

B S R & Co. LLP

Chartered Accountants

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Review Report to

The Board of Directors of Nestlé India Limited

We have reviewed the accompanying statement of unaudited financial results ("the Statement") of Nestlé India Limited ('the Company') for the quarter and six months ended 30 June 2017, attached herewith, being submitted by the Company pursuant to the requirements of Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

This statement is the responsibility of the Company's Management and has been approved by the Board of Directors. Our responsibility is to issue a report on these financial statements based on our review.

Attention is drawn to the fact that the figures for the quarter and six month ended 30 June 2016 and for the year ended 31 December 2016 are based on the previously issued financial results and annual financial statements that were reviewed/audited by the erstwhile auditors (vide their unmodified limited review report of 29 July 2016 and unmodified audit report of 15 February 2017) as adjusted for differences in the accounting principles adopted by the Company on transition to Indian Accounting Standards ('Ind AS'), which have been reviewed by us. These adjustments have been reconciled to the net profit for the quarter and six months ended 30 June 2016 and year ended 31 December 2016 under the previously applicable Generally Accepted Accounting Principles with the total comprehensive income as reported in these financial results under Ind AS.

We conducted our review in accordance with the Standard on Review Engagement (SRE) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Institute of Chartered Accountants of India. This standard requires that we plan and perform the review to obtain moderate assurance as to whether the financial statements are free of material misstatement. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and accordingly, we do not express an audit opinion.

Based on our review conducted as above, nothing has come to our attention that causes us to believe that the accompanying statement of unaudited financial results prepared in accordance with applicable accounting standards i.e. Indian Accounting Standards (Ind AS) prescribed under Section 133 of the Companies Act, 2013 read with relevant rules issued thereunder and other recognized accounting practices and policies has not disclosed the information required to be disclosed in terms of Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 including the manner in which it is to be disclosed, or that it contains any material misstatement.

For B S R & Co. LLP
Chartered Accountants

Firm Registration No.: 101248W/ W-100022

Jiten Chopra
Partner

Membership No.: 092894

Place: Gurgaon
Date: 26 July 2017

**Nestlé****NESTLÉ INDIA LIMITED**

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

STATEMENT OF UN-AUDITED FINANCIAL RESULTS FOR THE QUARTER AND SIX MONTHS ENDED 30th JUNE, 2017

(₹ In million)

