



ANNUAL REPORT 2008 - 09



BRITANNIA INDUSTRIES LIMITED



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Zindagi mein Life

At Britannia, we care about you, we care about your joy, your vitality, your health. That is why we have created a variety of products for you to enjoy - anytime, anywhere... everyday. Over 50% of our bakery products are now fortified with minerals and vitamins so that even a simple snack or sandwich is wholesome and delicious. For your well being we have eliminated trans fats across our entire portfolio of biscuits. We are also partnering with foundations like GAIN, Naandi, Navjyoti and the Clinton Global Initiative, to improve the quality and accessibility of nutrition for all.

At Britannia, we care about our planet so we have re-engineered our processes to conserve energy and significantly reduce carbon emission.

At Britannia, each thought and action, philosophy and practice, product and process is an act of caring. Simply stated, at Britannia, we endeavour to add Zindagi Mein Life!

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Zindagi ki zubaan par hum rakh dete hain ek tukda life.
Britannia mein hum yahi toh karte hain.



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BOARD OF DIRECTORS

CHAIRMAN :

Nusli N Wadia

MANAGING DIRECTOR :

Vinita Bali

DIRECTORS :

Keki Dadiseth

Avijith Deb

A K Hirjee

Nimesh N Kampani

S S Kelkar

Pratap Khanna

Ajai Puri

Jeh N Wadia

CHIEF FINANCIAL OFFICER :

Raju Thomas

COMPANY SECRETARY :

V Madan

AUDITORS :

Lovelock & Lewes

Chartered Accountants

5th Floor, Tower D, The Millenia

1&2 Murphy Road, Ulsoor

Bangalore - 560 008

BANKERS :

ABN Amro Bank N.V.

Axis Bank Limited

Bank of America

Citibank N.V.

HDFC Bank Limited

ICICI Bank Limited

Indian Bank

Standard Chartered Bank

State Bank of India

The Hongkong and Shanghai Banking Corporation Limited

Registered Office : 5/1A, Hungerford Street, Kolkata – 700 017
Executive Office : Britannia Gardens, Airport Road, Vimanapura, Bangalore - 560 017.

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FINANCIAL HIGHLIGHTS

Rs. Million	2008-09	2007-08	% Change
Net Sales	31,122	25,841	20%
Operating profit	2,293	2,020	14%
Shareholders' funds	7,979	7,326	9%
Capital expenditure	678	666	2%
Before exceptional items			
- Profit before tax	2,531	2,245	13%
- Profit after tax	1,940	1,859	4%
- Cash flow generation	2,275	2,150	6%
After exceptional items			
- Profit before tax	2,325	2,323	0%
- Profit after tax	1,804	1,910	-6%
- Cash flow generation	2,139	2,201	-3%
Per equity share (Rs.)			
Earnings	75.51	79.95	-6%
Dividend	40.00	18.00	122%
Dividend + Tax	46.80	21.06	122%

REPORT OF THE DIRECTORS

The Directors present their Annual Report together with the Statement of Accounts for the year ended 31 March 2009.

1. FINANCIAL RESULTS

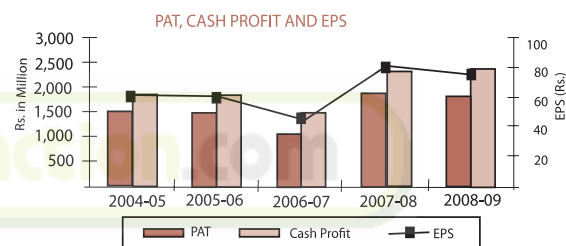
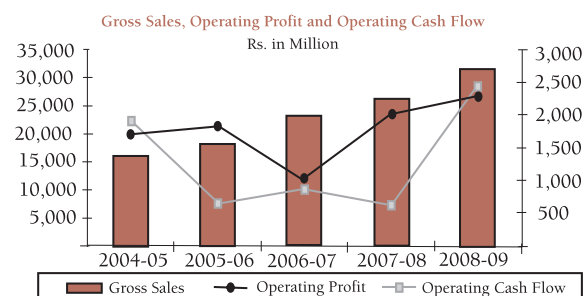
Particulars	Rs. Million	
	Year ended 31 March 09	Year ended 31 March 08
Gross Sales	31,429	26,170
Other Income	399	322
Profit from Operations (PBT before Other Income, Finance costs and Exceptional Items)	2,293	2,020
Profit before Tax	2,325	2,323
Less: Tax	521	413
Net Profit	1,804	1,910
Add: Profit brought forward	600	600
Profit available for appropriation	2,404	2,510
Less: Dividend on Equity Shares	956	430
Less: Tax on Dividend	162	73
Less: Transfer to General Reserve	190	1,407
Balance Carried forward to Balance Sheet	1096	600
Net Cash flow from operating activities	2,468	631

