

IT'S BRITANNIA TIME!

ANNUAL REPORT 2010 - 11



BRITANNIA INDUSTRIES LIMITED



IT'S BRITANNIA EVERY DAY!

Food – it's a conversation starter, and very often, the conversation. In dusty school playgrounds, intimidating boardrooms and overcrowded family functions, it triggers many a war cry, and quickly also becomes the peace offering. It's there to celebrate the beginning and the end of a journey. And everything in between.

Food – it's on the tip of everyone's tongue, 24 x 7. And, so is Britannia.

Every day gets off to a healthy-start with the fully loaded Britannia Marie, savoured with a steaming cup of tea. It's a great way to rejuvenate not just at dawn but all the way till dusk. It gets better with a breakfast spread of Britannia milk, cheese, butter and bread, dahi and parathas or simply Britannia NutriChoice. With over 50% of our products enriched with vitamins and minerals, Britannia ensures that breakfast, however quick, is nutritious.



We understand that the fun of snacking lies in indulging mindlessly anytime, anywhere. That's why we've mindfully eliminated trans fats from our portfolio and created sweet and salty snacks that are baked not fried. For mealtimes, lunch boxes are packed with carefree indulgence because at Britannia,

we care for the well-being of the entire family.

To make everything as healthy as it is tasty, is the inspiration behind everything we create. So that food is enjoyed the way it should be - unconditionally.

Food – it isn't an ingredient in a fun-filled zindagi, but the recipe. And to it, Britannia adds a little more life.



Britannia Annual Report 2010-11

BOARD OF DIRECTORS

CHAIRMAN :

Nusli N Wadia

MANAGING DIRECTOR :

Vinita Bali

DIRECTORS :

Keki Dadiseth

Avijit Deb

A K Hirjee

Nimesh N Kampani

S S Kelkar

Vijay L Kelkar

Nasser Munjee

Ajai Puri

Jeh N Wadia

Ness N Wadia

CHIEF FINANCIAL OFFICER :

Raju Thomas

COMPANY SECRETARY :

P Govindan

AUDITORS :

B S R & Co.

Chartered Accountants

Maruthi Info-Tech Centre,

11-12/1, Inner Ring Road, Koramangala,

Bangalore - 560 071.

BANKERS :

Axis Bank Limited

Bank of America N. A.

Citibank N. A.

HDFC Bank Limited

ICICI Bank Limited

Indian Bank

Standard Chartered Bank

State Bank of India

The Hongkong and Shanghai Banking Corporation Limited

The Royal Bank of Scotland N. V.

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

Executive Office : Britannia Gardens, Old Airport Road, Vimanapura, Bangalore - 560 017.

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FINANCIAL HIGHLIGHTS

₹ Million	2010-11	2009-10	% Change
STANDALONE			
Net sales	42,137	34,035	24%
Operating profit	1,794	1,248	44%
Shareholders' funds	4,513	3,963	14%
Capital expenditure	823	476	73%
Profit before tax	1,981	1,208	64%
Profit after tax	1,453	1,165	25%
Cash flow generation	1,899	1,541	23%
Per equity share (₹)			
Earnings	12.16	9.75	25%
Dividend	6.50	5.00	30%
Dividend + Tax	7.55	5.83	30%
CONSOLIDATED			
Net sales	46,052	37,729	22%
Operating profit	1,700	1,046	62%
Profit before tax	1,871	1,087	72%
Profit after tax	1,343	1,032	30%

REPORT OF THE DIRECTORS

The Directors present their Annual Report together with the Statement of Accounts for the year ended 31 March 2011.

