



Nutrition, Health, and Wellness

Awards & Recognitions

**MAGGI amongst the Top 5 in
Brand Equity's 'Most Trusted Brands' 2014**



**Nanjangud factory receives Karnataka
State Export Excellence Award for the
year 2013-14**



**NESTLÉ KITKAT and NESTLÉ EVERYDAY
win Gold and Bronze at
Goa Fest 2014**



**NESCAFÉ #ItAllStarts campaign ranks as
'most chosen ad for 2014' on YouTube
in India**





**MAGGI adjudged the Most Powerful
Brand in India by WPP Milward Brown
(2014)**



**NESCAFÉ, ALPINO, BABY & me
shine at Effie Awards India 2014**



**NESTLÉ KITKAT rated 2nd Most Trusted
Brand of India by Brand Equity**



**NESTLÉ BABY & me Wins Gold at
Asian Customer Engagement Forum
(ACEF) 2014**



**'Share Your Goodness' campaign ranked
among best of the year by Google**

The Board of Directors of Nestlé India



A. Helio Waszyk
Chairman



Etienne Benet
Managing Director



Shobinder Duggal
Director-F&C



A. Protonotarios
Director-Technical



Michael W.D. Garrett
Non Executive Director



Rajya Vardhan Kanoria
Non Executive Director



AK Mahindra
Non Executive Director



Ravinder Narain
Non Executive Director



Swati A. Piramal
Non Executive Director



B. Murli
SVP-Legal & Company Secretary

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Inside back cover:

State-of-the-art Manufacturing Plants of Nestlé India





Dear Shareholders

The year gone by has been challenging in many ways. Volatility in commodity prices, low consumer sentiment, food inflation along with political and social turmoil and uncertainty were some of the key concerns. From a more long term perspective, the Indian Economy is grappling with two major concerns, food security and nutrition, where the food processing industry can play a very significant role.

India is severely impacted by malnutrition. While on the one hand, inability to access or afford nutritious food is causing under-nutrition and related disorders, it is also forecasted that economic growth and related lifestyles changes will lead to over-nutrition related disorders such as obesity, and further aggravate the double burden of nutrition. The increasing demand for food from a population striving for a better life is further compounded by population growth. The economy is struggling to ensure food and nutrition security even as the demand for food continues to grow and the land available for agriculture reduces.

Clearly, finding ways to reduce wastage of agricultural produce and to enhance delivery of balanced nutrition needs to be high priority for the industry and policy makers. With appropriate support from policy makers the food processing industry can substantially reduce wastage of perishable agricultural produce and other food items. Food processing and technology can reduce or completely eliminate this wastage of agricultural produce in India, which is estimated to be over Rs.50,000 crores every year, as well as develop products that facilitate balanced nutrition in our daily diets. Nestlé has the capability to play a very significant role in both these areas.

The role of food is dynamic and plays different roles across income segments and geographies. 'Good Food, Good Life' is our mission and we are constantly researching and observing the role that food

plays in the lives of consumers across the income pyramid. We are focused on understanding the changing lifestyles, evolving needs, and dietary preferences of consumers and rely on Nestlé's extensive global R&D network and expertise in science based nutrition to develop products that enable consumers to lead better lives and help them to improve nutrition in their daily diets. However, since what we eat, when we eat, how we eat is a personal choice, we realize that the role of nutritional education and the ability to make an informed choice is important and we have been rolling out initiatives that will be useful for consumers.

Our vision and ambition is to be the recognized leader of Nutrition, Health and Wellness in India. We already have strong brands, a capable organization, and immense trust and loyalty of our consumers but as we move ahead in our journey we may need bold changes, swift adaptation and tough decisions, especially for evolving to a product portfolio that is more focused on premium and value-up ranges. While doing this we will continue to protect our current business base and gear up to make the organization more efficient to take on the current and future trade evolution and competitive challenges. We are convinced that it is the winning strategy and will strengthen our ability to provide our consumers with Nutrition, Health and Wellness.



A. Helio Waszyk
Chairman



Etienne Benet
Managing Director



“ As a Company we maintain high standards and values. Stakeholders have seen that we are ethical and responsible with strong business principles. In fact, the way we do business is to Create Shared Value. ”

**In conversation with
Mr. Etienne Benet, Managing Director.**

Q. Nestlé is highly trusted and has immense goodwill in communities where it operates. What sustains this?

Trust and goodwill are earned over time when people consistently see something good, and that is true for Nestlé as well. As a Company we maintain high standards and values. Stakeholders have seen that we are ethical and responsible with strong business principles. In fact, the way we do business is to Create Shared Value.

The underlying principle of 'Creating Shared Value' is that responsible and efficient businesses should focus on ensuring that business interests and societal interests intersect. Prosperity and happiness are at the heart of every dream. Nestlé does business in ways that fulfill this dream, so that we not only deliver long-term shareholder value but also benefit society.

Q. Why does Nestlé emphasize RURAL DEVELOPMENT, WATER, NUTRITION ?

The benefit is far greater for both business and society when the resources are used efficiently and in a sustained manner. We believe that these three are fundamental to our business and are also priority for society and therefore we focus our resources on them. It is based on the understanding that society will benefit if business thrives.

RURAL DEVELOPMENT is a focus because the well-being of the farmers and rural communities who are our suppliers, are intrinsic to our ability to do business in the future. As our business grows the farmers also prosper.

WATER is the second pillar because water plays a pivotal role for sustainable development. The ongoing availability and quality of water is critical to life and society, and it is essential for the production of food and to our operations.

NUTRITION is the third focus because food and nutrition are the basis of health and the core of our business.

Q. Do you see any measureable impact of this philosophy in India?

There are certainly broad indicators for the impact of our business philosophy in creating prosperity, and how it has spin-off effects on people's lives.

In 1961 we started working with milk farmers in Moga when the dairy industry did not exist there. Today more than 100,000 milk farmers are benefitting from our expertise and investments in dairy development programmes, apart from 100,000 farmers who grow tea, coffee, chicory, wheat across the country.

As our business has grown we have also created over 50,000 direct and indirect jobs.

Water conservation within our factories is a very systematic and ongoing process and we believe the results are remarkable. Using state-of-the-art technology, expertise, and understanding the basic importance of water we have reduced water consumption per tonne of production by 72 % in the past 15 years even as production has continued to increase.

Nutrition, Health and Wellness is in the DNA of Nestlé and apart from the product development activities we are actively rolling out non-commercial initiatives to raise knowledge of nutrition and health and promote physical activity amongst school children.

Q. How do we ensure that the food we eat is good?

People tend to categorize foods as good or bad primarily on account of mis-information and the lack of awareness. No food is good or bad. Each food has a role to play in our diets and we need to also appreciate that responsible pleasure is part of a balanced lifestyle. When our lifestyles change, we need foods that enable us to live that lifestyle and also provide Nutrition, Health and Wellness. The need is to constantly understand the changing lifestyles and to use R&D and the science of nutrition to develop high quality products that can complement the consumers.

“ At Nestlé we constantly work with consumers to understand their lifestyles and needs and invest heavily in R&D and food technology to develop healthy products that provide taste and science based nutrition. ”

Q. What can be done to tackle malnutrition, or as they say, the double burden of nutrition?

The double burden of nutrition is a combination of micronutrient and nutrient deficiency, over-nutrition and the body's inability to assimilate the nutrients in a balanced manner because of varying lifestyles that we lead. More and more evidence suggests that malnutrition during the first 1000 days of life from pregnancy through 2 years of age sets the blueprint for health throughout life. The reasons for the double burden are multifactorial.

Food and nutrition are the basis of health. Each food has a role in our diets but what we eat, when we eat, how we eat is influenced by personal choice as well as economic and social factors including affordability as well. There are millions of people who are still living with incomplete and unhealthy diets and most of them do not even realize the impact this insufficient nutrition has on their productivity and that of future generations. At Nestlé we constantly work with consumers to understand their lifestyles and needs and invest heavily in R&D and food technology to develop healthy products that provide taste and science based nutrition. Technological advances can help with products that provide science based nutrition conveniently but we also need to focus on balanced diets and physical activity if we are to safeguard against both under and over-nutrition. A lot of work needs to be done to increase nutritional awareness.

Prepared Dishes and Cooking Aids



MAGGI's campaign #HealthIsEnjoyable is a benchmark for user generated content and engagement on Twitter.



Over 3 million fans
on MAGGI page



2nd largest F&B brand with
more than 30000 followers



MAGGI Oats Noodles
commercial generates over
1.5 Million views



Q&A with the General Manager.

Q. MAGGI is today rated as the Most Powerful Brand in India. What were some of the key factors that contributed to this ?

MAGGI is like our Mothers who are constantly understanding our lifestyles as we grow, anticipating our needs, preparing for them and nurturing them, sensing the change in our personalities and speaking our language. MAGGI has constantly been going deeper for consumer insights, beyond the obvious and searching for the 'moment of truth'. This reflects in the WPP- Milward Brown survey of 2014 that measured brand power as salience, relevance, connect, uniqueness and dynamism and recognised MAGGI as 'The Most Powerful Brand in India'.

Q. Can you elaborate ?

MAGGI has been completely consumer centric. It understood the consumer need for health in everyday food and pioneered the concept of 'Taste Bhi Health Bhi'. We conducted perhaps the largest cooking habits study in the country, studied 100,000 dishes prepared in kitchens across India and constantly worked closely with Nestlé R&D Centres across the world to innovate and renovate. You can see for yourself why the portfolio includes Noodles enriched with Protein and Calcium, MAGGI Vegetable Atta Noodles, MAGGI Pazzta made from Suji, MAGGI Bhuna Masala that simplifies everyday cooking and MAGGI Masala-ae-Magic that is fortified with Iron, Iodine and Vitamin A to address the concern of micronutrient deficiency in India.

Q. But how can Healthy food be enjoyable?

This is where food technology and expertise in nutrition can make the difference. Even though there is growing awareness about healthy eating, health seems to be a boring thought for many of us or we just do not have the time. Therefore, we set ourselves the objective 'Health ko Mazedaar Banaao'.

We have been working very closely with Nestlé R&D to pack in nutrition and taste. We already have a range of excellent products in the portfolio and the latest is MAGGI Oat Noodles.

Q. So you are leveraging the strength of MAGGI .

Certainly, since MAGGI has built a unique bond with consumers and in the 2014 Brand Equity survey of Most Trusted Brands, MAGGI climbed up from No.9 in the previous year to break into the Top 5 in 2014, while continuing to be the No.1 Most Trusted Food Brand.



Maarten Geraets - General Manager



Dairy Products



The MILKMAID website is No.1 in the Recipes Category in terms of time-spent.



More than 450,000 fans on the MILKMAID page



More than 2.1 Million views for the EVERYDAY campaign



More than 1.8 lakh visits to the MILKMAID website every month



Q&A with the General Manager.

Q. What is the vision for the dairy business?

Dairy products are appropriate as carriers for Nutrition, Health and Wellness and are of strategic importance for us. Nestlé has outstanding expertise in milk (Nestlé leads with Dairy Nutrition) and we are leveraging consumer insights to bring nutrition and happiness into the consumers' daily life. Our vision is to be the leader in Nutrition, Health and Wellness.

Q. If all dairy products are good providers of Nutrition and Health, what differentiates a Nestlé product from others?

Dairy products are perishable and susceptible to contamination. Very often we buy or consume products that appear to be fine but since the microbial activity is not visible until the extreme stage, we do not realize the difference. The expertise that Nestlé has in milk makes the critical difference between average products and those that are of high quality and safe. This expertise comes into play from the initial stage of milk collection itself. Nestlé works with over 100,000 milk farmers at the grass root, where our agronomists engage with them 24x7 throughout the year to ensure that the milk that Nestlé gets from them is of very high quality and consumers enjoy milk free from adulterants and antibiotics etc.

Q. Nestlé pioneered probiotics in Dahi in the Indian market. Are you planning more such products?

Recently we have launched Nestlé Masala Buttermilk which has the goodness of Ayurveda and contains a special mix of mint, cumin, ginger and rock salt. We are working with Nestlé R&D and application groups to develop more products and we are engaging with consumers to see what adds value to them.

Q. Can you give some examples for this engagement?

One very good example is MILKMAID Sweetened Condensed Milk. Consumers swear by its quality and use it largely for dessert consumption at home. The new internet based campaign 'Create Sweet Stories' is based on insights into human behaviour and insights into what makes people happy. These insights are brought alive beautifully in the endearing mother and child interaction while creating delightful MILKMAID recipes.

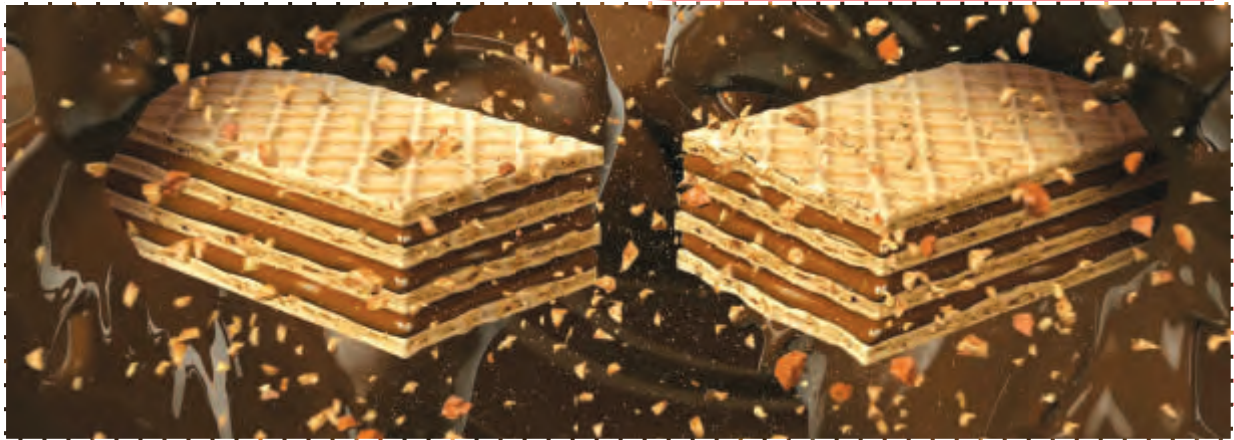
Nestlé R&D network and expertise in science based nutrition is a very strong asset and enables us to convert these insights into products and experiences that are competitively superior.



Arvind Bhandari - General Manager



Chocolates & Confectionery



#MUNCHification
adjudged the top
television
advertisement by
IPSOS [Jan '15].
Music downloaded
more than
200,000 times!



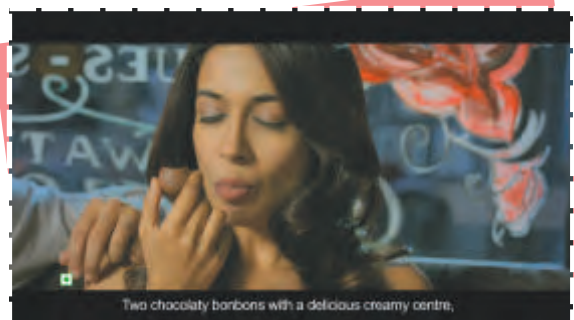
Over 1.7 million engagements
for the campaign



Generates reach of 6.5
million for MUNCH



Over 1.0 million views
for the #MUNCHification TVC



Q&A with the General Manager.

Q. Nestlé India has the vision to be the leading NHW Company. How does the Chocolate & Confectionery business support that?

Nutrition has three dimensions. Pleasure, Balance and Understanding. Foods including chocolates and confectionery have a role in our diets and consumers want healthier choices without having to sacrifice taste and pleasure. Therefore, we are constantly working with Nestlé R&D and using Nestlé's expertise in science based nutrition to develop products that are relevant to consumers. We are leaders in lighter eating with wafer based products such as KITKAT and MUNCH and in whites with MILKYBAR which has the goodness of milk. It's good to remember Wellness requires responsible consumption supported by an active lifestyle.

Q. Can you elaborate a little on this?

We are a company that is founded on the vision of Nutrition and Health and we are constantly focused on understanding changing lifestyles and how food can help the consumer manage their well-being. KITKAT is a good example where our consumer interactions continue to reinforce the insight that taking a KITKAT Break helps us notice something good that we might have missed otherwise. In our high pressure lives the KITKAT Break de-stresses and rejuvenates us.

On a more operational level, we are constantly evaluating our products and initiatives to see how we can help consumers make healthier choices. Our products are renovated to encourage portion control, have a specially designed Nestlé Nutritional Compass on the pack that helps consumers make an informed decision and we have now voluntarily started displaying the GDA (Guidance Daily Amounts) for energy on our packs, much ahead of the industry.

Q. Nestlé has a strong R&D, then why do you continue using artificial flavours and colours ?

Nestlé India is actually amongst the fore runners in leading this change and stopped using artificial colours in the chocolate and confectionery portfolio as far back as 2012. There are different constraints in replacing flavours, but our application teams are working on it and already some of the premium products including Nestlé Extra Smooth Chocolate do not contain artificial flavours. Internally we are very focused on what we can do to add value to consumers.



Mayur Bhargava - General Manager



Coffee and Beverages



The NESCAFÉ Campaign #ItAllStarts rated 'most engaging' commercial content that people watched on YouTube in 2014.



Over 50,000 shares for the campaign



2500 consumer generated stories on the campaign



Over 5 Million views for the #ItAllStarts advertisement



Q&A with the General Manager.

Q. People say that coffee is addictive and should be avoided. There are other reports that say coffee is good for us. As an expert in coffee what would you suggest?

Over the last 75 years of its existence, NESCAFÉ has consistently created value for its shareholders as well as the society. Strong insights into coffee and science based nutrition, a refusal to compromise on quality and a commitment to performance has stood with NESCAFÉ over this journey.

Coffee is certainly good for us; for three main reasons – Coffee is one hundred percent natural and contains no additives, preservatives, flavouring or chemicals; the second one is that it provides us with stimulation and mental alertness; the third one is that Coffee is a source of antioxidants. Antioxidants fight free radicals in your system and make us look and feel good.

Q. How do you describe the perfect coffee experience?

A perfect coffee experience is a result of tireless effort to deliver a high quality product to consumers. It starts with procurement of the finest quality beans sourced from the coffee farms of Coorg and Chikkamagaluru districts. These beans are then perfectly roasted, ground and processed using proprietary world class technology to deliver the highest quality instant coffee powder, guaranteed to offer unmatched coffee experience. The only thing consumers need to do is put the right dosage (1 heaped spoon) of coffee in their cup and the perfect cup with great taste and rich aroma is ready.

Q. Does aroma make a difference in coffee experience?

Aroma is definitely a key attribute of coffee and contributes to the consumer's delight. NESCAFÉ has developed invaluable expertise in delivering a perfect coffee experience.

In India we slow roast the beans and use Nestlé's world class and proprietary Aroma Extraction Technology (ERA) to deliver unmatched aroma for the perfect stimulating cup.



Nayla Sioufi - General Manager



Nutrition



The SUPERBABY campaign drives advocacy around the importance of Breastfeeding. More than 1.2 Mio supports.



Over 1 Million hits for 'Superbaby' on website



Over 15000 mentions about 'Superbaby'



Over 2 Million views for the 'Superbaby' video



Q&A with the General Manager.

Q. It's common to hear people talk about the importance of nutrition for growing up children around the age of 10-12 years. Is that when we need the most nutrition?

That is an interesting observation and probably one of the common misunderstandings. Actually more and more evidence indicates that the first 1000 days of life from pregnancy through 2 years of age sets the blueprint for health throughout life. Subsequently, as we grow up our bodies have different nutritional requirements depending on our age, as well as our activity levels and lifestyles. Sub-optimal nutrition and lifestyle during any stage of our life impairs our quality of life.

Q. Does that mean that if we focus on nutrition during the first 1000 days then our chances of living healthy are increased?

The quality of our lives will depend on many factors as we grow up. However, one of the root causes of diseases appear to be linked to malnutrition during early childhood and pregnancy. The scientific community today agrees that if you take care of nutrition of the women you are actually providing nutritional security to a generation. Unfortunately there are millions of people/mothers who are still living with incomplete and unhealthy diets and this can be a cause of serious concern where the mothers are breastfeeding.

Q. How important is breastfeeding for the child?

Nestlé has always believed that breastfeeding is the best nutrition for babies. This understanding goes back to 1867 when its Founder Henri Nestlé said "During the first months, the mother's milk will always be the most natural nutriment, and every mother, able to do so, should suckle her children."

