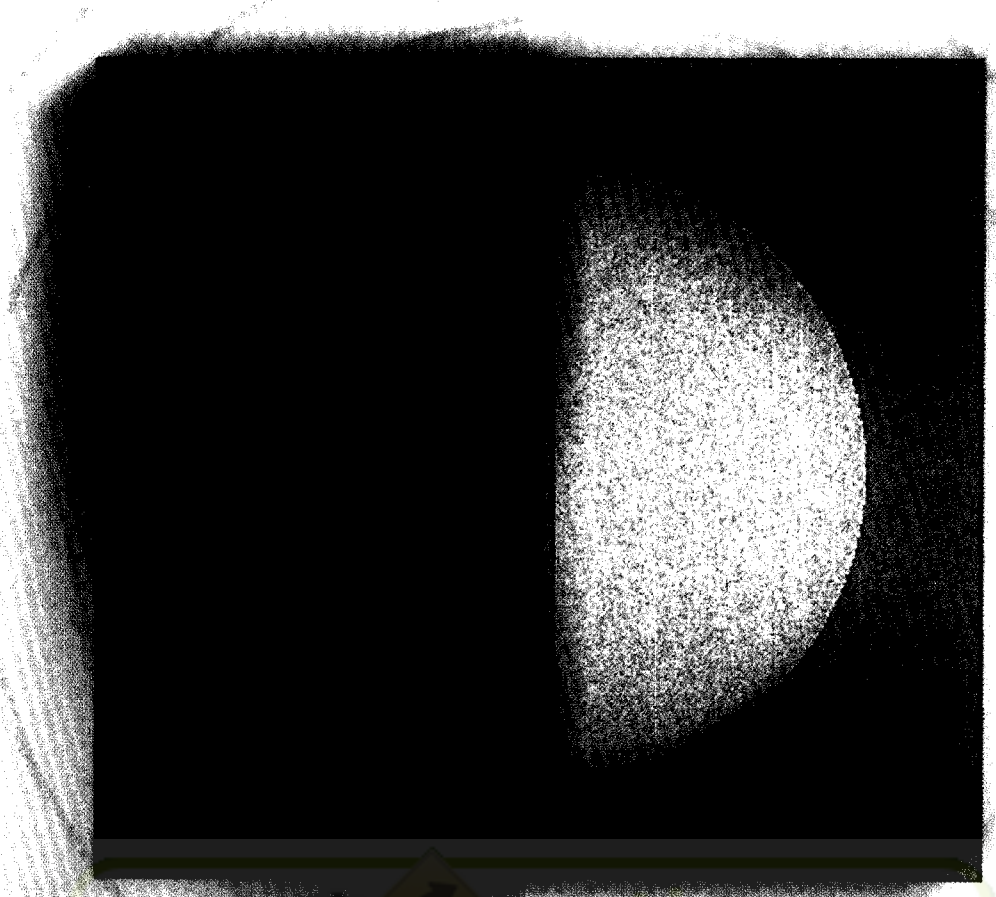
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"When parts are derived from the absolute,
each bears the potency of the absolute.
To evovle in entirety.
To grow to be complete."

Dabur

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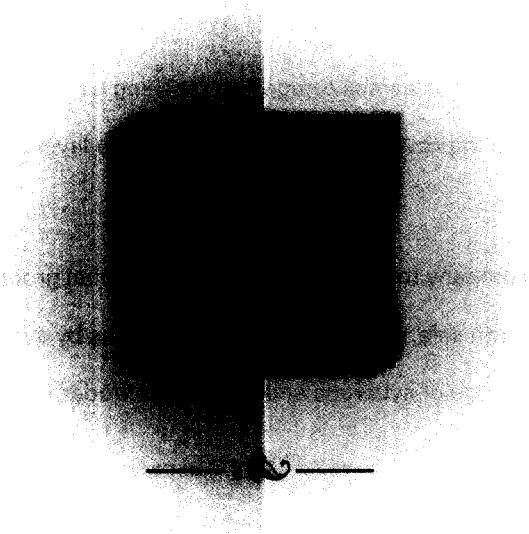


"Dedicated to the Health
&
Well-being of every Household"

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Focus on Value Creation

Value Creation - a prime objective at Dabur,
that goes beyond strategies, to deliver results,
by channelising its energies into well-defined initiatives.

