



Dabur India Limited
Annual Report 2008-2009



Challenging Times | **Credible Performance**



Even when the world was gripped by despair and depression,
**Dabur continued to march ahead with
energy & enthusiasm.**

Even while the FMCG sector was faced with pressures of rising input
costs and price hikes, **Dabur was reporting strong
volume-based growth, quarter after quarter.**

Even when times were most uncertain,
**Dabur continued to deliver robust &
consistent performance.**

Across **categories** and geographies.

Across **brands** - existing and new.

Across product **innovations** & new introductions.

Across **product packaging, propositions & promotions.**

Evident from our **18.3%** growth in consolidated sales driven largely by
increase in volumes both in domestic and international markets.

In short, an apt manifestation of what Dabur truly stands for.





C ontents

Ten Year Highlights	02
Corporate Information	03
Chairman's Message	04
Know Us Better	06
Milestones	10
Performance at a Glance	12
The Buzz at Dabur	14
Corporate Social Responsibility Report	16
Sustainability Report	18
Management Discussion and Analysis	20
Dabur in Media	44
Report on Corporate Governance	45
Director's Report	70
Auditor's Report	87
Financial Statements	92
Consolidated Financial Statements	122
Financial Statements as per IFRS	152

Ten Year Highlights

Rs. crore	FY00	FY01*	FY02*	FY03	FY04*	FY05	FY06*	FY07^	FY08	FY09
Operating Results:										
Sales	982	1100	1200	1285	1236	1417	1757	2080	2396	2834
Other Income	34	19	12	7	9	9	13	26	34	47
EBITDA	128	137	144	162	164	217	300	376	443	517
EBITDA Margins (%)	13.0	12.5	12.0	12.6	13.3	15.3	17.1	18.1	18.5	18.3
Profit Before Tax (PBT)	81	85	82	106	124	176	257	319	384	445
Taxes	4	7	14	14	15	19	30	39	52	54
Tax Rate (%)	4.5	8.5	16.6	13.3	12.0	10.8	11.7	12.1	13.4	12.1
Profit After Tax (PAT)	77	78	64	85	107	156	214	282	333	391
PAT Margins (%)	7.9	7.1	5.4	6.6	8.6	11.0	12.2	13.5	13.9	13.8

Financial Position:										
Fixed Assets (Net)	251	243	371	257	250	295	512	379	465	559
Current Assets, Loans & Advances	412	393	504	522	340	408	471	640	774	951
Current Liabilities & Provisions	108	158	183	241	294	400	436	452	732	808
Net Working Capital	304	235	322	281	46	8	35	189	42	143
Days of Sales	113	78	98	80	14	2	7	33	6	18
Total Assets	609	558	705	640	433	543	624	670	749	1081
Share Capital	29	29	29	29	29	29	57	86	86	86.5
Reserves & Surplus	292	334	365	388	257	335	440	393	531	731
SHARE HOLDERS' FUNDS	320	362	393	417	286	364	497	480	618	818
Loan Funds	289	196	304	964	132	164	121	160	99	228
Total Capital Employed	609	558	705	640	433	543	624	670	749	1081
ROCE (%)	17.0	19.5	12.6	16.1	28.6	31.3	39.0	45.7	47.6	38.8
RONW (%)	24.7	22.0	16.6	20.6	38.1	43.5	46.1	61.3	55.3	48.4

Equity Share Data:										
Earnings Per Share (Rs.)	27.1	2.7	2.3	3.0	3.7	5.4	3.7	3.3	3.9	4.5
Dividend Per Share (Rs.)	10.0	1.0	0.5	1.4	2.0	2.5	1.8	1.42	1.5	1.75
No of Shares (In cr.)	2.9	2.9	28.6	28.6	28.6	28.6	57.3	86.3	86.4	86.5

Sales refer to Gross Sales Less Net of Sales Tax/VAT

* Stock split from Rs. 10/share to Rs. 1/share

* Consolidated result from FY02 onwards

* Dabur Pharma got de-merged

* Bonus issue of 1:1 was issued during the year

* Bonus issue of 1:2 was issued during the year

C orporate Information

Board of Directors

Dr. Anand Burman
Chairman

Mr. Amit Burman
Vice Chairman

Mr. Pradip Burman
Director

Mr. Mohit Burman
Director

Mr. P. D. Narang
Director

Mr. Sunil Duggal
Director

Mr. Anajit Singh
Director

Mr. R. C. Bhargava
Director

Mr. P. N. Vijay
Director

Dr. S. Narayan
Director

Mr. Albert Wiseman Paterson
Director

GM (Finance) & Company Secretary

Mr. Ashok Jain

Auditors

M/s G. Basu & Co.
Chartered Accountants

Internal Auditors

Price Waterhouse Coopers Pvt. Ltd.

