81 (671.60)	136.23 (117.80)	135.02 (217.53)	26.37 (42.88)
Solids	Kgs.	2853.50 (5905.50)	31.41 (63.70)	3932.25 (2247.00)	45.15 (25.43)	5568.05 (4993.45)	63.23 (56.18)	1075.50 (2853.50)	12.07 (31.41)
			259.17 (652.86)		802.83 (1352.40)		1011.05 (1516.18)		111.90 (259.17)

#### Notes:

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

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

##### November 2004

Emil Pharmaceuticals Inds. (P) Ltd.

Medibos Laboratories Pvt. Ltd.

Astral Pharmaceuticals

The above information and that given in Schedule 8 – "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.

- The figures of the previous year have been regrouped/reclassified wherever necessary to conform to the figures of the current year.

For and on behalf of the Board

KEWAL HANDA

Chairman

B.M. GAGRAT (Dr.)

Director

M.G. SUBRAMANIAM

Secretary

Mumbai, February 23, 2005



## Notes to the financial statements for the year ended 30 November, 2004

### 7. Balance sheet abstract and Company's general business profile

#### I. Registration details

Registration No. 11117

State code 11

Balance sheet date 30 11 2004

#### II. Capital raised during the year (Amount in Rupees Thousand)

Public issue  
NIL

Rights issue  
NIL

Bonus issue  
NIL

Private placement  
NIL

#### III. Position of mobilisation and deployment of funds (Amount in Rupees Thousand)

Total liabilities  
32400

Total assets  
32400

##### Source of funds

Share capital  
32400

Reserves and surplus  
NIL

Secured loans  
NIL

Unsecured loans  
NIL

##### Application of funds

Net fixed assets  
NIL

Deferred tax asset  
NIL

Net current assets  
128

Miscellaneous expenditure  
NIL

Accumulated losses  
32272

#### IV. Performance of the Company (Amount in Rupees Thousand)

Turnover (including other income)

101280

Total expenditure

104556

+ Profit/ - loss before tax

- 3276

+ Profit/ -loss before tax

- 9302

Earnings per share

- 28.71

Dividend rate

NIL

#### V. Generic Names of three principal products of the Company (as per monetary terms)

Item code No. 30041090

(ITC Code)

Product Description Doxycycline

Item code No. 30044070

(ITC Code)

Product Description Theophylline and ephedrine

Item code No. 30042019

(ITC Code)

Product Description Other Antibiotics

For and on behalf of the Board

KEWAL HANDA

Chairman

B.M. GAGRAT (Dr.)

Director

M.G. SUBRAMANIAM

Secretary

## Auditors' Report

### To the Board of Directors of Pfizer Limited

We have audited the attached Consolidated Balance Sheet of Pfizer Limited and its subsidiary, Duchem Laboratories Limited (collectively referred to as 'the Group') as at 30 November, 2004, and the related Consolidated Profit and Loss Account and the Consolidated Cash Flow Statement of the Group for the year ended on that date, annexed thereto (including the accounts of the erstwhile Pharmacia Healthcare Limited for the year ended 30 November, 2004, after making such adjustments as considered necessary consequent to the amalgamation of the Company effective from 1 December, 2003, and which have been audited by their auditors, on which we relied upon and whose report has been considered by us). These consolidated financial statements are the responsibility of the Group's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

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

We report that, the consolidated financial statements have been prepared by the Group's management in accordance with the requirements of Accounting Standard 21 – Consolidated Financial Statements, issued by the Institute of Chartered Accountants of India.

In our opinion, and to the best of our information and according to the explanations given to us, the consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:

- i) in the case of the Consolidated Balance Sheet, of the consolidated state of affairs of the group as at 30 November, 2004;
- ii) in the case of the Consolidated Profit and Loss Account, of the consolidated results of operation of the group for the year ended on that date; and
- iii) in the case of the Consolidated Cash Flow Statement, of the consolidated cash flows of the group for the year ended on that date.

For **BSR & Co.**  
(Formerly Bharat S. Raut & Co.)  
*Chartered Accountants*

**Sanjay Aggarwal**  
*Partner*

Mumbai, 24 February, 2005

Membership No. 40780

# Consolidated Balance Sheet as at 30th November, 2004

Rupees in Lakhs				Rupees in Lakhs	
	Schedule Ref.	As at 30th Nov 2004		As at 30th Nov 2003	
Sources of Funds					
Shareholders' funds					
Share capital	1	2879.93		2879.93	
Share capital suspense account	1A	104.39			
		2984.32		2879.93	
Reserves and surplus	2	30968.94		27730.55	
		33953.26			30610.48
Loan funds					
Unsecured loan	3	1200.00			—
TOTAL		35153.26			30610.48
Application of Funds					
Fixed assets					
Gross block	4	15876.76		13683.23	
Depreciation		(8706.15)		(8022.11)	
Net block		7170.61		5661.12	
Capital work-in-progress at cost, including advances		393.70		448.96	
		7564.31			6110.08
Investments	5	0.36			0.36
Deferred tax asset (net)	6	635.36			1049.29
Current assets, loans and advances					
Inventories	7	7501.21		8917.40	
Sundry debtors	8	7242.71		5915.94	
Cash and bank balances	9	16138.72		8944.34	
Other current assets	10	136.64		44.73	
Loans and advances	11	6920.92		8476.50	
		37940.20		32298.91	
Current liabilities and provisions					
Current liabilities	12	(11652.87)		(10061.07)	
Provisions	13	(5341.32)		(4191.43)	
		(16994.19)		(14252.50)	
Net current assets		20946.01			18046.41
Miscellaneous expenditure					
(to the extent not written off or adjusted)					
Voluntary retirement scheme		6007.22			5404.34
TOTAL		35153.26			30610.48
Significant accounting policies	21				
Notes to the accounts	22				

The schedules referred to above form an integral part of the Balance Sheet.  
In terms of our report of even date.

For **BSR & Co.**  
(Formerly Bharat S. Raut & Co.)  
Chartered Accountants

**Sanjay Aggarwal**  
Partner  
Membership No. 40780

For and on behalf of the Board

**R.A. SHAH** Chairman  
**HOCINE SIDI SAID** Managing Director

**P. SHAH**  
**K. HANDA** } Directors

**K. SUBHARAMAN** Secretary

Mumbai, 24 February, 2005

Mumbai, 24 February, 2005



# Consolidated Profit and Loss Account for the year ended 30th November, 2004

		Rupees in Lakhs	Rupees in Lakhs
	Schedule Ref.	Year Ended 30th Nov 2004	Year Ended 30th Nov 2003
<b>Income</b>			
Gross sales		67059.36	57535.04
Less: Excise duty		4884.39	3954.06
Less: Sales tax		5386.09	4601.39
Net sales		56788.88	48979.59
Services		2517.15	2943.72
Interest income	14	749.97	364.62
Miscellaneous income	15	658.53	744.23
		60714.53	53032.16
<b>Expenditure</b>			
Decrease in stocks of finished goods, work-in-process and own manufactured bulk drugs	16	2459.66	1184.11
Cost of materials consumed	17	20860.83	20449.98
Personnel costs	18	8255.17	7941.59
Interest expense (on fixed loan Rs. 66.23 lakhs; 2003: Rs. Nil)		81.16	39.78
Other expenses	19	18142.98	16109.16
Depreciation	4	1025.73	1082.69
Royalty		516.02	321.60
		51341.55	47128.91
<b>Profit before taxation and exceptional items</b>		9372.98	5903.25
Exceptional items - net (expense)	20	(1922.38)	(1673.26)
<b>Profit before taxation</b>		7450.60	4229.99
Less: Taxation			
Current tax		2701.02	2080.00
Deferred tax - debit/(credit)		290.82	(218.88)
<b>Profit after taxation</b>		4458.76	2368.87
Balance brought forward after adjustments	2	18638.05	19562.56
<b>Total available for appropriation</b>		23096.81	21931.43
Transfer from general reserve		-	(0.23)
Transfer to general reserve		460.00	300.00
Proposed dividend		2984.32	2159.82
Tax on dividend		390.01	276.73
Tax on dividend for previous year		-	276.73
		3834.33	3013.05
<b>Balance carried to balance sheet</b>		19262.48	18918.38
		Rs.	Rs.
<b>Earnings per share (Basic and Diluted)</b>		14.94	8.23
(See Note 6 in the Notes to the Accounts - Schedule 22)			
<b>Nominal value of share</b>		10.00	10.00
<b>Significant accounting policies</b>	21		
<b>Notes to the accounts</b>	22		

The schedules referred to above form an integral part of the Profit and Loss Account.  
In terms of our report of even date.

For **BSR & Co.**  
(Formerly Bharat S. Raut & Co.)  
Chartered Accountants

**Sanjay Aggarwal**  
Partner  
Membership No. 40780

For and on behalf of the Board

<b>R.A. SHAH</b>	<i>Chairman</i>
<b>HOCINE SIDI SAID</b>	<i>Managing Director</i>
<b>P. SHAH</b>	} <i>Directors</i>
<b>K. HANDA</b>	
<b>K. SUBHARAMAN</b>	<i>Secretary</i>

Mumbai, 24 February, 2005

Mumbai, 24 February, 2005



## Consolidated Cash Flow Statement for the year ended November 30, 2004

	Rupees in Lakhs Nov 2004	Rupees in Lakhs Nov 2003
<b>A. Cash flow from Operating Activities:</b>		
Net Profit before taxation and exceptional items	9372.98	5903.25
Adjustments for:		
Depreciation	1025.73	1082.69
Unrealised foreign exchange (gain)/loss	(13.64)	6.97
Interest income	(519.60)	(318.13)
Profit on fixed assets sold/discarded	(9.36)	(22.57)
Personnel costs – Voluntary Retirement Scheme	7.61	26.47
Interest expenses	81.16	38.98
Provision for doubtful debts and advances	382.58	630.98
Provisions no longer required written back	(27.14)	(113.98)
<b>Operating profit before working capital changes</b>	<b>10300.32</b>	<b>7234.66</b>
Adjustments for:		
Trade and other receivables	(2083.82)	6364.15
Inventories	2441.97	219.30
Trade and other payables	797.76	(2035.42)
Provisions (Excluding proposed dividend, tax on distributed profits, income tax provision)	(358.41)	628.99
<b>Cash generated from operations</b>	<b>11097.82</b>	<b>12411.68</b>
Direct taxes paid (Net)	(1080.65)	(4875.10)
<b>Net cash from operating activities before exceptional items</b>	<b>10017.17</b>	<b>7536.58</b>
Exceptional items		
Compensation paid to employees under Voluntary Retirement Scheme	(1296.40)	(1617.76)
<b>Net cash from/(used in) operating activities after exceptional items (A)</b>	<b>8720.77</b>	<b>5918.82</b>
<b>B. Cash flow from investing activities:</b>		
Purchase of fixed assets (Net)	(527.24)	(1491.55)
Consideration on Termination of trademark licenses – exceptional item (Net)	—	—
Purchase of Investments (Net) (includes time deposits having maturity period greater than or equal to 90 days)	(6750.00)	(6036.05)
Interest received	427.69	284.96
<b>Net cash (used in)/from investing activities (B)</b>	<b>(6849.55)</b>	<b>(7242.64)</b>
<b>C. Cash flow from financing activities:</b>		
Dividend paid (Including tax on distributed profits)	(2472.74)	(2393.81)
Interest paid	(89.36)	(46.43)
Proceeds/(Repayment) from/of borrowings (Net)	1090.63	—
<b>Net cash used in financing activities (C)</b>	<b>(1471.47)</b>	<b>(2440.24)</b>
<b>Net Increase/(Decrease) in Cash &amp; Cash Equivalents (A) + (B) + (C)</b>	<b>399.75</b>	<b>(3764.06)</b>
Opening cash and cash equivalents (Note 1)	2188.59	5952.65
Cash & cash equivalents as at 1st December, 2003 taken over on amalgamation (Note 2)	47.67	—
Closing cash and cash equivalents (Note 1)	2636.01	2188.59
	<b>399.75</b>	<b>(3764.06)</b>

## Consolidated Cash Flow Statement for the year ended November 30, 2004 (Continued)

	Rupees in Lakhs Nov 2004	Rupees in Lakhs Nov 2003
<b>Notes:</b>		
1. Cash and cash equivalents include :		
Cash on hand	22.33	13.53
With Scheduled banks		
On Current accounts (including accounts with overdraft facility)	765.47	1431.79
On Margin money accounts	31.76	31.76
On Time deposit accounts (maturity less than 90 days)	1777.20	715.00
Cheques on hand	41.96	2.26
Unrealised translation gain on foreign currency cash & cash equivalents	(2.71)	(5.75)
	<b>2636.01</b>	<b>2188.59</b>
2. The amalgamation of Pharmacia Healthcare Ltd. with the Company is a non-cash transaction Consequent to the amalgamation, Cash and Cash Equivalents as at 1st December, 2003 are taken over. The details are as under:		
Cash on Hand	0.55	
With Scheduled banks		
On Current accounts (including accounts with overdraft facility)	10.22	
On Time deposit accounts	36.90	
	<b>47.67</b>	
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.		
4. The above Cash Flow Statement has been prepared under the indirect method as set out in Accounting Standard 3 on "Cash Flow Statement" issued by The Institute of Chartered Accountants of India.		

In terms of our report of even date.

For **BSR & Co.**  
(Formerly Bharat S. Raut & Co.)  
Chartered Accountants

**Sanjay Aggarwal**  
Partner  
Membership No. 40780

Mumbai, 24 February, 2005

For and on behalf of the Board

<b>R.A. SHAH</b>	<i>Chairman</i>
<b>HOCINE SIDI SAID</b>	<i>Managing Director</i>
<b>P. SHAH</b>	} <i>Directors</i>
<b>K. HANDA</b>	
<b>K. SUBHARAMAN</b>	<i>Secretary</i>

Mumbai, 24 February, 2005

## Schedules to the Consolidated Accounts

	Rupees in Lakhs Nov 2004	Rupees in Lakhs Nov 2003
<b>Schedule 1: Share capital</b>		
<b>Authorised</b>		
2,88,00,180 (Nov 2003: 2,88,00,180) Equity shares of Rs. 10 each	2880.02	2880.02
1,11,99,820 (Nov 2003: 1,11,99,820) Unclassified shares of Rs. 10 each	1119.98	1119.98
	4000.00	4000.00
<b>Issued</b>		
2,88,00,180 (Nov 2003: 2,88,00,180) Equity shares of Rs. 10 each	2880.02	2880.02
<b>Subscribed</b>		
2,87,97,540 (Nov 2003: 2,87,97,540) Equity shares of Rs. 10 each fully paid-up	2879.75	2879.75
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 Pfizer Corporation, Panama		
Of the above 21,42,897 Equity shares of Rs. 10 each in aggregate are held by Warner-Lambert LLC, USA and Parke-Davis & Company LLC, USA		
Of the above 53,57,244 Equity shares of Rs.10 each were issued as fully paid-up to the shareholders of Parke-Davis (India) Limited (pursuant to the Scheme of Amalgamation of Parke-Davis (India) Limited with the Company)		
Add : Forfeited shares		
Amount paid-up on 2,640 Equity shares forfeited	0.18	0.18
<b>TOTAL</b>	<b>2879.93</b>	<b>2879.93</b>

### Schedule 1A: Share capital suspense account

In terms of the Scheme of Amalgamation of Pharmacia Healthcare Limited with the Company, 10,43,900 Equity Shares of Rs. 10 each of Pfizer Limited to be issued as fully paid-up to the shareholders of Pharmacia Healthcare Limited whose names appear on the Register of Members on the Record Date to be fixed for this purpose. (Refer Note 1 in the Notes to the accounts - Schedule 22)

Of the above 7,83,941 Equity Shares of Rs. 10/- each to be issued and allotted to Pharmacia Corporation, USA

<b>TOTAL</b>	<b>104.39</b>	<b>-</b>
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### Schedule 2: Reserves and surplus

#### Share premium

Per last balance sheet

Add : Transfer from Pharmacia Healthcare Limited \*

-  
2277.70

-  
-

2277.70

-

#### General reserve

Per last balance sheet

Add : Adjustment on account of amalgamation of Pharmacia Healthcare Limited \*

Add : Transfer from profit and loss account

Less : Transfer to profit and loss account

8812.17

8512.40

156.59

-

460.00

300.00

-

(0.23)

9428.76

8812.17

#### Profit and loss account

Per last balance sheet

Less : Transfer of Loss from Pharmacia Healthcare Limited \*

18918.38

19562.56

(280.33)

-

18638.05

19562.56

(18638.05)

(19562.56)

-

-

Balance as per profit and loss account

19262.48

18918.38

**TOTAL**

**30968.94**

**27730.55**

\* Refer Note 1 of the Notes to the accounts Schedule 22

### Schedule 3: Loan funds

#### Unsecured loan

Inter corporate deposit from Pfizer Pharmaceutical India Private Limited (Fully repayable within one year)\*

1200.00

-

**TOTAL**

**1200.00**

**-**

\* Refer Note 1 of the Notes to the accounts Schedule 22

## Schedule 4 : Fixed assets

Rupees in Lakhs													
	Cost				Depreciation/Amortisation					Written Down Value			
	As at 30th Nov 2003	Transfer +	Additions	Deductions	As at 30th Nov 2004	As at 30th Nov 2003	Transfer + +	For the year	Estimated loss on assets held for disposal	Deductions	As at 30th Nov 2004	As at 30th Nov 2004	As at 30th Nov 2003
Land:													
Freehold	31.97	–	–	–	31.97	–	–	–	–	–	–	31.97	31.97
Leasehold	95.82	35.41	–	63.25	67.98	76.12	–	0.32	–	63.25	13.19	54.79	19.70
Buildings:													
On freehold land @	505.02	765.08	–	–	1270.10	328.71	97.38	17.79	–	0.74	443.14	826.96	176.31
On leasehold land	1191.86	275.34	134.38	552.75	1048.83	628.41	76.41	17.96	4.58	446.83	280.53	768.30	563.45
Leasehold Improvements	1017.80	–	–	5.27	1012.53	571.45	–	77.98	–	4.47	644.96	367.57	446.35
Machinery & Equipment	6413.43	792.11	708.95	899.43	7015.06	3435.97	477.56	289.93	212.34	820.65	3595.15	3419.91	2977.46
Office Equipment, Furniture & fixtures	3628.50	410.13	558.02	88.36	4508.29	2537.25	253.79	446.91	6.24	111.92	3132.27	1376.02	1091.25
Vehicles	783.32	15.25	147.27	39.35	906.49	428.69	3.01	174.84	–	25.14	581.40	325.09	354.63
Intangible Asset:													
Trademarks	15.51	–	–	–	15.51	15.51	–	–	–	–	15.51	–	–
<b>TOTAL</b>	<b>13683.23</b>	<b>2293.32</b>	<b>1548.62</b>	<b>1648.41</b>	<b>15876.76</b>	<b>8022.11</b>	<b>908.15</b>	<b>1025.73</b>	<b>223.16</b>	<b>1473.00</b>	<b>8706.15</b>	<b>7170.61</b>	<b>5661.12</b>
Previous year	13686.61		1740.15	1743.53	13683.23	8527.38		1082.69	–	1587.96	8022.11		
Capital work-in-progress including capital advances												393.70	448.96
<b>Grand Total</b>												<b>7564.31</b>	<b>6110.08</b>

@ 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.

+ Assets as at 1st December, 2003, taken over consequent to amalgamation of erstwhile Pharmacia Healthcare Limited.  
(Refer to Note 1 of the Notes to the Accounts – Schedule 22)

+ + Accumulated Depreciation as at 1st December, 2003, taken over consequent to amalgamation of erstwhile Pharmacia Healthcare Limited.  
(Refer to Note 1 of the Notes to the Accounts – Schedule 22)

Refer Note 8 of the Notes to the Accounts – Schedule 22 regarding assets held for disposal.

## Schedules to the Consolidated Accounts

	Rupees in Lakhs Nov 2004	Rupees in Lakhs Nov 2003
<b>Schedule 5: Investments</b>		
(At cost except where otherwise stated)		
<b>Long term investments</b>		
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	0.11	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
Other securities		
Bharuch Eco-Aqua Infrastructure Limited #		
72,935 Equity Shares of Rs. 10 each, fully paid	7.29	–
Bharuch Enviro Infrastructure Ltd. #		
175 Equity Shares of Rs. 10 each, fully paid	0.02	–
Less: Provision for diminution in value of investments #	(7.31)	–
<b>TOTAL</b>	<b>0.36</b>	<b>0.36</b>
# Acquired pursuant to amalgamation of Pharmacia Healthcare Limited		

## Schedule 6: Deferred tax asset (net)

Deferred tax asset		
Arising on account of timing differences in :		
Amortisation of commercial rights and trade marks	–	70.52
Provision for doubtful debts and advances	803.88	627.43
Provision for leave encashment and exgratia	348.25	270.03
Provision for excise duty, custom duty and sales tax	1.61	81.85
Amortisation of voluntary retirement costs	43.65	27.85
Other provisions, etc.	143.70	167.65
	<b>1341.09</b>	<b>1245.33</b>
Deferred tax liability		
Arising on account of timing difference in:		
Depreciation/estimated loss on assets held for disposal	705.73	196.04
<b>TOTAL</b>	<b>635.36</b>	<b>1049.29</b>

## Schedule 7: Inventories

Stores and maintenance spares	92.94	90.16
Packing materials	549.09	282.08
Stock-in-trade		
Raw materials	2394.91	2501.20
Own manufactured bulk drugs	–	225.92
Work-in-process	489.38	469.62
Finished goods	3974.89	5348.42
<b>TOTAL</b>	<b>7501.21</b>	<b>8917.40</b>



## Schedules to the Consolidated Accounts

	Rupees in Lakhs Nov 2004	Rupees in Lakhs Nov 2003
<b>Schedule 8: Sundry debtors</b>		
(Unsecured – Considered good except where otherwise stated)		
Debts outstanding		
– Over six months	3067.15	2399.89
– Other debts	6302.28	5085.94
	<u>9369.43</u>	<u>7485.83</u>
of which		
– Considered good	7242.71	5915.94
– Considered doubtful	<u>2126.72</u>	<u>1569.89</u>
	<u>9369.43</u>	<u>7485.83</u>
Provision for doubtful debts	(2126.72)	(1569.89)
<b>TOTAL</b>	<b>7242.71</b>	<b>5915.94</b>

## Schedule 9: Cash and bank balances

Cash on hand	22.33	13.53
With Scheduled banks		
On Current accounts (including accounts with overdraft facility)	765.47	1431.79
On Margin money accounts (under lien)	31.76	31.76
On Time deposit accounts	15277.20	7465.00
Cheques on hand / in transit	41.96	2.26
<b>TOTAL</b>	<b>16138.72</b>	<b>8944.34</b>

## Schedule 10: Other current assets

Interest Accrued but not due	136.64	44.73
<b>TOTAL</b>	<b>136.64</b>	<b>44.73</b>

## Schedule 11: 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*	6370.88	5283.09
Considered doubtful	247.09	179.09
	<u>6617.97</u>	<u>5462.18</u>
Provision for doubtful advances	(247.09)	(179.09)
	<u>6370.88</u>	<u>5283.09</u>
Inter Corporate Deposit to Pharmacia Healthcare Limited	—	1490.00
Amounts recoverable from Pfizer Pharmaceutical India Private Limited	44.69	69.55
Amounts recoverable from Pharmacia Healthcare Limited	—	246.66
Amounts recoverable from Pharmacia India Private Limited	301.22	401.37
Amounts recoverable from Leema Chemicals & Cosmetics Private Limited	—	0.16
Balances with Customs, Port Trust and Excise on Current Accounts	204.13	35.79
Income tax payments (net)	—	949.88
<b>TOTAL</b>	<b>6920.92</b>	<b>8476.50</b>

\* Includes loans given to employees which are secured by Hypothecation Bonds Rs. Nil lakhs (2003 – Rs. 8.17 lakhs)

## Schedule 12: Current liabilities

Acceptances	116.71	4.75
Sundry creditors		
Due to small scale industrial undertakings	354.24	707.07
Others	9536.70	7657.15
Security deposits	1514.91	1527.21
Dividends – uncashed*	130.31	164.46
Unclaimed Interest on matured deposits*	—	0.43
<b>TOTAL</b>	<b>11652.87</b>	<b>10061.07</b>

\* Investor protection and education fund is being credited by the amount of unclaimed dividend and unclaimed interest on matured deposits after seven years from the due date.

## Schedules to the Consolidated Accounts

	Rupees in Lakhs Nov 2004	Rupees in Lakhs Nov 2003
<b>Schedule 13: Provisions</b>		
Proposed dividend	2984.32	2159.82
Tax on distributed profits	390.01	276.73
Gratuity	258.95	740.80
Leave encashment	951.68	752.69
Excise duty and custom duty (Net of payments)	119.84	218.88
Income tax provisions (net)	561.14	—
Wealth tax provisions (net)	49.05	7.61
Others	26.33	34.90
<b>TOTAL</b>	<b>5341.32</b>	<b>4191.43</b>

### Schedule 14: Interest income

Interest (Gross)		
On staff loans	23.46	18.75
On deposits with banks/company, delayed payments, etc. (Tax deducted at source – Rs. 92.90 lakhs, Nov 2003 – Rs. 63.99 lakhs)	529.30	237.87
On Income tax refunds (Net)	187.97	50.64
On Inter corporate deposits with Pfizer Pharmaceutical India Private Limited (Tax deducted at source – Rs. Nil, Nov 2003 – Rs. 1.17 lakhs)	—	4.67
On Inter corporate deposits with Pharmacia Healthcare Limited.	—	18.16
On Long-term investments (Non-Trade) (Tax deducted at source – Rs. Nil, Nov 2003 – Rs. 4.89 lakhs)	—	3.91
On others (Tax deducted at source – Rs. 0.78 lakh, Nov 2003 – Rs. Nil)	9.24	30.62
<b>TOTAL</b>	<b>749.97</b>	<b>364.62</b>

### Schedule 15: Miscellaneous income

Rental Income (Gross)	563.98	539.49
(Tax Deducted at source – Rs. 107.03 lakhs, Nov 2003 – Rs. 99.52 lakhs)		
Profit on fixed assets sold/discarded (net)	9.36	22.57
Insurance claims	9.97	14.57
Provisions no longer required written back	27.14	113.98
Sundry	48.08	53.62
<b>TOTAL</b>	<b>658.53</b>	<b>744.23</b>

### Schedule 16: Decrease in stocks of finished goods, work-in-process and own manufactured bulk drugs

Stocks at commencement			
Finished goods	5348.42		6406.66
Work-in-process	469.62		386.71
Own manufactured bulk drugs	225.92		434.70
	<b>6043.96</b>		<b>7228.07</b>
Add: Stocks taken over on amalgamation of Pharmacia Healthcare Limited (Refer Note 1 of the Notes to the accounts – Schedule 22)			
Finished goods	691.91		—
Work-in-process	188.06	879.97	—
	<b>6923.93</b>		<b>7228.07</b>
Stocks at close			
Finished goods	3974.89		5348.42
Work-in-process	489.38		469.62
Own manufactured bulk drugs	—		225.92
	<b>4464.27</b>		<b>6043.96</b>
<b>TOTAL</b>	<b>2459.66</b>		<b>1184.11</b>

## Schedules to the Consolidated Accounts

	Rupees in Lakhs	Rupees in Lakhs
	Nov 2004	Nov 2003

### Schedule 17: Cost of materials consumed

Raw materials		
Stock at commencement	2501.20	1440.66
Add : Stock taken over on amalgamation of Pharmacia Healthcare Limited (Refer Note 1 of the Notes to the Accounts – Schedule 22)	125.44	—
	2626.64	1440.66
Purchases	8515.78	7618.90
	11142.42	9059.56
Stock at close	(2394.90)	(2501.20)
	8747.52	6558.36
Packing materials (net)	3539.42	2772.64
Purchase of traded goods	8573.89	11118.98
<b>TOTAL</b>	<b>20860.83</b>	<b>20449.98</b>

### Schedule 18: Personnel costs

Salaries, wages and bonus	6594.15	6009.55
Company's contribution to gratuity fund	268.15	642.74
Company's contribution to provident and other funds	485.34	456.47
Staff welfare expenses	899.92	806.36
Voluntary retirement costs	7.61	26.47
<b>TOTAL</b>	<b>8255.17</b>	<b>7941.59</b>

### Schedule 19: Other expenses

Consumption of stores and maintenance spares	104.82	196.82
Processing charges	1528.99	1181.04
Power and fuel	731.47	950.76
Water	70.33	70.61
Repairs : Buildings	26.05	34.15
Machinery	200.90	293.86
	226.95	328.01
Rent	818.18	779.28
Rates and taxes	157.23	182.54
Insurance	202.73	187.74
Clinical trials	753.41	868.00
Legal and professional charges	1990.90	1070.60
Equipment rentals, service charges, low cost assets written off	897.70	417.42
Freight, forwarding and transport	1199.72	1192.62
Travelling (including boarding, lodging, conveyance and other expenses)	1517.57	1713.80
Postage, telephone and fax	494.05	484.02
Advertising and promotion	2519.63	2616.45
Exchange loss (net)	21.81	28.74
Commission	851.52	742.48
Provision for doubtful debts (net)	382.58	631.51
Miscellaneous expenses	3673.39	2466.72
<b>TOTAL</b>	<b>18142.98</b>	<b>16109.16</b>

### Schedule 20: Exceptional items – (expense)/income

Exceptional expense		
Estimated loss on assets held for disposal (Refer Note 8 of the Notes to the Accounts – Schedule 22)	(223.16)	—
Amortization of compensation paid to employees under VRS	(2336.85)	(1673.26)
	(2560.01)	(1,673.26)
Exceptional Income		
Profit on sale of residential premises	349.78	—
Profit on sale of Ankleshwar Plant	287.85	—
	637.63	—
<b>Net exceptional (expense)</b>	<b>(1922.38)</b>	<b>(1673.26)</b>

## Notes to the consolidated financial statements for the year ended 30 November, 2004

(Currency: Indian Rupees in lakhs)

### Schedule 21: Significant Accounting Policies

#### 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 Institute of Chartered Accountants of India (ICAI). These financial statements comprise Pfizer Limited (“The Company”) and its wholly owned subsidiary Duchem Laboratories Limited (DLL) collectively referred to as the group. The financial statements of each of these companies are prepared using uniform accounting policies in accordance with the generally accepted accounting principles in India.
- (b) The Company has one subsidiary company (which along with 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 Ltd.
Country of Incorporation	:	India
Percentage of voting power held as at 30 November 2004	:	100%

#### 2. Significant Accounting Policies

##### (a) Basis of Accounting

The financial statements are prepared under the historical cost convention on an accrual basis of accounting in accordance with the provisions of the Companies Act, 1956 and in accordance with the accounting principles generally accepted in India (Indian GAAP) and comply with the Accounting Standards issued by the Institute of Chartered Accountants of India, to the extent applicable.

##### (b) Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles (GAAP) requires Management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosures of contingent liabilities on the date of financial statements. Actual results could differ from those estimates. Any revision to accounting estimates is recognized prospectively in current and future periods.

##### (c) Fixed Assets and Depreciation

- (i) All fixed assets are stated at cost of acquisition less accumulated depreciation. The cost of fixed assets includes taxes (other than those subsequently recoverable from tax authorities) duties, freight and other incidental expenses related to the acquisition and installation of the respective assets.
- (ii) Assets costing upto Rs. 5000 are written off and those costing more than Rs. 5000 but upto US \$ 1000 are fully depreciated in the year of purchase except that –  
“multiple-like items” the cost of which is over US \$ 10000 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 \$ 10000 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 on a pro-rata basis. Depreciation on deletions during the year is provided upto the quarter in which the asset is sold/discarded.
- (iv) Depreciation other than on low cost assets is provided at the following rates per annum :

Assets	Periods/Rate
Land : Leasehold	Amortised over the lease period
Buildings : On Freehold land	3.34%
On Leasehold land	Higher of 3.34% or rate based on leased period
Leasehold Improvements	8% to 10% or Amortised over the lease period
Machinery & Equipment	8% to 40%
Office Equipment, Furniture & Fixture	8% to 33.33%
Vehicles	25%
Trademarks	Amortised over a period of 3 years

- (v) In case of assets taken over from erstwhile Pharmacia Healthcare Limited depreciation has been provided at the rates specified in Schedule XIV to the Companies Act, 1956 except the following assets, which are depreciated at the respective rates :

Assets	Rate
Plant and Machinery	4.75% to 8.09%
Furniture, Fixtures & Office Equipment	3.34% to 6.33%
Computers	16.21% to 33.33%

- (vi) Assets that have been retired from active use and held for disposal are stated at the lower of their net book value and net realisable value as estimated by the Company.
- (vii) Trademarks are recorded at their acquisition cost and are amortised over the lower of their estimated useful life and period of ownership.
- (viii) Cost of application software not exceeding US \$ 1 million is being charged to the profit and loss account.

##### (d) Foreign Currency Transactions

Transactions in foreign exchange, which are covered by forward contracts, are accounted for at the exchange rate at the date of transaction. Premium in respect of forward contracts is amortised over the period of the contract. Transactions other than those covered by forward contracts are recorded at

## Notes to the consolidated financial statements for the year ended 30 November, 2004

(Currency: Indian Rupees in lakhs)

pre-determined standard exchange rates, which are reviewed periodically. Gains and losses arising on account of such revisions are reflected in the Profit and Loss Account except those relating to acquisition of fixed assets, which are adjusted to the cost of the assets.

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.

**(e) 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. Current investments are stated at lower of cost and fair value.

**(f) Inventories**

Stock in trade and packing materials are valued at the lower of 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.

**(g) Sundry Debtors/Loans & Advances**

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

**(h) Revenue Recognition**

Revenue from sale of goods is recognised when significant risks and rewards of ownership are transferred to the customers, which is at the point of despatch of goods to the customers. Sales are net of sales return and trade discounts. Revenue from services is recognised on rendering of services. Interest income is recognised on time proportion basis.

**(i) Research & Development**

Revenue expenditure on research and development is written off in the Profit and 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.

**(j) Retirement Benefits**

The Company's contributions to the employees' Provident Fund and Superannuation Schemes are charged to the Profit and Loss Account each year. The Company has opted for a Group Gratuity-cum Life Assurance Scheme of the Life Insurance Corporation of India (LIC), and contribution towards gratuity liability as determined by LIC is charged to the Profit and Loss account each year. The Company also provides for unutilized leave benefits on retirement available to its employees on the basis of an actuarial valuation done as at the year-end.

**(k) Leases**

Lease rentals in respect of assets acquired under operating lease are charged off to the Profit and Loss Account as incurred. Lease rentals in respect of assets given under operating lease are credited to the Profit and Loss Account as accrued.

**(l) 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.

**(m) Taxation**

Provision for income-tax is made on the basis of estimated taxable income for the year, in accordance with Income Tax Act, 1961.

Deferred tax resulting from timing differences between the book and the tax profits is accounted for, at the current rate of tax, to the extent that the timing differences are expected to crystallise. Deferred tax assets are recognised only to the extent there is reasonable certainty that the assets can be realised in future; however where there is unabsorbed depreciation or carried forward loss under taxation laws, deferred tax assets are recognised only if there is a virtual certainty of realisation of such assets. Deferred tax assets are reviewed as at each balance sheet date and written down or written up to reflect the amount that is reasonably/virtually certain as the case may be to be realised.

