

Report



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Annual Report 2002-2003



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Board of Directors

R. A. Shah	Chairman
Hocine Sidi Said	Managing Director
Richard Hugh Gane	Director
Pradip P. Shah	Director
Kewal Handa	Executive Director – Finance
B. M. Gagrati (Dr.)	Executive Director – Technical Operations

Management Committee

H. Sidi Said	Managing Director
K. G. Ananthakrishnan	Pharmaceuticals
B. M. Gagrati (Dr.)	Technical Operations
A. Gupta	Business Technology
K. Handa	Finance
C. Lele (Dr.)	Biometrics
S. Madhok	Animal Health
V. Mahurkar	Business Development
S. Mukherjee (Dr.)	Medical Research Division
S. Ramkrishna	Corporate Affairs
H. Walder	Employee Resources (till April 30, 2004)
Y. Goutam	Employee Resources (w.e.f. May 1, 2004)

Secretary

A. Anjeneyan

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

Tata Consultancy Services
Park West II, Raheja Estate
Kulupwadi Road, Borivli (East)
Mumbai – 400 066
Tel.: 022 566 89898
Fax : 022 566 89799
Email: tcssharc@mumbai.tcs.co.in

Auditors

Bharat S. Raut & Co.

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Pfizer Limited: Ten Year Financial Summary

	1995	1996	1997	1997#	1998	1999	2000	2001	2002**	2003
Amount – Rupees in Lakhs										
Sources of Funds										
Shareholders' Funds										
Share Capital	1172	1172	1172	1172	1172	1172	2344*	2344	2344	2880
Share Capital Suspense A/C									536	
Reserves and Surplus	3653	4506	5925	6694	7104	9541	11167	14645	27923	27960
Total Shareholders' Funds	4825	5678	7097	7866	8276	10713	13511	16989	30803	30840
Borrowed Funds										
Secured Loans	1995	2077	397	84	156	—	—	—	—	—
Unsecured Loans	3151	806	629	2002	1	1	—	—	—	—
Total	9971	8561	8123	9952	8433	10714	13511	16989	30803	—
Application of Funds										
Net Fixed Assets	3240	3343	3085	3885	3678	3502	3728	4210	5696	6110
Investments	23	23	25	324	346	324	324	324	529	324
Deferred Tax Asset (Net)	—	—	—	—	—	—	310	503	790	989
Current Assets, Loans and Advances:										
Inventories	4439	3875	3596	3286	4018	4486	5780	5644	8484	8658
Sundry Debtors	1699	1999	2155	2462	2317	3810	3918	5421	12341	5883
Cash and Bank Balances (including amounts held on deposit accounts with banks)	197	81	49	234	820	2329	4609	5763	6840	8908
Others	2741	2436	3234	4572	3923	3839	3529	4289	7260	8375
Total Current Assets, Loans and Advances	9076	8391	9034	10554	11078	14464	17836	21117	34925	31824
Less: Current Liabilities and Provisions										
Current Liabilities	2186	2938	3484	3857	5375	5439	6771	6312	11112	9619
Provisions	182	925	1574	1690	2047	2376	2366	2853	5244	4192
Net Current Assets	6708	4528	3976	5007	3656	6649	8699	11952	18569	18013
Misc. Expenditure (Deferred Revenue Expenditure)										
Voluntary Retirement Scheme	—	667	1037	736	753	239	—	—	5219	5404
Commercial Rights	—	—	—	—	—	—	450	—	—	—
Total Net Assets	9971	8561	8123	9952	8433	10714	13511	16989	30803	30840
Income										
Gross Sales	23978	25260	26290	14160	23343	28733	32719	36207	65127	55896
Less: Excise Duty								3796	5719	3954
Less: Sales Tax								2643	5165	4478
Net Sales								29768	54243	47464
Services	—	205	1105	2321	3036	4275	4237	4826	4366	2944
Interest Income	57	88	111	204	279	331	376	668	634	364
Dividend Income	3	3	2	3	3	—	—	—	—	—
Other Income	508	292	880	279	426	501	549	653	1007	743
Total	24546	25848	28388	16967	27087	33840	37881	35915	60250	51515
Costs and Expenses										
(Increase)/Decrease in Stock of Hospital Products, Finished Goods, Work in process and Own Manufactured Bulk Drugs	(24)	402	307	119	(607)	216	(691)	(531)	284	790
Materials Consumed	9178	8159	8931	4293	7604	8614	10757	11267	21694	18947
Personnel Costs	3179	4051	4333	3072	5712	4865	5056	5580	8784	7942
Excise Duty	3118	3195	3105	1618	2806	3414	3940	348	(32)	137
Sales Tax	1564	1655	1627	933	1548	1968	2394	187	130	191
Depreciation	354	362	437	319	967	768	676	717	1064	1083
Interest Expense	627	571	358	160	211	54	37	26	76	39
Other Expenses	4663	5015	5768	4124	6504	8192	8875	10373	16990	15759
Goodwill/Technical Know-How Written off	—	—	—	—	—	—	—	—	—	—
Royalty and Technical Know-How Fees	682	583	555	270	455	526	565	246	95	322
Total Costs and Expenses	23341	23993	25421	14908	25200	28617	31609	28213	49085	45210
Profit before Taxation & Exceptional Items	1205	1855	2967	2059	1887	5223	6272	7702	11165	6305
Exceptional items - (Expenses)/Income	—	—	—	—	—	—	—	—	1518	(1673)
Profit before Taxation	1205	1855	2967	2059	1887	5223	6272	7702	12683	4632
Taxation	396	785	1067	681	629	2130	2518	2953	5089	1881
Profit after Taxation	809	1070	1900	1378	1258	3093	3754	4749	7594	2751
Tax Provision as % of PBT	32.9	42.3	36.0	33.1	33.3	40.8	40.1	38.3	40.1	40.6
Net Profit as % of Sales	3.4	4.2	7.2	9.7	5.4	10.8	11.5	13.1	11.7	4.9
Earnings per share (Rs.)	6.90	9.13	16.21	11.76	10.73	26.39	16.02@	20.26	26.37	9.55
Equity Dividend per share (Rs.)	1.50	3.00	4.00	3.00	4.00	5.00	4.00	5.00	7.50	7.50
Total Dividend Amount (Rs. in Lakhs)	176	352	469	352	469	586	938	1172	2160	2160
Book Value per share (Rs.)	41.17	48.45	60.55	67.12	70.61	91.41	57.64@	72.48	106.95	107.08

