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9B09A017

DABUR INDIA LTD. - GLOBALIZATION

R. Chandrasekhar wrote this case under the supervision of Professor Niraj Dawar solely to provide material for class discussion. The authors do not intend to illustrate either effective or ineffective handling of a managerial situation. The authors may have disguised certain names and other identifying information to protect confidentiality.

INTRODUCTION

In June 2007, consumer packaged goods (CPG) companies around the world were optimistically betting on growth in India. Dabur India Ltd. (Dabur) was among the top 10 CPG[1] companies in India by revenue (see Exhibit 1). Dabur's chief executive officer (CEO), Sunil Duggal, was bullish on the Indian market, yet he was also convinced of the imperative to internationalize. Scheduled to meet soon with a group of institutional investors to brief them on the company's growth strategy, Duggal had to factor in concerns about the priorities of the company's international business division, and, in particular, he needed to address the concerns expressed among foreign institutional investors. Duggal anticipated their questions: Shouldn't Dabur first build scale in the fast growing domestic market before attempting to go global? Wouldn't a strategy of pursuing new global markets detract from the company's core market in India, where it was beginning to face growing competition from international players, a fast changing retail landscape and an ever more fastidious consumer? Wasn't the growth pattern within the international business division skewed, and likely to be further skewed (see Exhibit 2)?

Duggal was keenly aware of the detractors' arguments:

> Whenever an Indian company announces a domestic expansion, through an alliance or acquisition, its stock price goes up. But on news of an overseas expansion, the stock price falls. That is because of investor apprehensions about integration, product fit and the alien nature of the market. In addition, India is an exciting geography in terms of size and growth, diversity and opportunity, and will remain so in the coming decades. This offers its own rationale for some to expect that managers in a quintessentially Indian enterprise like Dabur must focus their time and energy on the home market they know best. But the reasons to go beyond Indian shores are compelling for us. They outweigh the reasons to concentrate solely on India.

[1] *Marketing branded and packaged consumer goods through retail outlets, they were more popularly known in India as FMCG (Fast Moving Consumer Goods) companies.*

Duggal's task was to present a plan that would convince FIIs that the compulsions were sound, that the strategy being followed by Dabur International Limited (DIL), a newly formed subsidiary, was on track, and that the ongoing globalization plan would indeed boost volumes and margins.

CONSUMER PACKAGED GOODS – INDUSTRY BACKGROUND

CPGs were packaged household groceries and supplies consumed readily and regularly, including foods, personal care products and detergents, among others. The CPG industry comprised manufacturers, wholesalers and retailers. A broad spectrum of competitors prevailed, from standalones occupying niches to integrated firms straddling the continuum. Globally, profit margins were generally low for CPG companies, and their business models emphasized cutting costs, and chasing volumes and elusive top-line growth. Three factors usually influenced a consumer's decision to buy a CPG: price, brand loyalty and impulse.

In most developing countries, including India, CPG was a local business dominated by small indigenous players at provincial levels. Very few graduated to national status. Manufacturing was generally outsourced and retail channels were shared. Distribution was a key success factor in the business. In the developing markets, there were almost no CPG firms that played on the global stage. It was not easy to create universally appealing brand positions or product assortments and run far-flung, people-intensive retail operations. Having acquired a place among the top 10 CPG companies in India, Dabur was attempting what few other CPG companies from emerging markets had attempted to do: become an international company.

The global CPG industry grew by 2.5 per cent in 2006, up from the 1.5 per cent growth in 2005. Growth was driven largely by price increases rather than by volume. Despite low growth rates and low margins, CPG was an attractive industry to manufacturers and investors because demand was stable. Beverages continued to be CPG growth leaders in 2006. Home care products, snack food products and health-care products were also growth categories.

The CPG industry in India had a total market size in 2006 of $13.1 billion (not including soft drinks and tobacco products).[2] Foods (including groceries) comprised 44 per cent of CPG sales. Unlike the North American market, which was dominated by a few global players, the Indian CPG market was fragmented, with over half the sales accounted for by mom-and-pop outfits making and selling unbranded and unpackaged goods. This presented an opportunity for consolidation through economies of scale for makers of branded products. But building brands was challenging in the Indian context. National coverage was difficult, particularly for new entrants. There were over six million retail outlets in the country – two million urban and four million rural. The supply chain was underdeveloped, and logistics were costly and challenging. Although, overall, CPG transactions accounted for a significant part of the consumer's budget, they were of small individual value, making them unremunerative for marketers.

