



Good Food, Good Life

Nestlé India Limited • Annual Report 2013





The Board of Directors of Nestlé India

L to R

B. Murli
SVP-Legal &
Company Secretary

AK Mahindra
Non Executive
Director

A. Helio Waszyk
Chairman

A. Protonotarios
Director-Technical

Etienne Benet
Managing Director

Ravinder Narain
Non Executive
Director

Swati A. Piramal
Non Executive
Director

Michael W.O. Garrett
Non Executive
Director

Shobinder Duggal
Director-F&C



Our Mission of 'Good Food, Good Life'
is to provide Consumers with the best tasting,
most nutritious choices in a wide range of
food and beverage categories and eating occasions
from morning to night.

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Dear Shareholders

Recent years have been very eventful both in India and across the world. The rapid and unexpected economic and social changes are shaping the future differently from what many in the world had taken for granted. This is particularly true for India which was expected to be one of the key growth engines for the global economy. The fact that growth in India slowed down is disappointing but we believe that this is temporary. India has the potential to spring back.

India is a unique country that has continuously evolved over the years, blending its traditional knowledge and values with the new modernity. If there have been same pitfalls, we have also seen many solutions that worked. India has people with aspirations who continue to push boundaries and the economy continues to grow even if slower than expected. In this New Reality that is

characterized by political and economic uncertainty, volatility, and ambiguity we need to carefully evaluate the changing context and have the capability to chart our course. The transformation that is taking place promises to be a complex process and may continue to disrupt short term plans, making it even more necessary to keep the long term vision in sight.

Good Food, Good Life

'Good Food, Good Life' is our mission and we have constantly observed and researched the role food has played in the life of the consumer. The history of food has been dynamic. Globally, food has moved up from being just a necessity for survival to something that provides convenience, health and wellness and pleasure, and brings families together. Look at India. Food and happiness are interlinked and it has a wealth of traditional foods



and cuisine that are at the heart of all Indian festivals. In India you will see that food plays different roles across income segments and across geographies. Nutritional awareness is improving but still very low. The problem of affordability and indulgence co-exist, and with changing lifestyles the double burden of nutrition is kicking-in and there is a tendency to categorize foods as good foods and bad foods. However, there is a lot of mis-information and lack of awareness. The reasons for the double burden are multifactorial, rather than a food issue. When our lifestyles change, we need foods that enable us to live that lifestyle and provide Nutrition, Health and Wellness as well. Each food has a role to play and responsible pleasure is part of a balanced lifestyle.

Travel across the income pyramid, through cities, to towns and into remote villages and it becomes



clear that not everyone has the same access to nutritious or quality food. Therefore, our efforts and processes are focused on developing insights and then leveraging our access to extensive R&D to innovate and renovate and develop high quality products that can consistently complement the consumers.

Nutrition Security

The core of Nestlé is its vision to provide families with taste and nutrition and over the years we have focused on providing quality options that help them cope with their emerging lifestyles. While

there is increasing understanding today that a nation's economic health is linked to the health of its population and the need to find solutions, Nestlé has already been spending around CHF 1.5 billions globally every year on nutrition research to tackle the challenge.

Let us look at India again. The diet of women in Indian families is still not a priority except in a few progressive families. Almost 55% of urban women in India suffer from micronutrient deficiencies. More than 75% of pre-school children suffer from micronutrient deficiencies and over 50% mortality amongst children is attributed to malnutrition. The implications are clear. Unless there is a greater awakening to these issues the productivity of our people will continue to be lower, quality of life will be poorer, medical costs will be higher and India will continue to under-perform to its potential. We believe it is critical to raise the nutritional security of the women in India.

Nutrition in First 1000 days and Micronutrient Deficiency

One of the root causes of diseases appear to be linked to malnutrition during early childhood and pregnancy. More and more evidence indicates that first 1000 days of life from pregnancy through 2 years of age set the blueprint for health throughout life. The scientific community today agrees that if you take care of the nutrition of the women you are actually providing nutritional security to a generation. Unfortunately, this does not happen over-night and there are millions of



people who are still living with incomplete and unhealthy diets. They may need products fortified

with micronutrients that are not only affordable but also tasty because people drive their eating habits through taste.

Our efforts, therefore, have been to combine convenience with nutrition in products of daily consumption and has two approaches. The first one is to leverage insights and R&D expertise to develop high quality food products that straddle the income pyramid and provide solutions even to consumer needs at the lower income levels such as MAGGI Masala-ae-Magic, affordable taste enhancer fortified with Iron, Iodine and Vitamin A. The other is to promote balanced nutritional diets through our products as well as non-commercial initiatives that increase awareness about the benefits of breast feeding, helping students in village schools understand the basics of nutrition, good health and balanced diets from locally available foods through the Nestlé Healthy Kids Programme, and ensuring continuing discussions with the healthcare professionals and the scientific community on the latest developments.

Developing Supply Chain of High Quality Raw Materials

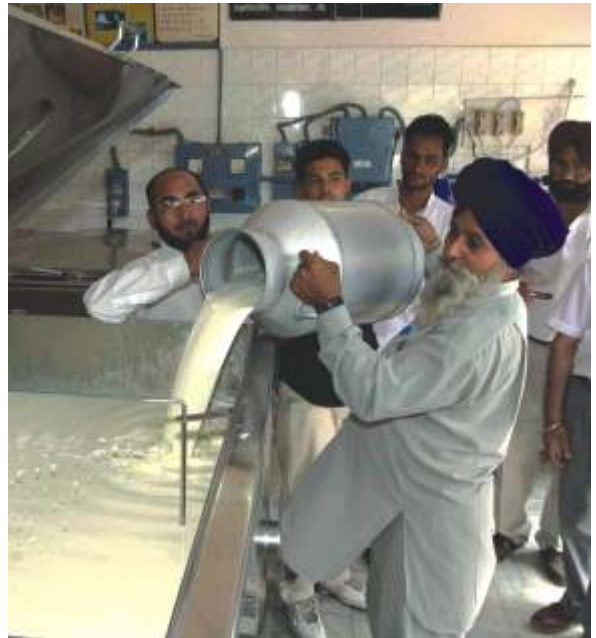
Our ability to continue growing has another dimension to it as well. To be able to provide high



quality products we need high quality raw

materials as well and in a sustainable manner. Though developing a strong supply chain for high quality raw materials requires heavy and continuing investments, it is essential for good business and the benefits are very significant for the communities.

The dairy industry has the potential to become a



very important backbone for the economy and we are proud of the work that we have done in developing Moga as the hub for high quality milk. With the dedicated work that our extension services teams are doing in Moga, the average productivity there is almost 4-5 times the average productivity in the country. Unfortunately it is still much below the global dairy industry. Therefore, while continuing to work with small farmers to make dairying a sustainable business opportunity for them, we are also helping farmers transition to larger farms with more cattle, improved genetics, modern facilities, mechanization and transfer of knowledge and technology for better feed and upkeep of animals. The effort is to improve the economics of the dairy business and improve productivity for the farmers.

This is not limited to dairy alone. We are similarly making investments in coffee farming in the south of India, as well as chicory farming in the north and west regions of India. With unwavering focus

over the years our team of agronomists and veterinarians has provided free training and technical assistance to dairy farmers, coffee farmers and chicory farmers. Today we touch around 200,000 farmers which would mean that our extension services will rank amongst the larger ones by any private company. Our focus on developing reliable supplies and good quality raw materials is a strong multiplier for rural development and is helping the communities to prosper.

However, if we are to continue growing and if communities are to prosper, then we need to find solutions to the impending water crisis. Water is important because as we all know the food industry requires agricultural raw materials which depend on sufficient and reliable water availability. The water tables across the world are depleting and India is heavily impacted. It is important that we find solutions and we are working with the International Water Management Institute and the Water Resources Group to explore and implement solutions. At the same time the conservation of resources is a priority within our factories and in areas under our control. We are also providing Clean Drinking Water facilities in village schools, sanitation facilities for girl students and conduct water education programmes for the students.

Trust

All our work and the emphasis on honesty, integrity and transparency has translated into the fundamental bond of Trust. It is the foundation of our relationships. Our consumers buy our products because they trust Nestlé quality and trust the rigorous work we put in to ensure science

based nutrition. Our suppliers trust us because we work with them to strengthen their capabilities to provide better raw materials. The communities where we operate trust us to increase their



prosperity because we treat them as partners in growth. The way we do business is built on fundamental commitment to Creating Shared Value for shareholders and society.

Nestlé has been in India for over 100 years and the only way that you can be in existence for so long and growing is if people trust you and believe that what you are doing is good for them. Clearly we are on the correct path.

A. Helio Waszyk
Chairman

Etienne Benet
Managing Director

Nestlé
The Leading Nutrition, Health And Wellness Company





Nutrition For Good Life

Good Food supports the nutritional needs at every stage of life starting from infancy. Good Food is central to health and wellness.

The first 1000 days of life from pregnancy through 2 years of age sets the blueprint for health throughout life. Subsequently as we grow up our bodies have different nutritional requirements depending on our age, as well as our activity levels and lifestyles. “Sub optimal nutrition and lifestyle” during our time in the womb or during infancy, childhood, adolescence and adulthood gradually erodes our physical and mental functioning, resulting in impaired health and independence and impacts quality of life.

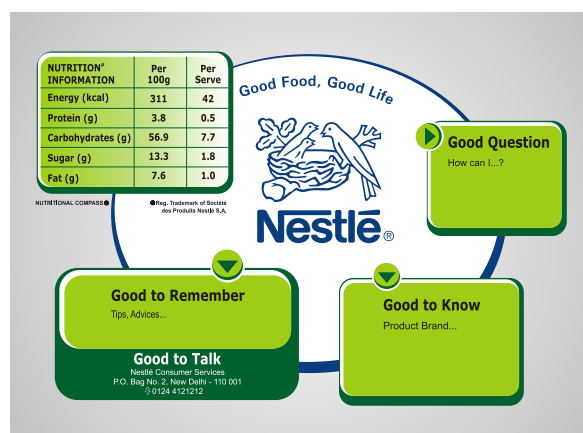
Nestlé's goal is to help consumers attain and maintain optimal nutrition, health and wellness. We are working continuously to improve our understanding of nutritional and health needs during the various stages of life, starting from the most critical early life stages – the first 1000 days, growth and development stages during infancy, childhood and adolescence – and to use this understanding to develop appropriate products and services. Our focus is to promote healthy diets and active lifestyles, and provide better nutrition throughout life.

Balanced Diet

Each food has a role to play and responsible pleasure needs to be part of a balanced lifestyle. We need to make informed and healthier choices to achieve a balanced diet.

Understanding

We help consumers understand how various foods fit into a healthy diet and lifestyle. The Nestlé Nutritional Compass provides clear, transparent, and easy to understand factual information about our products to help consumers make informed choices about what is best for their nutritional needs.



Balance

A healthy lifestyle requires a responsible choice of varied, enjoyable and tasty foods combined with physical exercise. Variety adds to the pleasure of food. There are no bad foods, whether sweet or savory, fresh or processed. It is all about balanced diets.



Pleasure

Food is a source of pleasure and nutrition. Nutrition is important for consumers, but people tend to drive their eating habits through taste. Bringing taste and nutrition together in the same product can be a challenge. The core of Nestlé is its vision to provide families with both taste and nutrition and we are able to achieve this today because for years we have been investing in Research and Development to tackle this challenge.



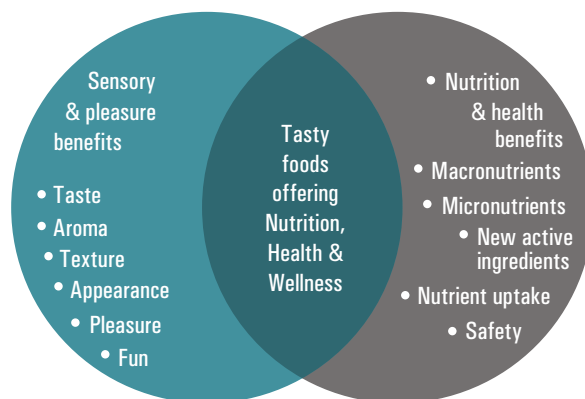
Science Based Nutrition

The ability to provide Good Food, Good Life demands insights into consumers' unique needs and preferences that vary enormously and are constantly evolving. Our constant endeavor is to provide superior nutrition products to the consumers.

Human nutrition is complex, both in terms of the multidisciplinary range of knowledge that it demands and the constant and rapid emergence of new areas of scientific research. Nestlé continuously drives innovation and renovation of its products to ensure that they incorporate the scientific advances, and stay relevant and preferred by consumers because they provide the best combination of taste, texture, aroma, appearance, pleasure and fun, with nutrition and health benefits.

Using its extensive global R&D network which is the largest by any food company, Nestlé stays constantly at the leading edge of science and technology, combining generations of practical

experience with a continuous flow of new knowledge. This is deployed within our products, packages and services. This has helped us to develop a portfolio of safe, hygienic, high-quality and nutritional products that add value to consumers across the income pyramid and provide science-based nutrition and solutions that contribute to the health and wellbeing of consumers, including those with specific nutritional needs.



60/40 + Advantage

Healthy diets must be enjoyable to be sustained over the long term. Nestlé's extensive investment in continuous Research & Development, food technology, and nutritional expertise is a strong competitive advantage that helps us improve both the taste and nutritional value of our products. Nestlé products are constantly bench-marked on the 60/40+ concept which drives the innovation and renovation process. This has two objectives:

- to gain the approval of at least 60% of consumers in a taste test against equivalent competitor products.
- to bring a nutritional advantage or an additional nutritional 'plus' to the product's role in the diet based on a nutritional profiling system.



On the one hand we are systematically finding ways to reduce saturated fats, sugar and salt content even while improving taste, on the other hand we have developed products with increased natural fibre, reinforced with calcium and protein, developed products that improve the level of essential micronutrients in daily diets, or providing solutions for feeding in intensive care wards.



**Roz ki Sabji ko
banaye Special**



Creating Shared Value. Building Trust

Creating Shared Value is about the impact of our basic business and engagement through it. We believe we can make an important contribution to society, by going a steps beyond corporate social responsibility to create value through our core business both for our shareholders and society. Our concept of Creating Shared Value not only focuses on increasing productivity and more sustainable use of natural resources, but it also focuses on enabling people to actively participate in economic activity through transfer of technology and knowledge.



Rural Development

The well-being of the community from where we draw our agricultural raw material is important for us. The extensive work done by us to develop the milk economy in Moga is well known. In recent years we have increased our engagement with chicory farmers and coffee farmers as well.

Nestlé has helped expand cultivation and quality of Chicory in different States. Number of farmers benefitting has increased from 1,000 to 7,500.

During 2013, over 1,700 farmers were provided training on NESCAFÉ Better Farming Practices, as well as soil testing/recommendations. Camps have also been conducted to provide medical check-up facilities.



Working with chicory farmers.



Engaging with coffee farmers.



Continued focus and over **1600 camps** for
Village Women Dairy Development Programmes
benefitting over **58,600 women**



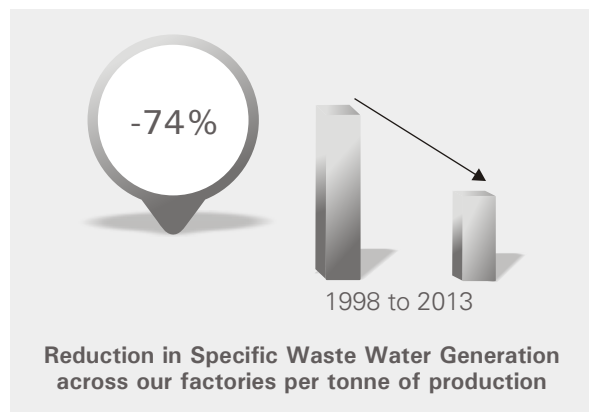
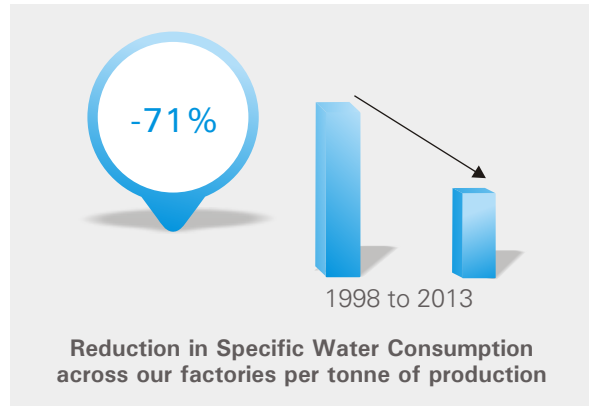
Water

Water is a scarce resource. Ground water levels are depleting and in India a large section of the community does not have access to clean drinking water.

We are working with the International Water Management Institute and the Water Resources Group to identify areas where local initiatives for better water management in agriculture can be developed.

Conservation of natural resources is a priority within our factories and in areas under our control. There is continuous emphasis to improve operational efficiencies, reducing water consumption and emissions, while maximizing production.

The ongoing work to set up Clean Drinking Water facilities in village schools, sanitation facilities for girl students, and water education programmes for these students are being widely appreciated by the local communities.



Clean Drinking Water Projects in village schools.



Working with farmers on conservation of water in agriculture.

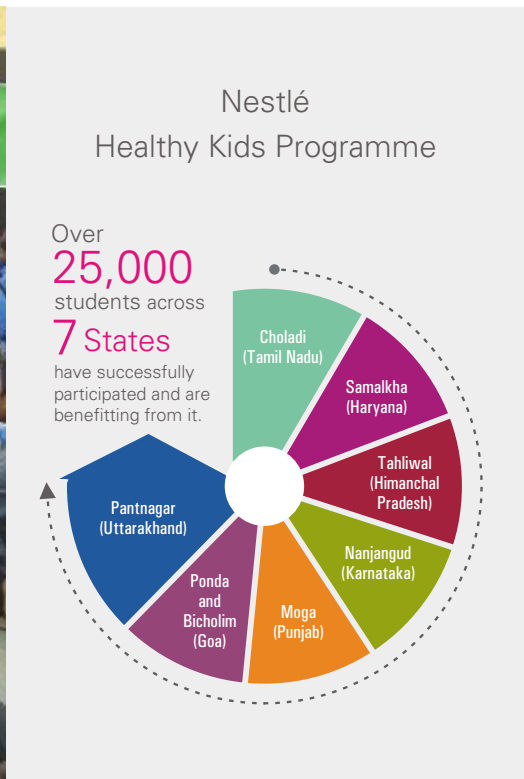


Creating young water ambassadors.

Nutrition

Nestlé has a critical role to play in the area of Nutrition. Especially in emerging markets. Malnutrition results in poor productivity and often reduces the ability to work. Micronutrients such as Iron, Vitamin A, Iodine and Zinc are essential for growth and development. Despite their vital role, over one third of the world's population, mainly in developing countries suffer from micronutrient deficiencies.

A lot of spade work has been accomplished in recent years. To utilise our own expertise in science-based nutrition and to leverage the extensive knowledge available with the local universities for the benefit of communities, we have been rolling out the Healthy Kids Programme in association with leading universities to help students in village schools understand the basics of nutrition, good health and balanced diets from locally available foods. This Programme is a non-commercial activity and does not promote products.



Society Benefits when Business Thrives

Prosperity and happiness are at the heart of every dream.

Nestlé Creates Shared Value by doing business in ways that deliver both long term shareholder value and benefit society.

Food and nutrition are the basis of health and one of the biggest concerns that India has to tackle as it transforms, is the double burden of malnutrition. Society benefits because we are able to develop healthy products that provide taste and science based nutrition.

Our engagement with nutritional experts through the Nestlé Council on Nutrition Affairs and access to Nestlé R&D is critical for this. Society benefits in other ways as well.



Our continuing investments in food processing as well as transfer of technology and support to farmers and suppliers already benefit over 200,000 farmers in dairy, coffee, chicory and wheat. These investments have also created over 50,000 direct and indirect jobs.

The potential to create more value is immense in India, where farm produce worth over ₹ 50,000 crores gets wasted because of lack of infrastructure to store perishable commodities. With greater policy support, the food processing industry has the potential to create substantial employment, reduce waste and increase prosperity and help society to tackle the problem of food and nutrition security.



Corporate Information

BOARD OF DIRECTORS

Antonio Helio Waszyk (DIN 02730946)	–	Non-Executive Chairman
Etienne André Marie Benet (DIN 06702574)	–	Managing Director
Aristides Protonotarios (DIN 06546858)	–	Director - Technical
Shobinder Duggal (DIN 00039580)	–	Director - Finance & Control
Ashok Kumar Mahindra (DIN 00916746)	–	Non-Executive and Independent Director
Michael William Oliver Garrett (DIN 00051904)	–	Non-Executive and Independent Director
Ravinder Narain (DIN 00059197)	–	Non-Executive and Independent Director
Swati Ajay Piramal (DIN 00067125)	–	Non-Executive and Independent Director

BOARD COMMITTEES:

AUDIT COMMITTEE

Ashok Kumar Mahindra	–	Chairman
Michael William Oliver Garrett	–	Member
Ravinder Narain	–	Member

SHAREHOLDER / INVESTOR GRIEVANCE COMMITTEE

Ravinder Narain	–	Chairman
Etienne André Marie Benet	–	Member

CORPORATE GOVERNANCE AND SOCIAL RESPONSIBILITY COMMITTEE

Antonio Helio Waszyk	–	Chairman
Michael William Oliver Garrett	–	Member
Ravinder Narain	–	Member
Swati Ajay Piramal	–	Member

NOMINATION AND REMUNERATION COMMITTEE

Michael William Oliver Garrett	–	Chairman
Ashok Kumar Mahindra	–	Member
Ravinder Narain	–	Member

AUDITORS

A.F. Ferguson & Co., Chartered Accountants,
9, Scindia House, Kasturba Gandhi Marg,
New Delhi 110 001

BANKERS

Axis Bank Limited
Bank of America N.A.
Bank of Tokyo-Mitsubishi UFJ
Citibank N.A.
Deutsche Bank AG
HDFC Bank Limited
ICICI Bank Limited
JP Morgan Chase Bank N.A.
Punjab National Bank
Standard Chartered Bank
State Bank of Hyderabad

WEBSITE

www.nestle.in

INVESTOR EMAIL ID

investor@in.nestle.com

CORPORATE IDENTITY NUMBER

L15202DL1959PLC003786

MANAGEMENT COMMITTEE

Etienne André Marie Benet	–	Managing Director
Aristides Protonotarios	–	Technical
Arvind Bhandari	–	Dairy
B. Kannan	–	Channel Category Geography Sales Development
B. Murlu	–	Legal & Company Secretary
Binu Jacob	–	Nutrition
Biplab Baksi	–	Human Resources
Chandrasekar Radhakrishnan	–	Communications
Hari Nariani	–	Globe & Market NCE
Luca Fichera	–	Supply Chain
Mayur Bhargava	–	Chocolates and Confectionery
Nayla Sioufi	–	Coffee & Beverages
Rajkamal Sharma	–	Exports
Ravi Ramchandran	–	Sales
Sanjay Khajuria	–	Corporate Affairs
Shivani Hegde	–	Foods
Shobinder Duggal	–	Finance & Control
Zander Tanningco	–	Nestlé Professional

REGISTERED OFFICE

M-5A, Connaught Circus, New Delhi - 110 001

HEAD OFFICE

"Nestlé House"
Jacaranda Marg, 'M' Block,
DLF City, Phase II, Gurgaon - 122 002 (Haryana)

BRANCH OFFICES

- Spencer Plaza, 6th Floor 769, Anna Salai, Chennai - 600 002 (Tamil Nadu)
- Tower "C", 12th Floor, DLF IT Park, 08, Major Arterial Road, Block – AF, New Town, Rajarhat, Kolkata - 700 156
- 1st Floor, ICC Chambers, Near Saki Vihar Telephone Exchange, Saki Vihar Road, Powai, Mumbai - 400 072 (Maharashtra)
- M-5A, Connaught Circus, New Delhi – 110 001

FACTORIES

- Village Maulinguem (North), Bicholim Taluka - 403 504 (Goa)
- Plot No. 294-297, Usgao Industrial Area, Ponda - 403 406 (Goa)
- Unit I & II - Patti Kalyana, Kiwana Road, Samalkha - 132 101 Dist. Panipat, (Haryana)
- Industrial Area, Tahliwal, District – Una – 174 301 (Himachal Pradesh)
- Industrial Area, Nanjangud - 571 301 Mysore District (Karnataka)
- Ludhiana-Ferozepur Road, Near Kingwah Canal, Moga - 142 001 (Punjab)
- P.O. Cherambadi - 643 205 Dist. Nilgiris (Tamil Nadu)
- Plot No. – 1A, Sector No. -1, Integrated Industrial Estate, SIDCUL, Pantnagar- 263 145, Dist. Udham Singh Nagar (Uttarakhand)

REGISTRAR & TRANSFER AGENTS

M/s Alankit Assignments Limited
2E/21, Jhandewalan Extension,
New Delhi, 110 055
Tel No : 011-42541234, 23541234
Fax No : 011-41540064

LISTING OF EQUITY SHARES (Listing Fees paid)

BSE Limited, Mumbai, Phiroze Jeejeebhoy Towers, Dalal Street,
Mumbai - 400 001 (Scrip Code : 500790)

55TH ANNUAL GENERAL MEETING

Monday, 12th May, 2014 at 10.00 A.M. at
Air Force Auditorium, Subroto Park, New Delhi - 110 010

Shareholders attending the AGM are requested to bring with them the enclosed ATTENDANCE SLIP.

Directors' Report - 2013

Dear Members,

Your Directors are pleased to present their report and statement of accounts for the year ended 31st December, 2013.

Over the past many decades after Independence, the Indian economy has gone through different cycles of growth. With the opening up of the economy the growth rates showed promise but in recent past it has not been able to sustain the trajectory. In recent years the economic and business environment in India has become much more challenging. The global economic slowdown that started a few years ago increased the complexity and volatility in the environment. Even though the Indian economy was able to sustain the growth momentum during that year, the stress on the economy had started to show during 2011. In subsequent years the growth rate for GDP continued to slide even lower. Various factors, both internal and external have contributed to this including the political environment, high fiscal deficit, consistently high inflation, and volatility in currency.

Your Company started the year 2013 with caution since it expected the volatility to continue through the year as well. In retrospect, this proved to be prudent. The environment continued to remain challenging during the year. Despite a good monsoon the manufacturing indices declined. Commodity prices continued peaking with food inflation hitting all time highs, resulting in high overall inflation, Rupee depreciated significantly before reviving a little, and the consumer sentiment remained subdued as well. The Government and the Reserve Bank managed to control the exchange rate fluctuation to some extent with appropriate monetary and fiscal policies during the latter part of the year.

Your Directors believe that this is a temporary phase, though it is possible that acceleration in growth may take longer than anticipated earlier. The economic potential of India remains promising. The current state of economic and social turmoil in the country indicates a desire for balanced growth. We hope that the

transformation will lead to greater stability and future growth, however defined, to strengthen the demographic dividend and unlock India's economic potential.

The Indian economy is a potential giant but it has many challenges to overcome. A key challenge will be the ability to provide nutrition to its people since poor nutrition impacts economic productivity. India's demography and social structure is amongst the most complex. Regional disparities, income disparities, climatic differences and local preferences make food habits very diverse. With increasing incidence of diabetes, hypertension and other cardio-vascular diseases the tendency amongst people is to label foods as good or bad. Lifestyle diseases result from poor understanding, lack of awareness, lack of options and inability to follow a balanced lifestyle. As patterns change with economic growth, people begin to drift into new lifestyles without changing food habits and the same diet begins to impact them differently.

Balanced nutrition is a challenge across the income pyramid in India. Since people lead their food habits by taste and convenience the solution will require improving nutritional awareness and knowledge amongst the people and providing convenient food products that can be part of a balanced diet. All foods need to provide pleasure and happiness. Whether food is consumed only for nutrition, responsible pleasure, or indulgence will be personal decisions and will certainly require greater availability of products that allow a trade-off between science-based nutrition and taste.

Clearly, food and nutrition will play a very significant role in shaping the future of the economy. Society and business will both benefit if they are aligned to the common objective of spreading prosperity and happiness and Creating Shared Value. Your Company is a forerunner in partnering India's growth and has continued investing in new plants and capacity even during the recent economic slowdown. It understands the resilience of the economy and is working diligently to achieve deeper insights into the nutritional aspects of traditional Indian diets and

taste profiles of the consumers. Your Company is privileged to have access to Nestlé Global R&D and expertise in science based nutrition and food technology that will play a crucial role in developing and processing food products that are nutritious and tasty and relevant to the lifestyle needs of consumers across the income segments.

