

# DABUR INDIA LIMITED



## ANNUAL REPORT



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# 05-06

## CHAIRMAN'S MESSAGE

Dear Shareholders,

Today India is at the forefront of global economic activity and investments on account of its strong economic growth and stellar corporate performance. The GDP in India has grown at 8.5 per cent, 7.2 per cent and 8.1 per cent in the last three years. The consensus among analysts is that India has gone beyond the point of inflexion and is poised for a period of sustained high growth.

However, the FMCG industry had not kept pace with this overall economic growth. The period 2000-2004 saw low rates of growth in demand for FMCG products leading to intense competition between companies and severe pricing pressures. It has often been postulated that a few consecutive years of sustained high growth is necessary for overall economic prosperity to translate into benefits for the FMCG sector. In 2005-06, on the back of 3 consecutive years of strong economic growth, the fortunes of the FMCG industry as a whole have started to look much better.

The FMCG sector will continue to gain from the fact that domestic consumption is growing both on the urban as well as the rural front. Successful businesses of the future will have to reach out to the vast semi-urban and rural markets in India. The low levels of FMCG market penetration in rural and semi-urban India coupled with improved economic conditions provide considerable scope of growth in these areas. Your company with its product mix and sales and distribution network is well positioned to leverage its strengths and consistently deliver high quality products at affordable prices in these markets. In addition the consumer spends in urban areas are increasing with rising affluence, changing lifestyles and a seeming up-gradation to premium/higher end products. Your company has a good portfolio of brands and products catering to this market as well.

In 2005-06, your Company has successfully leveraged the revival in the FMCG sector and combined it with laudable improvements in costs, productivity, efficiency and supply chain management to deliver superior growth in revenues and even more so in profits.

Some key achievements are-

- Consolidated net sales from operations increased by 23.6 per cent from Rs. 1,537 crore in 2004-05 to Rs. 1,900 crore in 2005-06.
- Consolidated profits after tax (PAT) after accounting for minority interests and exceptional items grew by 37.5 per cent from Rs. 155.8 crore to Rs. 214.2 crore.
- Return on capital employed (ROCE) increased from 31.5 per cent to 39 per cent.
- Return on net worth (RONW) increased from 43.5 per cent to 46.1 per cent.
- Fully diluted earnings per share (EPS-diluted) rose from Rs. 2.71 to Rs. 3.71.

I would like to touch upon some of the key developments that occurred during the year 2005-06.

As you know, we had acquired the Balsara business in the current year. Integration is the key to any successful acquisition. I am delighted to inform you that due to the focussed efforts of your Company and the Balsara team, the integration was successfully completed within the first six months of acquisition. Balsara's home care and oral care products have been well positioned in the overall Dabur portfolio and have demonstrated good potential for growth. Also we have turned a loss making business into a profit making one. Operational integration completed, the process of merging the three Balsara entities with Dabur is underway and will further contribute to shareholders' value.

Dabur's Consumer Care Division, which comprises of the core FMCG business has performed well during the year, driven by new product launches, innovation and marketing initiatives. During the year your company forayed into the soap category by launching a herbal soap under the Vatika brand. While Dabur Chyawanprash further consolidated its market share and continued to be the market leader, its variant Chyawanshakti was also launched during the year. Toothpastes emerged as major drivers in the oral care segment. Focus on South India market added momentum to CCD growth.

Dabur's traditional ayurvedic business is undertaken by the Consumer Healthcare Division. This business consistently recorded high growths throughout the year. With sales of Rs. 148.6 crore, it has registered 38.7 per cent growth. This growth has been led by a number of initiatives like reaching out to the consumers directly through Dabur Ayurvedic centers, organising health camps, vaid meets, collaborating with the academia, etc. We identify our healthcare business as one of the growth drivers in future. Increasing preference for natural remedies is likely to ensure a sustained demand for our ayurvedic products.

The group's foods business under Dabur Foods Limited, a wholly owned subsidiary of your Company grew by over 46 per cent to reach sales of Rs. 190 crore. Today, many of its products, especially its juices under the brands Real, Real Activ and Coolers are found in every household and account for almost 57 per cent of India's juice market. During the year, the business more than doubled its profit due to scale and operational excellence and has become a significant driver of growth of your Company. Changing lifestyles and modern retail formats are expected to benefit the foods business in future.

I would also like to share with you your Company's overseas business performance. Overseas business grew at 19% with markets such as GCC growing at 27% and Egypt at 49%. There is a lot of potential for Dabur products in the international market. During the year, your company has reorganised its international business around the focus, potential and opportunistic markets to be able to tap its potential to the fullest. A subsidiary has been established for Pakistan market to leverage on Dabur's equity there.

On the operational front, the company's manufacturing unit at Uttaranchal crossed Rs 500 crore production in a span of just 18 months. Your company is the first company in Uttaranchal to achieve this milestone. It has become the largest employer in the region and has added to the region's economic prosperity. Going ahead further capacity expansion has been planned for this unit. Also, the Silvassa unit that came with the acquisition of Balsara is being upgraded/transformed into an EOU to cater to the export requirements. During the year, the company spent its time and resources to migrate to an improved ERP platform- SAP to ensure best business practices. The target of going live on 1st April 2006 on SAP was successfully met.

The Institute of Companies Secretaries of India conferred upon Dabur the 'National Award for Excellence in Corporate Governance' for the year 2005. The company's CFO was recognised as one among the best three CFOs of the country for the year 2005 by Business India. Your company has always made concerted efforts to ensure highest levels of disclosures, transparency and corporate governance. Such recognition further motivates the Company towards continuing its efforts in this direction.

A major survey conducted by two reputed HR consulting firms and published in the Business World listed your Company as one of the top ten 'Great Places To Work'. This is a creditable achievement for your company and recognizes its efforts to empower its employees and keep them fully motivated and aligned with the Company's goals.

During the year your Company made a bonus issue of one share for every share held thereby rewarding the shareholders for its outstanding growth in the past few years. The Company also declared a dividend of 350% on pre-bonus capital, the highest till date.

I would like to take this opportunity to thank all the employees, vendors and distributors for their commitment and hard work leading to the Company's success. Also I would like to thank the shareholders for their continuing faith and support. Your company has performed well in the past and I can assure you that it will continue to aim for higher achievements in future too.

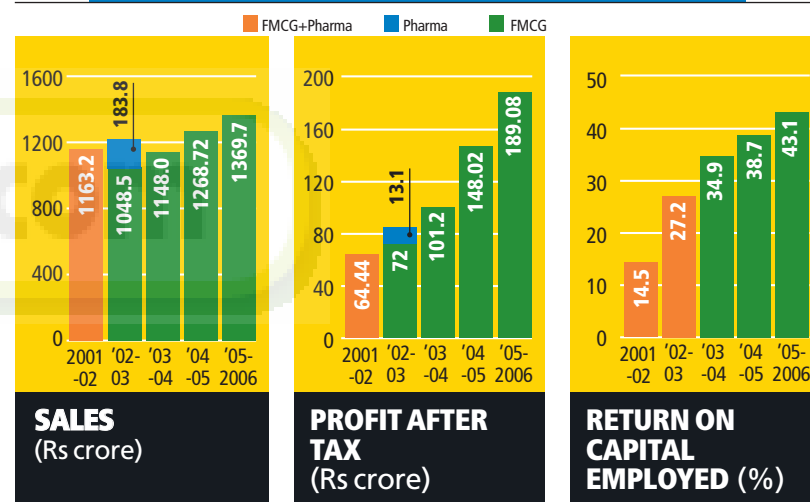
Yours sincerely,

*G. Burman*  
V.C. Burman  
Chairman

## 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
HH Maharaja Gaj Singh	Director
Mr R C Bhargava	Director
Mr P N Vijay	Director
Mr Stuart Edward Purdy	Director
Dr S Narayan	Director

## PERFORMANCE HIGHLIGHTS



## MANAGEMENT DISCUSSION & ANALYSIS

Four years ago, Dabur India Limited ("Dabur", "DIL" or "the company") had laid down its long-term plan of transforming to focused and transformed FMCG player. The blueprint involved developing and implementing marketing initiatives based on a clear strategic plan with a restructured brand architecture, continuously introducing a stream of new products and creating a niche for the company in the FMCG segment based on the "herbal and natural" products platform. In 2005-06, Dabur has surpassed all the key milestones set out in this plan. Today, these drivers are firmly entrenched in Dabur and continue to foster development of its business strategies and operations, as is evident in its stand-alone and consolidated results for 2005-06.

### Stand-alone performance of DIL

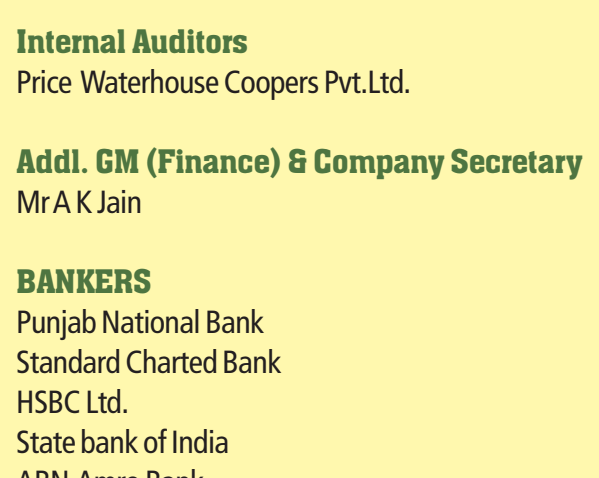
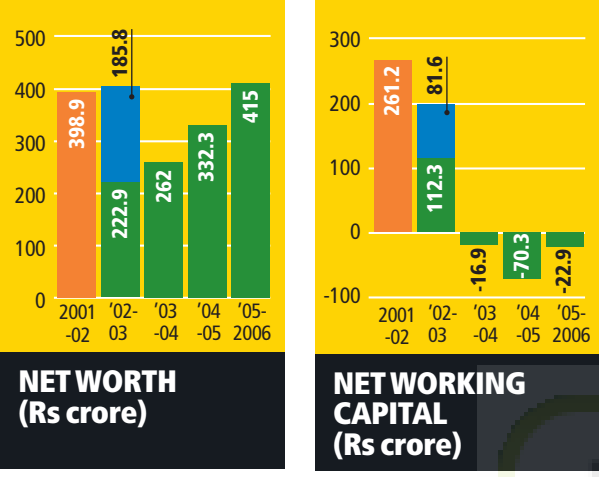
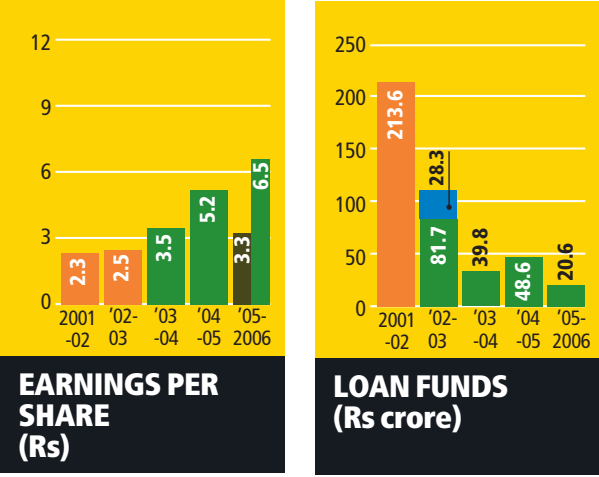
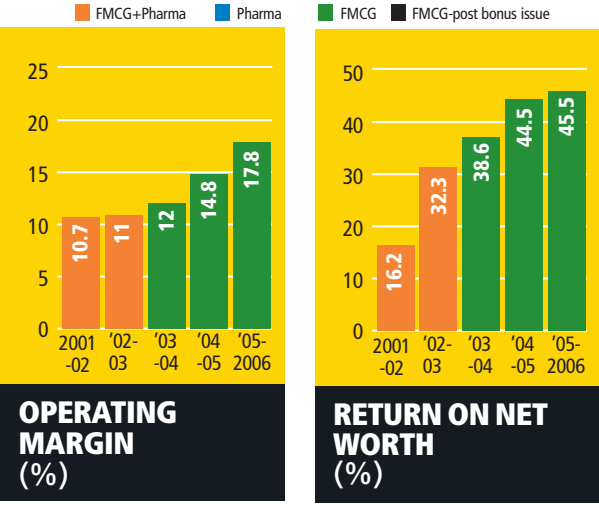
The highlights of Dabur India Limited's (DIL's) stand-alone results for 2005-06 are:

- Revenue from operations increased by 8 per cent from Rs. 1,269 crore in 2004-05 to Rs. 1,370 crore in 2005-06
- Operating profit (EBIDTA) increased by 29.5 per cent from Rs. 188 crore in 2004-05 to Rs. 243 crore in 2005-06
- Profit after tax (PAT) increased by 27.7 per cent from Rs. 148 crore in 2004-05 to Rs. 189 crore in 2005-06
- Return on capital





PERFORMANCE HIGHLIGHTS



employed (ROCE) increased from 38.7 per cent in 2004-05 to 43.1 per cent in 2005-06

- Return on net worth (RONW) increased from 44.5 per cent in 2004-05 to 45.5 per cent in 2005-06

Consolidated performance of Dabur

Dabur caters to the domestic personal care and health care markets through its parent company, DIL. The foods business operates through its wholly owned subsidiary, Dabur Foods Limited (DFL). The international operations have been streamlined under another subsidiary called Dabur International Limited (DIntL), which, in turn, has its subsidiaries in focus markets. While the three Balsara companies are being merged into DIL with effect from 1 April 2006, during 2005-06 they functioned as DIL's subsidiaries. Consequently, the full picture of Dabur's overall performance can be best seen when viewed as a consolidated entity.