But what made India attractive was that its CPG market was among the fastest growing in the world. The Indian economy was poised to grow at 9.2 per cent in 2007-2008, after posting a compound average growth rate of 8.6 per cent over the previous three years. The population was young, dynamic and willing to try new products. Almost half of India's one billion people were under the age of 20. Teens among them numbered about 160 million. The Indian CPG market was projected to grow almost threefold by 2015 to $33.4 billion. Growth was expected in the personal care, food, beverages and household care categories. These were categories in which Dabur had strong brands.

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[2] *http://ibef.org/artdispview.aspx?in=13&art_id=15223&cat_id=445&page=2, accessed May 23, 2007.*

DABUR - COMPANY BACKGROUND

Established in 1884 by Dr. S.K. Burman as a trading company, by 2007, Dabur manufactured over 450 products, which it sold in the domestic market through a network of 1.5 million retail outlets, 47 clearing and forwarding (C&F) locations and 5,000 distributors. The company had a consolidated sales turnover of INR 22.6 billion for the year ending March 2007 (see Exhibit 3). Dabur had four business units: consumer care, consumer healthcare, foods business and international business.

Consumer care offered products in hair care, oral care, health supplements, digestives and candies, and baby and skin care products. Consumer healthcare offered both prescription and over-the-counter (OTC) medicines. Foods Business produced fruit juices, cooking pastes, sauces, and bulk items for institutional customers. The international business division manufactured and marketed products for overseas markets.

The company had eight manufacturing plants in India, organized around two main factories and six support factories, catering to consumer care and health care businesses. The foods business was catered to by two separate manufacturing facilities. The company also had production units outside India at Birganj (Nepal), Dhaka (Bangladesh), Dubai (UAE), Cairo (Egypt), and Lagos (Nigeria).

In India, Dabur's product portfolio consisted of categories that were underpenetrated and high-growth. The company's positioning on the health and wellness platform, backed by its differentiated herbal image, ensured that the company was well placed to capture future growth in the Indian CPG market.

Said Duggal:

> Dabur is unique among its CPG peers in India in three ways. First, its products are derivatives of Ayurveda, an indigenous form of medicine. The raw materials are sourced from natural ingredients such as herbs. Second, its products are priced for and targeted at the mass market. Finally, Dabur is one of the few heritage companies in India that has successfully transitioned from being a family-run company to being fully managed by professionals.

DOMESTIC CAPABILITIES

Dabur's major domestic competence was its ability to identify consumer needs, develop localized products and create niches to drive long-term growth. The niches not only provided differentiation but insulated Dabur from competition. Set up originally as a manufacturer of herbal medicines, Dabur had extended the principles of Ayurveda (traditional Indian Medicine) to personal care. In spite of its long heritage, Dabur was a contemporary enterprise where new products or variants contributed between five per cent and seven per cent of sales revenue every year. The Ayurvedic platform, on which Dabur was launching products, was rooted in strong internal research and development (R&D), which, among others, was identifying plants with therapeutic powers and promoting their large-scale farming. The company had built up skills in product engineering and localization. For example, while large players used coconut in hair oils, Dabur used *amla* (gooseberry), which had its roots in traditional medicine.

The company's sales force was focused on channels, not products. Dabur had a sales force dedicated to key grocers, mass grocers, chemists, modern retail outlets and wholesale in towns with a population larger than

500,000.[3] The rural market, which provided 50 per cent of Dabur's sales, had its own dedicated sales team. The company was moving away from one-off discount schemes towards long-term loyalty programs that encouraged channel partners to purchase more throughout the year.[4] Dabur was implementing channel software to capture data on stock levels at stockists and to assess the effectiveness of promotions and design schemes for particular regions and products. Dabur had an independent supply chain for each of its four business segments.

