



TRANSFORMATION



DABUR INDIA LIMITED

ANNUAL REPORT 2004-05

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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 churnas to modern formats like centre-filled candy - appealing to all age groups.

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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.

Board of Directors

Mr V C Burman	Chairman
Dr Anand Burman	Vice-Chairman
Mr Pradip Burman	Director
Mr Amit Burman	Director
Mr P D Narang	Director
Mr Sunil Duggal	Director
His Highness Maharaja Gaj Singh	Director
Mr R C Bhargava	Director
Mr P N Vijay	Director
Mr Stuart Edward Purdy	Director

Addl. GM (Finance) & Company Secretary

Mr A K 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
United Bank of India
HDFC Bank Ltd.
IDBI Bank Ltd.

Corporate Office

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www.dabur.com
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Tel: +91-11-23253488, 23276739

Chairman's Message

Dear Shareholders,

2004-05 has been a very good year for the economy and for your Company. Despite a less than average monsoon and lacklustre agricultural performance, the quick estimates of the Central Statistical Organisation show a GDP growth of 6.9 per cent. In fact, as per the economists, India's GDP growth in 2004-05 will be closer to 7.2 per cent when the final data is computed. This is a very creditable achievement on two counts. First, it has occurred inspite of relatively poor agricultural growth; and second, it comes on the back of an 8.5 per cent increase in GDP in the previous year.

I am delighted to say that your Company has leveraged this overall growth impetus to post excellent results and increase long-term shareholder value. Let me share with you some key achievements.

- Revenue from consolidated operations increased by 15.6 per cent to Rs.1536.9 crore in 2004-05.
- Operating profit (EBIDTA) grew by 29.6 per cent to Rs. 218.0 crore in 2004-05. The EBIDTA to total income margin increased from 12.6 per cent in 2003-04 to 14.2 per cent in 2004-05.
- Profit after tax (PAT) rose by 46.3 per cent to Rs. 155.8 crore; and the PAT to total income margin increased from 8 per cent in 2003-04 to 10.1 per cent in 2004-05.
- Return on capital employed (ROCE) grew from 29.2 per cent last year to 31.5 per cent in 2004-05.
- Return on net worth (RONW) rose from 38.1 per cent in the previous year to 43.5 per cent in 2004-05.

If I were to summarise your Company's performance during the year under review, it would be "Pursuit of Profitable Growth".

Let me now touch upon some of the key developments that occurred during 2004-05.

There has been a subtle yet significant transformation in the identity of our flagship brand, 'Dabur'. We have leveraged the traditional equity of the Banyan tree to evolve to a new brand that projects a more contemporary image — one that we believe is in line with contemporary lifestyle.

Without moving away from our focus on organic growth, we have seized an excellent inorganic growth opportunity through the acquisition of Balsara's hygiene and home products business. In your Company's largest acquisition till date, Dabur bought the entire promoters' stake of three Balsara companies through an all-cash deal of Rs.140 crore. With this acquisition, your Company will be able to position itself in all price segments in the herbal oral care market. Moreover, it will enable Dabur to gain entry in the household care segment, where Balsara has well entrenched brands. This acquisition is expected to add approximately Rs.200 crore to your Company's revenues.

Dabur's Consumer Care Division (CCD), which deals with the FMCG business, has performed well during the year. The thrust on new products, improved packaging, focused marketing efforts and greater emphasis on developing south Indian market — these are some of the factors which have contributed to the growth. Vatika has been acknowledged as one of India's Super brands, and Dabur Chyawanprash has won the Brand Re-launch of the Year Award in October 2004. During the year, sales of Dabur's flagship brand, Dabur Amla Hair Oil, crossed the Rs 200 crore mark. Your Company recorded gains in market share in almost all categories that it operates in.

During the course of the year, your Company has undertaken a major organisational restructuring of its Consumer Healthcare Division (CHD), whose portfolio consists of *grantha* based products on the Ayurveda platform. The Consumer Healthcare Business has been identified as one of the growth drivers of your Company's business going forward. The increasing preference for holistic health remedies as offered in Ayurveda is leading

to a sustained growth in the Natural/Herbal segments. Your company plans to lead this growth.

Until a few years ago, the foods business — which operates through your Company's wholly owned subsidiary, Dabur Foods Limited — was considered an attractive but small part of the group's overall product portfolio. Through sustained management attention, this business has grown by 51.2 per cent to Rs. 129.7 crore becoming 8.4 per cent of consolidated revenues. The fruit juice brands 'Real' and 'Real Activ' now occupy prominent shelf space in stores of all major urban centres.

Your Company's international business has also done well during the year. Overseas sales grew by 43.4 per cent to Rs. 183.6 crore in 2004-05 and account for almost 12 per cent of total sales, up from 9.6 per cent last year. Dabur's products are doing well in the Middle-East, Bangladesh, Pakistan, CIS countries and in Africa. Going forward, you will see an even greater focus on international operations. After all, Dabur is one of India's best recognised brands and given the size of the Indian diaspora as well as lifestyle commonalities in South Asia, the business is poised for sustained growth and increased market presence in these markets. Besides this, the Company is also developing entry strategies for the USA and UK nutritional supplements market.

