



# Nestlé

Good Food, Good Life

28<sup>th</sup>

Financial Analysts  
&  
Institutional Investors Meet

21<sup>st</sup> August 2018



Committed to a Healthier Future

# Disclaimers

1. This presentation may contain statements which reflect Management's current views and estimates and could be construed as forward looking statements. The future involves uncertainties and risks that could cause actual results to differ materially from the current views being expressed. Potential uncertainties and risks include factors such as general economic conditions, commodities and currency fluctuations, competitive product and pricing pressures, industrial relations and regulatory developments.
2. Real Internal Growth (RIG) and Organic Growth (OG) are basis Nestlé Internal Reporting Standards.
3. Figures are regrouped / reclassified to make them comparable.
4. Calculations are based on non-rounded figures.
5. 'Analytical data' are best estimates to facilitate understanding of business and NOT meant to reconcile reported figures.
6. Answers may be given to non-price sensitive questions.





# AGENDA

*Committed to a Healthier Future (15:30 hrs):*  
*Suresh Narayanan*

*Financial Highlights & Nestlé Business Excellence (16:20 hrs):*  
*Shobinder Duggal*

*Q&A (17:00 – 17:45 hrs)*



Driven by our purpose and values

Growth plus sustained profits

Focus on penetration + volume to drive growth

Continued efforts towards innovation and renovation

Commitment towards relevant Nutrition Proposition / NHW

Consumer centric initiatives on digital, on ground activation, route to market

People initiatives to internalize change





# Committed to a Healthier Future



Healthier  
Business

Healthier  
Products

Healthier Society

Healthier  
Environment



## Healthier Business and Healthier Products







**Where  
Are We  
Today?**





Largest  
listed  
F&B  
Company  
in India





Third  
Largest  
FMCG by  
Market Cap





**Innovation As a  
strong GROWTH  
foundation**





**Organizational  
Stability**  
Lowest level of  
Talent attrition














Market  
Leadership In  
Nearly 85%  
of the  
Portfolio



# Brand Strength & Market Position

Leadership  
Position In 7 Out  
Of 9 Categories

Category	Brand	YTD (Jan-Jun 2018)	MAT (Jul'17-June'18)	Nestlé India's Position
Instant Noodles		59.1	59.7	1
Ketchups & Sauces		21.6	22.3	2
Instant Pasta		66.4	67.6	1
Infant Formula (excluding Amul Spray)		67.4	68.1	1
Infant Cereals		96.1	96.3	1
Tea Creamer		45.2	45.3	1
Chocolates		14.4	14.2	2
White & Wafers		61.1	61.4	1
Instant Coffee		50.2	49.4	1

Source: AC Nielsen – June 2018



# The Brands India LOVES And TRUST

## PRODUCT BRANDS

2017 2016

1	Colgate	1
2	Lux	7
3	Lifebuoy	3
4	Dettol	6
5	Samsung Mobiles	2
6	Parle Biscuits	46
7	Britannia Biscuits	20
8	Frooti	19
9	Samsung Consumer Durables	23
10	Rin	42
11	Clinic Plus	15
12	Tata Salt	5
13	Maggi	21
14	Amul	25
15	Coca-Cola	24
16	Glucon-D	28
17	Fair & Lovely	4
18	All Out	27
19	Kurkure	29
20	Horlicks	11

## HOT BEVERAGES

2017 2016

1	Horlicks	1
2	Tata Tea	13
3	Bournvita	2
4	Complan	4
5	Taimahal Tea	13
6	Nescafe	7
7	Boost	10
8	Red Label	13
9	Bru (Coffee)	6
10	Brooke Bond	9

## CHOCOLATES & CONFECTIONERY

2017 2016

1	Cadbury Dairy Milk	1
2	Perk	8
3	Kit Kat	3
4	Nestle Milk Chocolate	7
5	Nestle Eclairs	10
6	Nestle Milky Bar	NE
7	Munch	5
8	5 Star	4
9	Alpenliebe	13
10	Polo Mint	20
11	Halls	16
12	Mentos	11
13	Center Fresh	6
14	Candy Man	19
15	Pulse	26

7

NESCAFE

6

21

MAGGI

13

20

POLO

10



# Innovations - Fueling The Growth

25  
sustainable  
innovations

Contribution to  
Domestic Sales

Full Year  
2016 – 1.5%

Full Year  
2017 – 2.6 %

H1 2017 –  
2.8%

H1 2018 –  
3.0%

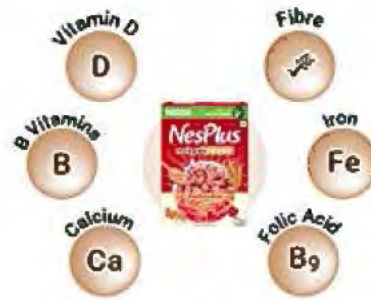




# NESPLUS – Entry Into New Category



Grain Plus



Nutrition Plus



Taste Plus



Choice Plus







# Laying the Foundation for the Future



Adult Oral Nutrition Supplement



Disease Specific Supplements



Pediatric Allergy



Critical Care Nutrition



## Out of Home – Large Opportunity



Over 350 touch points & 30000 vending machines setup pan - India



# Most Recognized FMCG



Humbled by 40+ Awards  
and Recognitions in  
2017 and 2018



“Responsible Business Leader” Award



Best Initiative for Working Mothers and among India's Most Admired Employer



Best Supplier Award



Ceregrow wins Product of The Year Award 2018!



CSR Leadership Award' from ET Now

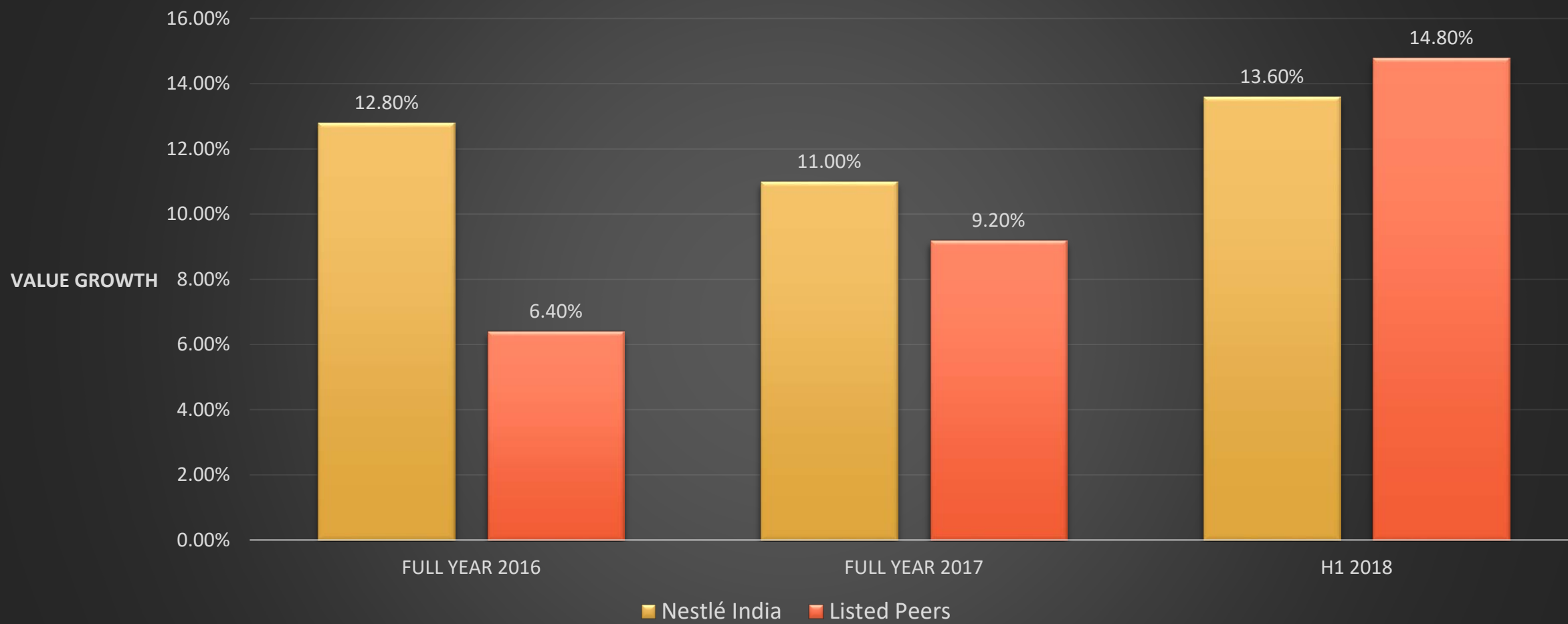


## Double Digit Growth



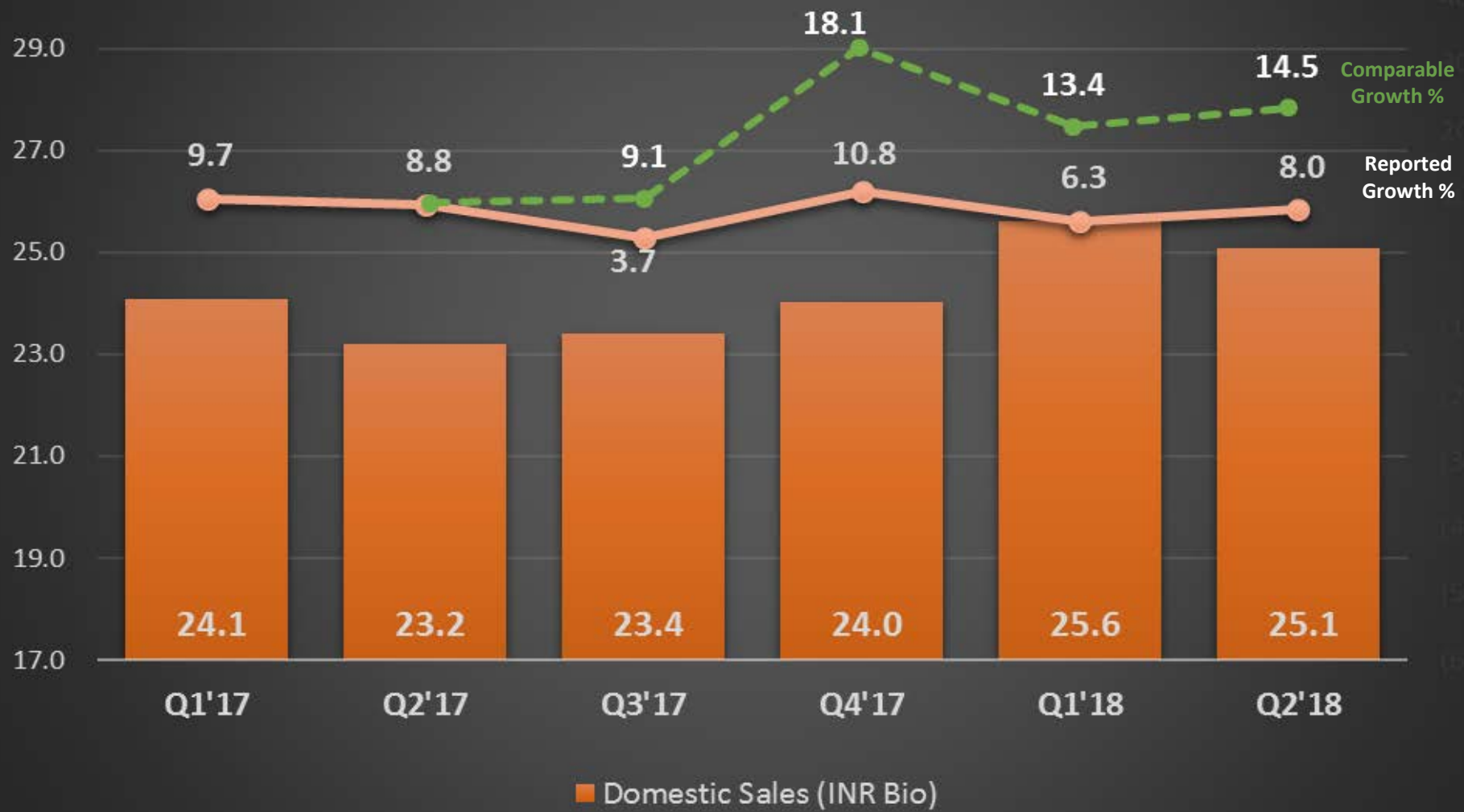


## In Step With Our Listed Peers



Comparable Growth





On The Road To  
Double Digit  
Value Growth

\*Reported growth rates are adversely impacted due to lower reported sales by the change in structure of indirect taxes and reduction in realisations to pass on the GST benefits

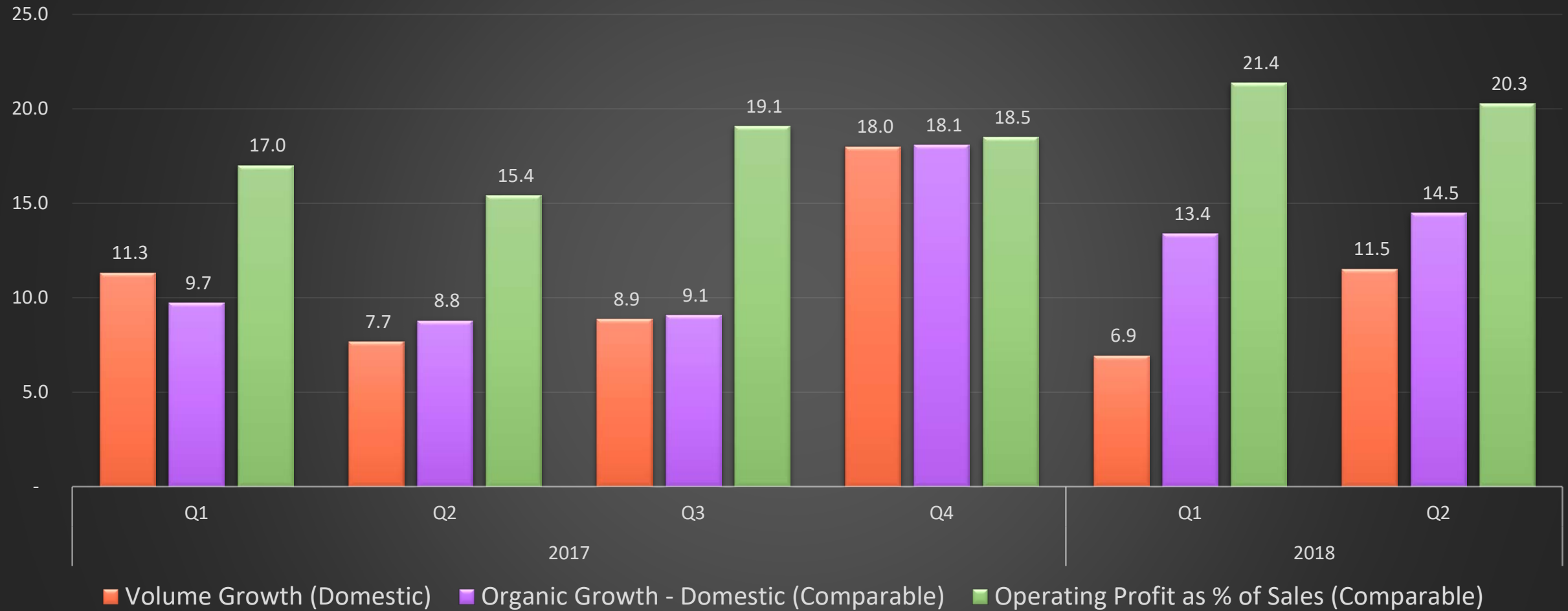


On The Road To  
Broad Based  
Volume Growth





## On The Road To Deliver What We Promise



Comparable numbers are on estimated basis adjusted for change in Indirect Tax Structure (GST)

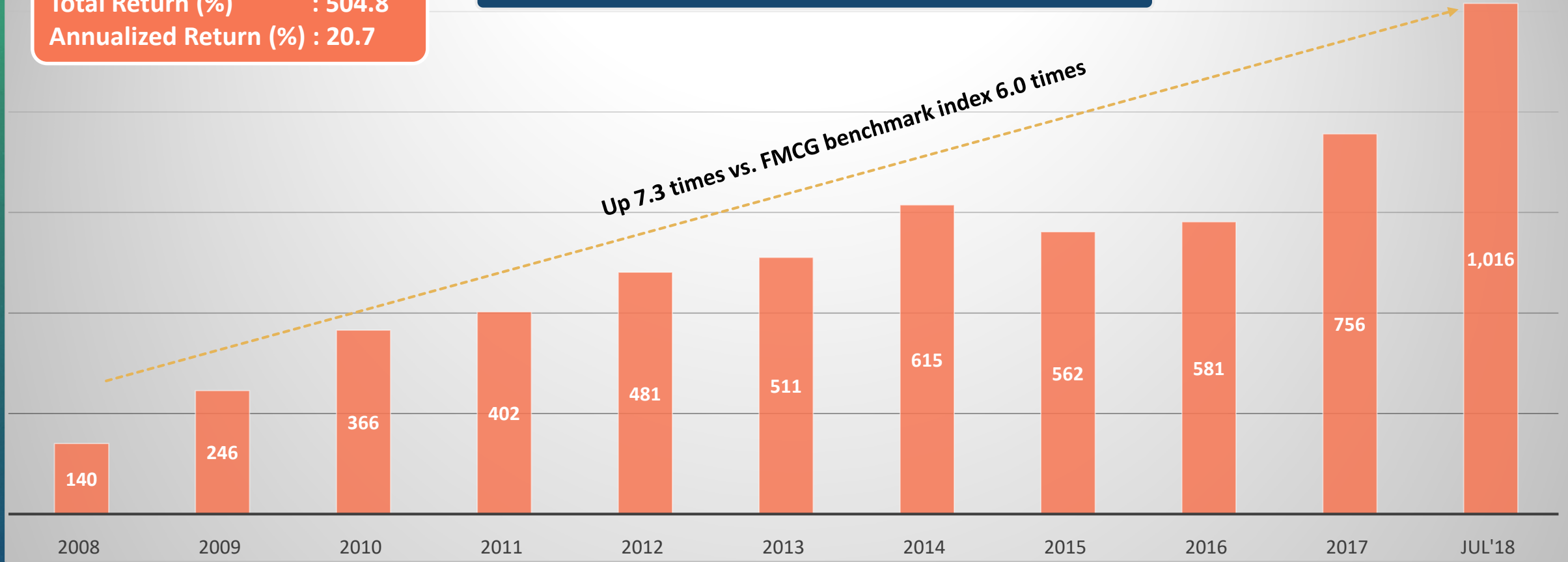


## Total Shareholder's Return

Total Return (%) : 504.8  
Annualized Return (%) : 20.7

Bar size represents Market Capitalisation (INR Billion)

Up 7.3 times vs. FMCG benchmark index 6.0 times



Market Capitalization is calculated on period end closing share price on BSE



# ENCORE

ONCE MORE !





