Management Discussion and Analysis

Fiscal 2010-11 witnessed the global economy largely shaking off the effects of the economic and financial crisis and starting on the road to recovery.

Nevertheless, economic growth in the industrialized nations was below average compared with the performance seen after previous economic slumps, with only Asia, particularly India and China seeing above-average momentum. The year FY 2010-11 faced headwinds such as the Euro-zone debt crisis, political upheaval in Middle East and the twin catastrophes of earthquakes and tsunami striking Japan.

The Indian economy continues to be on a strong growth trajectory with CSO (Central Statistics Office) estimating a growth of 8.6% in real GDP for the 2010-11 fiscal as compared to a 8.0% growth for 2009-10 fiscal. The agriculture, forestry and fishing sector witnessed a surge in fiscal 2010-11, with CSO estimating growth of 5.4% as compared to 0.4% for fiscal 2009-10. The manufacturing sector continued to post good growth with CSO estimates at 8.8% for both fiscal 2009-10 and 2010-11. The services sector was the outperformer with CSO estimating growth at 9.6% for fiscal 2010-11 although this was slightly less than 10.1% for fiscal 2009-10.

Per capita income in real terms (at 2004-05 prices) during fiscal 2010-11 witnessed an uptick, growing by 6.7% in fiscal 2010-11 as compared to 6.1% in fiscal 2009-10.

Indian economy is vitally linked with the monsoon because of its large agricultural sector and huge requirement of water resources. A large part of the country gets
more than 75% of the annual rainfall during the four months, June to September (Monsoon season). The production of food-grains has a high correlation with the amount and distribution of monsoon rainfall over the country. Further, the generation of hydro-electric power from monsoon rain water is a clean energy source. The 2010-11 fiscal witnessed more than its fair share of rainfall, which was at 102% of the long term average for the season as compared to deficient monsoons last year. This augured well for foodgrains’ production, which increased by 8.2% to 235.9 million tonnes in 2010-11 from 218.1 million tonnes in 2009-10 (advance estimates by Ministry of Agriculture). This will enable the rural economy to continue to grow well, apart from other factors which are contributing to rural growth.

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DABUR INDIA LTD. HAS REPORTED CONTINUED YEAR-ON-YEAR GROWTH IN SALES AND PROFITS FOR THE LAST 36 QUARTERS
Although GDP growth remained strong, high levels of inflation throughout the year played spoilsport, oscillating within a band of 11% to 8%. This led to several rounds of interest rate hikes by the RBI (Reserve Bank of India) to curb inflation and prevent overheating of the economy. In addition, inflation in food articles touched peak of 20-21% during the months of May-June 2010 and continued to remain in double digits throughout the year.

All round high inflation in commodities and manufactured products led to significant increase in input costs across the sectors. In addition, crude prices moved up, which also had an impact on transportation costs, hydrocarbon linked inputs and packaging costs. Overall, FY 2010-11 was a very challenging year in terms of input cost inflation and managing material costs.
**FMCG Sector in India**

Steady growth in the Indian economy is being driven by strong domestic consumption, economic reforms, private entrepreneurship and global linkages.

Domestic consumption is on the rise due to increasing disposable incomes, growing employment opportunities and favourable demographics, such as young population (median age of 26 years), growing middle class and changes in consumption and lifestyle. As per a recent study conducted by Booz & Company, FMCG sector is expected to grow in the range of 12% to 17% up to 2020 and would touch a market size between of $4,000 to $6,200 billion i.e. US$ 90 billion to US$ 138 billion. Current market size is estimated at $1,463 billion i.e. US$33 billion (A C Nielsen report on FMCG industry, March 2011).

The billion plus Indian population, with 50% of population below 25 years and 65% below 35 years of age, offers substantial opportunity going ahead. Robust economic growth would translate into higher per capita incomes, which are expected to increase by around 3 times to $3,231 by 2020 from $1,017 in 2009. In addition, evolution in consumption patterns in rural India augur well for sustained growth in FMCG sector.

The following factors are driving consumption in both rural and urban markets:

1. **Upgradation of consumption from unorganized to organized and from unbranded to branded products**

2. **Increasing per capita consumption, which is relatively very low as compared to some of the other emerging markets**

3. **Improving penetration of consumer products, resulting in increased usage across population strata**

4. **Change in consumption habits with consumers moving up the ladder and demanding products suiting their needs and evolving lifestyle**

The urban theme would be played by rising share of nuclear households, increasing proportion of women in working population, growing size of the Indian middle class and changes in lifestyle and consumption patterns.

India's growing middle class is another important factor driving economic growth and consumption. Indian middle class, which constituted 5% of total population in 2007, is expected to grow to more than 40% of the population, increasing ten times from 50 million to 583 million by 2025 (The ‘Bird of Gold’: the Rise of India’s Consumer Market by Mckinsey Global Institute).
In fact, the growth of the Indian middle class and economic growth are interdependent as shown in this circle: rising incomes leading to higher consumption levels, which in turn drive robust economic growth, translating into more employment opportunities and subsequently higher wages.

The modern trade channel is another factor contributing to growth of the FMCG industry as it is driving consumption by providing convenience, visibility, better shopping experience and variety. This is also an important channel for marketers to have direct consumer interaction and interface. Modern trade is growing at a fast clip and is expected to increase its share of revenues as it expands.

On the rural side, there has been visible evolution in rural consumption patterns, with increasing demand for quality and branded goods, though pricing and affordability continues to remain an important parameter. Increasing consumption is being witnessed in categories such as soaps, shampoos, oral care and laundry. Greater media penetration in rural areas is also acting as a key influencer on lifestyle and consumption patterns.

The very attractiveness of the Indian FMCG market is leading to aggressive competition among the key players. Fiscal 2010-11 saw a wave of disruptive competition happening in a few categories of the sector, with significant increase in advertising and promotional spends and attempts to win over consumers by offering greater value for every rupee spent.

For the 2010-11 fiscal, Indian FMCG sector continued on a strong growth trajectory, with the Non-Food and OTC segment of the industry growing by 15% (AC Nielsen MAT Mar 2011), driven by opening up of rural markets, increased income in rural areas, growing urbanization, along with evolving consumer lifestyles and buying behaviour.

An increasingly tougher input costs environment led to price increases across categories by various FMCG players. Last year, a benign input cost environment had resulted in expansion in
gross margins, which in turn led to various players increasing their advertisement and promotional spends. During fiscal 2010-11, the input costs spiraled while the advertisement and promotional spends did not witness any significant decline due to heightened competitive activity, and this put pressure on margins. At Dabur, we managed inflation in our commodity basket by effecting calibrated price increases, strategic stocking and prudent buying. On account of these, we managed to protect our margins and reported strong growth of 21% in our operating profits.

**Dabur Performance Overview**

Dabur completed another year of strong growth, both in revenue and profits. The highlights of the Company’s performance in fiscal 2010-11 on a consolidated basis are:

- **Consolidated Sales** increased to ₹4,109.9 crores in fiscal 2010-11 from ₹3,415.8 crores in fiscal 2009-10 registering a growth of 20.3%
- **Earnings before interest, taxes, depreciation and amortization (EBITDA)** increased to ₹819.8 crores in 2010-11, from ₹677.3 crores in fiscal 2009-10, registering growth of 21.0%
- **Consolidated profits after tax (PAT)** went up to ₹568.6 crores in fiscal 2010-11 from ₹501.3 crores, going up by 13.4%

**Earnings per share (EPS)** went up to ₹3.25 in fiscal 2010-11 from ₹2.89 in fiscal 2009-10

The Company has maintained a strong and consistent growth trajectory in consolidated sales during the last 10 years, with growth accelerating in the last 5 years to CAGR of 18.5% (See Chart below). The Company’s sales crossed the ₹4,000 crore mark during fiscal 2010-11.

Sales growth during 2010-11 continued to be significantly volume-driven, with volumes accounting for more than three fourths of the total revenue growth. The challenging input cost environment led to calibrated price increases across categories.
On the operational front, the Company managed to maintain EBITDA margins which were stable at 19.9% in 2010-11 as compared to 19.8% of sales in 2009-10. Aggressive marketing initiatives led to gain in market share in categories like Chyawanprash, Glucose, Toothpastes and Toothpowders.

**Overseas Acquisitions**
The year 2010-11 was a landmark year for Dabur as the Company embarked upon its first inorganic foray into international markets with two successive acquisitions.

