

**TRANSCRIPT OF THE CONFERENCE CALL HELD ON 4<sup>TH</sup> OCTOBER 2005,  
BETWEEN THE MANAGEMENT OF PFIZER LIMITED AND ANALYSTS TO  
DISCUSS THE THIRD QUARTER RESULTS'2005 OF PFIZER LIMITED**

**Moderator:** Good evening ladies and gentlemen. Thank you for standing by. We welcome you to the Third Quarter analysts conference call of Pfizer Limited. We have with us today Mr. Kewal Handa, Managing Director, Pfizer Limited. At this moment all participants are in a listen-only mode. Later, we will conduct a question-and-answer session. I would now like to turn the conference over to Mr. Kewal Handa.

**Handa:** A very Good Afternoon to all of you. I have with me Mr.K G Ananthakrishnan (Ananth), who is Head of Sales and Marketing, Pharmaceutical Division; Mr.S.Ramkrishna (Ram), Senior Director, Corporate Affairs; Mr. K.Subharaman, our Company Secretary; Rajeev Chawla, Pricing Manager and members of our Corporate Affairs and Finance divisions.

This quarter has been good in terms of topline growth. Our sales for the third quarter have grown by about 12 percentage points and for the sequential quarter is around 20%. We have also done well in terms of profitability. The Profit Before Tax has gone up by 68% for the quarter, and from a YTD position the profit has increased by about 61%. An interesting observation is the marked improvements in margins for the quarter, which have risen from 14% to 21%, a 6 percentage point improvement of margin. On a YTD basis, the margins are steady at about 7 percentage points.

So I think this is a good performance, mainly due to two or three reasons which I would like to sum up. One - you have to see the growth in terms of the previous year's growth, as to what are the products that have grown and why we have got this strong growth. I think, basically the growth has come from our strong consumer health portfolio which are Benadryl and Listerine. In the previous quarters we had quality problems and there were no sales of these products. In spite of that there has been a very strong growth in this quarter. Becosules has grown at about 18%, with a strong growth of Dolonex of 20%. Products like Minipress XL have also strong growth of about 39%. So, by and large, all products have had a very strong growth. On a YTD basis, the concern is little bit on Corex's growth whereas the growth of Becosules is quite good and growth of other products is also quite good. As you know due to regulatory issues the growth of Corex has really slowed down dramatically.

The other reason I would like to highlight, as discussed in the last quarter, is that we have restructured our field-force based on therapeutic category. And I think, because of this focused selling, which I will ask Ananth to talk about, we have been able to get benefits in this quarter. The restructuring exercise was completed somewhere around the beginning of April. Now we have around two

quarters to judge how our performance has been. So I think that's very positive news.

In terms of profitability or our initiative on looking at costs, our initiative in driving the entire spend base to a lower base and finding efficiencies in processes, so on and so forth, has actually led to a reduction in material costs by about 3 percentage points, which I think is commendable. In the quarter, material costs have come down by almost about 3 percentage point. Also, the operating expenses growth has been negative. So this really has helped us to improve our topline both in terms of our focus in selling, building on a high science image, the way we are now really trying to move out from competitive selling to selling products based on their values, based on high science, on type of training that we undergo, and these are all contributing to higher growth.

Floods : Yes, we have lost almost 60–70 crores on a cost basis, on sales basis almost around 100 crores, spread over various entities. For Pfizer India, we have lost almost on 20 crores on a cost basis. We are in the processing of filing claims with the insurance company. But in the quarter we have already made a provision of almost about 3 crores, which we think we will not be able to recover. So the floods did have an impact and continue to have an impact. This month we had shortages of products, mainly because of the non-availability of some local products which were kept in our godown in Bhiwandi; some imported products which we could not replenish immediately. And going forward in the next month also I see some shortages mainly on account of non-availability of products.

