

**Nestlé India Limited**  
(CIN : L15202DL1959PLC003786)  
Nestlé House  
Jacaranda Marg  
'M' Block, DLF City, Phase - II  
Gurugram – 122002, Haryana  
Phone 0124 - 3940000  
E-mail: investor@IN.nestle.com  
Website www.nestle.in



BM: PKR: 23:2017

13.04.2018

BSE Limited  
Pheroze Jeejeebhoy Towers  
Dalal Street, Fort  
Mumbai – 400 001

Scrip Code - 500790

**Subject : Regulation 34 - copy of the Notice of 59<sup>th</sup> Annual General Meeting & Annual Report for the year 2017**

Dear Sir,

This is further to our letter no. BM:PKR:08:18 dated 14<sup>th</sup> February, 2018 regarding convening of the 59<sup>th</sup> Annual General Meeting of the Company on Thursday, 10<sup>th</sup> May, 2018.

Please find enclosed copy of the Notice of the 59<sup>th</sup> Annual General Meeting and Annual Report for the year 2017 being dispatched/sent to the shareholders in the permitted mode(s).

The above is also being uploaded on the website of the Company [www.nestle.in](http://www.nestle.in).

Please take the same on record.

Thanking you,

Yours truly,

**NESTLÉ INDIA LIMITED**

  
**PRAMOD KUMAR RAI**

**HEAD OF CORPORATE LEGAL, GOVERNANCE & COMPLIANCE**

**Encl.: As above**

# **NESTLÉ INDIA LIMITED**

(CIN: L15202DL1959PLC003786)

Registered Office: 100 / 101, World Trade Centre, Barakhamba Lane, New Delhi - 110 001

Email: investor@in.nestle.com, Website: www.nestle.in

Phone: 011-23418891, Fax: 011-23415130

## **NOTICE**

NOTICE IS HEREBY GIVEN THAT THE FIFTY NINTH ANNUAL GENERAL MEETING ('AGM') OF NESTLÉ INDIA LIMITED will be held at Air Force Auditorium, Subroto Park, New Delhi – 110 010 on Thursday, 10<sup>th</sup> May, 2018 at 10:00 a.m. to transact the following business:

### **ORDINARY BUSINESS:**

1. To receive, consider and adopt the Financial Statements of the Company for the year 2017 including audited Balance Sheet as at 31<sup>st</sup> December, 2017, the Statement of Profit and Loss and Cash Flow Statement for the year ended on that date and the Reports of the Board of Directors and Auditors thereon.
2. To confirm the payment of three Interim Dividends aggregating to ₹ 63 per equity share and to declare a Final Dividend on Equity Shares for the financial year ended 31<sup>st</sup> December, 2017.
3. To appoint a Director in place of Mr. Shobinder Duggal (DIN : 00039580), who retires by rotation and, being eligible, offers himself for re-appointment.
4. To ratify the appointment of Statutory Auditors of the Company, to fix their remuneration and to consider and, if thought fit, to pass with or without modification(s), the following Resolution as an Ordinary Resolution:

"RESOLVED THAT pursuant to the provisions of Sections 139, 142 and other applicable provisions, if any, of the Companies Act, 2013 read with the Companies (Audit and Auditors) Rules, 2014 (including any statutory modification(s) or re-enactment thereof, for the time being in force), the Company hereby ratifies the appointment of M/s. B S R & Co. LLP, Chartered Accountants (ICAI Registration No.: 101248W/W-100022), as the Statutory Auditors of the Company from the conclusion of this Annual General Meeting till the conclusion of sixtieth Annual General Meeting at such remuneration as may be mutually agreed between the Board of Directors of the Company and the Statutory Auditors.

### **SPECIAL BUSINESS:**

5. To consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:  
"RESOLVED THAT pursuant to the provisions of Section 148 of the Companies Act, 2013 read with Rule 14 of the Companies (Audit and Auditors) Rules, 2014 (including any statutory modification(s) or re-enactment thereof for the time being in force), M/s. Ramanath Iyer & Co., Cost Accountants (Firm Registration No. 00019), appointed as the Cost Auditors by the Board of Directors of the Company to conduct the audit of the cost accounting records for the milk powder, etc falling under the specified Customs Tariff Act Heading 0402 manufactured by the Company for the financial year ending 31<sup>st</sup> December, 2018 be paid ₹192,000/- plus out of pocket expenses and applicable taxes."
6. To consider and if thought fit, to pass with or without modification(s), the following resolution as a Special Resolution:  
"RESOLVED THAT pursuant to the provisions of Sections 149, 150, 152 and any other applicable provisions of the Companies Act, 2013 ("Act") and the Companies (Appointment and Qualification of Directors) Rules, 2014 (including any statutory modification(s) or re-enactment thereof for the time being in force) read with Schedule IV to the Act and Regulation 16(1)(b) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, Dr. (Mrs.) Swati Ajay Piramal (DIN:00067125), Independent Non-Executive Director of the Company who has submitted a declaration that she meets the criteria for independence as provided in Section 149(6) of the Act and who is eligible for re-appointment, be and is hereby re-appointed as an Independent Non-Executive Director of the Company to hold office for another term of five consecutive years with effect from 1<sup>st</sup> April, 2019 to 31<sup>st</sup> March, 2024".

7. To consider and if thought fit, to pass with or without modification(s), the following resolution as a Special Resolution:  
"RESOLVED THAT pursuant to the provisions of Section 197 and any other applicable provisions of the Companies Act, 2013 ("Act") (including any statutory modification(s) or re-enactment thereof for the time being in force), a sum not exceeding one percent per annum of the net profits of the Company calculated in accordance with the provisions of Section 198 of the Act, be paid to and distributed amongst the directors other than the managing director or whole-time directors of the Company or some or any of them in such amounts or proportions and in such manner and in all respects as may be decided and directed by the Board of Directors and such payments shall be made in respect of the profits of the Company for each financial year, for a period of five financial years commencing from 1<sup>st</sup> January, 2019, provided that none of the directors aforesaid shall receive individually a sum exceeding ₹ 25,00,000/- (Rupees twenty five lakhs) in a financial year.

RESOLVED FURTHER that the above remuneration shall be in addition to fee payable to the director(s) for attending the meetings of the Board or Committee(s) thereof or for any other purpose whatsoever as may be decided by the Board of Directors and reimbursement of expenses for participation in the Board and other meetings."

By Order of the Board

B. Murli

Senior Vice President – Legal  
& Company Secretary

Date : 14<sup>th</sup> February, 2018

Place : Gurugram

**IMPORTANT NOTES:**

1. The Register of Members and the Share Transfer books of the Company will remain closed from 18<sup>th</sup> May, 2018 to 19<sup>th</sup> May, 2018, both days inclusive, for annual closing and determining the entitlement of the shareholders to the Final Dividend for 2017.
2. The relative Explanatory Statement pursuant to Section 102 of the Companies Act, 2013 ("Act") setting out material facts concerning the business under Item Nos. 5 to 7 of the accompanying Notice, is annexed hereto.
3. **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY/ PROXIES TO ATTEND AND VOTE INSTEAD OF HIMSELF/ HERSELF. SUCH A PROXY/ PROXIES NEED NOT BE A MEMBER OF THE COMPANY.**

The instrument of Proxy in order to be effective, should be deposited at the Registered Office of the Company, duly completed and signed, not less than FORTY-EIGHT HOURS before the commencement of AGM. A Proxy Form is sent herewith. Proxies submitted on behalf of the companies, societies etc., must be supported by an appropriate resolutions/ authority, as applicable.

A person can act as proxy on behalf of Members not exceeding fifty (50) and holding in the aggregate not more than 10% of the total share capital of the Company. In case a proxy is proposed to be appointed by a Member holding more than 10% of the total share capital of the Company carrying voting rights, then such proxy shall not act as a proxy for any other person or Member.

4. Final Dividend of ₹ 23.00 per equity share of face value of ₹ 10.00 each for the year ended 31<sup>st</sup> December, 2017 has been recommended by the Board of Directors and subject to the approval of the shareholders at the ensuing AGM, is proposed to be paid on and from 1<sup>st</sup> June, 2018. First, Second and Third interim dividends for the year 2017, at the rate of ₹ 15.00, ₹ 15.00 and ₹ 33.00 per equity share of face value of ₹ 10.00 each were paid on 2<sup>nd</sup> June, 2017, 16<sup>th</sup> August, 2017 and 22<sup>nd</sup> December, 2017, respectively.
5. Members holding shares in electronic form are hereby informed that bank particulars registered against their respective depository accounts will be used by the Company for payment of dividend(s). The Company or its Registrars cannot act on any request received directly from the Members holding shares in electronic form for any change of bank particulars or bank mandates. Such changes are to be advised only to the respective depository participant of the Members. Members holding shares in physical form and desirous of either registering bank particulars or changing bank particulars already registered against their respective folios for payment of dividend(s) are requested to write to the Company.
6. Pursuant to the provisions of Section 124 of the Act, Investor Education and Protection Fund Authority (Accounting, Audit, Transfer and Refund) Rules, 2016 read with the relevant circulars and amendments thereto ('IEPF Rules'), the amount of dividend remaining unpaid or unclaimed for a period of seven years from the due date is required to be transferred to the Investor Education and Protection Fund (IEPF), constituted by the Central Government. The Company had, accordingly, transferred ₹ 4,919,953/- and ₹ 6,778,026/- being the unpaid and unclaimed dividend amount pertaining to Final Dividend 2009 and Interim Dividend 2010; and Second Interim Dividend 2010 on 19<sup>th</sup> June, 2017 and 7<sup>th</sup> December, 2017, respectively, to the IEPF.

The Company has been sending reminders to those members having unpaid/ unclaimed dividends before transfer of such dividend(s) to IEPF. Details of the unpaid/ unclaimed dividend are also uploaded as per the requirements, on the Company's website [www.nestle.in](http://www.nestle.in). Members, who have not encashed their dividend pertaining to Final Dividend 2010 and Interim Dividend 2011, are advised to write to the Company immediately claiming dividends declared by the Company.

7. Pursuant to the provisions of IEPF Rules, all shares in respect of which dividend has not been paid or claimed for seven consecutive years shall be transferred by the Company to the designated Demat Account of the IEPF Authority ('IEPF Account') within a period of thirty days of such shares becoming due to be transferred to the IEPF Account. Accordingly, the Company had transferred 90,013 equity shares of ₹ 10 each to the IEPF Account on which the dividends remained unpaid or unclaimed for seven consecutive years with reference to the due date of 31<sup>st</sup> October, 2017 after following the prescribed procedure.

Further, all the shareholders who have not claimed/ encashed their dividends in the last seven consecutive years from 2011 are requested to claim the same by 10<sup>th</sup> May, 2018. In case valid claim is not received by that date, the Company will proceed to transfer the respective shares to the IEPF Account in terms of the IEPF Rules. In this regard, the Company has individually informed the shareholders concerned and also published notice in the newspapers as per the IEPF Rules. The details of such shareholders and shares due for transfer are uploaded on the "Investors Section" of the website of the Company viz. [www.nestle.in](http://www.nestle.in)

8. To prevent fraudulent transactions, members are advised to exercise due diligence and notify the Company of any change in address or demise of any member as soon as possible. Members are also advised not to leave their demat account(s) dormant for long. Periodic statement of holdings should be obtained from the concerned Depository Participant and holdings should be verified from time to time.
9. The Securities and Exchange Board of India (SEBI) has mandated the submission of Permanent Account Number (PAN) by every participant in securities market. Members holding shares in electronic form are, therefore, requested to submit the PAN to their Depository Participants with whom they are maintaining their demat accounts. Members holding shares in physical form can submit their PAN details to the Company.
10. SEBI has also mandated that for registration of transfer of securities, the transferee(s) as well as transferor(s) shall furnish a copy of their PAN card to the Company for registration of transfer of securities.

11. Details as required in sub-regulation (3) of Regulation 36 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations") and Secretarial Standard on General Meeting (SS-2) of ICSI in respect of the Directors seeking appointment/re-appointment at the AGM, forms integral part of the Notice of the AGM. Requisite declarations have been received from the Directors for seeking appointment/re-appointment.
12. Electronic copy of the Annual Report for 2017 is being sent to all the members whose email addresses are registered with the Company/Depository Participant(s) for communication purposes unless any member has requested for a hard copy of the same. For members who have not registered their email address, physical copies of the Annual Report for 2017 are being sent in the permitted mode.

Electronic copy of the Notice of the 59<sup>th</sup> AGM of the Company, inter alia, indicating the process and manner of electronic voting ('e-voting') along with Attendance Slip, Proxy Form and Route Map is being sent to all the members whose email addresses are registered with the Company/Depository Participants(s) for communication purposes unless any member has requested for a hard copy of the same. For members who have not registered their email address, physical copies of the Notice of the 59<sup>th</sup> AGM of the Company, inter alia, indicating the process and manner of e-voting along with Attendance Slip, Proxy Form and Route Map is being sent in the permitted mode.

13. Members may also note that the Notice of the 59<sup>th</sup> AGM, Attendance Slip, Proxy Form, Route Map, Ballot Paper and the Annual Report for 2017 will also be available on the Company's website [www.nestle.in](http://www.nestle.in) for their download. The physical copies of the aforesaid documents will also be available at the Company's Registered Office for inspection without any fee during normal business hours (9:00 am to 5:00 pm) on working days, except Saturday, upto and including the date of AGM of the Company. Even after registering for e-communication, members are entitled to receive such communication in physical form, upon making a request for the same, by post free of cost. For any communication, the shareholders may also send requests to the Company's investor email address: [investor@in.nestle.com](mailto:investor@in.nestle.com).

**14. Voting through electronic means**

- I. In compliance with the provisions of Section 108 of the Act, Rule 20 of the Companies (Management and Administration) Rules, 2014 as substituted by the Companies (Management and Administration) Amendment Rules, 2015 ('Amended Rules 2015'), Regulation 44 of the Listing Regulations and Secretarial Standard on General Meetings (SS-2) issued by the ICSI, the Company is pleased to provide its members facility to exercise their right to vote on resolutions proposed to be considered at the 59<sup>th</sup> AGM by electronic means and the business may be transacted through e-Voting Services. The facility of casting the votes by the members using an electronic voting system from a place other than venue of the AGM ("remote e-voting") will be provided by National Securities Depository Limited (NSDL).
- II. The facility for voting through ballot paper shall be made available at the AGM and the members attending the meeting who have not cast their vote by remote e-voting shall be able to exercise their right at the meeting through ballot paper.
- III. The members who have cast their vote by remote e-voting prior to the AGM may also attend the AGM but shall not be entitled to cast their vote again.
- IV. The remote e-voting period commences on 7<sup>th</sup> May, 2018 (9:00 am) and ends on 9<sup>th</sup> May, 2018 (5:00 pm). During this period members of the Company, holding shares either in physical form or in dematerialized form, as on the cut-off date of 3<sup>rd</sup> May, 2018, may cast their vote by remote e-voting. The remote e-voting module shall be disabled by NSDL for voting thereafter. Once the vote on a resolution is cast by the member, the member shall not be allowed to change it subsequently.
- V. A person who is not a member as on the cut-off date should treat this Notice of the AGM for information purpose only.
- VI. The details of the process and manner for remote e-voting are explained herein below:

Step 1 : Log-in to NSDL e-Voting system at <https://www.evoting.nsdl.com/>

Step 2 : Cast your vote electronically on NSDL e-Voting system.

**Details on Step 1 is mentioned below:**

How to Log-in to NSDL e-Voting website?

1. Visit the e-Voting website of NSDL. Open web browser by typing the following URL: <https://www.evoting.nsdl.com/> either on a Personal Computer or on a mobile.
2. Once the home page of e-Voting system is launched, click on the icon "Login" which is available under 'Shareholders' section.
3. A new screen will open. You will have to enter your User ID, your Password and a Verification Code as shown on the screen.

*Alternatively, if you are registered for NSDL eservices i.e. IDEAS, you can log-in at <https://eservices.nsdl.com/> with your existing IDEAS login. Once you log-in to NSDL eservices after using your log-in credentials, click on e-Voting and you can proceed to Step 2 i.e. Cast your vote electronically.*

4. Your User ID details are given below :

Manner of holding shares i.e. Demat (NSDL or CDSL) or Physical	Your User ID is:
a) For Members who hold shares in demat account with NSDL.	8 Character DP ID followed by 8 Digit Client ID For example if your DP ID is IN300*** and Client ID is 12***** then your user ID is IN300***12*****
b) For Members who hold shares in demat account with CDSL.	16 Digit Beneficiary ID For example if your Beneficiary ID is 12***** then your user ID is 12*****
c) For Members holding shares in Physical Form.	EVEN Number followed by Folio Number registered with the company For example if folio number is 001*** and EVEN is 101456 then user ID is 101456001***

5. Your password details are given below:

- a) If you are already registered for e-Voting, then you can use your existing password to login and cast your vote.
- b) If you are using NSDL e-Voting system for the first time, you will need to retrieve the 'initial password' which was communicated to you. Once you retrieve your 'initial password', you need to enter the 'initial password' and the system will force you to change your password.
- c) How to retrieve your 'initial password'?
  - (i) If your email ID is registered in your demat account or with the Company, your 'initial password' is communicated to you on your email ID. Trace the email sent to you from NSDL from your mailbox. Open the email and open the attachment i.e. .pdf file. Open the .pdf file. The password to open the .pdf file is your 8 digit client ID for NSDL account, last 8 digits of client ID for CDSL account or folio number for shares held in physical form. The .pdf file contains your 'User ID' and your 'initial password'.
  - (ii) If your email ID is not registered, your 'initial password' is communicated to you on your postal address.
- 6. If you are unable to retrieve or have not received the "initial password" or have forgotten your password:
  - a) Click on "Forgot User Details/Password?"(If you are holding shares in your demat account with NSDL or CDSL) option available on [www.evoting.nsdl.com](http://www.evoting.nsdl.com).
  - b) Physical User Reset Password?" (If you are holding shares in physical mode) option available on [www.evoting.nsdl.com](http://www.evoting.nsdl.com).

If you are still unable to get the password by aforesaid two options, you can send a request at [evoting@nsdl.co.in](mailto:evoting@nsdl.co.in) mentioning your demat account number/folio number, your PAN, your name and your registered address.
- 7. After entering your password, tick on Agree to "Terms and Conditions" by selecting on the check box.
- 8. Now, you will have to click on "Login" button.
- 9. After you click on the "Login" button, Home page of e-Voting will open.

#### Details on Step 2 is given below:

How to cast your vote electronically on NSDL e-Voting system?

1. After successful login at Step 1, you will be able to see the Home page of e-Voting. Click on e-Voting. Then, click on Active Voting Cycles.
2. After click on Active Voting Cycles, you will be able to see all the companies "EVEN" in which you are holding shares and whose voting cycle is in active status.
3. Select "EVEN" of the Company.
4. Now you are ready for e-Voting as the Voting page opens.
5. Cast your vote by selecting appropriate options i.e. assent or dissent, verify/modify the number of shares for which you wish to cast your vote and click on "Submit" and also "Confirm" when prompted.
6. Upon confirmation, the message "Vote cast successfully" will be displayed.
7. You can also take the printout of the votes cast by you by clicking on the print option on the confirmation page.
8. Once you confirm your vote on the resolution, you will not be allowed to modify your vote.

**General Guidelines for shareholders**

1. Institutional shareholders (i.e. other than individuals, HUF, NRI etc.) are required to send scanned copy (PDF/JPG Format) of the relevant Board Resolution/ Authority letter etc. with attested specimen signature of the duly authorized signatory(ies) who are authorized to vote, to the Scrutinizer by e-mail to [nestlescrutinizer@gmail.com](mailto:nestlescrutinizer@gmail.com) or [evoting@in.nestle.com](mailto:evoting@in.nestle.com) with a copy marked to [evoting@nsdl.co.in](mailto:evoting@nsdl.co.in).
  2. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential. Login to the e-voting website will be disabled upon five unsuccessful attempts to key in the correct password. In such an event, you will need to go through the "Forgot User Details/Password?" or "Physical User Reset Password?" option available on [www.evoting.nsdl.com](http://www.evoting.nsdl.com) to reset the password.
  3. In case of any queries, you may refer the Frequently Asked Questions (FAQs) for Members and remote e-voting user manual for Members available at the download section of [www.evoting.nsdl.com](http://www.evoting.nsdl.com) or call on toll free no.: 1800-222-990 or contact Ms. Pallavi Mhatre, Assistant Manager, National Securities Depository Ltd., Trade World, 'A' Wing, 4<sup>th</sup> Floor, Kamala Mills Compound, Senapati Bapat Marg, Lower Parel, Mumbai – 400 013, at the designated email address: [pallavid@nsdl.co.in](mailto:pallavid@nsdl.co.in)/[evoting@nsdl.co.in](mailto:evoting@nsdl.co.in) or at telephone no. +91 22 2499 4545 who will also address the grievances connected with the voting by electronic means. Members may also write to the Company Secretary at the email address: [investor@in.nestle.com](mailto:investor@in.nestle.com) or contact at telephone no. 011-23418891.
- VII. The voting rights of members shall be in proportion to their shares of the paid up equity share capital of the Company as on the cut-off date of 3<sup>rd</sup> May, 2018.
- VIII. Any person, who acquires shares of the Company and become member of the Company after dispatch of the Notice of the AGM and holding shares as of the cut-off date i.e. 3<sup>rd</sup> May, 2018, may obtain the User ID and password by sending a request at [evoting@nsdl.co.in](mailto:evoting@nsdl.co.in) or [evoting@in.nestle.com](mailto:evoting@in.nestle.com). However, if you are already registered with NSDL for remote e-voting then you can use your existing user ID and password for casting your vote. If you forgot your password, you can reset your password by using "Forgot User Details/Password?" or "Physical User Reset Password?" option available on [www.evoting.nsdl.com](http://www.evoting.nsdl.com).
- IX. A person, whose name is recorded in the register of members or in the register of beneficial owners maintained by the depositories as on the cut-off date only shall be entitled to avail the facility of remote e-voting or voting at the AGM through ballot paper.
- X. Mr. Abhinav Khosla, Chartered Accountant (Membership No. 087010), Partner of M/s. S.C. Vasudeva & Co., Chartered Accountants, has been appointed as the Scrutinizer to scrutinize the voting and remote e-voting process in a fair and transparent manner.
- XI. The Chairman shall, at the AGM, at the end of discussion on the resolutions on which voting is to be held, allow voting with the assistance of the Scrutinizer, by use of ballot paper for all those members who are present at the AGM but have not cast their votes by availing the remote e-voting facility.
- XII. The Scrutinizer shall after the conclusion of voting at the AGM, first count the votes cast at the meeting and thereafter unblock the votes cast through remote e-voting in the presence of at least two witnesses not in the employment of the Company and shall make, not later than 48 (forty eight) hours from the conclusion of the AGM, a consolidated scrutinizer's report of the total votes cast in favour or against, invalid votes if any and whether the resolution has been carried or not, to the Chairman or a person authorized by him in writing, who shall countersign the same and declare the result of the voting forthwith.
- XIII. The Results declared along with the report of the Scrutinizer shall be placed on the website of the Company [www.nestle.in](http://www.nestle.in) and on the website of NSDL [www.evoting.nsdl.com](http://www.evoting.nsdl.com) immediately after the declaration of Results by the Chairman or a person authorized by him in writing. The Results shall also be immediately forwarded to the BSE Limited, Mumbai.
15. All documents referred to in the accompanying Notice of the AGM and the Explanatory Statement shall be open for inspection without any fee at the Registered Office of the Company during normal business hours (9:00 am to 5:00 pm) on all working days, except Saturday, up to and including the date of the AGM of the Company.
16. The Register of Directors and Key Managerial Personnel and their shareholding maintained under Section 170 of the Act and the Register of Contracts and Arrangements in which Directors are interested maintained under Section 189 of the Act, shall be made available at the commencement of the meeting and shall remain open and accessible to the members during the continuance of the meeting.
- I. **EXPLANATORY STATEMENT IN RESPECT OF THE SPECIAL BUSINESS PURSUANT TO SECTION 102 OF THE COMPANIES ACT, 2013 ("ACT")**

**Item No. 5**

The Board, on the recommendation of the Audit Committee, has approved at their Meeting held on 14<sup>th</sup> February, 2018 the appointment of M/s. Ramanath Iyer & Co., Cost Accountants, New Delhi (Firm Registration No. 00019), as Cost Auditors to conduct the audit of the cost records of the Company pertaining to milk powder, etc falling under the specified Customs Tariff Act Heading 0402 manufactured by the Company for

the financial year ending 31<sup>st</sup> December, 2018 at a remuneration of ₹ 192,000/- plus out of pocket expenses and applicable taxes.

In accordance with the provisions of Section 148 of the Act read with the Companies (Audit and Auditors) Rules, 2014, as amended, the remuneration payable to the Cost Auditors is required to be ratified by the members of the Company. Accordingly, consent of the members is sought for passing an ordinary resolution as set out at Item No. 5 of the Notice of the AGM for ratification of remuneration payable to the Cost Auditors for the financial year ending 31<sup>st</sup> December, 2018.

None of the Directors, Key Managerial Personnel and their relatives are, in any way, concerned or interested, financially or otherwise, in the proposed resolution. The Board recommends the passing of the resolution as set out at Item No. 5 of the Notice of the AGM as an ordinary resolution.

#### **Item No. 6**

Dr. (Mrs.) Swati Ajay Piramal is an Independent Non-Executive Director of the Company and Chairperson of the Corporate Social Responsibility Committee of the Board of Directors of the Company. She joined the Board of Directors of the Company in August, 2010. Pursuant to the Act, Dr. Piramal, was appointed as an Independent Non-Executive Director to hold office for five consecutive years for a term upto 31<sup>st</sup> March, 2019, by the Members of the Company in the 55<sup>th</sup> AGM held on 12<sup>th</sup> May, 2014.

As per Section 149(10) of the Act, an Independent Director shall hold office for a term of upto five consecutive years on the Board of a Company, but shall be eligible for re-appointment on passing a special resolution by the Company for another term of upto five consecutive years on the Board of a Company.

Based on recommendation of Nomination and Remuneration Committee and in terms of the provisions of Sections 149, 150, 152 read with Schedule IV and any other applicable provisions of the Act and the Listing Regulations, Dr. Piramal, being eligible for re-appointment as an Independent Director and offering herself for re-appointment, is proposed to be re-appointed as an Independent Director for another term of five consecutive years from 1<sup>st</sup> April, 2019 upto 31<sup>st</sup> March, 2024.

Dr. Piramal is the Vice Chairperson of Piramal Enterprises Limited and a Whole-time Director. She is one of India's leading scientists and industrialists, and is involved in public health and innovation. She earned her medical degree from Mumbai University and completed her Master's in Public Health from the Harvard School of Public Health. She has used her background in medicine, public health and business to change the trajectory of healthcare, education, and public policy in India. Dr. Piramal is a member of the Harvard Board of Overseers and Dean's Advisor to Harvard Business School & Public Health. In addition to her other commitments, Dr. Piramal is deeply committed to Corporate Social Responsibilities activities. She is involved in projects across healthcare, education, livelihood creation and youth empowerment. She aims to resolve issues that are critical roadblocks towards unlocking India's economic potential by finding innovative solutions. She also looks at avenues for promoting health in rural India with mobile health services, women's empowerment projects and supporting community education that create young leaders. She served as an adviser to the Indian Prime Minister in science, technology and economic policy (2006-2014). Dr. Piramal is a leader who makes a positive difference to the community and the world. Her contributions in innovations, new medicines and public health services have touched thousands of lives.

Dr. Piramal has been the recipient of one of France's highest honours - "Chevalier de l'Ordre National du Merite" (Knight of the Order of Merit) in 2006 for medicine and trade, the Rajiv Gandhi Award for Outstanding Women Achiever by the Rajiv Gandhi Foundation in 2007 and the Asian Women Achievement Award in UK in 2010. She was nominated one of the 25 Most Powerful Women in India, eight times in succession, from 2003 till 2011 and nominated to the Hall of Fame of Most Powerful Women in Business in 2011. She was awarded by the Hon'ble President of India, for contribution to better Corporate Governance, and is the recipient of the Global Empowerment Award - UK, from Her Royal Highness, the Duchess of Kent. On 4<sup>th</sup> April, 2012, Dr. Piramal received one of India's highest civilian honours' the prestigious Padma Shri at the hands of the Hon'ble President of India for her exceptional and distinguished contribution to the field of trade and industry. In September 2012, she received the Alumni Merit Award, the highest Award bestowed on alumni, from Harvard. In 2014, she received the Kelvinator Stree Shakti Award. In 2015, she featured in the LinkedIn Power Profile 2015 list for most viewed CEOs on LinkedIn, India. In 2016, she received IMC Ladies' Wing's prestigious "Woman of the Year" award for her significant and outstanding contribution to society in the Medical field. In 2018, she was awarded the "First Ladies Award" by the President of India being the first woman leader of ASSOCHAM – the apex chamber of commerce in 90 years of its history.

Dr. Piramal holds directorship and membership of the Committees of the Board of Directors of the under stated other companies in India:

- Piramal Enterprises Limited, Piramal Glass Private Limited, Allergan India Private Limited, PEL Management Services Private Limited, Akshar Fincom Private Limited, India Venture Advisors Private Limited, Piramal Management Services Private Limited, Sreekovil Realty Private Limited and Piramal Finance Limited

Dr. Piramal is also a Member of the following organization/trade bodies:

- Governing Body of Council of Scientific & Industrial Research, Prime Minister's Council on Trade and Industry, Board of Dean's Advisors of the Harvard School of Public Health, Dean's Advisors of the Harvard Business School, Assam Investment Advisory Board and Global Advisory Council.

Dr. Piramal does not hold by herself or for any other person on a beneficial basis, any shares in the Company.

In the opinion of the Board, Dr. Piramal fulfils the conditions specified under the Act, the Companies (Appointment and Qualification of Directors) Rules, 2014 and Regulation 16(1)(b) of the Listing Regulations for her re-appointment as an Independent Non-Executive Director of the Company and is independent of the management. Copy of the draft letter for appointment of Dr. Piramal as an Independent Non-Executive Director setting out terms and conditions would be available for inspection without any fee by the members at the Registered Office of the Company during normal business hours (9:00 am to 5:00 pm) on any working day, except Saturday, upto and including the date of AGM of the Company.

The Board considers that her continued association would be of immense benefit to the Company and it is desirable to continue to avail services of Dr. Piramal as an Independent Director.

Accordingly, the Board recommends Special Resolution in relation to eligibility and re-appointment of Dr. Piramal as an Independent Director for another term of five consecutive years with effect from 1<sup>st</sup> April, 2019 to 31<sup>st</sup> March, 2024, for the approval by the shareholders of the Company.

Except Dr. Swati A. Piramal, being an appointee, none of the Directors and Key Managerial Personnel of the Company and their relatives are concerned or interested, financially or otherwise, in the resolution set out at Item No. 6 of the accompanying Notice of the AGM. Dr. Piramal is not related to any Director of the Company.

This Explanatory Statement together with the accompanying Notice of the AGM may also be regarded as a disclosure under Regulation 36(3) of the Listing Regulations and Secretarial Standard on General Meetings (SS-2) of ICSI.

#### **Item No. 7**

The members of the Company at their 55<sup>th</sup> AGM held on 12<sup>th</sup> May, 2014 approved by way of a Special Resolution under Section 197 of the Act, the payment of remuneration by way of commission to the Non-Executive Directors of the Company, of a sum not exceeding one percent per annum of the net profits of the Company, calculated in accordance with the provisions of the Act for a period of five years commencing from 1<sup>st</sup> January 2014.

Pursuant to provisions of the Sections 149, 197 and any other relevant provisions of the Act, and taking into account the roles and responsibilities of the directors, it is proposed that the Directors other than Managing Director and the Whole-time Directors be paid for each of the five financial years of the Company commencing from 1<sup>st</sup> January, 2019, remuneration not exceeding one percent per annum of the net profits of the Company computed in accordance with the provisions of the Act. This remuneration will be distributed amongst all or some of the Directors in accordance with the directions given by the Board of Directors and subject to any other applicable requirements under the Act. None of the Directors shall receive individually a sum exceeding ₹ 25,00,000/- (Rupees twenty five lakhs) in a financial year. This remuneration shall be in addition to fee payable to the Directors for attending the meetings of the Board or Committee(s) thereof or for any other purpose whatsoever as may be decided by the Board, and reimbursement of expenses for participation in the Board and other meetings.

Accordingly, a fresh approval of the Members is sought by way of a Special Resolution under the applicable provisions of the Act, for payment of remuneration by way of commission to the Directors of the Company other than the Managing Director and the Whole-time Directors, for a period of five years commencing from 1<sup>st</sup> January, 2019 as set out in the Resolution at Item No. 7 of the Notice of the AGM.

The Managing Director, Whole-time Directors and Key Managerial Personnel of the Company and their relatives are not concerned or interested, financially or otherwise, in the resolution set out at Item No. 7 of the Notice of the AGM.

Directors other than the Managing Director and the Whole-time Directors of the Company may be deemed to be concerned or interested in the resolution set out at Item No. 7 of the Notice to the extent of the remuneration that may be received by them.

#### **II. DETAILS OF DIRECTORS SEEKING APPOINTMENT/ RE-APPOINTMENT AS REQUIRED UNDER REGULATION 36 OF THE LISTING REGULATIONS:**

##### **Re-appointment of Mr. Shobinder Duggal as a Director (Item No. 3)**

In terms of Section 152(6) of the Act, Mr. Shobinder Duggal shall retire by rotation at the forthcoming AGM and being eligible offers himself for re-appointment.

Mr. Shobinder Duggal was appointed as a Whole-time Director of the Company designated as "Director-Finance & Control and Chief Financial Officer" for a period of five years effective from 10<sup>th</sup> May, 2014. As per the terms of his appointment, his re-appointment at the AGM as a director retiring by rotation would not constitute break in his appointment as a Whole-time Director, designated as "Director-Finance & Control and Chief Financial Officer".

Mr. Shobinder Duggal is an Economics (Hons.) Graduate from St. Stephens College, Delhi University and a Chartered Accountant. He has attended the Executive Development Program at IMD, Lausanne. He has over 32 years of work experience with Nestlé. Before his current position as Director – Finance & Control and Chief Financial Officer, he handled various responsibilities in the Company, including Vice President Corporate Control, Head of Internal Audit and some important assignments at the Nestlé Group Headquarters in Switzerland. He is also a Director in Nestlé Lanka PLC since January 2014.

He is the Chairman of the Risk Management Committee of the Company and member of the Stakeholders Relationship Committee of the Board of Directors of the Company.

Mr. Duggal is not a Director in any other Company in India. Except to the extent of his shareholding of 805 equity shares in the Company, lease rentals paid/payable by the Company at the market rates for his residential accommodation as per the agreement entered by the Company and recorded in the Register maintained in pursuance of Section 189 of the Act and Mr. Duggal being an appointee, none of the Directors and Key Managerial Personnel of the Company and their relatives are concerned or interested, financially or otherwise, in the resolution set out at Item No. 3 of the accompanying Notice of the AGM. Mr. Duggal is not related to any Director of the Company.

Upon his re-appointment as a director, Mr. Duggal shall continue to hold office as a Whole-time Director designated as "Director-Finance & Control and Chief Financial Officer". Accordingly, the Board recommends his re-appointment.

**Re-appointment of Dr. (Mrs.) Swati A. Piramal as an Independent Non-Executive Director of the Company (Item No. 6)**

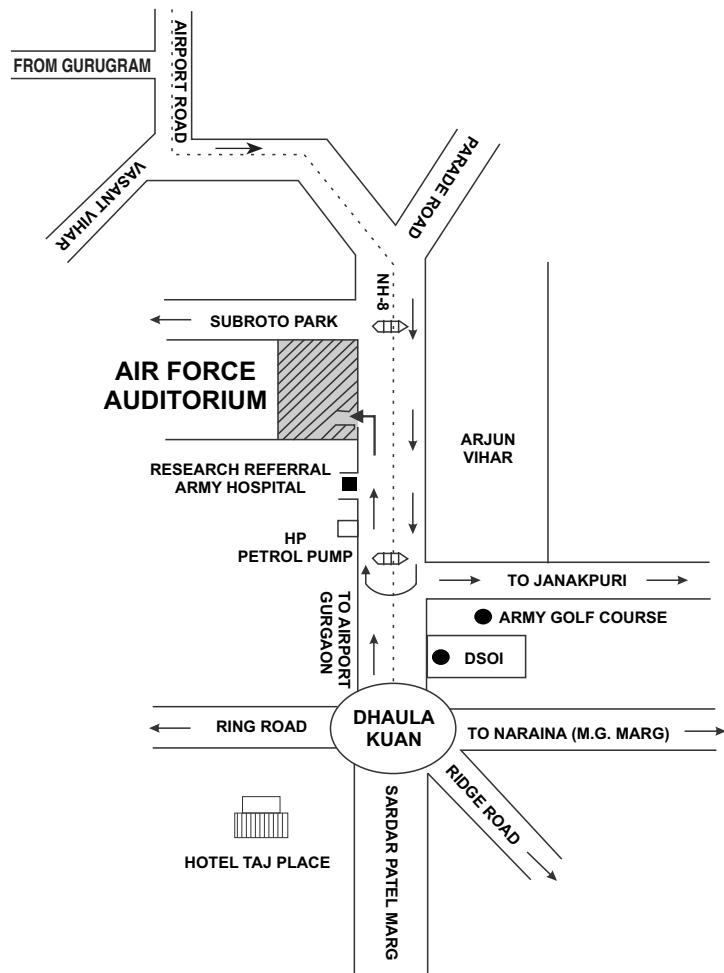
For the details of Dr. (Mrs.) Swati A. Piramal, please refer to the above Explanatory Statement in respect of the Special Business set out at Item No. 6 of the accompanying Notice of the AGM pursuant to Section 102 of the Act.

By Order of the Board

B. Murli  
Senior Vice President – Legal  
& Company Secretary

Date : 14<sup>th</sup> February, 2018  
Place : Gurugram

**ROUTE MAP**



# 2018

I/We hereby record my/ our presence at the 59<sup>th</sup> Annual General Meeting of the Company at Air Force Auditorium, Subroto Park, New Delhi-110010 on Thursday, 10<sup>th</sup> May, 2018 at 10:00 a.m.

..... Member's Folio/DP ID-Client ID No.

..... Member's/Proxy's name in Block Letters

..... Member's/Proxy's Signature

**Note:** Please complete the Folio / DP ID-Client ID No. and name, sign this Attendance Slip and hand it over at the Attendance Verification Counter at the ENTRANCE OF THE MEETING HALL.

### ELECTRONIC VOTING PARTICULARS

EVEN (E-Voting Event Number)	USER ID	PASSWORD / PIN

**NOTE :** Please read instructions given at Note No. 14 of the Notice of the 59<sup>th</sup> Annual General Meeting carefully before voting electronically.

### NESTLÉ INDIA LIMITED

(CIN : L15202DL1959PLC003786)

Regd. Office : 100 / 101, World Trade Centre, Barakhamba Lane, New Delhi-110001

### PROXY FORM

Name of the Member(s):

Registered Address :

Folio No./Client ID:

E-mail ID :

DP ID :

I/We being the member(s) of.....shares of the above named Company hereby appoint :

1. Name : .....Address : .....Signature: .....or failing him;  
E-mail Id : .....
2. Name : .....Address : .....Signature: .....or failing him;  
E-mail Id : .....
3. Name : .....Address : .....Signature: .....  
E-mail Id : .....

as my/our proxy to attend and vote (on a poll) for me/us and on my/our behalf at the 59<sup>th</sup> Annual General Meeting of the Company, to be held on Thursday, 10<sup>th</sup> May, 2018 at 10:00 a.m. at Air Force Auditorium, Subroto Park, New Delhi-110 010 and at any adjournment thereof in respect of such resolutions as are indicated below:-

Resolution No.	Optional*	
Ordinary Business	For	Against
1. Adoption of Financial Statements for the year ended 31 <sup>st</sup> December, 2017.		
2. Confirm payment of three interim dividends and declare final dividend for the year 2017.		
3. Re-appointment of Mr. Shobinder Duggal (DIN : 00039580), who retires by rotation.		
4. Ratification of appointment of M/s. B S R & Co. LLP, Chartered Accountants (ICAI Registration No.101248W/ W-100022) as Auditors and fixing their remuneration.		
Special Business		
5. Ratification of Remuneration of M/s Ramanath Iyer & Co., Cost Auditors (Firm Registration No. 00019).		
6. Special Resolution for the re-appointment of Dr. (Mrs.) Swati Ajay Piramal (DIN : 00067125) as an Independent Non-Executive Director for another term of five consecutive years w.e.f. 1 <sup>st</sup> April, 2019.		
7. Special Resolution for payment of remuneration under Section 197 of the Companies Act, 2013 to the non-executive directors, for a period of five financial years commencing from 1 <sup>st</sup> January, 2019.		

Signed this .....day of.....2018.

Signature of Member(s) .....

Signature of Proxy holder(s) .....

Affix  
Revenue  
Stamp

**Note:**

1. This form of proxy in order to be effective should be duly completed and deposited at the Registered Office of the Company, not less than 48 hours before the commencement of the Meeting.

2. For the Resolutions, Explanatory Statement and Notes, please refer to the Notice of the 59<sup>th</sup> Annual General Meeting.

\*3. It is optional to put a 'X' in the appropriate column against the Resolutions indicated in the Box. If you leave the 'For' or 'Against' column blank against any or all Resolutions, your Proxy will be entitled to vote in the manner as he/she thinks appropriate.

Nestlé India Limited • Annual Report 2017



Committed to a Healthier Future

## The Board of Directors of Nestlé India Limited



(From left to right)

Shobinder Duggal (Director - Finance & Control and CFO)

Rajya Vardhan Kanoria (Non Executive Director)

Ashok Kumar Mahindra (Non Executive Director)

Swati A. Piramal (Non Executive Director)

Suresh Narayanan (Chairman & Managing Director)

Rama Bijapurkar (Non Executive Director)

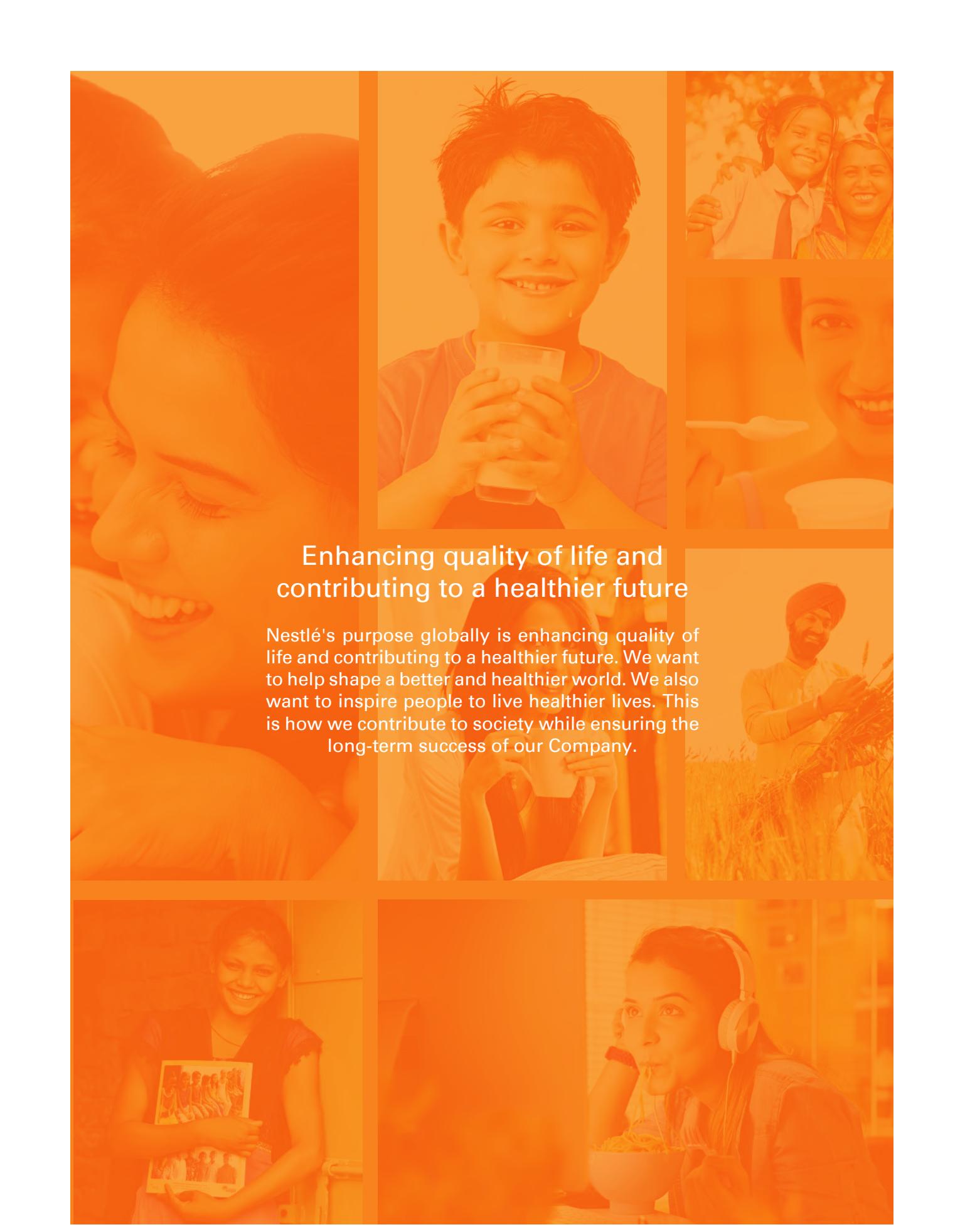
Rakesh Mohan (Non Executive Director)

Martin Roemkens (Director - Technical)

B. Murli (SVP - Legal & Company Secretary)

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## Enhancing quality of life and contributing to a healthier future

Nestlé's purpose globally is enhancing quality of life and contributing to a healthier future. We want to help shape a better and healthier world. We also want to inspire people to live healthier lives. This is how we contribute to society while ensuring the long-term success of our Company.



