

# Nestlé India Limited



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YOUR REF :

OUR REF : **BM: PKR: 58:11**

DATE : **30.11.2011**

The Bombay Stock Exchange Limited  
Phiroze Jeejeebhoy Towers  
Dalal Street, Fort  
Mumbai - 400 023

Kind attn. : **Mr. Bhushan Mokashi**  
**DCS - CRD**

Scrip Code - 500790

Subject : **Presentation to Financial Analysts**

Dear Sir,

Enclosed are the presentations made to the Financial Analysts at the meeting held today.

We are also taking necessary action for uploading the presentations on the Company's website [www.nestle.in](http://www.nestle.in).

Thanking you,

Yours truly,  
**NESTLÉ INDIA LIMITED**

**B. MURLI**  
**SENIOR VICE PRESIDENT - LEGAL & COMPANY SECRETARY**

Encl.: Total number of pages **13** (covering **50** slides)

# Nestlé India Limited



20<sup>th</sup> Financial Analysts' Meet - Gurgaon 30<sup>th</sup> November 2011



**Nestlé**

Good Food, Good Life

# Disclaimer

This presentation may contain statements which reflect Management's current views and estimates and could be construed as forward looking statements. The future involves certain risks and uncertainties that could cause actual results to differ materially from the current views being expressed. Potential risks and uncertainties include such factors as general economic conditions, commodities and currency fluctuations, competitive product and pricing pressures, industrial relations and regulatory developments.

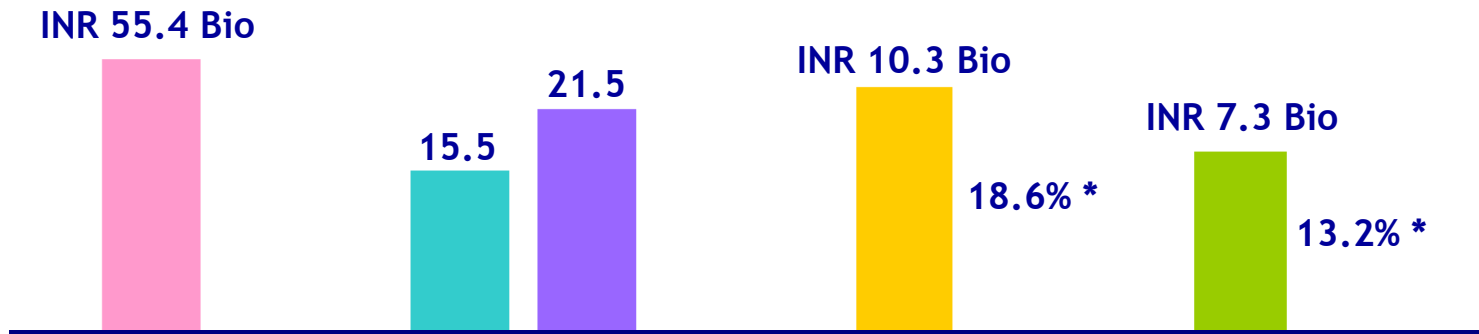
*Responses can be given to questions, which are not price sensitive.*

*Calculations in this presentation are based on non-rounded figures.*

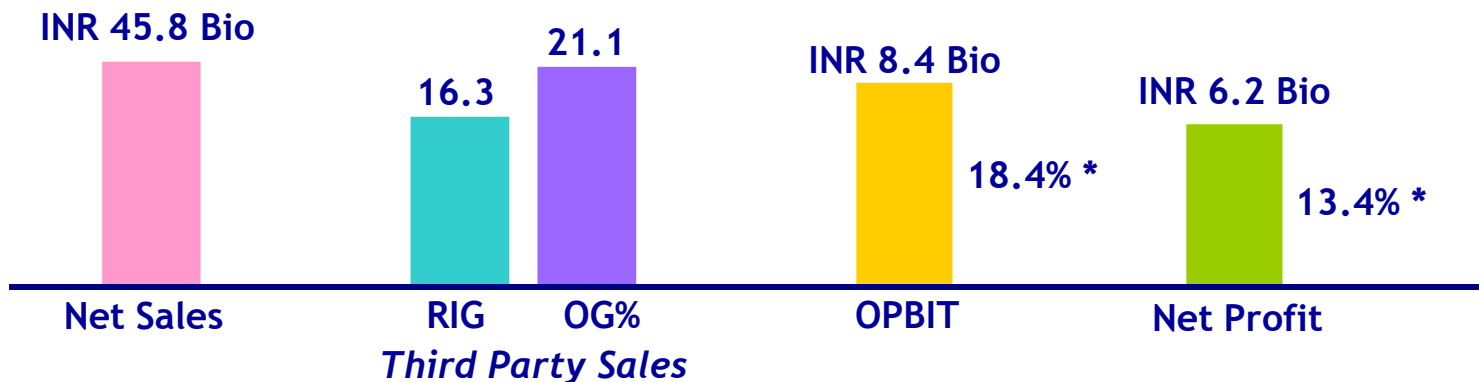
*Real Internal Growth (RIG) and Organic Growth (OG) are basis Nestlé Internal Reporting Standards in relation to third party sales only.*

# Jan - Sep highlights

Jan-Sep  
2011



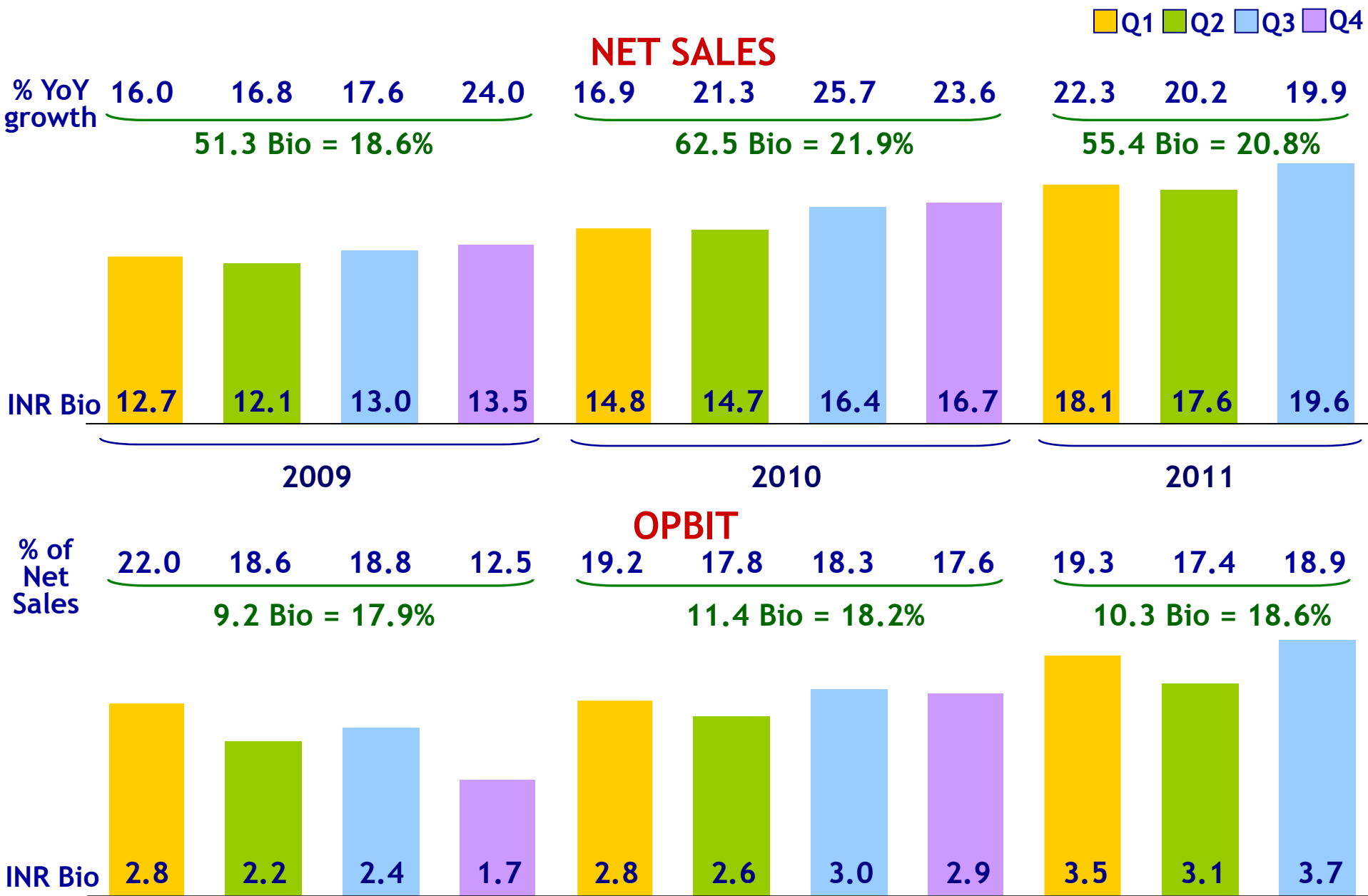
Jan-Sep  
2010



*Includes figures from Nestlé Internal Reporting Standards*

\* % of Net Sales

# Sustained successive quarters of double digit growth *and* profitability

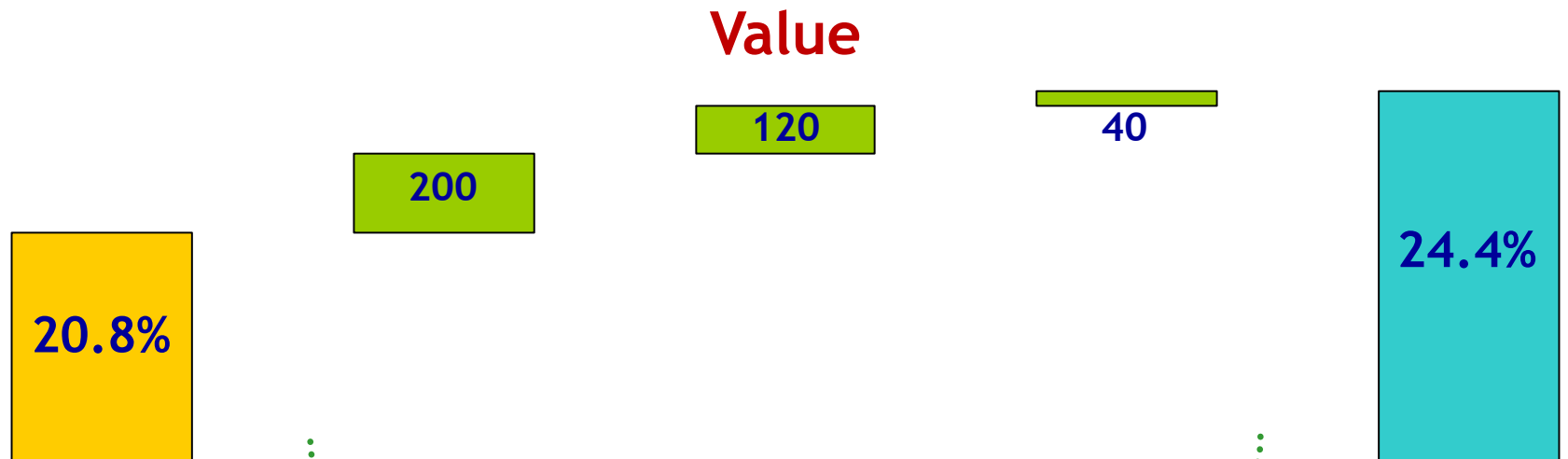
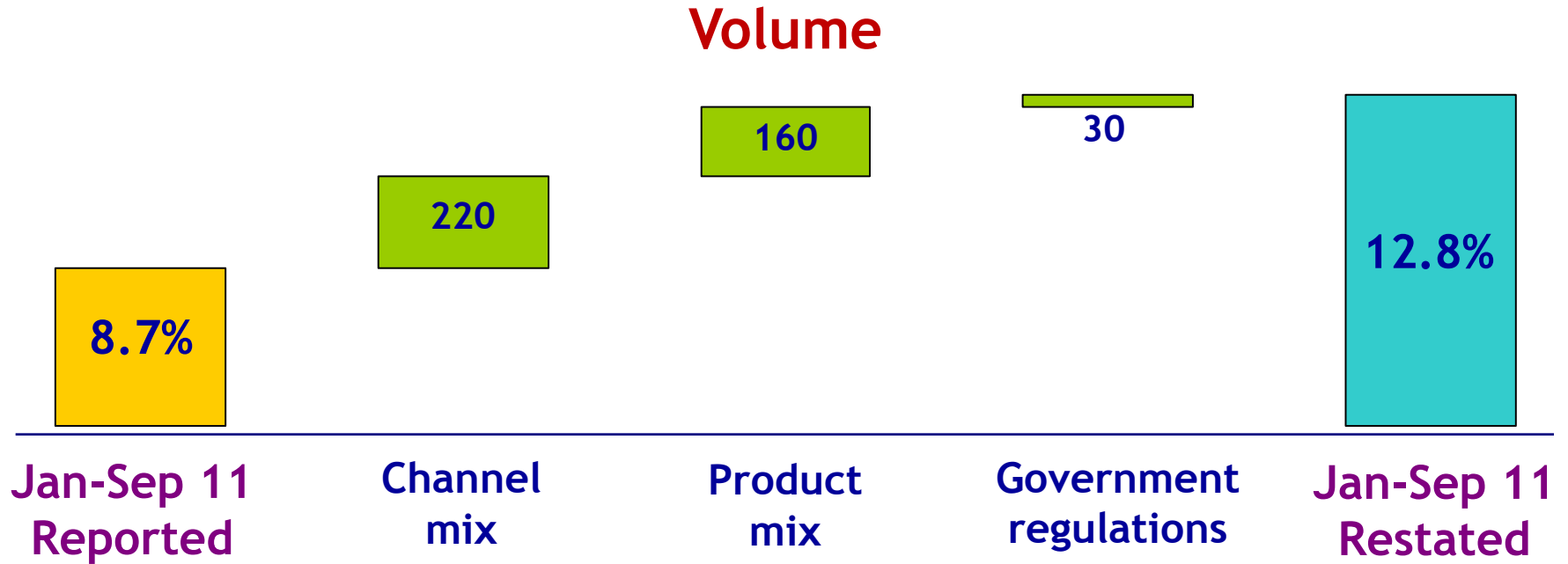


# Contributors & diluters to Net Sales



*All figures are in INR Bio*

# Sales growth negatively impacted by...



*Impacts computed basis stripping out discontinued/curtailed business from both periods*

*Figures in boxes represent basis points*

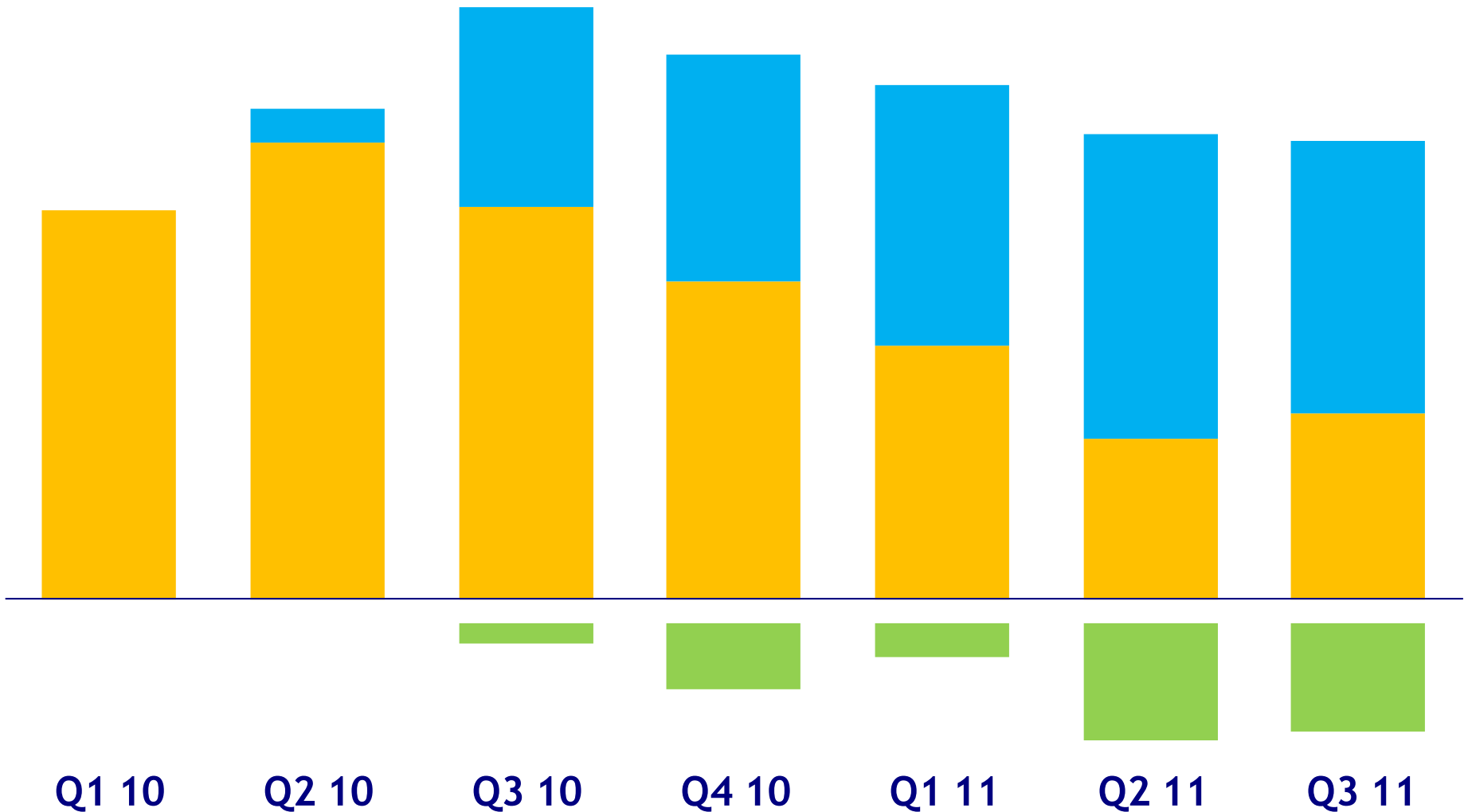


# Underlying factors of Sales growth

Price increase & Sales Mix

Aggregate of Volume growth as reported

Discontinued / curtailed business volumes \*

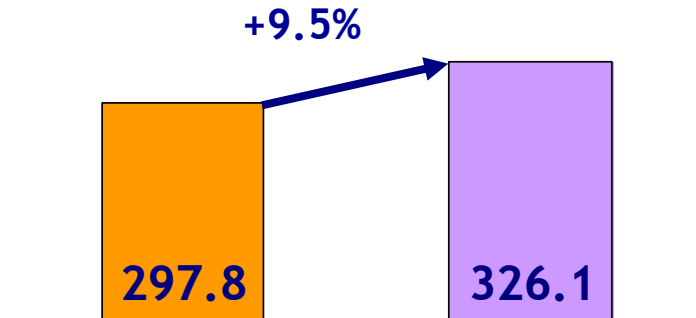


\* Impacts computed basis stripping out discontinued/curtailed business from both periods