**(n) Proposed Dividend**

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

**(o) Earnings per Share**

Basic and diluted earnings per share is computed by dividing the net profit attributable to equity shareholders for the year, with the weighted number of equity shares outstanding during the year.

**(p) Contingencies**

Loss contingencies arising from claims, litigation, assessment etc. are recorded when it is probable that a liability has been incurred, and the amount can be reasonably estimated.

## Notes to the consolidated financial statements for the year ended 30 November, 2004

(Currency: Indian Rupees in lakhs)

### Schedule 22: Notes to the Accounts

#### 1. Amalgamation of Pharmacia Healthcare Limited with the Company

- (a) In accordance with the Scheme of Amalgamation (the Scheme) of the erstwhile Pharmacia Healthcare Limited (herein after referred to as Pharmacia) with the Company as approved by the members at a Court-convened meeting held on 25<sup>th</sup> October, 2004 and subsequently sanctioned by the Honourable High Court of Judicature at Bombay vide its order dated 4<sup>th</sup> February, 2005 and pursuant to the filing of a Certified Copy of the said Order with the Register of Companies, Maharashtra, Mumbai on 21<sup>st</sup> February, 2005, the Undertaking of Pharmacia 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 1<sup>st</sup> December, 2003. The Scheme has accordingly been given effect to in these accounts.
- (b) Pharmacia was engaged in 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 Pharmacia as at 1 December 2003 have been taken over at their book values.
- (d) Pursuant to the Scheme, 10,43,900 Equity Shares of Rs. 10/- each of the Company are to be allotted to the shareholders of Pharmacia in the ratio of 1 (one) fully paid-up Equity Share of the Company for every 5 (five) fully paid-up Equity Shares of Rs. 5/- each in Pharmacia. As provided in the Scheme the difference between the amount of fresh share capital to be allotted by the Company on amalgamation and the amount of share capital of Pharmacia is adjusted in the General Reserve. Pending allotment, an amount of Rs. 104.39 lakhs has been shown under the Share Capital Suspense Account as at 30 November 2004 (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 10,43,900 Equity Shares, which would be allotted to the shareholders of Pharmacia [referred to in note (d) above].
- (f) The income accruing and expenses incurred by Pharmacia during the period 1 December 2003 to 30 November 2004 have also been incorporated in these accounts. During this period, as Pharmacia carried on the existing business in "trust" on behalf of the Company, all vouchers, documents etc. for the period are in the name of Pharmacia. 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 Pharmacia have become employees of the Company without any break or interruption in service. All rights, duties, powers and obligations of Pharmacia 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 1 December 2003, the figures for the current year are not directly comparable to those of the previous year.

	Rupees in Lakhs 30 Nov 2004	Rupees in Lakhs 30 Nov 2003
2. Estimated amount of contracts on capital account to be executed and not provided for	585.01	812.19
3. <b>Contingent Liability</b>		
(a) In respect of the guarantees given to banks on behalf of third parties	17.80	23.07
(b) In respect of :		
(i) Excise Duty	1064.05	1234.18
(ii) Customs Duty	111.82	10.51
(iii) Sales Tax	342.94	76.51
(iv) Service Tax	193.10	466.08
(v) Income Tax	827.46	6.53
(vi) Pending Labour Matters contested in various courts	108.60	–
(vii) Pending Labour Matters relating to wage settlement	Amount Unascertainable	Amount Unascertainable
(c) DPEA claims (Refer Note 5)		
4. <b>Managerial remuneration under Section 198 of the Companies Act, 1956</b>		
Salaries, Bonus & Commission	93.51	91.61
Contribution to PF and Other Funds	14.15	18.71
Perquisites	33.31	31.75
Sitting Fees	2.00	0.90
Commission to Non-Whole time Directors	4.00	4.00
<b>TOTAL</b>	<b>146.97</b>	<b>146.97</b>

**Note:** The above excludes directors' sitting fees Rs. 2.50 lakhs paid to directors of erstwhile Pharmacia Healthcare Limited who were not on the board of the Company during the year.

#### 5. 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



## Notes to the consolidated financial statements for the year ended 30 November, 2004

(Currency: Indian Rupees in lakhs)

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 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."

\* Regd. Trademark

### (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.

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 23/95 pending before the said Drug Prices Liability Review Committee be stayed."

### (f) Pursuant to the repeal of DPCO 1970, erstwhile Warner-Hindustan Limited (merged with Parke-Davis (India) Limited in 1988 and Parke-Davis (India) Limited merged with Pfizer Limited in 2003) had classified ISOKIN TABLETS, ISOKIN LIQUID AND PYRIDIUM TABLETS as decontrolled products under the DPCO 1979. The categorization was, however, challenged by the Government in 1984 and a demand of Rs. 113 lakhs was raised against the Company. Against this demand an excise duty set off of Rs. 7 lakhs was allowed to the Company and a final demand of Rs. 106 lakhs was raised in 1987.

The Company had deposited an amount of Rs. 30 lakhs in February 1987 and Rs. 25 lakhs in May 1990 totaling to an aggregate of Rs. 55 lakhs in full and final settlement of the demand, as per the arguments set forth by the Company. The Government subsequently raised a demand of Rs. 117 lakhs towards interest on principal demand. (ie interest of Rs. 43 lakhs for Pyridium for the period 1982 to August 1995 and Rs. 74 lakhs for Isokin for the period 1982 to June 1997).

The Company filed a Writ Petition in the Andhra Pradesh High Court in September 1997 for staying all further proceedings against the Company. The High Court stayed the demand in respect of collection of interest but directed the Company to deposit the balance demand of Rs. 51 lakhs (which amount was deposited in November, 1997).

### (g) Multivitamin Formulations:

The Government has arbitrarily raised a demand of Rs. 182.38 Lakhs on account of alleged overpricing of certain multivitamin formulations marketed by erstwhile Pharmacia Healthcare Limited (merged with Pfizer Limited) for the period 1983 to 1986. The Company has repudiated the liability on this

## Notes to the consolidated financial statements for the year ended 30 November, 2004

(Currency: Indian Rupees in lakhs)

account as advised by its solicitors. The Company filed a Writ Petition No.814 of 1992 in the High Court at Mumbai. The Supreme Court of India, in a Special Leave Petition filed by the Company held that pending disposal of Writ Petition filed before the High Court at Mumbai, the Company shall furnish an undertaking in respect of 50% of its liability and shall deposit the balance 50% aggregating to Rs. 91.19 Lakhs. This amount has been deposited with the Government of India and is included under the head "Loans and Advances".

Pursuant to a Transfer Petition (Civil) No. 475-496 of 2003 filed under Article 139A(1) of the Constitution of India, all pending Writ Petitions in respect of DPEA liabilities are now to be transferred to the Supreme Court to be heard and finally decided by the Supreme Court of India. Consequently as a result of the said transfer petition, Writ Petitions referred to in (a), (b), (c), (e), (f) and (g) above will now be heard and disposed off by the Supreme Court.

In view of matters (a), (b), (c), (e), (f) and (g) 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.

The Company would continue to seek legal recourse in all the above matters.

### 6. Earnings per Share

	Nov 2004	Nov 2003
Earnings per share has been computed as under:		
(a) Profit after Taxation (Rs. Lakhs)	4458.76	2368.87
(b) Number of Equity Shares outstanding at 1 December 2003	28797540	28797540
(c) Number of Equity Shares to be issued on amalgamation effective 1 December 2003.	1043900	–
(d) Total (b) + (c) (No. of equity shares outstanding during the year)	29841440	28797540
(e) Earnings per share (Face value Rs. 10/- per share) (a) / (d)(Basic and diluted)	Rs. 14.94	Rs. 8.23

### 7. 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 19).

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. Further, in the case of one 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.

- (b) Sub-lease income recognised in the Profit and Loss Account for the year – Rs. 563.98 lakhs (November 2003 – Rs. 539.49 lakhs).

### 8. Assets held for disposal

The Company has identified the assets situated at various plants as retired from active use consequent to its ceasing manufacturing operations at these plants. These assets are held for disposal and stated at lower of net book value and estimated net realizable value. Fixed assets (Schedule 4) include assets at these plants at lower of their respective book values or estimated net realisable value as follows

Ankleshwar plant (held for disposal in an earlier year)

Asset Head	Original Cost		Accumulated Depreciation		Written Down Value	
	Nov 2004	Nov 2003	Nov 2004	Nov 2003	Nov 2004	Nov 2003
Freehold Land	20.28	20.28	–	–	20.28	20.28
Leasehold Land	–	63.25	–	63.25	–	–
Freehold Building	165.82	165.82	136.48	136.48	29.34	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
<b>TOTAL</b>	<b>186.10</b>	<b>1692.74</b>	<b>136.48</b>	<b>1480.23</b>	<b>49.62</b>	<b>212.51</b>

During the current year, the Company has sold the assets other than freehold land and freehold building, for the total consideration of Rs. 450 lakhs and accordingly recognised the profit of Rs. 287.85 lakhs shown under "Exceptional Items" (Schedule 20).

Hyderabad Plant (held for disposal in an earlier year)

Asset Head	Original Cost		Accumulated Depreciation		Written Down Value	
	Nov 2004	Nov 2003	Nov 2004	Nov 2003	Nov 2004	Nov 2003
Freehold Land	8.09	8.09	–	–	8.09	8.09
Freehold Building	140.54	140.54	109.02	109.02	31.52	31.52
<b>TOTAL</b>	<b>148.63</b>	<b>148.63</b>	<b>109.02</b>	<b>109.02</b>	<b>39.61</b>	<b>39.61</b>

**Notes to the consolidated financial statements for the year ended 30 November, 2004**  
(Currency: Indian Rupees in lakhs)

Chandigarh plant			
Asset Head	Original Cost Nov 2004	Accumulated Depreciation Nov 2004	Written Down Value Nov 2004
Freehold Land	3.60	–	3.60
Freehold Building	176.36	81.31	95.05
Machinery & Equipment	1665.82	1365.69	300.13
Office Equipment, Furniture & Fixtures	96.23	69.15	27.08
<b>TOTAL</b>	<b>1942.01</b>	<b>1516.15</b>	<b>425.86</b>

During the current year, the Company has provided additional depreciation amounting to Rs. 223.16 lakhs and shown as estimated loss under "Exceptional Items" (Schedule 20).

Ankleshwar plant (erstwhile Pharmacia Healthcare Limited)			
Asset Head	Original Cost Nov 2004	Accumulated Depreciation Nov 2004	Written Down Value Nov 2004
Leasehold Land	35.41	–	35.41
Building	275.34	76.41	198.93
Plant & Machinery	792.04	477.51	314.53
Office Equipment, Furniture, Fixtures	31.88	16.61	15.27
<b>TOTAL</b>	<b>1134.67</b>	<b>570.53</b>	<b>564.14</b>

**9. 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 :**

Companies collectively exercising significant influence

Pfizer Corporation, Panama  
Warner-Lambert Company, LLC, USA  
Parke-Davis & Company, LLC, USA  
Pharmacia Corporation, USA  
[Collectively holding 41.25% of the aggregate of equity share capital of the Company]  
Pfizer Inc., USA (Ultimate Holding Company)

**Fellow Subsidiaries:(with whom transactions have taken place during the year)**

Pfizer Pharmaceutical India Private Limited, India  
Pharmacia 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  
Pfizer Japan Inc., Japan  
Warner-Lambert Pharmaceuticals, South Africa

**B. Executive Committee Members**

Mr. Hocine Sidi Said \*  
Mr. Kewal Handa \*  
Dr. B.M. Gagrat \*  
Mr. S. Madhok  
Dr. S. Mukherjee  
Dr. Chitra Lele  
Mr. H. Walder  
Mr. Yugesh Gautam  
Mr. S. Ramkrishna  
Mr. Arun Gupta  
Mr. Viren Mahurkar  
Ms. Dipali Talwar

\* Executive Directors on the Board

**Notes to the consolidated financial statements for the year ended 30 November, 2004**  
(Currency: Indian Rupees in lakhs)

II. Transactions during the year and balances outstanding as at the year end with the related parties are as follows:

Rupees in Lakhs

Nature of Transactions	Nov 2004			Nov 2003		
	Ultimate Holding Company	Companies exercising significant influence	Fellow Subsidiaries	Ultimate Holding Company	Companies exercising significant influence	Fellow Subsidiaries
1 Sale of finished goods (net of returns)	–	–	196.85	–	–	325.41
2 Sale of bulk materials	–	–	90.25	–	–	382.64
3 Service income	774.29	–	1254.25	1812.85	–	57.94
4 Interest income on loans given	–	–	–	–	–	22.83
5 Recovery of expenses	146.42	–	1507.57	33.94	–	728.73
6 Purchase of finished goods	–	79.81	697.12	–	59.83	1676.93
7 Purchase of raw/bulk materials	–	–	876.89	–	84.64	151.42
8 Royalty expense	21.22	110.91	286.02	16.85	–	243.93
9 Service charges paid	–	–	–	–	–	–
10 Interest expense on loans taken	–	–	66.23	–	–	6.26
11 Expenses reimbursed	–	–	19.16	–	–	48.39
12 Amount Written Off	–	–	0.16	–	–	–
13 Dividend in respect of the year/period ended 30 <sup>th</sup> November 2003/November 2002	–	863.93	–	–	863.92	–
14 Loans given	–	–	–	–	–	1890.00
15 Loans taken	–	–	1650.00	–	–	1250.00
16 Outstanding as at the year end – Due from	340.73	–	1506.28	423.24	–	2407.93
17 Outstanding as at the year end – Due to	6.98	103.69	2707.14	5.73	0.76	1249.84

Executive committee members & their relatives:

Rupees in Lakhs

Nature of Transactions	Nov 2004		Nov 2003	
	Key Management Personnel	Relative of Key Management Personnel	Key Management Personnel	Relative of Key Management Personnel
1 Remuneration	391.25	–	360.91	–
2 Rent paid for residential flats	51.75	–	49.89	–
3 Interest income on loans given	–	–	0.01	–
4 Sale of Fixed Assets	–	–	–	–
5 Deposits paid	155.00	–	13.21	–
6 Amounts paid on behalf and recovered	1.02	–	0.45	–
7 Deposits outstanding as at the year end	1017.91	–	159.44	–
8 Loans outstanding as at the year end	–	–	–	–

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

**Notes to the consolidated financial statements for the year ended 30 November, 2004**  
(Currency: Indian Rupees in lakhs)

**10. Segment Information for the year ended 30th November, 2004**  
**Business segments**

Rupees in Lakhs								
	Nov 2004				Nov 2003			
	Pharma- ceuticals	Animal Health	Services	Total	Pharma- ceuticals	Animal Health	Services	Total
<b>Segment revenue</b>								
External sales and services to customers	51145.93	6131.55	2028.55	59306.03	44470.86	5581.66	1870.79	51923.31
<b>Total segment revenue</b>	<b>51145.93</b>	<b>6131.55</b>	<b>2028.55</b>	<b>59306.03</b>	<b>44470.86</b>	<b>5581.66</b>	<b>1870.79</b>	<b>51923.31</b>
<b>Segment results</b>	<b>10867.64</b>	<b>324.14</b>	<b>205.81</b>	<b>11397.59</b>	<b>5845.16</b>	<b>430.33</b>	<b>185.17</b>	<b>6460.66</b>
Unallocated corporate (expenses)/income (net)				(2492.83)				(641.02)
Operating profit				8904.76				5819.64
Interest expenses and bank charges				(281.75)				(269.09)
Interest income				749.97				352.70
Income tax				(2991.84)				(1861.12)
Exceptional items (net of expenses)	(1636.53)	(1.20)		(1637.73)	(1238.04)	(1.20)		(1239.24)
Unallocated exceptional items				(284.65)				(434.02)
<b>Net profit</b>				<b>4458.76</b>				<b>2368.87</b>
<b>Other information</b>								
Segment assets	21783.79	3807.94	1517.98	27109.71	22881.81	3869.37	773.90	27525.08
Unallocated corporate assets				25743.47				17758.73
<b>Total assets</b>				<b>52853.18</b>				<b>45283.81</b>
Segment liabilities	9148.83	839.29	126.20	10114.32	7781.63	757.54	159.17	8698.34
Unallocated corporate liabilities				8785.60				5974.99
<b>Total liabilities</b>				<b>18899.92</b>				<b>14673.33</b>
Capital expenditure	1198.39	22.16	34.76		1487.59	5.98	108.17	
Depreciation/amortisation	505.78	22.82	92.66		541.38	71.82	104.34	
Amortisation of Voluntary retirement cost	7.61	–	–		26.47	–	–	
<b>Geographic segment</b> (Refer Note 2 below)								
	Nov 2004			Total	Nov 2003			Total
	India	Other Countries			India	Other Countries		
Segment Revenue-external sales to customers	56610.72	2695.31		59306.03	48903.73	3019.58		51923.31
Carrying amount of segment assets	51372.73	1480.45		52853.18	44998.14	640.78		45638.92
Capital expenditure	1548.62	–		1548.62	1740.15	–		1740.15

Notes:

**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, new product development and undertaking comprehensive data management for new drug development.

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

The accounting policies of the segments are the same as those described in the summary of significant accounting policies as referred to in Schedule 21.

11. The figures of the previous year have been regrouped/reclassified wherever necessary to conform to the figures of the current year. In view of the amalgamation of Pharmacia Healthcare Limited with the Company with effect from December 1, 2003, the figures for the current year are not directly comparable to those of the previous year.

For and on behalf of the Board

R.A. SHAH	Chairman
HOCINE SIDI SAID	Managing Director
P. SHAH	} Directors
K. HANDA	
K. SUBHARAMAN	
	Secretary

Mumbai, 24 February, 2005



March 31, 2005

Dear shareholder,

**Sub : Change of Registrars and Transfer Agents.**

We wish to inform you that the Registrars and Transfer Agents have been changed from Tata Consultancy Services Ltd. (TCS) to Karvy Computershare Pvt. Ltd. (Karvy). Your Board of Directors have appointed Karvy at their meeting held on February 24, 2005. The relative item is included in the notice for your approval at the Annual General Meeting. The appointment of Karvy is effective 1st April 2005. Given below are the details of Karvy. Please direct your correspondence, queries, transfer etc. to Karvy at the following address:

- (1) Name and address of the Registrars : Karvy Computershare Pvt. Ltd.,  
7, Andheri Industrial Estate,  
Off Veera Desai Road,  
Andheri (W),  
**MUMBAI - 400 053**
- (2) Karvy's Head Office : "Karvy House", 46, Avenue 4,  
Street No. 1, Banjara Hills,  
**HYDERABAD - 400 034**
- (3) Contact Person : A. Radhakrishnan Nair (Mumbai) or K. Subba Reddy (Hyderabad)
- (4) Telephone : Mumbai : 022-26730799, 022-26730152  
Hyderabad : 040-23312454
- (5) E-mail : ksreddy@karvy.com  
rknnair@karvy.com

Your Company is committed to maintain high standards of the Registrars and Transfer Agents' services. In case of complaints, please get in touch with our Asstt. Manager, Investor Relations viz. Mr. S. Sundaresan. Tel.: 56932343; e-mail : sundaresan@pfizer.com.

Thanking you,

Yours truly,  
For PFIZER LIMITED  
**K. SUBHARAMAN**  
Company Secretary

# Pfizer Limited



Regd. Office : Pfizer Centre, 5 Patel Estate, Off S.V. Road, Jogeshwari (West), Mumbai - 400 102.

## PROXY

I/We .....  
of ..... in the district of .....  
..... being a member/members of Pfizer Limited, hereby  
appoint ..... of ..... in the district of .....  
..... or failing him/her ..... of ..... in the district of .....  
..... as my/our proxy to attend and vote for me/us on my/our behalf at the  
**54th Annual General Meeting of the Company to be held on Thursday, 28th April, 2005 and at any adjournment thereof.**

Signed this ..... day of ..... 2005.

Folio No.

No. of Shares

Signature ..... Revenue Stamp

15 ps.  
Revenue  
Stamp

**Note:** The Proxy form duly completed and signed should be deposited at the Registered Office of the Company shown above, not later than 48 hours before the time of the Meeting.

# Pfizer Limited



Regd. Office : Pfizer Centre, 5 Patel Estate, Off S.V. Road, Jogeshwari (West), Mumbai - 400 102.

## ATTENDANCE SLIP

**To be handed over at the entrance of Meeting Hall**

I hereby record my presence at the FIFTY-FOURTH ANNUAL GENERAL MEETING of the Company at Y.B. Chavan Pratishthan Auditorium, Gen. Jagannath Bhosale Marg, Mumbai 400 021 on Thursday, 28th April, 2005 at 3.00 P.M.

Name of the Member .....  
Folio/Client ID No. ....

Name of the Proxy/Representative (In Block Letters)  
(To be filled in if the Proxy/Representative  
attends instead of the Member . ....

SIGNATURE OF THE MEMBER OR PROXY/REPRESENTATIVE



# Pfizer Limited: Ten Year Financial Summary

Amount – Rupees in Lakhs

	1996	1997	1997#	1998	1999	2000	2001	2002 <sup>†</sup>	2003	2004 <sup>§</sup>
<b>Sources of Funds</b>										
<b>Shareholders' Funds</b>										
Share Capital	1172	1172	1172	1172	1172	2344*	2344	2344	2880	2880
Share Capital Suspense A/C								536		104
Reserves and Surplus	4506	5925	6694	7104	9541	11167	14645	27923	27960	31292
<b>Total Shareholders' Funds</b>	<b>5678</b>	<b>7097</b>	<b>7866</b>	<b>8276</b>	<b>10713</b>	<b>13511</b>	<b>16989</b>	<b>30803</b>	<b>30840</b>	<b>34276</b>
<b>Borrowed Funds</b>										
Secured Loans	2077	397	84	156	–	–	–	–	–	–
Unsecured Loans	806	629	2002	1	1	–	–	–	–	1200
<b>Total</b>	<b>8561</b>	<b>8123</b>	<b>9952</b>	<b>8433</b>	<b>10714</b>	<b>13511</b>	<b>16989</b>	<b>30803</b>	<b>30840</b>	<b>35476</b>
<b>Application of Funds</b>										
Net Fixed Assets	3343	3085	3885	3678	3502	3728	4210	5696	6110	7564
Investments	23	25	324	346	324	324	324	529	324	324
Deferred Tax Asset (Net)	–	–	–	–	–	310	503	790	989	636
Current Assets, Loans and Advances:										
Inventories	3875	3596	3286	4018	4486	5780	5644	8484	8658	7389
Sundry Debtors	1999	2155	2462	2317	3810	3918	5421	12341	5883	7174
Cash and Bank Balances (including amounts held on deposit accounts with banks)	81	49	234	820	2329	4609	5763	6840	8908	16110
Other Current Assets	–	–	–	–	–	–	–	–	45	137
Loan & Advances	2436	3234	4572	3923	3839	3529	4289	7260	8330	6840
<b>Total Current Assets, Loans and Advances</b>	<b>8391</b>	<b>9034</b>	<b>10554</b>	<b>11078</b>	<b>14464</b>	<b>17836</b>	<b>21117</b>	<b>34925</b>	<b>31824</b>	<b>37650</b>
Less: Current Liabilities and Provisions										
Current Liabilities	2938	3484	3857	5375	5439	6771	6312	11112	9619	11284
Provisions	925	1574	1690	2047	2376	2366	2853	5244	4192	5421
<b>Net Current Assets</b>	<b>4528</b>	<b>3976</b>	<b>5007</b>	<b>3656</b>	<b>6649</b>	<b>8699</b>	<b>11952</b>	<b>18569</b>	<b>18013</b>	<b>20945</b>
Misc. Expenditure (Deferred Revenue Expenditure)										
Voluntary Retirement Scheme	667	1037	736	753	239	–	–	5219	5404	6007
Commercial Rights	–	–	–	–	–	450	–	–	–	–
<b>Total Net Assets</b>	<b>8561</b>	<b>8123</b>	<b>9952</b>	<b>8433</b>	<b>10714</b>	<b>13511</b>	<b>16989</b>	<b>30803</b>	<b>30840</b>	<b>35476</b>
<b>Income</b>										
Gross Sales	25260	26290	14160	23343	28733	32719	36207	65127	55896	65966
Less: Excise Duty							3796	5719	3954	4884
Less: Sales Tax							2643	5165	4478	5304
<b>Net Sales</b>							<b>29768</b>	<b>54243</b>	<b>47464</b>	<b>55778</b>
Services	205	1105	2321	3036	4275	4237	4826	4366	2944	2517
Interest Income	88	111	204	279	331	376	668	634	364	749
Dividend Income	3	2	3	3	–	–	–	–	–	–
Other Income	292	880	279	426	501	549	653	1007	743	658
<b>Total</b>	<b>25848</b>	<b>28388</b>	<b>16967</b>	<b>27087</b>	<b>33840</b>	<b>37881</b>	<b>35915</b>	<b>60250</b>	<b>51515</b>	<b>59702</b>
<b>Costs and Expenses</b>										
(Increase)/Decrease in Stock of Finished Goods, Work in process and Own Manufactured Bulk Drugs	402	307	119	(607)	216	(691)	(531)	284	790	2312
Materials Consumed	8159	8931	4293	7604	8614	10757	11267	21694	18947	20058
Personnel Costs	4051	4333	3072	5712	4865	5056	5580	8784	7942	8255
Excise Duty	3195	3105	1618	2806	3414	3940	–	–	–	–
Sales Tax	1655	1627	933	1548	1968	2394	–	–	–	–
Depreciation	362	437	319	967	768	676	717	1064	1083	1026
Interest Expense	571	358	160	211	54	37	26	76	39	81
Other Expenses	5015	5768	4124	6504	8192	8875	10908	17088	16087	18048
Royalty and Technical Know-How Fees	583	555	270	455	526	565	246	95	322	516
<b>Total Costs and Expenses</b>	<b>23993</b>	<b>25421</b>	<b>14908</b>	<b>25200</b>	<b>28617</b>	<b>31609</b>	<b>28213</b>	<b>49085</b>	<b>45210</b>	<b>50296</b>
<b>Profit before Taxation &amp; Exceptional Items</b>	<b>1855</b>	<b>2967</b>	<b>2059</b>	<b>1887</b>	<b>5223</b>	<b>6272</b>	<b>7702</b>	<b>11165</b>	<b>6305</b>	<b>9406</b>
<b>Exceptional items - (Expenses)/Income</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>1518</b>	<b>(1673)</b>	<b>(1922)</b>
<b>Profit before Taxation</b>	<b>1855</b>	<b>2967</b>	<b>2059</b>	<b>1887</b>	<b>5223</b>	<b>6272</b>	<b>7702</b>	<b>12683</b>	<b>4632</b>	<b>7484</b>
<b>Taxation</b>	<b>785</b>	<b>1067</b>	<b>681</b>	<b>629</b>	<b>2130</b>	<b>2518</b>	<b>2953</b>	<b>5089</b>	<b>1881</b>	<b>2932</b>
<b>Profit after Taxation</b>	<b>1070</b>	<b>1900</b>	<b>1378</b>	<b>1258</b>	<b>3093</b>	<b>3754</b>	<b>4749</b>	<b>7594</b>	<b>2751</b>	<b>4552</b>
Tax Provision as % of PBT	42.3	36.0	33.1	33.3	40.8	40.1	38.3	40.1	40.6	39.2
Net Profit as % of Sales	4.2	7.2	9.7	5.4	10.8	11.5	13.1	11.7	4.9	6.9
Earnings per share (Rs.)	9.13	16.21	11.76	10.73	26.39	16.02@	20.26	26.37	9.55	15.25
Equity Dividend per share (Rs.)	3.00	4.00	3.00	4.00	5.00	4.00	5.00	7.50+	7.50	10.00
Total Dividend Amount (Rs. in Lakhs)	352	469	352	469	586	938	1172	2160	2160	2984
Book Value per share (Rs.)	48.45	60.55	67.12	70.61	91.41	57.64@	72.48	106.95	107.08	114.86

# 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

§ Includes results of erstwhile Pharmacie Healthcare Ltd. on its amalgamation with the Company





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

Intellectual property rights protect a creation of the human mind for a period of time, in exchange for complete disclosure of the knowledge behind it. Knowledge that was deliberately kept secret through the years, got lost while being passed down from father to son. Today, the knowledge that an inventor discloses, enables further discovery of newer medicines. In this, lies the real value of intellectual property rights.





## Notice

Notice is hereby given that the 54th Annual General Meeting of Pfizer Limited will be held at the Yeshwantrao Chavan Pratishthan Auditorium, General Jagannath Bhosale Marg, Next to Sachivalaya Gymkhana, Mumbai-400 021 on April 28, 2005 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 year ended November 30, 2004, the Audited Balance Sheet as at that date and the Report of the Board of Directors and Auditors.
2. To declare Dividend for the year ended November 30, 2004.
3. To appoint a Director in place of Mr. R.A. Shah, who retires by rotation and being eligible, offers himself for re-appointment.
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), the following resolution as an ORDINARY RESOLUTION:  
RESOLVED THAT pursuant to the provisions of Clause 49 of the Listing Agreement with the Stock Exchanges, consent of the Company be and is hereby accorded for payment of Rs. 10,000/- (Rupees Ten Thousand only) or such other amount as may be approved by the Board of Directors subject to the ceiling prescribed under the Companies Act, 1956, or Rules framed thereunder, as amended from time to time, as Sitting Fees for each meeting of the Board of Directors or the Committee(s) thereof, attended by the resident Non-executive Directors of the Company.
6. To consider and if thought fit, to pass, with or without modification(s), the following resolution as an ORDINARY RESOLUTION:  
"RESOLVED THAT Mr. Kewal Handa, who holds office as a Director upto the date of this Annual General Meeting by reason of Section 262 of the Companies Act, 1956 ("the Act"), and who is eligible for appointment, and in respect of whom the Company has received notice in writing from some Members together with a deposit of Rs. 500/- pursuant to Section 257 of the Act proposing his candidature for the office of Director, be and is hereby appointed a Director of the Company liable to retire by rotation".
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, 269, 309, Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 ("the Act") consent of the Company be and is hereby accorded to the appointment of Mr. Kewal Handa as "Executive Director – Finance of the Company for a period of five years with effect from April 28, 2005, and to his receiving remuneration, payment, perquisites and amenities 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 Mr. Handa shall be subject to a maximum limit of Rs. 75,00,000/- (Rupees Seventy-five 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. 75 lakhs for salary, performance linked incentives 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. 75,00,000/- 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:

- (a) 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 Act, 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;
  - (b) 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, 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".
8. To consider and if thought fit, to pass, with or without modification(s), the following resolution as an ORDINARY RESOLUTION:
- "RESOLVED THAT Dr. Bomi M. Gagrath, who holds office as a Director upto the date of this Annual General Meeting by reason of Section 262 of the Companies Act, 1956 ("the Act"), and who is eligible for appointment, and in respect of whom the Company has received notice in writing from some Members together with a deposit of Rs. 500/- pursuant to Section 257 of the Act proposing his candidature for the office of Director, be and is hereby appointed a Director of the Company liable to retire by rotation".

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 Act") consent of the Company be and is hereby accorded to the appointment of Dr. Bomi M. Gagrath as "Executive Director – Technical Operations of the Company for a period of five years with effect from April 28, 2005 or till the date of his retirement as per rules of the Company, whichever is earlier, and to his receiving remuneration, payment, perquisites and amenities 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 Dr. Gagrath shall be subject to a maximum limit of Rs. 75,00,000/- (Rupees Seventy-five Lakhs) per annum.

#### B. Perquisites

In addition to the above mentioned salary, incentives and bonus, Dr. Gagrath 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. 75 lakhs for salary, performance linked incentives 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. Gagrath 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. 75,00,000/- 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. Gagrath 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. Gagrut 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 Act, 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, 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 a SPECIAL RESOLUTION:

"RESOLVED THAT in partial modification of the Special Resolution passed at the 53rd Annual General Meeting held on April 29, 2004, and pursuant to Section 163 of the Companies Act, 1956 ("the Act"), the Company hereby approves that the Register of Members, Index of Members and copies of all Annual Returns prepared under Section 159 of the Act, together with copies of the Certificates and documents required to be annexed thereto under Section 161 of the Act, be kept at the office of Karvy Computershare Pvt. Ltd., the Registrars and Share Transfer Agents of the Company at 7, Andheri Industrial Estate, Off Veera Desai Road, Andheri (W), Mumbai 400 053.

RESOLVED FURTHER THAT the registers, indexes, returns and copies of certificates and other documents of the Company referred to above be kept open for inspection at the place where they are kept, by the persons entitled thereto, to the extent, in the manner and on payment of fee, if any, specified in the Act, between 10.00 a.m. and 1.00 p.m. on any working day, except when the Registers and Books are closed under the provisions of the Act or the Articles of Association of the Company.

RESOLVED FURTHER THAT the Board of Directors be and is hereby authorised to take such further steps as may be necessary in this regard."

11. To consider and if thought fit to pass with or without modification(s), the following resolution as a SPECIAL RESOLUTION:

"RESOLVED THAT pursuant to Section 31 and all other applicable provisions, if any, of the Companies Act, 1956 ("the Act"), the Articles of Association of the Company ("the AOA") be and are hereby amended, altered and/or substituted in the manner and to the extent as is set out herein below:

- A. (i) In Article 2 of the AOA the following interpretations shall be added at appropriate places:

"Beneficial Owner"	"Beneficial Owner" means beneficial owner as defined in clause (a) of sub-section (1) of Section 2 of the Depositories Act, 1996.
"Depositories Act, 1996"	"Depositories Act, 1996" includes any statutory modification or re-enactment thereof for the time being in force.
"Depository"	"Depository" means a Depository as defined in clause (e) of sub-section (1) of Section 2 of the Depositories Act, 1996.
"Security"	"Security" means and includes Share, Debenture and such other security as may be specified by the Securities and Exchange Board of India from time to time.
"Securities and Exchange Board of India"	"Securities and Exchange Board of India" means the Securities and Exchange Board of India established under Section 3 of the Securities and Exchange Board of India Act, 1992.

- (ii) In Article 2 of the AOA, the interpretation of "Member" shall be substituted by the following interpretation:

"Member"	"Member" means the duly registered holder from time to time of the shares of the Company and includes Beneficial Owner in the records of the Depository.
----------	--

- (iii) The following Heading and Article shall be inserted as Article 80A of the AOA, after Article 80:

DEMATERIALISATION OF SECURITIES

"Company entitled to dematerialise/ rematerialise its shares"	80A (1) Notwithstanding anything contained in these Articles, the Company shall be entitled to dematerialise its Securities, rematerialise its Securities held in the Depositories and/or offer its Securities for subscription in a dematerialised form pursuant to the Depositories Act, 1996.
"Intimation of Allotment of Shares, Debentures and other Securities to a Depository"	(2) Notwithstanding anything contained in sub-section (1) of Section 113 of the Act, where the Securities are dealt with in a Depository, the Company shall intimate the details thereof to the Depository immediately on allotment of such Securities as far as practicable.
"Securities in Depositories to be in fungible form"	(3) All Securities held by a Depository shall be dematerialised and be in fungible form.



