

 **100 YEARS**  
OF BUILDING HAPPY NESTS



Good Food, Good Life

Nestlé India Limited

Annual Report 2011

## The Board of Directors of Nestlé India



Standing from left to right in the front row

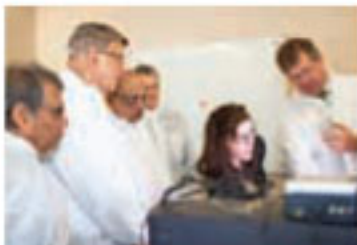
- 1 Rakesh Mohan  
Non Executive Director
- 2 Swati A. Piramal  
Non Executive Director
- 3 Antonio Helio Waszyk  
Chairman & Managing Director
- 4 B. Murli, SVP-Legal  
and Company Secretary
- 5 Michael W.O. Garrett  
Non Executive Director

Standing from left to right in the back row

- 1 Ashok Kumar Mahindra  
Non Executive Director
- 2 Shobinder Duggal  
Director-F&C
- 3 Christian Schmid  
Director-Technical
- 4 Ravinder Narain  
Non Executive Director



The Board of Directors of Nestlé India Limited recently visited Nestlé S.A., Switzerland for interaction with the Executive Board of Nestlé S.A. and to further enhance its understanding on the scope of services provided under the General Licence Agreement. Nestlé India's board was updated with the recent developments in the research and development activities at Nestlé's R&D Centres across the globe. The Board took special interest to visit the central Nestlé Research Centre at Lausanne, Switzerland as well as the Product Technology Centre at Orbe, Switzerland which has been providing Nestlé India with technological inputs and know-how for coffee and wafer confectionary.





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	Balance Sheet Abstract & Company's General Business Profile (Inside Back Cover)





Dear Shareholders,

This year we celebrate 100 years of Nestlé in India. It is an affirmation that our 'family roots' in India are deep; we have grown-up with India and we are an integral part of families. What an achievement to have our EPS touching 100 rupees at the time Nestlé is celebrating 100 years!

There have been so many achievements and milestones in this journey! But the most significant one is the immense trust that our consumers, our business partners and the communities where we operate, have in us. Nestlé India has been often recognised amongst the top wealth creators and the most trusted companies. It has now also been rated amongst the best companies to work for and amongst Fortune India's most admired companies. Business Standard has declared us STAR MNC, for the second time in three years and written "The award that took the least time to be decided was the STAR MNC of the year and everyone agreed the best part of Nestlé was its ability to localise brands - MAGGI for example. India's largest food company headed by CMD Antonio Helio Waszyk has also put in a stellar performance on numbers."

I want to congratulate you and acknowledge that these recognitions have been possible due to the strength of our Brands, the engagement of our People and the strong support provided by Nestlé S.A. Even though the current environment is uncertain and volatile requiring cautious attention, we continue our journey. We are proud to be part of India's success story and we will continue to innovate and delight consumers by delivering 'Good Food, Good Life'.

**Antonio Helio Waszyk**  
Chairman & Managing Director

Nestlé is an integral part of the social fabric of India for 100 years. In 1912, it began trading here by importing and selling finished products that included MILKMAID and chocolates.





**Stakeholders**

**Brands, Products  
and Services**

Enhancing the  
quality of life  
with good food  
and beverages,  
everywhere

**Benefits**

**Personality**

The core essence of Nestlé is its vision to provide families with taste and nutrition and to create value not only for shareholders but also for society. With this vision Nestlé has continued to evolve and grow with India, managing its business in a responsible manner. It has invested in Brands and Factories, and to create sustainable value Nestlé has focused on the three pillars of Nutrition, Rural Development and Water.



Today, Nestlé Brands touch millions of consumers every day across generations and the Company is actively working to provide safe, hygienic, high quality and tasty products for everyday consumption, making Nutrition, Health and Wellness more accessible to consumers.







Our core business is built around consumers, helping them with taste, balance and health in every day diets, through responsible communication, empowering consumers and helping them make informed choices.





Nestlé brands are like the pulse of the nation and are constantly innovating and renovating in tune with the changing lifestyles of India and include MAGGI, NESCAFÉ, NESTLÉ a+, KIT KAT, MUNCH, POLO, NAN, LACTOGEN, CERELAC, MILKMAID and NESTEA.



Nestlé India manufactures these high quality products at its factories in India. It set up the first factory in Moga [Punjab] in 1961 and today it already has seven factories. More importantly, in keeping with its vision of long-term sustainable growth Nestlé is investing around Rs. 2000 crore at existing factories and in setting up a new factory at Tahliwal [Himachal].



Nanjangud



Ponda



Samalkha



Tahliwal





The most obvious benefit that Nestlé brings to the area it operates in is the creation of both direct and indirect employment. In the process of creating economic prosperity Nestlé mainly focuses on transferring technology and knowledge in three key areas of Nutrition, Rural Development and Water.

Nestlé follows this approach across suppliers. It helps local companies improve quality by guiding them, and providing technology and best practices to upgrade their quality to international standards.



The extension work by Nestlé Agri-services with the communities of Moga is a pioneering example of rural development. Instead of investing in land and setting up its own milk farms Nestlé created a model where it provides the technology to increase produce hygienically and reduce waste and empower the farmer economically. Making dairy farming a sustainable income source even for small and marginal farmers it has developed Moga into a vibrant milk economy producing high quality milk and increased all round prosperity. Today over 110,000 milk farmers benefit from Nestlé expertise.



Mr. Nandu Nand Kishore, Zone Head, AOA, Nestlé S.A. and Mr. Javed Akhtar, Chairman, Coffee Board inaugurating the training centre.

The Company recently rolled out the NESCAFÉ PLAN in India and will now work with coffee farmers, local experts and the Nestlé R&D Centre in France. The intent is to combine the traditional wisdom amongst coffee farmers in India with the benefits of modern science, help retain the characteristics of good coffee, improve productivity and quality of the coffee farms, and benefit farmers across the coffee growing areas of Karnataka, Tamil Nadu and Kerala by make coffee farming sustainable.





Tasty and nutritious products that contribute to the health and well-being of consumers is another pillar at Nestlé India. The Company is constantly innovating and renovating products by using technology and expertise in science-based nutrition to develop products for everyday consumption that have a 'Health Plus'. In 2010 as part of the Nestlé Healthy Kids Global Programme it also launched a Nutrition Awareness initiative across India which is structured to help students absorb basic knowledge in a practical manner.



▲  
Mr. Paul Bulcke, CEO Nestlé S.A.  
at a village school in Nanjangud, Karnataka

The third pillar that Nestlé considers very important is water. Within Nestlé India factories there is continuous effort to improve operational efficiency, minimise consumption of natural resources and reduce waste and emission while maximising production. Over the past decade the Company has not only improved very markedly its use of natural resources but also reduced significantly waste and emissions. It has also created and increased awareness amongst the communities around its factories to help preserve the environment.

Water  
Consumption  
(m<sup>3</sup>) per tonne  
-54%

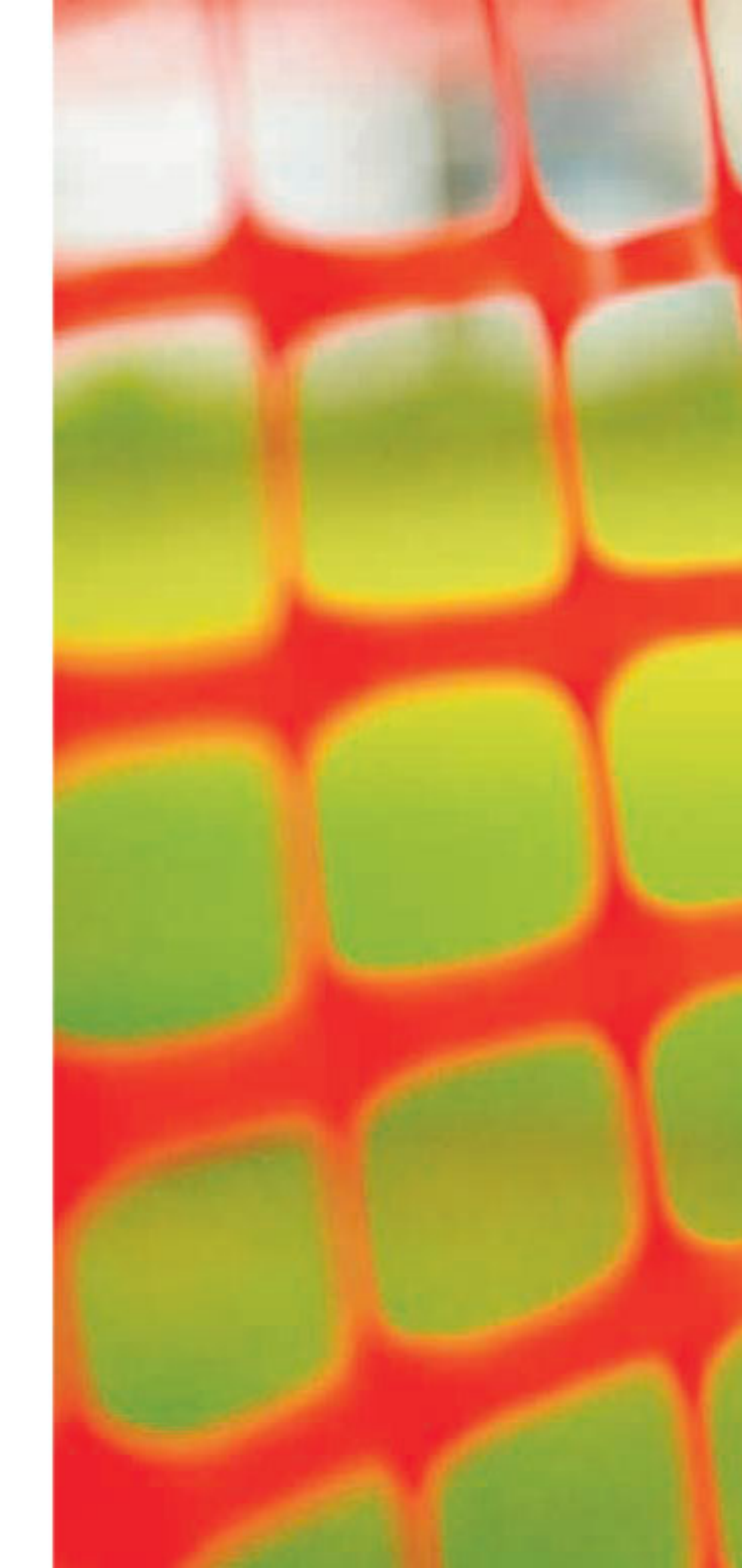
Water Discharge  
(m<sup>3</sup>) per tonne  
-58%

Energy  
Usages (GJ)  
per tonne  
-49%

Direct CO<sub>2</sub>  
Emissions  
per tonne  
-53%





A vertical strip on the left side of the page features a microscopic view of plant cells. The cells are roughly rectangular with rounded corners, showing a clear cell wall structure. The color palette transitions from a bright red at the top to a vibrant green at the bottom, with yellow and orange tones in between, suggesting a cross-section of a leaf or stem.

Our success is based on our people. We are committed to preventing accidents, injuries and illness related to work, and to protect employees, contractors on our sites and others involved along the value chain. Our Policy on Safety at Work establishes safety as a non-negotiable priority of our culture.





The clear vision and sustained work has ensured that Nestlé is amongst the Most Respected and admired Companies today.



Dun and Bradstreet awards Nestlé India D&B Rating 1 for Highest Level of Creditworthiness in the Country

The BT-Indicus PeopleStrong Survey Ranked Nestlé India amongst 'Best Companies to work for'

Nestlé India Wins SILVER from Coffee Board of India for exporting Instant Coffee

MAGGI catapults into the Top 10 Most Trusted Brands in The Economic Times Brand Equity Survey. Moves up from 5th to 2nd rank in the Foods industry

KIT KAT facebook page wins 'BRONZE DRAGON' at 2011 Promotion Marketing Awards of Asia

KIT KAT awarded Silver and Bronze at GoaFest 2011

NESCAFÉ wins Silver and Bronze at EFFIE Awards 2011



**The ultimate expression that Nestlé believes in  
and endeavours to do is to provide 'Good Food, Good Life'.**

## Corporate Information

### MANAGEMENT COMMITTEE

Antonio Helio Waszyk - Chairman & Managing Director  
Shobinder Duggal - Finance & Control  
Christian Schmid - Technical  
Ganesan Ampalavanar - Sales  
Biplab Baksi - Human Resources  
Luca Fichera - Supply Chain  
Shivani Hegde - Foods  
Binu Jacob - Nutrition  
B. Kannan - Chocolates and Confectionery  
Sanjay Khajuria - Corporate Affairs  
Virat Mehta - Communications  
Chandan Mukherji - Consumer Insight  
B. Murli - Legal & Company Secretary  
Kumaran Nowuram - Dairy  
Zander Taningco - Nestlé Professional  
Rajkamal Sharma - Exports  
Nili Zur - Beverages

### BANKERS

Citibank N.A.  
Bank of America N.A.  
Bank of Tokyo-Mitsubishi UFJ  
Deutsche Bank AG  
HDFC Bank Limited  
ICICI Bank Limited  
JP Morgan Chase Bank N.A.  
Punjab National Bank  
Standard Chartered Bank  
State Bank of Hyderabad

### AUDITORS

A.F. Ferguson & Co., Chartered Accountants,  
9, Scindia House, Kasturba Gandhi Marg,  
New Delhi 110 001

### WEBSITE

[www.nestle.in](http://www.nestle.in)

### INVESTOR EMAIL ID

[investor@in.nestle.com](mailto:investor@in.nestle.com)

### REGISTRAR & TRANSFER AGENTS

M/s Alankit Assignments Limited  
2E/21, Jhandewalan Extension,  
New Delhi, 110 055  
Tel No : 011-42541234, 23541234  
Fax No : 011-41540064

### REGISTERED OFFICE

M-5A, Connaught Circus, New Delhi - 110 001

### HEAD OFFICE

Nestlé House  
Jacaranda Marg, 'M' Block, DLF City, Phase II,  
Gurgaon - 122 002 (Haryana)

### BRANCH OFFICES

Spencer Plaza, 6th Floor 769, Anna Salai,  
Chennai - 600 002 (Tamil Nadu)

Tower "C", 12th Floor, DLF IT Park, 08, Major Arterial  
Road, Block - AF New Town, Rajarhat, Kolkata - 700 156

1st Floor, ICC Chambers, Near Saki Vihar Telephone  
Exchange, Saki Vihar Road, Powai, Mumbai - 400 072  
(Maharashtra)

M-5A, Connaught Circus, New Delhi - 110 001

### FACTORIES

Village Maulinguem (North), Bicholim Taluka - 403 504  
(Goa)

Ludhiana-Ferozepur Road, Near Kingwah Canal,  
Moga - 142 001 (Punjab)

Industrial Area, Nanjangud - 571 301 Mysore District  
(Karnataka)

P.O. Cherambadi - 643 205 Dist. Nilgiris (Tamil Nadu)

Patti Kalyana, Kiwana Road, Samaikha - 132 101 Dist.  
Panipat (Haryana)

Plot No. 294-297, Usgao Industrial Area,  
Ponda - 403 406 (Goa)

Plot No. - 1, Sector No. -1A, Integrated Industrial Estate,  
SIDCUL, Pantnagar- 263145, Dist. Udham Singh Nagar  
(Uttarakhand)

### LISTING OF EQUITY SHARES (Listing Fees paid)

The Bombay Stock Exchange Limited, Mumbai  
Phiroze Jeejeebhoy Towers, Dalal Street,  
Mumbai - 400 001  
(Scrip Code : 500790)

### 53rd ANNUAL GENERAL MEETING

Friday, 30th March, 2012 at 10.00 A.M. at  
Air Force Auditorium, Subroto Park, New Delhi - 110 010

Shareholders attending the AGM are requested to bring  
with them the enclosed ATTENDANCE SLIP.



## Directors' Report – 2011

Dear Members,

Your Directors are pleased to present their report and the statement of accounts for the year ended 31st December, 2011.

The year 2011 was unusual in many ways. You are aware of the global slowdown and in particular the precarious situation in Europe in recent times. Considering the world situation and that India has been witnessing uncertain political environment, high fiscal deficit, high inflation (in particular food inflation) and extreme currency volatility; India's growth in 2011, though lower compared to earlier years, has still been one of the best performing in the world. Your Company has always believed in the long term growth potential of India and also invested significantly in capital expenditure to be ready to seize growth opportunities. To overcome the challenges posed by a difficult and complex external environment your Company responded proactively by undertaking measures such as portfolio, product and channel optimisation and Nestlé Continuous Excellence initiatives especially the projects to improve the overall profitability and sustain the growth momentum from earlier years. Net Sales have increased by 19.8% and Earnings Per Share at Rs 99.73 have increased by 17.5%. Operating profit before interest and tax, as a percentage of Net Sales, has improved by 0.3% with operating cash flows remaining at healthy levels.

This year Nestlé is celebrating the landmark of '100 years of Building Happy Nests' in India and your Company has played a very significant role in this achievement. Through the years your Company has invested to better understand the needs and aspirations of the consumers in India and to provide 'Good Food, Good Life'. Economic growth and increased prosperity in recent years has helped bring focus on the potential of India and raise awareness that good food is essential to stay healthy and to be able to participate in economic activity. Your Company has always reiterated this and implemented

initiatives to reach more and more consumers with products that can provide Nutrition, Health and Wellness.

As the awareness of nutrition improves, it is becoming clearer that balanced nutrition is a challenge across the income pyramid and it requires knowledge of nutrition and capability to innovate and find relevant solutions to help improve the nutritional status of the society. On one hand large sections of the population do not have basic knowledge of nutrition and the ability to access affordable nutrition. On the other hand, there is concern about increasing problems of lifestyle diseases including Diabetes, Obesity and Cardio-Vascular, and the growing realization that it is in our long term interest to stay healthy and reduce the burden of healthcare costs. Your Company has access to Nestlé Group's expertise/knowledge and their advanced and extensive global R&D network, and continues to work closely with them to develop tasty and healthy food concepts as well as to find ways to improve nutritional awareness amongst communities and consumers.

Nestlé is an integral part of the social fabric of India for 100 years now. The consistent efforts of your Company in understanding consumers and their changing lifestyles, and developing tasty and healthy, high quality, relevant product concepts with strong brands demonstrates the desire to further build on this consumer trust.

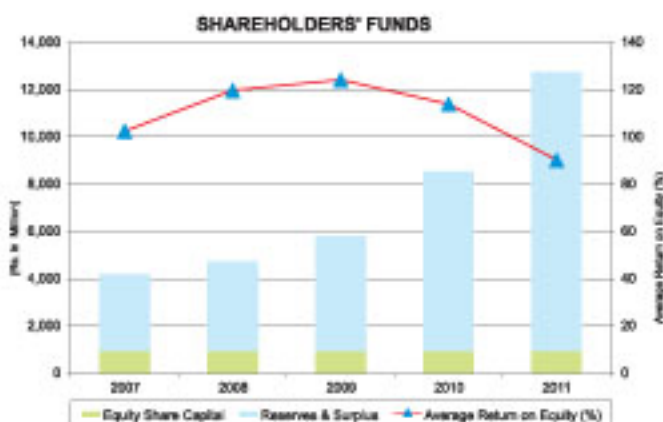
Your Directors are satisfied that the Company has conducted itself with fairness and integrity and the impact of our business and engagement through it creates long term value for both society and stakeholders. During the past year also it has continued to emphasize better internal alignment and leverage its strong culture to further improve productivity and reduce waste for sustained growth. At the same time it continued to invest resources in the areas of water, nutrition and rural development where your Company can create significant value and which are very important both for your Company and for society.

