

DABUR



Dabur is among the top five FMCG companies in India and is positioned successfully on the specialist herbal platform.

Background

Dabur, today one of the largest FMCG company in India, was started by the Burman family in 1884 in Kolkata (West Bengal). With a legacy of 120 years built on attributes of quality and trust, Dabur has



proven its expertise in the fields of health care, personal care, Homecare and Foods.

The business based on the vision of founder Dr S K Burman - "What is life that cannot bring comfort to others", started as a small pharmacy selling healthcare products. Two decades later the company entered the specialised area of Ayurvedic medicines and branded its products. With growing demand, Dabur shifted its operations to Delhi in 1972 and a few years later set up full-fledged research operations in healthcare.

In the early 1990s, with the economy opening up, the company identified various investment opportunities to accelerate its growth. The management also realized the importance of scaling up its operations and decided to go public during mid-nineties. It is during this time that the company also decided to professionalise its operations by curtailing the role of the promoter family and inducting professionals from outside to take charge. Subsequently in 1996, Dabur India set up its own foods division - Dabur Foods, as wholly owned subsidiary of Dabur India.

The company, headquartered in Ghaziabad, Uttar Pradesh, is today listed on Indian stock exchanges and commands a valuation of over

Company	Products	Established	Founder	Distribution	Production plants
Dabur	Foods, Healthcare, Personal care Oral care	1884	Dr. S. K. Burman	India, Americas, Europe, Middle East, Asia Pacific	India, UAE, Egypt, Bangladesh, Africa, Nepal

USD 1.5 billion. Operating through various business divisions supported by manufacturing presence spread in India and overseas, the company has been ranked amongst the “Best under a Billion” list by Forbes.

In totality the company has over 12 manufacturing units in India & abroad. The international facilities are located in Nepal, Dubai, Bangladesh, Egypt and Nigeria. Three of the facilities in India are strategically located in excise duty free zones - Rudrapur (Uttaranchal), Baddi (Himachal Pradesh) and Jammu. With the acquisition of Balsara, Dabur now has additional facilities at Baddi & Silvassa (Dadar & Nagar Haveli). The company has a multi-fruit processing plant at Siliguri (West Bengal) for production of pulp and concentrates. This is a step taken by the company towards backward integration by locating this facility in proximity to its juice plant in Nepal. Dabur Foods, the subsidiary of Dabur India has also recently acquired a fruit juice plant in Jaipur (Rajasthan).

The company's promoters, the Burman family, hold majority stake in Dabur (74.31 per cent) through various associate companies. The next largest shareholders are the institutional investors including banks, foreign institutional investors and mutual funds (with 15.96 per cent stake). Private

corporate bodies, non-resident Indians and the Indian public hold the residual shares.

Dabur has survived and grown into the corporate that it is today, by focusing on professionalisation. Through its progressive journey, Dabur exemplifies how a family conceived business can scale greater heights with the managerial acumen and business insights of professionals. Dabur board currently has a healthy mix of professionals and family representations – Four promoter Directors, two executive directors and six independent directors. The company also bagged the ICSI National award for Excellence in Corporate Governance in 2005.

Bullish on growth, the company had recently unveiled its vision strategy for 2010 with focus on three pillars of acquisition, innovation & expansion.

The acquisition & expansion exercise had started in 2005 with the takeover of Balsara in an all cash deal of USD 32 million. The deal was largely funded through internal accruals with only USD 4.6 million funded through debt raised by the company. With this acquisition Dabur entered into the realm of household products. Balsara also strengthened Dabur's presence in oral care & gave Dabur an edge in contract manufacturing for private label business catering to the international markets.