**“Specific beneficial provisions of the Act not to apply to Depository”**

- (4) Nothing contained in Sections 153, 153A, 153B, 187B, 187C and 372 of the Act shall apply to a Depository in respect of the Securities held by it on behalf of the Beneficial Owners.

**“Distinctive numbers of Securities held in a Depository”**

- (5) Nothing contained in the Act or these Articles regarding the necessity of having distinctive numbers for Securities issued by the Company shall apply to Securities held by a Depository.

**“Transfer and Transmission of Securities”**

- (6) Notwithstanding anything contained in these Articles, in the case of transfer or transmission of Securities where the Company has not issued any certificates and where such Securities are being held in an electronic and fungible form by a Depository, the provisions of the Depositories Act, 1996 shall apply.

**“Voting Rights of Depositories and Beneficial Owner”**

- (7) Notwithstanding anything contained in the Act or in these Articles, a Depository shall be deemed to be the registered owner for the purpose of effecting transfer of ownership of Securities on behalf of a Beneficial Owner. Save as otherwise provided hereinabove, the Depository as a registered owner shall not have any voting rights or any other rights in respect of Securities held by it; and the Beneficial Owner shall be entitled to all the rights and benefits and be subject to all the liabilities in respect of its Securities held by a Depository.

**“Beneficial Owner deemed as Absolute Owner”**

- (8) Except as ordered by a Court of competent jurisdiction or as required by law, the Company shall be entitled to treat the person whose name appears as the Beneficial Owner of the Securities in the records of the Depository as the absolute owner thereof and accordingly the Company shall not be bound to recognise any benami trust or equitable, contingent, future or partial interest in any Security or (except only as is by these Articles otherwise expressly provided) any right in respect of a Security other than an absolute right thereto, in accordance with these Articles on the part of any other person whether or not it shall have express or implied notice thereof.

**“Service of Documents”**

- (9) Notwithstanding anything contained in the Act or these Articles, where Securities are held by a Depository, the records of the beneficial ownership may be served by such Depository on the Company by means of electronic mode or by delivery of floppies or discs.

**“Transfer of Securities”**

- (10) Nothing contained in Section 108 of the Act or these Articles shall apply to a transfer of Securities effected by a transferor and transferee both of whom are entered as Beneficial Owners in the records of a Depository.

**“Investments in the name of a Depository”**

- (11) Notwithstanding anything contained in the Act or in these Articles, the Company can hold investments in the name of a Depository when such investments are in the form of Securities held by the Company as a Beneficial Owner.

- (iv) Article 12 of the AOA shall be substituted by the following Article:

“The Company shall cause to be kept a Register and Index of Members in accordance with Sections 150 and 151 of the Act and the Depositories Act, 1996 with details of Shares held in material and dematerialised forms in any media as may be permitted by law including in any form of electronic media. The Register and Index of Beneficial Owners maintained by a Depository under Section 11 of the Depositories Act, 1996 shall be deemed to be the Register and Index of Members for the purpose of the Act. The Company shall have the power to keep in any state or country outside India a branch Register of Members resident in that state or country.”

In Article 22(a) of the AOA, the following proviso shall be inserted:

“Provided however, no share certificate(s) shall be issued for shares held by a Depository.”

Article 55 of the AOA shall be substituted by the following Article:

“The Company shall maintain a “Register of Transfers” and therein shall be fairly and distinctly entered particulars of every transfer or transmission of any Share held in material form.”

Article 78 of the AOA shall be substituted by the following Article:

“The Company shall, if at anytime it issues Debentures, keep a Register and Index of Debenture holders in accordance with Section 152 of the Act and Depositories Act, 1996. The Register and Index of Beneficial Owners maintained by a Depository under Section 11 of the Depositories Act, 1996 shall be deemed to be the Register and Index of Debenture holders for the purpose of the Act. The Company shall have the power to keep in any state or country outside India a branch Register of Debenture holders residing in that state or country.”





B. The following Article shall be inserted as Article 5A of the AOA:

**"Issue of Shares without voting rights"**

5A "Notwithstanding anything contained in these Articles of Association, the Board of Directors may issue Shares without voting rights attached to them upon such terms and conditions and with such rights and privileges annexed thereto as they may deem fit and as may be permitted by law".

C. The following Article shall be inserted as Article 27A of the AOA:

**"Buy Back of Shares"**

27A "Notwithstanding anything contained in these Articles, the Company shall be entitled to purchase or buy back the Shares and other Securities issued by the Company from the holders thereof (including employees of the Company) from the open market or otherwise and in market lots or lots smaller than market lots, from the free reserves of the Company and/or from the proceeds of any issue made by the Company specifically for the purpose and/or from such other sources as may be permitted by law, on such terms, conditions and in such manner as may be permitted by law from time to time."

D. Article 173 of the AOA shall be amended by the insertion of the words "or by electronic transfer of funds to the bank account" after the words "cheque or warrants, sent through the post to the registered address" appearing in the first sentence thereof.

RESOLVED FURTHER THAT the Board of Directors be and is hereby authorised to do all such acts, deeds, matters and things and deal with all such matters and take all such steps in this regard as it may, in its absolute discretion, deem necessary, fit or proper to effectively implement this Resolution."

**NOTES:**

1. The relative Explanatory Statement pursuant to Section 173 of the Companies Act, 1956 in respect of Items 5 to 11 of Special Business is annexed hereto.
2. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER OF THE COMPANY.  
  
The Proxy duly completed and signed must be deposited at the Registered Office of the Company not less than 48 hours before the Meeting.
3. Members (Beneficiaries) holding shares in dematerialized 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.
4. In compliance with Sections 205A & 205C of the Companies Act, 1956, unclaimed dividend for the year ended 1997 has been transferred to the "Investor Education and Protection Fund" established by the Central Government. Members shall not be able to register their claim in respect of their unencashed Dividend with regard to the said dividend. Members are requested to contact the Company's Registrars and Transfer Agents, in respect of their outstanding dividends for the succeeding years.

By order of the Board of Directors

Mumbai, February 24, 2005

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

K. SUBHARAMAN  
*Company Secretary*



## Explanatory Statement pursuant to Section 173 of the Companies Act, 1956.

### Item No. 5

The Securities and Exchange Board of India has issued a circular to all the Stock Exchanges advising them to amend the Listing Agreement by inserting the revised clause 49 relating to corporate governance requirements to be fulfilled by the Companies. The Stock Exchanges have accordingly amended the Listing Agreement with the Company. The said amendment in the Listing Agreement is effective from 1st April 2005. One of the requirements stipulated under the revised clause is that all the fees/compensation payable to Non-Executive Directors, including the Independent Directors, shall be fixed by the Board of Directors and shall require previous approval of the members in General Meeting.

At present, the Company is paying to each of its Directors, resident in India, who are not in the Company's whole-time employment, a sitting fees of Rs. 10,000/- for each of the meeting of the Board of Directors or Committee(s) thereof attended by them.

In addition, pursuant to Section 309 of the Companies Act, 1956, the Company is paying a commission not exceeding in the aggregate, 1% of the net profits of the Company subject to a maximum limit of Rs. 20 Lakhs per annum to the aforesaid Directors in terms of approval granted by the members of the Company for payment of commission at the 53rd Annual General Meeting of the Company held on April 29, 2004.

In view of the revised clause 49 of the Listing Agreement, the approval of members is requested for the payment of sitting fees to each of the Directors of the Company, resident in India, who are not in the Company's whole-time employment. The Directors recommend adoption of the Ordinary Resolution at Item No. 5.

Messrs. R.A. Shah and Pradip Shah who are resident Indian Non-Executive Directors of the Company may be deemed to be concerned or interested in this Resolution as it concerns them. None of the other Directors of the Company are interested or concerned in the passing of this Resolution.

### Item Nos. 6 & 7

Mr. Kewal Handa was appointed on February 26, 2003 as a Director in casual vacancy caused by the resignation of Mr. Robert Norton. He holds office till the date of this Annual General Meeting.

A notice under Section 257 of the Companies Act, 1956 has been received from a shareholder along with the deposit of Rs. 500/- proposing the appointment of Mr. Kewal Handa as a Director.

Mr. Handa is 53 years old and is a Member of the Institute of Cost and Works Accountants of India and also a Member of the Institute of Company Secretaries of India. He holds a Masters Degree in Commerce from Sydenham College, Mumbai. He joined the Company in June 1990 as Controller in MIS-Taxation and was promoted as Financial Controller in August, 1991. Further, he moved to head the Animal Health Division in December, 1994.

Mr. Handa has been the Executive Director of the Company heading the Finance Division from December 16, 1996 onwards. Mr. Handa is also a Member of the Shareholders' Grievance Committee of Pfizer Ltd.

Mr. Handa is a visiting faculty at Narsee Monjee Institute of Management Studies and also an International Trainer of the Indian Junior Chamber. He is also a regular speaker in various forums and is President of the Bombay Management Association. He is the Chairman of the Pricing Committee of the Organisation of Pharmaceutical Producers of India (OPPI). He is also a Committee Member in the Confederation of Indian Industry and Bombay Chambers of Commerce. He has completed the Pfizer Leadership Development Programme from Harvard University. He has also completed a course on Marketing Strategy from Columbia Business School and the Senior Management Development Programme from IIM Ahmedabad.

Mr. Handa was recently awarded the "India CFO 2004-Excellence in Finance in MNC" by the International Market Assessment Group.

Details of his other Directorships and Memberships in Committee are given below:

Name of the Company	Designation	Committee	Member/Chairman
Alfa Laval (India) Ltd.	Director	1	1/0
Organisation of Pharmaceutical Producers of India	Director	NIL	NIL
Duchem Laboratories Ltd.	Chairman	NIL	NIL

The Board recommends these Resolutions for the approval of the members.

The given particulars of his appointment and remuneration as stated in Item No. 7 above, may be treated as an Abstract pursuant to Section 302 of the Act.

None of the Directors except Mr. Handa is concerned or interested in this resolution except as a member, if any, of the Company.

### Item Nos. 8 & 9

Dr. Bomi M. Gagrati was appointed on February 26, 2003 as a Director in casual vacancy caused by the resignation of Mr. James Hilboldt. He holds office till the date of this Annual General Meeting.

A notice under Section 257 of the Companies Act, 1956 has been received from a shareholder along with the deposit of Rs. 500/- proposing the appointment of Dr. Bomi M. Gagrati as a Director.

Dr. Gagrati holds a Masters Degree in Science and a Ph.D in Science from the University of Mumbai. He has published scientific papers in Bio-medical Sciences in International Journals of repute. In addition, he holds a Post Graduate Diploma in Operations Management from the Jamnalal Bajaj Institute of Management in Mumbai. He has completed a variety of Pfizer Training Programmes including the "Pfizer Leadership Development" programme in conjunction with the Harvard Business School. He is an active member on the Committees of OPPI.

Dr. Bomi M. Gagrati is 58 years old and is on the Pfizer India Board for the last 7 years. Prior to joining Pfizer, Dr. Gagrati held a variety of positions of increasing responsibility in pharmaceutical manufacturing.

Dr. Gagrati joined Pfizer in 1989 as Plant Manager at Thane Plant and subsequently was appointed as General Manager in 1994. In December 1996, he was named Vice President of the Animal Health Division in India.

Effective December 2002, Dr. Bomi M. Gagrati, Executive Director, Pharmaceuticals assumed the responsibilities of Executive Director, Pfizer Global Manufacturing for the technical and manufacturing operations in India.

Details of his other Directorships and Memberships in Committee are given below:

Name of the Company	Designation	Committee	Member/Chairman
Duchem Laboratories Ltd.	Director	NIL	NIL

The Board recommends these Resolutions for the approval of the members.

The given particulars of his appointment and remuneration as stated in Item No. 9 above, may be treated as an Abstract pursuant to Section 302 of the Act.

None of the Directors except Dr. Bomi M. Gagrati is concerned or interested in this Resolution, except as a member, if any, of the Company.

#### Item No. 10

At the 53rd Annual General Meeting of the Company held on April 29, 2004, the shareholders had accorded their consent by Special Resolution for keeping the Register of Members and Index of Members and copies of all Annual Returns prepared by the Company under Section 159 of the Companies Act, 1956 (the Act), together with copies of certificates and documents required by the Act to be annexed thereto at the office of its Registrar and Transfer Agents, Tata Consultancy Services, at Park West II, Raheja Estate, Kulupwadi Road, Borivli (East), Mumbai 400 066.

The Company has decided to appoint Karvy Computershare Pvt. Ltd. having its office at 7, Andheri Industrial Estate, Off Veera Desai Road, Andheri (W), Mumbai 400 053, as Registrars and Transfer Agents with effect from April 1, 2005. Approval of the members is being sought pursuant to Section 163 of the Act, to the keeping of the Register of Members and Index of Members and copies of all Annual Returns prepared by the Company under Section 159 of the Companies Act, 1956 (the Act), together with copies of certificates and documents required by the Act to be annexed thereto under Section 161 of the Act, or any one or more of them at the aforesaid address with effect from April 1, 2005.

A copy of the Special Resolution set out in Item No. 10 of the Notice will be delivered to the Registrar of Companies, Maharashtra, Mumbai in advance.

None of the Directors are interested or concerned in this Resolution except as a member, if any, of the Company.

#### Item No. 11

- A. Consequent upon the passing of the Depositories Act, 1996 and the introduction of the Depository System, some of the provisions of the Companies Act, 1956 ("the Act") and of the Securities Contracts (Regulation) Act, 1956 relating to the issue, holding, transfer, transmission of shares and other securities have been amended to facilitate the implementation of the Depository System. Your Company had joined the Depository System and it is therefore proposed to suitably amend the Articles of Association of the Company ("the AOA"), as set out at Item No. 11A of the Resolution to reflect the aforementioned provisions as introduced/amended.
- B. At present the Act permits companies to issue shares without voting rights. It is proposed to insert a new Article 5A in the AOA as set out at Item No. 11B of the Resolution to permit the Company to issue shares without voting rights.
- C. Article 27 of the AOA prohibits the Company from buying its own shares. It is proposed to insert a new Article 27A in the AOA as set out at Item No. 11C of the Resolution to permit the Company to purchase its own shares or other Securities.
- D. Article 173 of the AOA, inter alia, provides that dividend may be paid by cheque or warrant sent through the post to the registered address of the members entitled to the dividend. It is proposed to amend the Article 173 as set out in Item No. 11D of the Resolution to include payment of dividend by way of electronic transfer of funds to the bank account of the Members entitled to the dividend in view of such facility being provided by banks at certain locations and the safety and convenience offered by such arrangement.

The Board recommends this Resolution for the approval of the Members.

A copy of the AOA of the Company together with the proposed alterations, is available for inspection by the Members of the Company at its Registered Office on any working day of the Company between 11.00 a.m. and 1.00 p.m. upto the date of the Meeting.

None of the Directors of the Company are concerned or interested in the said Resolution, except as a member, if any of the Company.

**By order of the Board of Directors**

**K. SUBHARAMAN**  
Company Secretary

*Mumbai, February 24, 2005*

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



**Notes to the consolidated financial statements for the year ended 30 November, 2004**  
(Currency: Indian Rupees in lakhs)

**Schedule 22: Notes to the Accounts**

**1. Amalgamation of Pharmacia Healthcare Limited with the Company**

- (a) In accordance with the Scheme of Amalgamation (the Scheme) of the erstwhile Pharmacia Healthcare Limited (herein after referred to as Pharmacia) with the Company as approved by the members at a Court-convened meeting held on 25<sup>th</sup> October, 2004 and subsequently sanctioned by the Honourable High Court of Judicature at Bombay vide its order dated 4<sup>th</sup> February, 2005 and pursuant to the filing of a Certified Copy of the said Order with the Register of Companies, Maharashtra, Mumbai on 21<sup>st</sup> February, 2005, the Undertaking of Pharmacia 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 1<sup>st</sup> December, 2003. The Scheme has accordingly been given effect to in these accounts.
- (b) Pharmacia was engaged in 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 Pharmacia as at 1 December 2003 have been taken over at their book values.
- (d) Pursuant to the Scheme, 10,43,900 Equity Shares of Rs. 10/- each of the Company are to be allotted to the shareholders of Pharmacia in the ratio of 1 (one) fully paid-up Equity Share of the Company for every 5 (five) fully paid-up Equity Shares of Rs. 5/- each in Pharmacia. As provided in the Scheme the difference between the amount of fresh share capital to be allotted by the Company on amalgamation and the amount of share capital of Pharmacia is adjusted in the General Reserve. Pending allotment, an amount of Rs. 104.39 lakhs has been shown under the Share Capital Suspense Account as at 30 November 2004 (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 10,43,900 Equity Shares, which would be allotted to the shareholders of Pharmacia [referred to in note (d) above].
- (f) The income accruing and expenses incurred by Pharmacia during the period 1 December 2003 to 30 November 2004 have also been incorporated in these accounts. During this period, as Pharmacia carried on the existing business in "trust" on behalf of the Company, all vouchers, documents etc. for the period are in the name of Pharmacia. 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 Pharmacia have become employees of the Company without any break or interruption in service. All rights, duties, powers and obligations of Pharmacia 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 1 December 2003, the figures for the current year are not directly comparable to those of the previous year.

	Rupees in Lakhs 30 Nov 2004	Rupees in Lakhs 30 Nov 2003
2. Estimated amount of contracts on capital account to be executed and not provided for	585.01	812.19
3. <b>Contingent Liability</b>		
(a) In respect of the guarantees given to banks on behalf of third parties	17.80	23.07
(b) In respect of :		
(i) Excise Duty	1064.05	1234.18
(ii) Customs Duty	111.82	10.51
(iii) Sales Tax	342.94	76.51
(iv) Service Tax	193.10	466.08
(v) Income Tax	827.46	6.53
(vi) Pending Labour Matters contested in various courts	108.60	–
(vii) Pending Labour Matters relating to wage settlement	Amount Unascertainable	Amount Unascertainable
(c) DPEA claims (Refer Note 5)		
4. <b>Managerial remuneration under Section 198 of the Companies Act, 1956</b>		
Salaries, Bonus & Commission	93.51	91.61
Contribution to PF and Other Funds	14.15	18.71
Perquisites	33.31	31.75
Sitting Fees	2.00	0.90
Commission to Non-Whole time Directors	4.00	4.00
<b>TOTAL</b>	<b>146.97</b>	<b>146.97</b>

**Note:** The above excludes directors' sitting fees Rs. 2.50 lakhs paid to directors of erstwhile Pharmacia Healthcare Limited who were not on the board of the Company during the year.

**5. 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

## Notes to the consolidated financial statements for the year ended 30 November, 2004

(Currency: Indian Rupees in lakhs)

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 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."

\* Regd. Trademark

### (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.

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 23/95 pending before the said Drug Prices Liability Review Committee be stayed."

### (f) Pursuant to the repeal of DPCO 1970, erstwhile Warner-Hindustan Limited (merged with Parke-Davis (India) Limited in 1988 and Parke-Davis (India) Limited merged with Pfizer Limited in 2003) had classified ISOKIN TABLETS, ISOKIN LIQUID AND PYRIDIDIUM TABLETS as decontrolled products under the DPCO 1979. The categorization was, however, challenged by the Government in 1984 and a demand of Rs. 113 lakhs was raised against the Company. Against this demand an excise duty set off of Rs. 7 lakhs was allowed to the Company and a final demand of Rs. 106 lakhs was raised in 1987.

The Company had deposited an amount of Rs. 30 lakhs in February 1987 and Rs. 25 lakhs in May 1990 totaling to an aggregate of Rs. 55 lakhs in full and final settlement of the demand, as per the arguments set forth by the Company. The Government subsequently raised a demand of Rs. 117 lakhs towards interest on principal demand. (ie interest of Rs. 43 lakhs for Pyrididium for the period 1982 to August 1995 and Rs. 74 lakhs for Isokin for the period 1982 to June 1997).

The Company filed a Writ Petition in the Andhra Pradesh High Court in September 1997 for staying all further proceedings against the Company. The High Court stayed the demand in respect of collection of interest but directed the Company to deposit the balance demand of Rs. 51 lakhs (which amount was deposited in November, 1997).

### (g) Multivitamin Formulations:

The Government has arbitrarily raised a demand of Rs. 182.38 Lakhs on account of alleged overpricing of certain multivitamin formulations marketed by erstwhile Pharmacia Healthcare Limited (merged with Pfizer Limited) for the period 1983 to 1986. The Company has repudiated the liability on this





## Notes to the consolidated financial statements for the year ended 30 November, 2004

(Currency: Indian Rupees in lakhs)

account as advised by its solicitors. The Company filed a Writ Petition No.814 of 1992 in the High Court at Mumbai. The Supreme Court of India, in a Special Leave Petition filed by the Company held that pending disposal of Writ Petition filed before the High Court at Mumbai, the Company shall furnish an undertaking in respect of 50% of its liability and shall deposit the balance 50% aggregating to Rs. 91.19 Lakhs. This amount has been deposited with the Government of India and is included under the head "Loans and Advances".

Pursuant to a Transfer Petition (Civil) No. 475-496 of 2003 filed under Article 139A(1) of the Constitution of India, all pending Writ Petitions in respect of DPEA liabilities are now to be transferred to the Supreme Court to be heard and finally decided by the Supreme Court of India. Consequently as a result of the said transfer petition, Writ Petitions referred to in (a), (b), (c), (e), (f) and (g) above will now be heard and disposed off by the Supreme Court.

In view of matters (a), (b), (c), (e), (f) and (g) 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.

The Company would continue to seek legal recourse in all the above matters.

### 6. Earnings per Share

	Nov 2004	Nov 2003
Earnings per share has been computed as under:		
(a) Profit after Taxation (Rs. Lakhs)	4458.76	2368.87
(b) Number of Equity Shares outstanding at 1 December 2003	28797540	28797540
(c) Number of Equity Shares to be issued on amalgamation effective 1 December 2003.	1043900	–
(d) Total (b) + (c) (No. of equity shares outstanding during the year)	29841440	28797540
(e) Earnings per share (Face value Rs. 10/- per share) (a) / (d)(Basic and diluted)	Rs. 14.94	Rs. 8.23

### 7. 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 19).

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. Further, in the case of one 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.

- (b) Sub-lease income recognised in the Profit and Loss Account for the year – Rs. 563.98 lakhs (November 2003 – Rs. 539.49 lakhs).

### 8. Assets held for disposal

The Company has identified the assets situated at various plants as retired from active use consequent to its ceasing manufacturing operations at these plants. These assets are held for disposal and stated at lower of net book value and estimated net realizable value. Fixed assets (Schedule 4) include assets at these plants at lower of their respective book values or estimated net realisable value as follows

Ankleshwar plant (held for disposal in an earlier year)

Asset Head	Original Cost		Accumulated Depreciation		Written Down Value	
	Nov 2004	Nov 2003	Nov 2004	Nov 2003	Nov 2004	Nov 2003
Freehold Land	20.28	20.28	–	–	20.28	20.28
Leasehold Land	–	63.25	–	63.25	–	–
Freehold Building	165.82	165.82	136.48	136.48	29.34	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	186.10	1692.74	136.48	1480.23	49.62	212.51

During the current year, the Company has sold the assets other than freehold land and freehold building, for the total consideration of Rs. 450 lakhs and accordingly recognised the profit of Rs. 287.85 lakhs shown under "Exceptional Items" (Schedule 20).

Hyderabad Plant (held for disposal in an earlier year)

Asset Head	Original Cost		Accumulated Depreciation		Written Down Value	
	Nov 2004	Nov 2003	Nov 2004	Nov 2003	Nov 2004	Nov 2003
Freehold Land	8.09	8.09	–	–	8.09	8.09
Freehold Building	140.54	140.54	109.02	109.02	31.52	31.52
TOTAL	148.63	148.63	109.02	109.02	39.61	39.61

**Notes to the consolidated financial statements for the year ended 30 November, 2004**  
(Currency: Indian Rupees in lakhs)

Chandigarh plant			
Asset Head	Original Cost Nov 2004	Accumulated Depreciation Nov 2004	Written Down Value Nov 2004
Freehold Land	3.60	–	3.60
Freehold Building	176.36	81.31	95.05
Machinery & Equipment	1665.82	1365.69	300.13
Office Equipment, Furniture & Fixtures	96.23	69.15	27.08
<b>TOTAL</b>	<b>1942.01</b>	<b>1516.15</b>	<b>425.86</b>

During the current year, the Company has provided additional depreciation amounting to Rs. 223.16 lakhs and shown as estimated loss under "Exceptional Items" (Schedule 20).

Ankleshwar plant (erstwhile Pharmacia Healthcare Limited)			
Asset Head	Original Cost Nov 2004	Accumulated Depreciation Nov 2004	Written Down Value Nov 2004
Leasehold Land	35.41	–	35.41
Building	275.34	76.41	198.93
Plant & Machinery	792.04	477.51	314.53
Office Equipment, Furniture, Fixtures	31.88	16.61	15.27
<b>TOTAL</b>	<b>1134.67</b>	<b>570.53</b>	<b>564.14</b>

**9. 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 :**

Companies collectively exercising significant influence

Pfizer Corporation, Panama  
Warner-Lambert Company, LLC, USA  
Parke-Davis & Company, LLC, USA  
Pharmacia Corporation, USA  
[Collectively holding 41.25% of the aggregate of equity share capital of the Company]

Pfizer Inc., USA (Ultimate Holding Company)

**Fellow Subsidiaries:(with whom transactions have taken place during the year)**

Pfizer Pharmaceutical India Private Limited, India  
Pharmacia 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  
Pfizer Japan Inc., Japan  
Warner-Lambert Pharmaceuticals, South Africa

**B. Executive Committee Members**

Mr. Hocine Sidi Said \*  
Mr. Kewal Handa \*  
Dr. B.M. Gagrath \*  
Mr. S. Madhok  
Dr. S. Mukherjee  
Dr. Chitra Lele  
Mr. H. Walder  
Mr. Yugesh Gautam  
Mr. S. Ramkrishna  
Mr. Arun Gupta  
Mr. Viren Mahurkar  
Ms. Dipali Talwar  
\* Executive Directors on the Board





**Notes to the consolidated financial statements for the year ended 30 November, 2004**  
(Currency: Indian Rupees in lakhs)

II. Transactions during the year and balances outstanding as at the year end with the related parties are as follows:

Rupees in Lakhs						
Nature of Transactions	Nov 2004			Nov 2003		
	Ultimate Holding Company	Companies exercising significant influence	Fellow Subsidiaries	Ultimate Holding Company	Companies exercising significant influence	Fellow Subsidiaries
1 Sale of finished goods (net of returns)	-	-	196.85	-	-	325.41
2 Sale of bulk materials	-	-	90.25	-	-	382.64
3 Service income	774.29	-	1254.25	1812.85	-	57.94
4 Interest income on loans given	-	-	-	-	-	22.83
5 Recovery of expenses	146.42	-	1507.57	33.94	-	728.73
6 Purchase of finished goods	-	79.81	697.12	-	59.83	1676.93
7 Purchase of raw/bulk materials	-	-	876.89	-	84.64	151.42
8 Royalty expense	21.22	110.91	286.02	16.85	-	243.93
9 Service charges paid	-	-	-	-	-	-
10 Interest expense on loans taken	-	-	66.23	-	-	6.26
11 Expenses reimbursed	-	-	19.16	-	-	48.39
12 Amount Written Off	-	-	0.16	-	-	-
13 Dividend in respect of the year/period ended 30 <sup>th</sup> November 2003/November 2002	-	863.93	-	-	863.92	-
14 Loans given	-	-	-	-	-	1890.00
15 Loans taken	-	-	1650.00	-	-	1250.00
16 Outstanding as at the year end – Due from	340.73	-	1506.28	423.24	-	2407.93
17 Outstanding as at the year end – Due to	6.98	103.69	2707.14	5.73	0.76	1249.84

Executive committee members & their relatives:

Rupees in Lakhs					
Nature of Transactions	Nov 2004		Nov 2003		
	Key Management Personnel	Relative of Key Management Personnel	Key Management Personnel	Relative of Key Management Personnel	
1 Remuneration	391.25	-	360.91	-	
2 Rent paid for residential flats	51.75	-	49.89	-	
3 Interest income on loans given	-	-	0.01	-	
4 Sale of Fixed Assets	-	-	-	-	
5 Deposits paid	155.00	-	13.21	-	
6 Amounts paid on behalf and recovered	1.02	-	0.45	-	
7 Deposits outstanding as at the year end	1017.91	-	159.44	-	
8 Loans outstanding as at the year end	-	-	-	-	

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

**Notes to the consolidated financial statements for the year ended 30 November, 2004**  
(Currency: Indian Rupees in lakhs)

**10. Segment Information for the year ended 30th November, 2004**  
**Business segments**

	Nov 2004				Nov 2003			
	Pharma- ceuticals	Animal Health	Services	Total	Pharma- ceuticals	Animal Health	Services	Total
<b>Segment revenue</b>								
External sales and services to customers	51145.93	6131.55	2028.55	59306.03	44470.86	5581.66	1870.79	51923.31
<b>Total segment revenue</b>	<b>51145.93</b>	<b>6131.55</b>	<b>2028.55</b>	<b>59306.03</b>	<b>44470.86</b>	<b>5581.66</b>	<b>1870.79</b>	<b>51923.31</b>
<b>Segment results</b>	<b>10867.64</b>	<b>324.14</b>	<b>205.81</b>	<b>11397.59</b>	<b>5845.16</b>	<b>430.33</b>	<b>185.17</b>	<b>6460.66</b>
Unallocated corporate (expenses)/income (net)				(2492.83)				(641.02)
Operating profit				8904.76				5819.64
Interest expenses and bank charges				(281.75)				(269.09)
Interest income				749.97				352.70
Income tax				(2991.84)				(1861.12)
Exceptional items (net of expenses)	(1636.53)	(1.20)		(1637.73)	(1238.04)	(1.20)		(1239.24)
Unallocated exceptional items				(284.65)				(434.02)
<b>Net profit</b>				<b>4458.76</b>				<b>2368.87</b>
<b>Other information</b>								
Segment assets	21783.79	3807.94	1517.98	27109.71	22881.81	3869.37	773.90	27525.08
Unallocated corporate assets				25743.47				17758.73
<b>Total assets</b>				<b>52853.18</b>				<b>45283.81</b>
Segment liabilities	9148.83	839.29	126.20	10114.32	7781.63	757.54	159.17	8698.34
Unallocated corporate liabilities				8785.60				5974.99
<b>Total liabilities</b>				<b>18899.92</b>				<b>14673.33</b>
Capital expenditure	1198.39	22.16	34.76		1487.59	5.98	108.17	
Depreciation/amortisation	505.78	22.82	92.66		541.38	71.82	104.34	
Amortisation of Voluntary retirement cost	7.61	–	–		26.47	–	–	
<b>Geographic segment</b> (Refer Note 2 below)								
	Nov 2004			Total	Nov 2003			Total
	India	Other Countries			India	Other Countries		
Segment Revenue-external sales to customers	56610.72	2695.31		59306.03	48903.73	3019.58		51923.31
Carrying amount of segment assets	51372.73	1480.45		52853.18	44998.14	640.78		45638.92
Capital expenditure	1548.62	–		1548.62	1740.15	–		1740.15

**Notes:**

**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, new product development and undertaking comprehensive data management for new drug development.

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

The accounting policies of the segments are the same as those described in the summary of significant accounting policies as referred to in Schedule 21.

11. The figures of the previous year have been regrouped/reclassified wherever necessary to conform to the figures of the current year. In view of the amalgamation of Pharmacia Healthcare Limited with the Company with effect from December 1, 2003, the figures for the current year are not directly comparable to those of the previous year.

For and on behalf of the Board

R.A. SHAH	Chairman
HOCINE SIDI SAID	Managing Director
P. SHAH	} Directors
K. HANDA	
K. SUBHARAMAN	
	Secretary

Mumbai, 24 February, 2005



## Notes to the financial statements for the year ended 30th November 2004

(Currency: Indian Rupees in Lakhs)

### Schedule 21. Significant Accounting Policies

#### (a) Basis of Accounting

The financial statements are prepared under the historical cost convention on an accrual basis of accounting in accordance with the provisions of the Companies Act, 1956 and in accordance with the accounting principles generally accepted in India (Indian GAAP) and comply with the Accounting Standards issued by the Institute of Chartered Accountants of India, to the extent applicable.

#### (b) Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles (GAAP) requires Management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosures of contingent liabilities on the date of financial statements. Actual results could differ from those estimates. Any revision to accounting estimates is recognized prospectively in current and future periods.

#### (c) Fixed Assets and Depreciation

- (i) All fixed assets are stated at cost of acquisition less accumulated depreciation. The cost of fixed assets includes taxes (other than those subsequently recoverable from tax authorities) duties, freight and other incidental expenses related to the acquisition and installation of the respective assets.
- (ii) Assets costing upto Rs. 5000 are written off and those costing more than Rs. 5000 but upto US\$ 1000 are fully depreciated in the year of purchase except that –  
“multiple-like items” the cost of which is over US\$ 10000 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\$ 10000 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 on a pro-rata basis. Depreciation on deletions during the year is provided upto the quarter in which the asset is sold/discarded.
- (iv) Depreciation other than on low cost assets is provided at the following rates per annum :

Assets	Periods/Rate
Land : Leasehold	Amortised over the lease period
Buildings : On Freehold land	3.34%
On Leasehold land	Higher of 3.34% or rate based on leased period
Leasehold Improvements	8% to 10% or Amortised over the lease period
Machinery & Equipment	8% to 40%
Office Equipment, Furniture & Fixture	8% to 33.33%
Vehicles	25%
Trademarks	Amortised over a period of 3 years

- (v) In case of assets taken over from erstwhile Pharmacia Healthcare Limited depreciation has been provided at the rates specified in Schedule XIV to the Companies Act, 1956 except the following assets, which are depreciated at the respective rates

Assets	Rate
Plant and Machinery	4.75% to 8.09%
Furniture, Fixtures & Office Equipment	3.34% to 6.33%
Computers	16.21% to 33.33%

- (vi) Assets that have been retired from active use and held for disposal are stated at the lower of their net book value and net realisable value as estimated by the Company.
- (vii) Trademarks are recorded at their acquisition cost and are amortised over the lower of their estimated useful life and period of ownership.
- (viii) Cost of application software not exceeding US\$ 1 million is being charged to the profit and loss account.

#### (d) Foreign Currency Transactions

Transactions in foreign exchange, which are covered by forward contracts, are accounted for at the exchange rate at the date of transaction. Premium in respect of forward contracts is amortised over the period 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 such revisions are reflected in the Profit and Loss Account except those relating to acquisition of fixed assets, which are adjusted to the cost of the assets.

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.

#### (e) 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. Current investments are stated at lower of cost and fair value.

#### (f) Inventories

Stock in trade and packing materials are valued at the lower of 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.

## Notes to the financial statements for the year ended 30th November 2004

(Currency: Indian Rupees in Lakhs)

### (g) Sundry Debtors/Loans & Advances

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

### (h) Revenue Recognition

Revenue from sale of goods is recognised when significant risks and rewards of ownership are transferred to the customers, which is at the point of despatch of goods to the customers. Sales are net of sales return and trade discounts. Revenue from services is recognised on rendering of services. Interest income is recognised on time proportion basis.