- The salient features of Dabur's consolidated performance in 2005-06 are:
- Consolidated net sales from operations increased by 23.6 per cent from Rs.1,537 crore in 2004-05 to Rs.1,900 crore in 2005-06
  - Consolidated profits after tax (PAT) after accounting for minority interests and exeptional items grew by 37.5 per cent from Rs.156 crore in 2004-05 to Rs.214 crore in 2005-06
  - Return on capital employed (ROCE) increased from 31.5 per cent in 2004-05 to 39 per cent in 2005-06
  - Return on net worth (RONW) increased from 43.5 per cent in 2004-05 to 46.1 per cent in 2005-06.

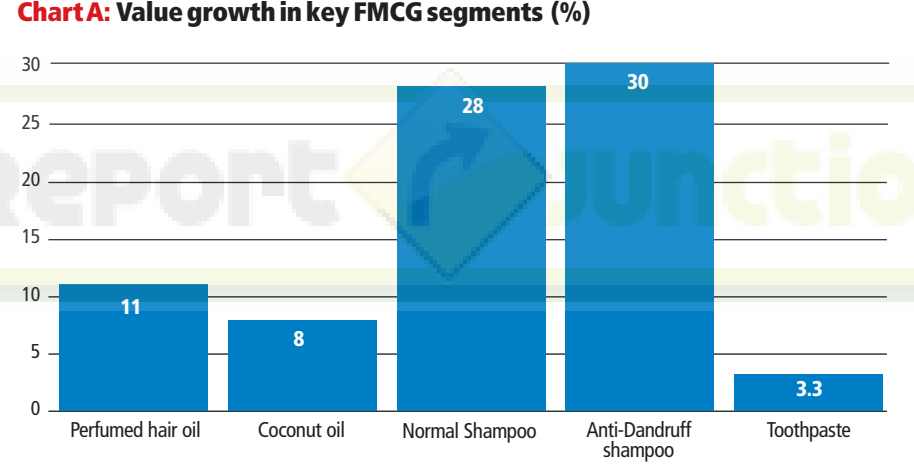
This year Dabur has undertaken a new initiative to prepare and present results as per US GAAP. The key points thereof are stated in the Financial section.

In the beginning of 2005-06, Dabur had made its first major acquisition — the Balsara business. This consisted of three entities: Balsara Home Products Limited, Balsara Hygiene Products Limited and Besta Cosmetics Limited. Balsara's oral care products complemented Dabur's oral care range and its homecare products added a new segment to Dabur's FMCG portfolio. During the year, while the company consolidated and broad based the core FMCG business with this acquisition, it also strengthened its other growth drivers — the consumer healthcare business and the foods business.

A key initiative undertaken during the year was renewed management focus and a fresh approach to developing the consumer healthcare business. This business segment, with an 8 per cent share in Dabur's overall revenues, is an important part of the company's portfolio, as it is the foundation of its Ayurvedic and herbal positioning and offers multiple growth avenues for Dabur's healthcare franchise. The reformulated strategy stressed on refurbishing product profiles, strengthening the sales and distribution channels, re-organising the workforce and developing the Ayurveda space in a scientific manner. The aim was to generate a quantum jump in growth and in 2005-06 the revenue from this business increased by 38.7 per cent.

The foods business, under the wholly owned subsidiary Dabur Foods Limited (DFL), had witnessed impressive growth in the last two years. However, this was largely driven by the top-line; profitability had been lower than optimal. During 2005-06, with special focus on operations including investments in organised retail trade across the country, the foods business is expected to emerge as a potentially strong portfolio in Dabur's business.

After a few dull years, the FMCG sector in India has started to look up and a demand pick up is evident across most segments of this sector (see chart A). This augurs well for Dabur, which is well positioned with a diversified and strong suite of products catering to different target segments and markets.



Source:AC Nielson Retail Audit Report (Apr-Mar 2006)

From a strategic perspective, 2005-06 can be considered a positive inflexion point in Dabur's long-term growth path. Having delivered good results in the last four years, even while the industry was undergoing adverse demand conditions, the company has spelt out its intent of entering a new growth trajectory. The new four-year plan aims at continuing the growth momentum across businesses so as to outperform the sector as a whole. Business strategies have been developed in consonance with the growth objectives, focusing on three key elements — expansion, innovation and acquisition.

Expansion entails expanding the company's footprint across platforms and markets. While the company will continue to leverage its "herbal specialist" platform and build on its core strength in Ayurveda, it will also explore newer platforms in the FMCG space that have potential and synergies with Dabur's existing capabilities. Already, in 2005-06 the company has made a foray into skin care, home care and the OTC healthcare segment. In terms of markets, the company has laid specific emphasis on south India by re-organising the distribution set up, reformulating marketing strategies and customising products to that region's prevailing market needs.

Innovation is about regularly introducing new products that can cater to the changing needs of the market. This is a continuation of the new product development thrust of the last few years. Dabur has successfully launched over 20 brands or variants across different segments in the last five years. The new product portfolio is expected to contribute to over 5 per cent of sales every year.

The company's first major acquisition — Balsara — has come on line as planned during 2005-06. While Balsara had an impressive product portfolio, the business itself was generating losses. As in many such acquisitions, there were two clear tasks facing Dabur. First, was the financial challenge of turning these losses into profits. Second, was a much deeper and wider task of integrating the people and processes at Balsara with that of Dabur. Both these tasks were successfully achieved during 2005-06. Today, there is total operational and business integration of the two companies; and on the financial front, the erst-while loss-making Balsara entity has generated profits of Rs 14.9 crore

Success of this integration has provided the company with greater confidence in its ability to develop inorganic growth. With improvements in profitability leading to strong internal accruals, Dabur today has sufficient resources to pursue a concerted acquisition strategy. This will be implemented in a judicious manner keeping in view the right valuations and strategic synergies with Dabur. The approach would be to leverage the existing strengths of Dabur to drive significant value creation and quantum jump in growth. However, since this is dependent upon availability of the right opportunities at the right valuation, it cannot be built into the business plans and the growth of the Company at the moment is largely planned in organic terms.

In the following sections we look at the developments in Dabur's different businesses in India and abroad. This is presented in terms of markets and operations across the three entities — Dabur India Limited (this includes the Balsara companies), Dabur Foods Limited and Dabur International Limited. This is followed by the financials of DIL on a stand-alone basis and as a consolidated entity.

MARKETS

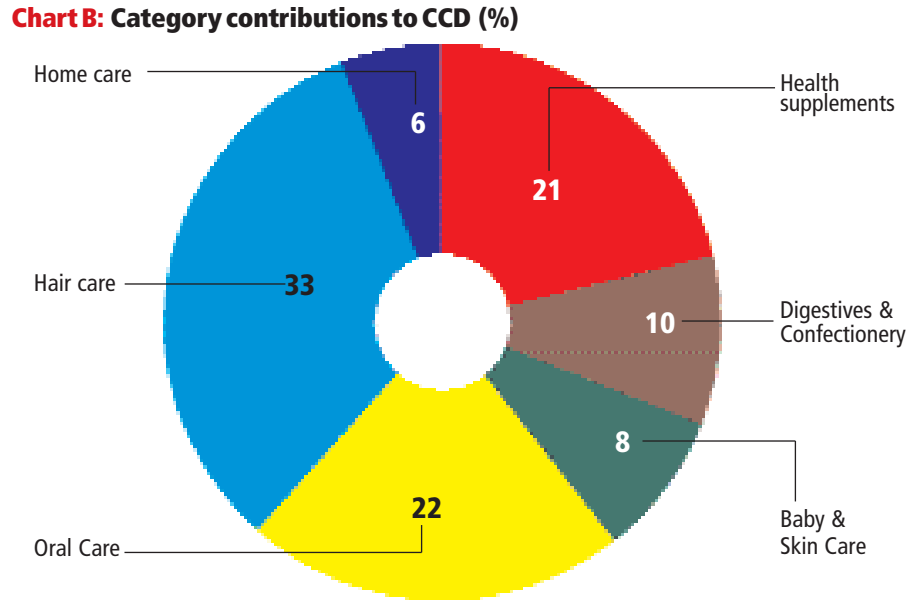
DOMESTIC BUSINESS

Dabur India's domestic business has been divided into three separate Strategic Business Units (SBUs): Consumer Care Division (CCD) and Consumer Healthcare Division (CHD), both of which are directly under DIL, and the foods business, which is undertaken by Dabur Foods Limited (DFL). In terms of sales in 2005-06, CCD contributed 79 per cent of Dabur's consolidated domestic revenues, while DFL contributed 11 per cent and CHD 9 per cent.

CONSUMER CARE DIVISION (CCD)

The consumer care division (CCD) is the largest SBU of Dabur, and its product portfolio covers hair care, oral care, health supplements, digestives and candies, baby oils and skin

care. With the Balsara acquisition, products under the home care segment have been added to this SBU. Chart B gives the relative contribution of each category to CCD's sales.



CCD's sales have increased by 22 per cent from Rs.1089.9 crore in 2004-05 to Rs.1,328.7 crore in 2005-06. This growth includes sales from Balsara products in the oral care and the home care segments, which account for 12 per cent of total sales of CCD.

Dabur continued with its time-tested and successful strategy of product promotion through celebrity endorsements. In 2005-06, key brand endorsements by celebrities included Amitabh Bachchan for Dabur Chyawanprash and Rani Mukherji for Dabur Anmol and Vatika hair care portfolio. The company also signed up Vivek Oberoi to endorse Babool toothpaste and Dabur Chyawanprash.

The CCD business continues to lay emphasis on developing an efficient distribution channel and re-organising it according to the changing market requirements. We believe that the distribution channel has to increasingly cater to a varied set of customers such as grocery stores, chemists and organised retail outlets. Each of these has different needs, which can only be addressed by developing specialised teams that are focused on clear customer classifications and cater to their specific requirements. Dabur has embarked upon an ambitious programme named DARE (Driving Achievement of Retail Excellence) to address these varied needs to achieve greater penetration and higher levels of service for a wide range of customers. The project also focuses on increasing Dabur's penetration into rural markets through a combination of marketing and distribution strategies.

HAIR CARE

Our hair care category consists of hair oils and shampoos. It is the largest category in Dabur's CCD portfolio with a 33 per cent share. For Dabur, 2005-06 was a challenging year in this category with sales growing by 3.4 per cent.

Dabur's hair oil portfolio, excluding institutional sales to the army and other channels, registered a 7 per cent increase in sales in 2005-06. However, there was poor off-take by institutional buyers due to issues arising out of VAT implementation in the first quarter of the year. These have been subsequently resolved. The company's Anmol brand, which is on the economy platform, did well with sales of the mustard and coconut oil variants increasing by 13.7 per cent and 33 per cent respectively. Dabur Amla Hair Oil, with a turnover in excess of Rs.200 crore, grew by 5.2 per cent in 2005-06. Decline in sales of value added coconut oils under the Vatika brand was a dampener in this category. A new communication package and marketing mix has been designed to re-vitalise this brand.

In shampoos, sales of the Vatika shampoo portfolio grew by 8.7 per cent for the year as whole. The good news is that by the second half of 2005-06, shampoos emerged from a phase of severe price cuts to experience a degree of price stabilisation. Consequently, the second half of 2005-06 saw the Vatika shampoo portfolio grow by 12.7 per cent — a significant increase from the 5 per cent growth in the first half of the year.

ORAL CARE

With the Balsara acquisition, the company's oral care offerings now provide a wider choice to consumers across different price points. The brands are positioned as Dabur Red Toothpaste in the popular segment, Babool in the economy segment and Meswak in the premium segment. In the classical toothpowder category, Dabur has its flagship product, Dabur Lal Dant Manjan.

During 2005-06, this portfolio (including Balsara sales) increased by 6 per cent. With its range of existing and acquired brands, Dabur has been able to add market share in the toothpaste category and is now holding 7 per cent of the toothpaste market. Babool and Meswak toothpastes grew by 70 per cent and 72 per cent respectively. Babool's success can be largely attributed to a carefully crafted strategy that brought about necessary changes in the product, its packaging, promotion schemes and advertising. The Meswak brand was revitalised and found a significant growth in the number of takers despite being in the premium segment. Red Toothpaste grew by 18.6 per cent to Rs.55 crore in 2005-06, which contributed to its market share increasing from 2 per cent to 2.8 per cent.

Sales of the toothpowder, Dabur Lal Dant Manjan, have been under pressure because of a general slowdown in the category — attributable to a shift in consumer preference from toothpowder to toothpastes. While this gradual shift to the toothpaste category may continue, we have in place a strong toothpaste portfolio to capture the migration and continue the growth momentum in the oral care category as a whole.

HEALTH SUPPLEMENTS

This category recorded a healthy growth of 15 per cent. Sales of Dabur Chyawanprash, which in value terms is the largest product in this category, grew by 11.8 per cent in 2005-06. This flagship product was promoted by a new advertisement campaign featuring Amitabh Bachchan and Vivek Oberoi. The company also did an extensive print campaign to educate consumers about the holistic benefits of consuming Chyawanprash. As a result, Dabur's market share in this category has risen from 60.9 per cent to 62.6 per cent.

During the year, the company launched Dabur Chyawanshakti, a unique mix of 47 herbs and natural ingredients like draksha, ashwagandha and kesar. This health supplement is targeted at working adults to help them tackle work related stress and pressures of their daily lifestyle.

Dabur Honey also witnessed good growth of 9.4 per cent. Dabur Glucose increased by 40 per cent in value terms and gained significant market share. This was particularly heartening as it occurred at a time when the category itself had shrunk by 5.8 per cent.

DIGESTIVE AND CONFECTIONERIES

This category had a disappointing year, with sales growing by 1.6 per cent in 2005-06. Hajmola candy's sales remained almost stagnant — a factor that brought down the overall growth of the category. However, there were bright sparks: Hajmola tablet sales grew by 5.8 per cent; the Pudina Hara brand also did well, with a growth of 15.4 per cent. Within the Pudina Hara brand, Pudina Hara Pearls and Pudina Hara Liquid grew by 27.2 per cent and 10.6 per cent respectively.