Be it the demerger, restructuring or global ambitions;
new strategies are being charted along
the Group's core principles,
its philosophy, its vision –
to consistently create more value and wealth opportunities,
for all its stakeholders.

Dabur will manifest its ambition into definite action.
For delivering superior performance,
stronger growth and better value.

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Dabur

Strategic Intent

We intend to significantly accelerate profitable growth. To do this, we will :

Focus on growing our core brands across categories, reaching out to new geographies, within and outside India, and improve operational efficiencies by leveraging technology.

Be the preferred company to meet the health and personal grooming needs of our target consumers with safe, efficacious, natural solutions by synthesizing our deep knowledge of ayurveda and herbs with modern science.

Provide our consumers with innovative products within easy reach.

Build a platform to enable Dabur to become a global ayurvedic leader.

Be a professionally managed employer of choice, attracting, developing and retaining quality personnel.

Be responsible citizens with a commitment to environmental protection.

Provide superior returns, relative to our peer group, to our shareholders.

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Dabur

Board of Directors

Mr. V. C. Burman	Chairman
Dr. Anand Burman	Vice Chairman
Mr. Pradip Burman	Director
Mr. Amit Burman	Director
Mr. P. D. Narang	Director
Mr. Sunil Duggal	Director
His Highness Maharaja Gaj Singh	Director
Mr. Ajay Bahl	Director
Mr. P. N. Vijay	Director
Mr. Stuart Edward Purdy	Director
Mr. Ashok Jain	Company Secretary
Auditors	M/s. G. Basu & Co. Chartered Accountants
Internal Auditors	Price Waterhouse
Bankers	Punjab National Bank Standard Chartered Bank HSBC Ltd. State Bank of India ABN Amro Bank NV Citibank NA United Bank of India HDFC Bank Ltd. IDBI Bank Ltd.
Corporate Office	Dabur India Limited Dabur Tower, Kaushambi, Sahibabad, Ghaziabad - 201 010, (U.P), India.
Registered Office	8/3, Asaf Ali Road, New Delhi - 110 002, India.

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Chairman's Message

Dear Shareholders,

We are living in uncertain times. The euphoria of the 1990s, when the global economy enjoyed an unprecedented bull run, is now a thing of the past. For the last two years, most advanced economies in the world have been struggling to overcome recessionary trends.

The improved performance of the international economies in the third and fourth quarters of 2002 had given rise to optimism about global recovery, with world output during the whole year growing by 3.0 per cent as against 2.3 per cent in 2001.

However, this optimism, now, seems a bit premature. According to the World Economic Outlook, released recently by the IMF, the pace of economic recovery has slowed down. IMF has downscaled its original projection of world output growth for 2003 from 3.7 per cent to 3.2 per cent. For advanced economies, the growth projections have been reduced from 2.6 per cent for 2003 to 1.9 per cent.

Fortunately, India is less sensitive to global business cycles. Exports account for only 10 per cent of our Gross Domestic Product (GDP). Unlike many other emerging countries, India is not too dependent on external financial flows, either in the form of debt or equity, and our comfortable forex reserves provide a cushion against any external shock.

For the Indian economy, 2002-03 was a year of fluctuating fortunes. After an ordinary 2000-01, and a dismal 2001-02, Indian industry witnessed a revival during the year. As against a growth of just 3.3 per cent and 2.7 per cent respectively in 2001-02, the industrial and manufacturing sectors are estimated to have grown by 6.1 per cent and 5.7 per cent respectively in 2002-03.

