

Nestlé India Limited

18th Financial Analysts' Meet



Gurgaon, 24th November 2010

Disclaimer

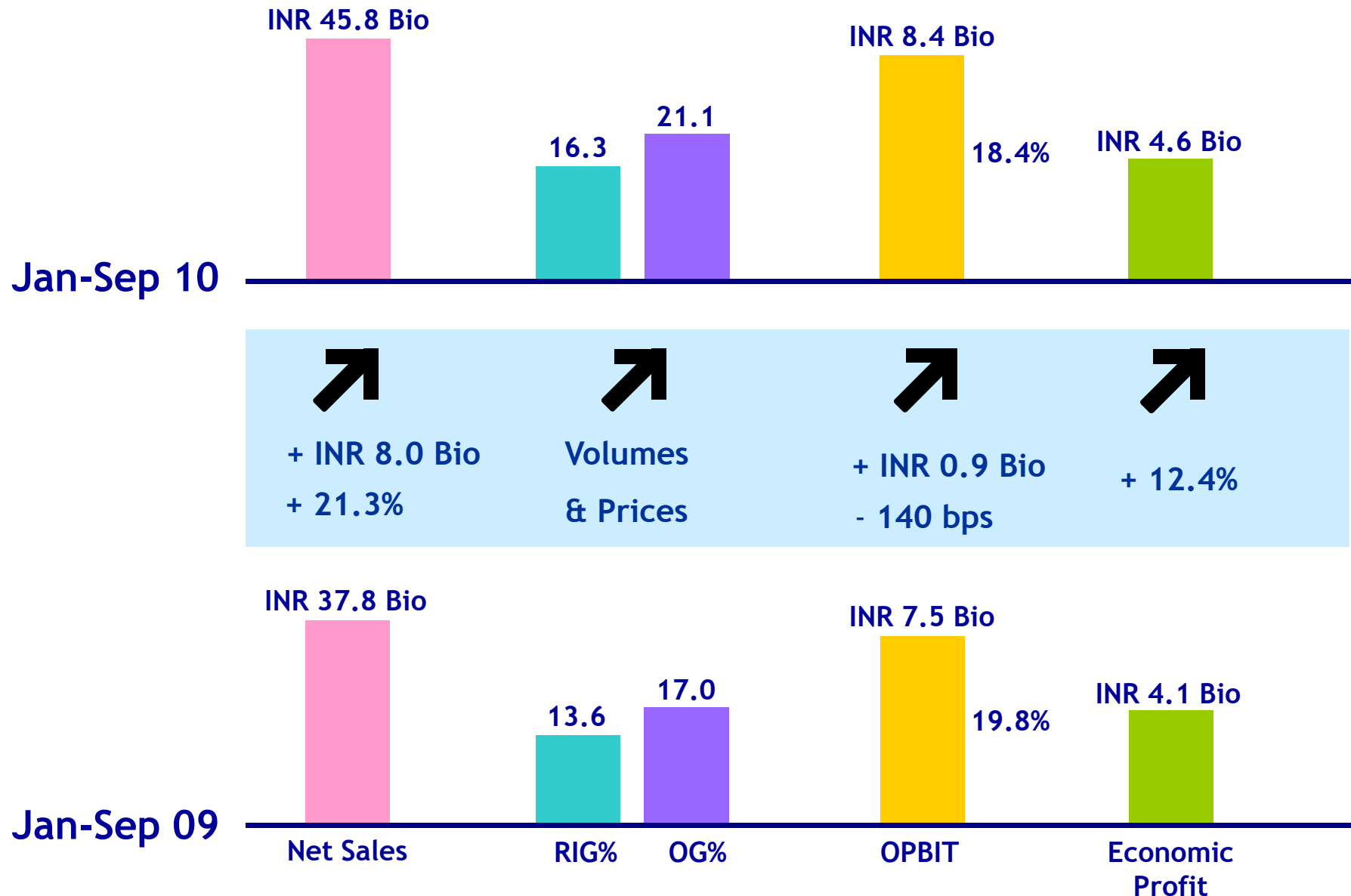
This presentation may contain statements which reflect Management's current views and estimates and could be construed as forward looking statements. The future involves certain risks and uncertainties that could cause actual results to differ materially from the current views being expressed. Potential risks and uncertainties include such factors as general economic conditions, commodities and currency fluctuations, competitive product and pricing pressures, industrial relations and regulatory developments.

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

Calculations in this presentation are based on non-rounded figures.

Real Internal Growth (RIG) and Organic Growth (OG) are basis Nestlé Internal Reporting Standards in relation to third party sales only.

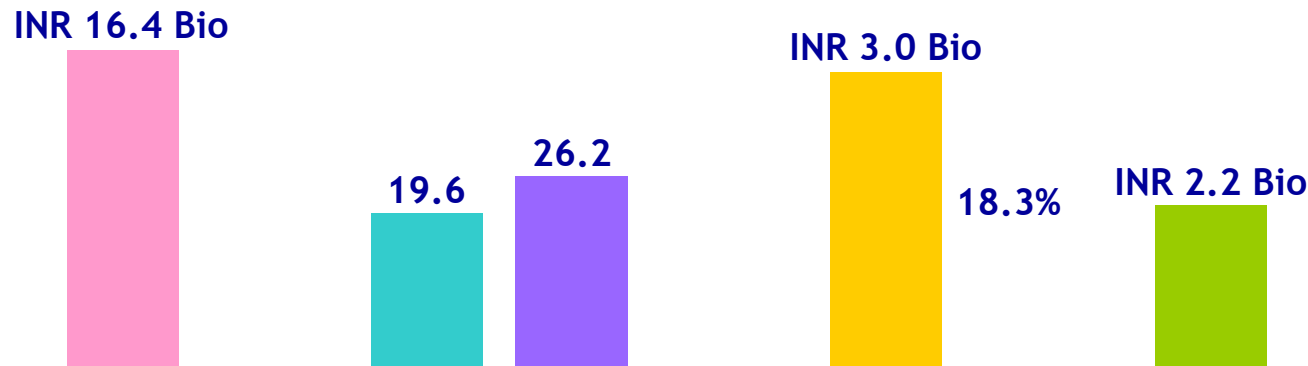
9 months highlights



Includes figures from Nestlé Internal Reporting Standards

3 months highlights

Jul-Sep 10



+ INR 3.4 Bio
+ 25.7%



Volumes
& Prices

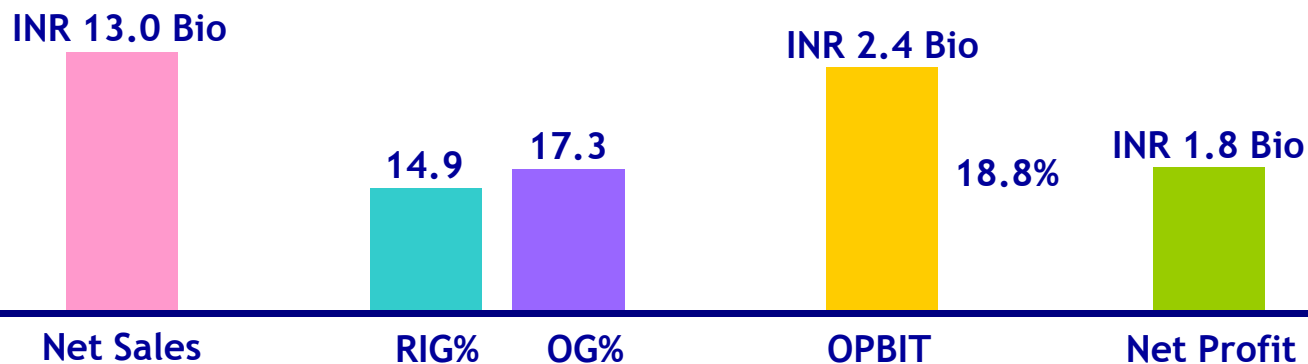


+ INR 0.6 Bio
- 50 bps



+ 19.6%

Jul-Sep 09



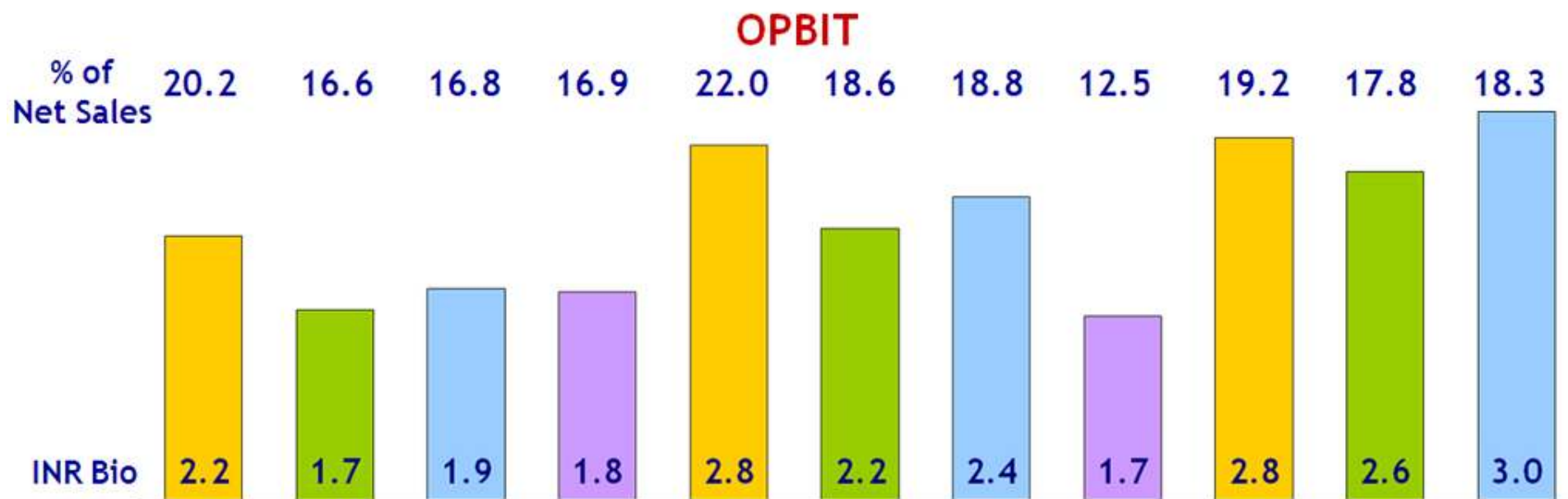
Includes figures from Nestlé Internal Reporting Standards

Quarter 3 in line with past trend...

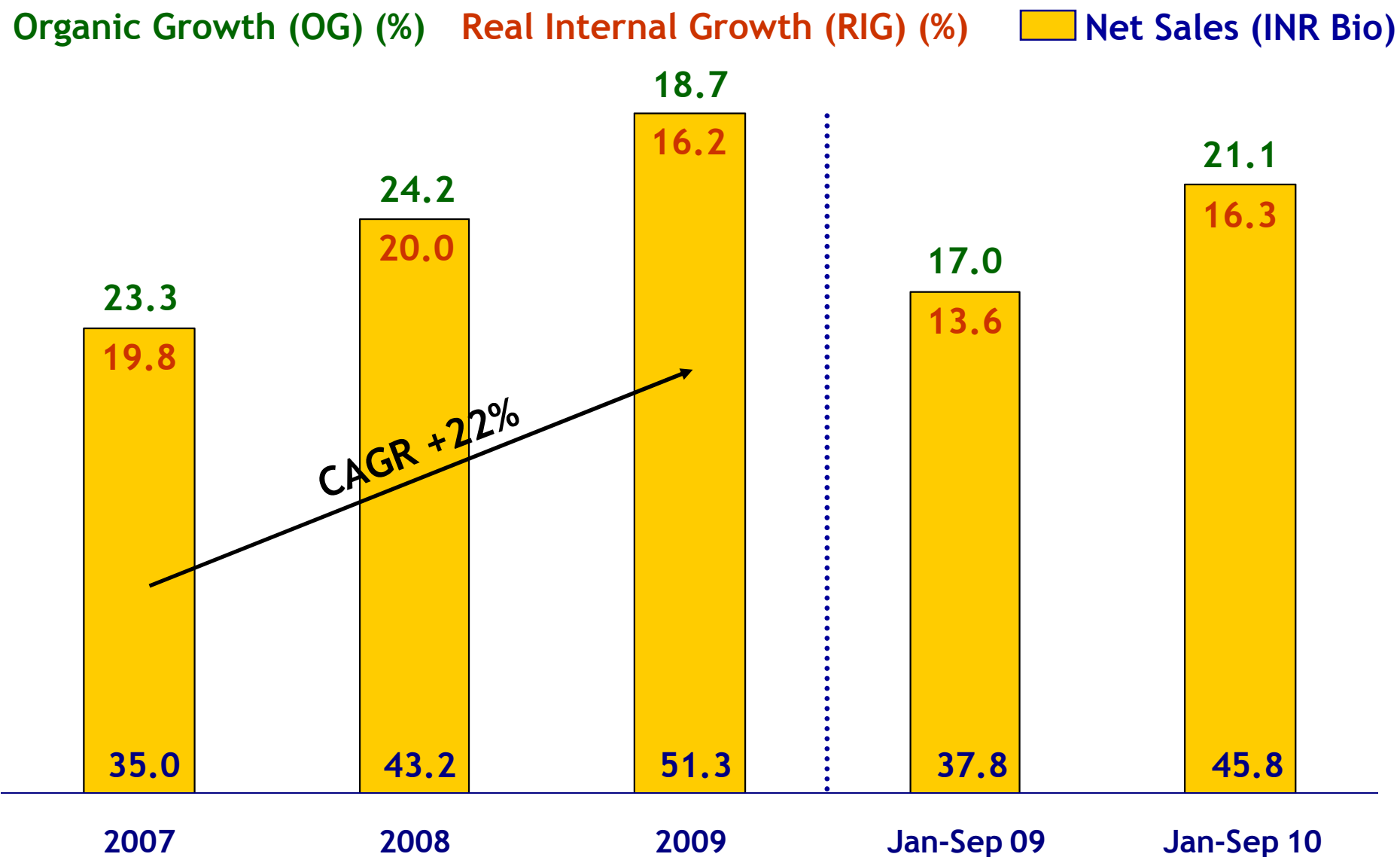
NET SALES



OPBIT



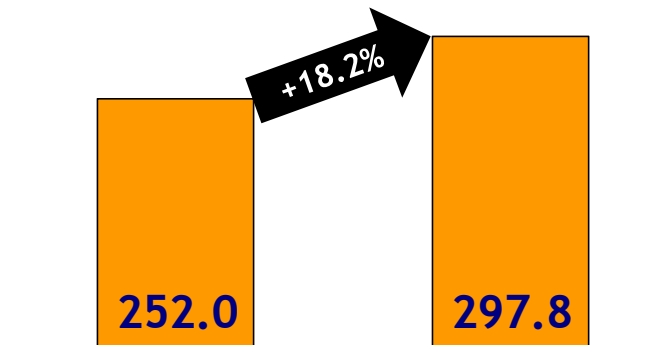
Healthy growth continues...



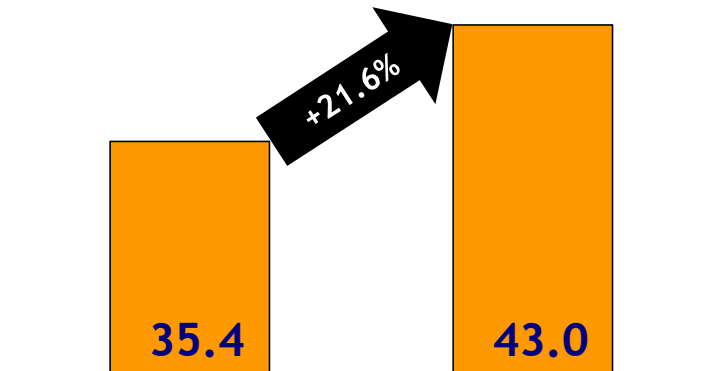
RIG & OG are basis Nestlé Internal Reporting Standards in relation to third party sales only

...based on consistent domestic performance...

