



Over 100 years of Making Quality  
& Building Trust

# Nestlé India Limited

## Financial Analysts and Institutional Investors Meet



Gurgaon 22<sup>nd</sup> August 2016

# Disclaimers

- ❑ This presentation may contain statements which reflect Management's current views and estimates and could be construed as forward looking statements. The future involves uncertainties and risks that could cause actual results to differ materially from the current views being expressed. Potential uncertainties and risks include factors such as general economic conditions, commodities and currency fluctuations, competitive product and pricing pressures, industrial relations and regulatory developments.
- ❑ Real Internal Growth (RIG) and Organic Growth (OG) are basis Nestlé Internal Reporting Standards.
- ❑ Figures are regrouped / reclassified to make them comparable.
- ❑ Calculations are based on non-rounded figures.
- ❑ 'Analytical data' are best estimates to facilitate understanding of business and NOT meant to reconcile reported figures.
- ❑ Answers may be given to non-price sensitive questions.

# Agenda

- Accelerating Our Game: Suresh Narayanan
- Financial Highlights: Shobinder Duggal
- Questions & Answers: Suresh & Shobinder



Good Food, Good Life™

# ***Accelerating Our Game***

Financial Analysts and Institutional Investors Meet  
22<sup>nd</sup> August 2016

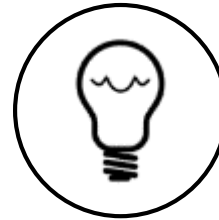
# Agenda

- Recap “Must Win Battles”
- MAGGI Noodles – Rebound & Rebuild
- Way Forward
  - What is the new reality
  - Where do we want to go
  - How will we get there

***Disclaimer: All images used in this presentation are for reference purpose only***



Double digit  
volume growth



Insight led  
Innovation



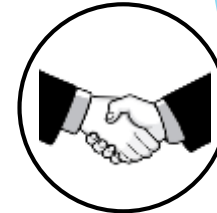
NHW leadership



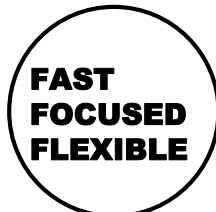
Execution  
brilliance



Reward and  
Recognition



Responsiveness  
to environment



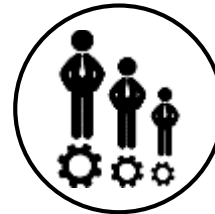
Nimble  
Footed



100%  
compliance



Consumer  
engagement



People fit for  
battle

# Our Must Win Battles



Rebound & Rebuild



# Accelerate To Market



4	<b>Packaging Material: 42 days » 9 days</b>
5	<b>Raw Material: 21 days » 5 days</b>
6	<b>POSM: 60 days » 20 days</b>
7	<b>System Readiness: 21 days » 5 days</b>
8	<b>Campaign: 45 days » 20 days</b>



# Galvanise The Troops

900 Towns\*



24,00,000 Outlets\*



\*Approximate numbers indicating number of towns we have a presence in as well the likely number of total indirect outlets reached

# Way Forward



What is the new reality

Where do we want to go

How will we get there

# 1 What Is The New Reality



# Trends: Dynamics Are Favourable



Urbanization



Technology  
Tide



Women Worth  
Up



Propensity to  
Premiumise



Valourising  
Value



Quest for  
goodness



Shifting the  
Sweet spot





We are in an environment defined by competitive intensity but with “upside” opportunities





# Our Vision

To be the leading  
and most trusted  
NHW company,  
placing Consumers,  
Customers and  
Shoppers at the  
heart of all we do



# Our Ambition & Our Key Growth Drivers

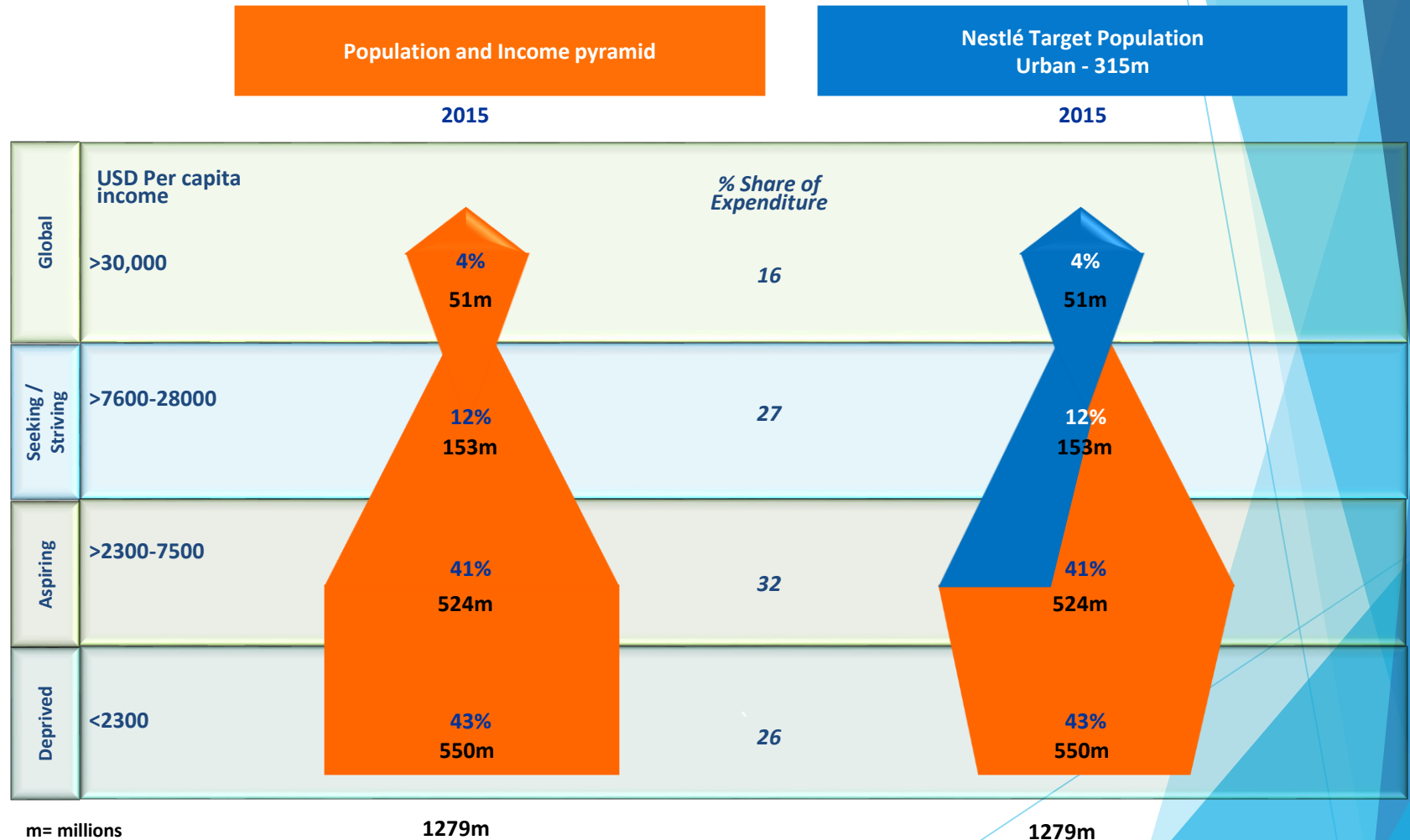
- Double digit growth (volume driven)
- Consumer Insight led
- Launch new products in each category



- Process reduction of 30-40%
- Reduction in meetings by 50%
- Zero tolerance for non compliance

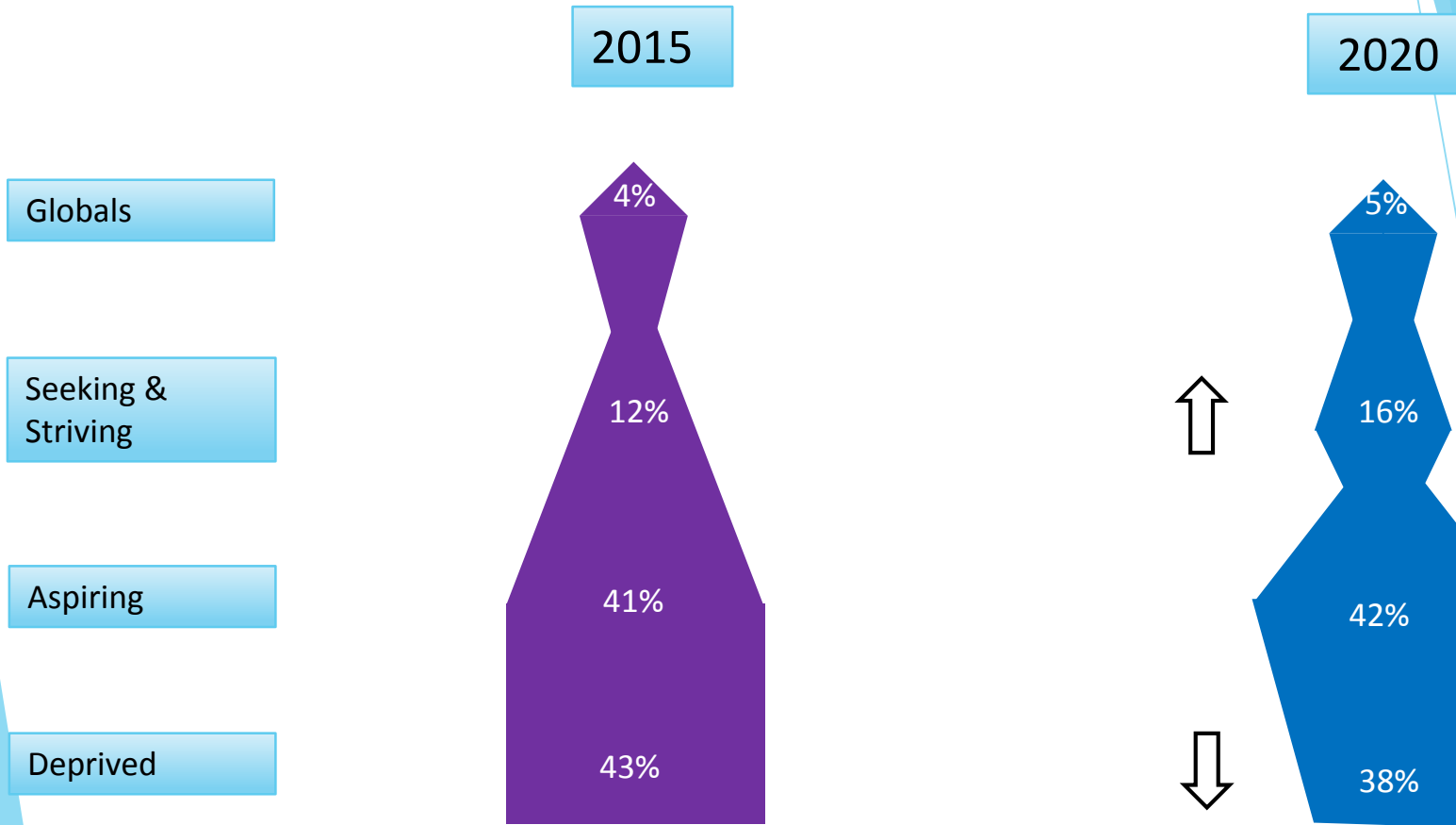
- Fast, Focused, Flexible in thought and action
- Embrace powerful ways of working
- Enable, empower, engage, energize our colleagues

# The Size Of The Opportunity



Source: McKinsey. BCG, Nestlé CI analysis

# Consumers: Middle Class Will Expand





## In a nutshell:

- Drive volumes
- Sustain profitability



### 3 How Will We Get There



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Drive Penetration and Frequency

---

Consumer centric innovation across categories

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Capture potential of many India's within India



# Drive Penetration & Frequency



# Consumer Centric Innovation & Renovation Across Categories

# Consumer insights around NHW

# Value-up and premiumize

## Size of opportunity and our competency

# Sustainability and innovation of an accretive nature

## Building capabilities to expand in new categories



# Prepared Dishes and Cooking Aids



## New Products

- MAGGI Cuppa Noodles – 4 variants
- MAGGI HOTHEADS – 4 variants
- MAGGI No Onion No Garlic Noodles

# Chocolate & Confectionary



## New Products

- NESTLÉ BARONE Charge
- NESTLÉ MUNCH Nuts
- Gift Packs
- Premium Chocolates



# Milk Products & Nutrition



## New Products

- NESTLÉ a+ GREKYO – 4 variants
- NESTLÉ a+ PRO-GROW
- NESTLÉ EVERYDAY Masala Fusion
- NESTLÉ CEREGRW

# Beverages



## New Products

- NESCAFÉ SUNRISE Insta-Filter
- NESCAFÉ 3-in-1
- NESCAFÉ RTD – 3 variants
- NESTEA – 3 variants



# Consumer Centric Innovation & Renovation Across Categories

25 new products



& many more to  
come

# Capture Potential Of Many India's Within India

Calibrated launches basis geography, brand, category and channel potential

Resources to be placed behind national and regional winners

Organization capabilities to be fast, focused and flexible helping to excel in execution

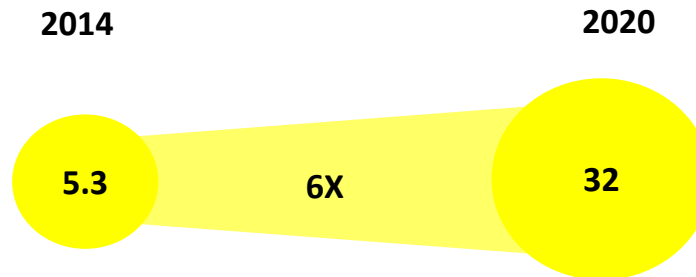


# Ecommerce: Tapping The Channel

## eCommerce Market

(in Billion US\$)

Expected to contribute 5%  
(5 Bio US\$) of FMCG sale by 2020



Our ambition is to grow our business further in this sector



# Out Of Home: Opportunity Beckons



Food Services/Eating Out share in  
Fun Spending  
(Per Capita = US\$42)



70% Consumers eating out of  
home at least once in a  
week



CAGR Gr% Store Count  
(2010-2016)



Domino's	22%
Current count:	1026
McDonalds	17%
Current count:	223

\*Goldman Sachs: India Consumer Close-Up 2016



# Food Regulatory Environment: Positive Winds of Change

11000 additives  
allowed



Infant & special medical  
foods under review



Harmonisation with CODEX



Only ingredients  
approved by FSSAI can  
be used



Fully committed to work with FSSAI

# Changing Face of Consumers

## 24X7 CES Operation Across Channels - India

2012

**NUMBER OF CONTACTS**  
2,500 Contacts

**TEAM STRUCTURE**  
FTE 4

**RESPONSE**  
First Response in 24 Hours



2016

**NUMBER OF CONTACTS**  
Estimated 450,000 Contacts

**TEAM STRUCTURE**  
FTE 60

**RESPONSE**  
First Response in 30 minutes



# Nestlé in Society – 104 Years of Commitment

Our Focus  
Areas

Nutrition

Water and Environment Sustainability

Rural Development



Nutrition



Water



Rural  
Development



Environment



Compliance

# Nestlé in Society – 104 Years of Commitment



HEALTHY KIDS Over 46,000 beneficiaries



MAMTA 100,000 beneficiaries



100,000 Milk Farmers



Clean Drinking Water Projects over 15000 beneficiaries



Over 2000 Coffee Farmers

# Nestlé in Society – 104 Years of Commitment

## In our Manufacturing

Projects completed in our factories during 2015

54

Energy reduction projects



&

40

Water reduction projects



From 2000 to 2015, for every tonne of production, we have:

Reduced the usage of energy by around



47%↓

Reduced water usage by around



55%↓

Reduced generation of waste water by around



61%↓

Reduced specific direct greenhouse gas emissions by



57%↓

## In our Packaging

During 2015, we used

35% recycled material in packaging



800 tonnes

reduction in packaging material through packaging optimisation



## Consumer Awareness

Expanding the use of QR (Quick Response) codes to provide sustainable consumption tips and guidance on recycling



# Our People: Our Stars

*We make Nestlé credible*

... by leading through example, holding ourselves to the highest standards of integrity and always striving to do what's right.

