
PRESS RELEASE

NESTLÉ INDIA FOCUSED ON SUSTAINABLE AND PROFITABLE GROWTH

- Net Sales for the full year 2004 Rs.22,275.8 Million. Up 4.1 %
- Net Profit for the full year 2004 Rs.2519.2 Million.
- A special dividend Rs.4.50 per share declared subject to shareholders approval
- Nestlé India continues to be the prime coffee exporter from India.
- Focus on maintaining market shares and products and brands
- Focus on leveraging advanced technology from the Nestlé Group to add value to consumers through products that provide high quality, nutrition, wellness and convenience to consumers.

Commenting on the performance during 2004, Mr. Martial Rolland, Chairman and Managing Director of Nestlé India stated, “ There has been a shift in consumer spending towards asset building and non-food related lifestyle changes, driven by low cost credit available widely to consumers and diverting some consumer demand from FMCG products. Hence, we focused on maintaining market shares, improving organizational structure, improving penetration into newer territories and controlling costs. The fourth quarter of 2004 witnessed a more favourable growth.”

Nestlé House, Gurgaon, 14th March, 2005: The Board of Director's of Nestlé India met today and approved the results for the full year 2004. The Board expressed satisfaction with the health of the Company and its focus on long term, sustainable and profitable growth.

SALES

The changing pattern of consumer spending and the uncertain economic environment for a greater part of the year made 2004 challenging. The Company increased its efforts to make Nestlé products more visible and conveniently available and was able to increase Net Sales for the year 2004 by 4.1 % compared to 2003.

Domestic sales at Rs.19840.4 Million have increased by 5.3 %.

Export sales at Rs.2435.4 Million, have decreased by 5.3 % in value terms, mainly due to the shift in composition of instant coffee exports to Russia, from retail to bulk packs.

Net sales in the last quarter have increased by 7.8 % due to a growth of 7.6 % and 9.7 % in the domestic and export sales respectively.

While the Company once again emerged as the highest coffee exporter from India and the highest exporter of value added Instant Coffee, the Company's efforts to develop new products and geographies to widen its export portfolio have helped to reduce dependence on instant coffee exports to Russia. Initiatives to develop products for Indians living abroad helped to maintain a healthy growth in the export of culinary products. Export of Instant Tea continued to do well and export of infant nutrition products to neighbouring countries was also commenced during the year.

PROFIT

Net Profit for the full year has decreased from 12.1% of Gross Revenue in 2003 to 11.2% in 2004 and EBITDA as a percentage of net sales decreased from 20.8% in 2003 to 20.2% in 2004. These decreases are mainly due to the increase in commodity prices, particularly in milk solids, which have not been entirely passed on to the consumers.

Nestlé Group savings initiatives, mainly Target 2004+, that focused on manufacturing processes, optimization of line efficiencies/occupation, raw and packing materials, energies etc. facilitated in mitigating the adverse impact of steep increase in input costs and controlling other costs throughout the year.

Net profit for the last quarter of 2004 has increased by 68.4 % mainly due to certain non-recurring exceptional operating charges in the last quarter of 2003, easing of some of the commodity prices in the last quarter of 2004 and improved control over costs.

DIVIDEND

In view of good cash flows during 2004, the Board of Directors have recommended a Special Dividend of Rs.4.50 per equity share amounting to Rs.433.9 million mainly out of undistributed profits of the previous financial years.

This is in addition to the two interim dividends for 2004, of Rs.10/- each, aggregating to Rs.20/- per equity share (amounting to Rs.1928.3 million), declared and paid during 2004.

OVERVIEW

For the past few years the consumer spending on FMCG-like food products has been somewhat depressed and 2004 was challenging. The first half of 2004 also witnessed an uncertain economic environment, with Parliamentary elections, change of government at the center, crash in the stock market and an inflationary upsurge in the economy. Though increased stability and the government's ability to control the inflationary trend improved sentiments in the last quarter of the year, the impact on consumer spending in the FMCG segment was limited.

FOCUS ON HIGH QUALITY AND SUSTAINABLE & PROFITABLE GROWTH

Nestlé India maintained its focus on long term, profitable growth to deliver sustainable value to shareholders. During the year, the Company continued to further improve products and realigned internal structures so as to better service market needs. The Company focused on controlling costs and improving penetration into newer territories. 'Value for money' and 'affordability' remained thrust areas and the company took a conscious decision not to pass on the entire increase in commodity prices to consumers. The emphasis was to ensure that consumers receive fresh stocks.

The Company continued its efforts to further strengthen its supply chain and distribution structure and implemented web related processes that are expected to support these efforts to improve the quality of sales and consumer satisfaction.

PRODUCTS

Nestlé India continued to strengthen the marketing support to its brands. These efforts were supported by more impactful consumer communication, using creative techniques and popular personalities for NESTLE MUNCH, MAGGI 2-Minute noodles and Ketchups and for NESCAFÉ SUNRISE Instant Coffee.

MAGGI 2-MINUTE Noodles, NESCAFÉ Instant Coffee, NESTLÉ MUNCH and NESTLÉ KIT KAT in the chocolate and confectionery category continued to grow satisfactorily. During the year the Company launched NESTLÉ Coffee Eclairs and NESTLÉ Chocolate Eclairs to further support the existing portfolio of NESTLÉ MILKYBAR Eclairs, NESTLÉ éclairs and POLO Lozenges. As a result of the ongoing efforts to provide consumers with value added products, the Company launched NESTLÉ SWEET LASSI as a ready to drink convenience product providing refreshment, nutrition and wellness. MILO with Badam Shakti was launched in select cities of Tamil Nadu for test marketing.



In the previous year the Company had introduced the NESTLÉ DEVELOPMENTAL NUTRITION PLAN and CERELAC 123 to meet the right physical and nutritional needs of infants during the stages of their weaning, as identified in the plan. The Company has now launched NESTUM 123, which is a rice based weaning food, to ensure the right eating experience at the right stage of development for the infant. NESTUM 123 also incorporates Nestlé's unique Z-line technology that makes the product easy for the infant to digest. Besides these, the Company introduced NESTUM Ragi in the Southern market and LACTOGEN 3 in select geographies, to provide, proper nutrition at the appropriate stage. Since India has a high incidence of ' low birth weight infants' who require specialized nutrition, the Company has also utilized the technology with the Nestlé Group to introduce PRE – LACTOGEN.

The Company continued to support its efforts to facilitate out of home consumption and increased the number of "Coffee Corners", "Nestlé Consumption Zones" and vending machines for NESCAFÉ, NESTEA, NESTLÉ Badam Milk and MAGGI Hot Cup Soup at carefully selected sites across the country.

The GLOBE initiative is progressing satisfactorily and its implementation is planned for in the second quarter 2005. GLOBE will allow the Company to adopt the best practices and help gain operational efficiencies by implementing sophisticated and integrated information technology systems, much needed for a complex value chain. GLOBE is a substantial investment, necessary to retain the ability of the Company to react and respond more efficiently to the demands of the consumers and shareholders. Its implementation scheduled during 2005, is likely to adversely impact the cost of Company in the short run, to avail of the benefits in the future.

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