Volume (000' Tons)

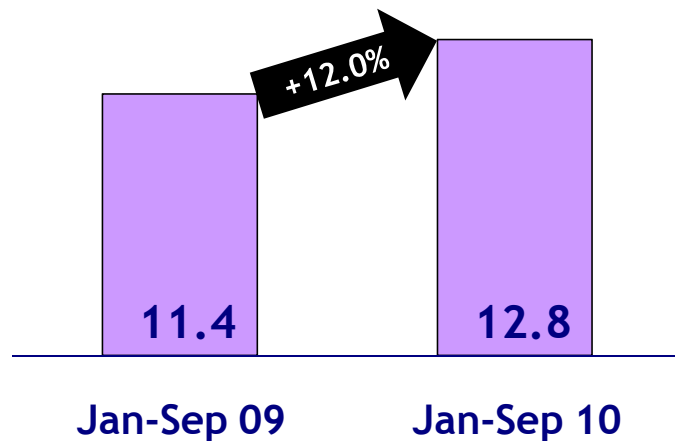


Value (INR Bio)

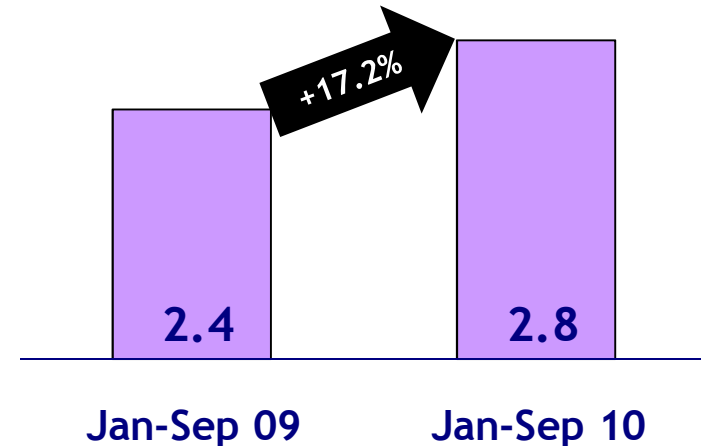


...and recovery in exports.

Volume (000' Tons)

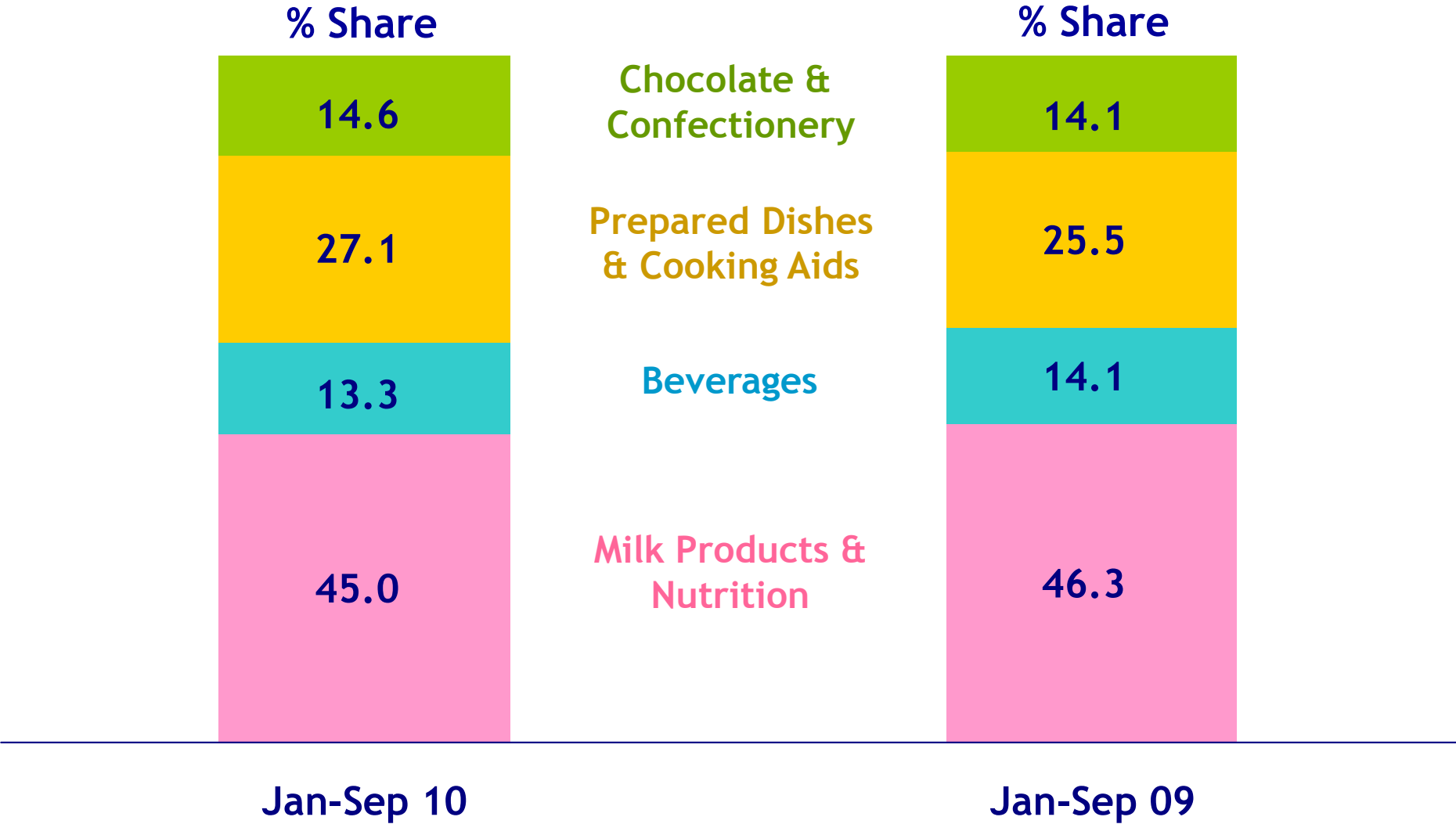


Value (INR Bio)



Sustained diversified portfolio across categories...

Contribution to Net Sales



...and segments....

PREMIUM

MAINSTREAM

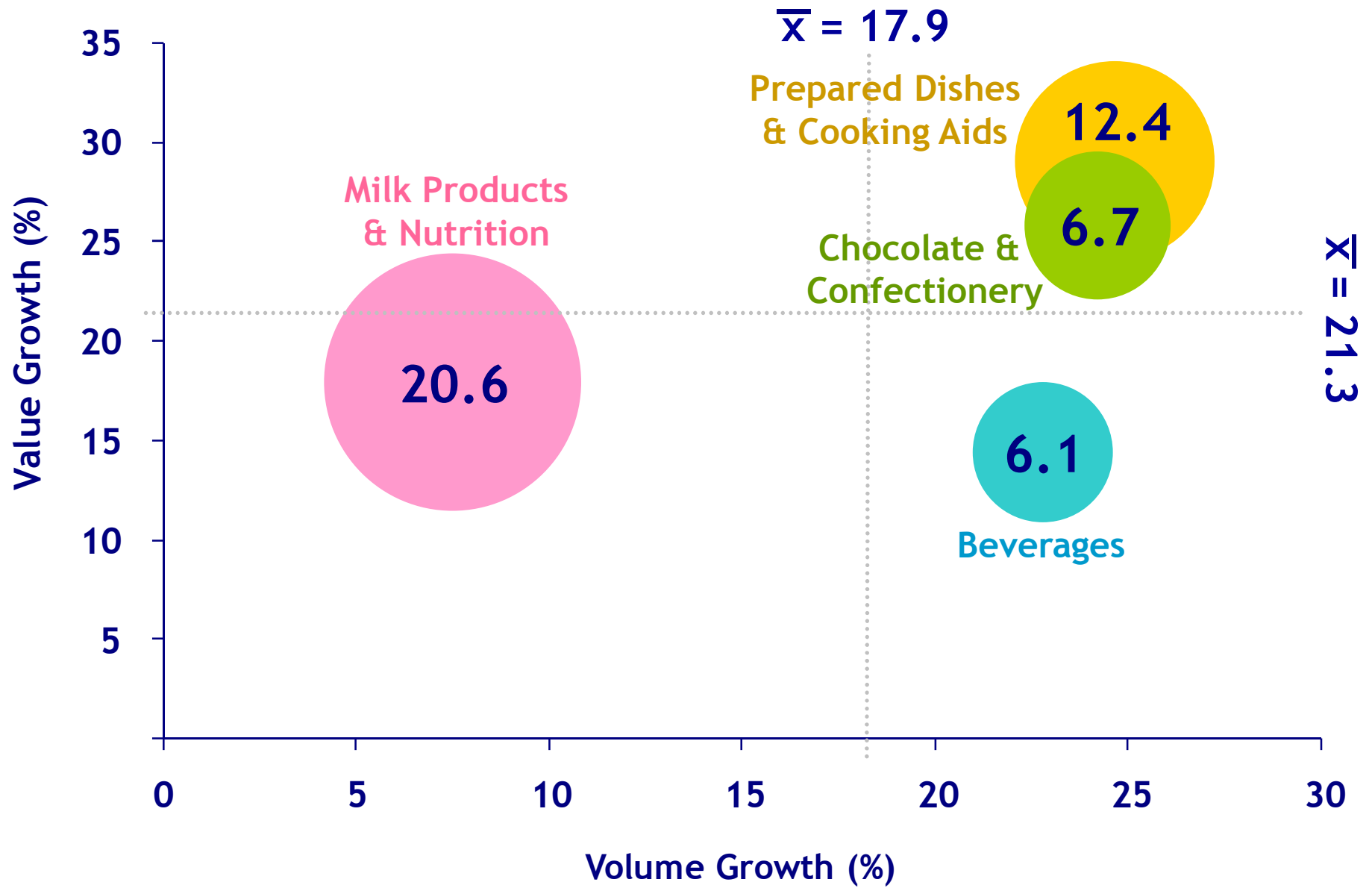
PPP



....through Billionaire Brands...



A balanced performance



Bubble shows Net Sales (INR Bio)

Jan-Sep 10

Milk Products & Nutrition

‘Phasing out non-strategic products / channels impact growth but improve realisations’

Innovation & Renovation



Sales (000' tons)



Sales (INR Bio)



Market Position (Value)

- No. 1 in Baby Foods & Infant Formula
- No. 1 in Dairy Whitener & Sweetened Condensed Milk

Contribution 45.0%

Jan-Sep 09 Jan-Sep 10

Jan-Sep 09 Jan-Sep 10

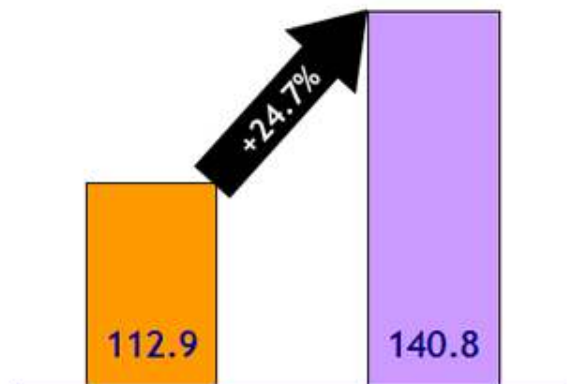
Prepared Dishes & Cooking Aids

‘Unfazed by competition’

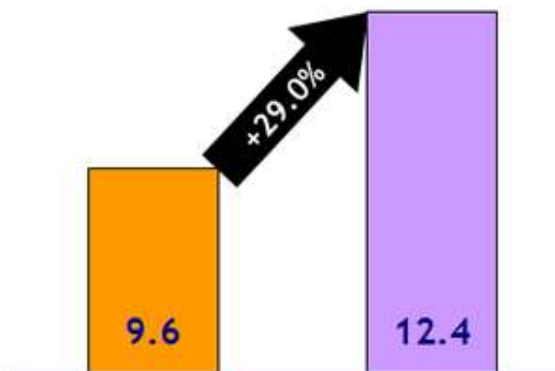
Innovation & Renovation



Sales (000' tons)



Sales (INR Bio)



Market Position (Value)

- No. 1 in Instant Noodles, Sauces & Pasta
- No. 2 in Healthy Soups

Contribution 27.1%

Beverages

'Exports improves overall performance, domestic business picks up in Q3'

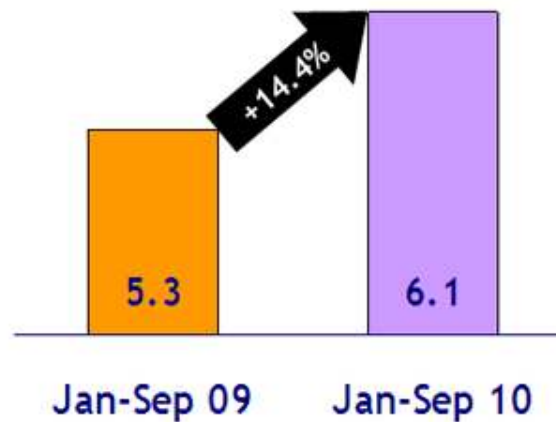
Innovation & Renovation



Sales (000' tons)



Sales (INR Bio)



Market Position (Value)

- No. 1 in Instant Coffee
- Very strong presence in Vending

Contribution 13.3%

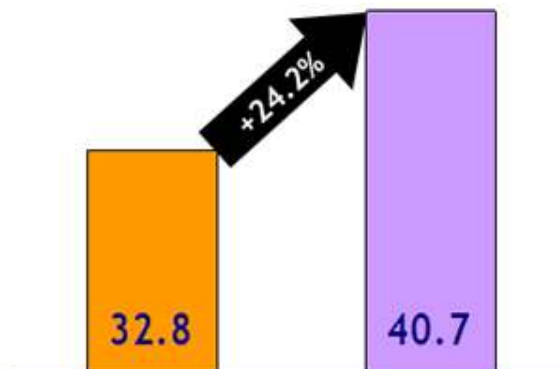
Chocolate & Confectionery

'Wide spread growth and I&R focus'

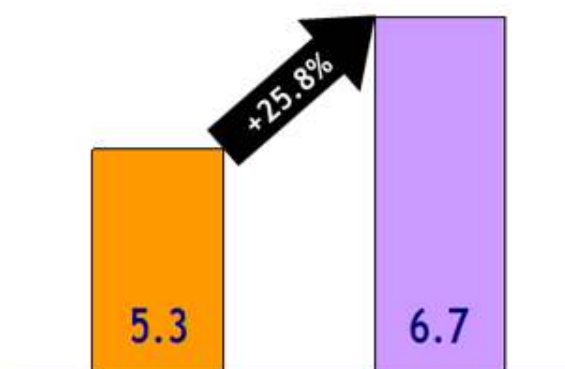
Innovation & Renovation



Sales (000' tons)



Sales (INR Bio)



Market Position (Value)