**DABUR’S INTERNATIONAL BUSINESS ACHIEVED A CAGR OF 28% DURING THE LAST 7 YEARS, ENTIRELY THROUGH ORGANIC GROWTH. IT MADE ITS FIRST OVERSEAS ACQUISITIONS IN THE FISCAL 2010-11**

**HOBİ KOZMETİK GROUP**
Dabur’s first overseas acquisition - Hobi Kozmetik Group - is a leading personal care products Company in Turkey, which markets a wide range of hair care, skin care and body care products. The Company is a leader in the hair gel category with a 35% share and markets its products under the ‘Hobby’ and ‘New Era’ brands. Its products are sold across 35 countries, including the Middle East and North Africa. The Company had sales of around $30 million and has been acquired for a total consideration of $69 million. The acquisition was completed in October 2010.

Under the transaction, Dabur has acquired 100% stake in three Hobi Group firms - Hobi Kozmetik, Zeki Plastik and Ra Pazarlama. The acquisition provides Dabur entry into the fast growing Turkey market, in addition to a complimentary product portfolio which can be leveraged across MENA and Africa through Dabur’s existing network. The acquisition is in line with Dabur’s strategy to aggressively expand its scale of operations and strengthen its presence in the Middle East and North African region.
NAMASTÉ LABORATORIES LLC

In January 2011, Dabur acquired Namasté Laboratories LLC, a Company which markets a specialized range of hair care products to people of African descent. The Company is headquartered at Chicago, USA, and is a leading player in the ethnic hair care segment in USA, besides enjoying good brand equity in African markets. The Company had revenue of $94.7 million in 2010 and has been acquired at a cost of $100 million. In addition to the acquisition cost of $100 million, there may be further milestone payments up to a maximum of $40 million to the shareholders, pursuant to an earn out agreement, linked to achievement of sales and profit targets over the next 4 years. The acquisition of Namasté Laboratories provides Dabur access to a suite of products specifically suited to African population, giving your Company more ammunition to expand its presence in Sub-Saharan Africa.

Namasté, was founded in 1996 to fulfill the needs of the health-conscious consumers of African descent, and offers a range of products developed with natural ingredients which makes it a good strategic fit with the Dabur’s portfolio. Namasté markets its products under the brand ‘Organic Root Stimulator®’ and is one of the leading marketers of hair and beauty products for women of colour. The Company controls a 13% market share in the USA and enjoys significant market positions in many countries in Africa, the Middle East, Europe and the Caribbean region of North America. It has a strong multi-channel distribution platform across the USA in mass, retail, beauty stores and salons.

Besides offering Dabur an entry into attractive new markets like Turkey and Sub-Saharan Africa, these transactions add to your Company’s existing portfolio, a host of popular international brands that enjoy pole position in their respective categories. The products from Hobi and Namasté complement Dabur’s portfolio, offering us a strong platform to enter newer product categories and markets. Both acquisitions also provide management continuity, with senior personnel in both companies continuing to stay with their respective companies. These two acquisitions, we believe, would take the International Business into an altogether different trajectory of growth and open up huge potential opportunities for Dabur in the growth markets that it is targeting in the international arena.

The performance of the various Strategic Business Units (SBUs) of Dabur India Ltd. during the year under review is presented below.

**Strategic Business Units**

In a year that was marked by soaring inflation and disruptive competition in key categories, a judicious mix of strategies such as calibrated price hikes, efficient buying, prudent management of overheads and sustained consumer connect activities across key markets helped Dabur move ahead on the growth track during 2010-11.

Consumer Care Division (CCD), the largest business unit within Dabur capturing its core FMCG business, including foods, now accounts for 67.9% of the Company’s consolidated revenues. This division has reported a 15.4% growth in revenues during 2010-11 fiscal.

International Business Division (IBD), the fastest growing and the second largest SBU for Dabur, accounts for 21.7% of Dabur’s consolidated revenues. The division ended the year with a revenue growth of 46.3%, including sales of Hobi and Namasté for part of the year (consolidated from October 7, 2010 and January 1, 2011 respectively).

Consumer Health Division (CHD), which leverages Dabur’s core competence in Ayurveda offering a range of Ayurveda-based Over-The-Counter (OTC) products, branded ethical and classical products, reported a growth of
13% and now accounts for 7.5% of consolidated sales.

The division-wise contribution to Dabur’s consolidated sales for the 2010-11 fiscal are shown in the chart above.

**Consumer Care Division (CCD)**

The 2010-11 fiscal began on a mixed note for the industry. Above average monsoons across large parts of the country boosted agricultural produce and sentiments in rural economy. The government’s continued focus on Rural India with a plethora of schemes like job guarantees and loan waivers further ensured higher non-agri income in the villages and put more money in the pockets of consumers in the hinterland.

In addition, the great rural-urban divide is no longer as dramatic as it was a decade ago. With members of several rural households migrating to urban markets, the increasing prosperity of the urban markets has found its reflection on rural economy as well. Apart from increasing prosperity, media reaching deeper into rural markets has also impacted the consumption patterns. As a result, Rural India is witnessing strong demand growth and increasing consumption of FMCG products.

While these factors boosted overall positive sentiments, inflation spiraled to double digit levels and the deepening crises in West Asia pushed up oil prices, threatening to dampen consumer demand and force consumers into tightening their purse-strings. Even in face of such tough external conditions, Dabur India Ltd. continued to roll out new products and variants in its core FMCG business, stepping into newer categories while expanding its reach in the hinterland to end the full year with strong volume-led double digit growth.

Robust IT-enabled tools were also put in place to minimize sales loss and improve sales forecasting, besides special consumer connect initiatives, focused media activities and new product initiatives. This focus on the ever-changing consumer needs and aspirations helped the division end 2010-11 with a growth of 15.4%.

Your Company also extended its direct engagement programmes with the rural consumer through non-traditional media like Haat activities, fairs and festivals like ‘Kumbh Mela’ etc., giving the rural consumers an opportunity to experience Dabur products. Rural India continues to be a big growth driver with demand from the hinterland continuing to outpace urban markets in some key categories. However, urban India also witnessed good demand and Dabur has rolled out new products during the year to successfully tap this segment as well.

New product development continues to be a key focus area at Dabur, with your Company introducing a host of products and variants to keep up the excitement in the market. Some of the successful new launches during the year include fruit flavoured variants of the flagship health supplement brand Chyawanprash, a new range of health supplements under the brand NUTRiGO, specially formulated cough & cold tablets under the brand Homitus, a premium skin repair product under Dabur Uveda, Gold Bleach under the Fem range, India’s first fruit fiber enriched...
juices called Real Activ Fiber+, Odomos mosquito repellent in an oil format for the rural markets and electric air fresheners under the Odonil brand, to name a few. All of these new launches have been very well accepted in the market and have gained share of both the market pie and the consumer mind space within just months of hitting the shelves.

Dabur’s CCD business is today divided into four key portfolios: Healthcare, Personal Care, Home Care and Foods. These cater to a number of consumer products segments like Hair Care, Oral Care, Health Supplements, Digestives, Skin & Body Care, Home Care and Foods. Adjacent chart gives the relative share of each category.

HEALTH CARE

Dabur’s Health Care vertical continued its strong run in the domestic market, led by continued marketing activities and launch of new products and variants. The Health Care category - which has the maximum number of brands in Dabur’s Billion Rupee Brand portfolio - includes Health Supplements, Oral Care and Digestives, and ended the year with strong double-digit growth in sales of 16% and gained market share across every product category.

Health care has, in fact, been identified as an important growth engine for the future, and Dabur has lined up a host of new initiatives for the category, going ahead. The coming year would see your Company enter a host of new emerging Healthcare categories with specially formulated products to address the needs of the modern day consumer. Women’s health, gastroenteritis, heart health, cough & cold are among the new segments identified for expansion and new product rollouts in the future.

Health Supplements

‘Health is Wealth’, goes the age-old saying. This adage holds true even more today and the growing health consciousness among Indians, coupled with the rising incidence of flu and viruses across the country, is pushing consumers to increase their spends on Healthcare products, both as prevention as well as cure. Dabur - the most trusted brand in the Healthcare market in India - is well placed to ride this boom and has rolled out a plethora of initiatives to tap this growing health consciousness among Indians.

The first of the new Healthcare initiatives came in the form of two fruit-flavoured variants of Dabur Chyawanprash - Orange and Mango. The new variants are packed with the same 49 Ayurvedic ingredients like Amla, Ashwagandha and Guduchi which build immunity, and will provide the same immunity and health benefits as Dabur Chyawanprash, albeit in a tastier format.

Research suggested that a large number of youth, particularly kids, found the taste of Chyawanprash an entry barrier. This led to the introduction of these fruit-flavored variants. People feel that products that are healthy can never be tasty. These new Chyawanprash Orange and Mango variants are expected to bridge the health & taste divide. The variants have met with a good response and your Company is confident that they would go a long way in expanding the consumer base for this age-old health tonic.

