

Nestle India Limited

Financial Analysts' Meet

November 29, 2006

Agenda



Introduction & CSR

Martial Rolland

Financials

Shobinder Duggal

Questions & Answers

All

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 factors such as general economic conditions, availability and prices of commodities, competitive products and pricing pressures and regulatory developments etc.

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

Introduction & CSR

Farmers
"Our Partners
in Progress"



An example of CSR

Nestlé Milk District Model
45 years of a progressive partnership with farmers

FINANCIAL ANALYSTS MEET

29.11.06

AN EXAMPLE OF CSR : NESTLE milk district model



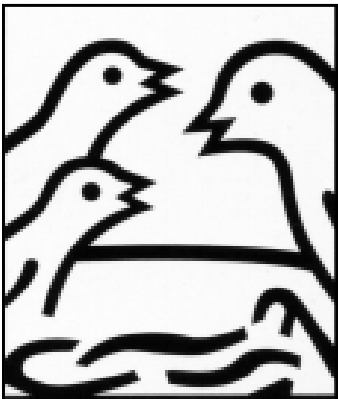
- 1 Nestlé – An Overview**
- 2 Evolution of the Nestlé Milk Districts**
- 3 Nestlé in India**
- 4 Nestlé Milk Districts & Rural Growth**
- 5 Concerns for the Environment and the Community**
- 6 Summary and Conclusions**



Nestlé – The World Food Company

Henri Nestlé. Born in 1814. Trained to be a pharmacist. Created the first milk and cereal based infant food Farine Lactée Henri Nestlé

Founded the Company in 1867



Nestlé grew from a small company producing powdered milk and cereal products for infants into a global food company feeding much of the world's population

Nutrition and Wellness are at the core of Nestlé's products and manufacturing.

Our Business Vision

“Respected, Trustworthy Food,
Nutrition, Health and Wellness
Company”

Good Food, Good Life



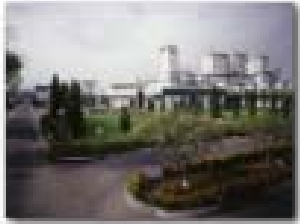
The India Business Vision

To rapidly build Nestlé India as the Respected and Trustworthy leading Food, Nutrition, Health and Wellness Company ensuring long term sustainable and profitable growth



Nestlé Corporate Business Principles: Agricultural raw materials, principally milk, coffee, cocoa, cereals, vegetables, fruit, herbs, sugar and spices, are vital factors affecting the quality and costs of Nestlé manufactured food products and, as a consequence, the Company's business performance. In this context Nestlé:

- 1) ... provides agricultural assistance to farmers
- 2) Procures Agricultural raw materials either through trade channels or directly from farmers
- 3) Supports farming practices and agricultural production systems that are sustainable; that is those practices and systems that satisfy long-term economic, ecological and social requirements;
- 4) Supports mechanisms that contribute to a more regular income for farmers;
- 5) Is not engaged itself in its own commercial farming activities;



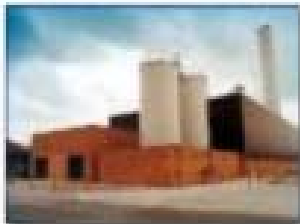
1866: Nestlé and the Anglo-Swiss Condensed Milk Company started the milk district development around the towns of **Vevey** and **Cham in Switzerland**



1872: With demand outstripping production, the Anglo-Swiss Condensed Milk Company set up two milk districts in the Swiss cantons of **Fribourg** and **St. Gallen**



1872-1881: Upon expanding its operations, more milk districts were started in **England**



1905: Nestlé and the Anglo-Swiss Condensed Milk Company had merged and by then milk districts were set-up in six countries – **Switzerland, United Kingdom, Germany, Norway, Spain and United States**



1906: Started manufacturing operations in **Australia**, its second largest export market for Nestlé products



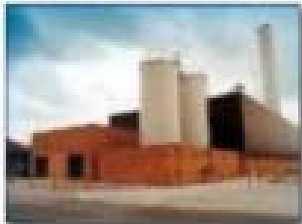
1912: Acquired the Dutch company – Galak Condensed Milk Company of Rotterdam, **Holland** and also established a skimmed milk powder company entirely for export market



1920: Entered **South America** by establishing a milk districts in **Brazil**, in **Argentina** in 1922, and in **Peru** in 1940



1961: Started to replicate its successful milk district models in Asian countries with **Moga in India**, followed by **Sri Lanka** in 1982, **Indonesia** 1986, **Pakistan** 1988, **China** 1990, **Thailand** 1991, **Morocco** 1993 and **Uzbekistan** 2001



China, India and Pakistan each collect over **10,00,000 Kg/day**



On an average Nestlé milk districts are growing 2% - 5% annually, and in some cases as high as 10%

Given the ever-increasing consumer demand, it is an ongoing priority and challenge to:

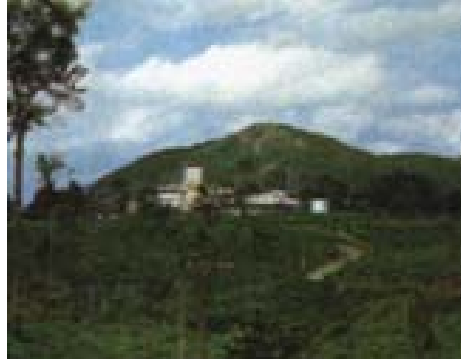
- Secure a plentiful supply of fresh milk
- Find areas to produce high quality milk
- Find cost-effective ways to meet projected demand



Nestlé's processing units in India



Moga (Punjab) 1961



Choladi (Tamilnadu) 1967



Nanjangud (Karnataka) 1989



Samalkha (Haryana) 1993



Ponda (Goa) 1995



Bicholim (Goa) 1997



Pantnagar (Uttaranchal) 2006



Nestlé India
Head Office, Gurgaon

Dairy
Farmers

Fresh milk
procurement

...a glimpse at
Nestlé Milk Collection Areas

Over Four decades of sustained growth

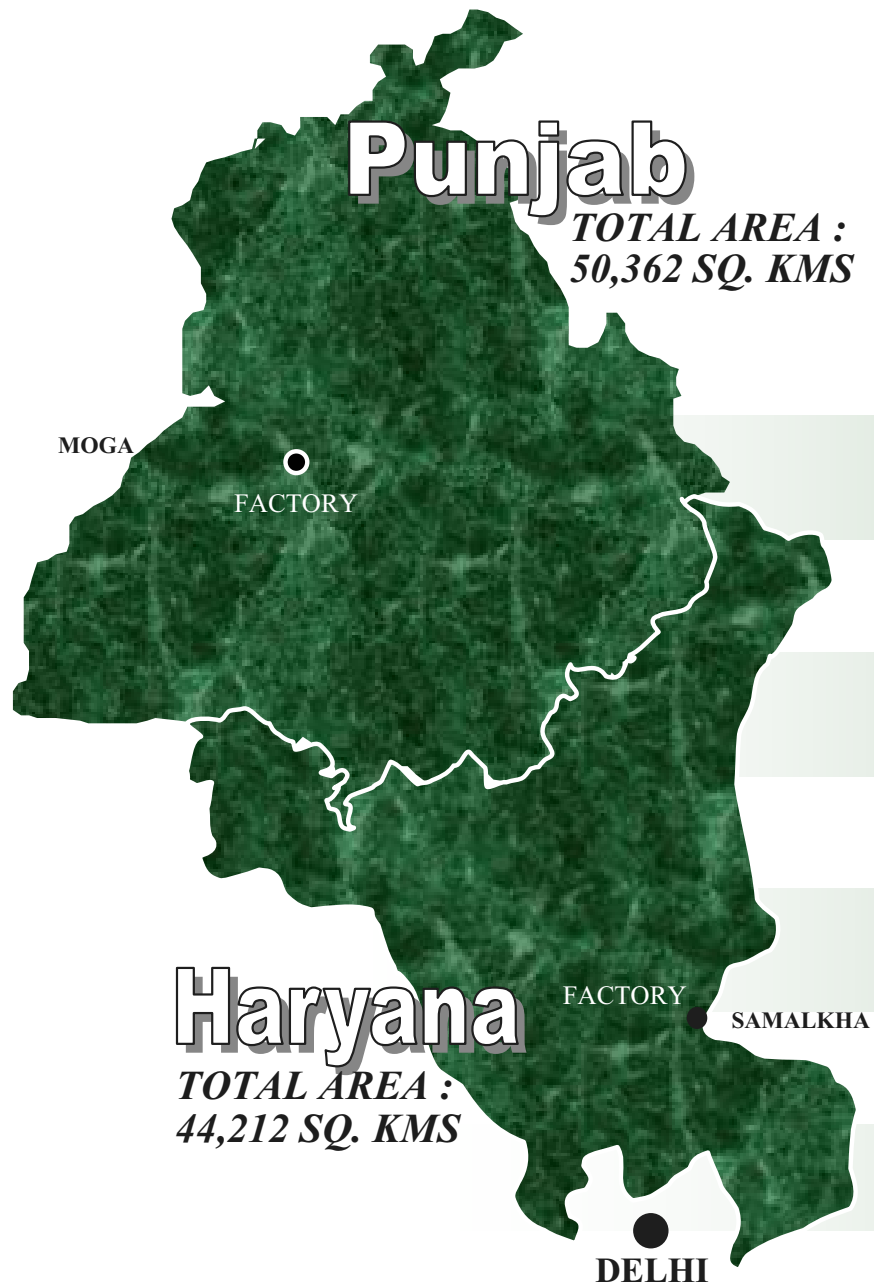


- Starting in 1961, Nestlé set up its first milk processing facility at Moga in the State of Punjab



- Built in 1991, today Samalkha factory in Haryana along with Moga produces over 100,000 tons of milk products annually

Starting in Moga with **511 kg of milk on the first day of collection (15th Nov 1961)**, today Nestlé procures over **12,00,000 kg of milk per day** during the peak season in the states of Punjab and Haryana.



14,000 square kilometers area

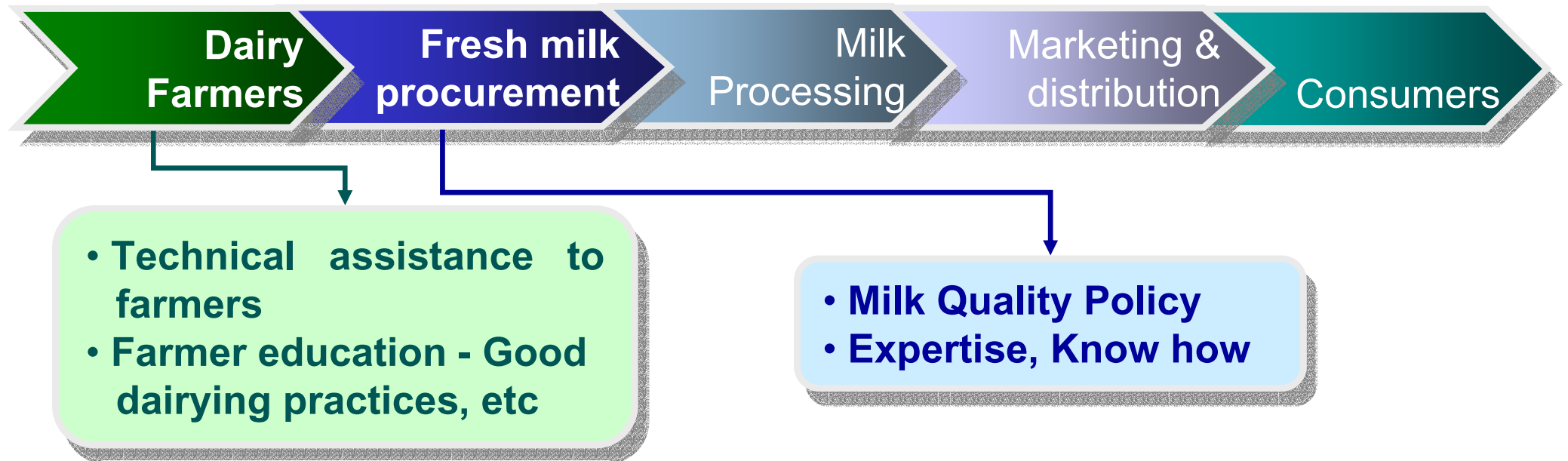
over 110,000 dairy farmers

2085 milk agencies

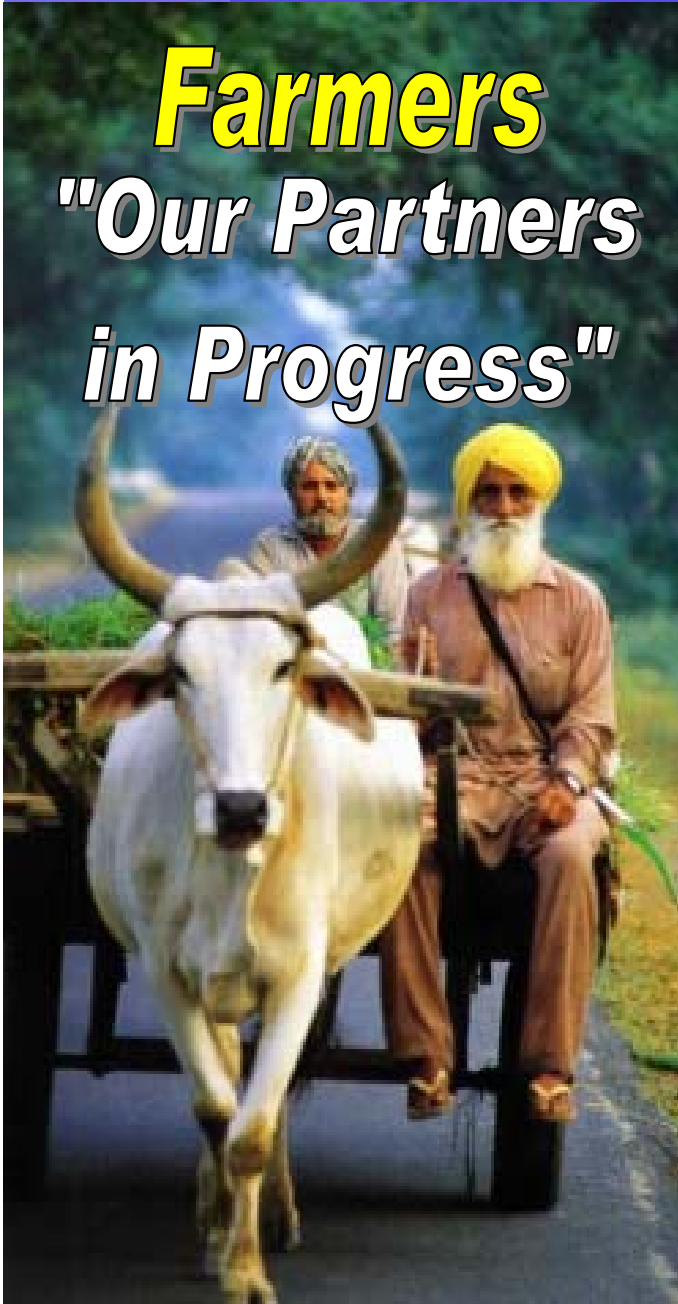
695 milk cooling tanks

Nestlé adds value at each step of the milk supply chain...

