

Nestle India Limited

A photograph of a family of four (a mother, father, and two children) and a dog running on a sandy beach. The mother is on the left, holding the hand of a young boy who is being lifted by the father. A young girl is running to the right, and a dog is running in the background. The scene is bright and sunny, with waves visible in the distance.

Good Food, Good Life

Financial Analysts' Meet - December 7, 2005

Agenda



Introduction & Overview

Martial Rolland

Financials

Shobinder Duggal

Food Business

Shivani Hegde

Social Responsibility

Dr. Raj Singh

Questions & answers

ALL

This presentation may contain statements reflecting Management's current views and estimates, that may be construed as forward looking statements. Actual results might differ materially from those either expressed or implied in the statements, depending on the circumstances.

Responses can only be given to questions, which are not price sensitive.



Nestlé

Good Food, Good Life

INTRODUCTION & OVERVIEW

❖ Economy

- Steady growth – exceeding 7%
- Monday 28 November 2005 Sensex @ 9000
- High consumer confidence

Consumer Changing Lifestyles & Rising Aspirations



Growing Urbanization

-Urban up from 17% in 1950 to 28% now



Rising Aspirations

- Durable ownership doubled in last decade
- 8 Mio Cars, 45 Mio Two wheelers(+20% vs LY)
- 45 Mio Mobile phones(+25% vs LY)



Greater use of Credit

- Easy availability of low interest credit
- Housing Loans at US \$ 10 Bio (+30% vs LY)
- 25 Mio credit & debit cards issued (+20% vs LY)
- 85% cars purchased on credit

Consumer Changing Lifestyles & Rising Aspirations



Rising Education and Working Women



- Literacy has gone up from 52% to 66%(1991-04)
- 1 Mio graduates pa
- Urban working women up from 14% to 20% (1991-04)

Eating out on the rise



- Out of home consumption (+10% vs LY)
- 70% of Urban Metro Indians eat fast food OOH at least once/month

Search for Convenience



- Pressure Cooker urban penetration 65%
- Ready to eat category small but fast growing

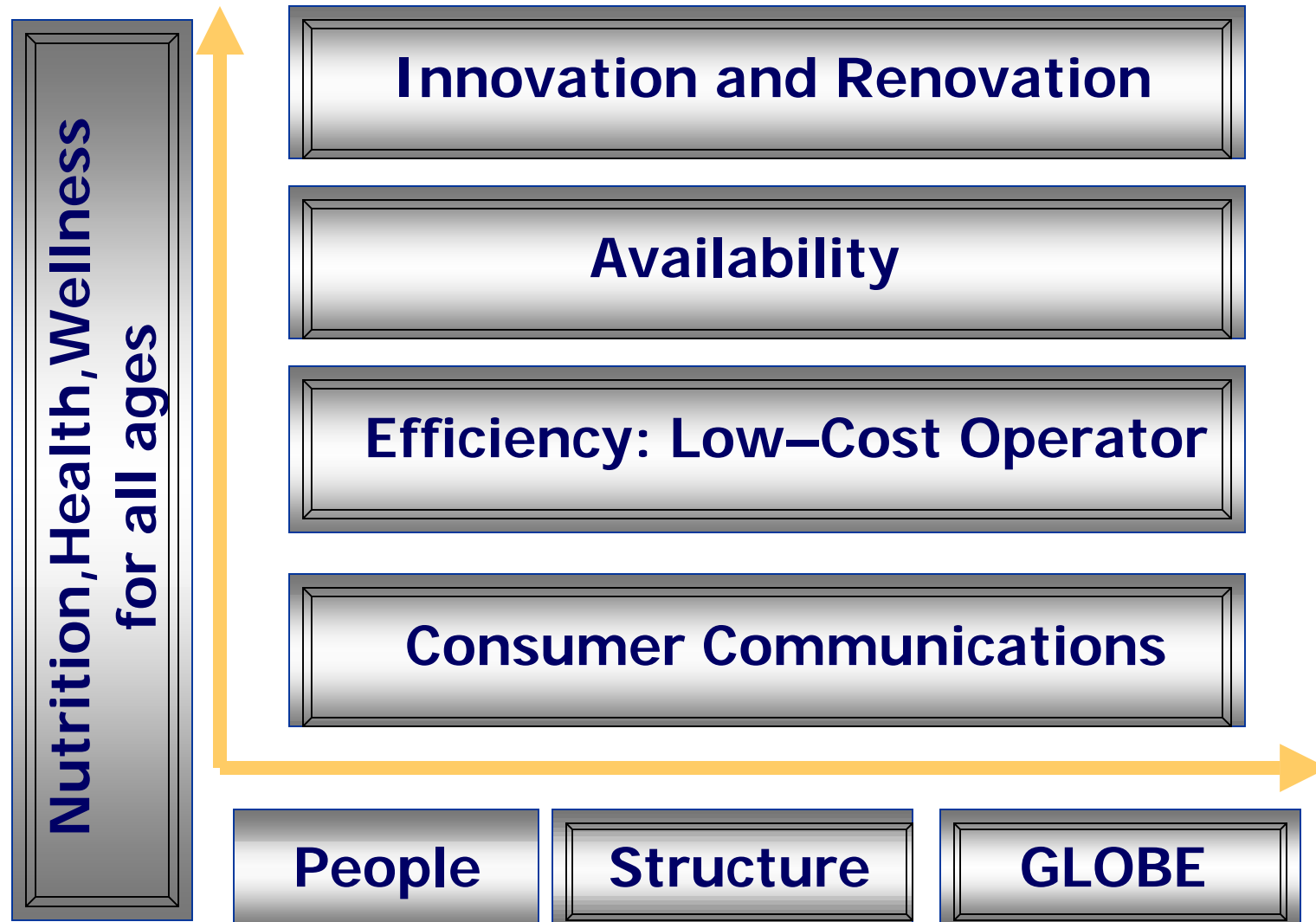
Growing Exposure-Media,Travel



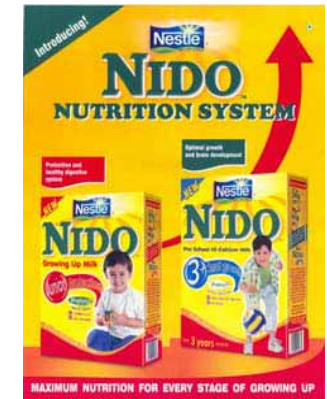
- 108 Mio TV households (+10% vs LY)
- Cable TV in 53% urban homes(x 2 in 5 yrs)
- 8 Mio traveled abroad in 2004 (x2 vs 2001)

BUSINESS

Strategic Focus



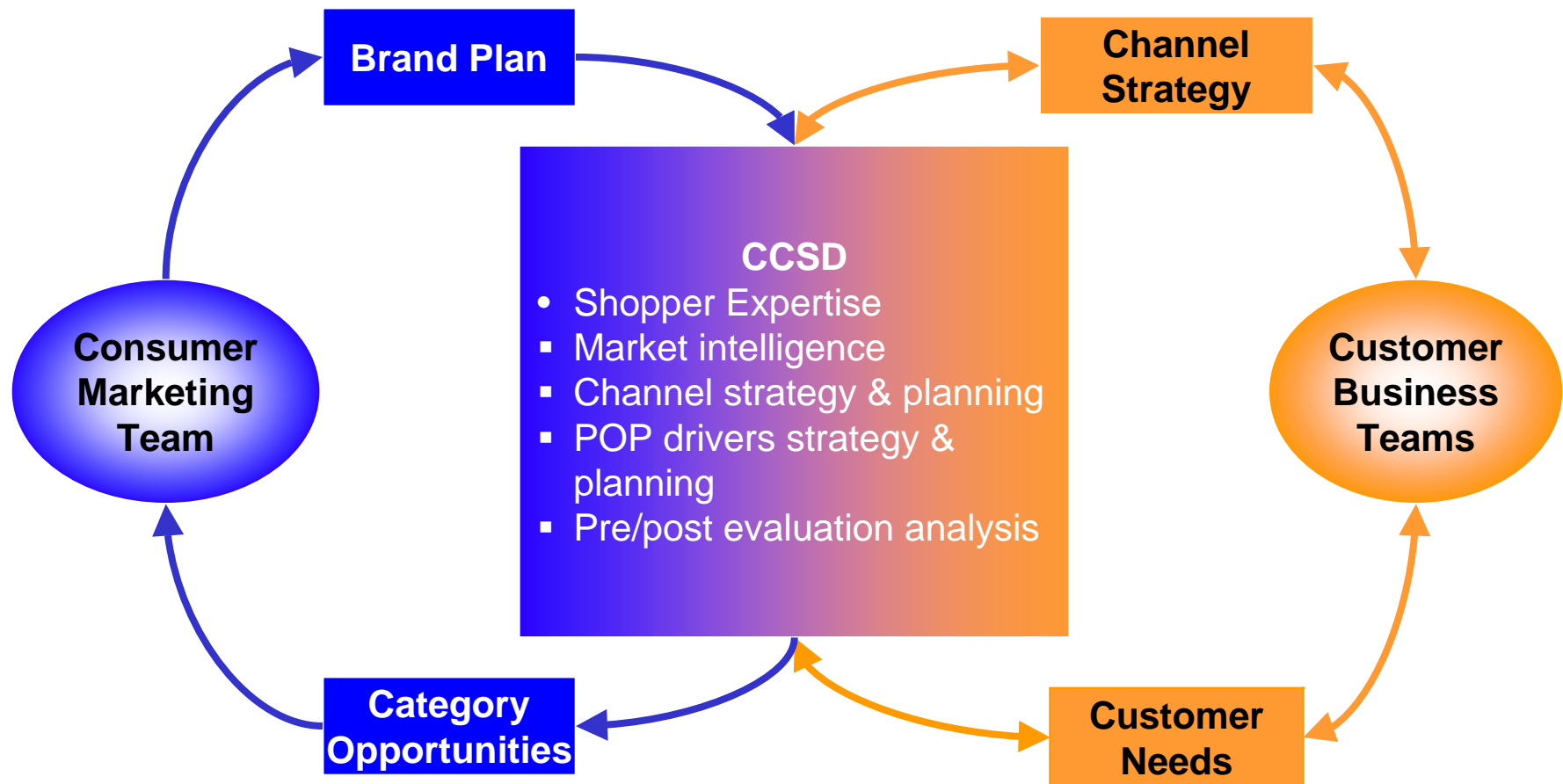
Innovation & Renovation



Availability



Customer & Channel Sales Development (CCSD)



Efficiency: Low-Cost Operator



Pant Nagar Factory



**Front View
Separate entry for
Material & People**

- Total CAPEX
INR 100 crores

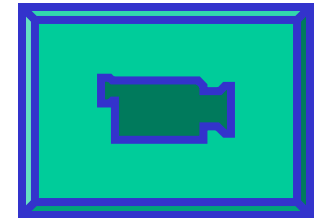
**Finished goods –
loading bay view**



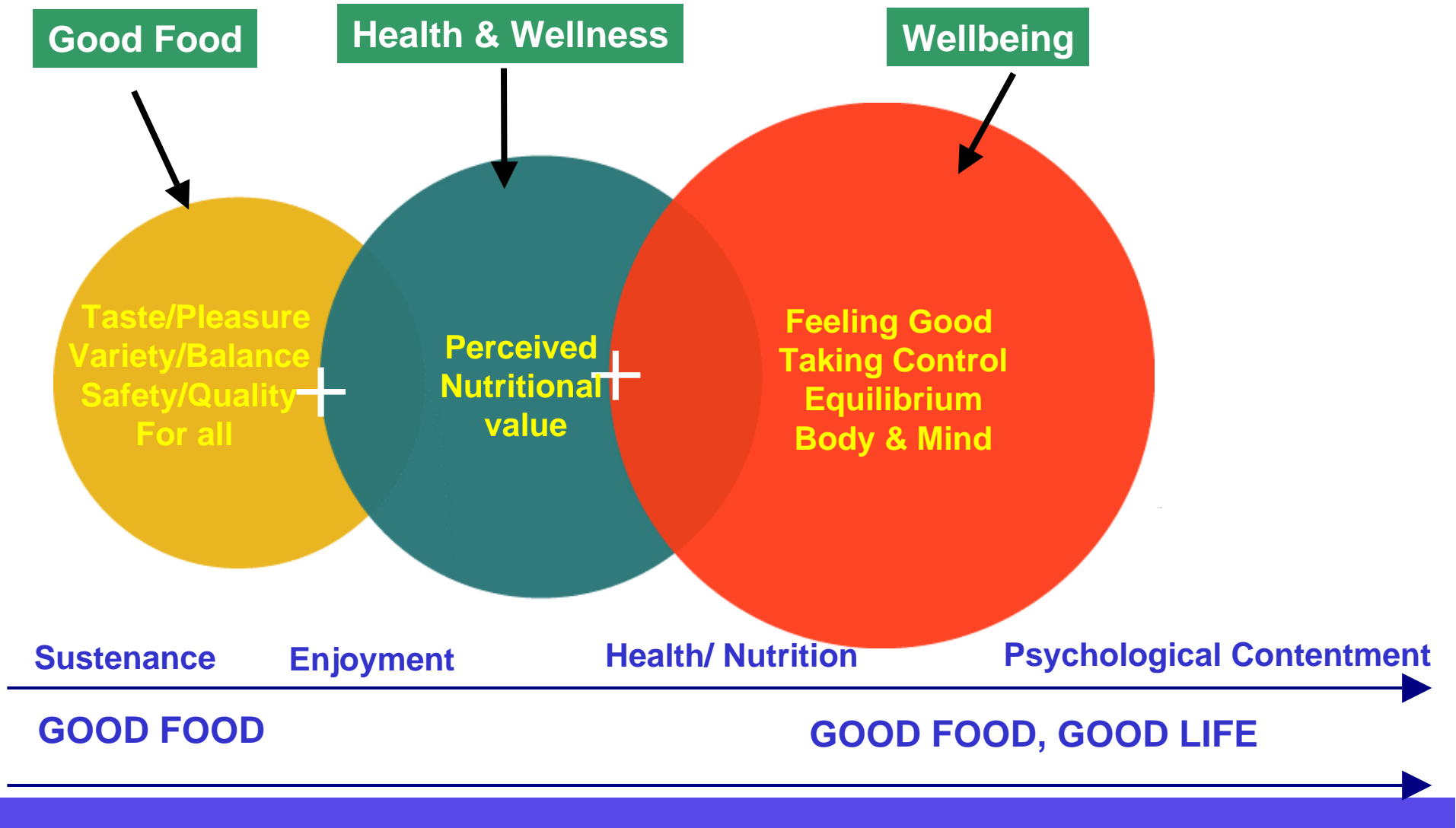
Consumer Communication



- Support overall strategy
- Consumers Insight driven
- Create clear product differentiation
- Highly impactful