SKIN CARE/BABY OILS

Although it is a small category, Dabur's skin care/baby oils had a good year in terms of sales growth. In 2005-06, sales increased by 34.3 per cent over the previous year and crossed Rs.100 crore, with skin care products expanding at a much faster clip than baby oils. This was largely because of Dabur's entry into the personal wash segment with the national launch of its new Vatika Honey & Saffron Soap in September 2005. With this, Dabur made its first foray into the Rs.4,800 crore Indian soap market. Vatika Honey & Saffron is targeted at the beauty and skin care conscious consumer, who accounts for around 50 per cent of total soap demand in India. Within the first six months of its launch, the cumulative sales of this soap were Rs.18.9 crore. Since the product is very competitively priced in its category and offers distinct benefits we expect the positive market response to continue.

Sales of Gulabari, an extract of fragrant red roses, grew by 17.7 per cent in 2005-06. The cold cream under the Anmol brand, which was test launched last year was successfully extended to other markets in North, East and Western India. In the Baby Care segment, Dabur Janamghunti sales increased by 15.1 per cent while that of Dabur Lal Tail increased by 3.1 per cent.

HOME CARE

The Home Care category came to Dabur's fold after the Balsara acquisition. Its contribution to CCD sales was the smallest, at 6 per cent, but it was the fastest growing portfolio with sales growth of 62.9 per cent in 2005-06 over the previous year. Dabur's Home Care brands include Odonil in air fresheners, Odonils in mosquito repellents, Sani Fresh in surface cleaning and Odopic in the dish washing powders category.





Odomos sales increased by 70 per cent in 2005-06. Odomos has been identified as a strong brand with significant latent equity and various products will be offered under this brand with different delivery mechanisms like gels, mats, coils, lotions and liquid vapourisers. The Odomos mosquito repellent cream, which is the original product under this brand, has been re-furnished and is displaying good growth potential in the market.

Likewise, the Odonil brand is well recognised in the air-fresheners category, and the company plans to expand the product portfolio under this brand by introducing aerosols and other contemporary formats. In 2005-06, Odonil sales increased by a healthy 80 per cent. Sales of Sani Fresh were above expectations as well, with the brand showing good potential for growth. We believe that with low penetration in most of these categories and the increasing usage of home care products, there is significant scope of growth in this segment.

CONSUMER HEALTHCARE BUSINESS

In last year’s annual report, we had noted that the company was renewing its focus on the consumer health care business. The business comprises pure grantha based products on the Ayurveda platform, which can be classified into OTC products, branded ethicals, and generics including Asavs and Classics. Renewed management focus and reformulated business strategy led to a strong revival in growth of this division. In 2005-06, the business achieved a milestone by registering 37.8 per cent growth in sales — from Rs.107.8 crore in 2004-05 to Rs.148.6 crore in 2005-06, versus a CAGR of 8 per cent over the previous five years.

There has been even and widespread growth across all segments of this business. Sales in the OTC category increasing by 65 per cent; Branded Ethicals by 81 per cent; Classics by 32 per cent; and Asavs by 26 per cent. Some of the well-known products offered by CHD are Dabur Churna, Honitus, Asavs: Ashokarishta and Dashmularishta, Shankha-pushpi Syrup, Ring Ring, Nature Care and Shilajit.

The Honitus brand, which includes Honitus cough drops, syrup and the recently launched cough lozenges, was actively promoted through television advertisements. Our Asavs — Ashokarishta and Dashmularishta — were also advertised through various media channels in order to reach the target consumer. Dabur Churna and other OTC products were promoted through print and outdoor advertisements through dealer boards and hoardings and bus panels. Our new product launches for the year — including Dabur Mensta, a product for women’s healthcare, and Rheumatil, a product to prevent arthritis — were well received in the market.

Dabur believes that this business is a key growth driver and constitutes a critical element of its long-term strategy. With a movement towards holistic Ayurveda-based health remedies, the industry is expected to enjoy sustained levels of high growth. We believe that Dabur will be able to fully leverage its Ayurvedic knowledge and equity in the health-care space by developing this business. The plan is to re-define the Ayurvedic space and develop strong OTC capabilities through healthcare promotion activities, pharmacy selling, media campaigns and trade promotion. The aim is to take Ayurveda to the patient. To give an example, in order to promote Ayurveda directly with patients, the company organised 1,500 health camps, developed 160 Dabur Ayurvedic Centres where Ayurvedic doctors provide free consultation, conducted 150 vaid meetings, apart from organising several seminars, exhibitions and events promoting Ayurveda among academia, doctors, vairs and consumers.

The business’ distribution network has been expanded to cover over 140,000 urban pharmacy outlets, and the sales organisation restructured to optimise sales and productivity. The strategy includes building a strong relationship with retail pharmacists, promoting merchandising and displays, creating in-shop promotion through Dabur Consumer Health Corners (DCHC) and stressing on pharmacist education.

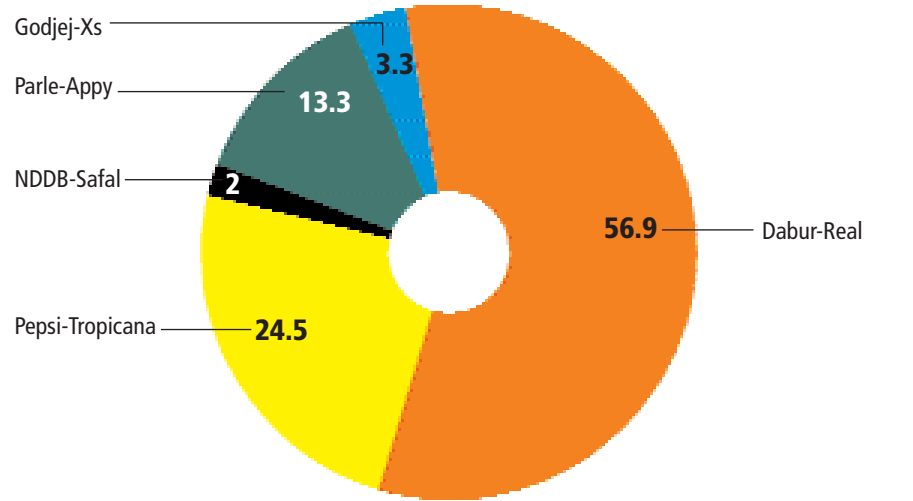
FOODS BUSINESS

DABUR FOODS LIMITED

Dabur Foods Limited (DFL) is a wholly owned subsidiary of Dabur India Limited. DFL’s product range in the market includes juices under three brands (Real, Activ and Coolers), culinary items like Hommade cooking paste, sauces, and items for institutional sales under the Nature’s Best brand.

DFL’s sales grew by 46.3 per cent in 2005-06 to reach Rs.190 crore. New product launches and institutional channel constituted 24 per cent of this growth. The top-line growth has been accompanied by a significant increase in profits. PAT for the business increased by 130.3 per cent from Rs.5.3 crore in 2004-05 to Rs.12.1 crore in 2005-06. In the branded juice market, DFL was the leader with a 57 per cent market share, with the nearest competitor being at 24.5 per cent. Chart C gives Dabur’s share in the juice market.

Chart C: Dabur's Market Share in Juice Market\* (%)



Source: AC Nielson Retail Audit Report (Apr-Dec 2005)

DFL’s portfolio of fruit juices can be classified into the sweetened range under the Real brand, and higher end unsweetened range under the Activ brand. The Real brand has grown by 36.2 per cent. There are nine different flavours available under Real, which includes pineapple, mixed fruit and orange and sweetened nectar range comprising litchi, guava, mango, apple and cranberry.

The unsweetened or Real Activ brand is targeted at health conscious young adults in the premium segment, and has had an outstanding performance during 2005-06, with sales increasing by 98.6 per cent. Sales growth was also fuelled by introduction of new 330 ml packs. The product range has five flavours — two of which are fruit juices, and three being fruit and vegetable blends. Being the creator of this category, we definitely enjoy market leadership and intend to introduce newer variants under Real Activ.

The economy segment of the portfolio consists of “Coolers” range of fruit beverage especially meant for summer. While Coolers sales increased by 58 per cent in 2005-06 over 2004-05, the base has been fairly small. There are six flavours available in this category: Aam Panna, Watermelon, Pomegranate, Musk Melon, Lemon Barley and Jamoon. All these fruits have cooling properties, which protect the body from the ill effects of the summer heat.

Our culinary category — which includes Hommade pastes like garlic and ginger, coconut milk, and tomato puree — has also done well, pushing the category sales by 26.2 per cent. We also introduced a new mango drink under the Mango Twist brand and received a very positive response from the market. DFL made a major foray into the export market recoding export sales of Rs. 14.7 crore. The exports can be classified into bulk concentrates (which are largely sold to Middle East and Europe), and branded products (which go to Australia and also the Middle East). In the year, we received a one star export house certification from the Government of India.

To strengthen its competitive position in the domestic market, the business has reorganised its sales and distribution teams to focus separately on retail and institutional marketing and sales. The company has also laid stress on investing to improve its manufacturing facilities at its three plants located at Siliguri, Nepal and Jaipur. While the Nepal plant has been traditionally catering to the needs of this business, the Siliguri plant processes fruit pulp, and Jaipur plant is a blending and packaging plant acquired during 2005-06.

INTERNATIONAL BUSINESS

International business recorded a sales growth of 19per cent from Rs.181.2 crore in 2004-05 to Rs.216.1crore in 2005-06. This includes the exports of Balsara’s portfolio of products in the oral care and private label segments.

Middle East and Egypt performed very well with growth of 27 per cent and 49 per cent respectively. Sales in Bangladesh grew by 54 per cent led by Vatika and Anmol range of shampoos. However, performance in the developed markets of UK, USA and CIS coun-

tries were below expectations.

Dabur has also made a foray into the Pakistan market through its subsidiary Asia Consumer Care (Pak) Ltd. The initial response has been good, and the company is optimistic about its prospects there. A team has been put in place headed by a Pakistani national who has extensive experience in the local FMCG market.

During the year, the company revamped the organisational structure of its international business and re-organised it to suit the emerging business requirements. Going forward, the international business will be split into two portfolios:

**Portfolio One:** Comprises Asian markets including Pakistan, Bangladesh, Nepal, Sri Lanka Bangladesh and Malaysia, the developed markets including USA and UK; the healthcare business in CIS countries and the opportunistic markets in Asia Pacific. This portfolio will be supported by the manufacturing facility at Silvassa, which will be remodelled into a state-of-the art export oriented facility.

Table 1: Dabur's Sales, Domestic and Overseas (Rs. crore)				
	Domestic		Overseas	
	2005-2006	2004-2005	2005-2006	2004-2005
Sales	1683.5	1355.7	216.1	181.2
% of total	88.6%	88.2%	11.4%	11.8%
Net Profit*	208.0	148.5	18.6	8.5
% of total	91.8%	94.6%	8.2%	5.4%

\* Before exceptional items and minority interest.

**Portfolio Two** includes the markets in the GCC countries, the African markets including Egypt, Nigeria, Sudan and Morocco, other Middle-Eastern countries like Iran and Iraq, the personal care business in the CIS and other opportunistic markets. This business will be supported by the manufacturing facilities in the Middle East and Africa.

The structure of the international business was further streamlined during the year by transferring Dabur India Limited’s shareholding in Dabur Nepal Private Limited and Dabur Overseas Limited to Dabur International Limited. With this, all international subsidiaries are now consolidated under a single entity, namely, Dabur International Limited.

The strategy for growing the international business has the following elements:

- **Making geographical expansions.** Going forward, the expansion markets will be clearly identified based on strategic choice. The company will commit major investments and human resources in focus markets.
  - **Leveraging the “natural” platform.** This will make full use of the growing global demand for natural products by occupying differentiated competitive niches in the health care and the personal care segments.
  - **Acquiring international brands / businesses and forming strategic alliances.** The company will also actively explore overseas acquisitions and alliances.
- With this reorganisation and strategic focus, the international business is expected to contribute over 15 per cent of the consolidated sales of Dabur in the course of the next four years.



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MASTER BRANDS

Dabur

a trusted name in natural healthcare for over 100 years, is known for providing a range of efficacious and time-tested healthcare products based on the principles of Ayurveda.

Vatika

a premium brand and a leader in its category, is one of the flagship brands and a popular name in the natural personal care space.

Hajmola

a tasty fun-filled digestive available in various forms-from tablets, traditional churans to modern formats like centre-filled candy-appealing to all age groups.

Anmol

a relatively new member in the family of Dabur's key brands, provides a range of herbal and natural products across various FMCG categories with a focus on providing quality and affordability.

Réal

country's leading brand of packaged fruit juices, provides the largest range of refreshing and healthy fruit juices that are 100 percent natural and free of preservatives.

BALSARA

a leading provider of Oral Care and Household Care products in the Indian market, is a new member in the Dabur family. With this acquisition, the company will further strengthen its Oral Care portfolio and make its debut in the high-growth Homecare segment.



RECOGNITION

Dabur CEO amongst India's top three CEOs

Dabur amongst top 10 Great Place to Work

Dabur India in Forbes "Best under a Billion"

Dabur wins 10th National Award for Excellence in Corporate Governance

Dabur CEO amongst 25 Best of the Best India's truly world class managers

Dabur India ranks 5th Most Valuable Indian Company

OPERATIONS

Robust manufacturing and supply chain practices support Dabur's widened presence in the FMCG market place with newer and increased product offerings. The company has been undergoing a structured change in it operations structure, with emphasis on enhancing in-house manufacturing capabilities, utilising innovative procurement tools and developing an efficient supply chain. A clear reflection of gains from these functions is the fact that in an inflationary input market scenario, DIL managed to increase its operating profitability margin (PBDIT/Sales) from 14.8 per cent in 2004-05 to 17.8 per cent in 2005-06. The core operations are supported by a strong information technology (IT), human resources (HR) and research and development (R&D) backbone.

