



Nestlé India Limited • Annual Report 2012





The Board of Directors of Nestlé India

L to R

Ravinder Narain
Non Executive
Director

Swati A. Piramal
Non Executive
Director

AK Mahindra
Non Executive
Director

Antonio Hefio Waszyk
Chairman &
Managing Director

B. Muzli
SVP Legal &
Company Secretary

Michael W.O. Garrett
Non Executive
Director

Christian Schmid
Director-Technical

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.

**Nestlé India has always had a strong Board of Directors with
eminent professionals who are regarded and valued for their
experience, values, expertise and independent views.**

Tejendra Khanna, I.A.S (Retd.)
Hon'ble Lt. Governor of Delhi
Board Member and Chairman of Audit Committee
(October 2000 to April 2007)

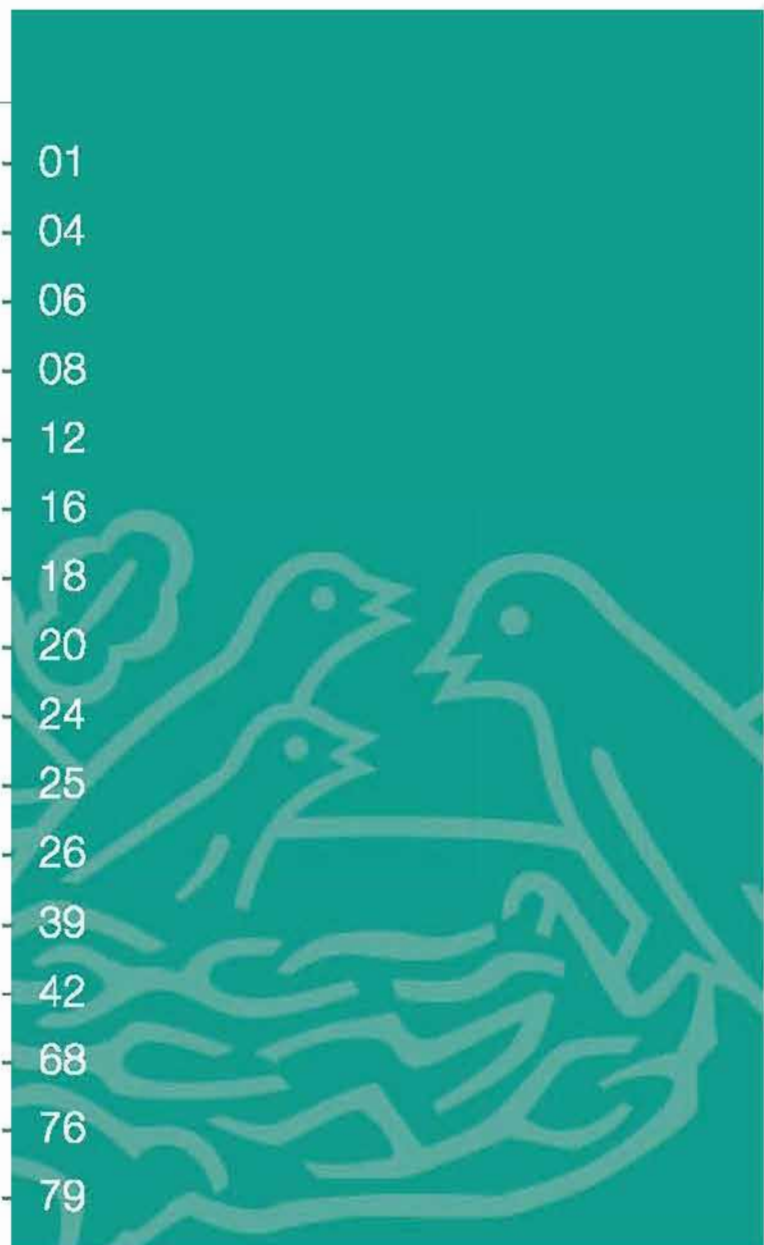
Rakesh Mohan
Executive Director IMF
Board Member
(April 2010 to October 2012)

Rajendra S Pawar
Chairman and co-founder of the NIIT Group,
Founder NIIT University
Board Member and Member of Audit Committee
(October 2001 to April 2010)

Pradip Baijal, I.A.S (Retd.)
Management Consultant
Board Member and Chairman Audit Committee
(July 2007 to April 2011)

CONTENT

Nestlé S.A. and India	01
Message to Shareholders	04
Nutrition, Health & Wellness	06
Deeper Insights, Bigger Innovations	08
Sharpening Consumer Connect	12
Thinking Ahead	16
Capacity for Emerging Demands	18
Creating Shared Value	20
Responsible Operations	24
Corporate Information	25
Directors' Report	26
Auditors' Report	39
Annual Accounts	42
Annexure-1 to The Directors' Report	68
Annexure-2 to The Directors' Report	76
Annexure-3: Business Responsibility Report	79





Nestlé S.A.
and India:
Stronger Bonds

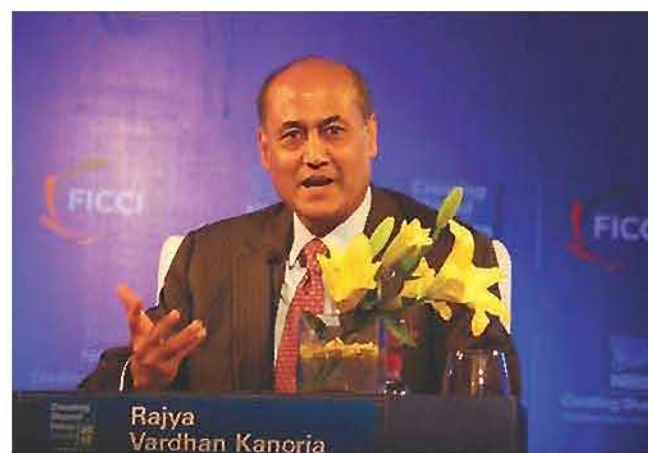


Nestlé S.A. and India: Stronger Bonds



Global forum on 'Creating Shared Value' organised in India

As a global company Nestlé has a strong interest in international development issues and recently organised the 'Creating Shared Value' global forum at New Delhi. Nestlé's first such forum in an emerging market was co-hosted with FICCI and focused on 'The role of business in development'. Leaders from business, civil society and Government discussed how they could work together to accelerate sustainable development.



India added to Nestlé S.A. R&D Network

“ R&D India will work closely with our other R&D facilities across the world, contributing to our existing knowledge base, and providing new opportunities for innovation and for the growth of our business. ”

Johannes Baensch
Nestlé's Global Head
of Research and Development

“ Our R&D centre in India will help us gain important insights into local consumers' eating habits and taste preferences, as well as greater expertise in using and processing local ingredients to develop products for India and beyond. ”

Paul Bulcke
CEO, Nestlé S.A.





Nestlé



Dear Shareholders,

Recent years have been characterised by events ranging from dramatic to the unprecedented. There are new challenges and there are new opportunities. What is different today is the speed and unpredictability of change, whether for the new challenges or the new opportunities. Today more than ever before if companies are to succeed they need to understand the changing context in which they are operating. This is the New Reality.

2012 was tough and we started the year with caution because we knew that the business environment was changing. During the year as the economy continued to slow down for various reasons we continued to grow but we also critically examined our business to seek the change we needed to initiate. In order to be stronger and faster in the future and continue being the leader in the New Reality we have initiated actions to better align ourselves internally and externally. The short term 'quarter on quarter' performance has been achieved even while we have been transforming.

The year has been memorable for several other good reasons that put India more firmly on the global radar. In November two very high impact events took place. Nestlé S.A. collaborated with FICCI to organise its International Summit on Creating Shared Value for the first time in an emerging economy and it was successfully organised in India. The second event that put India on the global map was the inauguration of Nestlé S.A.'s first R&D Centre in India. Both events are strategically important and reflect the increasing importance that India now commands. They also reinforce the foundation of our leadership in the new Reality and will strengthen our ability to continue providing 'Good Food, Good Life'.



Antonio Helio Waszyk
Chairman & Managing Director



Good Food, Good Life...

is the promise we commit to everyday,
everywhere - to enhance lives, throughout
life, with good food and beverages.



Understanding

The Nestlé Nutritional Compass provides clear, transparent and factual nutrition information about our products. We help consumers understand how various foods fit into a healthy diet and lifestyle.

Also, throughout our communication we encourage moderation, healthy eating habits and physical activities and do not undermine the authority of parents in deciding what is best for their children's nutrition.

Balance

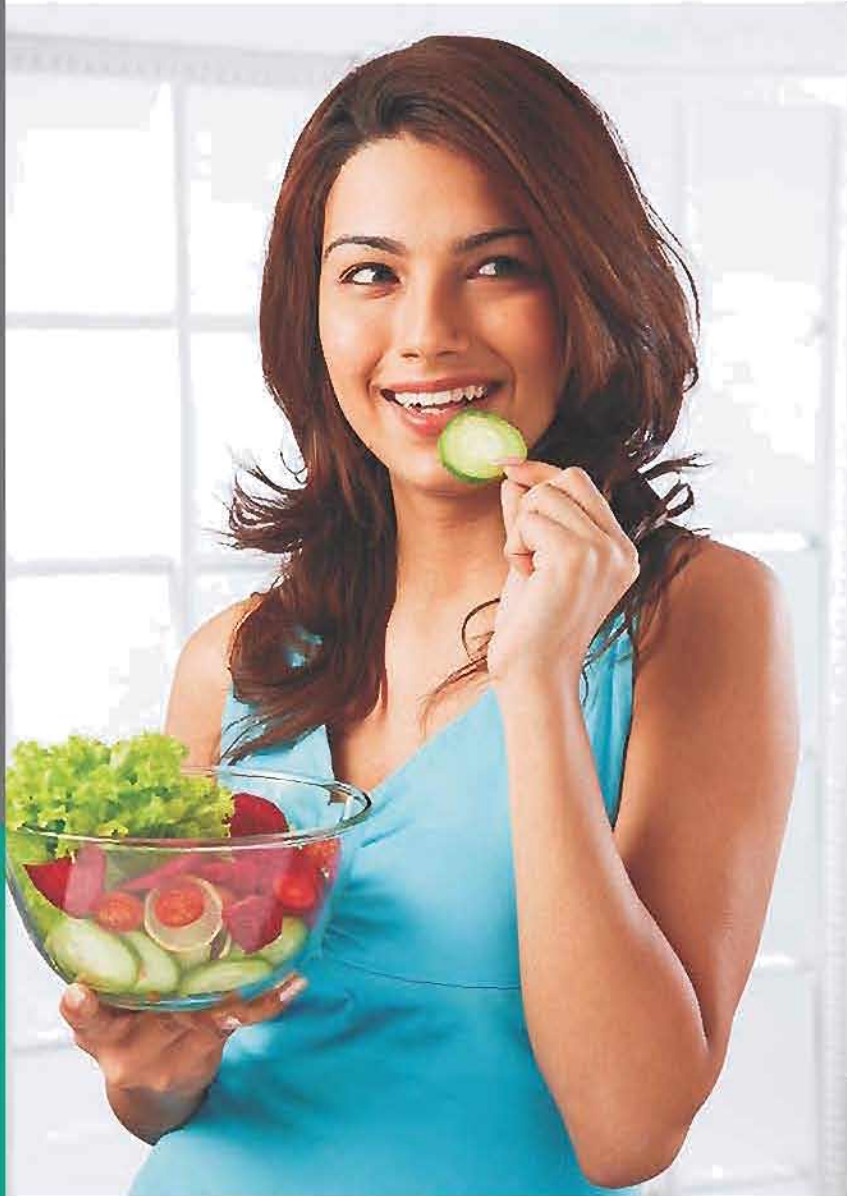
Variety adds to the pleasure of food. A healthy lifestyle requires a responsible choice of varied, enjoyable and tasty foods combined with physical exercise. There are no bad foods, whether sweet or savory, fresh or frozen, it is all about healthy choices and balance.

Nestlé is uniquely placed to deliver variety and our product range is designed to include several options for every moment of the day and for all family members.

Pleasure

Food is a source of pleasure and nutrition, and consumers want both taste and health. We have comprehensive policies that help us to systematically reduce public health sensitive ingredients while providing superior taste and pleasure. Our unique 60/40+ initiative ensures that all our products meet rigorous standards and consumer preferences.





Insights

- ☑ The nutrition that the child receives in first 1000 days has a direct impact on later stages of life
- ☑ The micronutrients that the Indian population is most deficient in are Iron, Iodine & Vitamin A
- ☑ Taking a KITKAT Break help you notice something good which you might have otherwise missed
- ☑ Good makes Good

The ability to provide Good Food, Good Life demands insights into consumers' unique needs and preferences that not only vary enormously but are constantly evolving. The insights can range from what drives food choice in the supermarket to the social aspects of eating.

Many in the younger generation today are facing busier lifestyles, are continuously on-the-go, and need products which offer Taste, Nutrition and Convenience

With changing lifestyles, responsibilities are increasing and mothers and housewives want to reduce their time in the kitchen, but without compromising on their role as providers of tasty and wholesome food for their family's wellbeing

Preparing the base/gravy is at the heart of our Indian cooking but for this, cutting and chopping of onions, tomatoes, ginger and garlic, and the slow process of roasting or 'bhunana' to get the right colour and taste, takes a lot of time

The consumption process of packaged soups starts from the moment the pack is picked up for preparation, and sight, sound, smell, feel and taste all contribute to the enjoyment and relaxation

New MAGGI Healthy Soups have been developed with Nestlé R&D's new granulation technology to deliver a multi-sensorial experience appealing to all the five senses of hearing, sight, touch, smell and taste. They delight the housewife from the moment she picks up the pack and hears the soothing rustle of the granules, opens the pack to see the colourful real vegetables, smells the appetising aroma while cooking and tastes the soup.





'Baby and Me' is a nutritional supplement for pregnant women and lactating mothers. It contains a combination of nutrients that provide them the nutritional benefits and support for balanced nutrition.



India's population, especially amongst the lower income families are very deficient in Iron, Iodine and Vitamin A. **Masala-ae-Magic** developed by Nestlé is an affordable seasoning mix that can be used across different cuisines in India and is specifically fortified with Iron, Iodine and Vitamin A.



RESOURCE is specially formulated for the management of malnutrition and other medical conditions associated with increased nutritional needs. E.g. **RESOURCE Diabetic** is a ready-to-use fibre rich diet for better nutritional management of diabetics.



MUNCH Rollz was developed using Nestlé's unique extrusion based technology. The ingenious new shape, extremely crunchy cover and a burst of yummy caramel in each bite has made it an instant hit.

When insights showed that consumers are willing to start experimenting with dark chocolate taste, the unique, first of its kind dark chocolate moulded wafer KITKAT Dark was launched.



NESCAFÉ - the world's favourite instant coffee brand created a range of delicious foaming mixes for rich coffee taste and delicious froth - Cappuccino, Vanilla Latte and Choco Mocha.

POLO Fashion flavours is magic, created by Nestlé and fashion designer Wendell Rodricks. Bold Holes and exciting new flavours are meant for showing off your funky fashionable side.



Sharper Consumer Connect



With its powerful brand communication backed with unique idea of depicting 'Break', KITKAT has made its presence felt across digital media namely YouTube and facebook. Netizens are delightfully taking a break and endorsing the brand!

The KITKAT Dancing Babies TV commercial zooms in popularity.

Over 3 million views on YouTube Highest ever in the FMCG category.





MAGGI 2-MINUTE Noodles is one of the largest & most loved food brands in India. And the love continues to grow with millions fans on facebook and YouTube. 'Share you Story and get Famous' has gained momentum on digital media.

The Meri MAGGI page is the largest MAGGI facebook community with **Over 1.2 million** fans and very high engagement.





NESCAFÉ.

As perfect starter of the day, millions are switching on their morning with NESCAFÉ. The 'switch on your morning' campaign has created buzz on digital media with noted musicians playing the morning band.

'Know your neighbours' is the largest NESCAFÉ facebook community in the world with Over 2.2 million fans.





The MILKMAID Sweet Moments page on **facebook** has created **one of the most** engaged communities around Desserts and Dessert Recipes.



The MILKMAID sweet moments are being cherished by thousands of fans on facebook and YouTube. Fans are exchanging ideas and creating mouth watering recipes everyday with MILKMAID. The sweet moments are there to last.



GOOD makes GOOD

Carefully selected milk



Stringent quality checks



State of the art processing



For your a+ family



“ Every day, millions of people all over the world show their confidence in us by choosing Nestlé products and brands. This confidence is based on our Quality image and a reputation for high standards that has been built up over many years. ”



Quality and Safety for our consumers is Nestlé's top priority. This applies to our entire portfolio, from foods and beverages to all our systems and services.

All Nestlé functions across our Value Chain are fully responsible for observing mandatory principles, norms and instructions for maintaining agreed Quality standards and for constantly improving them.

We apply internationally recognised Good Manufacturing Practices (GMP) to ensure quality and food safety. GMP covers all aspects of manufacturing, including standard operating procedures, people management and training, equipment maintenance, and handling of materials.



Capacity for Emerging Demands



Unit 2 was commissioned as a new independent unit for dairy at Samalkha, with an investment of around Rs. 580 crores

“ Our business is growing well in India and we are very optimistic about the country's growth opportunities over the coming years. ”

A. Hello Waszyk
Chairman & Managing Director



“ India is important for Nestlé and we have very deep roots here. Nestlé's decision to invest in this facility at Ponda is also a clear indication that we have a happy and conducive environment and excellent cooperation from the government, authorities and business partners. ”

Jean Marc Duvoisin

Nestlé S.A., while inaugurating
a new manufacturing unit in 2012



Nestlé has been in India for 100 years and is integral to India. Despite the current slowdown in the Indian economy, the Company is not only optimistic of its ability to accelerate but also understands the emerging need for its product range. During the past three years Nestlé India has invested around Rs. 3000 crores in upgrading and expanding existing capacities as well as setting up new plants to prepare for the New Reality. These investments not only increase production capabilities to service consumer needs with greater speed but also create direct and indirect jobs.

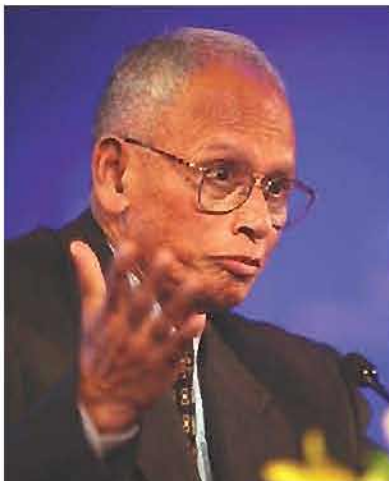


Creating Shared Value



“ ‘Creating Shared Value’ goes beyond philanthropy. It also reflects the Gandhian philosophy of trusteeship; that we are mere custodians of our resources, not the owners of it. Therefore we must make judicious use of what we have, and use what we need with efficiency. When we see our business bringing happiness, prosperity and smiles to people across India, we believe we are doing good work. ”

A. Helio Waszyk
Chairman & Managing Director



“ It is noteworthy that Nestlé developed a milk economy in India in 1961, when the country was in the early stages of exploring such models. ”

Prof. Biswas
Founder and President of the Third World Centre
for Water Management in Mexico

Nutrition

Nestlé has a critical role to play for consumers in emerging markets. Malnutrition results in poor productivity and often inability 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.