On the industry front, there are two really major issues, that industry is right now engaged with the Government or the bureaucrats. One that you have been hearing about is the PMO's Task Force which has submitted its reports on pricing; and the other is the Mashelkar Committee which is right now sitting in judgment as to whether exclusivity or data protection should be given, and if at all, in what form it should be given. These are really two major issues that industry is right now facing. We have been addressing these issues. I will ask Ram to talk more about these issues and how they are likely to be resolved in future. In terms of our strategies going forward, what we are going to do, are we going to continuously base our efficiencies on costs, or are we going to be only focusing on existing products? These are questions I am sure you have on the top of your mind and you would like to ask us. All I can say, at this point of time, is that we are very closely looking at the Pfizer Inc. portfolio, at those products which we think have a great value in launching in Pfizer. And I am hopeful that at the end of this year or beginning next year we will be able to launch a few products. Going forward, we are also looking at the portfolio of Pfizer Inc. in terms of patented products. We are also trying to see whether there are any gaps in our therapeutic categories and how these gaps can be filled up, whether by co-licensing or by acquisition and so on and so forth. Now I will take

advantage of Mr.Ramkrishna who is here with me and also Mr.Ananthkrishnan. Mr.Ramkrishna will highlight two points on the industry and I will turn over to Ananth who will talk more about sales and marketing. Or may be you can ask about any specific questions that you have. But, now I will turn over to Ananth. Ananth would you like to say few words.

**Ananth:** Good Afternoon. I would like to echo some of the statements made by Kewal, particularly on the re-organization that was implemented in the second quarter of this year which has gradually started yielding results. If we look at the key products that we are focusing on and the portfolio where the promotional investments have been made - they are beginning to show results. We did have, as Kewal mentioned earlier, the advantage of Benadryl and Gelusil availability, hence the performance has been very good during this quarter. We do expect that the next two quarters also will be interesting for this portfolio, particularly the cough and cold segment and the vitamins that we have in our portfolio. So overall, the products that we have focused on are beginning to deliver results and higher growth rates as envisaged when we developed this new strategic plan of redesigning the organization.

**Handa:** Okay, now we will turn over to you. If there are any questions or clarifications, we will be ready to take it, thank you.

**Moderator:** Thank you Sir. Ladies and gentlemen, we will now begin the question-and-answer session. We have our first question coming from Mr. Shubham Mazumdar of Merry Lynch. Mr.Mazumdar please go ahead.

**Mazumdar:** Hi Kewal and the team. Good Afternoon everyone.

**Handa:** Very Good Afternoon to you.

**Mazumdar:** Congratulations on a great set of numbers. I think every quarter it has become a habit of Pfizer to turn in a great set of numbers which are the best in industry.

**Handa:** Thank you.

**Mazumdar:** I have 2-3 questions, one which is structurally a big worry for me and for the industry - the PMO Task force committee report. I understand that it is just a Task Force Report and in India there is always a difference between what the Task Force recommends and what finally comes in, in terms of legislation. However, I believe that there are two very damaging recommendations in this which have not been talked about so much by the media. One is obviously, the you know capping of the prices by the average of the top three brands and that is where any company can cap it's MRP at. But, the more damaging thing which has not been talked by the media so much is the thing that if you participate in a Government tender on a similar class of drug or

in the same drug, that tender price that you quote becomes the reference cap price for the brand business also, in the prescription side of the business. So what are your thoughts on the PMO Task Force Committee Report and what could be the impact on Pfizer in terms of topline or profitability, if the recommendations were to go through as they are today. I understand that it is hypothetical to talk about it at this time. But, if it were to go through in the current shape and form what would be the kind of impact, would you like to talk about that?

**Handa:** Ram, would you like to take this?

**Ram:** First, you are right that this is a matter of quite a bit of a concern for the industry, particularly keeping in view a little history on this - that right as far back as 5 years ago - the Government had promised that they would ease the rigors of price control where counter productive, and subsequent governments kept repeating the promise. You are aware of the 2002 policy that the DPCO was to be revised at that point in time, would have to an extent, liberalized the drugs under price control from over 74 bulk ingredients to about 39 or so at that point in time. A PIL litigation put that into cold storage and that's pending in court. Now, the point is that the Government today actually has too many cooks in the broth, and there are too many committees. The Task Force that you are talking about is one in a series of several that has gone in the past on the same topic.

So therefore, what they have right now, is a kind of motley collection of recommendations that various people have made in points of time. Our real worry today is that when you add everyone's recommendations it virtually brings most of the industry under some form of price control or the other.

