# CORPORATE INFORMATION

**MANAGEMENT COMMITTEE**

Carlo M.V. Donati - Chairman
Rajiv Deraniyagala – Marketing
Shobinder Duggal – Corporate Control
Wim Van Geffen – Supply Chain
Shivani Hegde – Additional Channels
Malcolm Lobo – Globe
Virat Mehta – Communications
B. Murli – Legal and Company Secretary
Ranjit Raj – Corporate Affairs and Strategic Planning
Michael T. Scales – Finance and Control
H. K. Singh – Human Resources
Anup Kumar Srivastava – Sales
J. M. Stocker – Technical

**BANKERS**
ABN Amro Bank N.V.
BNP Paribas
Citibank N.A.
Deutsche Bank
HDFC Bank Limited
ICICI Bank Limited
Punjab National Bank
Standard Chartered Bank
State Bank of Hyderabad
State Bank of India

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

**REGISTERED OFFICE**
M-5A, Connaught Circus, New Delhi 110 001
Ph: 011 - 2341 8891

**REGISTRAR & TRANSFER AGENTS**
MCS Limited
W-40, Okhla Industrial Area, Phase II
New Delhi – 110 020
Ph : 011 - 26384909 Fax : 011 - 26384907

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

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

7, Hare Street, Kolkata - 700 001 (West Bengal)

Hiranandani Gardens, Main Street, 4th Floor,
Colgate Research Centre Building, Powai, Mumbai - 400 076 (Maharashtra)

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

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

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

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

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

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

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

**LISTING OF EQUITY SHARES** (Listing Fees paid)
The Delhi Stock Exchange Association Limited,
DSE House
3/1, Asaf Ali Road
New Delhi - 110 002

The Stock Exchange, Mumbai
Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai - 400 001

**ANNUAL GENERAL MEETING**

Friday, 30th April, 2004 at 10.00 AM at
Air Force Auditorium, Subroto Park, New Delhi 110 010

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

## TABLE OF CONTENTS

# DIRECTORS' REPORT

Dear Members,

Your Directors have pleasure in submitting their report and the statement of accounts for the year ended 31st December, 2003.

## Financial Results and Operations

| | (Rs. in Millions) 2003 | 2002 |
|---|---|---|
| Gross Revenue | 23,077 | 20,756 |
| Earning before Interest, Depreciation, Tax and Other Income (EBITDA) | 4,447 | 3,985 |
| Interest | 19 | 61 |
| Depreciation | 463 | 494 |
| Impairment Loss on Fixed Assets | 22 | 213 |
| Provision for Contingencies (Net) | 230 | 314 |
| Provision for Tax | 1,361 | 1,119 |
| Exceptional Item of earlier years | — | 54 |
| Net Profit After Exceptional Item of earlier years | 2,631 | 2,015 |
| Profit Brought Forward | 250 | 172 |
| Balance Available for Appropriation | 2,881 | 2,187 |
| Interim Dividends Paid | 1,928 | 1,735 |
| Corporate Dividend Tax | 247 | — |
| Transfer to General Reserve | 263 | 202 |
| Surplus carried in Profit and Loss Account | 443 | 250 |
| **Key Ratios** | | |
| Earnings per Share (Rs.) | 27.29 | 20.90 |
| Dividend per Share (Rs.) | 20.00 | 18.00 |

Domestic Sales grew by 11.7 % in value and 10.8% in volume terms, during the year. Export Sales grew by 8.9% in value terms and 3.2% in volume terms.

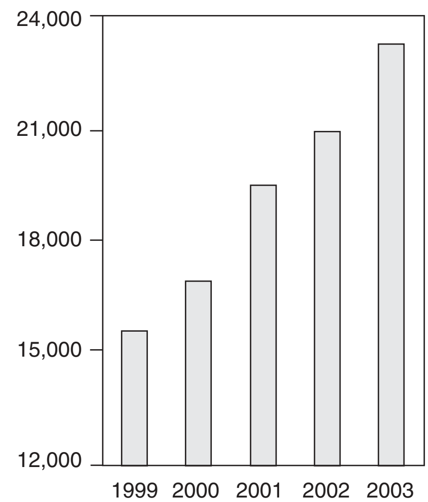
Net Profit grew by 30.5% from Rs.2,015 million to Rs.2,631 million. After adjusting the amounts for the respective years for non-comparable/exceptional items under Other Income, employee costs, other expenditures, Impairment Loss on Fixed Assets, Provision for Contingencies, Provision for Tax and Exceptional Item of earlier years, the adjusted Net Profit has increased by 16.5%, which is largely due to the increase in EBITDA. While the reported EBITDA has increased by 11.6% from Rs.3,985 million to Rs.4,447 million, after adjusting the amounts for respective years for the non-comparable/exceptional items under employee costs and other expenditures, the adjusted EBITDA has increased by 14.5%.

The year 2003 has been one of the most challenging in recent times. The economic environment during the first six months remained depressed for the most part. Global uncertainties, the Iraq war and the SAR syndrome impacted consumer confidence and business. In the domestic economy, it was further complicated by the prolonged uncertainty over VAT implementation, the transport strike and the controversies relating to 'Pesticides' in the first half of the year and 'Chocolates' during the later part the year. Good monsoons in most parts of the country and revival in manufacturing activity improved the sentiment in the second half of the year, but the impact on consumer spending in the FMCG segment was limited.

Within this environment, your Company has been successfully able to navigate the year through teamwork, professionalism and a continued focus on providing value to the consumer. Continued efforts to improve distribution and penetration of products, efforts to innovate and renovate, continuous improvement in manufacturing processes and financial management as well as supply chain management, helped to offset some of the impact of the adverse market environment. Your Company's performance in such a competitive environment is a matter of pride and satisfaction and once again confirms the strength of Nestlé technology and brands.

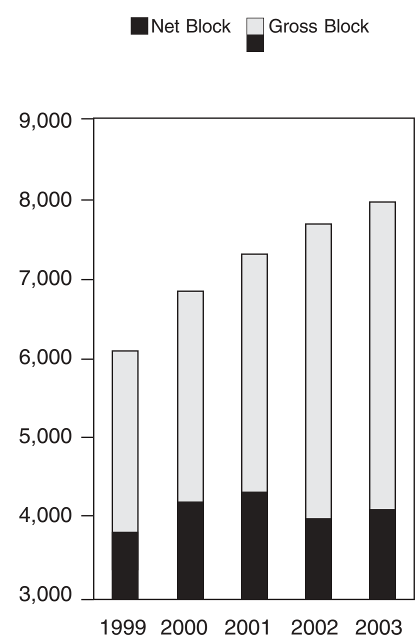
**Gross Income**

(Rupees in Millions)




**Fixed Assets**

(Rupees in Millions)



The negative impact of rising commodity prices and contingency provisions was partially offset by selected selling price increases, lower interest costs, improved control over fixed costs, increased efforts to apply best practices and savings in the procurement of selected raw and packaging material by introduction of e-auction.

Out of business prudence, the Company supplemented the Contingency Provision with further amount in 2003 of Rs.230 million (Net) to provide for various contingencies, resulting mainly from matters relating to litigation / dispute, management discretion and investments by employees' trusts. The Contingency Provision is after the write back of provision of Rs.129 million, created in earlier years, consequent to satisfactory and favourable conclusion of a litigation.

The changing demographics of India and the continuing restructuring of the economy has placed India on the global radar and raised interest in its economic potential. Even internally there is increased expectation. Government policies and investments in infrastructure to match the image, would facilitate economic and industrial growth and build consumer confidence.

The economic indicators and the 'feel good' sentiment in the economy indicates improved outlook for the future, though it has not yet generated significant additional demand for FMCG products. The recent reduction in prices announced by some FMCG companies for premium detergent products, reflects the intensity of the competitive environment and the consumer resistance to price levels. The Company has during the past years taken concrete steps to manage price points and for some products even reduced prices. In the face of rising commodity prices and uncertainty in consumer spending on food products, the Company will continue to direct its efforts at cost efficiencies and the management of prices, to sustain the return to shareholders.

The current year has commenced as per plan. The Company will continue to leverage the strong brands and the technology available to it from the Nestlé Group and will remain focussed on continuous improvement and business excellence. The Company will continue to emphasise on improving the distribution and penetration of its products in the markets and sees an opportunity for expansion in geographies that have good GDP growth, particularly in the South and West regions.

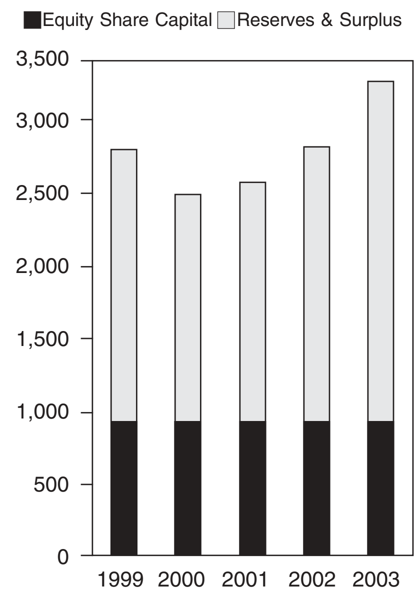
## Exports

Export sales during 2003 at Rs. 2,571 million, have increased by 8.9% in value terms, positively influenced by the increase in per unit realisation in exports due to higher green coffee prices, though partially offset by the shift towards bulk packs. Exports sales increased by 3.2% in volume terms.

The Company once again emerged as the highest coffee exporter from India and the highest exporter of value added Instant Coffee. However, efforts continued to reduce the dependence on select products or markets, and to tap new markets and product opportunities to further improve export performance. During the year export of Instant Tea and culinary products showed healthy growth. Export of NESCAFÉ Instant Coffee to Russia, constituted around 67% of the export sales.

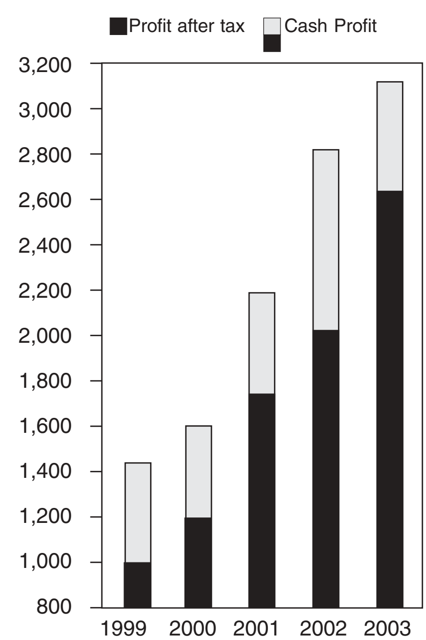
### Shareholders' Funds

(Rupees in Millions)




### Earnings

(Rupees in Millions)



The thrust on developing products for the large Indian ethnic community abroad continued and in the past few months the Company developed a range of 'Ready -to-cook' pastes for these consumers. Manufacture and export of 'steamed instant green tea', was another significant achievement during 2003.

## Dividends

Two interim dividends, both of Rs.10/-, aggregating Rs.20/- per equity share, were paid during the year 2003. The total payout of Rs. 2,175 million, which includes the Corporate Dividend Tax, is the highest to date.

## Business Development

Your Company is conscious of the trust that consumers repose in Nestlé products. The NESTLÉ brand on a product is a promise to the consumer that it complies with all regulations, meets high quality standards and is the Seal of Guarantee. Your Company ensured, as is the normal practice, that quality standards were maintained for all products leaving the factories. This is in line with the objective to consistently provide consumers with a wide range of high quality, safe food products at affordable prices. The Company also continued its practice of educating and training the members of the trade who deal with the Company, regarding the proper and hygienic storage of products.

Though the year 2003 was largely dominated by uncertainty, your Company remained focussed on understanding the changing lifestyles. Taste and Pleasure continue to be important in the choice for food, but Health and Nutrition are becoming increasingly important concerns for the consumers in their efforts to manage well being and enhance their physical and mental performance. Your Company has access to the world's most advanced food technology and know-how from the Nestlé Group and is leveraging it to convert the consumer insights into products that provide nutrition, wellness or convenience to the consumer. This and a 'back to basics' marketing approach have ensured that Nestlé products are constantly being evaluated for their ability to add value, affordability, availability and better visibility.

