

# Nestlé India Limited

(CIN : L15202DL1959PLC003786)

Nestlé House

Jacaranda Marg

'M' Block, DLF City, Phase - II

Gurgaon - 122002 - 05, Haryana

Phone 0124 - 2940000

E-mail corporate@IN.nestle.com

Website www.nestle.in



Good Food, Good Life

Your Ref :

Our Ref :

**BM: PKR: 20:2017**

Date :

**17.04.2017**

BSE Limited  
Phiroze Jeejeebhoy Towers  
Dalal Street, Fort  
Mumbai – 400 001

**Kind Attn. : Mr. Marian D'Souza / Mr. Jaymin Modi (DCS – CRD) Scrip Code - 500790**

**Subject : Regulation 34 - Soft copy of the Notice of 58<sup>th</sup> Annual General Meeting & Annual Report 2016**

Dear Sir,

This is further to our letter no. BM:PKR:07:17 dated 15<sup>th</sup> February, 2017 regarding convening of the 58<sup>th</sup> Annual General Meeting of the Company on Thursday, 11<sup>th</sup> May, 2017.

Please find attached a soft copy of the Notice of the 58<sup>th</sup> Annual General Meeting and Annual Report for the year 2016 being dispatched/sent to the shareholders in the permitted mode(s).

The above is also being uploaded on the website of the Company [www.nestle.in](http://www.nestle.in).

Please take the same on record.

Thanking you,

Yours truly,

**NESTLÉ INDIA LIMITED**

**PRAMOD KUMAR RAI  
DEPUTY COMPANY SECRETARY**

**Encl.: As above**

# NESTLÉ INDIA LIMITED

(CIN: L15202DL1959PLC003786)

Registered Office: M-5A, Connaught Circus, New Delhi - 110 001

Email: investor@in.nestle.com, Website: www.nestle.in

Phone: 011-23418891, Fax: 011-23415130

## NOTICE

NOTICE IS HEREBY GIVEN THAT THE FIFTY EIGHTH ANNUAL GENERAL MEETING OF NESTLÉ INDIA LIMITED will be held at Air Force Auditorium, Subroto Park, New Delhi – 110 010 on Thursday, 11<sup>th</sup> May, 2017 at 10:00 a.m. to transact the following business:

### ORDINARY BUSINESS:

1. To receive, consider and adopt the Financial Statements of the Company for the year 2016 including audited Balance Sheet as at 31<sup>st</sup> December, 2016, the Statement of Profit and Loss and Cash Flow Statement for the year ended on that date and the Reports of the Board of Directors and Auditors thereon.
2. To confirm the payment of three Interim Dividends aggregating to ₹ 40 per equity share and to declare a Final Dividend on Equity Shares for the financial year ended 31<sup>st</sup> December, 2016.
3. To appoint a Director in place of Mr. Shobinder Duggal (DIN 00039580), who retires by rotation and, being eligible, offers himself for re-appointment.
4. To consider and, if thought fit, to pass with or without modification(s), the following Resolution as an Ordinary Resolution:  
“RESOLVED THAT pursuant to the provisions of Sections 139, 142 and other applicable provisions, if any, of the Companies Act, 2013, and the Companies (Audit and Auditors) Rules, 2014 (including any statutory modification(s) or re-enactment thereof, for the time being in force), M/s. BSR & Co. LLP, Chartered Accountants (ICAI Registration No.: 101248W/ W-100022), be and is hereby appointed as the Statutory Auditors of the Company, in place of M/s. A.F. Ferguson & Co., Chartered Accountants (ICAI Registration No. 112066W), the retiring Statutory Auditors, to hold office for a term of five years from the conclusion of this Annual General Meeting till the conclusion of sixty third Annual General Meeting of the Company to be held in the year 2022, subject to ratification of their appointment by the Members at every Annual General Meeting till the sixty third Annual General Meeting, at such remuneration as may be mutually agreed between the Board of Directors of the Company and the Statutory Auditors.”

### SPECIAL BUSINESS:

5. To consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:  
“RESOLVED THAT pursuant to provisions of Section 148 of the Companies Act, 2013 read with Rule 14 of the Companies (Audit and Auditors) Rules, 2014 (including any statutory modification(s) or re-enactment thereof for the time being in force), M/s. Ramanath Iyer & Co., Cost Accountants (Firm Registration No. 00019), appointed as cost auditors by the Board of Directors of the Company to conduct the audit of the cost accounting records for the milk food products manufactured by the Company for the financial year ending 31<sup>st</sup> December, 2017 be paid ₹192,000/- plus out of pocket expenses and applicable taxes.”
6. To consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:  
“RESOLVED THAT Mr. Martin Roemkens (DIN 07761271), who has been appointed as an Additional Director of the Company by the Board of Directors with effect from 1<sup>st</sup> April, 2017, in terms of Section 161(1) of the Companies Act, 2013 and Article 127 of the Articles of Association of the Company and whose term of office expires at the Annual General Meeting and in respect of whom the Company has received a notice in writing from a member proposing his candidature for the office of Director, be and is hereby appointed as a Director of the Company and the period of his office shall be liable to determination by retirement of directors by rotation.”
7. To consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:  
“RESOLVED THAT pursuant to the provisions of Sections 196, 197, 203 and any other applicable provisions of the Companies Act, 2013 and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 (including any statutory modification(s) or re-enactment thereof for the time being in force), read with Schedule V to the Companies Act, 2013 and subject to the requisite approval of Central Government, the Company hereby accords its approval to the appointment of Mr. Martin Roemkens (DIN 07761271), as the Whole-Time Director, designated as “Director-Technical” for a period of five years with effect from 1<sup>st</sup> April, 2017 on the terms and conditions of appointment and remuneration as contained in the draft Agreement, material terms of which are set out in the explanatory statement attached to this notice and the Board of Directors be and is hereby authorised to alter and vary such terms of appointment and remuneration so as not to exceed the limits specified in Schedule V to the Companies Act, 2013 as may be agreed to by the Board of Directors and Mr. Martin Roemkens.”
8. To consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:  
“RESOLVED THAT pursuant to provisions of Sections 149, 150, 152 and any other applicable provisions of the Companies Act, 2013 and the Companies (Appointment and Qualification of Directors) Rules, 2014 (including any statutory modification(s) or re-enactment thereof for the time being in force) read with Schedule IV to the Companies Act, 2013 and Regulation 16(1)(b) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, Ms. Rama Bijapurkar (DIN 00001835), who has been appointed as an Additional Director of the Company by the Board of Directors with effect from 1<sup>st</sup> May, 2017, in terms of Section 161(1) of the Companies Act, 2013 and Article 127 of the Articles of Association of the Company and whose term of office expires at the Annual General Meeting and in respect of whom the Company has received a notice in writing from a member proposing her candidature for the office of Director, be and is hereby appointed as an Independent Non-Executive Director of the Company to hold office for a term up to 30<sup>th</sup> April, 2022”.

By Order of the Board

B. Murli  
Senior Vice President – Legal  
& Company Secretary

Date : 27<sup>th</sup> March, 2017

Place : Gurgaon

## IMPORTANT NOTES:

1. The Register of Members and the Share Transfer books of the Company will remain closed from 23<sup>rd</sup> May, 2017 to 24<sup>th</sup> May, 2017, both days inclusive, for annual closing and determining the entitlement of the shareholders to the final dividend for 2016.
2. The relative Explanatory Statement pursuant to Section 102 of the Companies Act, 2013 ("Act") setting out material facts concerning the business under Item Nos. 5 to 8 of the accompanying Notice, is annexed hereto.
3. **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY/ PROXIES TO ATTEND AND VOTE INSTEAD OF HIMSELF/HERSELF. SUCH A PROXY/ PROXIES NEED NOT BE A MEMBER OF THE COMPANY.**

The instrument of Proxy in order to be effective, should be deposited at the Registered Office of the Company, duly completed and signed, not less than FORTY-EIGHT HOURS before the commencement of the meeting. A Proxy Form is sent herewith. Proxies submitted on behalf of the companies, societies etc., must be supported by an appropriate resolutions/authority, as applicable.

A person can act as proxy on behalf of Members not exceeding fifty (50) and holding in the aggregate not more than 10% of the total share capital of the Company. In case a proxy is proposed to be appointed by a Member holding more than 10% of the total share capital of the Company carrying voting rights, then such proxy shall not act as a proxy for any other person or Member.

4. Final dividend of ₹ 23.00 per equity share has been recommended by the Board of Directors for the year ended 31<sup>st</sup> December, 2016 and subject to the approval of the shareholders at the ensuing Annual General Meeting, is proposed to be paid on and from 2<sup>nd</sup> June, 2017. First, Second and Third interim dividends for the year 2016, at the rate of ₹ 12.00, ₹ 12.00 and ₹ 16.00 per equity share, were paid on 31<sup>st</sup> May, 2016, 19<sup>th</sup> August 2016 and 22<sup>nd</sup> December, 2016, respectively.
5. Members holding shares in electronic form are hereby informed that bank particulars registered against their respective depository accounts will be used by the Company for payment of dividend. The Company or its Registrars cannot act on any request received directly from the Members holding shares in electronic form for any change of bank particulars or bank mandates. Such changes are to be advised only to the Depository Participant of the Members. Members holding shares in physical form and desirous of either registering bank particulars or changing bank particulars already registered against their respective folios for payment of dividend are requested to write to the Company.
6. Under Section 124 of the Companies Act, 2013 and the Investor Education and Protection Fund Authority (Accounting, Audit, Transfer and Refund) Rules, 2016 ('IEPF Rules, 2016'), the amount of dividend remaining unpaid or unclaimed for a period of seven years from the due date is required to be transferred to the Investor Education and Protection Fund (IEPF), constituted by the Central Government. The Company had, accordingly, transferred ₹ 4,807,551/- and ₹ 6,274,125/- being the unpaid and unclaimed dividend amount pertaining to Final Dividend 2008 and Interim Dividend 2009; and Second Interim Dividend 2009 on 9<sup>th</sup> June, 2016 and 17<sup>th</sup> December, 2016, respectively, to the IEPF.

The Company has been sending reminders to those members having unpaid/unclaimed dividends before transfer of such dividend(s) to IEPF. Details of the unpaid/unclaimed dividend are also uploaded as per the requirements, on the Company's website [www.nestle.in](http://www.nestle.in). Members, who have not encashed their dividend pertaining to Final Dividend 2010 and Interim Dividend 2011, are advised to write to the Company immediately claiming dividends declared by the Company.

7. The Ministry of Corporate Affairs ('MCA') had notified the Investor Education and Protection Fund Authority (Accounting, Audit, Transfer and Refund) Rules, 2016 effective from 7<sup>th</sup> September, 2016 ('IEPF Rules 2016'). Amongst other things, the Rules provides for the manner of transfer of the unpaid and unclaimed dividends to the IEPF and the manner of transfer of shares in case any dividend has not been encashed by the shareholders on such shares during the last seven years to the designated Suspense Account as prescribed by the IEPF Authority.

As per the requirement of Rule 6 of the IEPF Rules 2016, the Company had sent information to all the shareholders who had not claimed/encashed dividends in the last seven years intimating, amongst other things, the requirements of the IEPF Rules, 2016 with regard to transfer of shares and that in the event those shareholders do not claim any unclaimed/unpaid dividends for the past seven years, the Company will be required to transfer the respective shares to the IEPF Suspense Account by the due date prescribed as per the IEPF Rules, 2016 or such other extended date as may be notified. The Company also simultaneously published notice in the leading newspaper in English and regional language having wide circulation on 3<sup>rd</sup> December, 2016 to such shareholders and uploaded on the "Investors Section" of the Website of the Company viz. [www.nestle.in](http://www.nestle.in) giving details of such shareholders and shares due to transfer.

Further, the MCA had notified the Investor Education and Protection Fund Authority (Accounting, Audit, Transfer and Refund) Amendment Rules, 2017 on 28<sup>th</sup> February, 2017 ('IEPF Rules 2017'), substituting, amongst other things, Rule 6 of IEPF Rules, 2016 and providing that where the period of seven years provided under the sub section (5) of Section 124 of the Companies Act, 2013 has been completed during the period from 7<sup>th</sup> September, 2016 to 31<sup>st</sup> May, 2017 (instead of 6<sup>th</sup> December, 2016), the due date of transfer of such shares shall be 31<sup>st</sup> May, 2017. Accordingly, the Company hereby provides time till 31<sup>st</sup> May, 2017 to all the shareholders who have not claimed any unclaimed/unpaid dividends for the last seven years and to whom the Company had given intimation in the manner prescribed under Rule 6 of the IEPF Rules, 2016; and to all other shareholders who have not encashed any unpaid/unclaimed dividends and where the period of seven years has been completed or being completed during the period from 7<sup>th</sup> September, 2016 to 31<sup>st</sup> May, 2017. In case valid claim is not received by 31<sup>st</sup> May, 2017, the respective shares will be credited to the designated DEMAT Account of the Authority.

8. To prevent fraudulent transactions, members are advised to exercise due diligence and notify the Company of any change in address or demise of any member as soon as possible. Members are also advised not to leave their demat account(s) dormant for long. Periodic statement of holdings should be obtained from the concerned Depository Participant and holdings should be verified.

9. The Securities and Exchange Board of India (SEBI) has mandated the submission of Permanent Account Number (PAN) by every participant in securities market. Members holding shares in electronic form are, therefore, requested to submit the PAN to their Depository Participants with whom they are maintaining their demat accounts. Members holding shares in physical form can submit their PAN details to the Company.
10. SEBI has also mandated that for registration of transfer of securities, the transferee(s) as well as transferor(s) shall furnish a copy of their PAN card to the Company for registration of transfer of securities.
11. Details as required in sub-regulation (3) of Regulation 36 of the Listing Regulations in respect of the Directors seeking appointment/ re-appointment at the Annual General Meeting, forms integral part of the notice. Requisite declarations have been received from the Directors for seeking appointment/ re-appointment.
12. In accordance with Section 139 of the Companies Act, 2013 read with the Companies (Audit and Auditors) Rules, 2014, M/s. A.F. Ferguson & Co., Chartered Accountants, Statutory Auditors of the Company shall retire at the conclusion of the Annual General Meeting of the Company. Pursuant to the provisions of the Companies Act, 2013 and the Companies (Audit and Auditors) Rules, 2014, the Board of Directors has, on recommendation of the Audit Committee, recommended for the appointment of M/s. BSR & Co. LLP, Chartered Accountants (ICAI Registration No.: 101248W/ W-100022) as the Statutory Auditors at the Annual General Meeting for a period of five years i.e. to hold office from the conclusion of this Annual General Meeting till the conclusion of the sixty third Annual General Meeting of the Company to be held in the year 2022, subject to ratification of their appointment by the Members at every AGM, at such remuneration as may be mutually agreed between the Board of Directors of the Company and the Statutory Auditors. Consent and certificate u/s 139 of the Companies Act, 2013 have been obtained from M/s. BSR & Co. LLP, Chartered Accountants, to the effect that their appointment, if made, shall be in accordance with the applicable provisions of the Act and the Rules issued thereunder.  
As required under the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, M/s. BSR & Co. LLP, Chartered Accountants, has confirmed that they hold a valid certificate issued by the Peer Review Board of ICAI.
13. Electronic copy of the Annual Report for 2016 is being sent to all the members whose email IDs are registered with the Company/ Depository Participants(s) for communication purposes unless any member has requested for a hard copy of the same. For members who have not registered their email address, physical copies of the Annual Report for 2016 is being sent in the permitted mode.  
Electronic copy of the Notice of the 58<sup>th</sup> Annual General Meeting of the Company inter alia indicating the process and manner of electronic voting ('e-voting') along with Attendance Slip, Proxy Form and Route Map is being sent to all the members whose email IDs are registered with the Company/ Depository Participants(s) for communication purposes unless any member has requested for a hard copy of the same. For members who have not registered their email address, physical copies of the Notice of the 58<sup>th</sup> Annual General Meeting of the Company inter alia indicating the process and manner of e-voting along with Attendance Slip, Proxy Form and Route Map is being sent in the permitted mode.
14. Members may also note that the Notice of the 58<sup>th</sup> Annual General Meeting, Attendance Slip, Proxy Form, Route Map, Ballot Paper and the Annual Report for 2016 will also be available on the Company's website [www.nestle.in](http://www.nestle.in) for their download. The physical copies of the aforesaid documents will also be available at the Company's Registered Office at New Delhi for inspection without any fee during normal business hours on working days. Even after registering for e-communication, members are entitled to receive such communication in physical form, upon making a request for the same, by post free of cost. For any communication, the shareholders may also send requests to the Company's investor email id: [investor@in.nestle.com](mailto:investor@in.nestle.com).
15. **Voting through electronic means**
  - I. In compliance with provisions of Section 108 of the Companies Act, 2013, Rule 20 of the Companies (Management and Administration) Rules, 2014 as substituted by the Companies (Management and Administration) Amendment Rules, 2015 ('Amended Rules 2015'), Regulation 44 of the Listing Regulations and Secretarial Standard on General Meetings (SS2) issued by the Institute of Company Secretaries of India, the Company is pleased to provide its members facility to exercise their right to vote on resolutions proposed to be considered at the 58<sup>th</sup> Annual General Meeting (AGM) by electronic means and the business may be transacted through e-Voting Services. The facility of casting the votes by the members using an electronic voting system from a place other than venue of the AGM ("remote e-voting") will be provided by National Securities Depository Limited (NSDL).
  - II. The facility for voting through ballot paper shall be made available at the AGM and the members attending the meeting who have not cast their vote by remote e-voting shall be able to exercise their right at the meeting through ballot paper.
  - III. The members who have cast their vote by remote e-voting prior to the AGM may also attend the AGM but shall not be entitled to cast their vote again.
  - IV. The remote e-voting period commences on 8<sup>th</sup> May, 2017 (9:00 am) and ends on 10<sup>th</sup> May, 2017 (5:00 pm). During this period members of the Company, holding shares either in physical form or in dematerialized form, as on the cut-off date of 4<sup>th</sup> May, 2017, may cast their vote by remote e-voting. The remote e-voting module shall be disabled by NSDL for voting thereafter. Once the vote on a resolution is cast by the member, the member shall not be allowed to change it subsequently.
  - V. A person who is not a member as on the cut-off date should treat this Notice for information purpose only.
  - VI. The process and manner for remote e-voting are as under:
    - A. Member whose email IDs are registered with the Company/Depository Participants(s) will receive an email from NSDL informing them of their User-ID and Password. Once the Members receive the email, he or she will need to go through the following steps to complete the e-voting process:



- (i) Open email and open PDF file titled; "Nestlé India remote e-voting.pdf" with your Client ID or Folio No. as password. The said PDF file contains your user ID and password/PIN for remote e-voting. Please note that the password is an initial password.  
Note: Shareholders already registered with NSDL for e-voting will not receive the PDF file "Nestlé India remote e-voting.pdf".
- (ii) Launch internet browser by typing the following URL: <https://www.evoting.nsdl.com/>
- (iii) Click on Shareholder - [Login](#)
- (iv) Enter the user ID and password as initial password/PIN noted in step (i) above. Click on Login.
- (v) The Password change menu will appear. Change the password/PIN with new password of your choice with minimum 8 digits/characters or combination thereof. Note new password. It is strongly recommended that you do not share your password with any other person and take utmost care to keep your password confidential.
- (vi) Home page of remote e-voting opens. Click on remote e-voting: Active Voting Cycles.
- (vii) Select "REVEN" of Nestlé India Limited.
- (viii) Now you are ready for remote e-voting as Cast Vote page opens.
- (ix) Cast your vote by selecting appropriate option and click on "Submit" and Remember to "Confirm" when prompted.
- (x) Upon confirmation, the message "Vote cast successfully" will be displayed.
- (xi) Once you have voted on the resolution, you will not be allowed to modify your vote.
- (xii) Institutional shareholders (i.e. other than individuals, HUF, NRI etc.) are required to send scanned copy (PDF/JPG Format) of the relevant Board Resolution/ Authorization letter etc. together with attested specimen signature of the duly authorized signatory(ies) who is/are authorized to vote, to the Scrutinizer through e-mail to [nestlescrutinizer@gmail.com](mailto:nestlescrutinizer@gmail.com) or [evoting@in.nestle.com](mailto:evoting@in.nestle.com) with a copy marked to [evoting@nsdl.co.in](mailto:evoting@nsdl.co.in)

B. In case a Member receives physical copy of the Notice of AGM [for members whose email IDs are not registered with the Company/ Depository Participants(s) or requesting physical copy] :

- (i) The Initial password is provided as below/at the bottom of the Attendance Slip for the AGM :  
REVEN (Remote e-voting Event Number) USER ID \_ PASSWORD/PIN \_\_\_\_\_
- (ii) Please follow all steps from Sl. No. (ii) to Sl. No. (xii) above, to cast vote.

- VII. In case of any queries, you may refer the Frequently Asked Questions (FAQs) for Members and remote e-voting user manual for Members available at the download section of [www.evoting.nsdl.com](http://www.evoting.nsdl.com) or call on toll free no.: 1800-222-990 or contact Mr. Amit Vishal, Senior Manager, National Securities Depository Ltd., Trade World, 'A' Wing, 4th Floor, Kamala Mills Compound, Senapati Bapat Marg, Lower Parel, Mumbai – 400 013, at the designated email IDs: [evoting@nsdl.co.in](mailto:evoting@nsdl.co.in) or [AmitV@nsdl.co.in](mailto:AmitV@nsdl.co.in) or at telephone nos. +91 22 2499 4600/ +91 22 2499 4360 who will also address the grievances connected with the voting by electronic means. Members may also write to the Company Secretary at the email ID: [investor@in.nestle.com](mailto:investor@in.nestle.com) or contact at telephone no. 011-23418891.
- VIII. Login to the e-voting website will be disabled upon five unsuccessful attempts to key in the correct password. In such an event, you will need to go through the 'Forgot Password' option available on the site to reset the password.
- IX. If you are already registered with NSDL for remote e-voting then you can use your existing user ID and password/PIN for casting your vote.  
In case Shareholders are holding shares in demat mode, USER-ID is the combination of (DPID+ Client ID).  
In case Shareholders are holding shares in physical mode, USER-ID is the combination of (REVEN+ Folio No).
- X. The voting rights of members shall be in proportion to their shares of the paid up equity share capital of the Company as on the cut-off date of 4<sup>th</sup> May, 2017.
- XI. Any person, who acquires shares of the Company and become member of the Company after dispatch of the Notice of AGM and holding shares as of the cut-off date i.e. 4<sup>th</sup> May, 2017, may obtain the User ID and password by sending a request at [evoting@nsdl.co.in](mailto:evoting@nsdl.co.in) or [evoting@in.nestle.com](mailto:evoting@in.nestle.com). However, if you are already registered with NSDL for remote e-voting then you can use your existing user ID and password for casting your vote. If you forgot your password, you can reset your password by using "Forgot User Details/Password?" or "Physical User Reset Password?" option available on [www.evoting.nsdl.com](http://www.evoting.nsdl.com).
- XII. A person, whose name is recorded in the register of members or in the register of beneficial owners maintained by the depositories as on the cut-off date only shall be entitled to avail the facility of remote e-voting as well as voting at the AGM through ballot paper.
- XIII. Mr. Abhinav Khosla, Chartered Accountant (Membership No. 087010), Partner of M/s. S.C. Vasudeva & Co., Chartered Accountants, has been appointed as the Scrutinizer to scrutinize the voting and remote e-voting process in a fair and transparent manner.
- XIV. The Chairman shall, at the AGM, at the end of discussion on the resolutions on which voting is to be held, allow voting with the assistance of scrutinizer, by use of ballot paper for all those members who are present at the AGM but have not cast their votes by availing the remote e-voting facility.
- XV. The Scrutinizer shall after the conclusion of voting at the AGM, first count the votes cast at the meeting and thereafter unblock the votes cast through remote e-voting in the presence of at least two witnesses not in the employment of the Company and shall make, not later than three days

of the conclusion of the AGM, a consolidated scrutinizer's report of the total votes cast in favour or against, if any, to the Chairman or a person authorized by him in writing, who shall countersign the same and declare the result of the voting forthwith.

XVI. The Results declared along with the report of the Scrutinizer shall be placed on the website of the Company [www.nestle.in](http://www.nestle.in) and on the website of NSDL immediately after the declaration of result by the Chairman or a person authorized by him in writing. The results shall also be immediately forwarded to the BSE Limited, Mumbai.

16. All documents referred to in the accompanying Notice and the Explanatory Statement shall be open for inspection without any fee at the Registered Office of the Company during normal business hours (9:00 am to 5:00 pm) on all working days except Saturdays, up to and including the date of the Annual General Meeting of the Company.

## I. EXPLANATORY STATEMENT IN RESPECT OF THE SPECIAL BUSINESS PURSUANT TO SECTION 102 OF THE COMPANIES ACT, 2013

### Item No. 5

The Board, on the recommendation of the Audit Committee, has approved at their Meeting held on 15<sup>th</sup> February, 2017 the appointment of M/s. Ramanath Iyer & Co., Cost Accountants, New Delhi (Firm Registration No. 00019), as Cost Auditors to conduct the audit of the cost records of the Company pertaining to milk powder products covered by Central Excise Tariff Act heading 0402 manufactured by the Company for the financial year ending 31<sup>st</sup> December, 2017 at a remuneration of ₹ 192,000/- plus out of pocket expenses and applicable taxes.

In accordance with the provisions of Section 148 of the Companies Act, 2013 read with the Companies (Audit and Auditors) Rules, 2014, the remuneration payable to the Cost Auditors is required to be ratified by the members of the Company. Accordingly, consent of the members is sought for passing an ordinary resolution as set out at Item No. 5 of the Notice for ratification of remuneration payable to the Cost Auditors for the financial year ending 31<sup>st</sup> December, 2017.

None of the Directors, Key Managerial Personnel and their relatives are, in any way, concerned or interested financially or otherwise, in the proposed resolution. The Board recommends the passing of the resolution as set out at Item No. 5 as an ordinary resolution.

### Item Nos. 6 & 7

The Board of Directors, on the recommendation of Nomination and Remuneration Committee at their meeting held on 27<sup>th</sup> March, 2017, appointed Mr. Martin Roemkens as an Additional Director of the Company with effect from 1<sup>st</sup> April, 2017. Under Section 161(1) of the Companies Act, 2013 read with Article 127 of the Articles of Association of the Company, he holds office only up to the date of the Annual General Meeting of the Company.

A notice has been received from a member proposing Mr. Martin Roemkens as a candidate for the office of Director of the Company.

Further, at the same Meeting, the Board of Directors appointed Mr. Martin Roemkens as a Whole-Time Director designated as "Director- Technical" of the Company for a term of five years with effect from 1<sup>st</sup> April, 2017, subject to approval of the Shareholders at the Annual General Meeting and the Central Government.

Mr. Martin Roemkens aged 47 years holds Bachelor of Engineering from the University of Western Australia. He has over 20 years of rich and exhaustive experience in Technical and Production functions and has held senior management positions during his career.

Before Nestlé India posting, Mr. Roemkens was the Technical Manager in Nestlé's North East Africa Region which he successfully led for almost four years including developing the factories in Egypt to a world-class standard. He has also served as the Factory Manager of the Moga Factory of the Company, one of the largest factories in the Region, from 2009 to 2012.

Mr. Roemkens is not a Director or a Committee Member of any other Company in India and he does not hold by himself or for any other person on a beneficial basis, any shares in the Company. Mr. Roemkens has been nominated as a member of Risk Management Committee of the Company with effect from 1<sup>st</sup> April, 2017.

The approval of members is being sought to the terms, conditions and stipulations for the appointment of Mr. Roemkens as a Whole-time Director and the remuneration payable to him. The terms and conditions proposed are keeping in line with the remuneration package that is necessary to encourage good professional managers with a sound career record to important position as that of the 'Director- Technical'.

The material terms of appointment and remuneration as contained in the draft agreement are given below: -

### I) Salary, Allowances and Commission (hereinafter referred to as "Remuneration"):

#### a) Salary Comprising

- (i) Basic salary : At the rate not exceeding ₹ 700,000 per month; and
- (ii) Allowances : Not exceeding three times the Basic salary,

with increments as per the Company's policy and as may be determined by Board of Directors, from time to time, subject to a ceiling on increment of 30% in a year (following April to March year) over the existing Basic salary and Allowances, as on 1<sup>st</sup> April every year, commencing from 1<sup>st</sup> April, 2018.

#### b) Commission and Performance linked incentive:

On net profits of the Company determined in accordance with the relevant provisions of the Companies Act, 2013 as per the criteria and rate to be determined by the Board of Directors, from time to time, but not exceeding an amount equivalent to the Salary in I(a) above, for

the relevant period. The payment may be made on a pro-rata basis every month or on an annual basis or partly monthly and partly on an annual basis at the discretion of the Board.

## II) Perquisites

1. In addition to the Remuneration as stated above, Mr. Roemkens shall be entitled, as per Rules of the Company, to perquisites like:
  - a. Rent-free furnished residential accommodation with free use of all the facilities and amenities, such as air conditioners, geysers etc. In case no accommodation is provided by the Company, he shall be entitled to House Rent Allowance as per policy of the Company.
  - b. Reimbursement of all medical expenses incurred, including premium paid on health insurance policies, whether in India or abroad, for self and family including hospitalization.
  - c. Personal Accident Insurance Premium.
  - d. Air passage and/or leave travel allowance for self and members of his family residing in India and for visit to India of the members of his family not residing in India.
  - e. Subscription to clubs.
  - f. Use of Company maintained cars with drivers for business and personal use.
  - g. Use of communication devices such as telephones, audio and video conference facilities etc., at the residence. Personal long distance telephone calls shall be borne by Mr. Roemkens.
  - h. Education Allowance for children, whether abroad or in India.
  - i. Encashment of leave at the end of his tenure as per policy of the Company.
  - j. Contributions to provident fund, superannuation or annuity fund and any other retirement benefits.
  - k. Terminal benefits.  
Air/Sea passage together with cost of transportation of household belongings to such places as may be approved by the Board of Directors at the time of leaving the service of the Company.
  - l. Expenses on shifting of residence.
  - m. Joining allowances and other benefits.
  - n. Participation in any/ all employee stock option schemes/ performance stock unit plans of the Company or that of Nestlé S.A.
  - o. Such other perquisites and allowances in accordance with the rules of the Company or as may be agreed to by the Board of Directors and Mr. Roemkens.

The value of the perquisites evaluated as per Income-tax Rules, 1962, wherever applicable, and at cost in the absence of any such Rule, shall be subject to an overall annual ceiling of an amount not exceeding the Salary in I(a) above for the relevant period. The perquisites mentioned above from (h) to (n) shall be based in the actual amounts and excluded from the aforesaid perquisite limit.
2. The Board of Directors or Committee thereof may, in their discretion, revise/modify any of the terms from time to time, within the limits stipulated.

## III) Minimum Remuneration:

Notwithstanding anything herein contained, in the event of loss or inadequacy of profits in any financial year during the period of his office as the Whole-Time Director, the Company will, subject to applicable laws and such sanctions and approvals as may be required, pay remuneration to Mr. Martin Roemkens as provided herein above.

## IV) Other Terms:

Subject to the superintendence, control and direction of the Board of Directors, Mr. Roemkens shall manage and conduct the business and affairs of the Company with respect to the technical areas of the Company including all existing and future factory locations. He shall not be paid any sitting fees for attending meetings of the Board or Committee thereof.

The appointment can be terminated by Mr. Roemkens or the Company, by one party giving to the other 3(three) calendar months' notice in writing or by payment of a sum equivalent to remuneration for the notice period or part thereof in case of shorter notice or on such other terms as may be mutually agreed.

The period of office of Mr. Roemkens shall be liable to determination by retirement of directors by rotation. If Mr. Roemkens is re-appointed as a director, immediately on retirement by rotation he shall continue to hold office of Whole-time Director, designated as "Director-Technical" and such re-appointment as director shall not be deemed to constitute break in his appointment as a Whole-time Director, designated as "Director-Technical".

Given his expertise, knowledge and experience, the Board considers the appointment of Mr. Martin Roemkens as the Whole-time Director, designated as "Director-Technical" to be in the interest of the Company and in view of the provisions of Sections 196, 197, 203 and any other applicable provisions of the Companies Act, 2013, recommends the Ordinary Resolution as set out in the accompanying Notice for the approval of the Members.

Copy of the Draft Agreement referred to in the Resolution would be available for inspection without any fee by the members at the Registered Office of the Company during business hours on any working day, excluding Saturday, upto and including the day of this meeting.

Except Mr. Martin Roemkens, being an appointee, none of the Directors and Key Managerial Personnel of the Company and their relatives is concerned or interested, financially or otherwise, in the resolution set out at Item Nos. 6 & 7 of the accompanying Notice. Mr. Roemkens is not related to any Director of the Company.

This Explanatory Statement together with the accompanying Notice may also be regarded as a disclosure under Regulation 36 of the Listing Regulations.

## Item No. 8

The Board of Directors, on the recommendation of Nomination and Remuneration Committee, appointed Ms. Rama Bijapurkar (DIN 00001835) as an Additional Director with effect from 1<sup>st</sup> May, 2017 under Section 161(1) of the Companies Act, 2013 and Article 127 of the Articles of Association of the Company and as an Independent Non-Executive Director of the Company under Section 149 of the Companies Act, 2013 to hold office upto 30<sup>th</sup> April, 2022. Her appointment is subject to the approval of the members.

A notice has been received from a member proposing Ms. Rama Bijapurkar as a candidate for the office of Director of the Company.

Ms. Bijapurkar is a recognised thought leader on market strategy and India's consumer economy, and has over 30 years of experience in market strategy consulting and market research. She has her own independent market strategy consulting practice, is a widely experienced independent director and is also a visiting faculty at IIM Ahmedabad.

Ms. Rama Bijapurkar holds directorship and membership of the Committees of the Board of Directors of the understated listed companies in India:

- Director in Emami Limited, ICICI Prudential Life Insurance Company Limited, Mahindra & Mahindra Financial Services Limited and RBL Bank Limited.
- Member of Audit Committee and Chairperson of Stakeholders Relationship Committee of Mahindra & Mahindra Financial Services Limited; Member of Nomination and Remuneration Committee and Risk Management Committee of ICICI Prudential Life Insurance Company Limited; Member of Nomination Committee of RBL Bank Limited.

Ms. Bijapurkar aged 60 years holds a B.Sc. (Hons) degree in Physics from Delhi University and a Post Graduate Diploma in Management from IIM Ahmedabad.

Ms. Bijapurkar does not hold by herself or for any other person on a beneficial basis, any shares in the Company.

Ms. Bijapurkar has given a declaration that she meets the criteria of independence as provided in Section 149(6) of the Companies Act, 2013. She is independent of the management of the Company.

In the opinion of the Board, Ms. Bijapurkar fulfils the conditions specified in the Companies Act, 2013, the Companies (Appointment and Qualification of Directors) Rules, 2014 and Regulation 16(1)(b) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations") for her appointment as an Independent Non-Executive Director of the Company. Copy of the draft letter for appointment of Ms. Bijapurkar as an Independent Non-Executive Director is available for inspection without any fee by the members at the Registered Office of the Company during normal business hours on any working day, excluding Saturday.

The Board considers that her association would be of immense benefit to the Company and it is desirable to avail services of Ms. Bijapurkar as an Independent Non-Executive Director. Ms. Bijapurkar would bring with her immense experience to the Company in the areas of consumer behavior, management and corporate governance. Accordingly, the Board recommends the resolution in relation to appointment of Ms. Bijapurkar as an Independent Non-Executive Director for period upto 30<sup>th</sup> April, 2022, for the approval by the members of the Company.

Except Ms. Rama Bijapurkar, being an appointee, none of the Directors and Key Managerial Personnel of the Company and their relatives is concerned or interested, financially or otherwise, in the resolution set out at Item No. 8 of the accompanying Notice. Ms. Bijapurkar is not related to any Director of the Company.

This Explanatory Statement together with the accompanying Notice may also be regarded as a disclosure under Regulation 36 of the Listing Regulations.

## II. DETAILS OF DIRECTORS SEEKING APPOINTMENT/ RE-APPOINTMENT AS REQUIRED UNDER REGULATION 36 OF THE LISTING REGULATIONS:

### Re-appointment of Mr. Shobinder Duggal (Item No. 3)

In terms of Section 152(6) of the Companies Act, 2013, Mr. Shobinder Duggal shall retire by rotation at the forthcoming Annual General Meeting (AGM) and being eligible offers himself for re-appointment.

Mr. Shobinder Duggal appointed as a Whole-time Director of the Company designated as "Director-Finance & Control and Chief Financial Officer" for a period of five years effective from 10<sup>th</sup> May, 2014. As per the terms of his appointment, his re-appointment at the AGM as a director retiring by rotation would not constitute break in his appointment as a Whole-time Director, designated as Director-Finance & Control and Chief Financial Officer.

Mr. Shobinder Duggal is an Economics (Hons.) Graduate from St. Stephens College, Delhi University and a Chartered Accountant. He has attended the Executive Development Program at IMD, Lausanne. He has over 31 years of work experience with Nestlé. Before his current position as Director-Finance & Control and Chief Financial Officer, he handled various responsibilities in the Company, including Vice President Corporate Control, Head of Internal Audit and some important assignments at the Nestlé Group Headquarters in Switzerland. He is also a Director in Nestlé Lanka PLC since January 2014.

He is the Chairman of the Risk Management Committee and member of the Stakeholders' Relationship Committee of the Company.



Mr. Duggal is not a Director in any other Company in India. Except to the extent of his shareholding of 805 equity shares in the Company, lease rentals paid/payable by the Company at the market rates for his residential accommodation as per the agreement entered by the Company and recorded in the Register maintained in pursuance of Section 189 of the Companies Act, 2013 and Mr. Duggal being an appointee, none of the Directors and Key Managerial Personnel of the Company and their relatives is concerned or interested, financially or otherwise, in the resolution set out at Item No. 3 of the accompanying Notice. Mr. Duggal is not related to any Director of the Company.

Upon his re-appointment as a director, Mr. Duggal shall continue to hold office as a Whole-time Director designated as “Director-Finance & Control and Chief Financial Officer”. Accordingly, the Board recommends his re-appointment.

**Appointment of Mr. Martin Roemkens (Item Nos. 6 & 7)**

For the details of Mr. Martin Roemkens, please refer to the above Explanatory Statement in respect of the Special Business set out at Item Nos. 6 & 7 of the accompanying Notice pursuant to Section 102 of the Companies Act, 2013.

**Appointment of Ms. Rama Bijapurkar (Item No. 8)**

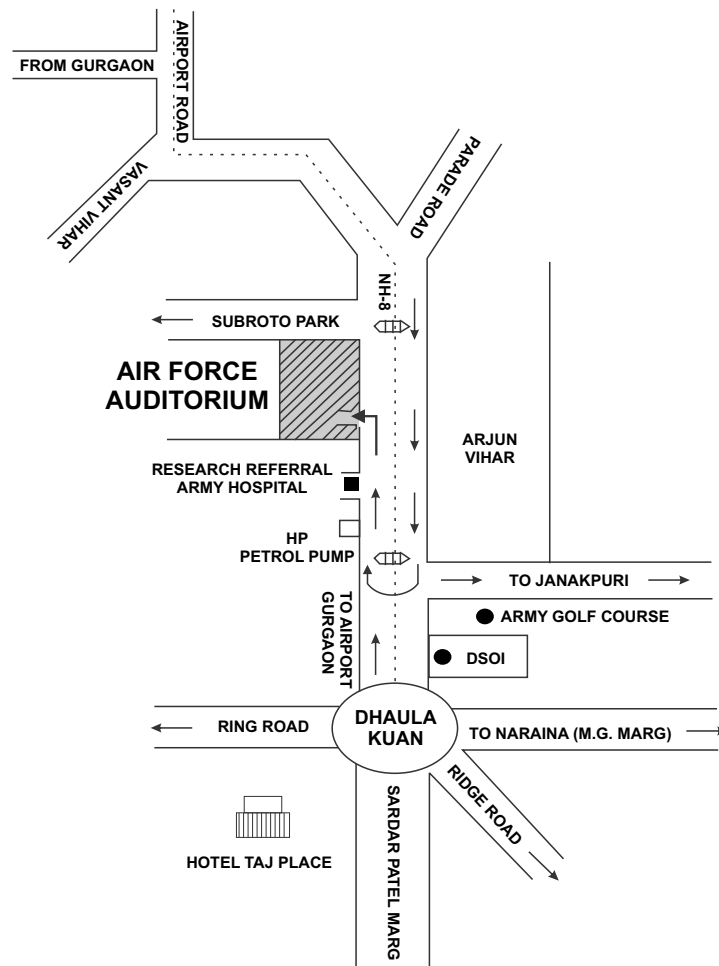
For the details of Ms. Rama Bijapurkar, please refer to the above Explanatory Statement in respect of the Special Business set out at Item No. 8 of the accompanying Notice pursuant to Section 102 of the Companies Act, 2013.