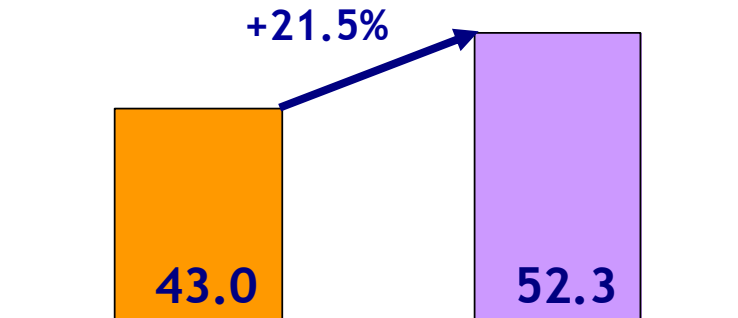
# Volume, Price & Mix led growth

## Domestic

Volume (000' Tons)

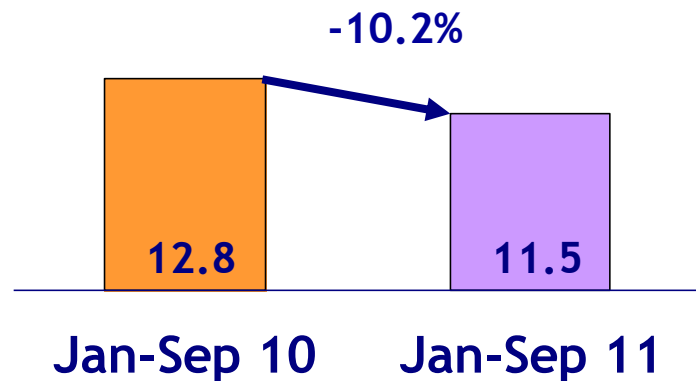


Value (INR Bio)

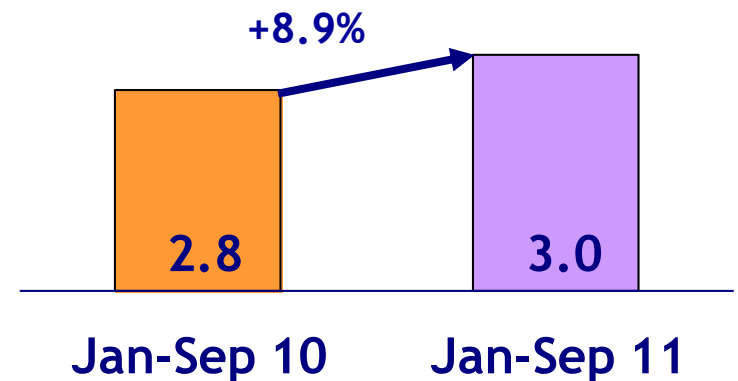


## Exports

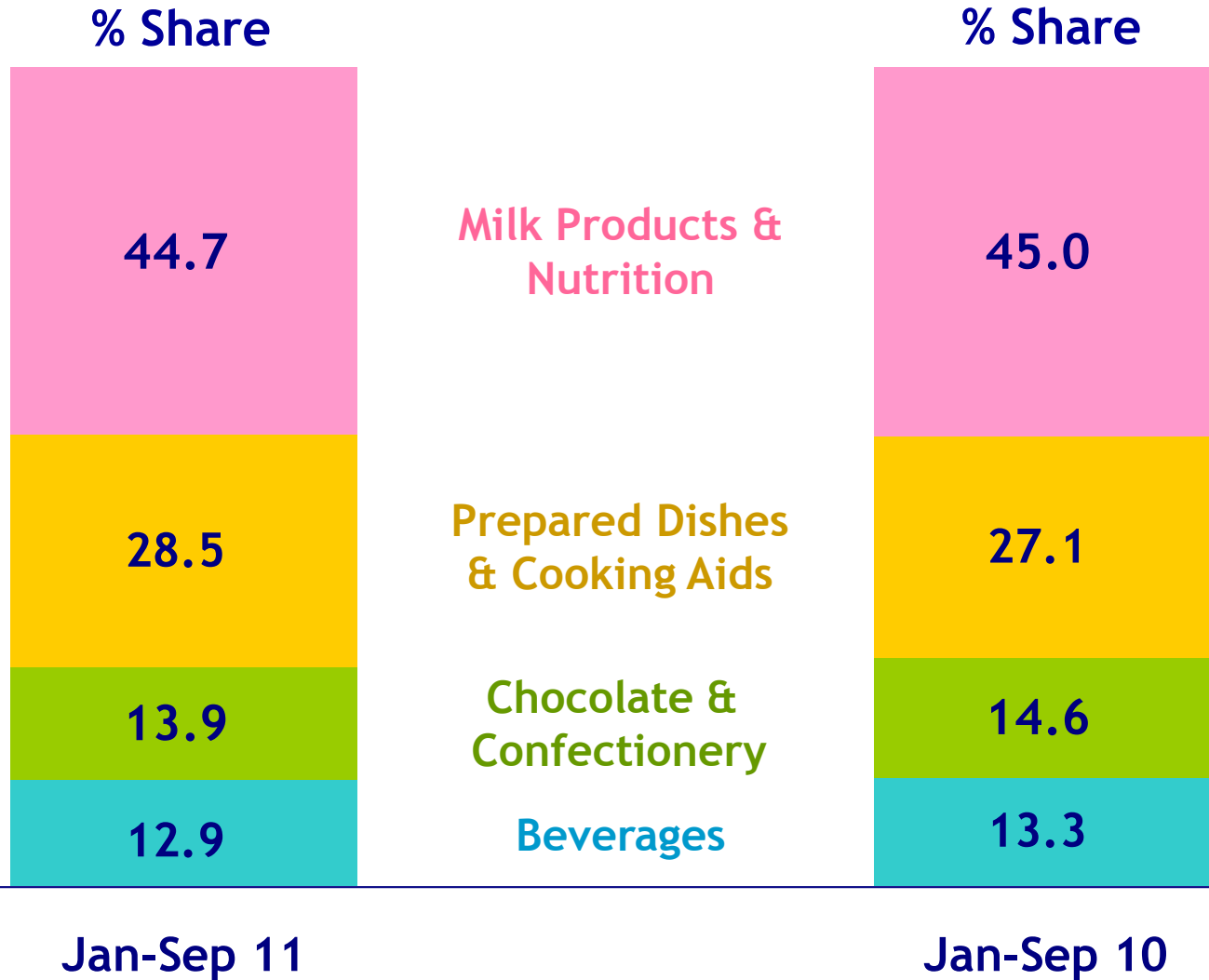
Volume (000' Tons)



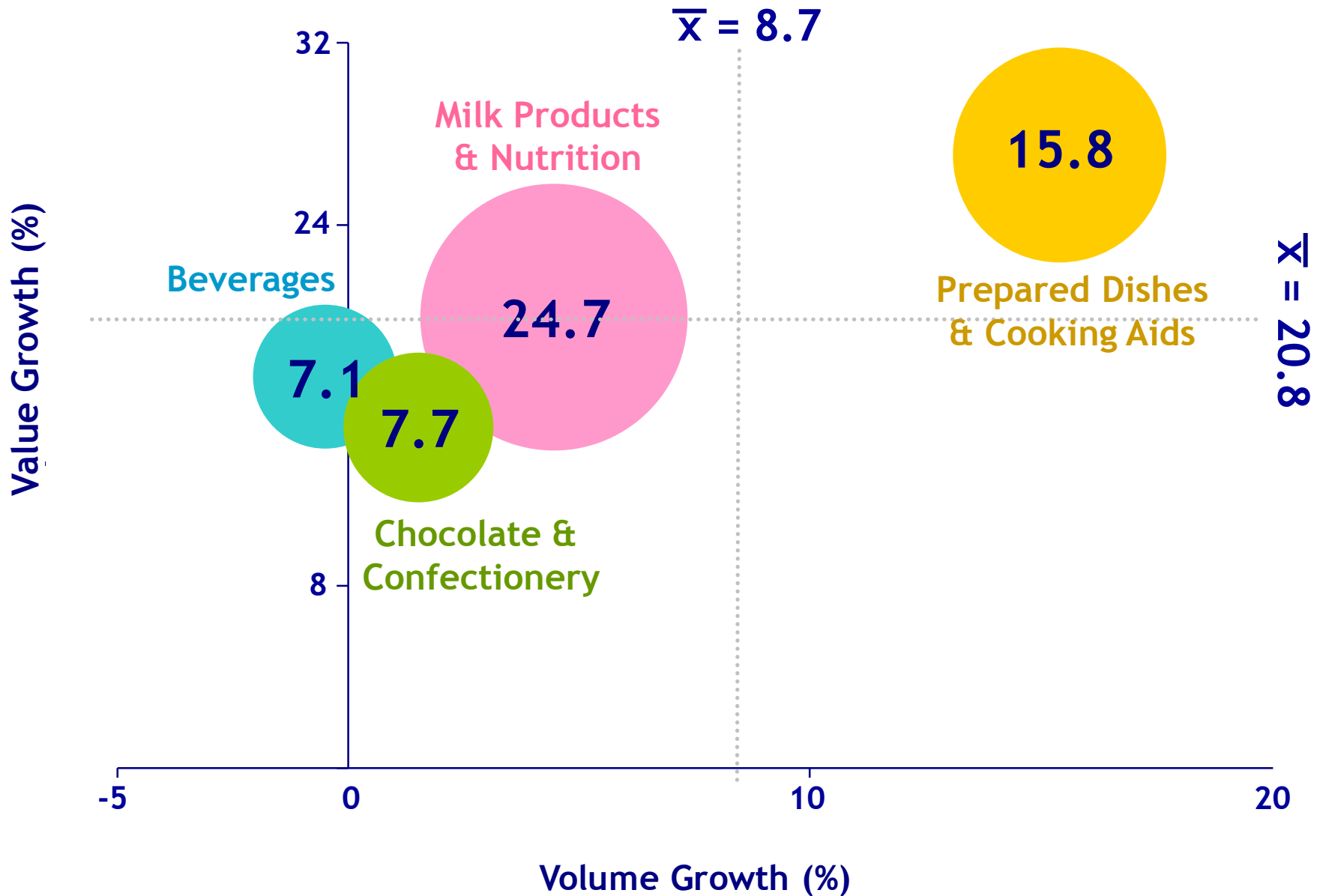
Value (INR Bio)



# Contribution of Product categories to Net Sales



# All Product categories grow



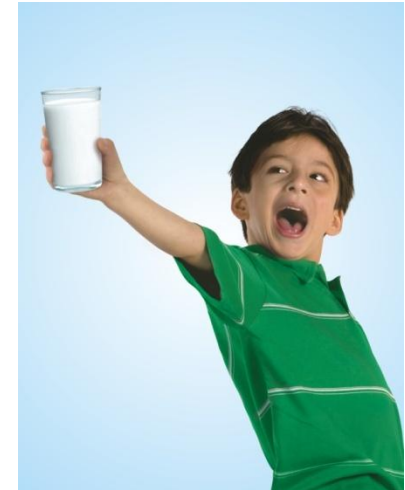
Bubble shows Net Sales (INR Bio)

Jan-Sep 11

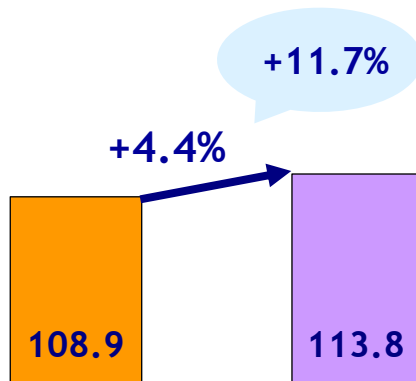
# Milk Products & Nutrition

*'Weeded out non-strategic part of portfolio'*

## Innovation & Renovation

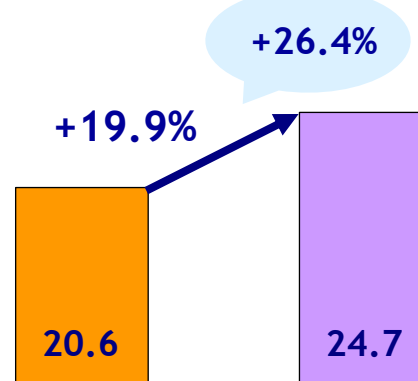


Sales (000' tons)



Jan-Sep 10      Jan-Sep 11

Sales (INR Bio)



Jan-Sep 10      Jan-Sep 11

Market Position (Value)

- No. 1 in Baby Foods & Infant Formula
- No. 1 in Dairy Whitener & Sweetened Condensed Milk

**Contribution 44.7%**

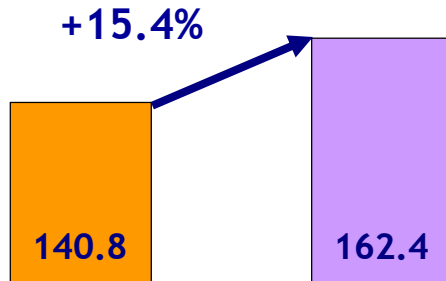
# Prepared Dishes & Cooking Aids

## 'Recent gains in market shares'

### Innovation & Renovation



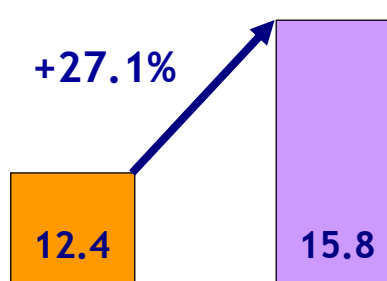
Sales (000' tons)



Jan-Sep 10

Jan-Sep 11

Sales (INR Bio)



Jan-Sep 10

Jan-Sep 11

### Market Position (Value)

- No. 1 in Instant Noodles, Sauces & Pasta
- No. 2 in Healthy Soups

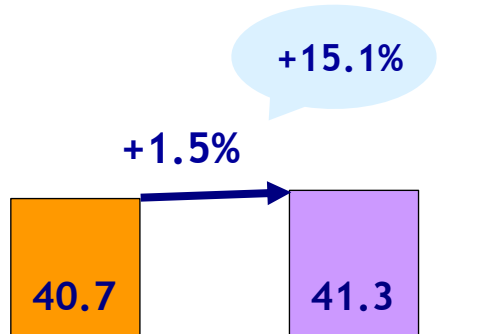
**Contribution 28.5%**

# Chocolate & Confectionery

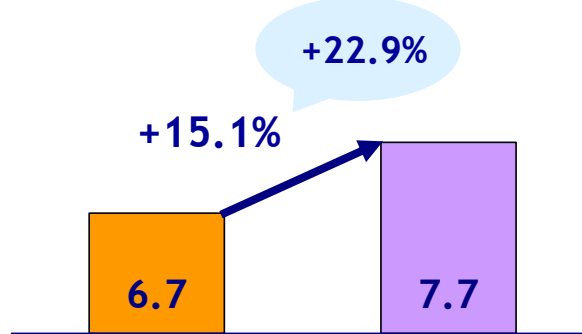
*'Capped non-strategic part of portfolio'*



Sales (000' tons)



Sales (INR Bio)



Market Position (Value)

- No. 1 in Wafers and Whites
- Leading player in Éclairs

**Contribution 13.9%**

Jan-Sep 10

Jan-Sep 11

Jan-Sep 10

Jan-Sep 11

# Beverages

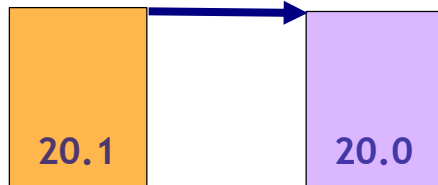
*'Exports depress overall volume growth'*

## Innovation & Renovation



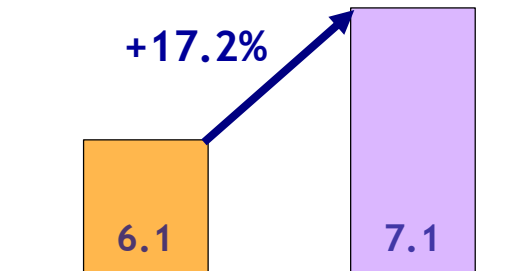
Sales (000' tons)

-0.5%



Sales (INR Bio)