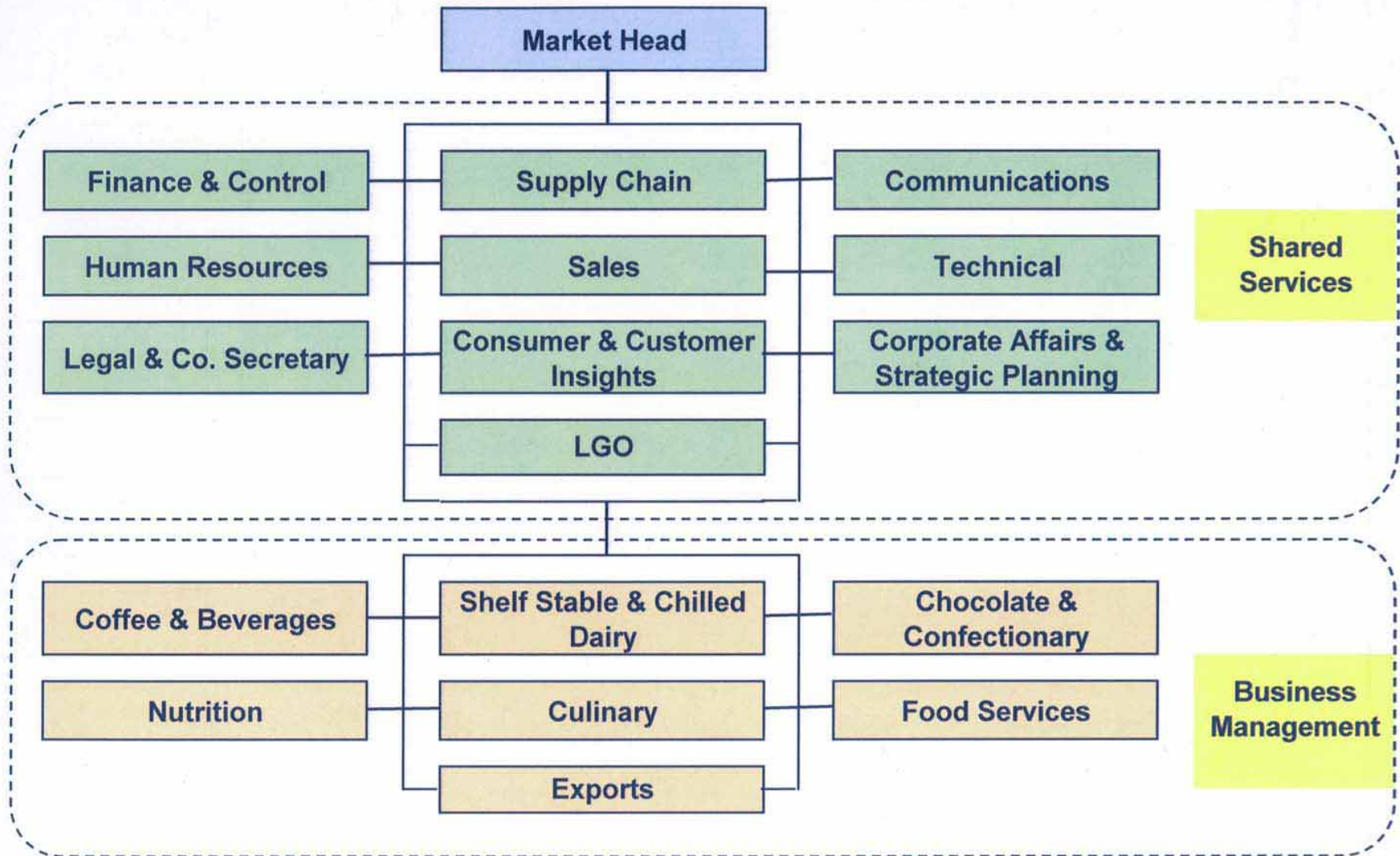
Evolution of Need States in Food



Structure



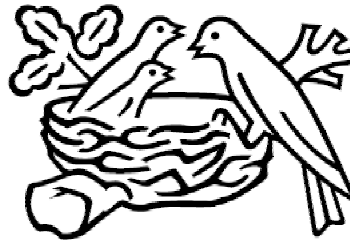
Good Food, Good Life



GLOBAL BUSINESS EXCELLENCE

GLOBE

UNLOCKING OUR POTENTIAL



Nestlé

Objectives

- Harmonization of Nestle Business Excellence Best Practices
- Standardization of Internal and External Master Data allowing Data to be managed as a corporate asset
- Standardization of Information Systems and technology

PAST

- Considered best implementation yet within the Nestle Group

- On time

- Smooth transition

PRESENT

- Leverage

FUTURE

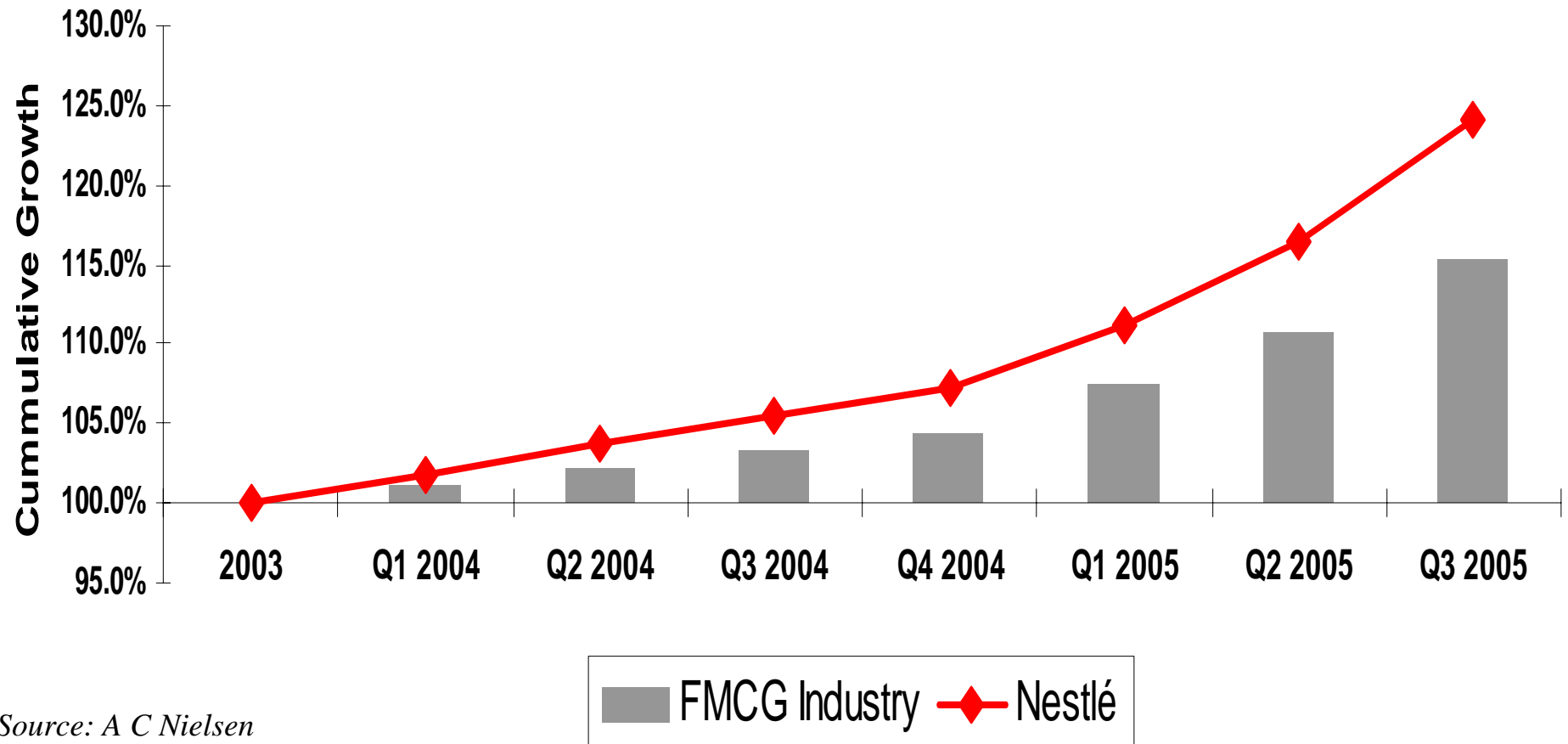
- Yield synergies

Benchmarked Performance

Top line against Industry



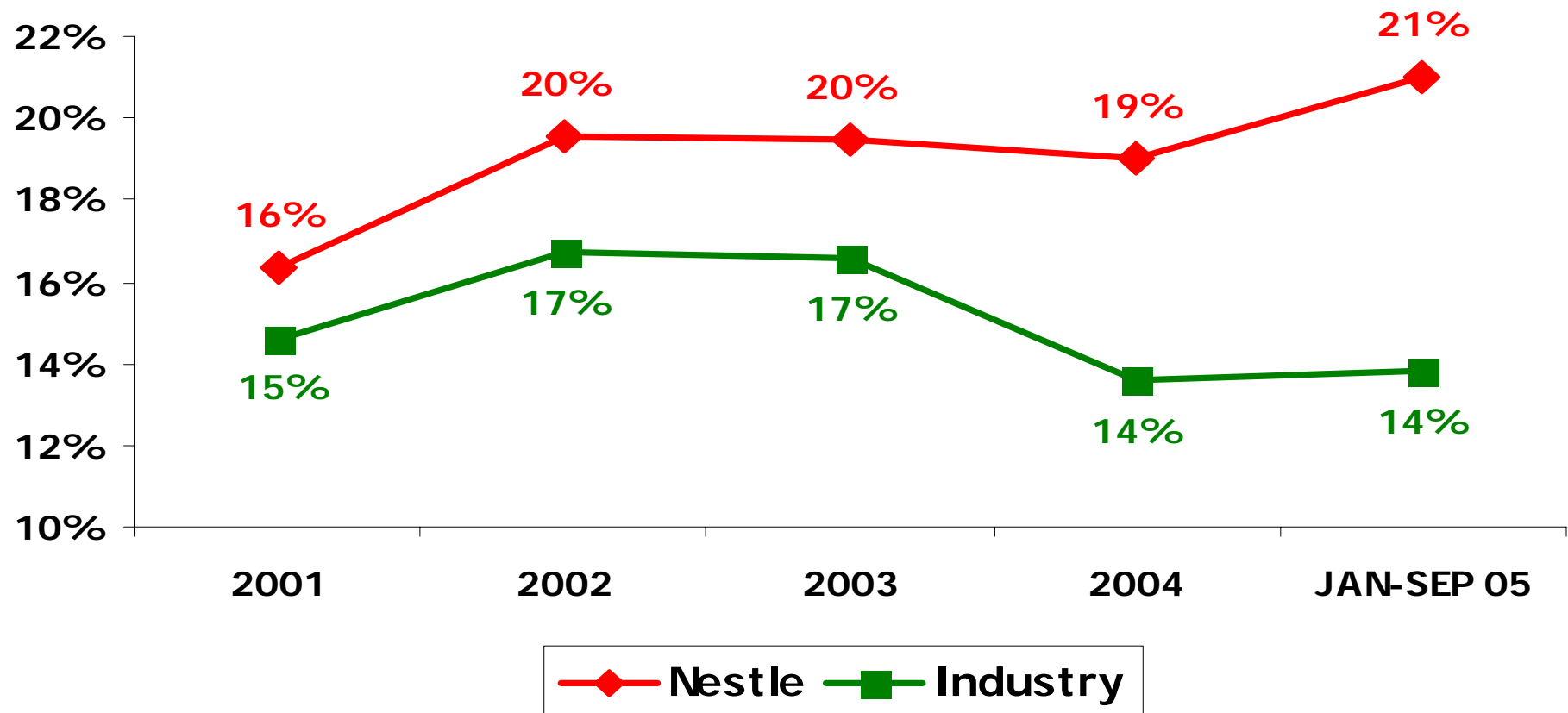
Growth in Consumer Off-take



Bottom line against Competitors



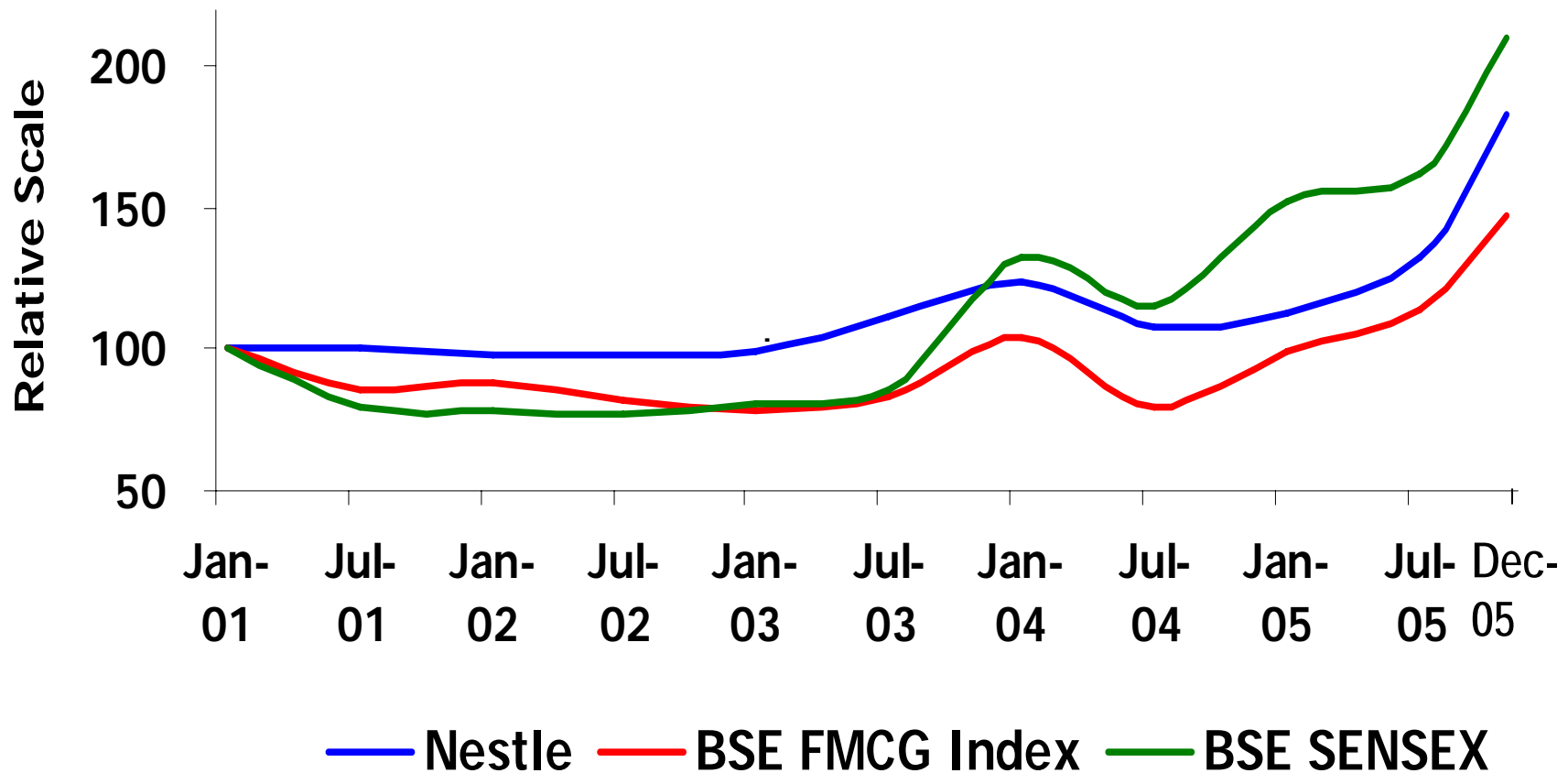
EBITDA MARGIN (Competition Comparable)



