

Nestlé India Limited

(CIN : L15202DL1959PLC003786)

Nestlé House

Jacaranda Marg

'M' Block, DLF City, Phase - II

Gurgaon - 122002 - 05, Haryana

Phone 0124 - 3940000

Fax 0124 - 2389399

E-mail : investor@IN.nestle.com

Website : www.nestle.in



Good Food, Good Life

Your Ref :

Our Ref :

**BM: PKR: 14:2016**

Date :

**11.04.2016**

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

**Kind Attn. : Mr. Marian D'Souza / Mr. Jaymin Modi (DCS – CRD)      Scrip Code - 500790**

**Subject : Regulation 34 - Soft copy of the Notice of 57<sup>th</sup> Annual General Meeting & Annual Report 2015**

Dear Sir,

This is further to our letter no. BM:PKR:08:16 dated 12<sup>th</sup> February, 2016 regarding convening of the 57<sup>th</sup> Annual General Meeting of the Company on Thursday, 12<sup>th</sup> May, 2016.

Please find attached a soft copy of the Notice of the 57<sup>th</sup> Annual General Meeting and Annual Report for the year 2015 being dispatched to the shareholders in the permitted mode(s).

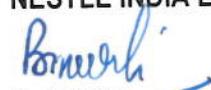
The above is also being uploaded on the website of the Company [www.nestle.in](http://www.nestle.in).

Please take the same on record.

Thanking you,

Yours truly,

**NESTLÉ INDIA LIMITED**



**B. MURALI**

**SENIOR VICE PRESIDENT- LEGAL & COMPANY SECRETARY**





**Over 100 years of Making Quality  
& Building Trust**



## The Board of Directors of Nestlé India



(From left to right)

A. Protonotarios (Director - Technical)

AK Mahindra (Non Executive Director)

Rajya Vardhan Kanoria (Non Executive Director)

Swati A. Piramal (Non Executive Director)

Suresh Narayanan (Chairman & Managing Director)

Ravinder Narain (Non Executive Director)

Shobinder Duggal (Director - Finance & Control and CFO)

B. Murli (SVP - Legal & Company Secretary)

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**Nestlé has been in India for over a 100 years.  
Understanding people. Making Quality. Building  
Trust. Nurturing Relationships.**

Nestlé's relationship with India began in 1912. It was then importing and selling its brands as finished products in the Indian market. After independence in 1947, India gave voice and defined its economic policies. Nestlé responded to India's aspiration for growth.

In 1961 Nestlé set up its first factory in Moga, Punjab. Over the years it has continued investing in India, setting up more factories and expanding existing ones.

Nestlé activities in India have facilitated direct and indirect employment and provides livelihood to lakhs of people including farmers, suppliers of packaged materials, services and other goods. Nestlé has all along followed stringent quality standards and has continuously transferred its expertise and technology to suppliers, to help them upgrade quality to meet these standards.



Good Food, Good Life



## Dear Shareholders

The year gone by has been extremely challenging for the Company. The impact of the MAGGI Noodles crisis was immense not only for the Company but also for the extensive eco-system that is dependent on it. It was a shock for every single employee because they take immense pride in the quality of the products that they manufacture. It was a shock to the suppliers because they know from experience that Nestlé takes quality and food safety very seriously all along the supply chain, and that every product has to pass very stringent quality standards before they can be released for the market. The reality is that MAGGI Noodles is amongst the safest foods available and trusted by all members of the family. At Nestlé we treasure this trust always and everytime.

The ability to guarantee quality and food safety requires immense hard work, expertise, and investments in infrastructure. Nestlé with its 150 years history globally is among the few companies that have been conscious of this and prides itself on the significant work that it has done to upgrade the quality of suppliers and stringent quality standards that it enforces for all its products.

Nestlé believes in integrity and honesty and has built strong relationships with those it has come in contact with. I am sincerely grateful that during the MAGGI Noodles crisis hundreds and thousands of employees, partners, suppliers, farmers, retailers and customers across the country supported Nestlé and did not compromise on the bonds of relationships built with us over the years and decades.

We are living in times of increasing environmental degradation and pollution where

issues like global warming and depleting natural resources are almost constantly impacting the commodities and ingredients entering the supply chain. Nestlé has always maintained a very clear benchmark for quality. It will apply the local regulatory standard or the Nestlé standard, whichever is more stringent.

Let us now pull back a little bit. The Indian Economy is faced with serious problems of nutrition security. It is almost impossible to control it in the short term, but there are options that can help.

Food processing can play a very significant role and needs to be encouraged and supported. Food processors backed by R&D expertise have the potential to ensure science based nutrition, provide high quality products that meet safety standards, and reduce the immense wastages of perishable produce. Food processing companies can be game changers given the right support.

Like it or not, we are now operating in a highly volatile, unpredictable and changing environment. Social transformation, emerging technology, trends in communications, and polarizing opinions amongst others, require us to keep evolving in a manner that we do not lose sight of the objective. The role of a responsible and global Company like Nestlé is not just to its shareholders but to society at large by providing tasty, nutritious brands and reflecting contemporary lifestyle. Our core principles remain the same - Food & Beverage offerings that speak to the highest standards of Safety AND Quality and are underpinned by the bedrock of Science, Nutrition & Technology. At Nestlé our response is to stay Fast, Focused, and Flexible.



Suresh Narayanan  
Chairman & Managing Director  
Nestlé India

Nestlé India today has 8 factories across the country. Quality is the core value that unites them.

Each Nestlé factory is a symbol of Nestlé's values and commitment.

Nurturing Relationships. Transferring Technology. Sharing Best Practices. Encouraging and Assuring Quality. Investing in Resources. Understanding Responsibility. Connecting. Facilitating Progress. Building Trust.



**“At Nestlé, we believe that  
Quality = Trust.”**



Moga



Tahliwal



Ponda

**“Quality assurance at different stages of the manufacturing process ensures that only those products go out of the factories that are safe and of high quality. The Nestlé name is the Seal of Guarantee. ”**



Pantnagar



Bicholim



Nanjangud



Choladi



Samalkha

## Encouraging Quality. Building Trust. Nurturing Relationships.

To be able to provide high quality products we need high quality raw materials as well. This requires heavy and continuous investments.

Nestlé provides technology and best practices that help farmers and suppliers upgrade their product quality to international standards.

Extensive training to encourage sustainable coffee farming, work with milk farmers as well as other farmers and suppliers is ensuring high quality raw materials and prosperity.

“Nestlé has taught me how to keep our cattle healthy and the milk clean, and how I can help my family live a better life.”

Mrs. Daljit Kaur,  
Village Walipur Khurd



## **Assuring Quality. Building Trust.**

Food safety is the highest priority at Nestlé.  
Nestlé India works with 11 internal and external laboratories  
to monitor and ensure food safety.

The Nestlé Quality Management System (NQMS)  
encompasses the entire value chain, ensuring that  
appropriate controls are in place at each step, starting from  
the sourcing of raw materials.

The Nestlé Quality Assurance Centre [NQAC] at Moga  
factory is of global standards and has NABL accreditation. It  
tests heavy metals, antibiotics and other contaminants with  
the capability of testing "Parts Per Billion".



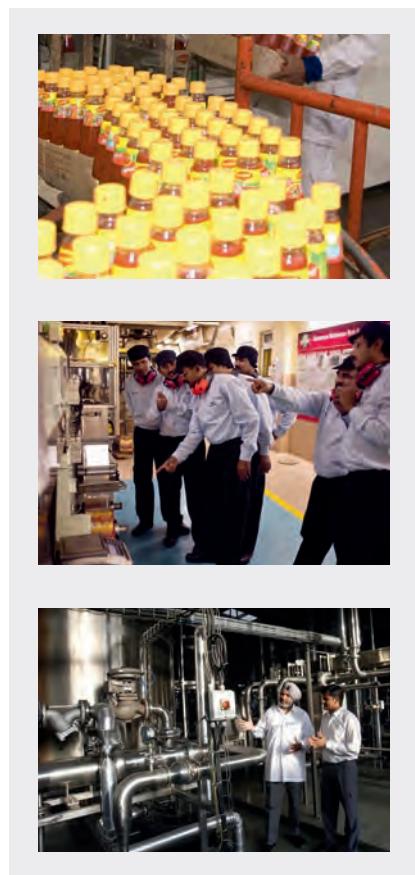
**“Nestlé standards are stringent and there is no compromise.  
The technical teams constantly work with us to improve our quality so that we are  
able to achieve these pre-set Quality standards.”**

## Making Quality. Building Trust.

At Nestlé Quality is never an accident.

Our factories have technology which is state of the art. Our raw materials follow stringent and rigorous standards of testing.

Our Quality Standards are globally defined and our people are rigorously trained.



**“Quality is not an accident.  
It is a passion that meets stringent norms at every  
step and ensures safety.”**

## Efficient Teams. Building Trust. Proud to be Nestlé.

Nestlé encourages a culture of trust and mutual respect. Employees are aligned on common objectives and take pride in the quality of the products that leave the factory for sale in the markets.

'Nestlé Continuous Excellence' and LEAN mindset are the foundations for war on waste and for Total Productivity Management.



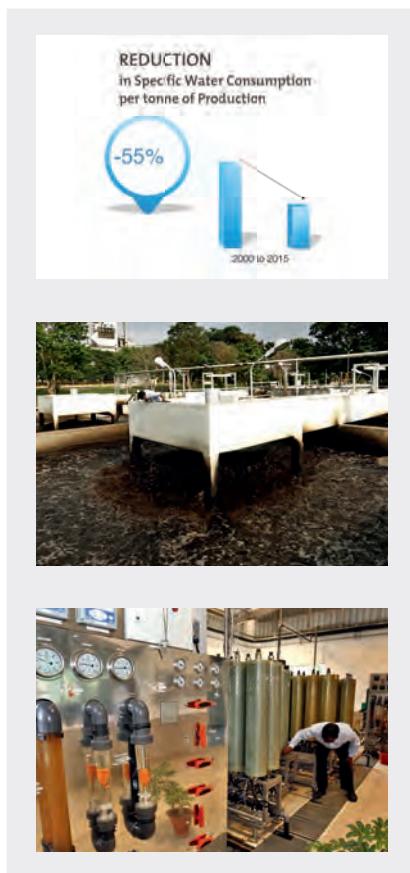
**“Trust and goodwill are earned over time when people consistently see something good. Nestlé products are trusted because our teams are continuously working to improve efficiency and reduce waste.”**

## Understanding Responsibility. Building Trust. Committing for our Future.

Sustainable use of natural and non-renewable resources is a priority within our factories and in areas within our control.

Within the factories the continuous effort is to minimize consumption of these natural resources and reduce waste and emissions while maximizing production.

Water for example, is a scarce resource. In order to reduce its water footprint Nestlé has adopted the 3R methodology: Reduce, Reuse, Recycle.



**“At the Moga factory for example, Nestlé has commissioned a project to recover and recycle around 50% of water from cows milk that we collect every day. This will reduce our groundwater withdrawal even further.”**

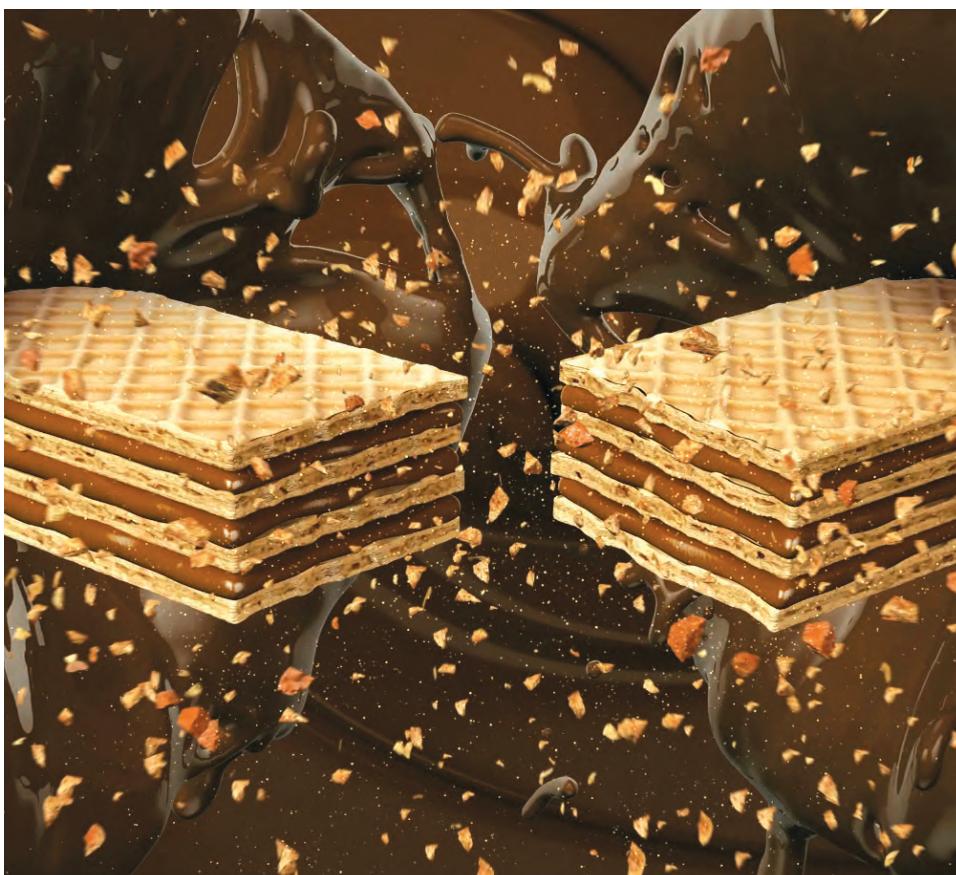
## Connecting with Consumers. Building Trust.

Our core business is built around consumers. We focus on understanding the changing lifestyles, the evolving needs and dietary preferences.

Consumer insights, Innovation and Renovation of products, responsible communication, efforts to help consumers make informed choices are all focused on empowering consumers, so that they can enjoy balanced diets more conveniently.



**“Nestlé is an integral part of India and is trusted by families. We celebrate these and are humbled by the love and affection of these strong emotional bonds.”**



## **Creating Prosperity. Building Trust.**

The well being of the community from where we draw our agricultural raw materials is important for us.

Our work in the communities is focused on Nutrition, Water, Rural Development, and Environmental Sustainability.

While Creating Shared Value we are transferring technology, knowledge, expertise that is benefitting society and is creating a multiplier effect on the overall development of the region.



**“Prosperity and happiness are at the heart of every dream. Nestlé understands this. Our approach to business is to Create Shared Value - prosperity for the communities, while delivering long term shareholder value.”**

Suresh Narayanan

# CORPORATE INFORMATION

## BOARD OF DIRECTORS

Suresh Narayanan (DIN:07246738)	- Chairman & Managing Director
Shobinder Duggal (DIN:00039580)	- Director - Finance & Control and CFO
Aristides Protonotarios (DIN:06546858)	- Director - Technical
Rajya Vardhan Kanoria (DIN:00003792)	- Independent Non-Executive Director
Ashok Kumar Mahindra (DIN:00916746)	- Independent Non-Executive Director
Ravinder Narain (DIN:00059197)	- Independent Non-Executive Director
Swati Ajay Piramal (DIN:00067125)	- Independent Non-Executive Director

## BOARD COMMITTEES:

### AUDIT COMMITTEE

Ashok Kumar Mahindra	- Chairman
Rajya Vardhan Kanoria	- Member
Ravinder Narain	- Member

### STAKEHOLDERS RELATIONSHIP COMMITTEE

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

### CORPORATE GOVERNANCE AND SOCIAL RESPONSIBILITY COMMITTEE

Suresh Narayanan	- Chairman
Ravinder Narain	- Member
Swati Ajay Piramal	- Member

### NOMINATION AND REMUNERATION COMMITTEE

Rajya Vardhan Kanoria	- Chairman
Ashok Kumar Mahindra	- Member
Ravinder Narain	- Member

### RISK MANAGEMENT COMMITTEE

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

### AUDITORS

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

### BANKERS

Axis Bank Limited  
Bank of America N.A.  
Citibank N.A.  
Deutsche Bank AG  
HDFC Bank Limited  
ICICI Bank Limited  
JP Morgan Chase Bank N.A.  
Punjab National Bank  
Standard Chartered Bank  
State Bank of Hyderabad

### CORPORATE IDENTITY NUMBER

L15202DL1959PLC003786

## MANAGEMENT COMMITTEE

Suresh Narayanan	- Chairman & Managing Director
Aristides Protonotarios	- Technical
Amit Narain	- Human Resources
Arvind Bhandari	- Dairy
Ashish Pande	- Supply Chain
B. Kannan	- Channel Category Geography Sales Development
B. Murli	- Legal & Company Secretary
Binu Jacob	- Nutrition
Chandrasekar Radhakrishnan	- Communications
Hari Nariani	- Globe & Market NCE
Maarten Geraets	- Foods
Nayla Sioufi	- Coffee & Beverages
Nikhil Chand	- Chocolates and Confectionery
Rajkamal Sharma	- Exports
Ravi Ramchandran	- Sales
Sanjay Khajuria	- Corporate Affairs
Shobinder Duggal	- Finance & Control and CFO
Ulrich Martin	- Nestlé Professional

## REGISTERED OFFICE

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

## HEAD OFFICE

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

## WEBSITE

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

## INVESTOR EMAIL ID

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

## BRANCH OFFICES

- KRM Plaza, 1<sup>st</sup> Floor, North Tower No. 2, Harrington Road, Chetpet, Chennai - 600 031
- Tower "C", 12<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 (Maharashtra)
- M-5A, Connaught Circus, New Delhi - 110 001

## FACTORIES

- Village Maulinguem (North), Bicholim Taluka - 403 504 (Goa)
- Plot No. 294-297, Usgao Industrial Area, Ponda - 403 406 (Goa)
- Unit I & II - Patti Kalyana, Kiwana Road, Samalkha - 132 101 Dist. Panipat (Haryana)
- Industrial Area, Tahliali, District – Una – 174 301 (Himachal Pradesh)
- Industrial Area, Nanjangud - 571 301 Mysore District (Karnataka)
- Ludhiana-Ferozepur Road, Near Kingwha Canal, Moga - 142 001 (Punjab)
- P.O. Cherambadi - 643 205 Dist. Nilgiris (Tamil Nadu)
- Plot No. – 1A, Sector No. -1, Integrated Industrial Estate, SIDCUL, Pantnagar- 263145, Dist. 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, Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai - 400 001  
(Scrip Code : 500790)

## 57<sup>TH</sup> ANNUAL GENERAL MEETING

Thursday, 12<sup>th</sup> May, 2016 at 10.00 A.M. at  
Air Force Auditorium, Subroto Park, New Delhi - 110 010

# Board's Report - 2015

Dear Members,

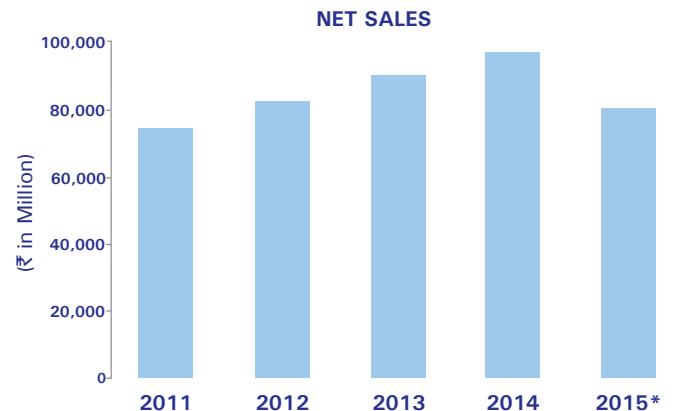
Your Directors are pleased to present their report and financial statements for the year ended 31<sup>st</sup> December, 2015.

## Financial Results & State of Company's Affairs

Particulars	2015	2014
Net Sales	81,232.7	98,062.7
Add: Other operating revenues	520.4	485.7
Less: Operating expenses	67,800.3	80,177.5
Less: Impairment loss on fixed assets	282.2	81.1
Less: Net provision for contingencies (from operations)	333.1	364.3
<b>Profit from Operations</b>	<b>13,337.5</b>	<b>17,925.5</b>
Add: Other income	1,100.9	873.2
Less: Finance costs	32.9	142.3
Less: Employee benefit expense due to passage of time	753.2	648.3
Less: Net provision for contingencies - others	301.5	249.5
<b>Profit before corporate social responsibility, exceptional items and taxation</b>	<b>13,350.8</b>	<b>17,758.6</b>
Less: Exceptional items – Charge/(Credit)	5,008.4	(70.0)
Less: Corporate social responsibility expense	206.1	85.1
<b>Profit before taxation</b>	<b>8,136.3</b>	<b>17,743.5</b>
Less: Tax expense	2,503.6	5,896.6
<b>Profit after taxation</b>	<b>5,632.7</b>	<b>11,846.9</b>
Add: Profit brought forward	18,825.2	15,328.8
<b>Amount available for appropriation</b>	<b>24,457.9</b>	<b>27,175.7</b>
Less: Interim dividends	2,892.5	4,869.0*
Less: Proposed final dividend	1,783.7	1,205.2
Less: Dividend distribution tax	956.3	1,091.6
Less: Transfer to general reserve	-	1,184.7
Surplus in statement of profit and loss	18,825.4	18,825.2
<b>Key ratios</b>		
Earnings per share (₹ )	58.42	122.87
Dividend per share (₹ )	48.50	63.00

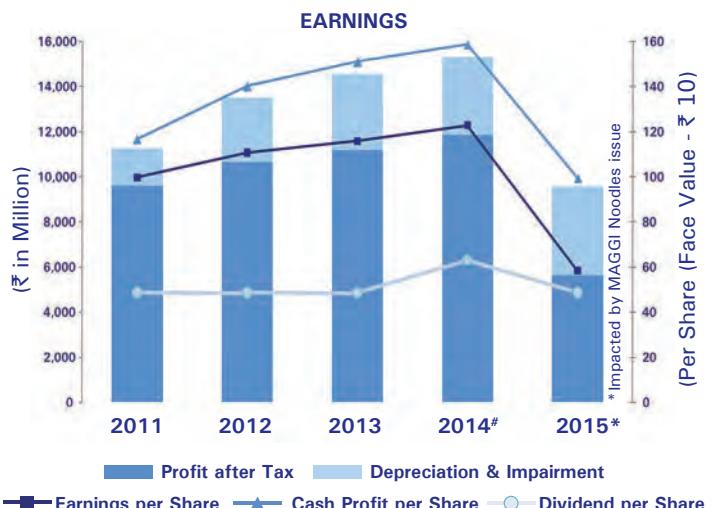
\* 2014 includes additional interim dividend of ₹ 10/- per share.

"Net Sales" for the year has decreased by 17.2% largely due to the impact of MAGGI Noodles issue. "Net Domestic Sales" decreased by 18.3%. Net Sales worth ₹ 3,034.0 million have been reversed during the year in relation to MAGGI Noodles stock withdrawn from trade partners and market. "Export Sales" decreased by 1.3% impacted by MAGGI Noodles issue and lower coffee exports partially offset by export of milk and nutrition products.



\* Impacted by MAGGI Noodles issue

"Other Income" has increased due to higher average liquidities in current year, as during 2014, substantial part of the liquidities were used for repayment of External Commercial Borrowings (ECB).

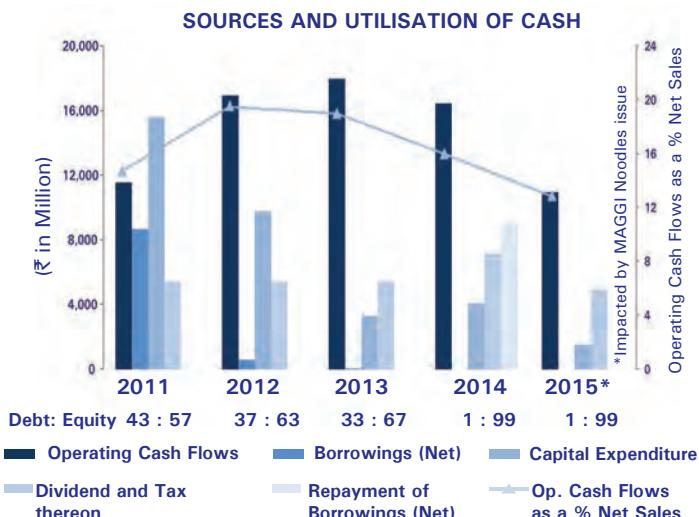


■ Profit after Tax ■ Depreciation & Impairment  
■ Earnings per Share ■ Cash Profit per Share ○ Dividend per Share

Cash Profit = Profit after Tax + Depreciation + Impairment loss

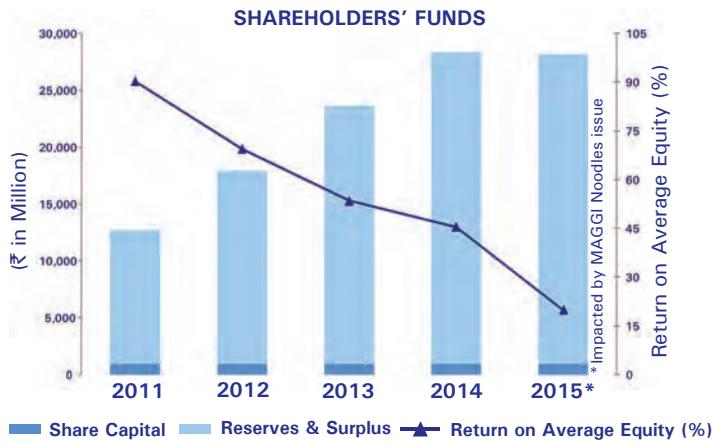
# Includes additional interim dividend of ₹10 per share

The Impairment Loss on Fixed Assets of ₹ 282.2 million relates to various items of plant & machinery that have been brought down to their recoverable value upon evaluation of future economic benefits from their use.

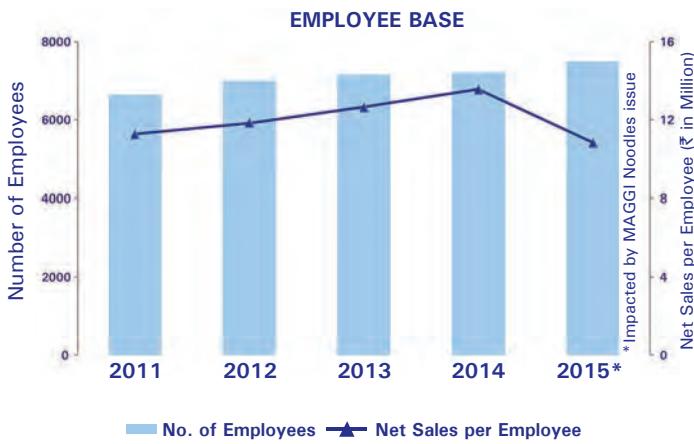
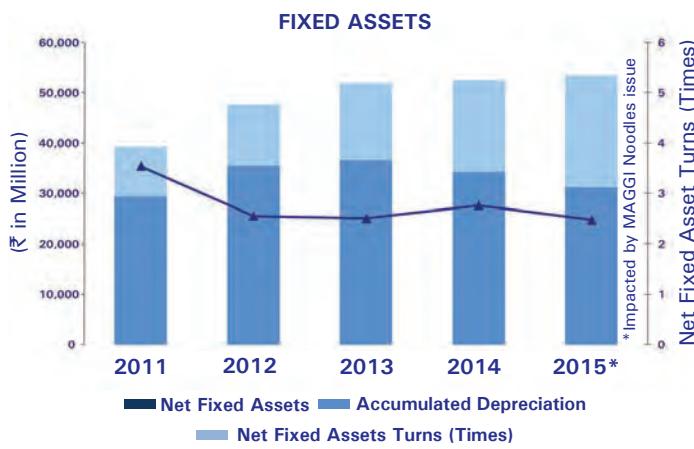


The Company supplemented the Provision for Contingencies with further amount of ₹ 634.6 million (net) for contingencies resulting mainly from issues, which are under litigation/dispute and other uncertainties requiring management judgement. This was after the reversal, utilisation/settlement of contingency provision of ₹160.0 million due to the satisfactory settlement of certain litigations and settlement of obligations under free replacement warranty for which provision is no longer required.

