

# 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 ("Statement") of Nestlé India Limited ('the Company') for the quarter ended 31 March 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 ('SEBI Regulations'). 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 ended 31 March 2016 and 31 December 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 12 May 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 ended 31 March 2016 and 31 December 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: 12 May 2017

**STATEMENT OF UN-AUDITED FINANCIAL RESULTS FOR THE QUARTER ENDED 31<sup>st</sup> MARCH, 2017**

(₹ In million)

PARTICULARS	THREE MONTHS ENDED (Un-audited)			Accounting Year ended (Un-audited)
	31.3.2017	31.12.2016	31.3.2016	31.12.2016
<b>1 REVENUE FROM OPERATIONS</b>				
(i) DOMESTIC SALES	24,093.4	21,676.0	21,954.6	87,530.8
(ii) EXPORT SALES	1,664.0	1,671.8	1,653.4	6,565.2
a) TOTAL SALES	25,757.4	23,347.8	23,608.0	94,096.0
b) OTHER OPERATING REVENUES	162.0	253.0	67.3	649.7
<b>TOTAL REVENUE FROM OPERATIONS</b>	<b>25,919.4</b>	<b>23,600.8</b>	<b>23,675.3</b>	<b>94,745.7</b>
<b>2 EXPENSES</b>				
a) COST OF MATERIALS CONSUMED	11,344.1	9,951.7	9,654.2	37,750.9
b) PURCHASES OF STOCK-IN-TRADE	388.3	345.0	289.2	1,153.8
c) CHANGES IN INVENTORIES OF FINISHED GOODS, WORK IN PROGRESS AND STOCK IN TRADE	(793.6)	(695.5)	(71.5)	(76.6)
d) EXCISE DUTY	1,000.6	938.2	838.1	3,332.3
e) EMPLOYEE BENEFITS EXPENSE	2,461.1	2,281.5	2,125.6	9,015.7
f) DEPRECIATION AND AMORTISATION	866.6	873.4	891.3	3,536.7
g) OTHER EXPENSES	6,169.4	5,775.7	5,243.7	22,954.6
h) IMPAIRMENT LOSS ON FIXED ASSETS	-	29.3	-	118.3
i) NET PROVISION FOR CONTINGENCIES (FROM OPERATIONS)	98.1	91.3	117.9	418.0
<b>TOTAL EXPENSES</b>	<b>21,534.6</b>	<b>19,590.6</b>	<b>19,088.5</b>	<b>78,203.7</b>
<b>3 PROFIT FROM OPERATIONS [1 -2]</b>	<b>4,384.8</b>	<b>4,010.2</b>	<b>4,586.8</b>	<b>16,542.0</b>
4 FINANCIAL INCOME	415.6	414.8	353.2	1,509.0
5 FINANCE COSTS (INCLUDING INTEREST COST ON EMPLOYEE BENEFIT PLANS)	227.6	210.3	259.2	909.1
6 NET PROVISION FOR CONTINGENCIES (OTHERS)	-	810.3	345.7	1,266.7
7 CORPORATE SOCIAL RESPONSIBILITY EXPENSE	77.5	185.1	5.7	313.6
<b>8 PROFIT BEFORE EXCEPTIONAL ITEMS AND TAX [3+4-5-6-7]</b>	<b>4,495.3</b>	<b>3,219.3</b>	<b>4,329.4</b>	<b>15,561.6</b>
9 EXCEPTIONAL ITEMS	-	(10.4)	(201.8)	107.8
<b>10 PROFIT BEFORE TAX [8-9]</b>	<b>4,495.3</b>	<b>3,229.7</b>	<b>4,531.2</b>	<b>15,453.8</b>
11 TAX EXPENSE:				
a) CURRENT TAX	1,467.9	1,332.3	1,722.1	5,611.9
b) DEFERRED TAX	(40.2)	(56.7)	(64.1)	(171.7)
<b>12 PROFIT FOR THE PERIOD [10-11]</b>	<b>3,067.6</b>	<b>1,954.1</b>	<b>2,873.2</b>	<b>10,013.6</b>
<b>13 OTHER COMPREHENSIVE INCOME</b>				
A. (i) ITEMS THAT WILL NOT BE RECLASSIFIED TO PROFIT OR LOSS				
- RE-MEASUREMENT OF RETIRAL DEFINED BENEFIT PLANS	(141.6)	(418.2)	(141.9)	(843.9)
- CHANGES IN FAIR VALUE ON EQUITY INSTRUMENTS	-	-	(200.0)	(200.0)
(ii) INCOME TAXES RELATING TO ITEMS THAT WILL NOT BE RECLASSIFIED TO PROFIT OR LOSS	49.0	144.8	49.1	292.1
B. (i) ITEMS THAT WILL BE RECLASSIFIED TO PROFIT OR LOSS				
- CHANGES IN FAIR VALUE ON CASH FLOW HEDGES	5.2	(21.2)	(4.0)	(13.1)
(ii) INCOME TAXES RELATING TO ITEMS THAT WILL BE RECLASSIFIED TO PROFIT OR LOSS	(1.8)	7.3	1.4	4.5
<b>TOTAL OTHER COMPREHENSIVE INCOME</b>	<b>(89.2)</b>	<b>(287.3)</b>	<b>(295.4)</b>	<b>(760.4)</b>
<b>14 TOTAL COMPREHENSIVE INCOME [12+13]</b>	<b>2,978.4</b>	<b>1,666.8</b>	<b>2,577.8</b>	<b>9,253.2</b>
15 PAID UP EQUITY SHARE CAPITAL (FACE VALUE – ₹10 PER SHARE)	964.2	964.2	964.2	964.2
<b>EARNINGS PER SHARE (EPS) [NOT ANNUALISED]</b>				
<b>16 BASIC/ DILUTED EPS</b>	<b>31.82</b>	<b>20.27</b>	<b>29.80</b>	<b>103.86</b>