Making  
It Happen

## 8 Essential M's

Mindset of GROWTH

Method & Plan

Meaning & Outcomes

Mastery of Execution



## 8 Essential M's

Might lies in Detailed Clusters

Managing Infrastructure to match GROWTH

Magic of PEOPLE

Music of Performance

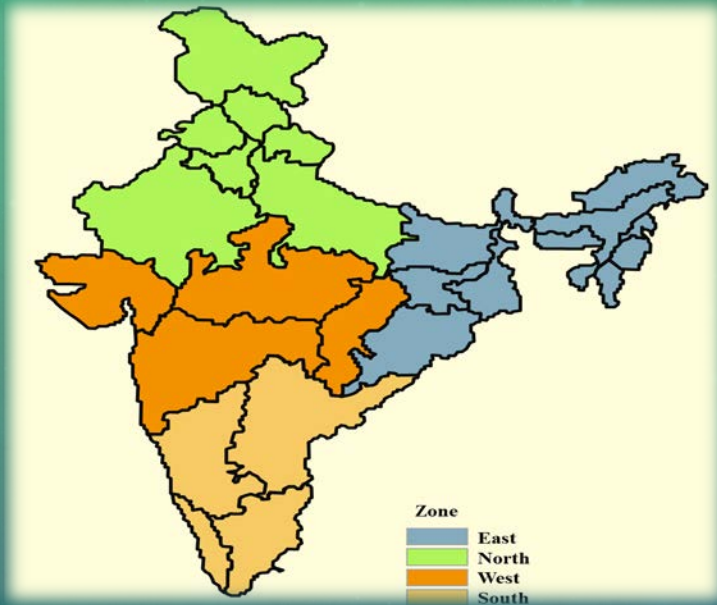


## Consumer Clusters – Our New Approach



# Context

## Current Construct



Branch and State lens

Consumer targeting influenced by past precedence and performance

NPD planning and launches based on legacy and past performance



Regional players and Start-ups are showing keen consumer connect and high agility

*"Many Indias' within India"*

We need to update our view of Consumer India



To grow by reaching out to consumers more efficiently

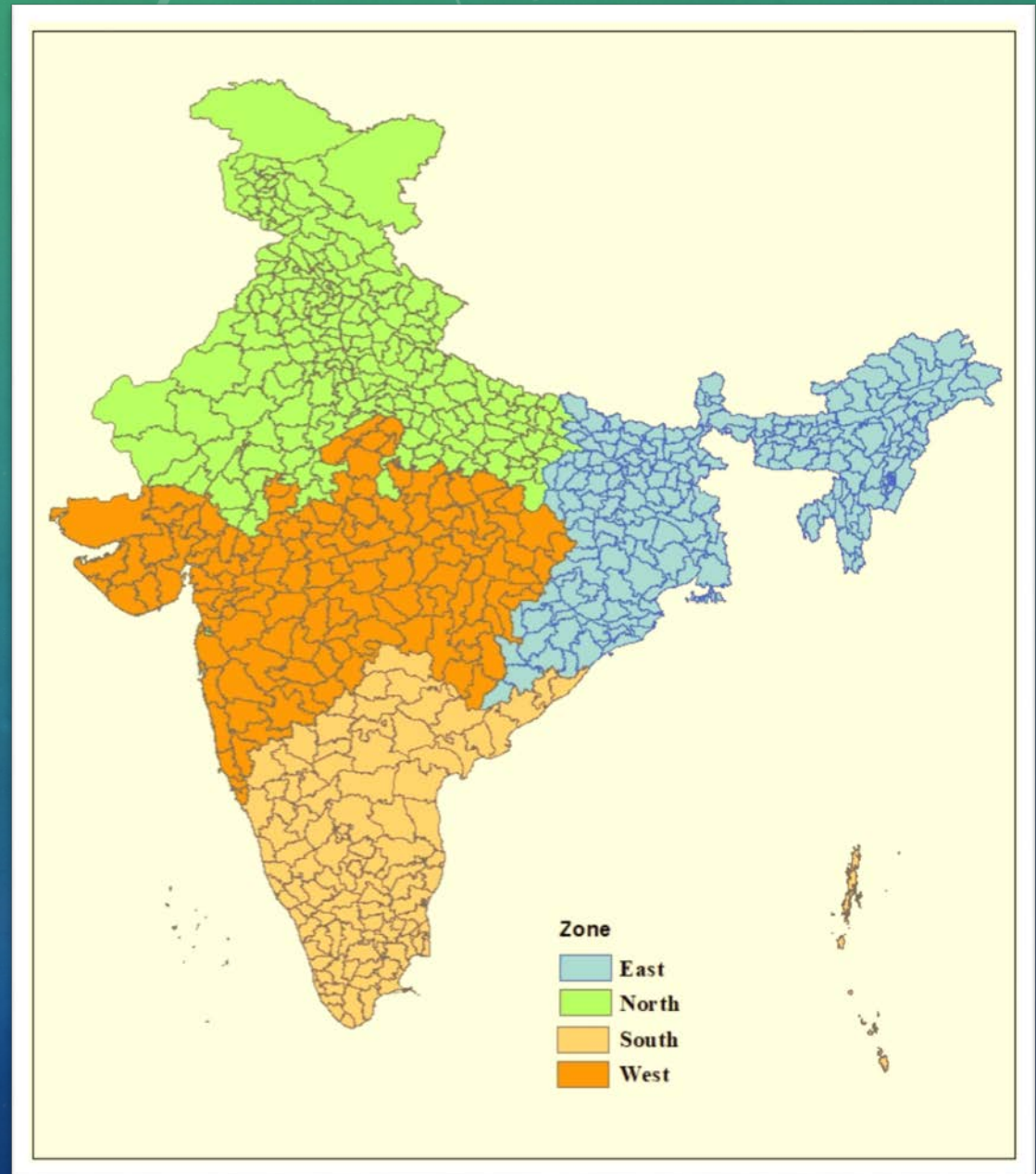
By having a sharper understanding of

- Varying Consumer Potential
- Consumer Differentiation
- What sells Where
- Who buys what and why

# Our India in 15 Clusters

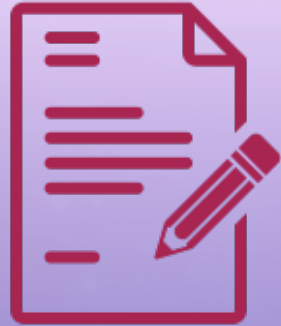
3 clusters per geographic branch

3 metro(s) clusters





Cluster  
Approach  
Will Unleash  
Growth  
Potential



Planning  
Ahead



Problem  
Solving



Performance  
Tracking



Resource  
Optimization



Empowerment at Local  
Levels



Center of  
Scale(CoS)

Global Expertise  
& world-class  
services

Center of  
Competence  
(CoC)

Shareable  
Judgmental or  
competence-  
driven activities

NiM In-Market  
(Local)

Non-Shareable  
Category /  
Business /  
customer focused



# People, Passion, Progress Our Way Of Our Life

Attract

Gender Diversity Overall

Women Employees (Total)

18.5%

Women in Field Force

17%

Women in Managerial Position

14.9%

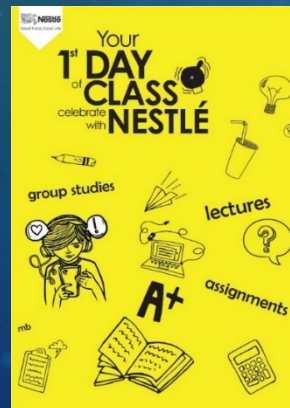
Gender Diversity In Hiring

Management Trainees

71%

Technical Trainees

63%



LinkedIn

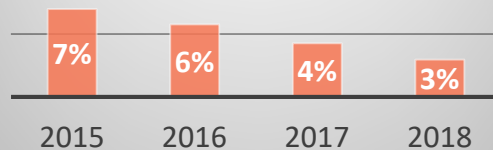


Multiple Touch Points On Campus Enhancing Offline & Online Connect

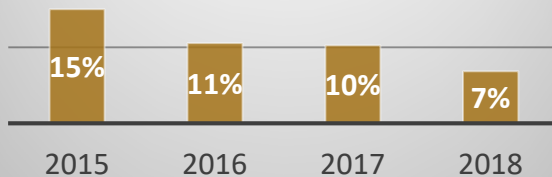
# People, Passion, Progress Our Way Of Our Life

## Retention & Key Initiatives

### % High Performer Attrition



### % Women Managers Attrition



(2018: Jan to July)



A soft skill enhancement program for Technical campuses

- 1<sup>st</sup> of its kind initiative in the industry
- 2 campuses, 85 students

#### करियर को अद्भुत ढंग से बदल सकती है लीडरशिप स्किल

एन.सी.आई.आई. ने किया गया लीडरशिप स्किल डिप्लोमा कोर्स का कार्यक्रम



बाजपुर, 27 जुलाई (संवाद) लीडरशिप स्किल डिप्लोमा कोर्स का कार्यक्रम एन.सी.आई.आई. ने किया। कार्यक्रम में छात्रों को लीडरशिप स्किल डिप्लोमा का डिप्लोमा प्रदान किया गया। कार्यक्रम में छात्रों को लीडरशिप स्किल डिप्लोमा का डिप्लोमा प्रदान किया गया। कार्यक्रम में छात्रों को लीडरशिप स्किल डिप्लोमा का डिप्लोमा प्रदान किया गया।

Sat, 28 July 2018  
dailysamachar@times.india.net

Dainik Jagran

#### College signs MoU with Nestle

The College of Dairy and Food Science Technology (CDFST), of Maharana Pratap University of Agriculture and Technology, (MPUAT) has entered into an MoU with Nestle India for a unique skill enhancing programme 'N-Reach' for its students. CDFST is the first institution to organise a workshop under the program which aims to enhance the soft skills of the students and make them 'industry ready' for future placements.

The Times Of India - Rajasthan



### Employee Wellness Initiative

3000+ employees covered

24\*7 professional counselling support

50+ self assessment tools available



Healthier  
Society and  
Healthier  
Environment





# Enhancing quality of life and contributing to a healthier future

## for individuals & families

Enabling healthier and happier lives



Encouraging over good nutrition and breastfeeding practices through community action



Over 3 million beneficiaries

Over 200,000 students



Helping adolescents live healthier

Nearly 1400 employees



Engaging employees in social initiatives

## for our communities

Helping develop thriving, resilient communities



Creating access to water and sanitation



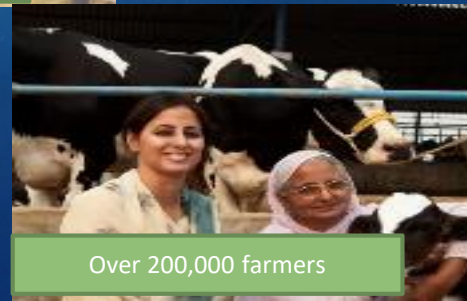
Over 290,000 students



Nearly 11000 vendors



Enhancing rural livelihoods



Over 200,000 farmers

## for the planet

Stewarding resources for future generations



Reducing water use in agriculture



Creating awareness about water conservation



Over 100000 students



Over 240 trees saved

**Nestlé Cares**  
Recycle your waste paper

Recycling waste paper at our offices



# Good Food, Good Life – Means Eat Right

Reduced sodium by 10%  
in relevant product  
categories in recent years



Reduced 850 tonnes of  
sugar in relevant product  
categories in recent years



Further by 2020, we  
will reduce in our  
relevant product  
categories

- An average 6% reduction in added sugar
- An average 10% reduction in salt
- An average of about 2.5% reduction in total fat



TheEatRightMovement

Reduce the intake of **fat,**  
**sugar & salt** in your daily diet.  
Start from today...

#AajSeThodaKam  
#EatRightMovement

Visit: [fssai.gov.in/eatrightmovement](http://fssai.gov.in/eatrightmovement)





# Plastic Waste Management

## WASTE MANAGEMENT RULES

Plastic Waste Management Rules 2016

Published in the Gazette of India, Part-II, Section-3, Sub-section (i)  
Ministry of Environment, Forest and Climate Change  
New Delhi, the 18th March, 2016



Recyclable MLP (mono-  
material)



Around 26,000 tonnes of plastic waste is generated every day in India, 6% of which is multilayered plastic waste.



# Why Is Plastic Important For The Food Industry?



Increased Food safety, Quality and Shelf life. Better Product Hygiene



Reduced Food Waste



Innovative Packaging Options for Consumers. Consumer Convenience

The properties of plastics that enable

**1**

Inert, inherent barrier against oxygen and moisture

**2**

Light weight and shatter proof

**3**

Highly versatile



## Why Is Plastic an Environment Issue?





# What is Nestlé India going to do



## Reduce the use of Plastics

- Reduced around 1500 MTs of plastic material used in product packaging

## Support the development of waste management systems

- Working with Authorities, State Pollution Boards, NGOs, other industry members to develop waste management models
- EPR implementation already in place for 12 states

## Change complex combinations of packaging materials

- Work in progress to develop and transit to more environment friendly packaging
- Commercial pilots done for new MAGGI and MUNCH packaging

## Collective Action

- Special plan of action for hill states and tourist destinations
- Building consumer awareness on plastic waste disposal

Speed, Sharpness, Sustainability

Innovations at the Core → Improvise but Act !

Growth dimension → Thrive not Survive

Manage for “Market Share” → Our growth > Category Growth

Clusters, Micro targeting, Resourcing for Action

Key efficiency enhancement through Nestlé Business Excellence

Active engagement with environment and issues

People, passion, progress our way of our life





# Agenda

1	Nestlé Business Excellence (NBE)
2	Market Dynamics
3	Recap - Impact of GST on financial results
4	Financial Performance: January-June 2018

# NBE - One Organization



Business  
Excellence



Global  
Business  
Services



**CONTINUOUS**  
DELIGHT CONSUMERS  
DELIVER COMPETITIVE ADVANTAGE  
EXCEL IN COMPLIANCE  
**EXCELLENCE**



**GLOBE**  
ONE STEP AHEAD

**Leveraging Skills and Capabilities of Globe & NCE**





# Business Excellence

## FUEL FOR GROWTH

SIMPLIFY · STANDARDIZE · SHARE

Optimize  
Global End-to-End  
Flows

Provide  
World Class  
Business Services

Support  
Demand Focused  
Organizations



**ENABLE THROUGH PEOPLE**

Alignment, Leadership and Lean ways of working



**ENABLE THROUGH TECHNOLOGY**

Processes, Data and Systems

# Optimizing End-to-End Flows



## ORDER TO CASH

From Customer Order to Invoice Payment

E2E Owner is *Supply Chain*, contributors are *Marketing & Sales, Finance*



## SOURCE TO PAY

From Sourcing Materials and Services to paying vendors

E2E Owner is *Supply Chain (Procurement)*, contributors are *Supply Chain, Finance*



## HIRE TO RETIRE

From attracting talent to enabling employees on their Nestlé journey

E2E Owner is *Human Resources*, contributor is *Finance*



## RECORD TO REPORT

From recording transactions to financial and performance reporting

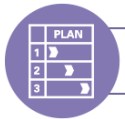
E2E Owner is *Finance*, contributors are *all End-to-Ends*



## IDEA TO LAUNCH

From innovative product ideas to consumer launch

E2E Owner is *Marketing & Sales*, contributors are *R&D, Supply Chain, Finance and Control, Technical & Production*



## PLAN TO EXECUTE

From strategic and product planning to supplying our products

E2E Owner is *Supply Chain*, contributors are *Technical & Production, Marketing & Sales, Finance*

Processes

Data

Organization

Technology

Shared  
Services





# Provide World Class Business Services

## Center of Competence (CoC)

**Shareable Judgmental or Competence-driven activities**  
*e.g. Costing, Treasury, Pricing, Order Fulfillment, Customer Exception & Solution Management, Talent & Reward Management, Procurement*

## Center of Scale\* (CoS)

**Shareable Transactional activities**  
*e.g. AP, AR, Order Management, Billing, Payroll, HR Administration, Contract & Purchase Order Management*

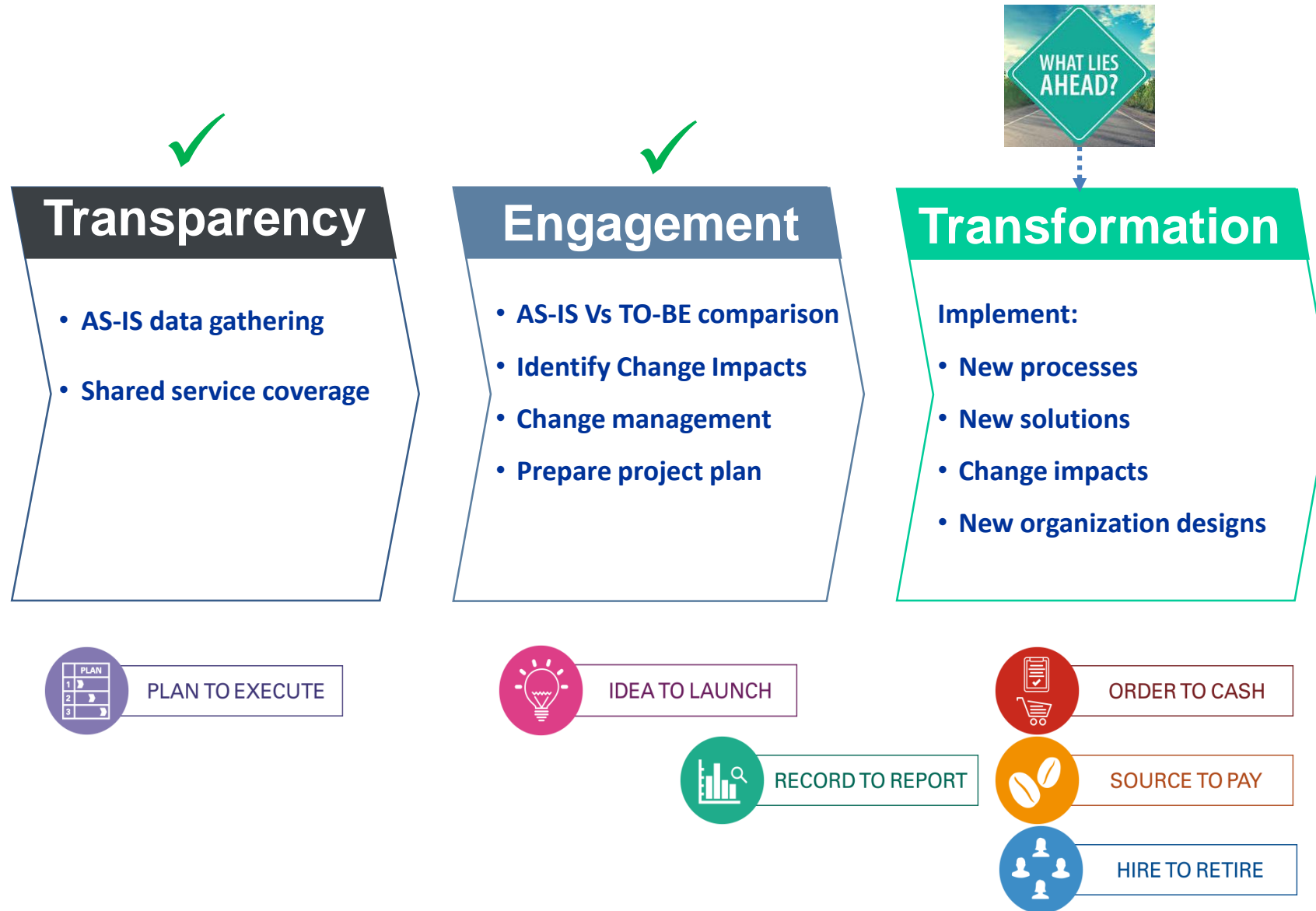
## Leveraging Skills and Scale to drive Agility