MANUFACTURING

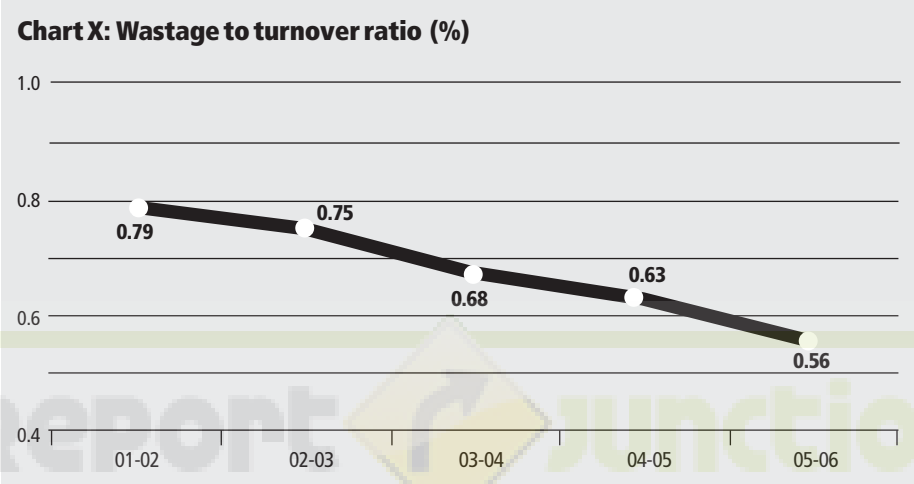
The manufacturing strategy has revolved around re-organising the company's production facilities to increase in-house production and leverage maximum benefits from economies of scale. Over the last few years new plants have been set up and inefficient ones scaled down, including reduced exposure to third party producers. As an example, six years ago over 40 per cent of Dabur's products were out-sourced; today, only 8 per cent is outsourced, while 92 per cent of the company's requirements are manufactured in-house. This has allowed for much greater control on production and stricter adherence to best in class TQM and TPM practices.

Dabur has nine production facilities organised around three main factories at Baddi (Himachal Pradesh), Pantnagar (Uttaranchal) and Nepal; and six support factories at Sahibabad (Uttar Pradesh), Jammu, Alwar, Katni, Narendrapur and Jaipur. These plants have stabilised and are in a position to be ramped up to cater to the company's long-term growth plans.

In addition, during 2005-06, with the acquisition of Balsara, the company inherited their plants at Baddi and Silvassa. While the Baddi plant manufactures oral care products, Silvassa caters exclusively to exports. A totally integrated plant has been set up in Jammu to produce the erstwhile Balsara's home-care line of products. All the processes of these plants have been streamlined with Dabur's production systems and procedures.

The company believes in cost and quality leadership through technology and innovation and being the best in the operations domain. These translate into focus on adopting best quality practices, enhancing productivity and improving asset utilisation. Productivity improvements have been achieved by following best TQM and TPM practices, reaping benefits from economies of scale and increasing the sense of empowerment among factory-level management. In 2006, for the first time the company hosted a factory heads' conference in Nainital — something that created much greater bonding among those who produce for the company. Some of the productivity gains were also the result of process improvements. For example, there were gains in productivity by increasing Amla hair oil batch sizes and reducing Vatika hair oil production cycle time.

These improvements are paying off. Consider, for instance, an example of this — the reduction in wastages as a percentage of turnover, as shown in Chart X.



All the plants have GMP certification. More significantly, four units including glucose, honey and Chyawanprash plants at Baddi and at Uttaranchal have Hazard Analysis and Critical Control Point (HACCP) certification, which requires adherence to significantly more stringent standards. The fruit juice plant at Nepal also has the HACCP certification. In some of the formulations there is the issue of presence of heavy metals. To tackle the issue of heavy metals in certain formulations, a major quality initiative has been taken by installing atomic-absorption-spectrophotometer in its plants at Baddi, Uttaranchal and Sahibabad. This is used to test all products before despatch to prevent the presence of heavy metals beyond prescribed range in the company's products.

Your company continues to remain committed towards preserving and protecting the environment. The plants have efficient effluent treatment systems that prevent air, water and noise pollution. Dabur also took a lead in rain water harvesting, which is being implemented in three units, in addition to preserving and utilising artesian wells in Uttaranchal.

PROCUREMENT

As the company grows in scale with a more diverse portfolio of products that include herbal and ayurvedic formulations, the specialised procurement function gains utmost importance. At Dabur, procurement has been regularly utilising customised IT tools, innovating on purchase negotiations and procurement systems like reverse auctions. These initiatives have led to the gradual decrease in material cost to sales ratio in the last few years.

The challenge in procurement is to predict the commodity price cycle and make strategic purchases. Dabur has built a fairly strong knowledge base in this domain. Empowered with technical tools of analysis, the procurement team has regularly made strategic buys and sells in the commodity market optimising on long term prices, while maintaining the minimum levels of inventory necessary to prevent stock outs.

A second initiative being undertaken is to reduce material costs by venturing down the value chain and eliminating a layer of middlemen. In effect, this initiative aims at building direct relationships with the actual supplier by becoming directly visible to "supplier's supplier".

SUPPLY CHAIN

The supply chain function at Dabur comprises production planning, despatch, warehousing and transportation. Since the front end of the supply chain ends at the Clearing Forwarding Agent (CFA) or the stockist, production planning and despatch is done to meet the requirements of the CFA. This is done across all the units on a weekly basis in terms of SKUs. Decisions on warehousing and transportation rely on the despatch product mix and underlying dynamics of the transport markets.

The entire supply chain has been knit together into an efficient unit through "Project Garuda" — an initiative that integrates IT tools and compensation schemes that measure the health of the supply chain. In this, the first year of its implementation, Project Garuda lays down a set of measurable parameters to test the health of the supply chain. The system is divided into two tiers and puts in an evaluation mechanism for each element of the supply chain from forecasting and production planning to inventory management. By utilising this matrix as a tool for monitoring performance, the company has been able to devise a variable pay structure that penalises negative deviations.

On the IT front, there is complete internal networking through a new SAP platform. The company is exploring to move forward and reach out to stockists and integrate them into Dabur's ERP. This will go a long way to improve the quality of forecasts provided for production planning.

During 2005-06, significant efficiency gains were realised from central ownership of warehousing and reverse auctions for transportation. Dabur's ability to continuously service diverse markets while maintaining negative working capital bears testament to the efficiency of its supply chain management.

HUMAN RESOURCES

Recognizing that people are key constituents of Dabur and represent the DNA of the organisation, we have been constantly raising our own standards of being an employee-friendly organisation. The year under review witnessed a significant achievement: of being listed as a "Great Place to Work", in a survey conducted by Grow Talent & Company and Great Place to Work Institute, USA. Dabur was listed as the 10th "Great Place to Work". The results were published in Business World dated February 2006.

Dabur has adopted the Balance Scorecard for performance evaluation and strategy deployment. This tool ensures balanced performance by managers across multiple dimensions — financial performance, customer management, internal business processes and innovation and learning — and helps in sharper alignment of overall business strategy

with each individual's goals and performance. This year, the scorecard covered 325 managers. Using the Balanced Scorecard, the company has modified key performance indicators (KPIs) of the variable pay plan, which have been communicated to employees.

The company has also hired top class persons from among the best management institutes. In 2005-06 we recruited 17 such Management Trainees. They are undergoing rigorous training under the Young Managers' Development Programme (YMDP), where each is put through a year's cross-functional training programme while being mentored by a member of the senior management.

During the year under review several other HR initiatives were undertaken, both at the corporate as well as the plant level. We provided learning opportunities to our employees through various programmes such as Prayas, Leading and Facilitating Performance, and Campus to Corporate. An audiovisual-based module, SPORT, was used to train our own frontline sales personnel as well as those on the rolls of our stockists. Approximately 2,000 people have been trained through this module in 2005-06. A competency-based selection tool was also developed for selecting the right set of front line employees.

In 2005-06, we were successfully able to integrate Balsara into our fold, which included the Balsara manpower and its HR policies and processes. At the plant level, the company enjoyed excellent industrial relations across all manufacturing locations in India.

INFORMATION TECHNOLOGY

With rapid growth as well as the Balsara acquisition, there was a multitude of IT platforms for storing and analysing information. The aim of our IT initiative in 2005-06, therefore, was to bring the operations of the company under one platform — a user-friendly cohesive system that would give us maximum value for money in terms of information processing. The system also had to be flexible enough to be integrated with and applied to any existing system prevailing in any company that could be an acquisition target.

Keeping these objectives in mind, Dabur has installed the SAP ERP R3 system, which is the basic module. This has gone online, all at once in a "big bang" approach from 1 April 2006. The decision to invest in the SAP platform was taken six months before its implementation. Hence, in a very short span of time, we have moved from current practices to the best practice in managing IT. It was not an easy task. Integration required explaining the usage of new practice to all our employees across functions, ranging from manufacturing plants to sales, to logistics and finance teams. In addition to SAP going online for Dabur India Limited, it was also rolled out to Balsara. Dabur International and Dabur Nepal will be integrated by the 1 May 2006. This initiative will be extended to all our international manufacturing and international sales operations in due course.

In addition to the basic module we would be implementing various SAP products for using stored information for financial reporting and management decision-making. The SAP Business Warehouse would be used for data retrieval for management information systems (MIS), with an added functionality of integrating information from various sources. SAP Business Consolidation System will enable us to report consolidated accounting numbers after taking care of inter-company transfers. For accounting purposes it is also multi-GAAP functional. We also intend to install Business Plan Simulation (BPS) software, which would help us in decision management by simulating the impact of any change in business environment on Dabur.

For our employees we intend to deploy SAP-HR, a human resource information system that would store each individual's information on the system. Each employee's life cycle with the company, performance appraisal and other information would be available on this system. This would also enable us to leverage technology for training our employees, as the system would flag employees that fit the training needs of a particular module. In doing so, it would form an integral part of the knowledge management programme for our employees.

As a disaster recovery measure, the entire information stored on our central server at Dabur's Kaushambi office is also stored in at a location in Mumbai.

RESEARCH AND DEVELOPMENT

Research and Development (R&D) provides Dabur with critical edge in the market. The activities are focused around two basic domains. First, to continuously develop new products; and second, to test and guarantee their efficacy.

R&D activities include research on Ayurvedic and herbal products, organic substances, phytochemicals, tissue culture, foods, cosmetics, oral care and other personal care. During 2005-06, the company displayed its efficiencies in terms of high "speed to market" by successfully developing its Vatika Honey & Saffron soap. The entire development process from concept to delivery in the market was carried out in-house and at very fast pace. The company's products regularly go through clinical research and toxicity studies. This is done in collaboration with external organisations like the Dabur Dhanwantry hospital in Chandigarh and a number of other renowned institutions.

Through its agronomy department, Dabur has continued with its initiative of preserving herbs and plants in the endangered list, especially those that the company uses in its formulations. Specific plants are identified; the company then develops sufficient scientific knowledge of such plants; and then promotes their contract or corporate farming. So far, 14 such plants have been identified and the knowledge base built. Some examples of these interventions include corporate or contract farming of ghorbotch, brahmi, chiraita and pipli. The company has also leased in two wasteland areas to develop these herbs — Sandila in Uttar Pradesh and a private public partnership initiative in Uttaranchal.

FINANCIALS

The abridged financials of Dabur India Limited (DIL) for the year 2005-06 including revenue, expenditure and profits, are presented in Table 2.

Table 2: DIL's profit and loss account (Rs. crore)			
	2005-06	2004-05	Growth
1 Net Sales	1,369.7	1,268.7	8.0%
2 Other Income	5.4	11.5	-53.5%
3 Total Revenue	1,375.0	1,280.2	7.4%
4 Total Expenditure	1,131.7	1,092.3	3.6%
5 EBITDA	243.3	187.9	29.5%
6 Depreciation	19.1	17.1	11.4%
7 Amortisation	4.3	1.5	185.9%
8 Interest	5.7	4.3	31.6%
9 PBIT	220.0	169.3	29.9%
10 PBT	214.4	165.0	29.9%
11 Current Tax & FBT	21.8	13.0	67.7%
12 Deffered Tax	4.0	4.0	0%
13 PAT(before exceptional item)	188.6	148.0	27.4%
14 Exceptional item	0.51	0.0	
15 PAT	189.1	148.0	27.7%
16 EPS	3.3	2.58	27.9%
17 EPS (Diluted)	3.27	2.57	27.2%

As can be seen in Table 2, DIL continues to pursue its path of profitable growth. With the renewed strength of its brands, the company recorded a 8 per cent growth in net sales, from Rs. 1,268.7 crore in 2004-05 to Rs. 1,369.7 crore in 2005-06. This healthy top-line growth, accompanied by efficiencies in manufacturing and supply chain, has contributed to a 29.5 per cent growth in operating profits (EBIDTA) from Rs. 187.9 crore in 2004-05 to Rs. 243.3 crore 2005-06.

DIL continues to operate with negative working capital accompanied by reduction in inventory and sundry debtors levels.

Profit after tax (PAT) increased by 27.7 per cent during the year from Rs. 148.0 crore in 2004-05 to Rs. 189.1 crore in 2005-06. As evident in Table 3, all profitability ratios of the company have increased in the year under review.

There has been a significant improvement in operating margin (EBDITA/Total sales), which grew from 14.8 per cent in 2004-05 to 17.8 per cent in 2005-06. Net profit margin (PAT/Total sales) has also grown from 11.7 per cent in 2004-05 to 13.8 per cent in 2005-06.

Improved margins have been primarily driven by two factors. First, due to efficiency gains at our plants translating into better operating margins — be it wastage reduction, fiscal incentives or economies of scale. Second, procurement led initiatives that have resulted





As a Company, Dabur believes in good governance in true spirit, beyond merely complying with mandatory requirements. The Company’s commitment towards adoption of sound governance, at par with global standards, on a sustained basis is evident from the fact that it had put in place systems and procedures well before it had become mandatory. This attitude of Dabur has strengthened the bond of trust with its stakeholders.