The continuing thrust on innovation and renovation, management of price points, more efficient demand forecasting and supply chain management, and improving distribution and penetration in the markets, helped in achieving growth. This was supported by more focussed and better consumer communication. Most of the brands demonstrated significant volume growth.

In "Prepared Dishes and Cooking Aids", MAGGI products sustained their growth. MAGGI Instant Noodles continued to achieve volume growth and your Company has the highest sales volume for MAGGI Noodles amongst all other Nestlé companies. MAGGI Sauces and MAGGI Soups showed satisfactory growth. As part of the initiatives to consolidate its leadership further, the Company test marketed MAGGI 2-Step Mix, a ready to cook recipe-mix, for Paneer Tikka, Chicken Tikka and Chicken Biryani. The initial response has been satisfactory.

In "Beverages", NESCAFÉ brand maintained leadership and demonstrated aggressive growth. Your Company's continued ability to leverage the technology and know-how from the Nestlé Group contributed in a significant way to product improvements. This coupled with the introduction of lower priced packs at Re.1/- and Rs.10/-, the launch of NESCAFÉ Redimix in single serve sachets offering ease, convenience and authentic taste of coffee, and a more focussed consumer communication and advertising, have resulted in growth and increased share of the market for the brand.

The Company continuously evaluates its range of products for the value that they provide to the consumer. As part of this process, NESCAFÉ Choc Café, which was earlier launched as a unique blend of chocolate and coffee with a smooth taste, was discontinued during the year due to unsatisfactory performance. The performance of MILO Chocolate Energy Food Drink continues to be impacted in an extremely competitive market environment and the product is under review to enhance its competitiveness.

In early 2001, your Company had entered the premium bottled water segment by launching NESTLÉ PURE LIFE for test marketing. In view of the test market performance being below expectations, a full review of this business category, was initiated during the year 2002. The review was completed during the year 2003 and indicated that the financial return even in the long term, were not satisfactory. The Company has therefore exited from the bottled water business.

In "Chocolate and Confectionery", Nestlé brands continued to strengthen their presence in the markets. Sales, in the latter half of the year, were negatively impacted by the controversy which affected consumer sentiments towards the overall category. The Company sustained momentum during the year by driving distribution through innovative consumer promotions and trade offerings and supporting key price points. NESTLÉ MUNCH, which is the largest selling unit in the wafer segment and the most widely distributed, continued to gain in volumes. NESTLÉ CHOTU MUNCH, which was launched at Rs. 2/- price point, was well received. During the year, your Company launched a range of innovative and renovated products in this category that included NESTLÉ Milk Chocolate, NESTLÉ Fruit & Nut, NESTLÉ Krunchy, NESTLÉ MILKYBAR STARZ, NESTLÉ CHOO, NESTLÉ Chocolate Eclairs, NESTLÉ Coffee Eclairs and various flavours for CHOCOSTICK. Corrective action initiated earlier to sustain the performance of NESTLÉ Eclairs, also helped to drive distribution of this category.

In "Milk Products and Nutrition", your Company continued to focus on introducing products that leverage the Nestlé Group's know-how and Research and Development competence. The launch of CERELAC 123 marked the introduction of the NESTLÉ DEVELOPMENTAL NUTRITION PLAN, which is a major breakthrough in infant feeding. CERELAC 123 is graded to meet the right physical and nutritional needs of infants during the three stages in their weaning, as identified in the Plan. The Company also renovated NESTOGEN to make it easier for infants to digest the fat content and the improve absorption.

EVERYDAY Dairy Whitener and MILKMAID Sweetened Condensed Milk, continued to boost sales with good volume growth. The introduction of MILKMAID SQUEEZY in convenient packaging as topping has been well received by the consumers. The performance of infant nutrition remained satisfactory. After a review of the disappointing performance of MILKMAID Dessert Mixes, the Company decided to discontinue the product.

The Company's Ultra Heat Treated (UHT) liquid milk business, which includes ready to drink products like NESTLÉ Fruit 'n' Milk, performed satisfactorily. To expand the offerings to consumers, apple variant of NESTLÉ Fruit 'n' Milk and NESCAFÉ FRAPPÉ a refreshing and cool, coffee variant, in ready to drink packaging, were launched during the year. In the chilled dairy business NESTLÉ Dahi showed good growth and was further supported with the launch of NESTLÉ Mishti Doi toward the latter half of the year.

Value for money and affordability continued to be thrust areas and the Company supported the distribution of smaller Stock Keeping Units (SKUs). These efforts were further boosted by the increased thrust on setting up "Coffee Corners" and "Nestlé Consumption Zones" at carefully selected sites across the country. The Alternative Trade Channel unit continued its initiative to tap opportunities for out-of-home consumption and the placement of vending machines for NESCAFÉ, NESTEA and MAGGI Hot Cup Soup.

## Manpower Development

The Company has consistently emphasised the need for improved white collar productivity. During 2003 as well all Training, Development and manpower policies were aligned to this objective. In parallel, the Company remained committed to providing international and diverse professional exposure to employees towards individual career development.

## Supply Chain

In the area of supply chain management, the Company continued to build on the base established in previous years. The Demand planning process further improved its reliability and the supply chain continued to integrate plans with manufacturing to improve upon the ability of the Company to better respond to demand changes, while simultaneously reducing the finished good stock levels and maintain freshness of stocks in the market.

Efforts to control freight rates in the logistics and distribution area remained a priority and the Company successfully achieved this through e-auction on a wider scale. The Company continued to explore ways to improve efficiencies in the supply chain and conducted some experimental pilot projects in collaborative logistics to leverage inbound and outbound transportation synergies.

## Sales Branches

In keeping with the objective of continuous business growth, the Company recognises the opportunities that may exist in the vast geographies of the country. To facilitate this the sales division of the Company was restructured by creating mother branches with multiple regional sales offices within each branch. The modified structure is expected to help the sales force go deeper into market, to understand the market and the consumer needs more effectively and to identify the opportunities for further growth.

## SWOT Analysis for the Company

**Strengths :**

- Access to the Nestlé Group's proprietary technology / brands, expertise and the extensive centralised Research and Development facilities, under the General Licence Agreement.
- High quality and safe products, endorsed by the Nestlé Seal of Guarantee at affordable prices.

- Strong and well differentiated brands with leading market shares.
- Ongoing Product innovation and renovation, to convert consumer insights.
- Well distributed product portfolio.
- Integrated and efficient supply chain.
- Distribution structure that allows wide reach and coverage in the target markets.
- Capable and committed manpower resources.

**Weakness :**

- Exports of coffee to Russia constitutes a substantial part of overall exports.
- Complex supply chain configuration.

**Threat :**

- Trend of increased consumer spends on consumer durables resulting in lower spending for FMCG products.
- Rising prices of raw materials and fuels.
- Change in fiscal benefits.

**Opportunities :**

- Potential for expansion in the smaller towns and other geographies.
- Existing markets not fully tapped. Potential for growth through increased penetration.
- Growing trend for 'out-of-home' consumption.
- Leverage Nestlé Technology to develop more products that provide Nutrition, Health and Wellness.

## GLOBE (Global Business Excellence)

During the year, the Company commenced its participation in this global Nestlé initiative to create and adapt common business processes, permitting adoption of best practices, standardisation of internal and external master data and of the information systems infrastructure. Supported by SAP, the Company is expected to GO LIVE (transit from legacy system to SAP) using the GLOBE methodology during the first half of 2005. Preparation for the implementation will take place during the current year and employees throughout the Company at various levels would be involved. A special project team has been set up for this purpose, which will be in full force by the first half of 2004. GLOBE implementation will involve a full review of the existing business processes and procedures and intensive training to a significant number of employees, would have to be provided.

GLOBE is an investment for the future where accurate and timely information and operational excellence are seen as the drivers of future growth, allowing the Company to constantly benchmark its operations against the best in class in the Nestlé Group and in the process provide a substantial competitive advantage. Your Company by implementing GLOBE is expecting to improve its ability to react and respond more efficiently to the ever increasing demands of its customers, consumers and shareholders.

## Community Development

The Company has always promoted the spirit of Corporate Social responsibility and believes that this can be achieved by nurturing the culture of honesty, integrity, transparency, respect and by recognising the interest of its shareholders, consumers, employees, business partners and suppliers. Over the years, the Company has through its operations contributed to the overall prosperity of its stake holders and community development, in various spheres such as education, training of staff and transfer of knowledge to business partners.

In addition the Company continues to facilitate and promote community projects around its factories. These include initiatives for provision of drinking water facilities in schools, participation in immunisation programmes, renovation of local schools by providing of basic facilities and arranging of free medical camp for villagers. In appreciation of the quality of this work, and the work being carried out with the milk farmers of Moga, your Company was recommended and finally shortlisted for the international 'Corporate Conscience Award' that is judged by Social Accountability International , USA.

In recent years Dr. Kofi Annan of the United Nations has encouraged business to take a long term view of the society where it operates and has initiated the GLOBAL COMPACT to promote this. Nestlé Group endorses this. The focus on human values and the need to take a long term view to promote prosperity in the society reflects your Company's culture - Nestlé culture. Your Company has been a partner in India's growth for the past four decades and supports initiatives that improve the economic security of its people. Your Company believes education could be a step to promote social justice, sustain economic progress and improve the quality of life. The Company, in addition to the ongoing initiatives in community work around its factories, is experimenting with certain initiatives to promote greater awareness amongst the people to send children to school.

## Directors' Responsibility Statement

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

– in the preparation of the annual accounts, the applicable accounting standards have been followed and no material departures have been made from the same;

– they have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profits for that period;

– they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

– they have prepared the annual accounts on a going concern basis.

## Corporate Governance

A separate report on Corporate Governance alongwith Auditor's certificate on its compliance is attached as Annexure-1 to this Report.

## Cautionary Statement

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

## Directors

In accordance with Article 119 of the Articles of Association, Mr. Tejendra Khanna retires by rotation and being eligible offers himself for re-appointment.

## Auditors

M/s A.F.Ferguson & Co., Auditors of the Company, retire in accordance with the provisions of the Companies Act, 1956 and being eligible offer themselves for re-appointment.

In pursuance of Section 233-B of the Companies Act, 1956, your Directors have appointed M/s Ramnath Iyer and Co. as the Cost Auditors to conduct the cost audit of milk foods for 2004, subject to the approval of the Central Government.

## Information regarding Conservation of Energy etc. and Employees

Information required under Section 217(1)(e) of the Companies Act, 1956 (hereinafter referred to as "the Act") read with Rule 2 of the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 is given in the Annexure-2 forming part of this Report. Information as per Section 217(2A) of the Act, read with the Companies (Particulars of Employees) Rules, 1975, as amended from time to time, forms part of this Report. However, as per the provisions of Section 219(1)(b)(iv) of the Act, the Report and Accounts are being sent to all the members excluding the statement containing the particulars of employees to be provided under Section 217(2A) of the Act. Any member interested in obtaining such particulars may inspect the same at the Registered Office of the Company or write to the Company Secretary for a copy.

## Trade Relations

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

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

The Directors wish hereby to place on record their appreciation of the efficient and loyal services rendered by all staff and work force of the Company, without whose wholehearted efforts, the overall very satisfactory performance would not have been possible.

On behalf of the Board of Directors

15th March, 2004 CARLO M.V. DONATI
Gurgaon CHAIRMAN

# AUDITORS' REPORT TO THE MEMBERS OF NESTLÉ INDIA LIMITED

1. We have audited the attached balance sheet of Nestlé India Limited as at December 31, 2003 and the profit and loss account and also the cash flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Manufacturing and Other Companies (Auditor's Report) Order, 1988 issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, and read with General Circular No. 32/2003 dated November 10, 2003 issued by the Department of Company Affairs, we give in the Annexure a statement on the matters specified in Paragraph 4 and 5 of the said Order.
4. Further to our comments in the annexure referred to above, we report that:
   a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
   b) in our opinion, proper books of account as required by law have been kept by the Company, so far as appears from our examination of the books;
   c) the balance sheet, the profit and loss account and cash flow statement dealt with by this report are in agreement with the books of account;
   d) in our opinion, the balance sheet, the profit and loss account and the cash flow statement dealt with by this report comply with the mandatory accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
   e) on the basis of written representations received from the directors and taken on record by the Board of Directors, we report that none of the directors of the Company are disqualified from being appointed as director of the Company under clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
   f) in our opinion and to the best of our information and according to the explanations given to us, the accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
      (i) in the case of the balance sheet, of the state of affairs of the Company as at December 31, 2003,
      (ii) in the case of the profit and loss account, of the profit of the Company for the year ended on that date and
      (iii) in the case of cash flows statement, of the cash flows for the year ended on that date.