## FINANCIAL RESULTS AND OPERATIONS

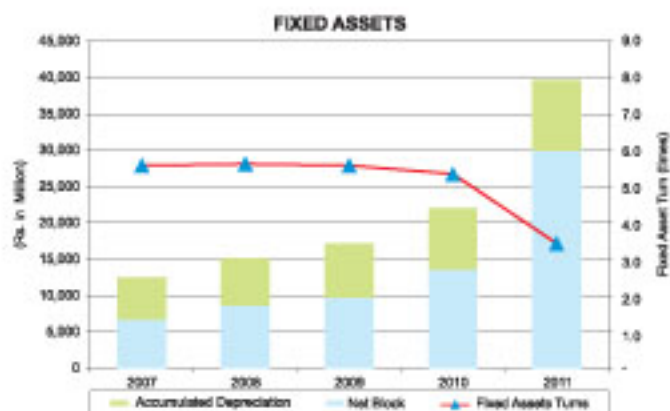
	(Rs. In Millions)	
	2011	2010
<b>Net Sales</b>	<b>74,908</b>	<b>62,547</b>
Add: Other Operating Income	236	189
Less: Operating Expenses	60,914	51,328
Less: Impairment Loss on Fixed Assets (Net)	104	-
Less: Provision for Contingencies (Net) - from Operations	287	21
<b>OPBIT #</b>	<b>13,839</b>	<b>11,387</b>
Add: Other Income (excluding Other Operating Income)	273	238
Less: Interest & Financing Expenses ##	51	11
Less: Provision for Contingencies (Net) - others	182	163
Less: Tax Expense	4,264	3,264
<b>Net Profit</b>	<b>9,615</b>	<b>8,187</b>
Add: Profit Brought Forward	3,345	1,425
<b>Balance Available for Appropriation</b>	<b>12,960</b>	<b>9,612</b>
Less: Interim Dividends	3,471	3,471
Less: Final Dividend Proposed	1,205	1,205
Less: Corporate Dividend Tax	754	772
Less: Transfer to General Reserve	961	819
<b>Surplus carried in Profit and Loss Account</b>	<b>6,569</b>	<b>3,345</b>
<b>Key Ratios</b>		
Earnings per Share (Rs.)	99.73	84.91
Dividend per Share (Rs.)	48.50	48.50

# Profit from operations before other income (excluding other operating income), interest, other contingencies and tax.

## Excludes Rs. 1,100 Millions treated as Capital Expenditure



Net Profit for the year 2011 increased by 17.5%. The cost of materials for goods sold in percentage of Net Sales has decreased to 47.9% from 48.9% in 2010, mainly due to improved product / channel mix and Nestlé Continuous Excellence initiatives, partially offset by the higher input cost inflation. Tax expense increase is higher than the increase in Net Profit due to the end of the first five years of income-



tax holiday @ 100% of profits from the Pantnagar factory. Effective 1st April, 2011 for the next five years, the Tax holiday will continue @30% of profits from Pantnagar



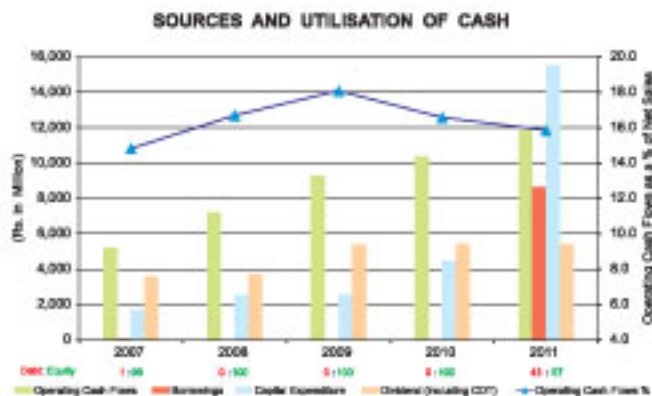
factory. The increase in Interest and Financing Expenses is after reducing Rs. 1,100 Million out of the costs of borrowing, which comprise largely of the exchange loss on External Commercial Borrowing, as this has been treated as capital expenditure in line with applicable Accounting Standards.



Your Company continued to emphasise cash generation and delivered strong operating cash flow during the year. Short term surplus funds arising out of timing differences between generation and utilization thereof, have been prudently invested after ensuring that such investments satisfy the Company's criteria of safety, liquidity and returns.



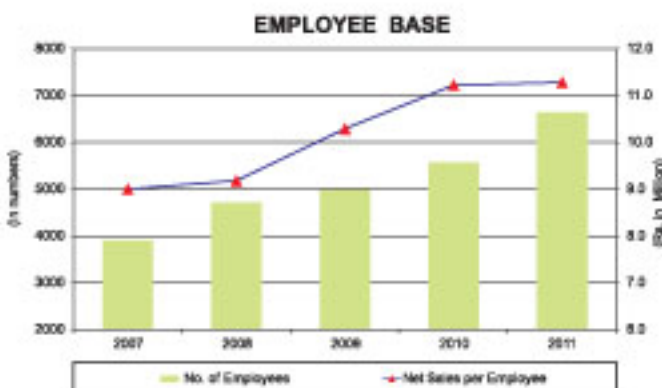
The Impairment Loss on Fixed Assets of Rs.104 Million relates to various items of plant and machinery that have been brought down to their recoverable value upon



evaluation of future economic benefits from their use and is net of deferred taxes of Rs.70 Million.



The Company supplemented the Provision for Contingencies with further amount of Rs.469 Million (net) for contingencies resulting mainly from issues, which are under litigation/dispute and other uncertainties requiring



management judgement. This was after the reversal / utilisation of Rs. 24 Million provision, due to settlement of

certain disputes for which provision was no longer required.

The current year has commenced with uncertainties and ambiguity especially with respect to the political and economic environment which requires careful attention but your directors are committed to sustain momentum. Your Company is hopeful the government, though it's policies, will continue to support food processing sector which is integral to India's growth model with moderate inflation.

Your Directors are confident of the long-term business prospects of the Company.

## EXPORT

During the year, Export Sales at Rs. 3,958 Million was higher by 11.9%.

The increase in exports was largely on account of increase in exports of Coffee to Russia and Egypt, aided by better realization. Exports of coffee to Turkey also received a further fillip due to development of a new grade for that market. Efforts have been to widen the direction of coffee exports. In addition, the year saw an increase in exports of the culinary range to United States of America and United Kingdom, aimed at the Indian Diaspora. Concentrated efforts were made to increase penetration in the ethnic segment. These increases were offset by the ban on export of Milk powders.

Exports of Instant Tea witnessed good increase during 2011, particularly to Mexico, Japan and Singapore. Continuous efforts to innovate and renovate products, ensures that your Company remains updated on customer requirements, which is essential for new business development.

Your Company continued its efforts to develop more products for the Indian ethnic community abroad and certain new products were developed during the year, which would be shipped during the ensuing year. Some new grades of Instant Tea have been developed in response to customer specifications and these will add variety and value to the portfolio in the coming years.

## DIVIDENDS

The Board of Directors has recommended a final dividend of Rs. 12.50 per equity share of the face value of Rs. 10/- each for the year 2011, amounting to Rs. 1,205 Million. This is in addition to the two Interim Dividends for 2011, aggregating to Rs. 36.00 per equity share, paid in May 2011 and December 2011 (amounting to Rs. 3,471 Million). The total dividend payout for 2011 would be Rs. 4,676 Million (excluding the corporate dividend tax), and maintains the



total dividend payout for 2010, and is in keeping with the financing needs for capital expenditure.

## BUSINESS DEVELOPMENT

Good food and good life are directly linked because nutrition has a clear role in enhancing health and wellness in our lives. This requires products that are tasty, healthy and relevant, and also a better understanding of how food can provide Nutrition, Health and Wellness in different ways. Your Company continued to educate people on the importance of nutrition at different stages in their lives. For people who may be interested in the ongoing work and new insights in this field the Company has put in place initiatives to constantly update them with the knowledge. Your Company is partnering with medical and nutrition experts through the 'Nestlé Start Healthy Stay Healthy' knowledge program to encourage consumers to understand the role of nutrition in different stages so that they can nurture a healthier generation. Your Company also understands that consumers require both taste and nutrition and therefore while the Company continues to benefit from strong brands and invest in manufacturing capacity, the businesses are constantly focused on accelerating product innovation and renovation to deliver the right balance of taste and nutrition to the consumers when they want it and where they want it.

The 'Prepared Dishes and Cooking Aids' business maintained leadership even as it grew the market volumes. MAGGI 2-MINUTE Noodles ended the year with significant volume growths and sustained leadership, despite the entry of several new players in the category. The business continued its robust growth and achieved strong leadership in the pasta/ macaroni category that it had entered in the previous year 2010 with the launch of MAGGI Nutri-licious PAZZTA. It continued to work closely with the extensive global network of the Nestlé Group, and their knowledge and expertise in nutrition helped to develop new products and concepts to build further on its philosophy of 'Taste Bhi, Health Bhi, Khushiyan Bhi'. With accelerated Innovation and Renovation the product portfolio became even more relevant for the entire family and across age groups. In view of the increasing realization and concern about the inadequacy of specific micronutrients in diets across income groups your Company had earlier launched MAGGI MASALA-ae-MAGIC as an affordable taste enhancer fortified with Iodine, Iron and Vitamin A. While this product is being used in everyday cooking by more and more families, the Company also rolled out MAGGI DUMDAAR Noodles that are fortified with iron and have been liked by consumers. MAGGI IMLI PICHKOO, with the taste of Imli chutney, was added to the range to meet the regional taste preferences

and MAGGI Souper Roni was developed as a new nutritious concept with the health of soup and the fun of macaroni. The quick cooking and nutritious MAGGI Nutri-licious PAZZTA was launched in new tastes of Tomato and Mushroom, and to offer better value to consumers it is now also available in 'Double Packs'. The range of MAGGI BHUNA MASALA cooking bases was further extended with the new MAGGI GINGER GARLIC base and is expected to grow this category faster.

MAGGI has an excellent track record of building strong emotional bonds with consumers and during the year it continued to engage innovatively with them. It created excitement in the market with a never before communication led product innovation. The 'Question Mark' pack design for the MAGGI 'Guess the Taste' Noodles further strengthened the consumers' bonds that had become obvious with the 'Me and Meri MAGGI' campaign and which was the trigger for the new 'Poore India Ki Meri MAGGI' campaign that captures the reality that MAGGI is the Noodle of India that everyone across the country says is 'meri' (mine). All the consistent hard work and commitment to the wellbeing of the consumers catapulted MAGGI into the Top 10 Most Trusted brands in India across all industries. In the latest national survey by Brand Equity, MAGGI moved up from 18th rank to 9th rank across industries and moved up from 5th to 2nd rank in the food industry.

The 'Chocolate and Confectionery' business has grown steadily over the years and is the leader in the chocolate wafer segment for 'lighter eating' with NESTLÉ KITKAT, NESTLÉ MUNCH and 'Whites' (goodness of milk) with NESTLÉ MILKYBAR. It has consistently innovated and renovated to develop products that are relevant to emerging consumer needs. Sweet snacking is an intrinsic part of people's lives and your Company is constantly working to develop insights that can help make this experience beneficial for the consumers. Ongoing work at the Nestlé Research Centre has indicated that Dark Chocolates can help reduce everyday stress experienced by healthy human beings. This and the increasing awareness among consumers that dark chocolates are good for health saw your Company launch Nestlé DARK CHOCOLATE. The product has been specially developed for Indian Tastes and adds the sweet touch to the bitter taste preferred in other countries. Nestlé DARK CHOCOLATE is the first Dark Chocolate available in India at the convenient price point of Rs.20/-. Earlier during 2011 NESTLÉ BARONE was re-launched as the companion for the confident youth after rigorous work with the R&D Centres to develop taste superiority and the product is doing well.

Relevant and impactful communication has been a priority for the business, to educate consumers on the need for taste as well as balance. The innovative NESTLÉ KITKAT



squirrels campaign that had earlier brought alive the importance of breaks in routine was further improved with insights received from consumers. The new 'lovebirds' communication has been designed to make the situation more easily relatable, and to better convey the rejuvenating role of NESTLÉ KITKAT.

Understanding the "fashion-in-everything" lives of young adults NESTLÉ POLO which is recognized as the iconic and irreverent "youth-defining" mint with the hole tied up with Wendell Rodricks to create the "Hole new fashion". It seeks to capture the spirit, energy and the verve of youth and lifted NESTLÉ POLO to the high-ground of a fashion label. New flavours 'Lime Mojito', 'Peach Schnapps', 'Watermelon Sorbet' and 'Cocoa Mocha' introduced as limited edition, cued strong aspiration as well provided NESTLÉ POLO promise of "Refreshment." This initiative was well received by the consumers.

During the year, the 'Coffee and Beverages' business continued with its strategic initiatives to move NESCAFÉ to a new growth trajectory. NESCAFÉ is the value leader in Instant coffee and the benchmark for coffee drinking market in North, East and West of the country. NESCAFÉ SUNRISE your Company's brand for the South of India which is a distinct market, witnessed steady gain in market shares. During the year your Company also launched 'My First Cup' to provide world class coffee taste in an affordable manner to new users.

The 'Milk Products and Nutrition' business sustained its performance and further consolidated itself. Its mission is to enhance the quality of life and emphasizes that proper nutrition plays a critical role in shaping the quality of our lives. The nutrition that children get in the early years of life is important and as we progress through different stages of life nutritional requirements continue to evolve and we need to understand and balance them to stay healthy. Balanced nutrition has to be a way of life. While the business actively supports and promotes breastfeeding as the best possible source of nutrition for the growing infant it also recognizes that there are circumstances where there may be a need to rely on alternatives. Therefore your Company has continued to build on its expertise in understanding the science of nutrition to develop appropriate high quality products. In keeping with this approach, your Company launched Pre-NAN during the year, to provide an alternative source of nutrition for infants who are born underweight.

Your Company has a growing portfolio of dairy products and UHT Milks and has been careful to ensure that they meet very high quality standards and that good practices are implemented at every stage. Your Company tracks milk right from the farms across the value chain including milk production, collection, transportation, processing and

packaging till it reaches the homes, and has transformed the 'Cow to Consumer' chain into distinct value for the consumer. During the year the business launched NESTLÉ a+ Milk and Nestlé a+ Dahi, which are significant because they seek to help consumers appreciate the various steps of milk production and the processes and demonstrate the philosophy 'Good makes Good'. During the year while the existing portfolio of successful products including NESTLÉ EVERYDAY dairy whitener and MILKMAID sweetened condensed milk continued to grow well, your Company also rolled out Nestlé ACTIPLUS Dahi. This product promotes the growth of friendly bacteria in the digestive system and is a result of Nestlé's international dairy expertise, know-how in science based nutrition and intensive R&D in the field of probiotics in food. The unique probiotic strain in Nestlé ACTIPLUS helps boost the number of friendly and beneficial bacteria in the gut, which are scientifically proven to help restore the natural balance, and support a healthy digestion so that we can be comfortable and perform at our best.

The Healthcare Nutrition Business that was earlier acquired by your Company faced supply chain constraints and during the year the operating model was substantially re-structured and revamped. This will now allow the business to start implementing its growth plans to place it on an upward trajectory for the coming years.

During the year your Company continued to develop its already extensive network of vending machines and maintained leadership position in the Out Of Home segment. It focused on understanding the consumer behavior in the out of home environment and finalized new plans to help consumers' access high quality beverages and snacks more easily in the changing consumer landscape.

## SALES

Your Company has always emphasized its preference for reaching consumers wherever they may be and with products that are fresh. It has also always recognized the importance of an efficient distribution structure that delivers these products from factory to consumers in the shortest time. Your Company continued to expand the reach of its products at an accelerated pace, and like the earlier year 2010, added another 400,000 outlets in the year 2011, contributing to a very fast growing sales network in the food industry.

This systematic focus on building a wider and deeper distribution across geographies is only one dimension of how your Company is building its sales capacity. The other dimension that has always been very important for your Company is the reliability and efficiency of the operations where it has been systematically cutting out waste and



focusing on increasing the productivity of its partners in the distribution system. The project on sales automation in the previous year created a robust distributor management solution and has facilitated a more transparent record of transactions in primary and secondary sales. During 2011 this effort was stepped up further and the Distributors are now being trained to improve their processes and operations with Nestlé Continuous Excellence.

## TECHNOLOGY, QUALITY AND SAFETY

Your Company is committed to providing consumers with high quality products and is continuously improving them to ensure a 60:40 taste preference with nutritional advantage. These products touch the lives of lakhs of consumers everyday and sustained delivery on this commitment has placed your Company and its products amongst the most trusted. Apart from the fact that your Company follows stringent quality assurance norms, has state-of-the-art technology and high degree of automation, your Company has a competitive advantage in the ability to develop superior products. It has continuous access to the Nestlé Group R&D and the technical expertise, as well as the best practices available in the global Nestlé network. These enable it to consistently stay aligned with the best and efficient processes.

All the factories of your Company have embraced Nestlé Continuous Excellence to further improve in all areas, based on LEAN mindset for war on waste and Total Performance Management concepts. This is helping your Company to achieve improved efficiencies from the same assets while reducing costs.

Safety is non-negotiable at Nestlé. In order to drive continuous improvement in its safety culture, the Company took the initiative to make a paradigm shift by adopting a three pronged approach and launched a safety engagement programme "Safe By Choice". This has been done in collaboration with DuPont, leading safety consultants and a gold standard reference for safety management.

The areas of focus include the major construction sites to assist in maintaining high safety standards at various locations of the Company. Your Company also launched a safety perception survey for all employees to better understand their perception of the safety culture.

## NESTLÉ R&D CENTRE IN INDIA

In 2010 Nestlé S.A., Switzerland had agreed to the request of your Company to set up an R&D Centre in India under a separate wholly subsidiary Nestlé R&D Centre India Private

Limited. The construction of this R&D Centre is progressing as per plan and is expected to be commissioned this year. This will be an additional competitive advantage for your Company in the future and will also help to strengthen product innovation and renovation for your Company.

## ENVIRONMENT

Conservation and more efficient utilization of natural and non-renewable resources has been a priority for your Company. Efforts are being made consistently to increase awareness about the need to sustain the environment and initiatives are being implemented within the factories to minimize consumption of natural resources and reduce waste and emission, while maximizing production. All processes follow the Nestlé Environment Management System, use state-of-the-art technology and equipment and comply with government policies as well as environmental laws and regulations.

During the past 10 years, even as the production volumes have been increasing, the reduction achieved by your Company in the usage of energy and water and reduction in the emission of green house gases, per tonne of production, has been significant.

## CAPACITY AND FUNDING

Your Company has been growing at a healthy rate in recent years with continuing leadership across its businesses. This market leadership position and India's positive economic environment coupled with a progressive population provides opportunities for growth. Your Company, has been accelerating investment in capacities to provide consumers a wide product range, from Popularly Positioned Products for low income consumers to premium offerings. In the recent years some significant investments have already been initiated. Your Directors are hopeful that the Government continues to support the Food Processing Sector so that your Company can continue to expand manufacturing and employment to provide consumers with affordable products.

Over the last five years, your Company has spent over Rs. 2,800 Crores in capital investments, but the investments during 2011 alone were in excess of Rs. 1700 Crores and additional commitments of around Rs. 500 Crores already existed at the year end. These capital expenditure are for expansion of facilities at Bicholim, Moga, Nanjangud and Ponda, a new Unit at Samalkha and in a new Greenfield facilities at Tahlilwal. A new plant for MAGGI products at the Nanjangud Factory was commissioned during 2011.



In order to finance this accelerated capital expenditure trajectory your Company would continue to have a judicious mix of 'internal accruals' and 'debt'. During 2011 US Dollar 182 Million was borrowed including an unhedged US Dollar 136 Million drawn down from Nestlé S.A. for 5 years under the ECB approval from Reserve Bank of India. The drawdown of ECB during 2012, as required, will be used to part finance the sourcing of capital goods for the expansion of facilities and new projects.

## SUPPLY CHAIN

Your Company operates in an environment that has a complex supply chain configuration. Your Company has continued to manage this efficiently, ensuring timely and efficient supply of materials and distributing the finished goods to consumers across the country. It has also been working to reduce the complexities and thus increase the efficiencies further.

During the year Nestlé Continuous Excellence (NCE) was extended to cover all supply chain and procurement processes. A series of problem solving initiatives have been completed with improvements in productivity, working capital, waste, cost and service levels.