Over the years, we have continued to engage with the medical community to spread awareness about breastfeeding and this has been positively received everywhere. However, despite the general awareness, breastfeeding rates are still low in the country. We are trying to consciously convert this awareness into practice. We are putting a lot of resources behind our campaign - 'Superbaby-When breastfed it shows'. It is important to encourage advocacy around the cause and make breastfeeding a part of community knowledge and practice. While doing so it is also important to ensure that the mother has proper nutrition. Therefore we continue developing products that provide mothers with balanced nutrition when she is pregnant or feeding her child, and to provide high quality infant nutrition products if the mother is unable to or cannot breastfeed her child for any reason.



Binu Jacob - General Manager



Nestlé in Society

Nestlé believes that for business to prosper over the long term, Society must also benefit simultaneously. Nestlé's work in the community is focused on Nutrition, Water, Rural Development and Environmental Sustainability. This is significant, especially since a large part of India's population is affected by the double burden of malnutrition, and water scarcity is exacerbating the impact on availability of drinking water, making agriculture vulnerable, and threatening food security.



In recent years, the Company has rolled out The NESCAFÉ Plan which is a major initiative to make coffee farming an attractive and sustainable activity for future generations. The farmers are trained in NESCAFÉ Better Farming Practices and provided technical assistance as well to increase efficiencies in coffee productivity and quality, optimizing costs, minimizing social and environmental impact, along with support in obtaining the '4 C' certification. The '4 C' (Common Code for Coffee Community) certification confirms that the coffee has been grown using best practices to ensure sustainability.

The work that Nestlé continues to do with the milk farmers is already highly appreciated. The Company is helping and supporting the development and growth of dairy farming across 33 districts in the



States of Punjab, Haryana and Rajasthan where it works with over 100,000 milk farmers transferring technology, knowledge and best practices to increase productivity and ensure production of high quality milk. These efforts to promote sustainable agricultural practices, improving the breeding and feeding practices for the cattle, facilitating mechanization of dairy farms are just a small part of the round-the-clock services provided by the Nestlé Agri Services Team.

The Nestlé Healthy Kids Programme is a non-commercial initiative to raise awareness amongst



school age children towards Nutrition, Health and Wellness and is helping them understand basic nutritional requirements, good cooking practices, healthy eating habits, hygiene, physical activity and lifestyle diseases.

Considering the crucial role of Nutrition in our lives, the Company has now signed an agreement with MAGIC BUS India Foundation that will focus on providing nutrition and health awareness to adolescents on the lines of the Nestlé Healthy Kids Global Programme. Magic Bus which works with children from marginalized societies, will reach this programme to

50,000 students aged between 10 – 17 years through government schools.

While these initiatives reflect Nestlé's commitment to improve the quality of life in society, many people still



do not know that the Company also actively encourages employees to volunteer their time for the marginalised communities, to engage with them and participate in activity based learning sessions.

Our efforts are focused on ensuring better engagement, dialogue and partnerships to meet Nestlé's social commitments. Every commitment is based on respect, for people, for cultures, the environment and to increase well-being in society.

“Through the Nestlé Healthy Kids Programme, I learnt about micro and macro nutrients and diseases caused due to insufficient and excessive intake. I also learnt that the method of cooking is as important as eating healthy food because wrong methods can result in loss of nutrients and that hygiene plays an important role in preventing diseases. I make sure now that my mother keeps the cooking area clean and everyone in the family washes their hands before and after meals.”

Kanishka Naik, Class 9,
C.T.N. Hr. Secondary School, Goa

R&D and Science Based Nutrition

Nestlé Research



Though nutrition is important, the food preferences of most consumers are driven primarily by taste. It is clearly important to be able to bring taste and nutrition together in the same product. This is not easy but Nestlé has continued to invest in Research and Development to tackle this problem. Nestlé's R&D network is the largest, at least in the food industry with 34 R&D facilities interconnected across the world, and the expertise in science based nutrition and food technology is a competitive advantage. Nestlé India has a General Licence Agreement with Nestlé Group that allows Nestlé India access to this R&D network and is a competitive advantage for Nestlé India as well.

Nestlé invests around CHF 2 Billion in R&D every year and constantly stays at the leading edge of science and technology, combining generations of practical experience with the flow of new emerging knowledge. Nestlé India has continuous access to this expertise that enables it to innovate and renovate its products, benefiting from these scientific advances to provide nutrition and health benefits in an optimal manner without compromising on taste, texture, aroma, appearance, pleasure, and fun.

This knowledge and expertise ensures that Nestlé products are superior quality and safe, and provide science based nutrition and solutions for the health and well-being of consumers across the income pyramid, including nutritional products for those with special needs.



CORPORATE INFORMATION

BOARD OF DIRECTORS

Antonio Helio Waszyk (DIN:02730946)	– Non-Executive Chairman
Etienne André Marie Benet (DIN:06702574)	– Managing Director
Shobinder Duggal (DIN:00039580)	– Director - Finance & Control and CFO
Aristides Protonotarios (DIN:06546858)	– Director - Technical
Michael William Oliver Garrett (DIN:00051904)	– Independent Non-Executive Director
Rajya Vardhan Kanoria (DIN:00003792)	– Independent Non-Executive Director
Ashok Kumar Mahindra (DIN:00916746)	– Independent Non-Executive Director
Ravinder Narain (DIN:00059197)	– Independent Non-Executive Director
Swati Ajay Piramal (DIN:00067125)	– Independent Non-Executive Director

BOARD COMMITTEES:

AUDIT COMMITTEE

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

STAKEHOLDERS RELATIONSHIP COMMITTEE

Ravinder Narain	– Chairman
Shobinder Duggal	– Member
Rajya Vardhan Kanoria	– Member

CORPORATE GOVERNANCE AND

SOCIAL RESPONSIBILITY COMMITTEE

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

NOMINATION AND REMUNERATION COMMITTEE

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

RISK MANAGEMENT COMMITTEE

Shobinder Duggal	– Chairman
Aristides Protonotarios	– Member
Anurag Dikshit (Head of Treasury & M&A)	– Member

AUDITORS

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

BANKERS

Axis Bank Limited
Bank of America N.A.
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

CORPORATE IDENTITY NUMBER

L15202DL1959PLC003786

MANAGEMENT COMMITTEE

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

REGISTERED OFFICE

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

HEAD OFFICE

"Nestlé House"
Jacaranda Marg, 'M' Block,
DLF City, Phase II,
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INVESTOR EMAIL ID

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BRANCH OFFICES

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

FACTORIES

- Village Maulinguem (North), Bicholim Taluka - 403 504 (Goa)
- Plot No. 294-297, Usgao Industrial Area, Ponda - 403 406 (Goa)
- Unit I & II - Patti Kalyana, Kiwana Road, Samalkha - 132 101 Dist. Panipat (Haryana)
- Industrial Area, Tahliwal, District – Una – 174 301 (Himachal Pradesh)
- Industrial Area, Nanjangud - 571 301 Mysore District (Karnataka)
- Ludhiana-Ferozepur Road, Near Kingwah Canal, Moga - 142 001 (Punjab)
- P.O. Cherambadi - 643 205 Dist. Nilgiris (Tamil Nadu)
- Plot No. – 1A, Sector No. -1, Integrated Industrial Estate, SIDCUL, Pantnagar- 263145, Dist. Udham Singh Nagar (Uttarakhand)

REGISTRAR & TRANSFER AGENTS

M/s Alankit Assignments Limited
1E/13, Jhandewalan Extension,
New Delhi, 110 055
Tel No : 011-42541234, 23541234
Fax No : 011-41540064

LISTING OF EQUITY SHARES (Listing Fees paid)

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

56TH ANNUAL GENERAL MEETING

Friday, 15th May, 2015 at 10.00 A.M. at
Air Force Auditorium, Subroto Park, New Delhi - 110 010

Directors' Report - 2014

Dear Members,

Your Directors are pleased to present their report and financial statements for the year ended 31st December, 2014.

The global economic environment in recent years has been challenging and marked by increasing uncertainty. Though it is believed that the growth engine for the global economy is shifting from the West to large emerging economies such as China and India, any significant or structural change will be a long drawn out process. Nevertheless, the economic slowdown being experienced globally created stress and increased the complexity and volatility in the economic environment in India as well. The continuing high inflation, high fiscal deficit, and low consumer confidence, added to the challenges, as the growth rate of GDP continued to slide lower and the rupee depreciated further.

The year 2014 has been a sort of watershed for India, from the political perspective. Your Company commenced the year 2014 in this environment, with prudence and caution, realigning initiatives and businesses to adapt to the reduced vibrancy of the Indian economy. Apart from some optimism on sporadic signs of revival from the US economy the global environment remained sluggish and there was little cheer in the early months for the Indian economy. Your Company continued to repose faith in the fundamentals and strong potential of the economy, and in Nestlé's knowledge and capabilities to create sustainable value, improve the quality of life of people and ability to actively participate in the growth of the economy. The general elections for the Lok Sabha constituencies brought about a decisive turnaround in the political environment. Close monitoring by the Central Bank, softening of commodity prices and new initiatives by the Government seem to have helped in mitigating general inflation though food inflation remained at elevated levels. For the most part of the year the external environment continued to lack buoyancy.

Your Company is optimistic that the economy will recover and return to a higher growth trajectory that is in keeping with its true potential. All signals from the new Government indicate increased focus on reviving economic growth by redefining policies, improving administration and infusing investments to create a robust infrastructure for economic activity. The political stability, the increased engagement with other countries, FDI liberalization in Railways and Defence, and reform oriented initiatives in mining, Direct Benefit Transfer and the Make In India campaign reflect the change underway.

One of the strengths of India and the underlying basis for its potential is the demographic dividend and the opportunity to improve the quality

of life of its people. In order to realize this potential India will have to overcome various challenges, key amongst them being the challenge of health and nutrition for its people, since inadequate nutrition has an adverse impact and lowers productivity and output of people. This is already a challenge across the income pyramid. Almost 55% women in urban India suffer from micronutrient deficiencies. More than 75% of pre-school children suffer from micronutrient deficiencies, and over 50% mortality amongst children is attributed to malnutrition. While much of this is possibly linked to poverty and /or lack of awareness even across families that are economically better off, economic growth is also accompanied with the lifestyle diseases including diabetes, hypertension and cardio-vascular. These lifestyle diseases result from inadequate understanding of nutrition, the inability to follow a balanced lifestyle and sometimes due to lack of options. Clearly nutrition and food will play an important role in shaping the quality of life in India but there is no easy solution. India's social structure and demography is complex and food habits are very diverse and often based on climatic and regional differences, and food choices are also influenced by income disparities. Moreover, whether people consume food for convenience, nutrition, indulgence or for responsible pleasure is a personal choice. Nutritional solutions will require a focus on increasing awareness and nutritional knowledge, developing food products that can combine taste, convenience and nutrition in daily diets.

Your Company's vision is aligned with societal needs for food and nutrition and its approach to business is to Create Shared Value. Your Company embarked on an ambitious journey of reshaping itself and its product portfolio towards its vision to be the recognized leader of Nutrition, Health and Wellness in India. Your Directors' believe that your Company can make a significant difference in improving the quality of life of the population. Nestlé India is well integrated into India's culture and constantly engaging with consumers to understand changing lifestyles, aspirations and preferences to unlock consumer insights that help develop relevant products. Your Company has access to Nestlé's global network of 34 R&D facilities, knowledge of science based nutrition and technological expertise. These along with the other strengths that your Company has developed will prove to be the competitive advantages in the emerging scenario.

Improving balanced nutrition is not the only challenge. There is increasing concern that as population pressure continues to intensify, the availability of land, water and other renewable resources is rapidly getting depleted, and can impact food security. There is urgent need to reduce wastage of farm produce, improve the supply chains for transportation of perishable commodities and create incentives that accelerate the transfer of knowledge and technology to improve productivity and sustainability. The food processing sector

has the potential to make substantial contributions in this area and your Company is optimistic that the food processing industry will be supported in its efforts.

Your Directors' are satisfied that in the economic environment that prevailed during the year your Company has kept its sight on strategy to consistently move towards the vision of being recognized as the leader of Nutrition, Health and Wellness in India while maintaining healthy overall performance. Your Company has a strong leadership team and has conducted itself with fairness and integrity, continuing to focus on reinforcing the fundamentals of growth drivers, further improve operational efficiencies, and rationalization of products portfolio. The concerted and ongoing efforts have ensured that businesses including Noodles, Coffees, and Nutrition are doing well.

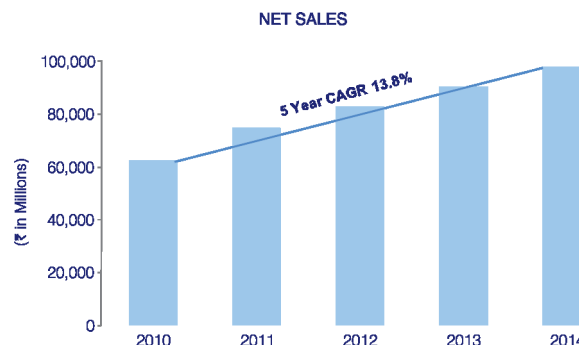
Financial Results And Operations

(₹ in Millions)		
Particulars	2014	2013
Net Sales	98,062.7	90,619.0
Add: Other operating revenues	485.7	391.5
Less: Operating expenses	80,177.5	73,556.2
Less: Impairment loss on fixed assets	81.1	99.4
Less: Net provision for contingencies (from operations)	364.3	413.1
Profit from operations	17,925.5	16,941.8
Add: Other income	873.2	830.9
Less: Finance costs	142.3	365.1
Less: Employee benefit expense due to passage of time	648.3	558.1
Less: Net provision for contingencies - others	249.5	207.4
Profit before corporate social responsibility, exceptional items and taxation	17,758.6	16,642.1
Less: Corporate social responsibility expense	85.1	-
Add: Exceptional items	70.0	138.1
Profit before taxation	17,743.5	16,780.2
Less: Tax expense	5,896.6	5,608.9
Profit after taxation	11,846.9	11,171.3
Add: Profit brought forward	15,328.8	10,745.5
Amount available for appropriation	27,175.7	21,916.8
Less: Interim dividends*	4869.0	3,471.0
Less: Proposed final dividend	1,205.2	1,205.2
Less: Dividend distribution tax	1,091.6	794.7
Less: Transfer to general reserve	1,184.7	1,117.1
Surplus in statement of profit and loss	18,825.2	15,328.8
Key ratios		
Earnings per share (₹)	122.87	115.87
Dividend per share (₹)	63.00	48.50

* 2014 includes additional interim dividend of ₹ 10/- per shares.

Net Sales have increased by 8.2%. Net Domestic Sales grew by 8.6% mainly from better realizations. Export Sales grew by

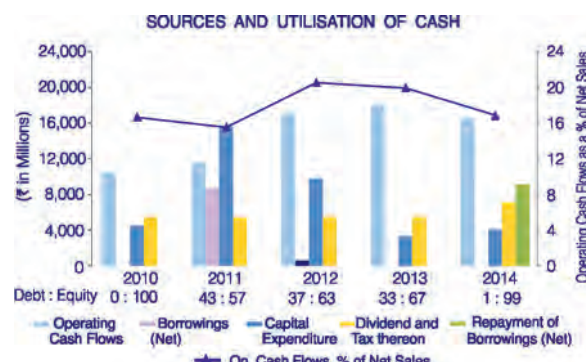
2.9% impacted by lower coffee exports to Russia. Earnings Per Share at ₹122.87 increased by 6%.



The increase in Other Income is mainly due to higher realization of export incentives. Finance Costs have reduced mainly due to repayment of External Commercial Borrowings.



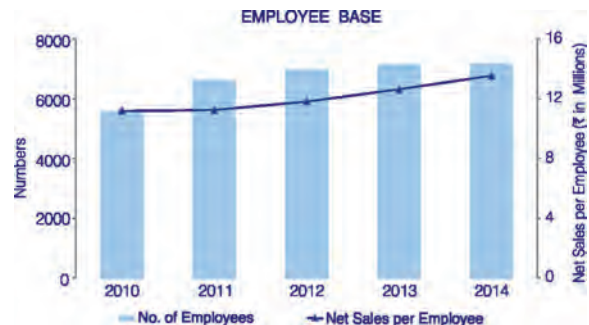
The Impairment Loss on Fixed Assets of ₹ 81.1 million relates to various items of plant & machinery and building that have been brought down to their recoverable value upon evaluation of future economic benefits from their use.



The Company supplemented the Provision for Contingencies with further amount of ₹ 613.8 million (net) for contingencies

NESTLÉ INDIA LIMITED

resulting mainly from issues, which are under litigation/dispute and other uncertainties requiring management judgement. This was after the reversal, utilisation/settlement of contingency provision of ₹ 121.0 million due to the satisfactory settlement of certain litigations and settlement of obligations under free replacement warranty for which provision is no longer required.



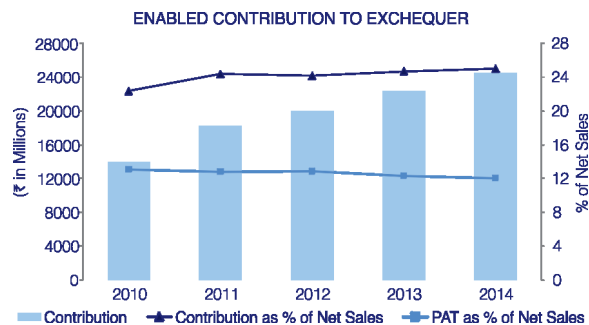
Exports

The global market continued to see tough conditions, particularly in Europe. Consequently, Exports remained virtually flat at ₹ 6441.8 million, growing by a nominal 2.9%. This was mainly sustained on account of sales of Dairy and Nutrition products to affiliate companies, where new markets were added. Exports of culinary products did see some uplift in our major markets and we anticipate this to continue growing as the popularity of specially Indian products increases. On the other hand, exports of Instant Tea saw a slowdown, both in Europe and in the Far East. Similarly, exports of Instant Coffee dropped due to lower imports by the affiliate in Russia, where the market is undergoing a change. This setback in beverages was offset to some extent by other product categories. Our efforts in developing exports of quality Instant Coffees, meanwhile, continued to earn us recognition in the form of Awards from the Coffee Board.

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

Contributions to the Exchequer

Your Company has been a leading tax payer of the country and over the years has been enabling significant contribution to various taxes. During the year 2014, the Company through its business, enabled tax collections at Central and State level close to ₹ 25 billions, in aggregate.



Dividends

The Board of Directors have recommended a final dividend of ₹ 12.50 per equity share (Face value ₹ 10/- per equity share) for 2014, amounting to ₹ 1205.2 millions. This is in addition to the three interim dividends of ₹ 12.50 per equity share paid on 29th May 2014, ₹ 30.00 per equity share (including an additional interim dividend of ₹ 10.00 per equity share as the Company has completed the major capital expenditure programme announced in 2010 and has fully repaid the borrowings made for capital expenditure) paid on 26th September 2014 and ₹ 8.00 per equity share paid on 22nd December 2014. The total dividend for 2014 aggregates to ₹ 63.00 per equity share compared to ₹ 48.50 per equity share for 2013. The same is in line with the financial strategy of the Company.

Business Development

Your Company's objective 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 and help them attain and maintain optimal nutrition, health and wellness. However, human nutrition is complex. The nutritional needs evolve with age and depend to a large extent on the nutritional foundation laid in the early years of our lives. It is now well accepted in the scientific circles that nutrition starts to play a role in our lives even in the mother's womb, and the nutrition received by the baby in the first 1000 days from the moment of conception creates the basic blueprint for the baby's future health. In later years this influences our ability to cope with changing lifestyles and is impacted by the lifestyles that we choose to lead. Your Company continues to partner with health care and nutritional experts to provide nutrition knowledge through education initiatives such as 'Start Healthy, Stay Healthy' that propagates the importance of nutrition and other communication that motivates active lifestyles and nutritious diets amongst families.

Your Company's mission is 'Good Food, Good Life'. Good Food supports the nutritional needs at every stage of life starting from infancy and it is central to Health and Wellness. This demands insights into consumers' unique needs and preferences that vary enormously and are constantly evolving. The ability to provide tasty and nutritious food that is relevant to different needs requires expertise and a multidisciplinary range of knowledge and technology to stay abreast of the rapidly emerging areas of scientific research. Your Company has access to the extremely extensive and advanced global network of Nestlé R&D, and not only focuses on manufacturing and promoting products that provide safe nutrition and high quality, but has also been advocating balanced and healthy diets. Your Company respects that the decision to consume food is a personal decision and determines whether it is for nutrition, indulgence, or responsible pleasure.

During the year, your Company embarked on a journey of reshaping and evolving the product portfolio that is more focused on premium and value-up ranges, and while protecting the current business base it is gearing up to become more efficient to take on the current and future trade evolution and competitive challenges. It is satisfying that the strategy of Nutrition, Health and Wellness for existing range and innovations, value-up portfolio management and redirection of marketing investments is starting to build further momentum.