By Order of the Board

B. Murli  
Senior Vice President – Legal  
& Company Secretary

Date : 27<sup>th</sup> March, 2017  
Place : Gurgaon

**ROUTE MAP**





Nestlé

Good Food, Good Life

Nestlé India Limited • Annual Report 2016



Building for the Next 100 Years



## The Board of Directors of Nestlé India Limited



(From left to right)

Shobinder Duggal (Director - Finance & Control and CFO)

Rajya Vardhan Kanoria (Non Executive Director)

Rakesh Mohan (Non Executive Director)

Swati A. Piramal (Non Executive Director)

Suresh Narayanan (Chairman & Managing Director)

Ravinder Narain (Non Executive Director)

Ashok Kumar Mahindra (Non Executive Director)

Aristides Protonotarios (Director - Technical)

B. Murli (SVP - Legal & Company Secretary)

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Across this vast vibrant country that is India, there is a trust that we have developed starting 1912 and is still growing.

Every day millions of Indians wake up to the taste of our products. We touch the lives of millions each day and are a part of Indian lives.

Today we are part of the social fabric of the country. And, we are creating value that can be sustained over the long term for the Company as well as for the Society.







## Dear Shareholders

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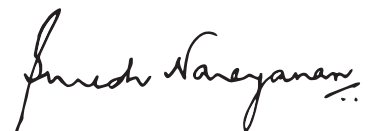
The year gone by has been a challenging, exciting, at times a stressful one, but has been underlined by a deep sense of satisfaction. We are a large and respected food and beverage Company globally and are very proud of the over 100 years of heritage in India. 2016 will always remain a very important year in the history of Nestlé India as the Company bounced back to business after the MAGGI Noodles incident. I would like to reflect upon the powerful sense of purpose that drove our Company and the underlying value of respect, decency and trust that manifested in all our relationships, both internal and external. It is therefore only appropriate that I congratulate all our employees and partners for their belief in the Company, synchronising with its values and delivering on the promise of getting back on track, at the earliest. Underlying this mammoth effort, was the unstinted love and trust of our consumers to whom I owe a debt of gratitude! It is this TRUST that enabled MAGGI Noodles to quickly regain leadership position with 60% market share.

With emphasis on innovation and renovation backed by R&D expertise, last year, the focus has been on re-energizing existing brands, launching new brands and getting into new categories. The strong and unrelenting efforts across all parts of the organisation led to an unprecedented over 30 new products and variant launches across almost all categories in a short span of time. We also looked at reducing dependency on a single brand by ensuring all categories contribute to the overall growth of the Company. Today we are more focused on strengthening our position with higher penetration and sales. Calibrated launches based on geography, brand, category and channel potential was our priority. This allows for trying new ideas and yet manage outcomes better.

In 2016, we were able to achieve what we did, as we put forward some must-win battles for the Company and considerable effort was made translating them into action. During the year, we worked towards restoring stability at Nestlé India, ensuring double-digit growth, prioritised digital engagement and enhanced media responsiveness. We worked closely with food authorities and collaborated in the areas of "Food Safety and Quality". Placing consumers at the heart of everything, we introduced 24X7 consumer engagement services enabling direct consumer connect.

Our commitment towards the communities where we operate also remained steadfast. One of our key initiatives last year was #EducateTheGirlChild programme that was run in partnership with Nanhi Kali, one of the largest community programs imparting education to underprivileged girl children across India. This initiative further strengthened the Nestlé Healthy Kids Programme which has already reached out to more than 1,00,000 beneficiaries. Believing in the power of our brands to make social impact, we changed the packaging of three of our most iconic brands to sensitize and draw attention to the fact that society needs to embrace collective responsibility in ensuring that more girls have the opportunity to pursue education. This initiative of using packaging as an agent of social messaging was a pioneering one in the history of Fast Moving Consumer Goods companies in India. Girls with access to education not only improve their own lives but also bring changes to their families, communities and economies. This has been Nestlé India's humble way of making a small, yet deeply felt contribution to a cause that is important and vital to our society.

India is changing rapidly and dynamically. The forces of urbanisation, increased experimentation and attitude towards cuisines, is giving us great opportunity as a food and beverage Company to address the consumers with new offerings. We have 2000 brands globally and we will explore ways to bring them to India. In the coming years, Nestlé India hopes to be part of our consumer journey through life, through enhancing the nutrition credentials of our many brands, fortifying those that are relevant and addressing in a small yet significant way the health issues facing the society. This gives us vast opportunities to bring to our consumers in India new and exciting offerings at different stages of life.



Suresh Narayanan  
Chairman & Managing Director  
Nestlé India Limited



# Commitment to Make in India



Generating employment, harbouring prosperity



If there is one word that encapsulates Nestlé's presence over ten decades in India, it is the word 'Trust'. After India's independence in 1947, the economic policies of the Government emphasized the need for local production. Nestlé responded to the country's aspirations and set up its first factory in 1961 at Moga, Punjab. Today, Nestlé has 8 factories across India.





2



4



5



6



7

### Our People at Factories

- 1 Moga Factory, Punjab
- 2 Choladi Factory, Tamil Nadu
- 3 Nanjangud Factory, Karnataka
- 4 Samalkha Factory, Haryana
- 5 Ponda Factory, Goa
- 6 Bicholim Factory, Goa
- 7 Pantnagar Factory, Uttarakhand
- 8 Tahlival Factory, Himachal Pradesh



8



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 Nestlé R&D Centre  
 India serves as a hub for  
 innovation & renovation.





## Commitment to Consumers



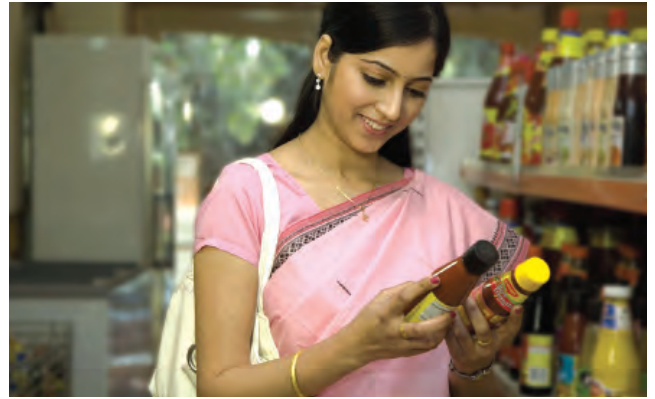
Offering Tastier and Healthier Choices

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Our goal is to delight consumers every day. This is a continuous process, consumer tastes evolve as the competitive environment continues to change. We leverage our expertise in understanding consumer preference drivers with specialized research processes to help us meet evolving consumer needs.





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We are committed to ensure that our consumers understand how to enjoy our products as part of a balanced diet. We encourage and empower consumers to make informed choices.





## Commitment to Business Partners

Growing together

---

*Four generations of Manekias have been a partner with Nestlé as distributors for over 90 years*

---

We share an enduring partnership with our suppliers and distributors based on shared values, business ethics and long term commitment. As a result, most of the partners have been with us for long periods of time and have been growing with us.





*The three generations of Kukreja family is another proud partner of our distribution system*



*V.G.R is associated with us for over six decades as distribution partner*



*Paras Foods has been a valued partner as supplier for over five decades*



*Malhotra Brothers has been a partner distributor for over five decades*



Over the years Nestlé India has seen the bond getting stronger with many more associates. The relationship continues to grow based on mutual respect, values and trust.



*Murlikrishna's partnership as a chicory supplier has helped create value for farmers, Murlikrishna and Nestlé*



ਨੈਸਲੇ ਇੰਡੀਆ ਲਿਮਿਟਡ



# Commitment to Society



Inspiring happiness, nurturing hope



*We collect milk from over 100,000 farmers*



We believe that for a Company to be successful in the long term it must create value for society. We are committed to addressing the needs of the community.





We have built over 244 Clean drinking water projects benefitting over 126,000 students



We have constructed over 300 sanitation facilities benefitting over 111,000 girl students



Over 2,000 coffee farmers have benefitted through trainings and technical support



Employee Volunteering Programme is an initiative to sensitise our people towards community development



We have trained over 66,000 women dairy farmers



The Nestlé Healthy Kids Programme has reached out to over 184,000 adolescents creating awareness about healthy lifestyle.







# Commitment to Environment



Caring for the future

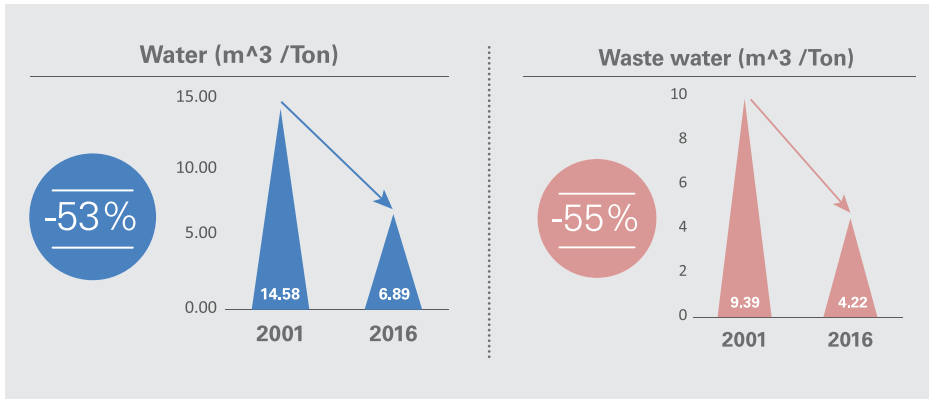
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We have consistently emphasized sustainable use of natural resources and non-renewable resources. Within our factories and in areas under our control there is a continuous effort to maximize production while minimizing the consumption of natural resources and reducing waste and emissions.







In the last 15 years we have reduced water usage by 53% and waste water by 55% per tonne of production across our eight factories



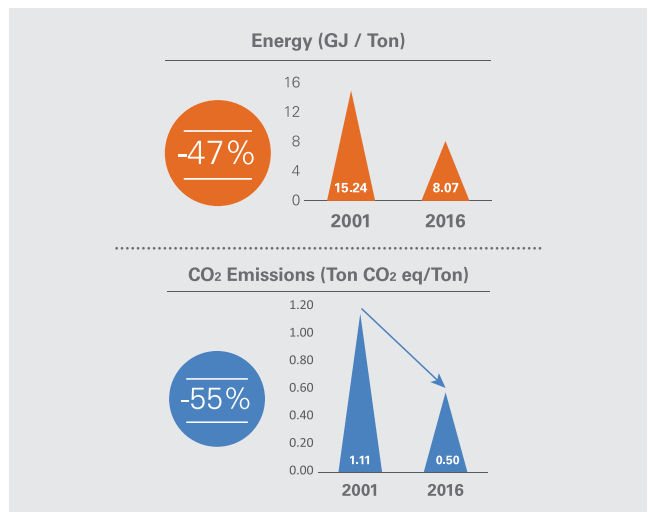
The Zer'Eau project in Moga recycles the water extracted from milk and reuses it for processing, enabling us to save 25% of water use at the factory



In 2016, we reduced 800 tonnes of packaging material



In the last 15 years we have reduced energy usage by 47% and emissions by 55% per tonne of production across our eight factories.





# Commitment to our people



Inspired people: Outstanding performance



We support and encourage our people to grow in more than one dimension, to achieve all they can be both professionally and personally. Lasting satisfaction is about combining the intellectual, the emotional, the personal and the social.







*Encouraging participation in sports activities*



*Collaboration and team work*



*Efficient teams at the heart of our operations*



*Promoting nutrition counselling to enable a healthy lifestyle*



Improving the gender balance at Nestlé, has enriched our leadership, increased the supply of talented people and ensured a better understanding of our consumer base.

# Corporate Information

## BOARD OF DIRECTORS

Suresh Narayanan (DIN 07246738)	–	Chairman & Managing Director
Shobinder Duggal (DIN 00039580)	–	Director - Finance & Control and CFO
Aristides Protonotarios (DIN 06546858)	–	Director - Technical
Rajya Vardhan Kanoria (DIN:00003792)	–	Independent Non-Executive Director
Ashok Kumar Mahindra (DIN:00916746)	–	Independent Non-Executive Director
Rakesh Mohan (DIN:02790744)	–	Independent Non-Executive Director
Ravinder Narain (DIN:00059197)	–	Independent Non-Executive Director
Swati A. PIRAMAL (DIN:00067125)	–	Independent Non-Executive Director

## BOARD COMMITTEES:

### AUDIT COMMITTEE

Ashok Kumar Mahindra	–	Chairman
Rajya Vardhan Kanoria	–	Member
Ravinder Narain	–	Member

### STAKEHOLDERS RELATIONSHIP COMMITTEE

Ravinder Narain	–	Chairman
Shobinder Duggal	–	Member
Rajya Vardhan Kanoria	–	Member

### CORPORATE SOCIAL RESPONSIBILITY COMMITTEE

Swati A. PIRAMAL	–	Chairperson
Ravinder Narain	–	Member
Suresh Narayanan	–	Member

### NOMINATION AND REMUNERATION COMMITTEE

Rajya Vardhan Kanoria	–	Chairman
Ashok Kumar Mahindra	–	Member
Ravinder Narain	–	Member

### RISK MANAGEMENT COMMITTEE

Shobinder Duggal	–	Chairman
Aristides Protonotarios	–	Member
Anurag Dikshit (Head of Treasury & M&A)	–	Member

### AUDITORS

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

### BANKERS

Axis Bank Limited  
Bank of America N.A.  
Citibank N.A.  
Deutsche Bank AG  
HDFC Bank Limited  
ICICI Bank Limited  
JP Morgan Chase Bank N.A.  
Punjab National Bank  
State Bank of Hyderabad  
State Bank of India  
Standard Chartered Bank  
Yes Bank Limited

### CORPORATE IDENTITY NUMBER

L15202DL1959PLC003786

## MANAGEMENT COMMITTEE

Suresh Narayanan	–	Chairman & Managing Director
Aristides Protonotarios	–	Technical
Amit Narain	–	Human Resources
Arvind Bhandari	–	Dairy
Ashish Pande	–	Supply Chain
B. Kannan	–	Centre of Expertise - Sales
B. Murli	–	Legal & Company Secretary
Chandrasekar Radhakrishnan	–	Communications
Fabrice Cavallin	–	Nutrition
Hari Nariani	–	ISIT/Nestlé Business Excellence
Maarten Geraets	–	Foods
Nayla Sioufi	–	Beverages
Nikhil Chand	–	Chocolates and Confectionery
Ravi Ramchandran	–	Sales
Sanjay Khajuria	–	Corporate Affairs
Shobinder Duggal	–	Finance & Control and CFO
Ulrich Martin	–	Nestlé Professional

## 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)

## WEBSITE

www.nestle.in

## INVESTOR EMAIL ID

investor@in.nestle.com

## BRANCH SALES OFFICES

- KRM Plaza, 1<sup>st</sup> Floor, North Tower No. 2, Harrington Road, Chetpet, Chennai - 600 031
- Tower "C", 12<sup>th</sup> Floor, DLF IT Park, 08, Major Arterial Road, Block – AF, New Town, Rajarhat, Kolkata - 700 156
- 1<sup>st</sup> 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)
- Plot No. 294-297, Usgao Industrial Area, Ponda - 403 406 (Goa)
- Unit I & II - Patti Kalyana, Kiwana Road, Samalkha - 132 101 Dist Panipat (Haryana)
- Industrial Area, Tahliwal, District – Una - 174 301 (Himachal Pradesh)
- Industrial Area, Nanjangud - 571 301 Mysore District (Karnataka)
- Ludhiana - Ferozepur Road, Near Kingwah Canal, Moga - 142 001 (Punjab)
- P.O. Cherambadi - 643 205 Dist. Nilgiris (Tamil Nadu)
- Plot No. – 1A, Sector No. - 1, Integrated Industrial Estate, SIDCUL, Pantnagar- 263145, Dist. Udham Singh Nagar (Uttarakhand)

## REGISTRAR & TRANSFER AGENTS

M/s Alankit Assignments Limited  
1E/13, Jhandewalan Extension,  
New Delhi, 110 055  
Tel No : 011 - 42541234, 23541234  
Fax No : 011 - 41540064

## LISTING OF EQUITY SHARES (Listing Fees paid)

BSE Limited, Mumbai, Phiroze Jeejeebhoy Towers, Dalal Street,  
Mumbai - 400 001 (Scrip Code : 500790)

## 58<sup>TH</sup> ANNUAL GENERAL MEETING

Thursday, 11<sup>th</sup> May, 2017 at 10.00 A.M. at  
Air Force Auditorium, Subroto Park, New Delhi - 110 010

## Board's Report - 2016

Dear Members,

Your Directors are pleased to present their report and financial statements for the year ended 31<sup>st</sup> December, 2016.

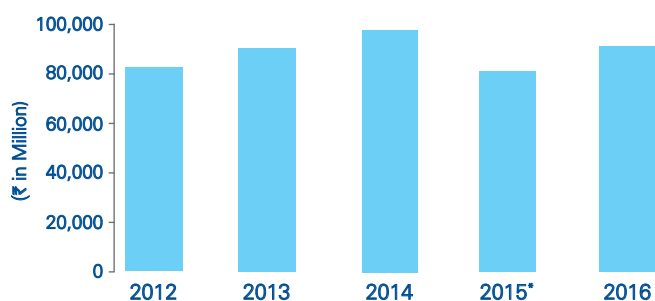
### Financial Results and State of Company's Affairs

(₹ in Million)

Particulars	2016	2015
Net Sales	91,592.8	81,232.7
Add: Other operating revenues	645.2	520.4
Less: Operating expenses	75,983.0	67,800.3
Less: Impairment loss on fixed assets	118.3	282.2
Less: Net provision for contingencies (from operations)	418.0	333.1
<b>Profit from Operations</b>	<b>15,718.7</b>	13,337.5
Add: Other income	1,493.9	1,100.9
Less: Finance costs	35.1	32.9
Less: Employee benefit expense due to passage of time	874.0	753.2
Less: Net provision for contingencies - others	1,266.7	301.5
<b>Profit before exceptional items, corporate social responsibility and taxation</b>	<b>15,036.8</b>	13,350.8
Less: Exceptional items	307.8	5,008.4
Less: Corporate social responsibility expense	313.6	206.1
<b>Profit before taxation</b>	<b>14,415.4</b>	8,136.3
Less: Tax expense	5,150.0	2,503.6
<b>Profit after taxation</b>	<b>9,265.4</b>	5,632.7
Add: Profit brought forward	18,825.4	18,825.2
<b>Amount available for appropriation</b>	<b>28,090.8</b>	24,457.9
Less: Interim dividends	3,856.6	2,892.5
Less: Proposed final dividend	2,217.6	1,783.7
Less: Dividend distribution tax	1,236.6	956.3
Less: Transfer to general reserve	-	-
Surplus in statement of profit and loss	20,780.0	18,825.4
<b>Key ratios</b>		
Earnings per share (₹)	96.10	58.42
Dividend per share (₹)	63.00	48.50

Net Sales for the year increased by 12.8% on a base impacted by MAGGI Noodles issue. Net Domestic Sales increased by 13.5% and Export Sales increased by 3.5%

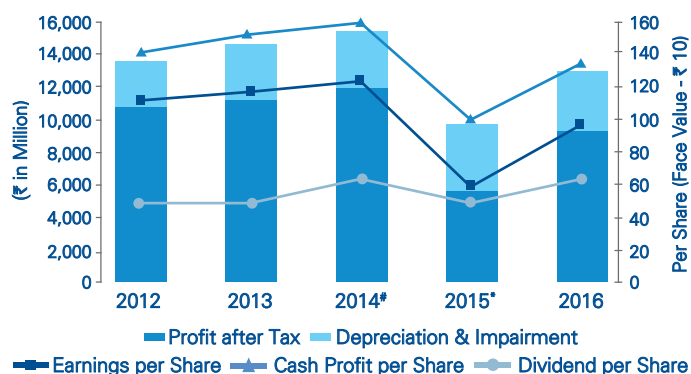
#### NET SALES



\*Impacted by MAGGI Noodles issue

Other Income has increased due to higher average liquidities partially offset by lower yields. The Impairment Loss on Fixed Assets of ₹ 118.3 million relates to various items of plant and machinery and building that have been brought down to their recoverable value upon evaluation of future economic benefits from their use.

#### EARNINGS



Cash Profit = Profit after Tax + Depreciation + Impairment loss  
# Includes additional interim dividend of ₹ 10 per share

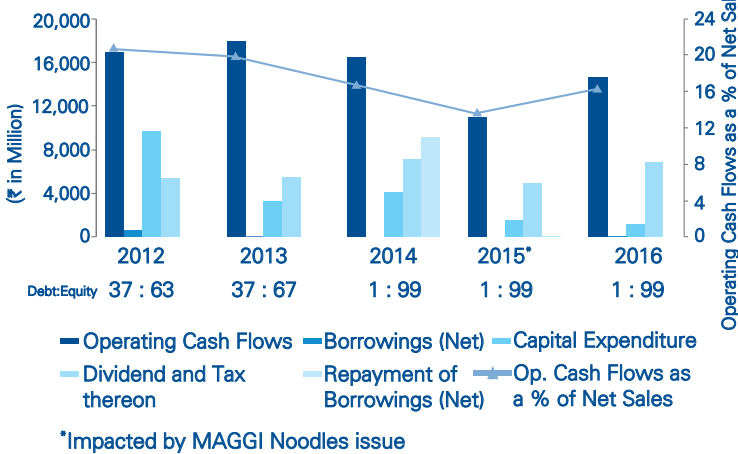
\*Impacted by MAGGI Noodles issue

The Company supplemented the Provision for Contingencies with further amount of ₹ 1,684.7 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/ settlement of contingency provision of ₹ 128.9 million due to the satisfactory settlement of certain litigations and settlement of obligations under free replacement warranty for which provision is no longer required.

### SOURCES AND UTILISATION OF CASH



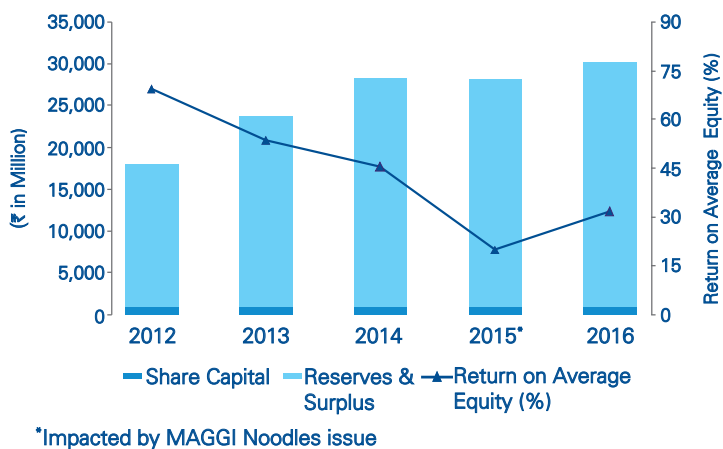
Exceptional Items during the year is net of:

(a) Provision made for diminution in the value of non-current investment: ₹ 200.0 million;

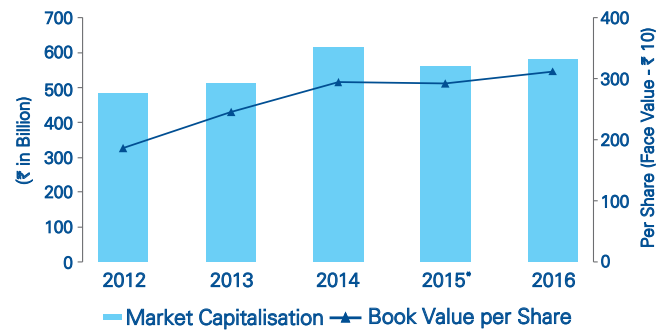
(b) Write backs, arising, inter alia, from actualization of estimates of part of the provision made for exceptional item in the previous year: ₹ 212.2 million;

(c) Cost towards the restructuring of a long term arrangement for supply of ingredients to extinguish the obligations under the arrangement in view of changed business circumstances: ₹ 320.0 million.

### SHAREHOLDERS' FUNDS

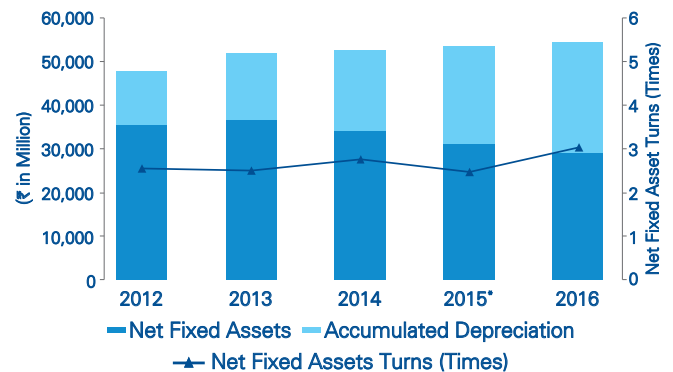


### MARKET CAPITALISATION

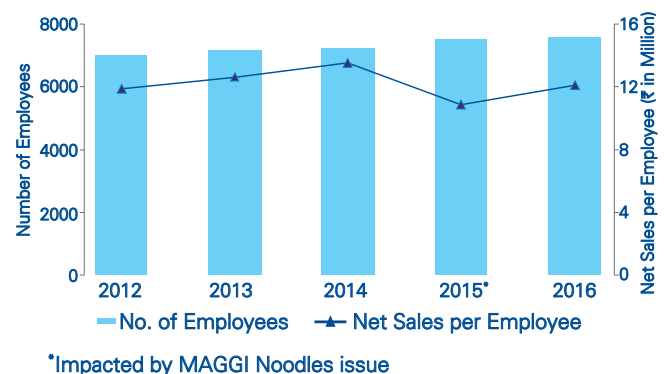


Market Capitalisation is based on year end closing share price quoted on the Bombay Stock Exchange. Book Value per share is based on the total shareholder's funds as at the year end

### FIXED ASSETS



### EMPLOYEE BASE



## Dividends

The Board of Directors have recommended a final dividend of ₹ 23/- per equity share (Face value ₹ 10 per equity share) for 2016, amounting to ₹ 2,217.6 million. This is in addition to three interim dividends already paid for the year 2016, at the rate of ₹ 12/- per equity share, ₹ 12/- per equity share and

₹ 16/- per equity share which were paid on/ from 31<sup>st</sup> May, 2016, 19<sup>th</sup> August, 2016 and 22<sup>nd</sup> December, 2016, respectively. The total dividend for 2016 aggregates to ₹ 63.00 per equity share, amounting to ₹ 6,074.2 million.

## Exports

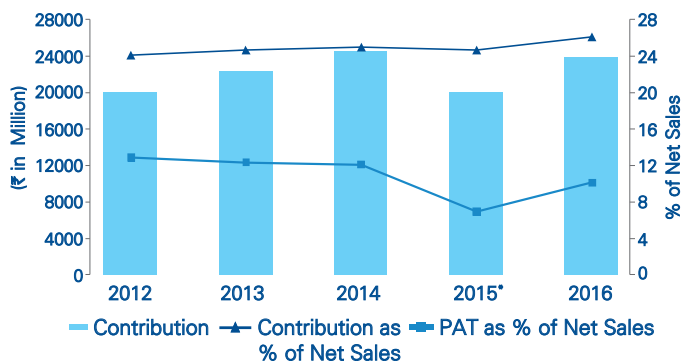
Despite the pressures in the external environment in 2016, the exports division leveraged your Company's diversified portfolio contributing to the total revenue. MAGGI Noodles were welcomed back by shoppers while confectionery opened doors to export to eight markets in the Middle East and Ghana. Though instant tea remained flat, instant coffee registered growth on account of increase in exports to Romania and Bangladesh. Infant Nutrition exports also showed good growth.

Customer feedback surveys were conducted from different markets to ensure long term sustained growth. Our efforts in developing exports of quality coffee, meanwhile, continued to earn us recognition.

## Contribution to the Exchequer

Your Company, over the years, has been enabling significant contribution to various taxes. During the year 2016, the Company through its business, enabled tax collections at Central and State level close to ₹ 23.9 billion, in aggregate

### ENABLED CONTRIBUTION TO EXCHEQUER



\*Impacted by MAGGI Noodles issue

## Business Development

Your Company remained dedicated to strengthening Nutrition, Health and Wellness across its product portfolios. It made product propositions more compelling, widened tasty and healthier offerings by innovation and renovation and remained relevant to consumers' requirements. The year 2016 witnessed a spate of innovations and renovations with the launch of more than 30 new products and variants.

Having Nestlé R&D Centre India in Manesar, has also brought Nestlé global research and development closer to your Company's businesses. Along with the network of R&D Centres across the globe, R&D India and the Business Units worked towards developing winning concepts, suited to local consumers. The teams got engaged in a lot of groundwork and several stages of ideation for all your Company's new as well as existing products. Your Company made every effort to increase penetration with more offerings, across all portfolios such as the following:

### Launch of New MAGGI Noodles Variants

- MAGGI Noodles strengthened its leadership position with about 60% market share in the Noodles category as per Nielsen report. Your Company introduced 'MAGGI HOT HEADS' and 'MAGGI No Onion No Garlic Masala' variants of MAGGI Noodles

- Cup noodles were back with the introduction of MAGGI HOT HEADS Cuppa Noodles and the re-launch of MAGGI Cuppa Masala and MAGGI Cuppa Chilly Chow

- A comeback in the soups category through the New MAGGI Cup-a-licious Soups – a range of 6 instant soups available in exciting, contemporary and unique flavours

## Strengthening of Milk Products and Nutrition Portfolio

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- Your Company's focus in the milk product category has been on the value-added segment. NESTLÉ a+ GREKYO was introduced in several variants along with EVERYDAY Masala Fusion Dairy Whitener with 6 natural spice flavours
- NESCAFÉ RTDs (Ready-To-Drink) in three unique flavours were introduced in the market
- Products like CREGROW for children between the age group of 2 to 5 and NESTLÉ a+ PRO-GROW, a protein rich milk were all clutter breaking innovations
- The Company renovated the entire CERELAC range fortifying it with Iron

## Expanding Coffee and Beverages Portfolio

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- NESCAFÉ SUNRISE INSTA-FILTER was introduced as part of your Company's focus into differentiated products. This revolutionary new coffee with dry decoction granules offers the authentic South Indian Filter Coffee Taste in an instant
- Three very exciting variants for NESTEA Iced Tea were launched along with NESCAFÉ Latté

## More offerings in the Chocolate and Confectionery Portfolio

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- Your Company continued its focus to grow brands like KITKAT, MILKYBAR, NESTLÉ MUNCH, BARONE and ALPINO
- KITKAT Duo was a first of its kind combination of brown and white and BARONE CHARGE and the New ALPINO were introduced to cater to niche audiences

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The business of 'Prepared Dishes and Cooking Aids' saw the brand MAGGI go from strength to strength, throughout the year in 2016. It reclaimed the noodle category leadership with

nearly 60% market share post re-launch. The year started with a strong focus on reinforcing nostalgia and re-invoking the quintessential MAGGI Moments via the #NothingLikeMAGGI campaign that helped build back brand equity, quickly. In addition to the thematic advertising, brand MAGGI also put immense focus behind small town and rural pockets via sampling, activation and vernacular media engagements. As a result, today brand MAGGI's equity and



imagery scores stand almost at par with the pre-crisis levels, as also reflected in MAGGI's meteoric recovery in the Brand Equity's MOST TRUSTED BRAND SURVEY for 2016. In the said Survey, the brand had fallen to 95<sup>th</sup> Rank in the top 100 Most Trusted Brands in 2015, but in 2016 it gained 70 places to end at 25<sup>th</sup> Rank. In the Foods category MAGGI ranked at 3<sup>rd</sup> position.

In addition to re-building the core back, brand MAGGI also unleashed a slew of innovations in noodles and other adjacent categories in 2016, thereby reinvigorating its portfolio. In noodles, a new range of spicy noodles targeted at new age youth was launched under the name of MAGGI HOT HEADS. All the four variants have met with good response and continue to sizzle the taste-buds across the country. Apart from these, MAGGI also expanded its sauces range by launching the MAGGI Masala Sauce that promises the signature MAGGI Masala taste in tomato sauce. Lastly, MAGGI made a comeback in the Soups Category though the New MAGGI Cup-a-licious Soups – a range of 6 instant soups available in exciting, contemporary and unique flavours.



The 'Chocolate and Confectionery' business focused on the mainstream and the high growth premium segments. An array of product launches were made to cater to rapidly evolving consumer tastes and preferences across the portfolio. KITKAT Duo and NESTLÉ MUNCH



TRIO were innovative launches targeted to delight consumers. The re-launch of the flagship premium brand ALPINO (bonbons made of milk chocolate, draped over a crispy cocoa wafer encasing a rich, velvety centre), along with the launch of a range of premium imported tablets from Europe, rejuvenated your Company's premium chocolate offerings.

Innovative, category-first and relevant consumer promotions were offered to consumers throughout the course of the year. The Paytm cash promotion on KITKAT was an industry-first marketing activity. Innovation in communication was seen in KITKAT with film integration. The digital platform was highly leveraged across Twitter through #MyBreak campaign and YouTube through the Laughter Games (comedy creators) integration. KITKAT India won the first edition of the Twitter Aviator Awards in 2016, a global contest organized by Nestlé and Twitter exclusively for Nestlé markets, delivering a dynamic and real time campaign based on daily trends in India.

For 'Coffee and Beverages' 2016 was a



challenging year with increased competitive intensity as well as a volatile external environment. Your

Company first redefined the developed coffee market in the south by launching NESCAFÉ SUNRISE INSTA-FILTER – a revolutionary new coffee chicory mixture with dry decoction granules to offer the authentic South Indian Filter Coffee Taste in an instant. Three very exciting variants for NESTEA Iced Tea were launched along with NESCAFÉ Latté. Brand NESCAFÉ continued building its connect with the youth in line with the brand idea of 'It all

starts with a NESCAFÉ'. The RJ campaign with the tagline of #StayStarted became the most viewed digital campaign which saw an extension of the Reel life into Real life with RJ Rishi coming to life and hosting a real radio show NESCAFÉ Mornings with radio channel Red FM. NESCAFÉ Labs created impact with its mega challenge events and with ground events at various colleges all over India. NESCAFÉ SUNRISE was also renovated with a superior taste.

The 'Milk Products and Nutrition' business category saw the extension of the journey from infants to toddlers as your Company launched CEREGRW during the year. A nutritious and tasty junior cereal for 2-5 year old kids, the product is packed with the nourishment of multigrain cereal, milk and fruits. The Company renovated the entire CERELAC range fortifying it with Iron to support cognitive and brain development in early infancy.



Nestlé believes breast milk provides the best nutrition for babies. This is why the Company promotes the World Health Organization's recommendation of exclusive breastfeeding for the first six months of life and beyond. Good nutrition during the 'First 1000 days' places babies on the path to a healthy future. Under your Company's 'Start Healthy Stay Healthy' program, over 963 Breastfeeding Rooms were installed in clinics across 150 cities in the country. A breastfeeding room locator tool was also developed to enable mothers to find the nearest breastfeeding room. The SUPERBABY campaign was launched with the key message 'It takes you all to make a Superbaby' in order to emphasize the role of various stakeholders to #HelpMomsBreastfeed.

With focus on the value added segment, your Company launched a brand new exotic range of Greek Yoghurt under the brand name of



NESTLÉ a+ GREKYO for the first time in India. A perfect blend of health and indulgence, NESTLÉ a+ GREKYO has a rich and creamy texture coupled with real fruit bits. Globally the Greek Yoghurt category came into prominence less than a decade back and in

certain countries it has already captured a major share of the entire yoghurt market. In India, this category is still at a nascent stage but your Company is confident that it will lead the global trend for the Indian consumers soon. NESTLÉ a+ PRO-GROW has been another addition to the NESTLÉ a+ brand and addresses specific needs of protein for growing children. Your Company continued its journey as pioneers by customizing not just the taste, but also the mode of consumption to deliver 'Anytime Coffee' for today's active lifestyle and launched NESCAFÉ Ready-to-Drink range.

'Nestlé Professional' business registered volume growth in 2016. The New NESCAFÉ Solution machine continued to perform well in the



business and industry channels. The entire range of coffees pre-mixes for hot and cold machines, were renovated by your Company and NESTEA Masala Gold tea premix was successfully launched. All food categories generated growth.

Chef2Chef activities pan India offered good visibility to Nestlé Professional products. Nestlé Professional significantly developed sales in transport channels by enlarging the assortment of products in Airlines and the Indian Railways.

## Commitment to Nutrition, Health and Wellness

In addition to providing consumers with differentiated and innovative choices, your Company also places high priority in providing consumers with nutrition information on food labels to make informed dietary choices. The GDA labelling provides guidance on the daily intake for energy and defines key nutrients to help consumers evaluate a product's role in their daily diet. To demonstrate this commitment your Company has started GDA labelling on the entire confectionery portfolio, Beverages portfolio, UHT milk, MILKMAID Sweetened Condensed Milk and EVERYDAY Dairy Whitener. Your Company enhanced labelling of products with a QR code that allows consumers to use their smart phones to find out more about its products. On scanning the QR code on the label, consumers can get information specific to the product under three heads,

which are Nutrition, Environment and Society. Committed to promoting a healthy lifestyle, your Company partnered with PROCAM Running, the organizers for marathon events, across India in four metropolitan cities. Expert sports nutritionists provided personalized nutrition counselling to runners to help them get run-ready from nutritional perspective. Your Company also conducted sessions on nutrition counselling for consumers in modern trade outlets, government offices and corporate offices. The objective was to help the participants to make tastier and healthier food choices for a healthy lifestyle.

## Awards and Recognitions

BrandZ is an annual consumer study conducted by Kantar Millward Brown for WPP Group. Millward Brown then combines the BrandZ data with financial data of brands to compile their annual rankings of top 50 most valuable brands in India. In 2016, your Company was recognized as 'The Most Valuable Food Brand' in India. Your Company ranked 13<sup>th</sup> and MAGGI ranked 39<sup>th</sup> in the overall top 50 most valuable brands in India.

The Effie Awards are known by advertisers and agencies globally as the pre-eminent award in the industry, and recognizes all forms of marketing communication that contribute to a brand's success. Since 1968, winning an Effie has become a global symbol of achievement. Today, Effie celebrates effectiveness worldwide with the Global Effies and the Positive Change Effies, regional programs in Asia-Pacific, Europe, the Middle East / North Africa, North America, Latin America and more than 40 national Effie programs. 2016 was a landmark year for your Company's Effie's Journey. Nestlé India became The Top Food & Beverage Client of the Year at Effies 2016. Your Company bagged the first ever Gold Metal for the MAGGI 'Winning Back A Mom's Trust' campaign in the Foods category. It also Bagged 2 Silver Metals for the 'MAGGI Comeback' campaign in the Foods and Integrated campaign categories and a Bronze Metal for NESCAFÉ in the Beverages category. Your Company was awarded CII SCALE award for being most innovative digital supply chain across FMCG during 2016. Your Company also won the ASSOCHAM excellence award for Best FMCG Company in Logistics and Warehousing.