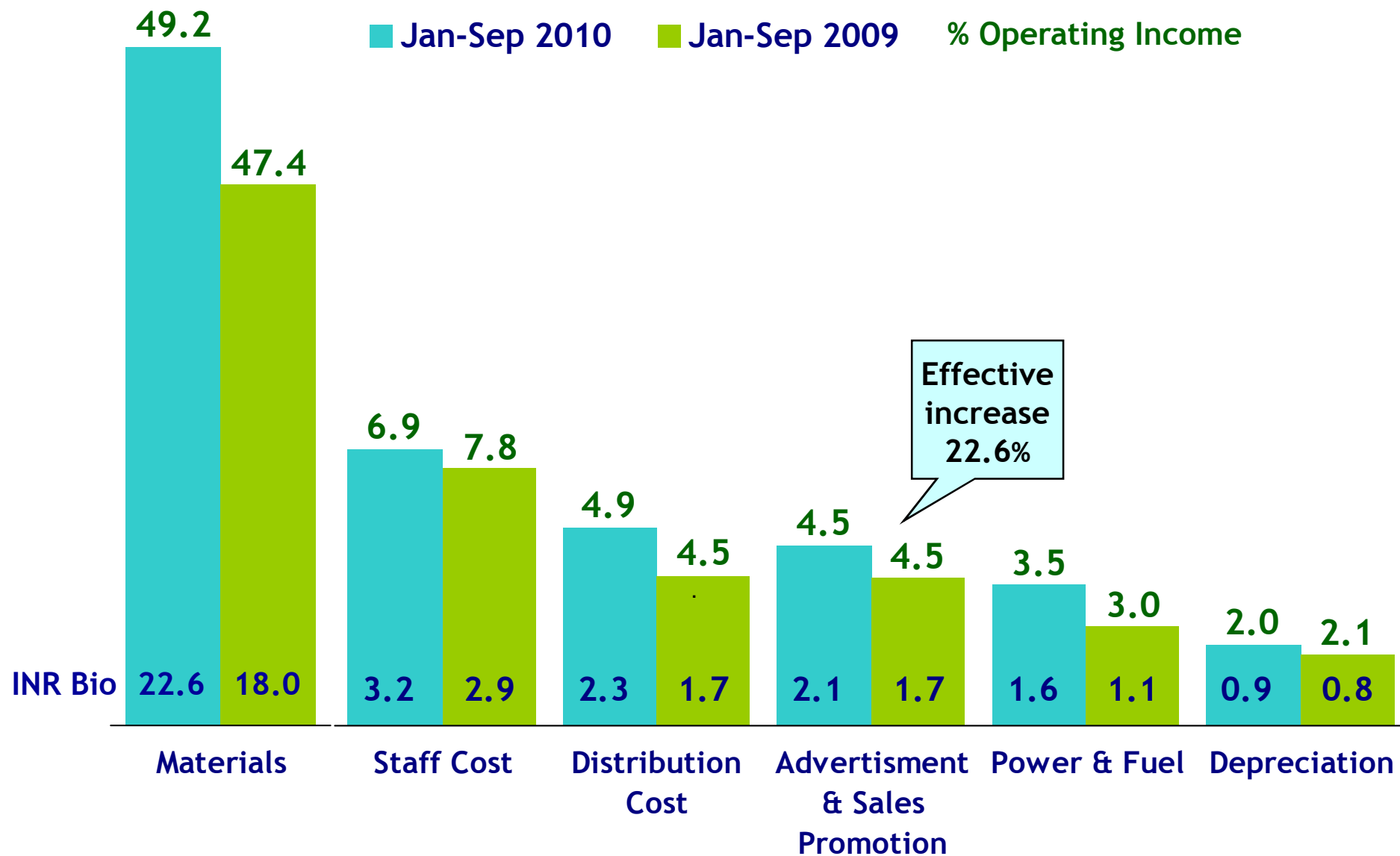
- No. 1 in Wafers and Whites
- Leading player in Éclairs

Jan-Sep 09 Jan-Sep 10

Jan-Sep 09 Jan-Sep 10

Contribution 14.6%

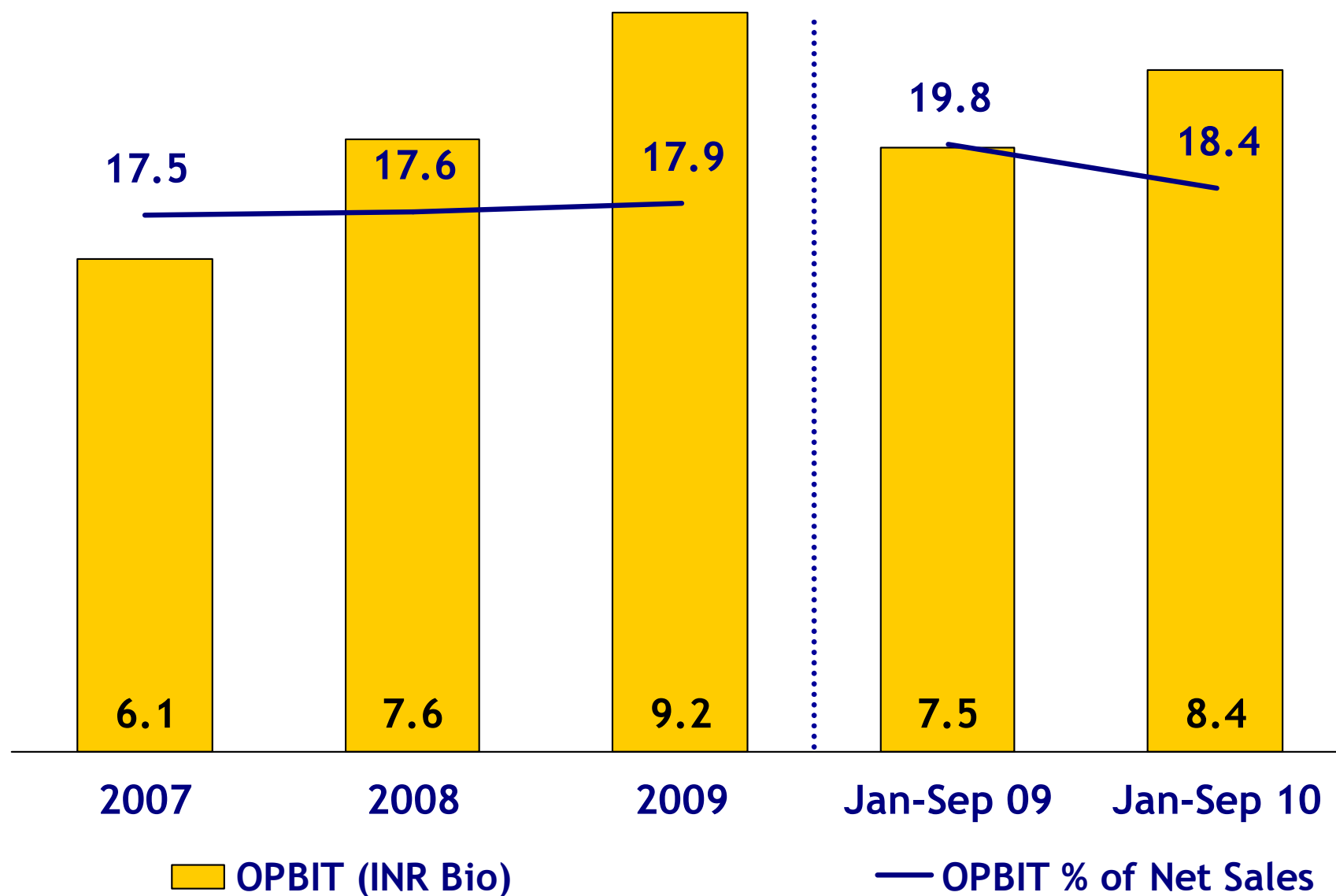
Our Cost Structure



Figures have been regrouped / reclassified to make them comparable.

Not to scale

High commodity prices impact margins... but margins remain healthy and have...

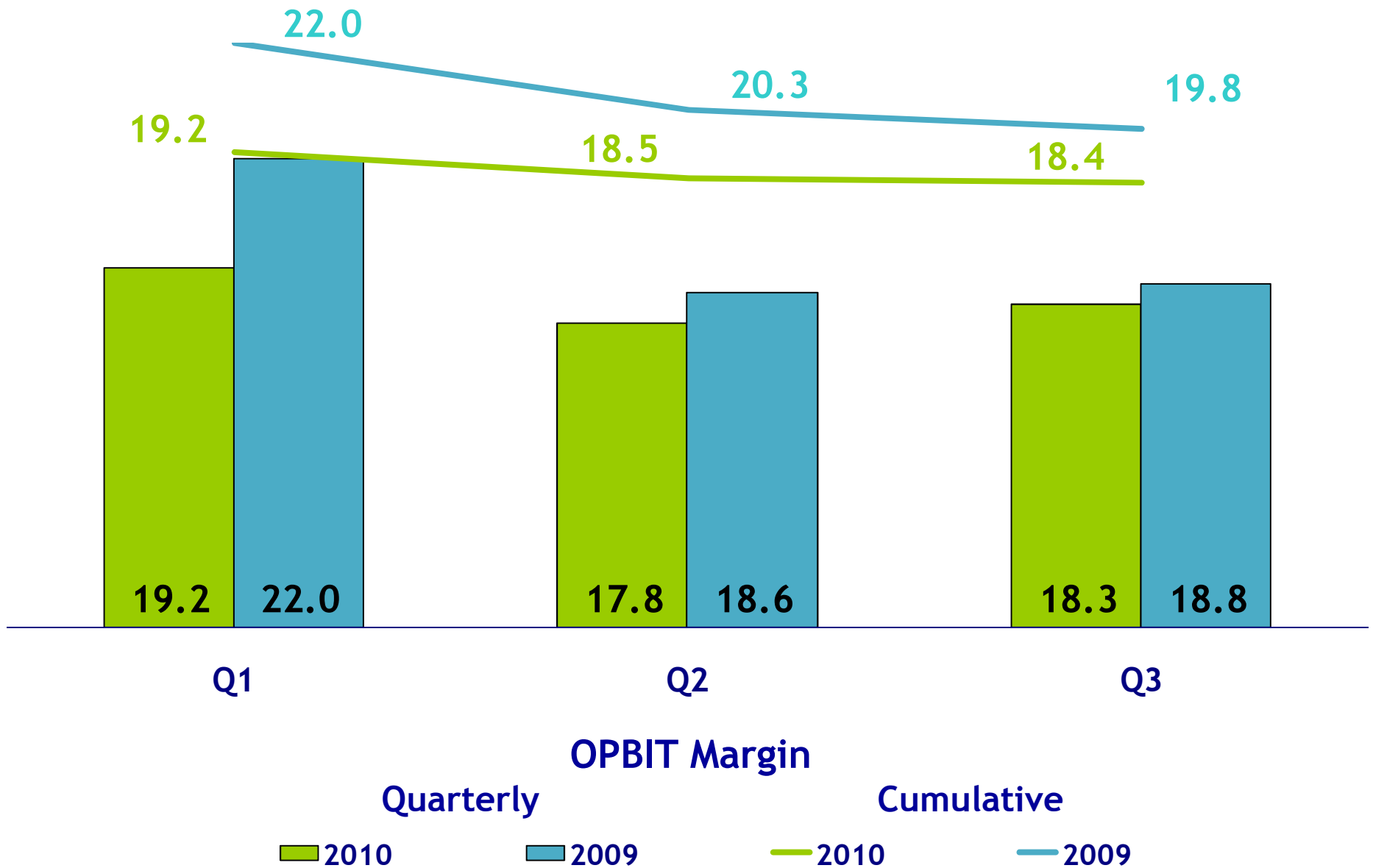


... improved over the quarters...

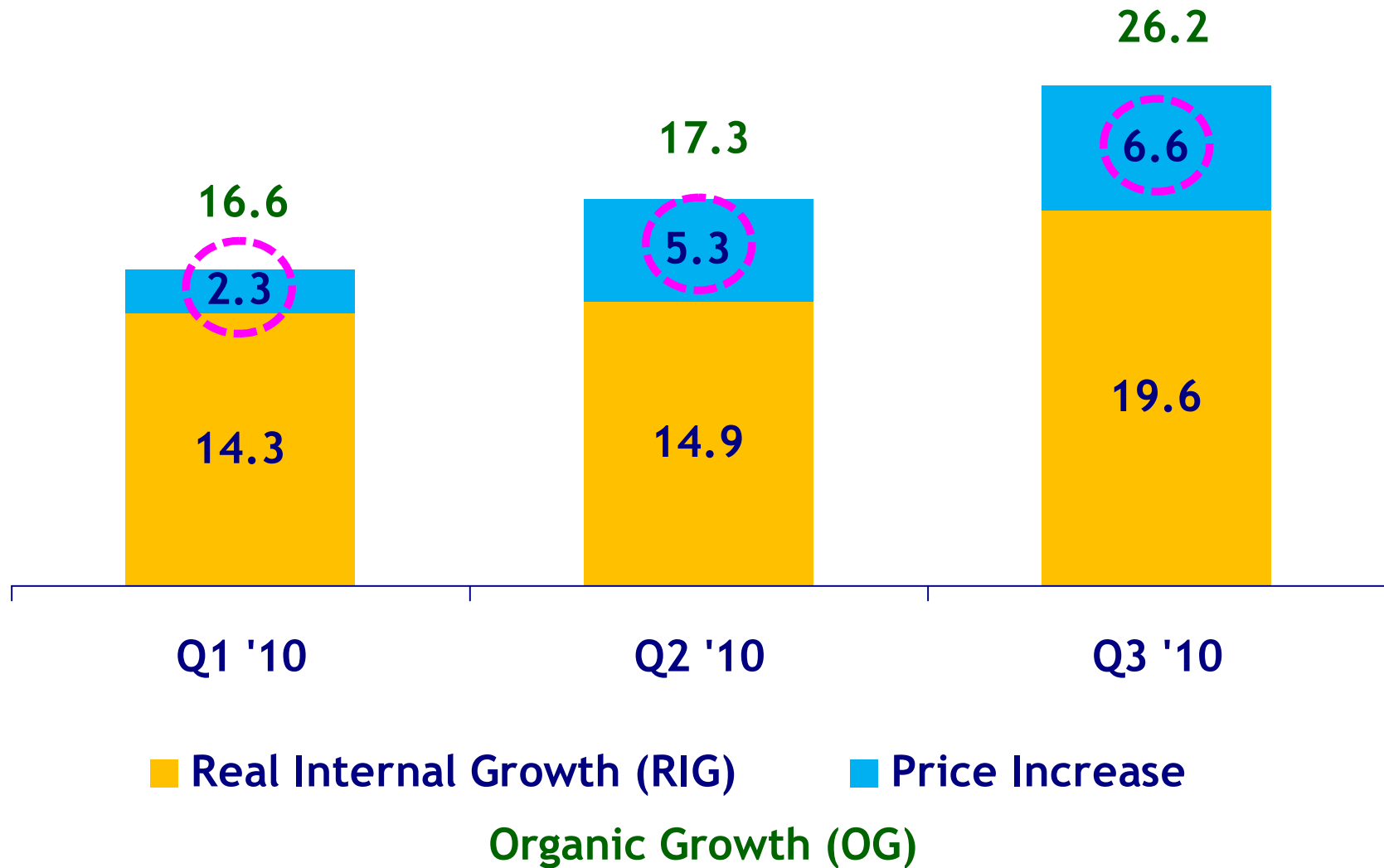
OPBIT %				
<u>Year</u>	<u>Qtr 1</u>	<u>Qtr 2</u>	<u>Qtr 3</u>	<u>YTD</u>
2009	22.0	18.6	18.8	19.8
2010	19.2	17.8	18.3	18.4
Change bps	280↓	80↓	50↓	140↓

Material cost as % of Net Sales				
<u>Year</u>	<u>Qtr 1</u>	<u>Qtr 2</u>	<u>Qtr 3</u>	<u>YTD</u>
2009	47.2	47.6	47.8	47.5
2010	49.8	49.0	49.1	49.3
Change bps	260↑	140↑	130↑	180↑

...margin recovery...