2. OVERVIEW OF COMPANY PERFORMANCE

In a year of economic & market uncertainty your Company added Rs. 5,281 MM to the net turnover and achieved a sales growth of 20.4%. Profit from operations increased 13.5%. Net Profit for the year at Rs. 1,804 MM, was achieved in the context of another year of high commodity inflation, especially wheat flour, sugar & laminates, taking the operating margin to 7.3% in 2008-09. Net Cash Flow from operating activities for the year was Rs. 2,468 MM compared with Rs. 631 MM in the previous year. Consistent with your Company's priority of investing for growth, Capex for the year was Rs. 678 MM compared with Rs. 666 MM in the previous year. Exceptional items for the year include Rs. 249 MM towards amortization of VRS costs, Rs. 390 MM towards provision for doubtful advances

to a subsidiary, Rs. 205 MM towards write back of previous years' liabilities no longer required and Rs. 228 MM towards capital receipt for settlement of litigation with Groupe Danone. Earnings per Share are Rs. 75.51 compared with Rs. 79.95 last year. The tables below show trends in performance across key parameters :

In retrospect, 2008-09 was a mixed year,



characterized by continual and high commodity inflation and a slow-down in GDP and disposable income growth in the 2nd half of the year. This impacted your Company's growth, reducing it to 17.2% as compared to 24% in the 1st half.

Market and consumer sentiment were partly affected by the global economic crisis and partly by a reduction in market liquidity, especially with organized trade, making consumers more cautious & discerning. In this scenario, your company fortified its strategy of investing in its 6 Power Brands, added a 7th, and simultaneously restructured operations. Over the last 4 years, your Company has taken Rs. 1,800 MM of cost out of the system. This has been achieved by consolidating operations where relevant, optimizing manufacturing units, reducing complexity and eliminating wastages in the value chain.

Additionally, your Company continued to sharpen its consumer & customer insight to identify new sources of growth and profitable revenue generation. This resulted in initiatives to energise power brands and open up new consumption occasions & opportunities. As an example, the "on-the-go consumption opportunity" has led to the successful

launch of brands and packages, conveniently priced at Rs. 5/- for personal consumption.

Once again, consumers voted 'brand' Britannia among the Top 10 Most Trusted Brands across all categories for the 5th successive year in an independent survey conducted by AC Nielsen and The Economic Times. Britannia was rated as the 2nd Most Trusted Food Brand and the 7th Most Trusted Brand across all categories in 2008. The value of the Britannia brand was also recognized internationally with Time Magazine in its issue of 17 August 2008, quoting the collaborative partnerships that Britannia has created in the nutrition space, as one of 8 examples of creative capitalism from around the world.

Your Company extended its international footprint with exports more than doubling to Rs. 555 MM. Further, operations in Sri Lanka commenced with a select range of Power Brands, which have had a positive response from both consumers & trade.

3. 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 and 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 summary of performance is given below:

Rs. Million

Particulars	Year ended 31 March 09	Year ended 31 March 08
Gross Sales	34,523	28,092
Other Income	387	334
Profit from Operations (PBT before Other Income, Finance costs and Exceptional Items)	1,721	1,959
Profit before Tax	1,963	2,181
Net Profit	1,515	1,774

The Consolidated turnover of the Company for the year ended 31 March 2009 was Rs. 34,523 MM. This

includes turnover of Strategic Food International Co. LLC, Dubai (SFIC) and Al Sallan Food Industries Company SAOG, Oman (Al Sallan) for 15 months in view of change in the accounting year from January – December to April – March. Turnover grew by 20.19 % on a like to like basis.

The Consolidated Net Profit of the Company for the year ended 31 March 2009 was Rs. 1,515 MM compared to Rs. 1,774 MM in the previous year. Profit was impacted by losses in Daily Bread operations in Hyderabad and Delhi, mainly due to a slow down in food retailing. Operations in these locations were discontinued in December 2008, with Bangalore focusing on consolidation of operations & cost effectiveness to generate growth. Additionally, the Middle East business faced severe cost challenges due to exorbitant inflation in all key commodities like Flour, Sugar & Oil, which resulted in lower profit compared to the previous year.