*"Our purpose  
is enhancing  
quality of life and  
contributing to a  
healthier future"*

# Dear Shareholders

---

2017 has been an exciting and eventful year with significant milestones. In this entire journey, consumers have been at the heart of our initiatives and I sincerely thank them for their trust and support. My team and I feel a strong sense of responsibility to sustain and strengthen relationships with our consumers, partners, stakeholders and communities. This is the appropriate occasion and I would like to thank all employees, partners, stakeholders for unstinted trust and confidence in the company.

Nestlé has been in India for over 105 years and has been a part of the societal, economic and other changes, the country has witnessed. The introduction of the Goods and Services Tax (GST) marked a historic milestone towards a single economic union for India with a unified tax structure. The three core principles which we embraced were "Prepare, Practice and Partner" to ensure a seamless transition. I thank my entire team and all our partners, distributors for the enormous effort that has been put in. We were one of the first companies to announce the transition to GST and pass on the benefits to consumers. In preparation of the GST roll out, we rewired several key processes within the organization, trained over 3500 suppliers and 1600 distributors covering the entire direct value chain of the Company. These dedicated efforts resulted in an orderly and fairly smooth transition into an environment, defined by the biggest fiscal change in independent India.

We continued on our journey to enhance consumer value of our brands with the introduction of iron fortified MAGGI Masala Noodles. We also introduced fortified Nestlé a+ Milk during the year. This is a small step taken by us to address issues of iron and vitamin D deficiency prevalent in India. It will continue to be our endeavour to fortify our products appropriately in line with national priorities of 'Food Fortification' and are required to bring more of our Science and Nutrition knowledge to this cause.

Our thrust on innovation and renovation continued with the launch of MILO, new variants of GREKYO, MAGGI Nutri-licious Noodles, MILKYBAR and KITKAT Dessert Delight. We also focused on creative ways to engage our consumers. MAGGI Masalas of India engagement with Google was the first-of-its kind in the country where Google allowed us to use the search engine as a platform for voting on which flavours of Masalas of India would consumers like and want.

This year, we took some important steps towards our ambition of enabling healthier and happier lives. Through key initiatives, for instance, the Nestlé Healthy Kids Programme and Project Jagriti, we empowered 12,00,000 adolescents, young couples and caregivers to follow a healthier lifestyle. 2017, was also a year when we won several awards across CSR, HR, Advertising, Communications and Supply Chain.

I am grateful to Nestlé S.A. for setting up Nestlé Food Safety Institute (NFSI) in India. NFSI India will work collaboratively with all relevant stakeholders.

The Institute is aimed at building and sharing knowledge through partnerships to strengthen and support the food safety environment in India. Nestlé's credo has been in maintaining impeccable standards of food quality and safety and we are committed to the cause in India.

Nestlé India also celebrated the completion of 3 years of the Nestlé Healthy Kids Programme in partnership with Magic Bus India Foundation last year. This humble initiative has reached out to over 200,000 adolescents across 21 states since the inception of the partnership. This partnership is based on sustained engagement on good nutritional practices and physical fitness among adolescents through sports-based sessions to make learning easy for them.

2018 is going to be about bringing consumers closer by being responsible, transparent and focusing on sustaining long-term relationships that add value. The industry is evolving at a tremendous pace and we would like to ride the tide and be ahead of the curve. India as a country is undergoing a digital revolution and we will embrace this positively. The role of technology is becoming an inseparable part of our social fabric and we embrace this truth in Nestlé India.

Nestlé India with a long history of serving, engaging and growing with our consumers is always conscious of the fact that its Purpose and Values are at the centre of its continuous evolution to become an even better organization. Being nimble footed, keenly responsive, embracing numerous opportunities and being blessed with employees and partners with a deep sense of pride and commitment to the Nestlé spirit will continue to inspire all of us on our journey, yet again.



Suresh Narayanan

Chairman & Managing Director  
Nestlé India Limited



## Healthier Society

We firmly believe that as a food company, we have a vital role to play in helping enable healthier lives. We want to help shape a better and healthier world around us through education, information and intervention. Building and disseminating nutrition knowledge has always been our priority.

Clean drinking water facilities reaching out to approximately 140,000 students while sanitation facilities provided to approximately 150,000 girl students in village schools.



Our commitment to safe food goes beyond the safety and quality of our own products. We joined hands with the National Association of Street Vendors of India (NASVI) and national and local food authorities to ensure proper training to the street food vendors.

About 4,800 street food vendors trained on safe food and good hygiene.



## Healthier Communities

Improving livelihoods and developing thriving communities around our factory locations. The Nestlé Healthy Kids Programme is reaching out to 200,000 adolescents empowering them with the knowledge to lead a healthier life.

We aim to work with farmers to achieve safe, quality raw materials, and keep young and talented farmers in the business. Supporting 2,200 coffee farmers and about 90,000 milk farmers.



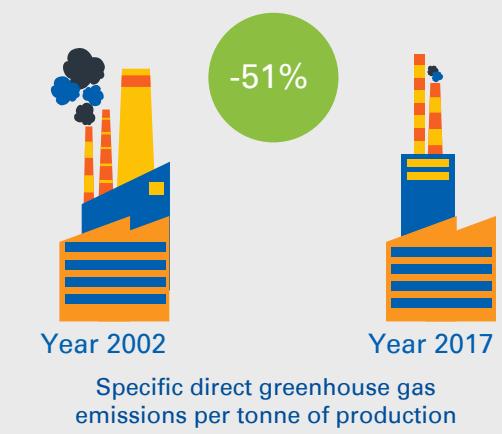
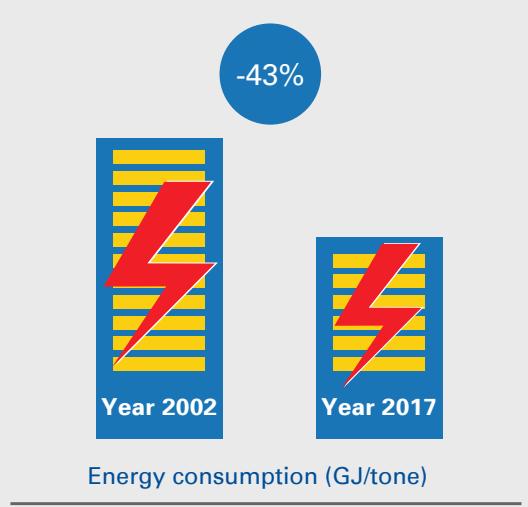
The Village Women Dairy Development Programme has been developed in the local language specifically designed for women dairy farmers with the aim to empower village women engaged in dairy farming to improve the quality and productivity of milk.

We have trained over 68,400 women dairy farmers.

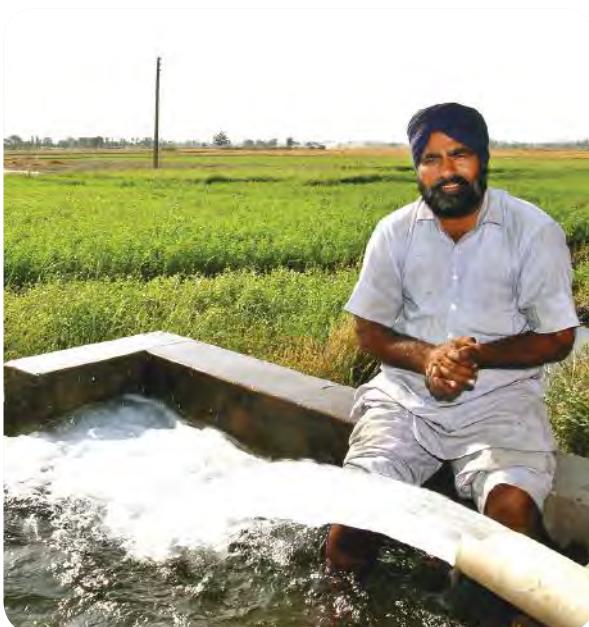
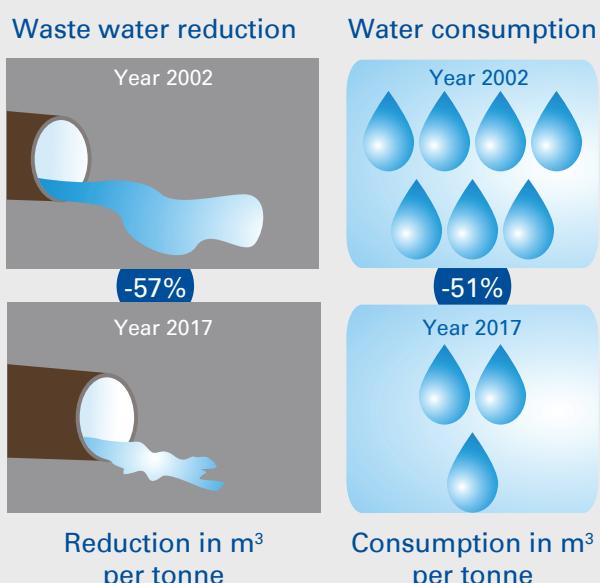


## Healthier Environment

In continuation with our commitment to a healthier environment, we continue to focus on measures for the conservation and optimal utilization of energy in all the areas of operations, including those for energy generation and effective usage of sources. Within Nestlé India factories, we are consistently improving operational efficiencies, minimizing consumption of natural resources and reducing water, energy and specific direct greenhouse gas emissions while maximizing production volumes.



In the last 15 years we have reduced water usage by around 51%, waste water by around 57%, specific direct greenhouse gas emission by around 51% and energy consumption by around 43%





## Healthier Products

Nestlé Good Food, Good Life captures the very essence of Nestlé and the promise we commit ourselves to everyday, everywhere as the leading Nutrition, Health and Wellness Company. We aim to enhance lives by offering tastier and healthier food and beverage choices at all stages of life and at any time of the day, helping consumers care for themselves and their families.

Micronutrients such as iron, vitamin A, iodine and zinc are essential for growth and development. We have been fortifying many of our mass consumption products with micronutrients to counter under nutrition specially among lower income consumers.



Fortifying MAGGI Masala Noodles of which 2.5 billion portions are consumed annually in India



Fortified with 15 vitamins and minerals including iron, vitamin A, C, D and calcium



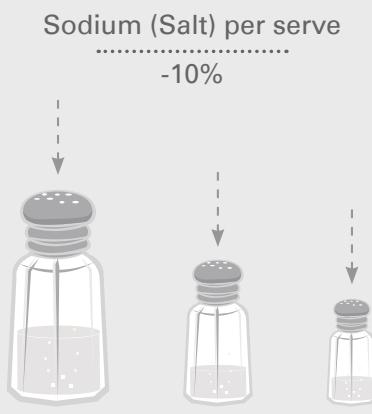
Fortified with iron, vitamin A & iodine



MILO offers essential vitamins & minerals to meet the nutrition and energy demands of young body & minds



Fortified Milk



We have been making continuous efforts to reduce sodium (salt) in the MAGGI Portfolio. We are committed to further bringing it down by 10% per serve by 2020.



The reduction in sucrose in Infant Cereal products contributed to around 700 tonnes/annum.



## Healthier Businesses

After more than a century-old association with the country, today, Nestlé India has presence across India with 8 manufacturing facilities, a presence across more than 3.5 million outlets nationwide, over 7,000 direct employees and impacts over a million lives.



We share an enduring partnership with our suppliers and distributors based on shared values, business ethics and long term commitment. As a result, most of the partners have been with us for long periods of time.



## Healthier People

We continuously assess the potential health risks among our people and attempt to devise effective implementation approaches. Promoting nutrition counselling is one of the many initiatives being carried out to ensure a healthy lifestyle for our people.



We at Nestlé India are committed to ensuring a strong environment of compliance and integrity across the organization. We aim to improve the livelihoods of workers in our supply chain, and protect their labour rights to ensure a fair and equitable work environment in the value chain.



Enabling healthy lifestyle through nutrition counselling



Encouraging participation in sports activities

# Corporate Information

## BOARD OF DIRECTORS

Suresh Narayanan (DIN:07246738)	- Chairman & Managing Director
Shobinder Duggal (DIN:00039580)	- Director - Finance & Control and CFO
Martin Roemkens (DIN:07761271)	- Director - Technical
Rama Bijapurkar (DIN:00001835)	- Independent Non-Executive Director
Rajya Vardhan Kanoria (DIN:00003792)	- Independent Non-Executive Director
Ashok Kumar Mahindra (DIN:00916746)	- Independent Non-Executive Director
Rakesh Mohan (DIN:02790744)	- Independent Non-Executive Director
Swati A. Piramal (DIN:00067125)	- Independent Non-Executive Director

## BOARD COMMITTEES:

### AUDIT COMMITTEE

Ashok Kumar Mahindra	- Chairman
Rajya Vardhan Kanoria	- Member
Rakesh Mohan	- Member

### STAKEHOLDERS RELATIONSHIP COMMITTEE

Rama Bijapurkar	- Chairperson
Shobinder Duggal	- Member
Rajya Vardhan Kanoria	- Member

### CORPORATE SOCIAL RESPONSIBILITY COMMITTEE

Swati A. Piramal	- Chairperson
Suresh Narayanan	- Member
Rama Bijapurkar	- Member

### NOMINATION AND REMUNERATION COMMITTEE

Rajya Vardhan Kanoria	- Chairman
Ashok Kumar Mahindra	- Member
Rakesh Mohan	- Member

### RISK MANAGEMENT COMMITTEE

Shobinder Duggal	- Chairman
Martin Roemkens	- Member
Anurag Dikshit (Head of Treasury & M&A)	- Member

### AUDITORS

B S R & Co. LLP,  
Chartered Accountants,  
Building No. 10, 8<sup>th</sup> Floor, Tower – B,  
DLF Cyber City, Phase – II,  
Gurugram – 122 002, Haryana

### 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  
State Bank of India  
Standard Chartered Bank  
Yes Bank Limited

### CORPORATE IDENTITY NUMBER

L15202DL1959PLC003786

### WEBSITE

[www.nestle.in](http://www.nestle.in)

### INVESTOR EMAIL ID

[investor@in.nestle.com](mailto:investor@in.nestle.com)

## MANAGEMENT COMMITTEE

Suresh Narayanan	- Chairman & Managing Director
Shobinder Duggal	- Finance & Control and CFO
Martin Roemkens	- Technical
Amit Narain	- Human Resources
Anuj Singh	- Nestlé Professional
Arvind Bhandari	- Dairy
Ashish Pande	- Supply Chain
B. Kannan	- Centre of Expertise - Sales
B. Murli	- Legal & Company Secretary
Fabrice Cavallin	- Nutrition
Hari Nariani	- IS/IT & Nestlé Business Excellence
Maarten Geraets	- Foods
Nikhil Chand	- Confectionery
Rashi Goel	- Communications
Ravi Ramchandran	- Sales
Ritanbara Mundrey	- Consumer Insights
Sanjay Khajuria	- Corporate Affairs
Sunayan Mitra	- Powdered and Liquid Beverages

## REGISTERED OFFICE

100 / 101, World Trade Centre, Barakhamba Lane,  
New Delhi - 110 001

## HEAD OFFICE

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

## BRANCH SALES OFFICES

- Chimes, Plot no. 142P, Sector 44, Gurugram - 122003
- KRM Plaza, 1<sup>st</sup> Floor, North Tower No. 2, Harrington Road, Chetpet, Chennai - 600 031
- Tower "A", 9<sup>th</sup> Floor, DLF IT Park, 08, Major Arterial Road, Block - AF, New Town, Rajarhat, Kolkata - 700 156
- 1<sup>st</sup> Floor, ICC Chambers, Near Saki Vihar Telephone Exchange, Saki Vihar Road, Powai, Mumbai - 400 072

## FACTORIES

- Village Maulinguem (North), Bicholim Taluka - 403 504 (Goa)
- Plot No. 294-297, Usgao Industrial Area, Ponda - 403 406 (Goa)
- Unit I & II - Patti Kalyana, Kiwana Road, Samalkha - 132 101 Dist. Panipat (Haryana)
- Industrial Area, Tahliwal, District - Una - 174 301 (Himachal Pradesh)
- Industrial Area, Nanjangud - 571 301 Mysore District (Karnataka)
- Ludhiana-Ferozepur Road, Near Kingwah Canal, Moga - 142 001 (Punjab)
- P.O. Cherambadi - 643 205 Dist. Nilgiris (Tamil Nadu)
- Plot No. - 1A, Sector No. - 1, Integrated Industrial Estate, SIDCUL, Pantnagar - 263 145, Dist. Udhamsingh 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, Piroze Jeejeebhoy Towers, Dalal Street,  
Mumbai - 400 001 (Scrip Code : 500790)

## 59<sup>th</sup> ANNUAL GENERAL MEETING

Thursday, 10<sup>th</sup> May, 2018 at 10.00 A.M. at  
Air Force Auditorium, Subroto Park, New Delhi - 110 010

## FINANCIAL YEAR

1<sup>st</sup> January to 31<sup>st</sup> December

## Board's Report - 2017

Dear Members,

Your Directors are pleased to present their report and financial statements for the year ended 31<sup>st</sup> December, 2017.

### Financial Results and State of Company's Affairs

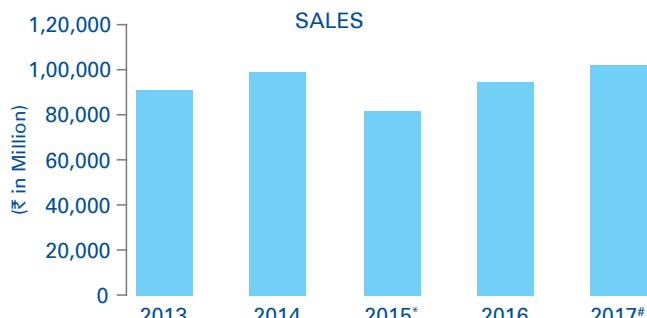
(₹ in Million)

Particulars	2017	2016*
Sale of products	101,351.1	94,096.0
Other operating revenues	570.7	649.7
Other Income	1,769.2	1,509.0
<b>Total Income</b>	<b>103,691.0</b>	<b>96,254.7</b>
<b>Total Expense</b>	<b>85,298.0</b>	<b>80,693.1</b>
<b>Profit before exceptional items and tax</b>	<b>18,393.0</b>	<b>15,561.6</b>
Less: Exceptional items	-	107.8
<b>Profit before tax</b>	<b>18,393.0</b>	<b>15,453.8</b>
Less: Tax expense	6,141.1	5,440.2
<b>Profit after tax</b>	<b>12,251.9</b>	<b>10,013.6</b>
Other Comprehensive Income	(889.8)	(760.4)
<b>Total Comprehensive Income</b>	<b>11,362.1</b>	<b>9,253.2</b>
Opening balance in Retained Earnings	23,689.3	21,016.0
Amount available for appropriation	35,034.0	30,477.8
Interim dividends 2017: ₹63.00 per share 2016: ₹40.00 per share	6,074.2	3,856.6
Final dividends 2016: ₹23.00 per share 2015: ₹18.50 per share	2,217.6	1,783.7
Less: Dividend distribution tax	1,687.7	1,148.2
Closing balance in Retained Earnings	25,054.5	23,689.3
Key ratios		
Earnings per share(₹)	127.07	103.86
Dividend per share(₹) Interim Proposed - Final	63.00 23.00	40.00 23.00
<b>Additional Information:</b> Profit from operations	<b>18,304.8</b>	<b>16,542.0</b>

\*Figures are restated as per Ind AS

The Company has adopted Ind AS w.e.f. 1<sup>st</sup> January, 2017 with a transition date of 1<sup>st</sup> January, 2016. Accordingly, results for the year ended 31<sup>st</sup> December, 2017 have been prepared in accordance with Ind AS prescribed under Section 133 of the Companies Act, 2013 and other accounting principles generally accepted in India. Previous periods figures have been restated as per Ind AS to make them comparable.

Total Sales and Domestic Sales for the year increased by 7.7% and 8.2%, respectively. These growth rates are adversely impacted due to lower reported sales by the change in structure of indirect taxes and reduction in realizations to pass on the GST benefits. On a comparable basis the domestic sales growth is 'estimated' at 11.8% due to increase in volumes including rebuild of MAGGI Noodles, supplemented by better underlying realizations. Export Sales increased by 0.9%.

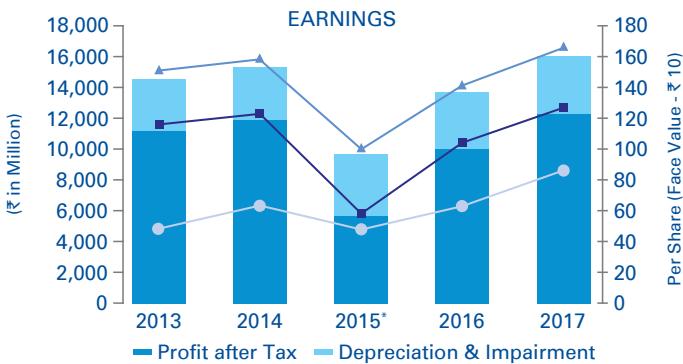


\*Impacted by MAGGI Noodles issue

Figures of 2016 and 2017 are stated as per Ind AS (Refer note 54 of the financial statements)

#Sales for the year are not comparable due to implementation of Goods and Services Tax (Refer note 4 of the financial statements)

Other Income has increased due to higher average liquidities partially offset by lower yields. The Impairment Loss on Fixed Assets of ₹371.8 million relates to various items of plant and machinery and building that have been brought down to their recoverable value upon evaluation of future economic benefits from their use.



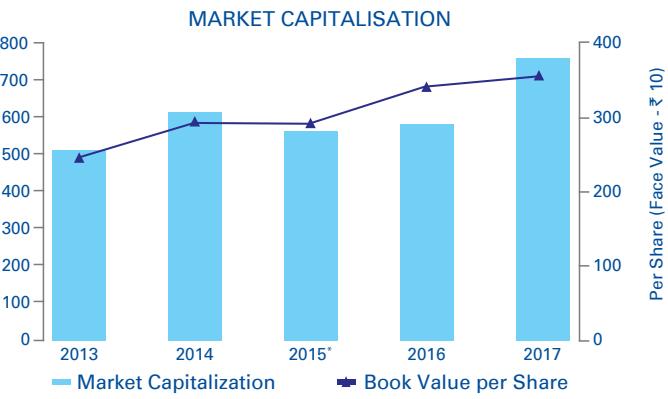
Cash Profit per Share    Earnings per Share    Dividend per Share

Cash Profit = Profit after Tax + Depreciation + Impairment loss

\*Impacted by MAGGI Noodles issue

Figures of 2016 and 2017 are stated as per Ind AS (Refer note 54 of the financial statements)

The Company has created a contingency provision of ₹1,136.5 million for various contingencies resulting mainly from matters, which are under litigation/related disputes and other uncertainties requiring management judgement. The Company has also reversed, utilized/settled contingency provision of ₹260 million due to the satisfactory settlement of certain litigations and settlement of obligations under free replacement warranty for which provision is no longer required.

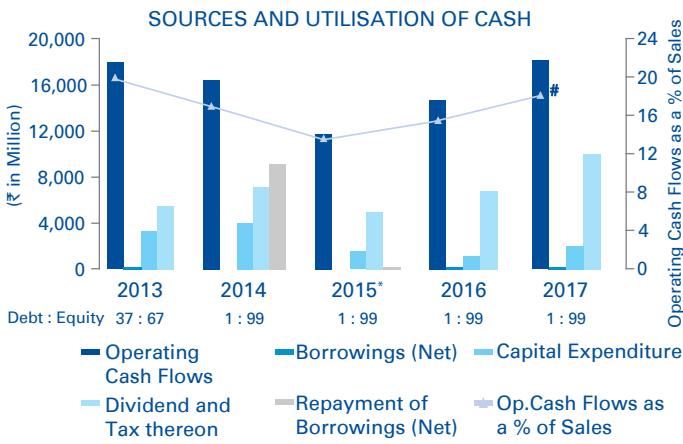


Market Capitalization is based on year end closing share price quoted on BSE Ltd.

Book Value per share is based on the total shareholder's funds as at the year end.

\*Impacted by MAGGI Noodles issue

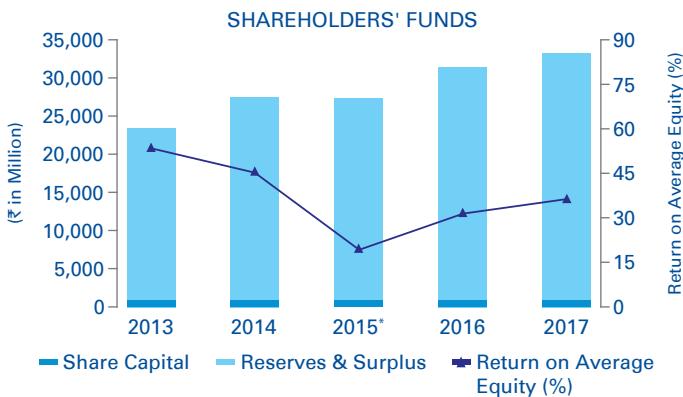
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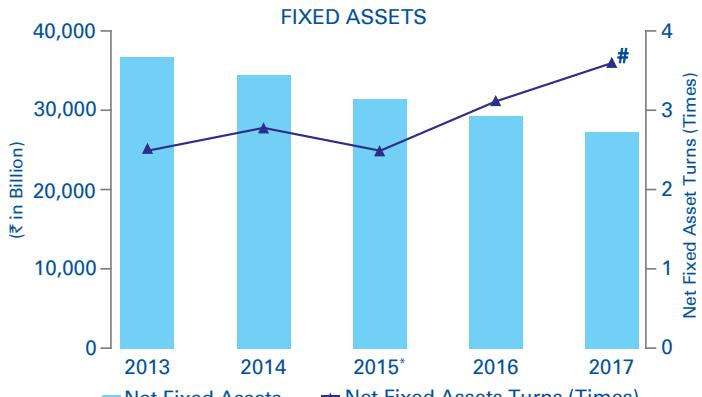
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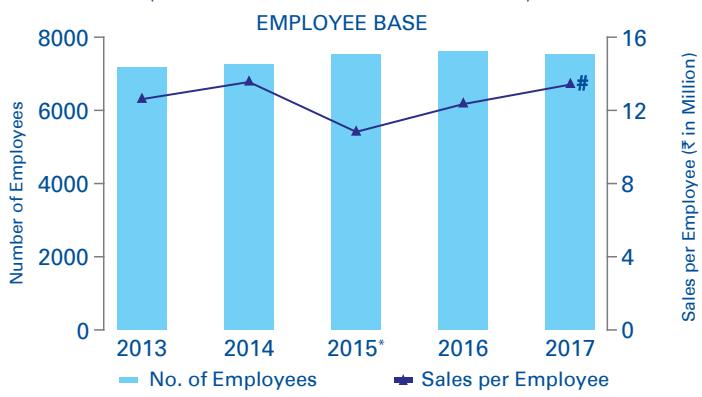
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## Dividends

The Board of Directors have recommended a final dividend of ₹23.00 per equity share (Face value ₹10 per equity share) amounting to ₹2,217.6 million for the year 2017. The

total dividend for 2017 aggregates to ₹86.00 per equity share which includes three interim dividends of ₹15.00 per equity share paid on 2<sup>nd</sup> June, 2017, ₹15.00 per equity share paid on 16<sup>th</sup> August, 2017 and ₹33.00 per equity share paid on 22<sup>nd</sup> December, 2017.

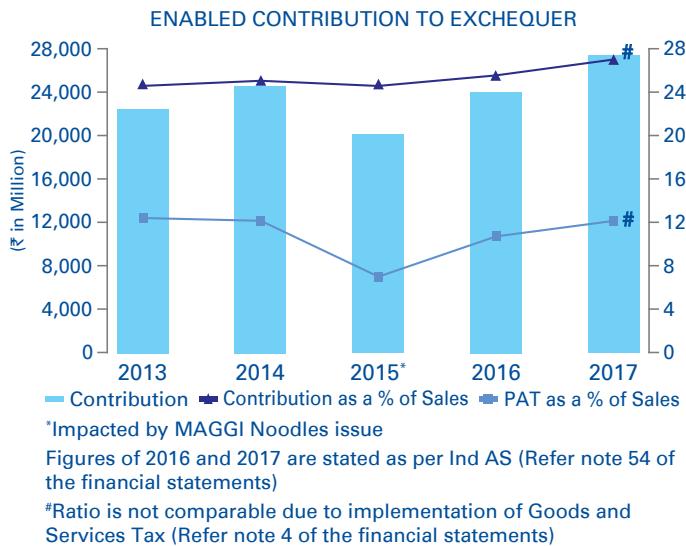
## Exports

The exports for your Company remained flat for the year at ₹6,626.6 million. All key markets with sizeable Indian diaspora responded positively to the culinary business plans and demand is now emanating from these geographies. The year 2017 witnessed your Company making inroads into newer geographies for instance Caribbean Islands, European Union and Sri Lanka.

Coffee exports for your Company continued to witness growth in 2017. Important export markets for instant coffee were Turkey, Bangladesh, Taiwan, Singapore and Middle East. Coffee exports of your Company received recognition from trading partners and by the Karnataka State Export Promotion Council. The Confectionery exports to Middle East and Ghana which started in 2016, remained subdued because of slow demand. Infant nutrition exports to Bangladesh grew in volume during 2017.

## Contribution to the Exchequer

Your Company over the years has been enabling significant contribution to various taxes. During the year 2017, the Company through its business, enabled tax collections at Central and State level close to ₹27.3 billion, in aggregate.



## Business Development

Nutrition, Health and Wellness continued to be the cornerstone of your Company's business in 2017. The brands were once again re-energized through innovation and renovation, in the form of new product launches or introduction of product variants, to meet the changing needs of consumers. Your Company was focused and driven, it increased its product penetration into newer regional markets and expanded its consumer base.

Since food and its safety has a significant influence on people's health, at our request, Nestlé S.A. set up the Nestlé Food Safety Institute (NFSI) in India in September 2017 as a part of Nestlé R&D Centre India Pvt. Ltd., with the objective of building and sharing knowledge that would strengthen the food safety environment in our country. NFSI aspires to be a collaborative partner between regulatory bodies, academia and industry to cater to the health and safety of our consumers. The NFSI laboratory is equipped with high-end analytical technology and is an integral part of the global network of food safety experts at Nestlé.

Our commitment to Nutrition, Health and Wellness was further reinforced through our work, aimed at creating healthier products, healthier environment, healthier community and healthier society.

## Innovating and Renovating 'Prepared Dishes and Cooking Aids' Portfolio

The 'Prepared Dishes and Cooking Aids' business 2017 was a year of comprehensive performance by brand MAGGI. MAGGI's core category Noodles had a double-digit volume growth and an increase in households purchasing the brand as compared to 2016. A robust regional initiative consisting of local language media, sampling, activation, drove awareness and trials at the grassroots level. MAGGI continued its focus on innovating and renovating its portfolio with new engagement every quarter.



A special limited edition range of noodle variants inspired by regional cuisines and spices called "MAGGI Masalas of India"

was introduced in markets across India. It was launched innovatively through Google Search and PayTM. It was the first time that any brand introduced Google 'Search' in the pre-launch phase. The campaign resulted in creating engagement with over 130,000 entries, 7,500 pre bookings and a sale of over 150,000 packs on the day of the launch.

A new range of noodles were launched under MAGGI brand called "Nutri-licious" with variants like 'Atta Mexicana' and 'Oats Masala' supplemented with the benefits of protein and fibre.

In addition to this, your Company continued to develop the second pillar - the seasoning and cooking aid side of the business, led by our Masala-ae-Magic all-purpose seasoning.

## Strengthening of 'Milk Products and Nutrition' Portfolio

The 'Milk Products and Nutrition' business registered a satisfactory growth, which was driven by volume of existing products and encouraging consumer response to new products.

Your Company extended chilled dairy portfolio range of Greek yogurts under NESTLÉ a+ GREKYO with exotic fruit flavors like blueberry, litchi and plain greek style curd. As a healthier snack with extra milk protein and real fruit pieces, the brand continued to accelerate its growth.

Recipe kits with partly sweetened condensed milk like MILKMAID ice cream kit and MILKMAID celebrations kit were designed as complete recipe solutions to prepare new, experimental, homemade ice creams and chocolate twists.



Nestlé believes breast milk provides the best nutrition for babies and every child should be exclusively breastfed until six months, followed by introduction of age appropriate complementary feeding and breast milk until two years and beyond. For babies who cannot be breastfed, NAN EXCELLA PRO, a formula with DHA (Docosahexaenoic Acid) and ARA (Arachidonic Acid) combined with whey proteins was launched. DHA supports baby's normal brain development and whey protein is required for easy digestion.



CEREGROW, an iron fortified nutritious cereal for children over 2 years launched in 2016 in select geographies got an encouraging response and was rolled out across India helping your Company to partner with consumers to nurture a healthier generation. Micronutrient deficiency is amongst the biggest public health challenge in the country with 80% of children less than 3 years, suffering from iron deficiency anemia, which could impact the overall cognition of a child. Since, the stomach size of a child is only 1/5<sup>th</sup> of an adult, the child cannot be fed with huge amounts of food to bridge the energy and micronutrient needs. CEREGROW provides the option of "Big Nutrition for Small Tummies" supported by an engaging program for the Healthcare professionals on the importance of iron fortification.

Your Company re-launched three health supplements in the adult nutrition segment manufactured by the Company under the brand 'RESOURCE' designed to meet the specific health and nutrition needs. RESOURCE High Protein helps meet 37% of daily adult protein requirement, while RESOURCE Opti helps address malnutrition due to ageing or disease.

## Growing 'Powdered and Liquid Beverages' Portfolio

2017 was an exciting year for the 'Powdered and Liquid Beverages' business as your Company continued to focus on growing the coffee and beverages market. NESCAFÉ Classic further leveraged it's connect with the youth and launched a number of initiatives and



activations. The RJ Rishi campaign won several awards nationally and internationally including the Silver at ABBYs 2017 and the prestigious Grand Prix at the ADFEST 2017. The excitement in the category was fueled by the Cold Coffee initiative in summer season and the thematic brand campaign that was extended during the year with a new creative "Badal Life ki Raftaar, It all starts with a NESCAFÉ". Digital media was extensively used when engaging with the target audience.

NESCAFÉ Sunrise continued its journey to drive differentiation through various brand initiatives.



It launched a new campaign, "Start Your Day Bright", which shows a new age couple starting their busy day together.

In 2017, your Company introduced MILO ready-to-drink beverage low on sugar and received encouraging response.



## More offerings in the 'Confectionery' Portfolio

The 'Confectionery' business continued its focus on growing the core and foraying into the value-up/premium segment. The business wielded its strength towards continuous renovation and innovation of its portfolio, to befit the evolving consumer trends. Your Company also introduced Category-Firsts with some of the brands. Your Company continued to strengthen its core brands KITKAT, MUNCH, MILKYBAR, BARONE, NESTLÉ CLASSIC and ALPINO through improved offerings and unique marketing campaigns.

KITKAT Dessert Delight was launched in a distinct 'finger-tablet' format exclusively for the Indian market, with two rich and indulgent flavours, inspired by international desserts. Unique consumer promos were created like 'My Travel Break' - a campaign that promised

to bring immersive travel break experiences to life and 'Celebreak.' In a first of its kind initiative, select KITKAT packs were designed as picture postcards from interesting Indian locations.

MILKYBAR's core portfolio became robust with MILKYBAR relaunch that took forward Nestlé's commitment to Health and Wellness. MILKYBAR extended its brand franchise to MILKYBAR MOOSHA, with a new milk coated bar with caramel and nougat.

MUNCH, the largest brand for Confectionery business tied up with Bahubali 2 - The biggest blockbuster; in a category-first mega thematic campaign. The brand leveraged the popularity of Bahubali 2, to create a high brand recall amongst its consumers and gain market share.

In one of its kind socially relevant partnerships, your Company collaborated with Indian Mouth and Foot Painting Artists (IMFPA) association in the festive season to create unique gift packs with Company products that make for a thoughtful gift. The range of these gift packs had visually appealing designs created by artists from IMFPA using their mouth or feet. With this unique gifting concept, your Company raised awareness about these artists and their organization across India, while also creating a deeper emotional connect with the consumers to celebrate this special cause.

## Nestlé Professional

'Nestlé Professional', the out-of-home business registered volume and value growth in 2017. This growth was driven by increasing reach and distribution of products across key out-of-home channels like education institutes, airlines, railways, offices as well as the food service channels like hotels and restaurants. Your Company's brands NESCAFÉ Classic, NESCAFÉ Sunrise, MAGGI Coconut Milk Powder performed well with new customer acquisition and increased penetration through stronger customer engagement.

Your Company also engaged with young chefs in various hotel management institutions and celebrated International Chefs Day by organizing

cooking workshops for adolescents teaching them the basics of nutrition.

## Awards and Recognitions

Your Company received awards in various industry platforms in the area of corporate management, marketing, advertising, creativity, digital engagement, packaging, human resource development and social cause. Some awards are listed below:

- Forbes India Leadership award for the best CEO from an MNC was given to Mr. Suresh Narayanan. The Forbes India Leadership Awards recognizes outstanding leaders who have achieved success through their vision, foresight, and business ethics.
- MAGGI's strong resurgence was also reflected in Brand Equity's Most Trusted Brand Survey 2017, where MAGGI gained 9 spots and was ranked 16 amongst all consumer brands, across all categories. MAGGI was ranked 3<sup>rd</sup> under foods category.
- SABRE Asia Pacific is considered one of the most credible platforms that awards companies for their work in the area of communications. Your Company won Gold, under the foods and beverages category.
- ADFEST showcases Asia's best creative work by experts in various disciplines. This is a creative festival of repute. Your Company won 2 Gold and 1 Silver for the best use of radio channel, promotion and activation and best user generated content for the #StayStarted campaign by NESCAFÉ.
- ABBYs is one of the most distinguished Indian creative advertising platforms that awarded your Company 2 Gold, 6 Silver and 1 Bronze for the campaign #EducateTheGirlChild. NESCAFÉ won 2 Silver for the MTV labs and #StayStarted RJ Rishi campaign. MAGGI HOT HEADS received 1 Silver in the radio category for the 'Missing Mirchi' Campaign.
- Your Company was recognized as the "Radio Advertiser Of The Year" at the Golden Mikes

2017, where MAGGI HOT HEADS bagged 6 awards for "Finding Mirchi" campaign. Golden Mikes celebrates the best work in radio advertising in India and recognizes the contribution of the brands in the growth of radio in the country.

- At the Indian Digital Media Awards that celebrates excellent work by brands in the digital and social media space, KITKAT won a gold in the best use of a social network category for the "Twitter takes a break with KITKAT" Campaign. #EducateTheGirlChild also bagged a silver for the best-integrated media campaign for a social cause.
- Your Company through #EducateTheGirlChild Campaign partnered with The Times of India to launch a highly innovative communication campaign called 'Power Of Print', where leading communication agencies created inspirational messages on sending more girls to school.
- Continuing on its path to innovation, MAGGI HOT HEADS launched first of its kind Twitter campaign #UntrendLikeHotHeads. The campaign resulted in massive online engagement with over 13 million impressions, 28,000 hashtag mentions and over 800 entries in just three days. It broke multiple benchmarks of campaign engagement and awareness both globally and in Asia Pacific.
- Your Company was awarded the 'India Star 2017', for excellence in packaging for ALPINO Gift Pack and NESCAFÉ Latte 3 in 1 cup, INSTA Filter Can and NAN EXCELLA PRO carton.
- The Tata Strategic Management Group presented your Company with the Global Logistics Excellence award.
- Your Company bagged CII's SCALE national award for supply chain and logistics excellence for being the most innovative and digital supply chain.

## Employee Focus

Your Company was recognized by Nielsen as one of the leading three FMCG companies on campus. This year your Company made

successful lateral hires and strengthened its position as an 'Equal Opportunity Employer', which resulted in an increase of women representation in white collar jobs by 140 bps in the past 2 years.

To further increase diversity, your Company organized unconscious bias programs for members of the employee union, gender sensitization sessions for the sales team, sanitation facilities for women in distribution centres and dual career network sessions, among others, all of which helped make the environment more inclusive. The year ended with a 460 bps reduction in high performance attrition over the past 2 years and 640 bps dip in the women manager's attrition level.

## Management Analysis

### Review of Economic Scenario and Outlook

Beginning of 2017 had a slow start because of the effects of demonetization that made consumers restrict their consumption. There was a slow revival of consumption with the urban market being more resilient compared to rural India. Towards the middle of the year, the economic growth improved. Inflation in the country continued to be moderate during 2017-2018, Consumer Price Index was the lowest in the last six financial years.

On 1<sup>st</sup> July 2017, a unified indirect tax structure was introduced in India through the Goods and Services Tax (GST) that should positively impact the economic environment in the long term, but created short term challenges in the trade.

Considerable steps were taken by the government to bolster the food-processing sector. The Ministry of Food Processing Industries organized World Food India 2017 (WFI 2017), India's first ever platform that positions India as a preferred investment destination and manufacturing hub for the global food industry. As per the government of India data, WFI 2017 attracted an investment intent of USD 13.56 billion from domestic and foreign investors for the food processing sector. Government initiatives were rolled-out to increase the capacities in the entire supply chain

of food processing.

Multilateral agencies have been positive about India's growth story. This was evident, as India jumped 30 spots on the World Bank's Ease of Doing Business rankings. India's ranking in the world has improved by a position to 126, as its per capita GDP in PPP terms increased from USD 6,690 in 2016 to USD 7,170 in 2017, as per data from International Monetary Fund (IMF).

## Opportunities and Risks

Private consumption combined with ongoing structural reforms are expected to continue to boost economic activity in India. More transparent regulatory environment and evolving food laws are making India emerge as an attractive business destination, creating opportunities for investment and growth especially in the processed foods sector.

Consumers in India are fast evolving; they are young, aspirational and have higher disposable income. The young India is more health and fitness conscious. Rise in lifestyle diseases has also prompted the Indian consumers to evaluate their food habits more closely and make lifestyle changes, where required.

Your Company brings a strong heritage and years of trust and credibility. It has strong R&D capabilities and the benefits of this and the expertise in science based nutrition and technology flow to your Company. Your Company is an integral part of Indian society and has state-of-the-art manufacturing facilities, efficient supply chain, sales automation with extensive reach and coverage in its target markets, strong brands and capable employees and partners who are committed to provide value with high quality and safe food products.

The product portfolio of your Company continues to be strengthened by accelerated innovation and renovation to stay relevant to the emerging and differentiated needs of the consumers. Consumer lifestyles are changing and there is an increasing demand for value-up and premium products and your Company can leverage Nestlé know-how and technology

to develop more science-based products that provide superior benefits of Nutrition, Health and Wellness at appropriate price points.

India is also becoming a technology driven country, empowering the people to look for new opportunities and it is transitioning towards a digital, cashless economy. This change is seen not only in urban areas but is also reflected in rural India. High mobile and internet penetration has enabled a rapid growth in e-commerce in India. Your Company is actively participating on social media platforms through specialized and enabled digital acceleration teams and pursuing business opportunities in the space of e-commerce.

Your Company is operating in an industry sector that faces price volatility in raw materials and is dependent on agricultural commodities that need to meet its stringent quality standards and on natural resources where alternatives are not viable. Supplier development is an ongoing exercise undertaken to ensure continuity in supplies. There is also increasing competition in the processed foods sector and the regulatory framework is still evolving, which requires undivided focus of technical and marketing experts. Your Company has initiatives in place to minimize the environment footprint in the areas of water conservation and proper disposal of packaging materials mentioned elsewhere in this report.