Your Company has also launched a project aimed at modernizing warehouses and transports which will also help the Company when the GST is rolled out. A series of projects have been initiated to invest in improving logistics infrastructures, material handling and warehouse systems.

During 2010 Responsible Sourcing Programme had been rolled out to select vendors, where the vendors are supported through a pre-assessment process, consultant visits, dedicated help desk and continuous engagements and education. The programme continued to be rolled out successfully and during 2011 it was extended to cover additional suppliers.

## HUMAN RESOURCES AND TRADE RELATIONS

Your Company places strong emphasis on its Human Resources and truly believes that they are its assets and a key competitive advantage. Your Company took measures to fully align its people with the vision and inculcate a strong mindset of 'Dream.Dare.Deliver' in achieving the vision with full empowerment. A strong culture fostering leadership behaviors has been created through the Nestlé Management & Leadership Principles and there has been a high emphasis on creating a coaching culture in day to day operations.

Efforts have been put in by your Company to ensure that best talent is recruited, continuously developed and retained. Your Company has clear linkages between performance and rewards to create a high performance culture. During 2011 your Company implemented tools and processes to facilitate a good development dialogue amongst employees and managers to ensure that their development actions are planned and necessary training is imparted through various means on a continuous basis.

All these efforts have ensured that your Company retains the position of preferred employer and an employer of choice. Your Company strongly believes in fostering a culture of trust and mutual respect in all its employee relations endeavors. Your Company has ensured that there is sustained communication and engagement with workforce through various forums. These efforts have been very well received by employees and have helped in fostering high engagement.

## SWOT ANALYSIS FOR THE COMPANY

### Strengths:

- Being NESTLÉ
- General Licence Agreement which gives access to the Nestlé Group's proprietary technology/ brands, expertise and the extensive centralised Research and Development facilities.
- High quality and safe food products at affordable prices, and trust in Nestlé.
- Understanding of Nutrition, Health and Wellness.
- Strong and well differentiated brands with market share leadership.
- Product innovation and renovation, based on consumer insights.
- Well diversified product portfolio across categories and income strata.
- Efficient supply chain and sales automation.
- Distribution structure that allows wide reach and coverage in the target markets.
- Capable and engaged human resources.
- Participation in Global Business Excellence (GLOBE).
- Strong financial position.

### Weakness:

- Complex supply chain configuration.
- Cascading indirect taxes.
- Price point portfolio.



**Threat:**

- Price volatility of key raw, packaging materials and fuels.
- Availability of agro based commodities.
- Food inflation.
- White-collar talent.

**Opportunities:**

- Potential for expansion in smaller towns and other geographies
- Increasing demand for premium products
- Introduction of GST to simplify the distribution network
- Development of 'Out of Home' segment and Health Care Nutrition.
- Leverage Nestlé Technology to develop more products that provide Nutrition, Health and Wellness at affordable prices

## WORKING WITH COMMUNITIES

Nestlé's approach to business is Creating Shared Value or 'Saanjhapan' as used by Nestlé India and it is about the impact of the business and engagement through it. Your Company is focused on the three areas of Nutrition, Water and Rural Development where it has the potential for joint value with the communities.

Your Company has expertise and understanding of nutrition and uses this to help people improve the quality of their lives. It has developed a simple but engaging programme for students in partnership with Universities that have knowledge of food habits and availability in their areas. The Universities also help to ensure that the programme is being implemented in the best interest of the community. The programme modules are structured in a way that students absorb the basic knowledge relating to foods in a practical manner. It helps them understand the role of food in our bodies, the manner in which food is digested and how we can improve the balance of nutrients in diet. The module specifically devotes time to explaining how cooking practices can improve nutrition, as well as the need for food hygiene, sanitation, and physical exercise to improve health and wellness. This programme now benefits over 20,000 students.

The well being of the communities from where the agricultural raw materials are procured are important for the Company. Consequently your Company continues to do extensive work with farmers and other suppliers, transferring technology and knowledge to the communities and helping them build their capabilities so that they can participate more effectively in business and build on

progress through economic prosperity. During the year your Company continued to extend its Clean Drinking Water projects that improve access to clean drinking water in village schools and increase awareness for water conservation in the communities around the factories. During the year your Company continued with these efforts and with 198 projects across the country about 120,000 students are directly benefiting every year.

For the past many decades your Company has been working extensively to develop dairy farming and to make it a sustainable income source even for small and marginal farmers. This effort continued in the Moga region with your Company's veterinarians and agronomists providing support, expertise and knowledge that benefits over 110,000 farmers directly. Your Company also continued with the Village Women Dairy Development programmes that train them in good dairy practices as well as spread awareness about personal health, hygiene, water conservation and economic independence.

During recent years your Company has also been working with chicory farmers. Transfer of technology, education and better knowledge of roasting and processing has increased yields and quality. During the past 10 years the number of chicory farmers benefiting from this has increased from 1000 to 7500.

Your Company also recently rolled out the NESCAFÉ PLAN and will now work with coffee farmers, local experts and R&D Centres. The intent is to make coffee farming sustainable and benefit farmers across the coffee growing areas by combining the traditional wisdom amongst coffee farmers in India with the benefits of modern science, help retain the characteristics of good coffee and improve productivity and quality of the coffee farms.

## CONTRIBUTION TO EXCHEQUER

Your Company has been a leading taxpayer of the country and over the years has been enabling significant contribution to various taxes. During the year 2011, the Company through its business, enabled tax collections at Central and State level of close to Rs.18.7 Billion in the aggregate.

## AWARDS AND RECOGNITIONS

While your Company's products continued to be trusted for their high quality, your Company has increasingly emphasized better consumer engagement. The success is reflecting in the awards and recognitions received during the



year. They are also a strong indication of the hard work and sustainable initiatives being implemented to delight consumers. Some of the key awards and recognitions:

- Dun and Bradstreet (D&B) awards Nestlé India D&B Rating 1 for Highest Level of Creditworthiness in the Country
- The BT-Indicus-PeopleStrong Survey of India's best employers Ranked Nestlé India amongst 'Best Companies to work for'
- Nestlé India wins SILVER from Coffee Board of India for exporting Instant Coffee
- Nestlé India wins BRONZE from Coffee Board of India for exporting coffee to Russia and CIS
- KIT KAT facebook page wins 'BRONZE DRAGON' at 2011 Promotion Marketing Awards of Asia
- KITKAT awarded Silver and Bronze at GoaFest 2011
- NESCAFÉ wins Silver and Bronze at EFFIE Awards 2011
- MAGGI catapults into the Top 10 Most Trusted Brands in The Economic Times Brand Equity Survey. Moves up from 5th to 2nd rank in the Foods industry
- Nestlé India recognised as STAR MNC by Business Standard Jury of Industry Leaders

## DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to Section 217(2AA) of the Companies Act, 1956, the Directors confirm that:

- in the preparation of the annual accounts, the applicable accounting standards have been followed and no material departures have been made from the same;
- they have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profits for that period;
- they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- they have prepared the annual accounts on a going concern basis.

## CORPORATE GOVERNANCE

In compliance with the requirements of Clause 49 of the Listing Agreement with the Stock Exchange, a separate report on Corporate Governance along with Auditors

certificate on its compliance is attached as Annexure –1 to this Report.

## CAUTIONARY STATEMENT

Statements in this Report, particularly those which relate to Management Discussion and Analysis as explained in the Corporate Governance Report, describing the Company's objectives, projections, estimates and expectations may constitute "forward looking statements" within the meaning of applicable laws and regulations. Actual results might differ materially from those either expressed or implied in the statement depending on the circumstances.

## DIRECTORS

In terms of the Articles of Association of the Company, your directors appointed Mr. Ashok Kumar Mahindra as an additional director of the Company with effect from 21st April, 2011.

Mr. Mahindra holds a Bachelor's degree in Arts and a Master's degree in Philosophy, Politics and Economics from the University of Oxford. He is a fellow member of Institute of Chartered Accountants of India and Institute of Chartered Accountants in England and Wales and also an associate member of Institute of Taxation in England. Mr. Mahindra retired as the Managing Partner of M/s A. F. Ferguson & Co., a leading Accounting Firm and as the Co-Chairman of Deloitte, Haskings and Sells in March, 2008. His area of specialization includes audit, business consultancy, business valuation, corporate management, financial management, pre-acquisition studies and corporate laws. He was involved in audit and taxation of wide selection of Indian and multi-national clients.

His experience would be of immense benefit to your Company and adds a valuable perspective in the Board of Directors. Mr. Mahindra holds office till the Annual General Meeting and is eligible for re-appointment. Notice has been received from a member signifying his intention to propose Mr. Mahindra as a Director. Details of his proposal are mentioned in the Explanatory Statement under section 173(2) of the Companies Act, 1956 covered under item no. 6 of the Notice of the 53rd Annual General Meeting.

In accordance with Article 119 of the Articles of Association, Mr. M. W. O. Garrett and Mr. Ravinder Narain retire by rotation and being eligible offers themselves for re-appointment.

## STATUTORY AUDITORS

The Statutory Auditors of the Company, M/s. A. F. Ferguson



& Co., Chartered Accountants, New Delhi, retire in accordance with the provisions of the Companies Act, 1956 and are eligible for re-appointment. M/s. A. F. Ferguson & Co., Chartered Accountants, New Delhi have sought the re-appointment and have confirmed that their re-appointment if made shall be within the limits of Section 224(1) (B) of the Companies Act, 1956. The Audit Committee and the Board recommends the re-appointment of M/s. A. F. Ferguson & Co., Chartered Accountants, as the Auditors of the Company.

#### COST AUDITORS

Complying with the provisions of Section 233-B of the Companies Act, 1956 and the MCA General Circular No. 15/2011 dated April 11, 2011, subject to the approval of the Central Government, the Audit Committee recommended and the Board of Directors appointed M/s. Ramanath Iyer and Co., Cost Accountants, New Delhi, being eligible and having sought re-appointment, as Cost Auditors of the Company to carry out the cost audit in respect of Milk Foods and Plantation Products for the year ending 31st December, 2012.

#### INFORMATION REGARDING CONSERVATION OF ENERGY ETC. AND EMPLOYEES

Information required under Section 217(1) (e) of the Companies Act, 1956 (hereinafter referred to as "the Act") read with Rule 2 of the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 is given in the Annexure - 2 forming part of this Report. Information as per Section 217(2A) of the Act, read with the Companies (Particulars of Employees) Rules, 1975, as amended from time to time, forms part of this Report. However, as per the provisions of Section 219(1) (b) (iv) of the Act, the Report

and Accounts are being sent to all the members excluding the statement containing the particulars of employees to be provided under Section 217(2A) of the Act. Any member interested in obtaining such particulars may inspect the same at the Registered Office of the Company or write to the Company Secretary for a copy.

#### TRADE RELATIONS

The Company maintained healthy, cordial and harmonious industrial relations at all levels. Despite severe competition, the enthusiasm and unstinting efforts of the employees have enabled the Company to remain at the forefront of the Industry.

Your Company continued to receive co-operation and unstinted support from the distributors, retailers, stockists, suppliers and others associated with the Company as its trading partners. The Directors wish to place on record their appreciation for the same and your Company will continue in its endeavour to build and nurture strong links with trade, based on mutuality, respect and co-operation with each other and consistent with consumer interest.

#### APPRECIATION

Your Company has been able to operate efficiently because of the culture of professionalism, creativity, integrity and continuous improvement in all functions and areas as well as the efficient utilisation of the Company's resources for sustainable and profitable growth.

The Directors wish hereby to place on record their appreciation of the efficient and loyal services rendered by each and every employee, without whose whole-hearted efforts, the overall very satisfactory performance would not have been possible.

Your Directors look forward to the future with confidence.

**On behalf of the Board of Directors**

Date: 14th February 2012

Place: Gurgaon

Antonio Helio Waszyk

Chairman

## AUDITORS' REPORT TO THE MEMBERS OF NESTLÉ INDIA LIMITED

1. We have audited the attached Balance Sheet of **NESTLÉ INDIA LIMITED** ("the Company") as at 31st December, 2011, the Profit and Loss Account and the Cash Flow Statement of the Company for the year ended on that date, both annexed thereto. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and the disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by the Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 (CARO) issued by the Central Government in terms of Section 227(4A) of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report as follows:
  - (a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - (b) in our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
  - (c) the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account;
  - (d) in our opinion, the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in compliance with the Accounting Standards referred to in Section 211(3C) of the Companies Act, 1956;
  - (e) in our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
    - (i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st December, 2011;
    - (ii) in the case of the Profit and Loss Account, of the profit of the Company for the year ended on that date and
    - (iii) in the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.
5. On the basis of the written representations received from the Directors as on 31st December, 2011 and taken on record by the Board of Directors, none of the Directors is disqualified as on 31st December, 2011 from being appointed as a director in terms of Section 274(1) (g) of the Companies Act, 1956.

For A.F. FERGUSON & CO.  
Chartered Accountants  
(Registration No. 112066W)

(Jaideep Bhargava)  
Partner  
(Membership No. 90295)

NEW DELHI, 14 February, 2012



# NESTLÉ INDIA LIMITED

## ANNEXURE TO THE AUDITORS' REPORT

(Referred to in paragraph (3) of our report of even date)

- (i) In respect of its fixed assets:
  - (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of the fixed assets.
  - (b) The fixed assets were physically verified during the year by the Management in accordance with a regular programme of verification which, in our opinion, provides for physical verification of all the fixed assets at reasonable intervals. According to the information and explanations given to us, no material discrepancies were noticed on such verification.
  - (c) The fixed assets disposed off during the year, in our opinion, do not constitute a substantial part of the fixed assets of the Company and such disposal has, in our opinion, not affected the going concern status of the Company.
- (ii) In respect of its inventory:
  - (a) As explained to us, the inventories were physically verified during the year by the Management at reasonable intervals.
  - (b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventories followed by the Management were reasonable and adequate in relation to the size of the Company and the nature of its business.
  - (c) In our opinion and according to the information and explanations given to us, the Company has maintained proper records of its inventories and no material discrepancies were noticed on physical verification.
- (iii) The Company has neither granted nor taken any loans, secured or unsecured,

to/from companies, firms or other parties listed in the Register maintained under Section 301 of the Companies Act, 1956. Accordingly paragraph 4 (iii) of the Order, is not applicable.

- (iv) In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchases of inventory and fixed assets and the sale of goods. There is no sale of services. During the course of our audit, we have not observed any major weakness in such internal control system.
- (v) In respect of contracts or arrangements entered in the Register maintained in pursuance of Section 301 of the Companies Act, 1956, to the best of our knowledge and belief and according to the information and explanations given to us:
  - (a) The particulars of contracts or arrangements referred to in Section 301 that needed to be entered in the Register maintained under the said Section have been so entered.
  - (b) Where each of such transaction is in excess of Rs.5 lakhs in respect of any party, the transactions have been made at prices which are prima facie reasonable having regard to the prevailing market prices at the relevant time.
- (vi) According to the information and explanations given to us, the Company has not accepted any deposit from the public during the year.
- (vii) In our opinion, the Company has an adequate internal audit system commensurate with the size and the nature of its business.
- (viii) We have broadly reviewed the cost records maintained by the Company pursuant to the Companies (Cost Accounting Records) Rules, 2011 prescribed by the Central Government under Section 209(1) (d) of the Companies Act, 1956 and are of the

opinion that prima facie the prescribed cost records have been maintained. We have, however, not made a detailed examination of the cost records with a view to determine whether they are accurate or complete.

- (ix) According to the information and explanations given to us in respect of statutory dues:
  - (a) Company has been regular in depositing undisputed dues, including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income-tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty, Cess and other material statutory dues applicable to it with the appropriate authorities.
  - (b) There were no undisputed amounts payable in respect of Income-tax, Wealth Tax, Customs Duty, Excise Duty, Cess and other material statutory dues in arrears as at 31st December, 2011 for a period of more than six months from the date they became payable.
  - (c) Details of dues of Income-tax, Sales Tax, Service Tax, Customs Duty, Excise Duty and Cess which have not been deposited as on 31st December, 2011 on account of disputes are given below:

Name of the Statute	Nature of the Dues	Amount * (Rs.) ('000s)	Period to which the amount relates (various years covering the period)	Forum where dispute is pending
Central Excise Laws	Excise Duty	42,243	1996 – 2004	Supreme Court
		72,071	1997 – 2010	Customs, Excise and Service Tax Appellate Tribunal
		481	2000	Appellate authority upto Commissioners' level
	Service Tax	235,277	2005 – 2007	Customs, Excise and Service Tax Appellate Tribunal
		57,024	2008	Appellate authority upto Commissioners' level
Customs Laws	Customs Duty	53,003	2008 – 2009	Appellate authority upto Commissioners' level
Sales Tax Laws	Sales Tax	7,752	2000 – 2006	High Court
		96,627	2000 – 2006	Appellate Tribunal
Local State Act	Cess	92,635	1996 – 2008	Appellate authority upto Commissioners' level
		8,652	2001 – 2011	Appellate authority upto Commissioners' level
Income Tax Act, 1961	Income tax	118,558	1992 – 1994	High Court
		170,687	2006 – 2008	Commissioner of Income-tax (Appeals)

\* Amount as per demand orders including interest and penalty wherever indicated in the Order.