Your Directors believe your Company will continue to play its role in the development of India's economy. With increasing population pressure and depleting land resources there is need to find ways to reduce wastage of farm produce, improve supply chains for transporting perishable commodities, and incentivise the transfer of knowledge and technology to increase productivity. Better appreciation of how the food processing sector can unlock this potential, would be helpful. In the meantime, your Company continues to face many challenges and needs to strengthen and align itself to the New Reality and the evolving social and economic environment. Your Directors are confident that your Company will play a significant role in contributing towards nutrition security for India and in helping raise healthier generations.

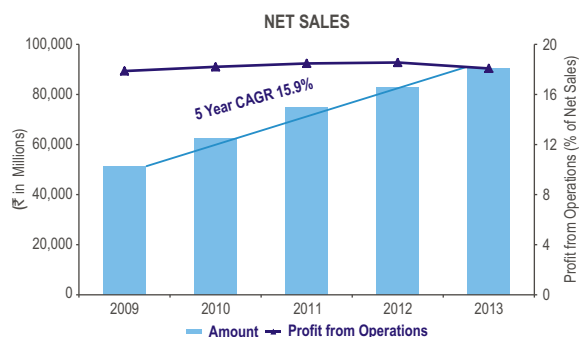
Your Directors are satisfied that in current economic environment that continues to be weak and uncertain, your Company has kept its sight on strategy to deliver long term sustainable profitable growth. Your Company has a strong leadership team and has conducted itself with fairness and integrity, continuing to focus on reinforcing the fundamentals of growth drivers, further improving operational efficiencies, and rationalising the Stock Keeping Units (SKUs). The concerted and ongoing efforts have ensured that key businesses including Noodles, Coffees and Beverages, and Nutrition are doing well. Net Sales have increased by 9.1% and Earnings Per Share at ₹ 115.87 have increased by 4.6%.

Net Domestic Sales grew by 7.1% contributed by net realisations and volume growth in the main product categories. Export Sales grew by 47.1% mainly due to export to affiliates.

The increase in Other Operating Income is mainly due to higher realisation of export incentives.

Financial Results And Operations

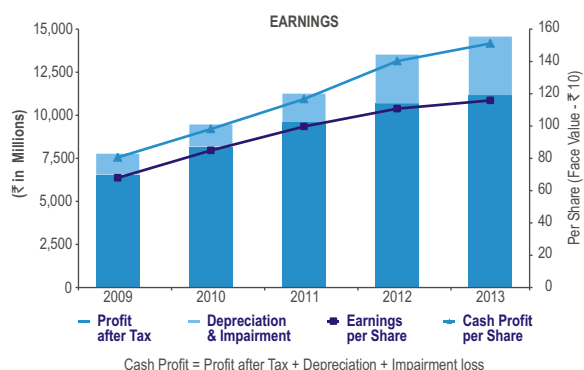
	(₹ in Millions)	
	2013	2012
Net Sales	90,619.0	83,022.6
Add: Other Operating Income	391.5	322.7
Less: Operating Expenses	74,114.3	67,536.5
Less: Impairment loss on fixed assets	99.4	68.5
Less: Net provision for contingencies (from operations)	413.1	339.9
Profit from operations	16,383.7	15,400.4
Add: Other Income	830.9	310.3
Less: Finance costs	365.1	266.0
Less/(Add): Net provision for contingencies - others	207.4	(81.5)
Profit before exceptional items and taxation	16,642.1	15,526.2
Add: Exceptional items	138.1	-
Less: Tax Expense	5,608.9	4,846.9
Net Profit after tax	11,171.3	10,679.3
Add: Profit Brought Forward	10,745.5	6,568.9
Balance Available for Appropriation	21,916.8	17,248.2
Less: Interim Dividends	3,471.0	4,676.2
Less: Final Dividend Proposed	1,205.2	-
Less: Dividend Distribution Tax	794.7	758.6
Less: Transfer to General Reserve	1,117.1	1,067.9
Surplus carried in statement of profit and loss	15,328.8	10,745.5
Key Ratios		
Earnings per Share (₹)	115.87	110.76
Dividend per Share (₹)	48.50	48.50



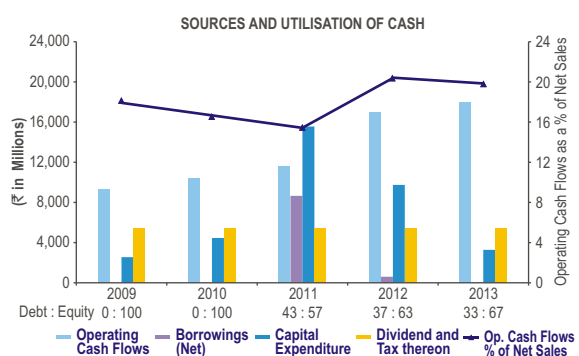
Other Income improved largely due to higher

average liquidities coupled with better yields during the latter part of the year.

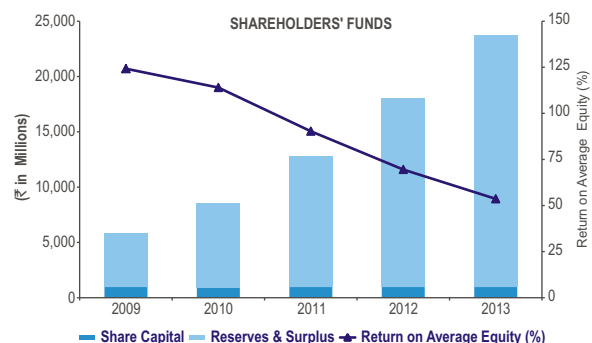
Depreciation and Amortization has increased due to expansion in production capacities made over the last year together with amortization of capitalised borrowing costs and exchange differences partially offset by lower depreciation of certain plant and machinery that have not run on multiple shifts.



The Impairment Loss on Fixed Assets of ₹ 99.4 millions relates to various items of plant & machinery and building that have been brought down to their recoverable value upon evaluation of future economic benefits from their use.



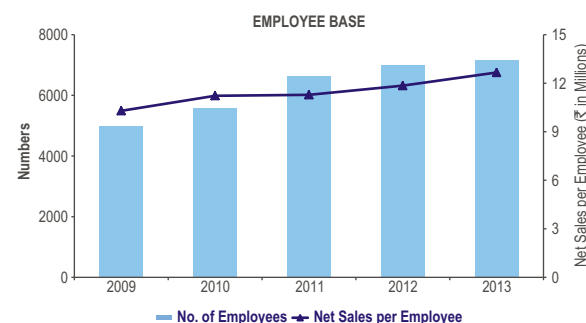
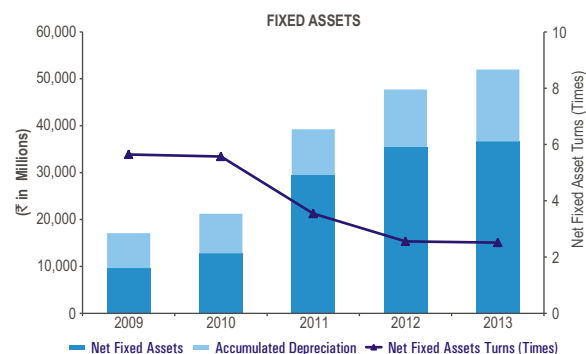
The Company supplemented the Provision for Contingencies with further amount of ₹ 620.5 millions (net) for contingencies resulting mainly from issues, which are under litigation/dispute and other uncertainties requiring management judgement. This was after the reversal/utilisation of ₹ 115.9 millions provision, due to settlement of certain disputes for which provision was no longer required.



Tax Expense has increased mainly due to the



change in income-tax surcharge from 5% to 10% effective 1st April, 2013.



The current year has commenced with caution and the realization that impending general elections may entail further uncertainties and ambiguity. Your Company is hopeful of sustaining its performance through calibrated steps. Your Directors are confident of the long-term business prospects of the Company.

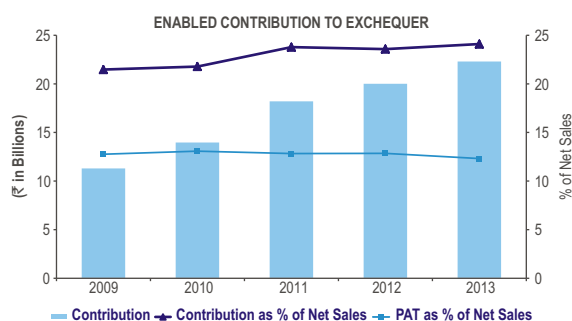
Exports

It has been a tough year in the global market scenario. Nevertheless, export sales grew during the year by 47% and were ₹ 6261.3 millions. This was mainly on account of good sales of coffee and Infant-nutrition products to Affiliate companies. Exports of culinary products, destined for the Indian diaspora picked up during the year, particularly into a few new markets. The forthcoming year should see further improvement in this category. The Coffee Board once again awarded your Company for being a leading exporter of coffee from India.

The strategy to develop new products and target new export regions would continue, so that we have a broad-based direction of exports.

Contribution To The Exchequer

Your Company has been a leading tax payer of the country and over the years has been enabling



significant contribution to various taxes. During the year 2013, the Company through its business, enabled tax collections at Central and State level Close to ₹ 20 billions, in aggregate.

Dividends

The Board of Directors has recommended a final dividend of ₹ 12.5 per equity share of the face value of ₹ 10/- each for the year 2013, amounting to ₹ 1205.2 millions. This is in addition to the two Interim Dividends for 2013, aggregating ₹ 36.0 per equity share, paid in August and November, 2013

(amounting to ₹ 3,471.0 millions). The total dividend per share for 2013 aggregates to ₹ 48.5 and the total dividend payout for 2013 is ₹ 4676.2 millions. The same is in line with the financial strategy of the company.

Business Development

‘Health is Wealth’ is an old adage. Discussions around ‘Health is Wealth’ at the World Economic Forum at Davos and the comments that it is difficult to talk about economic prosperity without health, indicate the increasing concern around the issue. GOOD FOOD, GOOD LIFE is the promise your Company commits to everyday, everywhere – to enhance lives, throughout life, with good food and beverages. Your Company’s mission is to provide Nutrition, Health and Wellness. Good food and good life are directly linked because nutrition has a role in enhancing health and wellness in our lives. This requires products that are tasty, healthy and relevant as well as creating awareness on how foods can provide nutrition when they are part of a balanced diet and an active lifestyle. Nutritional needs evolve with age but also depend to a large extent on the nutritional foundation laid in the initial years. Scientific knowledge has established that nutrition comes into play even before the stage of breast feeding. The nutrition that is provided to a baby in the first 1000 days, from the moment of conception, through pregnancy, during breastfeeding and beyond, creates the basic blueprint for the baby’s future health. Therefore, your Company continues to partner with medical and nutritional experts through the ‘Start Healthy, Stay Healthy’ education programme to propagate knowledge on the importance of nutrition.

The ability to provide tasty and nutritious foods that are relevant to different needs, demands expertise. Though the decision to consume food only for nutrition, responsible pleasure, or indulgence is a personal decision, your Company has been advocating balanced and healthy diets and focused on manufacturing and promoting products that are safe and of high quality. Consumer response has been positive and despite the weak economic environment and high food inflation, business has maintained leadership.

‘Prepared Dishes and Cooking Aids’ business maintained clear leadership while continuing to grow volumes. Strong consumer insights,

emphasis on quality, innovation and renovation of products to provide taste and health, and strong engagement with consumers, have continued to strengthen the business. Despite the entry of several new players in recent years, MAGGI maintained its lead and the most recent national survey by Brand Equity ranked MAGGI as the No.1 Food Brand in India and also amongst the Top 10 Most Trusted Brands of India.

The strong product portfolio of MAGGI Noodles, comprising amongst others Veg Atta Noodles, Multigrainz Noodles and 2-Minute Noodles fortified with protein and calcium is now part of diversified and balanced diets in families across India. The business has continued to focus on understanding consumer preferences in different segments as well as regional needs, and during the year it launched MAGGI HUNGROOO and MAGGI Magical Masala Noodles. One of the core strengths of MAGGI is that it has always focused on providing solutions for wholesome cooking. Since micronutrient malnutrition is a serious problem in India, your Company had sought assistance from Nestlé R&D and MAGGI had worked closely with them to find convenient and affordable approaches to address this challenge. The concept of MAGGI Masala-ae-Magic spice mix that was developed as a taste enhancer fortified with Iron, Iodine and Vitamin A has been well accepted in everyday cooking and continues to expand its footprint.

MAGGI Soups that were renovated and launched towards the end of 2012 continued to receive positive feedback from consumers. These soups contain fresh vegetable purees and are manufactured using Nestlé's proprietary 'granulation based technology' that enables it to retain the freshness of the key ingredients, to deliver the taste and aroma of fresh vegetables. Your Company continued to strengthen its position in Sauces and during the year MAGGI PICHKOO made further inroads. The range of MAGGI Bhuna Masala was further extended to include MAGGI Korma base and MAGGI Makhni base and continued to do well.

The '**Chocolate and Confectionery**' business continues to grow steadily and maintained its leadership in the chocolatey wafer segment for lighter eating with Nestlé KITKAT, NESTLÉ MUNCH and whites with Nestlé MILKYBAR.

Brand Equity's Most Trusted Brands Report for 2013 ranked NESTLÉ MUNCH, KITKAT & NESTLÉ Milk Chocolate in the top 5 chocolate brands in the country. Focus on improved distribution as well as newer communication strengthened the brands. The 'Dancing Babies' campaign for Nestlé KITKAT was appreciated by consumers and was the 3rd most watched TV commercial during 2013 on YouTube in India. In another innovative print advertisement Nestlé KITKAT connected with consumers in 30 cities of India using the technology of augmented reality and making the KITKAT Android come alive on their mobile phones. NESTLÉ MUNCH continues to be the largest distributed chocolate brand in the country and the market leader in wafers segment. During the year the portfolio for NESTLÉ MUNCH was strengthened with two exciting new SKUs – The NESTLÉ MUNCH 4x4 and a convenient share bag pack. In a strategic move and as an additional step in the premiumisation of our portfolio, ALPINO was launched during the year. The brand is uniquely positioned within the chocolates space and promises to enhance romantic moments. Consumer feedback has been very positive.

The '**Milk Products and Nutrition**' business sustained its performance and focused on renovating products in line with consumer insights and emerging science based knowledge. Proper nutrition is important throughout our lives, but it is even more critical in the first 1000 days when the blueprint for our future health starts getting charted. The business continued its efforts to educate consumers on the importance of nurturing healthier and happier generations and organized several initiatives. Under the 'Start Healthy, Stay Healthy' educational initiative your Company launched a campaign "Superbaby" to promote breastfeeding during the World Breastfeeding week. Within one week, the campaign managed to garner more than one millions views on YouTube and more than half a millions people pledged their support for breastfeeding online.

With support from Nestlé R&D your Company developed and launched NAN PRO1, Infant Formula with probiotics. This has been welcomed by the health care professionals.

Your Company continued to build on its expertise in understanding the science of nutrition and

continued to identify needs for improving nutrition in products of everyday consumption. The portfolio of dairy products including NESTLÉ a+ Milk, NESTLÉ Slim Milk, NESTLÉ a+ Dahi, NESTLÉ Slim Dahi and MILKMAID Sweetened Condensed Milk continued to be recognised for their high quality. The performance of NESTLÉ EVERYDAY Dairy Whitener was adversely affected due to overall slowdown in the dairy whitener category, driven by increase in availability of liquid milk in key markets of North East. The business is working on a pipeline of products with Nestlé R&D to further consolidate its position in the market.

‘Coffee and Beverages’ business had good growth during 2013. Both Coffee brands, NESCAFÉ and NESCAFÉ SUNRISE, delivered good growths, with gains in their market shares. NESTEA continued with another strong growth performance in 2013. The performance was made possible with some insightful launches, strong execution in the market and clutter breaking and impactful communication for all brands.

The NESCAFÉ ‘Morning Band’ campaign was well received by consumers and industry alike and won two awards at the prestigious EFFIES awards. This was backed up by the first ever mobile activation ‘NESCAFÉ Moodies’ which was awarded at India, Asia Pacific and Global platforms as an effective Mobile activation campaign. The re-launch of NESCAFÉ in the new, premium jars and the focus shift to cups led the growth for the brand. NESCAFÉ SUNRISE launched a new, customized blend – SUNRISE Strong; for the market of Andhra Pradesh, which, led to a strong performance in that State. The communication on this new launch also bagged an award at the EFFIES.

Brand Equity’s Most Trusted Brands Report for 2013 ranked NESCAFÉ in the top 5 Beverage brands and in the top 100 most trusted brands.

‘NESTLÉ PROFESSIONAL’ the out-of-home segment, continued to further strengthen the leadership in coffee vending solutions business and the launch of new NESCAFÉ solutions in offices will commence this year. New proprietary beverage systems were launched and this has yielded encouraging results. Further expansion is now underway in high visibility commercial sites and launch of premium range is planned this year. Innovations in the NESTLÉ PROFESSIONAL food

portfolio have been launched and along with a focused Route-To-Market, this would increase your Company’s presence in Restaurant, Hotel and Catering industry. Your Company remains committed to build on and seize the opportunity in out-of-home industry.

Sales

Your Company has continued to make active efforts to reach its products to consumers wherever and whenever the consumer may want it. The focus during the year has been to improve availability in a sustained manner even in the secondary and tertiary towns. Your Company continued to increase its reach amongst relevant consumers and during the year it added another 245,000 outlets. These efforts were reinforced by increased engagement with its long term distribution partners. In recent years your Company has invested in improving sales automation systems to enhance productivity of its sales force. During the year it continued to leverage this to improve the planning process and the productivity of the sales force. Your Company has been strengthening partnerships with customers in organised trade by ensuring higher levels of customer service and this has been appreciated and recognised by the customers.

Technology, Quality and Safety

Your Company is committed to providing consumers with high quality products. It follows stringent quality assurance norms, has state-of-the-art technology and high degree of automation and is continuously improving them to ensure a 60/40 taste preference with a nutritional advantage. Sustained delivery on this commitment has ensured that your Company’s products are trusted by consumers. During the year your Company continued its focus on driving the quality culture and total productivity management across the factories.

Your Company continues to benefit from its access to the Nestlé Group research and development, and technical expertise, as well as the best practices available from the global network. While all the factories of your Company are certified by reputed third party agency for food safety and quality management as well as for safety and environment, the focus is to stay aligned with the best and continuously increase efficiency.

All the factories continue to embrace Nestlé Continuous Excellence and LEAN mindset and are continuously implementing initiatives that reflect war on waste and Total Performance Management. This ongoing engagement has benefited your Company by continuing to reduce waste especially in non-quality areas, savings through optimisation of processes and streamlining in the planning activity while maintaining focus on further improving quality and competitiveness.

Your Company believes that safety practices are important in every activity, function and location wherever employees are engaged and is committed to maintaining the safety culture as high priority. The 'Safe by Choice' and 'B-SAFE' programmes that were implemented in the previous years continued to engage the employees.

Environment

Your Company has consistently emphasized and worked towards sustainable use of natural and non-renewable resources. Within the factories there are continuous efforts to improve operational efficiencies, minimising consumption of natural resources and reducing CO2 emissions while maximising production volumes. All processes follow the Nestlé Environmental Management System, use state-of-the-art technology, and comply with government policies, laws and regulations relating to the environment. Your Company actively makes efforts to increase awareness about the need to sustain the environment and within the factories it constantly evaluates new initiatives that could reduce waste and emissions.

These efforts have shown excellent results. During the past 15 years even as production volumes have increased substantially, your Company has reduced the usage per tonne of production by as much as 64% for energy, 71% for consumption of water and 66% for emission of greenhouse gases. The ongoing implementation of a major project at the Moga factory, has already resulted in 20% reduction in daily ground water withdrawal since 2011. During the year two additional energy audits were conducted at some of the factories in collaboration with Nestlé Group, Switzerland and technical knowledge partners worldwide to identify areas for further improvement.

Supply Chain

The complex supply chain configuration in which your Company operates has not changed during the year. Infrastructures remain a challenge, and the simplification expected from the Goods and Service Tax did not materialise yet.

Despite high volatility and uncertainty, the procurement team of your Company has ensured supply of quality materials and services at competitive prices. The process to localize raw materials has continued successfully delivering savings and shorter procurement lead times. During the last few years, your Company has worked proactively with suppliers to optimize payment terms leveraging dedicated finance schemes. During 2013 your Company has benefited from these efforts with a significant improvement of payable values.

During the year, despite the constant increase of diesel prices, your Company has ensured an efficient replenishment and distribution of products to customers. The overall service levels have increased maintaining top tier status with key account customers.

The improvement in service levels has been achieved in conjunction with an incremental reduction of stock levels.

During the year, Nestlé Continuous Excellence (NCE) has been rolled out across all locations in India, with an acceleration of cost saving initiatives. NCE continues to be a key enabler for problem solving and people engagement. LEAN has been extended to the entire value chain, and the first results from suppliers, distribution centers and customers are very encouraging.

The modernisation of warehouses and transport continues to be a key priority for your Company. Two new Distribution Centers with modern infrastructures were opened successfully with increased speed and productivity levels and better controls. Your Company has also continued the roll out of the warehouse management systems (WMS) with RF technologies across location to improve performances and prepare for the future.

The Responsible Sourcing program, initiated in 2010, has now reached over 130 suppliers with continuous support and regular audits. The NESCAFÉ plan launched in 2012 to work with farmers has been extended, and your Company

has started sourcing certified “4 C” coffee from selected farmers. The “4 C” is a voluntary common code for the coffee community to improve social, economic and environmental sustainability in coffee farming.

Human Resources and Trade Relations

Your Company believes that Employees are its main strength. Accordingly your Company places People in the heart of its business strategy. Line Managers are continuously trained and coached to ensure that your Company is attracting and retaining the best people, creating a culture and environment where people are able to deliver their best and they are recognized and encouraged. In order to ensure that these actions are consistent across the Company, your Company follows standard processes and frameworks which is called ‘Nestlé Leadership Development Framework’.

In order to ensure that young talent is adequately supported and developed, your Company has taken initiatives to ensure that they are constantly mentored by senior professionals in the Company. Similarly, considering a strong business case behind creating a diverse workforce, your Company has taken many initiatives.

Your Company upholds the culture of trust and mutual respect in all its employee relations endeavors. Your Company has ensured that there is sustained communication and engagement with workforce through various forums. Periodic engagement surveys are conducted and actions are taken to continuously improve the working environment. These efforts have been very well received by employees and have helped in fostering high engagement and sound industrial relations.

Swot Analysis For The Company

Strengths:

- Being NESTLÉ
- General Licence Agreement which gives access to the Nestlé Group’s proprietary technology/ brands, expertise and the extensive centralised Research and Development facilities.
- High quality and safe food products at affordable prices, and trust in NESTLÉ.

- Understanding of Nutrition, Health and Wellness.
- Strong and well differentiated brands with market share leadership.
- Product innovation and renovation, based on consumer insights.
- Well diversified product portfolio across categories and income strata.
- Efficient supply chain and sales automation.
- Distribution structure that allows wide reach and coverage in the target markets.
- Capable and engaged human resources.
- Participation in Global Business Excellence (GLOBE).
- Strong financial position.
- Manufacturing capacities in place to cater to emerging demand with speed.

Weakness:

- Complex supply chain configuration.
- Cascading indirect taxes.
- Price point portfolio.
- Low market attractiveness in some pockets of the portfolio.

Threat:

- Price volatility of key raw, packaging materials and fuels. Food inflation.
- Increasing competition in processed foods.
- Availability of agro based commodities that meet Nestlé specifications.
- Regulatory developments impacting processed foods.
- Increasing concern on currently prevalent packaging materials and absence of viable alternatives.
- Increasing dependence on technology for connectivity.
- Delay in introduction of GST that would have simplified distribution network.
- Uncertainty in the economic environment.

Opportunities:

- Potential for expansion of numeric and weighted distribution in smaller towns and other geographies.

- Increasing demand for value-up and premium products.
- Emergence of social media to connect with young consumers.
- Development of 'Out of Home' segment.
- Leverage Nestlé Technology to develop more products that provide Nutrition, Health and Wellness at affordable prices.

Awards & Recognitions

Your Company continues to be a highly trusted Company for the quality of its products, innovation and renovation of products that are based on strong consumer insights and ability to engage with consumers across the country. During the year your Company received many honours which reflect its successful strategies. Some of the key awards and recognitions:

- MINT – IFC Award for Food & Beverages category. This award by the Institute of Competitiveness recognises the strategy and business acumen of corporates in India.
- Coffee Board Awards: BRONZE for overall export of instant coffee from India, SILVER for export of coffee to Middle East and North Africa Region, and BRONZE for export of coffee to Russia and CIS countries.
- ET Brand Equity survey 2013: MAGGI ranked amongst TOP 10 Most Trusted Brands and No.1 Food Brand in India. NESTLÉ MUNCH, KITKAT and NESTLÉ Milk Chocolate ranked amongst the Top 5 brands in Chocolates/Confectionary and NESCAFÉ amongst the Top 5 brands in Hot Beverages.
- EFFIES Awards: NESCAFÉ Classic awarded SILVER in the Consumer Products category and BRONZE in the Integrated Advertising Campaigns category, NESCAFÉ SUNRISE Strong awarded SILVER in the Regional Category, MAGGI awarded SILVER in the Consumer Products category and BRONZE among Integrated Advertising Campaigns.
- Global SMARTIES awards: NESCAFÉ campaign received SILVER (messaging category) and BRONZE (use of Mobile Social Media category).
- India SMARTIES awards: NESCAFÉ received GOLD (messaging category), MAGGI and NESTLÉ MUNCH mobile marketing campaigns

won a BRONZE each (In-App Advertising category and in Brand awareness category)

- Asia Pacific SMARTIES awards: NESCAFÉ received BRONZE in Relationship Building category.

Directors' Responsibility Statement

Pursuant to Section 217(2AA) of the Companies Act, 1956, the Directors confirm that:

- in the preparation of the annual accounts, the applicable accounting standards have been followed and no material departures have been made from the same;
- they have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profits for that period;
- they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- they have prepared the annual accounts on a going concern basis.

Corporate Governance

In compliance with the requirements of Clause 49 of the Listing Agreement with the Stock Exchange, a separate report on Corporate Governance along with Auditors certificate on its compliance is attached as Annexure-1 and forms integral part of this Report.

Working With Communities and Business Responsibility Report

Nestlé's approach to business is Creating Shared Value or 'Saanjhapan' as used by your Company and it is about the impact of the business and engagement through it. A separate Business Responsibility Report is attached as Annexure-3 to this Report, detailing the various initiatives of the Company and in compliance with the requirements of Clause 55 of the Listing Agreement with the Stock Exchange.

Cautionary Statement

Statements in this Report, particularly those which relate to Management Discussion and Analysis as explained in the Corporate Governance Report, describing the Company's objectives, projections, estimates and expectations may constitute 'forward looking statements' within the meaning of applicable laws and regulations. Actual results might differ materially from those either expressed or implied in the statement depending on the circumstances.

Directors

Mr. Antonio Helio Waszyk relinquished his office as the Managing Director of the Company effective from 30th September, 2013 consequent to change of nomination notified by Nestlé S.A., Switzerland ("NSA") on 24th May, 2013 under Article 118A and 106 of the Articles of Association of the Company. Mr. Waszyk assumed Office in October, 2009 and his contributions are reflected in the growth and sustained performance of your Company during his tenure as Managing Director. Your Directors wish to place on record their appreciation for the leadership and contributions of Mr. Waszyk to the Company, employees and the society while fostering good governance standard.

The Board of Directors at their meeting held on 26th July, 2013 appointed Mr. Antonio Helio Waszyk as an Additional Director of the Company with effect from 1st October, 2013. Mr. Waszyk took over as the Non-Executive Chairman of the Company with effect from 1st October, 2013. Mr. Waszyk holds office up to the date of the forthcoming Annual General Meeting of the Company and is eligible for reappointment.

Your Directors appointed Mr. Etienne André Marie Benet as the Managing Director of the Company, for a period of five years with effect from 1st October, 2013, pursuant to the nomination received from Nestlé S.A., Switzerland, under the Articles of Association of the Company. Mr. Benet is well qualified and has had a distinguished career with varied international experience including position of Country Manager-Nestlé Waters, Indonesia until 2008, when he moved to Ghana as Market Head CWAR (Central and West Africa Region, a cluster of 22 countries). He has successfully led this complex region under the difficult social and political

conditions, delivering results, developing people and seeing the region double its volume/sales in five years despite several crises during this time.

The term of Mr. Shobinder Duggal, as Whole-time Director, designated as 'Director – Finance & Control', which was for a period of 5 years from 10th May, 2009 is to expire on 9th May, 2014. The Directors are seeking appointment of Mr. Duggal as a Whole-time Director retiring by rotation, designated as 'Director – Finance & Control and Chief Financial Officer' for a period of 5 years. Details of the proposal for appointment of Mr. Waszyk, Mr. Benet and Mr. Duggal are mentioned in the Explanatory Statement under Section 102 of the Companies Act, 2013 of the Notice of the 55th Annual General Meeting. Their appointments are appropriate and in the best interest of the Company.