Bankers

Punjab National Bank
Standard Chartered Bank
HSBC Ltd.

State Bank of India
ABN Amro Bank NV
Citibank NA

HDFC Bank Ltd.
IDBI Bank Ltd.

Corporate Office

Dabur India Limited,
Dabur Tower,
Kanshambhi, Sahibabad,
Ghaziabad - 201010,
Uttar Pradesh, India.
Tel.: 0120 - 3982000, 3001000
Fax: 0120 - 4374935
Website: www.dabur.com
Email: investors@dabur.com

Registered Office

8/3, Asaf Ali Road,
New Delhi - 110002
Tel.: 011-23253488

C hairman's message

Dear Shareholders,

It is with great pleasure, and a sense of satisfaction, that I write to you at the end of yet another path-breaking year for Dabur.

It was indeed a momentous year for your Company, which successfully withstood the downturn that swept through the global and the Indian economy, to move ahead firmly on the growth trajectory. Despite various negatives such as slow down in the economy, mounting cost pressures and sharp currency fluctuations, 2008-09 saw Dabur move ahead on the growth track and remain on the upswing in every aspect of its business. On a consolidated basis, revenues have increased by 18.3% to Rs. 2,834.1 crores and Net Profit has grown by 17.5% to Rs. 391.2 crores.

A good part of this growth has been driven by the successful introduction of a host of new products and variants, which ensured that Dabur not just retained, but even enhanced its leadership position in key product categories. Boosted by a series of such initiatives, and led by a far-sighted and forward-thinking management team, your Company not only maintained, but enhanced its market position in several key highly competitive categories across the Fast Moving Consumer Goods (FMCG) space.

Details of most of these initiatives and your Company's achievements for the year 2008-09 have been elaborated in the Management's Discussion and Analysis section of this report. Here, I would like to address some of key factors that helped your Company tackle the challenges of the year and which shall enable it to make the most of the opportunities in the years to come.

Even though the Indian economy had gone into depression during the year, the FMCG sector did not witness any visible signs of

demand contraction. On the contrary, the sector has been moving ahead at a healthy pace as consumer spending on everyday use products at popular price points have continued to attract good demand, both from rural and urban India. The rural consumers – thanks to increased spending power on account of higher agri-commodity realizations and investments in the rural economy — have, in fact, been the key driving force for the sector.

For Dabur, it's imperative that we take cognizance of the changing dynamics of the market and appropriately build these into our plans in order to address the challenges and take advantage of the emerging opportunities.

One such change that happened during the year was the churn in organized retail industry. There was a sharp slowdown in this sector, which led to several retail chains facing a severe resource crunch and pressure on sales and profitability. Since many of these chains are our channel partners, the Company needed to take cognizance of the issues and address them effectively so that the impact on our business was minimal. Dabur addressed this by putting in place appropriate strategies in working capital management, terms of trade and sales force focus. This has helped us maintain our shares and grow our business in modern trade in spite of a general slow down in this distribution channel.

The Company saw strong demand emerging in rural and semi urban markets and took advantage of this through its diverse product basket, extensive

distribution network that penetrates even remote geographical markets and its unique herbal and natural heritage. This is in recognition of the fact that almost 70% of India's population resides in rural and semi urban areas and the rural economy accounts for close to 50% of India's GDP. Dabur has always catered to these markets by providing relevant products and increasing its penetration, reach and contact with the consumers.

Your Company also gives due share of attention to its urban consumers who have much higher spending power and disposable incomes. Aligning its products to meet the ever-changing needs of the urban customer remains a corner stone of Dabur's operational strategy. Dabur has always kept itself firmly focused on identifying and developing products that are in line with the changing consumer needs in terms of variety, quality, packaging and communication. New communications strategies, with a host of new brand ambassadors, further contributed significantly to Dabur's brand and market enhancement initiatives during the year.

In line with its stated strategy of pursuing inorganic growth through synergistic acquisitions, your Company initiated the process of acquiring 72.15% of Fem Care Pharma Ltd (FCPL), a leading player in the women's skin care products market, for Rs 203.7 crore in an all-cash deal. The acquisition process will be completed by the first quarter of the 2009-10 fiscal and is likely to open new vistas of growth for Dabur in the fast-growing mainstream skin care segment.