The following matters, which have been excluded from the table above, have been decided in favour of the Company but the department has preferred appeals at higher levels. The details are given below:

Name of the Statute	Nature of the Dues	Amount (Rs.) ('000s)	Period to which the amount relates (various years covering the period)	Forum where department has preferred appeals
Central Excise Laws	Excise Duty	16,099	2000 – 2006	Supreme Court
		883	1994	High Court
		7,065	2005 – 2006	Customs, Excise and Service Tax Appellate Tribunal
	Service Tax	148	2005	High Court
		2,420	2003 – 2007	Customs, Excise and Service Tax Appellate Tribunal
Sales Tax Laws	Sales Tax	45,963	1997 – 2003	High Court
Income Tax Act, 1961	Income tax	430,537	1996 – 2005	Supreme Court
		309,577	1993 – 2004	High Court

- |   |  |  |
|---|--|--|
| (x) The Company does not have accumulated losses at the end of the financial year ended 31st December, 2011. Further, the Company has not incurred cash losses during the financial year and in the immediately preceding financial year. | (xiv) As the Company is not dealing or trading in shares, securities, debentures and other investments, paragraph 4 (xiv) of the Order is not applicable.  | (xviii) The Company has not made any preferential allotment of shares during the year.   |
| (xi) In our opinion and according to the information and explanations given to us, the Company has not defaulted in the repayment of dues to banks and financial institutions. The Company has not issued debentures during the year.     | (xv) According to the information and explanations given to us, the Company has not given any guarantee during the year for loans taken by others from banks or financial institutions.  | (xix) The Company has not issued any debentures during the year.   |
| (xii) The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities, accordingly paragraph 4 (xii) of the Order is not applicable.                              | (xvi) In our opinion and according to the information and explanations given to us, the term loans have been applied for the purposes for which they were obtained, other than temporary deployment pending application.       | (xx) The Company has not raised any money by way of public issue during the year.  |
| (xiii) The Company is not a chit fund / nidhi / mutual benefit fund / society to which the provisions of special statute relating to chit fund are applicable,  | (xvii) In our opinion and according to the information and explanations given to us and on an overall examination of the Balance Sheet, we report that funds raised on short-term basis have not been used during the year for | (xxi) To the best of our knowledge and according to the information and explanations given to us, no fraud by the Company and no material fraud on the Company has been noticed or reported during the year. |

For A.F. FERGUSON & CO.  
Chartered Accountants  
(Registration No. 112066W)

(Jaideep Bhargava)  
Partner  
(Membership No. 90295)

NEW DELHI, 14 February, 2012



# NESTLÉ INDIA LIMITED

## BALANCE SHEET OF NESTLÉ INDIA LIMITED AS AT DECEMBER 31, 2011

SOURCES OF FUNDS	SCHEDULE	2011 (Rs. in thousands)		2010 (Rs. in thousands)
<b>SHAREHOLDERS' FUNDS</b>				
Share capital	A	964,157		964,157
Reserves and surplus	B	<u>11,775,355</u>	<u>12,739,512</u>	<u>7,589,982</u>
				8,554,139
<b>LOAN FUNDS</b>				
Secured loans	C	8,402		-
Unsecured loans		<u>9,700,320</u>	<u>9,708,722</u>	<u>-</u>
				-
<b>DEFERRED TAX LIABILITIES/(ASSETS) (NET)</b>				
	D		<u>434,980</u>	<u>332,724</u>
			<u><u>22,883,214</u></u>	<u><u>8,886,863</u></u>
<b>APPLICATION OF FUNDS</b>				
<b>FIXED ASSETS</b>				
Gross block	E	25,522,121		18,546,967
Less: Depreciation		<u>9,764,599</u>		<u>8,419,594</u>
Net block		<u>15,757,522</u>		<u>10,127,373</u>
Capital work-in-progress		<u>14,186,385</u>	<u>29,943,907</u>	<u>3,489,080</u>
				13,616,453
<b>INVESTMENTS</b>				
	F		<u>1,343,655</u>	<u>1,506,788</u>
<b>CURRENT ASSETS, LOANS AND ADVANCES</b>				
Inventories	G	7,340,385		5,759,516
Sundry debtors		1,154,245		632,854
Cash and bank balances		2,272,097		2,552,915
Loans and advances		<u>1,963,535</u>		<u>1,514,412</u>
		<u>12,730,262</u>		<u>10,459,697</u>
Less: <b>CURRENT LIABILITIES AND PROVISIONS</b>				
Liabilities	H	10,096,276		7,616,702
Provisions		<u>11,038,334</u>		<u>9,079,373</u>
		<u>21,134,610</u>		<u>16,696,075</u>
<b>NET CURRENT ASSETS/(LIABILITIES)</b>				
			<u><u>(8,404,348)</u></u>	<u><u>(6,236,378)</u></u>
			<u><u>22,883,214</u></u>	<u><u>8,886,863</u></u>
<b>NOTES TO THE ACCOUNTS</b>				
	O			

Schedules referred to above form an integral part of the Balance Sheet

ANTONIO HELIO WASZYK  
Chairman & Managing Director

SHOBINDER DUGGAL  
Director - Finance & Control

B. MURLI  
Sr. VP - Legal & Company Secretary

February 14, 2012  
Gurgaon

In terms of our report attached  
For A.F. FERGUSON & CO.  
Chartered Accountants  
(JAIDEEP BHARGAVA)

February 14, 2012  
New Delhi

Partner  
Membership No. 90295

**PROFIT AND LOSS ACCOUNT OF NESTLÉ INDIA LIMITED  
FOR THE YEAR ENDED DECEMBER 31, 2011**

	SCHEDULE	2011 (Rs. in thousands)	2010 (Rs. in thousands)
<b>INCOME</b>			
Sales			
Domestic		72,777,894	60,228,562
Export		3,957,872	3,537,259
Gross		76,735,766	63,765,821
Less: Excise duty		1,827,557	1,218,396
Net sales		74,908,209	62,547,425
Other income	I	508,905	426,541
		<u>75,417,114</u>	<u>62,973,966</u>
<b>EXPENDITURE</b>			
Materials consumed and purchase of goods	J	36,376,565	31,385,105
Manufacturing and other expenses	K	23,486,874	19,495,229
Interest and Financing expenses	L	51,085	10,745
Depreciation	E	1,533,310	1,277,533
Adjustment due to decrease / (increase) in stock of finished goods and work-in-progress	M	(482,867)	(829,427)
		<u>60,964,967</u>	<u>51,339,185</u>
<b>PROFIT BEFORE IMPAIRMENT, CONTINGENCIES AND TAXATION</b>		<b>14,452,147</b>	<b>11,634,781</b>
Impairment loss/(gain) on fixed assets (Refer Note 1 - Schedule O)	E	103,867	-
Provision for contingencies (Refer Note 2 - Schedule O)	N	469,037	183,679
		<u>13,879,243</u>	<u>11,451,102</u>
<b>PROFIT BEFORE TAXATION</b>		<b>13,879,243</b>	<b>11,451,102</b>
Income tax expense			
Current tax		4,161,517	3,251,702
Deferred tax		102,256	12,752
		<u>4,263,773</u>	<u>3,264,454</u>
<b>PROFIT AFTER TAXATION</b>		<b>9,615,470</b>	<b>8,186,648</b>
Balance brought forward		3,345,027	1,425,203
<b>BALANCE AVAILABLE FOR APPROPRIATION</b>		<b>12,960,497</b>	<b>9,611,851</b>
Appropriations:			
Dividends:			
Interim		3,470,966	3,470,966
Final proposed		1,205,196	1,205,196
Corporate dividend tax		753,935	771,997
General reserve		961,547	818,665
		<u>6,568,853</u>	<u>3,345,027</u>
<b>SURPLUS CARRIED TO THE BALANCE SHEET</b>		<b>6,568,853</b>	<b>3,345,027</b>
<b>BASIC AND DILUTED EARNINGS PER SHARE (IN RUPEES)</b>	<b>O</b>	<b>99.73</b>	<b>84.91</b>
<b>NOTES TO THE ACCOUNTS</b>	<b>O</b>		

Schedules referred to above form an integral part of the Profit And Loss Account

ANTONIO HELIO WASZYK  
Chairman & Managing Director

SHOBINDER DUGGAL  
Director - Finance & Control

B. MURLI  
Sr. VP - Legal & Company Secretary

February 14, 2012  
Gurgaon

In terms of our report attached  
For A.F. FERGUSON & CO.  
Chartered Accountants  
(JAIDEEP BHARGAVA)

February 14, 2012  
New Delhi

Partner  
Membership No. 90295



# NESTLÉ INDIA LIMITED

## CASH FLOW STATEMENT OF NESTLÉ INDIA LIMITED FOR THE YEAR ENDED DECEMBER 31, 2011

	2011 (Rs. in thousands)	2010 (Rs. in thousands)
<b>A CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net profit before tax	13,879,243	11,451,102
Adjustments for :		
Depreciation	1,533,310	1,277,533
Unrealised exchange differences (excluding exchange differences considered in Interest and Financing expenses below)	54,810	(243)
Deficit/(surplus) on fixed assets sold/scrapped/written off	57,926	79,346
Interest and Financing expenses	51,085	10,745
Impairment loss/(reversal) on fixed assets	103,867	-
<b>Operating profit before working capital changes</b>	<b>15,680,241</b>	<b>12,818,483</b>
Adjustments for :		
Decrease/(increase) in trade and other receivables	(791,053)	(160,561)
Decrease/(increase) in inventories	(1,580,870)	(772,137)
Increase/(decrease) in trade payables	766,079	964,330
Increase/(decrease) in provision for contingencies	469,037	183,679
Increase/(decrease) in provision for employee benefits	973,311	540,936
<b>Cash generated from operations</b>	<b>15,516,745</b>	<b>13,574,730</b>
Direct taxes paid	(3,640,249)	(3,206,530)
<b>Net cash from operating activities</b>	<b>11,876,496</b>	<b>10,368,200</b>
<b>B CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of fixed assets (Net of movement in the balance of suppliers and capital work in progress)	(15,570,874)	(4,475,132)
Sale of fixed assets	18,529	16,280
<b>Net cash used in investing activities</b>	<b>(15,552,345)</b>	<b>(4,458,852)</b>
<b>C CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds from External Commercial borrowings (Refer note 20 - Schedule O)	6,373,934	-
Proceeds from Buyer's Credit (Refer note 21 - Schedule O)	2,270,110	-
Proceeds from other borrowings	8,402	-
Interest & Financing expenses paid	(13,051)	(10,745)
Dividends paid	(4,648,907)	(4,653,666)
Corporate dividend tax	(758,590)	(776,652)
Capital subsidy received	-	3,000
<b>Net cash from/ (used in) financing activities</b>	<b>3,231,898</b>	<b>(5,438,063)</b>
<b>Net increase / (decrease) in cash and cash equivalents (A+B+C)</b>	<b>(443,951)</b>	<b>471,285</b>
Cash and bank balances	2,552,915	1,555,863
Current investments	1,506,788	2,032,555
<b>Cash and cash equivalents as at opening</b>	<b>4,059,703</b>	<b>3,588,418</b>
Cash and bank balances	2,272,097	2,552,915
Current investments	1,343,655	1,506,788
<b>Cash and cash equivalents as at closing</b>	<b>3,615,752</b>	<b>4,059,703</b>
<b>NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(443,951)</b>	<b>471,285</b>

ANTONIO HELIO WASZYK  
Chairman & Managing Director

February 14, 2012  
Gurgaon

February 14, 2012  
New Delhi

SHOBINDER DUGGAL  
Director - Finance & Control

In terms of our report attached  
For A.F. FERGUSON & CO.  
Chartered Accountants  
(JAIDEEP BHARGAVA)

Partner  
Membership No. 90295

B. MURLI  
Sr. VP - Legal & Company Secretary

## SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT DECEMBER 31, 2011

	2011 (Rs. in thousands)	2010 (Rs. in thousands)
<b>SCHEDULE A</b>		
<b>SHARE CAPITAL</b>		
<b>Authorised</b>		
100,000,000 Equity shares of Rs. 10 each (Previous year 100,000,000)	<u>1,000,000</u>	<u>1,000,000</u>
<b>Issued, subscribed and paid-up</b>		
96,415,716 Equity shares of Rs. 10 each fully paid up (Previous year 96,415,716)	<u>964,157</u>	<u>964,157</u>
<b>Of the above:</b>		
73,413,626 Shares of Rs. 10 each (Previous year 73,413,626) were allotted as fully paid-up bonus shares by capitalisation of general reserves Rs. 73,897 thousands (Previous year Rs. 73,897 thousands) and share premium Rs. 660,239 thousands (Previous year Rs. 660,239 thousands).		
736,331 Shares of Rs.10 each (Previous year 736,331) were allotted as fully paid up pursuant to a contract without payment being received in cash.		
<b>Of the above:</b>		
33,051,399 Shares of Rs. 10 each (Previous year 33,051,399) are held by Nestlé S.A.		
27,463,680 Shares of Rs. 10 each (Previous year 27,463,680) are held by Maggi Enterprises Limited, the ultimate holding company being Nestlé S.A.		
<b>SCHEDULE B</b>		
<b>RESERVES AND SURPLUS</b>		
<b>Capital subsidy</b>		
As per last balance sheet	8,000	5,000
Add : Received during the year	-	3,000
	<u>8,000</u>	<u>8,000</u>
<b>General reserve</b>		
As per last balance sheet	4,236,955	3,418,290
Add : Transferred from profit and loss account	961,547	818,665
	<u>5,198,502</u>	<u>4,236,955</u>
<b>Surplus, being balance in profit and loss account (undistributed profits)</b>	<u>6,568,853</u>	<u>3,345,027</u>
	<u>11,775,355</u>	<u>7,589,982</u>
<b>SCHEDULE C</b>		
<b>SECURED LOANS</b>		
<b>Loans from Banks</b>		
(Refer note 22 - Schedule O)	<u>8,402</u>	-
	<u>8,402</u>	-
<b>UNSECURED LOANS</b>		
<b>Short Term Loans</b>		
From Banks		
- Buyers Credit (Refer note 21 - Schedule O)	2,450,840	-
<b>Other Loans</b>		
From Holding Company		
- External Commercial Borrowings (Refer Note 20 - Schedule O)	<u>7,249,480</u>	-
	<u>9,700,320</u>	-
	<u>9,708,722</u>	-



# NESTLÉ INDIA LIMITED

SCHEDULE D	2011 (Rs. in thousands)	2010 (Rs. in thousands)
<b>DEFERRED TAX LIABILITIES AND ASSETS</b>		
<b>Deferred tax liabilities</b>		
Difference between book and tax depreciation	984,716	786,288
Other temporary differences	50,288	33,773
	<u>1,035,004</u>	<u>820,061</u>
<b>Deferred tax assets</b>		
Provision for contingencies	421,710	348,137
Provision for certain employee benefits	120,929	98,784
Other items deductible on payment	37,905	28,314
Other temporary differences	19,480	12,102
	<u>600,024</u>	<u>487,337</u>
<b>Deferred tax liabilities/(assets) net</b>	<u>434,980</u>	<u>332,724</u>

## SCHEDULE E

### FIXED ASSETS

(Rs. in thousands)

	GROSS BLOCK				DEPRECIATION					NET BLOCK	
	Cost as at December 31, 2010	Additions	Deletions/ adjustments	Cost as at December 31, 2011	As at December 31, 2010	For the year	Impairment loss#	On Deletions/ adjustments	As at December 31, 2011	As at December 31, 2011	As at December 31, 2010
<b>Tangible Assets (A)</b>											
Freehold land	56,026	-	-	56,026	-	-	-	-	-	56,026	56,026
Leasehold land	123,858	249,554	-	373,412	5,073	2,331	-	-	7,404	366,008	118,785
Buildings	2,713,791	1,097,158	44,474	3,766,475	684,647	102,350	-	13,815	773,182	2,993,293	2,029,144
Railway siding	11,733	-	-	11,733	11,092	71	-	-	11,163	570	641
Plant and machinery	13,597,489	5,572,990	285,632	18,884,847	6,318,067	1,263,316	103,867	241,692	7,443,558	11,441,289	7,279,422
Furniture and fixtures	1,031,261	316,554	24,880	1,322,935	482,803	106,189	-	23,075	565,917	757,018	548,458
Information technology equipment	397,848	107,209	13,641	491,416	310,639	56,787	-	13,590	353,836	137,580	87,209
Vehicles	26,162	316	-	26,478	18,474	2,266	-	-	20,740	5,738	7,688
<b>Sub Total</b>	<b>17,958,168</b>	<b>7,343,781</b>	<b>368,627</b>	<b>24,933,322</b>	<b>7,830,795</b>	<b>1,533,310</b>	<b>103,867</b>	<b>292,172</b>	<b>9,175,800</b>	<b>15,757,522</b>	<b>10,127,373</b>
<b>Intangible Assets (B)</b>											
Management information systems	536,259	-	-	536,259	536,259	-	-	-	536,259	-	-
Knowhow and commercial rights	52,540	-	-	52,540	52,540	-	-	-	52,540	-	-
<b>Sub Total</b>	<b>588,799</b>	<b>-</b>	<b>-</b>	<b>588,799</b>	<b>588,799</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>588,799</b>	<b>-</b>	<b>-</b>
<b>Total (A+B)</b>	<b>18,546,967</b>	<b>7,343,781</b>	<b>368,627</b>	<b>25,522,121</b>	<b>8,419,594</b>	<b>1,533,310</b>	<b>103,867</b>	<b>292,172</b>	<b>9,764,599</b>	<b>15,757,522</b>	<b>10,127,373</b>
Previous year	16,407,942	2,538,484	399,459	18,546,967	7,445,894	1,277,533	-	303,833	8,419,594	14,186,385	10,127,373
Capital work-in-progress including capital advances and machinery-in-transit										14,186,385	3,489,080
										<u>29,943,907</u>	<u>13,616,453</u>

Notes:

- Buildings include Rs. 500 (Previous year Rs. 500) being the cost of share in a Co-operative Housing Society.
- Buildings and plant and machinery include Rs. 53,998 thousands (Previous year Rs. 53,998 thousands) being the cost of leasehold improvements.
- Additions during the year and Capital work-in-progress includes Rs. 1,100,453 thousands (Previous year Nil) on account of 'Interest and Financing Expenses'. (Refer note 20 and 21 - Schedule O). These comprise of:
  - Rs. 178,375 thousands being borrowing costs (Net of Income on temporary investments Rs. 32,507 thousands) capitalised in accordance with Accounting Standard 16 on "Borrowing Costs".
  - Rs. 922,078 thousands being exchange loss (other than the part considered as adjustment to interest under AS 16 on Borrowing Costs) on the External Commercial Borrowings taken for procurement of fixed assets and which has been treated as capital expenditure in line with Accounting standard 10 on "Accounting for Fixed Assets" and Accounting Standard 11 (Revised) "Effect of changes in Foreign Exchange rates" as amended by NACAS notification dated 31.03.2009 and further amended by notification no. G.S.R.378 (E) dated 11.05.2011 issued by Ministry of Corporate Affairs, Government of India.
- Capital expenditure commitments remaining to be executed and not provided for : Rs. 4,618,687 thousands (Previous year Rs. 6,880,285 thousands). These are net of capital advances : Rs. 468,596 thousands (Previous year Rs. 817,557 thousands) included in capital work-in-progress.  
# Refer Note 1 - Schedule O



**Nestlé**

<b>SCHEDULE F</b>		<b>2011</b>	<b>2010</b>	
		<b>(Rs. in thousands)</b>	<b>(Rs. in thousands)</b>	
<b>INVESTMENTS</b>				
<b>(NON TRADE, UNQUOTED)</b>				
<b>CURRENT</b>				
(at cost or fair value, whichever is lower)				
<b>GOVERNMENT SECURITIES</b>				
Treasury Bills	-	Nil Units (previous year 3,869,000) face value of Rs. 4,361,500 thousands (previous year Rs.1,963,875 thousands) purchased and face value of Rs. 4,748,400 thousands (previous year Rs. 2,476,975 thousands) sold during the year.	-	380,417
<b>MUTUAL FUNDS - DEBT</b>				
[Units of face value Rs. 10 each, unless otherwise stated]				
TATA Mutual Fund	391,109	Units (previous year 310,972) of Tata Liquid Super High Investment Fund - Daily Dividend Reinvestment Plan (4,371,160 units of face value of Rs.1,000 each purchased and 4,291,023 units sold during the year)	<b>435,899</b>	346,585
Birla Sun Life Mutual Fund*	3,406,617	Units (previous year 1,361,914) of Birla Sun Life Cash Plus - Institutional Premium - Daily Dividend Reinvestment Plan (40,520,596 units of face value of Rs 100 each purchased and 38,475,893 units sold during the year)	<b>341,326</b>	136,457
		- Units (previous year 13,720,816) of Birla Sun Life Savings Fund Institutional - Daily Dividend Reinvestment Option (137,742 units purchased and 13,858,558 units sold during the year)	-	137,301
Prudential ICICI Mutual Fund	1,500,233	Units (previous year 1,653,086) of ICICI Prudential Institutional Liquid Plan - Super Institutional Daily Dividend Reinvestment Plan (31,896,087 units of face value of Rs. 100 each purchased and 32,048,940 units sold during the year)	<b>150,057</b>	165,346
Reliance Mutual Fund	20,691,812	Units (previous year 10,921,825) of Reliance Liquid Fund Treasury Plan Institutional - Daily Dividend Reinvestment Option (199,756,901 units purchased and 189,986,914 units sold during the year)	<b>316,324</b>	166,966
JP Morgan Mutual Fund		- Units (previous year 11,831,657) of JP Morgan India Treasury Fund Super Institutional - Daily Dividend Reinvestment Option (117,788 units purchased and 11,949,445 units sold during the year)	-	118,422
	9,997,042	Units (previous year 5,525,067) of JP Morgan India Liquid Fund Super Institutional - Daily Dividend Reinvestment Option (307,048,235 units purchased and 302,576,260 units sold during the year)	<b>100,049</b>	55,294
Repurchase price as at December 31, 2011		Rs. 1,343,655 thousands (previous year Rs.1,508,889 thousands)		
		<b>1,343,655</b>		<b>1,506,788</b>

\* During the year Net Asset Value changed from Rs 10.0195 to Rs 100.195, accordingly opening units have been changed from 13,619,141 units to 1,361,914 units

During the year the following current investments were purchased and sold :

**COMMERCIAL PAPERS (UNQUOTED) (Units of face value of Rs. 500,000 each)**

- |  |   |            |
|--|---|------------|
| 1) National Bank for Agriculture and Rural Development | - | 500 units  |
| 2) National Housing Bank                               | - | 1000 units |



# NESTLÉ INDIA LIMITED

SCHEDULE G	2011 (Rs. in thousands)	2010 (Rs. in thousands)
<b>CURRENT ASSETS, LOANS AND ADVANCES</b>		
<b>(A) CURRENT ASSETS</b>		
<b>Inventories</b>		
Stores and spare parts *	461,541	314,905
Stock-in-trade ** :		
Finished goods	3,363,736	2,870,610
Work-in-progress	817,823	741,655
Raw materials	2,442,660	1,562,988
Packing materials	254,625	269,358
	<u>7,340,385</u>	<u>5,759,516</u>
* At cost or under		
** At cost or net realisable value, whichever is lower		
<b>Sundry debtors (Unsecured)</b>		
Considered good		
Over six months	14,346	19,135
Others	<u>1,139,899</u>	<u>613,719</u>
Considered doubtful		
Over six months	12,106	12,106
Others	<u>25,000</u>	<u>23,000</u>
	<u>1,191,351</u>	<u>667,960</u>
Less: Provision for doubtful debts	<u>37,106</u>	<u>35,106</u>
	<u>1,154,245</u>	<u>632,854</u>
<b>Cash and bank balances</b>		
Cheques in hand including remittances in transit	55,189	81,360
Bank balance with scheduled banks - on current accounts	200,284	113,179
- on deposit accounts	2,016,624	2,358,376
	<u>2,272,097</u>	<u>2,552,915</u>
<b>(B) LOANS AND ADVANCES</b>		
(Unsecured, considered good - unless otherwise stated)		
Advances recoverable in cash or in kind or for value to be received*		
Considered good		
Secured	69,297	66,687
Unsecured	<u>1,894,238</u>	<u>1,447,725</u>
Considered doubtful	<u>17,724</u>	<u>16,151</u>
	<u>1,981,259</u>	<u>1,530,563</u>
Less: Provision for doubtful advances	<u>17,724</u>	<u>16,151</u>
	<u>1,963,535</u>	<u>1,514,412</u>
	<u>12,730,262</u>	<u>10,459,697</u>

\* Advances recoverable, disbursed under the Company's employee loan schemes, includes loans to a director prior to his appointment Rs. 544 thousands (Previous year Rs. 919 thousands). Maximum amount due during the year Rs. 919 thousands (Previous year Rs. 1,075 thousands).