While we are talking about price ceiling, which in effect in other words, is a form of price control, because that is the price beyond which one can't charge, and spanning it over all the essential drugs list - actually expands the scope from yesteryears, right up to 4-5 years back, right up to 74 to well over 300 odd drugs. Not only that, there is also a concern that the form of price control that existed - which is the current DPCO - may co-exist with the other form of ceiling prices, where really speaking is a mish-mash of two forms of controls, and industry is truly going to suffer with that. We are only hoping that the Government sees sense in not going ahead with too many such prohibitive measures. You are right you know, issues like de-branding and pegging of prices to Government procurement are unrealistic and we are hoping that the Government would see that on one hand everyone puts up the Pharma industry as a new sunrise industry leading the GDP growth in the economy, leading the industry growth. And on the other hand you are disabling it with these kind of measures. So even as we speak right now, there are a lot of things happening in the Government. We as Industry are consistently putting forward our views. We can only hope that at the end of the day some better sense prevails.

**Mazumdar:** I thought, looking at the entire set of recommendations, I thought they were moving away from a cost plus or cost based regime like the DPCO, to a cap based on the MRP of the top three brands. DPCO will continue to co-exist in the new scenario as well is it?

**Ram:** We don't know. But that is a concern that we have because there is a feeling in one quarter of the Government that the DPCO, as was submitted to the court before the PIL or during the PIL, should also be honoured. At this point in time we are not clear, in fact Kewal has been leading the whole industry's efforts in terms of mitigating price control. As you are all aware, Kewal chairs the OPPI pricing committee and so far has been the most active spoke person on this as far as the government is concerned. I think may be, Kewal you will like to add your comments to this.

**Handa:** I think Ram you have summed up pretty well. We are really working on this more than that I think that it is too premature to offer any more comments.

**Mazumdar:** Okay, but Kewal some other pharma companies actually have talked about the impact of anywhere between 1½, 3% to 5% of the current profitability. If the recommendations go through in the current shape and form, would you like to offer any kind of...?

**Handa:** If it goes through in the same form as it is, we are talking about 370 odd national essential drugs under price control. We are talking about some thousands of combinations of these products. Who actually knows how much these combinations are? Nobody has really figured out what the impact of these combinations are. We are talking about having a shift from cost based to average pricing base, but I am not sure whether that is the thinking - whether you have a total shift or have a hybrid system. Assuming that even if you shift to a market based pricing, there are still issues regarding the way it is going to be worked out on a weighted average system. Though right now they are talking about value, there are products where the market leader may not necessarily have the highest price. There would be a market leader which may have a different price point vis-à-vis companies having high price products. The combination will affect everybody. We are talking about a control of roughly around 80-90% of the pharmaceutical industry coming under price control.

**Mazumdar:** Okay.

**Handa:** If that is going to happen, I think the best bet is to lock up the Manufacturing, close Sales and Marketing and hand over the keys to the government. Nothing more can be done about it.

**Ram:** Actually Shubham, the main thing is that if what the Task Force has worked on so far, whether we like it or not, is indicative of the past – then like

Kewal said, once they have actually worked out the details of how it cascades to all products in the market place - is quite scary.

**Mazumdar:** Sure. And how can the government try to benchmark compared to the tender prices, because in tender pricing we do not have distribution costs, marketing and selling costs.

**Handa:** They said that we will give you a mark up of 50-100%, when we argued them out. We asked them very clearly about who goes for a tender first of all? I mean, there are hardly any branded products that bid for a tender. And, we said that normally even if you tender, your costing on a tender is more on marginal costing and not on full costing.

**Mazumdar:** Absolutely.

**Handa:** So there is no logic to that. There are government hospitals and there are government hospitals! Which hospital would one take as a reference point? These things have been argued out as you know....

**Mazumdar:** But, to my view, it is very damaging because you may not be participating in the tender, but in the same class of drugs - some small companies may ....

**Handa:** I agree with your point and that's what we asked the government as to why they are going to penalize efficient companies for this. Similarly, on branded products - the dialogue is on. We have had discussions with them and just to give you some information - post the submission of the Task Force, there is another small committee that has been formed to look at it. So, there is still some light at the end of the tunnel now.

**Mazumdar:** Thank you and all the best.

**Moderator:** Thank you Mr. Mazumdar for your questions. We have our next question coming from Mr. Abhay of HSBC. Mr. Abhay please proceed.

**Abhay:** Good afternoon Sir, this is a follow up question to the earlier one. The earlier price controls or de-control formula was in the courts for a couple of years. If the Government announces any proposals can the current proposal also be litigated and taken to court and the status quo maintained? In the worst case scenario?