'Prepared Dishes and Cooking Aids' business maintained clear leadership, improved volumes and strengthened its connect with consumers. The emphasis on innovation and renovation of products to provide taste and health, strong consumer insights, and excellent engagement with consumers strengthened the business. During the year MAGGI improved its position in the annual Brand Equity survey where it moved up 4 positions and is in the Top 5 Most Trusted Brands of India. While the survey also ranked MAGGI as the No.1 Food Brand in India, another independent assessment ranked MAGGI as the Most Powerful Brand in India.

MAGGI has constantly championed 'Taste Bhi, Health Bhi' with its strong product portfolio and during the year it also launched MAGGI Oats Noodles with the goodness of grains (Grain Shakti) to enter the breakfast segment with an enjoyable and healthy offering for the family. It reached out to consumers on a deeper insight, that the key to health is a combination of physical activity and balanced diet. The concept was broadcast through the campaign for MAGGI Veg Atta Noodles where MAGGI inspires kids to go out and play, leveraging the idea of a progressive mom. The importance of physical activity and balanced diet was reinforced with the MAGGI Oats Noodles campaign which generated interest in the concept and demonstrates how mothers can inspire the family to start the day with a physical workout and reward them with the mazedaar MAGGI Oats Noodles.

The business continued to focus on understanding consumer preferences and market needs. The MAGGI Masala-ae-Magic spice mix that was developed as a taste enhancer fortified with Iron, Iodine and Vitamin A for everyday cooking is growing rapidly. It expanded its footprints into new homes as well and is helping in addressing the serious concerns about micronutrient deficiencies in India. MAGGI continued to consolidate its position during the year. It drove penetration of Noodles in small, semi urban towns with communication that was relevant for those consumers, while in the Sauces category it recruited new consumers to drive growth with MAGGI Pichkoo.

The 'Chocolate and Confectionery' business continued to focus on innovation and renovation even as it maintained its strong leadership of the light eating chocolaty-wafer category with its brands Nestlé

KIT KAT and Nestlé MUNCH. With deceleration of the industry growth in the category over the past year and steep increases in commodity prices and packaging material, the business continued to review its product portfolio. Leveraging Nestlé technological expertise and consumer insights into human food consumption behavior, the portfolio was strengthened during the year to improve value-up management. 'Slow Churned Chocolate' was introduced in India for the first time, through product offerings, Nestlé KIT KAT SENSES Milk, Nestlé KIT KAT SENSES Dark and Nestlé Extra Smooth. These Premium chocolates use finest cocoa and milk ingredients and are churned for over 12 hours under controlled conditions to deliver a signature rich smooth taste. Nestlé POLO the iconic 'Mint with the Hole' was re-launched with menthol crystals and attractive new packaging. Nestlé MILKYBAR which continues to be the leader in 'whites' was renovated and re-launched with the innovative concept of 'play eat & learn' to create more value. Your Company encourages responsible consumption and during the year it has started to print Guideline Daily Amount (GDA) on the front of pack for this category to indicate the calorie content for each portion. This will enable consumers to make a considered consumption choice.

Sustained focus on newer and relevant communication and integration in the digital and social media continued to strengthen the brands. The Nestlé KIT KAT astronaut music video #MyDiwaliBreak during the year was appreciated widely as an example of how the brand has been 'listening' to consumers on social media and responded swiftly with focused and engaging content to inspire conversations, drive engagement for increased saliency and buzz. During the year, the digital campaign for Nestlé ALPINO won an Effie Award. The focus on creating relevant engagement with consumers was done across the portfolio. During the year, the business also developed a new campaign for Nestlé MUNCH. The communication that has been released in January 2015 uses 'MUNCHification' as a call for the consumers of MUNCH to announce their uniqueness to the world and create their own rules to establish their identity.

The '**Milk Products and Nutrition**' business sustained its performance and focused on renovating products that leveraged consumer insights and emerging science based knowledge. Your Company considers nutrition as a critical element for good health and has consistently worked towards providing science-based nutrition to babies in accordance with all national and international regulations and guidelines. The business continued to drive 'Start Healthy Stay Healthy' educational and science-based initiative in partnership with health care and nutrition experts, to focus on the lifelong impact of breast feeding and the first 1,000 days of life when the blueprint for the future health is being charted. Nestlé has always

believed and advocated that breast feeding is the best nutrition for babies and the business sustained its efforts to educate consumers on this message and its importance in nurturing healthier and happier generations.

The 'Super Baby' campaign initiated in 2013 generated half a million pledges. During the year 2014, the business launched a social campaign to reinforce the importance of breastfeeding with the message 'When breast fed it shows' and focused on taking the public support beyond a pledge and to convert it into action and to encourage advocacy around the cause.

Using Nestlé R&D technology and their expertise in science based nutrition, your Company launched 'NAN LO-LAC' as the first ever low lactose formula in the country for nutritional management of diarrhea.

The portfolio of dairy products including Nestlé a+ Milk, Nestlé SLIM Milk, Nestlé a+ Dahi, Nestlé SLIM Dahi and Nestlé MILKMAID Sweetened Condensed Milk increased the focus on strengthening relationships with consumers who are looking for Nutrition, Health and Wellness in their everyday lives. Nestlé a+ Milk continues to be preferred by consumers for its high quality, and during the year initiatives were implemented to strengthen the association of Nestlé a+ Milk as a source of nourishment for the family. Research indicated that consumers across the country preferred tea prepared with Nestlé EVERYDAY and in keeping with this insight your Company launched Nestlé EVERYDAY as the preferred partner for tea creaming. Nestlé MILKMAID Sweetened Condensed Milk maintained its leadership and leveraged technology to further focus on building dessert consumption at home. An internet based campaign 'Create Sweet Stories' that encourages family bonds, was rolled out. The Company also test launched Nestlé Buttermilk and Nestlé Lassi in Delhi to assess the market in the liquid refreshment section.

'**Coffee and Beverages**' business had satisfactory growth during the year, driven by NESCAFÉ, which further strengthened your Company's market leadership in Instant Coffees. Brand Equity's Most Trusted Brands survey for 2014 ranked NESCAFÉ in the top 5 Hot Beverage brands and the 100 Most Trusted Brands of the country. To mark the 75th anniversary of the NESCAFÉ brand globally, in India the business launched a unified, global look campaign with a new slogan – 'It all starts with a NESCAFÉ'. NESCAFÉ aligned itself to the fast changing environment the evolving lifestyle and aspirations of the youth. Through technological renovation the strong and perfect cup of NESCAFÉ for product superiority was reconfirmed. The communication "It all starts with a NESCAFÉ" on digital as well as television generated unprecedented buzz, especially amongst youth, resulting in volume and value growth and

market share gain. The campaign has been included in the Best campaigns of 2014 by leading Media houses like Financial Express and CNBC TV 18.

NESCAFÉ SUNRISE consolidated its portfolio and continued its focus on strong communication and on-ground execution to gain market share. NESTEA also performed satisfactorily during the year.

2014 was a challenging year for '**Nestlé Professional**' the out of home business. The beverages vending solutions category was adversely impacted by the surge in milk prices at the start of the year and focus on cost control and execution of an enhanced strategy enabled it to end the year stronger. Portfolio in coffee vending solutions continued to be strengthened during the year with enhanced focus on value-up vending solutions. Continued emphasis on the 'Innovation by Application' concept in the food portfolio and focus on route-to-market through product demonstrations, Chef to Chef activities, tailor-made recipe application development, staff training and similar initiatives continued to strengthen your Company's presence in Restaurant, Hotel and Catering industry. Your Company remains committed to consolidate and build further on its strengths in the out-of-home industry.

Sales

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

Technology, Quality and Safety

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

Your Company has a General License Agreement (GLA) that allows it access to Nestlé Group's intellectual property rights including global portfolio of brands, proprietary science and technology including over 1300 patents, extensive research and development capabilities.

The GLA includes access to over 6,000 brands such as NESTLÉ, MAGGI and NESCAFÉ and technologies developed by the global network of 34 Research & Development facilities, including one at Manesar, Haryana which will further assist in localization of global concepts.

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

Your Company believes that safety practices are important in every activity, function and location wherever the employees are engaged, and is committed to maintaining the safety culture. The 'Safe by Choice' and 'B-SAFE' programmes continue to be high priority and are constantly being reiterated to engage the employees.

Environment

Your Company has consistently emphasized sustainable use of natural and non-renewable resources. Within the factories the efforts are ongoing to continuously assess and improve operational efficiencies, minimize consumption of natural resources, and reduce consumption of water, energy and emission of CO₂ even as production volumes are maximized. Within the factories your Company constantly evaluates new initiatives that could reduce waste and emissions and actively engages the employees to increase awareness about the need to sustain the environment. All processes use state-of-the-art technology, follow the Nestlé Environmental Management System, and comply with government policies, laws and regulations relating to the environment.

In order to reduce its water footprint, your Company has adopted the 3R methodology (Reduce, Reuse, Recycle). During the year, a major project was commissioned at the Moga Factory where milk is collected from over 100,000 farmers. This project has the potential to recover and recycle water collected every day, and at full capacity it has the potential to reduce ground water withdrawal significantly. Your Company is working on implementing a similar project at the Samalkha Factory.

In the area of energy consumption your Company worked with reputed external experts during the year and conducted energy target setting exercise at four factories. This facilitates the evaluation of the areas of improvement and further optimizes the energy consumption in the factories.

These efforts have shown excellent results. During the past 15 years, even as production volumes have continued to increase substantially, your Company has reduced the usage per tonne of production by as much as 57% for energy, 72% for consumption of water and 64% for emission of green-house gases. During the last one decade itself, even with addition of 3 new manufacturing units and an enlarged base during this period, your Company has reduced water usage by around 49% per ton of product.

Supply Chain

During the year, while your Company continued its preparation for the Goods and Service Tax, the supply network has not changed. Infrastructure continue to be a constraint and the overall value chain remains complex.

Your Company has accelerated the use of technology across the value chain and during 2014 made significant progress. Your Company has implemented a system to streamline the milk collection to directly pay the farmers who supply milk to the Moga Factory. Apart from other benefits, the access to bank facilities will also ensure financial inclusion of the farmers.

In the area of Supply Planning, your Company has improved the use of SAP in most of the factories with improvements in data reliability and people productivity. In the area of Customer Service, your Company has implemented a stock replenishment system (CMI) managed directly by customer's representative, with inventory optimization and improvement in productivity. The roll out of the warehouse management systems (WMS) with RF technology has been extended to more locations. The Customer Service team also successfully initiated joint projects with some key customers to improve "on shelf availability" and your Company maintained overall high service levels.

Volatility and uncertainty in raw materials are part of the new reality. The Procurement team of your Company continued leveraging economies of scale and ensured supply of quality materials and services at competitive prices. During the year, your Company also continued to develop local raw materials, including specialized ingredients for business, and continues to work to develop alternate vendors to reduce risks and deliver savings. The Responsible Sourcing Program, initiated in 2010, has now reached over 150 suppliers with regular audits and continuous feed-back on compliance. The NESCAFÉ plan, launched in 2012, has been

accelerated, with your Company purchasing "4C" certified coffee from over 300 selected farmers who are provided regular visits and technical assistance.

Nestlé Continuous Excellence (NCE) now covers the entire value chain and is helping your Company to increase efficiencies, reduce complexities, while enabling to improve product freshness for the customer. The savings generated have helped to partially offset the commodity inflation. LEAN has also helped your Company and the suppliers to reduce inventories, lead-time and reduce waste.

While continuing to upgrade warehousing and transport facilities, your Company has successfully implemented a cost saving program to partially offset the cost inflation in physical distribution. The savings in cost of distribution have been achieved with better truck mix, better vehicle utilization, more direct deliveries, increase in rail transports and better route planning.

During the year, your Company has continued to increase the payable values leveraging dedicated finance schemes and annual negotiations. In conjunction with other continuous improvement initiatives, this has helped your Company to maintain a healthy working capital position.

Human Resources and Trade Relations

Your Company considers people as its biggest assets and 'Believing in People' is at the heart of its human resource strategy. It has put concerted efforts in talent management and succession planning practices, strong performance management and learning and training initiatives to ensure that your Company consistently develops inspiring, strong and credible leadership. During the year, the focus of your Company was to ensure that young talent is nurtured and mentored consistently, that rewards and recognition are commensurate with performance and that employees have the opportunity to develop and grow.

Your Company has established an organization structure that is agile and focused on delivering business results. With regular communication and sustained efforts it is ensuring that employees are aligned on common objectives and have the right information on business evolution. Your Company strongly believes in fostering a culture of trust and mutual respect amongst all its employee seeks to ensure that Nestlé values and principles are understood by all and are the reference point in all people matters.

The Company has a Policy on Prohibition, Prevention and Redressal of Sexual Harassment of Women at Workplace and matters connected therewith or incidental thereto covering all the aspects

as contained under the "The Sexual Harassment of Women at Workplace (Prohibition, Prevention and Redressal) Act, 2013". During 2014, the Company received four complaints under the Policy all of which were disposed-off.

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 centralized Research and Development facilities.
- High quality and safe food products at appropriate 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.
- Strong financial position.
- 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) and Nestlé Continuous Excellence
- Manufacturing capacities in place to cater to emerging demand with speed.

Weakness:

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

Threat:

- Price volatility of key raw, packaging materials and fuels. Food inflation.
- Increasing competition in processed foods.
- Availability of agro based commodities that meet Nestlé specifications.

- Regulatory developments impacting processed foods.
- Increasing concern on currently prevalent packaging materials and absence of viable alternatives.
- Increasing dependence on technology for connectivity.
- Delay in introduction of GST that would have simplified distribution network.
- Uncertainty in global economic environment.

Opportunities:

- Potential for expansion of numeric and weighted distribution in smaller towns and other geographies.
- Increasing demand for value-up and premium products.
- Emergence of social media to connect with young consumers.
- Renovation of 'Out of Home' business.
- Leverage Nestlé Technology to develop more products that provide Nutrition, Health and Wellness at affordable prices.
- Emerging opportunities in Digital and e-Commerce.
- Optimism around Government preparing initiatives to facilitate doing business.

Awards and Recognitions

Your Company continues to be a highly trusted for the quality of its products, innovation and renovation of its products based on strong consumer insights and the ability to engage with consumers across the country. During the year, your Company was also recognized for the leadership in using the emerging digital platforms to develop relevant content. Some of the key awards and recognitions include:

- WPP Milward Brown survey declared MAGGI as the 'Most Powerful Brand' in India where Brand Power was a measure of salience, relevance, connect, uniqueness and dynamism.
- In the Economic Times Brand Equity Survey 2014, MAGGI moved up 4 positions from the previous year survey to break into the Top 5 Most Trusted Brands of India. Also ranked as the No.1 Food Brand in India.
- In the Asian Customer Engagement Forum Nestlé BABY & me won Gold.
- In the EFFIES Awards NESCAFÉ Classic awarded Silver in Beverages Category as well as for integrated advertising campaign category. Nestlé ALPINO awarded Bronze in consumer products category. Nestlé BABY & me awarded Bronze in Healthcare category.

- Nestlé 'Share Your Goodness' corporate video ranked amongst the best of the year in the Google list of top trending videos.

Directors' Responsibility Statement

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

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

Corporate Governance

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

Business Responsibility Report

Nestlé's approach to business is Creating Shared Value or 'Saanjhapan' as used by your Company and it is about the impact of the business and engagement through it. Your Company has been conducting business in a way that both deliver long-term shareholder value and benefit society under approach of "Creating Shared Value" (hereinafter 'CSV'). The CSV activities undertaken and the spends are in the Business Responsibility Report under Clause 55 of the Listing Agreement, that describes the initiatives undertaken by the Company in line with the philosophy of Creating Shared Value. The Report is made available on your Company's website www.nestle.in and forms part of this Annual Report. Any member interested in hard copy of the Business Responsibility Report may inspect the same at the Registered Office of the Company or write to the Company Secretary for a copy.

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

The Board of Directors at their meeting held on 13th May, 2014 appointed Mr. Rajya Vardhan Kanoria as an Additional Director and Independent Non-Executive Director of the Company with effect from 13th May, 2014 for a period of five consecutive years for a term upto 12th May, 2019. The above appointment was based on the recommendation of the Nomination and Remuneration Committee and subject to the approval of the Shareholders of the Company at the forthcoming Annual General Meeting. Mr. Rajya Vardhan Kanoria holds office upto the date of the forthcoming Annual General Meeting and is eligible for appointment. Details of the proposal for the appointment of Mr. Rajya Vardhan Kanoria as an Independent Director with effect from 13th May, 2014 for a period of five consecutive years for a term upto 12th May, 2019, are mentioned in the Explanatory Statement under Section 102 of the Companies Act, 2013 of the Notice of the 56th Annual General Meeting of the Company. His appointment is appropriate and in the best interest of the Company.

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

Statutory Auditors

The Statutory Auditors of the Company, M/s. A. F. Ferguson & Co., Chartered Accountants, New Delhi, hold office till the conclusion of the ensuing Annual General Meeting of the Company and being eligible, offer themselves for re-appointment. The Company has received their written consent and a certificate that they satisfy the criteria provided under Section 141 of the Companies Act, 2013 and that the appointment, if made, shall be in accordance with the applicable provisions of the Companies Act, 2013 and rules framed thereunder. 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 in relation to the financial year 2015 till the conclusion of the next Annual General Meeting. The re-appointment proposed is within the time frame for transition under

the third proviso to sub-section (2) of Section 139 of the Companies Act, 2013.

Cost Auditors

In terms of Section 148 of the Companies Act, 2013 read with Companies (Cost records and audits) Rules, 2014, as amended, milk powder products manufactured by the Company and falling under the specified Central Excise Tariff Act heading, are covered under the ambit of mandatory cost audits from the financial years commencing on or after 1st April, 2015. As your Company's financial year begins from January, cost audit is applicable on the Company for the financial year from 1st January, 2016. The Audit Committee recommended and the Board of Directors appointed M/s. Ramanath Iyer and Co., Cost Accountants, New Delhi (Registration No. 00019) as the Cost Auditors of the Company, to carry out the cost audit of the milk powder products manufactured by the Company falling under the specified Central Excise Tariff Act heading, on a voluntary basis in relation to the financial year from 1st January, 2015 to 31st December, 2015. The Company has received consent from M/s. Ramanath Iyer and Co. for their appointment.

Secretarial Auditors for 2015 and Voluntary Secretarial Audit Report for 2014

On the recommendation of the Audit Committee, the Board of Directors of the Company have appointed M/s. S.N. Ananthasubramanian & Co., Company Secretaries (PCS Registration No. 1774) as the Secretarial Auditor of the Company in relation to the financial year 2015, in terms of Section 204 of the Companies Act, 2013. The Company has received consent from M/s. S.N. Ananthasubramanian & Co, Company Secretaries, for their appointment.

The Board of Directors on a voluntary basis appointed M/s S.N. Ananthasubramanian & Co., Company Secretaries (PCS Registration No. 1774) as the Secretarial Auditor of the Company in relation to the financial year 2014. The Secretarial Audit Report for financial year 2014 done on a voluntary basis is available on the Company's website www.nestle.in. Any member interested in hard copy of the Secretarial Audit Report may inspect the same at the Registered Office of the Company or write to the Company Secretary for a copy.

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.

Corporate Social Responsibility

With the enactment of the Companies Act, 2013 and the Companies (Corporate Social Responsibility) Rules, 2014 read with various clarifications issued by Ministry of Corporate Affairs, the Company has undertaken activities as per the CSR Policy (available on your Company's website www.nestle.in) and the details are contained in the Annual Report on CSR Activities given in Annexure - 3 forming part of this Report. Even though CSR spend is applicable from 1st April, 2014, the spend on CSR activities for the financial year 2014 together with the amount unspent which will be done in 2015 on projects of 2014, is around one percent of the average net profits of the Company during the three immediately preceding financial years. It is planned to step up this spend in a staggered manner in the coming years.

In accordance with Nestlé's way of doing business, your Company's approach is to spend on activities for the welfare of society under umbrella of Creating Shared Value activities, Corporate Social Responsibility activities etc. ensuring that the total spend in each financial year would be above the level prescribed under the Companies Act, 2013. Following this approach, the cumulative spend under the umbrella on such activities for the welfare of the society during 2014, was above the level prescribed under the Companies Act, 2013.

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 endeavor to build and nurture strong links with trade, based on mutuality, respect and co-operation with each other and consistent with consumer interest.