Impending notification of Section 149 and other applicable provisions of the Companies Act, 2013, your Directors are seeking appointment of Mr. Michael William Oliver Garrett, Mr. Ravinder Narain, Mr. Ashok Kumar Mahindra and Dr. Swati Ajay Piramal as Independent Directors for five consecutive years for a term upto 31st March, 2019. Details of the proposal for appointment of Mr. Garrett, Mr. Narain, Mr. Mahindra and Dr. Piramal are mentioned in the Explanatory Statement under Section 102 of the Companies Act, 2013 of the Notice of the 55th Annual General Meeting.

Accordingly, Mr. Aristides Protonotarios shall retire at the forthcoming Annual General Meeting and being eligible offers himself for re-appointment.

Statutory Auditors

The Statutory Auditors of the Company, M/s. A. F. Ferguson & Co., Chartered Accountants, New Delhi, retire in accordance with the provisions of the Companies Act, 1956 and are eligible for re-appointment. M/s. A. F. Ferguson & Co., Chartered Accountants, New Delhi have sought the re-appointment and have confirmed that their re-appointment if made shall be within the limits of Section 224(1)(B) of the Companies Act, 1956. The Audit Committee and the Board of Directors recommends the re-appointment of M/s. A. F. Ferguson & Co., Chartered Accountants, as the Auditors of the Company.

Cost Auditors

As per Section 233B of the Companies Act, 1956 and the MCA General Circular No. 15/2011 dated April 11, 2011, (as amended vide General Circular No. 36/2012 dated 6th November, 2012), subject to the approval of the Central Government, the Audit Committee has recommended and the Board of Directors had appointed M/s. Ramanath Iyer and Co., Cost Accountants, New Delhi (Registration No. 00019) being eligible and having sought re-appointment, as Cost Auditors of the Company, to carry out the cost audit of all the products manufactured by the Company for the year ending December 2014.

Information Regarding Conservation of Energy Etc. and Employees

Information required under Section 217(1)(e) of the Companies Act, 1956 (hereinafter referred to as 'the Act') read with Rule 2 of the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 is given in the Annexure - 2 forming part of this Report. Information as per Section 217(2A) of the Act, read with the Companies (Particulars of Employees) Rules, 1975, as amended from time to time, forms part of this Report. However, as per the provisions of Section 219(1)(b)(iv) of the Act, the Report and Accounts are being sent to all the members excluding the statement containing the particulars of employees to be provided under Section 217(2A) of the Act. Any member interested in obtaining such particulars may inspect the same at the Registered Office of the Company or write to the Company Secretary for a copy.

Trade Relations

The Company maintained healthy, cordial and harmonious industrial relations at all levels. Despite severe competition, the enthusiasm and unstinting efforts of the employees have enabled the Company to remain at the forefront of the Industry.

Your Company continued to receive co-operation and unstinted support from the distributors, retailers, stockists, suppliers and others associated with the Company as its trading partners. The Directors wish to place on record their appreciation for the same and your Company will continue in its endeavour to build and nurture strong links with trade, based on mutuality, respect and co-operation with each other and consistent with consumer interest.

Appreciation

Your Company has been able to operate efficiently because of the culture of professionalism, creativity, integrity and continuous improvement in all functions and areas as well as the efficient utilisation of the Company's resources for sustainable and profitable growth.

The Directors wish hereby to place on record their appreciation of the efficient and loyal services rendered by each and every employee, without whose whole-hearted efforts, the overall satisfactory performance would not have been possible.

Your Directors look forward to the long term future with confidence.

On behalf of the Board of Directors

Date : 14th February, 2014

Place : Gurgaon

Antonio Helio Waszyk

Chairman

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF NESTLÉ INDIA LIMITED

Report on the Financial Statements

We have audited the accompanying financial statements of **NESTLÉ INDIA LIMITED** ("the Company"), which comprise the Balance Sheet as at 31st December, 2013, the Statement of Profit and Loss and the Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

The Company's Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards notified under the Companies Act, 1956 ("the Act") (which continue to be applicable in respect of Section 133 of the Companies Act, 2013 in terms of General Circular 15/2013 dated 13th September 2013 of the Ministry of Corporate Affairs) and in accordance with the accounting principles generally accepted in India. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the financial

statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, 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 financial statements 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 financial statements.

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

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st December, 2013;
- (b) in the case of the Statement of Profit and Loss, of the profit of the Company for the year ended on that date; and
- (c) in the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.

Report on Other Legal and Regulatory Requirements

- 1. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central

Government in terms of Section 227(4A) of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.

2. As required by Section 227(3) of the Act, we report that:

- (a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
- (b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.

(c) The Balance Sheet, the Statement of Profit and Loss, and the Cash Flow Statement dealt with by this Report are in agreement with the books of account.

(d) In our opinion, the Balance Sheet, the Statement of Profit and Loss, and the Cash Flow Statement comply with the Accounting Standards notified under the Act (which continue to be applicable in respect of Section 133 of the Companies Act, 2013 in terms of General Circular 15/2013 dated 13th September 2013 of the Ministry of Corporate Affairs).

(e) On the basis of the written

representations received from the directors as on 31st December, 2013 taken on record by the Board of Directors, none of the directors is disqualified as on 31st December, 2013 from being appointed as a director in terms of Section 274(1)(g) of the Act.

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

Jaideep Bhargava
(Partner)
(Membership No. 90295)

NEW DELHI, February 14, 2014

ANNEXURE TO THE INDEPENDENT AUDITORS' REPORT

(Referred to in paragraph 1 under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)

(i) In respect of its fixed assets:

- (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of the fixed assets.
- (b) The fixed assets were physically verified during the year by the Management in accordance with a regular programme of verification which, in our opinion, provides for physical verification of all the fixed assets at reasonable intervals. According to the information and explanations given to us, no material discrepancies were noticed on such verification.
- (c) The fixed assets disposed off during the year, in our opinion, do not constitute a substantial part of the fixed assets of the Company and such disposal has, in our opinion, not affected the going concern status of the Company.

(ii) In respect of its inventory:

- (a) As explained to us, the inventories were physically verified during the year by the Management at reasonable intervals.
- (b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventories followed by the Management were reasonable and adequate in relation to the size of the Company and the nature of its business.

(c) In our opinion and according to the information and explanations given to us, the Company has maintained proper records of its inventories and no material discrepancies were noticed on physical verification.

(iii) The Company has neither granted nor taken any loans, secured or unsecured, to/from companies, firms or other parties covered in the Register maintained under Section 301 of the Companies Act, 1956. Accordingly paragraph 4 (iii) of the Order, is not applicable.

(iv) In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business for the purchase of inventory and fixed assets and for the sale of goods. There is no material sale of services. During the course of our audit, we have not observed any major weakness in such internal control system.

(v) In respect of contracts or arrangements entered in the Register maintained in pursuance of Section 301 of the Companies Act, 1956, to the best of our knowledge and belief and according to the information and explanations given to us:

- (a) The particulars of contracts or arrangements referred to in Section 301 that needed to be entered in the Register maintained under the said Section have been so entered.
- (b) Where each of such transaction is in excess of ₹5 lakhs in respect of any party, the transactions have been made at prices which are prima facie reasonable having regard to the prevailing market prices at the relevant time.

(vi) According to the information and explanations given to us, the Company has not accepted any deposit from the public during the year.

(vii) In our opinion, the Company has an adequate internal audit system commensurate with the size and the nature of its business.

(viii) We have broadly reviewed the cost records maintained by the Company pursuant to the Companies (Cost Accounting Records) Rules, 2011 prescribed by the Central Government under Section 209(1) (d) of the Companies Act, 1956 and are of the opinion that prima facie the prescribed cost records have been maintained. We have, however, not made a detailed examination of the cost records with a view to determine whether they are accurate or complete.

(ix) According to the information and explanations given to us in respect of statutory dues:

- (a) The Company has been regular in depositing undisputed dues, including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income-tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty, Cess and other material statutory dues applicable to it with the appropriate authorities.
- (b) There were no undisputed amounts payable in respect of Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income-tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty, Cess and other material statutory dues in arrears as at 31st December, 2013 for a period of more than six months from the date they became payable.

NESTLÉ INDIA LIMITED

- (c) Details of dues of Income-tax, Sales Tax, Service Tax, Customs Duty, Excise Duty and Cess which have not been deposited as on 31st December, 2013 on account of disputes are given below:

Name of the Statute	Nature of the Dues	Amount * (₹ in Millions)	Period to which the amount relates (various years covering the period)	Forum where dispute is pending
Central Excise Laws	Excise Duty	45.8	1996-2004	Supreme Court
		18.1	2001-2006, 2007-2010	Customs, Excise and Service Tax Appellate Tribunal
		0.5	2000	Appellate authority upto Commissioners' level
	Service Tax	412.9	2005-2007, 2008, 2010, 2011	Customs, Excise and Service Tax Appellate Tribunal
Customs Laws	Customs Duty	50.2	2008-2009	Appellate authority upto Commissioners' level
Sales Tax Laws	Sales Tax / VAT	101.9	2000-2006, 2007-2009	High Court
		76.9	1999-2006	Appellate Tribunal
		231.7	1996-1997, 2001-2011	Appellate authority upto Commissioners' level
Local State Act	Cess	6.9	2001-2013	Appellate authority upto Commissioners' level
Income Tax Act, 1961	Income tax	118.6	1992-1994	High Court
		1.8	2006-2008	Income Tax Appellate Tribunal
		377.0	2008-2009	Commissioner of Income-tax (Appeals)

* Amount as per demand orders including interest and penalty wherever indicated in the Order.

The following matters, which have been excluded from the table above, have been decided in favour of the Company but the department has preferred appeals at higher levels. The details are given below:

Name of the Statute	Nature of the Dues	Amount (₹ in Millions)	Period to which the amount relates (various years covering the period)	Forum where dispute is pending
Central Excise Laws	Excise Duty	16.1	2000-2006	Supreme Court
		0.9	1994	High Court
		7.1	2005-2006	Customs, Excise and Service Tax Appellate Tribunal
	Service Tax	0.1	2005	High Court
		2.4	2003-2007	Customs, Excise and Service Tax Appellate Tribunal
Sales Tax Laws	Sales Tax / VAT	17.1	1997-1998, 2003	High Court
Income Tax Act, 1961	Income tax	692.1	1996-2000, 2004-2006	Supreme Court
		335.8	2000-2004	High Court
		169.9	2006-2008	Income Tax Appellate Tribunal

- (x) The Company does not have accumulated losses at the end of the financial year ended 31st December, 2013. Further, the Company has not incurred cash losses during the financial year and in the immediately preceding financial year.
- (xi) In our opinion and according to the information and explanations given to us, the Company has not defaulted in the repayment of dues to banks and financial institutions. The Company has not issued debentures during the year.
- (xii) As the Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities, accordingly paragraph 4 (xii) of the Order is not applicable.

- (xiii) The Company is not a chit fund / nidhi / mutual benefit fund / society to which the provisions of special statute relating to chit fund are applicable, accordingly paragraph 4 (xiii) of the Order, is not applicable.
- (xiv) As the Company is not dealing or trading in shares, securities, debentures and other investments, paragraph 4 (xiv) of the Order is not applicable.
- (xv) According to the information and explanations given to us, the Company has not given any guarantee during the year for loans taken by others from banks or financial institutions.
- (xvi) In our opinion and according to the information and explanations given to us, the term loans have been applied for the purposes for which they were obtained.
- (xvii) In our opinion and according to the information and explanations given to us, and on an overall examination of the Balance Sheet, we report that funds raised on short-term basis have not been used during the year for long- term investment.
- (xviii) The Company has not made any preferential allotment of shares during the year.
- (xix) The Company has not issued any debentures during the year.
- (xx) The Company has not raised any money by way of public issue during the year.
- (xxi) To the best of our knowledge and according to the information and explanations given to us, no fraud by the Company and no material fraud on the Company has been noticed or reported during the year.

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

Jaideep Bhargava
(Partner)
(Membership No. 90295)

NEW DELHI, February 14, 2014

BALANCE SHEET AS AT DECEMBER 31, 2013

	NOTES	2013 (₹ in millions)		2012 (₹ in millions)	
EQUITY AND LIABILITIES					
SHAREHOLDERS' FUNDS					
Share capital	1	964.2		964.2	
Reserves and surplus	2	22,723.3	23,687.5	17,019.9	17,984.1
NON - CURRENT LIABILITIES					
Long-term borrowings	3	11,894.8		10,499.5	
Deferred tax liabilities (net)	4	2,154.7		1,620.8	
Long-term provisions	5	11,933.9	25,983.4	10,147.5	22,267.8
CURRENT LIABILITIES					
Short-term borrowings	6	0.1		2.4	
Trade payables		6,330.4		5,394.0	
Other current liabilities	7	5,002.5		5,580.3	
Short-term provisions	8	2,138.8	13,471.8	410.6	11,387.3
			63,142.7		51,639.2
ASSETS					
NON - CURRENT ASSETS					
Fixed assets	9				
Tangible assets		33,693.1		32,042.7	
Capital work-in-progress		2,947.1		3,440.8	
		36,640.2		35,483.5	
Non-current investments	10	2,241.2		-	
Long-term loans and advances	11	1,239.4		1,254.5	
Other non-current assets	12	4.7		-	
			40,125.5		36,738.0
CURRENT ASSETS					
Current investments	13	6,269.6		3,648.6	
Inventories	14	7,359.3		7,455.8	
Trade receivables	15	842.7		875.7	
Cash and bank balances	16	7,493.6		2,369.6	
Short-term loans and advances	17	1,013.6		541.5	
Other current assets	18	38.4	23,017.2	10.0	14,901.2
			63,142.7		51,639.2

See accompanying notes 1 to 47 forming part of the financial statements.

ETIENNE BENET
Managing Director
(DIN-06702574)

February 14, 2014
Gurgaon

February 14, 2014
New Delhi

SHOBINDER DUGGAL
Director - Finance & Control
(DIN-00039580)

In terms of our report attached
For A.F. FERGUSON & CO.
Chartered Accountants

(JAIDEEP BHARGAVA)
Partner
Membership No. 90295

B. MURLI
Sr. VP - Legal & Company Secretary

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED DECEMBER 31, 2013

	NOTES	2013 (₹ in millions)	2012 (₹ in millions)
REVENUE			
Gross Sales of products	19	93,798.7	85,818.8
Less: Excise duty		<u>3,179.7</u>	<u>2,796.2</u>
Other operating revenues	19	391.5	322.7
A Total revenue from operations		<u>91,010.5</u>	<u>83,345.3</u>
EXPENSES			
Cost of materials consumed	20	39,069.9	37,568.7
Purchases of stock-in-trade		1,100.4	1,115.3
Changes in inventories of finished goods, work-in-progress and stock-in-trade	21	1,053.2	(920.2)
Employee benefits expense	22	7,415.0	6,633.8
Depreciation	9	3,299.5	2,771.5
Other expenses	23	22,176.3	20,367.4
Impairment loss on fixed assets	9	99.4	68.5
Net provision for contingencies (from operations)	27	413.1	339.9
B Total Expenses		<u>74,626.8</u>	<u>67,944.9</u>
C PROFIT FROM OPERATIONS (A-B)		16,383.7	15,400.4
D Other income	24	830.9	310.3
E Finance costs	25	365.1	266.0
F Net provision for contingencies (others)	27	<u>207.4</u>	<u>(81.5)</u>
G PROFIT BEFORE EXCEPTIONAL ITEMS AND TAXATION (C+D-E-F)		16,642.1	15,526.2
H Exceptional items	28	<u>138.1</u>	-
I PROFIT BEFORE TAXATION (G+H)		16,780.2	15,526.2
J Tax expense			
Current tax		5,075.0	3,728.3
Deferred tax		<u>533.9</u>	<u>1,118.6</u>
K PROFIT AFTER TAXATION (I-J)		<u>11,171.3</u>	<u>10,679.3</u>
Weighted average number of equity shares outstanding	Nos.	96,415,716	96,415,716
Basic and Diluted Earnings Per Share (Face value ₹ 10)	₹	115.87	110.76

See accompanying notes 1 to 47 forming part of the financial statements.

ETIENNE BENET
Managing Director
(DIN-06702574)

February 14, 2014
Gurgaon

February 14, 2014
New Delhi

SHOBINDER DUGGAL
Director - Finance & Control
(DIN-00039580)

In terms of our report attached
For A.F. FERGUSON & CO.
Chartered Accountants

(JAIDEEP BHARGAVA)
Partner
Membership No. 90295

B. MURLI
Sr. VP - Legal & Company Secretary

CASH FLOW STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2013

	2013 (₹ in millions)	2012 (₹ in millions)
A CASH FLOW FROM OPERATING ACTIVITIES		
Net profit before tax	16,780.2	15,526.2
Adjustments for :		
Exceptional items	(138.1)	-
Other income considered separately	(830.9)	(310.3)
Unrealised exchange differences (excluding those considered in Finance costs)	(6.3)	(27.9)
Deficit/ (Surplus) on fixed assets sold/scrapped/written off (net)	(12.1)	155.6
Depreciation	3,299.5	2,771.5
Finance costs	365.1	266.0
Impairment loss on fixed assets	99.4	68.5
Operating profit before working capital changes	19,556.8	18,449.6
Adjustments for :		
Decrease/(increase) in trade receivables	32.9	260.6
Decrease/(increase) in loans & advances and other assets	(483.9)	(1.4)
Decrease/(increase) in inventories	96.5	(115.4)
Increase/(decrease) in trade payables and other liabilities (excluding book overdraft)	1,282.6	1,082.9
Increase/(decrease) in book overdraft	738.3	-
Increase/(decrease) in provision for contingencies	620.5	258.4
Increase/(decrease) in provision for employee benefits	1,266.3	1,149.8
Cash generated from operations	23,110.0	21,084.5
Direct taxes paid	(4,857.2)	(4,150.7)
Net cash from operating activities as reported	18,252.8	16,933.8
Adjustment for book overdraft in relation to subscription money for long term bonds subsequently allotted considered under "Cash Flow from Investing Activities" (see below)	(288.8)	-
Net cash from operating activities	17,964.0	16,933.8
B CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(3,448.9)	(9,767.6)
Sale of fixed assets	166.6	23.9
Purchase of non-current investments	(2,241.2)	-
Decrease/(increase) in loans & advances to employees	27.5	32.2
Dividend received on mutual funds	107.3	95.4
Interest received on bank deposits, investments and loans etc.	690.5	207.8
Net cash used in investing activities as reported	(4,698.2)	(9,408.3)
Adjustment for book overdraft in relation to subscription money for long term bonds subsequently allotted (see above)	288.8	-
Net cash used in investing activities	(4,409.4)	(9,408.3)

	2013 (₹ in millions)	2012 (₹ in millions)
C CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from External Commercial Borrowings	-	2,870.5
Increase in deferred VAT liabilities	23.4	-
Proceeds from Buyer's Credit	-	343.6
Repayment of Buyer's Credit	-	(2,613.7)
Proceeds/ (repayments) of other short borrowings - net	(2.3)	(6.0)
Finance costs paid	(363.7)	(299.8)
Dividends paid	(4,676.2)	(4,667.6)
Dividend distribution tax	(785.4)	(758.6)
Capital subsidy received	3.0	-
Net cash used in financing activities	(5,801.2)	(5,131.6)
NET INCREASE IN CASH AND CASH EQUIVALENTS (A+B+C)	7,753.4	2,393.9
Cash and bank balances	2,258.7	2,169.7
Current investments	3,648.6	1,343.7
Cash and cash equivalents as at opening	5,907.3	3,513.4
Cash and bank balances	7,391.1	2,258.7
Current investments	6,269.6	3,648.6
Cash and cash equivalents as at closing	13,660.7	5,907.3
NET INCREASE IN CASH AND CASH EQUIVALENTS	7,753.4	2,393.9

Notes:

- (a) The Company had issued a cheque for ₹ 800 millions on December 30, 2013 (part of book overdraft - Refer note 7 "Other Current Liabilities") towards subscription money for tax free long term bonds issued by National Housing Bank. Out of this, bonds worth ₹ 288.8 millions have been subsequently allotted (Refer note 10 "Non-Current Investments") and remaining amount of ₹ 511.2 millions have been subsequently refunded (Refer note 17 "Short Term Loans and Advances").
- (b) The above Cash Flow Statement has been prepared under the "Indirect Method" as set out in the Accounting Standard-3 on Cash Flow Statement.

ETIENNE BENET
Managing Director
(DIN-06702574)

February 14, 2014
Gurgaon

February 14, 2014
New Delhi

SHOBINDER DUGGAL
Director - Finance & Control
(DIN-00039580)

In terms of our report attached
For A.F. FERGUSON & CO.
Chartered Accountants

(JAIDEEP BHARGAVA)
Partner
Membership No. 90295

B. MURLI
Sr. VP - Legal & Company Secretary

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

	2013		2012	
	No. of shares	Amount (₹ in millions)	No. of shares	Amount (₹ in millions)
1 - SHARE CAPITAL				
Authorised				
Equity shares of ₹ 10 each	100,000,000	1,000.0	100,000,000	1,000.0
Issued, subscribed and fully paid up				
Equity shares of ₹ 10 each	96,415,716	964.2	96,415,716	964.2

(a) Reconciliation of shares and amount outstanding at the beginning and at the end of the year

Shares outstanding at the beginning of the year	96,415,716	964.2	96,415,716	964.2
Movement during the year	-	-	-	-
Shares outstanding at the end of the year	96,415,716	964.2	96,415,716	964.2

(b) Rights, preferences and restrictions attached to equity shares

The Company has only one class of equity shares with face value of ₹ 10 each, ranking *pari passu*.

(c) Equity shares held by holding companies

	No. of shares	No. of shares
Nestlé S.A.	33,051,399	33,051,399
Maggi Enterprises Limited (Ultimate holding company being Nestlé S.A)	27,463,680	27,463,680

d) Shareholders holding more than 5% of equity shares

Serial No.	Name of the shareholder	No. of shares	% of holding	No. of shares	% of holding
1	Nestlé S.A.	33,051,399	34.28	33,051,399	34.28
2	Maggi Enterprises Limited	27,463,680	28.48	27,463,680	28.48

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

2 - RESERVES AND SURPLUS

(a) Capital subsidy

	2013 (₹ in millions)	2012 (₹ in millions)
Opening balance	8.0	8.0
Add: Additions during the year	3.0	-
Closing balance	11.0	8.0

(b) General reserve

Opening balance	6,266.4	5,198.5
Add: Transferred from surplus in statement of profit and loss	1,117.1	1,067.9
Closing balance	7,383.5	6,266.4

(c) Surplus in statement of profit and loss

Opening balance	10,745.5	6,568.9
Add: Profit after taxation	11,171.3	10,679.3
Amount available for appropriation	21,916.8	17,248.2
Less: Appropriations		
Dividends:		
Interim (₹ 36.0 per share, Previous year ₹ 48.5 per share)	3,471.0	4,676.2
Final - proposed (₹ 12.5 per share, Previous year ₹ Nil per share)	1,205.2	-
Dividend distribution tax	794.7	758.6
General reserve	1,117.1	1,067.9
Closing balance	15,328.8	10,745.5
	22,723.3	17,019.9

3 - LONG TERM BORROWINGS

Unsecured loans

Term loan from holding company (Refer note 46)

- External Commercial Borrowings (ECB)

Deferred VAT liabilities

11,871.4	10,499.5
23.4	-
11,894.8	10,499.5

Rate of interest and terms of repayment	Maturity Profile of Term Loan	
	2016	2017
Interest rate is the USD 5 years Interest Rate Swap (IRS) plus an agreed spread payable semi - annually. The loan repayment is upon completion of 5 years from the date of drawdown.	8,408.9	3,462.5

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

	2013 (₹ in millions)	2012 (₹ in millions)
4 - DEFERRED TAXES		
Deferred tax liabilities		
Difference between book and tax depreciation	2,903.8	2,162.9
Difference in inventory valuation	168.4	174.5
	<u>3,072.2</u>	<u>2,337.4</u>
Deferred tax assets		
Provision for contingencies	680.2	521.8
Provision for compensated absences and gratuity	186.8	149.3
Provision for doubtful receivables and advances	21.5	17.5
Other items deductible on payment	29.0	28.0
	<u>917.5</u>	<u>716.6</u>
	<u>2,154.7</u>	<u>1,620.8</u>

5 - LONG TERM PROVISIONS

Employee benefits:

Pension and gratuity (Refer note 43)	7,500.4	6,442.9
Other incentives and welfare benefits*	<u>727.9</u>	<u>601.5</u>
Contingencies (Refer note 27)	<u>8,228.3</u>	<u>7,044.4</u>
	<u>3,705.6</u>	<u>3,103.1</u>
	<u>11,933.9</u>	<u>10,147.5</u>

* Includes compensated absences, restricted stock unit plans, long service awards and ceremonial gifts.

6 - SHORT TERM BORROWINGS

Secured loans*

From banks		
- Bank overdraft	0.1	2.4
	<u>0.1</u>	<u>2.4</u>

*The Company's borrowing facilities, comprising fund based and non fund based limits from various bankers, are secured by way of a first *pari passu* charge on all movable assets (excluding plant and machinery), finished goods (including stock-in-trade), work in progress, raw materials and book debts.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

7 - OTHER CURRENT LIABILITIES

	2013 (₹ in millions)	2012 (₹ in millions)
Statutory liabilities (sales taxes, excise duty, tax deducted at source etc.)*	1,338.7	1,469.2
Payables for capital expenditure	937.4	1,220.2
Customers' credit balances, advances and other payables	787.9	665.1
Employee costs and reimbursements	753.0	648.5
Book Overdraft	738.3	-
Unpaid dividends #	102.5	110.9
Sundry deposits	59.3	55.8
Interest accrued but not due on borrowings	12.2	10.8
Interim dividend (₹ Nil per share, Previous year ₹ 12.5 per share)	-	1,205.2
Sundries	273.2	194.6
	5,002.5	5,580.3

* Includes dividend distribution tax on Interim dividend ₹ Nil (Previous year ₹195.5 millions).

There is no amount due and outstanding to be credited to Investor Education and Protection Fund.

8 - SHORT TERM PROVISIONS

Employee benefits:

Pension (Refer note 43)	118.8	112.1	
Other incentives and welfare benefits*	227.0	345.8	263.4
Taxation less payments		262.0	44.2
Contingencies (Refer note 27)		121.0	103.0
Proposed final dividend (₹ 12.5 per share, Previous year ₹ Nil per share)		1,205.2	-
Dividend distribution tax on proposed final dividend		204.8	-
		2,138.8	410.6

* Includes compensated absences, restricted stock unit plans, long service awards and ceremonial gifts.

9 - FIXED ASSETS

(₹ in millions)												
	GROSS BLOCK					DEPRECIATION/AMORTISATION				NET BLOCK		
	Cost as at December 31, 2012	Additions	Borrowings cost/ Exchange differences	Deletions / adjustments	Cost as at December 31, 2013	As at December 31, 2012	For the year	Impairment loss	On deletions / adjustments	As at December 31, 2013	As at December 31, 2013	As at December 31, 2012
Tangible assets (A)												
Freehold land	169.0	-	-	-	169.0	-	-	-	-	-	169.0	169.0
Leasehold land	1,190.9	12.5	114.6	-	1,318.0	15.7	13.8	-	-	29.5	1,288.5	1,175.2
Buildings	8,291.6	562.8	327.5	10.6	9,171.3	994.6	293.1	39.2	5.0	1,321.9	7,849.4	7,297.0
Railway siding	11.7	-	-	-	11.7	11.3	0.1	-	-	11.4	0.3	0.4
Plant and machinery	31,487.7	2,831.6	956.7	164.3	35,111.7	9,473.8	2,682.9	60.2	163.1	12,053.8	23,057.9	22,013.9
Furniture and fixtures	1,844.0	151.1	-	70.4	1,924.7	659.9	219.6	-	61.4	818.1	1,106.6	1,184.1
Office Equipment	103.6	8.3	-	-	111.9	59.9	9.2	-	-	69.1	42.8	43.7
Information technology equipment	556.4	91.9	-	53.9	594.4	406.5	76.9	-	53.9	429.5	164.9	149.9
Vehicles	31.9	8.7	-	10.5	30.1	22.4	3.9	-	9.9	16.4	13.7	9.5
Sub total	43,686.8	3,666.9	1,398.8	309.7	48,442.8	11,644.1	3,299.5	99.4	293.3	14,749.7	33,693.1	32,042.7
Intangible assets (B)												
Management information systems	536.3	-	-	-	536.3	536.3	-	-	-	536.3	-	-
Knowhow and commercial rights	52.5	-	-	-	52.5	52.5	-	-	-	52.5	-	-
Sub total	588.8	-	-	-	588.8	588.8	-	-	-	588.8	-	-
Total (A+B)	44,275.6	3,666.9	1,398.8	309.7	49,031.6	12,232.9	3,299.5	99.4	293.3	15,338.5	33,693.1	32,042.7
Previous year	25,522.1	17,973.0	1,331.7	551.2	44,275.6	9,764.6	2,771.5	68.5	371.7	12,232.9		
Capital Work-in-progress											2,947.1	3,440.8
										Total	36,640.2	35,483.5

(a) Gross block of buildings include ₹ 54.0 millions (Previous year ₹ 54.0 millions) being the cost of leasehold improvements.