### (i) 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.

### (j) Retirement Benefits

The Company's contributions to the employees' Provident Fund and Superannuation Schemes are charged to the Profit & Loss Account each year. The Company has opted for a Group Gratuity-cum Life Assurance Scheme of the Life Insurance Corporation of India (LIC), and contribution towards gratuity liability as determined by LIC is charged to the Profit & Loss Account each year. The Company also provides for unutilized leave benefits on retirement available to its employees on the basis of an actuarial valuation done as at the year-end.

### (k) Leases

Lease rentals in respect of assets acquired under operating lease are charged off to the Profit & Loss Account as incurred. Lease rentals in respect of assets given under operating lease are credited to the Profit & Loss Account as accrued.

### (l) 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.

### (m) Taxation

Provision for income-tax is made on the basis of estimated taxable income for the year, in accordance with Income Tax Act, 1961.

Deferred tax resulting from timing differences between the book and the tax profits is accounted for, at the current rate of tax, to the extent that the timing differences are expected to crystallise. Deferred tax assets are recognised only to the extent there is reasonable certainty that the assets can be realised in future; however where there is unabsorbed depreciation or carried forward loss under taxation laws, deferred tax assets are recognised only if there is a virtual certainty of realisation of such assets. Deferred tax assets are reviewed as at each balance sheet date and written down or written up to reflect the amount that is reasonably/virtually certain as the case may be to be realized.

### (n) Proposed Dividend

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

### (o) Earnings per Share

Basic and diluted earnings per share is computed by dividing the net profit attributable to equity shareholders for the year, with the weighted number of equity shares outstanding during the year.

### (p) Contingencies

Loss contingencies arising from claims, litigation, assessment etc. are recorded when it is probable that a liability has been incurred, and the amount can be reasonably estimated.

## Schedule 22. Notes to the Accounts

### 1. Amalgamation of Pharmacia Healthcare Limited with the Company

- In accordance with the Scheme of Amalgamation (the Scheme) of the erstwhile Pharmacia Healthcare Limited (herein after referred to as Pharmacia) with the Company as approved by the members at a Court-convened meeting held on 25th October, 2004 and subsequently sanctioned by the Honourable High Court of Judicature at Bombay vide its order dated 4th February, 2005 and pursuant to the filing of a Certified Copy of the said Order with the Register of Companies, Maharashtra, Mumbai on 21st February, 2005, the Undertaking of Pharmacia 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, 2003. The Scheme has accordingly been given effect to in these accounts.
- Pharmacia was engaged in manufacturing and trading of pharmaceutical products.
- 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 Pharmacia as at 1 December 2003 have been taken over at their book values.
- Pursuant to the Scheme, 10,43,900 Equity Shares of Rs. 10/- each of the Company are to be allotted to the shareholders of Pharmacia in the ratio of 1 (one) fully paid-up Equity Shares of the Company for every 5 (five) fully paid-up Equity Shares of Rs. 5/- each in Pharmacia. As provided in the Scheme the difference between the amount of fresh share capital to be allotted by the Company on amalgamation and the amount of share capital of Pharmacia is adjusted in the General Reserve. Pending allotment, an amount of Rs. 104.39 lakhs has been shown under the Share Capital Suspense Account as at 30 November 2004 (Schedule 1A).
- 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 10,43,900 Equity Shares, which would be allotted to the shareholders of Pharmacia [referred to in note (d) above].



## Notes to the financial statements for the year ended 30th November 2004

(Currency: Indian Rupees in Lakhs)

- (f) The income accruing and expenses incurred by Pharmacia during the period 1 December 2003 to 30 November 2004 have also been incorporated in these accounts. During this period, as Pharmacia carried on the existing business in "trust" on behalf of the Company, all vouchers, documents etc. for the period are in the name of Pharmacia. 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 Pharmacia have become employees of the Company without any break or interruption in service. All rights, duties, powers and obligations of Pharmacia 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 1 December 2003, the figures for the current year are not directly comparable to those of the previous year.

	Rupees in Lakhs	
	2004	2003
2. Estimated amount of contracts on capital account to be executed and not provided for	585.01	812.19
3. <b>Contingent Liability</b>		
(a) In respect of the guarantees given to banks on behalf of :		
(i) Its subsidiary company	2400.00	2400.00
(ii) Other guarantees	17.80	—
(b) In respect of :		
(i) Excise Duty	1064.05	1234.18
(ii) Customs Duty	111.82	10.51
(iii) Sales Tax	342.94	76.51
(iv) Service Tax	193.10	466.08
(v) Income Tax	429.92	6.53
(vi) Pending Labour Matters contested in various courts	108.60	—
(vii) Pending Labour Matters relating to wage settlement	Amount Unascertainable	Amount Unascertainable
(c) DPEA claims (Refer Note 9)		
4. <b>Loans and Advances include amounts due from:</b>		
Duchem Laboratories Limited, a company under the same management [Maximum aggregate amount due during the year Rs. 80.46 lakhs (Nov 2003 – Rs. Nil)].	80.46	—
Pfizer Pharmaceutical India Pvt. Ltd. (erstwhile Warner Lambert India Pvt. Ltd.), a company under the same management [Maximum aggregate amount due during the year Rs. 79.53 lakhs (Nov 2003 – Rs. 1415.25 lakhs)].	44.69	69.55
Pharmacia India Private Limited, a company under the same management [Maximum aggregate amount due during the year Rs. 588.33 lakhs (Nov 2003 – Rs. 401.37 lakhs)].	301.22	401.37
Leema Chemicals & Cosmetics Pvt. Ltd., a company under the same management [Maximum aggregate amount due during the year Rs. 0.16 lakhs (Nov 2003 – Rs. 0.16 lakhs)].	—	0.16
Directors of the Company Maximum aggregate amount due during the year Rs. Nil lakhs (Nov 2003 – Rs. 1.83 lakhs).	—	—
5. Cost of materials consumed and other expenses include cost of samples distributed.	881.44	1042.15
6. (a) <b>Auditors' Remuneration (including service tax, as applicable):</b>		
For Audit	22.04	21.60
For other services	17.39	5.40
Out-of-pocket expenses	1.30	—
(b) <b>Remuneration to the erstwhile auditors of the company (including taxes, where applicable):</b>		
– for other Services	—	8.64
(c) <b>Remuneration to the auditors of erstwhile Pharmacia Healthcare Limited (including taxes, where applicable)</b>		
For Audit	2.50	—
Tax Audit Fees	1.17	—
For Other Services	11.75	—
Reimbursement of out-of-pocket expenses	1.00	—

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

(a) Production, Sales and Stocks

Manufacturing activities

		STOCKS AT COMMENCEMENT		STOCKS TRANSFERRED ON AMALGAMATION (NOTE 1)		PRODUCTION	SALES		STOCKS AT CLOSE	
Class of goods	Unit of Measure	Quantity	Rupees in lacs	Quantity	Rupees in lacs	Quantity	Quantity	Rupees in lacs	Quantity	Rupees in lacs
BULK										
Oxytetracycline	KGS('000's)	0.05 (15.76)	199.76 (309.69)	— —	— —	0.13 (57.01)	0.13 (0.30)	0.60 (3.30)	— (0.05)	— (199.76)
Others	Tonnes	2.79 (18.58)	26.16 (125.01)	188.20 —	158.03 —	12.90 (51.56)	12.90 (61.88)	92.09 (382.64)	— (2.79)	— (26.16)
FORMULATIONS										
Injectables :										
Liquid Parentals	Litres	28318.34 (40604.70)	152.30 (225.01)	— —	— —	222817.56 (217731.76)	224800.27 (229730.26)	1291.61 (1324.59)	24838.03 (28318.34)	111.30 (152.30)
Powder Parentals	Kgs.	0.24 (3.73)	0.25 (4.45)	— —	— —	— —	(12.46) (43.30)	(21.38) (79.02)	— (0.24)	— (0.25)
Tablets and Capsules	No. in Millions	161.94 (120.87)	1187.22 (853.55)	6.10 —	323.23 —	1613.56 (1183.89)	1543.84 (1129.61)	16720.28 (11614.99)	208.40 (161.94)	1275.40 (1187.22)
Liquids	Litres	530042.30 (647276.41)	946.99 (1132.99)	— —	— —	4939695.75 (3376167.57)	4694872.53 (3492765.15)	12064.32 (9613.76)	664359.55 (530042.30)	716.54 (946.99)
Solids	Kgs.	19096.13 (29617.98)	94.22 (112.93)	— —	— —	92733.95 (101849.60)	95498.61 (97389.27)	837.97 (773.28)	13861.71 (19096.13)	62.51 (94.22)
Ointments	Kgs.	4146.63 (7876.33)	28.17 (43.88)	2824.10 —	32.87 —	22454.37 (10056.42)	23499.38 (15112.73)	302.05 (165.03)	4219.36 (4146.63)	22.29 (28.17)
FOOD PRODUCTS	Tonnes	38.27 (20.43)	93.67 (45.00)	— —	— —	705.86 (628.35)	714.78 (607.46)	1922.15 (1998.73)	27.21 (38.27)	59.93 (93.67)
FEED SUPPLEMENTS	Tonnes	59.70 (46.19)	257.41 (139.23)	— —	— —	337.21 (437.46)	304.41 (419.82)	2002.03 (2196.93)	63.87 (59.70)	92.81 (257.41)

Notes to the financial statements for the year ended 30th November 2004  
(Currency: Indian Rupees in Lakhs)

**Notes to the financial statements for the year ended 30th November 2004**  
(Currency: Indian Rupees in Lakhs)

Trading activities

		STOCKS AT COMMENCEMENT		STOCKS TRANSFERRED ON AMALGAMATION (NOTE 1)		PRODUCTION		SALES		STOCKS AT CLOSE	
Class of goods	Unit of Measure	Quantity	Rupees in lacs	Quantity	Rupees in lacs	Quantity	Rupees in lacs	Quantity	Rupees in lacs	Quantity	Rupees in lacs
FORMULATIONS											
Injectables :											
Liquid Parentals	Litres	5994.11 (14968.71)	136.11 (207.36)	0.20 —	0.04 —	26667.47 (14393.99)	436.15 (302.12)	25625.54 (22132.69)	1507.33 (1020.99)	4630.52 (5994.11)	171.72 (136.11)
Powder Parentals	Kgs.	386.02 (237.42)	405.41 (244.23)	— —	— —	6428.34 (1461.15)	863.42 (1496.77)	4831.50 (1298.32)	3146.82 (2519.05)	1942.57 (386.02)	206.40 (405.41)
Tablets and Capsules	No. in Millions	129.53 (135.02)	811.91 (1101.65)	2.70 —	13.55 —	218.84 (487.90)	1398.19 (2920.36)	310.02 (466.60)	3854.15 (5381.49)	29.54 (129.53)	186.15 (811.91)
Liquids	Litres	828551.65 (1322067.51)	861.52 (1515.00)	102.30 —	149.29 —	3307557.30 (4721828.18)	4245.19 (4076.85)	3611941.67 (4737303.15)	10940.24 (9709.84)	574553.44 (828551.65)	759.25 (861.52)
Solids	Kgs.	2163.62 (2025.85)	21.67 (29.84)	— —	— —	4785.22 (6563.89)	67.85 (86.73)	6049.35 (6266.39)	163.86 (168.18)	815.43 (2163.62)	14.38 (21.67)
Ointments	Kgs.	4717.85 (7213.79)	18.95 (30.60)	1528.20 —	4.77 —	23822.00 (11698.81)	76.69 (37.19)	21125.47 (9877.76)	313.80 (134.15)	4452.21 (4717.85)	13.96 (18.95)
FEED SUPPLEMENTS	Tonnes	37.27 (54.57)	12.37 (18.21)	— —	— —	199.86 (176.32)	90.89 (53.69)	183.50 (165.40)	82.74 (73.61)	53.70 (37.27)	73.70 (12.37)
FEED SUPPLEMENTS	Litres	17185.00 (28200.00)	4.65 (6.55)	— —	— —	100980.00 (108280.00)	27.95 (29.46)	91430.00 (110005.00)	35.62 (42.02)	16870.00 (17185.00)	4.84 (4.65)
MISCELLANEOUS	No. in Millions	0.90 (0.73)	56.43 (43.33)	0.02 —	10.13 —	9.92 (3.25)	292.12 (223.22)	8.47 (3.06)	521.55 (417.24)	2.38 (0.90)	91.81 (56.43)
	Kgs.	— —	— —	— —	— —	— (16150.00)	— (1.07)	— (16150.00)	— (2.61)	— —	— —
TOTAL			5315.22 (6188.50)		691.91 —		7498.45 (9227.45)		55777.81 (47463.41)		3862.99 (5315.17)

Notes:

1. Stocks as on 1st December 2003 transferred consequent to amalgamation of Pharmacia Healthcare Limited.
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 Closing Stock exclude Physicians' Sample packs.
4. Stocks are after adjustments of write-offs.
5. Figures in brackets are in respect of the previous year.



**Notes to the financial statements for the year ended 30th November 2004**  
(Currency: Indian Rupees in Lakhs)

**7. (b) Raw Materials Consumed**

Class of Goods	Unit of Measure	2004		2003	
		Quantity	Value In Lakhs	Quantity	Value In Lakhs
Vitamins	Tonnes	369.75	1769.24	262.46	1414.72
Codeine Phosphate	Kgs.	5514.00	1971.00	4506.88	1558.04
Virginiamycin	Kgs.	3381.50	136.76	6827.70	281.34
Coxistac Premix	Tonnes	0.50	0.92	190.74	242.16
Sugar	Tonnes	2399.54	356.89	1962.40	239.75
Propylene Glycol	Tonnes	207.23	138.22	189.95	115.30
Maize Germ Oil	Tonnes	—	—	159.23	69.02
PCBs Urea	Tonnes	—	—	41.55	74.74
Others (Including Imports)			4374.49		2562.30
<b>TOTAL</b>			<b>8747.52</b>		<b>6558.36</b>
Whereof:		Percentage		Percentage	
Imported-delivered Cost		6	544.69	16	1022.75
Indigenously Obtained		94	8202.83	84	5535.61
<b>TOTAL</b>		<b>100</b>	<b>8747.52</b>	<b>100</b>	<b>6558.36</b>

Note: 'Components' and 'Spare Parts' referred to in paragraph 4 D(C) of Part II of Schedules 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**

			Installed Capacity (Three Shift basis)	
Class of Goods	Unit of Measure	2004	2003	
Bulk Drugs and Drug Intermediates				
Oxytetracycline /Tetracycline	MT	*	140	
Others	MT	*	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	

\* Installed capacity for bulk drugs and drug intermediates for the current year is nil as the plant assets are held for disposal.

**Notes:**

- 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 1 March, 1999 issued by the Department of Industrial Policy and Promotion, Ministry of Industry, Government of India, industrial licensing has been abolished in respect of bulk drugs and formulations.
- The installed capacity is as certified by the Management and not verified by the Auditors, this being a technical matter.



## Notes to the financial statements for the year ended 30th November 2004

(Currency: Indian Rupees in Lakhs)

	Rupees in Lakhs	
	2004	2003
<b>(d) Value of imports calculated on CIF basis</b>		
Raw Materials	2396.62	1934.70
Spare Parts for Maintenance of machinery and Laboratory Chemicals	5.54	0.26
Capital Goods	31.39	36.09
Finished Goods	776.28	1426.62
Packing Materials	—	5.69
<b>(e) Expenditure in Foreign Currency</b>		
Travel	158.38	141.73
Royalty	418.15	260.78
Interest	0.17	3.03
Professional Charges	82.96	27.71
Others (Exchange Loss, etc.)	22.91	28.73
<b>(f) Remittance made on account of dividends in foreign currency</b>		
Number of shareholders	3	3
Number of shares held	115,18,996	115,18,996
Net amount of dividends remitted in foreign currency		
Dividend in respect of the year ended 30 <sup>th</sup> November, 2003	863.92	—
Dividend in respect of the year ended 30 <sup>th</sup> November, 2002	—	863.92
<b>TOTAL</b>	<b>863.92</b>	<b>863.92</b>
<b>(g) Earnings in foreign currency</b>		
Total Exports (On FOB) basis	376.51	837.29
Service Income	2028.54	1870.79
<b>8. (a) Managerial remuneration under Section 198 of the Companies Act, 1956</b>		
Salaries, Bonus & Commission	93.51	91.61
Contribution to PF and Other Funds	14.15	18.71
Perquisites	33.31	31.75
Sitting Fees	2.00	0.90
Commission to Non- Whole time Directors	4.00	4.00
<b>TOTAL</b>	<b>146.97</b>	<b>146.97</b>
Note: The above excludes directors' sitting fees Rs.2.50 lakhs paid to directors of erstwhile Pharmacia Healthcare Limited who were not on the board of the Company during the year.		
<b>(b) Computation of net profits for commission payable to the Directors</b>		
Net Profit per Profit and Loss Account	4551.78	2750.52
Income-tax	2931.58	1880.95
Remuneration to Directors	146.97	146.97
Net Profit /(Loss) on sale of fixed assets per Section 349 of the Companies Act, 1956 (Estimated)	9.36	22.57
Provision for Doubtful debts/advances	373.58	573.51
Estimated Loss on assets held for disposal	223.16	—
	<b>8236.43</b>	<b>5374.52</b>
Net (Profit)/Loss on sale of fixed assets per accounts	(9.36)	(22.57)
Profit on sale of Residential Premises	(349.78)	—
Profit on sales of Ankleshwar Plant	(287.85)	—
<b>TOTAL</b>	<b>7589.44</b>	<b>5351.95</b>
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

**Notes to the financial statements for the year ended 30th November 2004**  
(Currency: Indian Rupees in Lakhs)

**9. 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 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."

\* Regd. Trademark

**(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.

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. 23/95 pending before the said Drug Prices Liability Review Committee be stayed."



## Notes to the financial statements for the year ended 30th November 2004

(Currency: Indian Rupees in Lakhs)

- (f) Pursuant to the repeal of DPCO 1970, erstwhile Warner-Hindustan Limited (merged with Parke-Davis (India) Limited in 1988 and Parke – Davis (India) Limited merged with Pfizer Limited in 2003) had classified ISOKIN TABLETS, ISOKIN LIQUID AND PYRIDIUM TABLETS as decontrolled products under the DPCO 1979. The categorization was, however, challenged by the Government in 1984 and a demand of Rs. 113 lakhs was raised against the Company. Against this demand an excise duty set off of Rs. 7 lakhs was allowed to the Company and a final demand of Rs. 106 lakhs was raised in 1987.

The Company had deposited an amount of Rs. 30 lakhs in February 1987 and Rs. 25 lakhs in May 1990 totaling to an aggregate of Rs. 55 lakhs in full and final settlement of the demand, as per the arguments set forth by the Company. The Government subsequently raised a demand of Rs. 117 lakhs towards interest on principal demand. (i.e. interest of Rs. 43 lakhs for Pyridium for the period 1982 to August 1995 and Rs. 74 lakhs for Isokin for the period 1982 to June 1997).

The Company filed a Writ Petition in the Andhra Pradesh High Court in September 1997 for staying all further proceedings against the Company. The High Court stayed the demand in respect of collection of interest but directed the Company to deposit the balance demand of Rs. 51 lakhs (which amount was deposited in November, 1997).

**(g) Multivitamin Formulations:**

The Government has arbitrarily raised a demand of Rs.182.38 Lakhs on account of alleged overpricing of certain multivitamin formulations marketed by erstwhile Pharmacia Healthcare Limited (merged with Pfizer Limited) for the period 1983 to 1986. The Company has repudiated the liability on this account as advised by its solicitors. The Company filed a Writ Petition No. 814 of 1992 in the High Court at Mumbai. The Supreme Court of India, in a Special Leave Petition filed by the Company held that pending disposal of Writ Petition filed before the High Court at Mumbai, the Company shall furnish an undertaking in respect of 50% of its liability and shall deposit the balance 50% aggregating to Rs. 91.19 Lakhs. This amount has been deposited with the Government of India and is included under the head "Loans and Advances".

Pursuant to a Transfer Petition (Civil) no. 475-496 of 2003 filed under Article 139A(1) of the Constitution of India, all pending writ petitions in respect of DPEA liabilities are now to be transferred to the Supreme Court to be heard and finally decided by the Supreme Court of India. Consequently as a result of the said transfer petition, Writ Petitions referred to in (a), (b), (c), (e), (f) and (g) above will now be heard and disposed off by the Supreme Court.

In view of matters (a), (b), (c), (e), (f) and (g) 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.

The Company would continue to seek legal recourse in all the above matters.

	2004	2003
<b>10. Expenditure on Research &amp; Development during the year</b>		
Capital expenditure	–	147.72
Revenue expenditure charged to the Profit and Loss Account	2351.04	1970.60
	<b>2351.04</b>	<b>2118.32</b>

Note: Research & Development expenditure includes those incurred while rendering services to group companies

**11. Earnings per Share**

Earnings per share has been computed as under :

(a) Profit after Taxation (Rs. Lakhs)	4551.78	2750.52
(b) Number of Equity Shares outstanding at 1st December 2003	28797540	28797540
(c) Number of Equity Shares to be issued on amalgamation effective 1st December 2003.	1043900	–
(d) Total (b) + (c) (No. of equity shares outstanding during the year)	29841440	28797540
(e) Earnings per share (Face value Rs. 10/- per share) (a) / (d) (Basic and diluted)	Rs. 15.25	Rs. 9.55

**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 19).

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. Further, in the case of one 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.

- (b) Sub-lease income recognised in the Profit and Loss Account for the year – Rs. 563.98 lakhs (November 2003 – Rs. 539.49 lakhs).

**Notes to the financial statements for the year ended 30th November 2004**  
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**13. Assets held for disposal**

The Company has identified the assets situated at various plants as retired from active use consequent to its ceasing manufacturing operations at these plants. These assets are held for disposal and stated at lower of net book value and estimated net realizable value. Fixed assets (Schedule 4) include assets at these plants at lower of their respective book values or estimated net realisable value as follows:

**Ankleshwar plant (held for disposal in an earlier year)**

Asset Head	Original Cost		Accumulated Depreciation		Written Down Value	
	Nov 2004	Nov 2003	Nov 2004	Nov 2003	Nov 2004	Nov 2003
Freehold Land	20.28	20.28	—	—	20.28	20.28
Leasehold Land	—	63.25	—	63.25	—	—
Freehold Building	165.82	165.82	136.48	136.48	29.34	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
<b>TOTAL</b>	<b>186.10</b>	<b>1692.74</b>	<b>136.48</b>	<b>1480.23</b>	<b>49.62</b>	<b>212.51</b>

During the current year, the Company has sold the assets other than freehold land and freehold building, for the total consideration of Rs. 450 lakhs and accordingly recognised the profit of Rs. 287.85 lakhs shown under "Exceptional Items" (Schedule 20).

**Hyderabad Plant (held for disposal in an earlier year)**

Asset Head	Original Cost		Accumulated Depreciation		Written Down Value	
	Nov 2004	Nov 2003	Nov 2004	Nov 2003	Nov 2004	Nov 2003
Freehold Land	8.09	8.09	—	—	8.09	8.09
Freehold Building	140.54	140.54	109.02	109.02	31.52	31.52
<b>TOTAL</b>	<b>148.63</b>	<b>148.63</b>	<b>109.02</b>	<b>109.02</b>	<b>39.61</b>	<b>39.61</b>

**Chandigarh plant**

Asset Head	Original Cost		Accumulated Depreciation		Written Down Value	
	Nov 2004		Nov 2004		Nov 2004	
Freehold Land	3.60		—		3.60	
Freehold Building	176.36		81.31		95.05	
Machinery & Equipment	1665.82		1365.69		300.13	
Office Equipment, Furniture & Fixtures	96.23		69.15		27.08	
<b>TOTAL</b>	<b>1942.01</b>		<b>1516.15</b>		<b>425.86</b>	

During the current year, the Company has provided additional depreciation amounting to Rs. 223.16 lakhs and shown as estimated loss under "Exceptional Items" (Schedule 20).

**Ankleshwar plant (erstwhile Pharmacia Healthcare Limited)**

Asset Head	Original Cost		Accumulated Depreciation		Written Down Value	
	Nov 2004		Nov 2004		Nov 2004	
Leasehold Land	35.41		—		35.41	
Building	275.34		76.41		198.93	
Plant & Machinery	792.04		477.51		314.53	
Office Equipment, Furniture, Fixtures	31.88		16.61		15.27	
<b>TOTAL</b>	<b>1134.67</b>		<b>570.53</b>		<b>564.14</b>	

14. Stock of Physicians' samples is included under 'Loans and Advances' (Schedule 11) Rs. 192.36 lakhs (Nov 2003 – Rs. 20.80 lakhs).

15. Income tax provision – current tax includes Rs. Nil (Nov 2003 – Rs. 178.00 lakhs) on account of interest demanded by the tax authorities on completion of earlier years' assessments/appeals decided during the year.



## Notes to the financial statements for the year ended 30th November 2004

(Currency: Indian Rupees in Lakhs)

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

### Nov 2004

Amijal Chemicals	Maharshi Labels Pvt. Ltd.
Award Packaging	Norrish Chemicals
Anushree Polypack	Nirmal Chemicals
Award Offset Printers	Nivedita Chemicals Pvt. Ltd.
Aerochem Silvassa Ltd.	Nahar's Agro Products
Bharat Industries	P D Fine Chem
Blown Enterprises	Preema Packaging
Bajaj Health & Nutritions Pvt. Ltd.	Paper Kraft Industries
Canberra Chemicals	Plastopack
Crown Paper Products	Purab Printers
Creative Cartons	Par Drugs & Chemicals Pvt. Ltd.
Caps (India)	Paper Pack Industries
Chemiefine	Royale Impex
Canton Laboratories	Responsive Industries
Everest Industrial Corporation	Savita Chemicals Ltd.
Enzochem Laboratories Pvt. Ltd.	Suraj Paper Box Works
Fineprint Pvt. Ltd.	Sagar Packaging
Gharda Chemicals Ltd.	Shri Dutt Enterprises
Geno Pharmaceuticals	Salicylates and Chemicals
Heniel Pack	Surya Packaging
Hemmo Pharma	Shree Shakti Packaging Product
Impact Containers Limited	Sattarsons Packaging Pvt. Ltd.
Indica Chemical Industries	Space Age Plastic Industries
Karnataka Malladi Biotics Limited	Sunil Synchem Limited
Kopran Limited	Sekhsaria Chemicals Ltd.
Kaisha Manufacturing Pvt. Ltd.	Transchem Limited
Lake Chemicals Pvt. Ltd.	Veer Chemie & Aromatics Pvt. Ltd.
Lubri-Chem Industries Ltd.	Velpack Private Limited
Metakaps Engineering Co.	Supermak Industries
Modern Packaging Hyd. Pvt. Ltd.	Positive Packaging Industries

The above information and that given in Schedule 11 – 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.

**Notes to the financial statements for the year ended 30th November 2004**  
(Currency: Indian Rupees in Lakhs)

17. 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 :**

Companies collectively exercising significant influence	<p>Pfizer Corporation, Panama</p> <p>Warner-Lambert Company, LLC, USA</p> <p>Parke-Davis &amp; Company, LLC, USA</p> <p>Pharmacia Corporation, USA</p> <p>[Collectively holding 41.25% of the aggregate of equity share capital of the Company]</p> <p>Pfizer Inc., U.S.A. (Ultimate Holding Company)</p>
Subsidiary Company:	<p>Duchem Laboratories Limited</p> <p>(100% Shares are held by the Company as at the year end)</p>

***Fellow Subsidiaries:(with whom transactions have taken place during the year)***

Pfizer Pharmaceutical India Private Limited, India  
 Pharmacia 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  
 Pfizer Japan Inc., Japan  
 Warner-Lambert Pharmaceuticals, South Africa

**B. Executive Committee Members**

Mr. Hocine Sidi Said \*  
 Mr. Kewal Handa \*  
 Dr. B.M. Gagrath \*  
 Mr. S. Madhok  
 Dr. S. Mukherjee  
 Dr. Chitra Lele  
 Mr. H. Walder  
 Mr. Yugesh Gautam  
 Mr. S. Ramkrishna  
 Mr. Arun Gupta  
 Mr. Viren Mahurkar  
 Ms. Dipali Talwar

\* Executive Directors on the Board



## Notes to the financial statements for the year ended 30th November 2004

(Currency: Indian Rupees in Lakhs)

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

Nature of Transactions	Nov 2004				Nov 2003			
	Ultimate Holding Company	Companies exercising significant influence	Subsidiary Company	Fellow Subsidiaries	Ultimate Holding Company	Companies exercising significant influence	Subsidiary Company	Fellow Subsidiaries
1. Sale of finished goods (net of returns)	-	-	-	196.85	-	-	-	325.41
2. Sale of bulk materials	-	-	-	90.25	-	-	-	382.64
3. Service income	774.29	-	-	1254.25	1812.85	-	-	57.94
4. Interest income on Loans given	-	-	-	-	-	-	-	22.83
5. Recovery of expenses	146.42	-	-	1507.57	33.94	-	-	728.73
6. Purchase of finished goods	-	79.81	-	697.12	-	59.83	-	1676.93
7. Purchase of raw/bulk materials	-	-	-	876.89	-	84.64	-	151.42
8. Royalty expense	21.22	110.91	-	286.02	16.85	-	-	243.93
9. Service charges paid	-	-	-	-	-	-	-	-
10. Interest expense on Loans taken	-	-	-	66.23	-	-	-	6.26
11. Expenses reimbursed	-	-	-	19.16	-	-	-	48.39
12. Amount Written Off	-	-	-	0.16	-	-	-	-
13. Dividend in respect of the year/period ended 30th November 2003/November 2002	-	863.93	-	-	-	863.92	-	-
14. Loans given	-	-	111.57	-	-	-	2148.15	1890.00
15. Loans taken	-	-	-	1650.00	-	-	2179.75	1250.00
16. Outstanding as at the year end – Due from	340.73	-	80.46	1506.28	423.24	-	-	2407.93
17. Outstanding as at the year end – Due to	6.98	103.69	-	2707.14	5.73	0.76	31.11	1249.84
18. Guarantees given to Banks on behalf of Subsidiary Company, outstanding as at the year end	-	-	2400.00	-	-	-	2400.00	-

### Executive committee members & their Relatives:

Nature of Transactions	Nov 2004		Nov 2003	
	Key Management Personnel	Relative of Key Management Personnel	Key Management Personnel	Relative of Key Management Personnel
1. Remuneration	391.25	-	360.91	-
2. Rent paid for residential flats	51.75	-	49.89	-
3. Interest income on Loans given	-	-	0.01	-
4. Sale of Fixed Assets	-	-	-	-
5. Deposits paid	155.00	-	68.21	-
6. Amounts paid on behalf and recovered	1.02	-	0.45	-
7. Deposits outstanding as at the year end	1017.91	-	159.44	-
8. Loans outstanding as at the year end	-	-	-	-

### 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 or otherwise pursuant to the agreement.

**Notes to the financial statements for the year ended 30th November 2004**  
(Currency: Indian Rupees in Lakhs)

**18. Segment Information for the year ended 30th November, 2004**

**Business segments**

(Refer Note 1 below)

	Nov 2004				Nov 2003			
	Pharma- ceuticals	Animal Health	Services	Total	Pharma- ceuticals	Animal Health	Services	Total
<b>Segment revenue</b>								
External sales and services to customers	50412.99	5853.44	2028.55	58294.98	43185.13	5351.21	1870.79	50407.13
<b>Total segment revenue</b>	<b>50412.99</b>	<b>5853.44</b>	<b>2028.55</b>	<b>58294.98</b>	43185.13	5351.21	1870.79	50407.13
<b>Segment results</b>								
Unallocated corporate (expenses)/income (net)				(2481.68)				(622.95)
Operating profit				8936.40				6220.74
Interest expenses and bank charges				(279.12)				(268.29)
Interest income				748.46				352.28
Income tax				(2931.58)				(1880.95)
Exceptional Items (net of expenses)	(1636.53)	(1.20)		(1637.73)	(1238.04)	(1.20)		(1239.24)
Unallocated exceptional items				(284.65)				(434.02)
<b>Net profit</b>				<b>4551.78</b>				<b>2750.52</b>
<b>Other information</b>								
Segment assets	21647.29	3685.46	1517.98	26850.73	22608.25	3761.90	773.90	27144.05
Unallocated corporate assets				26035.93				17702.99
<b>Total assets</b>				<b>52886.66</b>				<b>44847.04</b>
Segment liabilities	8933.57	697.36	126.20	9757.13	7382.87	695.20	159.17	8237.24
Unallocated corporate liabilities				8853.55				5769.62
<b>Total liabilities</b>				<b>18610.68</b>				<b>14006.86</b>
Capital expenditure	1198.39	22.16	34.76		1487.59	5.98	108.17	
Depreciation/Amortisation	505.78	22.82	92.66		541.38	71.82	104.34	
Amortisation of Voluntary retirement cost	7.61	–	–		26.47	–	–	

**Geographic segment**

(Refer Note 2 below)

	Nov 2004			Nov 2003		
	India	Other Countries	Total	India	Other Countries	Total
Segment Revenue – external sales to customers	55599.67	2695.31	58294.98	47387.55	3019.58	50407.13
Carrying amount of segment assets	51406.21	1480.45	52886.66	44206.26	640.78	44847.04
Capital expenditure	1548.62	–	1548.62	1740.15	–	1740.15

**Notes:**

- 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, new product development and undertaking comprehensive data management for new drug development.

