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FINANCIAL HIGHLIGHTS

Rs. mn	2004-05	2003-04	% Change
Sales	16,154	14,705	10%
Operating profit	1,649	1,478	12%
Shareholders' funds	4,435	4,310	3%
Capital expenditure	432	118	266%
Before exceptional items			
– Profit before tax	2,420	1,963	23%
– Profit after tax	1,624	1,265	28%
– Cash flow generation	1,814	1,489	22%
After exceptional items			
– Profit before tax	2,203	1,844	19%
– Profit after tax	1,488	1,188	25%
– Cash flow generation	1,678	1,412	19%
Per equity share (Rs.)			
Earnings	60.59	44.16	37%
Dividend	14.00	11.00	27%
Dividend + Tax	15.96	12.23	30%

The Directors present their Annual Report together with the Audited Statement of Accounts for the year ended 31st March, 2005.

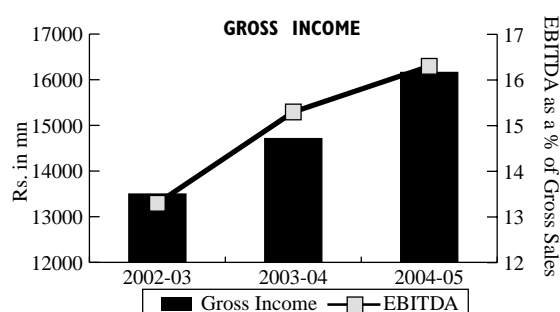
1. FINANCIAL RESULTS

	Rs. mn	
Particulars	Year ended 31 Mar. '05	Year ended 31 Mar. '04
Corporate Sales	16,154	14,705
Operating Profit before depreciation and amortisation	1,839	1,702
Less : Depreciation & amortisation	(190)	(224)
Operating profit	1,649	1,478
Add : Other income (net of interest)	771	485
Profit before tax and exceptional items	2,420	1,963
Exceptional items		
Less : Proportionate VRS costs	(134)	(97)
Less : Provision for Diminution in value of investments	(325)	(78)
Less : Claims for Corporate Guarantee	(115)	—
Add : Profit on sale of brand	324	—
Add : Provisions no longer required - written back	35	64
Less : Loss on retiral of assets	(1)	(3)
Less : (Loss)/Profit on sale of properties	(1)	59
Less : Irrecoverable advance written off	—	(185)
Add : Refund of excess contribution to pension funds	—	121
Profit before tax	2,203	1,844
Less : Provision for taxation	715	656
Net profit	1,488	1,188
Add : Transfer from Debenture Redemption Reserve	—	30
Add : Profit brought forward	500	500
Add : Reversal of proposed dividend of previous year	10	—
Profit available for appropriation	1,998	1,718
Less : Dividend on equity shares	334	272
Less : Tax on dividend	47	35
Less : Transfer to General Reserve	1,117	911
Profit carried forward	500	500

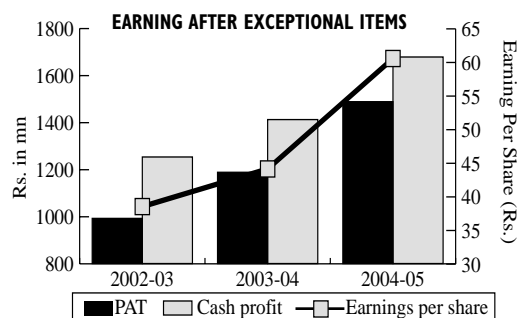
2. COMPANY PERFORMANCE

Your Company posted a net sales growth of 10%. Profit before tax and exceptional items at Rs. 2,420 mn improved by 23% and Operating Profit at Rs. 1,649 mn increased by 12%.

Despite significant increases in input cost and stagnant or declining consumer prices, business efficiency has improved as a result of the focused initiatives of the Company on supply chain efficiencies and overall cost management. Consequently, operating margin improved from 10.0% to 10.2% in an environment where margins for packaged consumer goods were under pressure.



Gross revenues increased by 10% over last year. Additionally, your Company's focus this year was on improving organisational effectiveness, increasing distribution efficiencies and controlling costs. Your Company has achieved a satisfactory EBITDA / Gross Sales ratio of 16.3% compared with 15.3% in 2003-04 and performed better than most of the comparable companies in the industry.