**Handa:** Well, I think the order of the court is being misinterpreted depending upon who is interpreting the order. If it's the government, the government is saying that it is a clear mandate by the court to bring all the essential drugs under price control. But that is not the reality. The court has actually approved the DPCO in 2002, and the court only said that you find ways to put some criteria for

controlling essential drugs. It did not mandate anybody to fix ceiling prices or control the entire basket of essential drugs. So I think we are making that point to them very clear and we have got a whole lot of legal opinions on that. There is no mandate from the court to do that, in fact if the government wants it can go ahead with the existing policy of 2002 with some type of monitoring on the essential drugs. And that is what we are trying to tell them. So I think there is a total misunderstanding as to what the court has interpreted.

**Abhay:** Sir, one follow-up question. Recently there was an announcement of some price cuts on vitamins. Now is that going to impact Pfizer also or what is the status on that?

**Handa:** The price cut has been announced and accordingly the formulation prices have also been changed. They have already changed except for one product I think we have no major impact on that yet.

**Abhay:** Okay, Sir on the revenue growth, the quarter has been quite good and you did mention that next two quarters also we could see good revenue growth coming in....

**Abhay:** Fine, but because these are all quite old products, so any specific strategy that you really did which benefited you in terms of basing out your sales force into therapeutic segments or whatever. Has that really been a driver or what was it that really changed the entire scenario? Were you really able to get good growth out of these brands?

**Handa:** Yeah, I think there is more focused selling now. There is more effort on detailing, the training to the field-force has been very good and we are looking at different ways of doing it. There is a targeting of doctors that has been defined and we have improved on targeting. So overall we are looking at the productivity of the field-force and looking at how we really increase the productivity of the field-force. I think the restructuring exercise has been pretty good, it should now really focus more on matured products as well as other portfolios like the CVS and hospital portfolios and so on.

**Abhay:** Okay, and on your new product launches, are we seeing that happening? You have been talking about launching atleast one product by the end of the calendar or will you wait for the new government policy to fall in place?

**Handa:** No, we are going to go ahead and launch the products and then we will see how these products get impacted by the new policy. We are not waiting for the new policy to be announced and then launch the products.

**Abhay:** Okay, so that means then you would be looking to launch something like say 2-3 products by the next 15-18 months? Would that be a sort of a...?

**Handa:** Yeah, we are looking at few products and maybe there would be few launches in the 2006.

**Abhay:** Okay, thanks a lot Sir.

**Moderator:** Thank you Mr. Abhay for your questions. We move on to our next question coming from Mr.H.R. Gala of Quest Investment Advisors. Mr. Gala, please go ahead with your questions.

**Gala:** Hi Kewal, the results are very encouraging and good results in line with what you have been telling us earlier in the quarter, that Pfizer has really turned around after a bad patch of a year or so. Coming to this PMO's Task Force, one aspect they have touched upon is on the introduction of new patented products, where again they have put in lot of draconian provisions - like what kind of premium they will give to the product and till such time I think this is agreed - I think you will always be subjected to price control, and what you call compulsory licensing. So will that come in the way of us deciding to launch any R&D based molecules of Pfizer Inc.?

**Handa:** It is too early to comment at this point of time and the way they have defined now - they are going to control the prices of patented products. To my mind this will require more discussions with them and make them understand that you cannot have on one hand a good patent and then take it off and say that you will nullify it by price control. And I think that the message will go very clearly. I think the message that you guys also should give to the government is that unless you have good regulations in place - both IPR and pricing - FDI in the pharmaceutical industry is not going to come in like other areas. I too am making this point to them very clearly. I have given them the example of Germany, where Germany was paranoid and wanted to control prices. They actually started controlling the prices and saved something like about 13 billion over the entire market or so. And after that they found that multinationals started deserting them and the R&D sectors started moving out, manufacturing started moving out. There is an exercise done which shows that at the end of the entire period of 4-5 years, there is a negative now. The \$13 billion gained has been lost by way of benefits that would have otherwise accrued to the nation. Now you look at China on the other hand, it will give you a parallel. The domestic market is growing 30% or so. There are good clauses as far as IPR is concerned; patented products are allowed to be priced based on differential pricing. Look at the investment that is taking place. This is something which our government is penny wise and pound foolish. They should understand and realize that when they are looking at health care they should be looking at the total picture, not just controlling prices of patented products.