Industry includes Nestlé, HLL, P&G, GSK & Britannia

Source: Annual Reports & www.sebiedifar.nic.in

Share Price against Indices



Over to SHD

FINANCIALS

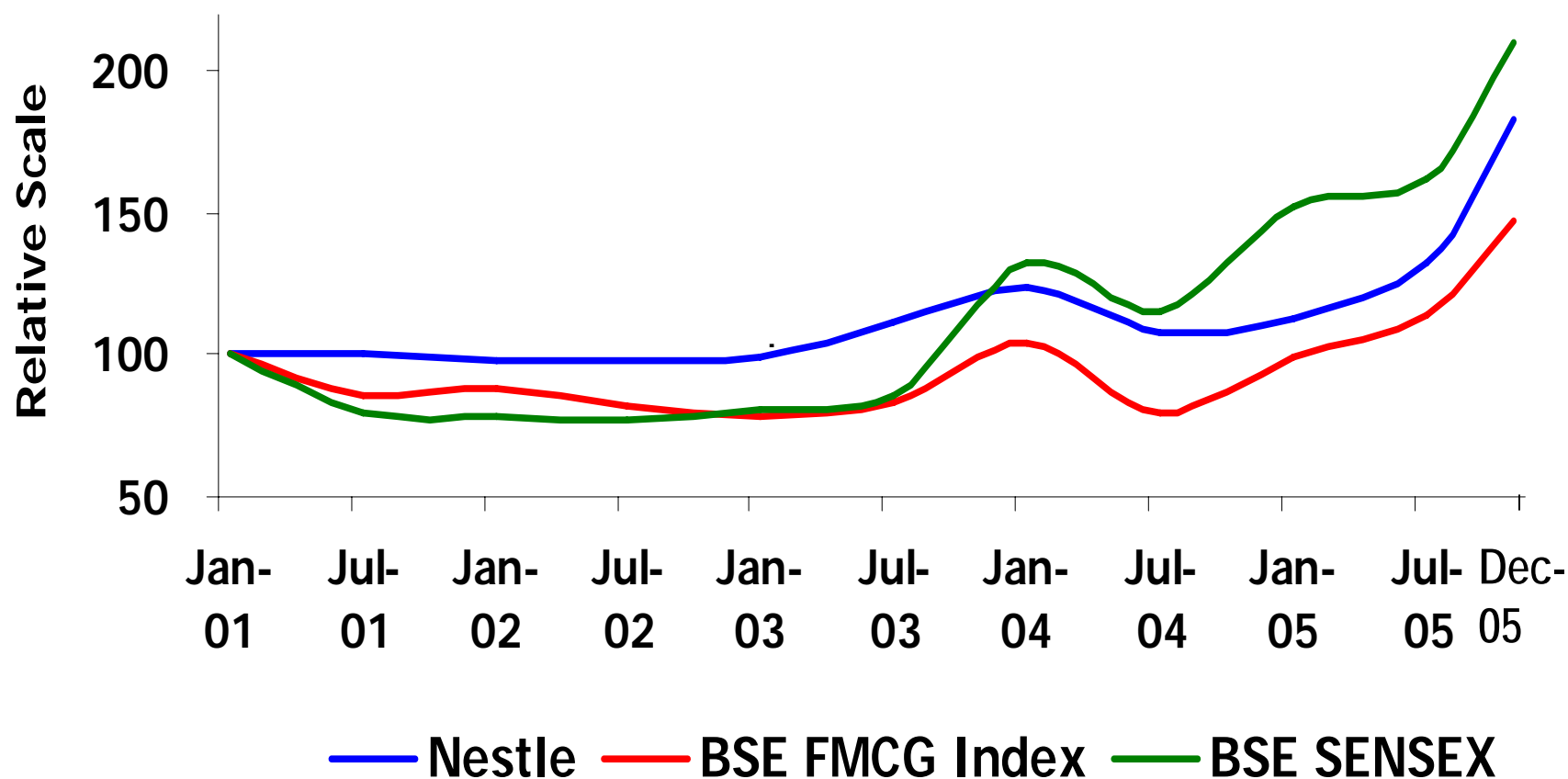
Business Framework



	Value Drivers	Drivers	Enablers
Operational	Sales Growth	Sales, BEM's	Supply Chain, Technical
	Profit Margin	BEM's, Sales, Purchase, Technical	Finance, HR
	Working Capital intensity	Supply Chain, Technical, Purchase	Finance, Sales
	Fixed Capital intensity	Technical, BEM's	Finance
Financial	Income Tax Rate	Finance	Technical, Legal, Corporate Affairs
	Cost of Capital	Finance	Legal
Strategic	Value Growth duration	All	All

GLOBE

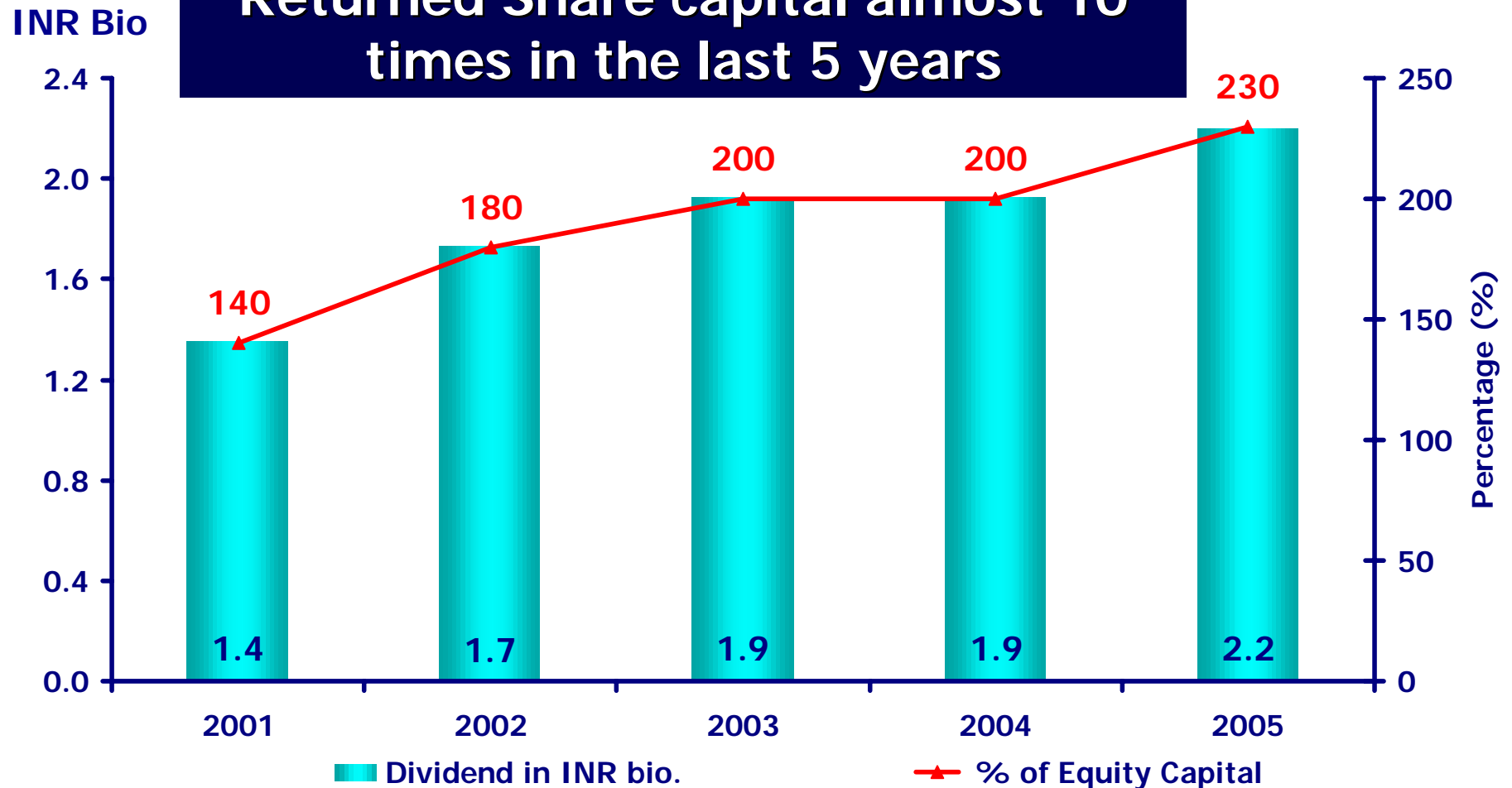
Result of focus on Value Drivers



Evolution of Dividend



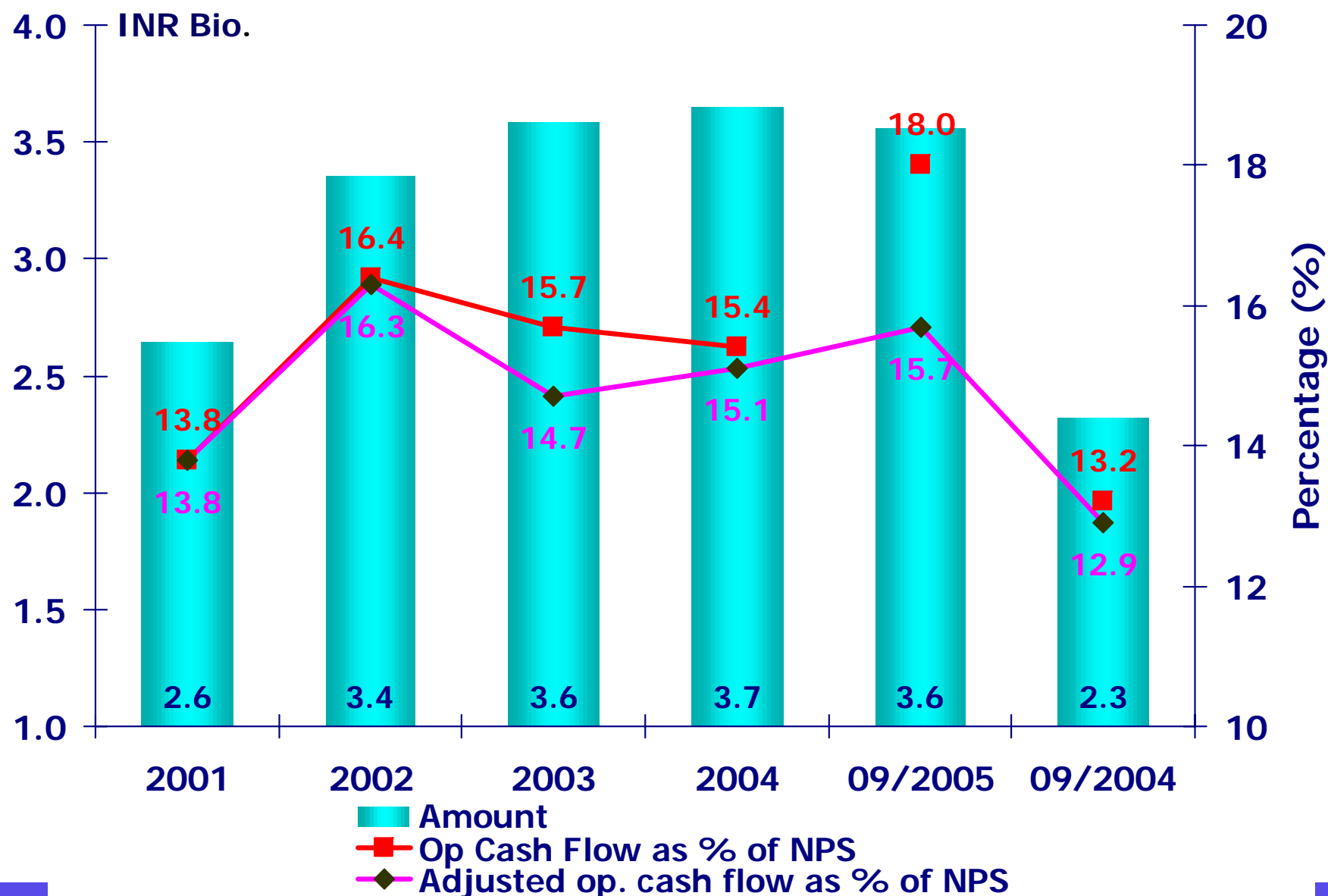
Returned Share capital almost 10 times in the last 5 years



2004 - Excludes special dividend of Rs 4.5/Share.