Dabur's products and brands

Health care Health supplements Digestives Natural cures/Revitalisers Women's health Conspitation remedies Cough remedies Baby care	Dabur Chyawanprash, Dabur Chyawanshakti, Glucon D, Dabur Honey Hajmola Tablet, Hajmola Candy, Hajmola Anardana, Pudín Hara, Dabur Hingoli, Dabur Lavan Bhaskar, Dabur Hingwastak, Dabur Trifala, Dabur Avipattikar Isabgol, Shilajit, Shilajit Gold, Rheumatil, Stresscom, Broncorid, Maduvani, Revitalisers Trifgol Dabur Dashmularishta, Dabur Ashokarishta, Mensta Nature Care, Nature Care Double Action Honitus syrup, Honitus cough drops Dabur Lal Tail (oil), Dabur baby olive oil, Dabur Janam Ghutti
Personal care Hair care Skincare Oral care	Vatika shampoo, Vatika hair oil, Dabur Amla hair oil, Amla Lite, Anmol Sarson Amla, Anmol shampoo, Anmol coconut oil Gulabari rose water, Vatika fairness face pack, Anmol cold cream, Vatika soap Dabur Red toothpaste, Dabur Lal Dant Manjan (toothpowder), Dabur Binaca toothbrush, Meswak toothpaste, Babool toothpaste, Promise toothpaste
Foods Fruit juices Cooking pastes Institutional sales Sauce Natural lemon juice	Real, Real Activ, Coolers Hommade Nature's Best (ketchup and corn flour) Capsico red pepper sauce Lemoneez
Home care Air freshner Insect repellent Toilet cleaner Dishwashing, surface cleaner	Odonil Odomos Sanifresh Odopic

Source: Company website, IMAcS analysis

Products and brands

Dabur carries out its business through five divisions - The Consumer Care division, which is the largest division offering a wide range of products in hair care, oral care, health supplements, digestives and candies, baby and skin care products and contributes 62 per cent of sales. The Foods division, which is housed under a subsidiary -Dabur Foods Limited - is the second largest division of the company contributing 10 per cent to the company's total revenues. The Consumer Healthcare Division is the third division offering products based on Ayurveda. These products include OTC products, branded ethical and generics. Major OTC categories covered include cough and cold, joint pain, digestives, lifestyle diseases and women's health.

It contributes 8% to the revenues. The International Business Division contributes 9% to the total revenues. The Balsara division having being merged into Dabur contributes 10% to the sales.

The company is known for its robust brand architecture with 6 mega brands - Dabur, Vatika, Real, Hajmola, Anmol & Balsara. While Dabur is the umbrella brand for all the company's healthcare initiatives, Vatika is a standalone brand for cosmetic and personal products. Real is associated with juices, Hajmola is the digestives & confectionary, Anmol is the value-for-money personal care products & Balsara includes the homecare range.

Dabur's position in the oral care segment has been made stronger with the acquisition of Balsara's

brands - Promise toothpaste (with unique clove oil positioning), Babool toothpaste (in the value for money segment) and Meswak toothpaste (premium segment). They add to the strong equity that Dabur already enjoys in the oral care segment with its Lal Dant Manjan (toothpowder) and Red Toothpaste.

Financial analysis

Dabur has witnessed a 20 per cent CAGR in its revenues between 1980 and 2005, with gross sales reaching USD 422 million (INR 18995 million) (USD=INR 45) in fiscal 2005-2006. Net profits have grown at a rate of 25 per cent. Each of the divisions of the company has witnessed strong growth and improved profitability has come about by improving operational and supply chain efficiency through innovative procurement strategies and modern forecasting and research tools. With the commissioning of the Jammu, Baddi and Rudrapur plants - all located in excise free zones - the company has been able to benefit from the fiscal concessions offered at these locations.

The return on capital employed has increased to 39% in the year 2005 - 06 due to a debt repayment

of more than USD 30 million in the last three years. Today, Dabur ranks better on this front in comparison to key competitors. Debt equity ratio has fallen from 1.1 in the year 1999 to as low as 0.1 in the year 2005.

Dabur's contribution in making "Made in India" global

After establishing itself on the herbal platform in India over the years, Dabur began to look at global markets to achieve growth. Till 1989 the focus of its operations was on fulfillment of export orders through domestic manufacturing. Post 1989 it began to look at setting up an international business. For this it appointed Redrock as its franchisee based out of Dubai to focus on demand generation in the Middle East and Egypt. It also started initiating local manufacturing in Dubai and Egypt. Thereafter, it acquired Redrock and its manufacturing facilities and renamed it Dabur International with the responsibility of handling all international operations of Dabur. Dabur International even had an independent team that operated out of Dubai headed by a CEO. This international hub went on to set up a greenfield

Global presence

Americas	Europe	Asia-Pacific	Middle East	Africa
USA Canada	Bulgaria Croatia Denmark France Germany Hungary Italy Russia Spain Sweden Switzerland Yugoslavia	Afghanistan Australia Bangladesh Hong Kong Japan Maldives Malaysia Mauritius Pakistan Philippines Singapore Thailand	Bahrain Iraq Jordan Kuwait Libya Oman Qatar Saudi Arabia UAE	Algeria Congo Egypt Ethiopia Fiji Ghana Ivory Coast Kenya Liberia Morocco Nigeria Sierra Leone South Africa Sudan Tanzania Tunisia Uganda



manufacturing facility at Cairo under its subsidiary Dabur Egypt Limited. It also set up new manufacturing facilities in Bangladesh and Nigeria that became operational in 2005. In the year 2006 when Dabur unveiled its Vision 2010, International business was positioned as one of the major focus areas. Under the new structure Dabur International will have two operational bases - one in Delhi & one in Dubai each headed by a Business head & focusing on specific markets. It is expected that through various initiatives the international business should contribute 16% to the revenues by 2010.

