

BRITANNIA INDUSTRIES LTD.

R. Chandrasekhar wrote this case under the supervision of Professor Robert D. Klassen solely to provide material for class discussion. The authors do not intend to illustrate either effective or ineffective handling of a managerial situation. The authors may have disguised certain names and other identifying information to protect confidentiality.

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In June 2011, Vinita Bali, chief executive officer (CEO) of Britannia Industries Ltd. (Britannia), a manufacturer of bakery products, stood at a crossroads. Two years earlier, the firm had started to supply specially fortified biscuits to small groups of children in selected locations in India. This product offered a step toward addressing the problem of malnutrition, which was endemic in many parts of this populous country. Unlike corporate philanthropy, where Britannia would simply donate time and money to social causes, this initiative represented an extension of the company's fundamental strength – making biscuits.

At the firm's headquarters in Bangalore, Bali observed:

There is nothing "social" about responsibility. It has to be sustainable. In order to be sustainable, it has to be rooted in our business. Corporate sustainable responsibility at Britannia rides on our skills and competencies as a company and leverages them fully in promoting social causes. It is centred on manufacturing biscuits, a category of food products that we lead in the Indian market and know best. We have recently created a new segment of what may be called "social" products wherein we divert a small part of our manufacturing capacity for glucose biscuits to fortify them with minerals and vitamins. We can provide, in partnership with developmental agencies and non-profits, fortified biscuits to schoolchildren as a mid-morning snack in the feeding programs administered by provincial governments in schools.

After early signs of success with this program, Bali faced two challenges. How should Britannia scale up the manufacture and distribution of social products? Also, over the longer term, how should the social products be developed into a sustainable business? Scaling up could be achieved through partnerships and securing bids to supply mid-morning snacks within official school meal programs, but a large number of competitors, including local self-help groups, small entrepreneurial firms, and development agencies, offered good alternatives.

Looking at the longer term, Bali had identified several options that might offer a pathway to a sustainable business model. First, Britannia might integrate the new fortified biscuits category into its core branded

biscuit products, positioned to address malnutrition, with in-house production. Alternatively, the firm might simply outsource the manufacture of social products, as was being done for a significant percentage of its other products. Finally, a dedicated facility for social products could be built and managed as a standalone initiative with its own, ideally self-sustaining, business model. A decision was needed quickly, since competitors and other groups were exploring similar opportunities.

MALNUTRITION

Malnutrition stood out as a global phenomenon. By some estimates, one billion people suffered from malnutrition in a total global population of seven billion in 2011. Further, malnutrition represented an underlying cause of the death of 2.6 million children each year worldwide.¹ In essence, malnutrition was evidenced by three physical indicators: underweight (i.e., weight lower than that of a well-nourished child of that age and sex); stunting (lower height-for-age); and wasting (lower weight-for-height). Together, these factors contributed to greater incidence of chronic illnesses in later years. In India, approximately 43 per cent of children were underweight, 48 per cent were stunted and 20 per cent were wasted.²

More generally, malnutrition was well known to be a major problem in India: 47 per cent of Indian children under the age of five, numbering 120 million, were malnourished; and 65 per cent of all school-going children suffered from a lack of iron (or anemia), which affected their physical and mental development. The Indian government had just released its third National Family Health Survey (NFHS) results, which showed that the problem of malnutrition and anemia prevailed not only among children but also among pregnant women and other adults (see Exhibit 1). In terms of productivity losses, malnutrition was estimated to cost India about four per cent of GDP.

Many forces and factors contributed to this global problem. Differing regional advantages, subsidies, quotas and trade barriers affected decisions about how to grow food products, in which part of the world they should be grown, and in what assortment to grow them. Combined, these factors often contributed huge distortions. For example, while India was home to 38 per cent of malnourished children in the world, the country was a net exporter of food grains (like rice).³

While enormous in scope and impact, malnutrition did not constitute an insurmountable problem, even from a cost perspective. For example, a package of 13 direct interventions, termed the “*Lancet* package,” could have an important impact on the nutrition and health of children and mothers. The package included vitamin A and zinc supplements, iodized salt, and the promotion of healthful behavior, including hand-washing, exclusive breastfeeding and complementary feeding practices. The cost of scaling up this package worldwide was estimated to be \$10 billion a year. If shared between developing and donor governments, this sum was widely acknowledged to be affordable.⁴ Furthermore, the World Bank had reported that the cost of micronutrient intervention would be \$0.10 per person per year in India.⁵

¹ <http://www.savethechildren.org.uk/resources/online-library/life-free-hunger-tackling-child-malnutrition.pdf>, accessed May 02, 2012.