**Gala:** Right, my second question pertains to the cost structure that now we are seeing, say in this third quarter or if you go to 9 monthly results. Do you see this is going to be a representative of what is likely to happen in terms of the EBITDA

margins going ahead? Or with the launch of the new specialty products could we see margins going further up from the current level?

**Handa:** At this point of time let me say, as I mentioned to you earlier also, we have two corporate entities at this point of time, i.e. Pfizer Limited and the other one is the Pharmacia legacy entity which is 100% Pfizer. The Pharmacia legacy entity already has a specialty team which promotes products for Oncology, Uro, Gynaec and so on so forth. So we have not disturbed that team, the team still continues to promote these products and our strategy going forward, which I would like to make very clear once again, - I repeat this in every quarterly conference - is that we will launch products in the entities depending upon where the value creation is maximum. That is our strategy going forward. So specialty products, as you rightly said, which will require huge investments and which should have very low margins to run with, maybe the Pharmacia legacy company would bear all that. So Pfizer Limited will not be impacted.

**Gala:** Okay, so the rest can come to our company. This Thane plant Capex programs etc., which we had initiated a few years ago is now all over?

**Handa:** Yeah, I think to a large extent the Capex program is over, except for I think round about a million or two investment is still required. But if any of you have visited the Thane plant the last time we had a shareholder's visit and you will see how impressive the Thane plant now looks.

**Gala:** Okay, but do we have any plans to export any formulations out of it?

**Handa:** We are actually preparing ourselves for that and that is exactly why the investment took place and let us see going forward what are the opportunities we get for manufacturing products export from Thane plant.

**Gala:** Okay, and this plant will manufacture all the dosage forms?

**Handa:** No, in pharmaceutical every plant specializes in a few things. Thane plant basically is tablets, capsules and liquids. So this will be focusing more in that.

**Gala:** Okay, thank you very much.

**Moderator:** Thank you Mr. Gala for your questions. We have our next participant Mr. Lalit Nambiar of SBI Capital. Mr. Nambiar, please go ahead.

**Nambiar:** Good evening Sir, and congratulations on a fantastic set of numbers. Sir, this is to touch on the Mashelkar Committee, if you could just elaborate on the implications or innovators to Pharma?

**Handa:** Very good, I think Ram was waiting for that question, because he is an expert on that.

**Ram:** Okay, basically the Mashelkar Committee was appointed by the government when they introduced the Patent Bill in Parliament and the background is that at that point in time the Communists were reluctantly supporting the Patent Bill. So as a sort of conciliatory move, the government said this expert committee will look at what can be patented in India. That was the mandate. The problem is that the Mashelkar Committee was told to report back saying whether restricting patents only for new molecules or basic compounds, will that be TRIPs compliant. The point is that, as far as the pharmaceutical industry is concerned, more than 70-80% of new products or new innovations are not basic compounds but are adaptive products which are equally innovative, they are the new ones. So all those adaptive products which are new medicines will not get a product patent in India as per the current law. And the Mashelkar Committee report will determine whether that situation continues or not. Now we have, as an industry, as OPPI, represented to the Mashelkar Committee and we have given them not only technical and legal logic, but I have also pointed out the fact that this law will hurt India more than any thing else because basically Indian science or the Indian pharmaceutical industry is more capable of innovative adaption rather than coming with the path-breaking new molecule. And therefore by restricting the law, actually they will be denying mostly the Indian scientist of an opportunity to patent, and ironically the only people who will benefit from this Patent law will only be multinationals. We are hoping that, once Dr. Mashelkar turns in the report, the government will do something about it. It will put them in a bit of a political fix, but then they will have to face it. So that is where the things stand today.

**Nambiar:** Thank you Sir.

**Moderator:** Thank you Mr. Nambiar for your questions. We have our next question coming from Mr. Ranjit Kapadia of Tower Capitals. Mr. Kapadia, please go ahead with your questions.

**Kapadia:** Good evening and congratulations for good set of numbers.

**Kapadia:** Two questions Sir, one is the reduction in sales tax. Despite the growth in sales by 12%, however the sales tax has declined by 18%, from 13.4 crores to 11 crores?

**Handa:** Yeah it will, because now you have got VAT, your rate has come down, from as high as 8% to 4%.

**Kapadia:** Okay, and Sir regarding the Duchem performance, Duchem sales have come down by 59% from 29.9 to 12.2, whereas the profits have also

declined very sharply from 0.8 to 1.3, and what are the plans going further for Duchem?