\*11 Centers of Scale spread across geographies

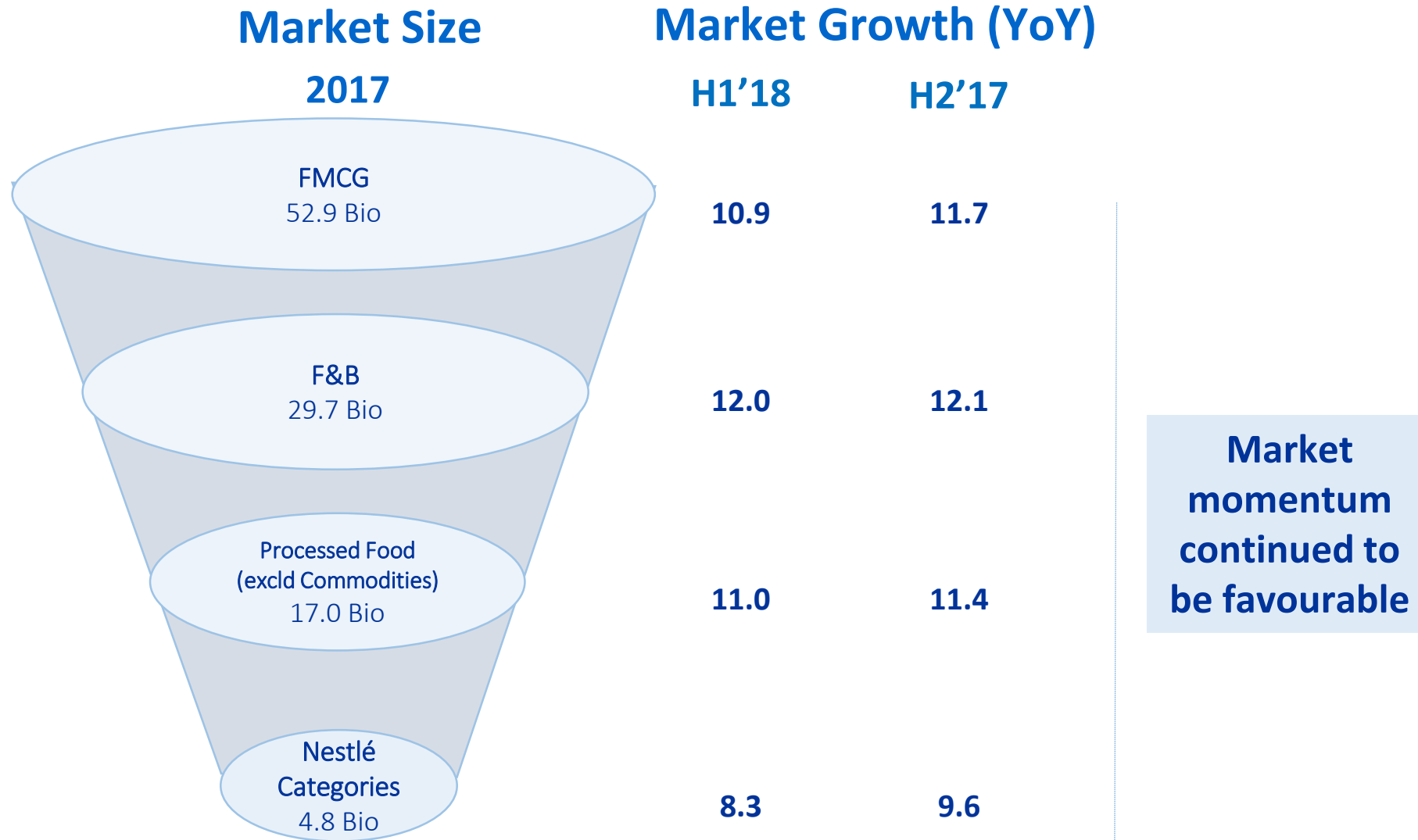


# Phases of the NBE Program





# Market Dynamics



Market Size in USD Bio for 2017 (INR 65.08)

Note: Infant Formula and Infant Cereal segments included in FMCG, F&B, Processed Foods and Nestlé categories

**Source: AC Nielsen**

# Market Dynamics and Product Portfolio

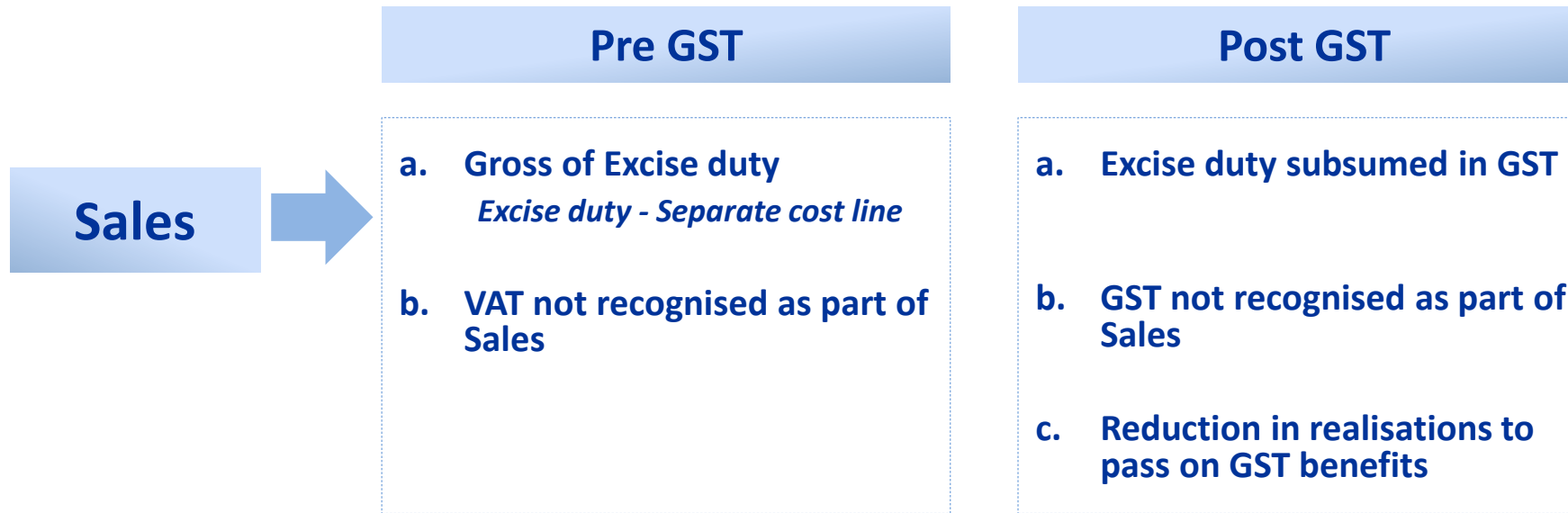


Leadership position in ~85% of the product portfolio

Products scoring higher on NHW grow faster and are more profitable



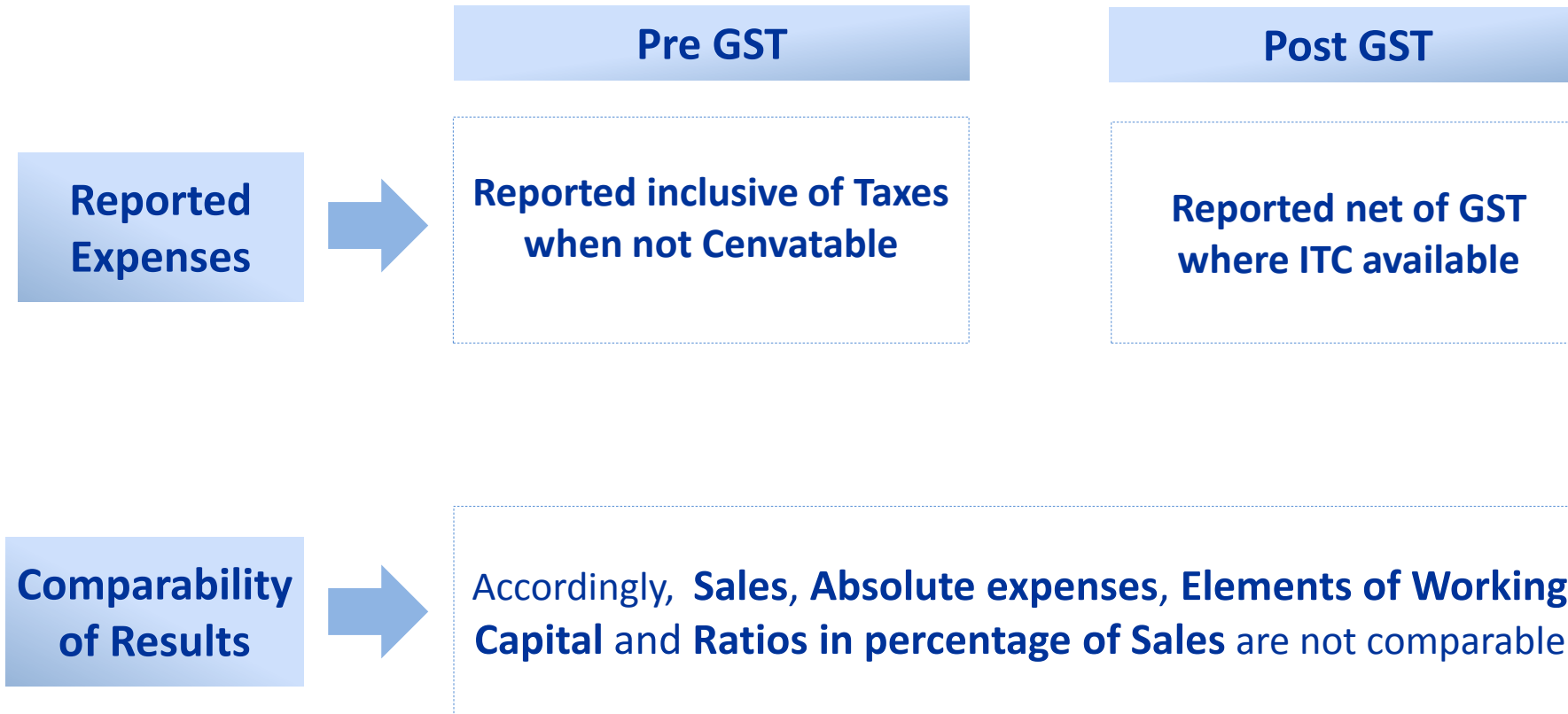
# Recap - Impact of GST on Financial results (H1'18)



Impact due to change in Indirect Tax Structure and reduction in realisations (drop in selling price/ increase in grammage) to pass on GST benefits

✓ <b>Reported Domestic Sales</b>	~ 5.8%	↓
✓ <b>Domestic Sales Growth</b>	~ 6.7%	↓
✓ <b>Operating Profit as % of sales</b>	~120 bps	↑
✓ <b>Net Profit as % of sales</b>	~ 80 bps	↑

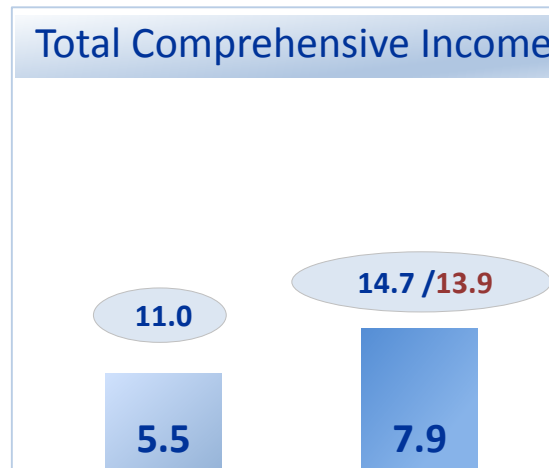
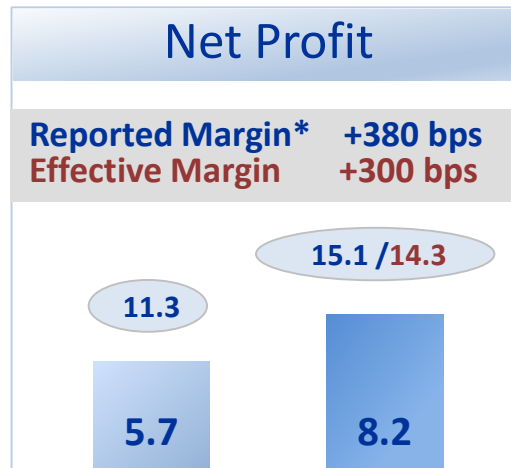
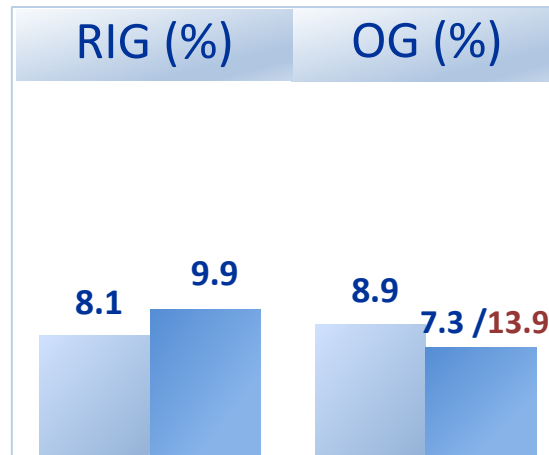
# Recap - Impact of GST on Financial results (H1'18)





# Highlights : January - June

Amount in INR billion unless otherwise stated



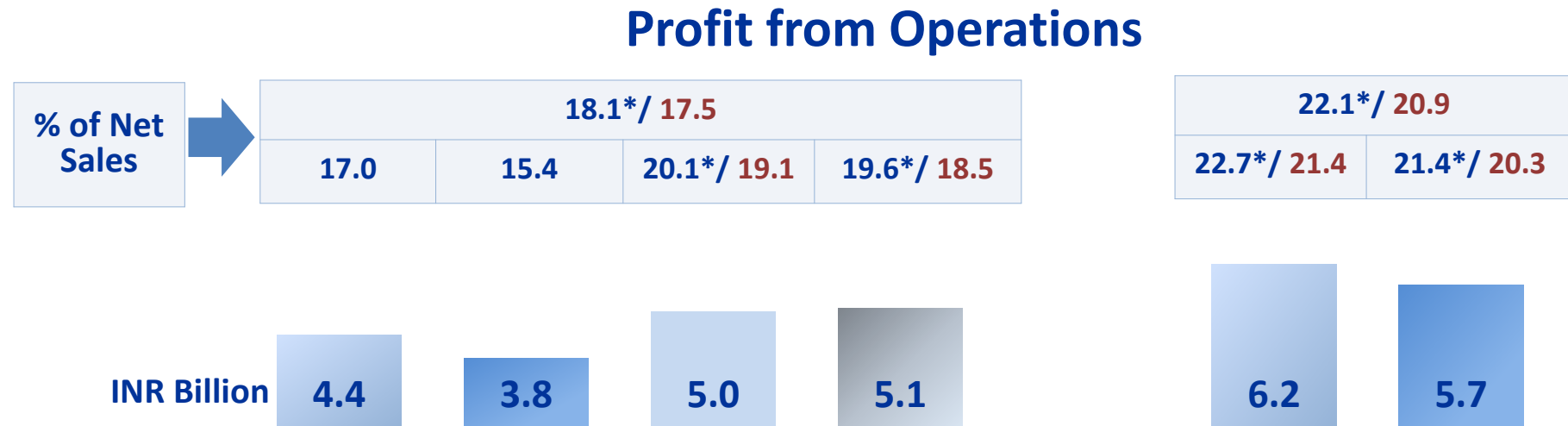
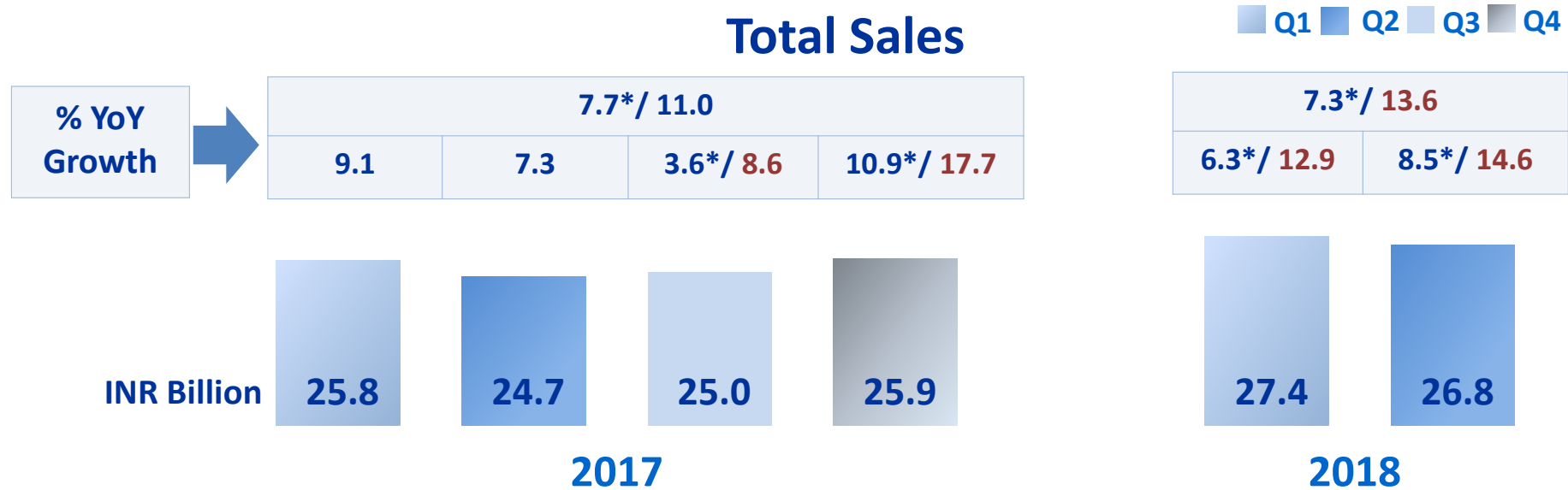
■ H1'17 ■ H1'18 ○ % of Sales