## What makes Nestlé attractive

- Opportunity to work for iconic brands
- Feeling of involvement in Society
- Culture of ethics and performance
- Continuous upgrading of skills and competencies

# Key Takeaways Today

Priority on growth across the portfolio

Strong commitment to NHW

Key role of penetration, frequency and insight led innovation

Tapping into the many India's within India – the emerging channels and consumer trends

Responsive, committed to society, nimble footed and proud to be Nestlé

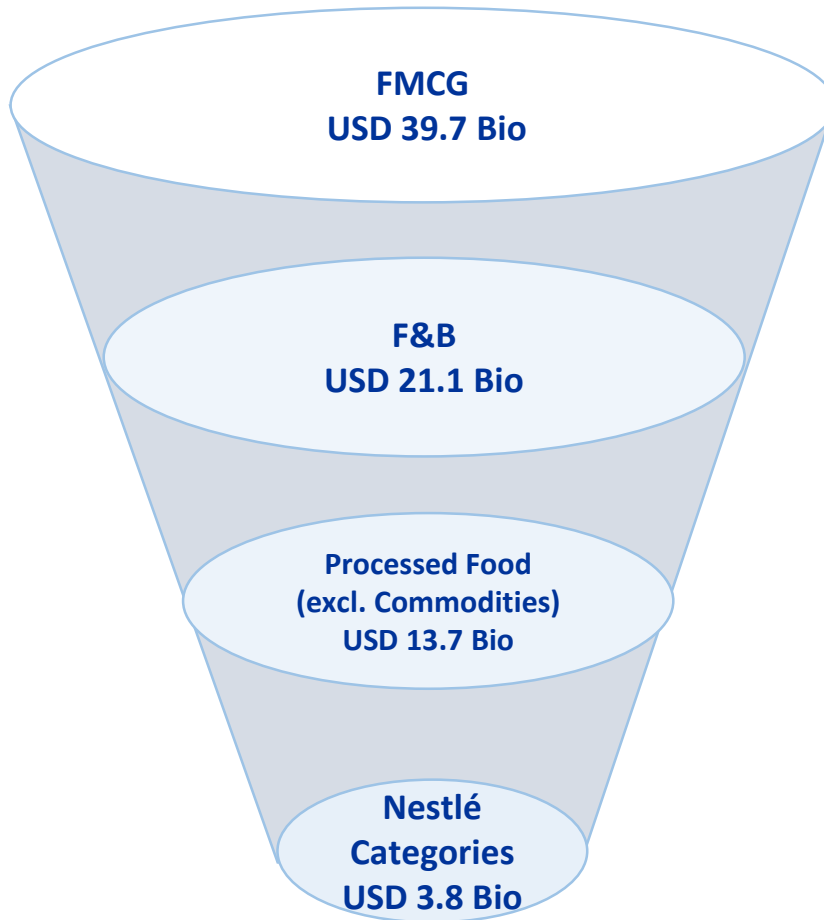


## A reminder

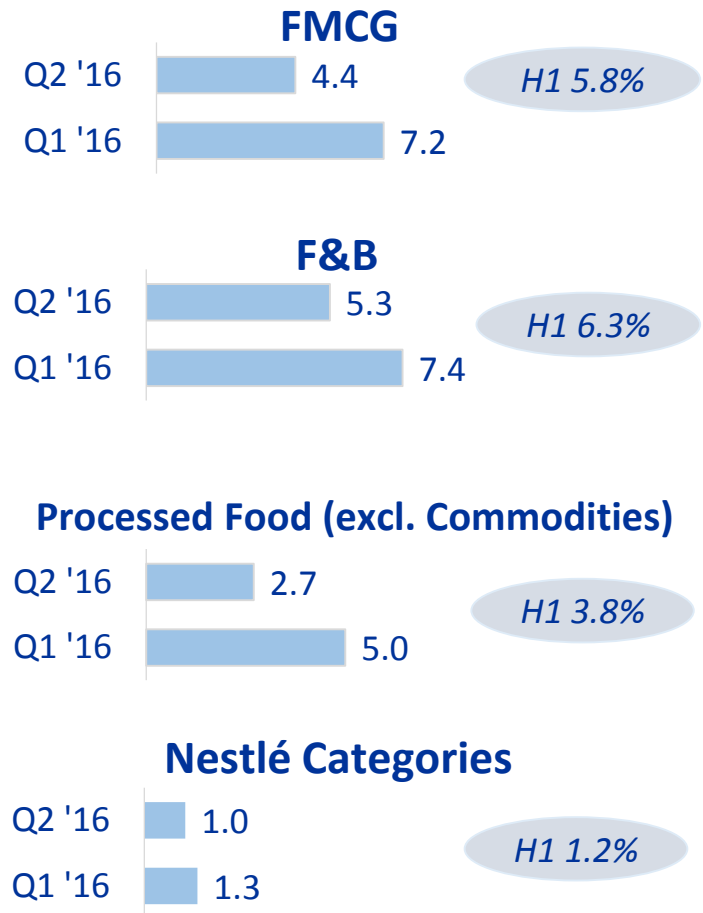
*Financial Results for 2016 are being reported in accordance with the Accounting Standards specified under Companies (Accounting Standards) Rules, 2006. IND-AS is applicable w.e.f 1<sup>st</sup> January 2017.*

# Market Dynamics

## Market Size 2015




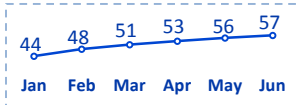









## Market Growth % 2016



Source : AC Nielsen

Note: Infant Formula and Infant Cereal Segments included in FMCG, F&B, Processed Food and Nestlé Categories

# Brand Strength & Market Position

Category	Brand	Market Share % (Value)		Nestlé's Position	
		YTD (Jan-Jun 2016)	MAT (Jul'15-June'16)		
Instant Noodles		52.0	<div></div>	42.9	1
Ketchups & Sauces		23.8	<div></div>	24.4	2
Instant Pasta		56.7		50.4	1
Infant Formula		42.4		42.5	1
Infant Cereals		96.6		96.6	1
Tea Creamer		45.4		46.1	1
Chocolates		15.5		15.4	2
White & Wafers		63.7		64.3	1
Instant Coffee		50.4		50.4	1

# January – June highlights

Impacted by MAGGI issue in 2015

2016

INR 45.5 Bio



0.8

2.4

INR 8.26 Bio



18.1%\*

INR 4.9 Bio



10.8%\*

INR 50.80



INR +1.1 Bio

+2.5%

Weighted  
Volumes  
& Prices

INR -125 Million

-75 bps

INR +2.3 Bio

+500 bps

INR +24.26

+91.4%

2015

INR 44.4 Bio



Net Sales

(11.6)

RIG%

Third Party Sales

(6.5)

OG%

Reported

INR 8.38 Bio



Profit from  
Operations

Comparable

INR 2.6 Bio



5.8%\*

Net Profit

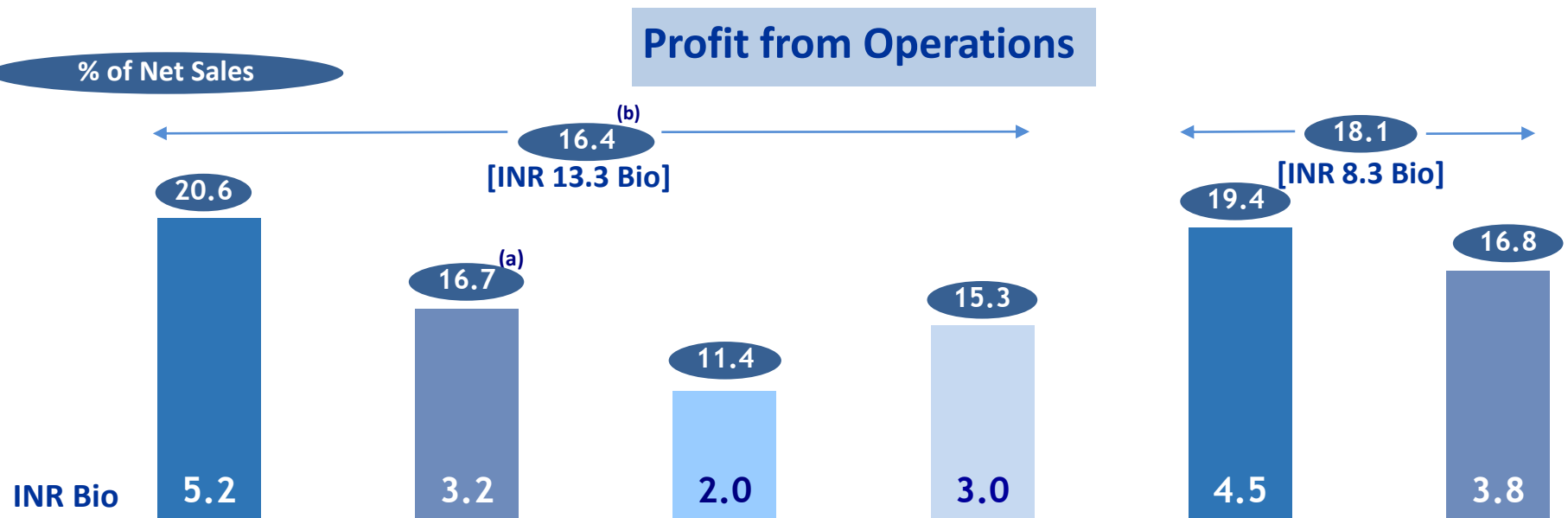
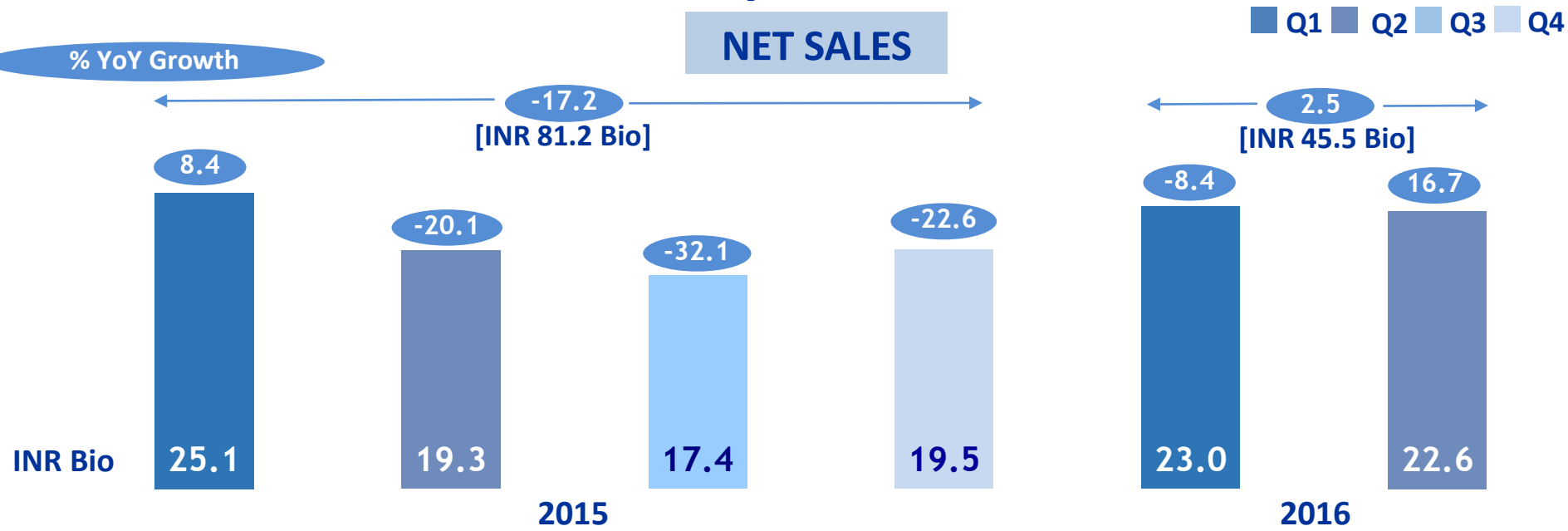
INR 26.54