In line with the overall pick up in Indian industry, exports and imports have risen during the year. Exports grew by 18.1 per cent and touched $51.7 billion, while imports rose by 17 per cent to $59.4 billion.

Another indicator of positive economic activity in 2002-03 is the 25 per cent growth in bank credit, up from the 15 to 17 per cent growth in the last two years. In fact, this is the highest growth in bank credit since the boom years of 1995 and 1996.

Notwithstanding these positive developments, as many of you are aware, for the third year in succession, the Indian economy has registered a growth of less than 6 per cent. As a matter of fact, due to the dismal performance of the agriculture sector, the Central Statistical Organisation (CSO) has pegged Gross Domestic Product (GDP) growth for 2002-03 at 4.4 per cent, which is lower than the 5.6 per cent growth in 2001-02.

Agricultural output, which accounts for around a quarter of India's GDP was badly affected by the failure of monsoons in several parts of the country, and is estimated to have declined by 3.1 per cent in 2002-03.

Agriculture continues to be a key determinant of rural income and demand. The poor performance of this sector, has had an adverse impact on off take and consumption in rural areas which are key growth markets for the Fast Moving Consumer Goods (FMCG) sector.

Indeed, the last couple of years have been difficult for those of us who are in the FMCG industry. Subdued economic growth over the last few years has resulted in the Growth of Per Capita (GDP) slowing down, and that of personal disposable income falling much faster.

In this overall environment of flat to falling demand, gross margins are taking a beating. To protect market shares, all companies, big and small, have been offering volume discounts and consumer promotion schemes, which have

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lowered sales realisations, and margins. Profit improvements have largely come from operational efficiencies.

Having outlined this negative scenario, I am happy to state that your Company has performed quite well under these difficult conditions. Revenue from operations increased by 5.9 per cent to Rs.1,232 crores in 2002-03. Profits Before Depreciation, Interest and Taxes (PBDIT) rose by 11.6 per cent to over Rs.134 crores.

Consequently, the operating profit margin grew from 9.2 per cent in 2001-02 to 10.3 per cent in 2002-03. What is even more encouraging is that, despite such a difficult market scenario, Profit After Tax (PAT) has grown by 32 per cent to Rs.85 crores. Your Company's return on capital employed now stands at almost 20 per cent, and return on net worth is close to 21 per cent.

The financial and operational performance of the Company has been discussed in detail in the chapter on Management Discussion and Analysis. As the Chairman and Chief Fiduciary of your Company, I would like to touch upon three strategic initiatives undertaken by Dabur and its management during 2002-03 which, I believe, will create far more value for our shareholders.

First, the Board of Directors of your Company have recommended the de-merger of the Pharmaceutical business and its transfer to a new company – Dabur Pharma Limited.

As I write, the scheme of de-merger has been filed with the Delhi High Court who has directed the Company to place the scheme before you for your approval. Your Company proposes to issue one additional share of Dabur Pharma Limited for every two shares held of Dabur India as part of the scheme of this de-merger.

I believe that this de-merger should significantly strengthen Dabur India's business. For one, we will become a totally focused FMCG company which, by itself, ought to generate higher growth of income and profits.

For another, we will have a lower asset base and that should increase your Company's return on capital employed even without any increase in profits before interest and taxes. It will also be a win-win strategy for the Pharmaceutical business which, while having access to the Dabur brand name, will have the freedom to pursue its own growth and R&D strategies.

The de-merger, which was a long-standing demand from the investors, will also provide the necessary flexibility to our investors in making their investments.

Second, the Company undertook the task of re-casting its FMCG strategy. This involved a re-look at our strategic focus, restructuring of our brand architecture, and the operational re-organisation of the FMCG business.

Dabur's strategic focus and growth strategy will now draw from the core "herbal specialist" platform in the coming years and we will be taking several initiatives to achieve this by strengthening the Dabur brand name and growing our key brands.