(a) \*Reported Growth rates are adversely impacted and Reported Profit margins are positively impacted due to lower reported sales by the change in structure of indirect taxes and reduction in realisations to pass on the GST benefits

(b) RIG & OG % are based on Nestlé's Internal Reporting Standards in relation to third party sales

(c) Figures in maroon colour represents comparable numbers

# Evolution of Quarterly results

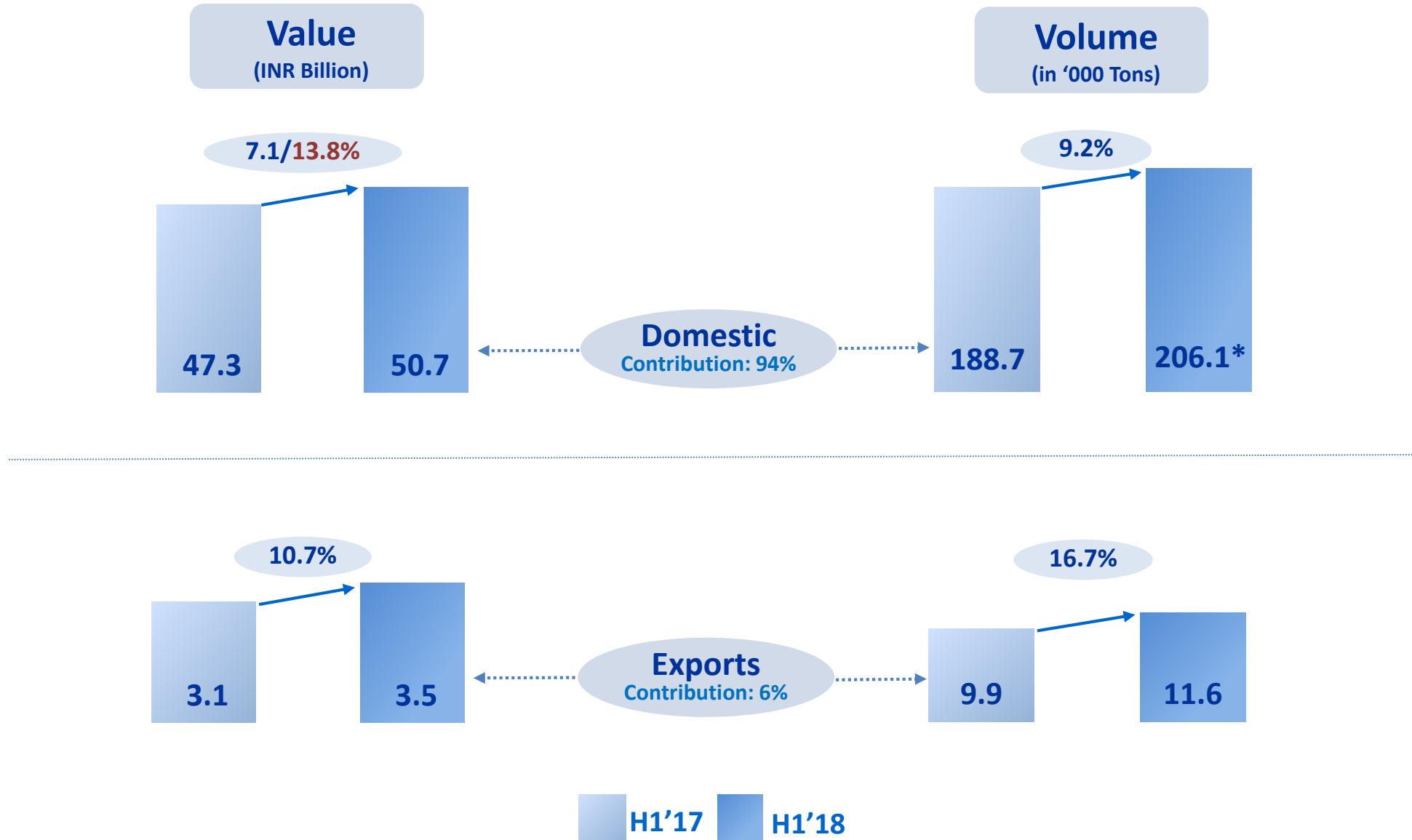


(a) \*Reported Growth rates are adversely impacted and Reported Profit margins are positively impacted due to lower reported sales by the change in structure of indirect taxes and reduction in realisations to pass on the GST benefits

(b) Figures in maroon colour represents comparable numbers



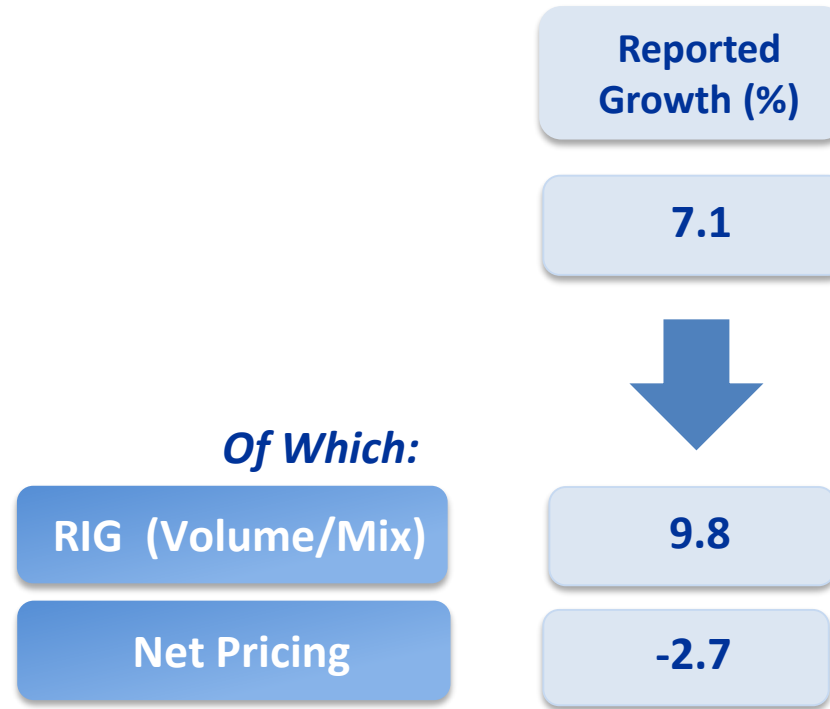
# Sales Performance



(a) Figures in maroon colour represents comparable growth on estimated basis

(b) \*Includes extra grammage to comply with anti-profiteering rules

# Domestic Sales - Growth



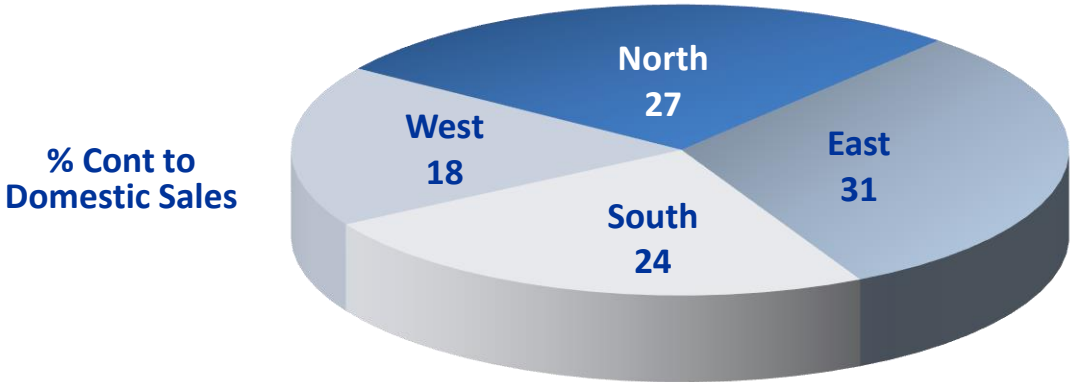
**Broad Based Growth supported by increase in volumes offset by negative pricing due to GST**

(a) Reported growth rates are adversely impacted due to lower reported sales by the change in structure of indirect taxes and reduction in realisations to pass on the GST benefits

(b) Real Internal Growth (RIG)% is based on Nestlé Internal Reporting Standards

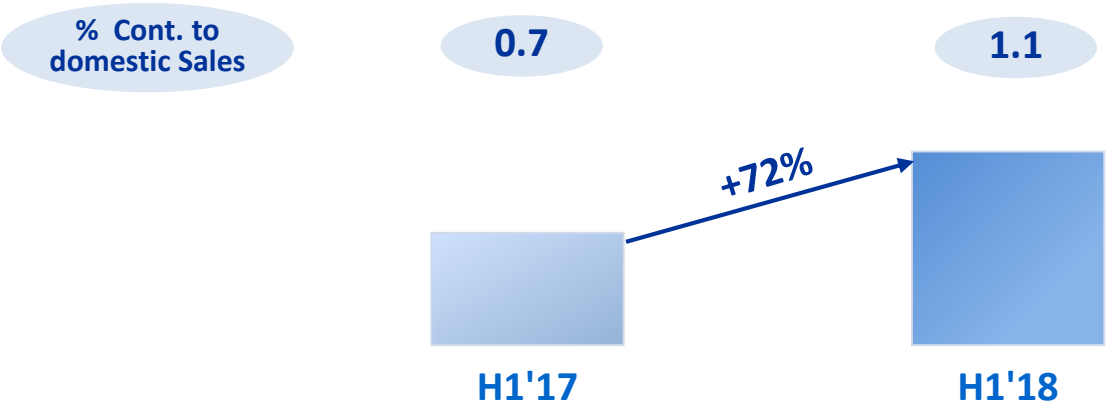


# Region-wise Sales



	H1'18 Growth%	
	Reported	Comparable
North	7.9	14.6
East	9.4	16.2
South	3.9	10.4
West	6.9	13.6
Total	7.1	13.8

## E-Commerce



Bar size represents Sales Value

Comparable Growth is on estimated basis

# Categorywise Contribution

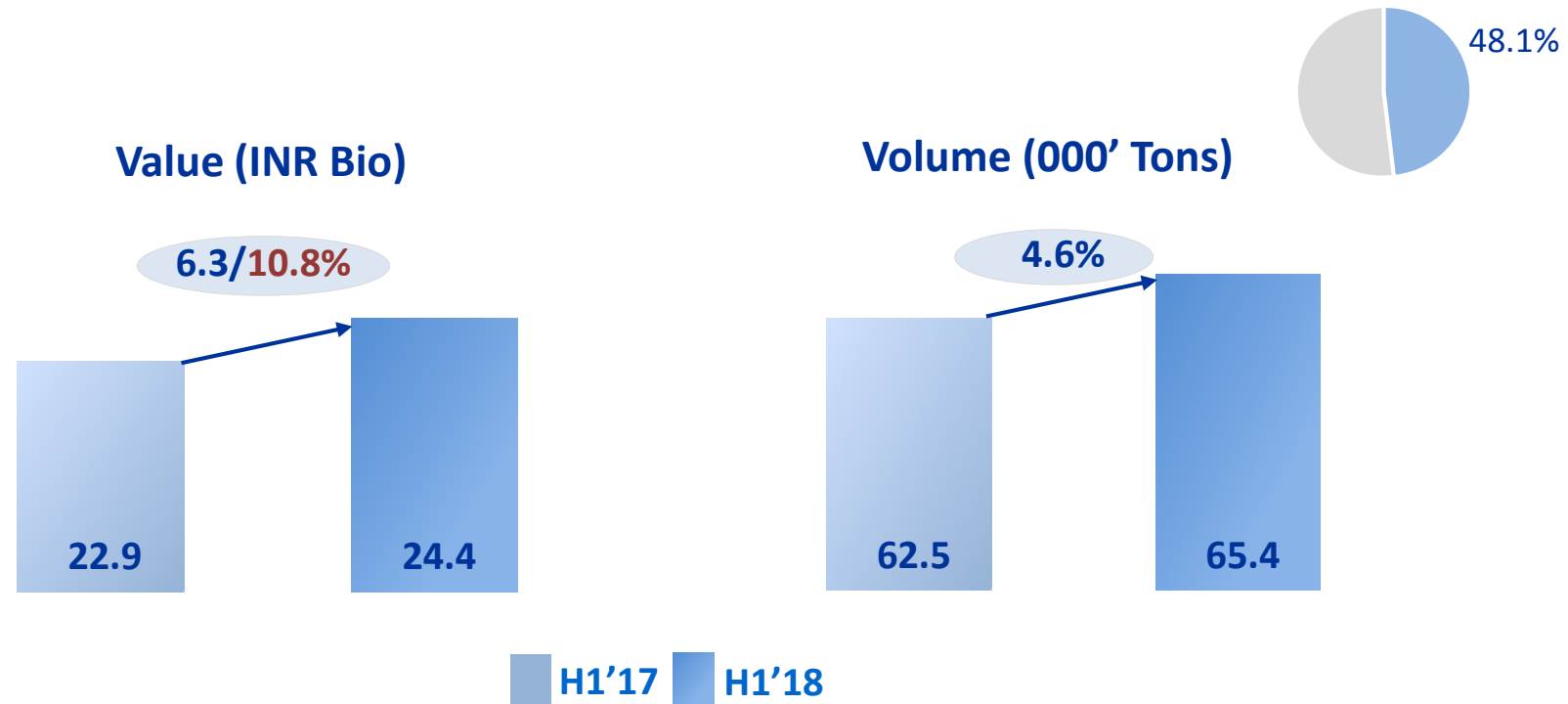
Product Groups	Products	Contribution (%)	H1'18 Growth%	
			Reported	Comparable
Milk Products & Nutrition		48.1	6.3	10.8
Prepared Dishes & Cooking Aids		28.0	8.9	15.0
Confectionery		12.7	4.6	15.3
Powdered & Liquid Beverages		11.2	9.2	23.6
Domestic Growth			7.1	13.8

**Domestic Sales: INR 50.7 Billion**

Comparable Growth is on estimated basis



# Milk Products & Nutrition - Domestic



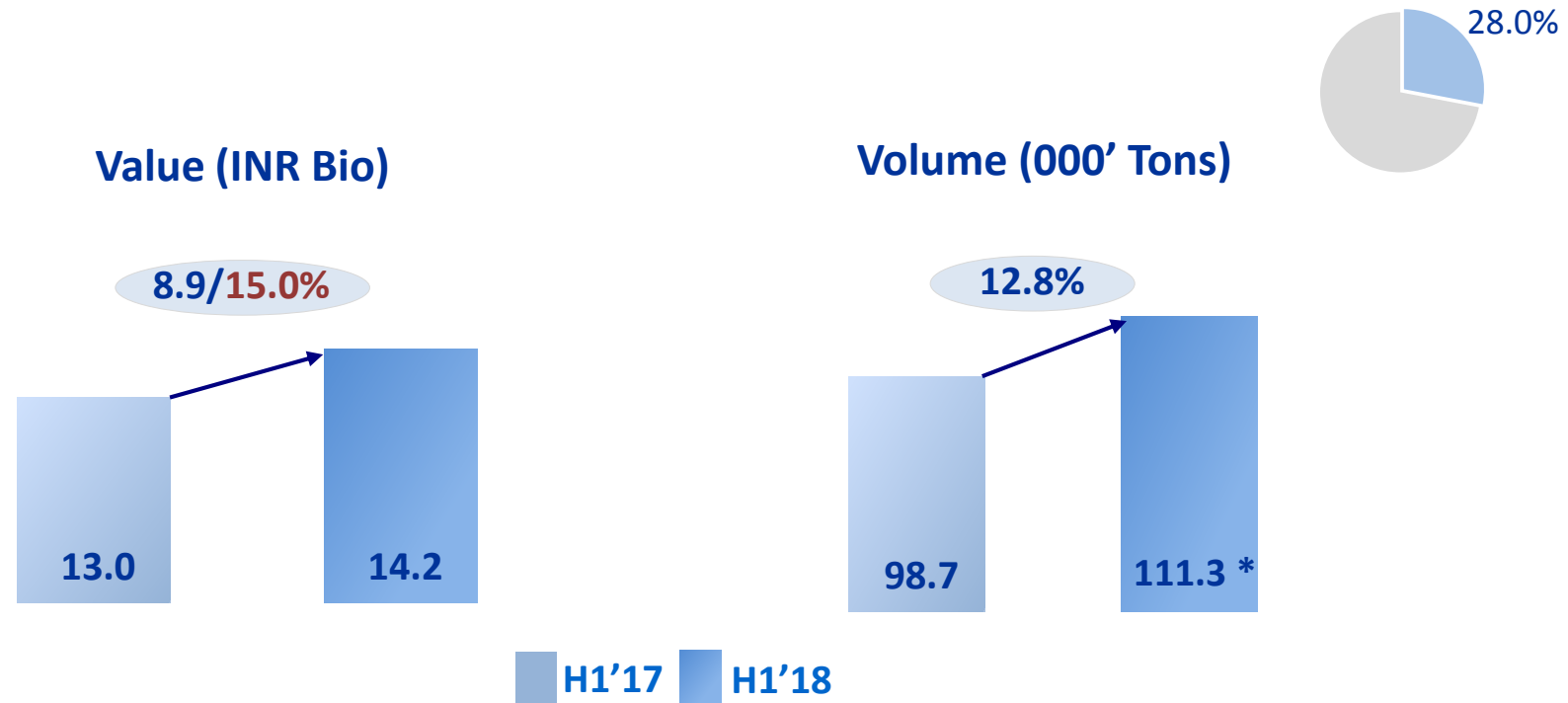
Broad based Growth in Key Brands

Good response to new launches like CERELOW, NAN Excella Pro



Figures in maroon colour represents comparable growth on estimated basis

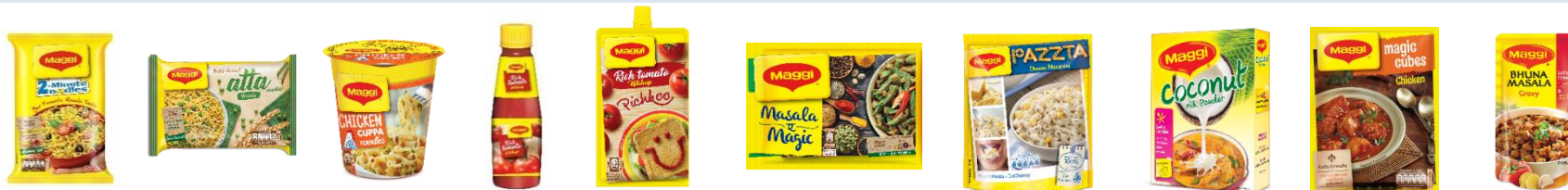
# Prepared Dishes & Cooking Aids - Domestic