## ANNEXURE REFERRED TO IN PARAGRAPH 3 OF THE AUDITORS' REPORT TO THE MEMBERS OF NESTLÉ INDIA LIMITED ON THE ACCOUNTS FOR THE YEAR ENDED DECEMBER 31, 2003

1. The Company is maintaining proper records to show full particulars including quantitative details and situation of fixed assets. The management has physically verified most of the fixed assets of the Company. The discrepancies noticed

on comparison between book records and physical inventory were not material and have been properly dealt with in the books of account.

2. None of the fixed assets have been revalued during the year.

3. The stocks of finished goods, stores, spare parts and raw materials of the Company have been physically verified by the management during the year. In our opinion, the frequency of verification is reasonable.

4. In our opinion and according to the information and explanations given to us, the procedures of physical verification of stocks followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.

5. The discrepancies noticed on physical verification of stocks as compared to book records were not material and have been properly dealt with in the books of account.

6. In our opinion and on the basis of our examination, the valuation of stocks is fair and proper and in accordance with normally accepted accounting principles and is on the same basis as in the previous year.

7. The Company has not taken any loans from companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956. In terms of sub-section (6) of section 370 of the Companies Act, 1956, provisions of the section are not applicable to a Company on or after October 31, 1998.

8. The Company has not granted any loans to companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956. In terms of sub-section (6) of section 370 of the Companies Act, 1956, provisions of the section are not applicable to a Company on or after October 31, 1998.

9. In respect of loans and advances in the nature of loans given to employees and others, recovery of principal amounts and interest, wherever applicable, has been as stipulated.

10. In our opinion and according to the information and explanations given to us during the course of the audit, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business for the purchase of stores, raw materials including components, plant and machinery, equipment and other assets and with regard to the sale of goods.

11. According to the information and explanations given to us, there are no transactions of purchase of goods and materials and sale of goods, materials and services aggregating during the year to Rs. 50,000 or more in respect of each party made in pursuance of contracts or arrangements entered in the Register maintained under Section 301 of the Companies Act, 1956.

12. As explained to us, the Company has a reasonable system for the determination of unserviceable or damaged stores, raw materials and finished goods. Adequate provision has been made in the accounts for the loss arising in respect of items so determined.

13. According to the information and explanations given to us, the Company has not accepted deposits from the public during the year.

14. In our opinion, the Company is maintaining reasonable records for the sale and disposal of realisable by-products and scrap.

15. In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.

16. We have broadly reviewed the books of account maintained by the Company in respect of milkfood, where pursuant to the rules made by the Central Government, the maintenance of cost records have been prescribed under Section 209(1) (d) of the Companies Act, 1956. We are of the opinion that, prima facie, the prescribed accounts and records have been maintained. We have not, however, made a detailed examination of the records with the view to determining whether they are accurate or complete.

17. According to the records of the Company, Provident Fund and Employees State Insurance dues have been regularly deposited during the year with the appropriate authorities.

18. According to the information and explanations given to us, there are no undisputed amounts payable in respect of income-tax, wealth-tax, sales-tax, customs duty and excise duty outstanding as at December 31, 2003 for a period of more than six months, from the date they became payable.

19. According to the information and explanations given to us, no personal expenses, other than those payable under contractual obligations or in accordance with generally accepted business practices, have been charged to revenue account.

20. In our opinion, the Company is not a sick industrial company within the meaning of the clause (o) of sub-section (1) of Section 3 of the Sick Industrial Companies (Special Provisions) Act, 1985 (1 of 1986).

21. In respect of the trading activities of the Company, adequate provision has been made in the accounts for damaged goods.

For A.F. FERGUSON & CO.,
Chartered Accountants

15th March, 2004 (A.K. MAHINDRA)
New Delhi Partner
(Membership No. 10296)

## BALANCE SHEET AS AT DECEMBER 31, 2003

| SOURCES OF FUNDS | SCHEDULE | | 2003 *(Rs. in thousands)* | | 2002 *(Rs. in thousands)* |
|---|---|---|---|---|---|
| **SHAREHOLDERS' FUNDS** | | | | | |
| Capital | A | **964,157** | | 964,157 | |
| Reserves and surplus | B | **2,385,797** | **3,349,954** | 1,928,829 | 2,892,986 |
| **LOAN FUNDS** | | | | | |
| Secured | C | | **50,999** | | 627,065 |
| **DEFERRED TAX LIABILITIES (NET)** | D | | **105,238** | | 119,050 |
| | | | **3,506,191** | | 3,639,101 |
| **APPLICATION OF FUNDS** | | | | | |
| **FIXED ASSETS** | E | | | | |
| Gross block | | **7,894,480** | | 7,491,451 | |
| Less:Depreciation | | **3,980,786** | | 3,733,790 | |
| Net block | | **3,913,694** | | 3,757,661 | |
| Capital work-in-progress | | **139,351** | **4,053,045** | 179,943 | 3,937,604 |
| **INVESTMENTS** | F | | **736,439** | | 326,260 |
| **CURRENT ASSETS, LOANS AND ADVANCES** | G | | | | |
| Inventories | | **2,194,162** | | 2,191,513 | |
| Sundry debtors | | **317,016** | | 225,446 | |
| Cash and bank balances | | **62,894** | | 58,667 | |
| Loans and advances | | **1,065,920** | | 1,190,032 | |
| | | **3,639,992** | | 3,665,658 | |
| Less: **CURRENT LIABILITIES AND PROVISIONS** | H | | | | |
| Liabilities | | **2,389,656** | | 2,151,093 | |
| Provisions | | **2,533,629** | | 2,139,328 | |
| | | **4,923,285** | | 4,290,421 | |
| **NET CURRENT ASSETS** | | | **(1,283,293)** | | (624,763) |
| | | | **3,506,191** | | 3,639,101 |
| **NOTES TO THE ACCOUNTS** | P | | | | |

| | | | |
|---|---|---|---|
| 15th March, 2004<br>Gurgaon | CARLO M.V. DONATI<br>Chairman & Managing Director | MICHAEL T. SCALES<br>Director - Finance & Control | B. MURLI<br>VP - Legal & Company Secretary |

As per our report attached
For A.F. FERGUSON & CO.,
Chartered Accountants

15th March, 2004
New Delhi

(A.K. MAHINDRA)
Partner
Membership No.-10296

# PROFIT AND LOSS ACCOUNT
# FOR THE YEAR ENDED DECEMBER 31, 2003

| | SCHEDULE | 2003 (Rs. in thousands) | 2002 (Rs. in thousands) |
|---|---|---|---|
| **INCOME** | | | |
| Domestic sales | | **20,226,832** | 18,109,801 |
| Export sales | | **2,571,444** | 2,362,242 |
| Others | I | **278,275** | 283,991 |
| | | **23,076,551** | 20,756,034 |
| **EXPENDITURE** | | | |
| Materials consumed and purchase of goods | J | **9,496,872** | 8,508,262 |
| Manufacturing and other expenses | K | **7,522,538** | 6,959,558 |
| Interest | L | **19,242** | 60,745 |
| Excise duty | | **1,253,056** | 1,113,842 |
| Depreciation | E | **462,728** | 494,030 |
| Adjustment due to decrease / (increase) in stock of finished goods and work -in-progress | M | **78,810** | (94,898) |
| | | **18,833,246** | 17,041,539 |
| **PROFIT BEFORE IMPAIRMENT, CONTINGENCIES, TAXATION AND EXCEPTIONAL ITEM** | | **4,243,305** | 3,714,495 |
| Impairment loss on fixed assets (Refer Note 1 - Schedule P) | E | **22,193** | 212,464 |
| Provision for contingencies (Refer Note 2 - Schedule P) | N | **229,623** | 313,588 |
| **PROFIT BEFORE TAXATION AND EXCEPTIONAL ITEM** | | **3,991,489** | 3,188,443 |
| Provision for income tax | O | **1,360,642** | 1,119,370 |
| **PROFIT BEFORE EXCEPTIONAL ITEM** | | **2,630,847** | 2,069,073 |
| Exceptional item in relation to earlier years- net of tax | | **—** | 53,889 |
| **NET PROFIT AFTER EXCEPTIONAL ITEM** | | **2,630,847** | 2,015,184 |
| Balance brought forward | | **249,965** | 171,782 |
| **BALANCE AVAILABLE FOR APPROPRIATION** | | **2,880,812** | 2,186,966 |
| Appropriations: | | | |
| Interim dividend (Previous year - Subject to tax) | | **1,928,314** | 1,735,483 |
| Corporate dividend tax | | **247,065** | — |
| General reserve | | **263,085** | 201,518 |
| **SURPLUS CARRIED TO THE BALANCE SHEET** | | **442,348** | 249,965 |
| **BASIC AND DILUTED EARNINGS PER SHARE (IN RUPEES)** | P | **27.29** | 20.90 |
| **NOTES TO THE ACCOUNTS** | P | | |

15th March, 2004
Gurgaon

CARLO M.V. DONATI
Chairman & Managing Director

MICHAEL T. SCALES
Director - Finance & Control

B. MURLI
VP - Legal & Company Secretary

As per our report attached
For A.F. FERGUSON & CO.,
Chartered Accountants

15th March, 2004
New Delhi

(A.K. MAHINDRA)
Partner
Membership No.-10296

# CASH FLOW STATEMENT
# FOR THE YEAR ENDED DECEMBER 31, 2003

| | | 2003 (Rs. in thousands) | 2002 (Rs. in thousands) |
|---|---|---|---|
| **A.** | **CASH FLOW FROM OPERATING ACTIVITIES** | | |
| | **Net profit before interest (net) and tax** | **3,901,165** | 3,114,170 |
| | **Adjustments for:** | | |
| | Depreciation | **462,728** | 494,030 |
| | Depreciation, being exceptional item in relation to earlier years | **—** | 85,200 |
| | Unrealised exchange differences | **188** | 1,295 |
| | Provision for contingencies | **229,623** | 313,588 |
| | Provision for pension and gratuity | **229,678** | 262,477 |
| | Deficit on fixed assets sold/scrapped | **40,511** | 56,801 |
| | Impairment loss on fixed assets | **22,193** | 212,464 |
| | Interest received | **90,102** | 21,689 |
| | **Operating profit before working capital changes** | **4,976,188** | 4,561,714 |
| | **Adjustments for:** | | |
| | Decrease/(increase) in trade and other receivables | **(38,691)** | 45,955 |
| | Decrease/(increase) in inventories | **(2,648)** | (64,168) |
| | Increase/(decrease) in trade and other payables | **160,787** | 143,853 |
| | **Cash generated from operations** | **5,095,636** | 4,687,354 |
| | Direct taxes paid | **(1,507,815)** | (1,332,811) |
| | **Net cash inflow from operations** | **3,587,821** | 3,354,543 |
| **B.** | **CASH FLOW FROM INVESTING ACTIVITIES** | | |
| | Purchase of fixed assets | **(672,798)** | (646,905) |
| | Sale of fixed assets | **40,034** | 10,787 |
| | Interest received on inter corporate deposits | **20,401** | 30,223 |
| | Inter corporate deposits refunded | **318,470** | 103,480 |
| | Inter corporate deposits granted | **(115,000)** | (40,000) |
| | **Net cash outflow from investing activities** | **(408,893)** | (542,415) |
| **C.** | **CASH FLOW FROM FINANCING ACTIVITIES** | | |
| | Repayment of borrowings | **(576,067)** | (772,017) |
| | Dividends paid | **(1,923,648)** | (1,735,619) |
| | Corporate dividend tax | **(247,065)** | — |
| | Capital subsidy received | **1,500** | 1,000 |
| | Interest paid | **(19,242)** | (67,300) |
| | **Net cash outflow from financing activities** | **(2,764,522)** | (2,573,936) |
| | **Net increase in cash and cash equivalents (A+B+C)** | **414,406** | 238,192 |
| | **Cash and cash equivalents as at opening** | | |
| | Cash and bank balances | **58,667** | 42,124 |
| | Current investments | **326,250** | 104,601 |
| | **Cash and cash equivalents as at closing** | | |
| | Cash and bank balances | **62,894** | 58,667 |
| | Current investments | **736,429** | 326,250 |
| | **Cash and cash equivalents as at closing** | **799,323** | 384,917 |
| | **NET INCREASE IN CASH AND CASH EQUIVALENTS** | **414,406** | 238,192 |