Another major initiative in Chyawanprash was the signing of popular Bhojpuri cine
DID YOU KNOW?

Dabur introduced the first branded Chyawanprash way back in 1949 and now controls 67% market share.

The activity incorporated five elements: free health check-up, engagement activities, movie screenings, spot sales and a meet-and-greet opportunity with brand ambassador, Ravi Kishan. The idea was to educate people regarding the importance of building immunity and how Dabur Chyawanprash can help in doing so.

At the end of the campaign, 30 citizens from the villages of Bihar and U.P. were selected to form Dabur Chyawanprash’s Immunity Ambassadors to further spread awareness about building stronger immunity to fight the rising incidence of flu, viral attacks, infections in their respective villages and districts.

The Immunity concept was further taken forward this year to cover changing climate and Monsoon. The brand took forward this message to build immunity to fight the vagaries of changing climate on mass media with advertermals, print campaigns and a PR exercise. A special TVC was also released to further drive this message among consumers. Thereby driving relevance of DCP beyond winters.

Riding on these initiatives, Dabur Chyawanprash reported the best-ever growth in the past decade and even ended the peak consumption season (winters) with a record 70% market share (volume share as per AC Nielsen for Oct-Nov 2010).

Dabur Honey, the largest branded honey in India, also continued to grow. The quality and purity of Dabur Honey helped the Company meet the onslaught of heavy undercutting by private labels and competition in the market and emerge stronger. Besides, Dabur Honey was made available in a 20 gm pack priced at ₹10, which has been hugely successful and has added new consumers to the brand. Our market intelligence revealed that consumers had a distinct need to use Honey for feeding it to children and for religious usages. This new SKU helped us address this need.

Dabur Glucose was another strong performer in the health supplements basket. Dabur Glucose recorded a market share increase of 220 basis points (24.9% as compared to 22.7% previous year-volume share as per AC Nielsen for MAT March 2011 and 2010). The Company introduced a new campaign that revolved around the power packed in one glass of Dabur Glucose. It also capitalized on the emerging trend for taste in health with its flavoured variants.

The year also saw Dabur foray into the Vitamins, Minerals & Supplements category with the launch of Dabur NUTriGO - Daily Health Supplement with offerings for Men...
and Women. The launch of Dabur NUTRIGO is part of Dabur’s aggressive plan to augment its leadership position in the Healthcare market in India, where the Company currently operates with traditional Ayurvedic products like Dabur Chyawanprash.

The move into modern OTC healthcare with Dabur NUTRIGO comes as a logical next step for your Company, given the evolving consumer and market. The new brand offers two distinctive products - Dabur NUTRIGO Total (for Men) and Dabur NUTRIGO Woman. Dabur NUTRIGO Total comes with the promise of not only providing day-to-day stamina and strength to men, but also helps protect their long-term health. It is packed with an optimal mix of Multi-Vitamins, Multi-Minerals and Special Natural Extracts like Lycopene and Ginseng. Dabur NUTRIGO Woman is a specially formulated health supplement that helps maintain beauty and vitality for today’s modern day women. It is specially formulated with an optimal mix of Multi-Vitamins, Multi-Minerals and Special Natural Extracts like Evening Primrose Oil and Green Tea. The Dabur NUTRIGO range is now also available online through a dedicated sales portal.

**Oral Care**

The year 2010-11 marked another year of strong growth for Dabur’s Oral Care portfolio, a business that comprises two key product categories – Toothpaste and Toothpowder. While the toothpaste portfolio continued to outshine the industry, growing at near double the industry average, the toothpowder segment too reported moderate growth during the fiscal. The toothpaste portfolio of Dabur - yet again - was the fastest growing in the country, even in the face of stiff competition.

According to AC Nielsen Retail Audit (MAT Mar 2011), Dabur’s toothpaste brands grew by a cumulative 18.1% as against an industry average of 10.8% and even reported a market share gain of 90 bps in one year. Dabur now enjoys market share of 14.1% of the total toothpaste category as per AC Nielsen Retail Audit (MAT Mar 2011).

Dabur Red Toothpaste delivered another good performance to end the year with a strong double-digit growth and emerged as an Ayurvedic alternative. Besides introducing two new SKUs of Dabur Red Toothpaste - an Rs 10 pack and a 300 gm value pack - aimed at different consumer class and markets, Dabur also rolled out a mega Oral Hygiene awareness programme for children that reached out to about 21 lakh school kids across the country. Under this programme, these kids were educated about the need for oral hygiene and how Red toothpaste offers complete protection from all dental problems. Strong regional focus initiatives in South India, intensive media across India and other all-India ground-level activations helped the brand grow well and gain market share. The brand ended the year with a 42 bps gain in market share to end the year with 4.1% share of the pie (as per AC Nielsen Retail Audit MAT March 2011).

Backed by a strong value proposition to consumers and delivering on the key oral care benefits through natural ingredients, brand Babool continued its strong growth momentum and ended the fiscal with a market share of 8.9%. The brand was introduced in a new packaging propagating the benefits of its natural ingredients. Babool toothpaste contains extract of Babul plant. Babul bark contains natural Tannins at a level of 20-40% and is an excellent astringent. It offers effective oral care protection, mainly to inflated gums.

**DABUR HAS EMERGED AS THE FASTEST GROWING TOOTHPASTE COMPANY IN INDIA FOR FOUR YEARS IN RUNNING**
and helps to provide and maintain clean, strong and white teeth. Clinical studies clearly substantiate that the use of Babul for oral care makes the roots of the teeth strong from within, mainly due to the presence of tannins in Babul extract.

Meswak, the third big pillar in Dabar’s toothpaste market strategy, was also introduced in a new packaging to build a closer association with the Babul umbrella brand. Meswak, today the largest brand in the premium toothpaste market, is scientifically proven to reduce tartar & plaque, fight germs & bacteria to keep gums healthy, prevent tooth decay, eliminate bad breath and ensure strong teeth. In short, Meswak provides complete Oral Care, which is core to fitness and well-being.

Dabar’s toothpowder brand Dabar Lal Dant Manjan reported a 2.1% growth after years of remaining stagnant. The demand recovery was a result of an extensive rural activation programme that sought to convert non-dentifrice users to toothpowder across Uttar Pradesh.

This initiative helped Dabar Lal Dant Manjan increase its consumer franchise at a time when growing affluence in rural India had resulted in an overall shift in consumer preference from toothpowders to toothpastes.

This programme covered village schools, local Haats and Melas in these states. These initiatives ensured that Dabar Lal Dant Manjan grew ahead of the category and gained 50 bps in market share (AC Nielsen Volume Share for MAT March 2011).

**ABOUT 2.6 CRORE HAJMOLA TABLETS ARE CONSUMED IN INDIA EVERY DAY. BRAND HAJMOLA HAS NOW BEEN EXTENDED TO THE MINT CANDY MARKET THIS YEAR**

**Digestives & Baby Care**

Dabar continued to dominate the digestive tablets space with its brand Hajmola expanding its reach and franchise to end the year with double digit growth. Introduction of new flavours and high-decibel activation programmes ensured that Hajmola continued to be the most preferred digestive tablets for Indians with nearly 2.6 crore Hajmola tablets being consumed daily across the country.

The entire Hajmola franchise, including tablets and candy, had undergone a major packaging revamp during the year, making this preferred digestive brand more modern, contemporary and in sync with the modern day consumer’s tastes and aspirations.

The year also saw Dabar expand the Hajmola franchise with the introduction of a new flavoured variant – Hajmola Kachha Aam. Variants, in fact, continued to be the key growth driver for the franchise, inducing trials and bringing newer consumers into the fold. A new campaign for Hajmola Kachha Aam was also aired in April-May this year, coupled with an on-ground activation campaign reaching out to 17.5 lakh consumers. This campaign included tie-up with Dabbawalas in Mumbai, tie-up with the fast food chain Nirula’s in Delhi and NCR, wherein 35 of
its outlets served samples of Hajmola Kachha Aam to consumers, and an arrangement with Indian Railways through which a free sampling exercise was carried out across all Shatabdi trains originating from Delhi.

The other new flavour - Hajmola Pudina - that was introduced about two years back, also registered handsome gains, led largely by a mega rural thrust with a special TVC being aired on Doordarshan and helped Hajmola Pudina’s contribution to the overall value sales of Hajmola tablets.

To increase thrust in rural markets, the Company had launched an ₹20 SKU in 2009, which continues to be a key growth driver for Hajmola.