THREE MONTHS ENDED (Un-audited)			PARTICULARS	SIX MONTHS ENDED (Un-audited)		Accounting Year ended (Un-audited)
30.06.2017	31.03.2017	30.06.2016		30.06.2017	30.06.2016	31.12.2016
			1 REVENUE FROM OPERATIONS			
23,211.2	24,093.4	21,330.4	(i) DOMESTIC SALES	47,304.6	43,285.0	87,530.8
1,479.4	1,664.0	1,680.7	(ii) EXPORT SALES	3,143.4	3,334.1	6,565.2
24,690.6	25,757.4	23,011.1	a) TOTAL SALES	50,448.0	46,619.1	94,096.0
156.7	162.0	156.0	b) OTHER OPERATING REVENUES	318.7	223.3	649.7
24,847.3	25,919.4	23,167.1	TOTAL REVENUE FROM OPERATIONS	50,766.7	46,842.4	94,745.7
			2 EXPENSES			
9,876.0	11,344.1	9,110.3	a) COST OF MATERIALS CONSUMED	21,220.1	18,764.5	37,750.9
349.2	388.3	221.7	b) PURCHASES OF STOCK-IN-TRADE	737.5	510.9	1,153.8
565.4	(793.6)	163.4	c) CHANGES IN INVENTORIES OF FINISHED GOODS, WORK IN PROGRESS AND STOCK IN TRADE	(228.2)	91.9	(76.6)
825.2	1,000.6	678.8	d) EXCISE DUTY	1,825.8	1,516.9	3,332.3
2,531.3	2,461.1	2,265.3	e) EMPLOYEE BENEFITS EXPENSE	4,992.4	4,390.9	9,015.7
854.4	866.6	889.4	f) DEPRECIATION AND AMORTISATION	1,721.0	1,780.7	3,536.7
6,064.4	6,169.4	5,787.3	g) OTHER EXPENSES	12,233.8	11,031.0	22,954.6
-	-	-	h) IMPAIRMENT LOSS ON FIXED ASSETS	-	-	118.3
(30.5)	98.1	113.6	i) NET PROVISION FOR CONTINGENCIES (FROM OPERATIONS)	67.6	231.5	418.0
21,035.4	21,534.6	19,229.8	TOTAL EXPENSES	42,570.0	38,318.3	78,203.7
3,811.9	4,384.8	3,937.3	3 PROFIT FROM OPERATIONS [1 -2]	8,196.7	8,524.1	16,542.0
412.3	415.6	367.5	4 FINANCIAL INCOME	827.9	720.7	1,509.0
228.9	227.6	219.9	5 FINANCE COSTS (INCLUDING INTEREST COST ON EMPLOYEE BENEFIT PLANS)	456.5	479.1	909.1
-	-	110.7	6 NET PROVISION FOR CONTINGENCIES (OTHERS)	-	456.4	1,266.7
49.6	77.5	66.1	7 CORPORATE SOCIAL RESPONSIBILITY EXPENSE	127.1	71.8	313.6
3,945.7	4,495.3	3,908.1	8 PROFIT BEFORE EXCEPTIONAL ITEMS AND TAX [3+4-5-6-7]	8,441.0	8,237.5	15,561.6
-	-	320.0	9 EXCEPTIONAL ITEMS	-	118.2	107.8
3,945.7	4,495.3	3,588.1	10 PROFIT BEFORE TAX [8-9]	8,441.0	8,119.3	15,453.8
1,408.2	1,467.9	1,288.4	11 TAX EXPENSE:			
(96.8)	(40.2)	(102.5)	a) CURRENT TAX	2,876.1	3,010.5	5,611.9
			b) DEFERRED TAX	(137.0)	(166.6)	(171.7)
2,634.3	3,067.6	2,402.2	12 PROFIT FOR THE PERIOD [10-11]	5,701.9	5,275.4	10,013.6
			13 OTHER COMPREHENSIVE INCOME			
			A. (i) ITEMS THAT WILL NOT BE RECLASSIFIED TO PROFIT OR LOSS			
(122.4)	(141.6)	(141.9)	- RE-MEASUREMENT OF RETIRAL DEFINED BENEFIT PLANS	(264.0)	(283.8)	(843.9)
-	-	-	- CHANGES IN FAIR VALUE ON EQUITY INSTRUMENTS	-	(200.0)	(200.0)
42.4	49.0	49.1	(ii) INCOME TAXES RELATING TO ITEMS THAT WILL NOT BE RECLASSIFIED TO PROFIT OR LOSS	91.4	98.2	292.1
			B. (i) ITEMS THAT WILL BE RECLASSIFIED TO PROFIT OR LOSS			
4.0	5.2	(2.3)	- CHANGES IN FAIR VALUE ON CASH FLOW HEDGES	9.2	(6.3)	(13.1)
(1.4)	(1.8)	0.8	(ii) INCOME TAXES RELATING TO ITEMS THAT WILL BE RECLASSIFIED TO PROFIT OR LOSS	(3.2)	2.2	4.5
(77.4)	(89.2)	(94.3)	TOTAL OTHER COMPREHENSIVE INCOME	(166.6)	(389.7)	(760.4)
2,556.9	2,978.4	2,307.9	14 TOTAL COMPREHENSIVE INCOME [12+13]	5,535.3	4,885.7	9,253.2
964.2	964.2	964.2	15 PAID UP EQUITY SHARE CAPITAL (FACE VALUE – ₹10 PER SHARE)	964.2	964.2	964.2
27.32	31.82	24.92	16 EARNINGS PER SHARE (EPS) [NOT ANNUALISED] BASIC/ DILUTED EPS	59.14	54.72	103.86



STATEMENT OF ASSETS AND LIABILITIES AS AT 30th JUNE, 2017

(₹ in million)