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



**Notes to the financial statements *for the year ended 30th November 2004***

(Currency: Indian Rupees in Lakhs)

19. The figures of the previous year have been regrouped/reclassified wherever necessary to conform to the figures of the current year. In view of the amalgamation of Pharmacia Healthcare Limited with the Company with effect from December 1, 2003, the figures for the current year are not directly comparable to these of the previous year.
- 

For and on behalf of the Board

R.A. SHAH		<i>Chairman</i>
HOCINE SIDI SAID		<i>Managing Director</i>
P. SHAH	}	<i>Directors</i>
K. HANDA		
K. SUBHARAMAN		<i>Secretary</i>

*Mumbai, 24 February, 2005*

## Notes to the financial statements for the year ended 30th November 2004

### 20. Balance sheet abstract and Company's general business profile

#### I Registration details

Registration No. 8311

State code 11

Balance sheet date 30 11 2004

#### II Capital raised during the year (Amount in Rupees thousand)

Public issue	NIL
Bonus issue	NIL

Rights issue	NIL
Private placement	NIL

#### III Position of mobilisation and deployment of funds (Amount in Rupees thousand)

Total liabilities	3547598
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Total assets	3547598
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##### Source of funds

Share Capital *	298432
Secured loans	NIL

Reserves and surplus	3129166
Unsecured loans	120000

##### Application of funds

Net fixed assets	756431
Deferred tax asset (net)	63536
Miscellaneous expenditure	600722

Investments	32436
Net current assets	2094473
Accumulated losses	NIL

\* Including 10,43,900 Equity Shares of Rs. 10/- each of Pfizer Limited to be issued as fully paid-up to the shareholders of Pharmacia Healthcare Limited in terms of the Scheme of Amalgamation of Pharmacia Healthcare Limited with the Company, disclosed under 'Share capital suspense account'

#### IV Performance of the Company (Amount in Rupees thousand)

Turnover (including other income)	5970173
Profit before tax and exceptional items +	940574
Profit after tax +	455178
Dividend rate	100%

Total expenditure	5029599
Profit before tax +	748336
Earnings per share (Rupees)	15.25

#### V Generic names of three principal products of the Company (as per monetary terms)

Item code No. (ITC Code)	30044005
Product description	Syrup based on codeine phosphate
Item code No. (ITC Code)	30045005
Product description	B group vitamins (B-Complex) with Vitamin C
Item code No. (ITC Code)	30049011
Product description	Other anti-inflammatory (non-steroid) formulations

For and on behalf of the Board

R.A. SHAH

Chairman

HOCINE SIDI SAID

Managing Director

P. SHAH

K. HANDA

Directors

K. SUBHARAMAN

Secretary

Mumbai, 24, February 2005



### Statement pursuant to Section 212 of the Companies Act, 1956

Name of the subsidiary company	Financial year ending of the subsidiary	Number of equity shares held	Extent of holding	For the financial year of the subsidiary		For the previous financial years since it became a subsidiary	
				Profits/(losses) so far as it concerns the members of the holding company and not dealt with in the holding company's accounts	Profits/(losses) so far as it concerns the members of the holding company and dealt with in the holding company's accounts	Profits/(losses) so far as it concerns the members of the holding company and not dealt within in the holding company's accounts	Profits/(losses) so far as it concerns the members of the holding company and dealt with in the holding company's accounts
Duchem Laboratories Limited	30.11.2004	324000 shares of Rs. 100 each	100%	Rs. lakhs (93.02)	Rs. lakhs –	Rs. lakhs (229.70)	Rs. lakhs –

For and on behalf of the Board

**R.A. SHAH**

*Chairman*

**HOCINE SIDI SAID**

*Managing Director*

**P. SHAH**

**K. HANDA**

}

*Directors*

**K. SUBHARAMAN**

*Secretary*

Mumbai, 24 February, 2005

# Pfizer Limited: Ten Year Financial Summary

	1996	1997	1997#	1998	1999	2000	2001	2002 <sup>†</sup>	2003	2004 <sup>§</sup>
Amount – Rupees in Lakhs										
<b>Sources of Funds</b>										
Shareholders' Funds										
Share Capital	1172	1172	1172	1172	1172	2344*	2344	2344	2880	2880
Share Capital Suspense A/C								536		104
Reserves and Surplus	4506	5925	6694	7104	9541	11167	14645	27923	27960	31292
Total Shareholders' Funds	5678	7097	7866	8276	10713	13511	16989	30803	30840	34276
Borrowed Funds										
Secured Loans	2077	397	84	156	–	–	–	–	–	–
Unsecured Loans	806	629	2002	1	1	–	–	–	–	1200
Total	8561	8123	9952	8433	10714	13511	16989	30803	30840	35476
<b>Application of Funds</b>										
Net Fixed Assets	3343	3085	3885	3678	3502	3728	4210	5696	6110	7564
Investments	23	25	324	346	324	324	324	529	324	324
Deferred Tax Asset (Net)	–	–	–	–	–	310	503	790	989	636
Current Assets, Loans and Advances:										
Inventories	3875	3596	3286	4018	4486	5780	5644	8484	8658	7389
Sundry Debtors	1999	2155	2462	2317	3810	3918	5421	12341	5883	7174
Cash and Bank Balances (including amounts held on deposit accounts with banks)	81	49	234	820	2329	4609	5763	6840	8908	16110
Other Current Assets	–	–	–	–	–	–	–	–	45	137
Loan & Advances	2436	3234	4572	3923	3839	3529	4289	7260	8330	6840
Total Current Assets, Loans and Advances	8391	9034	10554	11078	14464	17836	21117	34925	31824	37650
Less: Current Liabilities and Provisions										
Current Liabilities	2938	3484	3857	5375	5439	6771	6312	11112	9619	11284
Provisions	925	1574	1690	2047	2376	2366	2853	5244	4192	5421
Net Current Assets	4528	3976	5007	3656	6649	8699	11952	18569	18013	20945
Misc. Expenditure (Deferred Revenue Expenditure)										
Voluntary Retirement Scheme	667	1037	736	753	239	–	–	5219	5404	6007
Commercial Rights	–	–	–	–	–	450	–	–	–	–
Total Net Assets	8561	8123	9952	8433	10714	13511	16989	30803	30840	35476
<b>Income</b>										
Gross Sales	25260	26290	14160	23343	28733	32719	36207	65127	55896	65966
Less: Excise Duty							3796	5719	3954	4884
Less: Sales Tax							2643	5165	4478	5304
Net Sales							29768	54243	47464	55778
Services	205	1105	2321	3036	4275	4237	4826	4366	2944	2517
Interest Income	88	111	204	279	331	376	668	634	364	749
Dividend Income	3	2	3	3	–	–	–	–	–	–
Other Income	292	880	279	426	501	549	653	1007	743	658
Total	25848	28388	16967	27087	33840	37881	35915	60250	51515	59702
<b>Costs and Expenses</b>										
(Increase)/Decrease in Stock of Finished Goods, Work in process and Own Manufactured Bulk Drugs	402	307	119	(607)	216	(691)	(531)	284	790	2312
Materials Consumed	8159	8931	4293	7604	8614	10757	11267	21694	18947	20058
Personnel Costs	4051	4333	3072	5712	4865	5056	5580	8784	7942	8255
Excise Duty	3195	3105	1618	2806	3414	3940	–	–	–	–
Sales Tax	1655	1627	933	1548	1968	2394	–	–	–	–
Depreciation	362	437	319	967	768	676	717	1064	1083	1026
Interest Expense	571	358	160	211	54	37	26	76	39	81
Other Expenses	5015	5768	4124	6504	8192	8875	10908	17088	16087	18048
Royalty and Technical Know-How Fees	583	555	270	455	526	565	246	95	322	516
Total Costs and Expenses	23993	25421	14908	25200	28617	31609	28213	49085	45210	50296
<b>Profit before Taxation &amp; Exceptional Items</b>	1855	2967	2059	1887	5223	6272	7702	11165	6305	9406
<b>Exceptional items - (Expenses)/Income</b>	–	–	–	–	–	–	–	1518	(1673)	(1922)
<b>Profit before Taxation</b>	1855	2967	2059	1887	5223	6272	7702	12683	4632	7484
<b>Taxation</b>	785	1067	681	629	2130	2518	2953	5089	1881	2932
<b>Profit after Taxation</b>	1070	1900	1378	1258	3093	3754	4749	7594	2751	4552
Tax Provision as % of PBT	42.3	36.0	33.1	33.3	40.8	40.1	38.3	40.1	40.6	39.2
Net Profit as % of Sales	4.2	7.2	9.7	5.4	10.8	11.5	13.1	11.7	4.9	6.9
Earnings per share (Rs.)	9.13	16.21	11.76	10.73	26.39	16.02@	20.26	26.37	9.55	15.25
Equity Dividend per share (Rs.)	3.00	4.00	3.00	4.00	5.00	4.00	5.00	7.50 <sup>+</sup>	7.50	10.00
Total Dividend Amount (Rs. in Lakhs)	352	469	352	469	586	938	1172	2160	2160	2984
Book Value per share (Rs.)	48.45	60.55	67.12	70.61	91.41	57.64@	72.48	106.95	107.08	114.86

# 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

§ Includes results of erstwhile Pharmacia Healthcare Ltd. on its amalgamation with the Company



## Notes to the financial statements *for the year ended 30 November, 2004*

(Currency: Indian Rupees in Lakhs)

### Schedule 13: Significant accounting policies

**(a) Basis of accounting**

The financial statements are prepared under the historical cost convention on an accrual basis of accounting in accordance with the provisions of the Companies Act, 1956 and in accordance with the accounting principles generally accepted in India (Indian GAAP) and comply with the Accounting Standards issued by the Institute of Chartered Accountants of India, to the extent applicable.

**(b) Use of estimates**

The preparation of financial statements in conformity with generally accepted accounting principles (GAAP) requires Management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosures of contingent liabilities on the date of financial statements. Actual results could differ from those estimates. Any revision to accounting estimates is recognised prospectively in current and future periods.

**(c) Going concern**

The Company depends on Pfizer Limited, its holding Company for support to implement its business plans. The business plans and cash flows prepared by management for the foreseeable future indicate that the Company will be able to meet all its obligations as they fall due. Accordingly, these financial statements have been prepared on a going concern basis.

**(d) Inventories**

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

**(e) Sundry debtors**

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

**(f) Revenue recognition**

Revenue from sale of goods is recognised when significant risks and rewards of ownership are transferred to the customers, which is at the point of despatch of goods to the customers. Sales are net of sales return and trade discounts.

**(g) Taxation**

Provision for income-tax is made on the basis of estimated taxable income for the year, in accordance with Income Tax Act, 1961.

Deferred tax resulting from timing differences between the book and the tax profits is accounted for, at the current rate of tax, to the extent that the timing differences are expected to crystallise. Deferred tax assets are recognised only to the extent there is reasonable certainty that the assets can be realised in future; however where there is unabsorbed depreciation or carried forward loss under taxation laws, deferred tax assets are recognised only if there is a virtual certainty of realisation of such assets. Deferred tax assets are reviewed as at each balance sheet date and written down or written up to reflect the amount that is reasonably/virtually certain as the case may be to be realised.

**(h) Earnings per share**

Basic and diluted earnings per share is computed by dividing the net profit attributable to equity shareholders for the year, with the weighted number of equity shares outstanding during the year.

**(i) Contingencies**

Loss contingencies arising from claims, litigation, assessment etc. are recorded when it is probable that a liability has been incurred, and the amount can be reasonably estimated.



## Notes to the financial statements for the year ended 30 November, 2004

(Currency: Indian Rupees in Lakhs)

### Schedule 14: Notes to the accounts

	Rupees in Lakhs 30 November 2004	Rupees in Lakhs 30 November 2003
<b>1. Contingent liabilities</b>		
In respect of the guarantee given to the bank on behalf of a third party	—	17.82
Income tax	397.54	—
Others	—	5.25
	<b>397.54</b>	<b>23.07</b>
<b>2. Auditors' remuneration</b> (including taxes, where applicable)		
For Audit	5.44	5.40
Reimbursement of out-of-pocket expenses	0.28	0.04
<b>3. Earnings per share</b>		
Net loss after tax	93.02	381.65
Weighted average number of equity shares of Rs. 100 each	324000	324000
Basic and Diluted Loss per share (Rs.)	(28.71)	(117.79)

**4. Information required by paragraphs 3 and 4 of part II and III of Schedule VI to the Companies Act, 1956.**

Class of goods	Unit of Measure	STOCK AT COMMENCEMENT		PURCHASES		SALES		STOCK AT CLOSE	
		Quantity	Rupees In Lakhs	Quantity	Rupees In Lakhs	Quantity	Rupees In Lakhs	Quantity	Rupees In Lakhs
Tablets and Capsules	No. in Millions	8.81 (34.03)	184.88 (553.25)	31.74 (56.30)	633.86 (1176.50)	30.53 (48.77)	812.17 (1353.15)	7.76 (8.81)	73.45 (184.88)
Liquids	Litres	— —	— —	(505.00) —	(0.56) —	(516.48) (9397.80)	(0.58) (10.95)	— —	— —
Injectables:									
Powder Parenterals	Kgs.	217.53 (191.97)	42.88 (35.91)	646.59 (788.41)	124.38 (150.47)	720.81 (671.60)	136.23 (117.80)	135.02 (217.53)	26.37 (42.88)
Solids	Kgs.	2853.50 (5905.50)	31.41 (63.70)	3932.25 (2247.00)	45.15 (25.43)	5568.05 (4993.45)	63.23 (56.18)	1075.50 (2853.50)	12.07 (31.41)
			259.17 (652.86)		802.83 (1352.40)		1011.05 (1516.18)		111.90 (259.17)

**Notes:**

1. Stocks are after adjustment of write-offs.

2. Figures in brackets are in respect of the previous year.

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

**November 2004**

Emil Pharmaceuticals Inds. (P) Ltd.

Medibos Laboratories Pvt. Ltd.

Astral Pharmaceuticals

The above information and that given in Schedule 8 – "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.

6. The figures of the previous year have been regrouped/reclassified wherever necessary to conform to the figures of the current year.

For and on behalf of the Board

KEWAL HANDA

Chairman

B.M. GAGRAT (Dr.)

Director

M.G. SUBRAMANIAM

Secretary

Mumbai, February 23, 2005



## Notes to the financial statements for the year ended 30 November, 2004

### 7. Balance sheet abstract and Company's general business profile

#### I. Registration details

Registration No. 11117

State code 11

Balance sheet date 30/11/2004

#### II. Capital raised during the year (Amount in Rupees Thousand)

Public issue  
NIL

Rights issue  
NIL

Bonus issue  
NIL

Private placement  
NIL

#### III. Position of mobilisation and deployment of funds (Amount in Rupees Thousand)

Total liabilities  
32400

Total assets  
32400

##### Source of funds

Share capital  
32400

Reserves and surplus  
NIL

Secured loans  
NIL

Unsecured loans  
NIL

##### Application of funds

Net fixed assets  
NIL

Deferred tax asset  
NIL

Net current assets  
128

Miscellaneous expenditure  
NIL

Accumulated losses  
32272

#### IV. Performance of the Company (Amount in Rupees Thousand)

Turnover (including other income)

101280

Total expenditure

104556

+ Profit/ - loss before tax

- 3276

+ Profit/ -loss before tax

- 9302

Earnings per share

- 28.71

Dividend rate

NIL

#### V. Generic Names of three principal products of the Company (as per monetary terms)

Item code No. (ITC Code)	30041090
Product Description	Doxycycline
Item code No. (ITC Code)	30044070
Product Description	Theophylline and ephedrine
Item code No. (ITC Code)	30042019
Product Description	Other Antibiotics

For and on behalf of the Board

KEWAL HANDA

Chairman

B.M. GAGRAT (Dr.)

Director

M.G. SUBRAMANIAM

Secretary

Mumbai, February 23, 2005

## DUCHEM LABORATORIES LIMITED (Accounts of Subsidiary Company)

### Directors' Report

The Directors have pleasure in presenting this Forty-sixth Annual Report together with the audited statement of accounts of the Company for the year ended 30th November 2004:

#### FINANCIAL RESULTS

Particulars	Rupees in Lakhs	
	Year ended November 30, 2004	Year ended November 30, 2003
The Profit/(loss) for the year amounted to	(33)	(402)
Deferred Tax Debit/(credit)	60	(20)
Profit/(Loss) After Tax	(93)	(382)
After adjusting thereto the balance of Profit from prior years	(230)	152
Transfer from General Reserve (Nov '03 – Rs. 0.23 Lakhs)	–	–
The Profit and Loss Account shows a balance Profit/(loss) which has been carried forward to the next year	(323)	(230)

#### OPERATIONS

The Net Sales of the Company for the year under review is Rs. 1011 Lakhs as compared to Rs. 1516 Lakhs for the previous year. The operations for the period reflect a Net Loss of Rs. 93 Lakhs as against Net Loss of Rs. 382 Lakhs for the previous year. The reduction in turnover is consequent to change in product portfolio of the Company.

#### DIVIDEND

The Directors do not recommend any dividend for the year ended 30th November 2004.

#### DIRECTORS

In accordance with the Articles of Association of the Company Mr. Harold Walder, Director will retire by rotation at the forthcoming Annual General Meeting and being eligible offers himself 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 used and earned during the year: Nil

#### DIRECTORS' 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, 2004 on a going concern basis.

#### AUDITORS

M/s. BSR & Co. (formerly M/s. Bharat S. Raut & Co.), the Company's Auditors, retire at the conclusion of the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment.

On behalf of the Board of Directors

**KEWAL HANDA**  
Chairman

Mumbai, February 23, 2005.



## Auditors' Report

### To the Members of Duchem Laboratories Limited

We have audited the attached Balance Sheet of Duchem Laboratories Limited ('the Company') as at 30 November, 2004 and the related Profit and Loss Account of the Company for the year ended on that date, annexed thereto. 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. Those 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.

As required by the Companies (Auditor's Report) Order, 2003 ('CARO') issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, ('the Act') we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

Further to our comments in the Annexure referred to above, we report that:

- (a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our 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 those books;
- (c) The Balance Sheet, Profit and Loss Account dealt with by this report are in agreement with the books of account;
- (d) In our opinion, the Balance Sheet, Profit and Loss Account dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Act, to the extent applicable;
- (e) On the basis of written representations received from directors of the Company as at 30 November, 2004 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 30 November, 2004 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Act and;
- (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 Act, 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 30 November, 2004; and
  - (ii) in the case of the Profit and Loss Account, of the loss for the year ended on that date.

For BSR & Co.  
(formerly Bharat S. Raut & Co.)  
Chartered Accountants

**Sanjay Aggarwal**  
(Partner)

Mumbai, February 23, 2005

Membership No.: 40780

### Annexure to the Auditors' Report 30 November, 2004

(Referred to in our report of even date)

- (i) According to the information and explanations given to us, the Company did not have fixed assets at any time during the year. Accordingly clause 4(i) is not applicable to the Company.
- (ii)
  - (a) The inventory has been physically verified by the management during the year. In our opinion, the frequency of such verification is reasonable.
  - (b) The procedures for the physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
  - (c) The Company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stocks and the book records were not material.
- (iii) According to the information and explanations given to us, we are of the opinion that there are no companies, firms or other parties covered in the register required under Section 301 of the Act. Accordingly, paragraph 4(iii) of the Order is not applicable.
- (iv) In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchases of inventory and with regard to the sale of goods and there has not been any continuing failure to correct major weakness in internal control system in respect of these areas.
- (v) In our opinion, and according to the information and explanations given to us, there are no contracts and arrangements the particulars of which need to be entered into the register maintained under Section 301 of the Act.
- (vi) The Company has not accepted any deposits from the public.
- (vii) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
- (viii) According to the information and explanations given to us, the Central Government has not prescribed the maintenance of cost records under Section 209(1)(d) of the Act.
- (ix)
  - (a) According to the information and explanations given to us and on the basis of our examination of the books of account, the Company has been generally regular in depositing with appropriate authorities undisputed statutory dues including, income tax, sales tax, cess and other material statutory dues applicable to it during the year. A few minor delays have been noted. As explained to us, the Company did not have any dues on account of customs duty, service tax, provident fund, employees' state insurance scheme, excise duty, wealth tax and investor education and protection fund. At 30 November 2004, there are no material arrears of undisputed statutory dues for a period of more than six months from the date they became payable.
  - (b) According to the information and explanations given to us, the following dues of Income tax/Sales tax/Wealth tax/Service tax/Customs duty/Excise duty/Cess (as appropriate) have not been deposited by the Company on account of disputes.

Name of the State	Nature of the Dues	Amount (Rs. in lakhs)	Period to which the amount relates	Forum where dispute is pending
Income Tax Act	Tax and penalty on disallowances	265.30 84.32	1999/2000 2000/01	Income tax Appellate Tribunal Commissioner (Appeals)
Bombay Sales Tax Act	Tax, interest and penalty	245.05	1997/98 1998/99	Deputy Commissioner Sales tax (Appeal)



### Annexure to the Auditors' Report 30 November, 2004 (Continued)

- |  |  |
|--|--|
| <p>(ix) The Company has accumulated losses at the end of the financial year aggregating Rs. 322.72 lakhs and has incurred cash losses in the current financial year as well as the immediately preceding financial year.</p> <p>(x) In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to its bankers. The Company did not have any outstanding loans from financial institutions or debentures during the year.</p> <p>(xi) According to the information and explanations given to us, the Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.</p> <p>(xii) In our opinion and according to the information and explanations given to us, the Company is not a chit fund or a nidhi/mutual benefit fund/society.</p> <p>(xiii) According to the information and explanations given to us, the Company is not dealing or trading in shares, securities, debentures and other investments.</p> <p>(xiv) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions during the year.</p> | <p>(xv) The Company did not have any term loans outstanding during the year.</p> <p>(xvi) According to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, we are of the opinion that the funds raised on short-term basis have not been used for long-term investment.</p> <p>(xvii) As stated in paragraph (v) above, there are no companies/firms/parties covered in the register required to be maintained under Section 301 of the Act.</p> <p>(xviii) The Company did not have any outstanding debentures during the year.</p> <p>(xix) The Company has not raised any money by public issues.</p> <p>(xx) According to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the course of our audit.</p> |
|--|--|
- For **BSR & Co.**  
(formerly Bharat S. Raut & Co.)  
*Chartered Accountants*

**Sanjay Aggarwal**  
(Partner)  
Membership No.: 40780
- Mumbai, February 23, 2005



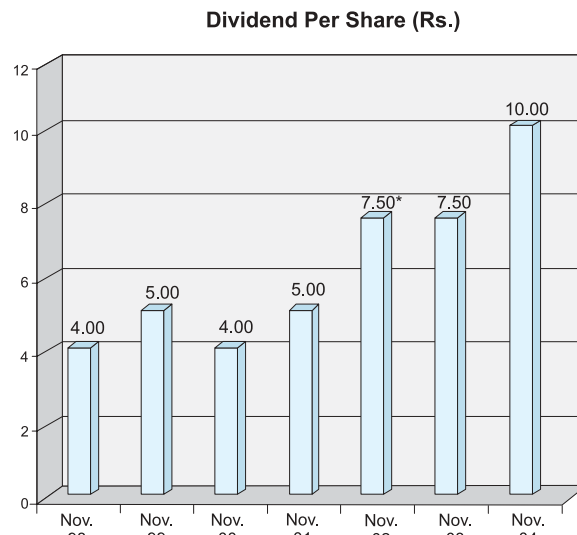
## DIRECTORS' REPORT including Management Discussion and Analysis Report

### TO THE MEMBERS

Your Directors have pleasure in presenting this 54th Annual Report together with the Audited Accounts for the year ended November 30, 2004. The Report reviews the Company's diversified operations covering Pharmaceutical and Animal Health Products.

### DIVIDEND

Your Directors are pleased to recommend a dividend of Rs. 10/- per share (100%) for the financial year ended November 30, 2004. The total amount of dividend for the year ended November 30, 2004 is Rs. 2984 Lakhs. The dividend, if approved, will be paid to those Members whose names appear in the Register of Members on the date of the ensuing Annual General Meeting. Under the Income Tax Act 1961, the receipt of dividend is tax-free in the hands of the shareholders. The tax on distributed profits, payable by the Company would amount to Rs. 390 Lakhs.



\* includes one-time special dividend of Rs. 2.50 per share.

### FINANCIAL RESULTS

		Rupees in Lakhs
	Year ended 30th November, 2004	Year ended 30th November, 2003
Sales (Net of Excise Duty & Sales Tax)	55778	47464
Services	2517	2944
Profit Before Tax and Exceptional Items	9406	6305
Exceptional Items (Expenses)/Income	(1922)	(1673)
Profit Before Tax	7484	4632
Less: Taxation		
– Current Tax	2701	2080
– Deferred Tax (Credit)/Debit	231	(199)
Profit After Tax	4552	2751
Balance of Profit from Prior Years	18868	19411
<b>Surplus available for Appropriation:</b>	<b>23420</b>	<b>22162</b>
<b>Appropriations:</b>		
Transfer to General Reserve	460	300
Proposed Dividend	2984	2160
Tax on Dividend	390	277
Tax on Dividend for previous year	—	277
Balance carried to Balance Sheet	19586	19148
	23420	22162

The Financial Results for 2004 are not comparable with the results for 2003 as the figures for 2004 includes the results of the recently merged entity Pharmacia Healthcare Limited.

On a stand alone basis, sales of Pfizer Limited were Rs. 52798 Lakhs for the period ended November 30, 2004 as against Rs. 47464 Lakhs for the previous year showing an increase of 11.2%. The Profit Before

Tax of Pfizer Limited was Rs. 7833 Lakhs for the period ended November 30, 2004 as against Rs. 4632 Lakhs for the previous year showing an increase of 69.1%. The Profit After Tax of Pfizer Limited was Rs. 4950 Lakhs for the period ended November 30, 2004 as against Rs. 2751 Lakhs for the previous year showing an increase of 79.9%.



## AMALGAMATION

The Hon'ble High Court of Judicature at Bombay, vide its Order dated February 4, 2005 has approved the Scheme of Amalgamation between Pharmacia Healthcare Limited ("PHL") and its Members and Pfizer Limited and its Members. The Amalgamation has been effectuated by filing a copy of the said Order with the Registrar of Companies, Maharashtra, Mumbai on February 21, 2005. Accordingly, the shareholders of PHL will be allotted 1 (one) fully paid-up equity share of Rs. 10/- of your Company for every 5 (five) fully paid-up equity shares of Rs. 5/- each held by them in PHL as on the Record Date, i.e. March 14, 2005. As a consequence, the Paid-up Capital of your Company has increased by Rs.1.04 Crores to Rs. 29.84 Crores.

## CORPORATE

In compliance with Accounting Standard – No. 21, your Company has attached the Consolidated Statement of Accounts giving therein the consolidated Financial Statements relating to Pfizer Limited and Duchem Laboratories Limited.

## REVIEW OF OPERATIONS

### General:

The Indian pharmaceutical market, which is ranked fourth in the world in terms of volumes and thirteenth in terms of value, grew by 6.4% in 2004, to end at an impressive Rs. 20498 Crores. Growth was driven primarily by volumes (4.5%) and new launches (2.1%), while price declined by 0.2%. IMS Market Prognosis predicts growth at a CAGR of 11.3% during the five-year period 2003-2008.

Local Pharma companies continued to dominate the market, launching 97% of the 2180 new brands in 2004. MNCs, on the other hand concentrated on fewer launches, aggressively marketing them through well-designed doctor education activities and patient support programs, virtually doubling the sales per brand.

Market trends indicate the transition of the Pharma Industry from predominant management of acute medical conditions to chronic therapy areas. Chronic segments (cardiovasculars, anti-depressants, anti-diabetics, etc.) are growing at 13%, as compared to the acute segment (anti-infectives, analgesics, antacids, etc.) growing at less than half this rate, at 5%. Other demographic trends such as the increasing aging population, urbanization and its impact on lifestyles, and the increase in the spending capacity of the nation's growing middle class inhabitants, indicates gradual evolution of a more health conscious society. The market is slowly shifting from a 'mass, high-volume, low-price' entity, to a 'highly specialized, niche' market, and gaining importance of the specialist doctor segment.

Larger local Pharma companies are focusing on the highly profitable global generic business in developed markets, forging alliances with MNCs and also increasing focus on R&D activities. There has been an increased interest from global players to invest in India either directly or through collaborations in research, clinical trials, manufacturing activities and licensing opportunities. These factors, along with the introduction of the product patent regime will be the growth drivers of the industry, in years to come.

Several decisions taken by the Government in the past few months will have a considerable impact on the Pharmaceutical Industry. The

Government decided to meet the deadline fixed by TRIPS to comply with the recognition of product patents for Food, Drugs and Chemicals with effect from 1st January, 2005. The 3rd Amendment to the Patents Act that was effected by way of an Ordinance, will have to be ratified by Parliament during the coming Parliament April session.

Another very important change will be the introduction of VAT with effect from 1st April, 2005. This is a welcome measure which will lead to avoidance of multiple taxation. It is yet to be seen how smoothly this will be implemented as some States have already lodged protests.

The announcement of the much-awaited new Drug (Prices Control) Order (DPCO) has been delayed further, on account of legal issues. The new DPCO and National Health Policy are expected to encourage more domestic and foreign investment in new drug research.

## BUSINESS SEGMENT : PHARMACEUTICALS DIVISION

### Performance 2004

The revenue of your Company's Pharmaceuticals Division at Rs. 504 Crores (Previous Year Rs. 432 Crores) grew strongly by 16.7%. In spite of the voluntary recall of two major brands (Gelusil and Listerine) as well as short supply of some other Consumer Health division brands due to a change in manufacturing locations during the year, your company was able to exceed the pharmaceutical market growth of 6.4%. This achievement was made possible through a combined effort of our sales, marketing and medical colleagues, who focused on key brands and differentiated them from competitors, through scientific detailing and value added programs aimed at building strong customer loyalty. Your Company was rewarded in our endeavor by being ranked the #1 company among all MNCs and #4 among all other pharmaceutical Companies in Business World's 'Most Respected Indian Companies – 2004'; in fact, your Company improved its overall ranking as compared to 2003, by one place.

### Key Brands Performance

Corex and Becosules, your Company's premier brands, continued to be ranked among the top 10 industry brands for the 10th straight year – in fact Corex claimed the top slot for the fourth successive year; besides this, Dolonex, Benadryl CF and Gelusil MPS had the distinction of being ranked among the industry's top 100 brands.

### BRAND LEADERSHIP

Brand	Therapeutic Segment	Rank	% Share	Number of Competitors
COREX	Cough Preparations	1	13.5	675
BECOSULES	Vitamin B Complex	1	24.7	191
GELUSIL MPS	Antacids/Antiflatulents	2	12.5	185
BENADRYL	Cough Preparations	3	3.3	675
DOLONEX	Anti-Rheumatic Non-Steroidal Drugs	4	3.8	981
MAGNEX	Injectable Cephalosporins	5	4.4	222
MINIPRESS XL	Cardiovasculars	6	1.9	756

Source: IMS MAT November 2004.





### Marketing and Medical Initiatives

Your Company's endeavor has been to share the latest developments in the field of medicine with the medical profession and emerge as the preferred partner. As a part of this strategy, a series of marketing programs and activities based on sound medical rationale were cascaded across customer groups, to reinforce your company's 'high science' image and achieve prescription leadership, for our key brands.

The Prime MD Today program which was rolled out to ~ 5000 primary care physicians in over 180 cities, helped improve the diagnostic skills of these doctors in the area of depression, and thereby expand the market. This program won for your Company the prestigious '2004 Golden Peacock Innovative Product/Service' award for our antidepressant Daxid.

Our focus has always been to capitalize on our cardiovascular portfolio and leverage it as an engine for future growth. Several meetings with India's leading nephrologists were held by your Company, to develop new modalities for management of patients suffering from renal hypertension, as a part of the Cardio Renal Cascade program.

In yet another demonstration of innovative and strategic thinking, your Company rolled out 'Healthy Heart', a Cardiovascular Disease Management program, in a strategic alliance with Apollo Hospitals, Hyderabad. 'Healthy Heart' is aimed at providing quality healthcare to patients based on international guidelines, and offers not only personalized treatment but also emphasizes on parameters such as compliance to treatment, access to hospital facilities, subsidized medicines, exclusive counseling through call center facilities and standard guidance on lifestyle and dietary modifications. The program is currently in its pilot phase and will expand across India over the next three years.

The findings of the post marketing surveillance study for Magnex were communicated through three video conferences involving over 500 Key Opinion Leaders in 12 cities, and then further cascaded down to ~4600 doctors across India, in an effort to generate a debate on antibiotic usage in seriously ill patients and encourage sharing of clinical experiences. We hope that this endeavor will help save lives of patients afflicted with serious infections.

The Consumer Health division utilized a novel medium to promote its OTC brands, Benadryl CF and Gelusil MPS, and ensure that they become established household names. Your Company sponsored 'Dr. Didi' a health and fitness related talk show on Radio City (a popular FM channel) in four metros. The program was highly appreciated and won an avid listenership. Besides this, the Gelusil advertisement, which was extensively featured on television, was rated by Economic Times Brand Equity as one of the best ads in 2004, for its creative content and humorous execution.

### Field Force Initiatives

Optima II, an improved version of the existing web based field force automation tool was successfully deployed across the entire sales organization. Additional strategic features such as work-flow automation, competitor activity tracking, product detailing matrix and data warehouse combined with operational updates such as a daily organizer, e-mail, notice boards, incentive calculator etc. makes this one of most versatile and powerful tools in the hands of your

Company's field force. The entire sales organization operates in a highly IT enabled work environment.

After conducting a pilot in two locations in 2003, 'Project Target' was successfully rolled out across all sales divisions, culminating in the generation of a new customer database. This database, which resides on a central repository and can be assessed through a sophisticated query based software, will help to significantly enhance the selling capabilities of your Company's field force, enabling them to select the right customer for the right product, improve the quality of calls and significantly boost the likelihood of converting a customer's interest in your Company's product into actual prescription.

To augment the selling efforts of the field force, your company entered into an alliance with Sanofi Synthelabo, for co-promotion of Daxid to psychiatrists, neurologists and neuro-physicians. This partnership, which leverages varying expertise of the two companies to build synergies at different customer specialties, has been rewarding for both parties and will continue.

### Training and Development

Several workshops were designed and conducted throughout the year to develop and strengthen the detailing capabilities of your company's field force. These sessions touched upon various facets of the sales colleague's profile such as product knowledge, selling and merchandising skills, and use of clinical reprints, thus ensuring that they were well equipped to stand out among competitors and successfully project your Company's high science image to customers. Innovative, high quality programs to develop managerial competencies in first line and second line managers were also rolled out at regular intervals, during the year.

New technology tools were leveraged to enhance the quality and impact of Training and Development programs. 'OPTILEARN', a path-breaking web based e-learning initiative, was launched for the entire field force. The tool designed in-house, has been customized to strengthen product knowledge and selling skills of the sales force, and thereby provide opportunities for enhancing their productivity, in the market place.

### Way Ahead

The Indian Pharmaceutical Industry is on the threshold of a new era with the introduction of the patent regime, albeit through a presidential ordinance. In this scenario, the year 2005 should herald the beginning of significant changes in the industry, which are likely to impact the manner in which we work and generate business. Your Company has decided to implement a new business structure that will help it achieve global alignment by launching new products, gain leadership in core therapy areas by building a high science image, and in the process accelerate its profitability and growth. The first initiative in this direction was the establishment of a New Products Planning Team, tasked with accelerating the launch of new products. The next step towards achieving this strategy will be the realignment of the Pharmaceuticals Sales Force into smaller therapy focused teams, which will enable your Company going forward, to optimize efficiency and ensure that equal focus is directed to new launches as well as to the mature product portfolio.

The Consumer Health Division of your Company is also looking at aggressively promoting their brands through a combination of media



advertising and below the line merchandising activities, as well as augmenting their portfolio with new launches, both line extensions and global brands.

## BUSINESS SEGMENT : ANIMAL HEALTH DIVISION

### Animal Health Business

The Animal Health Industry in India is estimated at Rs. 792 Crores. The Dairy and Poultry segment accounts for 90% while the balance is shared by Companion, Equine and Swine segments.

Pfizer animal health revenues were at Rs. 58.5 Crores in 2004, reflecting a growth of 9.4%. A decline in poultry business, which was driven partly by the bird flu in the first half of 2004 pulled down the growth registered in the other segments.

There is no structured market audit available for the Animal Health market in India and consequently we depend upon industry reports and other secondary sources for our estimates. In the recent past, the Animal Health Industry in India has witnessed a lot of consolidation. Despite several mergers and acquisitions, an assessment based on total sales of different companies indicates that we would be among the top four.

The overall growth in the Animal Health market has been negligible & industry sources put it at around 3 – 5%.