## Operations, Quality and Safety

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Your Company's improved operational efficiencies have delivered products of higher quality and at competitive cost. Through the Total Performance Management (TPM), the workspace has been transformed, by engaging with approximately 65% of resources. The leadership at shop floor has enabled the factories to achieve manufacturing excellence at all levels of the organization, and deliver the business results.

For your Company, quality and food safety is a priority. In line with Nestlé Group's direction to move to internationally recognized certifications, all factories of your Company have received ISO

9001:2015 certifications.

Laboratory accreditation is considered an important indicator of technical competence, that strengthens the consumer's trust in the products of your Company. Your Company embarked on this journey in 2017 and by the end of 2017, two factory laboratories received certification, plans for other factories are underway. These achievements once again reiterate the emphasis on quality at the factories that are aligned with internationally accepted ISO standards.

Your Company's Samalkha factory Unit II was recognized by the CII for Significant Achievement in Food Safety. The criteria for food safety systems were drawn from the Food Safety and Standards Act, Rules & Regulations 2011, ISO 22000/FSSC 22000 Standards, Codex and Industry best practices.

## Packaging

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Your Company launched pilot projects "WE CARE" and "EPR connect" on Waste Management Collection and Recycling in preparation for compliance with Plastic Waste Management Rules, 2016. This was the first joint Extended Producer Responsibility (EPR) initiative in India where a consortium was formed with five corporate houses, an NGO and the Indian Pollution Control Association (IPCA). This initiative was supported by the Central Pollution Control Board and East Delhi Municipal Corporation for disposal of waste to the energy plant at Ghazipur, Delhi. The project was executed in eight different cities covering Delhi, Noida, Faridabad, Gurugram, Ghaziabad, Chandigarh, Dehradun and Mumbai.

## Environment

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In continuation to its commitment to a healthier environment, your Company continued to focus on 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. Factories are consistently improving operational efficiencies, minimizing consumption of natural resources and

reducing water, energy and CO<sub>2</sub> emissions while maximizing production volumes.

As a result, during the period from 2002 - 2017, for every ton of production, your Company has reduced the usage of energy by around 43%, water usage by around 51%, generation of waste water by around 57% and reduction in specific direct greenhouse gas emissions by around 51%.

## Waste for Disposal

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Your Company is continuously working towards reduction in waste for disposal. In 2017, the factories reduced waste for disposal to landfill by 63%. Robust plans are in place to reduce this to zero by 2020.

## Safety and Health

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Occupational Health and Safety of people is of the highest priority and of utmost importance to your Company. All the sites (Offices and Factories) of your Company are certified under Safety and Health Management System that complies with OHSAS 18001:2007 and Environment Management System that complies with ISO 14001:2015.

Your Company provided regular safety and skill up-gradation trainings to the employees where required. Your Company has been consistently focusing on the machinery safety, Lockout & Tagout, behavioural feedback system, Tool Box Talks, Management GEMBA and other aspects of industrial safety.

In 2017, emphasis remained on building of a proactive safety culture. Safe behavior was widely promoted and more than 40,000 behavioral feedback sessions were carried out to promote strengthening of the right safe mindset. Safe driving under 'Project Suraksha' was promoted amongst the field sales as well as with the third party transport service providers for liquid milk transportation. Road safety awareness camps have been organized at many sites to ensure that employees practice safe driving behaviors, both on site and off site. Compliance is an important pillar of the

S&H (Safety & Health) Management System. Dedicated team is established for every site to ensure flawless implementation of your Company's own standards as well as legal requirements. Further, to improve the health of the employees, ergonomic aspect of routine production tasks have been assessed and plans are being put in place to reduce the identified ergonomic hazards. Sessions on health topics such as Yoga, Stress management, Bone health and Ergonomics were conducted for building awareness of the employees at various sites of your Company.

## Supply Chain

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In 2017, your Company's Supply Chain actively worked towards enabling consumer led growth and creating a winning edge. Your Company was amongst the first one to switch over to the new GST system and adopt subsequent changes in the GST price structure. Simplification of the value chain began by moving from 38 to 33 Distribution Centres (DCs) and plan is to further reduce the DCs. This led to cost savings, improved freshness, better availability and sustainability in the operations.

Your Company was the first in India to collaborate with a key customer for synchronization of online information on product attributes. Through an app, your Company provided real time information about on-shelf product freshness levels. Using advanced analytics for accurate forecasting of regional demand, your Company improved supply planning that resulted in optimum product inventory and availability of your Company's product at each stage of the value chain.

Your Company also introduced a 24x7 online-automated system that captures orders, even for small and medium customers that increased ease and speed of servicing and helped the customers. Digitalization benefitted our consumers with fresher products and your Company was able to reduce inventory and lower distribution costs.

Your Company also made significant progress on the Nestlé Business Excellence program for

two key processes of sourcing and the servicing of customers across supply chain. This delivers value for your Company's suppliers, customers and improves availability of products on the shelf, besides setting benchmarks in the FMCG space.

## Directors' Responsibility Statement

The Directors state that:

- a) in the preparation of the annual accounts, the applicable accounting standards had been followed and no material departures were made from the same;
- b) they had 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 of the Company for that period;
- c) they had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- d) they had prepared the annual accounts on a going concern basis;
- e) they had laid down internal financial controls to be followed by the Company and that such internal financial controls are adequate and were operating effectively; and
- f) they had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

## Corporate Governance

In terms of Regulation 34 of the Securities Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (hereinafter "Listing Regulations"), a Report on Corporate Governance along with Compliance Certificate issued by the Statutory Auditors of

your Company is attached as Annexure - 1 and forms an integral part of the Board's Report (hereinafter "Corporate Governance Report").

## Directors and Key Managerial Personnel

Pursuant to the Retirement Policy of the Non-Executive Directors of the Company, Mr. Ravinder Narain, Independent Non-Executive Director of the Company had retired with effect from 11<sup>th</sup> May, 2017. The Directors wish to place on record their appreciation for the contribution made by Mr. Narain during his long association with the Company.

In terms of the Articles of Association of the Company, on the recommendation of the Nomination and Remuneration Committee, the Board of Directors, in its meeting held on 27<sup>th</sup> March, 2017, appointed Mr. Martin Roemkens as an Additional Director of the Company with effect from 1<sup>st</sup> April, 2017, subject to approvals. Mr. Aristides Protonotarios, ceased as a Whole-time Director of the Company with effect from 31<sup>st</sup> March, 2017 to take another assignment within Nestlé Group. Directors wish to place on record their appreciation for the contribution made by him during his tenure.

The Members, in its 58<sup>th</sup> Annual General Meeting held on 11<sup>th</sup> May, 2017, subject to approval of the Central Government, approved the appointment of Mr. Martin Roemkens as a Whole-time Director, designated as 'Director-Technical' for a period of five years with effect from 1<sup>st</sup> April, 2017. The Company received the approval of the Central Government for the appointment of Mr. Roemkens as a Whole-time Director, designated as 'Director-Technical', as he was a non-resident in India before the appointment.

During the year under review, on the recommendation of the Nomination and Remuneration Committee, the Board of Directors appointed Ms. Rama Bijapurkar, as an Independent Non-Executive Director of the Company with effect from 1<sup>st</sup> May, 2017. The Members, in its 58<sup>th</sup> Annual General

Meeting held on 11<sup>th</sup> May, 2017, approved the appointment of Ms. Rama Bijapurkar as an Independent Non-Executive Director of the Company to hold office for a term up to 30<sup>th</sup> April, 2022.

Pursuant to the provisions of the Companies Act, 2013 ("Act"), Dr. (Mrs.) Swati Ajay Piramal was appointed as an Independent Non-Executive Director to hold office for five consecutive years for a term up to 31<sup>st</sup> March, 2019 by the Members of the Company in the 55<sup>th</sup> Annual General Meeting held on 12<sup>th</sup> May, 2014. Dr. Piramal is eligible for re-appointment as an Independent Non-Executive Director for another term of five consecutive years. Pursuant to the provisions of the Act, based on the recommendation of the Nomination and Remuneration Committee, the Board recommends for the approval of the Members through a Special Resolution in the 59<sup>th</sup> Annual General Meeting re-appointment of Dr. Piramal as an Independent Non-Executive Director for another five consecutive years from 1<sup>st</sup> April, 2019 upto 31<sup>st</sup> March, 2024.

Mr. Shobinder Duggal, Whole-time Director, shall retire at the forthcoming Annual General Meeting by rotation and being eligible offers himself for re-appointment. The brief resume and other details as required under the Act and Listing Regulations for the aforesaid proposed appointment of Directors are provided in the Notice of the 59<sup>th</sup> Annual General Meeting of the Company.

The Independent Directors of your Company have given a declaration confirming that they meet the criteria of independence as prescribed both under the Act and the Listing Regulations. The Nomination and Remuneration Committee had adopted principles for identification of Key Managerial Personnel, Senior Management including the executive directors which are based on "The Nestlé Management and Leadership Principles" and "Nestlé Leadership Framework" which is available on the Company's Website [www.nestle.in](https://www.nestle.in). The Appointment and Remuneration Policy of the Company includes criteria for determining qualifications, positive attributes and independence of a director and policy relating to

the remuneration of Directors, Key Managerial Personnel and other employees. The same is attached as **Annexure - 2** and forms an integral part of this Board's Report.

The details of familiarisation programmes to Independent Directors with the Company, their roles, rights, responsibilities in the Company, nature of the industry in which the Company operates, business model of the Company and related matters are available on the website of the Company at: <https://www.nestle.in/investors/directorsandofficers/familiarisationprogramme>.

The Company has devised a formal process for annual evaluation of performance of the Board, its Committees and Individual Directors ("Performance Evaluation"). It covers the areas relevant to the functioning as an Independent Director or other director, member of Board or Committee of the Board. Your Company engaged a leading HR Consulting Firm for compilation of the feedback received from the Board members, Committee members and Directors and for identifying key inferences and observations with respect to Performance Evaluation.

## Corporate Social Responsibility

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During the year under review, Ms. Rama Bijapurkar, Independent Non-Executive Director, was appointed as a Member of the Committee in place of Mr. Ravinder Narain. Accordingly, the Corporate Social Responsibility Committee was re-constituted and comprises of Dr. (Mrs.) Swati A. Piramal (Chairperson), Ms. Rama Bijapurkar, Independent Non-executive Director and Mr. Suresh Narayanan, Chairman and Managing Director of the Company. The terms of reference of the Corporate Social Responsibility Committee is provided in the Corporate Governance Report. Your Company has also formulated a Corporate Social Responsibility Policy (CSR Policy) which is available on the website of the Company at <https://www.nestle.in/investors/policies>. Annual report on CSR activities as required under the Companies (Corporate Social Responsibility Policy) Rules, 2014 has been appended as **Annexure - 3** and forms an integral part of this Board's Report.

In terms of Section 135 of the Act read with Companies (Corporate Social Responsibility) Rules, 2014 as amended ("CSR Rules") and in accordance with the CSR Policy, during the year 2017, your Company had spent above two percent of the average net profits of the Company during the three immediately preceding financial years. The details are provided in the Annual Report on CSR activities. In addition to the above, your Company has been implementing societal activities since many decades under umbrella of 'Creating Shared Value' activities which have not been reckoned for arriving at the spends as per CSR Rules. Some key initiatives that your Company has been engaged in are as follows:

#### **Nestlé Healthy Kids Programme**

Your Company, through partnerships with expert Universities and NGOs conducted the Nestlé Healthy Kids Programme to improve nutrition and health awareness of school age children. Implemented across 21 states, the programme reached out to over 200,000 adolescents from marginalized communities.

Initiated in 2009, the programme in partnership with Universities around factory locations, has grown across metros in partnership with Magic Bus India Foundation. The programme is customized for each region and is conducted through the classroom-based model and the 'Sports for Development' model, in schools and communities. Through specially designed interactive sessions, children are encouraged to practice nutritious and healthy living and are also made aware of health initiatives offered by the government.

#### **Project Jagriti**

As part of the commitment to inspiring people to lead healthier lives and providing educational programmes, your Company, in partnership with Mamta Health Institute for Mother and Child implemented Project Jagriti. The programme focuses on developing community support for improved health and nutrition outcomes among adolescents, young couples and caregivers while improving the uptake of public health services.

In 2017, the programme ran across 15 districts of Rajasthan, Karnataka, Maharashtra,

Chandigarh, Odisha, Uttar Pradesh, Bihar and Delhi and aims to reach three million beneficiaries by 2018.

#### **Project Serve Safe Food**

Your Company collaborated with NIDAN, National Association of Street Vendors of India (NASVI), national and local food authorities to develop programmes to train street food vendors on subjects such as health, hygiene, food handling, food safety, personal hygiene, cart hygiene, cleaning and chemicals, pest control, garbage disposal and entrepreneurship.

In 2017, this programme was implemented across Goa, Rajasthan, Uttar Pradesh, Kerala and Delhi, reaching out to about 4,800 street food vendors.

#### **Business Responsibility Report**

Nestlé's approach to business is Creating Shared Value or 'Saanjapan' 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 Business Responsibility Report as per Regulation 34 of the Listing Regulations is annexed as **Annexure - 4** and forms an integral part of the Annual Report.

#### **Statutory Auditors**

As per Section 139 of the Act read with the Companies (Audit and Auditors) Rules, 2014, the Members of the Company in its 58<sup>th</sup> Annual General Meeting held on 11<sup>th</sup> May, 2017 approved the appointment of M/s. B S R & Co. LLP, Chartered Accountants (ICAI Registration No - 101248W/W-100022), as the Statutory Auditors of the Company for an initial term of 5 years i.e. from the conclusion of 58<sup>th</sup> Annual General Meeting till the conclusion of 63<sup>rd</sup> Annual General Meeting of the Company.

The Report given by M/s. B S R & Co. LLP, Chartered Accountants on the financial

statements of the Company for the year 2017 is part of the Annual Report. There has been no qualification, reservation or adverse remark or disclaimer in their Report. During the year under review, the Auditors had not reported any matter under Section 143 (12) of the Act, therefore no detail is required to be disclosed under Section 134 (3)(ca) of the Act.

## Cost Auditors

As per Section 148 of the Act read with the Companies (Cost Records and Audit) Rules, 2014, the Audit Committee recommended and the Board of Directors appointed M/s. Ramanath Iyer and Co., Cost Accountants, New Delhi (Registration No. 00019) being eligible, as Cost Auditors of the Company, to carry out the cost audit of milk powder, etc. manufactured by the Company falling under the specified Customs Tariff Act Heading 0402 in relation to the financial year ending 31<sup>st</sup> December, 2018. The Company has received their written consent that the appointment is in accordance with the applicable provisions of the Act and rules framed thereunder. The remuneration of Cost Auditors has been approved by the Board of Directors on the recommendation of Audit Committee and in terms of the Act and Rules thereunder requisite resolution for ratification of remuneration of the Cost Auditors by the members has been set out in the Notice of the 59<sup>th</sup> Annual General Meeting of your Company.

## Secretarial Auditors

The Secretarial Audit was carried out by M/s. S.N. Ananthasubramanian & Co., Company Secretaries (PCS Registration No. 1774) for the financial year 2017. The Report given by the Secretarial Auditors is annexed as Annexure - 5 and forms an integral part of this Board's Report. There has been no qualification, reservation or adverse remark or disclaimer in their Report. During the year under review, the Secretarial Auditors had not reported any matter under Section 143 (12) of the Act, therefore no detail is required to be disclosed under Section 134 (3)(ca) of the Act.

In terms of Section 204 of the Act, read

with the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the Audit Committee recommended and the Board of Directors appointed M/s. S.N. Ananthasubramanian & Co., Company Secretaries (PCS Registration No.1774) as the Secretarial Auditors of the Company in relation to the financial year ending 31<sup>st</sup> December, 2018. The Company has received their written consent that the appointment is in accordance with the applicable provisions of the Act and rules framed thereunder.

## Meetings of the Board

During the year, the Board of Directors had seven Board meetings. For details of the meetings of the Board, please refer to the Corporate Governance Report.

## Extract of Annual Return

The extract of the Annual Return of the Company is annexed as Annexure - 6 and forms an integral part of this Board's Report.

## Details of Loans and Investments

Details of the loans given by your Company under Section 186 of the Act during the financial year ended 31<sup>st</sup> December, 2017 are as follows: Nestlé R&D Centre India Private Limited (Fellow Subsidiary): ₹500 Million at the interest rate of 7.67% for general business purpose (Loan outstanding at the end of the year was Nil); and SMA Nutrition India Private Limited (Fellow Subsidiary): ₹50 Million at the interest rate of 7.67% for general business purpose (Loan outstanding at the end of the year was Nil). For details of investments, please refer note 6 and 10 of the financial statements.

## Related Party Transactions

Your Company has formulated a policy on related party transactions which is also available on Company's website at <https://www.nestle.in/investors/policies>. This policy deals with the review and approval of related party transactions. The Board of Directors of the Company had approved the criteria for

making the omnibus approval by the Audit Committee within the overall framework of the policy on related party transactions. Prior omnibus approval is obtained for related party transactions which are of repetitive nature and entered in the ordinary course of business and on an arm's length basis. All related party transactions are placed before the Audit Committee for review and approval.

All related party transactions entered during the Financial Year were in ordinary course of the business and on an arm's length basis. No material related party transactions were entered during the Financial Year by your Company. Accordingly, the disclosure of related party transactions, as required under Section 134(3)(h) of the Act, in Form AOC 2 is not applicable to your Company. Members may refer to note 49 of the financial statements which sets out related party disclosures pursuant to IND AS-24.

## Risk Management

The Board of Directors had constituted Risk Management Committee to identify elements of risk in different areas of operations and to develop policy for actions associated to mitigate the risks.

The Committee on timely basis informed members of Board of Directors about risk assessment and minimization procedures which in the opinion of the Committee may threaten the existence of the Company. The details of Risk Management Committee including composition thereof are included in the Corporate Governance Report.

## Public Deposits

Your Company had not accepted any Public Deposits under Chapter V of the Act.

## Significant and Material orders passed by the Regulators/Courts/Tribunals

No significant or material orders were passed

by the Regulators or Courts or Tribunals which impacts the going concern status and Company's operations in future.

## Complaint filed in National Commission

The Union of India, Department of Consumer Affairs in 2015 had filed a complaint before the National Consumer Dispute Redressal Commission on the allegation that by selling MAGGI Noodles in the past, the Company has indulged in unfair trade practice, sold defective goods to the public and sold goods which will be hazardous. Complaint seeks compensation of ₹2,845.5 million and punitive damages of ₹3,554.1 million. Your Company has challenged the complaint. The court proceedings are currently ongoing.

## Internal Financial Controls and their adequacy

The Directors had laid down internal financial controls to be followed by your Company and such policies and procedures adopted by the Company for ensuring the orderly and efficient conduct of its business, including adherence to Company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information. The Audit Committee evaluates the internal financial control system periodically.

## Audit Committee

During the year under review, Dr. Rakesh Mohan, Independent Non-Executive Director, was appointed as a Member of the Committee in place of Mr. Ravinder Narain. The Audit Committee comprises Independent Non-Executive Directors, namely, M/s. AK Mahindra (Chairperson), Rakesh Mohan and Rajya Vardhan Kanoria. Powers and role of the Audit Committee are included in Corporate Governance Report. All the recommendations made by the Audit Committee were accepted by the Board of Directors.

## Vigil Mechanism

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The Vigil Mechanism of the Company is governed by significant documents "The Nestlé Corporate Business Principles", "The Nestlé Management and Leadership Principles" and "Nestlé Code of Business Conduct". The said mechanism is available to the directors/employees, who 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 victimization of directors/employees 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 your Company under the Code provides Integrity Reporting System ("IRS"), an independent third party operated free phone and web based facility for the directors and employees of your Company across all locations. The details of IRS along with FAQs are available to the directors and employees on the Company's intranet portal. 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 employees reporting. The Company also provides an independent third party operated free phone and web based facility, named, "Tell us", to all internal and external stakeholders with a dedicated communication channel for reporting potential instances of non-compliances with the Nestlé Corporate Business Principles. Details of "Tell Us" are available on the Company's website [www.nestle.in](http://www.nestle.in).

## Information regarding Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo

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Information required under Section 134(3)(m) of the Act read with Rule 8 of the Companies (Accounts) Rules, 2014 for the financial year

ended 31<sup>st</sup> December, 2017 in relation to the Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo is given in the **Annexure - 7** and forms an integral part of this Board's Report.

## Information regarding Employees and related disclosures

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Your Company considers people as its biggest assets and 'Believing in People' is at the heart of its human resource strategy. Your Company 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 in all its employees and seeks to ensure that Nestlé values and principles are understood by all and are the reference point in all people matters.

The statement of Disclosure of Remuneration under Section 197 of the Act and Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 ("Rules"), is given as **Annexure – 8** forming part of this Board's Report. However, as per first proviso to Section 136(1) of the Act and second proviso of Rule 5 of the Rules, the Report and Financial Statements are being sent to the Members of the Company excluding the statement of particulars of employees under Rule 5(2) of the Rules. Any Member interested in obtaining a copy of the said statement may write to the Company Secretary at the Registered Office of the Company.

As per the requirement of The Sexual Harassment of Women at Workplace (Prevention, Prohibition & Redressal) Act, 2013 ('SHWW Act'), your Company has a robust mechanism in place to redress complaints reported under it. There is an Internal Committee (IC) composed of internal members and an external member who has extensive experience in the field. In 2017, 5 cases of sexual harassment were reported in the Company and all 5 have been investigated and were resolved as per the provisions of the SHWW Act. During the course of the year, several initiatives were undertaken to demonstrate the Company's zero tolerance philosophy against discrimination and sexual harassment, which included creation of comprehensive and easy to understand training and communication material which are also made easily accessible. In addition, workshops were also run for the employees to enhance awareness and knowledge of other biases that may influence thinking and actions.

## Trade Relations

Your Company maintained healthy, cordial and harmonious industrial relations at all levels. Despite severe competition, the enthusiasm and unstinting efforts of the employees have enabled your 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 utilization of the

Company's resources for sustainable and profitable growth.

The Directors hereby wish 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 and look forward to the long term future with confidence.

On behalf of the Board of Directors

Suresh Narayanan  
Chairman and Managing Director

Date : 14<sup>th</sup> February, 2018  
Place : Gurugram

# **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NESTLÉ INDIA LIMITED**

## **Report on the Ind AS Financial Statements**

We have audited the accompanying Ind AS financial statements of Nestlé India Limited ("the Company"), which comprise the Balance Sheet as at 31 December 2017, the Statement of Profit and Loss (including Other Comprehensive Income), the Statement of Cash Flows and the Statement of Changes in Equity for the year then ended, and a summary of significant accounting policies and other explanatory information (collectively referred to as "Ind AS financial statements")

## **Management's Responsibility for the Ind AS Financial Statements**

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ('the Act') with respect to preparation of these Ind AS financial statements that give a true and fair view of the state of affairs (financial position), profit or loss (financial performance including other comprehensive income), cash flows and changes in equity of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards (Ind AS) prescribed under Section 133 of the Act.

This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgements and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the Ind AS financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

## **Auditor's Responsibility**

Our responsibility is to express an opinion on these Ind AS financial statements based on our audit. We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

We conducted our audit of the Ind AS financial statements in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Ind AS financial statements are free from material misstatement.

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

# NESTLÉ INDIA LIMITED

of material misstatement of the Ind AS financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the Ind AS financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the Ind AS financial statements.

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

## Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid Ind AS 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 including the Ind AS, of the state of affairs (financial position) of the Company as at 31 December 2017, and its profit (financial performance including other comprehensive income), its cash flows and the changes in equity for the year ended on that date.

## Other matter

The comparative financial information of the Company for the year ended 31 December 2016 and the transition date opening balance sheet as at 1 January 2016 included in these Ind AS financial statements, are based on the previously issued statutory financial statements prepared in accordance with the Companies (Accounting Standards) Rules, 2006 audited by A.F. Ferguson & Co., Chartered Accountants, the predecessor auditor, whose report for the year ended 31 December 2016 and 31 December 2015 dated 15 February 2017 and 12 February 2016 respectively expressed an unmodified opinion on those financial statements, as adjusted for the differences in the accounting principles adopted by the Company on transition to the Ind AS, which have been audited by us.

Our opinion is not modified in respect of these matter.

## Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2016 ('the Order'), issued by the Central Government of India in terms of Section 143(11) of the Act, we give in "Annexure A", a statement on the matters specified in paragraphs 3 and 4 of the said Order.
2. As required by Section 143(3) of the Act, we report that:
  - a) we have sought and 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 (including Other Comprehensive Income), the Statement of Cash Flows and Statement of Changes in Equity dealt with by this Report are in agreement with the books of account;
- d) in our opinion, the aforesaid Ind AS financial statements comply with the Indian Accounting Standards specified under Section 133 of the Act;
- e) on the basis of written representations received from the directors as on 31 December 2017, and taken on record by the Board of Directors, none of the directors is disqualified as on 31 December 2017 from being appointed as a director in terms of Section 164(2) of the Act;
- f) with respect to the adequacy of internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate report in "Annexure B"; and
- g) with respect to the other matters to be included in the Auditor's Report in accordance with the Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
  - i. The Company has disclosed the impact of pending litigations on its financial position in its Ind AS financial statements – Refer to Note 39 and 48 of the Ind AS financial statements;
  - ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses;
  - iii. There have been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company; and
  - iv. The Company did not have any holdings or dealings in Specified Bank Notes during the period from 8 November 2016 to 30 December 2016 - Refer to note 53 of the Ind AS financial statements.

For B S R & Co. LLP  
Chartered Accountants  
Firm Registration No.: 101248W/W-100022

Place: Gurugram  
Date: 14 February 2018

Jiten Chopra  
Partner  
Membership No.: 092894

**Annexure - A to the Independent Auditor's Report of even date on the Ind AS financial statements of Nestlé India Limited**

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) The Company has a regular programme of physical verification of its fixed assets by which all fixed assets are verified in a phased manner over a period of two years. In our opinion, the periodicity of physical verification is reasonable having regard to the size of the Company and the nature of its assets. As informed to us, no material discrepancies were noticed on such verification.
- (c) According to the information and explanations given to us and the records examined by us and based on the examination of the registered sale deed / transfer deed / conveyance deed provided to us, we report that, the title deeds, comprising all the immovable properties of land and buildings which are freehold, are held in the name of the Company as at the balance sheet date. In respect of immovable properties of land and buildings that have been taken on lease and disclosed as fixed asset in the financial statements, the lease agreements are in the name of the Company, where the Company is the lessee in the agreement.
- (ii) The inventory, except goods in transit has been physically verified by the management during the year. In our opinion, the frequency of such verification is reasonable. According to the information and explanations given to us, the discrepancies noticed on physical verification of inventory as compared to book records were not material and have been properly dealt with in the books of account.
- (iii) The Company has not granted any loans, secured or unsecured, to companies, firms, Limited Liability Partnerships or other parties covered in the register maintained under section 189 of the Companies Act, 2013. Accordingly, clause 3(iii) of the order is not applicable.
- (iv) According to the information and explanations given to us and on the basis of our examination of the records of the Company, the Company has not entered into any transactions in respect of loans, investments, guarantees, and security which are covered under section 185 of the Companies Act, 2013.
- The Company has complied with the provisions of Section 186 of the Companies Act, 2013 in respect of grant of loans, making investments and providing guarantees and securities, as applicable.
- (v) According to the information and explanations given to us, the Company has not accepted any deposits covered under section 73 to 76 or any other relevant provisions of the Companies Act, 2013 and the rules framed there under. Accordingly, clause 3(v) of the Order is not applicable.
- (vi) We have broadly reviewed the records maintained by the Company pursuant to the rules prescribed by Central Government for maintenance of cost records under sub section (1) of Section 148 of the Act and are of the opinion that *prima facie*, the prescribed accounts and records have been made and maintained. However, we have not made a detailed examination of the records.
- (vii) (a) According to the information and explanations given to us and on the basis of our examination of the records of the Company, amounts deducted/ accrued in the books of account in respect of undisputed statutory dues including Provident Fund, Employees' State Insurance, Income-tax, Sales-tax, Service tax, Duty of Customs, Duty of Excise, Value added tax, Goods and Service Tax, Cess and other statutory dues have been regularly deposited during the year by the Company with the appropriate authorities.
- According to the information and explanations given to us, no undisputed amounts payable in respect of Provident Fund, Employees State Insurance, Income-tax, Sales tax, Service tax, Duty of customs, Duty of excise, Value added tax, Goods and Service Tax, Cess and other statutory dues were in arrears as at 31 December 2017 for a period of more than six months from the date they became payable.
- (b) According to the information and explanations given to us, except as stated in Appendix 1, there are no dues of income-tax, sales tax, service tax, duty of customs, duty of excise or value added tax which have not been deposited on account of any dispute.
- (viii) In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to its bankers. The Company did not have any dues payable to any financial institutions, government or debentures holders during the year.
- (ix) The Company has not raised any money by way of initial public offer, further public offer (including debt instruments) and term loans during the year. Accordingly, the provisions of clause 3(ix) of the Order are not applicable to the Company.
- (x) According to the information and explanations given to us, no material fraud by the Company or no material fraud on the Company by its officers or employees, has been noticed or reported during the year.
- (xi) According to the information and explanations given to us and based on our examination of the records, the Company has paid or provided for managerial remuneration in accordance with the requisite approvals mandated by the provisions of section 197 read with Schedule V to the Act.

# NESTLÉ INDIA LIMITED

- (xii) In our opinion and according to the information and explanations given to us, the Company is not a Nidhi Company. Accordingly, clause 3(xii) of the Order is not applicable.
- (xiii) According to the information and explanations given to us and based on our examinations of the records of the Company, transactions with the related parties are in compliance with sections 177 and 188 of the Act, where applicable. The details of such related party transactions have been disclosed in the Ind AS financial statements as required by applicable accounting standards.
- (xiv) According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year. Accordingly, clause
- 3(xiv) of the Order is not applicable.
- (xv) According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not entered into non-cash transactions with directors or persons connected with him. Accordingly, clause 3(xv) of the Order is not applicable.
- (xvi) According to the information and explanations given to us, the Company is not required to be registered under section 45-IA of the Reserve Bank of India Act, 1934.

For B S R & Co. LLP  
*Chartered Accountants*  
Firm Registration No.: 101248W/W-100022

Place: Gurugram  
Date: 14 February 2018

Jiten Chopra  
*Partner*  
Membership No.: 092894

## Appendix 1 to the statement on the matters specified in paragraph vii(b) of the Companies Auditors Report Order, 2016

Name of the Statute	Nature of Dues	Amount*	Amount Paid under protest	Period to which amount relates	Forum where case is pending
Central Excise Act, 1944	Duty of Excise	68.7	15.5	1996-2006	Supreme Court
Central Excise Act, 1944	Duty of Excise	0.9	-	1994	High Court
Central Excise Act, 1944	Duty of Excise	97.7	36.5	2005-2008, 2012-2013	Customs, Excise and Service Tax Appellate Tribunal
Central Excise Act, 1944	Duty of Excise	0.5	-	2000	Commissioner
Customs Act 1962	Custom Duty	52.8	3.8	2008-2013	Customs, Excise and Service Tax Appellate Tribunal
Customs Act 1962	Custom Duty	53.0	2.9	2008-2009	Commissioner
The Finance Act, 1994	Service Tax	626.8	214.3	2005-2007, 2008, 2010-2014	Customs, Excise and Service Tax Appellate Tribunal
Central Sales Tax/ Value Added Tax	Sales Tax/ VAT	101.3	2.5	1997-1998, 2000-2006, 2007-2009, 2014-2015	High Court
Central Sales Tax/ Value Added Tax	Sales Tax/ VAT	164.1	54.9	2004-2005, 2006-2007, 2010-2015	Tribunal
Central Sales Tax/ Value Added Tax	Sales Tax/ VAT	183.6	-	2005-2012	Appellate & Revisional Board
Central Sales Tax/ Value Added Tax	Sales Tax/ VAT	21.9	2.2	2004-2007, 2008-2009, 2011-2013, 2014-2015	Commissioner (Appeals)
Central Sales Tax/ Value Added Tax	Sales Tax/ VAT	77.8	1.1	2004-2005, 2010-2012	Commissioner
Central Sales Tax/ Value Added Tax	Sales Tax/ VAT	51.5	5.8	2008-2009, 2010-2011, 2012-2015	Additional Commissioner
Central Sales Tax/ Value Added Tax	Sales Tax/ VAT	1.1	0.2	2007-2008	Assessing Officer
Income Tax Act, 1961	Income Tax	1,253.2	-	1996-2001, 2004-2008	Supreme Court
Income Tax Act, 1961	Income Tax	298.6	-	2000-2004	High Court
Income Tax Act, 1961	Income Tax	2,904.0	33.4	2006-2007, 2008-2014	Income Tax Appellate Tribunal
Income Tax Act, 1961	Income Tax	691.3	-	2007-2008, 2014-2015	CIT (Appeals)

\*As per Demand orders

## **Annexure - B to the Independent Auditor's Report of even date on the Ind AS financial statements of Nestlé India Limited**

### **Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")**

We have audited the internal financial controls over financial reporting of Nestlé India Limited ("the Company") as of 31 December 2017 in conjunction with our audit of the Ind AS financial statements of the Company for the year ended on that date.

#### **Management's Responsibility for Internal Financial Controls**

The Company's management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India ('ICAI'). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to Company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

#### **Auditor's Responsibility**

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") and the Standards on Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system over financial reporting.

#### **Meaning of Internal Financial Controls Over Financial Reporting**

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

#### **Inherent Limitations of Internal Financial Controls Over Financial Reporting**

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

#### **Opinion**

In our opinion, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31 December 2017, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting, issued by the Institute of Chartered Accountants of India.

For B S R & Co. LLP  
Chartered Accountants  
Firm Registration No.: 101248W/W-100022

Place: Gurugram  
Date: 14 February 2018

Jiten Chopra  
Partner  
Membership No.: 092894

# NESTLÉ INDIA LIMITED

## BALANCE SHEET AS AT 31 DECEMBER 2017

	NOTES	As at 31 December 2017 (₹ in million)	As at 31 December 2016 (₹ in million)	As at 1 January 2016 (₹ in million)
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, Plant and Equipment	5	26,161.8	27,301.4	28,978.5
Capital work-in-progress		941.6	1,881.7	2,307.9
Financial Assets				
Investments	6	5,852.8	4,743.1	3,417.8
Loans	7	463.5	643.7	627.4
Other non-current assets	8	832.3	706.7	676.9
		34,252.0	35,276.6	36,008.5
<b>Current assets</b>				
Inventories	9	9,024.7	9,400.6	8,208.1
Financial Assets				
Investments	10	13,935.9	12,813.5	9,879.4
Trade receivables	11	889.7	979.3	784.2
Cash and cash equivalents	12	14,476.9	8,693.2	4,892.7
Bank Balances other than cash and cash equivalents	13	97.3	106.8	102.8
Loans	14	288.0	166.0	181.7
Other financial assets	15	427.9	326.7	222.7
Current tax assets		63.9	27.3	327.6
Other current assets	16	169.6	314.6	304.8
		39,373.9	32,828.0	24,904.0
	<b>Total Assets</b>	<b>73,625.9</b>	<b>68,104.6</b>	<b>60,912.5</b>
<b>EQUITY AND LIABILITIES</b>				
<b>EQUITY</b>				
Equity Share Capital	17	964.2	964.2	964.2
Other Equity	18	33,241.7	31,859.1	29,394.4
		34,205.9	32,823.3	30,358.6
<b>LIABILITIES</b>				
<b>Non-current liabilities</b>				
Financial Liabilities				
Borrowings	19	351.4	331.5	167.9
Provisions	20	22,915.9	19,722.1	15,971.7
Deferred tax liabilities (net)	21	1,219.6	1,553.4	1,747.0
Other non-current liabilities	22	6.0	6.8	-
		24,492.9	21,613.8	17,886.6
<b>Current liabilities</b>				
Financial Liabilities				
Borrowings	23	-	-	9.4
Trade payables	24	9,846.4	7,991.6	7,494.1
Other financial liabilities	25	3,140.2	3,116.4	2,492.7
Provisions	26	874.6	538.0	506.4
Other current liabilities	27	1,065.9	2,021.5	2,164.7
		14,927.1	13,667.5	12,667.3
	<b>Total Equity and liabilities</b>	<b>73,625.9</b>	<b>68,104.6</b>	<b>60,912.5</b>

See accompanying notes 1 to 54 forming part of the financial statements

As per our report of even date attached

For and on behalf of the Board of Directors

For B S R & CO. LLP

F.R.N. : 101248W/W-100022

Chartered Accountants

JITEN CHOPRA

Partner

Membership No. - 092894

SURESH NARAYANAN

Chairman and Managing Director

(DIN-07246738)

SHOBINDER DUGGAL

Director - Finance & Control and CFO

(DIN-00039580)

B. MURLI

Sr. VP - Legal & Company Secretary

14 February 2018

14 February 2018

Gurugram

Gurugram

**STATEMENT OF PROFIT AND LOSS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

	NOTES	Year ended 31 December 2017 (₹ in million)	Year ended 31 December 2016 (₹ in million)
<b>A INCOME</b>			
Domestic Sales		94,724.5	87,530.8
Export Sales		6,626.6	6,565.2
<b>Sale of products</b>	35	101,351.1	94,096.0
Other operating revenues	28	570.7	649.7
<b>i Revenue from operations</b>		101,921.8	94,745.7
<b>ii Other Income</b>	29	1,769.2	1,509.0
<b>Total Income</b>		103,691.0	96,254.7
<b>B EXPENSES</b>			
i Cost of materials consumed	30	42,316.6	37,750.9
ii Purchases of stock-in-trade		1,747.6	1,153.8
iii Changes in inventories of finished goods, work-in-progress and stock-in-trade	31	(795.6)	(76.6)
iv Excise duty		1,825.8	3,332.3
v Employee benefits expense	32	10,174.5	9,015.7
vi Finance costs (including interest cost on employee benefit plans)	33	919.0	909.1
vii Depreciation and Amortisation	5	3,422.5	3,536.7
viii Other expenses	34	24,170.2	22,954.6
ix Impairment loss on property, plant and equipment	5	371.8	118.3
Net provision for contingencies	39		
x - Operations		383.6	418.0
xi - Others		492.9	876.5
xii Corporate social responsibility expense	40	269.1	313.6
<b>Total Expenses</b>		85,298.0	80,693.1
<b>C PROFIT BEFORE EXCEPTIONAL ITEMS AND TAX (A-B)</b>		18,393.0	15,561.6
<b>D Exceptional items</b>	41	-	107.8
<b>E PROFIT BEFORE TAX (C-D)</b>		18,393.0	15,453.8
<b>F Tax expense</b>			
Current tax	42	6,491.7	5,611.9
Deferred tax	42	(350.6)	(171.7)
<b>G PROFIT AFTER TAX (E-F)</b>		12,251.9	10,013.6

**STATEMENT OF PROFIT AND LOSS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

	NOTES	Year ended 31 December 2017 (₹ in million)	Year ended 31 December 2016 (₹ in million)
<b>H OTHER COMPREHENSIVE INCOME</b>			
(a) (i) Items that will not be reclassified to profit or loss			
Re-measurement of retiral defined benefit plans	36	(1,387.3)	(843.9)
Changes in fair value of equity instruments		-	(200.0)
(ii) Income taxes relating to Items that will not be reclassified to profit or loss		480.1	292.1
		<hr style="border-top: 1px solid black;"/>	<hr style="border-top: 1px solid black;"/>
		(907.2)	(751.8)
(b) (i) Items that will be reclassified to profit or loss			
Changes in fair value of cash flow hedges		26.7	(13.1)
(ii) Income taxes relating to Items that will be reclassified to profit or loss		(9.3)	4.5
		<hr style="border-top: 1px solid black;"/>	<hr style="border-top: 1px solid black;"/>
<b>TOTAL OTHER COMPREHENSIVE INCOME (a+b)</b>		<b>17.4</b>	<b>(8.6)</b>
<b>I TOTAL COMPREHENSIVE INCOME (G+H)</b>		<b>(889.8)</b>	<b>(760.4)</b>
<b>Weighted average number of equity shares outstanding</b>	Nos.	<b>11,362.1</b>	<b>9,253.2</b>
Basic and Diluted Earnings Per Share (Face value ₹ 10)	₹	96,415,716	96,415,716
		127.07	103.86
<b>ADDITIONAL INFORMATION (Refer Note 2):</b>			
<b>PROFIT FROM OPERATIONS [C - A(ii) + B(vi) + B(xi) + B(xii)]</b>		<b>18,304.8</b>	<b>16,542.0</b>

**See accompanying notes 1 to 54 forming part of the financial statements**

As per our report of even date attached

For and on behalf of the Board of Directors

For B S R & CO. LLP

F.R.N. : 101248W/W-100022

Chartered Accountants

JITEN CHOPRA  
Partner  
Membership No. - 092894

SURESH NARAYANAN  
Chairman and Managing Director  
(DIN-07246738)

14 February 2018  
Gurugram

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

B. MURLI  
Sr. VP - Legal & Company Secretary

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2017

	Year ended 31 December 2017 (₹ in million)	Year ended 31 December 2016 (₹ in million)
<b>A CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit Before Tax	18,393.0	15,453.8
Adjustments for :		
Depreciation and Amortisation	3,422.5	3,536.7
Impairment loss on property, plant and equipment	371.8	118.3
Deficit/ (Surplus) on property, plant and equipment sold/scrapped/written off (net)	50.2	13.7
Other income	(1,769.2)	(1,509.0)
Interest on bank overdraft and others	6.6	35.1
Unrealised exchange differences	(5.8)	3.6
Capital subsidy	-	(4.5)
<b>Operating profit before working capital changes</b>	<b>20,469.1</b>	17,647.7
Adjustments for working capital changes:		
Decrease/(increase) in trade receivables	84.3	(192.2)
Decrease/(increase) in inventories	375.9	(1,192.5)
Decrease/(increase) in loans, other financial assets & other assets	25.4	(59.6)
Increase/(decrease) in trade payable	1,850.2	497.5
Increase/(decrease) in other financial liabilities & other liabilities	(729.4)	49.1
Increase/(decrease) in provision for contingencies	876.6	1,684.7
Increase/(decrease) in provision for employee benefits	1,266.5	1,253.4
<b>Cash generated from operations</b>	<b>24,218.6</b>	19,688.1
Income taxes paid	(6,040.7)	(5,029.0)
<b>Net cash generated from operating activities</b>	<b>18,177.9</b>	14,659.1
<b>B CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(1,985.6)	(2,070.1)
Sale of property, plant and equipment	27.1	936.8
Purchase of tax free long term bonds	(1,118.1)	(1,527.7)
Decrease/(increase) in loans to employees	71.4	9.4
Dividend received on mutual funds	161.3	133.6
Interest received on bank deposits, investments, tax free bonds, employee loans etc.	1,538.3	1,259.0
<b>Net cash used in investing activities</b>	<b>(1,305.6)</b>	(1,259.0)
<b>C CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase in deferred VAT liabilities under state government schemes	19.9	163.5
Interest on bank overdraft and others	(6.6)	(35.1)
Dividends paid	(8,291.8)	(5,640.3)
Dividend distribution tax paid	(1,687.7)	(1,148.2)
Capital subsidy	-	4.0
<b>Net cash used in financing activities</b>	<b>(9,966.2)</b>	(6,656.1)
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS (A + B + C)</b>	<b>6,906.1</b>	6,744.0

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

	Year ended 31 December 2017 (₹ in million)	Year ended 31 December 2016 (₹ in million)
Cash and cash equivalents (Refer note 12)	8,693.2	4,892.7
Current investments (Refer note 10)	12,813.5	9,879.4
Bank overdraft (Refer note 23)	-	(9.4)
<b>Total cash and cash equivalents at the beginning of the year (as per Ind AS 7)</b>	<b>21,506.7</b>	<b>14,762.7</b>
Cash and cash equivalents (Refer note 12)	14,476.9	8,693.2
Current investments (Refer note 10)	13,935.9	12,813.5
Bank overdraft (Refer note 23)	-	-
<b>Total cash and cash equivalents at the end of the year (as per Ind AS 7)</b>	<b>28,412.8</b>	<b>21,506.7</b>
<b>NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>6,906.1</b>	<b>6,744.0</b>

**Notes:**

The above Cash Flow Statement has been prepared under the "Indirect Method" as set out in Ind AS 7 on 'Statement of Cash Flows'.