PARTICULARS		As at 30.06.2017 (Un-audited)	As at 31.12.2016 (Un-audited)
A	ASSETS		
1	NON-CURRENT ASSETS		
	(a) PROPERTY, PLANT & EQUIPMENT	26,099.7	27,301.4
	(b) CAPITAL WORK IN-PROGRESS	2,038.3	1,881.7
	(c) FINANCIAL ASSETS		
	(i) INVESTMENTS	5,299.8	4,743.1
	(ii) LOANS	642.3	643.7
	(d) OTHER NON-CURRENT ASSETS	761.9	706.7
	Sub-total- NON-CURRENT ASSETS	34,842.0	35,276.6
2	CURRENT ASSETS		
	(a) INVENTORIES	10,001.8	9,400.6
	(b) FINANCIAL ASSETS		
	(i) INVESTMENTS	11,019.3	12,813.5
	(ii) TRADE RECEIVABLES	901.2	979.3
	(iii) CASH AND CASH EQUIVALENTS	10,424.6	8,693.2
	(iv) BANK BALANCES OTHER THAN CASH AND CASH EQUIVALENTS	96.2	106.8
	(v) LOANS	722.3	165.8
	(vi) OTHER FINANCIAL ASSETS	412.5	326.7
	(c) CURRENT TAX ASSETS (NET)	-	27.3
	(d) OTHER CURRENT ASSETS	723.3	314.8
	Sub-total -CURRENT ASSETS	34,301.2	32,828.0
	TOTAL-ASSETS	69,143.2	68,104.6
B	EQUITY AND LIABILITIES		
	EQUITY		
	(a) EQUITY SHARE CAPITAL	964.2	964.2
	(b) OTHER EQUITY	32,984.7	31,859.1
	Sub-total - EQUITY	33,948.9	32,823.3
	LIABILITIES		
1	NON-CURRENT LIABILITIES		
	(a) FINANCIAL LIABILITIES		
	(i) BORROWINGS	351.4	331.5
	(b) PROVISIONS	20,635.6	19,722.1
	(c) DEFERRED TAX LIABILITIES (NET)	1,434.0	1,553.4
	(d) OTHER NON-CURRENT LIABILITIES	6.4	6.8
	Sub- total -NON-CURRENT LIABILITIES	22,427.4	21,613.8
2	CURRENT LIABILITIES		
	(a) FINANCIAL LIABILITIES		
	(i) TRADE PAYABLES	7,200.3	7,991.7
	(ii) OTHER FINANCIAL LIABILITIES	2,378.1	3,116.4
	(b) PROVISIONS	533.9	538.0
	(c) CURRENT TAX LIABILITIES (NET)	751.7	-
	(d) OTHER CURRENT LIABILITIES	1,902.9	2,021.4
	Sub-total -CURRENT LIABILITIES	12,766.9	13,667.5
	TOTAL - EQUITY AND LIABILITIES	69,143.2	68,104.6



Notes:

Financial results have been presented in accordance with the requirements of SEBI's circular dated 5th July, 2016, IND-AS and Schedule III (Division II) to the Companies Act, 2013.

In line with the Note given in Division II of Schedule III to the Companies Act, 2013, for a better understanding of the financial performance, the Company has chosen to present "Profit from Operations" as a separate line item on the face of the Statement of Profit and Loss in the Financial Statements. "Profit from Operations" is arrived at before Financial Income, Finance Costs (including interest cost on employee benefit plans), Net provision for contingencies (others), Corporate social responsibility expense, Exceptional items and Tax expense.

Transition to Indian Accounting Standards (Ind AS)

The Company has adopted Ind AS w.e.f 1st January, 2017 with a transition date of 1st January, 2016. Accordingly, results for the quarter and six months ended 30th June, 2017 have been prepared in accordance with Ind AS prescribed under Section 133 of the Companies Act, 2013 and other accounting principles generally accepted in India. Previous periods figures have been restated as per Ind AS to make them comparable. Statutory auditors have carried out limited review of the financial results prepared in accordance with Ind AS.

Reconciliation of Profit for previous periods as reported in accordance with previous Indian GAAP to Total Comprehensive income in accordance with Ind-AS is as under:

PARTICULARS	(₹ In million)		
	THREE MONTHS ENDED 30.06.2016	SIX MONTHS ENDED 30.06.2016	Accounting Year ended 31.12.2016
Profit for the period as reported in accordance with previous Indian GAAP	2,308.4	4,898.4	9,265.4
a) Actuarial loss on retiral defined benefit plans reclassified to Other Comprehensive Income	141.9	283.8	843.9
b) Changes in fair value on equity instruments reclassified to Other Comprehensive Income	-	200.0	200.0
c) Recognition of interest income on financial assets as per effective interest rate method	0.3	3.9	10.9
d) Application of hedge accounting for forward contracts	0.1	1.8	6.6
e) Changes in fair value on investment in mutual funds	1.1	2.2	4.2
f) Recognition of Capital subsidy in the Statement of Profit & Loss	-	-	4.0
g) Others	-	(21.0)	(31.2)
Tax Impact on above	(49.6)	(93.7)	(290.2)
Profit for the period in accordance with Ind AS - (A)	2,402.2	5,275.4	10,013.6
Other Comprehensive Income			
a) Re-measurement of retiral defined benefit plans	(141.9)	(283.8)	(843.9)
b) Changes in fair value on equity instruments	-	(200.0)	(200.0)
c) Changes in fair value on cash flow hedges	(2.3)	(6.3)	(13.1)
Tax Impact on above	49.9	100.4	296.6
Total Other Comprehensive Income - (B)	(94.3)	(389.7)	(760.4)
Total Comprehensive Income in accordance with Ind AS - (C=A+B)	2,307.9	4,885.7	9,253.2