(b) Capital work-in-progress includes ₹ 50.8 millions (Previous year ₹ 72.7 millions) on account of 'Finance costs' which has been treated as capital expenditure.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

	Face Value ₹ per unit	No. of units	2013 Amount (₹ in millions)	No. of units	2012 Amount (₹ in millions)
10 - NON-CURRENT INVESTMENTS					
(At cost unless otherwise stated)					
(a) Trade Investments - Unquoted					
Equity Shares - Fully paid-up					
Sahyadri Agro and Dairy Limited	10	1,301,805	477.3	-	-
(Previously named as "Indocon Agro and Allied Activities Pvt. Ltd.")					
(b) Other Investments - Quoted					
Bonds - Tax free					
Indian Railway Finance Corporation Limited	1000000	500	500.1	-	-
NTPC Limited	1000	474,974	475.0	-	-
			<u>975.1</u>		<u>-</u>
(c) Subscription money for bonds pending allotment*					
Indian Infrastructure Finance Company Limited			500.0		
National Housing Bank			288.8		-
			<u>2,241.2</u>		<u>-</u>
* Subsequently allotted					
Aggregate amount of quoted investments			975.1		-
Market value of quoted investments			975.1		-
Aggregate amount of unquoted investments			1,266.1		-

11 - LONG-TERM LOANS AND ADVANCES
Secured, considered good

Loans and advances to employees*	29.1	40.0
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Unsecured, considered good

Loans and advances to employees*	397.1	431.8
Payments / pre-deposits under protest with government authorities	499.0	441.2
Security deposits	283.8	279.8
Capital advances	25.6	59.7
Others	4.8	2.0
	<u>1,210.3</u>	<u>1,214.5</u>
	<u>1,239.4</u>	<u>1,254.5</u>

* Loans and advances to employees disbursed under the Company's employee loan scheme includes ₹ Nil (Previous year ₹ 0.2 millions) to a director prior to his appointment.

12 - OTHER NON-CURRENT ASSETS

Interest accrued on long term bonds - tax free	4.7	-
	<u>4.7</u>	<u>-</u>

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

	Face Value ₹ per unit	No. of units	2013 Amount (₹ in millions)	No. of units	2012 Amount (₹ in millions)
13 - CURRENT INVESTMENTS					
(Non trade, Quoted, at cost or fair value, whichever is lower)					
Government Securities					
Treasury Bills	100	33,500,000	3,288.9	18,717,476	1,871.7
Mutual Funds - Debt					
Birla Sun Life Cash Plus - Daily Dividend - Direct Plan - Reinvestment	100	4,979,984	499.0	4,583,737	459.3
DWS Insta Cash Plus Fund Direct Plan - Annual Bonus	100	709,933	115.4	-	-
DWS Insta Cash Plus Fund - Direct Plan - Daily Dividend -Reinvestment	100	1,307,066	131.1	-	-
HDFC Liquid Fund - Direct Plan - Dividend - Daily Reinvestment	10	48,844,055	498.1	-	-
ICICI Prudential Liquid - Regular Plan - Daily Dividend	100	4,960,186	496.3	1,940,730	194.1
JP Morgan India Liquid Fund Super Institutional Daily Dividend Reinvestment	10	-	-	20,395,277	204.1
Reliance Liquid Fund - Treasury Plan - Daily Dividend Option Dividend Reinvestment	1000	325,734	498.0	302,283	462.1
SBI Premier Liquid Fund - Direct Plan - Daily Dividend	1000	495,819	497.4	-	-
Tata Liquid Fund Plan A - Daily Dividend	1000	-	-	410,303	457.3
			2,735.3		1,776.9
Certificate of Deposits with schedule banks	100000	2,500	245.4	-	-
			6,269.6		3,648.6
Market value / repurchase price of quoted investments			6,302.1		3,659.5

14 - INVENTORIES

(at cost or net realisable value, whichever is lower)

Raw materials	2,367.0	1,575.1
{Includes in transit ₹ 190.4 millions (Previous year ₹ 206.3 millions)}		
Packing materials	304.5	244.1
{Includes in transit ₹ 6.5 millions (Previous year ₹ 9.5 millions)}		
Work-in-progress*	700.2	1,372.4
Finished goods*	3,333.2	3,653.4
Stock-in-trade (goods purchased for resale)*	88.4	155.7
{Includes in transit ₹ 37.5 millions (Previous year ₹ 39.7 millions)}		
Stores and spares	566.0	455.1
{Includes in transit ₹ 19.6 millions (Previous year ₹ 10.6 millions)}		
	7,359.3	7,455.8

* Refer note 39

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

	2013 (₹ in millions)		2012 (₹ in millions)	
15 - TRADE RECEIVABLES (UNSECURED)				
Considered good				
Over six months from the due date for payment	59.8		19.0	
Others	<u>782.9</u>	<u>842.7</u>	<u>856.7</u>	<u>875.7</u>
Considered doubtful				
Over six months from the due date for payment	11.7		11.9	
Others	<u>28.3</u>	<u>40.0</u>	<u>25.1</u>	<u>37.0</u>
		<u>882.7</u>		<u>912.7</u>
Less: Provision for doubtful trade receivables		<u>(40.0)</u>		<u>(37.0)</u>
		<u>842.7</u>		<u>875.7</u>

16 - CASH AND BANK BALANCES

(a) Cash and cash equivalents				
Balances with banks				
on current accounts	60.4		96.7	
on deposit accounts	<u>7,310.7</u>		<u>2,090.8</u>	
Cheques, drafts on hand including remittances in transit	<u>20.0</u>	<u>7,391.1</u>	<u>71.2</u>	<u>2,258.7</u>
(b) Other bank balances				
Unpaid dividend accounts	<u>102.5</u>	<u>102.5</u>	<u>110.9</u>	<u>110.9</u>
		<u>7,493.6</u>		<u>2,369.6</u>

17 - SHORT-TERM LOANS AND ADVANCES

Secured, considered good				
Loans and advances to employees*	15.6		17.6	
Unsecured, considered good				
Subscription money for bonds pending allotment #	511.2		-	
Balances with government authorities	115.6		175.2	
Loans and advances to employees*	133.0		135.5	
Suppliers' advances, debit balances and other receivables ##	139.0		139.1	
Security deposits	37.0		32.3	
Others (prepaid expenses, receivable against forward contracts etc.)	<u>62.2</u>		<u>41.8</u>	
	<u>998.0</u>		<u>523.9</u>	
Unsecured, considered doubtful				
Security deposits, vendor balances and other receivables	114.7		4.1	
Less: Provision for doubtful receivables	<u>(114.7)</u>	<u>-</u>	<u>(4.1)</u>	<u>-</u>
		<u>1,013.6</u>		<u>541.5</u>

* Loans and advances to employees disbursed under the Company's employee loan scheme includes ₹ Nil (Previous year ₹ 0.1 millions) to a director prior to his appointment.

Subsequently refunded

Includes ₹ 68.6 millions (Previous year ₹ 40.0 millions) from related parties.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

	2013 (₹ in millions)	2012 (₹ in millions)
18 - OTHER CURRENT ASSETS		
Interest accrued on bank deposits/ long term bonds - tax free	38.4	10.0
	<u>38.4</u>	<u>10.0</u>
19 - REVENUE FROM OPERATIONS		
(a) Sale of products		
Domestic	87,537.4	81,561.9
Export	6,261.3	4,256.9
	<u>93,798.7</u>	<u>85,818.8</u>
Less: Excise duty	3,179.7	2,796.2
	<u>90,619.0</u>	<u>83,022.6</u>
(b) Other operating revenues		
Export incentives	194.6	142.3
Other operating income (mainly scrap sales)	196.9	180.4
	<u>391.5</u>	<u>322.7</u>
	<u>91,010.5</u>	<u>83,345.3</u>
20 - COST OF MATERIALS CONSUMED		
Raw materials (Refer note 36)	32,036.4	31,269.1
Packing materials	7,033.5	6,299.6
	<u>39,069.9</u>	<u>37,568.7</u>
21 - CHANGES IN INVENTORIES OF FINISHED GOODS, WORK-IN-PROGRESS AND STOCK-IN-TRADE		
Opening stock		
Finished goods	3,653.4	3,207.0
Work-in-progress	1,372.4	817.8
Stock-in-trade	155.7	156.7
	<u>5,181.5</u>	<u>4,181.5</u>
Closing Stock		
Finished goods	3,333.2	3,653.4
Work-in-progress	700.2	1,372.4
Stock-in-trade	88.4	155.7
	<u>4,121.8</u>	<u>5,181.5</u>
Net (increase)/ decrease in opening and closing stock	1,059.7	(1,000.0)
Net movement in excise duty on finished goods	(6.5)	79.8
	<u>1,053.2</u>	<u>(920.2)</u>

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

	2013 (₹ in millions)	2012 (₹ in millions)
22 - EMPLOYEE BENEFITS EXPENSE		
Salaries, wages, bonus, pension, gratuity, performance incentives etc. (Refer note 43)	6,739.3	6,018.4
Contribution to provident and other funds	221.3	221.7
Staff welfare expenses	454.4	393.7
	<u>7,415.0</u>	<u>6,633.8</u>

23 - OTHER EXPENSES

Finished goods handling, transport and distribution	4,373.5	3,841.5
Advertising and sales promotion	3,954.8	3,558.8
Power and fuel	3,853.8	3,708.9
General licence fees (net of taxes)	3,087.1	2,884.6
Information technology and management information systems	802.2	775.9
Maintenance and repairs		
Plant and machinery	559.7	477.4
Buildings	122.6	177.9
Others	<u>103.7</u>	<u>117.2</u>
	786.0	772.5
Rates and taxes	716.9	664.3
Contract manufacturing charges	714.7	673.3
Travelling	704.2	613.5
Rent	607.3	512.8
Consumption of stores and spare parts (excluding ₹ 291.8 millions charged to other revenue accounts, Previous year ₹ 253.9 millions)	422.6	406.6
Withholding tax on general licence fees	308.8	288.6
Training	283.9	243.6
Milk collection and district development	175.9	157.8
Market research	168.6	160.3
Laboratory (quality testing)	166.8	180.0
Insurance	28.3	22.3
Miscellaneous	1,020.9	902.1
	<u>22,176.3</u>	<u>20,367.4</u>

24 - OTHER INCOME

Dividend on mutual funds	107.3	95.4
Interest on bank deposits, investments and employee loans etc. (Tax deducted at source ₹ 41.4 millions, Previous year ₹ 11.5 millions)	717.2	214.9
Interest on long term bonds - tax free	6.4	-
	<u>830.9</u>	<u>310.3</u>

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

	2013 (₹ in millions)	2012 (₹ in millions)
25 - FINANCE COSTS		
Interest on :		
Borrowings - External Commercial Borrowings, Buyer's credit (Refer note 46)	364.0	348.5
Others	6.1	8.7
Exchange differences	1,371.9	477.9
Less: Interest Income on temporarily surplus liquidities out of External Commercial Borrowings proceeds	<u>-</u> 1,742.0	<u>(19.8)</u> 815.3
Less: treated as capital expenditure*	<u>(1,376.9)</u>	<u>(549.3)</u>
	365.1	266.0

* The Ministry of Corporate Affairs issued a circular no. 25/2012 dated 09.08.2012 clarifying that all exchange differences on long term foreign currency borrowings for capital expenditure should be capitalised. Accordingly, exchange differences amounting to ₹ Nil [Previous year ₹ 33.3 millions (₹ 22.5 millions - net of tax)] expensed in 2011 have been reversed under "Finance Costs".

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

26. SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING AND PREPARATION OF FINANCIAL STATEMENTS

The financial statements of the Company have been prepared in accordance with the Generally Accepted Accounting Principles in India (Indian GAAP), to comply with the applicable mandatory Accounting Standards notified under the Companies (Accounting Standards) Rules, 2006 (as amended), Revised Schedule VI and the relevant provisions of the Companies Act, 1956 (which continue to be applicable in respect of Section 133 of the Companies Act, 2013 in terms of General Circular 15/2013 dated 13th September 2013 of the Ministry of Corporate Affairs). The financial statements have been prepared on accrual basis under the historical cost convention. The accounting policies adopted in the preparation of financial statements are consistent with those followed in the previous year, except wherever specified.

The Company has elected to present “Profit from Operations” as a separate line item on the face of the Statement of Profit and Loss.

The Company has ascertained its operating cycle as 12 months for the purpose of current / non-current classification of assets and liabilities. This is based on the nature of products and the time between acquisition of assets for processing and their realisation in cash and cash equivalents,

Previous year’s figures have been regrouped / reclassified wherever necessary to make them comparable with the current year’s classification / disclosure.

REVENUE RECOGNITION

Revenue from sale of goods is recognised on transfer of significant risks and rewards of ownership in the goods to the buyer which is generally at the time of dispatch to the customer. Sales are recorded net of returns (if any), trade discounts, rebates, other pricing discounts to trade/consumer and value added tax/sales tax.

Interest on investments/loans is recognised on a time proportion basis.

Dividend income on investments is recognised when the right to receive the payment is established.

INVENTORIES

Inventories are stated at cost or net realisable value, whichever is lower. The basis of determining cost for various categories of inventories are as follows:

- Raw and packing material : First-in -first out
- Stores and spare parts : Weighted average
- Work-in-progress and finished goods : Material cost plus appropriate share of production Overheads and excise duty, wherever applicable
- Stock-in-trade (Goods purchased for resale) : First-in -first out

EMPLOYEE BENEFITS

Employee plans

The Company makes contributions to defined contribution plans e.g. Provident Fund, Employee State Insurance, National Pension System etc. for eligible employees and these contributions are charged to statement of profit and loss on accrual basis.

For defined benefit plans i.e. gratuity and unfunded pension, the provision is made on the basis of an actuarial valuation carried out by an independent actuary as at the year-end. Actuarial gains and losses are recognised in full in the statement of profit and loss during the year in which they occur. Provision for gratuity is recognised after taking into account the return on plan assets maintained under the gratuity trust. As these liabilities are of relatively long term in nature, the actuarial assumptions take in account the requirements of the relevant accounting standard coupled with a long term view of the underlying variables / trends, wherever required.

Other Employee benefits

Short term employee benefits including performance incentives, are charged to statement of profit and loss on an undiscounted, accrual basis during the period of employment. Long term employee benefits like compensated absences and long service awards are charged

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

to statement of profit and loss on a discounted, accrual basis over the expected service period until the benefits vests.

Liability for Nestlé Restricted Stock Unit (RSU) Plan of Nestlé S.A. whereby select employees of the Company are granted non-tradable Restricted Stock Units (RSU) with the right to obtain Nestlé S.A. shares or cash equivalent is charged to statement of profit and loss over the vesting period. The Company remeasures the outstanding RSU grants at each balance sheet date taking into account the Nestlé S.A. share price and exchange rate as at the balance sheet date. The resultant gain/(loss) on remeasurement is charged to statement of profit and loss over the vesting period.

DEPRECIATION / AMORTISATION

Depreciation is provided as per the straight-line method at rates provided in Schedule XIV to the Companies Act, 1956, except for the following class of fixed assets, where the useful life has been estimated as under: -

Information technology equipment	: 3 - 5 years
Furniture and fixtures	: 5 years
Office equipments	: 5 years
Vehicles	: 5 years
Leasehold land and related improvements	: Lease period
Intangible fixed assets	: Over their estimated useful life.

IMPAIRMENT OF FIXED ASSETS

At each balance sheet date, carrying amount of fixed assets is reviewed for any possible impairment. For the purpose of assessing impairment, assets are grouped at the levels for which there are separately identifiable cash flows (cash generating unit). If any impairment indicator exists, estimate of the recoverable amount of the fixed asset/cash generating unit to which the asset belongs is made. An impairment loss is recognised whenever the carrying amount of an asset/ cash generating unit exceeds its recoverable amount. The recoverable amount is the greater of the net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value based on an appropriate discount rate.

Reversal of impairment losses recognised in earlier years is recorded when there is an indication that the impairment losses recognised for the asset/cash generating unit no longer exist or have decreased. However, the increase in carrying amount of an asset due to reversal of an impairment loss is recognised to the extent it does not exceed the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognised for that asset/cash generating unit in earlier years.

TAXATION

Provision for taxation for the period comprises the residual tax expense for the period April 1, 2012 to March 31, 2013 and the expense, which has accrued on the profit for the period April 1, 2013 to December 31, 2013 under the provisions of the Indian Income tax Act, 1961.

Deferred tax is recognised, subject to the consideration of prudence, on timing difference, being the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods.

CONTINGENT LIABILITIES AND PROVISIONS

Contingent liabilities are disclosed after a careful evaluation of the facts and legal aspects of the matter involved, in line with the provisions of Accounting Standard (AS) 29 on 'Provisions, Contingent Liabilities and Contingent Assets'. Provisions are recognised when the Company has a present obligation (legal/constructive) and on management judgement as a result of a past event, for which it is probable that a cash outflow may be required and a reliable estimate can be made of the amount of the obligation.

A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not require an outflow of resources. When there is a possible obligation or a present obligation in respect of which likelihood of outflow of resources is remote, no provision or disclosure is made.

Contingent assets are not recognised in the financial statements since this may result in the recognition of income that may never be accrued/ realised.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

FIXED ASSETS

Fixed assets are stated at cost (net of CENVAT or any other recoverable taxes) less accumulated depreciation and accumulated impairment losses, if any. Cost is inclusive of freight, duties, levies and any directly attributable cost of bringing the assets to their working condition for intended use (also refer to accounting policies on 'Foreign exchange transactions' and 'Borrowing costs' below).

Profit or loss on disposal/ scrapping/ write off/ retirement from active use of tangible assets are recognised in the statement of profit and loss.

FOREIGN EXCHANGE TRANSACTIONS

Transactions in foreign currency are recorded on initial recognition at the exchange rate prevailing on the date of the transaction.

Monetary items (i.e. receivables, payables, loans etc.) denominated in foreign currency are reported using the closing exchange rate on each balance sheet date.

The exchange difference arising on the settlement or reporting of monetary items at rates different from rates at which these were initially recorded / reported in previous financial statements, are recognised in the statement of profit and loss in the period in which they arise except for the items covered below:

In line with notification no. G.S.R. 225(E) dated March 31, 2009 and subsequent clarification via circular no. 25/2012 dated August 09, 2012 issued by the Ministry of Corporate Affairs, Government of India, the Company has opted for adjusting the exchange differences, arising on long term foreign currency monetary borrowings relating to acquisition of depreciable assets to the cost of those assets.

In case of forward exchange contracts, the difference between the exchange rate on the date of inception/ last reporting date and the exchange rate at the settlement / reporting date is recognised as exchange difference and the premium paid on forward contracts is recognised over the life of the contract.

BORROWING COSTS

Borrowing costs directly attributable to acquisition or construction of fixed assets which take substantial period of time to get ready for their intended use are treated as capital expenditure in accordance with Accounting Standard 16 on "Borrowing Costs" and notification no. G.S.R. 225(E) dated March 31, 2009 and subsequent clarification via circular no. 25/2012 dated 09.08.2012 issued by Ministry of Corporate Affairs, Government of India.

Other borrowing costs are charged to the statement of profit and loss.

INVESTMENTS

Current investments are stated at the lower of cost or fair value. Non-current investments are stated at cost. Provision for diminution, if any, in the value of Non-current investments is made only if such decline is not temporary in nature.

LEASES

Lease rentals for operating leases are charged to statement of profit and loss on accrual basis in accordance with the respective lease agreements.

27. Net provision for contingencies

The Company has created a contingency provision of ₹ 736.4 millions (Previous year ₹ 556.4 millions) for various contingencies resulting mainly from matters, which are under litigation / related disputes and other uncertainties requiring management judgement. The Company has also reversed, utilised/settled contingency provision of ₹ 115.9 millions (Previous year ₹ 298.0 millions) due to the satisfactory settlement of certain litigations for which provision is no longer required.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

The details of class-wise provisions are given below:

Description	2013 (₹ in millions)			2012 (₹ in millions)		
	Provisions for contingencies			Provisions for contingencies		
	Litigations and related disputes	Others	Total	Litigations and related disputes	Others	Total
Opening balance	3,103.1	103.0	3,206.1	2,791.2	156.5	2,947.7
New provisions	615.4	121.0	736.4	453.4	103.0	556.4
Utilisation/Settlement in the year	(2.1)	(103.0)	(105.1)	-	(75.0)	(75.0)
Reversals	(10.8)	-	(10.8)	(141.5)	(81.5)	(223.0)
Recognised in statement of profit and loss*	602.5	18.0	620.5	311.9	(53.5)	258.4
Closing balance	3,705.6	121.0	3,826.6	3,103.1	103.0	3,206.1

*out of this, ₹ 413.1 millions (Previous year ₹ 339.9 millions) have been recognised as contingencies from operations and balance amount of ₹ 207.4 millions [Previous year ₹ (81.5) millions] as others.

Notes:

- (a) **Litigations and related disputes** - represents estimates made mainly for probable claims arising out of litigations / disputes pending with authorities under various statutes (i.e. Income Tax, Excise Duty, Service Tax, Entry tax, Sales and Purchase Tax etc.). The probability and the timing of the outflow with regard to these matters depend on the ultimate settlement /conclusion with the relevant authorities.
- (b) **Others** - include estimates made for products sold by the Company which are covered under free replacement warranty on becoming unfit for human consumption during the prescribed shelf life. The timing and probability of outflow with regard to these matters will depend on the external environment and the consequent decision/ conclusion by the Management

	2013 (₹ in millions)	2012 (₹ in millions)
28. Exceptional items		
Profit on sale of real estate	138.1	-
29. Contingent liabilities and commitments		
Contingent liabilities		
Claims against the Company not acknowledged as debts:		
Indirect Taxes	127.6	117.0
Capital Commitments		
Capital expenditure commitments remaining to be executed and not provided for [net of advances ₹ 25.6 millions (Previous year ₹ 59.7 millions)]	599.2	921.6

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

	2013 (₹ in millions)	2012 (₹ in millions)
30. Auditors remuneration		
(1) Auditors' remuneration including service tax and expenses in respect of:		
(a) Statutory audit	7.1	5.7
(b) Audit of accounts for fiscal year and tax audit	3.3	2.3
(c) Limited review of quarterly un-audited results	1.3	1.0
(d) Certifications	1.1	1.3
(e) Certification of tax holiday benefits	0.6	0.1
(f) Audit of employee trust accounts	0.1	0.1
(g) Out of pocket expenses for statutory audit and other matters	0.4	0.4
(2) Cost auditors' remuneration	1.1	0.4
31. Exchange difference (net) charged to statement of profit and loss under:		
Finance costs	-	18.8
Miscellaneous expenses	179.3	1.3
	<u>179.3</u>	<u>20.1</u>
32. Miscellaneous expenses includes		
Deficit/ (Surplus) on fixed assets sold/scrapped/written off (net)	(12.1)	155.6
33. Consumption of stores and spare parts		
	2013 (₹ in millions)	2012 (₹ in millions)
	%	%
Imported	101.9	105.9
	14.3	16.0
Indigenous	612.5	554.6
	85.7	84.0
	<u>714.4</u>	<u>660.5</u>
	<u>100.0</u>	<u>100.0</u>
34. Earnings from export of goods		
	2013 (₹ in millions)	2012 (₹ in millions)
(a) - Foreign currency at F.O.B. value	4,867.2	2,929.0
{including sales invoiced in Rupees of ₹ 1,013.1 millions (Previous year ₹ 129.5 millions)}		
- Rupees sales to Nepal & Bhutan	1,364.0	1,302.6
(b) Foreign currency at C.I.F. value	4,897.3	2,954.3
{Equivalent earnings in USD 83.6 millions (Previous year USD 55.3 millions)}		

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

	2013 (₹ in millions)	2012 (₹ in millions)
35. C. I. F. value of imports		
Raw and packing materials	2,994.4	2,491.1
Capital goods	698.6	1,465.8
Goods - outside manufacture	302.1	273.9
Components and spare parts	149.8	120.4
36. Raw material consumed		
Fresh milk	8,280.6	9,214.9
Milk derivatives	4,858.7	4,667.0
Grain flour	4,306.1	3,698.4
Green coffee and chicory	3,714.1	3,257.4
Edible oils	3,373.0	3,261.8
Sugar	1,960.6	2,067.2
Fruit and vegetable crunchies / flakes	562.1	457.5
Cocoa based raw materials	441.4	431.3
Maltodextrine powder	431.4	377.8
Tomato paste /powder	401.7	324.8
Fruits and vegetables concentrate	277.5	297.3
Onion flakes /powder	244.6	211.6
Liquid glucose	232.9	236.5
Black tea/green leaf	146.2	151.7
Wheat gluten	131.4	157.6
Others (net of sale proceeds of by-products/surplus materials)	2,674.1	2,456.3
	32,036.4	31,269.1

	2013 (₹ in millions)	%	2012 (₹ in millions)	%
Of the above:				
Imported	3,603.9	11.2	3,478.1	11.1
Indigenous	28,432.5	88.8	27,791.0	88.9
	32,036.4	100.0	31,269.1	100.0

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

	2013 (₹ in millions)	2012 (₹ in millions)
37. (a) Expenditure in foreign currency		
General license fees (net of taxes)	3,087.1	2,884.6
Information technology and management information systems	605.5	610.6
Project management costs for capital projects	173.4	542.3
Interest on borrowings	364.0	348.5
Other matters	395.8	308.4
37. (b) Other recoveries in foreign currency		
Reimbursement of costs (net)	114.3	78.3
Proceeds from sale of fixed assets/spare parts at F.O.B. value	-	3.9
Proceeds from sale of surplus materials	2.9	-

38. Amount remitted in foreign currencies towards dividends during the year

	2013			2012		
	Number of Non-resident Shareholders	Number of Equity Shares held	Dividend remitted (₹ in millions)	Number of Non-resident Shareholders	Number of Equity Shares held	Dividend remitted (₹ in millions)
Final - 2011	-	-	-	2	60,515,079	756.4
Interim:						
First - 2013/ 2012	2	60,515,079	1,089.3	2	60,515,079	1,089.3
Second - 2013/ 2012	2	60,515,079	1,089.3	2	60,515,079	1,089.3
Third - 2012	2	60,515,079	756.4	-	-	-

39. (a) Class-wise details of Production/Purchases, Stocks and Sales of products

Class of goods	Opening stock		#Actual production and Purchases Quantity (MT)	Closing stock		Gross Sales	
	Quantity (MT)	Amount (₹ in millions)		Quantity (MT)	Amount (₹ in millions)	Quantity * (MT)	Amount (₹ in millions)
Milk Products and Nutrition	11,371 (11,415)	2,039.4 (1,890.3)	138,197 (141,636)	9,132 (11,371)	1,716.8 (2,039.4)	138,772 (140,386)	40,712.2 (38,593.9)
Beverages	1,725 (1,931)	505.3 (516.4)	27,629 (25,307)	1,257 (1,725)	343.3 (505.3)	27,717 (25,353)	13,240.6 (11,227.3)
Prepared dishes and cooking aids	9,663 (6,550)	674.5 (459.4)	245,450 (239,962)	8,869 (9,663)	645.2 (674.5)	245,443 (236,554)	26,982.1 (24,301.5)
Chocolate and confectionery	3,207 (3,825)	589.9 (497.6)	48,024 (47,377)	4,075 (3,207)	716.3 (589.9)	46,718 (47,745)	12,863.8 (11,696.1)
	25,966 (23,721)	3,809.1 (3,363.7)	459,300 (454,282)	23,333 (25,966)	3,421.6 (3,809.1)	458,650 (450,038)	93,798.7 (85,818.8)

Includes product manufactured by contract manufacturers on conversion basis.

* Sales quantity includes goods withdrawn for sales promotion and excludes expired/bad goods.

Previous year's figures are indicated in brackets.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

(b) Class-wise details of work in progress and purchases of stock-in-trade

Class of goods	Purchases of stock -in-trade		Work-in-progress
	Quantity (MT)	Amount (₹ in millions)	Amount (₹ in millions)
Milk Products and Nutrition	19,009 (19,754)	962.3 (892.1)	327.2 (934.6)
Beverages	298 (232)	73.6 (128.5)	153.0 (165.4)
Prepared dishes and cooking aids	7 (16)	2.3 (35.9)	176.3 (184.9)
Chocolate and confectionery	306 (282)	62.2 (58.8)	43.7 (87.5)
	19,620 (20,284)	1100.4 (1115.3)	700.2 (1372.4)

Previous year's figures are indicated in brackets.

