
PRESS RELEASE

ANOTHER GOOD QUARTER FOR NESTLÉ INDIA

- Top line and bottom line amplified due to exceptional factors
- Net Sales for Quarter ended 30th June, 2005: Rs.615.77 Crores. UP 19.7 %
- Reported Net Profit for Quarter ended 30th June, 2005: Rs. 82.77 Crores. UP 93.5%
- Greater focus on innovation and renovation as well as Nutrition, Health and Wellness
- To set up a new Unit in the State of Uttaranchal

Mr. Martial Rolland, Chairman and Managing Director of Nestlé India stated “Nutrition, health and wellness have been part of the DNA of Nestle since its inception in 1866 and the Company, with its strong research-driven science and brands is uniquely placed to leverage these elements within our portfolio. With this in mind and a closer understanding of our consumers and customers, we will grow our existing brands and accelerate our innovation and renovation process, as can be seen with the recent successful launch of MAGGI Vegetable Atta Noodles. I am satisfied with our quarterly performance and I am confident that we are on the right track.”

Nestlé House, Gurgaon, 29th July, 2005: The Board of Directors of Nestlé India met at Nestlé House today and approved the results for the Second Quarter ended 30th June, 2005.

SALES FOR THE QUARTER

Net Sales for the quarter were Rs.615.77 crores and have increased by 19.7% compared with the same period of 2004.

Net Domestic Sales have increased by 18.1%, a large jump, contributed in part by the favourable comparison against a lower base for the same period last year (which was largely impacted by selective rationalization of pipeline stocks) but also on account of improved volume and product mix and selective price increases. Export Sales have increased by 32.2% mainly on account of increased volumes (15.3%) and higher realizations on instant coffee exports to Russia resulting from increased green coffee prices.

PROFITS FOR THE QUARTER

The reported Net Profit for the Quarter is Rs.82.77 crores.

EBITDA as a percentage of Net Sales for the quarter has shown an exceptional increase, including some one-time adjustments, to 22.4% from 16.3% in the same period of 2004. This is mainly on account of sales increase that has resulted in better-fixed cost absorption, lower expenditure on advertisement and sales promotion, overall favourable impact of commodity prices and change in method of inventory valuation.

The cost of milk solids during the period has been lower than that of the same period last year, which has been partially offset by the increase in prices of green coffee, sugar and fuels. On account of the change in the method of valuation of inventories to FIFO, a part of the increased prices of commodities have been offset by the favourable new valuation of inventories. As against this, the profitability of the second quarter of 2004 was depressed mainly due to lower sales and high commodity prices, which had not been entirely passed on to the consumers.

These exceptional factors combined with the reduction in the corporate income tax rate have resulted in an exceptional increase in reported Net Profit by 93.5%. As a percentage of Gross Revenue, the Net Profit has exceptionally increased to 13.3% from 8.3% in the same quarter last year.

After stripping out the effect of non-recurring items under “Other Income” as well as excluding “Provision for Contingencies” and “Impairments” and the impact due to change in valuation of inventories, the adjusted Net Profit in absolute amounts has increased by 77.8%.

OVERVIEW FOR THE QUARTER

Nestlé India continued to focus on strengthening its products. Increased focus on innovation and renovation and better availability enabled the Company to improve its reach and penetration and establish better sales. 'Milks and Nutrition', 'Culinary', 'Chocolates and Confectionary' categories delivered encouraging results. In the Out of Home segment, the Company continued to expand the number of 'Nestlé Consumption Zones' to enable consumers to access products in a convenient manner.

The GLOBE initiative was satisfactorily implemented during the quarter, on schedule.

NEW UNIT IN UTTARANCHAL

The Company will set up a new factory in the State of Uttaranchal mainly for the manufacture of culinary products. The project will involve an investment of around Rs.100 crores over 2 to 3 years and it is foreseen that the factory will go into commercial production during the first half of 2006. The new factory is being set up in an area benefitting from various tax incentives.

The Company currently has six manufacturing plants across India and the unit proposed in the State of Uttaranchal will be the seventh plant.

Himanshu Manglik
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Nestlé India Limited

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