

A. F. FERGUSON & CO.

CHARTERED ACCOUNTANTS

**9, SCINDIA HOUSE,
KASTURBA GANDHI MARG,
NEW DELHI - 110001.**

AUDITORS' REPORT TO THE BOARD OF DIRECTORS OF NESTLÉ INDIA LIMITED

1. We have audited the accompanying Statement of Financial Results ("the Statement") of **NESTLÉ INDIA LIMITED** ("the Company") for the year ended December 31, 2012, being submitted by the Company pursuant to Clause 41 of the Listing Agreements with the Stock Exchanges. This Statement has been prepared on the basis of the related annual financial statements, which are the responsibility of the Company's Management and have been approved by the Board of Directors. Our responsibility is to express an opinion on the Statement, based on our audit of the related annual financial statements, which have been prepared in accordance with the Accounting Standards notified under the Companies (Accounting Standards) Rules, 2006 and other accounting principles generally accepted in India.
2. We conducted our audit of the Statement in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the Statement is free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and the disclosures in the Statement. An audit also includes assessing the accounting principles used and the significant estimates made by the Management, as well as evaluating the overall Statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. Attention is invited to Note 14 of the Statement regarding figures for the quarter ended December 31, 2012 being balancing figures between the audited figures in respect of the full financial year and the published year to date figures up to the third quarter of the current financial year.
4. In our opinion and to the best of our information and according to the explanations given to us, the Statement:
 - (i) is presented in accordance with the requirements of Clause 41 of the Listing Agreements with the Stock Exchanges; and
 - (ii) gives a true and fair view of the net profit and other financial information of the Company for the year ended December 31, 2012 and also gives a true and fair view of the statement of assets and liabilities as at December 31, 2012.



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5. Further, we also report that we have traced from the details furnished by the Management, the number of shares as well as the percentage of shareholding in respect of the aggregate amount of public shareholding, pledged / encumbered shares and non-encumbered shares of promoter and promoter group shareholders, in terms of Clause 35 of the Listing Agreements and the particulars relating to the undisputed investor complaints.



For A. F. FERGUSON & CO.

Chartered Accountants
(Registration No. 112066W)

Jaideep Bhargava

Partner

(Membership No. 90295)

 **NEW DELHI, 20 February, 2013**

NESTLE INDIA LIMITED

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

AUDITED FINANCIAL RESULTS FOR THE QUARTER AND YEAR ENDED 31ST DECEMBER 2012
PART I

(₹ in millions)