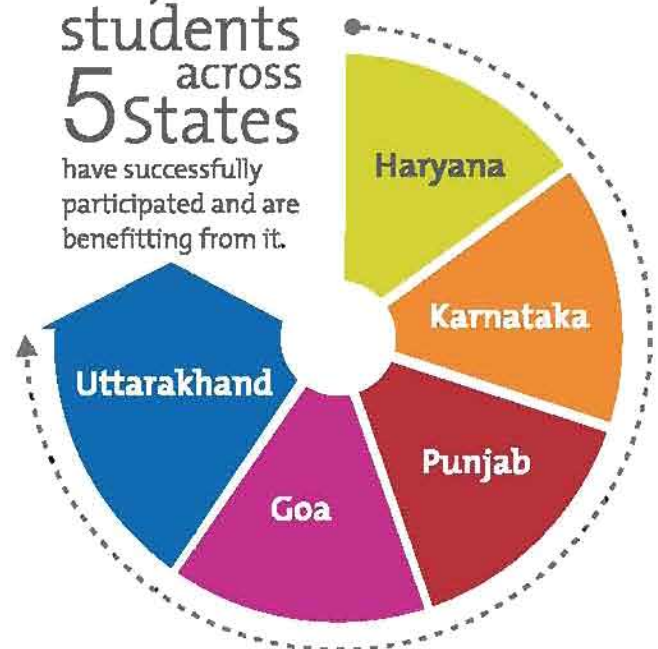
During the Breast feeding Week, activities were organised with the healthcare community to create awareness and emphasise the importance of breast feeding.



Nestlé Healthy Kids Global Programme aims at creating awareness on nutrition and health among adolescent students from village schools. The programme is being run in association with six leading universities.

Over
18,300
students
across
5 States

have successfully participated and are benefitting from it.



Water

Water is a scarce resource and in India a large section of the community does not have access to clean drinking water. People take water for granted, treating it as an endless resource. Nestlé has been actively setting up 'Clean Drinking Water Projects' to ensure access of Clean drinking water and to spread awareness about the importance of water.



Water Education Programme in village schools educates children on importance of water and methods to conserve it. The education is further spread to the communities through these children.



Setting up these projects is a continuous process. Water tanks ensure safe and hygienic water to school children and protect them from water born diseases.

Over 102,000
students
are already
benefitting directly



Rural Development

The well-being of the community from where we draw our agricultural raw materials is important for us. By encouraging sustainable practices we not only help improve the supply and quality of raw materials but also improve the standard of living of the communities in a sustainable manner.



The NESCAFÉ Plan conducts training for coffee farmers, encouraging responsible farming while reducing water and energy use to ensure responsible production and supply.



Recognising the active role that women play in the community, Nestlé India runs special training programmes for village women on good dairy farming practices. This Village Women Dairy Development initiative also spreads awareness about personal health, hygiene, water conservation and economic independence.

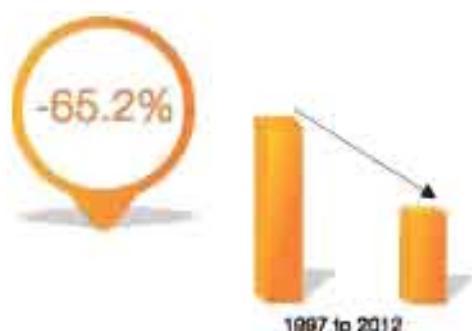


“Nestlé India has continuous access to the Nestlé Group R&D and the technical expertise, as well as the best practices available in the global Nestlé network. These enable it to consistently stay aligned with the best and efficient processes.”

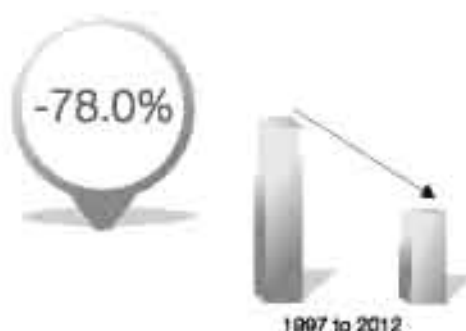
Christian Schmid
Director - Technical

Within Nestlé India factories there is continuous effort to improve operational efficiencies, minimising consumption of natural resources and reduce water and emissions, while maximising production.

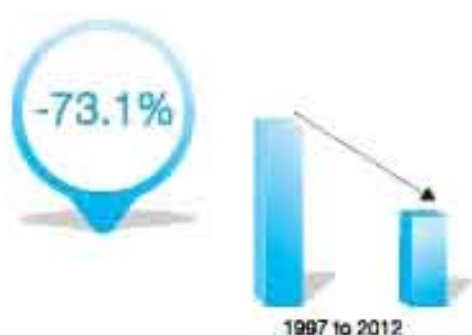
REDUCTION in Specific Energy Consumption



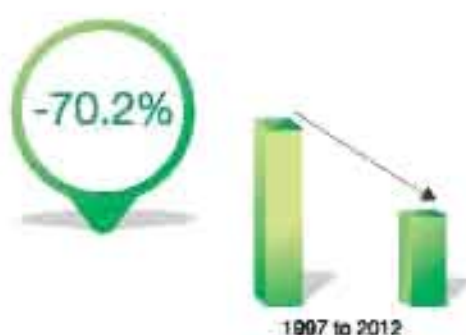
REDUCTION in Specific Waste Water Generation



REDUCTION in Specific Water Consumption



REDUCTION in Specific Direct CO₂ Emissions



MANAGEMENT COMMITTEE

Antonio Helio Waszyk - Chairman & Managing Director
Shobinder Duggal - Finance & Control
Christian Schmid - Technical
Biplab Bakshi - Human Resources
Mayur Bhargava - Chocolates and Confectionery
Luca Fichera - Supply Chain
Shivani Hegde - Foods
Binu Jacob - Nutrition
B. Kannan - Channel Category Geography Sales Development
Sanjay Khajuria - Corporate Affairs
Chandan Mukherji - Consumer Insight
B. Murli - Legal & Company Secretary
Kumaran Nowuram - Dairy
Chandrasekar Radhakrishnan - Communications
Ravi Ramchandran - Sales
Rajkamal Sharma - Exports
Zander Taningco - Nestlé Professional
Nili Zur - Beverages

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

AUDITORS

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

WEBSITE

www.nestle.in

INVESTOR EMAIL ID

investor@in.nestle.com

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

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)
Ludhlana-Ferozepur Road, Near Kingwah Canal,
Moga - 142 001 (Punjab)
Industrial Area, Nanjangud - 571 301, District - Mysore
(Karnataka)
P.O. Cherambadi - 643 205, District - Nilgiris (Tamil Nadu)
Unit-I & II - Patti Kalyana, Kiwana Road,
Samalkha - 132 101, District - Panipat (Haryana)
Plot No. 294-297, Usgao Industrial Area,
Ponda - 403 406 (Goa)
Plot No. - 1, Sector No. - 1A, Integrated Industrial Estate,
SIDCUL, Pantnagar - 263145,
District - Udham Singh Nagar (Uttarakhand)
Industrial Area, Tahliwal, District - Una - 174 301
(Himachal Pradesh)

LISTING OF EQUITY SHARES (Listing Fees paid)

The Bombay Stock Exchange Limited, Mumbai
Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai - 400 001
(Scrip Code : 500790)

54th ANNUAL GENERAL MEETING

Wednesday, 8th May, 2013 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
ATTENDANCE SLIP.

Directors' Report – 2012

Dear Members,

Your Directors are pleased to present their report and the statement of accounts for the year ended 31st December 2012.

The economic environment in 2012 has been tough and the growth in India moderated for one more year. There were various internal and external factors that played a role. The effect of the uncertainty and recessionary trends in the global economies was compounded by the complexity in the domestic environment. Unpredictable weather and fear of delayed monsoons again triggered a negative focus on the output gap and high food inflation persisted at uncomfortable levels and remained a concern. The economic sentiment remained subdued as the government policy and measures were keenly watched for their impact on fiscal deficit and interest rates. The GDP growth rate remained positive and relatively healthy despite all this but currency volatility, some concern on the economic growth model, transitional imbalances and emerging focus on corruption issues softened the sentiments.

In the immediate term these are areas of serious concern but despite that the general consensus remains optimistic about long term growth. There is underlying confidence that consumption will continue to sustain on the back of rising aspirations, urbanisation, more working professionals, favorable demographics, low penetration of consumer products, premiumisation trends and the ongoing shift to branded products.

Your Company anticipates that the moderation in the growth rates will show steady recovery in the short term and the growth momentum will revive soon.

In this new reality and a volatile, uncertain environment your Company believes that to ensure long term profitable and sustainable growth, we have to think ahead and constantly ask ourselves how we could be Creating Shared Value. Your Company maintained a forward looking approach to ensure that it is well prepared to seize new opportunities and handle new challenges with speed. Since the success of your Company depends on the ability of the business to keep understanding the changing environment and to keep

adapting its responses in a seamless manner it has continued to focus on realigning its initiatives internally and externally. The Company remained focused on the principles of Nestlé Continuous Excellence to drive efficiencies and strengthen the basic businesses, and focused on strengthening its ability to provide Nutrition, Health and Wellness, through deeper insights, bigger innovations, faster responses and adequate capacity.

Since balanced nutrition is a challenge across the income pyramid in India, your Company has constantly innovated and renovated its product portfolio with products that are tasty and provide nutrition, health and wellness. As you are aware, your Company has a very significant advantage in this through its ability to access Nestlé Group's expertise and knowledge in science based nutrition and food technology from its global R&D network. There is concern about the increasing problems of lifestyle diseases in the country including diabetes, obesity and heart, and your Company has consistently worked to achieve better insights into the nutritional aspects and taste profiles of traditional Indian cuisine to be able to develop products that are useful for the consumers. With the increasing focus from the Nestlé Group on India and its investment in the R&D Centre in India, your Company's competitive advantage will become even stronger.

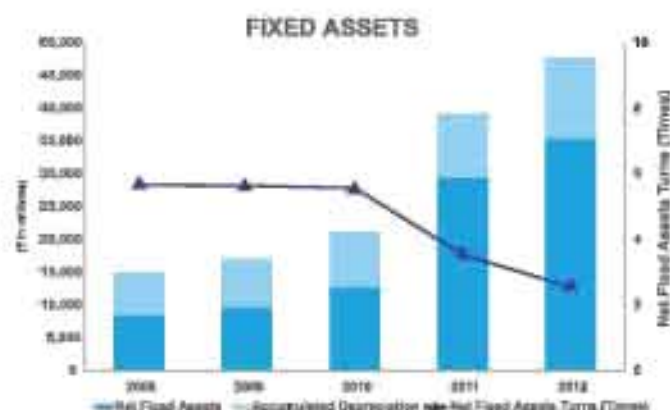
Your Directors are satisfied that the Company has conducted itself with fairness and integrity and believes that its operations and activities are creating value for stakeholders as well as for the society. Your Company has a strong leadership team in place and is continuing to develop a culture of safety, better gender balance and an environment that empowers everyone with the philosophy of "Dream, Dare, Deliver."

Your Directors' are pleased that during 2012, your Company has again sustained its healthy and profitable performance even as it strengthened its business base for sustainable growth in the long term. Net Sales have increased by a satisfactory 10.8%. Domestic Sales increased by 11% mainly on account of net realizations and product mix, and Export Sales moved up by 7.6% contributed largely by exports to third parties.

Financial Results and Operations

	(Rs. in millions)	
	2012	2011
Net Sales	83,023	74,908
Add: Other Operating Revenues	323	237
Less: Operating Expenses	67,537	60,914
Less: Impairment Loss on Fixed Assets (Net)	69	104
Less: Net provision for contingencies - from Operations	340	287
OPBIT #	15,400	13,840
Add: Other Income	310	272
Less: Finance Costs ##	266	51
Less: Net provision for Contingencies - Others	(82)	182
Less: Tax Expense	4,847	4,264
Net Profit	10,679	9,615
Add: Profit Brought Forward	6569	3,345
Balance Available for Appropriation	17,248	12,960
Less: Interim Dividends	4,676	3,471
Less: Final Dividend Proposed	-	1,205
Less: Corporate Dividend Tax	759	754
Less: Transfer to General Reserve	1,068	961
Surplus carried in the statement of Profit and Loss	10,745	6,569
Key Ratios		
Earnings per Share (Rs.)	110.76	99.73
Dividend per Share (Rs.)	48.50	48.50
# Profit from operations before Other Income, Finance Costs, Other Net provision for contingencies (non operation) and taxation.		
## Excludes Rs. 549 millions (previous year 1,100 Millions) treated as Capital Expenditure		

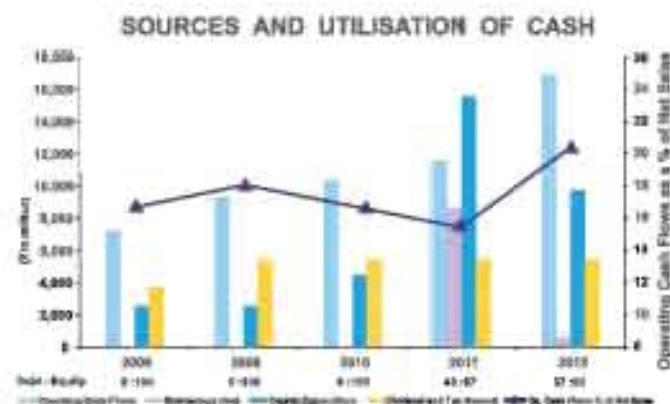
Net Profit for the year 2012 increased by 11.1%. The cost of materials for goods sold in percentage of Net Sales has decreased to 45.5% from 48.0% in 2012, mainly due to



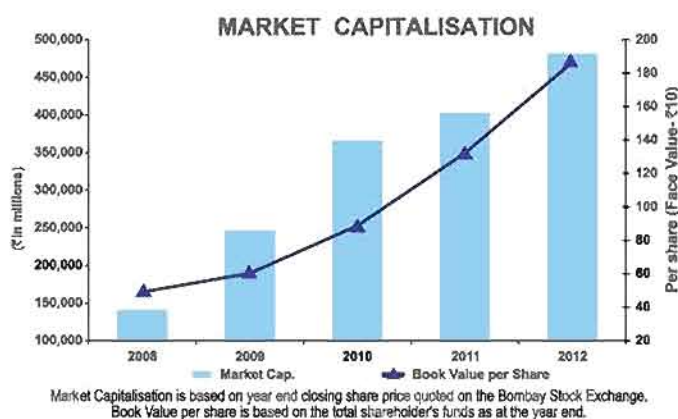
higher sales realizations, product and channel mix, partially offset by the higher input costs. The increase in Finance Cost is after reducing (Rs. 549 million) out of the costs of



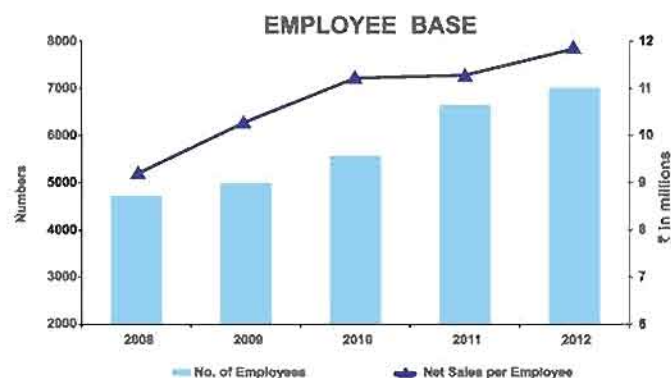
borrowing, which comprise largely of the exchange loss on External Commercial Borrowing, as this has been treated as



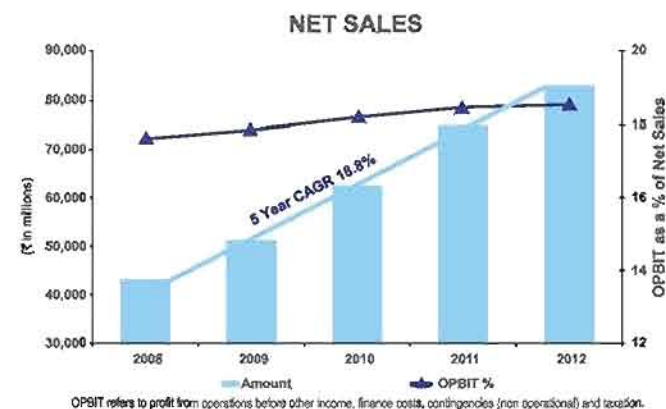
capital expenditure in line with applicable Accounting Standards.



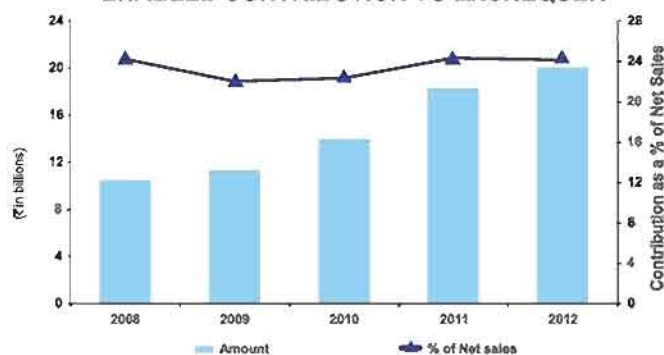
Your Company continued to emphasise cash generation and delivered strong operating cash flow during the year. Short term surplus funds arising out of timing differences between



generation and utilization thereof, have been prudently invested after ensuring that such investments satisfy the Company's criteria of safety, liquidity and returns.



ENABLED CONTRIBUTION TO EXCHEQUER



The Impairment Loss on Fixed Assets of Rs. 69 million relates to various items of plant and machinery that have been brought down to their recoverable value upon evaluation of future economic benefits from their use and is net of deferred taxes of Rs. 46 million.

The Company supplemented the Provision for Contingencies with further amount of Rs. 258 million (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 Rs. 223 million provision, due to settlement of certain disputes for which provision was no longer required.

The current year has commenced with uncertainties and ambiguity especially with respect to the overall environment which requires careful attention and your Directors are committed to sustain performance. Your Company is hopeful the government, through its policies, will continue to support food processing sector which is integral to India's growth mode.

Your Directors are confident of the long-term business prospects of the Company.

EXPORT

During the year, Export Sales at Rs. 4,257 million grew by 7.6%. There has been a general slowdown in exports out of India and your Company has also been impacted by the sluggish economic conditions in Europe and North America.

The rate of growth for Instant Tea products was lower than anticipated as economic conditions in the export markets

continued to falter. Nevertheless, the sales of Instant Tea grew during the year due to the focus maintained on the high value-added grades. Your Company continued to promote the exports of culinary products for the Indian Diaspora and made breakthroughs into a few new markets during the year. It also succeeded in developing new markets for coffee exports, and the forthcoming year should see better sales in both categories.

The strategy to develop new products and target new export regions would continue, so that we have a broad-based direction of exports. In particular, for Instant Tea, we shall seek to add variety and value to the portfolio in the coming years.

DIVIDENDS

The Board of Directors declared third interim dividend for 2012 of Rs. 12.50 per equity share (Face value Rs. 10/- per equity share), amounting to Rs. 1205 million, which will be paid in March, 2013. This is in addition to the two interim dividends of Rs.18.00 each per equity share paid in August and December 2012 (amounting to Rs. 3471 million). The total dividend per share in 2012 aggregates to Rs. 48.50, the same is in line with the financing strategy for capital expenditure.

BUSINESS DEVELOPMENT

One of the key drivers for the Company is its insight and expertise in Nutrition, Health and Wellness. Good Food, Good Life is the commitment to consumers, to enhance lives, throughout life, with good food and beverages. Your Company has consistently advocated balanced and healthy diets and has been conducting basic nutrition related programmes in partnership with experts. Your Company focused on expanding distribution and strengthening the groundwork for bigger innovations that will add value to consumers. Though rapid growth revival is not expected, there is general consensus that consumption led growth revival can be expected in the short term. Your Company also understands the change that is taking place in the market place and the consumers, and the businesses have been working rapidly to realign themselves to ensure that their products and communication continue to be relevant as leaders.