## Employee Focus

In 2016, the effort was towards re-visioning the culture of your Company in line with the ambition of being a Fast, Focused and Flexible organization. Rise2Gether was a cultural intervention basis evaluation of feedback from employees and from the leadership team and then identifying the key focus areas for change. Your Company has also made consistent efforts towards being an Employer of Choice for current and prospective employees. Your Company connected with students across campuses and held a national case study competitions panning HR, Supply Chain and Marketing. The members of the Management Committee also travelled across campuses delivering talks on leadership. To ensure your Company invests in high calibre talent, over 70 employees were part of high potential programs and another 100 employees went through the Executive General Management Program at IIM Calcutta.

## Management Analysis

### Review of economic scenario and outlook

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Last year was marked by two important economic policy developments in India: a constitutional amendment making way for the goods and services tax (GST) and withdrawal of legal tender of high value currency notes (₹ 500 and ₹1000) which intends to curb black money and running of a parallel economy. With a slow start in 2016, the economic momentum recovered towards the middle of the year. While this growth momentum was temporarily impacted with demonetization, the India economy appears to be recovering fast and will continue as one of the fastest growing nations.

Cashless transactions systems have been encouraged across the board. The move towards digital payment have benefitted e-commerce companies though dependence on cash-on-delivery got impacted. In the urban markets, the drop in sales in traditional retail outlets due to lack of cash availability have been partially compensated by the modern trade channel.

Greater formalization of the economy has triggered financial inclusion and the banking system has benefitted partially from higher levels of deposits as well as the opening of new

accounts. The National Payments Corporation of India (NPCI) successfully finalized the Unified Payments Interface (UPI) platform enabling mobile phones in digitalization of payments. Over the past year much progress has been made in spreading JAM (Jan Dhan, Aadhar and Mobile) across the country which refers to large-scale, technology-enabled, real-time cash transfer. This has the potential of financial inclusion improving the economic lives of the poor.

Consumers are opting to spend on necessities rather than on discretionary items. The FMCG industry remained under pressure because of subdued consumer sentiments. Earnings for most companies were soft through the year and they struggled for volume growth.

The current emphasis on 'Make in India', investments in accelerating development of transport infrastructure, pro-reform approach and efforts at fiscal rationalization are all positive indicators and your Company is optimistic that the economy will pick up.

The passage of the GST bill in the Parliament is a positive for the economy bringing in more transparency in the tax administration. GST will create a common Indian market, improve tax compliance and governance. The transition to GST is complex from an administrative as well as a technological perspective. What will be critical is the efficiency in relation to its implementation. Your Company believes that in the medium run it will lead to more digitalization and will help in effective governance.

## Risks and Opportunities

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The economic and business environment is fast evolving, and with the rapid transformation of technology and the impact of cultural changes, society and consumers are also transforming on multiple dimensions. Increased exposure, improved education and awareness, as well as changing aspirations at various levels of the income pyramid and the urban-rural divide are creating opportunities that organizations need to understand and prepare for the emerging future. Your Company has significant strengths and being Nestlé is in itself a very huge strength, because the brand brings with itself 150 years of trust and credibility. The General License



Agreement gives it access to Nestlé Group's proprietary technology / brands, expertise and extensive centralized Research and Development facilities.

The Company is an integral part of Indian society and has state-of-the-art manufacturing facilities, efficient supply chain, sales automation with extensive reach and coverage in its target markets, strong brands and capable employees and partners who are committed to provide value with high quality and safe food products.

However, the Indian market is complex and demands a very efficient and complex supply chain configuration. This is further complicated by cascading indirect taxes. With GST roll out in 2017, this should be addressed though full gains out of it would take some time to realise. Your Company is operating in an industry that faces price volatility in raw materials and is dependent on agricultural commodities that need to meet stringent quality standards and on natural resources where alternatives are not viable. There is also increasing competition in processed foods and as the regulatory framework is evolving, standardization of norms is a major requirement for new and innovative product launches. Clearly, even though there is slower than anticipated momentum in the economy, there are opportunities. Consumer lifestyles are changing and there is increasing demand for value-up and premium products and your Company can leverage Nestlé technology to develop more science based products that provide superior benefits of Nutrition, Health and Wellness at appropriate price points. Technology is throwing up immense opportunities to understand consumers and engage better with them. Digital and e-commerce can hold immense potential and strategic significance for your Company.

## Sales

Your Company is proud of the immense commitment and support that trade partners and retailers have extended, for not only the strong comeback of MAGGI Noodles, but also for whole-heartedly supporting the launch of the many new products and variants. Your Company has also demonstrated the strength of its sales and distribution network by bringing new products on to the shelves, at a very fast

speed with best-in-class visibility. Realizing the growing importance of e-retailing the Company continues to successfully engage with the leading e-retailers. The Company has been constantly looking for opportunities and partnerships to reach out to consumers in a relevant and engaging manner. It has leveraged all channels that consumers reach out for buying Nestlé products. Hence along with traditional and modern trade partners, your Company has joined hands with e-commerce companies.

## Technology, Quality and Safety

Nestlé Continuous Excellence (NCE) as a management system ensures that the workforce of your Company is fully aligned with the organization's strategy towards delivering competitive advantage and consumer led growth. Last year was marked by the factories supporting and delivering continuously in order to meet business objectives by ensuring timely launch of new products. This was in addition to catering to the regular production of the existing brands available in the market.

In spite of increased production, the overall asset intensity (equivalent to operational efficiencies) and cost reduction improved. This was achieved through the following:

- Total Performance Management (TPM) and focused improvement projects have been consistently driven to achieve manufacturing excellence.



- The education and training pillar focused on setting up of strong understanding of methodologies and stressed on the importance of capability building across the manufacturing units.

In line with the 'Zero Defect & No Waste' policy, the following defect reduction projects were driven up to consumer touch-points:

- 'Quality by Design' initiatives like packaging structural improvements with an additional overwrap protection for Nutrition portfolio. KITKAT tamper proof packaging and

anti-counterfeit packaging on bigger NESCAFÉ soft packs, have helped address issues related to packaging.

- Continuing our strong collaboration with upstream raw material and packaging material vendors ensured right quality material for smooth operations.

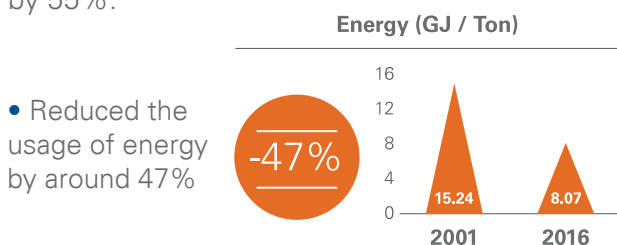
- Special focus was given to improve the cool chain effectiveness for confectionery products. This included project where your Company collaborated with business partners (Distributors) to contribute in quality control.

Significant progress was also made on road safety awareness with our finished goods transporters and milk tanker fleets operational at our factories. Drivers' rest rooms have been organized at factories to give drivers proper rest before the journey commencement. Risk assessment for the journey is being discussed for all identified lanes, use of seat belts and proper maintenance of vehicles prior to the journey is being mandated.

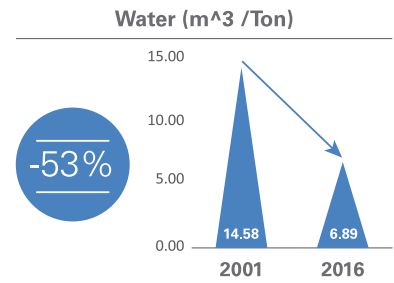
## Environment

As in the past, your Company continued to stress upon measures for the conservation and optimal utilization of energy in all the areas of operations, including those for energy generation and effective usage of sources/equipment used for generation. Within Nestlé India factories there have been continuous efforts to improve operational efficiencies, minimizing consumption of natural resources and reducing water, energy and CO<sub>2</sub> emissions while maximizing production volumes.

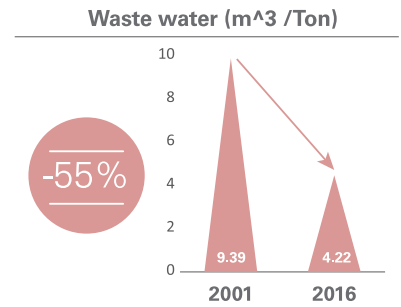
As a result, during the period from 2001 to 2016, for every ton of production, your Company has reduced the usage of energy by around 47%, water usage by around 53%, generation of waste water by around 55%, reduction in specific direct greenhouse gas emissions by 55%.



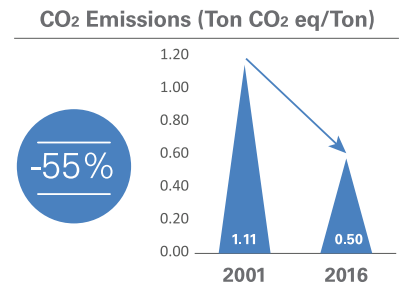
- Reduced the usage of water by around 53%



- Reduced generation of waste water usage by around 55%



- Reduced specific direct greenhouse gas emissions by 55%



## Supply Chain

During 2016 your Company consolidated and further accelerated the supply chain strategy to support the priorities of the market.

Product launches were done in an efficient and speedy manner from concept development to market launch by the team in close collaboration with all stakeholders.

In order to build logistics capability across supply chain team and prepare your Company to be GST- Ready, 'Logistics Excellence' review program was launched across the organization. This resulted in capability building of the logistics team on the ground and identification of waste across the value chain leading to cost efficient operations. As a result, material flow across our factory and distribution centres was enhanced leading to fresh products on the shelf and faster speed to market.

Sales and operations planning process across the organization was refreshed using enhanced use of data analytics for demand planning, creation of robust event management process leading to better delivery of sales execution on the ground.

In order to continuously create value for our consumers and customers in today's reality of commodity headwinds and intense competitive intensity at market place, your Company accelerated the deployment of LEAN mindset across value chain. This helps to align the value chain to continuously reduce non-value added activities and thereby optimizing cost structures across your Company.

Quality in the value chain initiative was launched across the Company ensuring that handovers across value chain are managed seamlessly. This helps the Company to ensure that right quality of products are available on the shelves for our consumers, despite the journey through a fragmented trade structure, multiple storage points and unstructured handling.

Your Company further extended the Responsible Sourcing program to cover not only the direct materials suppliers but also our transporters, services and indirect material suppliers. This is part of our commitment to business integrity, openness, respect for universal human rights and core labour principles.

## Cautionary Statement

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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' Responsibility Statement

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The Directors state that:

a) in the preparation of the annual accounts,

the applicable accounting standards have been followed and no material departures have been made from the same;

b) 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 of the Company for that period;

c) they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

d) they have prepared the annual accounts on a going concern basis;

e) they have laid down internal financial controls to be followed by the Company and that such internal financial controls are adequate and were operating effectively; and

f) they have devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

## Corporate Governance

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In terms of Regulation 34 of the Securities Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (hereinafter "Listing Regulations"), a Report on Corporate Governance along with Compliance Certificate issued by Statutory Auditor's of the Company is attached as **Annexure - 1** and forms integral part of this Report (hereinafter "Corporate Governance Report").

## Directors and Key Managerial Personnel

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During the year under review, on the recommendation of the Nomination and Remuneration Committee, the Board of Directors appointed Dr. Rakesh Mohan as an Independent Non-Executive Director of the



Company with effect from 1<sup>st</sup> May, 2016. The Members, in its 57<sup>th</sup> Annual General Meeting held on 12<sup>th</sup> May, 2016, approved the appointment of Dr. Rakesh Mohan as Independent Non-Executive Director of the Company to hold office for a term up to 30<sup>th</sup> June, 2020.

Mr. Aristides Protonotarios, Whole-time Director of the Company designated as “Director – Technical”, who was appointed for a period of five years with effect from 1<sup>st</sup> April, 2013, shall be taking up a new assignment within the Nestlé Group and therefore shall cease to be the Whole-time Director of the Company with effect from 31<sup>st</sup> March, 2017.

Mr. Shobinder Duggal shall retire at the forthcoming Annual General Meeting and being eligible offers himself for re-appointment. The brief resume and other details as required under the Act and Listing Regulations are provided in the Notice of the 58<sup>th</sup> Annual General Meeting of the Company.

The Independent Directors of your Company have given a declaration confirming that they meet the criteria of independence as prescribed both under the Act and the Listing Regulations.

The Nomination and Remuneration Committee had adopted principles for identification of Key Managerial Personnel, Senior Management including the executive directors which are based on “The Nestlé Management and Leadership Principles” and “Nestlé Leadership Framework” which is available on the Company’s Website [www.nestle.in](http://www.nestle.in). The Appointment and Remuneration Policy of the Company includes criteria for determining qualifications, positive attributes and independence of a director and policy relating to the remuneration of Directors, Key Managerial Personnel and other employees. The same is attached as **Annexure – 2** and forms integral part of this Report.

The details of familiarization programmes to Independent Directors with the Company, their roles, rights, responsibilities in the Company, nature of the industry in which the Company operates, business model of the Company and

related matters are put up on the website of the Company at the link: <https://www.nestle.in/investors/directorsandofficers/familiarisation-programme>.

The Company has devised a formal process for annual evaluation of performance of the Board, its Committees and Individual Directors (“Performance Evaluation”). It covers the areas relevant to the functioning as Independent Directors or other directors, member of Board or Committee of the Board. The Company engaged a leading HR Consulting Firm for compilation of the feedback received from the Board members, Committee members and directors and for identifying key inferences and observations with respect to Performance Evaluation.

## Corporate Social Responsibility

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During the year under review, the name of the Corporate Governance and Social Responsibility Committee was changed to Corporate Social Responsibility Committee and Dr. (Mrs.) Swati A. Piramal, Independent Non-Executive Director, was appointed as Chairperson of the Committee in place of Mr. Suresh Narayanan. The Corporate Social Responsibility Committee comprises of Dr. (Mrs.) Swati A. Piramal (Chairperson), Mr. Ravinder Narain, Independent Non-executive Director and Mr. Suresh Narayanan, Chairman and Managing Director of the Company. The terms of reference of the Corporate Social Responsibility Committee is provided in the Corporate Governance Report. Your Company has also formulated a Corporate Social Responsibility Policy (CSR Policy) which is available on the website of the Company at <https://www.nestle.in/investors/policies>. Annual report on CSR activities as required under the Companies (Corporate Social Responsibility Policy) Rules, 2014 has been appended as **Annexure - 3** and forms an integral part of this Report.

In terms of Section 135 of the Companies Act, 2013 read with Companies (Corporate Social Responsibility) Rules, 2014 as amended (“CSR Rules”) and in accordance with the CSR Policy, during the year 2016, the Company has spent

above two percent of the average net profits of the Company during the three immediately preceding financial years. The details are provided in the Annual Report on CSR activities. In addition to the above, the Company has been implementing societal activities since many decades under the umbrella of Creating Shared Value activities which has not been reckoned for arriving at the spends as per CSR Rules.

Some key initiatives which your Company has been engaged in are as follows:

### **Nestlé Healthy Kids Programme**

The Nestlé Healthy Kids Programme has been developed with a focus to raise nutrition and health awareness of school age children. The unbranded programme has been conducted since 2009, in village schools around the factories of your Company with the objective of raising awareness regarding good nutritional and cooking practices, good hygiene and promoting physical fitness. The programme has been conducted in partnership with six leading regional Universities through the Department of Home Science and Food Science.

Your Company has also been working in metros in partnership with Magic Bus (one of India's largest behavior change organisations). Magic Bus has a well-entrenched community presence, across 22 states both in rural and urban geographies and the Healthy Kids Programme is conducted through the Magic Bus model of 'engaging through sports and activities' as a medium to bring change. Children are engaged in interactive sessions in which they receive nutrition and health knowledge and are encouraged to play regularly.

### **Project Jaagriti**

Your Company rolled out the Project Jaagriti in partnership with Mamta Health Institute for Mother and Child as part of its commitment to provide education programmes for good nutrition and feeding practices improving nutrition and health at key life stages - adolescents and caregivers. The programme has been conducted across 15 districts in 7 states and 1 union territory with a goal to accelerate the uptake of health services by improving continuum of care on health, nutrition and hygiene practices

amongst adolescents, young couples and caregivers.

### **#EducatetheGirlChild – Partnership with Nanhi Kali**

Your Company was happy to be associated with #EducateTheGirlChild program which aimed at raising awareness about girl child education. We extended support to girl child education in association with Nanhi Kali, one of the largest community programs imparting education to underprivileged girl children across India. This partnership provided on ground support to girl children through necessary academic material and social backing by identifying critical centres of education of the Nanhi Kali project. Three most iconic brands of Nestlé India - MAGGI, NESCAFÉ and KITKAT – changed packaging to support girl child education. Your Company changed packaging of 100 million packs with the aim of raising more awareness about the cause.

### **Collaboration between Nestlé India, Food and Drugs Administration, Goa and NASVI joining hands**

Your Company joined hands with Food and Drugs Administration, Goa and National Association of Street Food Vendors of India (NASVI) to train over 1000 street vendors in Goa. The training of street vendors was conducted through NASVI's training center and comprised of subjects such as health, hygiene, food handling, food safety, personal hygiene, cart hygiene, cleaning and chemicals, pest control, garbage disposal and entrepreneurship. The participants were also awarded a certificate at the end of the training.

## **Business Responsibility Report**

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Nestlé's approach to business is Creating Shared Value or 'Saanjhapan' as used by your Company and it is about the impact of the business and engagement through it. Your Company has been conducting business in a way that both deliver long-term shareholder value and benefit society under approach of "Creating Shared Value" (hereinafter 'CSV').

The Business Responsibility Report as per

Regulation 34 of the Listing Regulations is annexed as **Annexure – 4** and forms integral part of the Annual Report.

## Statutory Auditors

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As per Section 139 of the Companies Act, 2013, read with the Companies (Audit and Auditors) Rules, 2014, the term of M/s. A.F. Ferguson & Co. (Firm Registration No. 112066W), Chartered Accountants, New Delhi as the Statutory Auditors of the Company expires at the conclusion of the ensuing Annual General Meeting of the Company.

The Board of Directors of the Company at their meeting held on 28<sup>th</sup> October, 2016, on the recommendation of the Audit Committee, have made its recommendation for appointment of M/s. BSR and Co. LLP, Chartered Accountants (ICAI Registration No- 101248W/W-100022), as the Statutory Auditors of the Company by the Members at the 58<sup>th</sup> Annual General Meeting of the Company for an initial term of 5 years. Accordingly, a resolution, proposing appointment of M/s. BSR and Co. LLP, Chartered Accountants, as the Statutory Auditors of the Company for a term of five consecutive years i.e. from the conclusion of 58<sup>th</sup> Annual General Meeting till the conclusion of 63<sup>rd</sup> Annual General Meeting of the Company pursuant to Section 139 of the Companies Act, 2013, forms part of the Notice of the 58<sup>th</sup> Annual General Meeting of the Company. The Company has received their written consent and a certificate that they satisfy the criteria provided under Section 141 of the Act and that the appointment, if made, shall be in accordance with the applicable provisions of the Act and rules framed thereunder.

The Report given by M/s. A.F. Ferguson & Co., Statutory Auditors on the financial statement of the Company for the year 2016 is part of the Annual Report. There has been no qualification, reservation or adverse remark or disclaimer in their Report.

During the year under review, the Auditors had not reported any matter under Section 143 (12) of the Act, therefore no detail is required to be disclosed under Section 134 (3)(ca) of the Act.

M/s. A.F. Ferguson & Co. over many years have successfully met the challenge that the size and scale of the Company's operations pose for auditors and have maintained the highest level of governance, ethical standards, rigour and quality in their audit. The Board place on record its appreciation for the services rendered by M/s. A.F. Ferguson & Co. as the Statutory Auditors of the Company.

## Cost Auditors

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As per Section 148 of the Act read with Companies (Cost Records and Audits) Rules, 2014, the Audit Committee recommended and the Board of Directors appointed M/s. Ramanath Iyer and Co., Cost Accountants, New Delhi (Registration No. 00019) being eligible and having sought appointment, as Cost Auditors of the Company, to carry out the cost audit of milk powder products manufactured by the Company falling under the specified Central Excise Tariff Act heading in relation to the financial year ending 31<sup>st</sup> December, 2017. The Company has received their written consent that the appointment is in accordance with the applicable provisions of the Act and rules framed thereunder. The remuneration of Cost Auditors has been approved by the Board of Directors on the recommendation of Audit Committee and in terms of the Companies Act, 2013 and Rules thereunder the requisite resolution for ratification of remuneration of Cost Auditors by the members has been set out in the Notice of the 58<sup>th</sup> Annual General Meeting of your Company.

## Secretarial Auditors

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The Secretarial Audit was carried out by M/s. S.N. Ananthasubramanian & Co., Company Secretaries (PCS Registration No.1774) for the financial year 2016. The Report given by the Secretarial Auditors is annexed as **Annexure – 5** and forms integral part of this Report. There has been no qualification, reservation or adverse remark or disclaimer in their Report. During the year under review, the Secretarial Auditors had not reported any matter under Section 143 (12) of the Act, therefore no detail is required to be



disclosed under Section 134 (3)(ca) of the Act.

In terms of Section 204 of the Companies Act, 2013, the Audit Committee recommended and the Board of Directors appointed M/s. S.N. Ananthasubramanian & Co., Company Secretaries (PCS Registration No.1774) as the Secretarial Auditors of the Company in relation to the financial year 2017. The Company has received their consent for appointment.

## Meetings of the Board

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During the year, the Board of Directors had five Board meetings. For details of the meetings of the Board, please refer to the Corporate Governance Report.

## Extract of Annual Return

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The extract of the Annual Return of the Company is annexed as **Annexure - 6** and forms integral part of this Report.

## Details of Loans and Investments

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Details of the loans given by your Company under Section 186 of the Act during the financial year ended 31<sup>st</sup> December, 2016 are as follows:

Nestlé R&D Centre India Private Limited (Fellow Subsidiary): ₹ 400 million at the interest rate of 8.97% for general business purpose (Loan outstanding at the end of the year was Nil); and SMA Nutrition India Private Limited (Fellow Subsidiary): ₹ 35 million at the interest rate of 8.80% for general business purpose (Loan outstanding at the end of the year was Nil). For details of investments, please refer note no.12 and 14 forming part of financial statements.

## Related Party Transactions

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Your Company has formulated a policy on related party transactions which is also available on Company's website at <https://www.nestle.in/investors/policies>. This policy deals with the review and approval of related party transactions. The Board of Directors of the Company has approved the criteria for making the omnibus

approval by the Audit Committee within the overall framework of the policy on related party transactions. Prior omnibus approval is obtained for related party transactions which are of repetitive nature and entered in the ordinary course of business and at arm's length. All related party transactions are placed before the Audit Committee for review and approval.

All related party transactions entered during the Financial Year were in ordinary course of the business and on arm's length basis. No material related party transactions were entered during the Financial Year by your Company. Accordingly, the disclosure of related party transactions as required under Section 134(3)(h) of the Companies Act, 2013 in Form AOC 2 is not applicable to your Company.

Members may refer to note no. 40 to the financial statement which sets out related party disclosures pursuant to AS-18.

## Risk Management

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The Board of Directors had constituted Risk Management Committee to identify elements of risk in different areas of operations and to develop policy for actions associated to mitigate the risks. The Committee on timely basis informed members of board of directors about risk assessment and minimization procedures which in the opinion of the Committee may threaten the existence of the Company. The details of Risk Management Committee are included in the Corporate Governance Report.

## Public Deposits

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Your Company had not accepted any Public Deposits under Chapter V of the Act.

## Significant and Material orders passed by the Regulators/Courts/Tribunals

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No significant or material orders were passed by the Regulators or Courts or Tribunals which impacts the going concern status and Company's operations in future.

## Complaint filed in National Commission

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The Union of India, Department of Consumer Affairs in 2015 had filed a complaint before the National Consumer Dispute Redressal Commission on the allegation that by selling MAGGI Noodles in the past, the Company has indulged in an unfair trade practice, sold defective goods to the public and sold goods which will be hazardous. Complaint seeks compensation of ₹ 2,845.5 million and punitive damages of ₹ 3554.1 million. Your Company has challenged the complaint. The court proceedings are currently ongoing.

## Internal Financial Controls and their adequacy

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The Directors had laid down internal financial controls to be followed by the Company and such policies and procedures adopted by the Company for ensuring the orderly and efficient conduct of its business, including adherence to Company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information. The Audit Committee evaluates the internal financial control system periodically.

## Audit Committee

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The Audit Committee comprises Independent Non-Executive Directors, namely, M/s. AK Mahindra (Chairman), Ravinder Narain and Rajya Vardhan Kanoria. Powers and role of the Audit Committee are included in the Corporate Governance Report. All the recommendation made by the Audit Committee were accepted by the Board of Directors.

## Vigil Mechanism

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The Vigil Mechanism of the Company is governed by significant documents "The Nestlé Corporate Business Principles", "The Nestlé Management and Leadership Principles" and "Nestlé Code of Business Conduct". The said mechanism is available to the Director(s)/ Employee(s), who can report to the Company

Secretary, on a confidential basis, any practices or actions believed to be inappropriate or illegal under the Nestlé India Code of Business Conduct ("the Code"). The Code provides for adequate safeguards against victimisation of director(s)/ employee(s) who avail the mechanism and also provides for direct access to the Chairman of the Audit Committee in exceptional cases. It is affirmed that no person has been denied access to the Audit Committee. As an additional facility to all the Directors and Employees of the Company, the Company under the Code provides Integrity Reporting System ("IRS"), an independent third party operated free phone and web based facility for the directors and employees of the Company across all locations.

The details of IRS along with FAQs are available to the Directors and Employees on the Company's intranet portal. Further, the Company has appointed an Ombudsman for Infant Code, under which employees can report Infant Code violations directly to the Ombudsman, with adequate safeguard to protect the employee reporting. The Company also provides an independent third party operated free phone and web based facility, "Tell Us", to all internal and external stakeholders with a dedicated communication channel for reporting potential instances of non-compliance with Nestlé Corporate Business Principles. Details of "Tell Us" are available on [www.nestle.in](http://www.nestle.in)

## Information regarding Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo

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Information required under Section 134(3)(m) of the Act read with Rule 8 of the Companies (Accounts) Rules, 2014 for the financial year ended 31<sup>st</sup> December, 2016 in relation to the Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo is given in the **Annexure - 7** forming an integral part of this report.

## Information regarding Employees and related disclosures

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Your Company considers people as its biggest assets and 'Believing in People' is at the

heart of its human resource strategy. It has put concerted efforts in talent management and succession planning practices, strong performance management and learning and training initiatives to ensure that your Company consistently develops inspiring, strong and credible leadership. During the year the focus of your Company was to ensure that young talent is nurtured and mentored consistently, that rewards and recognition are commensurate with performance and that employees have the opportunity to develop and grow.

Your Company has established an organization structure that is agile and focused on delivering business results. With regular communication and sustained efforts it is ensuring that employees are aligned on common objectives and have the right information on business evolution. Your Company strongly believes in fostering a culture of trust and mutual respect in all its employees seek to ensure that Nestlé values and principles are understood by all and are the reference point in all people matters.

The statement of Disclosure of Remuneration under Section 197 of the Act and Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 ("Rules"), is appended as **Annexure - 8** to the Report. The information as per Rule 5(2) of the Rules, forms part of this Report. However, as per first proviso to Section 136(1) of the Act and second proviso of Rule 5(2) of the Rules, the Report and Financial Statements are being sent to the Members of the Company excluding the statement of particulars of employees under Rule 5(2) of the Rules. Any Member interested in obtaining a copy of the said statement may write to the Company Secretary at the Registered Office of the Company.

The Company has a Policy on "Prevention of Sexual Harassment of Women at Workplace" and matters connected therewith or incidental thereto covering all the aspects as contained under the "The Sexual Harassment of Women at Workplace (Prohibition, Prevention and Redressal) Act, 2013". The Company received two complaints under the Policy, both of which were disposed of.

## Trade Relations

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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 endeavor to build and nurture strong links with trade, based on mutuality, respect and co-operation with each other and consistent with consumer interest.

## Appreciation

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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 utilization of the Company's resources for sustainable and profitable growth.

The Directors hereby wish 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 satisfactory performance would not have been possible.

Your Directors look forward to the long term future with confidence.

**On behalf of the Board of Directors**

**Suresh Narayanan**

**Chairman and Managing Director**

**Date : 15<sup>th</sup> February, 2017**

**Place : Gurgaon**



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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of **NESTLÉ INDIA LIMITED** ("the Company"), which comprise the Balance Sheet as at 31<sup>st</sup> December, 2016, the Statement of Profit and Loss and the Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information.

### **Management's Responsibility for the Financial Statements**

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit.

We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder and the Order under section 143 (11) of the Act.

We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes

evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the financial statements.

### Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at 31<sup>st</sup> December, 2016, and its profit and its cash flows for the year ended on that date.

### Report on Other Legal and Regulatory Requirements

1. As required by Section 143(3) of the Act, we report, to the extent applicable, that:
  - (a) We have sought and 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 Statement of Profit and Loss, and the Cash Flow Statement dealt with by this Report are in agreement with the books of account.
  - (d) In our opinion, the aforesaid financial statements comply with the Accounting Standards specified under section 133 of the Act.
  - (e) On the basis of the written representations received from the directors as on 31<sup>st</sup> December, 2016 taken on record by the Board of Directors, none of the directors is disqualified as on 31<sup>st</sup> December, 2016 from being appointed as a director in terms of Section 164 (2) of the Act.
  - (f) With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure A". Our report expresses an unmodified opinion on the adequacy and operating effectiveness of the Company's internal financial controls over financial reporting.
  - (g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our

opinion and to the best of our information and according to the explanations given to us:

- i. The Company has disclosed the impact of pending litigations on its financial position in its financial statements – Refer Note 28 and 39 to the financial statements;
  - ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses;
  - iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company- Refer Note 9 to the financial statements.
2. As required by the Companies (Auditor's Report) Order, 2016 ("the Order") issued by the Central Government in terms of Section 143(11) of the Act, we give in the "Annexure B" statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.

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

Manjula Banerji  
(Partner)  
(Membership No. 86423)  
NEW DELHI, February 15, 2017

## **ANNEXURE “A” TO THE INDEPENDENT AUDITOR’S REPORT**

**(Referred to in paragraph 1 (f) under ‘Report on Other Legal and Regulatory Requirements’ of our report of even date)**

**Report on the Internal Financial Controls Over Financial Reporting under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 (“the Act”)**

We have audited the internal financial controls over financial reporting of **NESTLÉ INDIA LIMITED** (“the Company”) as of December 31, 2016 in conjunction with our audit of the financial statements of the Company for the year ended on that date.

### **Management’s Responsibility for Internal Financial Controls**

The Company’s management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company’s policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

### **Auditor’s Responsibility**

Our responsibility is to express an opinion on the Company’s internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the “Guidance Note”) issued by the Institute of Chartered Accountants of India and the Standards on Auditing prescribed under Section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor’s judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and

appropriate to provide a basis for our audit opinion on the Company’s internal financial controls system over financial reporting.

### **Meaning of Internal Financial Controls Over Financial Reporting**

A company’s internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

### **Inherent Limitations of Internal Financial Controls Over Financial Reporting**

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

### **Opinion**

In our opinion, to the best of our information and according to the explanations given to us, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at December 31, 2016, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

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

Manjula Banerji  
(Partner)  
(Membership No. 86423)  
NEW DELHI, February 15, 2017



## ANNEXURE B TO THE INDEPENDENT AUDITORS' REPORT

### (Referred to in paragraph 2 under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of 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) According to the information and explanations given to us and the records examined by us and based on the examination of the registered sale deed / transfer deed / conveyance deed provided to us, we report that, the title deeds, comprising all the immovable properties of land and buildings which are freehold, are held in the name of the Company as at the balance sheet date. In respect of immovable properties of land and buildings that have been taken on lease and disclosed as fixed asset in the financial statements, the lease agreements are in the name of the Company, where the Company is the lessee in the agreement.
- (ii) As explained to us, the inventories were physically verified during the year by the Management at reasonable intervals and no material discrepancies were noticed on physical verification.
- (iii) The Company has not granted any loans, secured or unsecured, to companies, firms, Limited Liability Partnerships or other parties covered in the register maintained under section 189 of the Companies Act, 2013.
- (iv) In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of Sections 185 and 186 of the Companies Act, 2013 in respect of grant of loans, making investments and providing guarantees and securities, as applicable.
- (v) According to the information and explanations given to us, the Company does not have any outstanding deposits during the year and has not accepted any deposits during the year.
- (vi) The maintenance of cost records has been specified by the Central Government under section 148(1) of the Companies Act, 2013 for Milk Powder. We have broadly reviewed the cost records maintained by the Company pursuant to the Companies (Cost Records and Audit) Rules, 2014, as amended prescribed by the Central Government under sub-section (1) of Section 148 of the Companies Act, 2013, and are of the opinion that, prima facie, the prescribed cost records have been made and maintained. We have, however, not made a detailed examination of the cost records with a view to determine whether they are accurate or complete.
- (vii) According to the information and explanations given to us, in respect of statutory dues:
- (a) The Company has been regular in depositing undisputed statutory dues, including Provident Fund, Employees' State Insurance, Income-tax, Sales Tax, Service Tax, Customs Duty, Excise Duty, Value Added Tax, Cess and other material statutory dues applicable to it to the appropriate authorities.
- (b) There were no undisputed amounts payable in respect of Provident Fund, Employees' State Insurance, Income-tax, Sales Tax, Service Tax, Customs Duty, Excise Duty, Value Added Tax, Cess and other material statutory dues in arrears as at December 31, 2016 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 Value Added Tax which have not been deposited as on December 31, 2016 on account of disputes are given below:

Name of the Statute	Nature of Dues	Amount* (₹ In Million)	Period to which the amount relates (various years covering the period)	Forum where dispute is pending
Central Excise Laws	Excise Duty	45.7	1996-2004	Supreme Court
		84.5	2005-2006, 2007-2014	Customs, Excise and Service Tax Appellate Tribunal
		8.2	2000, 2011-2015	Appellate authority upto Commissioners' level
	Service Tax	412.6	2005-2007, 2008, 2010, 2011, 2013, 2014	Customs, Excise and Service Tax Appellate Tribunal
Customs Laws	Customs Duty	48.9	2008-2013	Customs, Excise and Service Tax Appellate Tribunal
		50.2	2008 – 2009	Appellate authority upto Commissioners' level

Name of the Statute	Nature of Dues	Amount* (₹ In Million)	Period to which the amount relates (various years covering the period)	Forum where dispute is pending
Sales Tax Laws	Sales Tax/ VAT	61.3	2000-2006, 2007-2009, 2014-2015	High Court
		107.2	2000-2005, 2006-2007, 2010-2012	Appellate Tribunal
		254.3	2004-2014	Appellate authority upto Commissioners' level
Income Tax Act, 1961	Income tax	0.7	2008-2009, 2010-2011	Income Tax Appellate Tribunal
		1,657.4	2011-2014	Appellate authority upto Commissioners' level

\* Amount includes interest and penalty as per demand orders wherever quantified in the Order, and excludes amount of ₹ 367.0 Million paid under protest.

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

Name of the Statute	Nature of Dues	Amount (₹ In Million)	Period to which the amount relates (various years covering the period)	Forum where dispute is pending
Central Excise Laws	Excise Duty	7.5	2004 – 2006	Supreme Court
		0.9	1994	High Court
		6.6	2005 – 2006	Customs, Excise and Service Tax Appellate Tribunal
	Service Tax	1.4	2008	Customs, Excise and Service Tax Appellate Tribunal
Sales Tax Laws	Sales Tax/ VAT	17.1	1997 - 1998, 2003	High Court
Income Tax Act, 1961	Income tax	1,210.7	1996 - 2001, 2004-2008	Supreme Court
		335.8	2000 – 2004	High Court
		1,081.0	2008 – 2011	Income Tax Appellate Tribunal

- (viii) In our opinion and according to the information and explanations given to us, the Company has not defaulted in the repayment of loans or borrowings to financial institutions, banks and government. The Company has not issued any debentures.
- (ix) The Company has not raised moneys by way of initial public offer or further public offer (including debt instruments) or term loans and hence reporting under clause (ix) of the CARO 2016 Order is not applicable.
- (x) 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 by its officers or employees has been noticed or reported during the year.
- (xi) In our opinion and according to the information and explanations given to us, the Company has paid / provided managerial remuneration in accordance with the requisite approvals mandated by the provisions of section 197 read with Schedule V to the Companies Act, 2013.
- (xii) The Company is not a Nidhi Company and hence reporting under clause (xii) of the CARO 2016 Order is not applicable.
- (xiii) In our opinion and according to the information and explanations given to us the Company is in compliance with Section 188 and 177 of the Companies Act, 2013, where

applicable, for all transactions with the related parties and the details of related party transactions have been disclosed in the financial statements etc. as required by the applicable accounting standards.

- (xiv) During the year the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures and hence reporting under clause (xiv) of CARO 2016 is not applicable to the Company.
- (xv) In our opinion and according to the information and explanations given to us, during the year the Company has not entered into any non-cash transactions with its directors or persons connected with him and hence provisions of section 192 of the Companies Act, 2013 are not applicable.
- (xvi) The Company is not required to be registered under section 45-IA of the Reserve Bank of India Act, 1934.