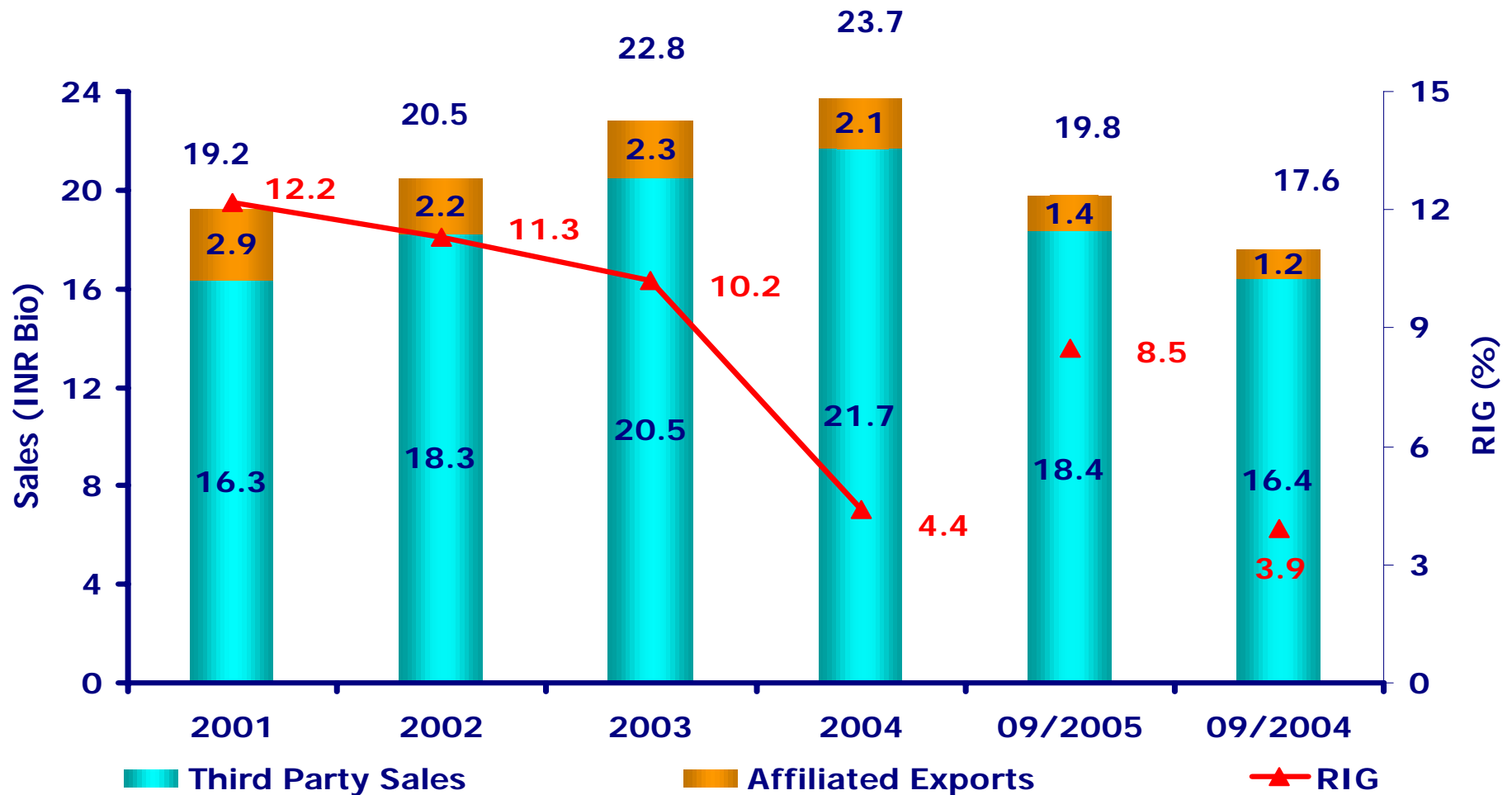
2005 – Represents two interim dividends.

Evolution of Operating Cash Flow



SALES GROWTH

Gross Sales Evolution



Decomposition

Jan-Sep 2005 Sales



Sales growth: 12.2%

RIG: 8.7%

Price increases: 3.5%

(Basis international accounting standards)

Channel-wise Sales (Jan-Sep)



	Volume (000'Tons)			Value [@] (INR Bio)		
	2005	2004	Var%	2005	2004	Var%
Domestic	149.1	140.3	6.3	17.8	15.8	12.3
Exports	13.8	13.7	0.6	2.0	1.8	11.2
Total	162.9	154.0	5.8	19.8	17.6	12.2

@ Gross Sales including excise duty

Aforesaid percentages have been calculated on base values

Sales by Product Categories (Jan-Sep)



Brand	Volume (000' Tons)			Value [@] (INR Bio.)		
	2005	2004	Var %	2005	2004	Var %
Milk Products & Nutrition	76.1	73.0	4.2	9.0	8.1	10.4
Beverages	18.7	18.8	-0.2	4.2	3.8	10.0
Prepared Dishes & Cooking Aids	48.3	45.0	7.5	3.7	3.1	17.5
Chocolate & Confectionary	19.8	17.2	14.8	2.9	2.5	14.8
Total	162.9	154.0	5.8	19.8	17.6	12.2

[@] Gross Sales including excise duty

Aforesaid percentages have been calculated on base values

Balancing Export Portfolio

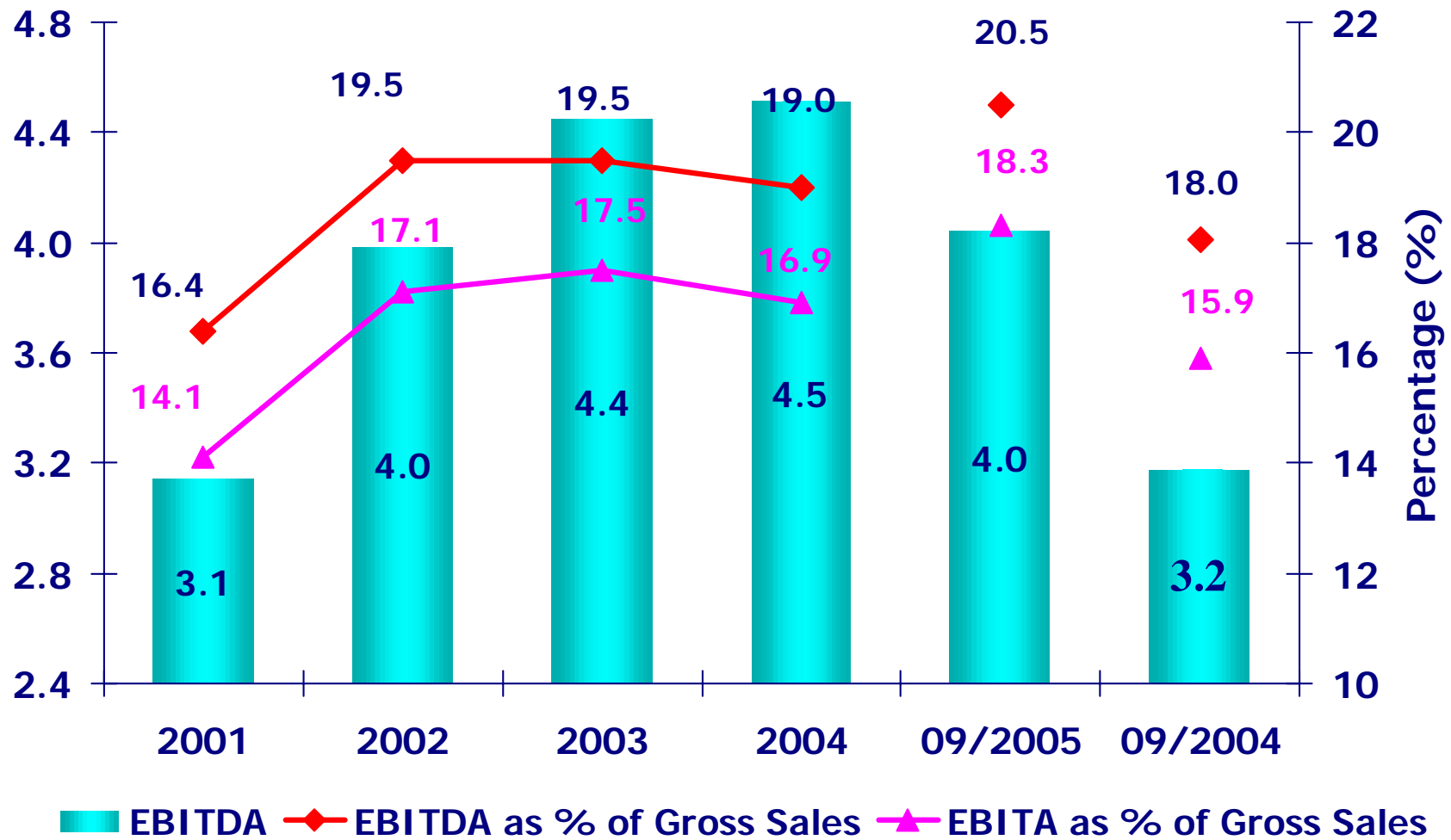


EBITDA MARGIN

Evolution of EBITDA



INR Bio.



EBITDA Margins (Jan-Sep)



	2005	2004	Difference (Basis points)
EBITDA (% of Gross Sales)	20.5	18.0	250

Total Expenditure (Jan-Sep)

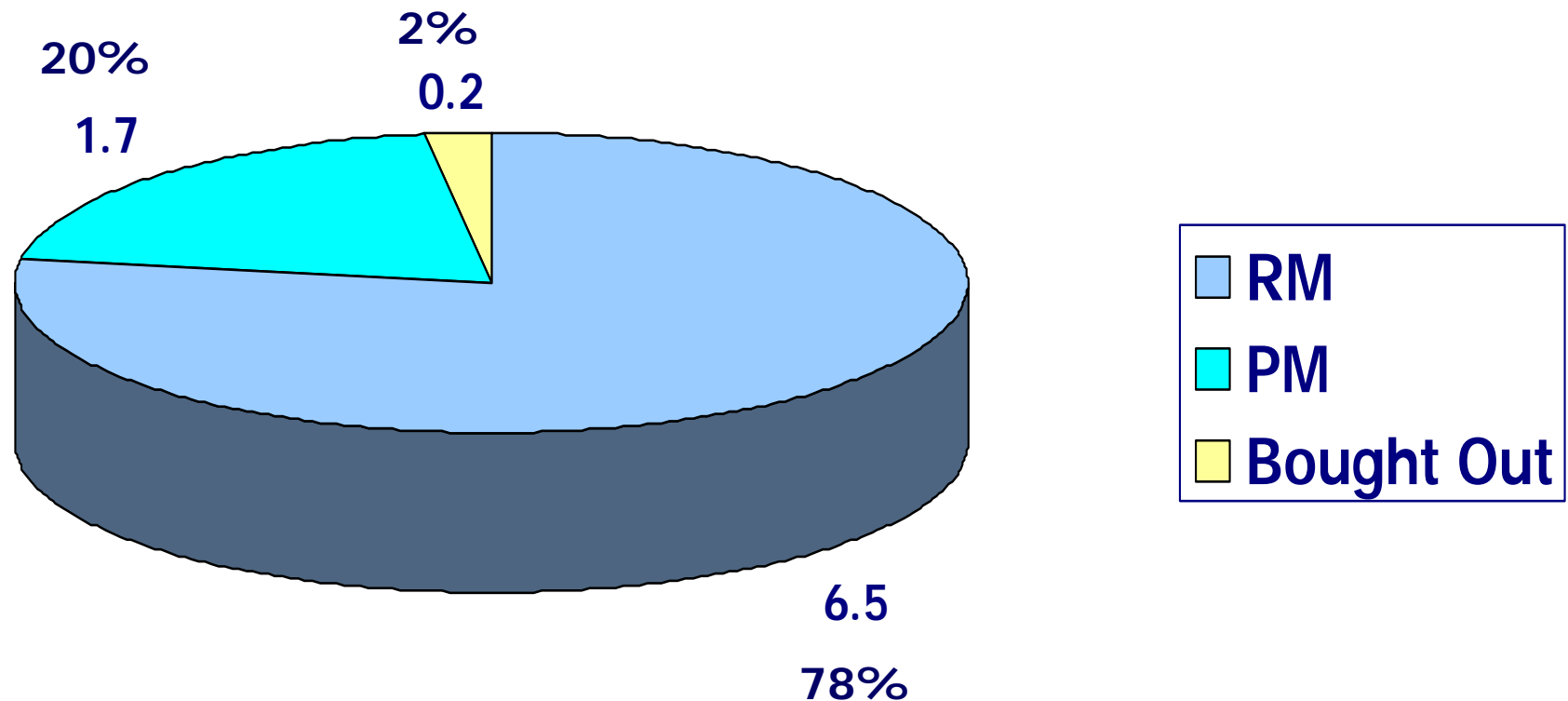


INR Mio.

Description	2005	% of Net Sales	2004	% of Net Sales	Var. %
Total Expenses -of which	14,496	78.2	13,379	80.8	8.3
Materials	8,435	45.5	7,840	47.4	7.6
Staff Cost	1,392	7.5	1,215	7.3	14.6
Advt + sales Promotion	911	4.9	988	6.0	-7.8
Distribution	863	4.7	800	4.8	7.9
Power & Fuel	750	4.0	613	3.7	22.4

Aforesaid percentages have been calculated on base values

Break up of Materials Consumed (Jan-Sep 2005)

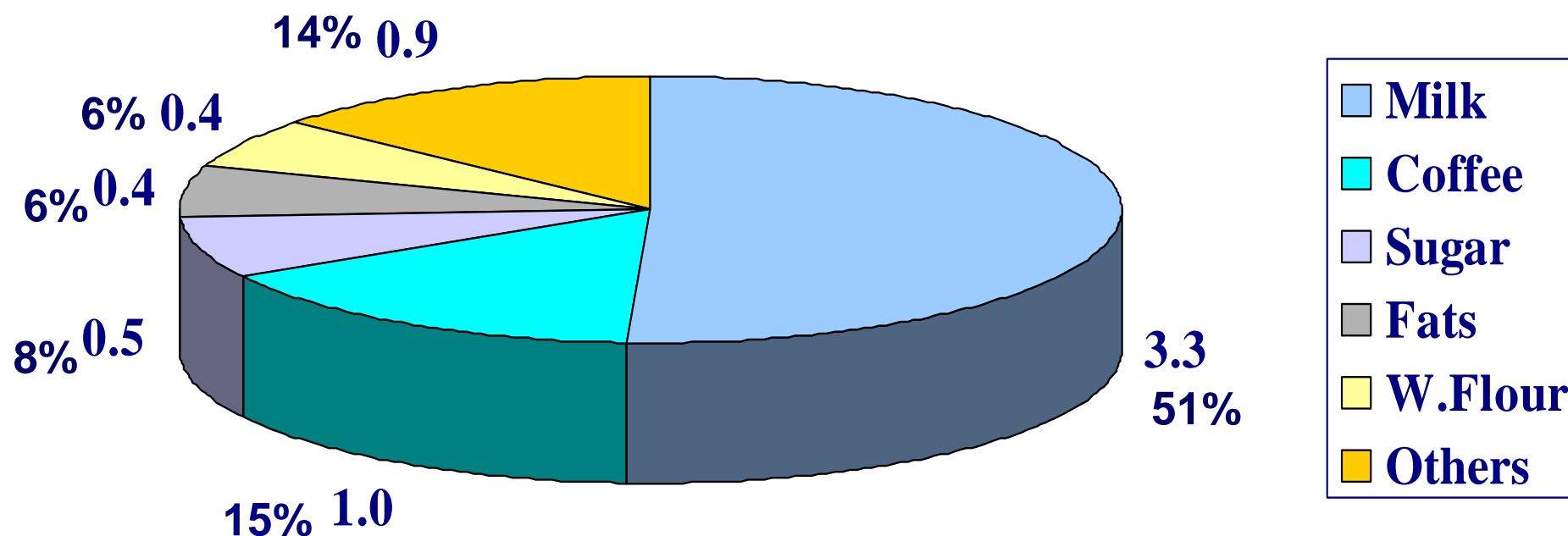


Total = INR 8.4 Bio.