The business for **'Prepared Dishes and Cooking Aids'** maintained its market leadership and growth. The business continued to drive penetration with its Popularly Positioned Products including the small packs of MAGGI Noodles and MAGGI Pichkoo sauce and continued to build and strengthen its bonds with consumers. The new 'Meri MAGGI 2 Minute mein Khushiyan' advertising campaign that has the iconic statesman Amitabh Bachchan as the storyteller of consumer stories further strengthened the emotional connect that MAGGI already has with consumers. Maggi Noodles continued to drive growth of the Instant Noodles category, offering the consumer 'Taste Bhi Health Bhi'. During the year, your Company further consolidated its position as the market leader in sauces and continued to build the business for MAGGI Masala-ae-Magic fortified seasoning mix with well thought out initiatives and new pack sizes that are more convenient for regular consumption. A new range of MAGGI Healthy Soups was rolled out. Your Company believes that one of the key reasons why consumption of packaged soups has not been growing in India is because the products available till now have not delighted consumers. Your Company worked closely with Nestlé R&D in Shanghai and using Nestlé's new and proprietary 'granulation based technology' have developed delightful soups that retain the freshness of the vegetables and deliver a multi-sensorial experience. These soups contain fresh vegetable purees and deliver the fresh taste and aroma of home-made soups. For the first time, the consumer has a product that delights her from the moment she picks up the pack, starting with the rustle of the granules, the sight of colourful real vegetables, the aroma of fresh vegetable purees, and the taste of real soup, all of which add to the overall enjoyment. The range contains six delicious popular varieties and for the first time ever, this technology allows us to make a delicious Spinach soup which is popular in Indian homes. Your Company is amongst the first in the Nestlé world to adopt this unique technology for making soups.

The consistent hard work and commitment, consumer engagement and innovation has continued to add value to consumers and provide the growth momentum. While the Meri MAGGI facebook page by your Company has crossed 1 million fans and is today the largest MAGGI facebook page in the world, MAGGI continues to be rated as amongst the Top 10 MOST TRUSTED BRANDS and has been ranked very high amongst the 'Buzziest Brands' in India.

The **'Chocolate and Confectionery'** business continued to grow steadily and there has been consistent focus on developing insights and understanding of emerging consumer needs. While sweet snacking is an intrinsic part of traditional consumption habits there is a growing awareness of nutritional balance and preference for products that can make this experience more beneficial. Over the years your Company is established as the leader in the chocolaty wafer segment for 'lighter eating' with NESTLÉ KITKAT and NESTLÉ MUNCH and 'Whites' with NESTLÉ MILKYBAR. With the growing awareness about the benefits of dark chocolates your Company had earlier launched NESTLÉ Dark Chocolate. During the current year NESTLÉ KITKAT Dark Crisp wafer fingers covered with Plain Chocolate was also launched and is doing well in the market. With the changing lifestyles of consumers across the country, the business focused on developing more innovative products and enhancing capacity to prepare for the emerging demand. While NESTLÉ KITKAT was renovated and is now available in a very exciting new packaging, MUNCH ROLLZ Wafer Tube filled with Toffee was launched from the new plant in Himachal Pradesh.

NESTLÉ POLO which continues to be iconic and defines the irreverent 'youth defining' mint with the hole strengthened its partnership with Wendell Rodricks to create POLO Fashion and cues strong aspiration for the youth while providing the unique POLO 'refreshment'.

During the year, **'Coffee and Beverages'** continued to define the coffee drinking market in North, East and West of India where it has significant market share and maintained leadership in the instant coffee business. As the leader, your

Company understands the need to provide the right product experience to the right consumers and continued to accelerate its work on developing stronger consumer insights and rolling out relevant products and initiatives. The portfolio was strengthened with the re-launch of NESCAFÉ Classic in a unique jar of contemporary shape and stature, ramped up distribution for NESCAFÉ GOLD which is the premium freeze dried coffee, and launch of SUNRISE Strong which is a stronger coffee-chicory blend specifically tailor made for the consumers in Andhra Pradesh. NESCAFÉ Cappuccino which has a taste advantage over similar competitive products continued to be liked by the younger generation and increased market share. NESTEA also increased its presence and market share and is fast developing into a strong pillar for the beverage business of your Company. Your Directors are pleased that the advertising communication for the business is being received well by the consumers and also that your Company's NESCAFÉ Facebook page is the most popular NESCAFÉ page in the world with over 2.2 million fans.

The **'Milk Products and Nutrition'** business faced a challenging year but delivered a satisfactory performance. In line with the vision to nurture a healthier, happier generation, your Company organized several educational initiatives to support breast feeding. During the year, your Company marked its entry into the maternal nutrition category through the launch of NESTLÉ BABY & ME, a maternal nutrition supplement for pregnant women and breastfeeding mothers. Your Company also launched CERELAC Shishu Aahar, a range of Indianised infant cereals providing Indian tastes while delivering age appropriate nutrition. LACTOGEN and CERELAC were renovated with nutritional improvements in line with the latest science. Healthcare nutrition aligned its new manufacturing solution, re-launched the improved product portfolio and added PEPTAMEN and NUTREN Junior.

The portfolio of dairy products and UHT Milk continued to consolidate and put in place further initiatives to enhance the consumers' appreciation of its premium quality. Late in 2011,

your Company had launched Nestlé A+ Milk and Nestlé A+ Dahi to encourage consumers to make informed choices when selecting milk or dahi. During the year, activities were sustained to educate consumers on the steps taken to implement and track the high quality standards and good practices across the value chain of these products on the premise 'Good makes Good'. Your Company has consistently leveraged the strength of NESTLÉ MILKMAID which is amongst the successful and fast moving brands in India for decades. Your Company launched MILKMAID CREATIONS developed by expert chefs as a range of powdered dessert mixes especially for the contemporary convenience-seeking consumers. They have been developed on the insight that contemporary families do not have time to prepare elaborate desserts but still want the quality and taste of traditional delicacies.

'Nestlé Professional' the out-of-home segment, continued to maintain overall leadership in the Coffee vending solutions business despite increased competitive intensity. Based on insights established through comprehensive research, plans are underway to launch new solutions and recipes catering both to the mainstream and premium segment. Pilot test launch of base gravy products specially meant for chefs and cooks yielded positive results and are now being expanded. A wider range of relevant culinary products specifically designed for the hotel/restaurant/catering industry are proposed to be launched during the current year, based on the development efforts during the year. Your Company's focus would continue to remain as the out-of-home industry's preferred food and beverage solutions partner.

SALES

Your Company has consistently made efforts to improve the availability of its products wherever and whenever the consumer may want it and has continued to build a deeper and wider distribution network. During the year, it added another 500,000 outlets accelerating from 400,000 incremental outlets in the previous year. Working with its long term distribution partners it leveraged its efficient and broad

based network to scale up the infrastructure necessary for growth. While accelerating the expansion of its distribution network, your Company also increased the focus on enhancing the capabilities, improving processes and operations and cutting out waste. Nestlé Continuous Excellence has been rolled out across the regions.

In order to further enhance productivity in sales operations, your Company had earlier initiated a drive to equip its distributors with advanced sales automation. The increased transparency into secondary sales data and improved channel insights at the granular level is helping direct the resources and inputs more efficiently, while also increasing visibility and merchandising impact. Your Company also strengthened partnerships with key customers in organized trade by ensuring high levels of consumer service, faster speed to shelf and impactful shopper engagement.

TECHNOLOGY, QUALITY AND SAFETY

During the year, your Company completed the capacity expansion plans initiated in 2010, commissioning the new Factory in Tahlilwal, Himachal Pradesh, a new unit in Samalkha Factory, Haryana and new plant in Ponda Factory, Goa. In addition a new line was commissioned in Moga Factory for dessert mixes as well as a new plant for granulated soups in Bicholim Factory. All of these new installations have been completed with state of the art technology received from Nestlé Group, Switzerland under the General Licence Agreement and support your Company's permanent endeavours for excellence in quality and high performance.

All the factories of your Company successfully passed the re-certification against food safety and quality management as well as for safety and environment; by a highly reputed third party agency.

All the factories had embraced Nestlé Continuous Excellence last year to further improve in all areas, based on LEAN mindset for war on waste and Total Performance Management concepts. Your Company benefitted from the

deployment of Nestlé Continuous Excellence programme generating improvements, delivering cost savings from operations, reducing waste and improving quality. Nestlé Continuous Excellence will continue to be important for the operations to ensure consumer trust and preference whilst enhancing competitiveness.

Your Company is committed to providing consumers with high quality products and is continuously improving them to ensure a 60:40 taste preference with nutritional advantage. These products touch the lives of lakhs of consumers everyday and sustained delivery on this commitment has placed your Company and its products amongst the most trusted. Apart from the fact that your Company follows stringent quality assurance norms, has state-of-the-art technology and high degree of automation, your Company has a competitive advantage in the ability to develop superior products. It has continuous access to the Nestlé Group research & development and the technical expertise, as well as the best practices available in the global Nestlé network. These enable it to consistently stay aligned with the best and efficient processes.

SAFETY

Your Company had earlier initiated activities to strengthen the safety culture and had launched a safety engagement programme 'Safe by Choice' in partnership with DuPont. During the year, the program was extended to all operating factories and enabled the organization to take quantum leaps in terms of improvement in safety culture. Despite the fact that during 2012 more than 20 million man-hours were engaged for major construction work at the factories at Ponda, Nanjangud, Samalkha and the construction of new Factory at Tahliwal, the 'Safe by Choice' programme contributed to a good outcome on the Safety front.

Your Company believes that safety practices are important in every activity, function and location where our employees are engaged. To further strengthen this commitment your Company put up dedicated safety structure for all sales branches as well. Safe driving has emerged as the main

focus area for the field force and the 'B-SAFE' programme was launched across all sites and offices. Your Company is committed to equip the field force with a defensive driver attitude and ensure their safety while on road.

NESTLÉ R&D CENTRE IN INDIA

In 2010, Nestlé S.A, Switzerland had agreed to the request of your Company to set up an R&D Centre in India. The R&D Centre was established under a separate wholly owned subsidiary Nestlé R&D Centre India Private Limited. In November 2012, Nestlé S.A., announced the opening of this R&D Centre in India. It is built close to the Head Office of your Company and will be additional competitive advantage for your Company in the future and will also help to strengthen and accelerate product innovation and renovation.

Nestlé R&D Centre in India will work towards developing fortified products and Popularly Positioned Products (PPP) that will seek to address nutritional deficiencies especially in India and also across the world. PPP are developed to meet the specific needs of consumers at lower income levels by offering them high-quality, nutritionally enhanced products at affordable prices. Nestlé has an extensive global R&D network and expertise in science based nutrition and Indian R&D Centre will further help accelerate regional adaptation of global technologies.

ENVIRONMENT

Your Company has consistently emphasized the need for sustainable use of natural and non-renewable resources. It ensures that all processes follow the Nestlé Environment Management System, use state-of-the-art technology and equipment, and comply with government policies as well as environmental laws and regulations. New initiatives are constantly being discussed and implemented within the factories to reduce waste and emission, and consistent efforts are being made to constantly increase awareness about the need to sustain the environment.

It is a matter of pride that over the past 15 years these efforts have enabled us to achieve very high efficiencies in the use

of natural and non-renewable resources. Even as the production volumes have been increasing, your Company has reduced the usage per tonne of production by as much as 65% for energy, 70% for emission of green-house gases and 73% for consumption of water.

CAPACITY AND FUNDING

Your Company has been delivering steady performance over the past years and continues its leadership across businesses. Though the growth rate of the economy has moderated, your Company believes that there will be steady recovery. The Food Processing Sector can play a significant role in food security as well as in creating employment and your Directors are hopeful that the Government will continue to support it. Your Company has to think ahead to ensure long term profitable and sustainable growth and be prepared to cater to the emerging demand with speed.

During the past six years, your Company has invested close to Rs. 38000 million responsibly and sustainably, to expand the existing manufacturing facilities at Bicholim, Moga, Nanjangud and Ponda, commissioning of a new unit at Samalkha, a Greenfield facility at Tahliwal and a new plant for MAGGI products at Nanjangud as well as to strengthen the distribution footprint. This includes substantial investments of around Rs. 17000 million in 2011 and around Rs. 10000 million in 2012 respectively.

Your Company has been funding this accelerated capital expenditure with a judicious mix of 'internal accruals' and 'debt'. During the year, US Dollar (USD) 56 millions were drawn down from Nestlé SA for 5 years under the External Commercial Borrowing approval from Reserve Bank of India. The total amount outstanding as at 31.12.2012 was USD 192 million (Rs. 10500 million). Your Company is maintaining very strict financial discipline and during the year has repaid all its short term loans.

SUPPLY CHAIN

While infrastructure improving slowly and Goods and Services Tax not yet implemented, your Company continues to operate in a complex supply chain configuration.

The Supply Chain operation of your Company continued to procure quality materials at competitive prices. Some key projects to source milk and to localize milk derivatives have been completed successfully and are delivering sustainable savings.

Your Company has entered into an agreement for acquiring 26% minority stake in Indocon Agro and Allied Activities Private Limited, engaged in milk collection business in Western India. This business investment will contribute to sustainable sourcing and creating shared value with farmers engaged in milk.

The replenishment and delivery of products to the customers have been further improved. During the year, your Company has increased the service levels achieving top tier status with key account customers. The number of Stock Keeping Units (SKUs) was reduced by over 20%, bringing down complexity costs across the value chain. Improved planning process contributed to further reduction of stock levels.

During the year, Nestlé Continuous Excellence (NCE), covering all supply chain and procurement processes, achieved important milestones. The Goal Alignment initiatives and LEAN in Ponda Factory, delivered improvements in productivity and people engagement. Over 300 employees are now running 40 operational reviews targeting waste elimination with problem solving tools.

The modernization of warehousing and transport remain a key priority for your Company and all the new Distribution Centres have modern infrastructure. Your Company has also started implementing warehouse management systems (WMS) with RF technology to increase speed, further improve accuracy and productivity levels.

The Responsible Sourcing program, initiated in 2010, has been extended to more vendors with continuous support and education. Your Company launched the NESCAFÉ PLAN to work with the coffee farmers, experts and R&D Centres and a traceability initiative on sugar.

HUMAN RESOURCES AND TRADE RELATIONS

Your Company strongly believes that People are its core competitive advantage. Accordingly your Company took measures to ensure that it is attracting and retaining the right talent, creating a high performance culture, ensuring development conversations, providing learning and development opportunities, and recognising performance on an ongoing basis. Your Company launched a comprehensive Leadership Development Framework with all necessary tools and processes, thus ensuring that the depth, quality and diversity of the talent pool is consistently increased.

Your Company strongly believes in fostering a 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. These efforts have been very well received by employees and have helped in fostering high engagement and sound industrial relations.

Your Company upholds the strong culture which is explicit in the 'Nestlé Management and Leadership Principles' and 'Nestlé Corporate Business Principles and Nestlé India Code of Business Conduct'. Accordingly, your Company has put a lot of emphasis in ensuring that all employees have a common understanding of the Company principles and values and that the same needs to be adhered and complied with in all our business operations.

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.

Threat

- Price volatility of key raw, packaging materials and fuels.
- Availability of agro based commodities.
- Food inflation.
- White-collar talent.
- Global and local uncertainty in the economic environment.

Opportunities

- Potential for expansion in smaller towns and other geographies.
- Increasing demand for premium products.
- Introduction of GST to simplify the distribution network.
- Development of 'Out-of-Home' segment and Health Care Nutrition.
- Leverage Nestlé Technology to develop more products that provide Nutrition, Health and Wellness at affordable prices.

WORKING WITH COMMUNITIES AND BUSINESS RESPONSIBILITY REPORT

Nestlé's approach to business is Creating Shared Value. While creating value for stakeholders business must also create value for the society through its products, operation and social responsibility. In India the Company calls it Saanjhapan as that is more commonly accepted in the Indian context. A separate Business Responsibility Report is attached as Annexure-3, detailing the various initiatives of the Company and aligned to the National Voluntary Guidelines on the Social, Environmental and Economic responsibilities of Business Issued by Ministry of Corporate Affairs and with the requirements of Clause 55 of the Listing Agreement with the Stock Exchange.

CONTRIBUTION TO EXCHEQUER

Your Company has been a leading taxpayer of the country and over the years has been enabling significant contribution to various taxes. During the year 2012, the Company through its business, enabled tax collections at Central and State level of close to Rs. 20 billion, in aggregate.

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 the hardwork and sustainability of its successful strategies. Some of the Key awards and recognitions:

- Nestlé India was named Business Standard's Star MNC of the year. The announcement wrote 'The award that took the least time to decide was the Star MNC of the year and everyone agreed the best part of Nestlé was its ability to localise brands - MAGGI, for example.'
- Mr. Shobinder Duggal, Director - Finance & Control of the Company, was recognized as 'Best CFO of an MNC' in the Business Today - YES Bank awards for 2012.
- For the second year in a row MAGGI in 2012 was rated amongst India's Top 10 'Most trusted Brands' by Economic Times Brand Equity.

- In the annual ICMR study on India's most valuable brands, MAGGI was ranked No.1 amongst FMCG Food Products, and a separate ranking by Nielsen for Social Media Brand Equity ranked MAGGI as No.1 Food Brand.
- MAGGI Masala-ae-Magic was recognised as one of the 'Most trusted Brands of 2012' in the Reader's Digest awards.
- The communication activities for the various brands have been recognized for excellence including some of the work they are doing in digital marketing. NESCAFÉ SUNRISE received a bronze at the EFFIES. NESCAFÉ 'Know Your Neighbours' Facebook page has become the largest Facebook page for NESCAFÉ in the Nestlé world with over 2 million fans, the NESCAFÉ Commercial 'The Morning Band' received over 1 million views on YouTube within days of release.
- The new KITKAT 'Babies TVC' crossed 3.5 million public views on You Tube, making it the most highly viewed Indian FMCG commercial so far. Nestlé KITKAT also has over 1 million fans on its Facebook page 'Break Banta Hai' and is now the largest KITKAT page in the world, just as MILKMAID has over 5 million fans on Facebook and is the largest.
- KITKAT UK range gift packs was honoured for Excellence in Packaging Design at the INDIASTAR AWARDS 2012.

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 to this Report.

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

Dr. Rakesh Mohan relinquished his membership of the Board of Directors of the Company with effect from 31st October, 2012. It is a matter of great pride for your Company that Dr. Rakesh Mohan has been appointed as an Executive Director of the International Monetary Fund, with effect from 1st November, 2012. The Directors wish to place on record their appreciation for the contributions made by Dr. Mohan during his tenure.

Mr. Christian Schmid, Whole-time Director designated as 'Director-Technical', shall be stepping down after 31st March, 2013. He shall be taking up a new assignment with another Nestlé affiliate. The Directors wish to place on record their appreciation for the contributions made by Mr. Schmid during his tenure.

In terms of the Articles of Association of the Company, your directors appointed Mr. Aristides Protonotarios as an additional Director of the Company with effect from 1st April, 2013. Subject to approvals, Mr. Protonotarios has also been appointed as Whole-time Director, designated as "Director-Technical". Mr. Protonotarios has the qualifications and experience, necessary to take over the position of Director - Technical. He is currently heading the R&D function of the Beverages Strategic Business Unit of Nestec Limited, Switzerland which he established. Mr. Protonotarios holds office till the Annual General Meeting and is eligible for re-appointment. Notice has been received from a member signifying his intention to propose Mr. Protonotarios as a Director. Details of his proposal are mentioned in the Explanatory Statement under section 173(2) of the Companies Act, 1956 covered under item no. 5 & 6 of the Notice of the 54th Annual General Meeting.

In accordance with Article 119 of the Articles of Association, Dr. (Mrs) Swati A. Piramal retires by rotation and being eligible offers herself 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

Complying with the provisions of 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 2013.

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 very satisfactory performance would not have been possible.

Your Directors look forward to the future with confidence.

On behalf of the Board of Directors

Date: 20th February, 2013
Place: Gurgaon

Antonio Helio Waszyk
Chairman

Addendum to the Directors' Report - 2012

REVIEW OF THE GENERAL LICENCE AGREEMENT

General Licence Agreements with Nestlé Group (hereinafter 'the GLA'), allows your Company access to Nestlé Group's intellectual property rights including global portfolio of brands, proprietary technology including numerous patents, extensive research and development capabilities and expertise on best practices. The GLA includes access to large number of brands such as NESTLÉ, MAGGI and NESCAFÉ and technologies developed by the global network of 32 Research & Development Centres, including the one recently inaugurated at Manesar, Haryana which has been covered separately in this report. Your Company's capacity investments of around Rs. 30 billion in the last 3 years have benefitted from this.

Nestlé Group had requested two years ago for a review of the two decades old royalty rates and subsequently substantiated the same by a study conducted by McKinsey & Co. This study was subjected to a fairness review by two Indian firms i.e. M/s Bansi S. Mehta & Co. and KPMG (Registered) who independently used different valuation methods and recommended ranges of royalty rates which were similar to that of McKinsey & Co.

