

# **A. F. FERGUSON & CO.**

**CHARTERED ACCOUNTANTS**

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

## **INDEPENDENT AUDITORS' REPORT TO THE BOARD OF DIRECTORS OF NESTLÉ INDIA LIMITED**

1. We have audited the accompanying Statement of Financial Results of **NESTLÉ INDIA LIMITED** ("the Company") for the year ended 31/12/2015 ("the Statement"), being submitted by the Company pursuant to the requirement of Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. This Statement, which the responsibility of the Company's Management and approved by the Board of Directors, has been prepared on the basis of the related annual financial statements in accordance with the recognition and measurement principles laid down in Accounting Standards prescribed under Section 133 of the Companies Act, 2013, read with relevant rules issued thereunder and other accounting principles generally accepted in India. Our responsibility is to express an opinion on the Statement, based on our audit of the related annual financial statements.
2. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the Statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the Statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Management, as well as evaluating the overall presentation of the Statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

3. Attention is invited to Note 11 of the Statement regarding the figures for the quarter ended 31/12/2015 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 Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015; and
  - (ii) gives a true and fair view in conformity with the aforesaid Accounting Standards and other accounting principles generally accepted in India of the net profit and other financial information of the Company for the year ended 31/12/2015.

**For A. F. FERGUSON & CO.**  
Chartered Accountants  
(Firm's Registration No. 112066W)

  
Manjula Banerji  
(Partner)  
(Membership No. 86423)

**NEW DELHI, February 12, 2016**



**TELEPHONES : 91-11-2331 5884, 2331 5885, 2331 5704**

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**AUDITED FINANCIAL RESULTS FOR THE QUARTER AND YEAR ENDED 31<sup>st</sup> DECEMBER, 2015**

(₹ In million)

