

ANNUAL REPORT 2007 - 2008



celebrating
90
years



THE STORY THUS FAR...

1900

1892 - A humble genesis was made to manufacture biscuits in a small house in Central Calcutta, with an investment of Rs.295.

1897 - The business was acquired by Gupta brothers who moved operations to Dum Dum in Calcutta under the name of V.S. Brothers.

1918 - Mr C. H. Holmes, an English business man, partnered with Gupta Brothers. Britannia was incorporated on the 21st of March 1918 as a public limited company under the Indian Companies Act VII of 1913.

1921 - Britannia obtained priority certificate to import new machinery. It became the first company east of the Suez Canal to use gas ovens.

1924 - New factories were established in Mumbai and Calcutta. Britannia became a subsidiary of Peek, Frean & Company Limited, a leading biscuit company in UK.

1935-45 - During World War II Britannia diverted 95% of its production for manufacturing 'service biscuits' for soldiers.

1954 - High quality sliced and packaged bread was pioneered and launched in Delhi.

1979 - On 3rd October, the Company was re-christened from Britannia Biscuit Company Limited to Britannia Industries Limited.

1983 - Sales crossed the Rs. 100 crore milestone.

1992 - Britannia celebrated its Platinum jubilee and launched 'Little Hearts'.

1993 - The Wadia Group acquired a stake in ABI Holdings Limited (ABIH), United Kingdom and became an equal partner with Groupe DANONE in BIL. Brand '50-50' was launched.

1997 - 'Eat Healthy, Think Better' became the new corporate mantra. Britannia entered the dairy business. 'Tiger' biscuits were launched. 'Jim Jam' and 'Chekkers' were launched.

2000 - Forbes Global ranked Britannia among the Top 200 small companies. Britannia was ranked No.1 food brand of the country. Britannia Lagaan Match was India's most successful promotional activity of the year.

2002 - Britannia formed a joint venture with Fonterra, the world's second largest dairy company and Britannia New Zealand Foods Private Limited was born.

2005 - Brand Tiger's re-birth was marked by the slogan 'Swasth Khao, Tiger Ban Jao', which became a popular chant. Britannia launched 'Greetings' a range of assorted gift packs. Britannia '50-50 Pepper Chakkar' was launched.

2007 - In a survey conducted by AC Nielsen ORG-Marg and published in the Economic Times, Britannia was rated the No.1 MOST TRUSTED FOOD BRAND. It also ranked as No.1 Brand in Metros across all categories.

2007 - Britannia Industries formed a joint venture with the Khimji Ramdas Group and acquired a 70 per cent beneficial stake in the Dubai-based Strategic Foods International Co. LLC and 65.4% in the Oman-based Al Sallan Food Industries Co. SAOG.

2008 - Britannia launched Iron fortified 'Tiger' biscuits, 'Good Day Classic Cookies', Low Fat Dahi and renovated 'MarieGold'.

1970

2000

BOARD OF DIRECTORS

CHAIRMAN:

Nusli N Wadia

MANAGING DIRECTOR:

Vinita Bali

DIRECTORS:

Keki Dadiseth

Avijit Deb

Stephan Gerlich

A K Hirjee

Philippe - Loic Jacob

Nimesh N Kampani

S S Kelkar

Pratap Khanna

Jeh N Wadia

Francois-Xavier Roger

Field Marshal Sam Manekshaw M C – Director Emeritus

CHIEF FINANCIAL OFFICER:

Durgesh Mehta

COMPANY SECRETARY:

V Madan

AUDITORS:

Lovelock & Lewes

Chartered Accountants

5th Floor, Tower D, The Millenia

1 & 2 Murphy Road, Ulsoor

Bangalore - 560 008.

BANKERS:

State Bank of India

Standard Chartered Bank

ABN Amro Bank N.V.

Citibank N.A.

The Hongkong & Shanghai Banking Corporation Limited

HDFC Bank Limited

ICICI Bank Limited

Indian Bank

Bank of America

Deutsche Bank

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

Britannia Annual Report 2007-2008

CONTENTS

Financial Highlights	01
Report of the Directors	02
Management Discussion and Analysis.....	11
Report on Corporate Governance	13
Auditors' Report.....	25
Balance Sheet.....	28
Profit and Loss Account	29
Cash Flow Statement.....	30
Schedules to Balance Sheet and Profit and Loss Account	32
Auditors' Report on Consolidated Financial Statements	73
Consolidated Balance Sheet.....	74
Consolidated Profit and Loss Account	75
Consolidated Cash Flow Statement.....	76
Schedules to Consolidated Financial Statements.....	78
Information on Subsidiary Companies	100
Significant Ratios.....	101
Ten Year Financial Statistics.....	102