The GLA, the proposal from Nestlé Group and the studies by the independent firms were examined by the Corporate Governance Committee.

The Board of Directors on 22nd March, 2013, with only Independent Directors voting and the Executive Directors recusing, approved a staggered increase in the royalty rate @ 0.20% per annum over the next 5 years effective 1st January, 2014. Under the GLA, Royalty is paid on third party sales and is net of tax. Your Company negotiated increase in royalty from 3.5% to 4.5 % of sales in a staggered manner by making an increase of 0.20% per annum over the next five years effective 1st January, 2014. The royalty rate on exports will also be aligned to 4.5% of sales.

The Independent Directors appreciated the high emphasis on corporate governance keeping in view the elaborate review process. M/s Amarchand and Mangaldas and Suresh A. Shroff & Co., a law firm advised on the governance process during the review.

The access under the GLA to the capabilities of Nestlé Group, world's leading Nutrition, Health and Wellness Company having the largest Food and Nutrition R&D network globally, will enable your Company to continue to deliver long term sustainable profitable growth and Create Shared Value for society and the shareholders.

On behalf of the Board of Directors

Date: 22nd March, 2013
Place: Gurgaon

Antonio Helio Waszyk
Chairman

AUDITORS' REPORT TO THE MEMBERS OF NESTLÉ INDIA LIMITED

1. We have audited the attached Balance Sheet of **NESTLÉ INDIA LIMITED** ("the Company") as at 31st December, 2012, the Statement of Profit and Loss and the Cash Flow Statement of the Company for the year ended on that date, both annexed thereto. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and the disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by the Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 (CARO) issued by the Central Government in terms of Section 227(4A) of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report as follows:
 - (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 dealt with by this report are in compliance with the Accounting Standards referred to in Section 211(3C) of the Companies Act, 1956;
 - (e) in our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st December, 2012;
 - (ii) in the case of the Statement of Profit and Loss, of the profit of the Company for the year ended on that date and
 - (iii) in the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.
5. On the basis of the written representations received from the Directors as on 31st December, 2012 and taken on record by the Board of Directors, none of the Directors is disqualified as on 31st December, 2012 from being appointed as a director in terms of Section 274(1) (g) of the Companies Act, 1956.

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

(Jaideep Bhargava)
Partner
(Membership No. 90295)

NEW DELHI, 20 February, 2013

ANNEXURE TO THE AUDITORS' REPORT

(Referred to in paragraph (3) 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 listed 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 with regard to purchases of inventory, fixed assets and 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 Income-tax, Wealth Tax, Customs Duty, Excise Duty, Cess and other material statutory dues in arrears as at 31st December, 2012 for a period of more than six months from the date they became payable.

(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, 2012 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
		43.5	2001 – 2010	Customs, Excise and Service Tax Appellate Tribunal
		0.5	2000	Appellate authority upto Commissioners' level
	Service Tax	377.6	2005 – 2007, 2008, 2010	Customs, Excise and Service Tax Appellate Tribunal
Customs Laws	Customs Duty	53.0	2008 – 2009	Customs, Excise and Service Tax Appellate Tribunal
Sales Tax Laws	Sales Tax/ VAT	134.4	2000 – 2006, 2007 – 2009	High Court
		96.6	2000 – 2006	Appellate Tribunal
		192.0	1996 – 1997, 2001 – 2010	Appellate authority upto Commissioners' level
Local State Act	Cess	10.4	2001 – 2012	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

* 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	46.0	1997 – 1998, 2000 – 2003	High Court
Income Tax Act, 1961	Income tax	540.7	1996 – 2000, 2004 – 2005	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, 2012. 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, 20 February, 2013

BALANCE SHEET AS AT DECEMBER 31, 2012

	NOTES	2012 (₹ in millions)		2011 (₹ in millions)	
EQUITY AND LIABILITIES					
SHAREHOLDERS' FUNDS					
Share capital	1	964.2		964.2	
Reserves and surplus	2	17,019.9	17,984.1	11,775.4	12,739.6
NON - CURRENT LIABILITIES					
Long-term borrowings	3	10,499.5		7,249.5	
Deferred tax liabilities (net)	4	1,620.8		502.2	
Long-term provisions	5	10,250.5	22,370.8	8,851.3	16,603.0
CURRENT LIABILITIES					
Short-term borrowings	6	2.4		2,459.2	
Trade payables		5,394.0		4,808.3	
Other current liabilities	7	5,580.3		5,287.0	
Short-term provisions	8	307.6	11,284.3	2,120.7	14,675.2
			51,639.2		44,017.8
ASSETS					
NON - CURRENT ASSETS					
Fixed assets	9				
Tangible assets		32,042.7		15,757.5	
Capital work-in-progress		3,440.8		13,717.8	
		35,483.5		29,475.3	
Long-term loans and advances	10	1,254.5	36,738.0	1,639.1	31,114.4
CURRENT ASSETS					
Current investments	11	3,648.6		1,343.7	
Inventories	12	7,455.8		7,340.4	
Trade receivables	13	875.7		1,154.2	
Cash and bank balances	14	2,369.6		2,272.1	
Short-term loans and advances	15	541.5		790.0	
Other current assets	16	10.0	14,901.2	3.0	12,903.4
			51,639.2		44,017.8

See accompanying notes 1 to 44 forming part of the financial statements

ANTONIO HELIO WASZYK
Chairman & Managing Director

SHOBINDER DUGGAL
Director - Finance & Control

B. MURLI
Sr. VP - Legal & Company Secretary

February 20, 2013
Gurgaon

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

February 20, 2013
New Delhi

(JAIDEEP BHARGAVA)
Partner
Membership No. 90295

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED DECEMBER 31, 2012

	NOTES	2012 (₹ in millions)	2011 (₹ in millions)
REVENUE			
Sales of products			
Domestic		81,561.9	72,777.9
Export		4,256.9	3,957.9
Gross sales		85,818.8	76,735.8
Less: Excise duty		2,796.2	1,827.6
Net sales		83,022.6	74,908.2
Other operating revenues	17(a)	322.7	237.3
Revenue from operations		83,345.3	75,145.5
Other income	17(b)	310.3	271.6
Total Revenue		83,655.6	75,417.1
EXPENSES			
Cost of materials consumed	18	37,568.7	35,286.5
Purchases of stock-in-trade		1,115.3	1,148.0
Changes in inventories of finished goods, work-in-progress and stock-in-trade	19	(920.2)	(482.8)
Employee benefits expense	20	6,633.8	5,464.6
Finance costs	21	266.0	51.1
Depreciation	9	2,771.5	1,533.3
Other expenses	22	20,367.4	17,964.3
Total Expenses		67,802.5	60,965.0
PROFIT BEFORE IMPAIRMENT, CONTINGENCIES AND TAXATION		15,853.1	14,452.1
Impairment loss on fixed assets	9	68.5	103.9
Net provision for contingencies	24	258.4	469.0
PROFIT BEFORE TAXATION		15,526.2	13,879.2
Tax expense			
Current tax		3,728.3	4,161.4
Deferred tax		1,118.6	102.3
PROFIT AFTER TAXATION		10,679.3	9,615.5
Weighted average number of equity shares outstanding	Nos.	96,415,716	96,415,716
Basic and Diluted Earnings Per Share (Face value ₹ 10)	₹	110.76	99.73

See accompanying notes 1 to 44 forming part of the financial statements

ANTONIO HELIO WASZYK
Chairman & Managing Director

SHOBINDER DUGGAL
Director - Finance & Control

B. MURLI
Sr. VP - Legal & Company Secretary

February 20, 2013
Gurgaon

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

February 20, 2013
New Delhi

(JAIDEEP BHARGAVA)
Partner
Membership No. 90295

CASH FLOW STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2012

	2012 (₹ in millions)	2011 (₹ in millions)
A CASH FLOW FROM OPERATING ACTIVITIES		
Net profit before tax	15,526.2	13,879.2
Adjustments for :		
Dividend on current, non- trade investments	(95.4)	(71.3)
Interest on bank deposits, investments and employee loans	(214.9)	(200.3)
Finance costs	266.0	51.1
Depreciation	2,771.5	1,533.3
Unrealised exchange differences (excluding those considered in Finance costs)	(27.9)	54.9
Deficit on fixed assets sold/scrapped/written off (net)	155.6	57.9
Impairment loss on fixed assets	68.5	103.9
Operating profit before working capital changes	18,449.6	15,408.7
Adjustments for :		
Decrease/(increase) in trade receivables	260.6	(500.5)
Decrease/(increase) in inventories	(115.4)	(1,580.9)
Increase/(decrease) in trade payables and other liabilities	1,082.9	766.1
Decrease/(increase) in loans & advances and other assets	(1.4)	(313.8)
Increase/(decrease) in provision for employee benefits	1,149.8	973.3
Increase/(decrease) in provision for contingencies	258.4	469.0
Cash generated from operations	21,084.5	15,221.9
Direct taxes paid	(4,150.7)	(3,640.2)
Net cash from operating activities	16,933.8	11,581.7
B CASH FLOW FROM INVESTING ACTIVITIES		
Dividend received on current, non- trade investments	95.4	71.3
Interest received on bank deposits, investments and employee loans	207.8	201.5
Purchase of fixed assets	(9,767.6)	(15,570.8)
Sale of fixed assets	23.9	18.5
Decrease/(increase) in loans & advances to employees	32.2	(5.2)
Net cash used in investing activities	(9,408.3)	(15,284.7)
C CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from External Commercial Borrowings (Refer note 41)	2,870.5	6,373.9
Proceeds from Buyer's Credit (Refer note 42)	343.6	2,270.1
Repayment of Buyer's Credit (Refer note 42)	(2,613.7)	-
Proceeds/ (repayments) of other borrowings - net	(6.0)	8.4
Finance costs paid	(299.8)	(13.0)
Dividends paid	(4,667.6)	(4,648.9)
Dividend distribution tax	(758.6)	(758.6)
Net cash from/ (used in) financing activities	(5,131.6)	3,231.9
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C)	2,393.9	(471.1)
Cash and bank balances	2,169.7	2,477.7
Current investments	1,343.7	1,506.8
Cash and cash equivalents as at opening	3,513.4	3,984.5
Cash and bank balances	2,258.7	2,169.7
Current investments	3,648.6	1,343.7
Cash and cash equivalents as at closing	5,907.3	3,513.4
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	2,393.9	(471.1)

ANTONIO HELIO WASZYK
Chairman & Managing Director

February 20, 2013
Gurgaon

February 20, 2013
New Delhi

SHOBINDER DUGGAL
Director - Finance & Control

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

	No. of shares	2012 (₹ in millions)	No. of shares	2011 (₹ 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 <i>pari passu</i> .					
c. Equity shares held by holding companies					
Nestle S.A.	33,051,399		33,051,399		
Maggi Enterprises Limited	27,463,680		27,463,680		
(Ultimate holding company being Nestle S.A)					
d. Shareholders holding more than 5% of equity shares					
Serial No.	Name of the shareholder	No. of shares held	% of holding	No. of shares held	% of holding
1	Nestle 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
2 - RESERVES AND SURPLUS					
a. Capital subsidy					
Opening balance		8.0			8.0
Add: Additions during the year		-			-
Closing balance		8.0			8.0
b. General reserve					
Opening balance		5,198.5			4,237.0
Add: Transferred from surplus in statement of profit and loss		1,067.9			961.5
Closing balance		6,266.4			5,198.5
c. Surplus in statement of profit and loss					
Opening balance		6,568.9			3,345.0
Add: Profit after taxation		10,679.3			9,615.5
Amount available for appropriation		17,248.2			12,960.5
Less: Appropriations					
Dividends:					
Interim (₹ 48.5 per share, Previous year ₹ 36 per share)		4,676.2			3,471.0
Final - proposed (₹ Nil per share, Previous year ₹ 12.5 per share)		-			1,205.2
Dividend distribution tax		758.6			753.9
General reserve		1,067.9			961.5
Closing balance		10,745.5			6,568.9
		17,019.9			11,775.4

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

	2012 (₹ in millions)	2011 (₹ in millions)
3 - LONG TERM BORROWINGS		
Unsecured loans		
Term loan from holding company		
- External Commercial Borrowings (ECB)	10,499.5	7,249.5
	<u>10,499.5</u>	<u>7,249.5</u>

Rate of interest and terms of repayment	Maturity Profile	
	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.	7,437.2	3,062.3

4 - DEFERRED TAXES

Deferred tax liabilities

Difference between book and tax depreciation

Other temporary differences

Deferred tax assets

Provision for contingencies

Provision for compensated absences and gratuity

Other items deductible on payment

Other temporary differences

	2,169.5	984.7
	174.5	122.7
	<u>2,344.0</u>	<u>1,107.4</u>
	521.8	421.7
	150.1	120.5
	27.2	38.3
	24.1	24.7
	<u>723.2</u>	<u>605.2</u>
	<u>1,620.8</u>	<u>502.2</u>

5 - LONG TERM PROVISIONS

Employee benefits:

Pension and gratuity (Refer note 38)

Other incentives and welfare benefits*

Contingencies (Refer note 24)

	6,442.9	5,411.5
	<u>601.5</u>	<u>492.1</u>
	7,044.4	5,903.6
	3,206.1	2,947.7
	<u>10,250.5</u>	<u>8,851.3</u>

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

6 - SHORT TERM BORROWINGS

Secured loans

From banks

- Bank overdraft (Refer note 43)

Unsecured loans

From banks

- Buyers credit

	2.4	8.4
	-	2,450.8
	<u>2.4</u>	<u>2,459.2</u>

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

7 - OTHER CURRENT LIABILITIES

	2012 (₹ in millions)	2011 (₹ in millions)
Statutory liabilities (sales taxes, excise duty, tax deducted at source etc.)*	1,469.2	1,039.2
Payables for capital expenditure	1,220.2	2,765.5
Interim dividend (₹ 12.5 per share, Previous year ₹ Nil per share)	1,205.2	-
Customers' credit balances, advances and other payables	665.1	570.3
Employee costs and reimbursements	648.5	533.6
Unpaid dividends #	110.9	102.4
Sundry deposits	55.8	50.3
Interest accrued but not due on borrowings	10.8	15.0
Sundries	194.6	210.7
	5,580.3	5,287.0

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

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 38)	112.1	99.6
Other incentives and welfare benefits*	151.3	263.4
		154.8
		254.4
Taxation less payments	44.2	465.6
Proposed final dividend (₹ Nil per share, Previous year ₹ 12.5 per share)	-	1,205.2
Dividend distribution tax on proposed final dividend	-	195.5
	307.6	2,120.7

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

9 - FIXED ASSETS

(₹ in millions)

	GROSS BLOCK					DEPRECIATION					NET BLOCK	
	Cost as at December 31, 2011	Additions	Borrowings cost/ Exchange differences	Deletions/ adjustments	Cost as at December 31, 2012	As at December 31, 2011	For the year	Impairment loss	On Deletions/ adjustments	As at December 31, 2012	As at December 31, 2012	As at December 31, 2011
Tangible Assets (A)												
Freehold land	166.1	2.9	-	-	169.0	-	-	-	-	-	169.0	166.1
Leasehold land	263.3	873.7	53.9	-	1,190.9	7.4	8.3	-	-	15.7	1,175.2	255.9
Buildings	3,766.5	4,216.1	341.7	32.7	8,291.6	773.2	223.7	11.8	14.1	994.6	7,297.0	2,993.3
Railway siding	11.7	-	-	-	11.7	11.2	0.1	-	-	11.3	0.4	0.5
Plant and machinery	18,878.1	12,115.6	936.1	442.1	31,487.7	7,441.1	2,273.1	56.7	297.1	9,473.8	22,013.9	11,437.0
Furniture and fixtures	1,245.4	655.4	-	56.8	1,844.0	516.8	186.4	-	43.3	659.9	1,184.1	728.6
Office Equipment	84.3	19.3	-	-	103.6	51.6	8.3	-	-	59.9	43.7	32.7
Information technology equipment	491.4	82.5	-	17.5	556.4	353.8	67.8	-	15.1	406.5	149.9	137.6
Vehicles	26.5	7.5	-	2.1	31.9	20.7	3.8	-	2.1	22.4	9.5	5.8
Sub total	24,933.3	17,973.0	1,331.7	551.2	43,686.8	9,175.8	2,771.5	68.5	371.7	11,644.1	32,042.7	15,757.5
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)	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	32,042.7	15,757.5
Previous year	18,547.0	7,098.5	245.3	368.6	25,522.1	8,419.6	1,533.3	103.9	292.2	9,764.6		
Capital Work-in-progress											3,440.8	13,717.8
										Total	35,483.5	29,475.3

(a) Buildings include ₹ 500 (Previous year ₹ 500) being the cost of share in a Co-operative Housing Society.

(b) Buildings include ₹ 54.0 millions (Previous year ₹ 54.0 millions) being the cost of leasehold improvements.

(c) Capital work-in-progress includes ₹ 72.7 millions (Previous year ₹ 855.1 millions) on account of 'Finance costs' which has been treated as capital expenditure.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

	2012 (₹ in millions)	2011 (₹ in millions)
10 - LONG TERM LOANS AND ADVANCES		
Secured, considered good		
Loans and advances to employees*	40.0	50.5
Unsecured, considered good		
Loans and advances to employees*	431.8	467.5
Payments / pre-deposits under protest with government authorities	441.2	406.4
Security deposits	279.8	245.5
Capital advances	59.7	468.6
Others	2.0	0.6
	1,214.5	1,588.6
	1,254.5	1,639.1

* Loans and advances to employees disbursed under the Company's employee loan scheme includes ₹ 0.2 millions (Previous year ₹ 0.3 millions) to a director prior to his appointment.

11 - CURRENT INVESTMENTS (Non trade, Quoted) (at cost or fair value, whichever is lower)	Face Value ₹ per unit	No. of units	Amount	No. of units	Amount
Government securities					
Treasury Bills	100	18,717,476	1,871.7	-	-
Mutual Funds - Debt					
Tata Liquid Fund Plan A - Daily Dividend	1000	410,303	457.3	391,109	435.9
Birla Sun Life Cash Plus - Daily Dividend - Regular Plan - Reinvestment	100	4,583,737	459.3	3,406,617	341.3
ICICI Prudential Liquid Plan - Daily Dividend	100	1,940,730	194.1	1,500,233	150.1
Reliance Liquid Fund Treasury Plan - Daily Dividend Option Dividend Reinvestment	1000	302,283	462.1	206,918	316.3
JP Morgan India Liquid Fund Super Institutional Daily Dividend Reinvestment	10	20,395,277	204.1	9,997,042	100.1
			1,776.9		1,343.7
			3,648.6		1,343.7
Market value of quoted / repurchase price of investments			3,659.5		1,343.7

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

	2012 (₹ in millions)	2011 (₹ in millions)
12 - INVENTORIES		
(at cost or net realisable value, whichever is lower)		
Raw materials	1,575.1	2,442.7
{Includes in transit ₹ 206.3 millions (Previous year ₹ 176.8 millions)}		
Packing materials	244.1	254.7
{Includes in transit ₹ 9.5 millions (Previous year ₹ 1.4 millions)}		
Work-in-progress*	1,372.4	817.8
Finished goods*	3,653.4	3,207.0
Stock-in-trade (goods purchased for resale)*	155.7	156.7
{Includes in transit ₹ 39.7 millions (Previous year ₹ 64.9 millions)}		
Stores and spares	455.1	461.5
{Includes in transit ₹ 10.6 millions (Previous year ₹ 20.1 millions)}		
	7,455.8	7,340.4

* Refer note 34

13 - TRADE RECEIVABLES (UNSECURED)

Considered good

Over six months from the due date for payment

Others

Considered doubtful

Over six months from the due date for payment

Others

Less: Provision for doubtful trade receivables

	19.0		7.1	
	856.7	875.7	1,147.1	1,154.2
	11.9		12.1	
	25.1	37.0	25.0	37.1
		912.7		1,191.3
		(37.0)		(37.1)
		875.7		1,154.2

14 - CASH AND BANK BALANCES

a. Cash and cash equivalents

Balances with banks

on current accounts

on deposit accounts

Cheques, drafts on hand including remittances in transit

b. Other bank balances

Unpaid dividend accounts

	96.7		97.9	
	2,090.8		2,016.6	
	71.2	2,258.7	55.2	2,169.7
	110.9	110.9	102.4	102.4
		2,369.6		2,272.1

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

	2012 (₹ in millions)	2011 (₹ in millions)
15 - SHORT TERM LOANS AND ADVANCES		
Secured, considered good		
Loans and advances to employees*	17.6	18.8
Unsecured, considered good		
Balances with government authorities	175.2	267.8
Loans and advances to employees*	135.5	126.0
Suppliers' advances, debit balances and other receivables #	139.1	148.9
Security deposits	32.3	36.7
Others (prepaid expenses, receivable against forward contracts etc.)	41.8	191.8
	<u>523.9</u>	<u>771.2</u>
Unsecured, considered doubtful		
Security deposits and vendor balances	4.1	17.7
Less: Provision for doubtful security deposits and vendor balances	<u>(4.1)</u>	<u>(17.7)</u>
	<u>541.5</u>	<u>790.0</u>

* Loans and advances to employees disbursed under the Company's employee loan scheme includes ₹ 0.1 millions (Previous year ₹ 0.3 millions) to a director prior to his appointment.