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

Notice of Annual General Meeting

Notice is hereby given that the 53rd Annual General Meeting of Pfizer Limited will be held at the Y.B. Chavan Auditorium, General Jagannath Bhosale Marg, Next to Sachivalaya Gymkhana, Mumbai-400 021 on April 29, 2004 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, 2003, the Audited Balance Sheet as at that date and the Reports of the Board of Directors and Auditors.
2. To declare Dividend for the year ended November 30, 2003.
3. To appoint a Director in place of Mr. Pradip P. Shah who retires by rotation and being eligible, offers himself for reappointment.
4. To appoint Auditors and to fix their remuneration.

SPECIAL BUSINESS

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

"RESOLVED THAT in partial modification of the Special Resolution passed at the 43rd Annual General Meeting held on August 31, 1994 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 Tata Consultancy Services, a Division of Tata Sons Limited, the Registrars and Share Transfer Agents of the Company at Park West II, Raheja Estate, Kulupwadi Road, Borivli (East), Mumbai 400 066 instead of at Lotus House, 6, New Marine Lines, Sir V. Thakersay Road, Mumbai 400 020.

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 authorized to take such further steps as may be necessary in this regard."

6. 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 309(4) of the Companies Act, 1956 (the Act) and Article 125 of the Articles of Association of the Company and other applicable

provisions, if any of the Act, the Company do hereby approve the payment to the resident Indian Non-Executive Directors of the Company, a commission at the rate of 1% of the net profits of the Company, subject to a maximum limit of Rs.20 lakhs per annum, to be computed in the manner laid down in Section 198(1) of the Act, for a period of five years commencing from 1st December, 2003.