I must also share with you some key operational facts. In the space of just four months, your Company successfully commissioned its largest and most modern manufacturing facility at Rudrapur, Uttaranchal. The Jammu plant which was commissioned in November 2003 is now fully operational. Dabur Foods has bought a new facility near Jaipur for manufacturing fruit juices. Moreover, the Balsara acquisition has given your Company three more manufacturing facilities at Silvassa, Baddi and Kanpur.

This was a year when various input prices were on the rise. Despite that, your Company successfully managed to put a

cap on its costs, which was achieved by our continued focus on supply chain efficiencies and optimal purchasing and stocking of raw materials.

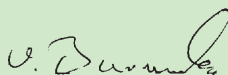
If you were to look at the last three years, you will see a distinctive pattern emerging regarding your Company's businesses. It has involved, being a focused FMCG player in the herbal specialist and natural platform; de-merging the pharmaceutical business into a separate entity; designing and implementing a powerful brand architecture and backing it up with advertising, marketing and selling resources; creating a coordinated and efficient organisational system that could leverage synergies while delivering higher growth and profits; building progressively larger international business; and augmenting organic growth with strategic acquisitions. All these initiatives have been systematically executed over the last three years.

The result has been steadily improving performance and greater shareholder value.

Your Company is continuing to pursue profitable growth aggressively. Firmly anchored in the traditional wisdom of the past and seizing the opportunities in the present, your Company is poised to excel in the years ahead.

Let me end by thanking all our customers, vendors, distributors, scientists and employees for contributing to the success of your Company. And a special thanks to you, shareholders, for your faith and support.

Yours sincerely,

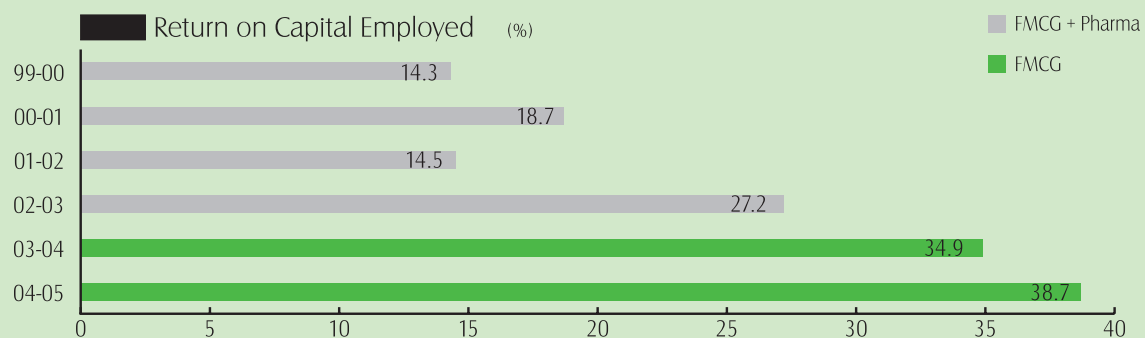
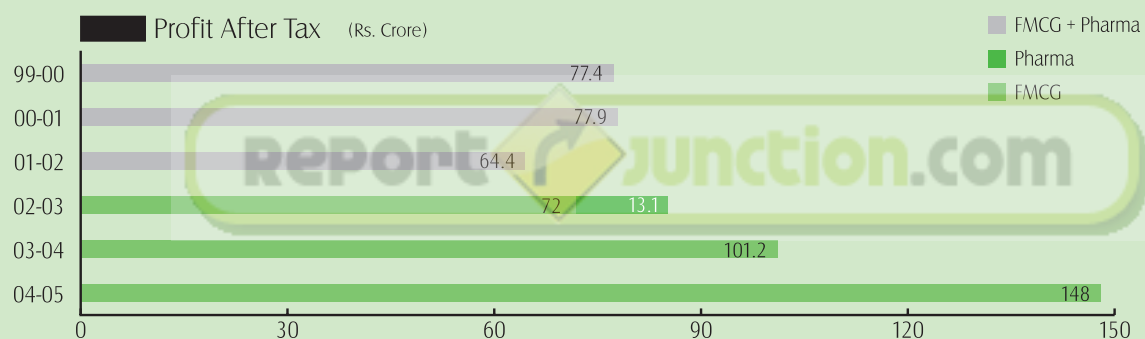
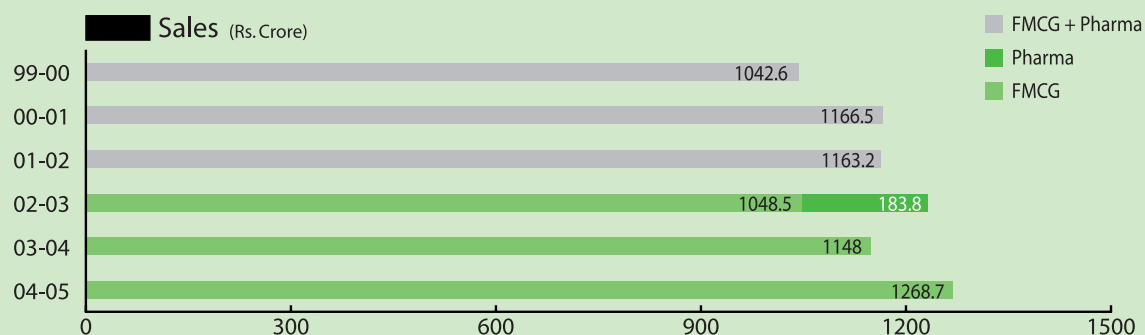