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

Manjula Banerji  
(Partner)  
(Membership No. 86423)  
NEW DELHI, February 15, 2017

## BALANCE SHEET AS AT DECEMBER 31, 2016

	NOTES	2016 (₹ in million)		2015 (₹ in million)	
<b>EQUITY AND LIABILITIES</b>					
<b>SHAREHOLDERS' FUNDS</b>					
Share capital	3	964.2		964.2	
Reserves and surplus	4	<u>29,172.8</u>	<u>30,137.0</u>	<u>27,214.2</u>	28,178.4
<b>NON - CURRENT LIABILITIES</b>					
Long-term borrowings	5	331.5		167.9	
Deferred tax liabilities (net)	6	1,542.1		1,729.3	
Long-term provisions	7	<u>19,722.1</u>	<u>21,595.7</u>	<u>15,971.7</u>	17,868.9
<b>CURRENT LIABILITIES</b>					
Short-term borrowings	8	-		9.4	
Trade payables					
Payable to micro enterprises and small enterprises	42	48.8		37.5	
Other payables		7,942.8		7,456.6	
Other current liabilities	9	5,128.4		4,659.3	
Short-term provisions	10	<u>3,207.0</u>	<u>16,327.0</u>	<u>2,653.2</u>	<u>14,816.0</u>
			<u>68,059.7</u>		<u>60,863.3</u>
<b>ASSETS</b>					
<b>NON - CURRENT ASSETS</b>					
Fixed assets	11				
Tangible assets		27,294.6		28,978.5	
Capital work-in-progress		<u>1,881.7</u>		<u>2,307.9</u>	
		<u>29,176.3</u>		<u>31,286.4</u>	
Non-current investments	12	4,743.1		3,417.8	
Long-term loans and advances	13	<u>1,350.4</u>		<u>1,304.3</u>	
			<u>35,269.8</u>		36,008.5
<b>CURRENT ASSETS</b>					
Current investments	14	12,750.4		9,831.4	
Inventories	15	9,431.8		8,208.1	
Trade receivables	16	979.3		784.2	
Cash and bank balances	17	8,800.0		4,995.5	
Short-term loans and advances	18	570.2		888.4	
Other current assets	19	<u>258.2</u>	<u>32,789.9</u>	<u>147.2</u>	<u>24,854.8</u>
			<u>68,059.7</u>		<u>60,863.3</u>

See accompanying notes 1 to 47 forming part of the financial statements

SURESH NARAYANAN  
Chairman and Managing Director  
(DIN-07246738)

February 15, 2017  
Gurgaon

February 15, 2017  
New Delhi

SHOBINDER DUGGAL  
Director - Finance & Control and CFO  
(DIN-00039580)

In terms of our report attached  
For A.F. FERGUSON & CO.  
Firm's Registration No. - 112066W  
Chartered Accountants

(MANJULA BANERJI)  
Partner

B. MURLI  
Sr. VP - Legal & Company Secretary



**STATEMENT OF PROFIT AND LOSS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

	NOTES	2016 (₹ in million)	2015 (₹ in million)
<b>REVENUE</b>			
Gross Sales of products	20	94,917.2	84,304.4
Less: Excise duty		<u>3,324.4</u>	<u>3,071.7</u>
Other operating revenues	20	645.2	520.4
<b>A Total revenue from operations</b>		<u><b>92,238.0</b></u>	<u><b>81,753.1</b></u>
<b>EXPENSES</b>			
Cost of materials consumed	22	37,750.9	33,588.7
Purchases of stock-in-trade		1,153.8	980.7
Changes in inventories of finished goods, work-in-progress and stock-in-trade	23	(107.8)	119.7
Employee benefits expense	24	9,859.6	8,374.3
Depreciation	11	3,536.2	3,472.6
Other expenses	25	23,790.3	21,264.3
Impairment loss on fixed assets	11	118.3	282.2
Net provision for contingencies (from operations)	28	418.0	333.1
<b>B Total Expenses</b>		<u><b>76,519.3</b></u>	<u><b>68,415.6</b></u>
<b>C PROFIT FROM OPERATIONS (A-B) (Refer Note - 1.1)</b>		<b>15,718.7</b>	<b>13,337.5</b>
<b>D Other income</b>	26	1,493.9	1,100.9
<b>E Finance costs</b>	27	35.1	32.9
<b>F Employee benefits expense due to passage of time</b>	29	874.0	753.2
<b>G Net provision for contingencies (others)</b>	28	<u>1,266.7</u>	<u>301.5</u>
<b>H PROFIT BEFORE EXCEPTIONAL ITEMS, CORPORATE SOCIAL RESPONSIBILITY EXPENSE AND TAXATION (C+D-E-F-G)</b>		<b>15,036.8</b>	<b>13,350.8</b>
<b>I Exceptional items</b>	30	307.8	5,008.4
<b>J Corporate social responsibility expense</b>	31	<u>313.6</u>	<u>206.1</u>
<b>K PROFIT BEFORE TAXATION (H-I-J)</b>		<b>14,415.4</b>	<b>8,136.3</b>
<b>L Tax expense</b>			
Current tax		5,337.1	2,898.9
Deferred tax		<u>(187.1)</u>	<u>(395.3)</u>
<b>M PROFIT AFTER TAXATION (K-L)</b>		<u><b>9,265.4</b></u>	<u><b>5,632.7</b></u>
<b>Weighted average number of equity shares outstanding</b>	Nos.	<u>96,415,716</u>	<u>96,415,716</u>
<b>Basic and Diluted Earnings Per Share (Face value ₹ 10)</b>	₹	<u>96.10</u>	<u>58.42</u>

See accompanying notes 1 to 47 forming part of the financial statements

SURESH NARAYANAN  
Chairman and Managing Director  
(DIN-07246738)

SHOBINDER DUGGAL  
Director - Finance & Control and CFO  
(DIN-00039580)

B. MURLI  
Sr. VP - Legal & Company Secretary

February 15, 2017  
Gurgaon

In terms of our report attached  
For A.F. FERGUSON & CO.  
Firm's Registration No. - 112066W  
Chartered Accountants

February 15, 2017  
New Delhi

(MANJULA BANERJI)  
Partner

## CASH FLOW STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2016

	2016 (₹ in million)	2015 (₹ in million)
<b>A CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net profit before tax	14,415.4	8,136.3
<b>Adjustments for :</b>		
Other income considered separately	(1,493.9)	(1,100.9)
Unrealised exchange differences	10.2	(2.9)
Finance costs	35.1	32.9
Deficit/ (Surplus) on fixed assets sold/scrapped/written off (net)	13.7	66.0
Depreciation	3,536.2	3,672.8
Provision for diminution in the value of non-current investment	200.0	-
Impairment loss on fixed assets	118.3	282.2
<b>Operating profit before working capital changes</b>	<b>16,835.0</b>	<b>11,086.4</b>
<b>Adjustments for :</b>		
Decrease/(increase) in trade receivables	(192.2)	206.0
Decrease/(increase) in loans & advances and other assets	(59.6)	(32.9)
Decrease/(increase) in inventories	(1,223.7)	232.9
Increase/(decrease) in trade payables and other liabilities (excluding book overdraft)	554.5	788.6
Increase/(decrease) in book overdraft	(7.9)	19.4
Increase/(decrease) in provision for contingencies	1,684.7	634.6
Increase/(decrease) in provision for employee benefits	2,097.3	1,467.8
<b>Cash generated from operations</b>	<b>19,688.1</b>	<b>14,402.8</b>
Direct taxes paid	(5,029.0)	(3,421.8)
<b>Net cash from operating activities</b>	<b>14,659.1</b>	<b>10,981.0</b>
<b>B CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of fixed assets	(2,070.1)	(1,508.1)
Sale of fixed assets	936.8	14.7
Purchase of tax free long term bonds	(1,527.7)	(373.2)
Decrease/(increase) in loans to employees	9.4	55.9
Dividend received on mutual funds, current - non trade investments	129.4	119.8
Interest received on bank deposits, investments, tax free long term bonds and loans etc.	1,248.1	986.1
<b>Net cash used in investing activities</b>	<b>(1,274.1)</b>	<b>(704.8)</b>
<b>C CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds/ (repayments) of other short - term borrowings - net	(9.4)	(31.7)
Increase in deferred VAT liabilities under state government schemes	163.6	13.3
Finance costs	(35.1)	(32.9)
Dividends	(5,640.3)	(4,097.7)
Dividend distribution tax	(1,148.3)	(834.2)
Capital subsidy	4.0	-
<b>Net cash used in financing activities</b>	<b>(6,665.5)</b>	<b>(4,983.2)</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS (A+B+C)</b>	<b>6,719.5</b>	<b>5,293.0</b>

**CASH FLOW STATEMENT  
FOR THE YEAR ENDED DECEMBER 31, 2016**

	2016 (₹ in million)	2015 (₹ in million)
Cash and cash equivalents (Refer note 17(a))	4,892.7	4,357.5
Current investments (Refer note 14)	9,831.4	5,073.6
<b>Total cash and cash equivalents as at opening (as per Accounting Standard-3)</b>	<b>14,724.1</b>	<b>9,431.1</b>
Cash and cash equivalents (Refer note 17(a))	8,693.2	4,892.7
Current investments (Refer note 14)	12,750.4	9,831.4
<b>Total cash and cash equivalents as at closing (as per Accounting Standard-3)</b>	<b>21,443.6</b>	<b>14,724.1</b>
<b>NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>6,719.5</b>	<b>5,293.0</b>

**Notes:**

The above Cash Flow Statement has been prepared under the "Indirect Method" as set out in the Accounting Standard (AS - 3) on 'Cash Flow Statement'.

SURESH NARAYANAN  
Chairman and Managing Director  
(DIN-07246738)

February 15, 2017  
Gurgaon

February 15, 2017  
New Delhi

SHOBINDER DUGGAL  
Director - Finance & Control and CFO  
(DIN-00039580)

In terms of our report attached  
For A.F. FERGUSON & CO.  
Firm's Registration No. - 112066W  
Chartered Accountants

(MANJULA BANERJI)  
Partner

B. MURLI  
Sr. VP - Legal & Company Secretary



## NOTES FORMING PART OF THE FINANCIAL STATEMENTS

### 1. SIGNIFICANT ACCOUNTING POLICIES

#### 1.1 BASIS OF ACCOUNTING AND PREPARATION OF FINANCIAL STATEMENTS

The financial statements of the Company have been prepared in accordance with the Generally Accepted Accounting Principles in India (Indian GAAP) to comply with the Accounting Standards notified under Section 133 of the Companies Act, 2013 ("the 2013 Act") and the relevant provisions of the 2013 Act, as applicable. The financial statements have been prepared on going concern basis under the historical cost convention on accrual basis. The accounting policies have been consistently applied by the Company unless otherwise stated.

The preparation of financial statements requires management to exercise judgement and to make estimates and assumptions that affects the reported amounts of revenues, expenses, assets and liabilities. These estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on a periodic basis. Revisions to accounting estimates are recognised in the period in which the results are known/materialise.

The Company has opted to continue with the period of 1st day of January to 31st day of December, each year as its financial year for the purpose of preparation of financial statements under the provisions of Section 2(41) of the Companies Act, 2013 which the Hon'ble Company Law Board has allowed.

The Company has elected to present "Profit from Operations" as a separate line item on the face of the Statement of Profit and Loss. "Profit from Operations" is arrived at before Other income, Finance costs, Employee benefits expense due to passage of time, Net provision for contingencies (others), Exceptional items, Corporate social responsibility expense and Tax expense.

The Company has ascertained its operating cycle as 12 months for the purpose of current / non-current classification of assets and liabilities. This is based on the nature of products and the time between acquisition of assets for processing and their realisation in cash and cash equivalents.

Previous year's figures have been regrouped / reclassified wherever necessary to conform with the current year's classification / disclosure.

#### 1.2 REVENUE RECOGNITION

Revenue from sale of goods is recognised on transfer of significant risks and rewards of ownership in the goods to the buyer which is generally at the time of dispatch to the customer. Sales are recorded net of returns (if any), trade discounts, rebates, other pricing discounts to trade/consumer and value added tax/sales tax.

Interest on investments/loans is recognised on a time proportion basis.

Dividend income on investments is recognised when the right to receive the payment is established.

#### 1.3 EMPLOYEE BENEFITS

##### Employee benefit plans

The Company makes contributions to defined contribution plans e.g. Provident Fund, Employee State Insurance, National Pension System etc. for eligible employees and these contributions are charged to statement of profit and loss on accrual basis.

For defined benefit plans i.e. gratuity and unfunded pension, the provision is made on the basis of an actuarial valuation carried out by an independent actuary as at the year-end. Actuarial gains and losses are recognised in full in the statement of profit and loss during the year in which they occur. Provision for gratuity is recognised after taking into account the return on plan assets maintained under the gratuity trust. As these liabilities are of relatively long term in nature, the actuarial assumptions take in account the requirements of the relevant accounting standard coupled with a long term view of the underlying variables / trends, wherever required.

Long term employee benefits such as compensated absences and long service awards are charged to statement of profit and loss on the basis of an actuarial valuation carried out by an independent actuary as at the year-end. Actuarial gains and losses are recognised in full in the statement of profit and loss during the year in which they occur.

## NOTES FORMING PART OF THE FINANCIAL STATEMENTS

Total cost of the employee benefit plans continue to be fully charged to the statement of profit and loss. While the amounts relating to current service cost and actuarial gains/ losses continue to be included in "Employee Benefits Expense", the increase in cost of employee benefit plans, due to passage of time (net of return on plan assets) is presented under "Employee Benefits Expense due to passage of time" in line with the Accounting Standard 15 on "Employee Benefits".

### Other employee benefits

Short term employee benefits including performance incentives, are charged to statement of profit and loss on an undiscounted, accrual basis during the period of employment.

Liability for Nestlé Restricted Stock Unit (RSU) Plan/ Performance Share Unit (PSU) Plan of Nestlé S.A., whereby select employees of the Company are granted non-tradable units with the right to obtain Nestlé S.A. shares or cash equivalent is charged to statement of profit and loss over the vesting period. The Company remeasures the outstanding units at each balance sheet date taking into account the Nestlé S.A. share price and exchange rate as at the balance sheet date. The resultant gain/ (loss) on remeasurement is charged to statement of profit and loss over the vesting period.

### 1.4 FIXED ASSETS

Fixed assets are stated at cost (net of CENVAT or any other recoverable taxes) less accumulated depreciation and accumulated impairment losses, if any. 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 'Foreign exchange transactions' and 'Borrowing costs' below).

Profit or loss on disposal/ scrapping/ write off/ retirement from active use of tangible assets are recognised in the statement of profit and loss.

### 1.5 DEPRECIATION / AMORTISATION

Effective 1st January, 2015, the Company has reviewed and reassessed useful lives of fixed assets as per Schedule II to the Companies Act, 2013. Accordingly, depreciation has been computed on reassessed useful lives based on technical evaluation of relevant class of assets including components thereof. Depreciation is provided as per the straight line method computed basis useful lives of fixed assets as follows:

Buildings	:	25 - 40 years
Plant & Machinery	:	5 - 25 years
Office Equipments	:	5 years
Furniture and fixtures	:	5 years
Vehicles	:	5 years
Leasehold land and related improvements	:	Lease period
Information technology equipment	:	3 - 5 years
Intangible fixed assets	:	Over their estimated useful life

### 1.6 IMPAIRMENT OF FIXED ASSETS

At each balance sheet date, carrying amount of fixed assets is reviewed for any possible impairment taking into account the long term view of the underlying businesses and related variables. For the purpose of assessing impairment, assets are grouped at the levels for which there are separately identifiable cash flows (cash generating unit). If any impairment indicator exists, estimate of the recoverable amount of the fixed asset/cash generating unit to which the asset belongs is made. An impairment loss is recognised whenever the carrying amount of an asset/ cash generating unit 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 rate.

Reversal of impairment losses recognised in earlier years is recorded when there is an indication that the impairment losses recognised for the asset/cash generating unit 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 that asset/cash generating unit in earlier years.

## NOTES FORMING PART OF THE FINANCIAL STATEMENTS

### 1.7 LEASES

Lease rentals for operating leases are charged to statement of profit and loss on accrual basis in accordance with the respective lease agreements.

### 1.8 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 or reporting of monetary items at rates different from rates at which these were initially recorded / reported in previous financial statements, are recognised in the statement of profit and loss in the period in which they arise except for the items covered below:

In line with notification no. G.S.R. 225(E) dated March 31, 2009 and subsequent clarification via circular no. 25/2012 dated August 09, 2012 issued by Ministry of Corporate Affairs, Government of India, the Company has opted for adjusting the exchange differences, arising on long term foreign currency monetary borrowings relating to acquisition of depreciable assets to the cost of the those assets.

In case of forward exchange contracts, the difference between the exchange rate on the date of inception/ last reporting date and the exchange rate at the settlement / reporting date is recognised as exchange difference and the premium paid on forward contracts is recognised over the life of the contract.

### 1.9 BORROWING COSTS

Borrowing costs directly attributable to acquisition or construction of fixed assets which take substantial period of time to get ready for their intended use are treated as addition/ reduction to capital expenditure in accordance with Accounting Standard 16 on "Borrowing Costs" and notification no. G.S.R. 225(E) dated March 31, 2009 and subsequent clarification via circular no. 25/2012 dated August 09, 2012 issued by Ministry of Corporate Affairs, Government of India.

Other borrowing costs are charged to the statement of profit and loss.

### 1.10 TAXATION

Provision for taxation for the period comprises of

- a) estimated tax expense which has accrued on the profit for the period April 1, 2016 to December 31, 2016 and,
- b) the residual tax expense for the period April 1, 2015 to March 31, 2016 arising out of the finalisation of fiscal accounts (Assessment Year 2016-2017), 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.

### 1.11 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 on 'Provisions, Contingent Liabilities and Contingent Assets'. Provisions are recognised when the Company has a present obligation (legal/constructive) and on management judgement as a result of a past event, for which it is probable that a cash outflow will be required and a reliable estimate can be made of the amount of the obligation.

A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not require an outflow of resources. When there is a possible obligation or a present obligation in respect of which likelihood of outflow of resources is remote, no provision or disclosure is made.

Contingent assets are not recognised in the financial statements since this may result in the recognition of income that may never be accrued/ realised.



## NOTES FORMING PART OF THE FINANCIAL STATEMENTS

### 1.12 INVESTMENTS

Current investments are stated at the lower of cost or fair value. Non-current investments are stated at cost. Provision for diminution, if any, in the value of non-current investments is made only if such decline is not temporary in nature.

### 1.13 INVENTORIES

Inventories are stated 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 material	:	First-in-first out
Stock-in-trade (Goods purchased for resale)	:	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

2. Financial statements for the year ended 31st December, 2016 are not entirely comparable with the figures of the previous year due to MAGGI Noodles issue in 2015 (Refer note - 30 and also note - 21) and rebuild of the MAGGI Noodles business in 2016.

	2016		2015	
	No. of shares	Amount (₹ in million)	No. of shares	Amount (₹ in million)
<b>3 - SHARE CAPITAL</b>				
<b>Authorised</b>				
Equity shares of ₹ 10 each	<u>100,000,000</u>	<u>1,000.0</u>	<u>100,000,000</u>	<u>1,000.0</u>
<b>Issued, subscribed and fully paid up</b>				
Equity shares of ₹ 10 each	<u>96,415,716</u>	<u>964.2</u>	<u>96,415,716</u>	<u>964.2</u>

#### (a) Reconciliation of number of shares and amount outstanding at the beginning and at the end of the year

Shares outstanding at the beginning of the year	<u>96,415,716</u>	<u>964.2</u>	96,415,716	964.2
Movement during the year	-	-	-	-
<b>Shares outstanding at the end of the year</b>	<u>96,415,716</u>	<u>964.2</u>	<u>96,415,716</u>	<u>964.2</u>

#### (b) Rights, preferences and restrictions attached to equity shares

The Company has only one class of equity shares with face value of ₹ 10 each, ranking pari passu.

#### (c) Equity shares held by holding companies

	No. of shares	No. of shares
Nestlé S.A.	<u>33,051,399</u>	33,051,399
Maggi Enterprises Limited (Ultimate holding company being Nestlé S.A.)	<u>27,463,680</u>	27,463,680

#### (d) Shareholders holding more than 5% of equity shares

Serial No.	Name of the shareholder	No. of shares	% of holding	No. of shares	% of holding
1	Nestlé S.A.	<u>33,051,399</u>	<u>34.28</u>	33,051,399	34.28
2	Maggi Enterprises Limited	<u>27,463,680</u>	<u>28.48</u>	27,463,680	28.48

## NOTES FORMING PART OF THE FINANCIAL STATEMENTS

	2016 (₹ in million)	2015 (₹ in million)
<b>4 - RESERVES AND SURPLUS</b>		
<b>(a) Capital subsidy</b>		
Opening balance	14.5	14.5
Add: Additions during the year	4.0	-
Closing balance	<u>18.5</u>	<u>14.5</u>
<b>(b) General reserve</b>		
Opening balance	8,374.3	8,568.2
Less: Depreciation in accordance with the transitional provision as specified in Schedule II to the Companies Act, 2013 (Refer Note 11 - Fixed Assets)	-	193.9
Closing balance	<u>8,374.3</u>	<u>8,374.3</u>
<b>(c) Surplus in statement of profit and loss</b>		
Opening balance	18,825.4	18,825.2
Add: Profit after taxation	9,265.4	5,632.7
Amount available for appropriation	<u>28,090.8</u>	<u>24,457.9</u>
Less: Appropriations		
Dividends:		
Interim (₹ 40.00 per share, Previous year ₹ 30.00 per share)	3,856.6	2,892.5
Final - proposed (₹ 23.00 per share, Previous year ₹ 18.50 per share)	2,217.6	1,783.7
Dividend distribution tax	1,236.6	956.3
Closing balance	<u>20,780.0</u>	<u>18,825.4</u>
	<u>29,172.8</u>	<u>27,214.2</u>

## 5 - LONG TERM BORROWINGS

### Unsecured loans

Deferred VAT liabilities		
- State of Karnataka <sup>(1)</sup>	204.2	77.5
- State of Himachal Pradesh <sup>(2)</sup>	127.3	90.4
	<u>331.5</u>	<u>167.9</u>

(1) Interest free, repayable after 10 years from the date of disbursement in 10 equal annual installments commencing from year 2024.

(2) Interest free, repayable after 8 years from the year of deferment commencing from year 2021.

## NOTES FORMING PART OF THE FINANCIAL STATEMENTS

	2016 (₹ in million)	2015 (₹ in million)
<b>6 - DEFERRED TAX LIABILITIES (NET)</b>		
<b>Deferred tax liabilities</b>		
Difference between book and tax depreciation	2,709.1	2,872.9
Difference in inventory valuation	198.5	-
Others	14.0	16.7
	<u>2,921.6</u>	<u>2,889.6</u>
<b>Deferred tax assets</b>		
Provision for contingencies	1,033.8	900.6
Provision for compensated absences and gratuity	287.4	220.8
Provision for doubtful receivables and advances	19.9	21.9
Other items deductible on payment	38.4	17.0
	<u>1,379.5</u>	<u>1,160.3</u>
	<u>1,542.1</u>	<u>1,729.3</u>

## 7 - LONG TERM PROVISIONS

Employee benefits:				
Pension and gratuity (Refer note 29)	12,145.8		10,178.1	
Other incentives and welfare benefits <sup>(1)</sup>	<u>944.6</u>	13,090.4	<u>846.6</u>	11,024.7
Contingencies (Refer note 28)		<u>6,631.7</u>		<u>4,947.0</u>
		<u>19,722.1</u>		<u>15,971.7</u>

(1) Includes compensated absences, restricted stock unit plans/ performance share unit plans, long service awards and ceremonial gifts.

## 8 - SHORT TERM BORROWINGS

### Secured loans<sup>(1)</sup>

From banks			
- Bank overdraft	-		9.0

### Unsecured loans

From banks			
- Bank overdraft	-		0.4
	<u>-</u>		<u>9.4</u>

(1) 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 (including stock-in-trade), work in progress, raw materials and book debts.



## NOTES FORMING PART OF THE FINANCIAL STATEMENTS

	2016 (₹ in million)	2015 (₹ in million)
<b>9 - OTHER CURRENT LIABILITIES</b>		
Statutory liabilities (sales taxes, excise duty, tax deducted at source etc.)	1,338.8	1,287.9
Employee costs and reimbursements	1,155.5	995.6
Customers' credit balances, advances and other payables	1,128.3	1,031.1
Payables for capital expenditure	853.1	433.4
Unpaid dividends <sup>(1)</sup>	106.8	102.8
Security deposits	75.6	69.9
Book Overdraft	11.5	19.4
Other Liabilities	458.8	719.2
	<u>5,128.4</u>	<u>4,659.3</u>

(1) No amount due and outstanding to be credited to Investor Education and Protection Fund.

## 10 - SHORT TERM PROVISIONS

Employee benefits:			
Pension (Refer note 29)	171.1		151.9
Other incentives and welfare benefits <sup>(1)</sup>	<u>238.9</u>	410.0	<u>226.5</u>
Contingencies (Refer note 28)		128.0	128.0
Final - proposed dividend (₹ 23.00 per share, Previous year ₹ 18.50 per share)		2,217.6	1,783.7
Dividend distribution tax on final - proposed dividend		451.4	363.1
		<u>3,207.0</u>	<u>2,653.2</u>

(1) Includes compensated absences, restricted stock unit plans/ performance share unit plans, long service awards and ceremonial gifts.

## NOTES FORMING PART OF THE FINANCIAL STATEMENTS

### 11 - FIXED ASSETS

	DEPRECIATION/AMORTISATION										NET BLOCK	
	Cost as at December 31, 2015	Additions	Borrowings cost/ Exchange differences	Deletions / adjustments	Cost as at December 31, 2016	As at December 31, 2015	For the year (Refer note '3' below)	Transitional adjustment (Refer note '4' below)	Impairment loss	On deletions / adjustments		As at December 31, 2016
<b>Tangible assets (A)</b>												
Freehold land	169.0 (169.0)	5.0 (-)	-	-	174.0 (169.0)	-	-	-	-	-	-	174.0 (169.0)
Leasehold land	1,286.7 (1,286.7)	-	-	-	1,286.7 (1,286.7)	55.7 (42.6)	12.7 (13.1)	-	-	-	68.4 (55.7)	1,218.3 (1,231.0)
Buildings	9,850.3 (9,641.0)	781.4 (209.3)	6.9 (-)	25.5 (-)	10,613.1 (9,850.3)	1,983.5 (1,626.6)	363.2 (347.9)	-	45.7 (9.0)	20.8 (-)	2,371.6 (1,983.5)	8,241.5 (7,866.8)
Railway siding	11.7 (11.7)	-	-	-	11.7 (11.7)	11.7 (11.5)	(0.2)	-	-	-	11.7 (11.7)	-
Plant and machinery	36,359.5 (35,618.1)	943.7 (1,065.8)	34.5 (-)	384.0 (324.4)	36,953.7 (36,359.5)	17,581.1 (14,510.2)	2,605.0 (2,778.9)	-	72.6 (282.2)	347.8 (277.7)	19,910.9 (17,581.1)	17,042.8 (18,778.4)
Furniture and fixtures	1,965.6 (1,957.9)	64.8 (49.2)	-	121.8 (41.5)	1,908.6 (1,965.6)	1,326.9 (957.1)	410.9 (416.3)	-	-	106.9 (46.5)	1,630.9 (1,326.9)	277.7 (638.7)
Office equipment	151.9 (113.7)	44.6 (45.2)	-	9.6 (7.0)	186.9 (151.9)	83.1 (72.5)	29.6 (17.5)	-	-	9.3 (6.9)	103.4 (83.1)	83.5 (68.8)
Information technology equipment	754.9 (667.7)	123.1 (136.8)	-	54.0 (49.6)	824.0 (754.9)	588.7 (492.9)	109.2 (94.5)	-	-	59.6 (48.7)	588.3 (538.7)	235.7 (216.2)
Vehicles	35.2 (35.2)	17.1 (-)	-	-	52.3 (35.2)	25.6 (21.2)	5.6 (4.4)	-	-	-	31.2 (25.6)	21.1 (9.6)
<b>Sub total (A)</b>	<b>50,584.8 (49,501.0)</b>	<b>1,979.7 (1,506.3)</b>	<b>41.4 (-)</b>	<b>594.9 (422.5)</b>	<b>52,011.0 (50,584.8)</b>	<b>21,606.3 (17,734.6)</b>	<b>3,536.2 (3,672.8)</b>	<b>(296.5)</b>	<b>118.3 (282.2)</b>	<b>544.4 (379.8)</b>	<b>24,716.4 (21,606.3)</b>	<b>27,294.6 (26,978.5)</b>
<b>Intangible assets (B)</b>												
Management information systems	536.3 (536.3)	-	-	-	536.3 (536.3)	536.3 (536.3)	-	-	-	-	536.3 (536.3)	-
Knowhow and commercial rights	52.5 (52.5)	-	-	-	52.5 (52.5)	52.5 (52.5)	-	-	-	-	52.5 (52.5)	-
<b>Sub total (B)</b>	<b>588.8 (588.8)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>588.8 (588.8)</b>	<b>588.8 (588.8)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>588.8 (588.8)</b>	<b>-</b>
<b>Total C = (A+B)</b>	<b>51,173.6 (50,089.8)</b>	<b>1,979.7 (1,506.3)</b>	<b>41.4 (-)</b>	<b>594.9 (422.5)</b>	<b>52,599.8 (51,173.6)</b>	<b>22,195.1 (18,323.4)</b>	<b>3,536.2 (3,672.8)</b>	<b>(296.5)</b>	<b>118.3 (282.2)</b>	<b>544.4 (379.8)</b>	<b>25,305.2 (22,195.1)</b>	<b>27,294.6 (26,978.5)</b>
<b>Capital Work-in-progress</b>												<b>1,881.7 (2,307.9)</b>
<b>Total</b>	<b>Total</b>											<b>29,176.3 (31,286.4)</b>
	<b>Total - Previous Year</b>											<b>(31,286.4)</b>

Previous year's figures are indicated in brackets.

- (1) Gross block of buildings include ₹ 54.0 million (Previous year ₹ 54.0 million) being the cost of leasehold improvements.
- (2) Capital work-in-progress includes ₹ 2.2 million (Previous year ₹ 43.6 million) on account of 'Finance costs' which have been treated as addition to capital expenditure.
- (3) Depreciation reported in the statement of Profit & Loss for the previous year ended 31st December, 2015 under the head "Depreciation" is net of cost which had been reclassified under 'exceptional items' (Refer note 21).
- (4) In the previous year, effective 1st January, 2015, the Company had reviewed and reassessed useful lives of fixed assets as per Schedule II to the Companies Act, 2013. Accordingly, depreciation had been computed on reassessed useful lives based on technical evaluation of relevant class of assets. As a result, depreciation charge for the previous year was higher by ₹ 219.9 million. Further, for assets whose reassessed remaining useful life as on 1st January, 2015 was Nil, depreciation of ₹ 296.5 million (₹ 193.9 million - net of deferred tax) had been adjusted against the General Reserve in accordance with the transitional provision as specified in Schedule II. [Refer Note 4(b) - Reserves and Surplus].

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS**

	Face Value ₹ per unit	2016		2015	
		No. of units	Amount (₹ in million)	No. of units	Amount (₹ in million)
<b>12 - NON-CURRENT INVESTMENTS</b>					
<b>(At cost unless otherwise stated)</b>					
<b>(a) Trade Investments - Unquoted</b>					
<b>Equity Shares - Fully paid-up</b>					
Sahyadri Agro and Dairy Private Limited	10	1,415,050	518.8	1,415,050	518.8
<b>(b) Other Investments - Quoted</b>					
<b>Bonds - Tax free</b>					
India Infrastructure Finance Company Limited	1,000	800,000	825.7	550,000	550.1
India Infrastructure Finance Company Limited	1,000,000	50	50.1	50	50.2
Indian Railway Finance Corporation Limited	1,000,000	710	710.1	710	710.2
Indian Railway Finance Corporation Limited	1,000	342,291	346.6	283,508	288.7
National Bank for Agriculture and Rural Development	1,000	275,050	299.2	-	-
National Highways Authority of India	1,000,000	500	524.4	-	-
National Highways Authority of India	1,000	327,092	368.4	-	-
National Housing Bank	5,000	57,757	288.8	57,757	288.8
NTPC Limited	1,000	474,974	475.0	474,974	475.0
NTPC Limited	1,000,000	300	300.0	300	300.0
Rural Electrification Corporation Limited	1,000	236,000	236.0	236,000	236.0
Less: Provision for diminution in the value of investments (Refer note - 30)			(200.0)		-
			<b>4,743.1</b>		<b>3,417.8</b>
Aggregate amount of unquoted investments at cost			518.8		518.8
Aggregate amount of quoted investments at cost			4,424.3		2,899.0
Aggregate amount of Provision for diminution in the value of investments			200.0		-
Market value of quoted investments			4,787.6		3,044.6
<b>13 - LONG-TERM LOANS AND ADVANCES</b>					
<b>Secured, considered good</b>					
Loans and advances to employees			4.1		7.0
<b>Unsecured, considered good</b>					
Loans and advances to employees			296.2		311.7
Payments / pre-deposits under protest with government authorities			699.4		665.2
Security deposits			343.4		308.7
Capital advances			2.4		7.5
Prepaid expenses			4.9		4.2
			<b>1,346.3</b>		<b>1,297.3</b>
<b>Unsecured, considered doubtful</b>					
Other receivables		103.2		103.2	
Less: Provision for doubtful receivables		(103.2)	-	(103.2)	-
			<b>1,350.4</b>		<b>1,304.3</b>



## NOTES FORMING PART OF THE FINANCIAL STATEMENTS

	Face Value ₹ per unit	2016		2015	
		No. of units	Amount (₹ in million)	No. of units	Amount (₹ in million)
<b>14 - CURRENT INVESTMENTS</b>					
<b>(Non trade, Quoted, at cost or fair value, whichever is lower)</b>					
<b>Government Securities</b>					
Treasury Bills	100	40,000,000	3,950.8	32,500,000	3,209.2
<b>Mutual Funds - Debt</b>					
Birla Sun Life Cash Plus - Daily Dividend - Direct Plan - Reinvestment	100	6,439,556	645.2	4,901,882	491.1
DHFL Pramerica Insta Cash Plus Fund Direct Plan - Annual Bonus	100	461,456	45.3	461,456	45.3
DWS Insta Cash Plus Fund - Direct Plan - Daily Dividend -Reinvestment	100	-	-	1,863,307	186.9
HDFC Liquid Fund - Direct Plan - Dividend - Daily Reinvestment	1,000	387,378	395.1	480,684	490.2
ICICI Prudential Liquid Plan - Daily Dividend	100	6,444,710	645.1	4,722,530	472.5
Reliance Liquid Fund - Treasury Plan - Daily Dividend Option	1,000	241,767	369.6	323,062	493.9
SBI Premier Liquid Fund - Direct Plan - Daily Dividend	1,000	612,957	614.9	494,615	496.2
UTI Liquid Cash Plan - Institutional - Direct Plan - Daily Dividend Reinvestment	1,000	634,887	647.2	-	-
			3,362.4		2,676.1
<b>Certificate of Deposits with scheduled banks</b>	100,000	45,000	4,445.3	27,500	2,712.6
<b>Commercial Paper</b>	500,000	2,000	991.9	2,500	1,233.5
			12,750.4		9,831.4
Considered as "Cash and cash equivalents" as per Accounting Standard (AS - 3) on 'Cash Flow Statements'			12,750.4		9,831.4
Market value / repurchase price of quoted investments			12,811.3		9,870.9

## **15 - INVENTORIES**

**(at cost or net realisable value, whichever is lower)**

Raw materials		3,743.4	2,747.2
{Includes in transit ₹ 223.4 million (Previous year ₹ 246.2 million)}			
Packing materials		326.0	261.7
{Includes in transit ₹ 3.5 million (Previous year ₹ 6.1 million)}			
Work-in-progress*		917.3	780.3
Finished goods*		3,735.1	3,824.8
Stock-in-trade (goods purchased for resale)*		172.7	117.4
{Includes in transit ₹ 63.0 million (Previous year ₹ 35.8 million)}			
Stores and spares		537.3	476.7
{Includes in transit ₹ 3.6 million (Previous year ₹ 6.9 million)}			
		9,431.8	8,208.1

\* Refer note 32

## NOTES FORMING PART OF THE FINANCIAL STATEMENTS

	2016 (₹ in million)		2015 (₹ in million)	
<b>16 - TRADE RECEIVABLES (UNSECURED)</b>				
<b>Considered good</b>				
Over six months from the due date for payment	0.9		19.6	
Others	<u>978.4</u>	<u>979.3</u>	<u>764.6</u>	<u>784.2</u>
<b>Considered doubtful</b>				
Over six months from the due date for payment	1.6		2.1	
Others	<u>19.5</u>	<u>21.1</u>	<u>23.0</u>	<u>25.1</u>
		<u>1,000.4</u>		<u>809.3</u>
Less: Provision for doubtful trade receivables		<u>(21.1)</u>		<u>(25.1)</u>
		<u>979.3</u>		<u>784.2</u>

### 17 - CASH AND BANK BALANCES

#### (a) Cash and cash equivalents\*

Balances with banks

on current accounts

191.9

71.9

on deposit accounts

8,465.0

4,775.8

Cheques, drafts on hand including remittances in transit

36.3

8,693.2

45.0

4,892.7

#### (b) Other bank balances

Unpaid dividend accounts

106.8

102.8

8,800.0

4,995.5

\* As per Accounting Standard (AS - 3) on 'Cash Flow Statements'

### 18 - SHORT-TERM LOANS AND ADVANCES

#### Secured, considered good

Loans and advances to employees

4.3

6.8

#### Unsecured, considered good

Income tax receivable

27.3

327.6

Balances with government authorities

216.6

186.1

Loans and advances to employees

145.9

138.4

Suppliers' advances, debit balances and other receivables <sup>(1)</sup>

107.8

152.0

Security deposits

21.1

40.7

Prepaid expenses

43.1

15.8

Others

4.1

21.0

565.9

881.6

#### Unsecured, considered doubtful

Security deposits, vendor balances and other receivables

38.2

35.5

Less: Provision for doubtful receivables

(38.2)

(35.5)

-

570.2

888.4

(1) Includes ₹ 26.7 million (Previous year ₹ 44.2 million) recoverable from related parties.

## NOTES FORMING PART OF THE FINANCIAL STATEMENTS

	2016 (₹ in million)	2015 (₹ in million)
<b>19 - OTHER CURRENT ASSETS</b>		
Interest accrued on bank deposits/ tax free long term bonds	<u>258.2</u>	<u>147.2</u>
	<u>258.2</u>	<u>147.2</u>

### 20 - REVENUE FROM OPERATIONS

<b>(a) Sale of products</b> (Refer Note - 32)				
Domestic	88,338.0		77,949.1	
Export	<u>6,579.2</u>		<u>6,355.3</u>	
	94,917.2		84,304.4	
Less: Excise duty	<u>3,324.4</u>	91,592.8	<u>3,071.7</u>	81,232.7
<b>(b) Other operating revenues</b>				
Export incentives	465.2		376.4	
Other operating income (mainly scrap sales)	<u>180.0</u>	645.2	<u>144.0</u>	520.4
	<u>92,238.0</u>		<u>81,753.1</u>	

21. Expenses reported under regular heads in the statement of profit and loss for the previous year ended 31st December, 2015 are net of costs incurred in relation to MAGGI Noodles issue which had been reclassified under 'exceptional items' (Refer Note - 30).

### 22 - COST OF MATERIALS CONSUMED (Refer Note - 21)

Raw materials (Refer Note - 33)	31,118.8	28,105.3
Packing materials	<u>6,632.1</u>	<u>5,483.4</u>
	<u>37,750.9</u>	<u>33,588.7</u>

### 23 - CHANGES IN INVENTORIES OF FINISHED GOODS, WORK-IN-PROGRESS AND STOCK-IN-TRADE

<b>Opening stock</b>			
Finished goods	3,824.8		3,815.5
Work-in-progress	780.3		901.9
Stock-in-trade	<u>117.4</u>		<u>95.5</u>
	4,722.5		4,812.9
<b>Closing Stock</b>			
Finished goods	3,735.1		3,824.8
Work-in-progress	917.3		780.3
Stock-in-trade	<u>172.7</u>		<u>117.4</u>
	4,825.1		4,722.5
Net (increase)/ decrease in opening and closing stock	(102.6)		90.4
Net movement in excise duty on finished goods	<u>(5.2)</u>		<u>29.3</u>
	<u>(107.8)</u>		<u>119.7</u>

## NOTES FORMING PART OF THE FINANCIAL STATEMENTS

	2016 (₹ in million)		2015 (₹ in million)
<b>24 - EMPLOYEE BENEFITS EXPENSE</b> (Refer Note - 21)			
Salaries, wages, bonus, pension, performance incentives etc. (Refer note - 29)	8,951.7		7,596.5
Contribution to provident and other funds	438.3		377.8
Staff welfare expenses	469.6		400.0
	<u>9,859.6</u>		<u>8,374.3</u>
<b>25 - OTHER EXPENSES</b> (Refer Note - 21)			
Advertising and sales promotion	5,670.2		5,252.1
Finished goods handling, transport and distribution	4,555.6		3,869.9
General licence fees (net of taxes)	3,617.9		3,038.0
Power and fuel	2,327.9		2,219.9
Maintenance and repairs			
Plant and machinery	825.2	659.5	
Buildings	69.7	88.1	
Others	150.9	148.3	895.9
Information technology and management information systems	955.3		777.4
Rates and taxes	776.3		651.1
Travelling	773.6		744.0
Rent	585.0		594.1
Consumption of stores and spare parts	895.0	829.0	
Less: Charged to other revenue accounts	442.4	416.3	412.7
Training	398.3		388.0
Contract manufacturing charges	378.0		397.5
Withholding tax on general licence fees	361.8		303.7
Market research	235.6		198.8
Laboratory (quality testing)	211.4		161.2
Milk collection and district development	166.7		160.4
Security charges	143.9		112.4
Insurance	47.2		49.2
Deficit/ (Surplus) on fixed assets sold/scrapped/written off (net)	13.7		66.0
Exchange difference (net)	8.9		20.3
Miscellaneous	1,064.6		951.7
	<u>23,790.3</u>		<u>21,264.3</u>



## NOTES FORMING PART OF THE FINANCIAL STATEMENTS

	2016 (₹ in million)	2015 (₹ in million)
<b>26 - OTHER INCOME</b>		
Dividend on mutual funds, current - non trade investments	129.4	119.8
Interest on bank deposits, investments and employee loans, etc.	1,078.7	757.2
Interest on tax free long term bonds	278.0	223.9
Interest on income tax refund relating to earlier years	7.8	-
	<u>1,493.9</u>	<u>1,100.9</u>
<b>27 - FINANCE COSTS</b>		
Interest on Bank Overdraft and Others	35.1	32.9
	<u>35.1</u>	<u>32.9</u>

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS**
**28. NET PROVISION FOR CONTINGENCIES**

The Company has created a contingency provision of ₹ 1,813.6 million (Previous year ₹ 794.6 million) for various contingencies resulting mainly from matters, which are under litigation / related disputes and other uncertainties requiring management judgement. The current year's provision has been impacted due to completion of certain procedures relating to litigation / disputed matter for more number of years in the current year as compared to only one year in the previous year. The Company has also reversed, utilised/settled contingency provision of ₹ 128.9 million (Previous year ₹ 160.0 million) due to the satisfactory settlement of certain litigations and settlement of obligations under free replacement warranty for which provision is no longer required.