In the new brand architecture we have decided to deploy far more resources for the growth of five key brands – Dabur, Vatika, Hajmola, Anmol and Real – and we will back these up with much stronger advertising and larger marketing spends. This will be buttressed by new and innovative product launches as well as by a revamp of some of our existing products.

In order to create greater synergies and efficiencies, the Company is also re-organising its FMCG business operationally. Traditionally, the FMCG business of Dabur India was primarily structured along two Strategic Business Units (SBUs) - the Family Products Division, which looked after Personal care products, and the Health Care Products Division. We discovered that these two sets of products have considerable overlap and commonalities in marketing, distribution, retailing and sales. The Company's management has therefore decided to integrate these two SBUs into one.

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Chairman's Message

Third, the long-term growth strategy for the Pharmaceutical business was finalised during the year.

Dabur Pharma plans to be a major player in the global Oncology generics business, supplementing its own strengths in this area by entering into key alliances with Pharma majors. The Company will carry on original research focusing on developing New Chemical Entities (NCEs) and New Drug Delivery Systems (NDDS) in the Oncology segment. This would make Dabur Pharma a completely integrated Oncology player enabling it to tap the large emerging opportunity in this area. The domestic branded generics business will also grow albeit with low investments.

Exports will form another key growth engine for Dabur – both in the FMCG and Pharmaceutical businesses. We have recast our export strategy, and we expect export income to increase exponentially in the coming years.

Let me now move on to another subject, which is dear to my heart. Well before the Enron debacle, your Company had taken a conscious decision to introduce the highest standards of Corporate Governance and transparency.

You will recall, that the first step in this decision was to create a clear distinction between ownership and management, and build a thoroughly professionally run company at all levels. To this end, your Company reconstituted its Board of Directors on 1st April, 2002, in which the size of the Board was reduced from 16 to 10 and the number of promoter directors was brought down from six to four. Moreover, the Chairman became a Non-executive Director.

Today, I can say with confidence that Dabur India is a professionally run Company managed by the CEO and his management committee under the fiduciary oversight of the Board of Directors.

Your Company went further and voluntarily chose to be rated for its Corporate Governance by CRISIL. You would be happy to know that "CRISIL GVC Level 2", the second highest ranking in CRISIL's rating system, has been assigned to Dabur. As your Chief Fiduciary, I want to assure you that over the next year we will bring about further improvements in our Corporate Governance practices so that, sooner or later, we will achieve the highest ranking in this category.

One of the great operational challenges of Corporate Governance is how to ensure that a company and its employees are fully aligned to maximising shareholder value. A key to this is the remuneration structure. Your Company is in the process of designing remunerations in a way such that employees, particularly at the senior level, will be rewarded for corporate value creation.

I am not at all sure whether the Indian economy or the consumer markets will pick up in a big way in 2003-04. However, I am confident that, given a normal monsoon, both businesses will be able to outperform their peers in sales and profit growth.

We believe we have carefully crafted our change strategy. It is now being implemented. Thus, there is every reason to believe that your Company would be able to deliver superior performance and create higher value for its stakeholders.

Let me end by thanking all our customers, distributors, suppliers and employees for their cooperation and support. And my thanks to you, the loyal shareholder, for being with us in good times as well as lean times. We value your commitment to this Company.

Thank you once again.

Yours sincerely,

V.C. BURMAN
Chairman

27th May, 2003

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"Two parts - one lineage. Originating from a single source, growing in different environments. When the rooting is firm, the branches can reach for the stars.

The demerger of Dabur's FMCG and Pharmaceutical businesses is a value-enhancing move representing a win-win situation for both these businesses. Dabur India shareholders would be issued additional shares of Dabur Pharma Limited under the demerger scheme. A clear line-of-sight and focused growth strategies would provide exponential growth opportunities and greater value for the shareholders.

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