Dabur’s flagship baby care product Dabur Lal Tail ended the 2010-11 fiscal with growth in mid-teens. The product was re-launched this fiscal in an all-new packaging with its “2 times faster physical growth” claim being placed on the pack for the first time. A new TVC was also aired to drive home the message on faster physical growth. Sustained consumer education programmes across the hinterland and a focused communication to propagate its benefits helped the brand expand its presence and scale.

The brand was supported by an effective on-ground programme involving Mobile Health Units, christened ‘Samajdaar Ma, Swastha Bacha’, which helped establish the functional benefits and superiority of Dabur Lal Tail over ordinary oil. Dabur Lal Tail campaign has been designed to educate the primary target group i.e. the mother about the clinically proven benefits of massaging with Dabur Lal Tail.

The communication focuses on informing the consumer that massaging with Dabur Lal Tail helps in strengthening baby’s bones and muscles and is proven safe and effective for better overall physical growth of babies, and these benefits are also shared with the influencers such as rural medical practitioners/doctors who can take this message into the villages and to the masses.

The response to this 60-day activity was highly encouraging. The programme covered more than 150 villages, reaching out to over 60,000 mothers and more than 900 chemists. Free health check-ups were also offered to these villagers, and the campaign has adopted an integrated design of addressing the issues of infant Healthcare like massaging, hygiene & immunization, in addition to educating the consumers about benefits of Dabur Lal Tail.

PERSONAL CARE

The year gone by has been tough for the personal care market with intense and disruptive competitive activities by larger rivals and hardening raw material prices squeezing margins. The shampoo business has been particularly impacted by increased competitive intensity during the year.

Dabur’s Personal Care category, which accounts for 30% of CCD sales, today includes a range of herbal, ayurvedic and natural products for hair care and skin & body care.

Hair Care

Dabur’s Hair Care business comprises hair oils and shampoos, with hair oils constituting major part of the category. Despite heavy discounting by rivals and growing input cost pressures, Dabur’s

DID YOU KNOW?

*Dabur Amla is the largest hair oil brand in India with 35 million dedicated consumers*
flagship hair oil brand Dabur Amla Hair Oil ended the year with strong double digit growth. Even though competition introduced mega price cuts and rolled out lower priced products aimed at the bottom end of the pyramid, Dabur took calibrated price hikes on some select SKUs of its hair oil brands to negate the input cost pressures.

Dabur Amla continued to withstand competition and has truly established itself as the largest and most preferred perfumed hair oil brand in the country with a consumer base of over 35 million users.

As part of a strategy to attack the coconut oil stronghold in South India, Dabur has introduced focused marketing initiatives specifically targeted at the south India consumers. In southern markets, the product has been christened as Dabur Amla Nelli Hair Oil to help the consumers relate in a better way to the product and understand the ingredient benefit story. The year also marked the achievement of another big milestone with Dabur Amla Nelli Hair Oil entering the Limca Book of Records 2011 for organizing the longest ever non-stop hair massage marathon in Chennai.

Dabur organized a series of seminars across key markets to educate consumers and parlour professionals regarding the benefits of Dabur Amla Hair Oil. At these seminars, Dabur also shared the results of an independent consumer research initiated to evaluate the superiority of Dabur Amla Hair Oil in comparison to ordinary coconut hair oil. As per this the consumer study in an expert discussion session titled “Discover The Mystique of Amla for Giving Women Rich, Black Hair”, it was proven that Dabur Amla Hair Oil makes hair visibly blacker v/s ordinary coconut hair oil.

Besides, its mega rural beauty pageant initiative continued for the fourth year in running, helping the brand convert a larger number of loose mustard oil users to Dabur Amla Hair Oil. Your Company expanded this consumer initiative, christened Dabur Amla ‘Banke Dikhao Rani’, which recognizes and rewards young girls for their beauty and talent. The contest was held across 52 districts in three states - Uttar Pradesh, Madhya Pradesh & Bihar - covering 2,000 villages.

Dabur’s Coconut Hair Oil brand Vatika Enriched Coconut Hair Oil also experienced sharp spike in raw material prices. These cost pressures were negated by a judicious mix of intelligent buying and calibrated price hikes. Besides, the brand continued to establish its superiority over plain coconut oil and performed well during the year.

The Vatika Enriched Almond Hair Oil brand too expanded its presence in the market and has been performing well in key geographies like East and West India.

It was a tough year for the Vatika shampoo range as it faced pressure from both ends - on the one hand from entry of new players, increasing disruptive competitive intensity in the form of price cuts and higher promotions by rivals and on the other hand from rising input costs. Dabur was quick to respond to the increased competitive intensity and re-launched the brand during the second half of the year with a new proposition, besides increasing consumer promotions to offer the largest shampoo quantity in a sachet. This helped the brand gain ground towards the end of the year and win back volume market share. A new pricing strategy has now been put in place as the Company is offering an enhanced value proposition for Vatika shampoo bottles, besides increasing focus on rural markets with a slew of consumer contact activities.
DABUR HAS NOW EMERGED AS THE SECOND LARGEST BEAUTY CARE COMPANY IN INDIA

Skin & Body Care
The Skin Care category, a relatively new business for Dabur, was a star performer, with your Company now emerging as the second largest Beauty Care company in India (according to Images Business Of Beauty April-May 2011 issue). All three key brands in this portfolio - Dabur Gulabari, Dabur Uveda and Fem - posted handsome gains.

The Gulabari franchise continued to improve its penetration, led by increased consumer activations like college-level beauty contests, focused campaigns around festivals like Durga Puja in East India and enhanced retail & trade visibility. Dabur Gulabari has been hosting beauty contests in Uttar Pradesh, Hyderabad and North East, and these initiatives have helped build good equity for the brand.

The recently launched Ayurvedic Skin Care brand Dabur Uveda has been well accepted in the market. After more than a year of its introduction, Dabur Uveda has carved a niche for itself in the Indian Skin Care market with its expertise in Ayurvedic Skin Care. Dabur Uveda Range of products is a unique combination of Ayurveda and science that offers products in a modern format for modern women.

The brand, which was hitherto available only in Delhi-NCR and key markets of Maharashtra, expanded its network to Punjab, Bangalore and Hyderabad. With Uveda, Dabur is focusing purely on cosmetic counters, which includes Modern Trade outlets, accessory stores and general trade cosmetic counters, and is being sold through a network of Beauty Advisors. This concept has been very well accepted as the Beauty Advisors offer skin care advice and products based on the individual’s skin type. Your Company already has a network of 250 Uveda Beauty Advisors across these markets and the Company is now looking at rapidly extending the range, besides enhancing its retail counter network.

The year also saw expansion of the Dabur Uveda range with the launch of Dabur Uveda Complete Repair Cream and a variety of Face Masks. As part of its effort to provide consumers superior quality products with convenience of time and place, Dabur launched its first-ever online shopping portal www.daburuveda.com. With this, Dabur has become the first Indian FMCG Company to launch a dedicated online shopping portal for its beauty products range. Brand Uveda has also become active in Facebook and Twitter and the online sales portal is integrated with these, providing consumers a complete digital experience of knowing and buying Dabur Uveda range of products.

The third key pillar of Dabur’s Skin Care
strategy, Fem registered robust double-digit growth during the year. The core products under the Fem personal care portfolio - bleaches & hair removing cream performed well, while liquid soaps remained stagnant. Fem has been the pioneer in bleach category in India for more than two decades now and enjoys 49.3% share of the bleach market (AC Nielsen value share for MAT Mar 2011).

The entire Fem portfolio was re-launched during the year with a new logo and a complete packaging revamp, giving each bleach variant a role based on its special ingredients. The efforts made by Dabur to revitalize the brands and its focused approach saw Fem's bleach portfolio move ahead on the growth trajectory.

Dabur continued its focused media intervention, coupled with local consumer activations in Delhi-NCR, Maharashtra, Punjab and Uttar Pradesh by way of beauty pageants, improved retail presence and higher engagement with the beauty parlour community, which helped the core business of bleaches and hair removing creams register strong growth during the year.

Both Fem and Oxybleach organized mega model hunts across the country, a move that helped improve visibility for the brands. Fem launched 'Get Famous in 15 Minutes', a nationwide contest that gave participants a chance to represent India in the Elite Model Look 2010 contest to be held in Shanghai. Oxybleach, on the other hand, was associated with India's International Face 2010 (IIF), a countrywide search for two winners who get a chance to walk the ramp at Milan and Paris Fashion Week.

Dabur has now extended the Fem portfolio with the launch of all-new Fem Gold Crème Bleach that comes with real gold in it to provide a golden glow for special occasions. The product has a beautiful fragrance with special moisturizing ingredients which give a superior bleaching experience.