The Milk District is an integral part of delivering high quality nutritional milk products to our consumers



Farmers
***"Our Partners*
in Progress"**



**Bringing worldwide
competence of Nestlé at the
doorstep of the farmers...**

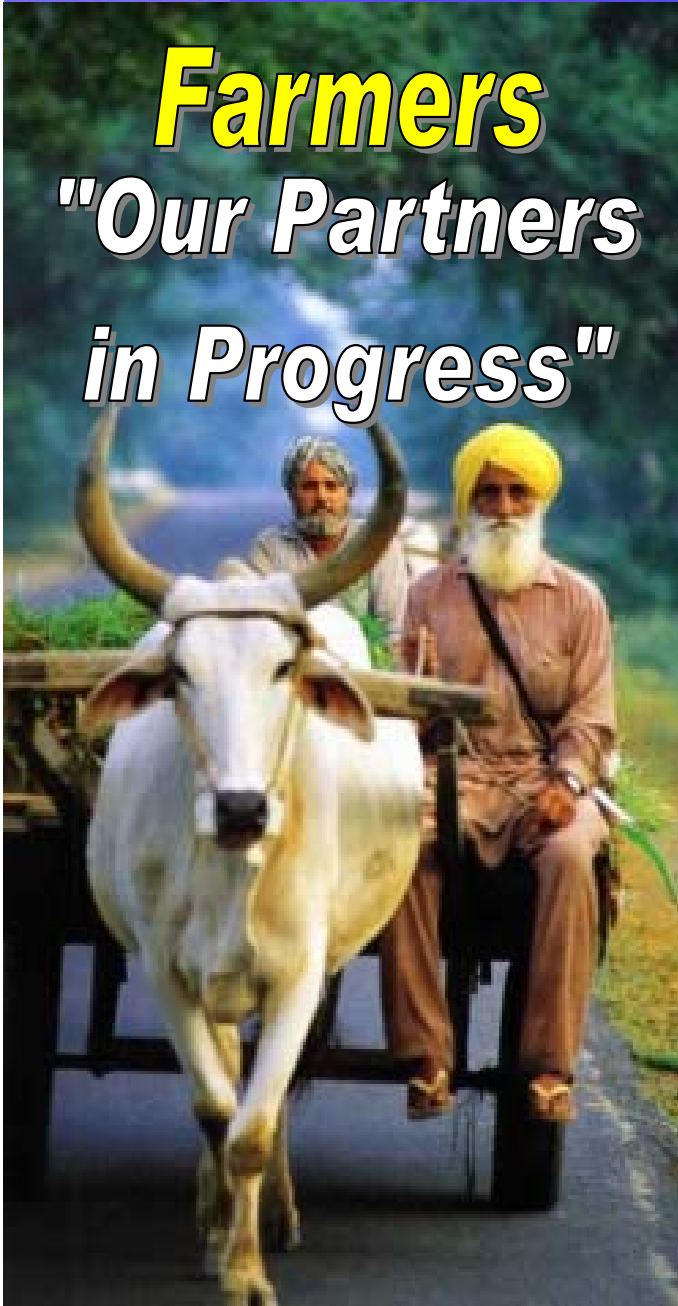
**...to help them improve milk
productivity and quality**



Setting up an efficient Milk Collection system

- On-going technical assistance to farmers for improved milk productivity and quality
- Maintenance of sustainable farming practices
- Establishing milk collection points and arranging milk collection
- Installing chilling centers
- Installing farm cooling tanks
- Arranging transportation to the factory

Farmers
"Our Partners
in Progress"



Technical Assistance to Farmers

...to help them improve milk productivity and quality

- Training and development on good farm practices
- Regular audits of farmers to ensure that good farm practices are implemented & maintained
- Testing of milk at collection and cooling centers
- The financial well-being of producers



Technical Assistance to Farmers

- Veterinary & field staff offering round the clock technical services
- Veterinary medicines are provided to farmers



- Artificial insemination centers
- highly pedigreed bulls are provided

Technical Assistance to Farmers

- Good quality fodder seed is provided to farmers
- High quality balanced cattle feed distributed annually
- Subsidized milking machines have been provided
- Technical support is extended for:
 - Silage making techniques,
 - Bio-Gas generation & vermiculture compost from animal waste



Silage making



With technical advise & guidance from field officers of Nestle India Ltd. large no. of farmers are taking up Silage Making



Farmers are becoming aware about the fact that integrated activities like Biogas and Vermi-compost production will help restore the natural resource base as well as reduce cost of inputs to some extent

Bio-Gas Generators and Vermicompost production



Farmers Education Programs

- Establishes herd demonstration farms
- Conducts field camps to impart education on good dairy practices
- Organizes factory visits and special educational tours for dairy farmers
- Offers prizes to farmers in the Nestlé milk competition
- Sensitize farmers to water issues like water conservation, depleting water tables and water management at farms



Registration



Animal Check up &
Veterinary advise



Farmer Interaction



Literature
Distribution

Farmers Education Programs

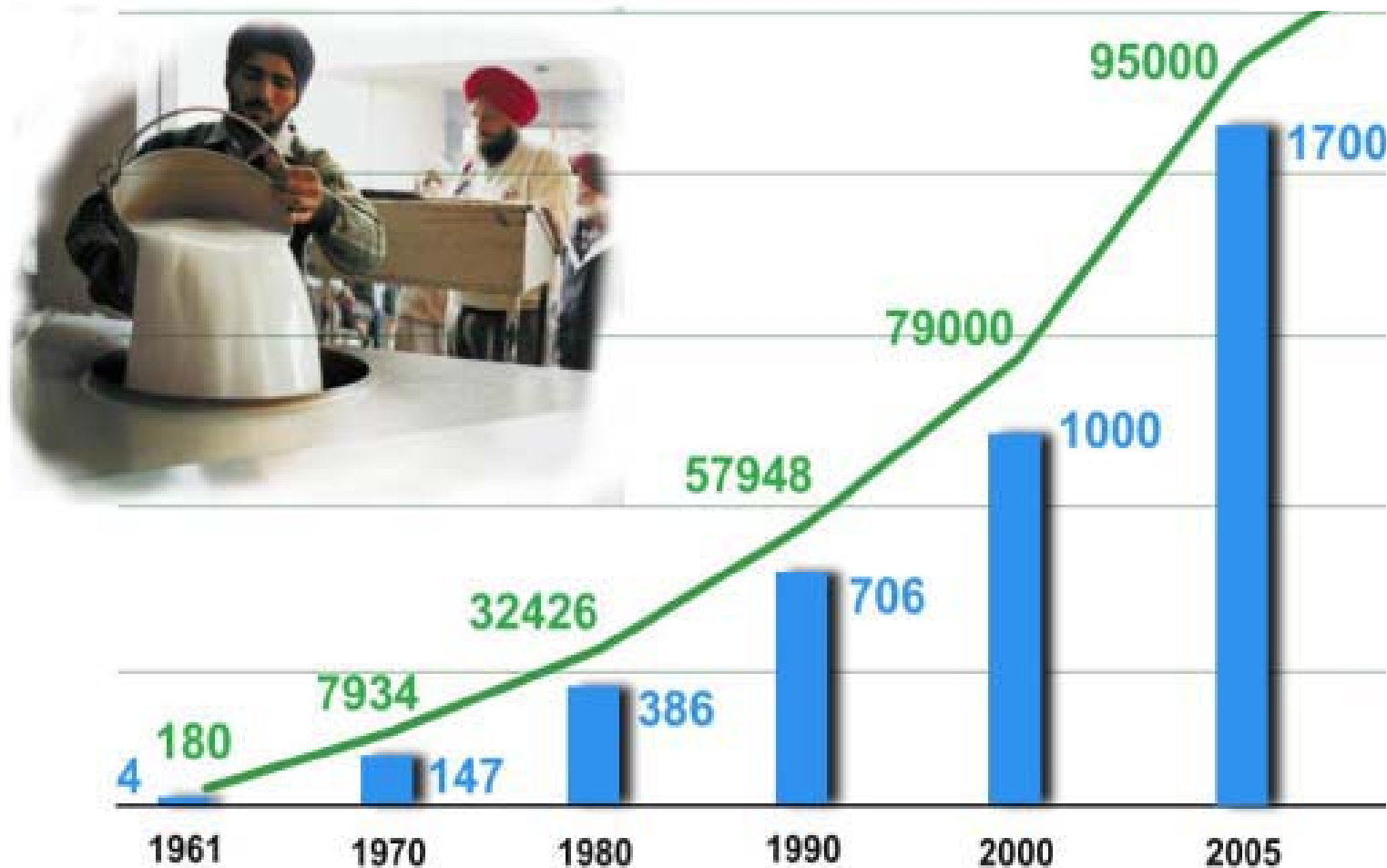
Helping village women learn

Good Dairying Practices

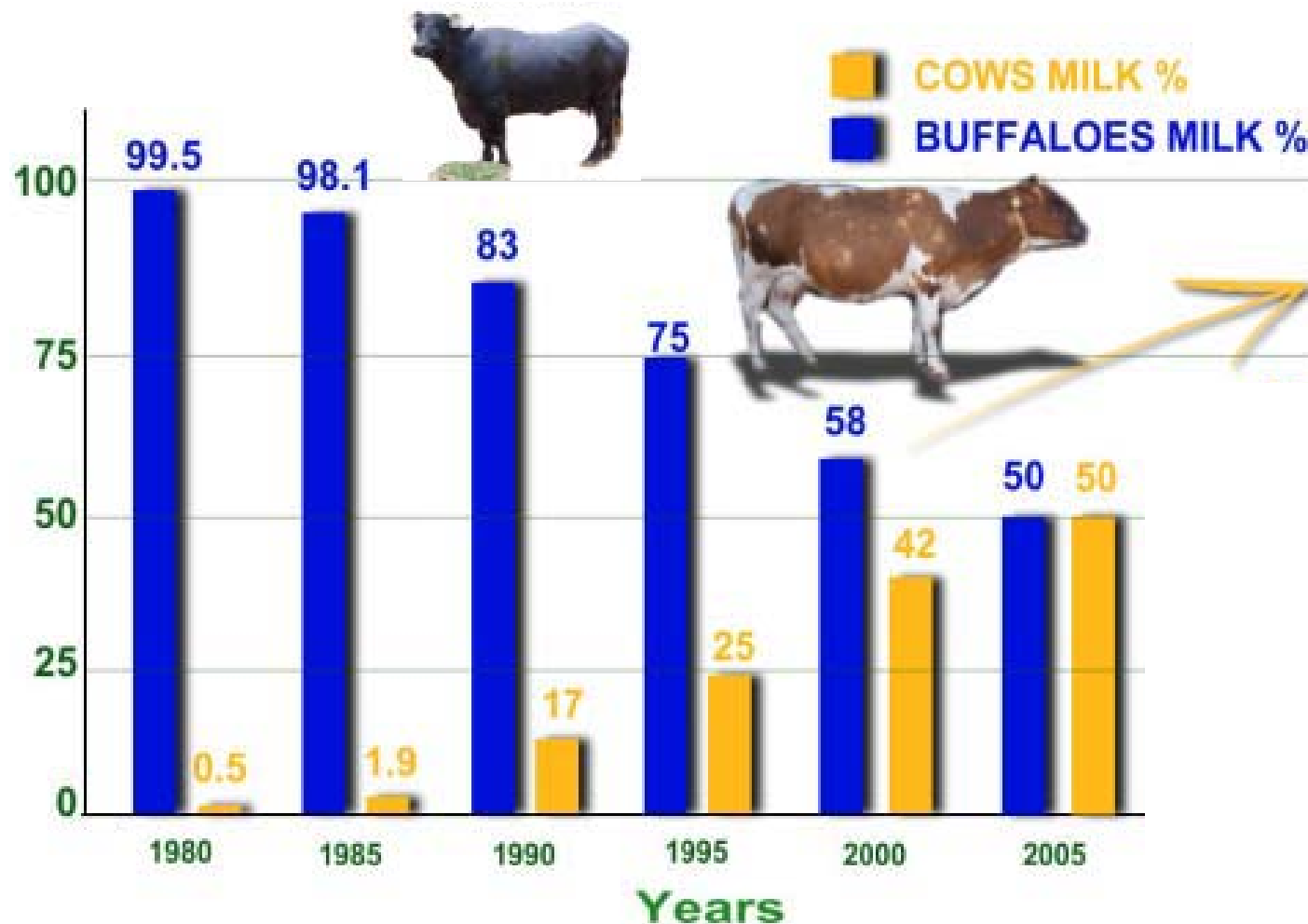
- Nestlé recognizes the role played by women in the dairy farm and has specially developed an education program.
- Through posters, demos and talks, village women are taught good dairying practices. Over 12,000 women have been covered by this program in 155 villages.



- Number of Village Milk Collection Centres
- Number of milk farmers



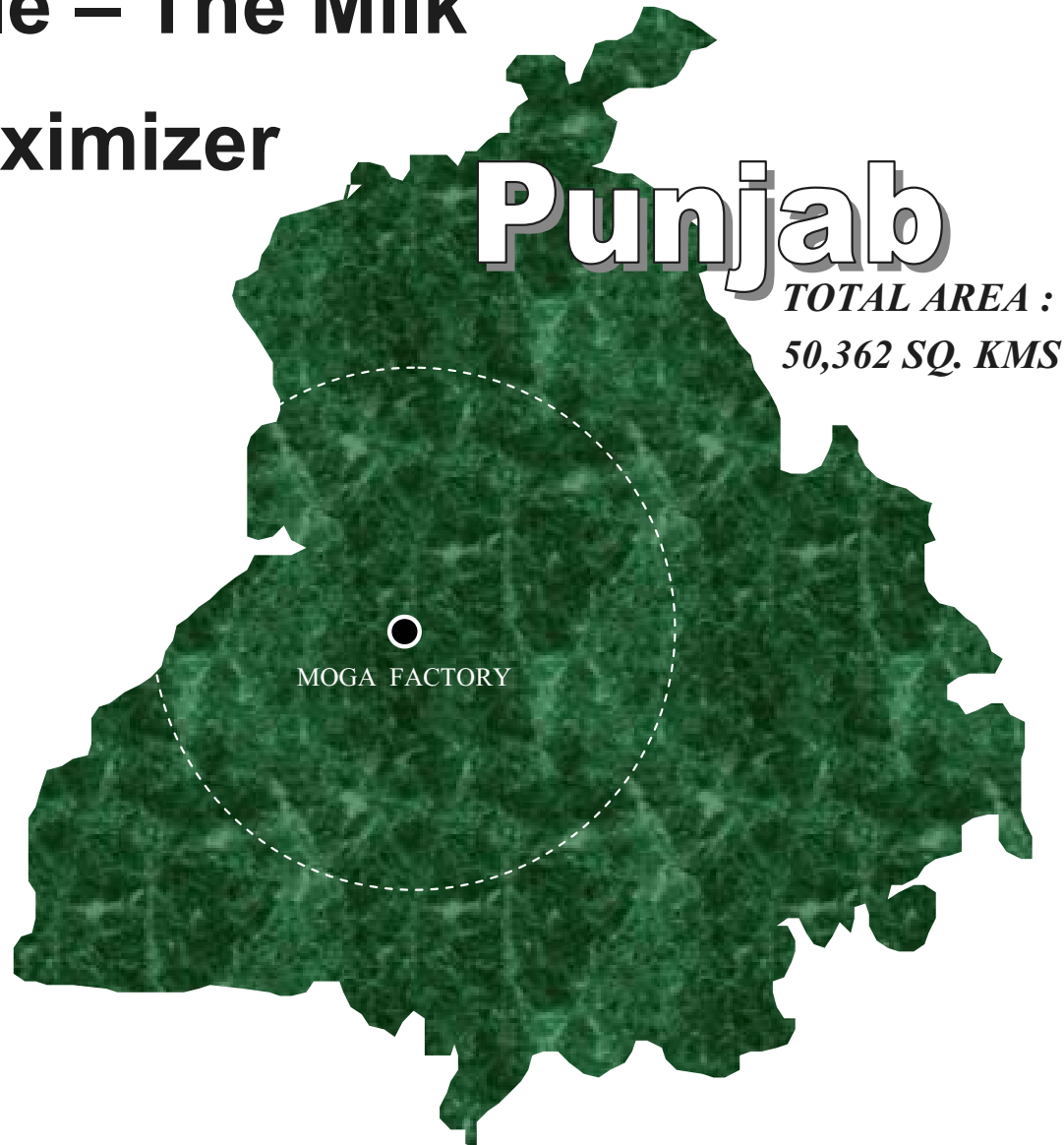
Helping Farmer improve Milk Productivity



...to help farmers achieve higher milk yields over longer lactation periods, in 1982 Nestlé introduced the milk cows to the benefit of its farmers

...from a mere 0.5 % cow milk in 1982, today 50% of the milk procured is cow milk

Nestlé – The Milk Maximizer



Milk density

In Moga Milk Collection area, milk available for processing to Milk Plants, has risen to twice that of rest of Punjab

Sustainable Agriculture

– Key to long-term sustainable growth



What is the SAI Platform?

Overall objective

Promote

Sustainable Agriculture to meet the needs of today and future generations

Our definition

“Sustainable agriculture (SA) is a productive, competitive and efficient way to produce agricultural products, while at the same time protective and improving the natural environment as well as the socio-economic conditions of local communities”

NESTLE
DANONE
UNILEVER
CAMPINA
CIO
DANISCO
COCACOLA
DOLE
EFICO
FINDUS
FONTERRA
FRIESLANDFOODS
KRAFT
LAMEWESTON
MCCANN
MCDONALDS
SARA LEE
TECHIBO
VOLCAFE



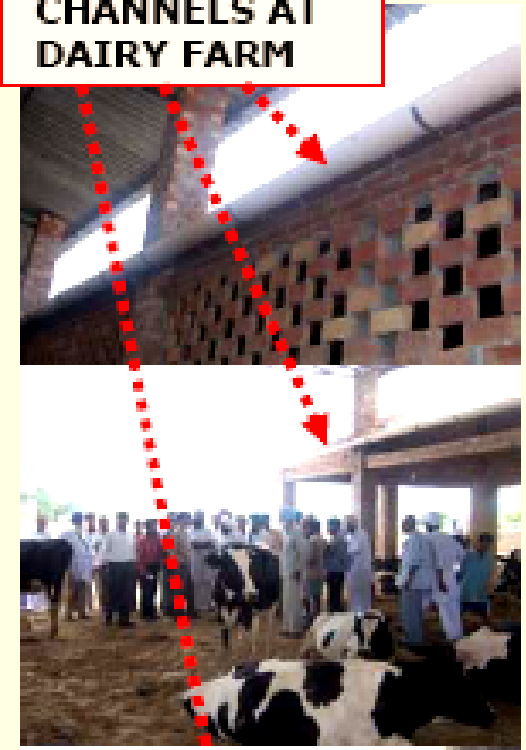
Solar heaters at
Nestlé milk collection
Centres save energy

And help create
awareness amongst
communities



Silencers on
generator exhausts
at Nestlé milk
collection Centres

**WATER
HARVESTING
CHANNELS AT
DAIRY FARM**



Rain Water
Harvesting help in
better water
management at Dairy
farms

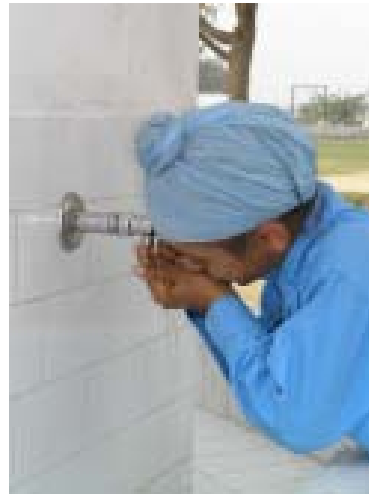


Many of our factories are **ZERO WASTE DISCHARGE** – treated waste water is recovered for in-house irrigation



In Moga factory part of the Waste Water is treated and supplied to farmers for crop irrigation.

Providing access to Clean Drinking Water in Village schools



- Creating awareness in the communities around its factories
- Children in local village schools are the key beneficiaries



Water Education Program



Posters, Demonstrations are used as a medium to teach students water basics like the water cycle, ground water table, uses of water, water resources, ground water depletion etc.