The major exceptional items during the year were:

- Provision for diminution of value in investment Rs. 325 mn
- Provision for claims on account of corporate guarantee Rs. 115 mn
- Profit on sale of brand Rs. 324 mn

After considering all the exceptional items, Profit before tax and Net Profit work out to Rs. 2,203 mn and Rs. 1,488 mn respectively.

Earnings per Share have increased from Rs. 44.16 in the last year to Rs. 60.59 this year.

3. DIVIDEND

The Board of Directors are pleased to recommend a dividend of 140% on the paid up equity share capital of the Company, which works out to Rs. 14/- per share, for consideration and approval of the shareholders at the Annual General Meeting. The total payout of proposed dividend is Rs. 381 mn which includes the corporate dividend tax of Rs. 47 mn.

4. BUSINESS OUTLOOK

At a macro level the Indian economy continues to grow at a healthy pace with a 6.9% growth in the financial year 2004-05 on the back of robust showing by manufacturing and service sectors. However, this is lower than 8.5% growth in 2003-04 primarily due to lower farm output growth at 1.1%. India's economic outlook remains encouraging, with both domestic demand and exports driving the current economic expansion. Consumer and business confidence remain upbeat, with indications of investment recovery taking hold, though rising oil prices will increase the cost of doing business.

The increase in personal disposable income has largely been directed at personal asset building and spending on a vast array of white goods. Branded FMCG growth was subdued in the year with leading brands and companies showing low single digit growth. Also, with increasing competition in almost all categories at the lower end of the price spectrum, revenue growth through price increases has given way to revenue growth through mix management.

Within FMCGs, the biscuit industry showed a robust volume growth of about 12% last year, though overall price realisation dropped by approximately 2%, largely due to brand and pack mix. Significant new capacity was created in the market both by existing national players and new local players. The industry is expected to continue its pace of 10-12% volume growth with the market becoming increasingly competitive as national and local players position themselves to capture this share of growth. Your Company will continue to focus on profitable growth through mix management,

expanding distribution and availability, and by continuing to invest in the relevance and differentiation of its brands.

5. BUY BACK OF SHARES

During the year, 1,221,887 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. 636.81 per share resulting in a total outflow of Rs. 778.1 mn. The number of paid up equity shares now stands reduced from 25,112,050 to 23,890,163 equity shares.

No public announcement was made pursuant to the fourth round of buyback, as per the scheme approved by the members by passing a special resolution at the Annual General Meeting held on 19th August, 2004 in terms of Section 77A(2)(b) of the Companies Act, 1956, since the market price of the shares generally remained above the maximum price of Rs. 650/- per share determined as per the approved scheme. As provided under Section 77A(4), the validity of the aforesaid scheme expires on 18th August, 2005.

6. BRAND INVESTMENT

Your Company believes in giving the best value to consumers through its brands and constantly looks for ways to enhance the overall consumer experience. In 2004-05, several of the lead brands in the portfolio posted double digit growth on the back of marketing and sales initiatives. These included Tiger, Good Day, Marie and Milk Bikis. Your Company now has six power brands in its portfolio each exceeding Rs. 100 crores in annual sales.

The emphasis on expanding distribution reach also continued and 50% of Tiger sales now come from rural markets. Your Company will continue to expand its reach and presence in existing urban markets as well as invest in the right distribution and sales infrastructure to increase availability in the growing rural markets.

Several new products were launched during the year such as Treat-Duet and Tiger Orange Cream, in addition to new variants in Jim-Jam Treat and Cakes. Additionally, new packaging formats were introduced in several markets to tap into attractive price points from a consumer perspective.

Going forward, your Company has set its focus on product innovation and development based on new

opportunities for positioning our brands in the overall consumption repertoire of food products. This will pertain to both existing as well as new products and brands. Part of the innovation agenda will continue to address product and packaging enhancements both from a technical and aesthetic perspective.

Consistent with the focus on brands as the drivers of profit for the Company and drivers of value for all stakeholders, your Company re-organised its structure and moved from geographies as profit centres to brands as profit centres.

