CHAIRMAN’S MESSAGE

It gives me immense pleasure to write to you at the end of another significant year in the history of Dabur. The year 2009-10 marked 125 years of Dabur’s existence and this landmark was celebrated by recording one of our best-ever performances in terms of all-round growth and improvement in profitability metrics of the company.

In a year which was beset with external challenges such as below average monsoons, drought in some parts of the country, rising food inflation and sharp currency fluctuations, Dabur continued to report strong growth in sales across its businesses and geographies. In spite of sharp fluctuations in input costs and an overall inflationary scenario, the company was able to manage costs well leading to a sizeable increase in operating margins during the year.

On a consolidated basis, Revenues grew by 20.6% to Rs 3,416.7 crore while Net Profit grew 28.1% to go up to Rs 501.3 crore. The steady growth achieved by your Company has been enabled by sustained investments in marketing and brand building, distribution, production, supply chain and by driving operational efficiencies across all its functions.

During the year, your Company saw robust volume-led growth across key categories like hair care, oral care, skin care, health supplements, digestive & foods. The acquisition of Fem Care Pharma, a leading player in the women’s skin care products market, and introduction of a host of new products and variants added to this growth and helped Dabur gain a strong foothold in several high-growth and highly competitive categories across the consumer goods space.

The international business too continued on its growth trajectory and forayed into newer markets. I am happy to announce that we have now emerged as a strong multi-location transnational business with a presence across 60 countries and catering to the ever-changing needs and aspirations of the local populace in these markets. While focusing on emerging markets such as the Middle East, North and West Africa, Levant and South Asia, your Company has built scale in these operations and gained a good understanding of the local market conditions to have a sustainable business model in times to come.

The growth strategies and your Company’s achievement through 2009-10 have been elaborated in detail in the Management Discussion & Analysis section of this report. Through this letter, I would like to take our esteemed shareholders through some of the key opportunities and challenges that your Company faces today and the factors that would help us move ahead firmly on the growth trajectory in days to come.

India is today one of the largest and fastest growing consumer markets in the world. The economy is growing at a healthy pace with GDP growth expected to remain in the range of 8-9% over the next few years. This is leading to a steady increase in per capita incomes and disposable income in the hand of the consumers. This has, in turn, resulted in a surge in consumerism and pushed consumer aspirations to newer heights. The Private Final Consumption Expenditure in India is growing in the band of 12-14% and this is accompanied by a healthy rate of household savings of about 24-25% of the GDP, which points to a sustained growth in consumption over the next couple of decades making India one of top 5 consuming economies of the world.

Today, the Indian demographics are characterized by a fairly large proportion of youth, significant influx of working population, greater incidence of nuclear families, increasing education levels, rising job opportunities, multiple working members in each family, increasing decision making power in the hands of younger people and changing lifestyles and patterns of spending. All this would lead to a complete transformation of the Indian consumer over the next couple of decades.

Another important factor to be considered is the ‘up country’ consumer, who had hitherto been considered insignificant in the scheme of things, but is now an important part of the larger canvas. It is interesting that although almost 60% of our GDP originates in rural areas, only 18% is accounted for by agriculture, the rest being contributed by services and industry. With growth of these sectors and the investments made by the government in the rural economy, there has been a significant increase in rural income levels. In fact, the per capita income growth in rural India has almost matched
its urban counterpart in the last few years. The increased awareness and mobility aided by communications boom and better education facilities is driving changes in consumption habits. The rural consumer now has access to a wider range of products and services and is becoming more discerning regarding consumption options and choices. Understanding of requirements and psyche of the rural consumers and designing strategies to provide goods and services matching their requirements and fast evolving needs would be the key to building brands and expanding presence in rural India.

These facts point to the emergence of significant opportunities in consumer goods sector in India, going forward. Connecting with the consumers, keeping track of changes in consumption trends, spotting significant opportunities and growth drivers and remaining agile and responsive to market trends would be the key to growing consumer businesses and capturing some of these opportunities. It may also mean that the consumer may become more discerning and demanding and companies would need to focus on innovation and technical excellence to serve them better. The fast growth in the sector is also likely to attract more competition, both internal and from overseas, which would necessitate a strong and resilient competitive positioning and continued investment in brands and new products.

I take pride in the fact that Dabur has been nimble footed to take cognizance of the constant churn and change in market dynamics to appropriately build strategies and reap maximum benefit of the emerging opportunities.

In view of the rising and cut-throat competition, your Company revamped the sales structure in large urban markets to drive sharper focus on three distinct categories - Home & Personal Care, Healthcare and Foods. Besides, the newly-acquired business of Fem was successfully integrated into Dabur Sales & Distribution network, which also provided the opportunity to access new channels like Beauty Parlours and Salons. These initiatives helped Dabur to better cater to these markets by providing relevant products and increasing its penetration, reach and contact with the consumers.

In addition to steady growth in its existing brands and businesses, your Company has also been focusing on acquisitions which offer synergistic growth and expansion and open up new vistas of opportunity for the Company. The Balsara acquisition in 2005-06 and Fem Care acquisition in 2009-10 are examples of mid-sized companies which were acquired by us and transformed into important growth drivers in key segments where we needed to fortify our presence. Going forward, we would look at more such opportunities to gain market entry and consolidate our competitive positioning while remaining focused on the market segments in which we operate today. Acquisitions would, therefore, continue to be integral to our growth strategy as we move ahead.

Your Company has also developed strong partnerships with business partners, employees and last, but not the least, our customers for the continued support and faith reposed in the Indian consumer goods sector.

While concerns on environment and sustainability are going up globally, your Company has taken several initiatives to make sustainability a key part of its operational strategy. Dabur is focusing on use of alternative sources of energy, recycling of waste products, more efficient use of fuel and energy and initiatives to use recyclable materials for packaging. Details of these initiatives have been provided in the Sustainability section elsewhere in this report.

Success of any business enterprise like ours can only be possible because of its employees and the people who put in their unrelenting efforts to rise to excellence. I would like to say that your Company's employees are its greatest asset and it is entirely due to their hard work, perseverance, commitment and dedication that the company has been able to deliver superior growth and value creation with every passing year.

I sincerely thank all our shareholders, business partners, employees and last, but not the least, our customers for the continued support and faith reposed in your Company. I would like to assure you that your Company would continue to remain committed to deliver strong growth and be one of the top players in the Indian consumer goods sector.

Dr. Anand C. Burman
Chairman
Dabur India Ltd.