² <http://www.britannia.co.in/bnf/media/indrani.pdf> accessed May 20, 2012

³ <http://www.youtube.com/watch?v=8RkOm2E-yEM> Gregory R. Page, chairman and CEO, Cargill Inc., speaking at Darden’s Leadership Series on November 30, 2011 (minutes 12:12 to 13:13 of 1:01:44-hour presentation).

⁴ “A life free from hunger: Tackling child malnutrition,” <http://www.savethechildren.org.uk/resources/online-library/life-free-from-hunger-tackling-child-malnutrition> accessed April 21, 2012.

⁵ Susan Hortonne, “Unit costs, cost-effectiveness, and financing of nutrition interventions,” Volume 1 Working Papers WPS 952, Population and Human Resources Department, The World Bank August 1992 http://econ.worldbank.org/external/defaultmain?pagePK=64165259&theSitePK=469382&piPK=64165421&menuPK=64166093&entityID=000009265_3961003064921, p. 28, accessed April 21, 2012.

In spite of the manageable costs, however, translating solutions into the corporate sector represented a formidable challenge. According to Bali:

We have two concerns at Britannia, as an incumbent corporate player in the malnutrition space, and each [concern] presents an opportunity in its own right. First, malnutrition is silent; it is not infectious and cannot be transmitted. Death certificates, for example, do not list malnutrition as a cause, even when it is so unlike, for example, cardiac disease or diabetes. This is odd because malnutrition cuts across population segments of gender, age and income and is not associated with poverty and deprivation alone. So the question is: How do we make malnutrition part of the general conscience and consciousness in India?

Second, the business of malnutrition is not known for the rigour of metrics. So the question is: what do we measure, how do we measure and for how long do we measure? Metrics and measurements are crucial for us managers in delivering results.

COMPANY OVERVIEW

Established in 1892 in the city of Kolkata in eastern India, Britannia's tea-time biscuits were known to generations of Indian consumers. By 2011, the company had revenues of \$850 million and net profit of \$24 million (see Exhibit 2). The firm was the largest producer of bakery products in India, with about a 28-per-cent share of the \$3-billion Indian biscuits and bread market. Export sales remained small, targeted largely to the Indian Diaspora, and comprised only 1.1 per cent of sales. Over half a billion kilograms of bread, biscuits, cakes and rusk were sold, with roughly 80 per cent of production occurring at third-party sites (see Exhibit 3). Four company-owned manufacturing plants were located across the country – in Kolkata, Delhi, Mumbai and Uttarakhand. The firm also marketed dairy products comprising cheese, dairy whitener, yogurt and butter.

With a population of 1.3 billion, India offered an opportunity for consumer packaged goods (CPG) companies to segment its market in innovative ways; the market also offered a critical mass of consumers at every price point (see Exhibit 4). Competition in bakery products was fierce, coming from both local companies, such as Parle Products, ITC, and Surya Foods, and multinational firms like GlaxoSmithKline, Kraft Foods and United Biscuits, as well as PepsiCo (whose entry into biscuits was imminent).

Individual brands, rather than geography, drove Britannia's organizational structure, with each constituting a profit centre. The firm's portfolio of top-selling biscuit brands included 50-50, Good Day, Little Hearts, Milk Bikis, MarieGold, NutriChoice, Pure Magic, and Treat, in addition to its glucose brand, Tiger. These products covered the entire price spectrum from low- to medium- to high-priced biscuits (Exhibit 5). The demand for glucose biscuits, which were at the low-end of the pricing spectrum, had proven to be strongly price-elastic. Indian consumers, irrespective of their income levels, resisted price increases of these biscuits. Whenever CPG companies attempted to increase the price of their glucose brands, the fall-off in sales was immediate and dramatic. Thus, making these products affordable and available stood out as major drivers for the sector. Distribution represented a major competence at Britannia, which delivered its products through 3.5 million retail outlets across the country.