7. CAPACITY EXPANSION

The new factory in the state of Uttaranchal was commissioned in record time and started commercial production in April 2005, ahead of the scheduled date. Despatches of products commenced from mid April. The current focus is on training and a quick ramp up to reach full capacity by the end of 3rd quarter of this year. In line with growing demand, capacity enhancements were also completed at some of the other manufacturing units.

8. COST FOCUS AND SUPPLY CHAIN INITIATIVES

To ensure that a cost effective and efficient supply chain supports the business, a full scale end to end study on optimizing supply chain efficiencies was undertaken with the support of KPMG. The scope of this work comprised the identification and prioritisation of key initiatives to derive benefits out of efficient purchase of raw materials, manufacturing and distribution logistics, and improved sales and operations plans aimed at evolving the most efficient supply chain and improved customer service levels.

Currently, work is under way on 14 projects that will yield significant process improvements and opportunities for optimisation. The endeavour is to establish best in class processes to achieve these objectives and institutionalise them.

The focus on cost control yielded savings of Rs. 202 mn in 2004-05, partly as a result of the opportunities identified in the supply chain study and partly from ongoing process improvements in the business. For the first time, your Company developed and implemented a commodities buying strategy for managing input costs.

9. QUALITY STANDARDS

The high quality standards for all “Britannia” brands are the hallmark of the quality policy of your Company. Continuous efforts are always on to improve product and pack quality based on product testing and consumer feedback.

All factories follow the well proven quality assurance systems, such as ISO 9001-2000 and HACCP. The quality organisation of your Company ensures strict adherence to these systems through regular audits and visits by senior managers to the various manufacturing locations and stocking depots.

10. INFORMATION TECHNOLOGY

Your Company has continued its thrust in technology investment and during the year all depots and production centres have been connected and integrated with the centralised SAP data centre in the corporate office at Bangalore, resulting in optimization of many of our business processes, like invoicing and sales accounting, ordering and payment, and better receivables management.

We have also upgraded our communication software thereby leveraging technology to improve the speed of communication between all Britannia offices, vendors, suppliers and manufacturing units. Investment has been made to improve uptime and data security, enhance speed of operation and flexibility to increase bandwidth on demand.

We have also implemented a common invoicing and accounting package across key distributors that will enable us to have online secondary sales information. Plans are in place to roll out this package to other distributors across the country during the year.

Another milestone achieved during the year was the creation of a centralised set-up for payables processing, accounting and MIS systems in the corporate office at Bangalore. This will significantly improve turnaround time and overall efficiency of back-end systems, thereby improving customer satisfaction to our valued suppliers and channel partners.

11. ENVIRONMENT AND SAFETY

Your Company believes in conservation and there is a continuous thrust on conservation of energy and reduction of wastage across manufacturing centres. An example is use of alternate fuels to improve efficiency and cost effectiveness.

Investment in safety measures continues across all manufacturing units and the year ended with no accidents reported from any unit.

12. TSUNAMI RELIEF

The entire Britannia family responded to the process of relief and rehabilitation by voluntary donations from employees that were matched with cash contribution by the Company and given to the Indian Red Cross Society. The Company also supplied products and other articles of need to the affected people.

13. ENERGY, TECHNOLOGY AND FOREIGN EXCHANGE

Details of energy conservation, technology absorption and foreign earnings and outgo in accordance with the provisions of Section 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 Directors' Report.

14. CORPORATE GOVERNANCE

Your Company has not only complied with all provisions of corporate governance as prescribed under the listing agreements of the stock exchanges with which the Company is listed, but also is in the process of establishing its own code of conduct and corporate governance.

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

15. DIRECTORS

Field Marshal Sam Manekshaw, Mr. S.S. Kelkar and Mr. P. C. Khanna retire by rotation at the forthcoming Annual General Meeting and are eligible for reappointment. Field Marshal Sam Manekshaw has informed the Company that he does not want to seek reappointment to the Board in view of his age. The Board is especially grateful to him for the many contributions he has made in the 12 years of association as a Board Member as well as the Chairman and member respectively of the Audit and Remuneration Committees. Your Company and its Board of Directors have been honoured by his presence, benefited from his wisdom and learnt from the unique perspective he brings to every situation.