THREE MONTHS ENDED			PARTICULARS	Accounting Year ended	
31.12.2015 (Audited as explained in Note 11)	30.09.2015 (Un-audited)	31.12.2014 (Audited as explained in Note 11)		31.12.2015 (Audited)	31.12.2014 (Audited)
			<b>1 INCOME FROM OPERATIONS</b>		
17,913.3	15,877.8	23,575.7	(i) NET DOMESTIC SALES	74,877.4	91,620.9
1,551.1	1,484.2	1,585.3	(ii) EXPORT SALES	6,355.3	6,441.8
19,464.4	17,362.0	25,161.0	a) NET SALES (NET OF EXCISE DUTY)	81,232.7	98,062.7
130.2	61.6	148.4	b) OTHER OPERATING INCOME	520.4	485.7
<b>19,594.6</b>	<b>17,423.6</b>	<b>25,309.4</b>	<b>TOTAL INCOME FROM OPERATIONS (NET)</b>	<b>81,753.1</b>	<b>98,548.4</b>
			<b>2 EXPENSES</b>		
8,690.7	6,605.0	11,247.9	a) COST OF MATERIALS CONSUMED	33,588.7	44,825.4
230.2	206.7	211.7	b) PURCHASES OF STOCK-IN-TRADE	980.7	1,088.5
(839.4)	616.8	(237.8)	c) CHANGES IN INVENTORIES OF FINISHED GOODS, WORK IN PROGRESS AND STOCK IN TRADE	119.7	(674.3)
2,373.0	2,108.5	2,216.2	d) EMPLOYEE BENEFITS EXPENSE	8,374.3	7,722.2
897.0	905.5	848.2	e) DEPRECIATION AND AMORTISATION	3,472.6	3,375.4
5,171.4	4,761.7	6,027.8	f) OTHER EXPENSES	21,264.3	23,840.3
-	168.3	11.7	g) IMPAIRMENT LOSS ON FIXED ASSETS	282.2	81.1
91.6	77.3	91.1	h) NET PROVISION FOR CONTINGENCIES (FROM OPERATIONS)	333.1	364.3
<b>16,614.5</b>	<b>15,449.8</b>	<b>20,416.8</b>	<b>TOTAL EXPENSES</b>	<b>68,415.6</b>	<b>80,622.9</b>
<b>2,980.1</b>	<b>1,973.8</b>	<b>4,892.6</b>	<b>3 PROFIT FROM OPERATIONS BEFORE OTHER INCOME [4], FINANCE COSTS [6], EMPLOYEE BENEFITS EXPENSE DUE TO PASSAGE OF TIME [7], OTHER CONTINGENCIES [8], EXCEPTIONAL ITEMS [10], AND CORPORATE SOCIAL RESPONSIBILITY EXPENSE [11] i.e. [1-2]</b>	<b>13,337.5</b>	<b>17,925.5</b>
272.7	272.2	177.3	<b>4 OTHER INCOME</b>	1,100.9	873.2
<b>3,252.8</b>	<b>2,246.0</b>	<b>5,069.9</b>	<b>5 PROFIT FROM ORDINARY ACTIVITIES BEFORE FINANCE COSTS [6], EMPLOYEE BENEFITS EXPENSE DUE TO PASSAGE OF TIME [7], OTHER CONTINGENCIES [8], EXCEPTIONAL ITEMS [10], AND CORPORATE SOCIAL RESPONSIBILITY EXPENSE [11] i.e. [3+4]</b>	<b>14,438.4</b>	<b>18,798.7</b>
(2.0)	0.2	-	<b>6 FINANCE COSTS</b>	32.9	142.3
182.7	189.0	157.5	<b>7 EMPLOYEE BENEFITS EXPENSE DUE TO PASSAGE OF TIME</b>	753.2	648.3
-	-	-	<b>8 NET PROVISION FOR CONTINGENCIES (OTHERS)</b>	301.5	249.5
<b>3,072.1</b>	<b>2,056.8</b>	<b>4,912.4</b>	<b>9 PROFIT FROM ORDINARY ACTIVITIES BEFORE EXCEPTIONAL ITEMS [10] AND CORPORATE SOCIAL RESPONSIBILITY EXPENSE [11] i.e. [5-6-7-8]</b>	<b>13,350.8</b>	<b>17,758.6</b>
246.6	245.2	(70.0)	<b>10 EXCEPTIONAL ITEMS – CHARGE/(CREDIT)</b>	5,008.4	(70.0)
164.6	16.2	85.1	<b>11 CORPORATE SOCIAL RESPONSIBILITY EXPENSE U/S 135 OF COMPANIES ACT, 2013</b>	206.1	85.1
<b>2,660.9</b>	<b>1,795.4</b>	<b>4,897.3</b>	<b>12 PROFIT FROM ORDINARY ACTIVITIES BEFORE TAX [9-10-11]</b>	<b>8,136.3</b>	<b>17,743.5</b>
829.0	553.4	1,633.5	<b>13 TAX EXPENSE</b>	2,503.6	5,896.6
<b>1,831.9</b>	<b>1,242.0</b>	<b>3,263.8</b>	<b>14 NET PROFIT FROM ORDINARY ACTIVITIES AFTER TAX [12-13]</b>	<b>5,632.7</b>	<b>11,846.9</b>
-	-	-	<b>15 EXTRAORDINARY ITEM (NET OF TAX)</b>	-	-
<b>1,831.9</b>	<b>1,242.0</b>	<b>3,263.8</b>	<b>16 NET PROFIT FOR THE PERIOD [14-15]</b>	<b>5,632.7</b>	<b>11,846.9</b>
964.2	964.2	964.2	<b>17 PAID UP EQUITY SHARE CAPITAL (FACE VALUE – ₹10 PER SHARE)</b>	964.2	964.2
-	-	-	<b>18 RESERVES EXCLUDING REVALUATION RESERVES AS PER BALANCE SHEET OF PREVIOUS ACCOUNTING YEAR</b>	27,214.2	27,407.9
<b>19.00</b>	<b>12.88</b>	<b>33.85</b>	<b>19 EARNINGS PER SHARE (EPS) [NOT ANNUALISED] BASIC AND DILUTED EPS (₹) BEFORE / AFTER EXTRAORDINARY ITEM</b>	<b>58.42</b>	<b>122.87</b>