<b>SCHEDULE H</b>	<b>2011</b> <i>(Rs. in thousands)</i>	<b>2010</b> <i>(Rs. in thousands)</i>
<b>CURRENT LIABILITIES AND PROVISIONS</b>		
<b>Current liabilities</b>		
Sundry creditors -		
Micro and small enterprises (Refer Note 16 - Schedule O)	44,805	52,451
Others	9,933,932	7,401,925
Book overdrafts	68	87,157
Unpaid dividends #	102,425	75,169
Interest accrued but not due on loans	15,046	-
	<u>10,096,276</u>	<u>7,616,702</u>
<b>Provisions</b>		
Pension and gratuity	5,511,045	4,714,760
Contingencies (Refer Schedule N)	2,947,711	2,478,674
Employee benefits, incentives and welfare schemes*	646,128	469,102
Taxation less payments	532,741	11,473
Proposed final dividend	1,205,196	1,205,196
Corporate dividend tax	195,513	200,168
	<u>11,038,334</u>	<u>9,079,373</u>
	<u>21,134,610</u>	<u>16,696,075</u>

# There is no amount due and outstanding to be credited to Investor Education and Protection Fund.

\* Includes compensated absences, restricted stock unit plans, long service awards and ceremonial gifts.

## SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED DECEMBER 31, 2011

<b>SCHEDULE I</b>	<b>2011</b> <i>(Rs. in thousands)</i>	<b>2010</b> <i>(Rs. in thousands)</i>
<b>OTHER INCOME</b>		
Dividend on current, non-trade investments	71,278	45,906
Interest received on bank deposits, investments and employee loans (gross) (Tax deducted at source Rs. 9,957 thousands, previous year Rs. 7,131 thousands)	200,310	191,755
Export incentives	86,415	61,988
Miscellaneous income	150,902	126,892
	<u>508,905</u>	<u>426,541</u>

# NESTLÉ INDIA LIMITED

SCHEDULE J	2011 (Rs. in thousands)	2010 (Rs. in thousands)
<b>MATERIALS CONSUMED AND PURCHASE OF GOODS</b>		
Raw materials consumed	29,334,107	25,600,939
Packing materials consumed	5,894,425	4,827,128
Purchase of goods - outside manufacture	1,148,033	957,038
	<u>36,376,565</u>	<u>31,385,105</u>
<b>SCHEDULE K</b>		
<b>MANUFACTURING AND OTHER EXPENSES</b>		
Employee cost		
Salaries, wages, bonus, pension, gratuity, performance incentives etc.	4,895,256	3,925,181
Contribution to provident and other funds	181,046	156,180
Staff welfare expenses	388,291	253,020
	<u>5,464,593</u>	<u>4,334,381</u>
Advertising and sales promotion	3,276,141	3,026,175
Freight, transport and distribution	3,523,608	2,995,814
General licence fees (net of taxes)	2,574,740	2,157,351
Taxes on general licence fees	399,176	333,985
Power and fuel	2,958,122	2,191,976
Maintenance and repairs		
Plant and machinery	367,444	370,633
Buildings	164,839	84,553
Others	88,922	83,338
	<u>621,205</u>	<u>538,524</u>
Travelling	572,059	539,884
Contract manufacturing charges	661,625	559,149
Rates and taxes	358,860	338,814
Rent	454,909	395,851
Information technology and management information systems	729,986	520,092
Milk collection and district development expenses	175,803	173,852
Consumption of stores and spare parts (excluding Rs.184,747 thousands charged to other revenue accounts, previous year Rs.167,915 thousands)	339,824	296,707
Training expenses	215,764	250,283
Market research	118,646	96,761
Deficit on fixed assets sold/scrapped/written off	57,926	79,346
Exchange Difference (net)	176,664	12,705
Laboratory (quality testing) expenses	129,033	131,561
Insurance	21,903	14,338
Miscellaneous expenses	656,287	507,680
	<u>23,486,874</u>	<u>19,495,229</u>



**SCHEDULE L**
**INTEREST AND FINANCING EXPENSES**

	2011 (Rs. in thousands)		2010 (Rs. in thousands)
Interest on			
Fixed Loan - External Commercial Borrowings and Buyer's Credit (Refer note 20 and 21 - Schedule O)	116,079		6,863
Others	2,824		3,882
Exchange differences (Refer note 20 and 21 - Schedule O)	1,072,153		-
Less: Interest Income on temporarily surplus liquidities out of External Commercial Borrowings proceeds (Refer note 20 - Schedule O)	(39,518)	1,151,538	-
Less: Financing Charges capitalised (Refer note "c" - Schedule E and note 20 and 21 - Schedule O)		(1,100,453)	-
		<u>51,085</u>	<u>10,745</u>

**SCHEDULE M**
**ADJUSTMENT DUE TO (INCREASE)/DECREASE IN STOCK  
OF FINISHED GOODS AND WORK-IN-PROGRESS**

Opening stock			
Work-in-progress	741,655		462,666
Finished goods	2,870,610		2,312,885
	<u>3,612,265</u>		<u>2,775,551</u>
Less: Excise duty	78,725		71,438
Net opening stock (A)		<u>3,533,540</u>	<u>2,704,113</u>
Less: Closing stock			
Work-in-progress	817,823		741,655
Finished goods	3,363,736		2,870,610
	<u>4,181,559</u>		<u>3,612,265</u>
Less: Excise duty	165,152		78,725
Net closing stock (B)		<u>4,016,407</u>	<u>3,533,540</u>
Movement in opening and closing stock (A-B)		<u>(482,867)</u>	<u>(829,427)</u>

**SCHEDULE N**
**PROVISION FOR CONTINGENCIES**

<b>Balance as at December 31, 2010</b>		2,478,674		2,294,995
Add: Created during the year	492,637			433,375
Less: Reversed/utilised during the year	(23,600)		(249,696)	
Net provision taken to the profit and loss account		<u>469,037</u>		<u>183,679</u>
<b>Balance as at December 31, 2011</b> (Refer Note 2- Schedule O)		<u>2,947,711</u>		<u>2,478,674</u>

# NESTLÉ INDIA LIMITED

## SCHEDULE O

### NOTES TO THE ACCOUNTS

- Total impairment loss on fixed assets for the year ended December 31, 2011 is Gross Rs. 103,867 thousands, net of deferred taxes Rs. 70,167 thousands (Previous Year Rs. Nil). Impairment loss relates to various items of plant and machinery that have been brought down to their recoverable values upon evaluation of future economic benefits from their use.
- The Company has created a contingency provision of Rs. 492,637 thousands (previous year Rs. 433,375 thousands) for various contingencies resulting mainly from matters, which are under litigation/dispute and other uncertainties requiring management judgement. The Company has also reversed/utilised contingency provision of Rs. 23,600 thousands (previous year Rs. 249,696 thousands) due to the satisfactory settlement of certain disputes for which provision was no longer required. The details of class-wise provisions are given below :

Description	2011 (Rs. in thousands)			2010 (Rs. in thousands)		
	Provisions for			Provisions for		
	Litigations and related disputes	Others	Total	Litigations and related disputes	Others	Total
Opening balance	2,343,051	135,623	2,478,674	2,191,032	103,963	2,294,995
New provisions	471,776	20,861	492,637	395,415	37,960	433,375
Utilisation/Settlement in the year	-	-	-	(94,645)	-	(94,645)
Reversals	(23,600)	-	(23,600)	(148,751)	(6,300)	(155,051)
<b>Total cost for the year in Profit and loss account</b>	<b>448,176</b>	<b>20,861</b>	<b>469,037</b>	<b>152,019</b>	<b>31,660</b>	<b>183,679</b>
Closing balance	2,791,227	156,484	2,947,711	2,343,051	135,623	2,478,674

#### Notes:

- Litigations and related disputes** - represents estimates made mainly for probable claims arising out of litigations / disputes pending with authorities under various statutes (i.e. Income Tax, Excise Duty, Service Tax, Sales and Purchase Tax etc.). The probability and the timing of the outflow with regard to these matters depends on the ultimate settlement /conclusion with the relevant authorities.
- Others** - include estimates made for products sold by the Company which are covered under free replacement warranty on becoming unfit for human consumption during the prescribed shelf life, investments held by the employee benefit trusts (in previous year) and other uncertainties requiring management judgement. The timing and probability of outflow with regard to these matters will depend on the external environment and the consequent decision /conclusion by the Management.

- Auditors' remuneration including service tax and expenses in respect of :
    - Statutory audit
    - Audit of accounts for fiscal year and tax audit
    - Limited review of quarterly un-audited results
    - Certifications
    - Audit of employee trust accounts
    - Certification of tax holiday benefits
    - Reimbursement of out of pocket expenses for statutory audit and other matters
  - Cost and other auditors' remuneration

2011 (Rs. in thousands)	2010 (Rs. in thousands)
5,559	3,905
2,744	1,489
993	827
1,097	375
55	205
77	77
425	425
366	286

	2011 (Rs. in thousands)		2010 (Rs. in thousands)
4. Managerial remuneration @			
Salaries and allowances	56,994		40,986
Company's contribution to provident and other funds	3,060		2,393
Leave travel	1,652		1,053
Commission to managing/whole-time directors	43,427		29,574
Commission to non whole-time directors	2,249		1,766
Directors sitting fees	785		600
Other perquisites	43,354		29,796
	<u>151,521</u>		<u>106,168</u>
@ Does not include provision for incremental liability on account of pension, gratuity, compensated absences and long service awards since the actuarial valuation is done for the Company as a whole.			
Computation of net profit in accordance with Section 198 of the Companies Act, 1956			
Net Profit after taxation	9,615,470		8,186,648
Add:			
Managerial remuneration	151,521		106,168
Net gain/(deficit) on fixed assets sold/scrapped as per Section 350 of the Companies Act, 1956	(58,123)		(79,930)
Net (gain)/deficit on fixed assets sold/scrapped as per accounts	57,926		79,346
Provision for income-tax	4,263,773		3,264,454
Net Profit	14,030,567		11,556,686
Commission: - Amount	45,676		31,340
- Percentage of net profit	0.33%		0.27%
5. Exchange difference net debited/(credited) to the Profit and loss account			
Interest and Financing expenses - Schedule L (Also refer note 20 and 21 below)	34,716		Nil
Manufacturing and other expenses - Schedule K	176,664		12,705
	<u>211,380</u>		<u>12,705</u>
	2011		2010
	(Rs. in thousands)	%	(Rs. in thousands)
6. Consumption of stores and spare parts			
Imported	39,422	7.5	29,522
Indigenous	485,149	92.5	435,100
	<u>524,571</u>	<u>100.0</u>	<u>464,622</u>
			<u>100.0</u>





	2011 (Rs. in thousands)	2010 (Rs. in thousands)
10(a). Expenditure in foreign currency (accrual basis):		
General license fees (net of tax)	2,574,740	2,157,351
Information technology and management information systems	593,037	438,950
Interest	116,079	Nil
Other matters	453,899	314,293
10(b). Expenditure recovered/received in foreign currency (accrual basis)	45,127	48,036

11. Amount remitted in foreign currencies towards dividends during the year:

	2011			2010		
	Number of Non-resident Shareholders	Number of Equity Shares held	Dividend remitted (Rs. in thousands)	Number of Non-resident Shareholders	Number of Equity Shares held	Dividend remitted (Rs. in thousands)
Final - 2010	2	60,515,079	756,438	2	59,629,954	745,374
First interim	2	60,515,079	544,636	2	59,629,954	536,670
Second interim	2	60,515,079	1,633,907	2	60,515,079	1,633,907

12. Earnings per share

	2011	2010
Profit after taxation as per profit and loss account (Rs. in thousands)	9,615,470	8,186,648
Weighted average number of equity shares outstanding	96,415,716	96,415,716
Basic and diluted earnings per share in rupees (face value – Rs. 10 per share)	99.73	84.91

13. Capacities, Production/Purchases, Stocks and Sales of Finished Goods:

Class of goods	Licensed/ IEM Capacity (Annual) Quantity (MT)	Installed Capacity (Annual) Quantity (MT)	Opening stock		#Actual Production and Purchases (MT)	Closing stock		Gross Sales	
			Quantity (MT)	Value (Rs. in thousands)		Quantity (MT)	Value (Rs. in thousands)	Quantity* (MT)	Value (Rs. in thousands)
Milk Products and Nutrition	186,702 (186,702)	162,107 (147,546)	12,271 (10,656)	1,691,901 (1,282,688)	148,964 (147,425)	11,415 (12,271)	1,890,319 (1,691,901)	147,984 (144,397)	33,510,096 (27,762,679)
Beverages	47,750 (47,750)	46,353 (47,794)	1,815 (1,785)	357,531 (331,989)	26,944 (26,709)	1,931 (1,815)	516,378 (357,531)	26,692 (26,458)	10,683,961 (8,993,520)
Prepared dishes and cooking aids	507,287 (317,955)	226,447 (205,017)	6,668 (6,639)	396,086 (326,949)	220,165 (194,583)	6,550 (6,668)	459,401 (396,086)	219,041 (193,494)	21,544,763 (17,250,424)
Chocolate and confectionery	48,500 (48,500)	36,052 (32,769)	4,448 (3,590)	425,092 (371,259)	52,091 (54,503)	3,825 (4,488)	497,638 (425,092)	52,678 (53,483)	10,996,946 (9,759,198)
				<b>2,870,610</b> (2,312,885)			<b>3,363,736</b> (2,870,610)		<b>76,735,766</b> (63,765,821)

# Includes product manufactured by contract manufacturers on conversion basis

\* Sales quantity includes goods withdrawn for sales promotion and excludes expired/bad goods.

## NESTLÉ INDIA LIMITED

- (a) Licensed/IEM Capacity include registered capacities of industrial activities existing prior to the Industries (Development and Regulation) Act, 1951 and capacities as shown in the Industrial Entrepreneurs Memorandum (IEM) filed with the Government pursuant to Notification no. 477(E) dtd. 27-07-1991 under the said Act.
- (b) The installed capacities are as certified by the management on which the auditors have relied. These are based on maximum utilisation of the plant and machinery taking into account production efficiencies, maintenance of plant and machinery, shifts, seasonality etc.
- (c) The products are manufactured in integrated plants as certified by the Management on which the auditors have relied. Hence, in respect of all the above class of goods, individual registered/installed capacities given can vary depending on the product mix.
- (d) Actual production and purchases include purchase of 22,249 MT (22,399 MT) in Milk Products and Nutrition, 208 MT (231 MT) in Beverages, 12 MT (Nil MT) in Prepared dishes and cooking aids, 222 MT (218 MT) in Chocolate and Confectionery. The total value of these purchases is Rs. 1,148,033 thousands (Rs. 957,038 thousands).
- (e) Previous year's figures are indicated in brackets.

### 14. Segment reporting

Based on the guiding principles given in Accounting Standard on 'Segment Reporting' (AS-17), the Company's primary business segment is Food. The food business incorporates product groups viz. Milk Products and Nutrition, Beverages, Prepared dishes and cooking aids, Chocolates and Confectionery, which mainly have similar risks and returns. As the Company's business activity falls within a single primary business segment the disclosure requirements of AS -17 in this regard are not applicable.

### 15. Related party disclosures under Accounting Standard-18

**Holding companies:** Nestlé S.A. and Maggi Enterprises Limited

**Fellow subsidiaries** are disclosed to comply with para 3 (a) of Accounting Standard -18 on "Related Party Disclosures" albeit these do not control or exercise significant influence on Nestlé India Limited:

Belte Italiana Spa, Casa Buitoni Srl, CPW Philippines, Inc., CPW S.A., Nestec S.A., Nestec York Ltd, Nestlé (China) Ltd., Nestlé (South Africa) (Pty) Ltd, Nestlé (Thai) Ltd., Nestlé Asean (Malaysia) Sdn Bhd, Nestlé Australia Ltd, Nestlé Bangladesh Ltd., Nestlé Belgilux SA, Nestlé Brasil Ltda, Nestlé Business Services AOA, Inc., Nestlé Canada Inc, Nestlé Central And West Africa, Nestlé Cesko s.r.o., NESTLÉ CHILE S.A., Nestlé Cote d'Ivoire, Nestlé Deutschland AG, Nestlé Dongguan Ltd., Nestlé Dubai Manufacturing LLC, Nestlé Egypt S.A.E., Nestlé Equatorial African Region, Nestlé Espana, S.A., Nestlé Foods Kenya Ltd, Nestlé France, Nestlé Ghana Limited, Nestlé Hong Kong Limited, Nestlé Hungaria Kft., Nestlé International Travel Retail, Nestlé Iran (Private Joint Stock Company), Nestlé Italiana S.p.A., Nestlé Japan Ltd, Nestlé Korea Ltd., Nestlé Kuban LLC, Nestlé Lanka PLC, Nestlé Manufacturing (Malaysia), Nestlé Manufacturing Ltd., Nestlé Maroc S.A., Nestlé Mexico, S.A. de C.V., Nestlé Middle East FZE, Nestlé Nederland B.V., Nestlé Nespresso SA, Nestlé New Zealand Ltd, Nestlé Nigeria Plc, Nestlé Operational Services Worldwide SA, Nestlé Pakistan Ltd., Nestlé Philippines, Inc., Nestlé Polska S.A., Nestlé Product Technology Centre, Nestlé Products Sdn Bhd, Nestlé Ptc Marysville, Nestlé Purina Petcare Company, Nestlé Purina Petcare France, Nestlé Purina Petcare Tianjin Ltd., Nestlé Qingdao Limited, Nestlé Quality Assurance Center, Nestlé R&D Center Inc, Nestlé R&D Center Shanghai Ltd., Nestlé R&D Centre (Pte) Ltd, Nestlé R&D Centre Beijing Limited, Nestlé R&D Centre India Private Ltd, Nestlé ROH (Thailand) Ltd., Nestlé Romania SRL, Nestlé S E P N, Nestlé Shanghai Ltd., Nestlé Singapore (Pte) Ltd, Nestlé Suisse S.A., Nestlé Syrie S.A., Nestlé Taiwan Limited, Nestlé Tianjin Ltd., Nestlé Turkiye Gıda Sanayi A.S., Nestlé UK Limited, Nestlé USA Inc, Nestlé Vietnam Ltd., Nestlé Waters Management & Technology, Nestlé Zimbabwe (Private) Ltd, Nestrade S.A., Osem Investments Ltd., Osem UK Ltd, PT Nestlé Indofood Citarasa, PT Nestlé Indonesia, Quality Coffee Products Ltd., R&D - Singapore, San Pellegrino S.p.A., Saudi Food Industries Limited Liability Company, Servcom S.A.