A Win-Win situation for all...

...benefits the Farmer

- Results in **steady incremental income** for the farmers
- **Generates Employment** for rural residents
- **Significant improvements in the standards of living** of rural communities
- Affords a profitable alternative to traditional farming practices



A Win-Win situation for all... *...benefits the milk processor*

- Nestlé does not own any agricultural land or farms, but is committed to develop **long-term credible relationships with dairy farmers based on mutual trust**
- This makes **mutual economic sense** and ensures **long-term sustainability**
- Stimulating production of good quality fresh milk
- Collecting fresh milk in the best possible conditions
- Processing to ensure high quality products for its consumers



Over to SHD

Financials

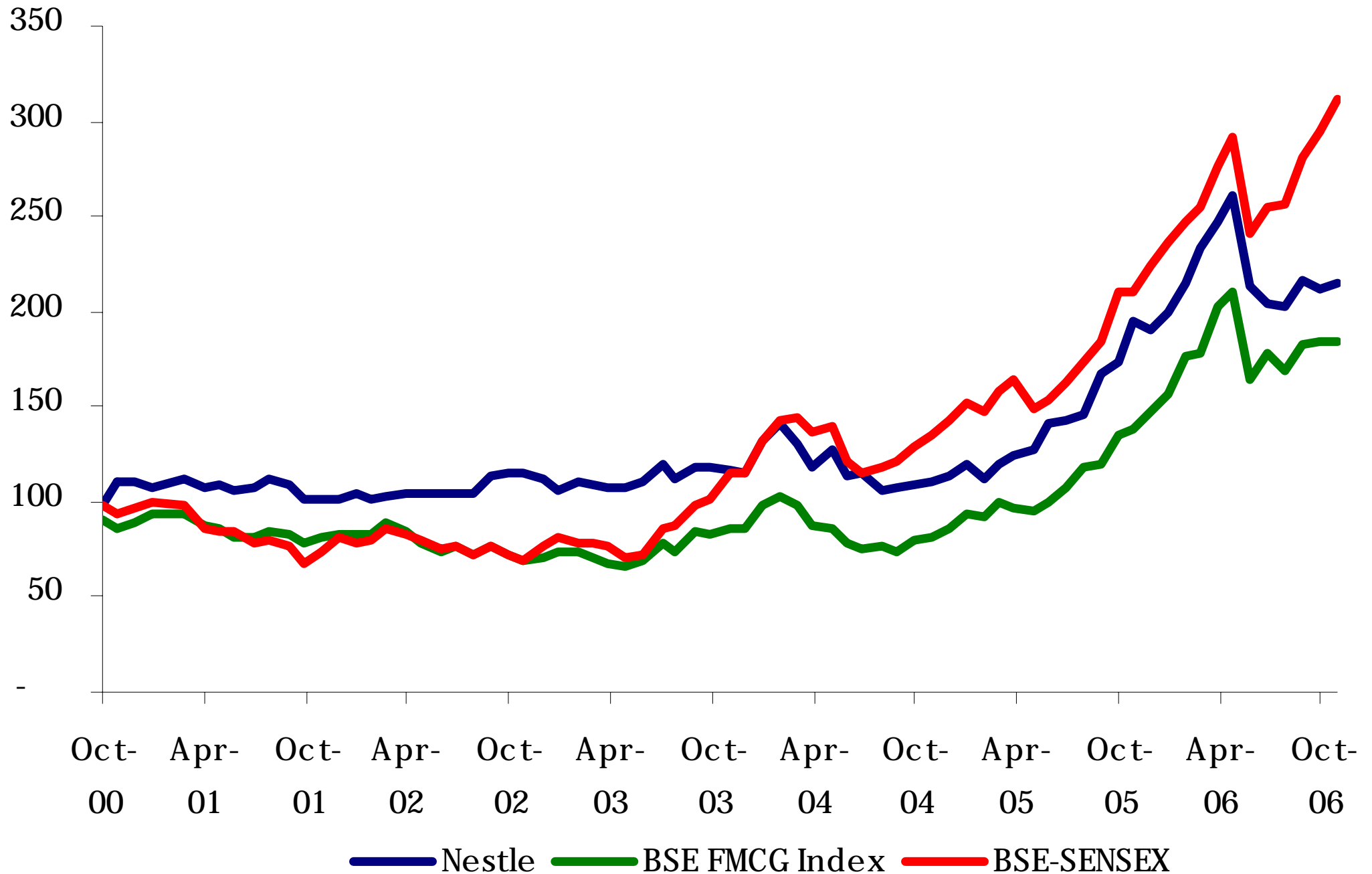
Total Shareholder's Return

- 140% over the last 19 quarters. (Bloomberg)
- Market Capitalization has doubled over this period from INR 49 Bio. to INR 101 Bio.

Some Rankings:

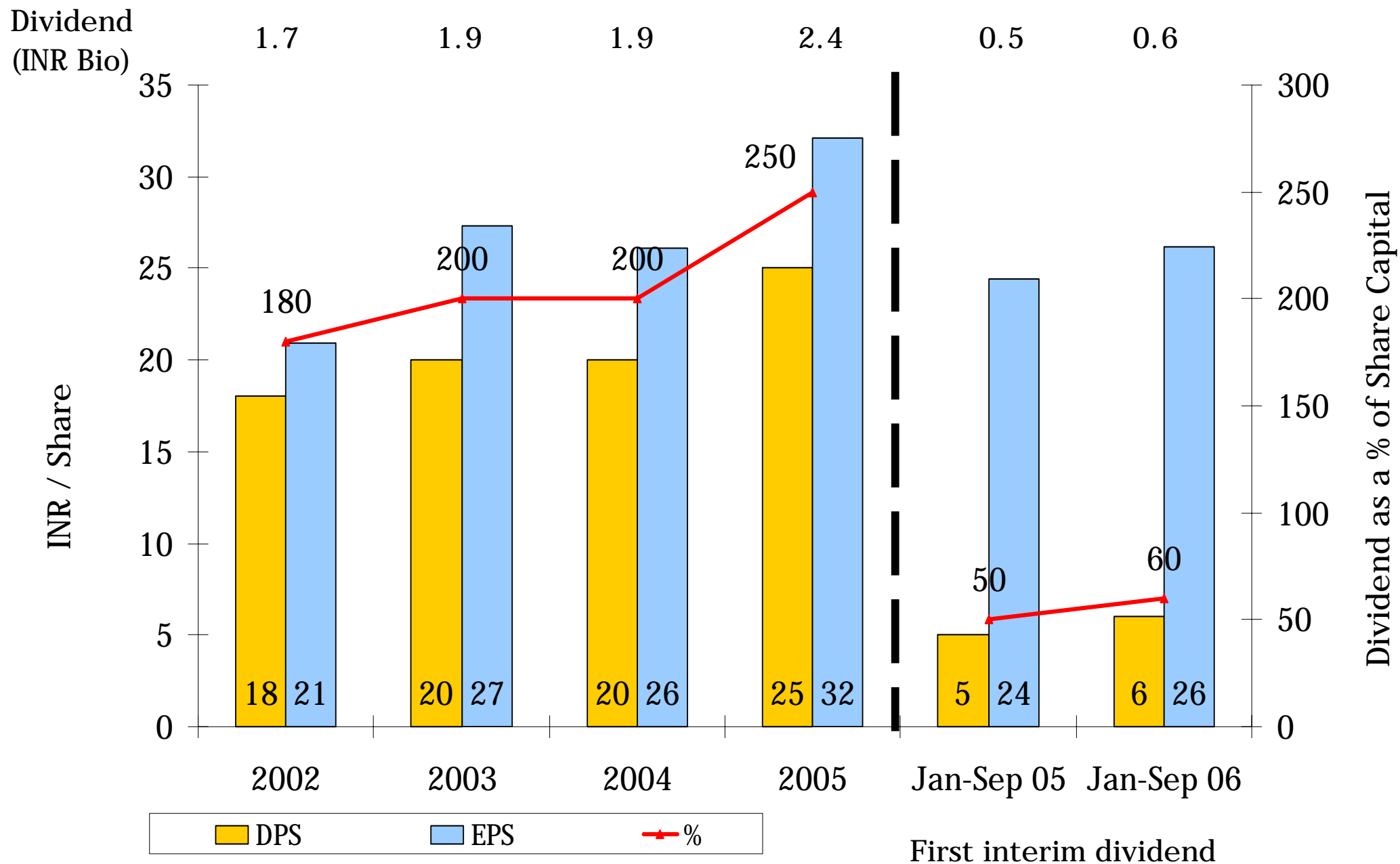
- Return on Capital Employed: No 1 (*Source: Latest Business India*)
- Return on Equity: No 2 in BSE FMCG Index & BSE SENSEX companies (*Source: Reuters*)

Outperformed the BSE FMCG Index



UNLEASHING
100%
POTENTIAL

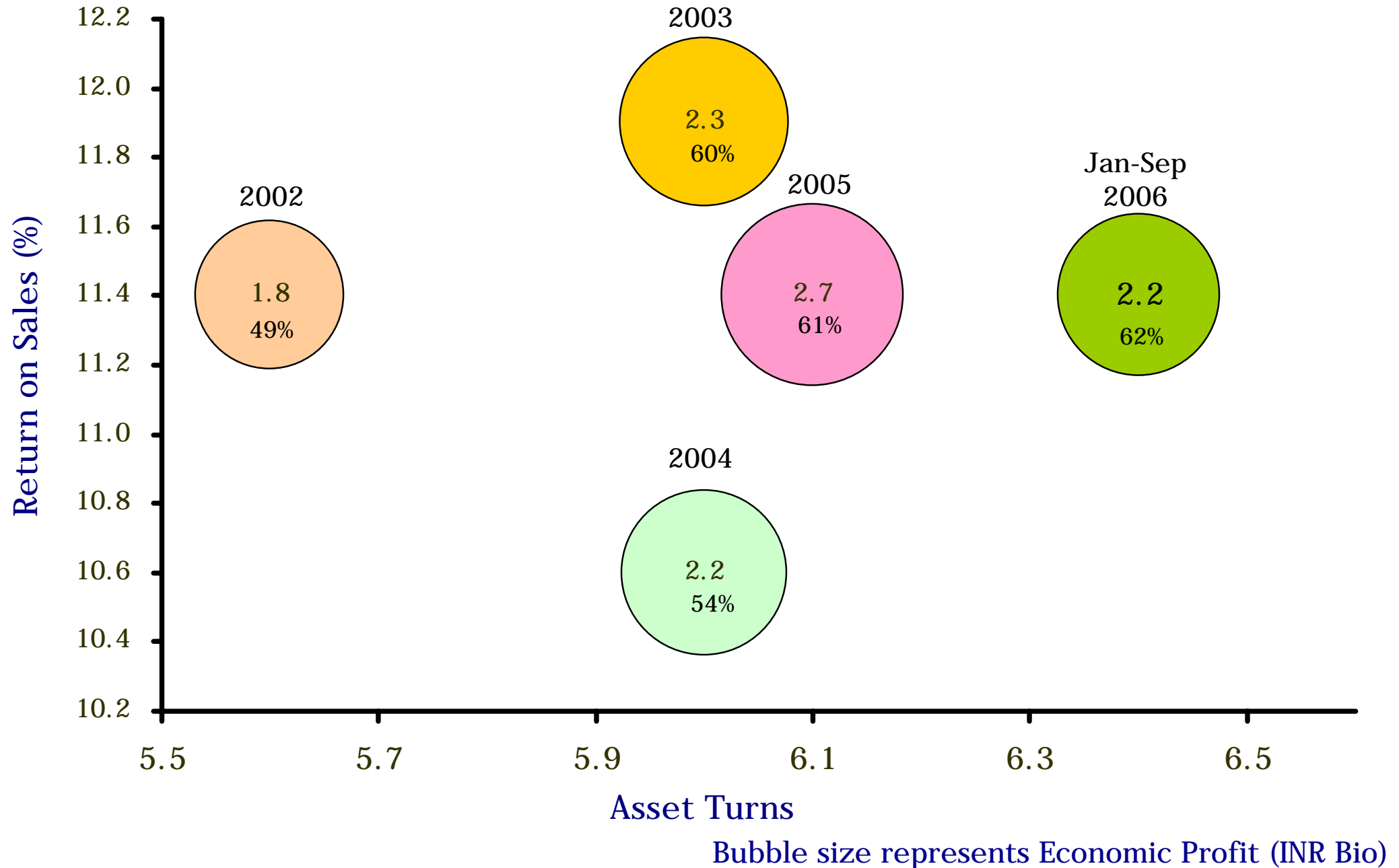
Returning cash to Shareholders



2004 - Excludes special dividend of INR 4.5 / Share

UNLEASHING
100%
POTENTIAL

Creation of Economic Value



Basis International Accounting Standards

UNLEASHING
100%
POTENTIAL

Driving Total Shareholders Return

The Value Drivers

1. Sales Growth
2. Profit Margin
3. Working Capital Intensity
4. Fixed Capital Intensity
5. Income Tax Rate
6. Cost Of Capital
7. Value Growth Duration

SALES GROWTH (1)

Sales Evolution



Aff. Exports 1.7

1.8

1.5

1.7

1.3

1.2

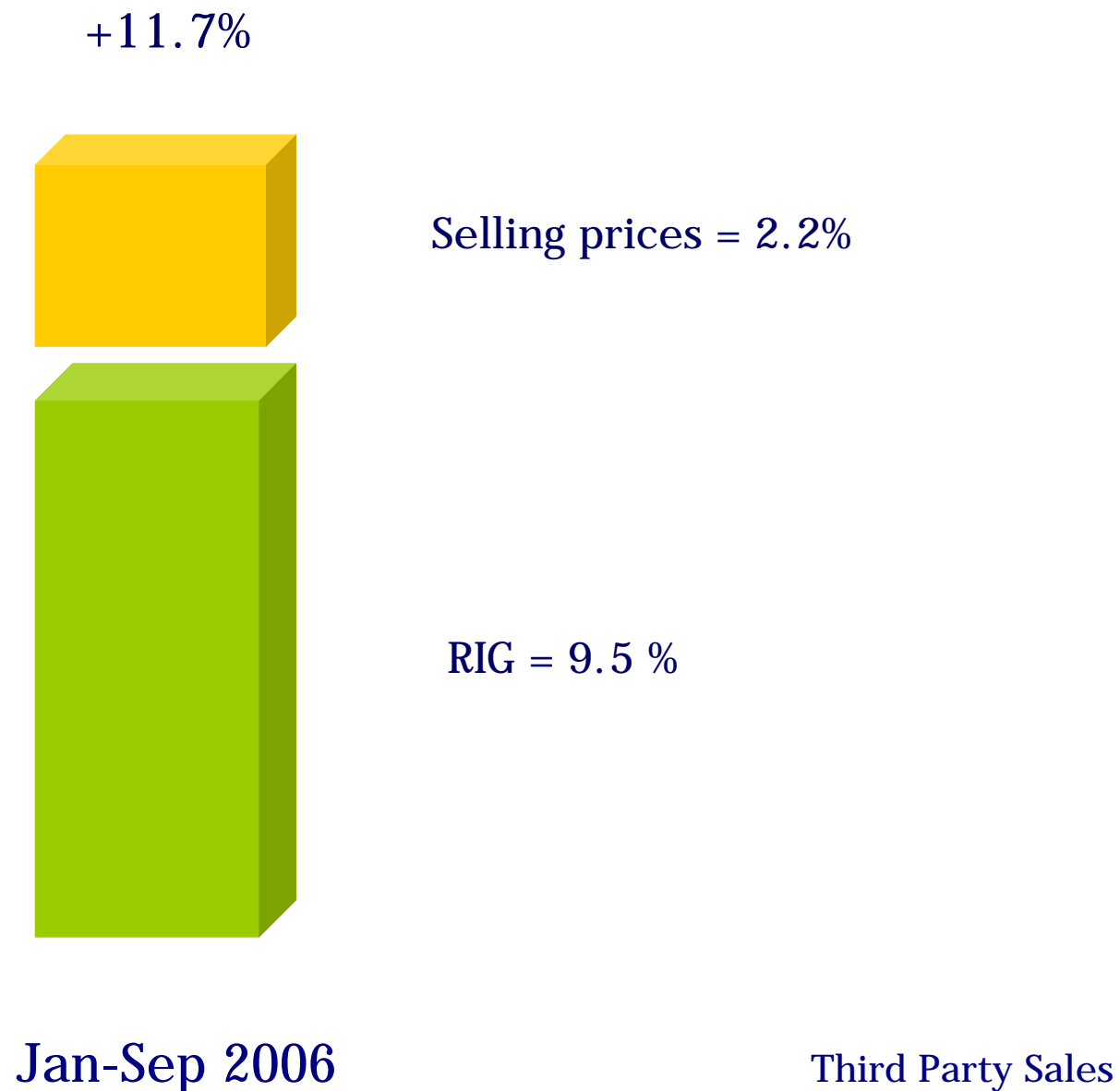
INR Bio



Basis International Accounting Standards

UNLEASHING
100%
POTENTIAL

Analysis of 9 months Sales Growth



Channel-wise Sales

	Volume (000' Tons) - Jan-Sep			Value [@] (INR Bio) - Jan-Sep		
	2006	2005	Var%	2006	2005	Var%
Domestic	162.3	149.1	8.8	19.7	17.7	11.3 #
Exports	12.3	13.8	(10.1)	2.0	2.0	(0.0)
Total	174.6	162.9	7.2	21.8	19.8	10.1