+17.2%



## Market Position (Value)

- No. 1 in Instant Coffee
- Very strong presence in Vending

**Contribution 12.9%**

Jan-Sep 10

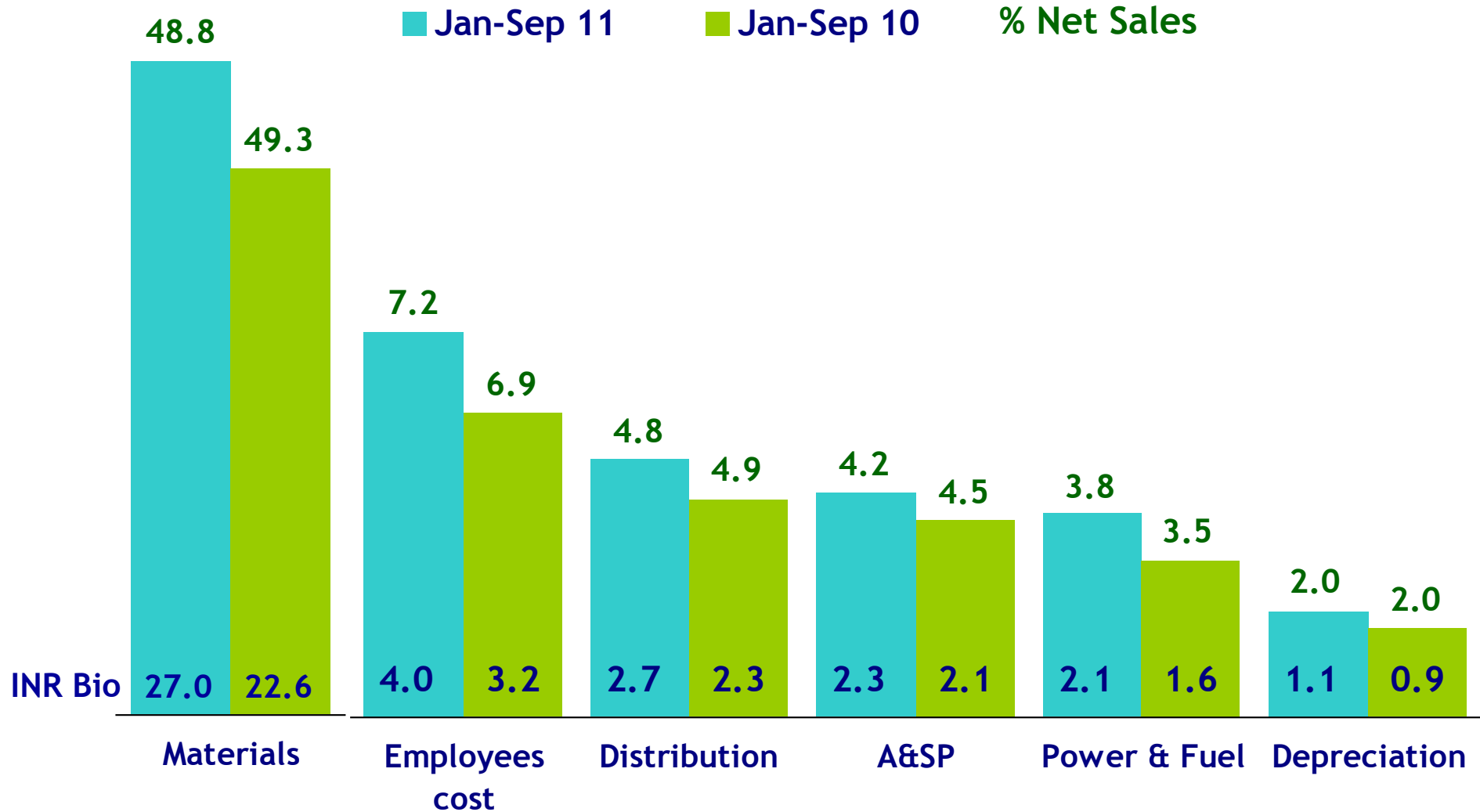
Jan-Sep 11

Jan-Sep 10

Jan-Sep 11



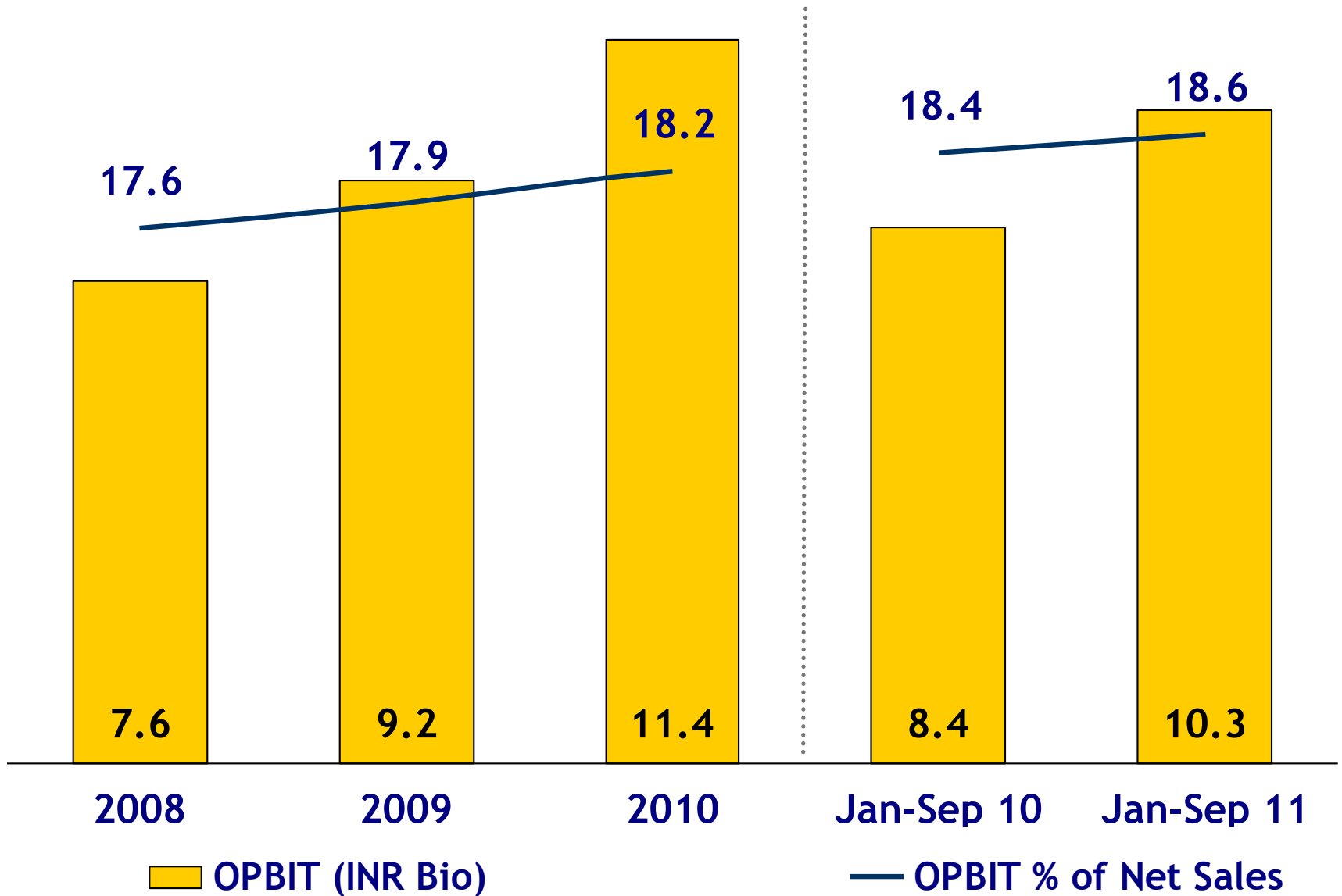
# Our Cost Structure



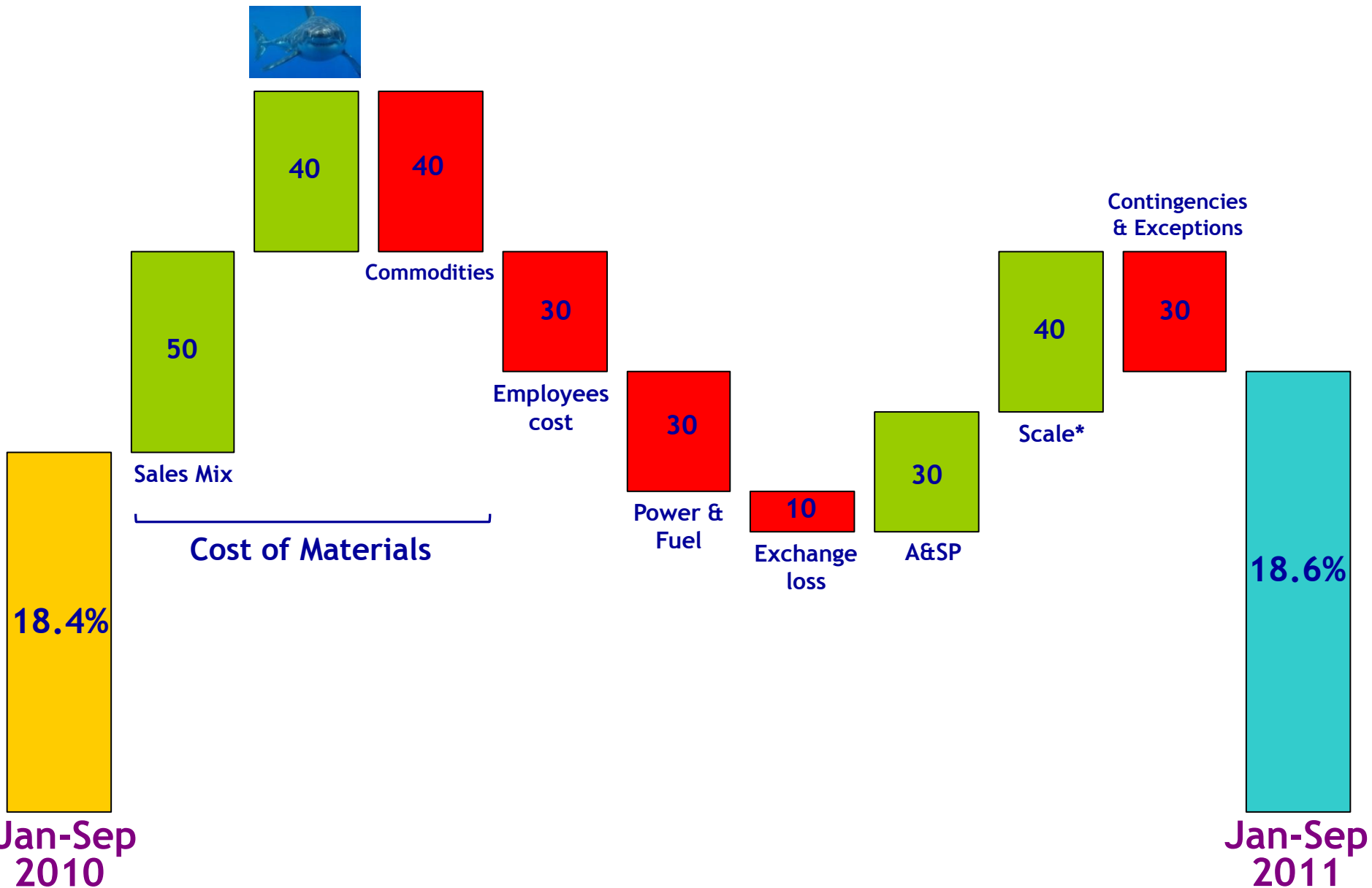
Figures have been regrouped / reclassified to make them comparable.