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorized to determine the precise quantum of commission payable to each such Non-Executive Directors on a year to year basis."

NOTES:

1. The relative Explanatory Statement pursuant to section 173 of the Companies Act, 1956 in respect of items 5 & 6 of Special Business is annexed hereto.
2. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT ONE OR MORE PROXIES TO ATTEND AND VOTE ON A POLL ONLY INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER.

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. The Register of Members and the Share Transfer Books of the Company will remain closed from 20.04.2004 to 29.04.2004 (both days inclusive).
4. Members (Beneficiaries) holding shares in dematerialised mode are requested to note that the bank details furnished by them to their respective Depository Participants will be printed on their Dividend Warrants, if not opted for Electronic Clearing Service (ECS). This is pursuant to the SEBI directive vide Circular No. D&CC/FITTC/CIR-4/2001 dated 13.11.2001.
5. In compliance with Sections 205A & 205C of the Companies Act, 1956, unclaimed dividend for the year ended 1996 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 un-cashed Dividend with regard to the above dividend. Unclaimed dividend for all the subsequent years will be transferred to the "Investor Education and Protection Fund" according to the statutory stipulations. Members are requested to contact the Company's Registrars and Transfer Agents, Tata Consultancy Services in respect of their outstanding dividends for the succeeding years.

By Order of the Board of Directors

A. Anjeneyan
Secretary

Mumbai, February 26, 2004
Registered Office:
Pfizer Centre, Patel Estate,
Patel Estate Road, Off. S.V. Road,
Jogeshwari (West),
Mumbai - 400 102.

EXPLANATORY STATEMENT PURSUANT TO SECTION 173 OF THE COMPANIES ACT, 1956**Item No. 5**

At the 43rd Annual General Meeting of the Company held on August 31, 1994, the shareholders had approved appointment of Tata Consultancy Services, a Division of Tata Sons Limited, as the Company's Registrars and Transfer Agents and 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 their office at Lotus House, 6, New Marine Lines, Sir V. Thakersay Road, Mumbai 400 020.

Tata Consultancy Services have shifted their office from Lotus House, 6, New Marine Lines, Sir V. Thakersay Road, Mumbai 400 020 to Park West II, Raheja Estate, Kulupwadi Road, Borivli (East), Mumbai 400 066. Accordingly, approval of the shareholders by a Special Resolution is being sought, pursuant to the provisions of Section 163 of the Act. A copy of the Special Resolution set out in Item No. 5 of the Notice will be delivered to the Registrar of Companies, Maharashtra, Mumbai in advance.

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

Item No.6

At the 50th Annual General Meeting of the Company held on April 26, 2001, the shareholders had approved payment of commission

at the rate of 1% of the net profits of the Company subject to a maximum limit of Rs.20 lakhs per annum to each Directors resident in India, who are not in the Company's whole-time employment. This approval was for a period of three years commencing from December 1, 2000.

Approval of the shareholders by a Special Resolution is being sought, pursuant to the provisions of Section 309(4) of the Companies Act, 1956 for payment of commission at the rate of 1% of the net profits of the Company subject to a maximum limit of Rs.20 lakhs per annum to Non-Executive Directors who are resident in India. This approval would be effective for a period of five years commencing from December 1, 2003.

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 the passing of this Special Resolution as it concerns them. None of the other Directors of the Company are interested or concerned in the passing of this Special Resolution.