40. Segment reporting

Based on the guiding principles given in Accounting Standard on 'Segment Reporting' (AS-17), the Company's primary business segment is Food. The food business incorporates product groups viz. Milk Products and Nutrition, Beverages, Prepared dishes and cooking aids, Chocolates and Confectionery, which mainly have similar risks and returns. As the Company's business activity falls within a single primary business segment the disclosure requirements of AS -17 in this regard are not applicable.

41. Related party disclosures under Accounting Standard 18

(a) Related party and their relationship

(i) Holding Companies

Nestlé S.A

Maggi Enterprises Limited

(ii) Fellow subsidiaries

Al Manhal Water Factory Co. Ltd

Marcas Nestlé SA de CV

Nestec S.A.

Nestec York Ltd

Nestlé (China) Ltd

Nestlé (Thai) Ltd

Nestlé Asean (Malaysia) Sdn Bhd

Nestlé Australia Ltd

Nestlé Bangladesh Ltd

Nestlé Brasil Ltda

Nestlé Business Services AOA, Inc.

Nestlé Nigeria Plc

Nestlé Operational Services Worldwide SA

Nestlé Österreich GmbH

Nestlé Panama S.A.

Nestlé Pakistan Ltd

Nestlé Philippines, Inc.

Nestlé Polska S.A.

Nestlé Products Sdn Bhd

Nestlé Qingdao Ltd

Nestlé Quality Assurance Center

Nestlé R&D Center (Pte) Ltd

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

Nestlé Canada Inc	Nestlé Regional Service Centre (Malaysia) Sdn Bhd
Nestlé Capital Advisers S.A.	Nestlé R&D Center Inc
Nestlé Central And West Africa	Nestlé R&D Centre India Private Ltd
Nestlé Centroamerica, S.A.	Nestlé Romania SRL
Nestlé Cesko s.r.o.	Nestlé Rossiya LLC
Nestlé Chile SA	Nestlé Shanghai Ltd
Nestlé Danmark A/S	Nestlé Shuangcheng Limited
Nestlé Deutschland AG	Nestlé Singapore (Pte) Ltd
Nestlé Dongguan Ltd	Nestlé South Africa Pty Ltd
Nestlé Dubai Manufacturing LLC	Nestlé Suisse S.A.
Nestlé Egypt S.A.E.	Nestlé Sverige AB
Nestlé Equatorial African Region	Nestlé Syria Ltd
Nestlé Espana, S.A.	Nestlé Taiwan Ltd
Nestlé Food Kazakhstan LLP	Nestlé Tianjin Ltd
Nestlé France S.A.S.	Nestlé Türkiye Gıda Sanayi A.S.
Nestlé Hong Kong Ltd	Nestlé UK Ltd
Nestlé Hulunbeir Ltd	Nestlé USA Inc
Nestlé Hungaria Kft.	Nestlé Vietnam Ltd
Nestlé International Travel Retail	Nestlé Waters Management & Technology
Nestlé Italiana S.p.A.	Nestlé Waters North America Inc
Nestlé Japan Ltd	Nestlé Zimbabwe (Private) Ltd
Nestlé Kenya Ltd	Nestlé's Products (Mauritius) Ltd
Nestlé Korea Ltd	Nestrad S.A.
Nestlé Kuban LLC	Osem UK Ltd
Nestlé Lanka PLC	PT Nestlé Indonesia
Nestlé Manufacturing (Malaysia) Sdn Bhd	Quality Coffee Products Ltd
Nestlé Maroc S.A.	San Pellegrino S.p.A.
Nestlé México S.A. de C.V.	Servcom S.A.
Nestlé Middle East FZE	Société des Produits Nestlé S.A.
Nestlé Nederland B.V.	Wyeth Nutritional (China) Co., Ltd
Nestlé New Zealand Ltd	Wyeth Nutritionals (Singapore) Pte Ltd

(iii) Key Management Personnel

Antonio Helio Waszyk - Chairman
(ceased to be Managing Director w.e.f. September 30, 2013)
Etienne Benet - Managing Director
(appointed from October 01, 2013)
Shobinder Duggal, Director - Finance & Control

Christian Schmid, Director - Technical
(Upto March 31, 2013)
Aristides Protonotarios, Director - Technical
(From April 1, 2013)

(iv) Employees benefit trusts where control exists

Nestlé India Limited Employees Provident Fund Trust

Nestlé India Limited Employees' Gratuity Trust Fund

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

(b) Nature of transactions

The transactions with the related parties have been entered in the ordinary course of business and are at arm's length.

Particulars	2013 (₹ in millions)	2012 (₹ in millions)
Holding companies :		
Dividends: Interim	2,178.6	2,935.0
Proposed final	756.4	Nil
External Commercial Borrowings (ECB)		
- Nestlé S.A.		
- Loan received	Nil	2,870.6
- Interest expense	364.0	314.5
Expenses recovered		
- Nestlé S.A.	7.9	4.9
Expenses incurred		
- Nestlé S.A.	203.3	119.2
Fellow subsidiaries:		
(a) Sale of finished and other goods		
- Nestlé Türkiye Gıda Sanayi A.Ş.	1,423.3	707.2
- Nestlé Bangladesh Ltd	1,135.7	37.1
- Nestlé Kuban LLC	1,040.7	774.2
- Nestlé Egypt S.A.E.	1.6	233.3
- Others	470.7	351.4
(b) Sale of surplus materials, fixed assets and spares		
- Nestlé Philippines, Inc.	2.9	Nil
- Nestlé R&D Centre India Private Ltd	0.1	
- Nestlé Bangladesh Ltd	Nil	2.5
(c) Purchase of fixed assets		
- Nestlé Kuban LLC	Nil	5.1
(d) Purchase of raw and packing materials, spare parts		
- Nestlé Suisse S.A.	27.3	14.3
- Others	Nil	1.0
(e) Purchase of finished goods		
- Nestlé Lanka PLC	109.6	72.3
- Nestlé Nederland BV	33.1	30.6
- Nestlé Espana S.A.	32.5	40.7
- P.T. Nestlé Indonesia	31.5	27.4
- Nestlé UK Ltd	30.3	24.0
- Nestlé Korea Ltd	17.0	50.6
- Others	37.3	26.2
(f) General licence fees (net of taxes)		
- Société des Produits Nestlé S.A.	3,087.1	2,884.6

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

Particulars	2013 (₹ in millions)	2012 (₹ in millions)
(g) Expenses recovered		
- Nestlé R&D Centre India Private Ltd	35.3	23.6
- Nestlé Lanka PLC	32.9	21.4
- Nestec S.A.	24.1	14.0
- Nestlé Bangladesh Ltd	17.5	10.6
- Others	31.8	32.6
(h) Expenses incurred		
- Nestec S.A	28.9	45.4
- Nestlé R & D Center (Pte) Ltd	26.3	17.5
- Nestlé Deutschland AG	16.7	17.0
- Nestlé Australia Ltd	14.2	0.4
- Nestec York Ltd	4.2	14.3
- Nestlé Nederland BV	6.5	1.3
- Others	34.0	33.1
(i) Information technology and management information systems		
- Nestlé Australia Ltd	601.9	592.0
- Servcom S.A.	2.2	2.5
(j) Loans given		
- Nestlé R&D Centre India Private Ltd	150.0	Nil
(k) Repayment of loan received		
- Nestlé R&D Centre India Private Ltd	150.0	Nil
(l) Interest on loan received		
- Nestlé R&D Centre India Private Ltd	7.5	Nil
Remuneration to Key management personnel (KMP)		
- Chairman & Managing Director (Upto September 30, 2013)	93.5	94.7
- Managing Director (From October 01, 2013)	21.3	Nil
- Director - Finance & Control	30.3	25.6
- Director - Technical (Upto March 31, 2013)	22.9	54.0
- Director - Technical (From April 01, 2013)	34.8	Nil
Employee related trusts		
- Nestlé India Limited Employees Provident Fund Trust	112.4	104.2
- Nestlé India Limited Employees' Gratuity Trust Fund	55.0	50.0
Balance outstanding as at the year end		
➤ Interim dividend payable to holding companies	Nil	756.4
➤ Final dividend payable to holding companies	756.4	Nil
➤ External Commercial borrowings - at restated value	11,871.4	10,499.5
➤ Interest accrued but not due on External Commercial Borrowings	12.2	10.8

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

Particulars	2013 (₹ in millions)	2012 (₹ in millions)
➤ Receivables from holding companies	Nil	4.9
➤ Receivables from fellow subsidiaries	377.0	457.1
➤ Payables to fellow subsidiaries	353.9	470.3
➤ Payables to key management personnel	17.9	13.9
➤ Payables to Employees Provident Fund Trust	9.4	8.8

Note:

Other transactions with Key Managerial Personnel:

- (a) Remuneration includes lease rentals paid at market rates ₹ 2.5 millions (previous year ₹ 2.0 millions).
(b) Balance outstanding against loans disbursed under Company's employee loan schemes includes ₹ Nil (previous year ₹ 0.3 millions).
Transactions during the year in this employee loan account: repayments ₹ 0.3 millions (previous year ₹ 0.3 millions).

42. Disclosure under the Micro, Small and Medium Enterprises Development Act, 2006

On the basis of confirmation obtained from suppliers who have registered themselves under the Micro Small and Medium Enterprises Development Act, 2006 (MSMED Act, 2006) and based on the information available with the Company, the balance due to Micro & Small Enterprises as defined under the MSMED Act, 2006 is ₹ 51.6 millions (Previous year ₹ 12.6 millions). Further, no interest during the year has been paid or payable under the terms of the MSMED Act, 2006.

43. Employee Plans

(a) Defined contribution plans

The Company makes contributions to the Provident Fund, Employee State Insurance, National Pension System etc. for eligible employees. Under these plans, the Company is required to contribute a specified percentage of payroll costs. The Company during the year has recognised ₹ 221.3 millions (Previous year ₹ 221.7 millions) as expense in the statement of profit and loss during the year.

Out of the total contribution made for Provident Fund, ₹ 112.4 millions (Previous year ₹ 104.2 millions) is made to the Nestlé India Limited Employees Provident Fund Trust while the remainder contribution is made to Provident Fund Plans operated by the Regional Provident Fund Commissioners. The members of the Provident Fund Trust are entitled to the rate of interest declared by the Central Government under the Employees Provident Funds and Miscellaneous Provisions Act, 1952. The shortfall, if any, is made good by the Company in the year in which it arises.

The total plan liabilities under the Nestlé India Limited Employees Provident Fund Trust as at December 31, 2013 as per the unaudited financial statements for the year then ended is ₹ 1,981.9 millions (Previous year ₹ 1,658.2 millions) as against total plan assets of ₹ 1,995.5 millions (Previous year ₹ 1,667.4 millions). The funds of the Trust have been invested under various securities as prescribed under the rules of the Trust.

(b) Defined Benefit plans

The company provides gratuity and defined benefit pension to eligible employees. The gratuity plan provides for a lump sum payment to vested employees at retirement, death while in employment or on termination of employment. Gratuity vesting occurs upon completion of five years of service. The Company makes contributions to the Nestlé India Limited Employees' Gratuity Trust Fund. Defined benefit pension is a discretionary, unfunded plan.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

The following table sets out the status of the defined benefit plans as at December 31, 2013:-

	As at December 31, 2013 (₹ in millions)		As at December 31, 2012 (₹ in millions)	
	Gratuity Scheme Funded Plan	Pension Scheme Unfunded Plan	Gratuity Scheme Funded Plan	Pension Scheme Unfunded Plan
<u>Change in defined benefit obligation (DBO):</u>				
1 Present Value of obligation, as at the beginning of the year	650.2	6,491.7	573.6	5,474.2
2 Current service cost	45.0	306.2	37.8	237.7
3 Interest cost	50.7	514.3	44.1	433.1
4 Actuarial loss (net)	27.7	353.6	39.7	467.9
5 Actual benefits paid	(33.9)	(127.3)	(45.0)	(121.2)
6 Present Value of obligation, as at the end of the year	739.7	7,538.5	650.2	6,491.7
<u>Change in plan assets:</u>				
1 Plan assets at the beginning of the year	586.9	-	536.7	-
2 Expected return on plan assets	47.8	-	43.1	-
3 Contribution by the Company	55.0	-	50.0	-
4 Actual benefits paid	(33.9)	-	(45.0)	-
5 Actuarial gain (net)	3.2	-	2.1	-
6 Plan assets at the end of the year	659.0	-	586.9	-
<u>Liability (net) recognised in the balance Sheet</u>	80.7	7,538.5	63.3	6,491.7
<u>Cost for the period</u>				
1 Current service cost (net of expenses recovered)	44.7	295.6	37.8	237.7
2 Interest cost	50.7	514.3	44.1	433.1
3 Expected return on plan assets	(47.8)	-	(43.1)	-
4 Actuarial loss (net)	24.5	353.6	37.6	467.9
Net cost	72.1	1,163.5	76.4	1,138.7
<u>Constitution of plan assets:</u>				
1 Bonds	291.2	-	269.2	-
2 Government of India securities	82.5	-	82.4	-
3 State Government/State Government guaranteed securities	200.6	-	157.2	-
4 Cash at bank and receivables	2.8	-	4.0	-
5 Funding with insurance Companies & mutuals funds	81.9	-	74.1	-
Total plan assets	659.0	-	586.9	-
<u>Main Actuarial Assumptions:</u>				
1 Discount Rate (%)	8.00	8.00	8.00	8.00
2 Expected rate of return on plan assets (%)	8.00	-	8.00	-
<u>Experience Adjustments:</u>				
Experience Loss/ (Gain) adjustments on plan liabilities	17.2	201.2	30.1	298.6
Experience Gain / (Loss) adjustments on plan assets	3.2	-	2.1	-

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

The estimates of future salary increases considered in actuarial valuation, take account of inflation, performance, promotion and other relevant factors such as demand and supply in the employment market.

The expected return on plan assets is determined considering several applicable factors mainly the composition of the plan assets held, assessed risks of assets management, historical results of return on plan assets and the policy for plan assets management.

Defined benefit obligation (DBO), Plan assets, Deficit / (Surplus), for previous years

	As at December 31, 2011 (₹ in millions)		As at December 31, 2010 (₹ in millions)		As at December 31, 2009 (₹ in millions)	
	Gratuity Scheme Funded Plan	Pension Scheme Unfunded Plan	Gratuity Scheme Funded Plan	Pension Scheme Unfunded Plan	Gratuity Scheme Funded Plan	Pension Scheme Unfunded Plan
Present value of defined benefit obligation (DBO)	573.6	5,474.2	505.8	4,676.9	300.5	4,208.4
Value of plan assets	536.7	-	468.0	-	377.3	-
Deficit / (Surplus)	36.9	5,474.2	37.8	4,676.9	(76.8)	4,208.4

44. Restricted Stock Unit (RSU) Plan

The Company participates in the Nestlé Restricted Stock Unit (RSU) Plan of Nestlé S.A., whereby select employees are granted non-tradable Restricted Stock Units with the right to obtain Nestlé S.A. shares or cash equivalent. Restricted Stock Units granted to employees vest, subject to certain conditions, after completion of three years. Upon vesting Nestlé S.A. determines, whether shares, free of charge or cash equivalent to the value of shares, is to be transferred to the employee. The Company has to pay Nestlé S.A. an amount equivalent to the value of Nestlé S.A. shares on the date of vesting, delivered to the employee.

The details are as under:-

	2013 (₹ in millions)	2012 (₹ in millions)
Outstanding, non vested RSU grants as at year end	316.0	219.2
RSU grants vested during the year	106.0	103.3
Recognised in statement of profit and loss	202.7	119.2

45. Operating Leases

The Company's significant leasing arrangements are primarily in respect of operating leases for premises (office, residential, warehouses etc.) and vehicles. The aggregate lease rentals charged to the statement of profit and loss are ₹ 607.3 millions (Previous year ₹ 512.8 millions).

Future minimum lease rentals payable as at 31st December, 2013 as per the lease agreements:

	2013 (₹ in millions)	2012 (₹ in millions)
Not later than one year	410.7	394.9
Later than one year not later than five year	301.2	245.5
Later than five years	68.1	1.0

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

46. External Commercial Borrowings

The Company had drawn US Dollars 192 millions in the year 2011 and 2012 from Nestlé S.A. for 5 years for the purpose of capital expenditure under the External Commercial Borrowings (ECB) approval from Reserve Bank of India. Total loan outstanding as at 31st December 2013 stood at ₹ 11,871.4 millions (Previous year ₹ 10,499.5 millions).

Total cost of this borrowings, including interest (net of earnings from temporarily surplus liquidities) and exchange differences, during 2013 is ₹ 1,735.9 millions (Previous year ₹ 693.7 millions) which as per accounting policy of the Company is either treated as capital expenditure or charged to statement of profit and loss, details of which are as follows:

	Loan Amount	(₹ in millions)	
<u>Movement in loan amount during the year</u>			
Outstanding as at 31.12.2012	10,499.5		
Amount drawn during the year	-		
Exchange loss on revaluation	1,371.9		
Outstanding as at 31.12.2013	11,871.4		
<u>Finance costs for the year</u> (refer note 25)	Interest	Exchange Loss (Unrealised)	Total
Interest cost	364.0	-	364.0
Exchange loss on revaluation	-	1,371.9	1,371.9
Net finance costs	364.0	1,371.9	1,735.9
<u>of which</u>			
Treated as capital expenditure	5.0	1,371.9	1,376.9
Recognised in statement of profit & loss	359.0	-	359.0

47. Foreign currency exposure

The foreign currency exposure of the Company as at December 31, 2013 is as under:

(a) Category wise quantitative data*

	Currency	As at December 31, 2013			As at December 31, 2012		
		Nos.	Amount in Foreign currency (in millions)	(₹ in millions)	Nos.	Amount in Foreign currency (in millions)	(₹ in millions)
Forward contracts against exports	USD	25	26.2	1,617.2	32	14.2	777.5
	EUR	-	-	-	1	0.1	7.2
Forward contracts against imports (Including Capital imports)	USD	29	19.9	1,233.5	18	7.7	422.3
	EUR	16	6.6	565.7	19	3.2	228.8
	AUD	9	5.4	297.3	11	2.8	156.1
	GBP	2	0.4	42.8	4	0.7	60.1
	CHF	4	0.6	39.5	-	-	-
	NZD	2	0.7	37.4	-	-	-
	JPY	1	50.0	29.4	-	-	-

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

(b) All the forward contracts are for hedging foreign exchange exposures relating to the underlying transactions and firm commitments or highly probable forecast transactions.

(c) Foreign currency exposures remaining unhedged at the year-end*

	Currency	As at December 31, 2013		As at December 31, 2012	
		Amount (₹ in millions) in Foreign currency (in millions)		Amount in (₹ in millions) Foreign currency (in millions)	
Against exports	EUR	0.6	47.1	0.5	35.9
	GBP	0.1	7.5	0.1	12.3
	CAD	0.0	1.6	0.0	1.7
	CHF	0.0	0.8	-	-
	USD	-	-	3.8	208.9
Against imports (Including Capital imports)	SGD	0.3	16.1	0.9	41.9
	JPY	6.2	3.6	16.2	10.3
	CAD	0.1	3.1	0.1	6.8
	ZAR	0.3	1.7	0.0	0.2
	EUR	-	-	3.2	229.7
	GBP	-	-	1.0	88.3
	USD	-	-	1.4	73.9
	CHF	-	-	0.7	43.9
	AUD	-	-	0.1	6.4
	MYR	-	-	0.0	0.2
Against ECB & interest Charges	USD	192.2	11,883.6	192.2	10,510.3

* At closing exchange rates

ANNEXURE - 1 TO THE DIRECTORS' REPORT

Report on Corporate Governance for the year ended December 31, 2013

NESTLÉ'S PHILOSOPHY ON CODE OF GOVERNANCE

Nestlé India Limited, as a part of Nestlé Group, Switzerland has over the years followed best practices of Corporate Governance by adhering to practices laid down by Nestlé Group. The significant documents from Nestlé Group, which define the standard of behaviour of Nestlé India, are "Nestlé Corporate Business Principles", "The Nestlé Management and Leadership Principles" and "Nestlé Code of Business Conduct".

Nestlé India's business objective and that of its management and employees is to manufacture and market the Company's products in such a way as to create value that can be sustained over the long term for consumers, shareholders, employees, business partners and the national economy. Nestlé India is conscious of the fact that the success of a corporation is a reflection of the professionalism, conduct and ethical values of its management and employees. In addition to compliance with regulatory requirements, Nestlé India endeavours to ensure that highest standards of ethical and responsible conduct are met throughout the organisation.

BOARD OF DIRECTORS

Composition, attendance of the Directors at the Board Meetings and the last Annual General Meeting, Outside Directorship and other Membership or Chairmanship of Board Committees

Above information as on 31st December, 2013 or for the year 2013, as applicable, is tabulated hereunder:

Director	DIN	No. of Board Meetings attended	Attendance at previous AGM on 08.05.2013	No. of outside Directorship held ^A	No. of Membership/ Chairmanship in other Board Committees ^B	Executive/ Non-Executive/ Independent
Mr. Antonio Helio Waszyk ¹	02730946	5	Present	Nil	Nil	Non-Executive
Mr. Etienne André Marie Benet ²	06702574	1	Not Applicable	Nil	Nil	Executive
Mr. Shobinder Duggal	00039580	5	Present	Nil	Nil	Executive
Mr. Aristides Protonotarios ³	06546858	3	Present	Nil	Nil	Executive
Mr. Christian Schmid ⁴	03173670	2	Not Applicable	Nil	Nil	Executive
Mr. Ashok Kumar Mahindra	00916746	5	Present	Nil	Nil	Non-Executive & Independent
Mr. Ravinder Narain	00059197	2	Present	3	1	Non-Executive & Independent
Mr. Michael W. O. Garrett ⁵	00051904	5	Present	Nil	Nil	Non-Executive & Independent
Dr. Swati A. Piramal ⁶	00067125	4	Not Present	4	Nil	Non-Executive & Independent
Mr. Richard Sykes ⁷	00050325	-	Not Applicable	Nil	Nil	Non-Executive

1 Ceased as Managing Director with effect from 30.09.2013, appointed as a non-executive director with effect from 01.10.2013 and continues as Chairman of the Board of Directors of the Company.

2 Appointed as Managing Director of the Company with effect from 01.10.2013.

3 Appointed as Whole-time Director designated as Director - Technical with effect from 01.04.2013.

4 Ceased as a Director with effect from 31.03.2013.

5 Participated through video conferencing in the Board meeting held on 13.05.2013.

6 Participated through video conferencing in the Board meetings held on 26.07.2013 and 30.10.2013.

7 Alternate Director to Mr. Michael W.O. Garrett and ceased with effect from 30.10.2013.

A Directorship in companies registered under the Companies Act, 1956, excluding directorships in private companies, foreign companies, companies under Section 25 of the Companies Act, 1956 and alternate directorship.

B Only covers Membership / Chairmanship of Audit Committee and Shareholder / Investor Grievance Committee.

As at 31st December, 2013, in compliance with the Corporate Governance norms, the Company's Board of Directors headed by its Non-Executive Chairman, Mr. Antonio Helio Waszyk comprised seven other directors, out of which four are independent directors. None of the Directors of the Company was a member of more than ten Board-level committees, nor a chairman of more than five such committees, across all companies in which he/she was a Director.

Board Meetings held during the year 2013

During the year, five Board Meetings were held on 20th February, 2013, 22nd March, 2013, 13th May, 2013, 26th July, 2013 and 30th October, 2013. The maximum gap between any two meetings was less than four months. All material information was circulated to the directors before the meeting or placed at the meeting, including minimum information required to be made available to the Board under Clause 49 of the Listing Agreement.

The Company has established procedures to enable the Board to periodically review compliance reports of all laws applicable to the Company, as prepared by the Company as well as steps taken by the Company to rectify instances of non-compliances. The Board reviewed the reports prepared by the Company on half-yearly periodicity.

Compliance with the Code of Conduct

The Company has adopted the “Nestlé India Code of Business Conduct”. The Code is available on the website of the Company www.nestle.in.

It is hereby affirmed that the Directors and Senior Management of the Company have given an annual affirmation of compliance with the code of conduct during the year 2013.

AUDIT COMMITTEE

The powers, role and terms of reference of the Audit Committee covers the areas as contemplated under Clause 49 of the Listing Agreement and Section 292A of the Companies Act, 1956 besides other terms as may be referred by the Board of Directors. The powers include investigating any activity within terms of reference; seeking information from any employee; obtaining outside legal and other professional advice; and securing attendance of outsiders with relevant expertise, if considered necessary. The role includes oversight of Company's financial reporting process and disclosure of financial information to ensure that the financial statement is correct, sufficient and credible; recommending the appointment, re-appointment, if required, replacement or removal of statutory and cost auditors; fixation of audit fees and approval of payment for any other services; discussing with internal auditors any significant findings and follow-up thereon; reviewing with the management annual and quarterly financial statements before submission to the Board for approval, adequacy of internal control systems and performance of statutory and internal auditors; and reviewing the Company's financial risk and management policies.

Mr. Ashok Kumar Mahindra, a non-executive and independent director, is the Chairman of the Audit Committee. Mr. Michael W.O. Garrett and Mr. Ravinder Narain, non-executive and independent directors are other members of Audit Committee. All members of the Audit Committee are financially literate, and Mr. Ashok Kumar Mahindra and Mr. Michael W.O. Garrett, have related financial management expertise by virtue of their comparable experience and background. Mr. B. Murli, Company Secretary, acts as the Secretary to the Committee. The Director-Finance & Control, Controller and Head of Accounting and Reporting are permanent invitees to the Meetings of the Audit Committee. The Head of Internal Audit, the concerned partners/ authorised representatives of the Statutory Auditors and the Cost Auditors are also invited to the meetings of the Audit Committee.

The Audit Committee has recommended to the Board, the re-appointment of M/s A.F.Ferguson & Co., Chartered Accountants, as the Statutory Auditors of the Company till the conclusion of the next Annual General Meeting, and the necessary resolution for their re-appointment as Statutory Auditors is placed before the shareholders at the 55th Annual General Meeting.

During the year, the Audit Committee met four times on 19th February, 2013, 13th May, 2013, 26th July, 2013 and 30th October, 2013 and all members of the Committee attended the aforesaid meetings except Mr. Ravinder Narain who attended the meeting on 19th February, 2013 only and Mr. Michael W.O. Garrett, who participated in the meeting held on 13th May, 2013 through video conference. The maximum gap between any two meetings was less than four months.

SHAREHOLDER / INVESTOR GRIEVANCE COMMITTEE

The Shareholder / Investor Grievance Committee oversees redressal of shareholder and investor grievances, transfer/transmission of shares, issue of duplicate shares, exchange of new design share certificates, recording dematerialisation/ rematerialisation of shares and related matters.

Mr. Ravinder Narain, a non-executive and independent director, is the Chairman of the Shareholder/ Investor Grievance Committee and Mr. Etienne Benet, Managing Director is the other member with effect from 01.10.2013. Mr. Antonio Helio Waszyk ceased to be member of the Committee with effect from 30th September, 2013. Mr. B. Murli, Company Secretary acts as the Compliance Officer to the Committee.

The Committee met four times during the year on 20th February, 2013, 8th May, 2013, 26th July, 2013 and 28th October, 2013. All members of the Committee attended the aforesaid meetings.

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During the year, 14 complaints were received from shareholders and investors. All the complaints have generally been solved to the satisfaction of the complainants and no investor complaint was pending at the beginning or at the end of the year. The Company has acted upon all valid requests for share transfer received during 2013 and no such transfer is pending.

CORPORATE GOVERNANCE AND SOCIAL RESPONSIBILITY COMMITTEE

The Board of Directors of the Company at their meeting held on 30th October, 2013 changed the name of the Corporate Governance Committee to Corporate Governance and Social Responsibility Committee ('the Committee'). The Committee oversees the corporate governance and corporate social responsibilities and other business related matters which may be referred by the Board or the Chairman, as and when deemed necessary, for the consideration and recommendation of the Committee. The powers and duties of the Committee include acting as a consulting body to the Chairman and the Board on various matters related to company's financial, commercial or industrial policy, corporate governance matters, corporate social responsibilities and make recommendations, if any, to the Board.

The Committee comprises Mr. Antonio Helio Waszyk, a non-executive director, as the Chairman of the Committee and Mr. Michael W.O. Garrett, Dr. Swati A. Piramal and Mr. Ravinder Narain, non-executive and independent directors as other members of the Committee. Mr. B. Murl, Company Secretary, acts as the Secretary to the Committee.

The Committee met two times during the year on 19th February, 2013 and 26th July, 2013. All the members attended the above meetings except Mr. Ravinder Narain who attended the meeting held on 19th February, 2013. Dr. Swati A. Piramal participated in the meeting held on 26th July, 2013 through video conference.

