

BRITANNIA IN EVERY HEART



ANNUAL REPORT 2011 - 12
BRITANNIA INDUSTRIES LIMITED
A WADIA ENTERPRISE



AT THE HEART OF BRITANNIA

At the heart of Britannia are its employees and what they bring to work every day – the desire to get better at what they do.

At the heart of Britannia is the conviction that we impact the lives of people, creating moments of caring and sharing, the joyful vitality that embodies 'Zindagi Mein Life', through the products we make and sell.

At the heart of Britannia is CSR, and we think of it as 'Corporate Sustainable Responsibility' embedding it into our business model – from environment friendly fuels, to recycling waste, to creating public-private partnerships to address malnutrition.



HEADLINES

2011 - 12



3rd BNF Symposium - 'Making a case for all stakeholders to combat malnutrition'.

Restage of Pure Magic -
Pure Crème.
Pure Chocolate.



50-50 Snackkuits hit the market -
Snack Bhi, Baked Bhi.



NutriChoice Multigrain Thins -
a low fat, low cal, non-fried
healthy snack.



Healthy range of breads -
Multi-Fiber, Multi-Grain,
Honey Oats and Whole Wheat.



Health & Delight
in Gourmet Cheese.
4 delicious flavours -
Classic, Paprika,
Lite and Herbs.



Launch of Vita Marie Honey Oats -
with heart friendly oats and honey.



A great start with Britannia Healthy Start -
Oats, Porridge, Upma and Poha.



Tiger Zor Badam Milk -
with 5 active nutrients.



Brand Equity Most
Trusted Food Brand



National Food
Safety Award



Creative HR
Practices Award



IMC Performance
Excellence Trophy

Zindagi
mein Life

Britannia Annual Report 2011-12

BOARD OF DIRECTORS

CHAIRMAN :

Nusli N Wadia

MANAGING DIRECTOR :

Vinita Bali

DIRECTORS :

A K Hirjee
S S Kelkar
Avijit Deb
Nimesh N Kampani
Jeh N Wadia
Keki Dadiseth
Ajai Puri
Nasser Munjee
Ness N Wadia
Vijay L Kelkar

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 :

Bank of America N. A.
Bank of Tokyo-Mitsubishi UFJ
Citibank N. A.
HDFC 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

₹ in crores	2011-12	2010-11	% Change
STANDALONE			
Net Sale of Products	4,947.04	4,198.32	18%
Profit from Operations	231.91	186.89	24%
Shareholders' Funds	520.04	451.30	15%
Capital Expenditure	191.20	82.35	132%
Profit Before Tax	252.37	198.06	27%
Net Profit	186.74	145.29	29%
Cash Profit	234.06	189.88	23%
Per Equity Share (Nominal value of ₹ 2/- each)			
Earnings (Basic)	15.63	12.16	29%
Dividend	8.50	6.50	31%
Dividend + Tax	9.88	7.55	31%
CONSOLIDATED			
Net Sale of Products	5,460.75	4,589.73	19%
Profit from Operations	249.04	171.77	45%
Profit Before Tax	266.58	187.15	42%
Net Profit	199.55	134.35	49%

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REPORT OF THE DIRECTORS

The Directors present their Annual Report together with the Statement of Accounts for the year ended 31 March 2012.

1. FINANCIAL RESULTS

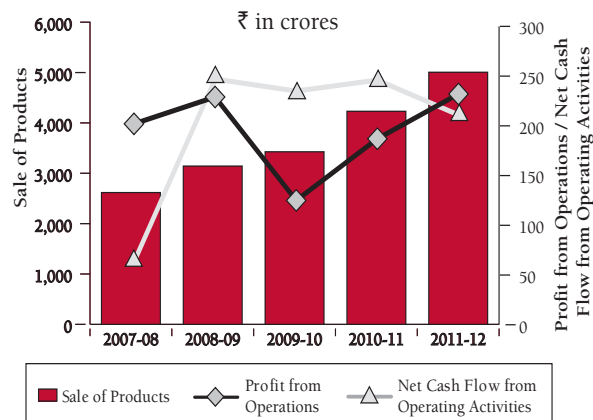
Particulars	₹ in crores	
	Year ended 31 March 12	Year ended 31 March 11
Sale of Products	5,005.66	4,230.59
Other Operating Revenues	27.15	25.20
Other Income	58.53	48.92
Profit from Operations (PBT before other income and finance costs)	231.91	186.89
Profit Before Tax	252.37	198.06
Less: Tax	65.63	52.77
Net Profit	186.74	145.29
Add: Profit brought forward	185.29	144.77
Profit available for Appropriation	372.03	290.06
Less: Proposed Dividend	101.53	77.64
Less: Tax on Proposed Dividend	16.47	12.60
Less: Transfer to General Reserve	18.68	14.53
Balance carried forward to Balance Sheet	235.35	185.29
Net Cash Flow from Operating Activities	210.66	246.32