Continued to rebuild MAGGI Noodles



Strong growth in Masala-e-Magic

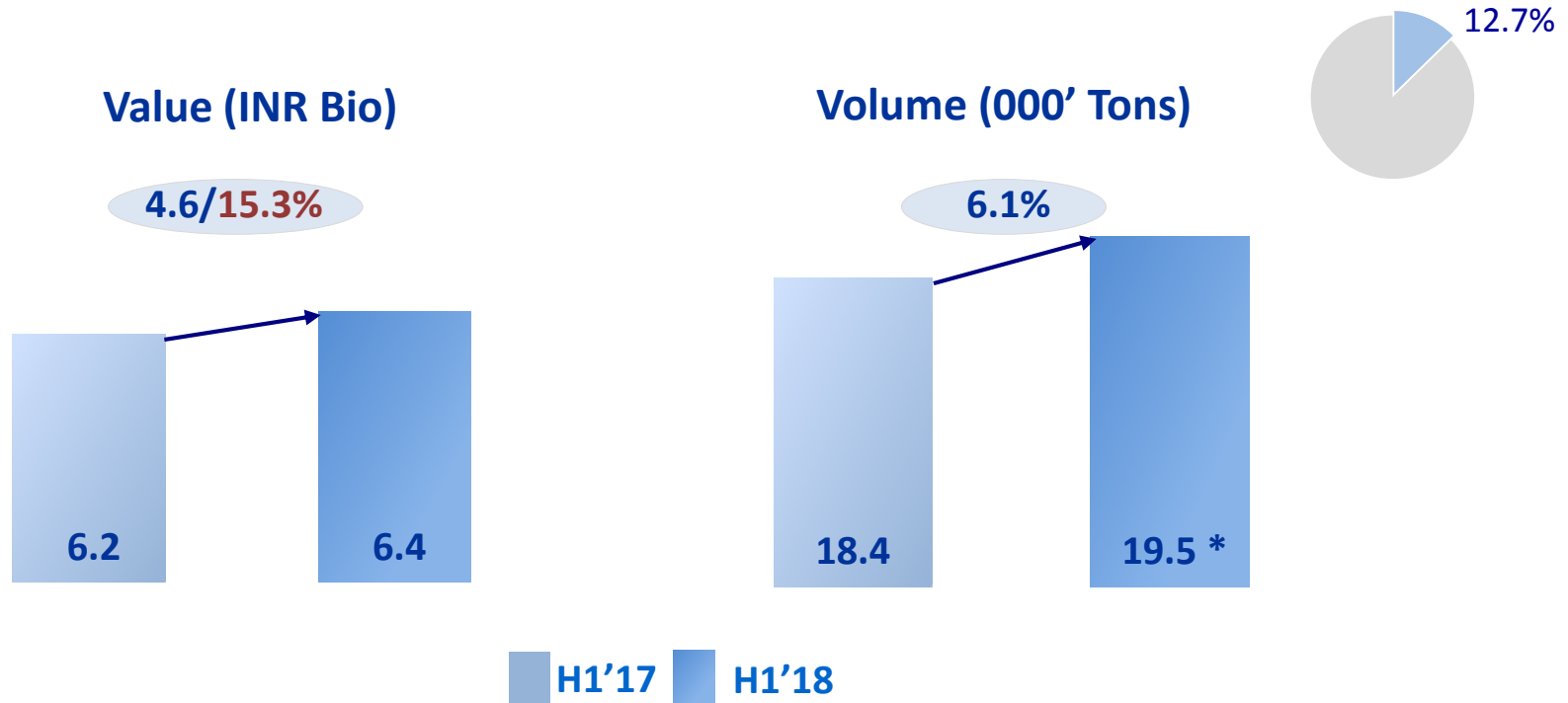


(a) Figures in maroon colour represents comparable growth on estimated basis

(b) \*Includes extra grammage to comply with anti-profiteering rules



# Confectionery - Domestic



Strong Growth in KitKat. Good response to New launches

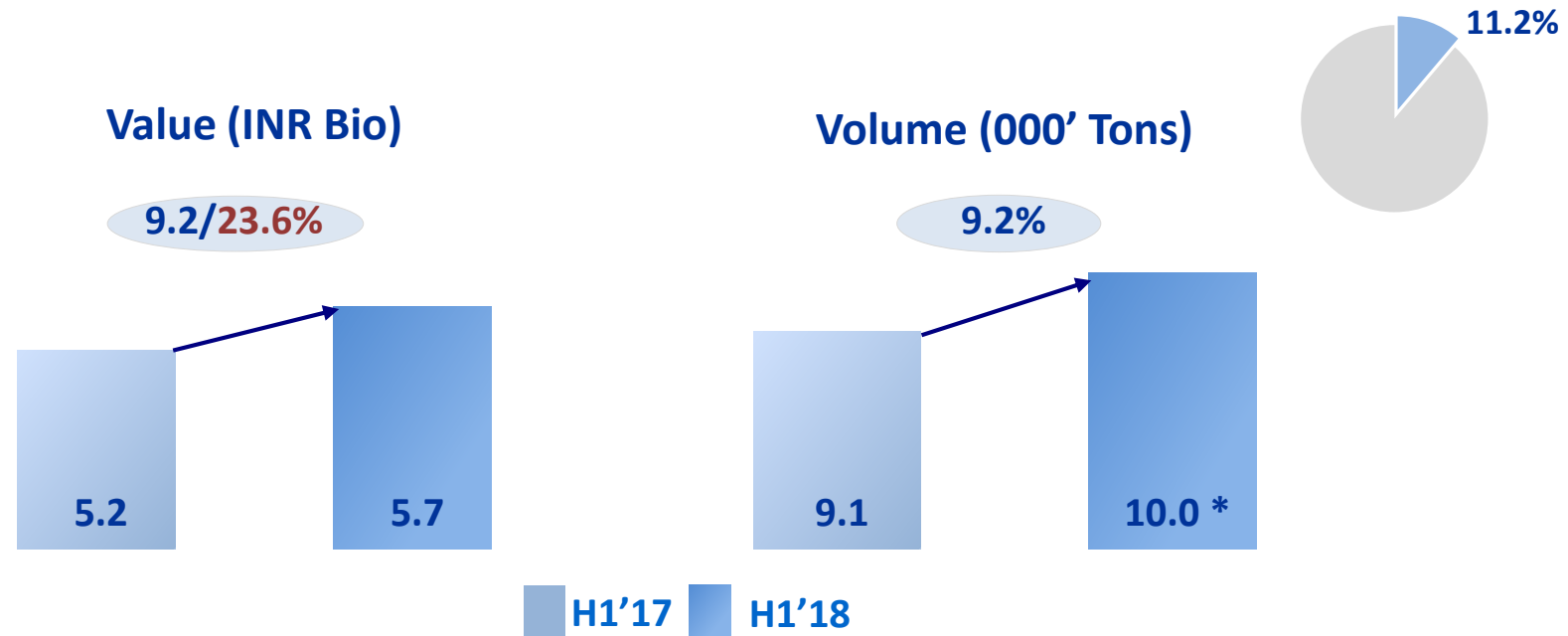
Focus on Value Up and Mainstream



(a) Figures in maroon colour represents comparable growth on estimated basis

(b) \*Includes extra grammage to comply with anti-profiteering rules

# Powdered & Liquid Beverages - Domestic



Strong Growth in NESCAFE Classic & NESCAFE Sunrise

Volume Growth positively influenced by liquid beverages

Regained No. 1 Market Position\* in Instant Coffee

\*Source: AC Nielsen

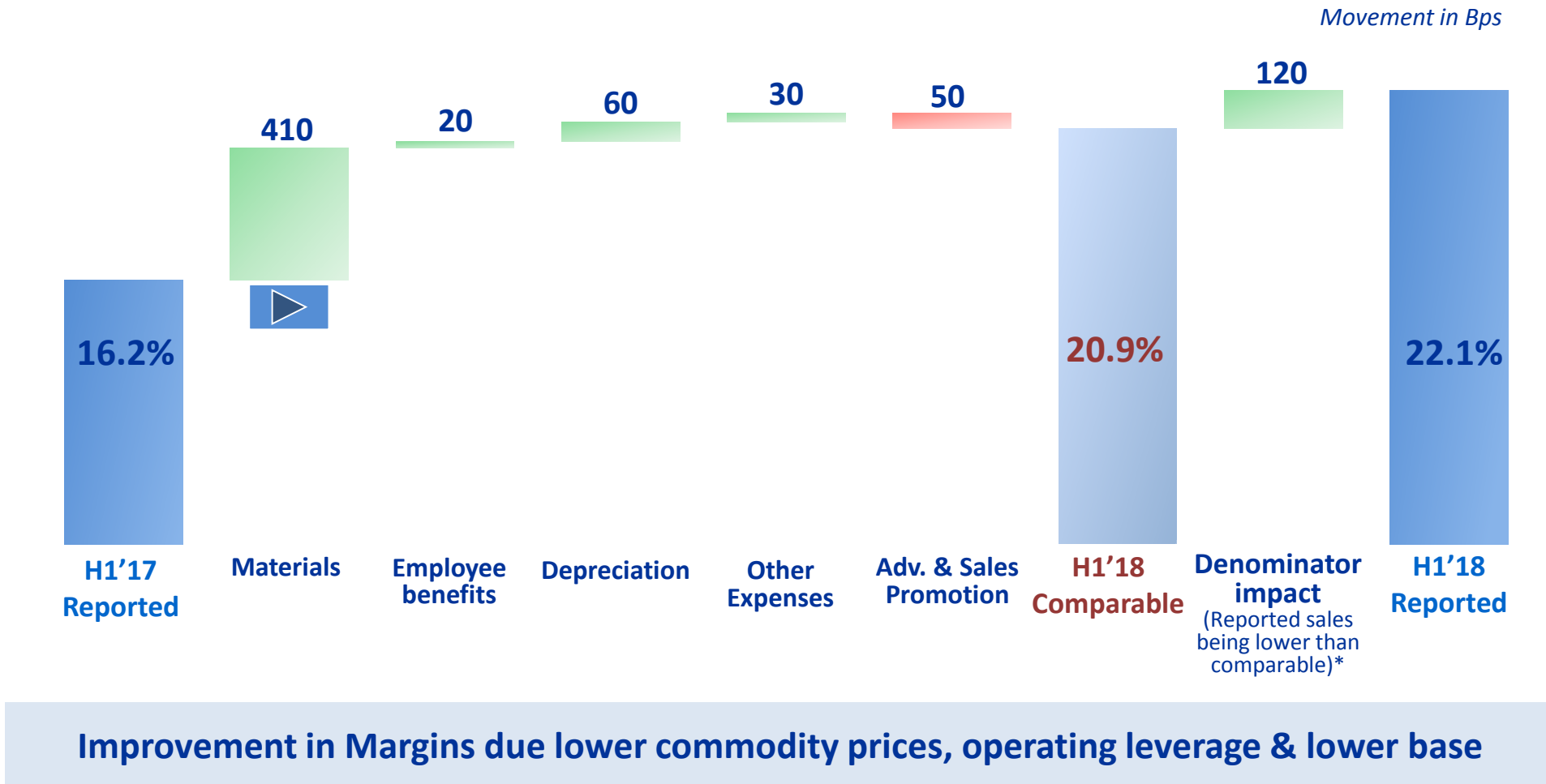


(a) Figures in maroon colour represents comparable growth on estimated basis

(b) \*Includes extra grammage to comply with anti-profiteering rules



# Movement of Profit from Operations

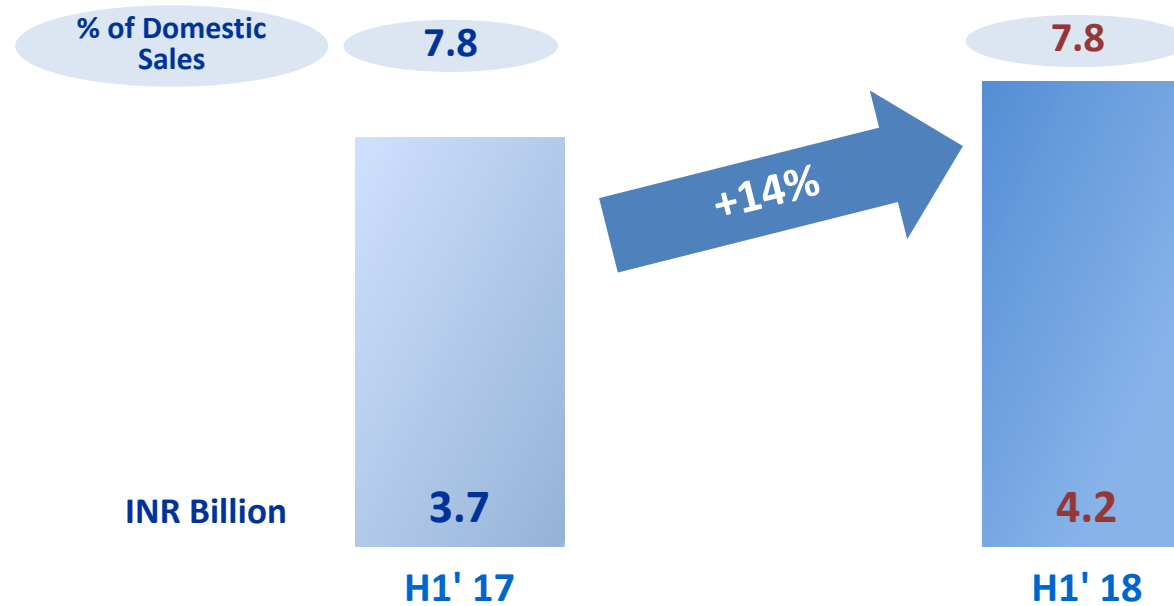


(a) Percentages are with reference to sales

(b) \*Reported Profit margins are positively impacted due to lower reported sales by the change in structure of indirect taxes and reduction in realisations to pass on the GST benefits

(c) Reported numbers have been adjusted to make them Comparable

# Marketing Spend<sup>\*</sup>



**Direct Marketing spends grew faster**

**Maintained Investment behind Innovations**

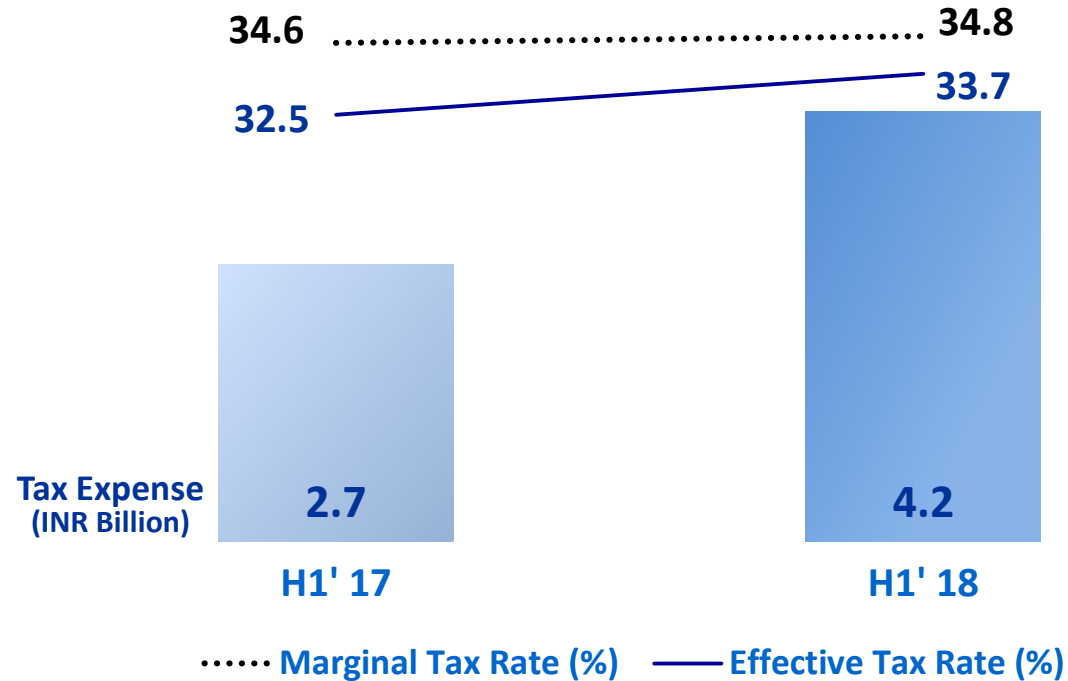
**Digital Media spends growing at CAGR of over 40% for past 3 years**

(a)\*Marketing Spend<sup>\*</sup> include: Advertisement & Sales Promotion, Marketing & Selling incentives to trade, free goods to consumers etc.