Your Company's International Business Division was another key driver of growth with a strong 40% increase in revenue. We have built strong capabilities to tap emerging opportunities in the overseas markets. Expansion of existing markets and foray into new geographies will continue to drive growth in the international business. Having established its presence in the Middle East and North African markets, your Company is now looking at expanding its presence to other parts of Africa and Asia.

Your Company's healthcare portfolio received a boost with the Consumer Health Division clocking a good rate of growth and succeeding in launching a range of OTC products for everyday health needs in line with changing lifestyles and health requirements. The Company will increasingly leverage its huge expertise in this area to provide safe and efficacious remedies which address the modern day health needs.

That the growth opportunities are huge needs no elaboration. While the year 2008-09 had ended strong, we foresee several challenges ahead. While input cost fluctuations and growing competition are likely to continue to pose serious challenges, I can assure you that your Company is fully geared to tackle the situation and continue to grow, both in volume and value terms. Dabur's inherent strengths ensure that Dabur will continue to pursue its long-term growth strategy – both organic and inorganic – in the years to come.

2009-10 is a historic year for Dabur as it marks the completion of 125 years of Dabur's journey that started in 1884 in Kolkatta. This annual report highlights some of the milestones of this wonderful and exciting journey and we shall be celebrating "125 years of Dabur" through a series of events during the year.

The quality, drive and expertise of our employees are second to none. With their dedication, and your encouragement and support, I am confident that Dabur will continue to achieve many more such years of exceptional progress. I would like to take this opportunity to thank all our employees, associates, suppliers, distributors and shareholders for being part of this journey with us.

Dr. Anand Burman
Chairman



Know us better

Dabur India Limited is the world's largest Ayurvedic & Natural Health Care Company & among India's leading Personal & Health Care Companies.

Business structure

Dabur operates through three focused Strategic Business Units

Consumer Care Division (CCD)

Addresses consumer needs across the entire FMCG spectrum through four distinct business portfolios: Personal Care, Health Care, Home Care and Foods.

Brand portfolio & architecture

The Company's brand portfolio comprises of over 350 products positioned across the herbal and natural space. Dabur India's FMCG portfolio includes four flagship brands with distinct brand identities.

Dabur

Herbal & Ayurvedic
Health Care

A trusted name in natural healthcare for the past 125 years, Dabur is known for providing a range of efficacious and time-tested health care products based on the principles of Ayurveda



Natural
Personal Care

A premium personal care brand & a leader in its category, Vatika is a popular name in the natural personal care space offering a whole range of nature-based solutions

Hajmola

Tasty
Digestives

Tasty fun-filled digestives available in interesting formats like tablets and candies, Hajmola appeals to all age groups



Fruit-based
Beverages

India's leading brand of packaged fruit juices, Real provides the largest range of refreshing & healthy fruit juices that are 100% natural and free of preservatives

Backed by a 125-year legacy built on quality and experience, Dabur is dedicated to the health and well-being of every household.

2

Consumer Healthcare Division (CHD)

Offers a range of ethical and OTC products that deliver the age-old benefits of Ayurveda in modern ready-to-use formats.

3

International Business Division (IBD)

Caters to the health & personal care needs of customers across different international markets spanning Middle East, North & West Africa, EU and US through its brands Dabur and Vatika.

Leadership & excellence

It is apt to say that not a day in the lives of people is complete without using Dabur's products. And it is the Company's commitment to evolve with the changing needs of its customers that has helped a 125-year-old Dabur emerge a favourite among even the modern Indian consumer and win market share across categories.



Dabur Chyawanprash is the largest selling Ayurvedic health supplement with over 65% market share.



Dabur Honey is the market leader in the branded honey market in India.



Vatika ranked as the fastest growing shampoo brand in 2008-09, making it to the top of the charts for the third year in running.



Dabur Amla Hair Oil continues to be a high growth brand in urban and rural markets by winning away users of mustard and other unbranded oils.



Hajmola commands over 80% market share in the herbal digestives category.



Real Fruit Juices command market leadership in pure juices category with 50% share.



With brands like **Dabur Red Toothpaste**, **Babool** and **Meowak**, Dabur controls 16% share of the oral care market and has doubled its share in the last 5 years.



Gulabari skin range outperforms the market becoming one of the fastest growing brands in skin care.

Operations & distribution

The Company's manufacturing activities spanning various consumer products categories are carried out in 17 factories spread across India and abroad. The company recently operationalised its new plant at Ras-al-Khaimah in the UAE.

Dabur's domestic distribution network comprises 50 C&F agents and about 4,500 distributors. Driven by the sheer popularity of its product portfolio, Dabur finds a place of pride in over 2.5 million retail outlets in India with geographic footprint spanning over 60 countries.

The billion rupee brands