In recognition of Company’s efforts, The Institute of Company Secretaries of India (ICSI) has honoured Dabur with its most prestigious “National award for excellence in Corporate Governance” for the year 2005. This award recognizes our commitment in adopting best practices towards Board’s independence & Governance; Transparency and Disclosure Compliances; Consistent Stakeholders Value Enhancement and Risk management Systems. This Award has motivated the Company to strive for still better governance.

This chapter, along with the chapters on Management Discussion and Analysis and Additional Shareholders Information, reports Dabur’s compliance with the revised Clause 49 and highlights the additional initiatives taken in line with international best practices.

COMPANY’S PHILOSOPHY ON CORPORATE GOVERNANCE

Dabur’s philosophy of corporate governance is based on preserving core values and ethical business conduct. Commitment to maximising shareholder value on a sustained basis, while looking after the welfare of multiple stakeholders is a fundamental shared value of Dabur’s Board of Directors, management and employees and critical to the company’s success. This value system translates into institutionalising structures and procedures that enhance the efficacy of the Board and inculcates a culture of transparency, accountability and integrity across the Company.

BOARD OF DIRECTORS

COMPOSITION OF THE BOARD

As on 31st March 2006 the Dabur’s Board consists of 11 members. Apart from the Chairman, who is a non-executive promoter Director, the Board comprises of three executive Directors (of whom one is promoter Director), two non executive promoter Directors and five non-executive independent Directors. The composition of the Board is in conformity with Clause 49 of the listing agreement, which stipulates that 50 per cent of the Board should comprise of non-executive Directors, and if the Chairman is non-executive, one-third of the Board should be independent.

NUMBER OF BOARD MEETINGS

The Board of Directors met 4 times during the year on 28th April, 2005, 26th July 2005, 24th October, 2005 and 27th January, 2006. The maximum gap between any two meetings was less than 3/4 months as stipulated under clause 49.

Directors’ attendance record and Directorship held

As mandated by the Clause 49, none of the Directors are members of more than ten Board level committees nor are they Chairman of more than five committees in which they are members. Table 1 gives the details of the Board as on 31st March 2006.

Table 1: Composition of the Board of Directors of Dabur India Ltd.							
Name of the Directors	Category #	Attendance Particulars			No. of other Directorships and Committee Memberships/Chairmanships		
		Number of Board Meetings		Last AGM	Other Directorships	Committee Memberships	Committee Chairmanships
		Held	Attended				
V C Burman	PD / NED	4	4	Yes	2	0	0
Pradip Burman	PD / ED	4	4	No	5	1	0
Dr.Anand Burman	PD / NED	4	3	Yes	5	1	1
Amit Burman*	PD / NED	4	3	Yes	9	3	1
P D Narang	ED	4	4	Yes	12	1	4
Sunil Duggal	ED	4	4	Yes	5	2	0
HH Gaj Singh	ID	4	1	No	6	0	0
P N Vijay	ID	4	4	Yes	3	2	2
S. Narayan**	ID	2	1	No	2	1	0
R C Bhargava	ID	4	4	No	12	5	4
Stuart E Purdy	ID	4	2	Yes	1	0	0
# PD - Promoter Director NED - Non-Executive Director ID - Independent Non-Executive Director ED - Executive Director * Ceased to be an Executive Director from 1st May, 2005 ** Appointed as a member from 26th July, 2005							
Shareholding of Non Executive Directors							
Name of Director				Status	No of shares held		
V C Burman				PD / NED	10000		
Dr Anand Burman				PD / NED	74000		
Amit Burman				PD / NED	0		
Maharaja HH Gaj Singh				ID	4000		
R C Bhargava				ID	0		
Stuart E Purdy				ID	0		
P N Vijay				ID	0		
S. Narayan				ID	0		
Details of Other Board Directorships is separately mentioned in Annexure 1							

As mandated by the revised Clause 49, the independent Directors on Dabur’s Board:

- Apart from receiving Director’s remuneration, do not have any material pecuniary relationships or transactions with the company, its promoters, its Directors, its senior management or its holding company, its subsidiaries and associates which may affect independence of the Director.
- Are not related to promoters or persons occupying management positions at the board level or at one level below the board.
- Have not been an executive of the company in the immediately preceding three financial years.
- Are not partners or executives or were not partners or executives during the preceding three years of the:

- Statutory audit firm or the internal audit firm that is associated with the company;
- Legal firm(s) and consulting firm(s) that have a material association with the company.
- Are not material suppliers, service providers or customers or lessors or lessees of the company, which may affect independence of the Director.
- Are not substantial shareholders of the company i.e. do not own two percent or more of the block of voting shares.

INFORMATION SUPPLIED TO THE BOARD

The Board has complete access to all information with the Company. Inter-alia, the following information is regularly provided to the Board as a part of the agenda papers well in advance of the Board meetings or is tabled in the course of the Board meeting.

- Annual operating plans & budgets and any update thereof.
- Capital budgets and any updates thereof.
- Quarterly results for the Company and operating divisions and business segments.
- Minutes of the meetings of the audit committee and other committees of the Board.
- Information on recruitment and remuneration of senior officers just below the level of Board, including the appointment or removal of Chief Financial Officer and Company Secretary.
- Materially important show cause, demand, prosecution notices and penalty notices.
- Fatal or serious accidents, dangerous occurrences, any material effluent or pollution problems.
- Any material default in financial obligations to and by the company, or substantial non-payment for goods sold by the company.
- Any issue, which involves possible public or product liability claims of substantial nature, including any judgement or order which, may have passed strictures on the conduct of the Company or taken an adverse view regarding another enterprise that can have negative implications on the Company.
- Details of any joint venture or collaboration agreement.
- Transactions that involve substantial payment towards goodwill, brand equity or intellectual property.
- Significant labour problems and their proposed solutions. Any significant development in human resources / industrial relations front like signing of wage agreement, implementation of voluntary retirement scheme, etc.
- Sale of material nature of investments, subsidiaries, assets, which is not in the normal course of business.
- Quarterly details of foreign exchange exposures and the steps taken by management to limit the risks of adverse exchange rate movement, if material.
- Non-compliance of any regulatory, statutory nature or listing requirements and shareholders service such as non-payment of dividend, delay in share transfer, etc.
- Details of investment of surplus funds available with the company.
- Minutes of the Board Meetings of the subsidiary companies.
- Statement showing significant transactions & arrangements entered into by the subsidiary companies.

The Board has established procedures to enable the Board to periodically review compliance reports of all laws applicable to the company, prepared by the company as well as steps taken by the company to rectify instances of non-compliances.

RESPONSIBILITIES OF THE CHAIRMAN AND CEO

The current policy of the company is to have a Chairman – Mr. V.C. Burman and a Chief Executive Officer (CEO) – Mr. Sunil Duggal. There are clear demarcations of responsibility and authority between the two.

- The Chairman is responsible for mentoring the core management team and in transforming the company into a world class, next generation organization that is dedicated to the well being of each and every household not only within India but also across the globe. Also as the chairman of the board he is responsible for all the board matters. He is also responsible for formulating the corporate strategy along with the BOD.
- The CEO is responsible for implementation of corporate strategy, brand equity planning, external contacts, and other management matters. He is also responsible for achieving the annual business plan.

BOARD MEMBERSHIP CRITERIA

The nominations committee works with the entire board to determine the appropriate characteristics, skills and experience for the board as a whole as well as its individual members. The selection of board members is based on recommendations of the nomination committee .

- The skill profile of independent board members will be driven by the key tasks defined by the board, which are broadly based on:
- Independent Corporate Governance.
- Guiding strategy and Enhancing Shareholders Value.
- Monitoring Performance, Management Development & Compensation
- Control & Compliance.

The constitution of the board will be as follows:  
Non Executive Chairman  
Family Nominee Director/s  
Executive Member/s  
Independent Directors and Non Executive Members – Constituting 50% of the board.

Key Skill Area	Essential	Desirable
Strategy/Business Leadership	2-3 years experience as a CEO, preferably of an MNC in India	FMCG experience
Corporate Strategy Consultant	Consultant /Academician with experience in FMCG Industry and business strategy.	Basic understanding of Finance
Sales and Marketing experience	At least 10 years experience in sales and marketing Good understanding of commercial processes 2-3 years as head of sales or marketing	Experience with FMCG or other consumer products
Corporate law	Expert knowledge of corporate Law	Experience in trade/consumer related laws
Finance	At least 5 years as a CFO or as held of a merchant banking operation	FMCG experience
Trade Policy & Economics	Expert Knowledge of Trade & Economic Policies	FMCG experience
Administration & Government Relations	Retired Beauocrat	Basic understanding of Finance and Business.
Ayurvedic specialist	Ayurvedic doctor with a minimum of 20 years experience as a practitioner/researcher	Basic understanding of finance and business

- Other directors could be based on company’s priority at a particular time viz:
- Knowledge of export markets that Dabur is focusing on.
  - Commodity procurement expert.

Remuneration paid to Directors

Table 2 gives details of remuneration paid to Directors for the year 2005-06

Name of the Director	Sitting Fees	Salary & Perquisites	Superannuation	Stock Option	Commission	Total
V C Burman	165000	0	0	0	8864000	9029000
Pradip Burman	0	8513489	704999	0	0	9218488
Dr.Anand Burman	60000	0	0	0	0	60000
Amit Burman*	30000	282651	22500	0	0	335151
P D Narang	0	11415483	900423	14344656	0	26660562
Sunil Duggal	0	11453494	748796	13505098	0	25707388
HH Gaj Singh	15000	0	0	0	0	15000
P N Vijay	300000	0	0	0	0	300000
S Narayan**	45000	0	0	0	0	45000
R C Bhargava	150000	0	0	0	0	150000
Stuart E Purdy	135000	0	0	0	0	135000
Total	900000	31665117	2376718	27849754	8864000	71655589

\* Ceased to be Executive Director from 1st May, 2005  
\*\* Appointed as a member from 26th July, 2005



During 2005-2006 the company did not advance any loans to any of its Directors. Mr PD Narang and Mr Sunil Duggal were issued 781973 and 773559 Stock Options respectively during the year having vesting period spread from 1 to 5 years and exercisable over a period of 3 years after vesting. The Options are exercisable at par.

Pursuant to the approval of shareholders in the Annual General Meeting held on 9th September, 1998 and subsequently on 5th September 2002, in addition to the above remuneration certain Directors are entitled to severance fee as contained in the resolution passed in the aforesaid meeting on cessation of their employment and directorship with the company. The notice period for the three executive Directors namely Mr. Pradip Burman, Mr. P.D. Narang, and Mr. Sunil Duggal is 3 months.

Two erstwhile employees (relieved from their duties on 30th April, 2005) are relatives of Directors of Dabur. Mr. Mohit Burman, son of Mr. V. C. Burman (Chairman), joined as General Manager, Sales and Marketing of the Company on 12th September, 1997. Gross remuneration paid to him for 2005-2006 was Rs.269667 as per approval of the shareholders and the Government. Mr. Chetan Burman, son of Mr. Pradip Burman (Executive Director), joined the Company on 1st February, 1996 as Deputy General Manager, Sales and Marketing. Gross remuneration paid to him for 2005-06 was Rs.233867 as per approval of the shareholders and the Government. Both of them have resigned on 30th April, 2005.

CODE OF CONDUCT

Dabur's Board has laid down a code of conduct for all Board members and senior management of the company. The code of conduct is available on the website of the company www.dabur.com. All Board members and senior management personnel have affirmed compliance with the Code of Conduct. A declaration signed by the Chief Executive Officer (CEO) to this effect is enclosed at the end of this report.

RISK MANAGEMENT

Dabur has established robust risk assessment and minimization procedures, which are reviewed by the Board periodically. At Dabur we have a structure in place to identify and mitigate the various risks faced by the company from time to time. At every board meeting, the risk register is reviewed by the board, new risks are identified, the same are then assessed, controls are designed, put in place and enforced through the process owner and a fixed timeline is set for achieving the same.

The company has adopted COSO framework for internal control. Under this framework risks are identified as per each process flow and control systems instituted to ensure that the risks in each business process is mitigated. The Chief Risk Officer (CRO) is responsible for the overall risk governance in the company and reports directly to the Management Committee (MANCOM), which consists of various functional heads. The Board provides oversight and reviews the risk management policy quarterly.

COMMITTEES OF THE BOARD

Dabur has four Board level committees – Audit Committee, Remuneration cum Compensation Committee, Nomination Committee and Shareholders/Investors Grievance and Share Transfer Committee.

All decisions pertaining to the constitution of committees, appointment of members and fixing of terms of service for committee members is taken by the Board of Directors. Details on the role and composition of these committees, including the number of meetings held during the financial year and the related attendance, are provided below:

a) Audit Committee

As on 31st March 2006, the Audit Committee comprises of four independent Directors. They are Mr. P N Vijay (Chairman), Mr. Stuart E Purdy, Mr. R. C. Bhargava and Dr. S. Narayan. The Audit Committee held seven meetings during 2005-06 on 27th April 2005, 26th July, 2005, 25th August, 2005, 24th October, 2005, 10th November, 2005, 27th January, 2006 and 27th February, 2006. The time gap between any two meetings was less than four months. The details of the audit committee are given in Table 3:

Table 3: Attendance record of Dabur's Audit Committee			
Name of Members (Category)	Status	No. of Meetings	
		Held	Attended
Mr. P N Vijay (ID)	Chairman	7	6
Mr. Stuart E Purdy (ID)	Member	7	4
Mr. R C Bhargava (ID)	Member	7	6
Dr. S Narayan (ID)*	Member	3	2
* Appointed as a member from 24th October, 2005.			

The Director responsible for the finance function, the head of internal audit and the representative of the statutory auditors, internal auditors and cost auditors are permanent invitees to the audit committee. Mr. A K Jain, Additional General Manager (Finance) & Company Secretary is the secretary to the committee.

All members of the Audit Committee have accounting and financial management expertise. Mr. P N Vijay, Chairman of the Audit Committee, has accounting and financial management expertise. The Chairman of the Audit Committee attended the Annual General Meeting (AGM) held on 15th July 2005 to answer shareholder queries.