EPS

\* % of Net Sales

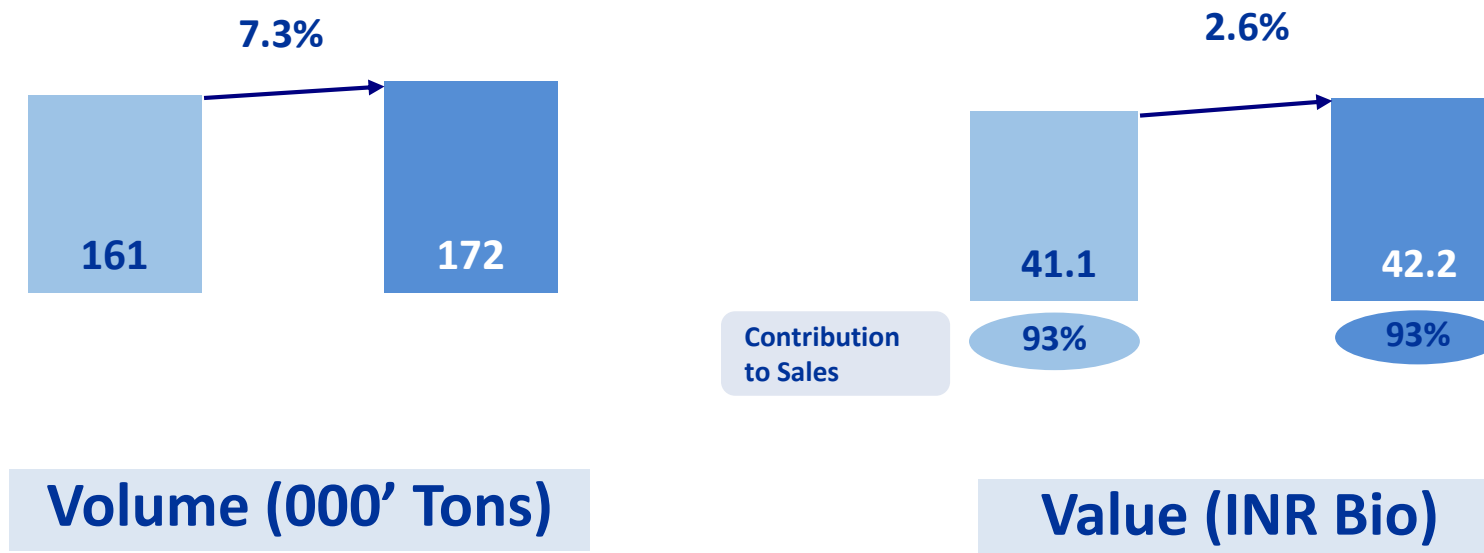
# Quarterly evolution



(a) 14.7% before reclassification of fixed cost to Exceptional item and movement in conversion cost due to destruction of MAGGI Noodles stock  
 (b) 15.9% before reclassification of fixed cost to Exceptional item and movement in conversion cost due to destruction of MAGGI Noodles stock



## Domestic Sales: January-June



## Exports (Affiliates + Third parties)

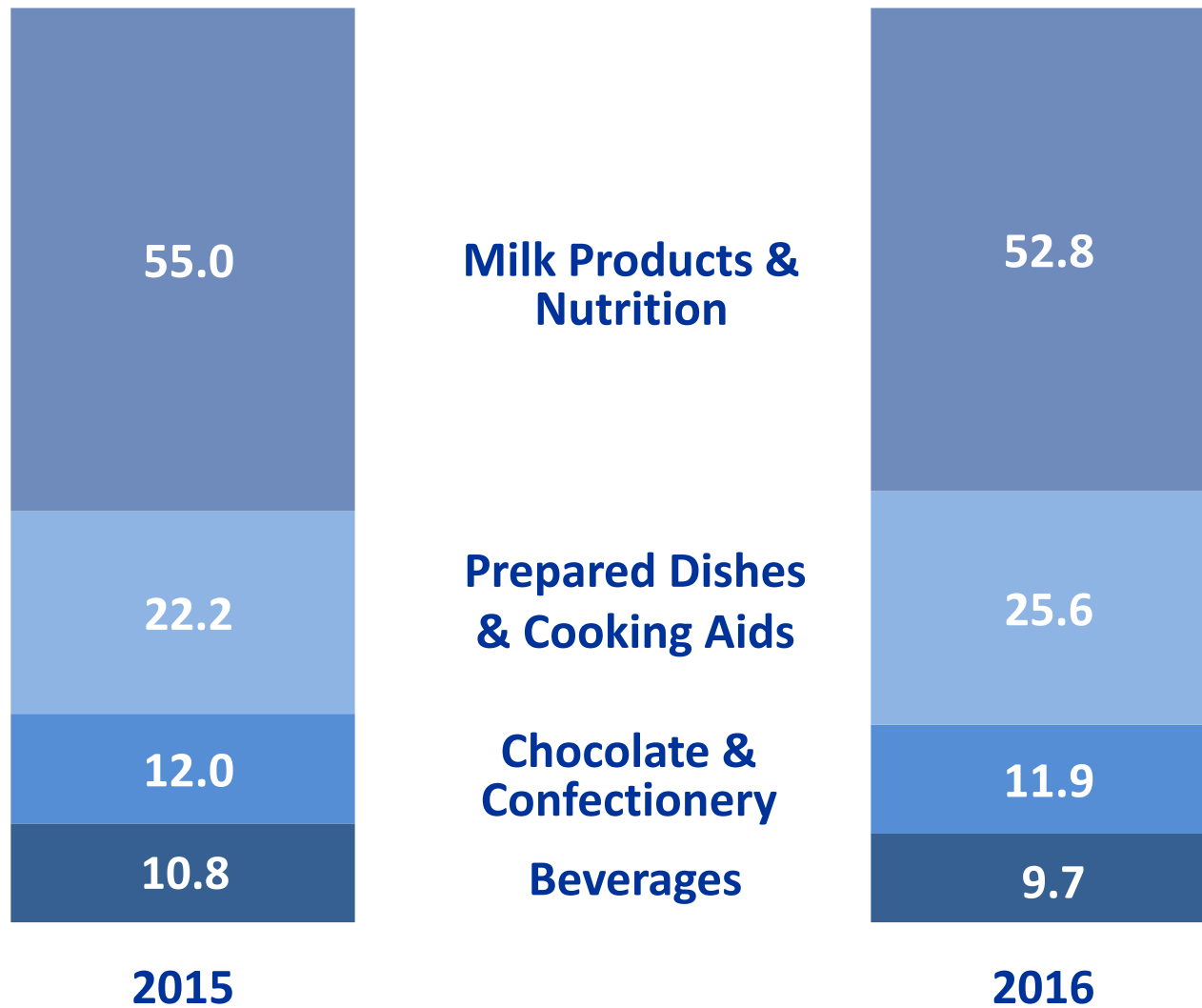


# Reported & Comparable Domestic Sales Growth: Jan-June

		Growth%
Volume (Tons)	Reported	7.3
	Comparable*	0.5
Value (INR Mio)	Reported	2.6
	Comparable*	-0.7

*\* Excluding sales of Noodles, Surplus Fat & Product Portfolio Optimisation initiatives.*

# Category Contribution % to Domestic Sales January - June



# Domestic Sales - 2016

	Q1	Q2	H1
Reported Sales in INR Bio	21.3	20.9	42.2
Reported yoy Growth %	-8.7	17.5	2.6
Comparable Growth %*	-2.0	0.7	-0.7

- Innovation & Renovation across categories
- Most other categories recovering

*\* Excluding sales of Noodles, Surplus Fat & Product Portfolio Optimisation initiatives.*

# 3<sup>rd</sup> Party Sales - 2016

	Q1	Q2	H1
<u>Organic Growth (%)</u>			
Reported	-8.4	16.6	2.4
Comparable*	-2.1	1.2	-0.5
<u>Real Internal Growth (%)</u>			
Reported	-9.7	14.5	0.8
Comparable*	-3.0	0.3	-1.3

*\* Excluding sales of Noodles, Surplus Fat & Product Portfolio Optimisation initiatives.*

*Note: Organic Growth (OG) and Real Internal Growth (RIG) are basis Nestlé Internal Reporting Standards.*



# Materials Cost - 2016

	Q1	Q2	H1
# Materials cost in % of Net Sales as reported	42.9	42.1	42.5
## Movement in conversion cost in bps	-90	20	-40
Net materials cost in % of Net Sales	42.0	42.3	42.1
yoy movement in bps	30	100	70
<u>of which</u>			
Commodities	100	20	60
Realisations	40	20	10
Mix impact (Product mix and Mix of third party & Affiliates)	30	60	20
Favourable commodity prices with an upward price trend in some commodities			

# Materials Cost: Cost of materials consumed + Purchase of stock-in-trade + Change in inventories of Finished Goods & WIP

## Conversion cost embedded in inventories of Finished Goods & WIP



# Other Variable Cost - 2016

	Q1	Q2	H1
Cost in % of Net Sales	12.5	13.1	12.8
yoy movement in bps	40	50	0

Benefits of Lower crude oil & energy prices offset by higher cost of distribution (impacted by product mix)

*Includes Distribution Cost, General licence fees, Power & Fuel, Rates & Taxes etc.*



# Advertisement & Sales Promotion - 2016

	Q1	Q2	H1
Cost in INR Bio	1.2	1.5	2.7
yoy increase in %	-26.3	+14.8	-8.1
% of Domestic Sales	5.6	7.1	6.4
yoy movement in bps	-135	-15	-75

New Media Campaigns across Categories

Stepped up spends on New launches

Base not fully comparable

*Includes Media spends, Consumer Sampling and Promotions, Display etc.*

# Fixed Cost

2016

Reported

Cost in INR Bio

Cost in % of Net Sales

yoy movement in bps - Reported

yoy movement in bps - Comparable

2015

Reported

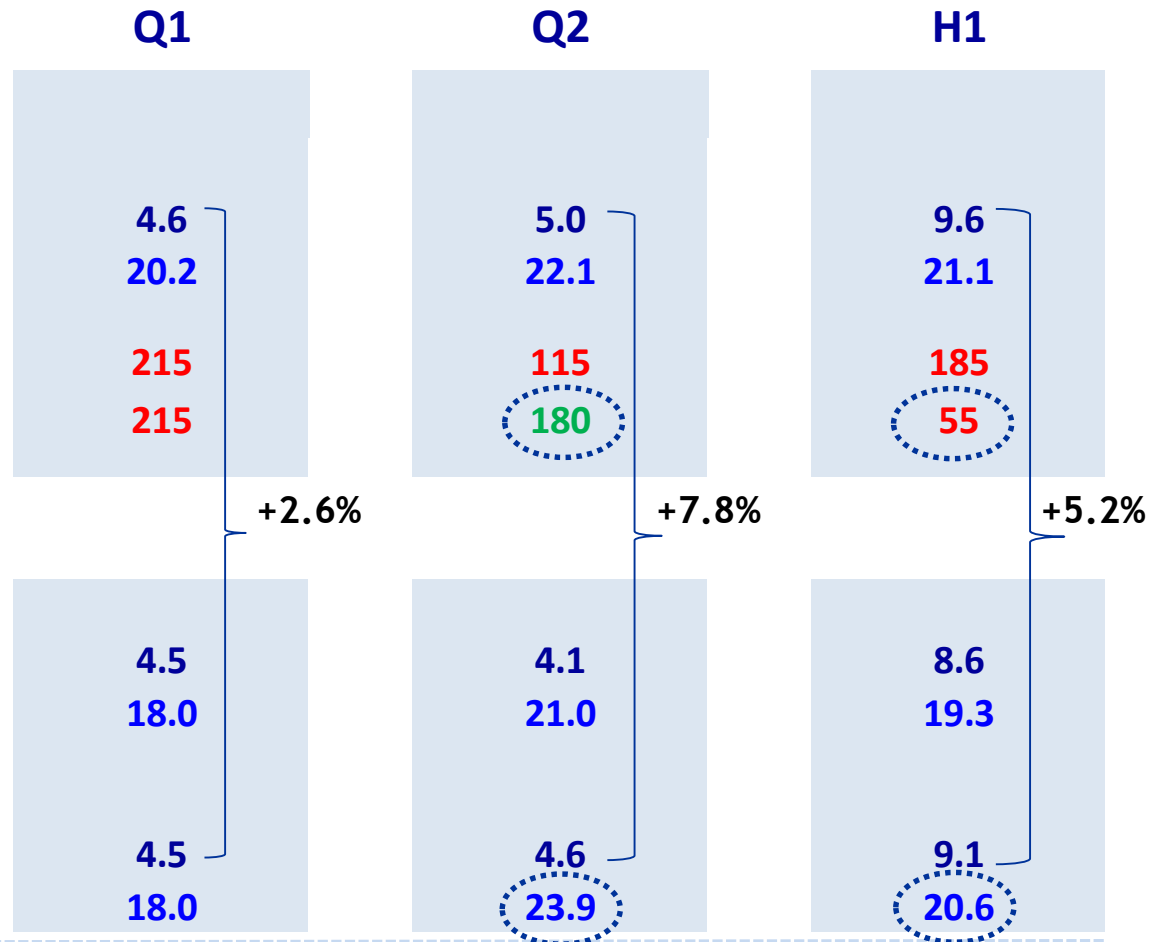
Cost in INR Bio

Cost in % of Net Sales

Comparable\*

Cost in INR Bio

Cost in % of Net Sales



Before reclassification of fixed cost to "Exceptional Item" in Q2 2015

\* Includes fixed cost reclassified to Exceptional Item as reported in line with Accounting Standards (AS) 2 & 5