As per our report of even date attached

For and on behalf of the Board of Directors

For B S R & CO. LLP

F.R.N. : 101248W/W-100022

Chartered Accountants

JITEN CHOPRA

Partner

Membership No. - 092894

SURESH NARAYANAN

Chairman and Managing Director

(DIN-07246738)

SHOBINDER DUGGAL

Director - Finance & Control and CFO

(DIN-00039580)

B. MURLI

Sr. VP - Legal & Company Secretary

14 February 2018

Gurugram

14 February 2018

Gurugram

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER, 2017

	(₹ in million)			
A) EQUITY SHARE CAPITAL				
Balance as at 1 January 2016			964.2	
Movement during the year			-	
Balance as at 31 December 2016			964.2	
Movement during the year			-	
Balance as at 31 December 2017			964.2	
B) OTHER EQUITY	(₹ in million)			
	Reserves and Surplus		Items of Other Comprehensive Income	
	General Reserve	Retained Earnings	Equity Instrument through Other Comprehensive Income	Effective portion of Cash Flow Hedges
Balance as at 1 January 2016	8,374.3	21,016.0	-	4.1
Profit after tax	-	10,013.6	-	10,013.6
Other comprehensive income	-	(551.8)	(200.0)	(8.6)
<b>Total comprehensive income</b>	<b>-</b>	<b>9,461.8</b>	<b>(200.0)</b>	<b>(8.6)</b>
Dividend (Refer note 52)	-	(5,640.3)	-	(5,640.3)
Dividend Distribution tax	-	(1,148.2)	-	(1,148.2)
<b>Total appropriations</b>	<b>-</b>	<b>(6,788.5)</b>	<b>-</b>	<b>(6,788.5)</b>
Balance as at 31 December 2016	8,374.3	23,689.3	(200.0)	(4.5)
Profit after tax	-	12,251.9	-	12,251.9
Other comprehensive income	-	(907.2)	-	17.4
<b>Total comprehensive income</b>	<b>-</b>	<b>11,344.7</b>	<b>-</b>	<b>17.4</b>
Dividend (Refer note 52)	-	(8,291.8)	-	(8,291.8)
Dividend Distribution tax	-	(1,687.7)	-	(1,687.7)
<b>Total appropriations</b>	<b>-</b>	<b>(9,979.5)</b>	<b>-</b>	<b>(9,979.5)</b>
Balance as at 31 December 2017	8,374.3	25,054.5	(200.0)	12.9
				<b>33,241.7</b>

As per our report of even date attached

For B S R & CO. LLP

F.R.N. : 101248W/W-100022

Chartered Accountants

For and on behalf of the Board of Directors

JITEN CHOPRA

Partner

Membership No. - 092894

SURESH NARAYANAN

Chairman and Managing Director

(DIN-07246738)

SHOBINDER DUGGAL

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(DIN-00039580)

B. MURLI

Sr. VP - Legal & Company Secretary

14 February 2018

14 February 2018

Gurugram

Gurugram

## **NOTES FORMING PART OF THE FINANCIAL STATEMENTS**

### **1. CORPORATE INFORMATION**

Nestle India Limited ("the Company") is a company domiciled in India, with its registered office situated at 100/101, World Trade Centre, Barakhamba Lane, New Delhi – 110 001. The Company has been incorporated under the provisions of Indian Companies Act and its equity shares are listed on the BSE Limited in India. The Company is primarily involved in Food business which incorporates product groups viz. Milk Products and Nutrition, Prepared dishes and Cooking aids, Powdered and Liquid Beverages and Confectionery.

### **2. SIGNIFICANT ACCOUNTING POLICIES**

#### **BASIS OF PREPARATION AND MEASUREMENT**

##### **Statement of compliance**

The financial statements of the Company have been prepared in accordance with and to comply in all material aspects with the Indian Accounting Standards (Ind AS) as notified under Section 133 of the Companies Act, 2013 read with Companies (Indian Accounting Standards) Rules, 2015 and the relevant provisions of the Act, as applicable.

These financial statements for the year ended 31 December 2017 are the first financial statements of the Company prepared under Ind AS. For all periods upto and including the year ended 31 December 2016, the Company had prepared its financial statements in accordance with Accounting Standards notified under Section 133 of the Companies Act, 2013, read with Companies (Accounting Standards) Rules, 2006 ('Previous GAAP'). Detailed explanation on how the transition from Previous GAAP to Ind AS has affected the Company's financial position, financial performance and cash flows is given in Note 54.

Previous year's figures have been regrouped / reclassified wherever necessary to conform with the current year's classification / disclosures.

##### **Basis of measurement**

The financial statements have been prepared on accrual and going concern basis under the historical cost convention except for certain class of financial assets/ liabilities, share based payments and net liability for defined benefit plans that are measured at fair value. The accounting policies have been consistently applied by the Company unless otherwise stated.

##### **Financial Year**

The Company has opted the period of 1st day of January to 31st day of December, each year as its financial year for the purpose of preparation of financial statements under the provisions of Section 2(41) of the Companies Act, 2013, which the Company Law Board has allowed.

##### **Functional and Presentation Currency**

The financial statements have been prepared and presented in Indian Rupees (₹), which is also the Company's functional currency.

##### **Rounding off**

All amounts in the financial statement and accompanying notes are presented in ₹ million and have been rounded-off to one decimal place unless stated otherwise.

##### **Current and Non-current Classification**

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.

##### **Measurement of Profit from Operations**

For better understanding of the financial performance, the Company has chosen to present "Profit from Operations" as an additional information in the Statement of Profit and Loss. "Profit from Operations" is arrived from 'Profit before Exceptional items and Tax' after reducing Other Income and adding back Finance Costs (including interest cost on employee benefit plans), Net provision for contingencies (others) and corporate social responsibility expense.

## **NOTES FORMING PART OF THE FINANCIAL STATEMENTS**

### **Use of Estimates and Judgement**

The preparation of financial statements requires management to exercise judgement and make estimates and assumptions that affects the reported amounts of revenue, expenses, assets and liabilities. These estimates and assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. These estimates and underlying assumptions are reviewed on a periodic basis. Revisions to accounting estimates are recognised in the period in which the results are known/materialise.

The areas involving significant estimates and judgement include determination of useful life of property, plant and equipment (Refer note 5), measurement of defined benefit obligations (Refer Note 36), recognition and measurement of provisions and contingencies (Refer note 39) and recognition of deferred tax assets/liabilities (Refer Note 42).

### **Approval of financial statements**

The financial statements of the Company were approved for issue by the Board of Directors on 14 February 2018.

### **REVENUE RECOGNITION**

Revenue from sale of goods is recognised on transfer of significant risks & rewards of ownership and effective control to the buyer. Revenue is measured at the price charged to the customer and are recorded net of returns (if any), trade discounts, rebates, other pricing allowances to trade/consumer, when it is probable that the associated economic benefits will flow to the company.

Sales are presented gross of excise duty and net of Goods and Services Tax (GST), Value Added Tax (VAT)/ Sales Tax, wherever applicable.

In accordance with Ind AS 18 on "Revenue" and Schedule III to the Companies Act, 2013, Sales for the previous year ended 31 December 2016 and for the period 1 January to 30 June 2017 were reported gross of Excise Duty and net of Value Added Tax (VAT)/ Sales Tax. Excise Duty was reported as a separate expense line item. Consequent to the introduction of Goods and Services Tax (GST) with effect from 1 July 2017, VAT/Sales Tax, Excise Duty etc. have been subsumed into GST and accordingly the same is not recognised as part of sales as per the requirements of Ind AS 18.

Interest income is recognised using effective interest rate (EIR) method.

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

### **GOVERNMENT GRANTS**

Government grant in relation to fixed asset is treated as deferred income and is recognised in the statement of profit and loss on a systematic basis over the useful life of the asset.

Government grant in relation to investment outlay is recognised as income in the statement of profit & loss on fulfillment of the underlying attached conditions.

### **INVENTORIES**

Inventories are stated at cost or net realisable value, whichever is lower. However, raw materials, packing materials and other supplies held for use in the production of inventories are not written down below cost if the finished goods in which they will be incorporated are expected to be sold at or above cost. The bases of determining cost for various categories of inventories are as follows:

Raw and packing material	: 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

## NOTES FORMING PART OF THE FINANCIAL STATEMENTS

### EMPLOYEE BENEFITS

#### Employee benefit plans

The Company makes contributions to 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.

Liability for defined benefit plans i.e. gratuity and unfunded pension is determined based on the actuarial valuation carried out by an independent actuary as at the year-end. As these liabilities are relatively long term in nature, the actuarial assumptions take in account the requirements of the relevant Ind AS coupled with a long term view of the underlying variables / trends, wherever required.

Service cost and net interest cost on the defined benefit liabilities/assets are recognized in the statement of profit and loss as employee benefit expense and finance costs respectively. Gains and losses on remeasurement of defined benefits liabilities/plan assets arising from changes in actuarial assumptions and experience adjustments are recognised in the other comprehensive income and are included in retained earnings in the balance sheet.

Long term employee benefits such as compensated absences and long service awards are charged to statement of profit and loss 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.

#### 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.

### SHARE BASED PAYMENT

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 a Cash-Settled Share based payment as per the requirement of Ind AS 102 - Shared based Payment. Liability under the plan is initially measured at the fair value and charged to statement of profit and loss over the vesting period. The Company remeasures the outstanding units at each balance sheet date at their fair values 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 recognised in the statement of profit and loss over the vesting period.

### PROPERTY, PLANT AND EQUIPMENT

Items of property, plant & equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Cost is inclusive of freight, duties, taxes or levies (net of recoverable taxes) and any directly attributable cost of bringing the assets to their working condition for intended use.

Property, plant and equipment which are not ready for intended use as on the date of Balance Sheet are disclosed as "Capital work-in-progress".

Profit or loss on disposal/ scrapping/ write off/ retirement from active use of an item of property, plant and equipment is recognised in the statement of profit and loss.

On transition to Ind AS, the Company has elected to continue with the carrying value of all of its property, plant and equipment measured as per the Previous GAAP as at 1 January 2016 as its deemed cost on the date of transition. Under the Previous GAAP, in line with notification no. G.S.R. 225(E) dated 31 March 2009 and subsequent clarification via circular no. 25/2012 dated 9 August 2012 issued by Ministry of Corporate Affairs, Government of India, the Company had adjusted the exchange differences, arising on long term foreign currency monetary borrowings relating to acquisition of depreciable assets to the cost of the those assets.

### DEPRECIATION / AMORTISATION

The Company has assessed the useful lives of fixed assets as per Schedule II to the Companies Act, 2013. Accordingly, depreciation has been computed on useful lives based on technical evaluation of relevant class of assets including components

## **NOTES FORMING PART OF THE FINANCIAL STATEMENTS**

thereof. Useful lives and residual values are reviewed annually. Depreciation is provided as per the straight line method computed basis useful lives of fixed assets as follows:

Buildings	: 25 - 40 years
Plant & Machinery	: 5 - 25 years
Office Equipments	: 5 years
Furniture and fixtures	: 5 years
Vehicles	: 5 years
Information technology equipment	: 3 - 5 years

Freehold land is not depreciated. Leasehold land and related improvements are amortized over the period of the lease.

### **IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT**

At each balance sheet date, items of property, plant and equipment are reviewed to determine whether there is any indication of impairment. For the purpose of assessing impairment, assets are grouped at the levels for which there are separately identifiable cash flows (cash generating unit). If any impairment indicator exists, estimate of the recoverable amount of the property, plant and equipment /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.

### **LEASES**

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset/s and the arrangement conveys a right to use the asset/s, even if that right is not explicitly specified in an arrangement.

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the asset to the lessee. All other leases are classified as operating leases.

Payments made under operating leases are recognised as an expense in the statement of profit and loss on a straight-line basis over the term of the lease unless such payments are structured to increase in line with expected general inflation to compensate for the lessor's expected inflationary cost increases, in which case the same is recognised as an expense in line with the contractual term.

### **FOREIGN CURRENCY TRANSACTIONS**

Transactions in foreign currency are initially recorded in the functional currency i.e. Indian Rupees (₹) using the exchange rate at the date of transaction.

Monetary items (i.e. receivables, payables, loans etc.) denominated in foreign currency are reported using the closing exchange rate as 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.

Also refer to accounting policy on 'Derivatives and Hedge accounting'.

## **NOTES FORMING PART OF THE FINANCIAL STATEMENTS**

### **PROVISIONS AND CONTINGENT LIABILITIES**

Provisions for Contingencies/ Contingent liabilities are recognised/disclosed after evaluation of facts and legal aspects of the matter involved, in line with Ind AS 37 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. As the timing of outflow of resources is uncertain, being dependent upon the outcome of the future proceedings, these provisions are not discounted to their present value.

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.

### **BORROWING COSTS**

Borrowing costs directly attributable to acquisition or construction of items of property, plant and equipment which take substantial period of time to get ready for their intended use are capitalised as part of the cost of that asset. All other borrowing costs are charged to the statement of profit and loss in the period in which they are incurred.

### **FINANCIAL INSTRUMENTS**

#### **a) Recognition and Initial measurement**

The Company recognises financial assets and financial liabilities when it becomes a party to the contractual provisions of the instrument. All financial assets and liabilities are measured at fair value on initial recognition. Transaction costs in relation to financial assets and financial liabilities, other than those carried at fair value through profit or loss (FVTPL), are added to the fair value on initial recognition. Transaction costs in relation to financial assets and financial liabilities which are carried at fair value through profit or loss (FVTPL), are charged to the statement of profit and loss.

#### **b) Classification and subsequent measurement of financial assets**

##### **i) Debt Instruments**

For the purpose of subsequent measurement, financial assets in the nature of debt instruments are classified as follows:

**Amortised cost** - Financial assets that are held within a business model whose objective is to hold the asset in order to collect contractual cash flows that are solely payments of principal and interest are subsequently measured at amortised cost less impairments, if any. Interest income calculated using effective interest rate (EIR) method and impairment loss, if any are recognised in the statement of profit and loss.

**Fair value through other comprehensive income (FVOCI)** - Financial assets that are held within a business model whose objective is achieved by both holding the asset in order to collect contractual cash flows that are solely payments of principal and interest and by selling the financial assets, are subsequently measured at fair value through other comprehensive income. Changes in fair value are recognized in the other comprehensive income (OCI) and on derecognition, cumulative gain or loss previously recognised in OCI is reclassified to the statement of profit and loss. Interest income calculated using EIR method and impairment loss, if any are recognised in the statement of profit and loss.

**Fair value through profit or loss (FVTPL)** - A financial asset which is not classified in any of the above categories are subsequently measured at fair valued through profit or loss. Changes in fair value and income on these assets are recognised in the statement of profit and loss.

## **NOTES FORMING PART OF THE FINANCIAL STATEMENTS**

### **ii) Equity Instruments**

The Company has made investment in equity instruments that are initially measured at fair value. These investments are strategic in nature and held on a long-term basis. Accordingly, the company has elected irrevocable option to measure such investments at FVOCI. The Company makes such election on an instrument-by-instrument basis. Pursuant to such irrevocable option, changes in fair value are recognised in the OCI and is subsequently not reclassified to the statement of profit and loss.

### **c) Classification and subsequent measurement of financial liabilities**

For the purpose of subsequent measurement, financial liabilities are classified as follows:

**Amortised cost** - Financial liabilities are classified as financial liabilities at amortised cost by default. Interest expense calculated using EIR method is recognised in the statement of profit and loss.

**Fair value through profit or loss (FVTPL)** - Financial liabilities are classified as FVTPL if it is held for trading, or is designated as such on initial recognition. Changes in fair value and interest expense on these liabilities are recognised in the statement of profit and loss.

### **d) Derecognition of financial assets and financial liabilities**

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows including risks and rewards of ownership.

A financial liability is derecognised when the obligation under the liability is discharged or expires.

### **e) Impairment of financial assets**

Financial assets that are carried at amortised cost and fair value through other comprehensive income (FVOCI) are assessed for possible impairments basis expected credit losses taking into account the past history of recovery, risk of default of the counterparty, existing market conditions etc. The impairment methodology applied depends on whether there has been a significant increase in credit risk since initial recognition.

For Trade receivables, the Company provides for expected credit losses based on a simplified approach as per Ind AS 109 – Financial Instruments. Under this approach, expected credit losses are computed basis the probability of defaults over the lifetime of the asset.

### **f) Derivatives and hedge accounting**

Derivative instruments used by the company include forward contracts. The Company formally establishes a hedge relationship between such forward contracts ('hedging instrument') and recognized financial asset/liabilities ('hedged item') through a formal documentation at the inception of the hedge. Forward contracts are designated as hedging instruments against changes in fair value of recognised assets and liabilities (fair value hedges) and against highly probable forecast transactions (cash flow hedges). The effectiveness of hedge instruments is assessed at the inception and on an ongoing basis.

Derivatives instruments such as forward contracts are initially measured at fair value. When a forward contract is designated as a cash flow hedge, the effective portion of change in the fair value of the contract is recognised in the other comprehensive income and accumulated in other equity under "effective portion of cash flow hedges". Amount recognised in other equity is subsequently reclassified to the statement of profit and loss upon occurrence of the related forecasted transaction. Any ineffective portion of the change in the fair value of the contract is recognised immediately in the statement of profit and loss.

Changes in fair value of forward contracts designated as fair value hedge are recognised in the statement of profit and loss.

## **NOTES FORMING PART OF THE FINANCIAL STATEMENTS**

### **g) Fair value measurement**

Fair value of financial assets and liabilities is normally determined by references to the transaction price. If the fair value is not reliably determinable, the company determines the fair value using valuation techniques that are appropriate in the circumstances and for which sufficient data are available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

### **INCOME TAX**

Income tax expense comprises of current tax and deferred tax. Income tax expense is recognised in the statement of profit and loss, except when it relates to items recognised in the other comprehensive income or items recognised directly in the equity. In such cases, the income tax expense is also recognised in the other comprehensive income or directly in the equity as applicable.

Provision for current tax for the period comprises of

- a) estimated tax expense which has accrued on the profit for the period 1 April 2017 to 31 December 2017 and,
- b) the residual tax expense for the period 1 April 2016 to 31 March 2017 arising out of the finalisation of fiscal accounts (Assessment Year 2017-2018), under the provisions of the Indian Income tax Act, 1961.

Deferred taxes are recognised basis the balance sheet approach on temporary differences, being the difference between the carrying amount of assets and liabilities in the Balance Sheet and its corresponding tax base, that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax assets are recognised only to the extent it is probable that future taxable profits will be available against which such assets can be utilised.

### **EARNINGS PER SHARE**

Basic earnings per share is computed by dividing the net profit for the period attributable to the equity shareholders by the weighted average number of equity shares outstanding during the period. For the purpose of calculating diluted earnings per share, the net profit for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares, if any.

### **CASH AND CASH EQUIVALENTS**

Cash and cash equivalents for the purpose of Statement of Cash Flows include bank balances, cheques and drafts on hand including remittances in transit, demand deposits with banks where the original maturity is three months or less and other short term highly liquid investments that are readily convertible into cash and which are subject to an insignificant risk of changes in value. Bank overdrafts are included as a component of cash and cash equivalents for the purpose of Statement of Cash flows.

### **EVENTS OCCURRING AFTER THE BALANCE SHEET DATE**

All material events occurring after the balance sheet date upto the date of approval of financial statements by the board of directors on 14 February 2018, have been considered, disclosed and adjusted, wherever applicable, as per the requirements of Ind AS 10 - Events after the Reporting Period.

## **3. RECENT ACCOUNTING PRONOUNCEMENTS**

### **Amendment to Ind AS 7 - Statement of cash flows**

In March 2017, the Ministry of Corporate Affairs issued the Companies (Indian Accounting Standards) (Amendments) Rules, 2017, notifying amendments to Ind AS 7, 'Statement of cash flows'. The amendments to Ind AS 7 requires the entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes, suggesting inclusion of a reconciliation between the opening and closing balances in the Balance Sheet for liabilities arising from financing activities, to meet the disclosure requirement. The effect on the financial statements is being evaluated by the Company.

## NOTES FORMING PART OF THE FINANCIAL STATEMENTS

### 4 - Impact of implementation of Goods and Services Tax (GST) on the financial statements

In accordance with Ind AS 18 on "Revenue" and Schedule III to the Companies Act, 2013, Sales for the previous year ended 31 December 2016 and for the period 1 January to 30 June 2017 were reported gross of Excise Duty and net of Value Added Tax (VAT)/ Sales Tax. Excise Duty was reported as a separate expense line item. Consequent to the introduction of Goods and Services Tax (GST) with effect from 1 July 2017, VAT/Sales Tax, Excise Duty etc. have been subsumed into GST and accordingly the same is not recognised as part of sales as per the requirements of Ind AS 18. This has resulted in lower reported sales in the current year in comparison to the sales reported under the pre-GST structure of indirect taxes. With the change in structure of indirect taxes, expenses are also being reported net of taxes. Accordingly, Financial statements for the year ended 31 December 2017 and in particular, Sales, absolute expenses, elements of Working Capital (Inventories, Trade payable, other current assets/current liabilities etc.) and ratios in percentage of sales, are not comparable with the figures of the previous year.

### 5 - PROPERTY, PLANT AND EQUIPMENT

	GROSS BLOCK				DEPRECIATION/ AMORTISATION					NET BLOCK
	Cost as at 31 December 2016	Additions	Deletions / adjustments	Cost as at 31 December 2017	As at 31 December 2016	For the year	Impairment loss <sup>(1)</sup>	On deletions / adjustments	As at 31 December 2017	
Freehold land	174.0	-	-	174.0	-	-	-	-	-	174.0
Leasehold land	1,231.0	-	-	1,231.0	12.7	13.1	-	-	25.8	1,205.2
Buildings	8,650.0	382.6	0.6	9,032.0	408.5	371.1	1.0	0.2	780.4	8,251.6
Plant and machinery	19,724.0	2,168.4	88.3	21,804.1	2,674.4	2,719.1	370.8	13.6	5,750.7	16,053.4
Furniture and fixtures	688.3	24.9	5.3	707.9	410.6	161.8	-	4.9	567.5	140.4
Office equipment	113.0	21.2	1.7	132.5	29.5	26.9	-	0.2	56.2	76.3
IT equipment	344.2	134.9	1.5	477.6	108.5	124.3	-	1.2	231.6	246.0
Vehicles	26.7	-	1.5	25.2	5.6	6.2	-	1.5	10.3	14.9
<b>Total</b>	<b>30,951.2</b>	<b>2,732.0</b>	<b>98.9</b>	<b>33,584.3</b>	<b>3,649.8</b>	<b>3,422.5</b>	<b>371.8</b>	<b>21.6</b>	<b>7,422.5</b>	<b>26,161.8</b>

	GROSS BLOCK				DEPRECIATION/ AMORTISATION					NET BLOCK
	Cost as at 1 January 2016	Additions	Deletions / adjustments	Cost as at 31 December 2016	As at 1 January 2016	For the year	Impairment loss <sup>(1)</sup>	On deletions / adjustments	As at 31 December 2016	
Freehold land	169.0	5.0	-	174.0	-	-	-	-	-	174.0
Leasehold land	1,231.0	-	-	1,231.0	-	12.7	-	-	12.7	1,218.3
Buildings	7,866.8	788.3	5.1	8,650.0	-	363.2	45.7	0.4	408.5	8,241.5
Plant and machinery	18,778.4	972.2	26.6	19,724.0	-	2,605.5	72.6	3.7	2,674.4	17,049.6
Furniture and fixtures	638.7	64.8	15.2	688.3	-	410.9	-	0.3	410.6	277.7
Office equipment	68.8	44.6	0.4	113.0	-	29.6	-	0.1	29.5	83.5
IT equipment	216.2	129.1	1.1	344.2	-	109.2	-	0.7	108.5	235.7
Vehicles	9.6	17.1	-	26.7	-	5.6	-	-	5.6	21.1
<b>Total</b>	<b>28,978.5</b>	<b>2,021.1</b>	<b>48.4</b>	<b>30,951.2</b>	<b>-</b>	<b>3,536.7</b>	<b>118.3</b>	<b>5.2</b>	<b>3,649.8</b>	<b>27,301.4</b>

(1) Refer Note 38.

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS**

	As at 31 December 2017 (₹ in million)	As at 31 December 2016 (₹ in million)	As at 1 January 2016 (₹ in million)
<b>6 - NON-CURRENT INVESTMENTS</b>			
<b>At amortised cost</b>			
<b>Quoted</b>			
Tax free Bonds	<b>5,534.0</b>	4,424.3	2,899.0
<b>At fair value through Other Comprehensive Income</b>			
<b>Unquoted</b>			
Equity shares of Sahyadri Agro and Dairy Private Limited (2017, 2016, 2015: Fully paid up 1,415,050 equity shares of face value ₹10 each)	<b>318.8</b>	318.8	518.8
	<b>5,852.8</b>	<b>4,743.1</b>	<b>3,417.8</b>
Market value of quoted investments	<b>5,893.2</b>	<b>4,787.6</b>	<b>3,044.6</b>
<b>7 - NON-CURRENT LOANS</b>			
<b>Secured, considered good</b>			
Loans to employees	2.5	4.1	7.0
<b>Unsecured, considered good</b>			
Security deposits	357.1	343.4	308.7
Loans to employees	103.9	296.2	311.7
	<b>461.0</b>	<b>639.6</b>	<b>620.4</b>
	<b>463.5</b>	<b>643.7</b>	<b>627.4</b>
<b>8 - OTHER NON-CURRENT ASSETS</b>			
Capital advances	23.1	2.4	7.5
Prepaid expenses	5.6	4.9	4.2
Payments under protest with government authorities	803.6	699.4	665.2
Other receivables	-	103.2	103.2
Less: Allowance for doubtful receivables	-	(103.2)	(103.2)
	<b>832.3</b>	<b>706.7</b>	<b>676.9</b>

## NOTES FORMING PART OF THE FINANCIAL STATEMENTS

	As at 31 December 2017 (₹ in million)	As at 31 December 2016 (₹ in million)	As at 1 January 2016 (₹ in million)
<b>9 - INVENTORIES</b>			
<b>(at cost or net realisable value, whichever is lower)</b>			
Raw materials	<b>2,833.8</b>	3,743.4	2,747.2
{Includes in transit ₹ 266.0 million (2016: ₹ 223.4 million, 2015: ₹ 246.2 million)}			
Packing materials	<b>285.4</b>	326.0	261.7
{Includes in transit ₹ 13.2 million (2016: ₹ 3.5 million, 2015: ₹ 6.1 million)}			
Work-in-progress	<b>1,148.1</b>	912.7	780.3
Finished goods	<b>3,881.7</b>	3,708.5	3,824.8
Stock-in-trade (goods purchased for resale)	<b>280.5</b>	172.7	117.4
{Includes in transit ₹ 98.3 million (2016: ₹ 63.0 million, 2015: ₹ 35.8 million)}			
Stores and spares	<b>595.2</b>	537.3	476.7
{Includes in transit ₹ 27.0 million (2016: ₹ 3.6 million, 2015: ₹ 6.9 million)}			
	<b>9,024.7</b>	<b>9,400.6</b>	<b>8,208.1</b>

During 2017, an amount of ₹ 460.8 million (net of reversals) [2016: ₹ 364.9 million] was charged to the statement of profit and loss on account of obsolete, damage and slow moving inventories.

## 10 - CURRENT INVESTMENTS

<b>At amortised cost</b>			
<b>Quoted</b>			
Treasury Bills - Government Securities	<b>5,958.8</b>	3,975.1	3,230.1
Certificate of Deposits with banks	<b>1,734.0</b>	4,466.9	2,726.0
Commercial Papers	<b>2,238.8</b>	996.4	1,238.7
Short Term Bonds	<b>464.9</b>	-	-
<b>At fair value through profit and loss</b>			
<b>Quoted</b>			
Mutual Funds - Debt <sup>(1)</sup>	<b>3,539.4</b>	3,375.1	2,684.6
	<b>13,935.9</b>	<b>12,813.5</b>	<b>9,879.4</b>
Considered as 'Cash and cash equivalents' for the purpose of 'Statement of Cash Flows' in line with the requirements of Ind AS-7	<b>13,935.9</b>	12,813.5	9,879.4
Market value of quoted investments	<b>13,934.6</b>	12,811.3	9,879.4

(1) Includes an amount of ₹150.0 million [representing 1,498,518 units of ICICI Prudential Liquid Plan - Daily Dividend] for which Company had placed the redemption on 29 December 2017 and was pending for execution till 31 December 2017. This has been subsequently realised on 1 January 2018.

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS**

	As at 31 December 2017 (₹ in million)	As at 31 December 2016 (₹ in million)	As at 1 January 2016 (₹ in million)
<b>11 - TRADE RECEIVABLES (UNSECURED)</b>			
Considered good <sup>(1)</sup>	<b>889.7</b>	979.3	784.2
Considered doubtful	21.0	21.1	25.1
	<b>910.7</b>	1000.4	809.3
Less: Loss allowance for doubtful receivables	(21.0)	(21.1)	(25.1)
	<b>889.7</b>	979.3	784.2

(1) Include receivables from related parties (Refer Note 49)

**12 - CASH AND CASH EQUIVALENTS**

Balances with banks			
on current accounts	125.7	191.9	71.9
on deposit accounts	14,340.0	8,465.0	4,775.8
Cheques, drafts on hand including remittances in transit	11.2	36.3	45.0
	<b>14,476.9</b>	8,693.2	4,892.7

**13 - BANK BALANCES OTHER THAN CASH AND CASH EQUIVALENTS**

Unpaid dividend accounts	<b>97.3</b>	106.8	102.8
	<b>97.3</b>	106.8	102.8

**14 - CURRENT LOANS**

<b>Secured, considered good</b>			
Loans to employees	2.3	4.3	6.8
<b>Unsecured, considered good</b>			
Security deposits	20.6	21.1	40.7
Loans to employees	265.1	140.6	134.2
	<b>285.7</b>	161.7	174.9
<b>Unsecured, considered doubtful</b>			
Security deposits, Loans to employees	8.6	8.7	12.1
Less: Allowance for doubtful debts	(8.6)	-	(12.1)
	<b>288.0</b>	166.0	181.7

## NOTES FORMING PART OF THE FINANCIAL STATEMENTS

	As at 31 December 2017 (₹ in million)	As at 31 December 2016 (₹ in million)	As at 1 January 2016 (₹ in million)
<b>15 - OTHER CURRENT FINANCIAL ASSETS</b>			
Recoverable from related parties	<b>43.2</b>	26.6	44.2
Derivative assets - forward contracts	<b>32.0</b>	10.3	22.2
Interest accrued on bank deposits/ tax free long term bonds etc.	<b>336.2</b>	258.2	147.2
Others	<b>16.5</b>	31.6	9.1
	<b>427.9</b>	<b>326.7</b>	<b>222.7</b>
<b>16 - OTHER CURRENT ASSETS</b>			
<b>Unsecured, considered good</b>			
Advances given to suppliers, employees etc.	<b>103.6</b>	54.9	102.9
Balances with government authorities	<b>5.8</b>	216.6	186.1
Prepaid expenses	<b>60.2</b>	43.1	15.8
	<b>169.6</b>	<b>314.6</b>	<b>304.8</b>
<b>Unsecured, considered doubtful</b>			
Advances given to suppliers, Balances with government authorities etc.	<b>19.1</b>	26.3	20.1
Less: Allowance for doubtful debts	<b>(19.1)</b>	<b>-</b>	<b>(20.1)</b>
	<b>169.6</b>	<b>314.6</b>	<b>304.8</b>

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS**

	As at 31 December 2017		As at 31 December 2016		As at 1 January 2016	
	No. of shares	Amount (₹ in million)	No. of shares	Amount (₹ in million)	No. of shares	Amount (₹ in million)
<b>17 - EQUITY SHARE CAPITAL</b>						
<b>Authorised</b>						
Equity shares of face value ₹ 10 each	<u>100,000,000</u>	<u>1,000.0</u>	<u>100,000,000</u>	<u>1,000.0</u>	<u>100,000,000</u>	<u>1,000.0</u>
<b>Issued, subscribed and fully paid up</b>						
Equity shares of face value ₹ 10 each	<u>96,415,716</u>	<u>964.2</u>	<u>96,415,716</u>	<u>964.2</u>	<u>96,415,716</u>	<u>964.2</u>

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

Shares outstanding as at the beginning of the year	<u>96,415,716</u>	<u>964.2</u>	96,415,716	964.2	96,415,716	964.2
Movement during the year	-	-	-	-	-	-
<b>Shares outstanding as at the end of the year</b>	<b><u>96,415,716</u></b>	<b><u>964.2</u></b>	<b>96,415,716</b>	<b>964.2</b>	<b>96,415,716</b>	<b>964.2</b>

**(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**

Nestlé S.A.	<u>33,051,399</u>	33,051,399	33,051,399
Maggi Enterprises Limited	<u>27,463,680</u>	27,463,680	27,463,680
(Ultimate holding company being Nestlé S.A.)			

**(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	No. of shares	% of holding
1	Nestlé S.A.	<u>33,051,399</u>	<u>34.28</u>	33,051,399	34.28	33,051,399	34.28
2	Maggi Enterprises Limited	<u>27,463,680</u>	<u>28.48</u>	27,463,680	28.48	27,463,680	28.48
3	Life Insurance Corporation of India	<u>4,968,835</u>	<u>5.15</u>	3,352,627	3.48	2,763,936	2.87

## NOTES FORMING PART OF THE FINANCIAL STATEMENTS

	As at 31 December 2017 (₹ in million)	As at 31 December 2016 (₹ in million)	As at 1 January 2016 (₹ in million)
<b>18 - OTHER EQUITY</b>			
General reserve	8,374.3	8,374.3	8,374.3
Retained earnings	25,054.5	23,689.3	21,016.0
Items of Other Comprehensive Income			
Effective portion of cash flow hedges	12.9	(4.5)	4.1
Equity Instruments through other comprehensive income	(200.0)	(200.0)	-
	<u>33,241.7</u>	<u>31,859.1</u>	<u>29,394.4</u>

### Nature and description of reserve

- (i) **General Reserve** - General reserve are free reserves of the company which are kept aside out of company's profits to meet the future requirements as and when they arise. The Company had transferred a portion of the profit after tax (PAT) to general reserve pursuant to the earlier provisions of Companies Act, 1956. Mandatory transfer to general reserve is not required under the Companies Act, 2013.
- (ii) **Retained Earnings** - Retained earnings are the accumulated profits earned by the Company till date, less transfer to general reserves, dividend (including dividend distribution tax) and other distributions made to the shareholders.
- (iii) **Effective portion of cash flow hedges** - The Company uses forward contracts to hedge its risks associated with foreign currency transactions relating to firm commitments and highly probable forecast transactions. This reserve represents the cumulative changes in fair value of forward contracts that are designated as Cash Flow Hedges. These will be reclassified to statement of profit and loss upon occurrence of the underlying forecasted transactions.
- (iv) **Equity instruments through other comprehensive income** - This represents the cumulative gains and losses arising on fair valuation of equity instruments measured at fair value through other comprehensive income under an irrevocable option.

## 19 - NON-CURRENT BORROWINGS

### Unsecured loans

Deferred VAT liabilities			
State of Karnataka <sup>(1)</sup>	204.2	204.2	77.5
State of Himachal Pradesh <sup>(2)</sup>	147.2	127.3	90.4
	<u>351.4</u>	<u>331.5</u>	<u>167.9</u>

(1) Interest free, repayable after 10 years from the date of disbursement in 10 equal annual installments commencing from year 2024.

(2) Interest free, repayable after 8 years from the year of deferment commencing from year 2021.

## 20 - NON-CURRENT PROVISIONS

### Employee benefits:

Pension and gratuity (Refer note 36)	14,641.0	12,145.8	10,178.1
Other incentives and welfare benefits <sup>(1)</sup>	1,081.1	944.6	846.6
Contingencies (Refer note 39)	<u>15,722.1</u>	<u>13,090.4</u>	<u>11,024.7</u>
	<u>7,193.8</u>	<u>6,631.7</u>	<u>4,947.0</u>
	<u>22,915.9</u>	<u>19,722.1</u>	<u>15,971.7</u>

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

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS**

	As at 31 December 2017 (₹ in million)	As at 31 December 2016 (₹ in million)	As at 1 January 2016 (₹ in million)
<b>21 - DEFERRED TAXES (NET) <sup>(1)</sup></b>			
<b>Deferred tax liabilities</b>			
Property, Plant and Equipment	2,533.5	2,710.9	2,872.9
Inventories	208.7	187.7	-
Financial Instruments	12.4	34.3	34.4
	<b>2,754.6</b>	<b>2,932.9</b>	<b>2,907.3</b>
<b>Deferred tax assets</b>			
Contingencies	1,143.8	1,033.8	900.6
Employee benefits - Compensated absences and Gratuity	331.9	287.4	220.8
Allowance for doubtful debts and receivables	20.6	19.9	21.9
Other items deductible on payment	38.7	38.4	17.0
	<b>1,535.0</b>	<b>1,379.5</b>	<b>1,160.3</b>
	<b>1,219.6</b>	<b>1,553.4</b>	<b>1,747.0</b>

(1) Refer note 42

**22 - OTHER NON-CURRENT LIABILITIES**

Deferred Government Grants	6.0	6.8	-
	<b>6.0</b>	<b>6.8</b>	<b>-</b>

**23 - CURRENT BORROWINGS**

<b>Secured loans<sup>(1)</sup></b>			
From banks			
- Bank overdraft	-	-	9.0
<b>Unsecured loans</b>			
From banks			
- Bank overdraft	-	-	0.4
	<b>-</b>	<b>-</b>	<b>9.4</b>

(1) 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), inventories and book debts.

**24 - TRADE PAYABLE**

Payables to micro enterprises and small enterprises (Refer note 51)	52.5	48.8	37.5
Other payables	9,793.9	7,942.8	7,456.6
	<b>9,846.4</b>	<b>7,991.6</b>	<b>7,494.1</b>

## NOTES FORMING PART OF THE FINANCIAL STATEMENTS

	As at 31 December 2017 (₹ in million)	As at 31 December 2016 (₹ in million)	As at 1 January 2016 (₹ in million)
<b>25 - OTHER CURRENT FINANCIAL LIABILITIES</b>			
Payables for capital expenditure	680.1	853.1	433.4
Customers' credit balances and payables	1,027.9	879.2	859.5
Employee costs and reimbursements	1,245.2	1,155.5	995.6
Book Overdraft	9.4	11.5	19.4
Unpaid dividends <sup>(1)</sup>	97.3	106.8	102.8
Security deposits	66.3	75.6	70.0
Derivative liabilities - forward contracts	14.0	34.7	12.0
	<b>3,140.2</b>	<b>3,116.4</b>	<b>2,492.7</b>

(1) No amount due and outstanding to be credited to Investor Education and Protection Fund.

## 26 - CURRENT PROVISIONS

Employee benefits:

Pension (Refer note 36)	182.5	171.1	151.9
Other incentives and welfare benefits <sup>(1)</sup>	249.7	432.2	226.5
Contingencies (Refer note 39)	442.4	410.0	378.4
	<b>874.6</b>	<b>538.0</b>	<b>506.4</b>

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

## 27 - OTHER CURRENT LIABILITIES

Statutory liabilities (Goods & Services tax, Sales tax, Excise Duty, TDS etc.)	377.1	1,338.8	1,287.9
Advance from customers	168.7	249.0	171.7
Others	520.1	433.7	705.1
	<b>1,065.9</b>	<b>2,021.5</b>	<b>2,164.7</b>

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS**

	Year ended 31 December 2017 (₹ in million)	Year ended 31 December 2016 (₹ in million)
<b>28 - OTHER OPERATING REVENUES</b>		
Export incentives	395.4	465.2
Other operating income (includes scrap sales)	<u>175.3</u>	<u>184.5</u>
	<b>570.7</b>	<b>649.7</b>
<b>29 - OTHER INCOME</b>		
Interest on bank deposits, investments and employee loans etc. <sup>(1)</sup>	1,245.8	1,097.4
Interest on tax free long term bonds <sup>(1)</sup>	362.1	278.0
Dividend on mutual funds	159.4	129.4
Net Gain on financial assets at fair value through profit & loss	<u>1.9</u>	<u>4.2</u>
	<b>1,769.2</b>	<b>1,509.0</b>
(1) as per effective interest rate method		
<b>30 - COST OF MATERIALS CONSUMED</b>		
Raw materials	35,222.3	31,118.8
Packing materials	<u>7,094.3</u>	<u>6,632.1</u>
	<b>42,316.6</b>	<b>37,750.9</b>
<b>31 - CHANGES IN INVENTORIES OF FINISHED GOODS, WORK-IN-PROGRESS AND STOCK-IN-TRADE</b>		
<b>Opening stock</b>		
Finished goods	3,708.5	3,824.8
Work-in-progress	912.7	780.3
Stock-in-trade	<u>172.7</u>	<u>117.4</u>
	<b>4,793.9</b>	<b>4,722.5</b>
<b>Closing Stock</b>		
Finished goods	3,881.7	3,708.5
Work-in-progress	1,148.1	912.7
Stock-in-trade	<u>280.5</u>	<u>172.7</u>
	<b>5,310.3</b>	<b>4,793.9</b>
Net (increase)/ decrease in opening and closing stock	(516.4)	(71.4)
Net movement in excise duty on finished goods	<u>(279.2)</u>	<u>(5.2)</u>
	<b>(795.6)</b>	<b>(76.6)</b>

## NOTES FORMING PART OF THE FINANCIAL STATEMENTS

	Year ended 31 December 2017 (₹ in million)	Year ended 31 December 2016 (₹ in million)
<b>32 - EMPLOYEE BENEFITS EXPENSE</b>		
Salaries, wages, bonus, pension, performance incentives etc. (Refer note - 36)	9,097.0	8,018.0
Contribution to provident and other funds	439.5	388.3
Share based payments (Refer note - 37)	134.7	139.8
Staff welfare expenses	503.3	469.6
	<u>10,174.5</u>	<u>9,015.7</u>
<b>33 - FINANCE COSTS</b>		
Interest cost on employee benefit plans	912.4	874.0
Interest on bank overdraft and others	6.6	35.1
	<u>919.0</u>	<u>909.1</u>
<b>34 - OTHER EXPENSES</b>		
Finished goods handling, transport and distribution	4,772.5	4,400.5
Advertising and sales promotion	5,060.0	4,996.2
Power and fuel	2,884.4	2,327.9
General licence fees (net of taxes)	4,172.8	3,617.9
Information technology and management information systems	882.6	955.3
Maintenance and repairs	1,005.6	1,045.8
Rates and taxes	442.2	776.3
Travelling	780.3	773.6
Rent	597.0	585.0
Contract manufacturing charges	374.7	378.0
Consumption of stores and spare parts	503.8	452.6
Training	402.7	398.3
Withholding tax on general licence fees	417.3	361.8
Laboratory (quality testing)	220.3	211.4
Market research	274.9	235.6
Milk collection and district development	161.2	166.7
Security charges	142.9	143.9
Exchange difference (net)	2.8	2.3
Deficit/ (Surplus) on fixed assets sold/scrapped/written off (net)	50.2	13.7
Insurance	61.1	47.2
Miscellaneous	960.9	1,064.6
	<u>24,170.2</u>	<u>22,954.6</u>

## **NOTES FORMING PART OF THE FINANCIAL STATEMENTS**

### **35. Class-wise details of Sales of products**

Product groups	Year ended 31 December 2017		Year ended 31 December 2016	
	Quantity (MT)	Amount <sup>(1)</sup> (₹ in million)	Quantity (MT)	Amount <sup>(1)</sup> (₹ in million)
	130,796	48,196.3	128,751	46,349.8
<b>Milk Products and Nutrition</b> (includes dairy whitener, condensed milk, UHT milk, yoghurt, maternal and infant formula, baby foods)	<b>210,427</b>	<b>27,071.4</b>	176,871	23,176.0
<b>Prepared dishes and cooking aids</b> (includes noodles, sauces, seasonings, pasta, soups)	<b>24,423</b>	<b>13,869.9</b>	22,092	12,861.1
<b>Powdered and Liquid Beverages</b> (includes instant coffee, instant tea, ready to drink beverage)	<b>36,803</b>	<b>12,213.5</b>	35,289	11,709.1
<b>Confectionery</b> (includes bar countlines, tablets, sugar confectionery)	<b>Sale of Products</b>	<b>402,449</b>	<b>101,351.1</b>	<b>363,003</b>
				<b>94,096.0</b>

(1) Also refer Note – 4 on ‘Impact of implementation of Goods and Services Tax (GST) on the financial statements’

### **36. Employee Benefit Plans**

- (i) 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 has recognised ₹ 368.0 million (Previous year ₹ 324.1 million) as expense in the statement of profit and loss during the year towards contribution to these funds.

Out of the total contribution made for Provident Fund, ₹ 144.6 million (Previous year ₹ 128.9 million) is made to the Nestlé India Limited Employees Provident Fund Trust. 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 Trustees of Nestlé India Limited Employees Provident Fund Trust are responsible for the overall governance of the plan and to act in accordance with the provisions of the trust deed and the relevant provisions prescribed under the law. Pattern of investment followed by the Trust is in accordance with the rules prescribed by the Government of India.

The total plan liabilities under the Nestlé India Limited Employees Provident Fund Trust as at 31 December 2017 as per the unaudited financial statements are ₹ 3,316.3 million (Previous year ₹ 2,969.7 million) as against total plan assets of ₹ 3,326.4 million (Previous year ₹ 2982.8 million). The funds of the Trust have been invested under various securities in accordance with the rules prescribed by the Government of India.