The details of class-wise provisions are given below:

Description	2016 (₹ in million)			2015 (₹ in million)		
	Provisions for contingencies			Provisions for contingencies		
	Litigations and related disputes	Others	Total	Litigations and related disputes	Others	Total
Opening balance	4,947.0	128.0	5,075.0	4,315.4	125.0	4,440.4
New provisions	1,574.9	238.7	1,813.6	666.6	128.0	794.6
Utilisation/Settlement during the year	-	(128.0)	(128.0)	-	(125.0)	(125.0)
Reversals	(0.9)	-	(0.9)	(35.0)	-	(35.0)
<b>Recognised in statement of profit and loss*</b>	<b>1,574.0</b>	<b>110.7</b>	<b>1,684.7</b>	<b>631.6</b>	<b>3.0</b>	<b>634.6</b>
<b>Closing balance</b>	<b>6,521.0</b>	<b>238.7</b>	<b>6,759.7</b>	<b>4,947.0</b>	<b>128.0</b>	<b>5,075.0</b>

\* out of this, ₹ 418.0 million (Previous year ₹ 333.1 million) has been recognised as contingencies from operations and balance amount of ₹ 1,266.7 million (Previous year ₹ 301.5 million) as others.

**Notes:**

- (a) **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, Entry tax, Value Added Tax, Sales and Purchase Tax, etc.). The probability and the timing of the outflow with regard to these matters depend on the ultimate settlement /conclusion with the relevant authorities.
- (b) **Others** - include estimates made for products sold by the Company which are covered under free replacement warranty on crossing the best before date for consumption 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.

**29. EMPLOYEE BENEFIT PLANS**
**(a) Defined contribution plans**

The Company makes contributions to the Provident Fund, Employee State Insurance, National Pension System etc. for eligible employees. Under these plans, the Company is required to contribute a specified percentage of payroll costs. The Company during the year has recognised ₹ 324.1 million (Previous year ₹ 292.8 million) as expense in the statement of profit and loss during the year.

Out of the total contribution made for Provident Fund, ₹ 128.9 million (Previous year ₹ 118.6 million) is made to the Nestlé India Limited Employees Provident Fund Trust. The members of the Provident Fund Trust are entitled to the rate of interest declared by the Central Government under the Employees Provident Funds and Miscellaneous Provisions Act, 1952. The shortfall, if any, is made good by the Company in the year in which it arises.

The total plan liabilities under the Nestlé India Limited Employees Provident Fund Trust as at December 31, 2016 as per the unaudited financial statements for the year then ended is ₹ 2,969.7 million (Previous year ₹ 2,668.7 million) as against total plan assets of ₹ 2,982.8 million (Previous year ₹ 2,689.8 million). The funds of the Trust have been invested under various securities as prescribed under the rules of the Trust.

**(b) Defined benefit plans**

The company provides gratuity and defined benefit pension to eligible employees. The gratuity plan provides for a lump sum payment to vested employees at retirement, death while in employment or on termination of employment. Gratuity vesting occurs upon completion of five years of service. The Company makes contributions to the Nestlé India Limited Employees' Gratuity Trust Fund. Defined benefit pension is a discretionary, unfunded plan.

## NOTES FORMING PART OF THE FINANCIAL STATEMENTS

The following table sets out the status of the defined benefit plans as at December 31, 2016:-

	2016 (₹ in million)		2015 (₹ in million)		
	Gratuity Scheme Funded Plan	Pension Scheme Unfunded Plan	Gratuity Scheme Funded Plan	Pension Scheme Unfunded Plan	
<b>Change in defined benefit obligation (DBO):</b>					
1	<b>Present Value of obligation, as at the beginning of the year</b>	<b>942.4</b>	<b>10,295.3</b>	850.1	8,836.8
2	Current service cost	64.2	513.4	57.6	388.4
3	Interest cost	72.9	813.6	65.8	699.6
4	Actuarial loss (net)	50.2	793.9	22.8	555.1
5	Actual benefits paid	(62.6)	(251.0)	(53.9)	(184.6)
6	<b>Present Value of obligation, as at the end of the year</b>	<b>1,067.1</b>	<b>12,165.2</b>	942.4	10,295.3
<b>Change in plan assets:</b>					
1	<b>Plan assets at the beginning of the year</b>	<b>907.7</b>	-	772.1	-
2	Expected return on plan assets	70.1	-	64.8	-
3	Contribution by the Company	-	-	130.0	-
4	Actuarial gain/ (loss)	0.2	-	(5.3)	-
5	Actual benefits paid	(62.6)	-	(53.9)	-
6	<b>Plan assets at the end of the year</b>	<b>915.4</b>	-	907.7	-
	<b>Liability (net) recognised in the balance Sheet</b>	<b>151.7</b>	<b>12,165.2</b>	34.7	10,295.3
of which accounted as:					
(a)	Long-term provisions	151.7	11,994.1	34.7	10,143.4
(b)	Short-term provisions	-	171.1	-	151.9
<b>Cost for the year</b>					
1	Current service cost (net of recoveries)	64.2	506.2	56.9	378.8
2	Interest cost (net of recoveries) - Refer note below	72.9	811.3	65.8	698.5
3	Expected return on plan assets - Refer note below	(70.1)	-	(64.8)	-
4	Actuarial loss (net)	50.0	793.9	28.1	555.1
	<b>Net cost</b>	<b>117.0</b>	<b>2,111.4</b>	86.0	1,632.4
<b>Constitution of plan assets:</b>					
1	Bonds	368.4	-	388.4	-
2	Government of India securities	77.2	-	80.1	-
3	State Government/State Government guaranteed securities	366.0	-	341.3	-
4	Cash at bank and receivables	3.4	-	2.0	-
5	Funding with insurance Companies and mutual funds	100.4	-	95.9	-
	<b>Total plan assets</b>	<b>915.4</b>	-	907.7	-
	<b>Actual return on plan assets</b>	<b>70.3</b>	-	59.5	-
<b>Main Actuarial Assumptions:</b>					
1	Discount Rate (%)	7.0	7.0	8.0	8.0
2	Expected rate of return on plan assets (%)	7.0	-	8.0	-
<b>Experience Adjustments:</b>					
	Experience Loss/ (Gain) adjustments on plan liabilities	23.1	265.2	20.4	155.7
	Experience Gain / (Loss) adjustments on plan assets	0.2	-	(5.3)	-

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS**

Total employee benefits expense due to passage of time charged in statement of profit and loss is ₹ 874.0 million (Previous year ₹ 753.2 million). This includes ₹ 814.1 million (Previous year ₹ 699.5 million) towards pension and gratuity and ₹ 59.9 million (Previous year ₹ 53.7 million) towards compensated absences and long service awards.

The estimates of future salary increases considered in actuarial valuation, take account of inflation, performance, 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.

**Defined benefit obligation (DBO), Plan assets, Deficit/(Surplus) and Experience adjustments for previous years**

	2014 (₹ in million)		2013 (₹ in million)		2012 (₹ in million)	
	Gratuity Scheme Funded Plan	Pension Scheme Unfunded Plan	Gratuity Scheme Funded Plan	Pension Scheme Unfunded Plan	Gratuity Scheme Funded Plan	Pension Scheme Unfunded Plan
Present value of defined benefit obligation (DBO)	850.1	8,836.8	739.7	7,538.5	650.2	6,491.7
Value of plan assets	772.1	-	659.0	-	586.9	-
Deficit / (Surplus)	78.0	8,836.8	80.7	7,538.5	63.3	6,491.7
Experience Loss/ (Gain) adjustment on plan liabilities	14.8	235.8	17.2	201.2	30.1	298.6
Experience Gain / (Loss) adjustment on plan assets	(0.9)	-	3.2	-	2.1	-

**30. EXCEPTIONAL ITEMS**

- MAGGI Noodles issue related cost<sup>(1)</sup>
- Write backs, arising, inter alia, from actualization of estimates of part of the provision made for MAGGI Noodles issue in the previous year
- Provision for diminution in the value of non-current investment
- Cost towards the restructuring of a long term arrangement for supply of ingredients to extinguish the obligations under the arrangement in view of changed business circumstances

2016 (₹ in million)	2015 (₹ in million)
-	5,008.4
(212.2)	-
200.0	-
320.0	-
<b>307.8</b>	<b>5,008.4</b>

- (1) Financial results for the previous year ended 31st December, 2015 had been impacted by the MAGGI Noodles issue. The trust of its consumers and the safety and quality of its products is Nestlé's foremost priority. Unfortunately, developments and growing concerns about the product had led to an environment of confusion for the consumers to such an extent that the Company, on 5th June, 2015, decided to take the products temporarily off the shelves, despite the product being safe. This was done to reassure the consumers that their trust has always been of utmost importance for the Company and to maintain their continued patronage for Company's products. The Food Safety and Standards Authority of India (FSSAI) issued a ban order later on the same day i.e. 5th June, 2015 mainly alleging higher than permissible limits of lead and asking the Company to recall MAGGI Noodles, stop further manufacture and comply with other directions. In line with the instructions from the authorities and in keeping with environmental considerations, the withdrawn products including stocks with the Company were sent for high temperature thermal destruction and the Company suspended further manufacturing of MAGGI Noodles. The Company had conducted extensive additional tests, of over 3500 samples representing over 200 million packs of MAGGI Noodles, in both national and international accredited laboratories. All results confirmed levels of lead were well below the permissible limits. Furthermore, several other countries had found MAGGI Noodles safe after testing samples of the product exported from India. With a view to resolving the issue, the Company approached the Hon'ble Bombay High Court raising issues of interpretation of the Food Safety and Standards Act 2011, whilst seeking judicial review of the order dated 5th June, 2015 passed by FSSAI and order dated 6th June, 2015 passed by the Commissioner of Food Safety, Maharashtra (FDA). The Hon'ble Bombay High Court vide its Judgment dated 13th August, 2015 read along with Order dated 4th September, 2015 revoked the ban order passed by FSSAI and FDA and directed fresh testing of MAGGI Noodles for lead



## NOTES FORMING PART OF THE FINANCIAL STATEMENTS

at three NABL (National Accreditation Board for Testing and Calibration Laboratories) accredited laboratories notified by FSSAI for testing of food products under Food Safety and Standards Act. Results from these laboratories were received by 16th October, 2015. 100% of the samples tested were clear with lead much below the permissible limits. In compliance with the directions of the Hon'ble Bombay High Court, the Company thereafter started manufacture of MAGGI Masala Noodles. Samples from the fresh manufacture of MAGGI Masala Noodles were sent to the same three laboratories to test for lead. Results from these laboratories were received by 4th November, 2015. 100% of the samples tested were clear with lead much below the permissible limits. The Company, after successfully passing the two levels of testing directed by the Hon'ble Bombay High Court, re-launched MAGGI Masala Noodles on 9th November, 2015. In December, 2015 the FSSAI filed a Special Leave Petition in the Hon'ble Supreme Court, challenging the Judgment of the Hon'ble Bombay High Court, which is currently pending before the Hon'ble Supreme Court.

Net Sales worth ₹ 3,034.0 million (about 23,650 tons) had been reversed during the previous year ended 31st December, 2015 in relation to MAGGI Noodles stock withdrawn from trade partners and market. The exceptional item relates to loss on account of stocks withdrawn including incidental costs thereto and estimates of other related costs incurred exclusively in the ordinary course of Company's business, dealt in line with the Accounting Standard AS 2 on "Valuation of Inventories" and Accounting Standard AS 5 on "Net Profit or Loss for the Period, Prior Period Items and Changes in Accounting Policies".

The exceptional item comprises of cost of finished goods, obsolete raw and packaging material, contractual commitments, destruction expenses and other related costs, including administrative costs, which had been incurred /reclassified from the expenses reported under the regular heads in the Statement of Profit and Loss (Refer note – 21).

	2016 (₹ in million)	2015 (₹ in million)
<b>31. CORPORATE SOCIAL RESPONSIBILITY (CSR) EXPENSE</b>		
Prescribed CSR expenditure as per Section 135 of the Companies Act, 2013	<b>283.3</b>	332.9
<b>Details of CSR spent during the financial year</b>		
(a) Total amount planned to be spent during the year <sup>(1)</sup>	<b>312.2</b>	235.0
(b) Actual spent during the year <sup>(2)</sup>	<b>313.6</b>	206.1
(c) Amount unspent (a-b) (to be spent in subsequent year)	<b>-</b>	28.9
(1) Unspent CSR expenditure of the previous year included in the current year	<b>28.9</b>	68.4
(2) Amount paid for		
- acquisition/ construction of assets	<b>Nil</b>	Nil
- other purposes	<b>296.7</b>	193.1

### 32. (a) CLASS-WISE DETAILS OF PRODUCTION/PURCHASES, STOCKS AND SALES OF PRODUCTS

Product Groups	Opening Stock		Actual production <sup>(1)</sup> and purchases Quantity (MT)	Closing Stock		Gross sales	
	Quantity (MT)	Amount (₹ in million)		Quantity (MT)	Amount (₹ in million)	Quantity <sup>(2)</sup> (MT)	Amount (₹ in million)
Milk Products and Nutrition	10,806	2,242.8	130,450	9,818	2,037.6	129,963	47,136.6
	(10,705)	(2,282.5)	(133,547)	(10,806)	(2,242.8)	(131,980)	(46,694.0)
Prepared dishes and cooking aids	8,096	571.1	180,827	9,663	817.9	178,467	22,988.9
	(9,159)	(687.1)	(103,510) <sup>(3)</sup>	(8,096)	(571.1)	(103,138)	(13,141.4)
Beverages	1,497	533.2	22,495	1,388	463.4	22,411	12,949.2
	(1,238)	(398.8)	(22,620)	(1,497)	(533.2)	(22,130)	(13,360.4)
Chocolate and confectionery	2,907	595.1	36,006	2,951	588.9	35,615	11,842.5
	(2,653)	(542.6)	(33,878)	(2,907)	(595.1)	(33,083)	(11,108.6)
	<b>23,306</b>	<b>3,942.2</b>	<b>369,778</b>	<b>23,820</b>	<b>3,907.8</b>	<b>366,456</b>	<b>94,917.2</b>
	(23,755)	(3,911.0)	(293,555)	(23,306)	(3,942.2)	(290,331)	(84,304.4)

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS**

Previous year's figures are indicated in brackets.

1. Includes product manufactured by contract manufacturers on conversion basis.
2. Sales quantity include company products withdrawn for sales promotion but exclude company products which have crossed the best before date for consumption and/or damaged in transit/ market which are destroyed.
3. Excludes stock of MAGGI Noodles destroyed (about 34,650 tons) - [Refer Note - 30].

**(b) CLASS-WISE DETAILS OF PURCHASES OF STOCK-IN-TRADE AND STOCK OF WORK IN PROGRESS**

Product Groups	Purchases of stock in trade		Work in progress
	Quantity (MT)	Amount (₹ in million)	Amount (₹ in million)
Milk Products and Nutrition	<b>14,718</b> (15,811)	<b>934.5</b> (855.3)	<b>421.2</b> (309.1)
Prepared dishes and cooking aids	<b>9</b> (26)	<b>1.2</b> (5.7)	<b>259.8</b> (240.9)
Beverages	<b>1,189</b> (117)	<b>152.2</b> (67.7)	<b>157.9</b> (191.9)
Chocolate and confectionery	<b>302</b> (287)	<b>65.9</b> (52.0)	<b>78.4</b> (38.4)
	<b>16,218</b> (16,241)	<b>1,153.8</b> (980.7)	<b>917.3</b> (780.3)

Previous year's figures are indicated in brackets.

**33. RAW MATERIALS CONSUMED (Refer Note - 21)**

	2016 (₹ in million)	2015 (₹ in million)
Fresh milk	<b>8,847.5</b>	9,308.7
Milk derivatives	<b>5,878.0</b>	5,618.4
Grain flour	<b>3,484.6</b>	1,914.3
Green coffee and chicory	<b>3,239.2</b>	3,717.5
Edible oils	<b>2,859.4</b>	1,996.7
Sugar	<b>1,753.3</b>	1,387.0
Fruit and vegetable crunchies / flakes	<b>471.4</b>	542.5
Tomato paste /powder	<b>394.0</b>	421.6
Maltodextrine powder	<b>353.4</b>	437.1
Fruits and vegetables concentrate	<b>257.4</b>	257.0
Onion flakes /powder	<b>242.1</b>	165.0
Cocoa based raw materials	<b>214.6</b>	201.8
Wheat gluten	<b>140.2</b>	56.9
Liquid glucose	<b>130.6</b>	132.9
Black tea/green leaf	<b>87.2</b>	90.7
Others (net of sale proceeds of by-products/surplus materials)	<b>2,765.9</b>	1,857.2
	<b>31,118.8</b>	28,105.3

## NOTES FORMING PART OF THE FINANCIAL STATEMENTS

	2016		2015	
	(₹ in million)	%	(₹ in million)	%
<b>Of the above:</b>				
Imported	3,609.8	11.6	3,798.8	13.5
Indigenous	27,509.0	88.4	24,306.5	86.5
	<b>31,118.8</b>	<b>100.0</b>	<b>28,105.3</b>	<b>100.0</b>

### 34. RESTRICTED STOCK UNIT (RSU)/ PERFORMANCE SHARE UNIT (PSU) PLAN

The Company participates in the Nestlé Restricted Stock Unit (RSU)/ Performance Share Unit (PSU) Plan of Nestlé S.A., whereby select employees are granted non-tradable units with the right to obtain Nestlé S.A. shares or cash equivalent. Restricted Stock Units (RSU)/ Performance Share Units (PSU) 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.

The details are as under:-

	2016	2015
	(₹ in million)	(₹ in million)
Outstanding, non-vested RSU/ PSU grants as at year end	280.0	303.4
RSU/ PSU grants vested during the year	163.2	178.2
Recognised in statement of profit and loss	139.8	171.2

35. The Company had reviewed the General License Agreement in 2013, the Board of Directors of the Company negotiated and Nestlé S.A. accepted an increase in royalty from 3.5% to 4.5% of domestic sales in a staggered manner by making an increase of 0.20% per annum over five years effective January 1, 2014. The royalty rate on exports is aligned to 4.5% of sales.

### 36. OPERATING LEASES

The Company's significant leasing arrangements are primarily in respect of operating leases for premises (office, residential, warehouses etc.) and vehicles. The aggregate lease rentals charged to the statement of profit and loss account under different revenue accounts are ₹ 709.7 million (Previous year ₹ 720.9 million).

Future minimum lease rentals payable as at 31st December, 2016 as per the lease agreements:

	2016	2015
	(₹ in million)	(₹ in million)
Not later than one year	565.8	617.6
Later than one year and not later than five years	1,215.6	1,164.9
Later than five years	347.6	466.8

### 37. CONSUMPTION OF STORES AND SPARE PARTS (Refer Note - 21)

	2016		2015	
	(₹ in million)	%	(₹ in million)	%
Imported	104.4	11.7	115.8	14.0
Indigenous	790.6	88.3	713.2	86.0
	<b>895.0</b>	<b>100.0</b>	<b>829.0</b>	<b>100.0</b>

## NOTES FORMING PART OF THE FINANCIAL STATEMENTS

	2016 (₹ in million)	2015 (₹ in million)
<b>38. AUDITORS REMUNERATION</b>		
{included under Miscellaneous (Refer Note - 25)}		
(1) Auditors' remuneration including service tax and expenses in respect of:		
(a) Statutory audit	9.4	7.6
(b) Audit of accounts for fiscal year and tax audit	3.7	3.5
(c) Limited review of quarterly un-audited results	1.6	1.7
(d) Certifications	0.8	0.6
(e) Certification of tax holiday benefits	0.6	0.3
(f) Audit of employee trust accounts	0.1	0.2
(g) Out of pocket expenses for statutory audit and other matters	0.5	0.3
	<b>16.7</b>	<b>14.2</b>
(2) Cost auditors' remuneration including service tax and expenses in respect of:		
(a) Cost audit fees	0.2	0.2
(b) Certifications	-	0.3
<b>39. CONTINGENT LIABILITIES AND COMMITMENTS</b>		
<b>Contingent liabilities</b>		
Claims against the Company not acknowledged as debts:		
Indirect Taxes	11.7	11.7
<b>Capital Commitments</b>		
Capital expenditure commitments remaining to be executed and not provided for [net of advances ₹ 2.4 million (Previous year ₹ 7.5 million)]	542.7	828.2
<b>Corporate social responsibility expense commitments</b>	260.0	279.3
The Company also has other commitments for purchase /sales of goods and services for which orders are issued after considering requirements as per the operating cycle of the business.		
<b>40. RELATED PARTY DISCLOSURES UNDER ACCOUNTING STANDARD 18</b>		
<b>(a) Related party and their relationship</b>		
<b>(i) Holding Companies</b>		
Nestlé S.A		
Maggi Enterprises Limited		
<b>(ii) Fellow subsidiaries with whom the company had transactions</b>		
Nestec S.A.		Nestlé Purina Petcare Company
Nestec York Ltd		Nestlé R&D Center (Pte) Ltd
Nestlé (China) Ltd.		Nestlé R&D Center, Inc.
Nestlé (PNG) Ltd		Nestlé R&D Centre India Private Ltd
Nestlé (South Africa) (Pty) Ltd		Nestlé ROH (Thailand) Ltd.
Nestlé (Thai) Ltd.		Nestlé Romania SRL
Nestlé Adriatic S DOO		Nestlé Servicios Corporativos, S.A. de C.V
Nestlé Asean (Malaysia) Sdn Bhd		Nestlé Shanghai Ltd.
Nestlé Australia Ltd		Nestlé Shuangcheng Ltd
Nestlé Bangladesh Ltd		Nestlé Singapore (Pte) Ltd



## NOTES FORMING PART OF THE FINANCIAL STATEMENTS

Nestlé Brasil Ltda	Nestlé Suisse S.A.
Nestlé Bulgaria A.D	Nestlé Taiwan Ltd
Nestlé Canada Inc	Nestlé Tianjin Ltd.
Nestlé Central And West Africa	Nestlé Turkiye Gida Sanayi A.S.
Nestlé Chile S.A.	Nestlé UK Ltd
Nestlé Cote D'Ivoire	Nestlé USA Inc
Nestlé Deutschland AG	Nestlé Vietnam Ltd
Nestlé Dubai Manufacturing LLC	Nestlé Waters (Suisse) SA
Nestlé Egypt S.A.E.	Nestlé Waters Management & Technology S.A.S
Nestlé Equatorial African Region	Nestlé Waters Marketing & distribution S.A.S
Nestlé Espana, S.A.	Nestlé Waters North America Inc
Nestlé Food Kazakhstan LLP	Nestlé Zimbabwe (Private) Ltd
Nestlé France S.A.S	Nestlétrade S.A.
Nestlé Ghana Ltd	Osem Investments Ltd.
Nestlé Hong Kong Ltd	PJSC "Lviv Confectionery Factory svitoch"
Nestlé Hungaria Kft.	PT Nestlé Indonesia
Nestlé International Travel Retail	Quality Coffee Products Ltd.
Nestlé Iran	Sanpellegrino S.p.A.
Nestlé Japan Ltd.	Servcom S.A.
Nestlé Korea Ltd	SMA Nutrition India Private Ltd
Nestlé Lanka PLC	Société des Produits Nestlé S.A
Nestlé Manufacturing (Malaysia) Sdn Bhd	Wyeth Nutritionals Ireland Ltd
Nestlé Mexico S.A. de C.V.	
Nestlé Middle East FZE	
Nestlé Middle East Manufacturing	
Nestlé Nederland B.V.	
Nestlé Nigeria Plc	
Nestlé Operational Services Worldwide S.A	
Nestlé Pakistan Ltd.	
Nestlé Panama S.A.	
Nestlé Philippines, Inc.	
Nestlé Products (Mauritius) Ltd	
Nestlé Polska S.A.	
Nestlé Product Technology Centre	
Nestlé Products Sdn Bhd	

### (iii) Key Management Personnel

Suresh Narayanan, Chairman and Managing Director  
(Managing Director w.e.f. 01<sup>st</sup> August, 2015)  
(Chairman and Managing Director w.e.f. 29<sup>th</sup> October, 2015)  
Etienne Benet - Managing Director  
(Managing Director upto 25<sup>th</sup> July, 2015)

Aristides Protonotarios, Director - Technical  
Shobinder Duggal, Director - Finance & Control and CFO

### (iv) Employees benefit trusts where control exists

Nestlé India Limited Employees Provident Fund Trust

Nestlé India Limited Employees' Gratuity Trust Fund

## NOTES FORMING PART OF THE FINANCIAL STATEMENTS

### (b) Nature of transactions

The transactions with the related parties have been entered in the ordinary course of business and are at arm's length.

Particulars	2016 (₹ in million)	2015 (₹ in million)
<b>Holding companies :</b>		
Dividends: Interim	2,420.6	1,815.4
Final – proposed	1,391.8	1,119.5
<b>Expenses incurred</b>		
- Nestlé S.A.	139.8	171.2
<b>Fellow subsidiaries:</b>		
(a) Sale of finished and other goods		
- Nestlé Turkiye Gida Sanayi A.S.	1,749.8	1,933.0
- Nestlé Bangladesh Ltd	1,709.5	1,592.5
- Others	1,099.1	817.3
(b) Sale of surplus materials and fixed assets		
- Nestlé R&D Centre India Private Limited	0.9	0.9
- Nestlé Philippines, Inc	-	2.4
- Nestlé Lanka Plc	-	0.6
(c) Purchase of fixed assets		
- Nestrade S.A	287.1	-
- Nestlé R&D Centre India Private Limited	1.0	-
(d) Purchase of raw and packing materials		
- Nestrade S.A	12.7	-
- Nestlé Nederland BV	40.0	31.0
- Nestlé Suisse S.A.	28.5	38.8
- Others	3.5	6.0
(e) Purchase of finished goods		
- Nestlé Lanka PLC	180.0	153.5
- Nestlé Nederland BV	94.1	84.5
- Nestlé Korea Limited	55.8	45.3
- Others	124.9	113.7
(f) General licence fees (net of taxes)		
- Société des Produits Nestlé S.A.	3,617.9	3,038.0
(g) Expenses recovered		
- Nestlé Lanka PLC	54.3	46.4
- Nestlé R&D Centre India Private Ltd	31.3	36.1
- Nestlé Bangladesh Ltd.	30.6	23.2
- Others	44.1	61.0

## NOTES FORMING PART OF THE FINANCIAL STATEMENTS

Particulars	2016 (₹ in million)	2015 (₹ in million)
(h) Expenses incurred		
- Nestlé R & D Center (Pte) Limited	38.9	36.8
- Nestlé Deutschland AG	27.3	16.4
- Nestec S.A	25.2	20.5
- Nestlé Australia Ltd.	23.6	20.6
- Others	65.1	51.6
(i) Information technology and management information systems		
- Nestlé Australia Ltd	646.1	542.3
- Servcom S.A.	6.6	3.2
(j) Loans granted		
- Nestlé R&D Centre India Private Limited	400.0	400.0
- SMA Nutrition India Private Limited	35.0	20.0
(k) Repayment of loans granted		
- Nestlé R&D Centre India Private Limited	400.0	400.0
- SMA Nutrition India Private Limited	35.0	20.0
(l) Interest on loans granted		
- Nestlé R&D Centre India Private Limited	29.5	34.3
- SMA Nutrition India Private Limited	2.4	0.7
<b>Remuneration to Key management personnel</b>		
- Managing Director (From 01 <sup>st</sup> August, 2015) & Chairman & Managing Director (From 29 <sup>th</sup> October, 2015)	90.2	32.4
- Managing Director (Upto 25 <sup>th</sup> July, 2015)	-	62.0
- Director – Finance & Control and CFO	39.0	35.3
- Director – Technical	63.4	54.7
<b>Contribution to Employee related trusts</b>		
- Nestlé India Limited Employees Provident Fund Trust	128.9	118.6
- Nestlé India Limited Employees' Gratuity Trust Fund	-	130.0
<b>Balance outstanding as at the year end</b>		
Final - proposed dividend payable to holding companies	1,391.8	1,119.5
Receivables from fellow subsidiaries	671.9	578.9
Payables to fellow subsidiaries	791.8	479.2
Payables to Key management personnel	31.8	20.5
Payables to Employees Provident Fund Trust	11.1	10.2

### Note:

Other transactions with Key Managerial Personnel:

- Remuneration includes lease rentals paid at market rates ₹ 3.3 million (previous year ₹ 3.0 million).

## NOTES FORMING PART OF THE FINANCIAL STATEMENTS

### 41. 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.

### 42. DISCLOSURE UNDER THE MICRO, SMALL AND MEDIUM ENTERPRISES DEVELOPMENT ACT, 2006

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 following are the details:

	2016 (₹ in million)	2015 (₹ in million)
(i) Principal amount remaining unpaid	48.8	37.5
(ii) Interest due thereon remaining unpaid	-	-
(iii) Interest paid by the Company in terms of Section 16 of the Micro, Small and Medium Enterprises Development Act, 2006, along-with the amount of the payment made to the supplier beyond the appointed day during the period	-	-
(iv) Interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the period) but without adding interest specified under the Micro, Small and Medium Enterprises Act, 2006	-	-
(v) Interest accrued and remaining unpaid	-	-
(vi) Interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprises	-	-

### 43. EARNINGS FROM EXPORT OF GOODS

- Foreign currency at F.O.B. value {including sales invoiced in Rupees of ₹ 2.7 million (Previous year ₹ 179.4 million)}	4,773.2	4,827.8
- Rupees sales to Nepal and Bhutan	1,784.0	1,506.6

### 44. C. I. F. VALUE OF IMPORTS

Raw and packing materials	2,919.1	3,010.3
Capital goods	771.6	148.5
Goods – outside manufacture	462.1	403.8
Components and spare parts	145.8	127.6

### 45. (a) EXPENDITURE IN FOREIGN CURRENCY

General license fees (net of taxes)	3,617.9	3,038.0
Information technology and management information systems	661.6	570.2
Project management costs for capital projects	25.7	23.1
Other matters	464.3	391.5



## NOTES FORMING PART OF THE FINANCIAL STATEMENTS

	2016 (₹ in million)	2015 (₹ in million)
<b>(b) OTHER RECOVERIES IN FOREIGN CURRENCY</b>		
Reimbursement of costs	120.7	117.6
Proceeds from sale of surplus materials	-	0.6

### 46. AMOUNT REMITTED IN FOREIGN CURRENCIES TOWARDS DIVIDENDS DURING THE YEAR

	2016			2015		
	Number of Non-resident Shareholders	Number of Equity Shares held	Dividend remitted (₹ in million)	Number of Non-resident Shareholders	Number of Equity Shares held	Dividend remitted (₹ in million)
<b>Final - 2015/2014</b>	2	60,515,079	1,119.5	2	60,515,079	756.4
<b>Interim:</b>						
First – 2016/ 2015	2	60,515,079	726.2	2	60,515,079	847.2
Second – 2016/ 2015	2	60,515,079	726.2	2	60,515,079	968.2
Third – 2016	2	60,515,079	968.2	-	-	-

### 47. FOREIGN CURRENCY EXPOSURE

The foreign currency exposure of the Company as at December 31, 2016 is as under:

(a) Category wise quantitative data\*

	Currency	2016			2015		
		Nos.	Amount in Foreign currency (in million)	(₹ in million)	Nos.	Amount in Foreign currency (in million)	(₹ in million)
Forward contracts against exports	<b>USD</b>	65	27.3	1,854.9	44	25.0	1,656.6
Forward contracts against imports (Including Capital imports)	<b>USD</b>	24	10.5	712.3	20	10.2	675.8
	<b>EUR</b>	18	7.4	525.4	11	4.8	350.1
	<b>CHF</b>	11	4.6	308.3	-	-	-
	<b>AUD</b>	10	5.0	245.4	5	2.8	135.4
	<b>GBP</b>	2	0.1	10.0	-	-	-
	<b>CAD</b>	-	-	-	1	0.0	0.8

(b) All the forward contracts are for hedging foreign exchange exposures relating to the underlying transactions and firm commitments or highly probable forecast transactions.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

(c) Foreign currency exposures remaining unhedged at the year-end\*

	Currency	2016		2015	
		Amount in Foreign currency (in million)	(₹ in million)	Amount in Foreign currency (in million)	(₹ in million)
Against exports	GBP	0.1	7.2	0.1	13.5
	CAD	0.1	3.8	0.1	2.8
	EUR	0.0	0.7	0.2	15.9
	CHF	0.0	0.1	0.0	0.3
Against imports (Including Capital imports)	SGD	0.5	22.9	0.1	5.9
	GBP	0.0	2.3	0.1	5.7
	ZAR	0.3	1.6	-	-
	JPY	2.2	1.3	12.3	6.7
	AED	0.0	0.1	-	-
	NZD	0.0	0.0	0.1	2.8
	CHF	-	-	0.5	34.8

\* At closing exchange rates

## ANNEXURE - 1 TO THE BOARD'S REPORT

### Report on Corporate Governance for the year ended December 31, 2016

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

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

The Company'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. The Company 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, the Company endeavours to ensure that highest standards of ethical and responsible conduct are met throughout the organisation.

#### BOARD OF DIRECTORS

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

Above information as on 31<sup>st</sup> December, 2016 or for the year 2016, as applicable, is tabulated hereunder:

Director	DIN	Category of Director	No. of Board Meetings attended	Attendance at the last AGM on 12 <sup>th</sup> May, 2016	No. of outside Directorship held <sup>A</sup>	No. of Membership/ Chairmanship in other Board Committees <sup>B</sup>
Mr. Suresh Narayanan	07246738	Executive	5	Yes	Nil	Nil
Mr. Shobinder Duggal	00039580	Executive	5	Yes	Nil	Nil
Mr. Aristides Protonotarios	06546858	Executive	4	Yes	Nil	Nil
Dr. Rakesh Mohan <sup>1,2</sup>	02790744	Independent Non-Executive	3	Yes	Nil	Nil
Mr. Ashok Kumar Mahindra	00916746	Independent Non-Executive	4	Yes	1	Nil
Mr. Ravinder Narain	00059197	Independent Non-Executive	5	Yes	3	2
Mr. Rajya Vardhan Kanoria	00003792	Independent Non-Executive	5	Yes	7	5
Dr. Swati A. Piramal <sup>2</sup>	00067125	Independent Non-Executive	3	Yes	9	Nil

<sup>1</sup> Appointed as Independent Non-Executive Director with effect from 1<sup>st</sup> May, 2016.

<sup>2</sup> In addition to Meetings attended, the Directors who participated in the meeting over phone are: Dr. Rakesh Mohan and Dr. Swati A. Piramal on 5<sup>th</sup> December, 2016.

<sup>A</sup> Directorship in companies registered under the Companies Act, 2013 or any earlier enactments, excluding companies under Section 8 of the Companies Act, 2013 (earlier Section 25 of the Companies Act, 1956).

<sup>B</sup> Only covers Membership / Chairmanship of Audit Committee and Stakeholders Relationship Committee of public limited companies.

As at 31<sup>st</sup> December, 2016, in compliance with the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations"), the Company's Board of Directors headed by its Chairman and Managing Director, Mr. Suresh Narayanan comprised seven other directors, out of which five directors are Independent Non-Executive Directors including a woman director. None of the Independent Directors of the Company serve as an Independent Director in more than seven listed companies and where any Independent Director is serving as whole-time director in any listed company, such director is not serving as Independent Director in more than three listed companies.

At the 57<sup>th</sup> Annual General Meeting held on 12<sup>th</sup> May, 2016 the shareholders approved the appointment of Dr. Rakesh Mohan as an Independent Non-Executive Director to hold office for a period of five consecutive years for a term upto 30<sup>th</sup> June, 2020. The Company issued a letter of appointment to the Independent Director as per Schedule IV of the Companies Act, 2013 and terms and conditions of his appointment have been disclosed on the website of the Company. (web link: <https://www.nestle.in/investors/directorsandofficers>).

During the year, the Board met five times on 12<sup>th</sup> February, 2016, 12<sup>th</sup> May, 2016, 29<sup>th</sup> July, 2016, 28<sup>th</sup> October, 2016 and 5<sup>th</sup> December, 2016. The maximum gap between any two Board Meetings was less than one hundred and twenty days. All material information was circulated to the directors before the meeting or placed at the meeting, including minimum information required to be made available to the Board as

prescribed under Part A of Schedule II of Sub-Regulation 7 of Regulation 17 of the Listing Regulations. During the year, separate meeting of the Independent Directors was held on 12<sup>th</sup> February, 2016 without the attendance of non-independent directors and members of the management. All Independent Directors attended the said meeting, except Dr. Rakesh Mohan, who was appointed after this date.

The Company has proper systems to enable the Board to review on a half-yearly basis compliance reports of all laws applicable to the Company, as prepared by the Company as well as to assess the steps taken by the Company to rectify instances of non-compliances.

The Company has familiarisation programme for Independent Directors with regard to their roles, rights, responsibilities in the Company, nature of the industry in which the Company operates, the business model of the Company etc. The familiarisation programme alongwith details of the same imparted to the Independent Directors during the year are available on the website of the Company (web link: <https://www.nestle.in/investors/directorsandofficers>).

None of the Independent Non-Executive Directors held any equity shares or convertible instruments of the Company during the financial year ended 31<sup>st</sup> December, 2016. None of the Directors had any relationships inter-se.

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

The Company has adopted the “The Nestlé India Code of Business Conduct” (Code). The Code is available on the website of the Company (web link <https://www.nestle.in/investors/policies>).

The Chairman and Managing Director has given a declaration that the members of the Board of Directors and Senior Management Personnel have affirmed compliance with the Code during the year 2016.

### **AUDIT COMMITTEE**

The powers, role and terms of reference of the Audit Committee covers the areas as contemplated under Section 177 of the Companies Act, 2013 and Regulation 18 of Listing Regulations, as applicable, besides other terms as referred by the Board of Directors.

The powers include investigating any activity within its terms of reference as specified by the Board and seeking information from any employee, obtain professional advice from external sources, secure attendance of outsiders with relevant expertise, if considered required and have full access to information contained in the records of the Company.

The role includes oversight of Company's financial reporting process and disclosure of financial information to ensure that the financial statements are correct, sufficient and credible; recommending the appointment, re-appointment, remuneration and terms of appointment of auditors and approval of payment for any other services rendered by statutory auditors; reviewing with the management quarterly results and annual financial statements before submission to the Board for approval; approval or any subsequent modification of any transactions of the Company with related parties; review and monitor the auditor's independence and performance and effectiveness of audit process; scrutiny of inter corporate loans and investments, if any; evaluation of internal financial controls and risk management system; and reviewing the functioning of the whistle blower mechanism.