The year also saw Dabur enter the Professional Facial market with the launch of OxyLife Professional Facial Kit. Packed with the unique OxySphere Technology developed in Germany that helps to encapsulate pure oxygen in each product of kit and release on application, this kit has been created exclusively for professional use and works in a five-step process face cleanser, face scrub, face cream, face gel and face pack to give a visibly radiant look.

With OxyLife Professional Facial Kit, Dabur is stepping into professional space and the endeavor is to give superior result through a differentiated offering. This kit would be sold directly to parlors and salons through Dabur's large dedicated team for professional channel. This is the first professional product to be launched by Dabur and the plan is to augment this offering with more such products dedicated for the professional channel.

In the Body Care market, Dabur relaunched the Fem hair removing cream in a new packaging with a pH restoring lotion. The Fem liquid soap range was also relaunched during the year with an improved formulation to increase the germ-kill properties. The product now offers 40% more protection against germs as compared to normal soaps. This benefit is now depicted on the pack too.

The beginning of the 2011-12 fiscal will also mark Dabur's entry into the emerging Hand Sanitizer market with the launch of Fem Safe Handz instant hand sanitizer. Fem Safe Handz is being launched in two variants - Lemon & Blossom. This is an emerging category which is expected to grow fast with increasing focus on health and hygiene.
HOME CARE
The smallest part of the CCD business, Dabur’s Home Care portfolio was the turnaround story of the year and ended the fiscal with a 33% surge in revenue, thanks to focused and continued media activity, relevant new products and high-decibel on-ground promotions and campaigns to develop this evolving yet under-penetrated category. The category emerged from moderate growth to high growth due to these key initiatives.

A surge in mosquito menace and the rising incidence of mosquito-borne diseases - particularly the Dengue scare in North and West India - resulted in a increase in demand for Dabur’s personal application mosquito repellent Odomos. The brand was aggressively promoted in the post-monsoon mosquito season with focus on efficacy and safety of the product, which has been certified by the Indian Medical Association (IMA).

Moving ahead on its commitment to fight deadly mosquito-borne diseases like Dengue and Malaria and make cheaper protection available to rural consumers, Dabur launched Odomos Oil, a mosquito repellent for the masses. The launch of Odomos Oil is a move to provide rural consumers safety from mosquito-borne diseases at an affordable price.

The new Odomos Oil is a clinically tested and proven product that offers users 100% protection from mosquitoes and helps in prevention of diseases such as Dengue, Malaria & Chikungunya. Odomos Oil gives users full-night protection and is the only mosquito repellent oil that is completely safe to use on skin, unlike some of the cheap local oils. Odomos Oil has been competitively priced so that it becomes affordable for rural consumers, who are most affected by mosquito-borne diseases.

This summer, Dabur also rolled out an educational campaign called ‘Machhhar Mukti Abhiyan’ in Uttar Pradesh, aimed at educating the rural population about the various mosquito-borne diseases. The campaign sought to reach more than 1.2 lakh people in 232 villages in two phases. The objective of this campaign was four-fold: first, to educate the rural population about the various diseases transmitted by mosquitoes and their prevention; secondly, to educate the audience about the danger caused by cheap products available in the category, thirdly, to establish Odomos Oil as the most trusted brand for the cause, and finally, to induce brand trial and purchase.

The Company also extended the range with the introduction of Odomos Rose, a new fragrant version of the popular mosquito repellent, in line with the consumer’s need for skin care properties and better sensorials.

THREE OUT OF EVERY FOUR MOSQUITO REPELLENT CREAMS SOLD IN INDIA IS AN ODOMOS
In the Air Care category, the Company provides a range of products under the Odonil brand. The brand, which has been facing increased competition from other players and private labels, introduced several key innovations both in the product and in campaigns to end the fiscal with strong double digit growth. The new thematic communication that was rolled out this year has been highly effective in creating relevance and driving penetration.

The air freshener range was expanded with the launch of Odonil electric air freshener (pluggy). Available in four natural fragrances - Exotic Rose, Fresh Lavender, Mystic Jasmine and Floral Fusion - Odonil Pluggy is aimed at meeting the changing lifestyle and convenience needs of consumers. This new introduction from Odonil is meant for the living spaces of the house, such as drawing & living room, and is extremely simple to use. This product has been very well accepted in the market. Many more such innovations are in the pipeline.

SaniFresh, the toilet cleaner brand, continued its powerful performance and recorded strong growth during the year. The focus on winning consumer value equation through selective advertising, improved product and providing better value to the consumers boosted the brand’s sales. SaniFresh also rolled out a unique community service programme across Punjab titled “Seva at Gurdwara”. Under this mega community and CSR initiative, volunteers offered free cleaning services to the Gurdwaras in 6 cities of Punjab. During the period, the SaniFresh team cleaned up public toilets of 56 Gurdwaras.

**FOODS**

Dabur’s Foods Business, which now accounts for 15% of CCD sales, delivered a strong performance during the year, ending the year with a 28% jump driven by growing demand for its range of packaged fruit juices and culinary pastes and purees.

Réal was revamped this year and introduced with a new logo and new pack design. The logo change has been introduced to make the brand more contemporary and to better denote the freshness and fruit power of the products. A new communication campaign was also rolled out to stress on the special 6-layer packaging for Réal that keeps nutrition intact even without any preservatives. Réal signed Sonali Bendre as the brand ambassador. Special occasion gift packs for Rakhi and Diwali festivals further added excitement around the brand, helping Réal post industry-best growths and market share gains despite the entry of newer players.

Dabur is now preparing to launch a new Apricot variant of Réal this summer. Réal is also joining hands with Disney for its hit movie franchise ‘Cars’ to reach out to kids with the 200 ml packs. Under this tie-up, specially designed 200 ml packs of Réal will be introduced with Cars’

**DID YOU KNOW?**

*Dabur is the first Company in India to introduce fruit fiber-enriched beverages under the Réal Activ brand*
Dabur’s range of 100% juices with no added sugar under the Réal Activ brand also maintained the growth momentum during the fiscal, riding on the growing health consciousness among Indians. A new ‘Snack Healthy’ campaign was launched for the brand.

The 2010-11 fiscal also marked the launch of India’s first fiber-enriched fruit beverage range - Réal Activ Fiber+. The new beverage range contains soluble dietary fiber that helps manage weight, keeps digestive system healthy and maintains heart health. Made from 100% fruit juice with no added sugar and no preservatives, Réal Activ Fiber+ is available in two exciting tasty variants - Multi Fruit, which is a blend of exotic fruits like Passion Fruit, Apricot, Guava, Orange & Apple; and Orange Citrus Punch, which is a blend of tropical citrus fruits like Orange, Mandarine, Tangarine, Pineapple & Lemon. One glass (200 ml) of Réal Activ Fiber+ is equivalent to fiber present in one whole Apple or Orange. Réal has always been at the forefront of innovation, pioneering the concept of packaged fruit juices in India and was being the first to introduce 100% fruit juices and fruit-vegetable juices. The launch of Réal Activ Fiber+ marks a step forward in this direction. This range was test marketed in Mumbai and Bangalore in December 2010 and will be rolled out nationally this summer.

The year gone by saw mega initiatives - from in-store sampling to higher 360° visibility - being introduced for the culinary range of products under the Hommade brand, which helped this portfolio report impressive growth of more than 50%. A sustained media campaign coupled with the sharp surge in prices of raw garlic and ginger in the market pushed demand for the Hommade culinary pastes range, which was relaunched last year in an all-new packaging.

Your Company will now be extending this portfolio with the launch of single-use Hommade sachets and Hommade pastes in glass bottles. Special TVCs are also being introduced to promote various products under the Hommade culinary range.

International Business Division (IBD)
Our International Business Division (including Hobi and Namaste acquisitions) recorded an impressive sales growth of 46.3% from ₹610 crores in 2009-10 fiscal to ₹892 crores in 2010-11 fiscal, contributing to 22% of consolidated sales. Excluding the acquisitions, the International Business Division recorded sales of ₹717 crores in 2010-11, growing by 17.6%. The operating margins of the business improved significantly during the first half of the year, reflecting the strength of the brands. However, in the second half of the year, the external conditions became challenging due to political turmoil and instability in key countries of Middle East and North Africa region, leading to demand contraction coupled with inflationary pressures due to commodity cost inflation. In spite of that, the business continued to grow and is expected to return to normalcy in the coming months.

