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ANNUAL REPORT 1999-2000

Dabur India Limited

TOUCHING LIVES THROUGH KNOWLEDGE AND NATURE.

Dabur

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Table of Contents

Board of Directors	1
Chairman's Message	2
Management Discussion & Review	3 - 19
Directors' Report	20 - 28
Corporate Governance	29 - 35
Dabur India Ltd.	
— Auditors' Report	36 - 37
— Annual Accounts	38 - 55
— Statement u/s 212	56
Subsidiaries:	
— Dabur Nepal Pvt. Ltd.	57 - 66
— Dabur Foods Ltd.	67 - 78
— Dabur Overseas Ltd.	79 - 84
— Dabur Egypt Ltd.	85 - 90
— Dabur International Ltd.	91 - 94
— Dabur Finance Ltd.	95 - 108
— Dabur Oncology plc.	109 - 116

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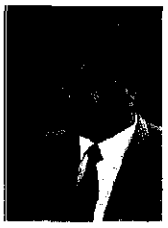
Board of Directors

Chairman Emeritus
Mr. A.C. Burman

Chairman
Mr. V.C. Burman

Vice Chairman
& Managing Director
Mr. G.C. Burman

Dy. Managing Director
Dr. Anand Burman

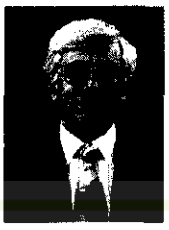


Whole Time Director
Mr. P.D. Narang

Whole Time Director
Mr. Ninu Khanna

Whole Time Director
Mr. Sunil Duggal

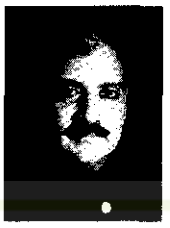
Mr. Pradip Burman



Mr. Sidharth Burman

Air Chief Marshal
N.C. Suri (Retd.)

Mr. Ashok Goenka



His Highness
Maharaja Gaj Singh

Mr. S. M. Datta

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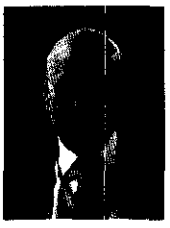

Raja Vijay Karan

Mr. Uday S Kotak

Company Secretary
Mr. A.K. Jain

Auditors
M/s G Basu & Co,
Chartered Accountants
Internal & Management Auditors
Arthur Andersen

Bankers
- Punjab National Bank
- ANZ Grindlays Bank Ltd.
- American Express Bank Ltd.
- The Hongkong & Shanghai Banking Corporation Ltd.
- State Bank of India
- Deutsche Bank AG
- ABN Amro Bank NV
- Citibank NA
- United Bank of India

Dabur

Registered Office
DABUR INDIA LIMITED
8/3, Asaf Ali Road, New Delhi-110002

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Chairman's Message

The twenty first century beckons us with new promises. It also urges us to take stock and understand the imperatives which would guide the growth of companies in this brand new era, especially in Fast Moving Consumer Goods sector in which Dabur, our Company, operates.

Of late, there has been much said about the concept of knowledge being the key differentiator in industry. They say that there are industry sectors that are knowledge based, such as IT and pharmaceuticals, and there are others which do not rely on knowledge as much. My belief is that knowledge is all encompassing. And over the coming years, knowledge would be the key for all corporate success, irrespective of the sector they are operating in. In fact, it would not be wrong to term this new century as the 'Century of knowledge'.

We at Dabur have always given prime imperative to obtaining knowledge in all areas of operations. We always have, and shall further endeavour in this new era, to attain knowledge leadership in all these areas. On one end of the spectrum of knowledge is the knowledge of our products and ingredients that go into creating them and on the other is knowledge of marketplace and our consumers. Dabur has its roots set deep in the understanding of age old philosophy and content of Ayurveda, and we are constantly upgrading that knowledge with the application of latest scientific tools and methods available.

While on one hand Dabur has this invaluable knowledge and understanding of the product, on the other, we have also strived to gain maximum understanding and insights into the consumer psyche. The relationship of trust built over a century of caring enables Dabur to understand the latent needs of the consumer and come out with the value-added products to satisfy those needs and requirements. We believe that it is this knowledge of the consumer mind coupled with our constant quest to understand it better, that would provide us the winning edge in this new century.