APPROACH TO GLOBALIZATION

It was in 1987, with the setting up of a plant in an export processing zone near New Delhi, in north India, that Dabur began looking beyond Indian shores (see Exhibit 5). The initial momentum came from following its consumers – the Indian Diaspora – to the Persian Gulf region of the Middle East. Indian consumers there were familiar with Dabur as a brand and preferred its traditional products. Over the next 10 years, Dabur exported primarily hair oil to the Gulf markets, but did not yet consider its international business as a focus segment. Sales outside India accounted for less than six per cent of turnover. It was finally in 2003 that the company articulated its vision of becoming "a financially successful and internationally respected corporation by occupying herbal, natural and ayurvedic platforms through successful globalization."'

Dabur floated a Dubai-based subsidiary, DIL, as an umbrella organization to provide focus and structure for its global operations. By 2006, the company had established five manufacturing units overseas. Its products were being exported to more than 50 countries around the world, including the Middle East, Southeast Asia, Africa, the European Union and America. These markets were serviced locally by the company's offices and representatives. The international business contributed 11 per cent of consolidated sales for the period 2005-06. The current goal was to step up international sales to 20 per cent of revenues by 2012, and the company had taken some strategic steps towards that goal.

All international operations had been streamlined under DIL, headed by a CEO, and reporting to Duggal and headquartered in Dubai. DIL had seven subsidiaries: Dabur Nepal Pvt Ltd., Weikfield International (UAE) Ltd.; Asian Consumer Care Ltd.; African Consumer Care Ltd.; Dabur Egypt Ltd.; Dabur (UK) Ltd.; and Asian Consumer Care (Pakistan) Ltd. (see Exhibit 6).

Existing international markets were categorized into "strategic" and "opportunistic" markets in order of priority for allocation of managerial time. The strategic markets were further categorized into "focus markets" and "potential markets" in order of priority for allocation of financial and human resources (see Exhibit 7).

Dabur had already identified 20 focus countries in which to establish manufacturing and marketing facilities. These fell into two broad portfolios. The first comprised Asian markets (Pakistan, Bangladesh, Nepal, Sri Lanka Bangladesh and Malaysia) and developed markets (United States and United Kingdom). Also, part of this first set would be the health-care business in CIS countries, with Russia being the largest. This portfolio was to be supported by the company's export oriented unit in India and by the local manufacturing units in Nepal and Bangladesh. The second portfolio included markets in the member-

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[3] While the 'key' grocer (a relatively large mom-and-pop grocery store) was comfortable with two salesmen each visiting the store twice a week, the 'mass' grocer (smaller grocery stores) managed with one visit per week, and the chemist wanted just one visit every 10 days. Modern retail stores, on the other hand, required greater focus on an efficient supply chain, replenishing products with a minimum time lag.

[4] For example, 9,000 wholesalers accounting for 80 per cent of wholesale sales had signed up for the 'Dabur Kings' program, resulting in 20 per cent sales growth through wholesalers.

countries of Gulf Cooperation Council (GCC), Africa (Egypt, Nigeria, Sudan and Morocco) other Middle-Eastern countries like Iran and Iraq, and the personal care business in CIS countries. This was to be supported by manufacturing facilities in Dubai, Cairo and Lagos.

Said S. Raghunanandan, CEO, DIL:

> The strategic intent in growing the international business is threefold. The first is geographic expansion. We will use the segmentation model to identify the markets for entry and commit financial investments and human resources in geographies designated as focus markets. Second, we will leverage the "natural" platform. DIL will capitalize on the growing global demand for natural products by occupying differentiated competitive niches in the health-care and the personal care segments. And third, we will grow both organically and inorganically. We will acquire assets and drive alliances to build scale globally.

TEMPLATE FOR GLOBALIZATION

To achieve its goal of securing 20 per cent of its revenues from global operations by 2010, Dabur was designing a new template for international expansion. It had the following elements:

- A new market for entry should not be margin-dilutive, even in the short run.
- A new market should be in the landscape between Nigeria and China. Any market beyond that landscape would raise two basic questions: Is it a developed market? Is the cost of doing business high? If the answer was yes, the market would not be pursued.
- Acquisition – of brands, relationships and other assets – would be considered to jump-start growth.
- The technology on offer at the new geography should be compatible with Dabur's technology. There also had to be opportunities for adapting technology to suit local needs.
- The "herbal" platform would remain the basis for new customer acquisition and brand development.
- The overall brand architecture would be limited to four core brands in an overseas market.