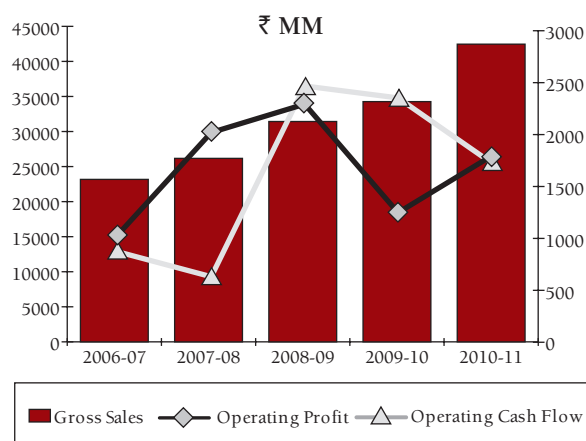
1. FINANCIAL RESULTS

Particulars	₹ MM	
	Year ended 31 March 11	Year ended 31 March 10
Gross sales	42,460	34,266
Other income	588	508
Profit from operations (PBT before other income, finance costs and exceptional items)	1,794	1,248
Profit before tax	1,981	1,208
Less: Tax	528	43
Net profit	1,453	1,165
Add: Profit brought forward	1,448	1,096
Profit available for appropriation	2,901	2,261
Less: Proposed dividend	776	597
Less: Tax on dividend	126	99
Less: Transfer to general reserve	146	117
Balance carried forward to Balance sheet	1,853	1,448
Net cash flow from operating activities	2,431	2,039

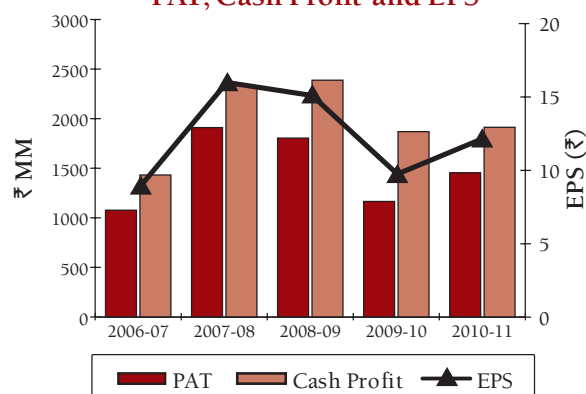
2. OVERVIEW OF COMPANY PERFORMANCE

In an environment that is becoming increasingly competitive and in a business whose profit and profitability are greatly impacted by commodity inflation, profit from operations increased from ₹ 1,248 MM to ₹ 1,794 MM. Your Company added ₹ 8,194 MM to the gross sales, which grew 23.9%. Earning per Share was ₹ 12.16. The tables below show trends in performance across key parameters:

Performance Trends



PAT, Cash Profit and EPS



In 2010-11 the unprecedented inflationary pressures on the consumer food basket continued, as did commodity inflation for the food industry.

Against this adverse economic scenario and continued competitiveness that eroded the overall industry profit pool, your Company continued to focus on its growth strategy, led by its Power Brands and at the same time restructured operations to reduce cost. Britannia bakery brands including cake, rusk and bread grew 23.9% with biscuit brands outpacing market growth.

Your Company addressed the cost challenge by significantly reducing cost through consolidating operations, re-structuring manufacturing units, reducing complexity and eliminating wastages in the value chain. Your Company will continue and intensify the thrust on cost effectiveness in the coming year as well.

Your Company's focus on building new capabilities and a robust pipeline of innovation resulted in several new launches. Coupled with leading edge go-to-market approaches these innovations tap new sources of growth and profitable revenue, while building brand differentiation and relevance. Launches in the Indulgence portfolio continued with 'Treat-O' and 'GoodDay Choconut' and 'GoodDay Chocochip' cookies. Your Company further strengthened its entry in the mass cookies segment through the launch of 'Tiger Krunch' cookies in Fruit n Nut and Chocochip variants. Your Company also entered the functional health segment with the launch of specially formulated Diabetic-friendly biscuits under the Nutrchoice brand. "On-the-go consumption" at the ₹ 5 price point has been a thrust area.

2010-11 saw your Company entering new consumption segments, with the pilot launch of Breakfast Cereals - 'Britannia Healthy Start' in Mumbai. This is a delicious and healthy ready-to-cook range of breakfast options like porridge, oats, upma and poha mixes.

The Company's Dairy operations represent a big pillar for growth. Despite an unexpected inflation in milk prices, growth has been accelerated in the Dairy vertical and synergies are being secured with the Britannia bakery business. Operations have also been streamlined for superior profitability and there have been sustained activities in the highly competitive cheese portfolio. Investment in new innovations - Actimind, Dahi, UHT Milk, Tiger Zor choco-milk was also strengthened.