The company also was known for regularly launching variations of existing products, in addition to new products, in line with changing consumer trends, needs and tastes. For example, in November 2010, Britannia launched a diabetic-friendly variant of Nutrichoice. The following year, the company entered

the branded breakfast food sector with the launch of a new range of ready-to-cook breakfast mixes. Product innovation enabled Britannia to stay ahead in a very competitive market.

HEALTH AND WELLNESS INDUSTRY IN INDIA

The Indian food and beverages market was valued at almost \$300 billion in 2009. Within that figure, packaged food and beverages accounted for about \$21.6 billion, within which the health and wellness products accounted for about \$725 million. These products, comprising natural and fat-free products, were among the fastest growing in India, at over 25 per cent per annum. (Simultaneously, food products containing trans-fats were losing market share, indicating growing health consciousness among consumers.)⁶ Major trends driving this growth included the expansion of supermarkets as preferred shopping destinations, a wide variety of new product introductions, and major manufacturers launching fortified foods such as noodles, rice, cooking sauces and flavoured milk during the last two years.

Moreover, the Indian government had finalized legislation that required food and beverage manufacturers to print nutritional information on labels, a practice that had been commonplace in many countries for decades.⁷ The Food Safety and Standards (Packaging and Labeling) Regulations 2011, as it was called, was to become effective starting from August 2011. The federal government had also set up a statutory body, the Food Safety and Standards Authority of India (FSSAI), to ensure compliance.

Introducing healthier food products and beverages for low-income consumers was considered an important growth option. In 2010, for example, Hindustan Lever (a subsidiary of Unilever) launched Brooke Bond Sehatmand, a fortified tea, and Nestlé India Ltd. introduced Maggi Masada-ae-Magic, a fortified cooking spice mix that could be added to other foods. Coca-Cola India Pvt Ltd. introduced an affordable nutritional soft drink, Vitingo, in order to address the micro-nutrient deficiency in lower-income consumers in the eastern province of Orissa. Britannia was the first among its peers to launch the social products business with an initial focus on fortified biscuits for school children. Although volumes were very small in 2010, at less than 0.1 per cent of Britannia's manufacturing capacity in 2010, management planned to dramatically increase this amount, although a number of challenges remained.

INITIAL STEPS IN FORTIFIED BISCUITS

In 1997, Britannia adopted the corporate tagline: "Eat Healthy, Think Better." This message resonated with the growing awareness among Indian consumers that health issues were linked to food. The company also set a target of "making every third Indian a Britannia consumer." It started removing trans-fats, and reducing sugar and fat levels in its biscuit recipes. These changes followed Britannia's promise of providing "a healthy and nutritious alternative that is also delightful and tasty."⁸

Ten years later, Britannia was drawn into the concept of sustainable development when it secured an order for a few million kilograms of biscuits from the World Food Program (WFP). This program operated under the aegis of the United Nations (UN) and was one of the world's largest humanitarian agencies. However, there was a caveat: the biscuits had to be fortified with nutrients. They were meant for soldiers in war-torn areas such as Afghanistan, Angola, Iraq and Mozambique, where cooking

⁶ <http://360.datamonitor.com.proxy1.lib.uwo.ca:2048/Product?pid=A2DF7855-523B-4679-9D9E-DD44D0DC1C9B> &view=SWOTAnalysis, Company Profile published by Market Line on February 24, 2011.

⁷ <http://www.fssai.gov.in/legislation>, accessed May 20, 2012.

⁸ http://www.britannia.co.in/companyoverview_origineathealthy.htm, accessed May 20, 2012.

facilities were inadequate in the barracks and nutritious products were not readily available locally. Although WFP distributed five categories of nutritional products worldwide (see Exhibit 6), biscuits had some advantages over other types of foods. They had a universal appeal (broke taste barriers); they were portable (could be carried in one's pocket); they were readily consumable (did not require mixing with water); and glucose biscuits, in particular, offered a source of instant energy (fortification took it to a higher level).