The Committee mandatorily reviews information such as internal audit reports related to internal control weakness, management discussion and analysis of financial condition and result of operations, statement of significant related party transactions and such other matters as prescribed.

Mr. Ashok Kumar Mahindra, an Independent Non-Executive Director, is the Chairman of the Audit Committee. Mr. Rajya Vardhan Kanoria and Mr. Ravinder Narain, Independent Non-Executive Directors are members of Audit Committee. All members of the Audit Committee are financially literate and Mr. Ashok Kumar Mahindra and Mr. Rajya Vardhan Kanoria have related financial management expertise by virtue of their comparable experience and background. The Company Secretary acts as the Secretary to the Committee. The Director-Finance & Control and CFO, Head of Internal Control and Costing, Head of Financial Accounting and Reporting and Deputy Company Secretary are permanent invitees to the Meetings of the Audit Committee. The Chief Internal Auditor, the concerned partners/ authorised representatives of Statutory Auditors and Cost Auditors are also invited to the meetings of the Audit Committee.

During the year, the Audit Committee met four times on 11<sup>th</sup> February, 2016, 11<sup>th</sup> May, 2016, 29<sup>th</sup> July, 2016 and 28<sup>th</sup> October, 2016 and all members of the Committee attended the aforesaid meetings. The maximum gap between any two meetings was less than one hundred and twenty days.

### **NOMINATION AND REMUNERATION COMMITTEE**

The powers, role and terms of reference of the Nomination and Remuneration Committee covers the areas as contemplated under Section

178 of the Companies Act, 2013 and Regulation 19 of Listing Regulations, besides other terms as referred by the Board of Directors. The role includes formulation of criteria for determining qualifications, positive attributes and independence of a director and recommending to the Board a policy relating to the remuneration for the directors, key managerial personnel and other employees; formulation of criteria for evaluation of Independent Directors and the Board; devising a policy on diversity of Board of Directors; and identification of persons who are qualified to become directors and who may be appointed in senior management in accordance with the criteria laid down, and recommend to the Board of their appointment, removal and noting their cessation.

Mr. Rajya Vardhan Kanoria, Independent Non-Executive Director, is the Chairman of the Committee, Mr. Ravinder Narain and Mr. Ashok Kumar Mahindra, Independent Non-executive Directors, are the members of the Committee. The Chairman and Managing Director; and Head of Human Resources are permanent invitees to the Committee meetings. The Company Secretary is the Secretary of the Committee.

During the year, the Nomination and Remuneration Committee met thrice on 11<sup>th</sup> February, 2016, 11<sup>th</sup> May, 2016 and 29<sup>th</sup> July, 2016 and all members of the Committee attended the aforesaid meetings.

### Performance Evaluation

The criteria for performance evaluation cover the areas relevant to the functioning as Independent Directors such as preparation, participation, conduct and effectiveness. The performance evaluation of Independent Directors was done by the entire Board of Directors and in the evaluation of the Directors who are subject to evaluation, had not participated.

### Remuneration of Directors for 2016

(₹ in Millions)

Name of the Director	Sitting Fee	Salaries and Allowances	Perquisites	Company's Contribution to PF	Commission and Performance Linked Incentive	Total
Mr. Suresh Narayanan <sup>1</sup>	N.A.	56.49	13.97	2.25	17.44	90.15
Mr. Shobinder Duggal <sup>1</sup>	N.A.	14.93	15.26	1.46	7.32	38.97
Mr. Aristides Protonotarios <sup>1</sup>	N.A.	24.68	18.88	1.08	18.75	63.39
Mr. Rajya Vardhan Kanoria	1.08	-	-	-	0.65 @	1.73
Mr. Ashok Kumar Mahindra	0.88	-	-	-	0.65 @	1.53
Dr. Rakesh Mohan <sup>2</sup>	0.30	-	-	-	0.43 @	0.73
Mr. Ravinder Narain	1.15	-	-	-	0.65 @	1.80
Dr. Swati A. Piramal	0.38	-	-	-	0.65 @	1.03

<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.

<sup>2</sup> Appointed as Independent Non-Executive Director with effect from 1<sup>st</sup> May, 2016.

@ Represents Commission for the year ended 31<sup>st</sup> December, 2016 which will be paid, subject to deduction of tax after adoption of the accounts by the shareholders at the Annual General Meeting.

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. The appointment of executive directors is by virtue of their employment with the Company as management employees and therefore, their terms of employment are governed by the applicable policies at the relevant point in time. Commission is subject to adequate profits being earned. A fair portion of the Executive Director's Performance Linked Incentive is linked to Company's performance. This creates alignment with the strategy and business priorities to enhance shareholder value. The total reward package for Executive Directors is intended to be market competitive with strong linkage to performance in line with Company's Remuneration Policy.

The Non-executive directors are paid remuneration based on their contribution and current trends. Sitting fees is paid for attending each meeting of the Board and Committees thereof. Additionally, the non-executive directors are entitled to remuneration up to an aggregate limit of one percent per annum of the net profits of the Company, provided that none of the directors shall receive individually a sum exceeding ₹ 10,00,000/- (Rupees ten lakhs only), as approved by the members at the Annual General Meeting held on 12<sup>th</sup> May, 2014. Within the aforesaid limit, the commission payable is determined by the Board and equal amount of commission is payable to Independent Non-



Executive Directors on a pro-rata basis. During the year under review, remuneration of non-executive directors was approved by the Board of Directors with the interested non-executive directors, not participating or voting, as per the terms approved by the shareholders at the Annual General Meeting.

The Company does not have any stock option scheme. The Company participates in the Nestlé Performance Share Unit Plan ('Plan') of Nestlé S.A., whereby selected employees are granted non-tradable Performance Share Units of Nestlé S.A. Perquisites of the Whole-time/ Managing Director include, inter-alia, Leave Travel and payments for the Restricted Stock Units/ Performance Share Units of Nestlé S.A. 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 Director seeking reappointment is given in the Notice of the 58<sup>th</sup> Annual General Meeting and forms part of the Corporate Governance Report.

### **STAKEHOLDERS RELATIONSHIP COMMITTEE**

The Stakeholders Relationship Committee oversees, inter-alia, redressal of shareholder and investor grievances, transfer / transmission of shares, issue of duplicate shares, exchange of new design share certificates, recording dematerialisation/ rematerialization of shares and related matters.

Mr. Ravinder Narain, Independent Non-Executive Director, is the Chairman of the Stakeholders Relationship Committee. Mr. Rajya Vardhan Kanoria and Mr. Shobinder Duggal are the members of the Committee. Mr. B. Murli, Senior Vice President – Legal & Company Secretary acts as the Compliance Officer to the Committee.

The Committee met four times during the year on 11<sup>th</sup> February, 2016, 12<sup>th</sup> May, 2016, 29<sup>th</sup> July, 2016 and 28<sup>th</sup> October, 2016. All members of the Committee attended the aforesaid meetings.

During the year, 11 complaints were received from shareholders and investors. All the complaints have been resolved 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 2016 and no such transfer is pending.

### **RISK MANAGEMENT COMMITTEE**

Mr. Shobinder Duggal, Director – Finance & Control and CFO is the Chairman of the Committee and Mr. Aristides Protonotarios, Director – Technical and Mr. Anurag Dikshit, Head of Treasury and M&A are the other members of the Committee. The Company Secretary acts as the Secretary to the Committee. The roles and responsibilities of the Risk Management Committee are as prescribed under Regulation 21 of the Listing Regulations and includes monitoring and review of risk management plan on a quarterly basis and reporting the same to the Board of Directors periodically as it may deem fit, in addition to any other terms as may be referred by the Board of Directors, from time to time. During the year, the Committee met four times on 16<sup>th</sup> March, 2016, 22<sup>nd</sup> June, 2016, 5<sup>th</sup> September, 2016 and 15<sup>th</sup> December, 2016, and all the members of the Committee attended these meetings except for one meeting held on 5<sup>th</sup> September, 2016, where Mr. Shobinder Duggal was granted leave of absence.

### **CORPORATE SOCIAL RESPONSIBILITY COMMITTEE**

The Committee oversees corporate social responsibility, corporate governance and other related matters as may be referred by the Board of Directors. This Committee also discharges the role of Corporate Social Responsibility Committee under Section 135 of the Companies Act, 2013 which includes formulating and recommending to the Board, a Corporate Social Responsibility (CSR) Policy indicating the activities to be undertaken by the Company, as per Schedule VII to the Companies Act, 2013; recommending the amount of expenditure to be incurred; and monitoring the CSR Policy of the Company.

The Committee comprises Dr. Swati A. Piramal, Independent Non-Executive Director, as the Chairperson of the Committee, Mr. Suresh Narayanan, Chairman and Managing Director and Mr. Ravinder Narain, Independent Non-Executive Director as other members of the Committee. The Company Secretary acts as the Secretary to the Committee.

The Committee met thrice during the year on 12<sup>th</sup> February, 2016, 12<sup>th</sup> May, 2016 and 29<sup>th</sup> July, 2016. All the members attended the above meetings.

## CEO/ CFO CERTIFICATION

The Chairman and Managing Director; and the Director - Finance & Control and CFO of the Company have certified to the Board of Directors, *inter alia*, the accuracy of financial statements and adequacy of internal controls for the financial reporting as required under Regulation 17(8) of the Listing Regulations for the year ended 31<sup>st</sup> December, 2016.

## GENERAL BODY MEETINGS

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

Year & Date	Time	Venue
12.05.2016	10.00 A.M.	Air Force Auditorium, Subroto Park, New Delhi - 110 010
15.05.2015	10.00 A.M.	
12.05.2014	10.00 A.M.	

Three Special Resolutions were passed by the shareholders at the 55<sup>th</sup> Annual General Meeting held on 12<sup>th</sup> May, 2014 of the Company 1) approval of amendment in the Articles of Association for increase in the number of maximum directors of the Company; (2) approval of borrowing limits under Section 180(1)(c) of the Companies Act, 2013; and (3) approval of the commission payable to Non-Executive Directors of the Company. No other resolution was passed as Special Resolution in the last three Annual General Meetings.

During the year, no special resolution was passed through postal ballot. None of the businesses proposed to be transacted in the ensuing Annual General Meeting require special resolution through postal ballot.

## MEANS OF COMMUNICATION

The quarterly results of the Company were widely published in leading newspapers such as Financial Express and Jansatta and also displayed at the Company's website [www.nestle.in](http://www.nestle.in). All official press releases, presentations to analysts and institutional investors and other general information about the Company are also available on the Company's website.

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.

## GENERAL SHAREHOLDER INFORMATION

### Annual General Meeting

Day, Date and Time : Thursday, 11<sup>th</sup> May, 2017 at 10:00 a.m.  
Venue : Air Force Auditorium, Subroto Park, New Delhi – 110 010.

### Financial Calendar, 2017 (tentative)

First Quarter Results : Second week of May, 2017  
Second Quarter and Half-yearly Results : Last week of July, 2017  
Third Quarter Results : Last week of October, 2017  
Annual Results : February / March, 2018  
Financial Year : 1<sup>st</sup> January to 31<sup>st</sup> December  
Annual Book Closure : 23<sup>rd</sup> May, 2017 to 24<sup>th</sup> May, 2017 (both days inclusive)

**Dividend payments:** Final dividend of ₹ 23/- per equity 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 from 2<sup>nd</sup> June, 2017.

The First, Second and Third interim dividends for the year 2016 of ₹ 12/- per equity share, ₹ 12/- per equity share and ₹16/- per equity share of ₹ 10/- each were paid on/from 31<sup>st</sup> May, 2016, 19<sup>th</sup> August, 2016 and 22<sup>nd</sup> December, 2016, respectively.

# NESTLÉ INDIA LIMITED

## Listing on Stock Exchanges and Stock Code

Shares of the Company are listed at BSE Limited, Phiroze Jeejeebhoy Towers, Dalal Street, Fort, Mumbai – 400 001. The Company's Stock Code is 500790.

The ISIN Number of Nestlé India Limited on both the NSDL and CDSL is INE239A01016.

Market Price Data: High/Low in each month of Calendar Year, 2016 on the BSE Ltd., Mumbai

Month	High (₹)	Low (₹)	Month	High (₹)	Low (₹)
January	5,850.00	5,390.00	July	7,390.00	6,400.00
February	5,574.90	4,990.00	August	7,230.00	6,490.00
March	5,826.15	5,006.00	September	6,705.00	6,200.00
April	6,249.00	5,360.00	October	7,061.95	6,457.30
May	6,350.00	5,490.00	November	6,968.40	5,701.05
June	6,700.00	6,125.00	December	6,388.85	5,750.00

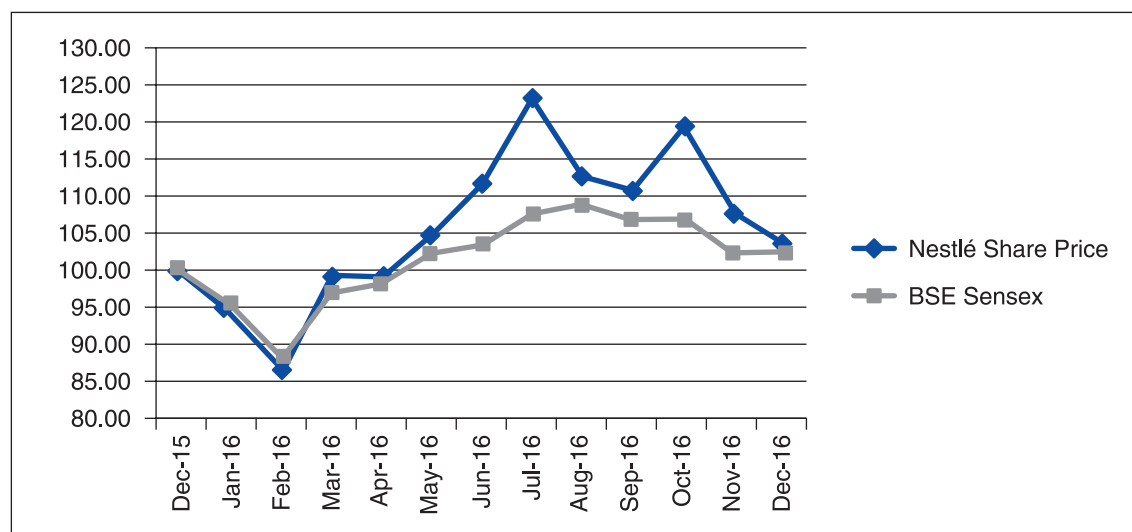
[Source: [www.bseindia.com](http://www.bseindia.com)]

The Company had paid Annual Listing Fees for the Financial Year 2016-17.

## Performance in comparison to BSE Sensex

(Closing value of Nestlé share price vs BSE Sensex on the last trading day of the month)

Base is considered to be 100 as at 31<sup>st</sup> December, 2015



[Source: [www.bseindia.com](http://www.bseindia.com)]

## Registrar and Share Transfer Agents

M/s. Alankit Assignments Limited, 1E/13, Jhandewalan Extension, New Delhi -110 055.

## Share Transfer System

Share transfers are registered and returned in the normal course within a period of 15 days from the date of receipt. 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 the statutory time limit from the date of receipt of share certificates provided the documents are complete in all respects.

## Shareholding Pattern as on 31<sup>st</sup> December, 2016

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>		
Mutual Funds	1,532,818	1.59
Foreign Portfolio Investor	12,798,528	13.27
Financial Institutions/ Banks	170,813	0.18
Insurance Companies	4,707,578	4.88
Central Government/State Government(s)	104,512	0.11
Individuals	13,503,636	14.01
NBFCs	9,222	0.01
Any Other		
- Bodies Corporate	2,445,822	2.54
- Overseas Corporate Body	500	0.00
- NRIs	626,565	0.65
- Trust	633	0.00
- Foreign Nationals	10	0.00
<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, 2016

No. of Shares	Number of Shareholders	Number of Shares	Percent of total Shares
1 to 500	73,389	3,820,664	3.96
501 to 1,000	2,381	1,726,712	1.79
1,001 to 2,000	1,032	1,471,643	1.53
2,001 to 3,000	353	878,755	0.91
3,001 to 4,000	158	553,444	0.57
4,001 to 5,000	116	526,017	0.55
5,001 to 10,000	250	1,745,111	1.81
10,001 and above	345	85,693,370	88.88
<b>Total</b>	<b>78,024</b>	<b>96,415,716</b>	<b>100.00</b>

## Dematerialisation of shares

98.45% equity shares of the Company have been dematerialised as on 31<sup>st</sup> December, 2016.

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

Not applicable.

**Commodity price risk or foreign exchange risk and hedging activities:** During the year 2016, the Company had managed the foreign exchange risk and hedged to the extent considered necessary. The Company enters into forward contracts for hedging foreign exchange exposures against exports and imports. The details of foreign currency exposure are disclosed in Note No. 47 to the Annual Financial Statements.

## Plant Locations

The Company's plants are located at Moga, Samalkha, Nanjangud, Choladi, Ponda, Bicholim, Pantnagar and Tahliwal.

## Address for correspondence

Shareholder Services, M – 5A, Connaught Circus, New Delhi – 110 001. Phone No.: 011-23418891, Fax. No.:011-23415130

**E-mail for investors:** investor@in.nestle.com

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

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

## MANAGEMENT DISCUSSION AND ANALYSIS REPORT

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

Industry structure and developments, segment wise or product-wise performance, outlook, risks and opportunities 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 State of Company's Affairs and Management Analysis, Exports, Business Development of the Company.

The Company has an adequate system of internal controls to ensure that 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 *inter alia* 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 Regulation 17(8) of the Listing Regulations.

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, 2016 was 7,588.

## DISCLOSURES

During the year 2016, 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. 40 to the Annual Financial Statements. The Company has formulated a policy on materiality of Related Party Transactions and also on dealing with Related Party Transactions. The said policy is also available on the website of the Company (web link <https://www.nestle.in/investors/policies>).

The equity shares of the Company are listed on BSE 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 standard of behaviour of Nestlé India is governed by significant documents "The Nestlé Corporate Business Principles", "The Nestlé Management and Leadership Principles" and "Nestlé India Code of Business Conduct". Employees can report to the Company Secretary, on a confidential basis, any practices or actions believed to be inappropriate or illegal under Nestlé India Code of Business Conduct ("the Code"). The Code provides for adequate safeguards against victimisation of Director(s)/Employee(s) who avail of the mechanism and also provides for direct access to the Chairman of the Audit Committee in exceptional cases. It is affirmed that no person has been denied access to the Audit Committee. As an additional facility to all the Directors and Employees of the Company, the Company under the Code provides Integrity Reporting System, an independent third party operated free phone and web based facility for the directors and employees of the Company across all locations. The Company also provides an independent third party operated free phone and web based facility, "Tell us", to all internal and external stakeholders with a dedicated communication channel for reporting potential instances of non-compliance with Nestlé Corporate Business Principles.

Further, the Company has appointed Ombudsman for Infant Code, under which employees can report Infant Code violations directly to the Ombudsman, with adequate safeguard to protect the employee reporting.

The Company has complied with all the mandatory requirements specified in Regulations 17 to 27 and clauses (b) to (i) of sub – regulation (2) of Regulation 46 of the Listing Regulations.

This Corporate Governance Report of the Company for the year 2016 or as on 31<sup>st</sup> December, 2016 are in compliance with the requirements of SEBI as per Listing Regulations.



The status of adoption of the non-mandatory requirements as specified in sub – regulation 1 of Regulation 27 of the Listing Regulations are as follows:

**(a) The Board:** The Chairman of the Company is Executive Chairman; **(b) Shareholder Rights:** Half-yearly and other quarterly financial statements are published in newspapers, uploaded on Company’s website www.nestle.in and sent in soft copy to members who have registered their email address with the Company; **(c) Modified opinion(s) in audit report:** The Company already has a regime of un-qualified financial statements. Auditors have raised no qualification on the financial statements; **(d) Separate posts of Chairperson and CEO:** Mr. Suresh Narayanan is the Chairman and Managing Director of the Company; and **(e) Reporting of Internal Auditor:** The Chief Internal Auditor of the Company reports to the Director – Finance and Control & CFO and has direct access to the Audit Committee.

On behalf of the Board of Directors

Date : 15<sup>th</sup> February, 2017

Place : Gurgaon

Suresh Narayanan  
Chairman and Managing Director

### INDEPENDENT AUDITORS’ CERTIFICATE

#### TO THE MEMBERS OF NESTLÉ INDIA LIMITED

1. We have examined the compliance of conditions of Corporate Governance by **NESTLÉ INDIA LIMITED** (“the Company”), for the year ended on December 31, 2016, as stipulated in Regulations 17 to 27 and clauses (b) to (i) of regulation 46(2) and para C, D and E of Schedule V of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“Listing Regulations”).
2. The compliance of conditions of Corporate Governance is the responsibility of the Management. Our examination was limited to the procedures and implementation thereof, adopted by the Company for ensuring compliance with the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.
3. We have examined the relevant records of the Company in accordance with the Generally Accepted Auditing Standards in India, to the extent relevant, and as per the Guidance Note on Certification of Corporate Governance issued by the Institute of the Chartered Accountants of India.
4. We conducted our examination of the Statement in accordance with the Guidance Note on Reports or Certificates for Special Purposes issued by the Institute of Chartered Accountants of India (ICAI) and Standards on Auditing issued by the Institute of Chartered Accountants of India. The Guidance Note requires that we comply with the ethical requirements of the Code of Ethics issued by the ICAI.
5. We have complied with the relevant applicable requirements of the Standard on Quality Control (SQC) 1, Quality Control for Firms that Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements.
6. In our opinion and to the best of our information and according to our examination of the relevant records and the explanations given to us and the representations made by the Directors and the Management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in regulation 17 to 27 and clauses (b) to (i) of regulation 46(2) and para C, D and E of Schedule V of the Listing Regulations during the year ended December 31, 2016.

#### Restriction on Use

7. This certificate has been issued on the request of the Company pursuant to regulations as stipulated in the Listing Regulations and is not intended to be used for any other purpose. Accordingly, we 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  
(Firm’s Registration No. 112066W)

**Manjula Banerji**  
(Partner)  
Membership No. 86423

NEW DELHI, February 15, 2017

## ANNEXURE - 2 TO THE BOARD'S REPORT REMUNERATION POLICY

This Remuneration Policy relating to remuneration for the directors, key managerial personnel and other employees, has been formulated by the Nomination and Remuneration Committee (hereinafter "Committee") and approved by the Board of Directors.

### OBJECTIVES:

The objectives of this policy is to stipulate criteria for:

- Appointment, reappointment, removal of Directors, KMPs and Senior Management.
- Determining qualifications, positive attributes and independence of a director and recommend to the Board.
- Retain, motivate and promote talent and to ensure long term sustainability of talented managerial persons and create competitive advantage to run the operations of the Company successfully.
- Consider and determine the remuneration, based on the fundamental principles of payment for performance, for potential, and for growth.

### CRITERIA FOR APPOINTMENT

The appointment shall be based on the followings criteria:

- Ethical standards of integrity and probity, qualification, expertise and experience of the person for appointment
- Age, number of years of service, specialized expertise and period of employment or association with the Company
- Special achievements and operational efficiency which contributed to growth in business in the relevant functional area
- Constructive and active participation in the affairs of the Company
- Exercising the responsibilities in a bonafide manner in the interest of the Company
- Sufficient devotion of time to the assigned tasks
- Diversity of the Board
- Demonstrable leadership qualities and interpersonal communication skills, devote to the role, compliant with the rules, policies and values of the Company and does not have any conflicts of interest.
- Transparent, unbiased and impartial and in accordance with appropriate levels of confidentiality.
- Appointment of Directors and KMPs in compliance with the procedure laid down under the provisions of the Companies Act, 2013, rules made thereunder or any other enactment for the time being in force

### CRITERIA FOR REMUNERATION

The Remuneration Policy reflects on certain guiding principles of the Company such as aligning remuneration with the longer term interests of the Company and its shareholders, promoting a culture of meritocracy and creating a linkage to corporate and individual performance, and emphasizing on line expertise and market competitiveness so as to attract the best talent. It also ensures the effective recognition of performance and encourages a focus on achieving superior operational results.

The level and composition of remuneration shall be reasonable and sufficient to attract, retain and motivate the directors, key managerial personnel and other employees of the quality required to run the Company successfully. The relationship of remuneration to performance should be clear and meet appropriate performance benchmarks. The remuneration to directors, key managerial personnel and senior management personnel should also involve a balance between fixed and incentive pay reflecting short and long term performance objectives appropriate to the working of the Company and its goals.

The remuneration of the Non-Executive Directors shall be based on their contributions and current trends, subject to regulatory limits. Sitting fees is paid for attending each meeting(s) of the Board and Committees thereof. Additionally equal amount of commission is paid to Non-executive directors on a pro-rata basis, within limits approved by shareholders.

On behalf of the Board of Directors

Date : 15<sup>th</sup> February, 2017  
Place : Gurgaon

Suresh Narayanan  
Chairman and Managing Director

## ANNEXURE - 3 TO THE BOARD'S REPORT

### ANNUAL REPORT ON CORPORATE SOCIAL RESPONSIBILITY (CSR) ACTIVITIES

1. A brief outline of the Company's CSR policy, including overview of projects or programs proposed to be undertaken and a reference to the web-link to the CSR policy and projects or programs.

The Company aims to enhance lives with science-based nutrition and health solutions for all stages of life, helping people care for themselves and their families and is committed to enabling people improve their nutrition, health and wellness. In addition to nutrition, the Company focuses on water as water scarcity is a serious issue in India and the cornerstone for food security. The Company also focuses on rural development for the overall well-being of farmers, rural communities, small entrepreneurs and suppliers. The Company actively manages its commitments to environmental and social sustainability, for sustainable growth and development of the community.

The Company continues to engage with stakeholders including communities, civil society, expert organisations and the Government and would take up such other CSR activities in line with Government's intent and which are important for society. The above areas are mapped with the activities as prescribed in Schedule VII to the Companies Act, 2013 in the Annexure.

The CSR Policy of the Company is available on the Company's website (<http://www.nestle.in/investors/policies>). While the focus of CSR efforts will be in the areas around Company operations, the Company may also undertake projects where societal needs are high or in special situations (such as in the case of natural disasters etc.).

2. The Composition of the CSR Committee

- Dr. Swati Ajay Piramal – Chairperson
- Mr. Suresh Narayanan – Member
- Mr. Ravinder Narain – Member

3. Average net profit of the Company for last three financial years: ₹ 14,165.6 million

4. Prescribed CSR Expenditure (two per cent of the amount as in item 3 above): ₹ 283.3 million

5. Details of CSR spent during the year 2016.

- Total amount to be spent for the year 2016: ₹ 312.2 million including ₹ 28.9 million as part of 2015 CSR expenditure.
- Amount unspent, if any: Not Applicable
- Manner in which the amount spent during the financial year is detailed below:

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Sl. No	CSR project or activity identified	Sector in which the Project is covered	Projects or programs (1) Local area or other (2) Specify the State or district where the Projects or programs was undertaken	Amount outlay (budget) Project or program wise (₹ in million)	Amount outlay (budget) Project or program wise (₹ in million)	Cumulative expenditure up to the reporting period (₹ in million)	Amount spent: Direct or through implementing Agency
1	Nestlé Healthy Kids Programme	(i)	Punjab, Himachal Pradesh, Uttarakhand, Haryana, Goa, Karnataka, Tamil Nadu, Delhi, Maharashtra, Andhra Pradesh	72.6	(a) 5.4 (b) 67.2	72.6	(a) Punjab Agriculture University, G.B. Pant University, CSK Himachal Pradesh Agricultural University, National Dairy Research Institute, Goa College of Home Science, University of Agriculture Sciences, Bangalore, Nanhi Kali (b) Magic Bus India Foundation
2	Jagriti	(i)	Delhi, Rajasthan, Punjab, Uttar Pradesh, Bihar, Karnataka, Maharashtra	73.8	73.8	73.8	MAMTA Health Institute for Mother and Child

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Sl. No	CSR project or activity identified	Sector in which the Project is covered	Projects or programs (1) Local area or other (2) Specify the State or district where the Projects or programs was undertaken	Amount outlay (budget) Project or program wise (₹ in million)	Amount outlay (budget) Project or program wise (₹ in million)	Cumulative expenditure up to the reporting period (₹ in million)	Amount spent: Direct or through implementing Agency
3	Clean drinking water projects and water awareness programme	(i)+(iv)	Punjab, Himachal Pradesh, Haryana, Goa, Karnataka, Tamil Nadu	53.0	(a) 14.7 (b) 38.5	53.2	(a) Direct (b) Enable Health Society
4	Sanitation projects	(i)	Punjab, Himachal Pradesh, Uttarakhand, Haryana, Goa, Karnataka, Tamil Nadu, Maharashtra	18.0	17.8	17.8	Direct
5	Water conservation in agriculture	(i)	Karnataka	6.5	6.5	6.5	AgSri Agricultural Services Private Limited
6	Livelihood enhancement for street food vendors	(ii)	Goa	3.1	3.1	3.1	Nidan and National Association of Street Vendors of India (NASVI)
7	Educate the girl child	(ii)	All India	65.5	65.7	65.7	Direct
8	Cancer detection and treatment	(i)	Maharashtra	1.0	1.0	1.0	Indian Cancer Society
9	Relief efforts	(viii)	Bihar, Assam	5.2	(a) 5.0 (b) 0.2	5.2	(a) Indian Red Cross Society (b) Ratna Nidhi Charitable Trust

The amount indicated in column (6) and (7) above is the expenditure on projects or programs. There are overheads of ₹ 14.7 million, and the total expenditure including overheads is ₹ 313.6 million. CSR programmes are detailed under Point 7.

**6. In case the Company has failed to spend the two per cent of the average net profit of the last three financial years or any part thereof, the Company shall provide the reasons for not spending the amount in its Board report.**

Not Applicable.

**7. Details of CSR programmes**

**7.1 Nestlé Healthy Kids Programme**

Malnutrition rates in India are dismal, with one in three of the world's malnourished children living in India. Undernourished children have lower resistance to infection and are more likely to die from common childhood ailments. Adolescents make up one fifth of the population in India and many health problems later in life can be avoided by adopting healthy lifestyle habits during adolescence. Adolescents experience dramatic physical growth and development during puberty, which in turn increases their requirements for nutritious food. Inadequate diets and poor health affect adolescents' ability to learn and work at maximum productivity.

The Nestlé Healthy Kids Programme has been developed with a focus to raise nutrition, health and wellness awareness of school age children. The unbranded programme has been conducted since 2009, in village schools around the Company's manufacturing facilities with the objective of raising awareness regarding good nutritional and cooking practices, good hygiene and promoting physical fitness.

The programme is conducted in partnership with six leading regional Universities through the Department of Home Science and Food Science. The Universities collect information on the nutrition status of the region and local food habits through their extension activities and the programme content is developed jointly with Nestlé India nutritionists. Each student receives over twelve hours of nutrition training and pre and post programme behavioural and knowledge tests are conducted to measure the effectiveness of learning and implementation.

The Company joined hands with the NGO Magic Bus India Foundation, one of India's largest behaviour change organisations, to extend its commitment to promote healthier lifestyles through the 'sports for development' model. Children are engaged in interactive sessions in which they receive nutrition and health knowledge and are encouraged to play regularly. The year-long programme, designed with 32 sessions for each child, ran across Delhi, Mumbai, Chennai, Bangalore, Vishakhapatnam, Hyderabad, Mysore and Guwahati in 2016.

The Nestlé Healthy Kids Programme has reached out to over 184,000 adolescents encouraging them to live healthier lives.

## 7.2 Jagriti

India is faced with an unparalleled child survival and health challenge. Malnutrition is an underlying cause of 2.6 million child deaths each year. Millions others survive, but suffer lifelong physical and cognitive impairments because they do not get the nutrients needed early in life. When children start their lives malnourished, the negative effects are largely irreversible as pregnancy and infancy are the most important periods for brain development. It is therefore important to intervene in the community to change the dynamics that create the barriers to development for children and mothers.

The Company rolled out Project Jagriti in partnership with the Mamta Health Institute for Mother and Child as part of its commitment to provide education programmes for good nutrition and feeding practices, improving nutrition and health at key life stages – adolescence to caregivers.

The programme started with a pilot in Delhi, reaching out to over 100,000 people living in slum conditions to educate and encourage community support for good nutrition and breastfeeding practices. It focused on creating peer mentor support groups for counselling on good nutrition for pregnant and lactating women, encouraging the early initiation of breastfeeding, exclusive breastfeeding, improving breastfeeding practices and encouraging the uptake of public health services. The approach involved the health care system and stakeholders from the community to create an enabling environment for the best health outcomes.

In 2016, the project was extended across 15 districts in 7 states and 1 union territory (Rajasthan, Karnataka, Maharashtra, Chandigarh, Delhi, Odisha, Uttar Pradesh and Bihar) with a goal to accelerate the uptake of health services by improving continuum of care on health, nutrition and hygiene practices amongst adolescents, young couples and caregivers. The project aims to reach out to 1.6 million beneficiaries over the next 3 years.

## 7.3 Clean Drinking Water Projects and Water Awareness Programme

Although India has made progress in the supply of safe drinking water, there still exist huge disparities across urban and rural geographies. The World Health Organisation estimates that, about 38 million people in India are affected by waterborne diseases each year of which, over 75% are children. 780,000 deaths are attributable to contaminated water and more than 400,000 can be attributed to diarrhoea alone.

To help improve access to safe drinking water, the Company began constructing clean drinking water facilities in schools around all its factories in 1999. Till date, the Company has constructed over 244 water tanks across six states in India benefitting more than 127,500 students. The water tanks source water from deep below ground level and the sourced water is stored in hygienic tanks enclosed in a specially designed facilities to preserve the quality of the water. The Company also conducts periodic water quality checks to ensure safe drinking water, while involving the school and surrounding community through joint ownership of the water tanks, which helps to establish better upkeep and maintenance of the tanks. For locations where groundwater does not meet quality standards, the Company has partnered with the NGO Enable Health Society, to provide drinking water treatment plants. The Company conducts Water Awareness Programmes aimed at ensuring hygienic and sustainable water use, reaching out to over 92,500 students.

In 2016, the Company partnered with the Department of Medical and Health, Government of Rajasthan to offer access to clean drinking water at 10 Public Health Centres where the company provides clean drinking water through its NGO partner, Enable Health Society as a part of the Adarsh Public Health Center Yojna established by the Government.

## 7.4 Sanitation Facilities

India continues to face the issues of poor sanitation, which, exacerbated by lack of basic hygiene and sanitation facilities, aggravates the problem of water contamination. With only 40% of India's population with access to improved sanitation as of 2015, according to The World Bank, it continues to pose significant health risks. Sanitation is an issue that affects everyone but women are often the most vulnerable, it affects their attendance in school and often leaves them at risk of sanitation borne diseases.

In order to ensure availability of basic sanitation facilities, the Company has been sponsoring the construction of sanitation facilities (toilets) for girl students in village schools across all its factory locations. Through this initiative, the Company endeavours to eliminate what is considered the major cause of dropouts among girl students in village schools. In 2016, the Company has set up sanitation facilities in government schools in Mumbai, Kolkata and Chennai, in addition to factory locations. Till date the Company has set up over 300 facilities benefitting more than 111,000 girl students.



## 7.5 Water Conservation in Agriculture

India is facing a severe water crisis with the availability of potable water and ground water drastically decreasing over the years. According to the 2030 Water Resource Group, by 2030, 40 percent of the total population in the country will not have drinking water if the situation remains as is. The agricultural sector remains the largest user of the India's fresh water, responsible for about 70% of water consumption.

The Company launched a water stewardship initiative with AgSRI at the Kabini river Basin in Karnataka. Over the years, the water demand in the catchment has been increasing, leading to inadequate supply. The Company commissioned a study to understand the current water management and implement applicable water interventions. The study found that river water discharges would continue to deplete while the competing requirements for drinking water and irrigation increase. As agriculture is the largest user of water from the catchment, the Company is working with AgSRI to implement pilot projects promoting the System of Rice Intensification and the Sustainable Sugarcane Initiative. The project aims to set up demonstration farms and train farmers on ecologically sustainable practices to reduce the agricultural water withdrawal from the catchment area, while improving agricultural productivity.

## 7.6 Training for Street Vendors

Food safety is a serious public health concern in India. Based on the World Health Organisation's report on estimates of the global burden of foodborne diseases, disabilities due to food borne diarrhoeal diseases is the highest contributor in the South East Asia region which includes India.

The Company joined hands with the Food and Drugs Administration (FDA), Goa and National Association of Street Food Vendors of India (NASVI) to train over 1,000 street vendors in Goa in 2016. The initiative was adopted by the Goa FDA as part of the Food Safety and Standards Authority of India's 10@10 implementation in the State as "Project Serve Safe Food@Street Food". The trainings of street vendors included subjects such as health, hygiene, food handling, food safety, garbage disposal and entrepreneurship and participants were awarded with training kits and a certificates at the end of the training.

While street food vending is an important source of informal employment for a large number of population, a variety of constraints including lack of knowledge and skills in business, limited training opportunities, and restricted mobility prevent street vendors from improving their capacities. The programme aims to help them improve their income, sustain their livelihoods and enter into strategic employment opportunities in new market conditions.

## 7.7 Educate The Girl Child

20 million girls drop out of school every year in India and of all children that remain out of school, 53% per cent are girls. The Company partnered with the Nanhi Kali Project, one of the largest activist programmes imparting education to underprivileged girl children across India by pledging its commitment and support to alleviate the number of girl children being denied access to education. The Company launched a country wide awareness campaign about the urgency of this cause, supported the education of girls through Nanhi Kali and provided nutrition awareness training as part of the programme.

## 7.8 Cancer Detection and Treatment

As part of its commitment to promoting healthy lifestyles by promoting healthcare, the Company partnered with the Indian Cancer Society to conduct specialised checks and routine health checks for men and women in the suburban localities of Mumbai, Maharashtra.

## 7.9 Relief Efforts

The Company responded to natural disasters in Assam and Bihar by supporting relief operations. As part of the efforts, the Company supplied packaged food and beverages, including milk, coffee and instant noodles to the people affected.

## 8. CSR Committee Responsibility Statement

The CSR Committee confirms that the implementation and monitoring of the CSR activities of the Company is in compliance with the CSR objectives and the CSR Policy of the Company.