[@] Gross Sales including excise duty

Mix of Domestic to Exports remains stable at around 90:10

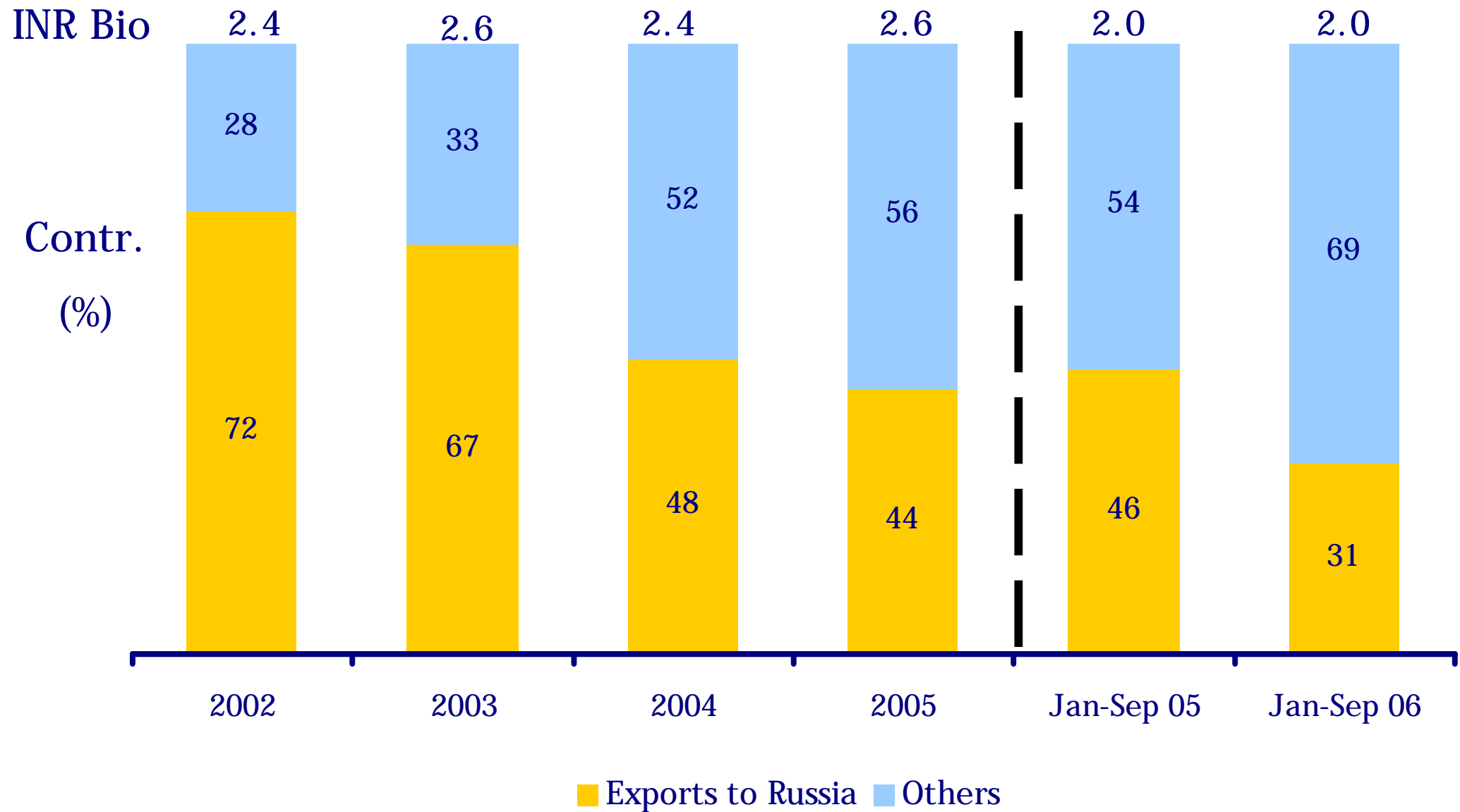
Net Domestic Sales up 13.7%



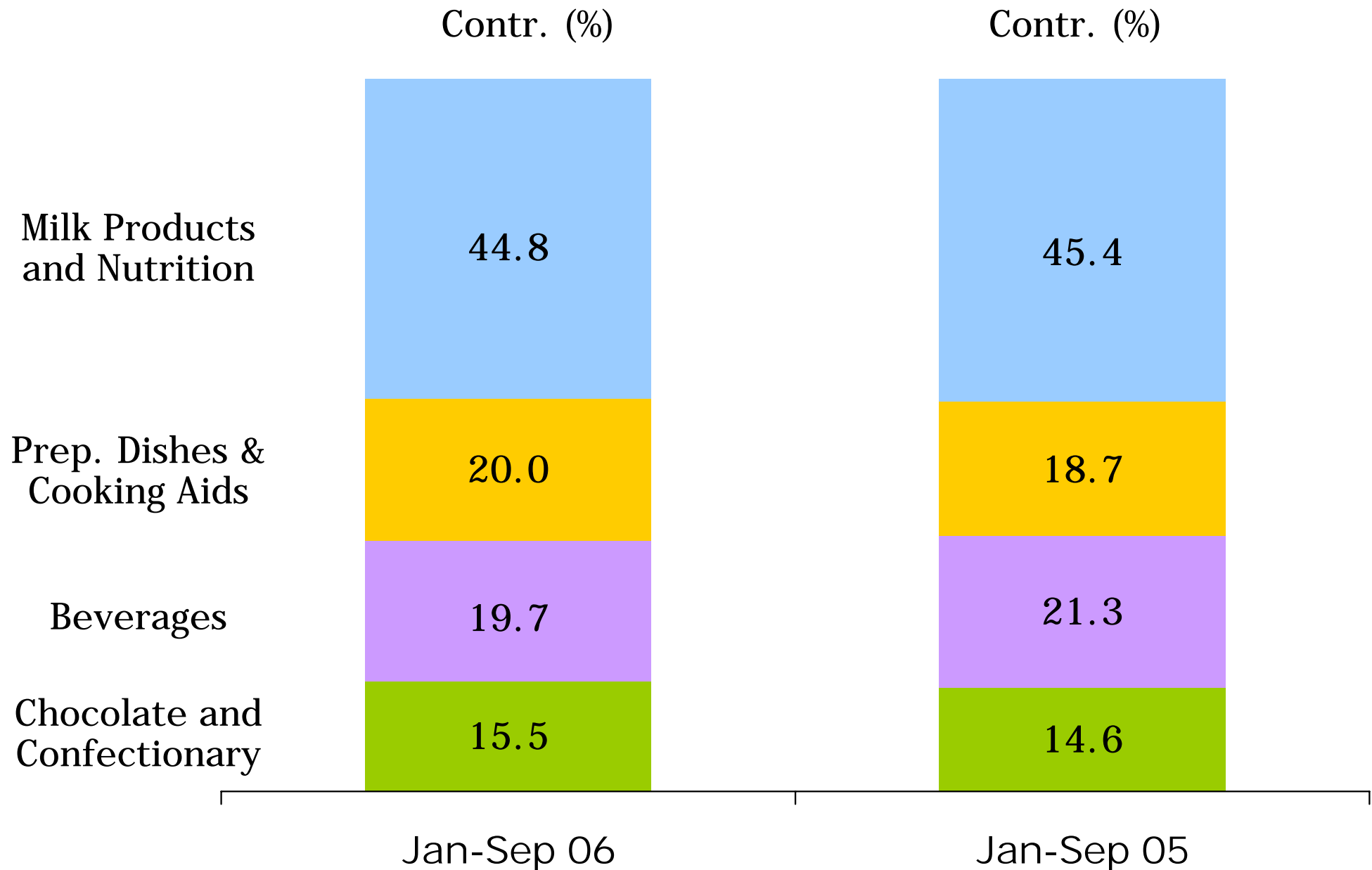
All calculations are based on non-rounded figures

UNLEASHING
100%
POTENTIAL

Balancing Export Portfolio



A Balanced Portfolio

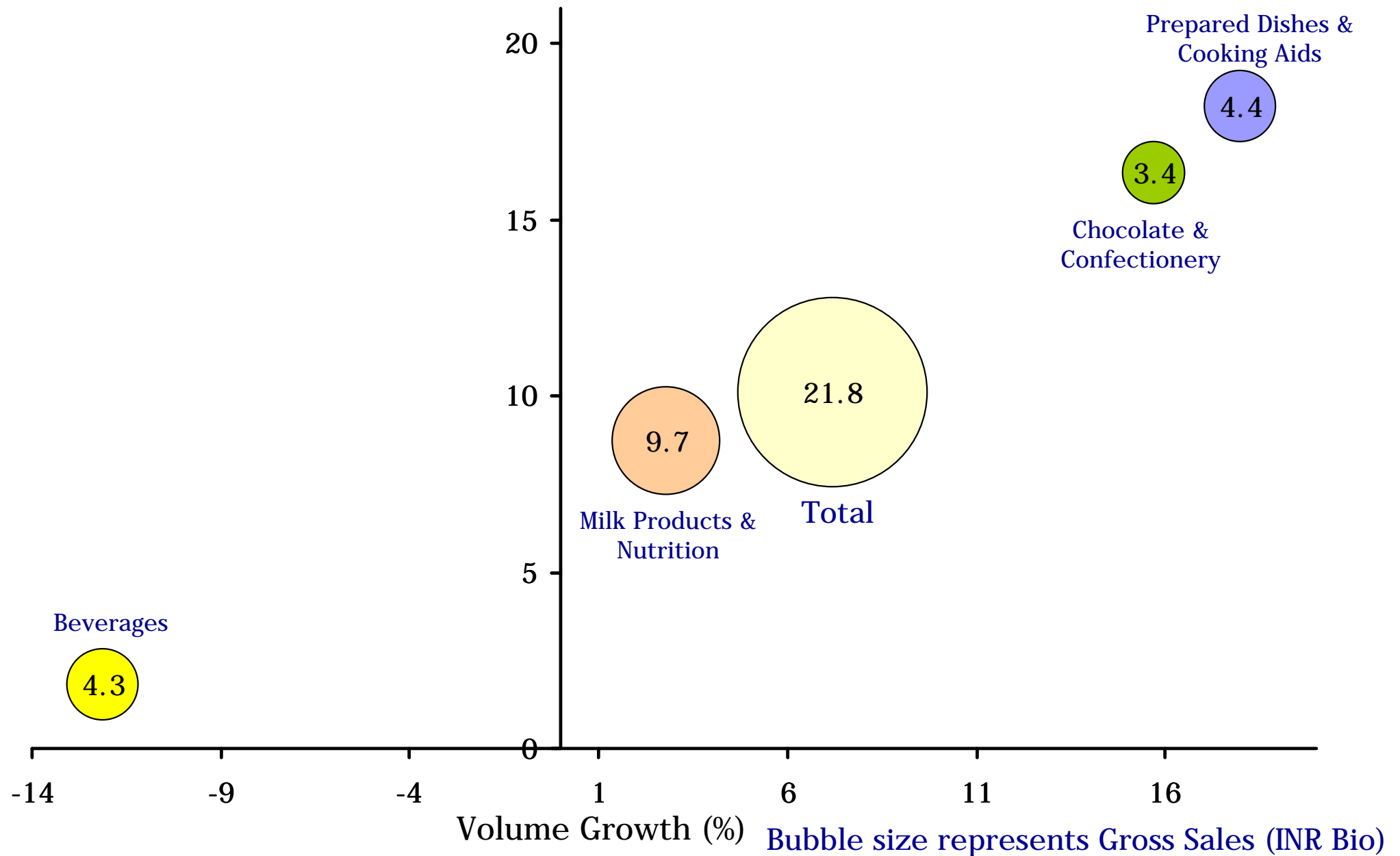


Gross Sales including excise duty

UNLEASHING
100%
POTENTIAL

Product Categories: Jan - Sep 2006

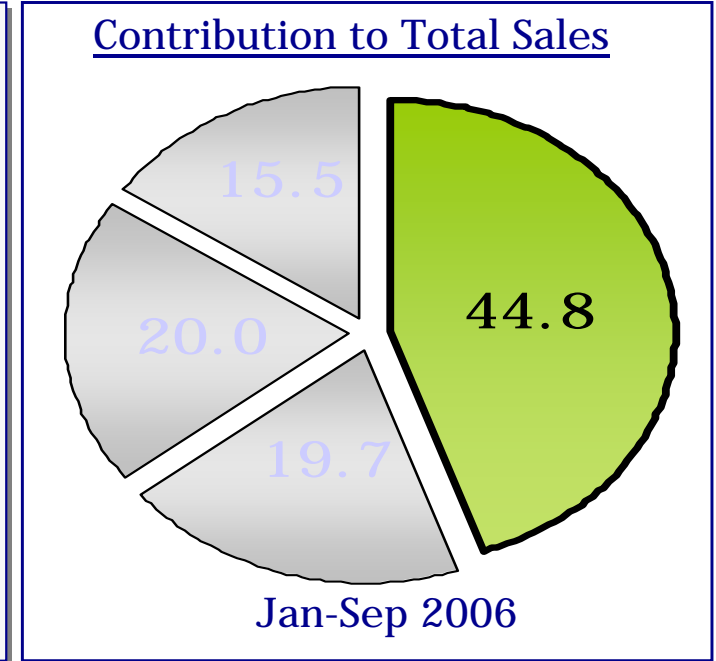
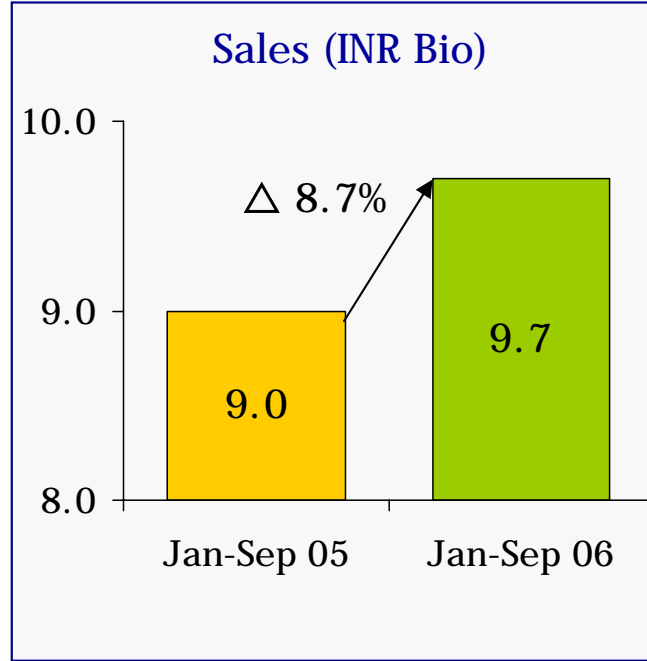
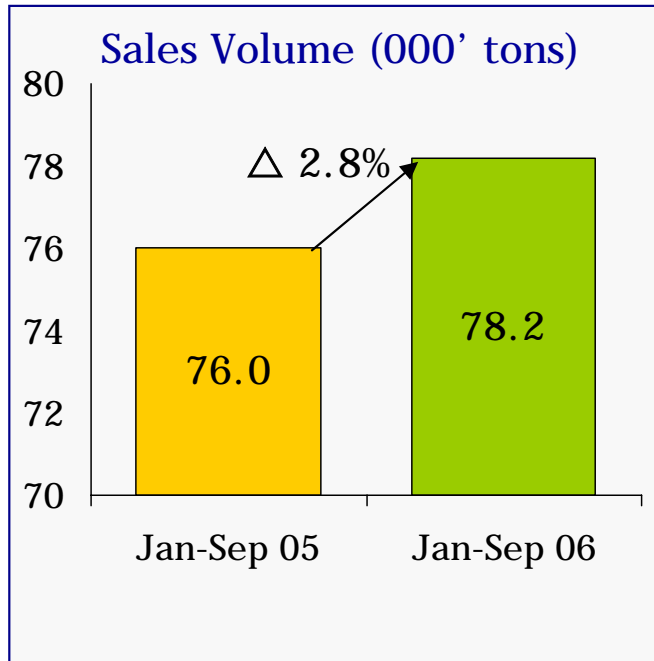
Organic Growth (%)



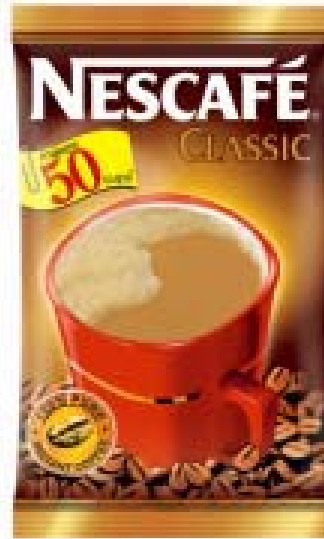
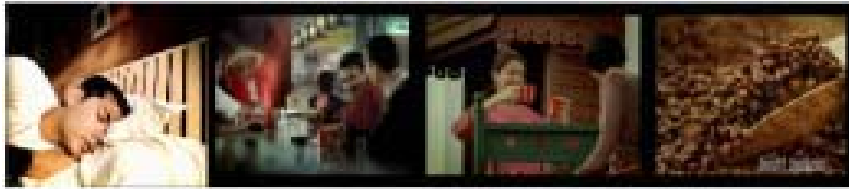
Milk Products & Nutrition