The Exceptional items - Charge for 2015 of ₹ 5,008.4 million relates to loss on MAGGI Noodles stocks withdrawn including incidental costs thereto and estimates of other related costs incurred exclusively in the ordinary course of Company business.



Market Capitalisation is based on year end closing share price quoted on the Bombay Stock Exchange. Book Value per share is based on the total shareholder's funds as at the year end.



## Amount Transferred to Reserves

In view of the exceptional circumstances during the year 2015, and the good reserves position, no amount has been transferred to reserves.

## Dividends

The Board of Directors has recommended a final dividend of ₹ 18.50 per equity share (Face value ₹ 10 per equity share) for 2015, amounting to ₹ 1,783.7 million. This is in addition to the interim dividends of ₹ 14.00 per equity share and ₹ 16.00 per equity share paid on 2<sup>nd</sup> June, 2015 and 23<sup>rd</sup> December, 2015 respectively. The total dividend for 2015 aggregates to ₹ 48.50 per equity share, amounting to ₹ 4,676.2 million.

Despite exceptional toll that MAGGI Noodles crisis took on the Company's financials, your Company's optimism about the future helps it with a healthy dividend payout.

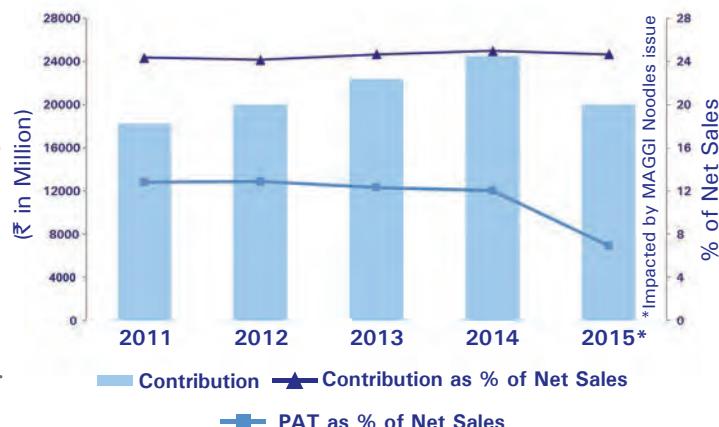
## Exports

Exports during the early part of the year showed some revival. However, the European markets continued to see tough conditions. Overall exports picked up during the first half, but were impacted by the repercussions of the MAGGI Noodles issue in India. Exports of other products remained largely unaffected, and total exports remained flat at ₹ 6,355.3 million as compared to ₹ 6,441.8 million. This was on account of good sales of Instant Coffee and Infant Nutrition products to affiliate companies. Exports of culinary products did see some early uplift in the major markets, but fell eventually due to the MAGGI Noodles issue. Exports of Instant Tea picked up significantly during the year with substantial quantities going to Philippines, Thailand and Ireland. We are now working with some new customers and developing newer grades, which should help to further build the Instant Tea sales. Exports of Coffee to Turkey and Romania remained significant. Our efforts in developing exports of quality coffees, meanwhile, continued to earn us recognition in the form of Awards from the Coffee Board.

## Contribution to the Exchequer

Your Company has been a leading tax payer of the country and over the years has been enabling significant contribution to various taxes. During the year 2015, the Company through its business, enabled tax collections at Central and State level close to ₹ 20 billion, in aggregate.

ENABLED CONTRIBUTION TO EXCHEQUER



## Business Development

Your Company's objective is to provide consumers with the best tasting, most nutritious choices in a wide range of food and beverage categories and eating occasions and help consumers maintain optimum Nutrition, Health and Wellness. Your Company has access to the extensive global network of Nestlé R&D. This is a competitive advantage in the rapidly emerging areas of technology and scientific research and enables your Company to provide safe and nutritious products of very high quality.

The year started well and then faced an unusual crisis. Your Company handled the situation with integrity, determination and transparency and by the end of the year, it closed the year on a positive note.

- The year commenced with work on reshaping and evolving the product portfolio while continuing to stay focused on improving efficiencies.

- However, business was severely disrupted by the MAGGI Noodles issue and continued to significantly impact business for a major part of the year.
- The impact of the MAGGI Noodles issue was felt in several dimensions and across our various businesses.
- Despite the tough situation your Company closed the year reporting an improvement in the sequential performance both in terms of Sales and Margins.

#### The business of '**Prepared Dishes and Cooking Aids'**



has been continuously improving volumes and strengthening connect with consumers in the previous years. Over

the past 32 years, MAGGI has understood the changing lifestyles of generations and provided products that the family enjoys. It has become the most relevant, trusted and valuable food brand in India. During the year it faced an unprecedented crisis and business was disrupted. This situation had a rub-off effect on other products under the MAGGI brand and volumes were negatively impacted.

- Reports that tests initiated by a State Food Authority on one sample pack of MAGGI Noodles found elevated level of lead and that the 'NO ADDED MSG' declaration on the pack was considered misleading, created confusion for consumers.
- Your Company does not add Monosodium Glutamate - MSG (flavor enhancer E621) in MAGGI Noodles and clarified that 'NO ADDED MSG' was factually correct and not in violation of regulatory norms.
- Your Company provided details and reports from NABL accredited laboratories

to establish that it has very strict quality monitoring norms and that presence of lead is monitored and always within permissible limits.

- Developments and growing concerns about the product led to an environment of confusion for consumers to such an extent that on 5<sup>th</sup> June your Company announced voluntary withdrawal of MAGGI Noodles from the market shelves, despite the product being safe. Over 35000 Tonnes of the product was withdrawn and destroyed. This was done to reassure consumers that their trust has always been of utmost importance for the Company.
- Later the same day, FSSAI placed a ban on the manufacture and sale of MAGGI Noodles.
- Results of the internal and external tests for over 3500 samples that your Company tested at external and its own accredited laboratories showed that lead levels were well within the limits specified by food regulations and that MAGGI Noodles are safe to eat.
- As part of an effort to resolve the MAGGI Noodles issue your Company approached the Hon'ble Bombay High Court raising issues of interpretation of the Food Safety and Standards Act and also seeking review of the ban order.

After facing a very challenging period, your Company re-launched MAGGI Noodles on the auspicious eve of Deepawali and on the day of Dhanteras on 9<sup>th</sup> November. This was done after the ban was set aside by the Hon'ble Bombay High Court and after the reports of the three accredited laboratories mandated by the Hon'ble Bombay High Court found 100% of samples tested clear with lead much below permissible limits.

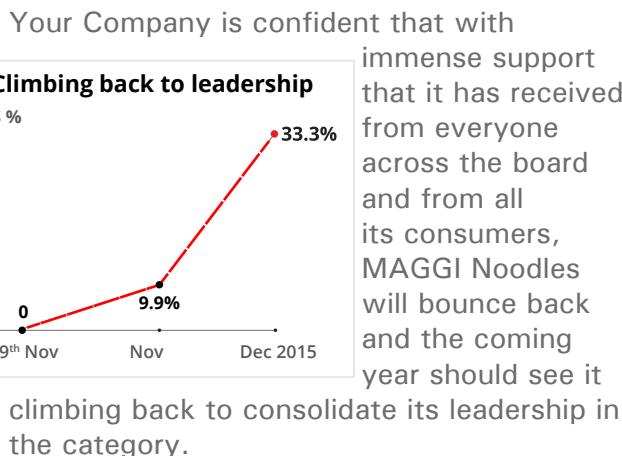


- Your Company created a cross functional team to plan and execute the fastest and strongest re-launch, and crashed timelines by more than half.

- During the time MAGGI Noodles was not in the market, your Company continued to talk to the consumers – '#WeMissYouToo'. Closer to the re-launch, 'MAGGI Is Safe, Has Always Been' campaign was rolled out to addresses consumer concerns. After the re-launch, 'Welcome Back MAGGI' communication echoed the consumer sentiment across the country.

- In an innovative move, your Company partnered with 'Snapdeal' to sell 60,000 'MAGGI Welcome Kits' through e-commerce. These were all sold out within 5 minutes after the sale opened. Close to 10 lakh consumers had pre-booked to participate in the sale.

- The consumers overwhelmed your Company with their love and support, and within 53 days by the end of December, according to Nielsen figures MAGGI Noodles had already recovered its market share from 0% on 9<sup>th</sup> November to 33.3% on 31<sup>st</sup> December 2015.



The 'Chocolate and Confectionery' business worked on improving consumer insights and

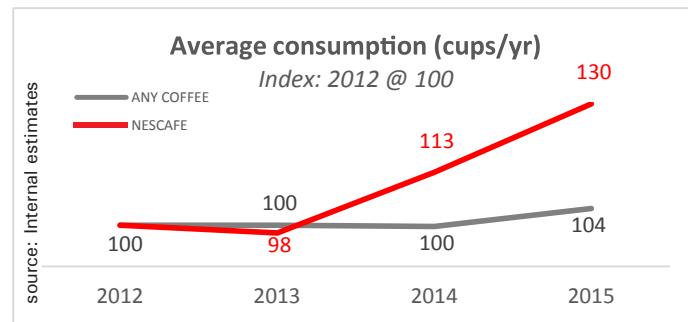


has been working with Nestlé R&D to innovate and renovate products that will strengthen its portfolio. The focus was also on portfolio optimization for long term benefit, though it impacted short term growth.

- Towards the end of the year it launched MUNCH NUTS, a new extension of the ever popular MUNCH.
- New MUNCH NUTS is the first of its kinds in the category today: with the combination of crunchy wafer, roasted peanuts and indulgent peanut crème. It comes in an easy packaging that allows consumers to un-wrap the pack for a quick bite and then twist wrap the remaining for a second serve later.
- While MUNCH is India's biggest wafer brand today and loved by consumers, MUNCH NUTS adds an innovative dimension to the consumption experience and is an industry-first product.

#### 2015 was another good year of growth

for the 'Coffee and Beverages' business, largely coming from increased consumption of NESCAFÉ Classic, outperforming the industry average. It also retained its top 6 Hot Beverage brand position in Brand Equity's Most Trusted Brands Report for 2015.



- NESCAFÉ instant coffee continued to build on the communication idea “It all starts with a NESCAFÉ”. The successful ‘Comedian’ campaign was followed up with the ‘Cartoonist’ campaign in 2015, and continued to create the buzz and the connect amongst youth.
- The first of its kind digital property “MTV Presents NESCAFÉ Labs” was launched as a strategic platform for youth to collaborate and showcase their talents while being mentored by the very best in the industry along their journey [www.mtvindia.com/labs](http://www.mtvindia.com/labs).



- Product sampling was scaled up during the year and reached over 11 millions cups across major universities and towns for NESCAFÉ. Product sampling was also a key driver for NESTEA Iced Tea, showcasing its great taste.

- NESCAFÉ Sunrise revamped its packaging to be more contemporary, and strengthened its core coffee credentials with the ‘Slow Roasted for a richer aroma’ communication. It was rolled out across stores with an impactful visibility campaign and extensive product sampling.

**Nutritional needs not only evolve with age they also depend on the nutrition foundation laid in the early years of our lives. Nutrition requires strong insights and science based expertise. The ‘Milk Products and Nutrition’ business sustained its performance and focused on consumer insights and leveraging expertise in science based nutrition.**

- During the year, your Company launched CERELAC stage 5 to address picky eating amongst infants of 18-24 months of age. This product provides the benefit of 5 grains and fruits and further strengthens the CERELAC portfolio.



- In India, the practice of exclusive and continued breastfeeding is still low, despite high initiation rates. 96% of Indian mothers initiate breastfeeding but at 6 months, the number of exclusively breastfed babies falls to <30%. In urban areas, that number is even lower at 17%. Nestlé ‘Start Healthy Stay Healthy’ reached out to the supporting eco system of mothers to emphasize the importance of their role in continued breastfeeding with the objective to build greater awareness and advocacy. The key message was ‘Breastfeeding is not just a mother’s responsibility’. The campaign received 9.1 million views out performing industry benchmarks.



- Your Company believes that the increasing demand for packaged milk in recent years reflects the consumers’ aspiration for better value in dairy products as well as the need for greater convenience to suit their changing lifestyles.



- Your Company has a clear strategy for growth. Nestlé R&D and expertise in dairy technology will be a strong competitive advantage.

- The focus is on providing consumers with high quality, safe and nutritious products that add value to them, and your Company is investing in high quality UHT Milk as well as high quality Dairy Whiteners.

- Sales for Nestlé a+ UHT Milk are steady and sales for EVERYDAY Dairy Whitener that was repositioned last year into the much larger segment are in line with plans. There is sustained preference for Nestlé a+ SLIM and Nestlé a+ Nourish.

During the year '**Nestlé Professional**' regained traction on Beverage Solutions. Its innovation "New NESCAFÉ" solution is doing well in offices. "Chef2Chef" program was active for Savory Flavors and

Dessert solutions pan India and growth was satisfactory. Nestlé Professional increased its penetration in Key Accounts by entering in Airline companies, Cinema chains and QSRs (Quick Service Restaurants).



## Commitment to Nutrition, Health and Wellness

In line with its objective to provide consumers with the best tasting, most nutritious choices in a wide range of food and beverage categories and help them maintain optimum Nutrition, Health and Wellness, your Company has been rolling out initiatives that help them make more informed choices.

- Your Company places high priority on providing consumers with nutrition information on food labels to make informed choices.
- It has already covered the confectionery portfolio, Beverages portfolio, UHT Milks, Sweetened Condensed Milk and Dairy Whitener with GDA labelling.
- During the year your Company enhanced labelling of products with QR codes. This enables consumers to use their mobile phones to scan the QR code on the label for information on Nutrition, Environment and Community as relevant to the product.
- During the year your Company also created 'The Design Lab' to inspire a strategic shift in packaging design keeping the consumer experience in mind and to achieve operational excellence.



## Management Analysis

### Review of economic scenario & outlook

- The economic environment in the year gone by remained largely neutral. Growth momentum of the Indian economy remained subdued though the sentiments for potential and revival remained positive.
- In the backdrop of the troubled world economies impacted by global slowdown, China fears, and collapsing commodity prices India remained a positive story.
- India too had its share of troubles including poor monsoons but benefited from the softening commodity and crude prices and inflation was controlled.
- Nevertheless, business sentiment as well as consumer sentiments remained mellow and there was lack of consensus on whether recovery in the Indian economy was round the corner or will remain elusive for some more time.
- The FMCG industry remained under pressure as subdued consumer sentiments affected purchase decisions and concerns increased on the slowing down of the rural economy. Earnings for most companies were soft through the year and struggled for volume growth.
- The current emphasis on 'Make in India', investments in accelerating development of transport infrastructure, pro-reform approach and efforts at fiscal rationalization are all positive indicators and your Company is optimistic that the economy will pick up with a lag.
- The focus on financial empowerment of people at the bottom of the pyramid by ensuring bank accounts for them, the direct benefit transfer scheme and similar initiatives indicate the Government's efforts to improve the quality of life of its people.
- Improving the quality of life is a complex issue and India will have to face various and

significant challenges. Key amongst them is the challenge of health and nutrition for its people which is impacting people across the income pyramid and adversely impacting their productivity and output.

- Improving balanced nutrition is only one of the challenges. There is also increased concern that while the availability of land, water and other renewable resources is rapidly getting depleted, the population pressure is intensifying and that this will impact nutrition security.
- There is an urgent need to improve the supply chain for transportation of perishable commodities, reduce wastage, and create incentives that accelerate the transfer of technology and knowledge to improve productivity and sustainability.
- The fundamentals of the Indian economy continue to be good and there is sufficient reason to believe in the growth potential. However, execution of the reforms agenda and being able to restart the investment cycle will have a major bearing on India's economic performance.

### **Outlook, Risks and Opportunities**

- The economic and business environment is fast evolving, and with the rapid transformation of technology and the impact of cultural changes, society and consumers are also transforming on multiple dimensions.
- Increased exposure, improved education and awareness, as well as changing aspirations at various levels of the income pyramid and the urban rural divide are creating opportunities that organisations need to understand and prepare for the emerging future.
- Your Company has significant strengths and being Nestlé is in itself a very huge strength, because the brand brings with it 150 years of trust and credibility. It has excellent capabilities in ongoing R&D and the benefits of this and the expertise in science

based nutrition and technology flow to Nestlé India. The General Licence Agreement gives it access to Nestlé Group's proprietary technology / brands, expertise and extensive centralized Research and Development facilities.

- The 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.
  - However, the Indian market is complex and demands a very efficient and complex supply chain configuration as well. This is further complicated by cascading indirect taxes.
  - The product portfolio of your Company needs to be strengthened by accelerated innovation and renovation to stay relevant to the emerging and differentiated needs of the consumers.
  - Your Company is operating in an industry that faces price volatility in raw materials and is dependent on agricultural commodities that need to meet stringent quality standards and on natural resources where alternatives are not viable. There is also increasing competition in processed foods, and regulatory framework is still evolving.
- Clearly, even though there is slower than anticipated momentum in the economy, there are opportunities. Consumer lifestyles are changing and there is increasing demand for value-up and premium products and your Company can leverage Nestlé technology to develop more science based products that provide superior benefits of Nutrition, Health and Wellness at appropriate price points. Technology is throwing up immense opportunities to understand consumers and engage better with them and digital and e-commerce can hold immense potential and strategic significance for your Company.

## Sales

Your Company is ranked amongst the best for the strengths of its sales and distribution network. During the year, it was very evident that it also has amongst the most committed and loyal trade partners including the retailers. Your Company can be proud of the immense commitment and support that it received from its sales partners during the MAGGI Noodles crisis.

- Despite the impact on their business they were extremely supportive and enabled us to speedily complete the withdrawal without hampering the sale of your Company's other products.
- You can be proud that your Company had almost zero attrition amongst the business partners during this time.
- Your Company is also proud of the speed with which your trade partners and retailers have enabled the very successful re-launch of MAGGI Noodles into the market.
- The withdrawal of MAGGI Noodles from the markets also impacted customers in the organised trade. Despite this your Company has received complete support during the period where we continued engaging with them to improve sales in other categories.
- Your Company realises the growing importance of e-retailing and continues to successfully engage with the leading e-retailers and are making good progress in increasing our share in the categories we operate in.

## Technology, Quality and Safety

Your Company is committed to providing consumers with high quality products. It follows stringent quality assurance norms, has state-of-the-art technology and high degree of automation and is continuously improving them to ensure a 60:40 taste

preference with a nutritional advantage over competition. Sustained delivery on this commitment has ensured that your Company's products are trusted by consumers. During the year your Company continued its focus on driving the quality culture and total productivity management across our factories.

- Your Company benefits from access to the Nestlé Group R&D and technical expertise, as well as the best practices available from the global network.

- All the factories of your Company are FSSC 22000 certified by reputed third party agency for food safety and quality management as well as for safety and environment. The focus is to stay aligned with the best and continuously increase efficiency.



- All the factories embrace Nestlé Continuous Excellence and LEAN mindset and are continuously implementing initiatives for War on Waste and Total Performance Management.

- This ongoing engagement benefits your Company by streamlining the planning activities, savings through optimization of processes, reducing waste especially in non-quality areas, while maintaining focus on further improving quality and competitiveness.

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



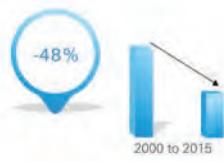
## Environment

Your Company has consistently emphasized sustainable use of natural and non-renewable resources. Within the factories your Company constantly evaluates new initiatives that could reduce waste and emissions. It actively engages the employees to increase awareness about the need to sustain the environment. The focus is on improving operational efficiencies, minimizing consumption of non-renewable and natural resources, reducing consumption of water, energy and CO<sub>2</sub> emissions per tonne of production while maximizing production volumes. All processes use state-of-the-art technology, follow the Nestlé Environmental Management System, and comply with government policies, laws and regulations relating to the environment.

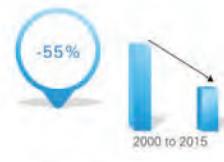
Your Company continued to stress upon measures for the conservation and optimal utilisation of energy in all the areas of operations, including those for energy generation and effective usage of sources / equipment used for generation.

During the past 15 years, for every tonne of production, the Company has:

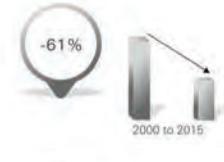
- Reduced the usage of energy by around 48%.



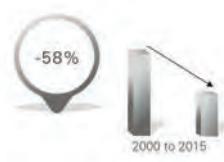
- Reduced water usage by around 55%.



- Reduced generation of waste water by around 61%.



- Reduced specific direct greenhouse gas emissions by 58%.



Your Company is conscious that water is important for the community, as well as for the long term sustainable operations of the Company itself. It is conscious that multiple factors in the environment are impacting the water tables across the country and every effort needs to be made to reduce wastage and improve efficiencies in the usage of water. Not only is it working on reducing its own dependence on water withdrawal, it is also training farmers in a manner that will reduce the withdrawal from the catchment area, while improving productivity.

- In the factory at Moga where milk is collected from over 100,000 farmers your Company has commissioned a project that will enable recovery of over 50% of water from the cow milk collected every day.
- This water recovered from the milk is then recycled and has already reduced ground water withdrawal by almost 25%.
- Near the Nanjangud Factory in Karnataka your Company is working with farmers on a project on Rice Intensification and on the Sustainable Sugarcane Initiative.

- During the year, 54 Energy reduction projects and 40 water reduction projects were completed in your factories.



## Supply Chain

During 2015 your Company consolidated and further accelerated the current improvement programs. It continued to upgrade its warehousing infrastructure with key distribution centers ready to operate in the future with proper infrastructures, systems, processes and a sound safety



culture. Nevertheless, the overall supply chain remains complex and constrained in speed and efficiency.

- The NESCAFÉ plan, launched in 2012, has now reached over 550 farmers with approximately 10% of total coffee bean purchase in India of “4C” certified coffee from selected



farmers that get regular technical support from your Company.

- During the year the entire value chain was extensively engaged in the withdrawal of MAGGI Noodles. The withdrawal process was fast, efficient and transparent. The unprecedented reverse logistics was activated within days and stocks withdrawn from consumers, retailers and distributors using more than 10,000 trucks. The Noodles withdrawn were sent to incineration centers for high temperature thermal destruction in cement kilns, where using noodles as fuel has also helped to reduce the environmental impact.

- The entire warehousing and transport operations were also re-engineered during the absence of MAGGI Noodles to optimize routes, space and vehicle utilization reducing the cost impact for the rest of the business.

- During the temporary stoppage of MAGGI production, the procurement team of your Company continuously engaged with the suppliers, who showed unconditional support to your Company.

- With commodity prices softening in 2015 the overall commodity environment has been favorable for your Company. Nevertheless, the procurement team of your Company continued to deliver cost savings, leveraging scale and introducing alternate local vendors.

- The Responsible Sourcing program is now the “way we do business” as it has reached over 125 unique suppliers with regular audits and constant feed-back on basic compliances.

- The use of technology across the value chain was further consolidated during the year. In the Moga milk collection area, the automation and direct payment facilities have reached over 5,000 farmers which provides them access to bank facilities (financial inclusion).

- During the year your Company has successfully piloted a new demand forecasting system based on analytics and also automated the replenishment to the distribution centres in all factories, improving accuracy and people productivity.

- The roll out of the ware house management systems (WMS) with Radio Frequency (RF) technology has been extended to additional factories.

- During the year your Company focused on further improving freshness of products ‘on shelf’ for consumers and reduce waste.

## Cautionary Statement

Statements in this Report, particularly those which relate to Management Discussion and Analysis as explained in the Corporate Governance Report, describing the Company’s objectives, projections, estimates and expectations may constitute ‘forward looking statements’ within the meaning of applicable laws and regulations. Actual results might differ materially from those either expressed or implied in the statement depending on the circumstances.

## Directors' Responsibility Statement

The Directors state that:

- a) in the preparation of the annual accounts, the applicable accounting standards have been followed and no material departures have been made from the same;
- b) they have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profits of the Company for that period;
- c) they have 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 have prepared the annual accounts on a going concern basis;
- e) they have 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 have devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems are 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 Statutory Auditor's of the Company is attached as Annexure- 1 and forms integral part of this Report (hereinafter "Corporate Governance Report").

## Directors and Key Managerial Personnel

During the year, Mr. Michael W.O. Garrett relinquished his office as an Independent Non-Executive Director of the Company with effect from 15<sup>th</sup> May, 2015. Consequent to change of nomination notified by Nestlé S.A., Switzerland ("NSA") under the Articles of Association of the Company, Mr. Etienne André Marie Benet also relinquished office of the Managing Director of the Company with effect from 25<sup>th</sup> July, 2015 and in terms of Article 132 of the Articles of Association of the Company on the recommendation of the Nomination and Remuneration Committee, Mr. Suresh Narayanan was appointed as the Managing Director of the Company by the Board of Directors with effect from 1<sup>st</sup> August, 2015 for a period of five years. In terms of the Companies Act, 2013 (hereinafter "the Act") the Shareholders of the Company, through postal ballot, approved the terms and conditions of appointment and remuneration of Mr. Suresh Narayanan. Subsequently, the appointment of Mr. Suresh Narayanan was also approved by the Central Government, since he was not staying in India for not less than twelve months immediately preceding the date of his appointment as the Managing Director.

Consequent to change of nomination notified by NSA under the Articles of Association of the Company, Mr. Antonio Helio Waszyk relinquished his office as the Chairman of the Company with effect from 1<sup>st</sup> October, 2015 upon his retirement from Nestlé Group and Mr. Suresh Narayanan was appointed as the Chairman of the Company with effect from 29<sup>th</sup> October, 2015 in addition to his responsibility as the Managing Director of the Company by the Board of Directors, at its meeting held on 29<sup>th</sup> October, 2015.

The Board of Directors placed on record their sincere appreciation for the valuable contribution made by Mr. Michael W.O. Garrett, Mr. Etienne André Marie Benet and Mr. Antonio Helio Waszyk.

Mr. Shobinder Duggal shall retire at the forthcoming Annual General Meeting and being eligible offers himself for re-appointment. The brief resume and other details as required under the Listing Regulations are provided in the Notice of the 57<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 Company's Website

**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 Management Personnel and other employees. The same is attached as **Annexure - 2** and forms integral part of this Report.

The details of familiarization 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 put up on the website of the Company at the link: <https://www.nestle.in/investors/directorsandofficers/familiarisation-programme>.

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 Independent Directors or other directors,

member of Board or Committee of the Board. The 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

In accordance with the requirements of Section 135 of Companies Act, 2013, your Company has a Corporate Governance and Social Responsibility Committee, which comprises Mr. Suresh Narayanan, Chairman and Managing Director (Chairman), Mr. Ravinder Narain and Dr. (Mrs.) Swati A. Piramal, Independent Non-executive Directors of the Company. The terms of reference of the Corporate Governance and 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 integral part of this Report.

As a responsible corporate citizen, the Company has been implementing societal activities since many decades under umbrella of Creating Shared Value activities and Corporate Social Responsibility activities etc. As per the strict interpretation of Section 135 of the Act read with Companies (Corporate Social Responsibility) Rules, 2014 as amended ("CSR Rules") some of these initiatives taken during the year may not be eligible under the 2% CSR spend. As these activities are integral to the business, the Company has decided to continue with them. Additionally, as per the CSR Policy, during the year 2015, the Company has spent about one percent of the average net profits of the Company during the three immediately preceding financial years.

The cumulative spend of the Company under the umbrella of Creating Shared Value activities and Corporate Social Responsibility activities was above the level prescribed under the CSR Rules. The Company plans to step up CSR spend, as required under CSR Rules, to 2% during 2016.