Includes ₹ 40.0 millions (Previous year ₹ 23.3 millions) from related parties

16 - OTHER CURRENT ASSETS

Interest accrued on fixed deposits	10.0	3.0
	<u>10.0</u>	<u>3.0</u>

17 (a) - OTHER OPERATING REVENUES

Export incentives	142.3	86.4
Others (mainly scrap sales)	180.4	150.9
	<u>322.7</u>	<u>237.3</u>

17 (b) - OTHER INCOME

Dividend on current, non- trade investments	95.4	71.3
Interest received on bank deposits, investments and employee loans (Tax deducted at source ₹ 11.5 millions, Previous year ₹ 10.0 millions)	214.9	200.3
	<u>310.3</u>	<u>271.6</u>

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

	2012 (₹ in millions)	2011 (₹ in millions)
18 - COST OF MATERIALS CONSUMED		
Raw materials (Refer note 31)	31,269.1	29,378.4
Packing materials	6,299.6	5,908.1
	<u>37,568.7</u>	<u>35,286.5</u>
19 - CHANGES IN INVENTORIES OF FINISHED GOODS, WORK-IN-PROGRESS AND STOCK-IN-TRADE		
Opening stock		
Finished goods	3,207.0	2,825.4
Work-in-progress	817.8	741.7
Stock-in-trade	156.7	45.2
	<u>4,181.5</u>	<u>3,612.3</u>
Closing 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>
Net (increase)/ decrease in opening and closing stock	(1,000.0)	(569.2)
Net movement in excise duty on finished goods	79.8	86.4
	<u>(920.2)</u>	<u>(482.8)</u>
20 - EMPLOYEE BENEFITS EXPENSE		
Salaries, wages, bonus, pension, gratuity, performance incentives etc. (Refer note 39)	6,018.4	4,895.3
Contribution to provident and other funds	221.7	193.0
Staff welfare expenses	393.7	376.3
	<u>6,633.8</u>	<u>5,464.6</u>
21 - FINANCE COSTS		
Interest on		
Borrowings - External Commercial Borrowings, Buyer's credit*	348.5	116.1
Others	8.7	2.8
Exchange differences*	477.9	1,072.2
Less: Interest Income on temporarily surplus liquidities out of External Commercial Borrowings proceeds*	<u>(19.8)</u>	<u>(39.5)</u>
	<u>815.3</u>	<u>1,151.6</u>
Less: treated as capital expenditure*#	(549.3)	(1,100.5)
	<u>266.0</u>	<u>51.1</u>

* Refer note 41 and note 42

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 ₹ 33.3 millions (₹ 22.5 millions - net of tax) expensed in 2011 have been reversed under "Finance Costs" in the current year.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

	2012 (₹ in millions)	2011 (₹ in millions)
22 - OTHER EXPENSES		
Finished goods handling, transport and distribution	3,841.5	3,524.9
Power and fuel	3,708.9	2,958.1
Advertising and sales promotion	3,558.8	3,226.2
General licence fees (net of taxes)	2,884.6	2,574.7
Information technology and management information systems	775.9	720.0
Maintenance and repairs		
Plant and machinery	477.4	367.5
Buildings	177.9	164.8
Others	117.2	90.8
Contract manufacturing charges	673.3	661.6
Rates and taxes	664.3	502.8
Travelling	613.5	585.1
Rent	512.8	440.6
Consumption of stores and spare parts (excluding ₹ 253.9 millions charged to other revenue accounts, Previous year ₹ 184.8 millions)	406.6	339.8
Taxes on general licence fees	288.6	257.6
Training	243.6	252.8
Laboratory (quality testing)	180.0	129.0
Market research	160.3	118.6
Milk collection and district development	157.8	131.2
Deficit on fixed assets sold/scrapped/written off (net)	155.6	57.9
Insurance	22.3	21.9
Miscellaneous	746.5	838.4
	20,367.4	17,964.3

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

23. 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) and the relevant provisions of the Companies Act, 1956. 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 Revised Schedule VI to the Companies Act, 1956 has become effective from 1 April, 2011 for the preparation of financial statements. This has impacted the disclosure and presentation made in the financial statements.

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 ROCOGNITION

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 is booked 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 bases of determining cost for various categories of inventories are as follows:

Raw and packing materials	:	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

Contributions to the provident fund, provision for pension, gratuity and other employee benefits are charged to statement of profit and loss during the period of employment.

Provision for pension and gratuity is made on the basis of an actuarial valuation carried out by an independent actuary as at the year-end. Provision for gratuity is recognised after taking into account the return on plan assets maintained under the gratuity trust.

Other long term benefits, like compensated absences and long service awards are charged to statement of profit and loss on a discounted basis which these are accrued over the expected service period until the benefits vests.

Actuarial gains and losses are recognised immediately in the statement of profit and loss.

Other short term benefits, including performance incentives are charged to statement of profit and loss on an undiscounted, accrual basis during the period when the employee renders service.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

Liability for Nestle Restricted Stock Unit (RSU) Plan of Nestle S.A. whereby select employees of the Company are granted non-tradable Restricted Stock Units (RSU) with the right to obtain Nestle 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 Nestle 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, estimates of the recoverable amount of the fixed asset/cash generating unit to which the asset belongs. 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 factor.

Reversal of impairment losses recognised in prior 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 prior years.

TAXATION

Provision for taxation for the period comprises the residual tax liability for the period April 1, 2011 to March 31, 2012 and the liability, which has accrued on the profit for the period April 1, 2012 to December 31, 2012 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. 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 of tangible assets is 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 09.08.2012 issued by 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 asset to the cost of the asset and, to depreciate over the balance useful life of that asset.

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

Investments are classified into current and long-term investments. Current investments are stated at the lower of cost or fair value. Long-term investments are stated at cost. Provision for diminution, if any, in the value of long-term 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.

24. Net provision for contingencies

The Company has created a contingency provision of ₹ 481.4 millions (Previous year ₹ 492.6 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 contingency provision of ₹ 223.0 millions (Previous year ₹ 23.6 millions) due to the satisfactory settlement of certain litigations for which provision is no longer required.

Provisions for Contingencies for the year ended 31.12.2012 is not comparable with the same period of 2011 due to timing difference of certain provisions arising from change in regulatory procedures.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

The details of class-wise provisions are given below:

Description	2012 (₹ in millions)			2011 (₹ in millions)		
	Provisions for contingencies			Provisions for contingencies		
	Litigations and related disputes	Others	Total	Litigations and related disputes	Others	Total
Opening balance	2,791.2	156.5	2,947.7	2,343.0	135.7	2,478.7
New provisions	453.4	28.0	481.4	471.8	20.8	492.6
Utilisation/Settlement in the year	—	—	—	—	—	—
Reversals	(141.5)	(81.5)	(223.0)	(23.6)	—	(23.6)
Recognised in statement of profit and loss	311.9	(53.5)	258.4	448.2	20.8	469.0
Closing balance	3,103.1	103.0	3,206.1	2,791.2	156.5	2,947.7

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, 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.

25. Contingent liabilities and commitments.

Contingent liabilities

Claims against the company not acknowledged as debts:
VAT matters

Capital commitments

Capital expenditure commitments remaining to be executed and not provided for (net of advance ₹ 59.7 millions (Previous year ₹ 468.6 millions))

2012 (₹ in millions)	2011 (₹ in millions)
117.0	-
921.6	4,618.7

26. Auditors remuneration

(1) Auditors' remuneration including service tax and expenses in respect of:

- Statutory audit
- Audit of accounts for fiscal year and tax audit
- Limited review of quarterly un-audited results
- Certifications
- Audit of employee trust accounts
- Certification of tax holiday benefits
- Out of pocket expenses for statutory audit and other matters

(2) Cost and other auditors' remuneration

5.7	5.6
2.3	2.7
1.0	1.0
1.3	1.1
0.1	0.1
0.1	0.1
0.4	0.4
0.4	0.3

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

	2012 (₹ in millions)	2011 (₹ in millions)
27. Exchange difference charged (net) to statement of profit and loss under		
Finance costs	18.8	34.7
Other expenses - Miscellaneous	1.3	176.7
	<u>20.1</u>	<u>211.4</u>
	2012 (₹ in millions) %	2011 (₹ in millions) %
28. Consumption of stores and spare parts		
Imported	105.9 16.0	78.0 14.9
Indigenous	554.6 84.0	446.6 85.1
	<u>660.5 100.0</u>	<u>524.6 100.0</u>
	2012 (₹ in millions)	2011 (₹ in millions)
29. Earnings from exports		
Export of goods in:		
- Foreign currency at F.O.B value (including sales to Russia invoiced in Rupees of ₹ 129.5 million (Previous year ₹ Nil))	2,929.0	3,091.6
- Rupees (all inclusive sales to Nepal & Bhutan)	1,302.6	810.2
30. C. I. F. value of imports		
Raw and packing materials	2,491.1	2,508.4
Capital goods	1,465.8	7,206.4
Goods – outside manufacture	273.9	240.4
Components and spare parts	120.4	90.5
31. Raw materials consumed:		
Fresh milk	9,214.9	9,043.6
Milk derivatives	4,667.0	4,225.9
Grain flour	3,698.4	3,106.1
Edible oils	3,261.8	3,235.2
Green coffee and chicory	3,257.4	3,091.2
Sugar	2,067.2	1,862.8
Fruit and vegetable crunchies / flakes	457.5	356.7
Cocoa based raw materials	431.3	370.1
Maltodextrine powder	377.8	342.8
Tomato paste /powder	324.8	293.1
Fruits and vegetables concentrate	297.3	166.0
Liquid glucose	236.5	260.8
Onion flakes /powder	211.6	243.2
Wheat gluten	157.6	139.9
Black tea/green leaf	151.7	147.0
Others (net of sale proceeds of by-products/surplus materials)	2,456.3	2,494.0
	<u>31,269.1</u>	<u>29,378.4</u>
	2012 (₹ in millions) %	2011 (₹ in millions) %
Of the above:		
Imported	3,478.1 11.1	3,193.6 10.9
Indigenous	27,791.0 88.9	26,184.8 89.1
	<u>31,269.1 100.0</u>	<u>29,378.4 100.0</u>

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

	2012 (₹ in millions)	2011 (₹ in millions)
32 a. Expenditure in foreign currency (accrual basis)		
General license fees (net of taxes)	2,884.6	2,574.7
Information technology and management information systems	610.6	593.0
Project management*	542.3	172.2
Interest on borrowings	348.5	116.1
Other matters	308.4	281.7
* in relation to capital projects		
b. Other recoveries in foreign currency (accrual basis)		
Reimbursement of costs	78.3	45.1
Proceeds from sale of fixed assets/spare parts at F.O.B. value	3.9	5.6

33. Amount remitted in foreign currencies towards dividends during the year:

	2012			2011		
	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 / 2010	2	60,515,079	756.4	2	60,515,079	756.4
First interim	2	60,515,079	1,089.3	2	60,515,079	544.6
Second interim	2	60,515,079	1,089.3	2	60,515,079	1,634.0

34. a. 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)	(₹ in millions)		Quantity (MT)	(₹ in millions)	Quantity* (MT)	(₹ in millions)
Milk Products and Nutrition	11,415 (12,271)	1,890.3 (1,691.9)	141,636 (148,964)	11,371 (11,415)	2,039.4 (1,890.3)	140,386 (147,984)	38,593.9 (33,510.1)
Beverages	1,931 (1,815)	516.4 (357.5)	25,307 (26,944)	1,725 (1,931)	505.3 (516.4)	25,353 (26,692)	11,227.3 (10,684.0)
Prepared dishes and cooking aids	6,550 (6,668)	459.4 (396.1)	239,962 (220,165)	9,663 (6,550)	674.5 (459.4)	236,554 (219,041)	24,301.5 (21,544.8)
Chocolate and confectionery	3,825 (4,448)	497.6 (425.1)	47,377 (52,091)	3,207 (3,825)	589.9 (497.6)	47,745 (52,678)	11,691.1 (10,996.9)
	23,721 (25,202)	3,363.7 (2,870.6)	454,282 (448,164)	25,966 (23,721)	3,809.1 (3,363.7)	450,038 (446,395)	85,818.8 (76,735.8)

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. Details of Purchases of stock-in-trade and work-in-progress

Class of goods	Purchases of stock -in-trade		Work-in-progress
	Quantity (MT)	(₹ in millions)	(₹ in millions)
Milk products and Nutrition	19,754 (22,249)	892.1 (995.9)	934.6 (402.1)
Beverages	232 (208)	128.5 (80.5)	165.4 (126.1)
Prepared dishes and cooking aids	16 (12)	35.9 (26.1)	184.9 (218.7)
Chocolate and confectionery	282 (222)	58.8 (45.5)	87.5 (70.9)
	20,284 (22,691)	1,115.3 (1,148.0)	1,372.4 (817.8)

Previous year's figures are indicated in brackets.

35. 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.

36. 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	Nestlé Operational Services Worldwide SA
Marcas Nestlé SA de CV	Nestlé Österreich GmbH
Nestec S.A.	Nestlé Pakistan Ltd
Nestec York Ltd	Nestlé Philippines, Inc.
Nestlé (China) Ltd	Nestlé Polska S.A.
Nestlé (Thai) Ltd	Nestlé Product Technology Centre
Nestlé Asean (Malaysia) Sdn Bhd	Nestlé Products Sdn Bhd
Nestlé Australia Ltd	Nestlé Pte Marysville
Nestlé Bangladesh Ltd	Nestlé Purina Petcare Tianjin Ltd
Nestlé Brasil Ltda	Nestlé Qingdao Ltd
Nestlé Business Services AOA, Inc.	Nestlé Quality Assurance Center
Nestlé Canada Inc	Nestlé R&D Center (Pte) Ltd
Nestlé Central And West Africa	Nestlé R&D Center Inc

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

a) Related party and their relationship (Contd.)

Nestlé Cesko s.r.o.	Nestlé R&D Center Shanghai Ltd
Nestlé Chile SA	Nestlé R&D Centre India Private Ltd
Nestlé Deutschland AG	Nestlé ROH (Thailand) Ltd
Nestlé Dongguan Ltd	Nestlé Romania SRL
Nestlé Dubai Manufacturing LLC	Nestlé Rossiya LLC
Nestlé Egypt S.A.E.	Nestlé Shanghai Ltd
Nestlé Equatorial African Region	Nestlé Singapore (Pte) Ltd
Nestlé Espana, S.A.	Nestlé South Africa Pty Ltd
Nestlé Food Kazakhstan LLP	Nestlé Suisse S.A.
Nestlé France S.A.S.	Nestlé Syria Ltd
Nestlé Ghana Ltd	Nestlé Taiwan Ltd
Nestlé Hong Kong Ltd	Nestlé Tianjin Ltd
Nestlé Hulunbeir Ltd	Nestlé Türkiye Gıda Sanayi A.S.
Nestlé Hungaria Kft.	Nestlé UK Ltd
Nestlé International Travel Retail	Nestlé USA Inc
Nestlé Iran (Private Joint Stock Company)	Nestlé Vietnam Ltd
Nestlé Italiana S.p.A.	Nestlé Waters Management & Technology
Nestlé Japan Ltd	Nestlé Zimbabwe (Private) Ltd
Nestlé Kenya Ltd	Nestlé's Products (Mauritius) Ltd
Nestlé Korea Ltd	Nestlé S.A.
Nestlé Kuban LLC	Osem Investments Ltd
Nestlé Lanka PLC	Osem UK Ltd
Nestlé Manufacturing Ltd	PT Nestlé Indofood Citarasa
Nestlé Manufacturing(Malaysia) Sdn Bhd	PT Nestlé Indonesia
Nestlé Maroc S.A.	Quality Coffee Products Ltd
Nestlé México S.A. de C.V.	R&D - Singapore
Nestlé Middle East FZE	San Pellegrino S.p.A.
Nestlé Nederland B.V.	Servcom S.A.
Nestlé New Zealand Ltd	Société des Produits Nestlé S.A.
Nestlé Nigeria Plc	

iii) Key Management Personnel

Antonio Helio Waszyk - Chairman & Managing Director
Shobinder Duggal, Director - Finance & Control
Christian Schmid, Director - Technical

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	2012 (₹ in millions)	2011 (₹ in millions)
Holding companies:		
Dividends: Interim	2,935.0	2,178.6
Final	Nil	756.4
External Commercial Borrowings (ECB)		
- Nestlé S.A.		
- Loan received	2,870.6	6,373.9
- Interest	314.5	108.9
Expenses Recovered		
- Nestlé S.A.	4.9	Nil
Expenses Reimbursed/incurred		
- Nestlé S.A.	119.2	106.4
Fellow subsidiaries:		
(a) Sale of finished and other goods		
- Nestlé Kuban LLC	774.2	1,480.8
- Nestlé Türkiye Gıda Sanayi A.Ş.	707.2	52.9
- Nestlé Egypt S.A.E.	233.3	373.0
- Others	388.5	475.4
(b) Sale of fixed assets/spares		
- Nestlé Bangladesh Ltd	2.5	Nil
- Nestlé S.A.	Nil	3.1
- Nestlé Zimbabwe (Pvt) Ltd	Nil	1.8
- Nestlé Asean (Malaysia) Sdn Bhd	Nil	1.4
- Others	Nil	0.1
(c) Purchase of fixed assets		
- Nestlé Kuban LLC	5.1	Nil
(d) Purchase of raw and packing materials and spare parts		
- Nestlé Suisse S.A.	14.3	Nil
- Nestlé (South Africa) (Pty) Ltd	Nil	1.0
- Nestlé Deutschland AG	Nil	0.6
- Others	1.0	Nil
(e) Purchase of finished goods		
- Nestlé Lanka PLC	72.3	63.5
- Nestlé Korea Ltd	50.6	34.6
- Nestlé Espana S.A.	40.7	41.9
- Nestlé Nederland BV	30.6	38.6
- P.T. Nestlé Indonesia	27.4	35.2
- Others	50.2	24.5
(f) General licence fees (Net of taxes)		
- Société des Produits Nestlé S.A.	2,884.6	2,574.7

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

Particulars	2012 (₹ in millions)	2011 (₹ in millions)
(g) Expenses Recovered/received		
- Nestlé R&D Centre India Private Limited	23.6	15.6
- Nestlé Lanka PLC	21.4	10.8
- Nestec S.A.	14.0	13.9
- Nestlé Bangladesh Ltd	10.6	6.9
- Others	32.6	13.5
(h) Expenses Reimbursed/incurred		
- Nestec S.A.	45.4	21.8
- Nestlé R & D Center (Pte) Limited	17.5	5.3
- Nestlé Deutschland AG	17.0	11.8
- NestecYork Ltd	14.3	4.7
- Nestlé Nederland BV	1.3	15.5
- Others	33.5	34.6
(i) Information technology and management information systems		
- Nestlé Australia Ltd	592.0	591.1
- Servcom SA	2.5	1.9
(j) Balances no longer payable		
- Nestlé Bangladesh Ltd	Nil	4.3
(k) Remuneration to key management personnel		
- Chairman & Managing Director	94.7	85.2
- Director – Finance & Control	25.6	23.8
- Director – Technical	54.0	39.5
(l) Employees' benefit trusts		
- Nestlé India Limited Employees' Provident Fund Trust	104.2	89.2
- Nestlé India Limited Employees' Gratuity Trust Fund	50.0	59.0
Balance outstanding as at the year end		
➤ Interim dividend payable to holding companies	756.4	Nil
➤ Proposed final dividend payable to holding companies	Nil	756.4
➤ External Commercial borrowings – at restated value	10,499.5	7,249.5
➤ Interest accrued but not due on External Commercial Borrowings	10.8	7.9
➤ Receivables from holding companies	4.9	Nil
➤ Receivables from fellow subsidiaries	457.1	517.0
➤ Payables to fellow subsidiaries	470.3	467.0
➤ Payables to key management personnel	13.9	22.5
➤ Payables to Employees Provident Fund Trust	8.8	7.8

Note:

Other transactions with Key Managerial Personnel during the year:

1. Lease rentals paid (included in (k) above) (at market rates) during the year: ₹ 2.0 millions (previous year ₹ 2.0 millions).
2. Balance outstanding against loans disbursed under Company's employee loan schemes for its employees includes ₹ 0.3 millions (previous year ₹ 0.6 millions). Transactions during the year in this employee loan account: repayments ₹ 0.3 millions (previous year ₹ 0.4 millions).