NOMINATION AND REMUNERATION COMMITTEE

The Board of Directors in its meeting held on 30th October, 2013 constituted a Nomination and Remuneration Committee. Mr. Michael W.O. Garrett, non-executive independent director is the Chairman of the Committee and Mr. Ravinder Narain and Mr. Ashok Kumar Mahindra, non-executive and independent directors are the members. Mr. Etienne Benet, Managing Director is permanent invitee to the Committee meetings. Mr. B. Murl, Company Secretary is the Secretary of the Committee.

The terms of reference of the Committee, *inter alia*, includes (a) formulation of policy for determining qualifications, positive attributes and independence of a director and remuneration for the directors, key managerial personnel and other employees and recommending the same to the Board and (b) identification of persons who are qualified to become directors and who may be appointed in senior management in accordance with the criteria as per the policy approved by the Board. The policy of the Company is to remain competitive in the industry, to attract and retain the best talent and appropriately reward employees for their individual performance and contribution to the business.

During the year under review, matters of remuneration of executive directors were considered by the Board of Directors of the Company, with the interested executive director(s), not participating or voting. Further, the terms of remuneration of executive directors are approved by the shareholders at the Annual General Meeting. The remuneration of non-executive directors was decided by the Board of Directors as per the terms approved by the shareholders at the Annual General Meeting.

REMUNERATION OF DIRECTORS FOR 2013

(₹ in Millions)

Name of the Director	Sitting Fee	Salaries and Allowances	Perquisites	Company's Contribution to PF	Commission	Total
Mr. Antonio Helio Waszyk	N.A.	30.1	37.3	1.4	24.7	93.5
Mr. Etienne André Marie Benet ¹	N.A.	11.0	3.4	0.4	6.5	21.3
Mr. Shobinder Duggal ¹	N.A.	11.4	13.3	1.2	4.4	30.3
Mr. Christian Schmid ¹	N.A.	5.6	12.5	0.2	4.6	22.9
Mr. Aristides Protonotarios ¹	N.A.	16.3	7.9	0.7	9.9	34.8
Mr. Michael W.O. Garrett	0.2	N.A.	N.A.	N.A.	0.5 @	0.7
Mr. Ashok Kumar Mahindra	0.2	N.A.	N.A.	N.A.	0.5 @	0.7
Mr. Ravinder Narain	0.1	N.A.	N.A.	N.A.	0.5 @	0.6
Dr. Swati A. Piramal	0.1	N.A.	N.A.	N.A.	0.5 @	0.6

¹ The Company enters into service contracts with all executive directors for a period of 5 years. The notice period is of three months and the severance fee is the sum equivalent to remuneration for the notice period or part thereof in case of shorter notice.

@ The Commission for the year ended 31st December, 2013 is subject to the approval of the shareholders at the Annual General Meeting and will be paid, subject to deduction of tax after adoption of the accounts by the shareholders at the Annual General Meeting.

Sitting fee indicated above also includes payment for Board-level committee meetings.

The above remuneration of Executive Directors does not include provision for incremental liability on account of pension, gratuity, compensated absences and long service awards since actuarial valuation is done for the Company as a whole.

Commission is subject to adequate profits being earned. Performance criteria for the executive directors take into account achievement of performance parameters. The non-executive directors are paid remuneration based on their contribution and current trends.

None of the Non-executive Directors holds any equity shares or convertible instruments in the Company. The Company does not have any stock option scheme. The Company participates in the Nestlé Restricted Stock Unit Plan ('Plan') of Nestlé S.A., whereby select employees are granted non-tradeable Restricted Stock Units of Nestlé S.A. Perquisites of the Whole-time/ Managing Director include, *inter alia*, Leave Travel and payments for the Restricted Stock Units vested during the year equal to the market value of the underlying shares on the date of vesting.

As required, a brief profile and other particulars of the Directors seeking appointment/ re-appointment are given in the Notice of the 55th Annual General Meeting and forms part of the Corporate Governance Report.

CEO / CFO CERTIFICATION

The Managing Director and Director- Finance and Control of the Company have certified to the Board of Directors, *inter alia*, the accuracy of financial statements and adequacy of internal controls for the financial reporting purpose as required under Clause 49 (V) of the Listing Agreement, for the year ended 31st December, 2013.

GENERAL BODY MEETINGS

Location and time of last three Annual General Meetings (AGMs) are as under:

Year & Date	Time	Venue
08.05.2013	10.00 A.M.	Air Force Auditorium, Subroto Park, New Delhi - 110 010
30.03.2012	10.00 A.M.	
19.04.2011	10.00 A.M.	

Special resolution was passed by the shareholders at the fifty second Annual General Meeting of the Company for approval of commission payable to non-executive directors of the Company. No other resolution was passed as special resolution in the last three Annual General Meetings.

During the year no special resolution was passed through postal ballot. None of the businesses proposed to be transacted in the ensuing Annual General Meeting require special resolution through postal ballot.

DISCLOSURES

During the year 2013, the Company had no materially significant related party transaction, which is considered to have potential conflict with the interests of the Company at large. Transactions with related parties are disclosed in Note No. 41 to the Annual Accounts.

The equity shares of the company are listed on BSE Limited, Mumbai and the Company has complied with all the applicable requirements of capital markets and no penalties or strictures have been imposed on the Company by Stock Exchange, SEBI or any other statutory authority, on any matter relating to the capital markets, during the last three years.

The Company has complied with all the mandatory requirements of Clause 49 of the Listing Agreement entered into with BSE Limited, Mumbai.

The status of adoption of the non-mandatory requirements of Clause 49 of the Listing Agreement is as under:

(a) Maintaining non-executive Chairman's Office: The Chairman of the Company was an Executive Director till 30th September, 2013. Effective from 1st October, 2013, the non-executive Chairman is entitled to maintain a separate office space at the Company's Head Office; **(b) Tenure of Independent Director:** No specific tenure has been prescribed for Independent Directors; **(c) Remuneration Committee:** Please refer to para above on "NOMINATION AND REMUNERATION COMMITTEE"; **(d) Shareholder Rights:** Half-yearly and other quarterly financial statements are published in newspapers, uploaded on Company's website www.nestle.in and sent in soft copy to members who have registered their email address with the Company. Presently, half-yearly financial performance of the Company is not being sent to each household of shareholders; **(e) Audit Qualifications:** The Company already has a regime of un-qualified financial statements. Auditors have raised no qualification on the financial statements; **(f) Training of Board Members:** In the course of Board/ Audit Committee Meetings the Directors are where relevant provided information on the business model, the risk profile of the business parameters, their responsibilities as

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Directors and best ways to discharge them; **(g) Mechanism for evaluating non-executive Board Members:** The Company has not adopted any mechanism for evaluation of individual performance of Non-Executive Directors **(h) Whistle Blower Policy:** The standard of behaviour of Nestlé India is governed by significant documents from “Nestlé Corporate Business Principles”, “The Nestlé Management and Leadership Principles” and “Nestlé Code of Business Conduct”. Employees can report to the Company Secretary, on a confidential basis, any practices or actions believed to be inappropriate or illegal under the Nestlé India Code of Business Conduct. Further, the Company has appointed Ombudsman for Infant Code, under which employees can report Code violations directly to the Ombudsman, with adequate safeguard to protect the employee reporting. In July 2013, the Company implemented Integrity Reporting System. An independent third party operated free phone and web based facility for all employees of the Company across all locations.

MEANS OF COMMUNICATION

The quarterly, half-yearly and annual results of the Company are widely published in leading newspapers such as Financial Express, Millenium Post, Rashtriya Sahara and Jansatta. Up-to-date financial results, official press releases, presentations to analysts and institutional investors and other general information about the Company are also available on the Company's website www.nestle.in.

The presentations made to the institutional investors or analysts, if any, are not communicated individually to the shareholders of the Company. However, in addition to uploading the same on the website of the Company, the presentations are sent to the Stock Exchange for dissemination.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

(within the limits set by the Company's competitive position)

Industry structure and developments, opportunities and threats, segment wise or product-wise performance, outlook, risks and concerns of the Company and discussion on financial performance with respect to the operational performance, has been covered in the Directors' Report - more specifically under the sections on Financial Results and Operations, Exports, Business Development and SWOT Analysis of the Company.

The Company has an adequate system of internal controls to ensure that transactions are properly authorised, recorded, and reported, apart from safeguarding its assets. The internal control system is supplemented by well-documented policies, guidelines and procedures and reviews carried out by the Company's internal audit function, which submits reports periodically to the Management and the Audit Committee of the Board.

In order to foster an improved internal control culture in the Company, wherein every employee is fully aware of all the major risk/controls faced in his /her work sphere and assumes responsibility for the controls performed therein, the Company has implemented a tool called “Controls Manager” which works on the basic concept of Control Self Assessment. The self assessments by process / control owner are also used as the basis of CEO/CFO certification as required under Clause 49 of the Listing Agreement with BSE Limited, Mumbai.

During the year, there has been no material development in Human Resources / Industrial relations. Your Company has a favourable work environment that motivates performance, customer focus and innovation while adhering to the highest degree of quality and integrity. As part of manpower development and training and with an aim to enhance operational efficiency, employees of the Company have been sent on postings and assignments to the other Nestlé Group companies.

Manpower figure of the Company as on 31st December, 2013 was 7,159.

GENERAL SHAREHOLDER INFORMATION

Annual General Meeting

Day, Date and Time : Monday, 12th May, 2014 at 10.00 a.m
(Rescheduled from earlier date of 10th April, 2014).
Venue : Air Force Auditorium, Subroto Park, New Delhi - 110 010.

Financial Calendar, 2014 (tentative)

First Quarter Results : Second week of May, 2014
Second Quarter and Half-yearly Results : Last week of July, 2014
Third Quarter Results : Last week of October, 2014
Annual Results : February / March, 2015
Financial Year : 1st January to 31st December
Annual Book Closure : 19th May, 2014 to 20th May, 2014 (both days inclusive)
{Rescheduled from earlier Book Closure from 1st April, 2014 to 10th April, 2014 (both days inclusive)}

Dividend payments: Final dividend of ₹ 12.50 per share has been recommended by the Board of Directors and subject to the approval of the shareholders at the ensuing Annual General Meeting is proposed to be paid on and around 29th May, 2014.

First and Second interim dividends for the year 2013, both at the rate of ₹ 18.00 per share, were paid on 12th August, 2013 and 15th November, 2013, respectively.

Listing on Stock Exchanges and Stock Code

Shares of the Company are listed at BSE Limited, Mumbai. The Company's Stock Code is 500790.

The ISIN Number of Nestlé India Limited on both the NSDL and CDSL is INE239A01016.

Market Price Data: High/Low in each month of Calendar Year, 2013 on the BSE Ltd., Mumbai

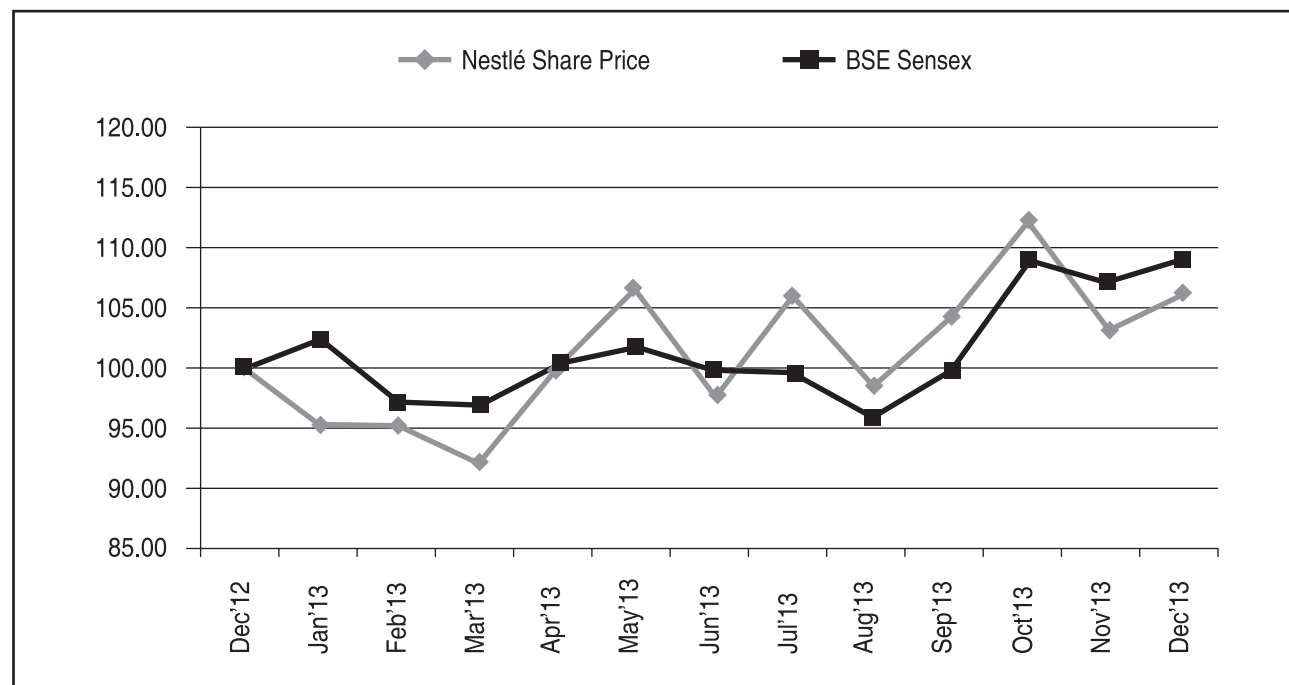
Month	High (₹)	Low (₹)	Month	High (₹)	Low (₹)
January	5,040.00	4,480.00	July	5,864.85	4,851.00
February	5,000.00	4,545.25	August	5,447.00	4,589.00
March	4,795.00	4,410.00	September	5,251.00	4,769.95
April	5,050.00	4,420.00	October	5,645.00	5,000.00
May	5,344.80	4,775.00	November	5,835.00	5,110.00
June	5,350.00	4,836.25	December	5,550.00	4,912.00

[Source: www.bseindia.com]

Performance in comparison to BSE Sensex

(Closing value of Nestlé share price v/s BSE Sensex on the last trading day of the month)

Base is 100 as at 31st December, 2012



[Source: www.bseindia.com]

NESTLÉ INDIA LIMITED

Registrar and Transfer Agents:

M/s Alankit Assignments Limited, 2E/21, Jhandewalan Extension, New Delhi -110 055

Share Transfer System

Share transfers are registered and returned in the normal course within an average period of 15 days from the date of receipt, if the documents are clear in all respects. Requests for dematerialisation of shares are processed and confirmation thereof is given to the respective depositories i.e. National Securities Depository Ltd. (NSDL) and Central Depository Services India Limited (CDSL) within 15 days.

Categories of Shareholding as on 31st December, 2013

Category of Shareholder	Number of Shares	Percent of Total Shares
Promoter and Promoter Group (A)	60,515,079	62.76
Public Shareholding		
Mutual Funds/ UTI	1,290,489	1.34
Financial Institutions/ Banks	48,882	0.05
Central Government/State Government(s)	17,229	0.02
Insurance Companies	4,347,296	4.51
Foreign Institutional Investors	12,665,902	13.14
Bodies Corporate	2,533,923	2.63
Individuals	14,572,492	15.12
Any Other		
NRIs	408,741	0.42
Foreign Nationals	3,103	0.00
Overseas Corporate Body	500	0.00
Trust	12,080	0.01
Total Public Shareholding (B)	35,900,637	37.24
Total Shareholding (A + B)	96,415,716	100.00

Distribution of shareholding as on 31st December, 2013

No. of shares	Number of shareholders	Number of Shares	Percent of total shares
1 to 500	57,330	3,808,355	3.95
501 to 1000	2,604	1,888,861	1.96
1001 to 2,000	1,080	1,536,869	1.60
2,001 to 3,000	361	902,659	0.94
3,001 to 4,000	161	561,838	0.58
4,001 to 5,000	121	553,770	0.57
5,001 to 10,000	253	1,775,123	1.84
10,001 and above	311	85,388,241	88.56
Total	62,221	96,415,716	100.00

Dematerialisation of shares:

98.01% equity shares of the Company have been dematerialised as on 31st December, 2013.

Outstanding ADRs / GDRs / Warrants or any convertible instruments, conversion date and likely impact on equity:

Not applicable.



Good Food, Good Life

Plant Locations:

The Company's plants are located at Moga, Samalkha, Nanjangud, Choladi, Ponda, Bicholim Panthnagar and Tahlial.

Address for correspondence:

Shareholder Services, M - 5 A, Connaught Circus, New Delhi - 110 001. Phone No.: 011-23418891

E-mail for investors: investor@in.nestle.com

SEBI toll-free helpline service for investors: 1800 22 7575 (available on all working days from 9:30 a.m. to 5:30 p.m.)

SEBI investors' contact for feedback and assistance: tel. 022-26449188, e-mail: sebi@sebi.gov.in.

On behalf of the Board of Directors

Date : 14th February, 2014

Place : Gurgaon

**ANTONIO HELIO WASZYK
CHAIRMAN**

CERTIFICATE

TO THE MEMBERS OF NESTLÉ INDIA LIMITED

We have examined the compliance of conditions of Corporate Governance by Nestlé India Limited for the year ended December 31, 2013, as stipulated in Clause 49 of the Listing Agreement of the said Company with stock exchange.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above-mentioned Listing Agreement.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For A. F. FERGUSON & CO.
Chartered Accountants
(ICAI Registration No. 112066W)

(Partner)
Jaideep Bhargava
(Membership No. 90295)

NEW DELHI, 14 February, 2014

ANNEXURE – 2 TO THE DIRECTORS' REPORT

Information as required under Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 forming part of Directors' Report for the year ended 31st December, 2013.

A CONSERVATION OF ENERGY

(a) Energy Conservation Measures Taken

As in the past, the Company continued to stress upon measures for the conservation and optimal utilisation of energy in all the areas of operations, including those for energy generation and effective usage of sources/ equipment used for generation. The significant measures taken/continued during 2013, which have contributed to energy conservation, were:

- Developed Energy road map for two manufacturing units (Samalkha & Nanjangud) by involving internal & external expertise for energy optimization.
- Initiated more than 50 numbers of energy saving projects in factories which resulted into reduction of over all energy consumption.
- Initiated more than 30 numbers of water saving projects in factories which resulted into reduction of over all water consumption.
- Optimize the steam consumption in dearator of boilers
- Reduced the steam losses through regular steam trap audit
- Improvement in utilization of state grid power in place of captive power.

- Optimization of energy in cooling towers, conveyers, oil circulation pumps and steam energy in the factories.
- Installation of energy efficient LED lighting in place of the conventional lighting system
- Installation of timer switches for lights, lighting energy savers for reduction of voltage and Active Harmonic Filters for power quality improvement.
- Adoption of Programmable Logic Control (PLC) for energy cost optimization and reduced idle operation of installations.
- Optimization of running hours of Air Conditioner's panels and secondary pumps of chillers speed through Pressure Transmitter.
- Optimization of power & steam consumption and chilled water network pressure.
- Installation of energy efficient pumping for cooling tower.
- Introduction of Evaporation unit vacuum pump seal cooling water circulation system.
- Rationalization of solid fuel by using Saw dust in place of coconut shells.
- Sequential Interlock of Equipment of conveyors.
- Enhancing steam condensate recovery.

(b) Additional Investment

Following proposals are initiated for implementation during 2013.

- Installation of energy efficient pumping system for cooling towers at the factories.
- Installation of Membrane Bio Reactor (MBR) & Reverse

Osmosis System Process Cooling Towers.

- Installation & Commissioning of Dissolved Air Floatation System for Effluent Treatment Plant
- Installation of Room acoustics for DG Rooms.
- Installation of BRPX cooling water circulation system.

(c) Impact of the measures at (a) and (b) above for reduction of energy consumption and consequent impact on the cost of production of goods.

The measures taken during 2013, including measures initiated in the past in the above direction have facilitated efforts for conservation of energy and helped contain the energy costs. As a result, during the period from 1998 to 2013, for every tonne of production, the Company has reduced the usage of energy by around 64%, water usage by around 71%, reduced generation of greenhouse gases by around 66% and generation of waste water by around 74%.

(d) Energy Consumption

Total energy consumption and energy consumption per unit of production, as per prescribed Form A together with the comparative figures for 2013, are given at the end of this part. The Company manufactures varieties of products each of them using a combination of various sources of energy in different proportions. Therefore the comparison as mentioned in Form A, does not truly reflect the efforts of the Company at reducing consumption in terms of units of consumption.

B. TECHNOLOGY ABSORPTION

Efforts made in technology absorption as per Form B are furnished below.

Research and Development (R&D)

1. Specific areas in which R&D carried out by the Company.

Your Company as a part of Nestlé Group and under the General Licence Agreement has access to and advantage of drawing from the extensive central Research and Development efforts and activities of the Nestlé Group. Nestlé Group spends enormous amounts and efforts in research and development and in gaining industrial experiences. It has therefore been possible for your Company to focus its efforts on testing and modification of products for local conditions. Improving and maintaining the quality of certain key raw materials also continued to receive close attention.

2. Benefits derived as a result of the above R&D

The ability to leverage the Research and Development (R&D) expertise and knowledge of Nestlé Group, has helped your Company to innovate and renovate, manufacture high quality and safe products, improve yields, input substitution and achieve more efficient operations. Consequently the consumers perceive the products of your Company as a high value for their money.

3. Future plan of action

Steps are continuously being taken for innovation and renovation of products including new product development, improvement of packaging and enhancement of product quality / profile, to offer better products at relatively affordable prices to the consumers.

4. Expenditure on R&D

Your Company benefits from the extensive centralised Research & Development (R&D) activity and expenditure of the Nestlé Group, at an annual outlay of over two billion Swiss Francs. Expenditure of the Company in the nature of Research and Development are those incurred locally, primarily relating to testing and modifying of products for local conditions and are as under:

	(₹ in millions)
a) Capital	230.9
b) Recurring	166.8
c) Total	397.7
d) Total R&D as a percentage of total turnover	0.44%

Technology absorption, adaptation and innovation

1. Efforts, in brief, made towards technology absorption, adoption and innovation

As a result of the Company's ongoing access to the international technology from Nestlé Group, Switzerland, the Company absorbs and adapts the technologies on a continuous basis to meet its specific needs from time to time.

2. Benefits derived as a result of the above efforts

Product innovation and renovation, improvement in yield, product quality, input substitution, cost effectiveness and energy conservation are the major benefits.

3. Imported Technology

All the food products manufactured and / or sold by the Company are by virtue of the imported technology received on an ongoing basis from the collaborators.

Technology transfer has to be an ongoing process and not a one-time exercise, for the Company to remain competitive and offer high quality and value for money products to the consumers. This has been secured by the Company under the General Licence Agreement with the collaborators and provides access for licence to use the technology and improvements thereof, for the product categories, manufactured / sold by the Company, on a continuous basis.

C. FOREIGN EXCHANGE EARNINGS AND OUTGO

(a) Activities relating to exports; initiatives taken to improve the exports; development of new export market for products and export plans:

Members are requested to refer to the Directors' Report under the paragraph of "Exports", for this information.

(b) Total foreign exchange used and earned:

During the year under review, your Company had earnings from exports of ₹ 6,231.2 millions comprising foreign exchange earnings of ₹ 3,854.1 millions and export to Nestlé Kuban, House of Spice, Russia, Nepal and Bhutan in Rupees amounting to ₹ 2,377.1 millions.

The foreign exchange outgo of ₹11,705.7 millions. Details of earnings from exports and foreign exchange outgo on account of imports, expenditure on traveling, general licence fees, etc. and remittances made to non-resident shareholders on account of dividend are shown in Notes 35, 37 and 38 respectively of Notes to the Accounts. Members are requested to refer to these Notes.

FORM A

(A) Power and Fuel Consumption

	2013	2012
1. Electricity		
(a) Purchased		
Units (000' KWH)	145,881.2	123,774.9
Total Cost (₹ in Millions)	869.1	692.9
Cost/KWH (₹)	5.9	5.6
(b) Own Generation		
(I) Through Diesel Generator		
Units (000' KWH)	16,874.2	32,171.0
Units per litre of oil (KWH)	3.4	3.5
Cost/KWH (₹)	15.6	11.4
(II) Through FO Generator		
Units (000' KWH)	9,547.4	6,089.0
Units per litre of oil (KWH)	3.9	3.9
Cost/KWH (₹)	11.4	11.6
2. Coal (Various grades)		
Quantity (Tonne)	34,485.4	41,409.8
Total Cost (₹ in Millions)	254.5	323.9
Cost/Tonne (₹)	7,380.5	7,820.9
3. Furnace Oil		
Quantity (KL)	44,792.1	44,282.3
Total Cost (₹ in Millions)	2,062.2	2,000.9
Cost/KL (₹)	46,039.2	45,184.4
4. Other Consumption of Fuel		
(a) High Speed Diesel Oil and Superior Kerosene Oil		
Quantity (KL)	2,622.3	2,486.1
Total Cost (₹ in Millions)	146.6	104.7
Cost/KL (₹)	55,901.2	42,118.8
(b) Non-Conventional Fuels-Coconut Shell & Coffee Husk		
Quantity (Tonne)	13,014.7	13,528.2
Total Cost (₹ in Millions)	65.1	69.6
Cost/Tonne (₹)	5,003.4	5,144.1
(c) Liquid Petroleum Gas		
Quantity (Tonne)	1,515.7	1,432.0
Total Cost (₹ in Millions)	105.7	92.9
Cost/Tonne (₹)	69,739.1	64,877.8
(d) Nitrogen Gas		
Quantity (M³)	1,455.2	1,493.0
Total Cost (₹ in Millions)	21.9	19.0
Cost/(M³) (₹)	15,036.0	12,750.2
(e) Carbon Dioxide Gas		
Quantity (M³)	146.4	183.4
Total Cost (₹ in Millions)	3.5	4.1
Cost/(M³) (₹)	24,309.4	22,197.8

NESTLÉ INDIA LIMITED

FORM A (Contd.)

(B) Consumption per unit of Production

	Beverages		Milk Products and Nutrition		Chocolates & Confectionery		Prepared Dishes/ Cooking Aids	
	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
	2013	2012	2013	2012	2013	2012	2013	2012
Electricity (KWH/T)	1170.82	1110.44	425.47	411.60	1238.36	1058.72	192.95	198.93
Furnace Oil (Ltrs./T)	341.25	299.49	110.17	119.12	69.49	55.57	77.63	80.87
Coal (Kgs./T)	248.47	201.78	327.42	399.29	-	-	78.10	76.97
Others:								
HSD, HPS (Ltrs./T)	115.36	163.47	0.80	0.65	-	-	5.53	-
LPG (Kgs./T)	-	-	-	-	51.88	53.00	-	-
Nitrogen Gas (M ³ /T)	-	-	20.89	19.30	-	-	-	-
Carbon Dioxide Gas (M ³ /T)	-	-	2.10	2.37	-	-	-	-
Non Conventional Fuel (per Ton)	504.87	628.02	-	-	-	-	98.19	94.17

Note : There are no specific standards available for each category since the product range under each head shown above consists of various products with different location.

Business Responsibility Report 2013

(1.1) Commitment to Responsible Business

(A) Introduction

Nestlé India Limited ('the Company'), is part of the Nestlé group having global footprints. The Company has a nationwide presence with eight manufacturing units located in the States of Goa, Haryana, Himachal Pradesh, Karnataka, Punjab, Tamilnadu and Uttarakhand and four sales offices in the States of Maharashtra, Delhi, Tamilnadu and West Bengal.

As part of the Nestlé Group, the Company understands that in order to continue to prosper over the long-term, it needs to ensure that the communities it serves and in which it operates prosper too. The Company is determined to ensure that its national presence and operations bring benefits to its shareholders, as well as its people, the environment and society at large. Therefore, beyond complying with applicable laws, international standards and its Nestlé Corporate Business Principles; the Company operates in ways that help protect the environment for future generations. Thus, its commitments to sustainability and compliance form the foundations upon which the Company builds its actions to Create Shared Value in its focus areas of nutrition, water and rural development. These areas are also at the core of the Company's business strategy and operations.


The culture of innovation and renovation within the Company and access to the Nestlé Group's proprietary technology, brands, expertise and extensive centralised research and development facilities gives the Company a distinct advantage. It helps the Company create value that can be sustained over the long-term by offering consumers a wide variety of high quality and safe food products.

The Company insists on honesty, integrity and fairness in all aspects of its business and expects the same in its relationships. This has earned the Company the trust and respect of every stakeholder that it comes in contact with and it has been acknowledged amongst India's most respected companies and amongst the top wealth creators of India.