Key Raw Materials (Jan-Sep)



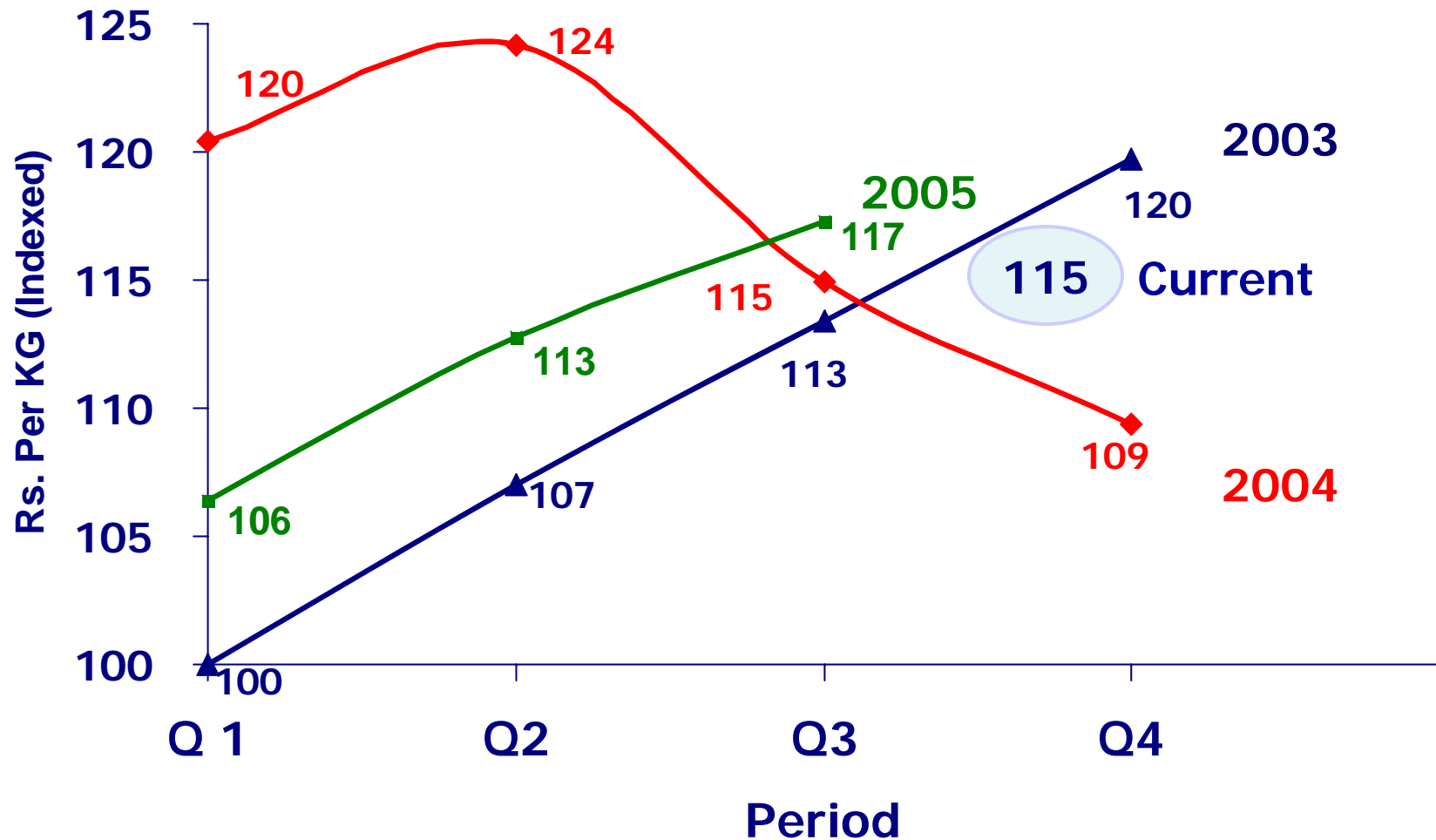
INR Mio.



Total = INR 6.5 Bio.

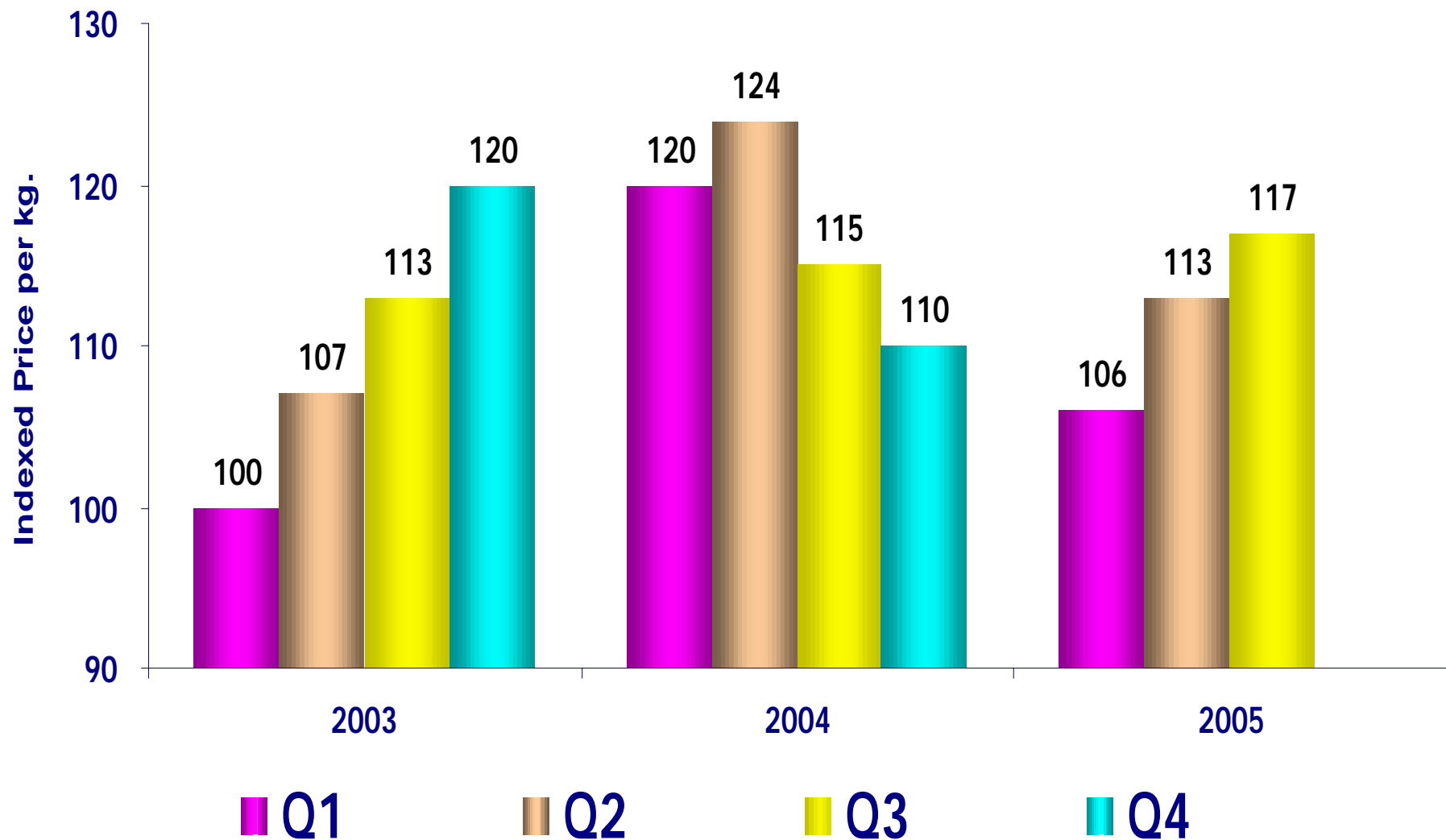
Basis International Accounting Standards

Evolution – Milk Solid Prices (INR 3,301 mio, 51% of raw materials)



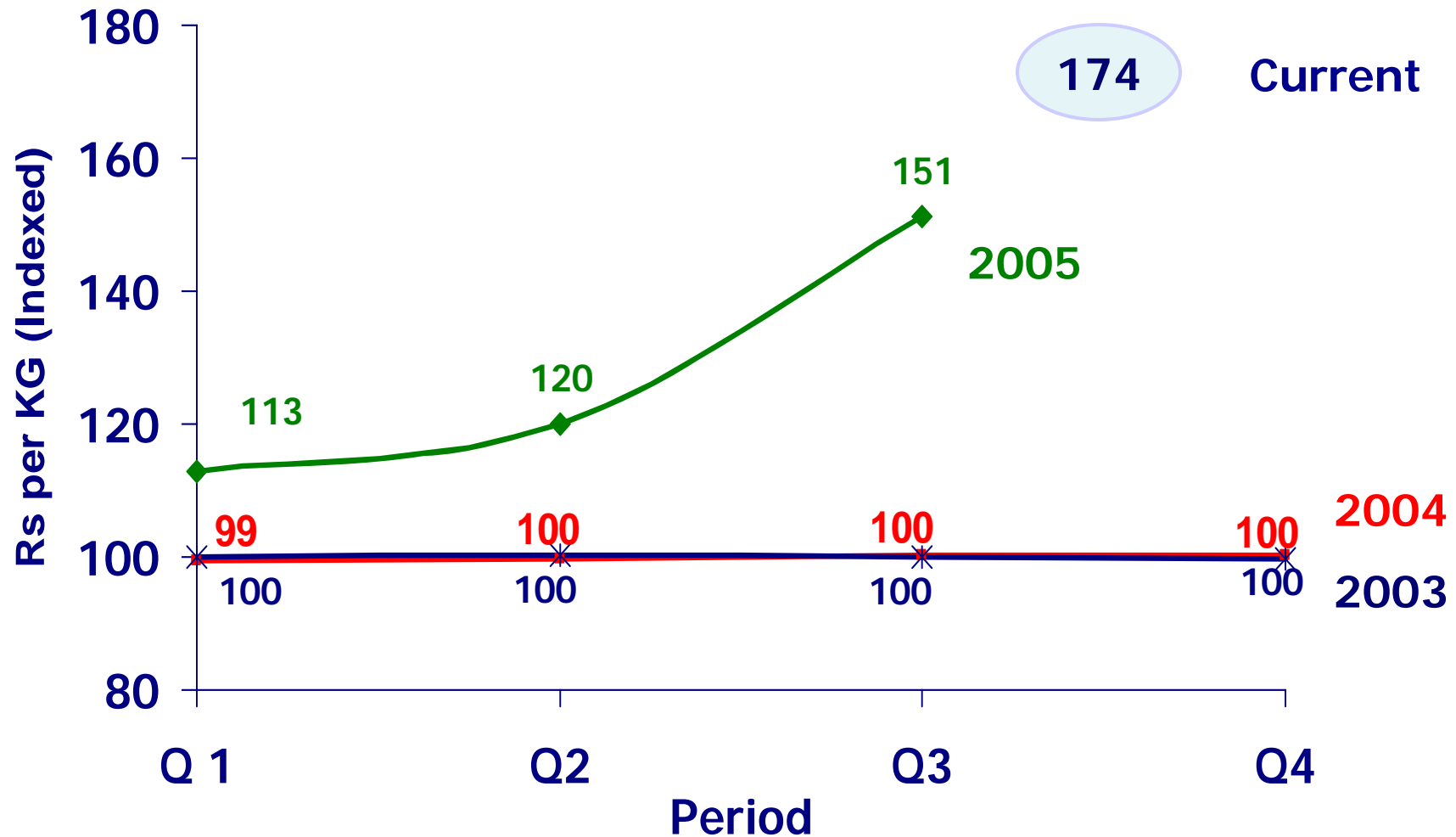
Milk Fat Prices

(INR 3,301 mio, 51% of raw materials)



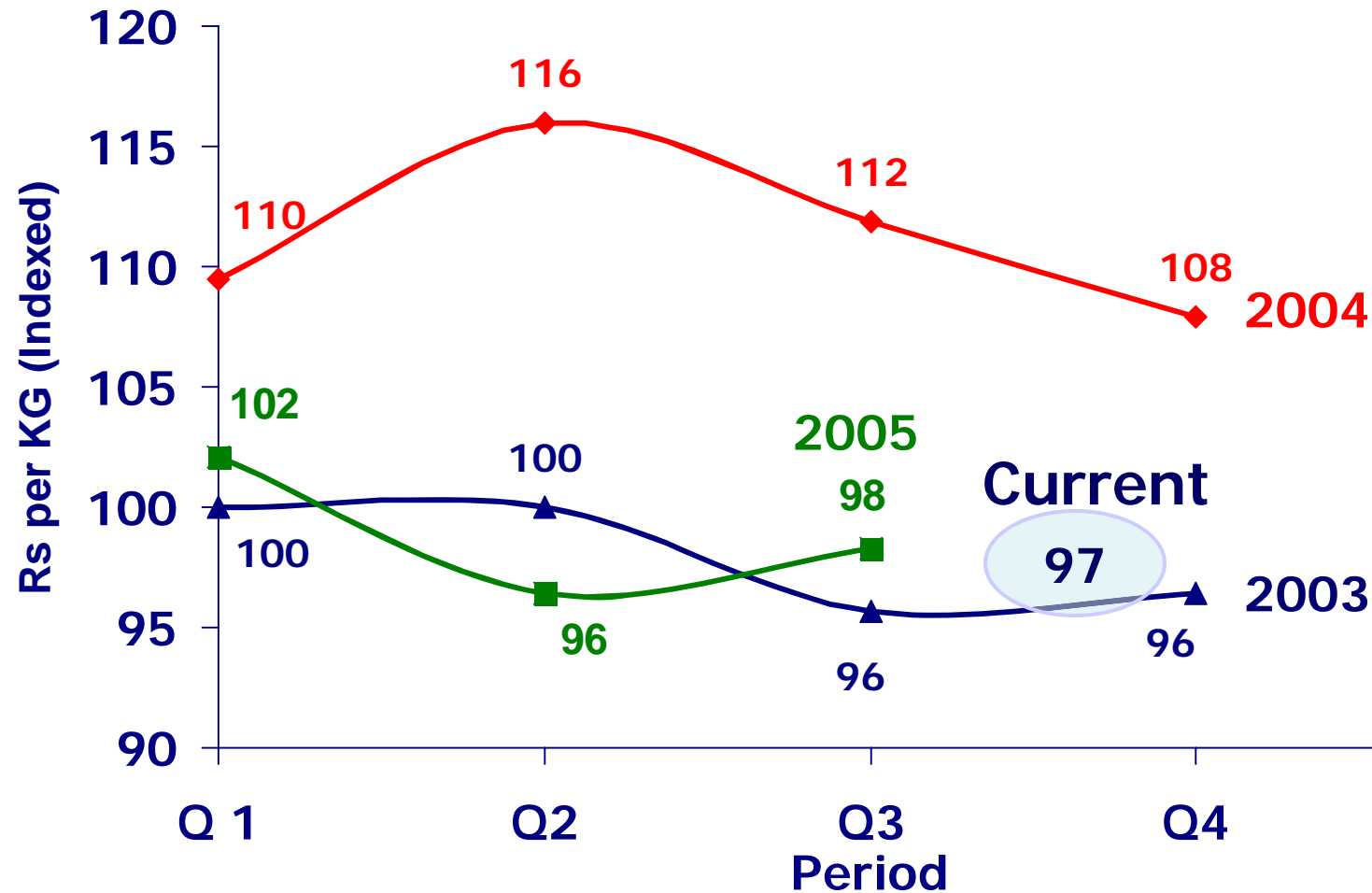
Evolution – Green Coffee Prices

(INR 961 mio, 15% of raw materials)