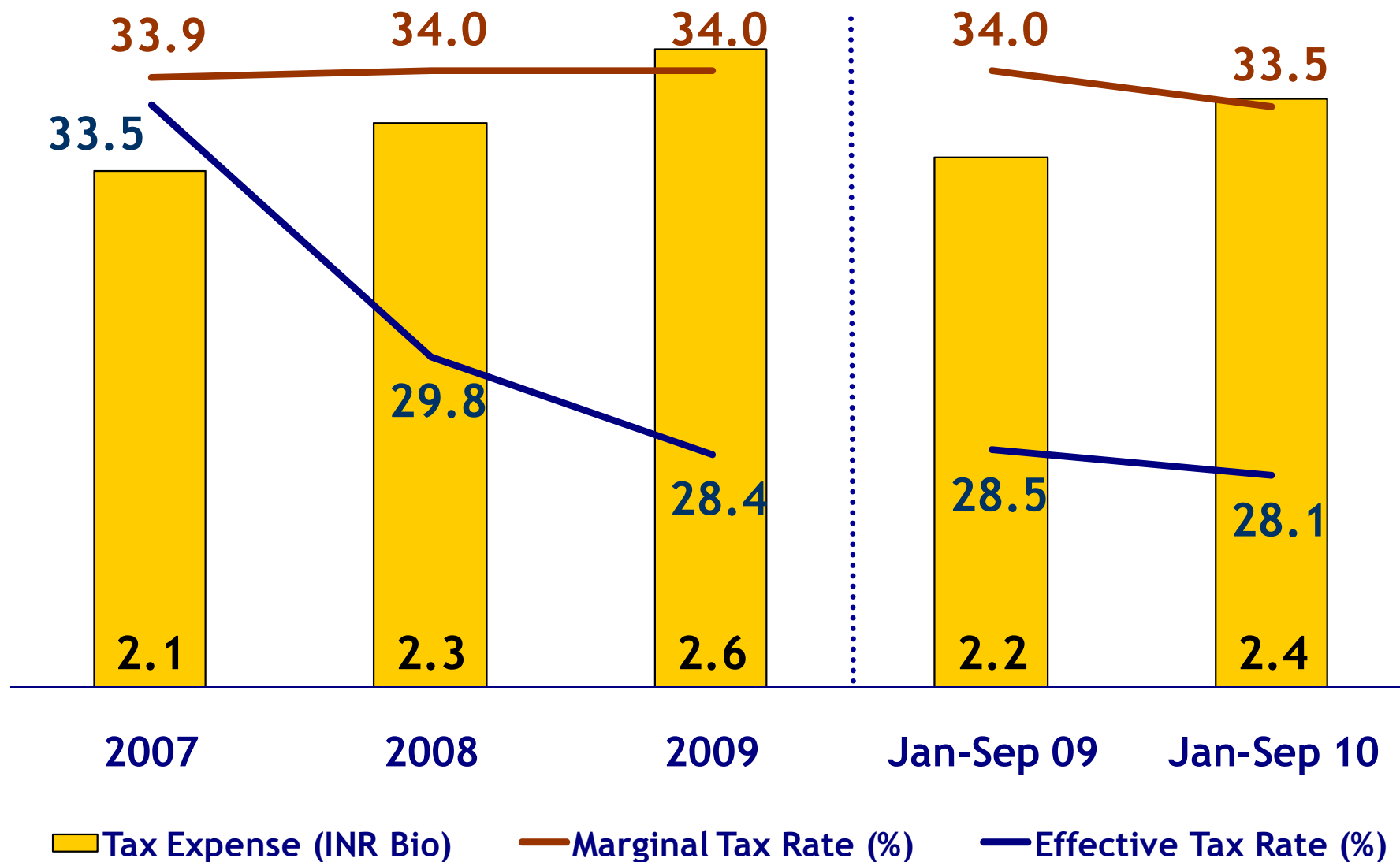


Steady increase in selling prices



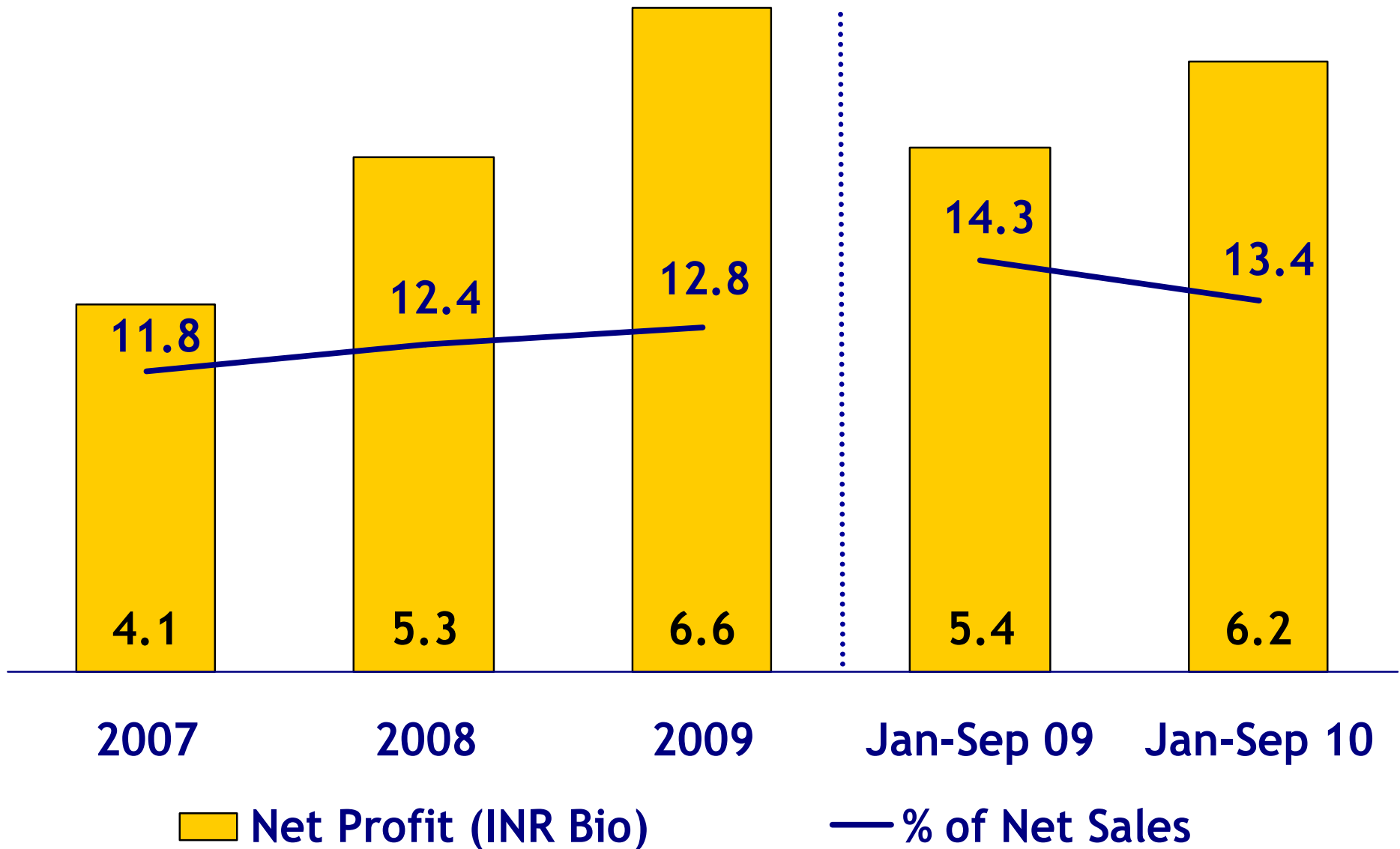
Basis Nestlé Internal Reporting Standards

Marginal & Effective tax rates move in tandem

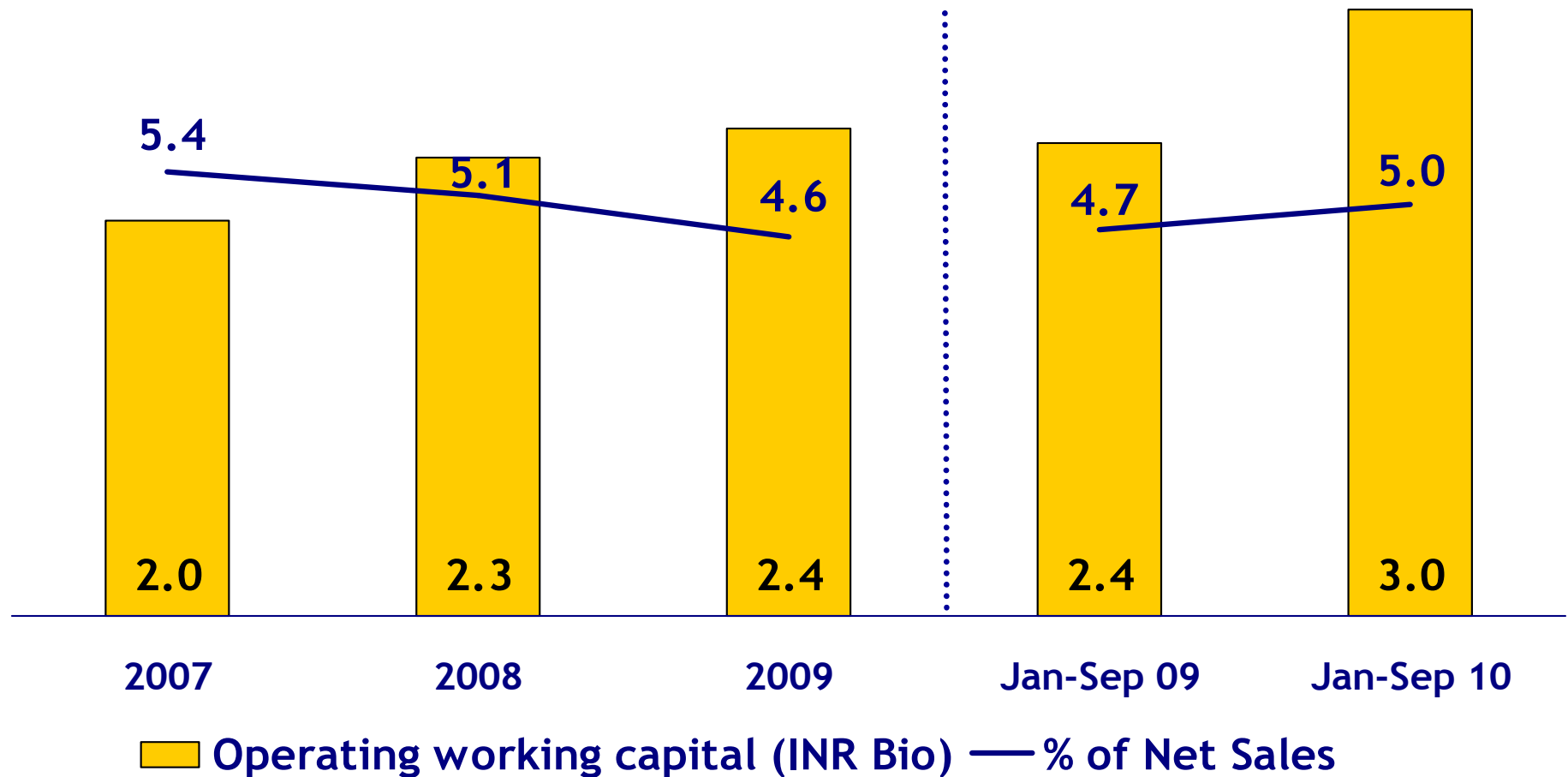


Excludes Fringe Benefit & Dividend Distribution Tax

Impact of decline in OPBIT % partially offset by tax



Level impacted by margins but within tolerance



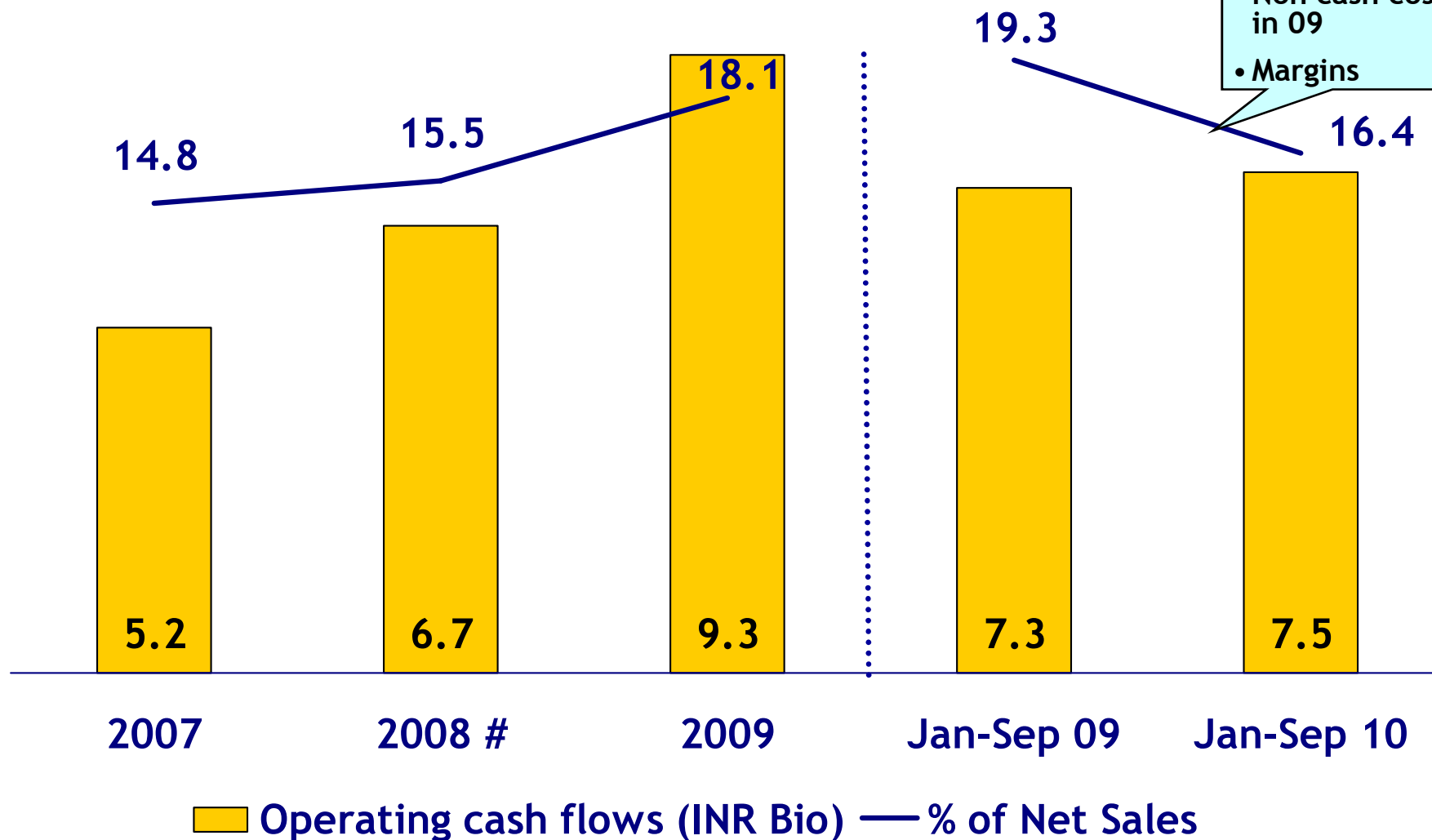
Operating Working Capital = Inventories + Debtors - Trade Payables (excluding Staff Costs, Contingencies, Capex & Taxes)

Sales are on rolling 4 quarters basis and Operating Working capital is average for rolling 4 quarters