Not to scale

# Margins remain within band



# Contributors & diluters to OPBIT%

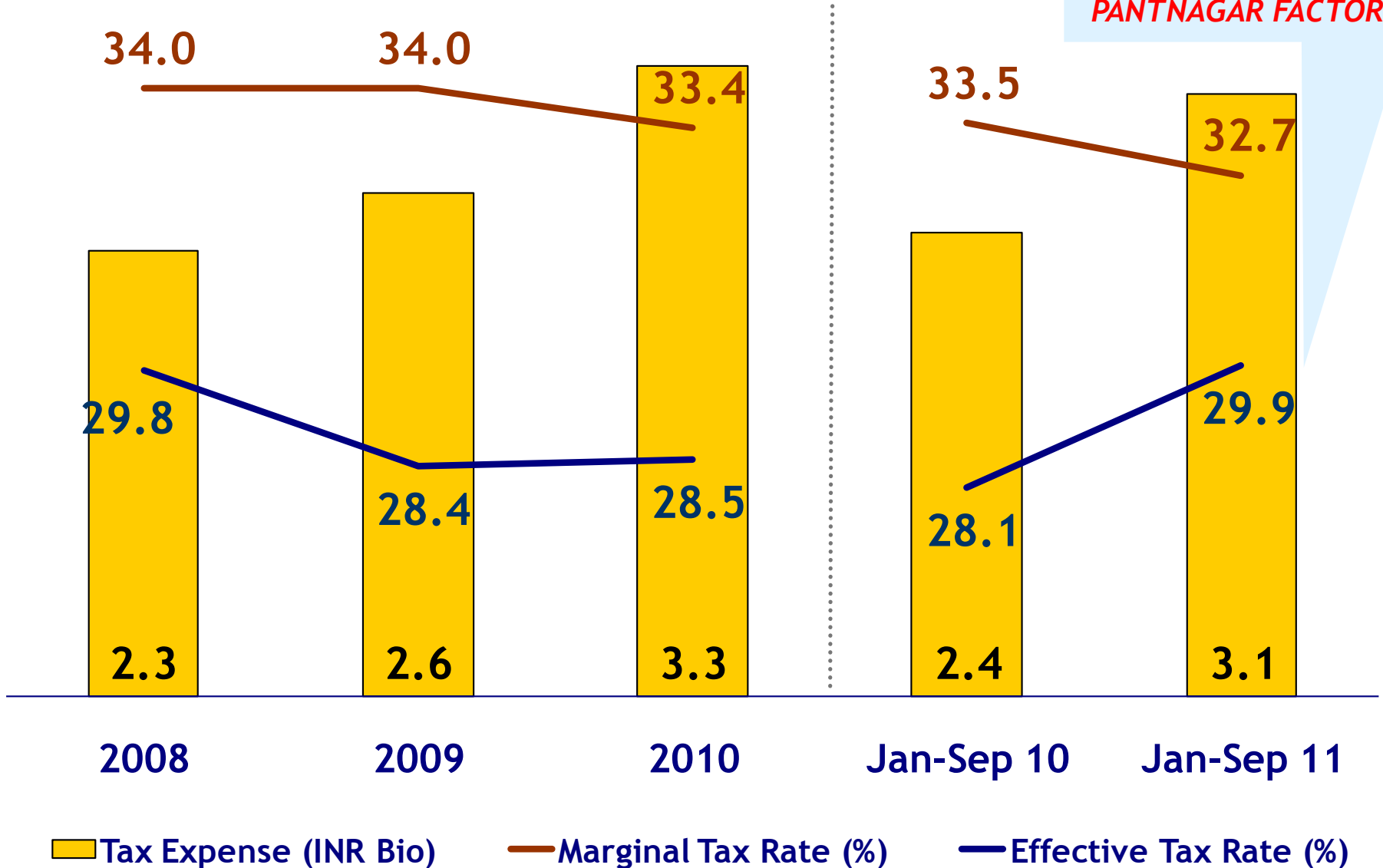


*% & basis points in boxes are with reference to Net sales*

*\*w/o Employees cost*

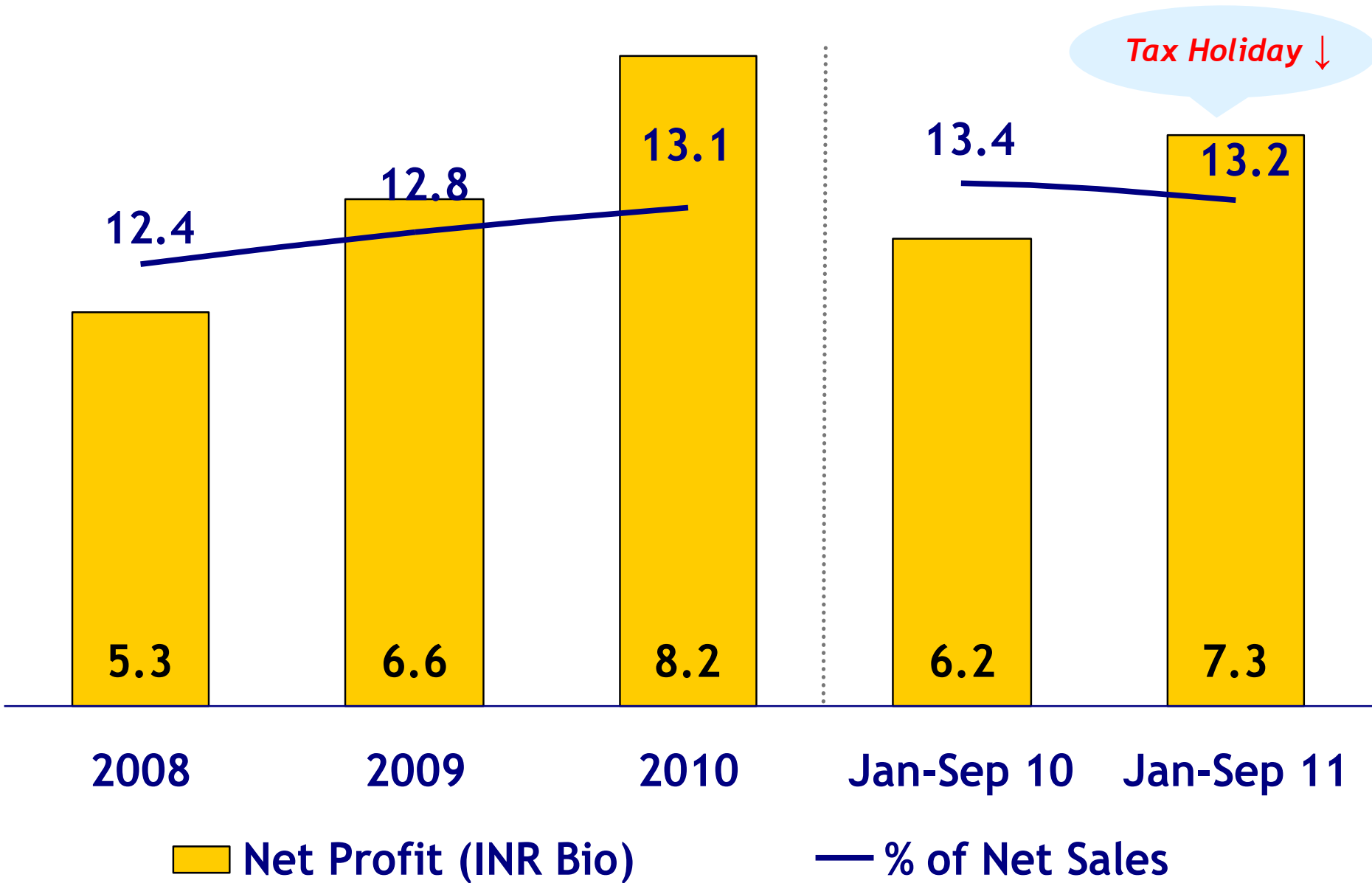
# Effective tax rate

100% tax holiday drops to 30% from 1 Apr 2011 for 5 years at PANTNAGAR FACTORY

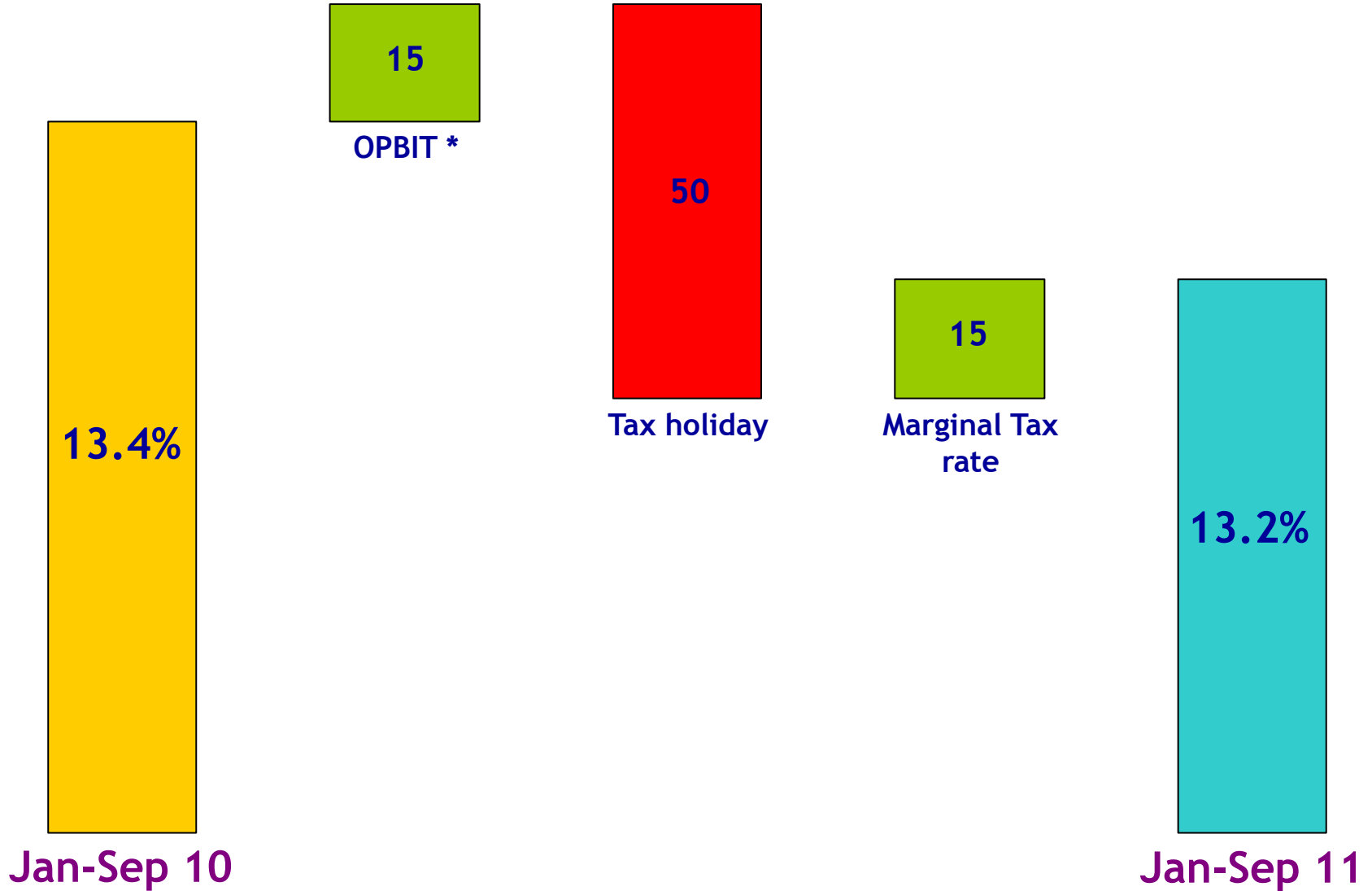


Excludes Fringe Benefit & Dividend Distribution Tax

# Net profit



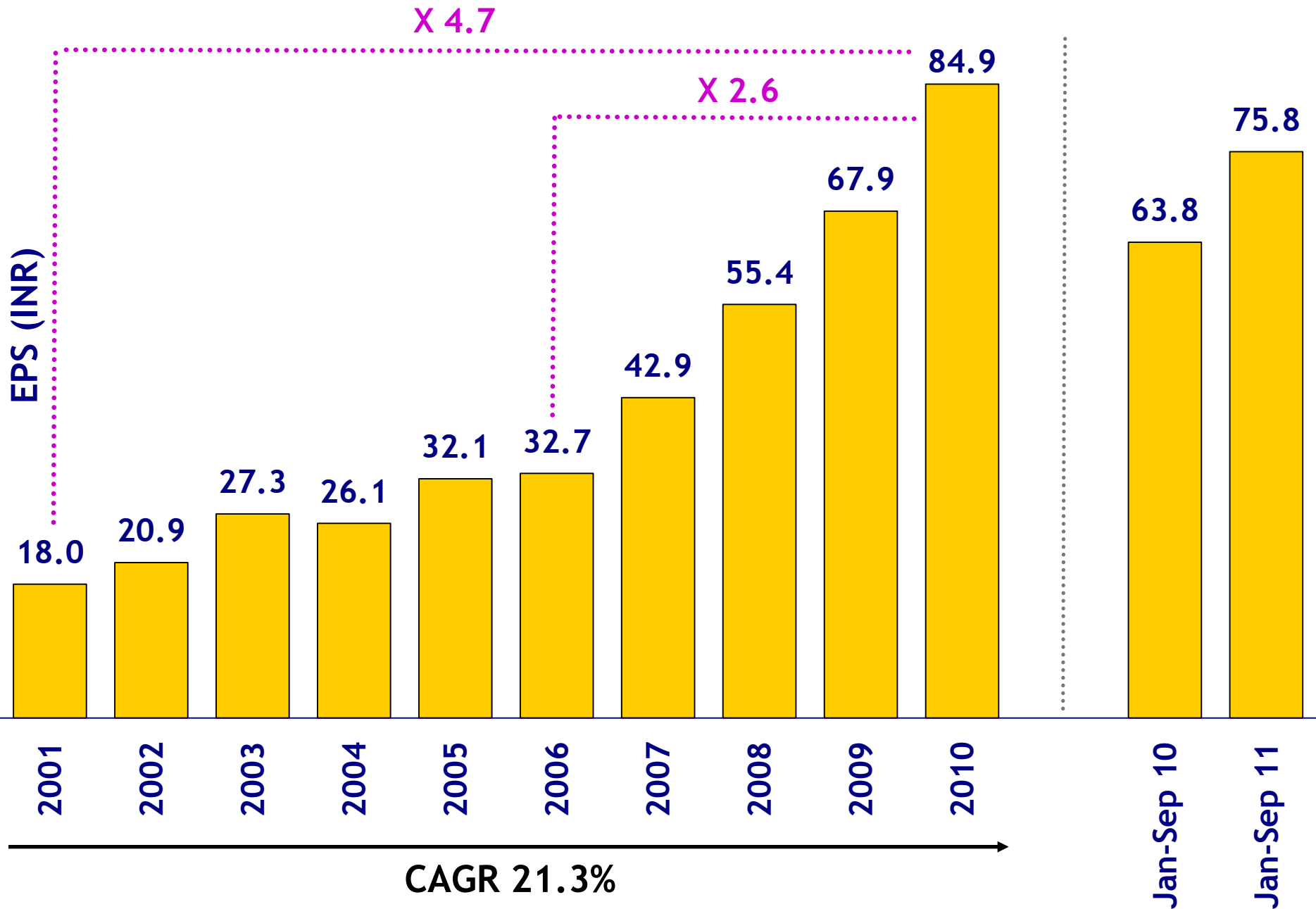
# Contributors & diluters to PAT%



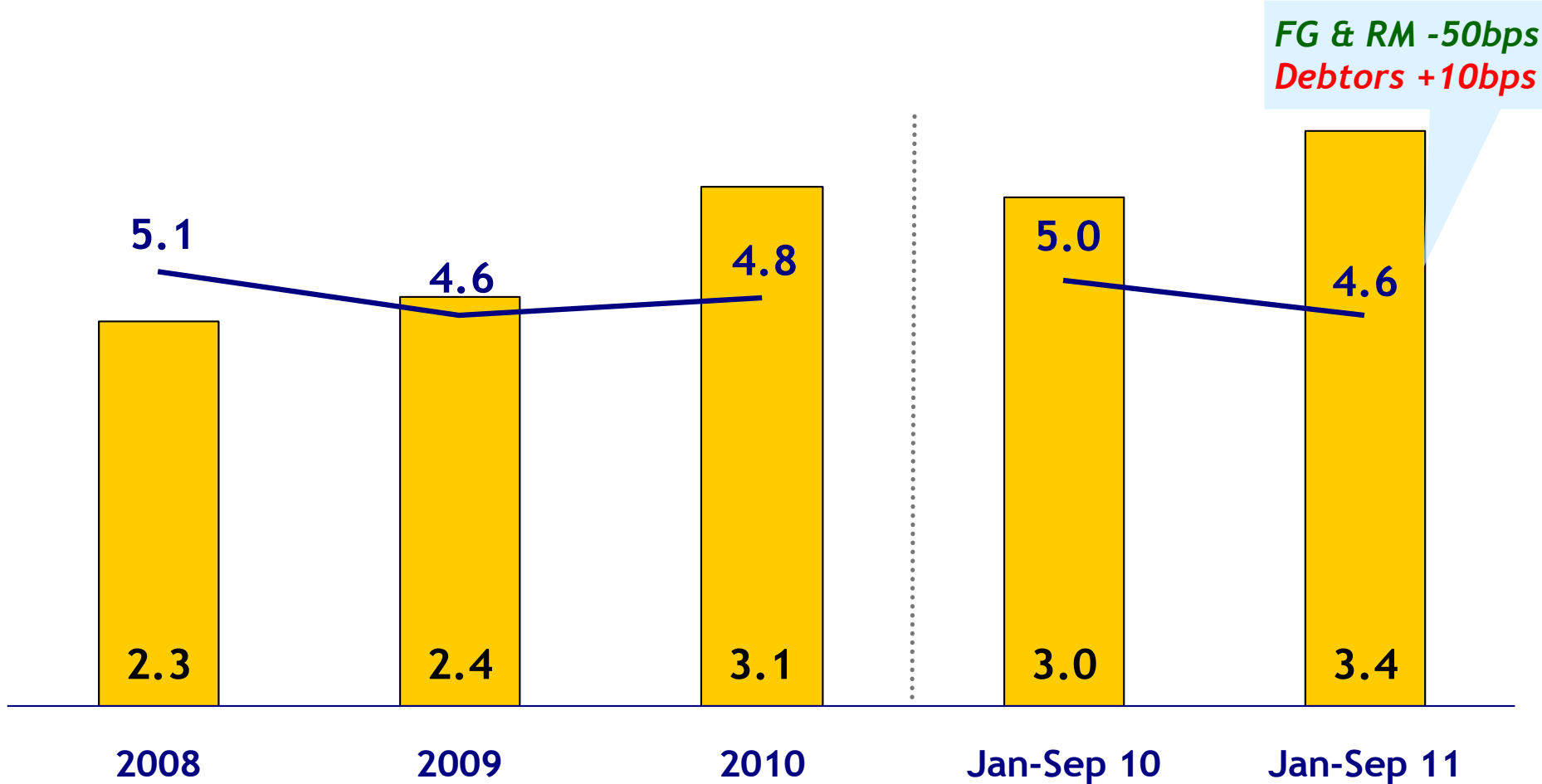
\* Net of tax

% & basis points in boxes are with reference to Net sales

# Earnings Per Share growth over 10 years



# Operating working capital...



Operating working capital (INR Bio) — % of Net Proceeds of Sales

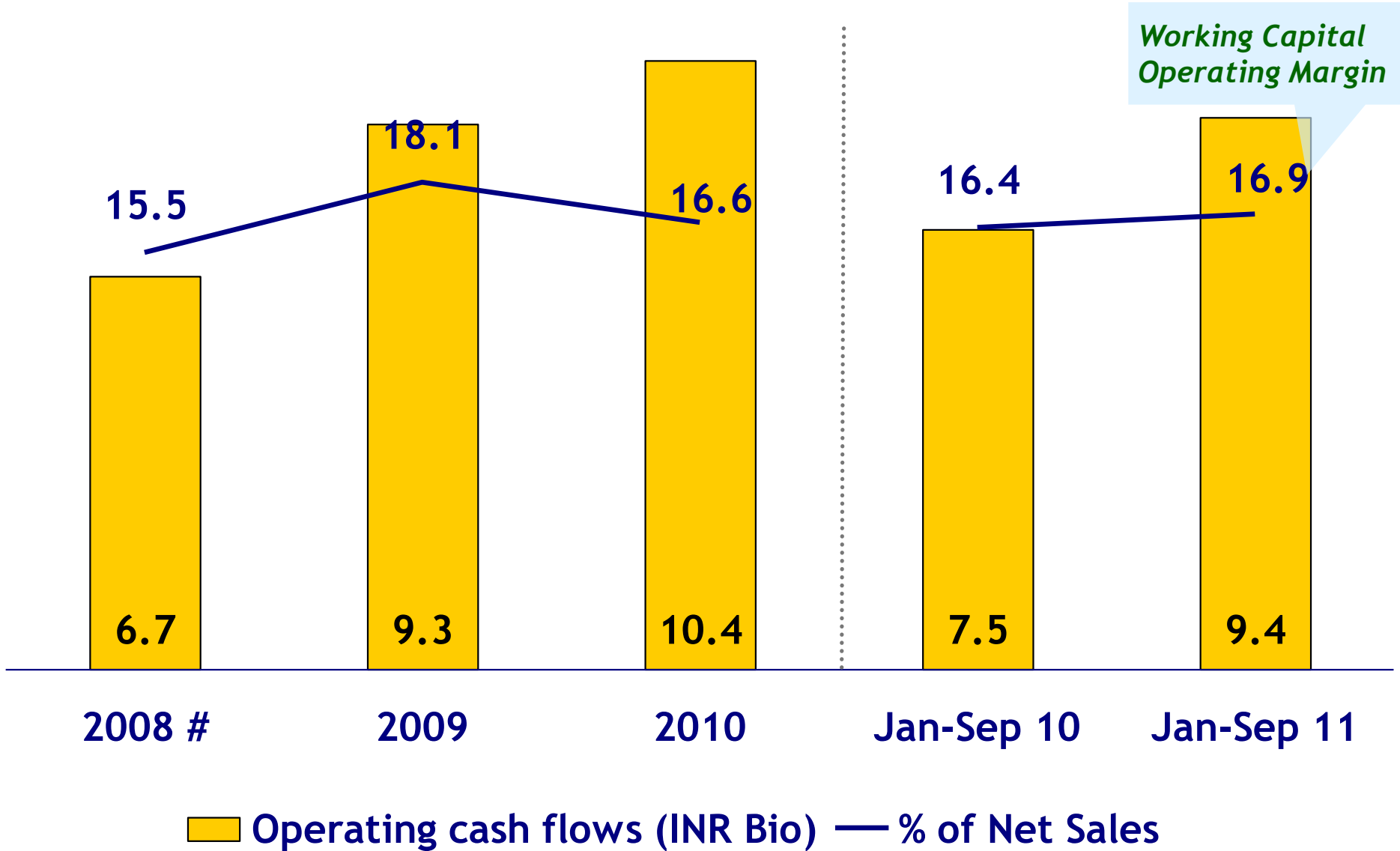
Operating Working Capital = Inventories + Debtors - Trade Payables (excluding Staff Costs, Contingencies, Capex & Taxes)