Growth momentum continued and escalated in the emerging categories – Breads, Cakes and Rusks. Your Company is investing behind these categories and building consumer relevance and brand differentiation through new products, new consumption moments as well as through new communication.

Export out of India continues to grow rapidly at over 30%. Your Company has added dairy products to its exports range. During the current year the Company is expanding the range of products and opening new channels of distribution in key markets.

While the business environment continued to be challenging and competitive, consumers continued to buy and consume more of the Company's brands, more often. Your Company was ranked as the 'Most Respected FMCG Company' by Business World. Consumers once again voted brand "Britannia" as # 1 'Most Trusted Food Brand' and # 5 'Most Trusted Brand' across all product categories in an independent survey conducted by A C Nielsen and The Economic Times. Brand "Britannia" also entered the Hall of Fame as it has been voted among the Top 10 Most Trusted Brands for a continuous period of 10 years.

Britannia won the prestigious IMC Ramkrishna Bajaj National Quality performance excellence trophy 2010 for two of its units – the Rudrapur factory and the cake factory in Mangaldoi.

The Britannia Nutrition Foundation (BNF) was founded in this year and on the eve of National Nutrition Week (1 September 2010), BNF organized a symposium "India's Malnutrition: Combating the Hard Core" in New Delhi. The symposium saw huge participation and engagement with 19 international and national speakers of repute and expertise, and a 200 strong audience comprising the government sector, the development sector, the medical and scientific fraternity.

3. CONSOLIDATED FINANCIAL RESULTS

Your Company has prepared Consolidated Financial Statements in accordance with Accounting Standard 21(AS21) issued by the Institute of Chartered Accountants of India. The Consolidated Statements reflect the results of the Company and those of its Subsidiaries 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 of the Company for the year ended 31 March 2011 was ₹ 46,378 MM.

The Consolidated Net Profit of the Company for the year ended 31 March 2011 was ₹ 1,343 MM compared with ₹ 1,032 MM in the previous year.

₹ MM

Particulars	Year ended 31 March 11	Year ended 31 March 10
Gross sales	46,378	37,963
Other income	649	582
Profit from operations (PBT before other income, finance costs and exceptional items)	1,700	1,046
Profit before tax	1,871	1,087
Net profit	1,343	1,032

Performance of Subsidiaries and Associates is presented below:

SUBSIDIARIES AND ASSOCIATES

Your Directors present herewith a broad overview of the operations and financials of Subsidiaries and Associates of your Company.

Britannia Dairy Private Limited (BDPL)

During the current year, the Company operated in a highly inflationary environment and faced huge cost pressures owing to the surging price of milk which increased by around 17% compared to the previous year. In spite of this the business grew profitably by focusing on its value added portfolio like cheese and registered a turnover of ₹ 2,185 MM compared to ₹ 1,888 MM in the previous year - a growth of 16%. The business recorded a net profit of ₹ 42 MM (after considering an amortization charge of ₹ 130 MM) compared to a net loss of ₹ 344 MM (including an amortization charge of ₹ 498 MM) in the previous year. Your Company managed this by aggressively controlling costs and improving realization for its products in a very competitive market.

With more value-added products in the pipeline, your Company's dairy vision continues to be anchored in building differentiation by giving delightful consumer experiences. The plan is to accelerate profitable growth by augmenting and leveraging sales and distribution and accessing new geographies.

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

Daily Bread is a manufacturer and retailer of premium, gourmet bakery products, including specialty breads, cakes and cookies which it sells to institutional, modern trade and retail segments. In 2010-11 Daily Bread expanded its retail and franchisee operations in Bangalore and Hyderabad.

Daily Bread has achieved a turnover of ₹ 192 MM during the year as against ₹ 147 MM in the previous

year registering a growth of over 31%. Daily Bread has made significant improvement in its operations to achieve cash break-even for the year, compared to cash loss of ₹ 37 MM in previous year.