In the international markets, your
Company has built strong and robust brand architecture with brands like Dabur Amla and Vatika across geographies. As per Nielsen Retail Audit in Saudi Arabia, Dabur Amla is the largest brand in the Hair Oil segment there. Dabur Amla franchise has been extended into Hair Creams and a number of variants have been launched in Hair Oils and Hair Serums. Vatika has also maintained its growth trajectory, with Vatika Hair Creams emerging as the biggest brand based on Nielsen Retail Audits in Saudi Arabia and Egypt. In fact, Vatika, with its offerings across hair creams, oils, conditioners and treatment products, has now emerged as Dabur’s largest brand in the overseas markets.

Vatika DermoViva - the new brand launched for the Personal Wash and Skin Care segment has grown in strong double digits in soaps category and has managed to create consumer equity in a category dominated by strong MNC players. Vatika DermoViva was extended into Hand Wash category during the year.

Dabur Herbal Toothpaste is Dabur’s key brand in the Nigerian market, where it has become the no. 2 player in terms of market share based on Nielsen Retail Audit. The brand was re-launched in MENA during the year to capture the herbal niche in this highly competitive but large category.

The key contributing markets to the International Business growth have been GCC, Egypt, Nigeria, Algeria, Morocco, Jordan, Syria and Kenya.

GCC, the largest region in the International Business Division and despite being a mature market, has grown by 21% over last year, fuelled by innovations and new product launches in the Hair Care, Personal Wash and Oral Care segments.

Dabur Egypt Limited witnessed growth of 34% despite the slowdown during the fourth quarter on account of political instability. The plant in Egypt had to be shut down for a couple of weeks; however the operations returned to normalcy as soon as the political situation improved.

African Consumer Care, Nigeria, has grown by 34%, aided by strong growth of Dabur Herbal Toothpaste and Dabur Herbal Gel in the Oral Care category.

Asian Consumer Care, Pakistan, has grown by 17%, with Hajmola and Dabur Amla emerging as the two strong brands for the region.

Asian Consumer Care, Bangladesh, has performed well with a growth of 47% during the fiscal 2010-11. The growth has been led by focus on five key brands – Amla Hair Oil, Vatika Hair Oil and Shampoos, Dabur Honey and Meswak. In addition, the Company’s distribution network has been strengthened and media platforms were utilized extensively to promote the brands.

Dabur Nepal Pvt. Ltd., which manufactures fruit juices and also caters to local consumer market in Nepal, recorded growth of 26% in sales. There was some temporary disruption on account of local insurgency issues; however, our production and operations continued during most part of the year.

Overall, the International Business is on a strong growth trajectory. The business, which started as a small enterprise catering only to the Indian diaspora more than 15 years ago, is now a multi location, multi category operation catering to people of diverse backgrounds and ethnicities, and having local supply chains in most of the countries in which it operates. The focus on customization of the product portfolio,
DABUR RANKS AMONG THE TOP 50
OTC COMPANIES IN THE WORLD, AND
IS THE LARGEST OTC COMPANY IN INDIA

while adhering to the global Dabur brand architecture as enunciated by the adage “Think global, Act local”, has enabled the business to grow exponentially.

After having grown to a size of ₹717 crore through organic expansion, the business has now acquired Hobi and Namaste (please refer to section on Overseas Acquisitions). These acquisitions are expected to make a good strategic fit and prove to be highly synergistic with the existing portfolio. Moreover, the companies provide good product capability with in-house R&D and strong pipeline of new products which can be leveraged across our other markets.

**Consumer Health Division (CHD)**

The more traditional part of Dabur’s business, the Consumer Health Division (CHD), offers a range of Healthcare products based on the age-old principles of Ayurveda but offered in modern, contemporary and ready-to-use formats. This division is core to Dabur’s new strategy to drive growth from over-the-counter (OTC) Healthcare products. The CHD portfolio, comprising both OTC products and classical range, registered a growth of 13% during the fiscal, aided by the launch of new initiatives and sustained media campaigns.

Hornitux was a key growth driver during the year, reporting strong growth with increased media presence during the Monsoon season. Brand Hornitux was extended this year to Cold Category with the introduction of Hornitux Day & Night tablets in the last quarter of the year. This is a specially formulated product, offering separate tablets for day and night usage. The day tablet offers non-drowsy cold relief while the night tablet gives you a restful sleep. The product has received encouraging response in the market.

The Pudin Hara Franchise also registered strong double-digit growth with the launch of Pudin Hara Lemon Fizz variant. A new campaign for Pudin Hara, with the theme ‘Jaante Ho Par Lete Kyo Nahin’, was also rolled out which boosted the brand’s earnings. The launch of the first-ever television commercial for the rejuvenator brand Shilajit Gold helped the brand post handsome gains during the year.

In the OTC portfolio, Dabur had last year revamped the women’s health tonic brand Dashmularishta. The new pack, with brand ambassador Juhi Chawla on the front label, gave this age-old product a new, younger and more contemporary look. The Women’s Health Portfolio - comprising Dashmularishta and Ashokarishta - performed well with the continuation of an educative campaign featuring Juhi Chawla.

With the relaunch of the Classics portfolio in a new, contemporary avatar and focused healthcare promotion activities through Dabur Ayurvedic Centres, Health Camps and Vaid (Ayurvedic doctors) Meets, the division’s ethical business growth accelerated and the business reported healthy double-digit growth.

Going forward, fresh initiatives like aggressive equity building activities and new product introduction in several high-growth OTC categories have been lined up.
Retail Business - New U

Dabur India Ltd. operates a chain of focused beauty retail outlets under the brand name New U. This business is operated under the wholly-owned subsidiary H&B Stores Ltd. by a team of retail experts who have experience in beauty/lifestyle retail and realty intricacies. This business, which underwent a strategy and format tweak in the previous fiscal, is now being expanded in a calibrated manner with special focus on North India. The network today has 36 retail outlets and 15 more are in various stages of development and set to be launched by the end of the second quarter of 2011-12 fiscal. While a bulk of these stores are centered in North India - covering Delhi-NCR, Punjab, Uttar Pradesh, Rajasthan and Madhya Pradesh - the business has also established seeding presence in South India with outlets in Hyderabad and Bangalore.

The end of the 2010-11 fiscal saw Dabur take initial steps to venture into the franchise route for New U stores, by issuing an advertisement in leading dailies seeking applications. The first of the franchisee outlets - focussed on high-streets as against company-owned outlets in malls - is expected to be operational by July 2011.

The year saw New U expand its private label business at the stores with the introduction of New U branded cotton balls, nail enamels and nail enamel removers. This portfolio would be rapidly expanded with the launch of New U body showers, body lotions, lip balms and other personal care items in July this year. The formulations for all the New U private label products have been developed by our experts at New U.

The profile of New U stores has undergone a revamp and the outlets are now positioned as a lifestyle beauty store, offering a one-stop solution for all beauty needs. This beauty connect has been further strengthened by the presence of exclusive international beauty brands - like QVS, Homar, Divo etc - at New U stores. The Company is planning to build a pool of 8-10 international brands exclusive to the New U cache. Today, the New U private label brands and exclusive brands together account for about 12-15% of total volumes at New U and this is expected to grow going ahead with the expansion of the New U private label portfolio.

New U has entered into shop-in-shop tie-ups with three big retailers across India to operate and manage the beauty products portfolio at these mega stores. This tie-up also marked New U’s entry into the Pune market through the shop-in-shop route and your Company is confident that it will prove to be a well-established retail destination. The Company has also ventured into establishing Express Stores, which would be highly focused tiny format stores that would stock only fast-selling items. The merchandise in these New U Express Stores would be localized according to consumer preference in each location.

The New U stores offer consumers a host of promotions and activations, which have emerged as a big consumer hook all through the year. New U has rolled out a host of consumer promotions and activations at its stores in association with vendors like Maybelline, L’Oreal Paris and Dabur Uveda. Some of the highly successful brand activations undertaken include ‘Makeover Marathons’, ‘Festival of Beauty’ and the ‘Gals In The City’ campaign with Maybelline. New U also has a consolidated annual promotions and marketing calendar targeted at seasonal promotions, theme-based campaigns and
category growth drivers. Ongoing promotions like free gift for every guest walking into the store has helped generate awareness and induce trials. The consumer loyalty programme - AdvantageU - has also been well accepted by consumers. The Company also revamped and relaunched its website - www.newu.in.

Sales & Distribution
Dabur has a highly developed Sales and Distribution network with a presence in even the smallest of markets. Dabur’s distribution network covers over 2.8 million retail outlets, with a high penetration in both urban and rural areas. The growth strategy of Dabur envisages a key role for technology in improving efficiencies of the Sales & Distribution network. During the year, significant investments were made in Information Technology solutions in various aspects of Sales & Distribution.