By Order of the Board of Directors

**A. Anjeneyan
Secretary**

Mumbai, February 26, 2004

Registered Office:

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

DIRECTORS' REPORT including Management Discussion and Analysis Report

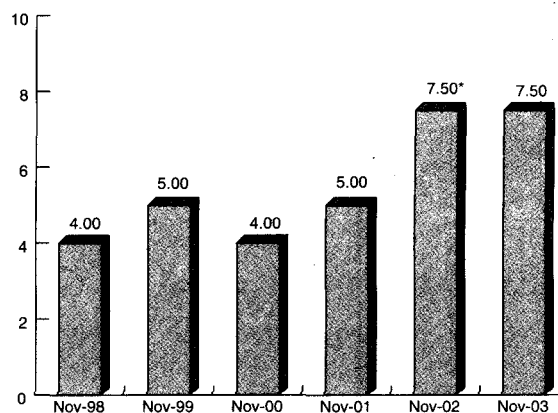
TO THE MEMBERS

Your Directors have pleasure in presenting this 53rd Annual Report together with the Audited Accounts for the year ended November 30, 2003. The Report reviews the Company's diversified operations covering Pharmaceuticals and Animal Health Products.

DIVIDEND

Your Directors are pleased to recommend a dividend of Rs. 7.50 per share (75%) for the financial year ended November 30, 2003. The total amount of dividend for the year ended November 30, 2003 is Rs. 2160 Lakhs. The dividend, if declared, 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. 277 Lakhs.

Dividend Per Share (Rs.)



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

FINANCIAL RESULTS

Rupees in Lakhs

	Year ended November 30	
	2003	2002
Sales (Net of Excise Duty & Sales Tax)	47464	54243
Services	2944	4366
Profit Before Tax and Exceptional Items	6305	11164
Exceptional Items (Expense)/Income	(1673)	1518
Profit Before Tax	4632	12682
Less: Taxation		
- Current Tax	2080	5344
- Deferred Tax (Credit)/Debit	(199)	(256)
Profit After Tax	2751	7594
Balance of Profit from Prior Years	19411	14608
Surplus available for Appropriation	22162	22202
Appropriation:		
Transfer to General Reserve	300	800
Proposed Dividend - Regular	2160	1440
- Special	—	720
Tax on dividend	277	—
Tax on dividend for the previous year	277	—
Tax on dividend for the previous year reversed	—	(169)
Balance carried to Balance Sheet	19148	19411
	22162	22202

AMALGAMATION

The Supreme Court of India, vide its Order dated September 9, 2003 dismissed the Special Leave Petition filed by the dissenting shareholder thereby restoring the Order passed by the Bombay High Court on February 7, 2003 approving the Amalgamation of Parke-Davis (India) Limited (PDI), with your Company. Accordingly, on September 10, 2003, the shareholders of PDI were allotted four shares of your Company for every nine shares held by them in PDI as on the Record Date, i.e. March 14, 2003. As a consequence, the Paid-up Capital of your Company has increased by Rs.5.36 Crores to Rs.28.80 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 Pharmaceutical market posted a single digit growth for the third successive year, growing by 5.1% in 2003 to end at Rs.19229 Crores (Source: ORG Retail Audit). Growth continued to be driven by volume (3.5%) and new launches (2.3%), while price declined by 0.7%. Trade issues such as uncertainty of implementation of VAT and transporters' strike during the first half of the year contributed to the low growth. IMS Market Prognosis predicts growth at a CAGR of 10.5% during the five-year period 2003-2007.

Therapeutic segments like Cardiovasculars, Anti-diabetics, Neuropsychiatry, Respiratory and NSAIDs grew at 13%. However, in contrast, acute therapeutic segments like Anti-Infectives, Cough-Cold, Gastro-intestinal, Pain and Fever, grew by only 1%. The market is gradually shifting towards life-style related segments due to increasing awareness, detection and treatment of these ailments. Higher growth is observed in urban markets compared to rural markets. There is also an increase in the number of prescriptions from the specialists segment compared to general practitioners. (Source: ORG)

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.

The Government took one step towards IPR implementation by granting Exclusive Marketing Rights (EMR) to Novartis and Wockhardt during the year. The recent proposal for stringent penalties against offenders will result in a substantial reduction in the production of spurious drugs. This will result in greater consumer protection and ensure adherence to higher quality standards within pharmaceutical products.

Increase in healthcare awareness is expected to fuel the growth of the OTC segment. Major players like Ranbaxy, Hindustan Lever, Nicholas Piramal are active in developing the OTC segment. Proper regulatory framework for OTC products will help

streamline the business. The Pharmaceutical Industry is partnering with the Government in the development of OTC guidelines.