- The functions of the Audit Committee include the following:**
- Oversight of the company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
  - Recommending to the Board, the appointment, re-appointment and, if required, the replacement or removal of the statutory auditor and the fixation of audit fees.
  - Approval of payment to statutory auditors for any other services rendered by the statutory auditors.
  - Reviewing, with the management, the annual financial statements before submission to the board for approval, with particular reference to:
    - Matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms of clause (2AA) of section 217 of the Companies Act, 1956.
    - Changes, if any, in accounting policies and practices and reasons for the same.
    - Major accounting entries involving estimates based on the exercise of judgment by management.
    - Significant adjustments made in the financial statements arising out of audit findings.
    - Compliance with listing and other legal requirements relating to financial statements.
    - Disclosure of any related party transactions.
    - Qualifications in the draft audit report.
  - Reviewing, with the management, the quarterly financial statements before submission to the board for approval.
  - Reviewing, with the management, performance of statutory and internal auditors, adequacy of the internal control systems.
  - Reviewing the adequacy of internal audit function, if any, 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.
  - Discussion with internal auditors any significant findings and follow up there on.
  - 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.
  - Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
  - 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.
  - To review the functioning of the Whistle Blower mechanism, in case the same is existing.
  - Carrying out any other function as is mentioned in the terms of reference of the Audit Committee.
- The Audit Committee is empowered, pursuant to its terms of reference, to:**
- Investigate any activity within its terms of reference and to seek any information it requires from any employee.
  - Obtain legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise, when considered necessary.
- Dabur has systems and procedures in place to ensure that the Audit Committee mandatorily reviews:**
- Management discussion and analysis of financial condition and results of operations.
  - Statement of significant related party transactions (as defined by the audit committee), submitted by management.
  - Management letters /letters of internal control weaknesses issued by the statutory auditors.
  - Internal audit reports relating to internal control weaknesses.
  - The appointment, removal and terms of remuneration of the Chief internal auditor shall be subject to review by the Audit Committee.
  - The uses/applications of funds raised through public issues, rights issues, preferential issues by major category (capital expenditure, sales and marketing, working capital, etc), as part of the quarterly declaration of financial results (whenever applicable).
  - On an annual basis, statement certified by the statutory auditors, detailing the use of funds raised through public issues, rights issues, preferential issues for purposes other than those stated in the offer document/prospectus/notice (whenever applicable).
- The audit committee is also presented with the following information on related party transactions (whenever applicable):**
- A statement in summary form of transactions with related parties in the ordinary course of business.
  - Details of material individual transactions with related parties which are not in the normal course of business.
  - Details of material individual transactions with related parties or others, which are not on an arm's length basis along with management's justification for the same.

Audit Committee report for the year ended 31st March, 2006

To the shareholders of Dabur India Limited:

Each member of the audit committee is an independent Director, according to the definition laid down in the Clause 49 of the Listing Agreement with the relevant stock exchanges.

The Management is responsible for the Company's internal controls and financial reporting process. The independent auditors are responsible for performing an independent audit of the Company's financial statements in accordance with the Indian GAAP (generally accepted accounting principles) and for issuing a report thereon. The committee is responsible for overseeing the processes related to the financial reporting and information dissemination.

In this regard the Committee discussed with the company's internal auditors and independent auditors the overall scope and plan for their respective audits. The Committee also discussed the results of their examinations, their evaluation of the Company's internal controls and the overall quality of financial reporting. The Management also presented to the committee, the companies financial statements and also represented that the company's financial statements had been drawn in accordance with the Indian GAAP.

Based on its review and discussions conducted with the management and the independent auditors, the audit committee believes that the Company's financial statements are fairly presented in conformity with Indian GAAP in all material aspects.

The Committee has also reviewed the internal controls put in place to ensure that the accounts of the Company are properly maintained and that the accounting transactions are in accordance with prevailing laws and regulations. In conducting such reviews, the committee found no material discrepancy or weakness in the Internal Control Systems of the Company. The Committee has also reviewed Management Discussion and Analysis, Statement of Significant Related Party Transactions, Directors' Responsibility Statement, compliance relating to financial statements and draft auditors' report.

The Committee is recommending to the board the re-appointment of M/s G Basu & Co., Chartered Accountants as statutory auditors of the company, M/s Bansal & Co., Chartered Accountants and M/s Waring & Partners, Chartered Accountants as Branch Auditors for Alwar Division and London Branch respectively to carry out audit of the accounts of the company and of respective division/branch for the financial year 2006-07.

In conclusion, the committee is sufficiently satisfied that it has complied with the responsibilities as outlined in the Audit Committee's responsibility statement.

	Signed
New Delhi April 25, 2006	PN Vijay Chairman, Audit Committee

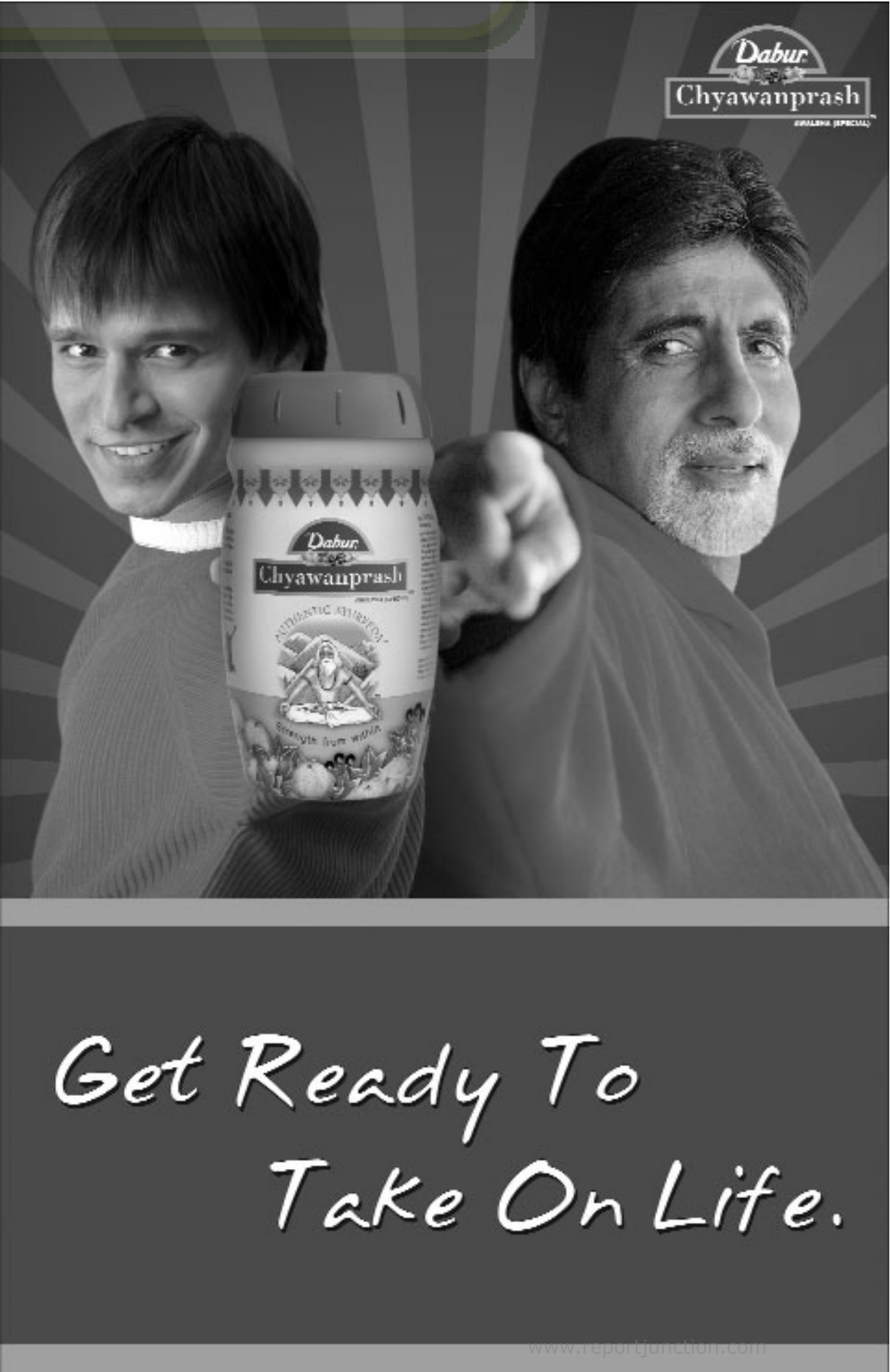
b) Remuneration cum Compensation Committee

The name of Compensation Committee was changed to Remuneration cum Compensation Committee on 28th April, 2005 after dissolving the Remuneration Committee and merging it with the Compensation Committee.

As of 31st March 2006, the Remuneration cum Compensation Committee comprises of Mr. P N Vijay (Chairman) and Mr. Stuart E Purdy, being independent Directors and Mr. V C Burman, being Non Executive Promoter Director.

The Remuneration cum Compensation Committee held six meetings during 2005-06 on 28th April, 2005, 26th July 2005, 24th October, 2005, 10th November, 2005, 25th November, 2005 and 27th January, 2006. Table 4 gives the details.

Table 4: Attendance details of Dabur's Remuneration cum Compensation Committee			
Name of Members (Category)	Status	No. of Meetings	
		Held	Attended
Mr P N Vijay (ID)	Chairman	6	6
Mr Stuart E Purdy (ID)	Member	6	3
Mr V C Burman (PD/NED)*	Member	5	4
*appointed as a member w.e.f. 28/4/2005.			





The Remuneration cum Compensation Committee of the Company recommends to the Board the compensation terms of executive Directors, approves and evaluates the executive Directors and senior management compensation plans, policies and programs of the Company. The responsibilities of the Committee include:

- Framing and implementing on behalf of the Board and on behalf of the shareholders, a credible and transparent policy on remuneration of executive Directors including ESOP, pension rights and any compensation payment.
- Considering, approving and recommending to the Board the changes in designation and increase in salary of the executive Directors.
- Ensuring that remuneration policy is good enough to attract, retain and motivate the Directors.
- Bringing about objectivity in determining the remuneration package while striking a balance between the interest of the Company and the shareholders.
- To frame the ESPS/ESOS and recommend the same to the Board/Shareholders for their approval and to implement the Scheme approved by the Shareholders.
- To suggest to Board/Shareholders changes in the ESPS/ESOS.
- To decide the terms and conditions of Employees Share Purchase Scheme (ESPS) and Employees Stock Option Scheme (ESOS) which inter-alia include the following:-
  - Quantum of options to be granted under the Scheme per employee and in aggregate;
  - Vesting Period;
  - Conditions under which option vested in employees may lapse in case of termination of employment for misconduct;
  - Exercise period within which the employee should exercise the option and that option would lapse on failure to exercise the option within the exercise period;
  - Specified time period within which the employee shall exercise the vested options in the event of termination or resignation of an employee;
  - Right of an employee to exercise all the options vested in him at one time or at various points of time within the exercise period;
  - Procedure for making a fair and reasonable adjustment to the number of options and to the exercise price in case of rights issues, bonus issues and other corporate actions;
  - Grant, vest and exercise of option in case of employees who are on long leave;
  - Procedure for cashless exercise of options;
  - Forfeiture/cancellation of Options granted;
  - All other issues incidental to the implementation of ESOS.
- To issue grant/award letters.
- To allot shares upon exercise of vested options.

Remuneration policy

The remuneration paid to the non-executive Directors of the Company is decided by the Board of Directors on the recommendations of the Remuneration cum Compensation Committee. The existing remuneration policy of the Company is directed towards rewarding performance, based on review of achievements on a periodical basis. The remuneration policy is in consonance with the existing industry practice. As per the shareholders’ approval obtained at the **Annual General Meeting of the Company held on 5th September, 2002**, commission is paid at the rate not exceeding one per cent of the net profits per annum of the Company, calculated in accordance with the provisions of Sections 198, 349 and 350 of the Companies Act, 1956.

1. Non-executive Chairman

Besides sitting fees, the non-executive Chairman is also entitled to commission out of profits of the Company as approved by the Board and within the overall limits prescribed by the Companies Act, 1956.

2. Independent Directors

Non-executive independent Directors are paid sitting fees for attending the meetings of the Board of Directors and committees thereof within the prescribed limits.

3. Executive Directors

Remuneration of the executive Directors consists of a fixed component and a variable performance incentive. The Remuneration cum Compensation Committee makes annual appraisal of the performance of the executive Directors based on a detailed performance evaluation and recommends the compensation payable to them, within the parameters approved by the shareholders, to the Board for their approval.

Remuneration cum Compensation Committee Report for the year ended 31st March, 2006

To the Shareholders of Dabur India Limited:

The Remuneration cum Compensation Committee comprises of 2 independent directors and 1 Non Executive Promoter Director. The main responsibility of the Remuneration cum Compensation Committee is to incentivize and reward executive performance that will lead to long-term enhancement of shareholder performance. The Committee reviewed and approved the stock options payable to all Executive Directors, within the overall limits approved by shareholders. The committee also reviewed and approved the stock options of all MANCOM members for the year 2005-2006. In addition, the committee reviewed the grant of sign-on and regular stock options to various other employees of the Company during the year. The Committee also reviewed and approved the revision in remuneration of Mr. P D Narang and Mr. Sunil Duggal, Executive Directors. The committee was also provided information on appraisal systems, the outcome of performance assessment programs, compensation policies for employees and the information to decide on grant of options to various employees.