Strategic Food International Company LLC, Dubai (SFIC)

Despite the challenging global economic scenario and a real population decline in Dubai, UAE where the Company has a sizeable presence, the Company increased sales by 12% to AED 110.8 MM (₹ 1,343 MM) for the year ended 31 March 2011 as against the previous year's levels AED 99.3 MM (₹ 1,280 MM). For the year ended 31 March 2011, SFIC posted a net loss of AED 10.8 MM (₹ 131 MM), compared to a net loss of AED 14.4 MM (₹ 185 MM) for the previous year. A new CEO was recruited in September 2010 to lead the business to the next level.

During the year, the Company increased its market share in the GCC region and made significant brand investments. These initiatives have strengthened the Company's competitive position, with share gains in all markets in the GCC where the Company operates. The recent upheaval in North Africa has affected business in markets such as Libya but the Company is confident that this will be made up in other markets.

Al Sallan Food Industries Company SAOC (ASFI)

Sales for the year ended 31 March 2011 were recorded at Omani Rials (OMR) 7.52 MM (₹ 869 MM) as against OMR 7.56 MM (₹ 924 MM) for the year ended 31 March 2010. Unrest in Sohar led to loss of production in February and March 2011. The Company for the first time since its inception recorded a net profit of OMR 0.15 MM (₹ 18 MM) for the year ended 31 March 2011 compared to a net loss of OMR 0.68 MM (₹ 83 MM) in previous year, after considering an interest waiver from the National Bank of Oman of OMR 0.63 MM (₹ 74 MM) following the early settlement of the outstanding loan. Profitability was adversely affected owing to increase in commodity prices and lower sales due to the challenging global economic scenario.

Investment 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. Boribunder is a wholly owned subsidiary of your Company.

The combined revenue and profit of the investment companies for the year ended 31 March 2011 was ₹ 30.49 MM and ₹ 23.80 MM respectively.

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 2010-11 are as under:

Name of Subsidiary	₹ MM	
	Gross income	Net profit / (loss)
International Bakery Products Limited, TC Balam	139	0.7
J B Mangharam Foods Private Limited, Gwalior	183	7.1
Manna Foods Private Limited, Kolkata	2	0.07
Ganges Vally Foods Private Limited, Kolkata	136	(0.98)
Sunrise Biscuit Company Private Limited, Guwahati	821	(23.0)

Britannia and Associates (Mauritius) Private Limited (BAMPL)

BAMPL, a Company formed in Mauritius and a wholly owned subsidiary of the Company, is the holding company of Britannia and Associates (Dubai) Private Co. Limited, a Jebel Ali Free Zone Company, which in turn holds investments in Strategic Food International Co. LLC, Dubai and Al Sallan Food Industries Company SAOC, Oman.

The combined revenue and loss of holding companies for the period ended 31 March 2011 were USD 0.35 MM (₹ 16.02 MM) and USD 0.45 MM (₹ 20.23 MM) respectively.

Welfare Companies

Britannia Employees General Welfare Association Private Limited, Britannia Employees Educational Welfare Association Private Limited and Britannia Employees Medical Welfare Association Private Limited are the three other Associates of your Company. These are companies limited by guarantee, have no share capital and have been set up for general, educational and medical welfare of the employees of your Company. They are not engaged in any commercial activity.

4. DIVIDEND

The Board of Directors is pleased to recommend a dividend of 325% on the paid up equity share capital of the Company, which works out to ₹ 6.50 per share, for consideration and approval by the shareholders at the Annual General Meeting. The total payout amounts to ₹ 902 MM including dividend distribution tax of ₹ 126 MM.

5. BRANDS

Brands provide the momentum for business growth and during the year, investment in Research and Development, Advertisement and Sales Promotion increased by 12.7% and coupled with the renovation and innovation efforts, resulted in 23.9% growth.

Several new and renovated offerings were successfully introduced across the entire portfolio that include Milk Almond Cookies, Fruit Dhamaka Cookies, Tiger Krunch - Fruit n Nut/Chocochips,

Diabetic friendly biscuits under Nutrichoice, Time Pass Toasted snack variants, Maska Chaska variants, Treat-O and GoodDay - Chocochips and Choconut. Significant introductions in Bread and Cake include Sweet Bread, Milk Bread, Healthy Slice Bread, Premium Sandwich variants and Fruit chunk cakes, and provided significant impetus to the Bread and Cake business.