15th March, 2004
Gurgaon

CARLO M.V. DONATI
Chairman & Managing Director

MICHAEL T. SCALES
Director - Finance & Control

B. MURLI
VP - Legal & Company Secretary

As per our report attached to the balance sheet
For A.F. FERGUSON & CO.,
Chartered Accountants

15th March, 2004
New Delhi

(A.K. MAHINDRA)
Partner
Membership No.-10296

Nestlé

# SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT DECEMBER 31, 2003

| | | 2003 (Rs. in thousands) | 2002 (Rs. in thousands) |
|---|---|---|---|
| **SCHEDULE A** | | | |
| **SHARE CAPITAL** | | | |
| **Authorised** | | | |
| 100,000,000 | Equity shares of Rs. 10 each (Previous year 100,000,000) | **1,000,000** | 1,000,000 |
| **Issued, subscribed and paid-up** | | | |
| 96,415,716 | Equity shares of Rs. 10 each (Previous year 96,415,716) | **964,157** | 964,157 |
| **Of the above:** | | | |
| 73,413,626 | Shares of Rs. 10 each (Previous year 73,413,626) were allotted as fully paid-up bonus shares by capitalisation of general reserves Rs. 73,897 thousands (Previous year Rs. 73,897 thousands) and share premium Rs. 660,239 thousands (Previous year Rs. 660,239 thousands). | | |
| 736,331 | Shares of Rs. 10 each (Previous year 736,331) were allotted as fully paid-up pursuant to a contract without payment being received in cash. | | |
| **Of the above:** | | | |
| 32,166,274 | Shares of Rs. 10 each (Previous year 29,132,167) are held by Nestlé S.A. | | |
| 27,463,680 | Shares of Rs. 10 each (Previous year 27,463,680) are held by Nestlé 's Holdings Ltd., the ultimate holding company being Nestlé S.A. | | |
| **SCHEDULE B** | | | |
| **RESERVES AND SURPLUS** | | | |
| **Share premium** | | | |
| As per last balance sheet | | **432,363** | 432,363 |
| **Capital subsidy** | | | |
| As per last balance sheet | | **1,000** | — |
| Add : Received during the year | | **1,500** | 1,000 |
| | | **2,500** | 1,000 |
| **General reserve** | | | |
| As per last balance sheet | | **1,245,501** | 1,084,551 |
| Less : Adjustment of impairment loss as at 1.1.2002 | | **—** | (40,568) |
| Add : Transferred from profit and loss account | | **263,085** | 201,518 |
| | | **1,508,586** | 1,245,501 |
| **Surplus, being balance in profit and loss account** | | **442,348** | 249,965 |
| | | **2,385,797** | 1,928,829 |
| **SCHEDULE C** | | | |
| **SECURED LOANS** | | | |
| **From Banks** | | | |
| Secured by a first *pari passu* charge on all movable assets (excluding plant and machinery), finished goods, work-in-progress, raw materials and book debts. | | **50,999** | 627,065 |
| | | **50,999** | 627,065 |
| **SCHEDULE D** | | | |
| **DEFERRED TAX ASSETS AND LIABILITIES** | | | |
| **Deferred tax assets** | | | |
| Provision for contingencies | | **409,849** | 372,186 |
| Provision for pension and gratuity | | **5,192** | 18,657 |
| Items under section 43B of the Income tax Act deductible on payment | | **45,835** | 56,024 |
| Other temporary differences | | **23,037** | 22,774 |
| | | **483,913** | 469,641 |
| **Deferred tax liabilities** | | | |
| Accumulated depreciation | | **589,151** | 588,691 |
| **Deferred tax liabilities (net)** | | **(105,238)** | (119,050) |

## SCHEDULE E

### FIXED ASSETS

*(Rs. in thousands)*

| | GROSS BLOCK | | | | DEPRECIATION | | | | | | NET BLOCK | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Cost as at December 31, 2002 | Additions | Deletions/ adjust-ments | **Cost as at December 31, 2003** | As at December 31, 2002 | For the year | Impairment loss charged to Profit & loss account | Impairment loss charged to General reserve ## | On Deletions/ adjustments | **As at December 31, 2003** | **As at December 31, 2003** | As at December 31, 2002 |
| Land | 55,523 | — | — | **55,523** | — | — | — | — | — | **—** | **55,523** | 55,523 |
| Buildings | 1,067,889 | 49,407 | 884 | **1,116,412** | 297,188 | 33,169 | — | — | 265 | **330,092** | **786,320** | 770,701 |
| Railway siding | 11,738 | — | — | **11,738** | 6,898 | 557 | — | — | — | **7,455** | **4,283** | 4,840 |
| Plant and machinery | 5,632,032 | 598,040# | 290,895 | **5,939,177** | 3,007,159 | 302,892 | 22,193 | — | 213,812 | **3,118,432** | **2,820,745** | 2,624,873 |
| Furniture and fixtures | 307,992 | 26,875 | 6,654 | **328,213** | 116,634 | 60,118 | — | — | 5,342 | **171,410** | **156,803** | 191,358 |
| Information technology equipments | 353,183 | 37,206 | 9,004 | **381,385** | 277,530 | 53,235 | — | — | 9,004 | **321,761** | **59,624** | 75,653 |
| Vehicles | 63,094 | 9,971 | 11,033 | **62,032** | 28,381 | 12,757 | — | — | 9,502 | **31,636** | **30,396** | 34,713 |
| Total | 7,491,451 | 721,499 | 318,470 | **7,894,480** | 3,733,790 | 462,728 | 22,193 | — | 237,925 | **3,980,786** | **3,913,694** | |
| Previous year | 7,081,308 | 604,578 | 194,435 | 7,491,451 | 3,004,804 | 579,230* | 212,464 | 64,139 | 126,847 | 3,733,790 | | 3,757,661 |
| Capital work -in-progress including capital advances and machinery-in-transit # | | | | | | | | | | | **139,351** | 179,943 |
| | | | | | | | | | | | **4,053,045** | **3,937,604** |

Notes:

(a) Buildings include Rs.500 being the cost of share in a Co-operative Housing Society.

(b) Buildings and plant and machinery include Rs. 53,998 thousands (Previous year Rs.53,998 thousands) being the cost of leasehold improvements.

* Includes depreciation amounting to Rs 85,200 thousands being exceptional item in relation to earlier years.

\# Fixed assets have increased by Rs 151 thousands (Previous year by Rs.Nil) on account of foreign exchange fluctuation.

## SCHEDULE F

### INVESTMENTS

| | | | **2003 (Rs. in thousands)** | 2002 (Rs. in thousands) |
|---|---|---|---|---|
| **(NON TRADE, UNQUOTED)** | | | | |
| **LONG TERM** | | | | |
| Coffee Futures Exchange India Limited | 1 | Equity share of the face value of Rs. 10,000 | **10** | 10 |
| **CURRENT** | | | | |
| **MUTUAL FUNDS - DEBT** | | | | |
| [Units of face value Rs. 10 each, unless otherwise stated] | | | | |
| JM Mutual Fund | — | Units (previous year 5,567,447) of JM High Liquidity Fund Growth Plan - Bonus Option. Nil units (previous year 14,846,524) purchased and 5,567,447 units (previous year 9,279,077) sold during the year. | **—** | 56,250 |
| | 16,863,779 | Units of JM High Liquidity Fund Growth Plan. 94,788,502 units (previous year 23,831,727) purchased and 77,924,723 units (previous year 23,831,727) sold during the year. | **175,000** | — |

## SCHEDULE F (Contd...)

| | | | 2003 (Rs. in thousands) | 2002 (Rs. in thousands) |
|---|---|---|---|---|
| Standard Chartered Mutual Fund | — | Units (previous year 3,607,016) of GCFG Grindlays Cash Fund Growth Option. 141,635,273 units (previous year 103,896,516) purchased and 145,242,289 units (previous year 100,289,500) sold during the year. | **—** | 40,000 |
| HDFC Mutual Fund | — | HDFC Liquid Fund Growth Option. 5,002,974 units (previous year 58,405,151) purchased and 5,002,974 units (previous year 58,405,151) sold during the year. | **—** | — |
| Alliance Capital Mutual Fund | 5,783,847 | Alliance Cash Manager - Growth Option. 24,968,333 units (previous year 13,875,612) purchased and 19,184,486 units (previous year 13,875,612) sold during the year. | **60,000** | — |
| Zurich India Mutual Fund | — | Zurich India Liquidity Fund - Savings Plan - Growth Option. 21,637,696 units (previous year 44,049,326) purchased and 21,637,696 (previous year 44,049,326) sold during the year. | **—** | — |
| Prudential ICICI Mutual Fund | — | Prudential ICICI Liquid Plan Growth Plan. 49,072,097 Units (previous year 40,971,448) purchased and 49,072,097 (previous year 40,971,448) sold,during the year. | **—** | — |
| Kotak Mahindra Mutual Fund | — | Kotak Mahindra Liquid Scheme - Growth Option. 62,972,056 units (previous year 16,175,736) purchased and 62,972,056 (previous year 16,175,736) sold during the year. | **—** | — |
| Birla Sun Life Mutual Fund | 2,661,163 | Units (previous year Nil) of Birla Cash Plus Plan - Growth Option. 31,974,754 units (previous year 8,277,550) purchased and 29,313,591 (previous year 8,277,550) sold during the year. | **45,000** | — |
| Reliance Capital Mutual Fund | 6,875,499 | Units (previous year Nil) of Reliance Liquid Fund - Bonus Plan - Growth Option. 24,064,245 units (previous year Nil) purchased and 17,188,746 (previous year Nil) sold during the year. | **71,429** | — |
| | — | Reliance Liquid Fund - Treasury Plan - Growth Option. 38,412,740 units (previous year 19,777,971) purchased and 38,412,740 (previous year 19,777,971) sold during the year. | **—** | — |
| | — | Reliance Capital Mutual Fund - FMP - Growth Option. 20,000,000 units (previous year Nil) purchased and 20,000,000 (previous year Nil) sold during the year. | **—** | — |
| DSP Merrill Lynch Mutual Fund | — | DSP Merrill Lynch Liquidity Fund Growth Option. 30,970,472 units (previous year 13,092,910) purchased and 30,970,472 (previous year 13,092,910) sold during the year. | **—** | — |
| Deutsche Mutual Fund | 20,021,785 | Units (previous year Nil) of Deutsche Prestige Plan - Growth Option. 48,231,876 units (previous year Nil) purchased and 28,210,091(previous year Nil) sold during the year. | **210,000** | — |
| Templeton Mutual Fund | 11,156,127 | Units of Templeton Floating Rate Fund Short Term Plan. 14,867,735 units (previous year Nil) purchased and 3,711,608 units (previous year Nil) sold during the year. | **125,000** | — |
| | — | Templeton India Liquid Fund Growth option. 15,195,876 units (previous year Nil) purchased and 15,195,876 units (previous year Nil) sold during the year. | **—** | — |
| HSBC Mutual fund | — | HSBC Liquid Plan Growth Plan. 42,848,939 units (previous year Nil) purchased and 42,848,939 (previous year Nil) sold during the year. | **—** | — |
| Templeton Mutual Fund [ Face value Rs. 1,000] | 31,979 | Units (previous year 155,229) of Templeton India Account Growth Option. 811,830 units (previous year 735,777 units) purchased and 935,080 units (previous year 580,548 units) sold during the year. | **50,000** | 230,000 |
| Repurchase price as at December 31, 2003 | | Rs. 741,580 thousands (previous year Rs. 327,833 thousands) | | |
| | | | **736,439** | 326,260 |