(B) Reporting

This Business Responsibility Report (Report) is aligned to the 'National Voluntary Guidelines (NVGs) on the Social, Environmental and Economic Responsibilities of Business' issued by the Ministry of Corporate Affairs along with the requirements of Clause 55 of the Listing Agreement with the Stock Exchange. The Policies of the Company have been framed keeping in view its commitment in achieving the social, environment and economic goals of the organisation. These Policies have been derived and adopted from the Nestlé Group's global policies and are aligned as per the Indian scenario, to safeguard the interest of all its stakeholders.

(1.2) 'Saanjhapan' - Creating Shared Value

 The Company believes that it can do business in ways that both deliver long-term shareholder value and benefit society. The Company calls this globally aligned approach as "Creating Shared Value" (CSV) or "Saanjhapan".

Creating Shared Value begins with the understanding that for the Company's business to prosper over the long-term, the communities it serves must also prosper. It explains how businesses can create competitive advantage, which in turn will deliver better returns for shareholders, through actions that substantially address a social or environmental challenge. Specifically, business will thrive and society will benefit if business can develop products and services that meet societal needs, use resources more efficiently across the entire value chain and improve the conditions for local economic and social development. The Company is best positioned to create shared value mainly in three areas:

- **Nutrition:** by providing nutritious products that deliver health benefits to the consumers and by making the



Company's products more affordable and accessible through innovation.

- **Water:** by advocating for the protection of scarce

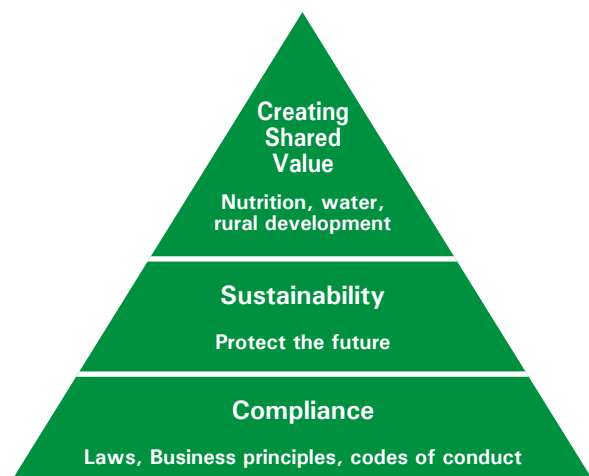


water resources and by using water more efficiently in its manufacturing and distribution processes in ways that also benefit others in the supply chain.

- **Rural development:** by supporting farmer



development in rural areas where the raw materials Company needs are grown, securing its continued access to quality inputs and strengthening its customer base.



Nestlé Creating Shared Value pyramid

Unlike in the past when investment in community and environmental initiatives were often seen as 'obligations', Creating Shared Value redefines the obligations as opportunities to strengthen the business long-term – adding value for shareholders and the stakeholders. Creating Shared Value builds on the Company's commitment to compliance and sustainability, both of which are important ways of mitigating risks to the Company's business, protecting its reputation and in the case of sustainability, reducing costs. Creating Shared Value is ultimately about ensuring Company's competitiveness and commercial success in the long-term. The Company's commitment to Creating Shared Value marks it out as a Company that systematically takes action to produce value for the business, consumers, employees and suppliers, as well as their families and communities.

(A) Stakeholders Engagement

The Company considers Stakeholders both internal and external as integral to its business, which includes the following groups:

- Academia
- Communities
- Consumers and general public
- Customers
- Employees
- Governments
- Industry and trade associations
- Inter-governmental organisations
- Non-governmental organisations
- Reporting agencies
- Shareholders and the financial community
- Suppliers (including farmer community)

The Company also engages with policy makers and regulators not only to better understand the landscape within the area of its operations but also to contribute to active policy making by sharing experiences and issues from its operations. The food processing industry requires constant

interaction with the local communities and the Company firmly believes in a shared path to prosperity and social progress. Besides this, the Company also engages with Key Opinion Leaders, Non-Governmental Organisations and academia to benefit from different strains of thoughts and functional areas of expertise.

The Company interacts with stakeholders on a regular basis through day to day working with local communities, trade associations, consumer surveys and feedback and stakeholder convenings. The Company continues to engage with government, business and civil society leaders, along with stakeholders across its value chain to delve into and discuss the role of business in society and how cross sectoral partnerships can address societal needs.

In addition to engaging with thought leaders, the Company works with farmers, suppliers, health professionals and the community in which it operates, to improve, inter alia, productivity and quality of produce and creating awareness regarding water and nutrition.

During 2013, the Company organised Creating Shared Value session with various stakeholders, which included a talk by Professor Asit K. Biswas, President, Third World Centre for Water Management, Mexico and Dr. Cecilia Tortajada, Vice President, Third World Centre for Water Management, Mexico. They shared the study 'Impact of Nestlé's Moga Factory on Surrounding Areas' conducted in 2012. The study demonstrated that Company's strategy of Creating Shared Value positively impacted the community around its Moga Factory in the last fifty years. The Executive Summary of the study is also available on the website of the Company www.nestle.in.

The Company receives support from Nestlé Group for engaging with various global and national networks for furthering the Creating Shared Value initiatives such as: The Common Code for the Coffee Community; The Round Table on Sustainable Palm Oil which are multi-stakeholder collaborations focused on the supply chain; The Indian Red Cross Society as

part of the Company's partnership with International Federation of Red Cross and Red Crescent Societies; the Water Resource Group and the International Water Management Institute.

As a result of regular and extensive stakeholder engagement for decades, the Company's business operations have evolved, balancing business priorities and responsibility towards economic, environmental and social sustainability. Therefore, the Company's operational strategy rests on product quality, operational sustainability, employee engagement and community well-being. The Company is focused on setting ambitious goals, following a determined approach to meeting them and creating value for shareholders, society and the environment as a whole.

(B) Nestlé Corporate Business Principles

The ten Nestlé Corporate Business Principles form the basis of Nestlé's culture, which has developed over more than 100 years. They uphold the Company's enduring belief that to achieve long-term success for the shareholders the Company must comply with all applicable legal requirements and international norms, ensure that the activities are environmentally sustainable and create significant value for society.

The ten principles are implemented through the relevant codes, policies, processes and tools developed to ensure that they are practiced across the Company every single day.

Compliance with the Corporate Business Principles is non-negotiable for all employees.

The Company monitors their application, audit their effectiveness and act swiftly if they are contravened. The Company is also committed to continuous improvement.

The ten principles of business operation – outlined below – provide the foundations for the Creating Shared Value strategy and are addressed throughout this Report.

NESTLÉ CORPORATE BUSINESS PRINCIPLES

1. Nutrition, Health and Wellness



2. Quality assurance and product safety



3. Consumer communication



4. Human rights and labour practices



5. Leadership and personal responsibility



6. Safety and health at work



7. Supplier and customer relations



8. Agriculture and rural development



9. Environmental sustainability



10. Water



(2.1) Operations

(2.1.1) The Way the Company does Business

(A) Internal Principles

The Company's reputation is one of its most important assets and its employees are committed towards ensuring integrity, honesty, fair dealing and full compliance to applicable laws in all operations.

Significant documents from the Nestlé Group, which define the standard of behaviour of the Company, are Nestlé Corporate Business Principles, Nestlé Management and Leadership Principles and the Nestlé Code of Business Conduct. Nestlé India's business objective and that of its management and employees is to manufacture and market the Company's products in such a way as to create value that can be sustained over the long-term for consumers, shareholders, employees, business partners and the national economy. The Directors and senior

management of the Company also affirm compliance to the Nestlé India Code of Business Conduct on an annual basis, and the Annual Report of the Company carries a declaration to this effect.

In addition to these internal principles, the Company seeks to ensure that all its suppliers conform to the Nestlé Supplier Code, which also governs the Company's supplier selection procedure.

The Nestlé India Code of Business Conduct includes policy on ethics, bribery and corruption covering the Company and all its vendors, contractors and associates. During 2013, no stakeholders' complaints were received by the Company under the Code.

The Company's corporate commitments include number of commitments towards human rights. In 2010, Nestlé Group recognised its responsibility to respect human rights by incorporating the UN Guiding Principles on Business and Human Rights

(UNGPs) in the Nestlé Corporate Business Principles. This is now adopted in the Company's policies such as Nestlé Supplier Code, Policy on Conditions of Work and Environment, and the Nestlé Employee Relations Policy.

The Nestlé Corporate Business Principles, including principles of human rights in business activities, are distributed to and adhered to by all employees and extends to suppliers/contractors and associates. During 2013, no stakeholders' complaints with regard to human rights were received by the Company.

(B) Governance

The Company's Board of Directors comprises of eight directors, out of which four are independent directors. To deal with different matters of importance, the Board of Directors have constituted Committees of Directors including the Corporate Governance and Social Responsibility Committee which has been authorised by the Board of Directors to monitor Corporate Social Responsibility including review of the Business Responsibility requirements, from time to time and its annual reporting.

The lean and decentralised organisational structure of the Company assures operational agility, socio-economic and environmental responsibility, with strong focus on results and protecting stakeholder interests. The Company encourages open communication by all stakeholders.

During the year 2013, the Company did not receive any stakeholder complaints with regard to unethical or unfair trade practices, irresponsible advertising and/or anti-competitive behaviour which are pending as at the end of financial year.

(C) Public Policy and Engagements

The Company engages with governments, regulatory authorities and relevant public bodies for the development of public policies in keeping with the Company's Creating Shared Value, sustainability and compliance commitments. The Company ensures transparency in such engagements. Through the Company's membership in important industry associations

like the Federation of Indian Chambers of Commerce and Industry (FICCI), Confederation of Indian Industry (CII), All India Food Processors Association (AIFPA), PHD Chamber of Commerce and Industry (PHDCCI) and the Associated Chambers of Commerce and Industry in India (ASSOCHAM), the Company plays a key role in policy development and implementation. The Company engages with Government and Food Authorities to establish science-based regulations for protecting the health of consumers and ensuring fair practices in food trade and with the food authority for harmonisation of Indian food regulations with the Codex Alimentarius. The Company believes that food regulations dealing with standards like labelling and claims should be developed based on scientific knowledge and in line with the international regulatory environment. The Company also participates in development initiatives which would enable the Food Processing sector to contribute more to the economy.

(2.1.2) Reducing the Footprint of Operations

The Company identifies and assesses potential environmental risks and addresses issues of environmental sustainability and climate change. The Environmental Policy of the Company extends to all its operations. Initiatives are taken to create sustainability in the value chain by improving productivity while minimising the consumption of natural resources and reducing waste and emissions. The Company has a dedicated Safety, Health and Environment (SHE) team which plans, monitors and controls all key initiatives.

During 2013, amongst various initiatives taken by the Company to reduce carbon emissions scientific tools were used for improving chain of transportation, distribution and logistics of the Company.

(A) Environmental Performance

The Company developed a series of Environmental Performance Indicators (EPIs) in 1997 to monitor its efforts for sustainable use of natural resources in manufacturing operations. EPIs allow measurement of performance, consolidation of data, benchmarking of best practices and reporting. As part of the EPI system,

both process inputs and outputs are measured in line with ISO 14031 requirements.

During the period from 1998 to 2013, for every tonne of production, the Company has reduced the usage of energy by around 64%, water usage by around 71%, reduced generation of greenhouse gases by around 66% and generation of waste water by around 74%.

The Company is committed to reducing waste to zero and full recovery of unavoidable by-products. All hazardous waste originating from the factories are disposed off in a safe manner, as per regulatory requirements. Emissions and waste generated was within the permissible regulatory limits.

No show cause notice received from the concerned pollution control authorities were pending as on the end of financial year 2013.

Some of the projects related to clean technology, energy efficiency and renewable energy usage are mentioned in Annexure 2 to the Directors' Report.

Through Company's various employee empowerment initiatives, the Company aims to improve productivity while preserving the environment. In 2008, the Company initiated the Total Performance Management Initiative (TPM) at one of its factory in the State of Karnataka. Total Performance Management (TPM) is a set of practices that empowers employees to improve manufacturing performance in a structured way. The Nanjangud factory is now amongst 11 TPM Reference factories of Nestlé Group worldwide. TPM has resulted in complete water recycling and substantial reduction in water consumption, laminate rejection and energy consumption.

(B) Investment in Water Research and Awareness

The Company recognises that water availability and quality are major Indian and global issues and is addressing these concerns through improved water usage patterns. In addition to investing in the continuous upgrading of water and energy management practices, the Company works with stakeholders on water sustainability. Some of these initiatives are highlighted hereunder:

- **2030 Water Resource Group (WRG)**

Based on the analysis of future agricultural water demands and limitation of supply by the WRG, the Company, as part of WRG, is working with the Government of Karnataka for improving water-use in the agriculture sector and to boost productivity through better use of water resources.

- **International Water Management Institute (IWMI)**



The Company in partnership with the International Water Management Institute conducted a study on 'Ground Water Depletion and Impacts on the Moga Region' which included a study of the water footprint of the main produce from the Moga region. Based on the learnings, the report recommended interventions for reducing water consumption in the farm along with policy recommendations.

- **Water Awareness Programme for farmers**

The Company based on recommendations of the IWMI study, designed the Water Awareness Programme for milk farmers in the Moga district. It aims to create awareness among farmers about the importance of water, the problems likely to affect agriculture in coming years from the over exploitation of ground



water and the remedial action possible. By educating farmers about the water table and crops, which are the main contributors to ground water depletion, the Company aims to propagate sustainable water use through agricultural practices such as laser land levelling, pucca water channels, raising of bund heights around rice fields, delayed transplanting of paddy, System of Rice Intensification, micro-irrigation and crop diversification.

(2.2) Products

The Company's promise of 'Good Food, Good Life' ensures its commitment to enhance lives everyday, everywhere, by providing consumers with tasty, nutritious choices in a wide range of food and beverage categories and eating occasions. Its strength lies in the capability to innovate and manufacture quality products with the proprietary technology and internationally renowned brands provided by Nestlé Group under the General Licence Agreement.

(2.2.1) Product Categories

The Company has a legacy of providing Indian consumers with high quality products under four major categories - Milk Products and Nutrition, Beverages, Prepared Dishes and Cooking Aids, Chocolates and Confectionary. The Nestlé brand name on the products is a promise to its consumers that it is safe for consumption, complies with regulatory standards and meets the highest standards of quality. Details of development in each business category are provided in the Directors' Report under the Section 'Business Development'.

(2.2.2) Quality in Manufacturing Procedures and Product Development

All factories of the Company comply with the Nestlé Quality Management Systems and have been certified by independent and reputed external bodies as being compliant and aligned with the external Standard for Quality Systems ISO 9001 and the Food Safety Management Standard ISO 22000.

Stringent internal quality policies are adhered to, which guide the Company in fulfilling its

commitment to nutrition, health and wellness, ensuring quality assurance and product safety, in addition to setting procedures for consumer communication and marketing of infant foods. Some of the major policies include the Nestlé Quality Policy and Nestlé Policy on Nutrition and Health Claims. As a practice, the Company assesses sensory properties such as taste, colour, odour and feel as part of the organoleptic assessments and associated physical parameters during their life cycle at regular intervals until the end of shelf life. The assessment data is collated periodically, evaluated, improvements identified and where needed, corrective action is taken.

The Company continuously carries out consumer surveys to understand consumer feedback, product satisfaction and preference while measuring consumer response and satisfaction regularly through its continuous and periodic tracking studies, covering more than 25,000 consumers through a random sampling approach among participating consumers.

(2.2.3) Commitment to Nutrition and Health

The Company has a range of Popularly Positioned Products (PPP) fortified with micronutrients which provide nutritional value at an affordable cost. With a large proportion of India's population suffering the consequences of deficiencies in key micronutrients such as iron, zinc, iodine and vitamin A, fortifying products with micronutrients can help address deficiencies where they are most prevalent. Some examples from the Company's product range which incorporate nutritional advantages are hereunder:

- **MAGGI Masala Noodles:** Consumption of 70gms provides the consumer with 10% Recommended Daily Allowance (RDA*) of Protein and 18% RDA* of Calcium. (*RDA for Adult Sedentary Male as per ICMR, 2010).
- **MAGGI Masala-ae-Magic Seasoning mix:** Each serving of 6gms provides 15% of the Daily requirement* of Vitamin A, Iron and Iodine (*RDA for Adult Sedentary Male as per Nutrient requirement and recommended daily allowance for Indians, ICMR 2010).

- **NESTLÉ NESLAC - Nutritious Milk drink for growing kids:** A product developed for kids above two years of age. It has key immuno-nutrients such as Vitamin A, Vitamin C, Zinc and Selenium which support a healthy immune system.
- **NESTLÉ Actiplus Probiotic Dahi:** Probiotic dahi helps in strengthening the digestive system.
- **RESOURCE Diabetic Food for special dietary use:** Nutritious drink with protein and a rich source of fibre which slows down glucose absorption. It meets the American Diabetes Association recommendation* of 14g of fibre/1000 kcal and its range of products which include RESOURCE Renal, RESOURCE Dialysis, RESOURCE Hepatic and RESOURCE High Protein, are designed for varied energy and protein requirements {*Diabetes care 2008:31 (Suppl1): S61-78}.

(2.2.4) Product Responsibility

The Company's operations are guided by a clear charter of ethics and responsible behaviour and it complies with all relevant regulations on sourcing, production, supply, distribution, labelling and marketing of products. Some of the policies and programmes are mentioned hereunder:

(A) Nestlé Responsible Sourcing Programme

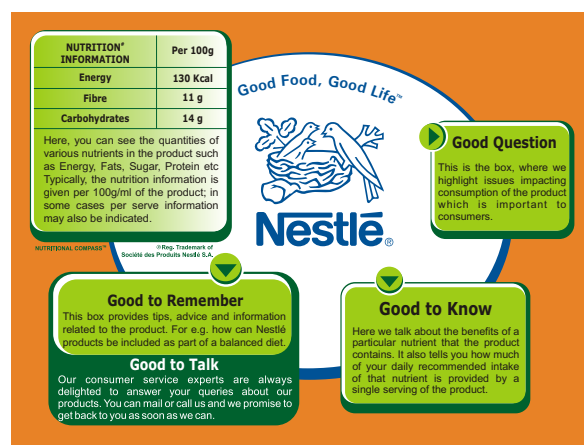
Being in the business of foods and beverages, maintaining a reliable and sustainable supply chain is of paramount importance. The Company chooses its suppliers through strictly laid out procedures and engages with them according to the non-negotiable minimum standards described in the Nestlé Supplier Code. All suppliers and their sub-tier suppliers are subject to requirements of Business integrity, Human rights (labour standards), Health & safety and Sustainable environmental standards in their business activities, production processes, services provision and their own purchasing procedures, as enshrined in the Nestlé Supplier Code.

The Company minimises its footprint by sourcing fresh milk, a key raw material, from around 110,000 farmers and has preference for local procurement of raw materials. The Company

works with farmer communities to ensure sustainable production in the long-term. During 2013, the Company spent about 92% of its total raw material procurement expenditure on indigenous products. Some of the products procured from local sources include milk and milk ingredients, vegetable oils, green coffee, wheat flour, sugar, whey powder, cocoa based raw materials, maltodextrine powder, tomato paste, lactose, liquid glucose, black tea/green leaf, rice flour and chicory.

The Company follows a four step procedure to ensure supplier compliance to its policies and quality requirements, namely - supplier engagement, assessment, supplier development and improvement. During 2010 to 2013, the Company conducted about 110 supplier responsible sourcing audits (SEDEX) to evaluate compliance on Business integrity, Human rights (labour standards), Health & safety and Sustainable environmental standards. The outcomes of these audits were to ensure collaboration, legal compliance, enhance efficiency and building stronger relationships.

(B) Transparent Product Labelling



The Company complies with applicable product packaging and labelling requirements including declaration of appropriate method of preparation of products for safe and proper consumption. Distribution of promotional items along with products is preceded by a safety/risk evaluation by the Safety Committee of the Company. The risk evaluation reviews various aspects including correct labelling and safety of promotional products.

The Company endeavours to help consumers make well-informed, healthy food choices through clear nutrition labelling on the back of every pack in the form of the 'Nestlé Nutritional Compass'.

The 'Nestlé Nutritional Compass' on the product pack provides transparent and easy to understand nutritional information that guides the consumer in making the right food choices.

It is a trustworthy guide for consumers on their journey to Nutrition, Health and Wellness and empowers consumers to make informed choices about their diet and enjoy a more balanced life.

The example shown above illustrates how each of the boxes in the 'Nestlé Nutritional Compass' help consumers make informed, healthier food choices.

(C) Marketing and Communication Activities

The Company is committed to responsible and reliable consumer communication. As per the 'Nestlé Consumer Communication Principles' the Company abides by all regulations to ensure freedom of choice and free competition while promoting and selling its products. The Company ensures that all claims including nutrient contents, fortification and nutrition claims have a sound basis, comply with applicable legislation and are easily understood by consumers.

The Company is a member of the Advertising Standards Council of India (ASCI), a self-regulatory voluntary organisation of the advertising industry, and all consumer communication complies with the ASCI Code of Conduct in advertising, and prevailing guidelines on food and nutrition claims in India.

The Company is a signatory to the India Pledge, and is committed to changing food and beverage advertising on television, print, radio and social media to children under the age of 12 years in India.

Since 2011, Nestlé Group was included in the FTSE4Good responsible investment index, the only index in the world that includes strict criteria on the marketing of breast milk substitutes.

"Get Healthy Delhi"- Consumer Education Programme



During 2013, Nestlé sponsored "Get Healthy Delhi" a daily editorial based comprehensive 12 week consumer education programme to help consumers adopt healthier lifestyles. The programme was in partnership with Hindustan Times, a leading National newspaper and aimed at imparting nutrition, health and fitness related information to the readers.

As a part of the editorial feature everyday, the content was focused on Nutrition, Health and Wellness including daily diet and fitness plans; wellness stories on healthy foods, diet and nutrition tips; nutrition facts and myths; Q&A with experts; and profiles of real people who have made successful transformations in their lives.

The programme generated quite a buzz among the consumers and was very well received:

- More than 400,000 people pledged to lead healthier life on the specially developed microsite.
- Many queries related to nutrition, health and fitness by the consumers both to the publication and on Nestlé India page were received and replied appropriately.

- Various “face offs” were conducted between families, college students and corporates who were competing to be healthier.

(D) Consumer Grievance Handling

Consumer trust and satisfaction is paramount to the Company. For the purpose of addressing any consumer issue, there is a dedicated Complaint Redressal Team which acts as a one point interface between the Company and its consumers. Consumer complaints are promptly dealt with in accordance with an established procedure.

For easy access, details of Nestlé Consumer Services’ touch points (i.e. Nestlé helpline number, e-mail address and postal address) are available on all packs.

During 2013, all complaints received were resolved except for one case pending for decision before the Consumer Forum.

(E) Packaging Environmental Sustainability (PES)

The Company’s quality procedures for product design, manufacturing and packaging ensure that high quality products are dispatched to the market for sale. To demonstrate the Company’s commitment towards reduction of environmental footprint of its packaging materials, the Company incorporates labelling as per the Nestlé Policy on Environmental Sustainability and its guidelines on Packaging and Design, IS 14534:1998 (Guidelines for Recycling Plastics) and Plastic Waste (Management and Handling) Rules, 2011. The Company’s labelling includes identification of the type of material so as to determine recyclability, anti-litter and recycle logos on products to remind consumers to dispose in a safe and environment friendly way, and compostable logos for proper marking as per IS/ISO 17088:2008 titled as specifications for compostable plastics.

(2.2.5) Principles-in-Action

India is the world’s largest producer of milk, spices, pulses and tea. The Company is aware of the need

and opportunity to source more raw materials locally and has a dedicated Supplier Development Team. The Team’s objectives includes less reliance on imports, supporting sustainable quality and addressing food safety issues, and creating a wider, more flexible supply base. In 2012-2013, the Company technically assisted more than 60 suppliers and also added 18 new suppliers, developed 14 alternate suppliers and localised 6 raw materials. The Company also works closely with suppliers to close safety and quality gaps and assist in the building of infrastructure and access to better technology. Some of the specific initiatives are detailed below:

(A) Coffee



The NESCAFÉ Plan is a Global initiative of the Nestlé Group, which was rolled out by the Company in 2012 with the inauguration of a Coffee demonstration farm in Coorg. This first coffee ‘demonstration’ farm is intended to help farmers improve the quality, productivity and sustainability of their crops. Through the demonstration farm assistance is provided to coffee farmers to develop their agricultural practices. Under the Plan, the Company also conducts ‘NESCAFÉ Better Farming Practices’ for coffee farmers with focus on environment preservation, waste management and soil testing facility to improve quality and

productivity. The Company also support farmers in conducting assessments and obtaining certification from the Common Code for the Coffee Community (4C Association). In 2012, the Company established three 4C units at Kushalnagar, Kalpetta and Mudigere. As part of the Key Performance Indicators (KPIs) for 2013, the activities under the NESCAFÉ Plan benefitted over 1700 farmers under various initiatives such as providing training on NESCAFÉ Better Farming Practices, soil testing / recommendations and medical check-up facilities. Some of the testimonials from local farmers are hereunder:

"NESCAFÉ Better Farming Practices training sessions is a complete package of solutions to all the issues that coffee farming community have been facing in India. We greatly appreciate the efforts of Nestlé India for all their initiatives under the NESCAFÉ Plan and look forward for their continued support in the coming years."

-Mr. Harish, 4C Farmer, Kushalnagar Unit

"I used to apply fertilizers without soil testing from many years but after attending the NESCAFÉ Better Farming Practices training sessions, I realized the importance of soil testing. Due to increase in fertilizer prices in recent years, I was worried about fertilizer application. With Nestlé soil testing report, I was able to understand the requirement of exact quantity of fertilizer to apply to coffee plants. I am very thankful to the Nestlé Agronomist for educating and providing the soil testing report. We appreciate the efforts and hard work made by Nestlé in educating the coffee community."

-Mr. Balakrishnan KV, 4C Farmer, Kalpetta Unit

(B) Palm Oil

Nestlé Group became a member of the Roundtable on Sustainable Palm Oil (RSPO) in 2009, which has developed Principles and Criteria for sustainable palm oil production. In order to

increase traceability in the supply chain, The Forest Trust (TFT) conducted an upstream mapping for palm oil in India during 2012, to ensure palm oil is sourced responsibly. During 2013, the procurement of palm oil has been covered under Green Palm Certificate Programme. The Company aims to procure 100% RSPO certified sustainable palm oil.

(C) Milk

The Company collects fresh milk from around 110,000 milk farmers through various Milk Collection Centres. In addition to fresh milk collection, the Company supports dairy farm development through financial assistance, technical assistance regarding good feeding and breeding practices for cattle, mechanisation of dairy farms and veterinary services; promotes sustainable agricultural practices and farmer training and education. The Agricultural Services team at the Moga factory of the Company consists of 34 veterinary doctors. During 2013, the agri-services team of the Company provided support to over 57000 farmers and organised 37 veterinary camps which helped in providing services such as medicines at no profit no loss, milking machines, artificial insemination and nutritious cattle feed.

(D) Chicory

For the Company's requirements of chicory for the coffee blends, it has been using its farmer – supplier – model to locally source chicory. Through this model, the Company has



extensively worked with suppliers by providing them support and assistance to in turn help small farmers in improving chicory quality and productivity. The Company has developed areas in the State of Uttar Pradesh which now contributes significant part of Nestlé's chicory supplies. In 2005, the Company took initiatives to develop new areas in the State of Punjab for chicory cultivation which resulted in over 1,000 tons chicory production. With these initiatives, the Company has helped Nestlé Group's other markets in the chicory procurement from India and at the same time improving Indian quality through supplier development inputs and local innovation. During the year 2013, with the Company's support one of the suppliers has installed chicory extraction plant of 30 TPD in the village Etah in the State of Uttar Pradesh.

(2.3) Employees

Since its inception, Nestlé's business practices have been governed by integrity, honesty, fair dealing and full compliance with all applicable laws. At the same time, the Company safeguards the employees' rights, values their cultural, social diversity and ensures safety and health at the workplace. As on 31st December 2013, the Company employed 7,159 permanent employees. Around 51.8% of the Company's permanent employees across locations are covered under collective bargaining agreements with respective employee unions. The Company's management encourages a two way dialogue with employees beyond traditional aspects of collective bargaining in order to share knowledge and to jointly find opportunities related to important matters such as Creating Shared Value, health and safety at the workplace and environment. Contract employees across all factories of the Company constitute around 46% of the total workforce. None of the permanent employees are with any disability.

The mission of the HR Managers and their teams is to provide professional guidance to line managers to deliver superior business results by optimising performance of people, while ensuring good working conditions.

All employees of the Company are committed to following the principles and values prescribed in the 'The Nestlé India Code of Business Conduct' and demonstrate the highest levels of honesty and integrity in their decisions, discharge of duty and people development activities.

(2.3.1) Ethics and Regulatory Compliance

All employees are required to strictly adhere to the compliance of all applicable laws. The Company strongly opposes child labour of all kinds and adheres to the eight fundamental conventions of the International Labour Organisation.