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

37. 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 Medium Enterprise 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 ₹ 12.6 millions (Previous year ₹ 44.8 millions). Further, no interest during the year has been paid or payable under the terms of the MSMED Act, 2006.

38. Employee Plans

- a) The Company makes contribution towards employees' provident fund and employees' state insurance plan scheme. Under the rules of these schemes, the Company is required to contribute a specified percentage of payroll costs. The Company during the year recognised ₹ 221.7 millions (Previous year ₹ 193.0 millions) as expense towards contributions to these plans.

Out of the total contribution made for Employees' Provident Fund, ₹ 104.2 millions (Previous year ₹ 89.2 millions) is made to the Nestle India Limited Employees Provident Fund Trust while the remainder contribution is made to Provident Fund Plan operated by the Regional Provident Fund Commissioner.

The total plan liabilities under the Nestle India Limited Employees Provident Fund Trust as at December 31, 2012 as per the unaudited financial statements for the year then ended is ₹ 1,658.2 millions (Previous year ₹ 1,426.4 millions) as against total plan assets of ₹ 1,667.4 millions (Previous year ₹ 1,416.2 millions). The funds of the Trust have been invested under various securities as prescribed under the rules of the Trust.

- b) **Gratuity scheme** - This is a funded defined benefit plan for qualifying employees. The Company makes contributions to the Nestle India Limited Employees' Gratuity Trust Fund. The scheme provides for a lump sum payment to vested employees at retirement, death while in employment or on termination of employment. Vesting occurs upon completion of five years of service.
- c) **Pension scheme** - The Company has a discretionary unfunded defined pension benefit scheme for its qualifying employees.

The following table sets out the status of the gratuity and pension plans as at December 31, 2012:-

	As at December 31, 2012 (₹ in millions)		As at December 31, 2011 (₹ in millions)	
	Gratuity Scheme Funded Plan	Pension Scheme Unfunded Plan	Gratuity Scheme Funded Plan	Pension Scheme Unfunded Plan
Change in defined benefit obligation (DBO):				
1 Present Value of obligation, as at the beginning of the year	573.6	5,474.2	505.8	4,676.9
2 Current service cost	37.8	237.7	30.5	199.1
3 Interest cost	44.1	433.1	39.3	369.7
4 Actuarial loss (net)	39.7	467.9	28.8	339.8
5 Actual benefits paid	(45.0)	(121.2)	(30.8)	(111.3)
6 Present Value of obligation, as at the end of the year	650.2	6,491.7	573.6	5,474.2
Change in plan assets:				
1 Plan assets at the beginning of the year	536.7	-	468.0	-
2 Expected return on plan assets	43.1	-	38.5	-
3 Contribution by the Company	50.0	-	59.0	-
4 Actual benefits paid	(45.0)	-	(30.8)	-
5 Actuarial gain (net)	2.1	-	2.0	-
6 Plan assets at the end of the year	586.9	-	536.7	-

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

	As at December 31, 2012 (₹ in millions)		As at December 31, 2011 (₹ in millions)	
	Gratuity Scheme Funded Plan	Pension Scheme Unfunded Plan	Gratuity Scheme Funded Plan	Pension Scheme Unfunded Plan
Liability (net) recognised in the balance Sheet	63.3	6,491.7	36.9	5,474.2
Cost for the period				
1 Current service cost	37.8	237.7	30.5	199.1
2 Interest cost	44.1	433.1	39.3	369.7
3 Expected return on plan assets	(43.1)	-	(38.5)	-
4 Actuarial loss (net)	37.6	467.9	26.9	339.8
6 Actual benefits paid	45.0	121.2	30.8	111.3
Net cost	121.4	1,259.9	89.0	1,019.9
Constitution of plan assets:				
1 Bonds	269.2	-	250.9	-
2 Government of India securities	82.4	-	90.6	-
3 State Government/State Government guaranteed securities	157.2	-	121.3	-
4 Cash at bank and receivables	4.0	-	11.5	-
5 Funding with insurance Companies & mutuals funds	74.1	-	62.5	-
Total plan assets	586.9	-	536.8	-
Main Actuarial Assumptions:				
1 Discount Rate (%)	8.00	8.00	8.00	8.00
2 Expected rate of return on plan assets (%)	8.00	-	8.00	-
Experience Adjustments:				
Experience Loss/ (Gain) adjustments on plan liabilities	30.1	298.6	20.6	239.9
Experience Gain / (Loss) adjustments on plan assets	2.1	-	2.0	-

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, 2010 (₹ in millions)		As at December 31, 2009 (₹ in millions)		As at December 31, 2008 (₹ 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)	505.8	4,676.9	300.5	4,208.4	356.0	3,076.3
Value of plan assets	468.0	-	377.3	-	355.3	-
Deficit / (Surplus)	37.8	4,676.9	(76.8)	4,208.4	0.7	3,076.3

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

39. 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:-

	2012		2011	
	No of Grants	(₹ in millions)	No of Grants	(₹ in millions)
Outstanding, non vested RSU grants as at year end	109,890	219.2	112,480	203.3
RSU grants vested during the year	34,980	103.3	21,200	53.0
Recognised in statement of profit and loss		119.2		105.5

40. 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 account are ₹ 512.8 millions (Previous year ₹ 440.6 millions).

Future minimum lease rentals payable as at 31st December, 2012 as per the lease agreements:

	2012 (₹ in millions)	2011 (₹ in millions)
Not later than one year	394.9	350.3
Later than one year not later than five year	245.5	393.4
Later than five years	1.0	0.2

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

41. External Commercial Borrowings

During first half of 2012, the Company had drawn US Dollars 56 millions (Previous year US dollars 136 millions) 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 amount of loan outstanding as at 31st December 2012 is ₹ 10,499.5 millions (Previous year ₹ 7,249.5 millions). Total cost of this borrowing, including interest (net of earnings from temporarily surplus liquidities) and exchange differences, during 2012 is ₹ 693.7 millions (Previous year ₹ 1,129.2 millions) which is either treated as capital expenditure or charged to statement of profit and loss as per the accounting policy details of which are as follow:

	<u>Loan Amount</u>	(₹ in millions)		
<u>Movement in loan amount during the year</u>				
Outstanding as at 31.12.2011	7,249.5			
Amount drawn during first half of 2012	2,870.5			
Exchange loss on revaluation	379.5			
Outstanding as at 31.12.2012	10,499.5			
 <u>Finance costs for the year</u>				
(refer note 21)	Interest	Exchange Loss / (Gain)		Total
		Realised	Unrealised	
Interest cost	314.5	-	-	314.5
Exchange loss on revaluation	-	-	379.5	379.5
Exchange loss (net) on forward contracts	-	19.5	-	19.5
Subtotal	314.5	19.5	379.5	713.5
Earnings from temporarily surplus liquidities	(19.8)	-	-	(19.8)
Net finance costs	294.7	19.5	379.5	693.7
<u>of which</u>				
Treated as capital expenditure	78.4	19.5	379.5	477.4
Recognised in statement of profit & loss	216.3	-	-	216.3

42. Buyer's Credit

During January 2012, the Company had drawn US Dollars 6.7 millions (Previous year US dollars 46 millions) as Buyer's Credit from various commercial banks for a period upto one year. Total loan amount has been paid during the year and outstanding as at 31st December 2012 is Nil (Previous year ₹ 2,450.8 millions). Total cost of this borrowing, including interest and exchange differences, during 2012 is ₹ 112.9 millions (Previous year ₹ 19.5 millions) which is either treated as capital expenditure or charged to statement of profit and loss as per the accounting policy details of which are as follow:

	<u>Loan Amount</u>	(₹ in millions)		
<u>Movement in loan amount during the year</u>				
Outstanding as at 31.12.2011	2,450.8			
Amount drawn during January 2012	343.6			
Reversal of exchange loss as at 31.12.2011 on revaluing loan amount	(180.7)			
Amount paid during the year	(2,613.7)			
Outstanding as at 31.12.2012	-			
<u>Finance costs for the year</u>				
(refer note 21)				
	Interest	<u>Exchange Loss/(Gain)</u>		Total
		Realised	Unrealised	
Interest Cost	34.0	-	-	34.0
Reversal of exchange loss as at 31.12.2011 on revaluing loan amount	-	(180.7)	-	(180.7)
Exchange loss on forex forward contracts	-	259.6	-	259.6
Net finance costs	34.0	78.9	-	112.9
<u>of which</u>				
Treated as capital expenditure	11.8	26.8	-	38.6
Recognised in statement of profit & loss	22.2	52.1	-	74.3

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

43. 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.

44. Foreign currency exposure

The foreign currency exposure of the Company as at December 31, 2012 is as under:

a) Category wise quantitative data*

	Currency	As at December 31, 2012			As at December 31, 2011		
		Nos.	Amount in	(₹ in	Nos.	Amount in	(₹ in
			Foreign currency (in millions)	millions)		Foreign currency (in millions)	millions)
Forward contracts against exports	USD	32	14.2	777.5	36	17.0	891.8
	EUR	1	0.1	7.2	-	-	-
Forward contracts against imports (Including Capital imports)	CAD	-	-	-	1	0.3	13.1
	CHF	-	-	-	1	0.4	25.7
	EUR	19	3.2	228.8	28	6.4	446.4
	GBP	4	0.7	60.1	6	1.2	99.5
	USD	18	7.7	422.3	12	5.9	314.0
	AUD	11	2.8	156.1	9	2.0	104.4
Forward contracts against Buyers Credit & Interest Charges	USD	-	-	-	95	46.6	2,376.4

*At closing rates

- b) All the forward contracts are for hedging foreign exchange exposures relating to the underlying transactions and firm commitments or highly probable forecast transaction.
- c) Foreign currency exposures remaining unhedged at the year end:

	Currency	As at December 31, 2012		As at December 31, 2011	
		Amount in	(₹ in	Amount in	(₹ in
		Foreign currency (in millions)	millions)	Foreign currency (in millions)	millions)
Against exports	USD	3.8	208.9	-	-
	GBP	0.1	12.3	0.1	6.9
	EUR	0.5	35.9	0.1	9.1
	CAD	0.0	1.7	-	-
Against imports (Including Capital imports)	JPY	16.2	10.3	14.7	10.1
	SGD	0.9	41.9	0.7	27.5
	AUD	0.1	6.4	0.5	26.7
	MYR	0.0	0.2	0.1	1.3
	CHF	0.7	43.9	0.7	39.7
	USD	1.4	73.9	-	-
	ZAR	0.0	0.2	0.2	1.3
	GBP	1.0	88.3	1.9	154.9
	CAD	0.1	6.8	2.7	141.3
	EUR	3.2	229.7	7.2	497.8
Against ECB & interest Charges	USD	192.2	10,510.3	136.1	7,257.4

ANNEXURE - 1 TO THE DIRECTORS' REPORT

Report on Corporate Governance for the year ended December 31, 2012

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 the Nestlé Group. The significant documents from the 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 Directorships and other Board Committees

Above information as on 31st December, 2012 or for the year 2012, as applicable, is tabulated hereunder:

Director	No. of Board Meetings attended	Attendance at previous AGM on 30-03-2012	No. of outside Directorship held ^A	No. of Membership/ Chairmanship in other Board Committees ^B	Executive/ Non-Executive/ Independent
Mr. Antonio Helio Waszyk	8 ¹	Present	Nil	Nil	Executive
Mr. Shobinder Duggal	8	Present	Nil	Nil	Executive
Mr. Christian Schmid	7	Present	Nil	Nil	Executive
Dr. Rakesh Mohan ²	6	Present	3	Nil	Non-Executive & Independent
Mr. Ashok Kumar Mahindra	7	Present	Nil	Nil	Non-Executive & Independent
Mr. Ravinder Narain	6 ^C	Present	3	1	Non-Executive & Independent
Mr. Michael W.O. Garrett	6 ^C	Present	Nil	Nil	Non-Executive & Independent
Dr. Swati A. Piramal	2 ^C	Present	4	Nil	Non-Executive & Independent
Mr. Richard Sykes ³	Nil	Not Present	Nil	Nil	Non-Executive

1 Participated through video conferencing in the Board meeting held on 07.12.2012.

2 Ceased as a Director with effect from 31.10.2012.

3 Alternate Director to Mr. Michael W.O. Garrett.

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.

C In addition to the Board Meetings personally attended, the Directors who participated in the meetings over phone are: Mr. Michael W.O. Garrett on 25.04.2012; Mr. Ravinder Narain on 07.12.2012; and Dr. Swati A. Piramal on 12.11.2012.

As at 31st December, 2012, in compliance with the corporate governance norms, the Company's Board of Directors headed by its executive Chairman, Mr. Antonio Helio Waszyk comprised six 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 2012

During the year, eight Board Meetings were held on 14th February, 2012, 17th February, 2012, 30th March, 2012, 25th April, 2012, 26th July, 2012, 27th July, 2012, 12th November, 2012 and 7th December, 2012. 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 2012.

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 the 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, Head of Corporate Control 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 54th Annual General Meeting scheduled on 8th May, 2013.

During the year, the Audit Committee met four times on 14th February, 2012, 24th April, 2012, 27th July, 2012 and 12th November, 2012 and all members of the Committee attended the aforesaid meetings except Mr. Michael W.O. Garrett who attended the meetings held on 14th February, 2012, 27th July, 2012 and 12th November, 2012. 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 the other member is Mr. Antonio Helio Waszyk, Managing Director. Mr. B. Murli, Company Secretary acts as the Compliance Officer to the Committee.

The Committee met four times during the year on 14th February, 2012, 24th April, 2012, 27th July, 2012 and 12th November, 2012. All members of the Committee attended the aforesaid meetings.

During the year, 20 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 2012 and no such transfer is pending.

CORPORATE GOVERNANCE COMMITTEE

The Corporate Governance Committee ('the Committee') of the Directors oversees the corporate governance and other business 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 and make recommendations, if any, to the Board.

The Board of Directors of the Company at their meeting held on 12th November, 2012 authorised the Corporate Governance Committee to additionally monitor Corporate Social Responsibility issues including the Business Responsibility requirements and reporting.

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

The Committee met four times during the year on 1st February, 2012, 14th February, 2012, 28th May, 2012 and 12th November, 2012. Mr. Antonio Helio Waszyk attended all the meetings. Dr. Swati A. Piramal attended the meetings held on 1st February, 2012, 14th February, 2012 and 28th May, 2012 and also participated over phone in the meeting held on 12th November, 2012. Mr. Ravinder Narain attended the meetings held on 1st February, 2012, 14th February, 2012, and 12th November, 2012. Mr. Michael W.O. Garrett attended the meetings held on 14th February, 2012, 28th May, 2012 and 12th November, 2012.

REMUNERATION COMMITTEE

Matters of remuneration of executive directors are 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. Therefore, no separate Remuneration Committee has been constituted.

The remuneration of non-executive directors is decided by the Board of Directors as per the terms approved by the shareholders at the Annual General Meeting.

The remuneration 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.

REMUNERATION OF DIRECTORS FOR 2012

<i>(Rupees in thousands)</i>						
Name of the Director	Sitting Fee	Salaries and Allowances	Perquisites	Company's Contribution to PF	Commission	Total
Mr. Antonio Helio Waszyk ¹	N.A.	34,850	33,326	1,677	24,800	94,653
Mr. Shobinder Duggal ¹	N.A.	10,206	11,005	1,087	3,261	25,559
Mr. Christian Schmid ¹	N.A.	20,054	20,395	770	12,753	53,972
Mr. Michael W.O. Garrett	195	N.A.	N.A.	N.A.	450@	645
Dr. Rakesh Mohan	120	N.A.	N.A.	N.A.	375@	495
Mr. Ashok Kumar Mahindra	220	N.A.	N.A.	N.A.	450@	670
Mr. Ravinder Narain	235	N.A.	N.A.	N.A.	450@	685
Dr. Swati A. Piramal	55	N.A.	N.A.	N.A.	450@	505

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, 2012 will be paid, subject to deduction of tax, after adoption of the accounts by the shareholders at the Annual General Meeting to be held on 8th May, 2013.

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 54th 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, 2012.

GENERAL BODY MEETINGS

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

Year & Date	Time	Venue
30.03.2012	10.00 A.M.	Air Force Auditorium, Subroto Park, New Delhi - 110 010
19.04.2011	10.00 A.M.	- do -
21.04.2010	10.00 A.M.	- do -

Special resolutions were passed by the shareholders at the fifty first and fifty second Annual General Meeting of the Company for approval of amendments in the Articles of Association of the Company and commission payable to non-executive directors of the Company, respectively. No other resolution was passed as special resolution in the last three Annual General Meetings.

No resolution was put through postal ballot or any other general body meeting held in the last three years.

There is no special resolution proposed to be passed through postal ballot at the ensuing Annual General Meeting scheduled on 8th May, 2013.

DISCLOSURES

During the year 2012, 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. 36 to the Annual Accounts.

The equity shares of the Company are listed on the Bombay Stock Exchange 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 the Bombay Stock Exchange 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: Presently not applicable as the Chairman of the Company is an Executive Director; **(b) Tenure of Independent Director:** No specific tenure has been prescribed for Independent Directors; **(c) Remuneration Committee :** No separate Remuneration Committee has been constituted. Please refer to para above on "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 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 under the Nestlé India Code of Business Conduct or believed to be illegal. 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.

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, Mint, Jansatta, The Hindu Business Line.

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 the Bombay Stock Exchange.

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, 2012 was 7,008.

GENERAL SHAREHOLDER INFORMATION

Annual General Meeting

Day, Date and Time	: Wednesday, 8 th May, 2013 at 10.00 a.m.
Venue	: Air Force Auditorium, Subroto Park, New Delhi – 110 010.
Financial Calendar, 2013 (tentative)	:
First Quarter Results	: Second week of May, 2013
Second Quarter and Half-yearly Results	: Last week of July, 2013
Third Quarter Results	: Last week of October, 2013
Annual Results	: February / March, 2014
Financial Year	: 1 st January to 31 st December
Annual Book Closure	: 2 nd May, 2013 to 8 th May, 2013 (both days inclusive)

Dividend payments: The Board of Directors declared third Interim dividend for the year 2012 of Rs.12.50 per share, which shall be paid on and around 12th March, 2013 to all those shareholders who are entitled as on the Record Date of 26th February 2013.

First and Second interim dividends for the year 2012, both at the rate of Rs. 18.00 per share, were paid on 13th August, 2012 and 21st December, 2012, respectively.

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

Not applicable.