2. OVERVIEW OF COMPANY PERFORMANCE

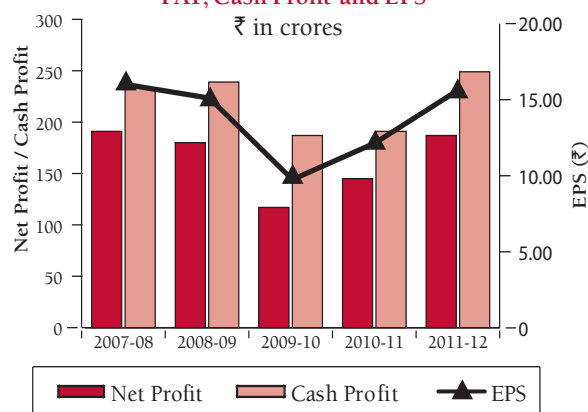
In an increasingly challenging environment and continuing commodity inflation, profit from operations increased 24.1%, from ₹ 186.89 crores to ₹ 231.91 crores. Your Company held its overall share of about one-third of the biscuit market, strengthened its position in other bakery products like bread, cake & rusk and added ₹ 775.07 crores to sale of products, which grew 18.3%. Earnings per Share of ₹ 2 were ₹ 15.63.

Trend lines of key performance parameters are shown in the tables below:

Performance Trends



PAT, Cash Profit and EPS



During the year your Company won several accolades and prestigious awards, among which are:

1. IMC Ramakrishna Bajaj Award for performance excellence for 4 factories in Delhi, Gwalior, Khopoli and Bangalore.
2. CII National Food Safety Award for Delhi factory.

Additionally, Britannia was once again rated the "Most Trusted Food Brand" by consumers across India and achieved the #1 position in the survey done by AC Nielsen for The Economic Times. Brand Britannia also entered the "Hall of Fame" for being in the top 10 most trusted brands, across all product categories, for the last decade.

Your Company continues to focus on 3 key areas to drive operational excellence – revenue management, cost management and innovation. In 2011-12, new products generated 10% of revenue in Bakery and 14% in Dairy. As in previous years, the Company's focus on creating and delivering relevant and differentiated propositions across the portfolio of

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products continued and will be elaborated later in the section on Brands. March 2012 also marked the 25th anniversary of Good Day and several initiatives have been planned through the year to celebrate and enhance the consumer experience of one of the most iconic brands in India, with 4.5 MM packs purchased daily.

Your Company addressed its cost challenge by continuing to intensify cost effectiveness and efficiency initiatives in a special program that spans the entire value chain. Over 350 projects were taken up as part of this program in 2011-12 and covered every function and region. A structured program of continuous improvement was also undertaken in several manufacturing units, using kaizen, productive maintenance and total quality management. A separate program office has been set up to monitor these cross-functional projects on an ongoing basis, which involves a large number of employees across the organization.

To drive 'go to market' efficiencies, dairy and bakery distribution and sales were integrated to provide a higher width and depth of coverage and availability for dairy products. Technology investments were made, in the form of hand-held computers for order booking and capturing of relevant market place information.

Your Company's international business also expanded with export from India growing 36.4% and the 2 companies in the Middle East growing at 32.5%. International sales now account for ₹ 275.7 crores.

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.

Consolidated sale of products of the Company for the year ended 31 March 2012 was ₹ 5,519.96 crores compared with ₹ 4,623.25 crores in the previous year, a growth of 19.4%.

Consolidated Net Profit for the year ended 31 March 2012 was ₹ 199.55 crores compared with ₹ 134.35 crores in the previous year, a growth of 48.5%.