Nestlé

| SCHEDULE G | | 2003 (Rs. in thousands) | | 2002 (Rs. in thousands) |
|---|---|---|---|---|
| **CURRENT ASSETS, LOANS AND ADVANCES** | | | | |
| **Inventories** | | | | |
| Stores and spare parts * | | **124,229** | | 129,632 |
| Stock in trade: ** | | | | |
| Finished goods | | **1,064,179** | | 1,061,725 |
| Work-in-progress | | **286,474** | | 367,738 |
| Raw materials | | **592,814** | | 464,620 |
| Packing materials | | **126,466** | | 167,798 |
| | | **2,194,162** | | 2,191,513 |
| * At cost | | | | |
| ** At cost or net realisable value, whichever is lower | | | | |
| **Sundry debtors (Unsecured)** | | | | |
| Considered good | | | | |
| Over six months | **10,623** | | 11,903 | |
| Others | **306,393** | **317,016** | 213,543 | 225,446 |
| Considered doubtful | | | | |
| Over six months | **10,216** | | 8,547 | |
| Others | **13,000** | **23,216** | 12,000 | 20,547 |
| | | **340,232** | | 245,993 |
| Less: Provision for doubtful debts | | **23,216** | | 20,547 |
| | | **317,016** | | 225,446 |
| **Cash and bank balances** | | | | |
| Cash in hand | | **391** | | 509 |
| Cheques in hand | | **28,940** | | 25,792 |
| With scheduled banks – on current account | | **31,060** | | 29,863 |
| – on deposit account | | **2,503** | | 2,503 |
| | | **62,894** | | 58,667 |
| **Loans and advances** | | | | |
| (Unsecured,considered good - unless otherwise stated) | | | | |
| Advances recoverable in cash or in kind or for value to be received | | | | |
| Considered good | | | | |
| Secured | **51,947** | | 54,545 | |
| Unsecured | **581,434** | **633,381** | 632,440 | 686,985 |
| Considered doubtful | | **57,878** | | 27,615 |
| | | **691,259** | | 714,600 |
| Less: Provision for doubtful advances | | **57,878** | | 27,615 |
| | | **633,381** | | 686,985 |
| Inter Corporate Deposits | | **197,500** | | 400,970 |
| —Includes Rs.Nil (Previous year Rs.318,470 thousands) guaranteed by Nestlé S.A., the holding company | | | | |
| Taxation (payments less provisions) | | **235,039** | | 102,077 |
| | | **1,065,920** | | 1,190,032 |
| | | **3,639,992** | | 3,665,658 |

| SCHEDULE H | **2003 *(Rs. in thousands)*** | 2002 *(Rs. in thousands)* |
|---|---|---|
| **CURRENT LIABILITIES AND PROVISIONS** | | |
| **Current liabilities** | | |
| Sundry creditors - | | |
| Small scale industrial undertakings * | **38,396** | 42,430 |
| Others | **2,322,320** | 2,084,389 |
| Investor Education and Protection Fund shall be credited by the following: | | |
| Unpaid dividends # | **28,940** | 24,274 |
| | **2,389,656** | 2,151,093 |
| **Provisions** | | |
| Pension and gratuity | **952,052** | 787,374 |
| Contingencies (Refer Schedule N) | **1,581,577** | 1,351,954 |
| | **2,533,629** | 2,139,328 |
| | **4,923,285** | 4,290,421 |

* Refer to Note 18 Schedule P

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

**SCHEDULE I**

**OTHER INCOME**

| | | |
|---|---|---|
| Dividend on current non trade investments | **—** | 18,039 |
| Interest on income tax refund in relation to earlier years | **69,484** | — |
| Interest received on loans and deposits (gross) (Tax deducted at source Rs.4,130 thousands previous year Rs. 5,954 thousands) | **40,481** | 50,179 |
| Export incentives | **56,918** | 117,530 |
| Miscellaneous income | **51,888** | 48,621 |
| Profit on sale of current non trade investments | **59,504** | 49,622 |
| | **278,275** | 283,991 |

**SCHEDULE J**

**MATERIALS CONSUMED AND PURCHASE OF GOODS**

| | | |
|---|---|---|
| Raw materials consumed | **7,049,294** | 5,953,169 |
| Packing materials consumed | **2,110,027** | 2,135,406 |
| Purchase of goods—outside manufacture | **331,123** | 418,656 |
| —others | **6,428** | 1,031 |
| | **9,496,872** | 8,508,262 |

## SCHEDULE K

## MANUFACTURING AND OTHER EXPENSES

| | | 2003 *(Rs. in thousands)* | | 2002 *(Rs. in thousands)* |
|---|---|---|---|---|
| Employees' cost | | | | |
| Salaries, wages, bonus, pension, gratuity etc. | **1,450,565** | | 1,338,443 | |
| Contribution to provident and other funds | **51,542** | | 49,238 | |
| Staff welfare expenses | **84,614** | **1,586,721** | 74,392 | 1,462,073 |
| Advertising and sales promotion | | **1,361,156** | | 1,507,367 |
| Freight, transport and distribution | | **1,049,294** | | 986,288 |
| General license fees (net of taxes) | | **691,548** | | 609,362 |
| Taxes on general license fees | | **107,191** | | 95,190 |
| Power and fuel | | **766,905** | | 683,919 |
| Contract manufacturing charges | | **351,165** | | 282,378 |
| Information technology and business improvement initiatives | | **274,434** | | 65,417 |
| Maintenance and repairs | | | | |
| Plant and machinery | **188,506** | | 187,533 | |
| Buildings | **30,353** | | 25,903 | |
| General | **37,079** | **255,938** | 44,255 | 257,691 |
| Travelling | | **225,410** | | 206,578 |
| Rates and taxes | | **163,343** | | 154,242 |
| Rent | | **156,372** | | 149,356 |
| Milk collection and district development expenses | | **73,801** | | 67,967 |
| Consumption of stores and spare parts (excluding Rs.128,565 thousands charged to other revenue accounts, previous year Rs.141,079 thousands) | | **57,017** | | 56,534 |
| Training expenses | | **51,043** | | 36,169 |
| Market research | | **42,010** | | 38,665 |
| Deficit on fixed assets sold/scrapped | | **40,511** | | 56,801 |
| Laboratory (quality testing) expenses | | **25,947** | | 26,907 |
| Insurance | | **14,152** | | 14,597 |
| Miscellaneous expenses | | **228,580** | | 202,057 |
| | | **7,522,538** | | 6,959,558 |

| | | **2003** ***(Rs. in thousands)*** | | 2002 *(Rs. in thousands)* |
|---|---|---|---|---|
| **SCHEDULE L** | | | | |
| **INTEREST** | | | | |
| Interest on debentures and fixed loans | | **6,796** | | 40,592 |
| Others | | **12,446** | | 20,153 |
| | | **19,242** | | 60,745 |
| **SCHEDULE M** | | | | |
| **ADJUSTMENT DUE TO (INCREASE)/DECREASE IN STOCK OF FINISHED GOODS AND WORK-IN-PROGRESS** | | | | |
| Opening stock | | | | |
| Work-in-progress | **367,738** | | 345,564 | |
| Finished goods | **1,061,725** | | 989,001 | |
| Less: Closing stock | | | | |
| Work-in-progress | **(286,474)** | | (367,738) | |
| Finished goods | **(1,064,179)** | **78,810** | (1,061,725) | (94,898) |
| | | **78,810** | | (94,898) |
| **SCHEDULE N** | | | | |
| **PROVISION FOR CONTINGENCIES** | | | | |
| **Balance as at December 31, 2002/2001** | | **1,351,954** | | 1,038,366 |
| Add: Created during the year | **361,353** | | 313,588 | |
| Less: Reversed during the year | **(131,730)** | | – | |
| Net provision taken to the Profit and Loss Account | | **229,623** | | 313,588 |
| **Balance as at December 31, 2003/2002** | | **1,581,577** | | 1,351,954 |
| (Refer Note 2 - Schedule P) | | | | |
| **SCHEDULE O** | | | | |
| **PROVISION FOR INCOME TAX** | | | | |
| Current tax | | **1,374,454** | | 1,233,000 |
| Deferred tax | | **(13,812)** | | (113,630) |
| | | **1,360,642** | | 1,119,370 |

**SCHEDULE P**

**NOTES TO THE ACCOUNTS**

| | **2003 (Rs. in thousands)** | 2002 (Rs. in thousands) |
|---|---|---|
| 1. Impairment of fixed assets relates to various items of plant and machinery that have been brought down to their recoverable value upon evaluation of future economic benefits from their use. | | |
| 2. The Company has created a contingency provision of Rs. 361,353 thousands (Previous year Rs. 313,588 thousands) for various contingencies resulting mainly from issues which are under litigation/dispute, management discretion, and investments made by employees' trusts. The Company has also reversed contingency provision of Rs. 131,730 thousands (Previous year Rs. Nil). | | |
| 3. Capital commitments remaining to be executed and not provided for | **48,698** | 24,388 |
| 4. Auditors' remuneration including service tax and expenses in respect of | | |
| a) Statutory audit | **1,690** | 1,313 |
| b) Audit of accounts for fiscal year and tax audit | **778** | 531 |
| c) Limited review of quarterly / half yearly un-audited results | **378** | 157 |
| d) Certification of tax holiday benefits | **162** | — |
| e) Certification for royalty remittances and corporate governance | **133** | 333 |
| f) Audit of employee trust accounts and other certificates | **124** | 47 |
| g) Due diligence review | **540** | — |
| h) Advice on taxation matters | **—** | 80 |
| i) Reimbursement of out of pocket expenses for statutory audit and other matters [including Rs.85 thousands (Previous year Rs.165 thousands) relating to the previous year] | **622** | 506 |
| 5. Managerial remuneration | | |
| Salaries | **15,840** | 12,388 |
| Commission to managing/whole-time director | **23,040** | 17,120 |
| Commission to non whole-time directors | **750** | 600 |
| Directors' sitting fee | **102** | 89 |
| Other perquisites | **5,484** | 7,248 |
| | **45,216** | 37,445 |
| Computation of net profit in accordance with Section 198 of the Companies Act, 1956 | | |
| Net Profit after taxation and exceptional item | **2,630,847** | 2,015,184 |
| Add: | | |
| Managerial remuneration | **45,216** | 37,445 |
| Net deficit on fixed assets sold/scrapped as per Section 350 of the Companies Act, 1956 | **(40,511)** | (56,868) |
| Net deficit on fixed assets sold/scrapped as per accounts | **40,511** | 56,801 |
| Provision for income-tax (net of deferred tax credit on exceptional item) | **1,360,642** | 1,088,059 |
| Net Profit | **4,036,705** | 3,140,621 |
| Commission: | | |
| - Amount | **23,790** | 17,720 |
| - Percentage of net profit | **0.59%** | 0.56% |
| 6. Exchange difference (net) amounting to Rs. 2,688 thousands credited (Previous year Rs. 10 thousands) to respective revenue heads in the profit and loss account. | | |

| | | 2003 | | 2002 | |
|---|---|---|---|---|---|
| | | *(Rs. in thousands)* | *%* | *(Rs. in thousands)* | *%* |
| 7. | Stores and spare parts consumed | | | | |
| | Imported | **40,217** | **21.7** | 38,603 | 19.5 |
| | Indigenous | **145,365** | **78.3** | 159,010 | 80.5 |
| | | **185,582** | **100.0** | 197,613 | 100.0 |
| 8. | Earnings from exports in: | | | | |
| | Foreign currency (F.O.B. value) | **2,008,257** | | 1,863,160 | |
| | Rupees (all inclusive) | **430,290** | | 357,368 | |
| 9. | C. I. F. value of imports | | | | |
| | Components and spare parts | **34,206** | | 42,621 | |
| | Capital goods | **153,018** | | 112,883 | |
| | Raw materials | **496,480** | | 340,449 | |
| | Goods – Outside manufacture | **35,733** | | 69,108 | |
| | | *Qty (MT)* | *(Rs. in thousands)* | *Qty (MT)* | *(Rs. in thousands)* |
| 10. | Raw materials consumed | | | | |
| | Milk and milk concentrate | **272,301** | **2,992,847** | 274,745 | 2,758,361 |
| | Green coffee | **31,386** | **1,018,376** | 29,976 | 738,525 |
| | Vegetable oils | **11,720** | **530,708** | 9,951 | 417,232 |
| | Wheat flour | **46,331** | **439,573** | 40,473 | 358,771 |
| | Sugar | **32,331** | **423,801** | 29,407 | 414,511 |
| | Skimmed milk powder | **2,521** | **228,775** | 836 | 57,862 |
| | Cocoa based raw materials | **1,254** | **218,705** | 1,395 | 184,329 |
| | Black tea/ green leaf | **6,034** | **107,471** | 4,559 | 99,498 |
| | Tomato paste | **2,828** | **100,665** | 3,067 | 106,643 |
| | Whey powder | **880** | **73,606** | 814 | 65,429 |
| | Tapioca starch | **4,093** | **66,097** | 4,237 | 53,355 |
| | Chicory | **2,918** | **52,949** | 2,433 | 42,684 |
| | Apple concentrate | **780** | **37,705** | 913 | 44,364 |
| | Others | | **758,016** | | 611,605 |
| | | | **7,049,294** | | 5,953,169 |
| | | *(Rs. in thousands)* | *%* | *(Rs. in thousands)* | *%* |
| | Of the above | | | | |
| | Imported | **533,755** | **7.6** | 379,130 | 6.4 |
| | Indigenous | **6,515,539** | **92.4** | 5,574,039 | 93.6 |
| | | **7,049,294** | **100.0** | 5,953,169 | 100.0 |
| 11. | Expenditure in foreign currency | | | | |
| | Travelling and training | **19,316** | | 17,319 | |
| | General license fees (net of tax) | **691,548** | | 609,362 | |
| | Ocean freight | **121,280** | | 129,900 | |
| | Information technology and business improvement initiatives | **214,971** | | 12,784 | |
| | Other matters | **29,339** | | 27,227 | |