Dabur's products are exported to more than 50 countries across the world. Its products are available in the markets of the Middle East, Southeast Asia, Africa, the European Union and America. These markets are serviced by the company's offices and representatives located in USA, UK, Russia and Sudan. The herbal health care and personal care range of the company has been successfully selling in these international markets. Chyawanprash, Vatika and Hajmola are already large brands in these markets, a result of the management attention on these brands and huge investments made in brand building. The products, which were initially targeted at the Asian diaspora, are now being targeted at the

mainstream population in these countries by leveraging the herbal platform as well as the Ayurveda platform for the various brands.

Factors fuelling Dabur's global initiatives

Dabur has been a leader in manufacturing and marketing herbal, nature-based products, marked with quality and trust that it has garnered through more than 120 years of experience. The company has leveraged the herbal specialist platform in the overseas markets and has made investments in global brand building. It has a comprehensive range of products with proven efficacy and strong R&D support.

Dabur has drawn up a multi-pronged strategy that is in consonance with the region in which it is implemented. For the US and Western European markets, private label in toothpaste and Ayurvedic supplements are expected to provide strategic growth. In West Asia and Arabia, Dabur is building brands and customizing products for these markets with the focus being mostly on its personal care brands. In West Africa, toothpaste and soap have been identified as the growth drivers. In Bangladesh, the company is targeting both personal care and healthcare brands. The company has



increased its penetration in the US markets by strengthening the distribution channels, which has led to good growth.

The company has maintained a sharp focus on quality and improving manufacturing processes at all its plants. It ensures compliance with ISO 9000 procedure and implementation of established standard operating procedures across its manufacturing bases. The nature cure product lines meet the standards set by the MHRA, UK. Its fruit processing plant in Siliguri meets the stringent requirements of the Codex Alimentarius Commission Guidelines, the Recommended international Code of Practices and the General Principles of Food Hygiene.

Dabur has also concentrated on creating a backward integration platform. For example, it has set up the fruit-processing unit at Siliguri for making pulps and concentrates to support its juice making plant in Nepal. It has made a foray into contract manufacturing for selected endangered herbs in many states including Andhra Pradesh, Tamil Nadu, Haryana, Uttar Pradesh, Himachal Pradesh and Jammu and Kashmir as well as Nepal to develop cultivation of herbs. These provide a sustainable source of herbal inputs to the company.

Future plans

Dabur has formulated structured strategies for its foray into the international market and has identified focus countries where it is evaluating the need for having a manufacturing facility or marketing presence. According to Mr. Sunil Duggal,

CEO, Dabur India, "We have identified 7 focus markets and 8 potential markets where we will invest managerial and monetary resources and set up local manufacturing facilities if the situation demands. A state-of-the-art production facility is being planned in Dubai in addition to a product development cell that will develop products to cater to local consumer needs".

As a part of this strategy the company is also looking at the Pakistan consumer market, which bears similarities with the Indian market and is perceived to have significant potential. There is a large market for herbal-based therapeutic products amongst the mainstream population in developed markets, dealing primarily with lifestyle ailments. The focus of this initiative would be to cater to this market in UK through OTC products. Entry strategies are being developed to enter the US supplements market.

In the domestic market, imports from China under various Balsara brands are being done to add to the existing product range. Internally the company is gearing up to capitalise on the opportunity in the retail sector by putting in place a specialised sales structure dedicated to modern retail channels.

Globalisation at a glance

- Presence in more than 50 countries, manufacturing plants in 5 locations outside India
- Offices in Russia, UK and USA
- Independent team based in Dubai & Delhi to handle international operations
- Chyawanprash, Vatika and Hajmola well-known brands in international markets
- Product-specific strategy followed in international markets - Ayurvedic supplements and private label in developed markets, personal care in Middle East, toothpaste and soap in Africa, healthcare and personal care in Bangladesh

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