FINANCIAL HIGHLIGHTS

Rs. Mn	2007-08	2006-07	% Change
Net Sales	25,848	21,993	18%
Operating profit	1,937	972	99%
Shareholders' funds	7,326	5,892	24%
Capital expenditure	666	889	-25%
Before exceptional items			
- Profit before tax	2,431	1,261	93%
- Profit after tax	1,982	1,127	76%
- Cash flow generation	2,273	1,380	65%
After exceptional items			
- Profit before tax	2,323	1,184	96%
- Profit after tax	1,910	1,076	78%
- Cash flow generation	2,201	1,329	66%
Per equity share (Rs.)			
Earnings	79.95	45.06	77%
Dividend	18.00	15.00	20%
Dividend + Tax	21.06	17.55	20%

REPORT OF THE DIRECTORS

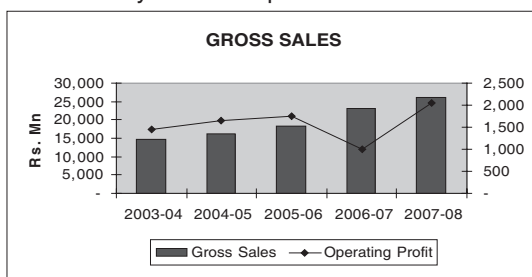
The Directors present their Annual Report together with the Statement of Accounts for the year ended March 31, 2008.

1. FINANCIAL RESULTS

Particulars	Rs. Mn	
	Year ended 31st March '08	Year ended 31st March '07
Gross Turnover and Other Income	26,679	23,487
Profit before Finance Cost, Depreciation & amortisation and Exceptional items	2,820	1,603
Finance Cost	97	89
Profit before Depreciation and Exceptional Items	2,723	1,514
Depreciation and Amortisation	291	253
Exceptional items	109	77
Profit before tax	2,323	1,184
Less: Tax	413	108
Net Profit	1,910	1,076
Add: Profit brought forward	600	500
Profit available for appropriation	2,510	1,576
Less: Dividend on Equity Shares	430	358
Less: Tax on Dividend	73	61
Less: Transfer to General Reserve	1,407	557
Balance carried forward to Balance Sheet	600	600

2. COMPANY PERFORMANCE

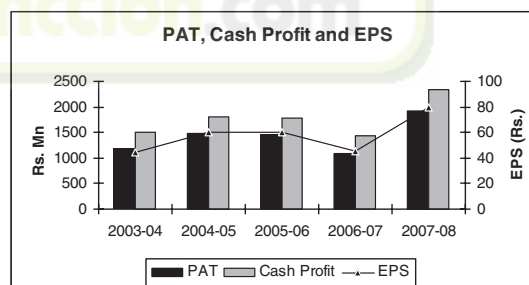
For the year ended 31st March, 2008, your Company achieved a sales growth of 17.5% on an expanded base arising from 27.5% growth in the previous year. Net Profit of the Company increased 77.5% to Rs. 1,910 Mn compared to Rs. 1,076 Mn in 2006-07. Operating margin increased by 307 basis points to 7.5%.



The Company witnessed all round growth in key categories with Biscuits recording sales of Rs. 23,299 Mn. Bread, Cake and Rusk business crossed the Rs. 2,700 Mn mark during 2007-08. This business has doubled in two years.

In an intensely competitive biscuit environment, all "Power Brands" of the Company recorded double digit growth, with Tiger and Good Day growing in excess of 20%. Your Company's innovation forays have successfully addressed new benefit clusters and NutriChoice Digestive has claimed its position in the health and vitality space. Your Company continues to maintain its leadership edge in 6 out of 7 key product segments, the only exception being Glucose.

The business continued to face inflationary pressure in key raw materials such as wheat flour, refined palm oil, skimmed milk powder and other dairy products, as well as energy costs. These were more than offset on the cost side through operational and procurement efficiencies, productivity improvements, cost reduction programs and on the revenue side through improved product mix and higher realisation, aided by strong consumer off take.



Exceptional items for the year include Rs. 130.5 Mn towards amortisation of VRS costs. Earnings per share is Rs. 80 compared to Rs. 45 last year.

3. DIVIDEND

The Board of Directors is pleased to recommend a dividend of 180% on the paid up equity share capital of the Company, which works out to Rs. 18 per share, for consideration and approval by the shareholders at the Annual General Meeting. The total payout amounts to Rs. 503 Mn including dividend distribution tax of Rs. 73 Mn.