Dabur enhanced the footprint of its Stockist transaction software ‘Drishti’ to cover almost 75% of business, gathering real-time market information. Real-time dash boards have been created in ‘Drishti console’, providing ‘quick snapshots’ of all dimensions of operational efficiencies in Sales & Distribution. This has enabled all levels of the Sales organization to direct their actions in a highly focused manner, improving field efficiencies while reducing costs.

To ensure consistent product availability in the marketplace, it is important to have a high level of forecast accuracy for manufacturing and supply chain to respond adequately. The CCD sales system implemented a Sales forecasting system in the APO module of SAP during the current year. The system evaluates historical sales trends, factors seasonality and sales promotions to generate a statistical forecast for the month. The tool has significantly enhanced the forecast accuracy in CCD and forecast errors have been reduced by 60% from previous levels. This has resulted in improved stock availability across the year and further improvement is expected in the coming days.

The sales IT project on Supply Chain optimization at Dabur has been nominated as one of the five winners for the ‘Diamond edge’ award by eminent jury of UBM & Information Week magazine. Close on the heels of this award Dabur bagged the Best run award in Supply Chain from SAP for this initiative.

The CCD Sales system at Dabur has taken another big step towards strengthening processes by improving efficiency of the ordering interface. This has been achieved by implementing a comprehensive IT enabled order capture system made available to all Stockists operating their transactions through ‘Drishti’. The system proactively alerts the Stockists on SKU’s likely to go below minimum threshold levels (basis average sales trends/factorizing promotions etc.) and generates suggested orders at SKU level. The tool helps the Stockists manage their ordering process better, making the order processing task at CPAs faster and improving responsiveness in customer service.

Comprehensive enhancements were effected during the year in making the Stockist claims process more robust and efficient. To improve customer service for Stockists, the CCD Sales system rolled out a web-based claims submission system ‘Nivesh’. ‘Nivesh’ claims processing system provides complete clarity on market activities, specifies requirements on supporting documentation for claims submission and provides real-time information on status and details of claims settlement.

VATIKA HAIR CREAM HAS TODAY EMERGED AS THE NO. 1 BRAND IN HAIR CREAM CATEGORY IN THE KINGDOM OF SAUDI ARABIA
MODERN RETAIL STRATEGY

The Modern Trade segment resurfaced in the 2010-11 fiscal, with key players reconfiguring their networks and scaling up operations. The Modern Trade landscape witnessed new formats emerging as potential winners over the medium term. A comprehensive strategy was developed to accelerate growth for Dabur in this backdrop, focusing on share gains in emerging formats & key categories.

The strategy focused on creating a distinct identity for Dabur brands (core being herbal expertise) that are relevant for shoppers. Building an effective servicing & activation system to service the requirements of Modern Trade are also a critical element of the approach. This helped Dabur improve growth rates in Modern Trade channel during the year & make significant market share gains across all key categories.

FEM PORTFOLIO

In order to leverage the Fem portfolio in beauty channels and have better focus, a dedicated Fem Sales force has been retained in the larger markets, while integrating the business with the larger CCD sales system in smaller towns to leverage scale. The Fem distribution network was fully integrated with the CCD across 700 towns & the rural markets to leverage synergies. This has enabled the Fem range to be available across larger number of Grocery stores, apart from the traditionally strong Cosmetics & Chemist channels. The Fem sales network was also fully integrated in Modern Trade channel. The strategy has helped Fem business grow in line with plans for the year.

The Beauty Parlour servicing network was extended to over 300 towns across the country. This network enables Dabur to demonstrate effectiveness and build franchise for the new range of products like Fem Gold Bleach and ‘OxyLife Professional Facial kit’.

The ‘Uveda’ Beauty Advisor network, operated through the Fem sales system, was extended to 11 towns with over 300 counters. Significant investments were made in training and development of these resources and enhancing the range of products. This has resulted in sales output per Beauty Advisor moving up substantially during the year.

TRADITIONAL TRADE

In the year 2010-11, Dabur continued to strengthen its market presence through programmes targeted at key urban channels and the rural markets. Point of purchase is the most critical dimension impacting the buying decision of the consumer and appropriate interventions are crucial to generate impact amidst the clutter. Apart from investments to strengthen shelf presence, the stores were also offered merchandising solutions to enhance the effectiveness of the brand communication. Overall, merchandising investments have been tripled to deliver required impact.

DID YOU KNOW?

_Dabur has now forayed into the professional market with the launch of an Oxygen facial kit exclusively for the parlour network_
RURAL MARKETS
Rural & semi-urban India contributes to about half of the business for CCD and is also the largest source of growth. The recent years have seen a steady growth in income in rural India. Thanks to the spurt in commodity prices and the employment generation schemes and fiscal sops announced by the government, the rural consumers today have more money in their pockets. During the course of the year, Dabur initiated a detailed study to understand the rural landscape and identify emerging pockets of higher growth.

Comprehensive benchmarking was done on rural coverage across 8 key states - Uttar Pradesh, Uttarakhand, Rajasthan, Bihar, West Bengal, Maharashtra, Madhya Pradesh and Chhattisgarh. Markets were mapped integrating road networks and economic data to identify potential for coverage. The plan is to extend rural distribution reach by penetrating to villages with population of ~3000 in these states.

The strategy is to improve distribution reach, customize trade promotions and provide focused servicing through a dedicated sales team exclusive to these markets. Field resources are significantly increased in high potential districts of these states to increase contact frequencies and improve coverage.

Operations
At Dabur, we recognize operations as an important source of competitive advantage. A strong back-end support in Procurement, Manufacturing, Research & Development and Human Resource Management has been key to Dabur’s sturdy performance through the 2010-11 fiscal. A large number of initiatives was rolled out by the Company to improve productivity through effective application of technology and advancement in manufacturing processes, besides adoption of lower cost energy options.

MANUFACTURING
In India, Dabur has 13 production facilities organized around two main factories at Baddi Cluster (Himachal Pradesh) and Panipat (Uttaranchal); and nine factories which are located at Sahibabad (Uttar Pradesh), Jammu, Silvassa, Nasik, Alwar, Katni, Narendrapur and Pithampur. The Foods Business is catered to by manufacturing facilities in Newai (Rajasthan) and Siliguri (West Bengal).

During the 2010-11 fiscal, the Company increased capacities in toothpaste, shampoo, hair oils, Hajmola and Glucose. In addition, an increase in throughputs in our existing units enabled us to meet higher volumes with existing capacities without additional capital investment. Introduction of Automatic Tray feeding system to Poly shrink machine for Juices at our Newai unit is expected to not only enhance throughput, but also improve quality and reduce wastage. TPM initiatives at Baddi, Silvassa and Pantangar Units generated “Kaizena”, which led to reduction in down time of machines.

Initiatives were taken in various manufacturing units to reduce cost, reduce impact on environment, new product/pack introduction, improve safety awareness and quality improvement.

The installation of new herbal extractors at Baddi, Panipat and Sahibabad, replacing the old extractors, has had a positive impact by reducing cost and impact on environment (energy efficiency), and has led to a safer working environment and better space utilisation.

Some new energy conservation and waste management initiatives were taken, such as herbal waste used as a fuel in boiler e.g.: conversion of herbal waste into dry bio briquettes, crushing herbal waste and using the same in the USAB reactor in ETP to generate more methane (Bio gas) which in turn will be used as boiler fuel and using directly herbal waste as a fuel in the boiler. For more information on Dabur's
Dabur has a number of manufacturing facilities in International business as well. Our largest facility in GCC markets is at Ras Al Khaimah which caters to GCC as well as neighboring markets. We have a manufacturing facility in Egypt which caters to the large and fast growing personal care business in Egypt. In addition the facility at Nigeria caters to oral care products for Nigerian market.

Dabur’s Food business is supported by two manufacturing units, the larger and older facility is in Nepal and another in Newai, Rajasthan. Fast growth of this business has led to addition in lines for augmenting capacity and the Company is considering additional capital expenditure for building fresh capacity in the future.

Dabur’s Bangladesh facility was well utilized with good growth emerging from hair care and oral care categories in the country. The Company is planning to enhance its capacities in Bangladesh and a new manufacturing facility is being added which will be operational in a year’s time.

**Human Resources**

Dabur’s people are the Company’s most important asset and source of competitive advantage. All employees of Dabur are considered leaders and encouraged to take responsibility to do their best that they can while meeting business needs. Our success depends entirely on the strength of our talent pool which we build by fostering an environment and continually investing in them to enable them to deliver superior performance. Our Human Resource strategy is aimed at talent acquisition,
development, motivation and retention.

