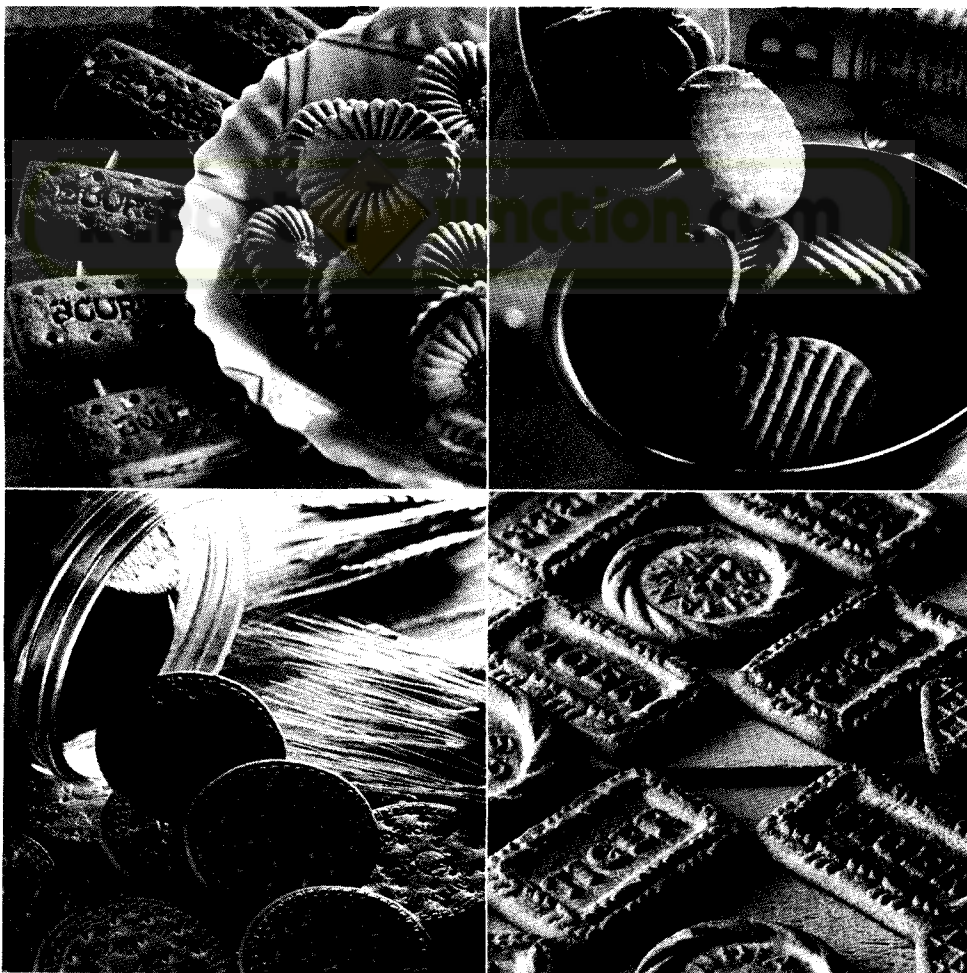




## Annual Report 2003-04





## Board of Directors

### Chairman:

Nusli N Wadia

### Directors:

Avijit Deb

Anil K Hirjee

Simon Israel

Nimesh N Kampani

S S Kelkar

Pratap Khanna

Field Marshal Sam Manekshaw, M.C

John Miller

Francois-Xavier Roger

Chief Operating Officer: Nikhil Sen

Chief Financial Officer: N. Shridhar

Acting Company Secretary: J. Rajagopalan

Auditors: Lovelock & Lewes

Bankers: State Bank of India

Citibank N.A.