4. BUSINESS OUTLOOK

After several years of strong GDP growth, the Indian economy is witnessing a slowdown. We enter the new financial year, in the midst of a serious food crisis globally, which has led to high inflation in all staples like wheat, rice, corn, pulses etc. We expect this supply constrained inflationary

environment to dampen industry growth in the coming year.

In this scenario, your Company will continue to pursue a strategy to identify and exploit profitable growth opportunities by increasing the consumer preference and consumption of Britannia brands, leveraging the three growth vectors of brand, geography and channel. The key themes pursued by your Company are to increase brand relevance and differentiation, improve availability, structurally building capability and efficiencies to be cost competitive.

The overall level of brand and infrastructure investment has increased with both national and regional players pursuing aggressive growth in an increasingly competitive market.

From a consumer perspective, several new dimensions have opened up as others have gained strength, spurred by lifestyle and life stage choices. Your Company will continue to focus on providing a range of enjoyable and healthy choices to consumers.

5. BRAND INVESTMENT

All Power Brands – Tiger, Good Day, Milk Bikis, Treat, MarieGold, 50:50 and NutriChoice saw significant investment in increasing preference and purchase and secured double digit growth.

Your Company also introduced several new and renovated offerings in Tiger, Good Day, Treat and MarieGold. The health and nutrition platform was buttressed by Tiger Banana with “iron-zor”, fortified Milk Bikis, renovated MarieGold and NutriChoice Digestive. To tap the more indulgent consumers, your Company launched Good Day Classic Cookies, while continuing to roll out individual consumption packs at the highly affordable Rs. 5 price point.

The Bread, Cake and Rusk portfolio was strengthened with the successful relaunch of Breads, fortified with vitamins and minerals, positioning them firmly as the healthy start to your day. This innovation combined with relevant consumer activation in key markets has seen a 30%+ growth in the Bread, Cake and Rusk business.

6. INTELLECTUAL PROPERTY RIGHTS (IPR)

Last year we reported the creation of the IPR Committee of the Board to monitor and direct the Company's IPR. The key issue addressed by the Committee was the unauthorised use by Generale Biscuit, a subsidiary of Groupe Danone, of your Company's Tiger brand in five countries and registration in a large number of other countries. Based on legal advice, your Company initiated proceedings against Generale Biscuit, and its

Associates in Singapore and Malaysia. Further, during the year, Groupe Danone divested its biscuit business worldwide (with the exception of India and Latin America) including Generale Biscuit, in favour of M/s Kraft Inc. USA and your Company continues to pursue the return of its Tiger IPR under the direction of the Committee.

7. MANUFACTURING OPERATIONS

Following the significant addition to manufacturing capacity in the previous year, the focus in 2007-08 was to increase responsiveness and cost effectiveness of the supply chain.

Several technology innovation projects to secure cost and quality advantages and support introduction of differentiated products were completed. New technology based products were successfully manufactured using equipment designed internally. During the year your Company filed for 2 patents.

Uttarakhand factory continued to perform at high efficiency levels and reached full capacity utilisation of 5,000 Tonnes/month. Overall conversion costs were reduced due to efficiency and productivity improvements in manufacturing.

Capacity for Bread, Cakes and Rusks was also expanded with a greenfield, state of the art, cake manufacturing facility in Assam.

With a view to optimise capacities and manufacturing cost, your Company, in April 2008, offered a Voluntary Retirement Scheme (VRS) to workmen at its Chennai unit. The same was accepted by all the workmen and consequently manufacturing operations have been suspended.

8. QUALITY STANDARDS

Notable progress was made in quality, the drive for ongoing quality training, including the development of an e-learning portal. The vendor quality improvement program was intensified and the continuous ‘grinding in’ of quality practices at all manufacturing units formed a key plank of building a “quality culture”.

A retail audit system was rolled out to monitor quality of products at point of sale.

9. INFORMATION TECHNOLOGY

Several initiatives were undertaken to enhance business performance, enabled by IT infrastructure and processes. These included availability of timely and granular information to improve planning and performance measurement in manufacturing, logistics, distribution, sales and quality.

Information protection infrastructure and systems were significantly strengthened. With the objective of securing the best IT competencies, higher service levels for users, better infrastructure management and inflation proofing cost, IT was outsourced in its entirety to Hewlett Packard (HP) with a lock in period of 3 years.

10. ENVIRONMENT AND SAFETY

The drive to reduce energy consumption through process innovations and technology upgradation continued during the year. Burner efficiency improvement was achieved through use of magnetic resonance energisers for fuel.

Recycling of the waste heat was extended to manufacturing locations as also the usage of alternate energy sources like gas which was extended wherever available, including Delhi factory as well as contract packers.