- (ii) Pension and Gratuity Plans: The Company provides pension and gratuity to eligible employees under defined benefit plans. The gratuity plan provides for a lump sum payment to employees upon vesting 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. The Trustees of Nestlé India Limited Employees Gratuity Trust Fund are responsible for the overall governance of the plan and to act in accordance with the provisions of the trust deed and the relevant provisions prescribed under the law. Pattern of investment followed by the Gratuity Trust fund is in accordance with the rules prescribed by the Government of India. The Company aims to keep annual contributions to the trust relatively stable at a level such that no significant gap arises between plan assets and liabilities. Defined benefit pension is a discretionary, unfunded plan. These benefit plans expose the Company to risks, such as interest rate risk, inflation risk, price risk, longevity risk etc.

## NOTES FORMING PART OF THE FINANCIAL STATEMENTS

### a) Movement in defined benefit obligations and Plan assets

	31 December 2017 (₹ in million)		31 December 2016 (₹ in million)	
	Gratuity Scheme Funded Plan	Pension Scheme Unfunded Plan	Gratuity Scheme Funded Plan	Pension Scheme Unfunded Plan
<b>(i) Change in defined benefit obligation (DBO):</b>				
Present Value of obligation, as at the beginning of the year	1,067.1	12,165.2	942.4	10,295.3
Current service cost	71.9	569.0	64.2	513.4
Interest cost	72.3	841.8	72.9	813.6
Actuarial loss/(gain)	95.5	1,357.5	50.2	793.9
Actual benefits paid	(66.8)	(278.2)	(62.6)	(251.0)
<b>Present Value of obligation, as at the end of the year</b>	<b>1,240.0</b>	<b>14,655.3</b>	<b>1,067.1</b>	<b>12,165.2</b>
<b>(ii) Change in plan assets:</b>				
Plan assets, as at the beginning of the year	915.4	-	907.7	-
Expected return on plan assets	65.0	-	70.1	-
Contribution by the Company	92.5	-	-	-
Return on plan assets, greater/(lesser) than expected return	65.7	-	0.2	-
Actual benefits paid	(66.8)	-	(62.6)	-
<b>Plan assets, as at the end of the year</b>	<b>1,071.8</b>	<b>-</b>	<b>915.4</b>	<b>-</b>
<b>Net Liability recognised in the balance Sheet</b>	<b>168.2</b>	<b>14,655.3</b>	<b>151.7</b>	<b>12,165.2</b>
<i>of which accounted as:</i>				
Non-current provisions	168.2	14,472.8	151.7	11,994.1
Current provisions	-	182.5	-	171.1
<b>(iii) Constitution of plan assets</b>				
<b>Quoted</b>				
Corporate Bonds	373.4	-	338.1	-
Government of India securities	56.6	-	71.1	-
State Government/State Government guaranteed securities	447.6	-	372.0	-
Mutual funds	58.3	-	28.7	-
<b>Unquoted</b>				
Deposits with Banks	32.3	-	33.5	-
Cash at bank and receivables	2.8	-	0.2	-
Funding with insurance Companies	100.8	-	71.8	-
<b>Total plan assets</b>	<b>1,071.8</b>	<b>-</b>	<b>915.4</b>	<b>-</b>
<b>(iv) Cost recognised in the statement of profit and loss</b>				
Current service cost (net of recoveries)	71.5	555.3	64.2	506.2
Interest cost <sup>(1)</sup>	72.3	841.8	72.9	811.3
Expected return on plan assets	(65.0)	-	(70.1)	-
<b>Net cost</b>	<b>78.8</b>	<b>1,397.1</b>	<b>67.0</b>	<b>1,317.5</b>
<b>(v) Re-measurements recognised in other comprehensive income</b>				
Actuarial loss/(gain)				
Change in financial assumptions	26.9	882.0	27.1	528.7
Change in demographic assumptions	-	-	-	-
Experience adjustments	68.6	475.5	23.1	265.2
Return on plan assets, (greater)/lesser than expected return	(65.7)	-	(0.2)	-
<b>Net cost</b>	<b>29.8</b>	<b>1,357.5</b>	<b>50.0</b>	<b>793.9</b>

(1) Total Interest cost on employee benefit plans recognised in statement of profit and loss is ₹ 912.4 million (Previous year ₹ 874.0 million). This includes ₹ 849.1 million (Previous year ₹ 814.1 million) towards pension and gratuity and balance amount ₹ 63.3 million (Previous year ₹ 59.9 million) towards compensated absences and long service awards.

## **NOTES FORMING PART OF THE FINANCIAL STATEMENTS**

### b) Key Actuarial Assumptions

	31 December 2017 (₹ in million)		31 December 2016 (₹ in million)		1 January 2016 (₹ in million)	
	Gratuity Scheme Funded Plan	Pension Scheme Unfunded Plan	Gratuity Scheme Funded Plan	Pension Scheme Unfunded Plan	Gratuity Scheme Funded Plan	Pension Scheme Unfunded Plan
	7.0	7.0	7.0	7.0	8.0	8.0
Discount Rates (%)						
Expected rate of salary increases (%)						
First 5 years	7.5 to 10.0	7.5 to 10.0		8.5	8.5	10.0
Beyond five years	5.5	6.5		5.5	6.5	6.5
Expected rate of Pension increases (%)	-	3.25		-	3.25	3.50

#### Mortality assumptions

in service Indian Assured Lives Mortality (2006-08) Ultimate rates

in retirement Mortality for annuitants - LIC (1996-98) Ultimate rates

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.

As defined benefits obligations are of relatively long term in nature, the actuarial assumptions take in account the requirements of the relevant Ind AS coupled with a long term view of the underlying variables / trends, wherever required.

### c) Sensitivity Analysis

Sensitivity of the defined benefit obligation to changes in key actuarial assumptions

	31 December 2017 (₹ in million)		31 December 2016 (₹ in million)		1 January 2016 (₹ in million)	
	Gratuity Scheme Funded Plan	Pension Scheme Unfunded Plan	Gratuity Scheme Funded Plan	Pension Scheme Unfunded Plan	Gratuity Scheme Funded Plan	Pension Scheme Unfunded Plan
	1,240.0	14,655.3	1,067.1	12,165.2	942.4	10,295.3
<b>Present Value of obligation - Reported</b>						
<b>Discount rates</b>						
Increase of 50 basis point	1,178.9	13,496.4	1,015.4	11,197.8	897.5	9,428.6
Decrease of 50 basis point	1,306.9	15,968.7	1,123.5	13,262.1	991.4	11,280.3
<b>Expected rate of salary increases</b>						
Increase of 50 basis point	1,289.3	15,446.3	1,111.1	12,831.6	978.5	10,856.1
Decrease of 50 basis point	1,192.1	13,919.0	1,025.7	11,546.1	907.6	9,773.1
<b>Expected rate of Pension increases</b>						
Increase of 50 basis point	1,240.0	15,334.1	1,067.1	12,740.5	942.4	10,756.1
Decrease of 50 basis point	1,240.0	14,029.7	1,067.1	11,635.2	942.4	9,869.7
<b>Life expectancy</b>						
Increase by 1 year	1,240.0	14,953.0	1,067.1	12,409.4	942.4	10,485.6
Decrease by 1 year	1,240.0	14,351.6	1,067.1	11,916.2	942.4	10,099.9

Sensitivities are calculated using the same actuarial method as applied for the calculation of present value of the defined benefit obligation. Sensitivity calculations are based on change in the respective assumption while keeping other assumptions constant.

d) Weighted average duration of the defined benefit obligation	11 years	18 years	11 years	18 years	11 years	19 years
e) Expected contribution to the Trust	110.0	-	120.0	-	60.0	-

## NOTES FORMING PART OF THE FINANCIAL STATEMENTS

### 37. 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 employee. The Company has to pay Nestlé S.A. an amount equivalent to the value of Nestlé S.A. shares on the date of vesting, delivered to the employee.

The details are as under:-

	31 December 2017 (₹ in million)	31 December 2016 (₹ in million)
Outstanding, non-vested RSU/ PSU grants as at year end	294.6	280.0
RSU/ PSU grants vested during the year	120.1	163.2
Recognised in statement of profit and loss	134.7	139.8

38. Total impairment loss on property, plant and equipment for the year ended 31 December 2017 is 371.8 million (Previous Year ₹ 118.3 million). Impairment loss relates to various items of plant and machinery and building that have been brought down to their recoverable values upon evaluation of future economic benefits from their use.

### 39. Net provision for contingencies

The Company has created a contingency provision of ₹ 1,136.5 million (Previous year ₹ 1,813.6 million) 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 ₹ 260.0 million (Previous year ₹ 128.9 million) due to the satisfactory settlement of certain litigations and settlement of obligations under free replacement warranty for which provision is no longer required. Net Provision for Contingencies is not fully comparable as the comparative period was adversely impacted due to completion of certain procedures relating to litigation/ disputed matters for more number of years as compared to only one year in current year.

The details of class-wise provisions are given below:

Description	31 December 2017 (₹ in million)			31 December 2016 (₹ in million)		
	Provisions for contingencies			Provisions for contingencies		
	Litigations and related disputes	Others	Total	Litigations and related disputes	Others	Total
Opening balance	6,521.0	238.7	6,759.7	4,947.0	128.0	5,075.0
New provisions	694.0	442.5	1,136.5	1,574.9	238.7	1,813.6
Utilisation/Settlement during the year	-	(128.0)	(128.0)	-	(128.0)	(128.0)
Reversals	(132.0)	-	(132.0)	(0.9)	-	(0.9)
<b>Recognised in statement of profit and loss*</b>	<b>562.0</b>	<b>314.5</b>	<b>876.5</b>	<b>1,574.0</b>	<b>110.7</b>	<b>1,684.7</b>
<b>Closing balance</b>	<b>7,083.0</b>	<b>553.2</b>	<b>7,636.2</b>	<b>6,521.0</b>	<b>238.7</b>	<b>6,759.7</b>

\*out of this, ₹ 383.6 million (Previous year ₹ 418.0 million) has been recognised as "Net provision for contingencies (from operations) and balance amount of ₹ 492.9 million (Previous year ₹ 1,266.7 million) as "Net provision for contingencies (others)".

## **NOTES FORMING PART OF THE FINANCIAL STATEMENTS**

### **Notes:**

- (i) **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, Value Added 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.
- (ii) **Others** - includes estimates made for products sold by the Company which are covered under free replacement warranty on crossing the best before date for consumption and other uncertainties requiring management judgement. 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.

### **40. Corporate Social Responsibility Expense**

	<b>31 December 2017 ₹ in million)</b>	31 December 2016 ₹ in million)
Prescribed CSR expenditure as per Section 135 of the Companies Act, 2013	268.8	283.3
(a) Total amount planned to be spent during the year <sup>(1)</sup>	268.8	312.2
(b) Actual expenditure incurred during the year	269.1	313.6
(c) Paid in Cash <sup>(2)</sup>		
- Pertaining to current year	260.6	296.7
- Pertaining to previous year	16.9	13.0
(d) Expenditure incurred during current year and remaining unpaid	8.5	16.9
(1) Unspent CSR expenditure of the previous year included in the current year	-	28.9
(2) Includes amount paid for acquisition/ construction of assets	-	-

### **41. Exceptional items**

	<b>Year ended 31 December 2017 ₹ in million)</b>	Year ended 31 December 2016 ₹ in million)
(a) Cost towards the restructuring of a long term arrangement for supply of ingredients to extinguish the obligations under the arrangement in view of changed business circumstances	-	320.0
(b) Write backs, arising, inter alia, from actualization of estimates of part of the provision made for MAGGI Noodles issue <sup>(1)</sup> in 2015	-	(212.2)
	-	107.8

- (1) Legal proceedings in the MAGGI Noodles issue are currently on before the Hon'ble Supreme Court. The issue has been adequately explained in the Annual Report 2015 and also in the press releases in 2015 available on the Company's website [www.nestle.in](http://www.nestle.in)

## NOTES FORMING PART OF THE FINANCIAL STATEMENTS

	Year ended 31 December 2017 (₹ in million)	Year ended 31 December 2016 (₹ in million)
<b>42. (a) Tax expense</b>		
<b>(i) Recognised in the statement of profit and loss</b>		
Current Tax	6,491.7	5,611.9
Deferred Tax	<u>(350.6)</u>	<u>(171.7)</u>
	<b>6,141.1</b>	<b>5,440.2</b>
<b>(ii) Recognised in other comprehensive income</b>		
Current Tax	(487.6)	(274.7)
Deferred Tax	<u>16.8</u>	<u>(21.9)</u>
	<b>(470.8)</b>	<b>(296.6)</b>
<b>Of which:</b>		
on re-measurement of retirement defined benefit plans	(480.1)	(292.1)
on changes in fair value of cash flow hedges	9.3	(4.5)
<b>Total Taxes</b>		
Current Tax	6,004.1	5,337.2
Deferred Tax	<u>(333.8)</u>	<u>(193.6)</u>
	<b>5,670.3</b>	<b>5,143.6</b>

- (iii) Reconciliation of tax expense recognised in the statement of profit and loss with Profit before tax (PBT) multiplied by the Statutory tax rate:**

	Year ended 31 December 2017 (₹ in million)	Year ended 31 December 2016 (₹ in million)
<b>Profit before Tax</b>	18,393.0	15,453.8
Statutory Income tax rate	34.61%	34.61%
Tax expense @ Statutory Income tax rate	6,365.4	5,348.3
<b>Tax effect of permanent adjustments made for computing taxable income</b>		
Non-deductible expenses	232.2	528.4
Tax Incentives	<u>(276.3)</u>	<u>(294.7)</u>
Income exempt from tax	<u>(180.2)</u>	<u>(141.8)</u>
<b>Tax expense recognised in the statement of profit and loss</b>	<b>6,141.1</b>	<b>5,440.2</b>

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS**

**(b) Movement in deferred taxes**

**As at 31 December 2017**

Particulars	Opening balance	Recognised in the statement of profit and loss	Recognised in other comprehensive income	Closing balance
<b>Deferred tax liabilities</b>				
Property, plant and equipment	2,710.9	(177.4)	-	2,533.5
Inventories	187.7	21.0	-	208.7
Financial Instruments	34.3	(31.2)	9.3	12.4
<b>Sub-Total (A)</b>	<b>2,932.9</b>	<b>(187.6)</b>	<b>9.3</b>	<b>2,754.6</b>
<b>Deferred tax assets</b>				
Contingencies	1,033.8	110.0	-	1,143.8
Employee benefits- compensated absences and gratuity	287.4	52.0	(7.5)	331.9
Allowance for doubtful debts and receivables	19.9	0.7	-	20.6
Other items deductible on payment basis	38.4	0.3	-	38.7
<b>Sub-Total (B)</b>	<b>1,379.5</b>	<b>163.0</b>	<b>(7.5)</b>	<b>1,535.0</b>
<b>Total (A-B)</b>	<b>1,553.4</b>	<b>(350.6)</b>	<b>16.8</b>	<b>1,219.6</b>

**As at 31 December 2016**

Particulars	Opening balance	Recognised in the statement of profit and loss	Recognised in other comprehensive income	Closing balance
<b>Deferred tax liabilities</b>				
Property, plant and equipment	2,872.9	(162.0)	-	2,710.9
Inventories	-	187.7	-	187.7
Financial Instruments	34.4	4.4	(4.5)	34.3
<b>Sub-Total (A)</b>	<b>2,907.3</b>	<b>30.1</b>	<b>(4.5)</b>	<b>2,932.9</b>
<b>Deferred tax assets</b>				
Contingencies	900.6	133.2	-	1,033.8
Employee benefits- compensated absences and gratuity	220.8	49.2	17.4	287.4
Allowance for doubtful debts and receivables	21.9	(2.0)	-	19.9
Other items deductible on payment basis	17.0	21.4	-	38.4
<b>Sub-Total (B)</b>	<b>1,160.3</b>	<b>201.8</b>	<b>17.4</b>	<b>1,379.5</b>
<b>Total (A-B)</b>	<b>1,747.0</b>	<b>(171.7)</b>	<b>(21.9)</b>	<b>1,553.4</b>

## NOTES FORMING PART OF THE FINANCIAL STATEMENTS

### 43. Financial Instruments

#### (a) Financial instruments by category

	Note	As at 31 December 2017 (₹ in million)	As at 31 December 2016 (₹ in million)	As at 1 January 2016 (₹ in million)
<b>Financial assets</b>				
<b>i Measured at Amortised Cost</b>				
Investments				
Long Term Tax free Bonds	6	<b>5,534.0</b>	4,424.3	2,899.0
Treasury Bills	10	<b>5,958.8</b>	3,975.1	3,230.1
Certificate of Deposits with banks	10	<b>1,734.0</b>	4,466.9	2,726.0
Commercial Papers	10	<b>2,238.8</b>	996.4	1,238.7
Short Term Bonds	10	<b>464.9</b>	-	-
Trade receivables	11	<b>889.7</b>	979.3	784.2
Cash and cash equivalents	12	<b>14,476.9</b>	8,693.2	4,892.7
Bank Balances other than cash and cash equivalents	13	<b>97.3</b>	106.8	102.8
Loans	7,14	<b>751.5</b>	809.7	809.1
Other financial assets	15	<b>395.9</b>	316.4	200.5
		<b>32,541.8</b>	<b>24,768.1</b>	<b>16,883.1</b>
<b>ii Measured at Fair Value through Other Comprehensive Income</b>				
Investment in Equity Shares	6	<b>318.8</b>	318.8	518.8
		<b>318.8</b>	<b>318.8</b>	<b>518.8</b>
<b>iii Measured at Fair Value through Profit &amp; Loss</b>				
Investment in Mutual Funds	10	<b>3,539.4</b>	3,375.1	2,684.6
Derivative assets - forward contracts	15	<b>32.0</b>	10.3	22.2
		<b>3,571.4</b>	<b>3,385.4</b>	<b>2,706.8</b>
<b>Total Financial assets (i + ii + iii)</b>		<b>36,432.0</b>	<b>28,472.3</b>	<b>20,108.7</b>
<b>Financial Liabilities</b>				
<b>i Measured at Amortised Cost</b>				
Borrowings	19,23	<b>351.4</b>	331.5	177.3
Trade payables	24	<b>9,846.4</b>	7,991.6	7,494.1
Other financial liabilities	25	<b>3,126.2</b>	3,081.7	2,480.7
		<b>13,324.0</b>	<b>11,404.8</b>	<b>10,152.1</b>
<b>ii Measured at Fair Value through Profit &amp; Loss</b>				
Derivative liabilities - forward contracts	25	<b>14.0</b>	34.7	12.0
		<b>14.0</b>	<b>34.7</b>	<b>12.0</b>
<b>Total Financial liabilities (i + ii)</b>		<b>13,338.0</b>	<b>11,439.5</b>	<b>10,164.1</b>

## **NOTES FORMING PART OF THE FINANCIAL STATEMENTS**

### **(b) Fair value hierarchy**

	<b>As at 31 December 2017 (₹ in million)</b>	As at 31 December 2016 (₹ in million)	As at 1 January 2016 (₹ in million)
<b>(i) Financial assets/liabilities at amortised cost</b>			
The carrying amount of financial assets and financial liabilities measured at amortised cost are a reasonable approximation of their fair values except Investments for which the fair value are as follows:			
Fair value of Investments measured at amortised cost (Level 1)	<b>16,288.4</b>	14,223.8	10,239.4
<b>(ii) Financial assets at fair value through other comprehensive income</b>			
Investment in Equity Shares (Level 3)	<b>318.8</b>	318.8	518.8
<b>(iii) Financial assets at fair value through profit &amp; loss</b>			
Investment in Mutual Funds (Level 1)	<b>3,539.4</b>	3,375.1	2,684.6
Derivative assets - forward contracts (Level 2)	<b>32.0</b>	10.3	22.2
<b>(iv) Financial liabilities at fair value through profit &amp; loss</b>			
Derivative liabilities - forward contracts (Level 2)	<b>14.0</b>	34.7	12.0

The Company determines the fair value of its financial instruments on the basis of the following hierarchy:

Level 1: The fair value of financial instruments that are quoted in active markets are determined on the basis of quoted price for identical assets or liabilities.

Level 2: The fair value of financial instruments that are not traded in an active market are determined using valuation techniques based on observable market data.

Level 3: The fair value of financial instruments that are measured on the basis of entity specific valuations using inputs that are not based on observable market data (unobservable inputs). Fair value of investment in unquoted equity shares is determined using discounted cash flow technique.

There are no transfers between different fair value hierarchy levels in 2015, 2016 and 2017.

### **(c) Financial Risk Management**

In the course of its business, the Company is exposed to a number of financial risks: liquidity risk, credit risk, market risk. This note presents the Company's objectives, policies and processes for managing its financial risk and capital.

#### **(i) Liquidity risk**

Liquidity risk refers to risk that the Company may encounter difficulties in meeting its obligations associated with financial liabilities that are settled in cash or other financial assets. The Company regularly monitors the rolling forecasts to ensure that sufficient liquidity is maintained on an ongoing basis to meet operational needs. The Company manages the liquidity risk by planning the investments in a manner such that the desired quantum of funds could be made available to meet any of the business requirements within a reasonable period of time. In addition, the Company also maintains flexibility in arranging the funds by maintaining committed credit lines with various banks to meet the obligations.

## NOTES FORMING PART OF THE FINANCIAL STATEMENTS

### Maturities of financial liabilities:

	Carrying amount	Less than 1 year	(₹ in million) beyond 1 year
<b>As at 31 December 2017</b>			
Borrowings	351.4	-	351.4
Trade payables	9,846.4	9,846.4	-
Other financial liabilities	3,126.2	3,126.2	-
Derivative liabilities - forward contracts	14.0	14.0	-
	<u>13,338.0</u>	<u>12,986.6</u>	<u>351.4</u>
<b>As at 31 December 2016</b>			
Borrowings	331.5	-	331.5
Trade payables	7,991.6	7,991.6	-
Other financial liabilities	3,081.7	3,081.7	-
Derivative liabilities - forward contracts	34.7	34.7	-
	<u>11,439.5</u>	<u>11,108.0</u>	<u>331.5</u>
<b>As at 1 January 2016</b>			
Borrowings	177.3	9.4	167.9
Trade payables	7,494.1	7,494.1	-
Other financial liabilities	2,480.7	2,480.7	-
Derivative liabilities - forward contracts	12.0	12.0	-
	<u>10,164.1</u>	<u>9,996.2</u>	<u>167.9</u>

### (ii) Credit risk

Credit risk refers to risk of financial loss to the Company if a customer or a counter-party fails to meet its contractual obligations. The Company has following categories of financial assets that are subject to credit risk evaluation:

#### Investments

The Company has made investments in tax free long term bonds, treasury bills, certificate of deposits, commercial papers, short term bonds, deposit with banks, mutual funds etc. Funds are invested in accordance with the Company's established Investment policy that includes parameters of safety, liquidity and post tax returns. Company avoids the concentration of credit risk by spreading them over several counterparties with good credit rating profile and sound financial position. The Company's exposure and credit ratings of its counterparties are monitored on an ongoing basis. Based on historical experience and credit profiles of counterparties, the company does not expect any significant risk of default.

#### Trade receivables

Credit risk arising from trade receivables is managed in accordance with the Company's established policy with regard to credit limits, control and approval procedures. The Company provides for expected credit losses on trade receivables based on a simplified approach as per Ind AS 109. Under this approach, expected credit losses are computed basis the probability of defaults over the lifetime of the asset. This allowance is measured taking into account credit profile of the customer, geographical spread, trade channels, past experience of defaults, estimates for future uncertainties etc.

Movement in expected credit loss allowance on trade receivables:

	31 December 2017 (₹ in million)	31 December 2016 (₹ in million)
Balance as at the beginning of the year	21.1	25.1
Movement during the year	(0.1)	(4.0)
Balance as at the end of the year	<u>21.0</u>	<u>21.1</u>

## **NOTES FORMING PART OF THE FINANCIAL STATEMENTS**

### **Other financial assets**

Other financial assets include employee loans, security deposits etc. Based on historical experience and credit profiles of counterparties, the Company does not expect any significant risk of default.

The Company's maximum exposure to credit risk for each of the above categories of financial assets is their carrying values as at the reporting dates.

### **(iii) Market Risk**

#### **Interest rate risk**

Interest rate risk refers to risk that the fair value of future cash flows of a financial instrument may fluctuate because of changes in market interest rates. The Company is not exposed to any significant interest rate risk as its investments are primarily in fixed rate instruments. Also, there are no significant borrowings as at the balance sheet date.

#### **Price risk**

Price risk refers to risk that the fair value of a financial instrument may fluctuate because of the change in the market price. The Company is exposed to the price risk mainly from investment in mutual funds and investment in equity instruments. Investment in mutual funds are made primarily in units of liquid funds and are not exposed to significant price risk. Further, Equity investment is strategic in nature and held on a long-term basis.

#### **Foreign currency risk**

Foreign currency risk refers to risk that the fair value of future cash flows of an exposure may fluctuate due to change in the foreign exchange rates. The Company is exposed to foreign currency risk arising out of transactions in foreign currency. Foreign exchange risks are managed in accordance with Company's established policy for foreign exchange management. The Company enters into forward contracts as per the hedging policy to hedge against its foreign currency exposures. The impact of strengthening/weakening of foreign currencies on the outstanding exposure remaining unhedged at the year-end is not significant.

The foreign currency exposure of the Company as at the year end basis the closing exchange rates is as under:

	Currency	As at		As at		As at	
		31 December 2017		31 December 2016		1 January 2016	
		Hedged <sup>(1)</sup>	Unhedged	Hedged <sup>(1)</sup>	Unhedged	Hedged <sup>(1)</sup>	Unhedged
Against exports	USD	1,890.7	-	1,854.9	-	1,656.6	-
	GBP	-	18.2	-	7.2	-	13.5
	EUR	-	1.5	-	0.7	-	15.9
	CAD	-	-	-	3.8	-	2.8
	CHF	-	-	-	0.1	-	0.3
(Including Capital imports)	USD	758.4	-	712.3	-	675.8	-
	EUR	356.4	-	525.4	-	350.1	-
	AUD	174.3	-	245.4	-	135.4	-
	CHF	-	89.1	308.3	-	-	34.8
	GBP	-	13.4	10.0	2.3	-	5.7
	SGD	-	9.6	-	22.9	-	5.9
	JPY	-	7.4	-	1.3	-	6.7
	ZAR	-	1.2	-	1.6	-	-
	AED	-	1.1	-	0.1	-	-
	NZD	-	0.0	-	0.0	-	2.8
	CAD	-	-	-	-	0.8	-

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

## NOTES FORMING PART OF THE FINANCIAL STATEMENTS

### (d) Derivative financial instruments

Derivative instruments used by the Company include forward contracts. All the forward contracts entered into are for the purpose of hedging foreign currency exposures relating to the underlying transactions and firm commitments or highly probable forecast transactions.

	31 December 2017 (₹ in million)	31 December 2016 (₹ in million)	1 January 2016 (₹ in million)
(i) Fair value of cash flow hedges			
Derivative assets	32.0	10.3	22.2
Derivative liabilities	14.0	34.7	12.0
(ii) Notional value of cash flow hedges	<b>3,232.5</b>	3,681.9	2,860.2
(iii) Movement in respect of designated cash flow hedges is summarised below:			
<b>Balance as at the beginning of the year</b>	31 December 2017 (₹ in million)	31 December 2016 (₹ in million)	
Add : Gains/ (loss) recognised in other comprehensive income	(4.5)	4.1	
Less: Gains/ (loss) reclassified to statement of profit and loss	43.9	(26.1)	
Net deferred taxes on the movement	17.2	(13.0)	
<b>Balance as at the end of the year</b>	<hr/> <b>9.3</b> <hr/>	<hr/> <b>(4.5)</b> <hr/>	
	<hr/> <b>12.9</b> <hr/>	<hr/> <b>(4.5)</b> <hr/>	

### 44. Capital Management

The Company's capital management objective is to ensure that a sound capital base is maintained to support long term business growth and optimise shareholders value. Capital includes equity share capital and other equity reserves.

The Company's operations are funded primarily through internal accruals. Return to shareholders through dividend is monitored as per the laid down dividend distribution policy.

45. The Company had 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 1 January 2014. The royalty rate on exports is aligned to 4.5% of sales.

## **NOTES FORMING PART OF THE FINANCIAL STATEMENTS**

### **46. 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 under different revenue accounts are ₹ 718.8 million (Previous year ₹ 709.7 million).

Future minimum lease rentals payable are as under:

	As at 31 December 2017 (₹ in million)	As at 31 December 2016 (₹ in million)
Not later than one year	522.4	565.8
Later than one year and not later than five years	1,161.7	1,215.6
Later than five years	296.5	347.6

### **47. Auditors Remuneration<sup>(1)</sup>**

{included under Miscellaneous expense (Refer Note-34)}

	Year ended 31 December 2017 (₹ in million)	Year ended 31 December 2016 (₹ in million)
(i) Auditors' remuneration and expenses in respect of:		
a) Statutory audit	8.5	8.2
b) Audit of accounts for fiscal year and tax audit	2.3	3.2
c) Limited review of quarterly un-audited results	1.4	1.4
d) Certifications	0.3	0.7
e) Certification of tax holiday benefits	0.2	0.5
f) Audit of employee trust accounts	0.1	0.2
g) Out of pocket expenses for statutory audit and other matters	0.2	0.4
	<hr/> <u>13.0</u>	<hr/> <u>14.6</u>
(ii) Cost auditors' remuneration and expenses in respect of:		
a) Cost audit fees	0.2	0.2
(1) excluding applicable taxes		

### **48. Contingent liabilities and commitments**

	As at 31 December 2017 (₹ in million)	As at 31 December 2016 (₹ in million)
<b>Contingent liabilities</b>		
Claims against the Company not acknowledged as debts:		
Indirect Taxes	11.7	11.7
<b>Capital Commitments</b>		
Capital expenditure commitments remaining to be executed and not provided for [net of advances ₹ 23.1 million (Previous year ₹ 2.4 million)]	310.7	542.7

## NOTES FORMING PART OF THE FINANCIAL STATEMENTS

### 49. Related party disclosures under Ind AS 24

#### (a) Related party and their relationship

##### (i) Holding Companies

Nestlé S.A (Ultimate holding Company)  
Maggi Enterprises Limited

##### (ii) Fellow subsidiaries with whom the company had transactions

CPW Middle East FZCO	Nestlé Panama S.A.
Néstéc S.A.	Nestlé Philippines, Inc.
Néstéc York Ltd.	Nestlé Product Technology Centre
Nestlé (China) Ltd.	Nestlé Products (Mauritius) Ltd.
Nestlé (PNG) Ltd	Nestlé Products Sdn Bhd
Nestlé (South Africa) (Pty) Ltd	Nestlé R&D Center, Inc.
Nestlé (Thai) Ltd.	Nestlé R&D Centre (Pte) Ltd.
Nestlé Adriatic S DOO	Nestlé R&D Centre India Private Ltd.
Nestlé Asean (Malaysia) Sdn. Bhd.	Nestlé ROH (Thailand) Ltd.
Nestlé Australia Ltd.	Nestlé Romania SRL
Nestlé Bangladesh Ltd.	Nestlé Servicios Corporativos, S.A.
Nestlé Brasil Ltda	Nestlé Shanghai Ltd.
Nestlé Bulgaria AD	Nestlé Shuangcheng Ltd
Nestlé Canada Inc.	Nestlé Singapore (Pte) Ltd.
Nestlé Caribbean Inc.	Nestlé South Africa Pty Ltd.
Nestlé Cote D'Ivoire	Nestlé Suisse S.A.
Nestlé Deutschland AG	Nestlé Taiwan Ltd.
Nestlé Dubai Manufacturing LLC	Nestlé Thailand Ltd.
Nestlé Equatorial African Region	Nestlé Tianjin Ltd.
Nestlé France S.A.S.	Nestlé Trinidad And Tobago Ltd.
Nestlé Ghana Ltd.	Nestlé Turkiye Gida Sanayi A.S.
Nestlé Hong Kong Ltd	Nestlé UK Ltd.
Nestlé Hungaria Kft.	Nestlé USA Inc
Nestlé Iran	Nestlé Vietnam Ltd.
Nestlé Japan Ltd.	Nestlé Waters Management & Technology
Nestlé Kenya Ltd.	Nestlé Waters Marketing & distribution S.A.S
Nestlé Korea Ltd.	Nestlé Waters North America Inc
Nestlé Lanka PLC	Nestrade S.A.
Nestlé Manufacturing (Malaysia) Sdn Bhd	PJSC "Lviv Confectionery Factory svitoch"
Nestlé Mexico S.A. de C.V.	PT Nestlé Indonesia
Nestlé Middle East FZE	Purina Petcare India Pvt. Ltd.
Nestlé Middle East Manufacturing	Quality Coffee Products Ltd.
Nestlé Nederland B.V.	Servcom S.A.
Nestlé Nigeria Plc	SMA Nutrition India Private Ltd.
Nestlé Operational Services Worldwide S.A.	Société des Produits Nestlé S.A.
Nestlé Pakistan Ltd.	

## **NOTES FORMING PART OF THE FINANCIAL STATEMENTS**

**(iii) Key Management Personnel**

**Executive Directors**

Suresh Narayanan, Chairman and Managing Director  
 Shobinder Duggal, Director - Finance & Control and CFO  
 Aristides Protonotarios , Director – Technical (Director – Technical upto 31 March 2017)  
 Martin Roemkens , Director – Technical (Director – Technical w.e.f. 1 April 2017)

**Non-Executive Directors**

Ashok Kumar Mahindra  
 Rama Bijapurkar (Non-Executive Director w.e.f. 1 May 2017)  
 Rakesh Mohan  
 Ravinder Narain (Non-Executive Director upto 1 May 2017)  
 R.V. Kanoria  
 Swati A. Piramal

**(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.

	<b>Particulars</b>	<b>Year ended 31 December 2017 (₹ in million)</b>	<b>Year ended 31 December 2016 (₹ in million)</b>
<b>Holding companies:</b>			
(a) Dividends			
- Nestlé S.A	2,842.4	1,933.5	
- Maggi Enterprises Limited	2,361.9	1,606.6	
(b) Expenses incurred			
- Nestlé S.A	120.1	163.2	
<b>Fellow subsidiaries:</b>			
(a) Sale of finished and other goods			
- Nestlé Turkiye Gida Sanayi A.S.	1,858.4	1,749.8	
- Nestlé Bangladesh Ltd	1,716.5	1,709.5	
- Others	963.6	1,078.6	
(b) Purchase of property, plant and equipment			
- Nestrade S.A	-	287.1	
- Nestlé R&D Centre India Private Limited	-	1.0	
(c) Purchase of raw and packing materials			
- Nestrade S.A.	34.1	12.7	
- Nestlé Nederland BV	31.7	40.0	
- Nestlé Suisse S.A.	19.8	28.5	
- Others	0.2	3.5	

## NOTES FORMING PART OF THE FINANCIAL STATEMENTS

	Particulars	Year ended 31 December 2017 (₹ in million)	Year ended 31 December 2016 (₹ in million)
(d) Purchase of finished goods			
- Nestlé Lanka PLC	319.2	180.0	
- Nestlé Nederland BV	111.8	94.1	
- Nestlé Korea Limited	60.9	55.8	
- Others	164.1	124.9	
(e) General licence fees (net of taxes)			
- Société des Produits Nestlé S.A.	4,172.8	3,617.9	
(f) Expenses recovered			
- Nestlé Lanka PLC	42.6	54.3	
- Nestlé R&D Centre India Private Ltd	37.6	32.2	
- Nestlé Bangladesh Ltd.	28.4	30.6	
- Others	64.3	44.1	
(g) Expenses incurred			
- Nestlé R & D Center (Pte) Limited	33.2	38.9	
- Nestlé Deutschland AG	32.2	27.3	
- Nestec S.A	63.0	25.2	
- Others	59.6	88.7	
(h) Information technology and management information systems			
- Nestlé Australia Ltd	676.6	646.1	
- Servcom S.A.	4.5	6.6	
(i) Loans granted			
- Nestlé R&D Centre India Private Limited	500.0	400.0	
- SMA Nutrition India Private Limited	50.0	35.0	
(j) Repayment of loans granted			
- Nestlé R&D Centre India Private Limited	500.0	400.0	
- SMA Nutrition India Private Limited	50.0	35.0	
(k) Interest on loans granted			
- Nestlé R&D Centre India Private Limited	33.5	29.5	
- SMA Nutrition India Private Limited	3.1	2.4	
<b>Remuneration to Key management personnel</b>			
Executive directors <sup>(1)</sup>			
- Short term employee benefits	167.9	165.0	
- Post employment benefits	5.0	4.8	
- Share based payments	18.7	22.8	
Non - Executive directors			
- Short term employee benefits (Sitting fee & Commission)	7.2	6.8	

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS**

Particulars	Year ended 31 December 2017 (₹ in million)	Year ended 31 December 2016 (₹ in million)
<b>Contribution to Employee related trusts</b>		
- Nestlé India Limited Employees Provident Fund Trust	144.6	128.9
- Nestlé India Limited Employees' Gratuity Trust Fund	92.5	-

Particulars	As at 31 December 2017 (₹ in million)	As at 31 December 2016 (₹ in million)
<b>Balance outstanding as at the year end</b>		
Receivables from fellow subsidiaries	562.0	671.9
Payables to fellow subsidiaries	773.3	791.8
Payables to Key management personnel	38.4	31.8
Payables to Employees Provident Fund Trust	12.1	11.1

**Note:**

Other transactions with Key Managerial Personnel:

- Remuneration includes lease rentals paid at market rates ₹ 3.6 million (previous year ₹ 3.3 million).

- (1) As the liabilities for defined benefit obligations are provided based on actuarial valuation for the company as a whole, the amount pertaining to Key management personnel has not been included.

**50. Segment reporting**

Based on the guiding principles given in Ind AS 108 on 'Operating Segments', the Company's business activity falls within a single operating segment, namely Food. Accordingly, the disclosure requirements of Ind AS 108 are not applicable. The food business incorporates product groups viz. Milk Products and Nutrition, Prepared dishes and Cooking aids, Powdered and Liquid Beverages and Confectionery.

**Information by Geographies**

- (i) Revenue from external customers

	Year ended 31 December 2017 (₹ in million)	Year ended 31 December 2016 (₹ in million)
India	94,724.5	87,530.8
Outside India	6,626.6	6,565.2
	<b>101,351.1</b>	<b>94,096.0</b>

- (ii) The Company has business operations only in India and does not hold any assets outside India.

**Revenue from major customers**

There is no single customer that accounts for more than 10% of the Company's revenue.

## NOTES FORMING PART OF THE FINANCIAL STATEMENTS

### 51. 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 following are the details:

	Year ended 31 December 2017 (₹ in million)	Year ended 31 December 2016 (₹ in million)
(i) Principal amount remaining unpaid	52.5	48.8
(ii) Interest due thereon remaining unpaid	-	-
(iii) Interest paid by the Company in terms of Section 16 of the Micro, Small and Medium Enterprises Development Act, 2006, along-with the amount of the payment made to the supplier beyond the appointed day during the period	-	-
(iv) Interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the period) but without adding interest specified under the Micro, Small and Medium Enterprises Act, 2006	-	-
(v) Interest accrued and remaining unpaid	-	-
(vi) Interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprises	-	-

### 52. Dividends

#### (i) Dividend paid during the year

	Year ended 31 December 2017 (₹ in million)	Year ended 31 December 2016 (₹ in million)
Interim Dividend of ₹ 63.00 per share for 2017 [for 2016: ₹ 40.00 per share]	6,074.2	3,856.6
Final Dividend of ₹ 23.00 per share for 2016 [for 2015: ₹ 18.50 per share]	2,217.6	1,783.7
Dividend distribution tax paid on above	1,687.7	1,148.2

#### (ii) Proposed Final Dividend

The Board of Directors have recommended a final dividend of ₹ 23.00 per equity share amounting to ₹ 2,217.6 million for the year 2017 (Previous Year: ₹ 23.0 per equity share amounting to ₹ 2,217.6 million) after the balance sheet date. The same is subject to approval by the shareholders at the ensuing Annual General Meeting of the Company and therefore proposed final dividend (including dividend distribution tax) has not been recognised as a liability as at the balance sheet date in line with Ind AS 10 on 'Events after the Reporting Period'.

53. The Company did not have any holding or dealing in Specified Bank Notes and other denomination notes during the period 8 November, 2016 to 30 December, 2016 and hence disclosure requirements as per the notification G.S.R. 308(E) dated 31 March, 2017 are not applicable to the Company. For the purpose of this clause, the term 'Specified Bank Notes' shall have the same meaning provided in the notification of the Government of India, in the Ministry of Finance, Department of Economic Affairs number S.O. 3407(E), dated the 8 November, 2016.

## **NOTES FORMING PART OF THE FINANCIAL STATEMENTS**

### **54. First Time adoption of Ind AS**

The Company has adopted Ind AS w.e.f 1 January 2017 with a transition date of 1 January 2016. Accordingly, financial statements for the year ended 31 December 2017 together with the comparative information for the year ended 31 December 2016 and opening Ind AS balance sheet as at 1 January 2016 have been prepared in accordance with accounting policies as set out in Note 2 - "Significant accounting policies".

The Company has prepared its opening Ind AS balance sheet as at 1 January 2016 by recognising assets and liabilities whose recognition is required by Ind AS, derecognising assets and liabilities which are not permitted by Ind AS, reclassifying assets and liabilities as required by Ind AS, and applying Ind AS measurement principles, subject to certain optional exemptions and mandatory exceptions. The resulting difference between the carrying values of the assets and liabilities as at the transition date under Ind AS and Previous GAAP have been adjusted directly against "Other Equity".

The effect of the transition to Ind AS on Company's financial position, financial performance and cash flows is set out below.

#### **(a) Optional exemptions and mandatory exceptions**

The Company has availed the following optional exemptions and mandatory exceptions on first time adoption of Ind AS as per Ind AS 101.

#### **(i) Optional exemptions**

##### **Deemed cost for property, plant and equipment**

The Company has opted to continue with the carrying value as per the Previous GAAP for all items of its property, plant and equipment as its deemed cost on the date of transition.

##### **Leases**

The Company has opted to determine, whether a contract or arrangement existing at the date of transition contains a lease on the basis of facts and circumstances existing at the date of transition rather than at the inception of the arrangement.

##### **Designation of investment in equity instruments**

The Company has opted to designate equity investments as at fair value through other comprehensive income (FVOCI) based on the facts and circumstances existing at the date of transition to Ind AS rather than at initial recognition.

#### **(ii) Mandatory exceptions**

##### **Classification and measurement of financial assets**

The Company has determined the classification and measurement of financial assets on the basis of the facts and circumstances existing at the date of transition.

##### **Estimates**

The Company's estimates under Ind AS as at 1 January 2016 are consistent with the estimates as at the same date made in conformity with the Previous GAAP. However, estimates that were not required under Previous GAAP but now required under Ind AS have been made basis facts and conditions as at the date of transition.

## NOTES FORMING PART OF THE FINANCIAL STATEMENTS

### b) Effect of Ind AS adoption on the Balance Sheet as at 1 January 2016

	Footnotes	Previous GAAP*	Adjustments	(₹ in million) Ind AS
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, Plant and Equipment		28,978.5	-	28,978.5
Capital work-in-progress		2,307.9	-	2,307.9
Financial Assets				
Investments		3,417.8	-	3,417.8
Loans		627.4	-	627.4
Other non-current assets		676.9	-	676.9
		36,008.5	-	36,008.5
<b>Current assets</b>				
Inventories		8,208.1	-	8,208.1
Financial Assets				
Investments	I	9,831.4	48.0	9,879.4
Trade receivables		784.2	-	784.2
Cash and cash equivalents		4,892.7	-	4,892.7
Bank Balances other than cash and cash equivalents		102.8	-	102.8
Loans		181.7	-	181.7
Other financial assets	II	221.5	1.2	222.7
Current tax assets		327.6	-	327.6
Other current assets		304.8	-	304.8
		24,854.8	49.2	24,904.0
	<b>Total Assets</b>	<b>60,863.3</b>	<b>49.2</b>	<b>60,912.5</b>
<b>EQUITY AND LIABILITIES</b>				
<b>EQUITY</b>				
Equity Share Capital		964.2	-	964.2
Other Equity		27,214.2	2,180.2	29,394.4
		28,178.4	2,180.2	30,358.6
<b>LIABILITIES</b>				
<b>Non-current liabilities</b>				
Financial Liabilities				
Borrowings		167.9	-	167.9
Provisions		15,971.7	-	15,971.7
Deferred tax liabilities (net)	III	1,729.2	17.8	1,747.0
		17,868.8	17.8	17,886.6
<b>Current liabilities</b>				
Financial Liabilities				
Borrowings		9.4	-	9.4
Trade payables		7,494.1	-	7,494.1
Other financial liabilities	II	2,494.7	(2.0)	2,492.7
Provisions	IV	2,653.2	(2,146.8)	506.4
Other current liabilities		2,164.7	-	2,164.7
		14,816.1	(2,148.8)	12,667.3
	<b>Total Equity and liabilities</b>	<b>60,863.3</b>	<b>49.2</b>	<b>60,912.5</b>

\*Previous GAAP figures have been regrouped/ reclassified wherever necessary to conform to the requirements prescribed under Division II of Schedule III to the Companies Act, 2013.