On behalf of the Board of Directors

Date : 15<sup>th</sup> February, 2017  
Place : Gurgaon

Dr. Swati Piramal  
Chairperson – Corporate Social  
Responsibility Committee

Suresh Narayanan  
Chairman and Managing Director

## ANNEXURE - 4 TO THE BOARD'S REPORT

### Business Responsibility Report

#### SECTION A: GENERAL INFORMATION ABOUT THE COMPANY

Sr. No.	Particulars	Details	
1.	Corporate Identity Number (CIN) of the Company	L15202DL1959PLC003786	
2.	Name of the Company	NESTLÉ INDIA LIMITED	
3.	Registered address	M-5A CONNAUGHT CIRCUS, NEW DELHI-110001	
4.	Website	<a href="http://www.nestle.in">www.nestle.in</a>	
5.	E-mail id	<a href="mailto:investor@in.nestle.com">investor@in.nestle.com</a>	
6.	Financial Year reported	31-12-2016	
7.	Sector(s) that the Company is engaged in (industrial activity code-wise):	Food Processing Industry (covered under various codes as specified under NIC 1987 covering food products)	
8.	List three key products/services that the Company manufactures/provides (as in balance sheet)	Product	ITC Code
		1. Milk Products and Nutrition	0402,1901
		2. Prepared Dishes and Cooking	1902,2103
		3. Beverages	2101
9.	Total number of locations where business activity is undertaken by the Company	Please also refer to Corporate Information page of the Annual Report 2016	
	(a) Number of International Locations (Provide details of major 5)	Exports to Turkey, Bangladesh, Nepal, Bhutan and UAE	
	(b) Number of National Locations	8 manufacturing locations, 4 sales branches, head office and nationwide sales and distribution network	
10.	Markets served by the Company: Local/ State/ National/ International	All India and over 35 international markets	

#### SECTION B: FINANCIAL DETAILS OF THE COMPANY

Sr. No.	Particulars	Details
1.	Paid up Capital (INR)	₹ 964.2 Million
2.	Total Turnover (INR)	₹ 91,592.8 Million
3.	Total profit after taxes (INR)	₹ 9,265.4 Million
4.	Total Spending on Corporate Social Responsibility (CSR) as percentage of profit after tax (%)	Total spending on CSR is 2.21% of average profit after tax of the past 3 years. This includes 0.20% (₹ 28.9 million) as part of the 2015 CSR, and is detailed in the Annual Report of CSR Activities, ANNEXURE – 3 to the Board's Report. In addition to the above, the Company also spends about 2.15% (based on broad estimates) on Creating Shared Value (CSV) as a percentage of average profit after tax of the last 3 years, the details of which are provided herein.
5.	List of activities in which expenditure in 4 above has been incurred	List of CSR activities is detailed in the Annual Report of CSR Activities, ANNEXURE – 3 to the Board's Report. 1. Nutrition Awareness 2. Rural Development Initiatives 3. Dissemination of Scientific and Nutrition Knowledge

## SECTION C: OTHER DETAILS

Sr. No.	Particulars	Details
1.	Does the Company have any Subsidiary Company/ Companies?	No
2.	Do the Subsidiary Company/Companies participate in the BR Initiatives of the parent Company? If yes, then indicate the number of such subsidiary Company(s).	Not Applicable
3.	Do any other entity/entities (e.g. suppliers, distributors etc.) that the Company does business with, participate in the BR initiatives of the Company? If yes, then indicate the percentage of such entity/entities? [Less than 30%, 30-60%, More than 60%].	The Company participates in the BR initiatives with the participating stakeholders such as farmers, suppliers and distributors. While it is difficult to estimate the percentage, the Company endeavours to participate in BR initiatives of such entities to the maximum extent possible.

## SECTION D: BR INFORMATION

Sr. No.	Particulars	Details									
1.	Details of Director/Directors responsible for BR										
	(a)	Details of the Director/Director responsible for implementation of the BR policy/policies	DIN Number	06546858							
			Name	Mr. Aristides Protonotarios							
			Designation	Director-Technical							
	(b)	Details of the BR head	DIN Number (if applicable)	Not Applicable							
			Name	Mr. Sanjay Khajuria							
			Designation	Senior Vice President - Corporate Affairs							
			Telephone number	+91-124-3940000							
			e-mail id	creatingsharedvalue.in@in.nestle.com							
2.	Principle-wise (as per NVGs) BR Policy/policies (Reply in Y/N)										
	No.	Questions	P1	P2	P3	P4	P5	P6	P7	P8	P9
	1.	Do you have a policy/ policies for...	Y	Y	Y	Y	Y	Y	Y	Y	Y
	2.	Has the policy being formulated in consultation with the relevant stakeholders?	Y	Y	Y	Y	Y	Y	Y	Y	Y
	3.	Does the policy conform to any national/ international standards? If yes, specify? @	Y	Y	Y	Y	Y	Y	Y	Y	Y
	4.	Has the policy being approved by the Board? Is yes, has it been signed by MD/Owner/CEO/appropriate Board Director?	Y	Y	Y	Y	Y	Y	Y	Y	Y
	5.	Does the Company have a specified committee of the Board/ Director/ Official to oversee the implementation of the policy?	Y	Y	Y	Y	Y	Y	Y	Y	Y
	6.	Indicate the link for the policy to be viewed online?	Y	Y	Y	Y	Y	Y	Y	Y	Y
	7.	Has the policy been formally communicated to all relevant internal and external stakeholders?	Y	Y	Y	Y	Y	Y	Y	Y	Y
	8.	Does the Company have in-house structure to implement the policy/ policies	Y	Y	Y	Y	Y	Y	Y	Y	Y
	9.	Does the Company have a grievance redressal mechanism related to the policy/ policies to address stakeholders' grievances related to the policy/ policies?	Y	Y	Y	Y	Y	Y	Y	Y	Y
	10.	Has the Company carried out independent audit/ evaluation of the working of this policy by an internal or external agency?	N	N	N	N	N	N	N	N	N
	(a)	If answer to the question at serial number 1 against any principle, is 'No', please explain why: (Tick up to 2 options)									Not Applicable
3.	Governance related to BR										
	(a)	Indicate the frequency with which the Board of Directors, Committee of the Board or CEO to assess the BR performance of the Company.	The Board/Committee will review the BR performance at least annually.								
	(b)	Does the Company publish a BR or a Sustainability Report? What is the hyperlink for viewing this report? How frequently it is published?	Yes, the BRR 2016 is part of the Annual Report, which is available on the website of the Company. It is available at: <a href="https://www.nestle.in/investors/stockandfinancials/annualreports">https://www.nestle.in/investors/stockandfinancials/annualreports</a> and is published annually.								

## SECTION E: PRINCIPLE-WISE PERFORMANCE

### Principle 1: Ethics, Transparency and Accountability

1. **Does the policy relating to ethics, bribery and corruption cover only the Company? Yes/ No. Does it extend to the Group/Joint Ventures/ Suppliers/Contractors/NGOs /Others?**

The Nestlé India Code of Business Conduct includes the Company's policy on ethics, bribery and corruption covering the Company and all its vendors, contractors and associates. Other significant documents from the Nestlé Group, which define the standard of behaviour of the Company, are Nestlé Corporate Business Principles, Nestlé Management and Leadership Principles and the Nestlé Supplier Code.

2. **How many stakeholder complaints have been received in the past financial year and what percentage was satisfactorily resolved by the management? If so, provide details thereof, in about 50 words or so.**

During the year, 11 complaints were received from shareholders and investors. All complaints have been resolved to the satisfaction of the complainants and no investor complaint was pending at the end of the year.

### Principle 2: Product Life Cycle Sustainability

1. **List up to 3 of your products or services whose design has incorporated social or environmental concerns, risks and/or opportunities.**

The Company has a legacy of providing consumers with high quality products under four major categories - Milk Products and Nutrition, Beverages, Prepared Dishes and Cooking Aids, Chocolates and Confectionary. The Company has a range of Popularly Positioned Products (PPP) fortified with micronutrients which provide nutritional value at an affordable cost. These include the following among others:

- MAGGI Masala-ae-Magic Seasoning mix: Each serving of 2 grams provides 15% of the daily requirement\* for Vitamin A, Iron and Iodine {\*RDA for Adult Sedentary Male as per Nutrient requirement and recommended daily allowance for Indians, ICMR 2010}.
- NESTLÉ a+ GREKYO: Greek style yogurt is a healthy snack option providing high protein and 30% of the daily requirement\* for calcium per serve {\*RDA for Adult Sedentary Male as per Nutrient requirement and recommended daily allowance for Indians, ICMR 2010}.
- NESTLÉ a+ Pro-Grow Milk: This product caters to children providing the benefit of 20% more milk protein along with the goodness of calcium.
- NESTLÉ CEREGROW: A nutritious and tasty junior cereal for children between the ages of 2-5 years, packed with the nourishment of multigrain cereal, milk and fruits
- MAGGI Vegetable Atta Noodles: Provides the goodness of vegetables and wheat grain that are a source of fibre. Each serve (80g) provides dietary fibre equal to 3 rotis.
- MAGGI Oat Noodles: Provides the goodness of real vegetables and wholegrain oats that are a source of fibre. Each serve (73g) provides fibre equal to 1 bowl of oats.

2. **For each such product, provide the following details in respect of resource use (energy, water, raw material etc.) per unit of product (optional):**

- (a) **Reduction during sourcing/production/ distribution achieved since the previous year throughout the value chain? and (b) Reduction during usage by consumers (energy, water) has been achieved since the previous year?**

The Company follows a series of Environmental Performance Indicators to monitor its efforts for sustainable use of natural resources in manufacturing. The Company is committed to conservation and optimal utilisation of all resources, reducing waste to zero and full recovery of unavoidable by-products.

During the last 15 years, for every tonne of production, the Company has reduced the usage of energy by around 47%, reduced water usage by around 53%, reduced the generation of greenhouse gases by around 55% and the generation of waste water by around 55%.

**3. Does the Company have procedures in place for sustainable sourcing (including transportation)? If yes, what percentage of your inputs was sourced sustainably? Also, provide details thereof, in about 50 words or so.**

The Company chooses its suppliers through strictly laid out procedures and engages with them according to the non-negotiable minimum standards described in the Nestlé Supplier Code. These requirements of Business Integrity, Human Rights (labour standards), Health and Safety and Sustainable environmental standards in their business activities, production processes, services provision and their own purchasing procedures, as enshrined in the Nestlé Supplier Code, and apply to all suppliers and their sub-tier suppliers.

**4. Has the Company taken any steps to procure goods and services from local and small producers, including communities surrounding their place of work? If yes, what steps have been taken to improve their capacity and capability of local and small vendors?**

The Company works with farmer communities to ensure sustainable production in the long-term. During 2016, the Company spent about 88.4% of its total raw material procurement and packaging expenditure on indigenous products. The Company touches the lives of over 200,000 farmers, and practises a strong preference for local procurement of raw materials. In addition to collecting milk and implementing the Nestlé milk district model successfully to ensure a stable livelihood for local dairy farmers, the Company supports the development of milk farmers by assisting them to increase milk productivity and quality through technical assistance, providing veterinary services, subsidised medicines and promotion of sustainable agricultural practices.

As part of The NESCAFÉ Plan, the Company trains coffee farmers to develop their agricultural practices in terms of quality, productivity and sustainability while supporting them in obtaining 4C (Common Code for the Coffee Community) certification for better coffee prices.

The Company has a dedicated supplier development team that works through the Nestlé – Farmer – Supplier model to create sustainable local sourcing. The team's objectives include less reliance on imports, supporting sustainable quality and creating a wider, more flexible supply base. In 2016, the Company supported more than 32 suppliers through technical assistance, added 8 new suppliers/ supplier locations and localised 8 raw materials. The team also works on developing local vendors through technical assistance to meet the desired quality/ regulatory norms for supply to other Nestlé markets.

**5. Does the Company have a mechanism to recycle products and waste? If yes what is the percentage of recycling of products and waste (separately as <5%, 5-10%, >10%)? Also, provide details thereof, in about 50 words or so.**

To demonstrate the Company's commitment towards reduction of environmental footprint of its packaging materials, the Company incorporates labelling as per the Nestlé Policy on Environmental Sustainability and its guidelines on Packaging and Design, IS 14534:1998 (Guidelines for Recycling Plastics) and Plastic Waste (Management and Handling) Rules, 2011. The Company's labelling includes identification of the type of material so as to determine recyclability, anti-litter and recycle logos on products to remind consumers to dispose in a safe and environment friendly way. During 2016, the Company used approximately 35% (by value) of recycled material in packaging and reduced around 800 tonnes of packaging material through packaging optimisation.

As per the Nestlé Policy on Environmental Sustainability, the Company focuses on the 3R's:

- **REDUCE:** Since 1991, the Company has been committed to optimise packaging by volume and weight globally. In 2016 alone, the Company reduced packaging material weight by around 800 tonnes.
- **RECYCLE:** The Company encourages the use of recycled material where ever applicable, and ensures that all packaging material waste from its manufacturing facilities is sent to approved recycling agents for further processing.
- **RECOVER:** The Company supports initiatives to recycle and recover used packaging. In 2014, the Company installed a pilot plant "Gasolyser" at its manufacturing facility in Tahilwal which converts laminate waste to fuel. The Company is also exploring how to create shared responsibility between industries and authorities to find a long term solution to plastic waste management.



### Principle 3: Employee Wellbeing

Sr. No.	Particulars	Details
1.	Please indicate the Total number of employees	7,588
2.	Please indicate the Total number of employees hired on temporary/contractual/casual basis	6,990
3.	Please indicate the Number of permanent women employees	585
4.	Please indicate the Number of permanent employees with disabilities	None of the permanent employees are differently abled
5.	Do you have an employee association that is recognised by management	Yes, there are unions representing permanent blue collar employees at 7 factory locations of the Company.
6.	What percentages of your permanent employees are members of this recognised employee association?	50.49%
7.	Please indicate the Number of complaints relating to child labour, forced labour, involuntary labour, sexual harassment in the last financial year and pending, as on the end of the financial year.	No complaints relating to child labour, forced labour, involuntary labour, sexual harassment are pending as of end 2016
8.	What percentage of your under mentioned employees were given safety and skill up-gradation training in the last year?	
	(a) Permanent Employees	84.46%
	(b) Permanent Women Employees	76.88%
	(c) Casual/Temporary/Contractual Employees	100% receive training as part of their induction
	(d) Employees with Disabilities	None of the permanent employees are differently abled

### Principle 4: Stakeholder Engagement

#### 1. Has the Company mapped its internal and external stakeholders?

Yes, as a result of regular and extensive stakeholder engagement over 100 years, the Company's business operations have evolved, balancing business priorities and responsibility towards economic, environmental and social sustainability. The Company builds trust through productive relationships, fosters working partnerships and considers stakeholders both internal and external as integral to its business.

#### 2. Out of the above, has the Company identified the disadvantaged, vulnerable & marginalized stakeholders?

Yes.

#### 3. Are there any special initiatives taken by the Company to engage with the disadvantaged, vulnerable and marginalized stakeholders.

The Company engages with over 100,000 milk and 2,200 coffee farmers, among others, through farmer trainings to increase efficiency in productivity and quality, optimise costs and improve social and environmental impact thereby ensuring agriculture remains an attractive place to live, work and invest in, for generations to come. In 2016, the Company also engaged with 4,000 women dairy farmers empowering village women engaged in dairy farming to improve milk quality and productivity, reaching out to a total of over 66,000 women dairy farmers, over the years, since the start of the programme.

Nestlé Start Healthy, Stay Healthy is an educational programme for mothers, in partnership with doctors, to give a healthy head start to their babies in the first 1000 days. It is the Company's commitment to the first 1000 days given its impact on lifelong health of a baby. As part of the Nestlé Start Healthy, Stay Healthy initiative, the Company provide educational material for mothers through doctors regarding nutrition from pregnancy to toddlerhood. The Company also has a dedicated website disseminating the same information: [www.starthealthystayhealthy.in](http://www.starthealthystayhealthy.in)

In line with the Company's belief that breastfeeding is best for babies, Nestlé Start Healthy, Stay Healthy in India has actively advocated breastfeeding to mothers, would-be mothers and Health Care Professionals(HCPs) since its launch in 2010. In 2016, it undertook a campaign to educate the support system in a nursing mother's life to help her breastfeed for longer by sharing her chores and responsibilities. The campaign engaged 16,000 HCPs and garnered 10.1 million views online. In order to enable mothers to nurse out of home, more than 980 breastfeeding rooms were set up in paediatrician clinics across 150 cities in the country.

The Nestlé Nutrition Institute (NNI) disseminates science-based information and education with health professionals, scientists and nutrition communities in order to create awareness on nutrition science and build capabilities amongst the scientific community on Nutrition. In 2016, NNI conducted more than 2,500 scientific events reaching out to over 70,000 HCPs.

Additional initiatives are detailed further in ANNEXURE – 3 to the Board's Report.

### Principle 5: Human Rights

- 1. Does the policy of the Company on human rights cover only the Company or extend to the Group/Joint Ventures/Suppliers/Contractors/NGOs/Others?**

The Policy covers the Company and all suppliers, sub suppliers, contractors and associates.

- 2. How many stakeholder complaints have been received in the past financial year and what percent was satisfactorily resolved by the management?**

During 2016, the Company did not receive any complaints with regard to human rights.

### Principle 6: Environment

- 1. Does the policy related to Principle 6 cover only the Company or extends to the Group/Joint Ventures/Suppliers/Contractors/NGOs/others.**

The Policy covers the Company and all its vendors, contractors and associates.

- 2. Does the Company have strategies/ initiatives to address global environmental issues such as climate change, global warming, etc? Y/N. If yes, please give hyperlink for webpage etc.**

Yes. <http://www.nestle.com/csv/environmental-sustainability>

- 3. Does the Company identify and assess potential environmental risks?**

Yes.

- 4. Does the Company have any project related to Clean Development Mechanism? If so, provide details thereof, in about 50 words or so. Also, if yes, whether any environmental compliance report is filed?**

Nestlé India has undertaken initiatives to reduce Green House Gas (GHG) emissions. In 2016, the Company identified 5,530 tonnes of GHG reduction which shall be fully realised in coming year. Some of the key renewable energy projects contributing to GHG savings include installation and commissioning of 300 KW solar plant at the Company's Samalkha factory and other energy reduction projects. Yes, the Company files environment compliance reports as per Pollution Control Board requirements.

- 5. Has the Company undertaken any other initiatives on – clean technology, energy efficiency, renewable energy, etc. Y/N. If yes, please give hyperlink for web page etc.**

Yes. <https://www.nestle.in/csv/water-and-environmental-sustainability/protecting-environment/home>

- 6. Are the Emissions/Waste generated by the Company within the permissible limits given by CPCB/SPCB for the financial year being reported?**

Yes

- 7. Number of show cause/ legal notices received from CPCB/SPCB which are pending (i.e. not resolved to satisfaction) as on end of Financial Year.**

During 2016, the Company did not receive any show cause/ legal notices from CPCB/SPCB which are pending as on end 2016.

### Principle 7: Policy Advocacy

- 1. Is your Company a member of any trade and chamber or association? If Yes, Name only those major ones that your business deals with:**

- (a) Federation of Indian Chambers of Commerce and Industry (FICCI)
- (b) Confederation of Indian Industry (CII)

- (c) All India Food Processors Association (AIFPA)
- (d) India Confectionary Manufacturer Association (ICMA)
- (e) PHD Chamber of Commerce and Industry (PHDCCI)
2. **Have you advocated/lobbied through above associations for the advancement or improvement of public good? Yes/No; if yes specify the broad areas ( drop box: Governance and Administration, Economic Reforms, Inclusive Development Policies, Energy security, Water, Food Security, Sustainable Business Principles, Others):**

Yes. Others: The Company engages with government, regulatory authorities and relevant public bodies for the development of public policies in keeping with the Company's work in Society, sustainability and compliance commitments. These include Food Regulations, Environment and Plastic Packaging, among others. The Company engages with Government and Food Authorities to establish science-based regulations for protecting the health of consumers and ensuring fair practices in food trade and with the food authority for harmonisation of Indian food regulations with the Codex Alimentarius and other best practices.

### **Principle 8: Inclusive Growth**

1. **Does the Company have specified programmes/initiatives/projects in pursuit of the policy related to Principle 8? If yes details thereof.**

Yes. The Company works in the areas of nutrition awareness, rural development initiatives and dissemination of scientific and nutrition knowledge. Further details available: <https://www.nestle.in/csv>

2. **Are the programmes/projects undertaken through in-house team/own foundation/external NGO/government structures/any other organization?**

Projects are undertaken through in-house expert teams and in partnership with like-minded expert partner organisations that share the Company's ambition towards creating inclusive growth.

3. **Have you done any impact assessment of your initiative?**

Yes

4. **What is your Company's direct contribution to community development projects- Amount in INR and the details of the projects undertaken?**

These are detailed in ANNEXURE – 3 to the Board's Report.

5. **Have you taken steps to ensure that this community development initiative is successfully adopted by the community? Please explain in 50 words, or so.**

These are detailed in ANNEXURE – 3 to the Board's Report.

### **Principle 9: Customer/ Consumer Value**

1. **What percentage of customer complaints/consumer cases are pending as on the end of financial year?**

As on end 2016, the Company has no pending consumer complaints.

2. **Does the Company display product information on the product label, over and above what is mandated as per local laws? Yes/ No/N.A. /Remarks(additional information)**

Yes, over and above compliance with applicable product packaging and labelling requirements including declaration of appropriate method of preparation of products for safe and proper consumption, the Nestlé Nutritional Compass' on the product pack provides transparent and easy to understand nutritional information that guides the consumer in making the right food choices. The Company has expanded the use of the Nestlé Nutritional Compass to include a QR (Quick Response) code to give consumers a gateway to useful, fact-based information. The Company also aims to provide consumers with nutrition information through Guideline Daily Amounts (GDA) based labels on front of pack.

3. **Is there any case filed by any stakeholder against the Company regarding unfair trade practices, irresponsible advertising and/ or anti-competitive behaviour during the last five years and pending as on end of financial year. If so, provide details thereof, in about 50 words or so.**

The Company does not have any stakeholder complaints with regard to unethical or unfair trade practices, irresponsible advertising and/or anti-competitive behaviour which are pending as at the end of 2016.

#### 4. Did your Company carry out any consumer survey/ consumer satisfaction trends?

The Company continuously carries out consumer surveys to understand consumer feedback, product satisfaction and preference while measuring consumer response and satisfaction regularly through the Company's continuous and periodic tracking studies, covering more than 35,000 consumers in 2016 through a random sampling approach among target consumers.

@The Policies have been derived and adopted from the Nestlé Global policies and are aligned as per local requirements to safeguard the interests of all its stakeholders.

\* Notes 1 to 9 corresponding to Principles 1 to 9

#### Principle 1

1. <http://www.nestle.in/investors>
2. [http://www.nestle.com/asset-library/documents/library/documents/corporate\\_governance/corporate-business-principles-en.pdf](http://www.nestle.com/asset-library/documents/library/documents/corporate_governance/corporate-business-principles-en.pdf)
3. <http://www.nestle.com/csv/human-rights-compliance/corruption-bribery>

#### Principle 2

1. <http://www.nestle.com/aboutus/suppliers>
2. <http://www.nestle.com/csv/water/supplier-engagement>
3. <http://www.nestle.com/asset-library/documents/library/documents/suppliers/appendix-supplier-code-english.pdf>
4. <http://www.nestle.com/csv/rural-development-responsible-sourcing/responsible-sourcing>
5. [http://www.nestle.com/asset-library/documents/library/documents/corporate\\_social\\_responsibility/nestle-responsible-sourcing-guidelines.pdf](http://www.nestle.com/asset-library/documents/library/documents/corporate_social_responsibility/nestle-responsible-sourcing-guidelines.pdf)
6. <http://www.nestle.com/asset-library/documents/creating-shared-value/responsible-sourcing/responsible-sourcing-guideline-water-requirements-august-2012.pdf>
7. <http://www.nestle.com/aboutus/quality-and-safety>
8. [http://www.nestle.com/asset-library/documents/library/documents/suppliers/quality\\_policy\\_nestle.pdf](http://www.nestle.com/asset-library/documents/library/documents/suppliers/quality_policy_nestle.pdf)
9. <http://www.nestle.com/ask-nestle/environment/answers/nestle-climate-change>
10. <http://www.nestle.com/csv/rural-development-responsible-sourcing/responsible-sourcing/deforestation>
11. <http://www.nestle.com/csv/rural-development-responsible-sourcing/nescafe-plan>
12. [http://www.nestle.com/asset-library/documents/library/documents/corporate\\_social\\_responsibility/nestle-rural-development-framework-update2015.pdf](http://www.nestle.com/asset-library/documents/library/documents/corporate_social_responsibility/nestle-rural-development-framework-update2015.pdf)
13. [http://www.nestle.com/asset-library/documents/library/documents/corporate\\_social\\_responsibility/natural-capital\\_soil-soilhealth.pdf](http://www.nestle.com/asset-library/documents/library/documents/corporate_social_responsibility/natural-capital_soil-soilhealth.pdf)
14. [http://www.nestle.com/asset-library/documents/library/documents/corporate\\_social\\_responsibility/nestle-commitment-rural-development.pdf](http://www.nestle.com/asset-library/documents/library/documents/corporate_social_responsibility/nestle-commitment-rural-development.pdf)

#### Principle 3

1. [http://www.nestle.com/asset-library/documents/library/documents/about\\_us/policy-on-safety-and-health-at-work.pdf](http://www.nestle.com/asset-library/documents/library/documents/about_us/policy-on-safety-and-health-at-work.pdf)
2. <http://www.nestle.com/asset-library/Documents/Library/Documents/People/Management-Leadership-Principles-EN.pdf>
3. [http://www.nestle.com/asset-library/documents/jobs/the\\_nestle\\_hr\\_policy\\_pdf\\_2012.pdf](http://www.nestle.com/asset-library/documents/jobs/the_nestle_hr_policy_pdf_2012.pdf)
4. <http://www.nestle.com/Asset-Library/Documents/Library/Documents/People/Employee-relations-policy-EN.pdf>
5. <http://www.nestle.com/asset-library/documents/library/documents/people/nestle-policy-maternity-protection.pdf>
6. <http://www.nestle.com/csv/our-people/labour-relations#>
7. <http://www.nestle.com/csv/our-people/training-learning>

#### Principle 4

1. <http://www.nestle.com/csv/water/policy-stewardship>
2. <http://www.nestle.com/csv/what-is-csv/stakeholder-engagement>
3. <http://www.nestle.in/csv/saanjhapan>

#### Principle 5

1. <http://www.nestle.com/csv/human-rights-compliance>
2. [http://www.nestle.com/asset-library/documents/library/documents/corporate\\_social\\_responsibility/nestle-responsible-sourcing-guidelines.pdf](http://www.nestle.com/asset-library/documents/library/documents/corporate_social_responsibility/nestle-responsible-sourcing-guidelines.pdf)
3. [http://www.nestle.com/asset-library/documents/library/documents/corporate\\_social\\_responsibility/nestle-commitment-land-rights-agriculture.pdf](http://www.nestle.com/asset-library/documents/library/documents/corporate_social_responsibility/nestle-commitment-land-rights-agriculture.pdf)
4. <http://www.nestle.com/asset-library/documents/library/documents/suppliers/supplier-code-english.pdf>
5. [http://www.nestle.com/asset-library/documents/library/documents/corporate\\_social\\_responsibility/nestle-hria-white-paper.pdf](http://www.nestle.com/asset-library/documents/library/documents/corporate_social_responsibility/nestle-hria-white-paper.pdf)
6. [http://www.nestle.com/asset-library/documents/library/documents/corporate\\_social\\_responsibility/nestle-commitment-child-labour.pdf](http://www.nestle.com/asset-library/documents/library/documents/corporate_social_responsibility/nestle-commitment-child-labour.pdf)

#### Principle 6

1. <http://www.nestle.com/csv/environmental-sustainability>
2. [http://www.nestle.com/asset-library/documents/library/documents/environmental\\_sustainability/nestl%C3%A9%20policy%20on%20environmental%20sustainability.pdf](http://www.nestle.com/asset-library/documents/library/documents/environmental_sustainability/nestl%C3%A9%20policy%20on%20environmental%20sustainability.pdf)
3. [http://www.nestle.com/asset-library/documents/library/documents/corporate\\_social\\_responsibility/commitment-on-climate-change-2013.pdf](http://www.nestle.com/asset-library/documents/library/documents/corporate_social_responsibility/commitment-on-climate-change-2013.pdf)
4. [http://www.nestle.com/asset-library/documents/library/documents/corporate\\_social\\_responsibility/commitment-on-biofuels-2013.pdf](http://www.nestle.com/asset-library/documents/library/documents/corporate_social_responsibility/commitment-on-biofuels-2013.pdf)
5. [http://www.nestle.com/asset-library/documents/library/documents/corporate\\_social\\_responsibility/nestle-commitment-water-stewardship.pdf](http://www.nestle.com/asset-library/documents/library/documents/corporate_social_responsibility/nestle-commitment-water-stewardship.pdf)
6. [http://www.nestle.com/asset-library/documents/library/documents/corporate\\_social\\_responsibility/commitment-on-natural-capital-2013.pdf](http://www.nestle.com/asset-library/documents/library/documents/corporate_social_responsibility/commitment-on-natural-capital-2013.pdf)
7. [http://www.nestle.com/asset-library/documents/library/documents/corporate\\_social\\_responsibility/natural-capital\\_soil-soilhealth.pdf](http://www.nestle.com/asset-library/documents/library/documents/corporate_social_responsibility/natural-capital_soil-soilhealth.pdf)
8. [http://www.nestle.com/asset-library/documents/library/documents/corporate\\_social\\_responsibility/commitment-on-deforestation-2013.pdf](http://www.nestle.com/asset-library/documents/library/documents/corporate_social_responsibility/commitment-on-deforestation-2013.pdf)

#### Principle 7

1. [http://www.nestle.com/asset-library/documents/library/documents/corporate\\_social\\_responsibility/the\\_nestl%C3%A9\\_policy\\_on\\_transparent\\_interaction\\_wirh\\_authorities\\_and%20organisations.pdf](http://www.nestle.com/asset-library/documents/library/documents/corporate_social_responsibility/the_nestl%C3%A9_policy_on_transparent_interaction_wirh_authorities_and%20organisations.pdf)
2. <http://www.nestle.com/csv/what-is-csv/public-policy>
3. <http://www.nestle.com/aboutus/businessprinciples/report-your-concerns>
4. <http://www.nestle.com/csv/what-is-csv/partnerships-alliances>

#### Principle 8

1. <http://www.nestle.com/asset-library/documents/library/documents/people/management-leadership-principles-en.pdf>
2. <http://www.nestle.com/csv/rural-development-responsible-sourcing/rural-development-framework>
3. [http://www.nestle.com/asset-library/documents/library/documents/corporate\\_social\\_responsibility/nestle-commitment-rural-development.pdf](http://www.nestle.com/asset-library/documents/library/documents/corporate_social_responsibility/nestle-commitment-rural-development.pdf)
4. <http://www.nestle.com/csv/water/supplier-engagement>
5. <http://www.nestle.com/csv/water/access-conservation>



## Principle 9

1. [http://www.nestle.com/asset-library/documents/library/documents/about\\_us/communication-principles.pdf](http://www.nestle.com/asset-library/documents/library/documents/about_us/communication-principles.pdf)
2. [http://www.nestle.com/asset-library/documents/library/documents/corporate\\_social\\_responsibility/nestle-marketing-communication-children-policy.pdf](http://www.nestle.com/asset-library/documents/library/documents/corporate_social_responsibility/nestle-marketing-communication-children-policy.pdf)
3. <https://www.nestle.in/nhw/understanding-food-labels>
4. <https://www.nestle.in/nhw/understanding-food-labels/the-nestle-nutritional-compass>
5. [http://www.nestle.com/asset-library/documents/library/documents/about\\_us/nestle-policy-salt.pdf](http://www.nestle.com/asset-library/documents/library/documents/about_us/nestle-policy-salt.pdf)
6. [http://www.nestle.com/asset-library/documents/library/documents/about\\_us/nestle-policy-sugars.pdf](http://www.nestle.com/asset-library/documents/library/documents/about_us/nestle-policy-sugars.pdf)
7. [http://www.nestle.com/asset-library/documents/library/documents/about\\_us/nestle-policy-saturated-fat.pdf](http://www.nestle.com/asset-library/documents/library/documents/about_us/nestle-policy-saturated-fat.pdf)
8. [http://www.nestle.com/asset-library/documents/library/documents/corporate\\_social\\_responsibility/nestle-policy-micronutrient-fortification-foods-beverages.pdf](http://www.nestle.com/asset-library/documents/library/documents/corporate_social_responsibility/nestle-policy-micronutrient-fortification-foods-beverages.pdf)
9. <http://www.nestle.com/csv/nutrition/healthy-diet>
10. <http://www.nestle.com/csv/nutrition/nutritional-education>
11. <http://www.nestle.com/csv/nutrition/advertising-marketing>

**On behalf of the Board of Directors**

**Date : 15<sup>th</sup> February, 2017**

**Place : Gurgaon**

**Dr. Swati Piramal  
Chairperson – Corporate Social  
Responsibility Committee**

**Suresh Narayanan  
Chairman and Managing Director**

## **ANNEXURE - 5 TO THE BOARD'S REPORT**

### **FORM NO. MR-3**

### **SECRETARIAL AUDIT REPORT**

**FOR THE FINANCIAL YEAR ENDED 31<sup>st</sup> DECEMBER, 2016**

[Pursuant to Section 204(1) of the Companies Act, 2013 and Rule No. 9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014]

To,  
The Members, Nestlé India Limited  
CIN: L15202DL1959PLC003786  
M-5A, Connaught Circus, New Delhi – 110001.

We have conducted Secretarial Audit of compliance with the applicable statutory provisions and adherence to good corporate practices by Nestlé India Limited (hereinafter called 'the Company') for the Financial Year ended 31<sup>st</sup> December, 2016. Secretarial Audit was conducted in a manner that provided us a reasonable basis for evaluating the corporate conducts / statutory compliances and expressing our opinion thereon.

Based on our verification of the Company's books and papers, minute books, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of Secretarial Audit, we hereby report that in our opinion, the Company has, during the audit period covering the Financial Year ended 31<sup>st</sup> December, 2016 complied with statutory provisions listed hereunder and also, that the Company has proper board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

We have examined the books and papers, minute books, forms and returns filed and other records maintained by the Company for the Financial Year ended 31<sup>st</sup> December, 2016 according to the provisions of:

- (i) The Companies Act, 2013 ('the Act') and the rules made thereunder;
- (ii) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder;
- (iii) The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;
- (iv) Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings – Provisions of Overseas Direct Investment and External Commercial Borrowings are not applicable.
- (v) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'):
  - a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
  - b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;
  - c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 – Not applicable as the Company has not issued any shares during the year under review;
  - d) The Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 – Not applicable as the Company has not issued any shares/options to directors/employees under the said guidelines/regulations during the year under review;
  - e) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008 – Not applicable as the Company has not issued any debt securities during the year under review;
  - f) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client; – Not applicable as the Company is not registered as Registrar to an Issue and Share Transfer Agent during the year under review;
  - g) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009 – Not applicable as the Company has not delisted / proposed to delist its equity shares during the year under review; and
  - h) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998 – Not applicable as the Company has not bought back / proposed to buy-back any of its securities during the year under review.

- (vi) The Company has identified and confirmed the following laws as being specifically applicable to the Company:
- Food Safety and Standards Act, 2006, rules and regulations thereunder;
  - Legal Metrology Act, 2009, rules and regulations thereunder;
  - Infant Milk Substitutes, Feeding Bottles and Infant Foods (Regulation of Production, Supply and Distribution) Act, 1992 and rules thereunder (Local Infant Code);
  - Agricultural Produce (Grading and Marketing) Act, 1937;
  - Bureau of Indian Standards (BIS) Act, 1986;

We have also examined compliance with the applicable clauses/regulations of the following:

- Secretarial Standards with respect to Meetings of Board of Directors (SS-1) and General Meetings (SS-2) issued by The Institute of Company Secretaries of India;
- The Listing Agreement entered into with the BSE Limited and The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

During the period under review, the Company has complied with provisions of the Act, Rules, applicable Regulations, Guidelines, Standards etc. mentioned above.

#### **We further report that:**

- The Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors, Independent Directors and a Woman Director. The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act;
- Adequate notice is given to all Directors to schedule Board Meetings; agenda and detailed notes on agenda were sent at least seven days in advance, and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting;
- All the decisions of the Board and Committees thereof were carried through with requisite majority.

We further report that based on review of compliance mechanism established by the Company and on the basis of the Compliance Certificate(s) issued by the Company Secretary and taken on record by the Board of Directors at their meeting(s), we are of the opinion that the management has adequate systems and processes commensurate with its size and operations, to monitor and ensure compliance with all applicable laws, rules, regulations and guidelines.

- As informed, the Company has responded appropriately to notices received from statutory / regulatory authorities including by taking corrective measures wherever found necessary.

We further report that during the review period, no major action having a bearing on the Company's affairs in pursuance of the above referred laws, rules, regulations, guidelines, standards, etc. above have taken place.

**For S. N. ANANTHASUBRAMANIAN & CO.**  
**Company Secretaries**  
**Firm Registration No.P1991MH040400**

**S. N. ANANTHASUBRAMANIAN**  
**Partner**  
**C.P. No: 1774**

**Date : 7<sup>th</sup> February, 2017**  
**Place : Thane**

Note: This report is to be read with letter of even date by the Secretarial Auditors, which is annexed as Annexure A and Forms an integral part of this report.

To,  
Members, Nestlé India Limited  
CIN: L15202DL1959PLC003786  
M-5A, Connaught Circus, New Delhi -110001

Our Secretarial Audit Report of even date is to be read along with this letter.

**Management's Responsibility**

1. It is the responsibility of the management of the Company to maintain secretarial records, devise proper systems to ensure compliance with the provisions of all applicable laws and regulations and to ensure that the systems are adequate and operate effectively.

**Auditor's Responsibility**

2. Our responsibility is to express an opinion on these secretarial records, standards and procedures followed by the Company with respect to secretarial compliances.
3. We believe that audit evidence and information obtained from the Company's management is adequate and appropriate for us to provide a basis for our opinion.
4. Wherever required, we have obtained the management's representation about the compliance of laws, rules and regulations and happening of events, etc.