Signed

New Delhi  
April 25, 2006

PN Vijay  
Chairman, Remuneration cum Compensation Committee

c) Nomination Committee

Dabur’s Nomination Committee consists of Mr. V C Burman, non-executive promoter Director, Mr. Pradip Burman, executive promoter Director, Mr. Stuart E. Purdy, independent Director and HH Maharaja Gaj Singh, independent Director. The Nomination Committee did not meet during the year under review. The functions of the Nomination Committee include:

- To identify and recommend candidates to the Board of Directors for appointment as members of the Board.
- To engage the services of consultants and seek their help in the process of identifying candidates for appointments to the Board.
- To decide the remuneration of consultants engaged by the Committee.

d) Shareholders/Investor Grievance and Share Transfer Committee

The Committee consists of three members, Mr. PN Vijay (Chairman), Mr. V C Burman and Mr. PD Narang. The Committee met four times in the year under review on 27th April, 2005, 26th July 2005, 24th October, 2005 and 27th January 2006. Table 5 gives the details.

Table 5: Attendance Details of Dabur's Shareholders/Investor Grievance and Share Transfer Committee			
Name of Members (Category)	Status	No. of Meetings	
		Held	Attended
Mr P N Vijay (ID)	Chairman	4	4
Mr V C Burman (PD/ NED)	Member	4	4
Mr P D Narang (ED)	Member	4	4

Mr. A K Jain, Additional General Manager (Finance) and Company Secretary, is the Compliance Officer. The committee supervises the mechanism for redressal of investor grievances and ensures cordial investor relations. Apart from looking into redressal of shareholders’ and investors’ complaints like transfer of shares, non-receipt of annual reports, non-receipt of dividend and allied matters, the committee performs the following functions:

- Transfer/Transmission of shares/Debentures.
- Split-up/Sub-division and Consolidation of shares, debentures, letters of rights, renewals, letters of allotment, call notices.
- Issue of new and duplicate share/debentures certificates.
- Registration of Power of Attorneys, Probate Letters of transmission or similar other documents.
- Grant extension of time for making allotment/First Call/Second and Final Call Payments.
- To open/close Bank Account(s) of the Company for depositing share/debenture application, allotment and call monies, authorize operation of such account(s) and issue instructions to the Bank from time to time in this regard.
- To look into the redressing of shareholder and investors complaints like transfer of shares, non-receipt of balance sheet, non-receipt of declared dividends etc.

- Any allied matter(s) out of and incidental to these functions and not herein above specifically provided for. Details of queries and grievances received and attended by the Company during the year 2005-06 is given in Table 6.

Table 6: Nature of complaints received and attended to during 2005-2006				
Nature of Complaint	Pending as on 1st April, 2005	Received during the year	Answered during the year	Pending as on 31st March, 2006
1. Transfer /Transmission / Duplicate	Nil	38	38	Nil
2. Non-receipt of Dividend	Nil	2	2	Nil
3. Dematerialisation / Rematerialisation of shares	Nil	30	30	Nil
4. Others (Non receipt of bonus shares/ POA/ change of signatures/ etc.)	Nil	23	23	Nil
5. Complaints received from: — Securities and Exchange Board of India — Stock Exchanges — Registrar of Companies/ Department of Company Affairs	Nil Nil Nil	54 6 Nil	54 6 Nil	Nil Nil Nil
6. Others	Nil	Nil	Nil	Nil
Total	Nil	153	153	Nil

There were no complaints which were pending as on 31st March’06. In order to provide efficient services to investors and for speedy redressal of the complaints, the Board of Directors has delegated the power of approving transfer and transmission of shares and other matters like split up/ sub-division, and consolidation of shares, issue of new certificates on re-materialisation, sub-division, consolidation, exchange and duplicate share certificates severally to Mr A K Jain, Additional General Manager (Finance) and Company Secretary, and Mr. R B Sachan, Asst. Manager – Secretarial, subject to a maximum of 5000 shares per case.

Shareholders/Investor Grievance and Share Transfer Committee Report for the year ended 31st March, 2006

To the Shareholders of Dabur India Limited:

The Shareholders/Investor Grievance and Share Transfer Committee comprises of 3 members. The main responsibility of the Committee is to ensure cordial investor relations and supervise the mechanism for redressal of investor grievances pertaining to transfer of shares, non-receipt of balance sheet, non-receipt of declared dividends etc. It performs the functions of Transfer/Transmission/ Split-up/Sub-division and Consolidation of shares, issue of new and duplicate share certificates and allied matter(s). The Committee approved 728 cases of transfer, 120 cases of re-materialisation, 3 cases of sub-division and 29 cases of issue of duplicate share certificates. The committee reviewed the status of investors grievances on quarterly basis. As at the close of the Financial Year there were no complaints pending for redressal.

Signed

New Delhi  
April 25, 2006

PN Vijay  
Chairman, Shareholders/Investor Grievance and Share Transfer Committee

Investor Relations – Boosting Investor Confidence

The role of investor relations at public companies continues to expand, due in part to increased disclosure and reporting requirements, more IROs (Investor relations Officer) providing more input to the Board of Directors and becoming members of their Company’s disclosure committee. At Dabur India the job responsibilities of the IRO are clearly defined as under:

1. Building Interest in the firm on the buy side.
  2. Being a strategic advisor to the Senior Management.
  3. General market intelligence, including data on stock trading and shareholder characteristics.
  4. General shareholder feedback/opinions.
  5. Peer comparisons.
  6. Intelligence on competitors.
  7. Anticipated market reaction toward planned corporate developments such as mergers and acquisitions or divestitures.
  8. Coping with the short term perspective of the investment committee.
  9. Building Investor Confidence in the firm.
  10. Being a part of the company’s disclosure team.
- At Dabur, we have various avenues to ensure that investors get a good understanding of the company and its strategies. In order to achieve this Dabur holds:
1. One-on-one meetings and quarterly conference calls - to show case the company’s performance and also highlight the company’s forward looking strategy.
  2. Webcasting - Dabur’s presentations are webcast. Webcasts are left up on corporate Web sites for upto 1 month.
  3. Group Analyst Meeting both in India and Outside at Singapore – Dabur India holds at least one analyst meeting outside India for the benefit of FIIs (Foreign Institutional Investors) to enable them understand the operations at Dabur better.

Subsidiary Companies

The revised Clause 49 defines a “material non-listed Indian subsidiary” as an unlisted subsidiary, incorporated in India, whose turnover or net worth (i.e. paid up capital and free reserves) exceeds 20% of the consolidated turnover or net worth respectively, of the listed holding company and its subsidiaries in the immediately preceding accounting year. Dabur does not have a material non-listed Indian subsidiary.

Management

**Management Discussion and Analysis**  
Annual Report has a detailed Chapter on Management Discussion and Analysis which forms part of this report.

**Disclosures**  
Disclosures on materially significant related party transactions i.e. transactions of the Company of material nature, with its promoters, the Directors or the management, their subsidiaries or relatives, etc. that may have potential conflict with the interests of the Company at large. Dealings in Company’s shares on the part of persons in management have been reported to Board periodically and whenever required to the Stock Exchanges. The material, financial and commercial transactions where persons in management have personal interest exclusively relate to transactions involving Key Management Personnel forming part of the disclosure on related parties referred to in Note in Schedule P to Annual Accounts which was reported to Board of Directors.

Related Party Transactions -

Significant related party transactions are summarised herein below:-

1. **Subsidiaries:**
  - Collaterals and guarantees have been given by the Company on behalf of Dabur Foods Ltd amounting to Rs.37.50 crores.
  - Goods worth Rs.2.49 crores were purchased from Dabur International Ltd.
  - Goods worth Rs.3.30 crores were sold to Dabur International Limited.
  - Share application money of Rs. 21.78 crores has been given to Dabur International Ltd.
  - Sale of investments for an amount of Rs. 21.85 crores was made by the Company to Dabur International Ltd.
  - Dabur Foods Ltd. was given a loan of Rs.8.25 crores by the company.
  - Dabur International Ltd. was given a loan of Rs.27.00 crores by the company.
  - Balsara Home Products Ltd. was given a loan of Rs.5.00 crores by the company.
  - Dabur Foods Ltd. had repayed the Loan of Rs.5.25 crores given by the company.
  - Balsara Home Products Ltd. had repayed the Loan of Rs.5.00 crores given by the company.
2. **Fellow Subsidiaries (subsidiary of a subsidiary):**
  - Goods worth Rs.2.19 crores were sold to Asian Consumercare Private Limited.
  - Goods worth Rs.2.55 crores were sold to Dabur Nepal Pvt Ltd.
  - Goods worth Rs.59.86 crores were purchased from Dabur Nepal Pvt Ltd.
  - Collateral and guarantees have been given on behalf of Dabur Egypt Limited amounting to Rs.5.02 crores, on behalf of Dabur Nepal Pvt. Ltd. amounting to Rs.3.13 crores and on behalf of Pasadena Foods Limited amounting to Rs.25.50 crores.
  - Goods worth Rs.3.99 crores were sold to Weikfield International (UAE) LLC.



**3. Associates:**  
- Services for an amount of Rs. 1.80 crores by Jetways Travels Pvt. Ltd. (Travel Agency) were received by the company. Such services were rendered at market rates.

**4. Key Management Personnel and their Relatives:**  
- For key management personnel kindly refer to Table 2 of this report.  
- There were no relatives of key management personnel who were paid remuneration / pension of Rs. 1 crore or more during the year.  
The detailed related party transactions can be referred to in Note in Schedule P to Annual Accounts.

Disclosure of accounting treatment in preparation of financial statements

Dabur has followed the guidelines of accounting standards laid down by the Institute of Chartered Accountants of India (ICAI) in preparation of its financial statements.

Details of non-compliance by the Company

Dabur has complied with all the requirements of regulatory authorities. No penalties/strictures were imposed on the Company by stock exchanges or SEBI or any statutory authority on any matter related to capital market during the last three years.

Code for prevention of insider-trading practices

In compliance with the SEBI regulation on prevention of insider trading, the Company has instituted a comprehensive code of conduct for its management and staff. The code lays down guidelines, which advises them on procedures to be followed and disclosures to be made, while dealing with shares of Dabur and cautioning them of the consequences of violations.

Code of Ethics and Conduct

Dabur has a well-defined policy framework, which lays down procedures to be followed by employees for ethical professional conduct. The code outlines fundamental ethical considerations as well as specific considerations that need to be maintained for professional conduct. This code has been displayed on the Company's website, www.dabur.com. The CEO has affirmed to the Board that this Code of Ethics and Conduct has been complied by the Board Members and Senior Management.

Whistle-Blower Policy

In line with the best international governance practices, Dabur has put in place a system through which employees and business associates may report unethical business practices at work place without fear of reprisal. The Company has set up a direct touch initiative under which all employees / business associates have direct access to the Chairman of the Audit Committee and also to a three member direct touch team established for this purpose. The whistle blower protection policy aims to:

- Allow and encourage employees and business associates to bring to the management notice concerns about suspected unethical behavior, malpractice, wrongful conduct, fraud, violation of policies.
- Ensure timely and consistent organizational response.
- Build and strengthen a culture of transparency and trust.
- Provide protection against victimization.

The above mechanism has been appropriately communicated within the Company across all levels and has been displayed on the Company's intranet as well as on company's website www.dabur.com. The Audit Committee periodically reviews the existence and functioning of the mechanism.

Dividend Policy

To bring transparency in the matter of declaration of dividend and to better protect the interests of investors, Dabur has adopted a Dividend Policy which has been displayed on the Company's website, www.dabur.com.

CEO/ CFO certification

The CEO and CFO certification of the financial statements and the cash flow statement for the year is enclosed at the end of the report.

Shareholders

Reappointment/Appointment of Directors

As per the articles of association of Dabur, one-third of its Directors retire every year and, if eligible, offer themselves for re-election at every Annual General Meeting. Consequently, Dr. Anand Burman, Mr. Sunil Duggal, Mr PN Vijay and His Highness Maharaja Gaj Singh would retire this year and being eligible, offer themselves for re-appointment in accordance with the provisions of the Companies Act, 1956. Their brief CVs are given below:

**Dr. Anand Burman:** M.Sc., Ph.d. (University of Kansas, USA) was born in 1952 and was appointed as a member on the Board in 1986. He is the promoter Director and currently holds the Vice chairman's position on the Board of Directors. The current shareholding of Dr. Anand Burman in the Company is 74000 shares.

**Mr. Sunil Duggal:** M.B.A. (IIM, Kolkata) was born in 1957 and joined the Board in 2000. He is currently the Chief Executive Officer of the Company. His current shareholding in the Company is 469676 shares.

**Mr. P N Vijay:** Post Graduate from IIT, Chennai was born in 1951 and joined the Board in 2001. He is a leading expert in stock market. He currently has no shareholding in the Company.

**His Highness Maharaja Gaj Singh:** M.A. (Oxford) was born in 1948 and joined the Board in 1993. He is the Founder and Managing Trustee of various philanthropic Institutions and religious charitable Trusts associated with education and women welfare. He is the chief patron of certain renowned educational societies. His current shareholding in the Company is 4000 shares.

Appointment of New Director

**Dr. S Narayan** has been appointed as an Independent director w.e.f 26th July, 2005. He is retired IAS, born in 1943 and has done M.Sc. Physics, Master in Business Management (Finance), M.Phil in Development Economics from Cambridge University- UK and Ph.d from IIT Delhi. He has been in public service in the State and Central Government for nearly four decades. During 2003-04 he was Economic Advisor to the Prime Minister. He has also served as Finance and Economic Affairs Secretary, Secretary in the Departments of Revenue, Petroleum, Industrial Development and coal and secretary in Rural Development in Tamil Nadu. Besides the above he is visiting faculty at several academic Institutions. He brings into the board a rich experience from his various stints in the government concerns. He currently has no shareholding in Dabur India Ltd.

Means of Communication with Shareholders

Half yearly financial information, including summary of significant events, for the half-year ended 30 September 2005 was sent to the households of all shareholders. The quarterly and half yearly financial results are normally published in The Economic Times/ Times of India and Navbharat Times/ Rashtriya Sahara newspapers. Table 7 gives details of the publications of the financial results in the year under review.