THREE MONTHS ENDED			PARTICULARS	Accounting Year ended	
31.12.2012 (Audited as explained in Note 14)	30.09.2012 (Un-audited)	31.12.2011 (Audited as explained in Note 14)		31.12.2012 (Audited)	31.12.2011 (Audited)
20,414.4	20,206.5	18,624.5	1 INCOME FROM OPERATIONS		
1,112.0	949.4	922.3	(i) NET DOMESTIC SALES	78,765.7	70,950.3
21,526.4	21,155.9	19,546.8	(ii) EXPORT SALES	4,256.9	3,957.9
84.8	85.5	81.1	a) NET SALES (NET OF EXCISE DUTY)	83,022.6	74,908.2
21,611.2	21,241.4	19,627.9	b) OTHER OPERATING INCOME	322.7	237.3
			TOTAL INCOME FROM OPERATIONS (NET)	83,345.3	75,145.5
			2 EXPENSES		
9,723.0	9,009.6	9,427.5	a) COST OF MATERIALS CONSUMED	37,568.7	35,286.5
267.8	297.9	330.5	b) PURCHASES OF STOCK-IN-TRADE	1,115.3	1,148.0
(346.4)	404.4	(819.6)	c) CHANGES IN INVENTORIES OF FINISHED GOODS, WORK IN PROGRESS AND STOCK IN TRADE	(920.2)	(482.8)
1,750.0	1,671.4	1,460.7	d) EMPLOYEES BENEFITS	6,633.8	5,464.6
835.3	735.2	446.0	e) DEPRECIATION AND AMORTISATION	2,771.5	1,533.3
5,175.5	5,338.7	5,021.0	f) OTHER EXPENSES	20,367.4	17,964.3
19.9	4.2	103.9	g) IMPAIRMENT LOSS ON FIXED ASSETS	68.5	103.9
130.9	73.8	98.7	h) NET PROVISION FOR CONTINGENCIES – FROM OPERATIONS	339.9	287.2
17,556.0	17,535.2	16,068.7	TOTAL EXPENSES	67,944.9	61,305.0
4,055.2	3,706.2	3,559.2	3 PROFIT FROM OPERATIONS BEFORE OTHER INCOME [4], FINANCE COSTS [6], OTHER CONTINGENCIES [6(a)], AND EXCEPTIONAL ITEMS [8] i.e. [1 -2]	15,400.4	13,840.5
126.4	87.5	99.6	4 OTHER INCOME	310.3	271.6
4,181.6	3,793.7	3,658.8	5 PROFIT FROM ORDINARY ACTIVITIES BEFORE FINANCE COSTS [6], OTHER CONTINGENCIES [6(a)], AND EXCEPTIONAL ITEMS [8] i.e. [3+4]	15,710.7	14,112.1
99.1	(76.2)	33.1	6 FINANCE COSTS (refer note # 8)	266.0	51.1
-	-	169.9	6(a) NET PROVISION FOR CONTINGENCIES – OTHERS	(81.5)	181.8
4,082.5	3,869.9	3,455.8	7 PROFIT FROM ORDINARY ACTIVITIES AFTER FINANCE COSTS BUT BEFORE EXCEPTIONAL ITEMS [8] i.e. [5-6(a)]	15,526.2	13,879.2
-	-	-	8 EXCEPTIONAL ITEMS	-	-
4,082.5	3,869.9	3,455.8	9 PROFIT FROM ORDINARY ACTIVITIES BEFORE TAX [7-8]	15,526.2	13,879.2
1,293.2	1,196.9	1,147.5	10 TAX EXPENSE	4,846.9	4,263.7
2,789.3	2,673.0	2,308.3	11 NET PROFIT FROM ORDINARY ACTIVITIES AFTER TAX [9-10]	10,679.3	9,615.5
-	-	-	12 EXTRAORDINARY ITEM (NET OF TAX)	-	-
2,789.3	2,673.0	2,308.3	13 NET PROFIT FOR THE PERIOD [11-12]	10,679.3	9,615.5
964.2	964.2	964.2	14 PAID UP EQUITY SHARE CAPITAL (FACE VALUE – ₹10 PER SHARE)	964.2	964.2
-	-	-	15 RESERVES EXCLUDING REVALUATION RESERVES AS PER BALANCE SHEET OF PREVIOUS ACCOUNTING YEAR	17,019.9	11,775.4
28.93	27.72	23.94	16 EARNINGS PER SHARE (EPS) [NOT ANNUALISED]	110.76	99.73
			BASIC AND DILUTED EPS (₹) BEFORE / AFTER EXTRAORDINARY ITEM		

PART II

THREE MONTHS ENDED			A PARTICULARS OF SHAREHOLDING	Accounting Year ended	
31.12.2012	30.09.2012	31.12.2011		31.12.2012	31.12.2011
35900637	35900637	35900637	1 PUBLIC SHAREHOLDING		
37.24	37.24	37.24	- NUMBER OF SHARES	35900637	35900637
			- PERCENTAGE OF SHAREHOLDING	37.24	37.24
			2 PROMOTERS & PROMOTER GROUP SHAREHOLDING		
			(a) PLEDGED/ENCUMBERED		
			- NUMBER OF SHARES	-	-
			- PERCENTAGE OF SHARES	-	-
			(AS A % OF THE TOTAL SHAREHOLDING OF PROMOTER AND PROMOTER GROUP AND OF TOTAL SHARE CAPITAL OF COMPANY)		
			(b) NON-ENCUMBERED		
60515079	60515079	60515079	- NUMBER OF SHARES	60515079	60515079
100.00	100.00	100.00	- PERCENTAGE OF SHARES	100.00	100.00
			(AS A % OF THE TOTAL SHAREHOLDING OF PROMOTER AND PROMOTER GROUP)		
62.76	62.76	62.76	- PERCENTAGE OF SHARES	62.76	62.76
			(AS A % OF THE TOTAL SHARE CAPITAL OF THE COMPANY)		