**Disclaimer**

5. The Secretarial Audit Report is neither an assurance as to the future viability of the Company nor of the efficacy or effectiveness with which the management has conducted the affairs of the Company.
6. We have not verified the correctness and appropriateness of financial records and Books of Accounts of the Company

**For S. N. ANANTHASUBRAMANIAN & CO.**  
**Company Secretaries**  
**Firm Registration No.P1991MH040400**

**S. N. ANANTHASUBRAMANIAN**  
**Partner**  
**C.P. No: 1774**

**Date : 7<sup>th</sup> February, 2017**  
**Place : Thane**

**ANNEXURE - 6 TO THE BOARD'S REPORT**

**FORM NO. MGT 9**

**EXTRACT OF ANNUAL RETURN**

as on the financial year ended on 31<sup>st</sup> December, 2016

[Pursuant to Section 92(3) of the Companies Act, 2013 and rule 12(1) of the Companies (Management & Administration) Rules, 2014]

**I. REGISTRATION & OTHER DETAILS:**

1	CIN:	L15202DL1959PLC003786
2	Registration Date	28 <sup>th</sup> March, 1959
3	Name of the Company	Nestlé India Limited
4	Category/Sub-category of the Company	Public Company Limited by Shares
5	Address of the Registered office & contact details	M-5A, Connaught Circus, New Delhi - 110001, India Ph.: 011-23418891 Fax.: 011-23415130 investor@in.nestle.com
6	Whether listed company	Yes
7	Name, Address & Contact details of the Registrar & Transfer Agent, if any.	M/s Alankit Assignments Limited, 1E/13, Jhandewalan Extension, New Delhi - 110055 011-42541234, 011-23541234 rta@alankit.com

**II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY**

All the business activities contributing 10% or more of the total turnover of the company shall be stated:-

Sl. No.	Name and Description of main products / services	NIC Code of the Product/service	% to total turnover of the company
1	Milk Products and Nutrition	201, 209, 219	49.66
2	Prepared dishes and cooking aids	219	24.22
3	Beverages	209, 213, 214, 219	13.64
4	Chocolate and confectionery	209	12.48

**III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES**

Sl. No.	Name and Address of the Company	CIN/GLN	Holding/ Subsidiary / Associate	% of shares held	Applicable Section
1	Nestlé S.A., Avenue Nestlé 55, CH-1800 Vevey, Switzerland	Not Applicable	Holding	34.28	2(87)
2	MAGGI Enterprises Limited, Zugerstrasse 8, CH-6330 Cham, Switzerland	Not Applicable	Holding	28.48	2(87)



#### IV. SHAREHOLDING PATTERN (Equity Share Capital Break up as percentage of Total Equity)

##### (i) Category-wise Shareholding

Category of Shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
<b>A. Promoters</b>									
<b>(1) Indian</b>									
a) Individual/ HUF	-	-	-	-	-	-	-	-	-
b) Central Govt	-	-	-	-	-	-	-	-	-
c) State Govt(s)	-	-	-	-	-	-	-	-	-
d) Bodies Corporate	-	-	-	-	-	-	-	-	-
e) Banks / FI	-	-	-	-	-	-	-	-	-
f) Any other	-	-	-	-	-	-	-	-	-
<b>Sub-total (A) (1) :-</b>	-	-	-	-	-	-	-	-	-
<b>(2) Foreign</b>	-	-	-	-	-	-	-	-	-
a) NRIs- Individuals	-	-	-	-	-	-	-	-	-
b) Other – individuals	-	-	-	-	-	-	-	-	-
c) Bodies Corporate	60,515,079	-	60,515,079	62.76	60,515,079	-	60,515,079	62.76	0
d) Banks/ FI	-	-	-	-	-	-	-	-	-
e) Any other....	-	-	-	-	-	-	-	-	-
<b>Sub-total (A) (2) :-</b>	<b>60,515,079</b>	<b>-</b>	<b>60,515,079</b>	<b>62.76</b>	<b>60,515,079</b>	<b>-</b>	<b>60,515,079</b>	<b>62.76</b>	<b>0</b>
<b>Total shareholding of promoter (A) = (A)(1)+(A)(2)</b>	<b>60,515,079</b>	<b>-</b>	<b>60,515,079</b>	<b>62.76</b>	<b>60,515,079</b>	<b>-</b>	<b>60,515,079</b>	<b>62.76</b>	<b>0</b>
<b>B. Public Shareholding</b>									
<b>1. Institutions</b>									
a) Mutual Funds	873,314	11,090	884,404	0.92	1,521,728	11,090	1,532,818	1.59	0.67
b) Banks / FI	109,002	5,626	114,628	0.12	165,187	5,626	170,813	0.18	0.06
c) Central Govt.	32,897	-	32,897	0.03	104,512	-	104,512	0.11	0.08
d) State Govt(s)	-	-	-	-	-	-	-	-	-
e) Venture Capital Funds	-	-	-	-	-	-	-	-	-
f) Insurance Companies	4,138,907	100	4,139,007	4.30	4,707,478	100	4,707,578	4.88	0.58
g) FIs	10,010,221	50	10,010,271	10.38	6,762,861	50	6,762,911	7.01	(3.37)
h) Foreign Venture Capital Funds	-	-	-	-	-	-	-	-	-
i) Others	-	-	-	-	-	-	-	-	-
a) Foreign Portfolio Investor	4,316,651	-	4,316,651	4.48	6,035,617	-	6,035,617	6.26	1.78
<b>Sub-total (B)(1):-</b>	<b>19,480,992</b>	<b>16,866</b>	<b>19,497,858</b>	<b>20.23</b>	<b>19,297,383</b>	<b>16,866</b>	<b>19,314,249</b>	<b>20.03</b>	<b>(0.20)</b>
<b>2. Non-Institutions</b>									
a) Bodies Corp.									
i) Indian	2,024,060	11,060	2,035,120	2.11	2,444,583	10,461	2,455,044	2.55	0.44
ii) Overseas	-	-	-	-	-	-	-	-	-
b) Individuals									
i) Individual shareholders holding nominal share capital upto ₹ 1 lakh	7,851,181	1,274,354	9,125,535	9.47	7,761,498	1,191,453	8,952,951	9.29	(0.18)

Category of Shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
ii) Individual shareholders holding nominal share capital in excess of ₹ 1 lakh	4,355,018	273,404	4,628,422	4.80	4,277,281	273,404	4,550,685	4.72	(0.08)
c) Others									
Non - Resident Indians	604,981	4,579	609,560	0.63	622,186	4,379	626,565	0.65	0.02
Foreign Nationals	50	-	50	-	10	-	10	-	0.00
Overseas Corporate Body (OCB)	500	-	500	-	500	-	500	-	0.00
Trust	3,592	-	3,592	-	633	-	633	-	0.00
<b>Sub-total (B)(2):-</b>	<b>14,839,382</b>	<b>1,563,397</b>	<b>16,402,779</b>	<b>17.01</b>	<b>15,106,691</b>	<b>1,479,697</b>	<b>16,586,388</b>	<b>17.21</b>	<b>0.20</b>
<b>Total Public Shareholding (B)=(B)(1)+ (B)(2)</b>	<b>34,320,374</b>	<b>1,580,263</b>	<b>35,900,637</b>	<b>37.24</b>	<b>34,404,074</b>	<b>1,496,563</b>	<b>35,900,637</b>	<b>37.24</b>	<b>0.00</b>
<b>C. Shares held by Custodian for GDRs &amp; ADRs</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Grand Total (A+B+C)</b>	<b>94,835,453</b>	<b>1,580,263</b>	<b>96,415,716</b>	<b>100.00</b>	<b>94,919,153</b>	<b>1,496,563</b>	<b>96,415,716</b>	<b>100.00</b>	<b>0.00</b>

**(ii) Shareholding of Promoters-**

Sl. No.	Shareholder's Name	Shareholding at the beginning of the year			Shareholding at the end of the year			% change in share holding during the year
		No. of Shares	% of total Shares of the company	% of Shares Pledged / encumbered to total shares	No. of Shares	% of total Shares of the company	% of Shares Pledged / encumbered to total shares	
1	Nestlé S.A.	33,051,399	34.28	-	33,051,399	34.28	-	-
2	MAGGI Enterprises Limited	27,463,680	28.48	-	27,463,680	28.48	-	-

**(iii) Change in Promoters' Shareholding (please specify, if there is no change)**

There are no changes in the Promoter's shareholding during the Financial year 2016.

**(iv) Shareholding Pattern of top ten Shareholders (other than Directors, Promoters and Holders of GDRs and ADRs):**

S. No.	Name of the shareholder	Shareholding at the beginning of the year		Date of change of shareholding	Increase/ Decrease in shareholding	Reason	Cumulative shareholding during the year	
		No. of shares	% of total shares				No. of shares	% of total shares of the company
1	LIFE INSURANCE CORPORATION OF INDIA	2,763,936	2.87	1-Jan-16	-	-	2,763,936	2.87
				15-Jan-16	16,997	Transfer	2,780,933	2.88
				22-Jan-16	43,806	Transfer	2,824,739	2.93
				29-Jan-16	58,332	Transfer	2,883,071	2.99
				5-Feb-16	43,982	Transfer	2,927,053	3.04
				12-Feb-16	11,229	Transfer	2,938,282	3.05
				25-Feb-16	10,000	Transfer	2,948,282	3.06
				4-Mar-16	57,142	Transfer	3,005,424	3.12
				18-Mar-16	184,322	Transfer	3,189,746	3.31
				25-Mar-16	934	Transfer	3,190,680	3.31
		24-Jun-16	(5,237)	Transfer	3,185,443	3.30		
		1-Jul-16	(3,116)	Transfer	3,182,327	3.30		

S. No.	Name of the shareholder	Shareholding at the beginning of the year		Date of change of shareholding	Increase/ Decrease in shareholding	Reason	Cumulative shareholding during the year	
		No. of shares	% of total shares				No. of shares	% of total shares of the company
				7-Jul-16	(15,000)	Transfer	3,167,327	3.29
				8-Jul-16	(26,490)	Transfer	3,140,837	3.26
				15-Jul-16	(122,852)	Transfer	3,017,985	3.13
				22-Jul-16	(64,830)	Transfer	2,953,155	3.06
				16-Sep-16	5,000	Transfer	2,958,155	3.07
				23-Sep-16	24,385	Transfer	2,982,540	3.09
				30-Sep-16	2,493	Transfer	2,985,033	3.10
				7-Oct-16	2,322	Transfer	2,987,355	3.10
				21-Oct-16	8,608	Transfer	2,995,963	3.11
				18-Nov-16	84,782	Transfer	3,080,745	3.20
				25-Nov-16	174,567	Transfer	3,255,312	3.38
				2-Dec-16	25,507	Transfer	3,280,819	3.40
				9-Dec-16	71,808	Transfer	3,352,627	3.48
				31-Dec-16	-	-	3,352,627	3.48
2	ARISAIG PARTNERS (ASIA) PTE LTD. A/C ARISAIG INDIA FUND LIMITED	1,833,651	1.90	1-Jan-16	-	-	1,833,651	1.90
				29-Jan-16	(21,334)	Transfer	1,812,317	1.88
				5-Feb-16	(10,156)	Transfer	1,802,161	1.87
				12-Feb-16	(1,252)	Transfer	1,800,909	1.87
				31-Dec-16	-	-	1,800,909	1.87
3	ABERDEEN GLOBAL INDIAN EQUITY (MAURITIUS) LIMITED	1,490,062	1.54	1-Jan-16	-	-	1,490,062	1.55
				13-May-16	(80,000)	Transfer	1,410,062	1.46
				3-Jun-16	(48,000)	Transfer	1,362,062	1.41
				10-Jun-16	(36,000)	Transfer	1,326,062	1.38
				1-Jul-16	(23,396)	Transfer	1,302,666	1.35
				7-Jul-16	(61,604)	Transfer	1,241,062	1.29
				19-Aug-16	(10,240)	Transfer	1,230,822	1.28
				26-Aug-16	(33,414)	Transfer	1,197,408	1.24
				9-Sep-16	(34,024)	Transfer	1,163,384	1.21
				30-Sep-16	(36,642)	Transfer	1,126,742	1.17
				7-Oct-16	(15,680)	Transfer	1,111,062	1.15
				31-Dec-16	-	-	1,111,062	1.15
4	MIRA PRADEEP SINGH	632,100	0.66	1-Jan-16	-	-	632,100	0.66
				31-Dec-16	-	-	632,100	0.66
5	FRANKLIN TEMPLETON INVESTMENTS FUNDS*	446,000	0.46	1-Jan-16	-	-	446,000	0.46
				15-Apr-16	6,700	Transfer	452,700	0.47
				29-Apr-16	115,100	Transfer	567,800	0.59
				6-May-16	1,200	Transfer	569,000	0.59
				12-May-16	40,000	Transfer	609,000	0.63
				15-Jul-16	23,211	Transfer	632,211	0.66
				22-Jul-16	19,789	Transfer	652,000	0.68
				9-Dec-16	(50,216)	Transfer	601,784	0.62
				20-Dec-16	(6,200)	Transfer	595,584	0.62
				31-Dec-16	-	-	595,584	0.62

# NESTLÉ INDIA LIMITED

S. No.	Name of the shareholder	Shareholding at the beginning of the year		Date of change of shareholding	Increase/ Decrease in shareholding	Reason	Cumulative shareholding during the year	
		No. of shares	% of total shares				No. of shares	% of total shares of the company
6	AXIS MUTUAL FUND TRUSTEE LIMITED A/C AXIS MUTUAL FUND A/C AXIS LONG TERM EQUITY FUND*	303,564	0.31	1-Jan-16	-	-	303,564	0.31
				15-Jan-16	10,000	Transfer	313,564	0.33
				19-Feb-16	10,000	Transfer	323,564	0.34
				15-Apr-16	10,000	Transfer	333,564	0.35
				20-May-16	50,000	Transfer	383,564	0.40
				27-May-16	10,000	Transfer	393,564	0.41
				10-Jun-16	20,000	Transfer	413,564	0.43
				5-Aug-16	7,150	Transfer	420,714	0.44
				9-Sep-16	10,000	Transfer	430,714	0.45
				21-Oct-16	20,000	Transfer	450,714	0.47
		31-Dec-16	-	-	-	450,714	0.47	
7	VANGUARD EMERGING MARKETS STOCK INDEX FUND, A SERIES OF VANGUARD INTERNATIONAL EQUITY INDEX FUND	387,000	0.40	1-Jan-16	-	-	387,000	0.40
				15-Jan-16	(2,450)	Transfer	384,550	0.40
				22-Jan-16	(1,224)	Transfer	383,326	0.40
				5-Feb-16	(4,250)	Transfer	379,076	0.39
				12-Feb-16	(1,750)	Transfer	377,326	0.39
				26-Feb-16	(786)	Transfer	376,540	0.39
				3-Mar-16	(849)	Transfer	375,691	0.39
				11-Mar-16	940	Transfer	376,631	0.39
				18-Mar-16	(2,096)	Transfer	374,535	0.39
				25-Mar-16	(3,418)	Transfer	371,117	0.38
				8-Apr-16	1,512	Transfer	372,629	0.39
				22-Apr-16	860	Transfer	373,489	0.39
				20-May-16	(360)	Transfer	373,129	0.39
				26-May-16	(48)	Transfer	373,081	0.39
				27-May-16	(6,366)	Transfer	366,715	0.38
				3-Jun-16	(8,114)	Transfer	358,601	0.37
				10-Jun-16	231	Transfer	358,832	0.37
				24-Jun-16	4,136	Transfer	362,968	0.38
				22-Jul-16	846	Transfer	363,814	0.38
				29-Jul-16	2,538	Transfer	366,352	0.38
				5-Aug-16	2,021	Transfer	368,373	0.38
				15-Aug-16	2,070	Transfer	370,443	0.38
				19-Aug-16	2,944	Transfer	373,387	0.38
		9-Sep-16	1,320	Transfer	374,707	0.39		
		7-Oct-16	1,408	Transfer	376,115	0.39		
		14-Dec-16	968	Transfer	377,083	0.39		
		21-Oct-16	3,300	Transfer	380,383	0.39		
		28-Oct-16	1,320	Transfer	381,703	0.40		
		11-Nov-16	2,860	Transfer	384,563	0.40		
		25-Nov-16	3,476	Transfer	388,039	0.40		
		2-Dec-16	1,980	Transfer	390,019	0.40		
		31-Dec-16	-	-	-	390,019	0.40	

S. No.	Name of the shareholder	Shareholding at the beginning of the year		Date of change of shareholding	Increase/ Decrease in shareholding	Reason	Cumulative shareholding during the year	
		No. of shares	% of total shares				No. of shares	% of total shares of the company
8	BAJAJ ALLIANZ LIFE INSURANCE COMPANY LTD.	332,354	0.34	1-Jan-16	-	-	332,354	0.34
				8-Jan-16	6,404	Transfer	338,758	0.35
				5-Feb-16	10,000	Transfer	348,758	0.36
				12-Feb-16	(12,505)	Transfer	336,253	0.35
				26-Feb-16	1,000	Transfer	337,253	0.35
				3-Mar-16	5,000	Transfer	342,253	0.35
				11-Mar-16	(3,000)	Transfer	339,253	0.35
				18-Mar-16	5,000	Transfer	344,253	0.36
				25-Mar-16	15,000	Transfer	359,253	0.37
				1-Apr-16	(20,000)	Transfer	339,253	0.35
				15-Apr-16	(5,000)	Transfer	334,253	0.35
				22-Apr-16	(644)	Transfer	333,609	0.35
				29-Apr-16	(783)	Transfer	332,826	0.35
				6-May-16	5,000	Transfer	337,826	0.35
				20-May-16	(5,000)	Transfer	332,826	0.35
				27-May-16	(12,709)	Transfer	320,117	0.33
				3-Jun-16	2,872	Transfer	322,989	0.33
				10-Jun-16	(10,000)	Transfer	312,989	0.32
				17-Jun-16	3,550	Transfer	316,539	0.33
				2-Sep-16	3,000	Transfer	319,539	0.33
				30-Sep-16	13,000	Transfer	332,539	0.34
				7-Oct-16	5,000	Transfer	337,539	0.35
				21-Oct-16	(20,600)	Transfer	316,939	0.33
				4-Nov-16	5,550	Transfer	322,489	0.33
		11-Nov-16	5,000	Transfer	327,489	0.34		
		23-Dec-16	7,841	Transfer	335,330	0.35		
		30-Dec-16	15,000	Transfer	350,330	0.36		
		31-Dec-16	-	-	350,330	0.36		
9	BRIGHT STAR INVESTMENTS PVT. LTD.	344,836	0.36	1-Jan-16	-	-	344,836	0.36
				31-Dec-16	-	-	344,836	0.36
10	HDFC STANDARD LIFE INSURANCE COMPANY LIMITED	362,090	0.38	1-Jan-16	-	-	362,090	0.38
				8-Jan-16	35,000	Transfer	397,090	0.41
				15-Jan-16	43,000	Transfer	440,090	0.46
				12-Feb-16	(7,440)	Transfer	432,650	0.45
				19-Feb-16	(43,000)	Transfer	389,650	0.40
				8-Apr-16	1,651	Transfer	391,301	0.41
				29-Apr-16	(34)	Transfer	391,267	0.41
				13-May-16	444	Transfer	391,711	0.41
				20-May-16	(1,178)	Transfer	390,533	0.41
				27-May-16	649	Transfer	391,182	0.41
		3-Jun-16	(1,181)	Transfer	390,001	0.40		
		17-Jun-16	68	Transfer	390,069	0.40		



# NESTLÉ INDIA LIMITED

S. No.	Name of the shareholder	Shareholding at the beginning of the year		Date of change of shareholding	Increase/ Decrease in shareholding	Reason	Cumulative shareholding during the year	
		No. of shares	% of total shares				No. of shares	% of total shares of the company
				7-Jul-16	(8,527)	Transfer	381,542	0.40
				22-Jul-16	(34,459)	Transfer	347,083	0.36
				29-Jul-16	(43,763)	Transfer	303,320	0.31
				5-Aug-16	(81)	Transfer	303,239	0.31
				16-Sep-16	(618)	Transfer	302,621	0.31
				23-Sep-16	561	Transfer	303,182	0.31
				30-Sep-16	11,586	Transfer	314,768	0.33
				7-Oct-16	146	Transfer	314,914	0.33
				4-Nov-16	(2,839)	Transfer	312,075	0.32
				11-Nov-16	928	Transfer	313,003	0.32
				18-Nov-16	100	Transfer	313,103	0.32
				25-Nov-16	2,000	Transfer	315,103	0.33
				2-Dec-16	2,259	Transfer	317,362	0.33
				23-Dec-16	34	Transfer	317,396	0.33
				30-Dec-16	21	Transfer	317,417	0.33
				31-Dec-16	-	-	317,417	0.33
11	NATIONAL WESTMINSTER BANK PLC AS DEPOSITARY OF FIRST STATE GLOBAL EMERGING MARKETS LEADERS FUND A SUB FUND OF FIRST STATE INVESTMENTS ICVC#	541,768	0.56	1-Jan-16	-	-	541,768	0.56
				18-Nov-16	(86,877)	Transfer	454,891	0.47
				25-Nov-16	(111,354)	Transfer	343,537	0.36
				2-Dec-16	(80,331)	Transfer	263,206	0.27
				9-Dec-16	(19,358)	Transfer	243,848	0.25
				13-Dec-16	(297)	Transfer	243,551	0.25
				16-Dec-16	(14,402)	Transfer	229,149	0.24
				23-Dec-16	(10,691)	Transfer	218,458	0.23
				30-Dec-16	(27,298)	Transfer	191,160	0.20
				31-Dec-16	-	-	191,160	0.20
12	VIRTUS EMERGING MARKETS OPPORTUNITIES FUND#	329,724	0.34	1-Jan-16	-	-	329,724	0.34
				8-Jan-16	(29,714)	Transfer	300,010	0.31
				15-Jan-16	(15,697)	Transfer	284,313	0.29
				22-Jan-16	(20,456)	Transfer	263,857	0.27
				29-Jan-16	(21,021)	Transfer	242,836	0.25
				5-Feb-16	(14,850)	Transfer	227,986	0.24
				12-Feb-16	(14,454)	Transfer	213,532	0.22
				19-Feb-16	(17,160)	Transfer	196,372	0.20
				25-Feb-16	(62,521)	Transfer	133,851	0.14
				4-Mar-16	(14,678)	Transfer	119,173	0.12
				11-Mar-16	(25,180)	Transfer	93,993	0.10
				18-Mar-16	(44,757)	Transfer	49,236	0.05
				25-Mar-16	(27,171)	Transfer	22,065	0.02
				31-Mar-16	(22,065)	Transfer	-	0.00
				31-Dec-16	-	-	-	0.00

S. No.	Name of the shareholder	Shareholding at the beginning of the year		Date of change of shareholding	Increase/Decrease in shareholding	Reason	Cumulative shareholding during the year	
		No. of shares	% of total shares				No. of shares	% of total shares of the company
13	VONTOBEL INDIA FUND <sup>#</sup>	316,546	0.32	1-Jan-16	-	-	316,546	0.32
				8-Jan-16	(28,527)	Transfer	288,019	0.30
				15-Jan-16	(15,070)	Transfer	272,949	0.28
				22-Jan-16	(19,639)	Transfer	253,310	0.26
				29-Jan-16	(20,182)	Transfer	233,128	0.24
				5-Feb-16	(14,258)	Transfer	218,870	0.23
				12-Feb-16	(13,877)	Transfer	204,993	0.21
				19-Feb-16	(16,474)	Transfer	188,519	0.20
				25-Feb-16	(60,020)	Transfer	128,499	0.13
				4-Mar-16	(14,090)	Transfer	114,409	0.12
				11-Mar-16	(24,173)	Transfer	90,236	0.09
				18-Mar-16	(42,968)	Transfer	47,268	0.05
				25-Mar-16	(26,085)	Transfer	21,183	0.02
				31-Mar-16	(21,183)	Transfer	0	0.00
		31-Dec-16	0	-	0	0.00		

Note: The above information is based on the weekly beneficiary position received from depositories.

\* Not in the list of Top 10 shareholders as on 01/01/2016. The same has been reflected above since the shareholder was one of the Top 10 shareholders as on 31/12/2016.

<sup>#</sup> Ceased to be in the list of Top 10 shareholders as on 31/12/2016. The same has been reflected above since the shareholder was one of the Top 10 shareholders as on 01/01/2016.

**(v) Shareholding of Directors and Key Managerial Personnel:**

Sl. No.	For each of the Directors and Key Managerial Personnel	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
1	<b>Mr. Shobinder Duggal</b>				
	At the beginning of the year	805	0.00	805	0.00
	Transactions (Purchase/Sale) during the year:	-	-	-	-
	At the end of the year	805	0.00	805	0.00
2	<b>Mr. B. Murli</b>				
	At the beginning of the year	1	0.00	1	0.00
	Transactions (Purchase/Sale) during the year:	-	-	-	-
	At the end of the year	1	0.00	1	0.00

Note: Mr. Suresh Narayanan, Mr. Aristides Protonotarios, Mr. Rajya Vardhan Kanoria, Mr. AK Mahindra, Dr. Rakesh Mohan, Mr. Ravinder Narain and Dr. (Mrs.) Swati Ajay Piramal did not hold any shares during the year 2016.

## (V) INDEBTEDNESS

Indebtedness of the Company including interest outstanding/ accrued but not due for payment

(₹ in millions)

	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
<b>Indebtedness at the beginning of the financial year</b>				
i) Principal Amount	9.00	168.30	-	177.30
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	-	-	-	-
<b>Total (i+ii+iii)</b>	9.00	168.30	-	177.30
<b>Change in Indebtedness during the financial year</b>				
• Addition	-	163.6	-	163.6
• Reduction	9.00	0.4	-	9.40
<b>Net Change</b>	(9.00)	163.2	-	154.2
<b>Indebtedness at the end of the financial year</b>				
i) Principal Amount	-	331.5	-	331.5
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	-	-	-	-
<b>Total (i+ii+iii)</b>	-	331.5	-	331.5

## VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

A. Remuneration to Managing Director, Whole-time Directors and/or Manager:

(₹ in millions)

Sl. No.	Particulars of Remuneration	Name of MD / WTD / Manager			Total Amount
		Suresh Narayanan	Shobinder Duggal	Aristides Protonotarios	
1	Gross salary				
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	56.49	14.93	24.68	96.10
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961	13.97	15.26	18.88	48.11
	(c) Profits in lieu of salary under section 17(3) Income- tax Act, 1961	-	-	-	-
2	Stock Option	-	-	-	-
3	Sweat Equity	-	-	-	-
4	Commission - as of profit - others, (Commission)	- 17.44	- 7.32	- 18.75	- 43.51
5	Others, (Company's contribution to PF)	2.25	1.46	1.08	4.80
	<b>Total (A)</b>	90.15	38.97	63.39	192.52
	Ceiling as per the Act	Being 10% of the Net Profits of the Company calculated as per Section 198 of the Companies Act, 2013			1,440.2

**B. Remuneration to other directors:**

(₹ in millions)

Sl. No.	Particulars of Remuneration	Name of Directors					Total Amount	
		RV Kanoria	AK Mahindra	Rakesh Mohan <sup>1</sup>	Ravinder Narain	Swati A Piramal		
1	<b>Independent Directors</b>							
	Fee for attending board / committee meetings	1.08	0.88	0.30	1.15	0.38	3.79	
	Commission	0.65	0.65	0.43	0.65	0.65	3.03	
	Others, please specify	-	-	-	-	-	-	
	Total (1)	1.73	1.53	0.73	1.80	1.03	6.82	
2	<b>Other Non-Executive Directors</b>							
	Fee for attending board / committee meetings	-	-	-	-	-	-	
	Commission	-	-	-	-	-	-	
	Others, please specify	-	-	-	-	-	-	
	Total (2)	-	-	-	-	-	-	
	Total (B)=(1+2)	-	-	-	-	-	6.82	
	Total Managerial Remuneration <sup>^</sup>						199.34	
	Overall Ceiling as per the Act	Being 11% of the net Profits of the Company calculated as per Section 198 of the Companies Act, 2013						1,584.22

1 Appointed as Independent Non-Executive Director with effect from 1<sup>st</sup> May, 2016.

<sup>^</sup> Total remuneration to Chairman and Managing Director, Whole Time Directors and other Directors (being the total of A and B)

**C. REMUNERATION TO KEY MANAGERIAL PERSONNEL OTHER THAN MD / MANAGER / WTD**

(₹ in millions)

Sl. No.	Particulars of Remuneration	Key Managerial Personnel	
		B. Murli CS	Total
1	Gross salary		
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	12.29	12.29
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961	9.86	9.86
	(c) Profits in lieu of salary under section 17(3) Income-tax Act, 1961	-	-
2	Stock Option	-	-
3	Sweat Equity	-	-
4	Commission		
	- as of profit	-	-
	- others, Performance Bonus/Commission	4.77	4.77
5	Others, (Company's contribution to PF)	1.13	1.13
	Total	28.05	28.05

Note: Mr. Suresh Narayanan and Mr. Shobinder Duggal have been appointed as Key Managerial Personnel under Section 204 of the Companies Act, 2013. For details of their remuneration, please refer table VI A above.

**VII. PENALTIES / PUNISHMENT / COMPOUNDING OF OFFENCES**

There were no penalties / punishment / compounding of offences under any sections of the Companies Act, 2013 against the Company or its Directors or other Officers in default, if any, during the year.

On behalf of the Board of Directors

Date : 15<sup>th</sup> February, 2017  
Place : Gurgaon

Suresh Narayanan  
Chairman and Managing Director

## ANNEXURE – 7 TO THE BOARD'S REPORT

Information as required under Section 134(3)(m) of the Companies Act, 2013 read with Rule 8 of the Companies (Accounts) Rules, 2014 forming part of Directors' Report for the year ended 31<sup>st</sup> December, 2016

### A CONSERVATION OF ENERGY

#### (a) Steps taken or impact on Conservation of energy

Environmental sustainability is embedded in Nestlé Policy on Environmental Sustainability. As part of long term sustainability, your Company ensures that the products, packaging and operations are safe for employees, consumers and the environment. Your Company ensures this with a focus on technologies, processes and improvements that matter for the environment. At Nestlé, sustainability inspires and guides everything the Company does. Moreover, the Company gives highest priority to ensure environmental friendly practices at all factories and offices. These include reduction in power consumption, optimal water consumption and eliminating excess use of paper.

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. Within the Company there are continuous efforts towards improving the operational efficiencies, minimizing consumption of natural resources and reducing water, energy & CO<sub>2</sub> emissions while maximizing production volumes.

During the year, approximately fifty energy reduction projects were undertaken by factories of the Company with the achievement of cost savings. Some of them are :

- Optimization of steam consumption in four factories
- LED lighting in the factories.
- Heat recovery in air and ammonia compressors to pre-heat boiler make up water.
- Energy recovery from air pre-heater of air heater.
- Yield improvement of boilers.
- Replacement of high pressure fans with energy efficient fans.
- Improvement in steam condensate recovery.
- Steam audit at two factories.
- Replacement of pumps with energy efficient pumps.

During the year, more than twenty five water reduction projects were completed in the factories. This *inter alia* resulted in reduction in water consumption and also reuse of recycled water in a more efficient manner.

Some of the key initiatives contributing to water savings in 2016 are:

- Increase in water recovery from Effluent Treatment Plant treated water by installing Reverse Osmosis Plant in one of the factories.
- Reuse of reject water upto 739m<sup>3</sup> by mixing tea fibers in one of the factories.
- Recycling of Reverse Osmosis reject water by 2<sup>nd</sup> stage Reverse Osmosis.
- Redesigning of CIP (Cleaning In Place) circuits for optimal water consumption
- Optimizing the seal water consumption in process and usage in cooling towers in one of the factories.

Apart from energy and water saving, your Company also initiated projects for reduction of pollution and protection of the environment. Some of the projects were:

- Increase in usage of re-gasified Liquefied Natural Gas in Boilers.
- Reduction of usage of bore well water and replacing it with recycled water.

#### (b) Additional Investment

Following are the additional proposals which are initiated for implementation during 2017.

- Heat pump installation for replacing process water heat exchanger in one of the factories
- Installation of LED/Solar lighting.
- Energy savings by installation of MVR (Mechanical Vapour Recompression) & IVOR (RO unit) in one of the factories for reduction in Steam and Furnace Oil consumption.
- Installation of compressed air heat recovery unit to pre-heat boiler make up water



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

During the years, at the factories there have been continuous efforts to improve operational efficiencies, minimizing consumption of natural resources and reducing water, energy and CO<sub>2</sub> emissions while maximizing production volumes.

As a result, during the period from 2001 to 2016, for every ton of production, the Company has reduced the usage of energy by around 47%, water usage by around 53%, generation of waste water by around 55%, reduction in specific direct greenhouse gas emissions by 55%.

**(d) Projects planned or initiated for further improvement in Energy & Water consumption are:**

**Energy initiatives planned or in progress:**

Following are the additional proposals which are initiated for implementation during 2017.

- Implementation of projects identified in the energy target setting at one of the factories.
- Improvement in steam condensate recovery in the factories.
- Replacement of steam ejector with vacuum pump at evaporators.
- Replacement of high pressure fans with energy efficient fan in the factories.
- Implementation of identified Do It Yourself (DIY) projects in 2017/2018.

**Water Initiatives planned or in progress:**

The Company is consistently making efforts towards sustainability and water conservation measures for coming years especially in factories which are rated as water scarce. Few key initiatives planned or in progress are:

- Recycling and reuse of evaporator condensate after passing through Reverse Osmosis plant in one of the factories.
- Installation and commissioning of reverse osmosis system for reject water of drinking water reverse osmosis plant in one of the factories
- Implementation of identified DIY projects in 2017/2018.

**(e) Description of the initiatives undertaken to reduce Green House Gases (GHG) emissions**

Nestlé India had identified 5530 Tons of GHG reduction in 2016 which would be fully realized in coming years. Some of the key renewable energy projects contributed to GHG savings are:

- Installation & commissioning of 300 KW solar power plant at one of the factories.
- Contribution by energy reduction projects.

In addition, projects are under implementation, which is expected to reduce an additional over 9300 Tons of GHG in coming years.

**B. TECHNOLOGY ABSORPTION**

Efforts made in technology absorption 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 R&D efforts and activities of the Nestlé Group. Nestlé Group spends enormous amounts and efforts in R&D 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 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 R&D activity and expenditure of the Nestlé Group, at an annual outlay of over 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:

	(₹ in millions)
a) Capital	89.5
b) Recurring	211.4
c) Total	300.9
d) Total as a percentage of total turnover	0.33%

## Technology absorption

### 1. *Efforts, in brief, made towards technology absorption*

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 Board's 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 ₹ 6,557.2 million comprising foreign exchange earnings of ₹ 4,773.2 million and export to Nepal and Bhutan in Rupees amounting to ₹ 1,784.0 million.

Foreign exchange outgo of ₹ 12,610 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 43, 44, 45(a) and 46 respectively of Notes to the Accounts. Members are requested to refer to these Notes.

**On behalf of the Board of Directors**

**Date : 15<sup>th</sup> February, 2017**  
**Place : Gurgaon**

**Suresh Narayanan**  
**Chairman and Managing Director**

## ANNEXURE - 8 TO THE BOARD'S REPORT

Statement of Disclosure of Remuneration under Section 197 of the Companies Act, 2013 and Rule 5(1) of Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014.

- i. The ratio of the remuneration of each director to the median remuneration of the employees of the Company for the financial year:

Name of Director	Designation	Ratio to median remuneration of the employees*
Mr. Suresh Narayanan	Chairman and Managing Director	101 : 1
Mr. Aristides Protonotarios	Director – Technical	71 : 1
Mr. Shobinder Duggal	Director – Finance & Control and CFO	44 : 1

\* Employees for the above purpose includes all employees excluding employees governed under collective bargaining.

- ii. The % increase in remuneration of each director, Chief Financial Officer, Chief Executive Officer, Company Secretary or Manager, if any, in the financial year:

Designation	Name of Employee	% increase in remuneration
Chairman and Managing Director	Mr. Suresh Narayanan	Not Comparable
Director – Technical	Mr. Aristides Protonotarios	16.0
Director – Finance & Control and CFO	Mr. Shobinder Duggal	10.4
SVP – Legal and Company Secretary	Mr. B. Murli	11.7

- iii. The % increase in the median remuneration of employees in the financial year: 8.41%.
- iv. The number of permanent employees on the rolls of the Company: 7,588.
- v. Average percentile increase already made in the salaries of employees other than the managerial personnel in the last financial year and its comparison with the percentile increase in the managerial remuneration and justification thereof and point out if there are any exceptional circumstances for increase in the managerial remuneration: The median percentage increase made in the salaries of employees other than the managerial personnel was 8.41%, while the increase in the remuneration of managerial personnel was 11.7%. These increases are a function of the Company's market competitiveness within its comparator group as ascertained through the detailed salary benchmarking survey the Company undertakes annually. The increase during the year reflects the Company's reward philosophy as well as the results of the benchmarking exercise.
- vi. The key parameters for any variable component of remuneration availed by the directors: Variable Component is a critical element of Total Rewards and delivers value for employees who deliver tangible results for the business, against agreed targets. Employees including Key Managerial Personnel, Annual Short Term Bonus is linked to both Company and Individual Performance.
- vii. It is hereby affirmed that the remuneration is as per the Remuneration Policy of the Company.

On behalf of the Board of Directors

Date : 15<sup>th</sup> February, 2017  
Place : Gurgaon

Suresh Narayanan  
Chairman and Managing Director

## DIVIDEND DISTRIBUTION POLICY

**[Pursuant to Regulation 43(A) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.]**

The equity shares of Nestlé India Limited (the 'Company') are listed on BSE Ltd., Mumbai. As per the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended, the Company is required to formulate a Dividend Distribution Policy which shall be disclosed in its Annual Report and on its website.

The Board of Directors of the Company ("the Board") has approved the Dividend Distribution Policy of the Company ("the Policy") which endeavors for fairness, consistency and sustainability while distributing profits to the shareholders.

The factors considered while arriving at the quantum of dividend(s) are:

- Current year profits and outlook in line with the development of internal and external environment.
- Operating cash flows and treasury position keeping in view the total debt to equity ratio.
- Possibilities of alternate usage of cash, e.g. capital expenditure etc., with potential to create greater value for shareholders.
- Providing for unforeseen events and contingencies with financial implications.

The Board may declare interim dividend(s) as and when they consider it fit, and recommend final dividend to the shareholders for their approval in the general meeting of the Company.

In case the Board proposes not to distribute the profit; the grounds thereof and information on utilisation of the undistributed profit, if any, shall be disclosed to the shareholders in the Annual Report of the Company.

The dividend distribution shall be in accordance with the applicable provisions of the Companies Act, 2013, Rules framed thereunder, SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and other legislations governing dividends and the Articles of Association of the Company, as in force and as amended from time to time.











# #EducateTheGirlChild

Nanhi Kali<sup>3</sup>  
for the girl child

supported by  
 Nestlé

Nestlé supports girl child education

# NESTLÉ INDIA LIMITED

(CIN : L15202DL1959PLC003786)

Regd. Office : M-5A, Connaught Circus, New Delhi - 110 001

58th ANNUAL GENERAL MEETING

ATTENDANCE SLIP

# 2017

I/We hereby record my/ our presence at the 58<sup>th</sup> Annual General Meeting of the Company at **Air Force Auditorium, Subroto Park, New Delhi-110010** on **Thursday, 11<sup>th</sup> May, 2017 at 10:00 a.m.**

Member's Folio/DP ID-Client ID No.

Member's/Proxy's name in Block Letters

Member's/Proxy's Signature

**Note:** Please complete the Folio / DP ID-Client ID No. and name, sign this Attendance Slip and hand it over at the Attendance Verification Counter at the ENTRANCE OF THE MEETING HALL.

## ELECTRONIC VOTING PARTICULARS

REVEN (Remote E-Voting Event Number)	USER ID	PASSWORD / PIN

**NOTE :** Please read instructions given at Note No. 15 of the Notice of the 58<sup>th</sup> Annual General Meeting carefully before voting electronically.

# NESTLÉ INDIA LIMITED

(CIN : L15202DL1959PLC003786)

Regd. Office : M-5A, Connaught Circus, New Delhi - 110 001

## PROXY FORM

Name of the Member(s):

Registered Address :

Folio No./Client ID:

E-mail ID :

DP ID :

I/We being the member(s) of.....shares of the above named Company hereby appoint :

- Name : .....Address : .....  
E-mail Id : .....Signature: ..... or failing him;
- Name : .....Address : .....  
E-mail Id : .....Signature: ..... or failing him;
- Name : .....Address : .....  
E-mail Id : .....Signature: ..... ;

as my/our proxy to attend and vote (on a poll) for me/us and on my/our behalf at the 58<sup>th</sup> Annual General Meeting of the Company, to be held on Thursday, 11<sup>th</sup> May, 2017 at 10:00 a.m. at Air Force Auditorium, Subroto Park, New Delhi-110 010 and at any adjournment thereof in respect of such resolutions as are indicated below:-

Resolution No.	Optional*	
	For	Against
<b>Ordinary Business</b>		
1.	Adoption of Financial Statements for the year ended 31 <sup>st</sup> December, 2016.	
2.	Confirm payment of three interim dividends and declare final dividend for the year 2016.	
3.	Re-appointment of Mr. Shobinder Duggal (DIN : 00039580), who retires by rotation.	
4.	Appointment of M/s. BSR & Co. LLP, Chartered Accountants (ICAI Registration No.101248W/ W-100022) as Auditors and fixing their remuneration.	
<b>Special Business</b>		
5.	Ratification of Remuneration of M/s Ramanath Iyer & Co., Cost Auditors (Firm Registration No. 00019).	
6.	Appointment of Mr. Martin Roemkens (DIN : 07761271) as a Director.	
7.	Appointment and the terms and conditions of appointment of Mr. Martin Roemkens (DIN : 07761271) as a Whole-Time Director, designated as "Director-Technical".	
8.	Appointment of Ms. Rama Bijapurkar (DIN : 00001835) as an Independent Non- Executive Director.	

Signed this .....day of.....2017.

Signature of member(s).....

Signature of Proxy holder(s) .....

Affix  
Revenue  
Stamp

- Note:**
- This form of proxy in order to be effective should be duly completed and deposited at the Registered Office of the Company, not less than 48 hours before the commencement of the Meeting.
  - For the Resolutions, Explanatory Statement and Notes, please refer to the Notice of the 58<sup>th</sup> Annual General Meeting.
  - It is optional to put a 'X' in the appropriate column against the Resolutions indicated in the Box. If you leave the 'For' or 'Against' column blank against any or all Resolutions, your Proxy will be entitled to vote in the manner as he/she thinks appropriate.