### Cattle Industry

India has the largest population of cattle in the world and continues to hold its position as the highest producer of milk in the world. The total population of 96 M milch animals, which comprises of cows and buffalos, is mostly backyard farming, with an average of 2-3 litres productivity per animal per day. Currently, farmers have low awareness levels about productivity per animal, herd health management, genetic improvement etc.

The Dairy market is now witnessing a gradual shift from backyard to organized farming, with increased holding per farm and greater awareness of productivity and management practices. These farms have an average of 50 to 300 milk-producing animals, with an output of 7-8 litres per animal.

The main challenges faced by this business are the intermittent monsoon rain, customer access, price and excessive dependence on the agrarian economy. In spite of these challenges the Dairy business grew at 12% in 2004 and is likely to continue to grow at the same rate this year.

### Poultry Business

The Indian poultry market is more organized than the cattle industry with an annual rate of growth of 8% for layers and 15% for broilers. India is the fourth largest producer of eggs and eighth largest producer of broilers chicks in the world. However the per capita consumption of 37 eggs and poultry meat only 1.4 kg annually underscores the growth potential for this business.

There is a distinct shift from stand-alone farming to large-scale integration with a focus on improving quality at various levels of production, processing and preservation. Vertical integration upto the retail level by some entrepreneurs in south India has led to affordable meat prices for consumers by eliminating intermediaries.

### Companion Animal Business

The Companion Animal market is at a nascent stage but is growing at 19% per annum.

The CA market is estimated to be about Rs. 35 Crores with a predominantly canine population. Cat population, though currently negligible, is likely to grow at a fast pace in the future.

## BUSINESS SEGMENT : RESEARCH & DEVELOPMENT

### Development Operations (Biometrics)

The Development Operations (Dev Ops) division of Pfizer Global Research and Development (PGRD) in India carries out Clinical Data Management as well as Statistics and Reporting (Biometrics) activities.

The group contributes to several PGRD projects in the areas of CRF and database design, data capture, data management, statistics and programming and clinical communication. The division also contains an Informatics group and belongs to the Development Operations organization in Europe.

Dev Ops colleagues continue to provide support to the global Azithromycin-malaria program and are also supporting other drug projects such as Voriconazole, Sildenafil, Exubera, Varenicline, Lasofoxifene, Capravirine and several new compounds across many therapeutic areas.

The Dev Ops division continues to be a leader in its efforts to enhance clinical research awareness in India through several means, but specifically through developing and contributing to the Post-graduate Diploma in Clinical Research offered by the Academy for Clinical Excellence (ACE), a Pfizer initiative.

## OPPORTUNITIES, THREATS & CONCERNS

The pharmaceutical industry in the country saw a single digit growth rate of 6.4% (ORG-MAT DEC., 04) last year. This is fourth consecutive year single digit growth posted by the Industry despite a robust growth in the economy @ 8.5% in 2003-2004. The domestic pharma companies were in a consolidation phase and launched several new products. This was driven by their belief that these products would become inaccessible post 1/1/2005, after which date product patents in pharmaceuticals would be recognised. Many domestic generic companies made huge investments in Research and Development and manufacturing. Few major Indian companies also increased their presence in the international generic market. Overall, the market saw significant expansion in various therapeutic segments, particularly segments catering to life style diseases such as cardiovascular, psychiatry and diabetes.



Nearly 65% population of the country does not enjoy comprehensive access to quality healthcare. Per capita consumption of drugs in India is one of the lowest in the world.

Private Sector in Healthcare infrastructure has grown significantly and India is becoming the healthcare destination for affordable and quality healthcare. India has exceptional advantage in Pharmaceuticals and Biotechnology due to its top class human resources. Consequently, the country has the potential to become an attractive destination for outsourcing in drug discovery and clinical research.

Research based companies like Pfizer will certainly introduce research based products in the country at reasonable prices, provided the Patent Law is further strengthened and protection of data submitted for approval is in place.

One more serious concern is the menace of spurious/counterfeit goods that causes damage to the reputation of pharmaceutical companies selling quality products. Merely amending the law without the adequate machinery to tackle the problem does not appear to be an appropriate solution.

## OUTLOOK

The economy grew by an unprecedented 8.5% in the year 2003-04. Against the backdrop of this growth, it is reasonable to be optimistic and expect a decent growth in pharmaceutical sector. The Company also foresees robust growth opportunities in the Animal Healthcare Business. Backed by its strong brand building capabilities and distribution network, your Company will be certainly open for marketing tie-ups with existing and new entrants in the Indian Pharmaceutical sector. As and when a full-fledged patent regime is in place, your Company will launch new products from Pfizer's research portfolio.

## HUMAN RESOURCES DIVISION

The key focus of the Human Resources Division for the year 2004 was on building internal capabilities.

The company's present employee strength is 2221.

Some key initiatives during the year were:

### Performance Management System:

The Performance Management System launched during the year under the brand name of 'Perform' has been well accepted and has been yielding good results. This has facilitated timely appraisals and in creating an overall Performance culture.

'Perform' has not only gained appreciation from colleagues within Pfizer but also from Pfizer markets across the globe.

The coming year will witness a Competency Development module as part of 'Perform'.

### People-soft:

Pfizer India joined other countries in the Pfizer community to launch Peoplesoft, a global ERP. IBM partnered in the implementation

process. This system has been linked to various applications to support HR and other Field processes.

### Talent Planning:

Talent Planning continues to be a critical area of focus. Key positions are being covered under the talent planning review. This includes identification of next line colleagues with potential for succession to critical positions and development.

### Organizational Effectiveness:

Internal Training programs are being organized regularly aimed to enrich colleague competence in their present job and also to prepare them for future roles. Also, key persons were nominated for high-level external programs in order to help build on their expertise. As part of career development program colleagues from Pfizer India were sent on secondments for overseas appointments.

Pfizer India was the first Company in our Region to roll out the Compliance Certification program. This aimed at guiding employees on appropriate conduct in an ever-changing business scenario. This rollout was done in partnership with the Corporate Compliance Group, New York.

In line with the Pfizer culture a series of open door policy training programs were conducted for all colleagues.

The Global colleague survey was launched to measure colleagues' perception on how our Core Values and Leader Behaviors are being practiced. This survey saw an encouraging response rate of 88% following which, a cross functional team was set up to rollout the action plans.

### Employee Relations:

Colleagues at Chandigarh plant separated under the Company's Voluntary Retirement Scheme.

Overall, a positive Industrial Relations climate prevails.

## INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

Your Company has maintained a proper and adequate system of internal controls. This is 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.

An extensive program of Management Assurance Services further supplements the Company's internal control systems. This is done by the Management Assurance Services, which is supported by an independent firm of Chartered Accountants. The management periodically reviews reports of internal auditors. Your Company has clearly laid down policies, guidelines and procedures that 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.



## PRODUCTION OPERATIONS

Pfizer has one formulation manufacturing unit at Thane. This facility produces non-sterile formulations of oral liquids, tablets and capsules. The manufacturing operations comes under Pfizer Global Manufacturing (PGM) Group.

PGM in India also has a pharmaceutical development role, as the demand for India specific formulations needs to be fulfilled on an ongoing basis. These formulations are developed as line extensions and new formulations at the Product Development Laboratory (PRD) at Thane Plant.

Key strengths of the plant include an emphasis on employee productivity and continuous efficiency improvements. Optimized inventories, short cycle times and consistently high customer service levels to the markets underscore the value of manufacturing to the business of the Company. Competitive strategic sourcing has reduced product costs with quality supplies.

PGM in India has consistently fared well in Quality and EHS audits. The Thane Plant continues to be accredited with ISO 14001 Certification from Det Norske Veritas. Safety, Health and Environment protection also continue to drive organizational efforts to fulfill responsibilities towards our employees and the community. The Thane facility was the first in Pfizer Asia to use a non-conventional source of energy viz. Bagasse in boilers. This resulted in a 25% reduction in particulate matter in the boiler exhaust.

The site is currently undergoing an upgrade in facility standards, which is being carried out in phases to ensure "Quality by Design". The upgrade of Finished Goods Warehouse is in progress and will be completed by this year end. Additionally, the upgrade of Quality Control Laboratories will also commence this year and be completed by end 2006.

The Company's Chandigarh Plant has stopped operations and will be sold off. Earlier, your Company had sold its Ankleshwar formulation Plant for a consideration of Rs. 450 Lakhs. The legacy Pharmacia Healthcare Ltd.'s Ankleshwar formulation Plant has also stopped operations and it is in the process of being disposed off. Also, the legacy Parke-Davis' Hyderabad facility which stopped operations in the year 2002 is also in the process of being disposed off.

## DUCHEM LABORATORIES LIMITED

The net sales of Duchem Laboratories Limited for the year ended November 30, 2004 amounted to Rs. 1011 Lakhs as against Rs. 1516 Lakhs for the previous year. It suffered a Net Loss of Rs. 93 Lakhs for the said year as against Net Loss of Rs. 382 Lakhs for the previous year.

## DIRECTORS

Mr. Kewal Handa, who was appointed in the casual vacancy caused by the resignation of Mr. R.W. Norton. In accordance with Section 262 of the Companies Act, 1956 Mr. Handa will hold office upto the date of the 54th Annual General Meeting. Mr. Handa's appointment and remuneration are being placed before the shareholders for their approval at the ensuing Annual General Meeting.

Dr. Bomi Gagrath, who was appointed in the casual vacancy caused by the resignation of Mr. James Hilboldt. In accordance with Section 262 of the Companies Act, 1956 Dr. Gagrath will hold office upto the date of the 54th Annual General Meeting. Dr. Gagrath's appointment and remuneration are being placed before the shareholders for their approval at the ensuing Annual General Meeting.

In accordance with the Articles of Association of the Company, Mr. R.A. Shah retires by rotation as Director at the ensuing Annual General Meeting and being eligible, offers himself for re-appointment.

## DIRECTORS' 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 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 November 30, 2004 on a going concern basis.

## CORPORATE GOVERNANCE

The Company has taken requisite steps to comply with the recommendations concerning the Corporate Governance. A certificate from the Auditors of the Company regarding compliance of conditions of Corporate Governance as stipulated under Clause 49 of the Listing Agreement as amended recently forms part of this Report.

A separate report on Corporate Governance forms part of this Annual Report.

## OTHER INFORMATION

As required by the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules 1988, information pertaining to Conservation of Energy, Technology Absorption and Exports is given as Annexure I to this Report.

The information required under Section 217(2A) of the Companies Act, 1956 read with the Rules framed thereunder is given in Annexure II to this Report.



## AUDITORS

The Auditors, M/s. BSR & Co., (formerly M/s. Bharat S. Raut & Co.) the Company's Auditors will retire at the conclusion of the ensuing Annual General Meeting. They have given their consent to continue to act as Auditors of the Company for the current year, if re-appointed.

## COST AUDITORS

Pursuant to the provisions of Section 233B of the Companies Act, 1956 necessary applications have been submitted to the Department of Company Affairs for the appointment of M/s. N.I. Mehta & Co. as Cost Auditors to audit the cost accounts maintained by the Company in respect of Formulations and Bulk Drugs for the year ending November 30, 2005.

## ACKNOWLEDGEMENTS

The Directors would like to place on record their sincere appreciation for the support and assistance extended by the Company's suppliers and business associates. The Directors are thankful to the esteemed shareholders for their continued support and the confidence reposed in the Company and its Management.

**For and on behalf of the Board of Directors**

**R.A. SHAH**  
*Chairman*

*Mumbai, February 24, 2005*





## Corporate Social Responsibility

*"We live where you live – And we want to make it a better place"*

Pfizer is dedicated to discovering and developing innovative medicines and making them available to people around the world. Our business is fundamentally about saving, improving and enhancing lives, and we believe that by being successful as a business we provide the greatest benefit to society.

Our commitment to being an exemplary corporate citizen is reflected in our extensive efforts to improve access to healthcare, which is the core focus of our philanthropic initiatives. Through our support of health initiatives, and by the generosity and compassion of our employees, we strive to make the community that we operate in, a better place to live and work.

During the year 2004, your company has supported several commendable healthcare projects across India.

### Mother and Child Healthcare Project in rural Haryana

Since June 2002, Pfizer has been supporting the Arpana Research & Charities Trust, in rural Haryana, for a three-year term, with the objective of conducting an effective Mother and Child Primary Health Care initiative to reduce anaemia in pregnant women and adolescent girls.

The project covers 35 villages in and around Karnal district, Haryana, and a population of approximately 60,000 persons.

The program targets the reduction of anaemia in pregnant women, adolescent girls, and those with diseases linked to anaemia. It also promotes community health covering diarrhoea management, antenatal care, child nutrition, immunisation etc.

### 'Nae Nigah' (New Vision) Program

Pfizer funded the 'Nae Nigah' Program through HelpAge India which conducted 2500 free cataract surgeries during 2004-05. The 'Nae Nigah' Program aims to empower the infirm elderly, by restoring their independence and dignity thus enabling them to continue earning their livelihood with renewed vision. Our funding covers the cost of awareness programs, surgeries, intra-ocular implants, medicines, food, spectacles, stay and post operative care.

Free screening camps for senior citizens are held in different states across India. Patients identified with operable cataract are then referred to pre-identified base hospitals where the cataract surgeries are conducted by a team of competent eye surgeons, paramedical staff and dedicated volunteers who assist in providing supportive services to the project beneficiaries from peripheral villages of base hospitals.

### MOBILE HOME CARE TEAM

Pfizer has partnered with Cansupport to deliver palliative care and support to persons living with advanced cancer. During 2004, Pfizer funded a home care team comprising a doctor, a nurse, a nursing assistant, a counselor, an office assistant and a driver.

Pfizer's contribution covers the cost of salaries, the vehicle, homecare expenses, medicines and overheads.

The mobile unit delivers free palliative care services to cancer patients in the city of Delhi. They offer the patient relief from pain and other distressing symptoms, nursing care and advice to enable them to make informed choices.

### Multiple Sclerosis Society of India (MSSI)

Pfizer supports and works closely with the Multiple Sclerosis Society of India.

Pfizer helps facilitate Patient Support Groups like MSSI by providing financial assistance, product donations in the form of vitamin supplements, as well as organizational assistance.

Pfizer supports the annual Multiple Sclerosis (MS) Walk to create awareness about the disease in India and to raise money for MSSI to aid and assist MS patients.

### The Sabera Girls Home, Kolkata

The Sabera Girls Home shelters children from poverty-stricken backgrounds, who have been rescued from the streets. These children are provided with food, shelter and formal education. Sabera also conducts vocational therapy through music, dance, sewing etc. Currently, there are 160 children in the age group of 6 months to 16 years who live at this Home.

Pfizer India supports the healthcare needs of these 160 children.

### Tsunami Relief Activities

The devastating tsunami that struck the coastlines of south-east India left a deadly trail of death and devastation in its wake.

In an incredible way, Pfizer within Asia, as well as in New York responded with speed and an overwhelming sense of humanity to demonstrate 'Life is our life's work'.

Since the tsunami hit, Pfizer has provided over \$ 60 million in cash and product donations to relief organizations operating in the tsunami-hit regions, and an additional \$ 1.5 million in individual employee and company-matching donations. Pfizer is also partnering with the United Nations where Pfizer experts in supply-chain management have been sent to the affected areas to support the critical United Nations-led relief efforts.

Pfizer India's contribution amounted to nearly Rs. 32,00,000. But beyond the money, it was the garnering of resources, the innovative use of technology and the teamwork that made the tsunami relief project a unique experience. Pfizer contributed in ways that truly mattered giving of its greatest asset - the skills of its people.

All employees spontaneously volunteered donations from their salaries, which were matched by an equal contribution from the company.

These funds were immediately sent to NGOs like the Indian Red Cross Society, World Vision India, and HelpAge to facilitate the emergency relief operations in the affected areas.

Through our NGO partners, camps were set up for villagers along the worst-hit coastal regions. Pfizer's drugs were made readily available, both through NGOs and the government health posts. Emergency supplies of tents, blankets, daily rations of food and other provisions were sponsored by Pfizer.

Pfizer Inc.'s CEO & Chairman, Dr. Henry McKinnell visited some of the tsunami hit countries where he and a delegation of Pfizer leaders met with colleagues, relief workers and government officials. Their goal was to assess progress in the relief efforts, express gratitude and condolences to Pfizer colleagues and draw the attention of the broader business community to the long-term needs in the region.



## Annexure I to 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) Installation of Auto Blowdown system for Boiler.
- (ii) Installation of Sonic Soot Blower for Boiler.

- (b) Additional proposals or activities if any

- (i) Use of energy efficient fuel for Boiler.
- (ii) Utilisation of purified water from washing machines for Boiler infeed.

- (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 & Fuel Consumption

		Current Year 1.12.2003 to 30.11.2004		Previous Year 1.12.2002 to 30.11.2003
1. Electricity				
(a) Purchased Units (000's)	KWH	8554	KWH	13178
Total Amount (000's)	Rs.	34989	Rs.	51845
Rate/Unit	Rs.	4.09	Rs.	3.93
(b) Own Generation				
(i) Through Diesel Generator (000's)	KWH	25	KWH	146
Units/Litre of LDO	KWH	2.02	KWH	2.35
Marginal Cost/Unit	Rs.	5.67	Rs.	6.12
(Considering only LDO price)				
(ii) Through Steam Turbine/Generator	-	-	-	-
2. Coal	-	-	-	-



		Current Year 1.12.2003 to 30.11.2004		Previous Year 1.12.2002 to 30.11.2003	
3.	(a) Furnace Oil & LSHS Quantity	KL	2026	KL	2642
	Total Amount (000's)	Rs.	28583	Rs.	35057
	Avg. Rate per KL	Rs.	14108.09	Rs.	13269.11
	(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 & injectibles).

Coal

Nil

**B. Technology Absorption:**

**FORM B**

**DISCLOSURE OF PARTICULARS WITH REGARD TO ABSORPTION RESEARCH AND DEVELOPMENT (R&D)**

- 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.
- Benefits derived as a result of the above R&D.
  - Product improvements, process development, import substitution, standardization of quality control of bulk drugs and formulations.
  - New application for drugs researched abroad, better dosage recommendations and improvements.
- Future plan of action:
  - Import substitution and resolving process problems encountered in basic chemical and fermentation manufacturing for quality and productivity.
  - Optimization of process parameters with emphasis on cost control and rationalization.
  - Studying feasibility of using new manufacturing technology in existing dosage forms.
  - Development of new dosage formulations, pharmaceutical and Animal Health.
- Expenditure on R&D
 

	Rs. In Lakhs
(i) Capital	Nil
(ii) Revenue	2351.04
(iii) Total	<b>2351.04</b>
(iv) Total R&D expenditure as percentage of total turnover	4.22%



## 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 - Azithromycin	1997-1998	Being absorbed
Dihydrate 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 were Rs. 2405.05 lakhs.
  - (b) The foreign exchange expenditure (which includes import of raw materials, spares and remittance of dividends etc.) was Rs. 4756.32 lakhs.

For and on behalf of the Board of Directors

**R.A. SHAH**  
Chairman

Mumbai, February 24, 2005

## Annexure II to the Directors' Report

Information as per Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 and forming part of the Directors' Report for the year ended November 30, 2004.

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/- per annum.

Sr. No.	NAME	DESIGNATION AND NATURE OF DUTIES	QUALIFICATIONS	DATE OF EMPLOYMENT	EXP YRS	GROSS REMUN	AGE	LAST EMPLOYMENT
1.	Mr. K. G. Ananthakrishnan	Senior Director, Pharmaceuticals	B.Sc. MMM, Jamnalal Bajaj	1/Jun/2003	29	5,447,152	49	Vice President, Marketing & Sales Pharmacia India Pvt. Ltd.
2.	Dr. B. M. Gagrati	Executive Director, Technical Operations (PGM).	M.Sc., Ph.D., Diploma in Operations Management	2/May/1989	29	4,443,908	58	Factory Manager Indo-Pharma Pharmaceutical Works Limited
3.	Mr. Arun O. Gupta	Senior Director, Business Technology	B.Sc., Post Graduate in Software Technology.	26/Aug/2002	19	3,451,578	42	Vice President - Information Technology Hughes Telecom (India) Limited
4.	Mr. Kewal Handa	Executive Director, Finance	M.Com., A.I.C.W.A, A.C.S.	18/Jun/1990	30	5,065,762	53	Secretary & Financial Controller Schrader Scovill Duncan Limited
5.	Mr. S. Madhok	Senior Director, Animal Health	B.Sc.	20/Dec/1976	34	2,634,835	52	Medical Representative Alembic Chemical Works
6.	Mr. Virendra Mahurkar	Director, Strategy and Business Development	M.Sc. In Economic History (London School of Economics) M.B.A. - Finance	1/Jul/2002	14	3,404,765	36	Director Ambit Corporate Finance
7.	Dr. Shoibal Mukherjee	Senior Director, Medical	MD Pharmacology DM, Clinical Pharmacology	19/Jul/1990	22	2,855,303	44	Medical Executive Alembic Chemical Works Co. Ltd,
8.	Mr. Subbaraman Ramkrishna	Senior Director, Corporate Affairs	Diploma Business Management/ Marketing, Journalism PR, B.A.(Honours)	23/Feb/1998	27	2,908,643	49	President-Corporate Affairs & HRD Modern Group, Mumbai
9.	Mr. Hocine Sidi Said	Managing Director	Baccalaureate (Economics), Bachelor of Business Administration.	1/Jan/2001	18	4,588,825	39	Country Manager, Pfizer, Denmark
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							
1.	Mr. A. Anjeneyan	Director, Corporate Services and Company Secretary.	B.Com., ACS CAIIB	1/Oct/1992	27	1,224,632	48	Company Secretary Hindustan Dyestuff Industries Ltd.
2.	Mr. Yugesh Goutam	Senior Director, Employee Resources	B.Com., MBA - Personnel & I. R.	1/Mar/2004	17	2,984,281	40	Vice President - Human Resource Reliance Industries Limited
3.	Ms. Dipali Talwar	Director, Legal Services and General Counsel.	L.L.M., Harvard Law School, B.A., L.L.B.(Hons).	6/Sep/2004	14	589,833	35	Managing Partner, Talwar & Associates
4.	Mr. Harold Walder	Senior Director, Employee Resources	B.A., D.B.M., Dip. In H.R.M.	23/Oct/1998	39	3,098,920	60	Group General Manager (HRD), Greaves 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.

For and on behalf of the Board of Directors

R.A. SHAH  
Chairman



Mumbai, February 24, 2005

Annual Report 2003-2004



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



*Life is our life's work<sup>®</sup>*

## Report on Corporate Governance

### Pfizer's Philosophy on code of Corporate Governance

Corporate Governance at Pfizer is not just the adherence to mandatory rules and guidelines. It lies in observing the spirit behind the letter.

Pfizer's mission to become the world's most valued Company to patients, customers, colleagues, investors, business partners and the community where it works and operates is enshrined in 9 core values which the Company follows sacrosanctly. These are Integrity, Respect for people, Customer Focus, Community, Innovation, Teamwork, Performance, Leadership and Quality. Pfizer has conducted its business throughout the world strictly adhering to the aforesaid 9 core values.

This approach has helped the Company earn the trust of all its stakeholders over its long history.

### Board of Directors

#### (a) Composition of the Board of Directors

The Company is fully compliant with both the old and revised Corporate Governance Norms in terms of constitution of the Board with a good combination of Executive and Non-Executive Directors. The Board comprises of 3 Non-Executive Directors out of the total strength of 6 Directors as on date. Out of the 3 Non-Executive Directors, 2 are Independent Directors. The Chairman of the Board is a Non-Executive Independent Director. The Board at Pfizer represents the optimum mix of professionalism, knowledge and experience. The table set below will explain the details.

Name	Category of Director-ship*	No. of other Director-ship held	Com-mittees of which Member	Com-mittees of which Chairman
Mr. R.A. Shah (Chairman)	NED (I)	14	5	2
Mr. Hocine Sidi Said (Managing Director)	WTD	1	Nil	Nil
Mr. Kewal Handa	WTD	3	1	Nil
Dr. Bomi Gagrath	WTD	1	Nil	Nil
Mr. Pradip Shah	NED (I)	12	4	2
Mr. Richard Gane	NED	Nil	Nil	Nil

\* NED (I) – Non-Executive Director, Independent

WTD – Whole-time Director

#### Notes:

- (1) Number of directorships/memberships held in other companies excludes directorships/memberships in private limited companies, foreign companies, membership of managing committees of various chambers/bodies and alternate directorships.
- (2) An Independent Director is a Director who
  - (a) apart from receiving Director's remuneration, does not have any material pecuniary relationship or transactions with the Company, its promoters, its Directors, its senior management or its holding

Company, its subsidiaries and associates, which may affect the independence of the Director;

- (b) is not related to promoters or persons occupying management positions at the Board level or at one level below the board;
- (c) has not been an executive of the Company in the immediately preceding three financial years;
- (d) is not a partner or an executive or was not partner or an executive during the preceding three years, of any of the following:
  - (i) the statutory audit firm or the internal audit firm that is associated with the Company, and
  - (ii) the legal firm(s) and consulting firm(s) that have a material association with the company;
- (e) is not a material supplier, service provider or customer or a lessor or lessee of the Company, which may affect independence of the director; and
- (f) is not a substantial shareholder of the Company i.e. owning two percent or more of the block of voting shares.

#### (b) Board Meetings:

In accordance with the provisions of Clause 49 of the Listing Agreement, the Board meets at least once every quarter to review the quarterly results and other items of the Agenda and, if necessary, additional meetings are held. The Board meets at least 4 times in a year and the gap between two Board Meetings is not more than 3 months as per the revised Clause 49 of the Listing Agreement. The Board is apprised and informed of all the important information relating to the business of the Company including those listed in Annexure 1 A of the revised Clause 49 of the Listing Agreement. The Chairman of the Board, the Managing Director, the Executive Director-Finance and the Company Secretary discuss the items to be included in the Agenda and the Agenda is sent in advance to the Directors along with the draft of the relevant documents and explanatory notes wherever required. 6 Board Meetings were held during the period December 1, 2003 to November 30, 2004. These were held on December 5, 2003, February 26, 2004, March 30, 2004, June 30, 2004, July 13, 2004 and September 25, 2004. The following Table gives attendance of the Directors of the Company in the Board Meetings.

Name	Number of Board Meetings held	*Number of Board Meetings attended	Whether last Annual General Meeting attended
Mr. R.A. Shah	6	6	Yes
Mr. Hocine Sidi Said	6	5	Yes
Mr. Richard Gane	6	NIL	No
Mr. Pradip P. Shah	6	6	Yes
Mr. Kewal Handa	6	6	Yes
Dr. Bomi M. Gagrath	6	5	Yes

\* Leave of Absence was granted to the Directors for the Board Meetings, which they could not attend.

### Appointment/Re-appointment of Directors

#### Mr. Kewal Handa:

The Board of Directors appointed Mr. Kewal Handa as Executive Director-Finance of the Company with effect from February 26, 2003. Mr. Handa's appointment was arising out of a casual vacancy due to the resignation of Mr. R.W. Norton, whose term as director expires at the ensuing Annual General Meeting. Therefore, Mr. Handa's term as Executive Director-Finance will also concurrently expire at the ensuing Annual General Meeting. The Board intends to appoint Mr. Handa as Whole-time Director designated as Executive Director-Finance on such terms and conditions and remuneration as may be approved by the shareholders of the Company.

A brief profile of Mr. K. Handa is given below:

Mr. Handa is 53 years old and is a Member of the Institute of Cost and Works Accountants of India and also a Member of the Institute of Company Secretaries of India. He also holds a Masters Degree in Commerce from Sydenham College, Mumbai. He joined the Company in June 1990 as Controller in MIS-Taxation and was promoted as Financial Controller in August, 1991. Further, he moved to head the Animal Health Division in December, 1994.

Mr. Handa has been the Executive Director of the Company heading the Finance Division from December 16, 1996 onwards. Mr. Handa is also a Member of the Shareholders' Grievance Committee of Pfizer Ltd.

Mr. Handa is a visiting faculty at Narsee Monjee Institute of Management Studies and also an International Trainer of the Indian Junior Chamber. He is also a regular speaker in various forums and is the President of the Bombay Management Association. He is the Chairman of the Pricing Committee of the Organisation of Pharmaceutical Producers of India (OPPI). He is also a Committee Member in the Confederation of Indian Industry and Bombay Chambers of Commerce. He has completed the Pfizer Leadership Development Programme from Harvard University. He has also completed a course on Marketing Strategy from Columbia Business School and the Senior Management Development Programme from IIM Ahmedabad.

Mr. Handa was recently awarded the "India CFO 2004-Excellence in Finance in MNC" by the International Market Assessment Group.

Details of his other Directorships and Memberships in Committee are given below:

Name of the Company	Designation	Committee	Member/Chairman
Alfa Laval (India) Ltd.	Director	1	Member
OPPI	Director	NIL	NIL
Duchem Laboratories Ltd.	Chairman	NIL	NIL

#### Dr. Bomi M. Gagrat:

The Board of Directors appointed Dr. Bomi M. Gagrat as Executive Director-Technical Operations of the Company with effect from

February 26, 2003. Dr. B.M. Gagrat's appointment was arising out of a casual vacancy due to the resignation of Mr. James Hilboldt, whose term as director expires at the ensuing Annual General Meeting. Therefore, Dr. Gagrat's term as Executive Director – Technical Operations will also concurrently expire at the ensuing Annual General Meeting. The Board intends to appoint Dr. Gagrat as Whole-time Director designated as Executive Director – Technical Operations on such terms and conditions and remuneration as may be approved by the shareholders of the Company.

A brief profile of Dr. B.M. Gagrat is given below:

He holds a Masters Degree in Science and a Ph.D in Science from the University of Mumbai. He has published scientific papers in Bio-medical Sciences in International Journals of repute. In addition, he holds a Post Graduate Diploma in Operations Management from the Jamnalal Bajaj Institute of Management in Mumbai. He has completed a variety of Pfizer training Programmes including the "Pfizer Leadership Development" programme in conjunction with the Harvard Business School. He is an active member on the Committees of OPPI. He is also a Director on the Board of Duchem Laboratories Ltd.

Dr. Bomi M. Gagrat is 58 years old and is on the Pfizer Board for the last 7 years. Prior to joining Pfizer, Dr. Gagrat held a variety of positions of increasing responsibility in pharmaceutical manufacturing.

Dr. Gagrat joined Pfizer in 1989 as Plant Manager at Thane Plant and subsequently was appointed as General Manager in 1994. In December 1996, he took over as Vice-President of the Animal Health Division in India. In September, 1998 Dr. Gagrat was appointed as Executive Director – Pharmaceuticals. Effective December 2002, Dr. Gagrat, assumed the responsibilities of Executive Director, Pfizer Global Manufacturing for the technical and manufacturing operations in India and he was designated as Executive Director – Technical Operations.

Details of his other Directorships and Memberships in Committee are given below:

Name of the Company	Designation	Committee	Member/Chairman
Duchem Laboratories Ltd.	Director	NIL	NIL

#### Mr. R.A. Shah:

Mr. R.A. Shah retires by rotation at the ensuing Annual General Meeting and, being eligible, offers himself for reappointment.

A brief profile of Mr. R.A. Shah is given below:

Mr. R.A. Shah is a leading Solicitor and a Senior Partner of M/s. Crawford Bayley & Co., a firm of Advocates & Solicitors. He specializes 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.



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

Name of the Company	Designation	Chairmanship or Membership of Audit Committee of Board
Fulford India Ltd.	Chairman	–
Godfrey Philips India Ltd.	Chairman	–
Colgate Palmolive India Ltd.	Vice-Chairman	Vice-Chairman
Abbott India Ltd.	Director	Member
Atul Limited	Director	–
Asian Paints (India) Ltd.	Director	–
The Bombay Dyeing & Mfg. Co. Ltd.	Director	Chairman
BASF India Ltd.	Director	Member
Colour Chem Ltd.	Director	Member
Clariant India Ltd.	Director	–
Deepak Fertilizers & Petrochemicals Ltd.	Director	–
Nicholas Piramal India Ltd.	Director	Chairman
Proctor & Gamble Hygiene and Healthcare Ltd.	Director	Member
Philips India Ltd.	Director	–

## Board Committees

Currently, the Board has two Committees viz. the Audit Committee and the Shareholders' Grievance Committee. The Board decides the terms of reference of these Committees and the assignment of its members thereof.

## Audit Committee

The Audit Committee comprises of Mr. R.A. Shah as Chairman and Mr. Pradip P. Shah and Mr. Richard Gane as members.

Mr. Pradip P. Shah is a Chartered Accountant by profession. Mr. R.A. Shah is a Solicitor by profession. Mr. Richard Gane is a lawyer by profession. All the members of the Committee are professionals and are also financially literate within the meaning as mentioned under Clause 2 Explanation 1 of Clause 49 of the Listing Agreement concerning Corporate Governance.

Mr. K. Subharaman, the Company Secretary acts as the Secretary to the Committee.

The terms of reference of the audit committee include the matters specified under Sub-Clauses D and E of Clause II and Disclosures under Clause IV of the Clause 49 of the Listing Agreement concerning Corporate Governance. Thus, the terms of reference of the Audit Committee are wide enough covering the matters specified below:

- (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 statutory 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 Board of Directors in its meeting held on December 30, 2004 also gave the additional terms of reference to the Audit Committee viz.

- (a) Review of matters to be included in the Directors' Responsibility Statement in the Directors' Report.
- (b) Review of quarterly financial statements before submission to the Board.
- (c) Review the functioning of Whistle Blower mechanism (already existing in the Company).
- (d) Review of significant related party transactions.
- (e) Review of Management Letters issued by Statutory Auditors.
- (f) Review of appointment, removal and terms of remuneration of Internal Auditor.



Four Audit Committee Meetings were held during the year on December 5, 2003, February 26, 2004, June 30, 2004 and September 25, 2004. All the meetings were attended by Mr. R.A. Shah, Mr. Pradip Shah, Mr. K. Handa – Executive Director-Finance, the Internal Auditors and the Statutory Auditors of the Company.

### Shareholders Committee

The Shareholders' Grievance Committee was reconstituted. The Shareholders' Grievance Committee comprises of Mr. Pradip P. Shah, Independent Director and Mr. K. Handa, Executive Director-Finance.

Mr. K. Subharaman, the Company Secretary acts as the Secretary to the Committee and as the Compliance Officer.

342 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.

### Remuneration to Directors

Remuneration Committee being a non-mandatory requirement, has not been formed. There has been no materially significant related party transactions, pecuniary relationships or transactions between Pfizer Ltd. and its Directors for the year ended November 30, 2004 that may have a potential conflict with the interest of the Company at large.