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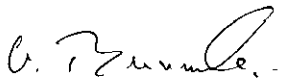
But merely possessing this knowledge base is not an end in itself. Constant upgradation of this knowledge is the key to success in this new era. This is where the new age tools provided by the Information Technology movement would chip in by helping us in upgrading this knowledge faster and more efficiently. Moreover, in order to maintain our Knowledge Leadership, we at Dabur are constantly meeting the consumer to further understand their psyche. The Company is using the latest marketing research tools to understand the consumer, because for us the secret of true success lies in obtaining the deepest knowledge of consumer and our product together. After all, today only Knowledge Leadership can lead to Market Leadership.

Finally, I would like to take this opportunity to thank all the stakeholders in the Company who have understood our dream of Knowledge Leadership and have provided us all the help and encouragement needed to realise this dream. With your support we are set to enter the uncharted arenas of knowledge and move into the new century with greater glory.

Thank you.



Vivek C Burman

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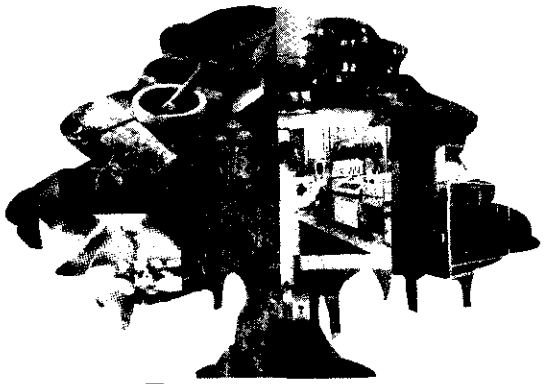

In today's highly competitive world cluttered with a plethora of brands screaming for attention, Dabur has carved a niche for itself. And it has done so by successfully merging the finest from the ancient wisdom of Ayurveda with the best that today's technology has to offer. Dabur's immense knowledge base in Ayurvedic remedies and its ability to further improvise on them through advanced research and development coupled with leading-edge technologies has provided it with the winning advantage to forge ahead and emerge a leader in the industry.

MANAGEMENT DISCUSSION AND REVIEW

INDUSTRY STRUCTURE

The Indian consumer market is today the second biggest consumer market in the world next only to China. During the last 20 years the Indian demographic structure has undergone a significant change. With increasing affluence, migration of significant numbers from rural to urban areas, increasing proportion of people in the higher income class and reducing lower income class, the Indian consumer market has recorded good growth and is considered one of the most potential markets in the world.

As per a study conducted by NCAER, the distribution of households in the upper income class went up from 1.1% in 1985-86 to 3.5% in 1995-96. During the same period, the distribution of households in the lower income class went down from 65.2% to 48.9%. With GDP growing at around 5-6%, it is expected that the Indian demographics will continue to witness similar trends in the coming five years with more and more households graduating upward on income ladder.

The Indian FMCG sector is yet at the growth stage where many product categories are at their nascent stage. In terms of penetration levels very few categories such as soaps, detergents, tea, and hair oils have reached high penetration both in urban and rural India. Even these high penetration categories offer opportunities, as the per capita consumption levels are still very low. Other categories still have low penetration levels and are likely to witness strong growth in the coming times.

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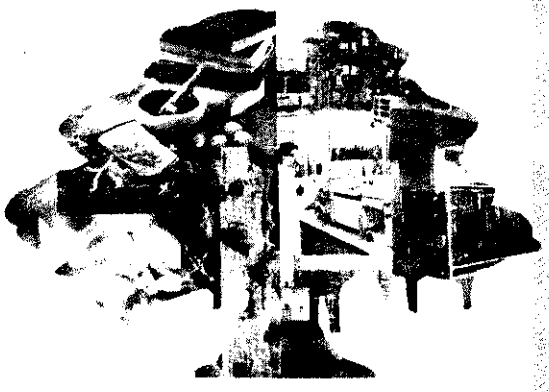
The glorious tree grows not just for itself but for the whole world. Its shadow gives respite to the weary traveller and its fruit feed the jungle. But not all saplings grow to become big glorious trees. Only those who have firm roots and an ability to adapt to the surroundings and the changing times, will out grow the field and stand out as true icons.