# Profit from Operations

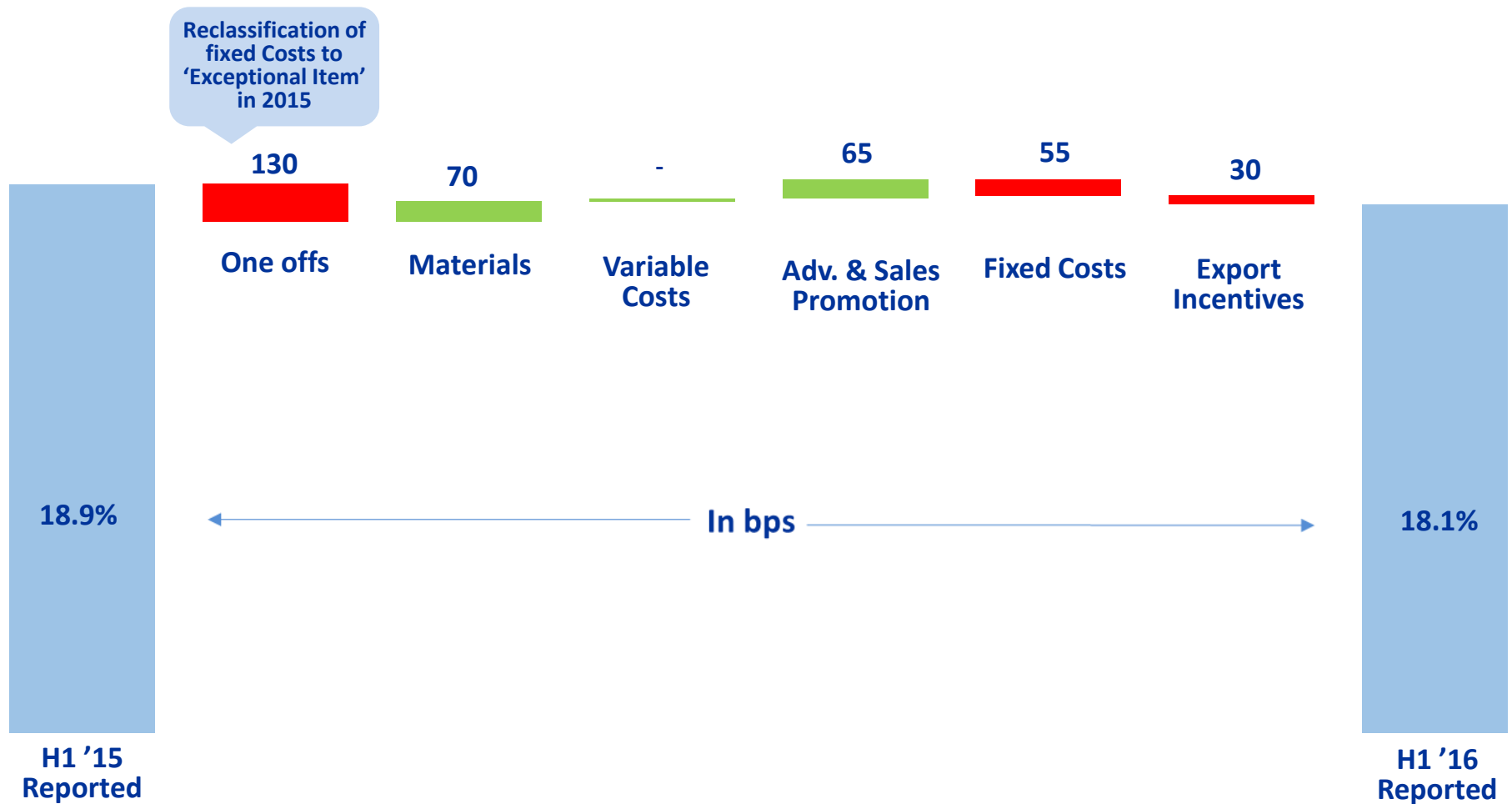
	Q1	Q2	H1
<b><u>2016</u></b>			
<b><u>Reported</u></b>			
Profit in INR Bio	4.5	3.8	8.3
Profit in % of Net Sales	19.4	16.8	18.1
yoy movement in bps - Reported	115	15	75
yoy movement in bps - Comparable	115	210	10
<b><u>2015</u></b>			
<b><u>Reported</u></b>			
Profit in INR Bio	5.2	3.2	8.4
Profit in % of Net Sales	20.6	16.7	18.9
<b><u>Comparable*</u></b>			
Profit in INR Bio	5.2	2.8	8.0
Profit in % of Net Sales	20.6	14.7	18.0

Before reclassification of fixed cost to 'Exceptional item' & Movement in conversion cost due to destruction of MAGGI Noodles stock in Q2 2015

*\* Before reclassification of fixed costs to Exceptional Item as reported in line with Accounting Standards (AS) 2 & 5 and Movement in conversion cost due to destruction of MAGGI Noodles stock in Q2 2015.*

# Profit from Operations: January-June

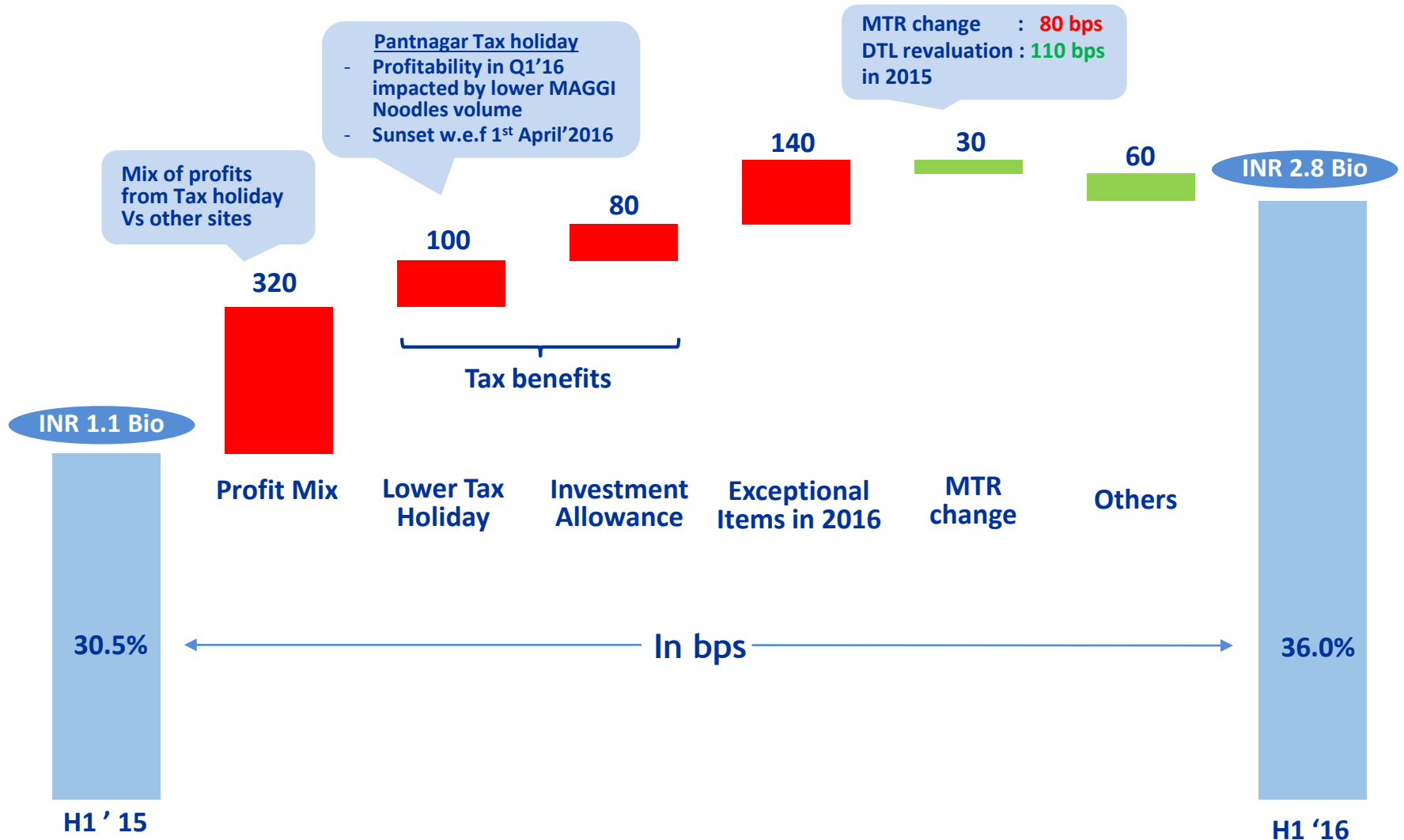
In bps



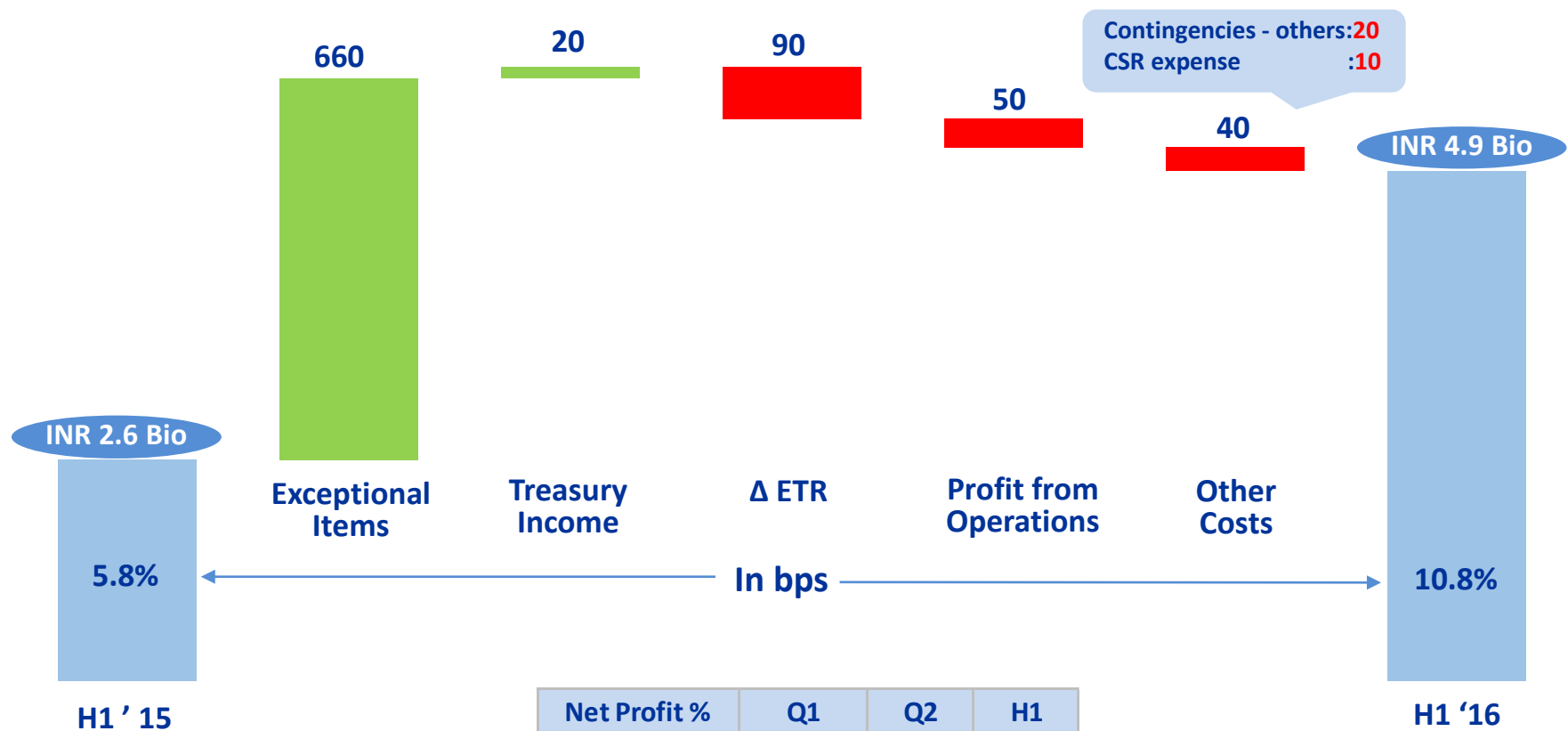
*% are with reference to Net sales*



# Effective Tax Rate (ETR) : January-June

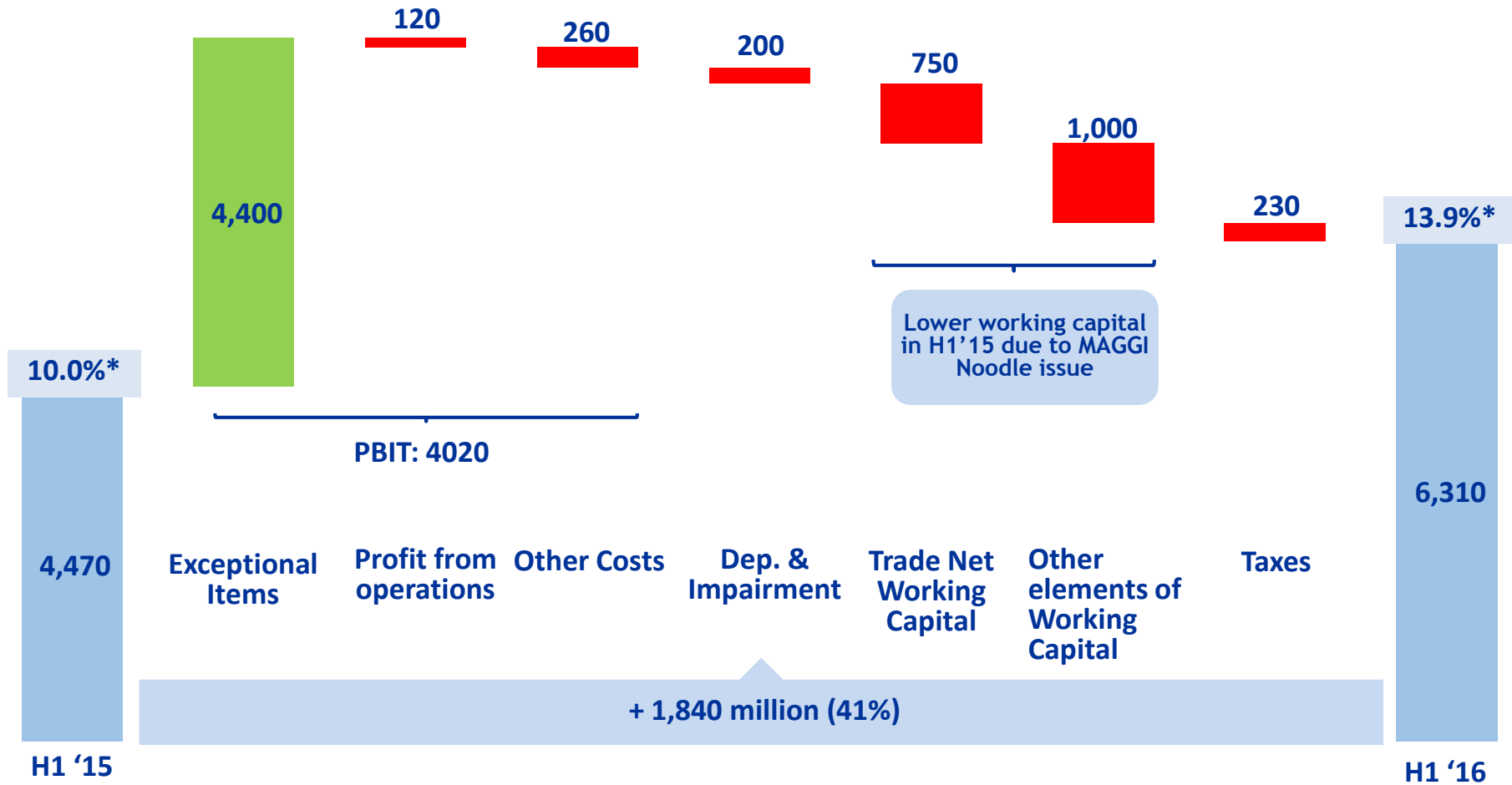


# Net Profit after Tax (PAT): January-June



# Cash generation from Operations : January-June

INR Million



\*% are in reference to sales



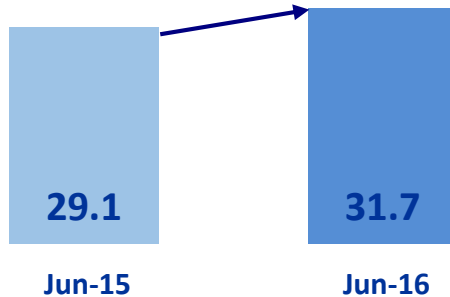
# Recovery from an exceptional base

## Shareholders Fund (INR Bio)

Debt: Equity

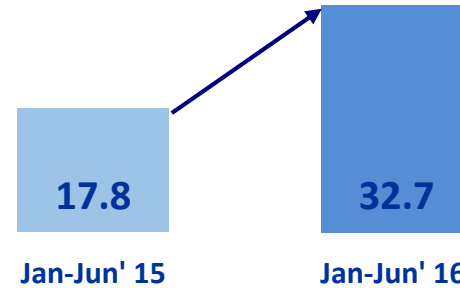
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1:99