Particulars	₹ in crores	
	Year ended 31 March 12	Year ended 31 March 11
Sale of Products	5,519.96	4,623.25
Other Operating Revenues	24.62	19.65
Other Income	59.14	59.01
Profit from Operations (PBT before other income and finance costs)	249.04	171.77
Profit Before Tax	266.58	187.15
Net Profit	199.55	134.35

Performance of Subsidiaries is discussed below:

SUBSIDIARIES

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

Britannia Dairy Private Limited (BDPL)

The Dairy segment saw heightened competition from both local and international players, as well as 17% milk inflation during the year. In this environment, the dairy business of your Company grew profitably by focusing on differentiated products and registered a turnover (sale of products) of ₹ 293.06 crores compared to ₹ 218.55 crores in the previous year, a growth of 34%. The business achieved net profit of ₹ 15.51 crores (after considering an amortization charge of ₹ 5.54 crores) compared to net profit of ₹ 4.22 crores (including an amortization charge of ₹ 13.04 crores) in the previous year. Your Company managed this by aggressively controlling cost, improving realization for its products and driving innovation 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 and increasing distribution and reach for its products.

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

Daily Bread is a manufacturer of premium gourmet bakery products, including specialty breads, cakes, pastries and cookies which it sells through its own retail stores directly to consumers. It also sells a part of its bread range through modern trade and has an institutional business too. Its operations are largely confined to Bangalore.

Daily Bread achieved a turnover (net sale of products) of ₹ 23.69 crores during the year, compared with ₹ 18.89 crores in the previous year, a growth of over 25.4%. The business is on track to be profitable in 2012-13.

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Strategic Food International Co. LLC, Dubai (SFIC)

Despite the regional upheaval in the Middle East and North Africa due to the Arab Spring, SFIC grew sales by 29.2% at AED 14.32 crores (₹ 186.28 crores) against AED 11.08 crores (₹ 134.30 crores) for the previous year. It posted a net loss of AED 0.33 crore (₹ 4.34 crores), compared to a net loss of AED 1.08 crore (₹ 13.10 crores) in the previous year. The business has seen a sharp and significant improvement in performance with an unrelenting focus on containing cost, improving the product and geographic mix and launching innovative products that have gained consumer traction, like digestive biscuits and wafers.

During the year, the Company increased its market share in the GCC region, led by the UAE and Oman. All brands have shown excellent growth, backed by significant but selective brand investment initiatives that have strengthened the Company's competitive position in all markets where it operates. The Company also started selling in Saudi Arabia and sees good prospects there for future growth.

Al Sallan Food Industries Co. SAOC (ASFI)

Sales during the year ending 31 March 2012 increased 14.7% at RO 0.86 crore (₹ 106.99 crores), compared with prior year sale of RO 0.75 crore (₹ 86.90 crores). Net Loss for the year was RO 1.31 lakhs, or ₹ 163.34 lakhs (last year loss on a comparable basis was RO 4.78 lakhs, or ₹ 564.94 lakhs). However, arising from a one-time interest waiver by The National Bank of Oman, a profit of RO 1.54 lakhs, or ₹ 181.51 lakhs was posted in the previous year.

The company makes and sells a select range of "Britannia" products at its world class facilities in Sohar, Sultanate of Oman, primarily for Middle Eastern markets. Royal Decrees and Governmental directives recently issued in Oman have resulted in a sharp increase in wages for Omani nationals (who constitute a mandatory minimum 35% of the workforce) and the Company is taking several steps to remain cost competitive.

Britannia and Associates (Mauritius) Private Ltd. (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 Company Ltd., a Jebel Ali Free Zone offshore company, which in turn holds investments in Strategic Food International Co. LLC, Dubai, Al Sallan Food Industries Co. SAOC, Oman, and Strategic Brands Holding Co. LLC, a Jebel Ali Free Zone offshore company.

The combined revenue and loss of holding companies for the year ended 31 March 2012 was USD 0.13 crore (₹ 6.35 crores) and USD 0.02 crore (₹ 1.10

crores,) compared to USD 0.07 crore (₹ 3.35 crores) and USD 0.04 crore (₹ 2.04 crores) respectively, for the period ended 31 March 2011.