V.C. Burman

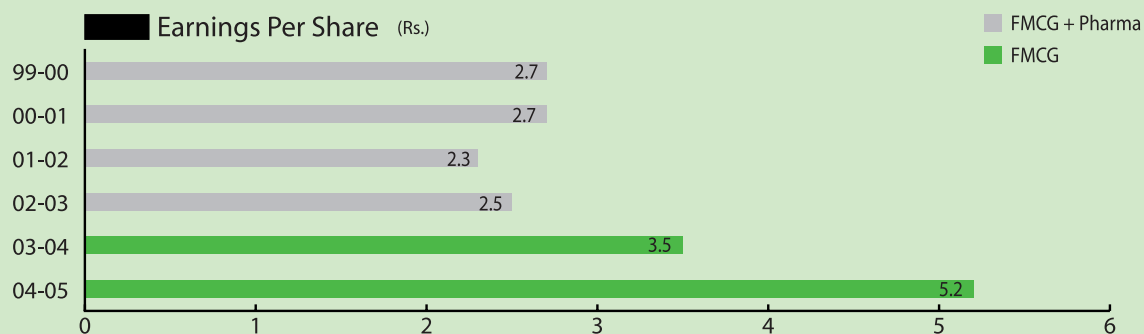
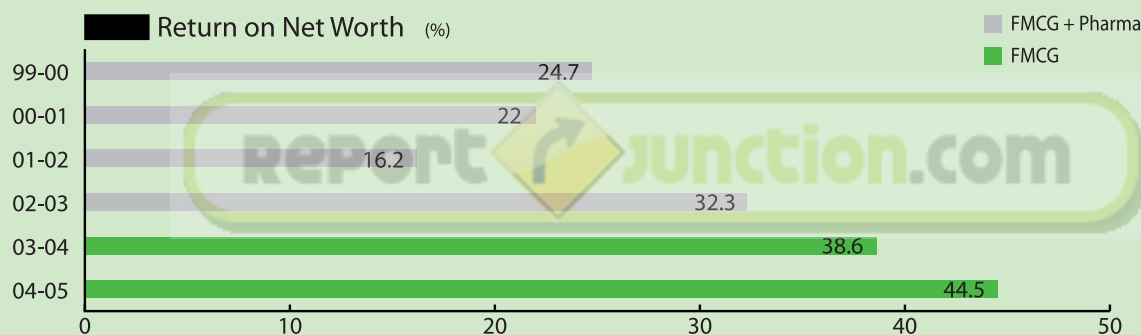
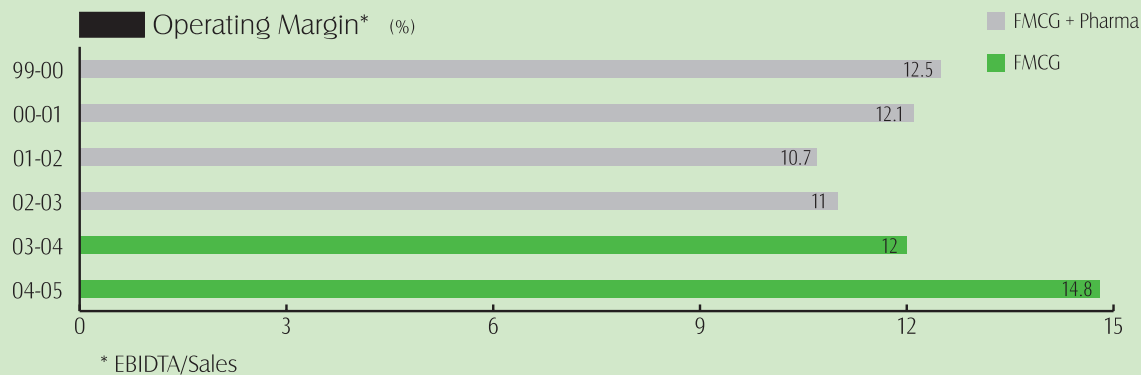
Chairman

April 28, 2005

Performance Highlights



Five Year Financials (Profit & Loss Account)



Five Year Financials (Balance Sheet)