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS**

c) Effect of Ind AS adoption on the Balance Sheet as at 31 December 2016

	Footnotes	Previous GAAP*	Adjustments	(₹ in million) Ind AS
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, Plant and Equipment	V	27,294.6	6.8	27,301.4
Capital work-in-progress		1,881.7	-	1,881.7
Financial Assets				
Investments		4,743.1	-	4,743.1
Loans		643.7	-	643.7
Other non-current assets		706.7	-	706.7
		35,269.8	6.8	35,276.6
<b>Current assets</b>				
Inventories		9,431.8	(31.2)	9,400.6
Financial Assets				
Investments	I	12,750.4	63.1	12,813.5
Trade receivables		979.3	-	979.3
Cash and cash equivalents		8,693.2	-	8,693.2
Bank Balances other than cash and cash equivalents		106.8	-	106.8
Loans		166.0	-	166.0
Other financial assets	II	320.5	6.2	326.7
Current tax assets		27.3	-	27.3
Other current assets		314.6	-	314.6
		32,789.9	38.1	32,828.0
	<b>Total Assets</b>	<b>68,059.7</b>	<b>44.9</b>	<b>68,104.6</b>
<b>EQUITY AND LIABILITIES</b>				
<b>EQUITY</b>				
Equity Share Capital		964.2	-	964.2
Other Equity		29,172.8	2,686.3	31,859.1
		30,137.0	2,686.3	32,823.3
<b>LIABILITIES</b>				
<b>Non-current liabilities</b>				
Financial Liabilities				
Borrowings		331.5	-	331.5
Provisions		19,722.1	-	19,722.1
Deferred tax liabilities (net)	III	1,542.1	11.3	1,553.4
Other non-current liabilities	V	-	6.8	6.8
		21,595.7	18.1	21,613.8
<b>Current liabilities</b>				
Financial Liabilities				
Trade payables		7,991.6	-	7,991.6
Other financial liabilities	II	3,106.9	9.5	3,116.4
Provisions	IV	3,207.0	(2,669.0)	538.0
Other current liabilities		2,021.5	-	2,021.5
		16,327.0	(2,659.5)	13,667.5
	<b>Total Equity and liabilities</b>	<b>68,059.7</b>	<b>44.9</b>	<b>68,104.6</b>

\* Previous GAAP figures have been regrouped/reclassified wherever necessary to conform to the requirements prescribed under Division II of Schedule III to the Companies Act, 2013.

## NOTES FORMING PART OF THE FINANCIAL STATEMENTS

### d) Effect of Ind AS adoption on the Statement of Profit and Loss for the year ended 31 December 2016

		Footnotes	Previous GAAP*	Adjustments	(₹ in million) Ind AS			
<b>A INCOME</b>								
<b>Sale of products</b>		VI	91,592.8	2,503.2	94,096.0			
Other operating revenues	i	V	645.2	4.5	649.7			
<b>Total revenue from operations</b>			92,238.0	2,507.7	94,745.7			
ii Other Income		I	1,493.9	15.1	1,509.0			
<b>Total Income</b>			93,731.9	2,522.8	96,254.7			
<b>B EXPENSES</b>								
i Cost of materials consumed			37,750.9	-	37,750.9			
ii Purchases of stock-in-trade			1,153.8	-	1,153.8			
iii Changes in inventories of finished goods, work-in-progress and stock-in-trade			(107.8)	31.2	(76.6)			
iv Excise duty		VI (a)	-	3,332.3	3,332.3			
v Employee benefits expense		VII	9,859.6	(843.9)	9,015.7			
vi Finance costs (including interest cost on employee benefit plans)			909.1	-	909.1			
vii Depreciation and Amortisation		V	3,536.2	0.5	3,536.7			
viii Other expenses		II, VI(b)	23,790.3	(835.7)	22,954.6			
ix Impairment loss on property, plant and equipment			118.3	-	118.3			
Net provision for contingencies								
x - Operations			418.0	-	418.0			
xi - Others			1,266.7	-	1,266.7			
xii Corporate social responsibility expense			313.6	-	313.6			
<b>Total Expenses</b>			79,008.7	1,684.4	80,693.1			
<b>C PROFIT BEFORE EXCEPTIONAL ITEMS AND TAX (A-B)</b>			14,723.2	838.4	15,561.6			
D Exceptional items		VIII	307.8	(200.0)	107.8			
<b>E PROFIT BEFORE TAX (C-D)</b>			14,415.4	1,038.4	15,453.8			
F Tax expense								
Current tax			5,337.1	274.8	5,611.9			
Deferred tax		III	(187.1)	5,150.0	15.4	290.2	(171.7)	5,440.2
<b>G PROFIT AFTER TAX (E-F)</b>				9,265.4	748.2			10,013.6
<b>H OTHER COMPREHENSIVE INCOME</b>								
(a) <b>(i) Items that will not be reclassified to profit or loss</b>								
Re-measurement of retiree defined benefit plans		VII	-	(843.9)	(843.9)			
Changes in fair value of equity instruments		VIII	-	(200.0)	(200.0)			
<b>(ii) Income taxes relating to Items that will not be reclassified to profit or loss</b>		III	-	292.1	292.1			
				(751.8)	(751.8)			
(b) <b>(i) Items that will be reclassified to profit or loss</b>								
Changes in fair value of cash flow hedges		II	-	(13.1)	(13.1)			
<b>(ii) Income taxes relating to Items that will be reclassified to profit or loss</b>		III	-	4.5	4.5			
<b>TOTAL OTHER COMPREHENSIVE INCOME (a+b)</b>				(8.6)	(8.6)			
				(760.4)	(760.4)			
<b>I TOTAL COMPREHENSIVE INCOME (G+H)</b>			9,265.4	(12.2)	9,253.2			

\* Previous GAAP figures have been regrouped/reclassified wherever necessary to conform to the requirements prescribed under Division II of Schedule III to the Companies Act, 2013.

## **NOTES FORMING PART OF THE FINANCIAL STATEMENTS**

### e) Effect of Ind AS adoption on the Statement of Cash Flows for the year ended 31 December 2016

				(₹ in million)	
		Footnotes	Previous GAAP*	Adjustments	Ind AS
Net cash generated from operating activities			14,659.1	-	14,659.1
Net cash used in investing activities	I		(1,274.1)	15.1	(1,259.0)
Net cash used in financing activities	IX		(6,665.5)	9.4	(6,656.1)
<b>Net increase in cash and cash equivalents</b>			<b>6,719.5</b>	<b>24.5</b>	<b>6,744.0</b>
<b>Total cash and cash equivalents at the beginning of the year</b>	I,IX		<b>14,724.1</b>	<b>38.6</b>	<b>14,762.7</b>
<b>Total cash and cash equivalents at the end of the year</b>			<b>21,443.6</b>	<b>63.1</b>	<b>21,506.7</b>

\* Previous GAAP figures have been regrouped/reclassified, wherever necessary, to conform to the requirements prescribed under Division II of Schedule III to the Companies Act, 2013.

### f) Reconciliation of equity as reported in accordance with Previous GAAP to equity in accordance with Ind AS

PARTICULARS	Foot notes	(₹ in million)	
		As at 31 December 2016	As at 1 January 2016
<b>Equity as reported in accordance with previous GAAP</b>		<b>30,137.0</b>	<b>28,178.4</b>
Timing difference in recognition of proposed final dividend and dividend distribution tax thereon	IV	2,669.0	2,146.8
Changes in fair value on investment in mutual funds	I (a)	12.7	8.5
Recognition of interest income on financial assets as per effective interest rate method	I (b)	50.4	39.5
Application of hedge accounting for forward contracts	II	(3.3)	3.2
Others		(31.2)	-
Tax impact	III	(11.3)	(17.8)
<b>Equity in accordance with Ind AS</b>		<b>32,823.3</b>	<b>30,358.6</b>

#### Footnotes:

##### I. Current Investments:

(a) **Investments in mutual funds:** Under Previous GAAP, investments in mutual funds were measured at cost or market value, whichever is lower. Under Ind AS, these investments have been classified as "measured at fair value through profit or loss (FVTPL)". Changes in fair value are recognised in the statement of profit and loss.

(b) **Investments in treasury bills, certificate of deposits, commercial papers etc.:** Under Previous GAAP, investments in treasury bills, certificate of deposits and commercial papers etc. were measured at cost or market value, whichever is lower. Under Ind AS, these investments have been classified as "measured at amortised cost". Interest income calculated using the effective interest rate (EIR) method is recognised in the statement of profit and loss.

##### II. Forward Contracts

Under Previous GAAP, the premium paid on forward contracts was recognised as expense or income over the life of the contract. Difference between the exchange rate on the date of inception and as at the settlement date of the forward contract was recognised as exchange difference. Further in case of forward contracts for highly probable forecasted transactions, net mark to market losses were recognised in the statement of profit and loss, and net gains, if any, were ignored.

## **NOTES FORMING PART OF THE FINANCIAL STATEMENTS**

Under Ind AS, derivative instruments such as forward contracts are measured at fair value. Forward contracts are designated as hedging instruments against changes in fair value of recognised assets and liabilities (fair value hedges) and against highly probable forecast transactions (cash flow hedges). When a forward contract is designated as a cash flow hedge, the effective portion of changes in the fair value of the contract is recognised in the other comprehensive income and is transferred to the statement of profit and loss upon occurrence of the related forecasted transaction. Any ineffective portion of the changes in the fair value of the contract is recognised immediately in the statement of profit and loss.

Changes in fair value of forward contracts designated as fair value hedge are recognised in the income statement.

### **III. Deferred Taxes**

Under Previous GAAP, deferred taxes were accounted basis the income statement approach which required creation of deferred tax asset/liability on temporary differences between taxable income and accounting income. Under Ind AS, deferred taxes are accounted basis the balance sheet approach which requires creation of deferred tax asset/liability on temporary differences between the carrying amount of an asset/liability in the Balance Sheet and its corresponding tax base.

Application of Ind AS has also resulted in recognition of deferred taxes on new temporary differences arising due to adjustments made on transition to Ind AS.

### **IV. Proposed dividend**

Under Previous GAAP, dividend proposed by the Board of Directors after the balance sheet date but before the approval of the financial statements was considered as an adjusting event. Accordingly, provision for proposed dividend (including dividend distribution tax) was recognised as a liability in the same year to which it pertained. Under Ind AS, proposed dividend is recognised when the same is approved by the shareholders in the Annual General Meeting.

### **V. Government Grants**

Under Previous GAAP, government grants in relation to fixed assets were reduced from the cost of the related asset. Under Ind AS, such grants have been treated as deferred income and is recognised in the statement of profit and loss on a systematic basis over the useful life of the asset.

Under Previous GAAP, Government grants in relation to investment outlay were recognised as part of capital reserves. Under Ind AS, these grants have been recognised in the statement of profit and loss on fulfillment of the underlying attached conditions.

### **VI. Sales**

- (a) **Excise duty:** Under Previous GAAP, Sales were presented net of Excise Duty. Under Ind AS, Sales are reported gross of excise duty. Excise duty is presented as a separate expense line item in the statement of profit and loss. (Also refer Note 4)
- (b) **Marketing and Selling Incentives:** Under Previous GAAP, certain marketing and selling incentives to trade were reported as advertisement/ selling and distribution expenses in the statement of profit and loss. Under Ind AS, these have been netted off from sales.

### **VII. Re-measurement of defined benefit plans**

Under Previous GAAP, re-measurement of retiral defined benefit plans i.e. actuarial gains/ (losses) arising due to experience adjustments and change in assumptions were recognised in the statement of profit and loss. Under Ind AS, remeasurement of retiral defined benefit plans is recognised in the "Other Comprehensive Income".

## **NOTES FORMING PART OF THE FINANCIAL STATEMENTS**

### **VIII. Investments in equity instruments**

Under Previous GAAP, investments in equity instruments were carried at cost less provision for other than temporary diminution in the value of such investments. Under Ind AS, these investments have been classified as "measured at fair value through other comprehensive income (FVOCI)" through an irrevocable election. Changes in fair value are recognised directly in the "Other Comprehensive Income".

### **IX. Cash and Cash equivalents**

Under Previous GAAP, bank overdrafts were presented as part of "Cash flows from financing activities" in the statement of cash flows. Under Ind AS, bank overdrafts are included as a component of cash and cash equivalents in the statement of cash flows.

As per our report of even date attached

For B S R & CO. LLP

F.R.N. : 101248W/W-100022

Chartered Accountants

JITEN CHOPRA

Partner

Membership No. - 092894

14 February 2018

Gurugram

SURESH NARAYANAN

Chairman and Managing Director

(DIN-07246738)

14 February 2018

Gurugram

For and on behalf of the Board of Directors

SHOBINDER DUGGAL

Director - Finance & Control and CFO

(DIN-00039580)

B. MURLI

Sr. VP - Legal & Company Secretary

## ANNEXURE - 1 TO THE BOARD'S REPORT

### REPORT ON CORPORATE GOVERNANCE FOR THE YEAR ENDED DECEMBER 31, 2017

#### NESTLÉ'S PHILOSOPHY ON CODE OF GOVERNANCE

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

The Company's business objective and that of its management and employees is to manufacture and market the Company's products in such a way as to create value that can be sustained over the long term for consumers, shareholders, employees, business partners and the national economy. The Company 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, the Company endeavours to ensure that highest standards of ethical and responsible conduct are met throughout the organisation.

#### BOARD OF DIRECTORS

**Composition and Category of Directors, attendance of each Director at the Board Meetings and the last Annual General Meeting. Number of other Board of Directors or committees in which a Director is a member or chairperson.**

Above information as on 31<sup>st</sup> December, 2017 or for the year 2017, as applicable, is tabulated hereunder:

Director	DIN	Category of Director	No. of Board Meetings attended	Attendance at the last AGM on 11 <sup>th</sup> May, 2017	No. of Directorship held <sup>A</sup>	No. of Membership/Chairpersonship in other Board Committees <sup>B</sup>
Mr. Suresh Narayanan	07246738	Executive	7	Yes	Nil	Nil
Mr. Shobinder Duggal	00039580	Executive	7	Yes	Nil	Nil
Mr. Martin Roemkens <sup>1</sup>	07761271	Executive	4	Yes	Nil	Nil
Mr. Aristides Protonotarios <sup>2</sup>	06546858	Executive	2	NA	Nil	Nil
Ms. Rama Bijapurkar <sup>3</sup>	00001835	Independent Non-Executive	3	Yes	5	2
Mr. Rajya Vardhan Kanoria	00003792	Independent Non-Executive	7	Yes	7	5
Mr. Ashok Kumar Mahindra	00916746	Independent Non-Executive	4	Yes	1	Nil
Dr. Rakesh Mohan	02790744	Independent Non-Executive	4	Yes	1	Nil
Mr. Ravinder Narain <sup>4</sup>	00059197	Independent Non-Executive	3	Yes	3	2
Dr. Swati A. Piramal <sup>5</sup>	00067125	Independent Non-Executive	3	Yes	9	Nil

<sup>1</sup> Appointed as Whole-time Director, designated as Director - Technical, with effect from 1<sup>st</sup> April, 2017.

<sup>2</sup> Ceased as Director with effect from 31<sup>st</sup> March, 2017.

<sup>3</sup> Appointed as Independent Non-Executive Director with effect from 1<sup>st</sup> May, 2017.

<sup>4</sup> Retired as Independent Non-Executive Director with effect from 11<sup>th</sup> May, 2017.

<sup>5</sup> In addition to Meetings attended, Dr. Swati A. Piramal participated in the meetings over the phone on 13<sup>th</sup> January, 2017, 12<sup>th</sup> May, 2017 and 10<sup>th</sup> November, 2017.

<sup>A</sup> Directorship in companies registered under the Companies Act, 2013 or any earlier enactments, excluding companies under Section 8 of the Companies Act, 2013 (earlier Section 25 of the Companies Act, 1956).

<sup>B</sup> Only covers Membership / Chairpersonship of Audit Committee and Stakeholders Relationship Committee of public limited companies.

As at 31<sup>st</sup> December, 2017, in compliance with the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations"), the Company's Board of Directors headed by its Chairman and Managing Director, Mr. Suresh Narayanan comprised seven other directors, out of which five directors are Independent Non-Executive Directors including two women directors. 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.

At the 58<sup>th</sup> Annual General Meeting held on 11<sup>th</sup> May, 2017, the shareholders approved the appointment of Ms. Rama Bijapurkar as an Independent Non-Executive Director to hold office for a period of five consecutive years for a term upto 30<sup>th</sup> April, 2022. The Company

# NESTLÉ INDIA LIMITED

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issued a letter of appointment to the Independent Director as per Schedule IV of the Companies Act, 2013 and terms and conditions of her appointment have been disclosed on the website of the Company (web link: <https://www.nestle.in/investors/directorsandofficers>).

During the year, the Board met seven times on 13<sup>th</sup> January, 2017, 15<sup>th</sup> February, 2017, 27<sup>th</sup> March, 2017, 12<sup>th</sup> May, 2017, 26<sup>th</sup> July, 2017, 10<sup>th</sup> November, 2017 and 4<sup>th</sup> December, 2017. The maximum gap between any two Board Meetings was less than one hundred and 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 as prescribed under Part A of Schedule II of sub-regulation 7 of Regulation 17 of the Listing Regulations. During the year, a separate meeting of the Independent Directors was held on 15<sup>th</sup> February, 2017 without the attendance of non-independent directors and members of the management. All Independent Directors attended the said meeting.

The Company has proper online systems to enable the Board to review on a half yearly basis compliance reports of all laws applicable to the Company, as prepared by the Company as well as to assess the steps taken by the Company to rectify instances of non-compliances, if any.

The Company has 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 model of the Company etc. The familiarisation programme alongwith details of the same imparted to the Independent Directors during the year are available on the website of the Company (web link: <https://www.nestle.in/investors/directorsandofficers>).

None of the Independent Non-Executive Directors held any equity shares or convertible instruments of the Company during the financial year ended 31<sup>st</sup> December, 2017. None of the Directors had any relationships inter-se.

## Compliance with the Code of Conduct

The Company has adopted the "The Nestlé India Code of Business Conduct" (Code). The Code is available on the website of the Company (web link <https://www.nestle.in/investors/policies>).

The Chairman and Managing Director declares that the members of the Board of Directors and Senior Management Personnel have affirmed compliance with the Code during the year 2017.

## AUDIT COMMITTEE

The powers, role and terms of reference of the Audit Committee covers the areas as contemplated under Section 177 of the Companies Act, 2013 ("the Act") and Regulation 18 of Listing Regulations, as applicable, besides other terms as referred by the Board of Directors.

The powers include investigating any activity within its terms of reference as specified by the Board and seeking information from any employee, obtain professional advice from external sources, secure attendance of outsiders with relevant expertise, if considered required and have full access to information contained in the records of the Company.

The role includes oversight of Company's financial reporting process and disclosure of financial information to ensure that the financial statements are correct, sufficient and credible; recommending the appointment, re-appointment, remuneration and terms of appointment of auditors and approval of payment for any other services rendered by statutory auditors; reviewing with the management quarterly results and annual 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 auditor's 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.

The Committee mandatorily reviews information such as internal audit reports related to internal control weakness, management discussion and analysis of financial condition and result of operations, statement of significant related party transactions and such other matters as prescribed.

During the year 2017, the Audit Committee was re-constituted and Dr. Rakesh Mohan, Independent Non-Executive Director was appointed as Member of Audit Committee in place of Mr. Ravinder Narain, who retired as a Director with effect from 11<sup>th</sup> May, 2017. Mr. Ashok Kumar Mahindra, an Independent Non-Executive Director, is the Chairman of the Audit Committee, Mr. Rajya Vardhan Kanoria, Independent Non-Executive Director is other member of the Committee. All members of the Audit Committee are financially literate and 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, Head of Internal Control and Costing, 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 Statutory Auditors and Cost Auditors are also invited to the meetings of the Audit Committee.

During the year, the Audit Committee met four times on 14<sup>th</sup> February, 2017, 12<sup>th</sup> May, 2017, 26<sup>th</sup> July, 2017 and 10<sup>th</sup> November, 2017 and all members of the Committee attended the aforesaid meetings. The maximum gap between any two meetings was less than one hundred and twenty days.

#### **NOMINATION AND REMUNERATION COMMITTEE**

The powers, role and terms of reference of the Nomination and Remuneration Committee covers the areas as contemplated under Section 178 of the Act and Regulation 19 of Listing Regulations, besides other terms as 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 diversity of Board of Directors; 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 of their appointment, removal and noting their cessation.

During the year 2017, the Nomination and Remuneration Committee was re-constituted and Dr. Rakesh Mohan, Independent Non-Executive Director was appointed as Member of the Nomination and Remuneration Committee in place of Mr. Ravinder Narain, who retired as Director with effect from 11<sup>th</sup> May, 2017. Mr. Rajya Vardhan Kanoria, Independent Non-Executive Director, is the Chairman of the Committee and Mr. Ashok Kumar Mahindra is other member of the Committee. The Chairman and Managing Director; and Head of Human Resources are permanent invitees to the Committee meetings. The Company Secretary acts as the Secretary to the Committee.

During the year, the Nomination and Remuneration Committee met four times on 15<sup>th</sup> February, 2017, 27<sup>th</sup> March, 2017, 12<sup>th</sup> May, 2017 and 26<sup>th</sup> July, 2017 and all members of the Committee attended the aforesaid meetings except Mr. AK Mahindra who was granted leave of absence for the meeting held on 27<sup>th</sup> March, 2017.

#### **Performance Evaluation**

The criteria for performance evaluation cover the areas relevant to the functioning as Independent Directors such as preparation, participation, conduct and effectiveness. The performance evaluation of Independent Directors was done by the entire Board of Directors and in the evaluation of the Directors, the Director subject to evaluation, had not participated.

#### **Remuneration of Directors for 2017**

(₹ in Millions)

Name of the Director	Sitting Fee	Salaries and Allowances	Perquisites	Company's Contribution to PF	Commission and Performance Linked Incentive	Total
Mr. Suresh Narayanan <sup>1</sup>	N.A.	58.86	16.25	2.45	22.09	99.65
Mr. Shobinder Duggal <sup>1</sup>	N.A.	16.23	11.96	1.55	9.06	38.80
Mr. Martin Roemkens <sup>1</sup>	N.A.	21.61	3.48	0.74	5.32	31.15
Mr. Aristides Protonotarios <sup>1</sup>	N.A.	7.59	7.74	0.27	6.46	22.06
Ms. Rama Bijapurkar <sup>2</sup>	0.43	-	-	-	0.54 @	0.97
Mr. Rajya Vardhan Kanoria	1.30	-	-	-	0.80 @	2.10
Mr. Ashok Kumar Mahindra	0.88	-	-	-	0.80 @	1.68
Dr. Rakesh Mohan	0.75	-	-	-	0.80 @	1.55
Mr. Ravinder Narain <sup>3</sup>	0.50	-	-	-	0.29 @	0.79
Dr. Swati A. Piramal	0.35	-	-	-	0.80 @	1.15

<sup>1</sup> 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.

<sup>2</sup> Appointed as Independent Non-Executive Director with effect from 1<sup>st</sup> May, 2017.

<sup>3</sup> Retired as Independent Non-Executive Director with effect from 11<sup>th</sup> May, 2017.

@ Represents Commission for the year ended 31<sup>st</sup> December, 2017 which will be paid, subject to deduction of tax after adoption of the accounts by the shareholders at the Annual General Meeting.

\* Appointed as Whole-time Director, designated as Director - Technical with effect from 1<sup>st</sup> April, 2017.

\*\* Ceased as Director - Technical with effect from 31<sup>st</sup> March, 2017.

## **NESTLÉ INDIA LIMITED**

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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.

The Non-executive directors are paid remuneration based on their contribution and current trends. Sitting fees is paid for attending each meeting of the Board and Committees thereof. Additionally, the non-executive directors are entitled to remuneration up to 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 only), as approved by the members at the Annual General Meeting held on 12<sup>th</sup> 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, 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.

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 selected employees are granted non-tradable Performance Share Units of Nestlé S.A. Perquisites of the Whole-time/ Managing Director include, inter-alia, Leave Travel and payments for the Restricted Stock Units/ 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 re-appointment is given in the Notice of the 59<sup>th</sup> Annual General Meeting and forms part of the Corporate Governance Report.

### **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.

During the year 2017, the Stakeholders Relationship Committee was re-constituted and Ms. Rama Bijapurkar, Independent Non-Executive Director was appointed as the Chairperson of the Committee in place of Mr. Ravinder Narain, who retired as Director with effect from 11<sup>th</sup> May, 2017. Mr. Rajya Vardhan Kanoria and Mr. Shobinder Duggal, Director – Finance & Control and CFO are other members of the Committee. Mr. B. Murli, Senior Vice President – Legal & Company Secretary acts as the Compliance Officer to the Committee.

The Committee met four times during the year on 14<sup>th</sup> February, 2017, 12<sup>th</sup> May, 2017, 26<sup>th</sup> July, 2017 and 10<sup>th</sup> November, 2017. All members of the Committee attended the aforesaid meetings.

During the year, 10 complaints were received from shareholders and investors. All the complaints have been resolved 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 2017 and no such transfer is pending.

### **RISK MANAGEMENT COMMITTEE**

During the year 2017, the Risk Management Committee was re-constituted and Mr. Martin Roemkens, Director – Technical was appointed as Member of the Risk Management Committee in place of Mr. Aristides Protonotarios who ceased to be Director of the Company with effect from 31<sup>st</sup> March, 2017. Mr. Shobinder Duggal, Director – Finance & Control and CFO is the Chairman of the Committee and Mr. Anurag Dikshit, Head of Treasury and M&A is other member 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 Regulation 21 of the Listing Regulations 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 four times on 8<sup>th</sup> March, 2017, 5<sup>th</sup> June, 2017, 14<sup>th</sup> September, 2017 and 14<sup>th</sup> December, 2017 and all the members of the Committee attended these meetings.

### **CORPORATE SOCIAL RESPONSIBILITY COMMITTEE**

The Committee oversees, inter-alia, corporate social responsibility and other related matters as may be referred by the Board of Directors and discharges the roles as prescribed under Section 135 of the Act 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 Act; recommending the amount of expenditure to be incurred; and monitoring the CSR Policy of the Company.

During the year 2017, the Corporate Social Responsibility Committee was re-constituted and Ms. Rama Bijapurkar, Independent Non-Executive Director was appointed as Member of the Committee in place of Mr. Ravinder Narain, who retired as Director with effect from 11<sup>th</sup> May, 2017. The Committee comprises of Dr. Swati A. Piramal, Independent Non-Executive Director, as the Chairperson of the Committee and Mr. Suresh Narayanan, Chairman and Managing Director is other member of the Committee. The Company Secretary acts as the Secretary to the Committee.

The Committee met thrice during the year on 15<sup>th</sup> February, 2017, 26<sup>th</sup> July, 2017 and 10<sup>th</sup> November, 2017. All the members attended the above meetings except in one meeting held on 15<sup>th</sup> February, 2017, when Mr. Suresh Narayanan was granted leave of absence and in another meeting held on 10<sup>th</sup> November, 2017, when Dr. Swati A Piramal was granted leave of absence.

### **CEO/ CFO CERTIFICATION**

The Chairman and 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 as required under Regulation 17(8) of the Listing Regulations for the year ended 31<sup>st</sup> December, 2017.

### **GENERAL BODY MEETINGS**

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

Year & Date	Time	Venue
11.05.2017	10.00 A.M.	
12.05.2016	10.00 A.M.	Air Force Auditorium, Subroto Park, New Delhi - 110 010
15.05.2015	10.00 A.M.	

No resolution was passed as Special Resolution in the last three Annual General Meetings.

During the year, no special resolution was passed through postal ballot. There is no special resolution proposed to be conducted through postal ballot.

### **MEANS OF COMMUNICATION**

The quarterly results of the Company were widely published in leading newspapers such as Financial Express and Jansatta and also displayed at the Company's website [www.nestle.in](http://www.nestle.in) (<https://www.nestle.in/investors/stockandfinancials/financialresults>). All official press releases, presentations made to analysts and institutional investors and other general information about the Company are also available on the Company's website.

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.

### **GENERAL SHAREHOLDER INFORMATION**

#### **Annual General Meeting**

Day, Date and Time : Thursday, 10<sup>th</sup> May, 2018 at 10:00 a.m.  
Venue : Air Force Auditorium, Subroto Park, New Delhi – 110 010.

# NESTLÉ INDIA LIMITED

## Financial Calendar, 2018 (tentative)

First Quarter Results	: Second week of May, 2018
Second Quarter and Half-yearly Results	: Last week of July, 2018
Third Quarter Results	: Last week of October, 2018
Annual Results	: February / March, 2019
Financial Year	: 1 <sup>st</sup> January to 31 <sup>st</sup> December
Annual Book Closure	: 18 <sup>th</sup> May, 2018 to 19 <sup>th</sup> May, 2018 (both days inclusive)

**Dividend payments:** Final Dividend of ₹ 23/- per equity 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 1<sup>st</sup> June, 2018.

The First, Second and Third interim dividends for the year 2017 of ₹ 15/- per equity share, ₹ 15/- per equity share and ₹ 33/- per equity share of ₹ 10/- each were paid on/from 2<sup>nd</sup> June, 2017, 16<sup>th</sup> August, 2017 and 22<sup>nd</sup> December, 2017, respectively.

## Listing on Stock Exchanges and Stock Code

Shares of the Company are listed at BSE Limited, Piroze Jeejeebhoy Towers, Dalal Street, Fort, Mumbai – 400 001. The Company's Stock Code is 500790.

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

Market Price Data: High/Low in each month of Calendar Year, 2017 on the BSE Ltd., Mumbai

Month	High (₹)	Low (₹)	Month	High (₹)	Low (₹)
January	6083.00	5800.00	July	6989.50	6675.05
February	6420.00	5843.00	August	7120.05	6501.00
March	6689.95	6085.00	September	7408.35	6800.00
April	6778.00	6262.00	October	7480.00	7107.00
May	6995.50	6450.80	November	8000.00	7162.80
June	6832.00	6532.40	December	8001.00	7620.00

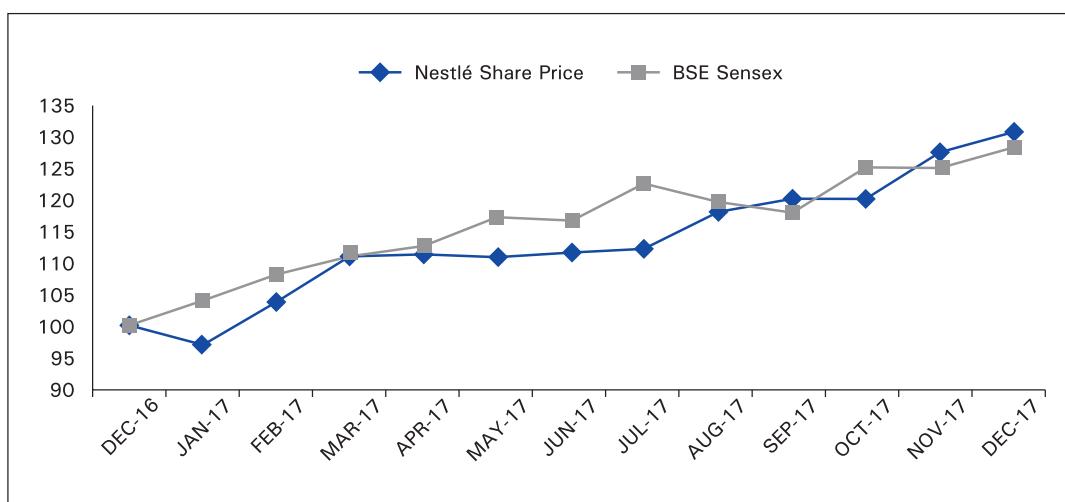
[Source: [www.bseindia.com](http://www.bseindia.com)]

The Company had paid Annual Listing Fees for the Financial Year 2017-18.

## Performance in comparison to BSE Sensex

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

Base is considered to be 100 as at 31<sup>st</sup> December, 2016



[Source: [www.bseindia.com](http://www.bseindia.com)]

## Registrar and Share 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 a period of 15 days from the date of receipt. Requests for dematerialisation of shares are processed and confirmation thereof is given to the respective depositories i.e. National Securities Depository Limited (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.

## Shareholding Pattern as on 31<sup>st</sup> December, 2017

Category of Shareholder	Number of Shares	Percent of Total Shares
Promoter and Promoter Group (A)	60,515,079	62.76
<b>Public Shareholding</b>		
Mutual Funds	1,878,705	1.95
Alternative Investment Fund	28,323	0.03
Foreign Portfolio Investor	11,396,546	11.82
Financial Institutions/ Banks	91,452	0.09
Insurance Companies	5,843,555	6.06
Central Government/State Government(s)	88,063	0.09
Individuals	12,920,131	13.41
NBFCs	9,159	0.01
Any Other		
- Bodies Corporate	2,860,264	2.97
- Overseas Corporate Body	500	0.00
- NRIs	642,243	0.67
- Trust	51,683	0.05
- IEPF Authority MCA	90,013	0.09
<b>Total Public Shareholding (B)</b>	<b>35,900,637</b>	<b>37.24</b>
<b>Total Shareholding (A + B)</b>	<b>96,415,716</b>	<b>100.00</b>

## Distribution of shareholding as on 31<sup>st</sup> December, 2017

No. of Shares	Number of Shareholders	Number of Shares	Percent of total Shares
1 to 500	68,989	3,594,144	3.73
501 to 1,000	2,314	1,674,618	1.74
1,001 to 2,000	1,000	1,422,342	1.47
2,001 to 3,000	351	869,581	0.90
3,001 to 4,000	150	527,741	0.55
4,001 to 5,000	104	469,175	0.49
5,001 to 10,000	257	1,815,784	1.88
10,001 and above	353	86,042,331	89.24
<b>Total</b>	<b>73,518</b>	<b>96,415,716</b>	<b>100.00</b>

## Dematerialisation of shares

98.63% equity shares of the Company have been dematerialised as on 31<sup>st</sup> December, 2017.

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

Not applicable.

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**Commodity price risk or foreign exchange risk and hedging activities:** During the year 2017, the Company had managed the foreign exchange risk and hedged to the extent considered necessary. The Company enters into forward contracts for hedging foreign exchange exposures against exports and imports. The details of foreign currency exposure are disclosed in Note 43 to the Annual Financial Statements.

## Plant Locations

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

## Address for correspondence

Shareholder Services, 100 / 101, World Trade Centre, Barakhamba Lane, New Delhi – 110 001. Phone No.: 011-23418891, Fax. No.:011-23415130

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

**SEBI investors' contact for feedback and assistance:** tel. 022-26449000, e-mail: sebi@sebi.gov.in

**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).

## MANAGEMENT DISCUSSION AND ANALYSIS REPORT

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

Industry structure and developments, segment wise or product-wise performance, outlook, risks and opportunities of the Company and discussion on financial performance with respect to the operational performance, has been covered in the Board's Report – more specifically under the sections on Financial Results and State of Company's Affairs and Management Analysis, Exports, Business Development 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 inter alia 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 Regulation 17(8) of the Listing Regulations.

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 31<sup>st</sup> December, 2017 was 7,527.

## DISCLOSURES

During the year 2017, 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 49 to the Annual Financial Statements. The Company has formulated a policy on materiality of Related Party Transactions and also on dealing with Related Party Transactions. The said policy is also available on the website of the Company (web link <https://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 Regulations of capital markets and no penalties or strictures have been imposed on the Company by the 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 "The Nestlé Corporate Business Principles", "The Nestlé Management and Leadership Principles" and "Nestlé India 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 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 Company across all locations. The Company also provides an independent third party operated free phone and web based facility, "Tell us", to all internal and external stakeholders with a dedicated communication channel for reporting potential instances of non-compliances with the Nestlé Corporate Business Principles.

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 specified in Regulations 17 to 27 and clauses (b) to (i) of sub – regulation (2) of Regulation 46 of the Listing Regulations.

The Corporate Governance Report of the Company for the year 2017 or as on 31<sup>st</sup> December, 2017 are in compliance with the applicable requirements of SEBI as per Listing Regulations.

The status of adoption of the non-mandatory requirements as specified in sub – regulation 1 of Regulation 27 of the Listing Regulations are as follows:

**(a) The Board:** The Chairman of the Company is Executive Chairman; **(b) Shareholder Rights:** Half-yearly and other quarterly financial statements are published in newspapers, uploaded on Company's website [www.nestle.in](http://www.nestle.in); **(c) Modified opinion(s) in audit report:** The Company already has a regime of un-qualified financial statements. Auditors have raised no qualification on the financial statements; **(d) Separate posts of Chairperson and CEO:** Mr. Suresh Narayanan is the Chairman and Managing Director of the Company; and **(e) Reporting of Internal Auditor:** The Chief Internal Auditor of the Company reports to the Director – Finance and Control & CFO and has direct access to the Audit Committee.

On behalf of the Board of Directors

Date : 14<sup>th</sup> February, 2018

Place : Gurugram

Suresh Narayanan  
Chairman and Managing Director

# NESTLÉ INDIA LIMITED

## Independent Auditors' Certificate on Compliance with the Corporate Governance requirements under SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

### TO THE MEMBERS OF NESTLÉ INDIA LIMITED

1. This certificate is issued in accordance with our engagement letter dated 11 May 2017.
2. This certificate contains details of compliance of conditions of corporate governance by Nestlé India Limited ('the Company') for the year ended 31 December 2017 as stipulated in Regulations 17-27, clause (b) to (i) of Regulation 46 (2) and paragraphs C, D and E of Schedule V of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('Listing Regulations') pursuant to the Listing Agreement of the Company with Stock exchanges.

### Management's Responsibility for compliance with the conditions of Listing Regulations

3. The compliance with the terms and conditions contained in the corporate governance is the responsibility of the Management of the Company including the preparation and maintenance of all relevant supporting records and documents.

### Auditor's Responsibility

4. 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.
5. Pursuant to the requirements of the Listing Regulations, it is our responsibility to provide a reasonable assurance whether the Company has complied with the conditions of Corporate Governance as stipulated in Listing Regulations for the year ended 31 December 2017.
6. We conducted our examination of the Statement in accordance with the Guidance Note on Reports or Certificates for Special Purposes issued by the Institute of Chartered Accountants of India ("ICAI"). The Guidance Note requires that we comply with the ethical requirements of the Code of Ethics issued by the ICAI.
7. We have complied with the relevant applicable requirements of the Standard on Quality Control (SQC) I, Quality Control for Firms that Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements.

### Opinion

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

### Restriction on Use

10. The certificate is addressed to and provided to the Members of the Company solely for the purpose to enable the Company to comply with requirement of aforesaid Regulations, and should not be used by any other person or for any other purpose. Accordingly, we do not accept or assume any liability or any duty of care for any other purpose or to any other person to whom this certificate is shown or into whose hands it may come without our prior consent in writing.

*For B S R & Co. LLP  
Chartered Accountants  
Firm Registration No. : 101248W/W-100022*

**Jiten Chopra**  
*Partner*  
Membership No.: 092894

Place : Gurugram  
Date : 14 February 2018

## **ANNEXURE - 2 TO THE BOARD'S REPORT**

### **REMUNERATION POLICY**

This Remuneration Policy relating to remuneration for the directors, key managerial personnel and other employees, has been formulated by the Nomination and Remuneration Committee (hereinafter "Committee") and approved by the Board of Directors.

#### **OBJECTIVES:**

The objectives of this policy is to stipulate criteria for:

- Appointment, reappointment, removal of Director(s), KMP(s) and Senior Management.
- Determining qualifications, positive attributes and independence of a director and recommend to the Board.
- Retain, motivate and promote talent and to ensure long term sustainability of talented managerial persons and create competitive advantage to run the operations of the Company successfully.
- Consider and determine the remuneration, based on the fundamental principles of payment for performance, for potential, and for growth.

#### **CRITERIA FOR APPOINTMENT**

The appointment shall be based on the followings criteria:

- Ethical standards of integrity and probity, qualification, expertise and experience of the person for appointment.
- Age, number of years of service, specialized expertise and period of employment or association with the Company.
- Special achievements and operational efficiency which contributed to growth in business in the relevant functional area.
- Constructive and active participation in the affairs of the Company.
- Exercising the responsibilities in a bona fide manner in the interest of the Company.
- Sufficient devotion of time to the assigned tasks.
- Diversity of the Board.
- Demonstrable leadership qualities and interpersonal communication skills, devote to the role, compliant with the rules, policies and values of the Company and does not have any conflicts of interest.
- Transparent, unbiased and impartial and in accordance with appropriate levels of confidentiality.
- Appointment of Directors and KMPs in compliance with the procedure laid down under the provisions of the Companies Act, 2013, rules made thereunder or any other enactment for the time being in force.

#### **CRITERIA FOR REMUNERATION**

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 emphasizing 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 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.

The remuneration of the Non-Executive Directors shall be based on their contributions and current trends, subject to regulatory limits. Sitting fees is paid for attending each meeting(s) of the Board and Committees thereof. Additionally equal amount of commission is paid to Non-executive directors on a pro-rata basis, within limits approved by shareholders.

**On behalf of the Board of Directors**

**Date : 14<sup>th</sup> February, 2018**

**Place : Gurugram**

**Suresh Narayanan  
Chairman and Managing Director**

## **ANNEXURE - 3 TO THE BOARD'S REPORT**

### **ANNUAL REPORT ON CORPORATE SOCIAL RESPONSIBILITY (CSR) ACTIVITIES**

1. 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.

Driven by the purpose 'Enhancing quality of life and contributing to a healthier future', the Company focuses its efforts in society on the three overarching ambitions of enabling healthier and happier lives for individuals and families, on helping develop thriving and resilient communities, and on stewarding the planet's natural resources for future generations, with particular care for water. The Company is firmly rooted in a robust set of principles and values based on respect.

The Company continues to engage with stakeholders including communities, academia, civil society, expert organisations and the Government and would take up such other CSR activities in line with the 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.

The CSR Policy of the Company is available on the Company's website (<http://www.nestle.in/investors/policies>). While the focus of CSR efforts will be in the areas around Company operations, the Company also undertakes projects where societal needs are high or in special situations (such as in the case of natural disasters, etc.).

#### **2. The Composition of the CSR Committee**

- a. Dr. (Mrs.) Swati Ajay Piramal – Chairperson
- b. Mr. Suresh Narayanan – Member
- c. Ms. Rama Bijapurkar – Member

**3. Average net profit of the Company for last three financial years:** ₹ 13,439.1 million

**4. Prescribed CSR Expenditure (two per cent of the amount as in item 3 above):** ₹ 268.8 million

#### **5. Details of CSR spent during the year 2017.**

- a. Total amount to be spent for the year 2017: ₹ 269.1 million.
- b. Amount unspent, if any: Not Applicable
- c. Manner in which the amount spent during the financial year is detailed below:

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Sl. 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 were undertaken	Amount outlay (budget) Project or program wise (₹ in million)	Amount outlay (budget) Project or program wise (₹ in million)	Cumulative expenditure up to the reporting period (₹ in million)	Amount spent: Direct or through implementing Agency
1	Nestlé Healthy Kids Programme	(i)	Andhra Pradesh, Assam, Chhattisgarh, Delhi, Goa, Gujarat, Haryana, Himachal Pradesh, Jammu and Kashmir, Karnataka, Kerala, Madhya Pradesh, Maharashtra, Odisha, Punjab, Rajasthan, Tamil Nadu, Telangana, Uttar Pradesh, Uttarakhand, West Bengal	115.1	(a) 6.0 (b) 109.1	115.1	(a) Punjab Agriculture University, G.B. Pant University, CSK Himachal Pradesh Agricultural University, National Dairy Research Institute, Goa College of Home Science, University of Agriculture Sciences, Bangalore (b) Magic Bus India Foundation

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Sl. 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 were undertaken	Amount outlay (budget) Project or program wise (₹ in million)	Amount outlay (budget) Project or program wise (₹ in million)	Cumulative expenditure up to the reporting period (₹ in million)	Amount spent: Direct or through implementing Agency
2	Project Jagriti	(i)	Bihar, Chandigarh, Delhi, Karnataka, Maharashtra, Odisha, Rajasthan, Uttar Pradesh	57.0	57.0	57.0	MAMTA Health Institute for Mother and Child
3	Clean drinking water projects and Water awareness programme	(i) + (iv)	Delhi, Goa, Haryana, Himachal Pradesh, Karnataka, Punjab, Rajasthan, Tamil Nadu	38.6	(a) 15.4 (b) 23.1 (c) 0.1	38.6	(a) Direct (b) Enable Health Society (c) Absolute Return for Kids
4	Sanitation projects	(i)	Andhra Pradesh, Haryana, Himachal Pradesh, Kerala, Maharashtra, Punjab, Rajasthan, Tamil Nadu, Uttar Pradesh, Uttarakhand, West Bengal	22.4	22.4	22.4	Direct
5	Water conservation & Environment	(i)	Karnataka	2.3	(a) 0.7 (b) 1.6	2.3	(a) Direct (b) Deccan Heritage Foundation India
6	Livelihood enhancement for street food vendors	(ii)	Delhi, Goa, Kerala, Rajasthan, Uttar Pradesh	3.6	3.6	3.6	Nidan
7	Educate the girl child	(ii)	All India	17.3	17.3	17.3	Direct

The amount indicated in column (6) and (7) above is the expenditure on projects or programs. There are overheads of ₹ 12.8 million, and the total expenditure including overheads is ₹ 269.1 million.