## Business Responsibility Report

Nestlé's approach to business is Creating Shared Value or 'Saanjhapan' as used by your Company and it is about the impact of the business and engagement through it. Your Company has been conducting business in a way that both deliver long-term shareholder value and benefit society under approach of "Creating Shared Value" (hereinafter 'CSV').

The Business Responsibility Report as per Regulation 34 of the Listing Regulations is annexed as **Annexure - 4** and forms integral part of the Annual Report.

## Statutory Auditors

The Statutory Auditors of the Company, M/s. A. F. Ferguson & Co. (Firm Registration No. 112066W), Chartered Accountants, New Delhi, hold office till the conclusion of the ensuing Annual General Meeting of the Company and being eligible, offer themselves for re-appointment. The Company has received their written consent and a certificate that they satisfy the criteria provided under Section 141 of the Act and that the appointment, if made, shall be in accordance with the applicable provisions of the Act and rules framed thereunder. The Audit Committee and the Board of Directors recommends the re-appointment of M/s. A. F. Ferguson & Co., Chartered Accountants, as the Statutory Auditors of the Company in relation to the financial year 2016 till the conclusion of the next Annual General Meeting. The re-appointment proposed is within the time frame for transition under the third proviso to sub-section (2) of Section 139 of the Companies Act, 2013.

The Report given by the Auditors on the financial statement of the Company 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 Companies (Cost Records and Audits) Rules, 2014, as amended, on the recommendation of the Audit Committee, the Board of Directors had appointed M/s. Ramanath Iyer and Co., Cost Accountants, New Delhi (Registration No. 00019) being eligible and having sought appointment, as Cost Auditors of the Company, to carry out the cost audit of milk powder products manufactured by the Company falling under the specified Central Excise Tariff Act heading in relation to the financial year ending December 2016. 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 the requisite resolution for ratification of remuneration of Cost Auditors by the members has been set out in the Notice of the 57<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 2015. The Report given by the Secretarial Auditors is annexed as **Annexure – 5** and forms integral part of this 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 Companies Act, 2013, on the recommendation of the Audit Committee, the Board of Directors had 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 2016. The Company has received their consent for appointment.

## Meetings of the Board

Six meetings of the Board of Directors were held during the year. 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 integral part of this 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, 2015 are as follows:

Nestlé R&D Centre India Private Limited (Fellow Subsidiary): Rs. 400 million at the interest rate of 9.63% for general business purpose (Loan outstanding at the end of the year was Nil); and SMA Nutrition India Private Limited (Fellow Subsidiary): Rs. 20 million at the interest rate of 9.50% for general business purpose (Loan outstanding at the end of the year was Nil).

For details of investments in Bonds and

Mutual Funds, please refer Note 12 and Note 14 forming part of 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 has 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 at arm's length. 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 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 Companies Act, 2013 in Form AOC 2 is not applicable to your Company.

## 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 and in the opinion of the Committee there was no risk that may threaten the existence of the Company. The details of Risk Management Committee 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 Disputes Redressal Commission**

The Union of India, Department of Consumer Affairs has filed a complaint before the National Consumer Disputes 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 the 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**

The Audit Committee comprises Independent Directors, namely, M/s. AK Mahindra (Chairman), Ravinder Narain and Rajya Vardhan Kanoria. Powers and role of the Audit Committee are included in Corporate Governance Report. All the recommendation made by the Audit Committee were accepted by the Board of Directors.

## **Vigil Mechanism**

The Vigil Mechanism of the Company is governed by significant documents "Nestlé Corporate Business Principles", "The Nestlé Management and Leadership Principles" and "Nestlé Code of Business Conduct". Under the said mechanism available to the Director(s)/Employee(s), 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 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 ("IRS"), an independent third party operated free phone and web based facility for the directors and employees of the 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 employee reporting.

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

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, 2015 in relation to the Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo is given in the **Annexure - 7** forming integral part of this Report.

## Information regarding Employees and related disclosures

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

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

The statement of Disclosure of Remuneration

under Section 197 of the Act and Rule 5(1) of Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, is appended as **Annexure - 8** to the Report. The information as per Rule 5(2) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, forms part of this Report. However, as per first proviso to Section 136(1) of the Act and second proviso of Rule 5(2) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, 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 Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014. Any Member interested in obtaining a copy of the said statement may write to the Company Secretary at the Registered Office of the Company.

The Company has a Policy on "Prevention of Sexual Harassment of Women at Workplace" and matters connected therewith or incidental thereto covering all the aspects as contained under the "The Sexual Harassment of Women at Workplace (Prohibition, Prevention and Redressal) Act, 2013". The Company received two complaints under the Policy, all of which were disposed of.

## Trade Relations

The Company maintained healthy, cordial and harmonious industrial relations at all levels. Despite severe competition, the enthusiasm and unstinting efforts of the employees have enabled the Company to remain at the forefront of the Industry.

Your Company continued to receive co-operation and unstinted support from the distributors, retailers, stockists, suppliers and others associated with the Company as its trading partners. The Directors wish to place on record their appreciation for the same and your Company will continue in its endeavor to build and nurture strong links with trade, based on mutuality, respect and co-operation with each other and consistent with consumer interest.

## Appreciation

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

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

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

**On behalf of the Board of Directors**

**Date : 12<sup>th</sup> February, 2016**

**Suresh Narayanan**

**Place : Gurgaon**

**Chairman and Managing Director**

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

## **Report on the Financial Statements**

We have audited the accompanying financial statements of NESTLÉ INDIA LIMITED ("the Company"), which comprise the Balance Sheet as at 31<sup>st</sup> December, 2015, the Statement of Profit and Loss and the Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information.

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

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014. 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 judgments 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 financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

## **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit.

We 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 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on whether the Company has in place an adequate internal financial control system over financial reporting and the operating effectiveness of such controls. An audit also includes evaluating the appropriateness of the 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 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 financial statements.

## **Opinion**

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Act in the manner so required and give a true and fair view in

# NESTLÉ INDIA LIMITED

conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at 31<sup>st</sup> December, 2015, and its profit and its cash flows for the year ended on that date.

## Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2015 ("the Order") issued by the Central Government in terms of Section 143(11) of the Act, we give in the Annexure a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.
2. As required by Section 143(3) of the Act, we report, to the extent applicable, 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,

and the Cash Flow Statement dealt with by this Report are in agreement with the books of account.

- (d) In our opinion, the aforesaid financial statements comply with the Accounting Standards specified under section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.
- (e) On the basis of the written representations received from the directors as on 31<sup>st</sup> December, 2015 taken on record by the Board of Directors, none of the directors is disqualified as on 31<sup>st</sup> December, 2015 from being appointed as a director in terms of Section 164 (2) of the Act.
- (f) With respect to the other matters to be included in the Auditor's Report in accordance with 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 financial statements - Refer Note 28 and 39 to the 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 has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company - Refer Note 9 to the financial statements.

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

Manjula Banerji  
(Partner)  
(Membership No. 86423)

NEW DELHI, February 12, 2016

## **ANNEXURE TO THE INDEPENDENT AUDITORS' REPORT**

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

(i) In respect of its fixed assets:

- (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of the fixed assets.
- (b) The fixed assets were physically verified during the year by the Management in accordance with a regular programme of verification which, in our opinion, provides for physical verification of all the fixed assets at reasonable intervals. According to the information and explanations given to us, no material discrepancies were noticed on such verification.

(ii) In respect of its inventory:

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

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

(iii) The Company has not granted loans, secured or unsecured, to companies, firms or other parties covered in the Register maintained under Section 189 of the Companies Act, 2013.

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

(v) According to the information and explanations given to us, the Company does not have any outstanding deposit during the year and has not accepted any deposit during the year.

(vi) We have broadly reviewed the cost records maintained by the Company pursuant to the Companies (Cost Records and Audit) Rules, 2014, as amended and prescribed by the Central Government under sub-section (1) of Section 148 of the Companies Act, 2013 and are of the opinion that *prima facie* the

prescribed cost records have been made and maintained. We have, however, not made a detailed examination of the cost records with a view to determine whether they are accurate or complete.

(vii) According to the information and explanations given to us in respect of statutory dues:

(a) The Company has been regular in depositing undisputed statutory dues, including Provident Fund, Employees' State Insurance, Income-tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty, Value added tax, Cess and other material statutory dues applicable to it with the appropriate authorities.

(b) There were no undisputed amounts payable in respect of Provident Fund, Employees' State Insurance, Income-tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty, Value added tax, Cess and other material statutory dues in arrears as at 31<sup>st</sup> December, 2015 for a period of more than six months from the date they became payable.

(c) There are no dues of Wealth Tax which has not been deposited as on 31<sup>st</sup> December, 2015 on account of disputes. Details of dues of Income-tax, Sales Tax, Service Tax, Customs Duty, Excise Duty, Value Added Tax and Cess which have not been

## NESTLÉ INDIA LIMITED

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deposited as on 31<sup>st</sup> December, 2015 on account of disputes are given below:

Name of the Statute	Nature of the Dues	Amount * (₹ in million)	Period to which the amount relates (various years covering the period)	Forum where dispute is pending
Central Excise Laws	Excise Duty	45.7	1996-2004	Supreme Court
		22.1	2001-2006, 2007-2014	Customs, Excise and Service Tax Appellate Tribunal
		0.5	2000	Appellate authority upto Commissioners' level
	Service Tax	412.9	2005-2007, 2008, 2010, 2011	Customs, Excise and Service Tax Appellate Tribunal
Customs Laws	Customs Duty	99.1	2008-2013	Appellate authority upto Commissioners' level
Sales Tax Laws	Sales Tax / VAT	17.3	2000-2006, 2007-2009	High Court
		75.6	2000-2005, 2011-2012	Appellate Tribunal
		251.6	1996-1997, 2004-2014	Appellate authority upto Commissioners' level
Local State Act	Cess	11.2	2001-2015	Appellate authority upto Commissioners' level
Income Tax Act, 1961	Income tax	118.6	1992-1994	High Court
		334.3	2010-11, 2006-08	Appellate authority upto Commissioners' level
		0.6	2008-2009	Income-tax Appellate Tribunal

\* Amount includes interest and penalty as per demand orders wherever indicated in the Order, and excludes amount of ₹ 226.6 Million paid under protest.

The following matters, which have been excluded from the table above, have been decided in favour of the Company but the department has preferred appeals at higher levels. The details are given below:

Name of the Statute	Nature of the Dues	Amount (₹ in million)	Period to which the amount relates (various years covering the period)	Forum where dispute is pending
Central Excise Laws	Excise Duty	7.5	2004-2006	Supreme Court
		0.9	1994	High Court
		6.6	2005-2006	Customs, Excise and Service Tax Appellate Tribunal
	Service Tax	1.4	2008	Customs, Excise and Service Tax Appellate Tribunal
Sales Tax Laws	Sales Tax / VAT	17.1	1997-1998, 2003	High Court
Income Tax Act, 1961	Income tax	772.2	1996-2001, 2004-2006	Supreme Court
		335.8	2000-2004	High Court
		625.8	2008-2010	Income Tax Appellate Tribunal

- (d) The Company has been regular in transferring amounts to the Investor Education and Protection Fund in accordance with the relevant provisions of the Companies Act, 1956 (1 of 1956) and Rules made thereunder within time.
- (viii) The Company does not have accumulated losses at the end of the financial year and the Company has not incurred cash losses during the financial year and in the immediately preceding financial year.
- (ix) In our opinion and according to the information and explanations given to
- us, the Company has not defaulted in the repayment of dues to banks and financial institutions. The Company has not issued any debentures.
- (x) According to the information and explanations given to us, the Company has not given any guarantee during the year for loans taken by others from banks or financial institutions.
- (xi) In our opinion and according to the information and explanations given to us, the Company did not have any unutilised term loan during the year.
- (xii) To the best of our knowledge and according to the information and

explanations given to us, no fraud by the Company and no material fraud on the Company has been noticed or reported during the year.

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

Manjula Banerji  
(Partner)  
(Membership No. 86423)

NEW DELHI, February 12, 2016

# NESTLÉ INDIA LIMITED

## BALANCE SHEET AS AT DECEMBER 31, 2015

	NOTES	2015 (₹ in million)	2014 (₹ in million)
<b>EQUITY AND LIABILITIES</b>			
<b>SHAREHOLDERS' FUNDS</b>			
Share capital	3	964.2	964.2
Reserves and surplus	4	27,214.2	27,407.9
		28,178.4	28,372.1
<b>NON - CURRENT LIABILITIES</b>			
Long-term borrowings	5	167.9	154.6
Deferred tax liabilities (net)	6	1,729.3	2,227.2
Long-term provisions	7	15,971.7	13,886.6
		17,868.9	16,268.4
<b>CURRENT LIABILITIES</b>			
Short-term borrowings	8	9.4	41.1
Trade payables			
Payable to micro enterprises and small enterprises	42	37.5	24.1
Other payables		7,397.9	7,263.0
Other current liabilities	9	4,659.3	4,095.7
Short-term provisions	10	2,653.2	2,130.6
		14,757.3	13,554.5
		60,804.6	58,195.0
<b>ASSETS</b>			
<b>NON - CURRENT ASSETS</b>			
Fixed assets	11		
Tangible assets		28,978.5	31,766.4
Capital work-in-progress		2,307.9	2,447.8
		31,286.4	34,214.2
Non-current investments	12	3,417.8	3,044.6
Long-term loans and advances	13	1,304.3	1,299.5
		36,008.5	38,558.3
<b>CURRENT ASSETS</b>			
Current investments	14	9,831.4	5,073.6
Inventories	15	8,208.1	8,441.0
Trade receivables	16	784.2	991.0
Cash and bank balances	17	4,995.5	4,458.2
Short-term loans and advances	18	829.7	520.7
Other current assets	19	147.2	152.2
		24,796.1	19,636.7
		60,804.6	58,195.0

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

SURESH NARAYANAN  
Chairman and Managing Director  
(DIN-07246738)

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

B. MURLI  
Sr. VP - Legal & Company Secretary

February 12, 2016  
Gurgaon

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

February 12, 2016  
New Delhi

(MANJULA BANERJI)  
Partner

# NESTLÉ INDIA LIMITED

## STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED DECEMBER 31, 2015

	NOTES	2015 (₹ in million)	2014 (₹ in million)
<b>REVENUE</b>			
Gross Sales of products	20	84,304.4	101,295.0
Less: Excise duty		3,071.7	3,232.3
Other operating revenues	20	520.4	485.7
<b>A Total revenue from operations</b>		<b>81,753.1</b>	<b>98,548.4</b>
<b>EXPENSES</b>	21		
Cost of materials consumed	22	33,588.7	44,825.4
Purchases of stock-in-trade		980.7	1,088.5
Changes in inventories of finished goods, work-in-progress and stock-in-trade	23	119.7	(674.3)
Employee benefits expense	24	8,374.3	7,722.2
Depreciation	11	3,472.6	3,375.4
Other expenses	25	21,264.3	23,840.3
Impairment loss on fixed assets	11	282.2	81.1
Net provision for contingencies (from operations)	28	333.1	364.3
<b>B Total Expenses</b>		<b>68,415.6</b>	<b>80,622.9</b>
<b>C PROFIT FROM OPERATIONS (A-B) (Refer note 1.1)</b>		<b>13,337.5</b>	<b>17,925.5</b>
D Other income	26	1,100.9	873.2
E Finance costs	27	32.9	142.3
F Employee benefits expense due to passage of time	29	753.2	648.3
G Net provision for contingencies (others)	28	301.5	249.5
<b>H PROFIT BEFORE EXCEPTIONAL ITEMS, CORPORATE SOCIAL RESPONSIBILITY EXPENSE AND TAXATION (C+D+E+F+G)</b>		<b>13,350.8</b>	<b>17,758.6</b>
I Exceptional items - Charge / (Credit)	30	5,008.4	(70.0)
J Corporate social responsibility expense	31	206.1	85.1
<b>K PROFIT BEFORE TAXATION (H-I-J)</b>		<b>8,136.3</b>	<b>17,743.5</b>
L Tax expense			
Current tax		2,898.9	5,824.1
Deferred tax		(395.3)	72.5
<b>M PROFIT AFTER TAXATION (K-L)</b>		<b>5,632.7</b>	<b>5,896.6</b>
<b>Weighted average number of equity shares outstanding</b>	Nos.	<b>96,415,716</b>	<b>96,415,716</b>
<b>Basic and Diluted Earnings Per Share (Face value ₹ 10)</b>	₹	<b>58.42</b>	<b>122.87</b>

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

SURESH NARAYANAN  
Chairman and Managing Director  
(DIN-07246738)

February 12, 2016  
Gurgaon

February 12, 2016  
New Delhi

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

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

(MANJULA BANERJI)  
Partner

B. MURLI  
Sr. VP - Legal & Company Secretary

# NESTLÉ INDIA LIMITED

## CASH FLOW STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2015

	2015 (₹ in million)	2014 (₹ in million)
<b>A CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net profit before tax	8,136.3	17,743.5
Adjustments for :		
Other income considered separately	(1,100.9)	(873.2)
Unrealised exchange differences	(2.9)	39.7
Finance costs	32.9	142.3
Deficit/ (Surplus) on fixed assets sold/scrapped/written off (net)	66.0	74.5
Depreciation	3,672.8	3,375.4
Profit on sale of real estate	-	(70.0)
Impairment loss on fixed assets	282.2	81.1
<b>Operating profit before working capital changes</b>	<b>11,086.4</b>	20,513.3
Adjustments for :		
Decrease/(increase) in trade receivables	206.0	(142.8)
Decrease/(increase) in loans & advances and other assets	(32.9)	336.7
Decrease/(increase) in inventories	232.9	(1,081.7)
Increase/(decrease) in trade payables and other liabilities (excluding book overdraft)	788.6	1,180.0
Increase/(decrease) in book overdraft	19.4	(738.3)
Increase/(decrease) in provision for contingencies	634.6	613.8
Increase/(decrease) in provision for employee benefits	1,467.8	1,361.2
Adjustment for book overdraft in 2013 towards subscription money for tax free long term bonds allotted subsequently in 2014 considered under "Cash Flow from Investing Activities"	-	288.8
<b>Cash generated from operations</b>	<b>14,402.8</b>	22,331.0
Direct taxes paid	(3,421.8)	(5,890.8)
<b>Net cash from operating activities</b>	<b>10,981.0</b>	16,440.2
<b>B CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of fixed assets	(1,508.1)	(1,894.4)
Accumulated exchange losses on repayment of ECB treated as addition to capital expenditure	-	(2,251.4)
Sale of fixed assets	14.7	101.6
Purchase of tax free long term bonds	(373.2)	(761.9)
Adjustment for book overdraft in 2013 paid subsequently in 2014 towards subscription money for tax free long term bonds allotted in 2014	-	(288.8)
Net cash used in tax free long term bonds	(373.2)	(1,050.7)
Purchase of other non-current investments	-	(41.5)
Decrease/(increase) in loans to employees	55.9	55.3
Dividend received on mutual funds, current - non trade investments	119.8	103.7
Profit on sale of mutual funds, current - non trade investments	-	1.6
Interest received on bank deposits, investments, tax free long term bonds and loans etc.	986.1	658.8
<b>Net cash used in investing activities</b>	<b>(704.8)</b>	(4,317.0)

# NESTLÉ INDIA LIMITED

## C CASH FLOW FROM FINANCING ACTIVITIES

	2015 (₹ in million)	2014 (₹ in million)
Repayment of External Commercial Borrowings (ECB)	-	(9,244.4)
Proceeds/ (repayments) of other short borrowings - net	(31.7)	41.0
Increase in deferred VAT liabilities under state government schemes	13.3	131.2
Finance costs	(32.9)	(154.5)
Dividends	(4,097.7)	(6,074.2)
Dividend distribution tax	(834.2)	(1,055.4)
Capital subsidy	-	3.5
<b>Net cash used in financing activities</b>	<b>(4,983.2)</b>	<b>(16,352.8)</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS (A+B+C)</b>	<b>5,293.0</b>	<b>(4,229.6)</b>
Cash and cash equivalents (Refer note 17(a))	4,357.5	7,391.1
Current investments (Refer note 14)	5,073.6	6,269.6
<b>Total cash and cash equivalents as at opening (as per Accounting Standard-3)</b>	<b>9,431.1</b>	<b>13,660.7</b>
Cash and cash equivalents (Refer note 17(a))	4,892.7	4,357.5
Current investments (Refer note 14)	9,831.4	5,073.6
<b>Total cash and cash equivalents as at closing (as per Accounting Standard-3)</b>	<b>14,724.1</b>	<b>9,431.1</b>
<b>NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>5,293.0</b>	<b>(4,229.6)</b>

### Notes:

The above Cash Flow Statement has been prepared under the "Indirect Method" as set out in the Accounting Standard (AS - 3) on 'Cash Flow Statement'.

SURESH NARAYANAN  
Chairman and Managing Director  
(DIN-07246738)

February 12, 2016  
Gurgaon

February 12, 2016  
New Delhi

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

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

(MANJULA BANERJI)  
Partner

B. MURLI  
Sr. VP - Legal & Company Secretary

## NOTES FORMING PART OF THE FINANCIAL STATEMENTS

### 1. SIGNIFICANT ACCOUNTING POLICIES

#### 1.1 BASIS OF ACCOUNTING AND PREPARATION OF FINANCIAL STATEMENTS

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

The preparation of financial statements requires management to exercise judgement and to make estimates and assumptions that affects the reported amounts of revenues, expenses, assets and liabilities. These estimates and associated 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. The 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 Company has opted to continue with 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 Hon'ble Company Law Board has allowed.

The Company has elected to present "Profit from Operations" as a separate line item on the face of the Statement of Profit and Loss. "Profit from Operations" is arrived at before Other income, Finance costs, Employee benefits expense due to passage of time, Net provision for contingencies (others), Exceptional items, Corporate social responsibility expense and Tax expense.

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

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

#### 1.2 REVENUE RECOGNITION

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

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

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

#### 1.3 EMPLOYEE BENEFITS

##### Employee benefit plans

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

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

Long term employee benefits 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.

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

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

### **Other employee benefits**

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

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

### **1.4 FIXED ASSETS**

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

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

### **1.5 DEPRECIATION / AMORTISATION**

Effective 1st January, 2015, the Company has reviewed and reassessed useful lives of fixed assets as per Schedule II to the Companies Act, 2013. Accordingly depreciation has been computed on reassessed useful lives based on technical evaluation of relevant class of assets. 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
Leasehold land and related improvements	:	Lease period
Information technology equipment	:	3 - 5 years
Intangible fixed assets	:	Over their estimated useful life

### **1.6 IMPAIRMENT OF FIXED ASSETS**

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

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

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

### **1.7 LEASES**

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

### **1.8 FOREIGN EXCHANGE TRANSACTIONS**

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

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

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

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

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

### **1.9 BORROWING COSTS**

Borrowing costs directly attributable to acquisition or construction of fixed assets which take substantial period of time to get ready for their intended use are treated as addition/ reduction to capital expenditure in accordance with Accounting Standard 16 on "Borrowing Costs" and notification no. G.S.R. 225(E) dated March 31, 2009 and subsequent clarification via circular no. 25/2012 dated August 09, 2012 issued by Ministry of Corporate Affairs, Government of India.

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

### **1.10 TAXATION**

Provision for taxation for the period comprises of

- a) estimated tax expense which has accrued on the profit for the period April 1, 2015 to December 31, 2015 and,
- b) the residual tax expense for the period April 1, 2014 to March 31, 2015 arising out of the finalisation of fiscal accounts (Assessment Year 2015-2016), under the provisions of the Indian Income tax Act, 1961.

Deferred tax is recognised, subject to the consideration of prudence, on timing difference, being the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods.

### **1.11 CONTINGENT LIABILITIES AND PROVISIONS**

Contingent liabilities are disclosed after a careful evaluation of the facts and legal aspects of the matter involved, in line with the provisions of Accounting Standard (AS) 29 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.

A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not require an outflow of resources. When there is a possible obligation or a present obligation in respect of which likelihood of outflow of resources is remote, no provision or disclosure is made.

Contingent assets are not recognised in the financial statements since this may result in the recognition of income that may never be accrued/ realised.

## NOTES FORMING PART OF THE FINANCIAL STATEMENTS

### 1.12 INVESTMENTS

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

### 1.13 INVENTORIES

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

Raw and packing 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

2. In view of MAGGI Noodles issue as explained in Note 30, financial statements for the year ended 31st December, 2015 are not fully comparable with the figures of the previous year.

	2015		2014	
	No. of shares	Amount (₹ in million)	No. of shares	Amount (₹ in million)
<b>3 - SHARE CAPITAL</b>				
<b>Authorised</b>				
Equity shares of ₹ 10 each	<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 ₹ 10 each	<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 at the beginning of the year	<u>96,415,716</u>	<u>964.2</u>	96,415,716	964.2
Movement during the year	-	-	-	-
<b>Shares outstanding 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) Rights, preferences and restrictions attached to equity shares

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

#### (c) Equity shares held by holding companies

	No. of shares	No. of shares
Nestlé S.A.	<u>33,051,399</u>	33,051,399
Maggi Enterprises Limited	<u>27,463,680</u>	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
1	Nestlé S.A.	<u>33,051,399</u>	<u>34.28</u>	33,051,399	34.28
2	Maggi Enterprises Limited	<u>27,463,680</u>	<u>28.48</u>	27,463,680	28.48

# NESTLÉ INDIA LIMITED

## NOTES FORMING PART OF THE FINANCIAL STATEMENTS

	2015 (₹ in million)	2014 (₹ in million)
<b>4 - RESERVES AND SURPLUS</b>		
<b>(a) Capital subsidy</b>		
Opening balance	14.5	11.0
Add: Additions during the year	-	3.5
Closing balance	<u>14.5</u>	<u>14.5</u>
<b>(b) General reserve</b>		
Opening balance	8,568.2	7,383.5
Add: Transferred from surplus in statement of profit and loss	-	1,184.7
Less: Depreciation in accordance with the transitional provision as specified in Schedule II to the Companies Act, 2013 (Refer note 11 - Fixed Assets)	193.9	-
Closing balance	<u>8,374.3</u>	<u>8,568.2</u>
<b>(c) Surplus in statement of profit and loss</b>		
Opening balance	18,825.2	15,328.8
Add: Profit after taxation	5,632.7	11,846.9
Amount available for appropriation	<u>24,457.9</u>	<u>27,175.7</u>
Less: Appropriations		
Dividends:		
Interim (₹ 30.00 per share, Previous year ₹ 50.50* per share)	2,892.5	4,869.0
Final - proposed (₹ 18.50 per share, Previous year ₹ 12.50 per share)	1,783.7	1,205.2
Dividend distribution tax	956.3	1,091.6
General reserve	-	1,184.7
Closing balance	<u>18,825.4</u>	<u>18,825.2</u>
	<u><u>27,214.2</u></u>	<u><u>27,407.9</u></u>

\* includes additional interim dividend of ₹ 10.00 per share

## 5 - LONG TERM BORROWINGS

<b>Unsecured loans</b>		
Deferred VAT liabilities		
- State of Karnataka <sup>(1)</sup>	77.5	77.5
- State of Himachal Pradesh <sup>(2)</sup>	<u>90.4</u>	<u>77.1</u>
	<u><u>167.9</u></u>	<u><u>154.6</u></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.