Your Company has filed an application for availing carbon reduction benefits under the Clean Development Mechanism of the Ministry of Environment and Forests, Government of India as part of the United Nations Framework for Climate Change Control (UNFCCC) for the Delhi factory.

11. CORPORATE SOCIAL RESPONSIBILITY

The partnership your Company has created with Global Alliance for Improved Nutrition (GAIN) and the Naandi Foundation to supply iron fortified Tiger biscuits to supplement the Mid-Day Meal program in schools, has been recognised as a unique program globally by GAIN. This prompted the World Bank Institute to write a case study and your Company was invited to make a commitment to the Clinton Global Initiative, a non-partisan catalyst for action that brings together a community of global leaders to devise and implement solutions for some of the world's pressing challenges like nutrition.

Iron deficiency among Indian children is a key cause of school dropouts as well as decreased productivity. Based on the experience from the Britannia-GAIN-Naandi partnership, your Company created a new offering for all consumers – Tiger Banana, a delightful banana biscuit fortified with vitamins and minerals.

In keeping with its core essence of “Swasth Khao Tan Man Jagao”, your Company constantly strives to find sustainable opportunities to drive home the message of nutrition and good food habits among children at the right age. Britannia is committed to help secure every child's right to growth and development through good food everyday. Its largest power brand, Tiger, is also being rolled out, fortified with iron.

Your Company was also the first in the industry to remove trans fat from most its biscuits as yet another meaningful step in offering products that are both healthy and enjoyable.

12. PENSION

The Britannia Industries Limited Covenanted Staff Pension Fund (Trust) received a Show Cause Notice from the Commissioner of Income Tax, Kolkata, asking the Trust to show cause why the recognition granted to the Trust should not be withdrawn for refund of excess contribution of Rs. 121.2 Mn to the Company. The matter has been dealt with in note No. 29 of Schedule T to the Accounts, which is self explanatory.

13. ENERGY, TECHNOLOGY AND FOREIGN EXCHANGE

Details of energy conservation, technology absorption, foreign exchange earnings and outgoings in accordance with the provisions of clause (e) of sub-section (1) of Section 217 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. CONSOLIDATED FINANCIAL RESULTS

Your Company has prepared Consolidated Financial Statements in accordance with Accounting Standard 21(AS-21) issued by the Institute of Chartered Accountants of India. The Consolidated Statements reflect the results of the Company with that of its Subsidiaries, Joint Ventures and Associates. As required by Clause 32 of the Listing Agreement with the Stock Exchanges, the Audited Consolidated Financial Statements together with the Auditors' Report thereon are annexed and form part of this Annual Report.

The Consolidated turnover and net profits of the Company for the year ended 31st March, 2008 were Rs. 28,099 Mn and Rs. 1,774 Mn respectively.

15. SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES

Your Directors present herewith a broad overview of the operations and financials of its Subsidiaries, Joint Ventures and Associates.

Subsidiaries

Investment and Holding Companies

M/s Boribunder Finance and Investments Private Limited (Boribunder), M/s Flora Investments Company Private Limited (Flora) and M/s Gilt Edge Finance and Investments Private Limited

Britannia Annual Report 2007-2008

(Gilt Edge) form the Investment Associates of your Company. During 2007-08, M/s Boribunder Finance and Investments Private Limited (Boribunder) became a wholly owned subsidiary of your Company.

The combined revenue and loss of investment companies for the year ended 31st March, 2008 was Rs. 24 Mn and Rs 14 Mn respectively. The losses are due to provision for diminution in value of investments.

Further, pursuant to Section 4 of the Companies Act, 1956, the following companies engaged in manufacture of biscuits at various locations are also deemed to be subsidiaries of your Company. The Gross Income and Net Profit of the said subsidiaries during 2007-08 are as under:

Name of Subsidiary	Gross Income Rs. Mn	Net Profit/ (Loss) Rs Mn
International Bakery Products Limited, TC Balam, Tamil Nadu	106	3.5
J B Mangharam Foods Private Limited, Gwalior	98	(7.4)
Manna Foods Private Limited, Bangalore	30	1.6
Ganges Vally Foods Private Limited, Kolkata	96	0.6
Sunrise Biscuit Company Private Limited, Guwahati	83	(0.3)

Britannia and Associates (Mauritius) Private Ltd.

Britannia and Associates (Mauritius) Private Ltd, (BAMPL) a Company formed in Mauritius is the holding Company of Britannia and Associates (Dubai) Private Co. Ltd, (BADCO) a Jebel Ali Free Zone Company, which in turn holds strategic investments in Strategic Food International Co. LLC, Dubai and Al Sallan Food Industries Company SAOG, Oman.