12. Amount remitted in foreign currencies towards dividends during the year

| | 2003 | | | 2002 | | |
|---|---|---|---|---|---|---|
| | **Number of Non-resident Shareholders** | **Number of Equity Shares held** | **Dividend remitted (Rs. in thousands)** | Number of Non-resident Shareholders | Number of Equity Shares held | Dividend remitted (Net of tax) (Rs. in thousands) |
| 1st interim | **2** | **57,793,294** | **577,933** | 2 | 56,595,847 | 862,475 |
| IInd interim | **2** | **59,629,954** | **596,300** | — | — | — |

13. Earnings per share

| | **2003** | 2002 |
|---|---|---|
| Profit after taxation as per profit and loss account (Rs in thousands) | **2,630,847** | 2,015,184 |
| Weighted average number of equity shares outstanding | **96,415,716** | 96,415,716 |
| Basic and diluted earnings per share in rupees (face value – Rs. 10 per share) | **27.29** | 20.90 |

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

| Class of goods | Licensed Capacity (Annual) Quantity (MT) | Opening stock | | Actual# Production & Purchases (MT) | Closing stock | | Sales | |
|---|---|---|---|---|---|---|---|---|
| | | Quantity (MT) | Value (Rs. in thousands) | | Quantity (MT) | Value (Rs. in thousands) | Quantity* (MT) | Value (Rs. in thousands) |
| Milk Products and Nutrition | | | | | | | | |
| – Licensed | **72502.50 (a)** | **4,533** | **313,956** | **48,592** | **4,864** | **386,890** | **48,031** | **5,963,407** |
| | (72502.50) | (4,244) | (302,912) | (43,439) | (4,533) | (313,956) | (42,945) | (5,219,481) |
| – Others | **Not Applicable** | **2,357** | **185,612** | **42,023** | **1,977** | **160,378** | **42,070** | **3,916,973** |
| | | (2,272) | (165,058) | (39,151) | (2,357) | (185,612) | (38,791) | (3,627,821) |
| Beverages | **Not Applicable** | **1,422** | **166,697** | **26,291** | **1,535** | **171,418** | **26,035** | **5,448,905** |
| | | (2,126) | (239,161) | (24,809) | (1,422) | (166,697) | (25,451) | (4,893,791) |
| Prepared dishes and cooking aids | **Not Applicable** | **4,471** | **190,727** | **58,635** | **4,514** | **172,990** | **58,275** | **4,094,043** |
| | | (2,826) | (117,087) | (52,021) | (4,471) | (190,727) | (50,117) | (3,502,559) |
| Chocolate and Confectionery | **Not Applicable** | **2,240** | **204,733** | **21,111** | **1,723** | **172,503** | **21,450** | **3,366,213** |
| | | (1,815) | (164,783) | (21,164) | (2,240) | (204,733) | (20,496) | (3,226,658) |
| | | | **1,061,725** | | | **1,064,179** | | **22,789,541** |
| | | | (989,001) | | | (1,061,725) | | (20,470,310) |

\# Includes products manufactured by contract manufacturers on conversion basis.
* Sales quantity includes goods withdrawn for sales promotion.

(a) Includes 50,000 MT (50,000 MT) covered by Industrial Entrepreneurs Memorandums in terms of Notification No. 477(E) dated 25th July, 1991 of the Department of Industrial Development, Ministry of Industry, Government of India. Milk products comprises sweetened condensed milk, baby milk foods, milk powders, acidified infant food and other milk products which are covered by one class of goods.

(b) The products are manufactured in integrated plants as certified by the Management on which the Auditors have relied. Hence, in respect of all the above class of goods, individual installed capacities cannot be given as they are mainly dependent on product mix.

(c) Actual production and purchases include purchases of 11,130 MT (8,906 MT) in Milk products and Nutrition - Others, 200 MT (62 MT) in Beverages, 145 MT (285 MT) in Prepared dishes and cooking aids, 108 MT (1,799 MT) in Chocolate and Confectionery. The total value of these purchases is Rs 331,123 thousands (418,656 thousands).

(d) Previous year's figures are indicated in brackets.

15. Quantitative information in respect of other goods

| Class of goods | Opening stock | | Purchases | | Closing stock | | Sales | |
|---|---|---|---|---|---|---|---|---|
| | Quantity (MT) | Value (Rs. in thousands) | Quantity (MT) | Value (Rs. in thousands) | Quantity (MT) | Value (Rs. in thousands) | Quantity (MT) | Value (Rs. in thousands) |
| Others traded goods | **—** | **—** | **—** | **6,428** | **—** | **—** | **—** | **8,735** |
| | (—) | (—) | (—) | (1,031) | (—) | (—) | (—) | (1,733) |

a) Previous year's figures are indicated in brackets.

16. Segment reporting

Based on the guiding principles given in Accounting Standard on 'Segment Reporting' [(AS-17) issued by the Institute of Chartered Accountants of India] 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.

17. Related party disclosures under Accounting Standard 18

**Holding companies:** Nestlé S.A., Nestlé's Holdings Ltd.

**Fellow subsidiaries are disclosed to comply with para 3 (a) of Accounting Standard -18 on "Related party Disclosures" albeit these do not control or exercise significant influence on Nestlé India Ltd.:** Alcon India Pvt. Ltd., Eastern Food Specialties Ltd., Excelcia Foods Pvt. Ltd., Food Ingredients Specialties S.A., FIS Asia Pacific Services (Pte) Ltd., Goya Inc., JSC Khladoproduct, Nestlé Milkpak Ltd., Nestec Ltd., Nestlé (South Africa) (Pty) Ltd., Nestlé Australia Ltd., Nestlé Bangladesh Ltd., Nestlé Brasil Ltda, Nestlé Cameroun, Nestlé Canada Inc, Nestlé China Ltd., Nestlé Deutschland AG, Nestlé Fiji Ltd., Nestlé Foods Kenya Ltd, Nestlé Food LLC, Nestlé Foods (Thailand) Ltd., Nestlé Foods (Malaysia) Sdn. Bhd., Nestlé France S.A., Nestlé Ghana Ltd, Nestlé Hellas S.A., Nestlé Hong Kong Ltd, Nestlé Hungaria K.f.t., Nestlé Italiana S.P.A., Nestlé Japan Holding Ltd., Nestlé Japan Administration Ltd., Nestlé Korea Ltd., Nestlé Lanka Ltd., Nestlé Manufacturing (Thailand) Ltd., Nestlé Maroc S. A., Nestlé Middle East FZE, Nestlé Milk (Thailand) Ltd., Nestlé Nederland B.V., Nestlé New Zealand Ltd., Nestlé Nigeria PLC, Nestlé Panama S.A., Nestlé Philippines Inc., Nestlé (PNG) Ltd., Nestlé Polska S.A., Nestlé Products Sdn. Bhd., Nestlé Product Technology Centre-Konolfingen, Nestlé PTC-France, Nestlé Romania SRL, Nestlé R & D Center (Pte) Ltd., Nestlé Shuangcheng Ltd., Nestlé Singapore (Pte) Ltd., Nestlé Suisse S.A., Nestlé Syria Ltd., Nestlé Taiwan Ltd., Nestlé Tianjin Ltd., Nestlé Trading (Thailand) Ltd., Nestlé Tunisie, Nestlé Turkiye Gida Sanayi A.S., Nestlé UK Ltd., Nestlé USA Inc., Nestlé Vietnam Ltd, Nestlé Waters MT, P.T. Nestlé Indonesia, Quality Coffee Products Ltd., Rennies Nestlé Inhouse, Societe Des Produits Nestlé S.A., UAB Nestlé Baltics.

**Whole time directors':** Carlo M.V. Donati, Chairman & Managing Director; Michael T. Scales, Director – Finance & Control (W.e.f. June 17,2002), Jean-Marc Wälti, Director – Finance & Control (upto May 31,2002)

| **Nature of transactions** | **2003** ***(Rs. in thousands)*** | 2002 *(Rs. in thousands)* |
|---|---|---|
| **Holding companies:** Dividends (Gross) | **1,174,233** | 1,018,725 |
| **Fellow subsidiaries:** | | |
| (a) Sale of finished and other goods | **1,896,516** | 1,849,787 |
| (b) Sale of Fixed assets | **33,907** | 1,018 |
| (c) Purchase of fixed assets | **21,355** | 12,695 |
| (d) Purchase of raw & packing materials, finished goods & spare parts | **68,155** | 147,154 |
| (e) General license fees | **691,548** | 609,362 |
| (f) Interest on inter corporate deposits | **15,077** | 24,783 |
| (g) Services rendered | **1,508** | 6,425 |
| (h) Services received | **212,939** | 15,347 |
| (i) Inter corporate deposits granted | **75,000** | 20,000 |
| (j) Inter corporate deposits refunded [guaranteed by Nestlé S.A., the holding company] | **318,470** | 13,480 |
| (k) Balance outstanding as at the year end | | |
| ➢ Receivables (refer note ii below) | **237,065** | 425,536 |
| ➢ Payables | **303,564** | 133,116 |

**Notes:**

i. Inter corporate deposits were granted at the then prevailing market rate and a spread thereon.

ii. Receivables include Rs. Nil (Previous year Rs. 318,470 thousands) guaranteed by Nestlé S.A., the holding company.

iii. Details of remuneration to whole time directors' are given in the note 5 of the notes to the accounts. Balance payable to Whole time directors as on 31st December, 2003 is Rs. 6,912 thousands (Previous year Rs. 6,762 thousands).

18. The names of Small Scale Industrial Undertakings to whom the Company owe a sum, which is outstanding for more than 30 days as on December 31, 2003, are Adhunik Packagers Pvt. Ltd., Amrita Moulding Pvt. Ltd., Borkar Packing Pvt. Ltd., M/s Chemline India Ltd., Himedia Laboratories Pvt. Ltd., Jewel Paper Product, Jewel Packaging (P) Ltd., Kwality Offset Printer, Maniesh Offset Pvt. Ltd., Nebula Home Products Pvt. Ltd., New Color Screens Pvt. Ltd., Paras Enterprises, Precision Moulds & Dies Pvt. Ltd., S. S. Bedi & Sons, Shah Packwell Industries, Sri Sai Packaging, Srivari Packaging Industries Pvt. Ltd., Superpax India Pvt. Ltd. and Surya Print Process Pvt. Ltd. These amounts are not due for payment as per the terms and conditions of the purchase order/contract.

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

20. **SIGNIFICANT ACCOUNTING POLICIES**

ACCOUNTING CONVENTION

The financial statements are prepared under the historical cost convention, in accordance with applicable mandatory accounting standards issued by the Institute of Chartered Accountants of India and the relevant provisions of the Companies Act, 1956.

SALES

Sale of goods is recognised at the point of despatch to the customer. Sales include excise duty but exclude sales tax.

INVENTORIES

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

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

RETIREMENT BENEFITS

Contributions to the provident fund and provision for pension and gratuity are charged to revenue every year. Provision for pension is made on the basis of an actuarial valuation carried out by an independent actuary as at the year-end. Provision for gratuity is made on the basis of actuarial valuation after taking into account the net result of gratuity trust.