## NOTES FORMING PART OF THE FINANCIAL STATEMENTS

	2015 (₹ in million)	2014 (₹ in million)
<b>6 - DEFERRED TAXES (NET)</b>		
<b>Deferred tax liabilities</b>		
Difference between book and tax depreciation	2,872.9	3,092.9
Difference in inventory valuation	-	162.7
Others	16.7	15.4
	<u>2,889.6</u>	<u>3,271.0</u>
<b>Deferred tax assets</b>		
Provision for contingencies	900.6	786.2
Provision for compensated absences and gratuity	220.8	206.1
Provision for doubtful receivables and advances	21.9	21.8
Other items deductible on payment	17.0	29.7
	<u>1,160.3</u>	<u>1,043.8</u>
	<u><u>1,729.3</u></u>	<u><u>2,227.2</u></u>

## 7 - LONG TERM PROVISIONS

Employee benefits:				
Pension and gratuity (Refer note 29)	10,178.1	8,780.4		
Other incentives and welfare benefits*	846.6	11,024.7	790.8	9,571.2
Contingencies (Refer note 28)		4,947.0		4,315.4
		<u>15,971.7</u>		<u>13,886.6</u>

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

## 8 - SHORT TERM BORROWINGS

<b>Secured loans*</b>			
From banks			
- Bank overdraft	9.0	41.1	
<b>Unsecured loans</b>			
From banks			
- Bank overdraft	0.4	-	
	<u>9.4</u>	<u>41.1</u>	

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

# NESTLÉ INDIA LIMITED

## NOTES FORMING PART OF THE FINANCIAL STATEMENTS

### 9 - OTHER CURRENT LIABILITIES

	2015 (₹ in million)	2014 (₹ in million)
Statutory liabilities (sales taxes, excise duty, tax deducted at source, etc.)	1,287.9	1,467.2
Payables for capital expenditure	433.4	548.9
Customers' credit balances, advances and other payables	1,031.1	798.3
Employee costs and reimbursements	995.6	871.4
Book overdraft	19.4	-
Unpaid dividends*	102.8	100.7
Security deposits	69.9	68.9
Other liabilities	719.2	240.3
	<hr/> <b>4,659.3</b>	<hr/> <b>4,095.7</b>

\*No amount due and outstanding to be credited to Investor Education and Protection Fund.

### 10 - SHORT TERM PROVISIONS

#### Employee benefits:

Pension (Refer note 29)	151.9	134.4
Other incentives and welfare benefits*	226.5	378.4
Taxation less payments	-	229.7
Contingencies (Refer note 28)	128.0	195.3
Proposed final dividend (₹ 18.50 per share, Previous year ₹ 12.50 per share)	1,783.7	125.0
Dividend distribution tax on proposed final dividend	363.1	1,205.2
	<hr/> <b>2,653.2</b>	<hr/> <b>241.0</b>
	<hr/> <b>2,653.2</b>	<hr/> <b>2,130.6</b>

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

111 - FIXED ASSETS

NET BLOCK									DEPRECIATION/AMORTISATION				
	GROSS BLOCK				As at December 31, 2015				On deletions / adjustments		As at December 31, 2015		
	Cost as at December 31, 2014	Additions	Borrowings cost/ Exchange differences	Deletions / adjustments	Cost as at December 31, 2015	As at December 31, 2014	For the year (Refer note '3' below)	Transitional adjustment (Refer note '4' below)	Impairment loss				
<b>Tangible assets (A)</b>													
Freehold land	169.0 (169.0)	-	-	-	169.0 (169.0)	-	-	-	-	-	-	169.0 (169.0)	-
Leasehold land	1,286.7 (1,318.0)	-	-	-	1,286.7 (1,286.7)	42.6 (29.5)	13.1 (13.1)	-	-	-	-	55.7 (42.6)	1,231.0 (1,244.1)
Buildings	9,641.0 (9,117.3)	-	-	-	9,850.3 (9,641.0)	1,626.6 (1,322.9)	347.9 (305.9)	9.0 (0.9)	-	-	-	1,983.5 (1,626.6)	7,866.8 (8,014.4)
Railway siding	11.7 (11.7)	-	-	-	11.7 (11.7)	11.5 (11.4)	0.2 (0.1)	-	-	-	-	11.7 (11.5)	-
Plant and machinery	1,065.8 (35,618.1)	-	-	-	324.4 (409.0)	36,559.5 (35,618.1)	14,510.2 (12,053.8)	2,778.9 (2,422.8)	287.5 (80.2)	282.2 (366.6)	277.7 (366.6)	17,581.1 (14,510.2)	18,778.4 (21,107.9)
Furniture and fixtures	1,957.9 (1,924.7)	49.2 (170.6)	-	-	41.5 (137.4)	1,965.6 (1,957.9)	95.1 (818.1)	416.3 (222.6)	-	-	-	46.5 (83.6)	1,326.9 (957.1)
Office equipment	113.7 (111.9)	45.2 (11.8)	-	-	7.0 (-)	151.9 (113.7)	72.5 (69.1)	17.5 (3.4)	-	-	-	6.9 (-)	83.1 (72.5)
Information technology equipment	667.7 (594.4)	136.8 (94.4)	-	-	49.6 (21.1)	754.9 (667.7)	492.9 (429.5)	94.5 (82.6)	-	-	-	48.7 (19.2)	538.7 (492.9)
Vehicles	35.2 (30.1)	-	-	-	35.2 (0.1)	21.2 (35.2)	4.4 (16.4)	-	-	-	-	25.6 (0.1)	9.6 (21.2)
<b>Sub total (A)</b>	<b>49,501.0</b> <b>(48,442.8)</b>	<b>1,566.3</b> <b>(2,004.3)</b>	<b>-</b>	<b>422.5</b> <b>(-368.4)</b>	<b>50,984.8</b> <b>(577.7)</b>	<b>17,744.6</b> <b>(49,501.0)</b>	<b>3,672.8</b> <b>(14,749.7)</b>	<b>266.5</b> <b>(3,375.4)</b>	<b>282.2</b> <b>(-)</b>	<b>379.8</b> <b>(81.1)</b>	<b>21,606.3</b> <b>(471.6)</b>	<b>28,978.5</b> <b>(17,734.6)</b>	
Sub total (A) - Previous Year													
<b>Intangible assets (B)</b>													
Management information systems	536.3 (536.3)	-	-	-	536.3 (536.3)	536.3 (536.3)	-	-	-	-	-	536.3 (536.3)	-
Knowhow and commercial rights	52.5 (52.5)	-	-	-	52.5 (52.5)	52.5 (52.5)	-	-	-	-	-	52.5 (52.5)	-
<b>Sub total (B)</b>	<b>588.8</b> <b>(588.8)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>588.8</b> <b>(588.8)</b>	<b>588.8</b> <b>(588.8)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>588.8</b> <b>(588.8)</b>	<b>-</b>	
Sub total (B) - Previous Year													
<b>Total C = (A+B)</b>	<b>50,089.8</b> <b>(49,031.6)</b>	<b>1,566.3</b> <b>(2,004.3)</b>	<b>-</b>	<b>422.5</b> <b>(-368.4)</b>	<b>51,173.6</b> <b>(577.7)</b>	<b>18,323.4</b> <b>(50,089.8)</b>	<b>3,672.8</b> <b>(15,338.5)</b>	<b>266.5</b> <b>(3,375.4)</b>	<b>282.2</b> <b>(-)</b>	<b>379.8</b> <b>(81.1)</b>	<b>22,195.1</b> <b>(471.6)</b>	<b>28,978.5</b> <b>(18,323.4)</b>	<b>2,307.9</b> <b>(2,447.8)</b>
Total C = (A+B) - Previous year													
<b>Capital Work-in-progress</b>													<b>31,286.4</b> <b>(34,214.2)</b>

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- Previous year's figures are indicated in brackets.

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

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

(3) Depreciation for the year reported in the statement of Profit & Loss under the head "Depreciation" is net of cost reclassified under 'exceptional items' (Refer note 21).

(4) Effective 1st January, 2015, the Company has reviewed and reassessed useful lives of fixed assets as per Schedule II to the Companies Act, 2013. Accordingly, depreciation has been computed on reassessed useful lives based on technical evaluation of relevant class of assets. As a result, depreciation charge for the year is higher by ₹ 219.9 million. Further, for assets whose reassessed remaining useful life as on 1st January, 2015 is Nil, depreciation of ₹ 296.5 million (₹193.9 million - net of deferred tax) has been adjusted against the General Reserve in accordance with the transitional provision as specified in Schedule II (Refer note 4 - Reserves and Surplus).

# NESTLÉ INDIA LIMITED

## NOTES FORMING PART OF THE FINANCIAL STATEMENTS

	Face Value ₹ per unit	2015 No. of units	2015 Amount (₹ in million)	2014 No. of units	2014 Amount (₹ in million)
<b>12 - NON-CURRENT INVESTMENTS (At cost unless otherwise stated)</b>					
<b>(a) Trade Investments - Unquoted Equity Shares - Fully paid-up</b>					
Sahyadri Agro and Dairy Private Limited (Formerly known as Sahyadri Agro and Dairy Limited)	10	1,415,050	518.8	1,415,050	518.8
<b>(b) Other Investments - Quoted Bonds - Tax free</b>					
India Infrastructure Finance Company Limited	1,000	550,000	550.1	500,000	500
India Infrastructure Finance Company Limited	1,000,000	50	50.2	-	-
Indian Railway Finance Corporation Limited	1,000,000	710	710.2	500	500.1
Indian Railway Finance Corporation Limited	1,000	283,508	288.7	220,000	225.9
National Housing Bank	5,000	57,757	288.8	57,757	288.8
NTPC Limited	1,000	474,974	475.0	474,974	475.0
NTPC Limited	1,000,000	300	300.0	300	300.0
Rural Electrification Corporation Limited	1,000	236,000	236.0	236,000	236.0
			2,899.0		2,525.8
			3,417.8		3,044.6
Aggregate amount of quoted investments			2,899.0		2,525.8
Market value of quoted investments			3,044.6		2,701.9
Aggregate amount of unquoted investments			518.8		518.8

## 13 - LONG-TERM LOANS AND ADVANCES

<b>Secured, considered good</b>				
Loans and advances to employees		7.0		14.1
<b>Unsecured, considered good</b>				
Loans and advances to employees		311.7		358.0
Payments / pre-deposits under protest with government authorities		665.2		619.3
Security deposits		308.7		285.8
Capital advances		7.5		19.3
Prepaid expenses		4.2		3.0
		1,297.3		1,285.4
<b>Unsecured, considered doubtful</b>				
Other receivables		103.2		103.2
Less: Provision for doubtful receivables		(103.2)		(103.2)
		1,304.3		1,299.5

## NOTES FORMING PART OF THE FINANCIAL STATEMENTS

	Face Value ₹ per unit	2015		2014	
		No. of units	Amount (₹ in million)	No. of units	Amount (₹ in million)
<b>14 - CURRENT INVESTMENTS</b>					
(Non trade, Quoted, at cost or fair value, whichever is lower)					
<b>Government Securities</b>					
Treasury Bills	100	32,500,000	3,209.2	20,000,000	1,967.2
<b>Mutual Funds - Debt</b>					
Birla Sun Life Cash Plus - Daily Dividend - Direct Plan - Reinvestment	100	4,901,882	491.1	-	-
DWS Insta Cash Plus Fund Direct Plan - Annual Bonus	100	461,456	45.3	461,456	45.3
DWS Insta Cash Plus Fund - Direct Plan - Daily Dividend -Reinvestment	100	1,863,307	186.9	1,604,577	160.9
HDFC Liquid Fund - Direct Plan - Dividend - Daily Reinvestment	1,000	480,684	490.2	379,307	386.8
ICICI Prudential Liquid - Regular Plan - Daily Dividend	100	4,722,530	472.5	4,312,214	431.5
Reliance Liquid Fund - Treasury Plan - Daily Dividend Option	1,000	323,062	493.9	311,049	475.5
SBI Premier Liquid Fund - Direct Plan - Daily Dividend	1,000	494,615	496.2	370,726	371.9
			2,676.1		1,871.9
<b>Certificate of Deposits with schedule banks</b>	100,000	27,500	2,712.6	12,500	1,234.5
<b>Commercial Paper</b>	500,000	2,500	1,233.5		
			9,831.4		5,073.6
			9,831.4		5,073.6
Considered as "Cash and cash equivalents" as per Accounting Standard (AS - 3) on 'Cash Flow Statements'			9,870.9		
Market value / repurchase price of quoted investments					5,102.8

## 15 - INVENTORIES (at cost or net realisable value, whichever is lower)

Raw materials	2,747.2	2,845.5
{Includes in transit ₹ 246.2 million (Previous year ₹ 293.6 million)}		
Packing materials	261.7	264.6
{Includes in transit ₹ 6.1 million (Previous year ₹ 5.9 million)}		
Work-in-progress*	780.3	901.9
Finished goods*	3,824.8	3,815.5
Stock-in-trade (goods purchased for resale)*	117.4	95.5
{Includes in transit ₹ 35.8 million (Previous year ₹ 33.0 million)}		
Stores and spares	476.7	518.0
{Includes in transit ₹ 6.9 million (Previous year ₹ 11.6 million)}		
	8,208.1	8,441.0

\* Refer note 32

# NESTLÉ INDIA LIMITED

## NOTES FORMING PART OF THE FINANCIAL STATEMENTS

	2015 (₹ in million)	2014 (₹ in million)
<b>16 - TRADE RECEIVABLES (UNSECURED)</b>		
<b>Considered good</b>		
Over six months from the due date for payment	19.6	26.3
Others	<u>764.6</u>	<u>964.7</u>
<b>Considered doubtful</b>		
Over six months from the due date for payment	2.1	7.9
Others	<u>23.0</u>	<u>29.5</u>
Less: Provision for doubtful trade receivables	<u>(25.1)</u>	<u>(37.4)</u>
	<b>784.2</b>	<b>991.0</b>

## 17 - CASH AND BANK BALANCES

<b>(a) Cash and cash equivalents *</b>				
Balances with banks				
on current accounts	71.9	61.9		
on deposit accounts	<u>4,775.8</u>	<u>4,227.8</u>		
Cheques, drafts on hand including remittances in transit	<u>45.0</u>	<u>4,892.7</u>	67.8	4,357.5
<b>(b) Other bank balances</b>				
Unpaid dividend accounts	<u>102.8</u>	<u>100.7</u>		
	<b>4,995.5</b>	<b>4,458.2</b>		

\* As per Accounting Standard (AS - 3) on 'Cash Flow Statements'

## 18 - SHORT-TERM LOANS AND ADVANCES

<b>Secured, considered good</b>			
Loans and advances to employees	6.8	10.7	
<b>Unsecured, considered good</b>			
Income tax receivable	327.6	-	
Loans and advances to employees	<u>138.4</u>	<u>137.9</u>	
Balances with government authorities	<u>127.4</u>	<u>90.5</u>	
Suppliers' advances, debit balances and other receivables*	<u>152.0</u>	<u>196.0</u>	
Security deposits	<u>40.7</u>	<u>44.7</u>	
Prepaid expenses	<u>15.8</u>	<u>36.8</u>	
Others	<u>21.0</u>	<u>4.1</u>	
	<b>822.9</b>	<b>510.0</b>	
<b>Unsecured, considered doubtful</b>			
Security deposits, vendor balances and other receivables	<u>35.5</u>	<u>26.7</u>	
Less: Provision for doubtful receivables	<u>(35.5)</u>	<u>(26.7)</u>	
	<b>829.7</b>	<b>520.7</b>	

\* includes ₹ 44.2 million (Previous year ₹ 55.5 million) recoverable from related parties.

## NOTES FORMING PART OF THE FINANCIAL STATEMENTS

	2015 (₹ in million)	2014 (₹ in million)
<b>19 - OTHER CURRENT ASSETS</b>		
Interest accrued on bank deposits/ tax free long term bonds	<u>147.2</u>	<u>152.2</u>
	<u>147.2</u>	<u>152.2</u>
<b>20 - REVENUE FROM OPERATIONS</b>		
<b>(a) Sale of products</b> (Refer note 32)		
Domestic	<u>77,949.1</u>	94,853.2
Export	<u>6,355.3</u>	6,441.8
	<u>84,304.4</u>	<u>101,295.0</u>
Less: Excise duty	<u>3,071.7</u>	<u>3,232.3</u>
	<u>81,232.7</u>	<u>98,062.7</u>
<b>(b) Other operating revenues</b>		
Export incentives	<u>376.4</u>	266.0
Other operating income (mainly scrap sales)	<u>144.0</u>	219.7
	<u>520.4</u>	<u>485.7</u>
	<u>81,753.1</u>	<u>98,548.4</u>
<b>21.</b> Expenses reported under regular heads in the statement of profit and loss are net of costs incurred in relation to MAGGI Noodles issue which have been reclassified under 'exceptional items' (Refer note 30).		
<b>22 - COST OF MATERIALS CONSUMED</b> (Refer note 21)		
Raw materials (Refer note 33)	<u>28,105.3</u>	37,243.9
Packing materials	<u>5,483.4</u>	7,581.5
	<u>33,588.7</u>	<u>44,825.4</u>
<b>23 - CHANGES IN INVENTORIES OF FINISHED GOODS, WORK-IN-PROGRESS AND STOCK-IN-TRADE</b>		
<b>Opening stock</b>		
Finished goods	<u>3,815.5</u>	3,333.2
Work-in-progress	<u>901.9</u>	700.2
Stock-in-trade	<u>95.5</u>	88.4
	<u>4,812.9</u>	<u>4,121.8</u>
<b>Closing Stock</b>		
Finished goods	<u>3,824.8</u>	3,815.5
Work-in-progress	<u>780.3</u>	901.9
Stock-in-trade	<u>117.4</u>	95.5
	<u>4,722.5</u>	<u>4,812.9</u>
Net (increase)/ decrease in opening and closing stock	<u>90.4</u>	<u>(691.1)</u>
Net movement in excise duty on finished goods	<u>29.3</u>	<u>16.8</u>
	<u>119.7</u>	<u>(674.3)</u>

# NESTLÉ INDIA LIMITED

## NOTES FORMING PART OF THE FINANCIAL STATEMENTS

	2015 (₹ in million)	2014 (₹ in million)
<b>24 - EMPLOYEE BENEFITS EXPENSE</b> (Refer note 21)		
Salaries, wages, bonus, pension, gratuity, performance incentives, etc. (Refer note 29)	7,681.5	7,046.5
Contribution to provident and other funds	292.8	258.2
Staff welfare expenses	400.0	417.5
	<b>8,374.3</b>	<b>7,722.2</b>
<b>25 - OTHER EXPENSES</b> (Refer note 21)		
Finished goods handling, transport and distribution	3,889.0	4,794.5
Advertising and sales promotion	5,252.1	4,454.7
Power and fuel	2,219.9	3,843.3
General licence fees (net of taxes)	3,038.0	3,512.0
Information technology and management information systems	777.4	886.7
Maintenance and repairs		
Plant and machinery	659.5	650.6
Buildings	88.1	83.3
Others	148.3	135.6
Rates and taxes	651.1	802.0
Travelling	744.0	686.0
Rent	594.1	559.4
Contract manufacturing charges	397.5	610.9
Consumption of stores and spare parts	829.0	832.5
Less: Charge to other revenue accounts	416.3	412.7
Training	388.0	335.4
Withholding tax on general licence fees	303.7	351.3
Laboratory (quality testing)	161.2	191.0
Market research	198.8	163.8
Milk collection and district development	160.4	161.8
Security charges	112.4	109.8
Exchange difference	20.3	98.8
Deficit/ (Surplus) on fixed assets sold/scrapped/written off (net)	66.0	74.5
Insurance	30.1	29.8
Miscellaneous	951.7	814.4
	<b>21,264.3</b>	<b>23,840.3</b>
<b>26 - OTHER INCOME</b>		
Dividend on mutual funds, current - non trade investments	119.8	103.7
Profit on sale of mutual funds, current - non trade investments	-	1.6
Interest on bank deposits, investments and employee loans etc.	757.2	587.7
(Tax deducted at source ₹ 33.8 million, Previous year ₹ 38.4 million)		
Interest on tax free long term bonds	223.9	180.2
	<b>1,100.9</b>	<b>873.2</b>

## NOTES FORMING PART OF THE FINANCIAL STATEMENTS

### 27 - FINANCE COSTS

Interest on:

Borrowings - External Commercial Borrowings  
Others  
Exchange differences  
Less: treated as (addition)/ reduction to capital expenditure

	2015 (₹ in million)	2014 (₹ in million)
Borrowings - External Commercial Borrowings	-	133.5
Others	<b>32.9</b>	8.8
Exchange differences	-	(375.6)
Less: treated as (addition)/ reduction to capital expenditure	<b>32.9</b>	375.6
	<b>32.9</b>	142.3

# NESTLÉ INDIA LIMITED

## NOTES FORMING PART OF THE FINANCIAL STATEMENTS

### 28. NET PROVISION FOR CONTINGENCIES

The Company has created a contingency provision of ₹ 794.6 million (Previous year ₹ 734.8 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 ₹ 160.0 million (Previous year ₹ 121.0 million) due to the satisfactory settlement of certain litigations and settlement of obligations under free replacement warranty for which provision is no longer required.

The details of class-wise provisions are given below:

Description	2015 (₹ in million)			2014 (₹ in million)		
	Provisions for contingencies			Provisions for contingencies		
	Litigations and related disputes	Others	Total	Litigations and related disputes	Others	Total
<b>Opening balance</b>	4,315.4	125.0	4,440.4	3,705.6	121.0	3,826.6
New provisions	666.6	128.0	794.6	609.8	125.0	734.8
Utilisations/Settlements in the year	-	(125.0)	(125.0)	-	(121.0)	(121.0)
Reversals	(35.0)	-	(35.0)	-	-	-
<b>Recognised in statement of profit and loss*</b>	631.6	3.0	634.6	609.8	4.0	613.8
<b>Closing balance</b>	4,947.0	128.0	5,075.0	4,315.4	125.0	4,440.4

\*out of this, ₹ 333.1 million (Previous year ₹ 364.3 million) has been recognised as contingencies from operations and balance amount of ₹ 301.5 million (Previous year ₹ 249.5 million) as others.

#### Notes:

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

### 29. EMPLOYEE BENEFIT PLANS

#### (a) Defined contribution plans

The Company makes contributions to the Provident Fund, Employee State Insurance, National Pension System etc. for eligible employees. Under these plans, the Company is required to contribute a specified percentage of payroll costs. The Company during the year has recognised ₹ 292.8 million (Previous year ₹ 258.2 million) as expense in the statement of profit and loss during the year.

Out of the total contribution made for Provident Fund, ₹ 118.6 million (Previous year ₹ 114.3 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 total plan liabilities under the Nestlé India Limited Employees Provident Fund Trust as at December 31, 2015 as per the unaudited financial statements for the year then ended is ₹ 2,668.7 million (Previous year ₹ 2,319.4 million) as against total plan assets of ₹ 2,689.8 million (Previous year ₹ 2,332.0 million). The funds of the Trust have been invested under various securities as prescribed under the rules of the Trust.

#### (b) Defined benefit plans

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

## NOTES FORMING PART OF THE FINANCIAL STATEMENTS

The following table sets out the status of the defined benefit plans as at December 31, 2015:-

	2015 (₹ in million)		2014 (₹ in million)	
	Gratuity Scheme Funded Plan	Pension Scheme Unfunded Plan	Gratuity Scheme Funded Plan	Pension Scheme Unfunded Plan
<b><u>Change in defined benefit obligation (DBO):</u></b>				
1 Present Value of obligation, as at the beginning of the year	850.1	8,836.8	739.7	7,538.5
2 Current service cost	57.6	388.4	52.6	337.3
3 Interest cost	65.8	699.6	57.9	597.0
4 Actuarial loss (net)	22.8	555.1	31.0	516.2
5 Actual benefits paid	(53.9)	(184.6)	(31.1)	(152.2)
6 Present Value of obligation, as at the end of the year	942.4	10,295.3	850.1	8,836.8
<b><u>Change in plan assets:</u></b>				
1 Plan assets at the beginning of the year	772.1	-	659.0	-
2 Expected return on plan assets	64.8	-	55.1	-
3 Contribution by the Company	130.0	-	90.0	-
4 Actuarial gain/ (loss)	(5.3)	-	(0.9)	-
5 Actual benefits paid	(53.9)	-	(31.1)	-
6 Plan assets at the end of the year	907.7	-	772.1	-
<b><u>Liability (net) recognised in the balance Sheet</u></b>				
of which accounted as	34.7	10,295.3	78.0	8,836.8
(a) Long term provisions	34.7	10,143.4	78.0	8,702.4
(b) Short term provisions	-	151.9	-	134.4
<b><u>Cost for the year</u></b>				
1 Current service cost (net of recoveries)	56.9	378.8	52.6	330.2
2 Interest cost (net of recoveries) - Refer note below	65.8	698.5	57.9	596.2
3 Expected return on plan assets - Refer note below	(64.8)	-	(55.1)	-
4 Actuarial loss (net)	28.1	555.1	31.9	516.2
<b>Net cost</b>	<b>86.0</b>	<b>1,632.4</b>	<b>87.3</b>	<b>1,442.6</b>
<b><u>Constitution of plan assets:</u></b>				
1 Bonds	388.4	-	334.3	-
2 Government of India securities	80.1	-	83.0	-
3 State Government/State Government guaranteed securities	341.3	-	257.6	-
4 Cash at bank and receivables	2.0	-	2.8	-
5 Funding with insurance Companies & mutual funds	95.9	-	94.4	-
<b>Total plan assets</b>	<b>907.7</b>	<b>-</b>	<b>772.1</b>	<b>-</b>
<b><u>Actual return on plan assets</u></b>				
	<b>59.5</b>	<b>-</b>	<b>54.2</b>	<b>-</b>
<b><u>Main Actuarial Assumptions:</u></b>				
1 Discount Rate (%)	8.0	8.0	8.0	8.00
2 Expected rate of return on plan assets (%)	8.0	-	8.0	-
<b><u>Experience Adjustments:</u></b>				
Experience Loss/ (Gain) adjustments on plan liabilities	20.4	155.7	14.8	235.8
Experience Gain / (Loss) adjustments on plan assets	(5.3)	-	(0.9)	-

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

Total employee benefits expense due to passage of time charged in statement of profit and loss is ₹ 753.2 million (Previous year ₹ 648.3 million). This includes ₹ 699.5 million (Previous year ₹ 599.0 million) towards pension and gratuity and ₹ 53.7 million (Previous year ₹ 49.3 million) towards compensated absences and long service awards.

The estimates of future salary increases considered in actuarial valuation, take account of inflation, performance, promotion and other relevant factors such as demand and supply in the employment market.

The expected return on plan assets is determined considering several applicable factors mainly the composition of the plan assets held, assessed risks of assets management, historical results of return on plan assets and the policy for plan assets management.