#### Remuneration of Directors, Sitting Fees, Salary, Perquisites and Commissions:

The following tables give details of remuneration paid to all directors during the financial year 2003-2004:

##### Executive Directors

Name	Rs. in Lakhs		
	Salary and Benefits	Performance linked Incentives	Total
Mr. Hocine Sidi Said	45.89	—	45.89
Mr. K. Handa	42.30	8.36	50.66
Dr. B.M. Gagrati	37.49	6.95	44.44
Total	125.68	15.31	140.99

##### 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

Name	Rs. in Lakhs		
	Sitting Fees	Commission	Total
Mr. R.A. Shah	1.00	2.00	3.00
Mr. Pradip Shah	1.00	2.00	3.00
Total	2.00	4.00	6.00

##### Notes:

- 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 53rd Annual General Meeting held on 29th April, 2004.
- Mr. R.A. Shah is a senior partner of Crawford Bayley & Co., Solicitors & Advocates, who have a professional relationship with the Company. The fees earned by Crawford Bayley & Co. from Pfizer Ltd. constitutes less than 1% of the total revenue of Crawford Bayley & Co. in each year during the last three Financial Years. As per the view of the Board of Directors and also as per the legal opinion sought on the subject of Independence of Mr. R.A. Shah, the legal firm, M/s. Crawford Bayley & Co. does not have a material association with the Company. The professional fees of Rs. 19.71 lakhs that was paid to them during the year is not considered material enough to impinge on the independence of Mr. R.A. Shah.
- Besides dividend on ordinary 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.

### General Body Meetings

The details of the last 3 Annual General Meetings held:

- 53rd Annual General Meeting : 29th April, 2004 at 3:00 p.m.  
Y.B. Chavan Auditorium,  
General Jagannath Bhosale Marg,  
Next to Sachivalaya Gymkhana,  
Mumbai-400 021.
- 52nd Annual General Meeting : 24th October, 2003  
at 3:00 p.m.  
Y.B. Chavan Auditorium,  
General Jagannath Bhosale Marg,  
Next to Sachivalaya Gymkhana,  
Mumbai-400 021.



- |    |  |   |
|----|--|---|
| 3. | 51st Annual General Meeting  | : 6th May, 2002 at 3:00 p.m.<br>Y.B. Chavan Auditorium,<br>General Jagannath Bhosale Marg,<br>Next to Sachivalaya Gymkhana,<br>Mumbai-400 021.          |
| 4. | EGM<br>Court Convened General<br>Meeting for approval of<br>Scheme of Amalgamation of<br>Pharmacia Healthcare Ltd.<br>with Pfizer Ltd. | : 25th October, 2004<br>at 11.30 a.m.<br>Y.B. Chavan Auditorium,<br>General Jagannath Bhosale Marg,<br>Next to Sachivalaya Gymkhana,<br>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.

## Disclosures

### (a) Related party transactions

The Company has not entered into any materially significant related party transactions with its Promoters, Directors, or Management, their subsidiaries or relatives, etc. that may have potential conflict with the interests of the Company at large.

Transactions with the related parties are disclosed in Note 17 of Schedule 22 to the financial statements in the Annual Report.

The Audit Committee has reviewed the related party transaction as mandatorily required under Clause 49 of the Listing Agreement and found them to be not materially significant.

### (b) Compliances by the Company

The Company has complied with the requirements of the Stock Exchanges, SEBI and other statutory authorities on all matters relating to capital markets during the last three years. No penalties or strictures have been imposed on the Company by the Stock Exchange SEBI or other statutory authorities relating to the above.

## Insider Trading

### Code of Conduct

Senior Management of Pfizer Ltd. have affirmed compliances with the Code of Conduct as laid down in the Manual called "Pfizer Policies on Business Conduct". A separate Code of Conduct for the Non-Executive Members of the Board of Directors has been approved by the Board.

## Means of Communication

### Half-yearly reports sent to each household of shareholders

As the results of the Company are published in the newspapers and also posted on the website of the Company, 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 website of the Company "pfizerindia.com" shortly after its submission to the Stock Exchange. The official news releases are also displayed on the website of the Company.

### Presentation to institutional investors or to analysts

Three teleconferences were held with Institutional Investors, Analysts, Press on March 3, 2004, April 5, 2004 and July 8, 2004. The transcript of the same were put on the internet website [www.pfizerindia.com](http://www.pfizerindia.com).

### Edifar Filing

As per the requirements of Clause 51 of the Listing Agreement, all the data relating to quarterly financial results, shareholding pattern etc. are being electronically filed on the EDIFAR website [www.sebiedifar.nic.in](http://www.sebiedifar.nic.in) within the timeframe prescribed in this regard.

### Management Discussion & Analysis Report

The Management Discussion & Analysis Report forms a part of the Directors' Report. All matters pertaining to industry structure and developments, opportunities and threats, segment/product wise performance, outlook, risks and concerns, internal control systems and adequacy, discussion on financial and operational performance and material developments in human resources are discussed in the said report.

## General Shareholder Information

### Date of Book Closure

April 19, 2005 to April 28, 2005 (both days inclusive).

### Date, time and venue of the Annual General Meeting:

Date : April 28, 2005.

Time : 3 p.m.

Venue : Y.B. Chavan Auditorium  
General Jagannath Bhosale Marg,  
Near Sachivalaya Gymkhana, Nariman Point,  
Mumbai-400 021.

### Dividend payment date

The dividend, recommended by the Board of Directors, if declared at the ensuing Annual General Meeting shall be deposited in a separate bank account within 5 days of its declaration and shall be paid/credited on May 3, 2005 to the account mandated by the shareholders.

### 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

The Stock Exchange, Mumbai-500 680;

National Stock Exchange. – PFIZER EQ

### Financial Calendar (tentative)

First Quarter	Fourth week of March, 2005
Second Quarter/Half-Yearly	Fourth week of June, 2005
Third Quarter	Fourth week of September, 2005
Audited Results	Fourth week of February, 2006

**Registered Office**

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

Tel. : 022 5693 2000

Fax : 022 5693 2377

e-mail : sundaresan@pfizer.com

Homepage : www.pfizerindia.com

**Registrar and Transfer Agents (W.e.f. 1-4-2005)**

Karvy Computershare Pvt. Ltd., at 7, Andheri Industrial Estate,  
Off. Veera Desai Road, Andheri (W), Mumbai 400 053.

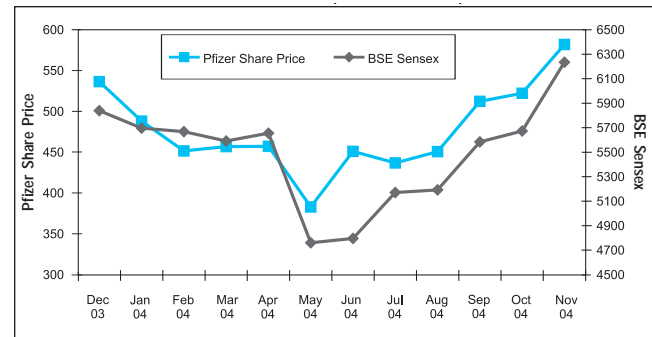
**Share transfer system**

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 bearing ISIN No. INE182A01018.

**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, 2003 till November, 2004 are as below:

Month	The Stock Exchange, Mumbai		The National Stock Exchange Ltd.	
	High (Rs.)	Low (Rs.)	High (Rs.)	Low (Rs.)
Dec 2003	596.00	451.05	594.00	451.50
Jan 2004	566.00	466.10	649.00	472.55
Feb 2004	528.00	430.50	528.95	430.00
Mar 2004	485.00	411.00	475.00	415.00
Apr 2004	491.75	447.10	490.00	446.00
May 2004	474.50	362.00	489.90	350.00
Jun 2004	467.40	377.75	468.00	365.10
July 2004	475.00	433.80	485.00	426.00
Aug 2004	464.90	428.30	466.70	429.00
Sep 2004	545.00	446.90	619.00	445.15
Oct 2004	535.00	488.25	532.95	487.00
Nov 2004	620.00	508.00	649.90	515.00

**Pfizer Share Price****Performance of Pfizer Share Price to Broad Based Index (BSE Sensex)****Distribution of Shareholding:****(a) Class-wise Distribution of Equity Shares as on 30th November, 2004:**

Number of Equity Shareholdings	Number of Share-holders	Percentage of Share-holders	Number of Shares	Percentage of Share-holdings
1 – 50	42992	56.75	1088308	3.78
51 – 100	15325	20.23	1183105	4.11
101 – 500	15405	20.34	3150974	10.94
501 – 1000	1305	1.72	937506	3.25
1001 – 5000	608	0.80	1133757	3.94
5001 – 10000	39	0.05	253452	0.88
10001 & Above	80	0.11	21050438	73.10
<b>Total</b>	<b>75754</b>	<b>100.00</b>	<b>28797540</b>	<b>100.00</b>

**(b) Shareholding Pattern as on 30th November, 2004:**

Category	No. of Shares	Percentage
Foreign Collaborator (Pfizer Corporation)	11518996	40.00
Banks	156625	0.55
Financial Institutions	6106916	21.20
Foreign Institutional Investors	2000	0.01
Mutual Funds	1238660	4.30
Domestic Companies	1238551	4.30
Non-Domestic Companies	785566	2.73
Non-resident Indians	150210	0.52
Others	7600016	26.39
<b>Total</b>	<b>28797540</b>	<b>100.00</b>

**Dematerialization of shareholding**

The scrips of the Company 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, 2004, 51.98% (representing 86.64% of the widely-held shares) of the paid-up share capital of the Company representing 14970125 shares 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

Thane Belapur Road  
KU Bazar Post  
Navi Mumbai 400 705  
Tel. : 022-5591 6161  
Fax : 022-5591 6160

#### 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 Registrars and Transfer Agent of the Company. Beneficiaries holding the scrip of the Company in the dematerialised form may intimate the change in their bank details to their Depository Participant (DP) furnishing their details with the correct 9 digit MICR code of their bank.

### Non-Mandatory Requirements

#### Chairman's Office

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 Registered Office premises of the Company.

#### Shareholders' Rights

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

On behalf of the Board of Directors

R.A. SHAH  
Chairman

Mumbai, February 24, 2005

### Certificate of Compliance with the Corporate Governance requirements under Clause 49 of Listing agreement

#### To the Members of Pfizer Limited

We have examined the compliance of conditions of Corporate Governance by Pfizer Limited ("the Company") for the year ended on 30 November 2004 as stipulated in the Clause 49 of the Listing Agreement applicable for the year ended 30 November 2004, of the Company with The Stock Exchange, Mumbai and National Stock Exchange of India Limited.

The compliance of conditions of Corporate Governance is the responsibility of the Company's management. Our examination was limited to procedures and implementation thereof adopted by the Company for ensuring the compliance of the conditions of corporate governance referred to above. 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, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

Based on confirmation received from the Company's share transfer agent, and representations made by management, we report that no investor grievance is pending for a period exceeding 30 days against the Company as per the records maintained by the Share Transfer Agent/Investors Grievances Committee.

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

For BSR & Co.  
(formerly Bharat S. Raut & Co.)  
Chartered Accountants

Sanjay Aggarwal  
Partner  
Membership No.: 40780

Mumbai, February 24, 2005

# Pfizer Limited

Annual Report 2003-2004

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## Schedules to the Consolidated Accounts

	Rupees in Lakhs Nov 2004	Rupees in Lakhs Nov 2003
<b>Schedule 8: Sundry debtors</b>		
(Unsecured – Considered good except where otherwise stated)		
Debts outstanding		
– Over six months	3067.15	2399.89
– Other debts	6302.28	5085.94
	9369.43	7485.83
of which		
– Considered good	7242.71	5915.94
– Considered doubtful	2126.72	1569.89
	9369.43	7485.83
Provision for doubtful debts	(2126.72)	(1569.89)
<b>TOTAL</b>	<b>7242.71</b>	<b>5915.94</b>

### Schedule 9: Cash and bank balances

Cash on hand	22.33	13.53
With Scheduled banks		
On Current accounts (including accounts with overdraft facility)	765.47	1431.79
On Margin money accounts (under lien)	31.76	31.76
On Time deposit accounts	15277.20	7465.00
Cheques on hand / in transit	41.96	2.26
<b>TOTAL</b>	<b>16138.72</b>	<b>8944.34</b>

### Schedule 10: Other current assets

Interest Accrued but not due	136.64	44.73
<b>TOTAL</b>	<b>136.64</b>	<b>44.73</b>

### Schedule 11: 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*	6370.88	5283.09
Considered doubtful	247.09	179.09
	6617.97	5462.18
Provision for doubtful advances	(247.09)	(179.09)
	6370.88	5283.09
Inter Corporate Deposit to Pharmacia Healthcare Limited	—	1490.00
Amounts recoverable from Pfizer Pharmaceutical India Private Limited	44.69	69.55
Amounts recoverable from Pharmacia Healthcare Limited	—	246.66
Amounts recoverable from Pharmacia India Private Limited	301.22	401.37
Amounts recoverable from Leema Chemicals & Cosmetics Private Limited	—	0.16
Balances with Customs, Port Trust and Excise on Current Accounts	204.13	35.79
Income tax payments (net)	—	949.88
<b>TOTAL</b>	<b>6920.92</b>	<b>8476.50</b>

\* Includes loans given to employees which are secured by Hypothecation Bonds Rs. Nil lakhs (2003 – Rs. 8.17 lakhs)

### Schedule 12: Current liabilities

Acceptances	116.71	4.75
Sundry creditors		
Due to small scale industrial undertakings	354.24	707.07
Others	9536.70	7657.15
Security deposits	1514.91	1527.21
Dividends – uncashed*	130.31	164.46
Unclaimed Interest on matured deposits*	—	0.43
<b>TOTAL</b>	<b>11652.87</b>	<b>10061.07</b>

\* Investor protection and education fund is being credited by the amount of unclaimed dividend and unclaimed interest on matured deposits after seven years from the due date.



## Schedules to the Consolidated Accounts

	Rupees in Lakhs Nov 2004	Rupees in Lakhs Nov 2003
<b>Schedule 13: Provisions</b>		
Proposed dividend	2984.32	2159.82
Tax on distributed profits	390.01	276.73
Gratuity	258.95	740.80
Leave encashment	951.68	752.69
Excise duty and custom duty (Net of payments)	119.84	218.88
Income tax provisions (net)	561.14	—
Wealth tax provisions (net)	49.05	7.61
Others	26.33	34.90
<b>TOTAL</b>	<b>5341.32</b>	<b>4191.43</b>

### Schedule 14: Interest income

Interest (Gross)		
On staff loans	23.46	18.75
On deposits with banks/company, delayed payments, etc. (Tax deducted at source – Rs. 92.90 lakhs, Nov 2003 – Rs. 63.99 lakhs)	529.30	237.87
On Income tax refunds (Net)	187.97	50.64
On Inter corporate deposits with Pfizer Pharmaceutical India Private Limited (Tax deducted at source – Rs. Nil, Nov 2003 – Rs. 1.17 lakhs)	—	4.67
On Inter corporate deposits with Pharmacia Healthcare Limited.	—	18.16
On Long-term investments (Non-Trade) (Tax deducted at source – Rs. Nil, Nov 2003 – Rs. 4.89 lakhs)	—	3.91
On others (Tax deducted at source – Rs. 0.78 lakh, Nov 2003 – Rs. Nil)	9.24	30.62
<b>TOTAL</b>	<b>749.97</b>	<b>364.62</b>

### Schedule 15: Miscellaneous income

Rental Income (Gross)	563.98	539.49
(Tax Deducted at source – Rs. 107.03 lakhs, Nov 2003 – Rs. 99.52 lakhs)		
Profit on fixed assets sold/discarded (net)	9.36	22.57
Insurance claims	9.97	14.57
Provisions no longer required written back	27.14	113.98
Sundry	48.08	53.62
<b>TOTAL</b>	<b>658.53</b>	<b>744.23</b>

### Schedule 16: Decrease in stocks of finished goods, work-in-process and own manufactured bulk drugs

Stocks at commencement				
Finished goods	5348.42		6406.66	
Work-in-process	469.62		386.71	
Own manufactured bulk drugs	225.92		434.70	
		6043.96		7228.07
Add: Stocks taken over on amalgamation of Pharmacia Healthcare Limited (Refer Note 1 of the Notes to the accounts – Schedule 22)				
Finished goods	691.91		—	
Work-in-process	188.06	879.97	—	—
		6923.93		7228.07
Stocks at close				
Finished goods	3974.89		5348.42	
Work-in-process	489.38		469.62	
Own manufactured bulk drugs	—		225.92	
		4464.27		6043.96
<b>TOTAL</b>		<b>2459.66</b>		<b>1184.11</b>



## Schedules to the Consolidated Accounts

	Rupees in Lakhs Nov 2004	Rupees in Lakhs Nov 2003
<b>Schedule 17: Cost of materials consumed</b>		
Raw materials		
Stock at commencement	2501.20	1440.66
Add : Stock taken over on amalgamation of Pharmacia Healthcare Limited (Refer Note 1 of the Notes to the Accounts – Schedule 22)	125.44	—
	2626.64	1440.66
Purchases	8515.78	7618.90
	11142.42	9059.56
Stock at close	(2394.90)	(2501.20)
	8747.52	6558.36
Packing materials (net)	3539.42	2772.64
Purchase of traded goods	8573.89	11118.98
<b>TOTAL</b>	<b>20860.83</b>	<b>20449.98</b>

### Schedule 18: Personnel costs

Salaries, wages and bonus	6594.15	6009.55
Company's contribution to gratuity fund	268.15	642.74
Company's contribution to provident and other funds	485.34	456.47
Staff welfare expenses	899.92	806.36
Voluntary retirement costs	7.61	26.47
<b>TOTAL</b>	<b>8255.17</b>	<b>7941.59</b>

### Schedule 19: Other expenses

Consumption of stores and maintenance spares	104.82	196.82
Processing charges	1528.99	1181.04
Power and fuel	731.47	950.76
Water	70.33	70.61
Repairs : Buildings	26.05	34.15
Machinery	200.90	293.86
	226.95	328.01
Rent	818.18	779.28
Rates and taxes	157.23	182.54
Insurance	202.73	187.74
Clinical trials	753.41	868.00
Legal and professional charges	1990.90	1070.60
Equipment rentals, service charges, low cost assets written off	897.70	417.42
Freight, forwarding and transport	1199.72	1192.62
Travelling (including boarding, lodging, conveyance and other expenses)	1517.57	1713.80
Postage, telephone and fax	494.05	484.02
Advertising and promotion	2519.63	2616.45
Exchange loss (net)	21.81	28.74
Commission	851.52	742.48
Provision for doubtful debts (net)	382.58	631.51
Miscellaneous expenses	3673.39	2466.72
<b>TOTAL</b>	<b>18142.98</b>	<b>16109.16</b>

### Schedule 20: Exceptional items – (expense)/income

Exceptional expense		
Estimated loss on assets held for disposal (Refer Note 8 of the Notes to the Accounts – Schedule 22)	(223.16)	—
Amortization of compensation paid to employees under VRS	(2336.85)	(1673.26)
	(2560.01)	(1,673.26)
Exceptional Income		
Profit on sale of residential premises	349.78	—
Profit on sale of Ankleshwar Plant	287.85	—
	637.63	—
<b>Net exceptional (expense)</b>	<b>(1922.38)</b>	<b>(1673.26)</b>

## Consolidated Cash Flow Statement for the year ended November 30, 2004

	Rupees in Lakhs Nov 2004	Rupees in Lakhs Nov 2003
<b>A. Cash flow from Operating Activities:</b>		
Net Profit before taxation and exceptional items	9372.98	5903.25
Adjustments for:		
Depreciation	1025.73	1082.69
Unrealised foreign exchange (gain)/loss	(13.64)	6.97
Interest income	(519.60)	(318.13)
Profit on fixed assets sold/discarded	(9.36)	(22.57)
Personnel costs – Voluntary Retirement Scheme	7.61	26.47
Interest expenses	81.16	38.98
Provision for doubtful debts and advances	382.58	630.98
Provisions no longer required written back	(27.14)	(113.98)
<b>Operating profit before working capital changes</b>	<b>10300.32</b>	<b>7234.66</b>
Adjustments for:		
Trade and other receivables	(2083.82)	6364.15
Inventories	2441.97	219.30
Trade and other payables	797.76	(2035.42)
Provisions (Excluding proposed dividend, tax on distributed profits, income tax provision)	(358.41)	628.99
<b>Cash generated from operations</b>	<b>11097.82</b>	<b>12411.68</b>
Direct taxes paid (Net)	(1080.65)	(4875.10)
<b>Net cash from operating activities before exceptional items</b>	<b>10017.17</b>	<b>7536.58</b>
Exceptional items		
Compensation paid to employees under Voluntary Retirement Scheme	(1296.40)	(1617.76)
<b>Net cash from/(used in) operating activities after exceptional items (A)</b>	<b>8720.77</b>	<b>5918.82</b>
<b>B. Cash flow from investing activities:</b>		
Purchase of fixed assets (Net)	(527.24)	(1491.55)
Consideration on Termination of trademark licenses – exceptional item (Net)	—	—
Purchase of Investments (Net) (includes time deposits having maturity period greater than or equal to 90 days)	(6750.00)	(6036.05)
Interest received	427.69	284.96
<b>Net cash (used in)/from investing activities (B)</b>	<b>(6849.55)</b>	<b>(7242.64)</b>
<b>C. Cash flow from financing activities:</b>		
Dividend paid (Including tax on distributed profits)	(2472.74)	(2393.81)
Interest paid	(89.36)	(46.43)
Proceeds/(Repayment) from/of borrowings (Net)	1090.63	—
<b>Net cash used in financing activities (C)</b>	<b>(1471.47)</b>	<b>(2440.24)</b>
<b>Net Increase/(Decrease) in Cash &amp; Cash Equivalents (A) + (B) + (C)</b>	<b>399.75</b>	<b>(3764.06)</b>
Opening cash and cash equivalents (Note 1)	2188.59	5952.65
Cash & cash equivalents as at 1st December, 2003 taken over on amalgamation (Note 2)	47.67	—
Closing cash and cash equivalents (Note 1)	2636.01	2188.59
	<b>399.75</b>	<b>(3764.06)</b>

## Consolidated Cash Flow Statement for the year ended November 30, 2004 (Continued)

	Rupees in Lakhs Nov 2004	Rupees in Lakhs Nov 2003
<b>Notes:</b>		
1. Cash and cash equivalents include :		
Cash on hand	22.33	13.53
With Scheduled banks		
On Current accounts (including accounts with overdraft facility)	765.47	1431.79
On Margin money accounts	31.76	31.76
On Time deposit accounts (maturity less than 90 days)	1777.20	715.00
Cheques on hand	41.96	2.26
Unrealised translation gain on foreign currency cash & cash equivalents	(2.71)	(5.75)
	<b>2636.01</b>	<b>2188.59</b>
2. The amalgamation of Pharmacia Healthcare Ltd. with the Company is a non-cash transaction Consequent to the amalgamation, Cash and Cash Equivalents as at 1st December, 2003 are taken over. The details are as under:		
Cash on Hand	0.55	
With Scheduled banks		
On Current accounts (including accounts with overdraft facility)	10.22	
On Time deposit accounts	36.90	
	<b>47.67</b>	
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.		
4. The above Cash Flow Statement has been prepared under the indirect method as set out in Accounting Standard 3 on "Cash Flow Statement" issued by The Institute of Chartered Accountants of India.		

In terms of our report of even date.

For **BSR & Co.**  
(Formerly Bharat S. Raut & Co.)  
*Chartered Accountants*

**Sanjay Aggarwal**  
*Partner*  
Membership No. 40780

Mumbai, 24 February, 2005

For and on behalf of the Board

**R.A. SHAH** *Chairman*  
**HOCINE SIDI SAID** *Managing Director*

**P. SHAH** } *Directors*  
**K. HANDA** }

**K. SUBHARAMAN** *Secretary*

Mumbai, 24 February, 2005



## Auditors' Report

### To the Board of Directors of Pfizer Limited

We have audited the attached Consolidated Balance Sheet of Pfizer Limited and its subsidiary, Duchem Laboratories Limited (collectively referred to as 'the Group') as at 30 November, 2004, and the related Consolidated Profit and Loss Account and the Consolidated Cash Flow Statement of the Group for the year ended on that date, annexed thereto (including the accounts of the erstwhile Pharmacia Healthcare Limited for the year ended 30 November, 2004, after making such adjustments as considered necessary consequent to the amalgamation of the Company effective from 1 December, 2003, and which have been audited by their auditors, on which we relied upon and whose report has been considered by us). These consolidated financial statements are the responsibility of the Group's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

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

We report that, the consolidated financial statements have been prepared by the Group's management in accordance with the requirements of Accounting Standard 21 – Consolidated Financial Statements, issued by the Institute of Chartered Accountants of India.

In our opinion, and to the best of our information and according to the explanations given to us, the consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:

- i) in the case of the Consolidated Balance Sheet, of the consolidated state of affairs of the group as at 30 November, 2004;
- ii) in the case of the Consolidated Profit and Loss Account, of the consolidated results of operation of the group for the year ended on that date; and
- iii) in the case of the Consolidated Cash Flow Statement, of the consolidated cash flows of the group for the year ended on that date.

For **BSR & Co.**  
(Formerly Bharat S. Raut & Co.)  
*Chartered Accountants*

**Sanjay Aggarwal**  
*Partner*

Mumbai, 24 February, 2005

Membership No. 40780



## Schedules to the Consolidated Accounts

	Rupees in Lakhs Nov 2004	Rupees in Lakhs Nov 2003
<b>Schedule 1: Share capital</b>		
<b>Authorised</b>		
2,88,00,180 (Nov 2003: 2,88,00,180) Equity shares of Rs. 10 each	2880.02	2880.02
1,11,99,820 (Nov 2003: 1,11,99,820) Unclassified shares of Rs. 10 each	1119.98	1119.98
	4000.00	4000.00
<b>Issued</b>		
2,88,00,180 (Nov 2003: 2,88,00,180) Equity shares of Rs. 10 each	2880.02	2880.02
<b>Subscribed</b>		
2,87,97,540 (Nov 2003: 2,87,97,540) Equity shares of Rs. 10 each fully paid-up	2879.75	2879.75
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 Pfizer Corporation, Panama		
Of the above 21,42,897 Equity shares of Rs. 10 each in aggregate are held by Warner-Lambert LLC, USA and Parke-Davis & Company LLC, USA		
Of the above 53,57,244 Equity shares of Rs.10 each were issued as fully paid-up to the shareholders of Parke-Davis (India) Limited (pursuant to the Scheme of Amalgamation of Parke-Davis (India) Limited with the Company)		
Add : Forfeited shares		
Amount paid-up on 2,640 Equity shares forfeited	0.18	0.18
<b>TOTAL</b>	<b>2879.93</b>	<b>2879.93</b>

### Schedule 1A: Share capital suspense account

In terms of the Scheme of Amalgamation of Pharmacia Healthcare Limited with the Company, 10,43,900 Equity Shares of Rs. 10 each of Pfizer Limited to be issued as fully paid-up to the shareholders of Pharmacia Healthcare Limited whose names appear on the Register of Members on the Record Date to be fixed for this purpose. (Refer Note 1 in the Notes to the accounts - Schedule 22)

Of the above 7,83,941 Equity Shares of Rs. 10/- each to be issued and allotted to Pharmacia Corporation, USA

<b>TOTAL</b>	<b>104.39</b>	<b>-</b>
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### Schedule 2: Reserves and surplus

<b>Share premium</b>		
Per last balance sheet	-	-
Add : Transfer from Pharmacia Healthcare Limited *	2277.70	-
	2277.70	-
<b>General reserve</b>		
Per last balance sheet	8812.17	8512.40
Add : Adjustment on account of amalgamation of Pharmacia Healthcare Limited *	156.59	-
Add : Transfer from profit and loss account	460.00	300.00
Less : Transfer to profit and loss account	-	(0.23)
	9428.76	8812.17
<b>Profit and loss account</b>		
Per last balance sheet	18918.38	19562.56
Less : Transfer of Loss from Pharmacia Healthcare Limited *	(280.33)	-
	18638.05	19562.56
Less : Transfer to profit and loss account for the year	(18638.05)	(19562.56)
	-	-
Balance as per profit and loss account	19262.48	18918.38
<b>TOTAL</b>	<b>30968.94</b>	<b>27730.55</b>

\* Refer Note 1 of the Notes to the accounts Schedule 22

### Schedule 3: Loan funds

<b>Unsecured loan</b>		
Inter corporate deposit from Pfizer Pharmaceutical India Private Limited (Fully repayable within one year)*	1200.00	-
<b>TOTAL</b>	<b>1200.00</b>	<b>-</b>

\* Refer Note 1 of the Notes to the accounts Schedule 22

## Schedule 4 : Fixed assets

Rupees in Lakhs

	Cost				Depreciation/Amortisation					Written Down Value			
	As at 30th Nov 2003	Transfer +	Additions	Deductions	As at 30th Nov 2004	As at 30th Nov 2003	Transfer ++	For the year	Estimated loss on assets held for disposal	Deductions	As at 30th Nov 2004	As at 30th Nov 2004	As at 30th Nov 2003
Land:													
Freehold	31.97	–	–	–	31.97	–	–	–	–	–	–	31.97	31.97
Leasehold	95.82	35.41	–	63.25	67.98	76.12	–	0.32	–	63.25	13.19	54.79	19.70
Buildings:													
On freehold land @	505.02	765.08	–	–	1270.10	328.71	97.38	17.79	–	0.74	443.14	826.96	176.31
On leasehold land	1191.86	275.34	134.38	552.75	1048.83	628.41	76.41	17.96	4.58	446.83	280.53	768.30	563.45
Leasehold Improvements	1017.80	–	–	5.27	1012.53	571.45	–	77.98	–	4.47	644.96	367.57	446.35
Machinery & Equipment	6413.43	792.11	708.95	899.43	7015.06	3435.97	477.56	289.93	212.34	820.65	3595.15	3419.91	2977.46
Office Equipment, Furniture & fixtures	3628.50	410.13	558.02	88.36	4508.29	2537.25	253.79	446.91	6.24	111.92	3132.27	1376.02	1091.25
Vehicles	783.32	15.25	147.27	39.35	906.49	428.69	3.01	174.84	–	25.14	581.40	325.09	354.63
Intangible Asset:													
Trademarks	15.51	–	–	–	15.51	15.51	–	–	–	–	15.51	–	–
<b>TOTAL</b>	<b>13683.23</b>	2293.32	<b>1548.62</b>	<b>1648.41</b>	<b>15876.76</b>	<b>8022.11</b>	908.15	<b>1025.73</b>	223.16	<b>1473.00</b>	<b>8706.15</b>	<b>7170.61</b>	5661.12
Previous year	13686.61		1740.15	1743.53	13683.23	8527.38		1082.69	–	1587.96	8022.11		
Capital work-in-progress including capital advances												393.70	448.96
<b>Grand Total</b>												<b>7564.31</b>	6110.08

@ 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.

+ Assets as at 1st December, 2003, taken over consequent to amalgamation of erstwhile Pharmacia Healthcare Limited.  
(Refer to Note 1 of the Notes to the Accounts – Schedule 22)

++ Accumulated Depreciation as at 1st December, 2003, taken over consequent to amalgamation of erstwhile Pharmacia Healthcare Limited.  
(Refer to Note 1 of the Notes to the Accounts – Schedule 22)

Refer Note 8 of the Notes to the Accounts – Schedule 22 regarding assets held for disposal.

## Schedules to the Consolidated Accounts

	Rupees in Lakhs Nov 2004	Rupees in Lakhs Nov 2003
<b>Schedule 5: Investments</b>		
(At cost except where otherwise stated)		
<b>Long term investments</b>		
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	0.11	0.11
Gold Sovereign (Actual cost Rs. 61)	–	–
The Shamrao Vitthal Co-operative Bank Limited		
1,000 shares of Rs. 25 each, fully paid-up	0.25	0.25
Other securities		
Bharuch Eco-Aqua Infrastructure Limited #		
72,935 Equity Shares of Rs. 10 each, fully paid	7.29	–
Bharuch Enviro Infrastructure Ltd. #		
175 Equity Shares of Rs. 10 each, fully paid	0.02	–
Less: Provision for diminution in value of investments #	(7.31)	–
<b>TOTAL</b>	<b>0.36</b>	<b>0.36</b>

# Acquired pursuant to amalgamation of Pharmacia Healthcare Limited

## Schedule 6: Deferred tax asset (net)

Deferred tax asset		
Arising on account of timing differences in :		
Amortisation of commercial rights and trade marks	–	70.52
Provision for doubtful debts and advances	803.88	627.43
Provision for leave encashment and exgratia	348.25	270.03
Provision for excise duty, custom duty and sales tax	1.61	81.85
Amortisation of voluntary retirement costs	43.65	27.85
Other provisions, etc.	143.70	167.65
	<b>1341.09</b>	<b>1245.33</b>
Deferred tax liability		
Arising on account of timing difference in:		
Depreciation/estimated loss on assets held for disposal	705.73	196.04
<b>TOTAL</b>	<b>635.36</b>	<b>1049.29</b>

## Schedule 7: Inventories

Stores and maintenance spares	92.94	90.16
Packing materials	549.09	282.08
Stock-in-trade		
Raw materials	2394.91	2501.20
Own manufactured bulk drugs	–	225.92
Work-in-process	489.38	469.62
Finished goods	3974.89	5348.42
<b>TOTAL</b>	<b>7501.21</b>	<b>8917.40</b>



## Consolidated Balance Sheet as at 30th November, 2004

		Rupees in Lakhs		Rupees in Lakhs
	Schedule Ref.	As at 30th Nov 2004	As at 30th Nov 2003	
<b>Sources of Funds</b>				
<b>Shareholders' funds</b>				
Share capital	1	2879.93	2879.93	
Share capital suspense account	1A	104.39		
		2984.32	2879.93	
Reserves and surplus	2	30968.94	27730.55	
		33953.26		30610.48
<b>Loan funds</b>				
Unsecured loan	3	1200.00	—	
<b>TOTAL</b>		<b>35153.26</b>		<b>30610.48</b>
<b>Application of Funds</b>				
<b>Fixed assets</b>				
Gross block	4	15876.76	13683.23	
Depreciation		(8706.15)	(8022.11)	
Net block		7170.61	5661.12	
Capital work-in-progress at cost, including advances		393.70	448.96	
		7564.31		6110.08
<b>Investments</b>	5	0.36		0.36
<b>Deferred tax asset (net)</b>	6	635.36		1049.29
<b>Current assets, loans and advances</b>				
Inventories	7	7501.21	8917.40	
Sundry debtors	8	7242.71	5915.94	
Cash and bank balances	9	16138.72	8944.34	
Other current assets	10	136.64	44.73	
Loans and advances	11	6920.92	8476.50	
		37940.20	32298.91	
<b>Current liabilities and provisions</b>				
Current liabilities	12	(11652.87)	(10061.07)	
Provisions	13	(5341.32)	(4191.43)	
		(16994.19)	(14252.50)	
<b>Net current assets</b>		<b>20946.01</b>		<b>18046.41</b>
<b>Miscellaneous expenditure</b>				
(to the extent not written off or adjusted)				
Voluntary retirement scheme		6007.22		5404.34
<b>TOTAL</b>		<b>35153.26</b>		<b>30610.48</b>
<b>Significant accounting policies</b>	21			
<b>Notes to the accounts</b>	22			

The schedules referred to above form an integral part of the Balance Sheet.  
In terms of our report of even date.