OPPORTUNITIES & THREATS

The rural consumer markets which represent 70% of the country's population are a potential opportunity for all FMCG players and companies like Dabur who already have a strong presence in rural markets will be better placed to utilize this opportunity. Significant advantage will be available for those players who can think ahead of times, identify opportunities and influence the consumer positively. An important ingredient for success in the coming years will be the value addition derived from the knowledge base that any company will have proprietary access to. Knowledge based companies will have an edge over others by virtue of their capability of creating greater value for the consumer, may it be the improved products or lower costs. This is a great opportunity for a Company like Dabur which has a rich heritage of ancient Ayurveda, supplemented by modern scientific research. Consequently, during the last 12 months Dabur continued to outgrow the Fast Moving Consumer Goods Industry. The Company recorded an overall growth of 13.5% in sales for the financial year as compared to last financial year. In comparison most other FMCG companies recorded single digit growth during the same period. Here's a brief round up of the Company's performance.

SEGMENT WISE / PRODUCT WISE PERFORMANCE

The glorious tree grows not just for itself but for the whole world. Its shadow gives respite to the weary traveller and its fruit feed the jungle. But not all saplings grow to become big glorious trees. Only those who have firm roots and an ability to adapt to the surroundings and the changing times, will out grow the field and stand out as true icon. Dabur, with its strong roots set deep in the goodness of nature and Ayurveda, and a

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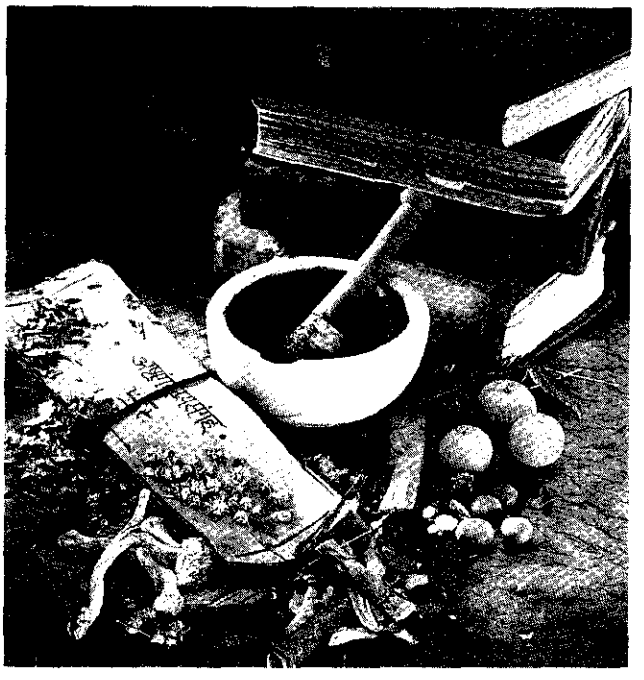
relentless drive to adopt the finest that advanced medical technology has to offer, has managed to stand out as an icon forever reaching out to touch a billion lives with healing hands.



Family Products Division, the largest division of Dabur, grew by 16% with remarkable growth in all its brands resulting in increase in market shares. These include **Hair Care** products like Dabur Amla Hair Oil, the improved Dabur Special Hair Oil, Vatika Hair Oil and the Vatika Shampoo. Amla Hair Oil came out in contemporary PET packaging whereas Special Hair Oil was the first brand in its product category to have goodness of natural ingredients. Vatika Hair Oil and Shampoo continued to stride to new growth pastures. The **Oral Care** section of Family Products Division saw a flurry of activity on its flagship brand, Dabur Lal Dant Manjan, with new packaging and a new advertising campaign which brought in significant growth for the brand. The packaging upgradation to high quality shrink sleeve package will help combat the problem of competition from spurious products. Binaca toothbrushes also gained market share in a fragmented and highly competitive market. The Binaca brand was acquired by the Company at fair market value of Rs. 3 crore from Binaca Hygiene products. Earlier this brand name was being used by the Company on franchise basis.