(b) Reported numbers have been adjusted to make them Comparable



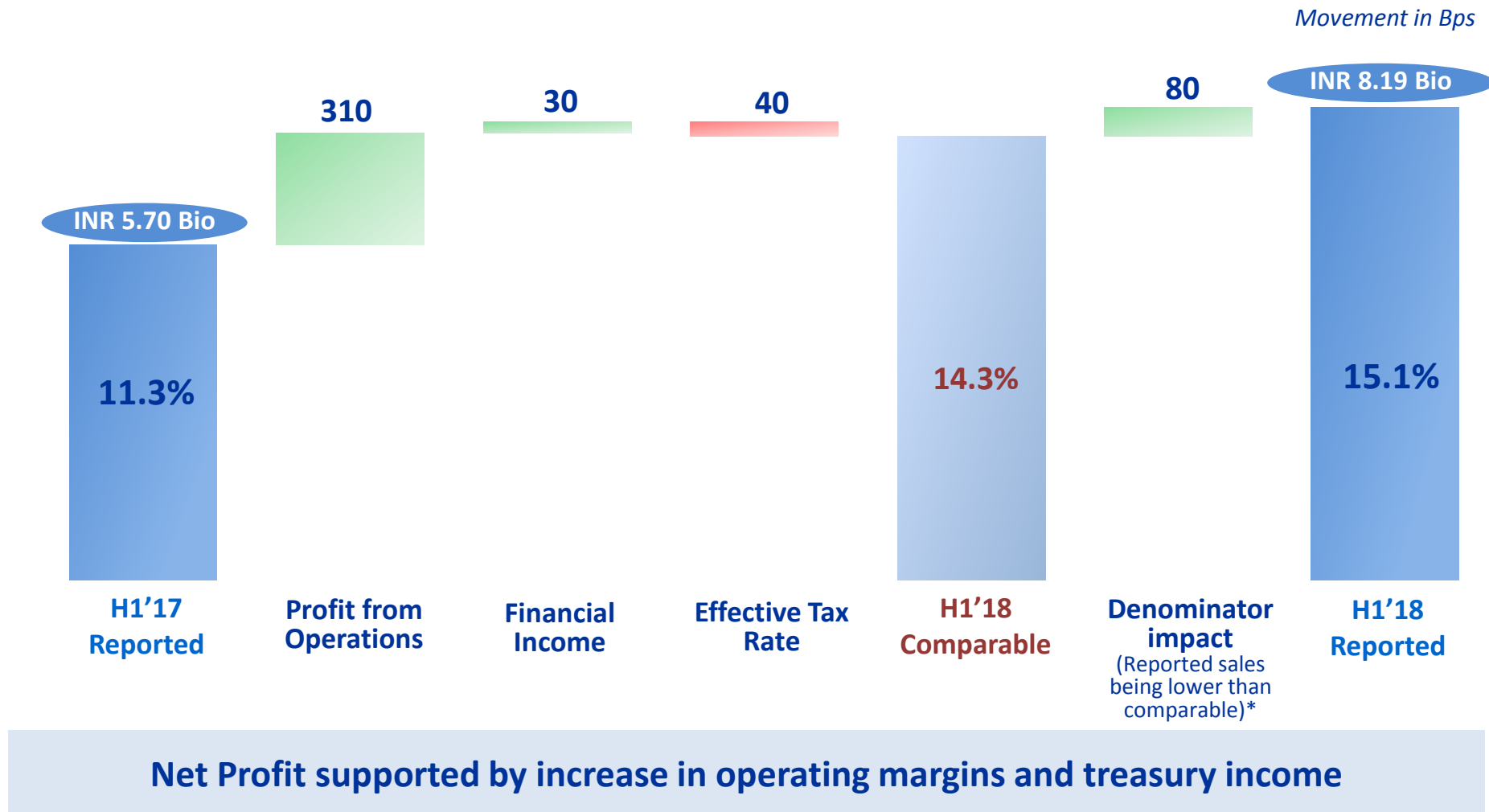
# Tax Expense and Effective Tax Rate



## Effective Tax rate Impacted by

- ❖ End of first 5 years of tax holiday @ 100% of profits of “Samalkha factory Unit II” on 31st March 2017. For the next 5 years, tax holiday is applicable @ 30% of profits.
- ❖ “Health and Education Cess” increased from 3% to 4% w.e.f Financial Year 2018-19.

# Net Profit after Tax

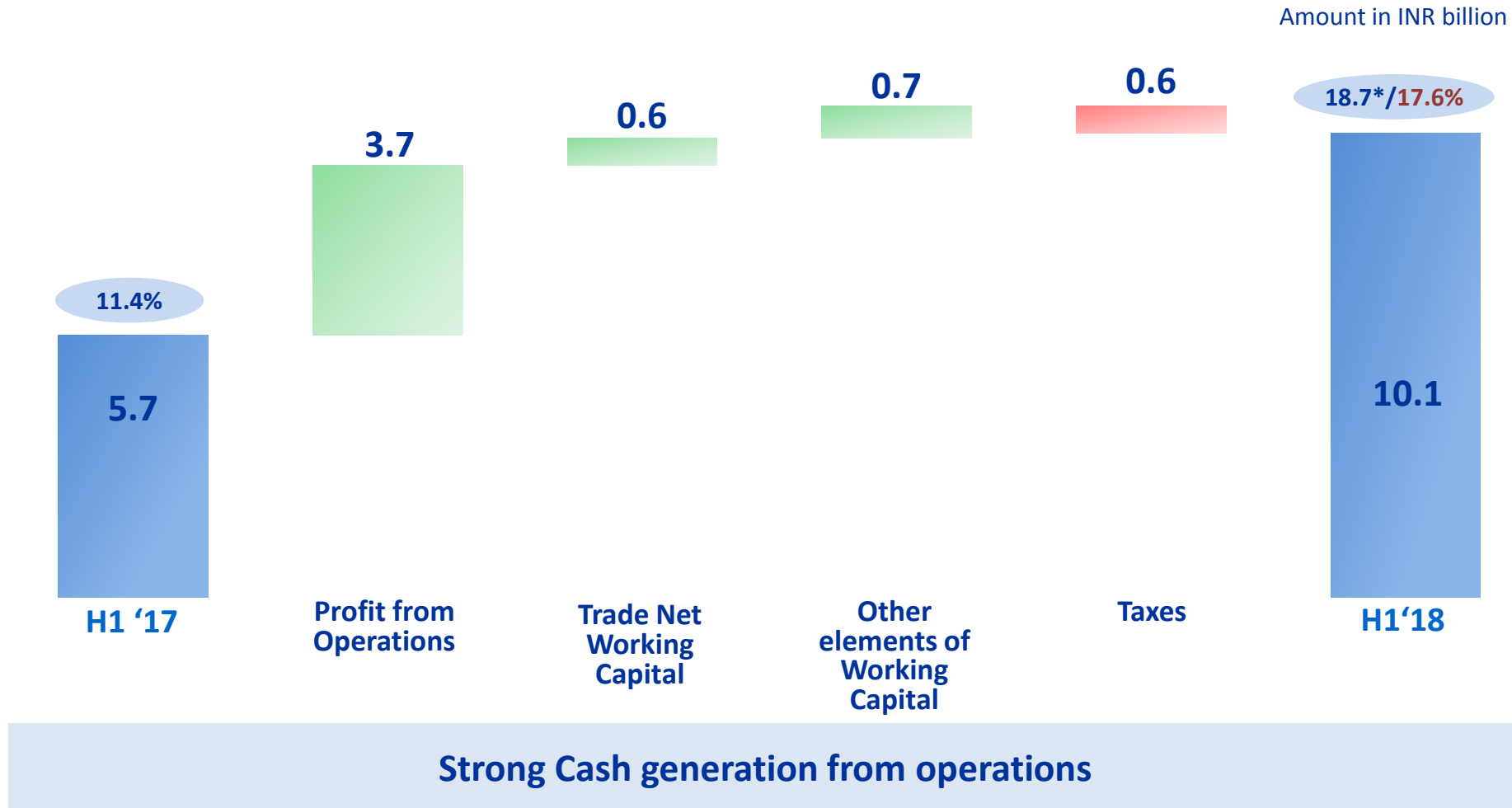


(a) % and bps movements are net of effective tax & in reference to sales

(b) \*Reported Profit margins are positively impacted due to lower reported sales by the change in structure of indirect taxes and reduction in realisations to pass on the GST benefits



# Cash generation from Operating activities

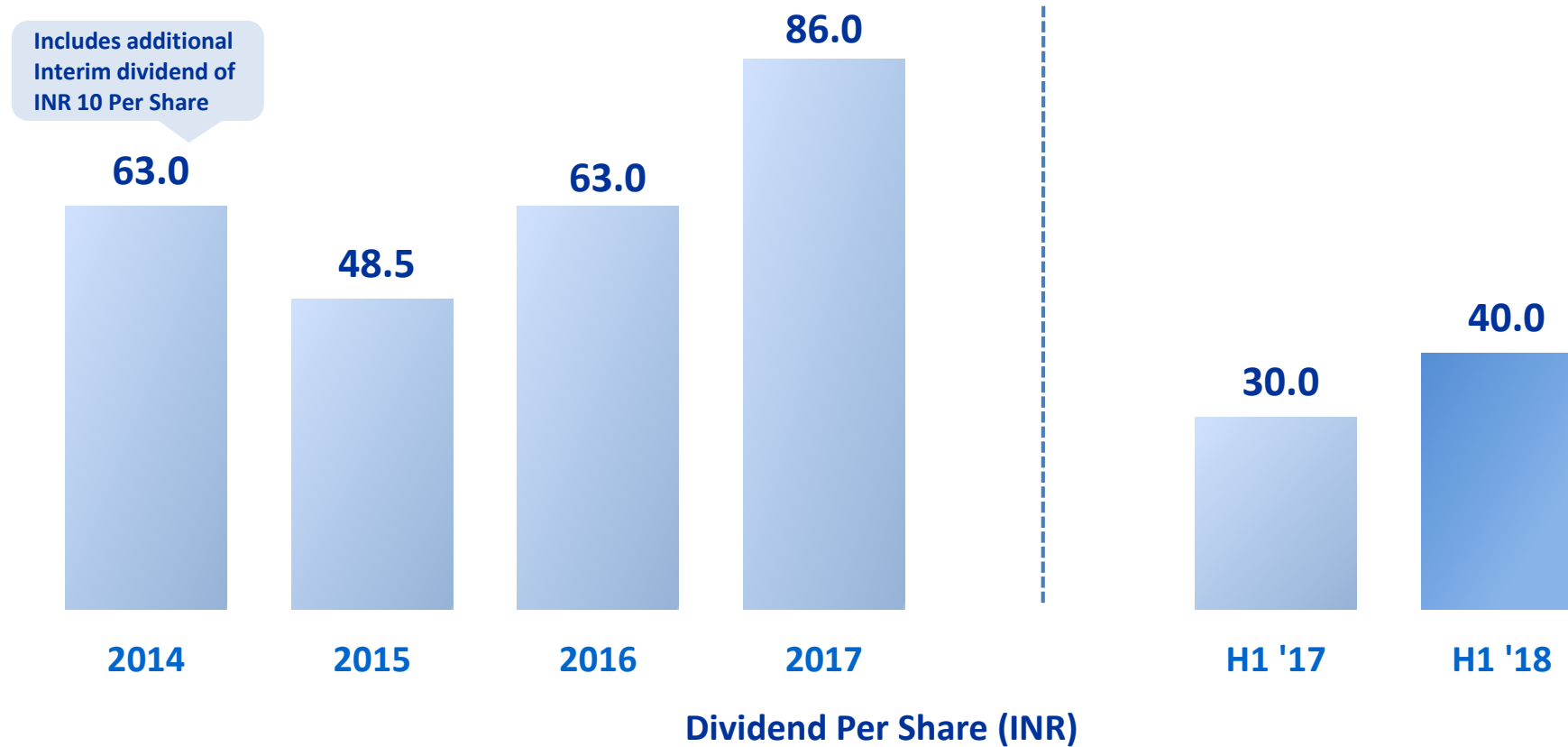


(a) Percentages are with reference to sales

(b) \*Positively Impacted due to lower reported sales by the change in structure of indirect taxes and reduction in realisations to pass on the GST benefits

(c) Figures in maroon colour represents comparable numbers

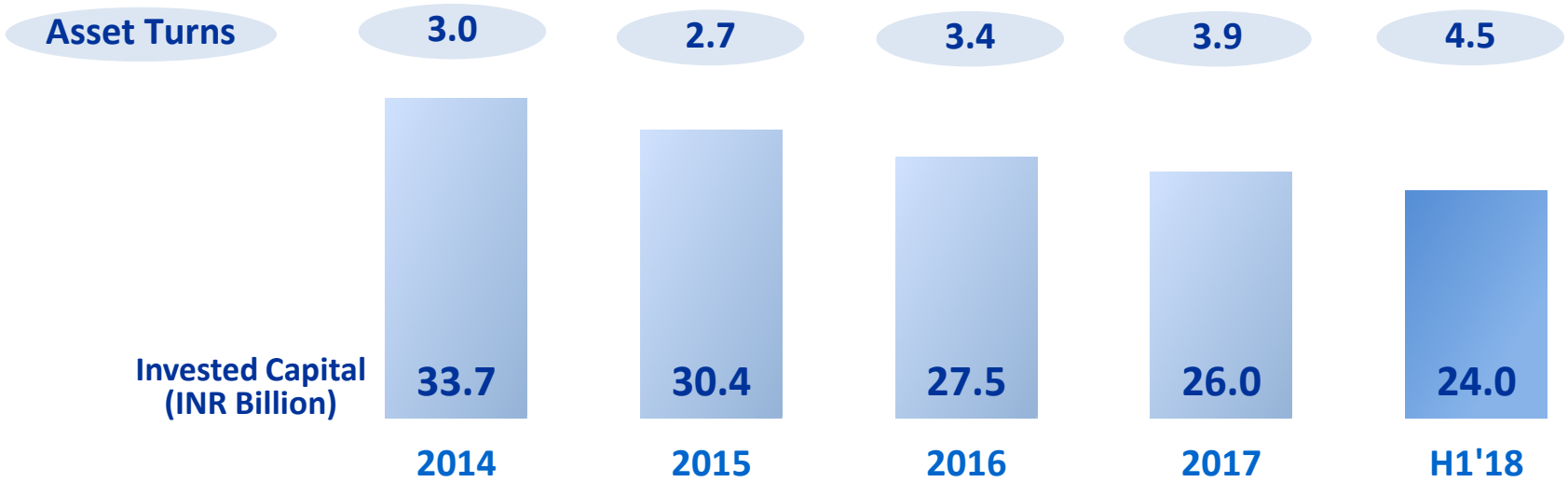
# Dividend Payout Increased





# Capital Efficiency & Value Creation Improves

ROIC %	35.6	18.9	38.5	46.4	65.4
Economic Profit%	21.1	5.0	24.6	34.2	52.6



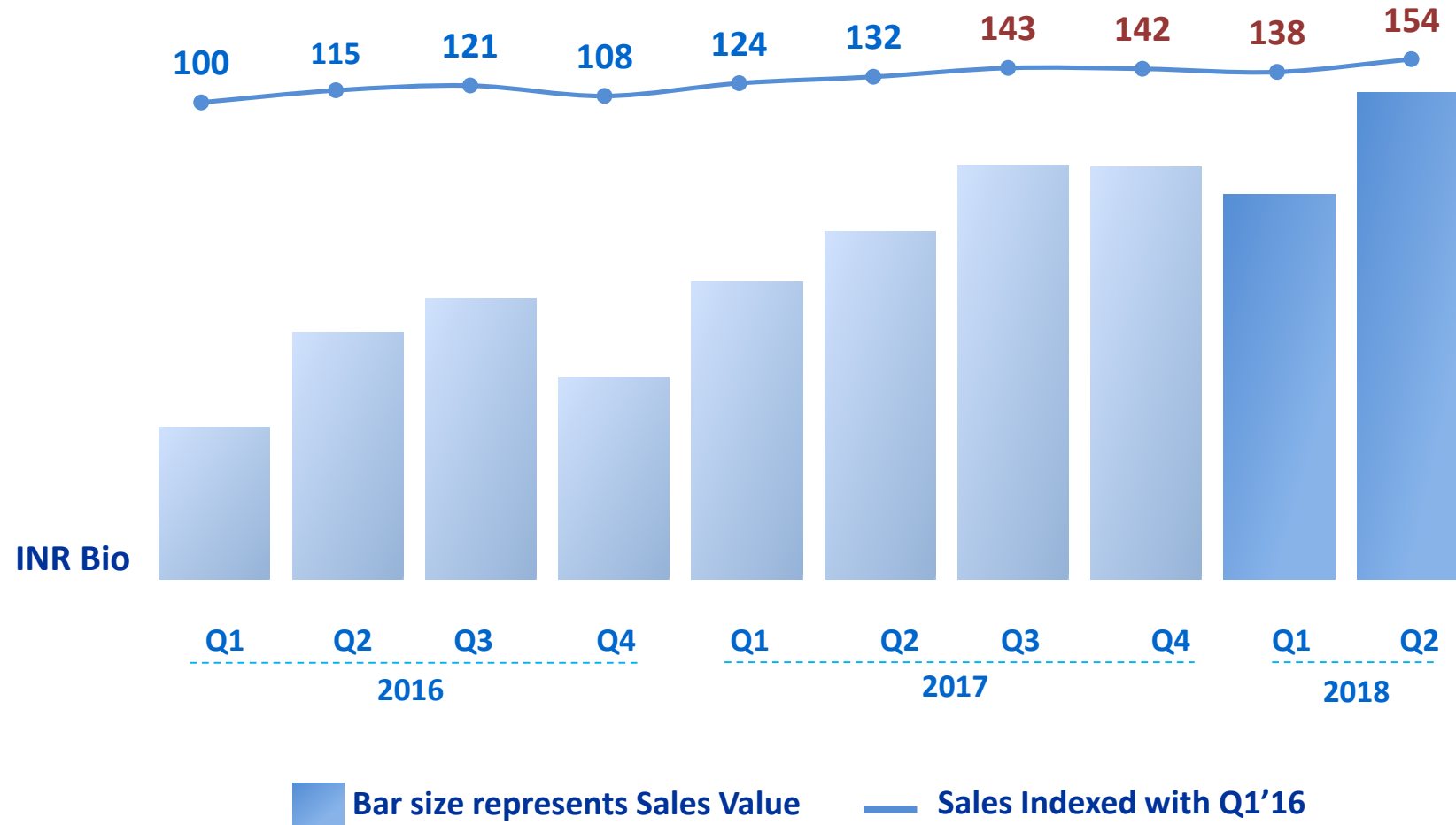
Invested capital : Basis average of 5 quarter end (Nestlé Internal Reporting Standards)

# Key Messages

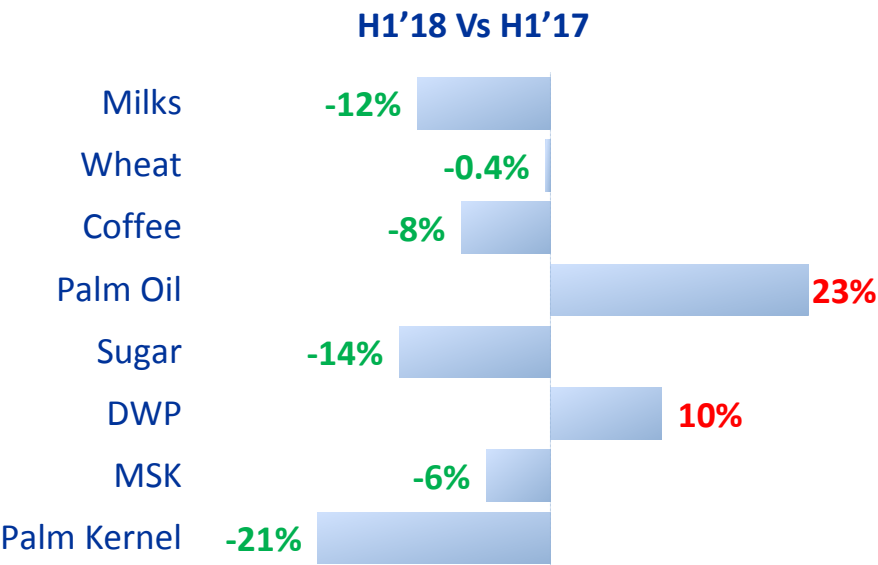
- ✓ **Market Momentum** continued to be favorable
- ✓ **Market Leadership** in 85% of portfolio. Retained focus on **NHW & Innovations**
- ✓ **Sales Growth** broad based
- ✓ **Margin improvement** aided by softer commodity prices & lower base
- ✓ Strong **Cash Generation** from operations
- ✓ **Dividend Payout** increased
- ✓ **Sustained Value Creation**