Basis Nestlé Internal Reporting Standards

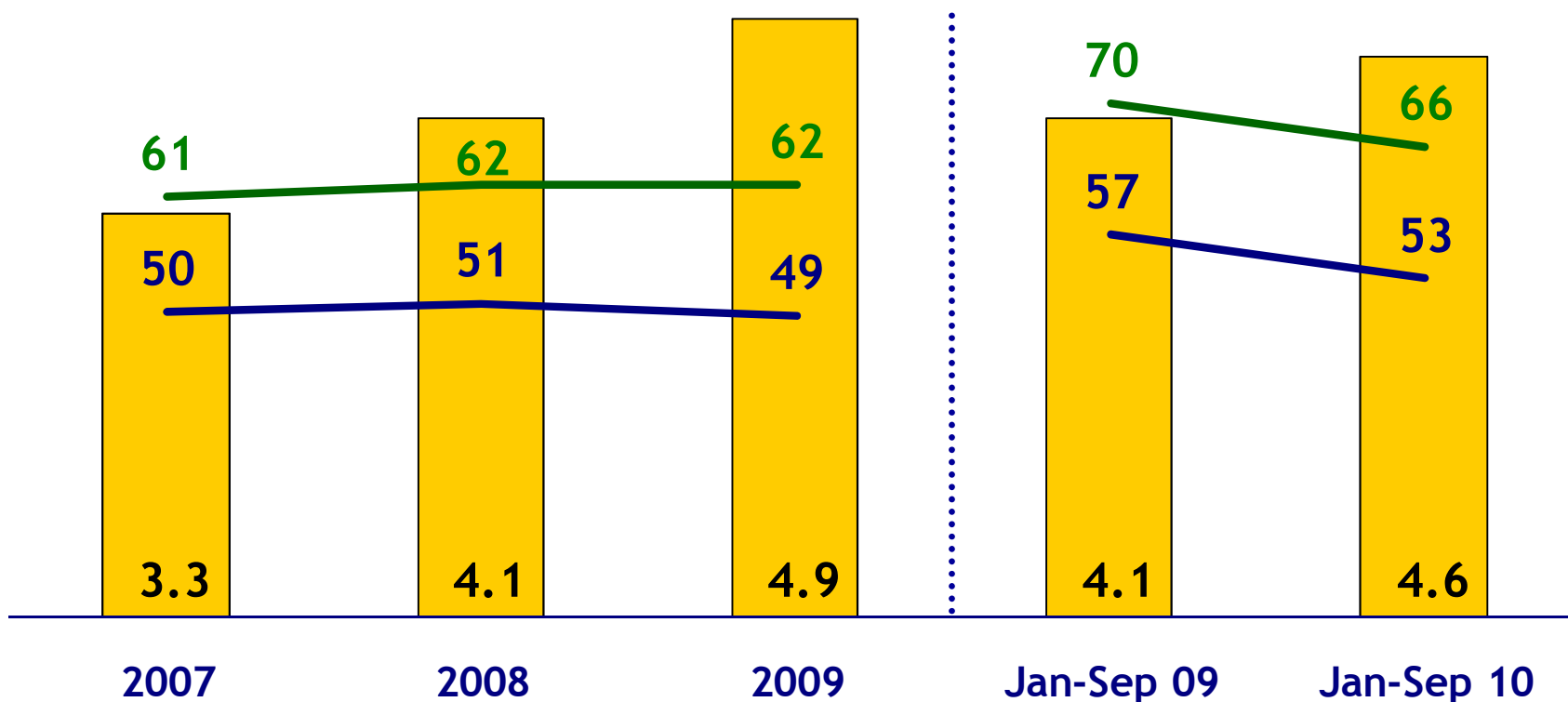
Healthy Cash flow....albeit impacted by period end working capital & margins

- Base effect of working capital
- Non cash costs in 09
- Margins



excludes one off inflows. Reported 16.7%

ROIC is 5 times ACC

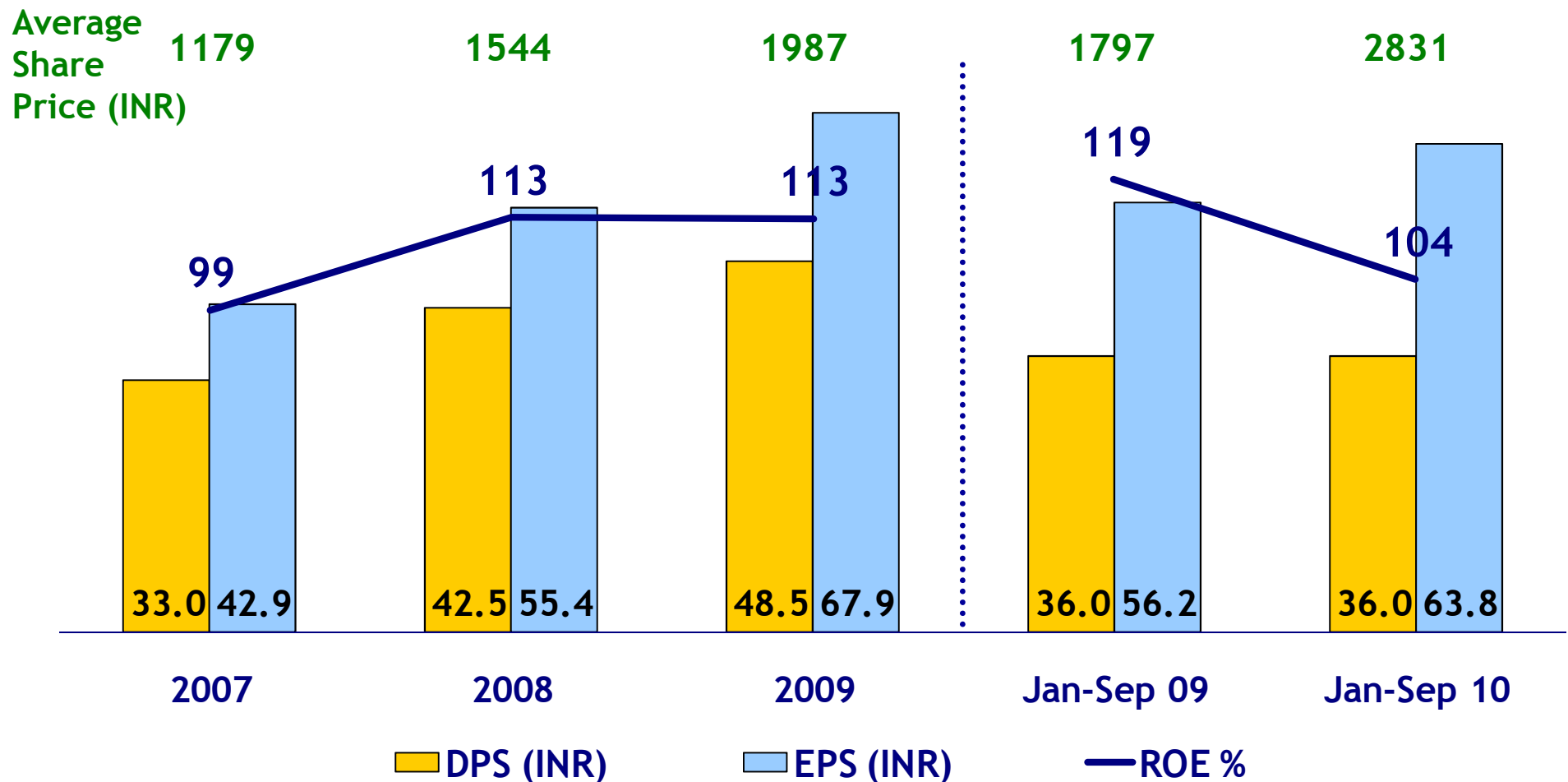


■ Economic Profit (INR Bio)
 — Economic Profitability (%)
 — Return on Invested Capital (%)

ACC %	11.3	11.6	12.8	12.9	13.0
Risk Free rate %	7.7	7.9	8.5	8.5	8.0
Group risk Premium%	2.5	2.5	3.0	3.0	3.5

Basis Nestlé Internal Reporting Standards

Accretion to shareholders wealth continues, ROE amongst the top albeit ROE % declines...



Dividend 3.2
(INR Bio)

4.1

4.7

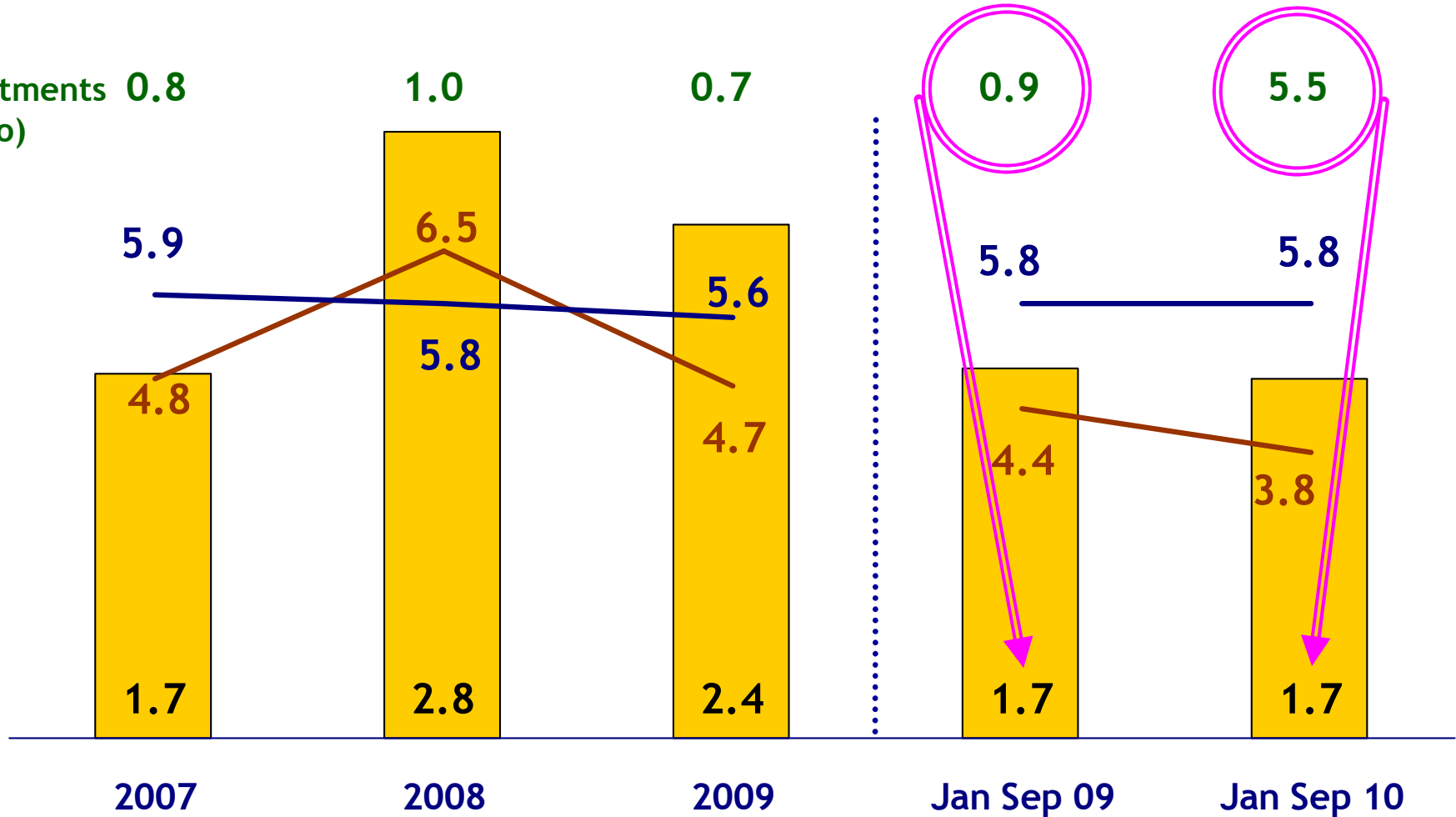
3.5

3.5

*2008 figures include special dividend of Rs. 7.5/Share
Jan-Sep includes dividend declared till Oct of each year*

Effective CAPEX is up

Commitments 0.8
(INR Bio)



Capex (INR Bio) Capex as % of Net sales FA Rotation

Dep.
(INR Bio)

Fixed Assets exclude Intangibles

Stepping up CAPEX

- In the last 5 years we have spent INR 9.2 Bio on CAPEX. Averaging at 5.2% of sales.
- Capacity utilization across most plants and products categories are at all time high.
- Expansions at existing manufacturing locations are underway.

Expansion at Samalkha Factory



Expansion at Nanjangud Factory



Expansion at Ponda Factory



Expansion at Bicholim Factory



Stepping up CAPEX

- Greenfield sites are also under consideration.
- CAPEX is planned across product categories. In particular:
 - Prepared Dishes & Cooking Aids
 - Milk Products & Nutrition
 - Chocolate & Confectionery
- CAPEX foreseen on existing & new products spread across Premium, Mainstream & PPP segments.

Stepping up CAPEX

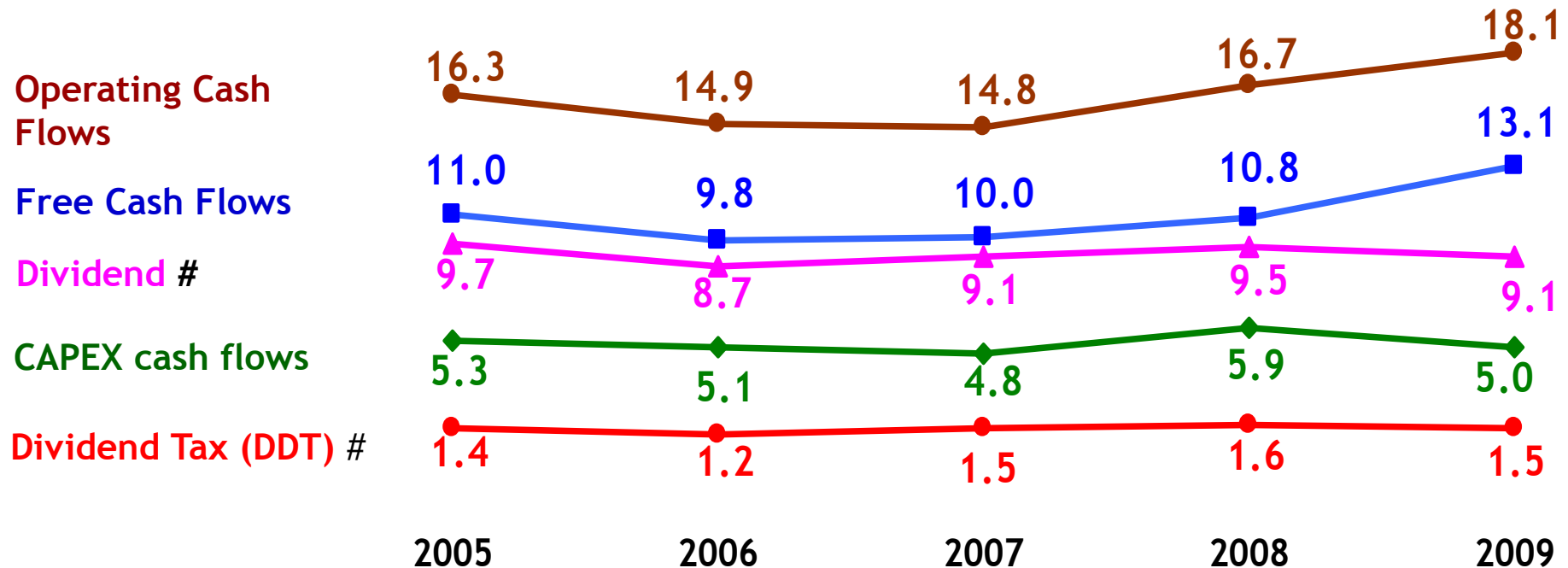
CAPEX foreseen to 'significantly' increase in near future...

and is naturally based on the potential growth foreseen in the domestic consumption in India...

Financing CAPEX

Last 5 years the Operating Cash Flows were sufficient to meet CAPEX and maximize Dividends.