The Company provides training to employees on Nestlé Corporate Business Principles, Nestlé India Code of Business Conduct and specific trainings on anti-corruption, competition laws with a stronger focus on those working in high-risk areas.

During 2013, five complaints in the category of child labour / forced labour / involuntary labour / discriminatory employment / sexual harassment were reviewed and resolved at the work place and no complaints were pending as on 31st December, 2013.

(2.3.2) Recruitment Process

The Company's long-term success depends on its capacity to attract, develop and retain the right talent. The Human Resources Policy of the Company is based on principles of mutual respect, trust and transparency, open communication and cooperation. The recruitment process is carried out with transparency, integrity and focus on gender balance and diversity, ensuring that candidates with the right capabilities, academic qualifications and experience are considered.

Nestlé's talent acquisition strategy focuses on hiring significant talent through reputed campuses under different trainee programmes so as to create a talent pipeline within the organisation for the future.

For vacancies at higher levels, the Company's endeavour is to give opportunity to suitable internal talent. The Talent Assessment and Succession Planning Process of the Company helps in assessing the potential of individuals and succession planning.

(2.3.3) Growth Opportunities

The Company encourages and supports employees to inculcate Nestlé Management and Leadership Principles to enable them to take up responsibilities and challenges early in their career. It also encourages employees to evolve through continued and consistent learning and to broaden their horizon, both nationally and internationally regardless of any consideration for origin, race, nationality, gender, religion or age.

(A) Training and Learning



All employees of the Company are systematically encouraged to upgrade their knowledge and skills. The responsibility of identifying learning and training requirements and delivery is shared between employees, their line managers and the Human Resources function.

During the year 2013, around 66% of the Company's total permanent workforce including women employees has undergone skill up gradation programmes to enhance their functional and behavioural skills, apart from the mandatory training programmes on Nestlé culture and values and induction programmes.

(B) Talent Development and Performance Management

A high performance culture supported by differentiated rewards and development is the key to deliver individual and business objectives of the Company. Through process tools and employee trainings the Company seeks to address these requirements.

(2.3.4) Gender Balance and Diversity

The Company is committed to ensuring sustainable conditions for gender balance and a diverse workforce and focused on ensuring career progression for talented women and men through a sound people planning process and ongoing coaching and mentoring.



Project 'Harmony' aims to help the Company to grow stronger through the strength of diversity at the workplace. Currently women employees' form about 7% of the total permanent employee base, and over 14.3% of white collar employee base. During 2013, around 24% of white collar employees hired were women.

The Company has defined policies in place to facilitate greater flexibility in work timings for women employees responsible for childcare, maternity leave and extended maternity leave.

Awareness sessions on gender balance are an integral part of new joinee induction and new manager workshops.

The Company embraces diversity and respects the personal dignity of all employees and strongly condemns discrimination on the basis of origin, nationality, religion, race, gender, age or sexual orientation. The Company does not tolerate any kind of verbal or physical harassment in this regard, and takes appropriate action to ensure a secure work environment.

(2.3.5) Safety at the Workplace

Occupational Health and Safety is of the highest priority and of utmost importance to the Company. The Environment, Health and Safety Management system is certified against OHSAS 18001 and ISO 14001 for all the factories of the Company, with the factory at Tahlilwal set up in 2012 is in the process. During 2011, the Company launched 'Safe by Choice', a safety engagement programme in collaboration with DuPont to improve the safety culture of the Company. The Company's "Safety, Health and Environment Council", chaired by the Managing Director provides a strategic vision



in driving towards excellence in Safety, Health and Environment. During 2013, the Company has taken initiatives with a two year plan to improve the safety of employees and third party transporters on the road to ensure that the basics of road safety are embedded in the culture of the organization. During 2013, the Company has formalized the Health Strategy in order to improve the occupational health and wellbeing of the employees, which will also help improve ergonomics at workplace. The Company also provided regular safety and skill up-gradation trainings to the employees, where required. Across all employee categories, no fatalities were reported.

(2.3.6) Employee Redressal

Nestlé India Code of Business Conduct is the guiding document for ensuring quick Employee Redressal in a fair and just manner.

It encourages employees of the Company to raise their concerns with the concerned line manager or HR Department in case their personal dignity, privacy or personal rights are compromised. It provides that, employees shall report any practices or actions believed to be inappropriate under the Code to their Line Managers or the appropriate members of HR or Legal function. All complaints are properly investigated and appropriate action is taken. The Company also has a Complaint Governance Protocol, under which separate team heads are appointed to handle the complaints received from employees and others for redressal and recommended actions.

Code Ombudsman System

Nestlé India's Code Ombudsman System allows any employee to alert the management through the Ombudsman of potential violation of the Infant Milk Substitutes Feeding Bottles and Infant Foods (Regulation of Production, Supply and Distribution) Act, 1992 and Rules thereunder (IMS Act).

The complaint once registered, is reviewed independently by the Ombudsman and the result is intimated to the employee. Employees can choose to keep their identity confidential, while

filing such a complaint. All employees of the Company are periodically reminded of the Ombudsman System.

During 2013, over 500 employees were provided with specific trainings on the Company's codes and Ombudsman System. No code related complaints were received by the Ombudsman during 2013.

Integrity Reporting System

In July 2013, the Company implemented Integrity Reporting System. An independent third party operated free phone and web based facility for all employees of the Company across all locations. During 2013, no complaints were received by the Company.

(2.3.7) Sexual Harassment Redressal

"Our success is based on our people. We treat each other with respect and dignity and expect everyone to promote a sense of personal responsibility. We recruit competent and motivated people who respect our values, provide equal opportunities for their development and advancement, protect their privacy and do not tolerate any form of harassment or discrimination."

-The Nestlé Corporate Business Principles

In line with the principle stated above, the 'Sexual Harassment Redressal Policy - Guidelines for Nestlé India Limited' intends to ensure that there are no instances of sexual harassment, and in the event of, ensure that adequate procedures are readily available to deal with the problem and prevent its recurrence.

Individual Managers are responsible for ensuring that this Policy is applied within their area. The Policy outlines a detailed mechanism of Grievance Redressal that the employees should follow along with a clear statement that anyone found guilty of harassment after investigation will be subject to immediate and appropriate disciplinary action.

(2.4) Community

It is important that the communities within the Company's sourcing districts and around its

factories are progressing economically and socially. The Company strives to continuously engage with its identified stakeholders. Through Creating Shared Value, the Company aims to bring value to the farmers and suppliers with whom it has been working over decades by providing them training and other assistance, helping them become sustainable in the long run, by promoting education, facilities and resources they do not otherwise have access to. Some of the Company's community welfare programmes are detailed below:

(2.4.1) Rural Development

The Company's approach to rural development aims at ensuring prosperity for farmers and communities while respecting natural capital. The Company works at both farm and community level to help improve yields, safeguard incomes, contribute investment and make a difference to people's quality of life.

Village Women Dairy Development Programme



The Company recognises the important role played by women in dairy farming as the primary caretaker of cattle and therefore has developed an education programme especially for women dairy farmers, the Village Women Dairy Development Programme. The objective of the Programme is to empower village women engaged in dairy farming to improve quality and productivity. Women are educated regarding good feeding and breeding practices for cattle, animal care and treatment, and sustainable agricultural practices. Since the Programme started in 2006, it has reached out to over 58,600 women.

Case Study

Manjinder kaur, 42 years-old is a resident of village Daya Kalan in the Moga district of Punjab (India). She is having about two acres of land in which she grows fodder for cattle. Her family includes her husband and two sons. Since her marriage, she has been simultaneously engaged in the family's agricultural practices along with her household work. There has been a great economic improvement for Manjinder and her family over the past few years, as she has been able to make considerable contribution to the family's income. With the adaptation of best dairy farming practices from Nestlé's initiative - Village Women Dairy Development Programme (VWDDP) on de-worming, animal care and treatment, and good quality feed, Manjinder was able to transform her dairy business. This also resulted in making her an independent woman.

She began with only two cattle initially but now she owns six cattle, which has helped her in increasing the productivity of milk. She is now able to sell 30kgs of milk every day. She along with her husband is also running milk collecting center where they are responsible for procuring more than 1000 litres of milk everyday from nearby villages.

As an additional occupation, she has also started her own biogas plant in which fresh cattle dung is decomposed and through which energy needs of farms as well as household kitchen are easily met. She believes that women can become great entrepreneurs if empowered with right education. She expressed that the programme has positively transformed their lives, bringing happiness and prosperity to their home. Manjinder is quiet passionate and enthusiastic for her profession and would like to continue and explore further opportunities to expand her dairy farming business in the future.

(2.4.2) Nestlé Healthy Kids Programme

The Nestlé Healthy Kids Programme is conducted with the objective to raise Nutrition, Health and Wellness awareness among school age children. The Company conducted an assessment study and a pilot programme in 2009, based on which



the Programme was developed for adolescents aged 13 to 17 years to create awareness regarding good nutrition practices, healthy lifestyles and greater physical activity. After the successful completion of the pilot, the Programme was extended to government schools near all factory locations of the Company.

The Company partnered with the Department of Home Science/Food Science and Nutrition, across six Universities in India - National Dairy Research Institute, G.B. Pant University, Punjab Agricultural University, Goa University, Rajiv Gandhi University of Health Sciences and CSK Himachal Pradesh Agricultural University to leverage this university-industry linkage and provide opportunities to research fellows/post graduate students of Nutrition to conduct the Programme which covers information regarding basic nutritional requirements, good cooking practices, healthy eating habits, hygiene, physical activity and lifestyle diseases. The Programme is conducted over a period of six weeks with two hours of nutrition training each week.

Over 25,000 students across India have received nutrition awareness training. A pre and post knowledge test is also conducted to assess knowledge increment among the students. The Programme is purely to build nutritional knowledge and does not have any reference to Company products.

The Company also in collaboration with the Embassy of Switzerland organised one day nutrition awareness workshops across schools in Delhi (including Kendriya Vidyalaya Sangathan and Amitasha), reaching out to over 1000 students in 2013.

(2.4.3) Nestlé Start Healthy, Stay Healthy

Nestlé Start Healthy, Stay Healthy is an

educational programme for mothers, in partnership with doctors, to give a healthy head start to their babies in the 1st 1000 days. It is the Company's commitment to the 1st 1000 days given its impact on lifelong health of a baby. As part of the Nestlé Start Healthy, Stay Healthy initiative, the Company provide educational material for mothers through doctors regarding nutrition from pregnancy to toddlerhood. The Company also have a dedicated website disseminating the same information to mothers: www.starthealthystayhealthy.in.

Since launch in 2010, Nestlé Start Healthy, Stay Healthy in India has actively advocated breastfeeding to mothers, would-be mothers and Health Care Professionals (HCPs). However, Government statistics indicate 54% infants are not exclusively breastfed till 6 months. Furthermore, for children aged 4-5 months this rate drops to only about 28 percent. These deplorable statistics on breastfeeding and the impact it has on innocent lives in India, is one area that needed to be addressed with a sense of urgency and efficiency.

Mothers in India today seek much more than just the right nourishment for their babies. They wish their babies to reach their best potential and get a head-start in life. The Company therefore created awareness about importance of breastfeeding in 2013. During seven days of this social message campaign, over 5 lakh people took the pledge 'SUPER PLEDGE' to support the cause of breastfeeding.

(2.4.4) Nestlé Nutrition Institute

The Nestlé Nutrition Institute (NNI) disseminates science-based information and education with health professionals, scientists and nutrition communities in order to create awareness on nutrition science and build capabilities amongst the scientific community on Nutrition. In the year 2013, NNI conducted over 1080 scientific projects on a variety of nutrition topics, contributing to over 62,000 hours of nutrition education and knowledge sharing activities.

(2.4.5) Clean Drinking Water Project

The Company constructs Clean Drinking Water



Projects in government schools to provide access to clean drinking water in rural areas. After identifying the need, water wells are drilled and storage tanks are constructed. The water tanks source water from below 150 feet for access to purer and safer water as compared to traditional hand pumps. The water is stored in food grade plastic water tanks enclosed in a specially designed facility, with nine inches of sand to preserve water quality. An eight-sided water tank, with eight taps is constructed to ensure a large number of available outlets which reduce waiting time. 'Water committees' are set up in schools to involve students in the upkeep of the project, water samples are tested periodically for potability and the Company ensures regular maintenance and repairs. So far, 185 projects have been built, benefitting over 79,000 students.

"The younger children require more care and extra hygiene conditions which have been so thoughtfully provided by Nestlé India in the school. Clean Drinking Water facility has proved very beneficial to these children and helped greatly in regularising attendance."



Rodrigues, Teacher, Government High School, Goa

(2.4.6) Water Awareness Programme for Students

The Water Awareness Programme is conducted for students from factory communities where Clean



Drinking Water Projects have been built. The Programme aims to create awareness among students regarding water conservation and protection of water resources to ensure responsible use of water. With the help of posters, students are taught about the availability of water, ground water depletion, major users of water, water quality and safe storage and water conservation in the farm and at home. Water saving and purifying demos, such as the Drip method, Solar Water Disinfection Process and Rain water harvesting models are also demonstrated to increase understanding. The programme has reached out to over 32,000 students.

(2.4.7) Sanitation Projects for Girl Students



As a result of surveys carried out by the Company in rural areas, lack of sanitation facilities was found to be one of the most important reasons for discouraging girls from attending school. In an effort to promote the UN Millenium Development Goals of Universal Primary Education and to ensure availability of sanitation facilities, the Company constructed sanitation facilities for girl students in village schools. Through this endeavour it hopes to reduce the dropout rate among girl students. So far the Company has built about 48

sanitation facilities across India benefitting over 18,500 girl students.

"Nestlé India Limited has provided us with a sanitation facility in our school and it is beneficial to all the school students especially the girl students. Prior to this facility, there was only one toilet block in our school and we had to stand in a queue for a long time."



-Manasi Naik - Student, High School, Bicholim

(2.4.8) Creating Shared Value Impact

The Foundation Strategy Group, a non profit consulting firm is among the founding members of the 'Creating Shared Value' strategy and in their report 'Measuring Shared Value' discuss the ways in which companies can create value by reconceiving products and markets, redefining productivity in the value chain and enabling cluster development. The study showcases the Company's efforts in the milk district of Rajasthan, through establishment of milk collection centres, agriculture and veterinary services and assured purchase for farmers ensuring regular income thereby enabling cluster development in the region.

It also focuses on the Company's method of measuring progress through proxy indicators, which is done on a day to day basis by its veterinarians through regular farm visits, cattle health and increase in volume and quality of milk among other indicators. These measurement indicators offer data and insights in linking business and social results and shared value created for both.

The Company's Moga factory was set up in 1961 and comprises of the primary milk collection area for its operations. Since its inception in Moga, the Company has been working with milk farmers and ancillary suppliers towards improving quality and productivity.

The Third World Centre for Water Management, a knowledge based, application oriented think tank based in Mexico, conducted a study in the Moga region to assess the impact of the

Company's Moga factory on the surrounding area. The study was conducted by a team of specialists including Professor. Asit K. Biswas, President, Third World Centre for Water Management.

The study consisted of a field study where the team interviewed suppliers, academicians from the local agricultural University, government officials and politicians, Nestlé factory staff and over 200 milk farmers.

The study highlights the Company's way of doing business through its philosophy of Creating Shared Value and how it contributed to the development of the region through direct and indirect employment, steady income for milk and other suppliers along with technology transfer.

The study also mentions that in addition to Moga factory directly employing around 2,400 persons, the Company provides employment to around 86,370 persons, through its 147 main suppliers only on Nestlé - related economic activities. Punjab's contribution to India's milk production has been 10.5% with only 3% of the dairy population. Milk procurement by the Company reached to the tune of 375,000 tonnes in 2012.

During 2013, a book on "Creating Shared Value: Impacts of Nestlé in Moga, India" has been published by Springer International Publishing. The authors of this book comprise of Professor Asit K. Biswas, Cecilia Tortajada, Andrea Biswas-Tortajada, Yugal K. Joshi and Aishvarya Gupta. This definitive book is further enriched by a foreword by Professor Michael Porter of Harvard Business School.

Overall the Company has contributed to the social and economic development of the region over the last 50 years of its presence and has been fully integrated in the social, cultural and economic life of Moga. It has quickly responded to immediate and long-term needs that strengthen the links between the Company and the community within which it operates.

Business Responsibility Report Index

Sr. No.	Section A: General Information about the Company	
1	Corporate Identity Number (CIN) of the Company	L15202DL1959PLC003786
2	Name of the Company	Nestlé India Limited
3	Registered address	M-5A Connaught Circus, New Delhi-110001
4	Website	www.nestle.in
5	E-mail id	investor@in.nestle.com
6	Financial Year reported	31-12-2013
7	Sector(s) that the Company is engaged in (industrial activity code-wise)	Food Processing Industry (covered under various codes as specified under NIC 1987 covering food products)
8	List three key products/services that the Company manufactures/provides (as in balance sheet)	1. Preparations for infant use (ITC Code: 19.01.0000) 2. Noodles (ITC Code: 19.02.0000) 3. Soluble Coffees, Coffee blends and Tea (ITC Code: 21.01.0000)
9	Total number of locations where business activity is undertaken by the Company :	Please also refer to Corporate Information page
	i. Number of International Locations (Provide details of major 5)	Russia, Turkey, Bangladesh, Egypt and Canada
	ii. Number of National Locations	8 Manufacturing locations, 4 sales branches, Head office and nation-wide sales and distribution network
10	Markets served by the Company – Local/State/National/International	All India and over 35 international markets

Sr. No.	Section B: Financial Details of the Company	₹ in Millions
1	Paid up Capital	964.16
2	Total Turnover	90,619.0
3	Total profit after taxes	11,171.3
4	Total Spending on Corporate Social Responsibility (CSR) as percentage of profit after tax (%)	2.14% (Based on broad estimates)
5	List of activities in which expenditure in 4 above has been incurred:-	The list of activities for which expenditure has been incurred includes:
		a) Improving Water Access and Sustainability
		b) Nutrition Awareness including Nestlé Start Healthy, Stay Healthy initiatives
		c) Rural Development initiatives
		d) Sanitation Projects

Sr. No.	Section C: Other Details	
1	Does the Company have any Subsidiary Company/ Companies?	No
2	Do the Subsidiary Company/Companies participate in the BR Initiatives of the parent company? If yes, then indicate the number of such subsidiary company(s)	Not Applicable
3	Do any other entity/entities (e.g. suppliers, distributors etc.) that the Company does business with, participate in the BR initiatives of the Company? If yes, then indicate the percentage of such entity/entities? [Less than 30%, 30-60%, More than 60%]	The Company participates in the BR initiatives with the participating stakeholders such as farmers, suppliers and distributors.

Sr. No.	Section D: BR Information	
1	Details of Director/Directors responsible for BR	
a)	Details of the Director/Director responsible for implementation of the BR policy/policies	
	• DIN Number	06546858
	• Name	Mr. Aristides Protonotarios
	• Designation	Director-Technical
b)	Details of the BR head	
	DIN Number (if applicable)	Not Applicable
	Name	Mr. Sanjay Khajuria
	Designation	Senior Vice President-Corporate Affairs
	Telephone number	+91-124-3940000
	e-mail id	creatingsharedvalue.in@in.nestle.com

2	Principle-wise (as per NVGs) BR Policy/policies (Reply in Y/N)									
Sr. No.	Questions	P 1	P 2	P 3	P 4	P 5	P 6	P 7	P 8	P 9
1	Do you have policy/policies for....	Y	Y	Y	Y	Y	Y	Y	Y	Y
2	Has the policy being formulated in consultation with the relevant stakeholders?	Y	Y	Y	Y	Y	Y	Y	Y	Y
3	Does the policy conform to any national /international standards? If yes, specify?@	Y	Y	Y	Y	Y	Y	Y	Y	Y
4	Has the policy being approved by the Board? Is yes, has it been signed by MD/owner/CEO/ appropriate Board Director?	Y	Y	Y	Y	Y	Y	Y	Y	Y

2	Principle-wise (as per NVGs) BR Policy/policies (Reply in Y/N)									
Sr. No.	Questions	P 1	P 2	P 3	P 4	P 5	P 6	P 7	P 8	P 9
5	Does the company have a specified committee of the Board/ Director/Official to oversee the implementation of the policy?	Y	Y	Y	Y	Y	Y	Y	Y	Y
6	Indicate the link for the policy to be viewed online.*	Y	Y	Y	Y	Y	Y	Y	Y	Y
7	Has the policy been formally communicated to all relevant internal and external stakeholders?	Y	Y	Y	Y	Y	Y	Y	Y	Y
8	Does the company have in-house structure to implement the policy/policies?	Y	Y	Y	Y	Y	Y	Y	Y	Y
9	Does the Company have a grievance redressal mechanism related to the policy/policies to address stakeholders' grievances related to the policy/policies?	Y	Y	Y	Y	Y	Y	Y	Y	Y
10	Has the company carried out independent audit/evaluation of the working of this policy by an internal or external agency?	N	N	N	N	N	N	N	N	N

2a.	If answer to S.No. 1 against any principle, is 'No', please explain why: (Tick up to 2 options)	Not Applicable
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@ The Policies have been derived and adopted from the Nestlé Global policies and are aligned as per local requirements to safeguard the interests of all its stakeholders.

* Notes 1 to 9 corresponding to Principles 1 to 9

Principle 1

1. <http://www.nestle.in/investors>
2. http://www.nestle.com/assetlibrary/documents/library/documents/corporate_social_responsibility/nestle_corporate_business_principles__us_english.pdf
3. <http://www.nestle.com/csv/human-rights-compliance/anti-corruption>
4. http://www.nestle.in/investors/documents/nestle_india_code_of_business_conduct_.pdf

Principle 2

1. <http://www.nestle.com/aboutus/suppliers>
2. <http://www.nestle.com/aboutus/quality-and-safety>
3. http://www.nestle.com/assetlibrary/Documents/Creating%20Shared%20Value/Rural_development/2011_Palm-oil-Nestle-Responsible-Sourcing-Guidelines.pdf
4. <http://www.nestle.com/csv/environmental-sustainability/climate-change>

5. http://www.nestle.com/assetlibrary/documents/media/statements/2011nestle_commitments_on_deforestation_forest_stewardship.pdf
6. <http://www.nestle.com/csv/responsible-sourcing/coffee>
7. <http://www.nestle.com/asset-library/documents/library/documents/suppliers/supplier-code-english.pdf>
8. <http://www.nestle.com/csv/responsible-sourcing>
9. <http://www.nestle.com/csv/rural-development/managing-rural-development>

Principle 3

1. http://www.nestle.com/asset-library/documents/library/documents/about_us/policy-on-safety-and-health-at-work.pdf
2. <http://www.nestle.com/assetlibrary/documents/library/documents/people/management-leadership-principles-en.pdf>
3. <http://www.nestle.com/AssetLibrary/Documents/Library/Documents/People/Employee-relations-policy-EN.pdf>
4. http://www.nestle.com/assetlibrary/documents/jobs/the_nestle_hr_policy_pdf_2012.pdf

Principle 4

1. <http://www.nestle.com/csv/water/public-policy>
2. <http://www.nestle.com/csv/nestle/stakeholder-engagement>
3. <http://www.nestle.in/csv/saanjhapan>

Principle 5

1. <http://www.nestle.com/csv/human-rights-compliance>
2. <http://www.nestle.com/media/newsandfeatures/human-rights-white-paper>

Principle 6

1. http://www.nestle.com/assetlibrary/documents/library/documents/environmental_sustainability/water-management-report-mar2007-en.pdf
2. http://www.nestle.com/assetlibrary/documents/library/documents/environmental_sustainability/nestl%C3%A9%20policy%20on%20environmental%20sustainability.pdf

Principle 7

1. http://www.nestle.com/assetlibrary/Documents/Library/Documents/Corporate_Social_Responsibility/The_Nestl%C3%A9_Policy_on_transparent_interaction_wirh_authorities_and%20organisations.pdf
2. <http://www.nestle.com/csv/water/public-policy>
3. <http://www.nestle.com/csv/nestle/partnerships-alliances>

Principle 8

1. <http://www.nestle.com/assetlibrary/documents/library/documents/people/management-leadership-principles-en.pdf>

Principle 9

1. [1. http://www.nestle.com/assetlibrary/documents/library/documents/about_us/communication-principles.pdf](http://www.nestle.com/assetlibrary/documents/library/documents/about_us/communication-principles.pdf)
2. <http://www.nestle.in/nhw/understanding-food-labels>
3. http://www.nestle.com/assetlibrary/Documents/Creating%20Shared%20Value/Nutrition/Nestle_Policy_WHO_Code_EN_2011.pdf

3. Governance related to BR		
1	Indicate the frequency with which the Board of Directors, Committee of the Board or CEO to assess the BR performance of the Company. Within 3 months, 3-6 months, Annually, More than 1 year.	The Board/Committee will review the BR performance atleast annually.
2	Does the Company publish a BR or a Sustainability Report? What is the hyperlink for viewing this report? How frequently it is published?	Yes, The BRR 2013 is part of the Annual Report, which is available on the website of the Company.

Sr. No.	Section E: Principle-wise performance		
Principles/Particulars		Reference	Page No.
Principle 1 - Ethics, Transparency and Accountability			
1.	Policy relating to ethics, bribery and corruption and its coverage.	BRR	80,81
2.	Details of stakeholder complaints, if any.	BRR	80,81
Principle 2 - Product Life Cycle Sustainability			
1.	Details of products whose design/labels incorporate social or environmental concerns, risks and/or opportunities.	BRR	83,84,86
2.	Details in respect of reduction of usage of resources such as energy, water, raw materials.	BRR/AR	81,82/73, 74,75,76
3.	Procedure adopted for sustainable sourcing and percentage of inputs sourced sustainably.	BRR	84,85, 86,87
4.	Procurement of goods and services from local and small producers, including communities surrounding its area of operations and steps taken to improve their capacity and capability.	BRR	84,85, 86,87
5.	Product and Waste recycling mechanism.	BRR/AR	81,82/73,74
Principle 3 - Employees' Well Being			
1.	Details of employees- permanent/contractual/women employees and permanent employees with disabilities.	BRR	88,89
2.	Employee association/s recognized by management.	BRR	88
3.	Membership of permanent employees of the recognized employee association/s.	BRR	88
4.	Details of complaints relating to child labour, forced labour, involuntary labour and sexual harassment.	BRR	88,90
5.	Safety and skill up-gradation training provided to the employees.	BRR	89
Principle 4 - Stakeholders Engagement			
1.	Stakeholders mapping.	BRR	78,79
2.	Identification of the disadvantaged, vulnerable and marginalized stakeholders.	BRR	78,79, 90,91
3.	Initiatives taken by the Company to engage with the disadvantaged, vulnerable and marginalized stakeholders.	BRR	86,87,88,91, 92,93,94

Principle 5 - Human Rights			
1.	Policy on human rights and its coverage.	BRR	80,81
2.	Details of stakeholder complaints, if any.	BRR	81
Principle 6 - Environment			
1.	Policy on environment sustainability and its coverage.	BRR	81,82
2.	Initiatives taken to address global environmental issues such as climate change, global warming, etc.	BRR	82
3.	Identification and assessment of potential environmental risks.	BRR	81,82
4.	Details of projects related to Clean Development Mechanism.	AR	73,74
5.	Initiatives undertaken on clean technology, energy efficiency, renewable energy, etc.	AR	73,74
6.	Compliance with the applicable Emissions/Waste generation norms.	BRR	82
7.	Show cause/ legal notices, if any, received from concerned pollution control authorities.	BRR	82
Principle 7 - Policy Advocacy			
1.	Membership of trade and chamber or association.	BRR	81
2.	Policy advocacy through above associations for the advancement or improvement of public good.	BRR	81
Principle 8 - Inclusive Growth			
1.	Specified programmes/initiatives/projects in pursuit of the policy related to inclusive growth and equitable development.	BRR	86,87,88, 91,92,93,94
2.	Details of programmes/projects undertaken in-house and/or through third parties.	BRR	86,87,91 92,93,94
3.	Impact assessment of programme/initiative undertaken.	BRR	94
4.	Company's contribution to community development programme/projects, in monetary terms.	BRR	95
5.	Steps taken to ensure successful adoption of the development initiatives by the community.	BRR	86,87,94
Principle 9 - Customer/Consumer Value			
1.	Details of customer complaints/consumer cases, if any.	BRR	86
2.	Displaying of product related information on the product label, over and above mandated by applicable laws.	BRR	84,85,86
3.	Details of cases, if any, filed by any stakeholder against the Company regarding unfair trade practices, irresponsible advertising and/or anti-competitive behaviour.	BRR	81
4.	Details of consumer survey/ consumer satisfaction trends.	BRR	83

Legends: BRR- Business Responsibility Report, AR- Annual Report



#ShareYourGoodness

At Nestlé we believe when goodness is shared over food, life smiles.

That's why we pack goodness in all that we do.



Good Food, Good Life