PART II

	PARTICULARS	Three Months Ended 31.12.2012
B	INVESTOR COMPLAINTS	
	PENDING AT THE BEGINNING OF THE QUARTER	0
	RECEIVED DURING THE QUARTER	3
	DISPOSED OFF DURING THE QUARTER	3
	REMAINING UNRESOLVED AT THE END OF THE QUARTER	0

STATEMENT OF ASSETS AND LIABILITIES AS AT DECEMBER 31, 2012**(₹ in millions)**

Particulars		As at 31.12.2012 (Audited)	As at 31.12.2011 (Audited)
A	EQUITY AND LIABILITIES		
1	SHAREHOLDERS' FUNDS		
	(a) SHARE CAPITAL	964.2	964.2
	(b) RESERVES AND SURPLUS	17,019.9	11,775.4
	(c) MONEY RECEIVED AGAINST SHARE WARRANTS	-	-
	Sub-total – SHAREHOLDERS' FUNDS	17,984.1	12,739.6
2	SHARE APPLICATION MONEY PENDING ALLOTMENT	-	-
3	NON-CURRENT LIABILITIES		
	(a) LONG-TERM BORROWINGS (refer note on ECB)	10,499.5	7,249.5
	(b) DEFERRED TAX LIABILITIES (NET)	1,620.8	502.2
	(c) OTHER LONG-TERM LIABILITIES	-	-
	(d) LONG-TERM PROVISIONS	10,250.5	8,851.3
	Sub- total –NON-CURRENT LIABILITIES	22,370.8	16,603.0
4	CURRENT LIABILITIES		
	(a) SHORT-TERM BORROWINGS	2.4	2,459.2
	(b) TRADE PAYABLES	5,394.0	4,808.3
	(c) OTHER CURRENT LIABILITIES	5,580.3	5,287.0
	(d) SHORT-TERM PROVISIONS	307.6	2,120.7
	Sub-total –CURRENT LIABILITIES	11,284.3	14,675.2
	TOTAL – EQUITY AND LIABILITIES	51,639.2	44,017.8
B	ASSETS		
1	NON-CURRENT ASSETS		
	(a) FIXED ASSETS	35,483.5	29,475.3
	(b) NON-CURRENT INVESTMENTS	-	-
	(c) DEFERRED TAX ASSETS (NET)	-	-
	(d) LONG-TERM LOANS AND ADVANCES	1,254.5	1,639.1
	(e) OTHER NON-CURRENT ASSETS	-	-
	Sub-total– NON-CURRENT ASSETS	36,738.0	31,114.4
2	CURRENT ASSETS		
	(a) CURRENT INVESTMENTS	3,648.6	1,343.7
	(b) INVENTORIES	7,455.8	7,340.4
	(c) TRADE RECEIVABLES	875.7	1,154.2
	(d) CASH AND CASH EQUIVALENTS	2,369.6	2,272.1
	(e) SHORT-TERM LOANS AND ADVANCES	541.5	790.0
	(f) OTHER CURRENT ASSETS	10.0	3.0
	Sub-total –CURRENT ASSETS	14,901.2	12,903.4
	TOTAL–ASSETS	51,639.2	44,017.8

Notes:**External Commercial Borrowing (ECB) for Capital Expenditure under approval from Reserve Bank of India**

During the year US Dollar (USD) 56 millions were drawn down from Nestle SA for 5 years under the ECB approval from Reserve Bank of India. The total amount outstanding as at 31.12.2012 was USD 192 Million (₹ 10,499.5 millions). The annualised cost of this ECB over the loan period upto December 2012, including interest and exchange differences, is 16.6% (₹ has depreciated by 13.6% during the loan period).

Other Notes: Comparisons with reference to three months ended 31.12.2011

Net Sales have increased by 10.1%. Domestic Sales have increased by 9.6% mainly on account of net realisations and product mix. Export Sales grew by 20.6% contributed largely by exports to third parties, up 47.2%.