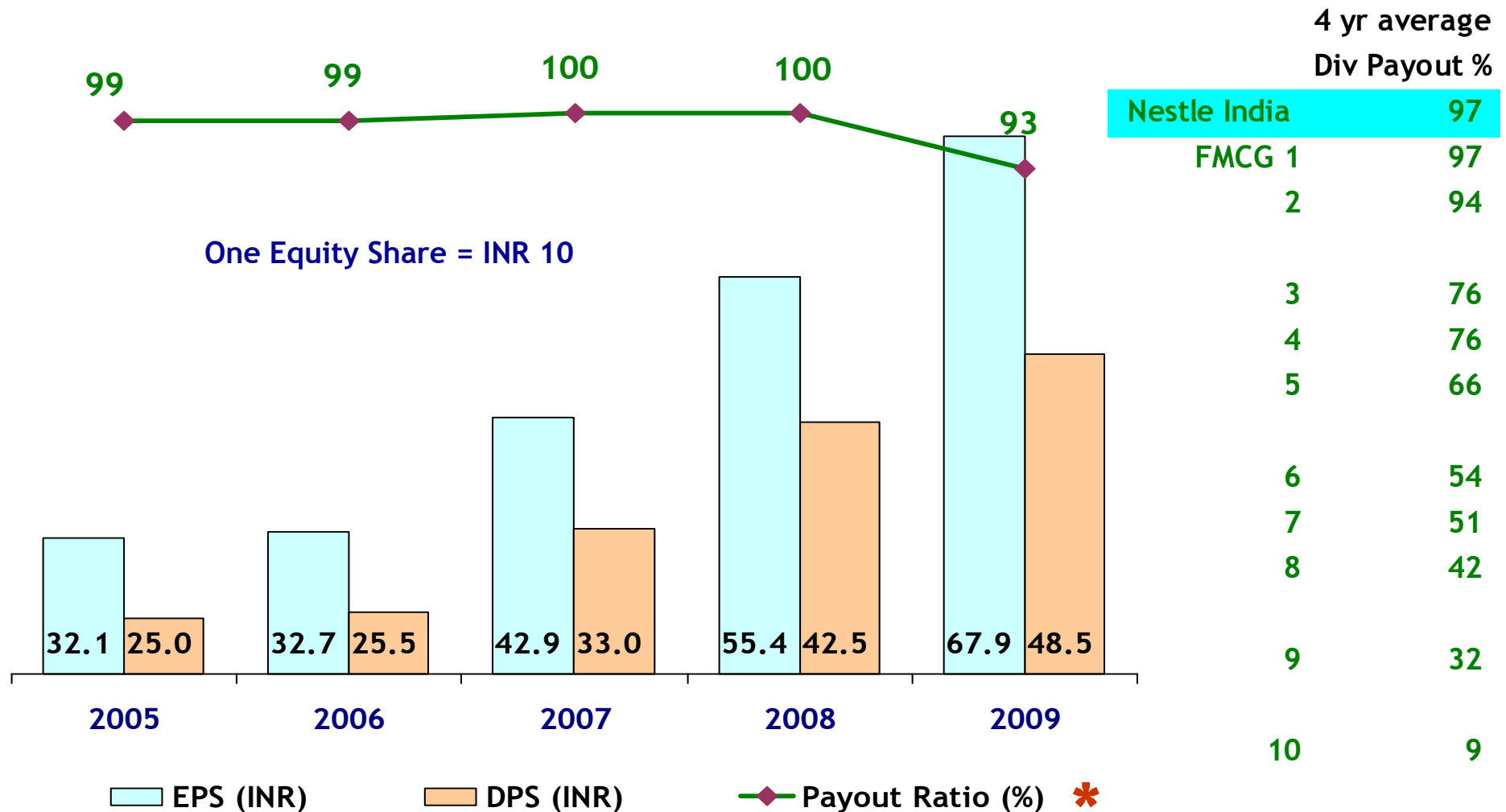
All fig.'s % net sales



on appropriation basis

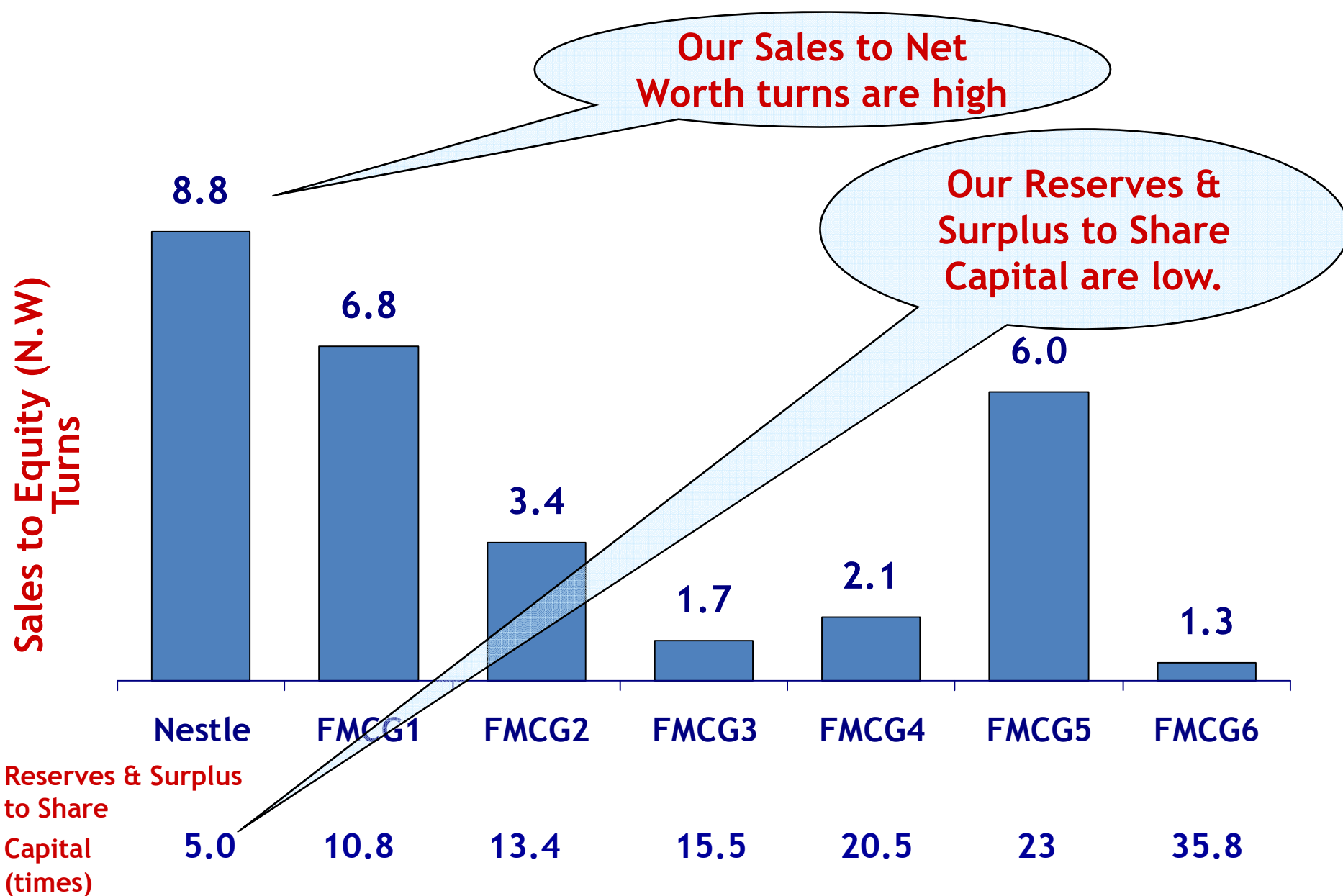
Financing CAPEX

Last 5 years the average dividend payout has been ~ 98%



✱ Payout Ratio (Dividend Paid + Dividend Distribution Tax) / PAT less statutory transfer to Reserves

Financing CAPEX



Financing CAPEX

Our ROE/ RONW is amongst the highest but we are low in ranking in terms of absolute amount of Net Worth

Nestle India - Ranking in India's top 500 companies in 2008

	Ranking Criteria					
	Total Income	Net Profit	Net Worth	Market Cap	RONW	PAT Margin
Nestle India	113	91	344	74	4	193

Source - Dunn & Bradstreet's Business
Insight Series 2008

Financing Strategy

Nestle India's Balance Sheet will require

‘Capitalization’ (↑ Net Worth)

and ‘Leveraging’

to support the acceleration in CAPEX.

Financing Strategy

Will need a judicious mix of 'Internal Accruals' & 'Debt'.

Following elements will be key to the financing strategy:

- Dividend Payout
- Debt :Equity
- Local *and* foreign currency debt.
- Credit Ratings.

Nestle India (locally AAA)

Nestle SA (AA)

Conclusions

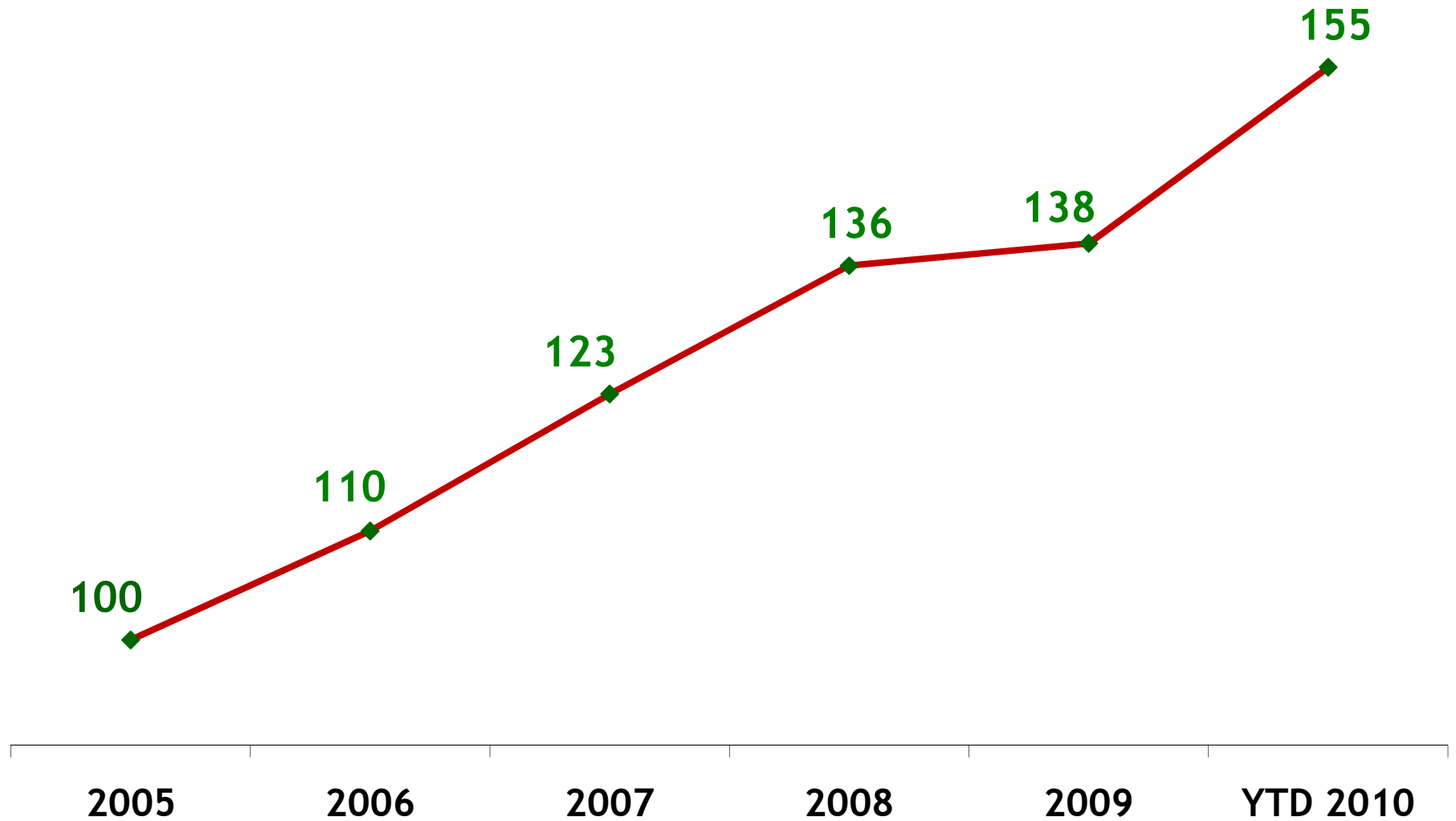
- Nestle India has doubled turnover in 4 years.
- Operating margins have been healthy.
- Has generated strong cash flows.
- Annualized return to the shareholders has been over 35%.
- Current capacity utilizations are at all time high.
- India growth story is compelling
- CAPEX is being stepped up across most locations & products.
- Financing is foreseen through a judicious mix of

‘Internal Accruals’ *and* ‘Debt’