Standard Chartered Bank

The Hongkong & Shanghai Banking Corporation

Bank of America

HDFC Bank

ICICI Bank

Registered Office: 5/1A, Hungerford Street, Kolkata 700 017



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## FINANCIAL HIGHLIGHTS

Rs. million	2004	2003	% Change
Sales	14,705	13,491	9%
Operating profit	1,478	1,211	22%
Shareholders' funds	4,310	3,912	10%
Capital expenditure	118	152	-22%
Before exceptional items			
– Profit before tax	1,963	1,429	37%
– Profit after tax	1,265	929	36%
– Cash flow generation	1,489	1,191	25%
After exceptional items			
– Profit before tax	1,844	1,473	25%
– Profit after tax	1,188	991	20%
– Cash flow generation	1,412	1,253	12%
Per equity share (Rs.)			
Earnings	42.43	38.56	10%
Dividend	11.00	10.00	10%
Dividend + Tax	12.41	11.28	10%



# REPORT OF THE DIRECTORS

The Directors present their Annual Report together with the Audited Statement of Accounts for the year ended 31st March, 2004.

## 1. FINANCIAL RESULTS

Particulars	Rs. Million	
	Year ended 31 Mar. '04	Year ended 31 Mar. '03
Corporate Sales	<b>14,705</b>	13,491
Operating Profit before depreciation and amortisation	<b>1,702</b>	1,472
Less : Depreciation & amortisation	<b>224</b>	261
Operating profit	<b>1,478</b>	1,211
Add : Other income (net of interest)	<b>485</b>	218
Profit before tax and exceptional items	<b>1,963</b>	1,429
Exceptional items		
Less : Proportionate VRS costs	<b>97</b>	79
Less : Loss on retiral of assets	<b>3</b>	29
Less : Provision for Diminution in value of investments	<b>78</b>	–
Less : Irrecoverable Advance written off	<b>185</b>	–
Add : Reversal of previous years' liabilities	<b>64</b>	32
Add : Profit on sale of properties	<b>59</b>	120
Add : Refund of excess contribution to pension funds	<b>121</b>	–
Profit before tax	<b>1,844</b>	1,473
Less : Provision for taxation	<b>656</b>	482
Net profit	<b>1,188</b>	991
Add : Transfer from Debenture Redemption Reserve	<b>30</b>	2
Add : Profit brought forward	<b>500</b>	500
Profit available for appropriation	<b>1,718</b>	1,493
Less : Transfer to Debenture Redemption Reserve	<b>–</b>	18
Less : Dividend on equity shares	<b>272</b>	251
Less : Tax on dividend	<b>35</b>	32
Less : Transfer to General Reserve	<b>911</b>	692
Profit carried forward	<b>500</b>	500

## 2. CORPORATE PERFORMANCE

Your Company posted a net sales growth of 9%. Profit before tax and exceptional items at Rs. 1963 mn improved by 37% and Operating Profit at Rs. 1478 mn increased by 22%.

The major exceptional items during the year were:

- Provision for diminution of value in investment Rs.78 mn
- Write off of certain advances amounting to Rs. 185 mn to associate companies which are our contract packers.
- Refund of excess amounts from the pension funds Rs.121 mn

After considering all the exceptional items, Profit before tax and Net Profit works out to Rs. 1844 mn and Rs. 1188 mn respectively.

Earnings per share have increased from Rs. 38.56 to Rs.42.43.

## 3. DIVIDEND

The Board of Directors are pleased to recommend a dividend of 110% on the paid up equity share capital of the Company, which works out to Rs. 11/- per share, for consideration and approval of the shareholders at the Annual General Meeting. The total payout of proposed dividend is Rs. 307 mn which includes the corporate dividend tax of Rs. 35 mn.

## 4. BUSINESS OUTLOOK

The Indian economy has shown encouraging trends in recent months. GDP growth rates have been good, as also the trend on foreign exchange reserves. The services sector has also shown strong growth.

On the basis of a good monsoon this year, it is expected that this trend would continue – leading specifically to increased rural demand. This should have a positive impact on sales of both FMCG products and consumer durables.

Inflationary trends in commodity prices along with increase in fuel costs continue to be an area of concern. The FMCG sector would be challenged to come up with innovative ways to redefine their marketing mix on mass based products that are highly price sensitive to counter these increased costs.