## STATEMENT OF ASSETS AND LIABILITIES AS AT DECEMBER 31, 2015

(₹ in million)

PARTICULARS		As at 31.12.2015 (Audited)	As at 31.12.2014 (Audited)
<b>A</b>	<b>EQUITY AND LIABILITIES</b>		
<b>1</b>	<b>SHAREHOLDERS' FUNDS</b>		
	(a) SHARE CAPITAL	964.2	964.2
	(b) RESERVES AND SURPLUS	27,214.2	27,407.9
	(c) MONEY RECEIVED AGAINST SHARE WARRANTS	-	-
	<b>Sub-total – SHAREHOLDERS' FUNDS</b>	<b>28,178.4</b>	<b>28,372.1</b>
<b>2</b>	<b>SHARE APPLICATION MONEY PENDING ALLOTMENT</b>	-	-
<b>3</b>	<b>NON-CURRENT LIABILITIES</b>		
	(a) LONG-TERM BORROWINGS	167.9	154.6
	(b) DEFERRED TAX LIABILITIES (NET)	1,729.3	2,227.2
	(c) OTHER LONG-TERM LIABILITIES	-	-
	(d) LONG-TERM PROVISIONS	15,971.7	13,886.6
	<b>Sub- total –NON-CURRENT LIABILITIES</b>	<b>17,868.9</b>	<b>16,268.4</b>
<b>4</b>	<b>CURRENT LIABILITIES</b>		
	(a) SHORT-TERM BORROWINGS	9.4	41.1
	(b) TRADE PAYABLES	7,435.4	7,287.1
	(c) OTHER CURRENT LIABILITIES	4,659.3	4,095.7
	(d) SHORT-TERM PROVISIONS	2,653.2	2,130.6
	<b>Sub-total –CURRENT LIABILITIES</b>	<b>14,757.3</b>	<b>13,554.5</b>
	<b>TOTAL – EQUITY AND LIABILITIES</b>	<b>60,804.6</b>	<b>58,195.0</b>
<b>B</b>	<b>ASSETS</b>		
<b>1</b>	<b>NON-CURRENT ASSETS</b>		
	(a) FIXED ASSETS	31,286.4	34,214.2
	(b) NON-CURRENT INVESTMENTS	3,417.8	3,044.6
	(c) DEFERRED TAX ASSETS (NET)	-	-
	(d) LONG-TERM LOANS AND ADVANCES	1,304.3	1,299.5
	(e) OTHER NON-CURRENT ASSETS	-	-
	<b>Sub-total– NON-CURRENT ASSETS</b>	<b>36,008.5</b>	<b>38,558.3</b>
<b>2</b>	<b>CURRENT ASSETS</b>		
	(a) CURRENT INVESTMENTS	9,831.4	5,073.6
	(b) INVENTORIES	8,208.1	8,441.0
	(c) TRADE RECEIVABLES	784.2	991.0
	(d) CASH AND BANK BALANCES	4,995.5	4,458.2
	(e) SHORT-TERM LOANS AND ADVANCES	829.7	520.7
	(f) OTHER CURRENT ASSETS	147.2	152.2
	<b>Sub-total –CURRENT ASSETS</b>	<b>24,796.1</b>	<b>19,636.7</b>
	<b>TOTAL–ASSETS</b>	<b>60,804.6</b>	<b>58,195.0</b>





## Notes: Comparisons with reference to three months ended 31.12.2014

"Net Sales" has decreased by 22.6% largely due to the impact of MAGGI Noodles issue (Refer Note - 1 below). "Net Domestic Sales" decreased by 24.0%. "Export Sales" decreased by 2.2% impacted by MAGGI Noodles issue partially offset by export of milk & nutrition products.