Your Company continues to invest significantly in its capability-building and structured innovation process, which is reflected in the launch of varied and differentiated offerings to strengthen the business. Your Company has also initiated the process for breakthrough innovations through interactions with reputed institutions, which is expected to help build a strong platform for sustained and significant business leadership and growth.

Significant innovation in packaging has led to the introduction of attractive and cost-effective new packs catering to increasing purchase and consumption both in-home and out of home.

6. SUPPLY CHAIN

The singular focus of supply chain has been to improve availability of stocks and reduce overall cost. A continuous focus on availability through specific projects in the customer service area improved the availability of SKUs at depots and with customers. New tools have been introduced for price discovery and this has brought in vendors with new capability. Further, a focused effort was made to improve volumetric utilization of trucks, which led to good savings. In addition, an IT tool was used to generate the optimum network and this was rigorously followed to deliver the least cost in manufacturing and distribution.

7. QUALITY STANDARDS

Each year your Company re-visits its quality standards and makes them more stringent.

Your Company's Rudrapur Unit (Biscuits) and one of its Contract Packers, Sunandram Foods Private Limited at Guwahati (Cakes) have been awarded the Performance Excellence Trophy in Manufacturing by The Indian Merchant Chambers and Ramkrishna Bajaj National Quality Awards Committee which includes a Crystal Trophy, a certificate and a Citation. The requirements for this award are based on the Malcolm Baldrige model of the US.

It is your Company's endeavor to deliver excellence in quality and there are specific programs in place to pervasively drive this quality culture.

To strengthen the Company's capability for exports to EU, its Contract Packer, M/s. Uttam Foods at Khopoli (Maharashtra) has been certified for BRC (British Retail Consortium) Standards.

8. MANUFACTURING OPERATIONS

Your Company has revised its manufacturing footprint to support profitable growth. In that context, capacities were created at relevant locations to meet demand. Additionally, there was

the continual focus on de-bottlenecking existing capacities and improving the productivity levels at current units.

The creation of these capacities and capabilities has helped the Company deliver the volume growth at improved customer service levels and lower costs.

9. INFORMATION TECHNOLOGY

Your Company continues to invest in Information Technology to improve operational efficiencies and enhance productivity. During the year a business intelligence system was implemented to enable effective analysis of secondary sales information to drive top line growth by identifying new opportunities. A project has also been initiated to connect the contract manufacturing units and depots to the Company's data centre in Bangalore through a more efficient network to ensure faster response to IT systems.

During the year, your Company also consolidated its core ERP infrastructure using new generation servers leading to significant reductions in energy/power consumption and enhanced efficiencies.

10. ENVIRONMENT AND SAFETY

Several initiatives were continued by the Company as part of energy saving measures including a new generation oven piloted in one of its own units. The drive for energy conservation is always a key priority and your Company continually strives to achieve this through process improvements and through enhancing equipment capability. Environment friendly fuels like propane, LPG, PNG and biodiesel were used for baking purposes wherever such fuels were available, to reduce pollution.

As part of its overall safety initiatives, your Company has implemented several safety measures at its Corporate Office at Bangalore mainly in terms of:

- Implementation of Fire Safety Measures in compliance with National Building Code and Fire Norms
- Creation of Emergency Control Room
- Emergency Preparedness and Evacuation

11. CORPORATE SOCIAL RESPONSIBILITY (CSR)

Your Company continues to pursue its Corporate Responsibility by driving the Health and Nutrition agenda in India. Your Company is moving along the path of "Better for You" products and "Good for You" products. "Better for You" includes initiatives of removal of unhealthy content like transfat which the Company undertook three years ago and continues to be the leading Company doing the same. Your Company now has a portfolio of "Good for You" products which are vitamin and mineral enriched – these products constitute 55% of your Company's product portfolio. In the last year, your Company pioneered energy-snacks specially created for people with diabetes – Nutrichoice Diabetic Friendly Essentials. As you would be well aware, India is the Diabetes capital of the world.