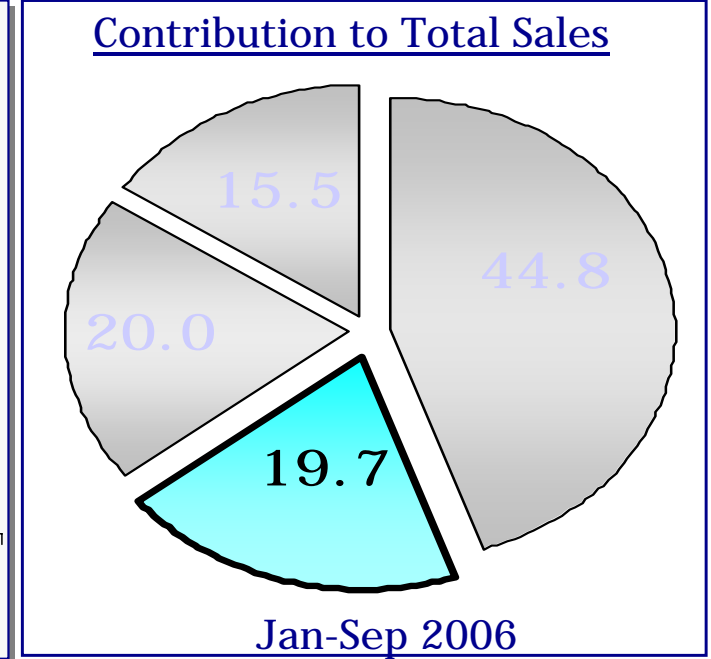
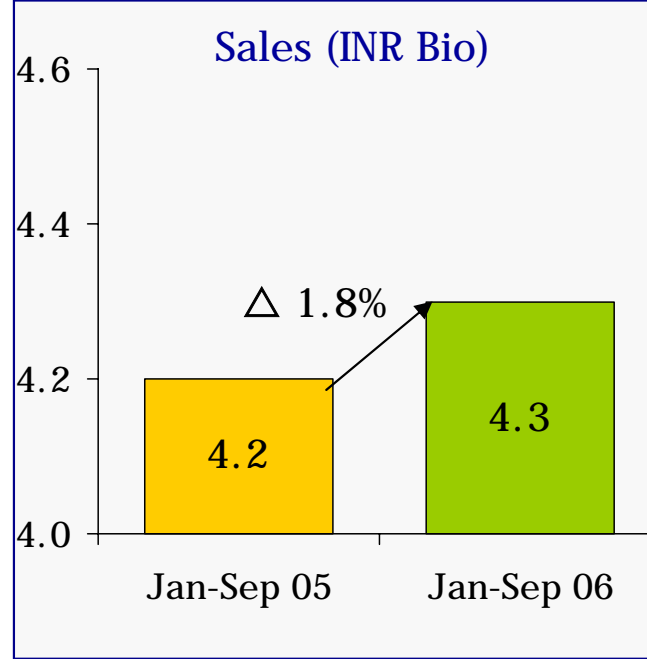
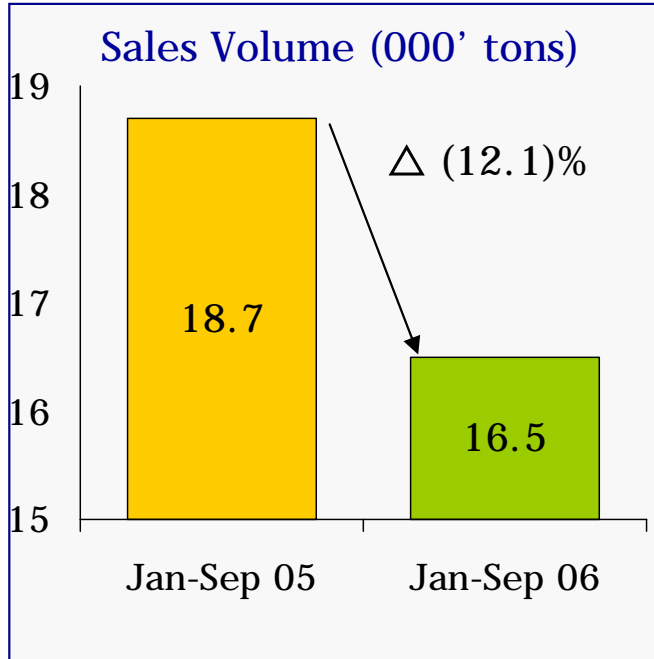
- Market Leader in Baby Foods, Infant Formula, Sweetened Condensed Milk
- Strong No 2 in Dairy Whitener
- Growing presence in Fresh Dairy



Beverages



Market Leader in Instant Coffee



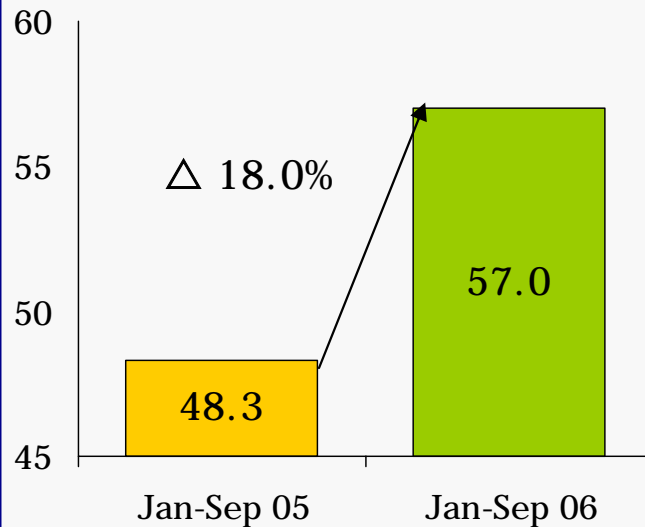
Prepared Dishes & Cooking Aids



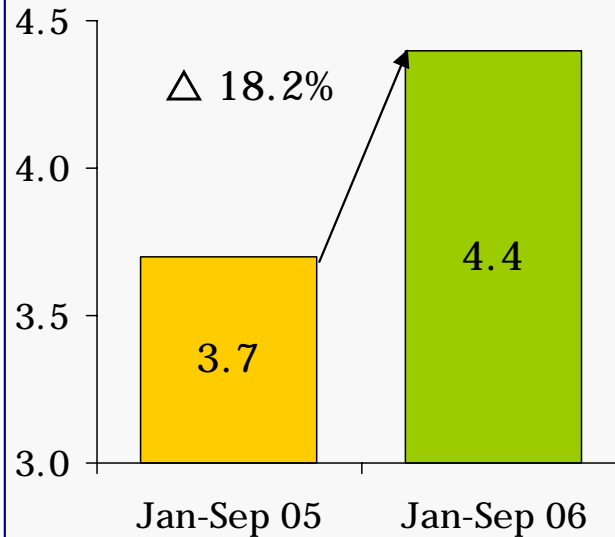
- Market Leader in instant Noodles & Ketchups
- Strong No 2 in Healthy Soups



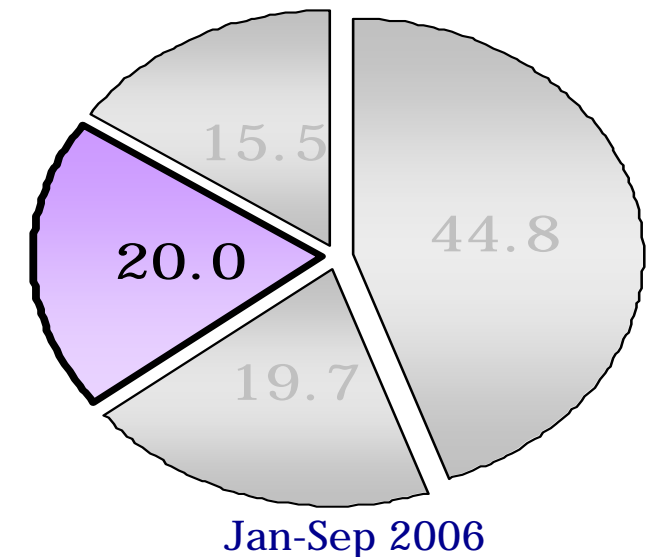
Sales Volume (000' tons)



Sales (INR Bio)



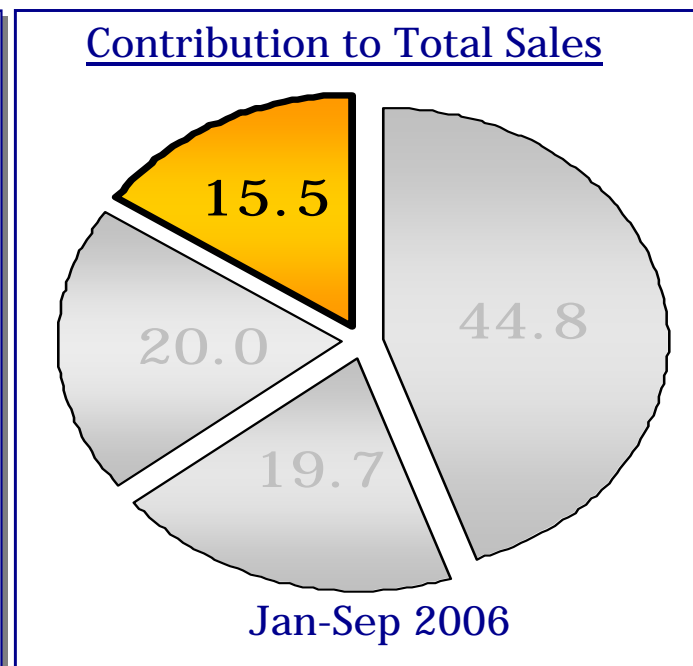
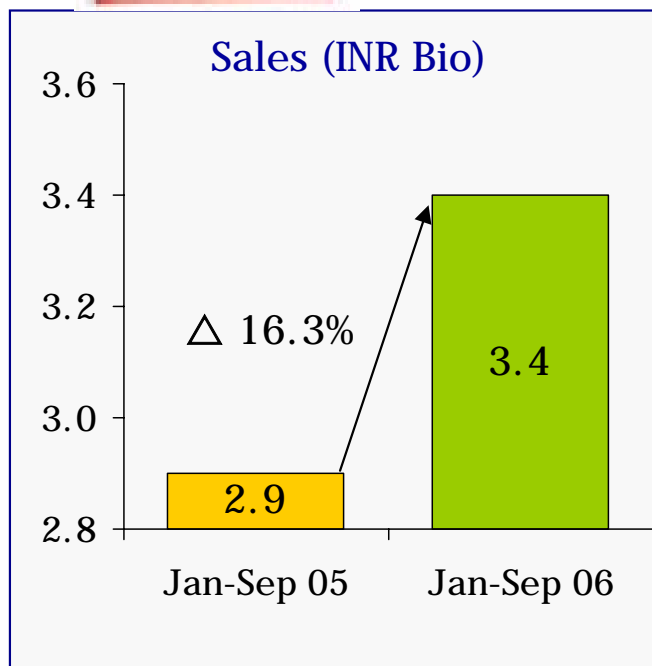
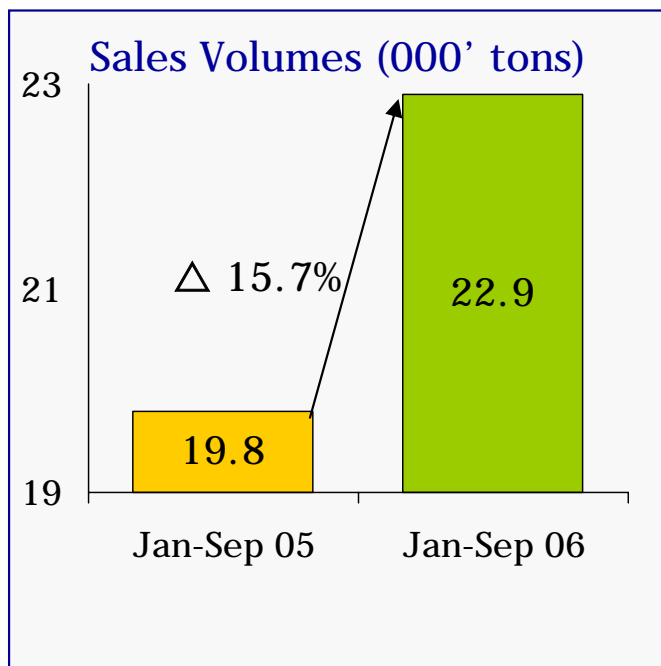
Contribution to Total Sales



Chocolate & Confectionery

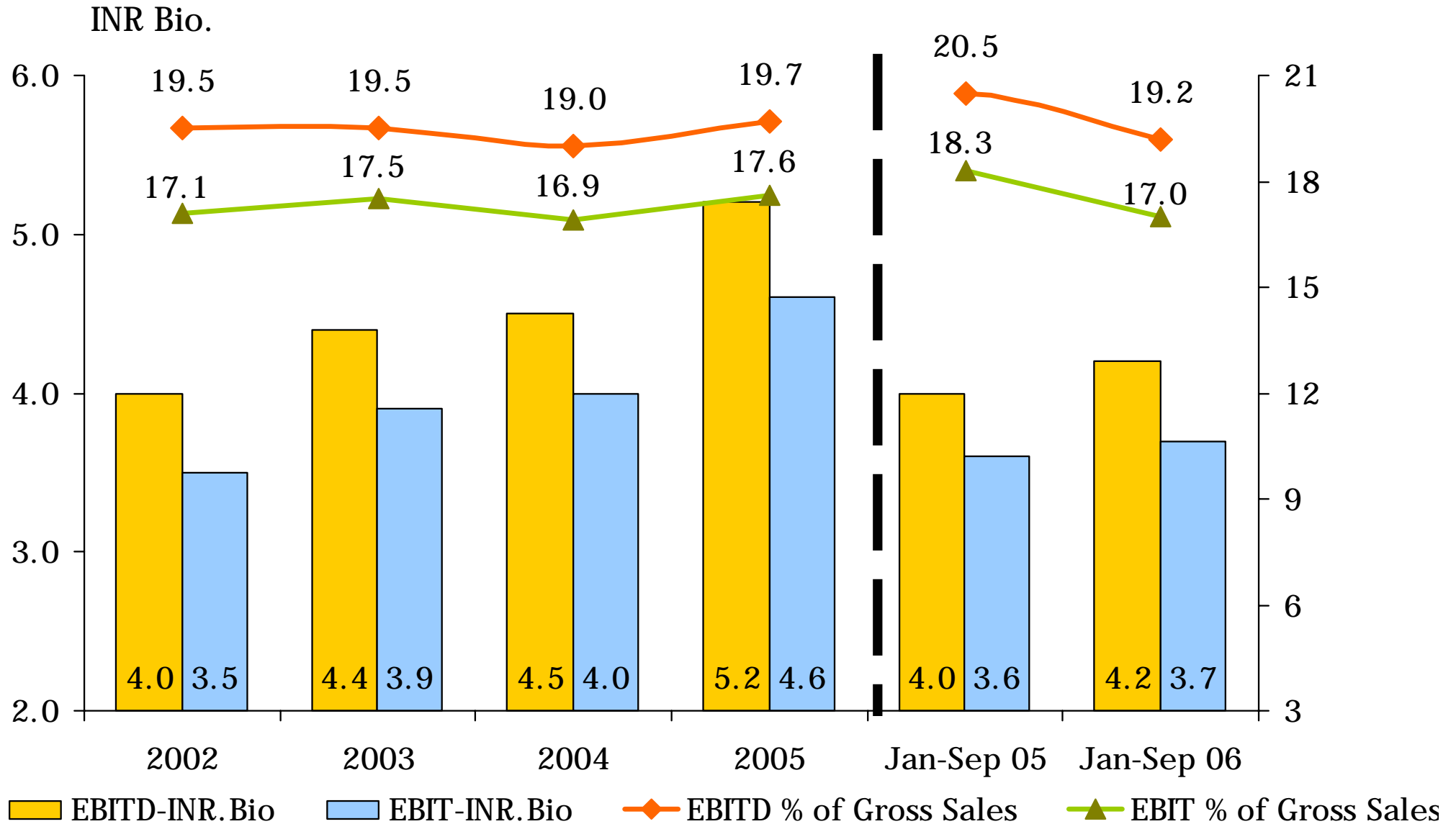


- Market Leader in Wafers and white chocolates
- Strong No 2 in Chocolates
- Market Leader in Eclairs



PROFIT MARGINS (2)

Evolution of Operating Margins

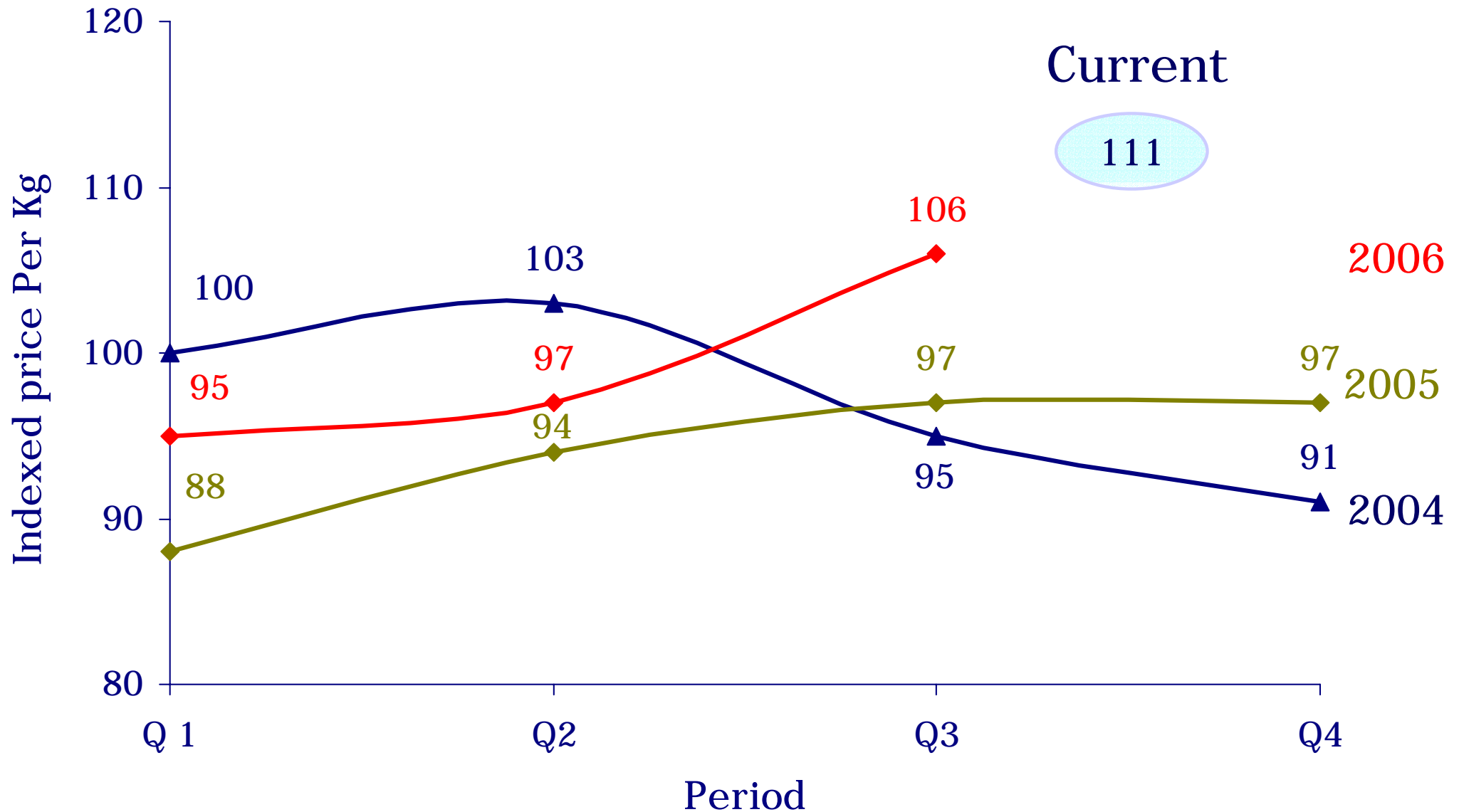


Total Expenditure

INR Mio.