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 subsidiaries 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 2012 was ₹ 0.14 crore and ₹ 0.08 crore 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 revenue from operations and net profit of the said subsidiaries during 2011-12 are as under:

₹ in crores		
Name of Subsidiary	Revenue from Operations	Net Profit / (Loss)
International Bakery Products Ltd., Pondicherry	15.54	0.16
J B Mangharam Foods Private Ltd., Gwalior	22.64	1.62
Manna Foods Private Ltd., Madurai	10.06	0.06
Ganges Vally Foods Private Ltd., Hoogly	15.52	0.20
Sunrise Biscuit Company Private Ltd., Guwahati	93.65	(0.09)

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 three of the other Subsidiaries 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 425% on the paid up equity share capital of the Company, which works out to ₹ 8.50 per share, for consideration and approval by the shareholders at the Annual General Meeting. The total payout will be ₹ 118 crores, including dividend distribution tax of ₹ 16.47 crores.

5. BRANDS

Brands are the fountainhead of your Company's profitable growth and during the year, significant investments were made in product development, supply chain and advertising and promotion to make Britannia brands relevant and distinctive. Your Company invests a lot of time and effort in talking with consumers and crafting different, better and special products to delight and satisfy a vast array of their consumption occasions.

As mentioned earlier, several new and renovated offerings were successfully introduced across the entire portfolio that include: NutriChoice Multigrain Thins and Roasty, Pure Magic, Treat Fruit Creams, Marie with Honey and Oats, 50-50-Snackuits, Good Day Fresh Bake Butterscotch and Chocolate Ecstasy, etc. Additionally, the Britannia bread range was augmented with Multigrain, Honey-Oats, 100% Whole Wheat and Multifiber breads. A Gourmet cheese range consisting of slices and spreads, as well as the Tiger-Zor chocolate and almond milk provided significant impetus to the Dairy business.

Your Company has and will continue to invest aggressively in brand building programs, including the capability for establishing a continuous pipeline of innovations and renovations. Your Company has also collaborated with reputed academic institutions and other companies to complement its efforts and build strong platforms for sustained and significant product categories and businesses.

Your Company is committed to building a competitive edge at the front-end, driving effectiveness by using technology powerfully and is the only food company that has introduced a 'Hand-Held' device for its sales people to book orders, enabling the capture of real time and accurate information to service demand with speed and precision.

6. SUPPLY CHAIN AND MANUFACTURING OPERATIONS

The focus here continues to be on reducing complexity, improving stock replenishment at depots and distributors and reducing total cost to deliver. Capacity has been added in several existing manufacturing units and 2 new Greenfield units in Hajipur, Bihar and Khurda, Orissa were completed and commissioned towards the end of the year. Additionally, technology innovations that increase manufacturing productivity have been implemented in several units and will be rolled out where relevant.

New tools are being introduced to deal with reducing the network complexity of manufacturing units and depots across the range of product lines, thereby improving availability at optimal cost. Your Company has, where relevant, created operational synergies through combining the sales, distribution

and replenishment structure and infrastructure for domestic Bakery and Dairy.

Procurement processes have been reinforced to ensure greater competitiveness and transparency in price discovery, through the use of e-platforms.

7. QUALITY STANDARDS

The importance on comprehensively addressing quality right through the value-chain has been encompassed in a new program in the Company – 'Q-Next' where the emphasis is to continually raise standards of quality, not just in products and packs but also processes and systems.

To maintain sustained focus on all operational excellence programs, a new function for Manufacturing Excellence has been set up to drive various initiatives like Total Productive Maintenance (TPM), Total Quality Management (TQM) and ongoing improvements through a well-structured Kaizen program.

As mentioned earlier, 4 manufacturing units were given the prestigious IMC Ramakrishna Bajaj National Performance Excellence Award in the manufacturing category. The Corporate Office at Bangalore also received an award, the requirements of which are based on the Malcolm Baldrige Award for Business Excellence in the USA.

Additionally, the Delhi factory received the National Food Safety Award and the Gwalior factory a commendation certificate from the Confederation of Indian Industries. To strengthen the Company's capability for exports to the EU, both these factories have also been certified for BRC (British Retail Consortium) standards.

8. INFORMATION TECHNOLOGY

The relevant and smart application of Information Technology enables your Company to improve operational efficiencies and decision effectiveness. During 2011-12 your Company implemented a Product Lifecycle Management (PLM) system to enhance the productivity of its Research and Development processes. A Supplier Portal was also created to effectively manage procurement operations.