People always have been and shall be central to Dabur’s growth story. The Company’s commitment can be gauged by the fact that Dabur absorbed all the employees of the acquired entities—Hobi Kozmetik and Namasté Laboratories LLC.

The belief “great people create great organizations” has been at the core of the Company’s approach to its people. Hence, the Company has made significant investments for training in the areas of marketing excellence, customer service and building higher skill sets. Recently Dabur embarked upon a Leadership development initiative called “LEAD - Leadership Excellence Achievement @ Dabur” in partnership with a renowned HR consultant. This initiative seeks to provide a Dabur Leadership Framework for analyzing and addressing individual and team performance development opportunities. LEAD program will focus on questions such as - What are the leadership competencies required to build the organization for the future, what process should Dabur follow for identifying these competencies and assess our leaders on the same; and to ascertain whether our leadership pipeline is robust enough to provide future leadership. Towards this end, a core group comprising top 55 managers at Dabur has been identified and assessed using a series of tools and a 360 degree assessment on the Dabur Leadership Framework. This group will be further taken through two four days off-site “Making Great Leaders” program where they will be helped with feedback and developmental inputs to hone their leadership style.

As an organization we have taken a lot of initiatives to ensure that ample career development opportunities are provided to our employees. In this regard, Dabur’s HR team has been managing the “Career Development Centre (CDC)” process with the purpose of developing people with high potential for the next responsibility levels and taking up future leadership roles. As part of the CDC process we have completed over 600 in-house assessments of our employees to hone their abilities to be able to take up higher level roles. For senior level managers, we have partnered with a Global HR consultant to provide specialized role-wise tools and simulations for assessment.

Dabur’s reward programs reflect the Company’s values and philosophy about people management. It is linked to individuals and teams contribution, is competitively positioned and is aligned with Company’s other management systems and processes. Besides base pay, statutory benefits, short term and long term incentives (including ESOP), the Company offers its employees host of medical benefits, asset building opportunities and an institutionalized recognition program called “Applause” that has helped in sustaining high employee engagement.

The Human Resource team played an effective business partner role in supporting the Sales function. The business required a new approach to sell beauty products of the newly acquired FEM Care business and Uveda Brand through Beauty Advisor (BA) route. Acting swiftly on the new requirements, the HR team hired 250 BA’s within 4 months.

Riding on these initiatives, the attrition levels at Dabur continue to remain much lower than industry levels.

As of 31st March 2011, the Company employed 5,300 people in various parts of its business.

**Industrial Relations:** The Company continues to have an excellent track record of Industrial relations, which, by and large, remained congenial during the year.
Financial Review (on a consolidated basis)

During 2010-11 fiscal, the Consolidated sales of your Company increased by 20.3%, primarily driven by volume growth of 12.7% and acquisitions contributing to 5.1% of growth. While sales growth remained strong the Company faced headwinds with respect to inflation and cost pressures. The Company dealt with these challenges and was able to maintain its margins in a highly inflationary environment through calibrated price increases and efficient management of costs.

EBITDA margin of the Company was stable at 19.9% vis-à-vis 19.8% in FY2009-10. The increase in rate of Minimum Alternate Tax (MAT) led to the effective tax rate increasing from 16.7% to 19.6%.

The Profit After Tax of the Company increased by 13.4% during 2010-11 with the PAT margin going down slightly mainly on account of increased taxation.

Abridged P&L account and profitability ratios are given below:-

### DIL’S ABRIDGED PROFIT AND LOSS STATEMENT, ON A CONSOLIDATED BASIS (IN ₹ CRORE)

<table>
<thead>
<tr>
<th></th>
<th>2010-11</th>
<th>2009-10</th>
<th>YoY (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross Sales</td>
<td>4,109.9</td>
<td>3,415.8</td>
<td>20.3%</td>
</tr>
<tr>
<td>Other Operating Income</td>
<td>33.0</td>
<td>25.3</td>
<td>30.8%</td>
</tr>
<tr>
<td>Material Cost</td>
<td>1,905.3</td>
<td>1,550.8</td>
<td>22.9%</td>
</tr>
<tr>
<td>Employee Costs</td>
<td>322.2</td>
<td>284.7</td>
<td>13.2%</td>
</tr>
<tr>
<td>Advertising &amp; Promotional Expenses</td>
<td>534.6</td>
<td>493.5</td>
<td>8.3%</td>
</tr>
<tr>
<td>Other Expenses</td>
<td>560.7</td>
<td>432.4</td>
<td>29.7%</td>
</tr>
<tr>
<td>Other Non Operating Income</td>
<td>32.1</td>
<td>23.0</td>
<td>39.9%</td>
</tr>
<tr>
<td>EBITDA</td>
<td>819.8</td>
<td>677.3</td>
<td>21.0%</td>
</tr>
<tr>
<td>Interest Expenses and Finance Charges</td>
<td>30.3</td>
<td>20.2</td>
<td>50.1%</td>
</tr>
<tr>
<td>Depreciation &amp; Amortization</td>
<td>81.6</td>
<td>56.2</td>
<td>45.2%</td>
</tr>
<tr>
<td>Profit Before Tax (PBT)</td>
<td>707.9</td>
<td>600.9</td>
<td>17.8%</td>
</tr>
<tr>
<td>Tax Expenses</td>
<td>139.0</td>
<td>100.5</td>
<td>38.3%</td>
</tr>
<tr>
<td>Profit After Tax (PAT)</td>
<td>568.6</td>
<td>501.3</td>
<td>13.4%</td>
</tr>
</tbody>
</table>
**KEY PROFITABILITY RATIOS**

<table>
<thead>
<tr>
<th></th>
<th>2010-11</th>
<th>2009-10</th>
</tr>
</thead>
<tbody>
<tr>
<td>EBITDA / Sales</td>
<td>19.9%</td>
<td>19.8%</td>
</tr>
<tr>
<td>EBIT / Sales</td>
<td>18.0%</td>
<td>18.2%</td>
</tr>
<tr>
<td>PBT / Sales</td>
<td>17.2%</td>
<td>17.6%</td>
</tr>
<tr>
<td>PAT / Sales</td>
<td>13.8%</td>
<td>14.7%</td>
</tr>
<tr>
<td>Diluted Earnings per Share (₹)</td>
<td>3.25</td>
<td>2.89</td>
</tr>
</tbody>
</table>

During the year, the Company acquired Turkey based Hobi Group and U.S. based Namaste Laboratories LLC. Hobi’s financials have been consolidated w.e.f. October 7, 2010 and Namaste’s financials have been consolidated w.e.f. January 1, 2011.

As these acquisitions were completed in the second half of fiscal 2010-11, major part of the additions to capital employed happened towards the end of the year. On account of this timing mismatch, the ROCE and RONW as shown are not comparable and the ratios for 2010-11 are not representative for the full year.

**KEY BALANCE SHEET RATIOS**

<table>
<thead>
<tr>
<th></th>
<th>2010-11</th>
<th>2009-10</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average ROCE</td>
<td>33.2%</td>
<td>47.3%</td>
</tr>
<tr>
<td>Average RONW</td>
<td>48.9%</td>
<td>57.3%</td>
</tr>
</tbody>
</table>

Net operating working capital of the Company increased as compared to last year due to three reasons. Firstly there was an increased stocking of raw and packing materials in the domestic business. Secondily the receivables from institutional trade were higher at the end of the year and thirdly the two overseas acquisitions added to the overall net working capital though their sales were consolidated only for part of the year.

The Company incurred Capital expenditure of ₹130.9 crores during the year which was invested in expansion of manufacturing capacities and regular maintenance expenditure. The cost of the two overseas acquisitions viz. $69 million for Hobi Group and $100 million for Namasté Laboratories LLC. was funded though foreign currency loans. As a result of these borrowings, the net debt to equity at a consolidated level went up to around 0.4 as on 31st March 2011.

The total dividend for the year has been at 115% of par value. This translates into a payout ratio of 43% of standalone net profit for 2010-11 fiscal.

**NET WORKING CAPITAL**

<table>
<thead>
<tr>
<th></th>
<th>2010-11</th>
<th>2009-10</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Working Capital* Days</td>
<td>10.9</td>
<td>-0.7</td>
</tr>
<tr>
<td>Days Sales Outstanding (DSO)</td>
<td>31.6</td>
<td>12.8</td>
</tr>
<tr>
<td>Days Inventory Outstanding (DIO)</td>
<td>62.9</td>
<td>45.5</td>
</tr>
</tbody>
</table>

*Excludes Cash and Bank Balances