Description	Jan-Sep 06	% Net Sales	Jan-Sep 05	% Net Sales	Var. %
Tot. Expenses -of which	16,615	79.9	14,496	78.0	14.6
Materials	9,782	47.0	8,435	46.0	16.0
Staff Cost	1,592	7.7	1,392	7.5	14.4
Advt + sales Promotion	1,002	4.6	911	4.9	10.0
Distribution	961	4.6	863	4.7	11.3
Power & Fuel	853	4.1	750	4.0	13.8

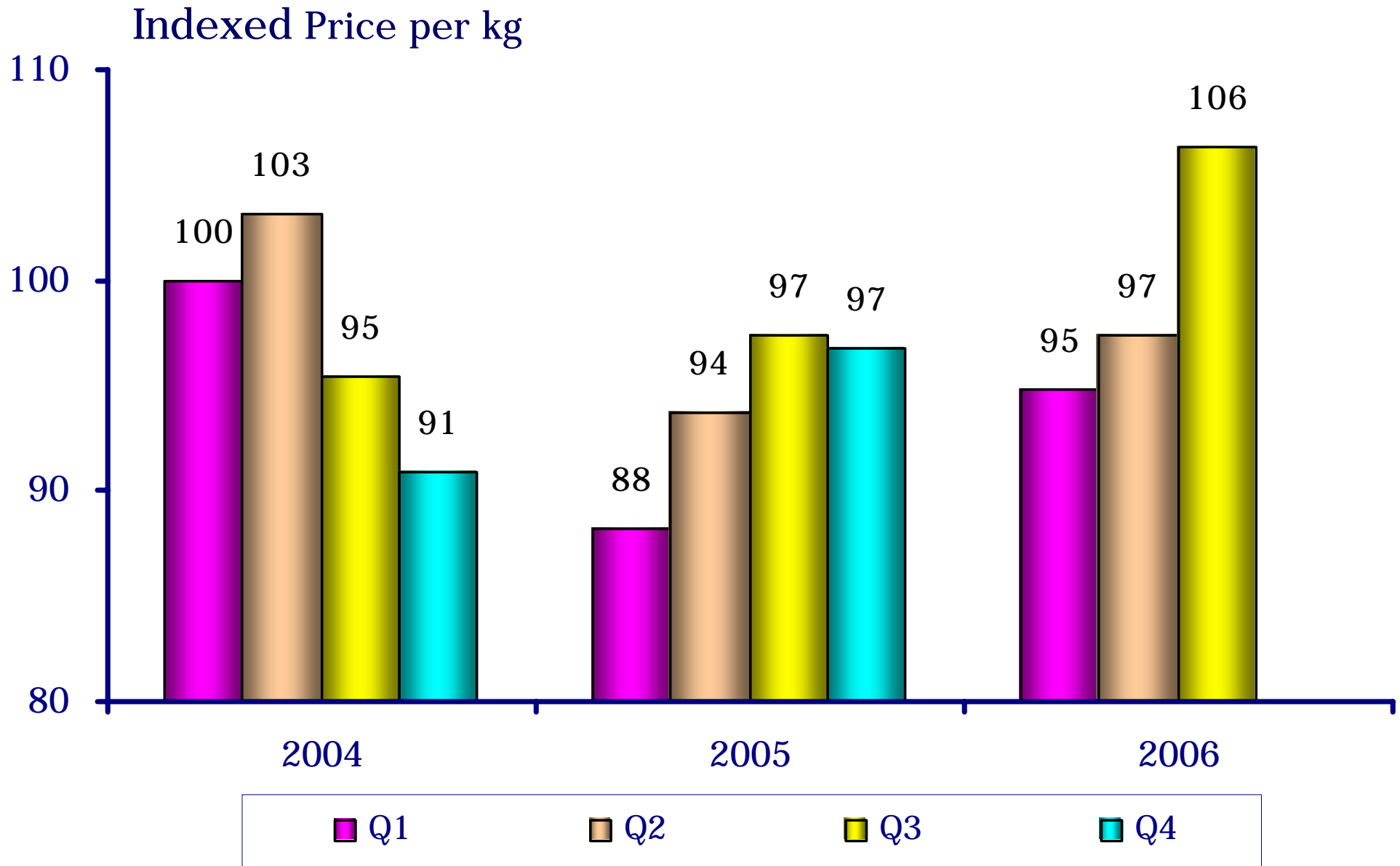
Evolution - Milk Solid Prices



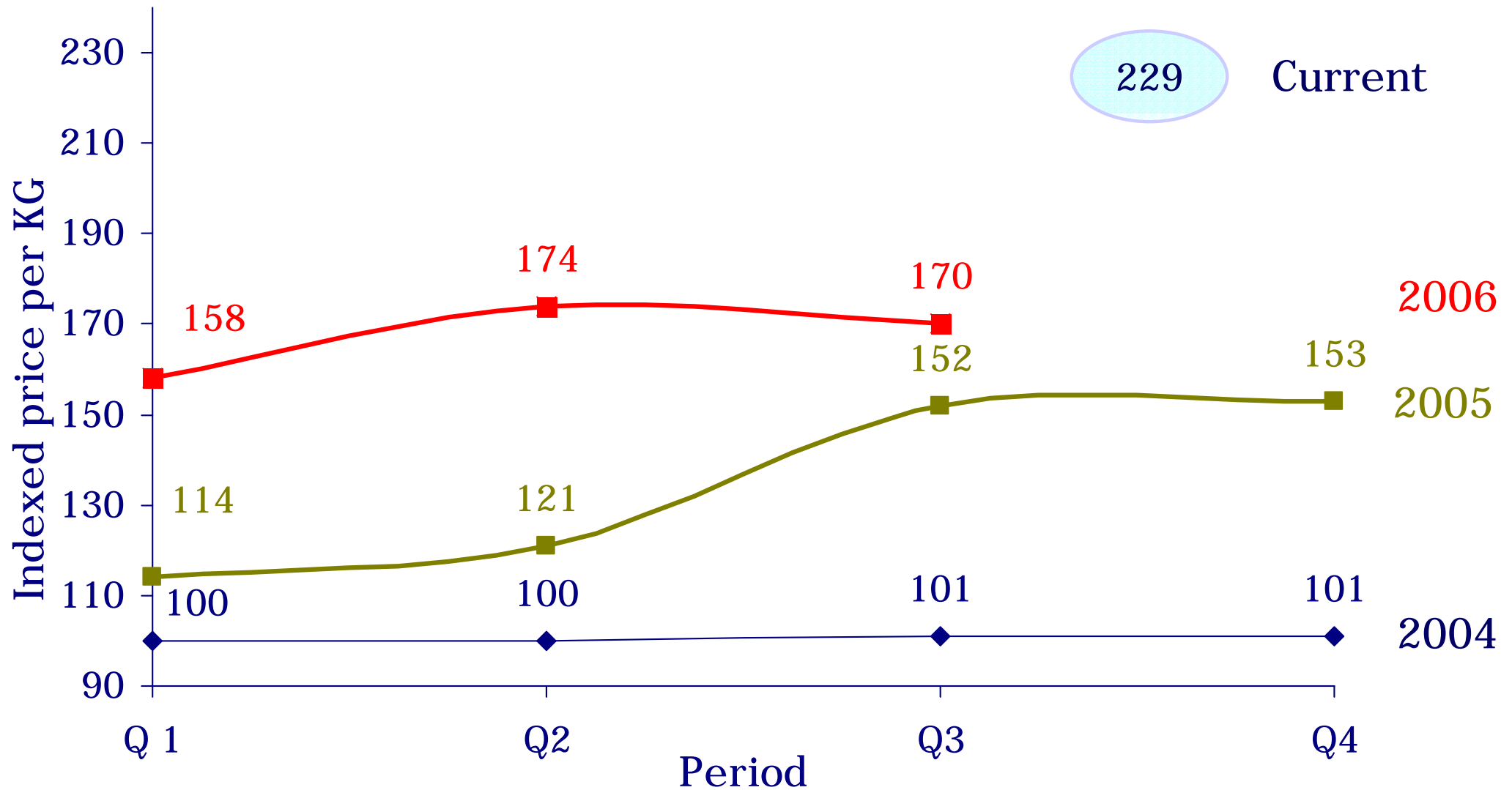
Indexed with base Q1-04

UNLEASHING
100%
POTENTIAL

Evolution - Milk Fat Prices



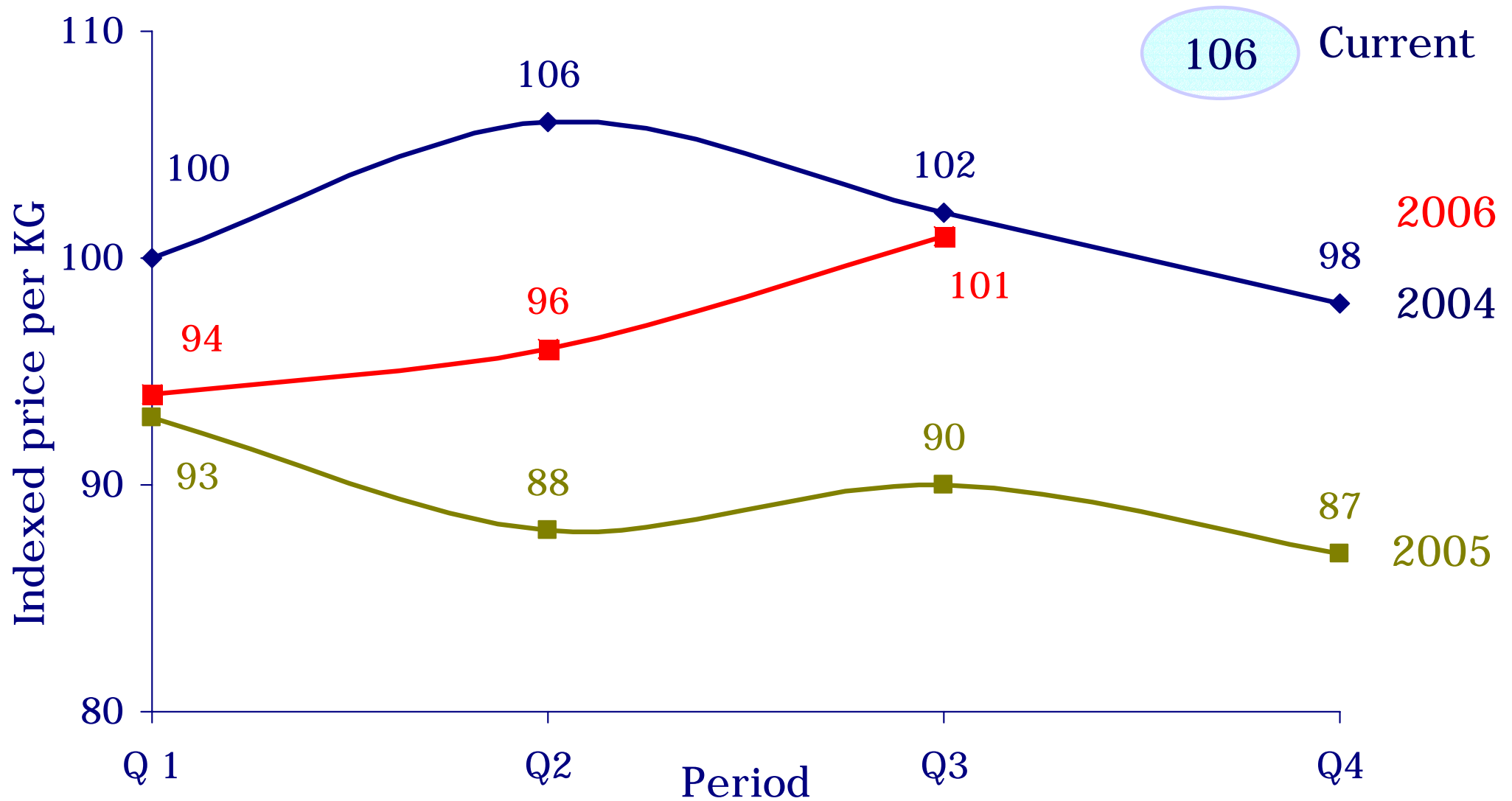
Evolution - Green Coffee Prices



Indexed with base Q1-04

UNLEASHING
100%
POTENTIAL

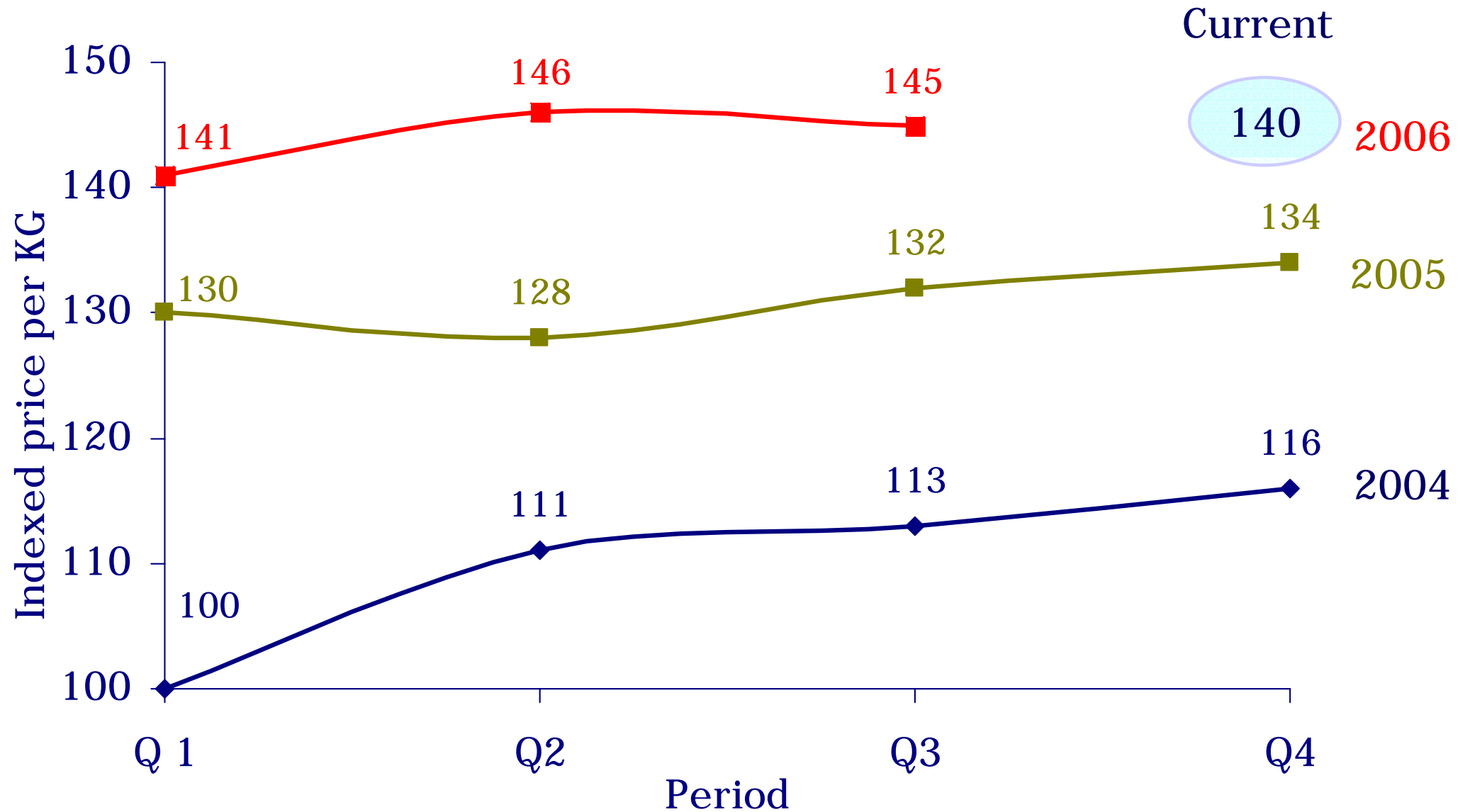
Evolution - HVF Prices



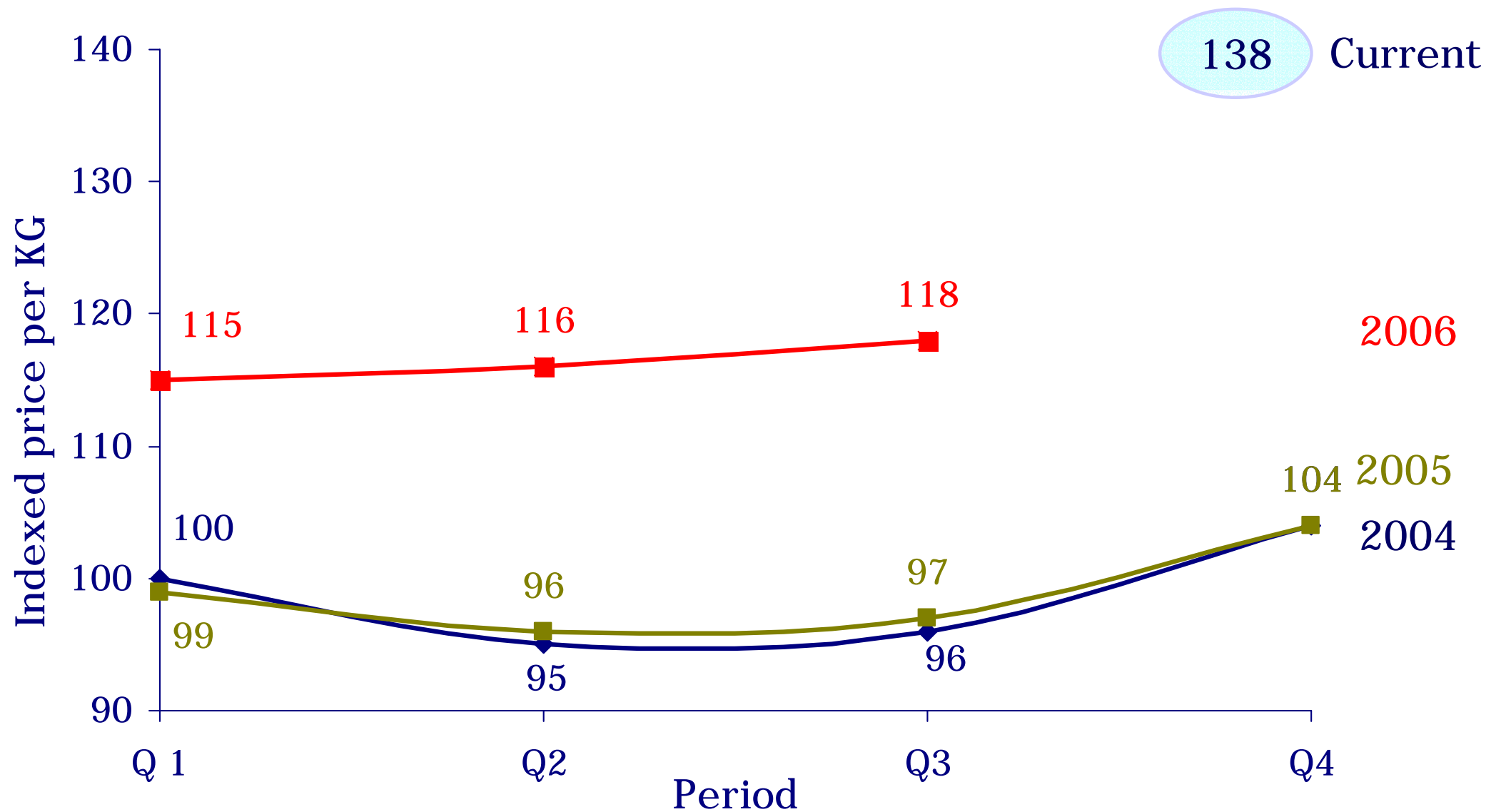
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UNLEASHING
100%
POTENTIAL

Evolution - Sugar Prices