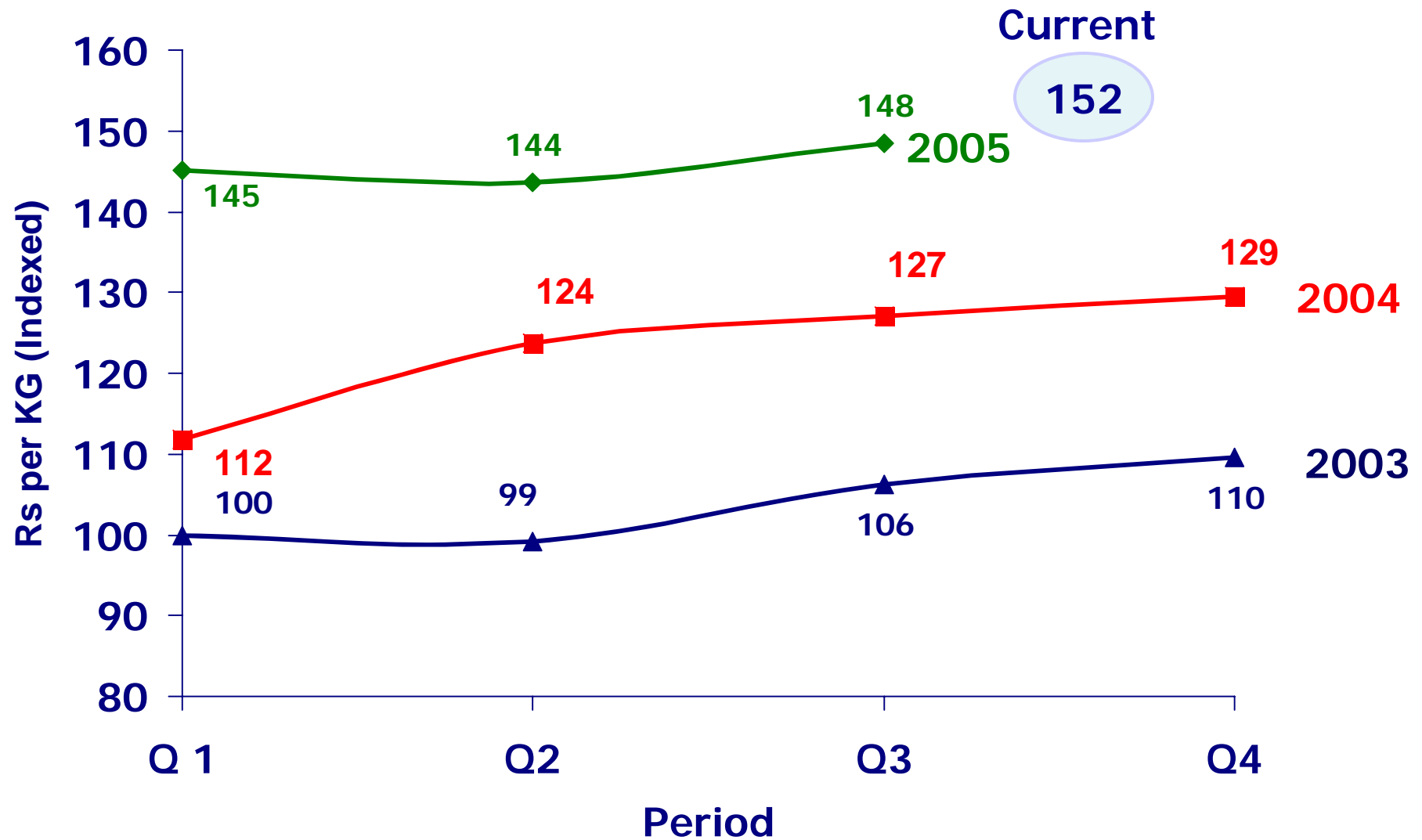
Evolution – Vegetable Oil Prices

(INR 396 mio, 6% of raw materials)



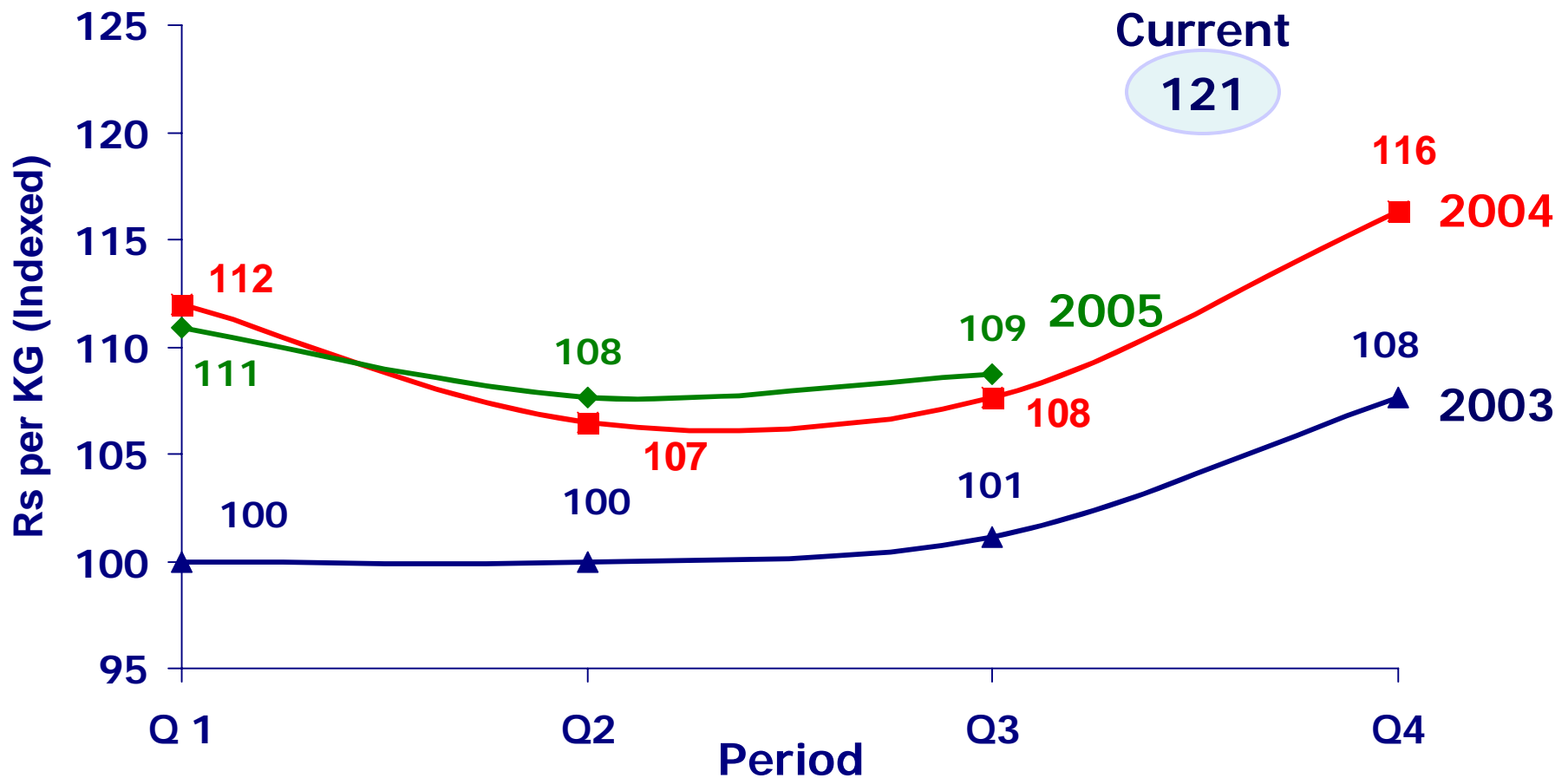
Evolution - Sugar Prices

(INR 504 mio, 8% of raw materials)



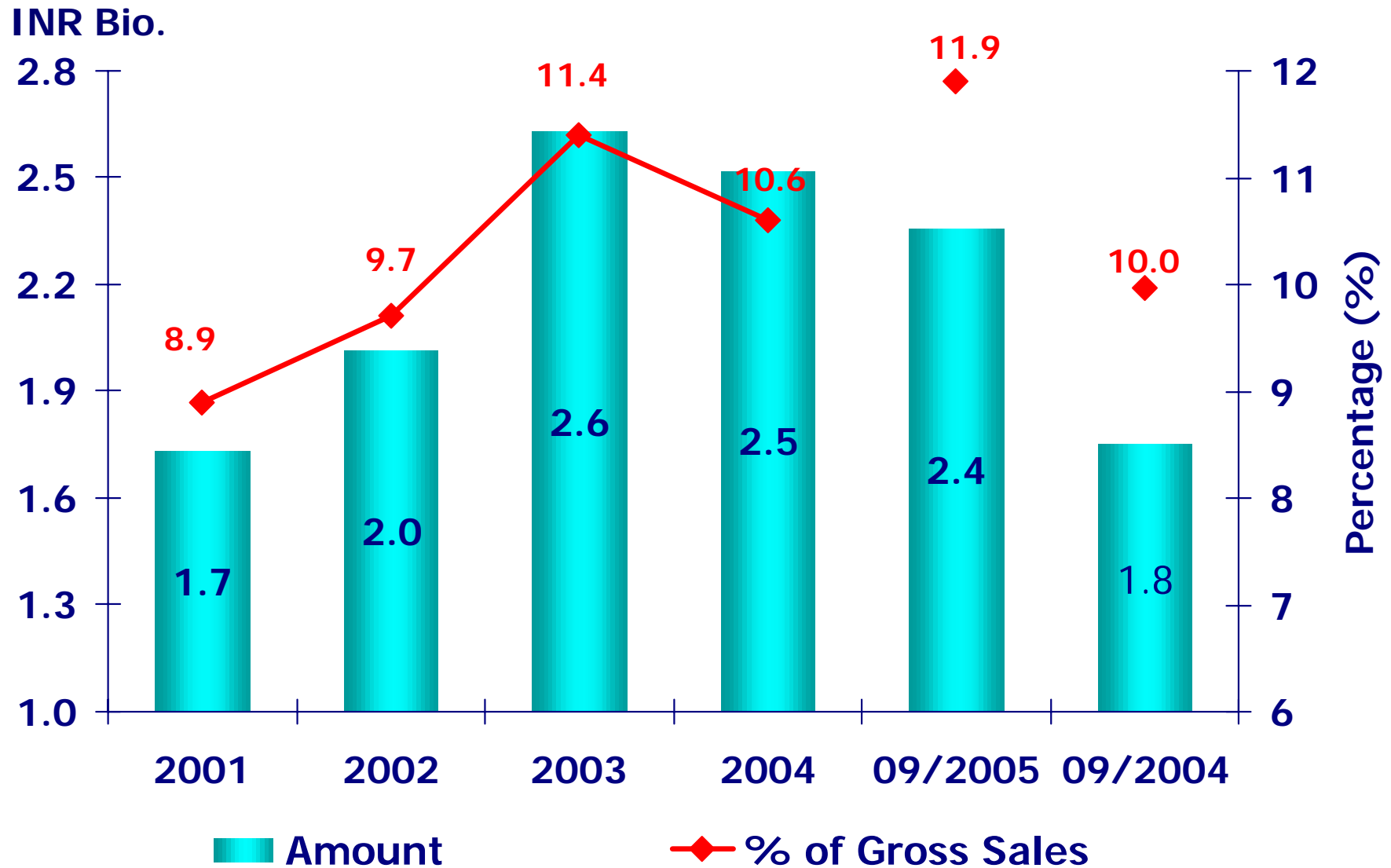
Evolution – Wheat Flour Prices

(INR 395 mio, 6% of raw materials)



NET PROFIT MARGIN

Evolution of Net Profit Margins



Net Profit Margins (Jan-Sep)



% of Gross Sales	2005	2004	Difference (Basis points)
EBITDA	20.5	18.0	250
NET PROFIT	11.9	10.0	190

WORKING CAPITAL INTENSITY

Operating Working Capital



INR Mio

	30-Sep 2005	30-Sep 2004
Trade receivables	419	414
Inventories	2,142	2,188
Less: Trade Payables #	1,715	1,513
Net capital tied up	846	1,089
As % of Gross Sales	4.2%	4.6%