Performance of Subsidiaries, Joint Ventures and Associates is presented below:

SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES

Your Directors present herewith a broad overview of the operations and financial performance of Subsidiaries, Joint Ventures and Associates of your Company.

Britannia New Zealand Foods Private Limited (BNZF)

BNZF, the Joint Venture with M/s Fonterra Co-operative Group Limited of New Zealand, markets & sells dairy products, comprising cheese, dairy whitener, dahi, butter and ghee. These products, sold under the Britannia Milkman brand, are available nationally and Britannia is the market leader in the cheese segment, having led innovation in the category with cheese spreads, flavoured cheese cubes and low fat cheese. For the year ended 31 March 2009, BNZF recorded a turnover of Rs.1,618 MM, compared with Rs. 1,424 MM in the previous year, a growth of 13.6% and reduced the Net Loss to Rs 35 MM from Rs. 51 MM in the previous year. During April 2009 your Company entered into an agreement with M/s. Fonterra Brands (Mauritius Holding) Limited, Mauritius, to acquire the latter's 49% equity and preference shareholding in Britannia New Zealand Foods Private Limited (BNZF), subject to approval of the Reserve Bank of India which was granted on 19 May 2009. With this acquisition, your Company, together with its wholly owned subsidiary

holds the entire equity and preference capital of BNZF.

Going forward, dairy products will play a more dominant role in the growth of your Company.

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

Daily Bread is engaged in the business of premium bakery products. The Company registered a growth of 38% in 2008-09 with sales of Rs. 163 MM and incurred a Net Loss of Rs. 248 MM, mainly due to the relatively high infrastructure investment in Hyderabad and Delhi operations, at a time when the retail sector began to slow down. Consequently, in December 2008, Daily Bread discontinued its operations in these locations with a focus on growing its business in Bangalore where the brand has been available for 6 years and is well established.

Daily Bread has added new institutional customers in Bangalore, developed a franchisee model to expand its footprint and focused on cost effectiveness across the entire value chain. With these initiatives, the Daily Bread business in Bangalore is expected to break even at the EBITDA level this year.

In April 2009 your Company acquired the 25% stake held by the original promoters as a means to streamline and focus operations.

Strategic Food International Co. LLC, Dubai (SFIC)

Your Company holds 70% stake in SFIC. For the period ended 31 March 2009, SFIC recorded a turnover of UAE Dirhams 129.90 MM (Rs. 1,578 MM) and a Net Loss of UAE Dirhams 22.17 MM (Rs. 269 MM).

During the year the business faced severe cost challenges due to exorbitant inflation in the cost of all key commodities like flour, sugar & oil, which resulted in lowering Operating Profit compared to the previous year.

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

Your company holds 65.46% stake in Al Sallan which recorded Sales of RO 6.3 MM (Rs. 730 MM) in 2008-09 and Net Loss of RO 0.6 MM (Rs. 69.0 MM).

In order to obtain synergies in the Middle East operations, your Company successfully consolidated the front-end of the business and appointed common distributors for the products of Al Sallan, SFIC and Britannia exports from India. This has given your

Company the advantage of improving its customer service, resulting in an overall share increase in the key markets of UAE from 6.0% to 9.1% & Oman from 7.8% to 11.6%. Additionally, in order to gain operational efficiencies in the supply chain, the Company consolidated most of its manufacturing operations in Sohar.

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 (Gilt Edge) form the Investment Associates of your Company. M/s Boribunder Finance and Investments Private Limited (Boribunder) is a wholly owned subsidiary of your Company.

The combined revenue and loss of investment companies for the year ended 31 March 2009 was Rs. 1.42 MM and Rs 1.27 MM respectively. The losses are mainly due to reduction in service fee receipts.

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 2008-09 are as under:

Rs. Million

Name of Subsidiary	Gross Income	Net Profit / (Loss)
International Bakery Products Limited, TC Balam, Tamil Nadu	110	2.47
J B Mangharam Foods Private Limited, Gwalior	132	(3.90)
Manna Foods Private Limited, Bangalore	30	(0.41)
Ganges Vally Foods Private Limited, Kolkata	96	0.31
Sunrise Biscuit Company Private Limited, Guwahati	341	(0.35)

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 SFIC and Al Sallan.

The combined revenue and loss of the holding companies for the period ended 31 March 2009 was USD 0.02 MM and USD 0.73 MM respectively.