Appreciation

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

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

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

On behalf of the Board of Directors

Date : 13th February, 2015

Place : Gurgaon

Antonio Helio Waszyk

Chairman

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF NESTLÉ INDIA LIMITED

Report on the Financial Statements

We have audited the accompanying financial statements of **NESTLÉ INDIA LIMITED** ("the Company"), which comprise the Balance Sheet as at 31st December, 2014, the Statement of Profit and Loss and the Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

The Company's Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards notified under the Companies Act, 1956 ("the Act") (which are deemed to be applicable as per Section 133 of the Companies Act, 2013, read with Rule 7 of the Companies (Accounts) Rules, 2014) and other accounting principles generally accepted in India. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the financial statements. The procedures selected depend on the auditor's judgment,

including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

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

- (a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st December, 2014;
- (b) in the case of the Statement of Profit and Loss, of the profit of the Company for the year ended on that date; and
- (c) in the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government in terms of Section 227(4A) of the Act, we give in the

Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order for the year ended 31st December, 2014, to the extent the same are applicable to the Company.

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

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

from our examination of those books.

- (c) The Balance Sheet, the Statement of Profit and Loss, and the Cash Flow Statement dealt with by this Report are in agreement with the books of account.
- (d) In our opinion, the Balance Sheet, the Statement of Profit and Loss, and the Cash Flow Statement comply with the Accounting Standards notified under the Act (which are deemed to be applicable as per Section 133 of the Companies Act, 2013, read with Rule 7 of the Companies (Accounts) Rules, 2014).

- (e) Since the provisions of Section 274(1) (g) of the Act are not in effect from 1st April, 2014, the reporting requirement under Section 227(3) (f) of the Act is not applicable as of the balance sheet date.

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

Jaideep Bhargava
(Partner)
(Membership No. 90295)

NEW DELHI, February 13, 2015

ANNEXURE TO THE INDEPENDENT AUDITORS' REPORT

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

(i) In respect of its fixed assets:

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

(ii) In respect of its inventory:

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

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

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

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

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

(a) The particulars of contracts or arrangements referred to in Section 301 that needed to be entered in the Register maintained under the said Section have been so entered for the period the said Section was applicable.

(b) Where each of such transaction made in pursuance of contracts or agreements entered in the

register maintained under Section 301 of the Companies Act, 1956, for the period the said section was applicable, is in excess of ₹ 5 lakhs during such period 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, for the period the said Section was applicable. 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.

NESTLÉ INDIA LIMITED

- (b) There were no undisputed amounts payable in respect of Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income-tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty, Cess and other material statutory dues in arrears as at 31st December, 2014 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, 2014 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	45.7	1996-2004	Supreme Court
		18.1	2001-2006, 2007-2010	Customs, Excise and Service Tax Appellate Tribunal
		0.5	2000	Appellate authority upto Commissioners' level
	Service Tax	412.9	2005-2007, 2008, 2010, 2011	Customs, Excise and Service Tax Appellate Tribunal
Customs Laws	Customs Duty	50.2	2008-2009	Appellate authority upto Commissioners' level
Sales Tax Laws	Sales Tax / VAT	419.2	2000-2010	High Court
		74.9	1999-2006	Appellate Tribunal
		272.4	1996-1997, 2004-2013	Appellate authority upto Commissioners' level
Local State Act	Cess	8.8	2001-2014	Appellate authority upto Commissioners' level
Income Tax Act, 1961	Income tax	118.6	1992-1994	High Court
		0.6	2008-2009	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
		6.6	2005-2006	Customs, Excise and Service Tax Appellate Tribunal
	Service Tax	0.1	2005	High Court
		1.4	2008	Customs, Excise and Service Tax Appellate Tribunal
Sales Tax Laws	Sales Tax / VAT	17.1	1997-1998, 2003	High Court
Income Tax Act, 1961	Income tax	772.2	1996-2001, 2004-2006	Supreme Court
		335.8	2000-2004	High Court
		625.8	2008-2010	Income Tax Appellate Tribunal

- (x) The Company does not have accumulated losses at the end of the financial year ended 31st December, 2014. 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.

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

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

Jaideep Bhargava
(Partner)
(Membership No. 90295)

NEW DELHI, February 13, 2015

NESTLÉ INDIA LIMITED

BALANCE SHEET AS AT DECEMBER 31, 2014

	NOTES	2014 (₹ in millions)	2013 (₹ in millions)
EQUITY AND LIABILITIES			
SHAREHOLDERS' FUNDS			
Share capital	1	964.2	964.2
Reserves and surplus	2	<u>27,407.9</u>	<u>22,723.3</u>
		28,372.1	23,687.5
NON - CURRENT LIABILITIES			
Long-term borrowings	3	154.6	11,894.8
Deferred tax liabilities (net)	4	2,227.2	2,154.7
Long-term provisions	5	<u>13,886.6</u>	<u>11,933.9</u>
		16,268.4	25,983.4
CURRENT LIABILITIES			
Short-term borrowings	6	41.1	0.1
Trade payables		7,287.1	6,330.4
Other current liabilities	7	4,095.7	5,002.5
Short-term provisions	8	<u>2,130.6</u>	<u>2,138.8</u>
		13,554.5	13,471.8
		<u>58,195.0</u>	<u>63,142.7</u>
ASSETS			
NON - CURRENT ASSETS			
Fixed assets	9		
Tangible assets		31,766.4	33,693.1
Capital work-in-progress		<u>2,447.8</u>	<u>2,947.1</u>
		34,214.2	36,640.2
Non-current investments	10	3,044.6	2,241.2
Long-term loans and advances	11	1,299.5	1,239.4
Other non-current assets	12	-	4.7
		38,558.3	40,125.5
CURRENT ASSETS			
Current investments	13	5,073.6	6,269.6
Inventories	14	8,441.0	7,359.3
Trade receivables	15	991.0	842.7
Cash and bank balances	16	4,458.2	7,493.6
Short-term loans and advances	17	520.7	1,013.6
Other current assets	18	<u>152.2</u>	<u>38.4</u>
		19,636.7	23,017.2
		<u>58,195.0</u>	<u>63,142.7</u>

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

ETIENNE BENET
Managing Director
(DIN-06702574)

February 13, 2015
Gurgaon

February 13, 2015
New Delhi

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

In terms of our report attached
For A.F. FERGUSON & CO.
Firm Registration No. - 112066W
Chartered Accountants

(JAIDEEP BHARGAVA)
Partner
Membership No. 90295

B. MURLI
Sr. VP - Legal & Company Secretary

**STATEMENT OF PROFIT AND LOSS
FOR THE YEAR ENDED DECEMBER 31, 2014**

	NOTES	2014 (₹ in millions)	2013 (₹ in millions)
REVENUE			
Gross Sale of products	19	101,295.0	93,798.7
Less: Excise duty		<u>3,232.3</u>	<u>3,179.7</u>
Other operating revenues	19	485.7	391.5
A Total revenue from operations		<u>98,548.4</u>	<u>91,010.5</u>
EXPENSES			
Cost of materials consumed	20	44,825.4	39,069.9
Purchases of stock-in-trade		1,088.5	1,100.4
Changes in inventories of finished goods, work-in-progress and stock-in-trade	21	(674.3)	1,053.2
Employee benefits expense	22	7,549.1	6,856.9
Depreciation	9	3,375.4	3,299.5
Other expenses	23	24,013.4	22,176.3
Impairment loss on fixed assets	9	81.1	99.4
Net provision for contingencies (from operations)	27	364.3	413.1
B Total Expenses		<u>80,622.9</u>	<u>74,068.7</u>
C PROFIT FROM OPERATIONS (A-B)		17,925.5	16,941.8
D Other income	24	873.2	830.9
E Finance costs	25	142.3	365.1
F Employee benefits expense due to passage of time	41	648.3	558.1
G Net provision for contingencies (others)	27	249.5	207.4
H PROFIT BEFORE CORPORATE SOCIAL RESPONSIBILITY EXPENSE, EXCEPTIONAL ITEMS AND TAXATION (C+D-E-F-G)		17,758.6	16,642.1
I Corporate social responsibility expense	47	85.1	-
J Exceptional items	28	70.0	138.1
K PROFIT BEFORE TAXATION (H-I+J)		17,743.5	16,780.2
L Tax expense			
Current tax		5,824.1	5,075.0
Deferred tax		<u>72.5</u>	<u>533.9</u>
M PROFIT AFTER TAXATION (K-L)		<u>11,846.9</u>	<u>11,171.3</u>
Weighted average number of equity shares outstanding	Nos.	<u>96,415,716</u>	<u>96,415,716</u>
Basic and Diluted Earnings Per Share (Face value ₹ 10)	₹	122.87	115.87

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

ETIENNE BENET
Managing Director
(DIN-06702574)

February 13, 2015
Gurgaon

February 13, 2015
New Delhi

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

In terms of our report attached
For A.F. FERGUSON & CO.
Firm Registration No. - 112066W
Chartered Accountants

(JAIDEEP BHARGAVA)
Partner
Membership No. 90295

B. MURLI
Sr. VP - Legal & Company Secretary

CASH FLOW STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2014

	2014 (₹ in millions)	2013 (₹ in millions)
A CASH FLOW FROM OPERATING ACTIVITIES		
Net profit before tax	17,743.5	16,780.2
Adjustments for:		
Exceptional items	(70.0)	(138.1)
Other income considered separately	(873.2)	(830.9)
Unrealised exchange differences	39.7	(6.3)
Deficit/ (Surplus) on fixed assets sold/scrapped/written off (net)	74.5	(12.1)
Depreciation	3,375.4	3,299.5
Finance costs	142.3	365.1
Impairment loss on fixed assets	81.1	99.4
Operating profit before working capital changes	20,513.3	19,556.8
Adjustments for:		
Decrease/(increase) in trade receivables	(142.8)	32.9
Decrease/(increase) in loans & advances and other assets	336.7	(483.9)
Decrease/(increase) in inventories	(1,081.7)	96.5
Increase/(decrease) in trade payables and other liabilities (excluding book overdraft)	1,180.0	1,282.6
Increase/(decrease) in book overdraft	(738.3)	738.3
Increase/(decrease) in provision for contingencies	613.8	620.5
Increase/(decrease) in provision for employee benefits	1,361.2	1,266.3
Adjustment for book overdraft in 2013 towards subscription money for tax free long term bonds allotted subsequently in 2014 considered under "Cash flow from investing activities"	288.8	(288.8)
Cash generated from operations	22,331.0	22,821.2
Direct taxes paid	(5,890.8)	(4,857.2)
Net cash from operating activities	16,440.2	17,964.0
B CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(1,894.4)	(3,448.9)
Accumulated exchange losses on External Commercial Borrowings (ECB) treated as addition to capital expenditure	(2,251.4)	-
Sale of fixed assets	101.6	166.6
Purchase of tax free long term bonds	(761.9)	(975.1)
Subscription money for tax free bonds allotted subsequently	-	(788.8)
Adjustment for book overdraft in 2013 paid subsequently in 2014 towards subscription money for tax free long term bonds allotted in 2014	(288.8)	288.8
Net cash used in tax free long term bonds	(1,050.7)	(1,475.1)
Purchase of other non-current investments	(41.5)	(477.3)
Decrease/(increase) in loans & advances to employees	55.3	27.5
Dividend received on mutual funds, current - non trade investments	103.7	107.3
Profit on sale of mutual funds, current - non trade investments	1.6	-
Interest received on bank deposits, investments, tax free long term bonds and loans etc.	658.8	690.5
Net cash used in investing activities	(4,317.0)	(4,409.4)

NESTLÉ INDIA LIMITED

	2014 (₹ in millions)	2013 (₹ in millions)
C CASH FLOW FROM FINANCING ACTIVITIES		
Repayment of External Commercial Borrowings (ECB)	(9,244.4)	-
Proceeds/ (repayments) of other short borrowings - net	41.0	(2.3)
Increase in deferred VAT liabilities under state government schemes	131.2	23.4
Finance costs	(154.5)	(363.7)
Dividends	(6,074.2)	(4,676.2)
Dividend distribution tax	(1,055.4)	(785.4)
Capital subsidy	3.5	3.0
Net cash used in financing activities	(16,352.8)	(5,801.2)
NET INCREASE IN CASH AND CASH EQUIVALENTS (A+B+C)	(4,229.6)	7,753.4
Cash and bank balances	7,391.1	2,258.7
Current investments	6,269.6	3,648.6
Cash and cash equivalents as at opening	13,660.7	5,907.3
Cash and bank balances	4,357.5	7,391.1
Current investments	5,073.6	6,269.6
Cash and cash equivalents as at closing	9,431.1	13,660.7
NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS	(4,229.6)	7,753.4

Notes:

- (a) During 2013, Company had issued a cheque for ₹ 800 millions on December 30, 2013 (part of book overdraft – Refer note 7 “Other Current Liabilities”) towards subscription money for tax free long term bonds issued by National Housing Bank. Out of this, bonds worth ₹ 288.8 millions have been allotted subsequently in 2014 (Refer note 10 “Non-Current Investments”) and remaining amount of ₹ 511.2 millions have been refunded subsequently in 2014 (Refer note 17 “Short Term Loans and Advances”).
- (b) The above Cash Flow Statement has been prepared under the “Indirect Method” as set out in the Accounting Standard-3 on Cash Flow Statement.

ETIENNE BENET
Managing Director
(DIN-06702574)

February 13, 2015
Gurgaon

February 13, 2015
New Delhi

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

In terms of our report attached
For A.F. FERGUSON & CO.
Firm Registration No. - 112066W
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	2014 Amount (₹ in millions)	No. of shares	2013 Amount (₹ in millions)
1 - SHARE CAPITAL				
Authorised				
Equity shares of ₹ 10 each	100,000,000	1,000.0	100,000,000	1,000.0
Issued, subscribed and fully paid up				
Equity shares of ₹ 10 each	96,415,716	964.2	96,415,716	964.2

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

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

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

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

(c) Equity shares held by holding companies

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

(d) Shareholders holding more than 5% of equity shares

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

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

	2014 (₹ in millions)	2013 (₹ in millions)
2 - RESERVES AND SURPLUS		
(a) Capital subsidy		
Opening balance	11.0	8.0
Add: Additions during the year	3.5	3.0
Closing balance	14.5	11.0
(b) General reserve		
Opening balance	7,383.5	6,266.4
Add: Transferred from surplus in statement of profit and loss	1,184.7	1,117.1
Closing balance	8,568.2	7,383.5
(c) Surplus in statement of profit and loss		
Opening balance	15,328.8	10,745.5
Add: Profit after taxation	11,846.9	11,171.3
Amount available for appropriation	27,175.7	21,916.8
Less: Appropriations		
Dividends:		
Interim (₹ 50.50 per share*, Previous year ₹ 36.00 per share)	4,869.0	3,471.0
Final - proposed (₹ 12.50 per share, Previous year ₹ 12.50 per share)	1,205.2	1,205.2
Dividend distribution tax	1,091.6	794.7
General reserve	1,184.7	1,117.1
Closing balance	18,825.2	15,328.8
	27,407.9	22,723.3

* includes additional interim dividend of ₹ 10.00 per share.

3 - LONG TERM BORROWINGS

Unsecured loans

Deferred VAT liabilities		
- State of Karnataka [#]	77.5	-
- State of Himachal Pradesh ^{##}	77.1	23.4
Term loan from holding company (Refer note 44)		
- External Commercial Borrowings (ECB)	-	11,871.4
	154.6	11,894.8

[#] Interest free, repayable after 10 years from the date of disbursement in 10 equal annual installments starting from year 2024.

^{##} Interest free, repayable after 8 years from the year of deferment starting from year 2021.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

	2014 (₹ in millions)	2013 (₹ in millions)
4 - DEFERRED TAXES (NET)		
Deferred tax liabilities		
Difference between book and tax depreciation	3,092.9	2,903.8
Difference in inventory valuation	162.7	168.4
Others	15.4	-
	<u>3,271.0</u>	<u>3,072.2</u>
Deferred tax assets		
Provision for contingencies	786.2	680.2
Provision for compensated absences and gratuity	206.1	186.8
Provision for doubtful receivables and advances	21.8	21.5
Other items deductible on payment	29.7	29.0
	<u>1,043.8</u>	<u>917.5</u>
	<u>2,227.2</u>	<u>2,154.7</u>

5 - LONG TERM PROVISIONS

Employee benefits:

Pension and gratuity (Refer note 41)	8,780.4	7,500.4
Other incentives and welfare benefits*	<u>790.8</u>	<u>727.9</u>
Contingencies (Refer note 27)	<u>4,315.4</u>	<u>3,705.6</u>
	<u>13,886.6</u>	<u>11,933.9</u>

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

6 - SHORT TERM BORROWINGS

Secured loans*

From banks		
- Bank overdraft	<u>41.1</u>	<u>0.1</u>
	<u>41.1</u>	<u>0.1</u>

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

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

	2014 (₹ in millions)	2013 (₹ in millions)
7 - OTHER CURRENT LIABILITIES		
Statutory liabilities (sales taxes, excise duty, tax deducted at source etc.)	1,467.2	1,338.7
Payables for capital expenditure	548.9	937.4
Customers' credit balances, advances and other payables	798.3	787.9
Employee costs and reimbursements	871.4	753.0
Book Overdraft	-	738.3
Unpaid dividends [#]	100.7	102.5
Security deposits	68.9	59.3
Interest accrued but not due on borrowings	-	12.2
Sundries	240.3	273.2
	<u>4,095.7</u>	<u>5,002.5</u>

[#] 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 41)	134.4	118.8
Other incentives and welfare benefits*	<u>229.7</u>	<u>227.0</u>
Taxation less payments	364.1	345.8
Contingencies (Refer note 27)	195.3	262.0
Proposed final dividend (₹ 12.5 per share, Previous year ₹ 12.5 per share)	125.0	121.0
Dividend distribution tax on proposed final dividend	1,205.2	1,205.2
	<u>241.0</u>	<u>204.8</u>
	<u>2,130.6</u>	<u>2,138.8</u>

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

9 - FIXED ASSETS

(₹ in millions)												
	GROSS BLOCK					DEPRECIATION/AMORTISATION				NET BLOCK		
	Cost as at December 31, 2013	Additions	Borrowings cost/ Exchange differences	Deletions / adjustments	Cost as at December 31, 2014	As at December 31, 2013	For the year	Impairment loss	On deletions / adjustments	As at December 31, 2014	As at December 31, 2014	As at December 31, 2013
Tangible assets (A)												
Freehold land	169.0	-	-	-	169.0	-	-	-	-	-	169.0	169.0
Leasehold land	1,318.0	-	(31.3)	-	1,286.7	29.5	13.1	-	-	42.6	1,244.1	1,288.5
Buildings	9,171.3	570.7	(90.9)	10.1	9,641.0	1,321.9	305.9	0.9	2.1	1,626.6	8,014.4	7,849.4
Railway siding	11.7	-	-	-	11.7	11.4	0.1	-	-	11.5	0.2	0.3
Plant and machinery	35,111.7	1,161.6	(246.2)	409.0	35,618.1	12,053.8	2,742.8	80.2	366.6	14,510.2	21,107.9	23,057.9
Furniture and fixtures	1,924.7	170.6	-	137.4	1,957.9	818.1	222.6	-	83.6	957.1	1,000.8	1,106.6
Office equipment	111.9	1.8	-	-	113.7	69.1	3.4	-	-	72.5	41.2	42.8
Information technology equipment	594.4	94.4	-	21.1	667.7	429.5	82.6	-	19.2	492.9	174.8	164.9
Vehicles	30.1	5.2	-	0.1	35.2	16.4	4.9	-	0.1	21.2	14.0	13.7
Sub total	48,442.8	2,004.3	(368.4)	577.7	49,501.0	14,749.7	3,375.4	81.1	471.6	17,734.6	31,766.4	33,693.1
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)	49,031.6	2,004.3	(368.4)	577.7	50,089.8	15,338.5	3,375.4	81.1	471.6	18,323.4	31,766.4	33,693.1
Previous year	44,275.6	3,666.9	1,398.8	309.7	49,031.6	12,232.9	3,299.5	99.4	293.3	15,338.5		
Capital Work-in-progress											2,447.8	2,947.1
										Total	34,214.2	36,640.2

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

(b) Capital work-in-progress includes ₹ 43.6 millions (Previous year ₹ 50.8 millions) on account of 'Finance costs' which have been treated as addition to capital expenditure.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