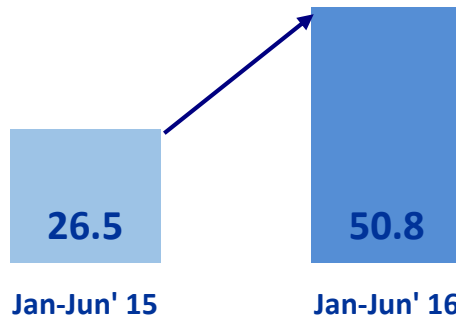


AAA Rating reaffirmed by CRISIL on 18<sup>th</sup> Nov'15

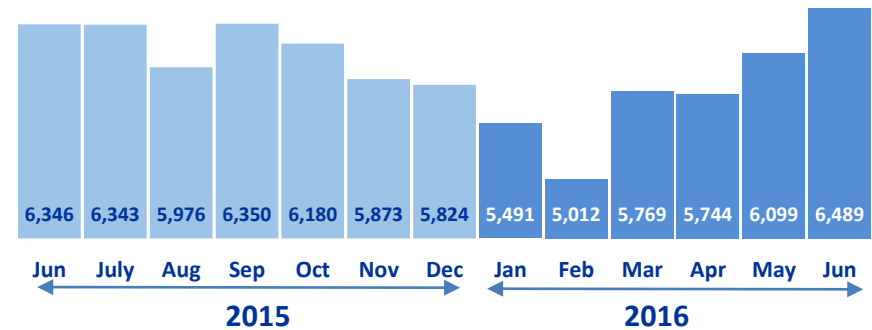
## Return on Equity (%)



## EPS (INR)



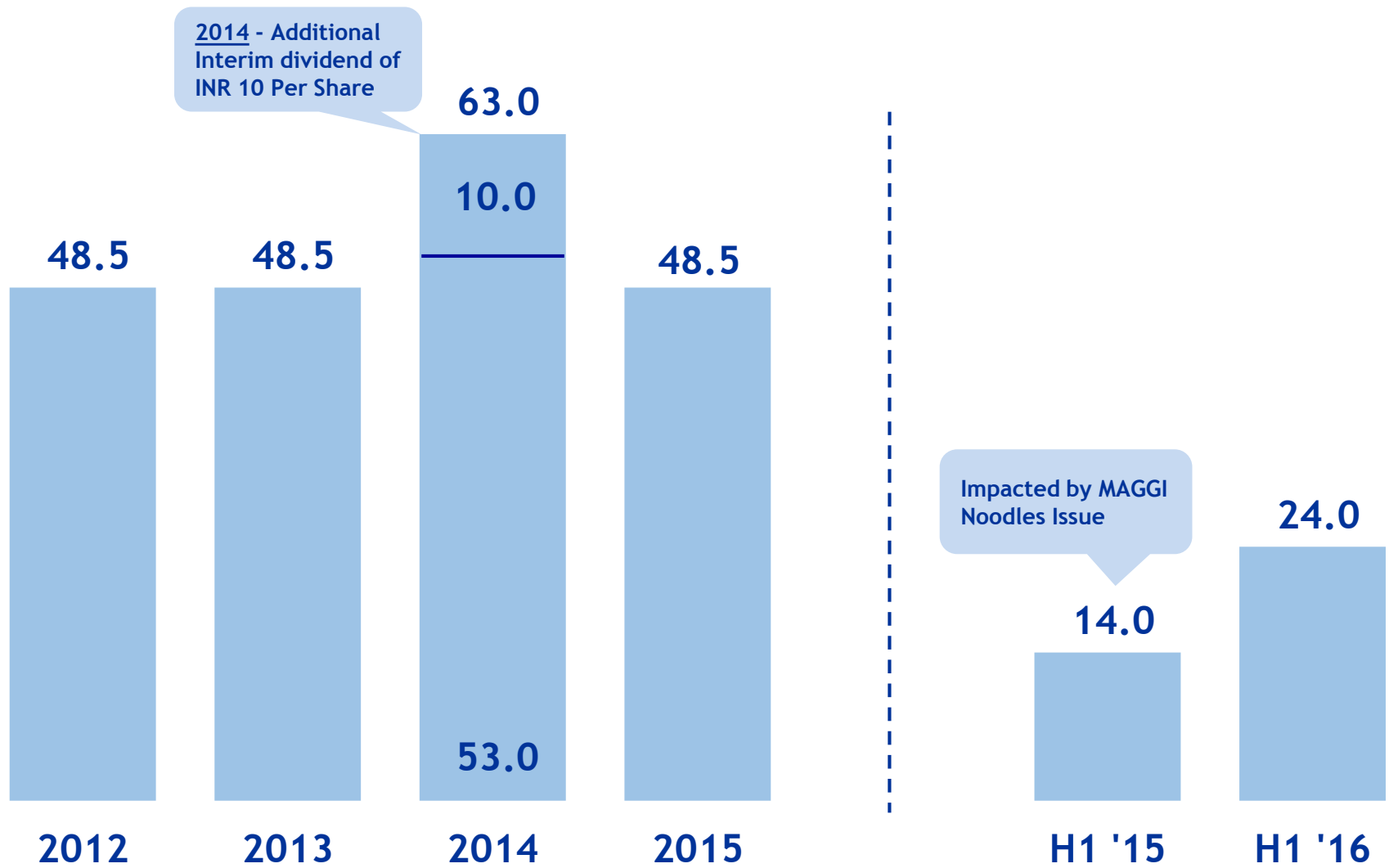
## Share Price (INR)



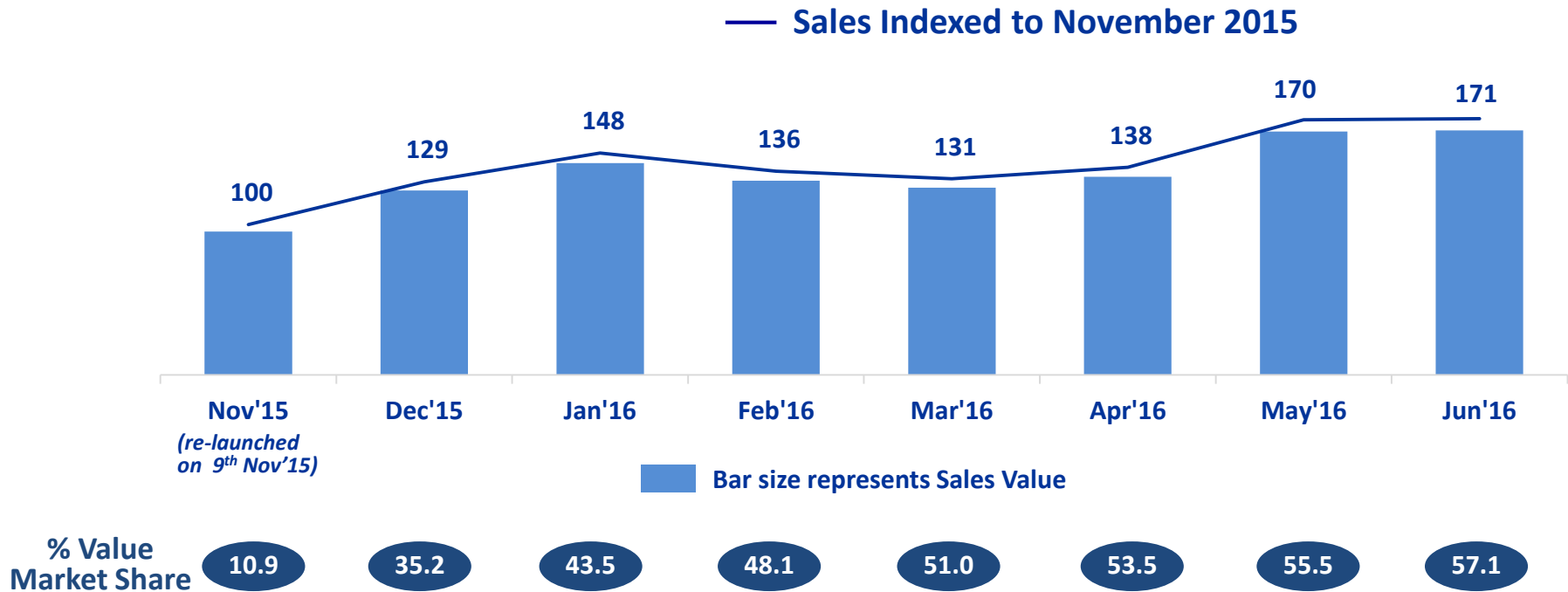
Month end closing share price on BSE<sup>57</sup>

# Dividend

DPS (INR)