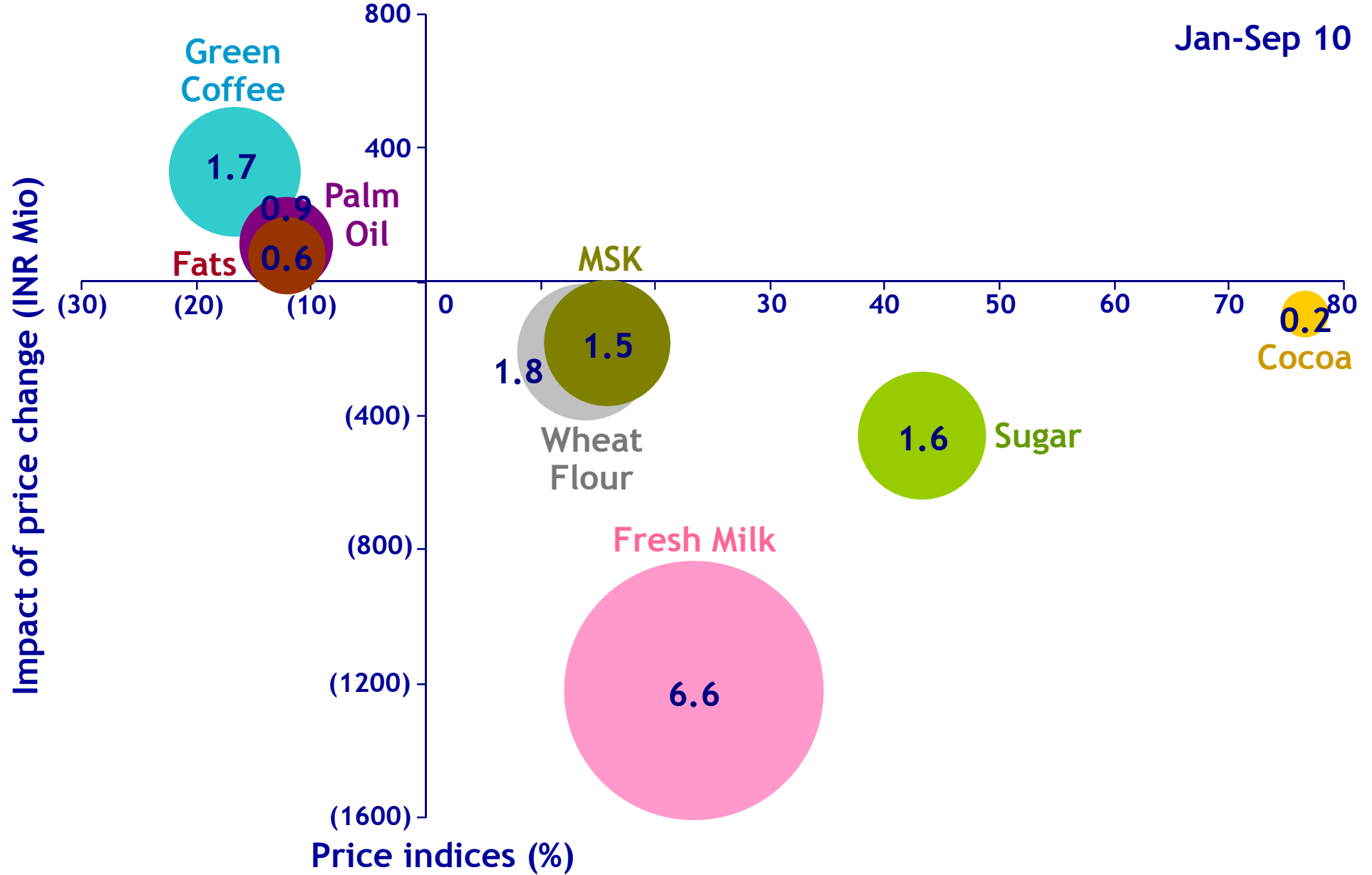


THANK YOU

Nestlé Commodity Basket Price Index

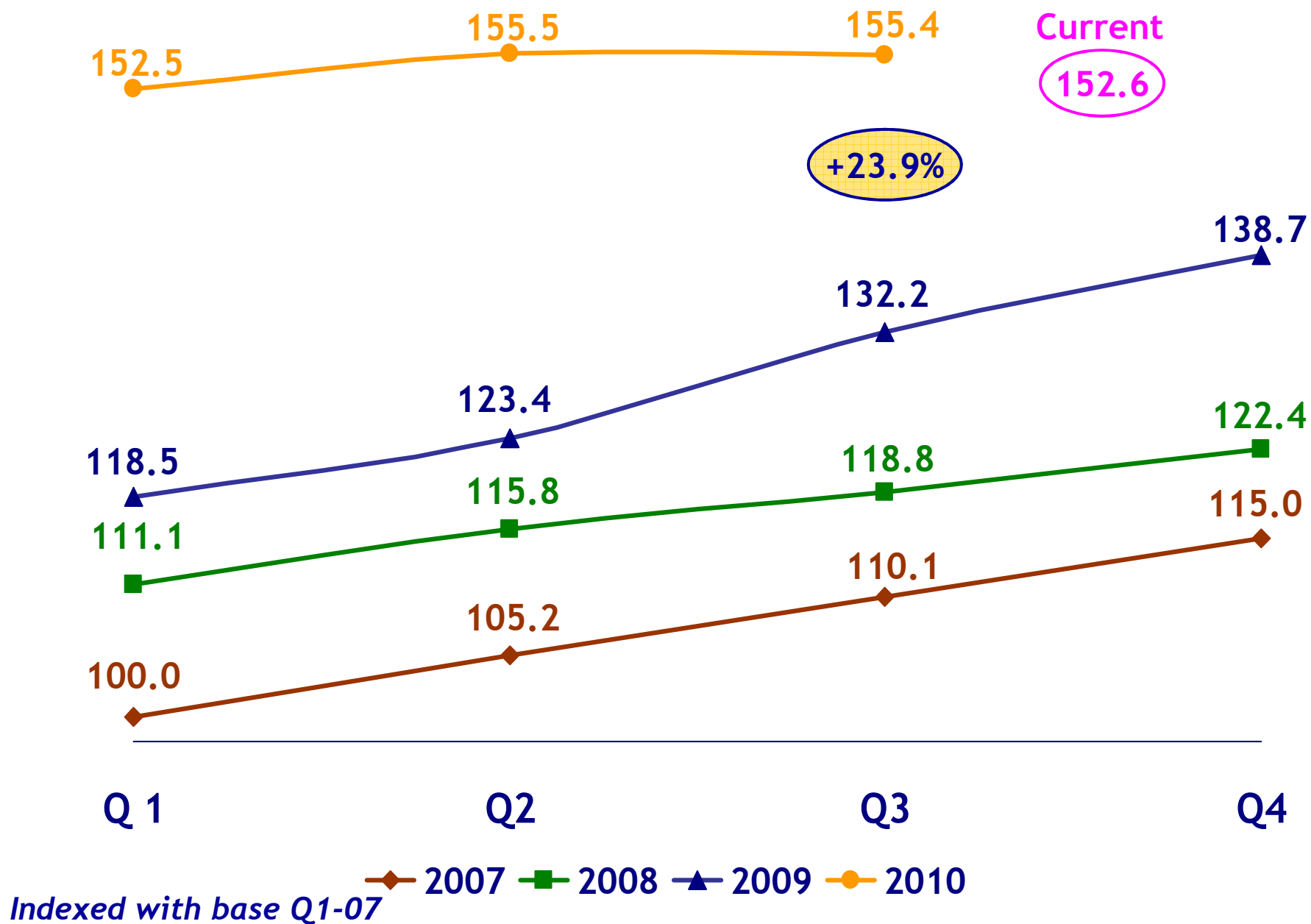


Evolution of Commodity Cost

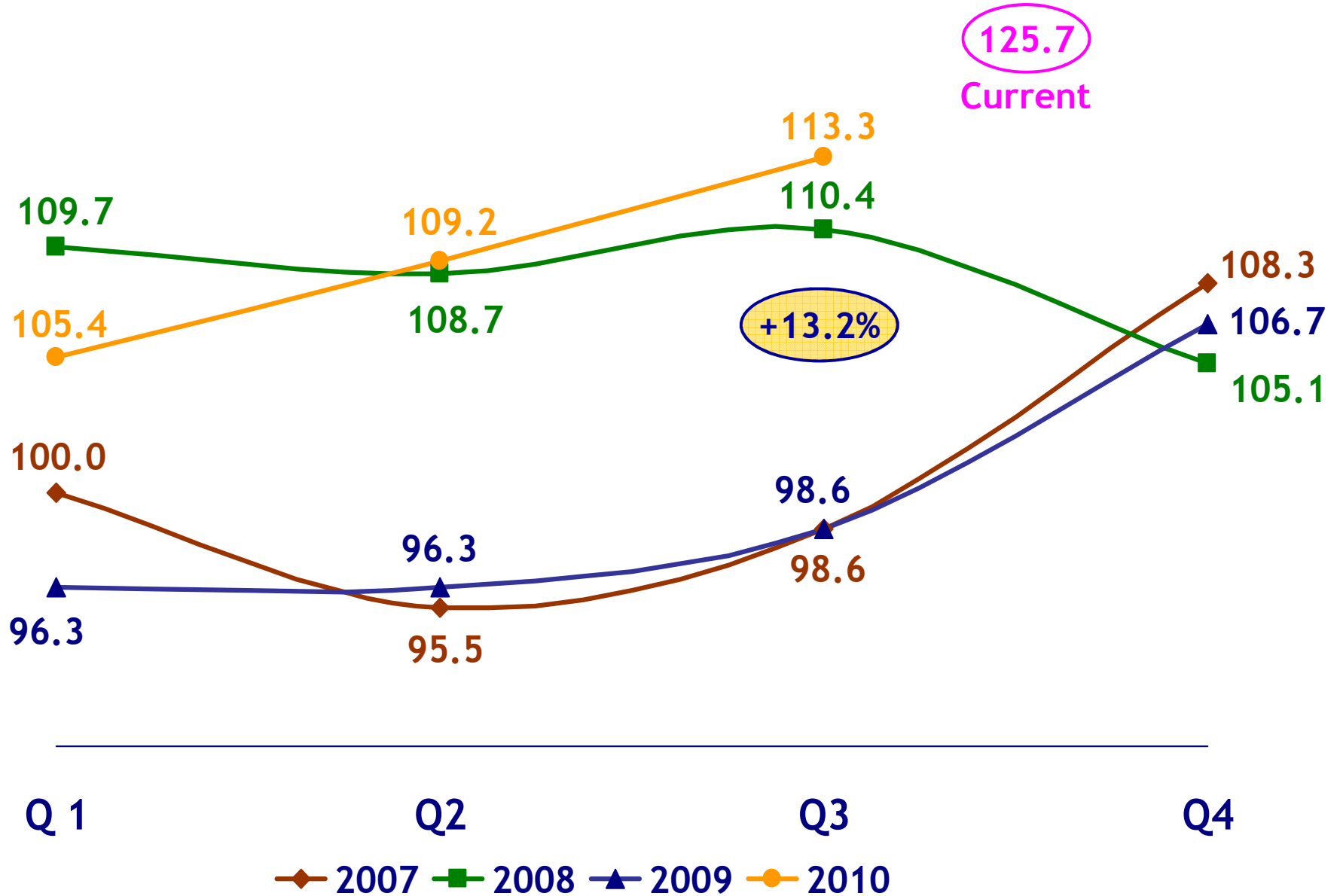


Bubble size represents the consumption in Jan-Sep 10 (INR Bio)
Impact of price change & Price indices reflect YoY change