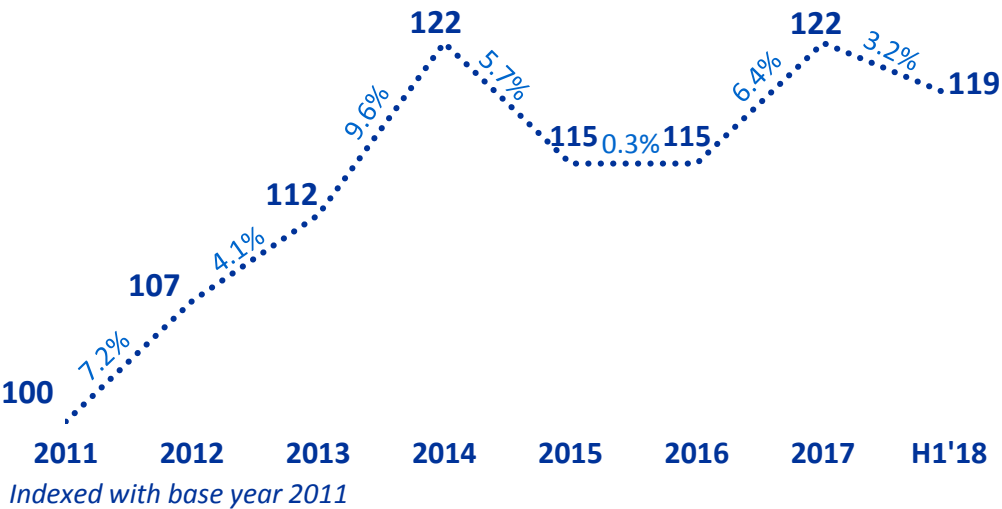
# Rebuild of MAGGI Noodles



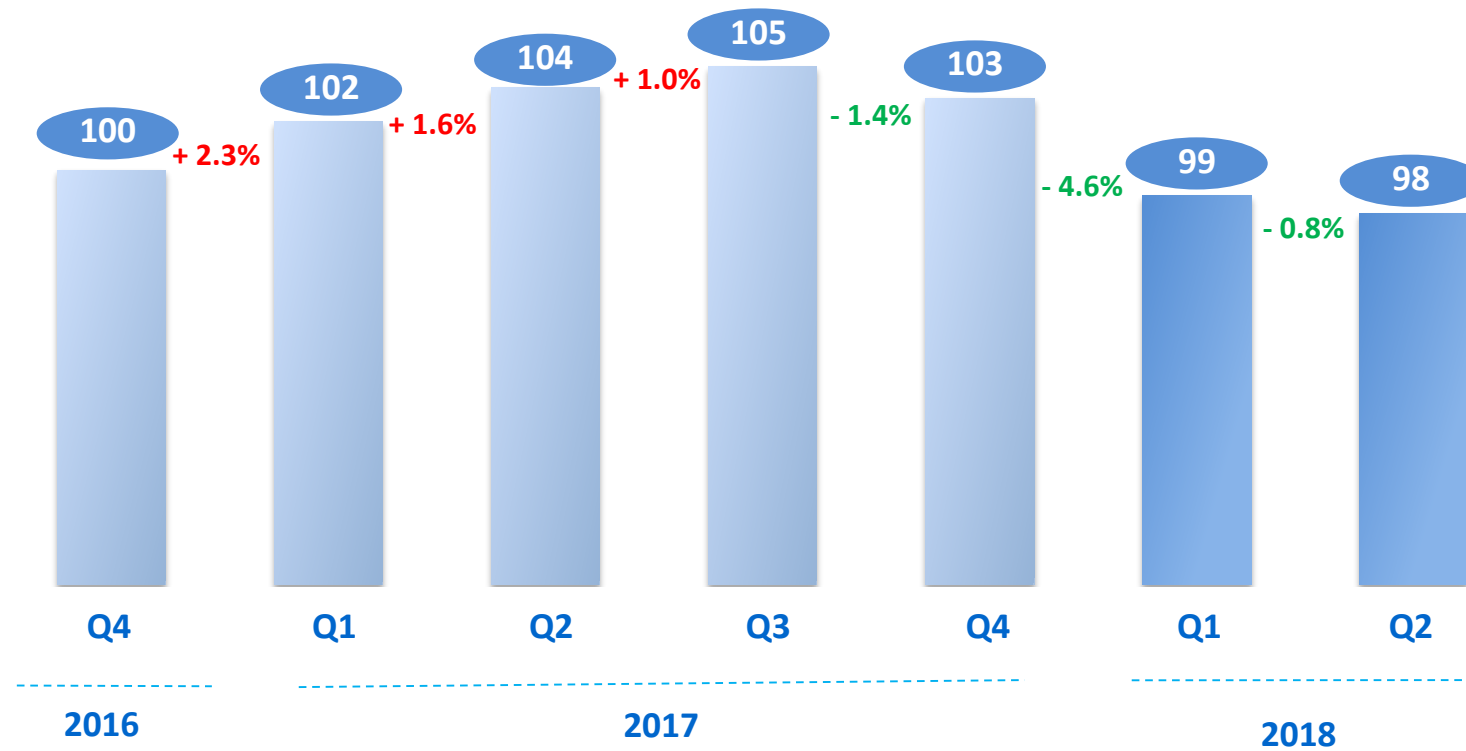
# Commodity Price Movement



## Nestlé India's Commodity basket Price Index



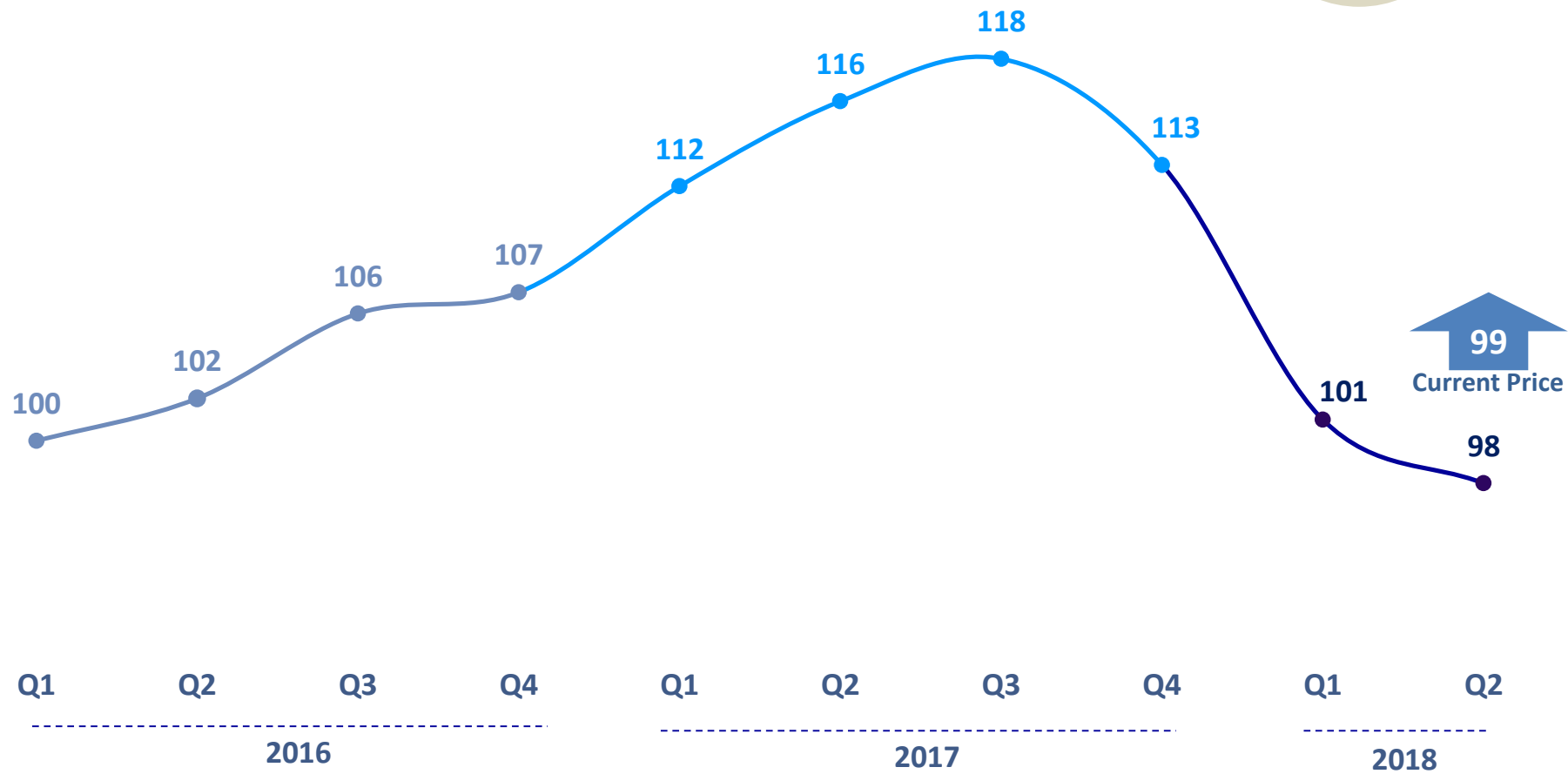
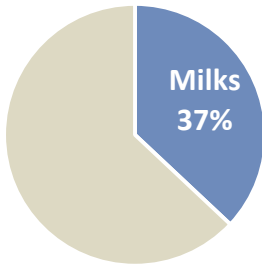
# Movement in price index of commodity basket



Indexed with base Q4-16

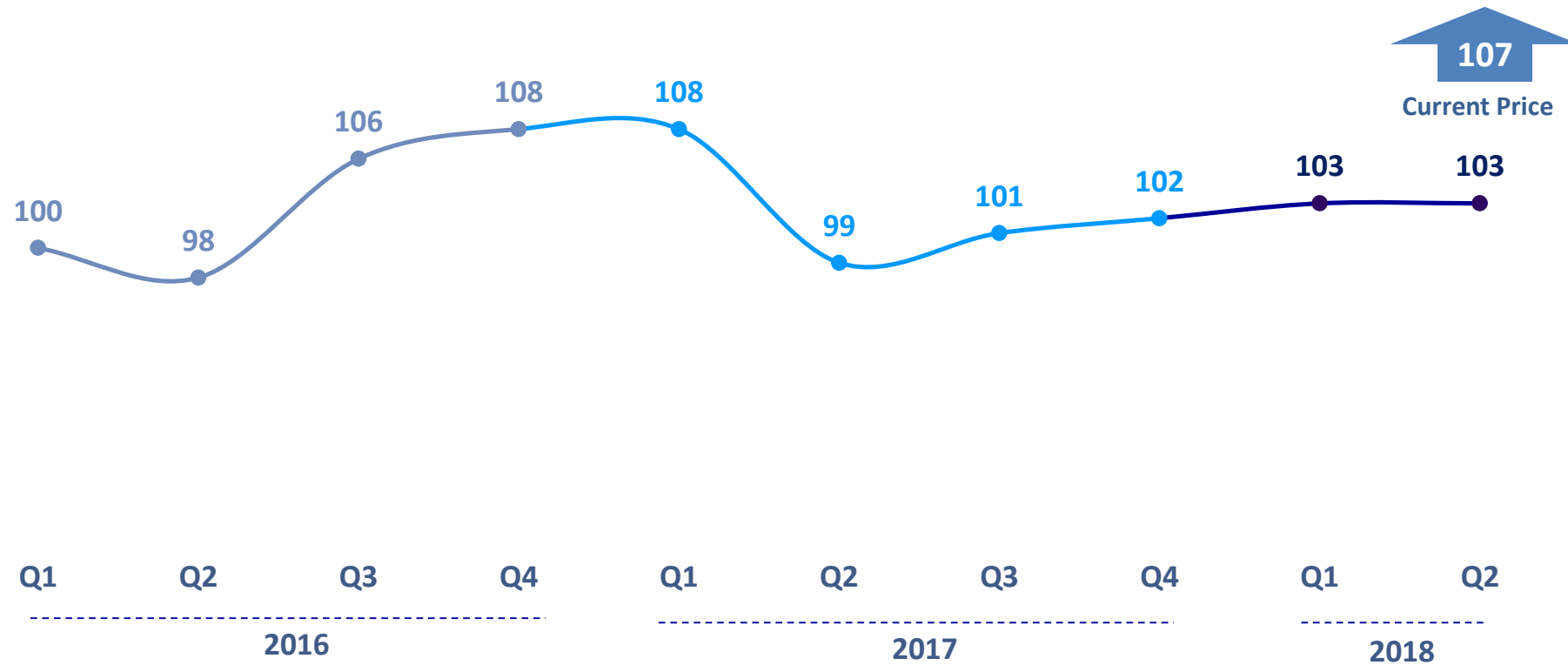
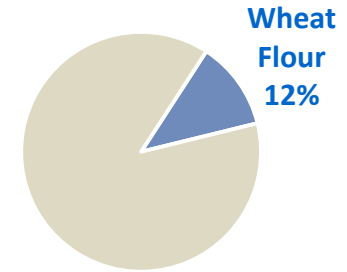


# Milks Consumption Price Index



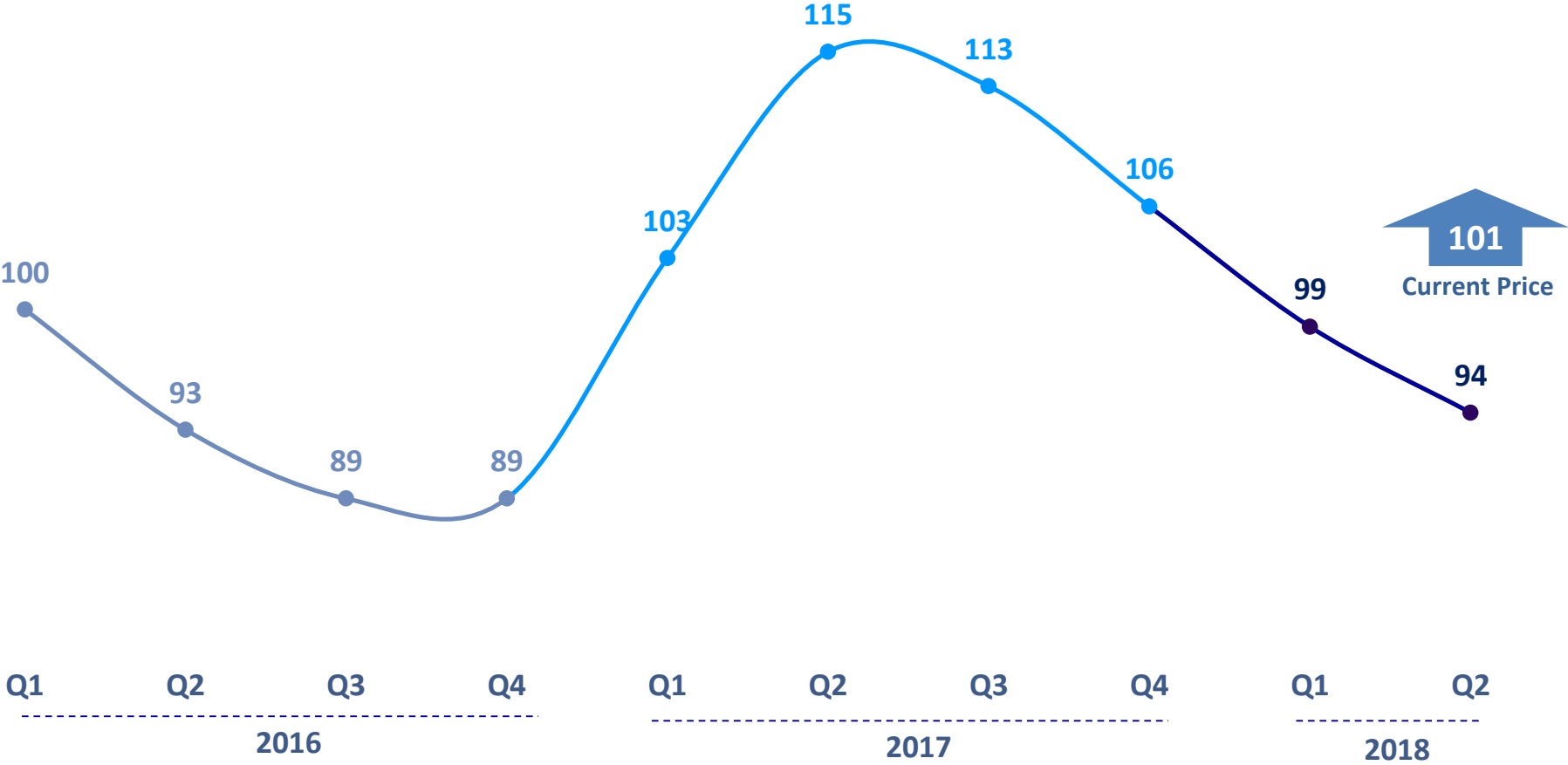
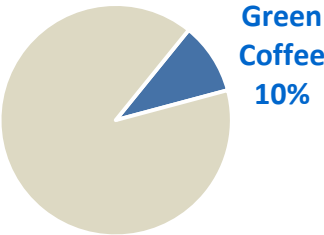
Indexed with base Q1-16