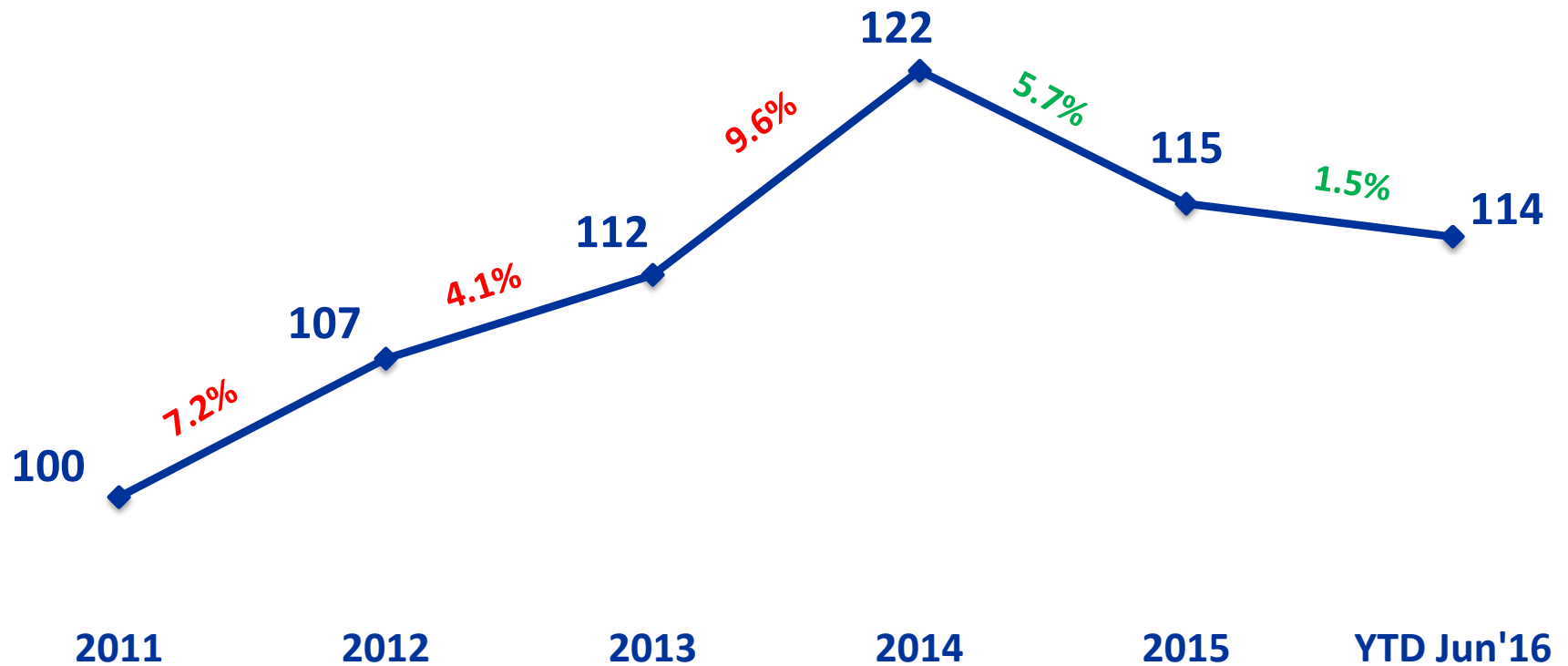


# Sales and Market Share Evolution: MAGGI Noodles





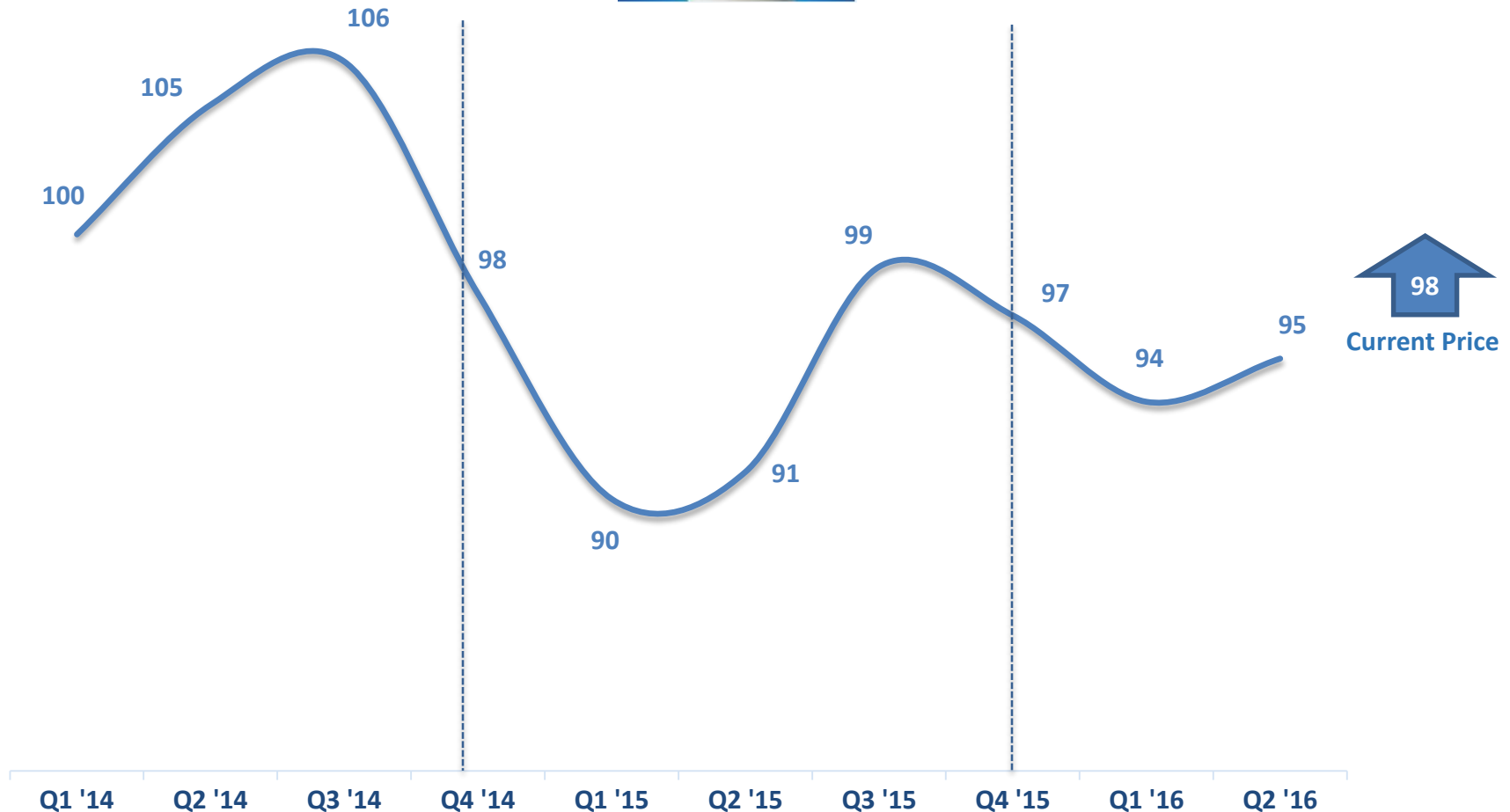
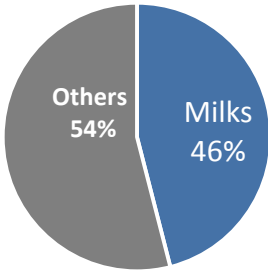
# Nestlé India's Commodity Price Index



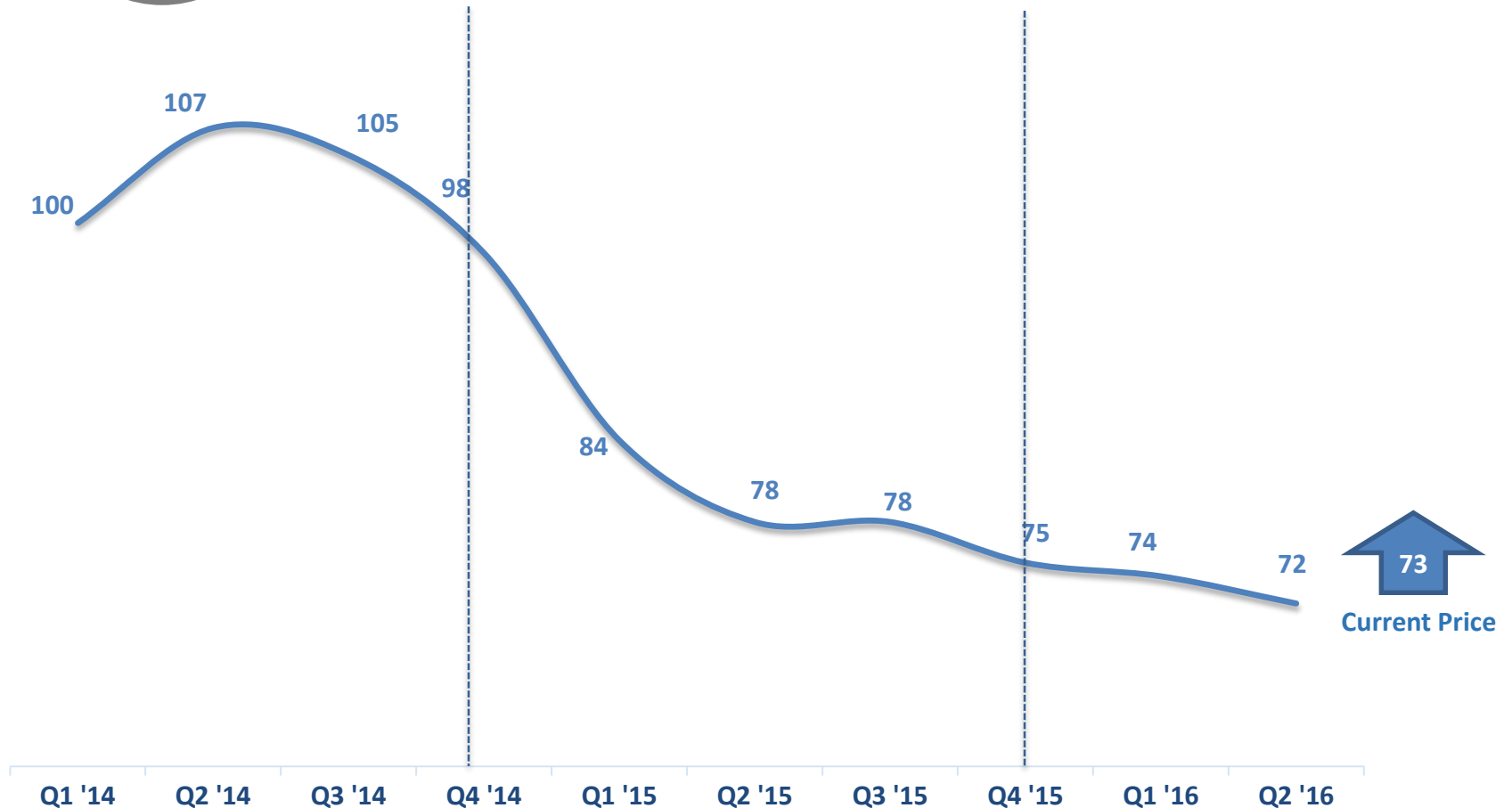
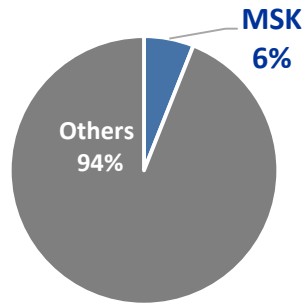
*Indexed with base year 2011*