Operating Working capital is average for 5 quarter end data points

*Basis Nestlé Internal Reporting Standards*



# Operating cash flow



# excludes one off inflows. Reported 16.7%

# Utilisation of cash generated / borrowed

Cash  
Generated/  
Borrowed

7.2

9.3

10.4

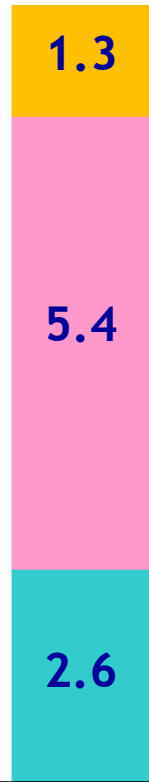
7.5

9.4  
4.6

INR Bio



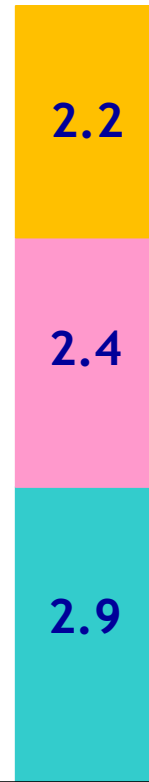
2008



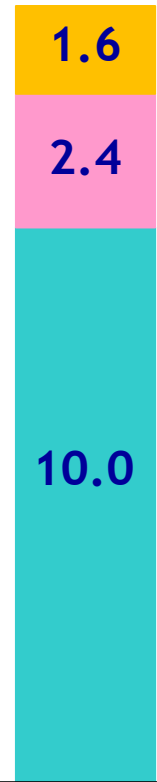
2009



2010



Jan-Sep 10



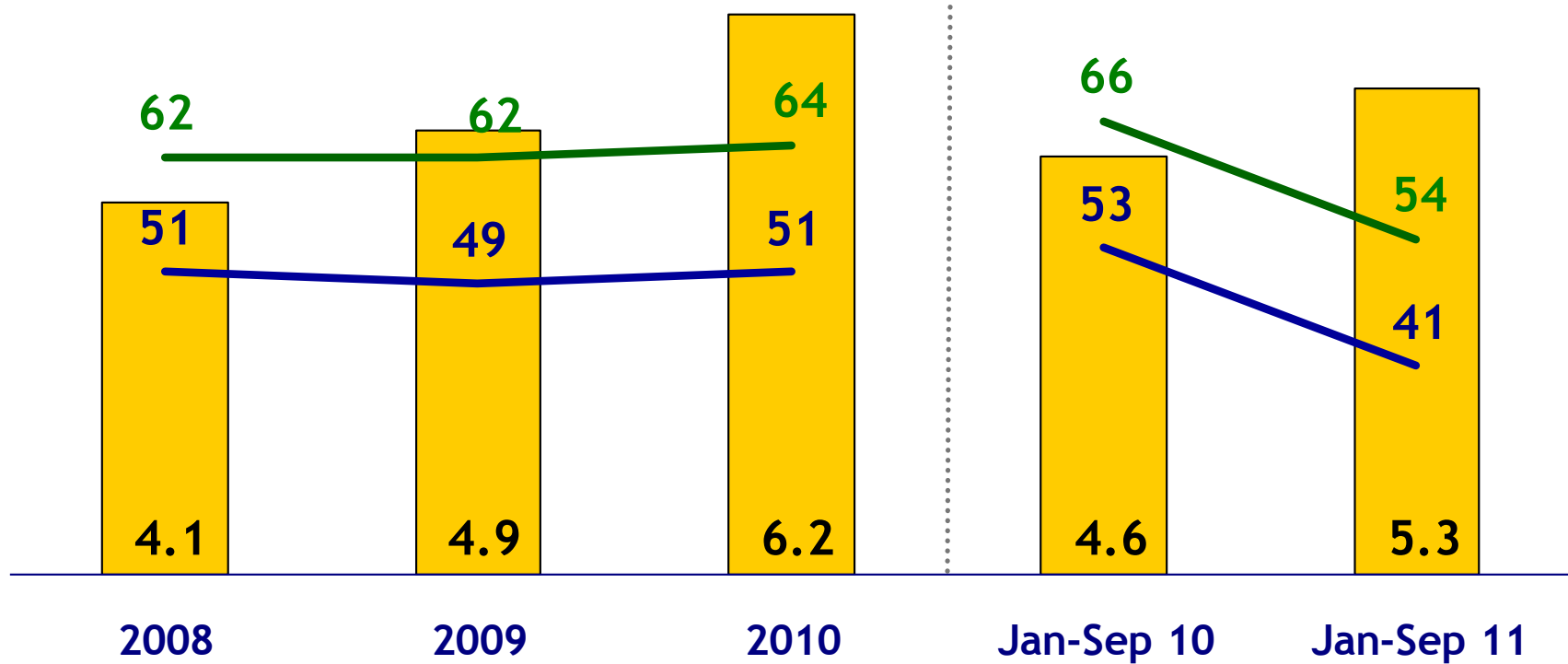
Jan-Sep 11

Cash retained

Dividends

Fixed Assets

# ROIC is 4 times ACC

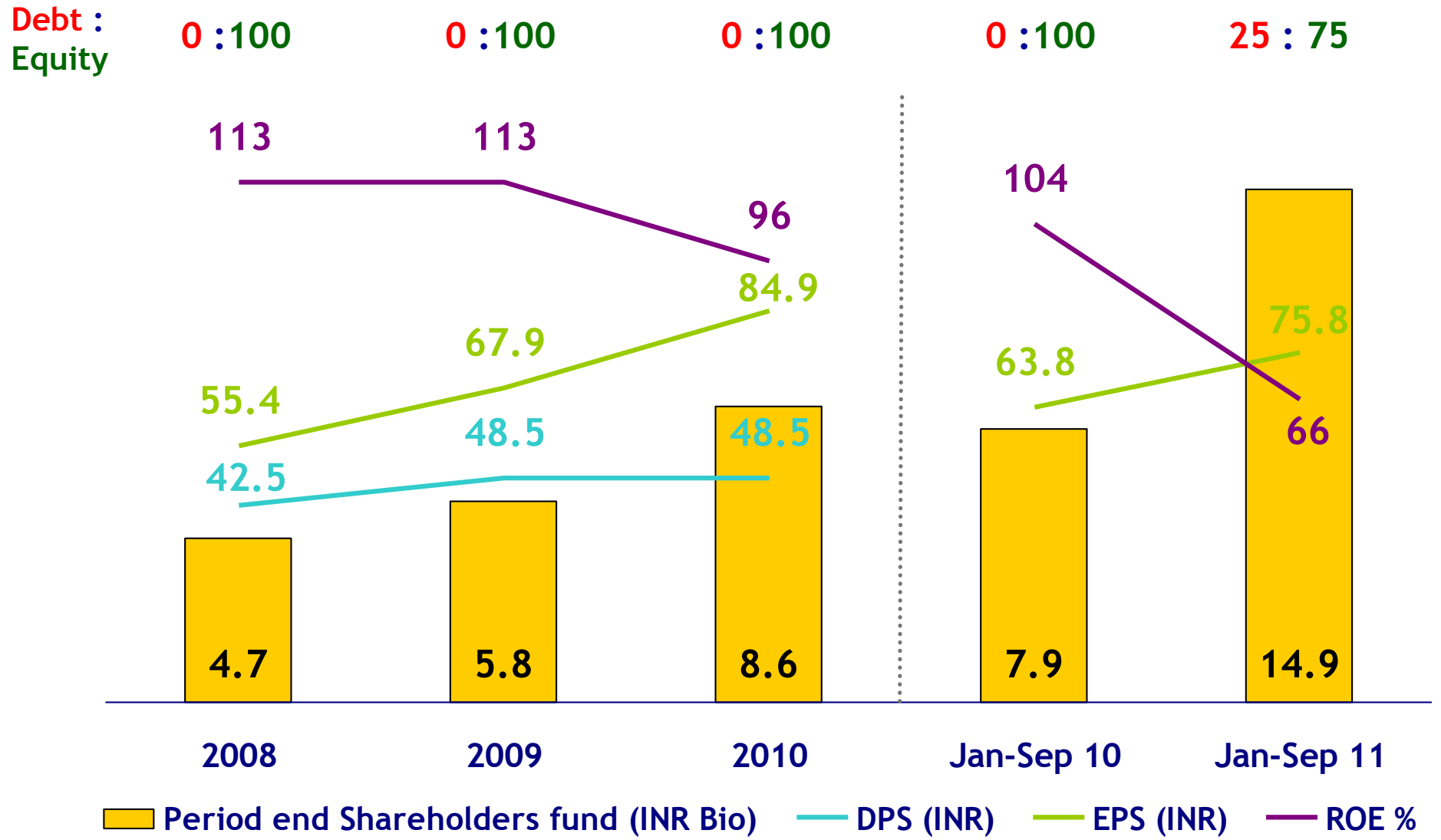


■ Economic Profit (INR Bio)    
 — Economic Profitability (%)    
 — Return on Invested Capital (%)

ACC %	11.6	12.8	12.9	13.0	12.9
Risk Free rate %	7.9	8.5	8.0	8.0	8.0
Group risk Premium%	2.5	3.0	3.5	3.5	3.5

*Basis Nestlé Internal Reporting Standards*

# ROE decreases as earning retained to finance expansion



Average Share Price (INR)

1544

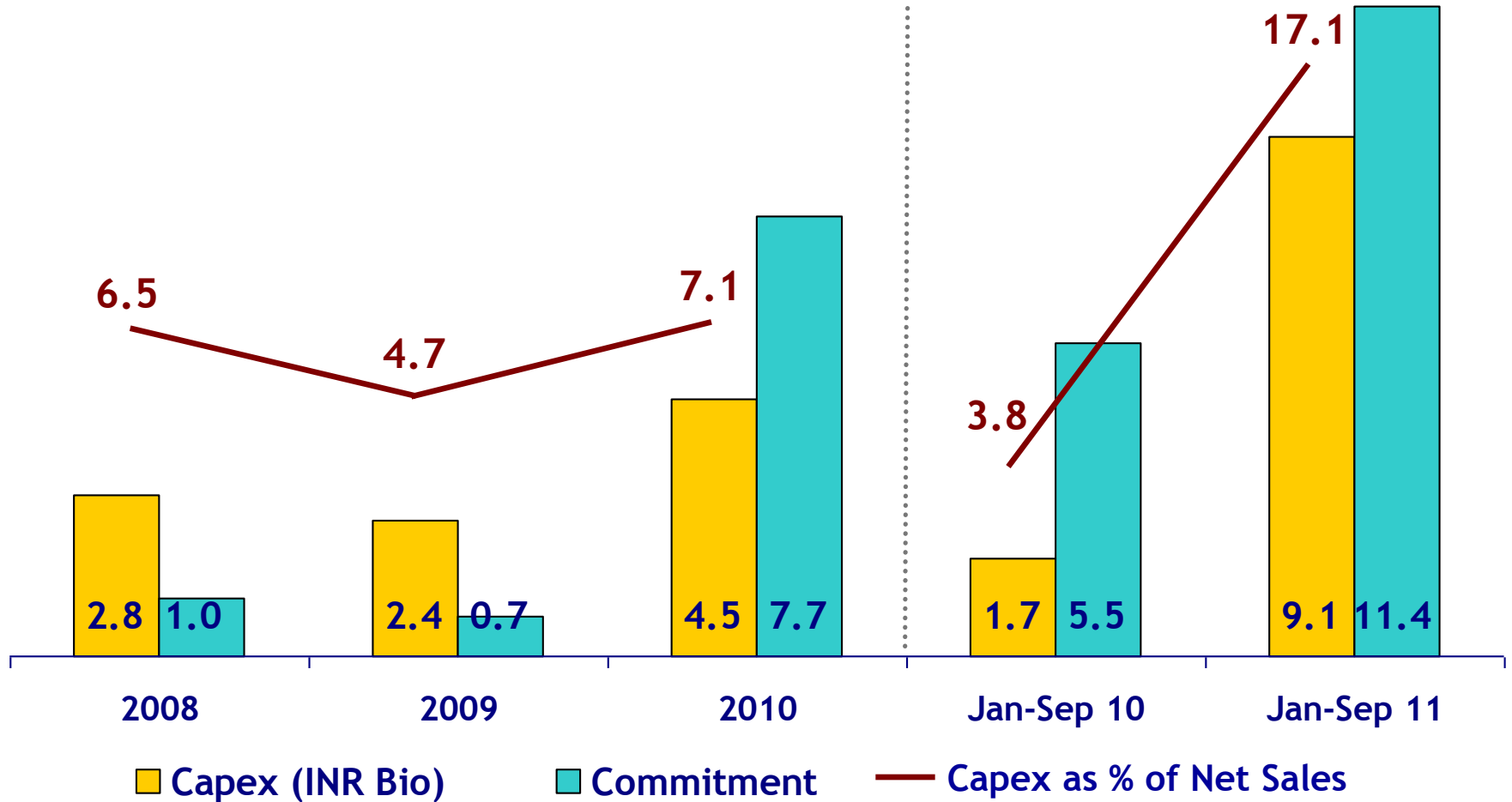
1987

3021

2831

3953

# CAPEX on high trajectory



FA Rotation 5.8

5.6

5.4

5.8

4.0

Dep. 0.82

1.01

1.19

0.87

1.09

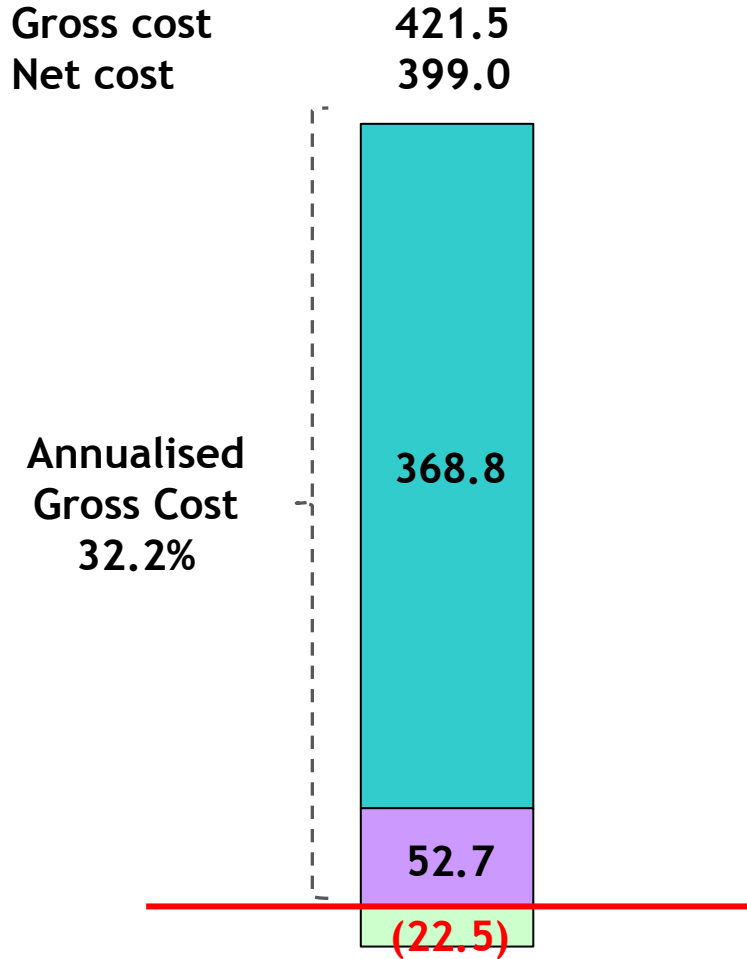
(INR Bio)

*Fixed Assets exclude Intangibles*

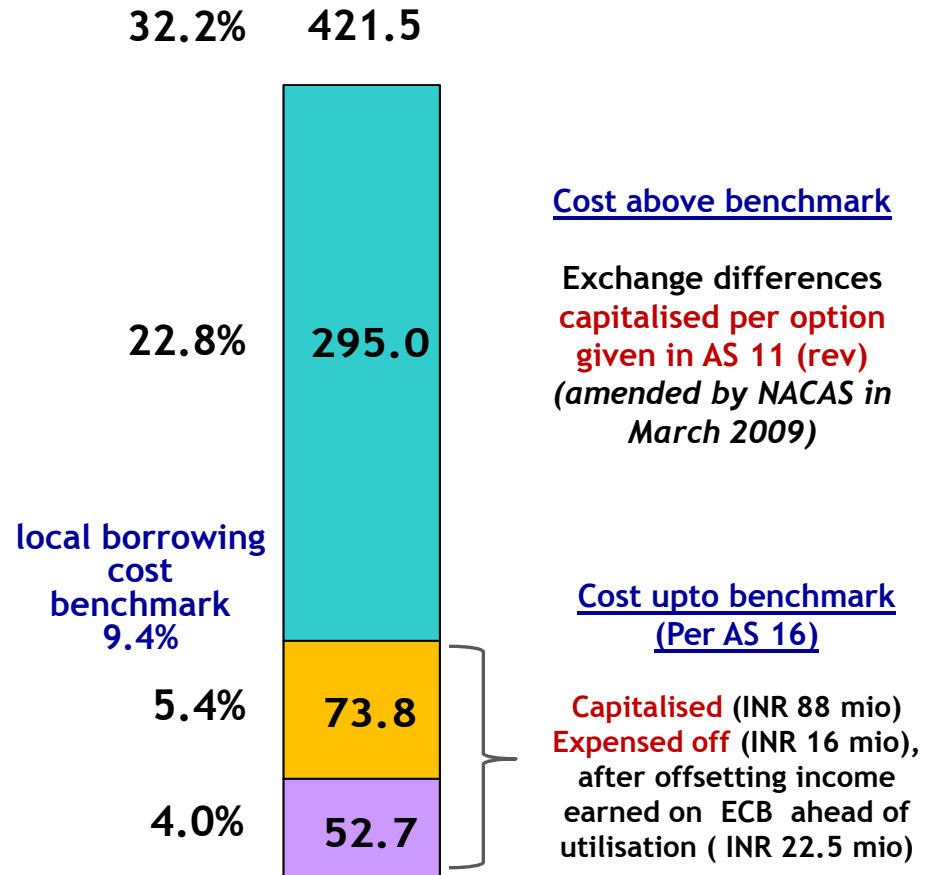
*Capex excludes Capital advances which are shown in commitments*