Evolution - Wheat Flour Prices

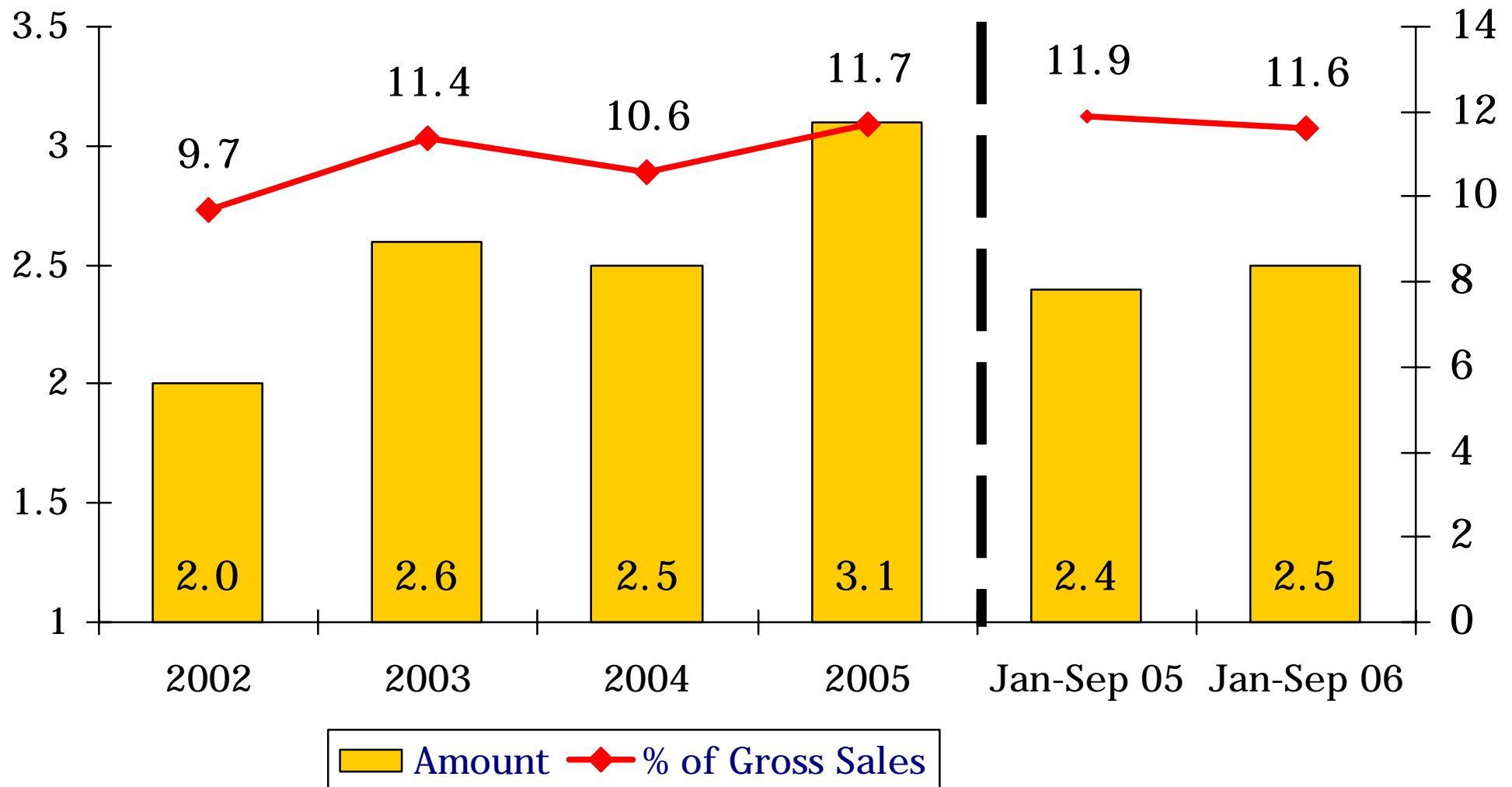


Indexed with base Q1-04

UNLEASHING
100%
POTENTIAL

Evolution of Net Profit Margins

INR Bio.



WORKING CAPITAL INTENSITY (3)

Trade Net Working Capital

INR Mio

	30-Sep 2006	30-Sep 2005
Trade receivables	514	419
Inventories	2,288	2,142
Less: Trade Payables	1,711	1,575 #
Net capital tied up	1,091	986
As % of Gross Sales	4.9%	4.9%

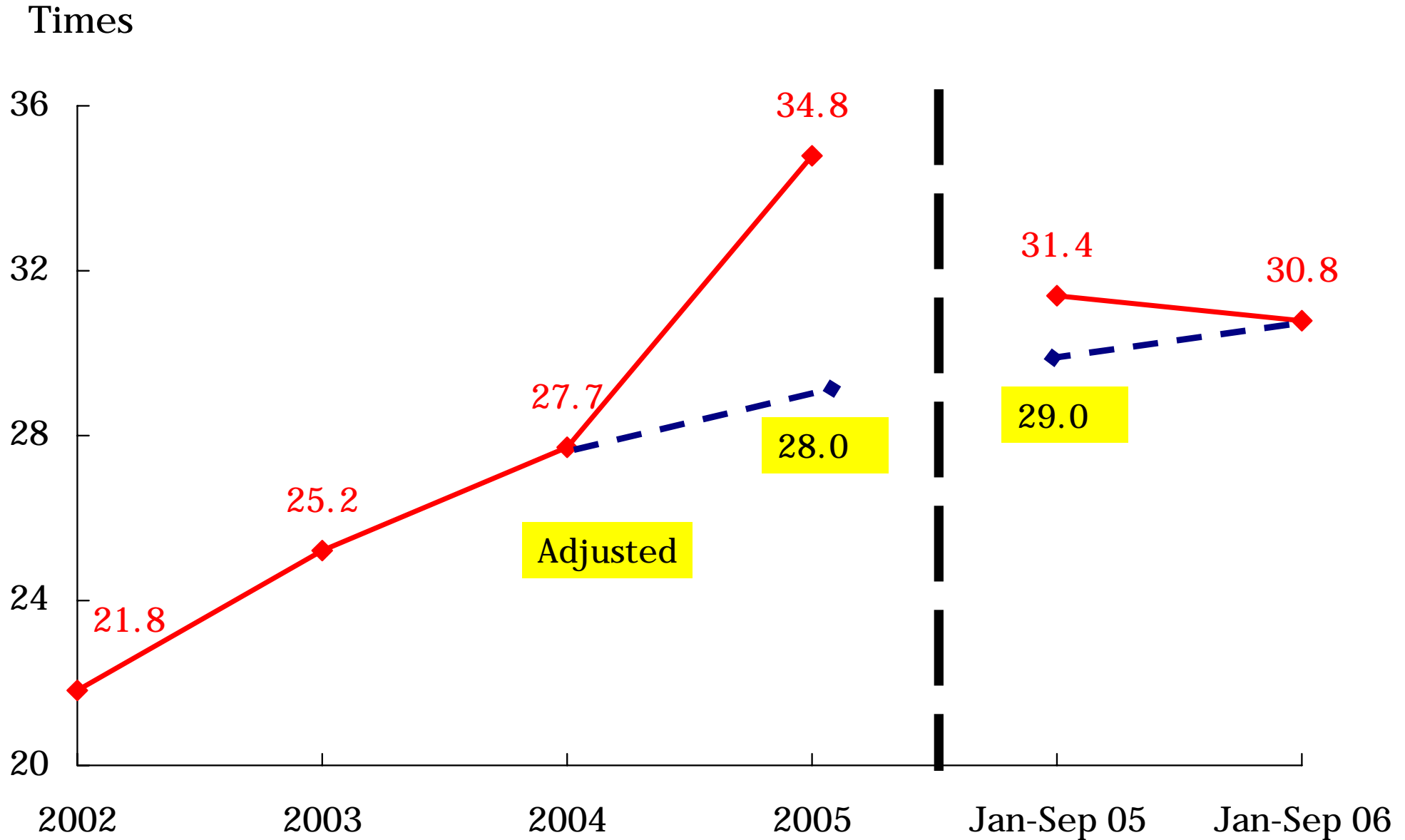
Excludes exceptional items and impact of reclassification



Basis International Accounting Standards

UNLEASHING
100%
POTENTIAL

Rotation of Average Operating Working Capital

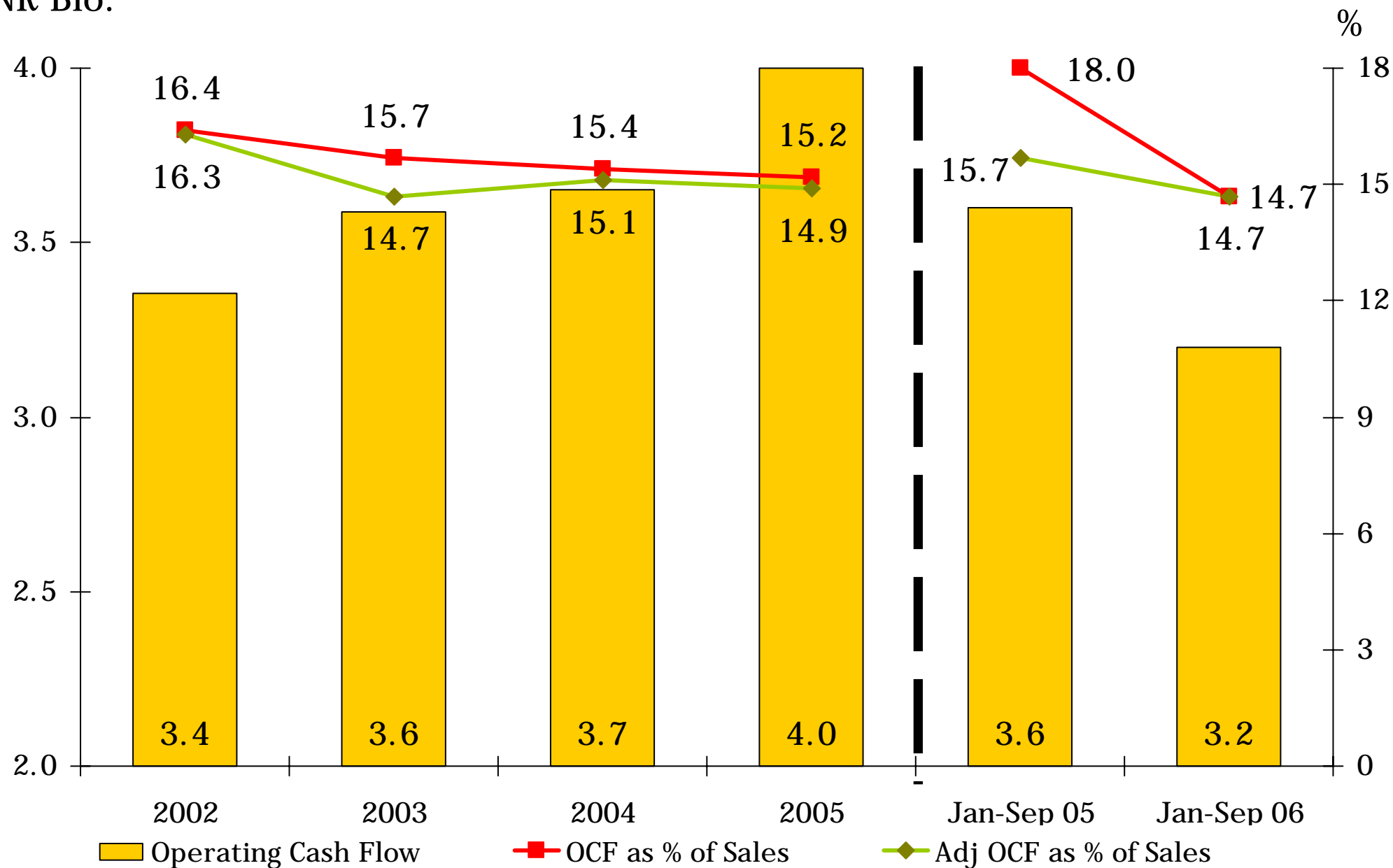


Basis International Accounting Standards

UNLEASHING
100%
POTENTIAL

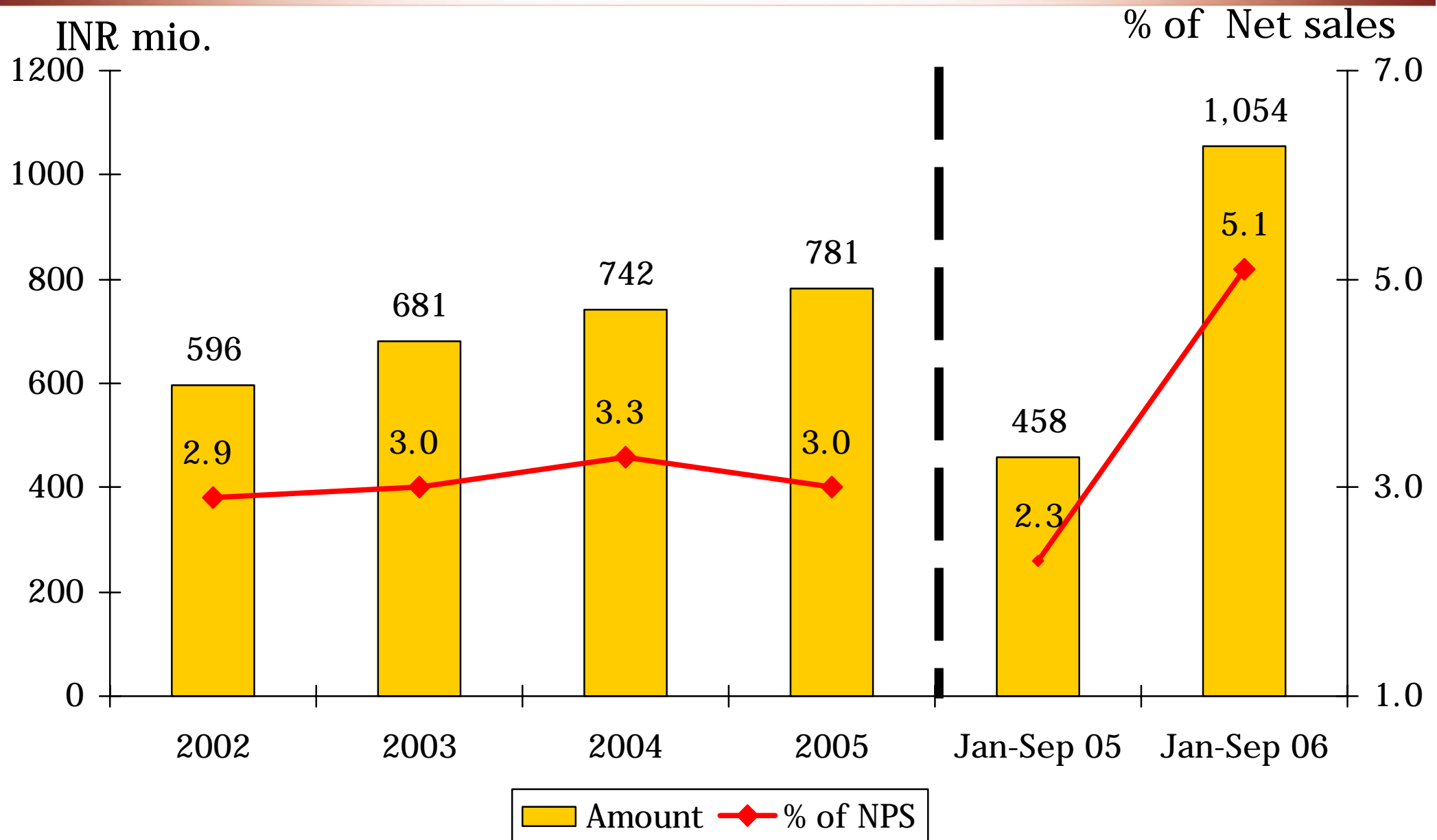
Evolution of Operating Cash Flow

INR Bio.