### **Defined benefit obligation (DBO), Plan assets, Deficit/(Surplus) and Experience adjustments for previous years**

	2013 (₹ in million)		2012 (₹ in million)		2011 (₹ 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
Present value of defined benefit obligation (DBO)	739.7	7,538.5	650.2	6,491.7	573.6	5,474.2
Value of plan assets	659.0	-	586.9	-	536.7	-
Deficit / (Surplus)	80.7	7,538.5	63.3	6,491.7	36.9	5,474.2
Experience Loss/ (Gain) adjustment on plan liabilities	17.2	201.2	30.1	298.6	20.6	239.9
Experience Gain / (Loss) adjustment on plan assets	3.2	-	2.1	-	2.0	-
					2015 (₹ in million)	2014 (₹ in million)
MAGGI Noodles issue related cost*				5,008.4	-	-
Profit on sale of real estate				-	70.0	-

### **30. EXCEPTIONAL ITEMS**

MAGGI Noodles issue related cost\*

5,008.4

2014

(₹ in million)

Profit on sale of real estate

-

70.0

\* Financial results for the year ended 31st December, 2015 have been impacted by the MAGGI Noodles issue. The trust of its consumers and the safety and quality of its products is Nestlé's foremost priority. Unfortunately, developments and growing concerns about the product had led to an environment of confusion for the consumers to such an extent that the Company, on 5th June, 2015, decided to take the products temporarily off the shelves, despite the product being safe. This was done to reassure the consumers that their trust has always been of utmost importance for the Company and to maintain their continued patronage for Company's products. The Food Safety and Standards Authority of India (FSSAI) issued a ban order later on the same day i.e. 5th June, 2015 mainly alleging higher than permissible limits of lead and asking the Company to recall MAGGI Noodles, stop further manufacture and comply with other directions. In line with the instructions from the authorities and in keeping with environmental considerations, the withdrawn products including stocks with the Company were sent for high temperature thermal destruction and the Company suspended further manufacturing of MAGGI Noodles. The Company had conducted extensive additional tests, of over 3500 samples representing over 200 million packs of MAGGI Noodles, in both national and international accredited laboratories. All results confirmed levels of lead were well below the permissible limits. Furthermore, several other countries had found MAGGI Noodles safe after testing samples of the product exported from India. With a view to resolving the issue, the Company approached the Hon'ble Bombay High Court raising issues of interpretation of the Food Safety and Standards Act 2011, whilst seeking judicial review of the order dated 5th June, 2015 passed by FSSAI and order dated 6th June, 2015 passed by the Commissioner of Food Safety, Maharashtra (FDA). The Hon'ble Bombay High Court vide its Judgment dated 13th August, 2015 read along with Order dated 4th September, 2015 revoked the ban order passed by FSSAI and FDA and directed fresh testing of MAGGI Noodles for lead at three NABL (National Accreditation Board for Testing and Calibration Laboratories) accredited laboratories notified by FSSAI for testing of food products under Food Safety and Standards Act. Results from these laboratories were received by 16th October, 2015. 100% of the samples tested were clear with lead much below the permissible limits. In compliance with the directions of the Hon'ble Bombay High Court, the Company thereafter started manufacture of MAGGI

## NOTES FORMING PART OF THE FINANCIAL STATEMENTS

Masala Noodles. Samples from the fresh manufacture of MAGGI Masala Noodles were sent to the same three laboratories to test for lead. Results from these laboratories were received by 4th November, 2015. 100% of the samples tested were clear with lead much below the permissible limits. The Company, after successfully passing the two levels of testing directed by the Hon'ble Bombay High Court, re-launched MAGGI Masala Noodles on 9th November, 2015. In December, 2015 the FSSAI filed a Special Leave Petition in the Hon'ble Supreme Court, challenging the Judgment of the Hon'ble Bombay High Court. The court proceedings are currently ongoing.

Net Sales worth ₹ 3,034.0 million (about 23,650 tons) have been reversed during the full year ended 31st December, 2015 in relation to MAGGI Noodles stock withdrawn from trade partners and market. The exceptional item relates to loss on account of stocks withdrawn including incidental costs thereto and estimates of other related costs incurred exclusively in the ordinary course of Company's business, dealt in line with the Accounting Standard AS 2 on "Valuation of Inventories" and Accounting Standard AS 5 on "Net Profit or Loss for the Period, Prior Period Items and Changes in Accounting Policies".

The exceptional item comprises of cost of finished goods, obsolete raw and packaging material, contractual commitments, destruction expenses and other related costs, including administrative costs, which have been incurred /reclassified from the expenses reported under the regular heads in the Statement of Profit and Loss.

### 31. CORPORATE SOCIAL RESPONSIBILITY (CSR) EXPENSE

Prescribed CSR expenditure as per Section 135 of the Companies Act, 2013

#### Details of CSR spent during the financial year

- (a) Total amount planned to be spent during the year <sup>(1)</sup>
- (b) Actual spent during the year <sup>(2)</sup>
- (c) Amount unspent (a-b)  
(to be spent in subsequent year)

(1) 2015 includes ₹ 68.4 million pertaining to unspent CSR expenditure of year 2014

- (2) Amount paid for  
- acquisition/ construction of assets  
- other purposes

	2015 (₹ in million)	2014 (₹ in million)
332.9	307.0	
235.0	153.5	
206.1	85.1	
28.9	68.4	
Nil	Nil	
193.1	72.8	

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

Product groups	Opening stock		Actual Production <sup>(1)</sup> and Purchases Quantity (MT)	Closing stock		Gross Sales	
	Quantity (MT)	Amount (₹ in million)		Quantity (MT)	Amount (₹ in million)	Quantity <sup>(2)</sup> (MT)	Amount (₹ in million)
Milk Products and Nutrition	10,705	2,282.5	133,547	10,806	2,242.8	131,980	46,694.0
	(9,132)	(1,716.8)	(138,748)	(10,705)	(2,282.5)	(135,591)	(45,752.3)
Prepared dishes and cooking aids	9,159	687.1	103,510 <sup>(3)</sup>	8,096	571.1	103,138	13,141.4
	(8,869)	(645.2)	(255,746)	(9,159)	(687.1)	(254,553)	(29,612.7)
Beverages	1,238	398.8	22,620	1,497	533.2	22,130	13,360.4
	(1,257)	(343.3)	(24,869)	(1,238)	(398.8)	(24,673)	(13,397.8)
Chocolate and Confectionery	2,653	542.6	33,878	2,907	595.1	33,083	11,108.6
	(4,075)	(716.3)	(40,120)	(2,653)	(542.6)	(41,080)	(12,532.2)
	23,755	3,911.0	293,555	23,306	3,942.2	290,331	84,304.4
	(23,333)	(3,421.6)	(459,483)	(23,755)	(3,911.0)	(455,897)	(101,295.0)

# NESTLÉ INDIA LIMITED

## NOTES FORMING PART OF THE FINANCIAL STATEMENTS

Previous year's figures are indicated in brackets.

- (1) Includes product manufactured by contract manufacturers on conversion basis.
- (2) Sales quantity include company products withdrawn for sales promotion but exclude company products which have passed the best before date for consumption and/or damaged in transit/ market which are destroyed.
- (3) Excludes stock of MAGGI Noodles destroyed (about 34,650 tons) - [Refer note 30].

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

Product groups	Purchases of stock-in-trade		Work-in-progress (₹ in million)
	Quantity (MT)	Amount (₹ in million)	
Milk Products and Nutrition	<b>15,811</b> (16,783)	<b>855.3</b> (989.5)	<b>309.1</b> (473.7)
Prepared dishes and cooking aids	<b>26</b> (12)	<b>5.7</b> (1.9)	<b>240.9</b> (241.9)
Beverages	<b>117</b> (134)	<b>67.7</b> (41.6)	<b>191.9</b> (145.3)
Chocolate and Confectionery	<b>287</b> (315)	<b>52.0</b> (55.5)	<b>38.4</b> (41.0)
	<b>16,241</b> (17,244)	<b>980.7</b> (1,088.5)	<b>780.3</b> (901.9)

Previous year's figures are indicated in brackets.

### 33. RAW MATERIALS CONSUMED (Refer note 21)

	2015 (₹ in million)	2014 (₹ in million)
Fresh milk	<b>9,308.7</b>	11,201.8
Milk derivatives	<b>5,618.4</b>	6,669.7
Green coffee and chicory	<b>3,717.5</b>	3,783.4
Edible oils	<b>1,996.7</b>	3,508.9
Grain flour	<b>1,914.3</b>	4,468.2
Sugar	<b>1,387.0</b>	1,777.5
Fruit and vegetable crunchies / flakes	<b>542.5</b>	677.4
Maltodextrine powder	<b>437.1</b>	491.7
Tomato paste / powder	<b>421.6</b>	518.8
Fruits and vegetables concentrate	<b>257.0</b>	274.2
Cocoa based raw materials	<b>201.8</b>	226.6
Onion flakes / powder	<b>165.0</b>	254.5
Liquid glucose	<b>132.9</b>	175.9
Black tea/green leaf	<b>90.7</b>	90.0
Wheat gluten	<b>56.9</b>	179.0
Others (net of sale proceeds of by-products/surplus materials)	<b>1,857.2</b>	2,946.3
	<b>28,105.3</b>	<b>37,243.9</b>

## NOTES FORMING PART OF THE FINANCIAL STATEMENTS

	2015 (₹ in million)	%		2014 (₹ in million)	%
<b>Of the above:</b>					
Imported	3,798.8	13.5		4,198.1	11.3
Indigenous	24,306.5	86.5		33,045.8	88.7
	<b>28,105.3</b>	<b>100.0</b>		37,243.9	100.0

### 34. 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:-

	2015 (₹ in million)	2014 (₹ in million)
Outstanding, non-vested RSU/ PSU grants as at year end	303.4	310.4
RSU/ PSU grants vested during the year	178.2	177.5
Recognised in statement of profit and loss	171.2	171.9

35. 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 January 1, 2014. The royalty rate on exports is aligned to 4.5% of sales.

### 36. 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 ₹ 720.9 million (Previous year ₹ 681.6 million).

Future minimum lease rentals payable as at 31st December, 2015 as per the lease agreements:

	2015 (₹ in million)	2014 (₹ in million)
Not later than one year	617.6	518.0
Later than one year and not later than five years	1,164.9	981.8
Later than five years	466.8	586.9

### 37. CONSUMPTION OF STORES AND SPARE PARTS (Refer note 21)

	2015 (₹ in million)	%		2014 (₹ in million)	%
Imported	115.8	14.0		108.4	13.0
Indigenous	713.2	86.0		724.1	87.0
	<b>829.0</b>	<b>100.0</b>		832.5	100.0

# NESTLÉ INDIA LIMITED

## NOTES FORMING PART OF THE FINANCIAL STATEMENTS

	2015 (₹ in million)	2014 (₹ in million)
<b>38. AUDITORS REMUNERATION</b> {included under Miscellaneous (Refer note 25)}		
(1) Auditors' remuneration including service tax and expenses in respect of:		
(a) Statutory audit	7.6	7.1
(b) Audit of accounts for fiscal year and tax audit	3.5	2.8
(c) Limited review of quarterly un-audited results	1.7	1.3
(d) Certifications	0.6	1.0
(e) Certification of tax holiday benefits	0.3	0.3
(f) Audit of employee trust accounts	0.2	0.1
(g) Out of pocket expenses for statutory audit and other matters	0.3	0.2
	<u>14.2</u>	<u>12.8</u>
(2) Cost auditors' remuneration including service tax and expenses in respect of:		
(a) Cost audit fees	0.2	0.6
(b) Certifications	0.3	0.1

## 39. CONTINGENT LIABILITIES AND COMMITMENTS

### Contingent liabilities

Claims against the Company not acknowledged as debts:

Indirect Taxes	11.7	195.4
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### Capital Commitments

Capital expenditure commitments remaining to be executed and not provided for [net of advances ₹ 7.5 million (Previous year ₹ 19.3 million)]

Corporate social responsibility expense commitments	828.2	201.3
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	279.3	38.6
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The Company also has other commitments for purchase /sales of goods and services for which orders are issued after considering requirements as per the operating cycle of the business.

## 40. RELATED PARTY DISCLOSURES UNDER ACCOUNTING STANDARD 18

### (a) Related party and their relationship

#### (i) Holding Companies

Nestlé S.A

Maggi Enterprises Limited

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

Marcas Nestlé SA de CV

Nestlé Operational Services Worldwide S.A

Nestec S.A.

Nestlé Pakistan Ltd

Nestec York Ltd

Nestlé Panama S.A.

Nestlé (China) Ltd.

Nestlé Philippines, Inc.

Nestlé (PNG) Ltd

Nestlé Polska S.A.

Nestlé (South Africa) (Pty) Ltd

Nestlé Products ( Mauritius) Ltd

Nestlé (Thai) Ltd.

Nestlé Products Sdn Bhd

Nestlé Adriatic S DOO

Nestlé Purina Petcare Company

Nestlé Asean (Malaysia) Sdn Bhd

Nestlé Qingdao Ltd

Nestlé Australia Ltd

Nestlé Quality Assurance Center

## NOTES FORMING PART OF THE FINANCIAL STATEMENTS

Nestlé Bangladesh Ltd.	Nestlé R&D Center (Pte) Ltd
Nestlé Brasil Ltda	Nestlé R&D Center Inc
Nestlé Bulgaria AD	Nestlé R&D Center Shanghai Ltd.
Nestlé Business Services AOA, Inc.	Nestlé R&D Centre India Private Ltd
Nestlé Canada Inc	Nestlé Regional Service Centre (Malaysia) Sdn Bhd
Nestlé Central And West Africa	Nestlé Romania SRL
Nestlé Centroamerica, S.A.	Nestlé Servicios Corporativos, S.A.
Nestlé Chile S.A.	Nestlé Shanghai Ltd.
Nestlé Cote D'Ivoire	Nestlé Shuangcheng Limited
Nestlé Danmark A/S	Nestlé Singapore (Pte) Ltd
Nestlé Deutschland AG	Nestlé South Africa Pty Ltd
Nestlé Dongguan Ltd	Nestlé Suisse S.A.
Nestlé Dubai Manufacturing LLC	Nestlé Sverige AB
Nestlé Egypt S.A.E.	Nestlé Taiwan Limited
Nestlé Equatorial African Region	Nestlé Thailand Ltd.
Nestlé Espana, S.A.	Nestlé Tianjin Ltd.
Nestlé Food Kazakhstan LLP	Nestlé Turkiye Gida Sanayi A.S.
Nestlé France S.A.S.	Nestlé UK Ltd
Nestlé Ghana Limited	Nestlé USA Inc
Nestlé Globe Center Europe GmbH	Nestlé Vietnam Ltd.
Nestlé Hong Kong Limited	Nestlé Waters (Suisse) SA
Nestlé Hungaria Kft.	Nestlé Waters Management & Technology
Nestlé International Travel Retail	Nestlé Waters North America Inc
Nestlé Japan Ltd.	Nestlé Zimbabwe (Private) Ltd
Nestlé Kenya Ltd	Nestrade S.A.
Nestlé Korea Ltd.	Osem Investments Ltd.
Nestlé Kuban LLC	PT Nestlé Indonesia
Nestlé Lanka PLC	Quality Coffee Products Ltd.
Nestlé Manufacturing (Malaysia) Sdn Bhd	San Pellegrino S.p.A.
Nestlé Maroc S.A.	SERVCOM S.A.
Nestlé Mexico S.A de C.V	SMA Nutrition India Private Limited
Nestlé Middle East FZE	Société des Produits Nestlé S.A
Nestlé Nederland B.V.	Wyeth Nutritional (China) Co., Ltd
Nestlé New Zealand Ltd	Wyeth Nutritional (Singapore)
Nestlé Nigeria Plc	Wyeth Nutritionals Ireland Ltd

### (iii) Key Management Personnel

Suresh Narayanan, Chairman and Managing Director  
(Managing Director w.e.f. August 01, 2015)  
(Chairman and Managing Director w.e.f. October 29, 2015)  
Etienne Benet - Managing Director  
(Managing Director upto July 25, 2015)

Aristides Protonotarios, Director - Technical  
Shobinder Duggal, Director - Finance & Control and CFO

### (iv) Employees benefit trusts where control exists

Nestlé India Limited Employees' Provident Fund Trust

Nestlé India Limited Employees' Gratuity Trust Fund

# NESTLÉ INDIA LIMITED

## NOTES FORMING PART OF THE FINANCIAL STATEMENTS

### (b) Nature of transactions

The transactions with the related parties have been entered in the ordinary course of business and are at arm's length.

Particulars	2015 (₹ in million)	2014 (₹ in million)
<b>Holding companies :</b>		
Dividends:      Interim	1,815.4	3,056.0
Proposed final	1,119.5	756.4
<b>External Commercial Borrowings (ECB)</b>		
Nestlé S.A.		
-      Loan repaid	-	11,495.8
-      Interest expense	-	133.5
<b>Expenses incurred</b>		
-      Nestlé S.A.	171.2	171.9
<b>Fellow subsidiaries:</b>		
(a) Sale of finished and other goods		
-      Nestlé Turkiye Gida Sanayi A.S.	1,933.0	1,764.0
-      Nestlé Bangladesh Ltd	1,592.5	1,344.1
-      Nestlé Kuban LLC	-	549.1
-      Others	817.3	482.5
(b) Sale of surplus materials, fixed assets and spares		
-      Nestlé Philippines, Inc	2.4	-
-      Nestlé Lanka PLC	0.6	0.1
-      Nestlé R&D Centre India Private Limited	0.9	2.0
(c) Purchase of raw and packing materials, spare parts		
-      Nestlé Suisse S.A.	38.8	38.9
-      Nestlé Nederland BV	31.0	38.6
-      Nestlé Lanka PLC	6.0	-
-      Nestlé R&D Centre India Private Limited	-	0.5
(d) Purchase of finished goods		
-      Nestlé Lanka PLC	153.5	137.0
-      Nestlé Nederland BV	84.5	68.2
-      Nestlé Korea Limited	45.3	29.5
-      P.T. Nestlé Indonesia	34.7	36.2
-      Others	79.0	69.5
(e) General licence fees (net of taxes)		
-      Société des Produits Nestlé S.A.	3,038.0	3,512.0
(f) Expenses recovered		
-      Nestlé Lanka PLC	46.4	44.4
-      Nestlé R&D Centre India Private Ltd	36.1	41.8
-      Nestlé Bangladesh Ltd.	23.2	24.6
-      Others	61.0	52.1

## NOTES FORMING PART OF THE FINANCIAL STATEMENTS

Particulars	2015 (₹ in million)	2014 (₹ in million)
(g) Expenses incurred		
- Nestlé R & D Center (Pte) Limited	<b>36.8</b>	29.2
- Nestec S.A	<b>20.5</b>	33.4
- Nestlé Deutschland AG	<b>16.4</b>	19.8
- Nestlé Australia	<b>9.6</b>	19.8
- Others	<b>51.6</b>	41.8
(h) Information technology and management information systems		
- Nestlé Australia Ltd	<b>553.3</b>	646.6
- Servcom S.A.	<b>3.2</b>	3.6
(i) Loans granted		
- Nestlé R&D Centre India Private Limited	<b>400.0</b>	200.0
- SMA Nutrition India Private Limited	<b>20.0</b>	-
(j) Repayment of loans granted		
- Nestlé R&D Centre India Private Limited	<b>400.0</b>	200.0
- SMA Nutrition India Private Limited	<b>20.0</b>	-
(k) Interest on loans granted		
- Nestlé R&D Centre India Private Limited	<b>34.3</b>	16.9
- SMA Nutrition India Private Limited	<b>0.7</b>	-
<b>Remuneration to Key management personnel</b>		
- Managing Director (Upto July 25, 2015)	<b>62.0</b>	91.3
- Managing Director (From August 01, 2015) & Chairman & Managing Director (From October 29, 2015)	<b>32.4</b>	-
- Director – Finance & Control and CFO	<b>35.3</b>	36.1
- Director – Technical	<b>54.7</b>	52.1
<b>Contribution to Employee related trusts</b>		
- Nestlé India Limited Employees' Provident Fund Trust	<b>118.6</b>	114.3
- Nestlé India Limited Employees' Gratuity Trust Fund	<b>130.0</b>	90.0
<b>Balance outstanding as at the year end</b>		
Final dividend payable to holding companies	<b>1,119.5</b>	756.4
Receivables from fellow subsidiaries	<b>578.9</b>	553.4
Payables to fellow subsidiaries	<b>479.2</b>	538.2
Payables to Key management personnel	<b>20.5</b>	26.9
Payables to Employees Provident Fund Trust	<b>10.2</b>	9.0

**Note:**

Other transactions with Key Managerial Personnel:

- Remuneration includes lease rentals paid at market rates ₹ 3.0 million (previous year ₹ 3.0 million).

# NESTLÉ INDIA LIMITED

## NOTES FORMING PART OF THE FINANCIAL STATEMENTS

### 41. SEGMENT REPORTING

Based on the guiding principles given in Accounting Standard on 'Segment Reporting' (AS-17), the Company's primary business segment is Food. The food business incorporates product groups viz. Milk Products and Nutrition, Beverages, Prepared dishes and cooking aids, Chocolates and Confectionery, which mainly have similar risks and returns. As the Company's business activity falls within a single primary business segment the disclosure requirements of AS -17 in this regard are not applicable.

### 42. 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 and Medium Enterprise Development Act, 2006 (MSMED Act, 2006) and based on the information available with the Company, the following are the details:

	2015 (₹ in million)	2014 (₹ in million)
(i) Principal amount remaining unpaid	37.5	24.1
(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	-	-

### 43. EARNINGS FROM EXPORT OF GOODS

- Foreign currency at F.O.B. value	4,827.8	4,898.4
{including sales invoiced in Rupees of ₹ 179.4 million (Previous year ₹ 847.1 million)}		
- Rupees sales to Nepal and Bhutan	1,506.6	1,513.0

### 44. C. I. F. VALUE OF IMPORTS

Raw and packing materials	3,010.3	3,544.2
Capital goods	148.5	257.6
Goods – outside manufacture	403.8	358.7
Components and spare parts	127.6	149.1

### 45. (a) EXPENDITURE IN FOREIGN CURRENCY

General license fees (net of taxes)	3,038.0	3,512.0
Information technology and management information systems	570.2	652.2
Project management costs for capital projects	23.1	42.1
Interest on borrowings	-	133.5
Other matters	391.5	390.4

## NOTES FORMING PART OF THE FINANCIAL STATEMENTS

### (b) OTHER RECOVERIES IN FOREIGN CURRENCY

Reimbursement of costs	117.6	121.9
Proceeds from sale of surplus materials	0.6	0.1

### 46. AMOUNT REMITTED IN FOREIGN CURRENCIES TOWARDS DIVIDENDS DURING THE YEAR

	2015			2014		
	Number of Non-resident Shareholders	Number of Equity Shares held	Dividend remitted (₹ in million)	Number of Non-resident Shareholders	Number of Equity Shares held	Dividend remitted (₹ in million)
Final - 2014/2013	2	60,515,079	756.4	2	60,515,079	756.4
Interim:						
First – 2015/ 2014	2	60,515,079	847.2	2	60,515,079	756.4
Second – 2015/ 2014*	2	60,515,079	968.2	2	60,515,079	1,815.5
Third – 2014	-	-	-	2	60,515,079	484.1

\* 2014 includes additional interim dividend of ₹ 605.2 million.

### 47. FOREIGN CURRENCY EXPOSURE

The foreign currency exposure of the Company as at December 31, 2015 is as under:

#### a) Category wise quantitative data\*

	Currency	As at December 31, 2015			As at December 31, 2014		
		Nos.	Amount in Foreign currency (in million)	(₹ in million)	Nos.	Amount in Foreign currency (in million)	(₹ in million)
Forward contracts against exports	USD	44	25.0	1,656.6	32	26.5	1,675.3
Forward contracts against imports (Including Capital imports)	USD	20	10.2	675.8	18	10.9	688.5
	EUR	11	4.8	350.1	13	5.8	444.9
	AUD	5	2.8	135.4	5	5.1	265.6
	CAD	1	0.0	0.8	1	0.1	6.4
	CHF	-	-	-	1	2.0	127.8
	GBP	-	-	-	2	0.3	25.0
	NZD	-	-	-	1	0.3	14.1

- b) All the forward contracts are for hedging foreign exchange exposures relating to the underlying transactions and firm commitments or highly probable forecast transactions.

# NESTLÉ INDIA LIMITED

## NOTES FORMING PART OF THE FINANCIAL STATEMENTS

c) Foreign currency exposures remaining unhedged at the year-end\*

Currency	As at December 31, 2015		As at December 31, 2014	
	Amount in Foreign currency (in million)	(₹ in million)	Amount in Foreign currency (in million)	(₹ in million)
Against exports				
EUR	0.2	15.9	0.3	20.4
GBP	0.1	13.5	0.1	7.6
CHF	0.0	0.3	0.0	0.7
CAD	0.1	2.8	-	-
Against imports (Including Capital imports)				
CHF	0.5	34.8	0.8	50.6
JPY	12.3	6.7	4.7	2.5
SGD	0.1	5.9	0.1	2.4
GBP	0.1	5.7	0.1	13.6
NZD	0.1	2.8	-	-
CAD	-	-	0.7	38.4
ZAR	-	-	0.3	1.7
MYR	-	-	0.0	0.1

\* At closing exchange rates

## ANNEXURE - 1 TO THE BOARD'S REPORT

### Report on Corporate Governance for the year ended December 31, 2015

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

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

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

#### BOARD OF DIRECTORS

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

Above information as on 31<sup>st</sup> December, 2015 or for the year 2015, as applicable, is tabulated hereunder:

Director	DIN	Category of Director	No. of Board Meetings attended	Attendance at the last AGM on 15 <sup>th</sup> May, 2015	No. of outside Directorship held <sup>A</sup>	No. of Membership/Chairmanship in other Board Committees <sup>B</sup>
				2015		
Mr. Antonio Helio Waszyk <sup>1,2</sup>	02730946	Non-Executive	2	Yes	Nil	Nil
Mr. Etienne André Marie Benet <sup>2</sup>	06702574	Executive	3	Yes	Nil	Nil
Mr. Suresh Narayanan <sup>3</sup>	07246738	Executive	2	N.A.*	Nil	Nil
Mr. Shobinder Duggal	00039580	Executive	6	Yes	Nil	Nil
Mr. Aristides Protonotarios	06546858	Executive	6	Yes	Nil	Nil
Mr. Michael W. O. Garrett <sup>1,2</sup>	00051904	Independent Non-Executive	-	No	Nil	Nil
Mr. Ashok Kumar Mahindra	00916746	Independent Non-Executive	6	Yes	1	Nil
Mr. Ravinder Narain	00059197	Independent Non-Executive	5	Yes	3	1
Mr. Rajya Vardhan Kanoria	00003792	Independent Non-Executive	6	Yes	7	5
Dr. Swati A. Piramal <sup>1</sup>	00067125	Independent Non-Executive	3	Yes	8	Nil

<sup>1</sup> In addition to Meetings attended, the Directors who participated in the meeting over phone are: Mr. Antonio Helio Waszyk on 8<sup>th</sup> June, 2015 and 29<sup>th</sup> July, 2015, Mr. Michael W. O. Garrett on 13<sup>th</sup> February, 2015 and Dr. Swati A. Piramal on 13<sup>th</sup> February, 2015, 8<sup>th</sup> June, 2015 and 4<sup>th</sup> December, 2015.

<sup>2</sup> Mr. Michael W. O. Garrett, Mr. Etienne André Marie Benet and Mr. Antonio Helio Waszyk relinquished their offices as Directors of the Company with effect from 15<sup>th</sup> May, 2015, 25<sup>th</sup> July, 2015 and 1<sup>st</sup> October, 2015, respectively.

<sup>3</sup> Appointed as Managing Director with effect from 1<sup>st</sup> August, 2015 for five consecutive years with approvals of shareholders by way of Postal Ballot and Central Government. Also appointed as Chairman of the Board with effect from 29<sup>th</sup> October, 2015.

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

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

\* Not Applicable

As at 31<sup>st</sup> December, 2015, 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 six other directors, out of which four directors are Independent Non-Executive Directors including a woman director. None of the Independent Directors of the Company serve as an Independent Director in more than seven listed companies and where any Independent Director is serving as whole-time director in any listed company, such director is not serving as Independent Director in more than three listed companies.

During the year, the shareholders at the 56<sup>th</sup> Annual General Meeting held on 15<sup>th</sup> May, 2015 approved appointment of Mr. Rajya Vardhan Kanoria as Independent Director to hold office for five consecutive years for a term upto 12<sup>th</sup> May, 2019. The Company issued letter of

## **NESTLÉ INDIA LIMITED**

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appointment to the Independent Director as per Schedule IV to the Companies Act, 2013 and the terms and conditions of their appointment have been disclosed on the website of the Company (web-link <http://www.nestle.in/investors/directorsofficers>).

During the year, the Board met six times on 13<sup>th</sup> February, 2015, 15<sup>th</sup> May, 2015, 8<sup>th</sup> June, 2015, 29<sup>th</sup> July, 2015, 29<sup>th</sup> October, 2015 and 4<sup>th</sup> December, 2015. 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, separate meeting of the Independent Directors was held on 13<sup>th</sup> February, 2015 without the attendance of non-independent directors and members of the management. All Independent Directors attended the said meeting except Mr. Michael W. O. Garrett who participated over the phone.

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

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 <http://www.nestle.in/investors/directorsofficers>).

None of the Non-executive Directors held any equity shares or convertible instruments of the Company during the financial year ended 31<sup>st</sup> December, 2015. None of the Directors had any relationships inter-se.