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Dabur's Honey Bee experts train farmers in bee keeping activity

Dabur **Honey** undertook a market expansion task by unveiling the kids strategy and has shown positive results. A new promotional campaign on television was well supported by below the line activities where school activities figured prominently. Among Dabur's **Skin Care** products Dabur Gulabari grew by 20%. The Skin category offers good market potential and Dabur is focusing on Dabur Gulabari as well as Samara to tap this fast growing category.

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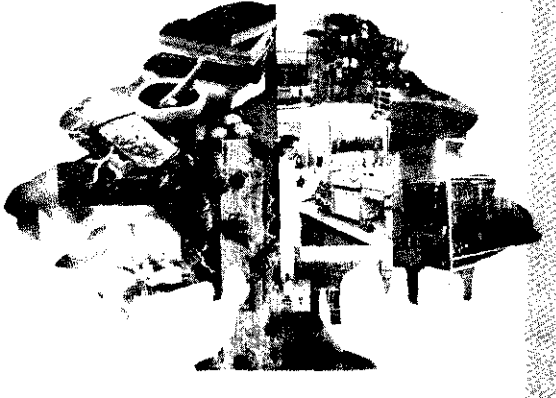
Dabur, with its strong roots set deep in the goodness of nature and Ayurveda, and a relentless drive to adopt the finest that advanced medical technology has to offer, has managed to stand out as an icon, reaching out to touch a billion lives with healing hands.



Also, **Health Care Division,** which has a strong brand portfolio of Over the Counter (OTC) health care products recorded a growth of 12%.

Health Tonics like Dabur Chyawanprash, the flagship brand, gained market share in this highly competitive category. In **Digestives**, Hajmola continued to hold its sway over the market with a strong presence deep in the Indian heartland. During the year Hajmola Imli was also launched in bottles which brought in spectacular growth for the brand. Hajmola Candy with a new campaign continued to be a favourite of the young as well as old.

Pudin Hara alongwith Hajmola and Hingoli retained more than 90% share of the herbal digestives market. **Child Care** products spearheaded by Dabur Lal Tail, an Ayurvedic baby massage oil, showed a lot of potential for future growth. During the year, Dabur Lal Tail was launched in PET bottle.

Ayurvedic Specialities, the division having a range of more than 300 Ayurvedic medicines grew by 27% during the year. The division is all set to achieve Rs.100 crore mark in sales turnover. The major focus for the division was on gaining market share through OTC push and accelerated support of Ayurvedic practitioners. The division created a separate sales force of Ethical Sales Representatives to garner support of Ayurvedic practitioners. The division also introduced the **Ayurmedha** awards to encourage and reward brilliant students at various Ayurvedic colleges.

Pharmaceuticals Division continued to outgrow the market with 20% growth over previous year in terms of sales. In **Branded Formulations**, New Livfit became the second

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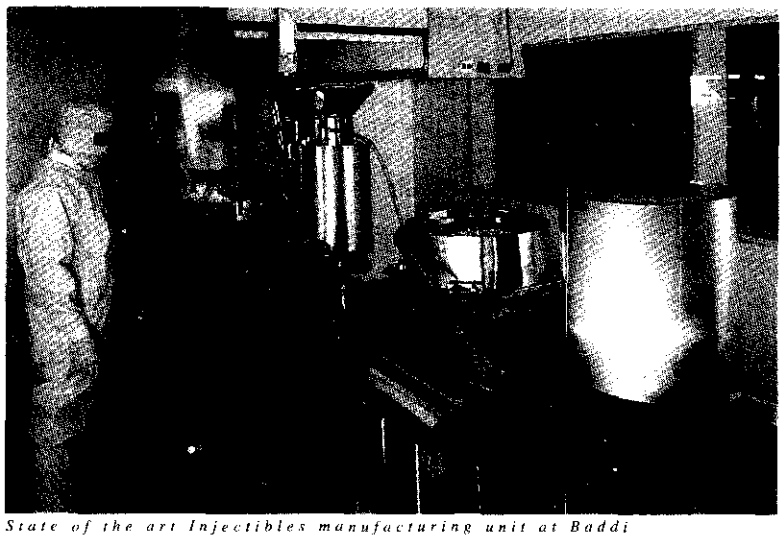