With its CSR Policy focus areas firmly embedded in its Purpose, in 2017, the Company focused its activities on creating nutrition, health and breastfeeding awareness, providing access to clean drinking water and sanitation, supporting development of agricultural communities while helping them reduce water use, enhancing the livelihood of street food vendors and encouraging the cause of girl child education. These initiatives are built upon the strong base of performance in environmental sustainability, applicable laws, international standards and the Nestlé Corporate Business Principles. CSR programmes are detailed here under:

- **Nestlé Healthy Kids Programme**

Acquiring healthy eating habits and getting active can help children achieve and maintain a healthy body weight. For a healthier lifestyle and diet, it is important to raise nutrition and health knowledge and promote physical activity among school-age children.

The Nestlé Healthy Kids Programme has been developed with a focus to raise nutrition, health and wellness awareness of school age children. The unbranded programme has been conducted since 2009, in village schools around the Company's manufacturing facilities with the objective of raising awareness regarding good nutritional and cooking practices, good hygiene and promoting physical fitness.

Six leading regional Universities through the Department of Home Science and Food Science conduct this programme wherein information on the nutrition status of the region and local food habits is collected through their extension activities and the programme content is developed jointly with Nestlé India nutritionists. Each student receives over twelve hours of

nutrition training and pre and post programme behavioural and knowledge tests are conducted to measure the effectiveness of learning and implementation.

The Company joined hands with the NGO Magic Bus India Foundation, one of India's largest behaviour change organisations, to extend its commitment to promote healthier lifestyles through the 'sports for development' model. Children are engaged in interactive sessions in which they receive nutrition and health knowledge and are encouraged to play regularly. The year-long programme, designed with over 30 sessions for each child, ran across 18 states in 2017.

These efforts increase children's basic knowledge of the importance of nutrition and physical activity, and have reached over 200,000 adolescents across 21 states encouraging them to live healthier lives.

## - **Project Jagriti**

Malnutrition during pregnancy causes the child to have increased risk of future diseases. The World Bank estimates that India is one of the highest ranking countries in the world for the number of children suffering from malnutrition with dire consequences for mobility, mortality, and cognitive impairment. When children start their lives malnourished, the negative effects are largely irreversible as pregnancy and infancy are the most important periods for brain development. It is therefore important to intervene in the community to change the dynamics that create the barriers to development for children and mothers.

The Company rolled out Project *Jagriti* in partnership with the Mamta Health Institute for Mother and Child as part of its commitment to provide education programmes for good nutrition and feeding practices, improving nutrition and health at key life stages – adolescence to caregivers. *Jagriti* creates an enabling environment for the best health outcomes, involving the health care system and stakeholders from the community.

The programme started with a pilot in Delhi, reaching out to over 100,000 people living in slum conditions to educate and encourage community support for good nutrition and breastfeeding practices. It focused on creating peer mentor support groups for counselling on good nutrition for pregnant and lactating women, encouraging the early initiation of breastfeeding, exclusive breastfeeding, improving breastfeeding practices and encouraging the uptake of public health services.

During 2017, the programme ran across 15 districts of Rajasthan, Karnataka, Maharashtra, Chandigarh, Odisha, Uttar Pradesh, Bihar and Delhi. The programme aims to reach three million beneficiaries by 2018 with a goal to accelerate the uptake of health services by improving continuum of care on health, nutrition and hygiene practices amongst adolescents, young couples and caregivers.

## - **Clean Drinking Water Projects and Water Awareness Programme**

Hundreds of millions of people across the country still live without access to clean drinking water. Faced with the challenge of access to drinking water, a key factor for diarrhoeal and water-borne diseases, which according to the World Bank, are the underlying cause of approximately 500 deaths of children under five years of age, the Company has undertaken programmes to provide access to clean drinking water. The Company constructs clean drinking water facilities in schools directly and through NGO partner Enable Health Society.

Till year 2017, the Company has constructed over 257 water tanks across 7 states benefitting more than 140,000 students. The water tanks source water from deep below ground level and the sourced water is stored in hygienic tanks enclosed in specially designed facilities to preserve the quality of the water. The Company also conducts periodic water quality checks to ensure safe drinking water, while involving the school and surrounding community through joint ownership of the water tanks, which helps to establish better upkeep and maintenance of the tanks. For locations where groundwater does not meet quality standards, the Company has partnered with the NGO Enable Health Society, to provide drinking water treatment plants. The Company conducts Water Awareness Programmes aimed at ensuring hygienic and sustainable water use, reaching out to over 104,000 students.

The Company partnered with the Department of Medical and Health, Government of Rajasthan to offer access to clean drinking water at 2 Public Health Centres where the Company provides clean drinking water through its NGO partner, Enable Health Society as a part of the Adarsh Public Health Center Yojna established by the Government.

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- **Sanitation Facilities**

Availability of basic sanitation is a serious challenge, with open defecation being a health risk for everyone, more so for the female population. It affects the attendance of girl students in school and often leaves them vulnerable to sanitation-related diseases. The Company has been constructing sanitation facilities for girl students in village schools to reduce the dropout rate caused by lack of proper sanitation facilities. These facilities are provided for girl students in village schools across all its factory locations. This has had a direct impact on the attendance of girls in village schools.

Through this initiative, the Company endeavours to eliminate what is considered the major cause of dropouts among girl students in village schools. During 2017, the Company has set up sanitation facilities in government schools across 11 states and so far the Company has set up over 430 facilities benefitting more than 150,000 girl students.

- **Water Conservation in Agriculture**

India is facing a severe water crisis with the availability of potable water and ground water drastically decreasing over the years. According to the 2030 Water Resource Group, by 2030, 40 percent of the total population in the country will not have drinking water if the situation remains as it is. The agricultural sector remains the largest user of India's fresh water, responsible for about 70% of water consumption.

The Company launched a water stewardship initiative with AgSRI at the Kabini river Basin in Karnataka. Over the years, the water demand in the catchment has been increasing, leading to inadequate supply. The Company commissioned a study to understand the current water management and implement applicable water interventions. The study found that river water discharges would continue to deplete while the competing requirements for drinking water and irrigation increase. As agriculture is the largest user of water from the catchment, the Company is working with AgSRI to implement pilot projects promoting the System of Rice Intensification (SRI) and the Sustainable Sugarcane Initiative (SSI). The project aims to set up demonstration farms and train farmers on ecologically sustainable practices to reduce the agricultural water withdrawal from the catchment area, while improving agricultural productivity.

- **Project Serve Safe Food**

Food safety is a serious public health concern in India. Based on the World Health Organisation's report on estimates of the global burden of foodborne diseases, disabilities due to food borne diarrhoeal diseases are the highest contributor in the South East Asia region which includes India.

The Company joined hands with NIDAN and national and local food authorities, including the Ministry of Food Processing Industries (MoFPI) in Delhi, Food Safety and Standards Authority of India (FSSAI), Ministry of Medical and Health Services in Rajasthan, Directorate of Food and Drugs Administration in Goa and the Department of Health and Family Welfare, Kerala to launch Project 'Serve Safe Food' for training street food vendors.

While street food vending is an important source of informal employment for a large number of population, a variety of constraints including lack of knowledge and skills in business, limited training opportunities, and restricted mobility prevent street vendors from improving their capacities. The programme aims to help them improve their income, sustain their livelihoods and enter into strategic employment opportunities in new market conditions.

During 2017, programme was implemented across Goa, Rajasthan, U.P., Kerala and Delhi, reaching out to about 4,800 street food vendors who were also awarded a certificate and presented a hygiene kit at the end of the training.

- **Educate The Girl Child: Power of Print**

The Company partnered with the Nahi Kali Project, one of the largest programmes imparting education to underprivileged girl children across India by pledging its commitment and support to alleviate the number of girl children being denied access to education. A country wide awareness campaign was launched that supported the education of girls through Nahi Kali.

As a continuation of the highly acclaimed #EducateTheGirlChild campaign the Company partnered with Times of India and launched an innovative communication campaign called 'Power of Print'. The campaign invited all top communication agencies to come up with an inspirational content for a print campaign to create awareness about the importance of sending more girls to school. The campaign resulted in receiving 823 entries with J. Walter Thompson India emerging as the winner with their "Classroom" concept.

# NESTLÉ INDIA LIMITED

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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.

Not Applicable.

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 CSR Committee confirms that the implementation and monitoring of the CSR activities of the Company is in compliance with the CSR objectives and the CSR Policy of the Company.

On behalf of the Board of Directors

Date : 14<sup>th</sup> February, 2018

Place : Gurugram

Swati Ajay Piramal  
Chairperson – Corporate Social  
Responsibility Committee

Suresh Narayanan  
Chairman and Managing Director

## ANNEXURE - 4 TO THE BOARD'S REPORT

### BUSINESS RESPONSIBILITY REPORT

#### SECTION A: GENERAL INFORMATION ABOUT THE COMPANY

Sr. No.	Particulars	Details	
1.	Corporate Identity Number (CIN) of the Company	L15202DL1959PLC003786	
2.	Name of the Company	NESTLÉ INDIA LIMITED	
3.	Registered address	100 / 101, World Trade Centre, Barakhamba Lane, New Delhi – 110001	
4.	Website	www.nestle.in	
5.	E-mail id	investor@in.nestle.com	
6.	Financial Year reported	31-12-2017	
7.	Sector(s) that the Company is engaged in (industrial activity code-wise)	Food Processing Industry (covered under various codes as specified under NIC 1987 covering food products)	
8.	List three key products/services that the Company manufactures/ provides (as in balance sheet)	Product	ITC Code
		1. Milk Products and Nutrition	0402, 1901
		2. Prepared Dishes and Cooking Aids	1902, 2103
		3. Beverages	2101
9.	Total number of locations where business activity is undertaken by the Company	Please also refer to Corporate Information page of the Annual Report 2017	
	(a) Number of International Locations (Provide details of major 5)	Exports to Turkey, Bangladesh, USA, Canada and UK	
	(b) Number of National Locations	8 manufacturing locations, 4 sales branches, Head office and nation-wide sales and distribution network	
10.	Markets served by the Company: Local/ State/ National/ International	All India and 43 international markets	

#### SECTION B: FINANCIAL DETAILS OF THE COMPANY

Sr. No.	Particulars	Details
1.	Paid up Capital (INR)	₹ 964.2 Million
2.	Total Turnover (INR)	₹ 101,351.1 Million
3.	Total profit after taxes (INR)	₹ 12,251.9 Million
4.	Total Spending on Corporate Social Responsibility (CSR) as percentage of profit after tax (%)	Total spending on CSR is 2% of average profit after tax of the past 3 years. This is detailed in the Annual Report of CSR Activities, ANNEXURE – 3 to the Board's Report.
5.	List of activities in which expenditure in 4 above has been incurred	List of CSR activities are detailed in the Annual Report of CSR Activities, ANNEXURE – 3 to the Board's Report.

#### SECTION C: OTHER DETAILS

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

**SECTION D: BR INFORMATION**

Sr. No.	Particulars	Details									
1.	Details of Director/Directors responsible for BR										
	(a) Details of the Director/Director responsible for implementation of the BR policy/policies	DIN Number	007761271								
		Name	Mr. Martin Roemkens								
		Designation	Director-Technical								
	(b) Details of the BR head	DIN Number (if applicable)	Not Applicable								
		Name	Mr. Sanjay Khajuria								
		Designation	Senior Vice President - Corporate Affairs								
		Telephone number	+91-124-3940000								
		e-mail id	creatingsharedvalue.in@in.nestle.com								
2.	(a) Principle-wise (as per NVGs) BR Policy/policies (Reply in Y/N)										
	No. Questions	P1	P2	P3	P4	P5	P6	P7	P8	P9	
	1. Do you have a policy/ policies for...	Y	Y	Y	Y	Y	Y	Y	Y	Y	
	2. Has the policy being formulated in consultation with the relevant stakeholders?	Y	Y	Y	Y	Y	Y	Y	Y	Y	
	3. Does the policy conform to any national/ international standards? If yes, specify?@	Y	Y	Y	Y	Y	Y	Y	Y	Y	
	4. Has the policy being approved by the Board? Is yes, has it been signed by MD/owner/CEO/appropriate Board Director?	Y	Y	Y	Y	Y	Y	Y	Y	Y	
	5. Does the Company have a specified committee of the Board/ Director/ Official to oversee the implementation of the policy?	Y	Y	Y	Y	Y	Y	Y	Y	Y	
	6. Indicate the link for the policy to be viewed online?	Y	Y	Y	Y	Y	Y	Y	Y	Y	
	7. Has the policy been formally communicated to all relevant internal and external stakeholders?	Y	Y	Y	Y	Y	Y	Y	Y	Y	
	8. Does the Company have in-house structure to implement the policy/ policies	Y	Y	Y	Y	Y	Y	Y	Y	Y	
	9. Does the Company have a grievance redressal mechanism related to the policy/ policies to address stakeholders' grievances related to the policy/ policies?	Y	Y	Y	Y	Y	Y	Y	Y	Y	
	10. Has the Company carried out independent audit/ evaluation of the working of this policy by an internal or external agency?	N	N	N	N	N	N	N	N	N	
	(b) If answer to the question at serial number 1 against any principle, is 'No', please explain why: (Tick up to 2 options)	Not Applicable									
3.	Governance related to BR										
	(a) Indicate the frequency with which the Board of Directors, Committee of the Board or CEO to assess the BR performance of the Company.	The Board/Committee will review the BR performance at least annually.									
	(b) Does the Company publish a BR or a Sustainability Report? What is the hyperlink for viewing this report? How frequently it is published?	Yes, the BRR 2017 is part of the Annual Report, which is available on the website of the Company. It is available at: <a href="https://www.nestle.in/investors/stockandfinancials/annualreports">https://www.nestle.in/investors/stockandfinancials/annualreports</a> and is published annually.									

**SECTION E: PRINCIPLE-WISE PERFORMANCE**

**Principle 1: Ethics, Transparency and Accountability**

1. Does the policy relating to ethics, bribery and corruption cover only the Company? Yes/ No. Does it extend to the Group/Joint Ventures/ Suppliers/Contractors/NGOs /Others?

The Nestlé India Code of Business Conduct includes the Company's policy on ethics, bribery and corruption covering the Company

and all its vendors, contractors and associates. Other significant documents from the Nestlé Group, which define the standard of behaviour of the Company, are Nestlé Corporate Business Principles, Nestlé Management and Leadership Principles and the Nestlé Supplier Code.

**2. How many stakeholder complaints have been received in the past financial year and what percentage was satisfactorily resolved by the management? If so, provide details thereof, in about 50 words or so.**

During the year, 10 complaints were received from shareholders and investors. All complaints have been resolved to the satisfaction of the complainants and no investor complaint was pending at the end of the year.

**Principle 2: Product Life Cycle Sustainability**

**1. List up to 3 of your products or services whose design has incorporated social or environmental concerns, risks and/or opportunities.**

The Company has a legacy of providing consumers with high quality products under four major categories - Milk Products and Nutrition, Beverages, Prepared Dishes and Cooking Aids, Chocolates and Confectionary. The Company has a range of Popularly Positioned Products (PPP) fortified with micronutrients which provide nutritional value at an affordable cost. These include the following among others:

- MAGGI Masala-ae-Magic Seasoning mix: Each serving of 2.1 grams provides 16% of the daily requirement\* for Vitamin A, Iron and Iodine { \*RDA for Adult Sedentary Male as per Nutrient requirement and recommended daily allowance for Indians, ICMR 2010}.
- NESTLÉ CEREGROW: A nutritious and tasty growing up cereal for children between the ages of 2-5 years, packed with the nourishment of multigrain cereal, milk and fruits.
- MAGGI Nutri-licious Atta Noodles Mexicana & MAGGI Nutri-licious Atta Noodles Masala: Each bowl (75g) helps meet 15% of the RDA\* of protein and provides fibre equal to 3 rotis { \*RDA for Adult Sedentary Male as per Nutrient requirement and recommended daily allowance for Indians, ICMR 2010}.
- MAGGI Nutri-licious Oats Noodles Herbs & Spices & MAGGI Nutri-licious Oats Noodles Masala: Each bowl (75g) helps meet 15% of the RDA\* of protein and provides fibre equal to 1 bowl of oats { \*RDA for Adult Sedentary Male as per Nutrient requirement and recommended daily allowance for Indians, ICMR 2010}.
- MAGGI Masala Noodles: One serve (70g) helps meet 15% of the RDA\* for iron { \*RDA for Adult Sedentary Male as per Nutrient requirement and recommended daily allowance for Indians, ICMR 2010}.
- MILO: A dairy based drink with the goodness of milk and fortified with vitamins & minerals.

**2. For each such product, provide the following details in respect of resource use (energy, water, raw material etc.) per unit of product (optional):**

- (a) Reduction during sourcing/production/ distribution achieved since the previous year throughout the value chain? and (b) Reduction during usage by consumers (energy, water) has been achieved since the previous year?

The Company follows a series of Environmental Performance Indicators to monitor its efforts for sustainable use of natural resources in manufacturing. The Company is committed to conservation and optimal utilisation of all resources, reducing waste to zero and full recovery of unavoidable by-products.

During the last 15 years, for every tonne of production, the Company has reduced the usage of energy by around 43%, reduced water usage by around 51%, reduced the generation of greenhouse gases by around 51% and the generation of wastewater by around 57%.

**3. Does the Company have procedures in place for sustainable sourcing (including transportation)? If yes, what percentage of your inputs was sourced sustainably? Also, provide details thereof, in about 50 words or so.**

The Company chooses its suppliers through strictly laid out procedures and engages with them according to the non-negotiable minimum standards described in the Nestlé Supplier Code. These requirements of Business Integrity, Human Rights (labour standards), Health and Safety and Sustainable environmental standards in their business activities, production processes, services provision and their own purchasing procedures, as enshrined in the Nestlé Supplier Code, and apply to all suppliers and their sub-tier suppliers.

**4. Has the Company taken any steps to procure goods and services from local and small producers, including communities surrounding their place of work? If yes, what steps have been taken to improve their capacity and capability of local and small vendors?**

The Company works with farmer communities to ensure sustainable production in the long-term. During 2017, the Company spent about 89.8% of its total raw material procurement and packaging expenditure on indigenous products. The Company touches the lives of over 200,000 farmers, and practises a strong preference for local procurement of raw materials. In addition to collecting milk and implementing the Nestlé milk district model successfully to ensure a stable livelihood for local dairy farmers, the Company supports the development of milk farmers by assisting them to increase milk productivity and quality through technical assistance, providing veterinary services, subsidised medicines and promotion of sustainable agricultural practices.

As part of The NESCAFÉ Plan, the Company trains coffee farmers to develop their agricultural practices in terms of quality, productivity and sustainability while supporting them in obtaining 4C (Common Code for the Coffee Community) certification for better coffee prices. The NESCAFÉ Plan sets out to exert a positive and sustained change in:

- The livelihood of coffee farmers, their families and farm workers.
- The resilience and prosperity of farming communities and the stakeholders across our value chain.
- The sustainable management of landscapes linked to our value chain.

The NESCAFÉ Plan has three platforms, connecting to farmers, connecting to communities and connecting to our planet, with the objective of ensuring the future of great quality coffee, to remain available and affordable today and in the future. During 2017, the Company reached out to around 1,200 farmers and workers through trainings, technical assistance, medical camp, soil test activities.

As a part of The MAGGI Spice Plan, the Company is now sourcing 4 key spices from suppliers with "Backward Integration Programs" (BIP) in place (farmer monitoring, focused on practices to ensure MRL compliance-food safety). Supplier BIP include field extension support for integrated pest management (IPM) programmes of participating farmers e.g., daily/weekly visits to farmer fields and data gathering. This provides a good foundation for effective action. The Company suppliers are key partners in developing responsibly sourced supply chains of Spices.

The Company has a dedicated supplier development team that works through the Nestlé – Farmer – Supplier model to create sustainable local sourcing. The team's objectives include less reliance on imports, supporting sustainable quality and creating a wider, more flexible supply base. In 2017, the Company supported more than 36 suppliers through technical assistance, added 11 new suppliers/ supplier locations and localised 1 raw material. The team also works on developing local vendors through technical assistance to meet the desired quality/ regulatory norms for supply to other Nestlé markets.

**5. Does the Company have a mechanism to recycle products and waste? If yes what is the percentage of recycling of products and waste (separately as <5%, 5-10%, >10%)? Also, provide details thereof, in about 50 words or so.**

As a responsible manufacturer of food products, the Company has initiated pilot projects collectively with industry partners under guidance of Central Pollution Control Board, State Pollution Control Board and Urban local bodies as part of EPR (Extended Producer Responsibility) to collect, segregate and recycle/recover in a sustainable way. This initiative not only ensures compliance to local legislation "Plastic Waste Management Rules' 2016", but also facilitates reinforcement of positive attitude and behavior to masses on responsible waste disposal through consumer awareness.

The Company follows 3R's principles i.e. 'reduce', 'recycle' and 'recover' to be environment sustainable:

- REDUCE: In 2017, the Company reduced packaging material weight by approximately 1,532 tons by ensuring eco designing of packaging in a sustainable way.
- RECYCLE: The Company encourages the use of recycled material wherever applicable e.g., shipper which is 100% recyclable. The Company is also exploring packaging with recyclable friendly structure.
- RECOVER: The Company supports initiatives to recover used packaging e.g. EPR initiative (converting Multilayer plastic waste to usable heat and electricity), installed Gasolyser pilot unit at its manufacturing facility in Tahliwal to convert factory plastic waste to fuel.

### Principle 3: Employee Wellbeing

Sr. No.	Particulars	Details
1.	Please indicate the Total number of employees	7,527
2.	Please indicate the Total number of employees hired on temporary/ contractual/casual basis	6,597
3.	Please indicate the Number of permanent women employees	621
4.	Please indicate the Number of permanent employees with disabilities	None of the permanent employees are differently abled
5.	Do you have an employee association that is recognised by management	The Company has 9 Unions in India in 7 factories in India.
6.	What percentages of your permanent employees are members of this recognised employee association?	50% of the total strength of permanent employees including white collar and blue collar are unionized. 96% of the permanent blue collar are unionized.
7.	Please indicate the Number of complaints relating to child labour, forced labour, involuntary labour, sexual harassment in the last financial year and pending, as on the end of the financial year.	No complaints relating to child labour, forced labour, involuntary labour and sexual harassment are pending as of end 2017.
8.	What percentage of your under mentioned employees were given safety and skill up-gradation training in the last year?	
	(a) Permanent Employees	90.41%
	(b) Permanent Women Employees	82.89%
	(c) Casual/Temporary/Contractual Employees	100% receive training as part of their induction
	(d) Employees with Disabilities	None of the permanent employees are differently abled

### Principle 4: Stakeholder Engagement

#### 1. Has the Company mapped its internal and external stakeholders?

Yes, as a result of regular and extensive stakeholder engagement over many years, the Company's business operations have evolved, balancing business priorities and responsibility towards economic, environmental and social sustainability. The Company builds trust through productive relationships, fosters working partnerships and considers stakeholders both internal and external as integral to its business.

#### 2. Out of the above, has the Company identified the disadvantaged, vulnerable & marginalized stakeholders?

Yes.

#### 3. Are there any special initiatives taken by the Company to engage with the disadvantaged, vulnerable and marginalized stakeholders.

The Company engages with over 90,000 milk and 2,200 coffee farmers, among others, through farmer trainings to increase efficiency in productivity and quality, optimise costs and improve social and environmental impact thereby ensuring agriculture remains an attractive place to live, work and invest in, for generations to come. In 2017, the Company also engaged with 2,400 women dairy farmers empowering village women engaged in dairy farming to improve milk quality and productivity, reaching out to a total of over 68,400 women dairy farmers, over the years, since the start of the programme.

Nestlé Start Healthy, Stay Healthy is an educational programme for mothers, in partnership with doctors, to give a healthy head start to their babies in the 1<sup>st</sup> 1,000 days. It is the Company's commitment to the 1<sup>st</sup> 1,000 days given its impact on the lifelong health of a baby. As part of the Nestlé Start Healthy, Stay Healthy initiative, the Company provides educational material for mothers through doctors regarding nutrition from pregnancy to toddlerhood. The Company also has a dedicated website disseminating the same information: [www.starthealthystayhealthy.in](http://www.starthealthystayhealthy.in)

In line with the Company's belief that breastfeeding is best for babies, Nestlé Start Healthy, Stay Healthy in India has actively advocated breastfeeding to mothers, would-be mothers and Health Care Professionals(HCPs). During 2017, it continued its efforts to educate the support system in a nursing mother's life to help her breastfeed for longer by sharing her chores and responsibilities, through a digital campaign. The campaign engaged 8,000 HCPs and garnered 13 million views online, in addition to reaching 120 micro-communities of mothers online.

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The Nestlé Nutrition Institute (NNI) disseminates science-based information and education with health professionals, scientists and nutrition communities in order to create awareness on nutrition science and build capabilities amongst the scientific community on Nutrition. During 2017, NNI conducted around 90 scientific events reaching out to over 2,800 HCPs.

Additional initiatives are detailed further in ANNEXURE – 3 to the Board's Report.

## Principle 5: Human Rights

1. Does the policy of the Company on human rights cover only the Company or extend to the Group/Joint Ventures/Suppliers/Contractors/NGOs/Others?

The Policy covers the Company and all suppliers, sub suppliers, contractors and associates.

2. How many stakeholder complaints have been received in the past financial year and what percent was satisfactorily resolved by the management?

During 2017, the Company did not receive any complaints with regard to human rights.

## Principle 6: Environment

1. Does the policy related to Principle 6 cover only the Company or extends to the Group/Joint Ventures/Suppliers/Contractors/NGOs/others.

The Policy covers the Company and all its vendors, contractors and associates.

2. Does the Company have strategies/ initiatives to address global environmental issues such as climate change, global warming, etc? Y/N. If yes, please give hyperlink for webpage etc.

Yes. <https://www.nestle.com/csv/planet>

3. Does the Company identify and assess potential environmental risks?

Yes.

4. Does the Company have any project related to Clean Development Mechanism? If so, provide details thereof, in about 50 words or so. Also, if yes, whether any environmental compliance report is filed?

The Company has undertaken initiatives to reduce Green House Gas (GHG) emissions. In 2017, the Company identified 7,535 tonnes of GHG reduction which shall be fully realised in coming year. Some of the key renewable energy projects contributing to GHG savings include coffee cell replacement at the Company's Nanjangud factory and other energy reduction projects. Yes, the Company files environment compliance reports as per Pollution Control Board requirements.

5. Has the Company undertaken any other initiatives on – clean technology, energy efficiency, renewable energy, etc. Y/N. If yes, please give hyperlink for web page etc.

Yes. <https://www.nestle.in/csv/planet>

6. Are the Emissions/Waste generated by the Company within the permissible limits given by CPCB/SPCB for the financial year being reported?

Yes

7. Number of show cause/ legal notices received from CPCB/SPCB which are pending (i.e. not resolved to satisfaction) as on end of Financial Year.

During 2017, the Company did not receive any show cause/ legal notices from CPCB/SPCB, which are pending as on end 2017.

## Principle 7: Policy Advocacy

1. Is your Company a member of any trade and chamber or association? If Yes, Name only those major ones that your business deals with:

- a. Federation of Indian Chambers of Commerce and Industry (FICCI)
- b. Confederation of Indian Industry (CII)

- c. All India Food Processors Association (AIFPA)
  - d. India Confectionary Manufacturer Association (ICMA)
  - e. PHD Chamber of Commerce and Industry (PHDCCI)
2. Have you advocated/lobbied through above associations for the advancement or improvement of public good? Yes/No; if yes specify the broad areas ( drop box: Governance and Administration, Economic Reforms, Inclusive Development Policies, Energy security, Water, Food Security, Sustainable Business Principles, Others):

Yes. The Company engages with government, regulatory authorities and relevant public bodies for the development of public policies in keeping with the Company's work in Society, sustainability and compliance commitments. These include Food Regulations, Environment and Plastic Packaging, among others. The Company engages with Government and Food Authorities to establish science-based regulations for protecting the health of consumers and ensuring fair practices in food trade and with the food authority for harmonisation of Indian food regulations with the Codex Alimentarius and other best practices.

#### **Principle 8: Inclusive Growth**

1. Does the Company have specified programmes/initiatives/projects in pursuit of the policy related to Principle 8? If yes details thereof.

Yes. The Company works in the areas of nutrition awareness, rural development initiatives and dissemination of scientific and nutrition knowledge. Further details available: <https://www.nestle.in/csv>

2. Are the programmes/projects undertaken through in-house team/own foundation/external NGO/government structures/any other organization?

Projects are undertaken through in-house expert teams and in partnership with like-minded expert partner organisations that share the Company's ambition towards creating inclusive growth.

3. Have you done any impact assessment of your initiative?

Yes

4. What is your Company's direct contribution to community development projects- Amount in INR and the details of the projects undertaken?

These are detailed in ANNEXURE – 3 to the Board's Report.

5. Have you taken steps to ensure that this community development initiative is successfully adopted by the community? Please explain in 50 words, or so.

These are detailed in ANNEXURE – 3 to the Board's Report.

#### **Principle 9: Customer/ Consumer Value**

1. What percentage of customer complaints/consumer cases are pending as on the end of financial year?

As on end 2017, the Company has no pending consumer complaints.

2. Does the Company display product information on the product label, over and above what is mandated as per local laws? Yes/ No/N.A. /Remarks(additional information)

Yes, over and above compliance with applicable product packaging and labelling requirements including declaration of appropriate method of preparation of products for safe and proper consumption, the Nestlé Nutritional Compass' on the product pack provides transparent and easy to understand nutritional information that guides the consumer in making the right food choices. The Company also provides consumers with nutrition information through Guideline Daily Amounts (GDA) based labels icons on front of pack too.

3. Is there any case filed by any stakeholder against the Company regarding unfair trade practices, irresponsible advertising and/or anti-competitive behaviour during the last five years and pending as on end of financial year. If so, provide details thereof, in about 50 words or so.

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The Company does not have any stakeholder complaints with regard to unethical or unfair trade practices, irresponsible advertising and/or anti-competitive behaviour, which are pending as at the end of 2017.

#### 4. Did your Company carry out any consumer survey/ consumer satisfaction trends?

The Company continuously carries out consumer surveys to understand consumer feedback, product satisfaction and preference while measuring consumer response and satisfaction regularly through the Company's continuous and periodic tracking studies, covering more than 45,000 consumers in 2017 through a random sampling approach among target consumers.

@The Policies have been derived and adopted from the Nestlé Global policies and are aligned as per local requirements to safeguard the interests of all its stakeholders.

\* Notes 1 to 9 corresponding to Principles 1 to 9

#### Principle 1

1. <http://www.nestle.in/investors>
2. [http://www.nestle.com/asset-library/documents/library/documents/corporate\\_governance/corporate-business-principles-en.pdf](http://www.nestle.com/asset-library/documents/library/documents/corporate_governance/corporate-business-principles-en.pdf)
3. <https://www.nestle.in/csv/communities/ethical-conduct>

#### Principle 2

1. <http://www.nestle.com/aboutus/suppliers>
2. <https://www.nestle.in/csv/planet/supplier-engagement>
3. <http://www.nestle.com/asset-library/documents/library/documents/suppliers/appendix-supplier-code-english.pdf>
4. <https://www.nestle.in/csv/communities/responsible-sourcing>
5. [http://www.nestle.com/asset-library/documents/library/documents/corporate\\_social\\_responsibility/nestle-responsible-sourcing-guidelines.pdf](http://www.nestle.com/asset-library/documents/library/documents/corporate_social_responsibility/nestle-responsible-sourcing-guidelines.pdf)
6. <http://www.nestle.com/asset-library/documents/creating-shared-value/responsible-sourcing/responsible-sourcing-guideline-water-requirements-august-2012.pdf>
7. <http://www.nestle.com/aboutus/quality-and-safety>
8. [http://www.nestle.com/asset-library/documents/library/documents/suppliers/quality\\_policy\\_nestle.pdf](http://www.nestle.com/asset-library/documents/library/documents/suppliers/quality_policy_nestle.pdf)
9. <http://www.nestle.com/ask-nestle/environment/answers/nestle-climate-change>
10. <https://www.nestle.in/csv/planet/natural-capital>
11. <https://www.nestle.in/csv/communities/coffee>
12. [http://www.nestle.com/asset-library/documents/library/documents/corporate\\_social\\_responsibility/nestle-rural-development-framework-update2015.pdf](http://www.nestle.com/asset-library/documents/library/documents/corporate_social_responsibility/nestle-rural-development-framework-update2015.pdf)
13. [http://www.nestle.com/asset-library/documents/library/documents/corporate\\_social\\_responsibility/natural-capital\\_soilhealth.pdf](http://www.nestle.com/asset-library/documents/library/documents/corporate_social_responsibility/natural-capital_soilhealth.pdf)
14. [http://www.nestle.com/asset-library/documents/library/documents/corporate\\_social\\_responsibility/nestle-commitment-rural-development.pdf](http://www.nestle.com/asset-library/documents/library/documents/corporate_social_responsibility/nestle-commitment-rural-development.pdf)

#### Principle 3

1. [http://www.nestle.com/asset-library/documents/library/documents/about\\_us/policy-on-safety-and-health-at-work.pdf](http://www.nestle.com/asset-library/documents/library/documents/about_us/policy-on-safety-and-health-at-work.pdf)
2. <http://www.nestle.com/asset-library/Documents/Library/Documents/People/Management-Leadership-Principles-EN.pdf>
3. [http://www.nestle.com/asset-library/documents/jobs/the\\_nestle\\_hr\\_policy\\_pdf\\_2012.pdf](http://www.nestle.com/asset-library/documents/jobs/the_nestle_hr_policy_pdf_2012.pdf)
4. <http://www.nestle.com/Asset-Library/Documents/Library/Documents/People/Employee-relations-policy-EN.pdf>
5. <http://www.nestle.com/asset-library/documents/library/documents/people/nestle-policy-maternity-protection.pdf>
6. <https://www.nestle.com/csv/communities/labour-relations>
7. <https://www.nestle.in/csv/communities/training>

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#### **Principle 4**

1. <https://www.nestle.in/csv/planet/policy-stewardship>
2. <http://www.nestle.com/csv/what-is-csv/stakeholder-engagement>
3. <http://www.nestle.in/csv/saanjhapan>

#### **Principle 5**

1. <https://www.nestle.in/csv/communities/human-rights-impacts>
2. [http://www.nestle.com/asset-library/documents/library/documents/corporate\\_social\\_responsibility/nestle-responsible-sourcing-guidelines.pdf](http://www.nestle.com/asset-library/documents/library/documents/corporate_social_responsibility/nestle-responsible-sourcing-guidelines.pdf)
3. [http://www.nestle.com/asset-library/documents/library/documents/corporate\\_social\\_responsibility/nestle-commitment-land-rights-agriculture.pdf](http://www.nestle.com/asset-library/documents/library/documents/corporate_social_responsibility/nestle-commitment-land-rights-agriculture.pdf)
4. <http://www.nestle.com/asset-library/documents/library/documents/suppliers/supplier-code-english.pdf>
5. [http://www.nestle.com/asset-library/documents/library/documents/corporate\\_social\\_responsibility/nestle-hria-white-paper.pdf](http://www.nestle.com/asset-library/documents/library/documents/corporate_social_responsibility/nestle-hria-white-paper.pdf)
6. [http://www.nestle.com/asset-library/documents/library/documents/corporate\\_social\\_responsibility/nestle-commitment-child-labour.pdf](http://www.nestle.com/asset-library/documents/library/documents/corporate_social_responsibility/nestle-commitment-child-labour.pdf)

#### **Principle 6**

1. <https://www.nestle.in/csv/planet>
2. [http://www.nestle.com/asset-library/documents/library/documents/environmental\\_sustainability/nestl%C3%A9%20policy%20on%20environmental%20sustainability.pdf](http://www.nestle.com/asset-library/documents/library/documents/environmental_sustainability/nestl%C3%A9%20policy%20on%20environmental%20sustainability.pdf)
3. [http://www.nestle.com/asset-library/documents/library/documents/corporate\\_social\\_responsibility/commitment-on-climate-change-2013.pdf](http://www.nestle.com/asset-library/documents/library/documents/corporate_social_responsibility/commitment-on-climate-change-2013.pdf)
4. [http://www.nestle.com/asset-library/documents/library/documents/corporate\\_social\\_responsibility/commitment-on-biofuels-2013.pdf](http://www.nestle.com/asset-library/documents/library/documents/corporate_social_responsibility/commitment-on-biofuels-2013.pdf)
5. [http://www.nestle.com/asset-library/documents/library/documents/corporate\\_social\\_responsibility/nestle-commitment-water-stewardship.pdf](http://www.nestle.com/asset-library/documents/library/documents/corporate_social_responsibility/nestle-commitment-water-stewardship.pdf)
6. [http://www.nestle.com/asset-library/documents/library/documents/corporate\\_social\\_responsibility/commitment-on-natural-capital-2013.pdf](http://www.nestle.com/asset-library/documents/library/documents/corporate_social_responsibility/commitment-on-natural-capital-2013.pdf)
7. [http://www.nestle.com/asset-library/documents/library/documents/corporate\\_social\\_responsibility/natural-capital\\_soil-soilhealth.pdf](http://www.nestle.com/asset-library/documents/library/documents/corporate_social_responsibility/natural-capital_soil-soilhealth.pdf)
8. [http://www.nestle.com/asset-library/documents/library/documents/corporate\\_social\\_responsibility/commitment-on-deforestation-2013.pdf](http://www.nestle.com/asset-library/documents/library/documents/corporate_social_responsibility/commitment-on-deforestation-2013.pdf)

#### **Principle 7**

1. [https://www.nestle.com/asset-library/documents/library/documents/corporate\\_governance/nestle-policy-transparent-interactions-with-public-authorities.pdf](https://www.nestle.com/asset-library/documents/library/documents/corporate_governance/nestle-policy-transparent-interactions-with-public-authorities.pdf)
2. <http://www.nestle.com/csv/what-is-csv/public-policy>
3. <http://www.nestle.com/aboutus/businessprinciples/report-your-concerns>
4. <https://www.nestle.com/csv/what-is-csv/stakeholder-engagement/partnerships-alliances>

#### **Principle 8**

1. <http://www.nestle.com/asset-library/documents/library/documents/people/management-leadership-principles-en.pdf>
2. <http://www.nestle.com/csv/rural-development-responsible-sourcing/rural-development-framework>
3. [http://www.nestle.com/asset-library/documents/library/documents/corporate\\_social\\_responsibility/nestle-commitment-rural-development.pdf](http://www.nestle.com/asset-library/documents/library/documents/corporate_social_responsibility/nestle-commitment-rural-development.pdf)
4. <https://www.nestle.in/csv/planet/supplier-engagement>

5. <https://www.nestle.in/csv/planet/access-conservation>

**Principle 9**

1. [http://www.nestle.com/asset-library/documents/library/documents/about\\_us/communication-principles.pdf](http://www.nestle.com/asset-library/documents/library/documents/about_us/communication-principles.pdf)
2. [http://www.nestle.com/asset-library/documents/library/documents/corporate\\_social\\_responsibility/nestle-marketing-communication-children-policy.pdf](http://www.nestle.com/asset-library/documents/library/documents/corporate_social_responsibility/nestle-marketing-communication-children-policy.pdf)
3. <https://www.nestle.in/nhw/understanding-food-labels>
4. <https://www.nestle.in/nhw/understanding-food-labels/the-nestle-nutritional-compass>
5. [http://www.nestle.com/asset-library/documents/library/documents/about\\_us/nestle-policy-salt.pdf](http://www.nestle.com/asset-library/documents/library/documents/about_us/nestle-policy-salt.pdf)
6. [http://www.nestle.com/asset-library/documents/library/documents/about\\_us/nestle-policy-sugars.pdf](http://www.nestle.com/asset-library/documents/library/documents/about_us/nestle-policy-sugars.pdf)
7. [http://www.nestle.com/asset-library/documents/library/documents/about\\_us/nestle-policy-saturated-fat.pdf](http://www.nestle.com/asset-library/documents/library/documents/about_us/nestle-policy-saturated-fat.pdf)
8. [http://www.nestle.com/asset-library/documents/library/documents/corporate\\_social\\_responsibility/nestle-policy-micronutrient-fortification-foods-beverages.pdf](http://www.nestle.com/asset-library/documents/library/documents/corporate_social_responsibility/nestle-policy-micronutrient-fortification-foods-beverages.pdf)
9. <https://www.nestle.in/csv/individuals-families/healthy-diet>
10. <https://www.nestle.in/csv/individuals-families/nutrition-education>
11. <https://www.nestle.in/csv/individuals-families/marketing-children>

## **ANNEXURE - 5 TO THE BOARD'S REPORT**

### **FORM NO. MR – 3 SECRETARIAL AUDIT REPORT**

**FOR THE FINANCIAL YEAR ENDED 31<sup>ST</sup> DECEMBER, 2017**

[Pursuant to Section 204(1) of the Companies Act, 2013 and Rule No. 9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014]

To,

The Members, Nestlé India Limited

CIN: L15202DL1959PLC003786

100 / 101, World Trade Centre, Barakhamba Lane, New Delhi 110001.

We have conducted Secretarial Audit of the compliance with the applicable statutory provisions and the adherence to good corporate practices by Nestlé India Limited (hereinafter called 'the Company') for the Financial Year ended 31<sup>st</sup> December, 2017. Secretarial Audit was conducted in a manner that provided us a reasonable basis for evaluating the corporate conducts / statutory compliances and expressing our opinion thereon.

Based on our verification of the Company's books and papers, minute books, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of Secretarial Audit, we hereby report that in our opinion, the Company has, during the audit period covering the Financial Year ended 31<sup>st</sup> December, 2017, complied with the statutory provisions listed hereunder and also, that the Company has proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

We have examined the books and papers, minute books, forms and returns filed and other records maintained by the Company for the Financial Year ended 31<sup>st</sup> December, 2017 according to the provisions of:

- (i) The Companies Act, 2013 ('the Act') and the rules made thereunder;
- (ii) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder;
- (iii) The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;
- (iv) Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings – Provisions of Overseas Direct Investment and External Commerical Borrowings are not applicable.
- (v) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'):
  - a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
  - b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;
  - c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 – Not applicable as the Company has not issued any shares during the year under review;
  - d) The Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 – Not applicable as the Company has not issued any shares/options to directors/employees under the said guidelines/regulations during the year under review;
  - e) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008 – Not applicable as the Company has not issued any debt securities during the year under review;
  - f) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client; – Not applicable as the Company is not registered as Registrar to an Issue and Share Transfer Agent during the year under review;
  - g) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009 – Not applicable as the Company has not delisted / proposed to delist its equity shares during the year under review; and

# **NESTLÉ INDIA LIMITED**

- h) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998 – Not applicable as the Company has not bought back / proposed to buy-back any of its securities during the year under review.
- (vi) The Company has identified and confirmed the following laws as being specifically applicable to the Company:
  - a. Food Safety and Standards Act, 2006, rules and regulations thereunder;
  - b. Legal Metrology Act, 2009, rules and regulations thereunder;
  - c. Infant Milk Substitutes, Feeding Bottles and Infant Foods (Regulation of Production, Supply and Distribution) Act, 1992 and rules thereunder (Local Infant Code);
  - d. Agricultural Produce (Grading and Marketing) Act, 1937;
  - e. Bureau of Indian Standards (BIS) Act, 1986;

We have also examined compliance with the applicable clauses/regulations of the following:

- (i) Secretarial Standards with respect to Meetings of Board of Directors (SS-1) and General Meetings (SS-2) issued by The Institute of Company Secretaries of India;
- (ii) The Listing Agreement entered into with the BSE Limited and The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

During the period under review, the Company has complied with provisions of the Act, Rules, applicable Regulations, Guidelines, Standards etc. mentioned above.