**Handa:** Well, I think we will have to revisit Duchem in 2006 and take a call as to what we want to do. But the entire capital has been eroded right now. So Duchem was actually acting as a trading company and there are not many products now to support that company. So we will come back to you may be in 2006 and see post the new DPCO how we are able to take it back.

**Kapadia:** The provision of tax includes the fringe benefit tax or it has not been shown separately...?

**Handa:** No, it has not been because now we need not show it separately. I know what you are saying is that in the earlier quarter we did show it separately. But now we have said it includes the fringe benefit tax.

**Kapadia:** Okay, this current tax includes the fringe benefit...?

**Handa:** Absolutely. Why don't you write some good articles to Mr. Chidambaram and ask how can samples and sales conferences be an employee benefit. I am not really able to figure it out. I wish they were working in some pharma industry and have a good experience of it.

**Kapadia:** Regarding the estimated loss of 2.37 crores in the third quarter, has the whole amount been charged or is still something pending to be charged in the fourth quarter?

**Handa:** We don't know, because this is an estimated losses based on the management's estimate. Based on what claim we lodge and what claim gets passed - we will exactly know what is the difference.

**Kapadia:** 4 crores we have already received, plus this 2.37 is already charged to the extra-ordinary item?

**Handa:** Correct.

**Kapadia:** And this quarter ... any further estimate?

**Handa:** I don't think this will go beyond, maybe just marginally 5-10% here and there. I don't think we will have this type of a large number now in the fourth quarter.

**Kapadia:** And Sir, the last question regarding the share prices which have moved quite a bit, so are we planning for stock split?

**Handa:** No, I never thought about that. I thought all the time you guys ask a question, when is Pfizer going to 51 or 75. This is the first time you ask for a stock split. So let me think about it.

**Kapadia:** Thank you so much, wish you all the best.

**Moderator:** Thank you Mr. Kapadia. Next in line is Ms. Monica from Quantum Securities. Ms. Monica, please go ahead Madam.

**Monica:** Good evening Sir, this was about your clinical development operations. What I would like to know is, do you see Pfizer India becoming a harbour, a place where most of Pfizer, or let us say a chunk of Pfizer Inc.'s development does really flow in? Do you see that happening over the next year, year-and-a-half?

**Handa:** It all depends. There is a small window right now I would say, available for India to attract foreign direct investments. That window is not going to last more than 3-5 years, to my mind. So if we do not put our act together, (a) in terms of regulations (b) in terms of infrastructure, I am sorry then all this investment will go either to Singapore, Brazil, China or some other countries. So more than a question to me, you should ask this question to the government - what are they doing to take this opportunity and get investments into India.

**Monica:** Sir, if you could just clarify, in terms of regulations, okay we are somehow got ourselves in to product patents...?

**Handa:** We don't have a good product patent, by the way.

**Monica:** Not very, but...

**Handa:** We don't have a patent at all.

**Monica:** Okay, atleast we have started the process.

**Handa:** The process is started, but expected to take another 5 years to settle down. They are not going to wait for the good patent to come and then start investing. They have already started investing. They have invested almost \$120 million in China recently, about 60-70 million in Singapore. All these could have come to India.

**Monica:** Sir, what exactly are you looking in terms of saying that we need to boost the infrastructure part of it...?

**Handa:** Look at infrastructure, look at your position in terms of airports, look at the ports, look at the position of power and your labor policies. You have seen the red flags last week, didn't you?

**Monica:** Right, Sir you have had a good growth in your division basically about, you are still contributing marginally, but nevertheless it is a good growth. So what you see this divisions growth to be, let us say in the next two years?

**Handa:** We have said that we will try to grow above the market and that is what our vision is, to marshal all our resources so that we grow above the market, that is all I can say. Right now the market is really growing at 5-6% and likely to wind up the year, let us say at 6-7%. We are seeing a very low growth in pharmaceutical industry. If you look at last 2-3 years, they never grown beyond 6%.

**Monica:** Okay Sir, thank you.

**Moderator:** Thank you Ms. Monica for your questions.

**Neeraj:** This is Neeraj from UTI Mutual Fund, here. Sir, what would be the loss on account of floods? Can you throw some more light basically, as you said that we have lost more than 100 crores in terms of sales in last quarter itself? So can you throw some more light on that, how much we lost? How much would be recoverable?