State of the art Injectibles manufacturing unit at Baddi

largest herbal Hepato Protective brand with a proven efficacy in all kinds of Hepatitis. The division made a foray into gynaecological market with the launch of a GnRH analog, Neferaline Acetate under the brand name of Nasarel. This product is used in the treatment of endometeriosis and in assisted reproduction (IVF). This is the first nasal administration formulation in this class of drugs in the country. The division also introduced Lactonic, a product based on traditional knowledge of Ayurveda for better lactation. The product has been introduced in granules form to offer convenience and have better consumer compliance.

The **Oncology** section of the division continued to maintain its leadership in Taxanes inspite of introduction of Taxanes by 5 new companies. The Pharmaceuticals Division continued to have more than 80% market share in this segment. The division launched Topotecan under the brand name Topotel. This is the first camptothecin derivative for ovarian and lung cancer to be introduced in India. The division also launched Amiphostin under the brand name Amiphos. This breakthrough cytoprotective drug to be given with various anticancer regimens is first to be introduced in India in this segment.

Exports during the year grew at 6%. The Company focused on three major product types - herbals, bulk drugs and anticancer formulations - for growth in overseas markets. Growth in exports was moderate this year as compared to previous years mainly because of lower exports of Guargum due to down trend in the Guargum market worldwide. In the field of herbals, the company consolidated its presence in African markets. Dabur Herbal Toothpaste and Dabur Herbal Soaps captured the imagination of consumers in those countries. Dabur Amla Hair Oil, the leading Dabur product overseas, was launched in

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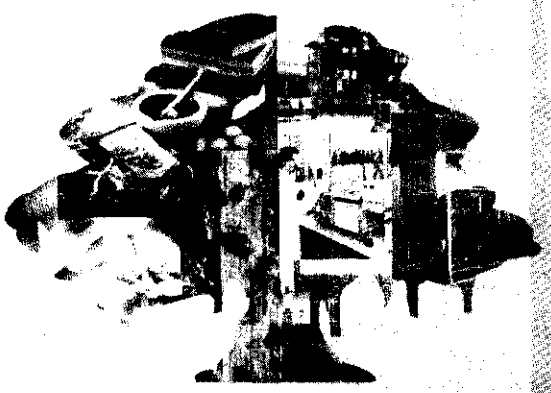
With the unfailing foundation of a proven tradition and the strength and accuracy of modern technology Dabur has set out to heal and touch lives globally. Today with the whole world realising and turning to the purity and benefits of mother nature and her healing touch, Dabur holds a winning advantage.



contemporary plastic bottle and unique gold foil carton and label established its presence in developed markets like Europe, USA and Canada. Dabur Chyawanprash found loyal customers in Russia and the exports increased multifold to this country. Some of the single ingredient herbal products like Neem and Ashwagandha capsules also got registered in Russia during the year. The Company also started exporting Real Fruit Juice to USA during the last quarter of the year.

Dabur established itself as one of the leading manufacturer in the world for bulk drugs such as Paclitaxel, Docetaxel, Terfenadine and Ambroxol Hydrochloride. The Company registered a 35% growth in exports of bulk drugs and is presently in the process of tying up with some of the leaders in world pharmaceuticals market for their supplies. Dabur endeavour to establish itself as a global player in the field of generic anticancer formulations is progressing well. The Company obtained marketing approvals in many markets including Russia, Thailand, Philippines, Bangladesh, Sri Lanka, Mongolia, Brazil, Barbados, Kenya and Ghana. The Company is setting up a manufacturing unit for anticancer injectibles in the UK. This unit is being set up by the newly created subsidiary, Dabur Oncology Plc and is expected to be operational by mid 2001. Dabur is planning to tap the high potential markets in Western Europe through this subsidiary.

OPERATIONAL PERFORMANCE

On the **Manufacturing** front, operational efficiencies continued to be the focus area. During the year, the Company upgraded its manufacturing facilities to match

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