A focus country was to be so identified based on some basic considerations. It should have a large consumer population. The economy had to have long-term prospects for GDP growth. The country should already have been playing host to Dabur brands.

Dabur was uncompromising in sticking to the above template. For example, in entering a "developed" market like the United States (normally facing elimination in Round 1 itself), its foray was cautious at each stage. The business had to be margin accretive even if the long-term prospects – in private labels, to cite an instance – justified losses on initial orders. The company also targeted the mainstream population in the host countries only after gaining ground with the local Diaspora. This was particularly true of the Middle East.

Duggal:

> During the initial days of our export sales, we followed our traditional consumers. But the Indian Diaspora, while important, is not our core international market in our current plans. Its presence gives us a comfort level, no doubt, but is no longer mandatory for market entry. I think the Diaspora is finite. There is also a large grey market operating in that segment, importing products directly from our Indian operations, without our approval

through small retailers in foreign markets. Instead of the Diaspora, we are looking at the mainstream population in these countries as our prospect.

Based on the above template, DIL was operating, as of June 2007, a product matrix in its focus markets as shown in Exhibit 8.

GLOBAL CONSUMERS

Dabur had profiled three distinct segments of consumers outside India: Arab consumers, Asian consumers and African consumers. Growth of each segment was driven by core product categories (see Exhibit 9).

GLOBAL COMPETITION

Hair oil: Multi-national corporations (MNCs) were generally absent from the hair oil market, worldwide, because they preferred to stay away from commodity trading and also to focus on the growing grooming segment. Dabur faced competition in hair oils, its flagship category, from three sources: peers in India operating overseas, local players and imports. Local players tended to be me-toos and posed little threat, as did imports. Companies like Marico Ltd., an Indian competitor, were a major source of competition. In that sense, the competitive scenario in hair oils in the overseas market was similar to the home market in India.

Outside of oils, Dabur faced competition in every category in overseas markets, largely from MNCs.

Shampoo: Dabur's equity in the home market stemmed from the therapeutic value of its shampoos, based on traditional Indian ingredients. In an ambience in which customers veered intrinsically towards herbal ingredients, the company was able to hold its own in the Indian shampoo market. But the situation in markets outside India was different. A hair care product was beauty related and cosmetic in its appeal. While this was a barrier for Dabur, it also was an opportunity to build a niche on its unique therapeutic platform.

Toothpaste: MNCs were formidable players in oral care products in overseas markets. Dabur did not have home-grown competencies in the category. It was only when it acquired Balsara Hygiene Products, an Indian CPG company, in 2003 that it gained entry into this category. The integration had been successful, and Dabur was launching Miswak, with toothpaste variants and mouthwash, as a core brand in overseas markets. Miswak was pegged on an herbal platform, which was less crowded.

Soap: Consisting generally of creams, lotions, soaps and whitening products, the skincare category was highly competitive with a multitude of MNC and regional brands. Toilet soaps ruled the soaps segment with about 75 per cent market share. Medicated soaps comprised a growing segment, offering therapeutic value, aimed at treating ailments such as prickly heat and rashes, and were often premium priced. There were MNCs like Reckitt Benckiser (with Dettol) in the medicated soaps segment and also local players, but that segment was less crowded in relation to toilet soaps. Dabur was trying to gain a foothold by building on the therapeutic platform.

Mosquito repellant: This was also a category that Dabur had entered with the acquisition of Balsara. The product had wide appeal in the North African region, which was prone to Malaria. Coils, mats, sprays and vaporizers were the preferred product formats, dominated by MNCs like Reckitt Benckiser and S C

Johnson. Dabur, however, had a cream offering, which was non-existent in Africa with no competition. This product posed an opportunity.