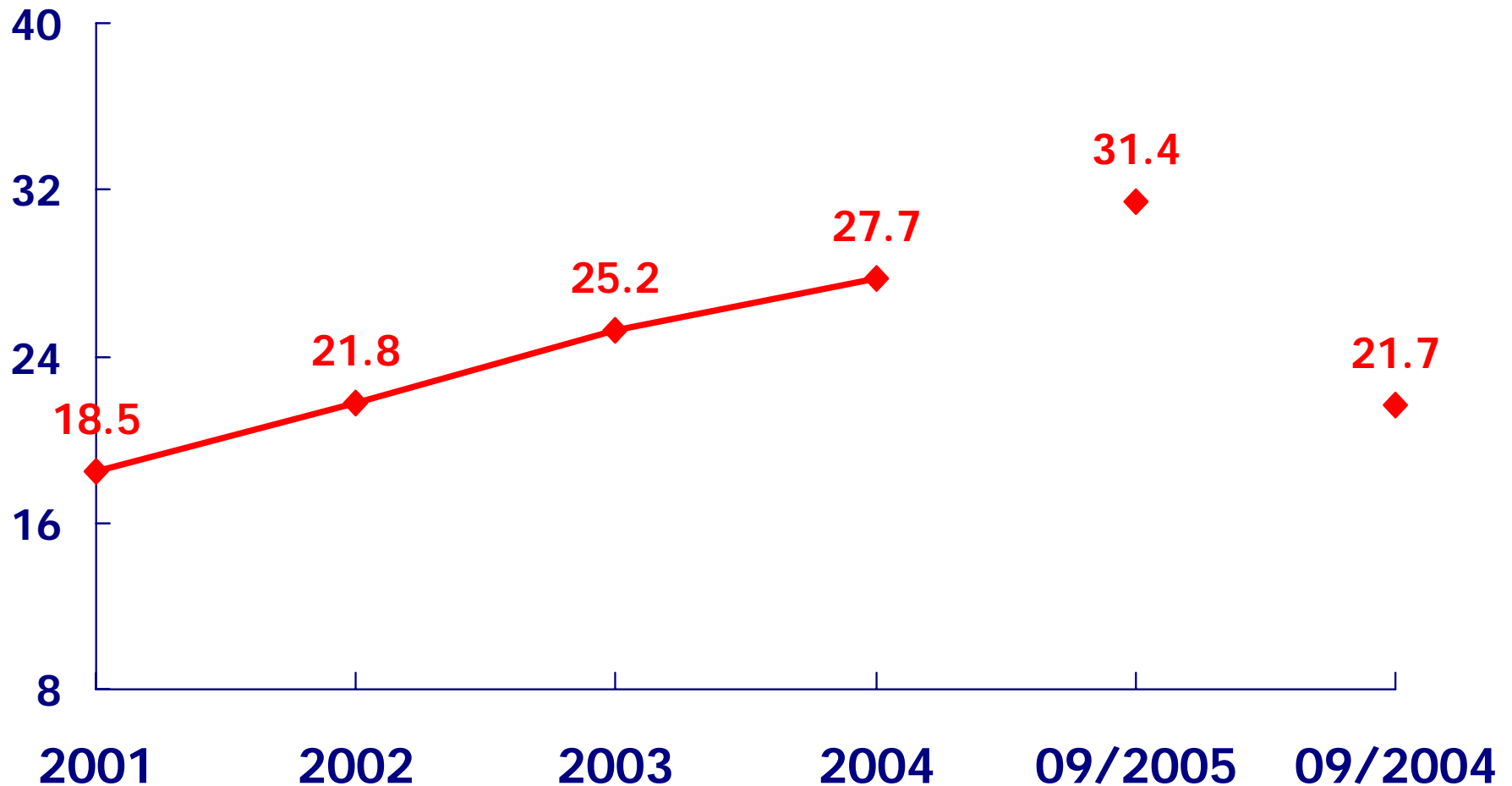
Basis International Accounting Standards & Average of two period ends

Excludes any exceptional payable, if any

Rotation of Operating Working Capital*



Times



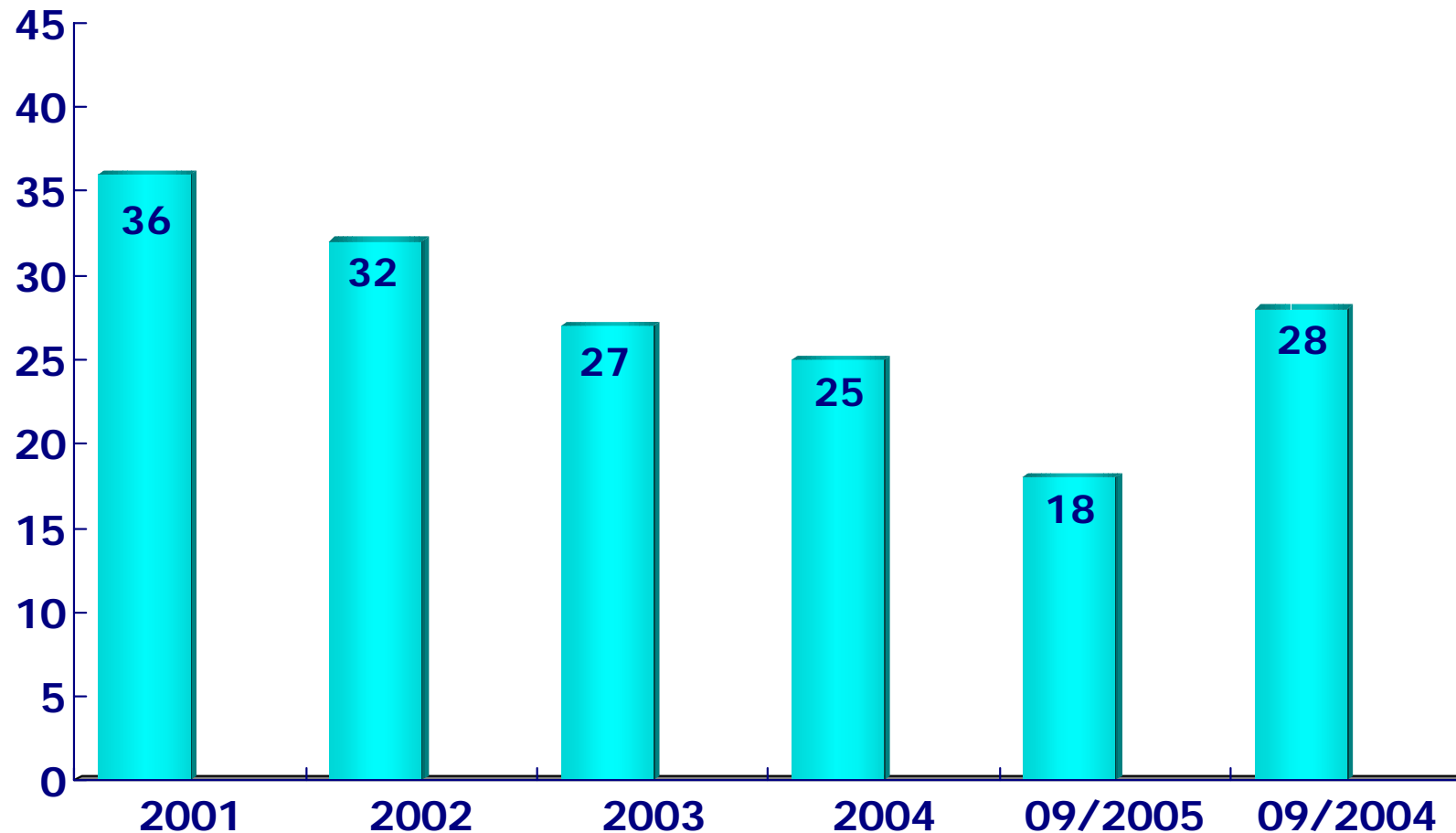
Basis International Accounting Standards & Average of two period ends

* In relation to total sales

Cash Conversion Cycle



Days

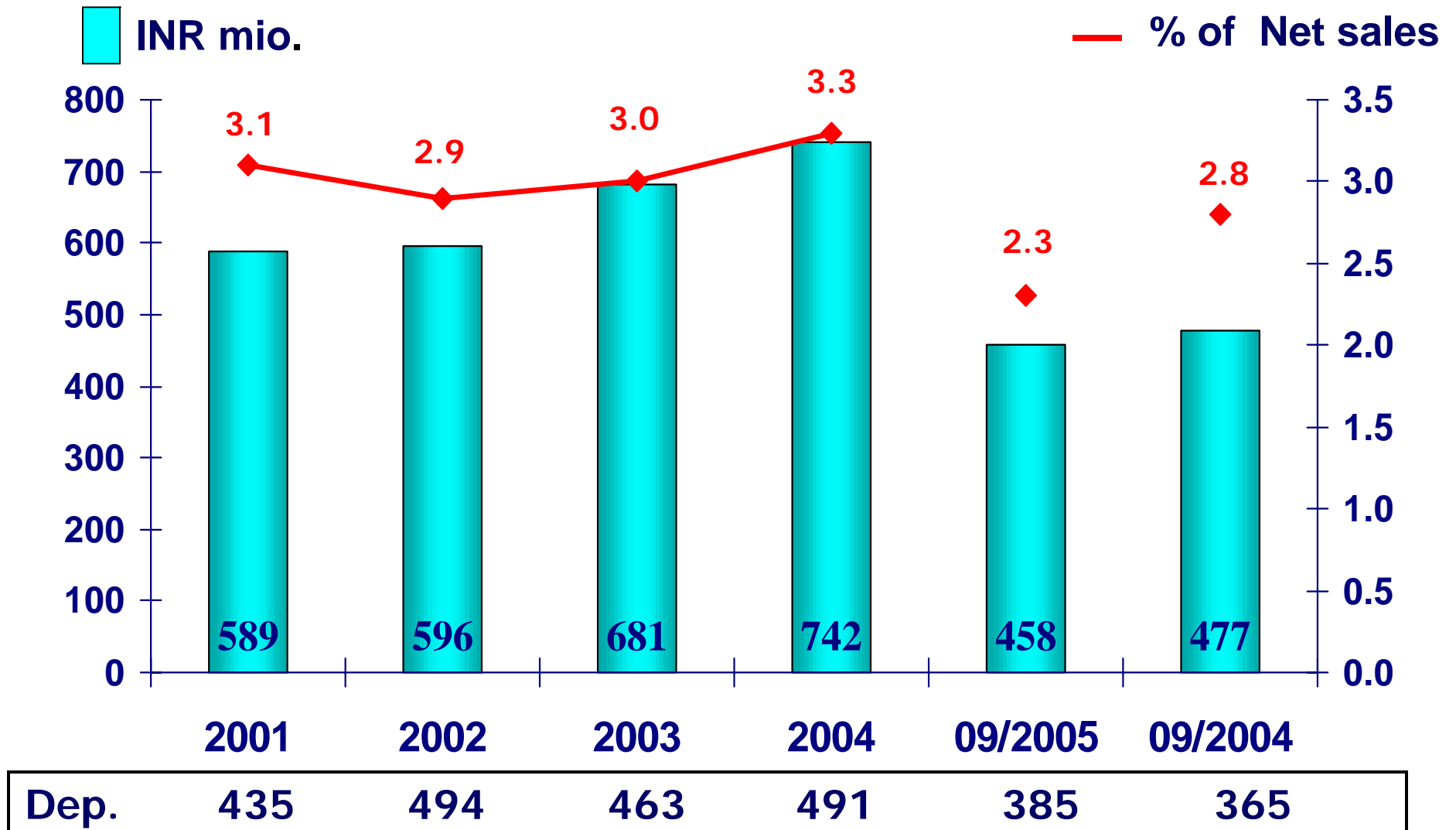


$$(\text{Avg trade receivables/sales} \times 365) + (\text{Avg inventory/COGS} \times 365) - (\text{AVG trade payables/COGS} \times 365)$$