Evolution - Fresh Milk Fat Prices

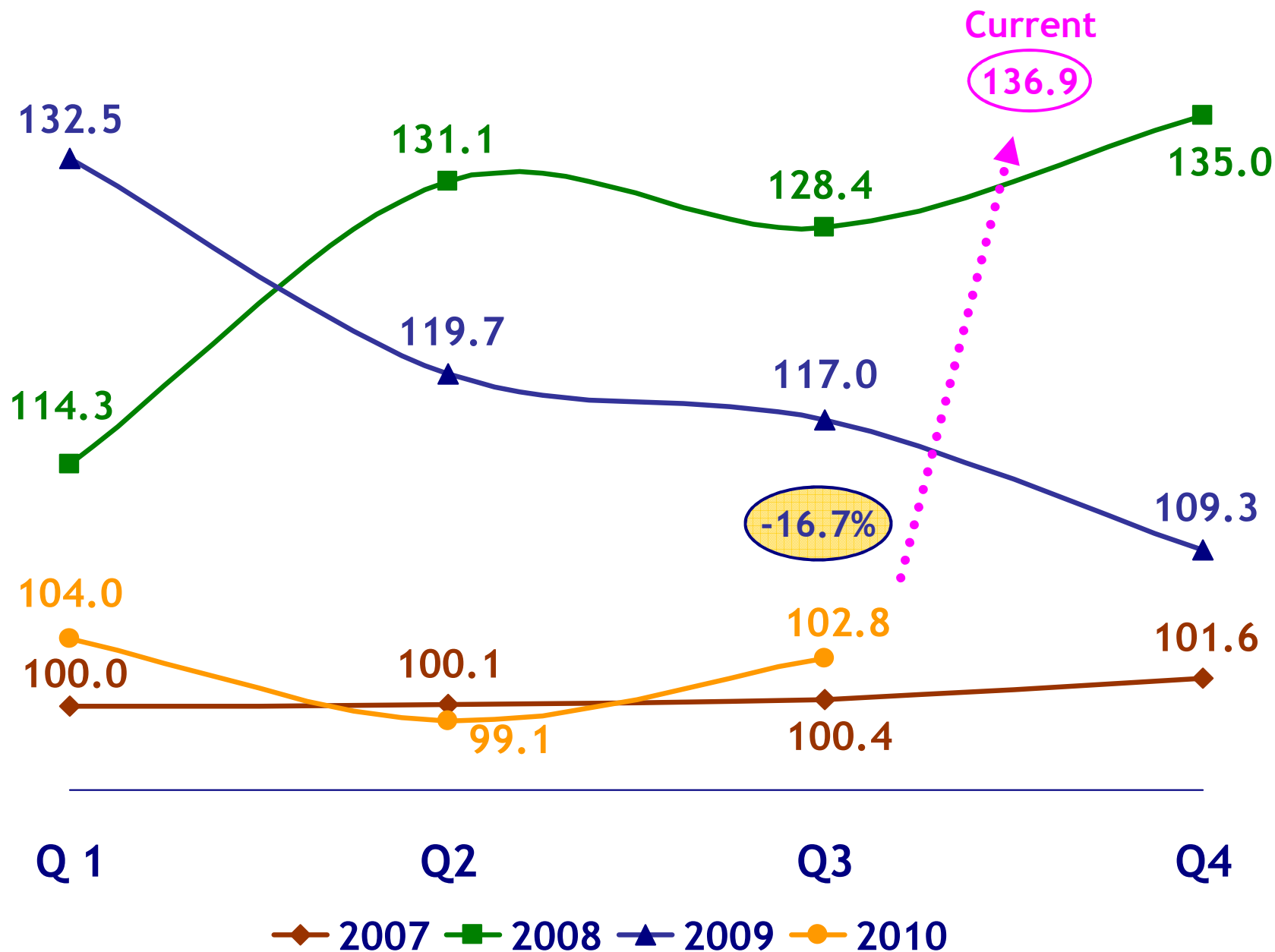


Evolution - MSK Prices



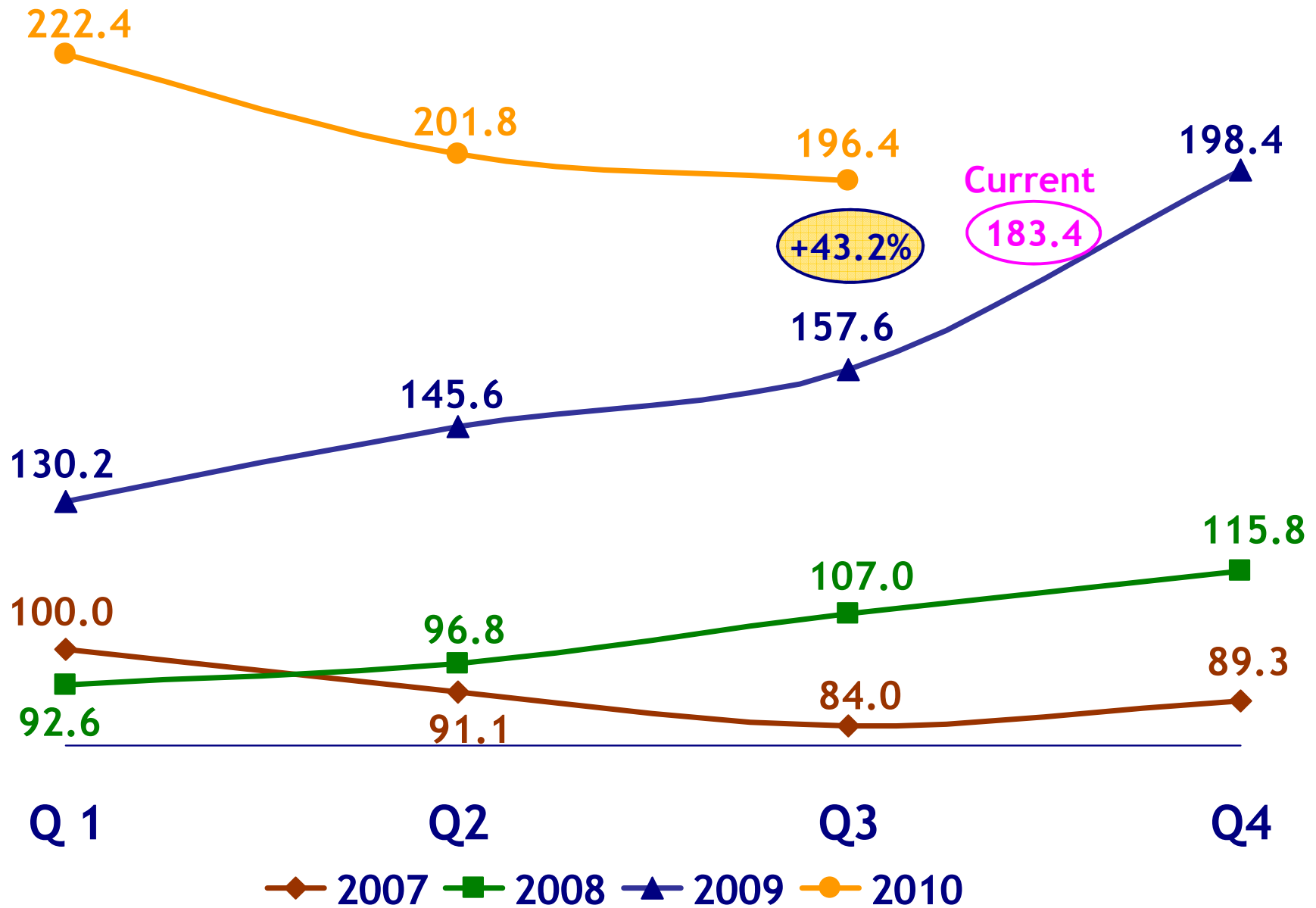
Indexed with base Q1-07

Evolution - Green Coffee Prices



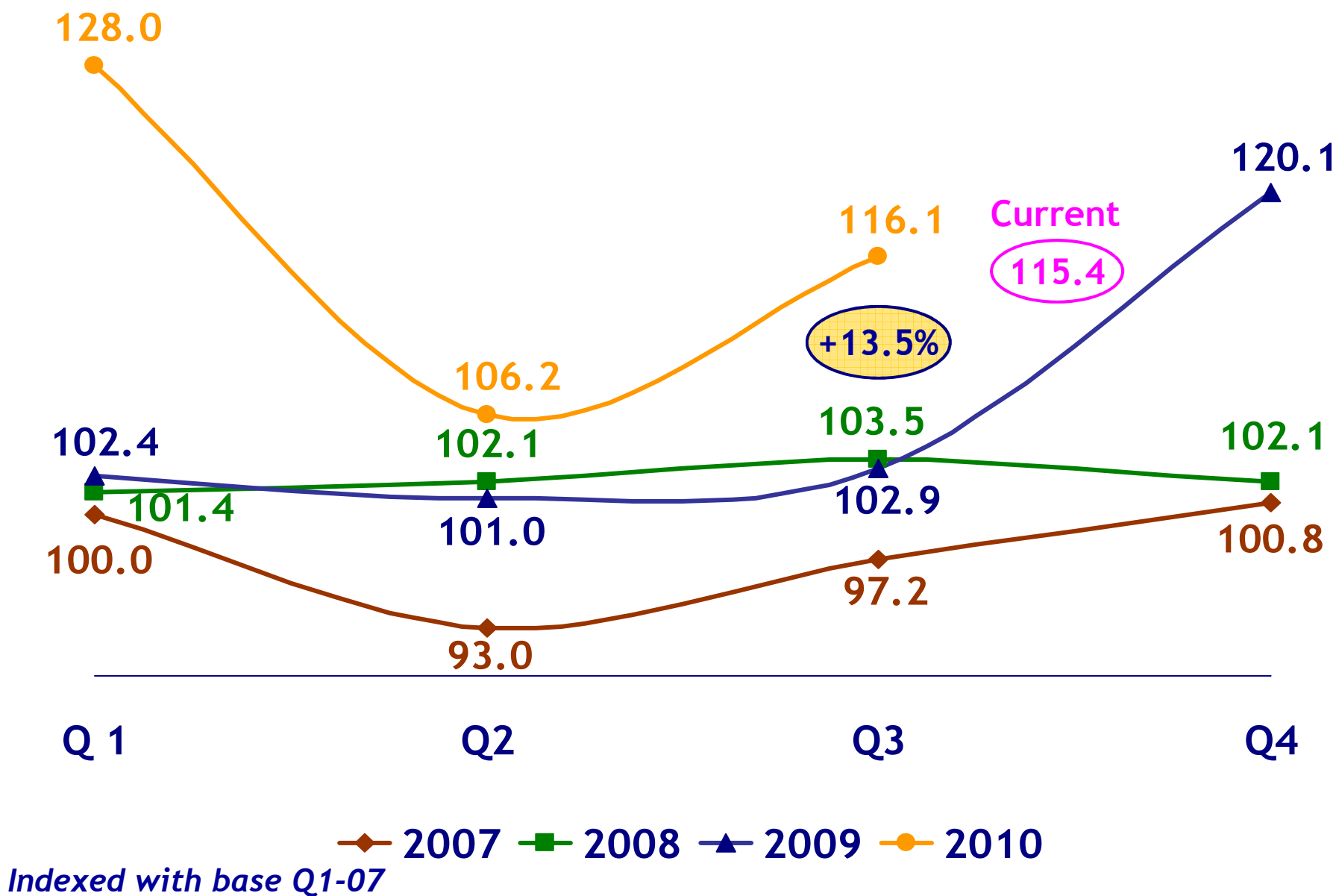
Indexed with base Q1-07

Evolution - Sugar Prices

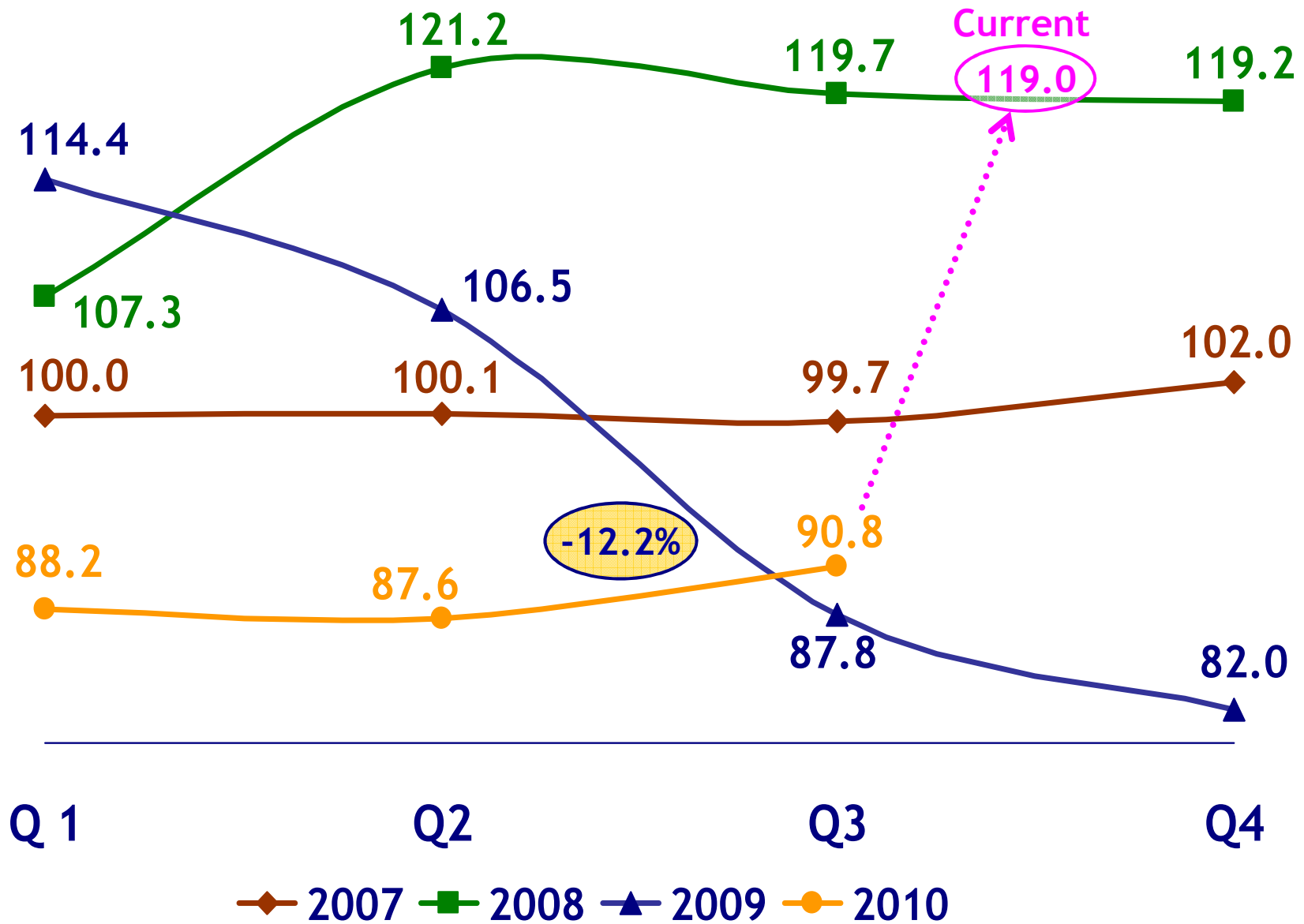


Indexed with base Q1-07

Evolution - Wheat Flour Prices

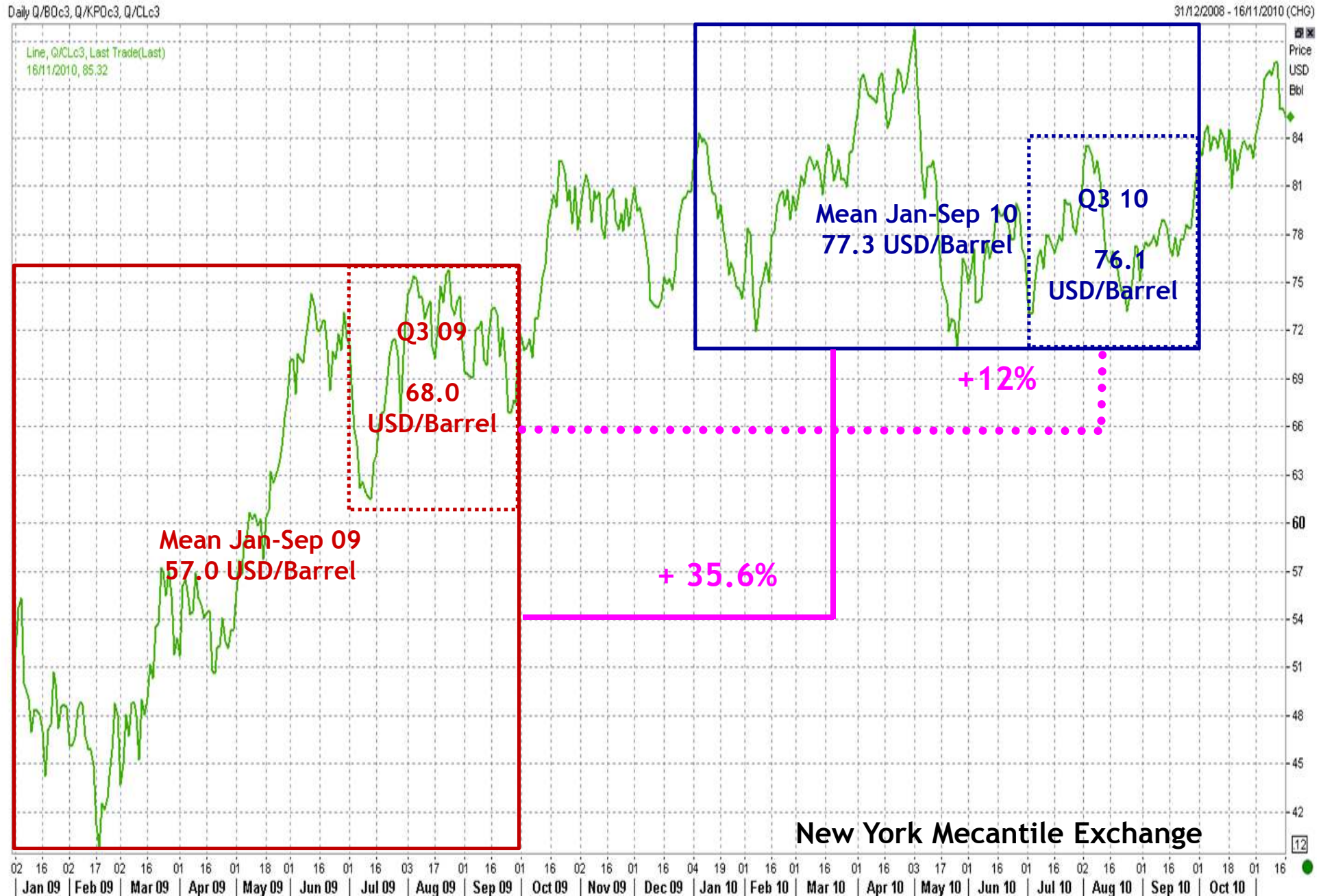


Evolution - Palm Oil Prices

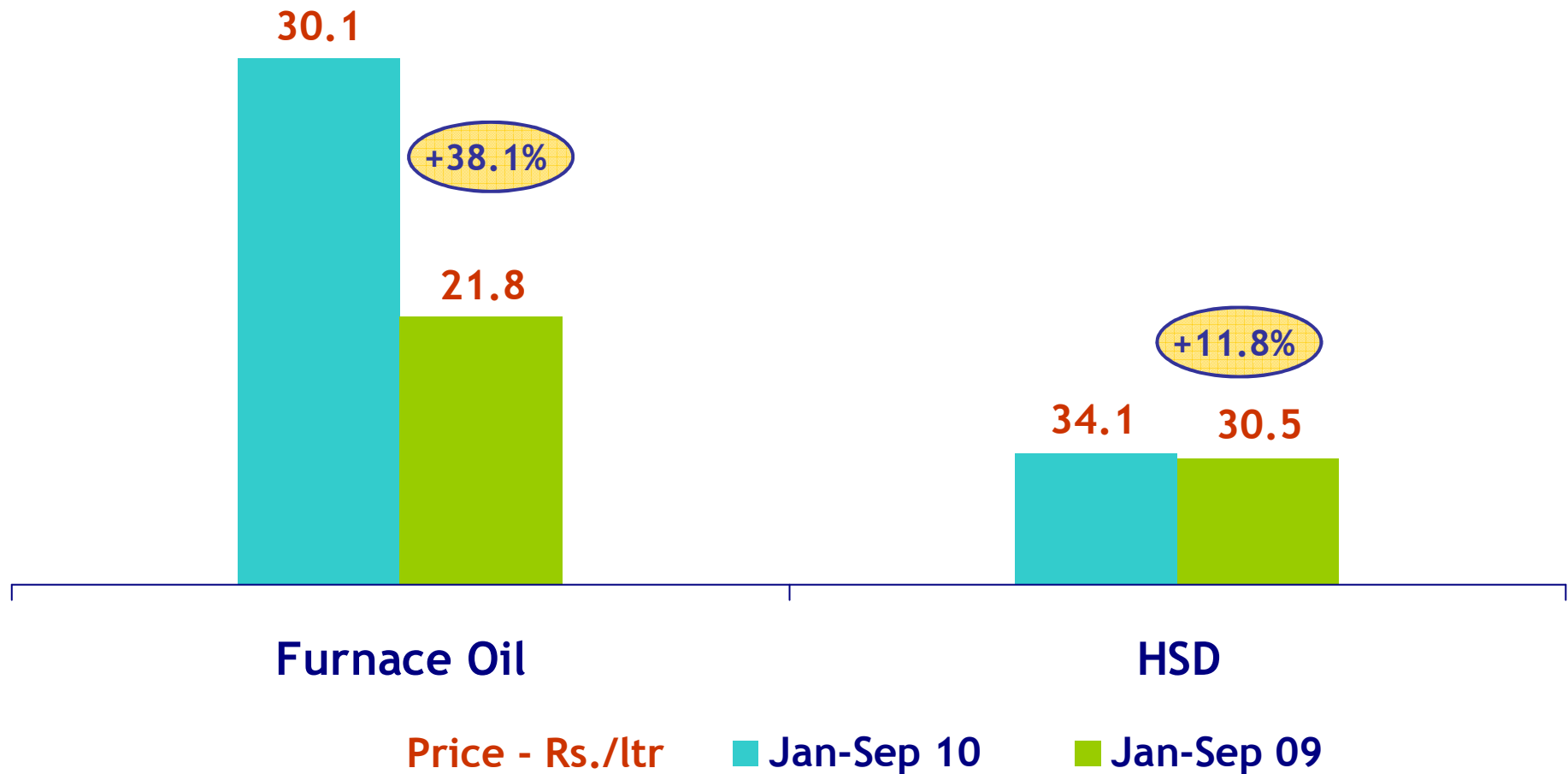


Indexed with base Q1-07

Evolution - Crude Oil Prices [NYMEX]



Fuel Oils



Share % in total Power & Fuel cost

Furnace Oil ~ 49%

HSD ~ 14%

COFFEE - ROBUSTA [LIFFE]

Daily Q/LRCc2

31/12/2008 - 16/11/2010 (LON)



COFFEE - ARABICA [ICE]

Daily Q/KCc2

31/12/2008 - 16/11/2010 (NYC)



SUGAR - [ICE]

Daily Q/SBc1

31/12/2008 - 16/11/2010 (NYC)



The chart displays the daily price of the Chicago Board of Trade (CBOE) from 2008 to 2010. The y-axis represents the price in US dollars, ranging from 440 to 760. The x-axis shows the time period from 2008 to 2010, with major ticks for each quarter. The price starts around 640 in early 2008, peaks at approximately 760 in early 2009, and then declines to a low of about 440 in late 2009. It then rises sharply to a peak of about 760 in early 2010, followed by a decline and subsequent volatility, ending around 680 in late 2010.

Date	Price (US\$)
2008-01-02	640
2008-02-16	600
2008-03-16	580
2008-04-16	560
2008-05-16	540
2008-06-16	520
2008-07-16	500
2008-08-16	480
2008-09-16	460
2008-10-16	440
2008-11-16	460
2008-12-16	480
2009-01-16	500
2009-02-16	520
2009-03-16	540
2009-04-16	560
2009-05-16	580
2009-06-16	600
2009-07-16	620
2009-08-16	640
2009-09-16	660
2009-10-16	680
2009-11-16	700
2009-12-16	720
2010-01-16	740
2010-02-16	760
2010-03-16	740
2010-04-16	720
2010-05-16	700
2010-06-16	680
2010-07-16	660
2010-08-16	640
2010-09-16	620
2010-10-16	600
2010-11-16	580
2010-12-16	560

Chicago Board Of Trade

PALM OIL - [BMD]

Daily Q/KPOc3

31/12/2008 - 16/11/2010 (KUL)