# External Commercial Borrowing (ECB) for CAPEX

## Financing Cost for USD 85 Mio



## Accounting Treatment



Jan-Sep 2011

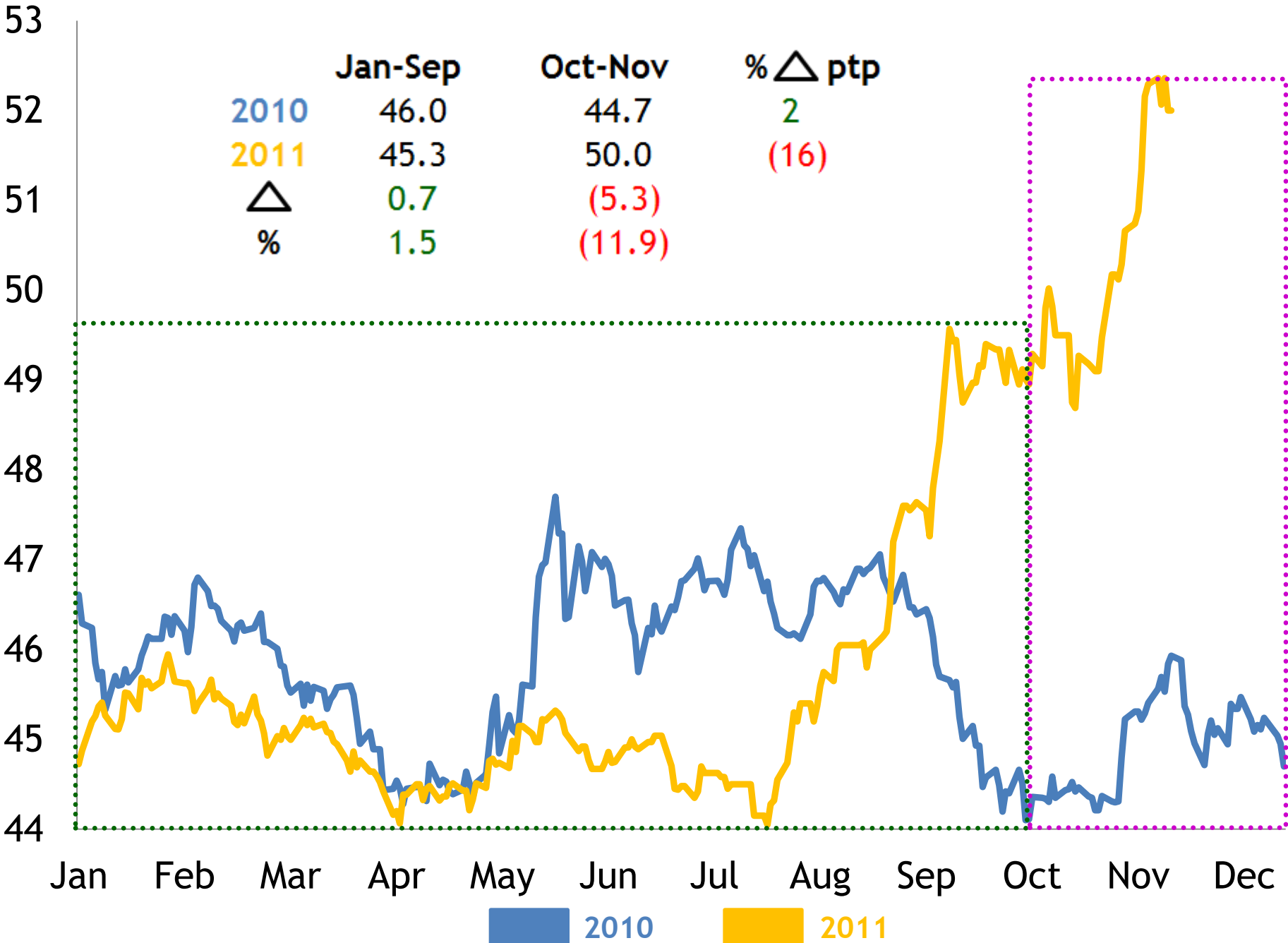
Interest cost    FX movement    Earning

Interest cost  
Exchange diff upto benchmark  
Exchange diff above benchmark

INR Mio

# USD:INR Movement

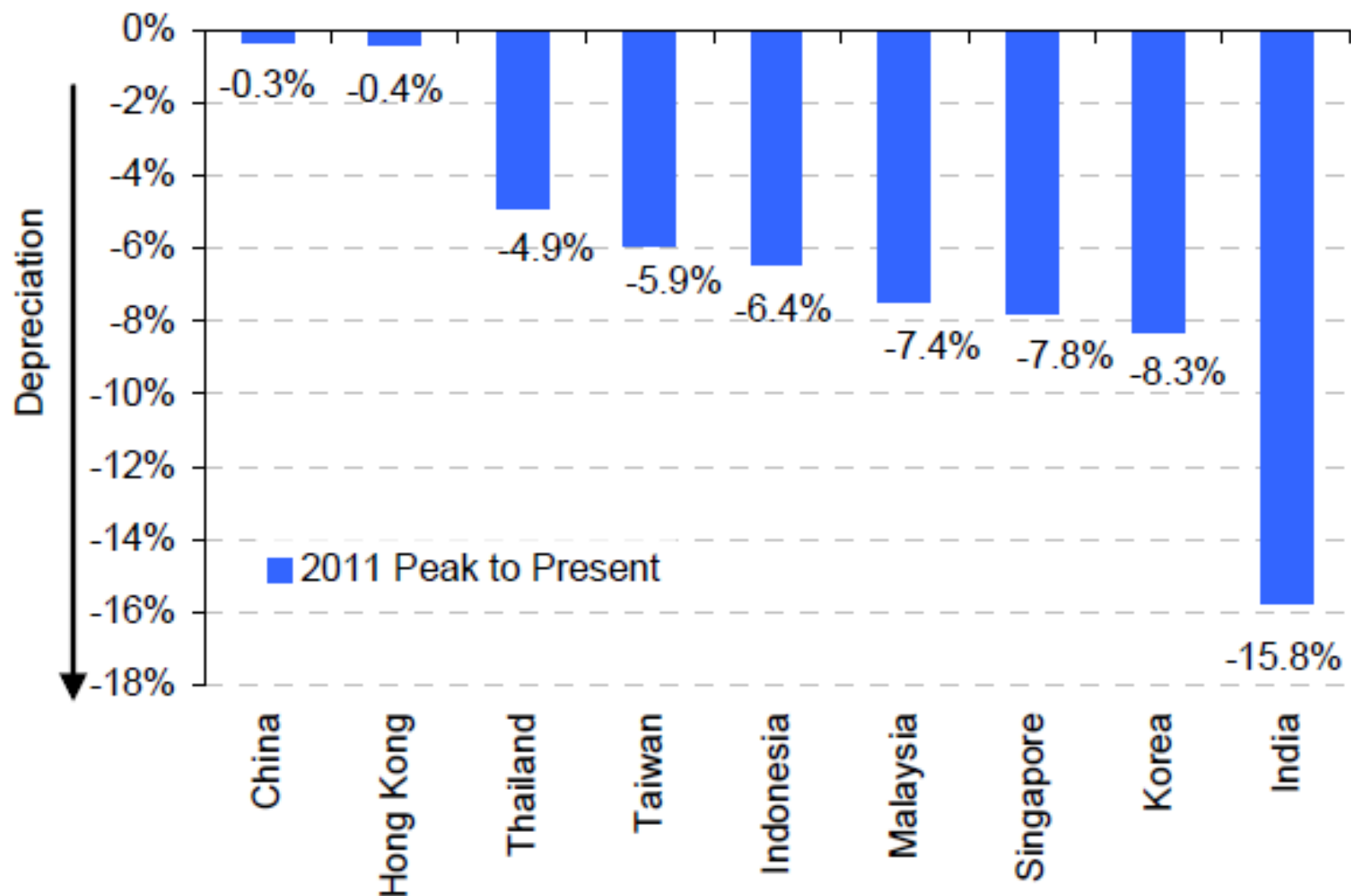
	Jan-Sep	Oct-Nov	% $\Delta$ ptp
2010	46.0	44.7	2
2011	45.3	50.0	(16)
$\Delta$	0.7	(5.3)	
%	1.5	(11.9)	



Jan Feb Mar Apr May Jun Jul Aug Sep Oct Nov Dec

2010 2011

## USD/INR – Worst Performer in AxJ



Source: Bloomberg, Morgan Stanley Research

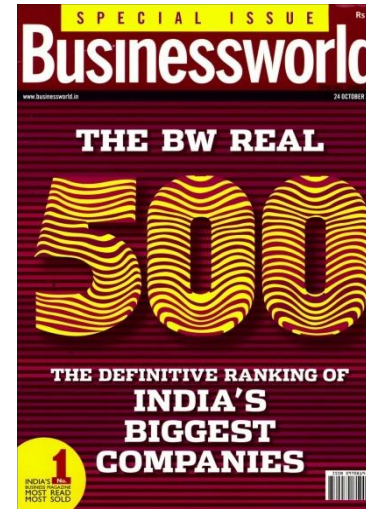


# Nestlé India Limited rankings as given by



November 13, 2011

&



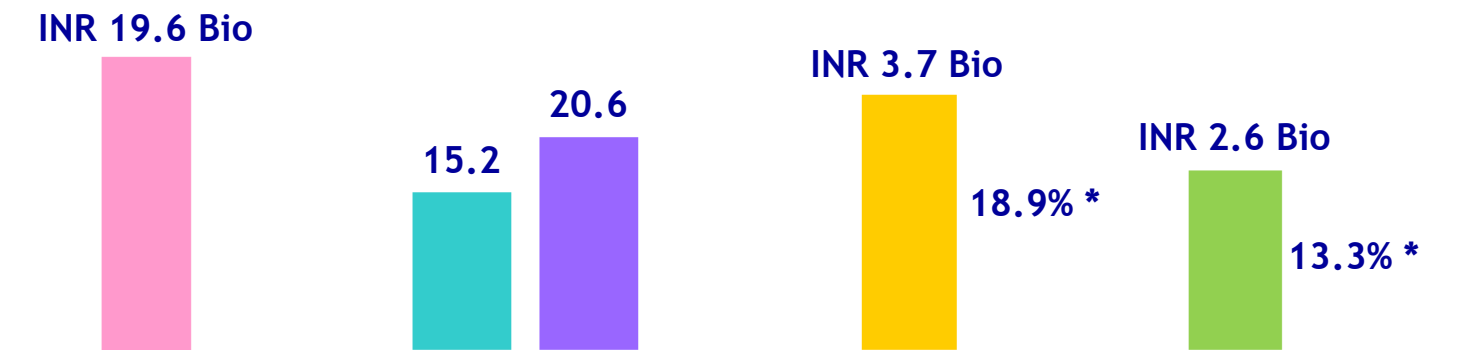
October 24, 2011

Total Income	Net Profit	ROCE	Mkt Cap	EPS	Dividend %	Tax paid	Employee number
100	91	1	34	61	26	53	99