BUSINESS SEGMENT: PHARMACEUTICALS DIVISION

Performance 2003

The revenue of your Company's Pharmaceuticals Division at Rs. 432 Crores (Previous Year Rs. 512 Crores) were affected by the slow down of the market in general and lower growth rates in the therapeutic segments that your Company operates in. The Division's business operations were restructured, following the operational integration with Pharmacia Healthcare Limited in mid-2003. Other factors that contributed to the decline in sales include reduction in price of Becosules due to the ceiling price order passed under DPCO, 1995, inventory rationalization, trade apprehension on VAT implementation and transporters' strike.

Key Brands Performance

Corex continued to be ranked #1 among all Industry brands in 2003, with Becosules following at #3. Gelusil MPS, Benadryl Cough Formula and Dolonex, the major brands of your Company, continue to be ranked among the Industry's top 100 brands.

Your Company continues to hold leadership position in several therapeutic areas. Becosules, Corex, Benadryl Cough Formula and Gelusil MPS are leaders in Vitamins, Cough preparations and Antacid/Anti-flatulent categories respectively.

BRAND LEADERSHIP

Brand	Therapeutic Segment	Rank	% Share	# Of Competitors
COREX	Cough Preparations	1	16.9	471
BECOSULES	B-Complex+C	1	57.3	29
GELUSIL MPS	Antacids / Anti-flatulents	1	19.7	138
BENADRYL	Cough Preparations	3	5.2	471

Source: IMS MAT December 2003

Minipress XL is ranked among the top ten brands in the highly competitive anti-hypertensives market. This was achieved through a focused campaign to expand usage of the brand in new indications.

Dolonex Orals gained market share and is now ranked #5, while Dolonex IM remained at #2 in the Injectable NSAID market.

Extensive mass media advertising, targeted promotion to the right doctors, coupled with merchandising efforts across the country, were effectively used to consolidate the 'Rx to OTC' switch of our Consumer Health products like Gelusil MPS, Benadryl Cough Formula and Listerine Mouthwash. These products continue to dominate, and outperform their respective markets in terms of growth.

The advertising campaign for Gelusil tablets won an award for Creative Excellence at the 36th ABBY- The All India Awards for Creative Excellence.

Marketing and Medical Initiatives

Daxid, the anti-depressant brand launched in 2002 was strongly supported by a series of nation-wide medical education programs

– Prime MD Today – that focuses on the management of depression. Prime MD Today is a diagnostic tool that helps primary care physicians to diagnose depression through a simple self-administered patient questionnaire. This program was well received by the medical fraternity.

The rollout of the “Magnex post marketing surveillance study” was conducted on 850 Indian hospitalized patients with serious infections. The findings of this study helped establish the brand among the top five brands in the Injectable Cephalosporins market.

In a bid to standardize patient care, and have uniform treatment practices across the country, an eminent body of Oncologists issued the first Indian guidelines for the management of infections in cancer patients (Febrile Neutropenia). Your Company in collaboration with the Indian Society of Medical and Pediatric Oncology supported the development of Febrile Neutropenia Management Guideline.

Your Company will continue its efforts at market expansion through such science based promotional programs that aim at educating physicians and creating awareness about disease conditions. Your Company aims to become the most preferred partner of physicians and patients, in each of the therapeutic areas that it operates in.

Field Force Initiatives

To provide focus on the mature segment of the prescription portfolio, your Company appointed Innovex, a globally reputed contract Sales Force Organization, to promote these brands. It is expected that this initiative will help sustain the growth of the assigned matured portfolio.

The field force automation tool “Optima” was successfully implemented across the entire sales organization. This web based program helps the sales force to plan their customer contacts and implement marketing programs in an effective manner.

The pilot project on “Targeting” – a tool to optimize field force effectiveness was initiated in two locations with encouraging results. The roll out of this program to the entire field force is expected to occur during 2004.