Reconciliation of Equity as reported in accordance with previous Indian GAAP to Equity in accordance with Ind-AS is as under:

PARTICULARS	(₹ In million)	
	As at 31.12.2016	
Equity as reported in accordance with previous Indian GAAP	30,137.0	
a) Recognition of interest income on financial assets as per effective interest rate method	50.4	
b) Application of hedge accounting for forward contracts	(3.3)	
c) Changes in fair value on investment in mutual funds	12.7	
d) Timing difference in recognition of proposed final dividend and dividend distribution tax thereon	2,669.0	
e) Others	(31.2)	
f) Tax impact	(11.3)	
Equity in accordance with Ind AS	32,823.3	



Comparisons are with reference to quarter ended 30th June, 2016

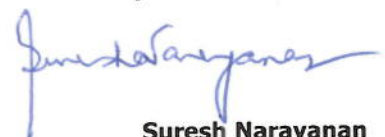
1. "Total Sales" for the quarter increased by 7.3%. "Domestic Sales" increased by 8.8% mainly due to increase in volumes supported by new product launches and rebuild of MAGGI Noodles, supplemented by better realisations. Growth was negatively impacted by softer trading in June ahead of the rollout of Goods and Services Tax.
"Export Sales" dropped by 12.0% mainly due to lower sales of Milk & Nutrition products to Bangladesh and Middle East.
2. "Cost of materials consumed" [2(a)+2(b)+2(c)] as a percentage of total sales has increased due to higher commodity prices, particularly milk and its derivatives, which have not been fully passed on to the consumers.
3. "Excise Duty" has increased as the tax holiday in Pantnagar, Uttarakhand ended in June, 2016.
4. "Employee Benefits Expense" in the current period is impacted by implementation of a longer-term approach towards compensation of most factory employees in line with industry practice.
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 Ind AS 37 on "Provisions, Contingent Liabilities and Contingent Assets".
6. "Financial Income" has increased due to higher average liquidities partially offset by lower yields.
7. "Tax expense" has been impacted due to the end of first 5 years of Income Tax holiday @ 100% of the profits of Samalkha factory Unit II. For the next 5 years, Income Tax holiday will be applicable @ 30% for Samalkha factory Unit II.
8. The Board of Directors have declared second interim dividend for 2017 of ₹ 15.00 per equity share (Face value ₹ 10/- per equity share) amounting to ₹ 1,446.2 million, which will be paid on and from 16th August, 2017. This is in addition to the first interim dividend of ₹ 15.00 per equity share paid on 2nd June, 2017.
9. Based on the guiding principles given in Ind AS 108 on 'Operating Segments', the Company's business activity falls within a single operating segment, namely Food. Accordingly, the disclosure requirements of Ind AS 108 are not applicable.
10. Legal proceedings in the MAGGI Noodles issue are currently on before the Hon'ble Supreme Court. The issue has been adequately explained in the Annual Report 2015 and also in the press releases in 2015 available on the Company's website www.nestle.in
11. Previous period's figures have been regrouped/ reclassified wherever necessary to conform with the current period's classification /disclosure.

THE ABOVE RESULTS AND THIS RELEASE HAVE BEEN REVIEWED BY THE AUDIT COMMITTEE OF THE BOARD AND APPROVED BY THE BOARD OF DIRECTORS AT THEIR MEETING HELD ON 26th JULY, 2017.

Limited Review - The limited review, as required under Regulation 33 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 has been completed and the related report forwarded to the stock exchange. The report does not have any impact on the above 'results and notes' for the quarter and six months ended 30th June, 2017.

Date: 26th July, 2017
Place: Gurugram

By Order of the Board



Suresh Narayanan
Chairman and Managing Director

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