The combined revenue and loss of the holding companies for the year ended 31st December, 2007 was USD 0.62 Mn and USD 0.77 Mn respectively.

Joint Ventures

Britannia New Zealand Foods Private Limited (BNZF)

BNZF, the Joint Venture with M/s Fonterra Co-operative Group Limited of New Zealand is engaged in the business of dairy products, comprising cheese, skimmed milk powder,

butter and ghee. BNZF brands are available nationally and lead the cheese segment. For the year ended 31st March 2008, BNZF recorded a turnover of Rs. 1,424 Mn and incurred a net loss of Rs. 51 Mn compared to a turnover of Rs. 1,186 Mn and a net loss of Rs. 112 Mn in the previous year.

Strategic Foods International Co. LLC, Dubai (SFIC)

Your Company acquired 70% stake in SFIC in March 2007. For the year ended 31st December, 2007, SFIC recorded a turnover of AED 104.02 Mn and operating profit (before finance charges and depreciation) of AED 6.48 Mn and Net Loss of AED 3.14 Mn. During 2007 the business encountered severe cost challenges due to unprecedented increases in market prices of all key commodities like flour, skimmed milk powder, etc. The Company has implemented several cost effectiveness programs which, together with efficient buying, managed to contain part of the input cost inflation.

Al Sallan Food Industries Company SAOG, Oman (Al Sallan)

Your Company acquired 65.5% stake in Al Sallan in March 2007. Al Sallan recorded a turnover of RO 3.24 Mn for the year ended 31st December, 2007.

Both these acquisitions have given your Company the opportunity, infrastructure and competence to effectively compete in the rapidly growing markets of the Middle East.

Daily Bread Gourmet Foods (India) Private Limited (Daily Bread)

Daily Bread, another acquisition made last year, is engaged in the business of premium bakery products. The Company registered a growth of 47% last year. It has continued to focus on expanding its retail presence as well as drive institutional business through addition of new customers. As a part of this strategy, new manufacturing facilities were set up in Delhi and Hyderabad while expanding capacity at Bangalore.

Welfare Companies

M/s Britannia Employees General Welfare Association Private Limited, M/s Britannia Employees Educational Welfare Association Private Limited and M/s Britannia Employees Medical Welfare Association Private Limited are the three other associates of your Company.

These are companies limited by guarantee and have no share capital. These have been set up for general, educational and medical welfare of the employees of your Company.

16. CORPORATE GOVERNANCE

In accordance with Clause 49 of the Listing Agreement with the Stock Exchanges, a separate report on Corporate Governance along with the Auditors' Certificate on its compliance is attached to this Report.

17. DIRECTORS

Consequent to taking over as Chairman of the Finance Commission constituted by the Government of India, Dr. Vijay Kelkar resigned as Director of your Company with effect from 31st December, 2007. Your Board records its deep gratitude and appreciation for the various contributions made by Dr. Kelkar during his association with the Company.

Mr. Georges Casala resigned as a Director of your Company with effect from 28th May, 2008. Your Board records its deep gratitude and appreciation for the various contributions made by Mr. Casala during his association with the Company.

Your Board appointed Mr. Philippe Loic Jacob as an Additional Director at its meeting on 28th May, 2008. Mr. Jacob will hold office upto the date of the forthcoming Annual General Meeting of the Company.

In accordance with the provisions of the Companies Act 1956 and the Articles of Association of the Company, Mr. S S Kelkar, Mr. Pratap Khanna, Mr. Nusli N Wadia and Mr. Francois-Xavier Roger, Directors, retire by rotation at the forthcoming Annual General Meeting and are eligible for reappointment.

18. 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, 2008 is also given in the annexure to this report.

19. AUDITORS

M/s. Lovelock & Lewes retire in accordance with the provisions of the Companies Act, 1956. They have indicated their willingness to continue in office and are recommended for reappointment as the Company's Auditors for the ensuing year.

20. DIRECTORS' RESPONSIBILITY

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

- I. In the preparation of annual accounts, the applicable accounting standards have been followed and there are no material departures;
- II. They have, in selection of the accounting policies, consulted the statutory auditors and applied these policies consistently, making judgments and estimates that are reasonable and prudent, so as to give a true and fair view of the state of affairs of the Company as on 31st March, 2008 and of the profit of the Company for the year ended 31st March, 2008;
- 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.

21. ACKNOWLEDGEMENTS

The Directors would like to thank all stakeholders, namely, customers, shareholders, 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

Mumbai
28th May, 2008

NUSLI N WADIA
CHAIRMAN