DEPRECIATION

Depreciation is provided as per the straight-line method at rates provided in Schedule XIV to the Companies Act, 1956, except for the following classes of fixed assets, where the useful life has been estimated as under: -

| | | |
|---|---|---|
| Information technology equipments | : | 3 years |
| Furniture and fixtures and Vehicles | : | 5 years |
| Leasehold improvements | : | Lease period. |

IMPAIRMENT OF FIXED ASSETS

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

TAXATION

The provision for taxation for the year comprises the residual tax liability for assessment year 2003-2004 relevant to the period April 1, 2002 to March 31, 2003 and the liability which has accrued on the profit for the period April 1, 2003 to December 31,2003.

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

CONTINGENT LIABILITIES

Contingent liabilities are disclosed after a careful evaluation of the facts and legal aspects of the matter involved.

FIXED ASSETS

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

INVESTMENTS

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

FOREIGN EXCHANGE TRANSACTIONS

Transactions in foreign currency are recorded at the exchange rate prevailing on the date of the transaction. In the case of liabilities incurred for the acquisition of fixed assets, the loss or gain on conversion (at the rate prevailing at the period end or at the forward rate where forward cover has been taken) is included in the carrying amount of the related fixed assets.

Current assets and liabilities (other than those relating to fixed assets) are restated at the rate prevailing at the period end or at the forward rate where forward cover has been taken. The difference between the period end rate and the exchange rate at the date of the transaction is recognised as income or expense in the profit and loss account. In respect of transactions covered by forward exchange contracts, the difference between the contract rate and the rate on the date of the transaction is recognised as income or expense in the profit and loss account over the life of the contract.

# Balance Sheet Abstract and Company's General Business Profile

I. Registration Details

| | |
|---|---|
| Registration No. | 0 0 3 7 8 6 |
| State Code | 5 5 |
| Balance Sheet Date | 3 1 / 1 2 / 2 0 0 3 |

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

| | |
|---|---|
| Public Issue | NIL |
| Rights Issue | NIL |
| Bonus Issue | NIL |
| Private Placement | NIL |

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

| | |
|---|---|
| Total Liabilities | 3506191 |
| Total Assets | 3506191 |

Sources of Funds

| | |
|---|---|
| Paid-Up Capital | 964157 |
| Reserves & Surplus | 2385797 |
| Secured Loans | 50999 |
| Unsecured Loans | NIL |

Application of Funds

| | |
|---|---|
| Net Fixed Assets | 4053045 |
| Investments | 736439 |
| Net Current Assets* (+/−: −) | 1388531 |
| Miscellaneous Expenditure | NIL |
| Accumulated Losses | NIL |

* Includes Rs. 105, 238 (Rs'000) of Deferred Tax Liabilities

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

| | |
|---|---|
| Turnover (Gross Revenue) | 2307651 |
| Total Expenditure | 1883 3246 |
| Profit/Loss Before Tax (+/−: +) | 399 1489 |
| Profit/Loss After Tax (+/−: +) | 2630847 |
| Earnings Per Share in Rs. | 27.29 |
| Dividend Rate % | 200 |

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

| | |
|---|---|
| Item Code No. (ITC Code) | 19.01.0000 |
| Product Description | PREPARATION OF MILK CREAM AND CEREALS |
| Item Code No. (ITC Code) | 21.01.0000 |
| Product Description | SOLUBLE COFFEES COFFEE BLENDS AND TEA |
| Item Code No. (ITC Code) | 19.02.0000 |
| Product Description | NOODLES |

# ANNEXURE-1 TO THE DIRECTORS' REPORT

## Report on Corporate Governance for the year ended December 31, 2003

### NESTLÉ'S PHILOSOPHY ON CODE OF GOVERNANCE

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

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

### BOARD OF DIRECTORS

**Composition, Attendance at the Board Meetings and the last Annual General Meeting, Outside Directorships and other Board Committees**

Above information as on 31st December, 2003 or for the year 2003, as applicable, is tabulated hereunder:

| Director | No. of Board Meetings attended [A] | Attendance at previous AGM on 30.04.2003 | No. of outside Directorship held [B] | No. of membership/ chairmanship in other Board Committees [C] | Executive/ Non-Executive/ Independent |
|---|---|---|---|---|---|
| Mr. Carlo M.V. Donati [1] | 5 | Present | Nil | Nil | Executive |
| Mr. Michael T. Scales[1] | 6 | Present | Nil | Nil | Executive |
| Mr. Ravinder Narain | 5 | Present | 2 | Nil | Non Executive & Independent |
| Mr. Tejendra Khanna | 5 | Present | 3 | 4 | - do - |
| Mr. M. W. O. Garrett | Nil | Not Present | Nil | Nil | Non Executive |
| Mr. Rajendra S. Pawar | 4 | Present | 10 | 1 | Non Executive & Independent |
| Mr. Richard Sykes[2] | 1 | Present | Nil | Nil | Non Executive |

[1] Nominee of Nestlé S.A.
[2] Alternate Director to Mr. M. W. O. Garrett.
[A] Participation over phone by Mr. Donati (1 Meeting) has not been included.
[B] Directorship in companies registered under the Companies Act, 1956, excluding directorships in private companies, alternate directorship and companies under Section 25 of the Companies Act,1956.
[C] Only covers membership/chairmanship of Audit Committee, Remuneration Committee and Shareholders / Investors Grievance Committee.

**Board Meetings held during the year 2003**
During the year 2003, six Board Meetings were held on 20th February, 2003, 7th March, 2003, 30th April, 2003, 31st July, 2003, 31st October, 2003 and 5th December, 2003.

## BOARD COMMITTEES

### Audit Committee

The role and terms of reference of the Audit Committee covers the areas mentioned under Clause 49 of the Listing Agreement and Section 292A of the Companies Act, 1956 besides other terms as may be referred by the Board of Directors. These include oversight of Company's financial reporting process and disclosure of financial information to ensure that the financial statement is correct, sufficient and credible; reviewing annual and quarterly financial statements with management before submission to the Board; reviewing the adequacy of internal control systems with management, external and internal auditors and reviewing the Company's financial risk and management policies.

The Audit Committee comprises of Mr. Tejendra Khanna, Mr. Ravinder Narain and Mr. Rajendra S. Pawar, all being Non Executive and Independent Directors. Mr. Tejendra Khanna, who has financial and accounting knowledge, is the Chairman of the Audit Committee. Mr. B. Murli, Company Secretary, acts as the Secretary to the Committee.

The Audit Committee met five times during the year 2003 on 7th March, 2003, 30th April, 2003, 31st July, 2003, 31st October, 2003 and 19th November, 2003. Mr. Tejendra Khanna attended all the meetings held during the year. Mr. Ravinder Narain attended all the meetings except for the meeting held on 31st July, 2003. Mr. Rajendra S. Pawar attended all the meetings, except for the meeting held on 19th November, 2003 in which he participated over phone.

### Shareholders Committee

Shareholder / Investor Grievance Committee is headed by Mr. Ravinder Narain, a Non-Executive and Independent Director. Mr. B. Murli, Company Secretary, is the Compliance Officer.

During the year 2003, 245 complaints were received from shareholders and investors. All the complaints have generally been solved to the satisfaction of the complainants, except for disputed cases and sub-judice matters, which would be solved on final disposal by the Courts.

All valid requests for share transfer received during 2003 have been acted upon by the Company and no such transfer is pending.

### Remuneration Committee

Matters of remuneration of Executive Directors are considered by the Board of Directors of the Company, with the interested Executive Director(s), not participating or voting. The terms of remuneration of Executive Directors are approved by the shareholders at the Annual General Meeting. Therefore no separate remuneration committee has been constituted.

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

The remuneration policy of the Company is to remain competitive in the industry to attract and retain talent and appropriately reward employees on their contributions.

## REMUNERATION OF DIRECTORS FOR 2003

(Rupees in '000)

| Name of the Director | Sitting Fee | Salaries | Perquisites | Commission | Total |
|---|---|---|---|---|---|
| Mr. Carlo M.V.Donati [1] | NA | 8640 | 3726 | 15120 | 27486 |
| Mr. Michael T. Scales [2] | NA | 7200 | 1758 | 7920 | 16878 |
| Mr. Tejendra Khanna | 35 | NA | NA | 250 @ | 285 |
| Mr. Ravinder Narain | 39 | NA | NA | 250 @ | 289 |
| Mr. Rajendra S. Pawar | 28 | NA | NA | 250 @ | 278 |

[1] The Company has service contract with Mr. Carlo M.V.Donati for a period of 5 years with effect from 1st July, 2003. 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.

[2] The Company has service contract with Mr. Michael T. Scales for a period of 5 years with effect from 17th June, 2002. The notice period is of three months and the severance fee is the sum equivalent to remuneration for the notice period or part thereof in case of shorter notice.

@ The commission for the year ended 31st December, 2003 will be paid, subject to deduction of tax after adoption of the accounts by the shareholders at the Annual General Meeting to be held on 30th April, 2004. Sitting Fee also includes payment for Board-level committee meetings.

Commission is subject to adequate profits being earned. Performance criteria for the Executive Directors takes into account the business plans and market conditions. The Company does not have any stock option scheme.

## GENERAL BODY MEETINGS

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

| Year | Venue | Date | Time |
|---|---|---|---|
| 2003 | Air Force Auditorium, Subroto Park, New Delhi 110 010 | 30th April, 2003 | 10.00 A.M. |
| 2002 | - do - | 30th April, 2002 | 10.00 A.M. |
| 2001 | - do - | 27th June, 2001 | 10.00 A.M. |

There was no other General Body Meeting in the last three years and no resolution was put through postal ballot.

## DISCLOSURES

During the year 2003, the Company had no materially significant related party transaction, which is considered to have potential conflict with the interests of the Company at large.

There has not been any non-compliance, penalties or strictures imposed on the Company by the Stock Exchanges, SEBI or any other statutory authority, on any matter relating to the capital markets, during the last three years.

## MEANS OF COMMUNICATION

**Half-Yearly report to shareholders, Quarterly Results, Newspaper in which published, Website etc.**
The Quarterly, Half-Yearly and Annual Results are generally published by the Company in all editions of the Financial Express and in Jansatta, Delhi. The Half-Yearly reports are not sent to household of shareholders. As per the requirement of Clause 51 of the Listing Agreement all the data related to quarterly financial results, shareholding pattern etc., is provided to the special web-site www.sebiedifar.nic.in within the time frame prescribed in this regard. The Company currently does not have a Website. Official news releases and presentations made to analysts are sent to the stock exchanges at Delhi and Mumbai, where shares of the Company are listed.

**Management Discussion and Analysis Report**
(within the limits set by the Company's competitive position)

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

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

There has been no material development in Human Resources / Industrial relations during the period covered by this Annual Report. 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 31.12.2003 was 3,075.

## GENERAL SHAREHOLDER INFORMATION

**Annual General Meeting**
Date and Time : 30th April, 2004 at 10.00 a.m.
Venue : Air Force Auditorium, Subroto Park, New Delhi – 110 010.

Financial Calendar : 2004

| | | | |
|---|---|---|---|
| First Quarter Results | : Last Week April, 2004 | Third Quarter Results | : Last Week October, 2004 |
| Second Quarter and Half Yearly Results | : Last Week July, 2004 | Annual Results | : March, 2005 |

**Date of Book Closure** : 26th April, 2004 to 30th April, 2004, both days inclusive.

**Dividend payment date** : Two Interim Dividends for the year 2003, both at the rate of Rs.10/- per share, were paid on 18th August, 2003 and 23rd December, 2003, respectively.

**Outstanding ADRs / GDRs/Warrants or any convertible instruments, conversion date and likely impact on equity:** Not applicable.

**Listing on Stock Exchanges and Stock Code**

Shares of the Company are listed at The Delhi Stock Exchange Association Limited (Stock Code 0035) and The Stock Exchange, Mumbai (Stock Code 790).