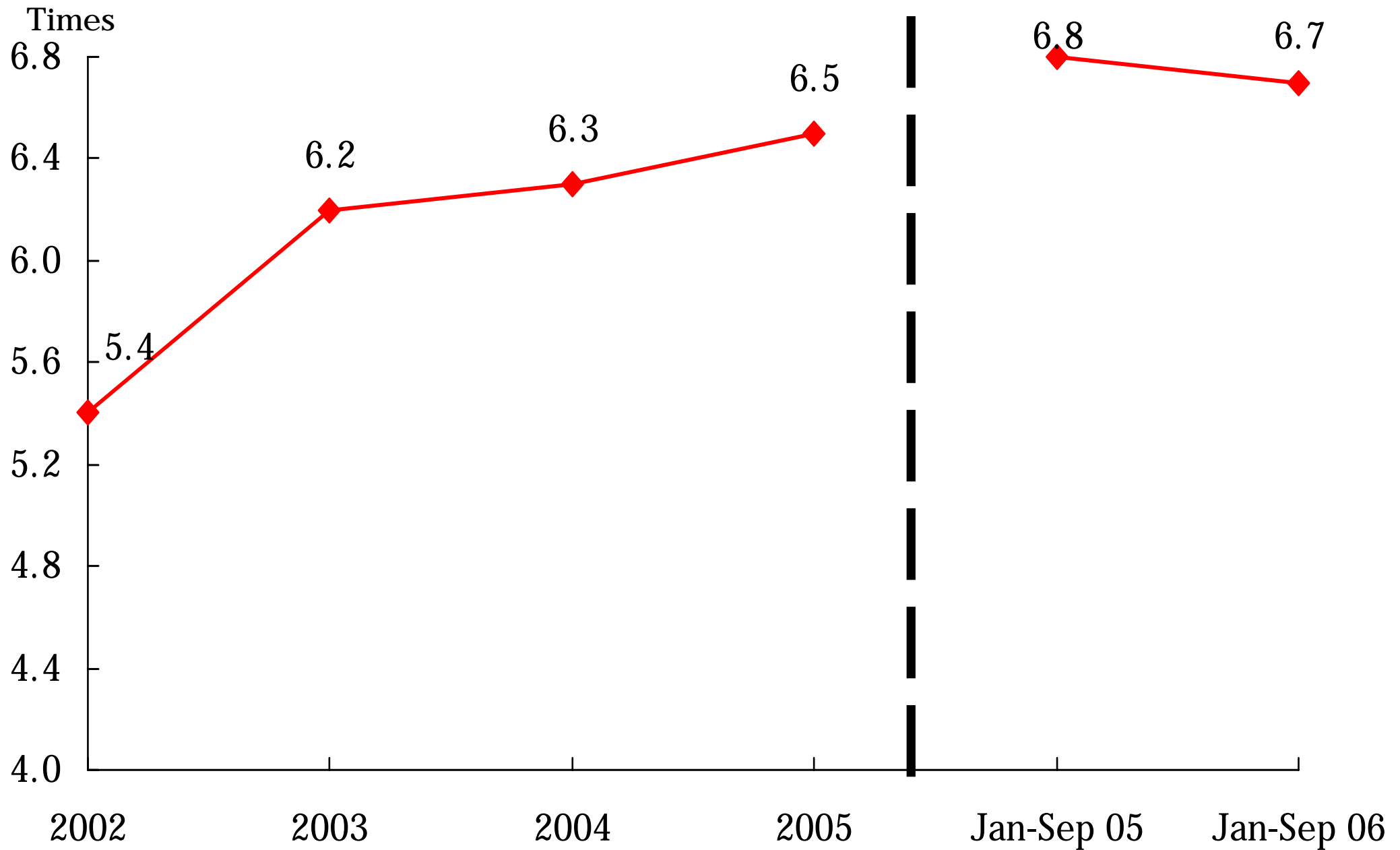
FIXED CAPITAL INTENSITY (4)

Investment in Fixed Assets



Dep.	494	463	491	498	385	404
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Rotation of Average Tangible Fixed Assets

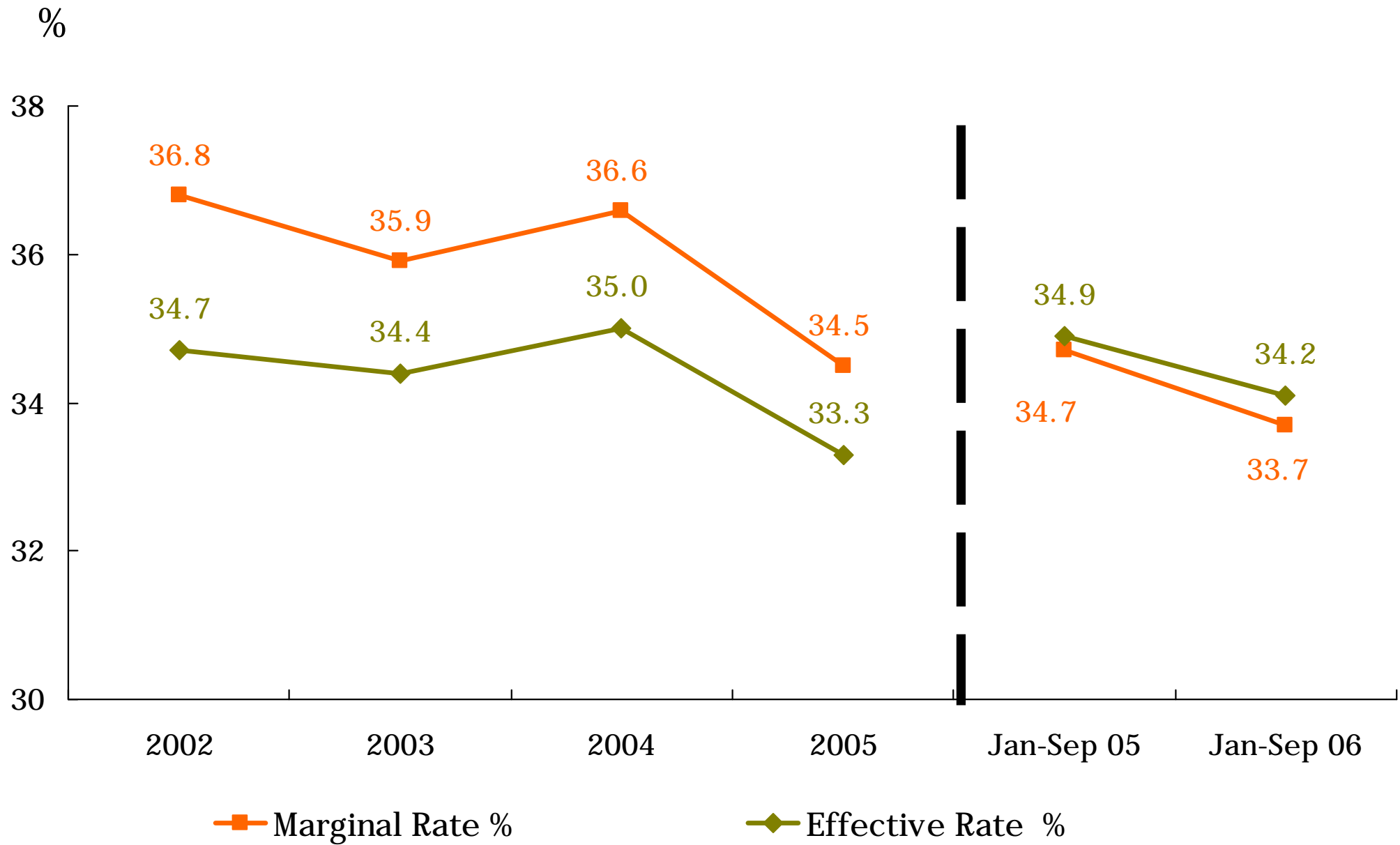


Basis International Accounting Standards

UNLEASHING
100%
POTENTIAL

INCOME TAX RATE (5)

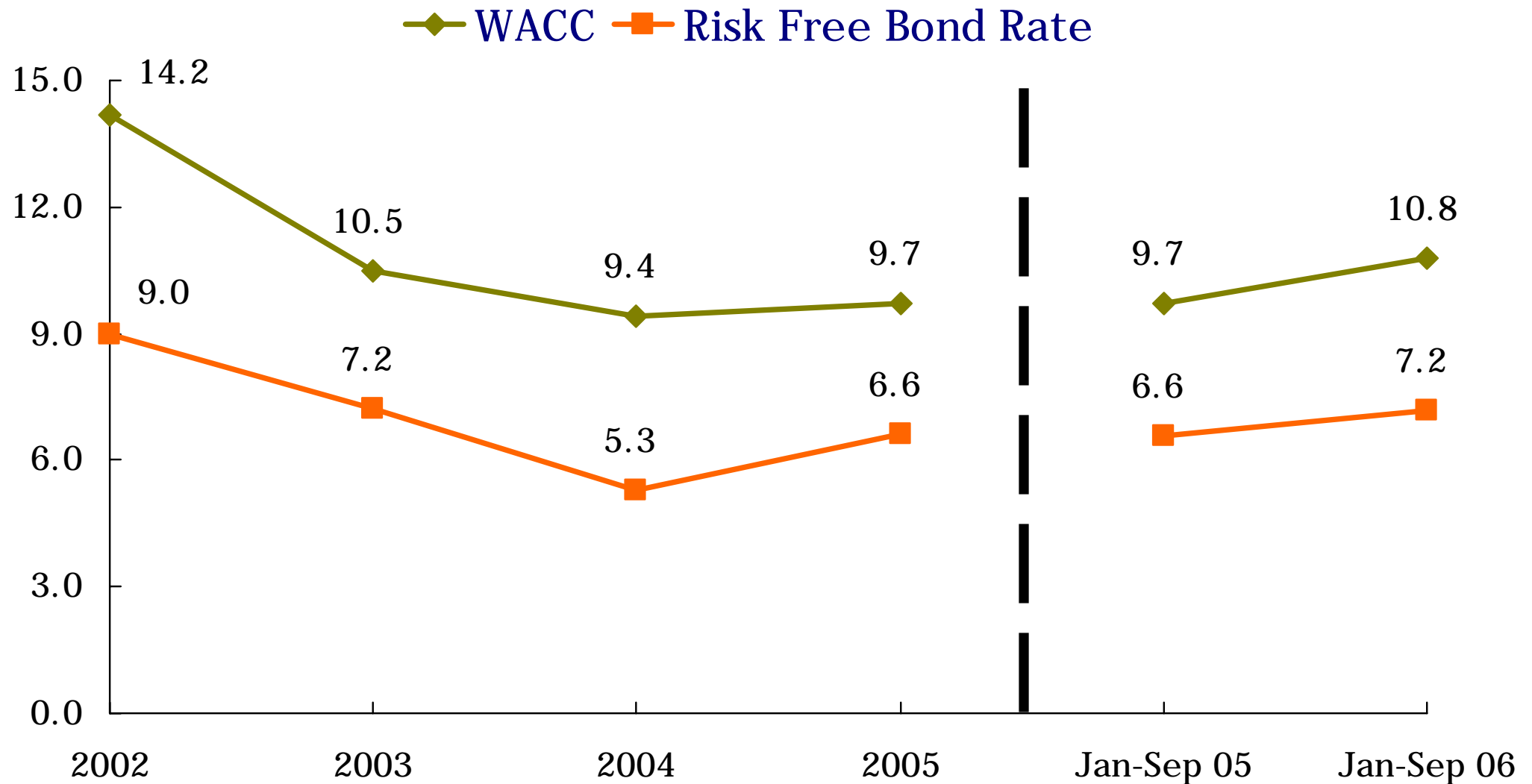
Evolution of Tax



(rates are a % of pre-tax profit excluding FBT)

COST OF CAPITAL (6)

Evolution - Cost of Capital

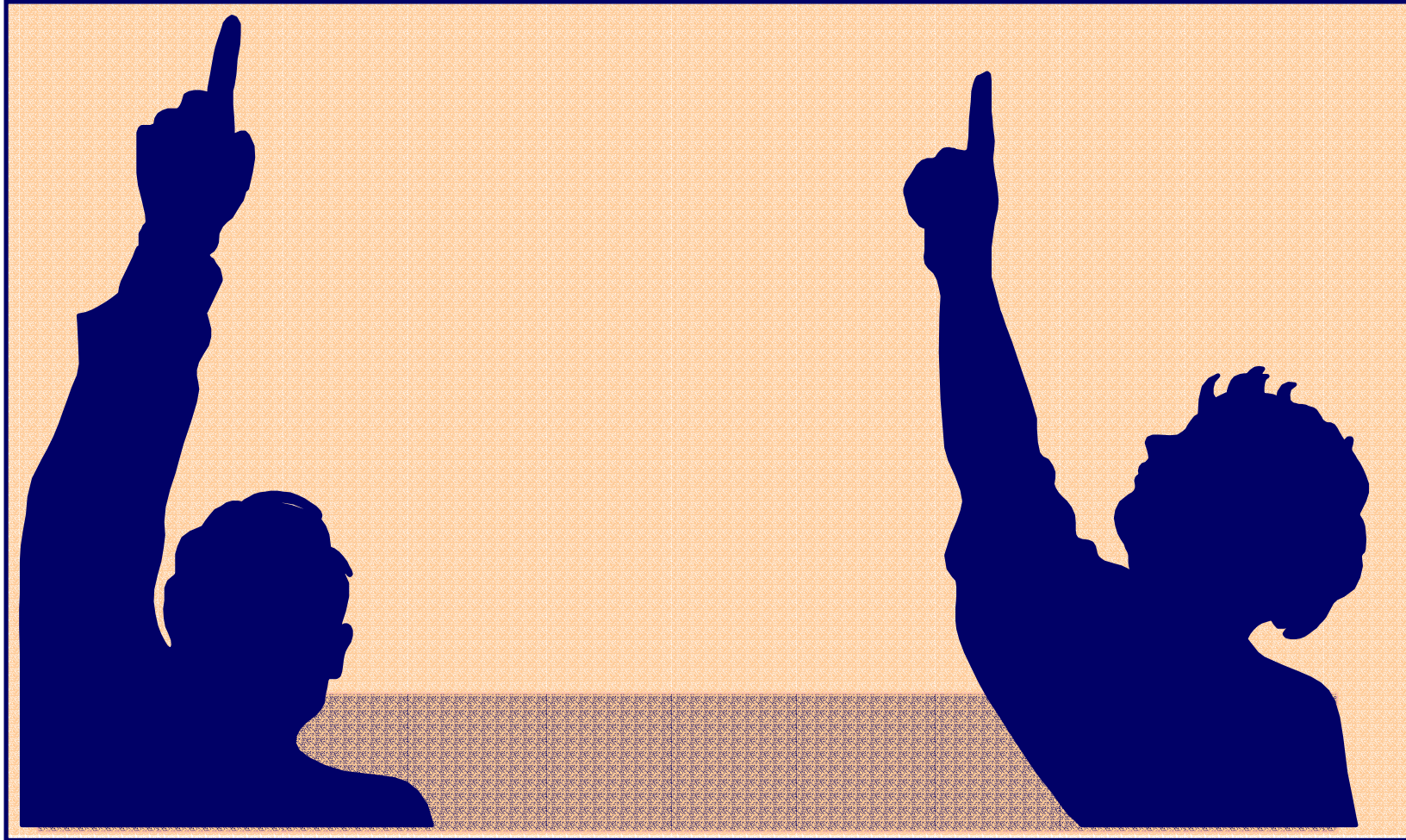


VALUE GROWTH DURATION (7)

Value Growth Duration



QUESTIONS



Thank You



Coffee "C" NYBOT=102.15

ARABICA COFFEE

NYBOT - New York