The WFP experience exposed Britannia's managers for the first time to the world of micronutrients – a world that was relevant to the Indian situation. Bali had served as the vice-president of corporate strategy at Coca Cola Company in the United States before moving to India to become Britannia's CEO in January 2005. She had witnessed the long-standing tradition of U.S. and European food companies fortifying cereals and grains with vitamins and minerals. These staples provided an ideal means to improve population-wide health because their inputs were farmed in large quantities and processed centrally with fortification at their source. The products also were widely consumed by a large percentage of the population, and the fortifications did not noticeably degrade either the product's flavour or texture.

In India, however, fortification was not common. Bali recognized that without fortified raw materials, primarily wheat, Britannia would have to add the fortification at its own end. It was also evident that being the first Indian biscuits company to fortify its products could yield a competitive advantage. In many countries, any first step by a market leader in the local food industry to introduce voluntary fortification often prompted peers to follow. Subsequently, the local government felt compelled to introduce legislation requiring mandatory fortification.

Pilot Project

In late 2007, leveraging its learnings from WFP, Britannia undertook an initiative in one of the poorest neighbourhoods in New Delhi by providing the neighbourhood children with its glucose biscuit brand called "Tiger," which had been fortified with iron especially for the pilot. Britannia served the children a regular daily dose of biscuits for 90 days and simultaneously monitored their health. The pilot project proved very revealing. Over the short study period, the average hemoglobin levels of individual children rose from 7.5 g/dl to within the normal range, at 11-12 g/dl. The cost was roughly only ₹0.60⁹ (equivalent to about one U.S. cent) per child per day.

In early 2008, Britannia sought out a partnership with the Geneva-based Global Alliance for Improved Nutrition (GAIN) to collaborate on developing a highly fortified iron biscuit. This organization was driven by the vision of a "world without malnutrition."¹⁰ A parallel pilot with the Nandi Foundation, a non-profit in the province of Andhra Pradesh, supplied iron-fortified biscuits to 150,000 school children in the city of Hyderabad. According to Dr. Rajan Sankar, South Asian Regional Manager of GAIN, based in New Delhi:

There are many examples in India of sustainable solutions working well on the ground, but they have two limitations. The speed of implementation is not commensurate with the magnitude of the need at the national level; and the efforts are fragmented. The main challenge is for various stakeholders – like government agencies, the corporate sector, and civil society – to collaborate with one another. It has been the experience of GAIN elsewhere that collaboration mobilizes investments and brings scale. It improves

⁹ ₹ is the symbol for Indian rupee; US\$1 = ₹55.

¹⁰ <http://www.gainhealth.org/about-gain> 6, accessed May 26, 2012.

productivity and reduces costs. Collaboration also enables individual businesses to develop new growth models.

Broader Changes

At about the same time, Britannia decided to progressively fortify its assortment of nearly five billion packs of biscuit brands sold annually to Indian consumers through the nationwide retail channel. Beginning with Tiger, Britannia's glucose brand, the fortification program involved the addition of not only iron but also other of minerals (e.g., zinc and calcium) and vitamins (e.g., B1 and B2). Over the span of roughly a year, the company scaled up the program to cover 10 million packs of fortified biscuits every day; it also extended the effort to the company's bread products. Anuradha Narasimhan, Category Director of Health and Wellness at Britannia, elaborated on one of several challenges:

Taste has been one of the major benchmarks at Britannia during product trials; it is, in fact, the litmus test. We do two or three trials to get the functional attributes of any new product right, but [we perform] 13 to 14 trials to get the sensorial attributes right. The same rigour must apply to our fortification initiatives. If a fortified product does not pass the test of taste in our labs, it does not get onto the assembly line.

By the end of 2009, the program covered 50 per cent of all Britannia products, including biscuits. Recalled Bali:

We decided, right at the beginning, that we would finance the incremental costs of fortification through internal savings rather than recover it from consumers through price increases. We set a financial goal for managers: they had to mobilize a pre-determined percentage of our net sales every year from productivity improvements. The funds would be used, in turn, to finance the costs of fortification and other sustainability schemes. Setting a financial target helped secure the buy-in of operating managers for the sustainability initiative, which until then was top-driven. Now, they could own it. [Setting a target] also [delivered] an alignment of our fortification initiative with our business model.