NIGERIA

Nigeria was an example of an international market that had turned the spotlight on the debate about the merits of Dabur's globalization. Investors were concerned that the Nigerian market was not drawing upon competencies, built not only in the domestic setting but even in the existing international markets. Their concerns rested on two grounds: Dabur was going beyond the Indian Diaspora (a customer segment it had understood best) into the mainstream African population (a customer segment it was not familiar with). And it was building a market not on a category it understood best – like personal care – but on those in which it did not have traditional strengths, like oral care and home care.

Said Raghunandan:

> Nigeria is a large market for toothpastes, soaps, glucose and mosquito repellants, which are part of Dabur's product portfolio. But in many ways, Nigeria has the makings of a new business, quite different from both domestic and international businesses of Dabur. All our focus markets are driven by hair care products, particularly hair oil. Nigeria is an exception. Oral care is the business driver for DIL in Nigeria. Toothpaste is not a focus product for Dabur in any international market. Nor does the company have home-grown strengths in that category. Hair care products sold in Nigeria are cosmetic. They do not have therapeutic value, in which Dabur's core competence resides. There is demand for mosquito repellants in Nigeria. But consumers are used to electrical coils, not creams, which are Dabur's forte. Nigeria does not have a large Indian Diaspora, unlike the Asian and Arab markets where Dabur has a presence. All these make Nigeria a different play.

Certain issues were thus unique to Nigeria (see Exhibits 10 and 11). Could Dabur successfully target an herbal niche in oral care and establish a strong market presence in toothpaste? Could the company operate in skin care successfully and extend herbal equity to soap? Could Dabur leverage its strengths in hair care to the cosmetic segment? Would Dabur be able to create a new cream category in Nigeria in mosquito coils?

Exhibit 1

INDIAN CPG – TOP 10 2005-2006

Rank	Company	Net sales (INR million)
1	Hindustan Lever	110,800
2	ITC	97,860
3	Nestle India	24,750
4	Asian Paints	24,410
5	Nirma	19,170
6	Nirma Consumer Care	18,140
7	Britannia Industries	17,130
8	**Dabur India**	**13,430**
9	Johnson & Johnson	13,300
10	Kansai Nerolac Paints	10,610

Source: Business World March 5, 2007- The BW Real 500.

Exhibit 2

DABUR INTERNATIONAL: SHARE OF REVENUES ACROSS REGIONS

Focus region	% of global revenue
GCC countries	32
Egypt	11
Pakistan	9
Bangladesh	6
Nigeria	5
US	5
UK	4
Others	28

Source: Edelweiss Equity Research Report March 2, 2007.

Exhibit 3

DABUR INDIA LTD. – CONSOLIDATED[1] INCOME STATEMENT

Year ending March 31 (in INR million)	2007	2006	2005	2004	2003
Income					
Sales less returns	22,337	18,996	15,369	13,295	13,708
Other income	259	134	92	91	72
Total income	22,596	19,130	15,461	13,386	13,780
Expenditure					
Cost of materials	9,711	8,078	6,594	5,814	5,775
Excise duty	371	337	428	654	735
Manufacturing expenses	743	571	405	347	378
Employee costs	1,666	1,449	1,085	915	1,038
Selling & administrative expenses	6,349	5,652	4,769	3,973	4,205
Financial expenses	154	164	124	153	261
Miscellaneous expenditure written	65	43	15	39	29
off	342	269	280	248	292
Depreciation	19,401	16,563	13,700	12,143	12,713
Total Expenditure					
	3,195	2,567	1,761	1,241	1,067
Profit Before Tax	2,822	2,266	1,570		
Profit After Tax					
Sales break-up					
Domestic	19,419	16,835	13,557	11,946	12,544
International	2,918	2,161	1,812	1,349	1,164
Total	22,337	18,996	15,369	13,295	13,708
Margin break-up					
Domestic	2,575	2,080	1,485		
International	247	186	85		
Total	2,822	2,266	1,570		

Source: Company files.