# Wheat Flour Consumption Price Index



Indexed with base Q1-16

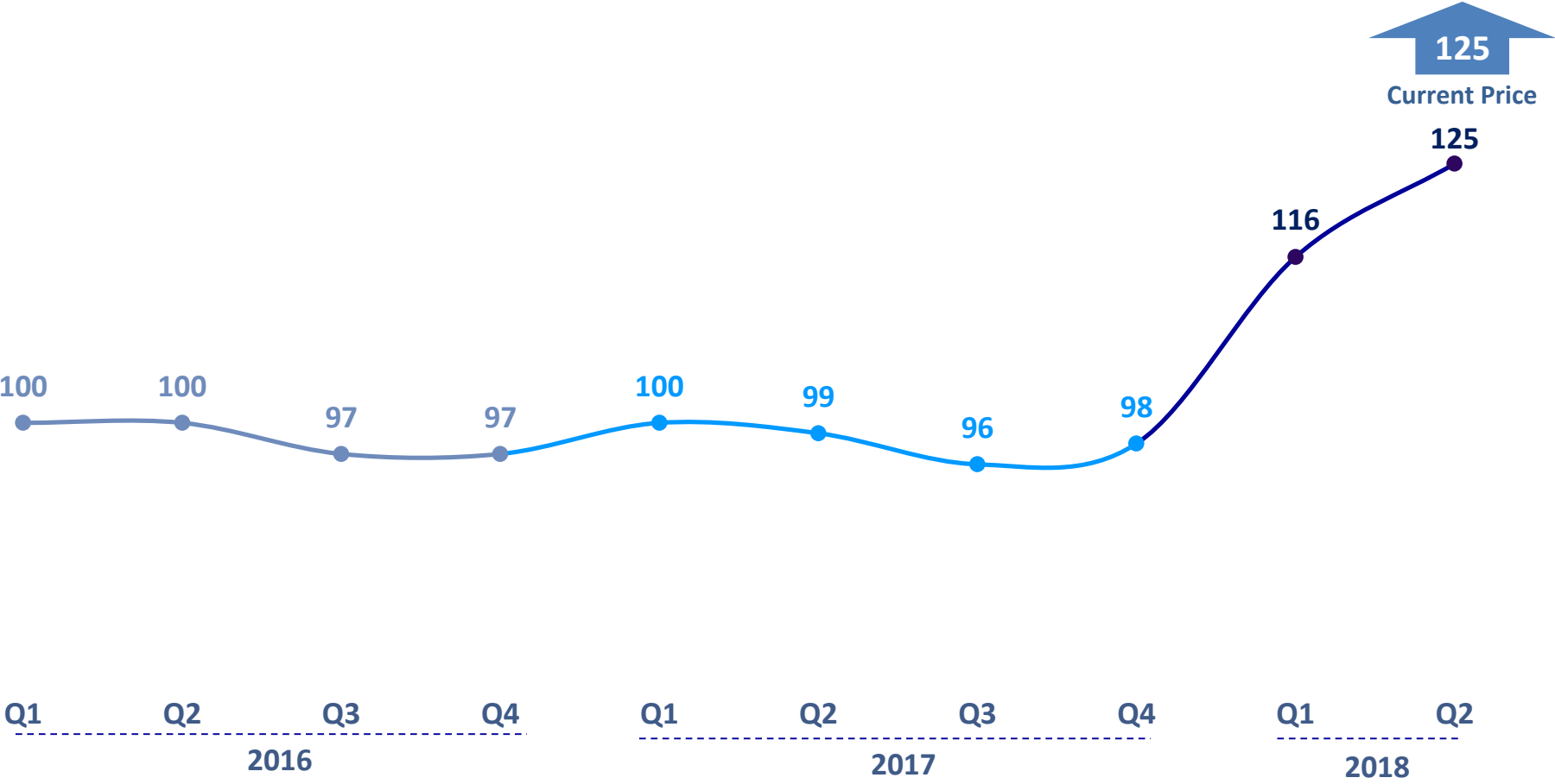
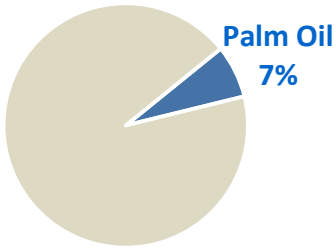
# Green Coffee Consumption Price Index



Indexed with base Q1-16

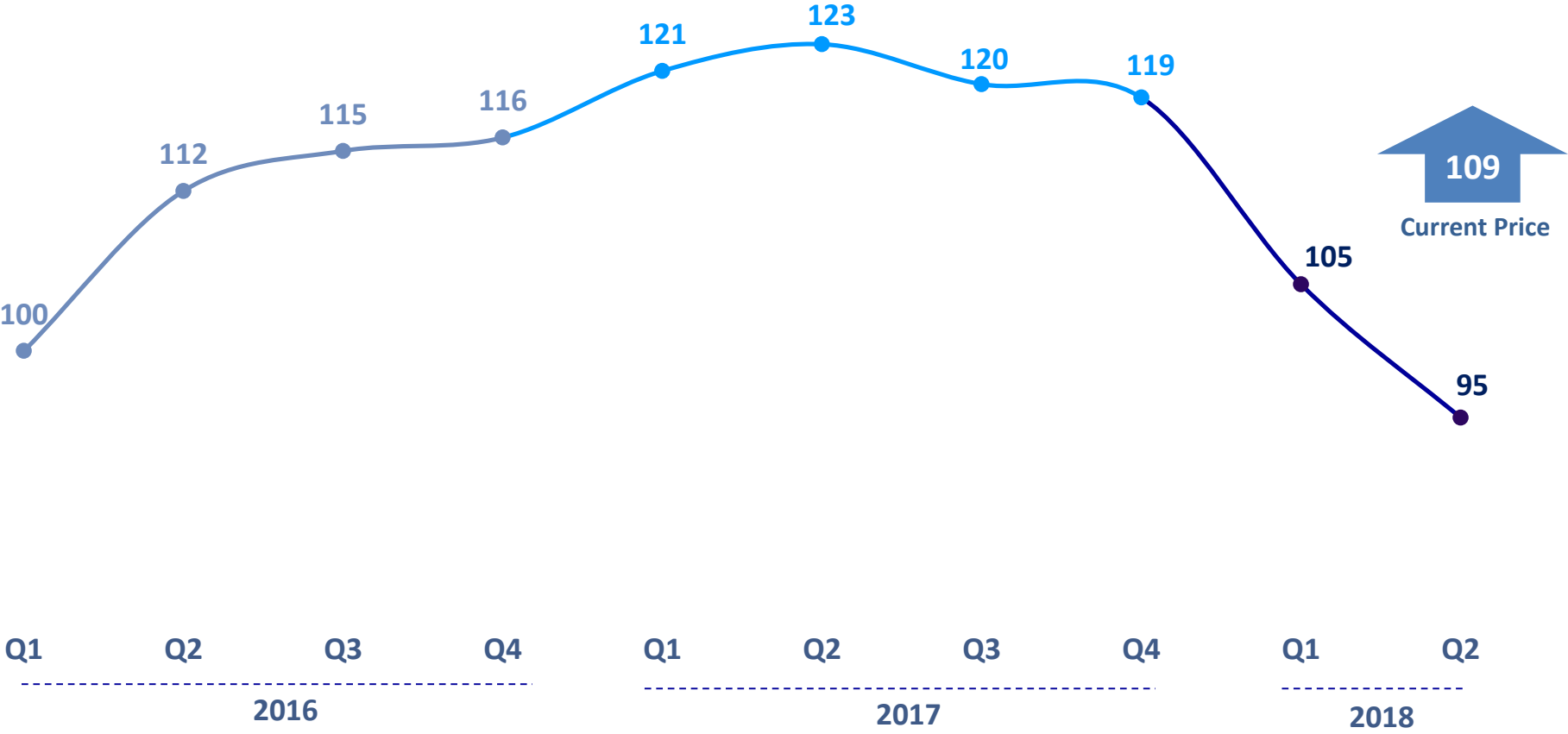
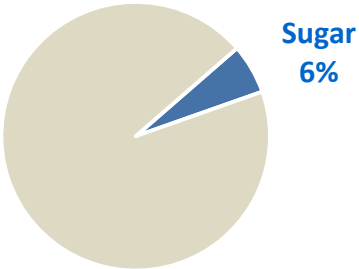


# Palm Oil Consumption Price Index



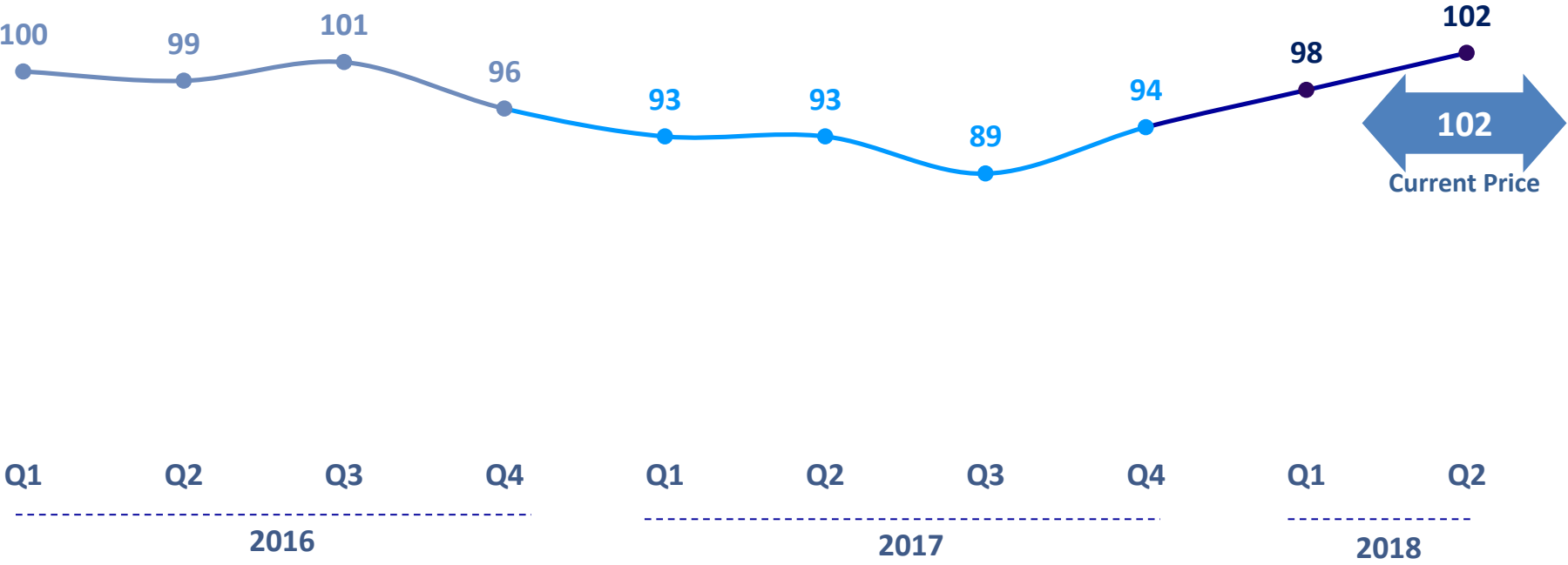
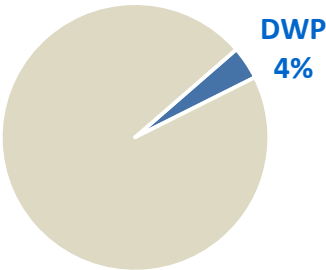
Indexed with base Q1-16

# Sugar Consumption Price Index



Indexed with base Q1-16

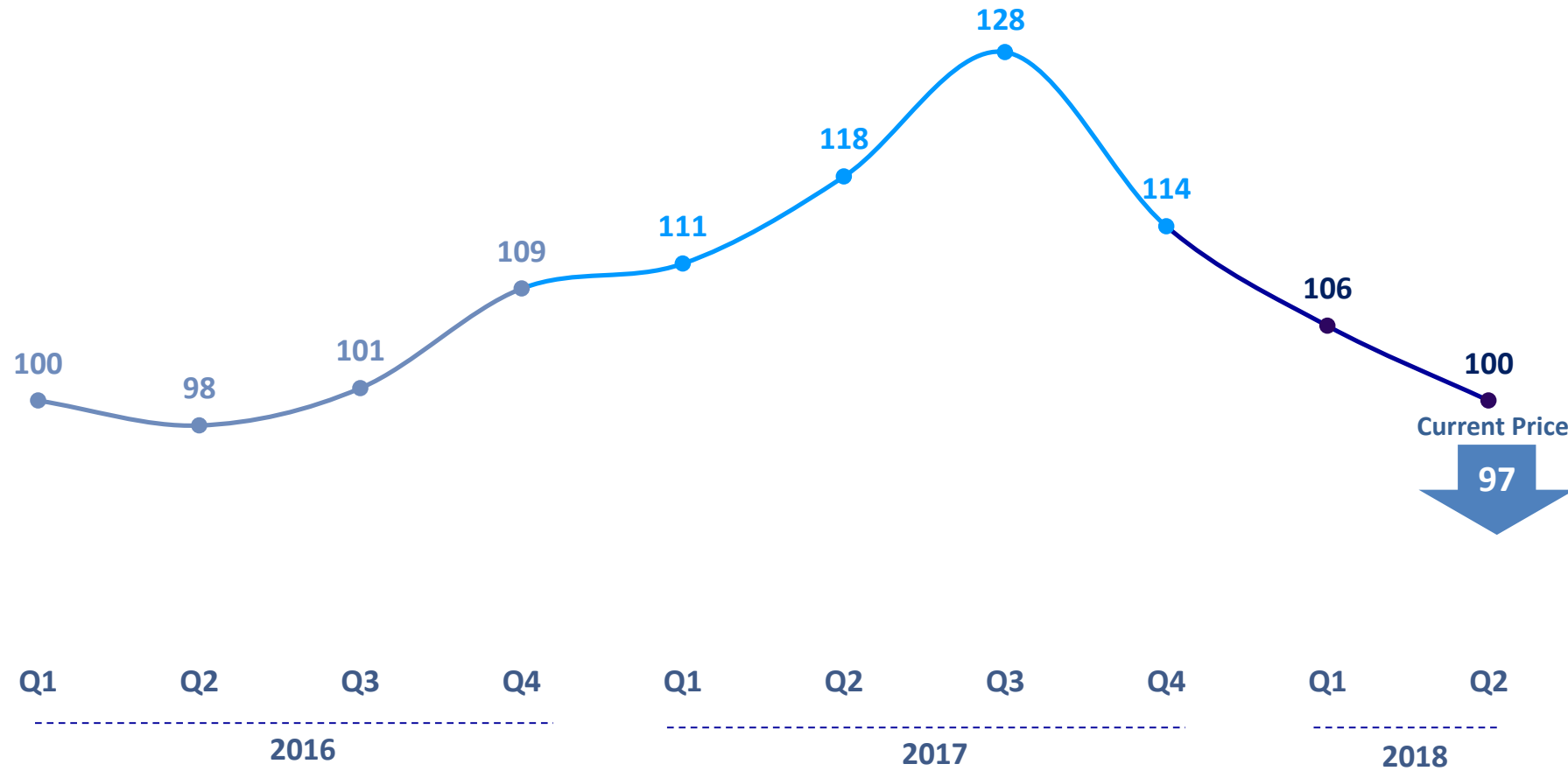
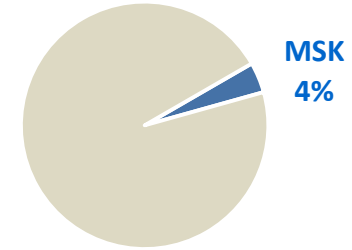
# DWP Consumption Price Index



Indexed with base Q1-16

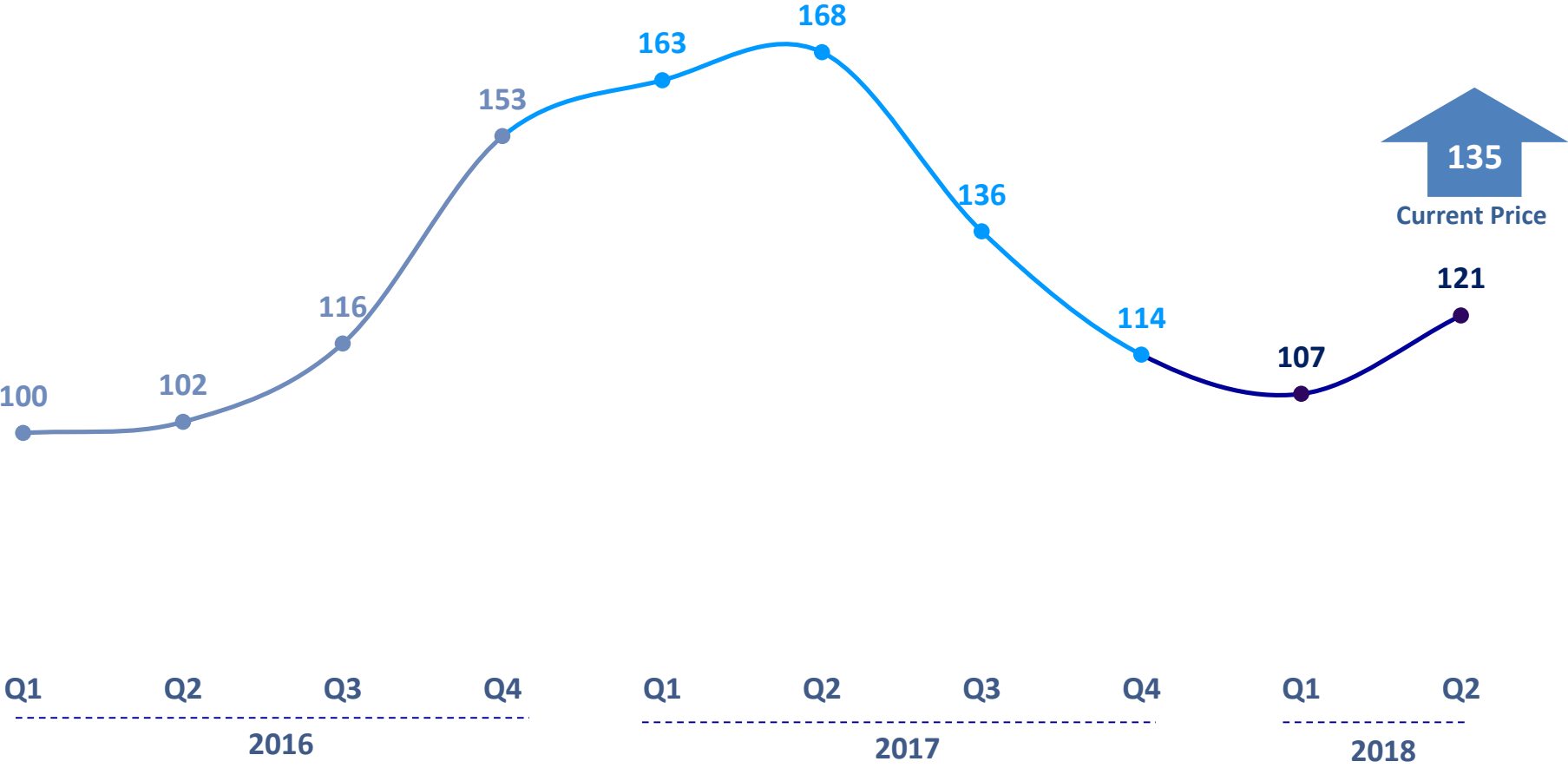
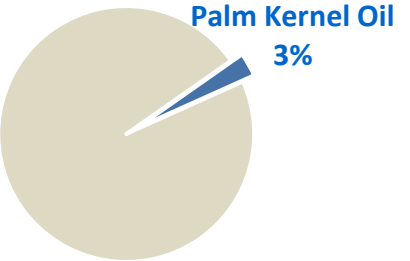


# MSK Consumption Price Index



Indexed with base Q1-16

# Palm Kernel Oil Consumption Price Index



Indexed with base Q1-16