### **Compliance with the Code of Conduct**

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

The Chairman and Managing Director has given a declaration that the members of the Board of Directors and Senior Management Personnel have affirmed compliance with the Code during the year 2015.

### **AUDIT COMMITTEE**

The powers, role and terms of reference of the Audit Committee covers the areas as contemplated under Regulation 18 of the Listing Regulations and Section 177 of the Companies Act, 2013, 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 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.

Mr. Ashok Kumar Mahindra, an Independent Non-Executive Director, is the Chairman of the Audit Committee. Mr. Rajya Vardhan Kanoria and Mr. Ravinder Narain, Independent Non-Executive Directors are members of Audit Committee. Mr. Michael W.O. Garrett ceased to be member of the Committee with effect from 15<sup>th</sup> May, 2015 upon relinquishment of his Office as a Director of the Company. All members of the Audit Committee are financially literate and Mr. Ashok Kumar Mahindra and Mr. Rajya Vardhan Kanoria have related financial management expertise by virtue of their comparable experience and background. The Company Secretary acts as the Secretary to the Committee. The Director-Finance & Control and CFO, 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 12<sup>th</sup> February, 2015, 14<sup>th</sup> May, 2015, 29<sup>th</sup> July, 2015 and 29<sup>th</sup> October, 2015 and all members of the Committee attended the aforesaid meetings except for one meeting held on 12<sup>th</sup> February, 2015 where Mr. Michael W.O. Garrett participated over the phone and one meeting held on 29<sup>th</sup> October, 2015 where Mr. Ravinder Narain was granted leave of absence. 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 Regulation 19 of the Listing Regulations and Section 178 of the Companies Act, 2013, 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/noting and removal.

Mr. Rajya Vardhan Kanoria, Independent Non-Executive Director, is the Chairman of the Committee with effect from 15<sup>th</sup> May, 2015, Mr. Ravinder Narain and Mr. Ashok Kumar Mahindra are the members of the Committee. Mr. Michael W.O. Garrett ceased to be member of the Committee upon relinquishment of his Office as a Director of the Company with effect from 15<sup>th</sup> May, 2015. The Managing Director and Head of Human Resources are permanent invitees to the Committee meetings. The Company Secretary is the Secretary of the Committee.

During the year, the Nomination and Remuneration Committee met four times on 12<sup>th</sup> February, 2015, 14<sup>th</sup> May, 2015, 29<sup>th</sup> July, 2015 and 29<sup>th</sup> October, 2015 and all members of the Committee attended the aforesaid meetings except for one meeting held on 12<sup>th</sup> February, 2015 where Mr. Michael W.O. Garrett participated over the phone and for one meeting held on 29<sup>th</sup> October, 2015 where Mr. Ravinder Narain was granted leave of absence.

### **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 the Directors who are subject to evaluation had not participated.

### **Remuneration of Directors for 2015**

(₹ in million)

Name of the Director	Sitting Fee	Salaries and Allowances	Perquisites	Company's Contribution to PF	Commission and Performance Linked Incentive	Total
Mr. Etienne André Marie Benet <sup>1</sup>	N.A.	22.34	19.96	1.14	18.60	62.04
Mr. Suresh Narayanan <sup>2,3</sup>	N.A.	23.75	3.39	0.87	4.43	32.44
Mr. Shobinder Duggal <sup>3</sup>	N.A.	13.73	15.34	1.38	4.86	35.31
Mr. Aristides Protonotarios <sup>3</sup>	N.A.	22.31	15.57	1.01	15.77	54.66
Mr. Michael W.O. Garrett <sup>1</sup>	0.00	-	-	-	0.22 <sup>@</sup>	0.22
Mr. Rajya Vardhan Kanoria	1.10	-	-	-	0.60 <sup>@</sup>	1.70
Mr. Ashok Kumar Mahindra	1.10	-	-	-	0.60 <sup>@</sup>	1.70
Mr. Ravinder Narain	0.98	-	-	-	0.60 <sup>@</sup>	1.58
Dr. Swati A. Piramal	0.33	-	-	-	0.60 <sup>@</sup>	0.93

<sup>1</sup> Mr. Michael W.O. Garrett and Mr. Etienne André Marie Benet relinquished their offices with effect from 15<sup>th</sup> May, 2015 and 25<sup>th</sup> July, 2015, respectively.

<sup>2</sup> Appointed as Managing Director with effect from 1<sup>st</sup> August, 2015 and Chairman of the Board with effect from 29<sup>th</sup> October, 2015.

<sup>3</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>@</sup> Represents Commission for the year ended 31<sup>st</sup> December, 2015 which will be paid, subject to deduction of tax after adoption of the accounts by the shareholders at the Annual General Meeting.

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

The above remuneration of Executive Directors does not include provision for incremental liability on account of pension, gratuity, compensated absences and long service awards since actuarial valuation is done for the Company as a whole. The appointment of executive directors is by virtue of their employment with the Company as management employees and therefore, their terms of employment are governed by

## **NESTLÉ INDIA LIMITED**

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the applicable policies at the relevant point in time. Commission is subject to adequate profits being earned. A fair portion of the Executive Director's Performance Linked Incentive is linked to Company's performance. This creates alignment with the strategy and business priorities to enhance shareholder value. The total reward package for Executive Directors is intended to be market competitive with strong linkage to performance in line with Company's Remuneration Policy. During 2015, due to MAGGI Noodles crisis, the financial performance of the Company was significantly impacted. While determining the total Commission of the Directors, factors such as efforts of the Company to withdraw, rebuild and re-launch MAGGI Noodles portfolio before the end of the year was taken into consideration.

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), 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 select 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 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 Director seeking reappointment is given in the Notice of the 57<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.

Mr. Ravinder Narain, Independent Non-Executive Director, is the Chairman of the Stakeholders Relationship Committee. Mr. Rajya Vardhan Kanoria and Mr. Shobinder Duggal are the 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 12<sup>th</sup> February, 2015, 14<sup>th</sup> May, 2015, 29<sup>th</sup> July, 2015 and 29<sup>th</sup> October, 2015. All members of the Committee attended the aforesaid meetings except one meeting held on 29<sup>th</sup> October, 2015 where Mr. Ravinder Narain was granted leave of absence.

During the year, 6 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 2015 and no such transfer is pending.

### **RISK MANAGEMENT**

Mr. Shobinder Duggal, Director – Finance & Control and CFO is the Chairman of the Committee and Mr. Aristides Protonotarios, Director – Technical and Mr. Anurag Dikshit, Head of Treasury and M&A are the other members of the Committee. The Company Secretary acts as the Secretary to the Committee. The roles and responsibilities of the Risk Management Committee are as prescribed under 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 2<sup>nd</sup> February, 2015, 27<sup>th</sup> April, 2015, 8<sup>th</sup> September, 2015 and 1<sup>st</sup> December, 2015 and all the members of the Committee attended the meetings.

### **CORPORATE GOVERNANCE AND SOCIAL RESPONSIBILITY COMMITTEE**

The Committee oversees corporate social responsibility, corporate governance and other business related matters referred by the Board or the Chairman, as and when deemed necessary, for the consideration and recommendation of the Committee. This Committee also discharges the role of Corporate Social Responsibility Committee under Section 135 of the Companies Act, 2013 which includes formulating and recommending to the Board, a Corporate Social Responsibility (CSR) Policy indicating the activities to be undertaken by the Company,

as per Schedule VII to the Companies Act, 2013; recommending the amount of expenditure to be incurred; and monitoring the CSR Policy of the Company. The other powers and duties of the Committee include acting as a consulting body to the Board on various matters related to company's financial, commercial or industrial policy, corporate governance matters and making recommendations, if any, to the Board.

The Committee comprises Mr. Suresh Narayanan, as the Chairman of the Committee, Dr. Swati A. Piramal and Mr. Ravinder Narain, Independent Non-Executive Directors as other members of the Committee. During the year, Mr. Michael W.O. Garrett ceased as a member and Mr. Antonio Helio Waszyk ceased as Chairman of the Committee upon relinquishment of their offices as Director of the Company with effect from 15<sup>th</sup> May, 2015 and 1<sup>st</sup> October, 2015, respectively. The Company Secretary acts as the Secretary to the Committee.

The Committee met two times during the year on 13<sup>th</sup> February, 2015 and 29<sup>th</sup> October, 2015. All the members attended the above meetings except for the meeting held on 13<sup>th</sup> February, 2015 where Mr. Michael W.O. Garrett and Dr. Swati A. Piramal participated over phone and for the meeting held on 29<sup>th</sup> October, 2015 Mr. Ravinder Narain 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, 2015.

### **GENERAL BODY MEETINGS**

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

<b>Year &amp; Date</b>	<b>Time</b>	<b>Venue</b>
15.05.2015	10.00 A.M.	
12.05.2014	10.00 A.M.	Air Force Auditorium, Subroto Park, New Delhi - 110 010
08.05.2013	10.00 A.M.	

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

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

### **MEANS OF COMMUNICATION**

The quarterly results of the Company was 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). All official press releases, presentations 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, 12<sup>th</sup> May, 2016 at 10:00 a.m.  
Venue : Air Force Auditorium, Subroto Park, New Delhi – 110 010.

#### **Financial Calendar, 2016 (tentative)**

First Quarter Results	: Second week of May, 2016
Second Quarter and Half-yearly Results	: Last week of July, 2016
Third Quarter Results	: Last week of October, 2016
Annual Results	: February / March, 2017
Financial Year*	: 1 <sup>st</sup> January to 31 <sup>st</sup> December
Annual Book Closure	: 18 <sup>th</sup> May, 2016 to 19 <sup>th</sup> May, 2016 (both days inclusive)

## NESTLÉ INDIA LIMITED

\*During the year, the Company Law Board has granted approval for continuation of the period of January to December as the Financial Year of the Company, in terms of Section 2(41) of the Companies Act, 2013.

**Dividend payments:** Final dividend of ₹ 18.50 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 31<sup>st</sup> May, 2016.

The First and Second interim dividends for the year 2015, at the rate of ₹ 14/- per share and ₹ 16/- per share respectively were paid on/ from 2<sup>nd</sup> June, 2015 and 23<sup>rd</sup> December, 2015, respectively.

### Listing on Stock Exchanges and Stock Code

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

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

Market Price Data: High/Low in each month of Calendar Year, 2015 on the BSE Ltd., Mumbai

Month	High (₹)	Low (₹)	Month	High (₹)	Low (₹)
January	7,425.00	6,215.45	July	6,490.00	5,905.10
February	7,274.75	6,755.00	August	7,000.00	5,951.00
March	7,499.95	6,766.60	September	6,380.00	5,884.10
April	7,167.25	6,539.25	October	6,675.00	6,109.00
May	7,327.00	6,551.00	November	6,479.00	5,860.00
June	6,987.45	5,499.00	December	5,928.00	5,622.00

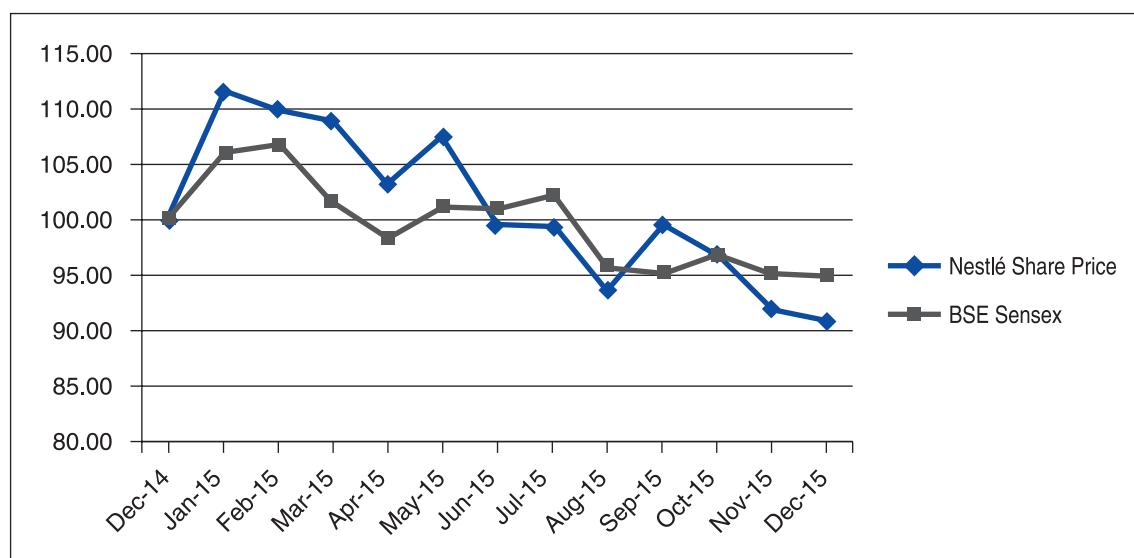
[Source: [www.bseindia.com](http://www.bseindia.com)]

The Company had paid Annual Listing Fees for the Financial Year 2015 – 16.

### Performance in comparison to BSE Sensex

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

Base is considered to be 100 as at 31<sup>st</sup> December, 2014



[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 Ltd. (NSDL) and Central Depository Services India Limited (CDSL) within the statutory time limit from the date of receipt of share certificates provided the documents are complete in all respects.

## **Categories of Shareholding as on 31<sup>st</sup> December, 2015**

<b>Category of Shareholder</b>	<b>Number of Shares</b>	<b>Percent of Total Shares</b>
<b>Promoter and Promoter Group (A)</b>	<b>60,515,079</b>	<b>62.76</b>
<b>Public Shareholding (B)</b>		
Mutual Funds/ UTI	884,404	0.92
Financial Institutions/ Banks	114,628	0.12
Central Government/State Government(s)	32,897	0.03
Insurance Companies	4,139,007	4.29
Foreign Institutional Investors	10,010,271	10.38
Bodies Corporate	2,035,120	2.11
Individuals	13,753,957	14.27
Any Other		
- NRIs	609,560	0.63
- Foreign Nationals	50	0.00
- Overseas Corporate Body	500	0.00
- Trust	3,592	0.01
- Foreign Portfolio Investor	4,316,651	4.48
<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, 2015**

<b>No. of Shares</b>	<b>Number of Shareholders</b>	<b>Number of Shares</b>	<b>Percent of total Shares</b>
1 to 500	77,760	3,876,904	4.02
501 to 1000	2,445	1,772,749	1.84
1001 to 2,000	1,051	1,500,122	1.56
2,001 to 3,000	328	817,813	0.85
3,001 to 4,000	150	525,494	0.55
4,001 to 5,000	122	552,124	0.57
5,001 to 10,000	252	1,777,193	1.84
10,001 and above	331	85,593,317	88.77
<b>Total</b>	<b>82439</b>	<b>96,415,716</b>	<b>100.00</b>

## **Dematerialisation of shares**

98.36% equity shares of the Company have been dematerialised as on 31<sup>st</sup> December, 2015.

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

Not applicable.

## **Commodity price risk or foreign exchange risk and hedging activities**

During the year 2015, 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 No. 47 to the Annual Accounts.

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## Plant Locations

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

## Address for correspondence

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

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

**SEBI toll-free helpline service for investors:** 1800 22 7575 (available on all days from 9:30 a.m. to 5:30 p.m. excluding declared holidays). SEBI investors' contact for feedback and assistance: tel. 022-26449188, e-mail : sebi@sebi.gov.in

## 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.

During the year, there has been no material development in Human Resources / Industrial relations. Strong commitment and teamwork was exhibited by the employees of the Company during the complex and critical process of withdrawal, rebuild and relaunch of MAGGI Noodles portfolio.

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, 2015 was 7,495.

## DISCLOSURES

During the year 2015, the Company had no materially significant related party transaction, which is considered to have potential conflict with the interests of the Company at large. Transactions with related parties are disclosed in Note No. 40 to the Annual Accounts. 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 <http://www.nestle.in/investors/policies>).

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

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

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

The Company has complied with all the mandatory requirements specified in Regulations 17 to 27 and clauses (b) to (i) of sub – regulation (2) of Regulation 46 of the Listing Regulations.

This Corporate Governance Report of the Company for the year 2015 or as on 31<sup>st</sup> December, 2015 are in compliance with the requirements of Corporate Governance under Clause 49 of the Listing Agreement with BSE Limited or SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as applicable.

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 and sent in soft copy to members who have registered their email address with the Company; **(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 : 12<sup>th</sup> February, 2016

Place : Gurgaon

Suresh Narayanan  
Chairman and Managing Director

#### CERTIFICATE

##### TO THE MEMBERS OF NESTLÉ INDIA LIMITED

We have examined the compliance of regulations of Corporate Governance by Nestlé India Limited for the year ended December 31, 2015, as stipulated in regulations Part C of Schedule V of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations").

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

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

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

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

NEW DELHI, 12<sup>th</sup> February, 2016

Manjula Banerji  
(Partner)  
Membership No. 86423

## **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, re-appointment, removal of Directors, KMPs 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 the shareholders.

**On behalf of the Board of Directors**

**Date : 12<sup>th</sup> February, 2016**

**Place : Gurgaon**

**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.**

The Company, having analysed its value chain has determined the areas of greatest potential for joint value optimisation with society as Nutrition, Water and Rural Development. These activities are core to the Company's business strategy and vital to the welfare of the people in the communities, where it operates. The Company actively seeks engagement and partnerships with stakeholders to optimise positive impact in these focus areas, while managing its commitments to environmental and social sustainability, necessary for the sustainable growth and development of the communities where it operates.

The Company will continue to engage with stakeholders including farmers, experts, NGOs and the Government and would take up such other CSR activities in line with Government's intent and which are important for society. The above areas are mapped with the activities as prescribed in Schedule VII to the Companies Act, 2013 in the Annexure.

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 may also undertake 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. Mr. Suresh Narayanan – Chairman
- b. Dr. Swati Ajay Piramal – Member
- c. Mr. Ravinder Narain – Member

#### **3. Average net profit of the Company for the last three financial years: ₹ 16,643.5 million**

#### **4. Prescribed CSR Expenditure (two per cent of the amount as in item 3 above): ₹ 332.9 million**

#### **5. Details of CSR spent during the financial year 2015.**

- a. **Total amount to be spent for the financial year 2015:** ₹ 235.0 million\*
- b. **Amount unspent, if any:** ₹ 28.9 million as on 31st December 2015. This amount will be spent in 2016 as part of 2015 CSR expenditure.
- 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 and district where the Projects or programs was undertaken	Amount outlay (budget) Project or program wise (₹ in million)	Amount spent on 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 (a) With Universities (b) With NGO	(i)	Punjab, Himachal Pradesh, Uttarakhand, Haryana, Goa, Karnataka, Tamil Nadu, Delhi, Maharashtra, Andhra Pradesh, Telangana	61.0	(a) 7.7 (b) 53.2	60.9	(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
2	Breastfeeding and Nutrition Awareness	(i)	Delhi, Rajasthan, Punjab, Uttar Pradesh, Bihar, Karnataka, Maharashtra	80.0	80.8	80.8	MAMTA Health Institute for Mother and Child

## NESTLÉ INDIA LIMITED

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(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 and district where the Projects or programs was undertaken	Amount outlay (budget) Project or program wise (₹ in million)	Amount spent on Project or program wise (₹ in million)	Cumulative expenditure up to the reporting period (₹ in million)	Amount spent: Direct or through implementing Agency
3	Clean Drinking Water Projects and Water Awareness Programme	(i)+(iv)	Punjab, Himachal Pradesh, Haryana, Goa, Karnataka, Tamil Nadu	22.0	(a) 12.9 (b) 9.3	22.2	(a) Direct (b) Enable Health Society
4	Sanitation Projects	(i)	Punjab, Himachal Pradesh, Uttarakhand, Haryana, Goa, Karnataka, Tamil Nadu, Maharashtra	22.0	21.6	21.6	Direct
5	Water conservation in Agriculture	(i)	Karnataka	5.0	4.8	4.8	AgSri Agricultural Services Private Limited
6	Relief efforts	(viii)	Nepal, Tamil Nadu	6.0	6.0	6.0	Ministry of Food Processing Industries

The amount indicated in column (6) and (7) above is the expenditure on projects or programs. There are overheads of ₹ 9.8 million, and the total expenditure including overheads is ₹ 206.1 million. CSR programmes are detailed under Point 8.

\*Including ₹ 68.4 million as part of 2014 CSR expenditure.

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

As a responsible corporate citizen, the Company has been implementing societal activities since many decades. As per the strict interpretation of the new CSR rules, some of these initiatives may not be eligible under the 2% CSR spend. As these activities are integral to the business, the Company has decided to continue with them. Additionally, the Company has spent/ committed a significant amount which is eligible under the CSR rules and will continue to increase this in a step up manner, with plans for 2% CSR spend in 2016. The Company has ensured that the cumulative spend on societal activities is over 2% as prescribed.

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

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

In 2015, in compliance with its CSR Policy, the Company focused its activities on creating nutrition and breastfeeding awareness, providing access to drinking water and sanitation and supporting sustainable development of farmers while helping them reduce water use. These initiatives are built upon the strong base of performance in environmental sustainability, applicable laws, international standards and Nestlé Corporate Business Principles.

**8. Details of CSR programmes**

**8.1 Nestlé Healthy Kids Programme**

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

The programme is conducted in partnership with six leading regional Universities through the Department of Home Science and Food Science. The Universities collect information on the nutrition status of the region and local food habits through their extension activities and the programme content is developed jointly with Nestlé India nutritionists.

Over 46,500 students have benefitted from the Healthy Kids programme with each student receiving over twelve hours of nutrition training. Pre and post programme behavioural and knowledge tests are conducted to measure the effectiveness of learning and their implementation.

The Company joined hands with Magic Bus, one of India's largest behaviour change organisations, to extend its commitment to promote healthier lifestyles. Magic Bus has a well-entrenched community presence, across 22 states both in rural and urban geographies and the Healthy Kids Programme is conducted through the Magic Bus model of 'engaging through sports and activities' as a medium to bring change. 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 32 sessions for each child has reached out to over 52,800 students across Delhi, Mumbai, Chennai, Bangalore, Vizag and Hyderabad.

#### **8.2 Swasth Jananee, Swasth Shishu (Breastfeeding and Nutrition Awareness Programme)**

The Company rolled out the Swasth Jananee, Swasth Shishu programme in partnership with Mamta Health Institute for Mother and Child as part of its commitment to provide education programmes for good nutrition and feeding practices.

The programme has been conducted 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 focuses 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. The approach involves the health care system and stakeholders from the community to create an enabling environment for the best health outcomes.

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

To help improve access to safe drinking water, the Company began constructing clean drinking water facilities in schools around all its factories in 1999. Till date, the Company has constructed over 255 water tanks across six states in India benefitting more than 109,000 students. The water tanks source water from deep below ground level and the sourced water is stored in hygienic tanks enclosed in a specially designed facilities to preserve the quality of the water. The Company conducts periodic water quality checks to ensure access to safe 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. The Company also conducts Water Awareness Programmes aimed at ensuring sustainable water use reaching out to over 58,300 students.

The Company partnered with Piramal Water (Enable Health Society) for drinking water treatment in locations where groundwater quality does not meet its quality standards. Enable Health Society's top of the line technology with cloud-based remote monitoring systems combined with best-in-class reverse osmosis and filtration units provide real-time data on water quality to ensure delivery of safe water.

#### **8.4 Sanitation Facilities**

In order to ensure availability of basic sanitation facilities, the Company has been sponsoring the construction of sanitation facilities (toilets) for girl students in village schools across all its factory locations. Through this initiative, the Company endeavours to facilitate and remove what is considered the major cause of dropouts among girl students in village schools. In 2015, the Company has set up sanitation facilities in government schools in Mumbai and Chennai, in addition to factory locations. Till date the Company has set up over 234 facilities benefitting more than 80,000 girl students.

#### **8.5 Water Conservation in Agriculture**

The Company launched a water stewardship initiative with AgSRI at the Kabini river Basin in Karnataka. 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 and the Sustainable Sugarcane Initiative. The project aims to set up demonstration farms and train farmers on ecologically sustainable practices to reduce the agricultural water withdrawal from the Kabini catchment area, while improving agricultural productivity.

#### **8.6 Relief Efforts**

The Company responded to natural disasters in Nepal and Chennai by supporting relief operations. As part of the efforts, the Company supplied packaged food and beverages, including milk, coffee and instant noodles to the people affected.

**On behalf of the Board of Directors**

**Date : 12<sup>th</sup> February, 2016**

**Place : Gurgaon**

**Suresh Narayanan  
Chairman and Managing Director**

## NESTLÉ INDIA LIMITED

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### 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	M-5A, CONNAUGHT CIRCUS, NEW DELHI-110001	
4.	Website	www.nestle.in	
5.	E-mail id	investor@in.nestle.com	
6.	Financial Year reported	31-12-2015	
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. Preparation for infant use	19.01.0000
		2. Noodles	19.02.0000
		3. Soluble Coffees, Coffee blends and Tea	21.01.0000
9.	Total number of locations where business activity is undertaken by the Company	Please refer to Corporate Information page of the Annual Report 2015	
	(a) Number of International Locations (Provide details of major 5)	Exports to Turkey, Bangladesh, Nepal, Bhutan and Taiwan	
	(b) Number of National Locations	8 Manufacturing locations, 4 sales branches, Head office and nationwide sales and distribution network	
10.	Markets served by the Company: Local/ State/ National/ International	All India and over 35 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)	₹ 81,232.7 million
3.	Total profit after taxes (INR)	₹ 5,632.7 million
4.	Total Spending on Corporate Social Responsibility (CSR) as percentage of profit after tax (%)	Total spending on CSR is detailed in the Annual Report of CSR Activities, ANNEXURE – 3 to the Board's Report Total spending on Creating Shared Value (CSV) as a percentage of profit after tax: 1.3% (Based on broad estimates)
5.	List of activities in which expenditure in 4 above has been incurred	List of CSR activities is detailed in the Annual Report of CSR Activities, ANNEXURE – 3 to the Board's Report. 1. Nutrition Awareness 2. Rural Development Initiatives 3. Dissemination of Scientific and Nutrition Knowledge

### 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.

### 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	06546858								
		Name	Mr. Aristides Protonotarios								
		Designation	Director-Technical								
	(b) Details of the BR head	DIN Number (if applicable)	Not Applicable								
		Name	Mr. Sanjay Khajuria								
		Designation	Senior Vice President - Corporate Affairs								
		Telephone number	+91-124-3940000								
		e-mail id	creatingsharedvalue.in@in.nestle.com								
2.	Principle-wise (as per NVGs) BR Policy/policies (Reply in Y/N)	P1	P2	P3	P4	P5	P6	P7	P8	P9	
	No. Questions										
	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 been 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	
	(a) 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 2015 is part of the Annual Report, which is available on the website of the Company.									

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## 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 2015, The Company did not receive any stakeholder complaints.

### 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 Confectionery. 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 grams provides 15% of the Daily requirement\* of Vitamin A, Iron and Iodine (\*RDA for Adult Sedentary Male as per Nutrient requirement and recommended daily allowance for Indians, ICMR 2010).
- RESOURCE Diabetic Food for special dietary use: Nutritious drink with protein and a rich source of fibre which slows down glucose absorption. It meets the American Diabetes Association recommendation\* of 14g of fibre/1000 kcal and its range of products which include RESOURCE Renal, RESOURCE Dialysis, RESOURCE Hepatic and RESOURCE High Protein, are designed for varied energy and protein requirements (\*Diabetes care 2008;31 (Suppl1): S61-78).
- NESTLÉ BABY & ME: Nutritional supplement recommended during pregnancy and lactation with essential micronutrients and probiotics.

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 47%, reduced water usage by around 55%, reduced the generation of greenhouse gases by around 57% and the generation of waste water by around 61%.

3. Does the Company have procedures in place for sustainable sourcing (including transportation)? If yes, what percentage of your inputs was sourced sustainably?