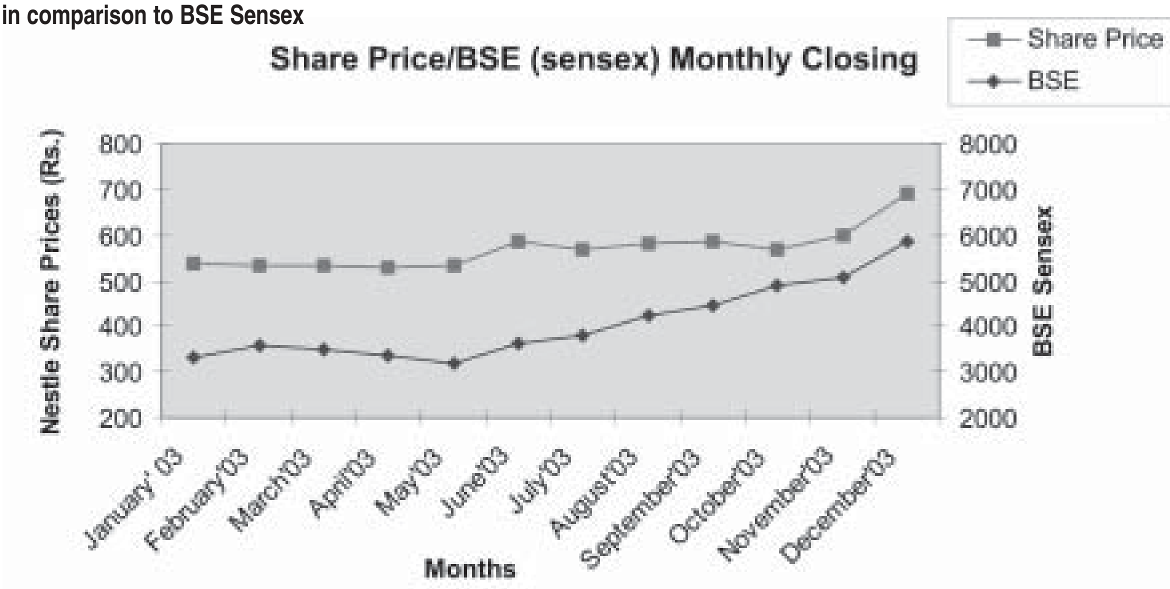
The ISIN Number of Nestlé India Limited (or demat number) on both the NSDL and CDSL is INE239A01016.

**Market Price Data : High/Low in each month of Calendar Year, 2003 on The Stock Exchange, Mumbai**

| Month | High (Rs.) | Low (Rs.) | Month | High (Rs.) | Low (Rs.) |
|---|---|---|---|---|---|
| January | 550.00 | 515.60 | July | 585.00 | 540.10 |
| February | 543.95 | 520.05 | August | 602.40 | 545.00 |
| March | 537.95 | 520.05 | September | 617.70 | 563.45 |
| April | 549.50 | 500.30 | October | 606.00 | 531.25 |
| May | 550.00 | 525.60 | November | 602.00 | 553.00 |
| June | 594.00 | 530.00 | December | 714.90 | 572.80 |

[Source : www.bseindia.com]

**Performance in comparison to BSE Sensex**




[Source : www.bseindia.com]

**Share Transfer System**

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

**Registrar & Transfer Agents :** M/s MCS Limited, W-40 Okhla Industrial Area, Phase II, New Delhi - 110 020.

**Categories of Shareholding as on 31st December, 2003**

| Category | Number of Shares | Percent of total shares |
|---|---|---|
| Promoters and associates | 59,629,954 | 61.85 |
| Foreign institutional investors | 6,993,616 | 7.25 |
| Public financial institutions (including Banks) | 5,783,690 | 6.00 |
| Mutual funds and UTI | 2,967,898 | 3.08 |
| Private Corporate Bodies ( including clearing members) | 1,800,323 | 1.87 |
| NRI's and OCB's | 378,293 | 0.39 |
| Indian Public | 18,861,942 | 19.56 |
| **Total** | **96,415,716** | **100.00** |

**Distribution of shareholding as on 31st December, 2003**

| No. of shares | Number of shareholders | Number of Shares | Percent of total shares |
|---|---|---|---|
| 1 to 500 | 43,999 | 4,878,225 | 5.06 |
| 501 to 1000 | 3,646 | 2,636,869 | 2.74 |
| 1001 to 2000 | 1,388 | 1,960,498 | 2.03 |
| 2001 to 3000 | 402 | 1,006,943 | 1.05 |
| 3001 to 4000 | 198 | 684,234 | 0.71 |
| 4001 to 5000 | 129 | 582,071 | 0.60 |
| 5001 to 10000 | 267 | 1,874,489 | 1.94 |
| 10001 and above | 268 | 82,792,387 | 85.87 |
| **Total** | **50,297** | **96,415,716** | **100.00** |

**Dematerialisation of shares and liquidity :** 41.65% equity shares of the Company have been dematerialised as on 31st December, 200 3.
**Plant Locations :** The Company's plants are located at Moga, Samalkha, Nanjangud, Choladi, Ponda and Bicholim.
**Address for correspondence:** Shareholder Services, M – 5 A, Connaught Circus, New Delhi – 110 001
**E-mail for Investors :** Investor@IN.nestle.com

On behalf of the Board of Directors

15th March, 2004
Gurgaon

CARLO M. V. DONATI
CHAIRMAN

## CERTIFICATE

**TO THE MEMBERS OF NESTLÉ INDIA LIMITED**

We have examined the compliance of conditions of Corporate Governance by Nestlé India Limited for the year ended December 31, 2003, as stipulated in Clause 49 of the Listing Agreement of the said Company with stock exchanges.

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

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

We state that in respect of investor grievances received during the year ended December 31, 2003, no investor grievances are pending for a period exceeding one month against the Company as per the records maintained by the Company.

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

For A.F. FERGUSON & CO.,
Chartered Accountants

15th March, 2004
New Delhi

(A.K. MAHINDRA)
Partner

# ANNEXURE-2 TO THE DIRECTORS' REPORT

Information as required under Section 217 (1) (e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 forming part of Directors' Report for the year ended 31st December, 2003.

## A. CONSERVATION OF ENERGY

***(a) Energy Conservation Measures Taken***

As in the past, the Company continued to stress upon the measure for conservation and optimal utilization of energy, in all the areas of its operations, including those for energy generation and effective usage of sources/ equipment used for generation. The Company has an Energy Management System that facilitates continuous improvement in the area of energy usage and has been in operation since 1997. The significant measures taken during 2003, which have contributed to energy conservation were :

- Reduction of inert gas energy by heat recovery from heat of compression.
- Usage of coffee husk in the boiler in place of coconut shell.
- Installation of en-mass conveyor (in place of pneumatic system) in coal crushing area.
- Installation of efficient pumps and fans for cooling towers.
- Installation of variable frequency drive on Forced Draft and Primary Air fans.
- Installation of energy efficient air compressor.
- Increase of power factor.
- Installation of frequency drive in Effluent Treatment Plant aerators.

***(b) Additional investment***

Following proposals are at various stages of implementation:

- Installation of Heat recovery system on roasters.
- Installation of Vapour Absorption machine (VAM) on DG sets.
- Installation of Energy Saving Devices.

***(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***

The measures taken during 2003, including measures initiated in the past in the above direction have facilitated efforts for conservation of energy and helped contain the energy costs.

***(d) Energy consumption***

Total energy consumption and energy consumption per unit of production, as per prescribed Form A together with the comparative figures for 2002, are given at the end of this Part. The Company manufactures varieties of products each of them using a combination of various sources of energy in different proportions. Therefore the comparison as mentioned in Form A, does not truly reflect the efforts of the Company at reducing consumption in terms of units of consumption.

## B. TECHNOLOGY ABSORPTION

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

**Research & 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 the advantage of drawing from the extensive central Research and Development efforts and activities of the Nestlé Group. Nestlé Group spends enormous amounts and efforts in Research and Development and in gaining industrial experiences. It has therefore been possible for your Company to focus its efforts on testing and modification of products for local conditions. Improving and maintaining the quality of certain key raw materials also continued to receive close attention.

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

The ability to leverage the Research and Development (R & D) expertise and knowledge of the 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 products of your Company are perceived by the consumers as a high value for their money.

3. *Future plan of action*

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

4. *Expenditure on R&D*

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

| | | Rs. in thousands |
|---|---|---|
| (a) | Capital | 23,968 |
| (b) | Recurring | 25,947 |
| (c) | Total | 49,915 |
| (d) | Total R&D as a percentage of total turnover | 0.22% |

**Technology absorption, adaptation and innovation**

1. *Efforts, in brief, made towards technology absorption, adaptation and innovation*

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

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

Product innovation and renovation, improvement in yield, product quality, input substitution, cost effectiveness and energy conservation are the major benefits.

3. *Imported Technology*

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

## C. FOREIGN EXCHANGE EARNINGS AND OUTGO

**(a) Activities relating to exports; initiatives taken to increase exports; development of new export markets for products and export plans:**

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

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

During the year under review, your Company had foreign exchange earnings of Rs.2,438 million (including Rupee export to neighbouring countries amounting to Rs.430 million) and foreign exchange outgo of Rs.2,970 million. Details of earnings from exports and foreign exchange outgo on account of imports, expenditure on travelling, general licence fees, etc. and remittances made to non-resident shareholders on account of dividend are shown in Notes 8, 9, 11 and 12 respectively of Notes to the Accounts. Members are requested to refer to these Notes.

**FORM A**

**CONSERVATION OF ENERGY (CONSOLIDATED)**

| | 2003 | 2002 |
|---|---|---|
| **(A) Power and Fuel Consumption** | | |
| 1. Electricity | | |
| (a) Purchased | | |
| Units (000'KWH) | **49,960** | 47,250 |
| Total Cost (Rs. in thousand) | **200,072** | 175,583 |
| Cost/KWH (Rs.) | **4.00** | 3.72 |
| (b) Own Generation | | |
| (i) Through Diesel Generator | | |
| Units (000'KWH) | **32,711** | 32,815 |
| Units per litre of diesel oil (KWH) | **3.58** | 3.61 |
| Cost/KWH (Rs.) | **4.85** | 4.70 |
| (ii) Through Steam Turbine/Generator | | |
| Units (KWH) | **—** | — |
| Units per litre of fuel | **—** | — |
| Oil / gas (KWH) | **—** | — |
| Cost / KWH (Rs.) | **—** | — |
| 2. Coal (Various grades) | | |
| Quantity (Tonne) | **27,533** | 26,650 |
| Total Cost (Rs. in thousand) | **90,873** | 85,595 |
| Cost / Tonne (Rs.) | **3,300.50** | 3,211.82 |
| 3. Furnace Oil | | |
| Quantity (KL) | **16,570.89** | 12,823.69 |
| Total Cost (Rs. in thousand) | **201,644** | 142,987 |
| Cost / KL (Rs.) | **12,168.58** | 11,150.22 |
| 4. Other Consumption of Fuel | | |
| (a) High Speed Diesel Oil (HSD)/ Super Kerosene Oil (SKO)/ Light Diesel Oil (LDO), Heavy Petroleum Stock(HPS) | | |
| Quantity (KL) | **4,151** | 6,137 |
| Total Cost (Rs. in thousand) | **63,384** | 81,910 |
| Cost / KL (Rs.) | **15,269.57** | 13,346.91 |
| (b) Non–Conventional Fuel-Coconut Shells (CS) | | |
| Quantity (Tonne) | **12,979** | 12,770 |
| Total Cost (Rs. in thousand) | **30,222** | 26,368 |
| Cost / Tonne (Rs.) | **2,328.57** | 2,064.84 |
| (c) Liquid Petroleum Gas (LPG) | | |
| Quantity (Tonne) | **540** | 446 |
| Total Cost (Rs. in thousand) | **12,063** | 8,732 |
| Cost / Tonne (Rs.) | **22,338.54** | 19,578.48 |

**(B) Consumption per unit of production**

| | Beverages | | Milk Products and Nutrition | | Chocolate & Confectionery | | Prepared Dishes & Cooking Aids | |
|---|---|---|---|---|---|---|---|---|
| | Current Year | Previous Year | Current Year | Previous Year | Current Year | Previous Year | Current Year | Previous Year |
| | 2003 | 2002 | 2003 | 2002 | 2003 | 2002 | 2003 | 2002 |
| Electricity (KWH/T) | 1257.33 | 1266.37 | 397.30 | 420.38 | 847.24 | 735.36 | 165.22 | 183.82 |
| Furnace Oil (Ltrs./T) | 261.60 | 255.03 | 89.14 | 64.22 | 75.82 | 64.33 | 87.47 | 79.95 |
| Coal (Kgs./T) | 140.20 | 155.45 | 294.48 | 298.91 | — | — | 198.59 | 192.93 |
| Others | | | | | | | | |
| HSD, HPS (Ltrs./T) | 93.12 | 102.30 | 31.19 | 64.80 | — | — | 4.14 | 2.79 |
| LPG (Kgs./T) | — | — | 0.98 | 0.93 | 39.58 | 31.63 | — | — |

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