The Indian government operated two nationwide programs aimed at combating malnutrition among children. The first was the Integrated Child Development Service, which provided supplementary nutrition to pre-school children up to six years of age. Since the service was part of primary health care, it also covered pregnant and lactating mothers. The second was the Midday Meal Scheme that covered 139 million primary school children in 2010 and was considered "the largest school meal program in the world."¹¹ The provision of cooked meals during school hours helped improve not only the nutrition levels of children in the age group of six to 14 years but also their enrolment and attendance in schools.

Britannia's pilot scheme in Hyderabad fit with the Midday Meal Scheme. As part of the scheme, the government supplied wheat and rice from its granaries at no cost to schools. Moreover, to cover the cost of cooking, transportation and consumables, a standard budgetary grant of ₹2.50 per child per day was provided. Cooking facilities in urban areas were centralized so that a common kitchen served several schools in a location, whereas in the rural interior, they were decentralized. Within the pilot program, Britannia bore the cost of biscuit supplementation, amounting to ₹0.60 per child per day.

¹¹ Caitlin Porter, Abhijeet Singh and Ajay Sinha, "The Impact of the Midday Meal Scheme on Nutrition and Learning," http://www.younglives.org.uk/our_publications/policy_papers Young Lives Policy Brief No. 8 August 2010, accessed July 07, 2012.

The objective now became to further ramp up production such that each school-going child received two biscuits daily as a mid-morning snack ahead of the meal (see Exhibit 7). Bali commented:

Scaling up the pilot for school children means building an ecosystem in which there is a shared purpose and belief, a commitment to reach the most at-risk population in a recurring manner, and the competence to push viable solutions forward. I see several alternatives. We could seek partnerships with national and international donors, involved in finding solutions for the malnutrition problem. We could participate in official tenders for the Midday Meals Scheme and secure the competitive bid for a mid-morning snack on the strength of our proof of concept (i.e., fortified biscuits). Or we could look for ways to incorporate social products into our mainstream business model.

MOVING FORWARD

The immediate issue facing Bali was to find ways to leverage the window of opportunity that the WFP order had opened. Global competitors were entering the Indian biscuits industry in increasing numbers, and they could bring significant financial and technical resources to bear, but based on the pilot project, Britannia had acquired a much better understanding of the potential product offerings that could yield a competitive advantage. Bali explained:

The demand for fortified biscuits is huge. Each of the 139 million school-going children in India requires two biscuits per day to meet the minimum calorific needs. The minimum economic scale for outsourcing our fortified biscuits would be two million biscuits daily, catering to the caloric needs of one million children per day [roughly 2,250 tonnes annually].¹² That is the scale at which one can produce in minimum lot sizes; that is the scale at which the supporting supply chain, manufacturing process and the distribution routes become viable.

Scaling up Volumes

Although the social products business was linked to the company's historical strengths in manufacturing and marketing of biscuits, other aspects appeared much less certain. For example, the initial target market could be children through the Midday Meals Scheme. Alternatively, both children and adults who suffer from malnutrition could be reached by independent sales using traditional distribution channels.

If management focused on Midday Meals, a collaborative partnership with community-oriented organizations might offer a means to address shortcomings and gaps. These organizations understood local nuances and provided livelihood to nearby residents; large-scale donors and not-for-profit partners also favoured working with organizations operating at the grassroots level. Britannia was concerned that these organizations might view the firm as emphasizing profits over development.

To overcome this perception, Bali considered how she might develop a tripartite partnership. In essence, a donor group could meet children's needs – broadly defined – while simultaneously leveraging a local community group to identify how to best support childhood development. Britannia could provide a key part of a more comprehensive local solution through its understanding of nutrition.

¹² A packet of seven biscuits weighed 32 g; each biscuit thus weighed 4.6 g.

Alternatively, Britannia could bid in official tenders for the Midday Meals Scheme for mid-morning snacks. The government provided a subsidy of ₹0.56 per snack per child as part of its social welfare programs, and Britannia could use this price as a benchmark in making a bid for a morning snack as part of the ongoing Midday Meal Scheme.

Getting a foothold in that segment would not be easy for Britannia, where the firm would again be perceived as an outsider. Bidding was very competitive, often going up against local self-help groups working in rural India to produce porridges and other mixes. The networking of these groups among vendors and volunteers, in particular, gave them the advantage of being more connected than a national organization like Britannia. As a result, local groups might be the preferred choice in official bids.