## Notes: Comparisons with reference to full year ended 2014

1. Results for the quarter and full year ended 31st December, 2015 have been impacted by the MAGGI Noodles issue. The trust of its consumers and the safety and quality of its products is Nestlé's foremost priority. Unfortunately, developments and growing concerns about the product had led to an environment of confusion for the consumers to such an extent that the Company, on 5th June, 2015, decided to take the products temporarily off the shelves, despite the product being safe. This was done to reassure the consumers that their trust has always been of utmost importance for the Company and to maintain their continued patronage for Company's products. The Food Safety and Standards Authority of India (FSSAI) issued a ban order later on the same day i.e. 5th June, 2015 mainly alleging higher than permissible limits of lead and asking the Company to recall MAGGI Noodles, stop further manufacture and comply with other directions. In line with the instructions from the authorities and in keeping with environmental considerations, the withdrawn products including stocks with the Company were sent for high temperature thermal destruction and the Company suspended further manufacturing of MAGGI Noodles. The Company had conducted extensive additional tests, of over 3500 samples representing over 200 million packs of MAGGI Noodles, in both national and international accredited laboratories. All results confirmed levels of lead were well below the permissible limits. Furthermore, several other countries had found MAGGI Noodles safe after testing samples of the product exported from India. With a view to resolving the issue, the Company approached the Hon'ble Bombay High Court raising issues of interpretation of the Food Safety and Standards Act 2011, whilst seeking judicial review of the order dated 5th June, 2015 passed by FSSAI and order dated 6th June, 2015 passed by the Commissioner of Food Safety, Maharashtra (FDA). The Hon'ble Bombay High Court vide its Judgment dated 13th August, 2015 read along with Order dated 4th September, 2015 revoked the ban order passed by FSSAI and FDA and directed fresh testing of MAGGI Noodles for lead at three NABL (National Accreditation Board for Testing and Calibration Laboratories) accredited laboratories notified by FSSAI for testing of food products under Food Safety and Standards Act. Results from these laboratories were received by 16th October, 2015. 100% of the samples tested were clear with lead much below the permissible limits. In compliance with the directions of the Hon'ble Bombay High Court, the Company thereafter started manufacture of MAGGI Masala Noodles. Samples from the fresh manufacture of MAGGI Masala Noodles were sent to the same three laboratories to test for lead. Results from these laboratories were received by 4th November, 2015. 100% of the samples tested were clear with lead much below the permissible limits. The Company, after successfully passing the two levels of testing directed by the Bombay High Court, re-launched MAGGI Masala Noodles on 9th November, 2015. In December, 2015 the FSSAI filed a Special Leave Petition in the Hon'ble Supreme Court, challenging the Judgment of the Hon'ble Bombay High Court. The court proceedings are currently ongoing.

Net Sales worth ₹ 3,034.0 million have been reversed during the full year ended 31st December, 2015 in relation to MAGGI Noodles stock being withdrawn from trade partners and market. The exceptional item relates to loss on account of stocks withdrawn including incidental costs thereto and estimates of other related costs incurred exclusively in the ordinary course of Company's business, dealt in line with the Accounting Standard AS 2 on "Valuation of Inventories" and Accounting Standard AS 5 on "Net Profit or Loss for the Period, Prior Period Items and Changes in Accounting Policies".

2. Results for the quarter/ full year ended 31<sup>st</sup> December 2015 are not fully comparable with the results of the corresponding periods due to MAGGI Noodles issue. (Refer Note - 1 above).
3. "Net Sales" for the year has decreased by 17.2% largely due to the impact of MAGGI Noodles issue (Refer Note - 1 above). "Net Domestic Sales" decreased by 18.3%. "Export Sales" decreased by 1.3% impacted by MAGGI Noodles issue and lower coffee exports partially offset by export of milk & nutrition products.
4. The Company has reviewed and reassessed useful life of fixed assets as per Schedule II to the Companies Act, 2013. Accordingly depreciation has been computed on reassessed useful lives based on technical evaluation of relevant class of assets. As a result depreciation charge for the year is higher by ₹ 219.9 million. Further, for assets whose reassessed remaining useful life as on 1<sup>st</sup> January, 2015 is Nil, depreciation of ₹ 193.9 million (net of deferred tax) has been adjusted against the retained earnings in accordance with the transitional provision as specified in Schedule II.
5. "Net Provision for Contingencies" is mainly for matters related to litigations and related disputes. Provisions for Contingencies/ Contingent Liabilities are recognised/ disclosed after a careful evaluation of the facts and legal aspects of the matter involved, in line with the Accounting Standard AS 29 on "Provisions, Contingent Liabilities and Contingent Assets".
6. "Other Income" has increased due to higher average liquidities in current year, as during 2014, substantial part of the liquidities were used for repayment of External Commercial Borrowings (ECB).
7. Total cost of the employee benefit plans continue to be fully charged to the statement of profit and loss. While the amounts relating to current service cost and actuarial gains/ losses continue to be included in "Employee Benefits Expense"; the increase in cost of employee benefit plans, due to passage of time (net of return on plan assets) is presented under "Employee Benefits Expense due to passage of time" in line with the Accounting Standard AS 15 on "Employee Benefits".