**Notes:**

Financial results have been presented in accordance with the requirements of SEBI's circular dated 5<sup>th</sup> 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 Annual Financial Statements. In order to arrive at "Profit from Operations", line items Financial Income, Finance Costs (Including interest cost on employee benefit plans), Net provision for contingencies (others) and Corporate social responsibility expense have been presented separately after "Profit from Operations".

**Transition to Indian Accounting Standards (Ind AS)**

The Company has adopted Ind AS w.e.f 1<sup>st</sup> January, 2017 with a transition date of 1<sup>st</sup> January, 2016. Accordingly, results for the quarter ended 31<sup>st</sup> March, 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	THREE MONTHS ENDED		(₹ In million)
	31.12.2016	31.3.2016	Accounting Year ended 31.12.2016
<b>Profit for the period as reported in accordance with previous Indian GAAP</b>	<b>1,673.1</b>	<b>2,590.0</b>	<b>9,265.4</b>
a) Actuarial loss on retiral defined benefit plans reclassified to Other Comprehensive Income	418.2	141.9	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	8.4	3.6	10.9
d) Application of hedge accounting for forward contracts	8.2	1.7	6.6
e) Changes in fair value on investment in mutual funds	1.0	1.1	4.2
f) Recognition of Capital subsidy in the Statement of Profit & Loss	4.0	-	4.0
g) Others	(10.2)	(21.0)	(31.2)
Tax Impact on above	(148.6)	(44.1)	(290.2)
<b>Profit for the period in accordance with Ind AS - (A)</b>	<b>1,954.1</b>	<b>2,873.2</b>	<b>10,013.6</b>
<b>Other Comprehensive Income</b>			
a) Re-measurement of retiral defined benefit plans	(418.2)	(141.9)	(843.9)
b) Changes in fair value on equity instruments	-	(200.0)	(200.0)
c) Changes in fair value on cash flow hedges	(21.2)	(4.0)	(13.1)
Tax Impact on above	152.1	50.5	296.6
<b>Total Other Comprehensive Income - (B)</b>	<b>(287.3)</b>	<b>(295.4)</b>	<b>(760.4)</b>
<b>Total Comprehensive Income in accordance with Ind AS - (C=A+B)</b>	<b>1,666.8</b>	<b>2,577.8</b>	<b>9,253.2</b>

**Comparisons with reference to quarter ended 31<sup>st</sup> March, 2016 unless specifically stated**

- "Total Sales" for the quarter increased by 9.1%. "Domestic Sales" increased by 9.7% mainly due to increase in volumes across product groups, including rebuild of Maggi Noodles, supplemented by marginally better realisations mostly from carry over pricing. The Growth of 0.6% in Exports was largely impacted by lower sales to Nepal and Bhutan.
- "Other Operating Income" has increased largely due to timing differences in realisation of export incentives.
- "Cost of materials consumed" [2(a)+2(b)+2(c)] as a percentage of total sales has increased largely due to rising input costs particularly milk and its derivatives partially offset by better product mix and marginally better realisations.
- "Excise Duty" has increased as the tax holiday in Pantnagar, Uttarakhand ended in June 2016 and due to sales mix.
- Increase in "Employee Benefits Expense" is impacted by implementing a longer-term approach towards compensation of most factory employees in line with industry practice, increase in volumes and certain one-off activities for the sales force.



6. Increase in "Other Expenses" is mainly due to (a) high energy and distribution cost because of steep rise in fuel prices and (b) stepped up brand building and demand generating activities.
7. "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".

Net Provisions for Contingencies from others for the quarter ended 31<sup>st</sup> March, 2017 is not entirely comparable with Q1 and Q4 of 2016 due to timing difference in completion of certain procedures relating to litigation/ disputed matter.

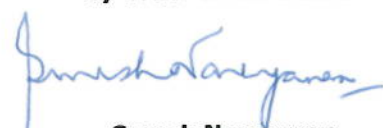
8. "Financial Income" has increased due to higher average liquidities partially offset by lower yields.
9. Tax expense has decreased due to higher tax holiday benefits and lower permanent differences in the current period.
10. The Board of Directors have declared an interim dividend for 2017 of ₹ 15.00 per equity share (Face value ₹10/- per equity share) amounting to ₹ 1,446.2 million, which will be paid on and from 2<sup>nd</sup> June, 2017.
11. 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.
12. 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](http://www.nestle.in)
13. 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 12<sup>th</sup> MAY, 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 ended 31<sup>st</sup> March, 2017.

**Date: 12<sup>th</sup> May, 2017**  
**Place: Gurgaon**

**By Order of the Board**



**Suresh Narayanan**  
**Chairman and Managing Director**

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