Building the Business Model

Beyond the Midday Meal Scheme, Britannia's managers also saw real merit in manufacturing and marketing fortified glucose biscuits in their own right through traditional channels. To do so, the biscuits could be integrated into an existing line of business using in-house production or outsourcing. Alternatively, a dedicated line of business (and facilities) could be established for social products, allowing these foods to be managed as a standalone initiative with its own self-sustaining business model.

Integration with Current Business

Marketing fortified glucose biscuits as products that addressed the need of malnutrition required Britannia to address two aspects. First, the firm had to create a country-wide recognition of malnutrition as a concern that carried huge costs if unresolved. Second, it had to convince potential customers that this product provided a good solution. Generating this degree of recognition in a huge country like India might be beyond Britannia's resources.

At the product level, this option could be viable for several reasons. The price of two biscuits per day was not out of reach for consumers, even in the low-income category. A packet of seven fortified biscuits sold for ₹2 in the retail market (i.e., \$1.14 per kg). Also, if the variable costs were fully recovered, any further contribution, regardless of how small, would offset the existing fixed costs. Britannia had approximately 30,000 tonnes of unutilized manufacturing capacity in 2011 that could be allocated to fortified glucose biscuits (see Exhibit 3). The cost structure would be similar to the company's low-priced brands, like Tiger, which retailed at about \$1.16 per kg (see Exhibit 5).

Narasimhan commented on the potential fit with Britannia's current product portfolio:

We are the leader in the premium biscuit market in Indian. However, for two reasons, I don't view our possible entry into social products as potentially diluting our brand equity. First, the consumption of glucose biscuits, a low-priced product, cuts across the urban-rural divide in India. Glucose biscuits are just as popular among the high-income consumers as among low-income consumer. Biscuits and cookies are, in fact, among the few categories of packaged food products where the penetration among Indian households has reached 96 per cent in urban India and 88 per cent in rural India (see Exhibit 8). Second, malnourishment, per se, is a pervasive phenomenon; it is not limited to the poor. As elsewhere in the world, malnutrition cuts across income, gender and age in India.

Separate Business

Rather than trying to shoehorn social products into an existing business, some managers argued that the firm would be better served by setting up one or more dedicated new facilities that focused on this market. Doing so would offer a clearer line of differentiation and would also demonstrate Britannia's strong commitment to social products. Bali was unsure how customers or government agencies would react to this approach.

The cost of raw materials was somewhat similar to other low-priced brands (see Exhibit 5), although the cost of sugar had fluctuated somewhat over recent years (see Exhibit 9). However, the packaging would be simpler, labour costs would be lower in a rural location setting, and distribution costs would be less because the facility could be located close to target markets. Collectively, these differences might yield up to 15 per cent lower direct costs; however, the size of a dedicated facility would have to be quite large, with a minimum annual capacity of 30,000 tonnes annually. Initial estimates indicated that such a plant could be built for about ₹200 million (i.e., US\$3.6 million). This capital cost could be reduced somewhat by subsidies of between 15 per cent and 30 per cent, if the plant were to be located in an underdeveloped province like Orissa in eastern India.

Outsourcing

This option would pre-empt the need for upfront capital investment for fortified glucose biscuits, while still retaining the option to develop a unique brand at some point in the future. Outsourcing already was used for much of Britannia's production, where in-house manufacturing had fallen from 21 per cent in 2007 to 19 per cent by 2011 (installed capacity also had fallen over the same period, see Exhibit 3). The cost structure of outsourcing would be similar to existing low-priced brands, and capacity could be added in small increments, starting at about 2,250 tonnes annually.

Most importantly, this option would enable Britannia to focus on its core skills: product innovation, brand building, marketing and distribution. Managers could focus their attention on developing a unique competency as a solutions provider in the burgeoning malnutrition space in the Indian market, and because malnutrition was a global issue, there was also the possibility that the firm could replicate any success in countries outside India. First, however, Britannia had to build a sustainable business in the domestic market.

Reviewing the various options, Bali observed:

I believe that the social products business can generate a positive groundswell and trigger a virtuous cycle. All of these alternatives are feasible: we could target either government subsidized meal programs with partners, or we could build our own business by integrating social products with our current products or as a separate business. Undoubtedly, the approach that Britannia adopts will have long-term ramifications for how we think about social products and sustainability.