	Face Value ₹ per unit	No. of units	2014 Amount (₹ in millions)	No. of units	2013 Amount (₹ in millions)
10 - NON-CURRENT INVESTMENTS					
(At cost unless otherwise stated)					
(a) Trade Investments - Unquoted					
Equity Shares - Fully paid-up					
Sahyadri Agro and Dairy Limited	10	1,415,050	518.8	1,301,805	477.3
(b) Other Investments - Quoted					
Bonds - Tax free					
Indian Infrastructure Finance Company Limited	1,000	500,000	500.0	-	-
Indian Railway Finance Corporation Limited	1,000,000	500	500.1	500	500.1
Indian Railway Finance Corporation Limited	1,000	220,000	225.9	-	-
National Housing Bank	5,000	57,757	288.8	-	-
NTPC Limited	1,000	474,974	475.0	474,974	475.0
NTPC Limited	1,000,000	300	300.0	-	-
Rural Electrification Corporation Limited	1,000	236,000	236.0	-	-
			<u>2,525.8</u>		<u>975.1</u>
(c) Subscription money for tax free bonds allotted subsequently					
Indian Infrastructure Finance Company Limited			-		500.0
National Housing Bank			-		288.8
			<u>3,044.6</u>		<u>2,241.2</u>
Aggregate amount of quoted investments			<u>2,525.8</u>		<u>975.1</u>
Market value of quoted investments			<u>2,701.9</u>		<u>975.1</u>
Aggregate amount of unquoted investments			<u>518.8</u>		<u>1,266.1</u>

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

Loans and advances to employees 14.1 29.1

Unsecured, considered good

Loans and advances to employees 358.0 397.1

Payments / pre-deposits under protest with government authorities 619.3 499.0

Security deposits 285.8 283.8

Capital advances 19.3 25.6

Prepaid expenses 3.0 4.8

1,285.4 1,210.3

Unsecured, considered doubtful

Other receivables 103.2 103.2

Less: Provision for doubtful receivables (103.2) - (103.2) -

1,299.5 1,239.4

12 - OTHER NON-CURRENT ASSETS

Interest accrued on tax free long term bonds - 4.7

- 4.7

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

	Face Value ₹ per unit	No. of units	2014 Amount (₹ in millions)	No. of units	2013 Amount (₹ in millions)
13 - CURRENT INVESTMENTS					
(Non trade, Quoted, at cost or fair value, whichever is lower)					
Government Securities					
Treasury Bills	100	20,000,000	1,967.2	33,500,000	3,288.9
Mutual Funds - Debt					
Birla Sun Life Cash Plus - Daily Dividend - Direct Plan - Reinvestment	100	-	-	4,979,984	499.0
DWS Insta Cash Plus Fund Direct Plan - Annual Bonus	100	461,456	45.3	709,933	115.4
DWS Insta Cash Plus Fund - Direct Plan - Daily Dividend -Reinvestment	100	1,604,577	160.9	1,307,066	131.1
HDFC Liquid Fund - Direct Plan - Dividend - Daily Reinvestment	10	37,930,740	386.8	48,844,055	498.1
ICICI Prudential Liquid - Regular Plan - Daily Dividend	100	4,312,214	431.5	4,960,186	496.3
Reliance Liquid Fund - Treasury Plan - Daily Dividend Option Dividend Reinvestment	1,000	311,049	475.5	325,734	498.0
SBI Premier Liquid Fund - Direct Plan - Daily Dividend	1,000	370,726	371.9	495,819	497.4
			1,871.9		2,735.3
Certificate of Deposits with schedule banks	100,000	12,500	1,234.5	2,500	245.4
			5,073.6		6,269.6
Market value / repurchase price of quoted investments			5,102.8		6,302.1

14 - INVENTORIES **(at cost or net realisable value, whichever is lower)**

Raw materials	2,845.5	2,367.0
{Includes in transit ₹ 293.6 millions (Previous year ₹ 190.4 millions)}		
Packing materials	264.6	304.5
{Includes in transit ₹ 5.9 millions (Previous year ₹ 6.5 millions)}		
Work-in-progress*	901.9	700.2
Finished goods*	3,815.5	3,333.2
Stock-in-trade (goods purchased for resale)*	95.5	88.4
{Includes in transit ₹ 33.0 millions (Previous year ₹ 37.5 millions)}		
Stores and spares	518.0	566.0
{Includes in transit ₹ 11.6 millions (Previous year ₹ 19.6 millions)}		
	8,441.0	7,359.3

* Refer note 37

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

	2014 (₹ in millions)	2013 (₹ in millions)
15 - TRADE RECEIVABLES (UNSECURED)		
Considered good		
Over six months from the due date for payment	26.3	59.8
Others	<u>964.7</u>	<u>782.9</u>
	991.0	842.7
Considered doubtful		
Over six months from the due date for payment	7.9	11.7
Others	<u>29.5</u>	<u>28.3</u>
	37.4	40.0
	<u>1,028.4</u>	<u>882.7</u>
Less: Provision for doubtful trade receivables	<u>(37.4)</u>	<u>(40.0)</u>
	<u>991.0</u>	<u>842.7</u>
16 - CASH AND BANK BALANCES		
(a) Cash and cash equivalents		
Balances with banks		
on current accounts	61.9	60.4
on deposit accounts	<u>4,227.8</u>	<u>7,310.7</u>
Cheques, drafts on hand including remittances in transit	<u>67.8</u>	<u>20.0</u>
	4,357.5	7,391.1
(b) Other bank balances		
Unpaid dividend accounts	<u>100.7</u>	<u>102.5</u>
	<u>4,458.2</u>	<u>7,493.6</u>
17 - SHORT-TERM LOANS AND ADVANCES		
Secured, considered good		
Loans and advances to employees	10.7	15.6
Unsecured, considered good		
Subscription money for tax free bonds refunded subsequently	-	511.2
Balances with government authorities	90.5	115.6
Loans and advances to employees	137.9	133.0
Suppliers' advances, debit balances and other receivables*	196.0	139.0
Security deposits	44.7	37.0
Prepaid expenses	36.8	23.6
Others	<u>4.1</u>	<u>38.6</u>
	510.0	998.0
Unsecured, considered doubtful		
Security deposits, vendor balances and other receivables	14.7	11.5
Less: Provision for doubtful receivables	<u>(14.7)</u>	<u>(11.5)</u>
	<u>520.7</u>	<u>1,013.6</u>

* Includes ₹ 55.5 millions (Previous year ₹ 68.6 millions) recoverable from related parties.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

	2014 (₹ in millions)	2013 (₹ in millions)
18 - OTHER CURRENT ASSETS		
Interest accrued on bank deposits/ tax free long term bonds	152.2	38.4
	<u>152.2</u>	<u>38.4</u>
19 - REVENUE FROM OPERATIONS		
(a) Sale of products (Refer note 37)		
Domestic	94,853.2	87,537.4
Export	6,441.8	6,261.3
	<u>101,295.0</u>	<u>93,798.7</u>
Less: Excise duty	3,232.3	3,179.7
	<u>98,062.7</u>	<u>90,619.0</u>
(b) Other operating revenues		
Export incentives	266.0	194.6
Other operating income (mainly scrap sales)	219.7	196.9
	<u>485.7</u>	<u>391.5</u>
	<u>98,548.4</u>	<u>91,010.5</u>
20 - COST OF MATERIALS CONSUMED		
Raw materials (Refer note 34)	37,243.9	32,036.4
Packing materials	7,581.5	7,033.5
	<u>44,825.4</u>	<u>39,069.9</u>
21 - CHANGES IN INVENTORIES OF FINISHED GOODS, WORK-IN-PROGRESS AND STOCK-IN-TRADE		
Opening stock		
Finished goods	3,333.2	3,653.4
Work-in-progress	700.2	1,372.4
Stock-in-trade	88.4	155.7
	<u>4,121.8</u>	<u>5,181.5</u>
Closing Stock		
Finished goods	3,815.5	3,333.2
Work-in-progress	901.9	700.2
Stock-in-trade	95.5	88.4
	<u>4,812.9</u>	<u>4,121.8</u>
Net (increase)/ decrease in opening and closing stock	(691.1)	1,059.7
Net movement in excise duty on finished goods	16.8	(6.5)
	<u>(674.3)</u>	<u>1,053.2</u>

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

	2014 (₹ in millions)	2013 (₹ in millions)
22 - EMPLOYEE BENEFITS EXPENSE		
Salaries, wages, bonus, pension, gratuity, performance incentives etc. (Refer note 41)	6,873.4	6,191.8
Contribution to provident and other funds	258.2	221.3
Staff welfare expenses	417.5	443.8
	<u>7,549.1</u>	<u>6,856.9</u>

23 - OTHER EXPENSES

Finished goods handling, transport and distribution	4,794.5		4,373.5
Advertising and sales promotion	4,454.7		3,954.8
Power and fuel	3,843.3		3,853.8
General licence fees (net of taxes)	3,512.0		3,087.1
Information technology and management information systems	886.7		802.2
Maintenance and repairs			
Plant and machinery	650.6	559.7	
Buildings	83.3	122.6	
Others	135.6	103.7	786.0
Rates and taxes	802.0		716.9
Travelling	686.0		704.2
Rent	681.6		607.3
Contract manufacturing charges	661.8		714.7
Consumption of stores and spare parts	832.5	714.4	
Less: Charge to other revenue accounts	(341.8)	(291.8)	422.6
Training	379.3		257.4
Withholding tax on general licence fees	351.3		308.8
Laboratory (quality testing)	191.0		166.8
Market research	163.8		168.6
Milk collection and district development	161.8		175.9
Security charges	109.8		95.5
Exchange differences	98.8		179.3
Insurance	29.8		28.3
Miscellaneous	845.0		772.6
	<u>24,013.4</u>		<u>22,176.3</u>

24 - OTHER INCOME

Dividend on mutual funds, current - non trade investments	103.7	107.3
Profit on sale of mutual funds, current - non trade investments	1.6	-
Interest on bank deposits, investments and employee loans etc. (Tax deducted at source ₹ 38.4 millions, Previous year ₹ 41.4 millions)	587.7	717.2
Interest on tax free long term bonds	180.2	6.4
	<u>873.2</u>	<u>830.9</u>

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

	2014 (₹ in millions)	2013 (₹ in millions)
25 - FINANCE COSTS		
Interest on:		
Borrowings - External Commercial Borrowings (Refer note 44)	133.5	364.0
Others	8.8	6.1
Exchange differences	<u>(375.6)</u> (233.3)	<u>1,371.9</u> 1,742.0
Less: treated as (addition)/ reduction to capital expenditure	<u>375.6</u>	<u>(1,376.9)</u>
	<u>142.3</u>	<u>365.1</u>

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

26. SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING AND PREPARATION OF FINANCIAL STATEMENTS

The financial statements of the Company have been prepared in accordance with the Generally Accepted Accounting Principles in India (Indian GAAP) to comply with the Accounting Standards notified under Section 211(3C) of the Companies Act, 1956 ("the 1956 Act") (which are deemed to be applicable as per Section 133 of the Companies Act, 2013, read with Rule 7 of the Companies (Accounts) Rules, 2014) and the relevant provisions of the 1956 Act/ 2013 Act, as applicable. The financial statements have been prepared on going concern basis under the historical cost convention on accrual basis. The accounting policies have been consistently applied by the Company unless otherwise stated.

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

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

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

REVENUE RECOGNITION

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

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

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

INVENTORIES

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

Raw and packing materials	:	First-in-first out
Stock-in-trade (Goods purchased for resale)	:	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

EMPLOYEE BENEFITS

Employee benefit plans

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

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

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

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

Total cost of the employee benefit plans continue to be fully charged to the statement of profit and loss. While the amounts relating to current service cost and actuarial gains/ losses continue to be included in "Employee benefits expense", effective January 1, 2014 the increase in cost of employee benefit plans, due to passage of time (net of return on plan assets) is presented under "Employee benefits expense due to passage of time" in line with the Accounting Standard 15 on "Employee Benefits".

Other Employee benefits

Short term employee benefits including performance incentives, are charged to statement of profit and loss on an undiscounted, accrual basis during the period of employment.

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

DEPRECIATION / AMORTISATION

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

Information technology equipments	: 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 taking into account the long term view of the underlying businesses and related variables. For the purpose of assessing impairment, assets are grouped at the levels for which there are separately identifiable cash flows (cash generating unit). If any impairment indicator exists, estimate of the recoverable amount of the fixed asset/cash generating unit to which the asset belongs is made. An impairment loss is recognised whenever the carrying amount of an asset/ cash generating unit exceeds its recoverable amount. The recoverable amount is the greater of the net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value based on an appropriate discount rate.

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

TAXATION

Current tax is the amount of tax payable on the taxable income for the year as determined in accordance with the provisions of the 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 29 on 'Provisions, Contingent Liabilities and Contingent Assets'. Provisions are recognised when the Company has a present obligation (legal/constructive) and on management judgement as a result of a past event, for which it is probable that a cash outflow will be required and a reliable estimate can be made of the amount of the obligation.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

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.

FIXED ASSETS

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

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

FOREIGN EXCHANGE TRANSACTIONS

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

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

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

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

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

BORROWING COSTS

Borrowing costs directly attributable to acquisition or construction of fixed assets which take substantial period of time to get ready for their intended use are treated as addition/ reduction to 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 August 09, 2012 issued by Ministry of Corporate Affairs, Government of India.

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

INVESTMENTS

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

LEASES

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

27. NET PROVISION FOR CONTINGENCIES

The Company has created a contingency provision of ₹ 734.8 millions (Previous year ₹ 736.4 millions) for various contingencies resulting mainly from matters, which are under litigation / related disputes and other uncertainties requiring management judgement. The Company has also reversed, utilised/settled contingency provision of ₹ 121.0 millions (Previous year ₹ 115.9 millions) due to the satisfactory settlement of certain litigations and settlement of obligations under free replacement warranty for which provision is no longer required.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

The details of class-wise provisions are given below:

Description	2014 (₹ in millions)			2013 (₹ in millions)		
	Provisions for contingencies			Provisions for contingencies		
	Litigations and related disputes	Others	Total	Litigations and related disputes	Others	Total
Opening balance	3,705.6	121.0	3,826.6	3,103.1	103.0	3,206.1
New provisions	609.8	125.0	734.8	615.4	121.0	736.4
Utilisation/Settlement in the year	-	(121.0)	(121.0)	(2.1)	(103.0)	(105.1)
Reversals	-	-	-	(10.8)	-	(10.8)
Recognised in statement of profit and loss*	609.8	4.0	613.8	602.5	18.0	620.5
Closing balance	4,315.4	125.0	4,440.4	3,705.6	121.0	3,826.6

*out of this, ₹ 364.3 millions (Previous year ₹ 413.1 millions) has been recognised as contingencies from operations and balance amount of ₹ 249.5 millions (Previous year ₹ 207.4 millions) as others.

Notes:

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

28. EXCEPTIONAL ITEMS

Profit on sale of real estate

2014 (₹ in millions)	2013 (₹ in millions)
70.0	138.1

29. CONTINGENT LIABILITIES AND COMMITMENTS

Contingent liabilities

Claims against the Company not acknowledged as debts:

Indirect Taxes

195.4 127.6

Capital Commitments

Capital expenditure commitments remaining to be executed and not provided for [net of advances ₹ 19.3 millions (Previous year ₹ 25.6 millions)]

201.3 599.2

Corporate social responsibility expense commitments

38.6 -

The Company also has other commitments for purchase /sales of goods and services for which orders are issued after considering requirements as per the operating cycle of the business.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

	2014 (₹ in millions)	2013 (₹ in millions)
30. AUDITORS REMUNERATION		
(1) Auditors' remuneration including service tax and expenses in respect of:		
(a) Statutory audit	7.1	7.1
(b) Audit of accounts for fiscal year and tax audit	2.8	3.3
(c) Limited review of quarterly un-audited results	1.3	1.3
(d) Certifications	1.0	1.1
(e) Certification of tax holiday benefits	0.3	0.6
(f) Audit of employee trust accounts	0.1	0.1
(g) Out of pocket expenses for statutory audit and other matters	0.2	0.4
(2) Cost auditors' remuneration	0.7	1.1
	<u>13.5</u>	<u>15.0</u>

	2014 (₹ in millions)	%	2013 (₹ in millions)	%
31. CONSUMPTION OF STORES AND SPARE PARTS				
Imported	108.4	13.0	101.9	14.3
Indigenous	724.1	87.0	612.5	85.7
	<u>832.5</u>	<u>100.0</u>	<u>714.4</u>	<u>100.0</u>

	2014 (₹ in millions)	2013 (₹ in millions)
32. EARNINGS FROM EXPORT OF GOODS		
- Foreign currency at F.O.B. value {including sales invoiced in Rupees of ₹ 847.1 millions (Previous year ₹ 1,013.1 millions)}	4,898.4	4,867.2
- Rupees sales to Nepal and Bhutan	1,513.0	1,364.0
33. C. I. F. VALUE OF IMPORTS		
Raw and packing materials	3,544.2	2,994.4
Capital goods	257.6	698.6
Goods – outside manufacture	358.7	302.1
Components and spare parts	149.1	149.8

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

	2014 (₹ in millions)	2013 (₹ in millions)
34. RAW MATERIALS CONSUMED		
Fresh milk	11,201.8	8,280.6
Milk derivatives	6,669.7	4,858.7
Grain flour	4,468.2	4,306.1
Green coffee and chicory	3,783.4	3,714.1
Edible oils	3,508.9	3,373.0
Sugar	1,777.5	1,960.6
Fruit and vegetable crunchies / flakes	677.4	562.1
Tomato paste /powder	518.8	401.7
Maltodextrine powder	491.7	431.4
Fruits and vegetables concentrate	274.2	277.5
Onion flakes /powder	254.5	244.6
Cocoa based raw materials	226.6	441.4
Wheat gluten	179.0	131.4
Liquid glucose	175.9	232.9
Black tea/green leaf	90.0	146.2
Others (net of sale proceeds of by-products/surplus materials)	2,946.3	2,674.1
	37,243.9	32,036.4

	2014 (₹ in millions)	%	2013 (₹ in millions)	%
Of the above:				
Imported	4,198.1	11.3	3,603.9	11.2
Indigenous	33,045.8	88.7	28,432.5	88.8
	37,243.9	100.0	32,036.4	100.0

	2014 (₹ in millions)	2013 (₹ in millions)
35. (a) EXPENDITURE IN FOREIGN CURRENCY		
General license fees (net of taxes)	3,512.0	3,087.1
Information technology and management information systems	652.2	605.5
Project management costs for capital projects	42.1	173.4
Interest on borrowings	133.5	364.0
Other matters	390.4	395.8
(b) OTHER RECOVERIES IN FOREIGN CURRENCY		
Reimbursement of costs	121.9	114.3
Proceeds from sale of surplus materials	0.1	2.9

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

36. AMOUNT REMITTED IN FOREIGN CURRENCIES TOWARDS DIVIDENDS DURING THE YEAR

	2014			2013		
	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 - 2013	2	60,515,079	756.4	-	-	-
Interim:						
First - 2014 / 2013	2	60,515,079	756.4	2	60,515,079	1,089.3
Second - 2014* / 2013	2	60,515,079	1,815.5	2	60,515,079	1,089.3
Third - 2014 / 2012	2	60,515,079	484.1	2	60,515,079	756.4

* includes additional interim dividend of ₹ 605.2 millions.

37. (a) CLASS-WISE DETAILS OF PRODUCTION/PURCHASES, STOCKS AND SALES OF PRODUCTS

Class of goods	Opening stock		#Actual Production and Purchases Quantity (MT)	Closing stock		Gross Sales	
	Quantity (MT)	Amount (₹ in millions)		Quantity (MT)	Amount (₹ in millions)	Quantity * (MT)	Amount (₹ in millions)
Milk Products and Nutrition	9,132 (11,371)	1,716.8 (2,039.4)	138,748 (138,197)	10,705 (9,132)	2,282.5 (1,716.8)	135,591 (138,772)	45,752.3 (40,712.2)
Prepared dishes and cooking aids	8,869 (9,663)	645.2 (674.5)	255,746 (245,450)	9,159 (8,869)	687.1 (645.2)	254,553 (245,443)	29,612.7 (26,982.1)
Beverages	1,257 (1,725)	343.3 (505.3)	24,869 (27,629)	1,238 (1,257)	398.8 (343.3)	24,673 (27,717)	13,397.8 (13,240.6)
Chocolate and confectionery	4,075 (3,207)	716.3 (589.9)	40,120 (48,024)	2,653 (4,075)	542.6 (716.3)	41,080 (46,718)	12,532.2 (12,863.8)
	23,333 (25,966)	3,421.6 (3,809.1)	459,483 459,300	23,755 (23,333)	3,911.0 (3,421.6)	455,897 (458,650)	101,295.0 (93,798.7)

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.