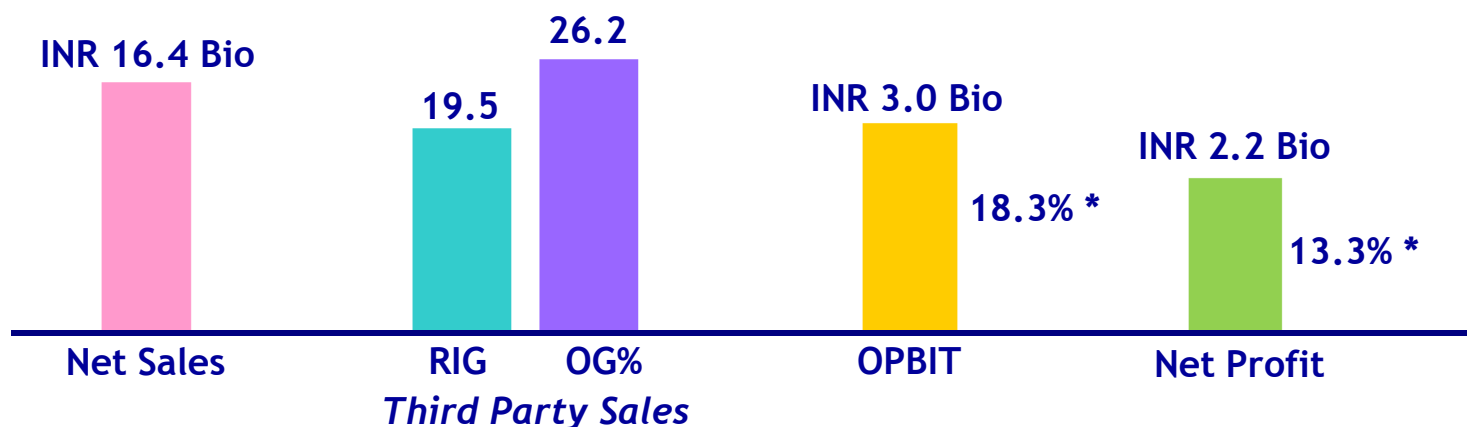
# Thank You

# July - September Quarter highlights

Q3 2011



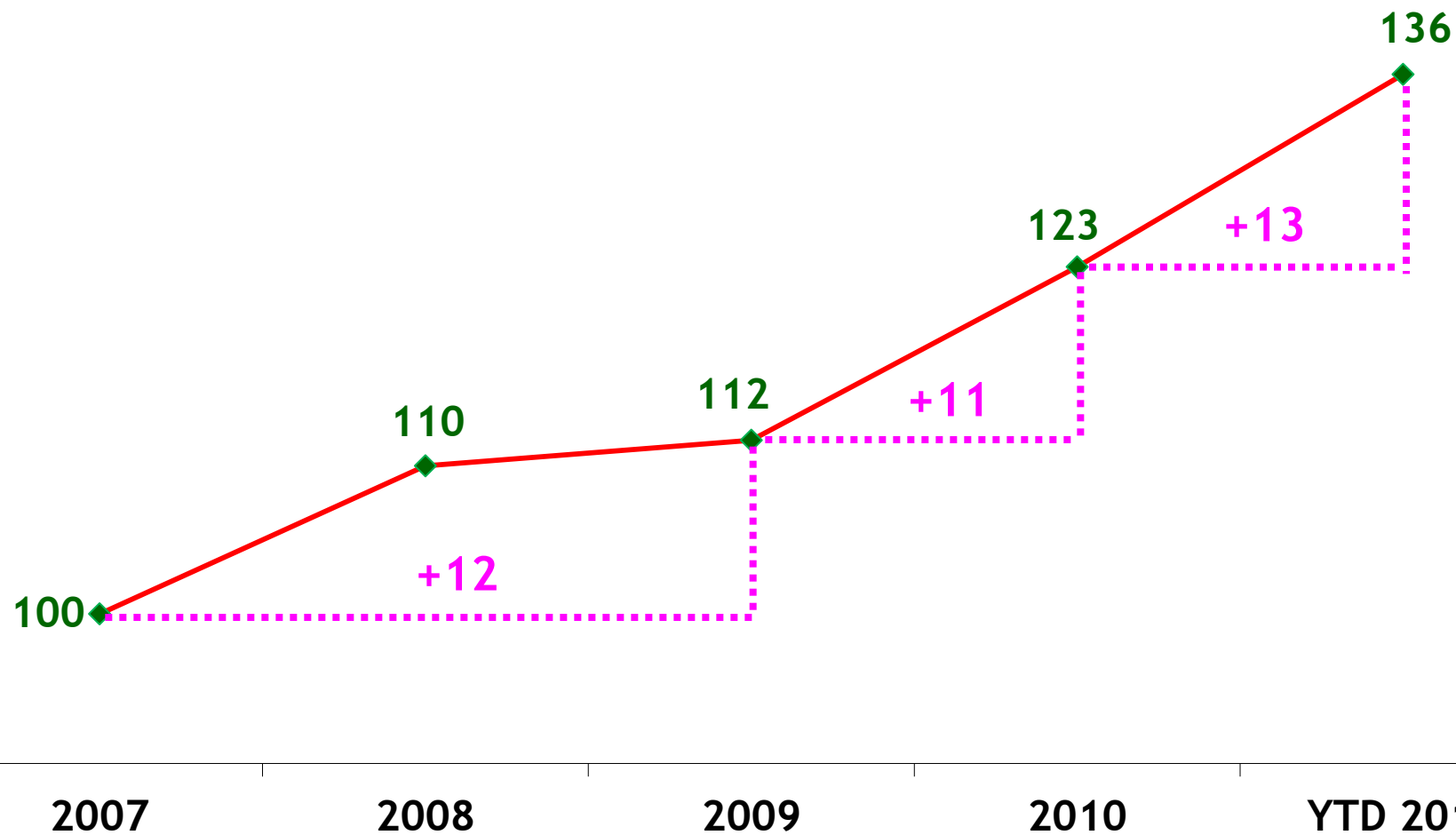
Q3 2010



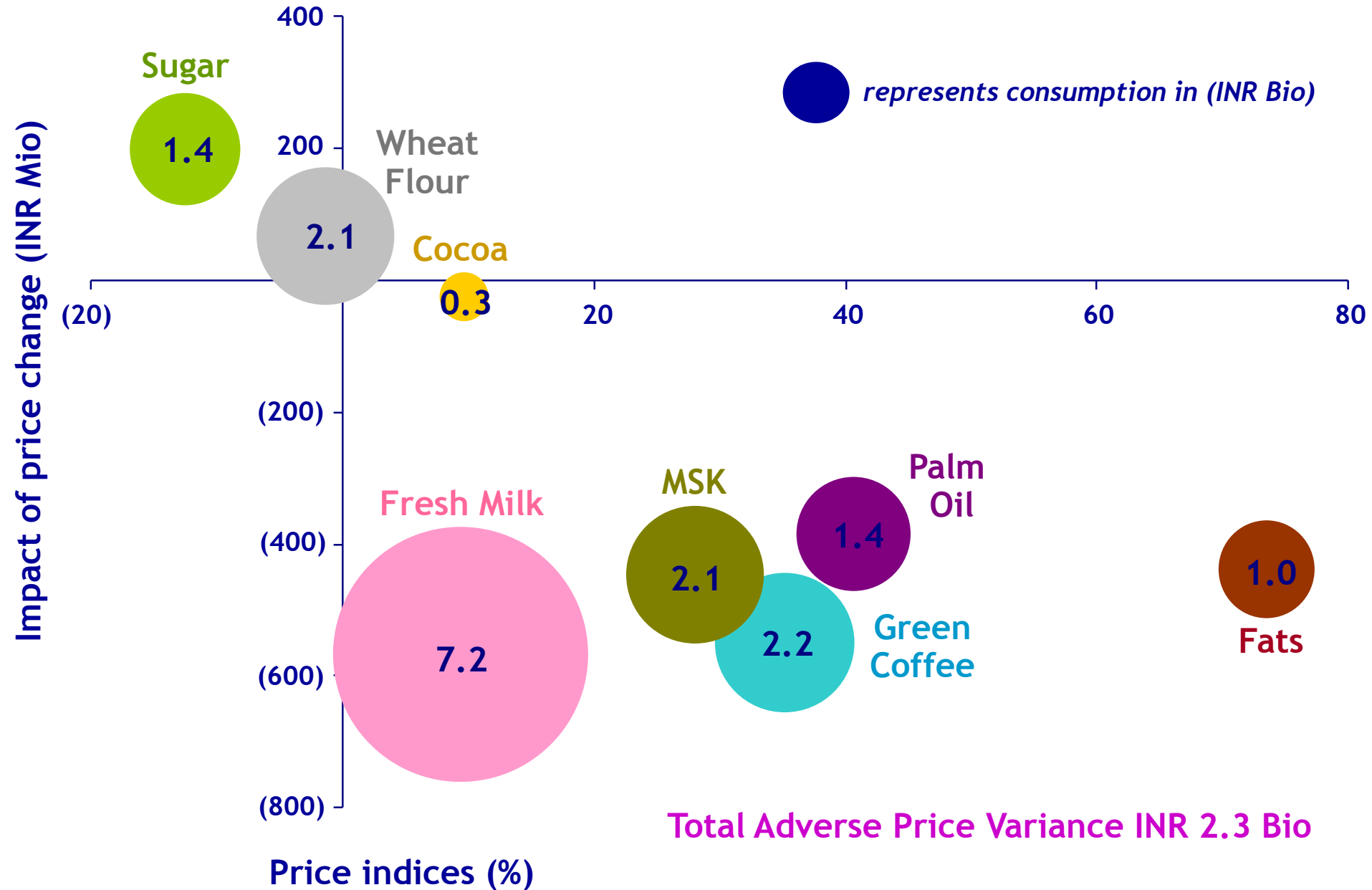
*Includes figures from Nestlé Internal Reporting Standards*

\* % of Net Sales

# Nestlé India's Commodity Basket Price Index

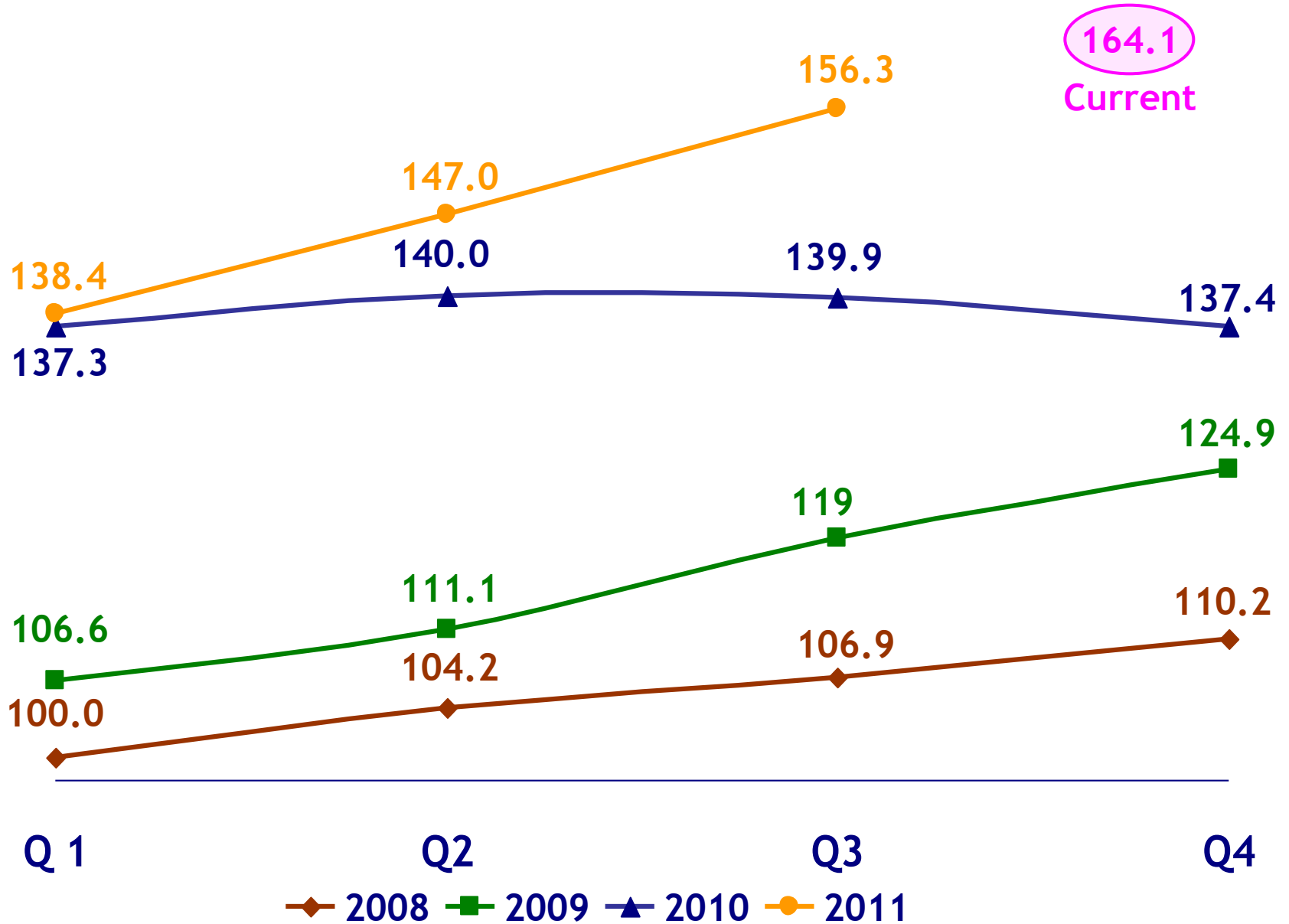


# Key Raw Materials Jan-Sep 11



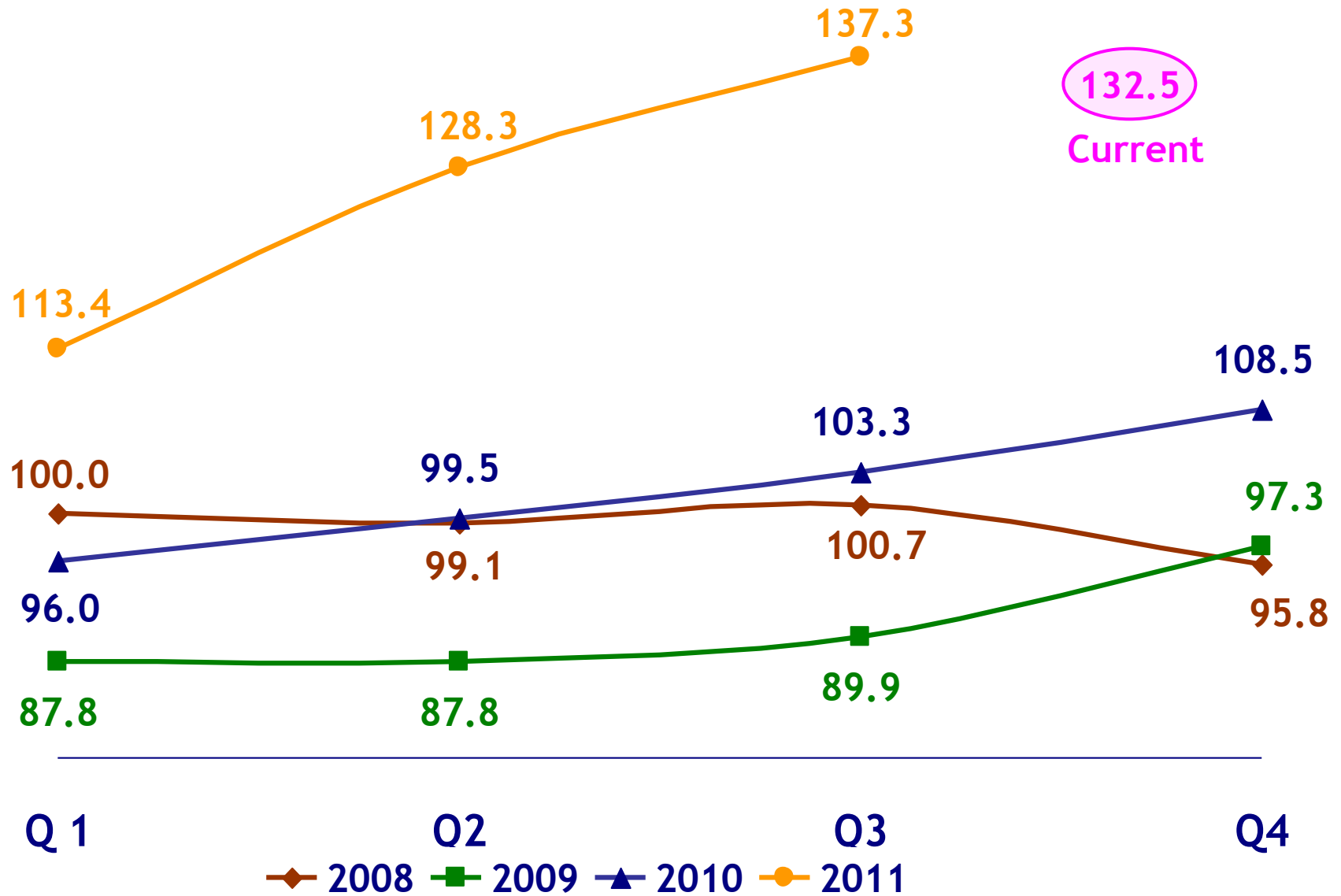
Impact of price change & Price indices reflect YoY change. Based on production and Internal Accounting Standards

# Fresh Milk Fat prices ↑ 4.4 % over 2010



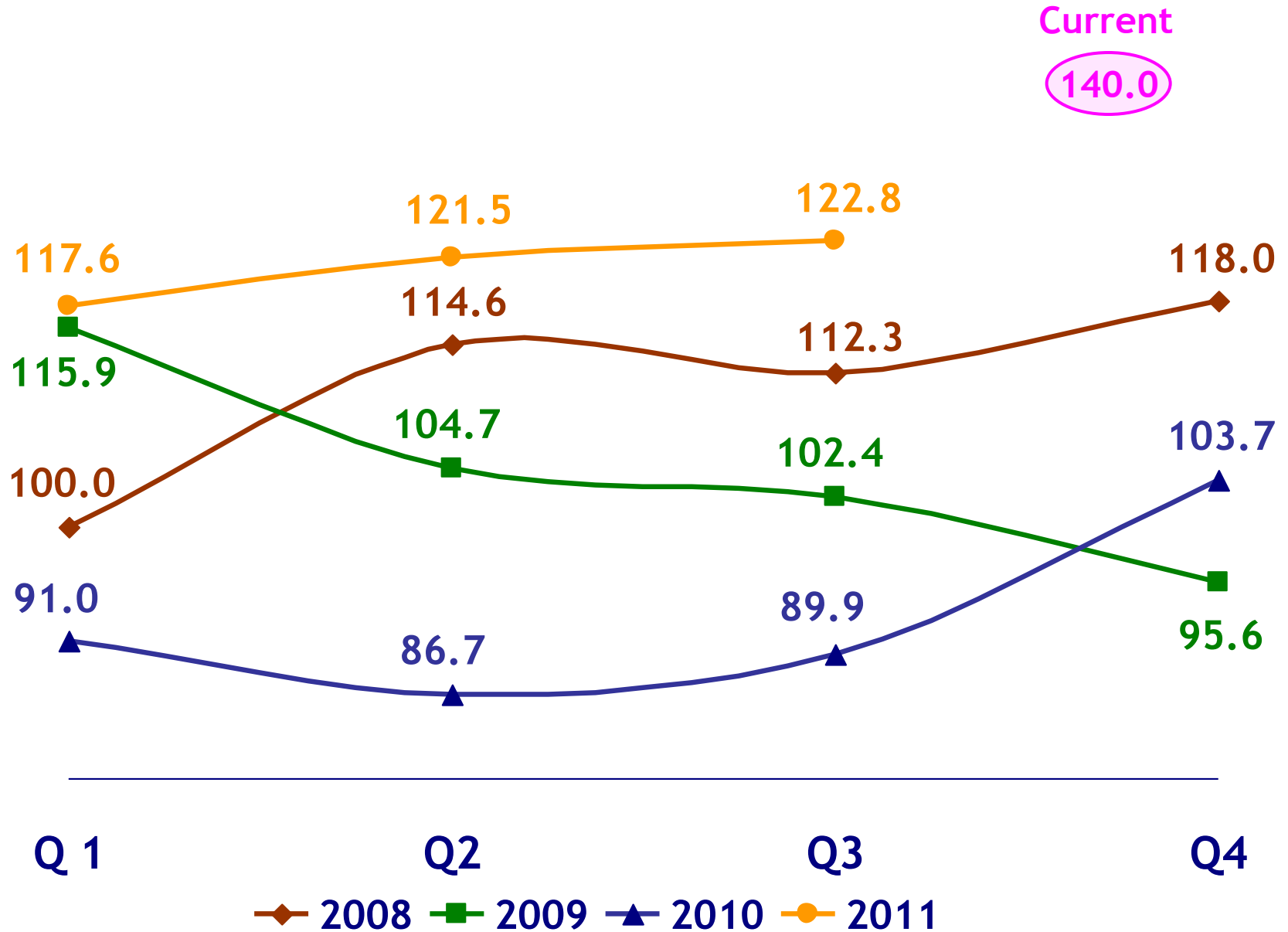
*Indexed with base Q1-08*

# MSK prices ↑ 27.2 % over 2010



Indexed with base Q1-08

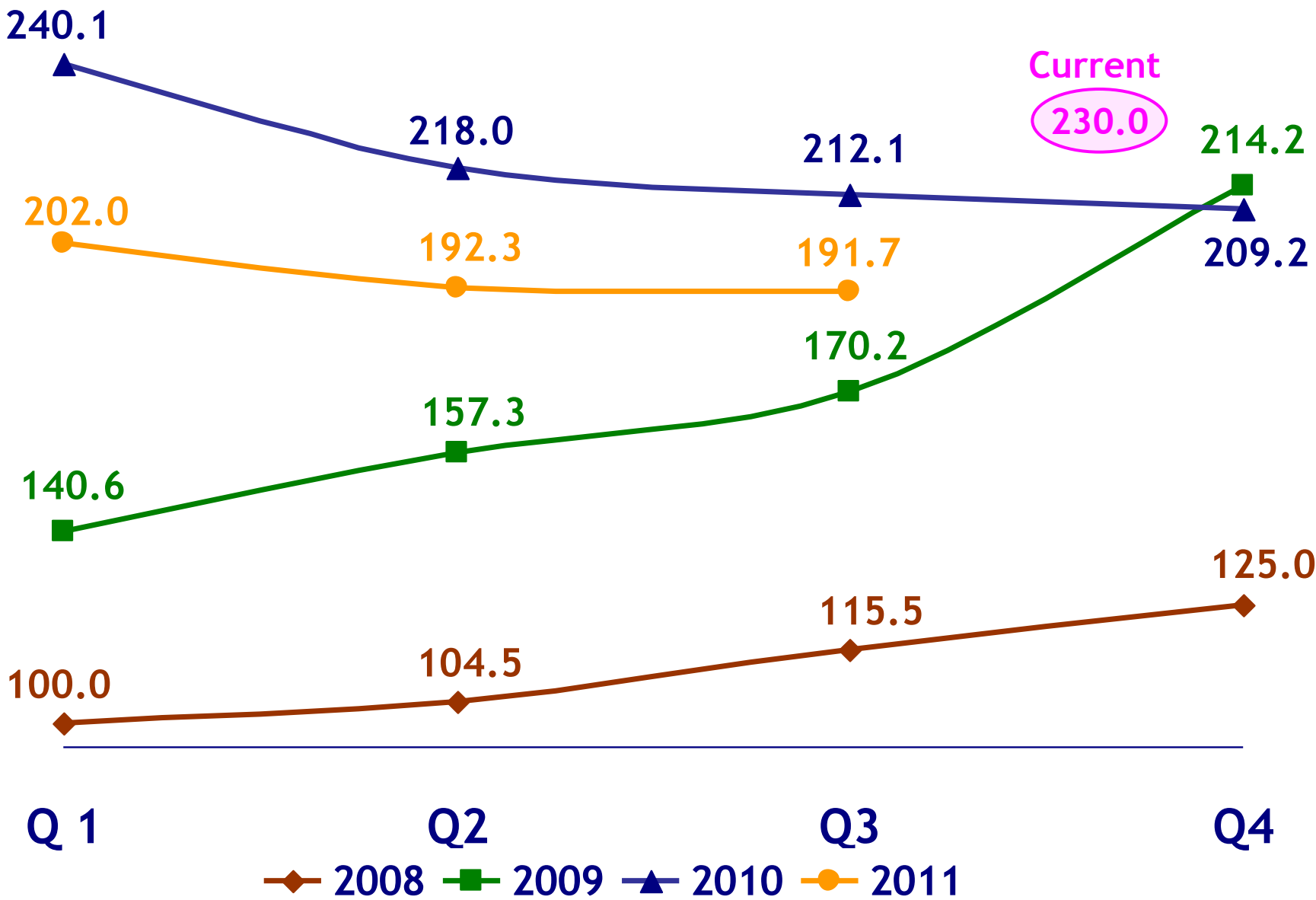
# Green Coffee prices ↑ 35.2 % over 2010