Your Company will need to aggressively push all cost management and productivity initiatives going forward to stay competitive in the market place.



**5. FINANCE**

- A) During the year, 792,226 equity shares of Rs. 10/- each have been bought back and extinguished under an approved scheme of buy-back, at an average price of Rs. 536.23 per share resulting in a total outflow of Rs. 424.8 mn. The number of paid up equity shares now stands reduced from 25,904,276 to 25,112,050 equity shares.
- B) Based on the approval given at the last Annual General Meeting, the Company has commenced the buyback of shares on 17th June'04. The buyback will be completed on or before 7th August, 2004.

**6. RESEARCH AND DEVELOPMENT**

Your Company recognises the vital role that is played by R&D in the future development of Business.

New product launches during the year include Goodday Choconut, Timepass Nimkee and Double Treat. This coupled with product renovation on products like MarieGold and Goodday Coconut continues to enhance consumer value.

Apart from these initiatives, there is a clear thrust on various other important activities like import substitution of ingredients and process and packaging optimisation to ensure cost reductions for retaining our competitive edge in the market.

**7. CAPACITY EXPANSION**

Your Company is in the process of setting up a Greenfield project in the state of Uttaranchal to augment its capacity at an estimated project cost of Rs. 552 mn. This coupled with the restructuring of Mumbai factory operations, is part of the overall industrial strategy to ensure that we are able to satisfy the growing consumer demand by ensuring product availability at an affordable price by realigning manufacturing and distribution costs.

**8. QUALITY INITIATIVES**

Product quality and consistency remains the basic foundation of our business. We ensure that we meet our consumer's expectations in terms of high quality standards that the brand "Britannia" stands for.

This is further supplemented by world class quality and food safety assurance systems like ISO 9001-2000 and HACCP in our factories. These are certified by an internationally accredited agency.

**9. INFORMATION TECHNOLOGY**

During 2003-04, your Company extended the implementation of the Enterprise Resource Planning (ERP) package in its depots. With this, the ERP implementation is complete across the Company. This will now enable the Company to leverage technology to optimise and enhance the process and control environment and thus realise benefits over a period of time.

**10. ENVIRONMENT AND SAFETY**

We as a Company are committed to sound environmental health and safety management across all aspects of the business.

There is a continuous thrust on conservation of energy, reduction in waste and reduction in the usage of water across our manufacturing centres.

Constant analysis and evaluation of new technologies help us in these areas. Some of the areas where we have had success in energy conservation are:

- Improvement in the efficiency of combustion in baking ovens
- Usage of waste heat in the ovens
- Design of fuel efficient ovens

We also measure, monitor and record environmental performance to demonstrate our commitment to regulatory compliance.

This is further supplemented by a world class environment management system ISO 14001 and is also certified by an internationally accredited agency.

**11. ENERGY, TECHNOLOGY AND FOREIGN EXCHANGE**

Details of Energy conservation, technology absorption and foreign earnings and outgo in accordance with the provisions of Sec 217(1) (e) of the Companies Act, 1956, read with the Companies (Disclosure of the Particulars in the report of Board of Directors) rules, 1988, are given as an annexure to the Director's report.

**12. CORPORATE GOVERNANCE**

Your Company has complied with all mandatory provisions of corporate governance as prescribed under the listing agreements of the stock exchanges with which the Company is listed.



A separate report on corporate governance along with the Auditor's statement on its compliance is attached to this Report.

### 13. DIRECTORS

Mr. Simon Israel, Mr. Avijit Deb and Mr. Nimesh N Kampani retire by rotation at the forthcoming Annual General Meeting and are eligible for reappointment.

### 14. PARTICULARS OF EMPLOYEES

Information in accordance with sub-section (2A) of Section 217 of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, and forming part of the Directors' Report for the year ended 31st March, 2004 is also given in the annexure to this Report.

### 15. AUDITORS

Messrs Lovelock & Lewes who are willing to continue in office are recommended for reappointment as the Company's Auditors by way of special resolution under Section 224A of the Companies Act, 1956.