Listing on Stock Exchanges and Stock Code

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

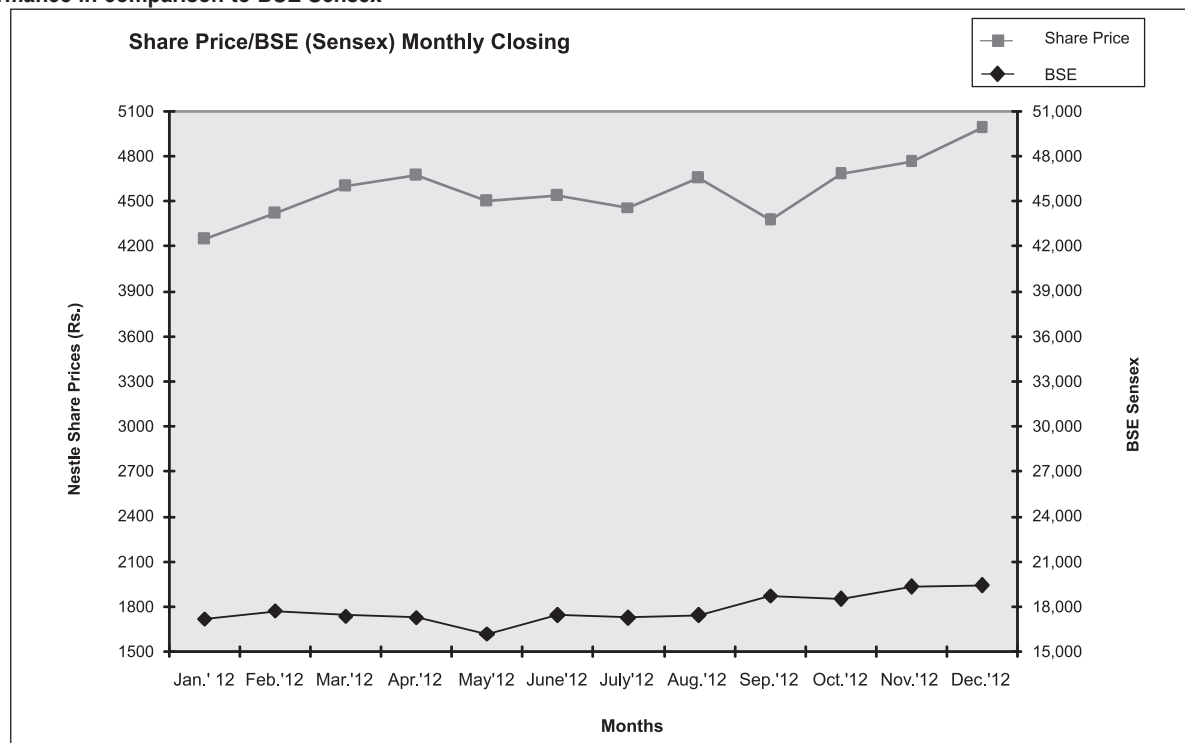
The ISIN Number of Nestlé India Limited is INE239A01016.

Market Price Data: High/Low in each month of Calendar Year, 2012 on the Bombay Stock Exchange Ltd., Mumbai

Month	High (Rs.)	Low (Rs.)	Month	High (Rs.)	Low (Rs.)
January	4,335.00	3,930.00	July	4,599.00	4,402.05
February	4,515.00	4,170.00	August	4,749.90	4,359.00
March	4,695.00	4,350.00	September	4,670.00	4,305.55
April	5,024.35	4,532.35	October	4,790.00	4,407.00
May	4,747.00	4,409.00	November	4,930.00	4,550.05
June	4,620.00	4,405.00	December	5,024.85	4,661.55

[Source: www.bseindia.com]

Performance in comparison to BSE Sensex



[Source: www.bseindia.com]

Registrar and Transfer Agents

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

Share Transfer System

As per the requirements, share transfers are registered and returned within a 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.

NESTLÉ INDIA LIMITED

Categories of Shareholding as on 31st December, 2012

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	1,516,848	1.57
Financial Institutions/ Banks	594,477	0.62
Central Government/State Government(s)	27,544	0.03
Insurance Companies	4,849,729	5.03
Foreign Institutional Investors	10,913,752	11.32
Bodies Corporate	2,469,289	2.56
Individuals	15,137,794	15.70
NRIs	391,204	0.41
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, 2012

Range of Shares held	Number of Shareholders	Number of Shares	Percent of Total Shares
1 to 500	54,938	3,879,942	4.03
501 to 1000	2,604	1,892,702	1.96
1001 to 2,000	1,089	1,545,965	1.60
2,001 to 3,000	333	830,766	0.86
3,001 to 4,000	167	582,201	0.60
4,001 to 5,000	120	550,080	0.57
5,001 to 10,000	242	1,716,249	1.78
10,001 and above	289	85,417,811	88.60
Total	59,782	96,415,716	100.00

Dematerialisation of shares:

97.79 % equity shares of the Company have been dematerialised as on 31st December, 2012.

Plant Locations:

The Company's plants are located at Moga, Samalkha, Nanjangud, Choladi, Ponda, Bicholim and Pantnagar. Tahlilwal plant became operational in March, 2012.

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 7575/1800 266 7575 (available on all 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 : 20th February, 2013

Place : Gurgaon

ANTONIO HELIO WASZYK
CHAIRMAN

CERTIFICATE

TO THE MEMBERS OF NESTLE INDIA LIMITED

We have examined the compliance of conditions of Corporate Governance by Nestle India Limited for the year ended December 31, 2012, 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. : 112066 W)

NEW DELHI, 20th February, 2013

Partner
Jaideep Bhargava - 90295

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, 2012.

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.

In order to increase energy efficiency, the Company performed energy audits & initiated various projects to optimize energy consumption. Many energy related projects were initiated in the factories to improve specific energy consumption resulting in saving aggregating to 15,700 Giga Joules (GJ). The Company also initiated several water reduction projects in the factories resulting in saving aggregating to 45,000 m³. Some of the key initiatives taken by the factories during 2012, which have contributed energy & water conservation:

- Enhancing steam condensate recovery.
- Optimizing air-conditioning with auto control.
- Energy reduction projects on compressed air pressure optimization at the generation and distribution stages.
- Improving electrical power factor.
- Installation of Membrane Bio Reactor (MBR) system for treatment of effluents and improving the potential of recycling of treated

effluents in non critical areas.

- Installation of new Air Compressors with variable frequency drive (VFD) ensuring optimal energy consumption.
- Adoption of Programmable Logic Control (PLC) for energy cost optimization and reduced idle operation of installations.
- Installation of Wet Scrubber System in the new boilers to reduce air pollution.
- Replacement of sodium lamps with light emitting diode (LED) lights and replacement of old inefficient pumps with new energy efficient pumps.
- Improved grid power considerably in 2012 resulting into reduced High Speed Diesel (HSD) consumption for captive power thereby reduced carbon footprints.
- Installation and maintenance of more than 800 solar water heaters at the Milk Collection Centers around the milk collecting areas of Moga and Samalkha Factory used for cleaning and maintaining of hygiene at the Centers by farmers.

(b) Additional Investment

Following proposals were initiated for implementation during 2012:

- Water treatment system for usage of Milk's water to reduce water withdrawal.
- Installation of Heat Exchangers.
- Installation of Reverse Osmosis Plant at the outlet of Effluent Treatment Plants (ETP) to further increase water recycling.
- Installation of energy efficient LED lights.
- Replacing heavy fuel oil with natural gas for energy generation.

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

The measures taken during 2012, 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 1997 to 2012, for every ton of production your Company has reduced the usage of energy by around 65%, water usage reduction by around 73%, reduced the generation of greenhouse gases by around 70% and generation of waste water by around 78%.

(d) Energy Consumption

Total energy consumption and energy consumption per unit of production, as per prescribed Form A together with the comparative figures for 2011, 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:

	(Rs. in millions)
a) Capital	128.5
b) Recurring	180.0
c) Total	308.5
d) Total R&D as a percentage of total turnover	0.37%

Technology absorption, adaptation and innovation

1. Efforts, in brief, made towards technology absorption, adaptation 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 ₹ 4,232 million comprising foreign exchange earnings of ₹ 2,929 million (including sales to Russia invoiced in Rupees) and export to neighbouring countries in Rupees amounting to ₹ 1,303 million.

The foreign exchange outgo was ₹ 11,981 million. 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 30, 32(a) and 33 respectively of Notes to the Accounts. Members are requested to refer to these Notes.

NESTLÉ INDIA LIMITED

FORM A

(A) Power and Fuel Consumption

	2012	2011
1. Electricity		
(a) Purchased		
Units (000' KWH)	123,775	108,224
Total Cost (Rs. in Million)	693	561
Cost/KWH	5.6	5.2
(b) Own Generation		
(I) Through Diesel Generator		
Units (000' KWH)	32,171	21,471
Units per litre of oil(KWH)	3.5	3.4
Cost/KWH (Rs.)	11.4	10.9
(II) Through FO Generator		
Units (000' KWH)	6,089	9,032
Units per litre of oil (KWH)	4.0	4.1
Cost/KWH (Rs.)	11.6	9.0
2. Coal (Various grades)		
Quantity (Tonne)	41,410	39,295
Total Cost (Rs. in Million)	324	273
Cost/Tonne (Rs.)	7,821	6,947
3. Furnace Oil		
Quantity (KL)	44,282	41,727
Total Cost (Rs. in Million)	2,001	1,588
Cost/KL (Rs.)	45,184	38,058
4. Other Consumption of Fuel		
(a) High Speed Diesel Oil and Superior Kerosene Oil		
Quantity (KL)	2,486	1,772
Total Cost (Rs. in Million)	105	72
Cost/KL (Rs.)	42,119	40,744
(b) Non-Conventional Fuels-Coconut Shell & Coffee Husk		
Quantity (Tonne)	13,528	20,118
Total Cost (Rs. in Million)	70	88
Cost/Tonne (Rs.)	5,144	4,383
(c) Liquid Petroleum Gas		
Quantity (Tonne)	1,432	1,512
Total Cost (Rs. in Million)	93	83
Cost/Tonne (Rs.)	64,878	54,807
(d) Nitrogen Gas		
Quantity (M3)	1,493	1,484
Total Cost (Rs. in Million)	19	16
Cost/M3 (Rs.)	12,750	10,593
(e) Carbon Dioxide Gas		
Quantity (M3)	183.4	244.7
Total Cost (Rs. in Million)	4	5
Cost/M3 (Rs.)	22,198	19,223

(B) Consumption per unit of production

	Beverages		Milk Products and Nutrition		Chocolates and Confectionery		Prepared Dishes and Cooking Aids	
	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
	2012	2011	2012	2011	2012	2011	2012	2011
Electricity (KWH/T)	1110.44	1108.40	411.60	380.68	1058.72	659.78	198.93	147.09
Furnace Oil (Ltrs./T)	299.49	228.61	119.12	106.18	55.57	33.95	80.87	73.49
Coal (Kgs./T)	201.78	257.37	399.29	358.86	-	-	76.97	123.11
Others:								
HSD, HPS (Ltrs. /T)	163.47	77.5	0.65	0.68			0.35	0.51
LPG (Kgs./T)	-	-	-	0.03	53.00	52.82	-	-
Nitrogen Gas (M3/T)	-	-	19.30	18.52	-	-	-	-
Carbon Dioxide Gas (M3/T)	-	-	2.37	3.05	-	-	-	-
Non Conventional Fuel (per Ton)	628	1244	-	-	-	-	94.2	-

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.

(1.1) Company's Commitment to Responsible Business

Nestlé India ('the Company') is a responsible organisation displaying continuous commitment to initiatives that help improve the quality of life in the communities where it operates, focusing its efforts to better understand the changing lifestyles of India and anticipating consumer needs in its product offerings. This report highlights the Company's efforts in these areas of priority, and is aligned to the 'National Voluntary Guidelines (NVGs) on the Social, Environmental and Economic responsibilities of Business' issued by the Ministry of Corporate Affairs and the requirements of Clause 55 of the Listing Agreement with the Stock Exchange. 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'.

(1.2) Company Review

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.

(1.3) 'Saanjhapan' - Creating Shared Value



Nestlé's approach to business is Creating Shared Value. While creating value for stakeholders business must also create value for the society through its products, operation and social responsibility. In India the Company calls it Saanjhapan as that is more commonly accepted in the Indian context.

The Company's main areas of focus are:

**Nutrition, Water and Rural Development
while ensuring environmental sustainability.**



Nutrition



Water



Rural Development



Stakeholders, both internal and external are integral to the Company's business and include consumers, the workforce working at various locations across the country, and those associated across the supply chain i.e. farmers, raw material suppliers, packaging material suppliers, customers, distributors and logistics partners. 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 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. In 2012, Federation of Indian Chambers of Commerce and Industry (FICCI) and Nestlé organised the Global

Creating Shared Value Forum, where the Company engaged 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. The Forum was attended by over 400 participants from civil society, International development organisations, corporate, government, academia, experts, students and media, and brought forth issues and opportunities for the private sector to partner with Government and the Civil Society in the areas of Nutrition, Water and Rural Development.

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.

The Company also benefits from engagement with various global and national networks 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.

29 Sep. 2012: Haryana govt asks Nestlé India to adopt collective strategy (<http://news.indiamart.com/story/haryana-govt-asks-Nestlé-india-adopt-collective-strategy-168591.html>)

CHANDIGARH: Dairy products maker Nestlé India have been asked by the Haryana Chief Minister Bhupinder Singh Hooda to adopt a collective strategy with Animal Husbandry Department, Dairy Federation and private sectors to set up milk collection centres in the state. After inaugurating Nestlé's second unit at Samalkha in district Panipat on Thursday, Hooda said that this would be a win-win situation for both the farmers and investors. He also praised the initiative taken by Nestlé for working collaboratively with farmers in the state and for transfer of technology and know-how to increase productivity and quality of milk in a sustainable manner. The dairy player has also been commended for imparting nutrition knowledge to young students in village schools under Global Healthy Kids Programme.

(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 Nestlé 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 ensures that all its suppliers conform to the Nestlé Supplier Code, which also governs the Company's supplier selection procedure.

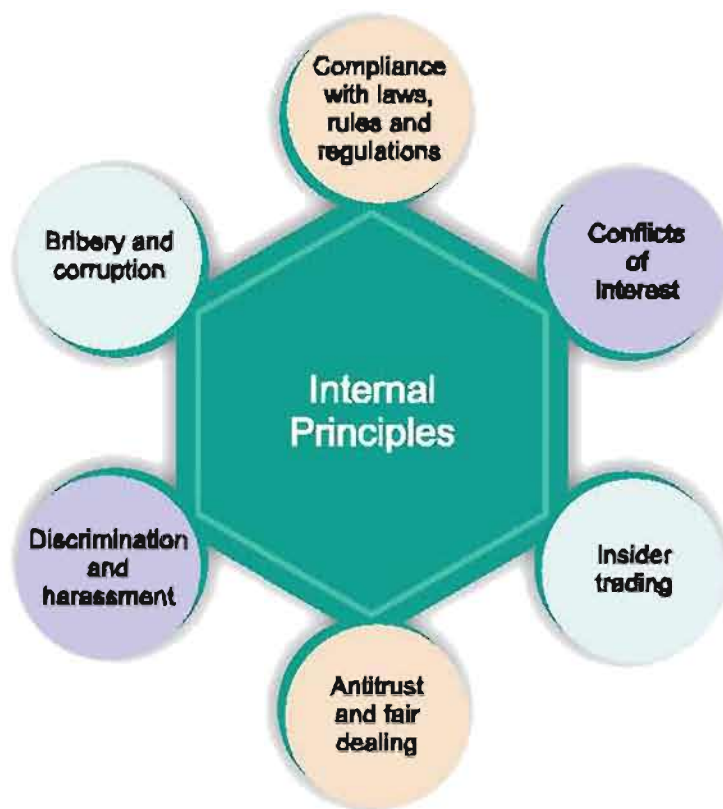
The Nestlé India Code of Business Conduct includes policy on ethics, bribery and corruption covering the Company and all its vendors, contractors and associates. During 2012, no stakeholder complaints were received by the Company.

The Nestlé Corporate Business Principles, including principles of human rights in business activities, are distributed to and adhered to by all employees and extend to suppliers/contractors and associates.

(B) Governance

The Company's Board of Directors comprises of seven 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 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 2012, the Company did not receive any stakeholder complaints with regard to unethical or unfair trade practices, bribery or corruption, irresponsible advertising and/or anti-competitive behaviour which are pending as at the end of financial year, except for one industry complaint on advertising to the Advertising Standard Council of India (ASCI) which was subsequently decided in favour of the Company.

(C) Contribution to Policy Development

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 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.

(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. 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.

All the factories of the Company commissioned upto the year 2011 are ISO 14001 certified. The Tahliwal Factory of the Company which was commissioned during 2012, is in the process of ISO 14001 certification.

During the period from 1997 to 2012, for every ton of production, the Company has reduced the usage of energy by around 65%, water usage by around 73%, reduced generation of greenhouse gases by around 70% and generation of waste water by around 78%.

The Company is committed to reducing waste to zero and full recovery of unavoidable by-products. During 2012, around 36% of raw material waste was recycled. 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.

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

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.

• International Water Management Institute (IWMI)

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.

• Sustainable Agriculture Initiative (SAI)

As part of the SAI Platform, Nestlé engaged with the International Crops Research Institute for the Semi-Arid Tropics (ICRISAT) and Consultative Group on International Agricultural Research to develop a decision-support system, 'Water Impact Calculator'. This system allows farmers to enter farm data and understand water-related impacts and ways to mitigate these efficiently. An initial phase of this work will be conducted in watersheds near ICRISAT, Andhra Pradesh.

• Water Awareness Programme for farmers

The Water Awareness Programme for farmers is based on recommendations of the IWMI study and is conducted 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 groundwater and steps that farmers can take. 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 is provided in the Directors' Report under the Section 'Business Development'.

(2.2.2) Quality in Manufacturing Procedures

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.

Food is a source of pleasure in everyday life and when it comes to good food, pleasure and nutrition go

hand-in-hand. 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. Nestlé's 60/40+ internal initiative ensures that all of the Company's products meet rigorous standards for nutrition and consumer preference. The '+' is the added nutritional plus or benefit in the product, which is based on criteria recommended by world-renowned nutrition and health authorities, as well as on local public health and regulatory guidelines.

(2.2.3) Commitment to Nutrition and Health

The Company has launched 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 75gms provides the consumer with 10% Recommended Daily Allowance (RDA*) of Protein and 20% RDA* of Calcium. (*RDA for Adult Sedentary Male as per ICMR, 2010).
- **MAGGI Masala-a-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, 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 (Suppl): 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 utmost importance. The Company chooses its suppliers through strictly laid out procedures and engages with them according to the principles described in the Nestlé Supplier Code. All suppliers are subject to requirements of business integrity, labour conditions, health, safety and 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 over 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 2012, the Company spent about 89% 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 2012, the Company conducted about 65 supplier audits to evaluate compliance on business integrity, labour standards, safety, health and environment. The outcome 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.

In 2011, Nestlé Group became the first infant formula manufacturer to be included in the FTSE4Good responsible investment Index, the only index in the world that includes strict criteria on the marketing of breast milk substitutes.

(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.

As on 31st December, 2012, 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 only 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 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 environmentally 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 include less reliance on imports, overcoming quality and food safety issues, and creating a wider, more flexible supply base. In the past four years, the Team has secured indigenous sourcing of 12 previously imported raw materials, avoided 10 single supplier situations; developed over 70 new local suppliers able to meet Nestlé's specifications, arranged for technical assistance to suppliers to close safety and quality gaps and assisted in the building of infrastructure and access to better technology for suppliers. 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 January 2012 with the inauguration of a Coffee demonstration farm in Coorg. Under the Plan the Company conducts 'NESCAFÉ Better Farming Practices' for coffee farmers and also assists farmers in conducting assessments and obtaining certification from the Common Code for the Coffee Community (4C Association). During 2012, under this Plan the Company established three 4C units at Kushalnagar, Kalpetta and Mudigere, provided training and technical assistance to over 800 coffee farmers and assisted over 560 farmers in procuring 4C Certification. Some of the testimonials from local farmers are hereunder:



"The NESCAFÉ Better Farming Practices training session helped us to understand the importance of social, economical and environmental aspects involved in responsible coffee farming. As suggested by Nestlé agronomists, I adopted

good practices for safe collection and disposal of the plastic waste generated in my coffee plantations and I am happy that I am contributing to keep the environment clean for future generations."