(b) CLASS-WISE DETAILS OF WORK IN PROGRESS AND PURCHASES OF STOCK-IN-TRADE

Class of goods	Purchases of stock-in-trade		Work-in-progress
	Quantity (MT)	Amount (₹ in millions)	Amount (₹ in millions)
Milk Products and Nutrition	16,783.0 (19,009.0)	989.5 (962.3)	473.7 (327.2)
Prepared dishes and cooking aids	12.0 (7.0)	1.9 (2.3)	241.9 (176.3)
Beverages	134.0 (298.0)	41.6 (73.6)	145.3 (153.0)
Chocolate and confectionery	315.0 (306.0)	55.5 (62.2)	41.0 (43.7)
	17,244.0 (19,620.0)	1,088.5 (1,100.4)	901.9 (700.2)

Previous year's figures are indicated in brackets.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

38. SEGMENT REPORTING

Based on the guiding principles given in Accounting Standard 17 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.

39. 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

Marcas Nestlé SA de CV	Nestlé Nigeria Plc
Nestec S.A.	Nestlé Operational Services Worldwide SA
Nestec York Ltd	Nestlé Pakistan Ltd
Nestlé (China) Ltd	Nestlé Panama S.A.
Nestlé (PNG) Ltd	Nestlé Philippines, Inc.
Nestlé (Thai) Ltd	Nestlé Products (Mauritius) Ltd
Nestlé Adriatic S DOO	Nestlé Products Sdn Bhd
Nestlé Asean (Malaysia) Sdn Bhd	Nestlé Qingdao Ltd
Nestlé Australia Ltd	Nestlé Quality Assurance Center
Nestlé Bangladesh Ltd.	Nestlé R&D Center (Pte) Ltd
Nestlé Brasil Ltda	Nestlé R&D Center Inc
Nestlé Business Services AOA, Inc.	Nestlé R&D Center Shanghai Ltd.
Nestlé Canada Inc	Nestlé R&D Centre India Private Ltd
Nestlé Central And West Africa	Nestlé Regional Service Centre (Malaysia) Sdn Bhd
Nestlé Centroamerica, S.A.	Nestlé Servicios Corporativos, S.A.
Nestlé Danmark A/S	Nestlé Shanghai Ltd
Nestlé Deutschland AG	Nestlé Shuangcheng Limited
Nestlé Dongguan Ltd	Nestlé Singapore (Pte) Ltd
Nestlé Dubai Manufacturing LLC	Nestlé South Africa Pty Ltd
Nestlé Egypt S.A.E.	Nestlé Suisse S.A.
Nestlé Equatorial African Region	Nestlé Sverige AB
Nestlé Espana, S.A.	Nestlé Taiwan Ltd
Nestlé Food Kazakhstan LLP	Nestlé Tianjin Ltd
Nestlé France S.A.S.	Nestlé Turkiye Gıda Sanayi A.S.
Nestlé Hong Kong Ltd	Nestlé UK Ltd
Nestlé Hungaria Kft.	Nestlé USA Inc
Nestlé International Travel Retail	Nestlé Vietnam Ltd
Nestlé Japan Ltd	Nestlé Waters Management & Technology
Nestlé Kenya Ltd	Nestlé Waters North America Inc
Nestlé Korea Ltd	Nestlé Zimbabwe (Private) Ltd
Nestlé Kuban LLC	Nestlé S.A.
Nestlé Lanka PLC	PT Nestlé Indonesia

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

Nestlé Manufacturing(Malaysia) Sdn Bhd	Quality Coffee Products Ltd
Nestlé Maroc S.A.	San Pellegrino S.p.A.
Nestlé México S.A. de C.V.	SERVCOM S.A.
Nestlé Middle East FZE	Société des Produits Nestlé S.A.
Nestlé Nederland B.V.	Wyeth Nutritional (China) Co., Ltd
Nestlé New Zealand Ltd	S-26 Nutrition India Private Limited

(iii) Key Management Personnel

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

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

(iv) Employees benefit trusts where control exists

Nestlé India Limited Employees Provident Fund Trust Nestlé India Limited Employees' Gratuity Trust Fund

(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	2014 (₹ in millions)	2013 (₹ in millions)
Holding companies :		
Dividends: Interim	3,056.0	2,178.6
Proposed final	756.4	756.4
External Commercial Borrowings (ECB)		
Nestlé S.A.		
- Loan repaid	11,495.8	-
- Interest expense	133.5	364.0
Expenses recovered		
- Nestlé S.A.	-	7.9
Expenses incurred		
- Nestlé S.A.	171.9	203.3
Fellow subsidiaries :		
(a) Sale of finished and other goods		
- Nestlé Turkiye Gida Sanayi A.S.	1,764.0	1,423.3
- Nestlé Bangladesh Ltd	1,344.1	1,135.7
- Nestlé Kuban LLC	549.1	1,040.7
- Nestlé Egypt S.A.E.	0.5	1.6
- Others	482.0	470.7
(b) Sale of surplus materials, fixed assets and spares		
- Nestlé R&D Centre India Private Limited	2.0	0.1
- Nestlé Lanka PLC	0.1	-
- Nestlé Philippines, Inc.	-	2.9

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

Particulars	2014 (₹ in millions)	2013 (₹ in millions)
(c) Purchase of raw and packing materials, spare parts		
- Nestlé Suisse S.A.	38.9	27.3
- Nestlé Nederland BV	38.6	-
- Nestlé R&D Centre India Private Limited	0.5	-
(d) Purchase of finished goods		
- Nestlé Lanka PLC	137.0	109.6
- Nestlé Nederland BV	68.2	33.1
- P.T. Nestlé Indonesia	36.2	31.5
- Nestlé Korea Ltd	29.5	17.0
- Nestlé UK Limited	11.5	30.3
- Nestlé Espana S.A.	-	32.5
- Others	58.0	37.3
(e) General licence fees (net of taxes)		
- Société des Produits Nestlé S.A.	3,512.0	3,087.1
(f) Expenses recovered		
- Nestlé Lanka PLC	44.4	32.9
- Nestlé R&D Centre India Private Ltd	41.8	35.3
- Nestlé Bangladesh Ltd.	24.6	17.5
- Nestec S.A	13.4	24.1
- Others	38.7	31.8
(g) Expenses incurred		
- Nestec S.A	33.4	28.9
- Nestlé R & D Center (Pte) Limited	29.2	26.3
- Nestlé Deutschland AG	19.8	16.7
- Nestlé Australia Ltd	19.8	14.2
- Nestlé Nederland BV	1.5	6.5
- Nestec York Ltd	-	4.2
- Others	40.3	34.0
(h) Information technology and management information systems		
- Nestlé Australia Ltd	646.6	601.9
- Servcom S.A.	3.6	2.2
(i) Loans granted		
- Nestlé R&D Centre India Private Ltd	200.0	150.0
(j) Repayment of loans granted		
- Nestlé R&D Centre India Private Ltd	200.0	150.0
(k) Interest on loans granted		
- Nestlé R&D Centre India Private Ltd	16.9	7.5
Remuneration to Key management personnel		
- Chairman & Managing Director (Upto September 30, 2013)	-	93.5
- Managing Director (From October 01, 2013)	91.3	21.3
- Director – Finance & Control and CFO	36.1	30.3
- Director – Technical (Upto March 31, 2013)	-	22.9
- Director – Technical (From April 1, 2013)	52.1	34.8

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

Particulars	2014 (₹ in millions)	2013 (₹ in millions)
Employee related trusts		
- Nestlé India Limited Employees Provident Fund Trust	114.3	112.4
- Nestlé India Limited Employees' Gratuity Trust Fund	90.0	55.0
Balance outstanding as at the year end		
➤ Final dividend payable to holding companies	756.4	756.4
➤ External Commercial borrowings – at restated value	-	11,871.4
➤ Interest accrued but not due on External Commercial Borrowings	-	12.2
➤ Receivables from fellow subsidiaries	553.4	377.0
➤ Payables to fellow subsidiaries	538.2	353.9
➤ Payables to Key management personnel	26.9	17.9
➤ Payables to Employees Provident Fund Trust	9.0	9.4

Note:

Other transactions with Key Managerial Personnel:

- Remuneration includes lease rentals paid at market rates ₹ 3.0 millions (previous year ₹ 2.5 millions).
- Repayment of loans disbursed under Company's employee loan schemes ₹ - Nil (previous year ₹ 0.3 millions).

40. 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 ₹ 24.1 millions (Previous year ₹ 51.6 millions). Further, no interest during the year has been paid or payable under the terms of the MSMED Act, 2006.

41. EMPLOYEE BENEFIT PLANS

(a) Defined contribution plans

The Company makes contributions to the Provident Fund, Employee State Insurance, National Pension System etc. for eligible employees. Under these plans, the Company is required to contribute a specified percentage of payroll costs. The Company during the year has recognised ₹ 258.2 millions (Previous year ₹ 221.3 millions) as expense in the statement of profit and loss during the year.

Out of the total contribution made for Provident Fund, ₹ 114.3 millions (Previous year ₹ 112.4 millions) is made to the Nestlé India Limited Employees Provident Fund Trust while the remainder contribution is made to Provident Fund Plans operated by the Regional Provident Fund Commissioners. The members of the Provident Fund Trust are entitled to the rate of interest declared by the Central Government under the Employees Provident Funds and Miscellaneous Provisions Act, 1952. The shortfall, if any, is made good by the Company in the year in which it arises.

The total plan liabilities under the Nestlé India Limited Employees Provident Fund Trust as at December 31, 2014 as per the unaudited financial statements for the year then ended is ₹ 2,319.4 millions (Previous year ₹ 1,981.9 millions) as against total plan assets of ₹ 2,332.0 millions (Previous year ₹ 1,995.5 millions). The funds of the Trust have been invested under various securities as prescribed under the rules of the Trust.

(b) Defined Benefit plans

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

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

The following table sets out the status of the defined benefit plans as at December 31, 2014:

	2014 (₹ in millions)		2013 (₹ 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	739.7	7,538.5	650.2	6,491.7
2 Current service cost	52.6	337.3	45.0	306.2
3 Interest cost	57.9	597.0	50.7	514.3
4 Actuarial loss (net)	31.0	516.2	27.7	353.6
5 Actual benefits paid	(31.1)	(152.2)	(33.9)	(127.3)
6 Present Value of obligation, as at the end of the year	850.1	8,836.8	739.7	7,538.5
Change in plan assets:				
1 Plan assets at the beginning of the year	659.0	-	586.9	-
2 Expected return on plan assets	55.1	-	47.8	-
3 Contribution by the Company	90.0	-	55.0	-
4 Actual benefits paid	(31.1)	-	(33.9)	-
5 Actuarial gain/ (loss)	(0.9)	-	3.2	-
6 Plan assets at the end of the year	772.1	-	659.0	-
Liability (net) recognised in the balance Sheet	78.0	8,836.8	80.7	7,538.5
of which accounted as				
a) Long term provisions	78.0	8,702.4	80.7	7,419.7
b) Short term provisions	-	134.4	-	118.8
Cost for the period				
1 Current service cost (net of recoveries)	52.6	330.2	44.7	295.6
2 Interest cost (net of recoveries) - Refer note below	57.9	596.2	50.7	514.3
3 Expected return on plan assets - Refer note below	(55.1)	-	(47.8)	-
4 Actuarial loss (net)	31.9	516.2	24.5	353.6
Net cost	87.3	1,442.6	72.1	1,163.5
Constitution of plan assets:				
1 Bonds	334.3	-	291.2	-
2 Government of India securities	83.0	-	82.5	-
3 State Government/State Government guaranteed securities	257.6	-	200.6	-
4 Cash at bank and receivables	2.8	-	2.8	-
5 Funding with insurance Companies & mutuals funds	94.4	-	81.9	-
Total plan assets	772.1	-	659.0	-
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	14.8	235.8	17.2	201.2
Experience Gain / (Loss) adjustments on plan assets	(1.0)	-	3.2	-

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

Total employee benefits expense due to passage of time charged in statement of profit and loss is ₹ 648.3 millions (Previous year ₹ 558.1 millions). This includes ₹ 599.0 millions (Previous year ₹ 517.2 millions) towards pension and gratuity and ₹ 49.3 millions (Previous year ₹ 40.9 millions) towards compensated absences and long service awards.

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

	2012 (₹ in millions)		2011 (₹ in millions)		2010 (₹ 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)	650.2	6,491.7	573.6	5,474.2	505.8	4,676.9
Value of plan assets	586.9	-	536.7	-	468.0	-
Deficit / (Surplus)	63.3	6,491.7	36.9	5,474.2	37.8	4,676.9

42. RESTRICTED STOCK UNIT (RSU)/ PERFORMANCE SHARE UNIT (PSU) PLAN

The Company participates in the Nestlé Restricted Stock Unit (RSU)/ Performance Share Unit (PSU) Plan of Nestlé S.A., whereby select employees are granted non-tradable units with the right to obtain Nestlé S.A. shares or cash equivalent. Restricted Stock Units (RSU)/ Performance Share Units (PSU) 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 employees. 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 employees.

The details are as under:

	2014 (₹ in millions)	2013 (₹ in millions)
Outstanding, non-vested RSU/ PSU grants as at year end	310.4	316.0
RSU/ PSU grants vested during the year	177.5	106.0
Recognised in statement of profit and loss	171.9	202.7

43. 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 ₹ 681.6 millions (Previous year ₹ 607.3 millions).

Future minimum lease rentals payable as at 31st December, 2014 as per the lease agreements:

	2014 (₹ in millions)	2013 (₹ in millions)
Not later than one year	518.0	410.7
Later than one year not later than five year	981.8	301.2
Later than five years	586.9	68.1

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

44. EXTERNAL COMMERCIAL BORROWINGS

The Company had drawn US Dollars 192 millions in the year 2011 and 2012 from Nestlé S.A. for 5 years for the purpose of capital expenditure under the External Commercial Borrowings (ECB) approval from Reserve Bank of India. During the current year, Company has repaid the entire ECB of US Dollars 192 millions.

Total cost of this borrowings, including interest and exchange differences, during 2014 is ₹ (242.1) millions (Previous year ₹ 1,735.9 millions) which as per accounting policy of the Company is either treated as addition/ reduction to capital expenditure or charged to statement of profit and loss, details of which are as follows:

	Loan Amount	(₹ in millions)	
<u>Movement in loan amount during the year</u>			
<u>Outstanding as at 31.12.2013</u>	11,871.4		
Exchange Gain	(375.6)		
Amount drawn	-		
Amount repaid*	(11,495.8)		
<u>Outstanding as at 31.12.2014</u>	-		
<u>Finance costs for the year</u>	Interest	Exchange Gain	Total
(refer note 25)			
Interest cost	133.5	-	133.5
Exchange gain	-	(375.6)	(375.6)
<u>Net finance costs of which</u>	133.5	(375.6)	(242.1)
Treated as addition/ (reduction) to capital expenditure	-	(375.6)	(375.6)
Recognised in statement of profit and loss	133.5	-	133.5

* out of above, ₹ 2,251.4 being the accumulated exchange losses on ECB has been treated as addition to capital expenditure as per accounting policy of the Company.

45. FOREIGN CURRENCY EXPOSURE

The foreign currency exposure of the Company as at December 31, 2014 is as under:

(a) Category wise quantitative data*

	Currency	As at December 31, 2014			As at December 31, 2013		
		Nos.	Amount in Foreign currency (in millions)	(₹ in millions)	Nos.	Amount in Foreign currency (in millions)	(₹ in millions)
Forward contracts against exports	USD	32	26.5	1,675.3	25	26.2	1,617.2
Forward contracts against imports	USD	18	10.9	688.5	29	19.9	1,233.5
(Including Capital imports)	EUR	13	5.8	444.9	16	6.6	565.7
	AUD	5	5.1	265.6	9	5.4	297.3
	CHF	1	2.0	127.8	4	0.6	39.5
	GBP	2	0.3	25.0	2	0.4	42.8
	NZD	1	0.3	14.1	2	0.7	37.4
	CAD	1	0.1	6.4	-	-	-
	JPY	-	-	-	1	50.0	29.4

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

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

	Currency	As at December 31, 2014		As at December 31, 2013	
		Amount (₹ in millions) in Foreign currency (in millions)		Amount in Foreign currency (in millions)	(₹ in millions)
Against exports	EUR	0.3	20.4	0.6	47.1
	GBP	0.1	7.6	0.1	7.5
	CHF	0.0	0.7	0.0	0.8
	CAD	-	-	0.0	1.6
Against imports (Including Capital imports)	CHF	0.8	50.6	-	-
	CAD	0.7	38.4	0.1	3.1
	GBP	0.1	13.6	-	-
	SGD	0.1	2.4	0.3	16.1
	JPY	4.7	2.5	6.2	3.6
	ZAR	0.3	1.7	0.3	1.7
	MYR	0.0	0.1	-	-
Against ECB & interest Charges	USD	-	-	192.2	11,883.6

* At closing exchange rates

46. The Company has reviewed the General License Agreement in 2013, the Board of Directors of the Company negotiated and Nestlé S.A. accepted an increase in royalty from 3.5% to 4.5% of domestic sales in a staggered manner by making an increase of 0.20% per annum over five years effective January 1, 2014. The royalty rate on exports will now be aligned to 4.5% of sales.
47. During the year, the Company has incurred ₹ 85.1 millions towards corporate social responsibility activities in accordance with section 135 of the Companies Act, 2013. The Company also has outstanding commitments of ₹ 38.6 millions as on 31st December, 2014 towards corporate social responsibility projects. This includes expenditure on projects which are relatively long term in nature and costs spread over several months.

ANNEXURE - 1 TO THE DIRECTORS' REPORT

Report on Corporate Governance for the year ended December 31, 2014

NESTLÉ'S PHILOSOPHY ON CODE OF GOVERNANCE

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

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

BOARD OF DIRECTORS

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

Above information as on 31st December, 2014 or for the year 2014, as applicable, is tabulated hereunder:

Director	DIN	No. of Board Meetings attended	Attendance at the last AGM on 12.05.2014	No. of outside Directorship held ^A	No. of Membership/ Chairmanship in other Board Committees ^B	Category of Director
Mr. Antonio Helio Waszyk ¹	02730946	3	Present	Nil	Nil	Non-Executive
Mr. Etienne André Marie Benet	06702574	4	Present	Nil	Nil	Executive
Mr. Shobinder Duggal	00039580	5	Present	Nil	Nil	Executive
Mr. Aristides Protonotarios	06546858	5	Present	Nil	Nil	Executive
Mr. Michael W.O. Garrett ¹	00051904	4	Present	Nil	Nil	Independent Non-Executive
Mr. Ashok Kumar Mahindra	00916746	4	Present	Nil	Nil	Independent Non-Executive
Mr. Ravinder Narain	00059197	5	Present	3	1	Independent Non-Executive
Mr. Rajya Vardhan Kanoria ²	00003792	4	Not Applicable	7	4	Independent Non-Executive
Dr. Swati A. Piramal ³	00067125	5	Present	2	Nil	Independent Non-Executive

¹ In addition to Meetings attended, the Directors who participated in the meeting over phone are: Mr. Antonio Helio Waszyk on 07.08.2014 and Mr. Michael W.O. Garrett on 28.10.2014.

² Appointed as Independent Non-Executive Director with effect from 13.05.2014 for five consecutive years subject to approval of shareholders in the 56th Annual General Meeting of the Company.

³ Participated through video conferencing in the Board meeting held on 07.08.2014 included in the meetings attended.

^A Directorship in companies registered under the Companies Act, 2013 (earlier Companies Act, 1956), excluding directorships in private companies, foreign companies, companies under Section 8 of the Companies Act, 2013 (earlier Section 25 of the Companies Act, 1956) and alternate directorship.

^B Only covers Membership / Chairmanship of Audit Committee and Stakeholders Relationship Committee of public limited companies.

As at 31st December, 2014, in compliance with the Corporate Governance norms, the Company's Board of Directors headed by its Non-Executive Chairman, Mr. Antonio Helio Waszyk comprised eight other directors, out of which five are Independent Non-Executive Directors including a woman director. None of the Independent Directors of the Company serve as an Independent Director in more than seven listed companies and where any Independent Director is serving as whole time director in any listed company, such director is not serving as Independent Director in more than three listed companies. The shareholders at the 55th Annual General Meeting held on 12th May, 2014 approved appointment of all the Independent Directors to hold office for five consecutive years for a term upto 31st March, 2019. The Company issued letter of appointment to all the Independent Directors as per Schedule IV to the Companies Act, 2013 and the terms and conditions of their appointment have been disclosed on the website of the Company (weblink <http://www.nestle.in/investors/directorsofficers>).

The Company has a familiarisation programme for Independent Directors with regard to their roles, rights, responsibilities in the Company, nature of the industry in which the Company operates, the business models of the Company etc. and the same is available on the website of the Company (weblink <http://www.nestle.in/investors/directorsofficers>).

