

# Nestlé India Limited

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Your Ref :

Our Ref : **BM: PKR: 15:13**

Date : **22.03.2013**

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

**Kind Attn. : Mr. Bhushan Mokashi**  
**DCS – CRD**

**Scrip Code: 500790**

**Subject : Outcome of the Board Meeting**

Dear Sir,

The Board of Directors of the Company at its meeting held today, inter alia, reviewed the General License Agreement with Nestlé Group.

Enclosed is the copy of the Press Release titled "Nestle India reviews the General Licence Agreement, Independent Directors appreciate the governance process", being released in this regard.

Yours truly,  
**NESTLÉ INDIA LIMITED**

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

Encl.: as above

## **PRESS RELEASE**

### **Nestlé India reviews the General Licence Agreement**

#### **Independent Directors appreciate the governance process**

Nestlé House, Gurgaon 22<sup>nd</sup> March, 2013: Nestlé India's Board of Directors today, with only Independent Directors voting and the Executive Directors recusing, approved a staggered increase in the royalty rate @ 0.20% per annum over the next 5 years effective January 1<sup>st</sup>, 2014. This royalty is paid on third party sales and is net of tax.

The Independent Directors appreciated the high emphasis on corporate governance keeping in view the elaborate review process.

The Company has a General License Agreement (GLA) that allows it access to Nestlé Group's intellectual property rights including global portfolio of brands, proprietary science and technology including over 1300 patents, extensive research and development capabilities and expertise on best practices.

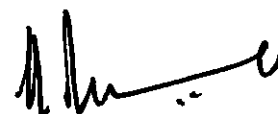
The GLA includes access to over 6,000 brands such as NESTLÉ, MAGGI and NESCAFE and technologies developed by the global network of 32 research & development centres, including the one recently inaugurated at Manesar, Haryana which will further assist in localization of global concepts. Nestlé India's recent capacity investments of around INR 3000 crores have benefitted from this.

Nestlé SA had requested two years ago for a review of the two decades old royalty rates and subsequently substantiated the same by a study conducted by Mckinsey & Co. This study was subjected to a fairness review by two Indian firms i.e. M/s Bansi S. Mehta & Co. and KPMG (Registered) who independently used different valuation methods and recommended ranges of royalty rates which were similar to that of Mckinsey & Co.

The existing GLA, the proposal from Nestlé SA and the studies performed by the independent firms were examined by the Corporate Governance Committee, majority of its members being Independent Directors.

The Board of Directors of Nestlé India negotiated and Nestlé S.A. accepted the increase in royalty from 3.5% to 4.5 % of sales in a staggered manner by making an increase of 0.20% per annum over the next five years effective January 1<sup>st</sup>, 2014. This increase is based on the lower limit of the ranges established by the two Indian firms and is in line with the erstwhile guidelines of the Government of India. It is also comparable to the royalty being paid by the Nestlé affiliates in similar countries. The royalty rate on exports will now be aligned to 4.5% of sales.

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M/s Amarchand and Mangaldas and Suresh A. Shroff & Co., a law firm advised on the governance process on the review.

**Commenting on the decision of the Board, the Chairman and Managing Director of Nestlé India, Mr. A. Helio Waszyk mentioned “This will ensure ongoing access to the entire capabilities of Nestlé, the world’s leading Nutrition, Health and Wellness company having the largest Food and Nutrition R&D network globally and will enable Nestlé India to continue to deliver long term sustainable profitable growth and Create Shared Value for society and its shareholders.”**



**HIMANSHU MANGLIK**  
**Nestlé India Limited**

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