Other Notes: Comparisons are with reference to full year ended 2011

1. "Net Domestic Sales" after portfolio and channel optimization have increased by 11.0 % mainly on account of net realisations and product mix. "Export Sales" grew by 7.6% contributed largely by export to third parties +36.7%, partly offset by a decline in exports to affiliates -11.7%.
2. The increase in "Other Operating Income" is largely due to increase in realisation of export incentives.
3. The cost of materials [2(a)+2(b)+2(c)] as a percentage of Net Sales has decreased largely due to higher sales realisations, product and channel mix partially offset by higher input costs.
4. The increase in employees benefit cost is due to an increase in headcount to support business expansions and Company's remuneration strategy.
5. "Other Income" has increased due to higher average liquidities as well as higher yields.
6. "Depreciation" has increased due to expansion in production capacities made over the past and current year.
7. Net Provision for Contingencies is mainly for matters related to litigation/dispute, in accordance with the Accounting Standard AS 29 on Provisions, Contingent Liabilities and Contingent Assets.

Net Provisions for Contingencies – Others for the quarter and year ended 31.12.2012 is not comparable with the same periods of 2011 due to timing difference of certain provisions arising from change in regulatory procedures.

8. "Finance Costs" is after reducing (a) cost of ECB - ₹ 510.7 millions and (b) cost of buyers credit ₹ 38.6 millions which have been treated as capital expenditure in line with Accounting Standards AS 16 on Borrowing Costs, AS 10 on Accounting for Fixed Assets and AS 11 (Revised) on Effects of changes in Foreign Exchange Rates (as amended by NACAS notifications dated 31.03.2009 and 09.08.2012).

Ministry of Corporate Affairs issued a circular no. 25/2012 dated 09.08.2012 clarifying that all exchange differences on long term foreign currency borrowings for capital expenditure should be capitalised. Accordingly, exchange differences amounting to ₹ 33.3 millions (₹ 22.5 millions - net of tax) expensed in 2011 have been reversed under "Finance Costs" in the current year.

The increase in finance costs is due to higher average outstanding loan during the current year as well as completion of major capital projects resulting in finance costs being charged to the income statement as against being treated as capital expenditure.

9. Statement of Assets and Liabilities: -
 - "Fixed assets" have increased due to production capacity expansions.
 - Variation in Borrowings [items A.3(a) and A.4(a)] are on account of incremental External Commercial Borrowings during the first half of 2012. Buyers Credit loan has been fully repaid during 2012.
 - "Deferred tax liabilities" (net) have increased largely due to the incremental difference between tax and book depreciation.
 - "Long-term provisions" have increased due to provisions for employee retirement benefit and contingencies.
 - "Cash & Cash Equivalents" and "Current Investments" [item B. 2(a) and B. 2(d)] have increased due to better cash flows from operations.
 - Variation in "Other Current Liabilities" [item A. 4(c)] and "Loans and Advances" [items B. 1(d) and B. 2(e)] is largely on account of movement in CAPEX suppliers' balances / advances and Cenvat recoverable balances.
10. As the Company's business activity falls within a single primary business segment, namely Food, the disclosure requirements of Clause 41 of the Listing Agreement in terms of Accounting Standard AS 17 on Segment Reporting are not applicable.
11. The Board of Directors has declared third interim dividend for 2012 of ₹ 12.50 per equity share (Face value ₹ 10/- per equity share). This is in addition to the two interim dividends of ₹ 18.00 each per equity share paid in August and December 2012 respectively. The total dividend per share in 2012 aggregates to ₹ 48.50, the same as in 2011 and 2010 which is line with the financing strategy for capital expenditure.
12. The ₹ denomination of the above financial results has been changed from lakhs to millions.
13. The Revised Schedule VI has been applied for the preparation of financial statements. Accordingly, the previous periods' figures have been regrouped / reclassified to make them comparable with current periods' classification and disclosure.
14. Figures of last quarter are the balancing figures between audited figures in respect of the full year and the un-audited published figures upto the third quarter ended 30th September.

THE ABOVE RESULTS AND THIS RELEASE HAVE BEEN REVIEWED BY AUDIT COMMITTEE OF THE BOARD ON 19TH FEBRUARY AND APPROVED BY THE BOARD OF DIRECTORS AT THEIR MEETING HELD ON 20TH FEBRUARY 2013.

Date: Feb 20, 2013
Place: Gurgaon



By Order of the Board

Antonio Herio Waszyk
Chairman and Managing Director