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None of the Directors of the Company was a member of more than ten Board-level committees, or a chairman of more than five such committees, across all companies in which he/she was a Director.

Board Meetings held during the year 2014

During the year, the Board met five times on 14th February, 2014, 13th May, 2014, 7th August, 2014, 28th October, 2014 and 3rd December, 2014. The maximum gap between any two Board Meetings was less than one hundred twenty days. 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. During the year, separate meeting of the Independent Directors was held on 3rd December, 2014, without the attendance of non-independent directors and members of the management. Except Mr. Ashok Kumar Mahindra, all other Independent Directors attended the said meeting.

The Company has proper systems 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 compliance 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" (Code). The updated Code incorporates duties of Independent Directors and the Whistle Blower Policy. The Code is available on the website of the Company (weblink <http://www.nestle.in/investors/policies>).

The Managing Director has given a declaration that the Directors and Senior Management of the Company have given an annual affirmation of compliance with the code of conduct during the year 2014.

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 177 of the Companies Act, 2013 and Section 292A of the Companies Act, 1956, as applicable, besides other terms as may be referred by the Board of Directors. The powers include investigating any activity within its terms of reference; seeking information from any employee; obtaining outside legal or other professional advice; and securing attendance of outsiders with relevant expertise, if it considers 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 auditors, fixation of audit fees and approval of payment for any other services, as permitted; reviewing the adequacy of internal audit function; 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; approval or any subsequent modification of any transactions of the Company with related parties; review and monitor the auditors independence and performance and effectiveness of audit process; scrutiny of inter corporate loans and investments, if any; evaluation of internal financial controls and risk management system; and reviewing the functioning of the Whistle blower mechanism.

Mr. Ashok Kumar Mahindra, an Independent Non-Executive Director, is the Chairman of the Audit Committee. Mr. Michael W.O. Garrett, Mr. Rajya Vardhan Kanoria (with effect from 13th May, 2014) and Mr. Ravinder Narain, all Independent Non-Executive Directors are other members of Audit Committee. All members of the Audit Committee are financially literate, and Mr. Ashok Kumar Mahindra, Mr. Michael W.O. Garrett and Mr. Rajya Vardhan Kanoria, have related financial management expertise by virtue of their comparable experience and background. The Company Secretary, acts as the Secretary to the Committee. The Director-Finance & Control and CFO, Controller, Head of Financial Accounting and Reporting and Deputy Company Secretary are permanent invitees to the Meetings of the Audit Committee. The Chief Internal Auditor, the concerned partners/authorised representatives of the Statutory Auditors and the Cost Auditors are also invited to the meetings of the Audit Committee.

During the year, the Audit Committee met four times on 13th February, 2014, 13th May, 2014, 7th August, 2014 and 27th October, 2014 and all members of the Committee attended the aforesaid meetings except for one meeting held on 27th October, 2014 where Mr. Michael W.O. Garrett participated over the phone. The maximum gap between any two meetings was less than four months.

NOMINATION AND REMUNERATION COMMITTEE

Mr. Michael W.O. Garrett, Independent Non-Executive Director is the Chairman of the Committee and Mr. Ravinder Narain, Mr. Ashok Kumar Mahindra and Mr. Rajya Vardhan Kanoria (with effect from 13th May, 2014), Independent Non-Executive Directors are the members of the Committee. The Managing Director and Head of Human Resource are permanent invitees to the Committee meetings. The Company Secretary is the Secretary of the Committee.

During the year, the Nomination and Remuneration Committee met two times on 13th February, 2014, and 12th May, 2014 and all members of the Committee attended the aforesaid meetings.

The powers, role and terms of reference of the Nomination and Remuneration Committee covers the areas as contemplated under Clause 49 of the Listing Agreement and Section 178 of the Companies Act, 2013, besides other terms as may be referred by the Board of Directors. The role includes formulation of criteria for determining qualifications, positive attributes and independence of a director and recommending to the Board a policy, relating to the remuneration for the directors, key managerial personnel and other employees; formulation of criteria for evaluation of Independent Directors and the Board; devising a policy on Board diversity; and identification of persons who are qualified to become directors and who may be appointed in senior management in accordance with the criteria laid down, and recommend to the Board their appointment and removal.

Remuneration Policy

The objective and broad framework of the Remuneration Policy is to consider and determine the remuneration, based on the fundamental principles of payment for performance, for potential, and for growth. The Remuneration Policy reflects on certain guiding principles of the Company such as aligning remuneration with the longer term interests of the Company and its shareholders, promoting a culture of meritocracy and creating a linkage to corporate and individual performance, and emphasising on line expertise and market competitiveness so as to attract the best talent. It also ensures the effective recognition of performance and encourages a focus on achieving superior operational results. The Nomination and Remuneration Committee recommends the remuneration of Directors and Key Managerial Personnel, which is approved by the Board of Directors, subject to the approval of shareholders, where necessary. The level and composition of remuneration shall be reasonable and sufficient to attract, retain and motivate the directors, key managerial personnel and other employees of the quality required to run the Company successfully. The relationship of remuneration to performance should be clear and meet appropriate performance benchmarks. The remuneration to directors, key managerial personnel and senior management personnel should also involve a balance between fixed and incentive pay reflecting short and long term performance objectives appropriate to the working of the Company and its goals.

Performance Evaluation

The Nomination and Remuneration Committee lays down the criteria for performance evaluation of independent directors and other directors, Board of Directors and Committees of the Board of Directors. The criteria for performance evaluation covers the areas relevant to their functioning as independent directors or other directors, member of Board or Committees of the Board.

Policy on Board Diversity

The Nomination and Remuneration Committee devises the policy on Board diversity to provide for having a broad experience and diversity on the Board.

Remuneration of Directors for 2014

(₹ in Millions)

Name of the Director	Sitting Fee	Salaries and Allowances	Perquisites	Company's Contribution to PF	Commission and Performance Linked Incentive	Total
Mr. Etienne André Marie Benet ¹	N.A.	36.11	18.83	1.85	34.52	91.31
Mr. Shobinder Duggal ¹	N.A.	12.45	16.13	1.28	6.22	36.08
Mr. Aristides Protonotarios ¹	N.A.	22.57	10.79	0.92	17.84	52.12
Mr. Michael W.O. Garrett	0.19	N.A.	N.A.	N.A.	0.55 [®]	0.74
Mr. Rajya Vardhan Kanoria	0.13	N.A.	N.A.	N.A.	0.34 [®]	0.47
Mr. Ashok Kumar Mahindra	0.20	N.A.	N.A.	N.A.	0.55 [®]	0.75
Mr. Ravinder Narain	0.26	N.A.	N.A.	N.A.	0.55 [®]	0.81
Dr. Swati A. Piramal	0.12	N.A.	N.A.	N.A.	0.55 [®]	0.67

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.

[®] Represents Commission for the year ended 31st December, 2014 which will be paid, subject to deduction of tax after adoption of the accounts by the shareholders at the Annual General Meeting.

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

The above remuneration of Executive Directors does not include provision for incremental liability on account of pension, gratuity, compensated absences and long service awards since actuarial valuation is done for the Company as a whole. The appointment of executive directors is by virtue of their employment with the Company as management employees and therefore, their terms of employment are governed by the applicable policies at the relevant point in time. Commission is subject to adequate profits being earned. A fair portion of the Executive Director's Performance Linked Incentive is linked to Company's performance. This creates alignment with the strategy and business priorities to enhance shareholder value. The total reward package for Executive Directors is intended to be market competitive with strong linkage to performance in line with Company's Remuneration Policy. During the year under review, on the recommendation of Nomination and Remuneration Committee, the matters of remuneration of Executive Directors was approved by the Board of Directors of the Company, with the interested executive director(s), not participating or voting, as per terms of remuneration of executive directors approved by the shareholders at the Annual General Meeting.

The Non-executive directors are paid remuneration based on their contribution and current trends. Sitting fees is paid for attending each meeting(s) of the Board and Committees thereof. Additionally, the non-executive directors are entitled to remuneration upto an aggregate limit of one percent per annum of the net profits of the Company, provided that none of the directors shall receive individually a sum exceeding ₹ 10,00,000/- (Rupees ten lakhs), as approved by the members at the Annual General Meeting held on 12th May, 2014. Within the aforesaid limit, the commission payable is determined by the Board and equal amount of commission is payable to independent non-executive directors on a pro-rata basis. During the year under review, on the recommendation of Nomination and Remuneration Committee, the remuneration of non-executive directors was approved by the Board of Directors with the interested non-executive directors, not participating or voting, as per the terms approved by the shareholders at the Annual General Meeting.

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 Performance Share Unit Plan ('Plan') of Nestlé S.A., whereby select employees are granted non-tradeable Performance Share Units of Nestlé S.A. Perquisites of the Whole-time/ Managing Director include, inter-alia, Leave Travel and payments for the Performance Share Units of Nestlé S.A. 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 56th Annual General Meeting and forms part of the Corporate Governance Report.

STAKEHOLDERS RELATIONSHIP COMMITTEE

The Board of Directors in its meeting held on 13th May, 2014 changed the nomenclature of the Shareholder / Investor Grievance Committee to Stakeholders Relationship Committee. The Stakeholders Relationship Committee oversees, inter-alia, redressal of shareholder and investor grievances, transfer/transmission of shares, issue of duplicate shares, exchange of new design share certificates, recording dematerialisation/ rematerialization of shares and related matters.

The Committee was reconstituted by the Board of Directors at their meeting held on 13th May, 2014. Mr. Ravinder Narain, an Independent Non-Executive Director, is the Chairman of the Stakeholders Relationship Committee. Mr. Rajya Vardhan Kanoria and Mr. Shobinder Duggal were appointed as members of the Committee with effect from 13th May, 2014. Mr. Etienne Benet ceased to be member of the Committee with effect from 28th October, 2014. The Company Secretary acts as the Compliance Officer to the Committee.

The Committee met four times during the year on 14th February, 2014, 13th May, 2014, 7th August, 2014 and 28th October, 2014. All members of the Committee attended the aforesaid meetings.

During the year, 9 complaints were received from shareholders and investors. All the complaints have 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 2014 and no such transfer is pending.

CORPORATE GOVERNANCE AND SOCIAL RESPONSIBILITY COMMITTEE

The Committee oversees corporate social responsibility, corporate governance and other business related matters which may be referred by the Board or the Chairman, as and when deemed necessary, for the consideration and recommendation of the Committee. This Committee also discharges the role of Corporate Social Responsibility Committee under Section 135 of the Companies Act, 2013 which includes formulating and recommending to the Board, a Corporate Social Responsibility (CSR) Policy indicating the activities to be undertaken by the Company as per Schedule VII to the Companies Act, 2013; recommending the amount of expenditure to be incurred; and monitoring the CSR Policy of the Company. The other 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 Committee comprises Mr. Antonio Helio Waszyk, a Non-Executive Director, as the Chairman of the Committee and Mr. Michael W.O. Garrett, Dr. Swati A. Piramal and Mr. Ravinder Narain, Independent Non-Executive Directors as other members of the Committee. The Company Secretary, acts as the Secretary to the Committee.

The Committee met three times during the year on 14th February, 2014, 12th May, 2014 and 28th October, 2014. All the members attended the above meetings except for one meeting held on 28th October, 2014 where Mr. Michael W.O. Garrett participated over phone.

RISK MANAGEMENT

The Risk Management Committee was reconstituted by the Board of Directors, at its meeting held on 28th October, 2014. Mr. Shobinder Duggal, Director – Finance & Control and CFO is the Chairman of the Committee and Mr. Aristides Protonotarios, Director – Technical and Mr. Anurag Dikshit, Head of Treasury and M&A are the other members of the Committee. The Company Secretary acts as the Secretary to the Committee. The roles and responsibilities of the Risk Management Committee are as prescribed under Clause 49 of the Listing Agreement, as amended from time to time, and includes monitoring and review of risk management plan on a quarterly basis and reporting the same to the Board of Directors periodically as it may deem fit, in addition to any other terms as may be referred by the Board of Directors, from time to time. During the year, the Committee met on 18th December, 2014 and all the members of the Committee attended the meeting.

CEO/CFO CERTIFICATION

The Managing Director and the Director- Finance & Control and CFO 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 (IX) of the Listing Agreement, for the year ended 31st December, 2014.

GENERAL BODY MEETINGS

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

Year & Date	Time	Venue
12.05.2014	10.00 A.M.	Air Force Auditorium, Subroto Park, New Delhi - 110 010
08.05.2013	10.00 A.M.	
30.03.2012	10.00 A.M.	

Three special resolutions were passed by the shareholders at the 55th Annual General Meeting of the Company on 12th May, 2014 for (1) approval of amendment in the Articles of Association for increase in the number of maximum directors of the Company; (2) approval of borrowing limits under Section 180(1)(c) of the Companies Act, 2013; and (3) approval of the commission payable to Non-Executive Directors of the Company. No other resolution was passed as special resolution in the last three Annual General Meetings.

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

DISCLOSURES

During the year 2014, 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.39 to the Annual Accounts. The Company has formulated a policy on materiality of Related Party Transactions and also on dealing with Related Party Transactions and during the year 2014 there were no material transactions with related parties. The policy is also available on the website of the Company (weblink <http://www.nestle.in/investors/policies>).

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

The standard of behaviour of Nestlé India is governed by significant documents “Nestlé Corporate Business Principles”, “The Nestlé Management and Leadership Principles” and “Nestlé Code of Business Conduct”. Employees can report to the Company Secretary, on a confidential basis, any practices or actions believed to be inappropriate or illegal under the Nestlé India Code of Business Conduct (“the Code”). The Code provides for adequate safeguards against victimisation of director(s)/employee(s) who avail of the mechanism and also provides for direct access to the Chairman of the Audit Committee in exceptional cases. It is affirmed that no person has been denied access to the Audit Committee. As an additional facility to all the Directors and Employees of the Company, the Company under the Code provides Integrity Reporting System, an independent third party operated free phone and web based facility for the directors and employees of the

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Company across all locations. Further, the Company has appointed Ombudsman for Infant Code, under which employees can report Infant Code violations directly to the Ombudsman, with adequate safeguard to protect the employee reporting.

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

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

(a) Maintaining Non-Executive Chairman's Office: The Chairman of the Company is Non-Executive Chairman and is entitled to maintain a separate office space at the Company's Head Office and also allowed reimbursement of expenses incurred in performance of his duties; **(b) 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; **(c) Audit Qualifications:** The Company already has a regime of un-qualified financial statements. Auditors have raised no qualification on the financial statements; **(d) Separate posts of Chairman and CEO:** Mr. Antonio Helio Waszyk is the Non-Executive Chairman and Mr. Etienne Benet is the Managing Director of the Company. **(e) Reporting of Internal Auditor :** The Chief Internal Auditor of the Company reports to the Director – Finance & Control and CFO and has direct access to the Audit Committee.

MEANS OF COMMUNICATION

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

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

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

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

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

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

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

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

Manpower figure of the Company as on 31st December, 2014 was 7,228.

GENERAL SHAREHOLDER INFORMATION

Annual General Meeting

Day, Date and Time	: Friday, 15 th May, 2015 at 10:00 a.m.
Venue	: Air Force Auditorium, Subroto Park, New Delhi – 110 010.

Financial Calendar, 2015 (tentative)

First Quarter Results	: Second week of May, 2015
Second Quarter and Half-yearly Results	: Last week of July, 2015
Third Quarter Results	: Last week of October, 2015

Annual Results : February / March, 2016
Financial Year : 1st January to 31st December
Annual Book Closure : 21st May, 2015 to 22nd May, 2015 (both days inclusive)

Dividend payments: Final dividend of ₹ 12.50 per share has been recommended by the Board of Directors and subject to the approval of the shareholders at the ensuing Annual General Meeting is proposed to be paid on and from 2nd June, 2015.

First, Second and Third interim dividends for the year 2014, at the rate of ₹ 12.50 per share, ₹ 30.00 per share (including an additional interim dividend of ₹ 10/- per equity share on completion of major capital expenditure programme announced in 2010 and full repayment of borrowings made for capital expenditure) and ₹ 8.00 per share, respectively, were paid on 29th May, 2014, 26th September, 2014 and 22nd December, 2014, respectively.

Listing on Stock Exchanges and Stock Code

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

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

Market Price Data: High/Low in each month of Calendar Year, 2014 on the BSE Ltd., Mumbai

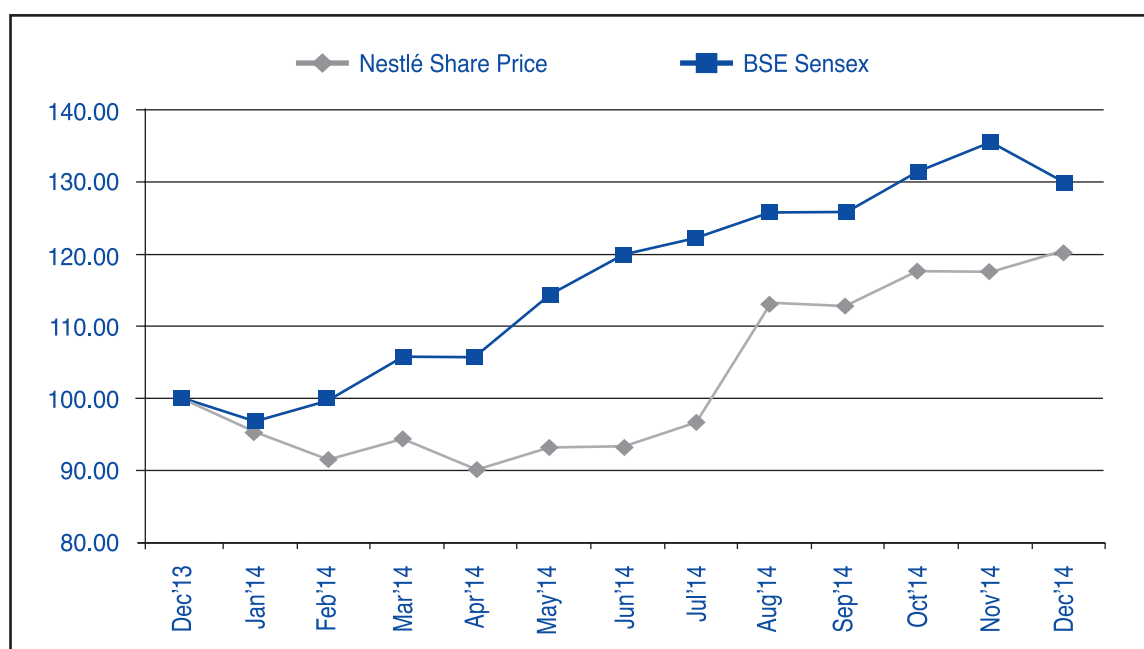
Month	High (₹)	Low (₹)	Month	High (₹)	Low (₹)
January	5,585.00	4,905.20	July	5,250.00	4,845.00
February	5,199.00	4,796.20	August	6,075.00	5,005.10
March	5,030.00	4,630.00	September	6,624.55	5,901.00
April	5,042.65	4,690.00	October	6,276.35	5,650.00
May	5,035.00	4,536.00	November	6,501.65	6,000.00
June	5,049.00	4,755.00	December	6,425.00	5,515.15

[Source: www.bseindia.com]

Performance in comparison to BSE Sensex

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

Base is 100 as at 31st December, 2013



[Source: www.bseindia.com]

NESTLÉ INDIA LIMITED

Registrar and Transfer Agents:

M/s Alankit Assignments Limited, 1E/13, Jhandewalan Extension, New Delhi-110 055.

Share Transfer System

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

Categories of Shareholding as on 31st December, 2014

Category of Shareholder	Number of Shares	Percent of Total Shares
Promoter and Promoter Group (A)	60,515,079	62.76
Public Shareholding (B)		
Mutual Funds/ UTI	519,461	0.54
Financial Institutions/ Banks	33,801	0.04
Central Government/State Government(s)	32,897	0.03
Insurance Companies	3,964,194	4.11
Foreign Institutional Investors	13,291,470	13.79
Bodies Corporate	2,221,862	2.30
Individuals	14,004,326	14.53
Any Other		
- NRIs	522,673	0.54
- Foreign Nationals	2,967	0.00
- Overseas Corporate Body	500	0.00
- Trust	6,953	0.01
- Foreign Portfolio Investor	1,299,533	1.35
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, 2014

No. of Shares	Number of Shareholders	Number of Shares	Percent of total Shares
1 to 500	56,698	3,660,486	3.80
501 to 1000	2,482	1,802,964	1.87
1001 to 2,000	1,035	1,480,946	1.54
2,001 to 3,000	329	821,759	0.85
3,001 to 4,000	158	550,742	0.57
4,001 to 5,000	111	505,018	0.52
5,001 to 10,000	228	1,590,221	1.65
10,001 and above	318	86,003,580	89.20
Total	61,359	96,415,716	100.00

Dematerialisation of shares:

98.22% equity shares of the Company have been dematerialised as on 31st December, 2014.