Exhibit 1

INDIA - ANEMIA AMONG CHILDREN AND ADULTS

Demographic category	Percentage of Category with Anemia	
	2005-06	1998-99
1. Children aged 6-35 months	78.9	74.2
2. Married women aged 15-49	56.2	51.8
3. Pregnant women aged 15-49	57.9	49.7
4. Married men aged 15-49	24.3	NA

Source: National Family Health Survey (NFHS) www.nfhsindia.org/pdf/India.pdf
 NA= Data not available

Exhibit 2

BRITANNIA INDUSTRIES – INCOME STATEMENT
 (ALL FIGURES IN INDIAN RUPEES ₹ MILLIONS)

Year	2011	2010	2009	2008	2007
Income	46,700	38,311	34,599	28,096	22,951
Expenses					
Cost of materials	30,253	24,114	21,190	16,929	14,540
Employee costs	1,801	1,645	1,587	1,262	793
Carriage, freight and distribution	3,005	2,536	2,345	1,880	1,675
Advertising and sales promotion	3,352	3,010	2,356	1,832	1,380
Conversion charges	2,874	2,494	2,248	1,773	1,807
Other operating expenses	2,416	2,300	2,105	1,733	1,161
Depreciation and Interest	1,126	816	985	579	375
Total expenses	44,829	36,917	32,817	25,990	21,733
Profit before tax	1,871	1,394	1,782	2,106	1,218
Net Profit (after tax)	1,342	1,030	1,514	1,774	1,551

Source: Company annual reports.

Exhibit 3

BRITANNIA INDUSTRIES – PRODUCTION
 (ALL FIGURES IN TONNES)

Year	2011	2010	2009	2008	2007
Installed capacity					
Biscuits & high-protein foods	152,100	148,800	163,500	163,500	163,500
Production					
In-house manufacturing					
Biscuits & high-protein foods	119,446	105,227	99,896	103,777	104,495
Bread, bread toast and rusk	-	-	-	-	-
Cake	-	80	-	-	-
Outsource					
Biscuits & high-protein foods	369,972	324,967	356,648	333,812	329,030
Bread, bread toast and rusk	123,354	113,122	101,215	79,693	60,692
Cake	5,592	4,535	4,505	4,148	3,641
Others	-	-	-	291	1,065
Total production	618,364	547,931	562,264	521,721	498,923
Industry Production	1,910,000	1,825,000	1,657,000	1,744,000	1,614,000

Source: Company annual reports, 2008-11, and <http://www.ibmabiscuits.in/industry-statistics.html> (industry production).

Exhibit 4

INDIAN DEMOGRAPHICS
 (ALL POPULATION FIGURES IN MILLIONS)

Year	2001	2011*	2021*
Age group (years)			
Children (0-14)	363	351	337
Young adults (15-34)	347	432	465
Working adults (15-64)	613	780	915
Seniors and others	52	65	95
Total	1,029	1,197	1,347

Notes: Based on 2001 Census; (*) Data for 2011 and 2021 are estimates.

** Attending school or unemployed.

Source: <http://mospi.nic.in>

Exhibit 5

BRITANNIA INDUSTRIES – COSTS AND MARGINS OF BISCUITS AND COOKIES

	Low-price Brands	Mid-price Brands	High-price Brands
Package size	63 g	181 g	100 g
Prices (\$ per kg)			
Retail Price	1.16	2.21	4.55
Net proceeds (sales) to Britannia	0.86	1.56	3.21
Costs (\$ per kg)			
Raw materials	0.51	0.47	1.01
Packing materials	0.11	0.12	0.26
Manufacturing	0.09	0.25	0.20
Depreciation	-	0.28	-
Distribution	0.07	0.08	0.14
Total cost	0.78	1.20	1.61
Gross margin (\$ per kg)	0.08	0.36	1.60

Source: Company files.