16. APPOINTMENT OF MANAGER

The Board appointed Ms. Vinita Bali, who joined as Chief Executive Officer of the Company on January 3, 2005, as Manager under the Companies Act, 1956 for a period of five years with effect from 24th January, 2005. Her appointment and remuneration are subject to your approval at the ensuing Annual General Meeting. Ms. Vinita Bali brings with her a rich and diverse experience in packaged foods and beverages gained from working with Cadbury Schweppes and The Coca-Cola Company in several continents, in a variety of marketing, sales and general management positions. She also blends a high quality of Indian and International perspective having lived and worked in the UK, Nigeria, South Africa, USA and Chile.

Mr. Nikhil Sen who was appointed as a Manager with effect from 8th August, 2003 will, consequent upon his resignation, relinquish charge at close of business hours on 31st May, 2005.

17. 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, 2005 is also given in the annexure to this report.

18. AUDITORS

Messrs. Lovelock & Lewes who are willing to continue in office are recommended for reappointment as the Company's Auditors for the ensuing year also.

19. DIRECTORS' RESPONSIBILITY

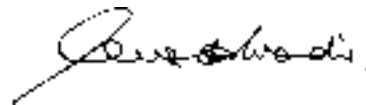
Pursuant to sub-section (2AA) of Section 217 of the Companies Act, 1956, your Directors, based on the representations from the operating management, confirm that :

- 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, making 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 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.

20. ACKNOWLEDGEMENTS

The Directors would like to thank all stakeholders, namely, shareholders, customers, dealers, suppliers, bankers, employees 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

26th May, 2005

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 low cost heavy fuel oil and gaseous fuel for baking in place of LDO.
- ii) Extension of "Waste Heat Recycling & Recovery Technology" in baking ovens.
- iii) Substitution of Air Atomised Burners with Pressure Jet Burners to improve specific fuel consumption.
- iv) Improving on oven throughput per hour and per unit of baking surface area to match with internal/international bench marking.
- v) Optimisation of electricity consumption by :
 - Substitution of centralised air-conditioning system with spot cooling at manufacturing centres
 - Right sizing of different drive motors
 - Substitution of eddy-current drives by frequency controlled drives; and
- vi) Substitution of cooling towers for captive generation by coil coolers to improve the generator loading.

(b) Steps being taken to reduce energy consumption :

- i) Modification of Oven Designs 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 under (a) & (b) above :

- i) Purchase of total electrical energy has reduced by 23.3% while the total production has come down by 7% as compared to last year. Consequently, consumption of total electrical units per tonne has reduced by 15.1%.
- ii) Specific Fuel Consumption for captive generation has improved by 6.3% as compared to last year.
- iii) Total cost of baking fuel has reduced by 17.5% and cost per unit of heat generation has come down by 11.7%, although there has been a

marginal increase in the specific fuel consumption by about 0.5%. This is a direct fall-out of the usage of cheaper alternate baking fuel in place of LDO. Heavy fuel oil has comparatively higher impurities with respect to LDO.

POWER AND FUEL CONSUMPTION

For the year ended	31st March, 2005	31st March, 2004
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Electricity

a) Purchased (gwh)	10.64	13.87
Total amount (Rs mn)	50.42	66.76
Rate/Unit (Rs./kwh)	4.74	4.81
(1gwh = 1,000,000 kwh)		

b) Own Generation

i) Through Diesel Generator (gwh)	1.41	1.40
Unit per Litre of Diesel oil (kwh/Litre)	3.39	3.19
Cost/Unit (Rs./kwh)	6.31	5.21
(1gwh = 1,000,000 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)	173.51	185.81
Total Cost (Rs. Mn.)	70.49	85.49
Rate/Unit (Rs./therm)	40.63	46.01

Consumption per Unit of Production

Bakery Products

Electricity (kwh/mt)*	193.80	228.35
Furnace Oil (Therms/mt)*	Nil	Nil
Baking Fuel (Therms/mt)*	27.91	27.78

* 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) Optimisation of process technology and formulations for minimisation of cost and to meet the pricing requirements of the consumer.
- ii) Achieving wastage reduction, quality consistency and cost reduction through improved process technology.