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

Not applicable.

Plant Locations:

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

Address for correspondence:

Shareholder Services, M – 5A, Connaught Circus, New Delhi – 110 001, Phone No.: 011-23418891, Fax No.: 011-23415130.

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

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

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

On behalf of the Board of Directors

Date : 13th February, 2015

Place : Gurgaon

**ANTONIO HELIO WASZYK
CHAIRMAN**

CERTIFICATE**TO THE MEMBERS OF NESTLÉ INDIA LIMITED**

We have examined the compliance of conditions of Corporate Governance by Nestlé India Limited for the year ended December 31, 2014, as stipulated in Clause 49 of the Listing Agreement of the said Company with stock exchange.

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

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

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

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

(Partner)
Jaideep Bhargava
(Membership No. 90295)

NEW DELHI, 13th February, 2015

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, 2014.

A CONSERVATION OF ENERGY

(a) Energy Conservation Measures Taken

As in the past, the Company continued to stress upon measures for the conservation and optimal utilisation of energy in all the areas of operations, including those for energy generation and effective usage of sources/ equipment used for generation. The significant measures taken/continued during 2014 was the energy target setting exercises to prepare blueprint for future. This was conducted at Pantnagar Factory in collaboration with technical knowledge partners. 43 energy improvement projects were identified in these events which are expected to deliver operational improvements in coming years. These exercises have identified potential saving of around 68,000 GJ in the coming years. Overall energy savings during the year 2014 realized from various energy projects was around 122,000 GJ.

Following are the some of significant energy projects executed in 2014:

- Installation of Uninterrupted Power Supply to optimize captive power usage in factories.
- Energy savings through insulation improvements in stacks of air heaters.
- Improvement in Furnace Oil boiler yield in the factories.
- Heat recovery from Cooling Water in spray driers.

- Enhancing steam condensate recovery in evaporators.
- Optimisation of steam utilization in the steamers.
- De-super heater installation in chiller plant.
- Steam reduction in wet mix tower by Low Dextrose Enzyme Line optimization.

(b) Additional Investment

Following proposals were initiated for implementation during 2014:

- Installation of energy efficient pumping system for cooling towers at the factories.
- Installation of De-super heater to reduce steam consumption.
- Installation of solar lights for street lighting.
- Installation of heat recovery system for boiler blowdown vessel.
- Installation of Reverse Osmosis Plant in the Effluent Treatment Plant to increase the recycle water.
- Heat recovery in cow water reverse osmosis for boiler feed water heating.
- Installation of natural sun light in the Factories.

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

The measures taken during 2014, 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 2014, for every

ton of production, the Company has reduced the usage of energy by around 67%, water usage by around 76%, generation of waste water by around 78%, reduction in specific direct greenhouse gas emissions by around 72%.

(d) Energy Consumption

Total energy consumption and energy consumption per unit of production, as per prescribed Form A together with the comparative figures for 2013, are given at the end of this part. The Company manufactures variety 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.

(d) Projects planned or initiated for further improvement in Energy & Water consumption are

- Improving usage of renewable energy and reduction in greenhouse gases by installation of biomass boiler and solar panels.
- Improving usage of water consumption by initiating project towards recycling of effluent treatment plant water at more than one site.

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 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 one and a half billion Swiss Francs. Expenditure of the Company in the nature

of Research and Development are those primarily relating to testing and modifying of products for local conditions and are as under:

	(₹ in millions)
a) Capital	90.1
b) Recurring	191.0
c) Total	281.1
d) Total R&D as a percentage of total turnover	0.29%

Technology absorption, adaptation and innovation

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

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

2. Benefits derived as a result of the above efforts

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

3. Imported Technology

All the food products manufactured and / or sold by the Company are by virtue of the imported technology received on an ongoing basis from the collaborators. Technology transfer has to be an ongoing process and not a one-time exercise, for

the Company to remain competitive and offer high quality and value for money products to the consumers. This has been secured by the Company under the General Licence Agreement with the collaborators and provides access for licence to use the technology and improvements thereof, for the product categories, manufactured/ sold by the Company, on a continuous basis.

C. FOREIGN EXCHANGE EARNINGS AND OUTGO

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

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

(b) Total foreign exchange used and earned:

During the year under review, your Company had earnings from exports of ₹ 6,411.4 millions comprising foreign exchange earnings of ₹ 4,051.3 millions and export to Russia, U.S.A. (House of Spice), Nepal and Bhutan in Rupees amounting to ₹ 2,360.1 millions.

The foreign exchange outgo was of ₹ 12,852.2 millions. Details of earnings from exports and foreign exchange outgo on account of imports, expenditure on traveling, general licence fees, etc. and remittances made to non-resident shareholders on account of dividend are shown in Notes 32, 33, 35(a) and 36 respectively of Notes to the Accounts. Members are requested to refer to these Notes.

NESTLÉ INDIA LIMITED

FORM A

(A) Power and Fuel Consumption

	2014	2013
1. Electricity		
(a) Purchased		
Units (000' KWH)	150,648.0	145,881.2
Total Cost (₹ in Millions)	936.9	869.1
Cost/KWH (₹)	6.2	5.9
(b) Own Generation		
(I) Through Diesel Generator		
Units (000' KWH)	11,367.0	16,874.2
Units per litre of oil (KWH)	3.5	3.4
Cost/KWH (₹)	16.4	15.6
(II) Through FO Generator		
Units (000' KWH)	6,718.0	9,547.4
Units per litre of oil (KWH)	3.9	3.9
Cost/KWH (₹)	11.4	11.4
2. Coal (Various grades)		
Quantity (Tonne)	41,265.0	34,485.4
Total Cost (₹ in Millions)	304.3	254.5
Cost/Tonne (₹)	7,373.5	7,380.5
3. Furnace Oil		
Quantity (KL)	44,292.0	44,792.1
Total Cost (₹ in Millions)	2,033.4	2,062.2
Cost/KL (₹)	45,908.9	46,039.2
4. Other Consumption of Fuel		
(a) High Speed Diesel Oil and Superior Kerosene Oil		
Quantity (KL)	2,549.0	2,622.3
Total Cost (₹ in Millions)	144.3	146.6
Cost/KL (₹)	56,622.1	55,901.2
(b) Non-Conventional Fuels-Coconut Shell & Coffee Husk		
Quantity (Tonne)	10,219.0	13,014.7
Total Cost (₹ in Millions)	71.7	65.1
Cost/Tonne (₹)	7,013.7	5,003.4
(c) Liquid Petroleum Gas		
Quantity (Tonne)	1,441.0	1,515.7
Total Cost (₹ in Millions)	103.9	105.7
Cost/Tonne (₹)	72,089.5	69,739.1
(d) Nitrogen Gas		
Quantity (M³)	1,389.6	1,455.2
Total Cost (₹ in Millions)	22.5	21.9
Cost/(M³) (₹)	16,168.6	15,036.0
(e) Carbon Dioxide Gas		
Quantity (M³)	135.4	146.4
Total Cost (₹ in Millions)	3.5	3.5
Cost/(M³) (₹)	25,790.4	24,309.4

FORM A (Contd.)

(B) Consumption per unit of Production

	Beverages		Milk Products and Nutrition		Chocolates & Confectionery		Prepared Dishes/ Cooking Aids	
	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
	2014	2013	2014	2013	2014	2013	2014	2013
Electricity (KWH/T)	1195.82	1170.82	436.43	425.47	1243.49	1238.36	187.61	192.95
Furnace Oil (Ltrs./T)	332.19	341.25	112.23	119.17	72.89	69.49	74.91	77.63
Coal (Kgs./T)	224.60	248.47	422.51	327.42	-	-	81.45	78.10
Others:								
HSD, HPS (Ltrs. /T)	106.71	115.36	0.68	0.80	-	-	7.11	5.53
LPG (Kgs./T)	-	-	-	-	55.34	51.88	-	-
Nitrogen Gas (M ³ /T)	-	-	19.57	20.89	-	-	-	-
Carbon Dioxide Gas (M ³ /T)	-	-	1.91	2.10	-	-	-	-
Non Conventional Fuel(per Ton)	364.00	504.87	-	-	-	-	92.90	98.19

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.

ANNEXURE - 3 TO THE DIRECTORS' REPORT

Annual Report on Corporate Social Responsibility (CSR) Activities

- A brief outline of the Company's CSR policy, including overview of projects or programs proposed to be undertaken and a reference to the web-link to the CSR policy and projects or programs.**

The Company focuses its activities on the following areas, where it is in a position to create maximum value. These are, improving nutrition awareness of communities particularly school children, helping farmers reduce water usage in agriculture, raising awareness on water conservation, providing access to water and sanitation and supporting the sustainable development of farmers.

The Company will continue to engage with stakeholders including farmers, experts, NGOs and the Government and would take up such other CSR activities in line with Government's intent and which are important for society. The above areas are mapped with the activities as prescribed in Schedule VII to the Companies Act, 2013 in the Annexure. CSR Policy of the Company is available on the Company's website (weblink <http://www.nestle.in/investors/policies>). While the focus of CSR efforts will be in the areas around Company operations, the Company may also undertake projects where societal needs are high or in special situations (such as in the case of natural disasters etc.).

- The Composition of the CSR Committee**

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

- Average net profit of the Company for last three financial years: ₹ 15,366 Million**

- Prescribed CSR Expenditure (two per cent of the amount as in item 3 above): ₹ 307 Million**

- Details of CSR spent during the financial year.**

- Total amount to be spent for the financial year: ₹ 153.5 Million
- Amount unspent, if any: ₹ 68.4 Million out of which ₹ 38.6 Million has been committed as on 31st December, 2014. This amount will be spent in 2015 as a part of 2014 CSR expenditure.
- Manner in which the amount spent during the financial year is detailed below.

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
S.I. No.	CSR project or activity identified	Sector in which the Project is covered	Projects or programs (1) Local area or other (2) Specify the State or district where the Projects or programs was undertaken	Amount outlay (budget) Project or program wise (₹ in Million)	Amount spent on the Project or programs Sub heads (1) Direct expenditure on projects or programs (2) Overheads (₹ in Million)	Cumulative expenditure up to the reporting period (₹ in Million)	Amount spent: Direct or through implementing Agency
1	Nestlé Healthy Kids Programme (a) With Universities (b) With NGO	(i)	Punjab, Himachal Pradesh, Uttarakhand, Haryana, Goa, Karnataka, Tamil Nadu, Delhi, Maharashtra, Andhra Pradesh	36.0	(a) 7.2 (b) 7.5	14.7	(a) Punjab Agriculture University, G.B. Pant University, CSK Himachal Pradesh Agricultural University, National Dairy Research Institute, Goa College of Home Science, Rajiv Gandhi University (b) Magic Bus India Foundation
2	Breast feeding Awareness	(i)	Delhi	1.5	0.6	0.6	MAMTA Health Institute for Mother and Child
3	Clean Drinking Water Projects and Water Awareness Programme	(i) + (iv)	Punjab, Himachal Pradesh, Haryana, Goa, Karnataka, Tamil Nadu	21.0	5.1	5.1	Direct
4	Sanitation Projects	(i)	Punjab, Himachal Pradesh, Uttarakhand, Haryana, Goa, Karnataka, Tamil Nadu	25.0	10.2	10.2	Direct
5	Employee Volunteering Programme	(i)	Delhi, Uttarakhand	1.0	0.4	0.4	Direct
6	Swach Bharat Kosh	(i)		50.0	50.0	50.0	

The amount indicated in column (6) and (7) above is the direct expenditure on projects or programs. There are overheads of ₹ 4.1 Million, and the total expenditure including overhead is ₹ 85.1 Million. CSR programmes are detailed under Point 8.

6. In case the Company has failed to spend the two per cent of the average net profit of the last three financial years or any part thereof, the Company shall provide the reasons for not spending the amount in its Board report.

As a responsible corporate citizen, the Company has been implementing societal activities since many decades. As per the strict interpretation of the new CSR rules, some of these initiatives may not be eligible under the 2% CSR spend. As these activities are integral to the business, the Company has decided to continue with them. Additionally, the Company has spent/ committed a significant amount which is eligible under the CSR rules.

The Company has ensured that the cumulative spend on societal activities is over 2% as prescribed.

7. A responsibility statement of the CSR Committee that the implementation and monitoring of CSR Policy, is in compliance with CSR objectives and Policy of the company.

The Company is part of the Nestlé group, the leading Nutrition, Health and Wellness Company. The Company understands that in order to continue to prosper over the long-term, the community, environment and society at large must also prosper. The Company believes it has the greatest opportunity to drive value through initiatives in areas pertaining to awareness on good nutrition, water conservation, provision of water and sanitation and agricultural development, and has been committed to improving the quality of life in communities since many years.

In 2014, in compliance with its CSR Policy, the Company focused its activities on creating nutrition awareness, providing access to drinking water and sanitation, supporting sustainable development of farmers while helping them reduce their water use. These initiatives are built upon the strong base of performance in environmental sustainability, applicable laws, international standards and Nestlé Corporate Business Principles.

8. Details of CSR programmes

8.1 Nestlé Healthy Kids Programme

The Nestlé Healthy Kids Programme is conducted with the objective to raise Nutrition, Health and Wellness awareness among school age children. The programme is developed for adolescents aged 13 to 17 years to create awareness regarding good nutrition practices, healthy lifestyles and greater physical activity. The programme is implemented in government schools near all factory locations of the Company. The Company partnered with the Department of Home Science/Food Science and Nutrition, across six Universities in India - National Dairy Research Institute, G.B. Pant University, Punjab Agricultural University, Goa University, Rajiv Gandhi University of Health Sciences and CSK Himachal Pradesh Agricultural University to leverage this university-industry linkage and provide opportunities to research fellows/post graduate students of Nutrition to conduct the programme which covers information regarding basic nutritional requirements, good cooking practices, healthy eating habits, hygiene, physical activity and lifestyle diseases. The programme is conducted over a period of six weeks with two hours of nutrition training each week. In 2014, over 9,200 students across India 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 signed an Agreement with Magic Bus India Foundation on December 17, 2014. This initiative is on the lines of the Nestlé Healthy Kids Global programme that focuses on providing nutrition and health awareness to adolescents. The programme reaches out to 50,000 students aged between 10 - 17 years through schools. The cities, in which the programme is running, include Delhi, Mumbai, Chennai, Bangalore and Hyderabad. Magic Bus, which works on breaking the poverty cycle, one child at a time, has created a curriculum based on Sports for Development (S4D) approach, imparting knowledge about nutrition and a healthy, active lifestyle. The programme is conducted through youth mentors who are trained to deliver the curriculum on ground. The curriculum is implemented in three main buckets with the objective of raising awareness on 'Nutrition and Health', 'Getting Active' and 'Hygiene and Sanitation'. The programme intends to ensure that girls and boys get equal opportunities to play and learn and an awareness drive for gender sensitisation forms an integral part of the programme.

"There is a strong synergy in the commitment towards better health and wellness between Nestlé India and Magic Bus. Along with sensitising parents and teachers, this programme will steer adolescent children in marginalised communities towards a life with better awareness and improved life skills, in the journey from childhood to livelihood."

- Pratik Kumar, CEO, Magic Bus India Foundation



8.2 Breastfeeding Awareness Programme

The Company collaborated with MAMTA Health Institute for Mother and Child on an initiative “Exclusive breastfeeding for Healthy Infants and Children”. MAMTA is a Delhi based organisation, committed to integrate health and development issues in context of poverty, gender and rights with the ‘life cycle approach’, is the implementing partner for this initiative. The objective of this initiative is to improve nutrition, health and well-being of pregnant and lactating women and infants, from the marginalised communities, by early initiation of breast feeding and exclusive breast feeding. This is done through mobilising counselling and strong behaviour change communication (BCC) through peer mentor model. Seeking active support from Public Health system and community stakeholder for providing platform to help overcome barriers faced for healthy practice is also addressed during implementation. Gender aspect is covered during the implementation of the program as it is a crucial determinate of health and healthy practices.

“This initiative with Nestlé is a step towards the strong foundation of a healthy child by ensuring breast milk within first hour and maintaining exclusive breastfeeding for six months followed by complementary feeding for the most marginalised population”.

- Dr. Sunil Mehra, Executive Director, MAMTA Health Institute for Mother and Child

8.3 Clean Drinking Water Projects and Water Awareness Programme

The Company constructs Clean Drinking Water Projects in government schools to provide access to clean drinking water in rural areas. After identifying the need, water wells are drilled and storage tanks are constructed. The water tanks source water from below 150 feet for access to purer and safer water as compared to traditional hand pumps. The water is stored in food grade plastic water tanks enclosed in a specially designed facility, with nine inches of sand to preserve water quality. An eight-sided water tank, with eight taps is constructed to ensure a large number of available outlets which reduce waiting time. ‘Water committees’ are set up in schools to involve students in the upkeep of the project, water samples are tested periodically for potability and the Company ensures regular maintenance and repairs. In 2014, over 35 projects were built, benefitting about 15,000 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. In 2014, the programme reached out to over 19,000 students.

8.4 Sanitation Projects

In an effort to promote the UN Millenium Development Goals of Universal Primary Education and to ensure availability of sanitation facilities, the Company constructs sanitation facilities for girl students in village schools. Through this endeavour it hopes to reduce the dropout rate among girl students. In 2014, the Company has built about 70 projects benefitting over 20,000 girl students. The Company also contributed to the Swach Bharat Kosh set up by the Central Government for the promotion of sanitation and making available safe drinking water.

8.5 Employee Volunteering Programme

The Company encourages employees to volunteer their time to help create nutrition awareness in the community. In 2014, the Company facilitated employee engagement in helping to educate children aged 10 -17 years about the importance of good nutrition, healthy habits, hygiene and safe drinking water. As part of the programme employees spent a day interacting with children from marginalised communities and participated in the activity based learning sessions.

Date : 13th February, 2015
Place : Gurgaon

ETIENNE BENET
(DIN: 06702574)
MANAGING DIRECTOR

ANTONIO HELIO WASZYK
(DIN: 02730946)
CHAIRMAN

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State-of-the-art Manufacturing Plants

Tahliwal



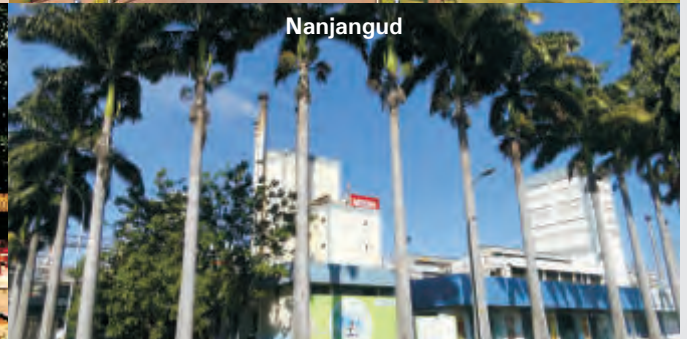
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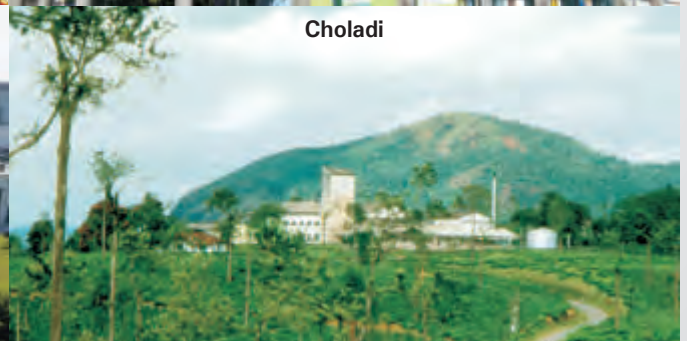
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Moga



Samalkha





Food provides a natural opportunity to share our lives and build healthy relationships with our family and the community. In India it goes beyond the pleasure of consumption and nutrition. We all have memories of preparing, serving and eating together, and experiencing the goodness that everyone shared. Our lives became richer in those moments of sharing stories and experiences. In those moments we learnt of joy and pain, developed our values and created our dreams.

Today we are so involved with the routine and stress in our lives that we are forgetting this simple act of sharing our goodness.

Nestlé's mission is 'Good Food, Good Life' and it also reflects our own culture and traditions in India. We need to keep the cycle of health and goodness moving and urge everyone to Share Your Goodness.

#ShareYourGoodness