[1] *Includes group companies and subsidiaries*

Exhibit 4

DABUR – SEGMENT WISE MARKET SIZE, MARKET SHARES AND SALES TURNOVER (DOMESTIC)[1]

#	Business Unit	Category	Brands	Market Size (INR million)	Market Shares		Dabur's Sales Turnover (INR million)	
					Dabur	Major Competitors	2007	2006
1	Consumer Care	Hair Care	*Hair Oil*: 1. Amla 2. Amla Lite 3. Anmol Sarson Amla 4. Vatika	30,178	17.5	Marico – 32.8 Emani – 6.0 Bajaj – 5.7	3,740.94	3,307.97
			Shampoo: 1.Vatika Anti-Dandruff Shampoo 2. Vatika Henna Conditioning Shampoo 3. Anmol Natural Shine Shampoo 4. Anmol Silky Black Shampoo	20,221	5.0	HLL – 48.0 P&G – 24.3 Cavincare – 12.5	804.44	613.73
		Oral Care	1. Dabur Lal Dant Manjan 2. Dabur Red Toothpaste 3. Dabur Red Gel 4. Babool Toothpaste 5. Meswak Toothpaste 6. Promise Toothpaste 7. Binaca Tooth-brush	38,318	10.9	Colgate – 45.0 HLL – 23.2	3,143.07	2,690.80
		Health Supplements	1. Dabur Chyawanprash 2. Dabur Chyawanshakti 3. Dabur Honey 4. Dabur Glucose	4,447	38.0[2]	Heinz – 31.0 Baidyanath – 5.6 Emami – 4.2	3,047.30	2,550.48
		Digestives & Confectionery	1. Dabur Hajmola tablets 2. Hajmola Candy 3. Hajmola Candy Fun 4. Hajmola Yumstick 5. Hajmola Mast 6. Masala 7. Anardana 8. Dabur Hingoli 9. Pudin Hara Pearls 10. Pudin Hara Liquid 11. Pudin Hara G	11,697	16.0	Alpenliebe – 12.0 Digene – 7.2.	1,300.00	1,225.50
		Skin Care & Baby Care	1. Dabur Lal Tail 2. Dabur Baby Olive Oil 3. Dabur Janma Ghunti 4. Gulabari 5. Vatika Fairness Face Pack 6. Vatika Honey 7. Saffron Soap	6,557	6.0	Woodwords - 28.0 Johnson – 9.5	1,000.02	1,005.90

[1] *Based on AC Nielsen and company estimates*
[2] *Excluding honey category*

Exhibit 4 (continued)

		Home Care[1]	1.Odonil – Air Freshners 2.Odomos: Mosquito Repellants - (Personal Appln. Products) 3. Odomos : Mosquito Repellants-Coils 4. Sanifresh – Toilet Cleaners 5. Odopic – Dishwash	650 390 8,070 1,500 6,500	73.0 87.0 1.6 10.0 2.0	Premium-20.0 Goodknight-8.0 Goodknight- 20.5 Mortein-39.9 Maxo-19.5 Harpic-78 Domex-5.1 Vim- 56.0 Sabena-10.0 Nirma-8.0	974.63	721.40
	Sub-total						**14,010.40**	**12,115.78**
2	Consumer Healthcare	Ethical[2]	The business has 280 brands catering to therapeutic areas and categorized as part of 'lifestyle' drugs. Generic – Classicals & Asavas	6,000		Baidyanath-22.0 Zandu-5.0	642.43	576.02
		OTC[3]	Women's Health Cough & Cold Gastro Intestinal Rejuvenator Medicated Oil Aches Pain & Fever Memory Tonic Lifestyle Ailments Dermatological	1,350 5,500 3,500 2,000 6,000 2,000 150 500 2,750		Baidyanath Benadryl, Vicks Baidyanath Baidyanath Himani, Baidyanath Glaxo Smithkline Baidyanath, Unjha Baidyanath Paras	865.20	818.98
Sub-total							**1,507.63**	**1,395.00**
3	Foods	Fruit juice	**1**. Real **2**. Activ **3**. Coolers **4**. Real Activ	2,300	55.0	Tropicana-35.0 Others-10.0	2,274.92	1,735.92
Total Domestic							**17,792.95**	**15,246.70**
4	Others						109.00	158.50
5	International						2,918.11	2,256.30
Grand Total[4]							**20,820.06**	**17,661.50**

Source: Company files.