# Milks Consumption Price Index

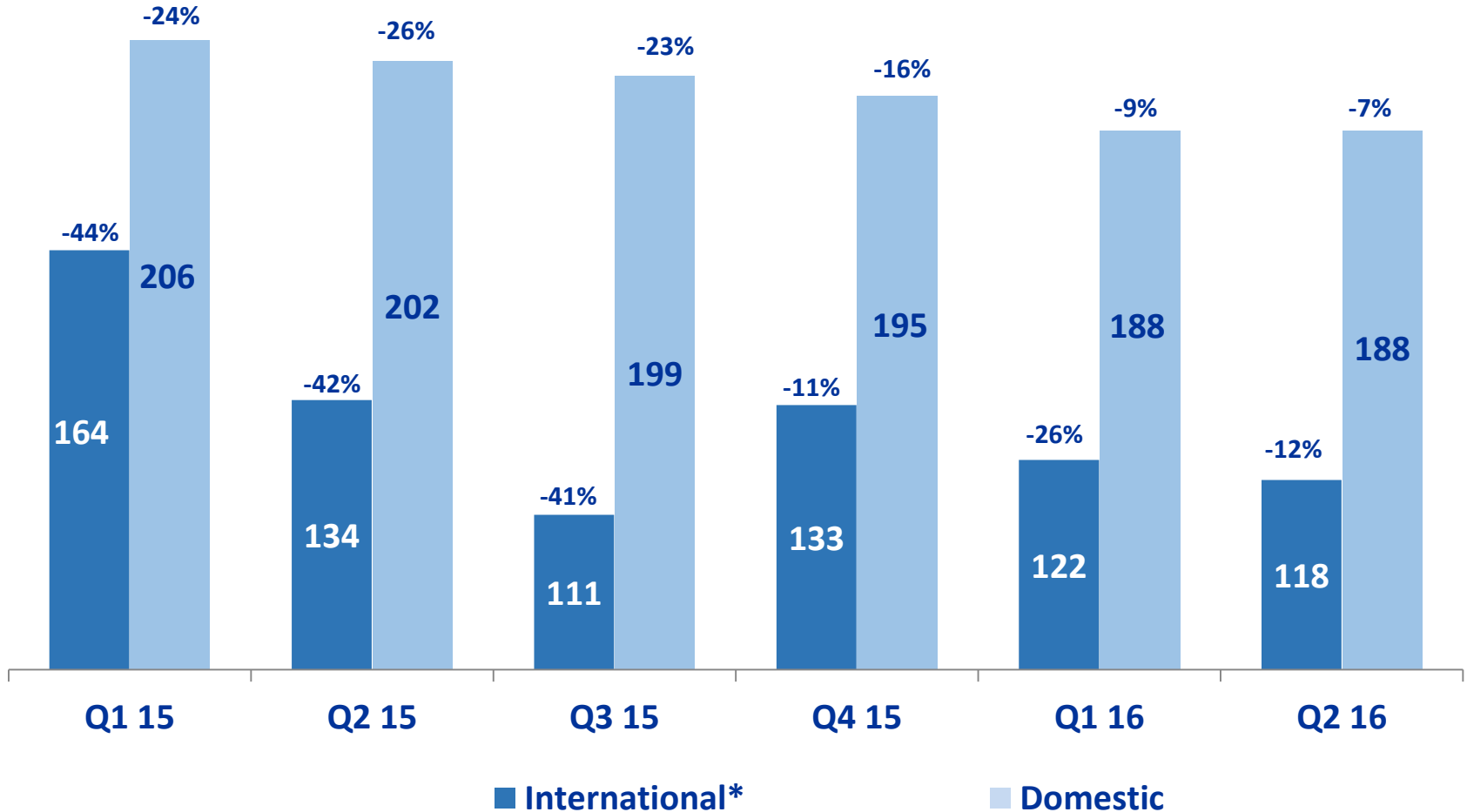


# MSK Consumption Price Index



# Skimmed Milk Powder (MSK) Prices /kg

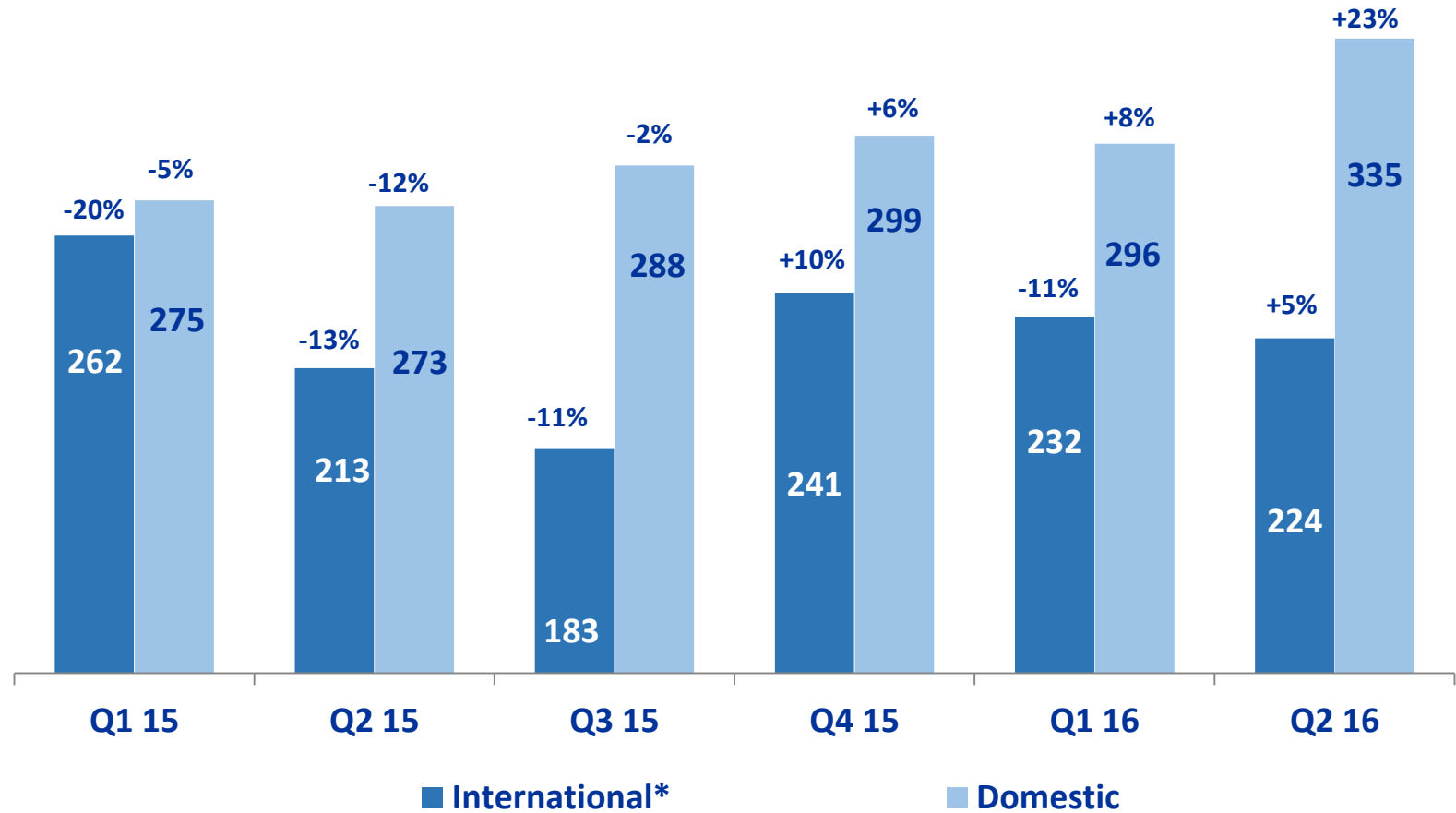
Variance vs LY



*\*USD spot Prices /Kg converted to INR*

# AMF (Ghee) Prices /kg

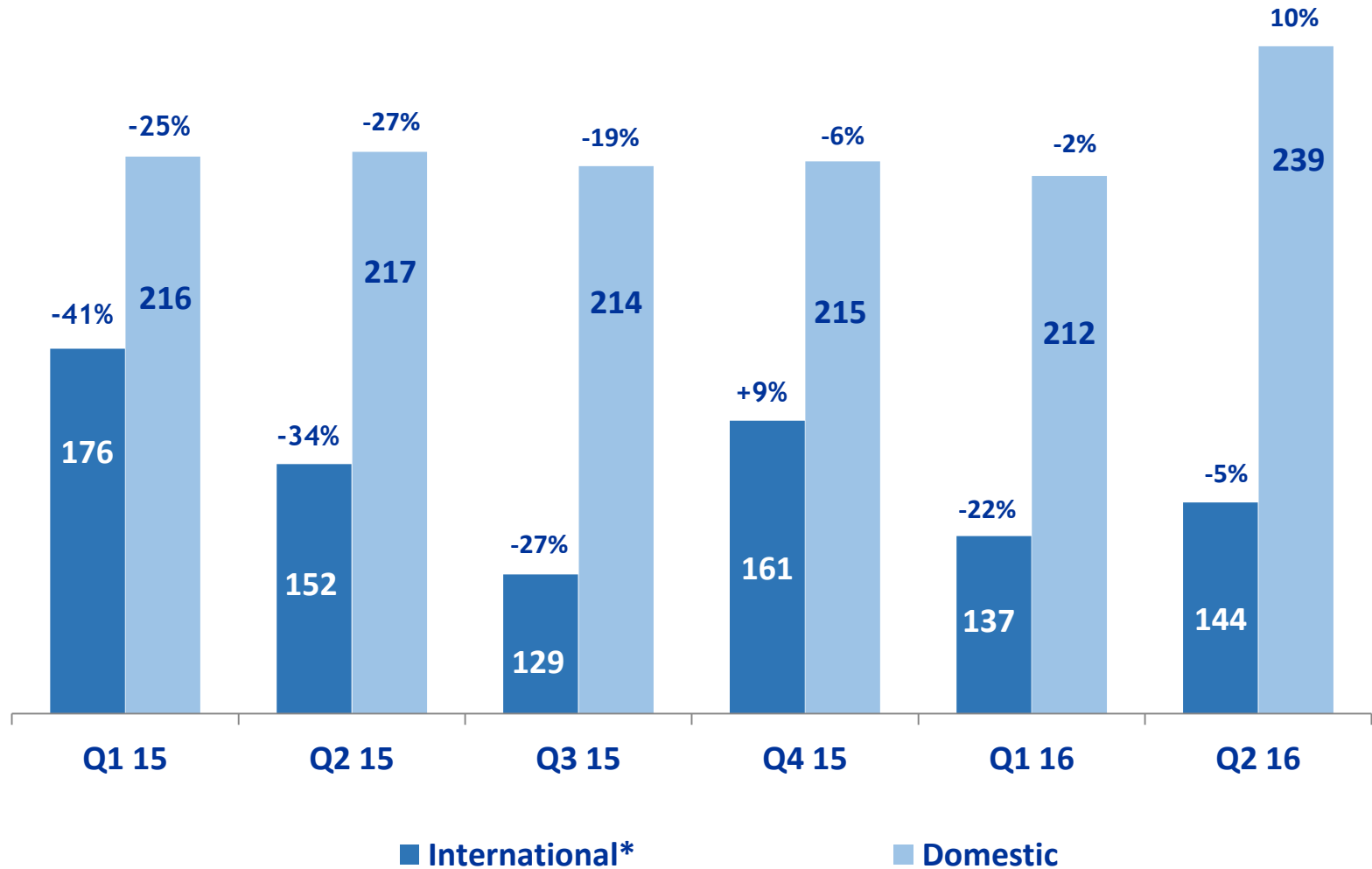
Variance vs LY



*\*USD spot Prices /Kg converted to INR*

# Full Cream Milk Powder(FCMP) Prices /kg

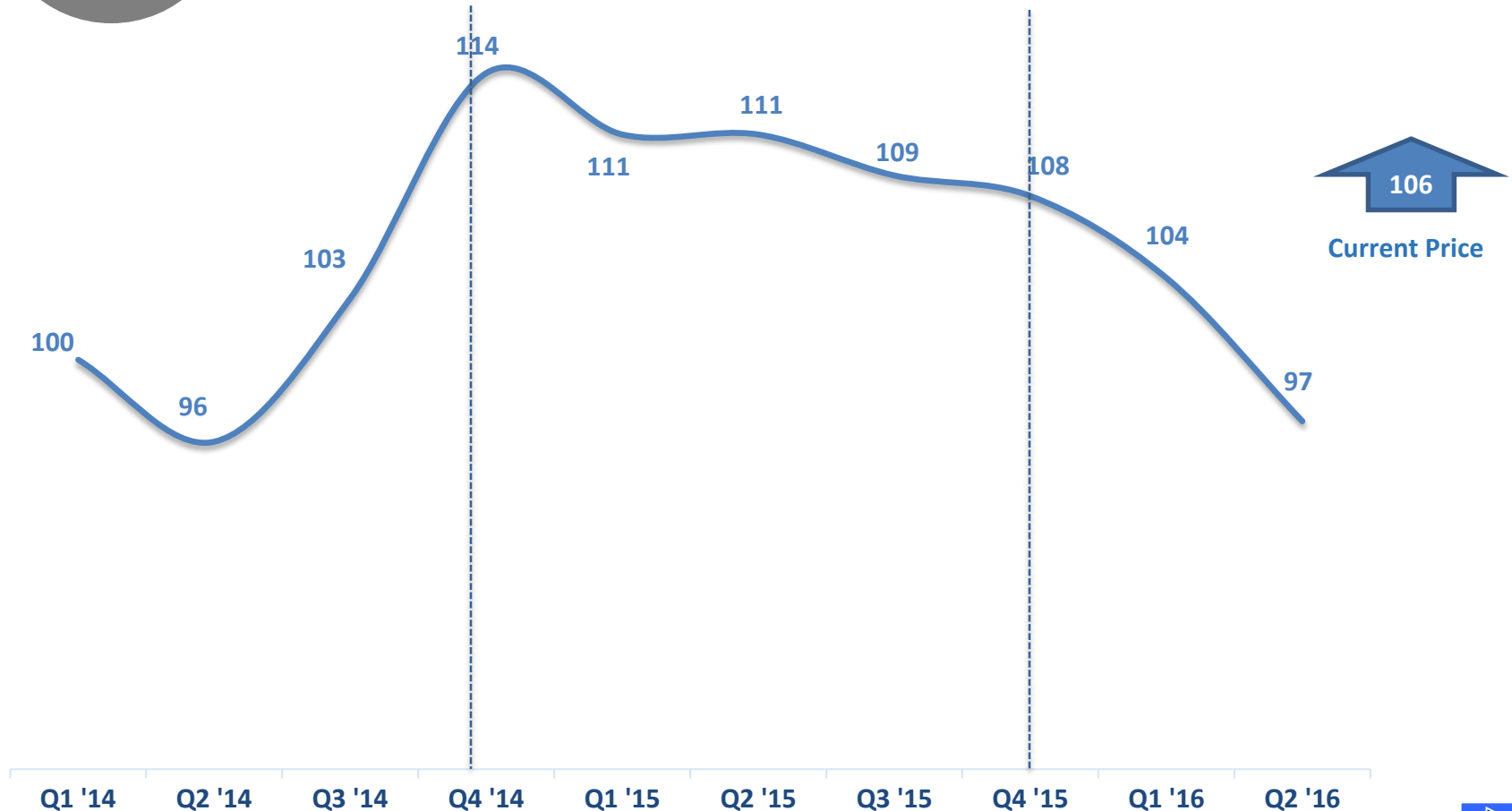
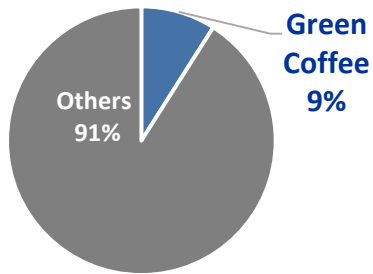
Variance vs LY



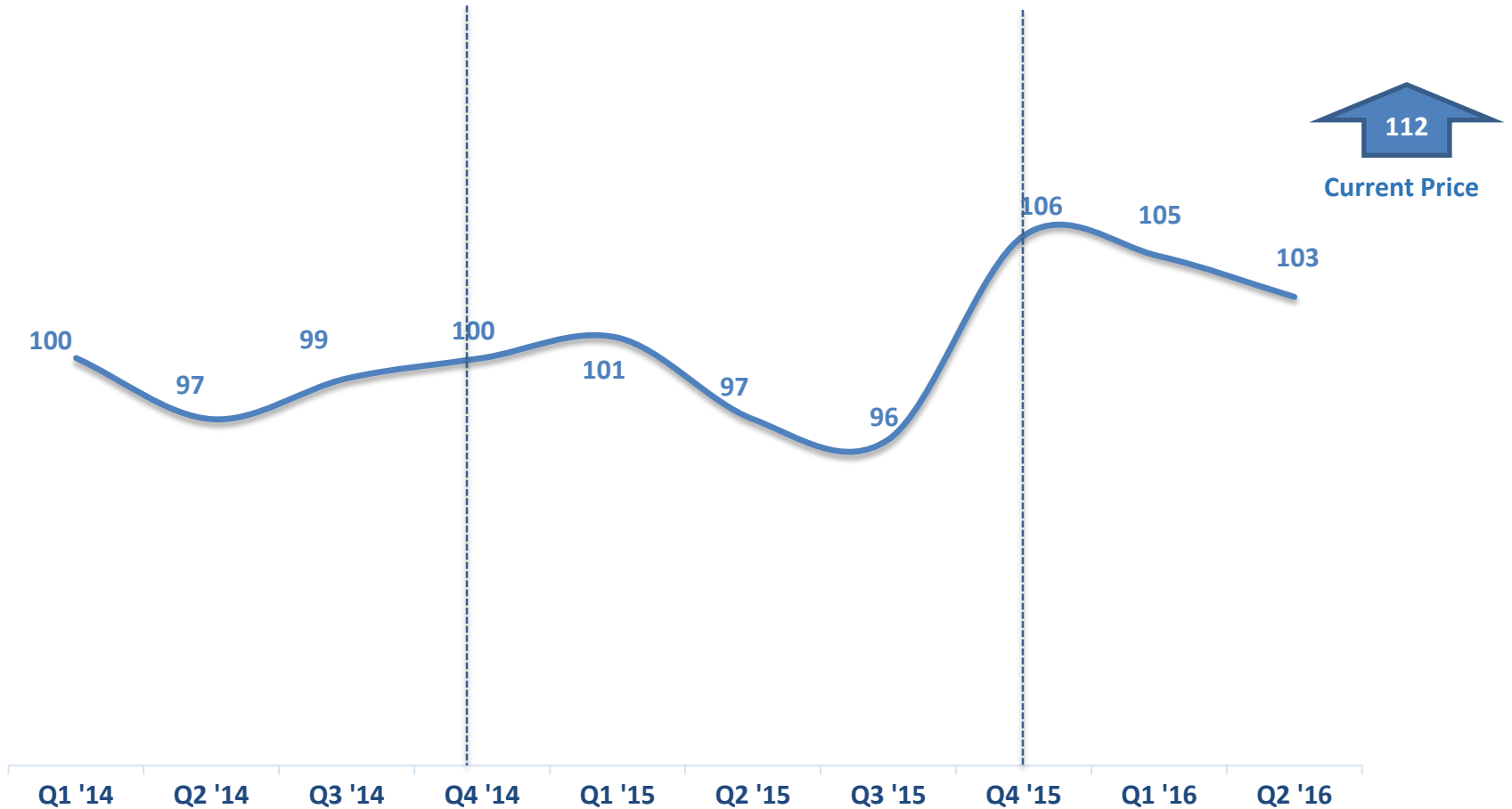
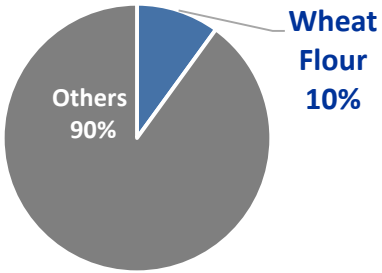
*\*USD spot Prices /Kg converted to INR*