- iii) Development of innovative products through constant search for new ingredients, equipment and process technology.
 - iv) Standardisation of processes and procedures to meet product consistency.
 - v) 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 :
 - Duet treat – Strawberry–Vanilla
 - Duet treat – Orange-Chocolate
 - Jam Treat – Orange
 - Tiger Orange Cream
 - Cup cake
 - Pineapple and Chocolate cakes
 - Renovation of Goodday variants, Treat variants, 50 - 50 and Tiger Coconut
 - ii) Implementation of alternate fats/oils and other ingredients for cost competitiveness.
 - iii) Quality assurance and creation of a safe and cleaner working environment in the factories.
 - iv) Cost reduction through better formulation, process control and packaging.
3. Future plan of action :
- i) Development of value added and more nutritious products to satisfy consumer expectations.
 - ii) Continuous innovation in process technology and packaging to reduce cost.
 - iii) Use of new ingredients for developing products with better nutritive value, taste and cost competitiveness.
 - iv) Constant endeavour towards development of more environment friendly process technology.

4. Expenditure on R&D

	31st March, 2005 Rs. mn
Capital	1.87
Recurring	18.96
Total	20.83

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 products
- ii) Major initiatives resulting in reduction of material costs
- iii) Improvement in process output yields across various product lines
- iv) Optimisation and reduction of 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, 2005 Rs. mn
Foreign Exchange Used	462.53
Foreign Exchange Earned	399.77

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	Qualification	Experience	Date of Employment	Previous Employment held
1	2	3	4	5	6	7	8	9	10
A. Employed throughout the year under review and were in receipt of remuneration aggregating not less than Rs. 2,400,000/- per annum									
1	Aurora G S	56	GM-Bakery Operations	2,977,949	1,774,014	B.E. (Mech), DSQC & OR	34	15-Sep-78	Chief Executive- Quality Malhotra International Ltd.
2	Banerjee G	51	GM-Materials	2,662,862	1,575,886	B.E. (Mech). M.Tech (IE & OR)	28	2-Aug-82	Manager - Raw Materials Dunlop India Ltd.
3	Chakraborty S K	48	GM-Bakery Operations	3,087,705	1,898,077	B.Sc (Hons) M.Sc (Food Tech)	25	12-Nov-87	Quality Assurance Executive Glandia Ltd.
4	Gupta A K	50	GM-Accounts & Planning	3,112,001	1,878,217	B.Com. A.C.A	26	29-Dec-86	Chief Accountant Malhotra Distributors (P) Ltd.
5	Sen N	46	Chief Operating Officer	7,100,071	3,944,502	B.A. (Hons.) DBA	26	1-Jul-80	Research Executive-Marketing Research & Advisory Services
6	Shyam Sunder P	54	GM-ISD & Logistics	3,285,991	1,953,089	B.Tech.PGDIE, FIIP	31	26-Apr-91	Resident Internal Auditor - TELCO
7	Tiwari V	47	GM-Bakery Operations	2,840,739	1,688,462	B.Tech (Mech) DBM	26	2-Jul-79	-
8	Wakhle Rajiv	46	Head of Product Development	3,173,123	1,929,351	B.E.(Mech.)	24	4-Jun-01	Tiffany Foods Ltd. UAE
B. Employed for part of the year under review and were in receipt of remuneration aggregating not less than Rs. 200,000/- per month.									
1	Arte V	43	V P & Head of Marketing	1,138,553	709,398	M. B. A	19	14-Feb-05	Director-Sales & Mass Market Cadburys India Ltd.
2	Bali V	49	Chief Executive Officer	3,130,575	1,622,008	M. B. A	25	3-Jan-05	Managing Principal Zyman Group, USA
3	Chopra N L	45	GM-Marketing	2,076,151	1,453,263	B.A.	24	16-May-88	Manager Chandralok Engg. Pvt. Ltd.
4	Harikrishna B	47	GM-Human Resources	201,926	190,056	B.Com PGDIR	25	5-Nov-99	GM-Human Resources Ford India Ltd.
5	Kaul V	48	Head - Technical	3,615,130	2,312,724	B.Tech (Chem)	26	16-Jul-79	-
6	Lal R K	55	VP & Head of Operations	997,723	583,439	B.Tech (Chem) Master of Applied Sciences	33	7-Jan-05	Usha Martin International, Texas, USA
7	Rajagopalan J	53	GM - Treasury & Taxation	2,386,155	1,555,537	FCA,FICWA,FCS	29	1-Sep-77	Accountant - Cost Enfield India Ltd.
8	Ramesh Shankar S	46	GM & Head of Human Resources	528,665	372,547	M.A., PGDM LLB	23	1-Mar-05	Chief Executive Span Eicher Designs Ltd.
9	Shridhar N	39	Chief Financial Officer	7,252,610	4,242,212	ACMA (London), AICWA, PGDMS	18	8-Apr-04	V P (Operations Finance) Coca-Cola India Inc.