[1] *AC Nielsen data not available*
[2] *Data as per Dabur's estimates*
[3] *Market shares data not available*
[4] *Excluding turnover of group companies*

Exhibit 5

APPROACH TO GLOBALIZATION

1987: Set up a unit in an Export Processing Zone in north India to cater to export markets.
1990: Opened warehousing operations in London to service European markets.
1991: Set up Dabur Overseas Ltd. in Cayman Islands to facilitate overseas investment needs.
1993: Made an initial public officer (IPO) of INR 541.5 million to finance expansion and modernization of manufacturing facilities and development of new facilities.
1993: Enlisted AF Ferguson for advice on restructuring. Based on its recommendations, regrouped into seven profit centers. Brought in professionals to head units and functions.
1997: Hired McKinsey & Company for advice on strengthening competitive position.
1998: Burman family steps aside to hand over management to a professional CEO
1999: Implemented a restructuring template prepared by McKinsey. Withdrew from low margin businesses like merchant exports, veterinary drugs and herbal intermediates.
2002: Commissioned Accenture to review sales and distribution system. Demerged, as per its recommendations, the Pharmaceutical business to get a renewed focus on CPG business.
2003: Relooked at strategy with a global perspective. Decided to leverage herbal platform in entering new markets. Created Dabur International Limited, based at Dubai, as an umbrella organization to provide focus and structure for global operations.
2006: By end-2006, Dabur had established five manufacturing units overseas. International business contributed 11 per cent of sales for the period 2005-06. The new goal: International business should contribute 20 per cent to the revenues by 2012.

Source: Company files.

Exhibit 6

DABUR INTERNATIONAL SUBSIDIARIES

Particulars	**Dabur Nepal Pvt Ltd**		**Weikfield Intl. (UAE) Ltd**		**Asian Consumer Care Ltd**		**African Consumer Care Ltd**		**Dabur Egypt Ltd**		**Dabur UK Ltd**		**Asian Consumer Care (Pak) Ltd**	
Country	Nepal		Dubai		Bangladesh		Nigeria		Egypt		UK		Pakistan	
Currency	Nepalese Rupee		UAE Dirham		Taka		Nigerian Nira		Egyptian Pound		British Pound		Pakistani Rupee	
Financials														
(in INR million)	**2007**	**2006**	**2007**	**2006**	**2007**	**2006**	**2007**	**2006**	**2007**	**2006**	**2007**	**2006**	**2007**	**2006**
Capital	49.91	49.91	18.94	19.44	9.73	9.59	15.42	15.91	22.85	23.46	21.72	NA	6.74	NA
Reserves	646.33	598.08	27.87	42.47	(16.16)	(9.33)	(30.42)	(13.69)	36.05	3.02	(1.3)		24.74	
Sales	2198.8	1948.1	387.94	334.14	135.68	144.33	91.0	80.20	206.9	132.50			197.2	
Profit Pre-tax	67.89	60.40	(12.39)	(3.18)	(9.77)	(5.6)	(16.19)	(10.54)	32.2	8.59	(0.65)		32.5	
Profit Post-tax	53.29	49.84	(12.39)	(3.18)	(9.77)	(6.18)	(16.19)	(10.54)	32.2	8.59	(0.65)		24.8	

Source: Company files.

Exhibit 7

DABUR INTERNATIONAL – MARKET SEGMENTS

	STRATEGIC MARKETS		OPPORTUNISTIC MARKETS
	FOCUS MARKETS	**POTENTIAL MARKETS**	
Geographies	GCC- Egypt - Nigeria Bangladesh - Pakistan and Nepal	Morocco - Sudan - Libya Iraq - Yemen -Kenya Syria - Jordan – Malaysia	Canada - Afghanistan-Mauritius – Thailand
	U.S.A. (for health-care products and private labels only)	U.K. (for health-care products and private labels only)	Any other market as and when available
Attributes	* Ability to mobilize INR 500 million in sales by 2009-10 * To be designated as a profit center with its own sales and distribution and, where local laws permit, its own manufacturing * Provision for localization of products from India * Dabur International will allocate financial resources and dedicated teams * Focus markets would be *'Implementation intensive'*	* Should have the potential to be upgraded into a focus market in three years * Dabur International will not immediately invest financial resources in potential markets * Products will not be localized till the market is upgraded to Focus * Potential Markets would be *'Mind Share Intensive'*	* Minimum resources would be deployed * Top management team at Dabur International will not spend time on these markets * Need to be margins-positive
Mandate	Invest and Grow	Monitor for upgrade	Accept orders selectively
Growth in 2006 %	34	12	50
Revenue share target (%)	80	15	5

Source: Company files.