**Whole time directors:** Antonio Helio Waszyk, Chairman & Managing Director, Shobinder Duggal, Director - Finance & Control, Christian Schmid, Director - Technical



Nature of transactions	2011 (Rs. in thousands)	2010 (Rs. in thousands)
<b>Holding companies:</b>		
<b>Dividends:</b> Interim	2,178,543	2,170,577
Final	756,438	756,438
<b>Expenses Reimbursed/incurred</b>		
- Nestlé S.A.	106,351	90,270
<b>External Commercial Borrowings (ECB)</b>		
- Nestlé S.A.		
- Loan received	6,373,934	Nil
- Interest	108,905	Nil
<b>Fellow subsidiaries:</b>		
(a) Sale of finished and other goods		
- Nestlé Kuban LLC	1,480,827	985,929
- Nestlé Egypt S.A.E.	373,031	250,402
- Nestlé (South Africa) (Pty) Ltd	116,361	311,290
- Others	411,969	356,369
(b) Sale of fixed assets/spares		
- Nestrade S.A.	3,137	Nil
- Nestlé Zimbabwe (Pvt) Ltd	1,785	3,068
- Nestlé Asean (Malaysia) Sdn Bhd	1,414	Nil
- Nestlé Lanka PLC	114	Nil
(c) Business Purchase from Nestlé R&D Centre India Pvt Ltd		
- Fixed Assets	Nil	54,209
- Net other assets (including finished goods Rs. 20,016 thousands)	Nil	12,401
(d) Purchase of raw and packing materials and spare parts		
- Nestlé (South Africa) (Pty) Ltd	1,048	Nil
- Nestlé Deutschland AG	625	Nil
- Nestlé Lanka PLC	Nil	174
(e) Purchase of finished goods		
- Nestlé Lanka PLC	63,544	39,187
- Nestlé Espana S.A.	41,861	Nil
- Nestlé Nederland BV	38,618	Nil
- P.T. Nestlé Indonesia	35,187	19,714
- Nestlé Korea Ltd	34,573	7,440
- Nestlé Bangladesh Ltd	Nil	75,217
- Others	26,610	21,127
(f) General licence fees (Net of taxes)		
- Société des Produits Nestlé S.A.	2,574,740	2,157,351
(g) Expenses Recovered/received		
- Nestlé R&D Centre India Private Limited	15,554	6,134
- Nestec S.A.	13,882	12,174
- Nestlé Lanka PLC	10,829	6,746
- Nestlé Bangladesh Ltd	6,874	11,602
- Others	13,542	17,514
(h) Expenses Reimbursed/incurred		
- Nestec S.A.	21,801	26,017
- Nestlé Nederland BV	15,512	615
- Nestlé Deutschland AG	11,770	15,734
- Nestlé R & D Center (Pte) Limited	5,269	10,728
- Others	39,299	39,652

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	2011 (Rs. in thousands)	2010 (Rs. in thousands)
(i) Information technology and management information systems		
- Nestlé Australia Ltd	591,116	437,948
- Servcom S.A.	1,921	1,321
(j) Balances no longer payable		
- Nestlé Bangladesh Ltd	4,301	Nil
(k) Remuneration to whole time directors		
- Chairman & Managing Director	85,204	69,695
- Director - Finance & Control	23,759	21,433
- Director - Technical	39,523	12,442*
<b>Balance outstanding as at the year end</b>		
➤ Proposed final dividend payable to holding companies	756,438	756,438
➤ Receivables	516,965	166,475
➤ Payables	467,047	351,631
➤ External Commercial borrowings (ECB) - At restated value	7,249,480	Nil
➤ Interest accrued but not due on ECB	7,872	Nil

\*Appointed as Whole-Time Director with effect from 02-08-2010.

### Notes:

- i. Balance payable to whole time directors as on December 31, 2011 is Rs. 22,506 thousands (Previous year Rs. 19,808 thousands).
  - ii. Other transactions with Key Managerial Personnel during the year:
    - Lease rentals paid (included in (k) above) (at market rates) during the year: Rs. 2,040 thousands (previous year Rs. 1,800 thousands).
    - Balance outstanding against loans disbursed under Company's employee loan schemes for its employees includes Rs. 544 thousands (previous year Rs. 919 thousands). Transactions during the year in this employee loan account: repayments Rs. 375 thousands (previous year Rs. 156 thousands).
16. On the basis of confirmation obtained from suppliers who have registered themselves under the Micro Small Medium Enterprise Development Act, 2006 (MSMED Act, 2006) and based on the information available with the Company, the balance due to Micro & Small Enterprises as defined under the MSMED Act, 2006 is Rs. 44,805 thousands (previous year Rs. 52,451 thousands). Further, no interest during the year has been paid or payable under the terms of the MSMED Act, 2006.
17. **Employee Plans**
- a) The Company makes contribution towards employees' provident fund and employees' state insurance plan scheme. Under the rules of these schemes, the Company is required to contribute a specified percentage of payroll costs. The Company during the year recognised Rs. 181,046 thousands (previous year Rs. 156,180 thousands) as expense towards contributions to these plans.
 

Out of the total contribution, made for employees' provident fund, Rs. 89,156 thousands (previous year Rs. 77,540 thousands) is made to the Nestlé India Limited Employees Provident Fund Trust while the remainder contribution is made to provident fund plan operated by the Regional Provident Fund Commissioner. The outstanding balance payable as at December 31, 2011 to the Trust is Rs. 16,787 thousands (previous year Rs. 14,078 thousands) on account of Company's and employees contribution for the month of December 2011. The same has since been paid on 05.01.2012.

The total plan liabilities under the Nestlé India Limited Employees Provident Fund Trust as at December 31, 2011 as per the unaudited financial statements for the year then ended is Rs. 1,426,379 thousands (previous year Rs. 1,202,164 thousands) as against total plan assets of Rs. 1,416,620 thousands (previous year Rs. 1,198,580 thousands). The funds of the Trust have been invested under various securities as prescribed under the rules of the Trust.
  - b) **Gratuity scheme** - This is a funded defined benefit plan for qualifying employees. The Company makes contributions to the Nestlé India Limited Employees' Gratuity Trust Fund. The scheme provides for a lumpsum payment to vested employees at retirement, death while in employment or on termination of employment. Vesting occurs upon completion of five years of service.
  - c) **Pension scheme** - The Company operates a non funded pension defined benefit scheme for its employees that qualify under the scheme. The scheme is discretionary in nature.

The following table sets out the status of the gratuity scheme and pension scheme plans as at December 31, 2011:-

	As at December 31, 2011 (Rs. in thousands)		As at December 31, 2010 (Rs. in thousands)	
	Gratuity Scheme Funded Plan	Pension Scheme Non Funded Plan	Gratuity Scheme Funded Plan	Pension Scheme Non Funded Plan
<b>Change in benefit obligation:</b>				
1 Present Value of obligation, as at the beginning of the year	505,828	4,676,920	300,530	4,208,379
2 Current service cost	30,480	199,050	15,170	209,540
3 Interest cost	39,240	369,700	23,130	332,690
4 Past service cost	-	-	167,960	(162,860)
5 Actuarial (gain)/loss <i>(net of actual benefits paid, as shown under cost for the period below) *</i>	(1,951)	228,517	(962)	89,171
6 Present Value of obligation, as at the end of the year	573,597	5,474,187	505,828	4,676,920
<b>Change in Plan Assets:</b>				
1 Plan assets at the beginning of the year	467,988	-	377,317	-
2 Expected return on plan assets	38,568	-	32,480	-
3 Contribution by the Company	59,000	-	80,000	-
4 Actual benefits paid	(30,784)	-	(22,703)	-
5 Actuarial gain / (loss)	1,967	-	894	-
6 Plan assets at the end of the year	536,739	-	467,988	-
<b>Liability/(Asset) recognised in the balance sheet as at December 31, 2011</b>	36,858	5,474,187	37,840	4,676,920
<b>Cost for the period:</b>				
1 Current service cost	30,480	199,050	15,170	209,540
2 Interest cost	39,240	369,700	23,130	332,690
3 Return on Plan Asset	(40,535)	-	(33,374)	-
4 Past service cost	-	-	167,960	(162,860)
5 Actuarial (Gain) / Loss on obligation	(1,951)	228,517	(962)	89,171
6 Actual benefits paid*	30,784	111,274	22,703	99,586
<b>Net cost</b>	58,018	908,541	194,627	568,127
<b>Constitution of Plan Assets:</b>				
1 Bonds	250,940	-	219,488	-
2 Government of India securities	90,575	-	90,196	-
3 State Government/State Government guaranteed securities	121,270	-	78,713	-
4 Cash at bank and receivables	11,467	-	25,851	-
5 Funding with ICICI Prudential Life Insurance Company Limited invested as under:				
- Corporate securities	30,119	-	22,796	-
- Fixed deposit with banks	9,061	-	11,038	-
- Equity	10,248	-	9,564	-
- Government securities and treasury bills	6,624	-	7,344	-
- Others	6,435	-	2,998	-
<b>Total plan assets</b>	536,739	-	467,988	-
<b>Main Actuarial Assumptions:</b>				
1 Discount Rate (%)	8.00	8.00	8.00	8.00
2 Expected rate of return on plan assets (%)	8.00	-	8.00	-



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The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors such as demand and supply in the employment market.

The expected return on plan assets is determined considering several applicable factors mainly the composition of the plan assets held, assessed risks of assets management, historical results of return on plan assets and the policy for plan assets management.

18. The Company participates in the Nestlé Restricted Stock Unit (RSU) Plan of Nestlé S.A., whereby select employees are granted non-tradable Restricted Stock Units with the right to obtain Nestlé S.A. shares or cash equivalent. Restricted Stock Units granted to employees vest, subject to certain conditions, after completion of three years. Upon vesting Nestlé S.A. determines, whether shares, free of charge or cash equivalent to the value of shares, is to be transferred to the employee. The Company has to pay Nestlé S.A. an amount equivalent to the value of Nestlé S.A. shares on the date of vesting, delivered to the employee. Provisions are made based on estimates including Nestlé S.A. share price over the vesting period.

The details are as under :-	2011		2010	
	No. of Grants	(Rs. in thousands)	No. of Grants	(Rs. in thousands)
Outstanding, non vested RSU grants as at 31.12.2011	112,480	203,262	97,310	150,696
RSU Grants vested during the year	21,200	52,969	25,850	57,426

19. The Company's significant leasing arrangements are primarily in respect of operating leases for premises (office, residential, warehouses etc.) and vehicles. These leasing arrangements which are not non-cancellable are usually renewable on mutually agreeable terms. The aggregate lease rentals charged to the profit and loss account are Rs. 454,909 thousands (previous year Rs. 395,851 thousands)
20. During the year Company had drawn US Dollars 136,000 thousands (Previous year Nil) from Nestlé S.A. for 5 years for the purpose of capital expenditure under the External Commercial Borrowings (ECB) approval from Reserve Bank of India. Total amount of loan outstanding as on 31st Dec 2011 is Rs. 7,249,480 thousands (Previous year Rs. Nil). Total cost of this borrowing, including interest and exchange differences, during 2011 is Rs. 1,168,673 thousands (Previous year Rs. Nil).

	2011	(Rs. In thousands)		
<b>External Commercial Borrowings</b>				
<b>Movement in Loan Amount during the year</b>		<b>Loan Amount</b>		
<b>Loan amount outstanding at start of year</b>		-		
Loan amount drawn during the year	6,373,934			
Exchange Loss on restating loan amount at Balance Sheet date	875,546			
<b>Restated Loan amount outstanding at year end</b>	<b>7,249,480</b>			
<b>Interest &amp; Financing Expenses for ECB during the year</b>		Interest	Exchange Loss/(Gain)	
(refer schedule L)			Realised	Unrealised
Interest Cost	108,905	-	-	108,905
Exchange Loss on restating loan amount at Balance Sheet date	-	-	875,546	875,546
Exchange Loss on USD forward sale contracts#	-	188,094	-	188,094
Exchange Gain on Interest Payments	-	(3,872)	-	(3,872)
<b>Subtotal</b>	<b>108,905</b>	<b>184,222</b>	<b>875,546</b>	<b>1,168,673</b>
Earnings from temporarily surplus liquidities	(39,518)	-	-	(39,518)
<b>Net Interest &amp; Financing Expenses</b>	<b>69,387</b>	<b>184,222</b>	<b>875,546</b>	<b>1,129,155</b>
<b>of which</b>				
Included in cost of Fixed Assets/Capital Work-in-progress per provisions of AS 16, AS 10 and AS 11 (Revised)	57,076	184,909	842,273	1,084,258
Recognised in Profit & Loss Account	12,311	(687)	33,273	44,897
# included in the loan amount drawn during the year				

21. During the year Company had drawn US Dollars 45,978 thousands (Previous year Rs. Nil) as Buyer's Credit from various commercial banks for a period upto one year. Total amount of loan outstanding as on 31st December 2011 is Rs. 2,450,840 thousands (Previous year Rs. Nil). Total cost of this borrowing, including interest and exchange differences, during 2011 is Rs. 19,559 thousands (Previous year Rs. Nil).

		2011	(Rs. In thousands)	
<b>Buyer's Credit in Foreign Currency</b>				
<b>Movement in Loan Amount during the year</b>				
	<b>Loan Amount</b>			
<b>Loan amount outstanding at start of year</b>		-		
Loan amount drawn during the year		2,270,110		
Exchange Loss on restating loan amount at Balance Sheet date		180,730		
<b>Restated Loan amount outstanding at year end</b>		<b>2,450,840</b>		
<b>Interest &amp; Financing Expenses for Buyer's Credit during the year</b>				
(refer schedule L)	<b>Interest</b>		<b>Exchange Loss/(Gain)</b>	<b>Total</b>
			<b>Realised</b>	<b>Unrealised</b>
Interest Cost	7,174	-	-	7,174
Exchange Loss on restating loan amount at Balance Sheet date	-	-	180,730	180,730
Exchange Gain on Forex forward buy contracts#	-	-	(168,345)	(168,345)
<b>Net Interest &amp; Financing Expenses</b>	<b>7,174</b>	<b>-</b>	<b>12,385</b>	<b>19,559</b>
<b>of which</b>				
Included in cost of Fixed Assets/Capital Work-in-progress per provisions of AS 16	5,940	-	10,255	16,195
Recognised in Profit & Loss Account	1,234	-	2,130	3,364
# Amount receivable against Forex forward contracts included under Loans and Advances in schedule G(B)				

22. The Company's borrowing facilities, comprising fund based and non fund based limits from various bankers, are secured by way of a first pari passu charge on all movable assets (excluding plant and machinery), finished goods, work in progress, raw materials and book debts.
23. The foreign currency exposure of the Company as on December 31, 2011 is as under :

- a) Category wise quantitative data \*

	Currency	As at December 31, 2011			As at December 31, 2010		
		Nos.	Amount in	Amount in	Nos.	Amount in	Amount in
			FC	INR		FC	INR
		(Nos.)	('000)	('000)	(Nos.)	('000)	('000)
Forward contracts against exports	USD	36	16,998	891,803	14	4,750	216,933
	CHF	-	-	-	1	67	3,218
Forward contracts against imports	CAD	1	250	13,069	2	585	26,373
	CHF	1	449	25,741	4	500	23,220
	GBP	6	1,209	99,462	2	500	34,949
	EUR	28	6,397	446,367	31	6,433	387,327
	USD	12	5,900	314,039	20	6,291	283,810
	AUD	9	1,976	104,441	4	627	28,660
Forward contracts against Buyers Credit & Interest Charges	USD	95	46,601	2,376,374		-	-

\*At Contract price

- b) All the forward contracts are for hedging foreign exchange exposures against firm commitments and/or forecasted transactions.

## NESTLÉ INDIA LIMITED

c) Foreign currency exposures remaining unhedged at the year end :

	Currency	As at December 31, 2011		As at December 31, 2010	
		Amount in	Amount in	Amount in	Amount in
		FC ('000)	INR ('000)	FC ('000)	INR ('000)
Against exports	USD	-	-	821	36,823
	GBP	84	6,875	84	5,845
	EUR	133	9,144	284	16,988
	AUD	-	-	17	778
Against imports (Including Capital Imports)	JPY	14,660	10,073	7,383	4,069
	SGD	671	27,544	64	2,237
	AUD	492	26,654	2,167	98,919
	MYR	76	1,274	214	3,108
	CHF	700	39,713	29	1,374
	USD	-	-	248	11,118
	ZAR	204	1,340	-	-
	GBP	1,883	154,880	-	-
	CAD	2,706	141,271	-	-
	EUR	7,216	497,797	-	-
Against ECB & interest Charges	USD	136,148	7,257,352	-	-

24. Previous year figures have been regrouped/reclassified wherever necessary, to make them comparable.

### 25. SIGNIFICANT ACCOUNTING POLICIES

#### ACCOUNTING CONVENTION

The financial statements are prepared under the historical cost convention, in accordance with applicable mandatory accounting standards prescribed under the Companies (Accounting Standards) Rules, 2006 and the relevant provisions of the Companies Act, 1956.

#### SALES

Sale of goods is recognised at the point of dispatch to the customer. Sales include excise duty but exclude value added tax/sales tax. In order to comply with Accounting Standards on Revenue Recognition (AS- 9), gross sales (including excise duty) and net sales (excluding excise duty) is disclosed in the profit and loss account.

#### INVENTORIES

Stores and spare parts are stated at cost or under. Stock-in-trade is valued at cost or net realisable value, whichever is lower. The bases of determining cost for various categories of inventories are as follows:

Raw and packing materials	:	First-in-first out
Stores and spare parts	:	Weighted average
Work-in-progress and finished goods	:	Material cost plus appropriate share of production overheads and excise duty, wherever applicable.

#### EMPLOYEE BENEFITS

Contributions to the provident fund and provision for pension and gratuity are charged to revenue every year. Provision for pension is made on the basis of an actuarial valuation carried out by an independent actuary as at the year-end. Provision for gratuity is made on the basis of actuarial valuation after taking into account the net result of gratuity trust fund. Recognition of other long term employee benefits, comprising largely of long service awards and compensated absences, is done on a discounted, accrual basis over the expected service period until the benefits become vested. Actuarial gains and losses are recognised immediately in the profit and loss account.

Liability on account of short term employee benefits, including performance incentives, is recognised on an undiscounted, accrual basis during the period when the employee renders service / vesting period of the benefit.

#### DEPRECIATION / AMORTISATION

Depreciation is provided as per the straight-line method at rates provided in Schedule XIV to the Companies Act, 1956, except for the following



classes of fixed assets, where the useful life has been estimated as under: -

Information technology equipment	:	3 years
Furniture and fixtures and Vehicles	:	5 years
Leasehold land and improvements	:	Lease period
Intangible fixed assets	:	Over their estimated economic life.

#### **IMPAIRMENT OF FIXED ASSETS**

Regular review is done to determine whether there is any indication of impairment of the carrying amount of the Company's fixed assets. If any indication exists, an asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value based on an appropriate discount factor.

Reversal of impairment losses recognised in prior years is recorded when there is an indication that the impairment losses recognised for the asset no longer exist or have decreased. However, the increase in carrying amount of an asset due to reversal of an impairment loss is recognised to the extent it does not exceed the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognised for the asset in prior years.

#### **TAXATION**

The provision for taxation for the period comprises the residual tax liability for the assessment year 2011-2012 relevant to the period April 1, 2010 to March 31, 2011 and the liability, which has accrued on the profit for the period April 1, 2011 to December 31, 2011 under the provisions of the Indian Income tax Act, 1961.

Deferred tax is recognised, subject to the consideration of prudence, on timing difference, being the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods.