Exhibit 6

WORLD FOOD PROGRAM – SPECIAL NUTRITIONAL PRODUCTS

<i>Type of Product</i>	<i>Definition</i>	<i>Uses</i>	<i>Preparation</i>	<i>Nutritional value (per 100g)</i>
1. Fortified Blended Foods	Blends of partially pre-cooked and milled cereals, soya, beans and pulses fortified with micronutrients (vitamins and minerals).	WFP Supplementary Feeding and Mother and Child Health programs.	Mixed with water and cooked as a porridge.	Energy: 380Kcal – Protein: 18% - Fat: 6% - Micronutrients added: Vitamins A, C, B12, D, E, K, B6, Thiamine and Folic acid.
2. Ready-to-Use Foods	Pre-cooked foods containing vegetable fat, dry skimmed milk, malt dextrin, sugar and whey - Used for children (6 to 59 months)	Emergency operations or at the beginning of a WFP intervention for prevention or treatment of moderate malnutrition.	Consumed directly from containers; designed to be eaten in small quantities, as a supplement to the regular diet.	Energy: 534Kcal / 545Kcal – Protein: 12.7g /13.6g – Fat: 34.5g / 35.7g
3. Fortified Biscuits	Wheat-based biscuits fortified with vitamins and minerals.	War zones where cooking facilities are scarce.	Consumed directly from the packet	Energy: 450Kcal – Protein: 10 to 15g – Fat: 15 g
4. Sprinkles	A (tasteless) powder with vitamins/minerals. Can be sprinkled after cooking just before eating.	Useful when fortification of cereal flour cannot be implemented or when it is inadequate for specific groups.	Sachets; one sachet per person sprinkled onto home prepared food or school feeding programs	One sachet provides the daily intake of 16 vitamins and mineral for one person
5. Compressed Food Bars	Bars of compressed food, consisting of baked wheat flour, vegetable fat, sugars, soya protein concentrate and malt extract.	Used in disaster relief operation when local food cannot be distributed or prepared.	Can be eaten as a bar or crumbled into water as porridge. Drinking water must be provided as the bars are compact and dry.	Energy: 250kcal - Protein 8.1 g – Fat: 9.4 g

Source: Adapted from <http://www.wfp.org/nutrition/special-nutritional-products>, accessed April 18, 2012.

Exhibit 7

FORTIFIED GLUCOSE BISCUIT - NUTRITIONAL COMPONENTS

<i>Component</i>	<i>Nutrition (per 100 g)</i>
Carbohydrates (g)	73.0
Sugars (g)	25.0
Proteins (g)	7.0
Fat (g)	13.3
Saturated fatty acids (g)	6.4
Mono unsaturated fatty acids (g)	5.0
Poly unsaturated fatty acids (g)	1.5
Trans fatty acid (g)	0
Cholesterol (g)	0
Dietary fibre (g)	-
Energy (calories)	440
<i>Micro-nutrients</i>	
Calcium (mg)	15
Iron (mg)	7
Folic acid (mg)	25

Note: Based on values calculated by the National Institute of Nutrition, Hyderabad, India.

Source: Company files.

Exhibit 8

MARKET REACH – INDIAN BISCUITS AND COOKIES CATEGORY

Urban India		Rural India	
Households (millions)	75	Households (millions)	156
Consumer segment	Category penetration	Consumer segment	Category penetration
SEC A	11%	R1	10%
SEC B	18%	R2	15%
SEC C	22%	R3	15%
SEC D/E	45%	R4	21%
-	-	R5	27%
Total Urban reach	96%	Total Rural reach	88%

Notes: SEC= Socio Economic Classification SEC indicates the affluence level of a household to which an individual belongs. SEC of an urban household is defined by the education and occupation of the chief wage earner of the household. It has eight categories, in descending order of affluence: a1, A2, A3, B1, B2, C, D, E1 and E2. For a rural household, SEC is defined using five categories, R1 to R5, rated in descending order of affluence.

Source: Company files.

Exhibit 9

DIRECT MATERIAL COSTS
(ALL FIGURES IN PERCENTAGES)

Year	2011	2010	2009	2008	2007
Flour	26.7	30.0	29.8	30.9	30.0
Fats and Oils	15.4	15.7	18.6	19.8	21.2
Sugar	19.1	17.1	11.8	11.4	15.1
Lamination pack	9.0	8.5	9.9	10.6	10.7
Others	<u>29.8</u>	<u>28.7</u>	<u>29.9</u>	<u>27.3</u>	<u>23.0</u>
Total	100	100	100	100	100

Source: Corporate annual reports, 2009-11.

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