Exhibit 8

PRODUCT MATRIX IN (A FEW) FOCUS MARKETS

Product	Country					
	GCC	Egypt	Nigeria	Bangladesh	Pakistan	U.S.A.
Hair oil	Focus product	Focus product		Focus product	Focus product	
Hair cream	Focus product	Focus product				
Shampoo	Support product	Support product				
Ayurvedic						Focus product
Digestives				Support product	Focus product	
Soap			Focus product			
Toothpaste	Support product	Support product	Focus product	Support product	Support product	
Insect repellant		Support product	Focus product	Support product	Support product	
Toilet cleaners				Focus product	Focus product	

Source: Company files.

Exhibit 9

DABUR INTERNATIONAL – CONSUMER SEGMENTS

	Arab consumer	Asian consumer	African consumer
Footprints	Middle East & North Africa	South Asia, United Kingdom and United States	East, West and South Africa
Target customer	Arab female	Asian male	African male & female
Core categories	Hair Oils Hair Creams Shampoos Oral care	Hair Oils Shampoos Digestives Oral care	Oral Care Personal Wash Home Care (Insect repellent)
Core market	Dubai	India	Nigeria
Market size (in INR million)	1,340	1,500	320
Supply markets and market sizes (in INR million)	GCC – 760 North Africa – 460 Iran, Iraq – 60 – 60	Pakistan – 440 Nepal – 640 Bangladesh – 200 UAE – 210	Central Africa – 10 East Africa – 60 South Africa – 10 West Africa – 240
Key market attributes	• 80 per cent of the population is Arabic • High purchasing power	• Replicating Indian brand architecture and product portfolio • Leveraging learning from Indian marketing mix and media strategy	• High oral care penetration • English speaking • Medium competitive intensity

Source: Company files.

Exhibit 10

NIGERIA – COUNTRY RISK PROFILE

NIGERIA			
Population	130 million – 60 per cent below poverty line		
GDP per capita	US$450 per annum		
Risk assessment	**Probability of risk**	**Impact of risk**	**Overall risk (Probability + Impact)**
Market risk	Low	High	Medium
Supplier risk	Low	Medium	Low
Competitor risk	High	High	High
Implementation risk	High	High	High
Political & Economic	High	High	High
Regulatory	Low	Medium	Low
Financial	Medium	High	Medium

Source: Company files

Exhibit 11

NIGERIA – BUSINESS RISK PROFILE

	Oral Care	Skin Care	Hair Care	Health Care	Home Care
Market size (INR million)	Rural: 2,000 Urban: 3,000	6,000	NA	350	NA
Products	Toothpaste	Soap	Relaxers Hair pomade	Glucose	Mosquito repellant cream
Comp.intensity	Low-Medium	Low-Medium	Low-Medium	Low	Low
Strategic intent	To become the second largest player	To become the third largest player in soaps	To create a market for hair oils	To become a strong player in glucose market	To replicate the Indian product portfolio
Imperatives	• Become a leader in herbal niche • Launch herbal gel	Launch a herbal soap with localized ingredients		Launch Dabur Glucose	• Leverage India competency • Launch Odomos cream
Strategic issues	• Unilever and P&G strong • Herbal niche not crowded	• Soap market fragmented • Unilever and P&G strong • Small players and imports have > 50% market share • Soap is not a core category for Dabur	• Hair care is beauty related and cosmetic • Dabur has therapeutic and not cosmetic equity	A one player play	• Coil is the predominant product form. • No market for cream
Challenge	Can Dabur successfully target herbal niche and establish a strong market presence?	Can Dabur operate in soap successfully? Can it extend herbal equity to soap?	Can Dabur leverage its strengths?	Can Dabur become No. 2 player?	Should Dabur create a new cream category in Nigeria?

Source: Company files.