### 16. DIRECTORS' RESPONSIBILITY

Pursuant to Section 217(2AA) of the Companies Act, 1956, your Directors, based on the representations from the Operating Management, confirm that:

- i) In the preparation of the annual accounts, the applicable accounting standards have been followed and that there are no material departures;

- ii) They have, in selection of the accounting policies consulted the statutory auditors and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for that period;

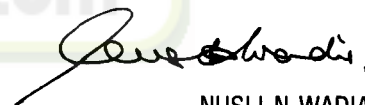
- iii) They have taken proper and sufficient care to the best of their knowledge and ability for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

- iv) They have prepared the annual accounts on a going concern basis.

### 17. ACKNOWLEDGEMENTS

The Directors would like to thank employees, shareholders, customers, dealers, suppliers, bankers and all other business associates for the continuous support given by them to the Company and its management.

On behalf of the Board



NUSLI N WADIA  
CHAIRMAN

28th June, 2004



# ANNEXURE TO THE REPORT OF THE DIRECTORS

Information under Section 217 (1) (e) of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988.

## A. CONSERVATION OF ENERGY

### (a) Energy Conservation Measures taken :

- i) Utilisation of cost efficient alternative fuels for baking.
- ii) Utilisation of waste heat in baking ovens.
- iii) Usage of high pressure fuel efficient burners to improve fuel economy.
- iv) Designing baking ovens with higher baking surface area to optimise fuel economy.
- v) Improving on oven through-put per hour and per unit of baking surface area post internal/international benchmarking.

### (b) Steps being taken to reduce energy consumption:

- i) Modification of ovens to improve specific fuel consumption.
- ii) Extension of waste heat recovery and recycling system in a phased manner in the baking ovens.
- iii) Usage of natural gas and other liquid alternate cheaper fuels replacing LDO wherever possible.

### (c) Impact of measures taken (a) & (b) above :

- i) Total electrical energy consumption has come down by 9.16% although the total production has reduced by 3.79% as compared to last year. Consumption of electrical units per tonne as a result has reduced by 5.6%.
- ii) Electrical units produced by own generation has come down by 19.5% as compared to last year and cost per unit of own generation has come down by 0.4%. The specific fuel consumption for own generation has improved by 1.27%.

## POWER AND FUEL CONSUMPTION

For the year ended	31st March, 2004	31st March, 2003
--------------------	------------------	------------------

### 1. Electricity

<b>a) Purchased (gwh)</b>	13.87	15.07
Total amount (Rs. mn)	66.76	70.70
Rate/unit (Rs./kwh)	4.81	4.69
(1gwh = 1000000 kwh)		

### b) Own Generation

<b>i) Through Diesel Generator (gwh)</b>	1.40	1.74
Unit per litre of Diesel oil (kwh/litre)	3.19	3.15
Cost/unit (Rs./kwh)	5.21	5.23
(1gwh = 1000000 kwh)		

### ii) Furnace Oil

Quantity (kl)	Nil	Nil
Total Cost (Rs. mn)	Nil	Nil
Average Rate (Rs./kl)	Nil	Nil

### iii) Other Internal Generation

Quantity (Billion btu)	185.81	194.53
Total Cost (Rs. mn)	85.49	76.93
Rate/unit (Rs./therm)	46.01	39.55

## Consumption per Unit of Production

### 1. Bakery Products

Electricity (kwh/mt)*	228.35	241.80
Furnace Oil (Therms/mt)*	Nil	Nil
Baking Fuel (Therms/mt)*	27.78	27.99

\* Of Equivalent Production

## B. TECHNOLOGY ABSORPTION

Details of efforts made in technology absorption are given below.

### Research and Development (R & D)

#### 1. Core areas of Research by the Company.

- i) Development of new products which are tasty and nutritious as well.