For **BSR & Co.**  
(Formerly Bharat S. Raut & Co.)  
Chartered Accountants

**Sanjay Aggarwal**  
Partner  
Membership No. 40780

Mumbai, 24 February, 2005

For and on behalf of the Board

<b>R.A. SHAH</b>	Chairman
<b>HOCINE SIDI SAID</b>	Managing Director
<b>P. SHAH</b>	} Directors
<b>K. HANDA</b>	
<b>K. SUBHARAMAN</b>	Secretary

Mumbai, 24 February, 2005

## Consolidated Profit and Loss Account for the year ended 30th November, 2004

		Rupees in Lakhs	Rupees in Lakhs
	Schedule Ref.	Year Ended 30th Nov 2004	Year Ended 30th Nov 2003
<b>Income</b>			
Gross sales		67059.36	57535.04
Less: Excise duty		4884.39	3954.06
Less: Sales tax		5386.09	4601.39
Net sales		56788.88	48979.59
Services		2517.15	2943.72
Interest income	14	749.97	364.62
Miscellaneous income	15	658.53	744.23
		60714.53	53032.16
<b>Expenditure</b>			
Decrease in stocks of finished goods, work-in-process and own manufactured bulk drugs	16	2459.66	1184.11
Cost of materials consumed	17	20860.83	20449.98
Personnel costs	18	8255.17	7941.59
Interest expense (on fixed loan Rs. 66.23 lakhs; 2003: Rs. Nil)		81.16	39.78
Other expenses	19	18142.98	16109.16
Depreciation	4	1025.73	1082.69
Royalty		516.02	321.60
		51341.55	47128.91
<b>Profit before taxation and exceptional items</b>		9372.98	5903.25
Exceptional items - net (expense)	20	(1922.38)	(1673.26)
<b>Profit before taxation</b>		7450.60	4229.99
Less: Taxation			
Current tax		2701.02	2080.00
Deferred tax - debit/(credit)		290.82	(218.88)
<b>Profit after taxation</b>		4458.76	2368.87
Balance brought forward after adjustments	2	18638.05	19562.56
<b>Total available for appropriation</b>		23096.81	21931.43
Transfer from general reserve		-	(0.23)
Transfer to general reserve		460.00	300.00
Proposed dividend		2984.32	2159.82
Tax on dividend		390.01	276.73
Tax on dividend for previous year		-	276.73
		3834.33	3013.05
<b>Balance carried to balance sheet</b>		19262.48	18918.38
<b>Earnings per share (Basic and Diluted)</b>		Rs. 14.94	Rs. 8.23
(See Note 6 in the Notes to the Accounts - Schedule 22)			
<b>Nominal value of share</b>		10.00	10.00
<b>Significant accounting policies</b>	21		
<b>Notes to the accounts</b>	22		

The schedules referred to above form an integral part of the Profit and Loss Account.  
In terms of our report of even date.

For BSR & Co.  
(Formerly Bharat S. Raut & Co.)  
Chartered Accountants

Sanjay Aggarwal  
Partner  
Membership No. 40780

Mumbai, 24 February, 2005

For and on behalf of the Board

R.A. SHAH *Chairman*  
HOCINE SIDI SAID *Managing Director*  
P. SHAH } *Directors*  
K. HANDA }  
K. SUBHARAMAN *Secretary*

Mumbai, 24 February, 2005



R. A. Shah

Chairman

Hocine Sidi Said

Managing Director

Richard Hugh Gane

Director

Pradip P. Shah

Director

Kewal Handa

Executive Director - Finance

B. M. Gagrath (Dr.)

Executive Director - Technical Operations

Hocine Sidi Said

Managing Director

K. G. Ananthakrishnan

Pharmaceuticals

Bomi M. Gagrath (Dr.)

Technical Operations

Arun Gupta

Business Technology

Kewal Handa

Finance

Chitra Lele (Dr.)

Biometrics

Sunil Madhok

Animal Health

Viren Mahurkar

Business Development

Shoibal Mukherjee (Dr.)

Medical Research Division

S. Ramkrishna

Corporate Affairs

Dipali Talwar

Legal

Yugesh Goutam

Human Resources

## SECRETARY

K. Subharaman

## AUDITORS

BSR & Co.

**REGISTERED OFFICE:** Pfizer Centre, 5, Patel Estate, Off S. V. Road, Jogeshwari (W), Mumbai 400 102.

Tel.: 022 5693 2000, Fax.: 022 5693 2377, Email: [sundaresan@pfizer.com](mailto:sundaresan@pfizer.com)

**\* REGISTRARS & TRANSFER AGENTS:** Karvy Computershare Pvt. Ltd., 7, Andheri Industrial Estate, Off Veera Desai Road, Andheri (W), Mumbai 400 053. Tel.: 022 26730799, 26730152, Email: [ksreddy@karvy.com](mailto:ksreddy@karvy.com), [rknair@karvy.com](mailto:rknair@karvy.com)

\* Subject to approval of shareholders



## Auditors' Report

### To the Members of Pfizer Limited

We have audited the attached Balance Sheet of Pfizer Limited ('the Company') as at 30 November 2004 and the related Profit and Loss Account and Cash Flow Statement of the Company for the year ended on that date, (including the accounts of erstwhile Pharmacia Healthcare Limited ("PHL") for the year ended 30 November 2004 after making such adjustments as considered necessary consequent to its amalgamation with the Company with effect from 1 December 2003, which have been audited by their auditors, on which we have relied upon and whose audit 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. Those 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.

As required by the Companies (Auditor's Report) Order, 2003 ('CARO') issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, ('the Act') we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

Further to our comments in the Annexure referred to above, we report that:

- (a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our 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 those books;
- (c) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
- (d) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Act, to the extent applicable;
- (e) On the basis of written representations received from directors of the Company as at 30 November 2004 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 30 November 2004 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Act and;
- (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 Act, 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 30 November 2004;
- (ii) in the case of the Profit and Loss Account, of the profit for the year ended on that date; and
- (iii) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

For BSR & Co.  
(formerly Bharat S. Raut & Co.)  
Chartered Accountants

Sanjay Aggarwal  
Partner

Mumbai, 24 February 2005

Membership No.: 40780

### Annexure to the Auditors' Report – 30 November 2004

(Referred to in our report of even date)

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) The Company has a regular programme of physical verification of its fixed assets by which all fixed assets are verified in a phased manner over a period of three years, which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. In accordance with this programme, certain fixed assets were physically verified by the management. No material discrepancies were noticed on such verification.
- (c) During the year, as more fully explained in Note 13 of Schedule 22, the Company has disposed off plant and machinery at one of its plants, which was retired from active use and held for disposal in an earlier year and has suspended/ceased manufacturing operations at another plant, which form substantial part of fixed assets. In our opinion and according to the information and explanations given to us, the Company has made alternate arrangements for supply of products, and therefore, this does not affect the going concern assumption.
- (ii) (a) The inventory has been physically verified by the management during the year. In our opinion, the frequency of such verification is reasonable. For inventory lying with third parties at the year-end, written confirmations have been obtained.
- (b) The procedures for the physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) The Company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stocks and the book records were not material.



## Annexure to the Auditors' Report – 30 November 2004 (Continued)

- (iii) According to the information and explanations given to us, we are of the opinion that there are no companies, firms or other parties covered in the register required under Section 301 of the Companies Act, 1956. Accordingly, paragraph 4(iii) of the Order is not applicable.
- (iv) In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchases of inventory and fixed assets and with regard to the sale of goods and there has not been any continuing failure to correct major weakness in internal control system in respect of these areas.
- (v) In our opinion, and according to the information and explanations given to us, there are no contracts and arrangements the particulars of which need to be entered into the register maintained under Section 301 of the Act.
- (vi) The Company has not accepted any deposits from the public.
- (vii) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
- (viii) We have broadly reviewed the books of account maintained by the Company pursuant to the rules prescribed by the Central Government for maintenance of cost records under Section 209(1)(d) of the Act, in respect of formulations and bulk drugs and are of the opinion that prima facie, the prescribed

accounts and records have been made and maintained. However, we have not made a detailed examination of the records.

- (ix) (a) According to the information and explanations given to us and on the basis of our examination of the records of the Company, the Company has been generally regular in depositing with appropriate authorities undisputed statutory dues including provident fund, investor education and protection fund, income-tax, sales-tax, wealth tax, service tax, customs duty, excise duty, cess and other material statutory dues applicable to it during the year. A few minor delays have been noted. As explained to us, the Company did not have any dues on account of employees' state insurance scheme.

According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, income tax, sales tax, wealth tax, service tax, customs duty, excise duty, cess and other material statutory dues were in arrears as at 30 November 2004 for a period of more than six months from the date they became payable.

- (b) According to the information and explanations given to us, the following dues of income-tax, sales tax, wealth tax, service tax, customs duty, excise duty and cess which have not been deposited by the Company on account of disputes.

Name of the Statute	Nature of the Dues	Amount (Rs. Lakhs)	Period to which the amount relates	Forum where dispute is pending
The Central Excise Act, 1944	Duty and penalty on classification/valuation and other disputes	276.00	1993-2000	Supreme Court
		184.24	2000/01, 2000-02, 2002/03,	Customs, Excise, Service tax
		6.27	1998/99	Appellate Tribunal
		512.25	1997-2000, 2000/01	Commissioner (Appeals)
		12.42	1985-1988	Commissioner (Appeals)
		30.10	1998-2004, 2002/03	Joint Commissioner
		17.92	1998-2004, 2002/03	Deputy Commissioner
	Service tax on royalty	193.10	1997-2001	Customs, Excise, Service tax Appellate Tribunal
Customs Act, 1962	Duty and penalty on imports	124.60	1995-1997	Commissioner
The Income Tax Act, 1961	Tax and penalty on expenditure disallowed	353.95	1993/94, 1995/96, 1996/97	Income Tax Appellate Tribunal Commissioner (Appeals)
		14.44	2000/01	
State and Central Sales Tax Acts	Tax interest and penalty for non submission of forms and other disallowances	10.27	1992/93	Supreme Court
		11.50	1993/94, 1996/97, 1998/99	Sales Tax Tribunal
		128.78	2000/01, 2001/02, 2002/03	Deputy Commissioner (Appeals)
		83.25	2000/01, 2001/02, 2002/03	Joint Commissioner
		24.17	2000/01, 2001/02	Deputy Commissioner
		45.62	1993/94, 1994/95, 1995/96, 1996/97, 1997/98, 1998/99	Additional Commissioner
		11.31	1993/94, 1994/95, 1995/96, 1996/97, 1998/99	Deputy Commissioner (Appeals)
		9.77	1983/84, 1985/86, 1986/87	Deputy Commissioner (Appeals)



## Annexure to the Auditors' Report – 30 November 2004 (Continued)

- (x) The Company does not have any accumulated losses at the end of the financial year and has not incurred cash losses in the financial year and in the immediately preceding financial year.
- (xi) In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to its bankers. The Company did not have any outstanding loans from financial institutions or debentures during the year.
- (xii) According to the information and explanations given to us, the Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) In our opinion and according to the information and explanations given to us, the Company is not a chit fund or a nidhi/mutual benefit fund/ society.
- (xiv) According to the information and explanations given to us, the Company is not dealing or trading in shares, securities, debentures and other investments.
- (xv) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions during the year.
- (xvi) The Company did not have any term loans outstanding during the year.
- (xvii) According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we are of the opinion that the funds raised on short-term basis have not been used for long-term investment.
- (xviii) As stated in paragraph (v) above, there are no companies/ firms/parties covered in the register required to be maintained under Section 301 of the Act.
- (xix) The Company did not have any outstanding debentures during the year.
- (xx) The Company has not raised any money by public issues during the year.
- (xxi) According to the information and explanations given to us, no fraud by the Company has been noticed or reported during the year. Further, we are informed by the Company's management of certain instances of fraud on the Company during the preceding year and the year under audit in the nature of irregular expenditure claims by certain employees of the company aggregating not more than Rs. 12 lakhs as identified by the management and breach of procurement policies of the company by an employee in relation to purchases not exceeding Rs. 45 lakhs as identified by the management. The Company has since terminated the services of these employees.

For **BSR & Co.**  
(formerly *Bharat S. Raut & Co.*)  
Chartered Accountants

**Sanjay Aggarwal**  
Partner

Mumbai, 24 February 2005

Membership No.: 40780



## Balance Sheet as at 30th November, 2004

		Rupees in Lakhs		Rupees in Lakhs
	Schedule Ref.	As at 30th Nov 2004	As at 30th Nov 2003	
<b>Sources of funds</b>				
<b>Shareholders' funds</b>				
Share capital	1	2879.93	2879.93	
Share capital suspense account	1A	104.39	—	
		2984.32	2879.93	
Reserves and surplus	2	31291.66	27960.25	
		34275.98		30840.18
<b>Loan funds</b>				
Unsecured loan	3	1200.00	—	
<b>TOTAL</b>		<b>35475.98</b>		<b>30840.18</b>
<b>Application of funds</b>				
<b>Fixed assets</b>				
Gross block	4	15876.76	13683.23	
Accumulated depreciation		(8706.15)	(8022.11)	
Net block		7170.61	5661.12	
Capital work-in-progress at cost, including advances		393.70	448.96	
		7564.31		6110.08
<b>Investments</b>	5	324.36		324.36
<b>Deferred tax asset (net)</b>	6	635.36		989.03
<b>Current assets, loans and advances</b>				
Inventories	7	7389.31	8658.23	
Sundry debtors	8	7173.41	5882.53	
Cash and bank balances	9	16109.92	8907.81	
Other current assets	10	136.64	44.73	
Loans and advances	11	6840.40	8329.89	
		37649.68		31823.19
<b>Current liabilities and provisions</b>				
Current liabilities	12	(11284.44)	(9619.39)	
Provisions	13	(5420.51)	(4191.43)	
		(16704.95)		(13810.82)
<b>Net current assets</b>		<b>20944.73</b>		<b>18012.37</b>
<b>Miscellaneous expenditure</b>				
(to the extent not written off or adjusted)				
Voluntary retirement scheme		6007.22		5404.34
<b>TOTAL</b>		<b>35475.98</b>		<b>30840.18</b>
<b>Significant accounting policies</b>	21			
<b>Notes to the accounts</b>	22			

The schedules referred to above form an integral part of the Balance Sheet.  
In terms of our report of even date.

For **BSR & Co.**  
(Formerly Bharat S. Raut & Co.)  
Chartered Accountants

**Sanjay Aggarwal**  
Partner  
Membership No. 40780

Mumbai, 24 February, 2005

For and on behalf of the Board

**R.A. SHAH** Chairman  
**HOCINE SIDI SAID** Managing Director  
**P. SHAH** } Directors  
**K. HANDA** }  
**K. SUBHARAMAN** Secretary

Mumbai, 24 February, 2005



# Profit and Loss Account for the year ended 30th November, 2004

		Rupees in Lakhs	Rupees in Lakhs
	Schedule Ref.	Year Ended 30th Nov 2004	Year Ended 30th Nov 2003
<b>Income</b>			
Gross sales		65965.84	55895.60
Less: Excise duty		4884.39	3954.06
Less: Sales tax		5303.62	4478.13
Net sales		55777.83	47463.41
Services		2517.15	2943.72
Interest income	14	748.46	364.20
Miscellaneous income	15	658.29	743.40
		<b>59701.73</b>	<b>51514.73</b>
<b>Expenditure</b>			
Decrease in stocks of finished goods, work-in-process and own manufactured bulk drugs	16	2312.39	790.42
Cost of materials consumed	17	20058.00	18946.86
Personnel costs	18	8255.17	7941.59
Interest expense (on fixed loan Rs. 66.23 lakhs; 2003: Rs. Nil)		81.07	38.98
Other expenses	19	18047.61	16087.86
Depreciation	4	1025.73	1082.69
Royalty		516.02	321.60
		<b>50295.99</b>	<b>45210.00</b>
<b>Profit before taxation and exceptional items</b>		<b>9405.74</b>	<b>6304.73</b>
Exceptional items – net (expense)	20	(1922.38)	(1673.26)
<b>Profit before taxation</b>		<b>7483.36</b>	<b>4631.47</b>
Less: Taxation			
Current tax		2701.02	2080.00
Deferred tax – debit/(credit)		230.56	(199.05)
<b>Profit after taxation</b>		<b>4551.78</b>	<b>2750.52</b>
Balance brought forward after adjustments	2	18867.75	19410.84
<b>Total available for appropriation</b>		<b>23419.53</b>	<b>22161.36</b>
Transfer to general reserve		460.00	300.00
Proposed dividend		2984.32	2159.82
Tax on dividend		390.01	276.73
Tax on dividend for previous year		–	276.73
		<b>3834.33</b>	<b>3013.28</b>
<b>Balance carried to Balance Sheet</b>		<b>19585.20</b>	<b>19148.08</b>
<b>Earnings per share (Basic and Diluted)</b>			
(See Note 11 in the Notes to the Accounts – Schedule 22)		<b>Rs. 15.25</b>	<b>Rs. 9.55</b>
<b>Nominal value of share</b>		<b>10.00</b>	<b>10.00</b>
<b>Significant accounting policies</b>	21		
<b>Notes to the accounts</b>	22		

The schedules referred to above form an integral part of the Profit and Loss Account.  
In terms of our report of even date.

For BSR & Co.  
(Formerly Bharat S. Raut & Co.)  
Chartered Accountants

Sanjay Aggarwal  
Partner  
Membership No. 40780

Mumbai, 24 February, 2005

For and on behalf of the Board

R.A. SHAH *Chairman*  
HOCINE SIDI SAID *Managing Director*  
P. SHAH } *Directors*  
K. HANDA }  
K. SUBHARAMAN *Secretary*

Mumbai, 24 February, 2005



## Cash Flow Statement for the year ended November 30, 2004

	Rupees in Lakhs	Rupees in Lakhs
	Nov 2004	Nov 2003
<b>A. Cash flow from Operating Activities:</b>		
Net Profit before taxation and exceptional items	9405.74	6304.73
Adjustments for		
Depreciation	1025.73	1082.69
Unrealised foreign exchange (gain)/loss	(13.64)	6.97
Interest Income	(519.69)	(318.93)
Profit on fixed assets sold/discarded	(9.36)	(22.57)
Personnel costs – Voluntary Retirement Scheme	7.61	26.47
Interest expenses	81.16	38.98
Provision for doubtful debts and advances	373.58	572.98
Provisions no longer required written back	(27.14)	(113.98)
<b>Operating profit before working capital changes</b>	<b>10323.99</b>	<b>7577.34</b>
Adjustments for		
Trade and other receivables	(2086.94)	6195.51
Inventories	2294.70	(174.39)
Trade and other payables	902.12	(1778.64)
Provisions (Excluding proposed dividend, Tax on distributed profits, income tax provision)	(358.41)	628.99
<b>Cash generated from operations</b>	<b>11075.46</b>	<b>12448.81</b>
Direct taxes paid (Net)	(1050.65)	(4824.70)
<b>Net cash from operating activities before exceptional items</b>	<b>10024.81</b>	<b>7624.11</b>
Exceptional Items		
Compensation paid to employees under Voluntary Retirement Scheme	(1296.40)	(1617.76)
<b>Net cash from/(used in) operating activities after exceptional items (A)</b>	<b>8728.41</b>	<b>6006.35</b>
<b>B. Cash flow from investing activities:</b>		
Purchase of fixed assets (Net)	(527.24)	(1491.55)
Purchase of investments (Net) (includes time deposits having maturity period greater than or equal to 90 days)	(6750.00)	(6036.05)
Interest received	427.69	284.96
<b>Net cash (used in)/from investing activities (B)</b>	<b>(6849.55)</b>	<b>(7242.64)</b>
<b>C. Cash flow from financing activities:</b>		
Dividend paid (Including tax on distributed profits)	(2472.74)	(2393.81)
Interest paid	(89.27)	(45.63)
Proceeds/(Repayment) from/of borrowings (Net)	1090.63	–
<b>Net cash used in financing activities (C)</b>	<b>(1471.38)</b>	<b>(2439.44)</b>
<b>Net Increase/(Decrease) in Cash &amp; Cash Equivalents (A) + (B) + (C)</b>	<b>407.48</b>	<b>(3675.73)</b>
Opening cash and cash equivalents (Note 1)	2152.06	5827.79
Cash & cash equivalents as at 1st December, 2003 taken over on amalgamation (Note 2)	47.67	0.00
Closing cash and cash equivalents (Note 1)	2607.21	2152.06
	<b>407.48</b>	<b>(3675.73)</b>
<b>Notes:</b>		
1. Cash and Cash Equivalents include:		
Cash on Hand	22.33	13.53
With Scheduled Banks		
On Current Accounts (including accounts with overdraft facility)	736.67	1395.26
On Margin Money Accounts	31.76	31.76
On Time Deposit Accounts (maturity period less than 90 days)	1777.20	715.00
Cheques on hand	41.96	2.26
Unrealised translation gain on foreign currency cash & cash equivalents	(2.71)	(5.75)
	<b>2607.21</b>	<b>2152.06</b>

## Cash Flow Statement for the year ended November 30, 2004 (Continued)

	Rupees in Lakhs Nov 2004	Rupees in Lakhs Nov 2003
2. The amalgamation of Pharmacia Healthcare Ltd. with the Company is a non-cash transaction. Consequent to the amalgamation, cash and cash equivalents as at 1st December, 2003 are taken over. The details are as under:		
Cash on hand	0.55	—
With Scheduled banks		
On Current accounts (including accounts with overdraft facility)	10.22	—
On Time deposit accounts	36.90	—
	47.67	
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.		
4. The above Cash Flow Statement has been prepared under the indirect method as set out in Accounting Standard 3 on "Cash Flow Statement" issued by The Institute of Chartered Accountants of India.		

In terms of our report of even date.

For **BSR & Co.**  
(Formerly Bharat S. Raut & Co.)  
*Chartered Accountants*

**Sanjay Aggarwal**  
*Partner*  
Membership No. 40780

Mumbai, 24 February, 2005

For and on behalf of the Board

**R.A. SHAH** *Chairman*  
**HOCINE SIDI SAID** *Managing Director*

**P. SHAH** } *Directors*  
**K. HANDA** }

**K. SUBHARAMAN** *Secretary*

Mumbai, 24 February, 2005

## Balance Sheet as at 30th November, 2004

		Rupees in Lakhs		Rupees in Lakhs
	Schedule Ref.	As at 30th Nov 2004		As at 30th Nov 2003
Sources of Funds				
Shareholders' funds				
Share capital	1	324.00		324.00
Reserves and surplus	2	—		—
		324.00		324.00
TOTAL		324.00		324.00
Application of Funds				
Deferred tax asset	3	—		60.26
Current assets, loans and advances				
Inventories	4	111.90	259.17	
Sundry debtors	5	69.30	33.41	
Cash and bank balances	6	28.80	36.53	
Loans and advances	7	240.17	177.72	
		450.17		506.83
Current liabilities and provisions				
Current liabilities	8	(448.89)	(472.79)	
Net current assets		1.28		34.04
Profit and loss account		322.72		229.70
TOTAL		324.00		324.00
Significant accounting policies	13			
Notes to the accounts	14			

The schedules referred to above form an integral part of the Balance Sheet.

In terms of our report of even date.

For **BSR & Co.**  
(Formerly Bharat S. Raut & Co.)  
*Chartered Accountants*

**Sanjay Aggarwal**  
*Partner*  
Membership No. 40780

Mumbai, February 23, 2005

For and on behalf of the Board

**KEWAL HANDA** *Chairman*

**B.M. GAGRAT (Dr.)** *Director*

**M.G. SUBRAMANIAM** *Secretary*

Mumbai, February 23, 2005

## Profit and Loss Account for the year ended 30th November, 2004

		Rupees in Lakhs	Rupees in Lakhs
	Schedule Ref.	Year Ended 30th Nov 2004	Year Ended 30th Nov 2003
<b>Income</b>			
Sales (gross)		1093.52	1639.44
Less: Sales tax		82.47	123.26
Sales (net)		1011.05	1516.18
Interest income	9	1.51	0.42
Miscellaneous income	10	0.24	0.83
		1012.80	1517.43
<b>Expenditure</b>			
Decrease in stocks of finished goods	11	147.27	393.69
Purchases		802.83	1352.40
Interest expense		0.09	0.80
Other expenses	12	95.37	172.02
		1045.56	1918.91
<b>Profit/(loss) before taxation</b>		(32.76)	(401.48)
Current tax		—	—
Deferred tax debit/(credit)		60.26	(19.83)
		60.26	(19.83)
<b>Profit/(loss) after taxation</b>		(93.02)	(381.65)
Balance of profit and loss account brought forward		(229.70)	151.72
Transfer from general reserve		—	0.23
<b>Balance of profit and loss account carried forward</b>		(322.72)	(229.70)
		Rs.	Rs.
<b>Earnings per Share (Basic and Diluted)</b>		(28.71)	(117.79)
(Refer Note 3 in the Notes to the Accounts — Schedule 14)			
<b>Nominal Value of Share</b>		100.00	100.00
<b>Significant accounting policies</b>	13		
<b>Notes to the accounts</b>	14		

The schedules referred to above form an integral part of the Profit and Loss Account.

In terms of our report of even date.

For BSR & Co.  
(Formerly Bharat S. Raut & Co.)  
Chartered Accountants

Sanjay Aggarwal  
Partner  
Membership No. 40780

Mumbai, February 23, 2005

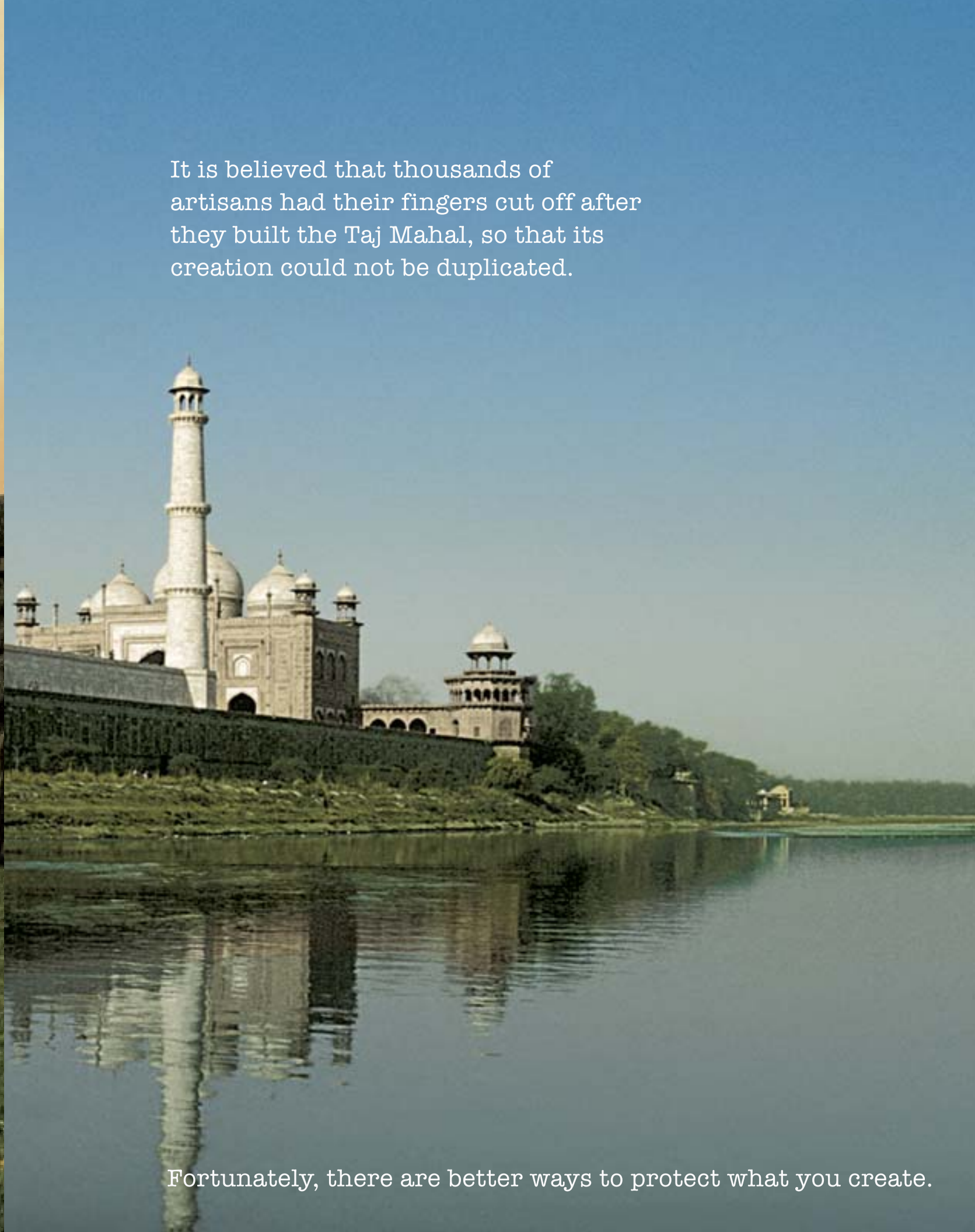
For and on behalf of the Board

KEWAL HANDA *Chairman*

B.M. GAGRAT (Dr.) *Director*

M.G. SUBRAMANIAM *Secretary*


Mumbai, February 23, 2005



It is believed that thousands of artisans had their fingers cut off after they built the Taj Mahal, so that its creation could not be duplicated.

Fortunately, there are better ways to protect what you create.





Legend has it that the Pharaohs  
mercilessly killed the people  
who made their magnificent pyramids,  
so that their secrets could be kept.



Thankfully, there are better ways to guard your secrets.



## Notes to the consolidated financial statements for the year ended 30 November, 2004

(Currency: Indian Rupees in lakhs)

### Schedule 21: Significant Accounting Policies

#### 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 Institute of Chartered Accountants of India (ICAI). These financial statements comprise Pfizer Limited ("The Company") and its wholly owned subsidiary Duchem Laboratories Limited (DLL) collectively referred to as the group. The financial statements of each of these companies are prepared using uniform accounting policies in accordance with the generally accepted accounting principles in India.
- (b) The Company has one subsidiary company (which along with 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 Ltd.
Country of Incorporation	:	India
Percentage of voting power held as at 30 November 2004	:	100%

#### 2. Significant Accounting Policies

##### (a) Basis of Accounting

The financial statements are prepared under the historical cost convention on an accrual basis of accounting in accordance with the provisions of the Companies Act, 1956 and in accordance with the accounting principles generally accepted in India (Indian GAAP) and comply with the Accounting Standards issued by the Institute of Chartered Accountants of India, to the extent applicable.

##### (b) Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles (GAAP) requires Management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosures of contingent liabilities on the date of financial statements. Actual results could differ from those estimates. Any revision to accounting estimates is recognized prospectively in current and future periods.

##### (c) Fixed Assets and Depreciation

- (i) All fixed assets are stated at cost of acquisition less accumulated depreciation. The cost of fixed assets includes taxes (other than those subsequently recoverable from tax authorities) duties, freight and other incidental expenses related to the acquisition and installation of the respective assets.
- (ii) Assets costing upto Rs. 5000 are written off and those costing more than Rs. 5000 but upto US \$ 1000 are fully depreciated in the year of purchase except that –  
 "multiple-like items" the cost of which is over US \$ 10000 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 \$ 10000 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 on a pro-rata basis. Depreciation on deletions during the year is provided upto the quarter in which the asset is sold/discarded.
- (iv) Depreciation other than on low cost assets is provided at the following rates per annum :

Assets	Periods/Rate
Land : Leasehold	Amortised over the lease period
Buildings : On Freehold land	3.34%
On Leasehold land	Higher of 3.34% or rate based on leased period
Leasehold Improvements	8% to 10% or Amortised over the lease period
Machinery & Equipment	8% to 40%
Office Equipment, Furniture & Fixture	8% to 33.33%
Vehicles	25%
Trademarks	Amortised over a period of 3 years

- (v) In case of assets taken over from erstwhile Pharmacia Healthcare Limited depreciation has been provided at the rates specified in Schedule XIV to the Companies Act, 1956 except the following assets, which are depreciated at the respective rates :

Assets	Rate
Plant and Machinery	4.75% to 8.09%
Furniture, Fixtures & Office Equipment	3.34% to 6.33%
Computers	16.21% to 33.33%

- (vi) Assets that have been retired from active use and held for disposal are stated at the lower of their net book value and net realisable value as estimated by the Company.
- (vii) Trademarks are recorded at their acquisition cost and are amortised over the lower of their estimated useful life and period of ownership.
- (viii) Cost of application software not exceeding US \$ 1 million is being charged to the profit and loss account.

##### (d) Foreign Currency Transactions

Transactions in foreign exchange, which are covered by forward contracts, are accounted for at the exchange rate at the date of transaction. Premium in respect of forward contracts is amortised over the period of the contract. Transactions other than those covered by forward contracts are recorded at

## Notes to the consolidated financial statements *for the year ended 30 November, 2004*

(Currency: Indian Rupees in lakhs)

pre-determined standard exchange rates, which are reviewed periodically. Gains and losses arising on account of such revisions are reflected in the Profit and Loss Account except those relating to acquisition of fixed assets, which are adjusted to the cost of the assets.

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.

**(e) 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. Current investments are stated at lower of cost and fair value.

**(f) Inventories**

Stock in trade and packing materials are valued at the lower of 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.

**(g) Sundry Debtors/Loans & Advances**

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

**(h) Revenue Recognition**

Revenue from sale of goods is recognised when significant risks and rewards of ownership are transferred to the customers, which is at the point of despatch of goods to the customers. Sales are net of sales return and trade discounts. Revenue from services is recognised on rendering of services. Interest income is recognised on time proportion basis.

**(i) Research & Development**

Revenue expenditure on research and development is written off in the Profit and 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.

**(j) Retirement Benefits**

The Company's contributions to the employees' Provident Fund and Superannuation Schemes are charged to the Profit and Loss Account each year. The Company has opted for a Group Gratuity-cum Life Assurance Scheme of the Life Insurance Corporation of India (LIC), and contribution towards gratuity liability as determined by LIC is charged to the Profit and Loss account each year. The Company also provides for unutilized leave benefits on retirement available to its employees on the basis of an actuarial valuation done as at the year-end.

**(k) Leases**

Lease rentals in respect of assets acquired under operating lease are charged off to the Profit and Loss Account as incurred. Lease rentals in respect of assets given under operating lease are credited to the Profit and Loss Account as accrued.

**(l) 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.

**(m) Taxation**

Provision for income-tax is made on the basis of estimated taxable income for the year, in accordance with Income Tax Act, 1961.

Deferred tax resulting from timing differences between the book and the tax profits is accounted for, at the current rate of tax, to the extent that the timing differences are expected to crystallise. Deferred tax assets are recognised only to the extent there is reasonable certainty that the assets can be realised in future; however where there is unabsorbed depreciation or carried forward loss under taxation laws, deferred tax assets are recognised only if there is a virtual certainty of realisation of such assets. Deferred tax assets are reviewed as at each balance sheet date and written down or written up to reflect the amount that is reasonably/virtually certain as the case may be to be realised.

**(n) Proposed Dividend**

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

**(o) Earnings per Share**

Basic and diluted earnings per share is computed by dividing the net profit attributable to equity shareholders for the year, with the weighted number of equity shares outstanding during the year.

**(p) Contingencies**

Loss contingencies arising from claims, litigation, assessment etc. are recorded when it is probable that a liability has been incurred, and the amount can be reasonably estimated.