Table 7: Publications of the financial results during 2005-2006	
Description	Date
Unaudited Financial Results for the quarter ended on 30th June, 2005	28th July, 2005
Audited Financial Results for the quarter / half year ended on 30th September, 2005	26th October,2005
Unaudited Financial Results for the quarter / Nine months ended on 31st December, 2005	29th January, 2006

The quarterly, half yearly and annual financial statements are promptly and prominently displayed on the Company's web site i.e. www.dabur.com. The Company also displays the official news releases and presentations made to institutional investors and to analysts on this website. Further, the Company has also been complying with SEBI regulations for filing of its financial results under the EDIFAR system. These are available on the SEBI web-site www.sebiedifar.nic.in.

General Body Meetings

Table 8 gives the details of the last five General Meetings.

Table 8: Location and time of the last 5 General Meetings.				
Financial Year	Category *	Location of the meeting	Date	Time
2001-2002	AGM	Air Force Auditorium Subroto Park, New Delhi - 110010	5th September, 2002	11.00 AM
2002-2003	AGM	Same as above	2nd August, 2003	9.30 AM
2003-2004	EGM	Same as above	2nd August, 2003	2.00 PM
2003-2004	AGM	Same as above	6th July, 2004	11.00 AM
2004-2005	AGM	Same as above	15th July, 2005	11.00 AM
* AGM - Annual General Meeting, EGM - Extraordinary General Meeting				

The following Special Resolutions were taken up in the last three AGMs, and were passed with requisite majority.

2003-2004

Special Resolution passed through postal ballot to de-list the company's equity shares from The Delhi Stock Exchange Association Ltd., The Uttar Pradesh Stock Exchange Association Ltd., The Calcutta Stock Exchange Association Ltd., The Ludhiana Stock Exchange Association Ltd., Magadh Stock Exchange Association, Bangalore Stock Exchange Ltd., The Jaipur Stock Exchange Ltd. and The Stock Exchange, Ahmedabad.

2004 – 2005

- Keeping of records at the place other than registered office of the Company.

2005 – 2006

- Reappointment of Mr Sunil Duggal as Whole-time Director of the Company.
- Appointment of Mr Amit Burman as Whole-time Director in Dabur Foods Limited.
- Appointment of Mr Mohit Burman as Whole-time Director in Balsara Home Products Limited.
- Appointment of Mr Chetan Burman as Executive Director in Dabur Nepal Private Limited.

Postal Ballot

During the year under review, in pursuance to section 192A of the Companies Act, 1956 and Companies (Passing of the Resolution by Postal Ballot) Rules, 2001, postal ballot was conducted seeking approval of the shareholders for –

1. Capitalization of Share Premium Account and issue of bonus shares in the ratio of 1:1 to existing equity shareholders of the company.
2. Increase in authorized share capital of the Company from Rs.50,00,00,000/- to Rs.1,25,00,00,000/-
3. Amendment in Clause V of the Memorandum of Association of the Company.
4. Amendment in Article 4 of the Articles of Association of the Company

The result of postal ballot was published in The Statesman, Delhi and Rashtriya Sahara Hindi on 22nd December 2005. Mr. V.K. Jhalani, Chartered Accountant was appointed as Scrutinizer for conducting the postal ballot process. He reported the vote count on 21st December, 2005. The results of the ballot are given below:

Table 9 A: Result of the Postal Ballot ( Special resolution 1)		
Particulars	No. of Votes	%
Number of Postal Ballot Forms received	1992	
In Favour	222942103	99.98%
Against	0	0.00%
Invalid Ballots	52340	0.02%
Total Receipts	222994443	100.00%





# 10 REPORT ON CORPORATE GOVERNANCE

Table 9 B: Result of the Postal Ballot ( Special resolution 2)		
Particulars	No. of Votes	%
Number of Postal Ballot Forms received	1992	
In Favour	221977628	99.55%
Against	964275	0.43%
Invalid Ballots	52605	0.02%
Total Receipts	222994508	100.00%
Table 9 C: Result of the Postal Ballot ( Special resolution 3)		
Particulars	No. of Votes	%
Number of Postal Ballot Forms received	1992	
In Favour	221977473	99.55%
Against	964375	0.43%
Invalid Ballots	52660	0.02%
Total Receipts	222994508	100.00%
Table 9 D: Result of the Postal Ballot ( Special resolution 4)		
Particulars	No. of Votes	%
Number of Postal Ballot Forms received	1992	
In Favour	221976563	99.55%
Against	964375	0.43%
Invalid Ballots	53570	0.02%
Total Receipts	222994508	100.00%

The Chairman after receiving the Scrutinizer’s Report announced that the Special Resolutions at Item No.1 to 4 of the Postal Ballot Notice were duly passed with the requisite majority and directed that the resolutions be recorded in the minute book recording the proceedings of general meetings of the members.

## Compliance

### Mandatory requirements

Dabur is fully compliant with the applicable mandatory requirements of the revised Clause 49.

Table 10: Compliance report		
Particulars	Clause of listing agreement	Compliance status
<b>I. Board of Directors</b>	49 (I)	Yes
(A) Composition of Board	49 (IA)	Yes
(B) Non-executive Directors Compensation & Disclosures	49 (IB)	Yes
(C) Other provisions as to Board and Committees	49 (IC)	Yes
(D) Code of Conduct	49 (ID)	Yes
<b>II. Audit Committee</b>	49 (II)	Yes
(A) Qualified & Independent Audit Committee	49 (IIA)	Yes
(B) Meeting of Audit Committee	49 (IIB)	Yes
(C) Powers of Audit Committee	49 (IIC)	Yes
(D) Role of Audit Committee	49 II(D)	Yes
(E) Review of Information by Audit Committee	49 (IIE)	Yes
<b>III. Subsidiary Companies</b>	49 (III)	Yes
<b>IV. Disclosures</b>	49 (IV)	Yes
(A) Basis of related party transactions	49 (IVA)	Yes
(B) Board Disclosures	49 (IV B)	Yes
(C) Proceeds from public, rights, preference issues, etc.	49 (IV C)	Not Applicable
(D) Remuneration of Directors	49 (IV D)	Yes
(E) Management	49 (IV E)	Yes
(F) Shareholders	49 (IV F)	Yes
<b>V. CEO/CFO Certification</b>	49 (V)	Yes
<b>VI. Report on Corporate Governance</b>	49 (VI)	Yes
<b>VII. Compliance</b>	49 (VII)	Yes

### Adoption of non-mandatory requirements

#### a) Maintenance of the Chairman’s office

The company maintains the office of the non-executive Chairman and provides for reimbursement of expenses incurred in performance of his duties.

#### b) Tenure of Independent Directors

No specific tenure has been specified for the Independent Directors.

#### c) Remuneration Committee

Dabur has a Remuneration cum Compensation Committee that comprises of three members, two members being independent directors and one being non executive director. The Chairman of the Committee is an independent director.

#### d) Half-yearly Declaration

Dabur prepared a half-yearly report of financial performance in the year under review including a section on Management Discussion and Analysis. The half-yearly report was sent to all shareholders.

#### e) Audit Qualifications

The Auditors have raised no qualification for the Financial Statements of the Company.

#### f) Mechanism for evaluating performance of non-executive Directors

The performance evaluation of non-executive directors is done through a peer-to-peer performance evaluation of the Board of Directors. The Directors are marked on a scale of 1 to 5, with respect to three broad parameters namely—guiding strategy, monitoring management performance and development/compensation and statutory compliance & Corporate Governance.

#### g) Whistle Blower Policy

Dabur has whistle-blower policy in place. The details with regard to the functioning of the whistle-blower policy have been mentioned earlier in this report.

## Additional Shareholder Information

### Annual General Meeting

Date: 8th July, 2006  
Time: 9:30 am  
Venue: Air Force Auditorium, Subroto Park, New Delhi - 110010

### Financial Calendar

Financial year: 1st April to 31st March

For the year ended 31st March, 2006, results were announced on:

- 26th July, 2005: First Quarter
- 24th October, 2005: Half Yearly
- 27th January, 2006: Third Quarter
- 25th April, 2006: Fourth Quarter and Annual

For the year ending 31st March, 2007, results will be announced in:

- End July, 2006 First Quarter
- End October, 2006: Half Yearly
- End January, 2007: Third Quarter
- End April, 2007: Fourth Quarter and Annual

### Book Closure

The dates of book closure are from 23rd June, 2006 to 8th July, 2006 inclusive of both days.

### Dividend Payment

An interim dividend of Re. 1.50 per equity share was paid on 14th November, 2005 and final dividend of Rs. 1.00 per equity share will be paid on 12th July, 2006 subject to approval by the shareholders at the Annual General Meeting.

### Listing

At present, the equity shares of the Company are listed on Mumbai Stock Exchange (BSE) and the National Stock Exchange (NSE). The annual listing fees for the financial year 2005-2006 to NSE and BSE has been paid.

Table A: Dabur’s Stock Exchange codes	
ISIN No:	INE016A01026
Mumbai Stock Code:	500096
National Stock Code:	DABUR
Bloomberg Code:	DABUR IB
Reuters Code:	DABU.BO

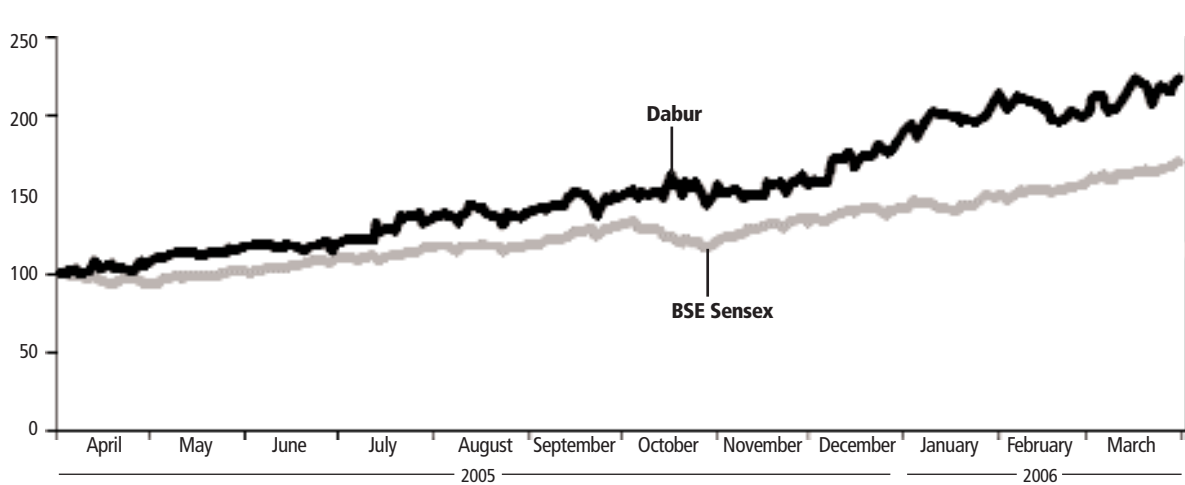
### Stock Market Data

Table B and Chart A gives details

Table B: High, low and volume of Dabur’s shares for 2005-06 at BSE and NSE						
MUMBAI STOCK EXCHANGE			NATIONAL STOCK EXCHANGE			
Date	High (Rs.)	Low (Rs.)	Volume	High (Rs.)	Low (Rs.)	Volume
Apr-05	60.75	54.50	2,700,658	60.47	54.50	6,169,601
May-05	65.22	55.50	2,110,625	65.50	58.15	5,563,490
Jun-05	68.50	62.57	5,728,947	69.90	60.00	6,624,221
Jul-05	78.12	63.00	5,681,302	81.00	63.32	14,549,406
Aug-05	79.85	71.30	2,382,438	80.00	69.05	9,998,422
Sep-05	84.85	71.37	2,497,428	84.75	74.62	7,778,446
Oct-05	93.20	77.50	6,103,536	94.70	79.00	18,637,984
Nov-05	90.77	81.20	3,380,733	91.00	81.15	10,882,802
Dec-05	105.90	85.12	4,558,362	106.05	85.25	14,792,191
Jan-06	119.00	102.27	6,696,522	119.90	102.32	23,707,112
Feb-06	120.00	107.00	7,710,303	120.10	101.65	22,009,984
Mar-06	125.95	109.25	25,697,384	125.90	109.85	30,236,000

Note: The value of Dabur share has been adjusted to half of its market price for April’05 to Jan’06 to give effect to bonus of 1:1 allotted on 27/01/06.

### Chart A: Dabur’s Share Performance versus BSE Sensex



Note: Dabur’s adjusted closing price and BSE Sensex indexed to 100 as on 1st April 2005.

### Distribution of Shareholding

Table C and D lists the distribution of the shareholding of the equity shares of the Company by size and by ownership class as on 31st March, 2006.

Table C : Shareholding pattern by size							
Number of equity shares held	Physical form No. of share holders	No. of shares	Dematerialisation form No. of share holders	No. of shares	Total number of share holders	% of share holders	Total number of shares
up to 5000	5834	6991316	76878	28728819	82712	98.99%	35720135
5001 – 10000	26	194000	403	3056844	429	0.51%	3250844
10001 and above	4	97000	415	534234805	419	0.50%	534331805
Total	5864	7282316	77696	566020468	83560	100.00%	573302784
Table D: Shareholding Pattern by ownership							
Particulars		As on 31st March, 2006				As on 31st March, 2005	
		No. of share Holders	% of share Holders	No. of shares held	% of share Holding	No. of share holders	% of share holding
Directors, promoters and family members		34	0.04%	426004818	74.31%	31	0.07%
FIs		51	0.06%	55620603	9.70%	32	0.07%
Mutual Funds		44	0.05%	8354761	1.46%	37	0.08%
Financial Institutions/Banks		29	0.03%	27529700	4.80%	9	0.02%
NRIs		2418	2.89%	4064240	0.71%	1959	4.18%
Corporates		1675	2.00%	9170725	1.60%	957	2.04%
Individuals		79309	94.91%	42557937	7.42%	43836	93.54%
Total		83560	100.00%	573302784	100.00%	46861	100.00%

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