**Handa:** In my opening comments I just mentioned that. Overall on a turnover basis, on a sales-value basis, for Pfizer India, we lost almost about 100 crores. But on cost basis it will be anywhere around 50-60 crores or so. And the provisions that we have made are our best estimate on what could be the loss on account of what claims we are going to file and what we are going to recover.

**Neeraj:** But this 100 crores is basically on account of mostly loss of sales, right?

**Handa:** It is not loss of sales, I am saying the stock that has been destroyed, their value in terms of sales prices are 100 crores.

**Neeraj:** So we have lost 100 crores mostly in the warehousing and all that, right?

**Handa:** Yeah.

**Neeraj:** Okay, thank you.

**Moderator:** We have our next question coming from Ms. Shaheena Mukadam of IDBI Capital.

**Shaheen:** Hi Mr. Handa, this is Shaheen.

**Shaheen:** Actually the numbers are very good, I just wanted to know something more on your consumer division. How much did it contribute to this quarter's 148

crores? How much came from that division? And for the full year, what is the size you see for it?

**Handa:** You are asking a very technical question

**Shaheen:** No Sir, because that is going to be a very profitable division for you.

**Handa:** This quarter it has contributed about 25%.

**Shaheen:** 25% of 148 crores?

**Handa:** Yeah.

**Shaheen:** That's pretty big, of this 148 crores for the quarter...? How do you see it evolving? I mean this is the third quarter already, so for the full year? And maybe next years' you can give us some guidance.

**Handa:** It's around about 20-25%, it is in the same range.

**Shaheen:** Okay, and for the year?

**Handa:** Will be the same.

**Shaheen:** Okay, and do you see this to be a good growth driver for next year also, because it has been for the quarter?

**Handa:** Well, yes and no, depending upon how really the regulations also change, you know? There is a whole lot of pitch going on for OTC category and so on so forth. If that really happens, we could see good growth. However if you take the new DPCO coming in, then even products which are OTC category, may get impacted.

**Shaheen:** But the regulations that were supposed to come in for OTC, one has just not heard anything further on that front. So is it still on? Are we going to have some regulations?

**Handa:** It is on.

**Shaheen:** Okay, so then that will determine which products will fall under your consumer division. And what about animal health?

**Handa:** Animal health is doing growth of around 10% in this quarter.

**Shaheen:** But in terms of profitability it has done much better.

**Handa:** This quarter it has done much better, but because of the product mix...

**Shaheen:** Okay, and you could sustain this sort of profitability going forward?

**Handa:** Should be.

**Shaheen:** Okay Sir, thank you very much.

**Moderator:** Thank you Ms. Mukadam for you questions. We have our last question coming from Birla Sunlife.

**Neelam:** This is Neelam. Good evening Sir, Congratulations for very good set of numbers. Just wanted to know, can you throw some light on your product launches, as to which therapeutics segment would it be and how many products would you launch?

**Handa:** All I said earlier is that we are looking very at it very closely and hopefully we would be able to give you some good news in early 2006.

**Neelam:** Okay and which therapeutic segment would that be?

**Handa:** Yeah, and then next question you would ask me, which is the product !!

**Neelam:** No, I wouldn't ask you about that.

**Handa:** If I tell you the therapeutic segment, you will know the product!

**Neelam:** Okay, there is just one small question on this, because of the floods, you said that there has been some shortages. Has that been managed now, I mean, are things normal currently?

**Handa:** Well, I think we did a great job in spite of such huge loss of inventory. We were able to replenish very quickly and we were able to manage distribution across the country, because this was our main hub. We did lose some business in the last two months, because of stocks not being available and now we have taken whatever was available, wherever it was available in India and were able to do some sales. But going forward to replenish it now it is getting little difficult because it takes lead-time to manufacture products. So I think we are going to see that a spill over of shortage for another month or so. The imported products also will take time to be augmented.

**Neelam:** Okay.

**Handa:** Okay, I think it is a good interaction and we have really enjoyed and as you see we have broadened the scope of the people that are participating now in this discussions and I am sure you would like to take advantage of their being present here. So as we move forward you will hear more from them and I will

take less and less. Thank you very much for coming and participating, thank you.

**Moderator:** Ladies and gentlemen, this concludes your conference for today. Thank you and have a great evening.