- ii) Optimisation of process technology and formulations for minimisation of cost and to meet the pricing requirements of the consumer.
  - iii) Achieving wastage reduction, quality consistency and cost reduction through improved process technology.
  - iv) Development of innovative products through constant search for new ingredients, equipments and process technology.
  - v) Standardisation of processes and procedures to meet product consistency.
  - vi) Improvement of product shelf life, safety, convenience and consumer appeal through improved packaging.
2. Benefits derived as a result of above R & D initiatives:
- i) New products developed :
    - GoodDay Choconut
    - Little Hearts Choco
    - Little Hearts Sesame
    - Little Hearts Orange
    - Time Pass Nimkee
    - Double treat - Butter & Honey
    - Double treat - Pineapple & Coconut
    - Renovation of Marie Gold, Jacob's Thin, Goodday Coconut and Milk Bikis.
  - ii) Evaluation/trials/implementation of alternate fats/oils and other ingredients for cost competitiveness.
  - iii) Evaluation/trials of alternative sweeteners for development of Sugar free products for calorie conscious people.
  - iv) Substitution of imported raw materials by alternate sourcing for cost reduction.
  - v) Quality improvement, better Food Quality assurance and creation of a cleaner working environment in the factories.
3. Future plan of action :
- i) Development of value added and more nutritious product ideas in line with consumer expectations.
  - ii) Continuous innovation in process technology and packaging to reduce cost.
  - iii) Improved technology of fats/oils and other ingredients for developing products with better nutrition, taste and cost competitiveness.
  - iv) Constantly endeavour towards development of more environment friendly process technology.

- v) Pursuing development of functional foods.

#### 4. Expenditure on R&D

	31st March, 2004 Rs. m
Capital	3.4
Recurring	15.9
Total	19.3
Total R&D Expenditure as a percentage of turnover	0.13%

#### Technology absorption, adaptation and innovation

##### A. Efforts, in brief, made towards technology absorption, adaptation and innovation.

- i) Adaptation of latest research findings, tools and high-end instrumentation to develop better process technology and products.
- ii) Interactions with research Institutes of National and International repute to update the technology.
- iii) Upgradation of process technology and equipment for improvement in quality and efficiency of operations.

##### B. Benefits derived as a result of the above effort :

- i) Introduction of new innovative products.
- ii) Major cost reduction initiatives resulting in reduction of material costs.
- iii) Improvement in process output yields across various product lines.
- iv) Optimisation and reduction in energy consumption.
- v) Development of improved packaging materials.

#### C. FOREIGN EXCHANGE EARNINGS AND OUTGO

##### Activities relating to exports :

- i) The Company is actively pursuing development of new export markets for its core products.
- ii) Total foreign exchange used and earned :