8. Statement of Assets and Liabilities as at 31.12.2015 (comparison with the position as at 31.12.2014): -
- (a) "Long-term provisions" have increased due to provisions for employee retirement benefits and contingencies.
  - (b) "Other current liabilities" have increased mainly due to MAGGI Noodles issue related liabilities.
  - (c) "Non-current investments" have increased due to investments in long term tax free bonds.
  - (d) "Current Investments" and "Cash & Bank balances" have increased as substantial part of the liquidities in 2014 were used for repayment of ECB. Cash generation in 2015, although lower than 2014 due to the MAGGI Noodles issue, has contributed to the increase.
9. The Board of Directors have recommended a final dividend of ₹ 18.50 per equity share (Face value ₹ 10/- per equity share) for 2015. This is in addition to the two interim dividends of ₹ 14.00 per equity share paid on 2nd June 2015 and ₹ 16.00 per equity share paid on 23rd December, 2015. The total dividend per share in 2015 aggregates to ₹ 48.50 per equity share.
10. As the Company's business activity falls within a single primary business segment, namely Food, the disclosure requirements under Regulation 33 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 in terms of Accounting Standard AS 17 on "Segment Reporting" are not applicable.
11. 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.
12. Previous year's figures have been regrouped/ reclassified wherever necessary to conform with the current year's classification / disclosure.

**THE ABOVE RESULTS AND THIS RELEASE HAVE BEEN REVIEWED BY AUDIT COMMITTEE OF THE BOARD AND APPROVED BY THE BOARD OF DIRECTORS AT THEIR MEETING HELD ON 12<sup>th</sup> FEBRUARY, 2016.**

**By Order of the Board**

  
**Suresh Narayanan**  
Chairman and Managing Director

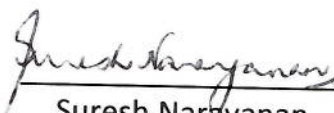

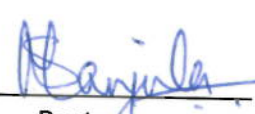

**Date: 12<sup>th</sup> February, 2016**  
**Place: Gurgaon**

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## FORM A

(Pursuant to Clause 33(3)(d) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015)

Sr. No.	Particulars	Details
1.	Name of the Company	Nestlé India Limited (Scrip Code 500790)
2.	Annual Financial Statement for the year ended	31 <sup>st</sup> December, 2015
3.	Type of Audit observation	No qualification or matter of emphasis has been included in the audit report
4.	Frequency of observation	Not applicable in view of the comments in (3) above
5.	<p>To be signed by</p> <ul style="list-style-type: none"> <li>• Managing Director</li> <li>• CFO</li> <li>• Auditor of the Company</li> <li>• Audit Committee Chairman</li> </ul>	<p style="text-align: center;">   Suresh Narayanan  Chairman and Managing Director  (DIN:07246738) </p> <p style="text-align: center;">   Shobinder Duggal  Director – Finance &amp; Control and CFO  (DIN:00039580) </p> <p style="text-align: center;"> For A.F. Ferguson &amp; Co.  Chartered Accountants  (ICAI Registration No. : 112066W) </p> <p style="text-align: center;">   Partner  Manjula Banerji - 86423 </p> <p style="text-align: center;">   AK Mahindra  Independent Non-executive Director  (DIN:00916746) </p>

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