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, 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 the capacity and capability of local and small vendors?**

The Company works with farmer communities to ensure sustainable production in the long-term. During 2015, the Company spent about 89% of its total raw material procurement and packaging expenditure on indigenous products. The Company sources fresh milk from around 100,000 farmers, the majority of which are small holders, 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 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 2015, the Company supported more than 33 suppliers through technical assistance, added 25 new suppliers/ supplier locations and localised 25 raw materials. 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%)?**

To demonstrate the Company's commitment towards reduction of environmental footprint of its packaging materials, the Company incorporates labelling as per the Nestlé Policy on Environmental Sustainability and its guidelines on Packaging and Design, IS 14534:1998 (Guidelines for Recycling Plastics) and Plastic Waste (Management and Handling) Rules, 2011. The Company's labelling includes identification of the type of material so as to determine recyclability, anti-litter and recycle logos on products to remind consumers to dispose in a safe and environment friendly way. During 2015, the Company used 35% (by value) of recycled material in packaging and reduced 800 tonnes of packaging material through packaging optimisation.

### Principle 3: Employee Well being

Sr. No.	Particulars	Details
1.	Please indicate the Total number of employees	7,495
2.	Please indicate the Total number of employees hired on temporary/contractual/casual basis	5,213
3.	Please indicate the Number of permanent women employees	555
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	Yes, there are unions representing permanent blue collar employees at 7 factory locations of the Company.
6.	What percentages of your permanent employees are members of this recognised employee association?	53.1%
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, sexual harassment are pending as of end of 2015
8.	What percentage of your under mentioned employees were given safety and skill upgradation training in the last year?	
	(a) Permanent Employees	97.6%
	(b) Permanent Women Employees	100%
	(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
	During the year 2015, 84,395 hours of safety training were given to all employees of the Company including permanent and contractual employees.	

## **NESTLÉ INDIA LIMITED**

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### **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 100 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. If so, provide details thereof, in about 50 words or so.**

The Company engages with over 100,000 milk and 2,000 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.

These 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 2015, the Company did not receive any complaint with regard to human rights.

### **Principle 6: Environment**

#### **1. Does the policy related to Principle 6 cover only the Company or extend 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. <http://www.nestle.com/csv/environmental-sustainability>

#### **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?**

Nestlé India has undertaken initiatives to reduce Green House Gas (GHG) emissions. In 2015, the Company identified 11,000 tonnes of GHG reduction which shall be fully realised in coming year. Some of the key renewable energy projects contributing to GHG savings include installation and commissioning of 300 KW solar plant at the Company's Samalkha factory, sourcing of green power at 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/water-and-environmental-sustainability/protecting-environment/home>

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- 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 2015, the Company did not receive any show cause/ legal notices from CPCB/SPCB which are pending as of end of 2015.

#### **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 Confectionery 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 partner organisations that share our 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.

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## **Principle 9: Customer/ Consumer Value**

### **1. What percentage of customer complaints/consumer cases are pending as on the end of financial year?**

As on the end of 2015, 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 has expanded the use of the Nestlé Nutritional Compass to include a QR (Quick Response) code to give consumers a gateway to useful, fact-based information. The Company also aims to provide consumers with nutrition information through Guideline Daily Amounts (GDA) based labels on front of pack.

### **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.**

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 2015.

### **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 25,000 consumers in 2015 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. <http://www.nestle.com/csv/human-rights-compliance/corruption-bribery>

## **Principle 2**

1. <http://www.nestle.com/aboutus/suppliers>
2. <http://www.nestle.com/csv/water/supplier-engagement>
3. <http://www.nestle.com/asset-library/documents/library/documents/suppliers/appendix-supplier-code-english.pdf>
4. <http://www.nestle.com/csv/rural-development-responsible-sourcing/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. <http://www.nestle.com/csv/rural-development-responsible-sourcing/responsible-sourcing/deforestation>
11. <http://www.nestle.com/csv/rural-development-responsible-sourcing/nescafe-plan>
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\\_soil-soilhealth.pdf](http://www.nestle.com/asset-library/documents/library/documents/corporate_social_responsibility/natural-capital_soil-soilhealth.pdf)

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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. <http://www.nestle.com/csv/our-people/labour-relations#>
7. <http://www.nestle.com/csv/our-people/training-learning>

### **Principle 4**

1. <http://www.nestle.com/csv/water/policy-stewardship>
2. <http://www.nestle.com/csv/what-is-csv/stakeholder-engagement>
3. <http://www.nestle.in/csv/saanjhapan>

### **Principle 5**

1. <http://www.nestle.com/csv/human-rights-compliance>
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. <http://www.nestle.com/csv/environmental-sustainability>
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. [http://www.nestle.com/asset-library/documents/library/documents/corporate\\_social\\_responsibility/the\\_nestl%C3%A9\\_policy\\_on\\_transparent\\_interaction\\_with\\_authorities\\_and%20organisations.pdf](http://www.nestle.com/asset-library/documents/library/documents/corporate_social_responsibility/the_nestl%C3%A9_policy_on_transparent_interaction_with_authorities_and%20organisations.pdf)
2. <http://www.nestle.com/csv/what-is-csv/public-policy>
3. <http://www.nestle.com/aboutus/businessprinciples/report-your-concerns>
4. <http://www.nestle.com/csv/what-is-csv/partnerships-alliances>

## **NESTLÉ INDIA LIMITED**

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### **Principle 8**

1. <http://www.nestle.com/asset-library/documents/library/documents/people/managementleadership-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. <http://www.nestle.com/csv/water/supplier-engagement>
5. <http://www.nestle.com/csv/water/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. <http://www.nestle.com/csv/nutrition/healthy-diet>
10. <http://www.nestle.com/csv/nutrition/nutritional-education>
11. <http://www.nestle.com/csv/nutrition/advertising-marketing>

**On behalf of the Board of Directors**

**Date : 12<sup>th</sup> February, 2016**

**Place : Gurgaon**

**Suresh Narayanan  
Chairman and Managing Director**

## **ANNEXURE - 5 TO THE BOARD'S REPORT**

### **SECRETARIAL AUDIT REPORT**

**FOR THE FINANCIAL YEAR ENDED 31<sup>st</sup> DECEMBER, 2015**

[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  
M-5A, Connaught Circus, New Delhi -110001

We have conducted Secretarial Audit of compliance with the applicable statutory provisions and adherence to good corporate practices by Nestlé India Limited (hereinafter called the Company) for the year ended 31<sup>st</sup> December 2015. 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, 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, 2015 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, papers, minute books, forms and returns filed and other records maintained by the Company for the financial year ended 31<sup>st</sup> December, 2015 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 Commercial 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, 1992 (upto 14<sup>th</sup> May 2015) and Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015 (effective 15<sup>th</sup> May 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 (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 / Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 (effective 28<sup>th</sup> October 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 which were listed 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 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 / propose to delist its equity shares from any Stock Exchange during the year under review; and
  - h) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998 - Not applicable as the Company has not bought back or propose to buy-back any of its securities during the year under review.

## **NESTLÉ INDIA LIMITED**

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- (vi) The management has identified and confirmed the following laws as being specifically applicable to the Company:
- a. Food Safety and Standards Act, 2006, rules and regulations therunder;
  - b. Legal Metrology Act, 2009 and 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 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 and made effective 1<sup>st</sup> July, 2015.
- (ii) The Listing Agreement entered into by the Company with BSE Limited and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (effective 1<sup>st</sup> December, 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 a Woman Director. 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 the 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.
- Majority decision is carried through, while the dissenting members' views, if any, are captured and recorded as part of the minutes.

We further report that based on review of compliance mechanism established by the Company and on the basis of the Compliance Certificate(s) issued by the Company Secretary and taken on record by the Board of Directors at their meeting(s), 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  
Firm Registration No.P1991MH040400**

**S. N. ANANTHASUBRAMANIAN  
Partner  
C.P. No: 1774**

**Date: 10<sup>th</sup> February, 2016  
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 an integral part of this report.

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**'Annexure A'**

To,  
Members, Nestlé India Limited  
CIN: L15202DL1959PLC003786  
M-5A, Connaught Circus, New Delhi -110001

Our Secretarial Audit Report of even date is to be read along with this letter.

**Management's Responsibility**

1. It is the responsibility of the 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 the future viability of the Company nor of the efficacy or effectiveness with which the management has conducted the affairs of the Company.

**For S. N. ANANTHASUBRAMANIAN & CO.**  
Company Secretaries  
Firm Registration No.P1991MH040400

**S. N. ANANTHASUBRAMANIAN**  
Partner  
C.P No: 1774

Date : 10<sup>th</sup> Februry, 2016.  
Place : Thane

# NESTLÉ INDIA LIMITED

## 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, 2015

[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	M-5A, Connaught Circus, New Delhi - 110001, India 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	55.39
2	Beverages	209, 213, 214, 219	15.85
3	Prepared dishes and cooking aids	219	15.59
4	Chocolate and confectionery	209	13.17

#### 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 Breakup 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	-
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>-</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>-</b>
<b>B. Public Shareholding</b>									
<b>1. Institutions</b>									
a) Mutual Funds	508,371	11,090	519,461	0.54	873,314	11,090	884,404	0.92	0.38
b) Banks / FI	28,175	5,626	33,801	0.04	109,002	5,626	114,628	0.12	0.08
c) Central Govt.	32,897	-	32,897	0.03	32,897	-	32,897	0.03	-
d) State Govt(s)	-	-	-	-	-	-	-	-	-
e) Venture Capital Funds	-	-	-	-	-	-	-	-	-
f) Insurance Companies	3,964,094	100	3,964,194	4.11	4,138,907	100	4,139,007	4.30	0.19
g) FIIs	13,291,420	50	13,291,470	13.79	10,010,221	50	10,010,271	10.38	(3.41)
h) Foreign Venture Capital Funds	-	-	-	-	-	-	-	-	-
i) Others	-	-	-	-	-	-	-	-	-
a) Foreign Portfolio Investor	1,299,533	0	1,299,533	1.35	4,316,651	-	4,316,651	4.48	3.13
<b>Sub-total (B)(1) :-</b>	<b>19,124,490</b>	<b>16,866</b>	<b>19,141,356</b>	<b>19.86</b>	<b>19,480,992</b>	<b>16,866</b>	<b>19,497,858</b>	<b>20.23</b>	<b>0.37</b>
<b>2. Non-Institutions</b>									
a) Bodies Corp.									
i) Indian	2,210,377	11,485	2,221,862	2.31	2,024,060	11,060	2,035,120	2.11	(0.20)
ii) Overseas	-	-	-	-	-	-	-	-	-
b) Individuals									
i) Individual shareholders holding nominal share capital upto ₹ 1 lakh	7,723,144	1,375,381	9,098,525	9.44	7,851,181	1,274,354	9,125,535	9.47	0.03
ii) Individual shareholders holding nominal share capital in excess of ₹ 1 lakh	4,595,856	309,945	4,905,801	5.09	4,355,018	273,404	4,628,422	4.80	(0.29)

## 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	
c) Others									
Non - Resident Indians	518,094	4,579	522,673	0.54	604,981	4,579	609,560	0.63	0.09
Foreign Nationals	2,967	0	2,967	0	50	-	50	0	0.00
Overseas Corporate Body (OCB)	500	0	500	0	500	0	500	0	0.00
Trust	6,953	0	6,953	0	3,592	-	3,592	0	0.00
<b>Sub-total (B)(2):-</b>	<b>15,057,891</b>	<b>1,701,390</b>	<b>16,759,281</b>	<b>17.38</b>	<b>14,839,382</b>	<b>1,563,397</b>	<b>16,402,779</b>	<b>17.01</b>	<b>(0.37)</b>
<b>Total Public Shareholding (B)=(B)(1)+(B)(2)</b>	<b>34,182,381</b>	<b>1,718,256</b>	<b>35,900,637</b>	<b>37.24</b>	<b>34,320,374</b>	<b>1,580,263</b>	<b>35,900,637</b>	<b>37.24</b>	<b>0.00</b>
<b>C. Shares held by Custodian for GDRs &amp; ADRs</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Grand Total (A+B+C)</b>	<b>94,697,460</b>	<b>1,718,256</b>	<b>96,415,716</b>	<b>100.00</b>	<b>94,835,453</b>	<b>1,580,263</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 share holding 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 / encumbered 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)

Sl. No.	Shareholder's Name	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>Nestlé S.A.</b>				
	At the beginning of the year	33,051,399	34.28	33,051,399	34.28
	Transactions (Purchase/Sale) during the year:	-	-	33,051,399	34.28
	At the end of the year	-	-	33,051,399	34.28
2.	<b>MAGGI Enterprises Limited</b>				
	At the beginning of the year	27,463,680	28.48	27,463,680	28.48
	Transactions (Purchase/Sale) during the year:	-	-	27,463,680	28.48
	At the end of the year	-	-	27,463,680	28.48

\* There was no change in the promoters' shareholding during the year.

(iv) Shareholding Pattern of top ten Shareholders (other than Directors, Promoters and Holders of GDRs and ADRs):

Sl. No.	For Each of the Top 10 Shareholders	Shareholding at the beginning of the year		Date of change in Shareholding	Increase/Decrease in Shareholding	Reason for Increase/Decrease	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>Life Insurance Corporation of India</b>	2,446,004	2.54	01/01/2015	-	-	2,446,004	2.54
				16/01/2015	(129,450)	Transfer	2,316,554	2.41
				23/01/2015	(61,638)	Transfer	2,254,916	2.35
				30/01/2015	(26,450)	Transfer	2,228,466	2.32
				06/02/2015	(3,723)	Transfer	2,224,743	2.32
				13/02/2015	(1,621)	Transfer	2,223,122	2.32
				10/07/2015	28,599	Transfer	2,251,721	2.35
				17/07/2015	92,284	Transfer	2,344,005	2.45
				24/07/2015	17,484	Transfer	2,361,489	2.47
				31/07/2015	19,248	Transfer	2,380,737	2.49
				20/11/2015	71,550	Transfer	2,452,287	2.56
				27/11/2015	11,946	Transfer	2,464,233	2.57
				04/12/2015	1,50,167	Transfer	2,614,400	2.72
				11/12/2015	149,536	Transfer	2,763,936	2.87
				31/12/2015	-	-	2,763,936	2.87
2	<b>Arisaig Partners (Asia) Pte. Ltd. A/c Arisaig India Fund Limited</b>	1,833,651	1.90	01/01/2015	-	-	1,833,651	1.90
				31/12/2015	-	-	1,833,651	1.90
3	<b>Aberdeen Global Indian Equity (Mauritius) Limited</b>	1,758,062	1.82	01/01/2015	-	-	1,758,062	1.82
				13/03/2015	(10,300)	Transfer	1,747,762	1.81
				27/03/2015	(671,05)	Transfer	1,680,657	1.73
				31/03/2015	(28,480)	Transfer	1,652,177	1.70
				10/04/2015	(32,115)	Transfer	1,620,062	1.67
				30/09/2015	(130,000)	Transfer	1,490,062	1.54
				31/12/2015	-	-	1,490,062	1.54
4	<b>National Westminster Bank PLC</b>	736,862	0.76	01/01/2015	-	-	736,862	0.76
				30/01/2015	(19,845)	Transfer	717,017	0.74
				06/02/2015	(6,350)	Transfer	710,667	0.74
				13/02/2015	(333)	Transfer	710,334	0.74
				20/02/2015	(17,754)	Transfer	692,580	0.73
				27/02/2015	(111,919)	Transfer	580,661	0.58
				06/03/2015	(31,654)	Transfer	549,007	0.56
				13/03/2015	(7,239)	Transfer	541,768	0.56
5	<b>Mira Pradeep Singh</b>	632,100	0.66	01/01/2015	-	-	632,100	0.66
				31/12/2015	-	-	632,100	0.66
6	<b>Bajaj Allianz Life Insurance Company Ltd.</b>	610,177	0.63	01/01/2015	-	-	610,177	0.63
				09/01/2015	6,000	Transfer	616,177	0.62

## NESTLÉ INDIA LIMITED

Sl. No.	For Each of the Top 10 Shareholders	Shareholding at the beginning of the year		Date of change in Shareholding	Increase/ Decrease in Shareholding	Reason for Increase/ Decrease	Cumulative Shareholding during the year	
		No. of shares	% of total shares of the company				No. of shares	% of total shares of the company
				16/01/2015	5,000	Transfer	621,177	0.62
				27/03/2015	(11,623)	Transfer	609,554	0.61
				10/04/2015	8,000	Transfer	617,554	0.62
				12/06/2015	(58,320)	Transfer	559,234	0.56
				26/06/2015	(46,500)	Transfer	512,734	0.51
				30/06/2015	(16,000)	Transfer	496,734	0.49
				17/07/2015	(64,211)	Transfer	432,523	0.42
				07/08/2015	(20,000)	Transfer	412,523	0.40
				21/08/2015	(42,000)	Transfer	370,523	0.36
				28/08/2015	(3,330)	Transfer	367,193	0.36
				04/09/2015	(14,000)	Transfer	353,193	0.35
				25/09/2015	(5,000)	Transfer	348,193	0.34
				23/10/2015	5,000	Transfer	353,193	0.35
				20/11/2015	3,000	Transfer	356,193	0.36
				04/12/2015	(10,339)	Transfer	345,854	0.35
				11/12/2015	(12,000)	Transfer	333,854	0.34
				18/12/2015	(3,500)	Transfer	330,354	0.34
				25/12/2015	2,000	Transfer	332,354	0.34
				31/12/2015	-	-	332,354	0.34
7	<b>HDFC Standard Life Insurance Company Limited</b>	581,278	0.60	01/01/2015	-	-	581,278	0.60
				09/01/2015	165	Transfer	581,443	0.60
				16/01/2015	2	Transfer	581,445	0.60
				30/01/2015	(14,744)	Transfer	566,701	0.58
				06/02/2015	4,293	Transfer	570,994	0.58
				13/02/2015	5,044	Transfer	576,038	0.59
				27/02/2015	(7,898)	Transfer	568,140	0.58
				06/03/2015	4,500	Transfer	572,640	0.59
				13/03/2015	(4,698)	Transfer	567,942	0.59
				27/03/2015	(8,063)	Transfer	559,879	0.58
				10/04/2015	1,739	Transfer	561,618	0.58
				17/04/2015	(3,539)	Transfer	558,079	0.58
				24/04/2015	(2,100)	Transfer	555,979	0.58
				01/05/2015	3,000	Transfer	558,979	0.58
				08/05/2015	9	Transfer	558,988	0.58
				29/05/2015	(35,326)	Transfer	523,662	0.54
				05/06/2015	(39,888)	Transfer	483,774	0.50
				12/06/2015	(70,798)	Transfer	412,976	0.43
				19/06/2015	(76)	Transfer	412,900	0.43
				26/06/2015	(63)	Transfer	412,837	0.43

Sl. No.	For Each of the Top 10 Shareholders	Shareholding at the beginning of the year		Date of change in Shareholding	Increase/ Decrease in Shareholding	Reason for Increase/ Decrease	Cumulative Shareholding during the year	
		No. of shares	% of total shares of the company				No. of shares	% of total shares of the company
8	<b>Vontobel India Fund<sup>#</sup></b>			03/07/2015	(436)	Transfer	412,401	0.43
				10/07/2015	(96)	Transfer	412,305	0.43
				14/08/2015	(321)	Transfer	411,984	0.43
				28/08/2015	(5,060)	Transfer	406,924	0.42
				11/09/2015	50	Transfer	406,974	0.42
				18/09/2015	(278)	Transfer	406,696	0.42
				25/09/2015	(9,000)	Transfer	397,696	0.41
				30/09/2015	(5,000)	Transfer	392,696	0.40
				09/10/2015	(526)	Transfer	392,170	0.40
				16/10/2015	(4,994)	Transfer	387,176	0.39
				23/10/2015	(13,779)	Transfer	373,397	0.38
				30/10/2015	(11,307)	Transfer	362,090	0.37
				31/12/2015	-	-	362,090	0.37
		537,832	0.56	01/01/2015	-	-	537,832	0.56
9	<b>Virtus Emerging Markets Opportunities Fund<sup>#</sup></b>			09/01/2015	8,206	Transfer	546,038	0.55
				16/01/2015	6,911	Transfer	552,949	0.54
				27/03/2015	(12,788)	Transfer	540,161	0.53
				31/03/2015	(4,899)	Transfer	535,262	0.53
				10/04/2015	(18,032)	Transfer	517,230	0.51
				17/04/2015	(9,778)	Transfer	507,452	0.50
				24/04/2015	(2,245)	Transfer	505,207	0.50
				05/06/2015	(21,984)	Transfer	483,223	0.48
				12/06/2015	(42,988)	Transfer	440,235	0.44
				21/08/2015	(6,169)	Transfer	434,066	0.43
				28/08/2015	(3,942)	Transfer	430,124	0.43
				04/09/2015	(3,690)	Transfer	426,434	0.43
				04/12/2015	(55,251)	Transfer	371,183	0.37
				11/12/2015	(34,872)	Transfer	336,311	0.33
				18/12/2015	(10,113)	Transfer	316,198	0.32
				25/12/2015	(3,807)	Transfer	322,291	0.32
				31/12/2015	(5,845)	Transfer	316,546	0.32

## NESTLÉ INDIA LIMITED

Sl. No.	For Each of the Top 10 Shareholders	Shareholding at the beginning of the year		Date of change in Shareholding	Increase/ Decrease in Shareholding	Reason for Increase/ Decrease	Cumulative Shareholding during the year	
		No. of shares	% of total shares of the company				No. of shares	% of total shares of the company
				04/09/2015	(5,491)	Transfer	451,588	0.46
				27/11/2015	(7,400)	Transfer	444,188	0.45
				04/12/2015	(57,550)	Transfer	386,638	0.39
				11/12/2015	(36,325)	Transfer	350,313	0.36
				18/12/2015	(10,534)	Transfer	339,779	0.35
				25/12/2015	(3,965)	Transfer	335,814	0.34
				31/12/2015	(6,090)	Transfer	329,724	0.34
10	<b>Vanguard Emerging Markets Stock Index Fund, A Series of Vanguard International Equity Index Fund</b>	424,263	0.44	01/01/2015	-	-	424,263	0.44
				09/01/2015	(2,091)	Transfer	422,172	0.44
				16/01/2015	(918)	Transfer	421,254	0.44
				23/01/2015	(867)	Transfer	420,387	0.44
				06/02/2015	(255)	Transfer	420,132	0.44
				13/02/2015	(1,020)	Transfer	419,112	0.44
				31/03/2015	(765)	Transfer	418,347	0.44
				01/05/2015	1,122	Transfer	419,469	0.44
				08/05/2015	1,275	Transfer	420,744	0.44
				14/08/2015	(1,450)	Transfer	419,294	0.44
				21/08/2015	(3,480)	Transfer	415,814	0.44
				28/08/2015	(6,786)	Transfer	409,028	0.43
				04/09/2015	(9,280)	Transfer	399,748	0.42
				11/09/2015	(4,872)	Transfer	394,876	0.41
				25/09/2015	(1,276)	Transfer	393,600	0.41
				30/09/2015	(3,828)	Transfer	389,772	0.40
				18/12/2015	(1,872)	Transfer	387,900	0.40
				25/12/2015	(900)	Transfer	387,000	0.40
				31/12/2015	-	-	387,000	0.40
11	<b>Bright Star Investments Pvt. Ltd.*</b>	344,836	0.36	01/01/2015	-	-	344,836	0.36
				31/12/2015	-	-	344,836	0.36
12	<b>Franklin Templeton Investments Funds*</b>	343,000	0.21	01/01/2015	-	-	343,000	0.36
				09/01/2015	24,438	Transfer	367,438	0.38
				16/01/2015	5,562	Transfer	373,000	0.38
				27/02/2015	100,000	Transfer	473,000	0.49
				08/05/2015	(14,368)	Transfer	458,632	0.47
				15/05/2015	(12,632)	Transfer	446,000	0.46
				19/06/2015	2,424	Transfer	448,424	0.46
				14/08/2015	(2,424)	Transfer	446,000	0.46
				31/12/2015	-	-	446,000	0.46

Note: The above information is based on the weekly beneficiary position received from depositories.

\* Not in the list of Top 10 shareholders as on 01/01/2015. The same has been reflected above since the shareholder was one of the Top 10 shareholders as on 31/12/2015

# Ceased to be in the list of Top 10 shareholders as on 31/12/2015. The same has been reflected above since the shareholder was one of the Top 10 shareholders as on 01/01/2015.

**(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:	-	-	805	0.00
	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:	-	-	1	0.00
	At the end of the year	1	0.00	1	0.00

Note: Mr. Suresh Narayanan, Mr. Aristides Protonotarios, Mr. AK Mahindra, Mr. Ravinder Narain, Mr. Rajya Vardhan Kanoria and Dr. (Mrs.) Swati Ajay Piramal did not hold any shares during the year 2015.

**(V) INDEBTEDNESS**

**Indebtedness of the Company including interest outstanding/ accrued but not due for payment**

(₹ in million)

	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
<b>Indebtedness at the beginning of the financial year</b>				
i) Principal Amount	41.10	154.60	-	195.70
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	-	-	-	-
<b>Total (i+ii+iii)</b>	41.10	154.60	-	195.70
<b>Change in Indebtedness during the financial year</b>				
• Addition	9.00	13.70	-	22.70
• Reduction	41.10	-	-	41.10
Net Change	(32.10)	13.70	-	(18.40)
<b>Indebtedness at the end of the financial year</b>				
i) Principal Amount	9.00	168.30	-	177.30
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	-	-	-	-
<b>Total (i+ii+iii)</b>	9.00	168.30	-	177.30

## NESTLÉ INDIA LIMITED

### VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

#### A. Remuneration to Managing Director, Whole-time Directors and/or Manager:

(₹ in million)

Sl. No.	Particulars of Remuneration	Name of MD / WTD / Manager				Total Amount
		Suresh Narayanan <sup>1</sup>	Shobinder Duggal	Aristides Protonotarios	Etienne Benet <sup>2</sup>	
1	Gross salary					
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	23.75	13.73	22.32	22.34	82.15
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961	3.39	15.34	15.56	19.96	54.25
	(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)	- 4.43	- 4.86	- 15.77	- 18.60	- 43.66
5	Others, (Company's contribution to PF)	0.87	1.38	1.01	1.14	4.39
	Total (A)	32.44	35.31	54.66	62.04	184.45
	Ceiling as per the Act	Being 10% of the Net Profits of the Company calculated as per Section 198 of the Companies Act, 2013				819.30

#### B. Remuneration to other directors:

(₹ in million)

Sl. No.	Particulars of Remuneration	Name of Directors					Total Amount
		M.W.O Garrett <sup>3</sup>	RV Kanoria	AK Mahindra	Ravinder Narain	Swati A Piramal	
1	<b>Independent Directors</b>						
	Fee for attending board committee meetings	0.00	1.10	1.10	0.98	0.33	3.51
	Commission	0.22	0.60	0.60	0.60	0.60	2.62
	Others, please specify	-	-	-	-	-	-
	Total (1)	0.22	1.70	1.70	1.58	0.93	6.13
2	<b>Other Non-Executive Directors</b>	Antonio H. Waszyk <sup>4</sup>	-	-	-	-	-
	Fee for attending board committee meetings	-	-	-	-	-	-
	Commission	-	-	-	-	-	-
	Others, please specify	-	-	-	-	-	-
	Total (2)	-	-	-	-	-	-
	Total (B)=(1+2)	0.22	1.70	1.70	1.58	0.93	6.13
	Total Managerial Remuneration <sup>^</sup>						190.58
	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					901.23

<sup>1</sup> Appointed as Managing Director with effect from 1<sup>st</sup> August, 2015.

<sup>2</sup> Relinquished his office with effect from 25<sup>th</sup> July, 2015.

<sup>3</sup> Relinquished his office with effect from 15<sup>th</sup> May, 2015.

<sup>4</sup> Relinquished his office with effect from 1<sup>st</sup> October, 2015.

<sup>^</sup> Total remuneration to Chairman & 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 million)

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	10.97	10.97
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961	9.90	9.90
	(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	3.21	3.21
5	Others, (Company's contribution to PF)	1.04	1.04
	Total	25.12	25.12

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 : 12<sup>th</sup> February, 2016

Place : Gurgaon

**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 Directors’ Report for the year ended 31<sup>st</sup> December, 2015**

### **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 and eliminating excess use of paper.

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 Nestlé India there are 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.