#### **CONTINGENT LIABILITIES AND PROVISIONS**

Contingent liabilities are disclosed after a careful evaluation of the facts and legal aspects of the matter involved, in line with the provisions of Accounting Standard (AS) 29. Provisions are recognised when the Company has a legal/constructive obligation and on management judgement as a result of a past event, for which it is probable that a cash outflow may be required and a reliable estimate can be made of the amount of the obligation.

#### **FIXED ASSETS**

Fixed assets are stated at cost (net of CENVAT, wherever applicable) less accumulated depreciation. Cost is inclusive of freight, duties, levies and any directly attributable cost of bringing the assets to their working condition for intended use.

(Also refer to accounting policies on Borrowing Costs and Foreign Exchange Transactions).

#### **INVESTMENTS**

Investments are classified into current and long-term investments. Current investments are stated at the lower of cost or fair value. Long-term investments are stated at cost.

#### **FOREIGN EXCHANGE TRANSACTIONS**

Transactions in foreign currency are recorded on initial recognition at the exchange rate prevailing on the date of the transaction.

Monetary items (i.e. receivables, payables, loans etc.) denominated in foreign currency are reported using the closing exchange rate on each balance sheet date.

The exchange difference arising on the settlement of monetary items or on reporting these items at rates different from rates at which these were initially recorded/reported in previous financial statements are recognised as income/expense in the period in which they arise.

In line with Notification No. G.S.R. 225(E) dated March 31, 2009 (further amended by notification no. G.S.R.378 (E) dated 11.05.2011) issued by the Ministry of Corporate Affairs, Government of India, the Company has opted for adjusting the exchange differences, arising on long term foreign currency monetary items relating to acquisition of depreciable capital asset to the cost of the capital asset and, to depreciate over the balance useful life of the asset.

(Also refer Schedule E on 'Fixed Assets', Schedule L on 'Interest and Financing Expenses' and note 20 and 21 of Schedule O)

In case of forward exchange contracts, the premium or discount arising at the inception of such contracts, is amortised as income or expense over the life of contract as well as exchange difference on such contracts i.e. difference between the exchange rate at the reporting/settlement date and the exchange rate on the date of inception/the last reporting date, is recognised as income/expense for the period except those relating to fixed assets in which case they are capitalised with the cost of respective fixed assets.

#### **BORROWING COSTS**

Borrowing costs directly attributable to acquisition or construction of those fixed assets which necessarily take a substantial period of time to get ready for their intended use are capitalised. Other borrowing costs are charged to the profit and loss account.

## ANNEXURE - 1 TO THE DIRECTORS' REPORT

### Report on Corporate Governance for the year ended December 31, 2011

#### NESTLÉ'S PHILOSOPHY ON CODE OF GOVERNANCE

Nestlé India Limited, as a part of the Nestlé Group, Switzerland has over the years followed best practices of Corporate Governance by adhering to practices laid down by the Nestlé Group. The significant documents from the Nestlé Group, which define the standard of behaviour of Nestlé India, are "Nestlé Corporate Business Principles", "The Nestlé Management and Leadership Principles" and "Nestlé Code of Business Conduct".

Nestlé India's business objective and that of its management and employees is to manufacture and market the Company's products in such a way as to create value that can be sustained over the long term for consumers, shareholders, employees, business partners and the national economy. Nestlé India is conscious of the fact that the success of a corporation is a reflection of the professionalism, conduct and ethical values of its management and employees. In addition to compliance with regulatory requirements, Nestlé India endeavours to ensure that highest standards of ethical and responsible conduct are met throughout the organisation.

#### BOARD OF DIRECTORS

#### Composition, attendance of the Directors at the Board Meetings and the last Annual General Meeting, Outside Directorships and other Board Committees

Above information as on 31<sup>st</sup> December, 2011 or for the year 2011, as applicable, is tabulated hereunder:

Director	No. of Board Meetings attended	Attendance at previous AGM on 19-04-2011	No. of outside Directorship held <sup>A</sup>	No. of Membership/ Chairmanship in other Board Committees <sup>B</sup>	Executive/ Non-Executive/ Independent
Mr. Antonio Helio Waszyk	6	Present	Nil	Nil	Executive
Mr. Shobinder Duggal	6	Present	Nil	Nil	Executive
Mr. Christian Schmid	6	Present	Nil	Nil	Executive
Mr. Pradip Bajjal <sup>1</sup>	1	Present	2	1	Non-Executive & Independent
Dr. Rakesh Mohan	4	Present	3	Nil	Non-Executive & Independent
Mr. Ashok Kumar Mahindra <sup>2</sup>	4	Not Applicable	Nil	Nil	Non-Executive & Independent
Mr. Ravinder Narain	6	Present	3	1	Non-Executive & Independent
Mr. Michael W. O. Garrett	5	Present	Nil	Nil	Non-Executive & Independent
Dr. Swati A. Piramal	5 <sup>3</sup>	Present	4	3	Non-Executive & Independent
Mr. Richard Sykes <sup>4</sup>	Nil	Not Present	Nil	Nil	Non-Executive

1 Ceased as a Director with effect from 19.04.2011.

2 Appointed as an Additional Director with effect from 21.04.2011.

3 Participated through video conferencing in the Board meeting held on 07.12.2011.

4 Alternate Director to Mr. M. W. O. Garrett.

A Directorship in companies registered under the Companies Act, 1956, excluding directorships in private companies, foreign companies, companies under Section 25 of the Companies Act, 1956 and alternate directorship.

B Only covers membership / chairmanship of Audit Committee and Shareholder / Investor Grievance Committee.

As at 31<sup>st</sup> December, 2011, in compliance with the corporate governance norms, the Company's Board of Directors headed by its executive Chairman, Mr. Antonio Helio Waszyk comprised seven other directors, out of which five are independent directors. None of the Directors of the Company was a member of more than ten Board-level committees, nor a Chairman of more than five such committees, across all companies in which he/she was a Director.

### **Board Meetings held during the year 2011**

During the year, six Board Meetings were held on 18<sup>th</sup> February, 2011, 19<sup>th</sup> April, 2011, 21<sup>st</sup> April, 2011, 30<sup>th</sup> July, 2011, 4<sup>th</sup> November, 2011 and 7<sup>th</sup> December, 2011. The maximum gap between any two meetings was less than four months. All material information is circulated to the directors before the meeting or placed at the meeting, including minimum information required to be made available to the Board under Clause 49 of the Listing Agreement.

The Company has established procedures to enable the Board to periodically review compliance reports of all laws applicable to the Company, as prepared by the Company as well as steps taken by the Company to rectify instances of non-compliances. The Board reviewed the reports prepared by the Company on half-yearly periodicity.

### **Compliance with the Code of Conduct**

The Company has adopted the "Nestlé India Code of Business Conduct". The Code is available on the website of the Company [www.nestle.in](http://www.nestle.in).

It is hereby affirmed that the Directors and Senior Management have given an annual affirmation of compliance with the code of conduct during the year 2011.

### **AUDIT COMMITTEE**

The powers, role and terms of reference of the Audit Committee covers the areas as contemplated under Clause 49 of the Listing Agreement and Section 292A of the Companies Act, 1956 besides other terms as may be referred by the Board of Directors. The powers include investigating any activity within terms of reference; seeking information from any employee; obtaining outside legal and other professional advice; and securing attendance of outsiders with relevant expertise, if considered necessary. The role includes oversight of Company's financial reporting process and disclosure of financial information to ensure that the financial statement is correct, sufficient and credible; recommending the appointment, re-appointment, if required, replacement or removal of statutory and cost auditors; fixation of audit fees and approval of payment for any other services; discussing with internal auditors any significant findings and follow-up thereon; reviewing with the management annual and quarterly financial statements before submission to the Board for approval, adequacy of internal control systems and performance of statutory and internal auditors; and reviewing the Company's financial risk and management policies.

During the year 2011, the Audit Committee was re-constituted and Mr. Ashok Kumar Mahindra, a non-executive and independent director was appointed as a member and the Chairman of the Audit Committee in place of Mr. Pradip Bajjal, who ceased to be a Director of the Company with effect from 19<sup>th</sup> April, 2011. Mr. Michael W.O. Garrett and Mr. Ravinder Narain, non-executive and independent directors are the other members of the Audit Committee. All members of the Audit Committee are financially literate, and Mr. Ashok Kumar Mahindra and Mr. Michael W.O. Garrett, have related financial management expertise by virtue of their comparable experience and background. Mr. B. Murlu, Company Secretary, acts as the Secretary to the Committee. The Director-Finance & Control and Head of Corporate Control are permanent invitees to the Meetings of the Audit Committee. The Head of Internal Audit, the concerned partners/ authorised representatives of the Statutory Auditors and the Cost Auditors are also invited to the meetings of the Audit Committee.

The Audit Committee has recommended to the Board, the re-appointment of M/s A.F.Ferguson & Co., Chartered Accountant, as the Statutory Auditors of the Company till the conclusion of the next Annual General Meeting, and the necessary resolution for their re-appointment as the Statutory Auditors is placed before the shareholders at the 53<sup>rd</sup> Annual General Meeting scheduled on 30<sup>th</sup> March, 2012.

During the year, the Audit Committee met four times on 18<sup>th</sup> February, 2011, 21<sup>st</sup> April, 2011, 30<sup>th</sup> July, 2011 and 4<sup>th</sup> November, 2011 and all members of the Committee attended the aforesaid meetings. The maximum gap between any two meetings was less than four months.

### **SHAREHOLDER / INVESTOR GRIEVANCE COMMITTEE**

The Shareholder / Investor Grievance Committee oversees redressal of shareholder and investor grievances, transfer/transmission of shares, issue of duplicate shares, exchange of new design share certificates, recording dematerialisation/ rematerialisation of shares and related matters.

Mr. Ravinder Narain, a non-executive and independent director, is the Chairman of the Shareholder/ Investor Grievance Committee and the other member is Mr. Antonio Helio Waszyk, Managing Director. Mr. B. Murlu, Company Secretary acts as the Compliance Officer.

The Committee met four times during the year on 18<sup>th</sup> February, 2011, 21<sup>st</sup> April, 2011, 30<sup>th</sup> July, 2011 and 4<sup>th</sup> November, 2011. All members of the Committee attended the aforesaid meetings.

During the year, 15 complaints were received from shareholders and investors. All the complaints have generally been solved to the satisfaction of the complainants and no investor complaint was pending at the beginning or at the end of the year. The Company has acted upon all valid requests for share transfer received during 2011 and no such transfer is pending.



# NESTLÉ INDIA LIMITED

## CORPORATE GOVERNANCE COMMITTEE

The Board of Directors at their meeting held on 21<sup>st</sup> April, 2011 constituted a Corporate Governance Committee ('the Committee') of the Directors to look into the corporate governance and other business matters which may be referred by the Board or the Chairman, as and when deemed necessary, for the consideration and recommendation of the Committee. The powers and duties of the Committee include acting as a consulting body to the Chairman and the Board on various matters related to Company's financial, commercial or industrial policy, corporate governance matters and make recommendations, if any, to the Board.

Mr. Antonio Helio Waszyk is the Chairman of the Committee and the other members of the Committee comprise Mr. Michael W.O. Garrett, Dr. Swati Piramal and Mr. Ravinder Narain, non-executive and independent directors. B. Murlu, Company Secretary, acts as the Secretary to the Committee.

The Committee met three times during the year on 9<sup>th</sup> June, 2011, 30<sup>th</sup> July, 2011 and 4<sup>th</sup> November, 2011. Mr. Antonio Helio Waszyk attended all the meetings. Mr. Ravinder Narain attended the meetings held on 30<sup>th</sup> July, 2011 and 4<sup>th</sup> November, 2011. Dr. Swati Piramal attended the meeting held on 30<sup>th</sup> July, 2011 and participated over phone in the meetings held on 9<sup>th</sup> June, 2011 and 4<sup>th</sup> November, 2011. Mr. Michael W.O. Garrett attended the meetings on 30<sup>th</sup> July, 2011 and 4<sup>th</sup> November, 2011 and participated over phone in the meeting held on 9<sup>th</sup> June, 2011.

## REMUNERATION COMMITTEE

Matters of remuneration of executive directors are considered by the Board of Directors of the Company, with the interested executive director(s), not participating or voting. Further, the terms of remuneration of executive directors are approved by the shareholders at the Annual General Meeting. Therefore, no separate Remuneration Committee has been constituted.

The remuneration of Non-Executive Directors is decided by the Board of Directors as per the terms approved by the shareholders at the Annual General Meeting.

The remuneration policy of the Company is to remain competitive in the industry, to attract and retain the best talent and appropriately reward employees for their individual performance and contribution to the business.

## REMUNERATION OF DIRECTORS FOR 2011

(Rupees in thousands)

Name of the Director	Sitting Fee	Salaries and Allowances	Perquisites	Company's Contribution to PF	Commission	Total
Mr. Antonio Helio Waszyk <sup>1</sup>	N.A.	30,226	26,709	1,412	26,857	85,204
Mr. Shobinder Duggal <sup>1</sup>	N.A.	9,003	8,448	986	5,322	23,759
Mr. Christian Schmid <sup>1</sup>	N.A.	17,765	9,848	662	11,248	39,523
Mr. Pradip Bajjal	40	N.A.	N.A.	N.A.	136@	176
Mr. Michael.W.O.Garrett	190	N.A.	N.A.	N.A.	450@	640
Dr. Rakesh Mohan	80	N.A.	N.A.	N.A.	450@	530
Mr. Ashok Kumar Mahindra	140	N.A.	N.A.	N.A.	313@	453
Mr. Ravinder Narain	230	N.A.	N.A.	N.A.	450@	680
Dr. Swati A. Piramal	105	N.A.	N.A.	N.A.	450@	555

<sup>1</sup> The Company enters into service contracts with all executive directors for a period of 5 years. The notice period is of three months and the severance fee is the sum equivalent to remuneration for the notice period or part thereof in case of shorter notice.

@ The Commission for the year ended 31<sup>st</sup> December, 2011 will be paid, subject to deduction of tax after adoption of the accounts by the shareholders at the Annual General Meeting to be held on 30<sup>th</sup> March, 2012.

Sitting fee indicated above also includes payment for Board-level committee meetings.

The above remuneration of Executive Directors does not include provision for incremental liability on account of pension, gratuity, compensated absences and long service awards since actuarial valuation is done for the Company as a whole.

Commission is subject to adequate profits being earned. Performance criteria for the executive directors take into account achievement of performance parameters. The non-executive directors are paid remuneration based on their contribution and current trends.

None of the Non-executive Directors holds any equity shares or convertible instruments in the Company. The Company does not have any stock option scheme. The Company participates in the Nestlé Restricted Stock Unit Plan ('Plan') of Nestlé S.A., whereby select employees are granted non-tradeable Restricted Stock Units of Nestlé S.A. Perquisites of the Whole-time/ Managing Director include, inter-alia, Leave Travel and payments for the Restricted Stock Units vested during the year equal to the market value of the underlying shares on the date of vesting.

As required, a brief profile and other particulars of the Directors seeking appointment/ re-appointment are given in the Notice of the 53<sup>rd</sup> Annual General Meeting and forms part of the Corporate Governance Report.

#### CEO/CFO CERTIFICATION

The Managing Director and Director- Finance and Control have certified to the Board of Directors, inter alia, the accuracy of financial statements and adequacy of Internal Controls for the financial reporting purpose as required under Clause 49 (V) of the Listing Agreement, for the year ended 31<sup>st</sup> December, 2011.

#### GENERAL BODY MEETINGS

Location and time of last three Annual General Meetings (AGMs) are as under:

Year & Date	Time	Venue
19.04.2011	10.00 A.M.	Air Force Auditorium, Subroto Park, New Delhi - 110 010
21.04.2010	10.00 A.M.	- do -
05.05.2009	10.00 A.M.	- do -

Special resolutions were passed by the shareholders at the fifty first and fifty second Annual General Meeting of the Company for the approval of amendments in the Articles of Association of the Company and commission payable to non-executive directors of the Company, respectively. No other resolution was passed as special resolution in the last three Annual General Meetings.

No resolution was put through postal ballot or any other general body meeting held in the last three years.

There is no special resolution proposed to be passed through postal ballot at the ensuing Annual General Meeting scheduled on 30th March, 2012.

#### DISCLOSURES

During the year 2011, the Company had no materially significant related party transaction, which is considered to have potential conflict with the interests of the Company at large. Transactions with related parties are disclosed in Note No. 15 of Schedule O to the Annual Accounts.

The equity shares of the company are listed on the Bombay Stock Exchange Limited, Mumbai and the Company has complied with all the applicable requirements of capital markets and no penalties or strictures have been imposed on the Company by Stock Exchange, SEBI or any other statutory authority, on any matter relating to the capital markets, during the last three years.

The Company has complied with all the mandatory requirements of Clause 49 of the Listing Agreement entered into with the Bombay Stock Exchange Limited, Mumbai.

The status of adoption of the non-mandatory requirements of Clause 49 of the Listing Agreement is as under:

**(a) Maintaining non-executive Chairman's Office:** Presently not applicable as the Chairman of the Company is an Executive Director; **(b) Tenure of Independent Director:** No specific tenure has been prescribed for Independent Directors; **(c) Remuneration Committee :** No separate Remuneration Committee has been constituted. Please refer to para above on "REMUNERATION COMMITTEE"; **(d) Shareholder Rights:** Half-yearly and other quarterly financial statements are published in newspaper, uploaded on Company's website www.nestle.in and sent in soft copy to members who have registered their email address. Presently, half-yearly financial performance of the Company is not being sent to each household of shareholders; **(e) Audit Qualifications:** The Company already has a regime of un-qualified financial statements. Auditors have raised no qualification on the financial statements; **(f) Training of Board Members:** In the course of Board/ Audit Committee Meetings the Directors are where relevant provided information on the business model, the risk profile of the business parameters, their responsibilities as Directors and best ways to discharge them; **(g) Mechanism for evaluating non-executive Board Members:** The Company has not adopted any mechanism for evaluation of individual performance of Non-Executive Directors **(h) Whistle Blower Policy:** The standard of behaviour of Nestlé India is governed by significant documents from "Nestlé Corporate Business Principles", "The Nestlé Management and Leadership Principles" and "Nestlé Code of Business Conduct". Employees can report to the Company Secretary, on a confidential basis, any practices or actions believed to be inappropriate under the Nestlé India Code of Business Conduct or believed to be illegal. Further, the Company has appointed Ombudsman for Infant Code, under which employees can report Code violations directly to the Ombudsman, with adequate safeguard to protect the employee reporting.

# NESTLÉ INDIA LIMITED

## MEANS OF COMMUNICATION

The quarterly, half-yearly and annual results of the Company are widely published in leading newspapers of the country such as Business Standard, Financial Express, The Economic Times, The Pioneer, Rashtriya Sahara, Mint, Jansatta, The Hindu Business Line.

Up-to-date financial results, official press releases, presentations to analysts and institutional investors and other general information about the Company are also available on the Company's website [www.nestle.in](http://www.nestle.in).

The presentations made to the institutional investors or analysts, if any, are not communicated individually to the shareholders of the Company. However, in addition to uploading the same on the website of the Company, the presentations are sent to the Stock Exchange for dissemination.

## MANAGEMENT DISCUSSION AND ANALYSIS REPORT

(within the limits set by the Company's competitive position)

Industry structure and developments, opportunities and threats, segment wise or product-wise performance, outlook, risks and concerns of the Company and discussion on financial performance with respect to the operational performance, has been covered in the Directors' Report - more specifically under the sections on Financial Results and Operations, Exports, Business Development and SWOT Analysis of the Company.

The Company has an adequate system of internal controls to ensure that the transactions are properly authorised, recorded, and reported, apart from safeguarding its assets. The internal control system is supplemented by well-documented policies, guidelines and procedures and reviews carried out by the Company's internal audit function, which submits reports periodically to the Management and the Audit Committee of the Board.

In order to foster an improved internal control culture in the Company, wherein every employee is fully aware of all the major risk/controls faced in his /her work sphere and assumes responsibility for the controls performed therein, the Company has implemented a tool called "Controls Manager" which works on the basic concept of Control Self Assessment. The self assessments by process / control owner are also used as the basis of CEO/CFO certification as required under Clause 49 of the Listing Agreement with the Bombay Stock Exchange.