Remuneration received/receivable relates to the year ended 31st March, 2005 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 rules. No employee is a relative of any director of the Company.

A) INDUSTRY STRUCTURE AND DEVELOPMENT

The organised and branded biscuit industry in India is currently estimated at around 900,000 tonnes having grown 12% last year, as compared to the 7% growth of the FMCG sector. New players have entered the market at the national and regional level, making the industry dynamic and very competitive. Aggressive pricing activity, trade and consumer promotions have pulled down the overall pricing power of brands in the market, calling for strong margin management measures to sustain profitability. In the last year alone, key input costs have increased by 12-15%.

Per capita consumption continues to grow across all age groups and socio-economic strata. Biscuits continue to maintain their position as one of the most widely distributed and available packaged food categories in India. 38% of the total volume comes from the rural markets though this number varies by type of biscuit, with glucose being the most widely distributed in rural markets at 50% of overall sales. The market has also migrated towards bulk and family packs that offer better value for money on a per kg basis.

B) BUSINESS STRATEGY

The essence of your Company's strategy is to identify the high value opportunities, and deliver against those through relevant and differentiated brands, supported by an effective and efficient supply chain.

The thrust of this strategy lies in brand building – to increase consumer relevance, preference and purchase. The key drivers are availability, presence, and merchandising for brands that offer consumers a satisfying experience across a variety of consumption occasions and price points that represent good value for money.

Profitable growth will come from fortifying existing brands and tapping into new consumer segments, and new purchase and consumption occasions through a mix of product and packaging innovation and renovation. Expanding the footprint of power brands like Tiger, Good Day, Marie, Milk Bikis, 50:50 and Treat will continue to be a key priority.

The Company will continue its focus on increasing the width and depth of distribution in urban and rural markets. The rapidly expanding modern trade channel also presents a new growth opportunity and the sales and distribution infrastructure is being aligned to service this effectively. The overall goal

is to strengthen Britannia's position as the most significant player in the biscuit market and increase its share of consumer spend in this category through a more profitable brand-package-price and channel mix.

On the cost side your Company has significantly strengthened its supply chain initiatives and is working towards capacity expansion that is more efficient. Towards that objective, the start up of the new manufacturing unit at Uttaranchal in April 2005 is a major step.

C) SEGMENT-WISE PERFORMANCE

The primary business segment of the Company is bakery, which consists of biscuits, bread and cakes. Overall sales have improved by 11% in volume and 10% in value during the year:

- Biscuit volume grew 12% and value 10%.
- Bread volume grew 4% and value 6%.
- Cake and Rusk volume grew 28% and value 24%.

D) OUTLOOK

The biscuit market will become increasingly competitive with new national and regional players expanding their manufacturing capacity and market presence. Several of the new players will also invest heavily in promotional and pricing support to gain share. This is likely to exert a downward pressure on prices especially for the large and dominant categories like glucose, milk biscuits, creams etc.

On the other hand raw material, packaging material and transportation costs are likely to increase and the key challenge will therefore be to manage profitability without increasing price. Critical cost areas are being addressed to achieve this task – including the structural cost of the business, in addition to innovations aimed at enhancing margins through mix management.

E) FINANCIAL AND OPERATIONAL PERFORMANCE

During the year 2004-05, operating margins improved from 10.05% to 10.20% largely through operational effectiveness and cost management.

Rs. 432 million was spent on additions to fixed assets and capital work-in-progress with a view to enhancing production capacity.

The Company has booked Treasury income of Rs. 648 million during the year.

The Company's Commercial Paper short-term debt and non-convertible debentures continue to enjoy