	31st March, 2004 Rs. m
Foreign Exchange Used	214.1
Foreign Exchange Earned	54.5



## STATEMENT OF PARTICULARS OF EMPLOYEES FORMING PART OF THE DIRECTORS' REPORT

SL. NO.	NAME	AGE	DESIGNATION/ NATURE OF DUTIES	REMUNERATION RECEIVED/ RECEIVABLE RUPEES	NET TAKE HOME PAY AFTER TAX & P.F. DEDUCTIONS RUPEES	QUALIFICATIONS	EXPERIENCE	DATE OF EMPLOYMENT	PREVIOUS EMPLOYMENT HELD
1	2	3	4	5	6	7	8	9	10
<b>A. EMPLOYED THROUGHOUT THE YEAR UNDER REVIEW AND WERE IN RECEIPT OF REMUNERATION AGGREGATING NOT LESS THAN Rs. 2,400,000/- PER ANNUM</b>									
1	AURORA G S	55	GM- BAKERY OPERATIONS	2,984,426	1,786,109	B.E. (Mech), DSQC & OR	33	15-Sep-78	CHIEF EXECUTIVE- QUALITY MALHOTRA INTERNATIONAL LTD.
2	BANERJEE G	50	GM-MATERIALS	2,620,650	1,580,605	B.E. (Mech), M.Tech (IE&OR),	27	2-Aug-82	MANAGER-RAW MATERIALS DUNLOP INDIA LTD.
3	CHAKRABORTY S K	47	GM-BAKERY OPERATIONS	3,000,022	1,866,828	B.Sc. (Hons) M.Sc (FOOD Tec)	24	12-Nov-87	QUALITY ASSURANCE EXEC. GL INDIA LTD.
4	GUPTA A K	49	GM-ACCOUNTS & PLANNING	3,065,866	1,854,203	B.Com., ACA	25	29-Dec-86	MALHOTRA DISTRIBUTORS (P) LTD. CHIEF ACCOUNTANT
5	HARIKRISHNA B	46	GM - HUMAN RESOURCES	3,214,730	2,008,254	B.Com., PGDIR	24	5-Nov-99	GM - HUMAN RESOURCES - FORD INDIA LTD.
6	KAUL V	47	HEAD - TECHNICAL	4,053,163	2,487,704	B.Tech. (Chem.)	25	16-Jul-79	-
7	RAJAGOPALAN J	52	GM- TREASURY & TAXATION	2,899,905	1,782,019	FCA, FICWA, FCS	28	1-Sep-77	ACCOUNTANT COST ENFIELD INDIA LTD.
8	SEN N	45	CHIEF OPERATING OFFICER	6,532,533	3,693,743	B.A. (Hons.), DBA	25	1-Jul-80	RESEARCH EXECUTIVE- MARKETING RESEARCH AND ADVISORY SERVICES
9	SHYAM SUNDER P	53	GM - ISD & LOGISTICS	2,929,196	1,754,351	B.Tech. PG DIE, FIIFE	30	26-Apr-91	RESIDENT INTERNAL AUDITOR - TELCO
10	TIWARI V	46	GM- BAKERY OPERATIONS	2,934,249	1,773,400	B.Tech. (Mech.), DBM	25	2-Jul-79	-
11	WAKHLE RAJIV	45	GM-BAKERY OPERATIONS	2,892,792	1,761,737	B.E. (Mech.)	23	4-Jun-01	TIFFANY FOODS LTD. UAE
<b>B. EMPLOYED FOR PART OF THE YEAR UNDER REVIEW AND WERE IN RECEIPT OF REMUNERATION AGGREGATING NOT LESS THAN Rs. 200,000/- PER MONTH.</b>									
1	ALAGH S K	57	MANAGING DIRECTOR PRESIDENT & CEO	4,249,376	708,290	B.A. (Hons), PGDBM (IIM,KOL.)	35	20-Dec-74	PRODUCT MANAGER-MKTG SERVICES JAGATJIT INDUSTRIES LTD.
2	AMALENDU DATTA GUPTA	58	HEAD- INTERNAL AUDIT	236,498	133,992	M.Com., FCA	36	15-Jun-94	REGIONAL MANAGER - FINANCE RALLIS INDIA LTD.
3	MANE S M	47	GM - SALES & MARKETING - BAKERY	3,155,722	1,916,147	B.Sc., M.B.A	24	1-Dec-87	BRAND MANAGER- VOLTAS LTD.
4	MANNATH R	48	COMPANY SECRETARY	2,416,069	1,525,481	B.Com., ACS, ACA	24	1-Jun-94	CO. SECY. & GM FINANCE- GORDON WOODROFFE LTD.
5	SARKAR G	50	GM - ACCOUNTS PLANNING & CONTROL	240,080	75,666	B.Com. (Hons.), ACMA (London)	26	4-Mar-87	MANAGER CENTRAL ACCOUNTS INDIAN OXYGEN LTD

REMUNERATION RECEIVED/RECEIVABLE RELATES TO THE YEAR ENDED 31ST MARCH, 2004 AND HAS BEEN CALCULATED IN COMPLIANCE WITH THE RELEVANT PROVISIONS UNDER THE COMPANIES ACT, 1956. ALL APPOINTMENTS ARE/WERE CONTRACTUAL. OTHER TERMS AND CONDITIONS ARE AS PER COMPANY RULE. NO EMPLOYEE IS A RELATIVE OF ANY DIRECTOR OF THE COMPANY.