Indexed with base Q1-08

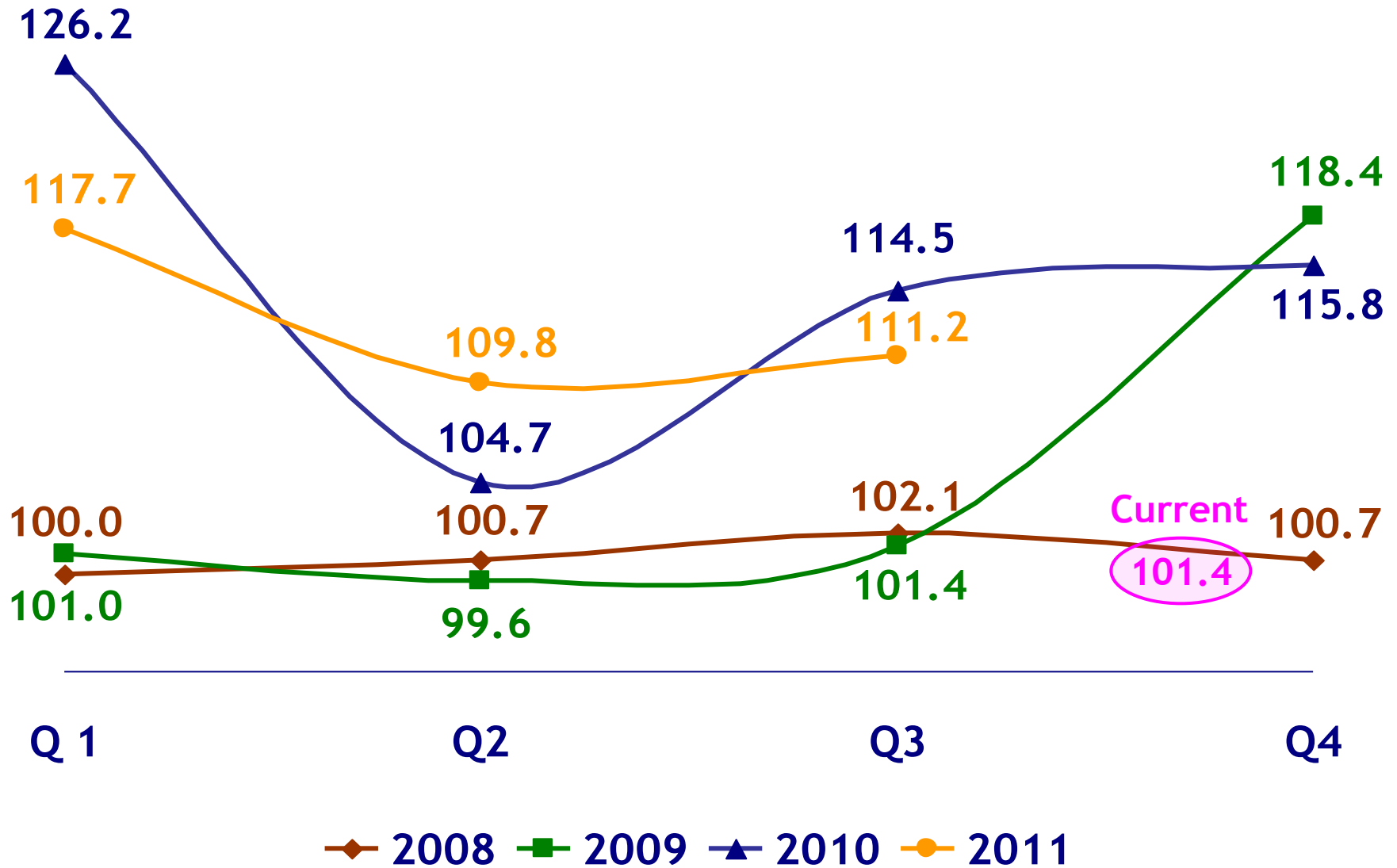


# Sugar prices ↓ 12.6 % over 2010



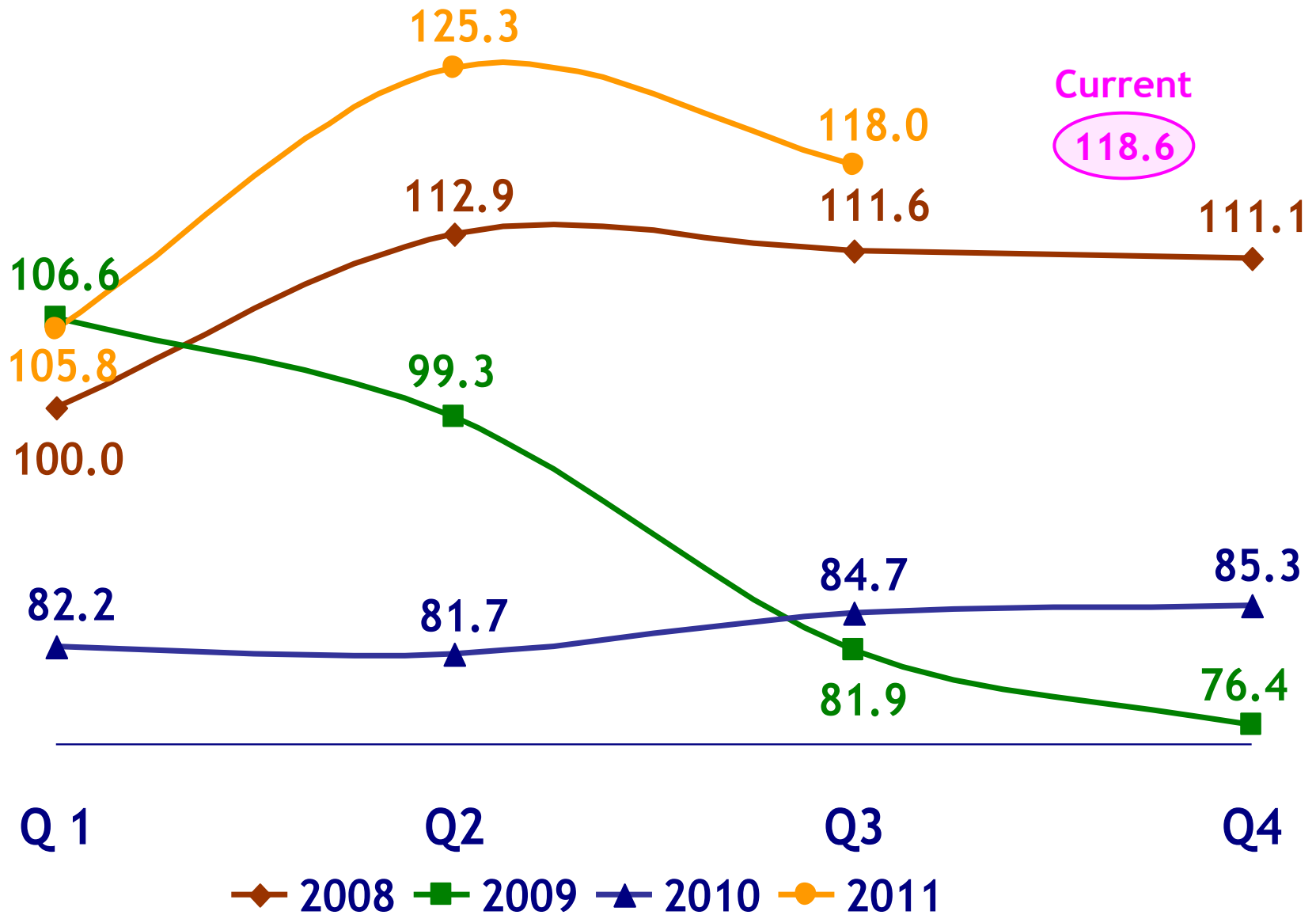
Indexed with base Q1-08

# Wheat Flour prices ↓ 1.4% over 2010



Indexed with base Q1-08

# Palm Oil prices ↑ 40.7 % over 2010



# COFFEE - ROBUSTA [LIFFE]

Daily Q/LRc2

31/12/2009 - 18/11/2011 (LON)



# COFFEE - ARABICA [ICE]

Daily Q/KCc2

31/12/2009 - 18/11/2011 (NYC)



# SUGAR - [NCX]

Daily QSUG-MMZR-NCX

01/01/2010 - 25/11/2011 (BOM)



# WHEAT - [NCX]

Daily QW-STDELI-NCX

01/01/2010 - 25/11/2011 (PAR)



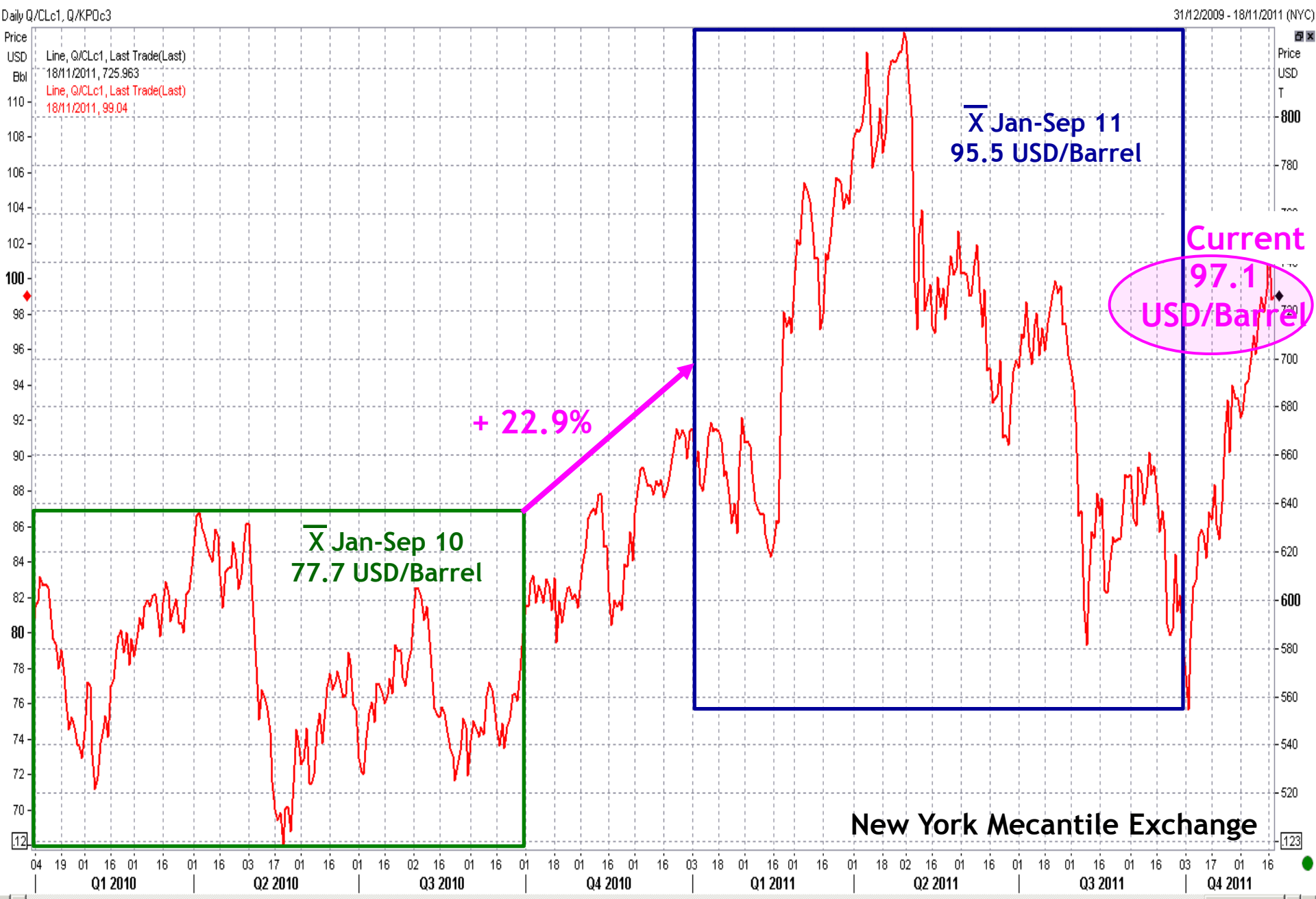
National Commodity Exchange- Wheat- Delhi

12

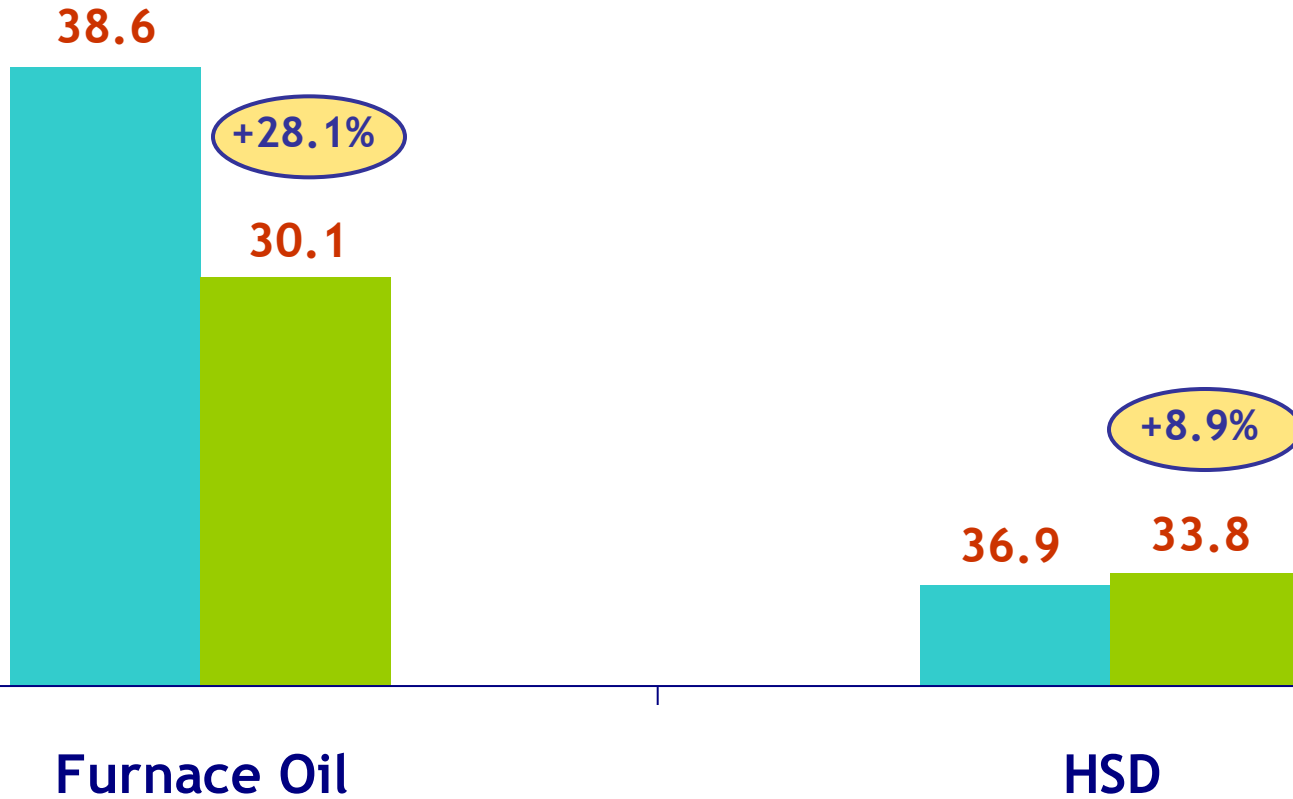




# Evolution - Crude Oil Prices [NYMEX]



# Fuel Oils



Price - Rs./ltr

■ Jan-Sep 11

■ Jan-Sep 10

Share % in total Power & Fuel cost

Furnace Oil ~ 55%

HSD ~ 10%

# Materials Cost as % of Net Sales

	Q1 10	Q2 10	Q3 10	Q4 10	Q1 11	Q2 11	Q3 11
PY	47.2	47.6	47.8	48.2	49.8	49.03	49.1
CY	49.8	49.0	49.1	47.6	48.8	49.45	48.2

Change  
bps

260 ↑

140 ↑

130 ↑

60 ↓

100 ↓

42 ↑

90 ↓