During the year, there has been no material development in Human Resources / Industrial relations. Your Company has a favourable work environment that motivates performance, customer focus and innovation while adhering to the highest degree of quality and integrity. As part of manpower development and training and with an aim to enhance operational efficiency, employees of the Company have been sent on postings and assignments to the other Nestlé Group companies.

Manpower figure of the Company as on 31<sup>st</sup> December, 2011 was 6,639.

## GENERAL SHAREHOLDER INFORMATION

### Annual General Meeting

Day, Date and Time : Friday, 30<sup>th</sup> March, 2012 at 10.00 a.m.  
Venue : Air Force Auditorium, Subroto Park, New Delhi - 110 010.

### Financial Calendar, 2012 (tentative) :

First Quarter Results : Last week of April, 2012  
Second Quarter and Half Yearly Results : Last week of July, 2012  
Third Quarter Results : Last week of October, 2012  
Annual Results : February / March, 2013

**Financial Year** : 1<sup>st</sup> January to 31<sup>st</sup> December

**Annual Book Closure date** : 23<sup>rd</sup> March, 2012 to 30<sup>th</sup> March, 2012 (both days inclusive)

**Dividend payment date** : Final dividend of Rs.12.50 per share has been recommended by the Board of Directors and subject to the approval of the shareholders at the ensuing Annual General Meeting, is proposed to be paid on and around 10<sup>th</sup> April, 2012.

Two interim dividends for the year 2011, first at the rate of Rs. 9.00 per share and the second at the rate of Rs. 27.00 per share, were paid on 6<sup>th</sup> May, 2011 and 22<sup>nd</sup> December, 2011, respectively.



**Outstanding ADRs / GDRs / Warrants or any convertible instruments, conversion date and likely impact on equity:**

Not applicable.

**Listing on Stock Exchanges and Stock Code**

Shares of the Company are listed at the Bombay Stock Exchange Limited, Mumbai. The Company's Stock Code is 500790.

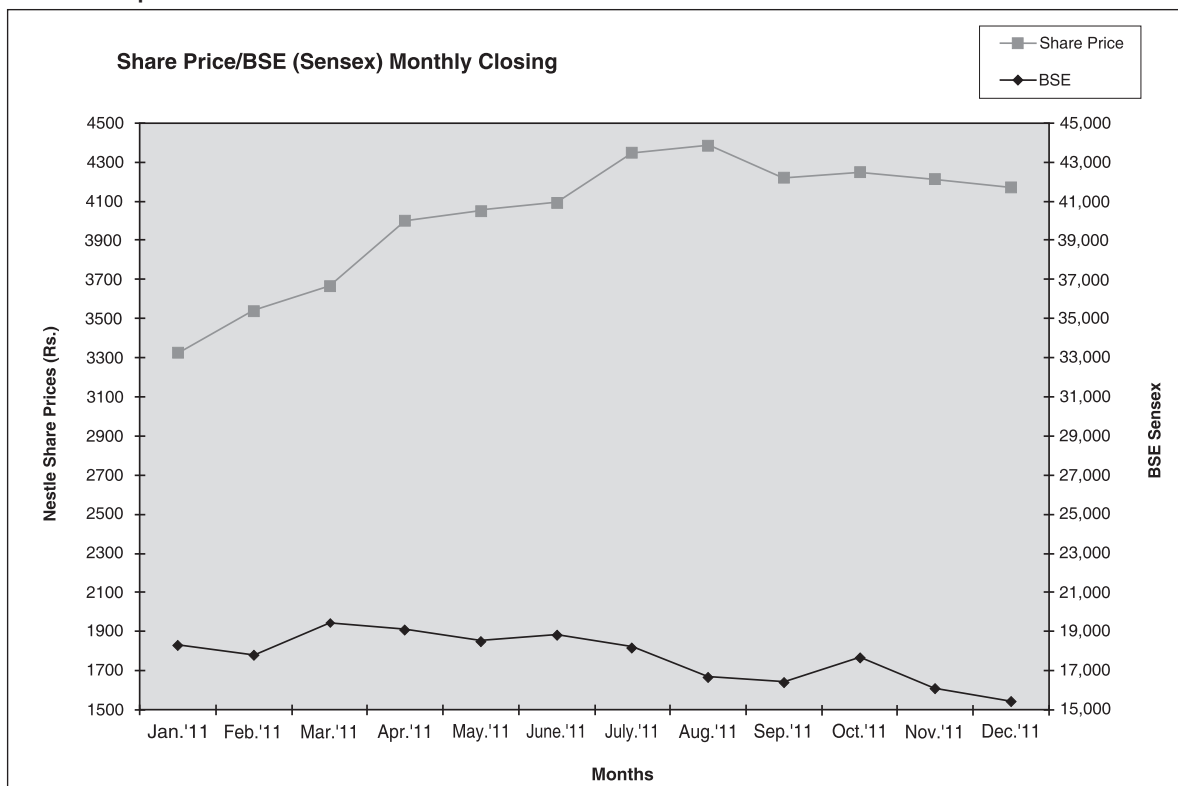
The ISIN Number of Nestlé India Limited is INE239A01016.

**Market Price Data: High/Low in each month of Calendar Year, 2011 on the Bombay Stock Exchange Ltd., Mumbai**

Month	High (Rs.)	Low (Rs.)	Month	High (Rs.)	Low (Rs.)
January	3,944.95	3,320.00	July	4,517.00	4,082.05
February	3,640.00	3,160.00	August	4,444.00	4,050.00
March	4,000.00	3,510.00	September	4,509.00	4,160.00
April	4,040.00	3,650.00	October	4,350.00	4,062.50
May	4,200.00	3,880.00	November	4,549.00	4,150.10
June	4,215.00	3,859.00	December	4,275.00	3,950.00

[Source: www.bseindia.com]

**Performance in comparison to BSE Sensex**



[Source: www.bseindia.com]

**Registrar and Transfer Agents:**

M/s Alankit Assignments Limited, 2E/21, Jhandewalan Extension, New Delhi -110 055.

**Share Transfer System**

Share transfers are registered and returned in the normal course within an average period of 21 days from the date of receipt, if the documents are clear in all respects. Requests for dematerialisation of shares are processed and confirmation thereof is given to the respective depositories i.e. National Securities Depository Ltd. (NSDL) and Central Depository Services India Limited (CDSL) within 15 days.

# NESTLÉ INDIA LIMITED

## Categories of Shareholding as on 31<sup>st</sup> December, 2011

Category of Shareholder	Number of Shares	Percent of Total Shares
<b>Promoter and Promoter Group (A)</b>	<b>60,515,079</b>	<b>62.76</b>
<b>Public Shareholding</b>		
Foreign Institutional Investors	10,514,411	10.91
Insurance Companies	4,843,633	5.02
Mutual Funds/ UTI	2,111,777	2.19
Financial Institutions/ Banks	760,667	0.79
Bodies Corporate	2,049,811	2.13
Individuals	15,241,386	15.81
NRIs	378,952	0.39
<b>Total Public Shareholding (B)</b>	<b>35,900,637</b>	<b>37.24</b>
<b>Total Shareholding (A + B)</b>	<b>96,415,716</b>	<b>100.00</b>

## Distribution of shareholding as on 31<sup>st</sup> December, 2011

Range of Shares held	Number of shareholders	Number of Shares	Percent of total shares
1 to 500	57,968	3,963,510	4.11
501 to 1000	2,694	1,958,244	2.03
1001 to 2,000	1,112	1,571,715	1.63
2,001 to 3,000	321	804,385	0.83
3,001 to 4,000	160	556,942	0.58
4,001 to 5,000	128	583,654	0.61
5,001 to 10,000	246	1,744,804	1.81
10,001 and above	299	85,232,462	88.40
<b>Total</b>	<b>62,928</b>	<b>96,415,716</b>	<b>100.00</b>

### Dematerialisation of shares

97.57% equity shares of the Company have been dematerialised as on 31<sup>st</sup> December, 2011.

### Plant Locations

The Company's plants are located at Moga, Samalkha, Nanjangud, Choladi, Ponda, Bicholim and Pantnagar. Tahliwal plant is under construction and expected to be operational in 2012.

### Address for correspondence

Shareholder Services, M - 5 A, Connaught Circus, New Delhi - 110 001. Phone No.: 011-23418891

**E-mail for Investors:** [investor@in.nestle.com](mailto:investor@in.nestle.com)

**SEBI toll-free helpline service for investors:** 1800 22 7575 (available on all working days during Monday to Friday from 9:30 a.m. to 5:30 p.m.)

SEBI investors' contact for feedback and assistance: tel. 022-26449188, e-mail: [sebi@sebi.gov.in](mailto:sebi@sebi.gov.in).

On behalf of the Board of Directors

**Date :** 14<sup>th</sup> February, 2012

**Place :** Gurgaon

**ANTONIO HELIO WASZYK**  
**CHAIRMAN**

## CERTIFICATE

### TO THE MEMBERS OF NESTLÉ INDIA LIMITED

We have examined the compliance of conditions of Corporate Governance by Nestlé India Limited for the year ended December 31, 2011, as stipulated in Clause 49 of the Listing Agreement of the said Company with stock exchange.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above-mentioned Listing Agreement.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For A.F. FERGUSON & CO.,  
Chartered Accountants  
(ICAI Registration No. : 112066 W)

NEW DELHI, 14<sup>th</sup> February, 2012

Partner  
Jaideep Bhargava - 90295



## ANNEXURE - 2 TO THE DIRECTORS' REPORT

Information as required under Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 forming part of Directors' Report for the year ended 31<sup>st</sup> December, 2011.

### A CONSERVATION OF ENERGY

#### (a) Energy Conservation Measures Taken

As in the past, the Company continued to stress upon measures for the conservation and optimal utilisation of energy in all the areas of operations, including those for energy generation and effective usage of sources/ equipment used for generation. The significant measures taken/continued during 2011, which have contributed to energy conservation, were:

- Installation of new equipments with high energy efficiency e.g. boilers with heat recovery arrangement such as air preheater (APH).
- Installation of energy efficient LED lighting in place of the conventional lighting system.
- Installation of Membrane Bio Reactor (MBR) system for treatment of effluent. MBR technology has improved the potential of recycling of treated effluent in non critical areas.
- Installation of energy efficient Diesel Generators.
- Replacement of old fans with the new energy efficient fans.
- Improved Grid power utilization over captive power usage.
- Regular energy and water audit of factories and awareness programs to optimize energy cost (generation, utilization and recovery).
- Continued emphasis on the usage of renewable energy sources like

coffee husk, wood waste and cashew shells as an alternative fuel in addition to coconut shells, spent coffee/ tea waste for steam generation.

- Installation of variable speed drives on air compressors.
- Adoption of Programmable Logic Control (PLC) for energy cost optimization and reduced idle operation of installations.

#### (b) Additional Investment

Following proposals were initiated for implementation during 2011:

- Water treatment system for recovery of water during milk powder spray drying process.

#### (c) Impact of the measures at (a) and (b) above for reduction of energy consumption and consequent impact on the cost production of goods.

The measures taken during 2011, including measures initiated in the past in the above direction have facilitated efforts for conservation of energy and helped contain the energy costs. As a result, during the past decade, for every ton of production your Company has reduced the usage of energy by around 49%, water usage reduction by around 54%, reduced the generation of greenhouse gases by around 53 % and generation of waste water by around 58%.

#### (d) Energy Consumption

Total energy consumption and energy consumption per unit of production, as per prescribed Form A together with the comparative figures for 2010, are given at the end of this part. The Company manufactures varieties of products each of them using a combination of various sources of energy in different proportions. Therefore the comparison

as mentioned in Form A, does not truly reflect the efforts of the Company at reducing consumption in terms of units of consumption.

### B. TECHNOLOGY ABSORPTION

Efforts made in technology absorption as per Form B are furnished below.

#### Research and Development (R & D)

##### 1. Specific areas in which R&D carried out by the Company.

Your Company as a part of Nestlé Group and under the General Licence Agreement has access to and advantage of drawing from the extensive central Research and Development efforts and activities of the Nestlé Group. Nestlé Group spends enormous amounts and efforts in research and development and in gaining industrial experiences. It has therefore been possible for your Company to focus its efforts on testing and modification of products for local conditions. Improving and maintaining the quality of certain key raw materials also continued to receive close attention.

##### 2. Benefits derived as a result of the above R&D

The ability to leverage the Research and Development (R&D) expertise and knowledge of Nestlé Group, has helped your Company to innovate and renovate, manufacture high quality and safe products, improve yields, input substitution and achieve more efficient operations. Consequently the consumers perceive the products of your Company as a high value for their money.

##### 3. Future plan of action

Steps are continuously being taken for innovation and renovation of products including new product development, improvement of packaging and enhancement of product quality / profile, to offer better products at relatively affordable prices to the consumers.

#### 4. Expenditure on R&D

Your Company benefits from the extensive centralised Research & Development (R&D) activity and expenditure of the Nestlé Group, at an annual outlay of around two billion Swiss Francs. Expenditure of the Company in the nature of Research and Development are those incurred locally, primarily relating to testing and modifying of products for local conditions and are as under:

(Rs. in thousands)

a) Capital	67,434
b) Recurring	129,033
c) <b>Total</b>	<b>196,467</b>
d) Total R&D as a percentage of total turnover	0.26%

#### Technology absorption, adaptation and innovation

##### 1. Efforts, in brief, made towards technology absorption, adoption and innovation

As a result of the Company's ongoing access to the international technology from Nestlé Group, Switzerland, the Company absorbs and adapts the technologies on a continuous basis to meet its specific needs from time to time.

##### 2. Benefits derived as a result of the above efforts

Product innovation and renovation, improvement in yield, product quality, input

substitution, cost effectiveness and energy conservation are the major benefits.

#### 3. Imported Technology

All the food products manufactured and / or sold by the Company are by virtue of the imported technology received on an ongoing basis from the collaborators. Technology transfer has to be an ongoing process and not a one-time exercise, for the Company to remain competitive and offer high quality and value for money products to the consumers. This has been secured by the Company under the General Licence Agreement with the collaborators and provides access for licence to use the technology and improvements thereof, for the product categories, manufactured / sold by the Company, on a continuous basis.

#### C. FOREIGN EXCHANGE EARNINGS AND OUTGO

##### (a) Activities relating to exports; initiatives taken to improve the exports; development of new export market for products and export plans:

Members are requested to refer to the Directors' Report under the paragraph of "Exports", for this information.

##### (b) Total foreign exchange used and earned:

During the year under review, your Company had earnings from exports of Rs.3,907

Million comprising foreign exchange earnings of Rs. 3,092 million and export to Nepal and Bhutan in Rupees amounting to Rs. 810 million.

The foreign exchange outgo was Rs. 16,718 Million. Details of earnings from exports and foreign exchange outgo on account of imports, expenditure on traveling, general licence fees, etc. and remittances made to non-resident shareholders on account of dividend are shown in Notes 7, 8, 10(a) and 11 respectively of Notes to the Accounts. Members are requested to refer to these Notes.

# NESTLÉ INDIA LIMITED

## FORM A

<b>(A) Power and Fuel Consumption</b>	<b>2011</b>	<b>2010</b>
1. Electricity		
(a) Purchased		
Units (000' KWH)	<b>108,224</b>	88,143
Total Cost (Rs. in thousands)	<b>560,701</b>	419,023
Cost/KWH	<b>5.18</b>	4.75
(b) Own Generation		
(I) Through Diesel Generator		
Units (000' KWH)	<b>21,471</b>	29,819
Units per litre of oil(KWH)	<b>3.42</b>	3.40
Cost/KWH (Rs)	<b>10.87</b>	10.07
(II) Through FO Generator		
Units (000' KWH)	<b>9,032</b>	8,022
Units per litre of oil(KWH)	<b>4.14</b>	4.09
Cost/KWH (Rs)	<b>8.96</b>	6.89
2. Coal (Various grades)		
Quantity (Tonne)	<b>39,295</b>	34,635
Total Cost (Rs. in thousands)	<b>272,966</b>	215,556
Cost/Tonne (Rs.)	<b>6,947</b>	6,224
3. Furnace Oil		
Quantity (KL)	<b>41,727</b>	35,563
Total Cost (Rs. in thousands)	<b>1,588,055</b>	1,016,441
Cost/KL (Rs.)	<b>38,058</b>	28,582
4. Other Consumption of Fuel		
(a) High Speed Diesel Oil and Superior Kerosene Oil		
Quantity (KL)	<b>1,772</b>	1,691
Total Cost (Rs. in thousands)	<b>72,184</b>	53,253
Cost/KL (Rs.)	<b>40,744</b>	31,495
(b) Non-Conventional Fuels-Coconut Shell & Coffee Husk		
Quantity (Tonne)	<b>20,118</b>	26,453
Total Cost (Rs. in thousands)	<b>88,185</b>	99,225
Cost/Tonne (Rs.)	<b>4,383</b>	3,751
(c) Liquid Petroleum Gas		
Quantity (Tonne)	<b>1,512</b>	1,428
Total Cost (Rs. in thousands)	<b>82,868</b>	66,919
Cost/Tonne (Rs.)	<b>54,807</b>	46,859

## (B) Consumption per unit of production

	Beverages		Milk Products and Nutrition		Chocolates and Confectionery		Prepared Dishes and Cooking Aids	
	Current Year 2011	Previous Year 2010	Current Year 2011	Previous Year 2010	Current Year 2011	Previous Year 2010	Current Year 2011	Previous Year 2010
Electricity (KWH/T)	1,108.40	1,068.47	380.68	386.82	659.78	662.37	165.54	147.09
Furnace Oil (Ltrs./T)	228.61	200.30	106.18	114.15	33.95	33.35	89.96	73.49
Coal (Kgs./T)	257.37	76.49	358.86	350.21	137.32	123.11	-	-
Others:								
HSD, HPS (Ltrs. /T)	77.55	78.66	0.68	0.38	-	-	0.06	0.51
LPG (Kgs./T)	-	-	0.03	1.54	52.82	51.73	-	-

Note : There are no specific standards available for each category since the product range under each head shown above consists of various products with different function.

# NESTLÉ INDIA LIMITED

## Balance Sheet Abstract and Company's General Business Profile

### I. Registration Details

Registration No.

0 0 3 7 8 6

State Code

5 5

Balance Sheet Date

3 1 1 2 2 0 1 1

### II. Capital Raised during the Year (Amount in Rs. Thousands)

Public Issue

N I L

Rights Issue

N I L

Bonus Issue

N I L

Private Placement

N I L

### III. Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousands)

Total Liabilities

2 2 8 8 3 2 1 4

Total Assets

2 2 8 8 3 2 1 4

Sources of Funds

Paid-Up Capital

9 6 4 1 5 7

Reserves & Surplus

1 1 7 7 5 3 5 5

Secured Loans

8 4 0 2

Unsecured Loans

9 7 0 0 3 2 0

Application of Funds

Net Fixed Assets

2 9 9 4 3 9 0 7

Investments

1 3 4 3 6 5 5

+ -  
- +

Net Current (Liabilities)/Assets

8 4 0 4 3 4 8

Miscellaneous Expenditure

N I L

Accumulated Losses

N I L

### IV. Performance of the Company (Amount in Rs. Thousands)

Turnover (Total Income)

7 5 4 1 7 1 1 4

Total Expenditure

6 1 5 3 7 8 7 1

Profit Before Tax

+ 1 3 8 7 9 2 4 3

Profit After Tax

+ 9 6 1 5 4 7 0

Earnings Per Share in Rs.

9 9 . 7 3

Dividend Rate %

4 8 5

### V. Generic Name of Three Principal Products / Services of the Company (as per monetary terms)

Item Code No. (ITC Code)

1 9 . 0 1 . 0 0 0 0

Product Description

P R E P A R A T I O N O F

M I L K C R E A M A N D C E R E A L S

Item Code No. (ITC Code)

1 9 . 0 2 . 0 0 0 0

Product Description

N O O D L E S

Item Code No. (ITC Code)

2 1 . 0 1 . 0 0 0 0

Product Description

S O L U B L E C O F F E E S

C O F F E E B L E N D S A N D T E A





The Recognised Leading Nutrition, Health, and Wellness Company