Following are some of the significant energy projects executed in 2015:

In 2015, total 54 energy reduction projects were completed in Nestlé India factories which will result in annualised savings of 100,000 GJ (saving of 2.9% of total annual Energy consumption) and shall be fully realized in the coming year.

Following are the significant energy projects executed in 2015:

- Desuperheater installation in chiller plants in 3 factories.
- Heat recovery in air compressors to pre-heat boiler make up water.
- Replacement of steam ejector with vacuum pump.
- Optimization of excess air in flue gases of coal fired boiler.
- Energy recovery from Air pre heater of air heater.
- Yield improvement of boilers in 2 factories.
- LED lighting in 3 factories.

The Company also completed 40 water reduction projects in factories which will result in savings of 194,000 m<sup>3</sup> and shall be fully realized in the coming year.

Some of the key initiatives contributing to water savings in 2015 are:

- Increase in water recovery from Effluent Treatment Plant treated water by installing Reverse Osmosis plant in one of the factories.
- Optimizing the seal water consumption in process and usage in Cooling towers.
- Reuse of Ultra Filtration reject water by mixing with river water in one of the factories.
- Recycling and reuse of evaporator condensate after passing through Reverse Osmosis plant in one of the factories.

#### **(b) Additional Investment**

One focused Energy Audit was conducted at one of the factories in 2015 where the Company identified 37 Number of Energy conservation projects & 57,000 GJ of absolute energy saving potential. After Implementation, these projects are expected to deliver 6% approx. energy savings in Moga factory.

Following are the additional proposals which are initiated for implementation during 2016.

- Installation of Effluent Treatment Plant, Reverse Osmosis Plant to increase the recycle water in one of the factories.
- Heat recovery in cow water Reverse Osmosis for boiler feed water heating.

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

The measures taken during 2015, including measures initiated in the past in the above direction have facilitated efforts for conservation of energy and helped contain the energy costs. As a result, during the period from 2000 to 2015, for every ton of production, the Company has reduced the usage of energy by around 47%, water usage by around 55%, generation of waste water by around 61%, reduction in specific direct greenhouse gas emissions by 57%.

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

**Energy initiatives planned or in progress:**

Following are the additional proposals which are initiated for implementation during 2016.

- Implementation of projects identified in the Energy target setting at one of the factories.
- Improvement in steam condensate recovery in the factories.
- Heat pump installation for replacing process water heat exchanger in the factories.
- Replacement of High Pressure fans with energy efficient fan in 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 rated as water scarce like Samalkha. Few key initiatives planned or in progress are:

- Installation & commissioning of Reverse Osmosis plant at Effluent treatment plant water ex Membrane Bio Reactor to reuse the treated water in Samalkha
- Recycling and reuse of evaporator condensate after passing through Reverse Osmosis plant in one of the factories.
- Installation & commissioning of Reverse Osmosis system for reject water of drinking water Reverse Osmosis plant in one of the factories

**Description of the initiatives undertaken to reduce Green House Gases (GHG) emissions**

Nestlé India had identified 11,000 Tons of GHG reduction in 2015 which would be fully realized in coming year. Some of the key renewable energy projects contributed to GHG savings are:

- Installation & commissioning of 300 KW solar plant at one of the factories.
- Initiated sourcing of Green power at one of the factories.
- Contribution by Energy reduction projects.

**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.

## **NESTLÉ INDIA LIMITED**

### **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 over two billion Swiss Francs. Expenditure of the Company in the nature of R&D are those incurred locally, primarily relating to testing and modifying of products for local conditions and are as under:

	(₹ in million)
a) Capital	66.9
b) Recurring	161.2
c) Total	228.1
d) Total as a percentage of total turnover	0.28%

### **Technology absorption, adaptation and innovation**

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

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

#### **2. Benefits derived as a result of the above efforts**

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

#### **3. Imported Technology**

All the food products manufactured and / or sold by the Company are by virtue of the imported technology received on an ongoing basis from the collaborators. Technology transfer has to be an ongoing process and not a one-time exercise, for the Company to remain competitive and offer high quality and value for money products to the consumers. This has been secured by the Company under the General Licence Agreement with the collaborators and provides access for licence to use the technology and improvements thereof, for the product categories, manufactured / sold by the Company, on a continuous basis.

### **C. FOREIGN EXCHANGE EARNINGS AND OUTGO**

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

Members are requested to refer to the 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 ₹ 6,334.4 million comprising foreign exchange earnings of ₹ 4,648.4 million and export to Nepal and Bhutan in Rupees amounting to ₹ 1,506.6 million.

Foreign exchange outgo of ₹ 10,284.8 million: Details of earnings from exports and foreign exchange outgo on account of imports, expenditure on travelling, general licence fees, etc. and remittances made to non-resident shareholders on account of dividend are shown in Notes 43, 44, 45(a) and 46 respectively of Notes to the Accounts. Members are requested to refer to these Notes.

**On behalf of the Board of Directors**

**Date : 12<sup>th</sup> February, 2016**

**Place : Gurgaon**

**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 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	44 : 1
Mr. Etienne Benet***	Managing Director	84 : 1
Mr. Aristides Protonotarios	Director – Technical	74 : 1
Mr. Shobinder Duggal	Director – Finance & Control and CFO	48 : 1

\* Employees for the above purpose includes all employees excluding employees governed under collective bargaining.

\*\* Appointed as Managing Director with effect from 1<sup>st</sup> August, 2015

\*\*\* Ceased to be Managing Director with effect from 25<sup>th</sup> July, 2015

- ii. The % increase in remuneration of each director, Chief Financial Officer, Chief Executive Officer, Company Secretary or Manager, if any, in the financial year:

Designation	Name of Employee	% increase in remuneration
Chairman and Managing Director	Mr. Suresh Narayanan*	Not Applicable
Managing Director	Mr. Etienne Benet**	Not Comparable
Director – Technical	Mr. Aristides Protonotarios	4.9
Director – Finance & Control and CFO	Mr. Shobinder Duggal	(2.1)
SVP – Legal and Company Secretary	Mr. B. Murli	8.3

\* Appointed as Managing Director with effect from 1<sup>st</sup> August, 2015

\*\* Ceased to be Managing Director with effect from 25<sup>th</sup> July, 2015

- iii. The % increase in the median remuneration of employees in the financial year : 9.49%.

- iv. The number of permanent employees on the rolls of the Company : 7,495.

- v. The explanation on the relationship between average increase in remuneration and Company's performance : Nestlé India's reward principles are influenced by individual performance as well as various factors such as competitive market practices, cost considerations and of course, the business results achieved. In order to ascertain our positioning with respect to the market, the Company undertakes detailed benchmarking surveys with organizations of similar profile. The final salary increases that are made depend on the Company's market competitiveness within this comparator group, while at the same time taking into account the performance of the Company as well that of the concerned individual. The Company is committed to pay for performance culture which endeavors to differentiate pay levels on an individual performance basis. The salary increases that were made during the year were in line with both the Company's performance as well as the Company's market competitiveness.

- vi. Comparison of the remuneration of the Key Managerial Personnel against the performance of the Company:

Total Remuneration to Key Managerial Personnel (KMP) for the year 2015 (₹ in million)	209.56
Income from operations (₹ in million)	81,753.10
Total Remuneration of KMP as % to Revenue	0.26
Profit before Tax (PBT) (₹ in million)	8,136.30
Total Remuneration of KMP as % of PBT	2.57

Remuneration for the Key Managerial Personnel is also guided by Nestlé India's reward principles, which factor in individual performance as well as various factors such as competitive market practices, cost considerations and of course, the business results achieved. The increase during the year reflects our reward philosophy as well as the results of the benchmarking exercise and Company's business performance.

## NESTLÉ INDIA LIMITED

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- vii. a) **Variations in the market capitalisation of the company:** The market capitalisation of the company as at the closing date of the current financial year and previous financial year has decreased by 8.7%.
- b) **Price Earnings Ratio of the Company:** 99.69 on 31<sup>st</sup> December, 2015 and 51.92 as at 31<sup>st</sup> December, 2014.
- c) **Percentage increase over decrease in the market quotations of the shares of the Company in comparison to the rate at which the Company came out with the last public offer:** The closing share price of the Company at BSE Limited on 31<sup>st</sup> December, 2015 being ₹ 5824 per equity share of face value of ₹ 10 each has grown 582 times since the last public offer by the Company, which was made in the year 1968.
- viii. **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 9.5%, while the increase in the remuneration of managerial personnel was 4.9%. These increases are a function of the Company's market competitiveness within its comparator group as ascertained through the detailed salary benchmarking survey the Company undertake annually. The increase during the year reflects the Company's reward philosophy as well as the results of the benchmarking exercise.

- ix. **Comparison of the each remuneration of the Key Managerial Personnel against the performance of the Company:**

Particulars	Amount (₹ In million)				
Particulars	Mr. Suresh Narayanan*	Mr. Etienne Benet**	Mr. Shobinder Duggal	Mr. Aristides Protonotarios	Mr. B. Murli SVP – Legal and Company Secretary
Revenue from operations					81,753.10
Profit before Tax (PBT)					8,136.30
Remuneration of KMP for the year 2015 (₹ in million)	32.44	62.04	35.31	54.66	25.12
Remuneration of KMP as % to Revenue	0.04	0.08	0.04	0.07	0.03
Remuneration of KMP as % of PBT	0.40	0.76	0.43	0.67	0.31

\* Appointed as Managing Director with effect from 1<sup>st</sup> August, 2015

\*\* Ceased to be Managing Director with effect from 25<sup>th</sup> July, 2015

- x. **The key parameters for any variable component of remuneration availed by the directors:** Variable Component is a critical element of Total Rewards and delivers value for employees who deliver tangible results for the business, against agreed targets. Employees including Key Managerial Personnel, Annual Short Term Bonus is linked to both Company and Individual Performance.
- xi. **The ratio of the remuneration of the highest paid director to that of the employees who are not directors but receive remuneration in excess of the highest paid director during the financial year :** Not Applicable
- xii. **It is hereby affirmed that the remuneration is as per the Remuneration Policy of the Company.**

**On behalf of the Board of Directors**

**Date : 12<sup>th</sup> February, 2016**

**Place : Gurgaon**

**Suresh Narayanan  
Chairman and Managing Director**



Nestlé



Good Food, Good Life

**A part of India's life for over 100 years**

# 2016

I/We hereby record my/our presence at the 57<sup>th</sup> Annual General Meeting of the Company at Air Force Auditorium, Subroto Park, New Delhi-110010 on Thursday, 12<sup>th</sup> May, 2016 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

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

**NOTE :** Please read instructions given at Note No. 14 of the Notice of the 57<sup>th</sup> Annual General Meeting carefully before voting electronically.

### NESTLÉ INDIA LIMITED

(CIN : L15202DL1959PLC003786)

Regd. Office : M-5A, Connaught Circus, New Delhi - 110 001

### 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 : .....Signature : .....or failing him;

2. Name : .....Address : .....Signature : .....or failing him;

E-mail Id : .....Signature : .....or failing him;

3. Name : .....Address : .....Signature : .....;

E-mail Id : .....Signature : .....;

as my/our proxy to attend and vote (on a poll) for me/us and on my/our behalf at the 57<sup>th</sup> Annual General Meeting of the Company, to be held on Thursday, 12<sup>th</sup> May, 2016 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*	
	For	Against
<b>Ordinary Business</b>		
1. Adoption of Financial Statements for the year ended 31 <sup>st</sup> December, 2015.		
2. Confirm two interim dividends already paid during the year 2015 and declare final dividend.		
3. Re-appointment of Mr. Shobinder Duggal (DIN : 00039580) who retires by rotation.		
4. Appointment of M/s. A.F. Ferguson & Co., Chartered Accountants (ICAI Registration No. 112066W) as Auditors and fixing their remuneration.		
<b>Special Business</b>		
5. Ratification of Remuneration of M/s Ramanath Iyer & Co., Cost Auditors (Firm Registration No. 00019).		
6. Approval for Appointment of Dr. Rakesh Mohan (DIN : 02790744) as an Independent Non-Executive Director.		

Signed this .....day of.....2016.

Signature of shareholder .....

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

Affix  
Revenue  
Stamp

**Note:** 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 57<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**

(CIN: L15202DL1959PLC003786)

Registered Office: M-5A, Connaught Circus, 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 SEVENTH ANNUAL GENERAL MEETING OF NESTLÉ INDIA LIMITED will be held at Air Force Auditorium, Subroto Park, New Delhi – 110 010 on Thursday, 12<sup>th</sup> May, 2016 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 2015 including audited Balance Sheet as at 31<sup>st</sup> December, 2015, 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 two interim dividends aggregating to ₹ 30 per equity share, already paid for the year ended 31<sup>st</sup> December, 2015 and declare final dividend.
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 appoint M/s. A.F. Ferguson & Co., Chartered Accountants (ICAI Registration No. 112066W) as statutory auditors of the Company and fix their remuneration.

### **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 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 cost auditors by the Board of Directors of the Company to conduct the audit of the cost accounting records for the milk food products manufactured by the Company for the financial year ending 31<sup>st</sup> December, 2016 be paid ₹ 175,000/- plus out of pocket expenses and applicable service tax."

6. To consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:

"RESOLVED THAT pursuant to provisions of Sections 149, 150, 152 and any other applicable provisions of the Companies Act, 2013 ("the 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(b) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, Dr. Rakesh Mohan (DIN 02790744), who was appointed as an Additional Director of the Company by the Board of Directors with effect from 1<sup>st</sup> May, 2016, in terms of Section 161(1) of the Act and Article 127 of the Articles of Association of the Company and whose term of office expires at the Annual General Meeting and in respect of whom the Company has received a notice in writing from a member proposing his candidature for the office of Director, be and is hereby appointed as an Independent Non-Executive Director of the Company to hold office for a term up to 30<sup>th</sup> June, 2020".

By Order of the Board

Date : 28<sup>th</sup> March, 2016  
Place : Gurgaon

B. Murli  
Senior Vice President – Legal  
& Company Secretary

### **IMPORTANT NOTES:**

1. The Register of Members and the Share Transfer books of the Company will remain closed from Wednesday, 18<sup>th</sup> May, 2016 to Thursday, 19<sup>th</sup> May, 2016 (both days inclusive) for annual closing and determining the entitlement of the shareholders to the final dividend for 2015.
2. The Explanatory Statement pursuant to Section 102 of the Companies Act, 2013, which sets out details relating to Special Business at the meeting, 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.** A person can act as proxy on behalf of members not exceeding fifty (50) and holding in the aggregate not more than ten percent of the total share capital 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 48 hours before the commencement of the meeting. A Proxy form is sent herewith. Proxies submitted on behalf of the companies, societies etc., must be supported by an appropriate resolution/authority, as applicable.

4. Final dividend of ₹ 18.50 per equity share has been recommended by the Board of Directors for the year ended 31<sup>st</sup> December, 2015 and subject to the approval of the shareholders at the ensuing Annual General Meeting, is proposed to be paid on and from 31<sup>st</sup> May, 2016. First and Second interim dividends for the year 2015, at the rate of ₹ 14.00 and ₹ 16.00 per equity share, were paid on 2<sup>nd</sup> June, 2015 and 23<sup>rd</sup> December, 2015, 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. 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 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 are requested to write to the Company.
6. Under Section 124 of the Companies Act, 2013, 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 ₹ 2,231,262/- and ₹ 4,958,162/- being the unpaid and unclaimed dividend amount pertaining to Final Dividend 2007 and Interim Dividend 2008; and Second Interim Dividend 2008 and Special Dividend on 4<sup>th</sup> June, 2015 and 29<sup>th</sup> December, 2015, respectively, to the Investor Education and Protection Fund of the Central Government.

The Ministry of Corporate Affairs (MCA) on 10<sup>th</sup> May, 2012 notified the IEPF (Uploading of information regarding unpaid and unclaimed amounts lying with companies) Rules, 2012 (IEPF Rules), which is applicable to the Company. The objective of the IEPF Rules is to help the shareholders ascertain status of the unclaimed amounts and overcome the problems due to misplacement of intimation thereof by post etc. In terms of the said IEPF Rules, the Company has uploaded the information in respect of the Unclaimed Dividends in respect of the financial years from 2008, as on the date of the 56<sup>th</sup> Annual General Meeting held on 15<sup>th</sup> May, 2015, on the website of the IEPF viz. [www.iepf.gov.in](http://www.iepf.gov.in) and under "Investors Section" on the Website of the Company viz. [www.nestle.in](http://www.nestle.in)

The Company has been sending reminders to those members having unclaimed dividends before transfer of such dividend(s) to IEPF. Members, who have not encashed their dividend pertaining to Final Dividend 2008 and Interim Dividend 2009, are advised to write to the Company immediately claiming dividends declared by the Company.

7. 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.
8. 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.
9. 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.
10. Details as required in sub-regulation (3) of Regulation 36 of the Listing Regulations in respect of the Directors seeking appointment/ re-appointment at the Annual General Meeting, forms integral part of the notice. Requisite declarations have been received from the Directors for his appointment/ re-appointment.
11. Electronic copy of the Annual Report for 2015 is being sent to all the members whose email IDs 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 Annual Report for 2015 is being sent in the permitted mode.
12. Electronic copy of the Notice of the 57<sup>th</sup> Annual General Meeting 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 IDs 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 57<sup>th</sup> Annual General Meeting 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 57<sup>th</sup> Annual General Meeting, Attendance Slip, Proxy Form, Route Map, Ballot Paper and the Annual Report for 2015 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 at New Delhi for inspection during normal business hours on working days. 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 id: [investor@in.nestle.com](mailto:investor@in.nestle.com).

#### **14. Voting through electronic means**

- I. In compliance with provisions of Section 108 of the Companies Act, 2013, Rule 20 of the Companies (Management and Administration) Rules, 2014 as substituted by the Companies (Management and Administration) Amendment Rules, 2015 ('Amended Rules 2015') and Regulation 44 of the Listing Regulations and Secretarial Standard on General Meetings (SS2) issued by the Institute of Company Secretaries of India, the Company is pleased to provide its members facility to exercise their right to vote on resolutions proposed to be considered at the 57<sup>th</sup> Annual General Meeting (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 9<sup>th</sup> May, 2016 (9:00 am) and ends on 11<sup>th</sup> May, 2016 (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 5<sup>th</sup> May, 2016, 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 for information purpose only.
- VI. The process and manner for remote e-voting are as under:
  - A. Member whose email IDs are registered with the Company/Depository Participants(s) will receive an email from NSDL informing them of their User-ID and Password. Once the Members receives the email, he or she will need to go through the following steps to complete the e-voting process:
    - (i) Open email and open PDF file titled; "Nestlé India remote e-voting.pdf" with your Client ID or Folio No. as password. The said PDF file contains your user ID and password/PIN for remote e-voting. Please note that the password is an initial password.
    - (ii) Launch internet browser by typing the following URL: <https://www.evoting.nsdl.com/>
    - (iii) Click on Shareholder - Login
    - (iv) Enter the user ID and password as initial password/PIN noted in step (i) above. Click on Login.
    - (v) The Password change menu will appears. Change the password/PIN with new password of your choice with minimum 8 digits/ characters or combination thereof. Note new password. It is strongly recommended that you do not share your password with any other person and take utmost care to keep your password confidential.
    - (vi) Home page of remote e-voting opens. Click on remote e-voting: Active Voting Cycles.
    - (vii) Select "REVEN" of Nestlé India Limited.
    - (viii) Now you are ready for remote e-voting as Cast Vote page opens.
    - (ix) Cast your vote by selecting appropriate option and click on "Submit" and Remember to "Confirm" when prompted.
    - (x) Upon confirmation, the message "Vote cast successfully" will be displayed.
    - (xi) Once you have voted on the resolution, you will not be allowed to modify your vote.
    - (xii) Institutional shareholders (i.e. other than individuals, HUF, NRI etc.) are required to send scanned copy (PDF/JPG Format) of the relevant Board Resolution/ Authorization letter etc. together with attested specimen signature of the duly authorized signatory(ies) who is/are authorized to vote, to the Scrutinizer through 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)
  - B. In case a Member receives physical copy of the Notice of AGM [for members whose email IDs are not registered with the Company/ Depository Participants(s) or requesting physical copy] :
    - (i) The Initial password is provided as below/at the bottom of the Attendance Slip for the AGM :  
REVEN (Remote e-voting Event Number) USER ID \_\_\_\_\_ PASSWORD/PIN \_\_\_\_\_
    - (ii) Please follow all steps from Sl. No. (ii) to Sl. No. (xii) above, to cast vote.
- VII. 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 Mr. Amit Vishal, Senior Manager, National Securities Depository Ltd., Trade World, 'A' Wing, 4th Floor, Kamala Mills Compound, Senapati Bapat Marg, Lower Parel, Mumbai – 400 013, at the designated email IDs: [evoting@nsdl.co.in](mailto:evoting@nsdl.co.in) or [AmitV@nsdl.co.in](mailto:AmitV@nsdl.co.in) or at telephone nos. +91 22 2499 4600/ +91 22 2499 4360 who will also address the grievances connected with the voting by electronic means. Members may also write to the Company Secretary at the email ID: [investor@in.nestle.com](mailto:investor@in.nestle.com) or contact at telephone no. 011-23418891.
- VIII. 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 Password' option available on the site to reset the password.
- IX. If you are already registered with NSDL for remote e-voting then you can use your existing user ID and password/PIN for casting your vote.
- X. 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 5<sup>th</sup> May, 2016.
- XI. Any person, who acquires shares of the Company and become member of the Company after dispatch of the Notice of AGM and holding shares as of the cut-off date i.e. 5<sup>th</sup> May, 2016, 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" option available on [www.evoting.nsdl.com](http://www.evoting.nsdl.com).

- XII. 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 as well as voting at the AGM through ballot paper.
  - XIII. 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.
  - XIV. 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 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.
  - XV. 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 three days of the conclusion of the AGM, a consolidated scrutinizer's report of the total votes cast in favour or against, if any, to the Chairman or a person authorized by him in writing, who shall countersign the same and declare the result of the voting forthwith.
  - XVI. The Results declared alongwith 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 immediately after the declaration of result 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 and the Explanatory Statement shall be open for inspection at the Registered Office of the Company during normal business hours (9:00 am to 5:00 pm) on all working days except Saturdays, up to and including the date of the Annual General Meeting of the Company.

#### **I. EXPLANATORY STATEMENT IN RESPECT OF THE SPECIAL BUSINESS PURSUANT TO SECTION 102 OF THE COMPANIES ACT, 2013**

##### **Item No. 5**

The Board, on the recommendation of the Audit Committee, has approved at their Meeting held on 12<sup>th</sup> February, 2016 the appointment of M/s. Ramanath Iyer and Co., Cost Accountants, New Delhi (Registration No. 00019), as Cost Auditors to conduct the audit of the cost records of the Company pertaining to milk powder products covered by Central Excise Tariff Act heading 0402, manufactured by the Company for the financial year ending 31<sup>st</sup> December, 2016 at a remuneration of ₹ 175,000/- plus out of pocket expenses and applicable service tax.

In accordance with the provisions of Section 148 of the Companies Act, 2013 read with the Companies (Audit and Auditors) Rules, 2014, 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 for ratification of remuneration payable to the Cost Auditors for the financial year ending 31<sup>st</sup> December, 2016.

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 under Item No. 5 as an ordinary resolution.

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

The Board of Directors, on the recommendation of Nomination and Remuneration Committee, appointed Dr. Rakesh Mohan as an Additional Director with effect from 1<sup>st</sup> May, 2016 under Section 161(1) of the Companies Act, 2013 and Article 127 of the Articles of Association of the Company and as an Independent Non-Executive Director of the Company under Section 149 of the Companies Act, 2013 to hold office upto 30<sup>th</sup> June, 2020. His appointment is subject to the approval of the members. The Company has received a notice from a member proposing Dr. Rakesh Mohan as a candidate for the office of Director of the Company.

Dr. Rakesh Mohan was on Board of the Company as an Independent Non-Executive Director from April, 2010 to October, 2012. He relinquished office of Director of the Company consequent to his appointment as Executive Director at the International Monetary Fund, Washington, D.C., United States representing India, Sri Lanka, Bangladesh and Bhutan.

Dr. Mohan received BA in Economics from Yale University. He is also a Bachelor of Science in Electrical Engineering from Imperial College of Science and Technology, University of London. He got his Masters Degree and Doctorate in Economics from Princeton University, New Jersey, United States.

Dr. Rakesh Mohan is one of India's senior-most economic policymakers and an expert on central banking, monetary policy, infrastructure and urban affairs. He is a former Deputy Governor of the Reserve Bank of India. As Deputy Governor he was in charge of monetary policy, financial markets, economic research and statistics. In addition to serving in various posts for the Indian government, including representing India in a variety of international forums such as Basel and G20, he has worked for the World Bank and headed prestigious research institutes. Dr. Mohan has written extensively on urban economics, urban development and Indian economic policy reforms.

Dr. Rakesh Mohan is a Director in Mahindra United World College of India.

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

Dr. Mohan has given a declaration that he meets the criteria of independence as provided in Section 149(6) of the Companies Act, 2013.

In the opinion of the Board, Dr. Mohan fulfils the conditions specified in the Companies Act, 2013, the Companies (Appointment and Qualification of Directors) Rules, 2014 and Regulation 16(b) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations")

for his appointment as an Independent Director of the Company and is independent of the management. Copy of the draft letter for appointment of Dr. Mohan as an Independent Director is available for inspection without any fee by the members at the Registered Office of the Company during normal business hours on any working day, excluding Saturday.

The Board considers that his association would be of immense benefit to the Company and it is desirable to avail services of Dr. Mohan as an Independent Director. Dr. Mohan would bring with him immense experience to the Company in the areas of management, administration and corporate governance. The Retirement Policy for Non-Executive Directors stipulates that new appointees shall retire on the date of the Annual General Meeting to be held after reaching 72 years. Accordingly, the Board recommends the resolution in relation to appointment of Dr. Rakesh Mohan as an Independent Director for period upto 30<sup>th</sup> June, 2020, for the approval by the members of the Company.

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

This Explanatory Statement may also be regarded as a disclosure under Regulation 36 of the Listing Regulations.

**II. DETAILS OF DIRECTORS SEEKING APPOINTMENT/ RE-APPOINTMENT AS REQUIRED UNDER REGULATION 36 OF THE LISTING REGULATIONS:****Re-appointment of Mr. Shobinder Duggal (Item No. 3)**

In terms of Section 152(6) of the Companies Act, 2013, Mr. Shobinder Duggal shall retire by rotation at the forthcoming Annual General Meeting (AGM) and being eligible offers himself for re-appointment.

Mr. Shobinder Duggal 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, 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 30 years of work experience with Nestlé. Before his current position, he handled various responsibilities in Nestlé India Limited, including Vice President Corporate Control, Head of Internal Audit and some important assignments at the Nestlé Group Headquarters in Switzerland. He is also on the Board of Nestlé Lanka PLC since January 2014.

He is the Chairman of the Risk Management Committee and member of the Stakeholders Relationship Committee of Nestlé India Limited.

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 erstwhile Section 301 of the Companies Act, 1956 and Mr. Duggal being an appointee, none of the Directors and Key Managerial Personnel of the Company and their relatives is concerned or interested, financially or otherwise, in the resolution set out at Item No. 3. 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.

**Appointment of Dr. Rakesh Mohan (Item No. 6)**

For the details of Dr. Rakesh Mohan, please refer to the above Explanatory Statement in respect of the Special Business set out at Item No. 6 of the Notice of Annual General Meeting pursuant to Section 102 of the Companies Act, 2013.

By Order of the Board

Date : 28<sup>th</sup> March, 2016  
Place : Gurgaon

B. Murli  
Senior Vice President – Legal  
& Company Secretary

## ROUTE MAP