We further report that:

- The Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors, Independent Directors and Women Directors. The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act;
- Adequate notice is given to all Directors to schedule Board Meetings; agenda and detailed notes on agenda were sent atleast seven days in advance, and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting;
- All the decisions of the Board and Committees thereof were carried through with requisite majority.

We further report that based on review of compliance mechanism established by the Company we are of the opinion that the management has adequate systems and processes commensurate with its size and operations, to monitor and ensure compliance with all applicable laws, rules, regulations and guidelines.

- As informed, the Company has responded appropriately to notices received from statutory / regulatory authorities including by taking corrective measures wherever found necessary.

We further report that during the review period, no major action having a bearing on the Company's affairs in pursuance of the above referred laws, rules, regulations, guidelines, standards, etc. above have taken place.

**For S. N. ANANTHASUBRAMANIAN & CO.  
Company Secretaries**

**S. N. ANANTHASUBRAMANIAN  
Partner  
FCS No. 4206, C.P No: 1774**

**Date : 1<sup>st</sup> February, 2018  
Place : Thane**

Note: This report is to be read with letter of even date by the Secretarial Auditors, which is annexed as Annexure A and forms integral part of this report.

## 'Annexure A'

To,  
The Members,  
Nestlé India Limited  
CIN: L15202DL1959PLC003786  
100 / 101, World Trade Centre,  
Barakhamba Lane, New Delhi 110001.

Our Secretarial Audit Report for the financial year ended 31<sup>st</sup> December 2017 of even date is to be read along with this letter.

### **Management's Responsibility**

1. It is the responsibility of management of the Company to maintain secretarial records, devise proper systems to ensure compliance with the provisions of all applicable laws and regulations and to ensure that the systems are adequate and operate effectively.

### **Auditor's Responsibility**

2. Our responsibility is to express an opinion on these secretarial records, standards and procedures followed by the Company with respect to secretarial compliances.
3. We believe that audit evidence and information obtained from the Company's management is adequate and appropriate for us to provide a basis for our opinion.
4. Wherever required, we have obtained the management's representation about the compliance of laws, rules and regulations and happening of events etc.

### **Disclaimer**

5. The Secretarial Audit Report is neither an assurance as to future viability of the Company nor of the efficacy or effectiveness with which the management has conducted affairs of the Company.
6. We have not verified the correctness and appropriateness of financial records and Books of Accounts of the Company.

**For S. N. ANANTHASUBRAMANIAN & CO.  
Company Secretaries**

**S. N. ANANTHASUBRAMANIAN**  
Partner  
C.P No: 1774

Date : 1<sup>st</sup> February, 2018  
Place : Thane

**ANNEXURE - 6 TO THE BOARD'S REPORT**

**FORM NO. MGT 9**  
**EXTRACT OF ANNUAL RETURN**

as on the financial year ended on 31<sup>st</sup> December, 2017

[Pursuant to Section 92(3) of the Companies Act, 2013 and rule 12(1) of the Companies  
 (Management & Administration) Rules, 2014]

**I. REGISTRATION & OTHER DETAILS:**

1	CIN	L15202DL1959PLC003786
2	Registration Date	28 <sup>th</sup> March, 1959
3	Name of the Company	Nestlé India Limited
4	Category/Sub-category of the Company	Public Company Limited by Shares
5	Address of the Registered office & contact details	100 / 101, World Trade Centre, Barakhamba Lane, New Delhi – 110001 Ph.: 011-23418891 Fax.: 011-23415130 investor@in.nestle.com
6	Whether listed company	Yes
7	Name, Address & Contact details of the Registrar & Transfer Agent, if any.	M/s Alankit Assignments Limited, 1E/13, Jhandewalan Extension, New Delhi - 110055 011-42541234, 011-23541234 rta@alankit.com

**II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY**

All the business activities contributing 10% or more of the total turnover of the company shall be stated:-

Sl. No.	Name and Description of main products / services	NIC Code of the Product/service	% to total turnover of the company
1	Milk Products and Nutrition	201, 209, 219	47.55
2	Prepared Dishes and Cooking Aids	219	26.71
3	Powder and Liquid Beverages	209, 213, 214, 219	13.69
4	Confectionery	209	12.05

**III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES**

Sl. No.	Name and Address of the Company	CIN/GLN	Holding/ Subsidiary / Associate	% of shares held	Applicable Section
1	Nestlé S.A., Avenue Nestlé 55, CH-1800 Vevey, Switzerland	Not Applicable	Holding	34.28	2(87)
2	MAGGI Enterprises Limited, Zugerstrasse 8, CH-6330 Cham, Switzerland	Not Applicable	Holding	28.48	2(87)

#### IV. SHAREHOLDING PATTERN (Equity Share Capital Break up as percentage of Total Equity)

##### i) Category-wise Shareholding

Category of Shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
<b>A. Promoters</b>									
(1) Indian									
a) Individual/ HUF	-	-	-	-	-	-	-	-	-
b) Central Govt	-	-	-	-	-	-	-	-	-
c) State Govt(s)	-	-	-	-	-	-	-	-	-
d) Bodies Corporate	-	-	-	-	-	-	-	-	-
e) Banks / FI	-	-	-	-	-	-	-	-	-
f) Any other	-	-	-	-	-	-	-	-	-
<b>Sub-total (A) (1) :-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
(2) Foreign	-	-	-	-	-	-	-	-	-
a) NRIs- Individuals	-	-	-	-	-	-	-	-	-
b) Other – individuals	-	-	-	-	-	-	-	-	-
c) Bodies Corporate	60,515,079	-	60,515,079	62.76	60,515,079	-	60,515,079	62.76	0
d) Banks/ FI	-	-	-	-	-	-	-	-	-
e) Any other....	-	-	-	-	-	-	-	-	-
<b>Sub-total (A) (2) :-</b>	<b>60,515,079</b>	<b>-</b>	<b>60,515,079</b>	<b>62.76</b>	<b>60,515,079</b>	<b>-</b>	<b>60,515,079</b>	<b>62.76</b>	<b>0</b>
<b>Total shareholding of promoter (A) = (A)(1)+(A)(2)</b>	<b>60,515,079</b>	<b>-</b>	<b>60,515,079</b>	<b>62.76</b>	<b>60,515,079</b>	<b>-</b>	<b>60,515,079</b>	<b>62.76</b>	<b>0</b>
<b>B. Public Shareholding</b>									
1. Institutions									
a) Mutual Funds	1,521,728	11,090	1,532,818	1.59	1,867,865	10,840	1,878,705	1.95	0.36
b) Banks / FI	165,187	5,626	170,813	0.18	86,225	5,227	91,452	0.09	(0.09)
c) Central Govt.	104,512	-	104,512	0.11	88,063	-	88,063	0.09	(0.02)
d) State Govt(s)	-	-	-	-	-	-	-	-	-
e) Venture Capital Funds	-	-	-	-	-	-	-	-	-
f) Insurance Companies	4,707,478	100	4,707,578	4.88	5,843,455	100	5,843,555	6.06	1.18
g) FIIs	6,762,861	50	6,762,911	7.01	122,583	-	122,583	0.13	(6.88)
h) Foreign Venture Capital Funds	-	-	-	-	-	-	-	-	-
i) Others	-	-	-	-	-	-	-	-	-
a) Foreign Portfolio Investor	6,035,617	-	6,035,617	6.26	11,273,963	-	11,273,963	11.69	5.43
b) Alternative Investment Funds	-	-	-	-	28,323	-	28,323	0.03	0.03
<b>Sub-total (B)(1):-</b>	<b>19,297,383</b>	<b>16,866</b>	<b>19,314,249</b>	<b>20.03</b>	<b>19,310,477</b>	<b>16,167</b>	<b>19,326,644</b>	<b>20.05</b>	<b>0.02</b>
2. Non-Institutions									
a) Bodies Corp.									
i) Indian	2,444,583	10,461	2,455,044	2.55	2,862,084	7339	2,869,423	2.98	0.43
ii) Overseas	-	-	-	-	-	-	-	-	-
b) Individuals									
i) Individual shareholders holding nominal share capital upto ₹ 1 lakh	7,761,498	1,191,453	8,952,951	9.29	7,500,374	1,021,286	8,521,660	8.84	(0.45)
ii) Individual shareholders holding nominal share capital in excess of ₹ 1 lakh	4,277,281	273,404	4,550,685	4.72	4,125,067	273,404	4,398,471	4.56	(0.16)
c) Others									
Non – Resident Indians	622,186	4,379	626,565	0.65	638,582	3,661	642,243	0.67	0.02
Foreign Nationals	10	-	10	-	-	-	-	-	0.00
Overseas Corporate Body (OCB)	500	-	500	-	500	-	500	-	0.00
Trust	633	-	633	-	51,683	-	51,683	0.05	0.05

# NESTLÉ INDIA LIMITED

Category of Shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
IEPF Authority	-	-	-	-	90,013	-	90,013	0.09	0.09
Sub-total (B)(2):-	15,106,691	1,479,697	16,586,388	17.21	15,268,303	1,305,690	16,573,993	17.10	(0.11)
Total Public Shareholding (B) = (B)(1) + (B)(2)	34,404,074	1,496,563	35,900,637	37.24	34,578,780	1,321,857	35,900,637	37.24	0.00
C. Shares held by Custodian for GDRs & ADRs	-	-	-	-	-	-	-	-	-
<b>Grand Total (A+B+C)</b>	<b>94,919,153</b>	<b>1,496,563</b>	<b>96,415,716</b>	<b>100.00</b>	<b>95,093,859</b>	<b>1,321,857</b>	<b>96,415,716</b>	<b>100.00</b>	<b>0.00</b>

**(ii) Shareholding of Promoters-**

Sl. No.	Shareholder's Name	Shareholding at the beginning of the year			Shareholding at the end of the year			% change in shareholding during the year
		No. of Shares	% of total Shares of the company	% of Shares Pledged / encumbered to total shares	No. of Shares	% of total Shares of the company	% of Shares Pledged / encumb-ered to total shares	
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	-	-

**(iii) Change in Promoters' Shareholding (please specify, if there is no change)**

There are no changes in the Promoter's shareholding during the financial year 2017.

**(iv) Shareholding Pattern of top ten Shareholders (other than Directors, Promoters and Holders of GDRs and ADRs):**

S. No.	Name of the shareholder	Shareholding at the beginning of the year		Date of change of shareholding	Increase/Decrease in shareholding	Reason	Cumulative shareholding during the year	
		No. of shares	% of total shares				No. of shares	% of total shares of company
1	<b>LIFE INSURANCE CORPORATION OF INDIA &amp; OTHERS®</b>	3,352,627	3.48	1-Jan-17	-	-	3,352,627	3.48
				3-Feb-17	34,726	Transfer	3,387,353	3.51
				10-Feb-17	34,821	Transfer	3,422,174	3.55
				17-Feb-17	76,628	Transfer	3,498,802	3.63
				24-Feb-17	29,000	Transfer	3,527,802	3.66
				17-Mar-17	19,970	Transfer	3,547,772	3.68
				24-Mar-17	23,026	Transfer	3,570,798	3.70
				31-Mar-17	6,423	Transfer	3,577,221	3.71
				12-May-17	2,694	Transfer	3,579,915	3.71
				19-May-17	3,189	Transfer	3,583,104	3.72
				22-May-17	23,643	Transfer	3,606,747	3.74
				26-May-17	54,593	Transfer	3,661,340	3.80
				2-Jun-17	93,784	Transfer	3,755,124	3.89
				9-Jun-17	114,685	Transfer	3,869,809	4.01
				16-Jun-17	108,141	Transfer	3,977,950	4.13
				23-Jun-17	68,176	Transfer	4,046,126	4.20
				30-Jun-17	57,547	Transfer	4,103,673	4.26
				7-Jul-17	76,270	Transfer	4,179,943	4.34
				14-Jul-17	24,156	Transfer	4,204,099	4.36
				21-Jul-17	139,491	Transfer	4,343,590	4.51

S. No.	Name of the shareholder	Shareholding at the beginning of the year		Date of change of shareholding	Increase/ Decrease in shareholding	Reason	Cumulative shareholding during the year	
		No. of shares	% of total shares				No. of shares	% of total shares of company
2	ARISAIG PARTNERS (ASIA) PTE LTD. A/C ARISAIG INDIA FUND LIMITED			28-Jul-17	74,982	Transfer	4,418,572	4.58
				3-Aug-17	147,866	Transfer	4,566,438	4.74
				4-Aug-17	11,485	Transfer	4,577,923	4.75
				11-Aug-17	96,790	Transfer	4,674,713	4.85
				18-Aug-17	59,920	Transfer	4,734,633	4.91
				25-Aug-17	154,802	Transfer	4,889,435	5.07
				1-Sep-17	79,400	Transfer	4,968,835	5.15
				31-Dec-17	-	-	4,968,835	5.15
		1,800,909	1.87	1-Jan-17	-	-	1,800,909	1.87
				13-Jan-17	(24,075)	Transfer	1,776,834	1.84
				20-Jan-17	(29,461)	Transfer	1,747,373	1.81
				27-Jan-17	(118,888)	Transfer	1,628,485	1.69
				3-Feb-17	(109,000)	Transfer	1,519,485	1.58
				10-Feb-17	(11,014)	Transfer	1,508,471	1.56
				17-Feb-17	(48,709)	Transfer	1,459,762	1.51
3	SBI BLUE CHIP FUND*			24-Feb-17	(60,560)	Transfer	1,399,202	1.45
				10-Mar-17	(50,000)	Transfer	1,349,202	1.40
				24-Mar-17	(25,336)	Transfer	1,323,866	1.37
				27-Oct-17	(20,000)	Transfer	1,303,866	1.35
				31-Dec-17	-	-	1,303,866	1.35
		516,374	0.54	1-Jan-17	-	-	516,374	0.54
				27-Jan-17	200,000	Transfer	716,374	0.74
				3-Feb-17	200,000	Transfer	916,374	0.95
				14-Apr-17	(3,478)	Transfer	912,896	0.95
				28-Apr-17	(71,000)	Transfer	841,896	0.87
				19-May-17	(10,000)	Transfer	831,896	0.86
				9-Jun-17	(14,000)	Transfer	817,896	0.85
				23-Jun-17	(1)	Transfer	817,895	0.85
				7-Jul-17	(7,503)	Transfer	810,392	0.84
				14-Jul-17	(4,116)	Transfer	806,276	0.84
				3-Aug-17	1	Transfer	806,277	0.84
				22-Sep-17	(1)	Transfer	806,276	0.84
				31-Oct-17	70,646	Transfer	876,922	0.91
				10-Nov-17	7,000	Transfer	883,922	0.92
4	MIRA PRADEEP SINGH & OTHERS@			8-Dec-17	40,415	Transfer	924,337	0.96
				22-Dec-17	(14,923)	Transfer	909,414	0.94
				29-Dec-17	(125)	Transfer	909,289	0.94
5	ABERDEEN GLOBAL INDIAN EQUITY LIMITED			31-Dec-17	-	-	909,289	0.94
		805,010	0.83	1-Jan-17	-	-	805,010	0.83
				31-Dec-17	-	-	805,010	0.83
5	ABERDEEN GLOBAL INDIAN EQUITY LIMITED	1,111,062	1.15	1-Jan-17	-	-	1,111,062	1.15
				17-Mar-17	(36,000)	Transfer	1,075,062	1.12
				12-May-17	(72,068)	Transfer	1,002,994	1.04
				19-May-17	(27,932)	Transfer	975,062	1.01

# NESTLÉ INDIA LIMITED

S. No.	Name of the shareholder	Shareholding at the beginning of the year		Date of change of shareholding	Increase/ Decrease in shareholding	Reason	Cumulative shareholding during the year	
		No. of shares	% of total shares				No. of shares	% of total shares of company
				28-Jul-17	(60,000)	Transfer	915,062	0.95
				11-Aug-17	(40,000)	Transfer	875,062	0.91
				22-Sep-17	(90,000)	Transfer	785,062	0.81
				10-Nov-17	(51,727)	Transfer	733,335	0.76
				17-Nov-17	(14,273)	Transfer	719,062	0.75
				8-Dec-17	(53,000)	Transfer	666,062	0.69
				31-Dec-17	-	-	666,062	0.69
		350,330	0.36	1-Jan-17	-	-	350,330	0.36
6	BAJAJ ALLIANZ LIFE INSURANCE COMPANY LTD. & OTHERS®			6-Jan-17	15,500	Transfer	365,830	0.38
				20-Jan-17	5,400	Transfer	371,230	0.39
				27-Jan-17	3,000	Transfer	374,230	0.39
				3-Feb-17	2,000	Transfer	376,230	0.39
				17-Feb-17	(2,000)	Transfer	374,230	0.39
				17-Mar-17	(5,000)	Transfer	369,230	0.38
				24-Mar-17	5,000	Transfer	374,230	0.39
				28-Apr-17	31,000	Transfer	405,230	0.42
				16-Jun-17	1,000	Transfer	406,230	0.42
				23-Jun-17	3,000	Transfer	409,230	0.42
				30-Jun-17	1,090	Transfer	410,320	0.43
				7-Jul-17	2,100	Transfer	412,420	0.43
				21-Jul-17	300	Transfer	412,720	0.43
				3-Aug-17	5,000	Transfer	417,720	0.43
				11-Aug-17	10,000	Transfer	427,720	0.44
				15-Sep-17	20,000	Transfer	447,720	0.46
				6-Oct-17	(8,947)	Transfer	438,773	0.46
				27-Oct-17	(10,000)	Transfer	428,773	0.44
				31-Oct-17	(20,000)	Transfer	408,773	0.42
				17-Nov-17	2,000	Transfer	410,773	0.43
				12-Dec-17	12,000	Transfer	422,773	0.44
				15-Dec-17	10,000	Transfer	432,773	0.45
				22-Dec-17	9,500	Transfer	442,273	0.46
				31-Dec-17	-	-	442,273	0.46
7	VANGUARD EMERGING MARKETS STOCK INDEX FUND, A SERIES OF VANGUARD INTERNATIONAL EQUITY INDEX FUND	390,019	0.40	1-Jan-17	-	-	390,019	0.40
				6-Jan-17	1,032	Transfer	391,051	0.41
				13-Jan-17	2,193	Transfer	393,244	0.41
				20-Jan-17	1,032	Transfer	394,276	0.41
				3-Feb-17	3,096	Transfer	397,372	0.41
				17-Feb-17	860	Transfer	398,232	0.41
				24-Mar-17	1,845	Transfer	400,077	0.41
				31-Mar-17	1,804	Transfer	401,881	0.42
				7-Apr-17	1,120	Transfer	403,001	0.42
				14-Apr-17	3,349	Transfer	406,350	0.42
				28-Apr-17	410	Transfer	406,760	0.42
				4-May-17	2,870	Transfer	409,630	0.42

S. No.	Name of the shareholder	Shareholding at the beginning of the year		Date of change of shareholding	Increase/ Decrease in shareholding	Reason	Cumulative shareholding during the year	
		No. of shares	% of total shares				No. of shares	% of total shares of company
8	FIRST STATE ASIAN EQUITY PLUS FUND*			5-May-17	410	Transfer	410,040	0.43
				12-May-17	1,025	Transfer	411,065	0.43
				19-May-17	2,214	Transfer	413,279	0.43
				2-Jun-17	902	Transfer	414,181	0.43
				7-Jul-17	1,435	Transfer	415,616	0.43
				14-Jul-17	1,025	Transfer	416,641	0.43
				4-Aug-17	902	Transfer	417,543	0.43
				11-Aug-17	1,189	Transfer	418,732	0.43
				1-Sep-17	1,476	Transfer	420,208	0.44
				8-Sep-17	2,091	Transfer	422,299	0.44
				15-Sep-17	1,886	Transfer	424,185	0.44
				6-Oct-17	1,230	Transfer	425,415	0.44
				13-Oct-17	1,271	Transfer	426,686	0.44
				20-Oct-17	943	Transfer	427,629	0.44
				27-Oct-17	861	Transfer	428,490	0.44
				22-Dec-17	(8,865)	Transfer	419,625	0.44
				31-Dec-17	-	-	419,625	0.44
9	BRIGHT STAR INVESTMENTS PVT LTD	0	-	1-Jan-17	-	-	-	0.00
				28-Apr-17	11,618	Transfer	11,618	0.01
				4-May-17	24,406	Transfer	36,024	0.04
				5-May-17	2,898	Transfer	38,922	0.04
				12-May-17	31,737	Transfer	70,659	0.07
				19-May-17	122,716	Transfer	193,375	0.20
				22-May-17	17,173	Transfer	210,548	0.22
				26-May-17	20,265	Transfer	230,813	0.24
				2-Jun-17	37,275	Transfer	268,088	0.28
				1-Sep-17	54,601	Transfer	322,689	0.33
				8-Sep-17	54,936	Transfer	377,625	0.39
				31-Dec-17	-	-	377,625	0.39
10	FIRST STATE INVESTMENTS (HONGKONG) LIMITED A/C FIRST STATE INDIAN SUBCONTINENT FUND*	344,836	0.36	1-Jan-17	-	-	344,836	0.36
				31-Dec-17	-	-	344,836	0.36
		235,519	0.24	1-Jan-17	-	-	235,519	0.24
				13-Jan-17	10,056	Transfer	245,575	0.25
				20-Jan-17	4,263	Transfer	249,838	0.26
				27-Jan-17	4,089	Transfer	253,927	0.26
				24-Feb-17	10,127	Transfer	264,054	0.27
				3-Mar-17	8,487	Transfer	272,541	0.28
				10-Mar-17	19,206	Transfer	291,747	0.30
				17-Mar-17	852	Transfer	292,599	0.30
				24-Mar-17	14,882	Transfer	307,481	0.32
				31-Mar-17	4,997	Transfer	312,478	0.32
				21-Apr-17	23,060	Transfer	335,538	0.35
				19-May-17	10,290	Transfer	345,828	0.36
				22-May-17	3,396	Transfer	349,224	0.36

**NESTLÉ INDIA LIMITED**

S. No.	Name of the shareholder	Shareholding at the beginning of the year		Date of change of shareholding	Increase/ Decrease in shareholding	Reason	Cumulative shareholding during the year	
		No. of shares	% of total shares				No. of shares	% of total shares of company
				26-May-17	4,008	Transfer	353,232	0.37
				2-Jun-17	7,371	Transfer	360,603	0.37
				25-Aug-17	13,499	Transfer	374,102	0.39
				15-Sep-17	(4,379)	Transfer	369,723	0.38
				29-Sep-17	4,675	Transfer	374,398	0.39
				10-Nov-17	(31,237)	Transfer	343,161	0.36
				17-Nov-17	(7,953)	Transfer	335,208	0.35
				24-Nov-17	(1,043)	Transfer	334,165	0.35
				31-Dec-17	-	-	334,165	0.35
		595,584	0.62	1-Jan-17	-	-	595,584	0.62
11	<b>FRANKLIN TEMPLETON INVESTMENT FUNDS#</b>			27-Jan-17	(44,854)	Transfer	550,730	0.57
				3-Feb-17	(98,730)	Transfer	452,000	0.47
				10-Nov-17	(40,000)	Transfer	412,000	0.43
				17-Nov-17	(43,309)	Transfer	368,691	0.38
				8-Dec-17	(10,027)	Transfer	358,664	0.37
				12-Dec-17	(33,252)	Transfer	325,412	0.34
				22-Dec-17	(24,523)	Transfer	300,889	0.31
				29-Dec-17	(9,400)	Transfer	291,489	0.30
				31-Dec-17	-	-	291,489	0.30
		324,261	0.34	1-Jan-17	-	-	324,261	0.34
12	<b>HDFC STANDARD LIFE INSURANCE COMPANY LIMITED &amp; OTHERS@</b>			6-Jan-17	11	Transfer	324,272	0.34
				20-Jan-17	72	Transfer	324,344	0.34
				27-Jan-17	5,004	Transfer	329,348	0.34
				24-Feb-17	127	Transfer	329,475	0.34
				3-Mar-17	6,550	Transfer	336,025	0.35
				10-Mar-17	7	Transfer	336,032	0.35
				17-Mar-17	1,400	Transfer	337,432	0.35
				24-Mar-17	150	Transfer	337,582	0.35
				31-Mar-17	(195)	Transfer	337,387	0.35
				7-Apr-17	637	Transfer	338,024	0.35
				14-Apr-17	(6,320)	Transfer	331,704	0.34
				28-Apr-17	4,927	Transfer	336,631	0.35
				4-May-17	(1,986)	Transfer	334,645	0.35
				5-May-17	(1,400)	Transfer	333,245	0.35
				12-May-17	(13,000)	Transfer	320,245	0.33
				19-May-17	(49)	Transfer	320,196	0.33
				9-Jun-17	50	Transfer	320,246	0.33
				23-Jun-17	(5)	Transfer	320,241	0.33
				30-Jun-17	227	Transfer	320,468	0.33
				7-Jul-17	2,000	Transfer	322,468	0.33
				21-Jul-17	(61)	Transfer	322,407	0.33
				3-Aug-17	7	Transfer	322,414	0.33
				11-Aug-17	282	Transfer	322,696	0.33
				25-Aug-17	200	Transfer	322,896	0.33

S. No.	Name of the shareholder	Shareholding at the beginning of the year		Date of change of shareholding	Increase/ Decrease in shareholding	Reason	Cumulative shareholding during the year	
		No. of shares	% of total shares				No. of shares	% of total shares of company
				15-Sep-17	4,050	Transfer	326,946	0.34
				22-Sep-17	41	Transfer	326,987	0.34
				29-Sep-17	(6,539)	Transfer	320,448	0.33
				6-Oct-17	(22,500)	Transfer	297,948	0.31
				13-Oct-17	(3,554)	Transfer	294,394	0.31
				27-Oct-17	(14,588)	Transfer	279,806	0.29
				3-Nov-17	(17,807)	Transfer	261,999	0.27
				10-Nov-17	(7,500)	Transfer	254,499	0.26
				17-Nov-17	64	Transfer	254,563	0.26
				24-Nov-17	1,137	Transfer	255,700	0.27
				8-Dec-17	9,011	Transfer	264,711	0.27
				12-Dec-17	4,808	Transfer	269,519	0.28
				15-Dec-17	7,040	Transfer	276,559	0.29
				22-Dec-17	(1,012)	Transfer	275,547	0.29
				29-Dec-17	2,991	Transfer	278,538	0.29
				31-Dec-17	-	-	278,538	0.29
13	AXIS MUTUAL FUND TRUSTEE LIMITED A/C AXIS MUTUAL FUND A/C AXIS LONG TERM EQUITY FUND & OTHERS#®	515,224	0.53	1-Jan-17	-	-	515,224	0.53
				6-Jan-17	11,394	Transfer	526,618	0.55
				13-Jan-17	(1,404)	Transfer	525,214	0.54
				20-Jan-17	(1,806)	Transfer	523,408	0.54
				27-Jan-17	(1,790)	Transfer	521,618	0.54
				10-Mar-17	(2,000)	Transfer	519,618	0.54
				7-Apr-17	(2,943)	Transfer	516,675	0.54
				21-Apr-17	(3,732)	Transfer	512,943	0.53
				28-Apr-17	(22,700)	Transfer	490,243	0.51
				19-May-17	(10,600)	Transfer	479,643	0.50
				26-May-17	(268)	Transfer	479,375	0.50
				30-Jun-17	(25,000)	Transfer	454,375	0.47
				7-Jul-17	8,800	Transfer	463,175	0.48
				14-Jul-17	(49,492)	Transfer	413,683	0.43
				21-Jul-17	(73,900)	Transfer	339,783	0.35
				28-Jul-17	(39,690)	Transfer	300,093	0.31
				3-Aug-17	(51,850)	Transfer	248,243	0.26
				25-Aug-17	(525)	Transfer	247,718	0.26
				1-Sep-17	1,800	Transfer	249,518	0.26
				29-Sep-17	(2,375)	Transfer	247,143	0.26
				10-Nov-17	(60,000)	Transfer	187,143	0.19
				17-Nov-17	13,000	Transfer	200,143	0.21
				31-Dec-17	-	-	200,143	0.21

Note: The above information is based on the weekly beneficiary position received from depositories.

\* Not in the list of Top 10 shareholders as on 01/01/2017. The same has been reflected above since the shareholder was one of the Top 10 shareholders as on 31/12/2017.

#Ceased to be in the list of Top 10 shareholders as on 31/12/2017. The same has been reflected above since the shareholder was one of the Top 10 shareholders as on 01/01/2017.

®Shareholding is consolidated based on permanent account number (PAN) of the shareholder(s).

# NESTLÉ INDIA LIMITED

## (v) Shareholding of Directors and Key Managerial Personnel:

Sl. No.	For each of the Directors and Key Managerial Personnel	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
1	<b>Mr. Shobinder Duggal</b>				
	At the beginning of the year	805	0.00	805	0.00
	Transactions (Purchase/Sale) during the year:	-	-	-	-
	At the end of the year	805	0.00	805	0.00
2	<b>Mr. B. Murli</b>				
	At the beginning of the year	1	0.00	1	0.00
	Transactions (Purchase/Sale) during the year:	-	-	-	-
	At the end of the year	1	0.00	1	0.00

Note: Mr. Suresh Narayanan, Mr. Martin Roemkens, Ms. Rama Bijapurkar, Mr. Rajya Vardhan Kanoria, Mr. AK Mahindra, Dr. Rakesh Mohan and Dr. (Mrs.) Swati Ajay Piramal did not hold any shares during the year 2017.

## (V) INDEBTEDNESS

Indebtedness of the Company including interest outstanding/ accrued but not due for payment

(₹ in millions)

	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
<b>Indebtedness at the beginning of the financial year</b>				
i) Principal Amount	-	331.50	-	331.50
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	-	-	-	-
<b>Total (i + ii + iii)</b>		331.50	-	331.50
<b>Change in Indebtedness during the financial year</b>				
• Addition	-	19.90	-	19.90
• Reduction	-	-	-	-
<b>Net Change</b>	-	19.90	-	19.90
<b>Indebtedness at the end of the financial year</b>				
i) Principal Amount	-	351.40	-	351.40
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	-	-	-	-
<b>Total (i + ii + iii)</b>	-	351.40	-	351.40

## VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

### A. Remuneration to Managing Director, Whole-time Directors and/or Manager:

(₹ in millions)

Sl. No.	Particulars of Remuneration	Name of MD / WTD / Manager				Total Amount
		Suresh Narayanan	Shobinder Duggal	Martin Roemkens*	Aristides Protonotarios**	
1	Gross salary					
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	58.86	16.23	21.61	7.59	104.29
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961	16.25	11.96	3.48	7.74	39.43
	(c) Profits in lieu of salary under section 17(3) Income- tax Act, 1961	-	-	-	-	-
2	Stock Option	-	-	-	-	-
3	Sweat Equity	-	-	-	-	-
4	Commission - as of profit - others, (Commission)	-	-	-	-	-
		22.09	9.06	5.32	6.46	42.93
5	Others, (Company's contribution to PF)	2.45	1.55	0.74	0.27	5.01
	Total (A)	99.65	38.80	31.15	22.06	191.67
	Ceiling as per the Act	Being 10% of the Net Profits of the Company calculated as per Section 198 of the Companies Act, 2013				1841.9

\* Appointed as Director – Technical with effect from 1<sup>st</sup> April, 2017

\*\* Ceased as Director – Technical with effect from 31<sup>st</sup> March, 2017

### B. Remuneration to other directors:

(₹ in millions)

Sl. No.	Particulars of Remuneration	Name of Directors						Total Amount
		RV Kanoria	AK Mahindra	Rakesh Mohan	Ravinder Narain <sup>1</sup>	Swati A Piramal	Rama Bijapurkar <sup>2</sup>	
1	<b>Independent Directors</b>							
	Fee for attending board / committee meetings	1.30	0.88	0.75	0.50	0.35	0.43	4.21
	Commission	0.80	0.80	0.80	0.29	0.80	0.54	4.02
	Others, please specify	-	-	-	-	-	-	-
	Total (1)	2.10	1.68	1.55	0.79	1.15	0.97	8.23
2	<b>Other Non-Executive Directors</b>							
	Fee for attending board / committee meetings	-	-	-	-	-	-	-
	Commission	-	-	-	-	-	-	-
	Others, please specify	-	-	-	-	-	-	-
	Total (2)	-	-	-	-	-	-	-
	Total (B) = (1 + 2)	-	-	-	-	-	-	8.23
	Total Managerial Remuneration <sup>^</sup>							199.90
	Overall Ceiling as per the Act	Being 11% of the net Profits of the Company calculated as per Section 198 of the Companies Act, 2013						2,026.09

1 Retired as Independent Non-Executive Director with effect from 11<sup>th</sup> May, 2017

2 Appointed as Independent Non-Executive Director with effect from 1<sup>st</sup> May, 2017

<sup>^</sup> Total remuneration to Chairman and Managing Director, Whole Time Directors and other Directors (being the total of A and B)

**C. REMUNERATION TO KEY MANAGERIAL PERSONNEL OTHER THAN MD / MANAGER / WTD**

(₹ in millions)

Sl. No.	Particulars of Remuneration	Key Managerial Personnel	
		B. Murli CS	Total
1	Gross salary		
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	13.48	13.48
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961	7.49	7.49
	(c) Profits in lieu of salary under section 17(3) Income-tax Act, 1961	-	-
2	Stock Option	-	-
3	Sweat Equity	-	-
4	Commission		
	- as of profit	-	-
	- others, Performance Bonus/Commission	5.85	5.85
5	Others, (Company's contribution to PF)	1.21	1.21
	<b>Total</b>	<b>28.02</b>	<b>28.02</b>

Note: Mr. Suresh Narayanan and Mr. Shobinder Duggal have been appointed as Key Managerial Personnel under Section 204 of the Companies Act, 2013. For details of their remuneration, please refer table VI A above.

**VII. PENALTIES / PUNISHMENT / COMPOUNDING OF OFFENCES**

There were no penalties / punishment / compounding of offences under any sections of the Companies Act, 2013 against the Company or its Directors or other Officers in default, if any, during the year.

On behalf of the Board of Directors

Date : 14<sup>th</sup> February, 2018

Place : Gurugram

Suresh Narayanan

Chairman and Managing Director

## **ANNEXURE - 7 TO THE BOARD'S REPORT**

**Information as required under Section 134(3)(m) of the Companies Act, 2013 read with Rule 8 of the Companies (Accounts) Rules, 2014 forming part of the Board's Report for the year ended 31<sup>st</sup> December, 2017.**

### **A. CONSERVATION OF ENERGY**

#### **(a) Steps taken or impact on Conservation of energy**

Environmental sustainability is embedded in Nestlé Policy on Environmental Sustainability. As part of long term sustainability, your Company ensures that the products, packaging and operations are safe for employees, consumers and the environment. Your Company ensures this with a focus on technologies, processes and improvements that matter for the environment. At Nestlé, sustainability inspires and guides everything the Company does. Moreover, the Company gives highest priority to ensure environmental friendly practices at all factories and offices. These include reduction in power consumption, optimal water consumption, eliminating excess use of paper and using eco-friendly products.

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. Within the Company there are continuous efforts towards improving operational efficiencies, minimizing consumption of natural resources and reducing water, energy & CO<sub>2</sub> emissions while maximizing production volumes.

During the year, approximately forty six energy reduction projects were undertaken by factories of the Company with the achievement of substantial cost savings. Some of them are:

- Energy savings by installation of MVR (Mechanical Vapour Recompression) & IVOR at Nanjangud for reduction in Steam and Furnace Oil consumption.
- LED lighting in the factories.
- Compressed Air Optimization.
- Heat recovery unit in air compressors & refrigeration compressors.
- Increased condensate and flash steam recovery from process areas.
- Steamer steam optimization in one of the factories.
- Heat recovery from cereal roller dryer in the factories.

During the year, approximately thirty-two water reduction projects were completed in the factories. This, inter alia, resulted in reduction in water consumption and reuse of recycled water in a more efficient manner.

Some of the key initiatives contributing to water savings in 2017 are:

- Water savings by installation of MVR (Mechanical Vapour Recompression) & evaporator condensate recovery RO at factory.
- Installation of Condensate recovery unit in one of the factories.
- Reuse of reject water as make up in vacuum pumps in the factories.
- Reuse of ETP RO permeate in process cooling towers in one of the factories.
- Reuse of evaporator condensate in the factories.
- Steamer steam optimization in one of the factories.

Apart from energy and water saving, your Company also initiated projects for reduction of pollution and protection of the environment. Some of the projects are:

- Increase in usage of Natural Gas in one of the factories.
- Reduction in laminate losses leading to lower generation of plastic waste.
- Vermi composting project for HPP sludge, reducing waste for disposal.

#### **(b) Additional Investment**

Following are the additional proposals, which are initiated for implementation during 2018.

- Steam Optimization of Noodle manufacturing lines.
- Installation of HP steam coil for preheating primary air on air heater in one of the factories.
- LED lighting in the factories.
- Installation of heat recovery unit in Ammonia compressors in one of 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**

During the years, at the factories there have been continuous efforts to improve operational efficiencies, minimizing consumption of natural resources and reducing water, energy and CO<sub>2</sub> emissions while maximizing production volumes.

As a result, during the period from 2002 to 2017, for every ton of production, the Company has reduced, the usage of energy by around 43%, water usage by around 51%, generation of wastewater by around 57% and specific direct greenhouse gas emissions by 51%. This has also helped in optimisation of the cost of production of goods.

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

**Energy initiatives planned or in progress:**

Following are the additional proposals, which are initiated for implementation during 2018

- Steam Optimization of Noodle manufacturing lines.
- Heat pump installation for replacing process water heat exchanger in one of the factories.
- Oil fired boiler yield improvement in one of the factories.
- Optimization of boiler operations across the factories.

**Water Initiatives planned or in progress:**

The Company is consistently making efforts towards sustainability and water conservation measures for coming years especially in factories, which are water scarce. Few key initiatives planned or in progress are:

- Installation of Milk Water RO plant.
- Increased ETP RO usage for process and utility cooling towers.

**(e) Description of the initiatives undertaken to reduce Green House Gases (GHG) emissions**

The Company identified 7535 Tons of GHG reduction in 2017, which would be fully realized in coming year. Some of the key renewable energy projects contributed to GHG savings are:

- GHG savings by installation of MVR (Mechanical Vapour Recompression) at one of the factories.
- Contribution by energy reduction projects.

**GHG Initiatives planned or in progress**

Following are the additional proposals, which are initiated for implementation during 2018

- Solar PPA project in one of the factories.
- Natural Gas conversion in one of the factories.
- Replacement of LPG with Natural gas in the factories.

## B. TECHNOLOGY ABSORPTION

Efforts made in technology absorption 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 R&D efforts and activities of the Nestlé Group. Nestlé Group spends enormous amounts and efforts in R&D 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 R&D expertise and knowledge of Nestlé Group, has helped your Company to innovate and renovate, manufacture high quality and safe products, improve yields, input substitution and achieve more efficient operations. Consequently the consumers perceive the products of your Company as a high value for their money.

### 3. Future plan of action

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

### 4. Expenditure on R&D

Your Company benefits from the extensive Centralised R&D activity and expenditure of the Nestlé Group, at an annual outlay of around two billion Swiss Francs. Expenditure of the Company are those incurred locally, primarily relating to quality testing are as under:

	(₹ in million)
a) Capital	45.1
b) Recurring	220.3
c) Total	265.4
d) Total as a percentage of total turnover	0.26%

### Technology absorption

#### 1. Efforts, in brief, made towards technology absorption

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

#### 2. Benefits derived as a result of the above efforts

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

#### 3. Imported Technology

All the food products manufactured and / or sold by the Company are by virtue of the imported technology licenced 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 Board's 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 ₹ 6,626.6 million comprising foreign exchange earnings of ₹ 4,740.2 million and export to Nepal and Bhutan in Rupees amounting to ₹ 1,886.4 million.

Foreign exchange outgo of ₹ 14,291 million on account of imports, expenditure on traveling, general licence fees, etc. and remittances made to non-resident shareholders on account of dividend.

On behalf of the Board of Directors

Date : 14<sup>th</sup> February, 2018

Place : Gurugram

Suresh Narayanan  
Chairman and Managing Director

## **ANNEXURE - 8 TO THE BOARD'S REPORT**

### **Statement of Disclosure of Remuneration under Section 197 of Companies Act, 2013 and Rule 5(1) of Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014.**

- i. The ratio of the remuneration of each director<sup>#</sup> to the median remuneration of the employees of the Company for the financial year:

Name of Director	Designation	Ratio to median remuneration of the employees*
Mr. Suresh Narayanan	Chairman and Managing Director	103 : 1
Mr. Shobinder Duggal	Director – Finance & Control and CFO	40 : 1
Mr. Martin Roemkens <sup>1</sup>	Director - Technical	32 : 1
Mr. Aristides Protonotarios <sup>2</sup>	Director – Technical	23 : 1

<sup>#</sup> Since Independent Non-Executive Directors received no remuneration, except sitting fees for attending Board / Committee meetings and commission, the required details are not applicable.

\* Employees for the above purpose includes all employees excluding employees governed under collective bargaining.

<sup>1</sup> Appointed as Whole-time Director, designated as Director – Technical with effect from 1<sup>st</sup> April, 2017.

<sup>2</sup> Ceased as Director with effect from 31<sup>st</sup> March, 2017.

- ii. The % increase in remuneration of each director<sup>#</sup>, Chief Financial Officer, Chief Executive Officer, Company Secretary or Manager, if any, in the financial year:

Designation	Name of Employee	% increase in remuneration
Mr. Suresh Narayanan	Chairman and Managing Director	10.5
Mr. Shobinder Duggal	Director – Finance & Control and CFO	(0.4)
Mr. Aristides Protonotarios <sup>1</sup>	Director – Technical	Not Comparable
Mr. Martin Roemkens <sup>2</sup>	Director – Technical	Not Comparable
Mr. B. Murli	SVP – Legal and Company Secretary	(0.1)

<sup>#</sup> Since Independent Non-Executive Directors received no remuneration, except sitting fees for attending Board / Committee meetings and commission, the required details are not applicable.

<sup>1</sup> Ceased as Director with effect from 31<sup>st</sup> March, 2017.

<sup>2</sup> Appointed as Whole-time Director, designated as Director – Technical with effect from 1<sup>st</sup> April, 2017.

The percentage increase in the managerial remuneration has been adversely impacted due to lower market value of certain perquisites (PSUPs) during the year as compared to last year.

- iii. The % increase in the median remuneration of employees in the financial year: 8.41%.

- iv. The number of permanent employees on the rolls of the Company: 7,527.

- v. Average percentile increase already made in the salaries of employees other than the managerial personnel in the last financial year and its comparison with the percentile increase in the managerial remuneration and justification thereof and point out if there are any exceptional circumstances for increase in the managerial remuneration: The median percentage increase made in the salaries of employees other than the managerial personnel was 8.41%. The percentage increase in the managerial remuneration has been adversely impacted due to lower market value of certain perquisites (PSUPs) during the year as compared to last year. The above changes are a function of the Company's market competitiveness within its comparator group as ascertained through the detailed salary benchmarking survey the Company undertakes annually. The increase in salary of employees during the year reflectsthe Company's reward philosophy as well as the results of the benchmarking exercise.

- vi. It is hereby affirmed that the remuneration is as per the Remuneration Policy of the Company.

**On behalf of the Board of Directors**

Date : 14<sup>th</sup> February, 2018

Place : Gurugram

**Suresh Narayanan**  
Chairman and Managing Director

## DIVIDEND DISTRIBUTION POLICY

[Pursuant to Regulation 43(A) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.]

The equity shares of Nestlé India Limited (the 'Company') are listed on BSE Ltd., Mumbai. As per the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended, the Company is required to formulate a Dividend Distribution Policy which shall be disclosed in its Annual Report and on its website.

The Board of Directors of the Company ("the Board") has approved the Dividend Distribution Policy of the Company ('the Policy") which endeavors for fairness, consistency and sustainability while distributing profits to the shareholders.

The factors considered while arriving at the quantum of dividend(s) are:

- Current year profits and outlook in line with the development of internal and external environment.
- Operating cash flows and treasury position keeping in view the total debt to equity ratio.
- Possibilities of alternate usage of cash, e.g. capital expenditure etc., with potential to create greater value for shareholders.
- Providing for unforeseen events and contingencies with financial implications.

The Board may declare interim dividend(s) as and when they consider it fit, and recommend final dividend to the shareholders for their approval in the general meeting of the Company.

In case the Board proposes not to distribute the profit; the grounds thereof and information on utilisation of the undistributed profit, if any, shall be disclosed to the shareholders in the Annual Report of the Company.

The dividend distribution shall be in accordance with the applicable provisions of the Companies Act, 2013, Rules framed thereunder, SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and other legislations governing dividends and the Articles of Association of the Company, as in force and as amended from time to time.

## **NOTES**





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