Training and Development

Training and development of people has always been a prime focus area of your Company. Several innovative custom-designed programs were rolled out to the field force to achieve competitive advantage. One such major program is the Leaders Academy, a comprehensive management development program, for first line managers.

Further, there were several training programs that were implemented, to upgrade the knowledge and skills of the newly merged field force. Your Company's efforts in developing people were recognized and rewarded with a special commendation of the “Golden Peacock National Training Award” in 2003 from the Institute of Directors – Delhi.

Way Ahead

Your Company is evaluating the introduction of several new products from the global portfolio and line extensions to further augment the current product portfolio.

BUSINESS SEGMENT: ANIMAL HEALTH DIVISION

The Animal Health Industry in India is estimated to be Rs. 900 Crores with Cattle and Poultry business contributing almost equally to this potential.

India has a cattle population of 350 million and is the world's largest producer of milk (over 80 million tons milk production). The poultry population is estimated at 900 million. The Companion Animal business is in a nascent stage but is likely to grow faster with increasing focus on pet care. This is further accentuated by the increasing number of pet food companies that have entered the Indian market, in the last couple of years.

The milk and meat consumption in India is also growing. The meat consumption is predominantly poultry (beef and pork is negligible). An independent study over the past 30 years has shown an increasing trend in the consumption of meat and milk as a part of the diet.

Market share and ranking data is not available in the Animal Health business segment. Yet, an assessment on the total sales of different companies indicates your Company's strength and position in the Indian market. Pfizer is among the top four Animal Health Businesses, despite recent mergers and acquisitions.

The revenue of Animal Health Division for the year under review was Rs. 54 Crores (Previous Year Rs. 58 Crores). The adverse market conditions & erosion in selling prices in the poultry segment have had a negative impact on performance for the year.

The Industry growth rate has been of concern in the past few years, both at the international level as well as at the local level. The key is to ensure growth at a pace that this business segment demands irrespective of the unique market conditions.

The challenge is to look not only for “bigger opportunities” but also at “incremental opportunities”. The outlook for 2004 has been strengthened by not only the launch of new products but through a marketing alliance signed with Bayer Polychem India Limited in November 2003.

The alliance with Bayer offers a product portfolio that strengthens Pfizer's presence in Cattle, Poultry and Companion Animal business. The strength of this alliance lies in the near perfect fit with the product portfolio of Bayer. This alliance offers a presence in segments where there was zero or negligible presence. In some instances, it will strengthen some of the therapeutic areas where your Company already holds a significant presence. The strong research pipeline of Pfizer and Bayer is yet another factor which augurs well for the future of your Company's business.

The pipeline of new products will also be augmented by the launch of Pharmacia products that have already established themselves internationally. Pharmacia had a limited presence in India through a constrained distribution network. This offers yet another opportunity to grow the business.

To ensure the success of new products, your Company has not only increased the size of the field force in all the business segments but will also lay equal emphasis on training and field force effectiveness. This will result in optimizing the level of productivity from each member.

From mid 2003, your Company's Animal Health group entered the Aqua business segment. Your company is currently deploying resources to initiate growth.

These initiatives alongwith the ongoing activities would be the drivers of business growth as your Company moves ahead.

BUSINESS SEGMENT: RESEARCH AND DEVELOPMENT DIVISION

The Development Operations Group of Pfizer Global Research and Development (PGRD) in India was reorganized, in keeping with the worldwide reorganization. As a result, the Clinical Research group integrated with the Medical Research Division, while Biometrics continues to be part of Development Operations.

This Division generated a higher revenue of Rs. 19 Crores for the year under review as compared to Rs. 17 Crores during the Previous Year.

Your Company's Biometrics division further expanded the scope of its activities in 2003. It has added new PGRD sites to its list of customers and there is an increase in volumes, across all functions. The activity of data management for Ann Arbor and the activity of programming and reporting for the Development Operations group in Japan were added. With the closure of legacy Pharmacia's data management group in Bangalore, the data entry activities for that group were transferred to the data capture group in Mumbai. As an extension of the newly created Study Start Up group in New London, a small group specializing in design of case report forms and databases has been created within Biometrics.