Basis International Accounting Standards

FIXED CAPITAL INTENSITY

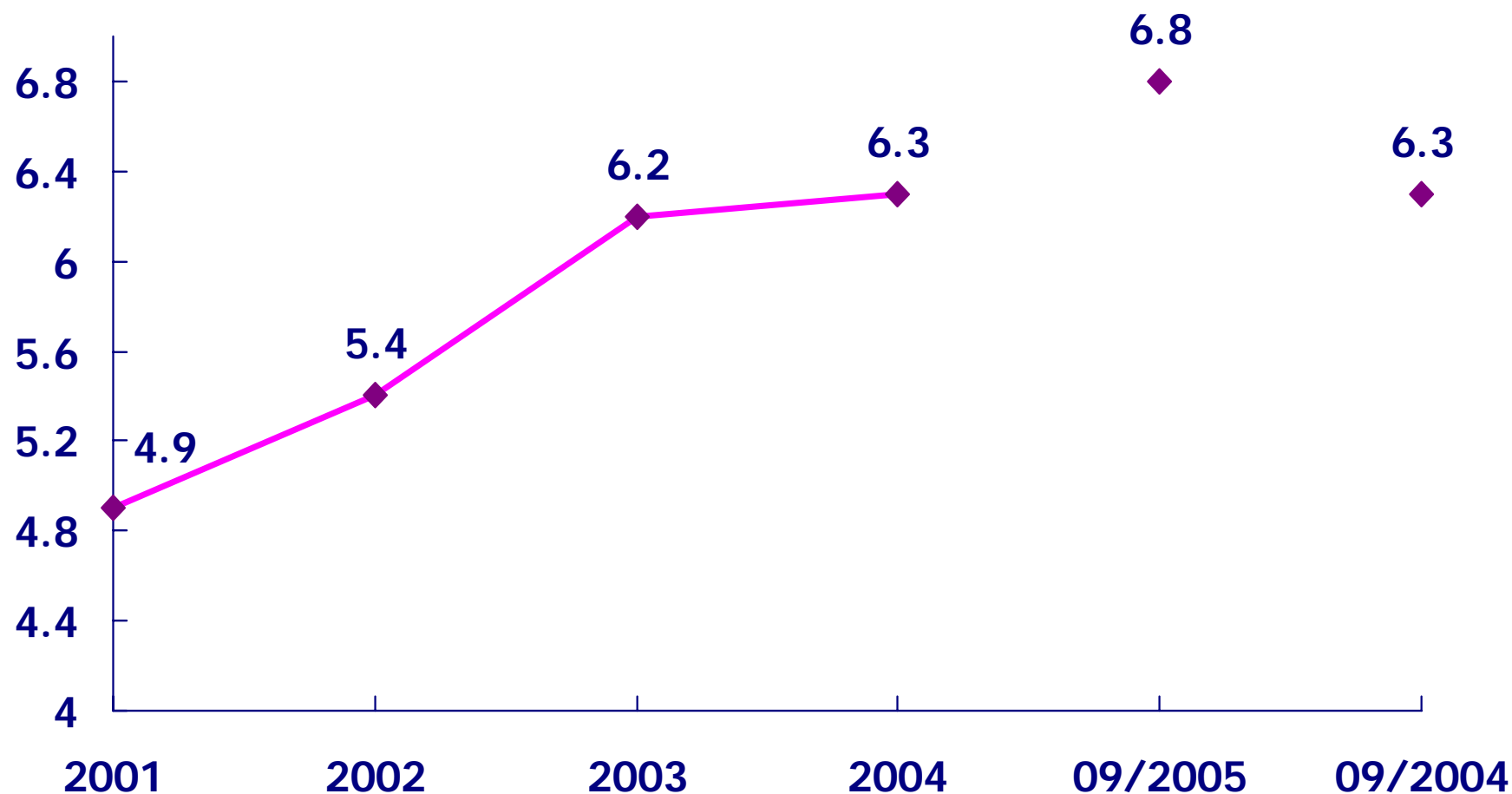
Investment in Tangible Fixed Assets



Rotation of Tangible Fixed Assets



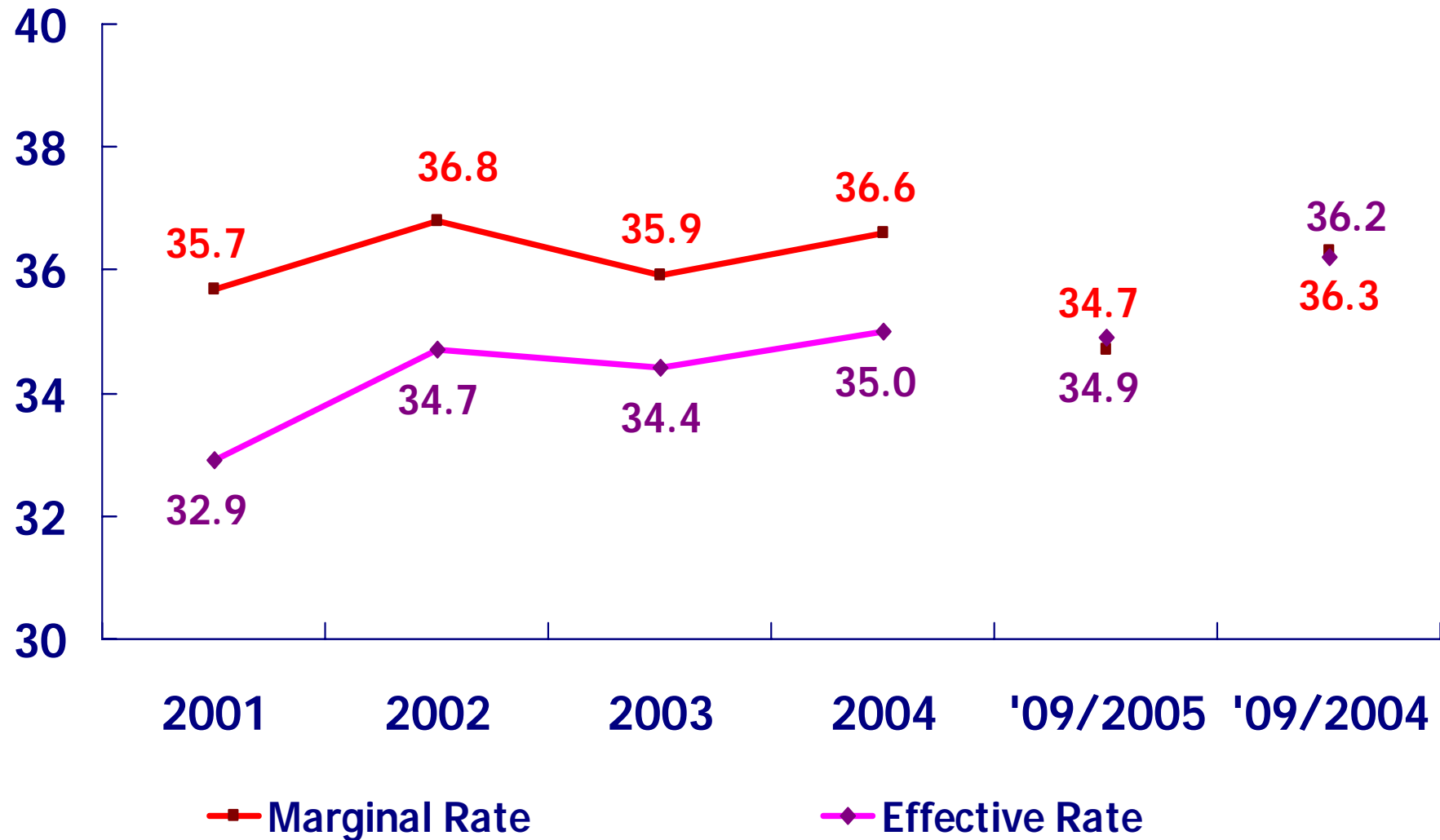
Times



Basis International Accounting Standards & average of two period ends

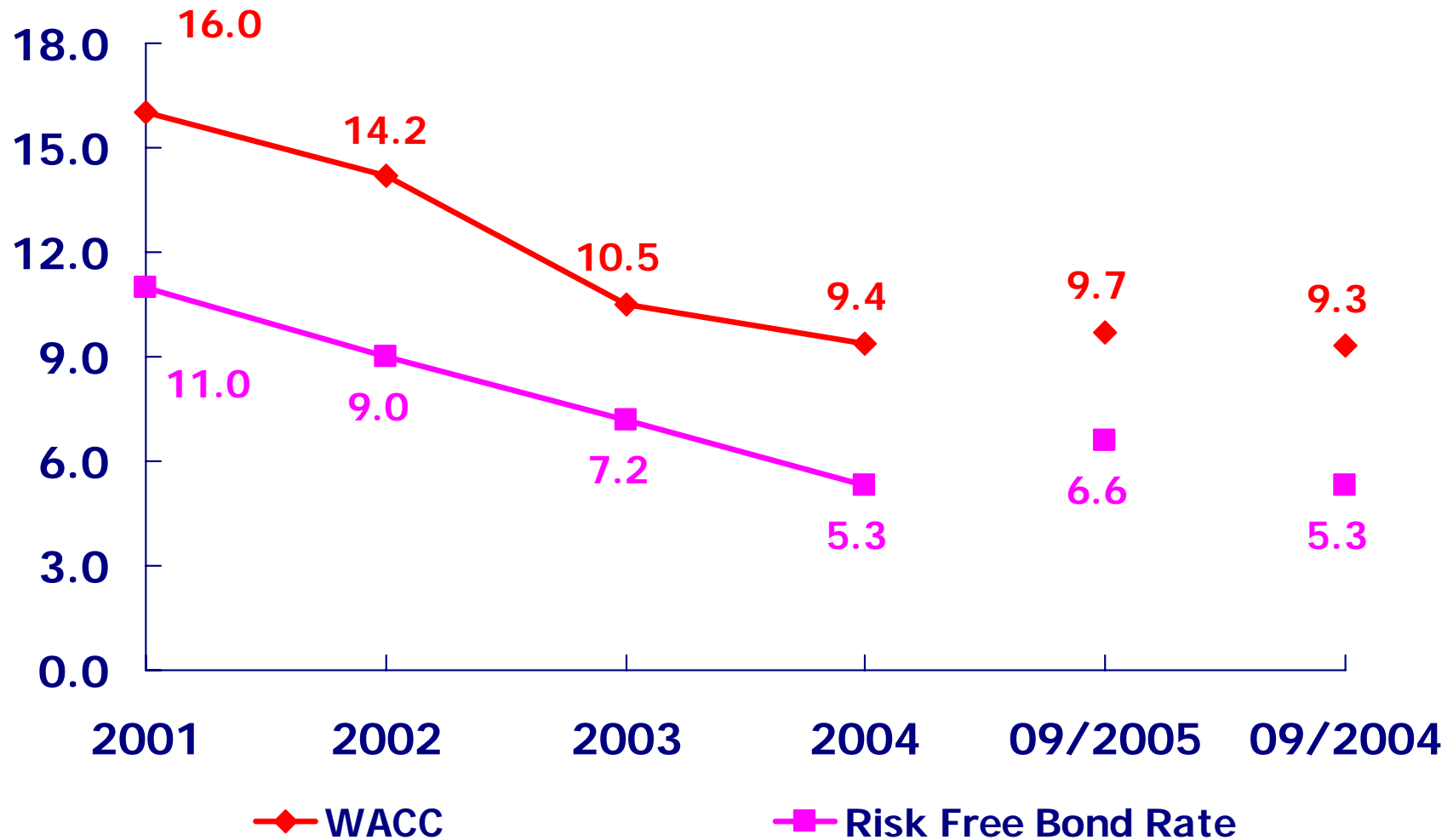
INCOME TAX RATE

Evolution of Tax (as % of pre-tax profit)



COST OF CAPITAL

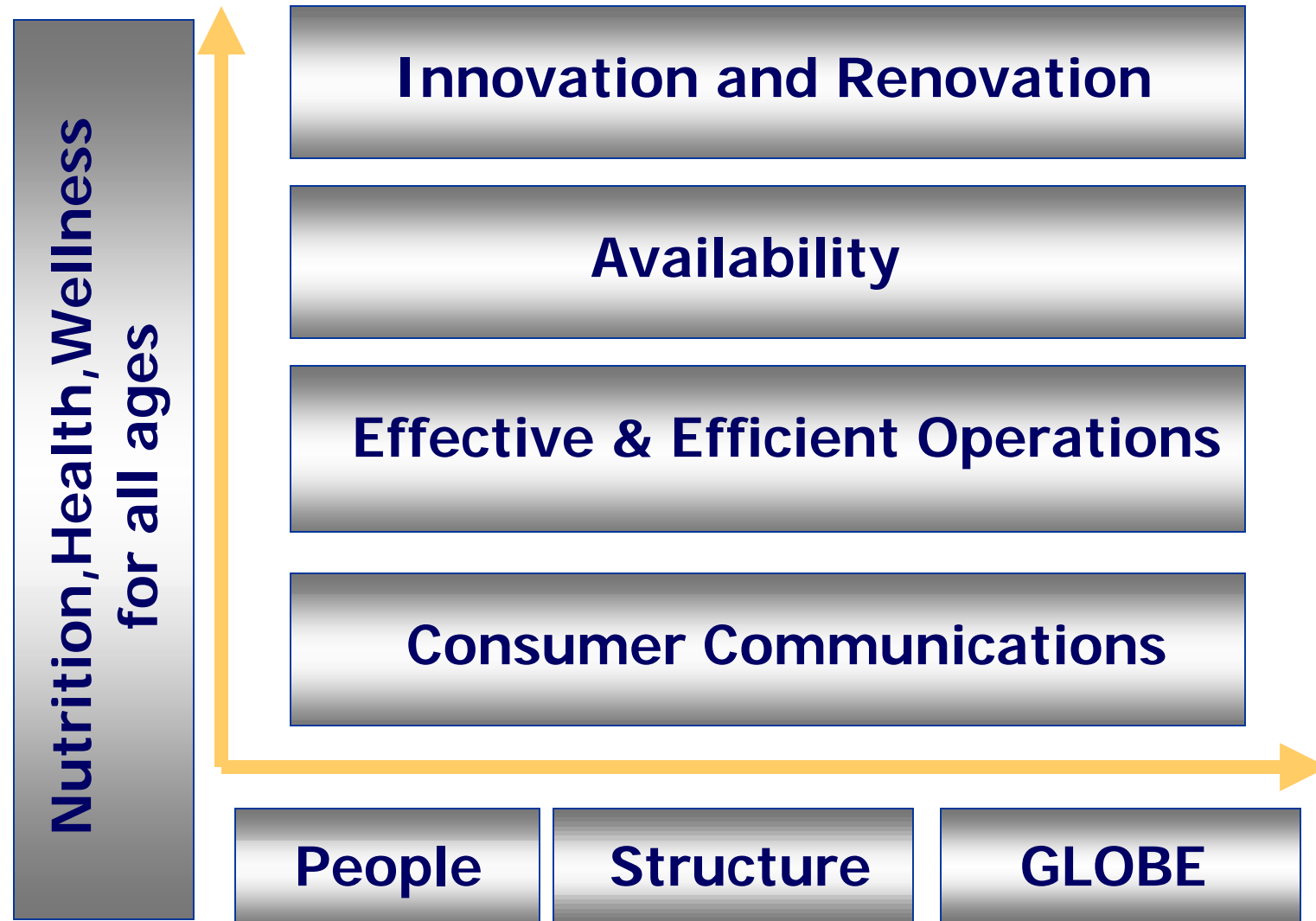
Evolution of WACC - %



Basis International Accounting Standards

VALUE GROWTH DURATION

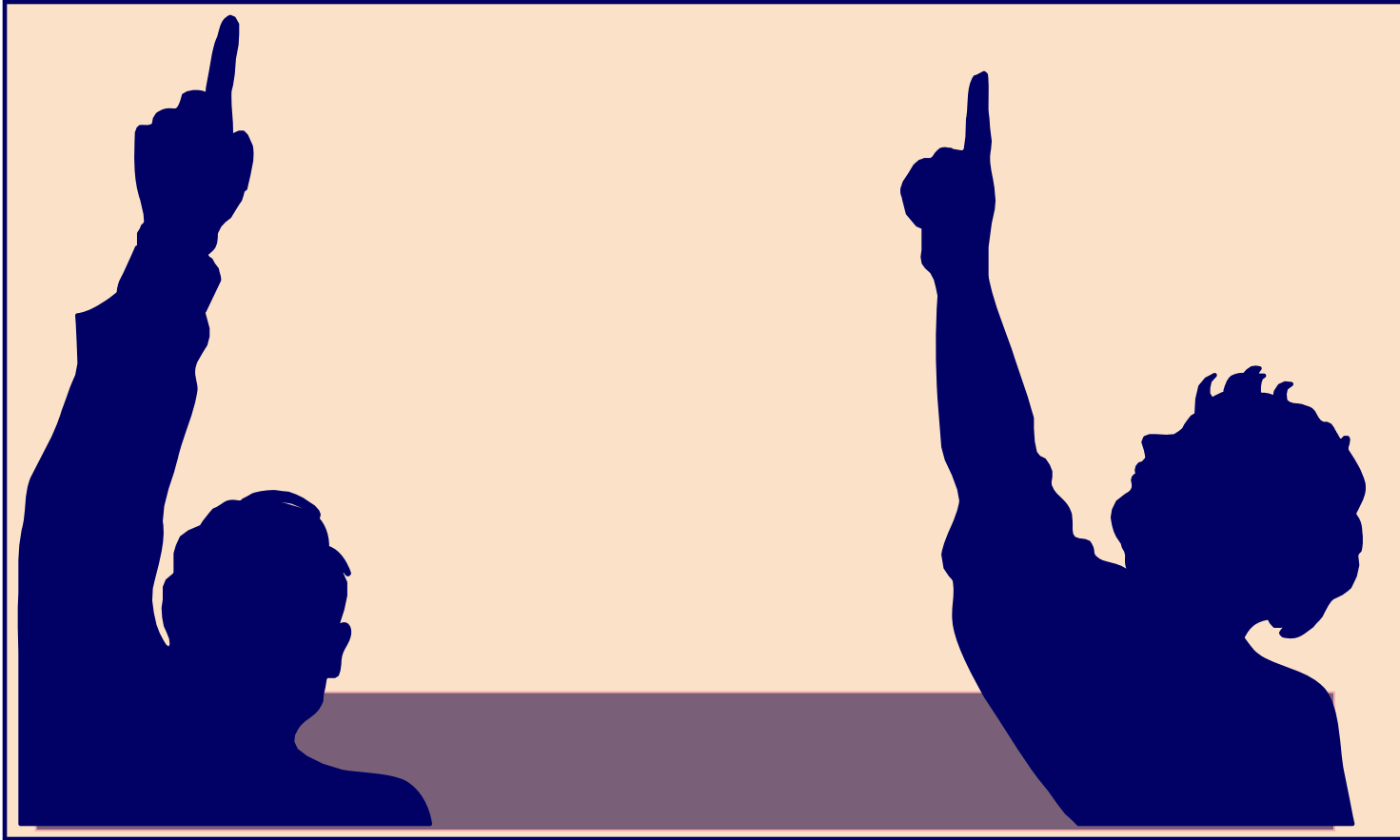
Value Growth Duration



Food Business

Social Responsibility

QUESTIONS



Thank You