-Mr. K.S. Sunil, Siddepur, Coorg

(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. The Company aims to procure 100% RSPO certified sustainable palm oil.

(C) Milk

From collecting 510 kgs of fresh milk in 1981, today the Company collects fresh milk from over 110,000 milk farmers through 2,800 Milk Collection Agencies. In addition to fresh milk collection, the Company supports dairy farm development through financial assistance, technical assistance regarding good feeding and breeding practices, 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 35 veterinary doctors. During 2012, the Company recorded 362 farm visits and 28 veterinary camps which helped in providing services such as medicines at no profit no loss, milking machines, artificial insemination and nutritious cattle feed.

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,

Case Study - Chicory Sourcing

Murlikrishna started his business in 1999 on a very small scale with 300 farmers and 500 acres in Etah, North India. In the year 2000, he started supplying roasted chicory to the Company and sought help and guidance on improving his operations. With the company's help, he installed a traditional roaster in 2001 and contracted many farmers to grow chicory. He assisted the farmers in providing imported chicory seed, good agricultural practices and buy back commitment. The farmers in the region were benefitted as it gave them the ready cash crop option which improved their earning and living standards. These initiatives led to the expansion of his business operations. Today, Murlikrishna is the proud owner of largest chicory business in India and works with over 5,500 farmers and about 7,000 acres and has today 10 advanced Roasters. He is also investing in the value addition process with the assistance of the Company in the green field project in Etah with a capacity of 30 TPD. This will further bring value to the people in the region and will also create jobs. Murlikrishna is cited by banks and government agencies at various forums as a successful model in agro processing with the support of private Companies.

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 2008, it has reached out to over 56,000 women.

"The Nestlé Agriservices team has been conducting the Village Women Dairy Development



Programme in our village since 2008 and they provide us with facilities for cattle care as well. It is through the Programme that I learnt about the importance of de-worming, regular health check-up of animals and good quality feed. Now I save at least one fortnightly

payment on treatment for the cattle."

- Kuldeep Kaur, Village-Talwandi Bhara, Jalandhar

(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 2012, the Company employed 7,008 permanent employees. Around 51% 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 49% 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 Organization.

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

(2.3.2) Recruitment Process

The Company's long-term success depends on its capacity to attract, develop and retain the right talent. Hence 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 qualification 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 2012, around 60% of the Company's total permanent workforce including women employees has undergone skill upgradation 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 6.2% of the total permanent employee base, and over 13% of white collar employee base. Around 25% of trainees hired during the last two years are 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.

Initiatives such as awareness sessions on gender balance and diversity were conducted covering more than 450 managers. Awareness sessions are an integral part of new joiner induction and new manager workshops. To facilitate dialogue among women employees, 7 Women Meets were conducted across the country in the last two years.

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. During 2012, no complaints against discrimination or harassment were received by the Company.

(2.3.5) Safety at the Workplace

Occupational health and safety being 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 Tahliwal set up in 2012 in the process of obtaining the certification. 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 first phase of the initiative, which focused on contractor safety, was rolled out in April, 2011 at the Company's major construction sites in the factories at Ponda, Samalkha, Nanjangud and Tahliwal. During 2012, the Company focused on employee safety while indoors and on the road. Nestlé India's Safety Council, chaired by the Chairman and Managing Director provides a strategic vision in driving towards excellence. Based on the results of a 'Safety and You' employee safety perception survey conducted in 2011, many initiatives were implemented.



The Company also provided regular safety and skill up-gradation trainings to the employees, where required. During 2012, 68% of permanent employees

(73% of permanent women employees) along with all contract workers were trained.

Across all employee categories, no fatalities were reported.

(2.3.6) Employee Redressal

Nestlé 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 has also formalised 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.

As on 31st December 2012, no such complaints were pending before the Company for redressal.

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 2012, 216 employees were provided with specific trainings on the Company's codes and Ombudsman System. No code related complaints were received by the Ombudsman during 2012.

(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.

During 2012, no complaints related to child labour / forced labour / involuntary labour / discriminatory employment / sexual harassment were received by the Company.

(2.4) Community

The Company strives to continuously engage with its identified stakeholders. Through its work with farmers and suppliers, the Company provides technical assistance to marginalised stakeholders, helping them become sustainable in the long run, by providing them with knowledge, 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

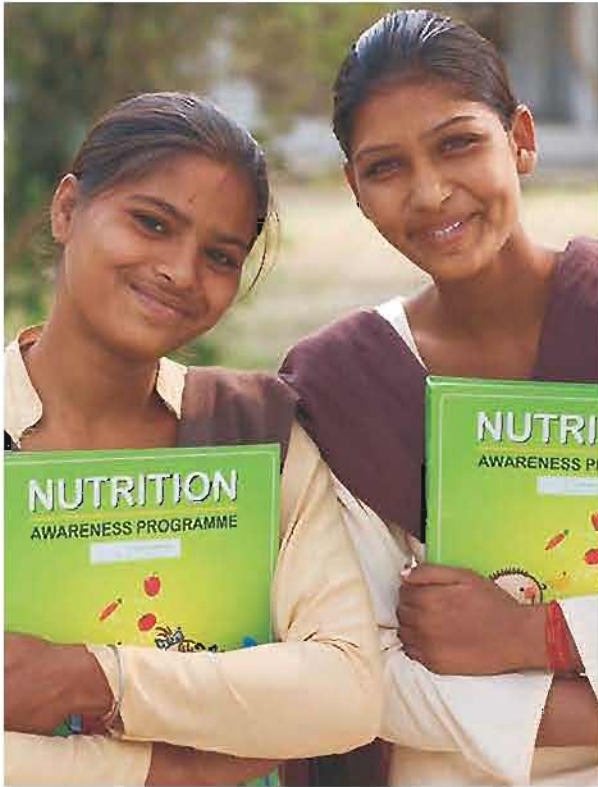
The Company's approach to rural development aims at ensuring prosperity for farmers and communities while



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.

(2.4.2) Nestlé Healthy Kids Programme

The Nestlé Healthy Kids Programme is conducted with the objective to raise nutrition, health and wellness



awareness of 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 across all factory locations.

The Company partnered with the Department of Home Science/Food Science and Nutrition, across five Universities in India - National Dairy Research Institute, G.B. Pant University, Punjab Agricultural University, Goa University, and University of Mysore 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 18,300 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 collaborated with the Embassy of Switzerland to organise nutrition awareness workshops for schools in Delhi, reaching out to over 650 students.

(2.4.3) Health Camp for Micronutrient Awareness

The Company collaborated with Drishtee, a social enterprise with exclusive focus on rural India to set up health camps in the Mathura region. Through these camps, in addition to health services provided by Drishtee, awareness regarding micro nutrients such as Iron, Vitamin A and Iodine and diseases caused due to their deficiencies was created and samples of the Company's Popularly Positioned Product MAGGI Masala-ae-Magic were given out. MAGGI Masala-ae-Magic is an affordable seasoning fortified with iron, vitamin A and iodine. The product was also made available at Drishtee rural retail outlets to ensure its availability for sale.



(2.4.4) Start Healthy, Stay Healthy™

The Start Healthy, Stay Healthy Initiative is the Company's commitment to nourish a healthier generation. The Company understands that good nutrition begins even before a baby is born, and this campaign therefore provides expectant mothers with guidance on nutrients that are important for the child's growth and development. The Company has a dedicated website: www.starthealthystayhealthy.in

As part of the Start Healthy, Stay Healthy Initiative, the 1000 days campaign aims at educating mothers about the importance of the first 1000 days of a child's life and

the impact it can have throughout the life of the child. The campaign aims at generating awareness about right nutrition during this crucial period, and its impact on a child's mental as well as physical ability to learn and grow.

(2.4.5) Nestlé Nutrition Institute

Nestlé Nutrition Institute (NNI) nurtures a vision to empower the healthcare community with latest scientific and nutritional knowledge. NNI has conducted over 600 scientific programmes on subjects like paediatrics, neonatal nutrition, maternal care, gynaecology, critical care and food safety, contributing to over 50,000 hours of nutrition education and knowledge sharing activities.

(2.4.6) Clean Drinking Water Project

The Company constructs Clean Drinking Water Projects in government schools to ensure 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 ensuring 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. Till date, as many as 169 projects have been built, benefiting over 73,000 students.



"Nestlé drinking water project has benefitted all the students in our school as we can drink safe and pure water anytime now. We don't have to worry about falling sick by drinking tap water."

Mekhla A. Salkar, Ideal High School, Goa

(2.4.7) 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 29,000 students.

(2.4.8) 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 Millennium 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. Till date, the Company has built about 41 sanitation facilities across India benefiting over 16,000 female students.



"This is a great initiative and we are really happy that a toilet facility has been provided in our school especially for girls."

Gunjan Mishra, Govt. High School, Udhham Singh Nagar.

(2.4.9) Science Express

The Science Express is an initiative by the Department of Science and Technology (DST), Government of India, which travels through 50 - 60 cities across India, reaching out every year to over 1.5 million visitors, mostly students.

Since 2009, in collaboration with the Embassy of Switzerland, the Company has conducted nutrition and water awareness campaigns aboard the Science Express. During 2012, in line with the theme of the Science Express 'Biodiversity', the Company used



posters and models to create awareness among students regarding climate change. The exhibits included information regarding climate change and its impact on agriculture, food security and nutrition, water use and water availability, along with steps that students could take in their home and school to reduce their carbon and water footprint. Interactive models depicting, the rise of carbon dioxide in the environment, carbon footprint, alternate energy sources and uses of plastic to reduce waste aimed to increase the understanding of students, make them conscious about overuse and waste of natural resources and adapt appropriate measures in their daily lives.

(2.4.10) 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 Prof. A.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.

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 Parameter Index

S.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	Year ended 31-12-2012
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. Preparation of Milk Cream and Cereals (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 distribution	Please also refer to Corporate Information page
	i. Number of International Locations (Provide details of major 5)	Russia, Turkey, USA, Egypt, Singapore
	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 36 international markets

Sr.No.	Section B: Financial Details of the Company	Rs. in Millions
1	Paid up Capital	964.16
2	Total Turnover	83023
3	Total profit after taxes	10679
4	Total Spending on Corporate Social Responsibility (CSR) as percentage of profit after tax (%)	2.3% (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 Start Healthy, Stay Healthy initiatives
		c) Rural Development Initiative
		d) Sanitation Projects
		e) Dissemination of Scientific and Nutrition knowledge

S.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.

S.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	3173670
	Name	Mr. Christian Schmid
	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)									
S.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? ^a	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
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? ²	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

S.No.	Questions	P 1	P 2	P 3	P 4	P 5	P 6	P 7	P 8	P 9
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.nestlé.in/investors>
2. <http://www.nestlé.com/investors/corporategovernance/businessprinciples/pages/businessprincipleshome.aspx>
3. <http://www.nestlé.com/csv/ourpeople/anticorruption>

Principle 2

1. <http://www.nestlé.com/aboutus/suppliers>
2. <http://www.nestlé.com/aboutus/quality-and-safety>
3. http://www.nestle.com/asset-library/documents/creating%20shared%20value/rural_development/2011-palm-oil-nestle-responsible-sourcing-guidelines.pdf
4. <http://www.nestlé.com/csv/environment/climatechange>
5. http://www.nestle.com/asset-library/documents/media/statements/2011-nestle_commitments_on_deforestation_forest_stewardship.pdf
6. <http://www.nestlé.com/csv/ruraldevelopment/coffee>
7. <http://www.nestlé.com/csv/ruraldevelopment/implementingthenestlésuppliercode/responsible-sourcing-audit-programme>
8. <http://www.nestlé.com/csv/ruraldevelopment/implementingthenestlésuppliercode/responsible-sourcing-traceability-programme>
9. <http://www.nestlé.com/csv/ruraldevelopment/implementingthenestlésuppliercode>

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/asset-library/documents/library/documents/people/management-leadership-principles-en.pdf>
3. <http://www.nestlé.com/asset-library/documents/library/documents/people/employee-relations-policy-en.pdf>
4. <http://www.nestlé.com/asset-library/documents/jobs/humanresourcespolicy.pdf>

Principle 4

1. <http://www.nestlé.com/csv/nestlé/publicpolicyandengagement>
2. <http://www.nestlé.in/csv/saanhapan>

Principle 5

1. <http://www.nestlé.com/csv/ourpeople/humanrights>

Principle 6

1. http://www.nestle.com/asset-library/documents/library/documents/environmental_sustainability/water-management-report-mar2007-en.pdf
2. http://www.nestle.com/asset-library/documents/reports/csr%20reports/environmental%20sustainability/nestle%20policy_environ_sustainability.pdf

Principle 7

1. http://www.nestle.com/asset-library/documents/library/documents/corporate_social_responsibility/the_nestle%20policy_on_transparent_interaction_with_authorities_and%20organisations.pdf
2. <http://www.nestle.com/csr/nestle/publicpolicyandengagement>

Principle 8

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

Principle 9

1. http://www.nestle.com/asset-library/documents/library/documents/about_us/communication-principles.pdf
2. <http://www.nestle.com/csr/compliance/baby-milk/our-policy>

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 for 2012 is part of the Annual Report, which will be available on the website of the Company.

Section E: Principle-wise performance

Principles/ Particulars

Principle 1 - Ethics, Transparency and Accountability

1.	Policy relating to ethics, bribery and corruption and its coverage.	BRR	81
2.	Details of stakeholder complaints, if any	BRR	81, 82, 86

Principle 2 - Product Life Cycle Sustainability

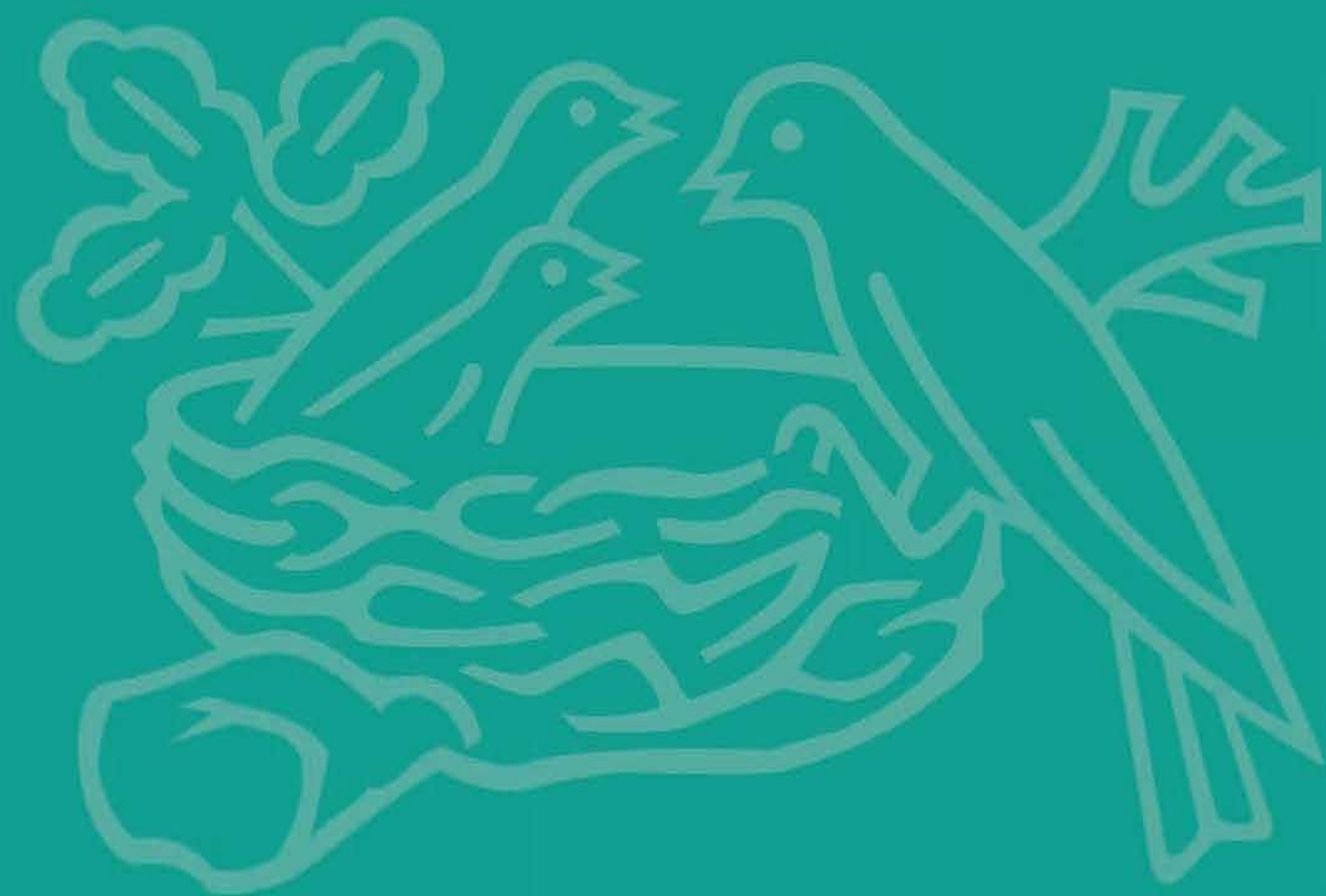
1.	Details of products whose design/labels incorporate social or environmental concerns, risks and/or opportunities.	BRR	84
2.	Details in respect of reduction of usage of resources such as energy, water, raw materials.	BRR/AR	83/76, 77, 78
3.	Procedure adopted for sustainable sourcing and percentage of inputs sourced sustainably.	BRR	85, 86, 87, 88
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	85, 86, 87, 88
5.	Product and waste recycling mechanism.	BRR/AR	83/76, 77

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, sexual harassment.	BRR	90
5.	Safety and skill up-gradation training provided to the employees.	BRR	89, 90

Principle 4 - Stakeholder Engagement			
1.	Stakeholder mapping	BRR	80, 81
2.	Identification of the disadvantaged, vulnerable and marginalized stakeholders.	BRR	80, 80
3.	Initiatives taken by the Company to engage with the disadvantaged, vulnerable and marginalized stakeholders.	BRR	86, 87, 88, 90 91, 92, 93
Principle 5 - Human Rights			
1.	Policy on human rights and its coverage.	BRR	81
2.	Details of stakeholder complaints, if any.	BRR	81
Principle 6- Environment			
1.	Policy on environment sustainability and its coverage.	BRR	82, 83
2.	Initiatives taken to address global environmental issues such as climate change, global warming, etc.	BRR	83
3.	Identification and assessment of potential environmental risks.	BRR	82, 83
4.	Details of projects related to clean development mechanism.	AR	76
5.	Initiatives undertaken on clean technology, energy efficiency, renewable energy, etc.	AR	24, 76, 77
6.	Compliance with applicable emissions/waste generation norms.	BRR	83
7.	Show cause/legal notices, if any, received from concerned pollution control authorities.	BRR	83
Principle 7 - Policy Advocacy			
1.	Membership of trade and chamber or association.	BRR	82
2.	Policy advocacy through above associations for the advancement or improvement of public good.	BRR	82
Principle 8 - Inclusive Growth			
1.	Specified programmes/initiatives/projects in pursuit of the policy related to inclusive growth and equitable development.	BRR	79, 80, 86, 87, 88, 90, 91, 92, 93
2.	Details of programmes/projects undertaken in-house and/or through with third parties.	BRR	87, 88, 90, 91, 92, 93
3.	Impact assessment of programmes/initiatives undertaken.	BRR	93
4.	Company's contribution to community development programmes/projects, in monetary terms.	BRR	94
5.	Steps taken to ensure successful adoption of the development initiatives by the community.	BRR	87, 88, 93
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 packs, over and above mandated by applicable laws.	BRR	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	82
4.	Details of consumer survey/ consumer satisfaction trends.	BRR	84

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





The Recognised Leading Nutrition, Health, and Wellness Company