# Green Coffee Consumption Price Index

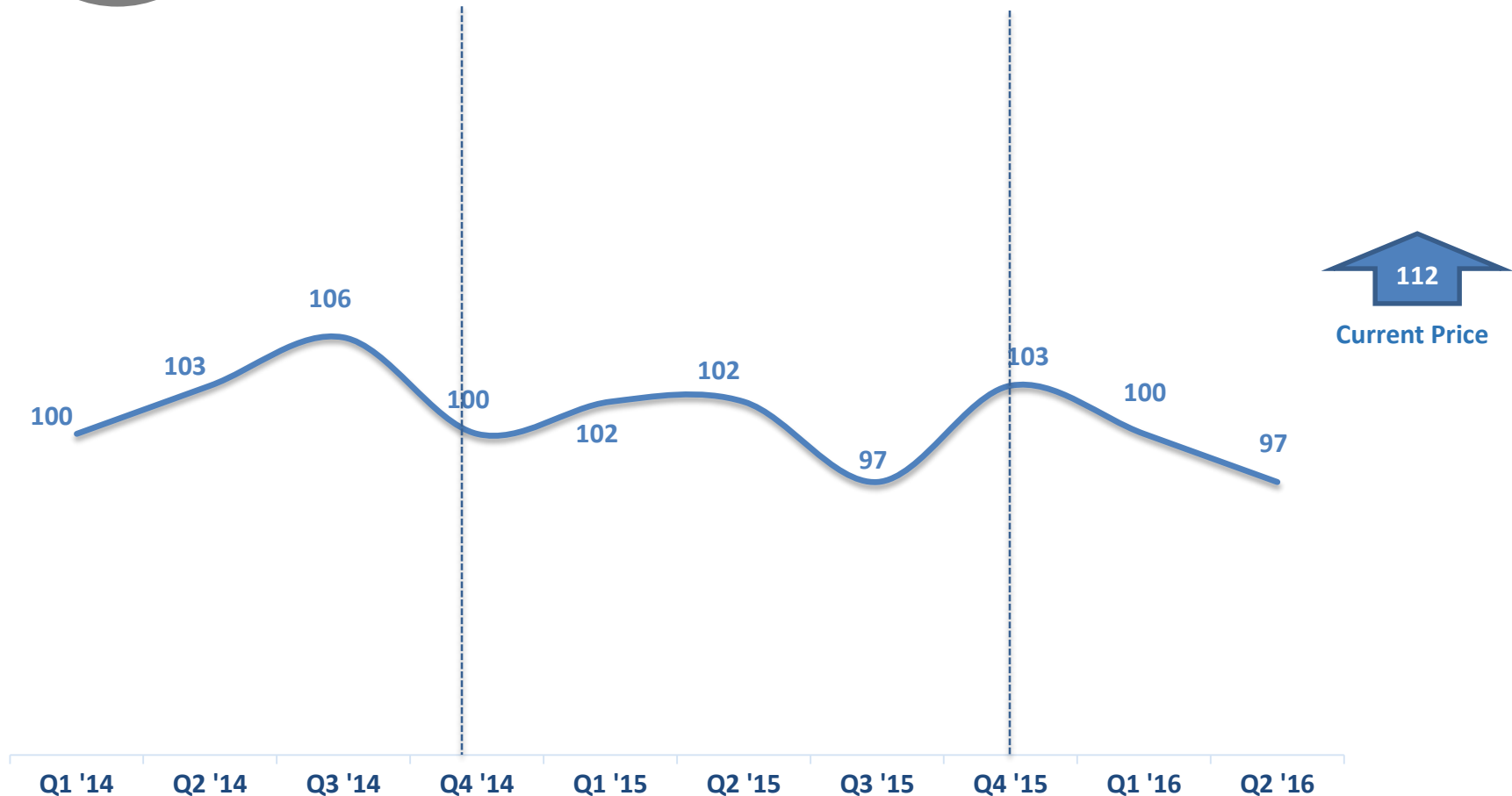
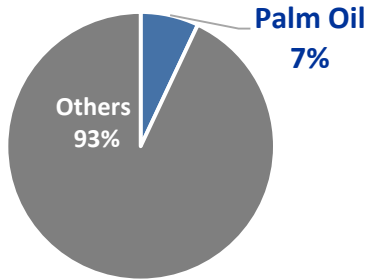


# Wheat Flour Consumption Price Index



*Indexed with base Q1-14*

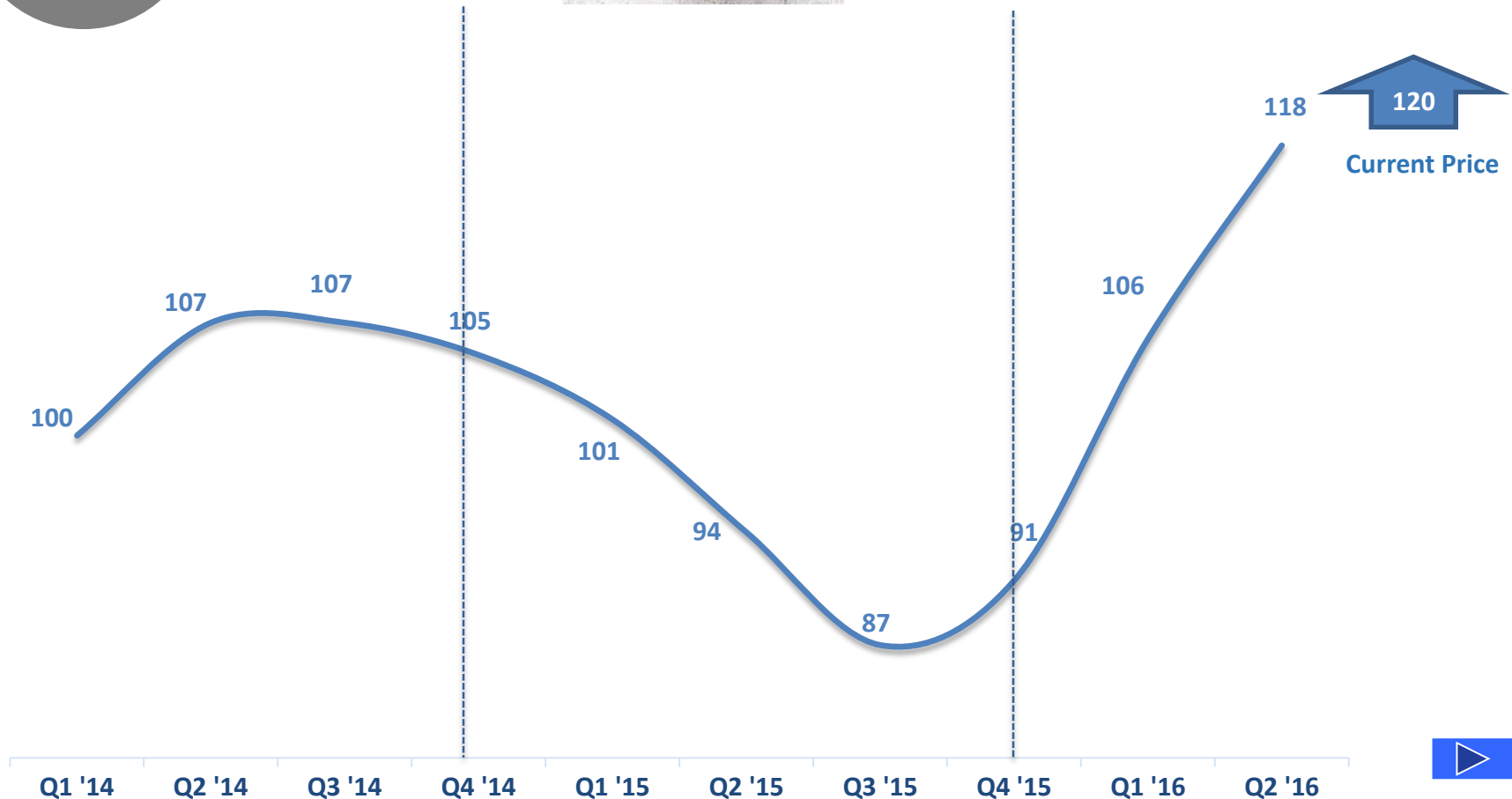
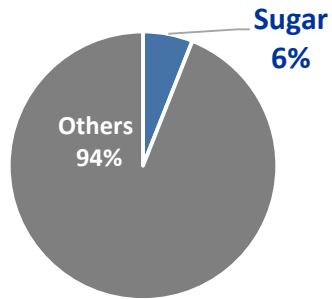
# Palm Oil Consumption Price Index



*Indexed with base Q1-14*



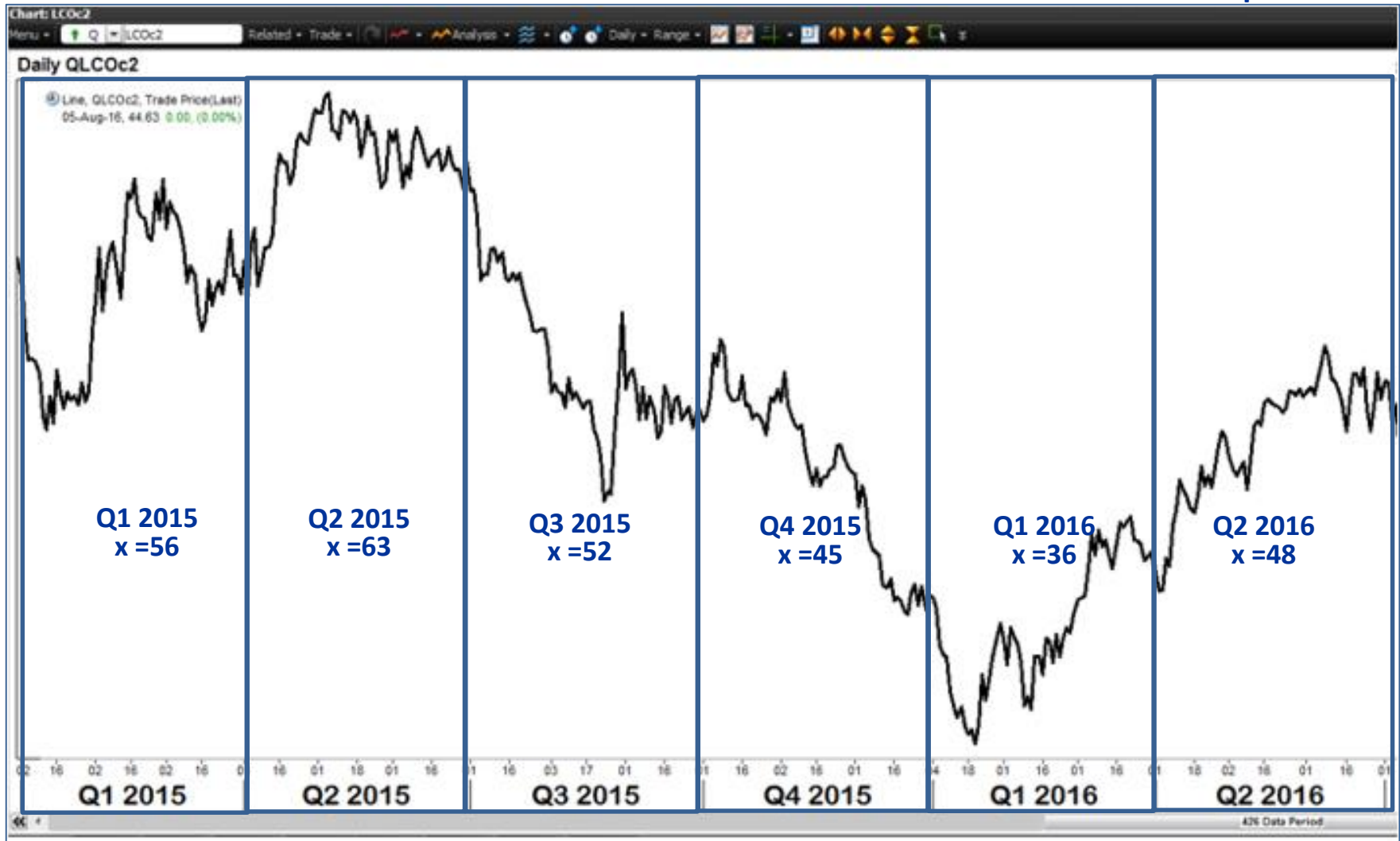
# Sugar Consumption Price Index



*Indexed with base Q1-14*

# Brent Crude

USD per barrel



**Robusta**  
USD per Ton



**Source: London Exchange**



# Arabica

## US Cent per Pound



# Palm Oil

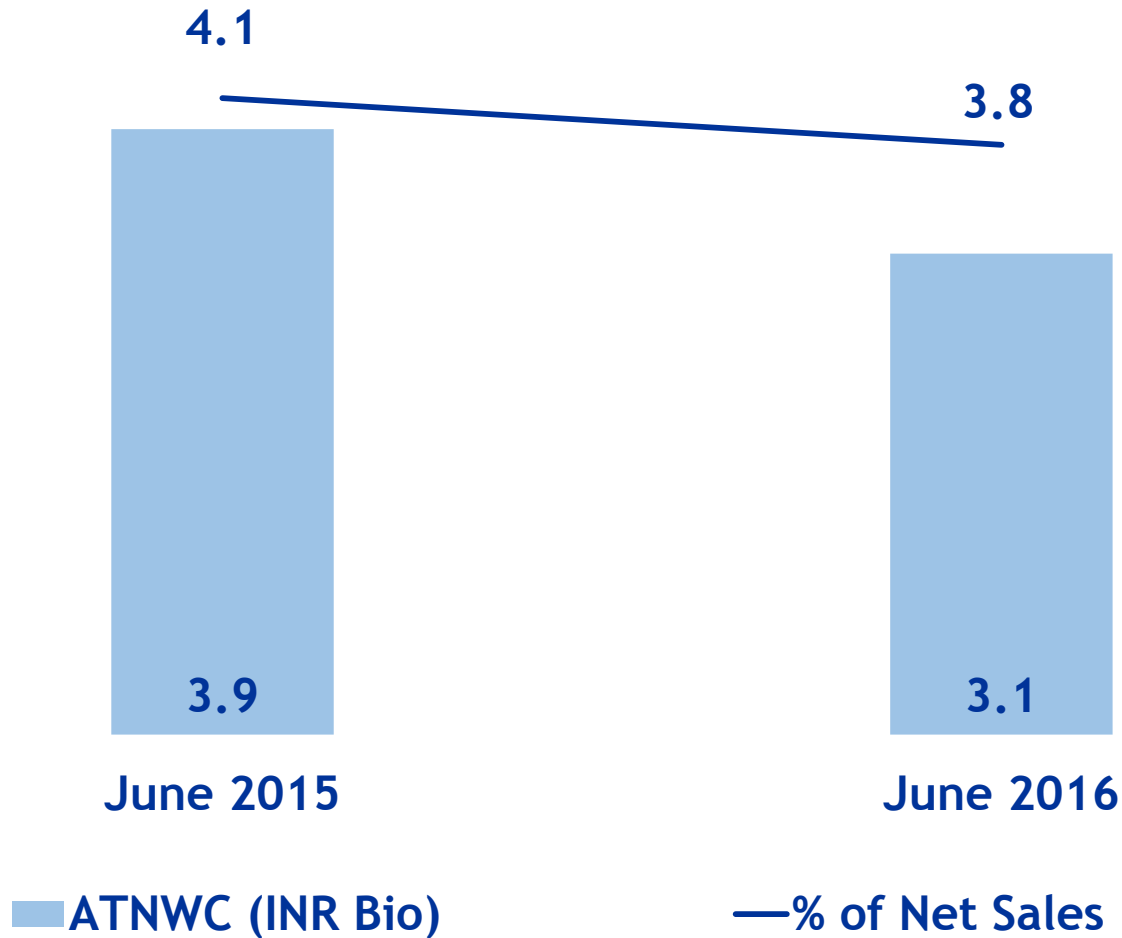
## MYR per Ton



# Sugar INR per Quintal



# Average Trade Net Working Capital



ATNWC :Basis 12 Months Average (Nestlé Internal Reporting Standards)  
:Inventories + Debtors – Trade Payables for goods and services



# Capital Efficiency

Return on Invested  
Capital (%)

17.2

38.9

Economic Profit (%)

3.3

25.1



Jan-Jun 2015



Jan-Jun 2016

■ Invested Capital (INR Bio)

Invested capital : basis average of 5 quarter end (Nestlé Internal Reporting Standards)



**THANK YOU**