
PRESS RELEASE

NESTLÉ INDIA ON THE RIGHT TRACK

- Net Sales for the Quarter ended 31st March, 2005 increased 5.5%
- Reported Net Profit for the Quarter ended 31st March, 2005 increased 21.3%
- Interim Dividend of Rs.5/- per share for 2005 [declared on 19th April, 2005]
- Focus on long term sustainable and profitable growth, market share and operational & capital efficiencies
- Continued emphasis on Innovation and Renovation to increase Nutrition, Health and Wellness across product portfolio.
- Launched New MAGGI Vegetable Atta Noodles to provide the benefits of health and wellness in a pleasurable manner. “Health Bhi. Taste Bhi.”

Mr. Martial Rolland, Chairman and Managing Director of Nestlé India stated, “I am satisfied with the direction in which the Company is moving. We are focused on growing our top line, improving market shares, rationalizing organizational structure and enhancing operational efficiencies through Nestlé Group’s “Operational Excellence” initiative. At the same time we are renewing our focus on innovation and renovation and leveraging our access to world-class technology available with Nestlé S.A., to increase Nutrition, Health and Wellness across our product portfolio. The recently launched MAGGI Vegetable Atta Noodles that has been well received by consumers is an example of these efforts.”

Nestlé House, Gurgaon, 29th April, 2005: The Board of Directors of Nestlé India met at Nestlé House today and approved the results for the Quarter ended 31st March, 2005.

SALES

Net Sales for the quarter were Rs.6135.3 Million and have increased by 5.5% compared with the same period of 2004. Net Domestic Sales have increased by 4.9% and Export Sales have increased by 11.0%.

PROFITS

The reported Net Profit for the Quarter is Rs.780.5 Million. This has increased by 21.3% compared to the same Quarter of 2004. After stripping out the effect of exceptional items under “Other Income” and “Current Taxes” as well as excluding “Provision for Contingencies” and “Impairments”, the adjusted Net Profit for the Quarter increased 14.7% compared to the same quarter in 2004.

EBITDA as a percentage of Net Sales has improved to 22.6% from 20.8% mainly on account of the cost of milk solids being lower than that of last year, partially offset by the increase in prices of certain commodities like green coffee and sugar and higher energy costs. Price increases taken in the second half of 2004 have also improved the margins.

The reported Net Profit as a percentage of Gross Revenue increased to 12.6% from 11% in the same quarter last year.

INTERIM DIVIDEND

In keeping with the surplus liquidities and to optimise the cost of capital besides reducing the cost of distribution of dividends, the Board of Directors of Nestlé India declared on 19th April, 2005, an Interim Dividend for the year 2005 of Rs.5/- per equity share. This will be paid on and from 10th May, 2005 along with the Special Dividend for 2004 of Rs.4.50 per equity share approved at the Annual General Meeting in the morning today.

OVERVIEW

During the Quarter ended December, the economy had performed well, with a GDP growth of 6.2 %. Continuity in reforms, reiteration of the intent to improve the quality of living of the weaker sections of society and a bullish stock market sustained the optimism in the economic environment, carrying the growth momentum into the first quarter of calendar year 2005. The implementation of VAT by many States from 1st April, 2005 has been a positive move even though VAT will tax a larger part of the value chain than hitherto and at higher tax rates which may lead to inflation.

However, a few factors, including the proposed Fringe Benefit Tax on advertising and other genuine business costs and the piecemeal approach to implementing VAT created some uncertainty and affected business confidence. The Government has to deal with these quickly. Despite this and though some commodity prices continued to stay high and oil prices hardened, the environment during the quarter was relatively stable.

During the Quarter, Nestlé India maintained market share in most categories and launched some new products.

NESTLÉ MUNCH Coconut, with real coconut flakes, was launched at Rs. 5/- to further enlarge the preference opportunity for NESTLÉ MUNCH, which is the largest selling SKU in the category. The Company also launched NESTLÉ MILKYBAR CHOC in strawberry fruit flavour also at Rs.5/-.

During the Quarter, Nestlé India launched MAGGI Vegetable Atta Noodles. An innovative product and the first of its kind in India, MAGGI Vegetable Atta Noodles has been developed based on consumer needs and evolving trends for more whole grain based products. Nestlé India has used the Nestlé Group's extensive Research and Development expertise to develop MAGGI Vegetable Atta Noodles as a new concept for the Indian consumer when they want to include health and wellness in their foods, in a convenient manner. MAGGI Vegetable Atta Noodles will provide the dietary fibre of whole wheat to facilitate good health and wellness in a pleasurable manner and will further strengthen the MAGGI brand.

Progress on the GLOBE initiative was satisfactory and on schedule. Implementation is planned in the second calendar Quarter of 2005. GLOBE implementation is likely to adversely impact the cost of Nestlé India in the short run, to reap benefits going.

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