In addition to contributing to several early development protocols from Groton and Sandwich, Biometrics also worked on many Phase II protocols from Sandwich and Phase II/III protocols from New London. Your Company's Biometrics division is also providing support to the global Azithromycin-malaria program. Some of the drug projects include Voriconazole, Sildenafil, Varenicline, Lasofoxfene and Geodon. Quality and timelines were maintained despite the expansion in the scope of activities. The Informatics group also supported the Clinical Research Department in the deployment and maintenance of an electronic data capture tool at investigator locations across India.

Your Company's Biometrics Division has continued to be a leader in the development of clinical research culture in the country through its continued efforts to enhance the awareness on clinical research and biometrics in the country. Biometrics has achieved this by its active participation in several workshops and through certificate programs offered by the 'Academy for Clinical Excellence' (ACE), a Pfizer initiative.

OPPORTUNITIES AND THREATS

The Pharmaceutical Industry in India is rapidly changing the way it does business. The Industry has a domestic turnover of around Rs.19000 crores and it is growing at a 5% rate (as per ORG-MAT Sept '03). Last year, the Pharmaceutical Industry saw a spate of new launches. The product portfolios among serious domestic companies are undergoing a major stir. The local pharmaceutical companies attempted to accelerate the launch of global products that do not have a presence in India. This was driven by their belief that these products would become inaccessible after the existence of Product Patents post 2005. However, many of them

soon realized that establishing brands with critical mass is more important than the breadth of their portfolio. Further, the different growth opportunities within the various therapeutic categories, also determined a shift in portfolio among the major players. This resulted in greater competition among value-added segments like anti-hypertensives and cholesterol reducers, and the market in these areas saw significant expansion.

Access to healthcare continues to be a major shortcoming in India. Despite having some of the lowest prices in the world for pharmaceutical products, our per capita consumption of drugs is also one of the lowest in the world. Only 30% of India's population has access to modern healthcare. The government needs to recognize that it must boost its poor delivery capabilities, by taking help from the private sector. It is certainly not affordability that is the major issue here. It is the non-availability of hospitals, healthcare centers, or even qualified doctors, in the vast tracts of India that preclude the use of modern medicines by a large number of Indians.

The government's own expenditure on healthcare infrastructure has actually shrunk over the past few years as a percentage of GDP. This failure of the government has led to their continued dependence on price controls of drugs as a means to demonstrate their intervention to the public.

The potential for the private sector to expand healthcare access is vast. Indeed, in recent times hospital chains, like Apollo group, have made significant contribution to the establishment of new capacity. This paradigm, coupled with an emerging health insurance sector, is well poised to significantly improve the healthcare scenario in India. This will thereby, push up the demand for quality medicines.

Unfortunately, there is a serious dichotomy in the way the government has been viewing the pharmaceutical industry. On the positive side, the health ministry has initiated several measures to ensure the quality of drugs available in India. Steps have been taken to ascertain the quality of drugs imported in India, which predominantly goes unchecked. Regrettably, the government has postponed the enforcement of Good Manufacturing Practice (GMP), since the vast majority of the small-scale manufacturers lobbied against it. It is difficult to reconcile the fact that the same government which proposes harsh action against sub-standard and spurious drug manufacturers can be so lenient with such large number of firms that are virtually incapable of producing consistent quality drugs. Even if regulations are made more stringent, the administrative machinery to enforce it is simply inadequate.

OUTLOOK

India is shining, with a GDP forecast in excess of 8%, forex reserves exceeding the \$100bn mark, inflation at the rate of 6% and set to fall further, India is on the threshold of exceptional growth. The year 2003-4 is estimated to be the highest economic growth in the last 15 years.

Agriculture is no longer a constraint on the economy. Its contribution to the GDP has gone down to 23%. In the rural areas as well, its contribution to the GDP is only 48%. Furthermore, the industry to agricultural linkage has weakened since the start of the decade. Infrastructure - a traditional weakness of the Indian