To address the security aspects of information technology systems, your Company deployed Network Security appliances and implemented redundancy in the MPLS network system to ensure high availability of IT systems across all its manufacturing and distribution locations.

A project has also been initiated to transform and integrate supply chain processes using an IT solution to enable dynamic demand planning and effectively address challenges in managing the supply chain.

9. ENVIRONMENT AND SAFETY

Energy conservation and the use of clean fuels continue to be a priority area for your Company. Following a successful pilot test at one unit, a new design oven, to conserve energy requirements, was commissioned in other units.

The use of environment friendly fuels like propane, LPG, PNG and biomass for baking purposes has been extended wherever such fuels are available. Creation of multi-fuel flexibility has led to a significant shift towards use of cleaner fuels and more such opportunities will be harnessed in future. Additionally, a pilot test is in progress to use polymer fuel made from recycled plastic. The endeavor is to continually look for opportunities to shift to clean fuels and conserve energy.

In the spirit of reducing waste and encouraging recycling, a wet waste composting facility has been set up at the Bangalore Office, in collaboration with a local NGO and a Waste Management System has been implemented that fully recycles both the dry and wet waste. The plan is to extend this to other office locations and factories, for which a pilot is already under way at a contract packing unit in Bangalore.

As part of its overall safety initiatives, your Company has implemented several safety measures at all its offices, mainly in terms of:

- An Emergency Preparedness Plan at the Corporate Office
- Safety Audits as per National Building Code for all Regional Offices
- Installation of Safety and Security systems (Fire Alarms, Access Control and Surveillance Systems) at regional offices
- Fire fighting mock drills in most locations.

Your Company is committed to being an environmentally responsible company and ensuring the health and safety of all its employees, contractors and visitors at the workplace. In line with this objective and to create a “Zero Accident” culture, all its factories and joint ventures will be OHSAS 18001 (Health and Safety Systems) certified during the next two years in a phased manner, the work for which has already begun.

Your Company is benchmarking its occupational health and safety performance indicators across all manufacturing locations to identify, monitor, record and adopt best practices in its operations. Its approach to safety and health in the workplace is an essential part of its value proposition for employees and several health and safety initiatives are undertaken on an ongoing basis.

As part of OHSAS certification, GAP assessment on occupational health and safety has been undertaken by Lloyd's Register Quality Assurance Ltd. (LRQA) at the Company's factories in Delhi and Rudrapur and at Super Snacks, a contract packer.

10. CORPORATE SOCIAL RESPONSIBILITY (CSR)

Your Company believes that the best way to be socially responsible on a sustainable basis is to embed that into its business model. It, therefore, approaches CSR as Corporate Sustainable Responsibility and is focusing on 2 areas – food based solutions to increasing nutrition and energy conservation, which includes waste management, elaborated earlier in the note.

Its health and nutrition efforts embody the removal of unhealthy ingredients like trans fats from its biscuit recipes and the addition of micro-nutrients (vitamins and minerals) to almost 60% of the volume it sells through brands like Tiger Glucose, Marie, Vita MarieGold, Milk Bikis, Britannia Bread, Tiger Chocolate and Badaam Milk.

Your Company has also pioneered relevant products to address specific health concerns like diabetes, which is fairly prevalent in India and was the first to bring to market, energy-snacks, with a low glycemic index specially created for people with diabetes – Nutrichoice Diabetic Friendly Essentials. Last year, your Company added to the portfolio a savory, multi-grain roasted snack, Roasty, also with a low glycemic index.

As you are aware, Indians, especially children and women, suffer from wide spread micronutrient deficiency – the most notable being Iron Deficiency Anaemia which affects almost 60% of school going children. Your Company has specially formulated iron-enriched biscuits that can supplement the main, hot meal that is given to children in school. The biscuit becomes an acceptable and welcome ‘carrier’ for iron supplementation. This initiative is executed through a range of partnerships with several NGOs and supply of iron-enriched biscuits to government schools in several states.

During 2011-12, your Company partnered with the Karnataka Nutrition Mission and adopted 2 villages to comprehensively address health and nutrition concerns of children, adolescent girls, pregnant and lactating women. The work involves a baseline understanding of the relevant nutrition and health parameters, creating awareness among women of good health and hygiene practices, educating them on the need for adequate food and nutrition for themselves and their families, supplementing their diet with micronutrients using biscuits as the carrier for these and measuring the health and nutrition indicators over a period of time.